KONECRANES
Lifting Businesses™

Adjusted operating profit improved, sales guidance slightly reduced, operating profit guidance intact

Interim Report
January–June 2016

Q2

Adjusted operating profit improved, sales guidance slightly reduced, operating profit guidance intact

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

SECOND QUARTER HIGHLIGHTS

- Order intake EUR 480.2 million (490.3), -2.1 percent.
- Order book EUR 1,043.3 million (1,100.4) at end-June, -5.2 percent.
- Sales EUR 528.8 million (535.6), -1.3 percent; Service -1.4 percent and Equipment -2.6 percent.
- Adjusted operating profit* EUR 36.0 million (25.7), 6.8 percent of sales (4.8).
- Adjustments* EUR -7.4 million (-9.5).
- Operating profit EUR 28.6 million (16.3), 5.4 percent of sales (3.0).
- Earnings per share (diluted) EUR 0.27 (0.19).
- Net cash flow from operating activities EUR 17.3 million (5.7).
- Net debt EUR 258.7 million (261.9) and gearing 64.4 percent (59.9).

JANUARY–JUNE HIGHLIGHTS

- Order intake EUR 905.3 million (1,009.1), -10.3 percent mainly due to lower port cranes orders in the first quarter.
- Sales EUR 987.4 million (1,010.5), -2.3 percent; Service -1.7 percent and Equipment -4.4 percent.
- Adjusted operating profit* EUR 50.8 million (39.9), 5.1 percent of sales (3.9).
- Adjustments* EUR -21.9 million (-11.8).
- Operating profit EUR 28.9 million (28.1), 2.9 percent of sales (2.8).
- Earnings per share (diluted) EUR 0.19 (0.29).
- Net cash flow from operating activities EUR 14.2 million (-48.7).

MARKET OUTLOOK

Customers are cautious about investing because economic growth has decelerated across the globe. Companies operating in emerging and commodity markets are particularly under pressure to save costs. Certain market uncertainty continues in North America. The demand situation in Europe has somewhat improved. The decline in the global container throughput has led to slower decision-making among container terminal operators.

NEW FINANCIAL GUIDANCE

Based on the order book, service contract base and near-term demand outlook, the sales in 2016 are expected to be approximately on the same level as in 2015. We expect the 2016 adjusted operating profit to improve from 2015.

PREVIOUS FINANCIAL GUIDANCE

Based on the order book, service contract base and near-term demand outlook, the sales in 2016 are expected to be higher than in 2015. We expect the 2016 adjusted operating profit to improve from 2015.

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

Key figures

	Second quarter			First half year				
	4–6/2016	**4–6/2015**	**Change %**	**1–6/2016**	**1–6/2015**	**Change %**	**R12M**	**1–12/2015**
Orders received, MEUR	480.2	490.3	-2.1	905.3	1,009.1	-10.3	1,861.7	1,965.5
Order book at end of period, MEUR				1,043.3	1,100.4	-5.2		1,036.5
Sales total, MEUR	528.8	535.6	-1.3	987.4	1,010.5	-2.3	2,103.1	2,126.2
Adjusted EBITDA, MEUR*)	49.6	38.4	29.1	76.7	64.3	19.3	178.9	166.5
Adjusted EBITDA, %*)	9.4%	7.2%		7.8%	6.4%		8.5%	7.8%
Adjusted operating profit, MEUR*)	36.0	25.7	40.2	50.8	39.9	27.3	128.6	117.7
Adjusted operating margin, %*)	6.8%	4.8%		5.1%	3.9%		6.1%	5.5%
EBITDA, MEUR	43.3	33.5	29.1	57.6	58.2	-1.0	116.5	117.1
EBITDA, %	8.2%	6.3%		5.8%	5.8%		5.5%	5.5%
Operating profit, MEUR	28.6	16.3	76.1	28.9	28.1	2.9	63.9	63.0
Operating margin, %	5.4%	3.0%		2.9%	2.8%		3.0%	3.0%
Profit before taxes, MEUR	22.4	16.7	34.1	15.4	24.8	-38.0	46.0	55.4
Net profit for the period, MEUR	16.0	11.4	40.6	10.9	17.0	-35.7	24.7	30.8
Earnings per share, basic, EUR	0.27	0.19	40.1	0.19	0.29	-36.2	0.42	0.53
Earnings per share, diluted, EUR	0.27	0.19	40.1	0.19	0.29	-36.1	0.42	0.53
Gearing, %				64.4%	59.9%			44.6%
Return on capital employed %							8.2%	9.5%
Free cash flow, MEUR	10.2	-3.3		3.3	-65.9		67.8	-1.4
Average number of personnel during the period				11,647	11,929	-2.4		11,934

**) Adjustments in 2016 include transaction costs, which contain advisory, legal and consulting fees related to terminated merger plan with Terex and proposed acquisition of Terex MHPS, restructuring costs and the insurance indemnity related to identity theft. Full year 2015 adjustments included transaction costs, restructuring costs and the unwarranted payments due to the identity theft and fraudulent actions. See also note 12 in the interim report.*

President and CEO Panu Routila:

"We managed to deliver a profitability improvement in the second quarter driven by robust performance in both Service and Equipment. The fact that our second-quarter adjusted EBIT rose by EUR 10.3 million or by 40 percent on a year-on-year basis despite a sales decline of 1.3 percent shows that our cost savings actions deliver. Group's adjusted EBIT margin rose from 4.8 percent in the previous year to 6.8 percent.

In the second quarter, we continued cost savings actions related to restructuring, which supported our gross margin and lowered our fixed costs in both Service and Equipment. Group's total number of personnel decreased by 443 employees in the first half of 2016, 165 of which realized in the second quarter. Service has continued to restructure the underperforming units across its operations, whereas Equipment has reduced its manufacturing capacity in China, India, Brazil, and the US. In addition, both business areas and corporate functions have streamlined their support resources.

Our new operating model based on direct product line organization and P&L responsibilities became effective on July 1. This will improve the efficiency and agility of our operations. Proximity to business and customer intimacy will increase. The benefits of this change will be visible in our results in the coming quarters, and, therefore, lend further support to our promising profitability development.

May 16 marked a milestone in building our future as we signed an agreement to acquire from Terex Corporation its Material Handling & Port Solutions business. This acquisition will prove crucial to improving our position as a global partner in services, industrial lifting and port solutions. The combination makes it possible for us to realize a long list of synergies, it opens new growth opportunities in the service business and creates critical mass for future technology development."

Konecranes Plc
Interim report January–June 2016

MARKET REVIEW

The activity in the world's manufacturing sector, according to the aggregated JPMorgan Global Manufacturing PMI, was stagnant in January–June 2016.

According to the PMI surveys in the Eurozone, manufacturing production ticked slightly higher in January–June 2016, but the overall rate of expansion remained only modest and similar to the one recorded in 2015. Within the Eurozone, PMI readings signaled expansion of manufacturing production in Germany, Italy, the Netherlands, and Spain, whereas output has contracted in France. Outside the Eurozone, PMI surveys indicated slight expansion in the UK, whereas manufacturing activity continued to expand strongly in Sweden. The European Union manufacturing capacity utilization rate was stable compared to the previous year.

Economic activity in the US manufacturing sector, measured by the Purchasing Managers' Index (PMI), was relatively stable during the first half of 2016. Correspondingly, the U.S. manufacturing capacity utilization rate was roughly at the same level as in the previous year. However, total industrial capacity utilization rate and industrial production declined from the previous year due to commodity sectors.

Based on the January–June Purchasing Managers' Indexes, the BRIC countries remained the weakest links. PMIs in Brazil and China pointed to a continued contraction of manufacturing output, while the signs of modest growth could be observed in India. Manufacturing production was roughly stable in Russia.

Compared to the previous year, the demand for cranes improved in the first half of 2016, thanks to the pick-up in orders for heavy lifting equipment in the Americas. The demand for cranes was stable in EMEA, whereas demand weakened in APAC. The demand for hoists declined due to the Americas and EMEA.

The global container traffic remained weak as it declined by approximately 1 percent on a year-on-year basis in January–June 2016. Correspondingly, the market for port cranes was slow in the first half of 2016. The demand for lift trucks declined slightly from the previous year due to weaker demand in the Americas; demand increased in EMEA and APAC.

The demand for lifting equipment services grew in EMEA, while demand was stable in the Americas. In APAC, demand for services decreased from the previous year.

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

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

ORDERS RECEIVED

January–June orders received totaled EUR 905.3 million (1,009.1), representing a decrease of 10.3 percent compared to a year ago. Order intake decline was mainly attributable to project-type port cranes orders, which were lower in the first quarter. Orders received decreased by 2.4 percent in Service and by 16.5 percent in Equipment compared to the year before. Orders received declined in the Americas and APAC, while they grew in EMEA.

