KONECRANES
Lifting Businesses™

Continued solid growth in service orders and strong improvement in Group's profitability

Half-year financial report
January–June 2018

H1

Continued solid growth in service orders and strong improvement in Group's profitability

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

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

SECOND QUARTER HIGHLIGHTS

- Order intake EUR 760.9 million (790.2), -3.7 percent (-0.6 percent on a comparable currency basis)
- Service order intake EUR 256.8 million (251.4), +2.2 percent (+7.1 percent on a comparable currency basis)
- Order book EUR 1,647.5 million (1,605.9) at the end of June, +2.6 percent (+4.0 percent on a comparable currency basis)
- Sales EUR 772.2 million (796.4), -3.0 percent (+0.4 percent on a comparable currency basis)
- Adjusted EBITA EUR 59.8 million (51.1), 7.7 percent of sales (6.4)
- Operating profit EUR 42.0 million (30.0), 5.4 percent of sales (3.8)
- Earnings per share (diluted) EUR 0.28 (0.17)

JANUARY–JUNE HIGHLIGHTS

- Order intake EUR 1,444.0 million (1,524.7), -5.3 percent (-1.5 percent on a comparable currency basis)
- Service order intake 495.3 million (497.6), -0.5 percent (+5.9 percent on a comparable currency basis)
- Order book EUR 1,647.5 million (1,605.9) at June-end, +2.6 percent (+4.0 percent on a comparable currency basis)
- Sales EUR 1,445.0 million (1,480.5), -2.4 percent (+2.0 percent on a comparable currency basis)
- Adjusted EBITA EUR 97.1 million (82.2), 6.7 percent of sales (5.6)
- Operating profit EUR 65.8 million (256.4), 4.6 percent of sales (17.3)
- Earnings per share (diluted) EUR 0.38 (2.68)
- Free cash flow EUR -25.1 million (172.6)
- Net debt EUR 641.6 million (542.4) and gearing 52.9 percent (43.0)

DEMAND OUTLOOK

The demand situation in Europe and North America is improving within the industrial customer segments. Demand in the Asia-Pacific region continues stable. Global container throughput growth continues at a high level, and the prospects for orders related to container handling remain stable.

FINANCIAL GUIDANCE

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

Key figures

	Second quarter			First half year				
	4–6/2018	**4–6/2017**	**Change %**	**1–6/2018**	**1–6/2017**	**Change %**	**R12M**	**1–12/2017**
Orders received, MEUR	760.9	790.2	-3.7	1,444.0	1,524.7	-5.3	2,926.7	3,007.4
Order book at end of period, MEUR				1,647.5	1,605.9	2.6		1,535.8
Sales total, MEUR	772.2	796.4	-3.0	1,445.0	1480.5	-2.4	3,101.7	3,137.2
Adjusted EBITDA, MEUR [1)]	77.5	70.8	9.4	132.7	119.8	10.7	302.1	289.2
Adjusted EBITDA, % [1)]	10.0%	8.9%		9.2%	8.1%		9.7%	9.2%
Adjusted EBITA, MEUR [2)]	59.8	51.1	17.1	97.1	82.2	18.1	231.5	216.6
Adjusted EBITA, % [2)]	7.7%	6.4%		6.7%	5.6%		7.5%	6.9%
Adjusted operating profit, MEUR [1)]	50.5	41.3	22.2	78.3	62.5	25.2	193.8	178.0
Adjusted operating margin, % [1)]	6.5%	5.2%		5.4%	4.2%		6.2%	5.7%
Operating profit, MEUR	42.0	30.0	39.8	65.8	256.4	-74.3	128.1	318.7
Operating margin, %	5.4%	3.8%		4.6%	17.3%		4.1%	10.2%
Profit before taxes, MEUR	31.4	13.9	126.1	42.8	236.0	-81.8	82.8	276.0
Net profit for the period, MEUR	22.4	14.5	54.8	30.6	207.8	-85.3	48.2	225.4
Earnings per share, basic, EUR	0.28	0.17	59.6	0.38	2.68	-85.7	0.59	2.89
Earnings per share, diluted, EUR	0.28	0.17	59.6	0.38	2.68	-85.7	0.59	2.89
Interest-bearing net debt/Equity, %				52.9%	43.0%			41.1%
Net debt/Adjusted EBITDA, R12M [1)]				2.1	2.3			1.8
Return on capital employed, %							5.9%	23.7%
Adjusted return on capital employed, % [3)]							11.4%	15.4%
Free cash flow, MEUR	-22.9	84.6		-25.1	172.6		116.9	224.4
Average number of personnel during the period	-	-		16,265	14,867	9.4		15,519

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

IFRS 15 adjustments to selected key figures [4)]	**4–6/2017**	**1–6/2017**	**1–12/2017**
Sales total, MEUR	-0.8	0.3	0.7
Adjusted EBITA, MEUR	-0.1	0.3	0.4
Net profit for the period, MEUR	-0.1	0.3	0.4

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

President and CEO Panu Routila:

“We continued to make good progress in execution in the second quarter.

In Business Area Service, the year-on-year growth in order intake accelerated to 7.1 percent in comparable currencies. The growth was driven primarily by field services in EMEA and the Americas. We also made good progress in growing the value of our agreement base in Q2. On a comparable currency basis, the value increased by EUR 3.4 million from the previous quarter. I am very happy with the performance in Service so far and expect the trend to continue in the coming quarters.

When looking purely at the number of units in the agreement base, some of the progress has been offset by adjustments made in Q2, as we have harmonized our reporting practices. It is likely that we’ll see further adjustments also in the coming periods, as we continue the review of our current agreement base and the implementation of the oneKONECRANES IT infrastructure.

The solid performance is also evident in our Group adjusted EBITA margin, which improved to 7.7 percent in Q2. This is fully in line with our expectations and plans towards our post-integration EBITA-target of 11 percent for the full year 2020. Our expectation is that this journey will be a gradual evolution, rather than an avalanche of results in the immediate future.

Our run-rate synergies reached EUR 80 million in Q2. Having passed the halfway mark of our synergy savings program has further strengthened our confidence that we will reach the planned EBIT-level run-rate synergies of EUR 140 million at the end of 2019.

Business Area Industrial Equipment also had a good Q2. On a comparable currency basis, external orders grew organically by 2.4 percent in the second quarter compared to the year-ago period. Order intake growth for components accelerated in Q2, in addition to solid growth in order intake for standard cranes in EMEA. Apart from the Americas, order intake for process cranes fell year-on-year. The good order intake in Industrial Equipment was partly explained by the component price increases, which became effective from the beginning of Q3. Consequently, we expect the order intake for components to be affected in the second half, similarly to last year.

The reorganization of our manufacturing network led to limited temporary production delays in certain countries. The reasons for these delays, which now have been resolved, affected net sales and profitability in the second quarter in Business Area Industrial Equipment.

In Port Solutions, the year-on-year decline in order intake was primarily driven by Mobile Harbor Cranes due to the smaller number of orders available in the quarter. On the other hand, the value of Rubber Tyred Gantry Crane orders in Q2 more than doubled from the previous year. Overall the market sentiment for Business Area Port Solutions remains stable and at a good level.

From the net sales point of view, the first half of the year was strong in Port Solutions. The particularly good project execution for the finalized, as well as for the ongoing projects helped to boost Port Solution’s EBITA margin in Q2. However, some of this was specific to the first half of the year, and it is therefore unlikely that Port Solutions would be able to carry its current margin performance fully into the second half.

While the key macroeconomic indicators are signaling slowing growth in many economies, including Europe and the US, our own demand environment is still showing signs of improvement. This gives us confidence when entering the second half of the year. Consequently, we have today updated our demand outlook to reflect improved conditions in Europe and stabilizing conditions in APAC within the industrial customer segments. We have also reiterated our financial guidance for the full year 2018. Based on the current FX rates, we expect the headwind from foreign exchange fluctuations to ease in the second half. Assuming the FX rates would stay at their current level, the negative impact on our full year sales will be approximately 2.5 percent.”

