KONECRANES
Lifting Businesses™

Adjusted EBITA improved in 2017, successful year of integration

Financial Statement Release 2017

Q4

Adjusted EBITA improved in 2017, successful year of integration

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

FOURTH QUARTER HIGHLIGHTS

(COMPARISON TO COMBINED COMPANY FIGURES*)

- Order intake EUR 732.6 million (921.5), -20.5 percent
- Order book EUR 1,535.8 million (1,507.7) at end-December, +1.9 percent
- Sales EUR 910.0 million (971.0), -6.3 percent
- Adjusted EBITA EUR 79.9 million (85.7), 8.8 percent of sales (8.8)

DEMAND OUTLOOK

Demand situation for industrial cranes, hoists and service in Europe is stable within the industrial customer segments. Business activity in the North American manufacturing industry remains mixed. Demand in Asia-Pacific is showing signs of improvement. Global container throughput growth has improved and the prospects for the small and medium-sized orders related to container handling have strengthened.

FULL-YEAR 2017 HIGHLIGHTS

(COMPARISON TO COMBINED COMPANY FIGURES*)

- Order intake EUR 3,007.4 million (3,025.3), -0.6 percent
- Sales EUR 3,136.4 million (3,278.4), -4.3 percent
- Adjusted EBITA EUR 216.2 million (184.1), 6.9 percent of sales (5.6)

FULL-YEAR 2017 HIGHLIGHTS

(COMPARISON TO HISTORICAL KONECRANES FIGURES*)

- Order intake EUR 3,007.4 million (1,920.7), +56.6 percent
- Order book EUR 1,535.8 million (1,038.0) at year-end, +48.0 percent
- Sales EUR 3,136.4 million (2,118.4), +48.1 percent
- Adjusted EBITA EUR 216.2 million (144.8), 6.9 percent (6.8) of sales
- Operating profit EUR 318.3 million (84.9), 10.1 percent of sales (4.0)
- Earnings per share (diluted) EUR 2.88 (0.64)
- Free cash flow EUR 224.4 million (83.9)
- Net debt EUR 525.3 million (129.6) and interest-bearing net debt to equity 41.1 percent (29.1).
- Dividend proposed by the Board of Directors is EUR 1.20 (1.05) per share

FINANCIAL GUIDANCE

The sales in 2018 are expected to be approximately on the same level or higher than in 2017. We expect the adjusted EBITA margin to improve in 2018.

**This Report contains comparisons to both the Konecranes' historical figures and the combined company figures. Historical figures relate to Konecranes' stand-alone financial information as reported for 2016 (including the divested STAHL CraneSystems business).*

To provide a basis for comparison, this Report also contains, under separate headings, the comparisons to combined company's financial information on an unaudited basis estimated by the management for 2016. This financial information has been prepared to reflect the financial results of the combined company as if it had been operating as such for the full financial year 2016. The comparable combined company's operations comprise Konecranes' operations without the divested STAHL CraneSystems business, but include the acquired MHPS business. See "Basis of preparation for comparable combined company" for further information.

Comparable combined company's financial information applies an assumed situation and does not therefore reflect the true financial position or the result of the company during 2016. The previous year's order book for MHPS included deliveries for the next 12 months only.

Key figures

COMPARISONS TO HISTORICAL FIGURES

	Fourth quarter			January–December		
	10–12/2017	**10–12/2016**	**Change %**	**1–12/2017**	**1–12/2016**	**Change %**
Orders received, MEUR	732.6	595.1	23.1	3,007.4	1,920.7	56.6
Order book at end of period, MEUR				1,535.8	1,038.0	48.0
Sales total, MEUR	910.0	613.3	48.4	3,136.4	2,118.4	48.1
Adjusted EBITDA, MEUR [1)]	97.2	64.8	50.1	288.8	191.6	50.7
Adjusted EBITDA, % [1)]	10.7%	10.6%		9.2%	9.0%	
Adjusted EBITA, MEUR [2)]	79.9	53.1	50.5	216.2	144.8	49.3
Adjusted EBITA, % [2)]	8.8%	8.7%		6.9%	6.8%	
Adjusted operating profit, MEUR [1)]	70.7	52.1	35.6	177.6	140.8	26.1
Adjusted operating margin, % [1)]	7.8%	8.5%		5.7%	6.6%	
Operating profit, MEUR	55.4	31.0	78.8	318.3	84.9	275.0
Operating margin, %	6.1%	5.0%		10.1%	4.0%	
Profit before taxes, MEUR	44.7	25.4	75.8	275.6	62.1	344.1
Net profit for the period, MEUR	21.8	10.8	101.4	225.0	37.6	499.0
Earnings per share, basic, EUR	0.26	0.18	42.4	2.88	0.64	351.0
Earnings per share, diluted, EUR	0.26	0.18	42.4	2.88	0.64	351.0
Interest-bearing net debt/Equity, %				41.1%	29.1%	
Net debt/Adjusted EBITDA [1)]				1.8	0.7	
Return on capital employed, %				23.7%	10.3%	
Adjusted return on capital employed, % [3)]				15.4%	19.2%	
Free cash flow, MEUR	58.0	54.1		224.4	83.9	
Average number of personnel during the period				15,519	11,398	36.2

COMPARISONS TO COMBINED COMPANY FIGURES

	Fourth quarter			January–December		
	10–12/2017	**10–12/2016**	**Change %**	**1–12/2017**	**1–12/2016**	**Change %**
Orders received, MEUR	732.6	921.5	-20.5	3,007.4	3,025.3	-0.6
Order book at end of period, MEUR				1,535.8	1,507.7	1.9
Sales total, MEUR	910.0	971.0	-6.3	3,136.4	3,278.4	-4.3
Adjusted EBITDA, MEUR [1)]	97.2	105.3	-7.7	288.8	258.9	11.5
Adjusted EBITDA, % [1)]	10.7%	10.8%		9.2%	7.9%	
Adjusted EBITA, MEUR [2)]	79.9	85.7	-6.7	216.2	184.1	17.5
Adjusted EBITA, % [2)]	8.8%	8.8%		6.9%	5.6%	
Average number of personnel during the period				16,748	17,760	-5.7

1) Excluding adjustments, see also note 12 in the summary financial statements
2) Excluding adjustments and purchase price allocation amortization, see also note 12 in the summary financial statements
3) ROCE excluding adjustments, see also note 12 in the summary financial statements

President and CEO Panu Routila:

”2017 was an eventful year for Konecranes. The highlight of the year was obviously the successful completion of the MHPS acquisition back in January 2017. We were very well prepared from Day 1 of the combined operations of Konecranes and MHPS. We have had a fully-fledged integration program set up, incorporating altogether 400 initiatives with a rigorous system for follow-up. In 2017, we achieved cost synergies of approximately EUR 20 million related to the MHPS acquisition.

We have been able to maintain customer focus and I am proud to say that our day-to-day operations have not been too much distracted. We have also seen the first signs of cross-promotion of the expanded product offering boosting Port Solutions order intake. Its orders received increased from 2016, despite the comparison year including the over EUR 200 million order from the USA. Our result improvement was strong in 2017 – the Group’s adjusted EBITA rose from 184 million to EUR 216 million on a comparable basis – as the restructuring actions in 2016 and the MHPS synergy benefits supported profitability as expected. The adjusted EBITA margin for full-year 2017 was 6.9 percent (5.6). The focus of the management and the Board has been on the improvement in EBITA margin, in particular.

Our fourth-quarter result came in line with our expectations. While the clear profitability improvement continued in Business Area Industrial Equipment, Business Area Port Solutions faced tough comparisons in terms of the adjusted EBITA. Coupled with negative currency exchange rate effect in Service, the Group’s adjusted fourth-quarter EBITA of EUR 79.9 million was slightly lower than the previous year’s EUR 85.7 million as we expected. However, the adjusted EBITA margin remained stable at 8.8 percent on a comparable combined company basis.

The comparable combined company orders received in the fourth quarter decreased by 20.5 percent year-on-year. This was driven by Business Area Port Solutions as the comparison period included the order from the Virginia Port Authority worth over EUR 200 million. Excluding the aforementioned item, Port Solutions order intake increased. The small decline in Business Area Service and Business Area Industrial order intake was attributable to negative currency exchange rate effect. It was positive to note that Business Area Service order intake grew by 3.3 percent at comparable currency exchanges rates. Furthermore, our crane component orders grew strongly in the Americas and EMEA.

The Group sales in the fourth quarter were 6.3 percent below the previous year on a comparable combined company basis. As expected, the decrease in the Business Area Port Solutions’ sales related to the timing of deliveries and exceptionally high sales of certain products in the comparison period. The sales in Business Area Service and Business Area Industrial Equipment were affected by negative currency exchange rate effect, similar to order intake.

In the past months, we have been laying the ground for growth initiatives for 2018. Group’s order book was up 1.9 percent, or up 6.1 percent at comparable currency exchange rates, at the end of 2017. On the other hand, assuming that the current spot currency exchange rates will prevail for the rest of 2018, we expect a negative impact of approximately 3 percent on sales from the currency exchange rate changes.

We expect the incremental MHPS acquisition-related synergy benefits of EUR 40–50 million to be visible in the P&L in 2018. At the same time, we are planning additional spending of approximately EUR 15 million in IT and R&D to enable harmonized processes within the company and secure our long-term competitiveness. On the other hand, we expect savings of EUR 12 million in net interests related to financing facilities as a result of refinancing the loans that was carried out in 2017.

In conclusion, I think we have a good starting point to improve our performance further in 2018 and to make progress towards our financial targets for 2020. While delivering the synergy benefits of the MHPS acquisition remains our top priority, we are now increasingly geared up for growth.”

2017 Board of Directors' report

COMPARISONS TO HISTORICAL AND COMBINED COMPANY'S FIGURES

This Report contains comparisons to both the Konecranes' historical figures and the combined company figures. Historical figures relate to Konecranes' stand-alone financial information as reported in 2016 (including the divested STAHL CraneSystems business).

To provide a basis for comparison, this Report also contains, under separate headings, the comparisons to combined company's financial information on an unaudited basis estimated by the management for 2016. This financial information has been prepared to reflect the financial results of the combined company as if it had been operating as such for the full financial year 2016. The comparable combined company's operations comprise Konecranes' operations without the divested STAHL CraneSystems business, but include the acquired MHPS business. See "Basis of preparation for comparable combined company" for further information.

Comparable combined company's financial information applies to an assumed situation and does not therefore reflect the true financial position or the result of the company during 2016. The previous year's order book for MHPS included deliveries for the next 12 months only.

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

MARKET REVIEW

The J.P.Morgan Global Manufacturing Purchasing Managers' Index (PMI) signaled a solid and steady improvement in the manufacturing operating conditions in 2017. At the end of the year, global manufacturing production expanded at the fastest pace since early 2011. There was also a bounce in international trade flows as the growth of new export business hit a near seven-year high. Developed countries, on average, tended to outperform emerging markets.

The euro area remained a bright spot within the global manufacturing sector. Its PMI rose to a near record high level, with the growth improving across the countries. Outside the Eurozone, the performance of the UK and particularly Swedish manufacturing sectors remained strong in 2017, as well. Correspondingly, the European Union manufacturing capacity utilization rate continued to improve and was near its ten-year high at the end of 2017.

Similar to Europe, the economic activity in the U.S. manufacturing sector, measured by the PMI, has clearly expanded in 2017. However, the U.S. total industrial capacity utilization rate improved only marginally after having declined since the end of 2014 and it indicated that slack capacity remained in the industry.

Compared to the previous year, PMIs also rose in the BRIC countries, but the rate of expansion remained more modest than in Europe or the U.S. Brazil saw a clear positive turnaround, and it emerged from its two-year long recession in 2017. On the other hand, the operating conditions Chinese, Indian, and Russian manufacturing sectors improved only at a marginal pace.

The recovery of the world's containerized trade in 2017 turned out to be much greater than what was expected in the beginning of the year. The global container throughput increased by approximately 6 percent on a year-on-year basis in 2017.

Regionally, the volumes in Asia, which represents more than a half of the global container traffic, rebounded on most of the trade routes after two weak years. Container volumes from Asia to North American East Coast grew particularly strongly as the widening of the Panama Canal has supported traffic above expectations. In addition, the volumes in the Mediterranean ports clearly increased thanks to the improved economic growth in Southern Europe. The container traffic in the Middle East suffered from low oil prices and tensions in the region.

The average raw material prices, including steel, copper, and oil were above the previous year's level in 2017. The EUR/USD exchange rate was volatile during the period as it depreciated in the first half, but then appreciated in the second half compared to the previous year.

ORDERS RECEIVED

In 2017, the orders received totaled EUR 3,007.4 million (1,920.7), representing an increase of 56.6 percent mainly due to the MHPS acquisition. Orders received increased by 32.7 percent in Service, by 37.2 percent in Industrial Equipment, and by 98.0 percent in Port Solutions compared to the year before. Orders received grew in all regions.

