Strong results along with solid order growth in Service and Industrial Equipment

Interim Report
January–September 2018

Q3

Strong results along with solid order growth in Service and Industrial Equipment

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.

THIRD QUARTER HIGHLIGHTS

- Service order intake EUR 241.9 million (231.8), +4.4 percent (+4.8 percent on a comparable currency basis)
- Order intake EUR 716.5 million (750.1), -4.5 percent (-3.3 percent on a comparable currency basis). The decline was due to Business Area Port Solutions, partly offset by solid growth in Business Areas Industrial Equipment and Service
- Sales EUR 800.2 million (746.8), +7.2 percent (+7.8 percent on a comparable currency basis), with solid growth in all Business Areas.
- Adjusted EBITA EUR 74.5 million (54.5), 9.3 percent of sales (7.3), reflecting synergy cost-saving measures, higher net sales, improved sales mix, as well as successful delivery execution in Port Solutions
- Operating profit EUR 48.5 million (7.0), 6.1 percent of sales (0.9)
- Earnings per share (diluted) EUR 0.41 (-0.06)

JANUARY–SEPTEMBER HIGHLIGHTS

- Service order intake 737.2 million (729.4), +1.1 percent (+5.5 percent on a comparable currency basis)
- Order intake EUR 2,160.5 million (2,274.8), -5.0 percent (-2.1 percent on a comparable currency basis)
- Order book EUR 1,624.6 million (1,656.4) at the end of September, -1.9 percent (-1.2 percent on a comparable currency basis)
- Sales EUR 2,245.2 million (2.227.2), +0.8 percent (+4.0 percent on a comparable currency basis)
- Adjusted EBITA EUR 171.5 million (136.7), 7.6 percent of sales (6.1)
- Operating profit EUR 114.3 million (263.3), 5.1 percent of sales (11.8)
- Earnings per share (diluted) EUR 0.79 (2.63)
- Free cash flow EUR -3.3 million (166.4)
- Net debt EUR 620.5 million (566.4) and gearing 49.9 percent (45.1)

DEMAND OUTLOOK

The demand environment within the industrial customer segments continues to improve in EMEA and the Americas; that said, signs of stabilization are visible. In APAC, the demand environment remains stable. Global container throughput 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

	Third quarter			January–September				
	7–9/2018	**7–9/2017**	**Change %**	**1–9/2018**	**1–9/2017**	**Change %**	**R12M**	**1–12/2017**
Orders received, MEUR	716.5	750.1	-4.5	2,160.5	2,274.8	-5.0	2,893.1	3,007.4
Order book at end of period, MEUR				1,624.6	1,656.6	-1.9		1,535.8
Sales total, MEUR	800.2	746.8	7.2	2,245.2	2,227.2	0.8	3,155.2	3,137.2
Adjusted EBITDA, MEUR [1)]	91.1	72.2	26.3	223.8	192.0	16.6	321.0	289.2
Adjusted EBITDA, % [1)]	11.4%	9.7%		10.0%	8.6%		10.2%	9.2%
Adjusted EBITA, MEUR [2)]	74.5	54.5	36.5	171.5	136.7	25.5	251.5	216.6
Adjusted EBITA, % [2)]	9.3%	7.3%		7.6%	6.1%		8.0%	6.9%
Adjusted operating profit, MEUR [1)]	65.1	44.8	45.3	143.4	107.4	33.6	214.1	178.0
Adjusted operating margin, % [1)]	8.1%	6.0%		6.4%	4.8%		6.8%	5.7%
Operating profit, MEUR	48.5	7.0	597.8	114.3	263.3	-56.6	169.7	318.7
Operating margin, %	6.1%	0.9%		5.1%	11.8%		5.4%	10.2%
Profit before taxes, MEUR	44.0	-4.7	1,039.7	86.8	231.4	-62.5	131.5	276.0
Net profit for the period, MEUR	31.9	-4.1	870.7	62.5	203.6	-69.3	84.3	225.4
Earnings per share, basic, EUR	0.41	-0.06	821.1	0.79	2.63	-69.7	1.06	2.89
Earnings per share, diluted, EUR	0.41	-0.06	821.1	0.79	2.63	-69.7	1.06	2.89
Interest-bearing net debt/Equity, %				49.9%	45.1%			41.1%
Net debt/Adjusted EBITDA, R12M [1)]				1.9	2.2			1.8
Return on capital employed, %							5.9%	23.7%
Adjusted return on capital employed, % [3)]							11.4%	15.4%
Free cash flow, MEUR	21.8	-6.2		-3.3	166.4		54.7	224.4
Average number of personnel during the period				16,289	15,307	6.4		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)]	7–9/2017	1–9/2017	1–12/2017
Sales total, MEUR	0.6	0.8	0.7
Adjusted EBITA, MEUR	0.1	0.4	0.4
Net profit for the period, MEUR	0.1	0.4	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:

“Progress towards our targets continued according to our plans in the third quarter.

First, we continued to track slightly ahead of our synergy savings plan, with EUR 98 million run-rate savings reached in Q3. Following our good progress, we now expect the run-rate savings to reach EUR 105–110 million by the year-end, which is at the higher end of our previous target range.

Second, Q3 was a solid quarter for Business Area Service. Net sales grew 8.2 percent from the year-ago quarter, on the back of the increased order backlog year-to-date. While orders in Q3 grew at a slightly lower rate compared to Q2, this was due to slower modernization activity in the quarter. That said, field services and parts continued to record solid growth. On a comparable currency basis, order intake in Service increased by 4.8 percent and the value of the agreement base by 3.2 percent to EUR 242 million. Compared to the year-end 2017, the annualized growth of the agreement base value was approximately 6 percent.

Third, Business Area Industrial Equipment recorded solid constant currency growth of 5.5 percent in external orders in Q3, compared to the year-ago period. The growth was strongest for components and continued to accelerate from the first half of the year. In addition, order intake for standard cranes grew for the first time during the current economic upcycle; by solid double-digit percentage in the Americas and continuing the growth in EMEA, which began in Q2. Being late-cyclical, the improved performance in Q3 puts Industrial Equipment in a good position when entering the last quarter of the year.

While order intake in Ports Solutions was still relatively weak in Q3, this was largely due to the timing of projects. After the end of the reporting period, we announced an order for 54 Automated Rail Mounted Gantry cranes by Abu Dhabi Terminals for the expansion of its container terminal in Khalifa Port. The order is the second largest ever received by Konecranes and a testimony to our proven technology, delivery expertise and service support. The order is booked in Q4.

Overall, the demand environment for container handling products and services continues at a good level. Despite the slow order intake in the first nine months of the year, we expect the full year order intake in Ports Solutions to be around the same level or even slightly higher than in 2017.

On a comparable currency basis, Group sales increased by 7.8 percent from the year-ago period, with all Business Areas recording solid sales growth. Higher net sales, along with the EUR 14 million of P&L level cost synergies delivered in the quarter, helped to improve the Group’s adjusted EBITA margin to 9.3 percent in Q3. In Port Solutions, profitability continued to benefit from good project execution and favorable project mix. We expect the margin performance in Port Solutions to be somewhat lower in the coming quarters, given our current orderbook and project pipeline.

Activity in the world’s manufacturing sector continued to expand in Q3. However, the growth came at a slowing pace, reflecting the reduced predictability in the global economy, as worries about trade wars and tariffs continued. We, too, have seen certain cases where customers’ decision-making is taking slightly longer. So far, however, the cases have been isolated and have had only a limited impact on us. Changes in trade policies also require us to adjust our own operations. With a global supply chain and manufacturing network, we are in a good position to do so, when needed.