The second-quarter order intake decreased by 2.1 percent from a year ago and totaled EUR 480.2 million (490.3). At comparable currency rates, orders received increased from the previous year. Order intake declined in Service by 3.9 percent and in Equipment by 2.1 percent. Orders received decreased in the Americas and APAC, but increased in EMEA.

ORDER BOOK

The value of the order book at end-June totaled EUR 1,043.3 million (1,100.4), which was 5.2 percent lower than the previous year due to Business Area Equipment. Service accounted for EUR 192.8 million (18 percent) and Equipment for EUR 850.5 million (82 percent) of the total end-June order book.

SALES

Group sales in January–June decreased by 2.3 percent from a year ago and totaled EUR 987.4 million (1,010.5). Sales in Service fell by 1.7 percent and in Equipment by 4.4 percent.

Second quarter sales declined by 1.3 percent from a year ago and totaled EUR 528.8 million (535.6). At comparable currency rates, sales increased from the previous year. Sales in Service decreased by 1.4 percent and in Equipment by 2.6 percent.

At the end-June, the regional breakdown, calculated for a rolling 12-month period, was as follows: EMEA 48 (45), Americas 37 (37), and APAC 14 (17) percent.

NET SALES BY REGION, MEUR

	4–6/2016	4–6/2015	1–6/2016	1–6/2015	Change percent	Change % at comparable currency rates	R12M	1–12/2015
EMEA	256.0	230.6	490.0	431.8	13.5	15.3	1,018.6	960.5
AME	189.1	200.4	350.9	389.8	-10.0	-8.4	784.8	823.7
APAC	83.8	104.5	146.5	188.8	-22.4	-20.0	299.7	342.0
Total	**528.8**	**535.6**	**987.4**	**1,010.5**	**-2.3**	**-0.4**	**2,103.1**	**2,126.2**

CURRENCY RATE EFFECT

In a year-on-year comparison, the currency rates had a negative effect on the orders and sales in January–June. The reported decrease in order intake in January–June was 10.3 percent, whereas the decrease at comparable currency rates was 8.5 percent. Reported sales fell by 2.3 percent and by 0.4 percent at comparable currency rates.

The reported order intake declined in Service by 2.4 percent and by 0.3 percent at comparable currency rates. In Equipment, the reported order intake decreased by 16.5 percent and by 15.0 percent at comparable currency rates. In Service, the reported sales fell by 1.7 percent, but rose by 0.4 percent at comparable currency rates. The corresponding figures in Equipment sales were -4.4 percent and -2.7 percent.

The currency rates continued to have a negative effect on the orders and sales in the second quarter in a year-on-year comparison. The reported order intake fell by 2.1 percent, but grew by 1.0 percent at comparable currency rates. Reported sales decreased by 1.3 percent, but increased by 1.7 percent at comparable currency rates.

In the second quarter, the reported order intake in Service declined by 3.9 percent and by 0.7 percent at comparable currency rates. In Equipment, the reported order intake decreased by 2.1 percent, but increased by 0.7 percent at comparable currency rates. In Service, the reported sales decreased by 1.4 percent, but increased by 1.8 percent at comparable currency rates. The corresponding figures in Equipment sales were -2.6 percent and 0.0 percent.

FINANCIAL RESULT

In January–June, the adjusted operating profit increased by EUR 10.9 million to EUR 50.8 million (39.9). The adjusted operating margin improved to 5.1 percent (3.9). The adjusted operating margin in Service improved to 9.8 percent (9.2) and in Equipment to 2.6 percent (1.0). The adjusted operating margin improved due to the lower fixed costs in both Service and Equipment.

The consolidated operating profit in January–June totaled EUR 28.9 million (28.1). Operating profit increased by EUR 0.8 million. The consolidated operating margin improved to 2.9 percent (2.8). The operating profit includes adjustments of EUR -21.9 million (-11.8) comprising restructuring costs of EUR 9.7 million (11.8), transaction costs of EUR 22.2 million (0.0), and insurance indemnity of EUR +10.0 million (0.0).

In the second quarter, the adjusted operating profit increased by EUR 10.3 million to EUR 36.0 million (25.7). The adjusted operating margin improved to 6.8 percent (4.8). The adjusted operating margin in Service rose to 11.5 percent (9.6) and in Equipment to 4.2 percent (2.7). The adjusted operating margin improved due to the higher gross margin and lower fixed costs in both Service and Equipment.

The consolidated operating profit in the second quarter totaled EUR 28.6 million (16.3). The consolidated operating margin in the second quarter improved to 5.4 percent (3.0). The operating profit includes adjustments of EUR -7.4 million (-9.5) comprising restructuring costs of EUR 5.9 million (9.5), transaction costs of EUR 11.5 million (0.0), and insurance indemnity of EUR +10.0 million (0.0).

In January–June, depreciation and impairments totaled EUR 28.7 million (30.1). This included write-offs of EUR 2.8 million (5.7) to intangible and tangible assets. The amortization arising from the purchase price allocations of acquisitions represented EUR 2.2 million (2.7) of depreciation and impairments.

In January–June, the share of the result of associated companies and joint ventures was EUR 4.8 million (3.1).

Net financial expenses in January–June totaled EUR 18.4 million (6.4). Net interest expenses of this were EUR 4.2 million (5.0). Financial expenses for January–June include costs of EUR 10.8 million (0.0) related to the terminated Konecranes Terex merger plan and proposed Terex MHPS acquisition.

The January–June profit before taxes was EUR 15.4 million (24.8).

Income taxes in January–June were EUR -4.5 million (-7.8). The Group's effective tax rate was 29.0 percent (31.5).

Net profit for January–June was EUR 10.9 million (17.0).

Diluted earnings per share for January–June were EUR 0.19 (0.29).

On a rolling twelve-month basis, the return on capital employed was 8.2 percent (14.4) and the return on equity 5.9 percent (17.1).

BALANCE SHEET

The consolidated balance sheet at end-June 2016 stood at EUR 1,461.7 million (1,485.4). Total equity at the end of the reporting period was EUR 401.9 million (436.9). Total equity attributable to the equity holders of the parent company on June 30 was EUR 401.8 million (436.8) or EUR 6.84 per share (7.44).

Net working capital at the end of June 2016 totaled EUR 340.9 million (366.3). Compared to the previous year, net working capital fell due to the lower accounts receivable and higher advance payments received.

CASH FLOW AND FINANCING

Net cash from operating activities in January–June was EUR 14.2 million (-48.7). Net cash from operations in the second quarter was EUR 17.3 million (5.7).

Cash flow from capital expenditures in January–June amounted to EUR -11.6 million (-18.2). Cash flow from capital expenditures in the second quarter was EUR -7.2 million (-9.4).

Cash flow before financing activities was EUR 3.3 million (-65.9) in January–June. Cash flow before financing activities in the second quarter was EUR 10.2 million (-3.3).

Interest-bearing net debt decreased to EUR 258.7 million (261.9). Solidity was 31.7 percent (33.4) and gearing 64.4 percent (59.9).

The Group's liquidity remained healthy. At the end of the second quarter, cash and cash equivalents amounted to EUR 80.5 million (72.7). None of the Group's committed back-up financing facilities, EUR 300 million in total, were in use at the end of the period.

CAPITAL EXPENDITURE

January–June capital expenditure, excluding acquisitions and joint arrangements, amounted to EUR 18.2 million (14.1). This amount consisted of the investments in machines, equipment, properties, and information technology.

Capital expenditure, including acquisitions and joint arrangements, was EUR 18.2 million (14.1).

ACQUISITIONS

There were no acquisitions during the reporting period or comparison period.

PERSONNEL

In January–June, the Group employed an average of 11,647 people (11,929). On June 30, the headcount was 11,444 (11,900). Group's personnel decreased by 443 employees from year-end 2015 due to restructuring actions.

At end-June, the number of personnel by Business Area was as follows: Service 6,324 employees (6,387), Equipment 5,064 employees (5,460) and Group staff 56 (53). The Group had 6,111 employees (6,217) working in EMEA, 2,816 (2,931) in the Americas, and 2,517 (2,752) in the APAC region.

