

Profitability continued to improve despite lower sales, 2014 sales guidance somewhat lower, EBIT guidance unchanged

Interim Report
January–September 2014

Q3



Profitability continued to improve despite lower sales, 2014 sales guidance somewhat lower, EBIT guidance unchanged

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

THIRD QUARTER HIGHLIGHTS

- Order intake EUR 427.4 million (412.9), +3.5 percent; Service +5.1 percent and Equipment -0.9 percent.
- Order book EUR 1,026.2 million (1,018.9) at end-September, 0.7 percent higher than a year ago, 0.4 percent lower than at end-June 2014.
- Sales EUR 494.4 million (502.9), -1.7 percent; Service +5.0 percent and Equipment -7.9 percent.
- Operating profit excluding restructuring costs EUR 34.8 million (32.4), 7.0 percent of sales (6.4).
- Restructuring costs EUR 0.3 million (23.6).
- Operating profit EUR 34.5 million (8.8), 7.0 percent of sales (1.7).
- Earnings per share (diluted) EUR 0.43 (0.09).
- Net cash flow from operating activities EUR 64.8 million (40.7).
- Net debt EUR 200.4 million (246.3) and gearing 46.4 percent (57.4).

MARKET OUTLOOK

European customers have become increasingly cautious about investing. The Purchasing Managers' Indexes are giving a reason for the continued optimism regarding the U.S. market. The near-term market outlook in emerging markets still remains uncertain. Continued contract base growth bodes well for the future of the service business.

NEW FINANCIAL GUIDANCE

The sales in 2014 are expected to be somewhat lower than in 2013. We expect the 2014 operating profit, excluding restructuring costs, to be approximately at the same level or to improve slightly from 2013.

PREVIOUS FINANCIAL GUIDANCE

The sales in 2014 are expected to be approximately at the same level as in 2013. We expect the 2014 operating profit, excluding restructuring costs, to be approximately at the same level or to improve slightly from 2013.

JANUARY–SEPTEMBER HIGHLIGHTS

- Order intake EUR 1,390.2 million (1,498.6), -7.2 percent; Service -0.0 percent and Equipment -11.7 percent.
- Sales EUR 1,403.2 million (1,518.7), -7.6 percent; Service -0.8 percent and Equipment -12.4 percent.
- Operating profit excluding restructuring costs EUR 72.0 million (72.7), 5.1 percent of sales (4.8).
- Restructuring costs EUR 1.6 million (27.9).
- Operating profit EUR 70.4 million (44.8), 5.0 percent of sales (3.0).
- Earnings per share (diluted) EUR 0.77 (0.47).
- Net cash flow from operating activities EUR 82.0 million (40.6).

Key figures

	Third quarter			January–September			R12M	1-12/2013
	7-9/2014	7-9/2013	Change %	1-9/2014	1-9/2013	Change %		
Orders received, MEUR	427.4	412.9	3.5	1,390.2	1,498.6	-7.2	1,812.5	1,920.8
Order book at end of period, MEUR				1,026.2	1,018.9	0.7		893.5
Sales total, MEUR	494.4	502.9	-1.7	1,403.2	1,518.7	-7.6	1,984.1	2,099.6
EBITDA excluding restructuring costs, MEUR	45.7	40.7	12.3	103.5	102.3	1.2	155.8	154.6
EBITDA excluding restructuring costs, %	9.2%	8.1%		7.4%	6.7%		7.9%	7.4%
Operating profit excluding restructuring costs, MEUR	34.8	32.4	7.5	72.0	72.7	-0.9	114.8	115.5
Operating margin excluding restructuring costs, %	7.0%	6.4%		5.1%	4.8%		5.8%	5.5%
EBITDA, MEUR	45.3	33.1	37.0	101.9	90.7	12.4	151.7	140.5
EBITDA, %	9.2%	6.6%		7.3%	6.0%		7.6%	6.7%
Operating profit, MEUR	34.5	8.8	293.3	70.4	44.8	57.0	110.1	84.5
Operating margin, %	7.0%	1.7%		5.0%	3.0%		5.5%	4.0%
Profit before taxes, MEUR	36.1	8.3	335.1	65.9	39.6	66.3	101.8	75.5
Net profit for the period, MEUR	24.7	5.3	362.5	45.1	27.3	65.1	67.2	49.4
Earnings per share, basic, EUR	0.43	0.09	369.8	0.78	0.47	64.6	1.16	0.85
Earnings per share, diluted, EUR	0.43	0.09	369.7	0.77	0.47	64.8	1.15	0.85
Gearing, %				46.4%	57.4%			42.1%
Return on capital employed, %							15.6%	11.6%
Free cash flow, MEUR	55.9	28.9		53.3	2.2		115.2	64.0
Average number of personnel during the period				11,905	12,026	-1.0		11,987

President and CEO Pekka Lundmark

“Our result continued to develop in the right direction in the third quarter. As in the previous quarter, our operating profit improved in spite of lower sales. Unfortunately, we are behind last year in sales by EUR 115 million after three quarters, but the cumulative operating profit excluding restructuring costs is very close to that of 2013. The year has been uneven between our two businesses. Service business continued its steady profitability improvement. We have every reason to be pleased with the 11% operating margin in the quarter. The equipment business coped reasonably with the lack of volume and produced a decent result, albeit still behind our targets.

We target growth in both equipment and service businesses, but it seems that we cannot expect much help from the general market conditions. We are working on both our product portfolio and the efficiency of our operations, especially in the equipment business. We are renewing our offering for both advanced and standard customer needs in all product and service categories. Two important products for the standard need segment, a new industrial crane model and a new wire rope hoist were launched during the quarter, and there is more to come. We are also simplifying our operational model in the equipment business to add clarity and to enable further improvements in cost efficiency.”

Konecranes Plc

Interim report January–September 2014

MARKET REVIEW

In terms of the macroeconomic data for the first nine months of 2014, developed countries outperformed emerging countries. American factory output, measured by the Purchasing Managers' Index (PMI), continued in the expansive territory. The U.S. manufacturing capacity utilization rate continued to increase as well.

According to the PMI surveys in the Europe, the January–June 2014 manufacturing activity was upbeat following the turnaround in mid-2013. However, the European PMIs lost momentum in the third quarter. Overall, the UK was the brightest spot, while France was the weakest of the large countries in the survey. The manufacturing capacity utilization in the European Union was above the previous year's corresponding period in January–September.

The Purchasing Managers' Indexes in Brazil, China and Russia pointed to stable manufacturing output, while the signs of moderate growth could be observed in India.

Overall, the activity in the world's manufacturing sector, according to the aggregated JPMorgan Global Manufacturing PMI, continued to increase at moderate pace in January–September 2014.

In a year-on-year comparison, the demand for cranes and hoists weakened among industrial customers on a global basis. However, the demand improved somewhat in the course of the year compared to the beginning of 2014. Overall, the demand for heavy-duty cranes continued to suffer from the low investment activity within the process industries. Demand for lift trucks was strong in EMEA and the Americas.

The global container traffic grew by approximately 4 percent in January–September 2014. The project activity with container ports was satisfactory. The most active markets in terms of orders received were North America, Eastern Europe, Turkey, Indonesia and Australia.

The demand for lifting equipment services and parts grew moderately. The demand in North America recovered after the first quarter, which was somewhat held back by the adverse weather conditions. Demand in Europe was stable.

Compared to the previous year, the steel price was stable, while the copper price continued its downward trend. In January–June, the EUR strengthened moderately against the USD in the year-on-year comparison. However, this development was clearly reversed in the third quarter and the EUR recorded its year-to-date low against the USD at the end of September.

