KONECRANES
Lifting Businesses™

Adjusted operating profit improved, fourth quarter order intake strong

Financial Statements Bulletin 2016

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Adjusted operating profit improved, fourth quarter order intake strong

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

FOURTH QUARTER HIGHLIGHTS

- Order intake EUR 595.1 million (512.5), +16.1 percent
- Order book EUR 1,038.0 million (1,036.5) at year-end, +0.1 percent
- Sales EUR 613.3 million (609.0), +0.7 percent
- Adjusted operating profit* EUR 52.1 million (44.6), 8.5 percent (7.3) of sales.
- Adjustments* EUR -21.2 million (-13.8).
- Operating profit EUR 31.0 million (30.8), 5.0 percent of sales (5.1).
- Earnings per share (diluted) EUR 0.18 (0.21).
- Net cash flow from operating activities EUR 62.1 million (40.9).
- Net debt EUR 129.6 million (203.2) and gearing 29.1 percent (44.6).

FULL-YEAR 2016 HIGHLIGHTS

- Orders received EUR 1,920.7 million (1,965.5), -2.3 percent
- Sales EUR 2,118.4 million (2,126.2), -0.4 percent
- Adjusted operating profit* EUR 140.8 million (117.7), 6.6 percent (5.5) of sales
- Adjustments* EUR -55.9 million (-54.7)
- Operating profit EUR 84.9 million (63.0), 4.0 percent of sales (3.0)
- Earnings per share (diluted) EUR 0.64 (0.53)
- Net cash flow from operating activities EUR 109.6 million (39.3)
- Dividend proposed by the Board of Directors is EUR 1.05 (1.05) per share.

MARKET OUTLOOK

Customers are cautious about investing due to modest volume growth in manufacturing and process industries, as well as container handling. The companies operating in emerging and commodity markets are particularly under pressure to save costs. The demand situation in Europe and North America is mixed. Low growth in global container throughput has led to a slow decision-making among container terminal operators. The quarterly Equipment order intake may fluctuate due to the timing of the large port crane projects.

FINANCIAL GUIDANCE

Due to the very recent acquisition of the Terex's MHPS business, Konecranes believes that it is not appropriate to provide financial guidance for the new combined business at the present time and intends to provide financial guidance in conjunction with its Interim Report January–March 2017.

** Adjustments (corresponding to term non-recurring items in 2015) include restructuring costs, transaction costs related to the terminated merger plan with Terex Corporation, and acquisition of Terex's MHPS business and related activities, unwarranted payments due to identity theft and fraudulent actions (in the third quarter of 2015), and insurance indemnity and returned funds related to identity theft and fraudulent actions (in the second and third quarter of 2016). Konecranes' management believes that the adjusted operating profit is relevant to understanding the comparable financial performance when comparing the result for the current period with the previous periods.*

Key figures

	Fourth quarter			January–December		
	10–12/2016	**10–12/2015**	**Change %**	**1–12/2016**	**1–12/2015**	**Change %**
Orders received, MEUR	595.1	512.5	16.1	1,920.7	1,965.5	-2.3
Order book at end of period, MEUR				1,038.0	1,036.5	0.1
Sales total, MEUR	613.3	609.0	0.7	2,118.4	2,126.2	-0.4
Adjusted EBITDA, MEUR*)	64.8	57.0	13.7	191.6	166.5	15.1
Adjusted EBITDA, %*)	10.6%	9.4%		9.0%	7.8%	
Adjusted operating profit, MEUR*)	52.1	44.6	17.0	140.8	117.7	19.6
Adjusted operating margin, %*)	8.5%	7.3%		6.6%	5.5%	
EBITDA, MEUR	43.6	42.7	2.2	138.5	117.1	18.3
EBITDA, %	7.1%	7.0%		6.5%	5.5%	
Operating profit, MEUR	31.0	30.8	0.5	84.9	63.0	34.6
Operating margin, %	5.0%	5.1%		4.0%	3.0%	
Profit before taxes, MEUR	25.4	28.6	-11.2	62.1	55.4	12.1
Net profit for the period, MEUR	10.8	12.6	-13.9	37.6	30.8	22.1
Earnings per share, basic, EUR	0.18	0.21	-14.1	0.64	0.53	21.7
Earnings per share, diluted, EUR	0.18	0.21	-14.1	0.64	0.53	21.7
Dividend per share, EUR				1.05**	1.05	
Gearing, %				29.1%	44.6%	
Return on capital employed %				10.3%	9.5%	
Free cash flow, MEUR	54.1	24.8		83.9	-1.4	
Average number of personnel during the period				11,398	11,934	-4.5

**) Adjustments (corresponding term non-recurring items in 2015) include restructuring costs, transaction costs related to the terminated merger plan with Terex and the acquisition of Terex MHPS and related activities, unwarranted payments due to identity theft and fraudulent actions (in the third quarter of 2015), and insurance indemnity and returned funds related to identity theft and fraudulent actions (in the second and third quarter of 2016). See also note 12 in the interim report.*

***) The Board's proposal to AGM*

President and CEO Panu Routila:

"We had a satisfactory performance in 2016. This makes us well-prepared for the integration of the MHPS business that was acquired in early 2017. Group order intake grew by 16.1 percent, sales by 0.7 percent, and adjusted EBIT by 17.0 percent in the fourth quarter. Cash flow strengthened toward the year-end 2016, which lowered gearing to 29 percent.

The profitability improvement, despite the lack of volume growth, demonstrates that our actions to cut manufacturing capacity and the introduction of a new operating model based on direct product line organization and P&L responsibilities have improved our competitiveness. These factors and streamlining of the middle management meant cost savings of more than EUR 30 million in 2016, which is visible in lower fixed costs.

While the fourth quarter order intake was the highest of the year, it also reflects continued challenging market conditions. The highlight of the quarter were the orders from the Virginia Port Authority for 86 automated stacking cranes valued more than EUR 200 million. This was the largest deal in the history of Konecranes. With deliveries extending to 2020, it gives a good base load for our port cranes business.

Service has prioritized efficiency over growth. Our restructuring actions in a weak market, particularly among industrial customers in the Americas, held back growth in 2016. Furthermore, low investment levels within process industries and commodity sectors weighed on the demand for industrial cranes and components. Likewise, weak growth in container throughput and a focus on M&A has affected terminal operators' appetite for capacity expansions. Our comparable order book for the current year's deliveries is therefore lower than was the corresponding situation a year ago. From this perspective, the recent strengthening of the Purchasing Managers' Indexes and return to growth in container traffic is welcome development.

Our acquisition of Terex Corporation's MHPS business was closed on January 4, 2017. We are extremely proud to combine forces with MHPS. We want to provide a home for Demag and Port Solutions, from which these businesses can grow and become stronger as part of our joint organization. The sound industrial logic of the MHPS acquisition makes it possible for us to realize a long list of synergies. Based on the initiated integration work, we continue to be confident on the targeted synergies of EUR 140 million p.a. within three years, of which EUR 35 million is expected to be implemented by the end of 2017."

2016 Board of Directors' report

MARKET REVIEW

The activity in the world's manufacturing sector, according to the aggregated JPMorgan Global Manufacturing Purchasing Managers' Index (PMI), picked up steam in the second half of 2016. This followed stagnant development in the first half of 2016. By area, growth was generally led by the US and Western Europe regions. However, the performance of the Asia region also improved.

According to the PMI surveys in the Eurozone, expansion of the manufacturing production accelerated toward year-end 2016. In December, the Eurozone manufacturing PMI was at its highest level since April 2011. National data pointed to a broad-based improvement. Growth was strongest in the Netherlands and Austria, which were closely followed by Germany and Spain. Also France, where manufacturing production contracted in the three first quarters of 2016, saw a return to growth in the fourth quarter.

Outside the Eurozone, the UK PMI posted a strong finish to 2016 following a short period of volatility around the EU referendum in June as the weaker Sterling exchange rate drove export orders higher. In Sweden, manufacturing activity continued to expand strongly throughout the year. The European Union manufacturing capacity utilization rate slightly improved in 2016.

Similar to Europe, the economic activity in the U.S. manufacturing sector, measured by the PMI, picked up toward the end of 2016. This did not yet reflect in the U.S. manufacturing capacity utilization rate, which declined slightly from 2015. The total industrial capacity utilization rate, which declined heavily in 2015 due to commodity sectors, stabilized in 2016.

Based on the PMIs, the BRIC countries remained the weakest links. The year 2016 started on a weak note in Chinese and Russian manufacturing sectors, but they finished the year in a growth mode. Modest growth could be overall observed in India. In Brazil, the PMI pointed to a continued contraction in manufacturing output the entire year.

Compared to the previous year, the demand for industrial cranes improved in 2016, mainly owing to the pick-up in orders for heavy-duty cranes in the Americas. The demand for industrial cranes was at a par with the previous year's level in EMEA, whereas the demand weakened in APAC. The demand for hoists declined in all regions.

The global container throughput grew only by approximately 1 percent in 2016. The number of idle container ships – ships not used for commercial operations – doubled in 2016 due to overcapacity. The bright spots for container traffic included Europe-Middle East, Asia-North America, and Asia-Oceania routes. The weakest routes were between Europe-South America, Asia-South America, and Asia-West Africa.

Due to weak growth in container throughput and focus on M&A, most of the terminal operators' capacity expansion plans were put under review in 2016. This affected the demand for port cranes. However, the interest in automated port solutions remained high.

The demand for lift trucks declined from the previous year, mainly due to weaker demand in the Americas. The demand was rather stable in EMEA, while the demand grew in APAC.

The demand for lifting equipment services grew in EMEA, whereas the demand for services decreased from the previous year in the Americas and APAC. The demand in the Americas and APAC was hit by commodity sectors.

Raw material prices, including steel, copper, and oil bottomed out in the first quarter of 2016 and were above the previous year's level at the end of 2016. The average EUR/USD exchange rate was stable on a year-on-year basis.

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

ORDERS RECEIVED

In 2016, the orders received fell by 2.3 percent to EUR 1,920.7 million (1,965.5). Orders received decreased by 4.3 percent in Service and by 3.2 percent in Equipment. Orders received rose in the Americas, but fell in EMEA and APAC.

The fourth quarter order intake grew by 16.1 percent from a year before to EUR 595.1 million (512.5). Order intake decreased by 4.9 in Service, but increased by 25.3 percent in Equipment. Orders received increased in the Americas, but decreased in EMEA and APAC.

In the fourth quarter, Konecranes received an order from the Virginia Port Authority for 86 automated stacking cranes. The value of the contracts exceeded EUR 200 million. This was the largest deal in the history of Konecranes. On the other hand, the fourth quarter order intake included unusually high cancellations for approximately EUR 18 million, the majority of which related to a single port crane project.

ORDER BOOK

The value of the order book at year-end 2016 totaled EUR 1,038.0 million (1,036.5), which was 0.1 percent higher than at the end of 2015. Service accounted for EUR 173.3 million (17 percent) and Equipment for EUR 864.7 million (83 percent) of the total end-December order book.

NET SALES BY REGION, MEUR

	10–12/2016	10–12/2015	1–12/2016	1–12/2015	Change percent	Change % at comparable currency rates
EMEA	285.9	289.5	1,001.4	960.5	4.3	6.2
AME	233.0	232.3	802.5	823.7	-2.6	-1.9
APAC	94.5	87.2	314.5	342.0	-8.1	-6.1
Total	**613.3**	**609.0**	**2,118.4**	**2,126.2**	**-0.4**	**1.1**

SALES

Group sales in the full-year 2016 decreased by 0.4 percent and totaled EUR 2,118.4 million (2,126.2). Sales in Service decreased by 2.5 percent and in Equipment by 0.7 percent.

Fourth-quarter sales rose by 0.7 percent from the corresponding period in 2015 to EUR 613.3 million (609.0). Sales in Service decreased by 3.0 percent, but increased in Equipment by 1.1 percent.

In 2016, the regional breakdown was as follows: EMEA 47 (45), Americas 38 (39) and APAC 15 (16) percent.

CURRENCY RATE EFFECT

In a year-on-year comparison, the currency rates had a negative impact on the orders and sales in January–December. The reported order intake decreased by 2.3 percent and by 0.9 percent at comparable currency rates. Reported sales decreased by 0.4 percent, but increased by 1.1 percent at comparable currency rates.

In Service, the reported January–December order intake decreased by 4.3 percent and by 2.9 percent at comparable currencies. In Equipment, the reported orders decreased by 3.2 percent and by 1.9 percent at comparable currencies. Service sales fell by 2.5 percent in reported terms and by 1.0 percent at comparable currencies. In Equipment, the corresponding figures were -0.7 percent and +0.6 percent.

The currency rates continued to have a negative impact on the orders and sales in the fourth quarter in a year-on-year comparison. In the fourth quarter, the reported order intake grew by 16.1 percent, whereas the growth at comparable currencies was 16.6 percent. The reported sales increased by 0.7 percent and by 1.1 percent at comparable currencies.

