KONECRANES®
Lifting Businesses™

PERFORMANCE DRIVEN

Konecranes Annual Report 2017

PERFORMANCE DRIVEN

Konecranes has made excellent progress in the past 12 months, and our organization is currently in the process of a transformation which will leave us primed for growth.

The synergies of our acquisition of MHPS are worth up to EUR 140 million, and to realize them we will deliver on two fronts.

We are striving to make the acquisition a model one for the industry, in every conceivable aspect – from process integration to company culture. We will pursue this success with dedication, commitment, and accountability.

At the same time, we will maintain focus on our core business. Its continued strength is the foundation of these dramatic and far-reaching developments, and the basis of the growth to come.

Thanks to our future-focused investments in recent years, we are thoroughly capable of executing this change – harmonizing processes and systems across the organization.

We are motivated both by the tremendous potential benefits, and the fact that they are well within our grasp.

KONECRANES
Lifting Businesses™

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Unmatched customer offering in Service, Industrial Equipment and Port Solutions

Service

With 600 service locations in 50 countries, Konecranes provides specialized maintenance services and spare parts for all types and makes of industrial cranes and hoists – from a single piece of equipment to entire operations. Our objective is to improve the safety and productivity of our customers' operations.

Konecranes is the market leader in crane service, with the world's most extensive crane service network.

More than 600,000 pieces of equipment are covered by Konecranes service agreements. The majority of this equipment has been manufactured by other companies; Konecranes can provide expert maintenance for any brand of equipment from any manufacturer. Leveraging the Demag installed base and agreement base is expected to be a significant source of growth.

Industrial Equipment

Business Area Industrial Equipment offers hoists, cranes and material handling solutions for a wide range of customers, including industries like Waste-to-Energy and Biomass, Paper and Forest, Automotive and Metals Production. Products are marketed through a multi-brand portfolio that includes Konecranes and the brands Demag, SWF Krantechnik, Verlinde, R&M, Morris Crane Systems, and Donati.

Konecranes is one of the world's largest suppliers of industrial cranes, producing thousands of industrial cranes annually, tens of thousands of wire rope hoists and trolleys and electric chain hoists, as well as hundreds of engineered-to-order (ETO) cranes.

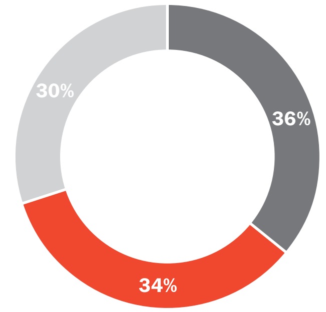
Port Solutions

Business Area Port Solutions offers a complete range of container handling equipment (both manned and automated), shipyard handling equipment, mobile harbor cranes and heavy-duty lift trucks, supported by a complete range of services. Products are marketed under the Konecranes brand, with some product groups marketed under the labels Konecranes Gottwald, Konecranes Noell and Konecranes Liftace.

Konecranes is a global leader in shipyard gantry cranes, and a prominent global supplier of cranes and lift trucks for container handling, heavy unitized cargo, and bulk material unloading.

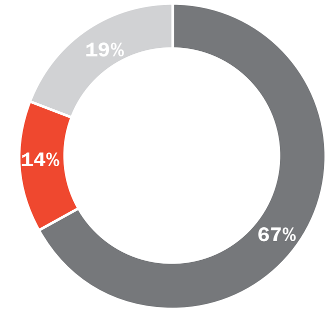
KONECRANES IN A SNAPSHOT

Sales by Business Area, 2017



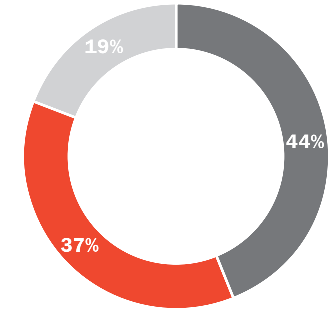
- Service 1,178.0 MEUR
- Industrial Equipment 1,118.7 MEUR
- Port Solutions 976.0 MEUR

Adjusted EBITA by Business Area, 2017



- Service 160.9 MEUR
- Industrial Equipment 34.6 MEUR
- Port Solutions 44.7 MEUR

Personnel by Business Area, 2017



- Service 7,206
- Industrial Equipment 6,024
- Port Solutions 3,067

The world's **most extensive** crane service network

One of the largest suppliers of port cranes and lift trucks

Industry-leading technology and global modular product platforms

EUR **3,136** million of net sales in 2017

16,371 employees in 2017

More than **600,000** units in the maintenance agreement base

Sales and service locations in 50 countries

Head office in Finland

Listed on Nasdaq Helsinki

MHPS acquisition – defining moment in 2017

On January 4, 2017, Konecranes completed the acquisition of Terex Corporation's (Terex) Material Handling & Port Solutions (MHPS) business. Konecranes paid EUR 796 million in cash and issued 19.6 million new Konecranes class B shares to Terex related to the acquisition. The acquisition of MHPS improved Konecranes' position as a focused global leader in the industrial lifting and port solutions market. Konecranes achieved a truly global footprint and is now able to offer comprehensive solutions based on a highly complementary set of products and services. With the acquisition, Konecranes will achieve substantial growth opportunities as well as critical scale for further technological development.

Out of the total of EUR 140 million p.a. synergies targeted at the EBIT level by the end of 2019, EUR 56 million was implemented on a run-rate basis by the end of 2017. One-time integration expenses are expected to be EUR 130 million during 2017–2019 of which EUR 66 million was booked in 2017.

The integration of MHPS ran ahead of the initial expectations throughout 2017. Business Area Service moved fastest in terms of the execution of the planned cost savings. The US service branch network consolidation was mostly implemented and the integration is now moving to other regions. In Business Area Industrial Equipment, actions were focused on designing and launching a new go-to-market model in different countries. Also, product platform harmonization work was started. Business Area Port Solutions' customer offering was extended through the MHPS acquisition so it focused on packaging and managing the new complimentary and wide range of products, services and software to its customers. In 2017, Konecranes made progress in optimizing manufacturing operations in several countries, most notably in China, India, Italy, and the US.

On January 31, 2017, Konecranes completed the divestment of STAHL CraneSystems. Konecranes received cash proceeds of EUR 232 million from the transaction. Konecranes reported a pre-tax capital gain of EUR 218 million from the STAHL divestment in 2017.

Comparable combined company order intake was stable, profitability improved

The comparable combined company orders received decreased by 0.6 percent on a year-on-year basis in 2017. Business Area Port Solutions' orders received grew across the product portfolio suggesting that the cross-promotion of the extended offering seems to work well. The order book for most of our new Konecranes Gottwald and Konecranes Noell products continued to strengthen.

The order intake in Business Area Service and Business Area Industrial Equipment was lower than a year ago on a comparable combined company basis as they prioritized focus on laying the foundation for the combined operations. This meant consolidation of operations in several countries and even discontinuation of some underperforming businesses. Moreover, the appreciation of the EUR/USD affected the reported orders to some extent.

In 2017, Group sales were 4.3 percent below the previous year on a comparable combined company basis. The decrease in Business Area Port Solutions' sales related to the timing of deliveries and exceptionally high sales of certain products in the comparison period. The sales in Business Area Service and Business Area Industrial Equipment were affected by similar factors as the order intake, prioritizing the margin improvement through integration activities over the growth.

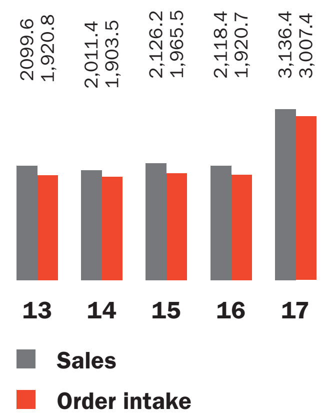
The adjusted EBITA margin improvement was strong during 2017. The comparable combined company adjusted EBITA margin expanded by 1.3 percentage points on a year-on-year basis, despite the sales that were lower than a year ago. The profitability improvement continued in Business Area Service, while the turnaround progressed in Industrial Equipment. This indicates that the integration of MHPS is proceeding successfully and therefore improves our efficiency. The focus of the management and the Board has been on the improvement in EBITA margin, in particular.

Integration work ahead of initial expectations.

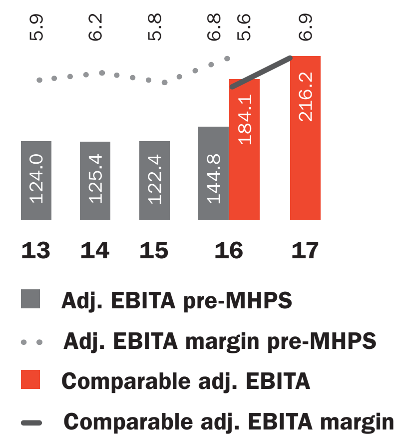
Comparable combined company adjusted EBITA margin expanded by

1.3 % points.

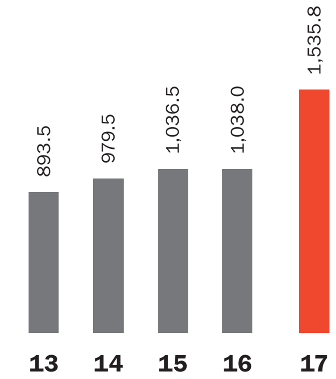
Sales/orders, MEUR



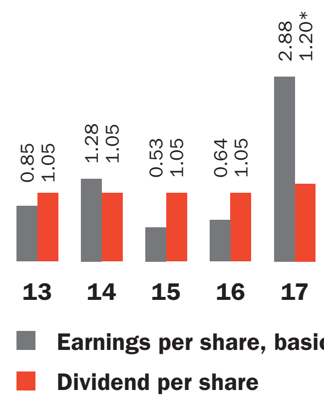
Adjusted EBITA, MEUR/ Adjusted EBITA margin, %



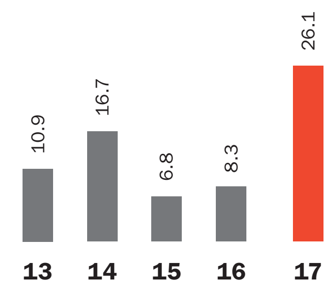
Order book, MEUR



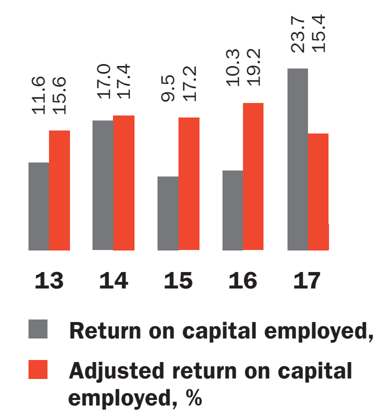
Earnings & dividend per share, EUR



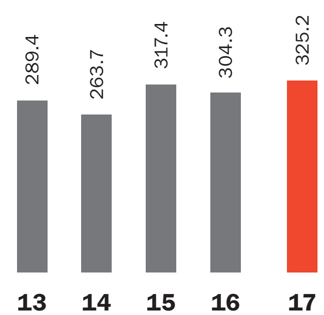
Return on equity, %



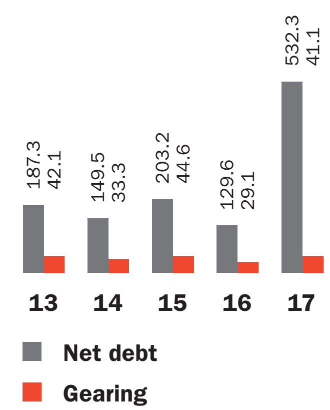
ROCE, %/ Adjusted ROCE, %



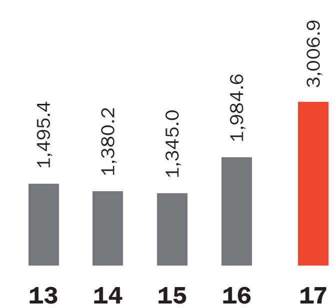
Year-end net working capital, MEUR



Year-end net debt, MEUR/Gearing, %



Year-end market capitalization*, MEUR



* Excluding treasury shares

The ways, tools and means for growth

Dear shareholders,
Our main objective is to serve our customers and continue providing excellent technologies that perfectly answer their needs. I am happy to say that during an extremely dynamic year, day-to-day operations have not been too much distracted by the huge number of integration activities which have taken place. This is the third year in which the company has continued to perform very well under significant pressure. Still our supreme objective has been well fulfilled.

The year began with us closing the largest deal in our history, thus welcoming over 6,000 new colleagues into the Group. The integration procedure has included over 3,000 distinct activities, with hundreds of people participating. These have been performed with a rigorous agility, allowing us to successfully realize most of our plans for 2017. All in all, we can congratulate ourselves on a job well done.

Each of the business areas within this new group achieved strong performance. I am especially happy that Business Area Service has been able to perform the majority of their integration work, Industrial Equipment has undergone the first phase of its turnaround, and Port Solutions showed a satisfying order intake. These achievements are already ample demonstration of our underlying task – preparing a solid base upon which to develop our next phase, which will be one of growth.

During the year, we have seen the two legacy organizations meld into a single united front. In terms of corporate culture, it has been easy to work together. In the beginning of the process, we set out to gather facts from across the organization, building a comprehensive view before making the critical decisions that would govern our collective future. From the current vantage point, we can see that this was a wise strategy, and a well executed one in practice.

But the process was not one without difficult decisions. Overlapping functions and operations naturally gave rise to a certain number of redundancies, and as part of the rightsizing, personnel has decreased by approximately 730 employees. These unfortunate necessities were carried out to ensure our future competitiveness.

Today, our company has the ways, tools and means to commence growth.

The renewed organization situates our support functions (procurement, marketing and communications, finance, HR, legal, and strategy) in service to our businesses, thus supporting profitability. The emphasis here is on providing clear responsibilities, explicitly avoiding the tendency to create siloes.

Renewal is also underway in terms of our internal policies, as we harmonize our actions globally, across all territories and markets. We believe that sustainable growth is only achieved by nurturing responsible business practices and acting with integrity.

It is no longer enough for companies to focus only on their direct footprint, they need to define what kind of value they are creating, both for their stakeholders and for the wider world. We want to support a more all-encompassing society by creating a diverse and inclusive work environment and by fostering equality.

In terms of financial performance, the year has seen a special focus on developing EBITA margin, and, as a consequence, we were even ready to give up certain underperforming businesses. This resulted in a final figure of 6.9 percent adjusted EBITA margin and an increase of 17 percent, with each business area playing their part admirably.

After an acquisition costing EUR 1.5 billion, of which EUR 686 million was financed with a share issue, we have net debt of only EUR 525 million and a solid balance sheet with a gearing of 41 percent.

As shares were used to bridge the valuation and finance the acquisition, Terex became our largest shareholder, achieving their target and completely exiting in September. The use of shares as parcel payment was thus another successful aspect of a smooth, well-executed acquisition.

In our interactions with customers, partners and stakeholders, we have heard only positive comments about joining forces in this way. Two powerful brands have combined, becoming vastly more than the sum of their parts, and we are very happy to have arrived at such an excellent market position. On the technology side, we have been able to balance our road maps, and establish a strong direction built on our shared heritage.

We see our advantages especially in circular-economy business models. Digitalization, demand for low-carbon products and the opportunities of rental services are certainly having an impact on our stakeholders and our business.

In our conjoined product offering, we are able to provide innovative power sources like hybrid technology and other energy-saving solutions such as regenerative braking. Our aim is to inspire and challenge the market and support our customers by offering innovative, eco-efficient solutions.

I would like to warmly thank all our stakeholders for their continued faith in our capabilities, and for the parts they themselves have played in our success. While there remains much to be done, this represents an excellent start to the journey.

Panu Routila
President and CEO

"We are preparing a solid base upon which to develop our next phase, which will be one of growth."

MISSION – WHAT WE DO

We are not just lifting things, but entire businesses.

VISION – WHAT WE WANT TO ACHIEVE IN THE LONG TERM

We know in real time how millions of lifting devices perform. We use this knowledge around the clock to make our customers' operations safer and more productive.

VALUES – OUR GUIDE TO DAILY DECISION MAKING

Trust in People
We want to be known for our great people.

Total Service Commitment
We want to be known for always keeping our promises.

Sustained Profitability
We want to be known as a financially sound company.

STRATEGY – HOW WE GET THERE

TECHNOLOGY LEADERSHIP

REAL TIME VISIBILITY TO CUSTOMERS' EQUIPMENT

END TO END PROFITABILITY

SHARED & HARMONIZED PROCESSES

SERVICE

- Lifecycle Care in Real Time
- Service for all types and makes of cranes and hoists
- Global service network
- Improve the safety and productivity of our customers' operations

EQUIPMENT

- Core of Lifting
- Direct and Indirect channels in Industrial Equipment
- Multi-brand strategy
- Need based customer offering

TACTICAL FOCUS AREAS – WHAT WE WILL FOCUS ON DURING THE NEXT 2–3 YEARS

GROWTH
Customer experience

PROFITABILITY
Realizing potential

TECHNOLOGY
Engineering capabilities

PEOPLE
Lifting people

VALUE PROPOSITION – BRAND PROMISE: LIFTING BUSINESSES™

Global manufacturing industry and container traffic growth accelerated

The J.P. Morgan Global Manufacturing Purchasing Managers' Index (PMI) signaled a solid and steady improvement in manufacturing operating conditions in 2017. At the end of the year, global manufacturing production expanded at the quickest pace since early 2011. There was also a bounce in international trade flows, as growth of new export business hit a near seven-year high. 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 record high level, with the growth improving across the countries. Outside the Eurozone, the performance of the UK and particularly Swedish manufacturing sectors remained strong in 2017, as well. Correspondingly, the European Union manufacturing capacity utilization rate continued to improve and was near its ten-year high at the end of 2017.

Similar to Europe, the economic activity in the US manufacturing sector, measured by the PMI, expanded clearly in 2017. However, the US total industrial capacity utilization rate improved only marginally after having declined since the end of 2014 and it indicated that slack capacity remained in the industry.

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 US. Brazil saw a clear positive turnaround, and it emerged from its two-year long recession in 2017. On the other hand, Chinese, Indian and Russian manufacturing sector operating conditions improved only at a marginal pace.

The recovery of the world's containerized trade in 2017 turned out to be much bigger than what was the expectation in the beginning of the year. The global container throughput increased by approximately 6 percent on a year-on-year basis in 2017.

Konecranes global market positions:

A market leader
in industrial cranes and components, as well as crane service

Among top 3
in container handling equipment

Regionally, volumes in Asia, which represent more than a half of the global container traffic, rebounded on most of the trade routes after two weak years. Container volumes from Asia to East Coast North America grew particularly strongly, as the widening of the Panama Canal has supported traffic above expectations. In addition, the volumes in the Mediterranean ports increased clearly thanks to the improved economic growth in Southern Europe. The container traffic in the Middle East suffered from low oil prices and tensions in the region.

The average raw material prices, including steel, copper, and oil were above the previous year's level in 2017. The EUR/USD exchange rate was volatile during the period as it depreciated in the first half, but then appreciated in the second half compared to the previous year.

Approximately 6% increase in global container throughput on a year-on-year basis.

Integration. Transformation. Growth.

Business Area Service provides specialized maintenance services and spare parts for all types and makes of industrial cranes and hoists, from a single piece of equipment to entire operations. Our objective is to improve the safety and productivity of our customers' operations.

Business Area Service began 2017 with a continued long-term focus on transformation of the business model – namely through a productized offering, systematic processes and digitalization – as well as the beginning of integration of the MHPS Service units. These endeavors rolled out generally as planned and the year ended with a pivot to a focus on growth heading into the new year.

Integration, of course, refers to the acquisition of MHPS and the addition of its Demag brand to the Business Area offering, promising the opportunity to strengthen the service business on a wide scale. The front line service business was fully integrated in the US, Canada, Brazil, India, UK and Denmark. Integration of the remaining countries will continue in 2018 and 2019.

The installed base of Demag products brings significant potential for the service agreement base, with further synergies to be achieved by leveraging the Konecranes service model, systems and infrastructure, integrating our e-commerce platforms, incorporating a variety of our products, as well as sharing and spreading best practices across the newly combined talent pool.

More broadly, the Business Area intends to capture further market share by focusing on six core trends: safety, productivity, outsourcing, regulations and compliance, the aging industrial workforce, and digitalization.

Digital transformation is a particularly vital component, representing both an ongoing, long-term project as well as one of the acquisition synergy benefits already being realized.

The Business Area's mission to create a customer experience that drives growth is fulfilled in large part by this systematic change. In practice, this means Lifecycle Care in Real Time, utilizing customer consultation in combination with maintenance and usage data to deliver safety and productivity improvements.

This way of operating is underpinned by a disciplined sales model and dedicated roles for all sales resources and assignments. The importance of analytics to the entire model cannot be overstated, with its role as one of our daily management tools bringing about increased transparency (with positive ramifications) in both customer operations and within the Konecranes sales organization.

The Business Area's mission to create a customer experience that drives growth is fulfilled in large part by digital transformation.

Diverse markets

The weakening dollar had negative translation effects on US orders and sales. The oil and gas sector and other commodity-based industries bottomed and some signs of recovery were evident. Industrial production turned positive during the year. We continued to make good progress in segments such as automotive. However, severe weather did negatively affect orders and sales in the latter part of the year.

Similarly, western Canada's oil and gas and other commodity sectors stabilized. The central and eastern parts of the country continued to benefit from their industrial base.

Mexico, Chile, Peru and Brazil declined while our relative position in those markets remains strong, and our position in Brazil has significantly strengthened due to the MHPS acquisition.

In Europe, our strong performance in the UK and Spain continued and were further strengthened by the acquisition. We attained solid business volumes in France and Italy. In Germany, the Konecranes business is now clearly benefiting from the processes of business and digital transformation, and with the MHPS business we are now in good shape to capture more of the sizeable existing market for service; the same can be said for Austria and Switzerland.

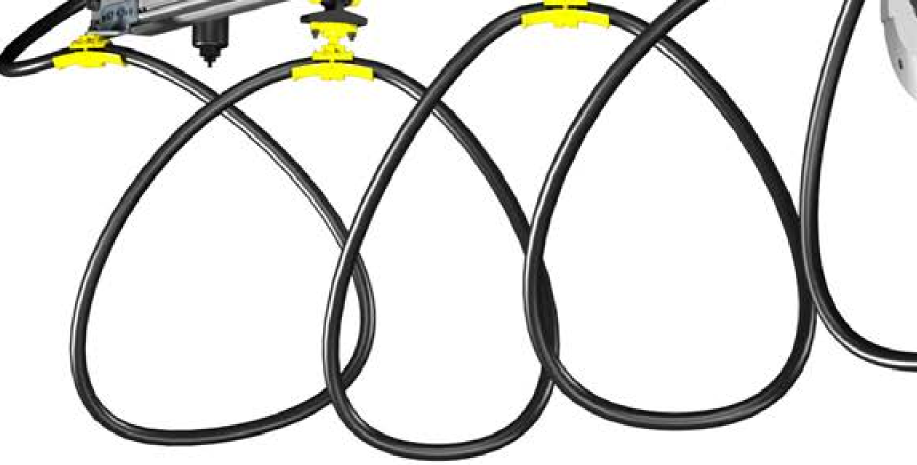
In Russia, the market situation was varied and overall the business has slightly declined. Eastern European states have performed moderately. Our Nordic home market has performed well, although Scandinavia has been challenging.

The Middle East and Africa remained troubling environments, geopolitically speaking, but once again Saudi Arabia performed well thanks to the large installed base we have built up over the years. South Africa continued to show good growth and benefited from early integration actions.

In China, we have done well in our legacy Konecranes business, and customers are increasingly receptive of the improvements in safety and productivity we offer. We continued to find stronger awareness and openness to outsourcing and increased interest in and demand for our consultation services. The MHPS business will add to these opportunities.

Key figures

	1–12/17	1–12/16 comparable	Change, %	1–12/16 historical
Orders received, MEUR	966.3	981.4	-1.5	727.9
Order book at end of period, MEUR	196.0	200.3	-2.1	158.1
Net sales, MEUR	1,178.0	1,214.1	-3.0	914.8
Adjusted EBITA, MEUR	160.9	153.4	4.9	100.2
Adjusted EBITA, %	13.7%	12.6%		11.0%
Operating profit (EBIT), MEUR	139.3			90.2
Operating margin (EBIT), %	11.8%			9.9%
Personnel at the end of period	7,206			5,749




The installed base of Demag products brings significant potential for the service agreement base.

Australia has seen some leveling in the commodity-based industries, but our transformation here is yielding very tangible results. We now have a solid business in India, bolstered by indications of recovery in the process industries. Our modest business in Japan continues to grow, with other Asian countries remaining steady.

Appetite for growth

With integration and transformation well underway (and to a large extent executed), Business Area Service will now pivot its energies toward growth.

Capturing the synergies of the MHPS acquisition, increasing service agreement retention, improving the bundling of service products in service agreements, and expanding the customer maintenance spend to deliver safety and productivity enhancements will be the main growth drivers.

Online sales of parts, light lifting equipment and accessories will continue to increase, as stores are now active in the US, Canada, China, Singapore, Australia, Germany, the UK, Finland, and France.

Leveraging the Demag installed base and agreement base is expected to be a significant source of growth. This entails both expanding agreement base coverage, increasing agreement value and service sales per asset, and harmonizing the combined offering and pricing.

Finally, leverage and assimilating Demag service products – such as light-lifting products, general overhaul packages, and below-the-hook products and inspections – will be another crucial step.

Systematic integration

Business Area Industrial Equipment offers industrial cranes, their components and lifting equipment solutions for a wide range of customers, including industries like General Manufacturing, Waste-to-Energy and Biomass, Paper, Power, Automotive, Aviation and Metals Production. Products are marketed to crane end users and through a multi-brand portfolio to independent crane manufactures and distributors. The business area includes the brands Konecranes, Demag, SWF Krantechnik, Verlinde, R&M, Morris Cranes Systems and Donati.

The year 2017 was the first year of integration of the acquired Demag operations into Business Area Industrial Equipment. Besides Demag, the integration includes also Donati's crane components business.

In March, Konecranes divested the Chinese Sanma Hoists & Cranes Co. Ltd. to Jingjiang Hongcheng Crane Components Manufacturing Work. With this divestment, the company streamlined its product and brand portfolio in the Chinese market.

The year was also one of profitability improvement for Business Area Industrial Equipment. This was the result of the cost-saving actions initiated in 2016, which are now paying dividends, in addition to general improvements to project execution and the dismantling of the matrix to a product-line based organization with direct P&L responsibilities.

With the integration of the acquired MHPS business units ongoing throughout 2017, a working principle was established to separate integration project work from customer-related operations as much as possible in order to secure full focus on all customer-serving operations, whether sales or order execution issues.

This has allowed the business area to concentrate on upholding and improving customer excellence without any undue distractions, while, likewise, integration actions could be executed diligently completely independent of external-facing work.

Market overview

To look to Europe first, the Nordic countries demonstrated growth both in orders and sales, as did Germany, Spain and Austria, while the UK and France showed a slight decrease in orders.

In Russia, orders received grew, but in the Middle East a decline in orders and sales was in evidence especially due to oil prices, and this market now awaits an oil price recovery and the reduction of various tensions in the area. South Africa continued to be slow in order intake.

In APAC, market orders and sales grew nicely in India, while China's orders grew in several key industry segments, and we expect sales growth to follow in tandem. In Southeast Asia and Australia there is optimism in the market and orders have been growing.

In the Americas, larger project orders grew in the USA towards the end of the year, while standard crane and component orders grew across the whole year. Markets in Canada were more subdued compared to previous year. In South America, markets were generally low without growth in orders except in Chile, but towards the end of the year, there were some signs of possible recovery in recession-beaten Brazil.

The year was one of profitability improvement, thanks to the cost-saving actions initiated earlier.

The route ahead

In terms of the integration, Business Area Industrial Equipment's focus has been upon defining the go-to-market strategy of Demag and Konecranes' other operations, before structuring combined operations accordingly.

These plans are ready and will begin to roll out during 2018.

Simultaneously with the above actions, in the products area, the key offering has been defined in support of the selected go-to-market strategy.

Brands

The Group's brand strategy is based on the corporate Konecranes master brand, which is complemented by the Demag brand and a portfolio of freestanding power brands. Konecranes branded products are sold directly to end users, while power branded products are sold to distributors and independent crane builders. Demag branded products are sold both directly to end customers, and to distributors and independent crane builders. Konecranes power brands include R&M, SWF Krantechnik, Verlinde, Morris Crane Systems and Donati.

DEMAG

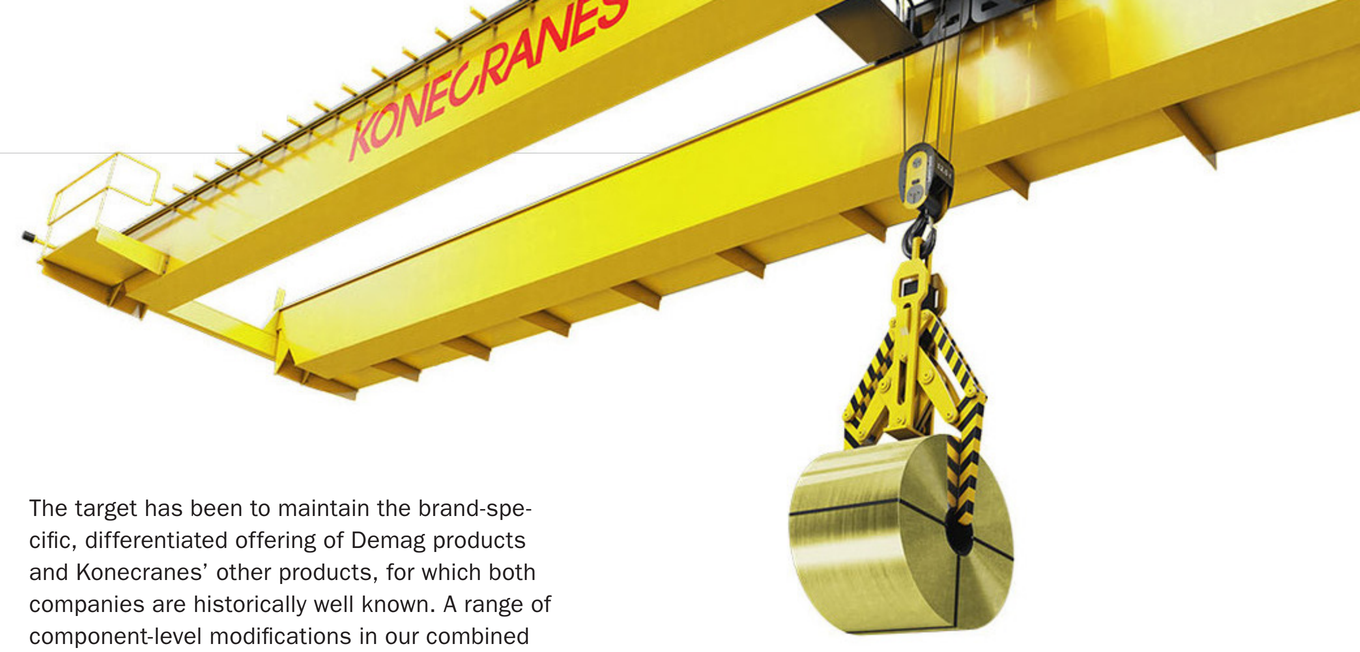
R&M MATERIALS HANDLING INC.

SWF KRANTECHNIK

VERLINDE LIFTING EQUIPMENT

donati

MORRIS CRANE SYSTEMS



The target has been to maintain the brand-specific, differentiated offering of Demag products and Konecranes' other products, for which both companies are historically well known. A range of component-level modifications in our combined products have been undertaken, which secure the best possible synergy effects in manufacturing and purchasing. These planned modifications will start their roll out also during the coming year.

In manufacturing operations, some Demag and Konecranes production plants are geographically close by, manufacturing similar kinds of products. The combined production facilities have excess capacity. Thus combining production capacities in the optimal way has also made necessary the discontinuation of certain production facilities in each region in which we are active.

Each of the above processes has progressed on the basis of clean fact-based decision-making. In terms of management structures, the principle has been to have persons both from Konecranes and acquired MHPS operations, obviously making the selections based on experience and competence.

The two company cultures have already been shown to match well. As both are prominent technology companies in the same business, communication has been straightforward, and core values found to match.

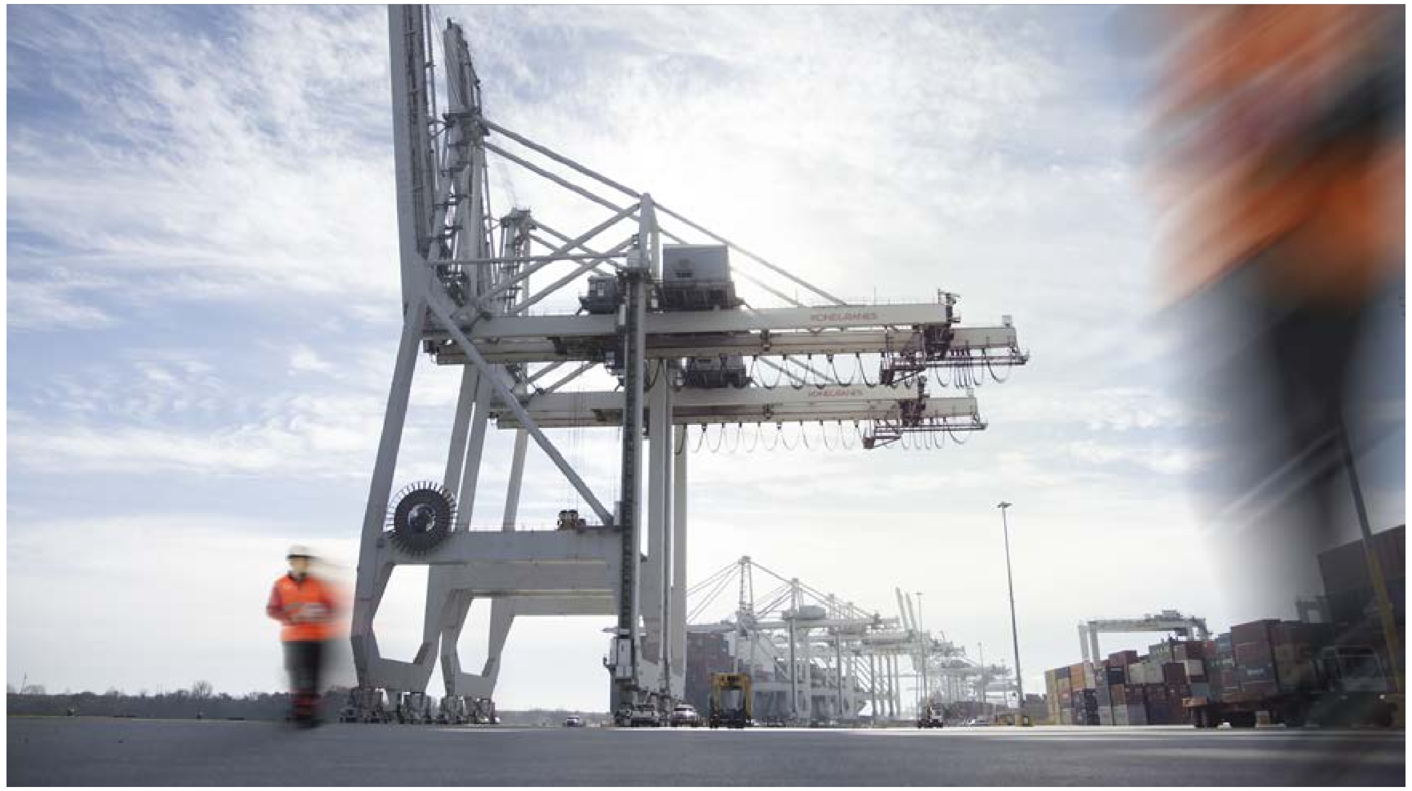
The overall focus is to achieve solid high single digit adjusted EBITA margin by 2020, an aim that is currently on track.

The business area has been able to concentrate on upholding and improving customer excellence without any undue distractions.

With the new organization and its way of working defined, Business Area Industrial Equipment looks forward to exploiting these brands' natural positions in the marketplace, locating strong segments geographically, and in terms of distribution structure, customer base, and product offering.

Key figures

	1–12/17	1–12/16 comparable	Change, %	1–12/16 historical
Orders received, MEUR	1,127.3	1,148.9	-1.9	821.5
Order book at end of period, MEUR	526.9	540.9	-2.6	399.4
Net sales, MEUR	1,118.7	1,130.8	-1.1	830.1
Adjusted EBITA, MEUR	34.6	-6.1	669.9	15.7
Adjusted EBITA, %	3.1%	-0.5%		1.9%
Operating profit (EBIT), MEUR	-4.0			6.0
Operating margin (EBIT), %	-0.4%			0.7%
Personnel at the end of period	6,024			4,353



New opportunities from an expanded offering

Business Area Port Solutions offers a full range of container handling equipment, shipyard cranes, mobile harbor cranes and heavy-duty container handling and fork lift trucks, supported by a complete range of software solutions and services. Products are sold under the Konecranes brand, with some product lines marketed further under the product names Konecranes Gottwald, Konecranes Noell and Konecranes Liftace.

2017 saw the creation of Business Area Port Solutions as a distinct part of the organization, containing all Konecranes port-related equipment, services and software solutions.

This, of course, was the result of combining two operations of almost equal size: the Terex Port Solutions (TPS) and the Konecranes port businesses. As of the end of 2017, organizational development related to this move has been completed, and the new operating model has been in place since the second quarter. The key focus has been on the end-to-end responsibility of all business units.

The two offerings of Konecranes and TPS were highly complementary, with minimal overlap. With each bringing its existing strength in different markets to the table, the result is an excellent fit, the short-term benefits of which have been swiftly realized, together with extensive global service capability and the expanded reach of combined operations.

The positive market development reported in the previous year continued in 2017. The equipment market was increasingly active, especially in terms of products such as lift trucks and straddle carriers. Mobile harbor cranes were another strong area.

On the other hand, we did not see too many large greenfield automation projects, but instead saw growing interest in brownfield automation, which also points towards further service opportunities. This was a clear trend of the year.

To consider the container-handling industry more generally, the consolidation already observed in relation to shipping lines, terminal operators – and of course equipment and systems suppliers such as ourselves – continued apace. The market indicator of global container-handling volume improved compared to 2016, but could still be said to be at a modest level, historically speaking.

Regional highlights

To make a brief overview of the markets geographically, Europe has been active, with the trend of positive development that began in late 2016 continuing into the following year. This can be seen across the offering as a whole.

North America has been strong, particularly in the first half of the year – with perhaps a little market uncertainty towards the end of the year. South America has not been as buoyant in comparison.

Progress in APAC has been reasonable, although the growth level is not as high as in previous years. Nevertheless, sales have been reasonably strong, and we have been able to win noteworthy orders from this area.

The year's order highlights show some excellent gains: in July, Konecranes won a contract for the delivery of an Automated rubber tired gantry (ARTG) system to a new customer, PT Prima Multi Terminal, including eight ARTG cranes with associated software, interfaces and services, as well as three Ship-to-Shore (STS) cranes.

The positive market development reported in the previous year continued in 2017.

6.2%

increase in order book in 2017

Key figures

	1–12/17	1–12/16 comparable	Change, %	1–12/16 historical
Orders received, MEUR	1,056.2	1,045.2	1.1	533.4
Order book at end of period, MEUR	812.9	766.4	6.1	480.5
Net sales, MEUR	976.0	1,091.4	-10.6	543.2
Adjusted EBITA, MEUR	44.7	52.7	-15.1	50.5
Adjusted EBITA, %	4.6%	4.8%		9.3%
Operating profit (EBIT), MEUR	11.6			49.0
Operating margin (EBIT), %	1.2%			9.0%
Personnel at the end of period	3,067			789

Business Area Port Solutions now contains all Konecranes port-related equipment, services and software solutions.

In the same month, Georgia Ports Authority ordered six more STS cranes from Konecranes for the Port of Savannah, Georgia. Delivery of these will be in the first half of 2020.

In August, Bharat Mumbai Container Terminals Pte Ltd exercised its option to purchase further 18 Konecranes Noell Rubber Tired Gantry (RTG) cranes. This order follows upon an initial order for 18 RTG and 4 rail-mounted gantry (RMG) cranes, which will be delivered during 2018.

Rotterdam-based container specialist services company Kramer ordered 11 empty container handlers and 11 reach stackers to their two depots. Peinemann Mobilift Group, Konecranes Lift Trucks distributor for the Netherlands, was responsible for brokering the deal.

And finally, Konecranes won its largest order so far for Konecranes Gottwald Mobile Harbor Cranes in APAC, with Java-based port operator PT Berlian Jasa Terminal Indonesia adding eight more cranes to its existing fleet of Konecranes Gottwald machines.

Synergies in sight

The integration of MHPS into Konecranes port business has given rise to a number of potential synergies, both those readily achievable in the short term and those for which a longer outlook is more appropriate.

One strong example of this is the additional coverage provided by the new organization. This has enabled us to cross-promote products and services among existing customers and thereby increase sales.

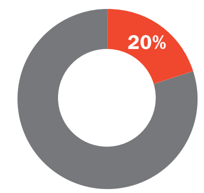
Early in the integration process, the decision was made to continue with the combined offering exclusively under the Konecranes brand, along with the creation of three different product names to reflect strongly recognized existing products. Thus, certain product lines are now marketed under the product names Konecranes Gottwald, Konecranes Noell and Konecranes Liftace.

In the longer term, Business Area Port Solutions will be working on four fronts to capture the more remote synergies: continued cross promotion of solutions and services, further organizational development, optimizing the manufacturing footprint, and product platform optimization.

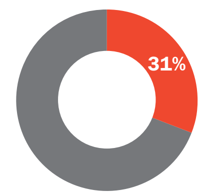
Being close to our customers through a local presence

Illustrated below are the facts and figures of Konecranes global operations, divided into three geographical regions.

AME – Americas



Personnel
3,205



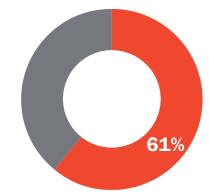
Sales
980.0

Largest markets:
United States, Canada

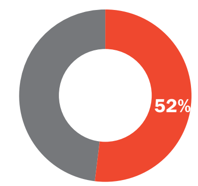
Operations:
3,205 employees

Key brands:
Konecranes, Demag, R&M, Crane Pro Parts and P&H® (through Morris Material Handling)

EMEA – Europe, Middle East and Africa



Personnel
9,920



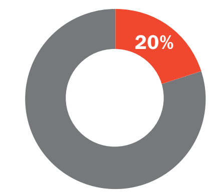
Sales
1,633.7

Largest markets:
Germany, Finland, United Kingdom, France, Austria, Sweden, Spain

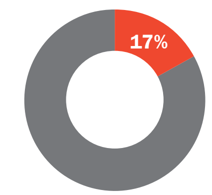
Operations:
9,920 employees

Key brands:
Konecranes, Demag, SWF Krantechnik, Verlinde and Donati

APAC – Asia-Pacific



Personnel
3,246



Sales
522.8

Largest markets:
China, India, Australia,

Operations:
3,246 employees

Key brands:
Konecranes, Demag, SWF Krantechnik, Verlinde, Morris Crane Systems

Combined forces, harmonized processes

Research and development is an essential cornerstone of our business. Through comprehensive, in-house innovation, we emphasize our commitment to making our customers' operations more efficient, while upholding safety and minimizing impacts on the environment.