Comparison to combined company figures

Orders received in January–December fell by 0.6 percent to EUR 3,007.4 million (3,025.3). The order intake decline was attributable to changes in the currency exchange rate. Orders received increased by 1.1 percent in Port Solutions, but decreased by 1.5 percent in Service and by 1.9 percent in Industrial Equipment compared to the year before. Orders received grew in EMEA and APAC, but were lower in the Americas.

Orders received in the fourth quarter totalled EUR 732.6 million (921.5), representing a decrease of 20.5 percent. Orders received decreased by 1.5 percent in Service, by 3.8 percent in Industrial Equipment, and by 39.4 percent in Port Solutions compared to the year before. In Port Solutions, the comparison period included the order from the Virginia Port Authority worth over EUR 200 million. Orders received grew in EMEA, but were lower in the Americas and in APAC.

ORDERS RECEIVED AND NET SALES, MEUR

(Comparisons to historical figures)

	10–12/ 2017	10–12/ 2016	Change percent	Change % at comparable currency rates	1–12/ 2017	1–12/ 2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	732.6	595.1	23.1	24.8	3,007.4	1,920.7	56.6	58.2
Net sales, MEUR	910.0	613.3	48.4	50.8	3,136.4	2,118.4	48.1	49.6

ORDERS RECEIVED AND NET SALES, MEUR

(Comparisons to comparable combined company figures)

	10–12/ 2017	10–12/ 2016	Change percent	Change % at comparable currency rates	1–12/ 2017	1–12/ 2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	732.6	921.5	-20.5	-18.4	3,007.4	3,025.3	-0.6	0.3
Net sales, MEUR	910.0	971.0	-6.3	-3.2	3,136.4	3,278.4	-4.3	-3.4

ORDER BOOK

The value of the order book at year-end 2017 totaled EUR 1,535.8 million (1,038.0), which was 48.0 percent higher than at the end of 2016. Order book increased by 24.0 percent in Service, by 31.9 percent in Industrial Equipment, and by 69.2 percent in Port Solutions.

Comparison to combined company figures

The value of the order book at the end of December totaled EUR 1,535.8 million (1,507.7), which was 1.9 percent higher than in the previous year. Order book increased by 6.1 percent in Port Solutions, but decreased by 2.1 percent in Service, and by 2.6 percent in Industrial Equipment. The order book decline in Service and Industrial Equipment was attributable to the currency exchange rate changes. The previous year's order book for MHPS included deliveries for the next 12 months only.

SALES

Group sales in the full-year 2017 increased by 48.1 percent and totaled EUR 3,136.4 million (2,118.4). Sales in Service rose by 28.8 percent, in Industrial Equipment by 34.8 percent, and in Port Solutions by 79.7 percent.

In 2017, the regional breakdown was as follows: EMEA 52 (47), Americas 31 (38), and APAC 17 (15) percent.

Comparison to combined company figures

Group sales in January–December decreased by 4.3 percent to EUR 3,136.4 million (3,278.4). Sales fell in Service by 3.0 percent, in Industrial Equipment by 1.1 percent, and in Port Solutions by 10.6 percent.

Group sales in the fourth quarter decreased by 6.3 percent to EUR 910.0 million (971.0). Sales fell in Service by 3.9 percent, in Industrial Equipment by 2.0 percent, and in Port Solutions by 11.0 percent.

FINANCIAL RESULT

In January–December, the adjusted EBITA increased by EUR 71.4 million to EUR 216.2 million (144.8). The Group adjusted EBITA improved mainly thanks to the MHPS acquisition and cost-saving measures implemented in 2016–2017. On the other hand, the divestment of STAHL CraneSystems negatively affected the adjusted EBITA by approximately EUR 24 million. The adjusted EBITA margin was 6.9 percent (6.8). The adjusted EBITA margin in Service improved to 13.7 percent (11.0) and in Industrial Equipment to 3.1 percent (1.9), but fell in Port Solutions to 4.6 (9.3).

In January–December, the adjusted operating profit increased by EUR 36.8 million to EUR 177.6 million (140.8). The adjusted operating margin fell to 5.7 percent (6.6). The adjusted operating margin declined due to the amortization arising from the purchase price allocations for acquisitions.

The consolidated operating profit in full-year 2017 totaled EUR 318.3 million (84.9). The operating profit includes adjustments of EUR 140.7 million (-55.9) comprising of capital gain of EUR 218.4 million (0.0) from the divestment of STAHL CraneSystems, restructuring costs of EUR 65.6 million (19.2), transaction costs of EUR 4.9 million (47.0) related to the MHPS acquisition, and cost of EUR 7.3 million (0.0) related to the MHPS purchase price allocated to inventories. The increase in the restructuring costs was related to the integration of the MHPS acquisition, which has resulted in plant closures and personnel reductions in several countries, such as China, India, Italy, and the U.S. The previous year's operating profit included insurance indemnity of EUR 10.2 million.

In 2017, the depreciation and impairments totaled EUR 117.0 million (53.7). This included restructuring related impairments of EUR 5.8 million (2.8). The amortization arising from the purchase price allocations for acquisitions represented EUR 38.6 million (4.0) of the depreciation and impairments.

In 2017, the share of the result of associated companies and joint ventures was EUR 3.3 million (6.0). Previous year's EUR 5.8 million gain on disposal of investment in associated company related to the sale of shares in Kito Corporation.

In January–December, financial income and expenses totaled EUR -46.0 million (-34.6). Net interest expenses accounted for EUR 29.8 million (9.9) of this.

The January–December profit before taxes was EUR 275.6 million (62.1).

The income taxes in January–December were EUR 50.6 million (24.5). The Group's effective tax rate was 18.4 percent (39.5). A new tax reform legislation has come into effect in the USA, which includes, among other things, a reduction in the U.S. federal corporate income tax rate from 35 percent to 21 percent from the beginning of the tax year 2018 and one-time tax expense for undistributed profits on overseas assets for U.S. companies. Due to the tax reform, a reduction in deferred tax assets of approximately EUR 11.6 million and a corresponding tax expense as a change in the deferred taxes was booked in 2017. In addition, the Group has recorded EUR 2.9 million tax expense and current tax liability of undistributed profits on overseas assets for U.S. companies.

The January–December net profit was EUR 225.0 million (37.6).

In 2017, the basic earnings per share were EUR 2.88 (0.64) and diluted earnings per share were EUR 2.88 (0.64).

In 2017, the return on capital employed was 23.7 percent (10.3) and return on equity 26.1 percent (8.3). The adjusted return on capital employed was 15.4 percent (19.2).

Comparison to combined company figures

In January–December, the consolidated adjusted EBITA increased by EUR 32.1 million to EUR 216.2 million (184.1). The adjusted EBITA margin improved to 6.9 percent (5.6). Despite the decrease in sales, the Group adjusted EBITA improved mainly thanks to the cost-saving measures implemented in 2016–2017, as well as successful delivery execution. Gross margin improved and fixed costs were lower on a year-on-year basis. The adjusted EBITA margin in Service improved to 13.7 percent (12.6), in Industrial Equipment to 3.1 percent (-0.5), but declined in Port Solutions to 4.6 (4.8).

In the fourth quarter, the consolidated adjusted EBITA decreased by EUR 5.8 million to EUR 79.9 million (85.7). The adjusted EBITA margin remained unchanged at 8.8 percent (8.8). The adjusted EBITA declined due to lower sales, although the gross margin improved. The adjusted EBITA margin in Industrial Equipment improved to 5.5 percent (3.0), but declined in Service to 15.2 percent (15.3), and in Port Solutions to 5.3 (8.2).

BALANCE SHEET

The year-end 2017 consolidated balance sheet amounted to EUR 3,562.9 million (1,529.9). Total equity at the end of the reporting period was EUR 1,279.4 million (445.5). Total equity attributable to equity holders of the parent company at year-end 2017 was EUR 1,256.9 million (445.4) or EUR 15.96 per share (7.58).

The subscription price of the 19,600,000 new class B shares issued to Terex Corporation related to the MHPS acquisition amounted to EUR 686.2 million. This was recorded in full in the fund for invested unrestricted equity.

Net working capital at year-end 2017 totaled EUR 325.2 million (304.3).

CASH FLOW AND FINANCING

Net cash flow from the operating activities in full-year 2017 was EUR 249.4 million (109.6). The cash flow improved due to the improved financial results and release of the net working capital.

Cash flow before financing activities was EUR -292.6 million (131.4). This included acquisitions of EUR –733.2 million (-0.2), divestments of EUR + 213.4 million (0.0), and capital expenditures of EUR -28.7 million (-27.3).

Interest-bearing net debt was EUR 525.3 million (129.6) at the end of 2017. The equity to assets ratio was 39.2 percent (32.9) and the interest-bearing net debt to equity ratio 41.1 percent (29.1).

On January 4, 2017, Konecranes raised loans of EUR 1,052 million related to the MHPS acquisition. The forgoing included a syndicated EUR 300 million term loan with a tenor of three years, EUR 600 million amortizing term loan with a tenor of five years, and a EUR 152 million bridge term loan. All these loans have been repaid or refinanced by the end of 2017.

On June 2, 2017, Konecranes announced that it issues senior unsecured guaranteed notes in the amount of EUR 250 million (the "Notes"). The Notes mature on June 9, 2022. The Notes bear a fixed annual coupon of 1.750 percent. Public trading on the Notes commenced on July 7, 2017, on Nasdaq Helsinki Ltd's bond list under the trading code KCRJ175022.

On November 17, 2017, Konecranes announced that the company has signed a Schuldschein loan agreement in the amount of EUR 150 million. The loan has floating and fixed rate tranches with maturities of four and seven years. On November 22, 2017, Konecranes announced that it has signed a new EUR 150 million five-year bank term loan.

On December 21, 2017, Konecranes announced that the company has signed a EUR 400 million five-year revolving credit facility with two 12-month extension options. The committed credit facility refinanced the existing EUR 400 million facility signed in August 2016.

At the end of 2017, cash and cash equivalents amounted to EUR 233.1 million (167.4). None of the Group's EUR 400 million committed back-up financing facilities were in use at the end of the period.

In April 2017, Konecranes paid dividends to its shareholders that amounted to EUR 82.3 million or EUR 1.05 per share.

CAPITAL EXPENDITURE

In 2017, the capital expenditure, excluding acquisitions and joint arrangements, amounted to EUR 35.7 million (33.8). This amount consisted of investments in machinery, equipment, properties, and information technology.

ACQUISITIONS AND DIVESTMENTS

In January–December 2017, the capital expenditure for acquisitions and joint arrangements was EUR 1,482.0 million (0.0).

On May 16, 2016, Konecranes signed an agreement (the ”Stock and Asset Purchase Agreement”) to acquire from Terex Corporation (“Terex”) its Material Handling & Port Solutions (”MHPS”) segment (the ”MHPS acquisition”) against consideration consisting of cash and shares and to terminate the previously announced business combination agreement. On January 4, 2017, Konecranes completed the MHPS acquisition and paid EUR 795.8 million in cash and 19.6 million in newly issued Konecranes class B shares worth EUR 686.2 million.

MHPS is a leading supplier of the industrial cranes, crane components, and services under the Demag brand, as well as the port technology with a broad range of the manual, semi-automated and automated solutions under several brands, such as Gottwald. According to unaudited special purpose carve-out financial information (USGAAP), the sales of MHPS were USD 1,418 million (EUR 1,280 million) and the adjusted EBITDA was USD 104 million (EUR 94 million) in 2016.

Konecranes expects to implement EBIT level synergies of EUR 140 million p.a. on a run-rate basis by the end of 2019. One-time integration expenses are expected to be EUR 130 million during 2017–2019, with the expected capex of EUR 60 million.

On November 30, 2016, Konecranes signed an agreement with Columbus McKinnon Corporation (“Columbus McKinnon”) regarding the divestment of the STAHL CraneSystems business (“STAHL divestment”). On January 31, 2017, Konecranes completed the STAHL divestment. Konecranes received cash proceeds of EUR 232.2 million from the transaction. Additionally, Columbus McKinnon assumed unfunded pension liabilities that were at EUR 67 million as of December 31, 2016. Konecranes reported a pre-tax capital gain of EUR 218.4 million from the STAHL divestment in other operating income in 2017.

STAHL CraneSystems is a global supplier of the hoisting technology and crane components. The business is well known for its capability to build engineered system solutions. Its customers include distributors, crane builders, as well as EPC companies. STAHL CraneSystems is headquartered in Künzelsau, Germany.

On March 7, 2017, Konecranes agreed to divest Sanma Hoists & Cranes Co., Ltd (“Sanma”) to Jingjiang Hongcheng Crane Components Manufacturing Works. The agreement included Sanma’s manufacturing machinery for CD/MD hoists and related inventory. Konecranes reported a pre-tax capital gain of EUR 0.1 million in other operating income in 2017. With this divestment, Konecranes streamlined its product and brand portfolio in Chinese market due to its earlier acquisition of MHPS.

