KONECRANES
Lifting Businesses™

Order intake growth and adjusted EBITA improvement continued, strong cash flow

Half-year financial report
January–June 2017

H1

Order intake growth and adjusted EBITA improvement continued, strong cash flow

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

SECOND QUARTER HIGHLIGHTS
(COMPARISON TO COMBINED COMPANY FIGURES*)

- Order intake EUR 790.2 million (761.6), +3.8 percent
- Order book EUR 1,605.9 million (1,538.1) at end-June, +4.4 percent
- Sales EUR 797.2 million (787.3), +1.3 percent
- Adjusted EBITA EUR 51.2 million (42.6), 6.4 percent of sales (5.4)

JANUARY–JUNE HIGHLIGHTS
(COMPARISON TO COMBINED COMPANY FIGURES*)

- Order intake EUR 1,524.7 million (1,418.5), +7.5 percent
- Sales EUR 1,480.2 million (1,503.6), -1.6 percent
- Adjusted EBITA EUR 81.9 million (51.3), 5.5 percent of sales (3.4)

JANUARY–JUNE HIGHLIGHTS
(COMPARISON TO HISTORICAL KONECRANES FIGURES*)

- Order intake EUR 1,524.7 million (905.3), +68.4 percent
- Order book EUR 1,605.9 million (1,043.3) at end-June, +53.9 percent
- Sales EUR 1,480.2 million (987.4), +49.9 percent
- Adjusted EBITA EUR 81.9 million (52.8), 5.5 percent of sales (5.4)
- Operating profit EUR 256.1 million (28.9), 17.3 percent of sales (2.9)
- Earnings per share (diluted) EUR 2.68 (0.19)
- Free cash flow EUR 172.6 million (3.3)
- Net debt EUR 542.4 million (258.7) and gearing 43.0 percent (64.4)

MARKET OUTLOOK

Economic indicators related to manufacturing industries have strengthened, which appears to improve the customers' willingness to proceed with their investment plans. Demand situation in Europe is gradually improving within the industrial customer segments. Business activity in the North American manufacturing industry remains mixed. Demand in Asia-Pacific is showing signs of bottoming out. Global container throughput growth has improved and the prospects for the small and medium-sized orders related to container handling have strengthened.

FINANCIAL GUIDANCE

The sales in 2017 are expected to be close to or lower than the comparable combined company sales in 2016 (EUR 3,278 million). We expect the adjusted EBITA to total EUR 205–225 million in 2017 (comparable combined company's adjusted EBITA was EUR 184 million in 2016).

The comparable combined company's operations comprise Konecranes' operations without the divested STAHL CraneSystems business, but include the acquired MHPS business. See the stock exchange releases published on April 10, 2017 and April 13, 2017 for further financial information including the basis of preparation for comparable combined company.

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

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

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

Key figures

COMPARISONS TO HISTORICAL FIGURES

	Second quarter			First half year				
	4–6/2017	4–6/2016	Change %	1–6/2017	1–6/2016	Change %	R12M	1–12/2016
Orders received, MEUR	790.2	480.2	64.6	1,524.7	905.3	68.4	2,540.1	1,920.7
Order book at end of period, MEUR				1,605.9	1,043.3	53.9		1,038.0
Sales total, MEUR	797.2	528.8	50.7	1,480.2	987.4	49.9	2,611.1	2,118.4
Adjusted EBITDA, MEUR [1)]	71.0	49.6	42.9	119.5	76.7	55.8	234.4	191.6
Adjusted EBITDA, % [1)]	8.9%	9.4%		8.1%	7.8%		9.0%	9.0%
Adjusted EBITA, MEUR [2)]	51.2	37.1	38.3	81.9	52.8	54.9	173.8	144.8
Adjusted EBITA, % [2)]	6.4%	7.0%		5.5%	5.4%		7.0%	6.8%
Adjusted operating profit, MEUR [1)]	41.4	36.0	14.9	62.2	50.8	22.5	152.2	140.8
Adjusted operating margin, % [1)]	5.2%	6.8%		4.2%	5.1%		5.7%	6.6%
Operating profit, MEUR	30.2	28.6	5.4	256.1	28.9	785.3	312.0	84.9
Operating margin, %	3.8%	5.4%		17.3%	2.9%		18.4%	4.0%
Profit before taxes, MEUR	14.0	22.4	-37.6	235.7	15.4	1,435.5	282.4	62.1
Net profit for the period, MEUR	14.5	16.0	-9.1	207.4	10.9	1,803.1	234.1	37.6
Earnings per share, basic, EUR	0.17	0.27	-35.7	2.68	0.19	1,344.0	3.13	0.64
Earnings per share, diluted, EUR	0.17	0.27	-35.7	2.68	0.19	1,344.0	3.13	0.64
Interest-bearing net debt/Equity, %				43.0%	64.4%			29.1%
Net debt/Adjusted EBITDA, R12M [1)]				2.3	1.5			0.7
Return on capital employed, %							23.2%	10.3%
Adjusted return on capital employed, % [3)]							12.6%	19.2%
Free cash flow, MEUR	84.6	10.2		172.6	3.3		253.2	83.9
Average number of personnel during the period				14,867	11,647	27.6		11,398

COMPARISONS TO COMBINED COMPANY FIGURES

	Second quarter			First half year				
	4–6/2017	4–6/2016	Change %	1–6/2017	1–6/2016	Change %	R12M	1–12/2016
Orders received, MEUR	790.2	761.6	3.8	1,524.7	1,418.5	7.5	3,131.5	3,025.3
Order book at end of period, MEUR				1,605.9	1,538.1	4.4		1,507.7
Sales total, MEUR	797.2	787.3	1.3	1,480.2	1,503.6	-1.6	3,255.0	3,278.4
Adjusted EBITDA, MEUR [1)]	71.0	61.4	15.5	119.5	88.3	35.3	290.1	258.9
Adjusted EBITDA, % [1)]	8.9%	7.8%		8.1%	5.9%		8.9%	7.9%
Adjusted EBITA, MEUR [2)]	51.2	42.6	20.4	81.9	51.3	59.7	214.7	184.1
Adjusted EBITA, % [2)]	6.4%	5.4%		5.5%	3.4%		6.6%	5.6%
Average number of personnel during the period				16,914	18,126	-6.7		17,760

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

President and CEO Panu Routila:

"Our second-quarter financial performance exceeded our expectations, particularly in terms of profitability and cash flow. Our order intake and sales grew moderately on a comparable combined company basis, while our adjusted EBITA clearly exceeded the previous year's level. On July 18, 2017, we upgraded our 2017 EBITA guidance, whereas the 2017 sales guidance was slightly lowered. The upgrade in the EBITA guidance related to the better than expected sales mix and higher than expected cost savings. The downgrade in the sales guidance related mainly to the recent depreciation of the USD against the EUR.

The comparable combined company orders received in the second quarter increased by 3.8 percent on a year-on-year basis. Similar to the first quarter, the order intake growth was strongest in Business Area Port Solutions. We are pleased that its orders received grew across the product portfolio and that the cross-promotion of our extended offering seems to work. Order book for most of our new Konecranes Gottwald and Konecranes Noell products has increased as our MHPS acquisition brought continuity to these businesses. Order intake growth in Business Area Industrial Equipment was led by the crane component business in EMEA and the Americas. We are very grateful for the trust that our customers and distributors have placed in us. There are also signs of increased investments within the process industries including steel, paper, and waste-to-energy.

In the second quarter, Group sales were 1.3 percent above the previous year on a comparable combined company basis. Sales growth related to the successful deliveries and strengthened order book in Business Area Industrial Equipment. Business Area Service sales were close to the previous year's level, which actually matched our expectation for the second quarter. The slight decrease in Business Area Port Solutions sales related to the timing of deliveries.

The second-quarter comparable combined company adjusted EBITA increased to EUR 51.2 million (42.6) and the adjusted EBITA margin improved to 6.4 percent (5.4). In Business Area Service, the adjusted EBITA margin increased by 1.4 percentage points thanks to the positive sales mix, better productivity and lower fixed costs. In Business Area Industrial Equipment, the 3.8 percentage points' improvement in the adjusted EBITA margin related mainly to the cost-saving measures implemented in 2016–2017, as well as successful deliveries. The adjusted EBITA margin in Business Area Port Solutions, down 0.2 percentage points on a year-on-year basis was affected by slightly lower sales.

In the second quarter, free cash flow remained very strong at EUR 85 million thanks to improved profitability and positive change in the net working capital. Our interest-bearing net debt amounted to EUR 542 million at the end of June, although we paid dividends of EUR 82 million in April.

The integration of MHPS is running somewhat ahead of our expectations. While maintaining the targeted EBIT level synergies of EUR 140 million p.a. by the end of 2019, we now expect to implement EUR 45 million (earlier EUR 35 million) synergies on a run-rate basis by the end of 2017. We are in process of optimizing our industrial crane manufacturing in several countries including Austria, Canada, India, South Africa, and Switzerland. In addition, a potential closure of our lift truck factory in Italy is being discussed with the employee representatives and local authorities. While there is still much work left to do for the rest of 2017, we are already planning our integration activities for 2018.

The key macroeconomic drivers are increasingly supportive in our end-markets. Coupled with our determined actions to boost our own financial performance, we look forward to posting a solid second-half performance."

Konecranes Plc January–June 2017 half-year financial report

COMPARISONS TO HISTORICAL AND COMBINED COMPANY'S FIGURES

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

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

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

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

MARKET REVIEW

The J.P.Morgan Global Manufacturing Purchasing Managers' Index (PMI) signaled a solid and steady improvement in manufacturing operating conditions in January–June 2017. Developed countries, on average, tended to outperform emerging markets.

The euro area remained a bright spot within the global manufacturing sector. Its PMI rose to a near six-year record high, with the growth improving across the countries. Outside the Eurozone, the performance of the UK and particularly Swedish manufacturing sectors remained solid in January–June, as well. Correspondingly, the European Union manufacturing capacity utilization rate continued to improve.

Similar to Europe, the economic activity in the U.S. manufacturing sector, measured by the PMI, expanded in January–June 2017. However, the U.S. total industrial capacity utilization rate improved only marginally after having declined since the end of 2014.

Compared to the previous year, PMIs also rose in the BRIC countries, but the rate of expansion remained more modest than in Europe or the U.S.A. Furthermore, PMI data highlighted a slowdown in growth across the BRIC countries' manufacturing sectors toward the end of the second quarter.