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

ORDERS RECEIVED

January–September orders received totaled EUR 1,390.2 million (1,498.6), representing a decrease of 7.2 percent compared to previous year. Orders received decreased by 0.0 percent in Service and by 11.7 percent in Equipment compared to a year before. Orders received rose in EMEA but fell in the Americas and APAC.

Third-quarter order intake rose by 3.5 percent from a year before and totaled EUR 427.4 million (412.9). Order intake increased in Service by 5.1 percent, but declined by 0.9 percent in Equipment. Order intake grew in EMEA and APAC, while it declined in the Americas mainly due to the lower port crane orders in the quarter.

ORDER BOOK

The value of the order book at end-September totaled EUR 1,026.2 million. The order book increased by 0.7 percent from the last year's comparison figure of EUR 1,018.9 million, but decreased by 0.4 percent from end-June 2014 when it stood at EUR 1,029.9 million. Service accounted for EUR 166.2 million (16 percent) and Equipment for EUR 860.0 million (84 percent) of the total end-September order book.

SALES

Group sales in January–September decreased by 7.6 percent from the previous year and totaled EUR 1,403.2 million (1,518.7). Sales in Service fell by 0.8 percent and in Equipment by 12.4 percent.

Third-quarter sales declined by 1.7 percent from a year ago and totaled EUR 494.4 million (502.9). Sales increased in Service by 5.0 percent, but decreased in Equipment by 7.9 percent.

At end-September, the regional breakdown calculated on a rolling 12 months basis was as follows: EMEA 46 (47), Americas 36 (35) and APAC 18 (18) percent.

NET SALES BY REGION, MEUR

	7–9/2014	7–9/2013	1–9/2014	1–9/2013	Change percent	Change % at comparable currency rates	R12M	1–12/2013
EMEA	231.0	232.1	649.3	713.4	-9.0	-7,7	915.7	979.8
AME	178.3	182.1	508.9	542.8	-6.3	-2,9	718.9	752.9
APAC	85.1	88.7	245.1	262.5	-6.6	-2,6	349.4	366.9
Total	494.4	502.9	1,403.2	1,518.7	-7.6	-5,1	1,984.1	2,099.6

CURRENCY RATE EFFECT

In a year-on-year comparison, the currency rates had a negative effect on the orders and sales in January–September. The reported order intake declined by 7.2 percent and by 4.9 percent at comparable currency rates. Reported sales fell by 7.6 percent and by 5.1 percent at comparable currency rates.

In January–September, the reported order intake in Service decreased by 0.0 percent, but increased by 3.1 percent at comparable currency rates. In Equipment, the reported order intake decreased by 11.7 percent and by 9.9 percent at comparable currency rates. In Service, the reported sales decreased by 0.8 percent, but increased by 2.4 percent at comparable currency rates. The corresponding figures in Equipment sales were -12.4 percent and -10.4 percent.

The currency rates had a positive impact on the orders and sales in the third quarter in a year-on-year comparison. The reported order intake rose by 3.5 percent and by 3.2 percent at comparable currency rates. Reported sales declined by 1.7 percent and by 1.7 percent at comparable currency rates.

In the third quarter, the reported order intake in Service increased by 5.1 percent and by 4.8 percent at comparable currency rates. In Equipment, the reported order intake decreased by 0.9 percent and by 1.3 percent at comparable currency rates. In Service, the reported sales increased by 5.0 percent and by 4.9 percent at comparable currency rates. The corresponding figures in Equipment sales were -7.9 percent and -7.9 percent.

FINANCIAL RESULT

The consolidated operating profit in January–September totaled EUR 70.4 million (44.8) increasing in total by EUR 25.5 million. The consolidated operating margin improved to 5.0 percent (3.0). The operating profit includes restructuring costs of EUR 1.6 million (27.9) due to the cost savings program of EUR 30 million announced in 2013. The operating margin rose in Service to 8.9 percent (6.4) and in Equipment to 3.1 percent (2.2).

In January–September 2014, operating margin in Service improved due to the higher gross margin and the restructuring actions executed in 2013. The Equipment operating margin excluding restructuring costs was affected by the sales

decrease. In addition, Business Area Equipment incurred costs of approximately EUR 3 million, the majority of which was booked in the first quarter, due to depreciation of the Ukrainian Hryvnia and transfers of production from Ukraine. On the other hand, sales mix contributed positively to the operating margin in Equipment.

The consolidated operating profit in the third quarter totaled EUR 34.5 million (8.8). The consolidated operating margin in the third quarter rose to 7.0 percent (1.7). The operating profit includes restructuring costs of EUR 0.3 million (23.6). The operating margin in Service improved to 10.9 percent (4.6) and in Equipment to 4.6 percent (1.6).

The third-quarter operating margin in Service improved on higher sales and gross margin as well as favorable sales mix. The Equipment operating margin excluding restructuring costs fell due to lower sales. On the other hand, it was supported by improved project execution and sales mix.

In January–September, the depreciation and impairments totaled EUR 31.5 million (45.8). The previous year's figure included write-offs of EUR 4.5 million and EUR 11.7 million to goodwill as well as intangible and tangible assets, respectively. The amortization arising from the purchase price allocations for acquisitions represented EUR 5.2 million (6.8) of the depreciation and impairments.

In January–September, the share of the result of associated companies and joint ventures was EUR 2.8 million (2.9).

Net financial expenses totaled EUR 7.3 million (8.1). Net interest expenses were EUR 8.1 million, (6.9) of this and the remainder was mainly attributable to the exchange rate differences related to cash and loans in foreign currencies.

The January–September profit before taxes was EUR 65.9 million (39.6).

Income taxes in January–September were EUR -20.7 million (-12.3). The Group's estimated effective tax rate was 31.5 percent (31.0).

Net profit for January–September was EUR 45.1 million (27.3).

Diluted earnings per share for January–September were EUR 0.77 (0.47).

On a rolling twelve-month basis, the return on capital employed was 15.6 percent (11.1) and the return on equity 15.6 percent (11.3).

BALANCE SHEET

The consolidated balance sheet, which at end-September stood at EUR 1,487.0 million, was EUR 15.0 million less than on September 30, 2013 and EUR 25.0 million less than on June 30, 2014. Total equity at the end of the report period was EUR 431.6 million (429.1). On September 30, the total equity attributable to equity holders of the parent company was EUR 431.5 million (422.9) or EUR 7.45 per share (7.32).

Net working capital amounted to EUR 280.6 million at end-September representing a decrease of EUR 54.4 million from a year ago and a decrease of EUR 27.6 million from June 30, 2014. Net working capital decreased mainly due to higher advance payments received and accruals.

CASH FLOW AND FINANCING

Net cash from operating activities in January–September was EUR 82.0 million (40.6) representing EUR 1.41 per diluted share (0.70). Net cash from operations in the third quarter was EUR 64.8 million (40.7).

Cash flow from capital expenditures amounted to EUR -30.4 million (-39.5). Cash flow from capital expenditures in the third quarter was to EUR -9.0 million (-12.6).

Cash flow before financing activities was EUR 48.3 million (-9.6). Cash flow before financing activities in the third quarter was EUR 55.9 million (25.4).

On September 30, 2014, the interest-bearing net debt was EUR 200.4 million (246.3). Solidity was 34.1 percent (33.2) and gearing 46.4 percent (57.4).

The Group's liquidity remained healthy. At the end of the third quarter, cash and cash equivalents amounted to EUR 102.2 million (101.1). None of Group's EUR 300.0 million committed back-up financing facilities were in use at the end of the period.

In July, Konecranes and Nordic Investment Bank signed a EUR 50-million loan agreement to finance the R&D activities in 2014–2017. The seven-year-maturity loan to Konecranes' R&D program will assist the company to focus on new business opportunities in two important areas: Industrial Internet and Segment-based offering.