Business areas

SERVICE

	4–6/2016	4–6/2015	1–6/2016	1–6/2015	Change percent	R12M	1–12/2015
Orders received, MEUR	203.5	211.8	396.9	406.8	-2.4	799.6	809.5
Order book, MEUR	192.8	181.7	192.8	181.7	6.1		165.8
Contract base value, MEUR	207.4	209.5	207.4	209.5	-1.0		210.6
Net sales, MEUR	244.7	248.2	466.1	474.0	-1.7	984.4	992.3
EBITDA, MEUR	32.0	26.6	53.5	50.7	5.6	120.8	118.0
EBITDA, %	13.1%	10.7%	11.5%	10.7%		12.3%	11.9%
Depreciation and amortization, MEUR	-5.0	-4.3	-9.7	-8.7	11.4	-18.9	-17.9
Impairments, MEUR	0.0	0.0	0.0	-1.2		0.0	-1.2
Operating profit (EBIT), MEUR	27.0	22.2	43.9	40.9	7.4	101.9	98.9
Operating profit (EBIT), %	11.0%	9.0%	9.4%	8.6%		10.4%	10.0%
Adjustments*, MEUR	-1.2	-1.5	-1.8	-2.8		-3.0	-4.0
Adjusted operating profit (EBIT), MEUR	28.3	23.7	45.7	43.7	4.7	104.9	102.9
Adjusted operating profit (EBIT), %	11.5%	9.6%	9.8%	9.2%		10.7%	10.4%
Capital employed, MEUR	238.3	221.4	238.3	221.4	7.6		232.3
ROCE%						44.3%	45.7%
Capital expenditure, MEUR	5.4	3.2	7.1	5.7	25.2	24.3	22.9
Personnel at the end of period	6,324	6,387	6,324	6,387	-1.0		6,503

*) *restructuring costs*

January–June orders received totaled EUR 396.9 million (406.8), showing a decrease of 2.4 percent. The order decrease was mainly attributable to negative currency effect, closure of certain underperforming operations and reduced internal orders volume. The order book increased by 6.1 percent to EUR 192.8 million (181.7) from a year before. Sales declined by 1.7 percent to EUR 466.1 million (474.0). Sales grew in EMEA and in the Americas, whereas sales declined in APAC. Development in field service and parts business was similar in both.

The adjusted operating profit, excluding restructuring costs of EUR 1.8 million (2.8), was EUR 45.7 million (43.7) and the adjusted operating margin 9.8 percent (9.2). Operating profit was EUR 43.9 million (40.9) and the operating margin 9.4 percent (8.6). The adjusted operating margin improved due to the lower fixed costs.

The second-quarter order intake decreased by 3.9 percent and totaled EUR 203.5 million (211.8). The decline in order intake was mostly attributable to negative currency rate changes. The second-quarter sales totaled EUR 244.7 million (248.2), which was 1.4 percent less than a year ago. Sales grew in EMEA and the Americas, whereas sales declined in APAC due to negative currency rate changes. Parts sales outperformed field service sales.

The second-quarter adjusted operating profit, excluding restructuring costs of EUR 1.2 million (1.5), was EUR 28.3 million (23.7) and the adjusted operating margin 11.5 percent (9.6). The second-quarter operating profit was EUR 27.0 million (22.2) and the operating margin 11.0 percent (9.0). The adjusted operating margin improved due to the higher gross margin and lower fixed costs.

The total number of equipment included in the maintenance contract base increased by 2.1 percent to 463,647 (454,018). The annual value of the contract base decreased by 1.0 percent to EUR 207.4 million (209.5). At comparable currency rates, the value of the contract base rose by 0.8 percent. Closures of certain underperforming operations had a minor negative impact on the contract base value.

The number of service technicians at end-June was 4,153 (4,043), which is 2.7 percent more than at the end of June 2015.

EQUIPMENT

	4–6/2016	4–6/2015	1–6/2016	1–6/2015	Change percent	R12M	1–12/2015
Orders received, MEUR	296.4	302.6	545.3	652.7	-16.5	1,150.1	1,257.6
Order book, MEUR	850.5	918.6	850.5	918.6	-7.4		870.7
Net sales, MEUR	305.3	313.5	563.2	588.9	-4.4	1,214.7	1,240.3
EBITDA, MEUR	19.8	13.2	27.3	16.9	61.1	63.2	52.9
EBITDA, %	6.5%	4.2%	4.8%	2.9%		5.2%	4.3%
Depreciation and amortization, MEUR	-8.4	-8.2	-15.7	-15.3	2.6	-30.5	-30.0
Impairments, MEUR	-1.1	-4.5	-2.8	-4.5		-2.4	-4.1
Operating profit (EBIT), MEUR	10.3	0.5	8.8	-2.9	-407.0	30.4	18.8
Operating profit (EBIT), %	3.4%	0.1%	1.6%	-0.5%		2.5%	1.5%
Adjustments*, MEUR	-2.5	-8.0	-5.7	-9.0		-11.7	-15.0
Adjusted operating profit (EBIT), MEUR	12.8	8.4	14.5	6.1	137.6	42.2	33.8
Adjusted operating profit (EBIT), %	4.2%	2.7%	2.6%	1.0%		3.5%	2.7%
Capital employed, MEUR	349.2	396.9	349.2	396.9	-12.0		356.7
ROCE%						8.2%	5.3%
Capital expenditure, MEUR	6.5	4.2	11.1	8.4	31.2	29.1	26.5
Personnel at the end of period	5,064	5,460	5,064	5,460	-7.3		5,328

*) *restructuring costs*

January–June orders received totaled EUR 545.3 million (652.7), showing a decrease of 16.5 percent, mainly due to lower port crane orders in the first quarter. Orders for industrial cranes accounted for approximately 45 percent of the orders received and were higher than a year ago. Components generated approximately 25 percent of the new orders and were below last year's level. The combined orders for port cranes and lift trucks amounted to approximately 30 percent of the orders received and were lower than a year ago mainly due to the port cranes business. The order book decreased by 7.4 percent from a year ago to EUR 850.5 million (918.6).

Sales decreased by 4.4 percent to EUR 563.2 million (588.9). The adjusted operating profit, excluding restructuring costs of EUR 5.7 million (9.0), was EUR 14.5 million (6.1) and the adjusted operating margin 2.6 percent (1.0). Operating profit was EUR 8.8 million (-2.9) and operating margin 1.6 percent (-0.5). Despite the decrease in sales, the adjusted operating margin in Equipment improved due to the lower fixed costs.

The second-quarter order intake fell by 2.1 percent and totaled EUR 296.4 million (302.6). Orders declined from the previous year in the Americas and APAC, but increased in EMEA. Orders received for industrial cranes and port cranes grew, but orders for components and lift trucks fell.

The second-quarter sales totaled EUR 305.3 million (313.5) and were 2.6 percent lower than a year ago. The second-quarter adjusted operating profit, excluding restructuring costs of EUR 2.5 million (8.0), was EUR 12.8 million (8.4) and the adjusted operating margin 4.2 percent (2.7). The second-quarter operating profit was EUR 10.3 million (0.5) and the operating margin 3.4 percent (0.1). Despite the decrease in sales, the adjusted operating margin in Equipment improved due to the higher gross margin and lower fixed costs.

Group overheads

In January–June, unallocated Group overhead costs and eliminations, excluding restructuring costs, transaction costs and insurance indemnity, were EUR -9.4 million (–9.9), representing 1.0 percent of sales (1.0).

Unallocated Group overhead costs and eliminations in the reporting period were EUR –23.8 million (–9.9) representing 2.4 percent of sales (1.0). These included restructuring costs of EUR 2.2 million (0.0), transaction costs of EUR 22.2 million (0.0), and insurance indemnity of EUR +10.0 million (0.0).

On August 14, 2015, Konecranes announced that one of its foreign subsidiaries had become a victim of a fraud. The perpetrators had, through identity theft and other fraudulent actions, managed to induce the subsidiary to make unwarranted payments in a total amount of up to EUR 17 million. This amount was booked in unallocated Group overhead costs in the third quarter of 2015. On June 9, 2016, Konecranes announced that it has received an insurance indemnity of EUR 10 million, which was the maximum sum insured.

ACQUISITION OF TEREX MHPS BUSINESS

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

The acquisition of MHPS will improve Konecranes’ position as a focused global leader in the Industrial Lifting & Port Solutions market. Konecranes will achieve substantial growth opportunities in the service business as well as critical scale for further technological development. Konecranes’ recent investments in business infrastructure and global footprint optimization will provide significant earnings leverage.

The Acquisition, valued at EUR 1,126 million enterprise value based on Konecranes closing price of EUR 20.60 as of May 13, 2016, will offer significant industrial and operational synergies targeted at EUR 140 million p.a. at EBIT level within three years from closing. Terex will receive USD 595 million and EUR 200 million in cash and 19.6 million in newly issued Konecranes class B shares, making Terex a 25-percent shareholder (calculated from shares outstanding on April 30, 2016). The class B Shares to be issued to Terex will be created through an amendment to Konecranes’ Articles of Association and will have the same financial rights as Konecranes ordinary shares but are subject to voting and transfer restrictions as well as differing Board nomination rights.

The purchase price is subject to post-completion adjustments based on the level of net working capital and cash and debt in the acquired business at the closing date. In addition, the number of shares to be issued may be adjusted depending on the performance of the MHPS business in 2016. Also, certain purchase price adjustments may occur based on possible outcomes related to antitrust rulings.