In the fourth quarter, the order intake in Service declined by 4.9 percent in reported terms and at comparable currency rates. In Equipment, the reported order intake increased by 25.3 percent and by 26.0 percent at comparable currency rates. In Service, the reported sales decreased by 3.0 percent and by 3.1 percent at comparable currency rates. The corresponding figures in Equipment sales were +1.1 percent and +1.7 percent.

FINANCIAL RESULT

In January–December, the adjusted operating profit increased by EUR 23.1 million to EUR 140.8 million (117.7). The adjusted operating margin improved to 6.6 percent (5.5). The adjusted operating margin in Service improved to 11.5 percent (10.4) and in Equipment to 4.2 percent (2.7). The adjusted operating margin improved due to the lower fixed costs in both Service and Equipment. The previous year's adjusted operating profit in Business Area Equipment included a provision of EUR 3.3 million related to a receivable from the Latin American customer.

The consolidated operating profit in full-year 2016 totaled EUR 84.9 million (63.0), increasing in total by EUR 21.8 million. The operating profit includes adjustments of EUR -55.9 million (-54.7) comprising restructuring costs of EUR 19.2 million (20.5), transaction costs of EUR 47.0 million (17.2), and insurance indemnity and returned funds related to identity theft of EUR +10.2 million (0.0). The previous year's adjustments included the unwarranted payments due to the identity theft and fraudulent actions against Konecranes in a total amount of EUR -17.0 million. The consolidated operating margin improved to 4.0 percent (3.0). The operating margin in Service rose to 10.6 percent (10.0) and in Equipment to 3.5 percent (1.5).

In the fourth quarter, the adjusted operating profit increased by EUR 7.6 million to EUR 52.1 million (44.6). The adjusted operating margin improved to 8.5 percent (7.3). The adjusted operating margin in Service rose to 14.3 percent (12.3) and in Equipment to 5.8 percent (4.3). The adjusted operating margin improved due to lower fixed costs in Service and higher gross margin in Equipment. The previous year's adjusted operating profit in Business Area Equipment included a provision of EUR 3.3 million related to a receivable from the Latin American customer.

The consolidated operating profit in the fourth quarter totaled EUR 31.0 million (30.8). The operating profit includes adjustments of EUR -21.2 million (-13.8) comprising restructuring costs of EUR 4.2 million (5.0) and transaction costs of EUR 16.9 million (8.8). The consolidated operating margin in the fourth quarter fell to 5.0 percent (5.1). The operating margin in Service improved to 13.2 percent (12.0) and in Equipment to 5.4 percent (3.5).

In 2016, the depreciation and impairments totaled EUR 53.7 million (54.0). This included write-offs of EUR 2.8 million (5.3) to intangible and tangible assets. The amortization arising from the purchase price allocations for acquisitions represented EUR 4.0 million (5.0) of the depreciation and impairments.

In 2016, the share of the result of associated companies and joint ventures was EUR 6.0 million (4.8). The EUR 5.8 million (0.0) gain on disposal of investment in associated company relates to the sale of shares in Kito Corporation.

Net financial expenses in January–December totaled EUR 34.6 million (12.5). Net interest expenses accounted for EUR 9.9 million (9.6) of this. Financial expenses include costs of EUR 15.9 million (0.0) related to the terminated merger plan with Terex and the acquisition of Terex's MHPS business.

The January–December profit before taxes was EUR 62.1 million (55.4).

The income taxes in January–December were EUR 24.5 million (24.6). The Group's effective tax rate was 39.5 percent (44.4). The tax rate was affected by impairment of EUR 5.2 million (4.7) related to the previously recognized deferred tax assets in Chinese entities. The Group's effective tax rate was 27.5 percent in 2016, excluding the impacts from the write-off of the deferred tax assets and certain transaction costs.

The January–December net profit was EUR 37.6 million (30.8).

In 2016, the basic earnings per share were EUR 0.64 (0.53) and diluted earnings per share were EUR 0.64 (0.53).

In 2016, the return on capital employed was 10.3 percent (9.5) and return on equity 8.3 percent (6.8).

BALANCE SHEET

The year-end 2016 consolidated balance sheet amounted to EUR 1,529.9 million (1,484.9). Total equity at the end of the reporting period was EUR 445.5 million (456.0). Total equity attributable to equity holders of the parent company at year-end 2016 was EUR 445.4 million (455.9) or EUR 7.58 per share (7.79).

Net working capital at year-end 2016 totaled EUR 304.3 million (317.4). Net working capital decreased due to lower inventories.

CASH FLOW AND FINANCING

Net cash flow from the operating activities in full-year 2016 was EUR 109.6 million (39.3). The cash flow improved mainly due to the release of the net working capital. In the fourth quarter, net cash flow from operating activities was EUR 62.1 million (40.9).

Cash flow related to capital expenditures amounted to EUR -27.3 million (-43.3). Cash flow related to capital expenditures in the fourth quarter was EUR -8.2 million (-16.7).

Cash flow before financing activities was EUR 131.4 million (-1.5). This included proceeds of EUR 47.8 million from the disposal of shares in Kito Corporation. Cash flow before financing activities in the fourth quarter was EUR 54.1 million (24.7).

Interest-bearing net debt was EUR 129.6 million (203.2) at the end of 2016. Solidity was 32.9 percent (34.8) and gearing was 29.1 percent (44.6).

The Group's liquidity remained healthy. At the end of the year 2016, cash and cash equivalents amounted to EUR 167.4 million (80.8). None of the Group's EUR 300 million committed back-up financing facilities were in use at the end of the period.

In in April 2016, Konecranes paid dividends to its shareholders that amounted to EUR 61.7 million or EUR 1.05 per share.

CAPITAL EXPENDITURE

In 2016, the capital expenditure, excluding acquisitions and joint arrangements, amounted to EUR 33.8 million (49.3). This amount consisted of investments in machinery, equipment, properties, and information technology.

Capital expenditure including acquisitions and joint arrangements was EUR 33.8 million (49.3).

In 2016, Konecranes continued its IT system project to further develop and implement harmonized processes, increase operational visibility, improve decision-making, and reduce the overall number of various IT systems. New ERP for manufacturing, logistics, and finance was rolled out in Finnish, Chinese, and Singaporean operations. The roll-out of the new ERP for service operations continued in the USA and various European countries.

ACQUISITIONS AND DIVESTMENTS

In September, Konecranes sold its small Moroccan service company Techniplus S.A. The disposal of the company resulted in a loss of EUR 0.8 million.

PERSONNEL

In January–December, the Group employed an average of 11,398 people (11,934). On December 31, the headcount was 10,951 (11,887). Group's personnel decreased by 936 employees from year-end 2015, mainly due to the restructuring actions. The divestment of the Moroccan service company reduced the number of employees by approximately 140 people.

At year-end 2016, the number of personnel by Business Area was as follows: Service 5,998 employees (6,503), Equipment 4,893 employees (5,328), and Group staff 60 (56). The Group had 5,842 employees (6,237) working in EMEA, 2,704 (2,968) in the Americas, and 2,405 (2,682) in the APAC region.

In 2016, the Group's personnel expenses totaled EUR 658.3 million (661.5).

Business areas

SERVICE

	10–12/2016	10–12/2015	1–12/2016	1–12/2015	Change percent
Orders received, MEUR	190.4	200.3	774.5	809.5	-4.3
Order book, MEUR	173.3	165.8	173.3	165.8	4.5
Contract base value, MEUR	206.1	210.6	206.1	210.6	-2.1
Net sales, MEUR	267.5	275.9	968.0	992.3	-2.5
EBITDA, MEUR	40.2	38.0	121.6	118.0	3.1
EBITDA, %	15.0%	13.8%	12.6%	11.9%	
Depreciation and amortization, MEUR	-4.8	-4.8	-19.4	-17.9	8.2
Impairments, MEUR	0.0	-0.1	0.0	-1.2	
Operating profit (EBIT), MEUR	35.4	33.2	102.2	98.9	3.4
Operating profit (EBIT), %	13.2%	12.0%	10.6%	10.0%	
Adjustments*, MEUR	-2.7	-0.7	-8.7	-4.0	
Adjusted operating profit (EBIT), MEUR	38.2	33.8	110.9	102.9	7.8
Adjusted operating profit (EBIT), %	14.3%	12.3%	11.5%	10.4%	
Capital employed, MEUR	252.5	232.3	252.5	232.3	8.7
ROCE%			40.5%	45.7%	
Capital expenditure, MEUR	4.9	11.5	12.6	22.9	-44.9
Personnel at the end of period	5,998	6,503	5,998	6,503	-7.8

**) restructuring costs*

The orders in full-year 2016 totaled EUR 774.5 million (809.5) showing a decrease of 4.3 percent. The order decrease was mainly attributable to the negative currency effect and closure of certain underperforming operations. The order book rose to EUR 173.3 million (165.8) at year-end representing an increase of 4.5 percent. Sales fell by 2.5 percent to EUR 968.0 million (992.3). Sales grew in EMEA, whereas the sales were lower in the Americas and APAC.

The adjusted operating profit, excluding restructuring costs of EUR 8.7 million (4.0), was EUR 110.9 million (102.9) and the adjusted operating margin was 11.5 percent (10.4). The adjusted operating margin improved due to the lower fixed costs. Operating profit was EUR 102.2 million (98.9) and 10.6 percent of sales (10.0).

The fourth-quarter order intake declined by 4.9 percent and was EUR 190.4 million (200.3). The fourth-quarter sales totaled EUR 267.5 million (275.9), representing a year-on-year decrease of 3.0 percent. Sales grew in APAC, but fell in EMEA and the Americas.

The fourth quarter adjusted operating profit, excluding restructuring costs of EUR 2.7 million (0.7), was EUR 38.2 million (33.8) and 14.3 percent of the sales (12.3). The adjusted operating margin improved due to the lower fixed costs. The fourth quarter operating profit was EUR 35.4 million (33.2) and 13.2 percent of the sales (12.0).

The total number of equipment included in the maintenance contract base remained approximately at the previous year's level at 453,516 (453,634). The annual value of the contract base decreased by 2.1 percent to EUR 206.1 million (210.6) at year-end 2016. At comparable currency rates, the value of the contract base fell by 3.1 percent. The closures of certain underperforming operations had a negative impact on the contract base value.

EQUIPMENT

	10–12/2016	10–12/2015	1–12/2016	1–12/2015	Change percent
Orders received, MEUR	421.2	336.2	1,216.8	1,257.6	-3.2
Order book, MEUR	864.7	870.7	864.7	870.7	-0.7
Net sales, MEUR	365.4	361.3	1,231.1	1,240.3	-0.7
EBITDA, MEUR	27.4	19.5	76.2	52.9	44.1
EBITDA, %	7.5%	5.4%	6.2%	4.3%	
Depreciation and amortization, MEUR	-7.0	-7.5	-29.7	-30.0	-1.0
Impairments, MEUR	-0.7	0.6	-3.5	-4.1	
Operating profit (EBIT), MEUR	19.8	12.6	42.9	18.8	129.0
Operating profit (EBIT), %	5.4%	3.5%	3.5%	1.5%	
Adjustments*, MEUR	-1.4	-2.9	-8.5	-15.0	
Adjusted operating profit (EBIT), MEUR	21.2	15.5	51.5	33.8	52.5
Adjusted operating profit (EBIT), %	5.8%	4.3%	4.2%	2.7%	
Capital employed, MEUR	288.9	356.7	288.9	356.7	-19.0
ROCE%			14.8%	5.3%	
Capital expenditure, MEUR	6.6	12.1	21.2	26.5	-19.8
Personnel at the end of period	4,893	5,328	4,893	5,328	-8.2

) restructuring costs

The orders in full-year 2016 totaled EUR 1,216.8 million (1,257.6) showing a decrease of 3.2 percent. Orders grew in the Americas, but declined in EMEA and Asia-Pacific. Orders for industrial cranes accounted for approximately 40 percent of the orders received and were higher than a year ago. Components generated approximately 20 percent of the new orders and were below last year's level. The combined orders for port cranes and lift trucks amounted to approximately 40 percent of the orders received and were at par with the previous year. The order book decreased by 0.7 percent from the previous year to EUR 864.7 million (870.7).

Sales decreased by 0.7 percent to EUR 1,231.1 million (1,240.3). Adjusted operating profit, excluding restructuring costs of EUR 8.5 million (15.0), was EUR 51.5 million (33.8), and the adjusted operating margin was 4.2 percent (2.7). The adjusted operating margin in Equipment improved due to the lower fixed costs. The previous year's adjusted operating profit included a provision of EUR 3.3 million related to a receivable from the Latin American customer. Operating profit was EUR 42.9 million (18.8) and 3.5 percent of sales (1.5).