In 2017, R&D expenditure amounted to EUR 36.0 million (22.3), or the equivalent of 1.1 percent (1.1) of net sales.

Our efforts to generate new product concepts and technologies to enhance our offerings are constantly ongoing. As well as concentrating on providing the highest lifecycle value, Konecranes R&D continues to focus on four key priorities: safety, environmental issues, productivity and industrial design, with a strong focus on maintainability, ergonomics, and user experience.

Advancing these R&D priorities is designed to create improved operational usefulness and increased added value to our products and services, to enhance day-to-day efficiency and productivity for all of our global customers.

To deliver on these ambitions, in 2017, our R&D continued to focus, for example, on how digital technologies are changing the way industrial systems are designed and implemented. Notable examples of this ongoing work include: advanced analytics for learning systems, device edge computing for reactive systems, autonomous devices for mixed-traffic environments, high-capacity, low-latency networks for machine-to-machine communication, cyber-secure systems with segregated safety-related control zones, and the use of AR (augmented reality) for user assistance and training.

Combining forces

On January 4, 2017, Konecranes announced that its acquisition of Terex Material Handling & Port Solutions (MHPS) had been completed. This combining of forces (which includes Demag and Terex Port Solutions) creates a unified entity and increased opportunities to implement shared, harmonized and enhanced processes from an R&D perspective.

Next generation crane development

The new Demag Zero-Emission V-type crane is the first overhead traveling crane that can be operated with regenerative energy and provides zero-emissions for excellent life cycle performance. Using pioneering technology, the crane is capable of self-service operation and can operate without a connection to existing power grids. The crane also has an eco-efficient design and solar chargers. Its own battery management system enables a sustainable use of resources. In practice, the smart charging management system controls the charging process, converts the solar energy into electrical energy and stores it in the rechargeable batteries. Furthermore, the charging processes can be optimized according to the local conditions. Finally, the V-type comes with process reliability, as the crane is built with proven Demag components.

As a result of the acquisition Konecranes' world-leading service tools and service capabilities can now also be leveraged across the newly acquired installed base. Likewise, tracking customer behavior and collecting customer data has now been both expanded and rolled-out in new geographical areas successfully, and this will continue throughout 2018–2019.

Developments in IoT productivity

One good example of developments in IoT (Internet of Things) productivity in late 2017 relates to the new features in yourKONECRANES crane portal, providing comprehensive real-time data for cranes with a transparent view of events and activities. With regard to lift trucks, geofencing is one notable IoT feature that enables the user to define geographical zones, called geofences, on a map. Within geofences the user can set up height-limit zones, speed-limit or eco-drive zones, restricted zones or maintenance zones. Inside a speed-limit zone, the driving speed will be limited to a pre-set value, and whenever a lift truck enters a restriction zone, the TRUCONNECT system alerts the driver and logs the event. The feature allows the operator to define the operational mode (eco or performance) and maximum speed for the lift trucks and operators, based on time or driver. Finally, there is also a new feature that facilitates the relocation of lift trucks, including their geofencing settings, from one customer to another in cases, for example, where the lift truck is rented or sold.

Stronger research activities

Konecranes major publicly funded projects in 2017 continued to be both ambitious and driven by a vision of advancement of the industry and related technology. The OPTIMUM project has, as its central focus, the developing of optimized industrial IoT and a distributed control platform for manufacturing and material handling. The project looks at future concepts and addresses enhancing aspects of distributed control, adaptation of IoT technologies to industrial needs, enhancement of control and assistance applications by context and location awareness, as well as common model-based 3D engineering and supervision. PRODUCTIVE 4.0 is Europe's biggest research project in the field of digital industry, a large-scale undertaking designed to maintain a leadership position in European manufacturing.

GAMA is a project focused on solutions for safe mixed traffic of fully automated and manually driven vehicles in an enclosed port area. The DYNAVIS project is currently exploring the product service lifecycle's different stages – manufacturing, maintenance and sales – with a vision to create a process for one global visual language. The project will also utilize wearable devices, augmented and virtual reality, 3D models, animation, video and interactive applications and dynamic visualizations. And finally, Konecranes, in collaboration with Telia, is currently continuing R&D work to advance narrow-band IoT capabilities, and in collaboration with Nokia, is utilizing a special network leveraging 5G concepts and a global digital automation platform for R&D purposes.

Big 'A-launch' at the TOC

Konecranes attended the TOC Europe (The Terminal Operations Conference) in Amsterdam, June 2017. Konecranes' big 'A-launch' introduced three automation-related technologies to the container handling industry. The first 'A' was the Automated Konecranes Noell Straddle Carrier (A-STRAD) and Automated Sprinter Carrier (A-SPRINTER) systems. Features include the TEAMS equipment control and fleet management system, the Navimatic navigation system, and process automation featuring interchange and fence control systems.

The second 'A' relates to Konecranes Gottwald Automated Guided Vehicles (AGV) and new lithium-ion battery technology that provides benefits including greater efficiency at lower deadweights, and faster charging.

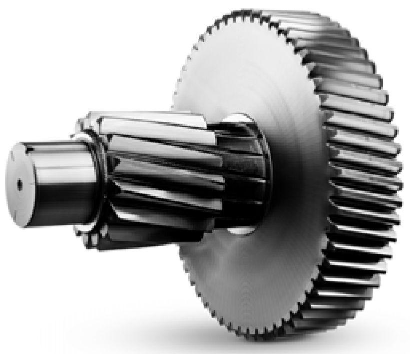
The third 'A' was the announcement of cooperation with Terberg, a respected provider of terminal tractors and other special vehicles. As a result of these launches, Konecranes can now provide customers with a complete Automated Terminal Tractors (A-TT) system, with Terberg supplying the tractors and Konecranes supplying the automation technology, required software and the integration on a turn-key basis.

An extensive portfolio of expert solutions

From optimized, systematic maintenance services – to a world-leading range of smart connected industrial cranes, lifting systems, drives, trucks and stackers – Konecranes' products and services fulfill every global need.

Service

Konecranes provides specialized maintenance services and spare parts for all types and makes of industrial cranes and hoists. Lifecycle Care in Real Time is our comprehensive and systematic approach to maintenance; connecting data, machines and people. Our services include inspections and preventive maintenance, corrective maintenance and retrofits, consultation services, modernization services and the delivery of new equipment.



Parts

When it comes to parts and service, it doesn't matter who made the crane. We offer genuine Konecranes spare parts as well as replacement parts for all other makes and models. Konecranes parts design and manufacturing capabilities include rebuilding, reverse engineering, made-to-order parts, and component and assembly modernization.

Modernizations

Modernizations can provide a complete transformation of an existing crane as an alternative to replacing it. Common modernizations are replacements of hoists, controls, trolleys and operator cabins to achieve increased capacity, speed, duty, ergonomics and/or load control.

Digital Service Delivery

Technology has revolutionized the way we capture, share and consume information. Our field operatives use mobile devices to enter inspection findings. Maintenance data is remotely collected with TRUCONNECT. Customers view their reports at yourKONECRANES.com. Konecranes STORE is an e-commerce site for both internal users and customers. This is the speed and transparency of the industrial internet in action.

Workstation Lifting Systems

Workstation lifting equipment needs to be adaptable to changing processes, and to unique production requirements and operating environments. Our range of light lifting products offer safe and reliable equipment suitable for various workstations. Designed for lifting and optimized for work areas and production lines, the equipment delivers the ultimate user-experience.

Industrial cranes – Configured-to-Order cranes (CTO)

Industrial cranes' range covers almost every lifting application, from high-quality basic cranes up to the most advanced and specialized lifting technology currently on the market. Konecranes Smart Features represent the most advanced crane technology available today. They provide total control over material handling, safety improvements, reductions in load cycle times and crane lifetime extensions.

Industrial cranes – Engineered-to-Order cranes (ETO)

Engineered-to-Order cranes utilize the latest technology to increase the safety and productivity of our customers' businesses. The cranes incorporate intelligent features, ergonomic controls and automation to assist operators. They also use the Industrial Internet to connect data, machines and people, bringing usage and maintenance data together to optimize processes and maintenance operations.

DEMAG

Process cranes

Process cranes are tailored to meet the needs of customers' production processes. They are designed and built to specific requirements. We have extensive expertise and knowledge of our customers' specific industrial processes which is applied to offer the highest efficiency, availability and safety for their installations. With the Demag developed Warehouse Management System we provide fully automated crane solutions for industrial storages and manufacturing processes.

DEMAG

Modular cranes

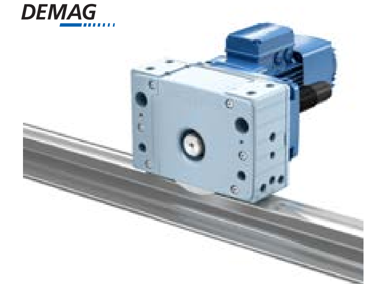
Modular cranes are innovative and feature the widest range of components and are reliable solutions the world over. Using our KBK system, we can meet our customers' specific application requirements precisely, quickly and efficiently. The components can be combined to create individual suspension monorails, suspension cranes, pillar-mounted and wall-mounted slewing jib crane systems, from a single working station up to a complete intralogistics system.

DEMAG

Universal cranes

Demag universal cranes offer our customers quality, efficiency and reliability at the highest level. Every crane and component reflect decades of expertise and reliability as a partner to industry. Our product portfolio includes single and double-girder overhead traveling cranes and suspension cranes. The V-type girder is an innovation that is unique in the crane business.

DEMAG



Components

Components include hoists, control units and other crane modules as well as drives and wheel blocks. Every single component reflects our many years of experience as a proven module for crane installations, machinery and equipment. We offer the entire range of products, from sub-assemblies to complete systems. In terms of drive element combinations and sophisticated controls for integrated systems, all components are reliable and are designed to meet the customer's needs.

Products for Hazardous Environments

When lifting in explosive surroundings, lifting equipment should perform with a high level of safety and reliability. Our comprehensive range of explosion-proof cranes and components draws from our long experience in explosion-proof applications. World-class engineering and product development defines the lifting equipment, which is designed for extremely demanding work environments.

Forklift trucks

Konecranes forklift trucks are flexible and heavy-duty, with lifting capacities ranging from 10 to 65 tons. They are used in a range of industries including metals production, paper and forest, oil and gas, and port applications. The OPTIMA cabin provides increased safety and visibility and the latest engines are eco-efficient and powerful. Smart connected lift trucks allow for remote monitoring, tracking efficiency of the fleet and maintenance planning.

Container lift trucks

Maneuverable, strong and reliable, our container lift trucks handle empty (8–10 tons) and laden (30–45 tons) containers at ports and intermodal terminals. The OPTIMA cabin provides increased safety and visibility for the driver and the latest engines are eco-efficient and powerful. Smart connected container lift trucks allow for remote monitoring, fleet tracking and maintenance planning.

Reach stackers

Powerful, efficient, offering proven performance, our reach stackers have lifting capacities ranging from 10 to 80 tons for container handling, intermodal, and industrial applications. The OPTIMA cabin provides increased safety and visibility. The engines are eco-efficient and powerful. Smart connected reach stackers allow for remote monitoring, fleet efficiency tracking and maintenance planning.

Shipyard cranes

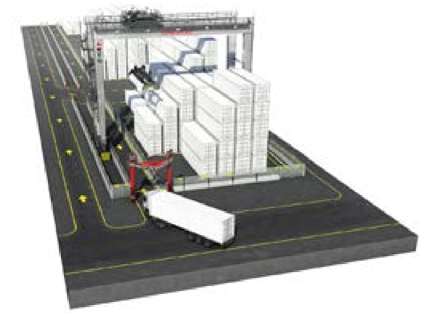
Konecranes has a long history of designing, manufacturing and delivering special shipyard cranes to shipyards around the world. These include plate and block handling cranes for ship block manufacturing, floating dock cranes, single and double-boom cranes for ship outfitting, and the landmark of the shipyard and surrounding landscape, the Goliath gantry crane for ship block assembly.

Yard cranes

Yard cranes for container terminals include RTGs, RMGs, Automated RMGs (ARMGs) and Automated RTGs (ARTGs). With a standard lifting capacity of 50 tons, they can be diesel-powered, or have cable reel and busbar systems for fully electric operation, increasing eco-efficiency and decreasing local emissions. Through TRUCONNECT remote service, providing usage information in real-time, maintenance can be improved and downtime reduced.

Straddle carriers

Konecranes Noell Straddle Carriers are known for their excellent maneuverability, high speed and reliability. They do not need sophisticated yard infrastructure, so initial investment costs are low and there is expansion flexibility. They are available in different sizes, stacking containers 1-over-2 or 1-over-3. They are also available as automated versions.



Automated Stacking Crane (ASC) systems

Konecranes offers Automated Rail Mounted Gantry (ARMG) and Automated Rubber Tired Gantry (ARTG) crane systems. The ARTG system offers RTG-based container terminals a growth path towards fully automated operations. It includes ARTG cranes, Remote Operating Stations (ROSs), automation software, and all the required yard infrastructure, including intelligent gates for road trucks.

Automated Horizontal transport

Konecranes offers a complete portfolio of automated horizontal transport for automated container handling in terminals. This includes the Konecranes Noell A-SPRINTER, which handles containers 1-over-1, Konecranes Gottwald AGVs, now available with Li-ion battery technology and Automated Terminal Tractors. Each option is available as part of a complete system that includes navigation and management software.

BOXPORTER RMG

The BOXPORTER RMG offers the clearest view in intermodal container handling. It incorporates a host of technological innovations, most notably the smarter cabin with video and monitoring technology that provides superb visibility to container handling operations. BOXPORTER can also be automated as part of a complete intermodal container handling system, including Remote Operating Stations (ROSs).

Ship-to-Shore (STS) cranes

Used for container ship loading and unloading, our STS cranes have a lifting capacity of up to 65 tons and an outreach of up to 70 meters. We can deliver our STS cranes with advanced noise reduction technology and camouflage paint schemes, making the cranes very silent and inconspicuous in container terminals close to urban areas.

Nuclear cranes

Konecranes Nuclear Equipment and Services provides nuclear cranes and specialized lifting equipment for our customers throughout the global nuclear industry. The nuclear quality control system meets the strict regulatory requirements of our global customers and their individual specification requirements, such as NRC 10CFR50 Appendix B, ASME NQA-1, and KTA 1401.

Creating the highest lifecycle value

We believe that sustainable growth results from strong, responsible performance. We want to achieve this by involving our stakeholders, the societies and environments in which we operate, while at the same time increasing the value of our shareholders' investments.

Konecranes' business model – how we create value

Konecranes is a leading manufacturer of lifting equipment, offering a vast range of advanced lifting solutions and services to different industries worldwide. Our business aims to improve our customers' safety and productivity in material handling. The solutions provided by our three business areas – Service, Industrial Equipment and Port Solutions – complement each other and enable our customers to meet the bulk of their lifting needs through one supplier.

In addition to offering a wide range of lifting solutions, we provide specialized maintenance services and spare parts for all types and makes of industrial cranes, hoists and port equipment – from a single piece of equipment to entire operations. We strive to be the leading local crane maintenance provider in all markets by having the largest and most extensive service network in the industry. There is a high degree of synergy between our business areas. Every service customer relationship creates opportunities for equipment sales. Also, every crane sold creates opportunities for providing services.

We firmly believe that we can deliver the highest lifecycle value to our customers through Lifecycle Care – our comprehensive and systematic approach to maintenance using world-class tools and processes to maximize the productivity of their uptime and minimize the cost of their downtime. We strive to make our business future-proof by engaging the best talent, developing top-notch technology, and maintaining a deep understanding of our customers' needs.

Our aim is to generate growth and stay competitive in a constantly changing marketplace. We believe that the best way to achieve this is by creating added value for our stakeholders and society at large. By driving fair practices and high ethical standards, we can deliver long lasting impacts and generate better financial results.

We continuously assess our operations from the perspective of a circular economy, a concept that presents us with interesting opportunities to develop our business models, improve our resource efficiency and reduce our environmental footprint. We design our products to enable them to be reused and recycled, or to be modernized to extend their useful life.

Summary of renewed Corporate Responsibility roadmap with objectives

Focus area	Objective 2020	UN Global Compact	UN SDGs
Safety	• Interim goal LTA1 < 3, ultimate goal zero accidents • Significant reduction in serious injuries and no fatalities • Subcontractor safety tracking and management improved • Certified safety management systems		
Environment	• Energy consumption intensity -10% MWh/sales[*)] and emission intensity -20% CO_2e-t/sales[*)] • ISO14001:2015 100% coverage in manufacturing	7, 8, 9	
People	• Gender diversity of group management: male 75% / female 25% • International diversity of group management: Finnish 50% / Other 50%	3, 4, 5, 6	
Integrity	• Continue to have code of conduct training coverage 100% • 80% of existing suppliers by spend and 100% of new suppliers monitored for sustainability	1, 2, 10	

[*)] Targets include scope 1 and scope 2 consumption and emissions (market-based). Baseline year 2013. 2013 data available only from legacy Konecranes. New targets and baseline for the combined company to be set in 2018.

Our corporate responsibility strategy

We believe that sustainable growth results from strong, responsible performance. We want to achieve this by working with our stakeholders and the societies and environments in which we operate, while at the same time increasing the value of our shareholders' investments. Our approach to corporate responsibility supports our mission, vision and strategy, and our actions are guided by Konecranes' values, Corporate Governance framework, and Code of Conduct. Continuous improvement is our driving principle in everything we do, and for this reason, we systematically measure, act on, and communicate about the environmental, societal, and economic impact of our operations.

Our Corporate Responsibility strategy is divided into four key focus areas: Safety, Environment, People, and Integrity. We have defined our key corporate responsibility themes by conducting a materiality assessment. Through this process, we have identified the most relevant sustainability topics for us based on our stakeholders' expectations. We have also reviewed the megatrends impacting our business and analyzed which of the UN Sustainable Development Goals are most relevant to our organization and how we can make an impact through them. In 2015, we set the long-term targets we aim to achieve in each of our four focus areas by the year 2020, and have been monitoring our progress since then.

This report includes information on all our major economic, environmental and social impacts. How we manage these impacts and other key topics raised by our stakeholders is described in detail in the section, Key Impacts.

As part of the work of integrating Konecranes with MHPS, we introduced a new Health, Safety and Environment (HSE) management structure which better supports our current business model and ensures that these aspects are taken into account on all organizational levels. On a global level, we employ directors for both HSE and Corporate Responsibility. We also have HSE Directors for each of our three Business Areas Service, Industrial Equipment and Port Solutions. Operating under each of these three HSE Directors are local HSE Managers, who are in turn supported by Business Unit HSE Managers where relevant. The work of all our HSE professionals is guided by our HSE strategy and global objectives that are tied to our key impacts.

Fulfilling stakeholders' expectations

Understanding the needs and expectations of our stakeholders is an important part of our responsibility work. Therefore, we regularly seek to obtain their feedback on our performance. To enable us to fulfill stake-

Most relevant corporate responsibility themes for our stakeholders

holder expectations and provide transparent communication, we have identified our key stakeholders as well as other important stakeholder groups.

Our key stakeholders include our employees, customers, business partners and investors. In addition, we have identified other relevant stakeholder groups that are increasingly important for Konecranes and with whom we are engaged in constant dialogue. These include our suppliers, subcontractors and business partners, local communities and authorities, students, universities and research institutes, media and non-governmental organizations.

Material topics

Each year, we conduct a materiality assessment according to the Global Reporting Initiative's Sustainability Reporting Standards. In 2017, following the integration of MHPS and Konecranes, we placed special emphasis on analyzing and understanding the needs and expectations of the workforce who had been employed at MHPS since prior to the acquisition. This analysis was performed through extensive interviews with representatives of our different Business Areas and from various locations around the world. We then linked the outcome of that work to our previous materiality assessment and analyzed the findings at internal workshops.

As a result, we determined our key corporate responsibility themes, which are as follows:

- Compliance, ethics and integrity
- Eco-efficiency of own production (footprint)
- Eco-efficiency of products (handprint)
- Safety culture and product safety
- Employee development and well-being
- Responsible supply chain

In addition, the topics below are also seen as important for Konecranes stakeholders:

- Responsible leadership
- Equal opportunities and diversity
- Sustainable innovations
- Transparent internal and external communication

Economy and Society

In order for us to operate as a financially profitable company in the long run, it is essential that we create shared value in the societies where we operate. We believe that sustainable growth results from conducting our business responsibly and acting with integrity. The direct and indirect impact of the economic value we create can be seen in a number of stakeholder groups. We make an impact on society by providing jobs and income for employees, by boosting local economies as an employer, provider and buyer of services and goods, as well as by being a significant taxpayer. In recent years, we have worked together with universities and also given them financial support.

Comprehensive risk management and sustainable business practices are crucial parts of our economic responsibility. To us, business ethics mean safeguarding sound business practices in line with the values outlined in our Code of Conduct.

Taxes borne

- **Corporate income taxes 38 MEUR**
- **Employment taxes 155 MEUR**
- **Other operational taxes 15 MEUR**

Taxes borne include all tax and tax-like payments that Konecranes has paid as its own taxes. Tax-like payments include, among other things, compulsory payments of social security contributions.

Taxes collected

- **VAT/GST and other turnover related taxes (net) 167 MEUR**
- **Payroll taxes collected 213 MEUR**
- **Other taxes collected 4 MEUR**

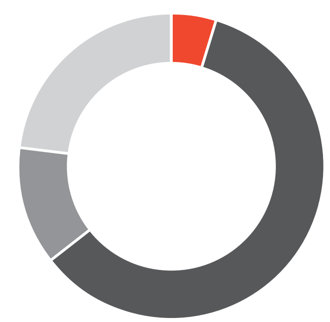
Taxes collected include tax and tax-like payments that Konecranes has collected on behalf of the government such as VAT and similar turnover-related taxes (GST) paid (net), payroll taxes, and withholding taxes as well as other taxes. The economic burden for such taxes is ultimately borne by the buyer or final consumer.

Tax footprint

Konecranes is committed to paying all of the relevant taxes required by applicable tax laws, rules and regulations, and to complying with all reporting requirements. We also contribute to the economies of the countries where we operate through indirect taxes, such as VAT, as well as through the employment taxes and social security contributions that we collect on behalf of governments. All of these taxes and tax-like payments contribute to the societies around us on local, regional and national levels.

In 2017, Konecranes paid and collected EUR 594 million (285) in taxes and other compulsory tax-like payments in countries where the group operates. A total of EUR 209 million (125) was paid (taxes borne) directly by the group itself, while EUR 385 million (160) was collected (taxes collected) on behalf of governments. Additional information on taxes can be found in the financial reporting section.

Economic value distributed



- **Dividend to shareholders 83 MEUR**
- **Wages, salaries and benefits 1,004 MEUR**
- **Total taxes borne 208 MEUR**
- **Total taxes collected 385 MEUR**

We believe that sustainable growth results from conducting our business responsibly and acting with integrity.

Managing our sustainability performance

Our principles and commitments

Konecranes' Code of Conduct guides our everyday activities by clearly describing our internal standards and ethical values as well as our legal obligations. Our business activities are subject to government regulations in the countries where we operate. Our principles and commitments also play a key role in risk management. Having a set of rules and values in place enables us to better mitigate negative impacts. Group-wide guidelines for reporting, appropriate approval procedures and internal controls help to ensure the implementation of good practices.

Our management approach

- Our core objectives for corporate responsibility are to improve safety and eco-efficiency in all our

88

nationalities employed at Konecranes

55%

of Konecranes employees are operatives

operations and to act in an ethical manner. Our actions are guided by Konecranes values, our Corporate Governance Framework and our Code of Conduct.

- Our Code of Conduct sets the basic guidelines for responsible business behavior. It is fully implemented and has been rolled out to all Konecranes employees through an e-learning platform. It is compulsory for all, and we strive to keep the current level of trained employees close to 100 percent. Our aim is for every new employee to be trained, and we have applied an automatic system that notifies new employees about the e-learning program.
- Our commitments towards responsibility are outlined in our Code of Conduct and in our Safety and Environmental policies.
- We are committed to the United Nations Global Compact and its ten principles that underline the need to exercise a precautionary approach to environmental challenges. We put this into practice by examining the full scope of impacts that our operations might have.
- We have put Konecranes Minimum Requirements into use globally which set the minimum level for our HSE management work.
- We have also implemented a separate Anti-corruption policy, and have compliance protocols and guidelines in place to detect any risks regarding bribery and corruption.
- We have implemented a Know-Your-Counterparty process which identifies the risks of doing business with third parties by studying their ownership, activity and role. It includes anti-bribery, sanctions and other due diligence checks, according to the level of risk identified.
- We have a reporting process for misconduct which can be used to report suspicions of serious misconduct related to financial or banking crimes.
- In 2017, both our Code of Conduct and our Anti-Corruption policies were updated, making them more comprehensive and specific than before. The roll-out of the updated policies will take place during 2018. We also started working on a separate Diversity Policy and began creating a Supplier Code of Conduct during 2017.

Corporate responsibility risk management and leveraging opportunities

The Board of Directors of Konecranes has defined and adopted a set of risk management principles based on widely accepted international good management practices. These principles serve as part of our system of controls, and are designed to ensure that any risks related to the company's business operations are identified and managed adequately and appropriately to safeguard the continuity of our business at all times.

Risk is defined as anything that could clearly affect our ability to achieve our business objectives and execute our strategies. Konecranes follows normal risk assessment procedures, where priorities are set as a result of evaluated impacts and probabilities. Our risk management process

involves all our business units and geographical regions. Please read the Corporate Governance section on Konecranes.com for more information about risk management.

We review the key risks to our corporate responsibility and strive to ensure that our mitigation activities throughout the Group are effective. Many identified corporate responsibility risks are managed by several different group functions. In addition, to help mitigate risk in our supply chains, we will begin implementing our Supplier Code of Conduct, which will emphasize the corporate responsibility standards we expect from third parties.

Konecranes supports the Paris Agreement's aim to strengthen the global response to the threat of climate change and limit the increase in global temperatures. We contribute to this effort by managing our climate impact and developing our products and services to contribute to this effort. Furthermore, we have signed voluntary agreements and set internal targets for energy efficiency and emissions.

Climate change may have a material impact on our business. We view extreme weather conditions and flooding as risks to our operations. On the other hand, more stringent environmental legislation and increasing demand for energy efficiency can be seen as opportunities, as our focus on providing energy-efficient products and solutions and on utilizing alternative power sources can help our customers fulfill stricter regulations and requirements. We have also set targets with regard to eco-efficient product design in response to customers' increasing demand for more sustainable products and solutions. We assess environmental risks in greater detail as part of environmental management and environmental risk mapping and evaluation, where each unit is responsible for evaluating, prioritizing and mitigating their risks, which also include HSE risks and opportunities.

Key impacts

The year 2017 was predominantly driven by integration. On January 4, 2017, Konecranes completed the acquisition of MHPS from Terex Corporation, starting a new company where about 11,000 employees from Konecranes and around 7,000 employees from MHPS joined together and began the demanding integration work. By year-end, the total headcount had risen from 10,951 (12/2016) to 16,387 (12/2017), including reductions and voluntary employee turnover.

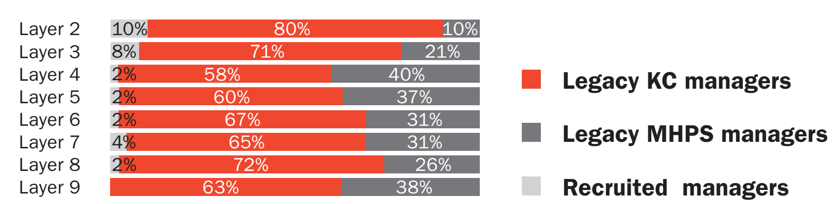
Konecranes' new operating model, consisting of three business areas instead of the previous two, had been announced in December 2016, putting a high-level organizational structure in place from the start of the year. The systematic process of building the organizational structure was conducted with the principles of fair treatment, transparency and objectivity, and in close cooperation with employee representatives. It provided us with the opportunity to define the final target organization by the end of the first half of the year.

The selection process for positions sought to find the best talent based on competence and potential as well as create a good balance of managers from both legacy companies. Overall, the integration work placed great emphasis on open communication and transparency. It was a collaborative process where employee representatives were highly involved. Hard decisions were also needed, and in 2017, we announced the need to close down eight manufacturing units to remove over-capacity and secure future profitability.

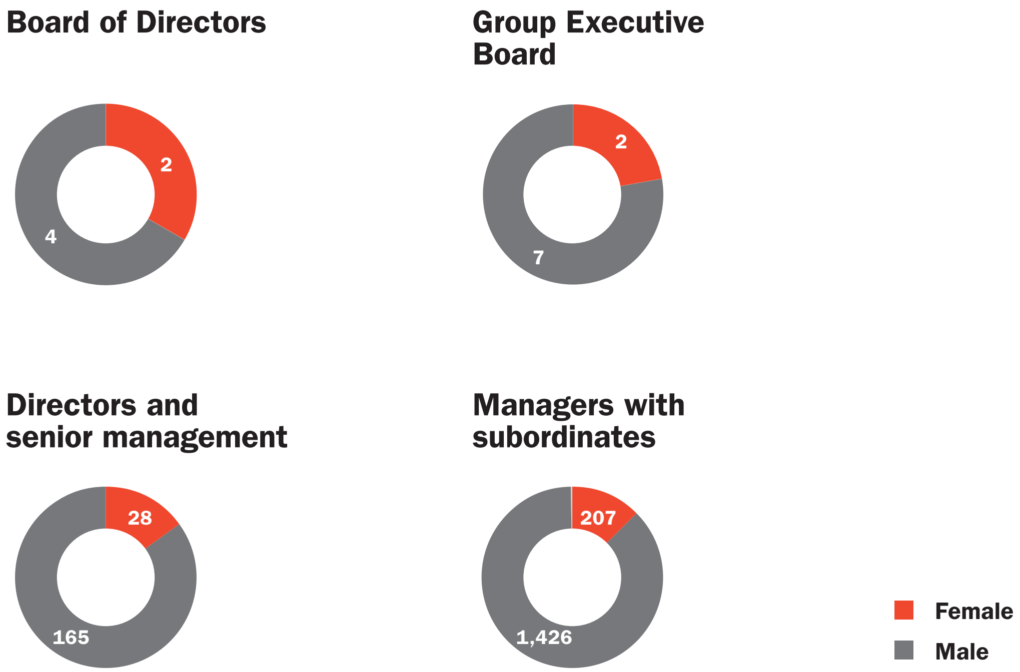
Talent management

Our total service commitment relies on talented employees. Fair and responsible practices and equal career development opportunities as well as embracing diversity are key enabling aspects of our corporate responsibility as we race to attract

Distribution of managerial positions between legacies



Gender diversity of group management



the best talent. We aim to create a diverse working environment and a culture that respects individuals.

Cultural integration, change management, shared tools and ways of working, common processes regarding performance management and rewards, as well as recruitment practices have also been high on the agenda during the whole year, facilitating the fair and equal treatment of employees. In addition, many of Konecranes' existing processes have been refined to better support the new organization, and the process definitions and decisions have been made objectively, based on facts, and taking best practices from both companies into use.

In addition to focusing on leadership development, change management, and integration of cultures, we increased our investment in fostering industry-leading technical skills in our service technicians and in improving customer-centric sales and sales management skills. We continued Konecranes' mentoring program, which was launched in 2016, and implemented it further within the organization. We refined many of our people processes to better support our present and future operations. Konecranes' job architecture was applied throughout the organization, enabling the harmonization of people processes and the fair and equal treatment of our employees.

We conducted a global integration pulse survey to understand people's sentiments and collect feedback from the organization. The survey results helped us plan and execute good change management, improve the way we work, focus our communication in a better way, and pay attention to the most critical topics on our employees' minds. The results showed that more than 85 percent of our employees were accepting, on board with, or committed to the integration, and the employee engagement level was above those of comparable companies as well as above the level where it had been prior to the integration.

Building a common, performance-driven leadership culture was seen as a key topic and a prerequisite for a successful integration. Early on, all new Konecranes managers were introduced to the expectations on them and given support on leading their teams through the coming changes. Both managers and their teams were offered change management training.

Konecranes Leader training program, targeted to senior middle management and global managers, continued, and all new groups included managers from both legacy companies to ensure the building

of a joint leadership culture. Our business area and function integration teams conducted culture workshops to identify cultural similarities and differences between the organizations and find ways to benefit from them as well as mitigate potential problems.

In the area of rewards and performance management, we harmonized our performance management process called Trust, People, Performance (TPP) in 2017 to include all employees. Management's short-term incentive program now includes all management roles in one short-term incentive program, and a new long-term incentive program called Performance Share Plan (PSP) was designed and implemented.

When legally possible, employees were offered the possibility to become Konecranes shareholders and contribute to the long-term success of the company through the Konecranes Employee Share Savings Plan (ESSP), which continued in 2017. The participation rate in the ESSP 2017 among employees was 16 percent.

In 2017, the TPP process was developed further to bring our performance culture to a new level, raising emphasis on talent development discussions, behavioral competencies, learning and development, and career aspirations. The new process and a new tool supporting the process documentation and follow-up will be introduced to the organization in 2018. We also piloted a global salary review process with a small group of employees, supported by a common tool, to ensure cost control and enhance salary related decision-making.

In November, we conducted a full Employee Engagement Survey (EES), and the results of that are available in early 2018. 2017 was also a year when we started developing multiple activities which will enable Konecranes to sustain success into the future. Those activities will be implemented in 2018 or later, but majority of the development and definition work was completed in 2017. One example of such an activity is the development of Konecranes' recruitment process and practices, supported by a common recruitment system. Its purpose is to offer current employees opportunities for job rotation and career development, and to attract the best candidates around the world to join us. We renewed the Konecranes career site as part of this project.

We monitor employees' performance and career development reviews and see personal development as a key factor in employee engagement. The performance cycle is a continuous process with Long- and Short-Term Incentives and associated Key Performance Indicators, Development Dialogues and Performance Reviews. We also

measure engagement levels through the regular employee engagement survey. Talent and diversity issues are taken into account in our basic HR procedures, and we are introducing a separate Diversity Policy, which will be rolled out in 2018. This policy is reinforced by our existing ones on Respect in the Workplace and Anti-Harassment.

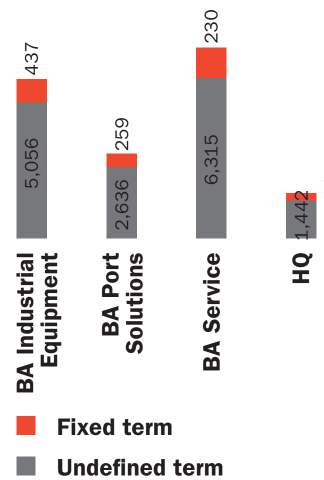
Diversity management

Konecranes employees come from different continents. They represent a multiplicity of cultures, speak a large number of different languages and belong to various religions. We aim to draw the right mix of employees from across our global organization to match our markets' and customers' needs in terms of knowledge, skills, and cultural background. In our view, diversity and inclusivity result in better functioning teams and are a key driver of creativity and value creation. A diversity of minds creates value, and is fundamental for us to stay competitive in the fast changing world. We believe that this approach of fostering a diverse workforce helps generate greater innovation, exceptional organizational performance, and most importantly, outstanding customer service. We aim to support a more inclusive society by creating a diverse and inclusive work environment and fostering equality.

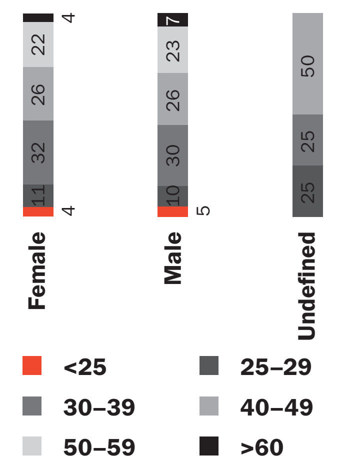
Konecranes sets diversity targets, not only for top management but on all levels of our organization to ensure that we recruit, develop, reward, compensate and promote employees equally. We respect and recognize diverse work styles, lifestyles and cultural differences. We implement our talent and diversity issues in our basic HR procedures. Our actions are guided by our new Diversity Policy, which will be rolled out in 2018. It will act as a basis for continued work on enriching diversity within our organization. We are also currently engaged in discussions on expanding the goal for gender balance in all Konecranes management teams, in addition to our Board of Directors and Group Executive Board (GXB).

We give special attention to equal opportunity and diversity in our recruitment process and strive to ensure that the decision-making process is transparent and that selections can be justified. Konecranes wants to be at the forefront of breaking down historical diversity barriers in heavy manufacturing industry, and we seek to develop a diverse company for all generations, current and future. Our ambition is to reach a balance between genders at all leadership levels, and in general, to build a much more diverse organization.

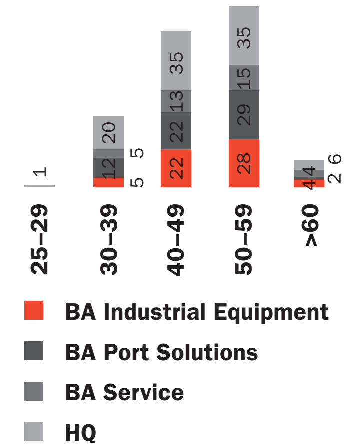
Personnel at Konecranes



Gender balance by age, %



Age distribution of directors & senior management



Responsible use of data

We continuously observe and recognize the changing requirements of the evolving legislative environment. We are adjusting our data protection practices to comply with the European Union's new general data protection regulation and upcoming ePrivacy regulation, among other legal statutes. We also comply with relevant legislations outside the EU. In accordance with the data protection accountability requirement, we do not merely rely on our compliance with the data protection laws in practice, but are obliged and ready to demonstrate our compliance in advance. We accomplish this through careful planning and documentation of our personal data processing activities.

We respect the rights of the individuals whose personal data we process by, for example, providing them with comprehensive information on our personal data processing practices, as well as offering them proper opportunities to realize their informational self-determination rights as required by law. Raising awareness within the company by offering training that is available to all employees is an important part of enhancing our personal data processing practices.

CORPORATE RESPONSIBILITY

Environmental management

We acknowledge our responsibility and recognize our opportunity to affect environmental matters, especially with regard to resource use and mitigating the effects of climate change. We are committed to providing eco-efficient solutions and services to our customers while preventing and minimizing harmful discharges into the air, water and ground. Our commitments with regard to environmental responsibility can be seen in our Code of Conduct and in our environmental policy. Furthermore, we demonstrate our commitment to the United Nations Global Compact and its ten principles that underline the need to have a precautionary approach to environmental challenges by examining the whole scope of impacts that our operations might have.

In our assessment of the whole lifecycle of our products, the most significant impacts come from energy consumption during the product use phase and from the production of raw materials and components. Our product performance is discussed further in the section on Sustainable Innovations. In our own operations, the most significant environmental impacts result from service fleet fuel consumption and energy, such as electricity, heat, natural gas and LPG used in our manufacturing facilities.

Konecranes Minimum Requirements for chemical handling and waste management are in use globally, setting the minimum level for environmental management, and we enhance our performance by building ISO 14001 management systems to support our development. In addition, we pay special attention to the use of efficient logistics and packaging, minimizing waste, and reusing and recycling as much as possible. Our approach to environmental product design is also described in the section on Sustainable Innovations.

During the last three years, the development of our operational energy efficiency has been rapid, resulting in significant environmental and monetary gains. By the end of 2016, we had already reached our 2020 energy intensity target (-10 percent MWh/sales), four years ahead of schedule. In addition, we have almost reached our 2020 greenhouse gas intensity target (-20 percent tCO_2e/sales), with emission intensity decreased by 18 percent during 2013–2016. As we aim to improve our operations continuously, we are now in the process of defining new targets for the combined business.

We examine environmental risks according to major environmental aspects and impacts. Assessments are done on a local level using an assessment form to evaluate the severity and probability of the risks. After careful assessment, we formulate risk mitigation plans. In many cases, environmental risk assessments also take safety risks into account. Environmental incidents and near miss cases are reported to our global HSE reporting tool, and investigations of root causes and corrective actions are conducted accordingly. We also use the Konecranes Minimum Requirements for risk prevention, maintaining a defined level of environmental management.

On a global scale the most significant environmental risks are related to the use of energy and materials. With regard to energy, the risks are mostly associated with the possibility of new, unexpected regulatory changes, taxes or product standards. Climate change, as well as regulations and agreements around this topic, are also important factors affecting the use of energy. Regarding material usage, the most significant risks are also related to unexpected regulatory changes and product standards, as well as possible shortages of raw materials. Water risks are not significant for Konecranes as we do not use much production water, however we are closely following the development of this risk as well. For the most part, we view the rapid environmental changes more as opportunities than risks.

Our management approach

- We apply Minimum requirements that address our standards in waste management, chemical handling and safety.
- We use materials, fuels and energy efficiently. Steel is one of the key materials we use, and it is 100 percent recyclable.
- 53 percent of our factories have an ISO 14001 environmental management system in place requiring continuous development and annual targets.
- We have made efforts in responsible purchasing by formulating Supplier Code of Conduct requirements, renewing our pre-assessment process and favoring non-hazardous chemicals
- VOC (volatile organic compounds) emissions from painting operations are carefully monitored. Water-based paint is not an option for all our products, but we use it when possible.

Environmental data 2017

		Combined company	Legacy Konecranes[*]			
Energy		**2017**	**2016**	**2015**	**2014**	**2013**
Total energy consumption (MWh)		335,300	213,000[9]	224,600[9]	241,900[9]	236,500[9]
Fuel consumption[1] (MWh)		166,200	141,500	151,800	169,600	161,400
Natural gas and LPG consumption (MWh)		75,900	14,700	16,700	18,100	18,800
Electricity consumption (MWh)		80,000	40,300	42,100	40,300	41,600
District heat consumption (MWh)		13,200	16,500[9]	14,000[9]	13,900[9]	14,700[9]
Total energy consumption / sales (MWh/M€)		100	101[9]	106[9]	120[9]	113[9]
Emissions						
Total emissions[2] (tCO_2e)		102,000	53,700[9]	57,600[9]	62,700[9]	66,100[9]
Scope 1, direct emissions[3] (tCO_2e)		58,200	39,200	42,500	46,900	45,200
Scope 2, indirect emissions (tCO_2e)[4]	Location-based method	39,300	16,400[9]	17,200[9]	18,100[9]	18,900[9]
	Market-based method	43,800	14,500[9]	15,100[9]	15,800[9]	20,900[9]
Scope 3, business travel (tCO_2e)[5]		10,000	7,700	8,300	9,600	9,000
Total emissions[2] / sales (tCO_2e /M€)		30	25[9]	27[9]	31[9]	31[9]
Waste						
Metal scrap[6] (tons)		17,800	7,400	8,200	9,500	8,500
Cardboard, paper and wood[6] (tons)		3,900	3,100	2,900	4,200	1,600
Hazardous and electronic and electrical waste[7] (tons)		2,000	700	800	600	550
Other waste[8] (tons)		3,100	2,300	2,100	1,200	2,700
Water						
Water consumption (m^3)		257,200	120,900	139,600	138,800	160,100

Figures represent our manufacturing locations, except for fuel consumption (includes also service vehicle fleet) and Scope 3 emission figure (represents emissions from business traveling). 1 MWh = 3.6 GJ. M€ = million euros. [1] Fuel consumption consists of diesel and petrol. [2] Total emissions include scope 1 and scope 2 (market-based method). CO_2, CH_4 and N_2O included. GWP: 2014 IPCC Fifth Assessment Report. Scope 3 is not included in the total emission figures, as collecting comprehensive Scope 3 data is still under progress. [3] Scope 1 includes emissions from fuel, natural gas and LPG consumption. [4] Scope 2 includes emissions from electricity and district heat consumption. Scope 2 indirect emissions are calculated according to the GHG Protocol Scope 2 Guidance dual reporting requirement: location-based and market-based method. Konecranes Finland Oy acquired RES-GO (Renewable Energy Sources – Guarantee of Origin) for electricity, which are subject to EECS (European Energy Certificate System). These guarantees of origin covered 15,800 MWh electricity consumption for the year 2017. Production method was Finnish bioenergy. [5] Scope 3 includes emissions only from business travel. [6] Waste streams are directed to recycling. [7] Waste stream handling split into recycling, incineration and other adequate treatments depending on location. [8] Other waste includes plastic, organic, mixed and energy waste. Waste stream handling split into recycling, incineration, composting, and landfill depending on location. [9] Historical figures revised due to change in reporting scope (divestment).
[*] MHPS business not included.