Konecranes Plc January–June 2018 half-year financial report

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

MARKET REVIEW

Activity in the world's manufacturing sector, according to the aggregated JPMorgan Global Manufacturing Purchasing Managers' Index (PMI), continued to expand in January–June 2018, although at a slower rate compared to the end of 2017. The growth in the global manufacturing sector eased towards the end of the period as companies reported slower growth in output and new orders.

In the Eurozone, after a long period of rapid growth in economic activity, the pace of expansion weakened sequentially with each month since the start of 2018. Both the growth of production and the new order volumes eased and were at their weakest in 16 months in June. The Netherlands, Austria and Ireland were the bright spots, while the weakest growth was signaled in France. Outside the Eurozone, the UK manufacturing sector continued to expand. Lastly, the European Union manufacturing capacity utilization rate improved slightly in January–June.

In the US, after the manufacturing sector's strong growth and overall improvement in the first quarter of 2018, the growth rate softened towards the end of the second quarter. In June, both output and new orders received by manufacturers expanded at their slowest rates since November 2017. Correspondingly, the US total industrial capacity utilization rate started to decline in the second quarter.

Regarding the BRIC countries, PMIs rose in India and China but the rate of expansion remained more modest than in the US or the Eurozone. In Brazil, the PMI declined after the first quarter's strong improvement in the manufacturing sector and manufacturing production began to contract in June. In Russia, the PMI signaled deterioration in operating conditions across the manufacturing sector in the second quarter.

Following a robust expansion and the setting of a new record in February 2018, global container throughput declined in March but nearly recovered in April–May. In January–May 2018, the global container throughput increased by approximately 6 percent year-on-year.

Raw material prices, including steel and copper, were clearly above the previous year's level at June-end 2018. The average EUR/USD exchange rate was approximately 11 percent higher compared to the year-ago period.

ORDERS RECEIVED

Orders received in January–June totaled EUR 1,444.0 million (1,524.7), representing a decrease of 5.3 percent. On a comparable currency basis, order intake decreased 1.5 percent. Order intake fell 0.5 percent in Service due to an adverse impact from foreign exchange fluctuations. In comparable currencies, order intake in Service increased 5.9 percent. In Industrial Equipment, orders increased 5.4 percent, primarily driven by an increase of EUR 55.1 million in internal orders. EUR 20.8 million of the increase in internal orders was attributable to the harmonization of reporting practices following the MHPS acquisition. In Port Solutions orders fell 10.2 percent. Orders received increased in EMEA, but decreased in the Americas and in APAC.

Orders received in the second quarter totaled EUR 760.9 million (790.2), representing a decrease of 3.7 percent. On a comparable currency basis, order intake decreased 0.6 percent. In Service, orders received increased 2.2 percent on a reported basis and 7.1 percent on a comparable currency basis.

In Industrial Equipment, orders increased 9.8 percent, primarily driven by an increase in internal orders of EUR 33.2 million. EUR 7.0 million of the increase in internal orders was attributable to the harmonization of reporting practices following the MHPS acquisition. In Port Solutions, order intake decreased 11.8 percent. Orders received grew in EMEA, but were lower in the Americas and in APAC.

ORDERS RECEIVED AND NET SALES, MEUR

	4–6/ 2018	4–6/ 2017	Change percent	Change % at comparable currency rates	1–6/ 2018	1–6/ 2017	Change percent	Change % at comparable currency rates	1–12/2017
Orders received, MEUR	760.9	790.2	-3.7	-0.6	1,444.0	1,524.7	-5.3	-1.5	3,007.4
Net sales, MEUR	772.2	796.4	-3.0	0.4	1,445.0	1,480.5	-2.4	2.0	3,137.2

ORDER BOOK

The value of the order book at the end of June totaled EUR 1,647.5 million (1,605.9), which was 2.6 percent higher than the previous year. On a comparable currency basis, the order book increased 4.0 percent. Order book increased 9.3 percent in Service, 1.7 percent in Port Solutions and 1.4 percent in Industrial Equipment.

SALES

Group sales in January–June totaled EUR 1,445.0 million (1,480.5), representing a decrease of 2.4 percent. On a comparable currency basis, sales increased 2.0 percent. Sales decreased 4.2 percent in Service and 2.1 percent in Industrial Equipment. In January–June, the harmonization of reporting practices following the MHPS acquisition had a positive impact of EUR 21.7 million on sales in Industrial Equipment. In Port Solutions, sales increased by 6.0 percent.

At end-June, the regional breakdown, calculated on a rolling 12-month basis, was as follows: EMEA 54 (47), Americas 31 (36), and APAC 16 (16) percent.

In the second quarter, Group sales decreased 3.0 percent to EUR 772.2 million (796.4). On a comparable currency basis, sales increased 0.4 percent. Sales increased 2.6 percent in Port Solutions, but fell 1.8 percent in Service and 3.5 percent in Industrial Equipment, due to a negative impact from foreign exchange fluctuations. In the second quarter, the harmonization of reporting practices following the MHPS acquisition had a positive impact of EUR 10.5 million on sales in Industrial Equipment.

FINANCIAL RESULT

In January–June, the Group adjusted EBITA increased by EUR 14.9 million to EUR 97.1 million (82.2). The adjusted EBITA margin improved to 6.7 percent (5.6). The adjusted EBITA margin in Service improved to 13.6 percent (12.8), in Industrial Equipment to 2.5 percent (1.1) and in Port Solutions to 5.7 (3.7). The improvement in the Group adjusted EBITA was mainly attributable to synergy cost savings.

The consolidated adjusted operating profit increased by EUR 15.8 million to EUR 78.3 million (62.5). The adjusted operating margin improved to 5.4 percent (4.2).

The consolidated operating profit in January–June totaled EUR 65.8 million (256.4). The operating profit includes adjustments of EUR 12.5 million (-193.9), which is comprised entirely of restructuring costs. The previous year's adjustments included a capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems, transaction costs of EUR 4.2 million related to the MHPS acquisition and the cost of EUR 3.7 million related to the MHPS purchase price allocated to inventories. The operating margin in Service rose to 11.9 percent (10.9), in Industrial Equipment to 0.7 percent (-1.2) and in Port Solutions to 4.6 percent (2.1).

In January–June, depreciation and impairments totaled EUR 54.4 million (59.7). In the comparison period, this included restructuring related impairments of EUR 2.4 million. The amortization arising from the purchase price allocations for acquisitions represented EUR 18.8 million (19.6) of the depreciation and impairments.

In January–June, the share of the result in associated companies and joint ventures was EUR -1.4 million (-0.2).

In January–June, financial income and expenses totaled EUR -21.5 million (-20.1). Net interest expenses accounted for EUR 8.6 million (18.6) of the sum and the remainder was mainly attributable to unrealized exchange rate differences related to the hedging of future cash flows, which are not included in the hedge accounting.

January–June profit before taxes was EUR 42.8 million (236.0).

Income taxes in January–June were EUR -12.2 million (-28.3). The Group's effective tax rate was 28.5 percent (12.0).

January–June net profit was EUR 30.6 million (207.8).

In January–June, the basic earnings per share were EUR 0.38 (2.68) and the diluted earnings per share were EUR 0.38 (2.68).

On a rolling 12-month basis, the return on capital employed was 5.9 percent (23.3) and the return on equity 3.9 percent (28.2). The adjusted return on capital employed was 11.4 percent (12.7).

In the second quarter, the consolidated adjusted EBITA increased by EUR 8.7 million to EUR 59.8 million (51.1). The adjusted EBITA margin improved to 7.7 percent (6.4). The adjusted EBITA margin in Service improved to 14.5 percent (13.8), in Industrial Equipment to 2.3 percent (2.1) and in Port Solutions to 7.9 (5.4). The Group adjusted EBITA margin improved, primarily due to synergy cost-saving measures, as well as successful delivery execution in Port Solutions. Gross margin improved on a year-on-year basis.

BALANCE SHEET

As of June-end, the consolidated balance sheet amounted to EUR 3,515.8 million (3,593.3). The total equity at the end of the reporting period was EUR 1,213.5 million (1,260.8). On June 30, the total equity attributable to the equity holders of the parent company was EUR 1,190.6 million (1,238.4) or EUR 15.11 per share (15.79).