The fourth quarter order intake rose by 25.3 percent and totaled EUR 421.2 million (336.2). The fourth quarter order intake increased in the Americas, but decreased in EMEA and Asia-Pacific. Compared to the previous year, the orders for port cranes rose, whereas the orders for industrial cranes, crane components, and lift trucks fell. In the fourth quarter, Konecranes received an order from the Virginia Port Authority for 86 automated stacking cranes. The value of the contracts exceeded EUR 200 million. This was the largest deal in the history of Konecranes. On the other hand, the fourth quarter order intake included unusually high cancellations of approximately EUR 18 million, the majority of which related to a single port crane project.

The fourth-quarter sales totaled EUR 365.4 million (361.3) and were 1.1 percent higher than a year ago. The fourth quarter adjusted operating profit, excluding restructuring costs of EUR 1.4 million (2.9), was EUR 21.2 million (15.5), and the adjusted operating margin 5.8 percent (4.3). The adjusted operating margin improved due to the higher gross margin. The previous year's adjusted operating profit included a provision of EUR 3.3 million related to a receivable from a Latin American customer. The fourth quarter operating profit was EUR 19.8 million (12.6), and the operating margin 5.4 percent (3.5).

Group overheads

In January–December, unallocated Group overhead costs and eliminations, excluding restructuring costs, transaction costs, and insurance indemnity were EUR -21.6 million (–18.9) representing -1.0 percent of sales (-0.9).

Unallocated Group overhead costs and eliminations in the reporting period were EUR –60.3 million (–54.6) representing -2.8 percent of sales (-2.6). These included restructuring costs of EUR 2.0 million (1.4), transaction costs of EUR 47.0 million (17.2), and insurance indemnity and returned funds related to identity theft of EUR +10.2 million (0.0). The previous year figure included the unwarranted payments due to the identity theft and fraudulent actions against Konecranes in a total amount of EUR -17.0 million.

ACQUISITION OF TEREX'S MHPS BUSINESS

On May 16, 2016, Konecranes signed an agreement to acquire from Terex Corporation ("Terex") its Material Handling & Port Solutions ("MHPS") segment ("MHPS Acquisition") against consideration consisting of cash and shares, and to terminate the previously announced business combination agreement.

The consideration for the MHPS business is USD 595 million and EUR 200 million in cash, and 19,600,000 new class B shares. Pursuant to the Stock and Asset Purchase Agreement dated May 16, 2016 (the "SAPA"), the final cash consideration is subject to post-closing adjustments for cash, debt, working capital, and the closing of the sale of the STAHL CraneSystems business. The final number of class B shares may be subject to certain adjustments in accordance with the SAPA.

The MHPS Acquisition will offer significant industrial and operational synergies targeted at EUR 140 million p.a. at EBIT level within three years from closing. One-time integration expenses are expected to be EUR 130 million, with expected EUR 60 million of capex. The MHPS Acquisition is expected to be EPS accretive from inception (adjusted for non-recurring integration costs and purchase price allocation-related amortization).

According to unaudited special purpose carve-out financial information, the sales of MHPS (including Crane America Services) were USD 1,542 million (EUR 1,391 million) and the adjusted EBITDA was USD 111 million (EUR 100 million) in 2015.

On August 1, Konecranes signed EUR 1,500 million unsecured financing facilities to fund the MHPS Acquisition. The committed credit facility includes 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 EUR 400 million revolving credit facility with a tenor of five years alongside a EUR 200 million bridge term loan facility.

On December 29, Konecranes announced that the Board of Directors has decided on a directed share issue of 19,600,000 new class B shares to the Terex's affiliate Terex Deutschland GmbH. The decision on the share issue was based on the authorization granted to the Board of Directors by the Extraordinary General Meeting of Shareholders held on September 15, 2016, to issue a maximum of 24,583,721 new class B shares to Terex or its designated affiliates.

The MHPS Acquisition was completed on January 4, 2017.

DIVESTMENT OF STAHL CRANESYSTEMS BUSINESS

On December 7, Konecranes announced that it has signed an agreement with Columbus McKinnon Corporation ("Columbus McKinnon") regarding the divestment of the STAHL CraneSystems business ("STAHL Divestment"). The STAHL Divestment related to the European Commission's approval of Konecranes' MHPS Acquisition, which was conditional on Konecranes divesting its STAHL CraneSystems business.

The STAHL Divestment was completed on January 31, 2017. However, the consolidation of STAHL CraneSystems' operations in Konecranes' financial statements ended already in the beginning of 2017.

The final selling price was EUR 224 million. Additionally, Columbus McKinnon assumed unfunded pension liabilities that were EUR 67 million as of December 31, 2016. Konecranes expects to book an after-tax capital gain of approximately EUR 200 million from the STAHL Divestment in the first quarter of 2017.

STAHL CraneSystems' sales outside the Konecranes Group totaled approximately EUR 130 million and the EBITDA was approximately EUR 26 million in 2016.

Konecranes will use the proceeds from the STAHL CraneSystems divestment to amortize the loans related to the MHPS Acquisition.

STRATEGIC ALLIANCE WITH KITO DISSOLVED, KITO SHARES SOLD

On September 26, Konecranes announced that Konecranes and Kito Corporation ("Kito") have decided to dissolve the strategic alliance signed between the companies on March 23, 2010. On September 27, Konecranes announced that it has sold 5,873,900 Kito shares to Kito. Konecranes sold the remaining 76,100 Kito shares in December. Konecranes received approximately EUR 48 million from the sale of the shares.

ADMINISTRATION

Decisions of the Annual General Meeting

The Annual General Meeting of Konecranes Plc was held on March 23, 2016. The meeting approved the Company's annual accounts for the fiscal year 2015 and discharged the members of the Board of Directors and the Managing Directors from liability. The AGM approved the Board's proposal to pay a dividend of EUR 1.05 per share from the distributable equity of the parent company.

The AGM approved the proposal of the Nomination and Compensation Committee that the number of the members of the Board of Directors shall be six (6). The Board members elected at the AGM in 2016 were Mr. Svante Adde, Mr. Stig Gustavson, Mr. Ole Johansson, Mr. Bertel Langenskiöld, Ms. Malin Persson, and Mr. Christoph Vitzthum.

The AGM confirmed the annual compensation to the Board members as follows:

- Chairman of the Board: EUR 105,000
- Vice Chairman of the Board: EUR 67,000
- Other Board members EUR 42,000

In addition, a compensation of EUR 1,500 per meeting will be paid for attending the meetings of the Board Committee. However, the Chairman of the Audit Committee is entitled to a compensation of EUR 3,000 per attended Audit Committee meeting. Furthermore, the AGM approved that 50 percent of the annual remuneration will be paid in Konecranes shares.

The AGM confirmed that Ernst & Young Oy will continue as the Company's external auditor.

The AGM authorized the Board of Directors to decide on the repurchase of the Company's own shares and/or on the acceptance of the Company's own shares as a pledge. 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, which corresponds to approximately 9.5 percent of all of the shares in the Company. The authorization is effective until the end of the next Annual General Meeting, however, no longer than until September 22, 2017.

The AGM authorized the Board of Directors to decide on the issuance of shares as well as on the issuance of special rights entitling to shares referred to in Section 1 of Chapter 10 of the Finnish Companies Act. The amount of shares to be issued based on this authorization shall not exceed 6,000,000 shares, which corresponds to approximately 9.5 percent of all of the shares in the Company. The authorization can also be used for incentive arrangements, however, not more than 700,000 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, 2017. However, the authorization for incentive arrangements is valid until March 22, 2021. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting 2015.

The AGM authorized the Board of Directors to decide on the transfer of the Company's own shares. The authorization is limited to a maximum of 6,000,000 shares, which corresponds to approximately 9.5 percent of all the shares in the Company. The authorization can also be used for incentive arrangements, however, not more than 700,000 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, 2017. However, the authorization for incentive arrangements is valid until March 22, 2021. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting 2015.

The AGM authorized the Board of Directors to decide on directed share issue without payment needed for the implementation of the Share Savings Plan that the Annual General Meeting 2012 decided to launch.

The AGM authorized the Board of Directors to decide on the issue of new shares or on the transfer of own shares held by the Company to such participants of 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 share issue without payment also to the Company itself. The number of new shares to be issued or own shares held by the Company to be transferred may in the aggregate amount to a maximum total of 500,000 shares, which corresponds to 0.8 per cent of all of the Company's shares. The authorization concerning the share issue is valid until March 22, 2021. This authorization is in addition to the authorizations in the previous items. This authorization replaces the authorization for the Share Savings Plan given by the Annual General Meeting 2015.

Board of Directors' organizing meeting

At its first meeting held after the Annual General Meeting, the Board of Directors elected Mr. Christoph Vitzthum Chairman of the Board and Mr. Stig Gustavson Vice Chairman of the Board. Mr. Svante Adde was elected Chairman of the Audit Committee, and Mr. Ole Johansson and Ms. Malin Persson as Committee members. Mr. Bertel Langenskiöld was elected Chairman of the Nomination and Compensation Committee, and Mr. Stig Gustavson and Mr. Christoph Vitzthum as Committee members.

With the exception of Mr. Stig Gustavson, the Board members are deemed to be independent of the company under the Finnish Corporate Governance Code. Mr. Gustavson is not deemed independent of the company based on the Board's overall evaluation relating to his former and current positions in Konecranes combined with his substantial voting rights in the Company.

With the exception of Mr. Ole Johansson and Mr. Bertel Langenskiöld, the Board members are independent of significant shareholders of the company. Mr. Ole Johansson is not deemed independent of significant shareholders of the Company based on his current position as the Chairman of the Board of Hartwall Capital Oy Ab. Mr. Langenskiöld is not deemed independent of significant shareholders of the company based on his position as the Managing Director of Hartwall Capital Oy Ab until August 31, 2015. HTT KCR Holding Oy Ab holds more than 10 percent of Konecranes Plc's shares and votes. HTT KCR Holding Oy Ab is a subsidiary of Hartwall Capital Oy Ab.

Decisions of the Extraordinary General Meeting

The Extraordinary General Meeting ("General Meeting") of Konecranes was held on September 15. The meeting approved all the proposals of the Board of Directors and made the necessary decisions to complete the MHPS Acquisition. In addition, the General Meeting approved the shareholder's proposal for additional remuneration to members of the Board of Directors.

The General Meeting approved the Board of Directors' proposal that the Articles of Association of the company be amended. The amendments to the Articles of Association include, inter alia, the creation of a new class of B shares to be issued to Terex in connection with the closing of the

MHPS Acquisition, which have the same financial rights as Konecranes ordinary shares but are subject to voting and transfer restrictions, and confer upon Terex the right to appoint up to two members to the Board of Directors of Konecranes as long as Terex's or its Group companies' shareholding in Konecranes exceeds certain specified thresholds. As long as Terex or any of its Group companies owns class B shares, any amendment of the Articles of Association relating to class B shares requires the consent of Terex.

Terex has informed the company that its initial Board appointees will be David Sachs and Oren Shaffer, whose term as members of the Board of Directors will begin as of the closing of the MHPS Acquisition.

The General Meeting authorized the Board of Directors to decide on the issuance of a maximum of 24,583,721 new class B shares in deviation from the shareholders' pre-emptive subscription rights during the effective period of the authorization. The authorization concerns issuance of B shares to Terex or its designated affiliates as payment of the share consideration, including the additional share consideration, if any, payable by Konecranes in the MHPS Acquisition.

The EGM further authorized the Board of Directors to resolve on all other terms and conditions of the issuance of shares. This authorization is effective until December 31, 2017 and it will not revoke the authorizations granted to the Board of Directors to decide on the issuance of shares and special rights entitling to shares by the Annual General Meeting on March 23, 2016.

The General Meeting confirmed the annual remuneration payable to the members of the Board of Directors to be as of the closing of the Acquisition as follows: Chairman of the Board EUR 140,000, Vice Chairman of the Board EUR 100,000, and the other Board members: EUR 70,000.

The amount of annual remuneration payable to the members of the Board of Directors until the closing of the Acquisition is based on the resolution made at the Annual General Meeting on March 23, 2016, and the proposed increased remuneration would be payable pro rata for the term of office between closing of the Acquisition and the Annual General Meeting in 2017.

Otherwise, the annual remuneration for the members of the Board of Directors will be paid as resolved by the Annual General Meeting on March 23, 2016 including the payment of 50 percent of the annual remuneration in Konecranes shares.

The General Meeting approved the shareholder's, HTT KCR Holding Oy Ab, proposal for additional remuneration to the members of Konecranes' Board of Directors.

All members of the Board of Directors shall be additionally remunerated for attending meetings of the Board of Directors during the period from Konecranes' Annual General Meeting held on March 23, 2016 until the closing of the Acquisition (or the next Annual General Meeting of Konecranes, unless the Acquisition has been closed prior to that). The compensation paid to each member of the Board of Directors shall be EUR 1,500 for each meeting the relevant member of the Board of Directors has attended.