Sustainable innovations

In order to achieve substantial improvements in environmental performance, we take environmental considerations into account for the entire lifecycles of our products. Usability, eco-efficiency, and safety are our guiding principles in product design, along with lifecycle thinking. Our products are designed to enable their reuse and recycling, and their lifetimes can be extended through modernization. Utilizing digitalization, we offer advanced tools to improve the productivity, serviceability and lifetime of equipment. The environmental impact of existing equipment can also be reduced by applying improvements and retrofits to them. We develop and test different materials and new features, and apply remanufacturing processes. The concept of circular economy provides us with interesting business opportunities, and our approach to it is described in further detail in the section on our business model.

The lifecycle of a crane consists of the production of raw materials and components, manufacturing, use and maintenance, disposal of the product, and deliveries between each stage. Each stage of the lifecycle has different impacts on the environment. Based on the product and its energy intensity, the two most significant environmental impacts come from energy consumption during the use phase and the production of raw materials and components.

Resource scarcity and the need for emission reductions result in the need for eco-efficient technology. In our conjoined product offering we are able to provide innovative power sources such as hybrid technology and other energy-saving solutions such as regenerative braking. Also, as the use phase of our products can last for decades, significant environmental improvements can be achieved through a smarter and more resource-efficient offering. Improving our products and services even further by utilizing the possibilities of the industrial internet is one of our strategic initiatives.

Anti-corruption and bribery prevention

We are committed to working against corruption in all its forms, including extortion and bribery. This is demonstrated by our Anti-Corruption policy and Code of Conduct, which define our level of ethical conduct and support our long-term competitiveness in the global markets. The Anti-Corruption policy fortifies our integrity and transparency by increasing awareness of relevant rules and regulations while helping to avoid conflicts of interest. In 2017, both our Code of Conduct and our Anti-Corruption policies were updated, making them more comprehensive and specific than before. A roll-out of the updated policies will take place during 2018.

We have zero tolerance for corrupt practices, an approach which is embedded in our monitoring and follow-up processes. Several actions and processes are set up to mitigate corruption and fraud risks. Especially when operating in countries listed by Transparency International as high risk, the exposure to corruption is increased. Konecranes provides practical guidelines regarding proper conduct in the fight against corruption and regularly trains personnel against corruption and fraud. Anti-corruption trainings and e-learning programs were organized during 2017.

Konecranes undertakes due diligence and background checks on suppliers and subcontractors before entering into business relationships. We expect our joint venture partners, suppliers and subcontractors to conduct their business in compliance with the same business ethics and commitment to integrity as we do, applying our Code of Conduct or more stringent practices. Konecranes has established a confidential reporting channel by email. This process is managed by the Internal Audit function, which reports directly to the Audit Committee of the Konecranes Board of Directors.

Supply chain management

We utilize a category management procurement model to optimize our global supplier base, footprint, relationships, and requirements for all suppliers. Integrated strategy and guidance is provided by our Group Procurement function in cooperation with our business areas. We currently work with more than 20,000 unique supplier and subcontractor relationships globally, with most of the spend derived from around 10 percent of our total supplier base. We are mainly a procurer of steel, mechanical and electrical components, and related services.

As we are in the process of integrating two businesses, MHPS and Konecranes, each of which have defined procurement processes, we are now evaluating a harmonized approach. This involves adopting the best practices from both companies with respect to procurement, as well as sustainable and ethical sourcing practices and requirements.

Our Supplier Manual outlines our restricted substances list, which applies equally to products that Konecranes purchases from its suppliers as well as to our own production and service processes. All Konecranes suppliers must be in express compliance with all local and international laws and standard practices. In addition, Konecranes' Code of Conduct forms a key part of any agreements made with key suppliers and subcontractors.

As a company, we adhere to the high ethical standards defined in our Code of Conduct. We expect our suppliers and subcontractors to commit to similar ethical standards and have made assessments in order to monitor the effectiveness of these policies and requirements.

Our Supplier Code of Conduct, which is currently being developed, sets out the standard we expect suppliers to uphold. It contains elements from the UN Global Compact, the guidelines of the International Labour Organization (ILO), and our own Code of Conduct. Our goal is to evaluate and set requirements that ensure that environmental and social impacts are managed properly through responsible sourcing. We are currently expanding our capability and coverage in this area of supply chain management in a harmonized way. Please read more about procurement risk management in the Risk management section.

Human rights

We support and promote the principles set in the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO). In accordance with our approach, as well as to help us mitigate risks, we have set up dedicated management processes and centralized compliance processes to secure employees' rights, such as their rights to freedom of association and collective bargaining, and the right to freedom from discrimination. We have zero tolerance for harassment and discrimination, and have rolled out a policy to our employees.

We have translated our commitment to human rights into internal policies that are to be used as the minimum applicable standards, should the local regulation be less stringent in any of the Group's countries of operation. We have included the basic principles of human rights in our Code of Conduct, which is communicated to all our employees and suppliers. Furthermore, we have separate policies on Respect in the Workplace, Safety, and a Diversity policy, which address human rights. Moreover, we have included the social element in our audits of our suppliers by conducting fair labor audits, work that will continue in 2018.

By signing the United Nations Global Compact in 2010, Konecranes pledged to support and apply the compact's fundamental principles in the area of human rights, working conditions, environmental protection and the fight against corruption. We also expect our partners and suppliers to adhere to the same principles in their operations as specified in our Code of Conduct. We believe that responding to stakeholders' expectations and addressing these issues presents us with an opportunity to improve both our human rights performance and our bottom line.

In 2009, we chose to approach human rights issues with a Fair Labor Conditions Frame that aimed to support continuous improvement while acknowledging the varying levels of maturity with which the topic is treated in different locations. Konecranes' Fair Labor Conditions Frame defines the minimum level expected from all locations and serves as a guide on the expected improvement path to advanced level. The Frame and our approach are based on internationally recognized principles such as the UN Global Compact, the ILO's Declaration on Fundamental Principles and Rights at Work and its Conventions, and the Social Accountability SA8000 standard.

Health and safety

There is no job so important or no service so urgent that we cannot take the time to perform our work safely and correctly. Safety work starts from our own employees but extends beyond the company's borders, including for example our product offering, our suppliers, subcontractors and everyone we work with. By providing safe products, solutions and services, we can safeguard our customers' safety while simultaneously improving the efficiency and productivity of their businesses' operations. Integrating safety into all areas of our operations is a competitive advantage for us, and thus, safety is an integral part of our business.

Our most significant safety risks are related to factory work, crane and equipment installations, and to the service business, where our technicians' working conditions vary from job to job. All Konecranes employees are properly trained to perform their tasks safely and correctly. Our overall approach and commitment to safety are outlined in our Health and Safety Policy,

and we have several safety management tools and practices in place. HSE minimum requirements set the foundational requirements that all Konecranes locations must fulfill. We implement a Serious Injury and Fatality (SIF) prevention program and measurement and prevention tools have been introduced to support it. Our service technicians use a Point of Work Risk Assessment (PoWRA) template to minimize risks at the point of work. In addition, careful safety reporting and follow-up procedures help us build a coherent safety culture, recognize our most significant risks, and validate the effectiveness of our safety work. We also continue our work to build certified safety management systems in all our operations. The new Supplier Code of Conduct we are developing seeks to enhance the safety of our subcontractors.

We introduced a new safety and environmental data reporting tool in 2017 which will be used in all Konecranes locations from the beginning of 2018. Implementing the new reporting tool enables us to put more focus on leading safety indicators, such as the number of near miss cases and safety observations, as well as on corrective actions and their completion rate. Due to the implementation of the new reporting

system and the differences in safety indicator definitions for MHPS and Konecranes, historical figures for 2013–2016 will not be published. We continue to aim firmly at our Lost Time Accident (LTA) target of less than 3 by the year 2020, as well as our ultimate target of zero incidents.

Konecranes Safety Data

		Combined Company	Legacy Konecranes*)			
		2017	2016	2015	2014	2013
Lost Time Accident Frequency (LTA1[1])	Konecranes TOTAL	7.6	5.8	5.9	6.3	8.6
	Industrial Equipment	6.6				
	Port Solutions	14.8				
	Service	7.7	0			
Fatalities[3]	Konecranes TOTAL	0	0	4[2]	1	0

[1] LTA 1 = Number of work related accidents causing at least one day of lost time / working hours performed over the reference period 1,000,000 hours.
[2] 2 traffic fatalities, which are not calculated as recordable occupational fatalities, 1 sudden complication resulting from a serious incident in the previous year, already considered recovered and back at work.
[3] Own personnel

*) MHPS business not included in the historical numbers.

GRI Index

Reporting principles and data collection

The report has been prepared in accordance with the GRI Standards and used together with the most recent versions of the following documents: GRI 101: Foundation, GRI 102: General Disclosures and GRI 103: Management Approach. We have applied the Reporting Principles for defining report content by identifing our material economic, environmental, and social topics and applied the topic-specific Standards in reporting. This report has been constructed in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI), Core option. The most material aspects for Konecranes were determined by conducting a materiality assessment, involving key stakeholders and the company's management. This report discloses significant material aspects and describes our core impacts and how we manage them. A list of key reported items can be found in the GRI Index Table. We consider that the reported disclosures provide appropriate information on our performance. More information about the calculation methodology found in www.konecranes.com.

Disclosing information how we manage our economic, environmental and social impacts is an integral part of the Annual report and financial statements. The disclosure aim to fulfill to the requirements of the EU's Non-Financial Information (NFI) directive and disclosing information about diversity while using the GRI Standards Framework. The reporting scope is business that we have operational control over. Unless otherwise stated, the report covers all Konecranes operations in all the countries where we operate, focusing on our core business, excluding joint ventures and subsidiaries. We have conducted limited third party assurance for safety (LTA1), energy and emission data. The external assurance statement available at www.konecranes.com. The quality of reporting will be further developed and defined as we proceed with the integration and implementing new processes. We are in the process of redefining our Corporate Responsibility strategy and updating our targets for next years. More information can be found on www.konecranes.com.

General disclosures		Page/link	Additional information
ORGANISATIONAL PROFILE			
102-1	Name of the organization	p. 153	
102-2	Activities, brands, products, and services	p. 2	
102-3	Location of headquarters	p. 3, 75	
102-4	Location of operations	p. 3	
102-5	Ownership and legal form	p. 46	Legal Form: Public Limited Liability Company Updated every quarter (www.konecranes.com)
102-6	Markets served	p. 3	
102-7	Scale of the organization	p. 3	
102-8	Information on employees and other workers	p. 32, 33, 34, 37	
102-9	Supply chain	p. 40–41	
102-10	Significant changes to the organization and its supply chain		Due to the integration with MHPS the historical figures are not comparable.
102-11	Precautionary principle or approach	p. 38	
102-12	External initiatives	p. 32, 41, 42	
102-13	Membership of associations		Konecranes holds positions on the Boards of the Port Equipment Manufacturers Association (PEMA), East Office of Finnish Industries Ltd, and The Federation of Finnish Technology Industries. In addition, Konecranes participates in committees of the European Committee for Standardization (CEN), and contributes to the operation of DIMECC Oy and the European Materials Handling Federation (FEM).
102-14	Statement from senior decision-maker	p. 6	
102-15	Key impacts, risks, and opportunities	p. 32–43	More information on risks is available in the 2016 Konecranes CDP disclosure available on www.cdp.net. 2017, CDP answer will be published in September 2018.
102-16	Values, principles, standards, and norms of behavior	p. 31–32	
102-17	Mechanisms for advice and concerns about ethics	p. 40	
102-18	Governance structure	p. 46	
102-20	Executive-level responsibility for economic, environmental, and social topics	p. 29	On global level, there are directors for both HSE and Corporate Responsibility.
102-29	Identifying and managing economic, environmental, and social impacts	p. 29–30	
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	p. 30	
102-41	Collective bargaining agreements		The amount of collective bargaining agreements is based on local legislation. The average amount is 39.5%.
102-42	Identifying and selecting stakeholders	p. 29–30, 43	
102-43	Approach to stakeholder engagement	p. 29–30, 43	
102-44	Key topics and concerns raised	p. 30	
102-45	Entities included in the consolidated financial statements		Financial section
MATERIAL ASPECTS			
102-46	Defining report content and topic Boundaries	p. 30, 43	
102-47	List of material topics	p. 29	
102-48	Restatements of information		http://www.konecranes.com/resources/media/releases/2017/konecranes-provides-corrected-2016-comparison-figures-for-combined-company-orders-received

General disclosures		Page/link	Additional information
REPORT PROFILE			
102-49	Changes in reporting	p. 30, 43	Reporting using GRI Standards framework (Core), changes in company size.
102-50	Reporting period		The reporting period for this Corporate Responsibility Report is the financial reporting period of January 1 to December 31, 2017.
102-51	Date of most recent report		The previous report was published in March 2016. Report is published in three languages, English, Finnish and Swedish.
102-52	Reporting cycle		We aim to publish economic, social and environmental information annually in our Annual Report.
102-53	Contact point for questions regarding the report		Please contact the CR team at cr@konecranes.com
102-54	Claims of reporting in accordance with the GRI Standards	p. 43	
102-55	GRI content index	p. 44–45	
102-56	External assurance	p. 43	
MANAGEMENT APPROACH			
103-1	Explanation of the material topic and its Boundary	p. 32–43	
103-2	The management approach and its components	p. 32–43	
103-3	Evaluation of the management approach		Omission: Information unavailable due to the ongoing integration work
SPECIFIC STANDARD DISCLOSURES			
CATEGORY: ECONOMIC			
Material aspect: economic performance			
201-1	Direct economic value generated and distributed	p. 31	
CATEGORY: ENVIRONMENTAL			
Material aspect: Environmental performance			
301-1	Materials used by weight or volume		Omission: Information unavailable due to integration work. We aim to disclose information in the future.
302-1	Energy consumption within the organization	p. 39	Electricity, district heat, natural gas and LPG figures for service locations are not included as information is not available.
305-1	Direct (Scope 1) GHG emissions	p. 39	Electricity, natural gas, LPG and district heat figures for service locations are not included as information is not available.
305-2	Energy indirect (Scope 2) GHG emissions	p. 39	Electricity, natural gas, LPG and district heat figures for service locations are not included as information is not available.
305-3	Other indirect (Scope 3) GHG emissions	p. 39	Includes emissions only from business travel. Other Scope 3 emissions not included as information not available: collection of these is in progress.
305-4	GHG emissions intensity	p. 39	Electricity, district heat, natural gas and LPG figures for service locations are not included as information is not available.
306-2	Waste by type and disposal method	p. 39	Waste from service locations are not included as information is not available.
Material aspect: Supply chain			
414-2	New suppliers that were screened using environmental criteria	p. 41	Omission: Information is not available. Konecranes has specific HSE requirements for suppliers, but due to integration work disclosing figures is not yet possible. The target is to disclose the information in the future.
CATEGORY: SOCIAL			
Material aspect: Fair labour practises			
405-1	Diversity of governance bodies and employees	p. 34	
404-3	Percentage of employees receiving regular performance and career development reviews	p. 35	Percentage is not disclosed.
Material aspect: Occupational health and safety			
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	p. 43	
Material aspect: Anti-corruption and bribery			
205-1	Operations assessed for risks related to corruption	p. 40	The percentages and the amounts of assessments have not been reported. Relevant risks are identified and assessed on a regular basis.
205-2	Communication and training about anti-corruption policies and procedures	p. 40	Percentage is not disclosed. Information not available.
205-3	Confrmed incidents of corruption and actions taken		A few suspected cases of possible misconduct were reported and investigated by the internal audit and external service providers that are specialized in misconduct investigation.

Corporate Governance

Konecranes Plc (Konecranes, the Company) is a Finnish public limited liability company, which complies with the Finnish Companies and Securities Market Acts, the rules of Nasdaq Helsinki, and other regulations concerning public companies, as well as Konecranes Articles of Association, in its decision-making and administration.

Konecranes complies with the Finnish Corporate Governance Code 2015 (the "Code"), which came into force on January 1, 2016 and was approved by the Board of the Securities Market Association. The Code can be found at www.cgfinland.fi. Konecranes complies with the recommendations of the Code with no exceptions.

Konecranes has issued a Corporate Governance Statement and a Remuneration Statement based on the Code. See www.konecranes.com > Investors > Corporate Governance for details.

General Meeting

The General Meeting of Shareholders is the Company's highest decision-making body, through which shareholders exercise their decision-making power and right of supervision and control over the Company's business.

An Annual General Meeting (AGM) must be held within six months after the end of a financial year. Konecranes Plc's Annual General Meeting 2017 was held on March 23, 2017. An Extraordinary General Meeting (EGM) must be held e.g. when the Board of Directors considers it necessary or if an auditor or shareholders with at least 10 percent of shares so demand in writing to consider a specific issue.

The Board of Directors (Board) shall convene an AGM or EGM by publishing a notice on the Company's website or in one or more national newspapers or by sending a written notice to shareholders by mail no more than three (3) months and no less than three (3) weeks before a meeting. The notice shall include the proposed agenda.

The Company shall disclose on its website the date by which shareholders shall notify the Board of Directors of any issue that they wish to be included in the agenda.

The Company will publish the decisions made at General Meetings as stock exchange releases and on the Company's website without delay after meetings. The minutes of the General Meeting, including those appendices of the minutes that are part of decisions made by the meeting, will be posted on the Company's website within two weeks of a General Meeting.

More information on General Meetings can be found on the Company's website at www.konecranes.com > Investors > Corporate Governance > General Meeting.

Board of Directors

Charter of the Board of Directors

The Company's Board of Directors has approved a written charter governing its work. This supplements the provisions of the Finnish Companies Act and the Company's Articles of Association. Information in the charter is intended to enable shareholders to evaluate the operation of the Board. The charter can be consulted on the Company's website at www.konecranes.com > Investors > Corporate Governance > Board of Directors.

Responsibilities

The Board is vested with powers and duties to manage and supervise the Company's administration and operations as set forth in the Companies Act, the Articles of Association, and other applicable Finnish laws and regulations. The Company aims to comply with all other applicable rules and regulations affecting the Company or its affiliates (Group Companies) outside Finland, provided that such compliance does not constitute a violation of Finnish law.

The Board has a general obligation to pursue the best interests of the Company and all its shareholders, and is accountable to the Company's shareholders. The members of the Board of Directors shall act in good faith and with due

care, exercising their business judgment on an informed basis in what they believe to be the best interests of the Company and its shareholder community as a whole.

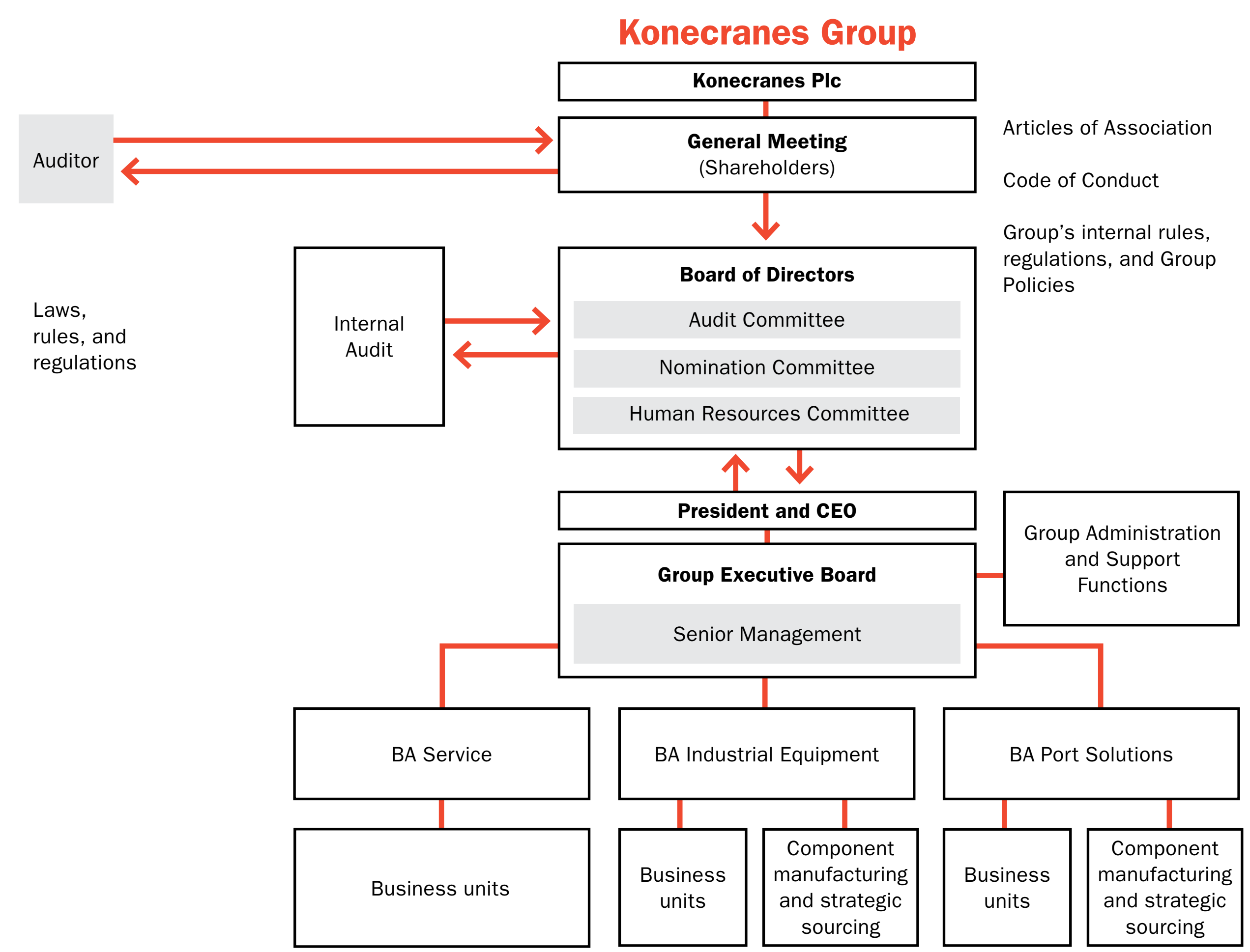
The Board of Directors shall decide on the business strategy of the Company, the appointment and dismissal of the President and CEO, the deputy to the President and CEO, and other senior management, Group structure, acquisitions and divestments, financial matters, and investments. It shall also continuously review and monitor the operations and performance of Group Companies, risk management, and the Company's compliance with applicable laws, as well as any other issues determined by the Board of Directors. The Board shall keep itself informed of issues and business activities of major strategic importance to the Company on an ongoing basis.

The Board shall appoint a secretary to be present at all Board meetings.

Election and term of office

The AGM elects the Company's Board of Directors for a term of one (1) year. According to the Articles of Association, the Board shall have a minimum of five (5) and a maximum of ten (10) members. The Board elects a Chairman from among its members. The Articles of Association approved by the EGM on September 15, 2016 and registered on September 28, 2016 contain a provision which grants Terex Corporation or any member of the Terex Group to appoint members to the Board

Corporate Governance structure of the Konecranes Group in 2017



of Directors depending on the amount of Terex Group's ownership in the Company. As Terex has ceased to own any Company shares, the special appointment procedure of members of the Board of Directors is no longer applied.

Biographical details of the Board of Directors are presented on pages 62–63 and can also be found at www.konecranes.com > Investors > Corporate Governance > Board of Directors.

In addition to the Board and its secretary, the Company's President and CEO and CFO shall attend Board meetings. The agenda of Board meetings and background material will be delivered to Board members prior to meetings. The Board shall meet as often as necessary to properly discharge its responsibilities. Normally there shall be approximately eight regular meetings a year, but the Board may convene whenever necessary in addition to these meetings. In 2017 the Board had 22 meetings.

The attendance of Board members at meetings in 2017 is shown in the table of Board meetings 2017 on page 55.

Board committees

In the beginning of 2017 the Board was assisted by two committees: Audit Committee and Nomination and Compensation Committee. In the first meeting of the Board of Directors of Konecranes Plc after the Annual General Meeting on March 23, 2017, the Board decided to establish a separate Nomination Committee and a separate Human Resources Committee to replace its prior Nomination and Compensation Committee. In addition, the Board has an Audit Committee in accordance with previous practice.

Audit Committee

The Board shall appoint the members and the Chairman of the Audit Committee from among its members. The Audit Committee shall have at least three (3) non-executive Board members that are independent of and not affiliated with the Company. At least one (1) member must be independent of major shareholders.

The tasks and responsibilities of the Committee are defined in its Charter, which is based on a Board resolution. The Charter of the Audit Committee can be consulted on the Company's website at www.konecranes.com > Investors > Corporate Governance > Board Committees.

Under its Charter, the Audit Committee shall meet at least four (4) times a year. The Chairman shall present a report on each Audit Committee meeting to the Board.

The attendance at Audit Committee Meetings in 2017 is shown in the table of Board meetings 2017 on page 55.

Nomination Committee

The Nomination Committee consists of a minimum of three (3) directors. The Board elects the members and the Chairman of the Nomination Committee from among its members.

The Committee's tasks and responsibilities are defined in its Charter, which is based on a Board resolution. The Charter of the Nomination Committee can be consulted on the Company's website at www.konecranes.com > Investors > Corporate Governance > Board Committees.

The Nomination Committee will meet as frequently as it determines is appropriate to fulfill its responsibilities, which will not be less than twice (2) a year.

The attendance at Nomination Committee Meetings in 2017 is shown in the table of Board meetings 2017 on page 55.

Human Resources Committee

The Human Resources Committee consists of a minimum of three (3) directors. The Board elects the members and the Chairman of the Human Resources Committee from among its members.

The Committee's tasks and responsibilities are defined in its Charter, which is based on a Board resolution. The Charter of the Human Resources Committee can be consulted on the Company's website at www.konecranes.com > Investors > Corporate Governance > Board Committees.

The Human Resources Committee will meet as frequently as it determines is appropriate to fulfill its responsibilities, which will not be less than twice (2) a year.

The attendance at Human Resources Committee Meetings in 2017 is shown in the table of Board meetings 2017 on page 55.

Remuneration paid to the Board of Directors

The remuneration paid to Board members is resolved by the Annual General Meeting. More information on the Board's remuneration can be found on page 55 under Remuneration of the Board of Directors.

President and CEO

Konecranes President and CEO holds the position of Managing Director under the Companies Act. The Board decides on the appointment and dismissal of the President and CEO. The President and CEO may be a member of the Board of Directors, but may not act as its Chairman. The current President and CEO, Panu Routila, is not a member of the Board of Directors.

Panu Routila started in his position on November 1, 2015.

CFO Teo Ottola is the Deputy CEO. The Deputy CEO uses the powers of the CEO if the CEO position is not filled or in situations when the CEO is incapacitated to fulfill his duties.

Responsibilities

Under the Companies Act, the President and CEO is responsible for the day-to-day management of the Company in accordance with instructions and orders given by the Board. The President and CEO may only undertake actions which, considering the scope and nature of the Company's operations, are unusual or extensive with the authorization of the Board. The President and CEO shall ensure that the Company's accounting practices comply with the law and that its financial affairs have been arranged in a reliable manner. The President and CEO is also responsible for preparing matters presented to the Board and for the Company's strategic planning, finance, financial planning, reporting, and risk management.

Information on the President and CEO's remuneration can be found on page 50 under Rewards for President and CEO.

Group management

Konecranes has a two-tier operative management structure consisting of the Group Executive Board (GXB) and Senior Management (SM). The GXB has no official statutory position based on legislation or the Articles of Association. In practice, however, it plays a significant role in the Company's management system, strategy preparation, and decision-making. The biographical details of GXB members can be found on pages 64–65.

The SM focuses on a review of the progress of strategy implementation. The biographical details of SM members can be found on pages 66–67.

The GXB normally convenes on a monthly basis. Business areas and regions have their own management teams that convene on a regular basis.

Rewards Philosophy

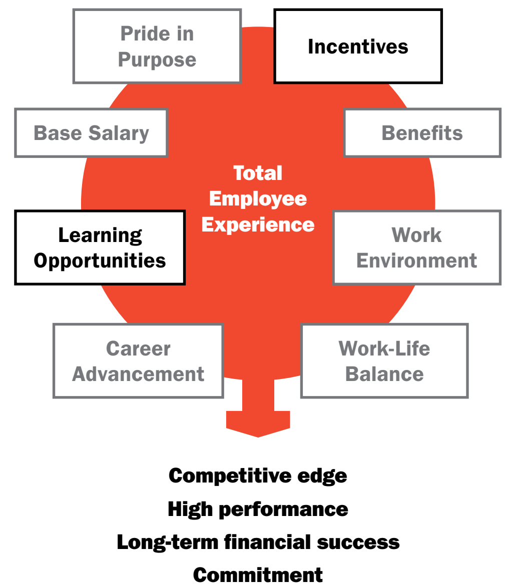
At Konecranes, we aim to attract, retain and motivate talented employees through our rewards philosophy. We emphasize incentives and learning opportunities as drivers and as vital parts of the total employee experience. We link rewards to performance and achievements in all levels in the organization.

Our rewards are designed to promote high performance and commitment to our business targets. Konecranes reward schemes drive competitiveness and long-term financial success of the Company, contributing to the positive development of shareholder value.

Konecranes positions itself to the employer market based on the locations of the employees and employee group. We are ready to invest more on markets where the employer position of Konecranes is low and where there are fewer career opportunities inside the company, as well as in fast-developing markets, such as high inflation countries. The definition of market varies also between employee groups. For operatives and staff, Konecranes predominantly uses local comparison companies and for management we compare ourselves with international companies based on management location.

Decision-making Process

All Konecranes reward issues are decided by the 'one above' principle, meaning that an employee's rewards must always be confirmed by his/her manager's superior. The decision-making process is depicted in the chart below.

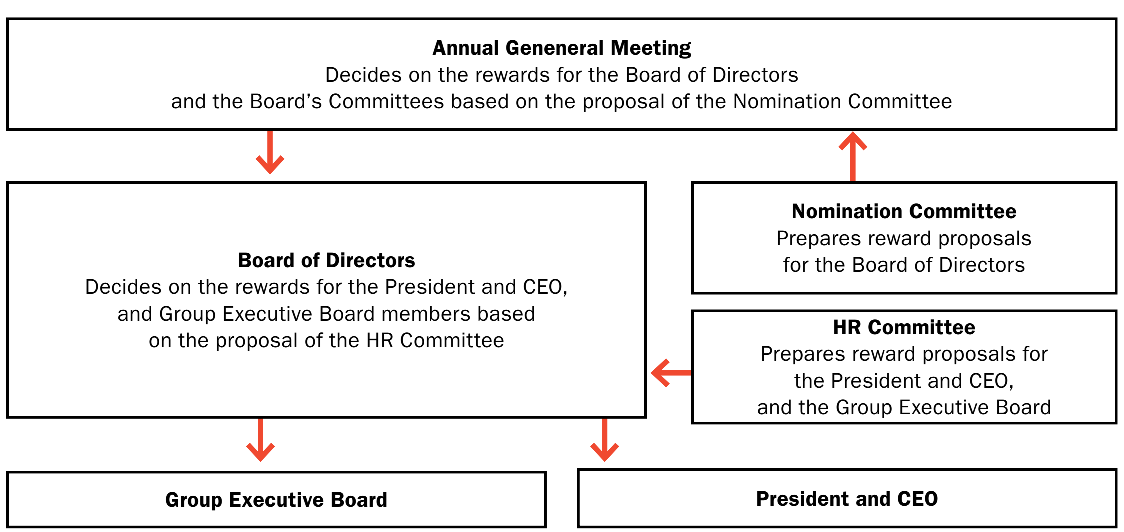


Rewards for Board of Directors

The Annual General Meeting decides on the rewards for the Board of Directors and the Board's Committees annually. The proposals are prepared by the Nomination Committee.

Rewards for President and CEO

The HR Committee prepares and reviews the President and CEO's performance. External market data and experts are used to support the preparation and review. Based on the HR Committee's review, market comparison and other relevant facts, the Board determines the total remuneration element of the President and CEO.



Rewards for Group Executive Board and Senior Management

The Board evaluates and decides the total remuneration of the Group Executive Board members and other executives reporting directly to the President and CEO.

Remuneration Elements

Salaries

The base salaries and fringe benefits reflect the performance and individual job responsibilities, experience, skills and knowledge of the Konecranes President and CEO and other Group Executive Board members.

Konecranes salaries are set according to the relevant local market in each country. Globally Konecranes targets itself to be at the median of the chosen markets in terms of base salary. There is variance between countries and some employee groups.

At Konecranes, Managers review their employees' salaries annually in context to the Konecranes Rewards Philosophy, ensuring that possible increases are allocated effectively to reward individual employees based upon their performance and contributions. The Annual Salary Review Process also applies to Group Executive Board members and Senior Management who report directly to the CEO, reviewed by the Board of Directors.

Incentives

Short-term Incentives

The Konecranes Group reward structure includes an incentive plan. Konecranes short-term incentives are designed to support the Company's financial success and the employees' commitment to fulfilling set targets on a semi-annual or annual basis depending on the year. Participants, in addition to Senior Management, are decided locally based on market practice.

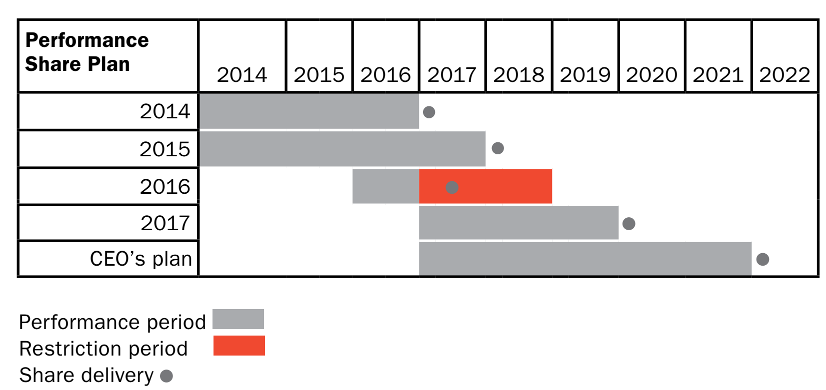
Konecranes incentives are typically based on the financial results of the Konecranes Group; business area, business unit and/or a smaller unit, and the employee's personal achievements against preset targets. Incentive criteria may vary, but are usually based on the Konecranes Group's five key performance areas: safety, customer, people, growth, and profitability. Currently a minimum of 50 percent of all employees' targets need to be based on financial performance and for executives (examples such as business area/unit or service region/subregion management) 70–100 percent of the annual incentive is typically based on financial performance.

The size of the incentive opportunity is defined by a person's position in the organization, and location. The actual payout is based on the combination of personal and financial performance. The local and global market needs to guide the use of incentives in each location individually.

Konecranes incentive schemes are always based on written documentation. Quantitative performance criteria are used rather than qualitative personal assessments, whenever possible.

The President and CEO's annual incentive is based on the comparison of financial performance of the Company and the expectations of the Board of Directors for the applicable year. The maximum incentive opportunity for the President and CEO is 85 percent of the annual base salary.

The Group Executive Board members' annual variable pay is related to Group and if applicable for the person, business area performance and to the individual's performance against preset targets. The annual variable pay percentage is based on the individual's responsibilities and is at maximum 50 to 75 percent of the individual's annual base salary (2/3 from the maximum being the target level).



Long-term Incentives

The aim of Konecranes long-term incentive plans, i.e. the **Performance Share Plans**, is to align the objectives of shareholders and Konecranes' key employees to increase the value of the Company, to commit key employees to the Company and reward them for achieving set targets.

In 2017 Konecranes had four active Performance Share Plans. Konecranes Performance Share Plans have a three-year performance period, during which the plan participants may earn rewards according to the realization of the criteria set in the beginning of the performance period. The exception to this is the 2016 Performance Share Plan which, due to the ongoing corporate transaction process with Terex Corporation at that time, has a one-year performance period and 2 years' holding period. In 2017, the Board of Directors issued an additional Performance Share Plan for the CEO with a five-year performance period.

Each Performance Share Plan period defines a maximum reward in shares. For practical reasons part of the earned share reward is paid in cash to ensure that the participants can pay the necessary taxes for the reward. The actual reward payment is based on the performance of the Company against the preset criteria – if a threshold level for the criteria is not met, rewards will not be awarded.

Konecranes long-term incentive plans include ownership obligations that pose restrictions to named plan participants selling shares paid as reward. The members of the Konecranes Group Executive Board, including the President and CEO, have an obligation to continue owning at least 50 percent of the shares they earn annually through the Performance Share Plan until their ownership of Company shares equals their annual salary.

Since 2017, the CEO is not entitled to sell shares paid as reward through the Performance Share Plan until he owns Konecranes shares worth EUR 750,000 in total.

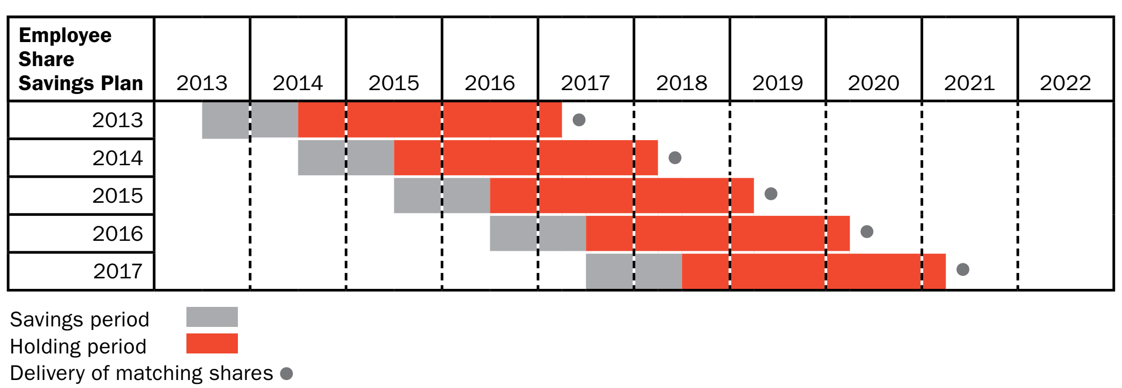
In 2012, Konecranes launched an **Employee Share Savings Plan** for all employees, including the Management, except in those countries where the plan could not be offered for legal or administrative reasons. Participants save a monthly sum of up to 5 percent of their gross salary, which is used to buy Konecranes shares from the market on behalf of the participants. If participants are still in possession of these shares after an approximate three-year holding period, they will receive one matching share for every two initially purchased.

Pensions

The Finnish statutory pension system covers the Finnish Konecranes Group Executive Board members. The non-Finnish members participate in pension systems in their local countries. In addition to statutory pensions, Konecranes provides supplementary contribution-based pension schemes to the President and CEO.

The pension scheme for the President and CEO sets his defined contribution at 20 percent of his annual salary, excluding performance-based compensation (annual or long-term incentives).

The Finnish members of the Group Executive Board participate in a defined group pension insurance scheme, which can be withdrawn from at the age of 60. However, the retirement age is set according to the Finnish Employees Pensions Act (TyEL). The Finnish Group Executive Board members have life insurance and disability insurances. The non-Finnish members participate in a contribution-based pension plan and have local insurance cover.



Rewards for President and CEO and Konecranes Group Executive Board

	President and CEO	Group Executive Board
Base salary	Fixed salary with fringe benefits	Fixed salary with fringe benefits
Short-term incentives	• Based on financial performance • Max. 85% of annual base salary	• Based on individual performance and Group/business area performance • Maximum reward 50–75% of individual's base salary
Long-term incentives	Paid according to Performance Share Plans	Paid according to Performance Share Plans
Pensions	• Finnish Statutory pension • Defined contribution plan at 20% of annual salary	Finnish members • Statutory pension • Contribution-based group pension insurance scheme • Life insurance and disability insurances Non-Finnish members • Defined contribution pension plan • Local insurance cover
Shareholding requirements	Performance Share Plan 2017 or Performance Share Plan 2017–2021 for the CEO • Must hold until he owns shares worth EUR 750,000 in total Previous plans • Must hold min. 50% of any net shares given based on reward plans, until the value of shareholding equals annual salary	Must hold min. 50% of any net shares given based on reward plans • Until the value of shareholding equals annual salary and • Membership in the Group Executive Board continues

Terms of Employment for President and CEO at the end of 2017

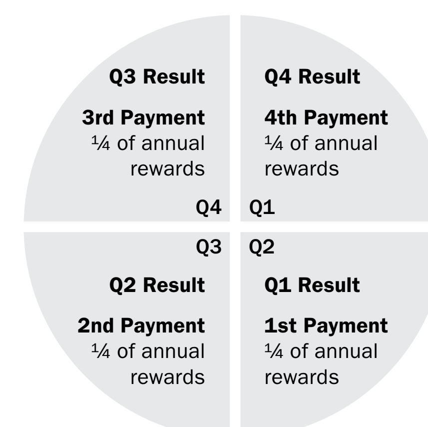
- Period of notice for either party: 6 months
- Severance pay: equal to 12 months' salary and fringe benefits, in addition to the notice period compensation
- Retirement age: 63 years
- Total remuneration:
  - Monthly salary: EUR 50,000 excluding benefits
  - Fringe benefits: car, mobile phone
  - Contribution-based pension: 20% of annual salary
  - Short-term incentive: maximum 85% of annual salary
  - Long-term incentive: paid according to Performance Share Plans

Compensation for Board of Directors

The Konecranes Annual General Meeting resolves the rewards for the Board members. In case the term of office of a Board member ends before the closing of the next Annual General Meeting, he or she is entitled to the prorated amount of the annual remuneration calculated based on his or her actual term in office.

50 percent of annual rewards are paid in Konecranes shares purchased on the market on behalf of Board members. Rewards may also be paid by transferring treasury shares based on the authorization given to the Board of Directors by the General Meeting. If payment in shares cannot be carried out due to reasons related to either the Company or a Board member, annual rewards will be paid entirely in cash. The rewards are paid in four equal instalments, each instalment being purchased or transferred within the two-week period following each of the Company's interim report announcements and the Company's financial statements bulletin for each year.

The Konecranes Board members are not in an employment relationship or service contract with Konecranes. They do not participate in Konecranes' incentive programs or have a pension scheme arranged by Konecranes.



Annual remuneration report 2017

This part presents the rewards paid and payable to Konecranes President and CEO, Group Executive Board and Board of Directors in 2017.

Short-term Incentives

In 2016 Konecranes moved to a semi-annual incentive program that was continued in 2017. For H1 2017 EBIT and for H2 2017 EBITA percent was used as main criteria for Group and BA management.