CAPITAL EXPENDITURE

January–September capital expenditure, excluding acquisitions and joint arrangements, amounted to EUR 34.2 million (49.6). This amount consisted of investments in machinery, equipment, properties, and information technology.

Capital expenditure including acquisitions and joint arrangements was EUR 34.2 million (60.0).

ACQUISITIONS AND DISPOSALS

Capital expenditure on acquisitions and joint arrangements was EUR 0.0 million (14.5).

In June, Konecranes completed the acquisition of the remaining shares of Jiangsu Three Horses Crane Manufacture Co. Ltd. ("SANMA") and now owns 100 percent of the company. In November 2009, Konecranes announced that it had finalized the acquisition of a majority holding (65 percent) in SANMA. The acquisition is an important step for Konecranes, and SANMA will continue as one of Konecranes' power brands in China. Konecranes will also continue to develop the unit as a part of its global supply organization. The purchase price of the minority share totaled to EUR 8.3 million, which reduced equity by the same amount.

PERSONNEL

In January–September, the Group employed an average of 11,905 people (12,026). On 30 September, the headcount was 11,980 (11,934). At end-September, the number of personnel by Business Area was as follows: Service 6,259 employees (6,219), Equipment 5,666 employees (5,658) and Group staff 55 (57). The Group had 6,241 employees (6,287) working in EMEA, 2,822 (2,725) in the Americas, and 2,917 (2,922) in the APAC region.

Business areas

SERVICE

	7–9/2014	7–9/2013	1–9/2014	1–9/2013	Change percent	R12M	1–12/2013
Orders received, MEUR	179.6	170.9	550.3	550.5	0.0	715.8	715.9
Order book, MEUR	166.2	169.9	166.2	169.9	-2.2		128.1
Contract base value, MEUR	192.7	183.2	192.7	183.2	5.2		178.2
Net sales, MEUR	225.9	215.2	636.4	641.4	-0.8	884.1	889.1
EBITDA, MEUR	28.8	20.2	68.1	59.1	15.3	98.6	89.6
EBITDA, %	12.8%	9.4%	10.7%	9.2%		11.2%	10.1%
Depreciation and amortization, MEUR	-4.3	-3.8	-11.8	-11.3	4.2	-15.0	-14.6
Impairments, MEUR	0.0	-6.5	0.0	-6.5		-0.7	-7.2
Operating profit (EBIT), MEUR	24.5	9.9	56.4	41.3	36.6	82.9	67.8
Operating profit (EBIT), %	10.9%	4.6%	8.9%	6.4%		9.4%	7.6%
Restructuring costs, MEUR	-0.3	-10.8	-1.4	-10.8		-3.4	-12.8
Operating profit (EBIT) excluding restructuring costs, MEUR	24.9	20.7	57.7	52.0	11.0	86.3	80.6
Operating profit (EBIT) excluding restructuring costs, %	11.0%	9.6%	9.1%	8.1%		9.8%	9.1%
Capital employed, MEUR	204.6	194.3	204.6	194.3	5.3		187.5
ROCE%						41.6%	38.3%
Capital expenditure, MEUR	2.0	7.1	10.8	18.8	-42.4	12.1	20.1
Personnel at the end of period	6,259	6,219	6,259	6,219	0.6		6,151

January–September orders received totaled EUR 550.3 million (550.5) showing a decrease of 0.0 percent. New orders grew in EMEA and APAC, but declined in the Americas due to adverse currency changes; at comparable currencies, order intake was up in the Americas too. Parts outperformed crane service in terms of the order intake growth. The order book decreased by 2.2 percent to EUR 166.2 million (169.9) from a year before, but increased by 1.1 percent from end-June 2014.

Sales decreased by 0.8 percent to EUR 636.4 million (641.4). The operating profit, excluding restructuring costs of EUR 1.4 million (10.8) was EUR 57.7 million (52.0) and the operating margin 9.1 percent (8.1). Operating profit including restructuring costs was EUR 56.4 million (41.3) and the operating margin 8.9 percent (6.4). The operating margin improved due to higher gross margin and the restructuring actions executed in 2013.

The third quarter order intake increased by 5.1 percent and totaled EUR 179.6 million (170.9). New orders grew in the Americas and Asia-Pacific whereas they were stable in

EMEA. The growth in parts orders continued stronger than that in crane service.

Third quarter sales totaled EUR 225.9 million (215.2) and were 5.0 percent higher than a year ago. Operating profit excluding restructuring costs of EUR 0.3 million (10.8) was EUR 24.9 million (20.7) and the operating margin 11.0 percent (9.6). Operating profit including restructuring costs was EUR 24.5 million (9.9) and the operating margin 10.9 percent (4.6). The operating margin improved due to higher sales and gross margin as well as favorable sales mix.

The total number of equipment included in the maintenance contract base increased to 444,079 at end-September from 438,470 a year before, but decreased from 447,730 at end-June 2014. The annual value of the contract base amounted to EUR 192.7 million compared to EUR 183.2 million a year ago and EUR 186.6 million at end-June, 2014.

The number of service technicians at end-September was 4,017, which is 3 or 0.1 percent more than at the end of September 2013.

EQUIPMENT

	7-9/2014	7-9/2013	1-9/2014	1-9/2013	Change percent	R12M	1-12/2013
Orders received, MEUR	274.0	276.6	917.5	1,039.3	-11.7	1,197.7	1,319.6
Order book, MEUR	860.0	849.0	860.0	849.0	1.3		765.3
Net sales, MEUR	295.1	320.3	844.6	964.3	-12.4	1,209.4	1,329.2
EBITDA, MEUR	20.0	18.9	45.1	49.3	-8.4	67.4	71.6
EBITDA, %	6.8%	5.9%	5.3%	5.1%		5.6%	5.4%
Depreciation and amortization, MEUR	-6.4	-4.3	-19.2	-18.0	7.0	-25.4	-24.1
Impairments, MEUR	0.0	-9.5	0.0	-9.7		0.0	-9.7
Operating profit (EBIT), MEUR	13.6	5.1	25.9	21.6	19.8	42.0	37.8
Operating profit (EBIT), %	4.6%	1.6%	3.1%	2.2%		3.5%	2.8%
Restructuring costs, MEUR	0.0	-11.2	-0.3	-15.5		-1.4	-16.6
Operating profit (EBIT) excluding restructuring costs, MEUR	13.6	16.3	26.1	37.1	-29.5	43.4	54.3
Operating profit (EBIT) excluding restructuring costs, %	4.6%	5.1%	3.1%	3.8%		3.6%	4.1%
Capital employed, MEUR	367.8	392.5	367.8	392.5	-6.3		378.1
ROCE%						11.1%	9.6%
Capital expenditure, MEUR	6.7	8.7	23.4	30.8	-24.2	38.1	45.6
Personnel at the end of period	5,666	5,658	5,666	5,658	0.1		5,626

January–September orders received totaled EUR 917.5 million (1,039.3) showing a decrease of 11.7 percent. Orders grew in EMEA, but fell in the Americas and APAC. Orders for industrial cranes accounted for approximately 40 percent of the orders received and were lower than a year ago. Components and light lifting systems generated approximately 25 percent of the new orders and were below last year's level. The combined orders for port cranes and lift trucks amounted to approximately 35 percent of the orders received and were lower than a year ago.