The members of the negotiation team shall be paid the following additional one-time compensation: EUR 60,000 to Stig Gustavson, Bertel Langenskiöld, and Christoph Vitzthum each, and EUR 30,000 to Svante Adde.

The accrued compensation per attended meeting of the Board of Directors and the one-time compensation payable to the members of the Board of Directors shall be paid in cash. Christoph Vitzthum, the Chairman of the Board of Directors, has informed Konecranes that he will forgo his one-time compensation.

The General Meeting approved the proposal of the Nomination and Compensation Committee that the number of members of the Board of Directors shall be increased to eight (8) as of the closing of the General Meeting.

The General Meeting further approved that the number of the members of the Board of Directors shall be increased to ten (10) as of the closing of the Acquisition when the two members of the Board of Directors appointed by Terex join the Board of Directors.

The EGM elected two new members of the Board of Directors for a term of office ending at the closing of the Annual General Meeting in 2017. The new members are Ms. Janina Kugel and Mr. Ulf Liljedahl.

The Board of Directors elected Janina Kugel as a member of the Nomination and Compensation Committee and Ulf Liljedahl as a member of the Audit Committee.

After the elections, the Nomination and Compensation Committee consists of Bertel Langenskiöld (Chairman), Stig Gustavson, Janina Kugel, and Christoph Vitzthum. The Audit Committee consists of Svante Adde (Chairman), Ole Johansson, Ulf Liljedahl, and Malin Persson.

Changes in Management

On April 27, 2016, Konecranes announced that Ryan Flynn, Executive Vice President and Head of Business Area Equipment, is leaving Konecranes to pursue other interests. President and CEO Panu Routila assumed the position of Head of Business Area Equipment, in addition to his existing duties, as of May 1, 2016.

On July 14, 2016, Konecranes announced that Sirpa Poitsalo (b. 1963), Vice President, General Counsel, has been appointed a member of the Konecranes Group Executive Board and will report to Panu Routila, President & CEO.

Changes to segment reporting and Group Executive Board

On December 15, 2016, Konecranes announced that its Board of Directors has made decisions on the new reporting segments and new members of the Group Executive Board ("GXB") subject to the closing of the MHPS Acquisition. As of January 1, 2017, Konecranes will report three business areas: Service, Industrial Equipment and Port Solutions.

Mika Mahlberg was appointed as Executive Vice President, Business Area Port Solutions, and as a member of the Konecranes GXB. Susanna Schneeberger was appointed as Executive Vice President, Strategy, and as a member of the Konecranes GXB.

As of closing of the MHPS Acquisition, the Konecranes GXB will consist of the following members:

- Mr. Panu Routila, President and CEO
- Mr. Teo Ottola, CFO and Deputy CEO
- Mr. Fabio Fiorino, Executive Vice President, Business Area Service
- Mr. Mikko Uhari, Executive Vice President, Business Area Industrial Equipment
- Mr. Mika Mahlberg, Executive Vice President, Business Area Port Solutions
- Mr. Juha Pankakoski, Executive Vice President, Technologies
- Ms. Susanna Schneeberger, Executive Vice President, Strategy
- Mr. Timo Leskinen, Senior Vice President, Human Resources
- Ms. Sirpa Poitsalo, Senior Vice President, General Counsel

SHARE CAPITAL AND SHARES

The company's registered share capital totaled EUR 30.1 million on December 31, 2016 and the number of shares including treasury shares was 63,272,342.

On December 31, 2016, Konecranes Plc was in the possession of 4,521,333 own shares, which corresponds to 7.1 percent of the total number of shares having a market value of EUR 152.7 million on that date.

All shares carry one vote per share and equal rights to dividends.

SHARES SUBSCRIBED FOR UNDER STOCK OPTION RIGHTS

The share subscription period for the stock options 2009C ended on April 30. The stock options 2009C entitled to the subscriptions of a total of 638,500 shares. There were no share subscriptions during the subscription period pursuant to the stock options 2009C.

PERFORMANCE SHARE PLAN

On June 15, 2016, Konecranes announced that the Board has resolved to establish a new share-based incentive plan directed to the Group key employees. The long-term incentive plan consists of one discretionary period, calendar year 2016. Approximately 200 key employees, including the members of the Group Executive Board and Senior Management, belong to the target group of the plan.

The potential reward from the plan will be based on the continuation of the key employee´s employment or service and on the Konecranes Group's adjusted earnings before interest, taxes, depreciation and amortization (EBITDA). The rewards to be paid on the basis of the plan correspond to an approximate maximum total number of 700,000 Konecranes Plc shares, also including the portion to be paid in cash.

The potential reward from the plan will be paid partly in Konecranes shares and partly in cash after the discretionary period, by the end of August 2017. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to a key employee. The shares paid as reward may not be transferred during a restriction period established for the shares. The restriction period shall begin from reward payment and end on December 31, 2018.

The members of the Group Executive Board and Senior Management must retain 50 percent of net shares received on the basis of the plan until such member´s share ownership equals his or her annual gross base salary. Such number of shares must be held as long as such member´s employment or service at Konecranes continues.

EMPLOYEE SHARE SAVINGS PLAN

On February 23, 2016, the Board of Directors of Konecranes Plc decided on a directed share issue related to the reward payment for the Savings Period 2012–2013 of the Konecranes Employee Share Savings Plan. In the share issue, 18,580 Konecranes Plc shares held by the company were conveyed without consideration to the employees participating in the plan in accordance with the terms and conditions of the plan.

On June 15, 2016, Konecranes announced that the Board has decided to launch a new Plan Period. The new plan period will begin on September 1, 2016 and end on June 30, 2017. The maximum savings amount per participant during one month is 5 percent of gross salary and the minimum is EUR 50. 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, 2020, 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 2016—2017 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 2016.

MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for Konecranes Plc's shares on the Nasdaq Helsinki was EUR 33.78 on December 31, 2016. The volume-weighted average share price in January–December was EUR 25.38, the highest price being EUR 36.89 in December and the lowest EUR 17.92 in January. In January–December, the trading volume on the Nasdaq Helsinki totaled 55.6 million of the Konecranes Plc's shares, corresponding to a turnover of approximately EUR 1,411.3 million. The average daily trading volume was 220,693 shares, representing an average daily turnover of EUR 5.6 million.

In addition, approximately 82.5 million Konecranes' shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in 2016 according to Fidessa.

On December 31, 2016, the total market capitalization of the Konecranes Plc's shares on the Nasdaq Helsinki was EUR 2,137.3 million including treasury shares. The market capitalization was EUR 1,984.6 million, excluding the treasury shares.

FLAGGING NOTIFICATIONS

On February 23, 2016, Konecranes received a disclosure under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Sanderson Asset Management LLP in Konecranes Plc has decreased below 5 percent. Sanderson Asset Management LLP held 3,161,739 Konecranes Plc's shares on February 22, 2016, which is 4.99 percent of the Konecranes Plc's shares and votes.

On July 25, 2016, Konecranes received a disclosure under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Harris Associates Investment Trust (Oakmark International Small Cap Fund) in Konecranes Plc has decreased below 5 percent. Harris Associates Investment Trust (Oakmark International Small Cap Fund) held 3,106,800 Konecranes Plc's shares on July 22, 2016, which is 4.91 percent of the Konecranes Plc's shares and votes.

On August 17, 2016, Konecranes received a disclosure under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Sanderson Asset Management LLP in Konecranes Plc has exceeded 5 percent. Sanderson Asset Management LLP held 3,230,546 Konecranes Plc's shares on August 16, 2016, which is 5.11 percent of the Konecranes Plc's shares and votes.

On September 9, 2016, Konecranes received a notification under Chapter 9, Section 5 of the Securities Market Act, according to which the total holding of BlackRock, Inc. in Konecranes Plc's shares and votes has exceeded 5 percent. On September 8, 2016, Blackrock Inc.'s total holding through shares and financials instruments amounted to 5.05 percent of the Konecranes Plc's shares and votes.

On October 5, 2016, Konecranes received a disclosure under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Harris Associates L.P. in Konecranes Plc has decreased below 5 percent. Harris Associates L.P. held 3,152,800 Konecranes Plc's shares on October 4, 2016, which is 4.98 percent of the Konecranes Plc's shares and votes.

RESEARCH AND DEVELOPMENT

In 2016, Konecranes' research and product development expenditure totaled EUR 22.3 (28.7) million, representing 1.1 (1.3) percent of sales. R&D expenditure includes product development projects aimed at improving the quality and cost efficiency of both products and services.

In 2016, our development work focused on leveraging the connected data our technologies provide to create superior Industrial Internet applications. Preventive maintenance and usage analysis solutions took priority among these, centering upon further development of our TRUCONNECT systems. The remote operation of cranes was another strong focus area.

In February, Konecranes presented its repositioned TRUCONNECT Remote Service suite and improved functionality of the yourKONECRANES.com customer portal, which became available to customers in more countries. Furthermore, Konecranes and Aalto University agreed on cooperation within the area of Industrial Internet. Moreover, Konecranes hosted its third hackathon event: the "Maritime Hack – Automated cargo handling".

In June, Konecranes announced an all-new container weighing system for lift trucks. The system can be retrofitted to existing machines, and allows the reach stacker to measure the weight of the lifted container with one percent full-scale accuracy in less than five seconds. Our fully embedded weighing solutions enable seamless interchange of data with the customer's TOS/TMS or ERP system.

In addition, in June, 2016 Konecranes introduced the new BOXPORTER rail mounted gantry crane. BOXPORTER offers the clearest view in intermodal container handling, with its new cabin giving the operator superb visibility and comfort. It also gives the operator an extended view to truck and train loading and unloading and container stacking thanks to video and control information displayed on the cabin monitor.

CORPORATE RESPONSIBILITY

2016 was a busy year to our personnel due to M&A activities and organizational changes. The matrix organization was dismantled in favor of direct product line organization. Internal changes continued with rationalization of the management layers and streamlining of the organization.

In June, we undertook an employee survey on the MHPS Acquisition, which included some parts of employee satisfaction surveys in earlier years to offer continuous progress tracking. A comparison to the earlier employee satisfaction surveys showed that the employee satisfaction and engagement had improved since 2015.

We decided to take a common learning management system globally into use and its implementation was completed in the original pilot areas and is progressing to other countries. Moreover, people-centered key performance indicators were developed further and information created by analyzing data was made visible for the management to support fact-based decision-making.

Konecranes safety policy was renewed in 2016. We continued our serious injury and fatality ("SIF") prevention program, i.e. focusing on deeper analysis and incident investigations of cases with SIF potential, in terms of both incidents and near-misses. During 2016, we also introduced a globally harmonized template and a practice of the dynamic risk assessment at the job site in our service business. The LTA1 indicator for work-related accidents improved to 5.8 (5.9). There were no occupational fatalities.

Similarly to the occupational safety, we issued a completely renewed environmental policy in 2016. Many locations implemented energy-efficiency enhancing actions, such as installing improved compressed air systems and solar panels and changing to LED lights.

We continued reporting on our progress to external investor ratings, such as CDP. In the CDP survey, Konecranes achieved result B (98 C), which implies that Konecranes has taken actions to address the environmental issues beyond initial screenings or assessments. During 2016, Konecranes actively took part in creating a Finnish Circular Economy roadmap, moderated by Sitra, a Finland-based future fund.

One key effort during 2016 was the roll out of e-learning to address fraud prevention and to teach employees to recognize the most typical signs of fraud. It also highlighted the importance of our internal controls and promoted our confidential whistleblower channel.

We continued professional management of our suppliers as in the previous years. In addition, we continued piloting deeper corporate responsibility audits by a third party. The first in-depth third-party corporate responsibility audits took place in China at the end of 2015 and the pilot continued in India during 2016. In total, over 20 in-depth audits were conducted.

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. On December 31, 2016, the value of the total assets related to the Zaporozhye factory amounted to approximately EUR 7 million.

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 to, for example, 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 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.

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.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 4, 2017, Konecranes announced that it has completed the MHPS Acquisition. On January 5, 2017, Konecranes announced that the 19,600,000 new class B shares issued to Terex Deutschland GmbH have been registered with the Finnish Trade Register and Euroclear Finland Ltd. Following entry of the Shares into the Finnish Trade Register, the total number of the Konecranes' shares equals 82,872,342, which is divided to 63,272,342 class A shares and 19,600,000 class B shares.

The new class B shares will entitle to dividends and other rights as from the registration date. The class B shares will not be applied for public trading. Konecranes' trading code changed in the Nasdaq Helsinki's trading system from KCR1V to KCR as of January 5, 2017.

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 as Terex is entitled to elect up to two members to the Board of Directors as long as Terex's or its Group companies' shareholding in Konecranes exceeds 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.