The global container throughput was robust as it increased by approximately 6 percent on a year-on-year basis in January–June 2017. Regionally, the Intra-Asian traffic growth has been particularly strong year-to-date. Asia to North America container volumes have grown too, and the widening of the Panama Canal has supported the Asia to East Coast North America container traffic above expectations. Container traffic in the Middle East and Africa has suffered from low oil price and tensions in the region.

The average raw material prices, including steel, copper, and oil were above the previous year's level in January–June 2017. The average EUR/USD exchange rate was approximately stable on a year-on-year basis during the period.

ORDERS RECEIVED

January–June orders received totaled EUR 1,524.7 million (905.3), representing an increase of 68.4 percent mainly due to the MHPS acquisition. Orders received increased by 33.1 percent in Service, by 35.1 percent in Industrial Equipment, and by 171.8 percent in Port Solutions compared to the year before. Orders received grew in all regions.

Comparison to combined company figures

Orders received in January–June totaled EUR 1,524.7 million (1,418.5), representing an increase of 7.5 percent. Orders received increased by 0.5 percent in Industrial Equipment and by 20.8 percent in Port Solutions, but decreased by 0.4 percent in Service compared to the year before. Orders received grew in all regions.

Orders received in the second quarter totaled EUR 790.2 million (761.6), representing an increase of 3.8 percent. Orders received increased by 2.6 percent in Industrial Equipment and by 4.8 percent in Port Solutions, but decreased by 1.3 percent in Service compared to the year before. Orders received grew in the Americas, as well as in APAC, but were lower in EMEA.

ORDERS RECEIVED AND NET SALES, MEUR

(Comparisons to historical figures)

	4–6/ 2017	4–6/ 2016	Change percent	Change % at comparable currency rates	1–6/ 2017	1–6/ 2016	Change percent	Change % at comparable currency rates	1–12/2016
Orders received, MEUR	790.2	480.2	64.6	63.7	1,524.7	905.3	68.4	66.7	1,920.7
Net sales, MEUR	797.2	528.8	50.7	50.0	1,480.2	987.4	49.9	48.5	2,118.4

ORDERS RECEIVED AND NET SALES, MEUR

(Comparisons to comparable combined company figures)

	4–6/ 2017	4–6/ 2016	Change percent	Change % at comparable currency rates	1–6/ 2017	1–6/ 2016	Change percent	Change % at comparable currency rates	1–12/2016
Orders received, MEUR	790.2	761.6	3.8	3.5	1,524.7	1,418.5	7.5	6.6	3,025.3
Net sales, MEUR	797.2	787.3	1.3	0.6	1,480.2	1,503.6	-1.6	-2.5	3,278.4

ORDER BOOK

The value of the order book at end-June totaled EUR 1,605.9 million (1,043.3), which was 53.9 percent higher than the previous year mainly due to the MHPS acquisition. Order book increased by 22.7 percent in Service, by 33.1 percent in Industrial Equipment, and by 87.1 percent in Port Solutions.

Comparison to combined company figures

The value of the order book at the end of March totaled EUR 1,605.9 million (1,538.1), which was 4.4 percent higher than in the previous year. Order book increased by 3.8 percent in Industrial Equipment and by 7.3 percent in Port Solutions, but decreased by 3.8 percent in Service. The previous year's order book for MHPS included deliveries for the next 12 months only.

SALES

Group sales in January–June increased by 49.9 percent from a year ago and totaled EUR 1,480.2 million (987.4). Sales in Service rose by 32.4 percent, in Industrial Equipment by 37.3 percent, and in Port Solutions by 78.6 percent.

At the end-June, the regional breakdown, calculated for a rolling 12-month period, was as follows: EMEA 47 (48), Americas 36 (37), and APAC 16 (14) percent.

Comparison to combined company figures

Group sales in January–June decreased by 1.6 percent to EUR 1,480.2 million (1,503.6). Sales in Industrial Equipment rose by 1.8 percent, but fell in Service by 0.3 percent and in Port Solutions by 9.3 percent.

Group sales in the second quarter increased by 1.3 percent to EUR 797.2 million (787.3). Sales in Industrial Equipment rose by 4.8 percent, but fell in Service by 2.0 percent and in Port Solutions by 1.7 percent.

FINANCIAL RESULT

In January–June, the adjusted EBITA increased by EUR 29.0 million to EUR 81.9 million (52.8). The adjusted EBITA margin improved to 5.5 percent (5.4). The adjusted EBITA margin in Service improved to 12.7 percent (9.4) and in Industrial Equipment to 1.0 percent (0.1), but fell in Port Solutions to 3.7 (8.6). The Group adjusted EBITA improved mainly thanks to the MHPS acquisition and cost-saving measures implemented in 2016–2017. On the other hand, the divestment of STAHL CraneSystems affected the adjusted EBITA by approximately EUR 15 million.

The January–June consolidated adjusted operating profit increased by EUR 11.4 million to EUR 62.2 million (50.8). The adjusted operating margin fell to 4.2 percent (5.1). The adjusted operating margin declined due to the amortization arising from the purchase price allocations for acquisitions.

The consolidated operating profit in January–June totaled EUR 256.1 million (28.9). The operating profit includes adjustments of EUR 193.9 million (-21.9), comprising of capital gain of EUR 218.4 million (0.0) from the divestment of STAHL CraneSystems, restructuring costs of EUR 16.7 million (9.7), transaction costs of EUR 4.2 million (22.2) related to the MHPS acquisition, and cost of EUR 3.7 million (0.0) related to the MHPS purchase price allocated to inventories. The previous year's operating profit included an insurance indemnity of EUR 10.0 million.

In January–June, depreciation and impairments totaled EUR 59.7 million (28.7). This included restructuring related impairments of EUR 2.4 million (2.8). The amortization arising from the purchase price allocations of acquisitions represented EUR 19.6 million (2.0) of the depreciation and impairments.

In January–June, the share of the result of associated companies and joint ventures was EUR -0.2 million (4.8).

In January–June, financial income and expenses totaled EUR -20.1 million (-18.4). Net interest expenses of this were EUR 18.6 million (4.2). The previous year's financial expenses included costs of EUR 10.8 million related to the terminated Konecranes Terex merger plan and proposed MHPS acquisition.

The January–June profit before taxes was EUR 235.7 million (15.4).

In January–June, income taxes were EUR -28.3 million (-4.5). The Group's effective tax rate was 12.0 percent (29.0).

Net profit for January–June was EUR 207.4 million (10.9).

In January–June, the basic earnings per share were EUR 2.68 (0.19) and the diluted earnings per share were EUR 2.68 (0.19).

On a rolling twelve-month basis, the return on capital employed was 23.2 percent (8.2) and the return on equity 28.1 percent (5.9). The adjusted return on capital employed was 12.6 percent (17.6).

Comparison to combined company figures

In January–June, the consolidated adjusted EBITA increased by EUR 30.6 million to EUR 81.9 million (51.3). The adjusted EBITA margin improved to 5.5 percent (3.4). The adjusted EBITA margin in Service improved to 12.7 percent (11.1), in Industrial Equipment to 1.0 percent (-3.5), and in Port Solutions to 3.7 (3.0). The Group adjusted EBITA margin improved mainly thanks to the cost-saving measures implemented in 2016–2017, as well as successful delivery execution. Gross margin improved and fixed costs were lower on a year-on-year basis.

In the second quarter, the consolidated adjusted EBITA increased by EUR 8.7 million to EUR 51.2 million (42.6). The adjusted EBITA margin improved to 6.4 percent (5.4). The adjusted EBITA margin in Service improved to 13.8 percent (12.4) and in Industrial Equipment to 2.1 percent (-1.7), but fell in Port Solutions to 5.5 (5.7). The Group adjusted EBITA margin improved mainly thanks to the cost-saving measures implemented in 2016–2017, as well as successful delivery execution. Gross margin improved and fixed costs were lower on a year-on-year basis.

BALANCE SHEET

The consolidated balance sheet at end-June 2017 stood at EUR 3,593.3 million (1,461.7). The total equity at the end of the reporting period was EUR 1,261.5 million (401.9). Total equity attributable to the equity holders of the parent company on June 30 was EUR 1,239.1 million (401.8) or EUR 15.80 per share (6.84).

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

Net working capital at the end of June 2017 totaled EUR 306.2 million (340.9).

CASH FLOW AND FINANCING

Net cash from operating activities in January–June was EUR 185.7 million (14.2). Cash flow before financing activities was EUR -327.0 million (3.3). This included acquisitions of EUR – 722.0 million (0.0), divestments of EUR + 222.5 million (0.0), and capital expenditures of EUR -14.3 million (-11.6).

At the end of June 2017, interest-bearing net debt was EUR 542.4 million (258.7). The equity to assets ratio was 39.4 percent (31.7) and the gearing 43.0 percent (64.4).

On January 4, 2017, Konecranes raised loans of EUR 1,052 million related to the MHPS acquisition. The forgoing included a syndicated EUR 300 million term loan with a tenor of three years, EUR 600 million amortizing term loan with a tenor of five years and a EUR 152 million bridge term loan. The bridge loan was repaid on January 31, 2017. On June 30, 2017, the EUR 300 million three-year loan has been fully repaid and the EUR 600 million five-year loan has been repaid with EUR 246 million to EUR 354 million.

On June 2, 2017, Konecranes announced that it issues senior unsecured guaranteed notes in the amount of EUR 250 million (the "Notes"). The Notes mature on June 9, 2022. The Notes bear a fixed annual coupon of 1.750 percent. Public trading on the Notes commenced on July 7, 2017, on Nasdaq Helsinki Ltd's bond list under the trading code KCRJ175022. The issue proceeds of the Notes were utilized for EUR 200 million repayment of the three-year loan and EUR 50 million repayment of the five-year loan.

At the end of the second quarter, cash and cash equivalents amounted to EUR 197.9 million (80.5). None of the Group's committed EUR 400 million back-up financing facility was in use at the end of the period.

CAPITAL EXPENDITURE

January–June capital expenditure, excluding acquisitions and joint arrangements, amounted to EUR 21.2 million (18.2). This amount consisted mainly of the replacement or capacity expansion investments in the property, machines, equipment, and information technology.

ACQUISITIONS AND DIVESTMENTS

In January–June 2017, the capital expenditure for acquisitions and joint arrangements was EUR 1,472.3 million (0.0).

On May 16, 2016, Konecranes signed an agreement (the ”Stock and Asset Purchase Agreement”) to acquire from Terex Corporation (“Terex”) its Material Handling & Port Solutions (”MHPS”) segment (the ”MHPS acquisition”) against consideration consisting of cash and shares and to terminate the previously announced business combination agreement. On January 4, 2017, Konecranes completed the MHPS acquisition and paid EUR 786.1 million in cash and 19.6 million in newly issued Konecranes class B shares. During 2017, there still can be purchase price adjustments, as well as adjustments to the preliminary purchase price allocation.