The order book increased by 1.3 percent to EUR 860.0 million (849.0) from a year before, but was 0.6 percent lower than the end-June 2014. Sales fell by 12.4 percent to EUR 295.1 million (320.3). The operating profit, excluding restructuring costs of EUR 0.3 million (15.5), was EUR 26.1 million (37.1) and the operating margin 3.1 percent (3.8). Operating profit including restructuring costs was EUR 25.9 million (21.6) and 3.1 percent of the sales (2.2). The Equipment operating margin excluding restructuring costs was affected by the sales decrease. In addition, Business Area Equipment incurred costs of approximately EUR 3 million, the majority

of which was booked in the first quarter, due to depreciation of the Ukrainian Hryvnia and transfers of production from Ukraine. On the other hand, sales mix contributed positively to the operating margin in Equipment.

The third-quarter order intake fell by 0.9 percent and totaled EUR 274.0 million (276.6). Orders received rose in EMEA, but fell in the Americas, mainly due to lower port crane orders. Asia-Pacific orders were stable. Compared to the previous year, orders for industrial cranes and lift trucks rose whereas orders for crane components, light lifting systems and port cranes fell from the previous year.

The third-quarter sales totaled EUR 295.1 million (320.3) and were 7.9 percent lower than a year ago. The operating profit, excluding restructuring costs of EUR 0.0 million (11.2), was EUR 13.6 million (16.3) and the operating margin 4.6 percent (5.1). Third-quarter operating profit including restructuring costs was EUR 13.6 million (5.1), and the operating margin 4.6 percent (1.6). The Equipment operating margin excluding restructuring costs fell due to the lower sales. On the other hand, it was supported by improved project execution and sales mix.

Group Overheads

Unallocated Group overhead costs and eliminations were EUR –11.9 million (–18.0) in the reporting period representing 0.8 percent of sales (1.2). These included restructuring costs of EUR 0.0 million (1.6).

ADMINISTRATION

The resolutions of the Konecranes Annual General Meeting and the Board of Directors' organizing meeting have been published in the stock exchange releases dated March 27, 2014.

In September, Juha Pankakoski (47) was appointed Chief Digital Officer of Konecranes Plc. He will be responsible for all information systems and the overall process architecture in Konecranes. He will also assume a wider responsibility for the company's digitalization strategy. Mr. Pankakoski will be a member of the Konecranes Group Executive Board and will report to Pekka Lundmark, President & CEO. Mr. Pankakoski will start in his new position on January 1, 2015. Mr. Pankakoski succeeds Antti Koskelin who has announced that he is leaving Konecranes as of December 31, 2014.

RESEARCH AND DEVELOPMENT

Konecranes' key strategic initiative "Segment-based offering" (previously: "Emerging markets offering") has made significant progress in 2014. Within this strategy, we meet our customers' needs through a segment-based offering consisting of both standard and advanced products and services.

In April, Konecranes introduced the BOXHUNTER container handling crane. The product is a completely new type of rubber-tired gantry (RTG) crane as it contains radical innovations, such as the cabin and machinery at the ground level, lighter hoisting trolley and counterweights to improve eco-efficiency. The BOXHUNTER is entirely modular and is delivered as a regular container shipment.

Early in September, Konecranes launched an entirely new family of wire rope hoists under its Morris Crane Systems power brand in China. Morris S5 Series features a flexible trolley concept that permits hoist installation on all popular single girders, making it a perfect product for the replacement market too.

Later in September, Konecranes introduced a new overhead crane, the CXT®UNO. The CXT UNO is primarily intended for companies operating in manufacturing, construction, and logistics. The CXT UNO combines a strong range of features based on a simpler set of components and technical solutions compared to existing CXT products. This simpler design, together with easy access to spare parts, means that the CXT UNO will be easy to maintain. Following the initial rollout in India, the plan is to introduce the CXT UNO in other countries in the near future.

SHARE CAPITAL AND SHARES

On September 30, 2014, the company's registered share capital totaled EUR 30.1 million. On September 30, 2014, the number of shares including treasury shares totaled 63,272,342.

On September 30, 2014, Konecranes Plc was in possession of 5,334,621 own shares, which corresponds to 8.4 percent of the total number of shares and which, at that date, had a market value of EUR 113.6 million.

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

SHARES SUBSCRIBED FOR UNDER STOCK OPTION RIGHTS

In January–September, 109,641 treasury shares were transferred to the subscribers, pursuant to the Konecranes Plc's stock options 2009A.

At end-September 2014, Konecranes Plc's stock options 2009 entitled the holders to subscribe to a total of 1,378,250 shares. The option programs include approximately 200 company's key persons.

The terms and conditions of the stock option programs are available on Konecranes' website at www.konecranes.com.

MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for Konecranes Plc's shares on the Nasdaq Helsinki was EUR 21.30 on September 30, 2014. The volume-weighted average share price in January–September was EUR 24.00, the highest price being EUR 27.60 in January and the lowest EUR 20.81 in September. In January–September, the trading volume on the Nasdaq Helsinki totaled 37.2 million Konecranes Plc shares corresponding to a turnover of approximately EUR 892.2 million. The average daily trading volume was 197,699 shares representing an average daily turnover of EUR 4.7 million.

In addition, according to Fidessa, approximately 48.8 million Konecranes' shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in January–September 2014.

On September 30, 2014, the total market capitalization of Konecranes Plc's shares was EUR 1,347.7 million including treasury shares. The market capitalization was EUR 1,234.1 million excluding treasury shares.

FLAGGING NOTIFICATIONS

On August 18, 2014, Konecranes received a disclosure under Chapter 9, Section 5 of the Securities Market Act, according to which the holding of BlackRock, Inc. in Konecranes Plc has decreased below 5 percent. BlackRock, Inc. held 3,160,448 Konecranes Plc's shares on August 15, 2014, which is 4.99 percent of Konecranes Plc's shares and votes.

On September 23, 2014, 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 exceeded 5 percent. Harris Associates L.P. held 3,222,000 Konecranes Plc's shares on September 18, 2014, which is 5.09 percent of Konecranes Plc's shares and votes.

RISKS AND UNCERTAINTIES

Konecranes operates in 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. 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 the new countries. A failure to integrate the acquired business or grow newly established operations may result in an 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. 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 in its Industrial Crane Solutions and Port Cranes business units, which involve the risks related to, for example, engineering and project execution. A failure to plan or manage these projects may lead to higher-than-estimated costs or disputes with customers.

Challenges in financing may force customers to postpone projects or even to cancel the existing orders. Konecranes intends to avoid incurring costs of 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.

MARKET OUTLOOK

European customers have become increasingly cautious about investing. The Purchasing Managers' Indexes are giving a reason for the continued optimism regarding the U.S. market. The near-term market outlook in emerging markets still remains uncertain. Continued contract base growth bodes well for the future of the service business.

NEW FINANCIAL GUIDANCE

The sales in 2014 are expected to be somewhat lower than in 2013. We expect the 2014 operating profit, excluding restructuring costs, to be approximately at the same level or to improve slightly from 2013.

PREVIOUS FINANCIAL GUIDANCE

The sales in 2014 are expected to be approximately at the same level as in 2013. We expect the 2014 operating profit, excluding restructuring costs, to be approximately at the same level or to improve slightly from 2013.

Helsinki, October 22, 2014
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 our 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,
- the 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.

Summary financial statements and notes

Accounting principles

The presented financial information is prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

The figures presented in the tables below have been rounded to one decimal, which should be taken into account when reading the sum figures.