On December 21, 2017, Konecranes divested Morris Middle East Ltd, including the 49-percent shareholding in Eastern Morris Cranes Ltd held by the company, to Columbus McKinnon Corporation. The transaction was related to the earlier divestiture of Stahl CraneSystems. Konecranes received cash proceeds of EUR 2.8 million from the transaction and did not record any loss or profit from this disposal.

PERSONNEL

In January–December, the Group employed an average of 15,519 people (11,398). On December 31, the headcount was 16,371 (10,951). In January 2017, the Group’s personnel increased by approximately 6,000 people in total because of the MHPS acquisition and the divestments of STAHL CraneSystems and Sanma. Since the completion of the MHPS acquisition, the Group’s personnel has decreased by approximately 730 employees on a comparable basis.

At year-end 2017, the number of personnel by Business Area was as follows: Service 7,206 employees (5,749), Industrial Equipment 6,024 employees (4,353), Port Solutions 3,067 employees (789), and Group staff 74 (60). The Group had 9,920 employees (5,842) working in EMEA, 3,205 (2,704) in the Americas, and 3,246 (2,405) in the APAC region.

In 2017, the Group’s personnel expenses totaled EUR 1,004.2 million (658.3).

NEW FINANCIAL TARGETS

On November 6, 2017, Konecranes announced new post-integration financial targets. The targets are Group sales growth (CAGR) of 5 percent in 2018–2020, Group adjusted EBITA margin of 11 percent in 2020, and interest-bearing net debt to equity ratio (gearing) below 80 percent.

The Group’s adjusted EBITA margin target for 2020 is based on the targeted annual sales growth during 2018–2020 and the previously announced MHPS acquisition-related cost synergies of EUR 140 million.

BUSINESS AREAS

Following the MHPS acquisition, Konecranes reports three business areas as of January 1, 2017: Service, Industrial Equipment, and Port Solutions. The new Business Area Service includes only the operations relating to the industrial service and component parts. The new Business Area Industrial Equipment includes the operations relating to the industrial cranes and components. The new Business Area Port Solutions comprises all port cranes and lift trucks operations including service and parts businesses relating thereto. The previous year’s segment information has been recast to correspond to the new reporting segments.

SERVICE

(Comparisons to historical figures)

	10–12/ 2017	10–12/ 2016	Change percent	Change % at comparable currency rates	1–12/ 2017	1–12/ 2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	236.8	179.0	32.3	35.6	966.3	727.9	32.7	34.4
Order book, MEUR	196.0	158.1	24.0		196.0	158.1	24.0	
Agreement base value, MEUR	231.4	199.1	16.2		231.4	199.1	16.2	
Net sales, MEUR	321.4	254.3	26.4	29.3	1,178.0	914.8	28.8	30.3
Adjusted EBITA, MEUR [1)]	48.8	35.1	38.9		160.9	100.2	60.6	
Adjusted EBITA, % [1)]	15.2%	13.8%			13.7%	11.0%		
Purchase price allocation amortization, MEUR	-3.1	-0.3	926.3		-12.9	-1.3	884.6	
Adjustments,MEUR	-0.5	-2.7	-81.7		-8.7	-8.7	-0.2	
Operating profit (EBIT), MEUR	45.2	32.1	40.9		139.3	90.2	54.5	
Operating profit (EBIT), %	14.0%	12.6%			11.8%	9.9%		
Personnel at the end of period	7,206	5,749	25.3		7,206	5,749	25.3	

In Service, January–December orders received totalled EUR 966.3 million (727.9), showing an increase of 32.7 percent. The order book increased by 24.0 percent to EUR 196.0 million (158.1) from a year before. Sales grew by 28.8 percent to EUR 1,178.0 million (914.8). Sales grew in all regions mainly due to the MHPS acquisition.

The January–December adjusted EBITA was EUR 160.9 million (100.2) and the adjusted EBITA margin 13.7 percent (11.0). The adjusted EBITA margin improved mainly due to the MHPS acquisition and the cost-saving measures implemented in 2016–2017. Operating profit was EUR 139.3 million (90.2) and the operating margin 11.8 percent (9.9).

The total number of equipment included in the maintenance agreement base increased by 35.6 percent to 612,749 (451,880). The annual value of the agreement base increased by 16.2 percent to EUR 231.4 million (199.1).

SERVICE

(Comparisons to combined company figures)

	10–12/ 2017	10–12/ 2016	Change percent	Change % at comparable currency rates	1–12/ 2017	1–12/ 2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	236.8	240.4	-1.5	3.3	966.3	981.4	-1.5	-0.5
Order book, MEUR	196.0	200.3	-2.1		196.0	200.3	-2.1	
Net sales, MEUR	321.4	334.3	-3.9	0.6	1,178.0	1,214.1	-3.0	-2.0
Adjusted EBITA, MEUR [1)]	48.8	51.1	-4.6		160.9	153.4	4.9	
Adjusted EBITA, % [1)]	15.2%	15.3%			13.7%	12.6%		

[1)] Excluding adjustments and purchase price allocation amortization

In Service, January–December orders received decreased by 1.5 percent to EUR 966.3 million (981.4). The order book decreased by 2.1 percent from the year before to EUR 196.0 million (200.3). Sales in the reporting period fell by 3.0 percent to EUR 1,178.0 million (1,214.1). The decrease in sales was largely attributable to the discontinuation of certain underperforming operations and negative currency exchange rate effect. Sales decreased in all regions. Parts sales outperformed field service sales.

The January–December adjusted EBITA was EUR 160.9 million (153.4) and the adjusted EBITA margin 13.7 percent (12.6). The adjusted EBITA improved thanks to the positive sales mix, better productivity, and lower fixed costs.

The fourth-quarter orders received decreased by 1.5 percent to EUR 236.8 million (240.4). At comparable currency exchange rates, orders increased by 3.3 percent from the previous year. Sales in the reporting period fell by 3.9 percent to EUR 321.4 million (334.3). The decrease in sales was attributable to the negative currency exchange rate effect. Sales decreased in the Americas and APAC, whereas the sales were unchanged in EMEA. Field service sales and parts sales performed equally.

The fourth-quarter adjusted EBITA was EUR 48.8 million (51.1) and the adjusted EBITA margin 15.2 percent (15.3). The adjusted EBITA declined due to lower sales.

INDUSTRIAL EQUIPMENT

(Comparisons to historical figures)

	10–12/ 2017	10–12/ 2016	Change percent	Change % at comparable currency rates	1–12/ 2017	1–12/ 2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	285.3	201.0	41.9	44.7	1,127.3	821.5	37.2	38.9
Order book, MEUR	526.9	399.4	31.9		526.9	399.4	31.9	
Net sales, MEUR	313.0	233.1	34.3	36.6	1,118.7	830.1	34.8	36.5
Adjusted EBITA, MEUR [1]	17.2	8.5	103.5		34.6	15.7	121.0	
Adjusted EBITA, % [1]	5.5%	3.6%			3.1%	1.9%		
Purchase price allocation amortization, MEUR	-3.6	-0.3	1,096.0		-14.7	-1.2	1,150.6	
Adjustments,MEUR	-8.6	-1.4	504.4		-23.8	-8.5	179.4	
Operating profit (EBIT), MEUR	5.1	6.7	-25.2		-4.0	6.0	166.7	
Operating profit (EBIT), %	1.6%	2.9%			-0.4%	0.7%		
Personnel at the end of period	6,024	4,353	38.4		6,024	4,353	38.4	

In Industrial Equipment, January–December orders received totalled EUR 1,127.3 million (821.5), showing an increase of 37.2 percent. Orders grew in all regions mainly due to the MHPS acquisition. The order book increased by 31.9 percent from a year ago to EUR 526.9 million (399.4). Sales rose by 34.8 percent to EUR 1,118.7 million (830.1).

The January–December adjusted EBITA was EUR 34.6 million (15.7) and the adjusted EBITA margin 3.1 percent (1.9). The adjusted EBITA margin improved mainly owing to the cost-saving measures implemented in 2016–2017. Operating profit was EUR -4.0 million (6.0) and operating margin -0.4 percent (0.7).

INDUSTRIAL EQUIPMENT

(Comparisons to combined company figures)

	10–12/ 2017	10–12/ 2016	Change percent	Change % at comparable currency rates	1–12/ 2017	1–12/ 2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	285.3	296.7	-3.8	-0.4	1,127.3	1,148.9	-1.9	-0.9
Order book, MEUR	526.9	540.9	-2.6		526.9	540.9	-2.6	
Net sales, MEUR	313.0	319.4	-2.0	1.6	1,118.7	1,130.8	-1.1	-0.1
Adjusted EBITA, MEUR [1]	17.2	9.6	79.7		34.6	-6.1	669.9	
Adjusted EBITA, % [1]	5.5%	3.0%			3.1%	-0.5%		

[1] Excluding adjustments and purchase price allocation amortization

In Industrial Equipment, January–December orders received totalled EUR 1,127.3 million (1,148.9), showing a decrease of 1.9 percent. In total, orders grew in EMEA and APAC, but fell in the Americas. In the Americas, industrial crane orders declined as the comparison period included some unusually large single heavy-duty crane orders; orders for industrial cranes were approximately stable in EMEA and rose in APAC. Crane component orders increased in EMEA and the Americas, but decreased in APAC. The order book decreased by 2.6 percent to EUR 526.9 million (540.9) from a year before. The decrease in order book was attributable to the negative currency exchange rate effect. Sales fell by 1.1 percent to EUR 1,118.7 million (1,130.8).

The January–December adjusted EBITA was EUR 34.6 million (-6.1) and the adjusted EBITA margin 3.1 percent (-0.5). The improvement in adjusted EBITA margin related mainly to the cost-saving measures implemented in 2016–2017, as well as successful deliveries. Gross margin improved and fixed costs were lower on a year-on-year basis.

The fourth-quarter orders received totalled EUR 285.3 million (296.7), showing a decrease of 3.8 percent. The decrease in order intake was largely attributable to the negative currency exchange rate effect. The decrease in orders was related to EMEA and the Americas. Industrial crane orders fell short from the previous year's level, but the crane component orders were roughly on a par. Sales declined by 2.0 percent to EUR 313.0 million (319.4).

The fourth-quarter adjusted EBITA was EUR 17.2 million (9.6) and the adjusted EBITA margin 5.5 percent (3.0). The improvement in adjusted EBITA margin related mainly to the cost-saving measures implemented in 2016–2017, as well as successful deliveries. Gross margin improved and fixed costs were lower on a year-on-year basis.

PORT SOLUTIONS

(Comparisons to historical figures)

	10–12/ 2017	10–12/ 2016	Change percent	Change % at comparable currency rates	1–12/ 2017	1–12/ 2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	255.3	254.8	0.2	0.3	1,056.2	533.4	98.0	98.8
Order book, MEUR	812.9	480.5	69.2		812.9	480.5	69.2	
Net sales, MEUR	312.8	163.0	91.9	92.8	976.0	543.2	79.7	80.7
of which service, MEUR	41.8	16.4	155.0	165.4	161.3	68.3	136.0	138.6
Adjusted EBITA, MEUR [1)]	16.6	16.7	-0.9		44.7	50.5	-11.4	
Adjusted EBITA, % [1)]	5.3%	10.3%			4.6%	9.3%		
Purchase price allocation amortization, MEUR	-2.6	-0.4	589.2		-10.9	-1.5	626.6	
Adjustments,MEUR	-4.1	0.0			-22.2	0.0		
Operating profit (EBIT), MEUR	9.9	16.4	-39.4		11.6	49.0	-76.2	
Operating profit (EBIT), %	3.2%	10.0%			1.2%	9.0%		
Personnel at the end of period	3,067	789	288.7		3,067	789	288.7	

In Port Solutions, January–December orders received totalled EUR 1,056.2 million (533.4), showing an increase of 98.0 percent. Orders grew in all regions mainly due to the MHPS acquisition. The order book increased by 69.2 percent from a year before to EUR 812.9 million (480.5). Sales rose by 79.7 percent to EUR 976.0 million (543.2).

The January–December adjusted EBITA was EUR 44.7 million (50.5) and the adjusted EBITA margin 4.6 percent (9.3). The adjusted EBITA margin decreased mainly due to the MHPS acquisition. Operating profit was EUR 11.6 million (49.0) and operating margin 1.2 percent (9.0).

PORT SOLUTIONS

(Comparisons to combined company figures)

	10–12/ 2017	10–12/ 2016	Change percent	Change % at comparable currency rates	1–12/ 2017	1–12/ 2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	255.3	421.1	-39.4	-39.0	1,056.2	1,045.2	1.1	1.8
Order book, MEUR	812.9	766.4	6.1		812.9	766.4	6.1	
Net sales, MEUR	312.8	351.6	-11.0	-9.6	976.0	1,091.4	-10.6	-9.9
of which Service, MEUR	41.8	40.4	3.5	5.9	161.3	159.6	1.1	1.7
Adjusted EBITA, MEUR [1)]	16.6	28.7	-42.2		44.7	52.7	-15.1	
Adjusted EBITA, % [1)]	5.3%	8.2%			4.6%	4.8%		

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

In Port Solutions, January–December orders received totalled EUR 1,056.2 million (1,045.2), showing an increase of 1.1 percent. Orders grew in EMEA and APAC, but fell in the Americas. Orders increased for the most of products and services. Orders for automated stacking cranes fell as the comparison period included the order from the Virginia Port Authority with the value of the contracts exceeding EUR 200 million. The order book increased by 6.1 percent from a year before to EUR 812.9 million (766.4). Sales fell by 10.6 percent to EUR 976.0 million (1,091.4). The decrease in sales related to the timing of deliveries and exceptionally high sales of certain products in the comparison period.