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

Out of the total of EUR 140 million p.a., synergies targeted at the EBIT level within three years, EUR 45 million is expected to be implemented on a run-rate basis by the end of 2017. One-time integration expenses are expected to be EUR 130 million, with the expected capex of EUR 60 million.

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

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

On March 7, 2017, Konecranes agreed to divest Sanma Hoists & Cranes Co., Ltd. (“Sanma”) to Jingjiang Hongcheng Crane Components Manufacturing Works. The agreement included Sanma’s manufacturing machinery for CD/MD hoists and related inventory. Konecranes reported a pre-tax capital gain of EUR 0.4 million in other operating income in January–March 2017. With this divestment, Konecranes streamlined its product and brand portfolio in Chinese market due to its earlier MHPS acquisition.

PERSONNEL

In January–June, the Group employed an average of 14,867 people (11,647). On June 30, the headcount was 16,754 (11,444). During January–March, the Group’s personnel increased by approximately 6,000 people in total because of the MHPS acquisition and the divestments of STAHL CraneSystems and Sanma.

At end-June, the number of personnel by Business Area was as follows: Service 7,311 employees (6,054), Industrial Equipment 6,132 employees (4,527), Port Solutions 3,248 employees (807), and Group staff 63 (56). The Group had 10,069 employees (6,111) working in EMEA, 3,294 (2,816) in the Americas, and 3,391 (2,517) in the APAC region.

BUSINESS AREAS

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

SERVICE

(Comparisons to historical figures)

	4–6/ 2017	4–6/ 2016	Change percent	Change % at comparable currency rates	1–6/ 2017	1–6/ 2016	Change percent	Change % at comparable currency rates	1–12/2016
Orders received, MEUR	251.4	190.9	31.6	30.3	497.6	373.8	33.1	31.1	727.9
Order book, MEUR	217.6	177.3	22.7		217.6	177.3	22.7		158.1
Agreement base value, MEUR	243.0	201.0	20.9		243.0	201.0	20.9		199.1
Net sales, MEUR	298.1	231.0	29.0	27.8	582.6	440.2	32.4	30.2	914.8
Adjusted EBITA, MEUR [1]	41.2	25.6	61.0		74.2	41.6	78.5		100.2
Adjusted EBITA, % [1]	13.8%	11.1%			12.7%	9.4%			11.0%
Purchase price allocation amortization, MEUR	-3.3	-0.3	871.9		-6.6	-0.7	842.1		-1.3
Adjustments,MEUR	-2.4	-1.2	89.4		-4.6	-1.8	153.3		-8.7
Operating profit (EBIT), MEUR	35.5	24.0	48.1		63.0	39.1	61.4		90.2
Operating profit (EBIT), %	11.9%	10.4%			10.8%	8.9%			9.9%
Personnel at the end of period	7,311	6,054	20.8		7,311	6,054	20.8		5,749

In Service, January–June orders received totaled EUR 497.6 million (373.8), showing an increase of 33.1 percent. The order book increased by 22.7 percent to EUR 217.6 million (177.3) from a year before. Sales grew by 32.4 percent to EUR 582.6 million (440.2). Sales grew in all regions mainly due to the MHPS acquisition.

The January–June adjusted EBITA was EUR 74.2 million (41.6) and the adjusted operating margin 12.7 percent (9.4). The adjusted EBITA margin improved mainly due to the MHPS acquisition and the cost-saving measures implemented in 2016–2017. Operating profit was EUR 63.0 million (39.1) and the operating margin 10.8 percent (8.9).

The total number of equipment included in the maintenance agreement base increased by 33.1 percent to 616,644 (463,220). The annual value of the agreement base increased by 20.9 percent to EUR 243.0 million (201.0).

SERVICE

(Comparisons to combined company figures)

	4–6/ 2017	4–6/ 2016	Change percent	Change % at comparable currency rates	1–6/ 2017	1–6/ 2016	Change percent	Change % at comparable currency rates	1–12/2016
Orders received, MEUR	251.4	254.6	-1.3	-2.5	497.6	499.8	-0.4	-2.1	981.4
Order book, MEUR	217.6	226.1	-3.8		217.6	226.1	-3.8		200.3
Net sales, MEUR	298.1	304.1	-2.0	-3.2	582.6	584.3	-0.3	-2.2	1,214.1
Adjusted EBITA, MEUR [1]	41.2	37.7	9.3		74.2	64.9	14.4		153.4
Adjusted EBITA, % [1]	13.8%	12.4%			12.7%	11.1%			12.6%

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

In Service, January–June orders received decreased by 0.4 percent to EUR 497.6 million (499.8). The order book decreased by 3.8 percent from the year before to EUR 217.6 million (226.1). Sales in the reporting period fell by 0.3 percent to EUR 582.6 million (584.3). Sales were broadly unchanged in EMEA, but decreased in the Americas and APAC. Parts sales outperformed field service sales.

The January–June adjusted EBITA was EUR 74.2 million (64.9) and the adjusted EBITA margin 12.7 percent (11.1). The adjusted EBITA improved thanks to the positive sales mix and lower fixed costs.

The second-quarter orders received decreased by 1.3 percent to EUR 251.4 million (254.6). Sales in the reporting period fell by 2.0 percent to EUR 298.1 million (304.1). Sales increased in EMEA and APAC, whereas they decreased in the Americas. Parts sales outperformed field service sales.

The second-quarter adjusted EBITA was EUR 41.2 million (37.7) and the adjusted EBITA margin 13.8 percent (12.4). The adjusted EBITA improved thanks to the positive sales mix, better productivity and lower fixed costs.

INDUSTRIAL EQUIPMENT

(Comparisons to historical figures)

	4–6/ 2017	4–6/ 2016	Change percent	Change % at comparable currency rates	1–6/ 2017	1–6/ 2016	Change percent	Change % at comparable currency rates	1–12/2016
Orders received, MEUR	308.5	218.1	41.4	40.6	579.2	428.9	35.1	33.7	821.5
Order book, MEUR	571.2	429.3	33.1		571.2	429.3	33.1		399.4
Net sales, MEUR	296.5	210.3	41.0	40.6	546.1	397.8	37.3	36.4	830.1
Adjusted EBITA, MEUR [1)]	6.2	2.2	179.1		5.7	0.5	1,129.4		15.7
Adjusted EBITA, % [1)]	2.1%	1.1%			1.0%	0.1%			1.9%
Purchase price allocation amortization, MEUR	-3.7	-0.3	1,188.1		-7.5	-0.6	1,179.7		-1.2
Adjustments,MEUR	-4.3	-2.5	73.1		-4.7	-5.7	-17.5		-8.5
Operating profit (EBIT), MEUR	-1.9	-0.6	-228.1		-6.5	-5.8	-11.4		6.0
Operating profit (EBIT), %	-0.6%	-0.3%			-1.2%	-1.5%			0.7%
Personnel at the end of period	6,132	4,527	35.5		6,132	4,527	35.5		4,353

In Industrial Equipment, January–June orders received totaled EUR 579.2 million (428.9), showing an increase of 35.1 percent. Orders grew in all regions mainly due to the MHPS acquisition. The order book increased by 33.1 percent from a year ago to EUR 571.2 million (429.3). Sales rose by 37.3 percent to EUR 546.1 million (397.8).

The January–June adjusted EBITA was EUR 5.7 million (0.5) and the adjusted operating margin 1.0 percent (0.1). The adjusted EBITA margin improved mainly thanks to the cost-saving measures implemented in 2016–2017. Operating profit was EUR -6.5 million (-5.8) and operating margin -1.2 percent (-1.5).

INDUSTRIAL EQUIPMENT

(Comparisons to combined company figures)

	4–6/ 2017	4–6/ 2016	Change percent	Change % at comparable currency rates	1–6/ 2017	1–6/ 2016	Change percent	Change % at comparable currency rates	1–12/2016
Orders received, MEUR	308.5	300.8	2.6	1.8	579.2	576.4	0.5	-0.7	1,148.9
Order book, MEUR	571.2	550.2	3.8		571.2	550.2	3.8		540.9
Net sales, MEUR	296.5	282.8	4.8	2.7	546.1	536.2	1.8	1.0	1,130.8
Adjusted EBITA, MEUR [1)]	6.2	-4.9	225.7		5.7	-18.7	130.6		-6.1
Adjusted EBITA, % [1)]	2.1%	-1.7%			1.0%	-3.5%			-0.5%

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

In Industrial Equipment, January–June orders received totaled EUR 579.2 million (576.4), showing an increase of 0.5 percent. In total, orders grew in EMEA and APAC, but fell in the Americas. In the Americas, industrial crane orders declined as the comparison period included some unusually large single heavy-duty crane orders; orders for industrial cranes rose in EMEA and APAC. Crane component orders increased in EMEA and the Americas, but decreased in APAC. The order book increased by 3.8 percent from a year before to EUR 571.2 million (550.2). Sales rose by 1.8 percent to EUR 546.1 million (536.2).

The January–June adjusted EBITA was EUR 5.7 million (-18.7) and the adjusted EBITA margin 1.0 percent (-3.5). The improvement in adjusted EBITA margin related mainly to the cost-saving measures implemented in 2016–2017, as well as successful deliveries. Gross margin improved and fixed costs were lower on a year-on-year basis.

The second-quarter orders received totaled EUR 308.5 million (300.8), showing an increase of 2.6 percent. In total, orders grew in EMEA and APAC, whereas they were broadly unchanged in the Americas. In the Americas, industrial crane orders declined as the comparison period included some unusually large single heavy-duty crane orders; orders for industrial cranes rose in EMEA and APAC. Crane component orders increased in EMEA and the Americas, but decreased in APAC. Sales rose by 4.8 percent to EUR 296.5 million (282.8).

The second-quarter adjusted EBITA was EUR 6.2 million (-4.9) and the adjusted EBITA margin 2.1 percent (-1.7). The improvement in adjusted EBITA margin related mainly to the cost-saving measures implemented in 2016–2017, as well as successful deliveries. Gross margin improved and fixed costs were lower on a year-on-year basis.