Despite the increased uncertainty in the world economy, our own demand environment within the industrial customer segments continues to improve in EMEA and the Americas. That said, signs of stabilization have become visible. The two cornerstones of our medium-term strategy; growth in Service and capturing MHPS acquisition related cost synergies, are progressing well and according to our plans. Our confidence in reaching our target of EUR 140 million run-rate cost synergies by the end of 2019 continues to be strong, and we have reiterated our financial guidance for full year 2018.”

Konecranes Plc
January–September 2018 Interim report

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

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

MARKET REVIEW

Activity in the world's manufacturing sector, according to the aggregated JPMorgan Global Manufacturing Purchasing Managers' Index (PMI), continued to expand in January–September 2018, although the pace of expansion has slowed down clearly since the beginning of the year. The PMI has declined in each of the past five months and fell to a 22-month low in September 2018.

In the Eurozone, after a long period of rapid growth in economic activity, the pace of expansion has weakened since the start of 2018. Although manufacturing operating conditions continued to show signs of improvement and the Eurozone posted above the global PMI average, the growth in September was the weakest since September 2016. The growth slowdown was widespread as only Netherlands recorded an improvement in its PMI compared to August. Germany remained the top performer despite the decline in growth. Outside the Eurozone, the UK manufacturing sector continued to expand. The European Union manufacturing capacity utilization rate remained approximately flat in January–September. Overall, business sentiment continued to worsen due to the growing geopolitical worries.

In the third quarter, the US remained a bright spot in the global economy. After the softening growth at the end of the second quarter, the manufacturing sector's PMI again showed strong improvement in the operating conditions, which resulted from sharper rises in output and new orders. Correspondingly, the US total industrial capacity utilization rate grew in the third quarter. However, worries about trade wars and tariffs continued and the degree of optimism among purchasing managers, year to date, was at its lowest in September.

At the end of the third quarter, the performance of the emerging markets was the main drag on global manufacturing growth. In China, September was the fourth consecutive month with a dropping PMI, and the index signaled stagnant operating conditions. Russia stabilized towards the end of the third quarter after a four-month sequence of contraction. In Brazil, manufacturing operations improved in the third quarter after a brief period in contraction territory in June. In India, the growth of the manufacturing sector picked up at the end of the third quarter.

After the setting of a new all-time record in early 2018, global container throughput declined in March. Though the index has since increased, it continued to run below the record level. In January–August 2018, global container throughput increased by approximately 5 percent year-on-year.

Regarding raw material prices, steel was clearly above and copper below the previous year's level at September-end 2018. The average EUR/USD exchange rate was approximately 7 percent higher compared to the year-ago period.

ORDERS RECEIVED

Orders received in the third quarter totaled EUR 716.5 million (750.1), representing a decrease of 4.5 percent. On a comparable currency basis, order intake decreased 3.3 percent. In Service, orders received increased 4.4 percent on a reported basis and 4.8 percent on a comparable currency basis.

In Industrial Equipment, orders increased 12.2 percent, primarily driven by an increase in internal orders of EUR 21.6 million. EUR 8.3 million of the increase in internal orders was attributable to the harmonization of reporting practices following the MHPS acquisition. On a comparable currency basis, external orders increased 5.5 percent. In Port Solutions, order intake decreased 17.9 percent. Orders received grew in EMEA, remained approximately flat in APAC but were lower in the Americas.

Orders received in January–September totaled EUR 2,160.5 million (2,274.8), representing a decrease of 5.0 percent. On a comparable currency basis, order intake decreased 2.1 percent. Service order intake grew 1.1 percent. In comparable currencies, order intake in Service increased 5.5 percent. In Industrial Equipment, orders increased 7.5 percent, primarily driven by an increase of EUR 76.6 million in internal orders. EUR 29.2 million of the increase in internal orders was attributable to the harmonization of reporting practices following the MHPS acquisition. Port Solutions orders fell 13.0 percent. Orders received increased in EMEA but decreased in the Americas and in APAC.

ORDER BOOK

The value of the order book at the end of September totaled EUR 1,624.6 million (1,656.6), which was 1.9 percent lower than the previous year. On a comparable currency basis, the order book decreased 1.2 percent. The order book increased 7.7 percent in Service and 1.1 percent in Industrial Equipment but decreased 6.4 percent in Port Solutions.

ORDERS RECEIVED AND NET SALES, MEUR

	7–9/ 2018	7–9/ 2017	Change percent	Change % at comparable currency rates	1–9/ 2018	1–9/ 2017	Change percent	Change % at comparable currency rates	1–12/2017
Orders received, MEUR	716.5	750.1	-4.5	-3.3	2,160.5	2,274.8	-5.0	-2.1	3,007.4
Net sales, MEUR	800.2	746.8	7.2	7.8	2,245.2	2,227.2	0.8	4.0	3,137.2

SALES

In the third quarter, Group sales increased 7.2 percent to EUR 800.2 million (746.8). On a comparable currency basis, sales increased 7.8 percent. Sales increased 12.1 percent in Industrial Equipment, 8.2 percent in Service and 7.5 percent in Port Solutions. In the third quarter, the harmonization of reporting practices following the MHPS acquisition had a positive impact of EUR 9.6 million on internal sales in Industrial Equipment.

In January–September, Group sales totaled EUR 2,245.2 million (2,227.2), representing an increase of 0.8 percent. On a comparable currency basis, sales increased 4.0 percent. Sales decreased 0.2 percent in Service. Industrial Equipment sales increased 2.5 percent and Port Solutions sales 6.6 percent. In January–September, the harmonization of reporting practices following the MHPS acquisition had a positive impact of EUR 31.2 million on internal sales in Industrial Equipment.

At the end of September, the regional breakdown of sales, calculated on a rolling 12-month basis, was as follows: EMEA 52 (49), Americas 31 (34) and APAC 17 (16) percent.

FINANCIAL RESULT

In the third quarter, the consolidated adjusted EBITA increased by EUR 19.9 million to EUR 74.5 million (54.5). The adjusted EBITA margin improved to 9.3 percent (7.3). The adjusted EBITA margin in Service improved to 16.2 percent (13.9), in Industrial Equipment to 5.0 percent (4.5) and in Port Solutions to 7.8 (5.2). The improvement in the Group adjusted EBITA margin was mainly attributable to synergy cost-saving measures, higher net sales, improved sales mix, as well as successful delivery execution in Port Solutions.

In January–September, the Group adjusted EBITA increased by EUR 34.8 million to EUR 171.5 million (136.7). The adjusted EBITA margin improved to 7.6 percent (6.1). The adjusted EBITA margin in Service improved to 14.5 percent (13.1), in Industrial Equipment to 3.4 percent (2.2) and in Port Solutions to 6.5 (4.2). The improvement in the Group adjusted EBITA was mainly attributable to synergy cost saving measures, higher net sales, improved sales mix, as well as successful delivery execution in Port Solutions.

The consolidated adjusted operating profit increased by EUR 36.0 million to EUR 143.4 million (107.4). The adjusted operating margin improved to 6.4 percent (4.8).

The consolidated operating profit in January–September totaled EUR 114.3 million (263.3). The operating profit includes adjustments of EUR 29.1 million (-156.0), which is comprised of restructuring costs. The previous year's adjustments included a capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems, restructuring costs of EUR 52.2 million, transaction costs of EUR 4.8 million related to the MHPS acquisition and the cost of EUR 5.5 million related to the MHPS purchase price allocated to inventories. The operating margin in Service rose to 13.0 percent (11.0), in Industrial Equipment to 0.4 percent (-1.1) and in Port Solutions to 5.2 percent (2.1).