Net working capital at the end of June 2018 totaled EUR 405.9 million (305.4). Sequentially, net working capital increased by EUR 145.6 million. At the end of March 2018, net working capital included EUR 94.6 million of dividend payable which was paid out in Q2. Also, the timing of projects in Port Solutions increased net working capital.

CASH FLOW AND FINANCING

Net cash from operating activities in January–June was EUR -9.1 million (185.7). Cash flow before financing activities was EUR -24.0 million (-327.0). This included divestments of EUR 1.1 million (222.5) and capital expenditures of EUR -18.1 million (-14.3). The previous year's net cash from operating activities included acquisitions of EUR -722.0 million.

At the end of June 2018, interest-bearing net debt was EUR 641.6 million (542.4). The equity to assets ratio was 38.1 percent (39.4) and the gearing 52.9 percent (43.0).

At the end of the second quarter, cash and cash equivalents amounted to EUR 195.1 million (197.9). None of the Group's committed EUR 400 million back-up financing facility was in use at the end of the period.

CAPITAL EXPENDITURE

Capital expenditure in January–June, excluding acquisitions and joint arrangements, amounted to EUR 19.2 million (21.2). This amount consisted mainly of investments in machinery and equipment, property and information technology.

ACQUISITIONS AND DIVESTMENTS

In January–June, the capital expenditure for acquisitions and joint arrangements was EUR 0.0 million (1,472.3).

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

PERSONNEL

In January–June, the Group had an average of 16,265 employees (14,867). On June 30, the number of personnel was 16,240 (16,754). During January–June, the Group's personnel decreased by 131 people net.

At the end of June, the number of personnel by Business Area was as follows: Service 7,252 employees (7,311), Industrial Equipment 5,829 employees (6,132), Port Solutions 3,069 employees (3,248) and Group staff 90 (63). The increase in Group staff was primarily due to a change in allocations from the beginning of 2018, where 20 employees were allocated to Group staff instead of Business Areas.

The Group had 9,902 employees (10,069) working in EMEA, 3,139 (3,294) in the Americas and 3,199 (3,391) in APAC region.

BUSINESS AREAS

SERVICE

	4–6/ 2018	4–6/ 2017	Change percent	Change % at comparable currency rates	1–6/ 2018	1–6/ 2017	Change percent	Change % at comparable currency rates	1–12/2017
Orders received, MEUR	256.8	251.4	2.2	7.1	495.3	497.6	-0.5	5.9	966.3
Order book, MEUR	237.8	217.6	9.3	12.0	237.8	217.6	9.3	12.0	196.0
Agreement base value, MEUR	240.1	243.0	-1.2	1.1	240.1	243.0	-1.2	1.1	231.4
Net sales, MEUR	293.3	298.7	-1.8	2.9	559.7	584.2	-4.2	1.9	1,179.5
Adjusted EBITA, MEUR [1)]	42.4	41.2	3.1		76.3	74.6	2.2		161.3
Adjusted EBITA, % [1)]	14.5%	13.8%			13.6%	12.8%			13.7%
Purchase price allocation amortization, MEUR	-3.1	-3.3	-4.7		-6.3	-6.6	-4.2		-12.9
Adjustments,MEUR	-1.5	-2.4	-36.8		-3.1	-4.6	-32.6		-8.7
Operating profit (EBIT), MEUR	37.8	35.5	6.5		66.8	63.4	5.4		139.7
Operating profit (EBIT), %	12.9%	11.9%			11.9%	10.9%			11.8%
Personnel at the end of period	7,252	7,311	-0.8		7,252	7,311	-0.8		7,206

[1)] Excluding adjustments and purchase price allocation amortization

In Service, January–June orders received totaled EUR 495.3 million (497.6), corresponding to a decrease of 0.5 percent. On a comparable currency basis, orders received increased 5.9 percent.

The order book increased 9.3 percent to EUR 237.8 million (217.6). On a comparable currency basis, the order book increased 12.0 percent.

Sales decreased 4.2 percent to EUR 559.7 million (584.2), primarily due to an adverse impact from foreign exchange fluctuations. On a comparable currency basis, sales increased 1.9 percent. Sales of parts outperformed field service sales. Reported sales increased in EMEA and APAC but fell in the Americas.

The adjusted EBITA was EUR 76.3 million (74.6) and the adjusted EBITA margin was 13.6 percent (12.8). The improvement in the adjusted EBITA margin was mainly attributable to synergy cost savings, along with a more favorable sales mix and volume growth. The operating profit was EUR 66.8 million (63.4) and the operating margin 11.9 percent (10.9).

The total number of equipment included in the maintenance agreement base increased 0.5 percent to 618,761 (615,432) at the end of June. Year-on-year, the annual value of the agreement base decreased 1.2 percent to EUR 240.1 million (243.0) due to an adverse impact from foreign currency fluctuations. On a comparable currency basis, the annual value of the agreement base increased 1.1 percent. Sequentially, the annual value of the agreement base increased by 2.9 percent on a reported basis and 1.4 percent on a comparable currency basis.

The second-quarter orders received increased 2.2 percent to EUR 256.8 million (251.4). On a comparable currency basis, the orders received increased 7.1 percent, due to order growth in several service product categories. Reported order intake increased in EMEA but decreased in APAC and in the Americas. In the Americas the decrease in order intake was due to the negative impact from foreign exchange fluctuations.

Sales in the second-quarter by 1.8 percent to EUR 293.3 million (298.7). On a comparable currency basis, sales increased 2.9 percent. Reported sales increased in EMEA and APAC but fell in the Americas. In the Americas the decrease in sales was due to the negative impact from foreign exchange fluctuations. Field service sales growth outperformed the growth in the sales of parts.

The second-quarter adjusted EBITA was EUR 42.4 million (41.2) and the adjusted EBITA margin 14.5 percent (13.8). The adjusted EBITA improved thanks to the volume growth and synergy cost savings.

INDUSTRIAL EQUIPMENT

	4–6/ 2018	4–6/ 2017	Change percent	Change % at comparable currency rates	1–6/ 2018	1–6/ 2017	Change percent	Change % at comparable currency rates	1–12/2017
Orders received, MEUR	338.6	308.5	9.8	13.5	610.2	579.2	5.4	9.6	1,127.3
Order book, MEUR	579.0	571.2	1.4	3.5	579.0	571.2	1.4	3.5	526.9
Net sales, MEUR	285.0	295.4	-3.5	0.0	533.6	545.1	-2.1	2.3	1,118.2
Adjusted EBITA, MEUR [1)]	6.5	6.2	5.3		13.2	5.7	129.2		34.6
Adjusted EBITA, % [1)]	2.3%	2.1%			2.5%	1.1%			3.1%
Purchase price allocation amortization, MEUR	-3.6	-3.7	-2.8		-7.3	-7.5	-3.2		-14.7
Adjustments,MEUR	-2.0	-4.3	-54.0		-2.3	-4.7	-51.1		-23.8
Operating profit (EBIT), MEUR	0.9	-1.9	148.0		3.6	-6.5	155.5		-4.0
Operating profit (EBIT), %	0.3%	-0.6%			0.7%	-1.2%			-0.4%
Personnel at the end of period	5,829	6,132	-4.9		5,829	6,132	-4.9		6,024

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

In Industrial Equipment, January–June orders received totaled EUR 610.2 million (579.2), corresponding to an increase of 5.4 percent. On a comparable currency basis, orders received increased 9.6 percent. The increase in order intake was primarily driven by an increase in internal orders of EUR 55.1 million. EUR 20.8 million of the increase in internal orders was attributable to the harmonization of reporting practices following the MHPS acquisition. On a comparable currency basis, external orders decreased 0.5 percent.

The order book increased 1.4 percent to EUR 579.0 million (571.2). On a comparable currency basis, the order book increased 3.5 percent.

Sales decreased 2.1 percent to EUR 533.6 million (545.1). On a comparable currency basis, sales increased 2.3 percent. Internal sales increased by EUR 21.8 million, which was almost entirely attributable to the harmonization of reporting practices following the MHPS acquisition.

The adjusted EBITA was EUR 13.2 million (5.7) and the adjusted EBITA margin 2.5 percent (1.1). The improvement in the adjusted EBITA margin was mainly attributable to synergy cost savings. Operating profit was EUR 3.6 million (-6.5) and operating margin 0.7 percent (-1.2).