The numbers stated in this bulletin have not been subject to audit

Consolidated statement of income

EUR million	7-9/2014	7-9/2013	1-9/2014	1-9/2013	Change %	1-12/2013
Sales	494.4	502.9	1,403.2	1,518.7	-7.6	2,099.6
Other operating income	0.9	0.3	2.2	1.4		1.6
Depreciation and impairments	-10.9	-24.3	-31.5	-45.8		-56.0
Other operating expenses	-449.9	-470.2	-1,303.6	-1,429.5		-1,960.6
Operating profit	34.5	8.8	70.4	44.8	57.0	84.5
Share of associates' and joint ventures' result	0.4	0.6	2.8	2.9		3.9
Financial income and expenses	1.3	-1.1	-7.3	-8.1		-13.0
Profit before taxes	36.1	8.3	65.9	39.6	66.3	75.5
Taxes	-11.4	-2.9	-20.7	-12.3		-26.1
NET PROFIT FOR THE PERIOD	24.7	5.3	45.1	27.3	65.1	49.4
Net profit for the period attributable to:						
Shareholders of the parent company	24.7	5.3	44.9	27.2		49.1
Non-controlling interest	0.0	0.1	0.2	0.1		0.3
Earnings per share, basic (EUR)	0.43	0.09	0.78	0.47	64.6	0.85
Earnings per share, diluted (EUR)	0.43	0.09	0.77	0.47	64.8	0.85

Consolidated statement of comprehensive income

EUR million	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
Net profit for the period	24.7	5.3	45.1	27.3	49.4
Items that can be reclassified into profit or loss					
Cash flow hedges	-7.1	4.6	-11.2	4.6	5.0
Exchange differences on translating foreign operations	15.1	-9.7	16.3	-13.5	-18.8
Income tax relating to items that can be reclassified into profit or loss	1.4	-1.1	2.2	-1.1	-1.0
Items that cannot be reclassified into profit or loss					
Re-measurement gains (losses) on defined benefit plans	1.1	0.8	2.1	0.8	-3.0
Income tax relating to items that cannot be reclassified into profit or loss	-0.2	-0.2	-0.5	-0.2	0.9
Other comprehensive income for the period, net of tax	10.3	-5.6	9.0	-9.4	-16.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	35.0	-0.3	54.1	17.9	32.5
Total comprehensive income attributable to:					
Shareholders of the parent company	35.0	-0.1	54.0	17.8	32.3
Non-controlling interest	0.0	-0.1	0.1	0.1	0.2

Consolidated balance sheet

EUR million

ASSETS	30.9.2014	30.9.2013	31.12.2013
Non-current assets			
Goodwill	104.3	102.3	101.6
Intangible assets	88.2	89.8	87.0
Property, plant and equipment	149.8	138.7	144.5
Advance payments and construction in progress	44.3	46.1	48.2
Investments accounted for using the equity method	42.6	39.9	40.4
Available-for-sale investments	1.0	1.0	1.0
Long-term loans receivable	0.0	0.2	0.2
Deferred tax assets	65.4	58.2	59.8
Total non-current assets	495.6	476.2	482.7
Current assets			
Inventories			
Raw material and semi-manufactured goods	153.8	156.8	148.6
Work in progress	201.9	183.3	161.4
Advance payments	19.5	28.4	15.5
Total inventories	375.2	368.5	325.5
Accounts receivable	345.7	373.7	368.8
Loans receivable	0.2	0.0	0.0
Other receivables	24.5	24.6	25.6
Current tax assets	14.0	20.4	10.7
Deferred assets	129.5	137.6	136.6
Cash and cash equivalents	102.2	101.1	132.2
Total current assets	991.4	1,025.8	999.4
TOTAL ASSETS	1,487.0	1,502.1	1,482.0

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	30.9.2014	30.9.2013	31.12.2013
Equity attributable to equity holders of the parent company			
Share capital	30.1	30.1	30.1
Share premium account	39.3	39.3	39.3
Fair value reserves	-6.3	2.0	2.6
Translation difference	0.1	-11.0	-16.3
Paid in capital	52.1	50.7	51.0
Retained earnings	271.3	284.6	282.3
Net profit for the period	44.9	27.2	49.1
Total equity attributable to equity holders of the parent company	431.5	422.9	438.1
Non-controlling interest	0.1	6.2	6.4
Total equity	431.6	429.1	444.5
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	169.1	137.9	133.0
Other long-term liabilities	78.8	77.3	80.3
Deferred tax liabilities	18.2	19.8	18.1
Total non-current liabilities	266.1	235.0	231.4
Provisions	45.8	45.8	47.5
Current liabilities			
Interest-bearing liabilities	133.8	209.7	186.7
Advance payments received	222.5	210.2	175.2
Progress billings	0.3	0.8	5.8
Accounts payable	110.4	133.9	147.5
Other short-term liabilities (non-interest bearing)	27.7	23.4	28.7
Current tax liabilities	15.5	14.3	14.7
Accruals	233.3	199.7	200.1
Total current liabilities	743.6	792.1	758.6
Total liabilities	1,055.5	1,072.9	1,037.5
TOTAL EQUITY AND LIABILITIES	1,487.0	1,502.1	1,482.0

Consolidated statement of changes in equity

EUR million	Equity attributable to equity holders of the parent company			
	Share capital	Share premium account	Cash flow hedges	Translation difference
Balance at 1 January, 2014	30.1	39.3	2.6	-16.3
Options exercised				
Dividends paid to equity holders				
Share based payments recognized against equity				
Total comprehensive income			-8.9	16.4
Balance at 30 September, 2014	30.1	39.3	-6.3	0.1
Balance at 1 January, 2013	30.1	39.3	-1.4	2.5
Options exercised				
Dividends paid to equity holders				
Share based payments recognized against equity				
Total comprehensive income			3.4	-13.5
Balance at 30 September, 2013	30.1	39.3	2.0	-11.0

EUR million	Equity attributable to equity holders of the parent company				Total equity
	Paid in capital	Retained earnings	Total	Non-controlling interest	
Balance at 1 January, 2014	51.0	331.4	438.1	6.4	444.5
Options exercised	1.1	0.0	1.1		1.1
Dividends paid to equity holders		-60.8	-60.8		-60.8
Share based payments recognized against equity		0.9	0.9		0.9
Acquisitions		-1.9	-1.9	-6.4	-8.3
Total comprehensive income		46.6	54.0	0.1	54.1
Balance at 30 September, 2014	52.1	316.2	431.5	0.1	431.6
Balance at 1 January, 2013	44.8	341.2	456.5	6.2	462.6
Options exercised	5.9	0.0	5.9		5.9
Dividends paid to equity holders		-60.6	-60.6		-60.6
Share based payments recognized against equity		2.8	2.8		2.8
Acquisitions		0.5	0.5		0.5
Total comprehensive income		27.8	17.8	0.1	17.9
Balance at 30 September, 2013	50.7	311.7	422.9	6.2	429.1