Long-term Incentives

The long-term incentives awarded in the recent years are shown in the table on page 54.

Rewards for President and CEO and Konecranes Group Executive Board Members

The remuneration of the Konecranes Group Executive Management in 2017 is shown in the table on page 54. The salaries, fringe benefits and short-term incentives paid to the President and CEO and the Group Executive Board amount to a total of EUR 5,434,014.

In addition to annual incentives, Group Executive Board members, excluding CEO, participated in an MHPS Acquisition incentive scheme, in which the maximum payout was 50 percent of the participant's annual salary if certain criteria were met.

Long-term Incentives

Performance Share Plan (year)	PSP 2014	PSP 2015	PSP 2016	PSP 2017
Performance period	2014–2016	2015–2017	2016	2017–2019
Measure	Cumulative EPS	Cumulative EPS	EBITDA	Cumulative EPS
Total gross shares delivered	99,180	N/A	667,509	N/A
Restriction period	–	–	Until 31.12.2018	–
Gross shares delivered				
Panu Routila, CEO	8,352	N/A	48,000	N/A
Other members of Group Executive Board, TOTAL	19,836	N/A	120,000	N/A

Rewards for President and CEO and Konecranes Group Executive Board Members

	President and CEO		Other members of Group Executive Board	
	2017	2016	2017	2016
	Panu Routila	Panu Routila		
Salaries and fringe benefits	664,836	467,071	2,297,895	2,047,243
Short-term incentives	575,500	143,500	1,895,783	498,009
Share rights allocated (PSP) # of share rights	248,000	144,000	258,000	318,000
Shareholding in Konecranes Plc # of shares*)	28,315	16	229,727	170,921
Expense of statutory/voluntary pension plans	315,100	227,570	474,536	246,364

*) Includes 24,000 (for CEO) and 60,000 (for other GXB members) shares, which are under transfer restriction until December 31, 2018.

There were no loans issued by the Company to the GXB members as of the end of December 2017.

Summary of Employee Share Savings Plan

Employee share savings plan (period)	ESSP 2013	ESSP 2014	ESSP 2015	ESSP 2016	ESSP 2017
Savings period	July 1, 2013–June 30, 2014	July 1, 2014–June 30, 2015	July 1, 2015–June 30, 2016	September 1, 2016–June 30, 2017	July 1, 2017–June 30, 2018
Amount of participants*)	1,338	1,164	1,218	1,176	2,042
Amount of shares acquired	83,324	71,664	93,596	49,378	22,273 (On-going)
Delivered or expected matching shares to be delivered*	41,662	35,832	46,798	24,689	11,136 (On-going)

*) By the end of Q4 2017

The MHPS Acquisition incentive was paid out 6 months after the transaction was closed. This is included in the Short-term incentives in the table on page 54.

Remuneration of Board of Directors

Fees payable to the Board members as confirmed by the latest Annual General Meeting at March 23, 2017 and the total compensation paid in 2017 are shown in the tables below.

Fees payable to the Board of Directors

	Annual fee 2017, EUR
Chairman of the Board	140,000
Vice Chairman	100,000
Board member	70,000
Fee per Board Committee meeting	1,500
Chairman of the Audit Committee per AC meeting	3,000

Board members are also reimbursed for their travel expenses.

Total Compensation paid to the Board of Directors during 2017

	BOARD REMUNERATION 2017					BOARD MEETING ATTENDANCE 2017				
	EUR Cash portion as part of Total Annual Remuneration	Nr of shares as part of Total Annual Remuneration	EUR value of shares as part of Total Annual Remuneration	EUR Committee Meetings	TOTAL EUR	Board meetings attended	Audit Committee meetings attended	HR Committee meetings attended	Nomination Committee meetings attended	Nomination and Compensation Committee
Chairman										
Vitzthum Christoph	105,006	903	34,994	18,000	158,000	22/22	(-)	4/4	2/2	2/2
Other Board Members:										
Johansson Ole	67,543	644	24,957	18,000	110,500	22/22	5/5	(-)	2/2	(-)
Kugel Janina	52,523	451	17,477	10,500	80,500	19/22	(-)	3/4	(-)	2/2
Langenskiöld Bertel	52,523	451	17,477	15,000	85,000	22/22	(-)	4/4	(-)	2/2
Liljedahl Ulf	52,523	451	17,477	22,500	92,500	22/22	5/5	(-)	2/2	(-)
Persson Malin	52,523	451	17,477	15,000	85,000	21/22	5/5	(-)	(-)	(-)
Other Board Members:	**277,634**	**2,448**	**94,866**	**81,000**	**453,500**					
Left Board Members										
Gustavson Stig	25,000			10,500	35,500	7/7	(-)	(-)	(-)	2/2
Sachs David*)	26,252	226	8,748	4,500	39,500	6/6	2/2	(-)	(-)	(-)
Shaffer Oren*)	26,252	226	8,748	4,500	39,500	6/6	(-)	1/1	(-)	2/2
Svante Adde	17,500			10,500	28,000	6/7	1/1	(-)	(-)	(-)
Left Board Members	**95,005**	**452**	**17,495**	**30,000**	**142,500**					
Total board compensation	**477,645**	**3,803**	**147,355**	**129,000**	**754,000**					

Due to the payment cycle, Board remuneration during 2017 includes the Board of Directors' partial remuneration from January 1.2017 until AGM 2017 (1/4 installment and committee meeting fees), and from AGM 2017 until December 31, 2017 the partial remuneration (3/4 installment and committee meeting fees) that was decided by AGM 2017.

*) Meeting attendance: Excluding the meetings that Board member was unable to attend due to disqualification.

Insider administration

The Board of Directors has approved Konecranes Plc Insider Regulations based on Market Abuse Regulation ("MAR"), regulations and guidance given by European Securities and Markets Authority, the Finnish Securities Markets Act, Nasdaq Helsinki Ltd's Guidelines for Insiders, and guidance given by the Financial Supervision Authority.

Konecranes maintains an insider list ("Insider List") recording all persons having access to insider information related to the Company. The Insider List consists of one or more project-specific sections. Konecranes has determined that it will not establish a permanent insider section in this Insider List and there are thus no permanent insiders in Konecranes.

In Konecranes, persons discharging managerial responsibilities ("Managers") according to MAR, are the members of the Board of Directors, the President and CEO and the members of the Group Executive Board. Managers and their closely associated persons have to notify Konecranes and Financial Supervision Authority of all transactions, as defined in MAR, conducted on their own account relating to the financial instruments of Konecranes within three days of the transactions.

Managers are prohibited from trading in Konecranes' financial instruments during a closed period starting on the 15th day of the month prior to the end of each calendar quarter and ending when the corresponding interim report or the financial statement bulletin is published, including the day of publication of said report ("Closed Period").

Konecranes keeps a record of persons who regularly participate in the preparation of the group level financial results or who can otherwise have access to such information, and has decided that the Closed Period set by Konecranes applies to them. Persons included in the Insider List's project-specific sections are prohibited from trading in Konecranes financial instruments until termination of the project concerned.

Audit

The main function of statutory auditing is to verify that Konecranes financial statements represent a true and fair view of the Group's performance and financial position for the financial year, which is the calendar year. The auditor reports to the Board's Audit Committee on a regular basis and is obliged to audit the validity of the Company's accounting and closing accounts for the financial year and to give the General Meeting an auditor's report. Konecranes auditors are elected by the AGM and will hold office until the end of the annual general meeting following the election. The same auditor with principal responsibility may not serve for more than seven (7) financial years.

Ernst & Young Oy, Authorized Public Accountants, has been the Company's external auditor since 2006. Kristina Sandin served as Principal Auditor in 2017. Ernst & Young Oy and its affiliated audit companies received EUR 4,154,000 in fees for auditing Konecranes Group companies in 2017 and fees of EUR 601,000 for non-audit services.

Risk management

Konecranes Board of Directors has defined and adopted a set of risk management principles based on widely accepted international good management practices. The Audit Committee evaluates and reports on the adequacy and appropriateness of internal controls and risk management to the Board.

Risk management principles

Risk is anything that will clearly affect Konecranes ability to achieve its business objectives and execute its strategies. Risk management is part of Konecranes control system and is designed to ensure that any risks related to the Company's business operations, are identified and managed adequately and appropriately to safeguard the continuity of Konecranes business at all times.

The Group's risk management principles provide a basic framework for risk management across Konecranes, and each Group company or operating unit is responsible for its own risk management. This approach guarantees the best possible knowledge of local conditions, experience, and relevance.

The Group's risk management principles define risk management as a continuous and systematic activity aimed at protecting employees from personal injury, safeguarding the assets of all Group companies and the Group as a whole, and ensuring stable and profitable financial performance. By minimizing losses due to realized risks, and optimizing the cost of risk management, Konecranes can safeguard its overall long-term competitiveness.

Significant risks for Konecranes

Konecranes has assessed its strategic, operational, financial, and hazard-related risks. The list of risks below, and the risk management methods described here, are intended to be indicative only and should not be considered exhaustive.

Market risks

Demand for Konecranes products and services is affected by the development of local and global economies, regional and country-specific political issues and stability, as well as the business cycles of Konecranes customer industries. Currency fluctuations may cause changes in competitiveness of our products in a specific market and affect our customers' businesses. Capital expenditure on industrial cranes varies with the development of industrial production and production capacity, while demand for port equipment follows trends in global transportation and, over the shorter term, port investment cycles. The lift truck cycle follows other product segments. Demand for maintenance services is driven by the capacity utilization rates of our customers. In addition to risks related to sales volumes, adverse changes in demand can also result in overcapacity and affect market prices, as can the actions of competitors.

Konecranes aim is to increase the proportion of service revenue in its total revenue stream and thereby reduce its exposure to economic cycles. In general, the demand for service is less volatile than that for equipment.

As part of its strategy, Konecranes strives to maintain a reasonably wide geographical market presence to balance out economic trends in different market areas, while paying attention to relevant distribution costs. Konecranes also aims to limit the risks resulting from changes in demand in different customer segments, as well as the demand for certain products by maintaining a diverse customer base and offering a wide range of products and services. By active product development, Konecranes also strives to differentiate itself from its competitors and reduce the competitive pressures that it experiences.

Following the acquisition of MHPS, Konecranes has continued this strategy and has further developed its go-to-market strategy given the newly acquired brands, products and channels.

During 2017 the rollout of new IT-systems continued; these systems improve our capabilities in risk management, as they improve transparency to the local operations and markets. In addition, we begun the alignment and integration of the MHPS systems and reporting.

Customer credit risks

Challenges with customer payments could adversely affect Konecranes financial situation. To limit this risk, we apply a conservative credit policy in respect of our customers. It is Konecranes practice to review customers carefully before entering into a formal business relationship with them and to require credit reports from new customers. The credit risks of our customers are mitigated with advance payments, letters of credit, payment guarantees, and credit insurance where applicable. By using these tools and carefully monitoring customer payments, we have been able to successfully limit our credit risks.

During 2017, “Know Your Customer” -practices of frontline units have been enhanced by several process improvements. Konecranes has started a project to extend the use of integrated 3rd party services to a majority of its ERP-systems in order to verify customer data against outstanding sanctions lists and products and spare-parts against the dual-use items lists.

Technology risks

Konecranes recognizes that there are various threats and opportunities related to the development of new products and services in its business. Active management of intellectual property rights is essential in the global marketplace.

The MHPS acquisition opened Konecranes new avenues to continuously monitor general market trends, technological developments, competitors' actions, customer behavior, and developments in various industry segments, in order to identify signs of potential changes that could impact us.

We have developed internal processes to secure systematic follow-up of key technologies. Similarly, we have refined process-driven approaches, from innovations to needed technological research, all the way to product development projects.

In 2017 we started collaborating with Maria01, the biggest startup incubator in the Nordics, and continued working closely with a number of start-up companies to ensure early knowledge of new ideas and technologies. We continue utilizing and actively seeking new opportunities to work with external research institutes, universities, and specialized companies with specific know-how, experience, and skills. All of these provide awareness of and secure access to technological development in our field of business.

We utilize our global testing centers to further improve safety and reliability of our products. We carry out extensive life-time testing of our new and existing products, creating new knowledge to reduce technical risks. Testing centers are also an integral part of our in-house research and are audited to ISO 17025 standard, ensuring the quality of testing processes, proper test planning and documentation of the results. We use the results actively to develop the reliability of our products.

With more data after the MHPS acquisition, we continued to analyze technical data collected from cranes via our Industrial Internet solution, to increase our awareness of how cranes behave in daily operations. Based on this, we continue to develop algorithms, helping us predict issues related to crane safety and operations. All this limits the technical risks in crane usage, and grants us better knowledge for crane designs and service operations.

In 2017 we conducted an external cyber security audit to our devices and connectivity solutions.

With the MHPS acquisition we doubled our patent portfolio and continued active management of our intellectual property. We aim to secure our freedom to operate. In 2017 we continued to actively protect our designs, innovations, trademarks, and domains. We have a regular process to monitor possible violations and react on those.

Technical training of our service technicians is an essential risk management effort. The same applies to lifting equipment specific training for engineers and designers. Service technician training continued actively during the year. For engineers, we continued developing specific training material and conducted trainings based on this.

Personnel

Konecranes' ability to operate is dependent on the availability, expertise, and competence of professional personnel.

Due to the integration, related to the acquisition of Terex MHPS segment in 2017, Konecranes increased the investments to change management trainings and cultural integration. In addition, the investment continued in industry-leading technical skills of our service technicians, leadership development, along with customer-centric and effective sales and sales management skills. In these focus areas, Konecranes invested in training efforts to ensure customer satisfaction.

Konecranes continued investing in safety programs, including a new, improved safety organization. The integration of Terex MHPS required significant changes to organizational structure. This said, Konecranes has been able to select the key executives based on the best competences and retain almost all key executives in the company.

Furthermore, Konecranes continued employee engagement programs, such as our Employee

Share Savings Plan, and invested in employee well-being.

Acquisitions

Unsuccessful acquisitions or a failure to successfully integrate an acquired company, could result in reduced profitability or hamper the implementation of corporate strategy. Konecranes reduces the risks associated with acquisitions by carrying out due diligence analyses, using external advisors when needed.

On January 4, 2017 Konecranes closed the acquisition of Material Handling & Port Solutions segment from Terex Corporation. During 2017, Konecranes invested substantial resources to execute the successful closing of the transaction and professional integration of acquired entities. The scale and expected benefits of this acquisition will create unprecedented opportunities for Konecranes, while failure to achieve the objectives may result in substantial risks.

Production risks

Konecranes strategy is to maintain the in-house production of key components that have high added value, and/or provide core competitive advantages. There are specific risks involved with different aspects of production, such as production capacity management, operational efficiency, continuity, and quality.

In 2017, activities were focused to further increase our internal supply chain capabilities and efficiencies while adjusting the production capacity to the market demand. Replacement investments continued during the year, with increased focus on safety and security of operations.

Procurement risks

Procurement operates a proactive approach to mitigate risks related to pricing, quality, capacity, availability, supplier Code of Conduct, and other expectations as expressed in Konecranes Global Supplier Manual. Inefficiencies and deficiencies in these areas could affect the performance and reputation of Konecranes adversely. Konecranes manages its purchases, and the logistics of materials and components of substantial importance for its operations, on a centralized basis. Contracts with key suppliers are designed to optimize these purchases globally.

In 2017, Konecranes continued to develop the quality and scope of supplier cooperation and its audit process. We also continued to improve demand-supply monitoring, balancing, forecasting, and supplier communications to improve our ability to respond to customer needs rapidly.

Konecranes recognizes that price and continuity risks are associated with some of its key suppliers, as they could be difficult to replace. In the event of major production problems, this could undermine our delivery capability. Quality risks and defects associated with subcontracted components are also quality risks for Konecranes.

To reduce subcontracting risks, Konecranes constantly seeks competitive alternative sources while improving cooperation with existing suppliers. When available, alternative suppliers enhance price competition, increase production capacity, and reduce risks of single supplier dependency. Konecranes supplier portfolio is reviewed, categorized and managed centrally.

To reduce exchange rate risks, a global supply arrangement aims to naturally balance long-term movements in exchange rates that potentially affect the competitiveness of our operations.

In 2017, Konecranes continued and enhanced the cooperation with critical suppliers. We also continued to drive business continuity management development efforts with selected suppliers.

Quality risks

High-quality services and equipment along with business procedures and processes, play a key role in minimizing Konecranes business risks. Most companies in the Group and all major Group operations use certified quality procedures.

In 2017, Konecranes continued developing both its local and global quality improvement processes. That development was supported by continuing to deploy the Company's shared IT tools to better register customer experiences and approaches to problem-solving, with the goal of improving our business performance. To strive for operational excellence, Konecranes continued to use and develop the Lean Six Sigma methodology with good results. The methodology plays a key role in systematic improvement of the Company's processes and quality.

IT risks

Konecranes IT is responsible for all IT services, applications, and assets used by Group companies. Konecranes operations depend on the availability, reliability, quality, confidentiality, and integrity of information. During 2017, there was an increasing amount of attacks against Konecranes

IT services. These information security risks and incidents may have an unfavorable effect on business performance. Therefore, Konecranes continues to invest in IT security.

Konecranes uses reliable IT solutions and employs efficient information security management, to avoid data loss and prevent the confidentiality, availability, or integrity of data from being compromised. User care and support is exercised with internal and outsourced IT services to ensure the high availability, resiliency, and continuity of services, combined with rapid recovery in the event of any temporary loss of key services. Third party experts are utilized to audit, test, and improve cyber security for internally and externally developed IT services.

During 2017, the implementation of global IT applications and harmonized business processes continued. For the next few years, Konecranes IT will focus on the integration activities due to the acquisition of Terex MHPS business. Analytics and business intelligence capabilities are increasingly in focus, aiming to turn increasing amounts of business-, user-, and device-generated data into new business opportunities.

Contract and product liability risks

Konecranes can be subject to various legal actions, claims, and other proceedings in various countries, typical for a company in its industry and consistent with a global business that encompasses a wide range of products and services. These may involve contractual disputes, warranty claims, product liability (including design defects, manufacturing defects, failure to post appropriate warnings, and asbestos legacy), employment, auto liability, and other matters involving claims related to general liability. These risks are managed by continuously monitoring operations, improving product safety and documentation, training customers, and enhancing sales terms.

In 2017 Konecranes updated its Contractual Instructions with respective contract language improvements and related training program was extended to cover the acquired MHPS operations. Systematic contracts management efforts continued and we recognize that our contract base extended substantially due to the acquisition of MHPS.

Illegal activities

Konecranes issues written policies to ensure compliance with legislation, regulations, and our own principles across the Konecranes Group. Particular emphasis is placed on training, to ensure that employees are aware of and comply with the applicable legislation, regulations, internal policies, practices, and principles relating to their work. Comprehensive training programs for global target groups covered controls, policies, and many best practices that mitigate the risks related to illegal activities.

Konecranes is committed to complying with all applicable laws and regulations, but breaches of the company's policies resulting in illegal activities can threaten the company. Konecranes recognizes that even small-scale illegal activity could damage its reputation and affect its financials and results adversely, but does not consider the risk to be material. Internal procedures, supervision, audits, and practical tools are used to reduce Konecranes exposure to these types of risks.

Illegal and fraudulent criminal activities targeting Konecranes cause risks that may have substantial impact on our financial results. We continued our efforts to decrease the exposure to such activity.

Konecranes continued, and after the MHPS acquisition, increased its efforts to ensure good governance and management practices throughout the year.

Damage risks

Damage risks include business interruption risks, occupational health and safety-related risks, environmental risks, fire and other disasters, natural events, and premises security risks. Konecranes identifies and assesses these risks continously as part of its business processes. To mitigate these risks, we have adopted a number of occupational health and safety guidelines, rescue planning, and premises security instructions. Konecranes has also sought to prepare for the materialization of these risks through various insurance programs and by continuously improving its preparedness to deal with various potential crisis situations.

During 2017, we created a strategy to help focus our performance on several important areas of safety and security. We have created this program to improve our capacity to react quicker to trends from near miss reporting and other tools.

To ensure development, we are focusing on the building blocks of continuous improvement. We have created a global process to help us discover our risks and by standardizing the related processes and digitalizing the tools we enable a reduction of risks.

Financial risks

Konecranes manages most of its financial risks on a centralized basis through its Group Treasury. The Group Treasury operates through Konecranes Finance Corporation, which acts as a financial vehicle for the Group at Corporate Headquarters. Konecranes Finance Corporation is not a profit center that strives to maximize its profits, but rather its role is to help the Group's companies reduce the financial risks associated with global business operations, such as market, credit, and liquidity risks. The most significant market risk relates to foreign currency transaction risk.

The responsibility for identifying, evaluating, and controlling the financial risks arising from the Group's global business operations is divided between business units and Konecranes Finance Corporation.

Units hedge their risks internally with Group Treasury. Most of the Group's financial risks are channeled through Konecranes Finance Corporation, where they can be evaluated and controlled efficiently.

Almost all funding, cash management, and foreign exchange transactions with banks and other external counterparties are carried out centrally by Konecranes Finance Corporation, and in accordance with the Group's Treasury Policy. Only in a few special cases, where local central bank regulations prohibit the use of Group services for hedging and funding, is this done directly between an operating company and a bank under the supervision of Group Treasury. Konecranes Finance Corporation uses a treasury system that enables transactions to be processed in real-time and provides in-depth records of activities and performance. Standard reporting is done on a weekly basis and covers Group-level commercial and financial cash flows, foreign currency transaction exposure, debt positions, derivatives portfolios, and counterparty credit exposure for financial transactions. In addition, all Group companies participate in monthly managerial and statutory reporting.

See Note 33 in the Financial Statements and the Board of Directors' Report for a detailed overview of financial risk management.

Insurance

The Group reviews its insurance policies as part of its overall risk management on a continuous basis. Insurance policies are used to cover all risks that are economically feasible or otherwise reasonable to insure.

Internal control and Risk management related to Financial reporting

Can be consulted in the Corporate Governance Statement 2017.

Christoph Vitzthum

b. 1969
Chairman of the Board since 2016
Chairman of the Nomination Committee since 2017 and Member of the Human Resources Committee since 2017
Member of the Board since 2015 and Member of the Nomination and Compensation Committee 2015–2017
M.Sc. (Econ.)
Principal occupation:
President and CEO, Fazer Group
Primary working experience:
Wärtsilä Corporation 2009–2013: President Services, Executive Vice President
Wärtsilä Corporation 2006–2009: President Power Plants, Executive Vice President
Wärtsilä Propulsion 2002–2006: President
Wärtsilä Corporation 1999–2002: Vice President, Finance & Control, Marine Division
Wärtsilä Corporation 1997–1999: Business Controller, Power Plants Division
Metra Finance Oy 1995–1997: Dealer
Current key positions of trust:
East Office of Finnish Industries: Board Member
EVA (Elinkeinoelämän valtuuskunta): Delegation Member
Finnish Food and Drink Industries' Federation: Board Member
Finnish-Swedish Chamber of Commerce: Board Member
Nordstjernan AB: Board Member
Oras Invest Oy: Board Member
Varma Mutual Pension Insurance Company: Member of the Supervisory Board
Shares: 1,625
Independent of the company and its significant shareholders.

Ole Johansson

b. 1951
Vice Chairman of the Board since 2017
Board Member and Member of the Audit Committee since 2015
Member of the Nomination Committee since 2017
Vice Chairman of the Board 2015–2016
B.Sc. (Econ.)
Principal occupation:
Board professional
Primary working experience:
Wärtsilä Corporation 2000–2011: President & CEO
Wärtsilä NSD Oy 1998–2000: President & CEO
Wärtsilä Corporation 1975–1998: Vice President, Wartsila Diesel Inc.
Wärtsilä Diesel Group; various positions in Finland, USA, France and Switzerland
Current key positions of trust:
Aker Arctic Technology Inc: Chairman of the Board
Hartwall Capital Oy Ab: Chairman of the Board
Kelonia Oy AB: Member of the Supervisory Board
Svenska Handelsbanken AB: Board Member
Shares: *11,795*
Independent of the company and its significant shareholders.

Janina Kugel

b. 1970
Board Member since 2016
and Member of the Human Resources Committee since 2017
M.Sc. (Econ.)
Principal occupation:
Chief Human Resources Officer and Member of the Managing Board, Siemens AG, Germany, since 2015
Primary working experience:
Siemens AG, Germany 2013–2015: Corporate Vice President, Human Resources;
OSRAM, Germany 2012–2013: Chief Human Resources Officer
Siemens SpA, Italy 2009–2012: Director, Human Resources
Siemens AG, Germany 2005–2009: Director, Corporate Development Executive
Siemens AG, Germany 2001–2004: Director, Strategy and Business Transformation
Accenture, Germany 1997–2000: Management Consultant
Current key positions of trust: -
Shares: *451*
Independent of the company and its significant shareholders.

Since February 9, Mr Ole Johansson and Mr Bertel Langenskiöld are deemed to be dependent of the significant shareholders of the company, following the notice of HC Holding Oy Ab's holding exceeding 10 percent of Konecranes Plc's shares and votes. HC Holding Oy Ab is a subsidiary of Hartwall Capital Oy Ab.

Bertel Langenskiöld

b. 1950
Board Member since 2012
Chairman of the Human Resources Committee since 2017
Chairman of the Nomination and Compensation Committee 2012–2017
M.Sc. (Eng.)
Principal occupation:
Board professional
Primary working experience:
Hartwall Capital Oy Ab 2011–2015: Managing Director
Metso Paper and Fiber Technology 2009–2011: President
Metso Paper 2007–2008: President
Metso Paper's Fiber Business Line 2006–2007: President
Metso Minerals 2003–2006: President
Fiskars Corporation 2001–2003: President and CEO
Tampella Power/Kvaerner Pulping, Power Division 1994–2000: President
Current key positions of trust:
Kährs Holding AB: Board Member
Shares: *3,744*
Independent of the company and its significant shareholders.

Ulf Liljedahl

b. 1965
Board Member since 2016
Chairman of the Audit Committee since 2017
Member of the Audit Committee 2016–2017
B.Sc. (Econ. and Business Administration)
Principal occupation:
President and CEO, Volito AB, Sweden, since 2015
Primary working experience:
Husqvarna AB, Sweden 2011–2015: Senior Vice President and CFO
Cardo AB, Sweden 2007–2011: Executive Vice President and CFO
Alfa Laval 1992–2007: various financial and general management positions in Sweden, Denmark and South Africa
Current key positions of trust:
Bulten AB, Sweden 2015–: Chairman of the Board
Peab AB, Sweden 2015–: Chairman of the External Nomination Committee
Shares: 451
Independent of the company and its significant shareholders.

Malin Persson

b. 1968
Board Member since 2005
Member of the Audit Committee since 2012
Member of the Nomination and Compensation Committee 2005–2011
M.Sc. (Eng.)
Principal occupation:
CEO & Owner, Accuracy AB
Primary working experience:
The Chalmers University of Technology Foundation: President and CEO
Volvo Group: Holder of various executive positions including:
Volvo Technology Corporation: President and CEO
AB Volvo: Vice President, Coporate Strategy and Business Development
Volvo Transport Corporation: Vice President, Business & Logistics Development
Current key positions of trust:
Ahlström Capital Oy: Board Member
Becker Industrial Coatings AB: Board Member
Getinge AB: Board Member
Hexatronic Scandinavia AB: Board Member
Hexpol AB: Board Member
Kongsberg Automotive AB: Board Member
Magnora AB: Board Member
Mekonomen Group AB: Board Member
Peab AB: Board Member
Presscise AB: Board Member
Ricardo Plc: Board Member
Shares: 8,003
Independent of the company and its significant shareholders.

Panu Routila

b. 1964
President and CEO
Member of the Group Executive Board since 2015
Employed since 2015
M.Sc. (Econ.)
Primary working experience:
Ahlström Capital Oy 2008–2015: President and CEO
Alteams Oy, Kuusakoski Group 2002–2008: CEO
Outokumpu Group 1997–2002: Director, Drawn Copper Products
Outokumpu Group 1995–1997: Controller, Drawn Copper products
1986–1995: Various financial management positions at Partek Group in Finland, France and Belgium
Current key positions of trust:
Onvest Oy: Board Member
Shares: 28,315

Teo Ottola

b. 1968
Chief Financial Officer,
Deputy CEO
Member of the Executive Board since 2007
Employed since 2007
M.Sc. (Econ.)
Primary working experience:
Elcoteq SE 2004–2007: CFO
Elcoteq Network Oyj 1999–2004: Senior Vice President (Business Control and Accounting)
Elcoteq Network Oyj 1998–1999: Group Business Controller
Elcoteq Lohja Oy 1996–1998: Business Controller
Rautaruukki Oy 1992–1996: Financial Planner
Shares: 32,689

Fabio Fiorino

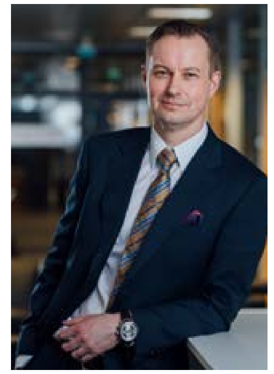
b. 1967
Executive Vice President, Business Area Service
Member of the Executive Board since 2012
Employed since 1995
B. Eng. P.Eng. MBA
Primary working experience:
Konecranes
2012–6/2016: Executive Vice President, Business Area Service, Chief Customer Officer
2011–2012: Executive Vice President, Head of Business Area Service
Konecranes Americas 2010–2011: VP, Head of Service, Region Americas
Morris Material Handling, Inc. 2006–2009: President
R&M Materials Handling, Inc. 1999–2006 / Drivecon, Inc. 2002–2006: President
Konecranes Americas 1998–1999: VP Business Development, Latin America
Konecranes Canada, Inc. 1995–1998: Marketing Manager
AECL 1989–1994: Mechanical/Project Engineer
Shares: 21,880

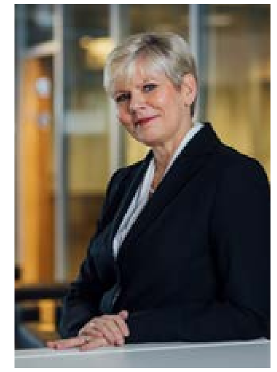
Mikko Uhari

b. 1957
Executive Vice President, Business Area Industrial Equipment
Member of the Group Executive Board since 1997
Employed since 1997
Lic. Sc. (Eng.)
Primary working experience:
Konecranes
7/2016–1/2017: Executive Vice President, Strategy and Technology & Executive Vice President, Industrial Equipment
2012–6/2016: Executive Vice President, Strategy and Technology;
2011–2012: Executive Vice President, Head of Market Operations
2010–2011: Executive Vice President, Head of Business Area Equipment
KCI Konecranes/Konecranes 2005–2009: President, New Equipment Business Areas
KCI Konecranes 2004–2005: President, Special Cranes (Heavy Lifting);
1997–2003: President, Harbor and Shipyard Cranes;
KONE Corporation 1982–1997: various managerial positions at Wood Handling Division (Andritz as of 1996) in Finland, Sweden and in the USA, including:
1996–1997 Group Vice President, Marketing;
1992–1996: Group Vice President, Project Business;
1990–1992: Director, Wood Handling Unit, Finland
Shares: 116,764

Mika Mahlberg

b. 1963
Executive Vice President, Business Area Port Solutions
Member of the Group Executive Board since 2017
Member of Senior Management Team 2013–2016
Employed since 1997
M.Sc. (Eng.)
Primary working experience:
Konecranes
2008–2016: Vice President, Head of Business Unit Port Cranes
KCI Konecranes/Konecranes 2006–2007: Director, VLC Cranes
2000–2006: Director, STS Cranes
1997–2000: Project Manager, Harbor and Shipyard Cranes
Crown Cork & Seal Company 1996–1997: World Class Manufacturing Manager
Partek Group 1990–1995: Various managerial positions in Business Area Precast Concrete in Finland and Belgium
Shares: 10,123





Timo Leskinen

b. 1970
Senior Vice President,
Human Resources
Member of the Group Executive Board since 2013
Employed since 2013
M.Sc. (Psy)
Primary working experience:
Fiskars 2009–2013: Vice President, Human Resources
Nokia Services 2008–2009: Director HR
Nokia Customer and Market Operations 2006–2007: Director, HR
Nokia Ventures organization 2004–2006: Head of Operations
Nokia Ventures organization 2000–2004: HR Manager
MPS 1999–2000: HR Consultant
Shares: 9,223

Juha Pankakoski

b. 1967
Executive Vice President, Technologies, Chief Digital Officer
Member of the Group Executive Board since 2015
Member of the Senior Management Team 2013–2014
Employed since 2004
M.Sc. (Eng.), eMBA
Primary working experience:
Konecranes
2010–2014: Vice President, Head of Business Unit Parts;
2008–2010: Director, Corporate Business Process Development;
2004–2008: Director, Supply Operations;
Tellabs
2003–2004: Vice President, Supply Chain Operations;
2002–2003: Regional Director, EMEA Operations;
2000–2002: Director, Operations;
1998–2000: Plant Manager;
Philips Medical Systems
1997–1998: Operations Manager;
FujitsuICL Computers
1993–1997: various management positions in operations and business development
Shares: 7,215

Sirpa Poitsalo

b. 1963
Vice President,
General Counsel
Member of the Group Executive Board since July 2016
Member of the Senior Management team 2013–June 2016
Member of the Extended Management team 2009–2013
Member of the Executive Board 1999–2009
Employed since 1988
LL.M.
Primary working experience:
KCI Konecranes 1997–1998: Assistant General Counsel
KCI Konecranes/KONE Corporation, 1988–1997: Legal Counsel
Shares: 31,833

Susanna Schneeberger

b. 1973
Executive Vice President, Strategy
Member of the Group Executive Board since 2017
Employed since 2017
M.Sc., MBA
Primary working experience:
Terex Material Handling & Port Solutions 2015–2016: Vice President & Managing Director
Trelleborg AB 2007–2012: Director, Strategic Business Development (Group)
Trelleborg AB 2012–2015: Vice President, Sales & Marketing (Trelleborg Industrial Solutions)
IXOS Software AG/OpenText 2002–2006: Director, Strategy & Markets, Head of European Marketing
IconMedialab AG 2000–2002: Management Consultant, Project Manager, Engagement Manager
International Masters Publishers/ Meister Verlag AG 1997–2000: Product Division Manager, Project Manager New Business
Shares: -

Tomas Myntti

b. 1963
Senior Vice President, Industrial Service, Region EMEA (Europe, Middle East and Africa)
Member of Senior Management since 2013
Member of the Extended Management Team 2011–2013
Employed since 2008
M.Sc. (Eng.)
Primary working experience:
Konecranes
3/2016–6/2016: Senior Vice President, Head of Region EMEA
2012–2016: Senior Vice President, Head of Region EUR (Europe)
2011–2012: Senior Vice President, Head of Region NEI (Nordic, Eastern Europe and India)
2010–2011: Vice President, Head of Industrial Cranes, Region NEI
2009: Director, Market Operations, Head of Global Key Account Management and Sales Development
2008: Director, Business Development, Business Area New Equipment
TietoEnator Oyj 2007–2008: Chief Marketing Officer, Business Area Telecom and Media
Hantro Products Oy 2000–2007: Senior Vice President, Sales and Marketing
Cadence Design Systems 1996–2000: Global Account Director
Intel Corporation 1994–1996: Global Account Manager
Cap Gemini 1989–1994: Various management positions
Digital Equipment Corporation 1984–1989: Various positions

Marko Äkräs

b. 1967
Senior Vice President, Industrial Service, Region APAC (Asia-Pacific)
Member of Senior Management since 2013
Member of the Extended Management Team 2012–2013
Employed since 1992
M.Sc. (Eng.)
Primary working experience:
Konecranes
2015–6/2016: Senior Vice President, Customer Experience and Service Offering
2011–2015: Vice President, Head of Customer and Service Technology.
2009–2011: Vice President, Head of Service, West-Europe, Middle East and Africa (WEMEA)
2007–2009: Director, Head of Business Unite Crane Service
KCI Konecranes/Konecranes
2004–2007: Director, Crane Service Nordic
KCI Konecranes
2001–2004: General Manager, Global Parts Center
KONE Corporation/KCI Konecranes
1993–2001: Various positions in service and product management

Bernie D'Ambrosi

b. 1967
Senior Vice President, Industrial Service, Region AME
Member of Senior Management since 2015
Employed since 2002
B.A. (Bachelor of Arts), Political Science Major, Economics Minor, Youngstown State University, J.D (Juris Doctor), University of Toledo College of Law
Primary working experience:
Konecranes
2015–6/2016: Senior Vice President, Head of Region AME;
2012–2015: Vice President, Region AME Service
2009–2012: Vice President, Industrial Crane Solutions, Region AME
KCI Konecranes/Konecranes 2002–2009: Senior Legal Counsel, Region AME
Bertin Steel Processing, Inc.
1993–2002: Vice President, General Counsel

Marko Tulokas

b. 1972
Senior Vice President, Industrial Cranes
Member of Senior Management since 2013
Employed since 2004
M.Sc. (Eng), MBA
Primary working experience:
Konecranes
2015–6/2016: Senior Vice President, Product and Applications Management, Industrial Equipment
2011–2015: Vice President, Head of Industrial Crane Solutions
2010–2011: Director, Head of Business Process Management
2008–2010: Director, Delivery Process
2007–2008: Director, Strategy and Business Development, Process cranes
KCI Konecranes/Konecranes
2004–2007: Leadership positions in sourcing and supply chain management in China and Finland
Asko Appliances Uponor Plc 1998–2001: Several positions in supply chain management

Eerikki Mäkinen

b. 1974
Senior Vice President, Product Management and Engineering
Member of Senior Management since July, 2016
Employed since 2011
M.Sc. (Eng.)
Primary working experience:
Konecranes
2015–6/2016: Director, Light Lifting Product Management
2012–2015: Director, Engineering (in France 2013-2014)
2011–2012: Engineering Manager
SKF
2010–2011: Team Manager, Application Engineering
2005–2010: Application Engineer
Metso Paper
2004–2005: Senior Structural Analysis Engineer
2000–2004: Structural Analysis Engineer
1998–2000: Design Engineer

Andreas Wittke

b. 1967
Senior Vice President, Components
Member of Senior Management since July, 2016
Employed since 2004
M.Sc. (Eng)
Primary working experience:
SWF Krantechnik
2008–2016: Managing Director
2004–2008: Sales Director
Kerstner GmbH 1995–2004: Sales Director
ABB Gebäudetechnik AG 1994: Mechanical Engineer

Lars Fredin

b. 1961
Senior Vice President, Lift Trucks
Member of Senior Management since 2013
Employed since 2009
BSc, Small Business Management
Primary working experience:
Bromma Conquip AB 2003–2009: Vice President Sales & Marketing
Metget AB 2000–2003: Business Consultant and Sales & Marketing Director (RFID technology)
Kalmar AC 1998–2000: President
Kalmar Industries 1996–1998: Area Manager, East Asia
Other current key positions of trust:
Byggning-Uddemann AB: Chairman of the Board;
Interforum International AB: Chairman of the Board;
Byggning-Ungern Trettioett AB: Chairman of the Board

Scott Gilbey

b. 1962
Senior Vice President, Customer Experience and Service Offering
Member of Senior Management since July, 2016
Employed since 2004
B. Sc. Mech. Eng., P. Eng., MBA
Primary working experience:
Konecranes
2012–6/2016: Director of Marketing, Service and Industry
2009–2014: Director of Marketing and Communications, Region Americas
Morris Material Handling 2004–2009: various positions, General Manager Eastern Canada, Vice President Service Canada, Director of Marketing Americas
2003–2004: self employed
Valley City Architectural Furniture 1997–2003: various positions incl. Sales Manager and General Manager
Fujitec America 1995–1997: various positions incl. Senior Elevator Engineer, Director of sales and Marketing
Trow Consulting Engineers 1992–1995: various positions incl. Sales Engineer, Manager, Elevating Devices Group
Dover Corporation 1989–1992: Sales Engineer
Various positions in Australia, Japan, UK 1986–1989 incl. High School Teacher and Consulting Engineer

Anders Gustafsson

b. 1964
Senior Vice President, Supply Operations
Member of Senior Management since April 25, 2016
Employed since 2016
M.Sc. (Eng)
Primary working experience:
Konecranes 4–6/2016: Chief Supply Chain Officer
Atlas Copco Secoroc 2009–2016: Vice President Global Manufacturing
Tophammer Equipment, Atlas Copco Secoroc 2003–2009: Vice President, Global Manufacturing
ABB Stal 1999–2003: Plant Manager
ABB Switchgear 1996–1999: Manufacturing Manager
ABB Switchgear, 1994–1996: Manager Quality and Operations Development
ABB Swithchgear, 1991–1994: Quality and Operations Development

Ari Kiviniitty

b. 1957
Chief Technology Officer
Member of Senior Management since 2013
Member of the Extended Management Team 2012–2013
Member of the Executive Board 2005–2012
Employed since 1983
M.Sc. (Eng.)
Primary working experience:
Konecranes
2015–6/2016: Senior Vice President, Product Management and Development, Hoists and Components
KCI Konecranes/Konecranes
2005–2015: Senior Vice President, Product Management and Engineering, Acting Chief Technology Officer
KCI Konecranes
2004–2005: Vice President, Standard Lifting Equipment
2002–2004: Managing Director, Hoist factory
1999–2001: R&D Manager
1996–1998: Technical Director, Components, Singapore

Mikael Wegmüller

b. 1966
Vice President, Marketing and Communications
Member of Senior Management since 2013
Member of the Extended Management Team 2009–2013
Member of the Executive Board 2006–2009
Employed since 2006
M.Sc. (Mark.)
Primary working experience:
Publicis Helsinki Oy 2003–2006: Chief Operating Officer
SEK & GREY Oy 2000–2003: Planning Group Director
Publicis Törmä Oy 1997–2000: Planning Group Director
Finelor Oy (now L'Oreal Finland Oy) 1993–1997: Sales and Marketing Manager
Chips Abp 1991–1993: Product Group Manager

Miikka Kinnunen

b. 1977
Vice President, Investor Relations
Member of Senior Management since 2013
Employed since 2009
M.Sc. (Econ.)
Primary working experience:
Konecranes
2009–2016: Director, Investor Relations
Carnegie Investment Bank AB 2001–2009: Financial Analyst

Topi Tiitola

b. 1969
Vice President, Integration Management Office
Member of Senior Management since 2013
Employed since 1995
M.Sc. (Econ)
Primary working experience:
Konecranes
2013–2016: Director, Business Analysis and Support
KCI Konecranes/Konecranes
2005–2013: Group Business Controller
2000–2005: Financial Director, Standard Lifting Equipment
1995–2000: several controller positions

Kimmo Kemppinen

b. 1979
Vice President, Procurement
Member of Senior Management since 6/2017
Employed since 2017
M.Sc. (Tech)
Primary working experience:
Danfoss Drives 2015–2017: Global Procurement, Director
Vacon Plc 2011–2015: Manager of Supplier Operations Management
Vacon Plc 2008–2011: Global Category Manager
Alteams Oy 2004–2008: Several manager positions in sales

2017 Board of directors' 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 to 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 the manufacturing operating conditions in 2017. At the end of the year, global manufacturing production expanded at the fastest pace since early 2011. There was also a bounce in international trade flows as the growth of new export business hit a near seven-year high. 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 record high level, with the growth improving across the countries. Outside the Eurozone, the performance of the UK and particularly Swedish manufacturing sectors remained strong in 2017, as well. Correspondingly, the European Union manufacturing capacity utilization rate continued to improve and was near its ten-year high at the end of 2017.