Terex MHPS is a leading supplier of industrial cranes, crane components and services under the Demag brand, as well as port technology with a broad range of manual, semi-automated and automated solutions under several brands, such as Gottwald. According to unaudited special purpose carve-out financial information, the sales of Terex MHPS (including Crane America Services) were USD 1,542 million (EUR 1,391 million) and the adjusted EBITDA was USD 111 million (EUR 100 million) in 2015. In 2015, Terex MHPS generated 31 percent of its sales from maintenance services and spare parts. It employs approximately 7,200 people.

One-time integration expenses are expected to be EUR 130 million, with expected EUR 60 million of capex. The Acquisition is expected to be EPS accretive from inception (adjusted for non-recurring integration costs and purchase price allocation-related amortization).

The Acquisition is subject to regulatory approvals and other closing conditions, including shareholder approval at a Konecranes Extraordinary General Meeting of shareholders, and is expected to close in early of 2017.

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, 2016.

CHANGES IN MANAGEMENT

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

SHARE CAPITAL AND SHARES

On June 30, 2016, the registered share capital of the company totaled EUR 30.1 million. On June 30, 2016, the number of shares including treasury shares totaled 63,272,342. On June 30, 2016, Konecranes Plc was in possession of 4,521,333 own shares, which correspond to 7.1 percent of the total number of shares and which, at that date, had a market value of EUR 102.5 million.

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

SHARES SUBSCRIBED FOR UNDER STOCK OPTION RIGHTS

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

EMPLOYEE SHARE SAVINGS PLAN

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

On June 15, Konecranes announced that the Board has decided to launch a new Plan Period. The new plan period will begin on September 1, 2016 and end on June 30, 2017. The maximum savings amount per participant during one month is 5 percent of gross salary and the minimum is EUR 50. Each participant will receive one free matching share for every two acquired savings shares. Matching shares will be delivered to a participant if the participant holds the acquired shares from the plan period until the end of the designated holding period, February 15, 2020, and if his or her employment has not ended before this date for reasons related to the employee. The total amount of all savings of the commencing plan period may not exceed EUR 8.5 million. The terms and conditions of the Plan Period 2016–2017 are unchanged from the previous Plan Periods.

Shares will be acquired with the accrued savings at the market price quarterly, after the publication dates of the Konecranes interim results, commencing in October 2016.

PERFORMANCE SHARE PLAN

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

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

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

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

MARKET CAPITALIZATION AND TRADING VOLUME

On June 30, 2016, the closing price for Konecranes Plc's shares on the Nasdaq Helsinki was EUR 22.66. The volume-weighted average share price in January–June 2016 was EUR 21.35, the highest price being EUR 25.35 in May and the lowest EUR 17.92 in January. In January–June, the trading volume on the Nasdaq Helsinki totaled 29.4 million Konecranes Plc's shares, corresponding to a turnover of approximately EUR 626.8 million. The average daily trading volume was 238,678 shares representing an average daily turnover of EUR 5.1 million.

In addition, according to Fidessa, approximately 38.3 million Konecranes' shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in January–June 2016.

On June 30, 2016, the total market capitalization of Konecranes Plc's shares was EUR 1,433.8 million including treasury shares. The market capitalization was EUR 1,331.3 million excluding treasury shares.

FLAGGING NOTIFICATIONS

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

On July 14, Konecranes announced that Sirpa Poitsalo (b. 1963), Vice President, General Counsel, has been appointed a member of the Konecranes Group Executive Board and will report to Panu Routila, President & CEO. Sirpa Poitsalo has worked at Konecranes since 1988 and has been a member of the Group Senior Management.

On July 15, notice was given to the shareholders of Konecranes Plc to the Extraordinary General Meeting to be held on September 15, 2016.

On July 20, Konecranes announced that in relation to the acquisition of Terex's MHPS business (MHPS Acquisition) Konecranes has offered the potential divestiture of its STAHL CraneSystems business in order to address the European Commission's (EC) concerns in the supply of hoists in the EEA. The offered commitments will be subject to a market test by the EC. As a result of the offered commitments, the EC has extended its review period for the transaction and it is now expected to render its decision on the MHPS Acquisition by August 8, 2016. The offered commitments may be subject to change until the EC renders its decision.

RISKS AND UNCERTAINTIES

Konecranes operates in the emerging countries that entail political, economic, and regulatory uncertainties. Adverse changes in the operating environment of these countries may result in currency losses, elevated delivery costs, or loss of assets. Konecranes operates a crane factory in Zaporozhye, Ukraine. On June 30, 2016, the value of the total assets related to the Zaporozhye factory amounted to approximately EUR 10 million.

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

Konecranes has made several acquisitions and expanded organically into new countries. A failure to integrate the acquired business or grow newly established operations may result in an impairment of goodwill and other assets.

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

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

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

The completion of the proposed acquisition of Terex MHPS business is subject to a number of conditions, including, among other things, the approval by Konecranes shareholders of all of the proposals relating to the acquisition and the obtainment of antitrust and other regulatory approvals in the United States, the European Union, China, and certain other jurisdictions, which make uncertain the completion and timing of the completion of the acquisition.

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

MARKET OUTLOOK

Customers are cautious about investing because economic growth has decelerated across the globe. Companies operating in emerging and commodity markets are particularly under pressure to save costs. Certain market uncertainty continues in North America. The demand situation in Europe has somewhat improved. The decline in the global container throughput has led to slower decision-making among container terminal operators.

NEW FINANCIAL GUIDANCE

Based on the order book, service contract base and near-term demand outlook, the sales in 2016 are expected to be approximately on the same level as in 2015. We expect the 2016 adjusted operating profit to improve from 2015.

PREVIOUS FINANCIAL GUIDANCE

Based on the order book, service contract base and near-term demand outlook, the sales in 2016 are expected to be higher than in 2015. We expect the 2016 adjusted operating profit to improve from 2015.

Helsinki, July 22, 2016
Konecranes Plc
Board of Directors

Disclaimer

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

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

Consolidated statement of income

EUR million	Note	4–6/2016	4–6/2015	1–6/2016	1–6/2015	Change %	1–12/2015
Sales	8	**528.8**	**535.6**	**987.4**	**1,010.5**	**-2.3**	**2,126.2**
Other operating income [1]	5.3	10.6	0.3	10.9	0.5		1.4
Materials, supplies and subcontracting		-237.2	-238.5	-430.7	-448.8		-969.9
Personnel cost		-169.4	-172.6	-332.2	-335.4		-661.5
Depreciation and impairments	9	-14.7	-17.3	-28.7	-30.1		-54.0
Other operating expenses [2]	5	-89.6	-91.2	-177.8	-168.7		-379.1
Operating profit		**28.6**	**16.3**	**28.9**	**28.1**	**2.9**	**63.0**
Share of associates' and joint ventures' result		3.6	1.7	4.8	3.1		4.8
Financial income		0.3	3.1	4.1	3.1		7.8
Financial expenses [3]		-10.1	-4.3	-22.5	-9.5		-20.3
Profit before taxes		**22.4**	**16.7**	**15.4**	**24.8**	**-38.0**	**55.4**
Taxes	11	-6.4	-5.3	-4.5	-7.8		-24.6
PROFIT FOR THE PERIOD		**16.0**	**11.4**	**10.9**	**17.0**	**-35.7**	**30.8**
Profit for the period attributable to:							
Shareholders of the parent company		16.0	11.4	10.9	17.0		30.8
Non-controlling interest		0.0	0.0	0.0	0.0		0.0
Earnings per share, basic (EUR)		0.27	0.19	0.19	0.29	-36.2	0.53
Earnings per share, diluted (EUR)		0.27	0.19	0.19	0.29	-36.1	0.53

[1] Konecranes received the insurance indemnity related to identity theft of EUR 10 million during Q2/2016.
[2] Other operating expenses for 1–6/2016 include transaction costs related to terminated merger plan with Terex and proposed acquisition of Terex MHPS up to EUR 22.2 million (EUR 0.0 million in 1–6/2015) and EUR 11.5 million for Q2/2016 (EUR 0.0 million in Q2/2015). In 1–12/2015 other operating expenses include the unwarranted payments due to the identity theft and fraudulent actions in a total amount of EUR 17.0 million and transaction costs related to terminated merger plan with Terex up to EUR 17.2 million.
[3] Financial expenses for 1–6/2016 include costs of EUR 10.8 million (EUR 0.0 million in 1–6/2015) related to the terminated merger plan with Terex and proposed acquisition of Terex MHPS and EUR 8.3 million for Q2/2016 (EUR 0.0 million in Q2/2015).