Consolidated cash flow statement

EUR million	1–9/2014	1–9/2013	1–12/2013
Cash flow from operating activities			
Net income	45.1	27.3	49.4
Adjustments to net income			
Taxes	20.7	12.3	26.1
Financial income and expenses	7.3	8.1	13.0
Share of associates' and joint ventures' result	-2.8	-2.9	-3.9
Dividend income	0.0	0.0	-0.1
Depreciation and impairments	31.5	45.8	56.0
Profits and losses on sale of fixed assets	-0.4	0.9	1.9
Other adjustments	-1.1	2.7	2.4
Operating income before change in net working capital	100.4	94.3	144.8
Change in interest-free short-term receivables	47.0	18.6	16.5
Change in inventories	-40.0	-5.6	32.6
Change in interest-free short-term liabilities	2.6	-22.0	-21.1
Change in net working capital	9.5	-8.9	28.0
Cash flow from operations before financing items and taxes	109.9	85.4	172.8
Interest received	1.9	2.5	3.7
Interest paid	-10.1	-9.8	-13.2
Other financial income and expenses	4.7	0.3	1.0
Income taxes paid	-24.4	-37.7	-44.1
Financing items and taxes	-27.9	-44.7	-52.6
NET CASH FROM OPERATING ACTIVITIES	82.0	40.6	120.2
Cash flow from investing activities			
Acquisition of Group companies, net of cash	-6.2	-8.3	-11.6
Divestment of Businesses, net of cash	1.2	0.0	0.0
Capital expenditures	-30.4	-39.5	-57.7
Proceeds from sale of fixed assets	1.8	1.1	1.5
Dividends received	0.0	0.0	0.1
NET CASH USED IN INVESTING ACTIVITIES	-33.7	-50.3	-67.8
Cash flow before financing activities	48.3	-9.6	52.5
Cash flow from financing activities			
Proceeds from options exercised and share issues	1.1	5.9	6.2
Proceeds from long-term borrowings	50.0	10.3	5.0
Repayments of long-term borrowings	-13.9	0.0	0.0
Proceeds from (+), payments of (-) short-term borrowings	-58.2	14.3	-9.8
Change in short-term receivables	0.0	0.1	0.1
Dividends paid to equity holders of the parent	-60.8	-60.6	-60.6
NET CASH USED IN FINANCING ACTIVITIES	-81.8	-30.1	-59.1
Translation differences in cash	3.4	-4.5	-6.5
CHANGE OF CASH AND CASH EQUIVALENTS	-30.0	-44.3	-13.1
Cash and cash equivalents at beginning of period	132.2	145.3	145.3
Cash and cash equivalents at end of period	102.2	101.1	132.2
CHANGE OF CASH AND CASH EQUIVALENTS	-30.0	-44.3	-13.1

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	1-9/2014	1-9/2013	1-12/2013
Net cash from operating activities	82.0	40.6	120.2
Capital expenditures	-30.4	-39.5	-57.7
Proceeds from sale of fixed assets	1.8	1.1	1.5
Free cash flow	53.4	2.2	64.0

Segment information

1. BUSINESS SEGMENTS

EUR million

Orders received by Business Area	1-9/2014	% of total	1-9/2013	% of total	1-12/2013	% of total
Service ¹⁾	550.3	37	550.5	35	715.9	35
Equipment	917.5	63	1,039.3	65	1,319.6	65
./. Internal	-77.5		-91.2		-114.7	
Total	1,390.2	100	1,498.6	100	1,920.8	100

¹⁾ Excl. Service Contract Base

Order book total ²⁾	30.9.2014	% of total	30.9.2013	% of total	31.12.2013	% of total
Service	166.2	16	169.9	17	128.1	14
Equipment	860.0	84	849.0	83	765.3	86
./. Internal	0.0		0.0		0.0	
Total	1,026.2	100	1,018.9	100	893.5	100

²⁾ Percentage of completion deducted

Sales by Business Area	1-9/2014	% of total	1-9/2013	% of total	1-12/2013	% of total
Service	636.4	43	641.4	40	889.1	40
Equipment	844.6	57	964.3	60	1,329.2	60
./. Internal	-77.7		-87.1		-118.7	
Total	1,403.2	100	1,518.7	100	2,099.6	100

Operating profit (EBIT) by Business Area excluding restructuring costs	1-9/2014 MEUR	EBIT %	1-9/2013 MEUR	EBIT %	1-12/2013 MEUR	EBIT %
Service	57.7	9.1	52.0	8.1	80.6	9.1
Equipment	26.1	3.1	37.1	3.8	54.3	4.1
Group costs and eliminations	-11.9		-16.4		-19.4	
Total	72.0	5.1	72.7	4.8	115.5	5.5

Operating profit (EBIT) by Business Area including restructuring costs	1-9/2014 MEUR	EBIT %	1-9/2013 MEUR	EBIT %	1-12/2013 MEUR	EBIT %
Service	56.4	8.9	41.3	6.4	67.8	7.6
Equipment	25.9	3.1	21.6	2.2	37.8	2.8
Group costs and eliminations	-11.9		-18.0		-21.1	
Total	70.4	5.0	44.8	3.0	84.5	4.0

Segment information

Capital Employed and ROCE%	30.9.2014 MEUR	30.9.2013 MEUR	31.12.2013 MEUR	ROCE %
Service	204.6	194.3	187.5	38.3
Equipment	367.8	392.5	378.1	9.6
Unallocated Capital Employed	162.0	190.0	198.6	
Total	734.4	776.7	764.2	11.6

Business segment assets	30.9.2014 MEUR	30.9.2013 MEUR	31.12.2013 MEUR
Service	376.3	367.8	359.3
Equipment	853.7	890.2	860.2
Unallocated Capital Employed	257.0	244.1	262.6
Total	1,487.0	1,502.1	1,482.0

Business segment liabilities	30.9.2014 MEUR	30.9.2013 MEUR	31.12.2013 MEUR
Service	171.7	173.5	171.8
Equipment	486.0	497.7	482.1
Unallocated Capital Employed	397.8	401.7	383.7
Total	1,055.5	1,072.9	1,037.5

Personnel by Business Area (at the end of the period)	30.9.2014	% of total	30.9.2013	% of total	31.12.2013	% of total
Service	6,259	52	6,219	52	6,151	52
Equipment	5,666	47	5,658	47	5,626	48
Group staff	55	0	57	0	55	0
Total	11,980	100	11,934	100	11,832	100

2. GEOGRAPHICAL SEGMENTS

EUR million

Sales by market	1–9/2014	% of total	1–9/2013	% of total	1–12/2013	% of total
Europe-Middle East-Africa (EMEA)	649.3	46	713.4	47	979.8	47
Americas (AME)	508.9	36	542.8	36	752.9	36
Asia-Pacific (APAC)	245.1	17	262.5	17	366.9	17
Total	1,403.2	100	1,518.7	100	2,099.6	100

Personnel by region (at the end of the period)	30.9.2014	% of total	30.9.2013	% of total	31.12.2013	% of total
Europe-Middle East-Africa (EMEA)	6,241	52	6,287	53	6,246	53
Americas (AME)	2,822	24	2,725	23	2,711	23
Asia-Pacific (APAC)	2,917	24	2,922	24	2,875	24
Total	11,980	100	11,934	100	11,832	100

Notes

KEY FIGURES	30.9.2014	30.9.2013	Change %	31.12.2013
Earnings per share, basic (EUR)	0.78	0.47	64.6	0.85
Earnings per share, diluted (EUR)	0.77	0.47	64.8	0.85
Return on capital employed %, Rolling 12 Months (R12M)	15.6	11.1	40.5	11.6
Return on equity %, Rolling 12 Months (R12M)	15.6	11.3	38.1	10.9
Equity per share (EUR)	7.45	7.32	1.8	7.56
Current ratio	1.3	1.2	8.3	1.2
Gearing %	46.4	57.4	-19.2	42.1
Solidity %	34.1	33.2	2.7	34.0
EBITDA, EUR million	101.9	90.7	12.4	140.5
Investments total (excl. acquisitions), EUR million	34.2	49.6	-31.1	65.7
Interest-bearing net debt, EUR million	200.4	246.3	-18.6	187.3
Net working capital, EUR million	280.6	334.9	-16.2	289.4
Average number of personnel during the period	11,980	12,026	-0.4	11,987
Average number of shares outstanding, basic	57,898,703	57,640,419	0.4	57,683,620
Average number of shares outstanding, diluted	58,035,993	57,848,819	0.3	57,876,949
Number of shares outstanding	57,937,721	57,805,830	0.2	57,828,080

Interest-bearing net debt: Interest-bearing liabilities (non current and current) - cash and cash equivalents - loans receivable (non current and current)

Net working capital: Non interest-bearing current assets + deferred tax assets -
Non interest-bearing current liabilities - deferred tax liabilities
- provisions