In January–September, depreciation and impairments totaled EUR 80.4 million (87.6). In the comparison period, this included restructuring related impairments of EUR 2.9 million. The amortization arising from the purchase price allocations for acquisitions represented EUR 28.1 million (29.4) of the depreciation and impairments.

In January–September, the share of the result in associated companies and joint ventures was EUR -1.4 million (-0.5).

In January–September, financial income and expenses totaled EUR -26.1 million (-31.5). Net interest expenses accounted for EUR 12.5 million (24.2) 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–September profit before taxes was EUR 86.8 million (231.4).

Income taxes in January–September were EUR -24.3 million (-27.7). The Group's effective tax rate was 28.0 percent (12.0).

January–September net profit was EUR 62.5 million (203.6).

In January–September, the basic earnings per share were EUR 0.79 (2.63) and the diluted earnings per share were EUR 0.79 (2.63).

On a rolling 12-month basis, the return on capital employed was 8.1 percent (21.8) and the return on equity 6.7 percent (25.7). The adjusted return on capital employed was 12.5 percent (13.8).

BALANCE SHEET

As of the end of September, the consolidated balance sheet amounted to EUR 3,499.2 million (3,516.5). The total equity at the end of the reporting period was EUR 1,242.3 million (1,255.2). On September 30, the total equity attributable to the equity holders of the parent company was EUR 1,220.6 million (1,233.6) or EUR 15.49 per share (15.66).

Net working capital at the end of September totaled EUR 426.9 million (342.6). Sequentially, net working capital increased by EUR 21.0 million. The increase in net working capital was due to Business Area Service and Business Area Port Solutions.

CASH FLOW AND FINANCING

Net cash from operating activities in January–September was EUR 20.3 million (183.8). Cash flow before financing activities was EUR -2.2 million (-351.8), which included a cash inflow of EUR 1.1 million (213.4) related to divestments and a cash outflow of EUR 25.6 million (18.9) related to capital expenditure. The previous year's net cash from operating activities included a cash outflow of EUR 731.7 million related to acquisitions.

At the end of September, interest-bearing net debt was EUR 620.5 million (566.4). The equity to assets ratio was 38.9 percent (39.5) and the gearing 49.9 percent (45.1).

At the end of September, cash and cash equivalents amounted to EUR 179.4 million (155.6). 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–September, excluding acquisitions and joint arrangements, amounted to EUR 24.0 million (27.8). This amount consisted mainly of investments in machinery and equipment, information technology and property.

ACQUISITIONS AND DIVESTMENTS

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

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

PERSONNEL

In January–September, the Group had an average of 16,289 employees (15,307). On September 30, the number of personnel was 16,361 (16,625). During January–September, the Group's personnel decreased by 10 people net.

At the end of September, the number of personnel by Business Area was as follows: Service 7,351 employees (7,234), Industrial Equipment 5,831 employees (6,146), Port Solutions 3,084 employees (3,177) and Group staff 95 (68). The increase in Group staff was primarily due to a change in allocations from the beginning of 2018, where 20 employees were allocated to Group staff instead of Business Areas.

The Group had 10,021 employees (10,037) working in EMEA, 3,161 (3,291) in the Americas and 3,179 (3,297) in APAC region.

BUSINESS AREAS

SERVICE

	7–9/ 2018	7–9/ 2017	Change percent	Change % at comparable currency rates	1–9/ 2018	1–9/ 2017	Change percent	Change % at comparable currency rates	1–12/2017
Orders received, MEUR	241.9	231.8	4.4	4.8	737.2	729.4	1.1	5.5	966.3
Order book, MEUR	239.6	222.5	7.7	8.1	239.6	222.5	7.7	8.1	196.0
Agreement base value, MEUR	241.5	235.6	2.5	3.2	241.5	235.6	2.5	3.2	231.4
Net sales, MEUR	296.3	273.9	8.2	8.5	856.0	858.1	-0.2	4.1	1,179.5
Adjusted EBITA, MEUR [1)]	48.0	37.9	26.4		124.2	112.5	10.4		161.3
Adjusted EBITA, % [1)]	16.2%	13.9%			14.5%	13.1%			13.7%
Purchase price allocation amortization, MEUR	-3.1	-3.3	-4.8		-9.4	-9.8	-4.4		-12.9
Adjustments,MEUR	-0.8	-3.5	-77.8		-3.9	-8.1	-52.2		-8.7
Operating profit (EBIT), MEUR	44.1	31.2	41.5		110.9	94.6	17.3		139.7
Operating profit (EBIT), %	14.9%	11.4%			13.0%	11.0%			11.8%
Personnel at the end of period	7,351	7,234	1.6		7,351	7,234	1.6		7,206

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

In Service, the third-quarter orders received increased 4.4 percent to EUR 241.9 million (231.8). On a comparable currency basis, the orders received increased 4.8 percent. Both field service and parts orders grew. Reported order intake increased in EMEA and in the Americas but decreased in APAC, where the decrease in order intake was due to the negative impact from foreign exchange fluctuations.

The order book increased 7.7 percent to EUR 239.6 million (222.5). On a comparable currency basis, the order book increased 8.1 percent.

Sales in the third-quarter increased 8.2 percent to EUR 296.3 million (273.9). On a comparable currency basis, sales increased 8.5 percent. Reported sales increased in all three regions. Parts sales growth outperformed the growth in field services.

The third-quarter adjusted EBITA was EUR 48.0 million (37.9) and the adjusted EBITA margin 16.2 percent (13.9). The improvement in the adjusted EBITA was mainly attributable to volume growth, synergy cost saving and, to a lesser extent, an improved sales mix.

The total number of equipment included in the service agreement base decreased 0.6 percent to 624,295 (628,089) at the end of September. The decrease results mainly from the harmonization of reporting practices following the MHPS acquisition. Year-on-year, the annual value of the agreement base increased 2.5 percent to EUR 241.5 million (235.6). On a comparable currency basis, the annual value of the agreement base increased 3.2 percent. Sequentially, the annual value of the agreement base increased by 0.6 percent both on a reported and a comparable currency basis.

In January–September, orders received totaled EUR 737.2 million (729.4), corresponding to an increase of 1.1 percent. On a comparable currency basis, orders received increased 5.5 percent.

Sales decreased 0.2 percent to EUR 856.0 million (858.1), primarily due to an adverse impact from foreign exchange fluctuations. On a comparable currency basis, sales increased 4.1 percent. Sales of parts outperformed field service sales. Reported sales increased in EMEA and APAC but fell in the Americas. On a comparable currency basis, sales increased in all three regions.

The adjusted EBITA was EUR 124.2 million (112.5) and the adjusted EBITA margin was 14.5 percent (13.1). The improvement in the adjusted EBITA margin was mainly attributable to synergy cost savings and a more favorable sales mix. The operating profit was EUR 110.9 million (94.6) and the operating margin 13.0 percent (11.0).