On January 5, 2017, Konecranes received a notification under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Terex Deutschland GmbH in the Konecranes Plc's shares and votes has exceeded 20 percent. Terex Deutschland GmbH held 19,600,000 Konecranes Plc's shares on January 5, which is 23.65 percent of the Konecranes Plc's shares and votes.

On January 5, 2017, Konecranes received a notification under Chapter 9, Section 5 of the Securities Market Act according to which the holding of HTT KCR Holding Ab in the Konecranes Plc's shares and votes has decreased below 10 percent due to dilution related to the Konecranes Plc's share issue. HTT KCR Holding Ab held 6,870,568 Konecranes Plc's shares on January 5, which is 8.29 percent of the Konecranes Plc's shares and votes.

On January 6, 2017, Konecranes received a notification under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Polaris Capital Management LLC in the Konecranes Plc's shares and votes has decreased below 5 percent due to dilution related to the Konecranes Plc's share issue. Polaris Capital Management LLC held 3,597,639 Konecranes Plc's shares on January 5, which is 4.34 percent of the Konecranes Plc's shares and votes.

On January 6, 2017, Konecranes received a notification under Chapter 9, Section 5 of the Securities Market Act according to which the holding of BlackRock, Inc. in the Konecranes Plc's shares and votes has decreased below 5 percent due to dilution related to the Konecranes Plc's share issue.

On January 9, 2017, Konecranes received a notification under Chapter 9, Section 5 of the Securities Market Act according to which the holding of Sanderson Asset Management LLP in the Konecranes Plc's shares and votes has decreased below 5 percent due to dilution related to the Konecranes Plc's share issue. Sanderson Asset Management LLP held 3,201,628 Konecranes Plc's shares on January 6, which is 3.86 percent of the Konecranes Plc's shares and votes.

On January 9, 2017, Konecranes received a notification under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of Terex Deutschland GmbH in the Konecranes Plc's shares and votes has fallen below 5 percent as a result of an intra-group transfer and the holding of Terex Corporation in the Konecranes Plc's shares and votes has exceeded 20 percent. Terex Corporation held 19,600,000 Konecranes Plc's shares on January 6, which is 23.65 percent of the Konecranes Plc's shares and votes.

On January 31, 2017, Konecranes announced that it has completed the STAHL Divestment.

MARKET OUTLOOK

Customers are cautious about investing due to modest volume growth in manufacturing and process industries, as well as container handling. The companies operating in emerging and commodity markets are particularly under pressure to save costs. The demand situation in Europe and North America is mixed. Low growth in global container throughput has led to a slow decision-making among container terminal operators. The quarterly Equipment order intake may fluctuate due to the timing of the large port crane projects.

FINANCIAL GUIDANCE

Due to the very recent acquisition of the Terex's MHPS business, Konecranes believes that it is not appropriate to provide financial guidance for the new combined business at the present time and intends to provide financial guidance in conjunction with its Interim Report January–March 2017.

BOARD OF DIRECTORS' PROPOSAL FOR DISPOSAL OF DISTRIBUTABLE FUNDS

The parent company's non-restricted equity is EUR 258,938,606.48, of which the net income for the year is EUR 43,570,310.23. The Group's non-restricted equity is EUR 361,016,000.

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 1.05 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 February 27, 2017, and the printed version during the week commencing on Monday March 13, 2017.

Espoo, February 8, 2017
Konecranes Plc
Board of Directors

Disclaimer

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

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

Consolidated statement of income

EUR million	Note	10–12/2016	10–12/2015	1–12/2016	1–12/2015	Change %
Sales	8	**613.3**	**609.0**	**2,118.4**	**2,126.2**	**-0.4**
Other operating income [1]	5.2	0.4	0.8	14.4	1.4	
Materials, supplies and subcontracting		-306.5	-295.3	-979.7	-969.9	
Personnel cost		-166.9	-169.3	-658.3	-661.5	
Depreciation and impairments	9	-12.7	-11.9	-53.7	-54.0	
Other operating expenses [2]	5	-96.7	-102.5	-356.2	-379.1	
Operating profit		**31.0**	**30.8**	**84.9**	**63.0**	**34.6**
Share of associates' and joint ventures' result		0.3	1.2	6.0	4.8	
Gain on disposal of investment in associated company	5.1	0.0	0.0	5.8	0.0	
Financial income		0.4	3.1	1.0	7.8	
Financial expenses [3]		-6.2	-6.6	-35.6	-20.3	
Profit before taxes		**25.4**	**28.6**	**62.1**	**55.4**	**12.1**
Taxes	11	-14.6	-16.0	-24.5	-24.6	
PROFIT FOR THE PERIOD		**10.8**	**12.6**	**37.6**	**30.8**	**22.1**
Profit for the period attributable to:						
Shareholders of the parent company		10.8	12.6	37.6	30.8	
Non-controlling interest		0.0	0.0	0.0	0.0	
Earnings per share, basic (EUR)		0.18	0.21	0.64	0.53	21.7
Earnings per share, diluted (EUR)		0.18	0.21	0.64	0.53	21.7

[1] *Konecranes received the insurance indemnity of EUR 10.0 million during Q2/2016 and returned funds EUR 0.3 million during Q3/2016 related to identity theft.*

[2] *Other operating expenses for 1–12/2016 include transaction costs related to terminated merger plan with Terex and the acquisition of Terex MHPS up to EUR 47.0 million (EUR 17.2 million in 1–12/2015) and EUR 16.9 million for Q4/2016 (EUR 8.7 million in Q4/2015). In 1–12/2015 other operating expenses also include the unwarranted payments due to the identity theft and fraudulent actions in a total amount of EUR 17.0 million.*

[3] *Financial expenses for 1–12/2016 include costs of EUR 15.9 million (EUR 0.0 million in 1–12/2015) related to the terminated merger plan with Terex and acquisition of Terex MHPS and EUR 0.0 million for Q4/2016 (EUR 0.0 million in Q4/2015).*

Consolidated statement of other comprehensive income

EUR million	10–12/2016	10–12/2015	1–12/2016	1–12/2015	
Profit for the period	**10.8**	**12.6**	**37.6**	**30.8**	
Items that can be reclassified into profit or loss					
Cash flow hedges	16.6	0.9	30.1	-0.6	
Exchange differences on translating foreign operations	7.1	3.6	0.8	16.3	
Share of associates' other comprehensive income	0.0	3.8	-3.8	3.8	
Income tax relating to items that can be reclassified into profit or loss	-3.3	-0.2	-6.0	0.1	
Items that cannot be reclassified into profit or loss					
Re-measurement gains (losses) on defined benefit plans	-4.1	6.7	-11.9	6.0	
Income tax relating to items that cannot be reclassified into profit or loss	1.3	-1.6	3.0	-1.4	
Other comprehensive income for the period, net of tax	**17.6**	**13.3**	**12.2**	**24.2**	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**28.4**	**25.8**	**49.8**	**55.0**	
Total comprehensive income attributable to:					
Shareholders of the parent company	28.4	25.8	49.8	55.0	
Non-controlling interest	0.0	0.0	0.0	0.0	

Consolidated balance sheet

EUR million

ASSETS	Note	31.12.2016	31.12.2015
Non-current assets			
Goodwill		86.2	107.6
Intangible assets		98.1	108.7
Property, plant and equipment		128.1	142.5
Advance payments and construction in progress		17.4	24.0
Investments accounted for using the equity method		8.9	50.2
Other non-current assets		1.0	1.0
Deferred tax assets		57.0	71.7
Total non-current assets		**396.6**	**505.7**
Current assets			
Inventories			
Raw material and semi-manufactured goods		131.8	157.9
Work in progress		140.3	201.0
Advance payments		9.7	6.4
Total inventories		281.8	365.2
Accounts receivable		379.3	377.3
Other receivables		23.2	24.9
Income tax receivables		12.1	10.1
Receivable arising from percentage of completion method	8	83.8	77.3
Other financial assets		31.1	7.5
Deferred assets		29.1	36.0
Cash and cash equivalents		167.4	80.8
Total current assets		**1,007.8**	**979.2**
Assets held for sale	6.1	**125.5**	
TOTAL ASSETS		**1,529.9**	**1,484.9**

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	Note	31.12.2016	31.12.2015
Equity attributable to equity holders of the parent company			
Share capital		30.1	30.1
Share premium		39.3	39.3
Paid in capital		66.5	66.5
Fair value reserves	14	15.0	-9.1
Translation difference		20.8	20.1
Other reserve		31.7	29.9
Retained earnings		204.4	248.4
Net profit for the period		37.6	30.8
Total equity attributable to equity holders of the parent company		**445.4**	**455.9**
Non-controlling interest		0.1	0.1
Total equity		**445.5**	**456.0**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	13	54.2	59.2
Other long-term liabilities		40.0	92.3
Provisions		17.1	17.8
Deferred tax liabilities		12.5	19.8
Total non-current liabilities		**123.8**	**189.1**
Current liabilities			
Interest-bearing liabilities	13	269.5	224.8
Advance payments received	8	170.6	176.4
Progress billings		1.5	0.4
Accounts payable		99.1	139.1
Provisions		40.5	35.1
Other short-term liabilities (non-interest bearing)		31.4	31.9
Other financial liabilities		18.2	11.4
Income tax liabilities		14.7	12.8
Accrued costs related to delivered goods and services		125.2	111.8
Accruals		95.6	96.2
Total current liabilities		**866.2**	**839.8**
Liabilities directly attributable to assets held for sale	6.1	**94.4**	
Total liabilities		**1,084.5**	**1,028.9**
TOTAL EQUITY AND LIABILITIES		**1,529.9**	**1,484.9**

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, 2016	**30.1**	**39.3**	**66.5**	**-9.1**	**20.1**
Options exercised					
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**
Balance at 1 January, 2015	**30.1**	**39.3**	**52.2**	**-8.6**	**3.7**
Options exercised			14.3		
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-0.5	16.3
Total comprehensive income				-0.5	16.3
Balance at 31 December, 2015	**30.1**	**39.3**	**66.5**	**-9.1**	**20.1**

	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, 2016	**29.9**	**279.1**	**455.9**	**0.1**	**456.0**
Options exercised		0.0	0.0		**0.0**
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**
Balance at 1 January, 2015	**27.8**	**304.7**	**449.2**	**0.1**	**449.2**
Options exercised		0.0	14.3		**14.3**
Dividends paid to equity holders		-61.5	-61.5		**-61.5**
Equity-settled share based payments	2.2	0.0	2.2		**2.2**
Donations		-0.2	-0.2		**-0.2**
Acquisitions		-3.1	-3.1		**-3.1**
Profit for the period		30.8	30.8		**30.8**
Other comprehensive income		8.4	24.2	0.0	**24.2**
Total comprehensive income	0.0	39.2	55.0	0.0	**55.0**
Balance at 31 December, 2015	**29.9**	**279.1**	**455.9**	**0.1**	**456.0**

Consolidated cash flow statement

EUR million	1–12/2016	1–12/2015
Cash flow from operating activities		
Profit for the period	37.6	30.8
Adjustments to net income		
Taxes	24.5	24.6
Financial income and expenses	34.6	12.5
Share of associates' and joint ventures' result	-11.8	-4.8
Dividend income	0.0	-0.1
Depreciation and impairments	53.7	54.0
Profits and losses on sale of fixed assets	3.4	1.2
Other adjustments	5.5	-2.8
Operating income before change in net working capital	**147.4**	**115.5**
Change in interest-free current receivables	-50.3	27.2
Change in inventories	61.3	-17.4
Change in interest-free current liabilities	29.8	-37.4
Change in net working capital	**40.9**	**-27.6**
Cash flow from operations before financing items and taxes	**188.3**	**87.9**
Interest received	8.8	5.8
Interest paid	-19.3	-15.6
Other financial income and expenses	-38.5	-12.5
Income taxes paid	-29.6	-26.3
Financing items and taxes	**-78.6**	**-48.6**
NET CASH FROM OPERATING ACTIVITIES	**109.6**	**39.3**
Cash flow from investing activities		
Acquisition of Group companies, net of cash	-0.2	-0.3
Divestment of Businesses, net of cash	0.0	0.1
Proceeds from disposal of associated company	47.8	0.0
Capital expenditures	-27.3	-43.3
Proceeds from sale of property, plant and equipment	1.5	2.6
NET CASH USED IN INVESTING ACTIVITIES	**21.7**	**-40.8**
Cash flow before financing activities	**131.4**	**-1.5**
Cash flow from financing activities		
Proceeds from options exercised and share issues and other	0.0	14.3
Repayments of non-current borrowings	-4.6	-2.1
Proceeds from (+), payments of (-) current borrowings	47.5	38.8
Acquired non controlling interest	-0.3	-5.9
Dividends paid to equity holders of the parent	-61.7	-61.5
NET CASH USED IN FINANCING ACTIVITIES	**-19.1**	**-16.3**
Translation differences in cash	1.1	0.6
CHANGE OF CASH AND CASH EQUIVALENTS	**113.4**	**-17.2**
Cash and cash equivalents at beginning of period	80.8	97.9
Cash and cash equivalents in assets held for sale	26.8	0.0
Cash and cash equivalents at end of period	167.4	80.8
CHANGE OF CASH AND CASH EQUIVALENTS	**113.4**	**-17.2**

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

EUR million	1–12/2016	1–12/2015
Net cash from operating activities	109.6	39.3
Capital expenditures	-27.3	-43.3
Proceeds from sale of property, plant and equipment	1.5	2.6
Free cash flow	**83.9**	**-1.4**

Notes

1. CORPORATE INFORMATION

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

Konecranes is a world-leading manufacturer and servicer of cranes, lifting equipment and machine tools, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes operates internationally, with its products being manufactured in North and South America, Europe, Africa, the Middle East, and Asia and sold worldwide. In 2016 Konecranes had two operating segments, which it calls Business Areas: Business Area Service and Business Area Equipment.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of Konecranes Plc for three months ending 31.12.2016 and 31.12.2015 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, 2016.