In the second quarter, orders received totaled EUR 338.6 million (308.5), corresponding to an increase of 9.8 percent. On a comparable currency basis, orders received increased 13.5 percent. The increase in order intake was primarily driven by an increase in internal orders of EUR 33.2 million. EUR 7.0 million of the increase in internal orders was attributable to the harmonization of reporting practices following the MHPS acquisition. On a comparable currency basis, external orders increased 2.4 percent. Order intake for components grew both year-on-year and sequentially, partly driven by the price increases which became effective in the beginning of Q3. Order intake for industrial cranes decreased slightly. Standard crane orders increased in EMEA but decreased in the Americas and APAC. Process crane orders increased in the Americas but decreased in EMEA and APAC.

Sales decreased 3.5 percent to EUR 285.0 million (295.4). On a comparable currency basis, sales were approximately flat. Harmonization of reporting practices following the MHPS acquisition had a positive impact of EUR 10.5 million on sales in Industrial Equipment in Q2.

The second-quarter adjusted EBITA was EUR 6.5 million (6.2) and the adjusted EBITA margin 2.3 percent (2.1). The improvement in adjusted EBITA margin was mainly related to synergy cost-saving measures.

PORT SOLUTIONS

	4–6/ 2018	4–6/ 2017	Change percent	Change % at comparable currency rates	1–6/ 2018	1–6/ 2017	Change percent	Change % at comparable currency rates	1–12/2017
Orders received, MEUR	230.7	261.6	-11.8	-10.4	456.9	508.7	-10.2	-8.7	1,056.2
Order book, MEUR	830.7	817.2	1.7	2.3	830.7	817.2	1.7	2.3	812.9
Net sales, MEUR	243.7	237.6	2.6	4.4	444.2	419.0	6.0	8.2	975.7
of which service, MEUR	46.5	41.1	13.2	16.0	87.3	80.3	8.8	12.8	161.3
Adjusted EBITA, MEUR [1)]	19.3	12.9	50.1		25.5	15.5	64.8		44.8
Adjusted EBITA, % [1)]	7.9%	5.4%			5.7%	3.7%			4.6%
Purchase price allocation amortization, MEUR	-2.6	-2.8	-6.1		-5.2	-5.5	-6.0		-10.9
Adjustments,MEUR	0.4	-0.4			0.0	-1.3			-22.2
Operating profit (EBIT), MEUR	17.1	9.7	75.9		20.2	8.6	135.5		11.7
Operating profit (EBIT), %	7.0%	4.1%			4.6%	2.1%			1.2%
Personnel at the end of period	3,069	3,248	-5.5		3,069	3,248	-5.5		3,067

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

In Port Solutions, January–June orders received totaled EUR 456.9 million (508.7), corresponding to a decrease of 10.2 percent. On a comparable currency basis, orders received decreased by 8.7 percent.

The order book increased 1.7 percent to EUR 830.7 million (817.2). On a comparable currency basis, the order book increased 2.3 percent.

Sales increased 6.0 percent to EUR 444.2 million (419.0). On a comparable currency basis, sales increased 8.2 percent.

The adjusted EBITA was EUR 25.5 million (15.5) and the adjusted EBITA margin 5.7 percent (3.7). Operating profit was EUR 20.2 million (8.6) and the operating margin 4.6 percent (2.1).

The second-quarter orders received totaled EUR 230.7 million (261.6), representing a decrease of 11.8 percent mainly due to the decline in Mobile Harbor Cranes, partly offset by a good order intake for Rubber Tyred Gantry Cranes. Good order intake momentum continued also for Lift Trucks and Port Solutions Service. On a comparable currency basis, orders received decreased 10.4 percent in Q2. Orders grew in the Americas and EMEA but fell in APAC.

Sales increased 2.6 percent to EUR 243.7 million (237.6). On a comparable currency basis, sales increased 4.4 percent.

The second-quarter adjusted EBITA was EUR 19.3 million (12.9) and the adjusted EBITA margin 7.9 percent (5.4). Gross margin increased on a year-on-year basis. The increase in profitability resulted primarily from both a good project mix and good project execution for both finalized and ongoing projects.

Group overheads

In January–June, the result effect of adjusted unallocated Group overhead costs and eliminations was EUR -17.9 million (-13.6), representing -1.2 percent of sales (-0.9). The increase was primarily due to the alignment of accounting practices following the MHPS acquisition, along with a change in allocations from the beginning of 2018, where approximately EUR 4 million of cost on an annual basis is reclassified as unallocated Group overheads instead of Business Areas.

In January–June, the result effect of unallocated Group overhead costs and eliminations was EUR -24.9 million (190.9), representing -1.7 percent of sales (12.9). These included restructuring costs of EUR 7.0 million (9.7). The previous year's unallocated Group overhead costs and eliminations included also a capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems, and transaction costs of EUR 4.2 million related to the MHPS acquisition.

In the second quarter, the result effect of adjusted unallocated Group overhead costs and eliminations was EUR -8.5 million (-9.1), representing -1.1 percent of sales (-1.1).

In the second quarter, the result effect of unallocated Group overhead costs and eliminations was EUR -13.8 million (-13.3), representing -1.8 percent of sales (-1.7). These included restructuring costs of EUR 5.4 million (4.2).

ADMINISTRATION

Decisions of the Annual General Meeting

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, 2018.

Changes in the Group Executive Board

On April 13, 2018, Konecranes announced that Susanna Schneeberger, Executive Vice President and Head of Strategy, would leave Konecranes to pursue career opportunities outside the company. She continued to work for Konecranes until June 30, 2018.

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

As of September 1, 2018, the Group Executive Board will consist of the following members:

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

SHARE CAPITAL AND SHARES

On June 30, 2018 the company's registered share capital totaled EUR 30.1 million. On June 30, 2018, the number of shares including treasury shares totaled 78,921,906.

TREASURY SHARES

On June 30, 2018, Konecranes Plc was in possession of 98,403 treasury shares, which corresponds to 0.1 percent of the total number of shares and which had on that date a market value of EUR 3.5 million.

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

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

PERFORMANCE SHARE PLAN CRITERION 2018–2020

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

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

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

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

MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for the Konecranes shares on the Nasdaq Helsinki on June 29, 2018 was EUR 35.34. The volume-weighted average share price in January–June 2018 was EUR 36.63, the highest price being EUR 42.43 in January and the lowest EUR 33.07 in April. In January–June, the trading volume on the Nasdaq Helsinki totaled 30.8 million, corresponding to a turnover of approximately EUR 1,127.8 million. The average daily trading volume was 248,216 shares representing an average daily turnover of EUR 9.1 million.

In addition, according to Fidessa, approximately 55.1 million shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in January–June 2018.

On June 30, 2018, the total market capitalization of Konecranes Plc was EUR 2,789.1 million including treasury shares. The market capitalization was EUR 2,785.6 million excluding treasury shares.

NOTIFICATIONS OF MAJOR SHAREHOLDINGS

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

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

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

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

The Group's other risks are presented in the Annual Report.

DEMAND OUTLOOK

The demand situation in Europe and North America is improving within the industrial customer segments. Demand in the Asia-Pacific region continues stable. Global container throughput growth continues at a high level, and the prospects for orders related to container handling remain stable.