INDUSTRIAL EQUIPMENT

	7–9/ 2018	7–9/ 2017	Change percent	Change % at comparable currency rates	1–9/ 2018	1–9/ 2017	Change percent	Change % at comparable currency rates	1–12/2017
Orders received, MEUR	294.7	262.8	12.2	13.3	905.0	842.0	7.5	10.8	1,127.3
of which external, MEUR	248.8	238.4	4.4	5.5	767.2	780.8	-1.7	1.4	1,036.3
Order book, MEUR	572.0	565.7	1.1	2.2	572.0	565.7	1.1	2.2	526.9
Net sales, MEUR	291.7	260.2	12.1	12.5	825.3	805.3	2.5	5.7	1,118.2
of which external, MEUR	255.4	241.5	5.7	6.1	724.6	744.2	-2.6	0.5	1,035.0
Adjusted EBITA, MEUR [1)]	14.6	11.7	24.8		27.8	17.5	59.1		34.6
Adjusted EBITA, % [1)]	5.0%	4.5%			3.4%	2.2%			3.1%
Purchase price allocation amortization, MEUR	-3.6	-3.7	-0.4		-10.9	-11.2	-2.3		-14.7
Adjustments,MEUR	-10.9	-10.5	3.9		-13.2	-15.2	-13.2		-23.8
Operating profit (EBIT), MEUR	0.1	-2.4	104.1		3.7	-8.9	141.5		-4.0
Operating profit (EBIT), %	0.0%	-0.9%			0.4%	-1.1%			-0.4%
Personnel at the end of period	5,831	6,146	-5.1		5,831	6,146	-5.1		6,024

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

In Industrial Equipment, the third quarter orders received totaled EUR 294.7 million (262.8), corresponding to an increase of 12.2 percent. On a comparable currency basis, orders received increased 13.3 percent. External orders increased 4.4 percent on a reported basis and 5.5 percent on a comparable currency basis. The increase in order intake was primarily driven by components and standard cranes, while order intake for process cranes stayed approximately flat. Standard crane orders increased in EMEA and the Americas but decreased in APAC. Process crane orders increased in APAC and the Americas but decreased in EMEA. The increase in order intake in the third quarter was primarily driven by an increase in internal orders of EUR 21.6 million, EUR 8.3 million of which was attributable to the harmonization of reporting practices following the MHPS acquisition.

The order book increased 1.1 percent to EUR 572.0 million (565.7). On a comparable currency basis, the order book increased 2.2 percent.

Sales increased 12.1 percent to EUR 291.7 million (260.2). On a comparable currency basis, sales increased 12.5 percent. External sales increased 5.7 percent on a reported basis and 6.1 percent on a comparable currency basis. The increase in sales was further supported by growth in internal sales, EUR 9.5 million of which was attributable to the harmonization of reporting practices following the MHPS acquisition.

The third-quarter adjusted EBITA was EUR 14.6 million (11.7) and the adjusted EBITA margin 5.0 percent (4.5). The improvement in the adjusted EBITA was mainly attributable to volume growth and synergy cost savings.

In January–September orders received totaled EUR 905.0 million (842.0), corresponding to an increase of 7.5 percent. On a comparable currency basis, orders received increased 10.8 percent. External orders received decreased 1.7 percent on a reported basis but increased 1.4 percent on a comparable currency basis. The increase in external orders was primarily driven by components. EUR 76.6 million of the increase in orders received was due to an increase in internal orders, EUR 29.2 million of which was attributable to the harmonization of reporting practices following the MHPS acquisition.

Sales increased 2.5 percent to EUR 825.3 million (805.3). On a comparable currency basis, sales increased 5.7 percent. External sales decreased 2.6 percent on a reported basis but increased 0.5 percent on a comparable currency basis. The decrease in reported sales was offset by an increase in internal sales, EUR 31.2 million of which was attributable to the harmonization of reporting practices following the MHPS acquisition.

The adjusted EBITA was EUR 27.8 million (17.5) and the adjusted EBITA margin 3.4 percent (2.2). The improvement in the adjusted EBITA margin was mainly attributable to synergy cost savings and a more favorable sales mix. Operating profit was EUR 3.7 million (-8.9) and operating margin 0.4 percent (-1.1).

PORT SOLUTIONS

	7–9/ 2018	7–9/ 2017	Change percent	Change % at comparable currency rates	1–9/ 2018	1–9/ 2017	Change percent	Change % at comparable currency rates	1–12/2017
Orders received, MEUR	240.0	292.2	-17.9	-16.2	696.9	800.9	-13.0	-11.5	1,056.2
Order book, MEUR	813.0	868.4	-6.4	-5.8	813.0	868.4	-6.4	-5.8	812.9
Net sales, MEUR	262.3	243.9	7.5	8.8	706.5	662.9	6.6	8.4	975.7
of which service, MEUR	45.3	39.2	15.5	16.6	132.7	119.5	11.0	14.1	161.3
Adjusted EBITA, MEUR [1]	20.5	12.6	62.6		46.0	28.1	63.8		44.8
Adjusted EBITA, % [1]	7.8%	5.2%			6.5%	4.2%			4.6%
Purchase price allocation amortization, MEUR	-2.6	-2.8	-7.0		-7.8	-8.3	-6.3		-10.9
Adjustments,MEUR	-1.1	-16.7			-1.2	-18.1			-22.2
Operating profit (EBIT), MEUR	16.8	-6.9	342.4		37.0	1.7	2,112.4		11.7
Operating profit (EBIT), %	6.4%	-2.8%			5.2%	2.1%			1.2%
Personnel at the end of period	3,084	3,177	-2.9		3,084	3,177	-2.9		3,067

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

In Port Solutions, the third-quarter orders received totaled EUR 240.0 million (292.2), representing a decrease of 17.9 percent. On a comparable currency basis, orders received decreased 16.2 percent in the third quarter. The decrease was primarily due to the decline in Port Cranes, partly offset by the order intake growth for Mobile Harbor Cranes and Port Solutions Service. Orders grew in EMEA but fell in the Americas and APAC.

The order book decreased 6.4 percent to EUR 813.0 million (868.4). On a comparable currency basis, the order book decreased 5.8 percent.

Sales increased 7.5 percent to EUR 262.3 million (243.9). On a comparable currency basis, sales increased 8.8 percent.

The third-quarter adjusted EBITA was EUR 20.5 million (12.6) and the adjusted EBITA margin 7.8 percent (5.2). Gross margin increased on a year-on-year basis. The improvement in the adjusted EBITA was mainly attributable to volume growth, an improved project mix and good project execution for both finalized and ongoing projects.

In January–September, orders received totaled EUR 696.9 million (800.9), corresponding to a decrease of 13.0 percent. On a comparable currency basis, orders received decreased by 11.5 percent.

Sales increased 6.6 percent to EUR 706.5 million (662.9). On a comparable currency basis, sales increased 8.4 percent.

The adjusted EBITA was EUR 46.0 million (28.1) and the adjusted EBITA margin 6.5 percent (4.2). Operating profit was EUR 37.0 million (1.7) and the operating margin 5.2 percent (2.1).

Group overheads

In the third quarter, the result effect of adjusted unallocated Group overhead costs and eliminations was EUR -8.6 million (-7.7), representing -1.1 percent of sales (-1.0).

In the third quarter, the result effect of unallocated Group overhead costs and eliminations was EUR -12.4 million (-14.9), representing -1.6 percent of sales (-2.0). These included restructuring costs of EUR 3.8 million (6.6).

In January–September, the result effect of adjusted unallocated Group overhead costs and eliminations was EUR -26.5 million (-21.4), representing -1.2 percent of sales (-1.0). 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–September, the result effect of unallocated Group overhead costs and eliminations was EUR -37.3 million (176.0), representing -1.7 percent of sales (7.9). These included restructuring costs of EUR 10.8 million (16.2). The previous year's unallocated Group overhead costs and eliminations included also a capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems, and transaction costs of EUR 4.8 million related to the MHPS acquisition.

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

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

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

SHARE CAPITAL AND SHARES

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

TREASURY SHARES

On September 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.

MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for the Konecranes shares on the Nasdaq Helsinki on September 29, 2018 was EUR 32.98. The volume-weighted average share price in January–September 2018 was EUR 35.53, the highest price being EUR 42.43 in January and the lowest EUR 31.14 in August. In January–September, the trading volume on the Nasdaq Helsinki totaled 46.4 million, corresponding to a turnover of approximately EUR 1,650.0 million. The average daily trading volume was 245,654 shares representing an average daily turnover of EUR 8.7 million.

In addition, according to Fidessa, approximately 78.4 million shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in January–September 2018.

On September 30, 2018, the total market capitalization of Konecranes Plc was EUR 2,602.8 million including treasury shares. The market capitalization was EUR 2,599.6 million excluding treasury shares.

NOTIFICATIONS OF MAJOR SHAREHOLDINGS

In January–September 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 environment within the industrial customer segments continues to improve in EMEA and the Americas; that said, signs of stabilization are visible. In APAC, the demand environment remains stable. Global container throughput 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, October 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	7–9/ 2018	7–9/ 2017	Change percent	1–9/ 2018	1–9/ 2017	Change percent	1–12/ 2017
Sales	7	**800.2**	**746.8**	**7.2**	**2,245.2**	**2,227.2**	**0.8**	**3,137.2**
Other operating income [1)]		1.4	2.9		4.6	224.8		227.2
Materials, supplies and subcontracting		-351.9	-348.9		-939.8	-965.6		-1,409.5
Personnel cost		-244.2	-242.8		-748.9	-760.7		-1,004.2
Depreciation and impairments	8	-26.0	-27.9		-80.4	-87.6		-117.0
Other operating expenses [2)]		-131.0	-123.2		-366.4	-374.8		-515.0
Operating profit		**48.5**	**7.0**	**597.8**	**114.3**	**263.3**	**-56.6**	**318.7**
Share of associates' and joint ventures' result		0.0	-0.3		-1.4	-0.5		3.3
Financial income [3)]		0.5	5.6		1.3	32.7		39.8
Financial expenses		-5.1	-17.0		-27.4	-64.2		-85.8
Profit before taxes		**44.0**	**-4.7**	**1,039.7**	**86.8**	**231.4**	**-62.5**	**276.0**
Taxes	10	-12.1	0.5		-24.3	-27.7		-50.6
PROFIT FOR THE PERIOD		**31.9**	**-4.1**	**870.7**	**62.5**	**203.6**	**-69.3**	**225.4**
Profit for the period attributable to:								
Shareholders of the parent company		32.3	-3.8		62.6	205.2		226.1
Non-controlling interest		-0.5	-0.4		-0.1	-1.5		-0.7
Earnings per share, basic (EUR)		0.41	-0.06	821.1	0.79	2.63	-69.7	2.89
Earnings per share, diluted (EUR)		0.41	-0.06	821.1	0.79	2.63	-69.7	2.89

[1)] *Other operating income 1–9/2017 includes a gain on disposal of EUR 218.4 million of STAHL CraneSystems.*
[2)] *Other operating expenses for 1–9/2017 include transaction costs related to terminated merger plan with Terex and the acquisition of Terex MHPS up to EUR 4.8 million and for 1–12/2017 EUR 4.9 million.*
[3)] *Financial income for 1–9/2017 includes gains of EUR 7.8 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	7–9/ 2018	7–9/ 2017		1–9/ 2018	1–9/ 2017		1–12/ 2017
Profit for the period	**31.9**	**-4.1**		**62.5**	**203.6**		**225.4**
Items that can be reclassified into profit or loss							
Cash flow hedges	-2.5	2.8		-10.9	-5.8		-5.3
Exchange differences on translating foreign operations	-5.7	-4.4		-8.4	-18.8		-19.2
Income tax relating to items that can be reclassified into profit or loss	0.5	-0.6		2.2	1.2		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	**-7.7**	**-2.1**		**-17.1**	**-23.5**		**-24.0**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**24.1**	**-6.3**		**45.4**	**180.2**		**201.4**
Total comprehensive income attributable to:							
Shareholders of the parent company	25.1	-5.9		46.0	182.7		203.1
Non-controlling interest	-0.9	-0.4		-0.6	-2.6		-1.7

Consolidated balance sheet

EUR million

ASSETS	Note	30.9.2018	30.9.2017	31.12.2017
Non-current assets				
Goodwill		904.9	919.0	905.3
Intangible assets		594.2	638.4	633.3
Property, plant and equipment		250.7	265.5	270.4
Advance payments and construction in progress		13.3	9.7	11.5
Investments accounted for using the equity method		66.8	70.3	69.8
Other non-current assets		0.8	1.0	1.0
Deferred tax assets		125.9	122.4	118.4
Total non-current assets		**1,956.5**	**2,026.3**	**2,009.7**
Current assets				
Inventories				
Raw material and semi-manufactured goods		272.4	243.1	240.8
Work in progress		373.9	366.7	284.1
Advance payments		23.7	17.3	20.6
Total inventories		670.1	627.0	545.5
Accounts receivable		493.5	475.1	537.8
Other receivables		32.8	42.7	43.3
Loans receivable		0.6	0.5	0.2
Income tax receivables		19.1	23.8	20.9
Receivable arising from percentage of completion method	7	85.9	74.3	78.7
Other financial assets		9.9	33.9	37.7
Deferred assets		51.5	57.3	56.2
Cash and cash equivalents		179.4	155.6	233.1
Total current assets		**1,542.7**	**1,490.2**	**1,553.2**
TOTAL ASSETS		**3,499.2**	**3,516.5**	**3,562.9**

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	Note	30.9.2018	30.9.2017	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	2.1	10.4	10.8
Translation difference		-5.3	3.1	2.6
Other reserve		50.2	34.4	36.6
Retained earnings		288.9	158.6	158.2
Net profit for the period		62.6	205.2	226.1
Total equity attributable to equity holders of the parent company		**1,220.6**	**1,233.6**	**1,256.4**
Non-controlling interest		21.7	21.6	22.5
Total equity		**1,242.3**	**1,255.2**	**1,278.9**
Liabilities				
Non-current liabilities				
Interest-bearing liabilities	13	591.4	648.2	600.8
Other long-term liabilities		269.1	280.7	278.7
Provisions		22.0	19.8	23.0
Deferred tax liabilities		144.4	163.3	150.1
Total non-current liabilities		**1,027.0**	**1,112.0**	**1,052.6**
Current liabilities				
Interest-bearing liabilities	13	209.0	74.5	157.9
Advance payments received	7	305.2	334.8	299.8
Progress billings		0.2	0.4	0.9
Accounts payable		193.7	174.8	201.2
Provisions		115.6	124.1	129.3
Other short-term liabilities (non-interest bearing)		44.2	48.1	49.8
Other financial liabilities		8.9	7.6	6.8
Income tax liabilities		21.4	44.3	57.0
Accrued costs related to delivered goods and services		168.9	181.7	177.1
Accruals		162.9	159.1	151.6
Total current liabilities		**1,229.9**	**1,149.3**	**1,231.4**
Total liabilities		**2,256.9**	**2,261.3**	**2,284.0**
TOTAL EQUITY AND LIABILITIES		**3,499.2**	**3,516.5**	**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				-8.7	-7.9
Total comprehensive income				-8.7	-7.9
Balance at 30 September, 2018	**30.1**	**39.3**	**752.7**	**2.1**	**-5.3**
Balance at 1 January, 2017	**30.1**	**39.3**	**66.5**	**15.0**	**20.8**
Share issue			686.2		
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-4.7	-17.8
Total comprehensive income				-4.7	-17.8
Balance at 30 September, 2017	**30.1**	**39.3**	**752.7**	**10.4**	**3.1**