Similar to Europe, the economic activity in the U.S. manufacturing sector, measured by the PMI, has clearly expanded in 2017. However, the U.S. total industrial capacity utilization rate improved only marginally after having declined since the end of 2014 and it indicated that slack capacity remained in the industry.

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. Brazil saw a clear positive turnaround, and it emerged from its two-year long recession in 2017. On the other hand, the operating conditions Chinese, Indian, and Russian manufacturing sectors improved only at a marginal pace.

The recovery of the world's containerized trade in 2017 turned out to be much greater than what was expected in the beginning of the year. The global container throughput increased by approximately 6 percent on a year-on-year basis in 2017.

Regionally, the volumes in Asia, which represents more than a half of the global container traffic, rebounded on most of the trade routes after two weak years. Container volumes from Asia to North American East Coast grew particularly strongly as the widening of the Panama Canal has supported traffic above expectations. In addition, the volumes in the Mediterranean ports clearly increased thanks to the improved economic growth in Southern Europe. The container traffic in the Middle East suffered from low oil prices and tensions in the region.

The average raw material prices, including steel, copper, and oil were above the previous year's level in 2017. The EUR/USD exchange rate was volatile during the period as it depreciated in the first half, but then appreciated in the second half compared to the previous year.

Orders received

In 2017, the orders received totaled EUR 3,007.4 million (1,920.7), representing an increase of 56.6 percent mainly due to the MHPS acquisition. Orders received increased by 32.7 percent in Service, by 37.2 percent in Industrial Equipment, and by 98.0 percent in Port Solutions compared to the year before. Orders received grew in all regions.

Comparison to combined company figures

Orders received in January–December fell by 0.6 percent to EUR 3,007.4 million (3,025.3). The order intake decline was attributable to changes in the currency exchange rate. Orders received increased by 1.1 percent in Port Solutions, but decreased by 1.5 percent in Service and by 1.9 percent in Industrial Equipment compared to the year before. Orders received grew in EMEA and APAC, but were lower in the Americas.

Order book

The value of the order book at year-end 2017 totaled EUR 1,535.8 million (1,038.0), which was 48.0 percent higher than at the end of 2016. Order book increased by 24.0 percent in Service, by 31.9 percent in Industrial Equipment, and by 69.2 percent in Port Solutions.

Comparison to combined company figures

The value of the order book at the end of December totaled EUR 1,535.8 million (1,507.7), which was 1.9 percent higher than in the previous year. Order book increased by 6.1 percent in Port Solutions, but decreased by 2.1 percent in Service, and by 2.6 percent in Industrial Equipment. The order book decline in Service and Industrial Equipment was attributable to the currency exchange rate changes. The previous year's order book for MHPS included deliveries for the next 12 months only.

Sales

Group sales in the full-year 2017 increased by 48.1 percent and totaled EUR 3,136.4 million (2,118.4). Sales in Service rose by 28.8 percent, in Industrial Equipment by 34.8 percent, and in Port Solutions by 79.7 percent.

In 2017, the regional breakdown was as follows: EMEA 52 (47), Americas 31 (38), and APAC 17 (15) percent.

Comparison to combined company figures

Group sales in January–December decreased by 4.3 percent to EUR 3,136.4 million (3,278.4). Sales fell in Service by 3.0 percent, in Industrial Equipment by 1.1 percent, and in Port Solutions by 10.6 percent.

Orders received and net sales, MEUR
(Comparisons to historical figures)

	10–12/2017	10–12/2016	Change percent	Change % at comparable currency rates	1–12/2017	1–12/2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	732.6	595.1	23.1	24.8	3,007.4	1,920.7	56.6	58.2
Net sales, MEUR	910.0	613.3	48.4	50.8	3,136.4	2,118.4	48.1	49.6

Orders received and net sales, MEUR
(Comparisons to comparable combined company figures)

	10–12/2017	10–12/2016	Change percent	Change % at comparable currency rates	1–12/2017	1–12/2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	732.6	921.5	-20.5	-18.4	3,007.4	3,025.3	-0.6	0.3
Net sales, MEUR	910.0	971.0	-6.3	-3.2	3,136.4	3,278.4	-4.3	-3.4

Financial result

In January–December, the adjusted EBITA increased by EUR 71.4 million to EUR 216.2 million (144.8). 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 negatively affected the adjusted EBITA by approximately EUR 24 million. The adjusted EBITA margin was 6.9 percent (6.8). The adjusted EBITA margin in Service improved to 13.7 percent (11.0) and in Industrial Equipment to 3.1 percent (1.9), but fell in Port Solutions to 4.6 (9.3).

In January–December, the adjusted operating profit increased by EUR 36.8 million to EUR 177.6 million (140.8). The adjusted operating margin fell to 5.7 percent (6.6). The adjusted operating margin declined due to the amortization arising from the purchase price allocations for acquisitions.

The consolidated operating profit in full-year 2017 totaled EUR 318.3 million (84.9). The operating profit includes adjustments of EUR 140.7 million (-55.9) comprising of capital gain of EUR 218.4 million (0.0) from the divestment of STAHL CraneSystems, restructuring costs of EUR 65.6 million (19.2), transaction costs of EUR 4.9 million (47.0) related to the MHPS acquisition, and cost of EUR 7.3 million (0.0) related to the MHPS purchase price allocated to inventories. The increase in the restructuring costs was related to the integration of the MHPS acquisition, which has resulted in plant closures and personnel reductions in several countries, such as China, India, Italy, and the U.S. The previous year's operating profit included insurance indemnity of EUR 10.2 million.

In 2017, the depreciation and impairments totaled EUR 117.0 million (53.7). This included restructuring related impairments of EUR 5.8 million (2.8). The amortization arising from the purchase price allocations for acquisitions represented EUR 38.6 million (4.0) of the depreciation and impairments.

In 2017, the share of the result of associated companies and joint ventures was EUR 3.3 million (6.0). Previous year's EUR 5.8 million gain on disposal of investment in associated company related to the sale of shares in Kito Corporation.

In January–December, financial income and expenses totaled EUR -46.0 million (-34.6). Net interest expenses accounted for EUR 29.8 million (9.9) of this.

The January–December profit before taxes was EUR 275.6 million (62.1).

The income taxes in January–December were EUR 50.6 million (24.5). The Group's effective tax rate was 18.4 percent (39.5). A new tax reform legislation has come into effect in the USA, which includes, among other things, a reduction in the U.S. federal corporate income tax rate from 35 percent to 21 percent from the beginning of the tax year 2018 and one-time tax expense for undistributed profits on overseas assets for U.S. companies. Due to the tax reform, a reduction in deferred tax assets of approximately EUR 11.6 million and a corresponding tax expense as a change in the deferred taxes was booked in 2017. In addition, the Group has recorded EUR 2.9 million tax expense and current tax liability of undistributed profits on overseas assets for U.S. companies.

The January–December net profit was EUR 225.0 million (37.6).

In 2017, the basic earnings per share were EUR 2.88 (0.64) and diluted earnings per share were EUR 2.88 (0.64).

In 2017, the return on capital employed was 23.7 percent (10.3) and return on equity 26.1 percent (8.3). The adjusted return on capital employed was 15.4 percent (19.2).

Comparison to combined company figures

In January–December, the consolidated adjusted EBITA increased by EUR 32.1 million to EUR 216.2 million (184.1). The adjusted EBITA margin improved to 6.9 percent (5.6). Despite the decrease in sales, the Group adjusted EBITA 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. The adjusted EBITA margin in Service improved to 13.7 percent (12.6), in Industrial Equipment to 3.1 percent (-0.5), but declined in Port Solutions to 4.6 (4.8).

Balance sheet

The year-end 2017 consolidated balance sheet amounted to EUR 3,562.9 million (1,529.9). Total equity at the end of the reporting period was EUR 1,279.4 million (445.5). Total equity attributable to equity holders of the parent company at year-end 2017 was EUR 1,256.9 million (445.4) or EUR 15.96 per share (7.58).

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 year-end 2017 totaled EUR 325.2 million (304.3).

Cash flow and financing

Net cash flow from the operating activities in full-year 2017 was EUR 249.4 million (109.6). The cash flow improved due to the improved financial results and release of the net working capital.

Cash flow before financing activities was EUR -292.6 million (131.4). This included acquisitions of EUR -733.2 million (-0.2), divestments of EUR +213.4 million (0.0), and capital expenditures of EUR -28.7 million (-27.3).

Interest-bearing net debt was EUR 525.3 million (129.6) at the end of 2017. The equity to assets ratio was 39.2 percent (32.9) and the interest-bearing net debt to equity ratio 41.1 percent (29.1).

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. All these loans have been repaid or refinanced by the end of 2017.

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.

On November 17, 2017, Konecranes announced that the company has signed a Schuldschein loan agreement in the amount of EUR 150 million. The loan has floating and fixed rate tranches with maturities of four and seven years. On November 22, 2017, Konecranes announced that it has signed a new EUR 150 million five-year bank term loan.

On December 21, 2017, Konecranes announced that the company has signed a EUR 400 million five-year revolving credit facility with two 12-month extension options. The committed credit facility refinanced the existing EUR 400 million facility signed in August 2016.

At the end of 2017, cash and cash equivalents amounted to EUR 233.1 million (167.4). None of the Group's EUR 400 million committed back-up financing facilities were in use at the end of the period.

In April 2017, Konecranes paid dividends to its shareholders that amounted to EUR 82.3 million or EUR 1.05 per share.

Capital expenditure

In 2017, the capital expenditure, excluding acquisitions and joint arrangements, amounted to EUR 35.7 million (33.8). This amount consisted of investments in machinery, equipment, properties, and information technology.

Acquisitions and divestments

In January–December 2017, the capital expenditure for acquisitions and joint arrangements was EUR 1,482.0 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 795.8 million in cash and 19.6 million in newly issued Konecranes class B shares worth EUR 686.2 million.

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.

Konecranes expects to implement EBIT level synergies of EUR 140 million p.a. on a run-rate basis by the end of 2019. One-time integration expenses are expected to be EUR 130 million during 2017–2019, 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 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 0.1 million in other operating income in 2017. With this divestment, Konecranes streamlined its product and brand portfolio in Chinese market due to its earlier acquisition of MHPS.

On December 21, 2017, Konecranes divested Morris Middle East Ltd, including the 49-percent shareholding in Eastern Morris Cranes Ltd held by the company, to Columbus McKinnon Corporation. The transaction was related to the earlier divestiture of Stahl CraneSystems. Konecranes received cash proceeds of EUR 2.8 million from the transaction and did not record any loss or profit from this disposal.

Personnel

In January–December, the Group employed an average of 15,519 people (11,398). On December 31, the headcount was 16,371 (10,951). In January 2017, 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. Since the completion of the MHPS acquisition, the Group's personnel has decreased by approximately 730 employees on a comparable basis.

At year-end 2017, the number of personnel by Business Area was as follows: Service 7,206 employees (5,749), Industrial Equipment 6,024 employees (4,353), Port Solutions 3,067 employees (789), and Group staff 74 (60). The Group had 9,920 employees (5,842) working in EMEA, 3,205 (2,704) in the Americas, and 3,246 (2,405) in the APAC region.

In 2017, the Group's personnel expenses totaled EUR 1,004.2 million (658.3).

New financial targets

On November 6, 2017, Konecranes announced new post-integration financial targets. The targets are Group sales growth (CAGR) of 5 percent in 2018–2020, Group adjusted EBITA margin of 11 percent in 2020, and interest-bearing net debt to equity ratio (gearing) below 80 percent.

The Group's adjusted EBITA margin target for 2020 is based on the targeted annual sales growth during 2018–2020 and the previously announced MHPS acquisition-related cost synergies of EUR 140 million.

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)

	10–12/2017	10–12/2016	Change percent	Change % at comparable currency rates	1–12/2017	1–12/2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	236.8	179.0	32.3	35.6	966.3	727.9	32.7	34.4
Order book, MEUR	196.0	158.1	24.0		196.0	158.1	24.0	
Agreement base value, MEUR	231.4	199.1	16.2		231.4	199.1	16.2	
Net sales, MEUR	321.4	254.3	26.4	29.3	1,178.0	914.8	28.8	30.3
Adjusted EBITA, MEUR[1]	48.8	35.1	38.9		160.9	100.2	60.6	
Adjusted EBITA, %[1]	15.2%	13.8%			13.7%	11.0%		
Purchase price allocation amortization, MEUR	-3.1	-0.3	926.3		-12.9	-1.3	884.6	
Adjustments,MEUR	-0.5	-2.7	-81.7		-8.7	-8.7	-0.2	
Operating profit (EBIT), MEUR	45.2	32.1	40.9		139.3	90.2	54.5	
Operating profit (EBIT), %	14.0%	12.6%			11.8%	9.9%		
Personnel at the end of period	7,206	5,749	25.3		7,206	5,749	25.3	

In Service, January–December orders received totalled EUR 966.3 million (727.9), showing an increase of 32.7 percent. The order book increased by 24.0 percent to EUR 196.0 million (158.1) from a year before. Sales grew by 28.8 percent to EUR 1,178.0 million (914.8). Sales grew in all regions mainly due to the MHPS acquisition.

The January–December adjusted EBITA was EUR 160.9 million (100.2) and the adjusted EBITA margin 13.7 percent (11.0). The adjusted EBITA margin improved mainly due to the MHPS acquisition and the cost-saving measures implemented in 2016–2017. Operating profit was EUR 139.3 million (90.2) and the operating margin 11.8 percent (9.9).

The total number of equipment included in the maintenance agreement base increased by 35.6 percent to 612,749 (451,880). The annual value of the agreement base increased by 16.2 percent to EUR 231.4 million (199.1).

Service
(Comparisons to combined company figures)

	10–12/2017	10–12/2016	Change percent	Change % at comparable currency rates	1–12/2017	1–12/2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	236.8	240.4	-1.5	3.3	966.3	981.4	-1.5	-0.5
Order book, MEUR	196.0	200.3	-2.1		196.0	200.3	-2.1	
Net sales, MEUR	321.4	334.3	-3.9	0.6	1,178.0	1,214.1	-3.0	-2.0
Adjusted EBITA, MEUR[1]	48.8	51.1	-4.6		160.9	153.4	4.9	
Adjusted EBITA, %[1]	15.2%	15.3%			13.7%	12.6%		

[1] Excluding adjustments and purchase price allocation amortization

In Service, January–December orders received decreased by 1.5 percent to EUR 966.3 million (981.4). The order book decreased by 2.1 percent from the year before to EUR 196.0 million (200.3). Sales in the reporting period fell by 3.0 percent to EUR 1,178.0 million (1,214.1). The decrease in sales was largely attributable to the discontinuation of certain underperforming operations and negative currency exchange rate effect. Sales decreased in all regions. Parts sales outperformed field service sales.

The January–December adjusted EBITA was EUR 160.9 million (153.4) and the adjusted EBITA margin 13.7 percent (12.6). The adjusted EBITA improved thanks to the positive sales mix, better productivity, and lower fixed costs.

Industrial Equipment
(Comparisons to historical figures)

	10–12/2017	10–12/2016	Change percent	Change % at comparable currency rates	1–12/2017	1–12/2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	285.3	201.0	41.9	44.7	1,127.3	821.5	37.2	38.9
Order book, MEUR	526.9	399.4	31.9		526.9	399.4	31.9	
Net sales, MEUR	313.0	233.1	34.3	36.6	1,118.7	830.1	34.8	36.5
Adjusted EBITA, MEUR[1]	17.2	8.5	103.5		34.6	15.7	121.0	
Adjusted EBITA, %[1]	5.5%	3.6%			3.1%	1.9%		
Purchase price allocation amortization, MEUR	-3.6	-0.3	1,096.0		-14.7	-1.2	1,150.6	
Adjustments,MEUR	-8.6	-1.4	504.4		-23.8	-8.5	179.4	
Operating profit (EBIT), MEUR	5.1	6.7	-25.2		-4.0	6.0	166.7	
Operating profit (EBIT), %	1.6%	2.9%			-0.4%	0.7%		
Personnel at the end of period	6,024	4,353	38.4		6,024	4,353	38.4	

In Industrial Equipment, January–December orders received totalled EUR 1,127.3 million (821.5), showing an increase of 37.2 percent. Orders grew in all regions mainly due to the MHPS acquisition. The order book increased by 31.9 percent from a year ago to EUR 526.9 million (399.4). Sales rose by 34.8 percent to EUR 1,118.7 million (830.1).

The January–December adjusted EBITA was EUR 34.6 million (15.7) and the adjusted EBITA margin 3.1 percent (1.9). The adjusted EBITA margin improved mainly owing to the cost-saving measures implemented in 2016–2017. Operating profit was EUR -4.0 million (6.0) and operating margin -0.4 percent (0.7).

Industrial Equipment
(Comparisons to combined company figures)

	10–12/2017	10–12/2016	Change percent	Change % at comparable currency rates	1–12/2017	1–12/2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	285.3	296.7	-3.8	-0.4	1,127.3	1,148.9	-1.9	-0.9
Order book, MEUR	526.9	540.9	-2.6		526.9	540.9	-2.6	
Net sales, MEUR	313.0	319.4	-2.0	1.6	1,118.7	1,130.8	-1.1	-0.1
Adjusted EBITA, MEUR[1]	17.2	9.6	79.7		34.6	-6.1	669.9	
Adjusted EBITA, %[1]	5.5%	3.0%			3.1%	-0.5%		

[1] Excluding adjustments and purchase price allocation amortization

In Industrial Equipment, January–December orders received totalled EUR 1,127.3 million (1,148.9), showing a decrease of 1.9 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 were approximately stable in EMEA and rose in APAC. Crane component orders increased in EMEA and the Americas, but decreased in APAC. The order book decreased by 2.6 percent to EUR 526.9 million (540.9) from a year before. The decrease in order book was attributable to the negative currency exchange rate effect. Sales fell by 1.1 percent to EUR 1,118.7 million (1,130.8).

The January–December adjusted EBITA was EUR 34.6 million (-6.1) and the adjusted EBITA margin 3.1 percent (-0.5). 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.

Port Solutions
(Comparisons to historical figures)

	10–12/ 2017	10–12/ 2016	Change percent	Change % at comparable currency rates	1–12/ 2017	1–12/ 2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	255.3	254.8	0.2	0.3	1,056.2	533.4	98.0	98.8
Order book, MEUR	812.9	480.5	69.2		812.9	480.5	69.2	
Net sales, MEUR	312.8	163.0	91.9	92.8	976.0	543.2	79.7	80.7
of which service, MEUR	41.8	16.4	155.0	165.4	161.3	68.3	136.0	138.6
Adjusted EBITA, MEUR[1]	16.6	16.7	-0.9		44.7	50.5	-11.4	
Adjusted EBITA, %[1]	5.3%	10.3%			4.6%	9.3%		
Purchase price allocation amortization, MEUR	-2.6	-0.4	589.2		-10.9	-1.5	626.6	
Adjustments,MEUR	-4.1	0.0			-22.2	0.0		
Operating profit (EBIT), MEUR	9.9	16.4	-39.4		11.6	49.0	-76.2	
Operating profit (EBIT), %	3.2%	10.0%			1.2%	9.0%		
Personnel at the end of period	3,067	789	288.7		3,067	789	288.7	

In Port Solutions, January–December orders received totalled EUR 1,056.2 million (533.4), showing an increase of 98.0 percent. Orders grew in all regions mainly due to the MHPS acquisition. The order book increased by 69.2 percent from a year before to EUR 812.9 million (480.5). Sales rose by 79.7 percent to EUR 976.0 million (543.2).

The January–December adjusted EBITA was EUR 44.7 million (50.5) and the adjusted EBITA margin 4.6 percent (9.3). The adjusted EBITA margin decreased mainly due to the MHPS acquisition. Operating profit was EUR 11.6 million (49.0) and operating margin 1.2 percent (9.0).

Port Solutions
(Comparisons to combined company figures)

	10–12/ 2017	10–12/ 2016	Change percent	Change % at comparable currency rates	1–12/ 2017	1–12/ 2016	Change percent	Change % at comparable currency rates
Orders received, MEUR	255.3	421.1	-39.4	-39.0	1,056.2	1,045.2	1.1	1.8
Order book, MEUR	812.9	766.4	6.1		812.9	766.4	6.1	
Net sales, MEUR	312.8	351.6	-11.0	-9.6	976.0	1,091.4	-10.6	-9.9
of which Service, MEUR	41.8	40.4	3.5	5.9	161.3	159.6	1.1	1.7
Adjusted EBITA, MEUR[1]	16.6	28.7	-42.2		44.7	52.7	-15.1	
Adjusted EBITA, %[1]	5.3%	8.2%			4.6%	4.8%		

[1] Excluding adjustments and purchase price allocation amortization

In Port Solutions, January–December orders received totalled EUR 1,056.2 million (1,045.2), showing an increase of 1.1 percent. Orders grew in EMEA and APAC, but fell in the Americas. Orders increased for the most of products and services. Orders for automated stacking cranes fell as the comparison period included the order from the Virginia Port Authority with the value of the contracts exceeding EUR 200 million. The order book increased by 6.1 percent from a year before to EUR 812.9 million (766.4). Sales fell by 10.6 percent to EUR 976.0 million (1,091.4). The decrease in sales related to the timing of deliveries and exceptionally high sales of certain products in the comparison period.

The January–December adjusted EBITA was EUR 44.7 million (52.7) and the adjusted EBITA margin 4.6 percent (4.8). The adjusted EBITA declined due to lower sales, although the gross margin improved and fixed costs were lower on a year-on-year basis.

Group overheads

In January–December, adjusted unallocated Group overhead costs and eliminations were EUR -24.0 million (-21.5) representing -0.8 percent of sales (-1.0). In the fourth quarter, adjusted unallocated Group overhead costs and eliminations were lower than usual due to the post-closing adjustments of the MHPS acquisition and effects of internal margin elimination.

Unallocated Group overhead costs and eliminations in the reporting period were EUR 171.3 million (-60.3) representing 5.5 percent of sales (-2.8). These included a capital gain of EUR

218.4 million (0.0) from the divestment of STAHL CraneSystems, restructuring costs of EUR 18.2 million (2.0), and transaction costs of EUR 4.9 million (47.0) related to the MHPS acquisition. The previous year's unallocated Group overhead costs and eliminations included an insurance indemnity of EUR +10.2 million.

Administration

Changes in the Board of Directors prior to the Annual General Meeting

As approved by the Extraordinary General Meeting held September 15, 2016, the number of members of the Board of Directors increased to ten (10) after the closing of the MHPS acquisition since Terex was entitled to elect up to two members to the Board of Directors as long as Terex's or its Group companies' shareholding in Konecranes exceeded a certain agreed thresholds. On January 5, 2017, Terex nominated Mr. David A. Sachs and Mr. Oren G. Shaffer joined the Board of Directors. The Board of Directors elected Oren Shaffer a member of the Nomination and Compensation Committee and David Sachs a member of the Audit Committee.

Decisions of the Annual General Meeting

The Annual General Meeting of Konecranes Plc was held on March 23, 2017. The meeting approved the Company's annual accounts for the fiscal year 2016, discharged the members of the Board of Directors and CEO from liability, and approved all proposals made by the Board of Directors and its committees to the AGM. The AGM approved the Board's proposal that a dividend of EUR 1.05 per share be paid from the distributable assets of the parent Company.

The AGM confirmed the annual remuneration payable to the members of the Board for the term until the closing of the Annual General Meeting in 2018 as follows: Chairman of the Board EUR 140,000, Vice Chairman of the Board EUR 100,000, and other Board Members EUR 70,000. Furthermore, the AGM approved that 50 percent of the annual remuneration be paid in Konecranes shares.

In addition, the Chairman of the Board, the Vice Chairman of the Board, and other Board members are entitled to a compensation of EUR 1,500 per attended Board Committee meeting. The Chairman of the Audit Committee of the Board of Directors is, however, entitled to a compensation of EUR 3,000 per attended Audit Committee meeting.

The AGM approved the proposal of the Nomination and Compensation Committee that the number of members of the Board of Directors be eight (8). Mr. Ole Johansson, Ms. Janina Kugel, Mr. Bertel Langenskiöld, Mr. Ulf Liljedahl, Ms. Malin Persson, and Mr. Christoph Vitzthum were re-elected for a term of office ending at the closing of the Annual General Meeting in 2018.

Under § 5 of the Company's Articles of Association, Terex Corporation had the right to appoint two members to the Company's Board of Directors upon written notice to the Company. Terex Corporation appointed Mr. David A. Sachs and Mr. Oren G. Shaffer to the Board of Directors.

The AGM confirmed that Ernst & Young Oy will continue as the Company's auditor for the year ending on December 31, 2017.

The AGM authorized the Board of Directors to decide on the repurchase of the Company's own A or B shares and/or on the acceptance as pledge of the Company's own A or B shares. The amount of own shares to be repurchased and/or accepted as pledge based on this authorization shall not exceed 6,000,000 shares in total. The authorization is effective until the end of the next Annual General Meeting, however no longer than until September 22, 2018.

The AGM authorized the Board of Directors to decide on the issuance of A shares as well as the issuance of special rights entitling to A shares referred to in chapter 10 section 1 of the Finnish Companies Act. The amount of A shares to be issued based on this authorization shall not exceed 6,000,000 shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization can also be used for incentive arrangements, however, not more than 1,000,000 A shares in total together with the authorization in the next paragraph. The authorization is effective until the end of the next Annual General Meeting, however no longer than until September 22, 2018. However, the authorization for incentive arrangements is valid until March 22, 2022. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting in 2016.

The AGM authorized the Board of Directors to decide on the transfer of the Company's own A shares. The authorization is limited to a maximum of 6,000,000 A shares. The transfer of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization can also be used for incentive arrangements, however, not more than 1,000,000 A shares in total together with the authorization in the previous paragraph. This authorization is effective until the next Annual General Meeting of Shareholders, however no longer than until September 22, 2018. However, the authorization for incentive arrangements is valid until March 22, 2022. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting in 2016.

The AGM authorized the Board of Directors to decide on a directed issuance of A shares without payment needed for the continuation of the Share Savings Plan that the Annual General Meeting 2012 decided to launch.

The Board of Directors is authorized to decide on the issuance of new A shares or on the transfer of own A shares held by the Company to such participants of the Plan who, according to the terms and conditions of the Plan, are entitled to receive free shares, as well as to decide on the issuance of A shares without payment also to the Company itself. The authorization includes a right, within the scope of this Plan, to transfer own A shares currently held by the Company, which have earlier been limited to purposes other than incentive plans. The number of new A shares to be issued or own A shares held by the Company to be transferred may in the aggregate amount to a maximum total of 500,000 shares. The authorization is valid until March 22, 2022. This authorization replaces the authorization for the Share Savings Plan given by the Annual General Meeting in 2016.

The AGM authorized the Board of Directors to decide on donations of up to EUR 200,000 to Aalto University and up to EUR 50,000 to Åbo Akademi University in one or several instalments. The Board of Directors is entitled to decide on designating all or a part of the donations to specific study fields and any other matters concerning the donations. The authorization is effective until the end of the Annual General Meeting in 2018.

Board of Directors' organizing meeting

In the first meeting of the Board of Directors of Konecranes Plc after the Annual General Meeting the Board of Directors elected Mr. Christoph Vitzthum Chairman of the Board and Mr. Ole Johansson Vice Chairman of the Board.

The Board of Directors has decided to establish a separate Nomination Committee and a separate Human Resources Committee to replace its prior Nomination and Compensation Committee. In addition, the Board of Directors has an Audit Committee in accordance with the previous practice.

Mr. Ulf Liljedahl was elected Chairman of the Audit Committee and Mr. Ole Johansson, Ms. Malin Persson and Mr. David A. Sachs as Committee members. Mr. Bertel Langenskiöld was elected Chairman of the Human Resources Committee, and Ms. Janina Kugel, Mr. Oren G. Shaffer and Mr. Christoph Vitzthum as Committee members. Mr. Christoph Vitzthum was elected Chairman of the Nomination Committee, and Mr. Ole Johansson and Mr. David A. Sachs as Committee members.

Changes in the Board of Directors after the Annual General Meeting

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.

Corporate Governance Statement

Konecranes complies with the Finnish Corporate Governance Code 2015 approved by the Board of the Securities Market Association. Konecranes has issued a Corporate Governance Statement as a separate report, which can be reviewed on the Konecranes corporate website at www.konecranes.com.

Share capital and shares

On December 31, 2017, the company's registered share capital totaled EUR 30.1 million. On December 31, 2017, the number of shares including treasury shares totaled 78,921,906. Konecranes has two classes of shares. On December 31, 2017, the number of listed class A shares totaled 78,921,906 while the number of unlisted class B shares was zero as Terex Corporation ceased to own any class B shares following the share sale executed on September 5, 2017.

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.

On September 5, 2017, Konecranes received confirmation published by Terex regarding the completion of sale of 5,150,000 class B shares. Based on the conversion request by Terex, the Board of Directors decided to convert the 5,150,000 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 September 6, 2017.

The shareholders' agreement between Terex and Konecranes dated January 4, 2017 was terminated in accordance with its terms in connection with the completion of the share sale on September 5, 2017 as Terex ceased to own any Konecranes class B shares. Therefore, the Konecranes' Board of Directors intends to propose to amend the Articles of Association to the next Annual General Meeting.

Treasury shares

On December 31, 2017, Konecranes was in possession of 165,761 own shares, which corresponds to 0.2 percent of the total number of shares and which on that date had a market value of EUR 6.3 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 June 13, 2017.

On August 8, 2017, 334,239 treasury shares were conveyed without consideration to the key employees as a reward payment for the Konecranes Performance Share Plan 2016.

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 a 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 to 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.

Employee share savings plan

On February 8, 2017, Konecranes announced that the Board of Directors has decided to launch a new Plan Period relating to the Employee Share Savings Plan. The new Plan Period began on July 1, 2017 and will end on June 30, 2018. 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, 2021, and if his or her employment has not ended before this date for reasons attributable 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 2017–2018 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 2017.

Market capitalization and trading volume

The closing price for Konecranes Plc's shares on the Nasdaq Helsinki was EUR 38.18 on December 31, 2017. The volume-weighted average share price in January–December was EUR 36.72, the highest price being EUR 42.64 in October and the lowest EUR 31.52 in March. In January–December, the trading volume on the Nasdaq Helsinki totaled 61.4 million of the Konecranes Plc's shares, corresponding to a turnover of approximately EUR 2,252.5 million. The average daily trading volume was 244,456 shares, representing an average daily turnover of EUR 9.0 million.

In addition, approximately 100.5 million Konecranes' shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in 2017 according to Fidessa.

On December 31, 2017, the total market capitalization of the Konecranes Plc's shares on the Nasdaq Helsinki was EUR 3,013.2 million including treasury shares. The market capitalization was EUR 3,006.9 million, excluding treasury shares.

Notifications of major shareholdings

In January–December 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
September 6, 2017	Terex Corporation	Below 5%	0	0	0	0
September 6, 2017	BlackRock, Inc.[5)]	Above 10%	12.36	1.41	13.77	10,871,199
October 3, 2017	BlackRock, Inc	Above 15%	13.44	1.69	15.14	11,949,513
October 26, 2017	BlackRock, Inc	Below 15%	13.68	1.29	14.97	11,821,806
October 31, 2017	BlackRock, Inc.	Above 15%	13.74	1.28	15.02	11,859,461
November 1, 2017	BlackRock, Inc	Below 15%	13.51	1.10	14.62	11,540,128

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%.
5) The disclosure obligation arose due to total holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going above 10%.
Additionally, the disclosure obligation arose due to shares and voting rights for BlackRock Investment Management (UK) Limited going above 10%.

Research and development

In 2017, Konecranes' research and product development expenditure totaled EUR 36.0 (22.3) million, representing 1.1 (1.1) percent of sales. R&D expenditure includes product development projects aimed at improving the quality and cost efficiency of both products and services.

In 2017, our R&D continued to focus, for example, on how digital technologies are changing the way the industrial systems are designed and implemented. Notable examples of this ongoing work include advanced analytics for learning systems, device edge computing for reactive systems, autonomous devices for mixed-traffic environments, high-capacity, low-latency networks for machine-to-machine learning, cyber-secure systems with segregated safety-related control zones, and the use of augmented reality for user assistance and training.

Major publicly funded projects in 2017 continued to be both ambitious and driven by a vision of the advancement of industry and related technology. The OPTIMUM project has, as its central focus, the developing of optimized industrial IoT and a distributed control platform for the manufacturing and material handling. PRODUCTIVE 4.0 is the Europe's biggest research project in the field of digital industry, a large-scale undertaking designed to maintain a leadership position in the European manufacturing.

GAMA is a project focused on the solutions for safe mixed traffic of fully automated and manually driven vehicles in an enclosed port area. The DYNAVIS project is currently exploring the product service lifecycle's different stages – manufacturing, maintenance and sales – with a vision to create a process for one global visual language.

In June 2017, Konecranes' introduced three automation-related technologies to the container handling industry. The first was the Automated Konecranes Noell Straddle Carrier (A-STRAD) and Automated Sprinter Carrier (A-SPRINTER) systems. The second was Konecranes Gottwald AGVs and new lithium-ion battery technology. The third was Automated Terminal Tractors (A-TT) system, with Terberg supplying the tractors and Konecranes supplying the automation technology.

Corporate responsibility

In 2017, we continued the integration work building a common, performance-driven leadership culture. Cultural integration, change management, common processes regarding performance management, and rewards and recruitment practices have been high on the agenda. This comes naturally as fair and responsible practices and equal career development opportunities, as well as embracing diversity are the key enabling aspects of our corporate responsibility.

We conducted a global integration pulse survey to understand employee's sentiments on the integration and collect feedback from the organization. The results showed that the majority of our employees were on board with the integration, and the employee engagement level was above the comparable companies' level as well as it was above the level prior to the integration.

We introduced a new safety and environmental data-reporting tool in 2017, which will be used in all Konecranes locations from the beginning of 2018. Implementing the new reporting tool enables us to put more focus on leading safety indicators, such as the number of near miss cases and safety observations, as well as on the corrective actions and their completion rate. We continue to aim firmly at our Lost Time Accident (LTA) target of less than 3 by the year 2020, and our ultimate target of zero incidents.

We reached our 2020 energy intensity target already by the end of 2016, four years ahead of schedule. In addition, our 2020 greenhouse gas intensity target has almost been reached, with emission intensity decreased by 18 percent during 2013–2016. As we aim to improve our operations continuously, we are now in the progress of defining new targets for the combined business.

We participated in several external investor ratings including CDP. Konecranes achieved the result C, which is a decrease from last year´s results, but we have continued our efforts in energy efficiency and emission reduction. We also continuously assess new business models and the concept of circular economy to improve our resource efficiency and reduce our environmental footprint. For example, in 2017 we introduced RENTALL, a product-as-a-service concept, renting low- to mid-range capacity cranes and their service with a fixed monthly fee.

In 2017, both our Code of Conduct and our Anti-Corruption policies were updated, making them more comprehensive and specific than before. A roll-out of the updated policies will take place during 2018. Konecranes Anti-corruption trainings and e-learning programs were organized during 2017 providing practical guidelines regarding proper conduct in the fight against corruption and fraud.

Our goal is to evaluate and set requirements that ensure that environmental and social impacts are managed properly in our sourcing. Our Supplier Code of Conduct, which is currently being developed, sets out the standard we expect our suppliers to uphold. As we are in the process of integrating two legacy businesses, we are now evaluating a harmonized approach of adopting the best practices from both legacy companies with respect to Procurement, as well as sustainable and ethical sourcing practices and requirements.

Litigation

Various legal actions, claims, and other proceedings are pending against the Group in different countries. These actions, claims, and other proceedings are typical for this industry and are consistent with the 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, auto liability, and other matters involving general liability claims.

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

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

Date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %	Total, shares
December 31, 2017	HTT KCR Holding Oy Ab	Below 5%	0.00	-	0.00	0
December 31, 2017	HC Holding Oy Ab	Above 5%	9.35	-	9.35	7,381,238
January 2, 2018	BlackRock, Inc.	Above 15%	13.60	1.39	15.00	11,838,477
January 4, 2018	BlackRock, Inc.	Below 15%	13.60	1.33	14.94	11,792,766
January 9, 2018	BlackRock, Inc.	Above 15%	13.78	1.24	15.02	11,858,361
January 10, 2018	BlackRock, Inc.	Below 15%	13.82	1.07	14.90	11,764,689
January 16, 2018	BlackRock, Inc.[1]	Below 10%	12.95	1.26	14.21	11,222,451
January 22, 2018	BlackRock, Inc.[2]	Below 10%	11.84	1.24	13.08	10,330,572

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

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

Demand outlook

Demand situation for industrial cranes, hoists and service in Europe is stable within the industrial customer segments. Business activity in the North American manufacturing industry remains mixed. Demand in Asia-Pacific is showing signs of improvement. 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 2018 are expected to be approximately on the same level or higher than in 2017. We expect the adjusted EBITA margin to improve in 2018.

Board of Directors' proposal for disposal of distributable funds

The parent company's non-restricted equity is EUR 940,141,378.51, of which the net income for the year is EUR 65,162,549.32. The Group's non-restricted equity is EUR 1,176,766,000.

According to the Finnish Companies Act, the distributable funds of the company are calculated based on the parent company's non-restricted equity. For the purpose of determining the amount of the dividend, the Board of Directors has assessed the liquidity of the parent company and the economic circumstances subsequent to the end of fiscal year.

Based on such assessments, the Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.20 be paid on each share and that the remaining non-restricted equity is retained in shareholders' equity.

Espoo, February 8, 2018
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.

(1,000,000 EUR)		Jan 1–Dec 31 2017	Jan 1–Dec 31 2016
Note:			
3,5,6	**Sales**	**3,136.4**	**2,118.4**
	Other operating income	227.2	14.4
7	Materials, supplies and subcontracting	-1,409.2	-979.7
7,8	Personnel cost	-1,004.2	-658.3
9	Depreciation and impairments	-117.0	-53.7
7	Other operating expenses	-515.0	-356.2
	Operating profit	**318.3**	**84.9**
16	Share of associates' and joint ventures' result	3.3	6.0
16	Gain on disposal of investment in associated company	0.0	5.8
10	Financial income	39.8	1.0
10	Financial expenses	-85.8	-35.6
	Profit before taxes	**275.6**	**62.1**
11	Taxes	-50.6	-24.5
	PROFIT FOR THE PERIOD	**225.0**	**37.6**
	Profit for the period attributable to:		
	Shareholders of the parent company	225.7	37.6
	Non-controlling interest	-0.7	0.0
12	Earnings per share, basic (EUR)	2.88	0.64
12	Earnings per share, diluted (EUR)	2.88	0.64

Consolidated statement of other comprehensive income

(1,000,000 EUR)		Jan 1–Dec 31 2017	Jan 1–Dec 31 2016
	Profit for the period	**225.0**	**37.6**
	Items that can be reclassified into profit or loss		
34	Cash flow hedges	-5.3	30.1
	Exchange differences on translating foreign operations	-19.2	0.8
16	Share of associates' other comprehensive income	0.0	-3.8
11.3	Income tax relating to items that can be reclassified into profit or loss	1.1	-6.0
	Items that cannot be reclassified into profit or loss		
28	Re-measurement gains (losses) on defined benefit plans	-1.1	-11.9
11.3	Income tax relating to items that cannot be reclassified into profit or loss	0.7	3.0
	Other comprehensive income for the period, net of tax	**-24.0**	**12.2**
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**201.0**	**49.8**
	Total comprehensive income attributable to:		
	Shareholders of the parent company	202.7	49.8
	Non-controlling interest	-1.7	0.0

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET – IFRS

Note:	(1,000,000 EUR) ASSETS	Dec 31 2017	Dec 31 2016
	Non-current assets		
13	Goodwill	905.3	86.2
14	Intangible assets	633.3	98.1
15	Property, plant and equipment	270.4	128.1
	Advance payments and construction in progress	11.5	17.4
16	Investments accounted for using the equity method	69.8	8.9
	Other non-current assets	1.0	1.0
17	Deferred tax assets	118.3	57.0
	Total non-current assets	**2,009.6**	**396.6**
	Current assets		
18	Inventories	545.0	281.8
19	Accounts receivable	538.2	379.3
20	Other receivables	43.4	23.2
	Income tax receivables	20.9	12.1
6	Receivable arising from percentage of completion method	78.9	83.8
32	Other financial assets	37.7	31.1
21	Deferred assets	56.2	29.1
22	Cash and cash equivalents	233.1	167.4
	Total current assets	**1,553.3**	**1,007.8**
4.1.	**Assets held for sale**	**0.0**	**125.5**
	TOTAL ASSETS	**3,562.9**	**1,529.9**

CONSOLIDATED BALANCE SHEET – IFRS

Note:	(1,000,000 EUR) EQUITY AND LIABILITIES	Dec 31 2017	Dec 31 2016
	Equity attributable to equity holders of the parent company		
	Share capital	30.1	30.1
	Share premium	39.3	39.3
	Paid in capital	752.7	66.5
34	Fair value reserves	10.8	15.0
	Translation difference	2.6	20.8
	Other reserve	37.6	31.7
	Retained earnings	158.2	204.4
	Net profit for the period	225.7	37.6
23	**Total equity attributable to equity holders of the parent company**	**1,256.9**	**445.4**
16	Non-controlling interest	22.5	0.1
	Total equity	**1,279.4**	**445.5**
	Liabilities		
	Non-current liabilities		
27,32	Interest-bearing liabilities	600.8	54.2
28	Other long-term liabilities	278.7	40.0
24	Provisions	23.0	17.1
17	Deferred tax liabilities	150.1	12.5
	Total non-current liabilities	**1,052.6**	**123.8**
	Current liabilities		
27,32	Interest-bearing liabilities	157.9	269.5
6	Advance payments received	299.8	170.6
	Progress billings	0.9	1.5
	Accounts payable	201.2	99.1
24	Provisions	129.3	40.5
25	Other short-term liabilities (non-interest-bearing)	49.8	31.4
32	Other financial liabilities	6.8	18.2
	Income tax payables	57.0	14.7
	Accrued costs related to delivered goods and services	177.1	125.2
25	Accruals	151.1	95.6
	Total current liabilities	**1,230.9**	**866.2**
	Total liabilities	**2,283.5**	**990.0**
4.1.	**Liabilities directly attributable to assets held for sale**	**0.0**	**94.4**
	TOTAL EQUITY AND LIABILITIES	**3,562.9**	**1,529.9**

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – IFRS

(1,000,000 EUR)	Equity attributable to equity holders of the parent company								Non-controlling interest	Total equity
	Share capital	Share premium account	Paid in capital	Cash flow hedges	Translation difference	Other reserve	Retained earnings	Total		
Balance at January 1, 2017	**30.1**	**39.3**	**66.5**	**15.0**	**20.8**	**31.7**	**242.0**	**445.4**	**0.1**	**445.5**
Share issue			686.2				0.0	686.2		**686.2**
Dividends paid to equity holders							-82.3	-82.3	-0.5	**-82.9**
Equity-settled share based payments (note 29)						4.9	0.0	4.9		**4.9**
Acquisitions							0.0	0.0	24.7	**24.7**
Profit for the period							225.7	225.7	-0.7	**225.0**
Other comprehensive income				-4.2	-18.2		-0.5	-23.0	-1.0	**-24.0**
Total comprehensive income				-4.2	-18.2		225.2	202.7	-1.7	**201.0**
Balance at December 31, 2017	**30.1**	**39.3**	**752.7**	**10.8**	**2.6**	**36.6**	**384.8**	**1,256.9**	**22.5**	**1,279.4**
Balance at 1 January, 2016	**30.1**	**39.3**	**66.5**	**-9.1**	**20.1**	**29.9**	**279.1**	**455.9**	**0.1**	**456.0**
Dividends paid to equity holders							-61.7	-61.7		**-61.7**
Equity-settled share based payments (note 29)						1.8	0.0	1.8		**1.8**
Acquisitions							-0.3	-0.3		**-0.3**
Profit for the period							37.6	37.6		**37.6**
Other comprehensive income				24.1	0.8		-12.7	12.2	0.0	**12.2**
Total comprehensive income				24.1	0.8		24.9	49.8	0.0	**49.8**
Balance at December 31, 2016	**30.1**	**39.3**	**66.5**	**15.0**	**20.8**	**31.7**	**242.0**	**445.4**	**0.1**	**445.5**

CONSOLIDATED CASH FLOW STATEMENT – IFRS

(1,000,000 EUR)		Jan 1–Dec 31 2017	Jan 1–Dec 31 2016
Note:			
	Cash flow from operating activities		
	Profit for the period	225.0	37.6
	Adjustments to net profit for the period		
	Taxes	50.6	24.5
	Financial income and expenses	46.0	34.6
	Share of associates' and joint ventures' result	-3.3	-11.8
	Dividends income	0.0	0.0
	Depreciation and impairments	117.0	53.7
	Profits and losses on sale of fixed assets	-217.5	3.4
	Other adjustments	0.7	5.5
	Operating income before change in net working capital	**218.4**	**147.4**
	Change in interest-free current receivables	15.1	-50.3
	Change in inventories	-3.4	61.3
	Change in interest-free current liabilities	104.9	29.8
	Change in net working capital	**116.6**	**40.9**
	CASH FLOW FROM OPERATIONS BEFORE FINANCING ITEMS AND TAXES	**335.0**	**188.3**
10	Interest received	14.6	8.8
10	Interest paid	-43.4	-19.3
10	Other financial income and expenses	-18.7	-38.5
11	Income taxes paid	-38.2	-29.6
	Financing items and taxes	**-85.6**	**-78.6**
	NET CASH FROM OPERATING ACTIVITIES	**249.4**	**109.6**
	Cash flow from investing activities		
4	Acquisition of Group companies, net of cash	-733.2	-0.2
4	Divestment of businesses, net of cash	213.4	0.0
	Proceeds from disposal of associated company	2.8	47.8
	Capital expenditures	-28.7	-27.3
	Proceeds from sale of property, plant and equipment and other	3.7	1.5
	NET CASH USED IN INVESTING ACTIVITIES	**-542.0**	**21.7**
	Cash flow before financing activities	**-292.6**	**131.4**
	Cash flow from financing activities		
	Proceeds from non-current borrowings	1,602.0	0.0
	Repayments of non-current borrowings	-1,050.0	-4.6
	Proceeds from (+), payments of (-) current borrowings	-140.7	47.5
	Change in loan receivables	11.6	0.0
4	Acquired non-controlling interest	0.0	-0.3
	Dividends paid to equity holders of the parent company	-82.3	-61.7
	Dividends paid to non-controlling interests	-0.5	0.0
	NET CASH USED IN FINANCING ACTIVITIES	**340.0**	**-19.1**
	Translation differences in cash	-8.6	1.1
	CHANGE OF CASH AND CASH EQUIVALENTS	**38.9**	**113.4**
	Cash and cash equivalents at beginning of period*)	194.1	80.8
4.1.	Cash and cash equivalents in assets held for sale at the end of period	0.0	26,8
22	Cash and cash equivalents at end of period	233.1	167.4
	CHANGE OF CASH AND CASH EQUIVALENTS	**38.9**	**113.4**

*) Includes cash and cash equivalents of Stahl CraneSystems business which was divested on January, 2017

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 year.
The accompanying notes form an integral part of the consolidated financial statements.