The unaudited 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 unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2016. There are no new accounting standards with effect for 2016 which have had a material impact on the unaudited condensed interim consolidated financial statements.

Notes

5. IMPORTANT EVENTS

5.1. Disposal of Kito shares

On September 26, Konecranes announced that Konecranes and Kito Corporation ("Kito") decided to dissolve the strategic alliance signed on March 23, 2010, between the companies. While the alliance had been successful in certain areas, the parties agreed that it is in the companies' interest to pursue their respective strategies independently.

The dissolution of the strategic alliance allowed Kito to participate in the bidding process for STAHL CraneSystems that Konecranes committed to divest in relation to its MHPS Acquisition.

On September 27, 2016, Konecranes sold 5,873,900 Kito shares to Kito. Konecranes received EUR 47.8 million from the sale of the shares and recorded EUR 5.8 million as a gain on disposal of investment in associated company in the statement of income.

5.2. Insurance indemnity

On August 14, 2015, Konecranes announced that one of its foreign subsidiaries had become a victim of a fraud. The perpetrators had through identity theft and other fraudulent actions managed to induce the subsidiary to make unwarranted payments in a total amount of up to EUR 17 million. This amount was booked other operating expenses in the third quarter of 2015.

Konecranes has received an insurance indemnity of EUR 10 million, which was the maximum sum insured and returned funds of EUR 0.3 million. Konecranes has recorded the insurance indemnity as other operating income to its result for the second quarter of 2016.

5.3. Subsequent events

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 and to terminate the previously announced business combination agreement. On January 4, 2017, Konecranes Plc ("Konecranes") completed the acquisition.

Terex received USD 595 million and EUR 200 million in cash and 19.6 million in newly issued Konecranes class B shares, making Terex a 25-percent shareholder. Pursuant to the Stock and Asset Purchase Agreement dated May 16, 2016 (the "SAPA"), the final cash consideration is subject to post-closing adjustments for cash, debt, working capital and the closing of the sale of the STAHL CraneSystems business. The final number of class B shares may be subject to certain adjustments in accordance with the SAPA.

Terex 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 Terex MHPS (including Crane America Services) were USD 1,542 million (EUR 1,391 million) and the adjusted EBITDA was USD 111 million (EUR 100 million) in 2015. In 2015, Terex MHPS generated 31 percent of its sales from maintenance services and spare parts. It employs approximately 7,200 people.

Notes

6. ACQUISITIONS AND DISPOSALS

In February 2016, Konecranes purchased an additional 5% of the minority shareholding of its subsidiary, Zaporozhje Kran Holding, which is located in Ukraine. After the purchase of the additional shareholding, Konecranes now owns 100% of the subsidiary. The purchase price for the additional 5% amounted to EUR 0.3 million.

In September 2016, Konecranes sold its small Moroccan service company Techniplus S.A. The disposal of the company resulted EUR 0.8 million loss reported in the other operating expenses of the statement of income.

6.1. Assets held for sale

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, 2017, Konecranes Plc ("Konecranes") completed the divestment. Konecranes will receive cash proceeds of EUR 224 from the transaction. Additionally, Columbus McKinnon assumed unfunded pension liabilities that were at EUR 67 million as of December 31, 2016. Konecranes expects to book an after-tax capital gain of approximately EUR 200 million in Q1/2017.

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.

The associated assets and liabilities of STAHL CraneSystems have been reported in the consolidated balance sheet separately as held for sale from 15.9.2016 onwards when the extraordinary general meeting of Konecranes approved the resolutions required for the completion of the MHPS Acquisition. The disposal group (assets and liabilities relating to STAHL CraneSystems business) is valued at carrying amounts, which is lower than the fair value less costs to sell and assets have no longer been depreciated since classified as held for sale.

Major classes of assets and liabilities of STAHL CraneSystems business classified as held for sale are, as follows:

Assets	**31.12.2016**
Intangible assets	31.7
Property, plant and equipment	6.9
Deferred tax assets	12.8
Inventories	21.8
Accounts receivables	24.3
Other receivables	1.3
Cash and cash equivalents	26.8
Assets held for sale	**125.5**

Liabilities	**31.12.2016**
Defined benefit obligation	67.3
Interest-bearing liabilities	0.1
Deferred tax liabilities	3.2
Accounts payable	4.3
Accruals and other liabilities	19.5
Liabilities directly attributable to assets held for sale	**94.4**

Majority of assets and liabilities are reported in Equipment segment.

Amounts included in accumulated Other Comprehensive Income	**31.12.2016**
Translation difference	2.3
Re-measurement losses on defined benefit plans	-21.8
Deferred taxes relating to re-measurement losses on defined benefit plans	6.4
Total	**-13.1**

Notes

7. SEGMENT INFORMATION

7.1. Operating segments

EUR million

Orders received by Business Area	**1–12/2016**	% of total	**1–12/2015**	% of total
Service [1]	774.5	39	809.5	39
Equipment	1,216.8	61	1,257.6	61
./. Internal	-70.7		-101.6	
Total	**1,920.7**	**100**	**1,965.5**	**100**

[1] *Excl. Service Contract Base*

Order book total [2]	**31.12.2016**	% of total	**31.12.2015**	% of total
Service	173.3	17	165.8	16
Equipment	864.7	83	870.7	84
./. Internal	0.0		0.0	
Total	**1,038.0**	**100**	**1,036.5**	**100**

[2] *Percentage of completion deducted*

Sales by Business Area	**1–12/2016**	% of total	**1–12/2015**	% of total
Service	968.0	44	992.3	44
Equipment	1,231.1	56	1,240.3	56
./. Internal	-80.7		-106.5	
Total	**2,118.4**	**100**	**2,126.2**	**100**

Adjusted operating profit (EBIT) by Business Area	**1–12/2016** MEUR	EBIT %	**1–12/2015** MEUR	EBIT %
Service	110.9	11.5	102.9	10.4
Equipment	51.5	4.2	33.8	2.7
Group costs and eliminations	-21.6		-18.9	
Total	**140.8**	**6.6**	**117.7**	**5.5**

Operating profit (EBIT) by Business Area	**1–12/2016** MEUR	EBIT %	**1–12/2015** MEUR	EBIT %
Service	102.2	10.6	98.9	10.0
Equipment	42.9	3.5	18.8	1.5
Group costs and eliminations	-60.3		-54.6	
Total	**84.9**	**4.0**	**63.0**	**3.0**

Notes

Capital Employed and ROCE%	31.12.2016 MEUR	ROCE %	31.12.2015 MEUR	ROCE %
Service	252.5	40.5	232.3	45.7
Equipment	288.9	14.8	356.7	5.3
Unallocated Capital Employed	227.7		150.9	
Total	**769.2**	**10.3**	**739.9**	**9.5**

Business segment assets	31.12.2016 MEUR		31.12.2015 MEUR	
Service	412.9		414.9	
Equipment	766.3		845.7	
Unallocated Capital Employed	350.8		224.3	
Total	**1,529.9**		**1,484.9**	

Business segment liabilities	31.12.2016 MEUR		31.12.2015 MEUR	
Service	160.4		182.6	
Equipment	477.3		489.0	
Unallocated Capital Employed	446.8		357.3	
Total	**1,084.5**		**1,028.9**	

Personnel by Business Area (at the end of the period)	31.12.2016	% of total	31.12.2015	% of total
Service	5,998	55	6,503	55
Equipment	4,893	45	5,328	45
Group staff	60	1	56	0
Total	**10,951**	**100**	**11,887**	**100**

7.2. Geographical areas

EUR million

Sales by market	1–12/2016	% of total	1–12/2015	% of total
Europe-Middle East-Africa (EMEA)	1,001.4	47	960.5	45
Americas (AME)	802.5	38	823.7	39
Asia-Pacific (APAC)	314.5	15	342.0	16
Total	**2,118.4**	**100**	**2,126.2**	**100**

Personnel by region (at the end of the period)	31.12.2016	% of total	31.12.2015	% of total
Europe-Middle East-Africa (EMEA)	5,842	53	6,237	52
Americas (AME)	2,704	25	2,968	25
Asia-Pacific (APAC)	2,405	22	2,682	23
Total	**10,951**	**100**	**11,887**	**100**

Notes

8. PERCENTAGE OF COMPLETION METHOD AND ADVANCES RECEIVED

EUR million	31.12.2016	31.12.2015
The cumulative revenues of non-delivered projects	376.7	297.5
Advances received netted	290.3	216.9
Progress billings netted	2.6	3.3
Receivable arising from percentage of completion method, net	**83.8**	**77.3**
Gross advance received from percentage of completion method	323.5	221.1
Advances received netted	290.3	216.9
Advances received from percentage of completion method (netted)	**33.2**	**4.2**

Net sales recognized under the percentage of completion method amounted EUR 268.9 million in 1–12/2016 (EUR 291.2 in 1–12/2015).

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	31.12.2016	31.12.2015
Advance received from percentage of completion method (netted)	33.2	4.2
Other advance received from customers	137.4	172.2
Total	**170.6**	**176.4**

9. IMPAIRMENTS

EUR million	1–12/2016	1–12/2015
Property, plant and equipment	2.8	2.4
Other intangible assets	0.7	2.9
Total	**3.5**	**5.3**

Restructuring actions during 2016 have led to an impairment of tangible assets (machinery and equipment and buildings), which were written off by EUR 2.8 million. Furthermore intangible assets (old customer base) were written off by EUR 0.7 million.

10. RESTRUCTURING COSTS

Konecranes has recorded EUR 19.2 million restructuring costs during for 1–12/2016 (EUR 20.5 million in 1–12/2015) of which EUR 2.8 million was impairment of assets (EUR 5.3 million for 1–12/2015). The remaining EUR 16.4 million of restructuring cost for 1–12/2016 is reported in personnel costs (EUR 12.0 million) and in other operating expenses (EUR 4.4 million).

Notes

11. INCOME TAXES

Taxes in statement of Income	1–12/2016	1–12/2015
Local income taxes of group companies	31.9	24.6
Taxes from previous years	-2.3	-1.1
Change in deferred taxes	-5.1	1.1
Total	**24.5**	**24.6**

12. KEY FIGURES

	31.12.2016	31.12.2015	Change %
Earnings per share, basic (EUR)	0.64	0.53	21.7
Earnings per share, diluted (EUR)	0.64	0.53	21.7
Alternative Performance Measures:			
Return on capital employed % *	10.3	9.5	8.4
Return on equity %	8.3	6.8	22.1
Equity per share (EUR)	7.58	7.79	-2.7
Current ratio	1.1	1.1	0.0
Gearing %	29.1	44.6	-34.8
Solidity %	32.9	34.8	-5.5
Investments total (excl. acquisitions), EUR million	33.8	49.3	-31.5
Interest-bearing net debt, EUR million	129.6	203.2	-36.2
Net working capital, EUR million	304.3	317.4	-4.1
Average number of personnel during the period	11,398	11,934	-4.5
Average number of shares outstanding, basic	58,748,217	58,542,309	0.4
Average number of shares outstanding, diluted	58,748,217	58,542,309	0.4
Number of shares outstanding	58,751,009	58,732,429	0.0

** The premiums of foreign exchange forward contracts have been excluded in 2016 from the interest expenses when calculating ROCE. Comparison figures have been updated accordingly.*

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
Current ratio:	=	Current assets / Current liabilities	
Solidity (%):	=	Shareholders' equity / Total amount of equity and liabilities - advance payment received	X 100
Gearing (%):	=	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 - Non interest-bearing current liabilities - deferred tax liabilities - 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	