Consolidated statement of other comprehensive income

EUR million	4–6/2016	4–6/2015	1–6/2016	1–6/2015		1–12/2015
Profit for the period	**16.0**	**11.4**	**10.9**	**17.0**		**30.8**
Items that can be reclassified into profit or loss						
Cash flow hedges	0.1	9.3	8.5	-7.8		-0.6
Exchange differences on translating foreign operations	0.7	-9.8	-4.4	21.8		16.3
Share of associates' other comprehensive income	-1.9	0.0	-2.4	0.0		3.8
Income tax relating to items that can be reclassified into profit or loss	0.0	-1.9	-1.7	1.6		0.1
Items that cannot be reclassified into profit or loss						
Re-measurement gains (losses) on defined benefit plans	-6.8	-1.5	-4.1	1.1		6.0
Income tax relating to items that cannot be reclassified into profit or loss	1.4	0.3	0.9	-0.2		-1.4
Other comprehensive income for the period, net of tax	**-6.5**	**-3.5**	**-3.2**	**16.5**		**24.2**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**9.5**	**7.9**	**7.7**	**33.4**		**55.0**
Total comprehensive income attributable to:						
Shareholders of the parent company	9.5	7.9	7.7	33.4		55.0
Non-controlling interest	0.0	0.0	0.0	0.0		0.0

Consolidated balance sheet

EUR million

ASSETS	Note	30.6.2016	30.6.2015	31.12.2015
Non-current assets				
Goodwill		105.4	108.7	107.6
Intangible assets		104.0	94.2	108.7
Property, plant and equipment		136.0	146.7	142.5
Advance payments and construction in progress		17.3	34.2	24.0
Investments accounted for using the equity method		51.9	45.8	50.2
Other non-current assets		1.0	1.0	1.0
Deferred tax assets		66.1	76.8	71.7
Total non-current assets		**481.7**	**507.4**	**505.7**
Current assets				
Inventories				
Raw material and semi-manufactured goods		153.3	170.5	157.9
Work in progress		214.8	197.7	201.0
Advance payments		13.6	15.7	6.4
Total inventories		381.6	383.9	365.2
Accounts receivable		351.3	373.3	377.3
Other receivables		22.4	22.6	24.9
Income tax receivables		11.8	9.9	10.1
Receivable arising from percentage of completion method	8	88.7	66.9	77.3
Other financial assets		7.4	11.6	7.5
Deferred assets		36.3	37.0	36.0
Cash and cash equivalents		80.5	72.7	80.8
Total current assets		**980.0**	**978.0**	**979.2**
TOTAL ASSETS		**1,461.7**	**1,485.4**	**1,484.9**

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	Note	30.6.2016	30.6.2015	31.12.2015
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		66.5	66.5	66.5
Fair value reserves	14	-2.3	-14.9	-9.1
Translation difference		15.7	25.5	20.1
Other reserve		31.1	29.2	29.9
Retained earnings		210.5	244.1	248.4
Net profit for the period		10.9	17.0	30.8
Total equity attributable to equity holders of the parent company		**401.8**	**436.8**	**455.9**
Non-controlling interest		0.1	0.1	0.1
Total equity		**401.9**	**436.9**	**456.0**
Liabilities				
Non-current liabilities				
Interest-bearing liabilities	13	56.6	163.4	59.2
Other long-term liabilities		96.0	96.6	92.3
Other financial liabilities		0.0	1.5	0.0
Provisions		17.1	18.0	17.8
Deferred tax liabilities		14.9	20.5	19.8
Total non-current liabilities		**184.6**	**299.9**	**189.1**
Current liabilities				
Interest-bearing liabilities	13	282.6	171.3	224.8
Advance payments received	8	193.2	176.0	176.4
Progress billings		0.3	0.3	0.4
Accounts payable		95.8	115.2	139.1
Provisions		32.1	31.1	35.1
Other short-term liabilities (non-interest bearing)		31.2	30.3	31.9
Other financial liabilities		9.7	7.6	11.4
Income tax liabilities		8.1	7.9	12.8
Accrued costs related to delivered goods and services		131.4	99.7	111.8
Accruals		90.7	109.3	96.2
Total current liabilities		**875.1**	**748.5**	**839.8**
Total liabilities		**1,059.8**	**1,048.5**	**1,028.9**
TOTAL EQUITY AND LIABILITIES		**1,461.7**	**1,485.4**	**1,484.9**

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, 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**
Balance at 1 January, 2015	**30.1**	**39.3**	**52.2**	**-8.6**	**3.7**
Options exercised			14.3		
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-6.2	21.8
Total comprehensive income				-6.2	21.8
Balance at 30 June, 2015	**30.1**	**39.3**	**66.5**	**-14.9**	**25.5**

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, 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**
Balance at 1 January, 2015	**27.8**	**304.7**	**449.2**	**0.1**	**449.2**
Options exercised		0.0	14.3		**14.3**
Dividends paid to equity holders		-61.5	-61.5		**-61.5**
Equity-settled share based payments	1.4	0.0	1.4		**1.4**
Acquisitions		0.0	0.0		**0.0**
Profit for the period		17.0	17.0		**17.0**
Other comprehensive income		0.9	16.5	0.0	**16.5**
Total comprehensive income		17.9	33.4	0.0	**33.5**
Balance at 30 June, 2015	**29.2**	**261.1**	**436.8**	**0.1**	**436.9**

Consolidated cash flow statement

EUR million	1–6/2016	1–6/2015	1–12/2015
Cash flow from operating activities			
Profit for the period	10.9	17.0	30.8
Adjustments to net income			
Taxes	4.5	7.8	24.6
Financial income and expenses	18.5	6.4	12.5
Share of associates' and joint ventures' result	-4.8	-3.1	-4.8
Dividend income	0.0	0.0	-0.1
Depreciation and impairments	28.7	30.1	54.0
Profits and losses on sale of fixed assets	0.3	0.0	1.2
Other adjustments	-1.6	1.3	-2.8
Operating income before change in net working capital	**56.3**	**59.5**	**115.5**
Change in interest-free current receivables	11.1	42.9	27.2
Change in inventories	-20.7	-34.5	-17.4
Change in interest-free current liabilities	-3.0	-81.6	-37.4
Change in net working capital	**-12.5**	**-73.2**	**-27.6**
Cash flow from operations before financing items and taxes	**43.7**	**-13.7**	**87.9**
Interest received	4.3	1.9	5.8
Interest paid	-8.6	-7.4	-15.6
Other financial income and expenses	-13.3	-13.5	-12.5
Income taxes paid	-11.8	-16.0	-26.3
Financing items and taxes	**-29.5**	**-35.0**	**-48.6**
NET CASH FROM OPERATING ACTIVITIES	**14.2**	**-48.7**	**39.3**
Cash flow from investing activities			
Acquisition of Group companies, net of cash	0.0	0.0	-0.3
Divestment of Businesses, net of cash	0.0	0.0	0.1
Capital expenditures	-11.6	-18.2	-43.3
Proceeds from sale of property, plant and equipment	0.7	1.1	2.6
NET CASH USED IN INVESTING ACTIVITIES	**-10.9**	**-17.1**	**-40.8**
Cash flow before financing activities	**3.3**	**-65.9**	**-1.5**
Cash flow from financing activities			
Proceeds from options exercised and share issues and other	0.0	14.3	14.3
Proceeds from non-current borrowings	0.0	0.0	0.0
Repayments of non-current borrowings	-2.1	-4.6	-2.1
Proceeds from (+), payments of (-) current borrowings	60.6	89.1	38.8
Acquired non controlling interest	-0.3	0.0	-5.9
Dividends paid to equity holders of the parent	-61.7	-61.5	-61.5
NET CASH USED IN FINANCING ACTIVITIES	**-3.5**	**37.3**	**-16.3**
Translation differences in cash	0.0	3.3	0.6
CHANGE OF CASH AND CASH EQUIVALENTS	**-0.2**	**-25.2**	**-17.2**
Cash and cash equivalents at beginning of period	80.8	97.9	97.9
Cash and cash equivalents at end of period	80.5	72.7	80.8
CHANGE OF CASH AND CASH EQUIVALENTS	**-0.2**	**-25.2**	**-17.2**

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

FREE CASH FLOW

EUR million	1–6/2016	1–6/2015	1–12/2015
Net cash from operating activities	14.2	-48.7	39.3
Capital expenditures	-11.6	-18.2	-43.3
Proceeds from sale of property, plant and equipment	0.7	1.1	2.6
Free cash flow	**3.3**	**-65.9**	**-1.4**

Notes

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of Konecranes Plc for three months ending 30.6.2016 and 30.6.2015 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). As such, they do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as of December 31, 2015.