The January–December adjusted EBITA was EUR 44.7 million (52.7) and the adjusted EBITA margin 4.6 percent (4.8). The adjusted EBITA declined due to lower sales, although the gross margin improved and fixed costs were lower on a year-on-year basis.

The fourth-quarter orders received totalled EUR 255.3 million (421.1), showing a decrease of 39.4 percent. Orders fell in the Americas and APAC, whereas orders grew in EMEA. Orders for rubber-tired and rail-mounted gantry cranes, automated guided vehicles and lift trucks increased. On the other hand, orders for automated stacking cranes fell as the comparison period included the order from the Virginia Port Authority with the value of the contracts exceeding EUR 200 million. Sales fell by 11.0 percent to EUR 312.8 million (351.6). The decrease in sales related to the timing of deliveries and exceptionally high sales of certain products in the comparison period.

The fourth-quarter adjusted EBITA was EUR 16.6 million (28.7) and the adjusted EBITA margin 5.3 percent (8.2). The adjusted EBITA declined due to lower sales and gross margin. Fixed costs were lower on a year-on-year basis.

Group overheads

In January–December, adjusted unallocated Group overhead costs and eliminations were EUR -24.0 million (-21.5) representing -0.8 percent of sales (-1.0). In the fourth quarter, adjusted unallocated Group overhead costs and eliminations were lower than usual due to the post-closing adjustments of the MHPS acquisition and effects of internal margin elimination.

Unallocated Group overhead costs and eliminations in the reporting period were EUR 171.3 million (–60.3) representing 5.5 percent of sales (-2.8). These included a capital gain of EUR 218.4 million (0.0) from the divestment of STAHL CraneSystems, restructuring costs of EUR 18.2 million (2.0), and transaction costs of EUR 4.9 million (47.0) related to the MHPS acquisition. The previous year's unallocated Group overhead costs and eliminations included an insurance indemnity of EUR +10.2 million.

ADMINISTRATION

Changes in the Board of Directors prior to the Annual General Meeting

As approved by the Extraordinary General Meeting held September 15, 2016, the number of members of the Board of Directors increased to ten (10) after the closing of the MHPS acquisition since Terex was entitled to elect up to two members to the Board of Directors as long as Terex's or its Group companies' shareholding in Konecranes exceeded a certain agreed thresholds. On January 5, 2017, Terex nominated David Sachs and Oren Shaffer joined the Board of Directors. The Board of Directors elected Oren Shaffer a member of the Nomination and Compensation Committee and David Sachs a member of the Audit Committee.

Decisions of the Annual General Meeting

The Annual General Meeting of Konecranes Plc was held on March 23, 2017. The meeting approved the Company's annual accounts for the fiscal year 2016, 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 1.05 per share be 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 2018 as follows: Chairman of the Board EUR 140,000, Vice Chairman of the Board EUR 100,000, and other Board Members EUR 70,000. Furthermore, the AGM approved that 50 percent of the annual remuneration be paid in Konecranes shares.

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.

The AGM approved the proposal of the Nomination and Compensation Committee that the number of members of the Board of Directors be eight (8). Mr. Ole Johansson, Ms. Janina Kugel, Mr. Bertel Langenskiöld, Mr. Ulf Liljedahl, Ms. Malin Persson, and Mr. Christoph Vitzthum were re-elected for a term of office ending at the closing of the Annual General Meeting in 2018.

Under § 5 of the Company's Articles of Association, Terex Corporation had the right to appoint two members to the Company's Board of Directors upon written notice to the Company. Terex Corporation appointed Mr. David A. Sachs and Mr. Oren G. Shaffer to the Board of Directors.

The AGM confirmed that Ernst & Young Oy will continue as the Company's auditor for the year ending on December 31, 2017.

The AGM authorized the Board of Directors to decide on the repurchase of the Company's own A or B shares and/or on the acceptance as pledge of the Company's own A or B shares. The amount of own shares to be repurchased and/or accepted as pledge based on this authorization shall not exceed 6,000,000 shares in total. The authorization is effective until the end of the next Annual General Meeting, however no longer than until September 22, 2018.

The AGM authorized the Board of Directors to decide on the issuance of A shares as well as the issuance of special rights entitling to A shares referred to in chapter 10 section 1 of the Finnish Companies Act. The amount of A shares to be issued based on this authorization shall not exceed 6,000,000 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 A shares in total together with the authorization in the next paragraph. The authorization is effective until the end of the next Annual General Meeting, however no longer than until September 22, 2018. However, the authorization for incentive arrangements is valid until March 22, 2022. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting in 2016.

The AGM authorized the Board of Directors to decide on the transfer of the Company's own A shares. The authorization is limited to a maximum of 6,000,000 A shares. The transfer of 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 A shares in total together with the authorization in the previous paragraph. This authorization is effective until the next Annual General Meeting of Shareholders, however no longer than until September 22, 2018. However, the authorization for incentive arrangements is valid until March 22, 2022. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting in 2016.

The AGM authorized the Board of Directors to decide on a directed issuance of A shares without payment needed for the continuation of the Share Savings Plan that the Annual General Meeting 2012 decided to launch.

The Board of Directors is authorized to decide on the issuance of new A shares or on the transfer of own A shares held by the Company to such participants of the Plan who, according to the terms and conditions of the Plan, are entitled to receive free shares, as well as to decide on the issuance of A shares without payment also to the Company itself. The authorization includes a right, within the scope of this Plan, to transfer own A shares currently held by the Company, which have earlier been limited to purposes other than incentive plans. The number of new A shares to be issued or own A shares held by the Company to be transferred may in the aggregate amount to a maximum total of 500,000 shares. The authorization is valid until March 22, 2022. This authorization replaces the authorization for the Share Savings Plan given by the Annual General Meeting in 2016.

The AGM authorized the Board of Directors to decide on donations of up to EUR 200,000 to Aalto University and up to EUR 50,000 to Åbo Akademi University in one or several instalments. The Board of Directors is entitled to decide on designating all or a part of the donations to specific study fields and any other matters concerning the donations. The authorization is effective until the end of the Annual General Meeting in 2018.

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.

The Board of Directors has decided to establish a separate Nomination Committee and a separate Human Resources Committee to replace its prior Nomination and Compensation Committee. In addition, the Board of Directors has an Audit Committee in accordance with the previous practice.

Mr. Ulf Liljedahl was elected Chairman of the Audit Committee and Mr. Ole Johansson, Ms. Malin Persson and Mr. David A. Sachs as Committee members. Mr. Bertel Langenskiöld was elected Chairman of the Human Resources Committee, and Ms. Janina Kugel, Mr. Oren G. Shaffer and Mr. Christoph Vitzthum as Committee members. Mr. Christoph Vitzthum was elected Chairman of the Nomination Committee, and Mr. Ole Johansson and Mr. David A. Sachs as Committee members.

Changes in the Board of Directors after the Annual General Meeting

Due to the Terex Corporation's shareholding falling below 10 percent of all outstanding Konecranes shares in the share sale announced on May 23, 2017, the Terex-appointed members to the Konecranes' Board of Directors Mr. David A. Sachs and Mr. Oren G. Shaffer resigned from the Board of Directors as of May 23, 2017 in accordance with § 5 of the Konecranes' Articles of Association.

Changes in the Board of Directors' Committees

On June 12, 2017, the Board of Directors elected Mr. Ulf Liljedahl as a member of the Nomination Committee. Following the resignation of Mr. David A. Sachs, the members of the Nomination Committee are Mr. Christoph Vitzthum (Chairman), Mr. Ole Johansson, and Mr. Ulf Liljedahl. Following the resignation of Mr. David A. Sachs, the members of the Audit Committee are Mr. Ulf Liljedahl (Chairman), Mr. Ole Johansson, and Ms. Malin Persson. Following the resignation of Mr. Oren G. Shaffer, the members of the Human Resources Committee are Mr. Bertel Langenskiöld (Chairman), Ms. Janina Kugel, and Mr. Christoph Vitzthum.

SHARE CAPITAL AND SHARES

On December 31, 2017, the company's registered share capital totaled EUR 30.1 million. On December 31, 2017, the number of shares including treasury shares totaled 78,921,906. Konecranes has two classes of shares. On December 31, 2017, the number of listed class A shares totaled 78,921,906 while the number of unlisted class B shares was zero as Terex Corporation ceased to own any class B shares following the share sale executed on September 5, 2017.

On January 5, 2017, the 19,600,000 new class B shares issued to Terex were registered with the Finnish Trade Register and Euroclear Finland Ltd. The shares were issued as the share consideration in addition to the cash consideration payable to Terex for the purchase of the Terex's MHPS business. The subscription price for a class B share was EUR 35.01. The subscription price was fully recorded in the fund for the invested unrestricted equity of Konecranes. Pursuant to specific provisions of the Konecranes' Articles of Association, the class B shares have the same financial rights as Konecranes class A shares, but are subject to voting and transfer restrictions.

On February 15, 2017, Konecranes received confirmation published by Terex regarding the completion of sale of 7,450,000 class B shares. Based on the conversion request by Terex, the Board of Directors decided to convert the 7,450,000 class B shares sold by Terex to class A shares in accordance with § 20 of the Articles of Association. The conversion was registered with the Finnish Trade Register on February 15, 2017.

On May 23, 2017, Konecranes received confirmation published by Terex regarding the completion of sale of 7,000,000 class B shares. Based on the conversion request by Terex, the Board of Directors decided to convert the 7,000,000 class B shares sold by Terex to class A shares in accordance with § 20 of the Articles of Association. The conversion was registered with the Finnish Trade Register on May 24, 2017.

On September 5, 2017, Konecranes received confirmation published by Terex regarding the completion of sale of 5,150,000 class B shares. Based on the conversion request by Terex, the Board of Directors decided to convert the 5,150,000 class B shares sold by Terex to class A shares in accordance with § 20 of the Articles of Association. The conversion was registered with the Finnish Trade Register on September 6, 2017.

The shareholders' agreement between Terex and Konecranes dated January 4, 2017 was terminated in accordance with its terms in connection with the completion of the share sale on September 5, 2017 as Terex ceased to own any Konecranes class B shares. Therefore, the Konecranes' Board of Directors intends to propose to amend the Articles of Association to the next Annual General Meeting.

TREASURY SHARES

On December 31, 2017, Konecranes was in possession of 165,761 own shares, which corresponds to 0.2 percent of the total number of shares and which on that date had a market value of EUR 6.3 million.

On February 28, 2017, 20,959 treasury shares were conveyed without consideration to the employees as a reward payment for the Savings Period 2013–2014 of the Konecranes Employee Share Savings Plan.

On March 15, 2017, 49,938 treasury shares were conveyed without consideration to the key employees as a reward payment for the performance period 2014–2016 of the Konecranes Performance Share Plan 2012.

On June 12, 2017, The Board of Directors resolved to cancel 3,950,436 class A treasury shares held by the company. The cancellation of the treasury shares was registered with the Finnish Trade Register on June 13, 2017.

On August 8, 2017, 334,239 treasury shares were conveyed without consideration to the key employees as a reward payment for the Konecranes Performance Share Plan 2016.

PERFORMANCE SHARE PLAN

On June 16, 2017, Konecranes announced that the Board of Directors has resolved to establish new long-term incentive plans for the Group key employees and the President and CEO. The new share-based incentive plans are Performance Share Plan 2017 for the Group key employees, Restricted Share Unit Plan 2017 for the selected Group key employees and Performance Share Plan 2017–2021 for the President and CEO.

The Performance Share Plan includes three performance periods, calendar years 2017–2019, 2018–2020, and 2019–2021. The Board of Directors will resolve on the performance criteria and on the required performance levels for each criterion at the beginning of each performance period.

During the performance period 2017–2019, the plan offers the key employees a possibility to earn a reward based on the achievement of required performance levels established for the Konecranes Group's cumulative adjusted Earnings per Share (EPS) during the financial years 2017–2019. The adjustments to the EPS include defined restructuring costs, transaction costs related to the MHPS acquisition, purchase price allocation amortization, and other unusual items reported as adjustments by the company. The adjusted EPS includes the gain on the disposal of STAHL CraneSystems.

The rewards to be paid on the basis of the performance period 2017–2019 correspond to an approximate maximum total of 880,000 Konecranes Plc class A shares including also the proportion to be paid in cash. The plan is directed to approximately 260 key employees including the members of the Group Executive Board and the Senior Management during the performance period 2017–2019. The Board of Directors will be entitled to reduce the rewards payable on the basis of the performance period 2017–2019 if certain reward value cap is reached.