PORT SOLUTIONS

(Comparisons to historical figures)

	4–6/ 2017	4–6/ 2016	Change percent	Change % at comparable currency rates	1–6/ 2017	1–6/ 2016	Change percent	Change % at comparable currency rates	1–12/2016
Orders received, MEUR	261.6	117.5	122.6	124.5	508.7	187.2	171.8	173.2	533.4
Order book, MEUR	817.2	436.7	87.1		817.2	436.7	87.1		480.5
Net sales, MEUR	237.9	132.4	79.7	80.0	419.2	234.7	78.6	78.7	543.2
of which service, MEUR	41.1	17.7	131.6	131.1	80.3	33.7	138.0	136.3	68.3
Adjusted EBITA, MEUR [1)]	13.0	14.3	-9.2		15.6	20.2	-23.1		50.5
Adjusted EBITA, % [1)]	5.5%	10.8%			3.7%	8.6%			9.3%
Purchase price allocation amortization, MEUR	-2.8	-0.4	635.4		-5.5	-0.8	634.0		-1.5
Adjustments,MEUR	-0.4	0.0			-1.3	0.0			0.0
Operating profit (EBIT), MEUR	9.8	13.9	-29.4		8.7	19.5	-55.5		49.0
Operating profit (EBIT), %	4.1%	10.5%			2.1%	8.3%			9.0%
Personnel at the end of period	3,248	807	302.5		3,248	807	302.5		789

In Port Solutions, January–June orders received totaled EUR 508.7 million (187.2), showing an increase of 171.8 percent. Orders grew in all regions mainly due to the MHPS acquisition. The order book increased by 87.1 percent from a year before to EUR 817.2 million (436.7). Sales rose by 78.6 percent to EUR 419.2 million (234.7).

The January–June adjusted EBITA was EUR 15.6 million (20.2) and the adjusted EBITA margin 3.7 percent (8.6). The adjusted EBITA margin decreased mainly due to the MHPS acquisition. Operating profit was EUR 8.7 million (19.5) and operating margin 2.1 percent (8.3).

PORT SOLUTIONS

(Comparisons to combined company figures)

	4–6/ 2017	4–6/ 2016	Change percent	Change % at comparable currency rates	1–6/ 2017	1–6/ 2016	Change percent	Change % at comparable currency rates	1–12/2016
Orders received, MEUR	261.6	249.7	4.8	6.4	508.7	421.1	20.8	21.9	1,045.2
Order book, MEUR	817.2	761.8	7.3		817.2	761.8	7.3		766.4
Net sales, MEUR	237.9	242.0	-1.7	-1.7	419.2	462.3	-9.3	-9.2	1,091.4
of which Service, MEUR	41.1	42.1	-2.3	-2.5	80.3	79.5	0.9	0.2	159.6
Adjusted EBITA, MEUR [1)]	13.0	13.8	-5.8		15.6	13.8	12.7		52.7
Adjusted EBITA, % [1)]	5.5%	5.7%			3.7%	3.0%			4.8%

[1)] Excluding adjustments and purchase price allocation amortization

In Port Solutions, January–June orders received totaled EUR 508.7 million (421.1), showing an increase of 20.8 percent. Orders grew in all regions. Orders increased for the most of products and services. The order book increased by 7.3 percent from a year before to EUR 817.2 million (761.8). Sales fell by 9.3 percent to EUR 419.2 million (462.3). The decrease in sales related to the timing of deliveries and exceptionally high sales of certain products in the comparison period.

The January–June adjusted EBITA was EUR 15.6 million (13.8) and the adjusted EBITA margin 3.7 percent (3.0). The adjusted EBITA margin was supported by cost-saving measures implemented in 2016–2017, improved delivery execution leading to better than expected margins from some completed projects, as well as sales growth in lift trucks and service. Gross margin improved and fixed costs were lower on a year-on-year basis.

The second-quarter orders received totaled EUR 261.6 million (249.7), showing an increase of 4.8 percent. Orders grew in the Americas and APAC, whereas orders fell in EMEA. Orders increased for most of products and services. Sales fell by 1.7 percent to EUR 237.9 million (242.0). The decrease in sales related to the timing of deliveries.

The second-quarter adjusted EBITA was EUR 13.0 million (13.8) and the adjusted EBITA margin 5.5 percent (5.7). The adjusted EBITA margin was affected by slightly lower sales. Gross margin declined on a year-on-year basis.

Group overheads

In January–June, adjusted unallocated Group overhead costs and eliminations were EUR -13.6 million (-9.4), representing -0.9 percent of sales (-1.0). The increase in unallocated Group overhead costs and eliminations related partly to the factory rebranding activities and legal expenses.

Unallocated Group overhead costs and eliminations in the reporting period were EUR 190.9 million (–23.8), representing 12.9 percent of sales (-2.4). These included a capital gain of EUR 218.4 million (0.0) from the divestment of STAHL CraneSystems, restructuring costs of EUR 9.7 million (2.2), and transaction costs of EUR 4.2 million (22.2) related to the MHPS acquisition. The previous year's unallocated Group overhead costs and eliminations included an insurance indemnity of EUR 10.0 million.

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 23, 2017.

Changes in the Board of Directors

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

Changes in the Board of Directors' Committees

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

SHARE CAPITAL AND SHARES

On June 30, 2017, the company's registered share capital totaled EUR 30.1 million. On June 30, 2017, the number of shares including treasury shares totaled 78,921,906. Konecranes has two classes of shares. On June 30, 2017, the number of listed class A shares totaled 73,771,906 and the number of unlisted class B shares totaled 5,150,000.

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

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

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

TREASURY SHARES

On June 30, 2017, Konecranes was in possession of 500,000 own shares, which corresponds to 0.6 percent of the total number of shares and which on that date had a market value of EUR 18.5 million.

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

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

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

PERFORMANCE SHARE PLAN

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

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

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

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

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

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

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

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

MARKET CAPITALIZATION AND TRADING VOLUME

On June 30, 2017, the closing price for Konecranes Plc's shares on the Nasdaq Helsinki was EUR 37.05. The volume-weighted average share price in January–June 2017 was EUR 35.74, the highest price being EUR 40.07 in April and the lowest of EUR 31.52 in March. In January–June, the trading volume on the Nasdaq Helsinki totaled 37.2 million Konecranes Plc's shares corresponding to a turnover of approximately EUR 1,328.3 million. The average daily trading volume was 299,874 shares representing an average daily turnover of EUR 10.7 million.

In addition, according to Fidessa, approximately 57.2 million Konecranes' shares were traded on other trading venues (e.g., multilateral trading facilities and bilateral OTC trades) in January–June 2017.

On June 30, 2017, the total market capitalization of Konecranes Plc's shares was EUR 2,924.1 million including treasury shares. The market capitalization was EUR 2,905.5 million excluding treasury shares.

NOTIFICATIONS OF MAJOR SHAREHOLDINGS

In January–June 2017, Konecranes received the following notifications of major shareholdings.

Date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %	Total, shares
January 5, 2017	Terex Deutschland GmbH	Above 20%	23.65	-	23.65	19,600,000
January 5, 2017	HTT KCR Holding Ab	Below 10%	8.29	-	8.29	6,870,568
January 5, 2017	Polaris Capital Management LLC	Below 5%	4.34	-	4.34	3,597,639
January 5, 2017	BlackRock, Inc.	Below 5%	n.a.	n.a.	n.a.	n.a.
January 6, 2017	Sanderson Asset Management LLP	Below 5%	3.86	-	3.86	3,201,628
January 6, 2017	Terex Deutschland GmbH	Below 5%	0	0	0	0
January 6, 2017	Terex Corporation	Above 20%	23.65	-	23.65	19,600,000
February 15, 2017	Terex Corporation	Below 15%	14.66	-	14.66	12,150,000
February 15, 2017	BlackRock, Inc.[1]	Above 5%	6.58	1.67	8.25	6,844,696
February 22, 2017	BlackRock, Inc.[2]	Above 5%	7.69	0.74	8.44	6,997,433
May 24, 2017	Terex Corporation	Below 10%	6.21	-	6.21	5,150,000
May 24, 2017	BlackRock, Inc.	Above 10%	9.76	1.36	11.13	9,224,969
May 26, 2017	BlackRock, Inc.	Above 10%	10.00	1.16	11.17	9,257,643
June 12, 2017	Konecranes Plc	Below 5%	0.63	-	0.63	500,000
June 15, 2017	BlackRock, Inc.[3]	Above 10%	10.64	1.11	11.75	9,278,033
June 21, 2017	BlackRock, Inc.[4]	Below 10%	10.77	1.07	11.85	9,354,430

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

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

On July 18, 2017, Konecranes changed its 2017 financial guidance as follows:

The sales in 2017 are expected to be close to or lower than the comparable combined company sales in 2016 (EUR 3,278 million). We expect the adjusted EBITA to total EUR 205–225 million in 2017 (comparable combined company's adjusted EBITA was EUR 184 million in 2016).

The upgrade in the financial guidance concerning the EBITA related to better than expected sales mix and higher than expected cost savings. The downgrade in the financial guidance concerning sales related mainly to the recent depreciation of the USD against the EUR.

MARKET OUTLOOK

Economic indicators related to manufacturing industries have strengthened, which appears to improve the customers' willingness to proceed with their investment plans. Demand situation in Europe is gradually improving within the industrial customer segments. Business activity in the North American manufacturing industry remains mixed. Demand in Asia-Pacific is showing signs of bottoming out. Global container throughput growth has improved and the prospects for the small and medium-sized orders related to container handling have strengthened.

FINANCIAL GUIDANCE

The sales in 2017 are expected to be close to or lower than the comparable combined company sales in 2016 (EUR 3,278 million). We expect the adjusted EBITA to total EUR 205–225 million in 2017 (comparable combined's company adjusted EBITA was EUR 184 million in 2016).

The comparable combined company's operations comprise Konecranes' operations without the divested STAHL CraneSystems business, but include the acquired MHPS business. See the stock exchange releases published on April 10, 2017 and April 13, 2017 for further financial information including the basis of preparation for comparable combined company.

Espoo, July 26, 2017
Konecranes Plc
Board of Directors

BASIS OF PREPARATION FOR COMPARABLE COMBINED COMPANY

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

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

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

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

Disclaimer

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

- expectations for general economic development and market situation,
- expectations for general developments in the industry,
- expectations regarding customer industry profitability and investment willingness,
- expectations for company growth, development and profitability,
- expectations regarding market demand for the company's products and services,
- expectations regarding the successful completion of acquisitions on a timely basis and our ability to achieve the set targets and synergies,
- expectations regarding competitive conditions,
- expectations regarding cost savings,
- and statements preceded by "believes," "expects," "anticipates," "foresees" or similar expressions, are forward-looking statements. These statements are based on current expectations, decisions and plans and currently known facts. Therefore, they involve risks and uncertainties, which may cause 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,
- 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,
- success of the pending and future acquisitions and restructurings.