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	-0.2	**-94.8**
Equity-settled share based payments	12.1	0.0	12.1		**12.1**
Profit for the period		62.6	62.6	-0.1	**62.5**
Other comprehensive income		0.0	-16.6	-0.5	**-17.1**
Total comprehensive income	0.0	62.6	46.0	-0.6	**45.4**
Balance at 30 September, 2018	**50.2**	**351.5**	**1,220.6**	**21.7**	**1,242.3**
Balance at 1 January, 2017	**31.7**	**242.0**	**445.4**	**0.1**	**445.5**
Change in accounting principles (IFRS 15)		-1.1	-1.1		**-1.1**
Balance at 1 January, 2017, restated	**31.7**	**240.9**	**444.3**	**0.1**	**444.4**
Share issue		0.0	686.2		**686.2**
Dividends paid to equity holders		-82.3	-82.3	-0.5	**-82.9**
Equity-settled share based payments	2.7	0.0	2.7		**2.7**
Acquisitions		0.0	0.0	24.6	**24.6**
Profit for the period		205.2	205.2	-1.5	**203.6**
Other comprehensive income		0.0	-22.4	-1.0	**-23.4**
Total comprehensive income	0.0	205.2	182.8	-2.6	**180.2**
Balance at 30 September, 2017	**34.4**	**363.8**	**1,233.6**	**21.6**	**1,255.2**

Consolidated cash flow statement

EUR million	1–9/2018	1–9/2017	1–12/2017
Cash flow from operating activities			
Profit for the period	62.5	203.6	225.4
Adjustments to net income			
Taxes	24.3	27.7	50.6
Financial income and expenses	26.1	31.5	46.0
Share of associates' and joint ventures' result	1.4	0.5	-3.3
Dividend income	0.0	0.0	0.0
Depreciation and impairments	80.4	87.6	117.0
Profits and losses on sale of fixed assets and businesses	1.8	-218.7	-217.5
Other adjustments	2.8	-4.2	0.7
Operating income before change in net working capital	**199.3**	**128.0**	**218.9**
Change in interest-free current receivables	75.1	75.7	13.0
Change in inventories	-127.7	-79.5	-1.9
Change in interest-free current liabilities	-51.9	119.0	105.0
Change in net working capital	**-104.6**	**115.2**	**116.2**
Cash flow from operations before financing items and taxes	**94.8**	**243.2**	**335.0**
Interest received	11.3	11.2	14.6
Interest paid	-25.0	-32.0	-43.4
Other financial income and expenses	7.4	-7.0	-18.7
Income taxes paid	-68.2	-31.5	-38.2
Financing items and taxes	**-74.5**	**-59.4**	**-85.6**
NET CASH FROM OPERATING ACTIVITIES	**20.3**	**183.8**	**249.4**
Cash flow from investing activities			
Acquisition of Group companies, net of cash	0.0	-731.7	-733.2
Divestment of Businesses, net of cash	1.1	213.4	213.4
Proceeds from disposal of associated company	0.0	0.0	2.8
Capital expenditures	-25.6	-18.9	-28.7
Proceeds from sale of property, plant and equipment	2.0	1.5	3.7
NET CASH USED IN INVESTING ACTIVITIES	**-22.5**	**-535.7**	**-542.0**
Cash flow before financing activities	**-2.2**	**-351.8**	**-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	-705.4	-1,050.0
Proceeds from (+), payments of (-) current borrowings	52.8	-190.5	-140.7
Change in loans receivable	-0.3	-2.6	11.6
Dividends paid to equity holders of the parent	-94.6	-82.3	-82.3
Dividends paid to non-controlling interests	-0.2	-0.5	-0.5
NET CASH USED IN FINANCING ACTIVITIES	**-49.6**	**320.5**	**340.0**
Translation differences in cash	-1.9	-7.2	-8.6
CHANGE OF CASH AND CASH EQUIVALENTS	**-53.7**	**-38.5**	**38.9**
Cash and cash equivalents at beginning of period	233.1	194.1	194.1
Cash and cash equivalents at end of period	179.4	155.6	233.1
CHANGE OF CASH AND CASH EQUIVALENTS	**-53.7**	**-38.5**	**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	1–9/2018	1–9/2017	1–12/2017
Net cash from operating activities	20.3	183.8	249.4
Capital expenditures	-25.6	-18.9	-28.7
Proceeds from sale of property, plant and equipment	2.0	1.5	3.7
Free cash flow	**-3.3**	**166.4**	**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 nine months ending 30.9.2018 and 30.9.2017 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	**1–9/2018**	% of total	**1–9/2017**	% of total	**1–12/2017**	% of total
Service [1]	737.2	32	729.4	31	966.3	31
Industrial Equipment	905.0	39	842.0	35	1,127.3	36
Port Solutions [1]	696.9	30	800.9	34	1,056.2	34
./. Internal	-178.5		-97.6		-142.4	
Total	**2,160.5**	**100**	**2,274.8**	**100**	**3,007.4**	**100**

[1] *Excl. Service Agreement Base*

Order book total [2]	**30.9.2018**	% of total	**30.9.2017**	% of total	**31.12.2017**	% of total
Service	239.6	15	222.5	13	196.0	13
Industrial Equipment	572.0	35	565.7	34	526.9	34
Port Solutions	813.0	50	868.4	52	812.9	53
Total	**1,624.6**	**100**	**1,656.6**	**100**	**1,535.8**	**100**

[2] *Percentage of completion deducted*

Sales by Business Area	**1–9/2018**	% of total	**1–9/2017**	% of total	**1–12/2017**	% of total
Service	856.0	36	858.1	37	1,179.5	36
Industrial Equipment	825.3	35	805.3	35	1,118.2	34
Port Solutions	706.5	30	662.9	28	975.7	30
./. Internal	-142.6		-99.1		-136.2	
Total	**2,245.2**	**100**	**2,227.2**	**100**	**3,137.2**	**100**

Adjusted EBITA by Business Area	**1–9/2018** MEUR	EBITA %	**1–9/2017** MEUR	EBITA %	**1–12/2017** MEUR	EBITA %
Service	124.2	14.5	112.5	13.1	161.3	13.7
Industrial Equipment	27.8	3.4	17.5	2.2	34.6	3.1
Port Solutions	46.0	6.5	28.1	4.2	44.8	4.6
Group costs and eliminations	-26.5		-21.4		-24.0	
Total	**171.5**	**7.6**	**136.7**	**6.1**	**216.6**	**6.9**

Operating profit (EBIT) by Business Area	**1–9/2018** MEUR	EBIT %	**1–9/2017** MEUR	EBIT %	**1–12/2017** MEUR	EBIT %
Service	110.9	13.0	94.6	11.0	139.7	11.8
Industrial Equipment	3.7	0.4	-8.9	-1.1	-4.0	-0.4
Port Solutions	37.0	5.2	1.7	0.3	11.7	1.2
Group costs and eliminations	-37.3		176.0		171.3	
Total	**114.3**	**5.1**	**263.3**	**11.8**	**318.7**	**10.2**

Notes

Business segment assets	30.9.2018 MEUR	30.9.2017 MEUR	31.12.2017 MEUR
Service	1,291.7	1,296.4	1,287.1
Industrial Equipment	870.0	910.9	880.4
Port Solutions	860.1	865.4	840.6
Unallocated items	477.5	443.6	554.7
Total	**3,499.2**	**3,516.4**	**3,562.9**