The Restricted Share Unit Plan is directed to the selected key employees in Konecranes. The vesting periods will last from 12 to 36 months. The prerequisite for reward payment is that the key employee's employment or service continues until the end of the vesting period. The rewards to be allocated on the basis of the entire plan will amount to a maximum total of 200,000 Konecranes Plc class A shares including also the proportion to be paid in cash.

The CEO long-term incentive plan consists of one five-year performance period, calendar years 2017–2021. The potential reward from the CEO Plan will be based on the Konecranes Group's cumulative adjusted Earnings per Share (EPS) during the financial years 2017–2019 and the cumulative Earnings per Share (EPS) during the financial years 2020–2021. The rewards to be paid on the basis of the CEO Plan correspond to a maximum total of 200,000 Konecranes Plc class A shares including also the proportion to be paid in cash. However, the shares paid and to be paid as a reward on the basis of the performance periods of the Performance Share Plan 2017 will be deducted from the payable reward. The CEO will have the possibility to earn a total of 48,000 Konecranes Plc class A shares including also the proportion to be paid in cash, on the basis of the first performance period 2017–2019 of the Performance Share Plan 2017.

The CEO will not be entitled to sell the shares paid as a reward through the Performance Share Plan 2017–2021 to the CEO or the Performance Share Plan 2017 until he owns the Konecranes shares worth EUR 750,000.00 in total.

A member of the Group Executive Board or the Senior Management must hold a minimum of 50 percent of any net shares given on the basis of these plans, until the member's total shareholding in the company corresponds to the value of the member's annual salary and the member's membership in the Group Executive Board or the Senior Management continues.

EMPLOYEE SHARE SAVINGS PLAN

On February 8, 2017, 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, 2017 and will end on June 30, 2018. 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, 2021, 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 2017–2018 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 2017.

MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for Konecranes Plc's shares on the Nasdaq Helsinki was EUR 38.18 on December 31, 2017. The volume-weighted average share price in January–December was EUR 36.72, the highest price being EUR 42.64 in October and the lowest EUR 31.52 in March. In January–December, the trading volume on the Nasdaq Helsinki totaled 61.4 million of the Konecranes Plc's shares, corresponding to a turnover of approximately EUR 2,252.5 million. The average daily trading volume was 244,456 shares, representing an average daily turnover of EUR 9.0 million.

In addition, approximately 100.5 million Konecranes' shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in 2017 according to Fidessa.

On December 31, 2017, the total market capitalization of the Konecranes Plc's shares on the Nasdaq Helsinki was EUR 3,013.2 million including treasury shares. The market capitalization was EUR 3,006.9 million, excluding treasury shares.

NOTIFICATIONS OF MAJOR SHAREHOLDINGS

In January–December 2017, 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 5, 2017	Terex Deutschland GmbH	Above 20%	23.65	-	23.65	19,600,000
January 5, 2017	HTT KCR Holding Ab	Below 10%	8.29	-	8.29	6,870,568
January 5, 2017	Polaris Capital Management LLC	Below 5%	4.34	-	4.34	3,597,639
January 5, 2017	BlackRock, Inc.	Below 5%	n.a.	n.a.	n.a.	n.a.
January 6, 2017	Sanderson Asset Management LLP	Below 5%	3.86	-	3.86	3,201,628
January 6, 2017	Terex Deutschland GmbH	Below 5%	0	0	0	0
January 6, 2017	Terex Corporation	Above 20%	23.65	-	23.65	19,600,000
February 15, 2017	Terex Corporation	Below 15%	14.66	-	14.66	12,150,000
February 15, 2017	BlackRock, Inc.[1]	Above 5%	6.58	1.67	8.25	6,844,696
February 22, 2017	BlackRock, Inc.[2]	Above 5%	7.69	0.74	8.44	6,997,433
May 24, 2017	Terex Corporation	Below 10%	6.21	-	6.21	5,150,000
May 24, 2017	BlackRock, Inc.	Above 10%	9.76	1.36	11.13	9,224,969
May 26, 2017	BlackRock, Inc.	Above 10%	10.00	1.16	11.17	9,257,643
June 12, 2017	Konecranes Plc	Below 5%	0.63	-	0.63	500,000
June 15, 2017	BlackRock, Inc.[3]	Above 10%	10.64	1.11	11.75	9,278,033
June 21, 2017	BlackRock, Inc.[4]	Below 10%	10.77	1.07	11.85	9,354,430
September 6, 2017	Terex Corporation	Below 5%	0	0	0	0
September 6, 2017	BlackRock, Inc.[5]	Above 10%	12.36	1.41	13.77	10,871,199
October 3, 2017	BlackRock, Inc	Above 15%	13.44	1.69	15.14	11,949,513
October 26, 2017	BlackRock, Inc	Below 15%	13.68	1.29	14.97	11,821,806
October 31, 2017	BlackRock, Inc.	Above 15%	13.74	1.28	15.02	11,859,461
November 1, 2017	BlackRock, Inc	Below 15%	13.51	1.10	14.62	11,540,128

[1] The disclosure obligation arose due to total holding in Shares and Voting rights for BlackRock, Inc. going above 5%.
The disclosure obligation also arose due to Shares and Voting rights for BlackRock, Inc. going above 5%.
The disclosure obligation also arose due to total holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going above 5%.
[2] The disclosure obligation arose due to Shares and Voting rights for BlackRock Investment Management (UK) Limited going above 5%.
[3] The disclosure obligation arose due to total holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going above 10%.
[4] The disclosure obligation arose due to total holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going below 10%.
[5] The disclosure obligation arose due to total holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going above 10%.
Additionally, the disclosure obligation arose due to shares and voting rights for BlackRock Investment Management (UK) Limited going above 10%.

RESEARCH AND DEVELOPMENT

In 2017, Konecranes' research and product development expenditure totaled EUR 36.0 (22.3) million, representing 1.1 (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 2017, our R&D continued to focus, for example, on how digital technologies are changing the way the industrial systems are designed and implemented. Notable examples of this ongoing work include advanced analytics for learning systems, device edge computing for reactive systems, autonomous devices for mixed-traffic environments, high-capacity, low-latency networks for machine-to-machine learning, cyber-secure systems with segregated safety-related control zones, and the use of augmented reality for user assistance and training.

Major publicly funded projects in 2017 continued to be both ambitious and driven by a vision of the advancement of industry and related technology. The OPTIMUM project has, as its central focus, the developing of optimized industrial IoT and a distributed control platform for the manufacturing and material handling. PRODUCTIVE 4.0 is the Europe's biggest research project in the field of digital industry, a large-scale undertaking designed to maintain a leadership position in the European manufacturing.

GAMA is a project focused on the solutions for safe mixed traffic of fully automated and manually driven vehicles in an enclosed port area. The DYNAVIS project is currently exploring the product service lifecycle's different stages – manufacturing, maintenance and sales – with a vision to create a process for one global visual language.

In June 2017, Konecranes' introduced three automation-related technologies to the container handling industry. The first was the Automated Konecranes Noell Straddle Carrier (A-STRAD) and Automated Sprinter Carrier (A-SPRINTER) systems. The second was Konecranes Gottwald AGVs and new lithium-ion battery technology. The third was Automated Terminal Tractors (A-TT) system, with Terberg supplying the tractors and Konecranes supplying the automation technology.

CORPORATE RESPONSIBILITY

In 2017, we continued the integration work building a common, performance-driven leadership culture. Cultural integration, change management, common processes regarding performance management, and rewards and recruitment practices have been high on the agenda. This comes naturally as fair and responsible practices and equal career development opportunities, as well as embracing diversity are the key enabling aspects of our corporate responsibility.

We conducted a global integration pulse survey to understand employee's sentiments on the integration and collect feedback from the organization. The results showed that the majority of our employees were on board with the integration, and the employee engagement level was above the comparable companies' level as well as it was above the level prior to the integration.

We introduced a new safety and environmental data-reporting tool in 2017, which will be used in all Konecranes locations from the beginning of 2018. Implementing the new reporting tool enables us to put more focus on leading safety indicators, such as the number of near miss cases and safety observations, as well as on the corrective actions and their completion rate. We continue to aim firmly at our Lost Time Accident (LTA) target of less than 3 by the year 2020, and our ultimate target of zero incidents.

We reached our 2020 energy intensity target already by the end of 2016, four years ahead of schedule. In addition, our 2020 greenhouse gas intensity target has almost been reached, with emission intensity decreased by 18 percent during 2013–2016. As we aim to improve our operations continuously, we are now in the progress of defining new targets for the combined business.

We participated in several external investor ratings including CDP. Konecranes achieved the result C, which is a decrease from last year´s results, but we have continued our efforts in energy efficiency and emission reduction. We also continuously assess new business models and the concept of circular economy to improve our resource efficiency and reduce our environmental footprint. For example, in 2017 we introduced RENTALL, a product-as-a-service concept, renting low- to mid-range capacity cranes and their service with a fixed monthly fee.

In 2017, both our Code of Conduct and our Anti-Corruption policies were updated, making them more comprehensive and specific than before. A roll-out of the updated policies will take place during 2018. Konecranes Anti-corruption trainings and e-learning programs were organized during 2017 providing practical guidelines regarding proper conduct in the fight against corruption and fraud.

Our goal is to evaluate and set requirements that ensure that environmental and social impacts are managed properly in our sourcing. Our Supplier Code of Conduct, which is currently being developed, sets out the standard we expect our suppliers to uphold. As we are in the process of integrating two legacy businesses, we are now evaluating a harmonized approach of adopting the best practices from both legacy companies with respect to Procurement, as well as sustainable and ethical sourcing practices and requirements.

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 the emerging countries that entail 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.

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 for the information systems. A higher-than-expected development or implementation costs, or a failure to extract business benefits from the new processes and systems may lead to an impairment of assets or decrease in profitability.

Konecranes delivers projects, which involve the risks related, for example, to engineering and project execution including 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 the 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 Annual Report.

EVENTS AFTER THE END OF THE REPORTING PERIOD

In January 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
December 31, 2017	HTT KCR Holding Oy Ab	Below 5%	0.00	-	0.00	0
December 31, 2017	HC Holding Oy Ab	Above 5%	9.35	-	9.35	7,381,238
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

[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%.*

DEMAND OUTLOOK

Demand situation for industrial cranes, hoists and service in Europe is stable within the industrial customer segments. Business activity in the North American manufacturing industry remains mixed. Demand in Asia-Pacific is showing signs of improvement. Global container throughput growth has improved and the prospects for the small and medium-sized orders related to container handling have strengthened.

FINANCIAL GUIDANCE

The sales in 2018 are expected to be approximately on the same level or higher than in 2017. We expect the adjusted EBITA margin to improve in 2018.

BOARD OF DIRECTORS' PROPOSAL FOR DISPOSAL OF DISTRIBUTABLE FUNDS

The parent company's non-restricted equity is EUR 940,141,378.51, of which the net income for the year is EUR 65,162,549.32. The Group's non-restricted equity is EUR 1,176,766,000.

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 2, 2018, and the printed version during the week commencing on Monday March 19, 2018.

Espoo, February 8, 2018
Konecranes Plc
Board of Directors

BASIS OF PREPARATION FOR COMPARABLE COMBINED COMPANY

The comparable combined company financial information is based on management's estimates and is for illustrative purposes only. The comparable combined company financial information gives an indication of the combined company's key figures assuming the activities were included in the same company from the beginning of 2016.

The comparable combined company financial information is based on a hypothetical situation and should not be viewed as pro forma financial information as the differences in accounting principles have not been taken into account. The unaudited comparable combined company financial information is based on Konecranes Group's financial statements for the financial year 2016 (adjusted for restructuring costs, transaction costs and received insurance indemnity) according to IFRS and Terex Corporation's ("Terex") MHPS segment unaudited special purpose carve-out financial information for the financial year 2016 (adjusted for non-recurring items such as restructuring costs and impairments of goodwill and trademarks) according to USGAAP. The corporation allocations of Terex Group have been adjusted in MHPS income statement to illustrate the situation as the Group had been combined at the beginning of 2016.

Since the financial information for MHPS has been prepared on a carve-out basis, this does not necessarily reflect what the results of its operations would have been had MHPS operated as an independent company and had it presented stand-alone financial information under IFRS during the period provided. Moreover, the carve-out financial information may not be indicative of the MHPS's future performance of the operating activities aggregated within Konecranes.

Konecranes is unable to present a reconciliation of the comparable combined company financial information as the MHPS' financials have been calculated according to USGAAP and using different accounting principles than Konecranes, and because Terex has categorized MHPS as a discontinued operation in 2016.