FINANCIAL GUIDANCE

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

Espoo, July 25, 2018
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	4–6/ 2018	4–6/ 2017	Change percent	1–6/ 2018	1–6/ 2017	Change percent	1–12/ 2017
Sales	7	**772.2**	**796.4**	**-3.0**	**1,445.0**	**1,480.5**	**-2.4**	**3,137.2**
Other operating income [1]		2.0	1.5		3.2	221.9		227.2
Materials, supplies and subcontracting		-325.5	-343.6		-587.9	-616.8		-1,409.5
Personnel cost		-257.0	-263.6		-504.7	-517.9		-1,004.2
Depreciation and impairments	8	-27.1	-31.4		-54.4	-59.7		-117.0
Other operating expenses [2]		-122.7	-129.2		-235.4	-251.6		-515.0
Operating profit		**42.0**	**30.0**	**39.8**	**65.8**	**256.4**	**-74.3**	**318.7**
Share of associates' and joint ventures' result		-0.8	0.4		-1.4	-0.2		3.3
Financial income [3]		0.2	7.7		0.8	27.0		39.8
Financial expenses		-10.0	-24.2		-22.3	-47.2		-85.8
Profit before taxes		**31.4**	**13.9**	**126.1**	**42.8**	**236.0**	**-81.8**	**276.0**
Taxes	10	-9.0	0.6		-12.2	-28.3		-50.6
PROFIT FOR THE PERIOD		**22.4**	**14.5**	**54.8**	**30.6**	**207.8**	**-85.3**	**225.4**
Profit for the period attributable to:								
Shareholders of the parent company		21.9	15.0		30.3	208.9		226.1
Non-controlling interest		0.5	-0.5		0.3	-1.2		-0.7
Earnings per share, basic (EUR)		0.28	0.17	59.6	0.38	2.68	-85.7	2.89
Earnings per share, diluted (EUR)		0.28	0.17	59.6	0.38	2.68	-85.7	2.89

[1] Other operating income 1–6/2017 includes a gain on disposal of EUR 218.4 million of STAHL CraneSystems.
[2] Other operating expenses for 1–6/2017 include transaction costs related to terminated merger plan with Terex and the acquisition of Terex MHPS up to EUR 4.2 million and for 1–12/2017 EUR 4.9 million.
[3] Financial income for 1–6/2017 includes gains of EUR 9.4 million which are mostly related to the purchase price adjustments of the MHPS acquisition and for 1–12/2017 EUR 7.8 million.

Consolidated statement of other comprehensive income

EUR million	4–6/ 2018	4–6/ 2017		1–6/ 2018	1–6/ 2017		1–12/ 2017
Profit for the period	**22.4**	**14.5**		**30.6**	**207.8**		**225.4**
Items that can be reclassified into profit or loss							
Cash flow hedges	-10.2	10.5		-8.4	-8.7		-5.3
Exchange differences on translating foreign operations	-1.1	-14.0		-2.7	-14.4		-19.2
Income tax relating to items that can be reclassified into profit or loss	2.0	-2.1		1.7	1.7		1.1
Items that cannot be reclassified into profit or loss							
Re-measurement gains (losses) on defined benefit plans	0.0	0.0		0.0	0.0		-1.1
Income tax relating to items that cannot be reclassified into profit or loss	0.0	0.0		0.0	0.0		0.7
Other comprehensive income for the period, net of tax	**-9.2**	**-5.6**		**-9.3**	**-21.3**		**-24.0**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**13.1**	**8.8**		**21.3**	**186.5**		**201.4**
Total comprehensive income attributable to:							
Shareholders of the parent company	12.3	10.9		21.0	188.7		203.1
Non-controlling interest	0.9	-2.1		0.3	-2.2		-1.7

Consolidated balance sheet

EUR million

ASSETS	Note	30.6.2018	30.6.2017	31.12.2017
Non-current assets				
Goodwill		905.2	918.4	905.3
Intangible assets		606.7	649.3	633.3
Property, plant and equipment		258.5	278.2	270.4
Advance payments and construction in progress		10.5	11.8	11.5
Investments accounted for using the equity method		66.9	70.2	69.8
Other non-current assets		0.8	1.0	1.0
Deferred tax assets		129.8	118.3	118.4
Total non-current assets		**1,978.6**	**2,047.0**	**2,009.7**
Current assets				
Inventories				
Raw material and semi-manufactured goods		270.5	266.4	240.8
Work in progress		360.7	332.4	284.1
Advance payments		23.0	19.2	20.6
Total inventories		654.2	618.0	545.5
Accounts receivable		486.5	492.7	537.8
Other receivables		34.7	39.5	43.3
Loans receivable		0.3	6.3	0.2
Income tax receivables		19.4	24.8	20.9
Receivable arising from percentage of completion method	7	84.8	84.8	78.7
Other financial assets		10.9	33.0	37.7
Deferred assets		51.4	49.3	56.2
Cash and cash equivalents		195.1	197.9	233.1
Total current assets		**1,537.2**	**1,546.3**	**1,553.2**
TOTAL ASSETS		**3,515.8**	**3,593.3**	**3,562.9**

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	Note	30.6.2018	30.6.2017	31.12.2017
Equity attributable to equity holders of the parent company				
Share capital		30.1	30.1	30.1
Share premium		39.3	39.3	39.3
Paid in capital		752.7	752.7	752.7
Fair value reserves	14	4.1	8.1	10.8
Translation difference		-0.1	7.5	2.6
Other reserve		45.4	33.2	36.6
Retained earnings		288.9	158.6	158.2
Net profit for the period		30.3	208.9	226.1
Total equity attributable to equity holders of the parent company		**1,190.6**	**1,238.4**	**1,256.4**
Non-controlling interest		22.8	22.5	22.5
Total equity		**1,213.5**	**1,260.8**	**1,278.9**
Liabilities				
Non-current liabilities				
Interest-bearing liabilities	13	591.6	647.5	600.8
Other long-term liabilities		271.5	287.0	278.7
Provisions		22.2	18.0	23.0
Deferred tax liabilities		147.0	166.2	150.1
Total non-current liabilities		**1,032.3**	**1,118.6**	**1,052.6**
Current liabilities				
Interest-bearing liabilities	13	245.3	99.4	157.9
Advance payments received	7	329.8	389.9	299.8
Progress billings		0.3	1.1	0.9
Accounts payable		178.3	185.2	201.2
Provisions		107.8	105.4	129.3
Other short-term liabilities (non-interest bearing)		48.1	48.0	49.8
Other financial liabilities		16.5	5.7	6.8
Income tax liabilities		18.5	41.1	57.0
Accrued costs related to delivered goods and services		168.6	167.6	177.1
Accruals		156.8	170.5	151.6
Total current liabilities		**1,270.0**	**1,213.8**	**1,231.4**
Total liabilities		**2,302.3**	**2,332.4**	**2,284.0**
TOTAL EQUITY AND LIABILITIES		**3,515.8**	**3,593.3**	**3,562.9**

Consolidated statement of changes in equity

EUR million	Equity attributable to equity holders of the parent company: Share capital	Share premium	Paid in capital	Cash flow hedges	Translation difference
Balance at 1 January, 2018	**30.1**	**39.3**	**752.7**	**10.8**	**2.6**
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-6.7	-2.6
Total comprehensive income				-6.7	-2.6
Balance at 30 June, 2018	**30.1**	**39.3**	**752.7**	**4.1**	**-0.1**
Balance at 1 January, 2017	**30.1**	**39.3**	**66.5**	**15.0**	**20.8**
Share issue			686.2		
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-6.9	-13.4
Total comprehensive income				-6.9	-13.4
Balance at 30 June, 2017	**30.1**	**39.3**	**752.7**	**8.1**	**7.4**

EUR million	Equity attributable to equity holders of the parent company: Other Reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January, 2018	**36.6**	**384.3**	**1,256.4**	**22.5**	**1,278.9**
Change in accounting principles (IFRS 9)		-0.8	-0.8		**-0.8**
Change in accounting principles (IFRS 2)	1.5	0.0	1.5		**1.5**
Balance at 1 January, 2018, restated	**38.1**	**383.4**	**1,257.0**	**22.5**	**1,279.6**
Dividends paid to equity holders		-94.6	-94.6	0.0	**-94.6**
Equity-settled share based payments	7.2	0.0	7.2		**7.2**
Profit for the period		30.3	30.3	0.3	**30.6**
Other comprehensive income		0.0	-9.3	0.0	**-9.3**
Total comprehensive income	0.0	30.3	21.0	0.3	**21.3**
Balance at 30 June, 2018	**45.4**	**319.1**	**1,190.6**	**22.8**	**1,213.5**
Balance at 1 January, 2017	**31.7**	**242.0**	**445.4**	**0.1**	**445.5**
Change in accounting principles (IFRS 15)		-1.1	-1.1		**-1.1**
Balance at 1 January, 2017, restated	**31.7**	**240.9**	**444.3**	**0.1**	**444.4**
Share issue		0.0	686.2		**686.2**
Dividends paid to equity holders		-82.3	-82.3		**-82.3**
Equity-settled share based payments	1.5	0.0	1.5		**1.5**
Acquisitions		0.0	0.0	24.6	**24.6**
Profit for the period		208.9	208.9	-1.2	**207.8**
Other comprehensive income		0.0	-20.3	-1.0	**-21.3**
Total comprehensive income	0.0	209.0	188.7	-2.2	**186.5**
Balance at 30 June, 2017	**33.2**	**367.5**	**1,238.3**	**22.5**	**1,260.8**