Notes

The period end exchange rates*:	26.9.2014	27.9.2013	Change %	31.12.2013
USD - US dollar	1.273	1.354	6.3	1.379
CAD - Canadian dollar	1.415	1.397	-1.3	1.467
GBP - Pound sterling	0.781	0.840	7.6	0.834
CNY - Chinese yuan	7.799	8.283	6.2	8.349
SGD - Singapore dollar	1.619	1.699	4.9	1.741
SEK - Swedish krona	9.213	8.686	-5.7	8.859
NOK - Norwegian krone	8.168	8.103	-0.8	8.363
AUD - Australian dollar	1.448	1.454	0.4	1.542

The period average exchange rates*:	26.9.2014	27.9.2013	Change %	31.12.2013
USD - US dollar	1.356	1.317	-2.9	1.328
CAD - Canadian dollar	1.483	1.348	-9.1	1.368
GBP - Pound sterling	0.812	0.852	4.9	0.849
CNY - Chinese yuan	8.360	8.122	-2.8	8.164
SGD - Singapore dollar	1.705	1.649	-3.3	1.662
SEK - Swedish krona	9.040	8.582	-5.1	8.649
NOK - Norwegian krone	8.277	7.659	-7.5	7.802
AUD - Australian dollar	1.476	1.347	-8.7	1.377

*Konecranes applies a weekly calendar in its financial reporting. The presented exchange rates are determined by rates on the last Friday of the period.

CONTINGENT LIABILITIES AND PLEDGED ASSETS

EUR million	30.9.2014	30.9.2013	31.12.2013
For own commercial obligations			
Guarantees	365.6	359.3	377.6
Leasing liabilities			
Next year	33.7	31.8	30.5
Later on	65.6	58.1	70.0
Other	0.3	1.7	1.7
Total	465.2	451.0	479.8

Leasing contracts comply with normal practices in the countries concerned.

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

FINANCIAL INSTRUMENTS

IFRS 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

- Level 1 - quoted prices in active markets for identical financial instruments
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - inputs for the financial instrument that are not based on observable market data (unobservable inputs)

Classification of financial instruments within the IFRS 7 fair value hierarchy: level 2 for all values as of 30 September 2014. There were no changes for classification within the fair value hierarchy.

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.

CARRYING AMOUNT OF FINANCIAL ASSETS AND LIABILITIES IN THE BALANCE SHEET

EUR million

	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Available- for-sale financial assets	Financial assets/liabili- ties measured at amortized cost	Total carrying amounts by balance sheet item	Total Fair value
Financial assets 30.9.2014						
Non-current financial assets						
Long-term interest-bearing receivables	0.0	0.0	0.0	0.0	0.0	0.0
Other financial assets	0.0	0.0	1.0	0.0	1.0	1.0
Current financial assets						
Short-term interest-bearing receivables	0.0	0.2	0.0	0.0	0.2	0.2
Account and other receivables	0.0	370.2	0.0	0.0	370.2	370.2
Derivative financial instruments	9.2	0.0	0.0	0.0	9.2	9.2
Cash and cash equivalents	0.0	102.2	0.0	0.0	102.2	102.2
Total	9.2	472.7	1.0	0.0	482.8	482.8

Financial liabilities 30.9.2014

Non-current financial liabilities						
Interest-bearing liabilities	0.0	0.0	0.0	169.1	169.1	169.1
Derivative financial instruments	2.2	0.0	0.0	0.0	2.2	2.2
Other payables	0.0	0.0	0.0	2.2	2.2	2.2
Current financial liabilities						
Interest-bearing liabilities	0.0	0.0	0.0	133.8	133.8	133.8
Derivative financial instruments	16.4	0.0	0.0	0.0	16.4	16.4
Account and other payables	0.0	0.0	0.0	138.2	138.2	138.2
Total	18.6	0.0	0.0	443.3	461.8	461.8

Notes

EUR million	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Available- for-sale financial assets	Financial assets/liabili- ties measured at amortized cost	Total carrying amounts by balance sheet item	Total Fair value
Financial assets 30.9.2013						
Non-current financial assets						
Long-term interest-bearing receivables	0.0	0.2	0.0	0.0	0.2	0.2
Other financial assets	0.0	0.0	1.0	0.0	1.0	1.0
Current financial assets						
Short-term interest-bearing receivables	0.0	0.0	0.0	0.0	0.0	0.0
Account and other receivables	0.0	398.3	0.0	0.0	398.3	398.3
Derivative financial instruments	12.1	0.0	0.0	0.0	12.1	12.1
Cash and cash equivalents	0.0	101.1	0.0	0.0	101.1	101.1
Total	12.1	499.6	1.0	0.0	512.6	512.6
Financial liabilities 30.9.2013						
Non-current financial liabilities						
Interest-bearing liabilities	0.0	0.0	0.0	137.9	137.9	137.9
Derivative financial instruments	1.9	0.0	0.0	0.0	1.9	1.9
Current financial liabilities						
Interest-bearing liabilities	0.0	0.0	0.0	209.7	209.7	209.7
Derivative financial instruments	4.3	0.0	0.0	0.0	4.3	4.3
Account and other payables	0.0	0.0	0.0	157.4	157.4	157.4
Total	6.2	0.0	0.0	505.0	511.2	511.2

NOMINAL AND FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	30.9.2014 Nominal value	30.9.2014 Fair value	30.9.2013 Nominal value	30.9.2013 Fair value	31.12.2013 Nominal value	31.12.2013 Fair value
Foreign exchange forward contracts	683.7	-6.8	693.4	7.8	625.9	6.7
Currency options	0.0	0.0	16.1	0.2	0.0	0.0
Interest rate swaps	100.0	-2.2	100.0	-1.9	100.0	-1.8
Electricity derivatives	2.3	-0.4	2.8	-0.2	2.9	-0.5
Total	786.0	-9.4	812.4	5.9	728.8	4.4

Derivatives are used for hedging currency and interest rate risks, as well as the risk of electricity price fluctuations. The Company applies hedge accounting on the derivatives used to hedge cash flows in large projects in Business Area Equipment and to interest rates of certain long-term loans.

ACQUISITIONS AND DIVESTMENTS

In June Konecranes completed the acquisition of the remaining shares of Jiangsu Three Horses Crane Manufacture Co. Ltd. ("SANMA") and now owns 100 percent of the company. In November 2009, Konecranes announced that it had finalized the acquisition of a majority holding (65 percent) in SANMA. Transaction decreased Konecranes equity attributable to the equity holders of the parent company by EUR 1.9 million and the non-controlling interest by EUR 6.4 million.

In May Konecranes sold two minor service operations, one in Belgium and one in Germany. The disposal of these two operations resulted EUR 0.5 million profit reported in the other operating income of the statement of income.