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	10–12/2017	10–12/2016	Change percent	1–12/2017	1–12/2016	Change percent
Sales	8	**910.0**	**613.3**	**48.4**	**3,136.4**	**2,118.4**	**48.1**
Other operating income [1]	6	2.5	0.4		227.2	14.4	
Materials, supplies and subcontracting		-444.0	-306.5		-1,409.2	-979.7	
Personnel cost		-243.5	-166.9		-1,004.2	-658.3	
Depreciation and impairments	9	-29.4	-12.7		-117.0	-53.7	
Other operating expenses [2]	5	-140.2	-96.7		-515.0	-356.2	
Operating profit		**55.4**	**31.0**	**78.8**	**318.3**	**84.9**	**275.0**
Share of associates' and joint ventures' result		3.8	0.3		3.3	6.0	
Gain on disposal of investment in associated company		0.0	0.0		0.0	5.8	
Financial income [3]		7.2	0.4		39.8	1.0	
Financial expenses		-21.6	-6.2		-85.8	-35.6	
Profit before taxes		**44.7**	**25.4**	**75.8**	**275.6**	**62.1**	**344.1**
Taxes	11	-22.9	-14.6		-50.6	-24.5	
PROFIT FOR THE PERIOD		**21.8**	**10.8**	**101.4**	**225.0**	**37.6**	**499.0**
Profit for the period attributable to:							
Shareholders of the parent company		22.6	10.8		225.7	37.6	
Non-controlling interest		-0.8	0.0		-0.7	0.0	
Earnings per share, basic (EUR)		0.26	0.18	42.4	2.88	0.64	351.0
Earnings per share, diluted (EUR)		0.26	0.18	42.4	2.88	0.64	351.0

[1] *Other operating income 1–12/2017 includes gain on disposal of EUR 218.4 million of STAHL CraneSystems. In 2016 other operating income includes the insurance indemnity of EUR 10.0 million and returned funds EUR 0.2 million related to identity theft.*
[2] *Other operating expenses for 1–12/2017 include transaction costs related to the acquisition of Terex MHPS and terminated merger plan with Terex (2016) up to EUR 4.9 million (EUR 47.0 million in 1–12/2016) and EUR 0.1 million for Q4/2017 (EUR 16.9 million in Q4/2016).*
[3] *Financial income 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	10–12/2017	10–12/2016		1–12/2017	1–12/2016	
Profit for the period	**21.8**	**10.8**		**225.0**	**37.6**	
Items that can be reclassified into profit or loss						
Cash flow hedges	0.5	16.6		-5.3	30.1	
Exchange differences on translating foreign operations	-0.4	7.1		-19.2	0.8	
Share of associates' other comprehensive income	0.0	0.0		0.0	-3.8	
Income tax relating to items that can be reclassified into profit or loss	-0.1	-3.3		1.1	-6.0	
Items that cannot be reclassified into profit or loss						
Re-measurement gains (losses) on defined benefit plans	-1.1	-4.1		-1.1	-11.9	
Income tax relating to items that cannot be reclassified into profit or loss	0.7	1.3		0.7	3.0	
Other comprehensive income for the period, net of tax	**-0.5**	**17.6**		**-24.0**	**12.2**	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**21.3**	**28.4**		**201.0**	**49.8**	
Total comprehensive income attributable to:						
Shareholders of the parent company	20.4	28.4		202.7	49.8	
Non-controlling interest	0.9	0.0		-1.7	0.0	

Consolidated balance sheet

EUR million

ASSETS	**Note**	**31.12.2017**	**31.12.2016**
Non-current assets			
Goodwill		905.3	86.2
Intangible assets		633.3	98.1
Property, plant and equipment		270.4	128.1
Advance payments and construction in progress		11.5	17.4
Investments accounted for using the equity method		69.8	8.9
Other non-current assets		1.0	1.0
Deferred tax assets		118.3	57.0
Total non-current assets		**2,009.6**	**396.6**
Current assets			
Inventories			
Raw material and semi-manufactured goods		240.8	131.8
Work in progress		283.6	140.3
Advance payments		20.6	9.7
Total inventories		545.0	281.8
Accounts receivable		538.2	379.3
Other receivables		43.3	23.2
Loans receivable		0.2	0.0
Income tax receivables		20.9	12.1
Receivable arising from percentage of completion method	8	78.9	83.8
Other financial assets		37.7	31.1
Deferred assets		56.2	29.1
Cash and cash equivalents		233.1	167.4
Total current assets		**1,553.3**	**1,007.8**
Assets held for sale	6.1	**0.0**	**125.5**
TOTAL ASSETS		**3,562.9**	**1,529.9**

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	**Note**	**31.12.2017**	**31.12.2016**
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	66.5
Fair value reserves	15	10.8	15.0
Translation difference		2.6	20.8
Other reserve		37.6	31.7
Retained earnings		158.2	204.4
Net profit for the period		225.7	37.6
Total equity attributable to equity holders of the parent company		**1,256.9**	**445.4**
Non-controlling interest		22.5	0.1
Total equity		**1,279.4**	**445.5**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	14	600.8	54.2
Other long-term liabilities		278.7	40.0
Provisions		23.0	17.1
Deferred tax liabilities		150.1	12.5
Total non-current liabilities		**1,052.6**	**123.8**
Current liabilities			
Interest-bearing liabilities	14	157.9	269.5
Advance payments received	8	299.8	170.6
Progress billings		0.9	0.0
Accounts payable		201.2	99.1
Provisions		129.3	40.5
Other short-term liabilities (non-interest bearing)		49.8	32.9
Other financial liabilities		6.8	18.2
Income tax liabilities		57.0	14.7
Accrued costs related to delivered goods and services		177.1	125.2
Accruals		151.1	95.6
Total current liabilities		**1,230.9**	**866.2**
Liabilities directly attributable to assets held for sale	6.1	**0.0**	**94.4**
Total liabilities		**2,283.5**	**1,084.5**
TOTAL EQUITY AND LIABILITIES		**3,562.9**	**1,529.9**

Consolidated statement of changes in equity

	Equity attributable to equity holders of the parent company				
EUR million	Share capital	Share premium	Paid in capital	Cash flow hedges	Translation difference
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**
Balance at 1 January, 2016	**30.1**	**39.3**	**66.5**	**-9.1**	**20.1**
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				24.1	0.8
Total comprehensive income				24.1	0.8
Balance at 31 December, 2016	**30.1**	**39.3**	**66.5**	**15.0**	**20.8**

	Equity attributable to equity holders of the parent company				
EUR million	Other Reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January, 2017	**31.7**	**242.0**	**445.4**	**0.1**	**445.5**
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		225.7	225.7	-0.7	**225.0**
Other comprehensive income		-0.5	-23.0	-1.0	**-24.0**
Total comprehensive income	0.0	225.2	202.7	-1.7	**201.0**
Balance at 31 December, 2017	**36.6**	**384.9**	**1,256.9**	**22.5**	**1,279.4**
Balance at 1 January, 2016	**29.9**	**279.1**	**455.9**	**0.1**	**456.0**
Dividends paid to equity holders		-61.7	-61.7		**-61.7**
Equity-settled share based payments	1.8	0.0	1.8		**1.8**
Acquisitions		-0.3	-0.3		**-0.3**
Profit for the period		37.6	37.6		**37.6**
Other comprehensive income		-12.7	12.2	0.0	**12.2**
Total comprehensive income	0.0	24.9	49.8	0.0	**49.8**
Balance at 31 December, 2016	**31.7**	**242.0**	**445.4**	**0.1**	**445.5**

Consolidated cash flow statement

EUR million	1–12/2017	1–12/2016
Cash flow from operating activities		
Profit for the period	225.0	37.6
Adjustments to net income		
Taxes	50.6	24.5
Financial income and expenses	46.0	34.6
Share of associates' and joint ventures' result	-3.3	-11.8
Dividend income	0.0	0.0
Depreciation and impairments	117.0	53.7
Profits and losses on sale of fixed assets and businesses	-217.5	3.4
Other adjustments	0.7	5.5
Operating income before change in net working capital	**218.4**	**147.4**
Change in interest-free current receivables	15.1	-50.3
Change in inventories	-3.4	61.3
Change in interest-free current liabilities	104.9	29.8
Change in net working capital	**116.6**	**40.9**
Cash flow from operations before financing items and taxes	**335.0**	**188.3**
Interest received	14.6	8.8
Interest paid	-43.4	-19.3
Other financial income and expenses	-18.7	-38.5
Income taxes paid	-38.2	-29.6
Financing items and taxes	**-85.6**	**-78.6**
NET CASH FROM OPERATING ACTIVITIES	**249.4**	**109.6**
Cash flow from investing activities		
Acquisition of Group companies, net of cash	-733.2	-0.2
Divestment of Businesses, net of cash	213.4	0.0
Proceeds from disposal of associated company	2.8	47.8
Capital expenditures	-28.7	-27.3
Proceeds from sale of property, plant and equipment	3.7	1.5
NET CASH USED IN INVESTING ACTIVITIES	**-542.0**	**21.7**
Cash flow before financing activities	**-292.6**	**131.4**
Cash flow from financing activities		
Proceeds from non-current borrowings	1,602.0	0.0
Repayments of non-current borrowings	-1,050.0	-4.6
Proceeds from (+), payments of (-) current borrowings	-140.7	47.5
Change in loans receivable	11.6	0.0
Acquired non controlling interest	0.0	-0.3
Dividends paid to equity holders of the parent	-82.3	-61.7
Dividends paid to non-controlling interests	-0.5	0.0
NET CASH USED IN FINANCING ACTIVITIES	**340.0**	**-19.1**
Translation differences in cash	-8.6	1.1
CHANGE OF CASH AND CASH EQUIVALENTS	**38.9**	**113.4**
Cash and cash equivalents at beginning of period	194.1	80.8
Cash and cash equivalents in assets held for sale	0.0	26.8
Cash and cash equivalents at end of period	233.1	167.4
CHANGE OF CASH AND CASH EQUIVALENTS	**38.9**	**113.4**

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	1–12/2017	1–12/2016
Net cash from operating activities	249.4	109.6
Capital expenditures	-28.7	-27.3
Proceeds from sale of property, plant and equipment	3.7	1.5
Free cash flow	**224.4**	**83.9**

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 2017 Konecranes has three operating segments, which it calls Business Areas: Business Area Service, Business Area Industrial Equipment and Business Area Port Solutions. In 2016 Konecranes had two Segments: Business Area Service and Business Area Equipment. In 2017 Business Area Equipment was divided to two new segments Business Area Industrial Equipment and Business Area Port Solutions. In addition Ports Service and Lift truck Service was transferred from Business Area Service to Business Area Port Solutions. The segment information of 2016 has been restated in the notes according to the new segments.

2. BASIS OF PREPARATION

The audited interim condensed consolidated financial statements of Konecranes Plc for twelve months ending 31.12.2017 and 31.12.2016 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, 2017. 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, 2017.

Konecranes will adopt IFRS15, Revenue from contracts with customers, standard from January 1, 2018 onwards. According to the preliminary assessment Konecranes has done on the effects of the implementation of the new standard, the timing of the revenue that the Group will recognize does not significantly change. The main differences to the present revenue recognition method have arisen so far 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.

During 2017 Konecranes analyzed IFRS15 and collected the comparable data in order to ensure to disclose required information in financial statements for each interim periods as well as for the full year 2018. The recognised differences compared to the published financial statements have been immaterial.

Notes

5. ACQUISITIONS

Material Handling & Port Solutions segment acquisition from Terex Corporation

On May 16, 2016, Konecranes signed an agreement (the "Stock and Asset Purchase Agreement") to acquire from Terex Corporation ("Terex") its Material Handling & Port Solutions ("MHPS") segment (the "Acquisition") against consideration consisting of cash and shares. On January 4, 2017, Konecranes completed the Acquisition and paid EUR 795.8 million in cash and in 19.6 million newly issued Konecranes class B shares.

MHPS is a leading supplier of industrial cranes, crane components and services under the Demag brand, as well as port technology with a broad range of manual, semi-automated and automated solutions under several brands, such as Gottwald. According to unaudited special purpose carve-out financial information (USGAAP), the sales of MHPS were USD 1,418 million (EUR 1,280 million) and the adjusted EBITDA was USD 104 million (EUR 94 million) in 2016.

The fair values of the identifiable assets and liabilities of the acquired MHPS businesses at the date of Acquisition are summarized below. The purchase price consideration paid in cash includes the post-closing adjustments for cash, debt and working capital as well as the effect of the hedging of MHPS purchase price. There have been some minor adjustments during the year to the purchase price according to the Sales and Purchase agreement as well as adjustments to the purchase price allocation. The acquisition offers significant industrial and operational synergies such as scale benefits through procurement volumes, optimization in operations and SG&A, a better capacity utilization and scale benefits in our R&D capacity, which are reflected in Goodwill.