Consolidated cash flow statement

EUR million	1–6/2018	1–6/2017	1–12/2017
Cash flow from operating activities			
Profit for the period	30.6	207.8	225.4
Adjustments to net income			
Taxes	12.2	28.3	50.6
Financial income and expenses	21.5	20.2	46.0
Share of associates' and joint ventures' result	1.4	0.2	-3.3
Dividend income	0.0	0.0	0.0
Depreciation and impairments	54.4	59.7	117.0
Profits and losses on sale of fixed assets and businesses	2.4	-217.9	-217.5
Other adjustments	1.0	5.7	0.7
Operating income before change in net working capital	**123.7**	**103.9**	**218.9**
Change in interest-free current receivables	82.5	63.3	13.0
Change in inventories	-109.7	-64.8	-1.9
Change in interest-free current liabilities	-48.1	143.0	105.0
Change in net working capital	**-75.3**	**141.5**	**116.2**
Cash flow from operations before financing items and taxes	**48.4**	**245.4**	**335.0**
Interest received	7.1	7.4	14.6
Interest paid	-18.5	-23.9	-43.4
Other financial income and expenses	15.0	-15.2	-18.7
Income taxes paid	-61.1	-28.0	-38.2
Financing items and taxes	**-57.5**	**-59.7**	**-85.6**
NET CASH FROM OPERATING ACTIVITIES	**-9.1**	**185.7**	**249.4**
Cash flow from investing activities			
Acquisition of Group companies, net of cash	0.0	-722.0	-733.2
Divestment of Businesses, net of cash	1.1	222.5	213.4
Proceeds from disposal of associated company	0.0	0.0	2.8
Capital expenditures	-18.1	-14.3	-28.7
Proceeds from sale of property, plant and equipment	2.1	1.2	3.7
NET CASH USED IN INVESTING ACTIVITIES	**-15.0**	**-512.6**	**-542.0**
Cash flow before financing activities	**-24.0**	**-327.0**	**-292.6**
Cash flow from financing activities			
Proceeds from non-current borrowings	0.0	1,302.0	1,602.0
Repayments of non-current borrowings	-7.3	-702.9	-1,050.0
Proceeds from (+), payments of (-) current borrowings	88.1	-178.7	-140.7
Change in loans receivable	0.0	-2.2	11.6
Dividends paid to equity holders of the parent	-94.6	-82.3	-82.3
Dividends paid to non-controlling interests	0.0	0.0	-0.5
NET CASH USED IN FINANCING ACTIVITIES	**-13.7**	**335.9**	**340.0**
Translation differences in cash	-0.2	-5.1	-8.6
CHANGE OF CASH AND CASH EQUIVALENTS	**-38.0**	**3.8**	**38.9**
Cash and cash equivalents at beginning of period	233.1	194.1	194.1
Cash and cash equivalents at end of period	195.1	197.9	233.1
CHANGE OF CASH AND CASH EQUIVALENTS	**-38.0**	**3.8**	**38.9**

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

FREE CASH FLOW (alternative performance measure)

EUR million	1–6/2018	1–6/2017	1–12/2017
Net cash from operating activities	-9.1	185.7	249.4
Capital expenditures	-18.1	-14.3	-28.7
Proceeds from sale of property, plant and equipment	2.1	1.2	3.7
Free cash flow	**-25.1**	**172.6**	**224.4**

Notes

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of Konecranes Plc for six months ending 30.6.2018 and 30.6.2017 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). As such, they do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2017. 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, 2017. From January 1, 2018 onwards Konecranes applies also new and changed IFRS standards: IFRS15, IFRS9 and IFRS2 as described below.

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

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

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

Notes

IFRS 15 adjustments to selected key figures per quarters

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

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

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

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

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

5. DISPOSALS

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

Notes

6. SEGMENT INFORMATION

6.1. Operating segments

EUR million

Orders received by Business Area	1–6/2018	% of total	1–6/2017	% of total	1–12/2017	% of total
Service [1]	495.3	32	497.6	31	966.3	31
Industrial Equipment	610.2	39	579.2	37	1,127.3	36
Port Solutions [1]	456.9	29	508.7	32	1,056.2	34
./. Internal	-118.4		-60.8		-142.4	
Total	**1,444.0**	**100**	**1,524.7**	**100**	**3,007.4**	**100**

[1] *Excl. Service Agreement Base*

Order book total [2]	30.6.2018	% of total	30.6.2017	% of total	31.12.2017	% of total
Service	237.8	14	217.6	14	196.0	13
Industrial Equipment	579.0	35	571.2	36	526.9	34
Port Solutions	830.7	50	817.2	51	812.9	53
Total	**1,647.5**	**100**	**1,605.9**	**100**	**1,535.8**	**100**

[2] *Percentage of completion deducted*

Sales by Business Area	1–6/2018	% of total	1–6/2017	% of total	1–12/2017	% of total
Service	559.7	36	584.2	38	1,179.5	36
Industrial Equipment	533.6	35	545.1	35	1,118.2	34
Port Solutions	444.2	29	419.0	27	975.7	30
./. Internal	-92.6		-67.8		-136.2	
Total	**1,445.0**	**100**	**1,480.5**	**100**	**3,137.2**	**100**

Adjusted EBITA by Business Area	1–6/2018 MEUR	EBITA %	1–6/2017 MEUR	EBITA %	1–12/2017 MEUR	EBITA %
Service	76.3	13.6	74.6	12.8	161.3	13.7
Industrial Equipment	13.2	2.5	5.7	1.1	34.6	3.1
Port Solutions	25.5	5.7	15.5	3.7	44.8	4.6
Group costs and eliminations	-17.9		-13.6		-24.0	
Total	**97.1**	**6.7**	**82.2**	**5.6**	**216.6**	**6.9**

Operating profit (EBIT) by Business Area	1–6/2018 MEUR	EBIT %	1–6/2017 MEUR	EBIT %	1–12/2017 MEUR	EBIT %
Service	66.8	11.9	63.4	10.9	139.7	11.8
Industrial Equipment	3.6	0.7	-6.5	-1.2	-4.0	-0.4
Port Solutions	20.2	4.6	8.6	2.1	11.7	1.2
Group costs and eliminations	-24.9		190.9		171.3	
Total	**65.8**	**4.6**	**256.4**	**17.3**	**318.7**	**10.2**

Notes

Business segment assets	**30.6.2018** MEUR	**30.6.2017** MEUR	**31.12.2017** MEUR
Service	1,265.8	1,290.4	1,287.1
Industrial Equipment	876.9	933.8	880.4
Port Solutions	879.3	866.4	840.6
Unallocated items	493.8	502.7	554.7
Total	**3,515.8**	**3,593.3**	**3,562.9**

Business segment liabilities	**30.6.2018** MEUR	**30.6.2017** MEUR	**31.12.2017** MEUR
Service	195.4	197.9	204.5
Industrial Equipment	345.1	373.5	336.5
Port Solutions	384.3	459.9	398.1
Unallocated items	1,377.5	1,300.4	1,344.9
Total	**2,302.3**	**2,331.8**	**2,284.0**

Personnel by Business Area (at the end of the period)	**30.6.2018**	% of total	**30.6.2017**	% of total	**31.12.2017**	% of total
Service	7,252	45	7,311	44	7,206	44
Industrial Equipment	5,829	36	6,132	37	6,024	37
Port Solutions	3,069	19	3,248	19	3,067	19
Group staff	90	1	63	0	74	0
Total	**16,240**	**100**	**16,754**	**100**	**16,371**	**100**