The unaudited interim condensed consolidated financial statements including notes thereto are presented in millions of euros; notes to the financial statements 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 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, 2015. There are no new or recently issued accounting standards which have a material impact on the unaudited condensed interim consolidated financial statements.

5. IMPORTANT EVENTS

5.1 Material Handling & Port Solutions segment acquisition from Terex Corporation

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

The acquisition of MHPS will improve Konecranes' position as a focused global leader in the Industrial Lifting & Port Solutions market. Konecranes will achieve substantial growth opportunities in the service business as well as critical scale for further technological development. Konecranes' recent investments in business infrastructure and global footprint optimization will provide significant earnings leverage.

The Acquisition, valued at EUR 1,126 million enterprise value based on Konecranes closing price of EUR 20.60 as of May 13, 2016, will offer significant industrial and operational synergies targeted at EUR 140 million p.a. at EBIT

Notes

level within three years from closing. Terex will receive USD 595 million and EUR 200 million in cash and 19.6 million in newly issued Konecranes class B shares, making Terex a 25-percent shareholder (calculated from shares outstanding on April 30, 2016). The class B Shares to be issued to Terex will be created through an amendment to Konecranes' Articles of Association and will have the same financial rights as Konecranes ordinary shares but are subject to voting and transfer restrictions as well as differing Board nomination rights.

The purchase price is subject to post-completion adjustments based on the level of net working capital and cash and debt in the acquired business at the closing date. In addition, the number of shares to be issued may be adjusted depending on the performance of the MHPS business in 2016. Also, certain purchase price adjustments may occur based on possible outcomes related to antitrust rulings.

Terex MHPS is a leading supplier of industrial cranes, crane components and services under the Demag brand, as well as port technology with a broad range of manual, semi-automated and automated solutions under several brands, such as Gottwald. According to unaudited special purpose carve-out financial information, the sales of Terex MHPS (including Crane America Services) were USD 1,542 million (EUR 1,391 million) and the adjusted EBITDA was USD 111 million (EUR 100 million) in 2015. In 2015, Terex MHPS generated 31 percent of its sales from maintenance services and spare parts. It employs approximately 7,200 people.

One-time integration expenses are expected to be EUR 130 million, with expected EUR 60 million of capex. The Acquisition is expected to be EPS accretive from inception (adjusted for non-recurring integration costs and purchase price allocation-related amortization).

The Acquisition is subject to regulatory approvals and other closing conditions, including shareholder approval at a Konecranes Extraordinary General Meeting of shareholders, and is expected to close in early of 2017.

5.2 Kito corporation shares

The current market price of Kito Corporation at June 30, 2016 of Yen 808 per Kito share would give a current market value of EUR 42.2 million compared to the carrying value 30.6.2016 (using the equity method) of EUR 43.4 million. The market price reflects the current market volatility in Japan, and the Group has found that the recoverable amount of the investment exceeds its carrying amount.

5.3 Insurance indemnity

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

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

5.4 Subsequent events

On July 20, 2015, Konecranes announced that In relation to the acquisition of Terex's MHPS business (MHPS Acquisition) Konecranes has offered the potential divestiture of its STAHL CraneSystems business in order to address the European Commission's (EC) concerns in the supply of hoists in the EEA. The offered commitments will be subject to a market test by the EC. As a result of the offered commitments, the EC has extended its review period for the transaction and it is now expected to render its decision on the MHPS Acquisition by August 8, 2016. The offered commitments may be subject to change until the EC renders its decision.

STAHL CraneSystems is a global supplier of hoisting technology and crane components. The company 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. ACQUISITIONS

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

Notes

7. SEGMENT INFORMATION

7.1. Operating segments

EUR million

Orders received by Business Area	1–6/2016	% of total	1–6/2015	% of total	1–12/2015	% of total
Service [1]	396.9	42	406.8	38	809.5	39
Equipment	545.3	58	652.7	62	1,257.6	61
./. Internal	-36.9		-50.4		-101.6	
Total	**905.3**	**100**	**1,009.1**	**100**	**1,965.5**	**100**

[1] *Excl. Service Contract Base*

Order book total [2]	30.6.2016	% of total	30.6.2015	% of total	31.12.2015	% of total
Service	192.8	18	181.7	17	165.8	16
Equipment	850.5	82	918.6	83	870.7	84
./. Internal	0.0		0.0		0.0	
Total	**1,043.3**	**100**	**1,100.4**	**100**	**1,036.5**	**100**

[2] *Percentage of completion deducted*

Sales by Business Area	1–6/2016	% of total	1–6/2015	% of total	1–12/2015	% of total
Service	466.1	45	474.0	45	992.3	44
Equipment	563.2	55	588.9	55	1,240.3	56
./. Internal	-41.9		-52.4		-106.5	
Total	**987.4**	**100**	**1,010.5**	**100**	**2,126.2**	**100**

Adjusted operating profit (EBIT) by Business Area	1–6/2016 MEUR	EBIT %	1–6/2015 MEUR	EBIT %	1–12/2015 MEUR	EBIT %
Service	45.7	9.8	43.7	9.2	102.9	10.4
Equipment	14.5	2.6	6.1	1.0	33.8	2.7
Group costs and eliminations	-9.4		-9.9		-18.9	
Total	**50.8**	**5.1**	**39.9**	**3.9**	**117.7**	**5.5**

Operating profit (EBIT) by Business Area	1–6/2016 MEUR	EBIT %	1–6/2015 MEUR	EBIT %	1–12/2015 MEUR	EBIT %
Service	43.9	9.4	40.9	8.6	98.9	10.0
Equipment	8.8	1.6	-2.9	-0.5	18.8	1.5
Group costs and eliminations	-23.8		-9.9		-54.6	
Total	**28.9**	**2.9**	**28.1**	**2.8**	**63.0**	**3.0**

Notes

Capital Employed and ROCE%	30.6.2016 MEUR		30.6.2015 MEUR		31.12.2015 MEUR	ROCE %
Service	238.3		221.4		232.3	45.7
Equipment	349.2		396.9		356.7	5.3
Unallocated Capital Employed	153.5		153.2		150.9	
Total	**741.1**		**771.5**		**739.9**	**9.5**

Business segment assets	30.6.2016 MEUR		30.6.2015 MEUR		31.12.2015 MEUR	
Service	394.9		393.7		414.9	
Equipment	837.0		867.1		845.7	
Unallocated Capital Employed	229.8		224.6		224.3	
Total	**1,461.7**		**1,485.4**		**1,484.9**	

Business segment liabilities	30.6.2016 MEUR		30.6.2015 MEUR		31.12.2015 MEUR	
Service	156.5		172.3		182.6	
Equipment	487.7		470.1		489.0	
Unallocated Capital Employed	415.5		406.0		357.3	
Total	**1,059.8**		**1,048.5**		**1,028.9**	

Personnel by Business Area (at the end of the period)	30.6.2016	% of total	30.6.2015	% of total	31.12.2015	% of total
Service	6,324	55	6,387	54	6,503	55
Equipment	5,064	44	5,460	46	5,328	45
Group staff	56	0	53	0	56	0
Total	**11,444**	**100**	**11,900**	**100**	**11,887**	**100**

7.2. Geographical areas

EUR million

Sales by market	1–6/2016	% of total	1–6/2015	% of total	1–12/2015	% of total
Europe-Middle East-Africa (EMEA)	490.0	50	431.8	43	960.5	45
Americas (AME)	350.9	36	389.8	39	823.7	39
Asia-Pacific (APAC)	146.5	15	188.8	19	342.0	16
Total	**987.4**	**100**	**1,010.5**	**100**	**2,126.2**	**100**

Personnel by region (at the end of the period)	30.6.2016	% of total	30.6.2015	% of total	31.12.2015	% of total
Europe-Middle East-Africa (EMEA)	6,111	53	6,217	52	6,237	52
Americas (AME)	2,816	25	2,931	25	2,968	25
Asia-Pacific (APAC)	2,517	22	2,752	23	2,682	23
Total	**11,444**	**100**	**11,900**	**100**	**11,887**	**100**

Notes

8. PERCENTAGE OF COMPLETION METHOD AND ADVANCES RECEIVED

EUR million	30.6.2016	30.6.2015	31.12.2015
The cumulative revenues of non-delivered projects	329.4	309.8	297.5
Advances received netted	234.0	238.3	216.9
Progress billings netted	6.7	4.6	3.3
Receivable arising from percentage of completion method, net	**88.7**	**66.9**	**77.3**
Gross advance received from percentage of completion method	255.4	243.8	221.1
Advances received netted	234.0	238.3	216.9
Advances received from percentage of completion method (netted)	**21.4**	**5.5**	**4.2**

Net sales recognized under the percentage of completion method amounted EUR 118.4 million in 1–6/2016 (EUR 123.0 in 1–6/2015).