Consolidated statement of income

EUR million	Note	4–6/ 2017	4–6/ 2016	Change percent	1–6/ 2017	1–6/ 2016	Change percent	1–12/ 2016
Sales	8	**797.2**	**528.8**	**50.7**	**1,480.2**	**987.4**	**49.9**	**2,118.4**
Other operating income [1]	6	1.5	10.6		221.9	10.9		14.4
Materials, supplies and subcontracting		-344.2	-237.2		-616.8	-430.7		-979.7
Personnel cost		-263.6	-169.4		-517.9	-332.2		-658.3
Depreciation and impairments	9	-31.4	-14.7		-59.7	-28.7		-53.7
Other operating expenses [2]	5	-129.2	-89.6		-251.6	-177.8		-356.2
Operating profit		**30.2**	**28.6**	**5.4**	**256.1**	**28.9**	**785.3**	**84.9**
Share of associates' and joint ventures' result		0.4	3.6		-0.2	4.8		6.0
Gain on disposal of investment in associated company		0.0	0.0		0.0	0.0		5.8
Financial income [3]		7.7	0.3		27.0	4.1		1.0
Financial expenses		-24.2	-10.1		-47.2	-22.5		-35.6
Profit before taxes		**14.0**	**22.4**	**-37.6**	**235.7**	**15.4**	**1,435.5**	**62.1**
Taxes	11	0.5	-6.4		-28.3	-4.5		-24.5
PROFIT FOR THE PERIOD		**14.5**	**16.0**	**-9.1**	**207.4**	**10.9**	**1,803.1**	**37.6**
Profit for the period attributable to:								
Shareholders of the parent company		15.1	16.0		208.6	10.9		37.6
Non-controlling interest		-0.5	0.0		-1.2	0.0		0.0
Earnings per share, basic (EUR)		0.17	0.27	-35.7	2.68	0.19	1,344.0	0.64
Earnings per share, diluted (EUR)		0.17	0.27	-35.7	2.68	0.19	1,344.0	0.64

[1] Other operating income 1–6/2017 includes gain on disposal of EUR 218.4 million of STAHL CraneSystems. In 2016 other operating income includes the insurance indemnity of EUR 10.0 million and returned funds EUR 0.3 million related to identity theft.
[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 (EUR 22.2 million in 1–6/2016 and 47.0 million in 1–12/2016) and EUR 0.0 million for Q2/2017 (EUR 11.5 million in Q2/2016).
[3] Financial income 1–6/2017 includes gains of EUR 9.4 million which are mostly related to the purchase price adjustments of the MHPS acquisition.

Consolidated statement of other comprehensive income

EUR million	4–6/ 2017	4–6/ 2016		1–6/ 2017	1–6/ 2016		1–12/ 2016
Profit for the period	**14.5**	**16.0**		**207.4**	**10.9**		**37.6**
Items that can be reclassified into profit or loss							
Cash flow hedges	10.5	0.1		-8.7	8.5		30.1
Exchange differences on translating foreign operations	-14.0	0.7		-14.4	-4.4		0.8
Share of associates' other comprehensive income	0.0	-1.9		0.0	-2.4		-3.8
Income tax relating to items that can be reclassified into profit or loss	-2.1	0.0		1.7	-1.7		-6.0
Items that cannot be reclassified into profit or loss							
Re-measurement gains (losses) on defined benefit plans	0.0	-6.8		0.0	-4.1		-11.9
Income tax relating to items that cannot be reclassified into profit or loss	0.0	1.4		0.0	0.9		3.0
Other comprehensive income for the period, net of tax	**-5.6**	**-6.5**		**-21.3**	**-3.2**		**12.2**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**8.9**	**9.5**		**186.1**	**7.7**		**49.8**
Total comprehensive income attributable to:							
Shareholders of the parent company	11.0	9.5		188.3	7.7		49.8
Non-controlling interest	-2.1	0.0		-2.2	0.0		0.0

Consolidated balance sheet

EUR million

ASSETS	**Note**	**30.6.2017**	**30.6.2016**	**31.12.2016**
Non-current assets				
Goodwill		918.4	105.4	86.2
Intangible assets		649.3	104.0	98.1
Property, plant and equipment		278.2	136.0	128.1
Advance payments and construction in progress		11.8	17.3	17.4
Investments accounted for using the equity method		70.2	51.9	8.9
Other non-current assets		1.0	1.0	1.0
Deferred tax assets		118.1	66.1	57.0
Total non-current assets		**2,046.9**	**481.7**	**396.6**
Current assets				
Inventories				
Raw material and semi-manufactured goods		266.4	153.3	131.8
Work in progress		331.3	214.8	140.3
Advance payments		19.2	13.6	9.7
Total inventories		616.9	381.6	281.8
Accounts receivable		493.6	351.3	379.3
Other receivables		39.5	22.4	23.2
Loans receivable		6.3	0.0	0.0
Income tax receivables		24.8	11.8	12.1
Receivable arising from percentage of completion method	8	85.0	88.7	83.8
Other Financial assets		33.0	7.4	31.1
Deferred assets		49.3	36.3	29.1
Cash and cash equivalents		197.9	80.5	167.4
Total current assets		**1,546.4**	**980.0**	**1,007.8**
Assets held for sale	6.1	**0.0**	**0.0**	**125.5**
TOTAL ASSETS		**3,593.3**	**1,461.7**	**1,529.9**

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	**Note**	**30.6.2017**	**30.6.2016**	**31.12.2016**
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	66.5	66.5
Fair value reserves	15	8.1	-2.3	15.0
Translation difference		7.5	15.7	20.8
Other reserve		33.2	31.1	31.7
Retained earnings		159.6	210.5	204.4
Net profit for the period		208.6	10.9	37.6
Total equity attributable to equity holders of the parent company		**1,239.1**	**401.8**	**445.4**
Non-controlling interest		22.5	0.1	0.1
Total equity		**1,261.5**	**401.9**	**445.5**
Liabilities				
Non-current liabilities				
Interest-bearing liabilities	14	647.5	56.6	54.2
Other long-term liabilities		287.0	96.0	40.0
Provisions		18.0	17.1	17.1
Deferred tax liabilities		166.2	14.9	12.5
Total non-current liabilities		**1,118.6**	**184.6**	**123.8**
Current liabilities				
Interest-bearing liabilities	14	99.4	282.6	269.5
Advance payments received	8	389.9	193.2	170.6
Progress billings		1.1	0.3	0.0
Accounts payable		185.2	95.8	99.1
Provisions		105.4	32.1	40.5
Other short-term liabilities (non-interest bearing)		48.0	31.2	32.9
Other financial liabilities		5.7	9.7	18.2
Income tax liabilities		41.1	8.1	14.7
Accrued costs related to delivered goods and services		167.6	131.4	125.2
Accruals		169.8	90.7	95.6
Total current liabilities		**1,213.1**	**875.1**	**866.2**
Liabilities directly attributable to assets held for sale	6.1	**0.0**	**0.0**	**94.4**
Total liabilities		**2,331.8**	**1,059.8**	**1,084.5**
TOTAL EQUITY AND LIABILITIES		**3,593.3**	**1,461.7**	**1,529.9**

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, 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**
Balance at 1 January, 2016	**30.1**	**39.3**	**66.5**	**-9.1**	**20.1**
Options exercised					
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				6.8	-4.4
Total comprehensive income				6.8	-4.4
Balance at 30 June, 2016	**30.1**	**39.3**	**66.5**	**-2.3**	**15.7**

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, 2017	**31.7**	**242.0**	**445.4**	**0.1**	**445.5**
Share issue		0.0	686.2		**686.2**
Dividends paid to equity holders		-82.3	-82.3		**-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		208.6	208.6	-1.2	**207.4**
Other comprehensive income		0.0	-20.3	-1.0	**-21.3**
Total comprehensive income	0.0	208.6	188.3	-2.2	**186.1**
Balance at 30 June, 2017	**33.2**	**368.2**	**1,239.1**	**22.5**	**1,261.5**
Balance at 1 January, 2016	**29.9**	**279.1**	**455.9**	**0.1**	**456.0**
Options exercised		0.0	0.0		**0.0**
Dividends paid to equity holders		-61.7	-61.7		**-61.7**
Equity-settled share based payments	0.3	0.0	0.3		**0.3**
Acquisitions		-0.3	-0.3		**-0.3**
Profit for the period		10.9	10.9		**10.9**
Other comprehensive income		-5.6	-3.2	0.0	**-3.2**
Total comprehensive income	0.0	5.3	7.7	0.0	**7.7**
Balance at 30 June, 2016	**30.2**	**222.4**	**401.8**	**0.1**	**401.9**

Consolidated cash flow statement

EUR million	1–6/2017	1–6/2016	1–12/2016
Cash flow from operating activities			
Profit for the period	207.4	10.9	37.6
Adjustments to net income			
Taxes	28.3	4.5	24.5
Financial income and expenses	20.2	18.5	34.6
Share of associates' and joint ventures' result	0.2	-4.8	-11.8
Dividend income	0.0	0.0	0.0
Depreciation and impairments	59.7	28.7	53.7
Profits and losses on sale of fixed assets and businesses	-217.9	0.3	3.4
Other adjustments	5.7	-1.6	5.5
Operating income before change in net working capital	**103.6**	**56.3**	**147.4**
Change in interest-free current receivables	64.8	11.1	-50.3
Change in inventories	-65.8	-20.7	61.3
Change in interest-free current liabilities	142.8	-3.0	29.8
Change in net working capital	**141.8**	**-12.5**	**40.9**
Cash flow from operations before financing items and taxes	**245.4**	**43.7**	**188.3**
Interest received	7.4	4.3	8.8
Interest paid	-23.9	-8.6	-19.3
Other financial income and expenses	-15.2	-13.3	-38.5
Income taxes paid	-28.0	-11.8	-29.6
Financing items and taxes	**-59.7**	**-29.5**	**-78.6**
NET CASH FROM OPERATING ACTIVITIES	**185.7**	**14.2**	**109.6**
Cash flow from investing activities			
Acquisition of Group companies, net of cash	-722.0	0.0	-0.2
Divestment of Businesses, net of cash	222.5	0.0	0.0
Proceeds from disposal of associated company	0.0	0.0	47.8
Capital expenditures	-14.3	-11.6	-27.3
Proceeds from sale of property, plant and equipment	1.2	0.7	1.5
NET CASH USED IN INVESTING ACTIVITIES	**-512.6**	**-10.9**	**21.7**
Cash flow before financing activities	**-327.0**	**3.3**	**131.4**
Cash flow from financing activities			
Proceeds from non-current borrowings	1,302.0	0.0	0.0
Repayments of non-current borrowings	-702.9	-2.1	-4.6
Proceeds from (+), payments of (-) current borrowings	-178.7	60.6	47.5
Change in loans receivable	-2.2	0.0	0.0
Acquired non controlling interest	0.0	-0.3	-0.3
Dividends paid to equity holders of the parent	-82.3	-61.7	-61.7
NET CASH USED IN FINANCING ACTIVITIES	**335.9**	**-3.5**	**-19.1**
Translation differences in cash	-5.1	0.0	1.1
CHANGE OF CASH AND CASH EQUIVALENTS	**3.8**	**-0.2**	**113.4**
Cash and cash equivalents at beginning of period	194.1	80.8	80.8
Cash and cash equivalents in assets held for sale	0.0	0.0	26.8
Cash and cash equivalents at end of period	197.9	80.5	167.4
CHANGE OF CASH AND CASH EQUIVALENTS	**3.8**	**-0.2**	**113.4**