1. Corporate information

Konecranes Plc ("Konecranes Group" or "the Group") is a Finnish public limited company organized under the laws of Finland and domiciled with its principal place of business 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 three reportable segments, which it calls Business Areas: Business Area Service and Business Area Industrial Equipment and Business Area Port Solutions.

2. Accounting principles

2.1. Basis of preparation

The consolidated financial statements of Konecranes Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for items that are required by IFRS to be measured at fair value, principally certain financial instruments.

The 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.

Due to the rounding, some totals might differ from the sum of individual figures as calculations are done originally in thousands of euros.

The financial statements were approved for issuance by the Board of Directors on February 7, 2018.

Principles of consolidation

The consolidated financial statements comprise the consolidated balance sheet of Konecranes Plc and its subsidiaries as at December 31, 2017 and 2016 and the consolidated statements of income and cash flows for the periods ended December 31, 2017 and 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangement
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under this method, the consolidated financial statements show the Group's investment in and share of net assets of the associate or joint venture. Any premium over net assets paid to acquire an interest in an associate or joint venture is recognized as goodwill within the same line as the underlying investment. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as Share of profit of an associate and a joint venture in the statement of profit or loss.

2.2. Use of estimates and judgments

Estimates

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 the Company assess 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. Changes in estimates and assumptions are recognized in the financial period the estimate or assumption is changed.

The most important items in the consolidated financial statements, which require management's estimates and that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change are impairment testing, recognition of deferred taxes, measurement of the fair value of assets and actuarial assumptions in defined benefit plans, and percentage of completion revenue recognition in long term projects.

Impairment testing

The recoverable amount for goodwill has been determined based on value in use of the relevant cash generating unit to which the goodwill is allocated. The recoverable amounts of all material intangible assets and property, plant and equipment have also been based on their value in use. The impairment testing of goodwill is based on numerous judgmental estimates of the present value of the cash flows which effect the valuation of the cash generating units (CGU) pertaining to the goodwill. Cash flow forecasts are made based on CGU specific historical data, order book, the current market situation and industry specific information of the future growth possibilities. These assumptions are reviewed annually as part of management's budgeting and strategic planning cycles and can be subject to significant adjustment as arising from the development of the global economy, pressure from competitors' products as well as changes in raw material prices and operating expenses. The value of the benefits and savings from the efficiency improvement programs already announced and included in certain cash flow estimates are also subjective and based on management's best estimate of the impact. The fair value of the CGUs is determined using a derived weighted average cost of capital as the rate to discount estimated future cash flows. The discount rate used may not be indicative of actual rates obtained in the markets in the future. See note 13.

Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method according to which the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. The excess of the consideration transferred for the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The measurement of fair value of the acquired net assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows (intangible assets). The valuation, which is based on prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement, estimates and assumptions. See note 4.

Recognition of deferred taxes

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or in which tax losses can be utilized. The tax effect of unused tax losses is recognized as a deferred tax asset when it becomes probable that the tax losses will be utilized. In making assessments regarding deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. The actual current tax exposure is estimated together with assessing temporary differences resulting from differing treatment of items, such as depreciation, provisions and accruals, for tax and accounting purposes. When recording the deferred tax assets judgment have been based on the estimates of the taxable income in each subsidiary and country in which Konecranes operates, and the period over which the deferred tax assets will be recoverable based on the estimated future taxable income and planned tax strategies to utilize these assets. The amount of deferred tax assets considered realizable could however be reduced in subsequent years if estimates of future taxable income during their carry forward periods are reduced, or rulings by the tax authorities are unfavourable. Estimates are therefore subject to change due to both market related and tax authorities related uncertainties, as well as Konecranes' own future decision matters such as restructuring. Konecranes is unable to accurately quantify the future adjustments to deferred income tax expense that may occur as a result of these uncertainties. See note 17.

Actuarial assumptions in defined benefit plans

The net pension liability and expense for defined benefit plans is based on various actuarial assumptions such as the assumed discount rate, expected development of salaries and pensions and mortality rates. Significant differences between assumptions and actual experience, or significant changes in assumptions, may materially affect the pension obligations. The effects of actual results differing from assumptions and the changing of assumptions are included in Remeasurement gains/loss on defined benefit plans in other comprehensive income. Discount rates are determined annually based on changes in long-term, high quality corporate bond yields.

Decreases in the discount rates results in an increase in the defined benefit obligation and in pension costs. Conversely, an increase in the discount rate results in a decrease in the defined benefit obligation and in pension costs. Increases and decreases in mortality rates have an inverse impact on the defined benefit obligation and pension costs. Increases and decreases in salary and pension growth rates have a direct correlating impact on the defined benefit obligation and pension costs.

The assumed discount rate, which is based on rates observed at the end of the preceding financial year may not be indicative of actual rates realized. The actual development for salaries and pensions may not reflect the estimated future development due to the uncertainty of the global economy and various other factors. Konecranes uses generational mortality tables to estimate probable future mortality improvements. These tables assume that the trend of increasing life expectancy will continue, resulting in pension benefit payments to younger members being likely to be paid for longer time periods than older members' pensions, given that assumed retirement ages are those defined in the rules of each plan.

The funded status, which can increase or decrease based on the performance of the financial markets or changes in our assumptions, does not represent a mandatory short-term cash obligation. Instead, the funded status of a defined benefit pension plan is the difference between the defined benefit obligation and the fair value of the plan assets. See note 28.

Percentage of completion revenue recognition in long term projects

Konecranes applies the percentage of completion method (cost to cost) for recognizing revenue from long term large crane projects in accordance with IAS 11 Construction Contracts. The percentage of completion is based on the cost-to-cost method. Under this method, progress of contracts is measured by actual costs incurred in relation to management's best estimate of total estimated costs at completion, which are reviewed and updated routinely for contracts in progress. The cumulative effect of any change in estimate is recorded in the period in which the change in estimate is determined.

The percentage-of-completion method of accounting involves the use of assumptions and projections, principally relating to future material, labor and project-related overhead costs. As a consequence, there is a risk that total contract costs will exceed those originally estimated and the margin will decrease or the contract may become unprofitable. This risk increases as the duration of a contract increases because there is a higher probability that the circumstances upon the estimates were originally based will change, resulting in increased costs that may not be recoverable. Factors that could cause costs to increase include: unanticipated technical problems with equipment supplied or developed by us which may require us to incur additional costs to remedy, changes in the cost of components, materials or labor, project modifications creating unanticipated costs, suppliers' or subcontractors' failure to perform, and delays caused by unexpected conditions or events. By recognizing changes in estimates cumulatively, recorded revenue and costs to date reflect the current estimates at the stage of completion for each project. Additionally, losses on long-term contracts are recognized in the period when they are identified and are based upon the anticipated excess of contract costs over the related contract revenues.

Judgments

There have been no changes in judgments throughout the years 2017 and 2016.

2.3. Summary of significant accounting policies

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company, that revenue can be reliably measured, and that collectability is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable. The creditworthiness of the buyer is assessed before engaging into a sale. However, if a risk of non-payment arises after revenue recognition, a provision for non-collectability is established. The specific recognition criteria described below must also be met before revenue for the sale of goods is recognized:

a) The entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c) The amount of revenue can be measured reliably;
d) It is probable that the economic benefits associated with the transaction will flow to the entity; and
e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The transfer of risk takes place either when goods are shipped or made available to the buyer for shipment, depending on the terms of the contract.

Revenue from services is recognized when the outcome of the transaction can be estimated reliably and by reference to the stage of completion based on services performed at the end of the reporting period. The assessment of the stage of completion is dependent on the nature of the contract, but will generally be based on costs incurred to the extent these relate to services performed up to the reporting date or by written customer acknowledgement.

The outcome can be estimated reliably when all of the following criteria are satisfied:

a) The amount of revenue can be measured reliably;
b) It is probable that the economic benefits associated with the transaction will flow to the entity;
c) The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from large crane construction contracts is recognized according to the percentage of completion (POC) method described in IAS 11 as those contracts are specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. The stage of completion of a contract is determined by the proportion that the contract costs incurred for the work performed to date bear to the estimated total contract costs (cost-to-cost method) at completion. When the final outcome of a project cannot be reliably determined, the costs arising from the project are expensed in the same reporting period in which they occur, but the revenue from the project is recorded only to the extent that the Group will receive an amount corresponding to actual costs. An expected loss on a contract is recognized immediately in statement of income. Revenue in respect of variations to the contract scope and claims is recognized when it is probable that it will be received and is capable of being measured reliably.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to reliably measure the expenditure during development.

Amortization of capitalized development costs begins when development is complete and the asset is available for use.

Adjusted EBITA

Adjusted operating profit before amortization and impairment of purchase price allocations (a non-GAAP measure) represents earnings from continuing operations before income taxes (a GAAP measure), excluding restructuring, transaction and related asset impairment costs as well as other adjusting items, amortization and impairment of purchase price allocations and financial income and expense. See also note 3.

Earnings per share

Basic earnings per share are computed by dividing income from continuing operations, income from discontinued operations and net income, all attributable to ordinary shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by assuming conversion or exercise of all potentially dilutive share-based payment plans.

Dividend distribution

The company recognizes a liability to make dividend distributions to equity holders when the distribution is approved by the shareholders. A corresponding amount is recognized directly in equity.

Employee benefits

Konecranes companies have various pension plans in accordance with local conditions and practices. Pensions are generally managed for the Group companies by outside pension insurance companies or by similar arrangements. These pension plans are classified either as defined contribution or defined benefit plans. Under defined contribution plans, expenses are recognized for the period the contribution relates to. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employee benefits. The Konecranes Group accounts for the Finnish system under the Employees' Pensions Act (TyEL) within insurance system as a defined contribution plan.

Under defined benefit plans, a liability recognized in the balance sheet equal to the net of the present value of the defined benefit obligation (calculated using the Projected Unit Credit Method) less the fair value of the plan assets at the balance sheet date. Actuarial gains and losses are recognized in the consolidated statement of other comprehensive income as remeasurement items when they occur. Remeasurement recorded in other comprehensive income is not recycled. Past service cost is recognized in the statement of profit or loss in the period of plan amendment. Net-interest is calculated by applying the discount rate to the net defined liability or asset. Independent actuaries calculate the defined benefit obligation by applying the Projected Unit Credit Method. The Group presents service cost, past-service cost, gains and losses on curtailments and settlements and net interest expense or income as Personnel cost – Pension costs: Defined benefit plans in the statement of income (see Note 8).

A liability for termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Share based payments

Employees (including senior executives) of the Group and its subsidiaries receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions) or receive settlement in cash (cash-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognized, together with a corresponding increase in other reserves in equity, over the period in which the performance and/or service conditions are fulfilled in Personnel cost – Other personnel expense in the statement of income. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recorded in the statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognized in Personnel cost – Other personnel expenses in the statement of income (see Note 8).

Foreign currency translation

The Group's consolidated financial statements are reported in euros, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the end of each reporting period, foreign currency monetary items are retranslated at the functional currency spot exchange rate in effect at the reporting date. The resulting foreign currency exchange differences are recorded in the statement of income with the exception of differences that arise on monetary items that provide an effective hedge for a net investment in a foreign operation (such as intragroup loans where settlement is neither planned nor likely to occur in the foreseeable future). These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Foreign operations

The assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Income tax

Taxes shown in the consolidated statement of income include income taxes to be paid on the basis of local tax legislations, tax adjustments from previous years as well as the effect of the annual change in the deferred tax liability and deferred tax balances. Taxes are calculated using rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities and deferred tax assets are calculated on all temporary differences arising between the tax basis and the book value of assets and liabilities. Deferred tax is not recognized for non-deductible goodwill on initial recognition and temporary differences in investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. The main temporary differences arise from unused tax losses, depreciation differences, provisions, defined benefit pension plans, inter-company inventory margin and derivative financial instruments. In connection with an acquisition, the Group records provisions for deferred taxes on the difference between the fair values of the net assets acquired and their tax bases. A deferred tax asset is recognized to the extent that it is probable that it can be utilized.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method according to which the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. The excess of the consideration transferred for the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. For each acquisition the non-controlling interest in the acquiree, if any, can be recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. If the purchase consideration is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly through the profit and loss. Direct acquisition transaction costs are expensed as incurred.

Asset held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally thorough a disposal rather than through the continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sales are highly probable and the asset or disposal group is available for immediate disposal in its present condition. Actions required to complete the disposal should indicate that it is unlikely that significant changes to the disposal will be made or that the decision to dispose will be withdrawn. Management must be committed to the disposal expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Additional disclosures are provided in Note 4.1.

Intangible assets

Intangible assets include service contracts, patents and trademarks as well as software licenses and implementation costs. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets with definite useful life are amortized on the straight-line basis over expected useful lives, which may vary from 5 to 20 years with service contracts and patents and trademarks and from 4 to 7 years with software licenses. They are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful life are not amortized, but they are tested annually for impairment in a manner equivalent to that for testing goodwill. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Impairment testing of goodwill

Goodwill acquired in a business combination is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. If the carrying amount for a CGU exceeds its recoverable amount, an impairment loss equal to the difference is recognized. Konecranes uses a discounted cash flow analyses to assess the fair value of goodwill. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. A previously recognized impairment loss on goodwill is not reversed even if there is a significant improvement in circumstances having initially caused the impairment.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is recorded on a straight-line basis over the estimated useful economic life of the assets as follows:

- Buildings 10–40 years
- Machinery and equipment 3–10 years

No depreciation is recorded for land.

Expectations made for existing property, plant and equipment that will provide future economic benefit are capitalized and depreciated over the remaining useful life of the asset.

Impairment of assets subject to amortization and depreciation

The carrying values of intangible assets subject to amortization, property, plant and equipment and investments in associates and joint ventures are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such an indication exists, the recoverable amount of the assets will be estimated.

The recoverable amount is the higher of the assets fair value less selling costs and value in use which is the present value of the cash flows expected from the asset's use and eventual disposal. An impairment loss is recognized in the statement of income when the recoverable amount of an asset is less than its carrying amount. Impairment losses on these assets are reversed if their recoverable amounts subsequently increase.

Valuation of inventories

Raw materials and supplies are valued at the acquisition cost or, if lower, at the net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Semi-manufactured goods are valued at variable production costs including a share of production overheads based on normal capacity. Work in progress of uncompleted orders includes direct labor and material costs, as well as a proportion of overhead costs related to production and installation. Raw materials and supplies are valued using the first-in, first-out (FIFO) basis or weighted average cost. The inventory stock obsolescence provision is based on the best estimate of slow-moving and obsolete inventory at the balance sheet date. The estimates are based on frequent review and evaluation of inventory ageing and composition.

Account and other receivables

Account and other receivables are initially recorded at fair value after which they are subsequently measured at amortised cost. Provisions are made for doubtful receivables on individual assessment of potential risks. The effect is recognized in the statement of income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with banks and other liquid investments with original maturities of three months or less. Bank overdrafts are included in current interest-bearing liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Group categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or Konecranes' assumptions about pricing by market participants.

Derivative financial instruments and hedge accounting

The Group's global operations expose it to currency risk and to a lesser extent interest rate risk.

The Group uses derivative financial instruments, primarily forward contracts and interest rate swaps, to hedge its risks associated with foreign currency fluctuations relating to certain commitments and forecasted transactions and interest rate risks. Derivative financial instruments are used for hedging purposes in accordance with the Group's hedging policy and not for speculative purposes. These instruments are initially recognized at fair value at the derivative contract date, and are re-measured to fair value at subsequent reporting dates. Derivatives are presented as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For certain large crane projects, the Group applies hedge accounting. The Group applied also hedge accounting to the USD denominated purchase price of MHPS acquisition. The Group designates hedges of the foreign currency risk of firm commitments and highly probable forecasted transactions to a cash flow hedge. Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in other comprehensive income, while the ineffective portion is recognized immediately in the income statement. See note 34.

Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in the other comprehensive

income is transferred to profit or loss for the period.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the statement of income as they arise.

The Group does not apply fair value hedging.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; or as financial liabilities measured at amortized cost, as appropriate. Financial liabilities include trade and other payables, finance debt and derivative financial instruments. The Group determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognized in the income statement. Derivatives, other than those designated as effective hedging instruments, are classified as held for trading and are included in this category.

Derivatives designated as hedging instruments in an effective hedge

These derivatives are carried on the balance sheet at fair value. The treatment of gains and losses arising from revaluation is described above in the accounting policy for derivative financial instruments and hedging accounting.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest and other income and finance costs. This category of financial liabilities includes accounts payables and interest bearing liabilities.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently existing, legally enforceable, unconditional right of offset that applies to all counterparties of the financial instruments in all situations, including both normal operations and insolvency.

Provisions

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is considered probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions may arise from restructuring plans, onerous contracts, guarantees and warranties, among other events. Obligations arising from restructuring plans are recognized when the detailed and formal restructuring plans have been established, the personnel concerned have been informed and when there is a valid expectation that the plan will be implemented. The warranty provision is based on the history of past warranty costs and claims on delivered products under warranty. Additionally, warranty provisions can be established on a case by case basis to take into consideration the potentially increased risks.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

Leases

Lease contracts, in which the Group assumes substantially all risks and rewards of ownership, are classified as finance leases. In finance leases, the assets are recognized in property, plant and equipment at the lower of fair value or the present value of the minimum lease payments as determined at the inception of the lease. The value capitalized is amortized on a straight-line basis over the shorter of the lease period or the useful economic life of the asset. The corresponding lease obligations are included in interest-bearing liabilities.

Other lease contracts are classified as operating leases where the lease payments of these leases are recognized as rental expenses in the statement of income on a straight-line basis over the lease term.

Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method. In the cash flow statement a distinction is made between cash flows from operating, investing and financing activities. Currency differences on cash and cash equivalents are recognized separately in the cash flow statement. Revenue and expenses for income tax are recognized under Cash flows from operating activities. Interest costs and interest revenues are recognized under Cash flows from operating activities. Cash flows as a result of the acquisition or disposal of financial interests (subsidiaries and interests) are recognized under Cash flows from investing activities, taking into account the cash, cash equivalents and repaid third party debts present in these interests. Dividends paid out, as well as obtained loans, are recognized under Cash flows from financing activities.

2.4. Application of new and amended IFRS standards and IFRIC interpretations

The relevant new or revised IFRSs that Konecranes has adopted from January 1, 2017 are the following:

IAS 7 Disclosure Initiative – Amendments to IAS 7, which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are effective for annual periods beginning on or after 1 January 2017.

The relevant new or revised IFRSs that Konecranes has not yet adopted are the following:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, Amendments to IFRS 10 and IAS 28 requires Konecranes to recognize gains and losses on such sales or contributions only to the extent they relate to the interest in the Associate or Joint Venture that does not constitute a business and that is held by investors other than Konecranes. The gain or loss resulting from the sale or contribution to an Associate or a Joint Venture of assets that constitute a business as defined in IFRS 3 is recognised in full. The standard has been effective from January 1, 2016 but not yet endorsed by EU.

IFRS 9 Financial Instruments introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. Konecranes is not using the early application option.

The new hedging model may lead to more economic hedging strategies meeting the requirement for hedge accounting. Konecranes believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. The Group continues measuring at fair value all financial assets currently measured at fair value. Accounts receivable are held to collect contractual cash flows and are expected to rise from cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be initially recorded at fair value through profit or loss after which they are subsequently measured at amortised cost under IFRS 9. The Group applies the simplified approach to record expected credit losses on its accounts receivable. The Group will estimate credit losses in the future by using a provision matrix where accounts receivable are grouped based on different customer bases and different historical loss patterns. Under the simplified model, companies could adjust the historical provision rates, which are an average of historical outcomes of credit losses, for their accounts receivable to reflect relevant information about current conditions and reasonable and supportable forecasts about the future. Based on analysis and transition adjustment calculations, IFRS 9 will not have a material effect on the level of provision for credit losses. The effect in the provision is approximately EUR +1.2 million, EUR +0.4 million in the deferred tax assets and EUR -0.8 million in the retained earnings at the end of 2017.

IFRS 15 Revenue from Contracts with Customers recognizes revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment. In addition, the new standard requires a set of quantitative and qualitative disclosures to enable users of the Group's consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018; early application is permitted. Konecranes is not using the early application option and applies the full retrospective approach in transition.

Revenue recognition from contracts with customers, in which sale of equipment is generally expected to be the only performance obligation, is not expected to have any impact on the Group's profit and loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer. Goods sold as installed are considered to be one performance obligation and the revenue recognition takes place once the commissioning has been done and approved by the customer. This standard may impact revenue recognition of long term projects as the criteria for recognizing the revenue over time (percentage of completion method) will change and be based on the fact that at any time during the contract term, Konecranes must be entitled to an amount that at least compensates the Group for performance completed to date, even if the customer can terminate the contract for reasons other than our failure to perform as promised.

The Group provides installation and maintenance services within the service segment. These services are sold either on their own service contracts or bundled together with the sale of equipment to a customer. Currently Group accounts for the equipment and service as separate deliverables and recognise the revenue separately according to the stand-alone selling prices and continues to recognize the service revenue when the outcome of the transaction can be estimated reliably and by reference to the stage of completion based on services performed at the end of the reporting period. The assessment of the stage of completion is dependent on the nature of the contract, but will generally be based on costs incurred to the extent these relate to services performed up to the reporting date or by written customer acknowledgement. IFRS 15 does not have any material impact on the Group's profit and loss statement for revenue recognition of installation and maintenance services.

Sales contracts could give customers the option to purchase additional goods, which may be priced at a discount. These kind of options are considered to be separate performance obligations and the revenue can be recognized if it provides a material right to the customers. The right is material if it results in a discount that the customer would not receive without entering into the contract. If the discounted price in the option reflects the stand alone selling price, it is deemed to be more a marketing offer than a material right. According to analyses there might be a few these kinds of options in the contracts that will have some effect on the timing of the revenue recognition. Current practise is to recognise the revenue when the customer is utilizing the option.

Currently Group recognizes revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of estimated probable returns and allowances, trade discounts and volume rebates. Such provisions give rise to variable consideration in IFRS 15 and will be required to be estimated at contract inception. Contracts with customers that provide right of return, trade discounts or volume rebates are rarely used by the Group, thus their effect to the revenue recognition is immaterial.

In project business the contracts usually have clauses for penalties of late deliveries or penalties if the delivery cannot take place in time due to the customer reason. The penalties for late deliveries are currently accounted as provisions for cost when their probability is more likely than not to occur. The penalty payments received from customers have been recognised as sales when the penalty clauses in the contract have been satisfied. Such penalties will be treated as a variable consideration in IFRS 15 and will be required to be estimated at contract inception. According to analyses this will reduce the Group's recognized revenue to some extent when the penalties accounted for costs are to be deducted from sales according to IFRS 15.

The Group provides for warranties related to general repairs and product liability. According to the preliminary analyses prepared some contracts might include extended warranties over the normal industry standard warranty period as well as service-type warranties and thus can effect on the timing of the revenue recognition. Current practise has been to make a provision for this warranty liability. Most of the warranties will still be assurance type warranties which will continue to be accounted for under IAS 37 consistent with Group's current practice.

The disclosure requirements in IFRS 15 will be more extensive than in the present IFRS standards. Based on analysis and transition adjustment calculations, the effect of IFRS 15 to the sales of 2017 is approximately EUR +0.7 million, to EBIT EUR +0.4 million and to net result EUR +0.4 million. The effect to the 1.1.2017 retained earnings is approximately EUR -1.1 million and to the 1.1.2018 retained earnings approximately EUR -0.6 million.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendment to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification form cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods. The amendments are effective for annual periods beginning on or after 1 January 2018, but not yet endorsed by EU. The Group has performance share plans in which the share-based payment transaction with net settlement features for withholding tax obligations. According to IFRS 2 amendment, the existing plans at 1.1.2018 are not divided anymore into two components (cash-settled and equity-settled) but are classified in their entirety as equity-settled share-based payment transactions. Based on analysis and transition adjustment calculations, the effect of IFRS 2 amendment to the equity at the end of 2017 is approximately EUR +1.5 million, to non-interest bearing liabilities EUR -5.3 million and to deferred assets EUR -3.8 million.

IFRS 16 Leases replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC -27 Evaluating the Substance of Transactions Involving the Legal form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance lease under IAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease terms. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (for example, a change in lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements during 2018. It is however expected that the right of use assets and corresponding liabilities will be increased significantly after the standard is implemented.

3. Segment information

For management purposes, the Group is organized into business units based on its products and services and had three reportable segments in 2017, 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.

Business Area Service provides maintenance and installation services of industrial equipment, Business Area Industrial Equipment produces industrial cranes and their components to variety of industries and Business Area Port Solutions produces lifting equipment for ports and provides services for port equipment.

Some business units have been aggregated to form the above reportable operating segment due to the similar economic characteristics with respect to the nature of the production process, product type and class of customers for their products.

The above reportable segments are based on the Group's management reporting and organizational structure. Konecranes Group's chief operating decision maker is the Board of Directors.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, the performance of the investees accounted for using the equity method is evaluated using proportionate consolidation.

The assets and liabilities of the reportable segments include only items directly connected with the business as well as the goodwill related to them. Also the tax and financial income and expenses are managed on Group level and are not allocated to segments.

Konecranes reports also three geographical areas, which are the main market areas: EMEA (Europe, Middle East and Africa), AME (Americas) and APAC (Asia-Pacific). Sales are reported by the customer location and assets and capital expenditure by the location of the assets.

3.1. Operating segments

	Service		Industrial Equipment		Ports solutions		Corporate functions and unallocated items		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Sales												
Sales to external customers	1,136.3	874.2	1,035.5	712.4	964.1	531.8	0.6	0.0			**3,136.4**	**2,118.4**
Inter-segment sales	41.7	40.6	83.2	117.7	11.9	11.4	5.8	0.0	-142.6	-169.7	**0.0**	**0.0**
Total sales	1,178.0	914.8	1,118.7	830.1	976.0	543.2	6.4	0.0	-142.6	-169.7	**3,136.4**	**2,118.4**
Adjusted EBITA	160.9	100.2	34.6	15.7	44.7	50.5	-29.5	-21.5	5.5	0.0	**216.2**	**144.8**
% of net sales	13.7%	11.0%	3.1%	1.9%	4.6%	9.3%					**6.9%**	**6.8%**
Purchase price allocation amortization	-12.9	-1.3	-14.7	-1.2	-10.9	-1.5					**-38.6**	**-4.0**
Adjusted operating profit	148.0	98.9	19.9	14.5	33.8	49.0	-29.5	-21.5	5.5	0.0	**177.6**	**140.8**
% of net sales	12.6%	10.8%	1.8%	1.7%	3.5%	9.0%					**5.7%**	**6.6%**
Adjustments to operating profit												
Transaction costs							-4.9	-47.0			**-4.9**	**-47.0**
Restructuring costs	-6.8	-8.7	-21.1	-8.5	-19.5	0.0	-18.2	-2.0			**-65.6**	**-19.2**
Insurance indemnity and returned funds related to identity theft							0.0	10.2			**0.0**	**10.2**
Release of MHPS purchase price allocation in inventories	-1.8	0.0	-2.8	0.0	-2.7	0.0	0.0	0.0			**-7.3**	**0.0**
Gain on disposal of Stahl CraneSystems							218.4	0.0			**218.4**	**0.0**
Total adjustments	-8.7	-8.7	-23.8	-8.5	-22.2	0.0	195.3	-38.7			**140.7**	**-55.9**
Operating profit	139.3	90.2	-4.0	6.0	11.6	49.0	165.8	-60.3	5.5	0.0	**318.3**	**84.9**
% of net sales	11.8%	9.9%	-0.4%	0.7%	1.2%	9.0%					**10.1%**	**4.0%**
Share of associates and joint ventures result (note 16)							3.3	11.8			**3.3**	**11.8**
Financial income							39.8	1.0			**39.8**	**1.0**
Financial expenses							-85.8	-35.6			**-85.8**	**-35.6**
Profit before tax											**275.6**	**62.1**
Segment assets	1,287.1	380.3	880.5	571.3	840.6	227.5					**3,008.3**	**1,179.1**
Investment accounted for using the equity method (note 16)							69.8	8.9			**69.8**	**8.9**
Cash and cash equivalents							233.1	194.1			**233.1**	**194.1**
Deferred tax assets							118.3	69.8			**118.3**	**69.8**
Income tax receivables							20.9	12.1			**20.9**	**12.1**
Other unallocated and corporate function level assets							112.6	65.8			**112.6**	**65.8**
Total assets	**1,287.1**	**380.3**	**880.5**	**571.3**	**840.6**	**227.5**	**554.6**	**350.8**			**3,562.9**	**1,529.9**
Segment liabilities	204.3	149.9	336.3	312.2	398,0	175.6					**938.6**	**637.7**
Interest-bearing liabilities							758,6	323.7			**758.6**	**323.7**
Deferred tax liabilities							150.1	15.7			**150.1**	**15.7**
Income tax payables							57.0	14.8			**57.0**	**14.8**
Other unallocated and corporate function level liabilities							379.1	92.6			**379.1**	**92.6**
Total liabilities	**204.3**	**149.9**	**336.3**	**312.2**	**398.0**	**175.6**	**1,344.9**	**446.8**			**2,283.5**	**1,084.5**
Other disclosures												
Capital expenditure	11.3	10.9	14.4	16.3	10.0	6.7					**35.7**	**33.8**
Personnel	7,206	5,749	6,024	4,353	3,067	789	74	60			**16,371**	**10,951**

3.2. Geographical areas

2017	EMEA*)	AME	APAC	Total
External sales*)	1,633.7	980.0	522.8	**3,136.4**
Assets*)	2,682.1	480.1	400.7	**3,562.9**
Capital expenditure	32.2	1.2	2.3	**35.7**
Personnel	9,920	3,205	3,246	**16,371**

*) External sales to Finland EUR 105.6 million. Non-current assets (excluding deferred tax assets) in Finland: EUR 191.1 million and in other countries: EUR 1,700.1 million.

2016	EMEA*)	AME	APAC	Total
External sales*)	1,001.4	802.5	314.5	**2,118.4**
Assets*)	883.1	387.9	258.9	**1,529.9**
Capital expenditure	26.4	3.0	4.5	**33.8**
Personnel	5,842	2,704	2,405	**10,951**

*) External sales to Finland EUR 178.6 million. Non-current assets (excluding deferred tax assets) in Finland: EUR 135.4 million and in other countries: EUR 204.2 million. There are no single customers which have over 10% of Group's sales.

4. Acquisitions and divestments

Acquisitions in 2017

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 795.8 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 fair values of the identifiable assets and liabilities of the acquired MHPS businesses at the date of Acquisition are 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. The non-controlling interest is recognized at the non-controlling interest's proportionate share of the acquiree's net assets. The acquisition offers 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.

	Fair value
Intangible assets	
Clientele	245.0
Technology	104.1
Trademark	227.6
Other intangible assets	11.1
Property, plant and equipment	175.4
Investments accounted for using the equity method	63.2
Inventories	283.3
Accounts receivable	224.3
Other assets	112.5
Cash and cash equivalents	62.6
Total assets	**1,509.1**
Non-controlling interest	24.6
Deferred tax liabilities	151.0
Defined benefit plans	241.0
Other long-term liabilities	10.5
Accounts payable and other current liabilities	429.5
Total liabilities	**856.6**
Net assets	**652.6**
Purchase consideration transferred	**1,482.0**
Goodwill	**829.5**
Cash flow on acquisition	
Purchase consideration, paid in cash	795.8
Transactions costs[1]	69.1
Cash and cash equivalents in acquired companies	-62.6
Net cash flow arising on acquisition	**802.3**
Purchase consideration:	
Purchase consideration, paid in cash	795.8
Purchase consideration, paid in shares	686,2
Total purchase consideration	**1,482.0**

[1] Transaction costs of EUR 4.9 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.

As MHPS was acquired on January 4th, 2017 the full year sales of acquiree were EUR 1,204.5 million and EBIT (including restructuring costs) EUR 70.1 million. The amount of goodwill that is expected to be deductible for tax purposes was EUR 45,6 million.

Disposals in 2017

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 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.

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 2017 in other operating income. With this divestment, Konecranes streamlined its product and brand portfolio in Chinese market.

On December 21, 2017, Konecranes divested Morris Middle East Ltd, including the 49-percent shareholding in Eastern Morris Cranes Ltd held by the company, to Columbus McKinnon Corporation. The transaction was related to the earlier divestiture of Stahl CraneSystems. Konecranes received cash proceeds of EUR 2.8 million from the transaction and did not record any loss or profit from this disposal.

Acquisitions and divestments in 2016

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.

In September 2016, Konecranes sold its small Moroccan service company Techniplus S.A. The disposal of the company resulted EUR 0.8 million loss reported in the other operating expenses of the statement of income.

4.1. Assets held for sale in 2016

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, 2017, Konecranes Plc ("Konecranes") completed the divestment.

The assets and liabilities of STAHL CraneSystems have been reported in the consolidated balance sheet 2016 separately as held for sale from 15.9.2016 onwards when the extraordinary general meeting of Konecranes approved the resolutions required for the completion of the MHPS Acquisition. The disposal group (assets and liabilities relating to STAHL CraneSystems business) was valued at carrying amounts, which is lower than the fair value less costs to sell and assets have no longer been depreciated since classified as held for sale.

Assets	Dec 31 2016
Intangible assets	31.7
Property, plant and equipment	6.9
Deferred tax assets	12.8
Inventories	21.8
Accounts receivable	24.3
Other receivables	1.3
Cash and cash equivalents	26.8
Assets held for sale	**125.5**

Liabilities	Dec 31 2016
Defined benefit obligation	67.3
Interest-bearing liabilities	0.1
Deferred tax liabilities	3.2
Accounts payable	4.3
Accruals and other liabilities	19.5
Liabilities directly attributable to assets held for sale	**94.4**

Majority of assets and liabilities were reported in Industrial Equipment segment.

Amounts included in accumulated Other Comprehensive Income	Dec 31 2016
Translation difference	2.3
Re-measurement losses on defined benefit plans	-21.8
Deferred taxes relating to re-measurement losses on defined benefit plans	6.4
Total	**-13.1**

5. Specification of sales

	2017	2016
Sale of goods	2,378.9	1,466.9
Rendering of services	755.0	649.5
Leasing of own products	2.2	1.7
Royalties	0.3	0.3
Total	**3,136.4**	**2,118.4**

6. Percentage of completion method and advances received

6.1 Percentage of completion method

	2017	2016
The cumulative revenues of non-delivered projects	389.8	376.7
Advances received netted	310.9	290.3
Progress billings netted	0.0	2.6
Receivable arising from percentage of completion method, net	**78.9**	**83.8**
Gross advance received from percentage of completion method	395.9	323.5
Advances received netted	310.9	290.3
Advances received from percentage of completion method (netted)	**85.0**	**33.2**

Net sales recognized under the percentage of completion method amounted EUR 377.7 million in 2017 (EUR 268.9 million in 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).

6.2. Advance payments received

	2017	2016
Advance received from percentage of completion method (netted)	85.0	33.2
Other advance received from customers	214.8	137.4
Total	**299.8**	**170.6**

7. Operating expenses

	2017	2016
Change in work in progress	-18.6	40.1
Production for own use	-0.6	-1.5
Material and supplies	1,167.5	742.5
Subcontracting	261.0	198.5
Materials, supplies and subcontracting	1,409.2	979.7
Wages and salaries	799.5	513.6
Pension costs	71.8	55.7
Other personnel expenses	132.9	89.1
Personnel cost	1,004.2	658.3
Other operating expenses	515.0	356.2
Total operating expenses	**2,928.5**	**1,994.2**

Research and development costs recognized as an expense in other operating expenses amount to EUR 36.0 million in the year 2017 (EUR 22.3 million in 2016).

7.1. Audit and non-audit fees to Group auditor

	2017	2016
Audit	4.2	4.1
Non-audit services	0.6	0.6
Total	**4.8**	**4.7**

8. Personnel expenses and number of personnel

8.1. Personnel expenses

	2017	2016
Wages and salaries	799.5	513.6
Pension costs: Defined benefit plans	11.1	5.1
Pension costs: Defined contribution plans	60.7	50.6
Other personnel expenses	132.9	89.1
Total	**1,004.2**	**658.3**

8.2. Average personnel

	2017	2016
Average number of personnel	15,519	11,398
Number of personnel as at December 31	16,371	10,951
Number of personnel as at December 31 in Finland	1,814	1,780

8.3. Personnel by Reportable Segment at the end of period

	2017	2016
Service	7,206	5,749
Industrial Equipment	6,024	4,353
Port Solutions	3,067	789
Group Staff	74	60
Total	**16,371**	**10,951**

9. Depreciation, amortization and impairments

9.1. Depreciation and amortization

	2017	2016
Intangible assets	60.3	25.2
Buildings	9.0	3.5
Machinery and equipment	41.5	21.4
Total	**110.8**	**50.1**

9.2. Impairments

	2017	2016
Property, plant and equipment	3.8	2.8
Intangible assets	2.4	0.7
Total	**6.2**	**3.5**

The nature of the impairments is described in the disclosures of goodwill, intangible assets and property, plant and equipment (see notes 14 and 15).

10. Financial income and expenses

10.1. Financial income

	2017	2016
Interest income on bank deposits and loans	3.9	0.9
Fair value gain on derivative financial instruments	29.9	0.0
Other financial income	6.1	0.1
Total	**39.8**	**1.0**

10.2. Financial expenses

	2017	2016
Interest expenses on liabilities	35.2	10.9
Net loss on financial instruments at fair value through profit or loss	0.0	14.6
Exchange rate loss	23.8	3.3
Other financial expenses	26.8	6.7
Total	**85.8**	**35.6**
Financial income and expenses net	**-46.0**	**-34.6**

The company applies hedge accounting on derivatives used to hedge cash flows in certain large crane projects as well as to the USD nominated purchase price of MHPS acquisition. The cash flow hedges of the expected future cash flows are assessed to be highly effective and a net unrealized effect of EUR 10.8 million (EUR 15.0 million in 2016) with deferred taxes of EUR -2.7 million (EUR -3.8 million in 2016) relating to the hedging instruments is included in equity. The hedged operative cash flows are expected to occur during the next 3–18 months while the hedged cash flow for the MHPS acquisition occurred in January 2017. The realized and recycled currency differences from these hedges recorded in the statement of income were EUR -1.1 million in 2017 (EUR -10.3 million in 2016).

11. Income taxes

11.1. Taxes in statement of income

	2017	2016
Local income taxes of group companies	68.0	31.9
Taxes from previous years	-1.0	-2.3
Change in deferred taxes	-16.4	-5.1
Total	**50.6**	**24.5**

11.2. Reconciliation of income before taxes with total income taxes

	2017	2016
Profit before taxes	275.6	62.1
Tax calculated at the domestic corporation tax rate of 20.0% (2016: 20.0%)	55.1	12.4
Effect of different tax rates of foreign subsidiaries	27.3	1.2
Taxes from previous years	-1.0	-2.3
Tax effect of non-deductible expenses and tax-exempt income	-53.1	0.0
Tax effect of unrecognized tax losses of the current year	10.4	6.9
Tax effect of utilization of previously unrecognized tax losses	-2.2	-0.7
Tax effect of recognition of previously unrecognized tax losses	-0.8	-0.9
Tax effect of impairment of previously recognized deferred tax assets	-0.2	5.3
Tax effect of recognizing the controlled temporary difference from investment in subsidiaries	3.7	1.2
Tax effect of tax rate change	11.8	0.3
Other items	-0.4	1.1
Total	**50.6**	**24.5**
Effective tax rate %	**18.4%**	**39.5%**

Effect of different tax rates of foreign subsidiaries includes the calculatory tax from STAHL divestment and the tax effect of non-deductible expenses and tax-exempt income includes the adjustment of tax free portion of STAHL divestment.