Quarterly figures

CONSOLIDATED STATEMENT OF INCOME, QUARTERLY

EUR million	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Sales	494.4	481.6	427.3	580.9	502.9	519.9	495.9
Other operating income	0.9	0.8	0.5	0.1	0.3	0.6	0.5
Depreciation and impairments	-10.9	-11.1	-9.5	-9.5	-8.3	-11.1	-10.2
Restructuring costs	-0.3	-0.9	-0.4	-3.1	-23.6	0.0	-4.3
Other operating expenses	-449.6	-449.6	-402.7	-528.7	-462.6	-492.2	-463.0
Operating profit	34.5	20.7	15.2	39.7	8.8	17.2	18.8
Share of associates' and joint ventures' result	0.4	1.5	1.0	1.0	0.6	1.7	0.6
Financial income and expenses	1.3	-5.1	-3.5	-4.8	-1.1	-3.1	-3.9
Profit before taxes	36.1	17.1	12.7	35.9	8.3	15.8	15.5
Taxes	-11.4	-5.4	-4.0	-13.8	-2.9	-4.7	-4.6
Net profit for the period	24.7	11.7	8.7	22.1	5.3	11.1	10.9

CONSOLIDATED BALANCE SHEET, QUARTERLY

EUR million

ASSETS	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Goodwill	104.3	102.1	102.0	101.6	102.3	109.1	113.3
Intangible assets	88.2	90.4	85.5	87.0	89.8	92.6	75.4
Property, plant and equipment	149.8	143.8	143.2	144.5	138.7	142.4	149.6
Other	153.2	148.8	148.8	149.5	145.4	150.2	146.4
Total non-current assets	495.5	485.2	479.5	482.7	476.2	494.3	484.8
Inventories	375.2	358.9	353.8	325.5	368.5	374.2	373.5
Receivables and other current assets	514.1	518.0	566.0	541.6	556.3	562.4	564.7
Cash and cash equivalents	102.2	149.9	141.5	132.2	101.1	107.8	217.4
Total current assets	991.5	1,026.8	1,061.3	999.4	1,025.8	1,044.4	1,155.6
Total assets	1,487.0	1,512.0	1,540.8	1,482.0	1,502.1	1,538.7	1,640.4

EQUITY AND LIABILITIES	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Total equity	431.6	396.1	388.7	444.5	429.1	427.9	424.3
Non-current liabilities	266.1	269.8	222.0	231.4	235.0	229.8	306.2
Provisions	45.8	41.9	45.7	47.5	45.8	42.9	46.8
Advance payments received	222.5	213.5	227.5	175.2	210.2	205.2	228.4
Other current liabilities	521.1	590.7	656.9	583.4	581.9	633.0	634.7
Total liabilities	1,055.5	1,115.9	1,152.1	1,037.5	1,072.9	1,110.8	1,216.1
Total equity and liabilities	1,487.0	1,512.0	1,540.8	1,482.0	1,502.1	1,538.7	1,640.4

Quarterly figures

CONSOLIDATED CASH FLOW STATEMENT - QUARTERLY

EUR million	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Operating income before change in net working capital	44.9	30.2	25.3	50.6	35.5	28.7	30.0
Change in net working capital	26.4	26.8	-43.7	36.9	16.1	-39.0	14.0
Financing items and taxes	-6.5	-14.9	-6.5	-7.9	-10.9	-22.0	-11.8
Net cash from operating activities	64.8	42.1	-24.9	79.6	40.7	-32.3	32.2
Cash flow from investing activities	-8.9	-17.0	-7.8	-17.5	-15.3	-23.6	-11.3
Cash flow before financing activities	55.9	25.1	-32.7	62.1	25.4	-55.9	20.9
Proceeds from options exercised and share issues	0.0	0.6	0.5	0.3	0.1	0.8	5.1
Change of interest-bearing debt	-107.2	41.4	43.7	-29.3	-28.6	9.6	43.6
Dividends paid to equity holders of the parent	0.0	-60.8	0.0	0.0	0.0	-60.6	0.0
Net cash used in financing activities	-107.2	-18.7	44.2	-29.0	-28.5	-50.2	48.6
Translation differences in cash	3.6	2.1	-2.3	-2.0	-3.6	-3.5	2.5
Change of cash and cash equivalents	-47.7	8.5	9.2	31.2	-6.7	-109.6	72.0
Cash and cash equivalents at beginning of period	149.9	141.5	132.2	101.1	107.8	217.4	145.3
Cash and cash equivalents at end of period	102.2	149.9	141.5	132.2	101.1	107.8	217.4
Change of cash and cash equivalents	-47.7	8.5	9.2	31.2	-6.7	-109.6	72.0
Free Cash Flow	55.9	29.8	-32.6	61.8	28.9	-48.3	21.7

Quarterly figures

QUARTERLY SEGMENT INFORMATION

EUR million

Orders received by Business Area	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Service ¹⁾	179.6	185.3	185.4	165.5	170.9	193.4	186.1
Equipment	274.0	364.2	279.2	280.3	276.6	339.6	423.2
./. Internal	-26.2	-26.0	-25.3	-23.5	-34.6	-30.0	-26.6
Total	427.4	523.5	439.3	422.2	412.9	503.0	582.7

¹⁾ Excl. Service Contract Base

Order book by Business Area	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Service	166.2	164.4	149.6	128.1	169.9	177.7	170.0
Equipment	860.0	865.5	788.3	765.3	849.0	901.7	914.0
Total	1,026.2	1,029.9	937.9	893.5	1,018.9	1,079.4	1,084.0

Sales by Business Area	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Service	225.9	211.6	199.0	247.6	215.2	217.9	208.4
Equipment	295.1	295.2	254.3	364.9	320.3	328.2	315.9
./. Internal	-26.5	-25.2	-25.9	-31.6	-32.5	-26.2	-28.3
Total	494.4	481.6	427.3	580.9	502.9	519.9	495.9

Operating profit (EBIT) by Business Area excluding restructuring costs	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Service	24.9	16.7	16.1	28.6	20.7	15.6	15.8
Equipment	13.6	10.1	2.5	17.3	16.3	7.4	13.3
Group costs and eliminations	-3.7	-5.2	-3.0	-3.0	-4.6	-5.8	-6.0
Total	34.8	21.6	15.6	42.8	32.4	17.2	23.1

Operating margin, (EBIT %) by Business Area excluding restructuring costs	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Service	11.0%	7.9%	8.1%	11.5%	9.6%	7.2%	7.6%
Equipment	4.6%	3.4%	1.0%	4.7%	5.1%	2.3%	4.2%
Group EBIT % total	7.0%	4.5%	3.6%	7.4%	6.4%	3.3%	4.7%

Quarterly figures

QUARTERLY SEGMENT INFORMATION

Personnel by Business Area (at the end of the period)

	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Service	6,259	6,220	6,223	6,151	6,219	6,221	6,241
Equipment	5,666	5,624	5,637	5,626	5,658	5,663	5,782
Group staff	55	51	51	55	57	57	58
Total	11,980	11,895	11,911	11,832	11,934	11,941	12,081

Sales by market

	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Europe-Middle East-Africa (EMEA)	231.0	217.5	200.8	266.5	232.1	257.3	224.0
Americas (AME)	178.3	177.4	153.1	210.1	182.1	169.7	191.0
Asia-Pacific (APAC)	85.1	86.6	73.4	104.3	88.7	92.9	80.9
Total	494.4	481.6	427.3	580.9	502.9	519.9	495.9

Personnel by region (at the end of the period)

	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Europe-Middle East-Africa (EMEA)	6,241	6,213	6,235	6,246	6,287	6,294	6,301
Americas (AME)	2,822	2,803	2,783	2,711	2,725	2,709	2,708
Asia-Pacific (APAC)	2,917	2,879	2,893	2,875	2,922	2,938	3,072
Total	11,980	11,895	11,911	11,832	11,934	11,941	12,081

ANALYST AND PRESS BRIEFING

An analyst and press conference will be held at Savoy restaurant's Salikabinetti (address: 14 Eteläesplanadi) at 11.00 a.m. Finnish time. The Interim Report will be presented by Konecranes' President and CEO Pekka Lundmark 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 October 6, 2014 for the conference call details.

NEXT REPORT

Konecranes' Financial Statements Bulletin 2014 will be published on February 4, 2015.

KONECRANES PLC

Miikka Kinnunen
Director, Investor Relations

ADDITIONAL INFORMATION

Mr. Pekka Lundmark,
President and CEO,
tel. +358 20 427 2000

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

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

Mr. Mikael Wegmüller,
Vice President, Marketing and Communications,
tel. +358 20 427 2008

DISTRIBUTION

Nasdaq Helsinki
Media
www.konecranes.com

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