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

FREE CASH FLOW (alternative performance measure)

EUR million	1–6/2017	1–6/2016	1–12/2016
Net cash from operating activities	185.7	14.2	109.6
Capital expenditures	-14.3	-11.6	-27.3
Proceeds from sale of property, plant and equipment	1.2	0.7	1.5
Free cash flow	**172.6**	**3.3**	**83.9**

Notes

1. CORPORATE INFORMATION

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

Konecranes is a world-leading manufacturer and servicer of cranes, lifting equipment and machine tools, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes operates internationally, with its products being manufactured in North and South America, Europe, Africa, the Middle East, and Asia and sold worldwide. In 2017 Konecranes has three operating segments, which it calls Business Areas: Business Area Service, Business Area Industrial Equipment and Business Area Port Solutions. In 2016 Konecranes had two Segments: Business Area Service and Business Area Equipment. In 2017 Business Area Equipment was divided to two new segments Business Area Industrial Equipment and Business Area Port Solutions. In addition Ports Service and Lift truck Service was transferred from Business Area Service to Business Area Port Solutions. The segment information of 2016 has been restated in the notes according to the new segments.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of Konecranes Plc for six months ending 30.06.2017 and 30.06.2016 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). As such, they do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2016. The unaudited interim condensed consolidated financial statements including notes thereto are presented in millions of euros and all values are rounded to the nearest million (€ 000 000) except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with IFRS requires management to make estimates and judgments that affect the valuation of reported assets and liabilities and other information, such as contingent liabilities and recognition of income and expenses in the statement of income. These assumptions, estimates and judgments are based on management's historical experience, best knowledge about the events and other factors, such as expectations on future events, which are assessed to be reasonable in the given circumstances. Although these estimates and judgments are based on the management's best understanding of current events and circumstances, actual results may differ from the estimates. Possible changes in estimates and assumptions are recognized in the financial reporting period the estimate or assumption is changed.

4. SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2016. There are no new accounting standards with effect for 2017 which have had a material impact on the unaudited condensed interim consolidated financial statements.

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

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

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

Notes

5. ACQUISITIONS

Material Handling & Port Solutions segment acquisition from Terex Corporation

On May 16, 2016, Konecranes signed an agreement (the "Stock and Asset Purchase Agreement") to acquire from Terex Corporation ("Terex") its Material Handling & Port Solutions ("MHPS") segment (the "Acquisition") against consideration consisting of cash and shares. On January 4, 2017, Konecranes completed the Acquisition and paid EUR 786.1 million in cash and in 19.6 million newly issued Konecranes class B shares.

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

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

EUR million	Fair value
Intangible assets	
Clientele	247.5
Technology	104.1
Trademark	219.4
Other intangible assets	11.1
Property, plant and equipment	175.4
Investments accounted for using the equity method	62.8
Inventories	283.3
Account receivables	224.3
Other assets	106.0
Cash and cash equivalents	64.2
Total assets	**1,498.1**
Non-controlling interest	24.6
Deferred tax liabilities	159.9
Defined benefit plans	241.0
Other long-term liabilities	10.5
Account payables and other current liabilities	428.8
Total liabilities	**864.8**
Net assets	**633.3**
Purchase consideration transferred	**1,472.3**
Goodwill	**839.0**
Cash flow on acquisition	
Purchase consideration, paid in cash	786.1
Transactions costs [1)]	67.2
Cash and cash equivalents in acquired companies	-64.2
Net cash flow arising on acquisition	**789.1**
Purchase consideration:	
Purchase consideration, paid in cash	786.1
Purchase consideration, paid in shares	686.2
Total purchase consideration	**1,472.3**

[1)] Transaction costs of EUR 4.2 million in 2017, EUR 47.0 million in 2016 and EUR 17.2 million in 2015 have been expensed and are included in other operating expenses.

Notes

6. DISPOSALS

6.1. Disposal of Stahl CraneSystems

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

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

6.2. Other disposals

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

7. SEGMENT INFORMATION

7.1. Operating segments

EUR million

Orders received by Business Area	1–6/2017	% of total	1–6/2016	% of total	1–12/2016	% of total
Service [1]	497.6	31	373.8	38	727.9	35
Industrial Equipment	579.2	37	428.9	43	821.5	39
Port Solutions [1]	508.7	32	187.2	19	533.4	26
./. Internal	-60.8		-84.5		-162.2	
Total	**1,524.7**	**100**	**905.3**	**100**	**1,920.7**	**100**

[1] Excl. Service Agreement Base

Service in 2017 reporting	373.8		727.9	
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	23.2		46.6	
Service in 2016 reporting	396.9		774.5	

Order book total [2]	30.6.2017	% of total	30.6.2016	% of total	31.12.2016	% of total
Service	217.6	14	177.3	17	158.1	15
Industrial Equipment	571.2	36	429.3	41	399.4	38
Port Solutions	817.2	51	436.7	42	480.5	46
Total	**1,605.9**	**100**	**1,043.3**	**100**	**1,038.0**	**100**

[2] Percentage of completion deducted

Service in 2017 reporting	177.3		158.1	
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	15.5		15.2	
Service in 2016 reporting	192.8		173.3	

Notes

Sales by Business Area	1–6/2017	% of total	1–6/2016	% of total	1–12/2016	% of total
Service	582.6	38	440.2	41	914.8	40
Industrial Equipment	546.1	35	397.8	37	830.1	36
Port Solutions	419.2	27	234.7	22	543.2	24
./. Internal	-67.8		-85.2		-169.7	
Total	**1,480.2**	**100**	**987.4**	**100**	**2,118.4**	**100**

Service in 2017 reporting	440.2	914.8
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	25.9	53.2
Service in 2016 reporting	466.1	968.0

Adjusted EBITA by Business Area	1–6/2017 MEUR	EBITA %	1–6/2016 MEUR	EBITA %	1–12/2016 MEUR	EBITA %
Service	74.2	12.7	41.6	9.4	100.2	11.0
Industrial Equipment	5.7	1.0	0.5	0.1	15.7	1.9
Port Solutions	15.6	3.7	20.2	8.6	50.5	9.3
Group costs and eliminations	-13.6		-9.4		-21.5	
Total	**81.9**	**5.5**	**52.8**	**5.4**	**144.8**	**6.8**

Service in 2017 reporting	41.6	100.2
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	5.1	12.5
Service in 2016 reporting	46.7	112.7

Operating profit (EBIT) by Business Area	1–6/2017 MEUR	EBIT %	1–6/2016 MEUR	EBIT %	1–12/2016 MEUR	EBIT %
Service	63.0	10.8	39.1	8.9	90.2	9.9
Industrial Equipment	-6.5	-1.2	-5.8	-1.5	6.0	0.7
Port Solutions	8.7	2.1	19.5	8.3	49.0	9.0
Group costs and eliminations	190.9		-23.8		-60.3	
Total	**256.1**	**17.3**	**28.9**	**2.9**	**84.9**	**4.0**

Service in 2017 reporting	39.1	90.2
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	4.8	12.0
Service in 2016 reporting	43.9	102.2

Business segment assets	30.6.2017 MEUR	30.6.2016 MEUR	31.12.2016 MEUR
Service	1,290.4	364.2	380.3
Industrial Equipment	933.8	588.3	571.3
Port Solutions	866.4	279.3	227.5
Unallocated items	502.7	229.8	350.8
Total	**3,593.3**	**1,461.7**	**1,529.9**

Service in 2017 reporting	364.2	380.3
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	30.7	32.6
Service in 2016 reporting	394.9	412.9

Notes

Business segment liabilities	30.6.2017 MEUR		30.6.2016 MEUR		31.12.2016 MEUR	
Service	197.9		147.4		149.9	
Industrial Equipment	373.5		311.3		312.2	
Port Solutions	459.9		185.6		175.6	
Unallocated items	1,300.4		415.5		446.8	
Total	**2,331.8**		**1,059.8**		**1,084.5**	

Service in 2017 reporting	147.4		149.9	
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	9.2		10.5	
Service in 2016 reporting	156.5		160.4	

Personnel by Business Area (at the end of the period)	30.6.2017	% of total	30.6.2016	% of total	31.12.2016	% of total
Service	7,311	44	6,054	53	5,749	52
Industrial Equipment	6,132	37	4,527	40	4,353	40
Port Solutions	3,248	19	807	7	789	7
Group staff	63	0	56	0	60	1
Total	**16,754**	**100**	**11,444**	**100**	**10,951**	**100**

Service in 2017 reporting	6,054		5,749	
Effect of Ports Service and Lifttruck Service transfer from Service to Port Solutions	270		249	
Service in 2016 reporting	6,324		5,998	

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

[1)] *Excl. Service Agreement Base*

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

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

Notes

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

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

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

7.2. Geographical areas

EUR million

Sales by market	1–6/2017	% of total	1–6/2016	% of total	1–12/2016	% of total
Europe-Middle East-Africa (EMEA)	725.3	49	490.0	50	1,001.4	47
Americas (AME)	496.0	34	350.9	36	802.5	38
Asia-Pacific (APAC)	258.8	17	146.5	15	314.5	15
Total	**1,480.2**	**100**	**987.4**	**100**	**2,118.4**	**100**

Personnel by region (at the end of the period)	30.6.2017	% of total	30.6.2016	% of total	31.12.2016	% of total
Europe-Middle East-Africa (EMEA)	10,069	60	6,111	53	5,842	53
Americas (AME)	3,294	20	2,816	25	2,704	25
Asia-Pacific (APAC)	3,391	20	2,517	22	2,405	22
Total	**16,754**	**100**	**11,444**	**100**	**10,951**	**100**

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

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

Notes

8. PERCENTAGE OF COMPLETION METHOD AND ADVANCES RECEIVED

EUR million	30.6.2017	30.6.2016	31.12.2016
The cumulative revenues of non-delivered projects	311.2	329.4	376.7
Advances received netted	226.2	234.0	290.3
Progress billings netted	0.0	6.7	2.6
Receivable arising from percentage of completion method, net	**85.0**	**88.7**	**83.8**
Gross advance received from percentage of completion method	331.7	255.4	323.5
Advances received netted	226.2	234.0	290.3
Advances received from percentage of completion method (netted)	**105.5**	**21.4**	**33.2**

Net sales recognized under the percentage of completion method amounted EUR 149.4 million in 1–6/2017 (EUR 118.4 million in 1–6/2016).