Business segment liabilities	30.9.2018 MEUR	30.9.2017 MEUR	31.12.2017 MEUR
Service	205.3	195.5	204.5
Industrial Equipment	352.3	349.2	336.5
Port Solutions	369.4	423.1	398.1
Unallocated items	1,329.9	1,293.5	1,344.9
Total	**2,256.9**	**2,261.3**	**2,284.0**

Personnel by Business Area (at the end of the period)	30.9.2018	% of total	30.9.2017	% of total	31.12.2017	% of total
Service	7,351	45	7,234	44	7,206	44
Industrial Equipment	5,831	36	6,146	37	6,024	37
Port Solutions	3,084	19	3,177	19	3,067	19
Group staff	95	1	68	0	74	0
Total	**16,361**	**100**	**16,625**	**100**	**16,371**	**100**

Notes

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

[1] *Excl. Service Agreement Base*

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

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

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

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

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

Notes

6.2. Geographical areas

EUR million

Sales by market	**1–9/2018**	% of total	**1–9/2017**	% of total	**1–12/2017**	% of total
Europe-Middle East-Africa (EMEA)	1,131.7	50	1,119.8	50	1,633.7	52
Americas (AME)	737.7	33	739.3	33	980.9	31
Asia-Pacific (APAC)	375.7	17	368.1	17	522.7	17
Total	**2,245.2**	**100**	**2,227.2**	**100**	**3,137.2**	**100**

Personnel by region (at the end of the period)	**30.9.2018**	% of total	**30.9.2017**	% of total	**31.12.2017**	% of total
Europe-Middle East-Africa (EMEA)	10,021	61	10,037	60	9,920	61
Americas (AME)	3,161	19	3,291	20	3,205	20
Asia-Pacific (APAC)	3,179	19	3,297	20	3,246	20
Total	**16,361**	**100**	**16,625**	**100**	**16,371**	**100**

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

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

Notes

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

EUR million	30.9.2018	30.9.2017	31.12.2017
The cumulative revenues of non-delivered projects	427.8	354.5	389.6
Advances received netted	341.9	280.1	310.9
Progress billings netted	0.0	0.0	0.0
Contract assets	**85.9**	**74.3**	**78.7**
Gross advance received from percentage of completion method	363.8	339.7	395.9
Advances received netted	341.9	280.1	310.9
Contract liabilities	**22.0**	**59.6**	**85.0**

Net sales recognized under the percentage of completion method amounted EUR 257.6 million in 1–9/2018 (EUR 243.3 million in 1–9/2017).

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	30.9.2018	30.9.2017	31.12.2017
Advance received from percentage of completion method (netted)	22.0	59.6	85.0
Other advance received from customers	283.3	275.2	214.8
Total	**305.2**	**334.8**	**299.8**

8. IMPAIRMENTS

EUR million	1–9/2018	1–9/2017	1–12/2017
Property, plant and equipment	0.0	1.6	3.8
Other intangible assets	0.0	1.7	2.4
Total	**0.0**	**3.3**	**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 29.1 million restructuring costs during 1–9/2018 (EUR 52.2 million in 1–9/2017) of which EUR 0.0 million was impairment of assets (EUR 2.9 million for 1–9/2017). The remaining EUR 29.1 million of restructuring cost is reported 1–9/2018 in personnel costs (EUR 15.2 million) and in other operating expenses (EUR 13.9 million).

10. INCOME TAXES

Taxes in statement of Income	1–9/2018	1–9/2017	1–12/2017
Local income taxes of group companies	34.9	46.5	68.0
Taxes from previous years	-0.5	-1.9	-1.0
Change in deferred taxes	-10.1	-16.9	-16.4
Total	**24.3**	**27.7**	**50.6**

Notes

11. KEY FIGURES

	30.9.2018	30.9.2017	Change %	31.12.2017
Earnings per share, basic (EUR)	0.79	2.63	-69.7	2.89
Earnings per share, diluted (EUR)	0.79	2.63	-69.7	2.89
Alternative Performance Measures:				
Return on capital employed, %, Rolling 12 Months (R12M)	8.1	21.8	-62.8	23.7
Adjusted return on capital employed, %, Rolling 12 Months (R12M)	12.5	13.8	-9.4	15.4
Return on equity, %, Rolling 12 Months (R12M)	6.7	25.7	-73.9	26.1
Equity per share (EUR)	15.49	15.66	-1.1	15.95
Interest-bearing net debt / Equity, %	49.9	45.1	10.6	41.1
Net debt / Adjusted EBITDA, Rolling 12 Months (R12M)	1.9	2.2	-13.6	1.8
Equity to asset ratio, %	38.9	39.5	-1.5	39.2
Investments total (excl. acquisitions), EUR million	24.0	27.8	-13.7	35.7
Interest-bearing net debt, EUR million	620.5	566.4	9.6	525.3
Net working capital, EUR million	426.9	342.6	24.6	325.6
Average number of personnel during the period	16,289	15,307	6.4	15,519
Average number of shares outstanding, basic	78,807,499	78,109,755	0.9	78,272,680
Average number of shares outstanding, diluted	78,807,499	78,109,755	0.9	78,272,680
Number of shares outstanding	78,823,503	78,756,145	0.1	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 (%):	=	$\dfrac{\text{Net profit for the period}}{\text{Total equity (average during the period)}} \times 100$
Return on capital employed (%):	=	$\dfrac{\text{Income before taxes + interest paid + other financing cost}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}} \times 100$
Adjusted return on capital employed (%):	=	$\dfrac{\text{Adjusted EBITA}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}} \times 100$
Equity to asset ratio, %:	=	$\dfrac{\text{Shareholders' equity}}{\text{Total amount of equity and liabilities - advance payment received}} \times 100$
Interest-bearing net debt / Equity, %:	=	$\dfrac{\text{Interest-bearing liabilities - liquid assets - loans receivable}}{\text{Total equity}} \times 100$
Equity per share:	=	$\dfrac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares outstanding}}$
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)	1–9/2018	1–9/2017	1–12/2017
Adjusted EBITDA	**223.8**	**192.0**	**289.2**
Transaction costs	0.0	-4.8	-4.9
Restructuring costs (excluding impairments)	-29.1	-49.2	-59.8
Release of MHPS purchase price allocation in inventories	0.0	-5.5	-7.3
Gain on disposal of Stahl CraneSystems	0.0	218.4	218.4
EBITDA	**194.7**	**350.9**	**435.7**
Depreciation, amortization and impairments	-80.4	-87.6	-117.0
Operating profit (EBIT)	**114.3**	**263.3**	**318.7**
Adjusted EBITA	**171.5**	**136.7**	**216.6**
Purchase price allocation amortization	-28.1	-29.4	-38.6
Adjusted Operating profit (EBIT)	**143.4**	**107.4**	**178.0**
Transaction costs	0.0	-4.8	-4.9
Restructuring costs	-29.1	-52.2	-65.6
Release of MHPS purchase price allocation in inventories	0.0	-5.5	-7.3
Gain on disposal of Stahl CraneSystems	0.0	218.4	218.4
Operating profit (EBIT)	**114.3**	**263.3**	**318.7**

Interest-bearing net debt	30.9.2018	30.9.2017	31.12.2017
Non current interest bearing liabilities	591.4	648.2	600.8
Current interest bearing liabilities	209.0	74.5	157.9
Loans receivable	-0.6	-0.7	-0.3
Cash and cash equivalents	-179.4	-155.6	-233.1
Interest-bearing net debt	**620.5**	**566.4**	**525.3**