EUR million	Fair value
Intangible assets	
Clientele	245.0
Technology	104.1
Trademark	227.6
Other intangible assets	11.1
Property, plant and equipment	175.4
Investments accounted for using the equity method	63.2
Inventories	283.3
Account receivables	224.3
Other assets	112.5
Cash and cash equivalents	62.6
Total assets	**1,509.1**
Non-controlling interest	24.6
Deferred tax liabilities	151.0
Defined benefit plans	241.0
Other long-term liabilities	10.5
Account payables and other current liabilities	429.5
Total liabilities	**856.6**
Net assets	**652.6**
Purchase consideration transferred	**1,482.0**
Goodwill	**829.5**
Cash flow on acquisition	
Purchase consideration, paid in cash	795.8
Transactions costs [1)]	69.1
Cash and cash equivalents in acquired companies	-62.6
Net cash flow arising on acquisition	**802.3**
Purchase consideration:	
Purchase consideration, paid in cash	795.8
Purchase consideration, paid in shares	686.2
Total purchase consideration	**1,482.0**

[1)] *Transaction costs of EUR 4.9 million in 2017, EUR 47.0 million in 2016 and EUR 17.2 million in 2015 have been expensed and are included in other operating expenses.*

Notes

6. DISPOSALS

6.1. Disposal of Stahl CraneSystems

On November 30, 2016 Konecranes signed an agreement with Columbus McKinnon Corporation ("Columbus McKinnon") regarding the divestment of the STAHL CraneSystems business ("STAHL Divestment"). On January 31, 2017, Konecranes completed the STAHL Divestment. Konecranes received cash proceeds of EUR 232.2 million from the transaction. Additionally, Columbus McKinnon assumed unfunded pension liabilities that were at EUR 67 million as of December 31, 2016. Konecranes reported a pre-tax capital gain of EUR 218.4 million from the STAHL Divestment in 2017 in other operating income.

STAHL CraneSystems is a global supplier of hoisting technology and crane components. The business is well-known for its capability to build engineered system solutions. Its customers include distributors, crane builders as well as EPC companies. STAHL CraneSystems is headquartered in Künzelsau, Germany.

6.2. Other disposals

Konecranes agreed on March 7, 2017 to divest Sanma Hoists & Cranes Co., Ltd. ("Sanma") to Jingjiang Hongcheng Crane Components Manufacturing Works. The agreement included Sanma's manufacturing machinery for CD/MD hoists and related inventory. Konecranes reported a pre-tax capital gain of EUR 0.1 million in 2017 in other operating income. With this divestment, Konecranes streamlined its product and brand portfolio in Chinese market.

On December 21, 2017, Konecranes divested Morris Middle East Ltd, including the 49-percent shareholding in Eastern Morris Cranes Ltd held by the company, to Columbus McKinnon Corporation. The transaction was related to the earlier divestiture of Stahl CraneSystems. Konecranes received cash proceeds of EUR 2.8 million from the transaction and did not record any loss or profit from this disposal.

7. SEGMENT INFORMATION

7.1. Operating segments

EUR million

Orders received by Business Area	**1–12/2017**	% of total	**1–12/2016**	% of total
Service [1]	966.3	31	727.9	35
Industrial Equipment	1,127.3	36	821.5	39
Port Solutions [1]	1,056.2	34	533.4	26
./. Internal	-142.4		-162.2	
Total	**3,007.4**	**100**	**1,920.7**	**100**

[1] *Excl. Service Agreement Base*

Service in 2017 reporting	727.9
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	46.6
Service in 2016 reporting	774.5

Order book total [2]	**31.12.2017**	% of total	**31.12.2016**	% of total
Service	196.0	13	158.1	15
Industrial Equipment	526.9	34	399.4	38
Port Solutions	812.9	53	480.5	46
Total	**1,535.8**	**100**	**1,038.0**	**100**

[2] *Percentage of completion deducted*

Service in 2017 reporting	158.1
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	15.2
Service in 2016 reporting	173.3

Notes

Sales by Business Area	1–12/2017	% of total	1–12/2016	% of total
Service	1,178.0	36	914.8	40
Industrial Equipment	1,118.7	34	830.1	36
Port Solutions	976.0	30	543.2	24
./. Internal	-136.2		-169.7	
Total	**3,136.4**	**100**	**2,118.4**	**100**

Service in 2017 reporting	914.8	
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	53.2	
Service in 2016 reporting	968.0	

Adjusted EBITA by Business Area	1–12/2017 MEUR	EBITA %	1–12/2016 MEUR	EBITA %
Service	160.9	13.7	100.2	11.0
Industrial Equipment	34.6	3.1	15.7	1.9
Port Solutions	44.7	4.6	50.5	9.3
Group costs and eliminations	-24.0		-21.5	
Total	**216.2**	**6.9**	**144.8**	**6.8**

Service in 2017 reporting	100.2	
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	12.5	
Service in 2016 reporting	112.7	

Operating profit (EBIT) by Business Area	1–12/2017 MEUR	EBIT %	1–12/2016 MEUR	EBIT %
Service	139.3	11.8	90.2	9.9
Industrial Equipment	-4.0	-0.4	6.0	0.7
Port Solutions	11.6	1.2	49.0	9.0
Group costs and eliminations	171.3		-60.3	
Total	**318.3**	**10.1**	**84.9**	**4.0**

Service in 2017 reporting	90.2	
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	12.0	
Service in 2016 reporting	102.2	

Business segment assets	31.12.2017 MEUR		31.12.2016 MEUR	
Service	1,287.1		380.3	
Industrial Equipment	880.5		571.3	
Port Solutions	840.6		227.5	
Unallocated items	554.6		350.8	
Total	**3,562.9**		**1,529.9**	

Service in 2017 reporting	380.3	
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	32.6	
Service in 2016 reporting	412.9	

Notes

Business segment liabilities	31.12.2017 MEUR	31.12.2016 MEUR
Service	204.3	149.9
Industrial Equipment	336.3	312.2
Port Solutions	398.0	175.6
Unallocated items	1,344.9	446.8
Total	**2,283.5**	**1,084.5**

Service in 2017 reporting	149.9
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	10.5
Service in 2016 reporting	160.4

Personnel by Business Area (at the end of the period)	31.12.2017	% av totalt antal	31.12.2016	% av totalt antal
Service	7,206	44	5,749	52
Industrial Equipment	6,024	37	4,353	40
Port Solutions	3,067	19	789	7
Group staff	74	0	60	1
Total	**16,371**	**100**	**10,951**	**100**

Service in 2017 reporting	5,749
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	249
Service in 2016 reporting	5,998

Orders received by Business Area, Quarters	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Service [1)]	236.8	231.8	251.4	246.3	179.0	175.1	190.9	182.8
Industrial Equipment	285.3	262.8	308.5	270.7	201.0	191.6	218.1	210.7
Port Solutions [1)]	255.3	292.2	261.6	247.1	254.8	91.4	117.5	69.7
./. Internal	-44.9	-36.7	-31.2	-29.6	-39.8	-37.9	-46.4	-38.1
Total	**732.6**	**750.1**	**790.2**	**734.5**	**595.1**	**420.3**	**480.2**	**425.1**

[1)] *Excl. Service Agreement Base*

Order book by Business Area, Quarters	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Service	196.0	222.5	217.6	217.6	158.1	177.9	177.3	166.2
Industrial Equipment	526.9	565.7	571.2	575.2	399.4	426.7	429.3	419.6
Port Solutions	812.9	868.4	817.2	811.6	480.5	383.0	436.7	449.8
Total	**1,535.8**	**1,656.6**	**1,605.9**	**1,604.5**	**1,038.0**	**987.7**	**1,043.3**	**1,035.6**

Sales by Business Area, Quarters	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Service	321.4	274.0	298.1	284.6	254.3	220.3	231.0	209.1
Industrial Equipment	313.0	259.5	296.5	249.6	233.1	199.1	210.3	187.5
Port Solutions	312.8	244.0	237.9	181.3	163.0	145.5	132.4	102.3
./. Internal	-37.2	-31.2	-35.3	-32.5	-37.1	-47.4	-44.9	-40.3
Total	**910.0**	**746.2**	**797.2**	**683.0**	**613.3**	**517.6**	**528.8**	**458.6**

Notes

Adjusted EBITA by Business Area, Quarters	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Service	48.8	37.9	41.2	33.1	35.1	23.5	25.6	16.0
Industrial Equipment	17.2	11.7	6.2	-0.5	8.5	6.7	2.2	-1.8
Port Solutions	16.6	12.5	13.0	2.6	16.7	13.5	14.3	5.9
Group costs and eliminations	-2.6	-7.7	-9.1	-4.5	-7.2	-4.9	-5.1	-4.4
Total	**79.9**	**54.4**	**51.2**	**30.6**	**53.1**	**38.9**	**37.0**	**15.8**

Adjusted EBITA margin by Business Area, Quarters	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Service	15.2	13.8	13.8	11.6	13.8	10.7	11.1	7.7
Industrial Equipment	5.5	4.5	2.1	-0.2	3.6	3.4	1.1	-0.9
Port Solutions	5.3	5.1	5.5	1.4	10.3	9.3	10.8	5.8
Group EBITA margin total	**8.8**	**7.3**	**6.4**	**4.5**	**8.7**	**7.5**	**7.0**	**3.4**

Personnel by Business Area, Quarters (at the end of the period)	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Service	7,206	7,234	7,311	7,432	5,749	5,858	6,054	6,132
Industrial Equipment	6,024	6,146	6,132	6,142	4,353	4,402	4,527	4,617
Port Solutions	3,067	3,177	3,248	3,263	789	777	807	803
Group staff	74	68	63	59	60	60	56	57
Total	**16,371**	**16,625**	**16,754**	**16,896**	**10,951**	**11,097**	**11,444**	**11,609**

7.2. Geographical areas

EUR million

Sales by market	1–12/2017	% of total	1–12/2016	% of total
Europe-Middle East-Africa (EMEA)	1,633.7	52	1,001.4	47
Americas (AME)	980.0	31	802.5	38
Asia-Pacific (APAC)	522.8	17	314.5	15
Total	**3,136.4**	**100**	**2,118.4**	**100**

Personnel by region (at the end of the period)	31.12.2017	% of total	31.12.2016	% of total
Europe-Middle East-Africa (EMEA)	9,920	61	5,842	53
Americas (AME)	3,205	20	2,704	25
Asia-Pacific (APAC)	3,246	20	2,405	22
Total	**16,371**	**100**	**10,951**	**100**

Sales by market, Quarters	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Europe-Middle East-Africa (EMEA)	514.0	394.4	381.9	343.4	285.9	225.5	256.0	234.0
Americas (AME)	241.5	242.4	263.5	232.5	233.0	218.6	189.1	161.8
Asia-Pacific (APAC)	154.6	109.3	151.7	107.1	94.5	73.5	83.8	62.7
Total	**910.0**	**746.2**	**797.2**	**683.0**	**613.3**	**517.6**	**528.8**	**458.6**

Personnel by region, Quarters (at the end of the period)	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Europe-Middle East-Africa (EMEA)	9,920	10,037	10,069	10,068	5,842	5,911	6,111	6,168
Americas (AME)	3,205	3,291	3,294	3,385	2,704	2,754	2,816	2,883
Asia-Pacific (APAC)	3,246	3,297	3,391	3,443	2,405	2,432	2,517	2,558
Total	**16,371**	**16,625**	**16,754**	**16,896**	**10,951**	**11,097**	**11,444**	**11,609**

Notes

8. PERCENTAGE OF COMPLETION METHOD AND ADVANCES RECEIVED

EUR million	31.12.2017	31.12.2016
The cumulative revenues of non-delivered projects	389.8	376.7
Advances received netted	310.9	290.3
Progress billings netted	0.0	2.6
Receivable arising from percentage of completion method, net	**78.9**	**83.8**
Gross advance received from percentage of completion method	395.9	323.5
Advances received netted	310.9	290.3
Advances received from percentage of completion method (netted)	**85.0**	**33.2**

Net sales recognized under the percentage of completion method amounted EUR 377.7 million in 1–12/2017 (EUR 268.9 million in 1–12/2016).

Receivable arising from percentage of completion method relate to construction contracts. Net asset balances are balances where the sum of contract costs, recognized profits and recognized losses exceed progress billings. Construction contracts, here and as follows, include service contracts accounted for under the percentage of completion method. Where progress billings exceed the sum of contract costs, recognized profits and recognized losses these liabilities are included in the line item Advance received from percentage of completion method (netted).

Advance payments received	31.12.2017	31.12.2016
Advance received from percentage of completion method (netted)	85.0	33.2
Other advance received from customers	214.8	137.4
Total	**299.8**	**170.6**

9. IMPAIRMENTS

EUR million	1–12/2017	1–12/2016
Property, plant and equipment	3.8	2.8
Other intangible assets	2.4	0.7
Total	**6.2**	**3.5**

Mainly restructuring actions during 2017 have led to an impairment of tangible assets (machinery and equipment and buildings), which were written off by EUR 3.8 million (EUR 2.8 million in 1–12/2016). In additon other intangilbe assets (old customer base) were written off by EUR 2.4 million (EUR 0.7 million in 1–12/2016).

10. RESTRUCTURING COSTS

Konecranes has recorded EUR 65.6 million restructuring costs during 1–12/2017 (EUR 19.2 million in 1–12/2016) of which EUR 5.8 million was impairment of assets (EUR 2.8 million for 1–12/2016). The remaining EUR 59.8 million of restructuring cost is reported 1–12/2017 in personnel costs (EUR 22.7 million) and in other operating expenses (EUR 37.1 million).