Notes

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

[1)] *Excl. Service Agreement Base*

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

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

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

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

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

Notes

6.2. Geographical areas

EUR million

Sales by market	**1–6/2018**	% of total	**1–6/2017**	% of total	**1–12/2017**	% of total
Europe-Middle East-Africa (EMEA)	750.9	52	724.9	49	1,633.7	52
Americas (AME)	475.7	33	496.8	34	980.9	31
Asia-Pacific (APAC)	218.4	15	258.8	17	522.7	17
Total	**1,445.0**	**100**	**1,480.5**	**100**	**3,137.2**	**100**

Personnel by region (at the end of the period)	**30.6.2018**	% of total	**30.6.2017**	% of total	**31.12.2017**	% of total
Europe-Middle East-Africa (EMEA)	9,902	61	10,069	60	9,920	61
Americas (AME)	3,139	19	3,294	20	3,205	20
Asia-Pacific (APAC)	3,199	20	3,391	20	3,246	20
Total	**16,240**	**100**	**16,754**	**100**	**16,371**	**100**

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

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

Notes

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

EUR million	30.6.2018	30.6.2017	31.12.2017
The cumulative revenues of non-delivered projects	387.4	311.0	389.6
Advances received netted	301.8	226.2	310.9
Progress billings netted	0.8	0.0	0.0
Contract assets	**84.8**	**84.8**	**78.7**
Gross advance received from percentage of completion method	343.1	331.7	395.9
Advances received netted	301.8	226.2	310.9
Contract liabilities	**41.4**	**105.5**	**85.0**

Net sales recognized under the percentage of completion method amounted EUR 190.6 million in 1–6/2018 (EUR 149.4 million in 1–6/2017).

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

Advance payments received	30.6.2018	30.6.2017	31.12.2017
Advance received from percentage of completion method (netted)	41.4	105.5	85.0
Other advance received from customers	288.4	284.4	214.8
Total	**329.8**	**389.9**	**299.8**

8. IMPAIRMENTS

EUR million	1–6/2018	1–6/2017	1–12/2017
Property, plant and equipment	0.0	0.7	3.8
Other intangible assets	0.0	1.7	2.4
Total	**0.0**	**2.4**	**6.2**

There has been no impairments in 2018. Mainly restructuring actions have led to an impairment of tangible assets (machinery and equipment and buildings) and intangible assets in 2017.

9. RESTRUCTURING COSTS

Konecranes has recorded EUR 12.5 million restructuring costs during 1–6/2018 (EUR 16.7 million in 1–6/2017) of which EUR 0.0 million was impairment of assets (EUR 2.4 million for 1–6/2017). The remaining EUR 12.5 million of restructuring cost is reported 1–6/2018 in personnel costs (EUR 6.0 million) and in other operating expenses (EUR 6.5 million).

10. INCOME TAXES

Taxes in statement of Income	1–6/2018	1–6/2017	1–12/2017
Local income taxes of group companies	23.5	39.3	68.0
Taxes from previous years	0.6	-2.4	-1.0
Change in deferred taxes	-11.9	-8.6	-16.4
Total	**12.2**	**28.3**	**50.6**

Notes

11. KEY FIGURES

	30.6.2018	30.6.2017	Change %	31.12.2017
Earnings per share, basic (EUR)	0.38	2.68	-85.7	2.89
Earnings per share, diluted (EUR)	0.38	2.68	-85.7	2.89
Alternative Performance Measures:				
Return on capital employed, %, Rolling 12 Months (R12M)	5.9	23.3	-74.7	23.7
Adjusted return on capital employed, %, Rolling 12 Months (R12M)	11.4	12.7	-10.2	15.4
Return on equity, %, Rolling 12 Months (R12M)	3.9	28.2	-86.2	26.1
Equity per share (EUR)	15.11	15.79	-4.3	15.95
Interest-bearing net debt / Equity, %	52.9	43.0	23.0	41.1
Net debt / Adjusted EBITDA, Rolling 12 Months (R12M)	2.1	2.3	-8.7	1.8
Equity to asset ratio, %	38.1	39.4	-3.3	39.2
Investments total (excl. acquisitions), EUR million	19.2	21.2	-9.4	35.7
Interest-bearing net debt, EUR million	641.6	542.4	18.3	525.3
Net working capital, EUR million	405.9	305.4	32.9	325.6
Average number of personnel during the period	16,265	14,867	9.4	15,519
Average number of shares outstanding, basic	78,799,365	77,853,221	1.2	78,272,680
Average number of shares outstanding, diluted	78,799,365	77,853,221	1.2	78,272,680
Number of shares outstanding	78,823,503	78,421,906	0.5	78,756,145

Notes

Calculation of Alternative Performance Measures

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

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

Notes

Reconciliation of adjusted EBITDA, EBITA and Operating profit (EBIT)	1–6/2018	1–6/2017	1–12/2017
Adjusted EBITDA	**132.7**	**119.8**	**289.2**
Transaction costs	0.0	-4.2	-4.9
Restructuring costs (excluding impairments)	-12.5	-14.3	-59.8
Release of MHPS purchase price allocation in inventories	0.0	-3.7	-7.3
Gain on disposal of Stahl CraneSystems	0.0	218.4	218.4
EBITDA	**120.2**	**316.1**	**435.7**
Depreciation, amortization and impairments	-54.4	-59.7	-117.0
Operating profit (EBIT)	**65.8**	**256.4**	**318.7**
Adjusted EBITA	**97.1**	**82.2**	**216.6**
Purchase price allocation amortization	-18.8	-19.6	-38.6
Adjusted Operating profit (EBIT)	**78.3**	**62.5**	**178.0**
Transaction costs	0.0	-4.2	-4.9
Restructuring costs	-12.5	-16.7	-65.6
Release of MHPS purchase price allocation in inventories	0.0	-3.7	-7.3
Gain on disposal of Stahl CraneSystems	0.0	218.4	218.4
Operating profit (EBIT)	**65.8**	**256.4**	**318.7**

Interest-bearing net debt	30.6.2018	30.6.2017	31.12.2017
Non current interest bearing liabilities	591.6	647.5	600.8
Current interest bearing liabilities	245.3	99.4	157.9
Loans receivable	-0.3	-6.5	-0.3
Cash and cash equivalents	-195.1	-197.9	-233.1
Interest-bearing net debt	**641.6**	**542.4**	**525.3**

The period end exchange rates:	30.6.2018	30.6.2017	Change %	31.12.2017
USD - US dollar	1.166	1.141	-2.1	1.199
CAD - Canadian dollar	1.544	1.479	-4.3	1.504
GBP - Pound sterling	0.886	0.879	-0.8	0.887
CNY - Chinese yuan	7.717	7.739	0.3	7.804
SGD - Singapore dollar	1.590	1.571	-1.2	1.602
SEK - Swedish krona	10.453	9.640	-7.8	9.844
AUD - Australian dollar	1.579	1.485	-5.9	1.535

The period average exchange rates:	30.6.2018	30.6.2017	Change %	31.12.2017
USD - US dollar	1.211	1.083	-10.6	1.130
CAD - Canadian dollar	1.546	1.445	-6.5	1.465
GBP - Pound sterling	0.880	0.860	-2.2	0.877
CNY - Chinese yuan	7.710	7.442	-3.5	7.629
SGD - Singapore dollar	1.606	1.520	-5.3	1.559
SEK - Swedish krona	10.150	9.595	-5.5	9.633
AUD - Australian dollar	1.569	1.436	-8.5	1.473

Notes

12. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	30.6.2018	30.6.2017	31.12.2017
For own commercial obligations			
Guarantees	509.8	496.0	499.7
Leasing liabilities			
Next year	40.2	40.4	39.8
Later on	86.1	84.1	81.8
Other	27.8	7.9	19.8
Total	**663.8**	**628.4**	**641.0**

Guarantees

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

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

Contingent liabilities relating to litigation

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

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

Notes

13. FINANCIAL ASSETS AND LIABILITIES

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

EUR million Financial assets 30.6.2018	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Current financial assets				
Account and other receivables	0.0	0.0	521.6	521.6
Derivative financial instruments	9.0	1.9	0.0	10.9
Cash and cash equivalents	0.0	0.0	195.1	195.1
Total	**9.0**	**1.9**	**716.7**	**727.5**

Financial liabilities 30.6.2018				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	591.6	591.6
Other payable	0.0	0.0	7.3	7.3
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	245.3	245.3
Derivative financial instruments	6.4	10.0	0.0	16.5
Accounts and other payable	0.0	0.0	226.4	226.4
Total	**6.4**	**10.0**	**1,070.7**	**1,087.2**