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

Advance payments received	30.6.2016	30.6.2015	31.12.2015
Advance received from percentage of completion method (netted)	21.4	5.5	4.2
Other advance received from customers	171.7	170.5	172.2
Total	**193.2**	**176.0**	**176.4**

9. IMPAIRMENTS

EUR million	1–6/2016	1–6/2015	1–12/2015
Property, plant and equipment	2.8	2.7	2.4
Other intangible assets	0.0	3.0	2.9
Total	**2.8**	**5.7**	**5.3**

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

10. RESTRUCTURING COSTS

Konecranes has recorded EUR 9.7 million restructuring costs during for 1–6/2016 (EUR 11.8 million in 1–6/2015) of which EUR 2.8 million was impairment of assets (EUR 5.7 million for 1–6/2015). The remaining EUR 6.9 million of restructuring cost for 1–6/2016 is reported in personnel costs (EUR 3.9 million) and in other operating expenses (EUR 3.0 million).

Notes

11. INCOME TAXES

Taxes in statement of Income	1–6/2016	1–6/2015	1–12/2015
Local income taxes of group companies	9.2	7.5	24.6
Taxes from previous years	-3.7	1.0	-1.1
Change in deferred taxes	-1.1	-0.8	1.1
Total	**4.5**	**7.8**	**24.6**

Income tax expense is recognized based on the management's estimate of the annual income tax rate expected for the full financial year. The estimated annual tax rate used for 1–6/2016 is 29.0% (31.5% in 1–6/2015).

12. KEY FIGURES

	30.6.2016	30.6.2015	Change %	31.12.2015
Earnings per share, basic (EUR)	0.19	0.29	-36.2	0.53
Earnings per share, diluted (EUR)	0.19	0.29	-36.1	0.53
Alternative Performance Measures:				
Return on capital employed %, Rolling 12 Months (R12M)*	8.2	14.4	-43.1	9.5
Return on equity %, Rolling 12 Months (R12M)	5.9	17.1	-65.5	6.8
Equity per share (EUR)	6.84	7.44	-8.1	7.79
Current ratio	1.1	1.3	-15.4	1.1
Gearing %	64.4	59.9	7.5	44.6
Solidity %	31.7	33.4	-5.1	34.8
Investments total (excl. acquisitions), EUR million	18.2	14.1	28.8	49.3
Interest-bearing net debt, EUR million	258.7	261.9	-1.2	203.2
Net working capital, EUR million	340.9	366.3	-6.9	317.4
Average number of personnel during the period	11,647	11,929	-2.4	11,934
Average number of shares outstanding, basic	58,745,394	58,344,755	0.7	58,542,309
Average number of shares outstanding, diluted	58,745,394	58,382,931	0.6	58,542,309
Number of shares outstanding	58,751,009	58,732,429	0.0	58,732,429

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

Notes

Calculation of Alternative Performance Measures

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

Return on equity (%): $= \dfrac{\text{Net profit for the period}}{\text{Total equity (average during the period)}} \times 100$

Return on capital employed (%): $= \dfrac{\text{Income before taxes + interest paid + other financing cost}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}} \times 100$

Current ratio: $= \dfrac{\text{Current assets}}{\text{Current liabilities}}$

Solidity (%): $= \dfrac{\text{Shareholders' equity}}{\text{Total amount of equity and liabilities - advance payment received}} \times 100$

Gearing (%): $= \dfrac{\text{Interest-bearing liabilities - liquid assets - loans receivable}}{\text{Total equity}} \times 100$

Equity per share: $= \dfrac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares outstanding}}$

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

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

Average number of personnel: = Calculated as average of number of personnel in quarters

Number of shares outstanding: = Total number of shares - treasury shares

EBITDA = Operating profit + Depreciation, amortization and impairments

Reconciliation of adjusted EBITDA and Operating profit (EBIT)	**1–6/2016**	**1–6/2015**	**1–12/2015**
Adjusted EBITDA	**76.7**	**64.3**	**166.5**
Transaction costs	-22.2	0.0	-17.2
Restructuring costs (excluding impairments)	-6.9	-6.1	-15.2
Insurance indemnity related to identity theft	10.0	0.0	0.0
Unwarranted paymets due to indentity theft	0.0	0.0	-17.0
EBITDA	**57.6**	**58.2**	**117.1**
Depreciation, amortization and impairments	-28.7	-30.1	-54.0
Operating profit (EBIT)	**28.9**	**28.1**	**63.0**
Adjusted Operating profit (EBIT)	**50.8**	**39.9**	**117.7**
Transaction costs	-22.2	0.0	-17.2
Restructuring costs	-9.7	-11.8	-20.5
Insurance indemnity related to identity theft	10.0	0.0	0.0
Unwarranted paymets due to indentity theft	0.0	0.0	-17.0
Operating profit (EBIT)	**28.9**	**28.1**	**63.0**

Notes

Interest-bearing net debt	30.6.2016	30.6.2015	31.12.2015
Non current interest bearing liabilities	56.6	163.4	59.2
Current interest bearing liabilities	282.6	171.3	224.8
Cash and cash equivalents	-80.5	-72.7	-80.8
Interest-bearing net debt	**258.7**	**261.9**	**203.2**

The period end exchange rates:	30.6.2016	26.6.2015	Change %	31.12.2015
USD - US dollar	1.110	1.120	0.9	1.089
CAD - Canadian dollar	1.438	1.385	-3.7	1.512
GBP - Pound sterling	0.827	0.712	-13.8	0.734
CNY - Chinese yuan	7.376	6.955	-5.7	7.061
SGD - Singapore dollar	1.496	1.510	1.0	1.542
SEK - Swedish krona	9.424	9.264	-1.7	9.190
NOK - Norwegian krone	9.301	8.773	-5.7	9.603
AUD - Australian dollar	1.493	1.463	-2.0	1.490

The period average exchange rates:	30.6.2016	26.6.2015	Change %	31.12.2015
USD - US dollar	1.116	1.115	-0.1	1.109
CAD - Canadian dollar	1.485	1.377	-7.2	1.419
GBP - Pound sterling	0.779	0.733	-5.9	0.726
CNY - Chinese yuan	7.297	6.935	-5.0	6.971
SGD - Singapore dollar	1.540	1.505	-2.3	1.525
SEK - Swedish krona	9.302	9.342	0.4	9.354
NOK - Norwegian krone	9.419	8.642	-8.3	8.949
AUD - Australian dollar	1.522	1.425	-6.4	1.478

13. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	30.6.2016	30.6.2015	31.12.2015
For own commercial obligations			
Guarantees	437.8	426.7	437.3
Leasing liabilities			
Next year	32.1	33.9	35.7
Later on	91.6	72.9	76.4
Other	0.3	0.3	0.3
Total	**561.7**	**533.9**	**549.7**

Notes

Guarantees

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

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

Contingent liabilities relating to litigation

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

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

14. FINANCIAL ASSETS AND LIABILITIES

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

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**

Notes

EUR million Financial assets 30.6.2015	Financial assets/liabilities at fair value through OCI	Financial assets/liabilities at fair value through income statement	Loans and receivables	Financial assets/liabilities measured at amortized cost	Carrying amounts by balance sheet item
Current financial assets					
Account and other receivables	0.0	0.0	395.9	0.0	395.9
Derivative financial instruments	7.1	4.5	0.0	0.0	11.6
Cash and cash equivalents	0.0	0.0	72.7	0.0	72.7
Total	**7.1**	**4.5**	**468.6**	**0.0**	**480.2**
Financial liabilities 30.6.2015					
Non-current financial liabilities					
Interest-bearing liabilities	0.0	0.0	0.0	163.4	163.4
Derivative financial instruments	0.0	1.5	0.0	0.0	1.5
Other payables	0.0	0.0	0.0	3.7	3.7
Current financial liabilities					
Interest-bearing liabilities	0.0	0.0	0.0	171.3	171.3
Derivative financial instruments	2.9	4.7	0.0	0.0	7.6
Account and other payables	0.0	0.0	0.0	145.5	145.5
Total	**2.9**	**6.1**	**0.0**	**483.8**	**492.8**

EUR million Financial assets 31.12.2015	Financial assets/liabilities at fair value through OCI	Financial assets/liabilities at fair value through income statement	Loans and receivables	Financial assets/liabilities measured at amortized cost	Carrying amounts by balance sheet item
Current financial assets					
Account and other receivables	0.0	0.0	402.2	0.0	402.2
Derivative financial instruments	4.1	3.5	0.0	0.0	7.5
Cash and cash equivalents	0.0	0.0	80.8	0.0	80.8
Total	**4.1**	**3.5**	**482.9**	**0.0**	**490.5**
Financial liabilities 31.12.2015					
Non-current financial liabilities					
Interest-bearing liabilities	0.0	0.0	0.0	59.2	59.2
Derivative financial instruments	0.0	0.0	0.0	0.0	0.0
Other payables	0.0	0.0	0.0	3.6	3.6
Current financial liabilities					
Interest-bearing liabilities	0.0	0.0	0.0	224.8	224.8
Derivative financial instruments	5.1	6.3	0.0	0.0	11.4
Account and other payables	0.0	0.0	0.0	171.0	171.0
Total	**5.1**	**6.3**	**0.0**	**458.6**	**470.0**

Notes

The Company continues to have healthy gearing ratio of 64.4% (30.6.2015: 59.9%) which is in compliance with the bank covenants the Company has to apply with. The current level of total debt and the ratio of long to short-term debt is in line with the capital structure management principle in which the gearing above 50% optimally sets the portion of the long-term debt to total debt between 1/3 and 2/3.