The period end exchange rates:	30.9.2018	30.9.2017	Change %	31.12.2017
USD - US dollar	1.158	1.181	2.0	1.199
CAD - Canadian dollar	1.506	1.469	-2.5	1.504
GBP - Pound sterling	0.887	0.882	-0.6	0.887
CNY - Chinese yuan	7.966	7.853	-1.4	7.804
SGD - Singapore dollar	1.584	1.603	1.2	1.602
SEK - Swedish krona	10.309	9.649	-6.4	9.844
AUD - Australian dollar	1.605	1.508	-6.1	1.535

The period average exchange rates:	30.9.2018	30.9.2017	Change %	31.12.2017
USD - US dollar	1.194	1.114	-6.7	1.130
CAD - Canadian dollar	1.537	1.455	-5.4	1.465
GBP - Pound sterling	0.884	0.873	-1.2	0.877
CNY - Chinese yuan	7.780	7.577	-2.6	7.629
SGD - Singapore dollar	1.600	1.547	-3.3	1.559
SEK - Swedish krona	10.237	9.582	-6.4	9.633
AUD - Australian dollar	1.576	1.454	-7.8	1.473

Notes

12. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	30.9.2018	30.9.2017	31.12.2017
For own commercial obligations			
Guarantees	538.0	535.9	499.7
Leasing liabilities			
Next year	41.3	40.2	39.8
Later on	89.1	88.5	81.8
Other	29.7	24.5	19.8
Total	**698.1**	**689.1**	**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 30.9.2018	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	527.0	527.0
Derivative financial instruments	7.5	2.4	0.0	9.9
Cash and cash equivalents	0.0	0.0	179.4	179.4
Total	**7.5**	**2.4**	**706.4**	**716.2**

Financial liabilities 30.9.2018				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	591.4	591.4
Other payable	0.0	0.0	6.1	6.1
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	209.0	209.0
Derivative financial instruments	4.5	4.4	0.0	8.9
Accounts and other payable	0.0	0.0	237.8	237.8
Total	**4.5**	**4.4**	**1,044.3**	**1,053.2**

EUR million Financial assets 30.9.2017	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	518.5	518.5
Derivative financial instruments	15.1	18.8	0.0	33.9
Cash and cash equivalents	0.0	0.0	155.6	155.6
Total	**15.1**	**18.8**	**674.1**	**708.0**

Financial liabilities 30.9.2017				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	648.2	648.2
Other payable	0.0	0.0	12.5	12.5
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	74.5	74.5
Derivative financial instruments	5.7	1.9	0.0	7.6
Accounts and other payable	0.0	0.0	222.9	222.9
Total	**5.7**	**1.9**	**958.1**	**965.7**

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				
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 September 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 49.9% (30.9.2017: 45.1%) which is in compliance with the bank covenants the Company has to comply with.

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

Notes

13.2 Fair values

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

Financial assets	Carrying amount 30.9.2018	Carrying amount 30.9.2017	Carrying amount 31.12.2017	Fair value 30.9.2018	Fair value 30.9.2017	Fair value 31.12.2017
Current financial assets						
Account and other receivables	527.0	518.5	581.5	527.0	518.5	581.5
Derivative financial instruments	9.9	33.9	37.7	9.9	33.9	37.7
Cash and cash equivalents	179.4	155.6	233.1	179.4	155.6	233.1
Total	**716.3**	**708.0**	**852.2**	**716.2**	**708.0**	**852.2**

Financial liabilities						
Non-current financial liabilities						
Interest-bearing liabilities	591.4	648.2	600.8	600.8	678.4	608.3
Other payable	6.1	12.5	10.5	6.1	12.5	10.5
Current financial liabilities						
Interest-bearing liabilities	209.0	74.5	157.9	209.0	74.5	157.9
Derivative financial instruments	8.9	7.6	6.8	8.9	7.6	6.8
Accounts and other payable	237.8	222.9	251.0	237.8	222.9	251.0
Total	**1,053.2**	**965.7**	**1,027.0**	**1,062.6**	**995.9**	**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	30.9.2018 Level 1	30.9.2018 Level 2	30.9.2018 Level 3	30.9.2017 Level 1	30.9.2017 Level 2	30.9.2017 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	9.8	0.0	0.0	33.7	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**9.9**	**0.0**	**0.0**	**33.9**	**0.0**	**0.0**	**37.7**	**0.0**
Other financial assets									
Cash and cash equivalents	179.4	0.0	0.0	155.6	0.0	0.0	233.1	0.0	0.0
Total	**179.4**	**0.0**	**0.0**	**155.6**	**0.0**	**0.0**	**233.1**	**0.0**	**0.0**
Total financial assets	**179.4**	**9.9**	**0.0**	**155.6**	**33.9**	**0.0**	**233.1**	**37.7**	**0.0**

Financial liabilities	30.9.2018 Level 1	30.9.2018 Level 2	30.9.2018 Level 3	30.9.2017 Level 1	30.9.2017 Level 2	30.9.2017 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	8.9	0.0	0.0	7.1	0.0	0.0	6.7	0.0
Currency options	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Electricity forward contracts	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.0
Total	**0.0**	**8.9**	**0.0**	**0.0**	**7.6**	**0.0**	**0.0**	**6.8**	**0.0**
Other financial liabilities									
Interest bearing liabilities	0.0	800.4	0.0	0.0	722.7	0.0	0.0	758.6	0.0
Other payables	0.0	0.0	1.4	0.0	0.0	4.3	0.0	0.0	6.3
Total	**0.0**	**800.4**	**1.4**	**0.0**	**722.7**	**4.3**	**0.0**	**758.6**	**6.3**
Total financial liabilities	**0.0**	**809.3**	**1.4**	**0.0**	**730.3**	**4.3**	**0.0**	**765.5**	**6.3**

14. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	30.9.2018 Nominal value	30.9.2018 Fair value	30.9.2017 Nominal value	30.9.2017 Fair value	31.12.2017 Nominal value	31.12.2017 Fair value
Foreign exchange forward contracts	1,020.9	0.9	861.3	26.6	1,006.1	31.0
Currency options	0.0	0.0	69.3	-0.3	0.0	0.0
Fuel oil derivative	0.0	0.0	0.5	0.1	0.0	0.0
Electricity derivatives	0.1	0.0	0.6	-0.1	0.5	-0.1
Total	**1,021.0**	**1.0**	**931.6**	**26.3**	**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 45.9% 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	30.9.2018	30.9.2017	31.12.2017
Balance as of January 1	10.8	15.0	15.0
Gains and losses deferred to equity (fair value reserve)	-10.9	-5.8	-5.3
Change in deferred taxes	2.2	1.2	1.1
Balance as of the end of period	**2.1**	**10.4**	**10.8**

15. TRANSACTIONS WITH RELATED PARTIES

EUR million	30.9.2018	30.9.2017	31.12.2017
Sales of goods and services with associated companies and joint arrangements	34.6	39.8	37.7
Sales of goods and services with significant shareholders	0.0	13.1	13.1
Receivables from associated companies and joint arrangements	10.7	10.5	11.1
Receivables from significant shareholders	0.0	0.0	0.0
Purchases of goods and services from associated companies and joint arrangements	37.4	32.8	45.7
Purchases of goods and services from significant shareholders	0.0	0.7	0.7
Liabilities to associated companies and joint arrangements	8.9	4.3	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 October 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 October 11, 2018 for the conference call details.

NEXT REPORT

Konecranes Plc plans to publish its Financial Statements Release 2018 on February 7, 2019.

KONECRANES PLC

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Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity enhancing lifting solutions as well as services for lifting equipment of all makes. In 2017, Group sales totaled EUR 3,136 million. The Group has 16,400 employees at 600 locations in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).

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