The Company evaluates regularly the net realizable value of its deferred tax assets. Effective tax rate 2016 was affected by impairment of previously recognized deferred tax assets in certain Chinese group companies.

A new tax legislation came into effect in the USA, which includes, among other things, a reduction in the U.S. federal corporate income tax rate from 35 percent to 21 percent from the beginning of the tax year 2018 and one-time tax expense for undistributed profits on overseas assets for US companies. The changes are recognized in the balance sheet as deferred taxes and a corresponding tax expense in the income statement as change in deferred taxes.

11.3. Tax effects of components in other comprehensive income

	2017	2016
Cash flow hedges	1.1	-6.0
Re-measurement gains (losses) on defined benefit plans	0.7	3.0
Total	**1.7**	**-3.0**

12. Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding during the year for the dilutive effect of the shares issued under the stock option plans. Weighted average number of shares is excluding the number of treasury shares.

	2017	2016
Net profit attributable to shareholders of the parent company	225.7	37.6
Weighted average number of shares outstanding (1,000 pcs)	78,273	58,748
Weighted average number of shares outstanding, diluted (1,000 pcs)	78,273	58,748
Earnings per share, basic (EUR)	2.88	0.64
Earnings per share, diluted (EUR)	2.88	0.64

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

13. Goodwill and goodwill impairment testing

13.1. Goodwill

	2017	2016
Acquisition costs as of January 1	100.9	122.3
Additions	829.5	0.0
Decrease	-1.0	0.0
Transfer to asset held for sale	0.0	-21.1
Translation difference	-9.4	-0.3
Acquisition costs as of December 31	920.0	100.9
Accumulated impairments as of January 1	-14.7	-14.7
Impairments for the financial year	0.0	0.0
Total as of December 31	**905.3**	**86.2**

13.2. General principles

Management monitors the performance of the Group through the monthly meetings and monthly reporting that take place on a business unit level. Impairment testing is done at the lowest level of the Group at which goodwill is monitored internally.

13.3. Total goodwill in reportable segments after impairments

	2017	2016
Industrial Cranes	140.6	44.3
Agilon	3.9	3.9
Goodwill in Industrial Equipment total	**144.5**	**48.2**
Industrial Crane Service	558.0	10.7
Machine Tool Service	4.1	4.4
Goodwill in Service total	**562.1**	**15.1**
Port Cranes	161.4	10.7
Lift trucks	37.2	12.1
Goodwill in Port Solutions total	**198.6**	**22.8**
Total goodwill in reportable segments as of December 31	**905.3**	**86.2**

The recoverable amounts of the CGUs are determined based on value in use calculations using the discounted cash flow method. The forecasting period of cash flows is five years and it is based on financial forecasts of the management responsible for that CGU, and adjusted by Group management if needed.

The forecasts have been made based on the CGU specific historical data, order book, the current market situation and industry specific information of the future growth possibilities. These assumptions are reviewed annually as part of management's budgeting and strategic planning cycles. Calculations are prepared during the fourth quarter of the year.

The discount rate applied to cash flow projections is the weighted average (pre-tax) cost of capital and is based on risk free long term government bond rates and market and industry specific risk premiums. These risk premiums are derived based on the business portfolio of companies which operate in a similar industry.

The key assumptions, being the average compound annual growth rate for the sales of the five years forecasted and the discount rate are as follows:

	Compound annual growth rate	Discount rate
Industrial Cranes	3%	12.2%
Agilon*)	47%	19.7%
Industrial Crane Service	6%	12.4%
Machine Tool Service	3%	10.3%
Lift trucks	4%	10.8%
Port Cranes	8%	10.9%

*) The growth rate in CGU Agilon is 47% (57% in 2016) as the CGU is in start-up phase.

The average compound growth rate for the gross profit is consistent with that of sales. Furthermore for all the CGUs a 1% terminal growth rate has been applied.

Impairment charges

The impairment testing performed in 2017 and 2016 did not result in any impairments being recognized.

Sensitivity analyses

In addition to impairment testing using the base case assumptions, four separate sensitivity analyses were performed for each CGU:

1) A discount rate analysis where the discount rate was increased by 5% points.
2) A Group management adjustment to the future profitability. The cash flow of each CGU was analyzed by the Group management. Based on the CGU specific historical data and future growth prospects the cash flows were decreased by 10% in each year including terminal year.
3) A higher discount rate (+5% points) analysis combined with lower (-10%) cash flows as mentioned above.
4) A decrease in the compound annual growth rate for the sales for the each five forecasted years (-2% points) combined with the current discount rate.

2017

The recoverable value of CGU Agilon was EUR 0.5 million higher than the carrying value of the assets under impairment testing. Sensitivity tests using both higher discount rate (+5% points) and lower cash flow estimates (-10%) indicated that the goodwill in Agilon would have been impaired by EUR 2.9 million. Sensitivity test for compound annual growth rate for the sales (-2% points) with the current discount rate indicated that the goodwill in Agilon would have been impaired by EUR 1.6 million. The recoverable amount of EUR 5.9 million of Agilon would be the same as the carrying amount if the discount rate would be 0.6% points higher, or if the present value of the cash flows would be 7.5% lower. The forecasts of Agilon include also a specific key assumption for a decrease of fixed costs. The recoverable amount of EUR 5.9 million of Agilon would be the same as the carrying amount if the EBITDA % would be 0.8% points lower. There was no indication of impairment of goodwill for any other CGU from the sensitivity tests.

2016

The recoverable value of CGU Machine Tool Service was EUR 7.0 million higher, the recoverable value of CGU Industrial Equipment was EUR 22.4 million higher and the recoverable value of CGU Agilon was EUR 0.8 million higher than the carrying value of the assets under impairment testing. Sensitivity tests using both higher discount rate (+5% points) and lower cash flow estimates (-10%) indicated that Machine Tool Service would have been impaired by EUR 0.3 million, the goodwill in Industrial Equipment would have been fully impaired and the goodwill in Agilon would have been impaired by EUR 2.8 million. Sensitivity test for compound annual growth rate for the sales (-2% points) with the current discount rate indicated that the goodwill in CGU Machine Tool Service would have been impaired by EUR 1.4 million, goodwill in Industrial Equipment would have been fully impaired and goodwill in Agilon would have been impaired by EUR 1.7 million. The recoverable amount of EUR 15.4 million of Machine Tool Service would be the same as the carrying amount if the discount rate would be 5.7% points higher, or if the present value of the cash flows would be 45.4% lower. The recoverable amount of EUR 186.4 million of Industrial Equipment would be the same as the carrying amount if the discount rate would be 1.0% points higher, or if the present value of the cash flows would be 12.0% lower. The recoverable amount of EUR 6.8 million of Agilon would be the same as the carrying amount if the discount rate would be 1.2% points higher, or if the present value of the cash flows would be 12.0% lower. The forecasts of Machine Tool Service, Industrial Equipment and Agilon include also a specific key assumption for a decrease of fixed costs. The recoverable amount of EUR 15.4 million of Machine Tool Service would be the same as the carrying amount if the EBITDA % would be 1.8% points lower, the recoverable amount of EUR 186.4 million of Industrial Equipment would be the same as the carrying amount if the EBITDA % would be 0.4% points lower and the recoverable amount of EUR 6.8 million of Agilon would be the same as the carrying amount if the EBITDA % would be 1.1% points lower. There was no indication of impairment of goodwill for any other CGU from the sensitivity tests.

14. Intangible assets

2017	Patents and trademarks	Software	Other	Intangible assets total
Acquisition costs as of January 1	19.1	141.0	122.1	282.3
Additions	0.0	19.5	0.1	19.6
Disposals	-1.2	-1.3	-12.0	-14.5
Business combinations	227.6	1.1	359.1	587.8
Transfer within assets	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	-2.4	-2.4
Translation difference	-0.3	0.0	-1.4	-1.7
Acquisition costs as of December 31	245.2	160.3	465.5	871.0
Accumulated amortization as of January 1	-15.3	-74.6	-94.3	-184.2
Translation difference	0.0	0.0	0.4	0.4
Accumulated amortization relating to disposals	1.2	1.3	3.9	6.4
Amortization for financial year	-0.8	-23.4	-36.1	-60.3
Total as of December 31	**230.3**	**63.5**	**339.5**	**633.3**

2016	Patents and trademarks	Software	Other	Intangible assets total
Acquisition costs as of January 1	29.4	131.6	108.9	269.9
Additions	0.0	11.7	14.0	25.7
Disposals	0.0	-0.1	-0.2	-0.3
Transfer to assets held for sale	-10.4	-2.2	0.0	-12.5
Impairment	0.0	0.0	-0.7	-0.7
Translation difference	0.1	0.0	0.2	0.2
Acquisition costs as of December 31	19.1	141.0	122.1	282.3
Accumulated amortization as of January 1	-14.5	-57.0	-89.7	-161.2
Translation difference	0.0	0.0	-0.2	-0.2
Accumulated amortization relating to disposals	0.0	0.1	0.2	0.3
Transfer to assets held for sale	0.0	2.1	0.0	2.1
Amortization for financial year	-0.8	-19.8	-4.6	-25.2
Total as of December 31	**3.8**	**66.4**	**27.9**	**98.1**

The category Other consists mainly of customer lists and technology acquired in business combinations. They are stated at cost and amortized on a straight-line basis over their expected useful lives. The normal amortization period of intangible assets varies from 4 to 20 years. The amortization of intangible assets is included in the depreciation and impairments line in the consolidated statement of income. On December 31, 2017, the intangible assets having indefinite useful life consisted of the Demag and Gottwald trademarks of EUR 167.0 million and EUR 51.0 million. As there is no foreseeable limit on the period over which the asset is expected to generate net cash inflows for the entity, it is classified as intangible assets having an indefinite useful life. The carrying amounts of these assets are tested on a yearly basis in connection with the goodwill impairment testing. On December 31, 2016, the intangible assets having indefinite useful life consisted of the Stahl trademark of EUR 10.4 million, which was reported under asset held for sale.

The addition of EUR 19.6 million (EUR 25.7 million in 2016) mainly consisted of capitalized development costs of the Group's ERP systems.

Due to the reorganization of the business intangible assets of EUR 2.4 million (old customer relations) were written off in 2017 (EUR 0.7 million in 2016).

15. Property, plant and equipment

2017	Land	Buildings	Machinery & Equipment	Property, plant and equipment total
Acquisition costs as of January 1	6.4	72.4	224.6	303.4
Additions	0.0	2.8	32.6	35.4
Disposals	-0.3	-0.8	-13.9	-15.0
Business combinations	26.0	69.2	79.0	174.2
Transfer within assets	0.0	0.8	-0.7	0.0
Impairment	0.0	-0.3	-3.5	-3.8
Translation difference	-0.7	-3.3	-4.0	-8.0
Acquisition costs as of December 31	31.4	140.7	314.2	486.3
Accumulated depreciation as of January 1	0.0	-21.4	-154.0	-175.3
Translation difference	0.0	0.1	0.3	0.3
Accumulated depreciation relating to disposals	0.0	0.0	9.5	9,5
Depreciation for financial year	0.0	-9.0	-41.5	-50.5
Total as of December 31	**31.4**	**110.4**	**128.5**	**270.4**

2016	Land	Buildings	Machinery & Equipment	Property, plant and equipment total
Acquisition costs as of January 1	7.3	69.9	258.5	335.6
Additions	0.0	7.8	18.1	25.9
Disposals	-0.8	-1.4	-15.9	-18.1
Transfer to assets held for sale	0.0	-1.5	-34.8	-36.3
Impairment	-0.1	-1.8	-0.9	-2.8
Translation difference	0.0	-0.5	-0.3	-0.8
Acquisition costs as of December 31	6.4	72.4	224.6	303.4
Accumulated depreciation as of January 1	0.0	-19.6	-173.5	-193.1
Translation difference	0.0	0.0	-0.2	-0.2
Accumulated depreciation relating to disposals	0.0	0.8	12.6	13.4
Transfer to assets held for sale	0,0	1.1	28.4	29.5
Depreciation for financial year	0.0	-3.5	-21.4	-24.9
Total as of December 31	**6.4**	**51.0**	**70.6**	**128.1**

There were no buildings capitalized under finance lease at the end of year 2017 and 2016.

The carrying amount of machinery and equipments under finance lease as of December 31, 2017 is EUR 22.1 million (EUR 6.0 million in 2016).

Mainly due to the restructuring actions of the Group during the year land, buildings, machinery and equipment were written off in 2017 by EUR 3.8 million (EUR 2.8 million in 2016).

16. Interests in other entities and non-controlling interests

16.1. Investments accounted for using the equity method

Associated Companies	2017	2016
Acquisition costs as of January 1	0.9	43.9
Share of associated companies' result after taxes*)	0.2	4.2
Share of associates' other comprehensive income	0.0	-4.7
Disposals	0.0	-41.8
Dividends received	0.0	-0.8
Acquisitions	0.8	0.0
Total as of December 31	**1.8**	**0.9**

*) Including adjustments from purchase price allocation.

Joint Ventures	2017	2016
Acquisition costs as of January 1	8.0	6.3
Share of joint ventures' result after taxes	3.1	1.8
Disposals	-2.8	0.0
Dividends received	-2.7	-0.1
Acquisitions	62.5	0.0
Total as of December 31	**68.0**	**8.0**

16.2. Investments in Associated Companies and Joint Ventures

The following table illustrates the summarized financial information of the Group's investments and reconciliation with the carrying amount of the investments in consolidated financial statements.

2017	Carrying amount of the investment	Non-current assets*)	Current assets*)	Non-current liabilities*)	Current liabilities*)	Revenue*)	Profit/loss after tax from continuing operations*)	Total comprehensive income*)	Dividends received
MHE-Demag (S) Pte Ltd Group (joint venture)	62.8	30.1	109.5	1.3	56.8	165.0	6.0	6.0	2,5
Other Investments in associated companies and joint ventures	7.0	4.2	38.3	0.5	19.6	43.2	0.3	0.3	0.1
Total	**69.8**	**34.3**	**147.8**	**1.8**	**76.3**	**208.2**	**6.3**	**6.3**	**2.7**

2016	Carrying amount of the investment	Non-current assets*)	Current assets*)	Non-current liabilities*)	Current liabilities*)	Revenue*)	Profit/loss after tax from continuing operations*)	Total comprehensive income*)	Dividends received
Investments in associated companies and joint ventures	8.9	3.1	52.7	2.5	26.7	59.4	2.0	2.0	0.9
Total	**8.9**	**3.1**	**52.7**	**2.5**	**26.7**	**59.4**	**2.0**	**2.0**	**0.9**

*) Asset and liability values, revenue and profit/loss represent values according to the latest published financial information.

Disposal of the shares in Kito Corporation

On September 26, 2016, Konecranes announced that Konecranes and Kito Corporation ("Kito") decided to dissolve the strategic alliance signed on March 23, 2010, between the companies. On September 27, 2016, Konecranes sold 5,873,900 Kito shares to Kito and during December, 2016 Konecranes sold the remaining 76,100 Kito shares in Tokyo Stock Exchange.

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16.3. Joint operations

Konecranes has classified the interest in AS Konesko (domiciled in Estonia) as a joint operation based on the joint arrangement agreement. AS Konesko is a strategic supplier of components used in Konecranes products. Konecranes has the exclusive right to purchase certain motors and end carriages from AS Konesko at a price to be agreed upon with Konesko A/S. However Konecranes retains ownership of the current motor designs and the trademark rights to the end carriages.

Konecranes owns as of December 31, 2017 49.5% in AS Konesko.

Konecranes has recognized and accounted for the assets, liabilities, revenues and expenses relating to its interest in AS Konesko in accordance with IFRS 11.

16.4. Subsidiaries with material non-controlling interest

2017	Accumulated Non-controlling Interest	Goodwill	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss after tax from continuing operations	Total comprehensive income
Noell Cranes Systems (China) Ltd (NCI 30 %)	11.5	0.0	26.6	66.6	0.0	58.5	81.6	-5.6	-5.6
Other non-controlling interests	11.1	0.0	47.8	30.9	2.3	46.7	20.9	-0.6	-0.6
Total	**22.5**	**0.0**	**74.4**	**97.5**	**2.3**	**105.2**	**102.5**	**-6.2**	**-6.2**

NCI = Non-controlling Interest. Assets and liabilities as well as revenue and profit/loss values represent the total company values including purchase price allocations. See also the company list for the ownership and principal place of business of the subsidiaries.

17. Deferred tax assets and liabilities

17.1. Deferred tax assets

	2017	2016
Employee benefits	42.9	9.3
Provisions	23.1	20.8
Unused tax losses	8.6	13.6
Other temporary differences	43.6	13.2
Total	**118.3**	**57.0**

Other temporary differences include timing differences arising for example from accrued costs, advances received and unrealized currency differences that are not deductible in taxation until they occur.

17.2. Deferred tax liabilities

	2017	2016
Intangible and tangible assets	141.8	8.6
Other temporary difference	8.3	3.9
Total	**150.1**	**12.5**

The deferred tax assets and deferred tax liabilities have been netted on a juridical company level when there is a legally enforceable right to offset income tax receivables against income tax payables related to income taxes levied by the same tax authority. The gross amount of deferred tax assets in 2017 were EUR 119.5 million (EUR 62.1 million in 2016) and deferred tax liabilities EUR 155.2 million (EUR 17.3 million in 2016).

Konecranes has not recognized the temporary differences in investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In 2016 it has repatriated the profit from Konecranes Canada Inc and has recognized current tax expenses for the repatriated profit and deferred tax liability for distributable profits.

A new tax legislation came into effect in the USA, which includes, among other things, a reduction in the U.S. federal corporate income tax rate from 35 percent to 21 percent from the beginning of the tax year 2018 and one-time tax expense for undistributed profits on overseas assets for US companies. The change in tax rate reduced Konecranes' deferred tax assets by EUR 11.6 million in financial year 2017. The impact of tax expense for undistributed profits on overseas assets for Konecranes Group was EUR 2.9 million in financial year 2017.

17.3. Tax losses carried forward

At the end of year 2017, Konecranes recorded a deferred tax asset of EUR 8.6 million (EUR 13.6 million in 2016) related to unused tax losses on the carry-forward losses of EUR 221.2 million (EUR 201.4 million in 2016) in total. The tax losses, for which no deferred tax assets are recognized due to the uncertainty of the utilization of the losses, amounted to EUR 181.9 million in the year 2017 (EUR 158.3 million in 2016).

EUR 101.6 million of these carry-forward tax losses available have unlimited expiry, EUR 54.4 million expire later than in five years and EUR 65.2 million expire in five years.

Part of carry-forward losses relates to Morris Material Handling, Inc., USA, which was acquired in 2006. The overall carry-forward losses of Morris Material Handling, Inc. amounted to EUR 31.3 million (EUR 38.9 million in 2016). The Group has recorded a deferred tax asset amounting to EUR 5.1 million (EUR 9.2 million in 2016) of Morris Material Handling, Inc. based on the tax losses estimated to be utilized during the years 2018–2027 amounting to EUR 22.8 million. For the amount of EUR 8.5 million tax loss carry-forwards deductible over the period 2028–2031 no deferred tax asset has been recognized due to uncertainties and limitations on deductible annual amounts.

During 2016, Konecranes recorded EUR 5.2 million impairment of previously recognized deferred tax assets in certain Chinese entities.

To assess if the convincing evidence threshold per IAS 12 was met Konecranes has prepared tax forecasts for future periods in which it has given effect to the restructuring done and the tax planning opportunities that were being implemented at that time. The taxable income in these forecasts has led management to recognize the deferred tax assets for The Netherlands and Austria.

Tax losses carried forward and related deferred tax assets on December 31 by the most significant countries as following:

2017	Tax losses carried forward	Potential deferred tax assets	Deferred tax assets not recorded	Deferred tax assets
India	37.6	12.2	12.2	0.0
France	36.2	12.1	12.1	0.0
USA	34.2	7.1	1.9	5.2
China	22.4	5.5	5.5	0.0
Austria	22.3	5.6	4.3	1.2
South-Africa	10.0	2.8	2.8	0.0
Japan	9.3	2.9	2.9	0.0
Italy	8.6	2.4	2.4	0.0
Spain	7.9	2.0	1.2	0.8
Brazil	6.8	2.3	2.3	0.0
Other	25.9	6.2	4.8	1.4
Total	**221.2**	**61.0**	**52.4**	**8.6**

2016	Tax losses carried forward	Potential deferred tax assets	Deferred tax assets not recorded	Deferred tax assets
India	37.6	12.2	12.2	0.0
France	10.9	3.3	3.3	0.0
USA	38.9	14.5	5.7	9.2
China	18.0	4.5	4.5	0.0
Austria	21.7	5.4	4.2	1.2
South-Africa	10.5	2.9	2.9	0.0
Japan	10.2	3.1	3.1	0.0
Italy	3.0	0.9	0.9	0.0
Spain	4.1	1.0	0.0	1.0
Brazil	11.2	3.8	3.8	0.0
Other	35.5	9.3	6.9	2.1
Total	**201.4**	**60.9**	**47.3**	**13.6**

Comparables in 2016 exclude the divested Stahl CraneSystems business for which the tax losses carried forward were EUR 3.3 million, potential deferred tax assets EUR 0.9 million and deferred tax assets not recorded EUR 0.9 million.

18. Inventories

	2017	2016
Raw materials and semi-manufactured goods	196.5	111.8
Work in progress	283.6	140.3
Finished goods	44.3	20.0
Advance payments	20.6	9.7
Total	**545.0**	**281.8**

2017	Balance at the beginning of the year	Translation difference	Business combinations	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for obsolete inventory	23.7	-1.5	45.0	12.6	3.4	16.2	**67.4**

2016	Balance at the beginning of the year	Translation difference	Utilized during the period	Provision not needed	Transfer to asset held for sale	Additions	Balance at the end of the year
Provision for obsolete inventory	28.2	-0.1	8.4	0.8	-1.4	6.2	**23.7**

19. Ageing analysis of accounts receivable

	2017	2016
Not overdue	365.2	244.9
1–30 days overdue	85.7	54.7
31–60 days overdue	29.5	25.5
61–90 days overdue	21.3	18.2
more than 91 days overdue	36.6	36.0
Total	**538.2**	**379.3**

The carrying amount of accounts receivable approximates to their fair value. Accounts receivable are subject to only minor credit risk concentrations due to the Group's extensively diversified customer portfolio. Credit losses recognized for the financial year totaled EUR 4.1 million (EUR 4.9 million in 2016).

2017	Balance at the beginning of the year	Translation difference	Business combinations	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for doubtful accounts	18.0	-1.1	7.3	4.1	7.8	13.0	**25.2**

2016	Balance at the beginning of the year	Translation difference	Utilized during the period	Provision not needed	Transfer to asset held for sale	Additions	Balance at the end of the year
Provision for doubtful accounts	17.9	0.0	4.8	3.5	-1.6	10.0	**18.0**

The release of the provision for doubtful accounts relates to the cash received from individual receivables which were historically provided for due to management's uncertainty of their collectability.

20. Other receivables

	2017	2016
Notes receivable	7.8	4.6
Value added tax	35.7	18.6
Total	**43.4**	**23.2**

21. Deferred assets

	2017	2016
Interest	1.7	0.7
Prepaid expenses	16.0	12.0
Unbilled revenue	0.8	1.0
Other	37.6	15.4
Total	**56.2**	**29.1**

22. Cash and cash equivalents

	2017	2016
Short-term deposits	9.9	18.6
Cash in hand and at bank	223.1	148.8
Total	**233.1**	**167.4**

Short-term deposits have a maturity of three months or less. Cash and cash equivalents are carried at nominal value, which corresponds to their fair value.

23. Equity

23.1. Shareholders' equity

	Number of shares	Number of treasury shares
As of January 1, 2016	58,732,429	4,539,913
Share subscriptions with share awards	18,580	-18,580
As of December 31, 2016	**58,751,009**	**4,521,333**
Share issue	19,600,000	
Cancellation of treasury shares		-3,950,436
Share subscriptions with share awards	405,136	-405,136
As of December 31, 2017	**78,756,145**	**165,761**

The total shareholders' equity consists of share capital, share premium, paid in capital, cash flow hedges, translation difference, and retained earnings. Consistent with local legislation Konecranes' share has no nominal value. Due to the MHPS acquisition in January 2017 in which part of the acquisition price was paid by issuing 19,600,000 new class B shares to Terex, which were later converted to A shares by the time Terex sold them. All issued shares are fully paid and listed on Nasdaq Helsinki.

Share premium includes the value of shares, which exceeds the accounting par value of the shares, for shares issued before September 1, 2006. Cash flow hedges include changes in the fair values of derivative financial instruments used to hedge operational cash flows. Translation differences comprise the differences arising from translating non-euro functional currency entities to euro, which is the Group's presentation currency. Other reserve includes the credit for equity settled share based payment cost. The paid in capital includes the portion of shares' subscription price, which is not recorded to share capital or to liabilities according to IFRS. The paid in capital includes also other capital contributions to the Group, which are not recorded to some other reserve within the equity. The paid in capital includes also the possible amount of share capital decrease, which is not netted against accumulated losses or is not distributed to shareholders.

Dividend proposal per share was for 2017 1.20 euro and dividend for 2016 1.05 euro.

23.2. Distributable earnings

See page 139/Board of Director's Proposal to the Annual General Meeting.

24. Provisions

2017	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of January 1	31.1	5.6	8.3	12.6	57.6
Translation difference	-0.4	-0.2	-0.9	-1.0	-2.5
Increase through business combination	14.9	44.8	0.1	16.4	76.3
Additional provision in the period	33.3	34.9	1.6	24.0	93.7
Utilization of provision	22.0	22.2	1.2	11.1	56.5
Unused amounts reversed	3.6	9.2	0.1	3.3	16.3
Total provisions as of December 31	**53.4**	**53.6**	**7.7**	**37.6**	**152.3**

2016	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of January 1	26.2	4.3	8.5	13.9	52.9
Translation difference	0.1	-0.1	0.2	0.2	0.3
Additional provision in the period	20.8	6.4	1.1	8.4	36.6
Utilization of provision	10.4	4.7	1.5	5.9	22.6
Transfer to liabilities directly attributable to assets held for sale	-2.8	-0.1	0.0	-0.1	-3.0
Unused amounts reversed	2.6	0.3	0.0	3.8	6.7
Total provisions as of December 31	**31.1**	**5.6**	**8.3**	**12.6**	**57.6**

The provision for warranties covers the expenses due to the repair or replacement of products during their warranty period. The warranty liability is based on historical realized warranty costs for deliveries of standard products and services. The usual warranty period is 12 months. For more complex contracts, mainly including long-term projects, the warranty reserve is calculated contract by contract and the warranty period can be significantly longer. The restructuring provision is recognized when the Group has prepared a detailed reorganization plan and begun implementation of the plan or announced the matter. Pension commitments include provisions for local pension schemes.

Other provisions include provisions for claims, litigations and provisions for loss contracts in which the amount is not provided for as part of work in progress or percentage of completion receivable of the loss making project.

Restructuring costs

Konecranes has recorded EUR 65.6 million restructuring costs during 2017 (EUR 19.2 million in 2016) of which EUR 5.8 million has been impairment of assets (EUR 2.8 million in 2016).

25. Current liabilities

25.1. Accruals

	2017	2016
Wages, salaries and personnel expenses	98.7	65.4
Pension costs	7.7	6.0
Interest	10.1	2.2
Other items	34.5	22.0
Total	**151.1**	**95.6**

25.2. Other current liabilities (non-interest bearing)

	2017	2016
Value added tax	24.0	16.4
Payroll tax liability	15.6	6.6
Other short-term liabilities	10.1	8.4
Total	**49.8**	**31.4**

26. Lease liabilities

26.1. Finance leases

	2017	2016
Minimum lease payments		
within 1 year	8.3	2.2
1–5 years	12.3	2.9
over 5 years	2.9	0.4
Total	**23.5**	**5.5**
Present value of finance lease		
within 1 year	8.1	2.2
1–5 years	12.1	2.9
over 5 years	2.2	0.0
Total	**22.4**	**5.1**

Konecranes has finance leases mainly for vehicles with an average of four years leasing time.

27. Interest-bearing liabilities

27.1. Non-current

	2017	2016
Loans from financial institutions	335.3	49.9
Bonds	248.4	0.0
Finance lease liabilities	14.3	3.5
Other long-term loans	2.7	0.7
Total	**600.8**	**54.2**

27.2. Current

	2017	2016
Loans from financial institutions	20.7	26.0
Finance lease liabilities	8.1	2.2
Commercial papers	100.0	214.9
Other short-term loans	3.8	0.4
Overdraft	25.4	26.1
Total	**157.9**	**269.5**

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.

In the course of 2017 Konecranes refinanced and repaid the acquisition related term loans fully. On April 4th, Konecranes repaid the acquisition related three-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 of EUR 250 million with proceeds were fully utilized for repaying the three-year loan of EUR 200 million and the five-year loan for EUR 50 million. On November 17th Konecranes raised EUR 150 million Schuldschein loan and on 22nd November Konecranes raised a five-year EUR 150 million bilateral term loan. The proceeds from the Schuldschein loan and bilateral term loan was utilized for fully repaying the acquisition related five-year EUR 600 million term loan.

At the end of December 2017, the outstanding long term loans were: EUR 150 million five-year term loan, EUR 50 million R&D loan, EUR 150 million Schuldschein loan and EUR 250 million bond. The Schuldschein loan contains floating and fixed rate tranches with maturities of four and seven years. The term loan and the R&D loan bear a floating six months interest period and the bond yield is fixed with annual coupon payment. The weighted average interest rate for these loans and the bond is currently 1.36% per annum. The company is in compliance with the quarterly monitored financial covenant (interest-bearing net debt/equity) for the loans. No specific securities have been given for the loans. The Company continues to have healthy Interest-bearing net debt / equity ratio of 41.1% (31.12.2016: 29.1%).

The Group has an INR denominated debt relating to short term working capital needs and with a portion remaining for capital expenditure for the Indian crane factory. In addition the Group has certain revolving facilities the details of which can be found in Note 33.3.

The average interest rate of the non-current liabilities portfolio at December 31, 2017 was 1.42% (1.37% in 2016) and that of the current liabilities portfolio was 1.78% (1.54% in 2016). The effective interest rate for EUR-loans varied between 0.01%–6.00% (0.00 %–3.50% in 2016).

27.3. Maturity tables of financial liabilities and liquidity risk

The following table reflects the maturity of interest bearing liabilities.

2017			Maturity			
Currency	Avg. duration	Avg. rate %	Less than 1 year	1–5 years	Over 5 years	Amount MEUR
EUR	4.0 years	1.24	120.8	363.0	226.4	710.2
INR	0.7 years	8.81	16.1	0.0	0.0	16.1
CNY	0.2 years	3.93	4.8	0.0	0.0	4.8
USD	1.2 years	2.78	14.3	11.0	0.0	25.3
Others	0.3–0.9 years	3.10–8.20	1.8	0.4	0.0	2.2
Total		**1.49**	**157.9**	**374.3**	**226.4**	**758.6**

2016			Maturity			
Currency	Avg. duration	Avg. rate %	Less than 1 year	1–5 years	Over 5 years	Amount MEUR
EUR	0.9 years	0.67	220.4	54.0	0.0	274.4
INR	0.1 years	9.43	23.1	0.0	0.0	23.1
CNY	0.2 years	3.92	17.7	0.0	0.0	17.7
Others	0.0–1.3 years	0.00–8.38	8.3	0.2	0.0	8.5
Total		**1.51**	**269.5**	**54.2**	**0.0**	**323.6**

27.3b Liquidity risk, containing undiscounted cash flows of non-derivative financial liabilities by currency

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities, excluding derivatives. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which Konecranes could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at December 31.

2017			Maturity			
Currency	Avg. duration	Avg. rate %	Less than 1 year	1–5 years	Over 5 years	Amount MEUR
EUR	4.0 years	1.24	129.2	391.3	229.0	749.5
INR	0.7 years	8.81	17.0	0.0	0.0	17.0
CNY	0.1 years	3.93	4.9	0.0	0.0	4.9
USD	1.2 years	2.78	14.9	11.4	0.0	26.3
Others	0.7–1.5 years	1.5–9.5	2.0	0.4	0.0	2.4
Total debt		**1.49**	**168.0**	**403.1**	**229.0**	**800.1**
Other financial liabilities			251.0	6.3	0.0	257.3
Total financial liabilities			**419.0**	**409.4**	**229.0**	**1,057.4**

2016			Maturity			
Currency	Avg. duration	Avg. rate %	Less than 1 year	1–5 years	Over 5 years	Amount MEUR
EUR	1.0 years	0.67	221.3	55.4	0.0	276.7
INR	0.2 years	9.43	23.4	0.0	0.0	23.4
CNY	0.1 years	2.72	17.8	0.0	0.0	17.8
Others	0.1–1.5 years	0.00–12.7	8.4	0.3	0.0	8.7
Total debt		**1.51**	**270.9**	**55.7**	**0.0**	**326.7**
Other financial liabilities			130.5	6.9	0.0	137.5
Total financial liabilities			**401.5**	**62.7**	**0.0**	**464.1**

27.4. Maturity profile of the Group's financial liabilities

The following table reflects the maturity of all financial liabilities.

2017		Maturity of financial liabilities		
Liability type	Amount drawn	Less than 1 year	1–5 years	Over 5 years
Loans from financial institutions	356.0	20.7	108.9	226.4
Bonds	248.4	0.0	248.4	0.0
Finance lease liabilities	22.4	8.1	14.3	0.0
Commercial paper program	100.0	100.0	0.0	0.0
Other long-term debt and short-term loans	6.4	3.8	0.0	2.7
Overdraft	25.4	25.4	0.0	0.0
Derivative financial instruments	6.8	6.8	0.0	0.0
Account and other payables	257.3	251.0	6.3	0.0
Total	**1,022.8**	**415.7**	**378.0**	**229.1**

2016		Maturity of financial liabilities		
Liability type	Amount drawn	Less than 1 year	1–5 years	Over 5 years
Loans from financial institutions	76.0	26.0	49.9	0.0
Finance lease liabilities	5.6	2.2	3.5	0.0
Commercial paper program	214.9	214.9	0.0	0.0
Other long-term debt and short-term loans	1.1	0.4	0.7	0.0
Overdraft	26.1	26.1	0.0	0.0
Derivative financial instruments	18.2	18.2	0.0	0.0
Account and other payables	137.5	130.5	6.9	0.0
Total	**479.3**	**418.2**	**61.1**	**0.0**

27.5. Change in Group's liabilities arising from financing activities

2017	Non-current interest bearing loans	Non-current finance leases	Current interest bearing loans	Current finance leases	Financial derivatives	Total
Total liabilities as of January 1	50.7	3.5	267.3	2.2	18.2	341.9
Cash flows	551.8	0.0	-140.5	-2.3	0.0	409.0
Acquisitions and disposals	0.0	0.0	23.7	0.0	0.0	23.7
Foreign exhange movement	0.0	0.0	-3.9	0.0	0.0	-3.9
Change in fair values	0.0	0.0	0.0	0.0	-11.3	-11.3
New leases	0.0	19.0	0.0	0.0	0.0	19.0
Other	-16.1	-8.3	3.2	8.3	0.0	-12.9
Total provisions as of December 31	**586.5**	**14.3**	**149.7**	**8.1**	**6.8**	**765.5**

28. Other long-term liabilities

	2017	2016
Employee benefits	268.0	33.1
Other non-interest-bearing long-term liabilities	10.7	6.9
Total	**278.7**	**40.0**

28.1. Employee benefits

The Company and most of its subsidiaries offer retirement plans which cover the majority of employees in the Group. Many of these plans are defined contribution, where Konecranes' contribution and resulting charge is fixed at a set level or is a set percentage of employees' pay. However the Group has a significant defined benefit pension plan in the United Kingdom, Germany and Switzerland as well as individually insignificant plans in other countries. Companies in many countries have also other long term employee benefits such as part time pension benefits and jubilee benefits which are reported as defined benefit plans.

The UK defined benefit plan is administered by an independent trustee company that is legally separated from the Group. The investments are managed by a professional and independent Fiduciary Manager who is appointed by the trustees. The Fiduciary Manager appoints Investment Managers as they see fit in order to achieve the Trustees' stated objectives for the scheme funding level and taking into account the agreed risk appetite. The Fiduciary Manager has trigger points set in conjunction with the Trustees which when reached allows them to make changes to the investments to repatriate the gains to achieve full funding position. The UK plan is subject to the UK's pensions legislation, is regulated by the UK Pensions Regulator and is exempt from most UK taxation through its registered status. The UK plan was closed to new members in 2005. Under the UK plan the employees are entitled to post-retirement installments calculated as an average annual basic salary from the best three years within the last ten years. The net liability in the United Kingdom was EUR 0.0 million (EUR 0.0 million in 2016).

In Germany the defined benefit pension plans are direct pension promises which are unfunded and administered by a service provider. The payments to plan participants start after retirement or in case of disability or death. Benefits are based on the number of years worked and the final salary. The commencement of pension payments depends on the beginning of the state-pension, which is the earliest at age 63 in case of early retirement and otherwise 65 for old age pension. The biggest defined benefit pension plan in Demag Cranes & Components GmbH is the Mannesmann Leistungsordnung (MLO), which is closed to new employees. The monthly pension benefit provided by this plan is calculated as the ratio Individual pay/Average pay, times the years of service, times 3.07, and has to be at least equal to 2.10 times the years of service. The net liability in Germany was EUR 236.1 million of which the MLO plan was EUR 148.1 million.

The Swiss pension plans are administered via pension funds, which are legally separated from the Group. The board of Trustees of the pension funds are equally composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets and the administration and financing of the benefits. The plans function in and comply with a large regulatory framework and comply with the local minimum funding requirements. The plans are open to new members. Both the Company and employees pay contributions to fund the plans. The pension plans qualify as defined benefit plan for IFRS purposes, because accruals are by law subject to a minimum guaranteed rate of return and the plan has to guarantee a certain legal minimum level of benefits. There is hence a risk that the Company may have to pay additional contributions. Under the plans, participants are also insured against the financial consequences of old age, disability and death. The net liability in Switzerland was EUR 6.8 million of which the pension plan was EUR 6.5 million.

The defined benefit plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The investment risk is being mitigated by investing the funds both to equity and debt instruments.

The following tables summarize the components of net benefit expense recognized in the statement of profit or loss and the funded status and amounts recognized in the balance sheet for the respective plans:

28.2. Amounts recognized in the balance sheet

	2017	2016
Present value of obligation wholly unfunded	262.8	30.0
Present value of obligation wholly or partly funded	99.6	75.7
Defined benefit plan obligations	362.4	105.7
Fair value of plan assets	-94.5	-72.6
Total net liability recognized	**268.0**	**33.1**

28.3. Components of defined benefit plan recorded in comprehensive income

	2017	2016
Service cost:		
Current service cost	6.8	2.8
Net interest cost	4.5	2.3
Past service cost	-0.2	0.0
Components of defined costs recorded in profit or loss	**11.1**	**5.1**
Remeasurement on the net defined benefit liability:		
The return on plan assets (excluding amounts included in the net interest expense) gains (-) / losses (+)	-1.2	-12.0
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	-0.7	-0.3
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	3.0	24.1
Components of defined benefit plan costs recorded in other comprehensive income	**1.1**	**11.9**
Total (income (-) / expense (+))	**12.2**	**17.0**

The actuarial losses in 2017 and 2016 were mainly caused by the change of discount rates in the defined benefit plans of Germany, Switzerland and the United Kingdom.

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28.4. Movements of the present value of defined benefit obligation

	2017	2016
Obligation as of January 1	105.7	151.8
Translation difference	-6.2	-9.7
Business combinations	267.2	0.0
Reclassification of pension liabilities	-0.1	5.7
Transfer to liabilities directly attributable to assets held for sale	0.0	-67.8
Settlements and curtailments	-0.1	0.4
Current service cost	6.9	2.8
Interest cost	6.4	4.4
Past service cost	-0.2	0.0
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	-0.7	-0.3
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	3.0	24.1
Benefits paid	-19.5	-5.9
Obligation as of December 31	**362.4**	**105.7**

Movements of the fair value of plan assets

	2017	2016
Fair value of plan assets as of January 1	72.6	63.2
Translation difference	-5.0	-9.4
Business combinations	26.2	0.0
Reclassification of plan assets	0.7	5.6
Transfer to liabilities directly attributable to assets held for sale	0.0	-0.4
Interest income	1.9	2.1
Employee contributions	0.6	0.2
Employer contributions	3.0	1.7
Settlements	0.0	0.0
The return on plan assets (excluding amounts included in the net interest expense)	1.2	12.0
Benefits paid	-6.8	-2.4
Fair value of plan assets as of December 31	**94.4**	**72.6**

28.5. Major categories of plan assets at the end of the reporting period

	2017	2016
Equity instruments	32.5	23.1
Debt instruments	50.9	37.5
Insurances	1.0	0.0
Real estate	8.4	2.8
Others	1.6	9.1
Total plan assets	**94.4**	**72.6**

The plan assets do not contain any Konecranes shares or assets.

Virtually all equity and debt instruments have quoted prices in active markets. The plan assets originate from the United Kingdom, Switzerland, Germany and India. It is the policy of the UK fund to invest approximately 40–50% to growth assets such as equity instruments as well as property and growth funds and 50–60% to risk reducing assets such as corporate bonds and fixed or index-linked gilts. The Swiss pension funds have a policy of investing their assets approximately for 40–60% in Swiss bonds, about 15-35% in equities, and 15–25% in Swiss property and mortgage loans. There is almost no exposure to alternative investments. The Company can only indirectly and partially determine the asset allocation through the 50/50 employer/employee representation in the board of Trustees. The actual return on plan assets was EUR 3.0 million (EUR 14.0 million in 2016).

28.6. Defined benefit plan: the main actuarial assumptions

With the objective of presenting the assets and liabilities of the defined benefit plans at their fair value on the balance sheet, assumptions under IAS 19 are set by reference to market conditions at the valuation date. Qualified independent actuaries have updated the actuarial valuations under IAS 19 of the major defined benefit schemes operated by the Group to 31 December 2017. The assumptions used by the actuaries are chosen from a range of possible actuarial assumptions which, due to the long-term nature of the schemes, may not necessarily be borne out in practice. The actuarial assumptions used to calculate the benefit liabilities therefore vary according to the country in which the plan is situated. The following table shows the assumptions, weighted by liabilities, used to value the principal defined benefit plans.

	2017	2016
Germany		
Discount rate %	1.58	1.80
Expected development of salaries %	2.36	2.10
Expected development of pensions %	1.65	1.50
Mortality table: Richttafeln 2005 G von Klaus Heubeck		
UK		
Discount rate %	2.50	2.70
Expected development of pensions %	3.10	3.30
Mortality table: SAPS base table of S2PA, applied at year of birth, and CMI 2014 (2016: CMI 2014) projections with a long term improvement parameter of 1.5% (2016: 1.5%) per annum		
Switzerland		
Discount rate %	0.60	0.40
Expected development of salaries %	1.00	1.00
Mortality table: BVG 2015 Generational and improvement factors CMI LTR 1.50%.		
Other		
Discount rate %	1.04–12.00	1.50–12.00
Expected development of salaries %	0.89–8.50	1.50–8.00
Expected development of pensions %	1.62–6.00	1.50–6.00

The below table shows the % effect of a change in the significant actuarial assumptions used to determine the retirement benefits obligations in our main defined benefit pension obligation countries. The effect shows the increase or decrease in the liability. In the calculation of the sensitivity of the discount rate any effect from the return of plan assets has been ignored.