11. INCOME TAXES

Taxes in statement of Income	1–12/2017	1–12/2016
Local income taxes of group companies	68.0	31.9
Taxes from previous years	-1.0	-2.3
Change in deferred taxes	-16.4	-5.1
Total	**50.6**	**24.5**

Notes

12. KEY FIGURES

	31.12.2017	31.12.2016	Change %
Earnings per share, basic (EUR)	2.88	0.64	351.0
Earnings per share, diluted (EUR)	2.88	0.64	351.0
Alternative Performance Measures:			
Return on capital employed, %	23.7	10.3	130.1
Adjusted return on capital employed, %	15.4	19.2	-19.8
Return on equity, %	26.1	8.3	214.5
Equity per share (EUR)	15.96	7.58	110.6
Interest-bearing net debt / Equity, %	41.1	29.1	41.2
Net debt / Adjusted EBITDA	1.8	0.7	166.2
Equity to asset ratio, %	39.2	32.9	19.1
Investments total (excl. acquisitions), EUR million	35.7	33.8	5.6
Interest-bearing net debt, EUR million	525.3	129.6	305.4
Net working capital, EUR million	325.2	304.3	6.9
Average number of personnel during the period	15,519	11,398	36.2
Average number of shares outstanding, basic	78,272,680	58,748,217	33.2
Average number of shares outstanding, diluted	78,272,680	58,748,217	33.2
Number of shares outstanding	78,756,145	58,751,009	34.1

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)	1–12/2017	1–12/2016
Adjusted EBITDA	**288.8**	**191.6**
Transaction costs	-4.9	-47.0
Restructuring costs (excluding impairments)	-59.8	-16.4
Insurance indemnity related to identity theft	0.0	10.2
Release of MHPS purchase price allocation in inventories	-7.3	0.0
Gain on disposal of Stahl CraneSystems	218.4	0.0
EBITDA	**435.2**	**138.5**
Depreciation, amortization and impairments	-117.0	-53.7
Operating profit (EBIT)	**318.3**	**84.9**
Adjusted EBITA	**216.2**	**144.8**
Purchase price allocation amortization	-38.6	-4.0
Adjusted Operating profit (EBIT)	**177.6**	**140.8**
Transaction costs	-4.9	-47.0
Restructuring costs	-65.6	-19.2
Insurance indemnity and returned funds related to identity theft	0.0	10.2
Release of MHPS purchase price allocation in inventories	-7.3	0.0
Gain on disposal of Stahl CraneSystems	218.4	0.0
Operating profit (EBIT)	**318.3**	**84.9**

Interest-bearing net debt	31.12.2017	31.12.2016
Non current interest bearing liabilities	600.8	54.2
Current interest bearing liabilities	157.9	269.5
Net debt in assets held for sale	0.0	-26.7
Loans receivables	-0.3	0.0
Cash and cash equivalents	-233.1	-167.4
Interest-bearing net debt	**525.3**	**129.6**

Net working capital	31.12.2017	31.12.2016
Net working capital in balance sheet	325.2	271.1
Net working capital in asset held for sale	0.0	33.2
Net working capital	**325.2**	**304.3**

Notes

The period end exchange rates:	31.12.2017	31.12.2016	Change %
USD - US dollar	1.199	1.054	-12.1
CAD - Canadian dollar	1.504	1.419	-5.7
GBP - Pound sterling	0.887	0.856	-3.5
CNY - Chinese yuan	7.804	7.320	-6.2
SGD - Singapore dollar	1.602	1.523	-4.9
SEK - Swedish krona	9.844	9.553	-3.0
AUD - Australian dollar	1.535	1.460	-4.9

The period average exchange rates:	31.12.2017	31.12.2016	Change %
USD - US dollar	1.130	1.107	-2.0
CAD - Canadian dollar	1.465	1.466	0.1
GBP - Pound sterling	0.877	0.820	-6.5
CNY - Chinese yuan	7.629	7.353	-3.6
SGD - Singapore dollar	1.559	1.528	-2.0
SEK - Swedish krona	9.633	9.469	-1.7
AUD - Australian dollar	1.473	1.488	1.0

13. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	31.12.2017	31.12.2016
For own commercial obligations		
Guarantees	499.7	447.0
Leasing liabilities		
Next year	39.8	34.7
Later on	81.8	75.8
Other	19.8	0.2
Total	**641.0**	**557.6**

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.

Notes

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.

14. FINANCIAL ASSETS AND LIABILITIES

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

EUR million **Financial assets 31.12.2017**	Financial assets/liabilities at fair value through OCI	Financial assets/liabilities at fair value through income statement	Loans and receivables	Financial assets/liabilities measured at amortized cost	Carrying amounts by balance sheet item
Current financial assets					
Account and other receivables	0.0	0.0	581.9	0.0	581.9
Derivative financial instruments	17.1	20.6	0.0	0.0	37.7
Cash and cash equivalents	0.0	0.0	233.1	0.0	233.1
Total	**17.1**	**20.6**	**814.9**	**0.0**	**852.6**

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

Notes

EUR million Financial assets 31.12.2016	Financial assets/liabilities at fair value through OCI	Financial assets/liabilities at fair value through income statement	Loans and receivables	Financial assets/liabilities measured at amortized cost	Carrying amounts by balance sheet item
Current financial assets					
Account and other receivables	0.0	0.0	402.8	0.0	402.8
Derivative financial instruments	3.0	28.1	0.0	0.0	31.1
Cash and cash equivalents	0.0	0.0	167.4	0.0	167.4
Total	**3.0**	**28.1**	**570.1**	**0.0**	**601.3**
Financial liabilities 31.12.2016					
Non-current financial liabilities					
Interest-bearing liabilities	0.0	0.0	0.0	54.2	54.2
Derivative financial instruments	0.0	0.0	0.0	0.0	0.0
Other payables	0.0	0.0	0.0	6.9	6.9
Current financial liabilities					
Interest-bearing liabilities	0.0	0.0	0.0	269.5	269.5
Derivative financial instruments	11.0	7.2	0.0	0.0	18.2
Account and other payables	0.0	0.0	0.0	130.5	130.5
Total	**11.0**	**7.2**	**0.0**	**461.1**	**479.3**

On January 4, 2017, Konecranes raised loans of EUR 1,052 million related to the MHPS Acquisition. This included a syndicated EUR 300 million term loan with a tenor of three years, EUR 600 million amortizing term loan with a tenor of five years and a EUR 152 million bridge term loan. Upon completion of the STAHL CraneSystems divestment on January 31, 2017, Konecranes repaid in advance term loans of EUR 198 million including the full repayment of the bridge term loan.

In the course of 2017 Konecranes refinanced and repaid the acquisition related term loans fully. On April 4th, Konecranes repaid the acquisition related three-year loan by EUR 100 million utilizing cash at hand. On June 7th Konecranes repaid the acquisition related five-year loan by EUR 150 million utilizing cash at hand. On June 9th Konecranes issued a five-year bond of EUR 250 million with proceeds utilized for fully repaying the three-year loan of EUR 200 million and the five-year loan for EUR 50 million. On November 17th Konecranes raised EUR 150 million Schuldschein loan and on 22nd November Konecranes raised a five-year EUR 150 million bilateral term loan. The proceeds from the Schuldschein loan and bilateral term loan were fully utilized for repaying the acquisition related five-year EUR 600 million term loan.

At the end of December 2017, the outstanding long-term loans were: EUR 150 million five-year term loan, EUR 50 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 41.1% (31.12.2016: 29.1%).

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

14.2 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 **31.12.2017**	Carrying amount **31.12.2016**	Fair value **31.12.2017**	Fair value **31.12.2016**
Current financial assets				
Account and other receivables	581.9	402.8	581.9	402.8
Derivative financial instruments	37.7	31.1	37.7	31.1
Cash and cash equivalents	233.1	167.4	233.1	167.4
Total	**852.6**	**601.3**	**852.6**	**601.3**

Financial liabilities				
Non-current financial liabilities				
Interest-bearing liabilities	600.8	54.2	608.3	54.2
Derivative financial instruments	0.0	0.0	0.0	0.0
Other payables	10.5	6.9	10.5	6.9
Current financial liabilities				
Interest-bearing liabilities	157.9	269.5	157.9	269.5
Derivative financial instruments	6.8	18.2	6.8	18.2
Account and other payables	251.0	130.5	251.0	130.5
Total	**1,027.0**	**479.3**	**1,034.6**	**479.3**

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

14.3 Hierarchy of fair values

Financial assets	31.12.2017 Level 1	31.12.2017 Level 2	31.12.2017 Level 3	31.12.2016 Level 1	31.12.2016 Level 2	31.12.2016 Level 3
Derivative financial instruments						
Foreign exchange forward contracts	0.0	37.7	0.0	0.0	4.7	0.0
Currency options	0.0	0.0	0.0	0.0	26.3	0.0
Fuel oil derivative	0.0	0.0	0.0	0.0	0.1	0.0
Electricity derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**37.7**	**0.0**	**0.0**	**31.1**	**0.0**
Other financial assets						
Cash and cash equivalents	233.1	0.0	0.0	167.4	0.0	0.0
Total	**233.1**	**0.0**	**0.0**	**167.4**	**0.0**	**0.0**
Total financial assets	**233.1**	**37.7**	**0.0**	**167.4**	**31.1**	**0.0**
Financial liabilities						
Derivative financial instruments						
Foreign exchange forward contracts	0.0	6.7	0.0	0.0	18.0	0.0
Currency options	0.0	0.0	0.0	0.0	0.0	0.0
Interest rate swaps	0.0	0.0	0.0	0.0	0.0	0.0
Electricity forward contracts	0.0	0.1	0.0	0.0	0.2	0.0
Total	**0.0**	**6.8**	**0.0**	**0.0**	**18.2**	**0.0**
Other financial liabilities						
Interest bearing liabilities	0.0	758.6	0.0	0.0	323.6	0.0
Other payables	0.0	0.0	6.3	0.0	0.0	6.9
Total	**0.0**	**758.6**	**6.3**	**0.0**	**323.6**	**6.9**
Total financial liabilities	**0.0**	**765.5**	**6.3**	**0.0**	**341.8**	**6.9**

15. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	31.12.2017 Nominal value	31.12.2017 Fair value	31.12.2016 Nominal value	31.12.2016 Fair value
Foreign exchange forward contracts	1,006.1	31.0	878.1	-13.2
Currency options	0.0	0.0	1,571.8	26.3
Fuel oil derivative	0.0	0.0	0.5	0.1
Electricity derivatives	0.5	-0.1	0.8	-0.2
Total	**1,006.6**	**30.9**	**2,451.2**	**12.9**

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. The majority of currency options in 31.12.2016 related to the hedging structure of the Terex MHPS acquisition currency risk.

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 43.5% 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 Company 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 Company performs quantitative effectiveness test using the dollar value method approach by comparison of past changes in the cash flows of the hedged item that are attributable to the hedged risk with past changes in the cash flows of the hedging instrument and reviews whether the actual results of the hedge are within a range of 80–125 per cent. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

The cash flow hedges of the expected future sales and purchases in 2017 and 2016 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	2017	2016
Balance as of January 1	15.0	-9.1
Gains and losses deferred to equity (fair value reserve)	-5.3	30.1
Change in deferred taxes	1.1	-6.0
Balance as of the end of period	**10.8**	**15.0**

16. TRANSACTIONS WITH RELATED PARTIES

EUR million	2017	2016
Sales of goods and services with associated companies and joint arrangements	37.7	14.6
Sales of goods and services with significant shareholders	13.1	0.0
Receivables from associated companies and joint arrangements	11.1	5.5
Purchases of goods and services from associated companies and joint arrangements	45.7	48.1
Purchases of goods and services from significant shareholders	0.7	0.0
Liabilities to associated companies and joint arrangements	4.3	4.3

ANALYST AND PRESS BRIEFING

An analyst and press conference will be held at restaurant Savoy's Salikabinetti (address Eteläesplanadi 14) on February 8, 2018, at 11:00 a.m. Finnish time. The Financial Statement Release 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 a.m. at www.konecranes.com. Please see the stock exchange release on January 15, 2018 for the conference call details.

NEXT REPORT

Konecranes' Interim Report January–March 2018 will be published on April 26, 2018.

KONECRANES PLC

Miikka Kinnunen
Vice President, Investor Relations

FOR ADDITIONAL INFORMATION

Mr. Panu Routila,
President and CEO,
tel. +358 20 427 2000

Mr. Teo Ottola,
Chief Financial Officer,
tel. +358 20 427 2040

Mr. Miikka Kinnunen,
Vice President, Investor Relations,
tel. +358 20 427 2050

Mr. Mikael Wegmüller,
Vice President, Marketing and Communications,
tel. +358 40 776 2314

DISTRIBUTION

Media
Nasdaq Helsinki
www.konecranes.com

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 2017, Group sales totaled EUR 3,136 million. The Group has 16,400 employees at 600 locations in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).

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