EUR million Financial assets 30.6.2017	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Current financial assets				
Account and other receivables	0.0	0.0	538.7	538.7
Derivative financial instruments	10.5	22.5	0.0	33.0
Cash and cash equivalents	0.0	0.0	197.9	197.9
Total	**10.5**	**22.5**	**736.7**	**769.7**

Financial liabilities 30.6.2017				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	647.5	647.5
Other payable	0.0	0.0	15.3	15.3
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	99.4	99.4
Derivative financial instruments	4.4	1.3	0.0	5.7
Accounts and other payable	0.0	0.0	233.2	233.2
Total	**4.4**	**1.3**	**995.3**	**1,001.0**

Notes

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

Financial liabilities 31.12.2017	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	600.8	600.8
Other payable	0.0	0.0	10.5	10.5
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	157.9	157.9
Derivative financial instruments	5.8	1.0	0.0	6.8
Accounts and other payable	0.0	0.0	251.0	251.0
Total	**5.8**	**1.0**	**1,020.1**	**1,027.0**

At the end of June 2018, the outstanding long-term loans were: EUR 150 million five-year term loan, EUR 43 million for the R&D loan, EUR 150 million for the Schuldschein loan and EUR 250 million for the bond. The Schuldschein loan contains floating and fixed rate tranches with maturities of four and seven years. The term loan and the R&D loan bear a floating six months interest period and the bond yield is fixed with annual coupon payment. The weighted average interest rate for these loans and the bond is currently 1.36% per annum. The company is in compliance with the quarterly monitored financial covenant (interest-bearing net debt/equity) for the loans. No specific securities have been given for the loans. The Company continues to have healthy Interest-bearing net debt / equity ratio of 52.9% (30.6.2017: 43.0%) which is in compliance with the bank covenants the Company has to comply with.

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

Notes

13.2 Fair values

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

Financial assets	Carrying amount 30.6.2018	Carrying amount 30.6.2017	Carrying amount 31.12.2017	Fair value 30.6.2018	Fair value 30.6.2017	Fair value 31.12.2017
Current financial assets						
Account and other receivables	521.6	538.7	581.5	521.6	538.7	581.5
Derivative financial instruments	10.9	33.0	37.7	10.9	33.0	37.7
Cash and cash equivalents	195.1	197.9	233.1	195.1	197.9	233.1
Total	**727.5**	**769.7**	**852.2**	**727.5**	**769.7**	**852.2**

Financial liabilities						
Non-current financial liabilities						
Interest-bearing liabilities	591.6	647.5	600.8	600.9	675.6	608.3
Other payable	7.3	15.3	10.5	7.3	15.3	10.5
Current financial liabilities						
Interest-bearing liabilities	245.3	99.4	157.9	245.3	99.4	157.9
Derivative financial instruments	16.5	5.7	6.8	16.5	5.7	6.8
Accounts and other payable	226.4	233.2	251.0	226.4	233.2	251.0
Total	**1,087.2**	**1,001.0**	**1,027.0**	**1,096.4**	**1,029.1**	**1,034.6**

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

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

Notes

13.3 Hierarchy of fair values

Financial assets	30.6.2018 Level 1	30.6.2018 Level 2	30.6.2018 Level 3	30.6.2017 Level 1	30.6.2017 Level 2	30.6.2017 Level 3	31.12.2017 Level 1	31.12.2017 Level 2	31.12.2017 Level 3
Derivative financial instruments									
Foreign exchange forward contracts	0.0	10.8	0.0	0.0	33.0	0.0	0.0	37.7	0.0
Fuel oil derivative	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Electricity derivatives	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**10.9**	**0.0**	**0.0**	**33.0**	**0.0**	**0.0**	**37.7**	**0.0**
Other financial assets									
Cash and cash equivalents	195.1	0.0	0.0	197.9	0.0	0.0	233.1	0.0	0.0
Total	**195.1**	**0.0**	**0.0**	**197.9**	**0.0**	**0.0**	**233.1**	**0.0**	**0.0**
Total financial assets	**195.1**	**10.9**	**0.0**	**197.9**	**33.0**	**0.0**	**233.1**	**37.7**	**0.0**

Financial liabilities	30.6.2018 Level 1	30.6.2018 Level 2	30.6.2018 Level 3	30.6.2017 Level 1	30.6.2017 Level 2	30.6.2017 Level 3	31.12.2017 Level 1	31.12.2017 Level 2	31.12.2017 Level 3
Derivative financial instruments									
Foreign exchange forward contracts	0.0	16.3	0.0	0.0	5.5	0.0	0.0	6.7	0.0
Currency options	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity forward contracts	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.1	0.0
Total	**0.0**	**16.5**	**0.0**	**0.0**	**5.7**	**0.0**	**0.0**	**6.8**	**0.0**
Other financial liabilities									
Interest bearing liabilities	0.0	837.0	0.0	0.0	746.8	0.0	0.0	758.6	0.0
Other payables	0.0	0.0	1.5	0.0	0.0	15.0	0.0	0.0	6.3
Total	**0.0**	**837.0**	**1.5**	**0.0**	**746.8**	**15.0**	**0.0**	**758.6**	**6.3**
Total financial liabilities	**0.0**	**853.4**	**1.5**	**0.0**	**752.5**	**15.0**	**0.0**	**765.5**	**6.3**

14. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	30.6.2018 Nominal value	30.6.2018 Fair value	30.6.2017 Nominal value	30.6.2017 Fair value	31.12.2017 Nominal value	31.12.2017 Fair value
Foreign exchange forward contracts	949.9	-5.6	874.5	27.5	1,006.1	31.0
Currency options	48.3	-0.1	0.0	0.0	0.0	0.0
Fuel oil derivative	0.0	0.0	0.5	0.1	0.0	0.0
Electricity derivatives	0.2	0.1	0.6	-0.2	0.5	-0.1
Total	**998.4**	**-5.6**	**875.6**	**27.3**	**1,006.6**	**30.9**

Derivatives not designated as hedging instruments

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

Notes

CASH FLOW HEDGES

Foreign currency risk

Foreign exchange forward and option contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales and purchases in US dollar. These forecast transactions are highly probable, and they comprise about 44.7% of the Group's total hedged transaction flows. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

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

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

Fair value reserve of cash flow hedges

EUR million	30.6.2018	30.6.2017	31.12.2017
Balance as of January 1	10.8	15.0	15.0
Gains and losses deferred to equity (fair value reserve)	-8.4	-8.7	-5.3
Change in deferred taxes	1.7	1.7	1.1
Balance as of the end of period	**4.1**	**8.1**	**10.8**

15. TRANSACTIONS WITH RELATED PARTIES

EUR million	30.6.2018	30.6.2017	31.12.2017
Sales of goods and services with associated companies and joint arrangements	20.8	18.1	37.7
Sales of goods and services with significant shareholders	0.0	13.1	13.1
Receivables from associated companies and joint arrangements	10.4	9.6	11.1
Receivables from significant shareholders	0.0	0.0	0.0
Purchases of goods and services from associated companies and joint arrangements	24.2	21.7	45.7
Purchases of goods and services from significant shareholders	0.0	0.7	0.7
Liabilities to associated companies and joint arrangements	7.1	4.6	4.3
Liabilities to significant shareholders	0.0	0.0	0.0

ANALYST AND PRESS BRIEFING

An analyst and press conference will be held at the restaurant Savoy's Salikabinetti (address: Eteläesplanadi 14, Helsinki) on July 25, 2018, at 11.00 am Finnish time. The Interim Report will be presented by Konecranes' President and CEO Panu Routila and CFO Teo Ottola.

A live webcast of the conference will begin at 11.00 am at www.konecranes.com. Please see the stock exchange release dated July 11, 2018 for the conference call details.

NEXT REPORT

Konecranes Plc plans to publish its January–October 2018 interim report on October 25, 2018.

KONECRANES PLC

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Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity enhancing lifting solutions as well as services for lifting equipment of all makes. In 2017, Group sales totaled EUR 3,136 million. The Group has 16,200 employees at 600 locations in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).

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