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 **30.6.2016**	Carrying amount **30.6.2015**	Carrying amount **31.12.2015**	Fair value **30.6.2016**	Fair value **30.6.2015**	Fair value **31.12.2015**
Current financial assets						
Account and other receivables	373.6	395.9	402.2	373.6	395.9	402.2
Derivative financial instruments	7.4	11.6	7.5	7.4	11.6	7.5
Cash and cash equivalents	80.5	72.7	80.8	80.5	72.7	80.8
Total	**461.6**	**480.2**	**490.5**	**461.6**	**480.2**	**490.5**
Financial liabilities						
Non-current financial liabilities						
Interest-bearing liabilities	56.6	163.4	59.2	56.6	161.7	59.2
Derivative financial instruments	0.0	1.5	0.0	0.0	1.5	0.0
Other payables	3.4	3.7	3.6	3.4	3.7	3.6
Current financial liabilities						
Interest-bearing liabilities	282.6	171.3	224.8	282.2	171.3	223.8
Derivative financial instruments	9.7	7.6	11.4	9.7	7.6	11.4
Account and other payables	127.0	145.5	171.0	127.0	145.5	171.3
Total	**479.4**	**492.8**	**470.0**	**479.0**	**491.2**	**469.2**

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

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

Notes

14.3 Hierarchy of fair values

	30.6.2016			30.6.2015			31.12.2015		
Financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative financial instruments									
Foreign exchange forward contracts	0.0	4.5	0.0	0.0	11.6	0.0	0.0	7.5	0.0
Currency options	0.0	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**7.4**	**0.0**	**0.0**	**11.6**	**0.0**	**0.0**	**7.5**	**0.0**
Other financial assets									
Cash and cash equivalents	80.5	0.0	0.0	72.7	0.0	0.0	80.8	0.0	0.0
Total	**80.5**	**0.0**	**0.0**	**72.7**	**0.0**	**0.0**	**80.8**	**0.0**	**0.0**
Total financial assets	**80.5**	**7.4**	**0.0**	**72.7**	**11.6**	**0.0**	**80.8**	**7.5**	**0.0**

Financial liabilities									
Derivative financial instruments									
Foreign exchange forward contracts	0.0	8.8	0.0	0.0	7.0	0.0	0.0	9.7	0.0
Currency options	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Interest rate swaps	0.0	0.5	0.0	0.0	1.5	0.0	0.0	1.1	0.0
Electricity forward contracts	0.0	0.5	0.0	0.0	0.5	0.0	0.0	0.6	0.0
Total	**0.0**	**9.7**	**0.0**	**0.0**	**9.0**	**0.0**	**0.0**	**11.4**	**0.0**
Other financial liabilities									
Interest bearing liabilities	0.0	339.2	0.0	0.0	334.6	0.0	0.0	284.0	0.0
Other payables	0.0	0.0	3.7	0.0	0.0	4.9	0.0	0.0	4.0
Total	**0.0**	**339.2**	**3.7**	**0.0**	**334.6**	**4.9**	**0.0**	**284.0**	**4.0**
Total financial liabilities	**0.0**	**348.9**	**3.7**	**0.0**	**343.7**	**4.9**	**0.0**	**295.4**	**4.0**

15. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	**30.6.2016** Nominal value	**30.6.2016** Fair value	**30.6.2015** Nominal value	**30.6.2015** Fair value	**31.12.2015** Nominal value	**31.12.2015** Fair value
Foreign exchange forward contracts	582.7	-4.3	775.6	4.6	788.7	-2.2
Currency options	1,584.0	2.9	70.3	-0.1	0.0	0.0
Interest rate swaps	100.0	-0.5	100.0	-1.5	100.0	-1.1
Electricity derivatives	1.1	-0.5	1.7	-0.5	1.3	-0.6
Total	**2,267.7**	**-2.3**	**947.6**	**2.5**	**890.0**	**-3.9**

Derivatives not designated as hedging instruments

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

Notes

CASH FLOW HEDGES

Foreign currency risk

Foreign exchange forward 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 13.7% of the Group's total hedged transaction flows.

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

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

Interest rate risk

At June 30, 2016 and June 30, 2015, the Group had an interest rate swap agreement in place with a notional amount of EUR 100 million (2015: EUR 100 million) whereby the Group receives a variable interest rate equal to EURIBOR 1 month and pays interest at a fixed swap rate on the notional amount. The swap is being used to hedge the cash flow exposure on interest.

The cash flow hedges of the expected future sales in 2016 and 2015 were assessed to be highly effective and a net unrealized loss, with a deferred tax asset of relating to the hedging instruments, is included in OCI. The amounts recognized in OCI are shown in the table below and the reclassifications to profit or loss during the year are as shown in the consolidated statement of income.

Fair value reserve of cash flow hedges

EUR million	30.6.2016	30.6.2015	31.12.2015
Balance as of January 1	-9.1	-8.6	-8.6
Gains and losses deferred to equity (fair value reserve)	8.5	-7.8	-0.6
Change in deferred taxes	-1.7	1.6	0.1
Balance as of December 31	**-2.3**	**-14.9**	**-9.1**

16. TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT ARRANGEMENTS

EUR million	30.6.2016	30.6.2015	31.12.2015
Sales of goods and services with associated companies and joint arrangements	8.5	7.0	14.9
Receivables from associated companies and joint arrangements	3.6	2.7	3.6
Purchases of goods and services from associated companies and joint arrangements	24.4	22.3	45.6
Liabilities to associated companies and joint arrangements	4.3	3.3	4.6

Quarterly figures

CONSOLIDATED STATEMENT OF INCOME, QUARTERLY

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

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

CONSOLIDATED BALANCE SHEET, QUARTERLY

EUR million

ASSETS	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Goodwill	105.4	105.7	107.6	106.7	108.7	110.3
Intangible assets	104.0	103.0	108.7	96.6	94.2	98.0
Property, plant and equipment	136.0	136.2	142.5	142.5	146.7	155.8
Other	136.3	142.4	146.9	157.3	157.7	154.8
Total non-current assets	**481.7**	**487.3**	**505.7**	**503.1**	**507.4**	**518.9**
Inventories	381.6	376.5	365.2	398.9	383.9	390.8
Receivables and other current assets	517.8	493.5	533.2	527.6	521.3	535.2
Cash and cash equivalents	80.5	118.2	80.8	65.4	72.7	147.6
Total current assets	**980.0**	**988.1**	**979.2**	**991.9**	**978.0**	**1,073.6**
Total assets	**1,461.7**	**1,475.4**	**1,484.9**	**1,495.0**	**1,485.4**	**1,592.5**

EQUITY AND LIABILITIES	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Total equity	**401.9**	**392.2**	**456.0**	**430.3**	**436.9**	**425.7**
Non-current liabilities	167.5	166.1	171.3	280.3	281.9	281.0
Provisions	49.3	48.4	52.9	48.1	49.1	49.0
Advance payments received	193.2	181.8	176.4	210.6	176.0	184.6
Other current liabilities	649.8	686.9	628.4	525.7	541.4	652.3
Total liabilities	**1,059.8**	**1,083.2**	**1,028.9**	**1,064.7**	**1,048.5**	**1,166.9**
Total equity and liabilities	**1,461.7**	**1,475.4**	**1,484.9**	**1,495.0**	**1,485.4**	**1,592.5**

Quarterly figures

CONSOLIDATED CASH FLOW STATEMENT – QUARTERLY

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

Quarterly figures

QUARTERLY SEGMENT INFORMATION

EUR million

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

[1)] *Excl. Service Contract Base*

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

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

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

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

Quarterly figures

QUARTERLY SEGMENT INFORMATION

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

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

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

ANALYST AND PRESS BRIEFING

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

A live webcast of the conference will begin at 11.00 a.m. at www.konecranes.com. Please see the stock exchange release dated July 4, 2016 for the conference call details.

NEXT REPORT

Konecranes' January–September 2016 Interim Report will be published on October 26, 2016.

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