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

Advance payments received	30.6.2017	30.6.2016	31.12.2016
Advance received from percentage of completion method (netted)	105.5	21.4	33.2
Other advance received from customers	284.4	171.7	137.4
Total	**389.9**	**193.2**	**170.6**

9. IMPAIRMENTS

EUR million	1–6/2017	1–6/2016	1–12/2016
Property, plant and equipment	0.7	2.8	2.8
Other intangible assets	1.7	0.0	0.7
Total	**2.4**	**2.8**	**3.5**

Restructuring actions during 2017 have led to an impairment of tangible assets (machinery and equipment and buildings), which were written off by EUR 0.7 million (EUR 2.8 million in 1–6/2016). In additon other intangible assets (old customer base) were written off by EUR 1.7 million (EUR 0.0 million in 1–6/2017).

10. RESTRUCTURING COSTS

Konecranes has recorded EUR 16.7 million restructuring costs during for 1–6/2017 (EUR 9.7 million in 1–6/2016) of which EUR 2.4 million was impairment of assets (EUR 2.8 million for 1–6/2016). The remaining EUR 14.3 million of restructuring cost is reported 1–6/2017 in personnel costs (EUR 1.3 million) and in other operating expenses (EUR 13.0 million).

11. INCOME TAXES

Taxes in statement of Income	1–6/2017	1–6/2016	1–12/2016
Local income taxes of group companies	39.3	9.2	31.9
Taxes from previous years	-2.4	-3.7	-2.3
Change in deferred taxes	-8.6	-1.1	-5.1
Total	**28.3**	**4.5**	**24.5**

Notes

12. KEY FIGURES

	30.6.2017	30.6.2016	Change %	31.12.2016
Earnings per share, basic (EUR)	2.68	0.19	1,344.0	0.64
Earnings per share, diluted (EUR)	2.68	0.19	1,344.0	0.64
Alternative Performance Measures:				
Return on capital employed, %, Rolling 12 Months (R12M)	23.2	8.2	182.9	10.3
Adjusted return on capital employed, %, Rolling 12 Months (R12M)	12.6	17.6	-28.4	19.2
Return on equity, %, Rolling 12 Months (R12M)	28.1	5.9	376.3	8.3
Equity per share (EUR)	15.80	6.84	131.0	7.58
Interest-bearing net debt / Equity, %	43.0	64.4	-33.2	29.1
Net debt / Adjusted EBITDA, Rolling 12 Months (R12M)	2.3	1.5	58.6	0.7
Equity to asset ratio, %	39.4	31.7	24.3	32.9
Investments total (excl. acquisitions), EUR million	21.2	18.2	16.4	33.8
Interest-bearing net debt, EUR million	542.4	258.7	109.7	129.6
Net working capital, EUR million	306.2	340.9	-10.2	304.3
Average number of personnel during the period	14,867	11,647	27.6	11,398
Average number of shares outstanding, basic	77,853,221	58,745,394	32.5	58,748,217
Average number of shares outstanding, diluted	77,853,221	58,745,394	32.5	58,748,217
Number of shares outstanding	78,421,906	58,751,009	33.5	58,751,009

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)	1–6/2017	1–6/2016	1–12/2016
Adjusted EBITDA	**119.5**	**76.7**	**191.6**
Transaction costs	-4.2	-22.2	-47.0
Restructuring costs (excluding impairments)	-14.3	-6.9	-16.4
Insurance indemnity related to identity theft	0.0	10.0	10.2
Release of MHPS purchase price allocation in inventories	-3.7	0.0	0.0
Gain on disposal of Stahl CraneSystems	218.4	0.0	0.0
EBITDA	**315.8**	**57.6**	**138.5**
Depreciation, amortization and impairments	-59.7	-28.7	-53.7
Operating profit (EBIT)	**256.1**	**28.9**	**84.9**
Adjusted EBITA	**81.9**	**52.8**	**144.8**
Purchase price allocation amortization	-19.6	-2.0	-4.0
Adjusted Operating profit (EBIT)	**62.2**	**50.8**	**140.8**
Transaction costs	-4.2	-22.2	-47.0
Restructuring costs	-16.7	-9.7	-19.2
Insurance indemnity and returned funds related to identity theft	0.0	10.0	10.2
Release of MHPS purchase price allocation in inventories	-3.7	0.0	0.0
Gain on disposal of Stahl CraneSystems	218.4	0.0	0.0
Operating profit (EBIT)	**256.1**	**28.9**	**84.9**

Interest-bearing net debt	30.6.2017	30.6.2016	31.12.2016
Non current interest bearing liabilities	647.5	56.6	54.2
Current interest bearing liabilities	99.4	282.6	269.5
Net debt in assets held for sale	0.0	0.0	-26.7
Loans receivables	-6.5	0.0	0.0
Cash and cash equivalents	-197.9	-80.5	-167.4
Interest-bearing net debt	**542.4**	**258.7**	**129.6**

Net working capital	30.6.2017	30.6.2016	31.12.2016
Net working capital in balance sheet	306.2	340.9	271.1
Net working capital in asset held for sale	0.0	0.0	33.2
Net working capital	**306.2**	**340.9**	**304.3**

Notes

The period end exchange rates:	30.6.2017	30.6.2016	Change %	31.12.2016
USD - US dollar	1.141	1.110	-2.7	1.054
CAD - Canadian dollar	1.479	1.438	-2.7	1.419
GBP - Pound sterling	0.879	0.827	-6.0	0.856
CNY - Chinese yuan	7.739	7.376	-4.7	7.320
SGD - Singapore dollar	1.571	1.496	-4.8	1.523
SEK - Swedish krona	9.640	9.424	-2.2	9.553
AUD - Australian dollar	1.485	1.493	0.5	1.460

The period average exchange rates:	30.6.2017	30.6.2016	Change %	31.12.2016
USD - US dollar	1.083	1.116	3.1	1.107
CAD - Canadian dollar	1.445	1.485	2.8	1.466
GBP - Pound sterling	0.860	0.779	-9.5	0.820
CNY - Chinese yuan	7.442	7.297	-1.9	7.353
SGD - Singapore dollar	1.520	1.540	1.3	1.528
SEK - Swedish krona	9.595	9.302	-3.1	9.469
AUD - Australian dollar	1.436	1.522	6.0	1.488

13. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	30.6.2017	30.6.2016	31.12.2016
For own commercial obligations			
Guarantees	496.0	437.8	447.0
Leasing liabilities			
Next year	40.4	32.1	34.7
Later on	84.1	91.6	75.8
Other	7.9	0.3	0.2
Total	**628.4**	**561.7**	**557.6**

Guarantees

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

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

Notes

Contingent liabilities relating to litigation

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

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

14. FINANCIAL ASSETS AND LIABILITIES

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

EUR million **Financial assets 30.6.2017**	Financial assets/liabilities at fair value through OCI	Financial assets/liabilities at fair value through income statement	Loans and receivables	Financial assets/liabilities measured at amortized cost	Carrying amounts by balance sheet item
Current financial assets					
Account and other receivables	0.0	0.0	539.7	0.0	539.7
Derivative financial instruments	10.5	22.5	0.0	0.0	33.0
Cash and cash equivalents	0.0	0.0	197.9	0.0	197.9
Total	**10.5**	**22.5**	**737.6**	**0.0**	**770.6**

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

Notes

EUR million Financial assets 30.6.2016	Financial assets/liabilities at fair value through OCI	Financial assets/liabilities at fair value through income statement	Loans and receivables	Financial assets/liabilities measured at amortized cost	Carrying amounts by balance sheet item
Current financial assets					
Account and other receivables	0.0	0.0	373.6	0.0	373.6
Derivative financial instruments	2.2	5.3	0.0	0.0	7.4
Cash and cash equivalents	0.0	0.0	80.5	0.0	80.5
Total	**2.2**	**5.3**	**454.2**	**0.0**	**461.6**
Financial liabilities 30.6.2016					
Non-current financial liabilities					
Interest-bearing liabilities	0.0	0.0	0.0	56.6	56.6
Derivative financial instruments	0.0	0.0	0.0	0.0	0.0
Other payables	0.0	0.0	0.0	3.4	3.4
Current financial liabilities					
Interest-bearing liabilities	0.0	0.0	0.0	282.6	282.6
Derivative financial instruments	4.2	5.5	0.0	0.0	9.7
Account and other payables	0.0	0.0	0.0	127.0	127.0
Total	**4.2**	**5.5**	**0.0**	**469.6**	**479.4**

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

On January 4, 2017, Konecranes raised loans of EUR 1,052 million related to the MHPS Acquisition. This included a syndicated EUR 300 million term loan with a tenor of three years, EUR 600 million amortizing term loan with a tenor of five years and a EUR 152 million bridge term loan. Upon completion of the STAHL CraneSystems divestment on January 31, 2017, Konecranes repaid in advance term loans of EUR 198 million including the full repayment of the bridge term loan. On April 4th, Konecranes repaid the acquisition related tree-year loan by EUR 100 million utilizing cash at hand. On June 7th Konecranes repaid the acquisition related five-year loan by EUR 150 million utilizing cash at hand. On June 9th Konecranes issued a five-year bond

Notes

of EUR 250 million with proceeds utilized for fully repaying the tree-year loan of EUR 200 million and the five-year loan for EUR 50 million. The EUR 250 million senior unsecured guaranteed bond has standard covenants (change of control, cross default, negative pledge and excess secured indebtedness) and bears a fixed annual coupon of 1.75%. The bond is guaranteed by Konecranes Finance Corporation and the bond is listed in Nasdaq Helsinki.