Reconciliation of adjusted EBITDA and Operating profit (EBIT)	**1–12/2016**	**1–12/2015**
Adjusted EBITDA	**191.6**	**166.5**
Transaction costs	-47.0	-17.2
Restructuring costs (excluding impairments)	-16.4	-15.2
Insurance indemnity related to identity theft	10.2	0.0
Unwarranted paymets due to indentity theft	0.0	-17.0
EBITDA	**138.5**	**117.1**
Depreciation, amortization and impairments	-53.7	-54.0
Operating profit (EBIT)	**84.9**	**63.0**
Adjusted Operating profit (EBIT)	**140.8**	**117.7**
Transaction costs	-47.0	-17.2
Restructuring costs	-19.2	-20.5
Insurance indemnity and returned funds related to identity theft	10.2	0.0
Unwarranted paymets due to indentity theft	0.0	-17.0
Operating profit (EBIT)	**84.9**	**63.0**

Notes

Interest-bearing net debt	31.12.2016	31.12.2015
Non current interest bearing liabilities	54.2	59.2
Current interest bearing liabilities	269.5	224.8
Net debt in assets held for sale	-26.7	0.0
Cash and cash equivalents	-167.4	-80.8
Interest-bearing net debt	**129.6**	**203.2**

Net working capital	31.12.2016	31.12.2015
Net working capital in balance sheet	271.1	317.4
Net working capital in asset held for sale	33.2	0.0
Net working capital	**304.3**	**317.4**

The period end exchange rates:	31.12.2016	31.12.2015	Change %
USD - US dollar	1.054	1.089	3.3
CAD - Canadian dollar	1.419	1.512	6.5
GBP - Pound sterling	0.856	0.734	-14.3
CNY - Chinese yuan	7.320	7.061	-3.5
SGD - Singapore dollar	1.523	1.542	1.2
SEK - Swedish krona	9.553	9.190	-3.8
NOK - Norwegian krone	9.086	9.603	5.7
AUD - Australian dollar	1.460	1.490	2.1

The period average exchange rates:	31.12.2016	31.12.2015	Change %
USD - US dollar	1.107	1.109	0.2
CAD - Canadian dollar	1.466	1.419	-3.2
GBP - Pound sterling	0.820	0.726	-11.5
CNY - Chinese yuan	7.353	6.971	-5.2
SGD - Singapore dollar	1.528	1.525	-0.1
SEK - Swedish krona	9.469	9.354	-1.2
NOK - Norwegian krone	9.290	8.949	-3.7
AUD - Australian dollar	1.488	1.478	-0.7

Notes

13. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	31.12.2016	31.12.2015
For own commercial obligations		
Guarantees	447.0	437.3
Leasing liabilities		
Next year	34.7	35.7
Later on	75.8	76.4
Other	0.2	0.3
Total	**557.6**	**549.7**

Guarantees

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

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

Contingent liabilities relating to litigation

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

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

Notes

14. FINANCIAL ASSETS AND LIABILITIES

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

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**

EUR million Financial assets 31.12.2015	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	402.2	0.0	402.2
Derivative financial instruments	4.1	3.5	0.0	0.0	7.5
Cash and cash equivalents	0.0	0.0	80.8	0.0	80.8
Total	**4.1**	**3.5**	**482.9**	**0.0**	**490.5**

Financial liabilities 31.12.2015					
Non-current financial liabilities					
Interest-bearing liabilities	0.0	0.0	0.0	59.2	59.2
Derivative financial instruments	0.0	0.0	0.0	0.0	0.0
Other payables	0.0	0.0	0.0	3.6	3.6
Current financial liabilities					
Interest-bearing liabilities	0.0	0.0	0.0	224.8	224.8
Derivative financial instruments	5.1	6.3	0.0	0.0	11.4
Account and other payables	0.0	0.0	0.0	171.0	171.0
Total	**5.1**	**6.3**	**0.0**	**458.6**	**470.0**

Notes

The Company continues to have healthy gearing ratio of 29,1% (31.12.2015: 44.6%) which is in compliance with the bank covenants the Company has to comply with. The Group has no quantitative targets for the capital structure but the optimal long-term gearing ratio is in the range of 50 – 80%. However, in the short term, the gearing can also be significantly higher or lower than this range depending on the short-term changes in working capital. The MHPS acquisition in 2017 will change the capital structure significantly and the Group considers new quantitative targets for capital structure management. The objectives of the Group's capital management have been met in recent years.

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.

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 **31.12.2016**	Carrying amount **31.12.2015**	Fair value **31.12.2016**	Fair value **31.12.2015**
Current financial assets				
Account and other receivables	402.8	402.2	402.8	402.2
Derivative financial instruments	31.1	7.5	31.1	7.5
Cash and cash equivalents	167.4	80.8	167.4	80.8
Total	**601.3**	**490.5**	**601.3**	**490.5**

Financial liabilities				
Non-current financial liabilities				
Interest-bearing liabilities	54.2	59.2	54.2	59.2
Derivative financial instruments	0.0	0.0	0.0	0.0
Other payables	6.9	3.6	6.9	3.6
Current financial liabilities				
Interest-bearing liabilities	269.5	224.8	269.5	223.8
Derivative financial instruments	18.2	11.4	18.2	11.4
Account and other payables	130.5	171.0	130.5	171.3
Total	**479.3**	**470.0**	**479.3**	**469.2**

The management assessed that cash and short-term deposits, trade receivables, trade payables, 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	31.12.2016 Level 1	31.12.2016 Level 2	31.12.2016 Level 3	31.12.2015 Level 1	31.12.2015 Level 2	31.12.2015 Level 3
Derivative financial instruments						
Foreign exchange forward contracts	0.0	4.7	0.0	0.0	7.5	0.0
Currency options	0.0	26.3	0.0	0.0	0.0	0.0
Fuel oil derivative	0.0	0.1	0.0	0.0	0.0	0.0
Total	**0.0**	**31.1**	**0.0**	**0.0**	**7.5**	**0.0**
Other financial assets						
Cash and cash equivalents	167.4	0.0	0.0	80.8	0.0	0.0
Total	**167.4**	**0.0**	**0.0**	**80.8**	**0.0**	**0.0**
Total financial assets	**167.4**	**31.1**	**0.0**	**80.8**	**7.5**	**0.0**

Financial liabilities	31.12.2016 Level 1	31.12.2016 Level 2	31.12.2016 Level 3	31.12.2015 Level 1	31.12.2015 Level 2	31.12.2015 Level 3
Derivative financial instruments						
Foreign exchange forward contracts	0.0	18.0	0.0	0.0	9.7	0.0
Interest rate swaps	0.0	0.0	0.0	0.0	1.1	0.0
Electricity forward contracts	0.0	0.2	0.0	0.0	0.6	0.0
Total	**0.0**	**18.2**	**0.0**	**0.0**	**11.4**	**0.0**
Other financial liabilities						
Interest bearing liabilities	0.0	323.6	0.0	0.0	284.0	0.0
Other payables	0.0	0.0	6.9	0.0	0.0	4.0
Total	**0.0**	**323.6**	**6.9**	**0.0**	**284.0**	**4.0**
Total financial liabilities	**0.0**	**341.8**	**6.9**	**0.0**	**295.4**	**4.0**

15. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	31.12.2016 Nominal value	31.12.2016 Fair value	31.12.2015 Nominal value	31.12.2015 Fair value
Foreign exchange forward contracts	878.1	-13.2	788.7	-2.2
Currency options	1,571.8	26.3	0.0	0.0
Interest rate swaps	0.0	0.0	100.0	-1.1
Fuel oil derivative	0.5	0.1	0.0	0.0
Electricity derivatives	0.8	-0.2	1.3	-0.6
Total	**2,451.2**	**12.9**	**890.0**	**-3.9**

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 relates 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 84.7% of the Group's total hedged transaction flows of which 64.2% is related to the hedging of the purchase price of MHPS acquisition denominated in USD (595 million).

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.

Interest rate risk

At December 31, 2015, the Group had an interest rate swap agreement in place with a notional amount of EUR 100 million whereby the Group received a variable interest rate equal to EURIBOR 1 month and paid interest at a fixed swap rate on the notional amount. The swap was being used to hedge the cash flow exposure on interest.

The cash flow hedges of the expected future sales in 2016 and 2015 were assessed to be highly effective and a net unrealized loss, with a deferred tax asset of 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	2016	2015
Balance as of January 1	-9.1	-8.6
Gains and losses deferred to equity (fair value reserve)	30.1	-0.6
Change in deferred taxes	-6.0	0.1
Balance as of December 31	**15.0**	**-9.1**

16. TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT ARRANGEMENTS

EUR million	2016	2015
Sales of goods and services with associated companies and joint arrangements	14.6	14.9
Receivables from associated companies and joint arrangements	5.5	3.6
Purchases of goods and services from associated companies and joint arrangements	48.1	45.6
Liabilities to associated companies and joint arrangements	4.3	4.6

Quarterly figures

CONSOLIDATED STATEMENT OF INCOME, QUARTERLY

EUR million	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Sales	**613.3**	**517.6**	**528.8**	**458.6**	**609.0**	**506.7**	**535.6**	**474.9**
Other operating income	0.5	0.3	0.6	0.3	0.8	0.1	0.3	0.3
Depreciation and impairments	-12.6	-12.2	-13.6	-12.3	-12.4	-11.9	-12.7	-11.7
Adjustments *)	-21.2	-12.9	-7.4	-14.4	-13.8	-29.1	-9.5	-2.3
Other operating expenses	-549.0	-467.8	-479.8	-431.8	-552.8	-461.6	-497.4	-449.4
Operating profit	**31.0**	**25.0**	**28.6**	**0.3**	**30.8**	**4.1**	**16.3**	**11.8**
Share of associates' and joint ventures' result	0.3	6.6	3.6	1.2	1.2	0.5	1.7	1.3
Financial income and expenses	-5.9	-10.3	-9.8	-8.6	-3.4	-2.7	-1.3	-5.1
Profit before taxes	**25.4**	**21.3**	**22.4**	**-7.1**	**28.6**	**2.0**	**16.7**	**8.1**
Taxes	-14.6	-5.4	-6.4	2.0	-16.0	-0.8	-5.3	-2.5
Net profit for the period	**10.8**	**15.8**	**16.0**	**-5.1**	**12.6**	**1.2**	**11.4**	**5.6**

**) Adjustments include transaction costs (EUR 8.5 million in Q3/2015, EUR 8.7 million in Q4/2015, EUR 10.7 million in Q1/2016, EUR 11.5 million in Q2/2016, EUR 7.9 million in Q3/2016 and EUR 16.9 million in Q4/2016) which contain advisory, legal and consulting fees related to terminated merger plan with Terex and the acquisition of Terex MHPS, restructuring costs (EUR 3.7 million in Q3/2015, EUR 5.0 million in Q4/2015, EUR 3.8 million in Q1/2016, EUR 5.9 million in Q2/2016, EUR 5.4 million in Q3/2016 and EUR 4.2 million in Q4/2016) and the unwarranted payments due to the identity theft and fraudulent actions in a total amount of up to EUR 17.0 million in Q3/2015 as well as insurance indemnity of EUR 10.0 million in Q2/2016 and returned funds of EUR 0.3 million in Q3/2016 related to this identity theft. The adjustments in Q1–Q2/2015 included restructuring costs only.*

CONSOLIDATED BALANCE SHEET, QUARTERLY

EUR million

ASSETS	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Goodwill	86.2	84.3	105.4	105.7	107.6	106.7	108.7	110.3
Intangible assets	98.1	98.6	104.0	103.0	108.7	96.6	94.2	98.0
Property, plant and equipment	128.1	126.3	136.0	136.2	142.5	142.5	146.7	155.8
Other	84.2	86.5	136.3	142.4	146.9	157.3	157.7	154.8
Total non-current assets	**396.6**	**395.7**	**481.7**	**487.3**	**505.7**	**503.1**	**507.4**	**518.9**
Inventories	281.8	345.0	381.6	376.5	365.2	398.9	383.9	390.8
Receivables and other current assets	558.6	465.4	517.8	493.5	533.2	527.6	521.3	535.2
Cash and cash equivalents	167.4	166.7	80.5	118.2	80.8	65.4	72.7	147.6
Total current assets	**1,007.8**	**977.1**	**980.0**	**988.1**	**979.2**	**991.9**	**978.0**	**1,073.6**
Asset held for sale	125.5	104.2	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	**1,529.9**	**1,477.0**	**1,461.7**	**1,475.4**	**1,484.9**	**1,495.0**	**1,485.4**	**1,592.5**

EQUITY AND LIABILITIES	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Total equity	**445.5**	**416.2**	**401.9**	**392.2**	**456.0**	**430.3**	**436.9**	**425.7**
Non-current liabilities	106.7	108.3	167.5	166.1	171.3	280.3	281.9	281.0
Provisions	57.6	48.2	49.3	48.4	52.9	48.1	49.1	49.0
Advance payments received	170.6	171.3	193.2	181.8	176.4	210.6	176.0	184.6
Other current liabilities	655.1	644.5	649.8	686.9	628.4	525.7	541.4	652.3
Total liabilities	**990.0**	**972.3**	**1,059.8**	**1,083.2**	**1,028.9**	**1,064.7**	**1,048.5**	**1,166.9**
Liabilities directly attributable to assets held for sale	94.4	88.5	0.0	0.0	0.0	0.0	0.0	0.0
Total equity and liabilities	**1,529.9**	**1,477.0**	**1,461.7**	**1,475.4**	**1,484.9**	**1,495.0**	**1,485.4**	**1,592.5**