At the end of June 2017, the outstanding five-year term loan amount was EUR 354 million, EUR 50 million for the R&D loan and EUR 250 million for the bond. The term loan bears a floating three months interest period, the R&D loan interest is fixed with semi-annual interest payment and the bond yield is fixed with annual coupon payment. The weighted average interest rate for the loans and the bond is currently 2.52% per annum. The company is in compliance with the quarterly monitored financial covenants (net debt to ebitda and 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 43.0% (30.6.2016: 64.4%) 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.

14.2 Fair values

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

Financial assets	Carrying amount **30.6.2017**	Carrying amount **30.6.2016**	Carrying amount **31.12.2016**	Fair value **30.6.2017**	Fair value **30.6.2016**	Fair value **31.12.2016**
Current financial assets						
Account and other receivables	539.7	373.6	402.8	539.7	373.6	402.8
Derivative financial instruments	33.0	7.4	31.1	33.0	7.4	31.1
Cash and cash equivalents	197.9	80.5	167.4	197.9	80.5	167.4
Total	**770.6**	**461.6**	**601.3**	**770.6**	**461.6**	**601.3**
Financial liabilities						
Non-current financial liabilities						
Interest-bearing liabilities	647.5	56.6	54.2	675.6	56.6	54.2
Derivative financial instruments	0.0	0.0	0.0	0.0	0.0	0.0
Other payables	15.3	3.4	6.9	15.3	3.4	6.9
Current financial liabilities						
Interest-bearing liabilities	99.4	282.6	269.5	99.4	282.2	269.5
Derivative financial instruments	5.7	9.7	18.2	5.7	9.7	18.2
Account and other payables	233.2	127.0	130.5	233.2	127.0	130.5
Total	**1,001.0**	**479.4**	**479.3**	**1,029.1**	**479.0**	**479.3**

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

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

Notes

14.3 Hierarchy of fair values

Financial assets	30.6.2017 Level 1	30.6.2017 Level 2	30.6.2017 Level 3	30.6.2016 Level 1	30.6.2016 Level 2	30.6.2016 Level 3	31.12.2016 Level 1	31.12.2016 Level 2	31.12.2016 Level 3
Derivative financial instruments									
Foreign exchange forward contracts	0.0	33.0	0.0	0.0	4.5	0.0	0.0	4.7	0.0
Currency options	0.0	0.0	0.0	0.0	2.9	0.0	0.0	26.3	0.0
Fuel oil derivative	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Electricity derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**33.0**	**0.0**	**0.0**	**7.4**	**0.0**	**0.0**	**31.1**	**0.0**
Other financial assets									
Cash and cash equivalents	197.9	0.0	0.0	80.5	0.0	0.0	167.4	0.0	0.0
Total	**197.9**	**0.0**	**0.0**	**80.5**	**0.0**	**0.0**	**167.4**	**0.0**	**0.0**
Total financial assets	**197.9**	**33.0**	**0.0**	**80.5**	**7.4**	**0.0**	**167.4**	**31.1**	**0.0**

Financial liabilities	30.6.2017 Level 1	30.6.2017 Level 2	30.6.2017 Level 3	30.6.2016 Level 1	30.6.2016 Level 2	30.6.2016 Level 3	31.12.2016 Level 1	31.12.2016 Level 2	31.12.2016 Level 3
Derivative financial instruments									
Foreign exchange forward contracts	0.0	5.5	0.0	0.0	8.8	0.0	0.0	18.0	0.0
Interest rate swaps	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0
Electricity forward contracts	0.0	0.2	0.0	0.0	0.5	0.0	0.0	0.2	0.0
Total	**0.0**	**5.7**	**0.0**	**0.0**	**9.7**	**0.0**	**0.0**	**18.2**	**0.0**
Other financial liabilities									
Interest bearing liabilities	0.0	746.8	0.0	0.0	339.2	0.0	0.0	323.6	0.0
Other payables	0.0	0.0	15.0	0.0	0.0	3.7	0.0	0.0	6.9
Total	**0.0**	**746.8**	**15.0**	**0.0**	**339.2**	**3.7**	**0.0**	**323.6**	**6.9**
Total financial liabilities	**0.0**	**752.5**	**15.0**	**0.0**	**348.9**	**3.7**	**0.0**	**341.8**	**6.9**

15. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	30.6.2017 Nominal value	30.6.2017 Fair value	30.6.2016 Nominal value	30.6.2016 Fair value	31.12.2016 Nominal value	31.12.2016 Fair value
Foreign exchange forward contracts	874.5	27.5	582.7	-4.3	878.1	-13.2
Currency options	0.0	0.0	1,584.0	2.9	1,571.8	26.3
Interest rate swaps	0.0	0.0	100.0	-0.5	0.0	0.0
Fuel oil derivative	0.5	0.1	0.0	0.0	0.5	0.1
Electricity derivatives	0.6	-0.2	1.1	-0.5	0.8	-0.2
Total	**875.6**	**27.3**	**2,267.7**	**-2.3**	**2,451.2**	**12.9**

Derivatives not designated as hedging instruments

The Group enters into other foreign exchange and electricity forward contracts or currency options with the intention of reducing the risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss. The majority of currency options in 31.12.2016 related to the hedging structure of the Terex MHPS acquisition currency risk.

Notes

CASH FLOW HEDGES

Foreign currency risk

Foreign exchange forward and option contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales and purchases in US dollar. These forecast transactions are highly probable, and they comprise about 42.2% of the Group's total hedged transaction flows.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

At the inception of these deals the Company assess whether the critical terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. On a quarterly basis the Company performs quantitative effectiveness test using the dollar value method approach by comparison of past changes in the cash flows of the hedged item that are attributable to the hedged risk with past changes in the cash flows of the hedging instrument and reviews whether the actual results of the hedge are within a range of 80–125 per cent. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

The cash flow hedges of the expected future sales in 2017 and 2016 were assessed to be highly effective and a net unrealized loss, with a deferred tax asset of relating to the hedging instruments, is included in OCI. The amounts recognized in OCI are shown in the table below and the reclassifications to profit or loss during the year are as shown in the consolidated statement of income.

Fair value reserve of cash flow hedges

EUR million	30.6.2017	30.6.2016	31.12.2016
Balance as of January 1	15.0	-9.1	-9.1
Gains and losses deferred to equity (fair value reserve)	-8.7	8.5	30.1
Change in deferred taxes	1.7	-1.7	-6.0
Balance as of the end of period	**8.1**	**-2.3**	**15.0**

16. TRANSACTIONS WITH RELATED PARTIES

EUR million	1–6/2017	1–6/2016	1–12/2016
Sales of goods and services with associated companies and joint arrangements	18.1	8.5	14.6
Sales of goods and services with significant shareholders	13.1	0.0	0.0
Receivables from associated companies and joint arrangements	9.6	3.6	5.5
Receivables from significant shareholders	0.0	0.0	0.0
Purchases of goods and services from associated companies and joint arrangements	21.7	24.4	48.1
Purchases of goods and services from significant shareholders	0.7	0.0	0.0
Liabilities to associated companies and joint arrangements	4.6	4.3	4.3
Liabilities to significant shareholders	0.0	0.0	0.0

Additional information

COMPARABLE COMBINED COMPANY SEGMENT INFORMATION, UNAUDITED

Orders received by Business Area	Q1/2016	Q2/2016	Q3/2016	Q4/2016	Q1–Q4/2016
Service [1]	245.2	254.6	241.2	240.4	981.4
Industrial Equipment	275.6	300.8	275.9	296.7	1,148.9
Port Solutions	171.4	249.7	203.0	421.1	1,045.2
./. Internal	-35.3	-43.4	-34.8	-36.7	-150.2
Total	**656.9**	**761.6**	**685.3**	**921.5**	**3,025.3**

[1] *Excluding service agreement base*

Order book by Business Area [2]	Q1/2016	Q2/2016	Q3/2016	Q4/2016	
Service	211.9	226.1	227.2	200.3	
Industrial Equipment	530.1	550.2	555.1	540.9	
Port Solutions	755.6	761.8	685.6	766.4	
Total	**1,497.5**	**1,538.1**	**1,467.9**	**1,507.7**	

[2] *MHPS' order book includes deliveries for the next 12 months only.*

Sales by Business Area	Q1/2016	Q2/2016	Q3/2016	Q4/2016	Q1–Q4/2016
Service	280.2	304.1	295.5	334.3	1,214.1
Industrial Equipment	253.4	282.8	275.2	319.4	1,130.8
Port Solutions	220.3	242.0	277.6	351.6	1,091.4
./. Internal	-37.5	-41.7	-44.5	-34.2	-158.0
Total	**716.4**	**787.3**	**803.8**	**971.0**	**3,278.4**

Adjusted EBITA by Business Area	Q1/2016	Q2/2016	Q3/2016	Q4/2016	Q1–Q4/2016
Service	27.2	37.7	37.4	51.1	153.4
Industrial Equipment	-13.8	-4.9	3.0	9.6	-6.1
Port Solutions	0.0	13.8	10.2	28.7	52.7
Group costs and eliminations	-4.8	-4.0	-3.6	-3.6	-16.0
Total	**8.7**	**42.6**	**47.1**	**85.7**	**184.1**

Adjusted EBITA margin by Business Area	Q1/2016	Q2/2016	Q3/2016	Q4/2016	Q1–Q4/2016
Service	9.7%	12.4%	12.7%	15.3%	12.6%
Industrial Equipment	-5.4%	-1.7%	1.1%	3.0%	-0.5%
Port Solutions	0.0%	5.7%	3.7%	8.2%	4.8%
Group adjusted EBITA margin total	**1.2%**	**5.4%**	**5.9%**	**8.8%**	**5.6%**

ANALYST AND PRESS BRIEFING

An analyst and press conference will be held at the restaurant Savoy's Salikabinetti (address: Eteläesplanadi 14) on July 26, 2017 at 11.00 a.m. Finnish time. The half-year financial report will be presented by the Konecranes' President and CEO Panu Routila and CFO Teo Ottola.

A live webcast of the conference will begin at 11.00 a.m. at www.konecranes.com. Please see the stock exchange release dated July 5, 2017 for the conference call details.

NEXT REPORT

Konecranes' January–September 2017 Interim Report will be published on October 25, 2017.

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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 2016, Group (comparable combined company) sales totaled EUR 3,278 million. The Group has 16,800 employees at 600 locations in 50 countries. Konecranes class A shares are listed on the Nasdaq Helsinki (symbol: KCR).

www.konecranes.com