Quarterly figures

CONSOLIDATED CASH FLOW STATEMENT – QUARTERLY

EUR million	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Operating income before change in net working capital	48.6	42.6	43.1	13.1	40.1	15.9	33.1	26.4
Change in net working capital	32.2	21.2	-8.5	-4.0	8.5	37.2	-14.3	-58.9
Financing items and taxes	-18.7	-30.4	-17.3	-12.2	-7.7	-5.9	-13.2	-21.8
Net cash from operating activities	**62.1**	**33.4**	**17.3**	**-3.1**	**40.9**	**47.1**	**5.7**	**-54.4**
Cash flow from investing activities	**-8.0**	**40.6**	**-7.1**	**-3.8**	**-16.1**	**-7.5**	**-8.9**	**-8.2**
Cash flow before financing activities	**54.1**	**74.0**	**10.2**	**-6.9**	**24.7**	**39.6**	**-3.3**	**-62.6**
Proceeds from options exercised and share issues	0.0	0.0	0.0	0.0	0.0	0.0	2.5	11.8
Change of interest-bearing debt	-31.9	16.3	13.1	45.4	-9.6	-38.1	-10.7	95.2
Acquired non-controllling interest	0.0	0.0	0.0	-0.3	0.0	-5.9	0.0	0.0
Dividends paid to equity holders of the parent	0.0	0.0	-61.7	0.0	0.0	0.0	-61.5	0.0
Net cash used in financing activities	**-31.9**	**16.3**	**-48.6**	**45.1**	**-9.7**	**-43.9**	**-69.6**	**106.9**
Translation differences in cash	1.6	-0.4	0.8	-0.8	0.3	-3.0	-2.0	5.3
Change of cash and cash equivalents	**23.8**	**89.9**	**-37.6**	**37.4**	**15.4**	**-7.3**	**-74.9**	**49.7**
Cash and cash equivalents at beginning of period	170.4	80.5	118.2	80.8	65.4	72.7	147.6	97.9
Cash and cash equivalents at end of period	194.1	170.4	80.5	118.2	80.8	65.4	72.7	147.6
Change of cash and cash equivalents	**23.8**	**89.9**	**-37.6**	**37.4**	**15.4**	**-7.3**	**-74.9**	**49.7**
Free Cash Flow	**26.5**	**26.5**	**10.1**	**-6.9**	**24.8**	**39.6**	**-3.3**	**-62.6**

Quarterly figures

QUARTERLY SEGMENT INFORMATION

EUR million

Orders received by Business Area	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Service [1)]	190.4	187.1	203.5	193.4	200.3	202.3	211.8	195.0
Equipment	421.2	250.3	296.4	248.9	336.2	268.7	302.6	350.1
./. Internal	-16.6	-17.2	-19.7	-17.2	-24.0	-27.2	-24.2	-26.2
Total	**595.1**	**420.3**	**480.2**	**425.1**	**512.5**	**443.8**	**490.3**	**518.8**

[1)] *Excl. Service Contract Base*

Order book by Business Area	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Service	173.3	193.3	192.8	181.6	165.8	185.4	181.7	174.3
Equipment	864.7	794.4	850.5	854.0	870.7	889.9	918.6	936.8
Total	**1,038.0**	**987.7**	**1,043.3**	**1,035.6**	**1,036.5**	**1,075.3**	**1,100.4**	**1,111.1**

Sales by Business Area	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Service	267.5	234.4	244.7	221.3	275.9	242.4	248.2	225.8
Equipment	365.4	302.5	305.3	257.9	361.3	290.1	313.5	275.4
./. Internal	-19.6	-19.3	-21.2	-20.7	-28.3	-25.8	-26.1	-26.3
Total	**613.3**	**517.6**	**528.8**	**458.6**	**609.0**	**506.7**	**535.6**	**474.9**

Adjusted operating profit (EBIT) by Business Area	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Service	38.2	27.0	28.3	17.5	33.8	25.4	23.7	19.9
Equipment	21.2	15.8	12.8	1.7	15.5	12.1	8.4	-2.3
Group costs and eliminations	-7.2	-4.9	-5.1	-4.4	-4.8	-4.3	-6.4	-3.4
Total	**52.1**	**37.9**	**36.0**	**14.8**	**44.6**	**33.3**	**25.7**	**14.2**

Adjusted operating margin, (EBIT %) by Business Area	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Service	14.3%	11.5%	11.5%	7.9%	12.3%	10.5%	9.6%	8.8%
Equipment	5.8%	5.2%	4.2%	0.6%	4.3%	4.2%	2.7%	-0.8%
Group EBIT % total	**8.5%**	**7.3%**	**6.8%**	**3.2%**	**7.3%**	**6.6%**	**4.8%**	**3.0%**

Quarterly figures

QUARTERLY SEGMENT INFORMATION

Personnel by Business Area (at the end of the period)	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Service	5,998	6,102	6,324	6,399	6,503	6,515	6,387	6,307
Equipment	4,893	4,935	5,064	5,153	5,328	5,428	5,460	5,544
Group staff	60	60	56	57	56	54	53	54
Total	**10,951**	**11,097**	**11,444**	**11,609**	**11,887**	**11,997**	**11,900**	**11,905**

Sales by market	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Europe-Middle East-Africa (EMEA)	285.9	225.5	256.0	234.0	289.5	239.2	230.6	201.2
Americas (AME)	233.0	218.6	189.1	161.8	232.3	201.6	200.4	189.4
Asia-Pacific (APAC)	94.5	73.5	83.8	62.7	87.2	66.0	104.5	84.3
Total	**613.3**	**517.6**	**528.8**	**458.6**	**609.0**	**506.7**	**535.6**	**474.9**

Personnel by region (at the end of the period)	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Europe-Middle East-Africa (EMEA)	5,842	5,911	6,111	6,168	6,237	6,276	6,217	6,217
Americas (AME)	2,704	2,754	2,816	2,883	2,968	2,998	2,931	2,889
Asia-Pacific (APAC)	2,405	2,432	2,517	2,558	2,682	2,723	2,752	2,799
Total	**10,951**	**11,097**	**11,444**	**11,609**	**11,887**	**11,997**	**11,900**	**11,905**

Konecranes Group 2012–2016

BUSINESS DEVELOPMENT		2016	2015	2014	2013	2012
Orders received	MEUR	1,920.7	1,965.5	1,903.5	1,920.8	1,970.1
Order book	MEUR	1,038.0	1,036.5	979.5	893.5	942.7
Net sales	MEUR	2,118.4	2,126.2	2,011.4	2,099.6	2,171.5
of which outside Finland	MEUR	1,939.8	2,050.7	1,942.5	2,025.1	2,081.5
Export from Finland	MEUR	792.7	633.4	621.3	653.7	638.9
Personnel on average		11,398	11,934	11,920	11,987	11,917
Personnel on 31 December		10,951	11,887	11,982	11,832	12,147
Capital expenditure	MEUR	33.8	49.3	60.0	65.7	41.7
as a percentage of net sales	%	1.6%	2.3%	3.0%	3.1%	1.9%
Research and development costs	MEUR	22.3	28.7	28.9	25.6	25.8
as % of net sales	%	1.1%	1.4%	1.4%	1.2%	1.2%
PROFITABILITY						
Net sales	MEUR	2,118.4	2,126.2	2,011.4	2,099.6	2,171.5
Operating profit (including restructuring costs)	MEUR	84.9	63.0	115.8	84.5	132.5
as percentage of net sales	%	4.0%	3.0%	5.8%	4.0%	6.1%
Income before taxes	MEUR	62.1	55.4	107.4	75.5	124.2
as percentage of net sales	%	2.9%	2.6%	5.3%	3.6%	5.7%
Net income (incl. non-controlling interest)	MEUR	37.6	30.8	74.6	49.4	84.8
as percentage of net sales	%	1.8%	1.4%	3.7%	2.4%	3.9%
KEY FIGURES AND BALANCE SHEET						
Equity (incl. non-controlling interest)	MEUR	445.5	456.0	449.2	444.5	462.6
Balance Sheet	MEUR	1,529.9	1,484.9	1,477.4	1,482.0	1,576.3
Return on equity	%	8.3	6.8	16.7	10.9	18.8
Return on capital employed	%	10.3	9.5	17.0	11.6	18.4
Current ratio		1.1	1.1	1.3	1.2	1.4
Solidity	%	32.9	34.8	35.2	34.0	34.0
Net working capital	MEUR	304.3	317.4	263.7	289.4	295.5
Interest-bearing net debt	MEUR	129.6	203.2	149.5	187.3	181.8
Gearing	%	29.1	44.6	33.3	42.1	39.3

Konecranes Group 2012–2016

SHARES IN FIGURES		2016	2015	2014	2013	2012
Earnings per share, basic	EUR	0.64	0.53	1.28	0.85	1.47
Earnings per share, diluted	EUR	0.64	0.53	1.28	0.85	1.46
Equity per share	EUR	7.58	7.79	7.75	7.56	7.97
Cash flow per share	EUR	1.87	0.67	2.56	2.08	2.77
Dividend per share	EUR	1.05*	1.05	1.05	1.05	1.05
Dividend / earnings	%	164.1	199.8	81.7	123.4	71.4
Effective dividend yield	%	3.1	4.6	4.4	4.1	4.1
Price / earnings		52.8	43.6	18.5	30.4	17.4
Trading low / high**	EUR	17.92/36.89	20.98/34.98	18.63/27.60	20.45/28.89	14.34/26.67
Average share price**	EUR	25.38	27.73	23.47	25.30	21.39
Share price on 31 December**	EUR	33.78	22.90	23.82	25.86	25.55
Year-end market capitalization	MEUR	1,984.6	1,345.0	1,380.2	1,495.4	1,463.8
Number traded***	(1,000)	138,110	141,080	111,667	105,051	206,014
Stock turnover	%	235.1	240.2	192.7	181.7	359.6
Average number of shares outstanding, basic	(1,000)	58,748	58,542	57,909	57,684	57,228
Average number of shares outstanding, diluted	(1,000)	58,748	58,542	58,034	57,877	57,517
Number of shares outstanding, at end of the period	(1,000)	58,751	58,732	57,944	57,828	57,291

** The Board's proposal to the AGM*

*** Source: Nasdaq Helsinki*

**** Source: Fidessa*

Calculation of key figures

Return on equity (%):	$\dfrac{\text{Net profit for the period}}{\text{Total equity (average during the period)}}$	X 100
Return on capital employed (%):	$\dfrac{\text{Income before taxes + interest paid + other financing cost}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}}$	X 100
Current ratio:	$\dfrac{\text{Current assets}}{\text{Current liabilities}}$	
Solidity (%):	$\dfrac{\text{Shareholders' equity}}{\text{Total amount of equity and liabilities - advance payment received}}$	X 100
Gearing (%):	$\dfrac{\text{Interest-bearing liabilities - liquid assets - loans receivable}}{\text{Total equity}}$	X 100
Earnings per share:	$\dfrac{\text{Net profit for the shareholders of the parent company}}{\text{Average number of shares outstanding}}$	
Earnings per share, diluted:	$\dfrac{\text{Net profit for the shareholders of the parent company}}{\text{Average fully diluted number of shares outstanding}}$	
Equity per share:	$\dfrac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares outstanding}}$	
Cash flow per share:	$\dfrac{\text{Net cash flow from operating activities}}{\text{Average number of shares outstanding}}$	
Effective dividend yield (%):	$\dfrac{\text{Dividend per share}}{\text{Share price at the end of financial year}}$	X 100
Price per earnings:	$\dfrac{\text{Share price at the end of financial year}}{\text{Earnings per share}}$	
Net working capital:	Non interest-bearing current assets + deferred tax assets - Non interest-bearing current liabilities - deferred tax liabilities - provisions	
Interest-bearing net debt:	Interest-bearing liabilities (non current and current) - cash and cash equivalents - loans receivable (non current and current)	
Year-end market capitalization:	Number of shares outstanding multiplied by the share price at the end of year	
Average number of personnel:	Calculated as average of number of personnel in quarters	
Number of shares outstanding:	Total number of shares - treasury shares	

ANALYST AND PRESS BRIEFING

An analyst and press conference will be held at HTC Keilaniemi (note new location, address Keilaranta 15 B, Espoo) at 11.00 a.m. Finnish time. The financial result for 2016 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 12, 2017 for the conference call details.

NEXT REPORT

Konecranes' Interim Report January–March 2017 will be published on April 27, 2017.

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