Sensitivity analysis	Increase	Decrease
0.5% points change in the discount rate	-7.1%	8.0%
0.5% points change in the expected development of salaries	0.4%	-1.0%
0.5% points change in the expected development of pensions	5.5%	-4.5%

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. A linear extrapolation of these amounts based on alternative changes in the assumptions as well as an addition of combined changes in the individual assumptions is not possible.

There are no changes in the way the sensitivity analyses were performed compared to the previous years.

The average duration of the defined benefit obligation weighted by the present value of the defined benefit obligation is 16 years (17 years in 2016).

The Group expects to contribute EUR 2.6 million to the above defined benefit pension plans in 2018 (Employer contribution).

29. Share based payments

Performance Share Plan

The Board of Directors of Konecranes Plc resolved in 2015 on a Performance share plan, which consisted of one three-year discretionary period. Earning during the three-year discretionary period beginning on 1 January, 2015 is based on the Konecranes Group's cumulative EPS excluding restructuring costs and certain other one time items. The potentially earned reward will be paid in spring 2018. If a key employee's employment or service ends before the end of the discretionary period, no reward will be paid on the basis of such a discretionary period.

The Board of Directors of Konecranes Plc resolved in 2016 to establish a share-based incentive plan directed to the Group key employees. The long-term incentive plan consists of one discretionary period, calendar year 2016. The reward from the plan is 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 reward from the plan has been paid partly in Konecranes shares and partly in cash after the discretionary period, at the end of August 2017 to be used for taxes and tax-related costs arising from the reward to the key employees. The shares paid as reward may not be transferred during a restriction period established for the shares. The restriction period begun from reward payment and will end on December 31, 2018.

The Board of Directors of Konecranes Plc has resolved in 2017 to establish a long-term incentive plans for the Group key employees and the President and CEO. The new share-based incentive plans are a Performance Share Plan 2017 for the Group key employees, a Restricted Share Unit Plan 2017 for selected Group key employees and a Performance Share Plan 2017–2021 for the President and CEO. The potential rewards from the incentive plans will be paid partly in Konecranes Plc class A shares and partly in cash to be used for taxes and tax-related costs after the performance periods or vesting periods. As a rule, no reward will be paid if a plan participant's employment or service ends before the reward payment. 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 achieving the required performance levels based on the Konecranes Group's cumulative adjusted Earnings per Share (EPS) during the financial years 2017–2019. 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.

Restricted Share Unit Plan

The Restricted Share Unit Plan is directed to selected key employees in Konecranes. The vesting periods will last for 12 to 36 months. The prerequisite for reward payment is that a 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 restricted share unit plan was not allocated during 2017.

Performance Share Plan 2017–2021 for the CEO

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 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 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 a 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 shares paid as reward through the Performance Share Plan 2017–2021 for the CEO or the Performance Share Plan 2017 until he owns Konecranes shares worth EUR 750,000 in total.

Ownership Obligations

A member of the Group Executive Board or the Senior Management must hold a minimum of 50 per cent of any net shares given on the basis of these plans, until the member's shareholding in the company in total 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.

The fair value of the equity-settled portion of the share rights granted is estimated at the date of grant using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the share rights were granted. The model simulates the TSR and compares it against the group of principal competitors. It takes into account historical and expected dividends, and the share price fluctuation covariance of the Group and its competitors to predict the distribution of relative share performance. Fair value of the cash-settled portion is measured at each reporting date using a binomial option pricing model taking into account the terms and conditions upon which the instruments were granted and the current likelihood of achieving the specified target.

Employee Share Savings Plan

The Group has launched an Employee Share Savings Plan (ESSP) in which 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 until the end of the designated holding period. The matching shares will be paid in Konecranes shares and partly in cash. The expenses of the plan are recognized over the vesting period based on the quarterly acquired savings share amounts.

The fair value of the equity-settled portion of the share options granted is estimated at the date of grant using a binominal option pricing model, taking into account the terms and conditions upon which the share options were granted. Fair value of the cash-settled portion is measured at each reporting date using a binomial option pricing model taking into account the terms and conditions upon which the instruments were granted and the current likelihood of achieving the specified target.

29.1. Expenses for employee service

	2017	2016
Expense arising from equity-settled share-based payment transactions	5.0	1.8
Expense arising from cash-settled share-based payment transactions	8.6	3.7
Total expense arising from share-based payment transactions	**13.6**	**5.5**

The carrying amount of the liability arising from cash settled portion was EUR 6.3 million (EUR 6.9 million in 2016).

29.2.Changes in the number of share rewards in Performance Share Plan

	2017	2016
	Number of shares	Number of shares
As of January 1	1,878,000	1,849,000
Share rewards granted	1,018,000	692,000
Share rewards awarded*)	-766,688	0
Share rewards expired	-470,820	-523,000
Share rewards forfeited	-53,492	-140,000
Total as of December 31	**1,605,000**	**1,878,000**

*) Performance Share Plan 2016 earning was 667,508 gross shares and of this 334,239 net shares were delivered in 2017.
The delivered shares are under transfer restriction until 31 December 2018.

29.3. Changes in the number of share rewards in Employee Share Savings Plan

	2017	2016
	Number of shares	Number of shares
Outstanding as of January 1	137,474	142,081
Share rewards granted	34,800	46,420
Share rewards awarded	-41,691	-36,984
Share rewards expired	0	0
Share rewards forfeited	-9,267	-14,043
Outstanding as of December 31	**121,316**	**137,474**

29.4. Assumptions made in determining the fair value of Performance Shares Plan

The fair value for the cash settled portion is remeasured at each reporting date until the possible share delivery. The fair value of the liability will thus change in accordance with the Konecranes Plc share price.

For the 2015–2017 vesting periods granted in 2015 and for the 2017–2019 vesting periods granted in 2017, the fair value for the equity settled portion based on non market vesting condition (adjusted EPS) and for the 2016–2018 vesting periods granted in 2016, the fair value for the equity settled portion based on non market vesting condition (EBITDA) the fair value for the equity settled portion based on non market vesting condition has been determined at grant using the fair value of Konecranes share as of the grant date and expected dividend yield.

	CEO LTI 2017 plan	2017 plan	2016 plan	2015 plan
Share price at grant, EUR	37.03	38.45	25.74	29.50
Share price at reporting period end 31.12., EUR	38.18	38.18	38.18	38.18
Expected volatility, %*)	30.6%	33.7%	34.0%	29.0%
Risk-free interest rate, %	0.0%	0.0%	0.0%	0.0%
Expected dividend per share, pa , EUR	1.1	1.0	1.0	1.0
Expected contractual life in years	4.9	2.7	1.0	0.3
Weighted average fair value of the share rewards at the grant date	32.70	35.64	24.75	26.51
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

*) Expected volatility was determined by calculating the historical volatility of the Konecranes share using monthly observations over corresponding maturity.

30. Related party transactions

The related parties of Konecranes include subsidiaries (see Company list), associated companies, joint ventures and joint operations, pension fund in the United Kingdom and the key management personnel of the Group and major shareholders. The key management personnel of the Group is comprised of the Board of Directors, the CEO and the Group Executive Board.

30.1. Key Management compensation

Board of Directors

The remuneration packages for Board members are resolved by the Annual General Meeting (AGM) on proposal by the Nomination Committee. The AGM 2017 confirmed an annual fee of EUR 140,000 for the Chairman of the Board (EUR 140,000 in 2016), EUR 100,000 for the Vice Chairman of the Board (EUR 100,000 in 2016), and EUR 70,000 for other Board members (EUR 70,000 in 2016). In case the term of office of a Board member ends before the closing of the Annual General Meeting in 2018, he or she is entitled to the prorated amount of the annual remuneration calculated on the basis of his or her actual term in office. In addition, compensation of EUR 1,500 was approved per meeting for attendance at Board committee meetings (EUR 1,500 in 2016). However, the chairman of audit committee is entitled to a compensation of EUR 3,000 (EUR 3,000 in 2016) per meeting for attendance at audit committee meetings.

According to the proposal, 50% of the annual remuneration is to be used for acquiring shares in the company. The remuneration may also be paid by transferring treasury shares based on the authorization given to the board of directors by the general meeting. In case such purchase of shares cannot be carried out due to reasons related either to the company or to a board member, the annual remuneration shall be paid entirely in cash.

Travel expenses will be compensated against receipt.

Total compensation to the Board of Directors

2017	Number of shares as part of compensation	Value of compensation in shares, EUR	Compensation paid in cash, EUR	Total compensation, EUR
Chairman of the Board	903	34,994	123,006	158,000
Board members	2,900	112,361	483,639	596,000
Total	**3,803**	**147,355**	**606,645**	**754,000**

2016	Number of shares as part of compensation	Value of compensation in shares, EUR	Compensation paid in cash, EUR	Total compensation, EUR
Chairman of the Board	0	0	111,750	111,750
Board members	0	0	500,902	500,902
Total	**0**	**0**	**612,652**	**612,652**

President and CEO

The Human Resources Committee reviews the President and CEO's performance. Based on this review and relevant facts, the Board sets the total compensation package for the President and CEO.

	2017	2016
Salary and benefits, EUR	664,836	467,071
Annual variable pay, EUR	575,500	143,500
Total	**1,240,336**	**610,571**
Expense of statutory pension plans	184,438	85,114
Expense of voluntary pension plans	130,662	142,456
Total	**315,100**	**227,570**
Shareholding in Konecranes Plc (number of shares)*)	28,315	16
Performance share rights allocated (number of share rights)	248,000	144,000
Share-based payment costs, EUR	934,340	457,545
Retirement age	63 years	63 years
Period of notice	6 months	6 months
Severance payment	18 months salary and fringe benefits	18 months salary and fringe benefits

*) includes 24,000 shares, which are under transfer restriction until December 31, 2018

Group Executive Board & Senior Management Team

In 2017 Konecranes had a two-tier operative management structure consisting of the Group Executive Board (GXB) and the Senior Management (SM). The GXB convenes as frequently as necessary, normally on a monthly basis. Business Areas have their own management teams that convene on a regular basis. Only the GXB is classified to key management personnel due to the decision making power.

The Group Executive Board consists of the following members:

- President and CEO
- Chief Financial Officer, Deputy CEO
- Executive Vice President, Business Area Service
- Executive Vice President, Industrial Equipment
- Executive Vice President, Port Solutions
- Executive Vice President, Technologies, Chief Digital Office
- Executive Vice President, Strategy
- Senior Vice President, Human Resources
- Senior Vice President, General Counsel

The Human Resources Committee of the Board will, based upon a recommendation by the President and CEO, make a proposal to the Board concerning the approval of the base compensation review and incentive levels for GXB members.

The retirement age of the Finnish members of the Group Executive Board (excluding the President and CEO) is set according to the Employees Pensions Act (TyEL). The Finnish members of the Group Executive Board also participate in the contribution-based group pension insurance scheme offered to key personnel in Finland. The defined contribution payment by the company is 1% of annual salary excluding performance based compensation (annual or long term incentives). The Finnish Group Executive Board members also have life insurance and disability insurances. Non-Finnish members have local insurances.

Group Executive Board excluding the President and CEO

	2017	2016
Salary and benefits, EUR	2,297,895	2,047,243
Annual variable pay, EUR	1,895,783	498,009
Total	**4,193,678**	**2,545,252**
Expense of statutory pension plans	439,853	237,208
Expense of voluntary pension plans	34,684	9,155
Total	**474,536**	**246,364**
Shareholding in Konecranes Plc (number of shares)*)	229,727	170,921
Performance share rights allocated (number of share right)	258,000	318,000
Share-based payment costs, EUR	2,157,687	485,868

*) Includes 60,000 shares, which are under transfer restriction until December 31, 2018.

There were no loans outstanding to the Group Executive Board at end of the period 2017 and 2016.

There are no guarantees on behalf of the Group Executive Board in year 2017 and 2016.

The employee benefits to the key management personnel of the Group were in total EUR 10.1 million in year 2017 (5.2 million in year 2016).

30.2. Transactions with associated companies and joint arrangements

	2017	2016
Sales of goods and services with associated companies and joint arrangements	37.7	14.6
Sales of goods and services with significant shareholders (Terex Corporation 4.1.–24.5.2017)	13.1	0.0
Receivables from associated companies and joint arrangements	11.1	5.5
Purchases of goods and services from associated companies and joint arrangements	45.7	48.1
Purchases of goods and services from significant shareholders (Terex Corporation 4.1.–24.5.2017)	0.7	0.0
Liabilities to associated companies and joint arrangements	4.3	4.3

Sales to and purchases from related parties are concluded using terms equivalent to arm's length transaction.

30.3. Transactions with Pension Fund in the United Kingdom

	2017	2016
Employer contributions	1.4	1.4

31. Guarantees, lease commitments and contingent liabilities

	2017	2016
For own commercial obligations		
Guarantees	499.7	447.0
Operating lease liabilities (note 31.1)	121.6	110.5
Other	19.8	0.2
Total	**641.0**	**557.6**

31.1. Operating leases

	2017	2016
Minimum lease payments		
within 1 year	39.8	34.7
1–5 years	49.6	67.4
over 5 years	32.2	8.4
Total	**121.6**	**110.5**
Operative rental expenses during the year	41.3	38.8

The Konecranes Group has major operating lease agreements of factory and office buildings in Hyvinkää and Hämeenlinna. Finland. They are valid for 10–12 years unless the lessee extends the lease period by five years. The lessee is entitled to exercise the 5-year extending option three consecutive times. The Group has various other operating leases for office equipment, vehicles and premises with varying terms and renewal rights. Leasing contracts comply with normal practices in the countries concerned.

From time to time Konecranes provides customers with guarantees that guarantee Company's obligations pursuant to the applicable customer contract. In sales 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 pend against the Group in various countries. These actions, claims and other proceedings are typical of 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 has 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.

32. Financial assets and liabilities

32.1. Carrying amounts of financial assets and liabilities

	2017					2016				
Financial assets	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	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	581.9	0.0	581.9	0.0	0.0	402.8	0.0	402.8
Derivative financial instruments	17.1	20.6	0.0	0.0	37.7	3.0	28.1	0.0	0.0	31.1
Cash and cash equivalents	0.0	0.0	233.1	0.0	233.1	0.0	0.0	167.4	0.0	167.4
Total	**17.1**	**20.6**	**814.9**	**0.0**	**852.6**	**3.0**	**28.1**	**570.1**	**0.0**	**601.3**
Financial liabilities										
Non-current financial liabilities										
Interest-bearing liabilities	0.0	0.0	0.0	600.8	600.8	0.0	0.0	0.0	54.2	54.2
Other payables	0.0	0.0	0.0	10.5	10.5	0.0	0.0	0.0	6.9	6.9
Current financial liabilities										
Interest-bearing liabilities	0.0	0.0	0.0	157.9	157.9	0.0	0.0	0.0	269.5	269.5
Derivative financial instruments	5.8	1.0	0.0	0.0	6.8	11.0	7.2	0.0	0.0	18.2
Account and other payables	0.0	0.0	0.0	251.0	251.0	0.0	0.0	0.0	130.5	130.5
Total	**5.8**	**1.0**	**0.0**	**1,020.1**	**1,027.0**	**11.0**	**7.2**	**0.0**	**461.1**	**479.3**

Additional information on financial instruments is presented in Note 34.

32.2. 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:

	Carrying amount		Fair value		
Financial assets	2017	2016	2017	2016	Note
Current financial assets					
Account and other receivables	581.9	402.8	581.9	402.8	19,20
Derivative financial instruments	37.7	31.1	37.7	31.1	34.1
Cash and cash equivalents	233.1	167.4	233.1	167.4	22
Total	**852.6**	**601.3**	**852.6**	**601.3**	
Financial liabilities					
Non-current financial liabilities					
Interest-bearing liabilities	600.8	54.2	608.3	54.2	27.1
Derivative financial instruments	0.0	0.0	0.0	0.0	34.1
Other payables	10.5	6.9	10.5	6.9	
Current financial liabilities					
Interest-bearing liabilities	157.9	269.5	157.9	269.5	27.2
Derivative financial instruments	6.8	18.2	6.8	18.2	34.1
Account and other payables	251.0	130.5	251.0	130.5	25.2
Total	**1,027.0**	**479.3**	**1,034.6**	**479.3**	

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities 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.

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

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

32.3. Hierarchy of fair values

The following table allocates financial assets and financial liabilities measured at fair value to the three levels of the fair value hierarchy.

	2017			2016		
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Derivative financial instruments						
Foreign exchange forward contracts	0.0	37.7	0.0	0.0	4.7	0.0
Currency options	0.0	0.0	0.0	0.0	26.3	0.0
Fuel oil derivate	0.0	0.0	0.0	0.0	0.1	0.0
Total	**0.0**	**37.7**	**0.0**	**0.0**	**31.1**	**0.0**
Other financial assets						
Cash and cash equivalents	233.1	0.0	0.0	167.4	0.0	0.0
Total	**233.1**	**0.0**	**0.0**	**167.4**	**0.0**	**0.0**
Total financial assets	**233.1**	**37.7**	**0.0**	**167.4**	**31.1**	**0.0**
Financial liabilities						
Derivative financial instruments						
Foreign exchange forward contracts	0.0	6.7	0.0	0.0	18.0	0.0
Currency options	0.0	0.0	0.0	0.0	0.0	0.0
Interest rate swaps	0.0	0.0	0.0	0.0	0.0	0.0
Electricity forward contracts	0.0	0.1	0.0	0.0	0.2	0.0
Total	**0.0**	**6.8**	**0.0**	**0.0**	**18.2**	**0.0**
Other financial liabilities						
Interest bearing liabilities	0.0	758.6	0.0	0.0	323.6	0.0
Other payables	0.0	0.0	6.3	0.0	0.0	6.9
Total	**0.0**	**758.6**	**6.3**	**0.0**	**323.6**	**6.9**
Total financial liabilities	**0.0**	**765.5**	**6.3**	**0.0**	**341.8**	**6.9**

There were no significant changes in classification of fair value of financial assets and financial liabilities in the period 2016 to 2017. There were also no significant movements between the fair value hierarchy classifications.

The level 3 valuations in other payables are contingent consideration liabilities resulting from business combinations or the acquisition of non-controlling interest and the cash settled share based payment liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Management of financial risks

The nature of Konecranes' business and its global presence exposes it to a range of financial risks. These risks include (i) market risks, which include potential unfavorable changes in foreign exchange rates, interest rates and commodities (ii) liquidity risk and (iii) credit and counterparty risk.

33.1. Market risk

The responsibility of identifying, evaluating and controlling the financial risks arising from the Group's global business operations is divided between the business units and the Group Treasury. However, the Group uses an approach in which most of the management of financial risks is centralized to Konecranes' Group Treasury. The Group Treasury functions within the legal entity Konecranes Finance Corporation. By centralization and netting of internal foreign currency cash flows, the Group's external hedging needs can be minimized.

Konecranes Finance Corporation is not a profit center in the sense that it would pursue to maximize its profits. The Company aims to serve the operating companies of the Group in reducing their financial risks.

The Group's global business operations involve market risks in the form of currency, interest rate, commodity, credit and liquidity risks. The Group's objective is to increase the short-term stability of the financial environment for the business operations by reducing the negative effects caused by price fluctuations and other uncertainties in the financial markets.

Business units hedge their risks internally with the Group Treasury. As a result of this, most of the financial risks of the Group are concentrated into one company, Konecranes Finance Corporation, and can be evaluated and controlled in an efficient way.

Almost all funding, cash management and foreign exchange with banks and other external counterparties are centralized to Konecranes Finance Corporation in accordance with the Group's Treasury Policy. In a few special cases, when the local central bank regulation prohibits using group services in hedging and funding, this must be done directly between an operating company and a bank under the supervision of the Group Treasury.

Konecranes Finance Corporation uses a treasury system, which enables practically a real-time processing of transactions and in-depth records of activities and performance. The standard reporting is done on a weekly basis and it covers group-level commercial and financial cash flows, foreign currency transaction exposure, debt positions, portfolio of derivatives and counterparty credit exposure for financial transactions. In addition, all Group companies participate in the monthly managerial and statutory reporting.

Foreign exchange risk

The Group's global business operations generate foreign exchange risk. However, most of the business units only have transactions in their own currency, i.e. these units have their sales and costs as well as internal funding from Konecranes Finance Corporation in their local home currency. Only 20 out of some 130 Group companies operate regularly in a foreign currency. These companies hedge their foreign exchange risk with Group Treasury. Depending on the business area and the probability of the cash flows, the hedging covers operative cash flows for the next 1–24 months and is done by using internal foreign exchange forward contracts. In this way, Konecranes Finance Corporation can manage the foreign exchange risk of the whole Group. The foreign currency funding of the other Group companies and possibly some external foreign currency funding can net some of these foreign currency items. The residual net exposure can be covered with commercial banks using foreign exchange forward contracts or currency options. Currency derivatives belonging to hedge accounting are managed in a separate portfolio than derivatives hedging other commercial flows and funding and cannot thus be netted out against other internal items. These instruments are used when the hedging effect cannot be obtained through internal netting and matching of cash flows within the Group.

The business units' commercial bids in a foreign currency can be hedged by using currency options or exchange forwards, but, in general, using currency clauses covers the risk.

For certain large crane projects, the Group applies hedge accounting under IAS 39. Hedges are done by using foreign exchange forward contracts. Currently, only USD denominated projects are included in the hedge accounting. The hedge accounting portfolio comprises both USD sales and purchases where gross flows are hedged separately. At the end of 2017, the hedge accounting net cash flows totaled USD 214 million (USD 265 million in 2016).

The following table shows the transaction exposure of Konecranes Finance Corporation as of December 31, 2017, and December 31, 2016 (in EUR millions):

	2017	2016
AUD	5	8
BRL	1	2
CAD	8	-6
CHF	-2	0
CLP	0	1
CNY	-3	5
CZK	-6	0
DKK	-2	0
GBP	-6	-5
IDR	0	5
JPY	3	0
NOK	1	2
PLN	1	1
SEK	-118	-46
SGD	-14	4
THB	3	4
USD	248	328
ZAR	0	1

The following table shows the translation exposure, which represents the equity of the Group in a local currency as of December 31, 2017, and December 31, 2016 (in EUR millions):

	2017	2016
AED	11	7
AUD	5	6
BRL	10	5
CAD	11	29
CHF	4	1
CLP	18	15
CNY	126	68
CZK	9	0
DKK	4	1
GBP	20	-1
HKD	-3	0
HUF	4	4
INR	7	7
IDR	-5	-5
JPY	-8	-8
KRW	-1	0
MAD	1	0
MXN	5	4
MYR	1	1
NOK	-3	3
PEN	4	4
PHP	1	1
PLN	5	2
RUB	6	10
SAR	12	15
SGD	13	27
SEK	-17	26
THB	-1	-1
UAH	-14	-16
USD	-30	12
VND	-1	0
ZAR	5	1

See Note 34 for the notional and fair values of derivative financial instruments.

Changes in currency rates can affect the profitability and equity of the Group. The US dollar has the biggest impact, as many of the large crane projects outside the United States are denominated in USD and because the Group has a lot of local business operations in the United States. A depreciation of the USD would have a negative impact.

The following table shows the theoretical effects that changes in the EUR/USD exchange rate would have on the Group's annual EBIT and equity. A decline of the average rate of US dollar against euro for 10% increases EBIT by EUR 35.2 million (25.6 million in 2016) and decreases equity by EUR 3.5 million (increase 1.2 million in 2016). The below table provides a sensitivity analysis over the past two years:

Change in EUR/USD rate	2017 EBIT	2017 Equity	2016 EBIT	2016 Equity
+10 %	-28.8	+2.9	-20.9	-1.0
-10 %	+35.2	-3.5	+25.6	+1.2

The EBIT effect comprises transaction exposure for euro based companies having frequent sales in USD and the translation exposure from EBIT generated in USD translated into euros. The transaction position is estimated for 2017 as the USD positions changes from one year to another and these changes are mainly due to timing of major ports projects and currencies used in them. The estimate of the effects is based on the assumption that the USD denominated transactions are not hedged. In practice, however, all large projects with long maturities generating a substantial portion of the annual changes in the transaction position are hedged and subject to project specific pricing. The change in equity is the translation exposure on the Group's equity in USD.

Appreciating US dollar has a positive impact on Group's operating margin when it impacts the revenues and costs reported in euros asymmetrically. This is due to the fact that the exchange rate change impacts mostly both Group's revenues and costs and partly only either of these. If the EBIT generated in USD based entities as well as cash flows from long lasting projects, as they are subject to project specific pricing which in practice may be adjusted to reflect the currency rate changes, are excluded from the sensitivity analysis the effect on EBIT is estimated to be approximately a EUR 9 million increase (EUR 6 million in 2016) when the dollar appreciates 10 percent.

Interest rate risk

Changes in market interest rates have an impact on the Group's net interest expenses and the market value of interest rate derivatives. The objective for interest rate risk management is to reduce the volatility impact the market interest rate changes cause by optimizing the allocation between fixed and floating interest rates according to principles set in capital structure management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Approximately 94% of the Group's interest-bearing liabilities are denominated in euro (85% in 2016). See note 27.3 for the currency split of outstanding debt.

The portion of the Group's long term debt of total debt is related to the Group's gearing ratio. The higher the ratio is, the bigger the share of long term debt is of the total loan portfolio in line with principles set in the capital structure management. The interest rate risk related to long term loans may be hedged with interest rate derivatives such as interest rate swaps for which hedge accounting is applied. Other instruments that can be used for which no hedge accounting is applied are forward rate agreements, interest rate futures and interest rate options.

A change of one percentage point in interest rates in the Group's long term debt portfolio would have the following effect on the Group's income statement and equity:

Change in interest rates	2017 Income statement	2017 Equity	2016 Income statement	2016 Equity
+1	-2.7	+0.0	-0.0	+0.0
-1	+0.1	-0.0	+0.0	-0.0

The effect on income statement is comprised of the Group's floating long term debt which is recognized through the statement of income. The effect on equity is comprised of the changes in fair value of interest rate swaps which are hedging the debt portfolio. The effect of one percentage point decline is calculated with a 0% interest rate floor. The proportion of fixed interest loans in the loan portfolio can be increased by means of interest rate derivatives. As a consequence of this treasury policy, the Group's average interest rate level, in general, can be higher than the market level of short-term interest rates when low rates prevail and, on the other hand, lower than the market level when high rates prevail.

Commodity risk

By using electricity derivatives, the Group strives to reduce the negative effect caused by electricity price fluctuation. The overall importance of the energy price risk is small compared to other financial risks and cannot be described as significant.

See note 34 for the notional and fair values of derivative financial instruments (including electricity forwards).

Steel prices are fixed as a normal part of the procurement process. Price changes naturally affect the future procurement, but these changes can be taken into consideration in the price quotes to the end customers.

In large crane projects, the steel structures are sub-contracted and as a normal part of the sub-contracting process, the steel is included in the price of the sub-contracting (i.e. the price is fixed with the sub-contractor).

The Group can procure steel and steel components and thus may have an inventory of those. Market price fluctuation of steel can impact the profitability of customer projects or cause inventory obsolescence.

33.2. Credit and counterparty risks

Credit risk arises from the potential failure of a commercial counterparty to meet its commercial payment obligations. To limit this risk, the Group applies a conservative credit policy towards customers. It is Konecranes practice to review customers carefully before entering into formal business relationships and to require credit reports from new customers. Customer credit risks are mitigated with advance payments, letters of credits, payment guarantees and credit insurance where applicable. With these actions and careful monitoring of the customer payments credit risks can be mitigated.

The business units manage credit risks related to their commercial flows. There is currently no significant concentration of credit risk regarding the commercial activities, as the number of customers is high and their geographic distribution is wide. It is the Group's policy not to fund its customers beyond regular payment terms. See note 19 for a table of an aging analysis of accounts receivable. The theoretical maximum credit risk equals the carrying amount of all receivables.

Counterparty risk arises from the potential failure of a financial institution to meet its payment obligations regarding financial instruments. All credit risks related to other financial instruments than the regular accounts receivable are managed by Konecranes Group Treasury. There is no substantial concentration of credit risk regarding the financial instruments, since investments are rare and hedging instruments are done with a number of banks. Additionally, counterparties for financial instruments are limited to the core banks of the Group. These are all major banks with good credit ratings. The majority of all financial instruments are of short-term nature, with maturity of less than one year. There are no significant deposits or loans granted with external counterparties.

The Group has counterparty risk in form of cash holdings in several banks around the world. Despite the active cash management structures the Group has in place, cash holdings globally with several banks are needed to ensure the liquidity of Group companies. The Group Treasury follows closely the exposure in the Group according to principles set out in the Treasury Policy and takes necessary actions for reducing the risk.

A credit risk is run on the financial assets of the Group, which consist of cash and cash equivalents, receivables and certain derivatives arising from default of the other party, with a maximum risk equal to the carrying amount of these instruments.

33.3. Liquidity risks

Liquidity risks concern the availability of liquid assets or funding. Lack of funding might jeopardize normal business operations and eventually might endanger the ability to fulfill daily payment obligations.

For managing the liquidity risks, the Group has established EUR 400 million committed revolving credit facility with an international loan syndication (2017–2023). At the end of 2017 the facility was unutilized. To cover the short-term funding needs, Konecranes Finance Corporation can borrow from institutional investors through domestic commercial paper program (totaling EUR 500 million). In addition, business units around the world have overdraft facilities totaling some EUR 200 million to cover the day-to-day funding needs.

It is the Group's policy under normal conditions to keep a minimum amount of cash in the balance sheet as deposits or any other liquid assets to maximize the return of capital employed. Cash and cash equivalents totalled EUR 233.1 million at the end of 2017 (EUR 194.1 million in 2016).

See note 27.3 for the maturity profile of the Group's financial liabilities.

33.4 Capital structure management

The primary objective of the Group's capital structure management is to ensure that it maintains a good credit status and a healthy capital ratio to support its business operations. At the same time, the Group also aims to maximize shareholder value by effective use of capital.

The Group manages its capital structure and fine-tunes it to adjust to probable changes in economic conditions. These actions may include adjusting the dividend payment to shareholders, buying back own shares or issuing new shares.

The Group monitors its capital structure using gearing ratio. This is calculated as a ratio of interest-bearing liabilities less liquid assets less loans receivable to total equity. At the end of 2017, the gearing ratio was 41.1% (29.1% in 2016).

The Group has a quantitative target for the capital structure in which the interest-bearing net debt to equity ratio (gearing) should be below 80%.

The Group decides on the split between long-term and short-term debt in relation to the gearing ratio level. The following table shows the rough guidelines for the portion of long-term debt of total debt under different gearing ratio levels:

Gearing ratio level	Portion of long–term of total debt
Under 50%	Under 1/3
Between 50–80%	Between 1/3 and 2/3
Over 80%	Over 2/3

The Group monitors the gearing ratio level on a weekly basis. During 2017, the Group introduced the above mentioned quantitative target for net debt to equity ratio. In previous year, the optimal interest-bearing net debt to equity ratio (gearing) was considered to be 50-80%. No other changes have been made in the objectives, policies or processes concerning the past year. The objectives of the Group's capital management have been met in recent years.

34. Hedge activities and derivatives

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 cash-flow 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.

34.1. Nominal and fair values of derivative financial instruments

	2017 Nominal value	2017 Fair value	2016 Nominal value	2016 Fair value
Foreign exchange forward contracts	1,006.1	31.0	878.1	-13.2
Currency options	0.0	0.0	1,571.8	26.3
Interest rate swaps	0.0	0.0	*0.0*	*0.0*
Fuel oil derivative	0.0	0.0	0.5	0.1
Electricity forward contracts	0.5	-0.1	0.8	-0.2
Total	**1,006.6**	**30.9**	**2,451.2**	**12.9**

See note 32.3. for the fair values of the derivatives recognized in assets and liabilities

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 risks of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts and options measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales and purchases in US dollar. These forecasted transactions are highly probable, and they comprise about 45.2% 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 assesses 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 a 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%. As a result, no hedge ineffectiveness arose that would require recognition through profit or loss.

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

34.2. Fair value reserve of cash flow hedges

	2017	2016
Balance as of January 1	15.0	-9.1
Gains and losses deferred to equity (fair value reserve)	-5.3	30.1
Change in deferred taxes	1.1	-6.0
Balance as of December 31	**10.8**	**15.0**

KONECRANES GROUP 2013–2017

Business development		2017	2016	2015	2014	2013
Orders received	MEUR	3,007.4	1,920.7	1,965.5	1,903.5	1,920.8
Order book	MEUR	1,535.8	1,038.0	1,036.5	979.5	893.5
Net sales	MEUR	3,136.4	2,118.4	2,126.2	2,011.4	2,099.6
of which outside Finland	MEUR	3,030.8	1,939.8	2,050.7	1,942.5	2,025.1
Export from Finland	MEUR	655.6	792.7	633.4	621.3	653.7
Personnel on average		15,519	11,398	11,934	11,920	11,987
Personnel on December 31		16,371	10,951	11,887	11,982	11,832
Capital expenditure	MEUR	35.7	33.8	49.3	60.0	65.7
as % of net sales	%	1.1%	1.6%	2.3%	3.0%	3.1%
Research and development costs	MEUR	36.0	22.3	28.7	28.9	25.6
as % of Group net sales	%	1.1%	1.1%	1.4%	1.4%	1.2%
Profitability						
Net sales	MEUR	3,136.4	2,118.4	2,126.2	2,011.4	2,099.6
Operating profit (including restructuring costs)	MEUR	318.3	84.9	63.0	115.8	84.5
as % of net sales	%	10.1%	4.0%	3.0%	5.8%	4.0%
Income before taxes	MEUR	275.6	62.1	55.4	107.4	75.5
as % of net sales	%	8.8%	2.9%	2.6%	5.3%	3.6%
Net income (incl. non-controlling interest)	MEUR	225.0	37.6	30.8	74.6	49.4
as % of net sales	%	7.2%	1.8%	1.4%	3.7%	2.4%
Key figures and balance sheet						
Equity (incl. non-controlling interest)	MEUR	1,279.4	445.5	456.0	449.2	444.5
Balance Sheet	MEUR	3,562.9	1,529.9	1,484.9	1,477.4	1,482.0
Return on equity	%	26.1	8.3	6.8	16.7	10.9
Return on capital employed	%	23.7	10.3	9.5	17.0	11.6
Current ratio		1.3	1.1	1.1	1.3	1.2
Equity to asset ratio	%	39.2	32.9	34.8	35.2	34.0
Net working capital	MEUR	325.2	304.3	317.4	263.7	289.4
Interest-bearing net debt	MEUR	525.3	129.6	203.2	149.5	187.3
Interest-bearing net debt / Equity	%	41.1	29.1	44.6	33.3	42.1
Shares in figures						
Earnings per share, basic	EUR	2.88	0.64	0.53	1.28	0.85
Earnings per share, diluted	EUR	2.88	0.64	0.53	1.28	0.85
Equity per share	EUR	15.96	7.58	7.79	7.75	7.56
Cash flow per share	EUR	3.19	1.87	0.67	2.56	2.08
Dividend per share	EUR	1.20*)	1.05	1.05	1.05	1.05
Dividend / earnings	%	41.7	164.1	199.8	81.7	123.4
Effective dividend yield	%	3.1	3.1	4.6	4.4	4.1
Price / earnings		13.3	52.8	43.6	18.5	30.4
Trading low / high**)	EUR	31.52/42.64	17.92/36.89	20.98/34.98	18.63/27.60	20.45/28.89
Average share price**)	EUR	36.72	25.38	27.73	23.47	25.30
Share price on December 31**)	EUR	38.18	33.78	22.90	23.82	25.86
Year-end market capitalization	MEUR	3,006.9	1,984.6	1,345.0	1,380.2	1,495.4
Number traded***)	(1,000)	161,890	138,110	141,080	111,667	105,051
Stock turnover	%	205.6	235.1	240.2	192.7	181.7
Average number of shares outstanding, basic	(1,000)	78,273	58,748	58,542	57,909	57,684
Average number of shares outstanding, diluted	(1,000)	78,273	58,748	58,542	58,034	57,877
Number of shares outstanding, at end of the period	(1,000)	78,756	58,751	58,732	57,944	57,828

*) The Board's proposal to the AGM
**) Source: Nasdaq Helsinki
***) Source: Fidessa

CALCULATION OF KEY FIGURES

Return on equity (%):

$$\frac{\text{Net profit for the period}}{\text{Total equity (average during the period)}} \times 100$$

Return on capital employed (%):

$$\frac{\text{Income before taxes + interest paid + other financing cost}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}} \times 100$$

Current ratio:

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Equity to asset ratio (%):

$$\frac{\text{Shareholders' equity}}{\text{Total amount of equity and liabilities - advance payment received}} \times 100$$

Interest-bearing net debt / Equity (%):

$$\frac{\text{Interest-bearing liabilities - liquid assets - loans receivable}}{\text{Total equity}} \times 100$$

Earnings per share:

$$\frac{\text{Net profit for the shareholders of the parent company}}{\text{Average number of shares outstanding}}$$

Earnings per share, diluted:

$$\frac{\text{Net profit for the shareholders of the parent company}}{\text{Average fully diluted number of shares outstanding}}$$

Equity per share:

$$\frac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares outstanding}}$$

Cash flow per share:

$$\frac{\text{Net cash flow from operating activities}}{\text{Average number of shares outstanding}}$$

Effective dividend yield (%):

$$\frac{\text{Dividend per share}}{\text{Share price at the end of financial year}} \times 100$$

Price per earnings:

$$\frac{\text{Share price at the end of financial year}}{\text{Earnings per share}}$$

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)

Year-end market capitalization: Number of shares outstanding multiplied by the share price at the end of year

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

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

(1,000 EUR)

Subsidiaries owned by the parent company		Book value of shares	Parent company's share, %	Group's share, %
Finland:	Konecranes Finance Oy	46,448	100	100
	Konecranes Finland Oy	17,163	26.02	100
	Konecranes Global Oy	102,391	100	100

Subsidiaries owned by the Group		Book value of shares	Group's share, %
Australia:	Konecranes Pty. Ltd.	176	100
Austria:	Konecranes Ges.m.b.H.	22,557	100
	Demag Cranes & Components GesmbH	19,219	100
Bangladesh:	Konecranes (Bangladesh) Ltd.	99	100
Belgium:	S.A. Konecranes N.V.	6,150	100
Brazil:	Konecranes Demag Brasil Ltda.	32,689	100
Canada:	3016117 Nova Scotia ULC	0	100
	Hydramach ULC	0	100
	Kaverit Cranes and Service ULC	0	100
	Konecranes Canada Inc.	893	100
	MHE Canada ULC	0	100
	Overhead Crane Ltd.	0	100
Chile:	Konecranes Chile SpA	1	100
China:	Cranes and Parts Trading (Shanghai) Co., Ltd.	6,397	100
	Dalian Konecranes Company Ltd.	1,922	100
	Demag Cranes & Components (Shanghai) Co., Ltd.	36,204	100
	Demag Weihua (Liaoning) Material Handling Machinery Co., Ltd.	6,410	51
	Fantuzzi Group (Shanghai) Ltd.	0	100
	Konecranes (Shanghai) Co. Ltd.	0	100
	Konecranes (Shanghai) Company Ltd.	4,015	100
	Konecranes Manufacturing (Jiangsu) Co., Ltd.	26,941	100
	Konecranes Port Machinery (Shanghai) Co., Ltd.	7,077	100
	Morris Crane Systems (Shanghai) Co., Ltd.	0	100
	Noell Crane Systems (China), Ltd.	11,777	70
	SWF Krantechnik Co., Ltd.	632	100
Czech Republic:	Konecranes CZ s.r.o.	1,168	100
	Konecranes and Demag s.r.o.	1,655	100
Denmark:	Konecranes Demag A/S	14,159	100
Estonia:	Konecranes Oü	0	100
Finland:	Nosturiexpertit Oy	10	100
	Permeco Oy	113	100
	Suomen Teollisuusosa Oy	5,811	100
France:	KCI Holding France S.A.	461	100
	Konecranes (France) SAS	15,531	100
	MHPS Cranes France SAS	63,323	100
	Noell Reggiane France SARL	1,610	100
	Verlinde SAS	10,720	100
Germany:	Demag Cranes & Components GmbH	1,093,110	100
	Eurofactory GmbH	1,239	100
	Konecranes GmbH	482,300	100
	Konecranes Holding GmbH	315,262	100
	Konecranes Lifting Systems GmbH	804	100
	Konecranes MHPS Real Estate GmbH Co. & KG	33,652	94
	Konecranes Real Estate Verwaltungs GmbH	0	100
	Kranservice Rheinberg GmbH	8,926	100
	Noell Crane Systems GmbH	15,680	100
	SWF Krantechnik GmbH	15,500	100
Greece:	Konecranes Hellas Lifting Equipment and Services S.A.	60	100
Hong Kong:	Konecranes Hong Kong Limited	0	100

Subsidiaries owned by the Group		Book value of shares	Group's share, %
Hungary:	Konecranes Kft.	889	100
	Konecranes Supply Hungary Kft.	3,899	100
India:	Konecranes Private Limited	31,693	100
	Voima Cranes & Components Pvt. Ltd.	65	100
Indonesia:	Pt. Konecranes	0	100
Italy:	Demag Cranes & Components S.r.l.	13,997	100
	Donati Sollevamenti S.r.l.	2,561	100
	Konecranes S.r.l.	2,490	100
	MHPS Italia S.r.l.	0	100
Japan:	Konecranes Company, Ltd.	5,141	100
Latvia:	SIA Konecranes Latvija	2	100
Lithuania:	UAB Konecranes	139	100
Luxembourg:	Materials Handling International S.A.	300	100
Malaysia:	Konecranes Sdn. Bhd.	750	100
Mexico:	Konecranes Mexico S.A. de C.V.	2,188	100
Morocco:	Port Equipment Maghreb S.a.r.l.	50	100
The Netherlands:	Konecranes B.V.	4,201	100
	Konecranes Holding B.V.	313,851	100
	Port Software Solutions B.V.	43,080	69.78
	TBA B.V.	3,678	100
Norway:	Konecranes AS	5,227	100
	Konecranes Norway Holding AS	3,588	100
Peru:	Konecranes Peru S.R.L.	0	100
Philippines:	Konecranes Philippines Inc.	449	100
Poland:	Konecranes Sp. z o.o.	810	100
	Terex Materials Handling Sp. z o.o.	549	100
Portugal:	Konecranes MHPS, Lda.	2,704	100
Qatar:	Arabian Cranes & Services - Qatar LLC *)	0	49
Republic of Korea:	MHPS Cranes Korea Co., Ltd	48	100
Romania:	S.C. Konecranes S.A.	98	100
	S.C. TBA RO s.r.l.	10	100
Russia:	AO "Konecranes"	160	100
	OOO "Demag MHPS Rus"	919	100
Saudi Arabia:	Saudi Cranes & Steel Works Factory Co. Ltd.	12,951	100
Singapore:	KCI Cranes Holding (Singapore) Pte. Ltd.	49,117	100
	Konecranes Pte. Ltd.	1,937	100
	SWF Krantechnik Pte. Ltd.	156	100
Slovakia:	Konecranes Slovakia s.r.o.	200	100
Slovenia:	Konecranes, d.o.o.	200	100
South Africa:	Konecranes Pty. Ltd.	3,356	100
	Terex MHPS (Pty) Ltd	79	100
	Terex Port Equipment Southern Africa (Pty) Ltd	1,655	100
Spain:	Demag Cranes & Components S.A.U.	17,534	100
	Konecranes Iberica S.L.U.	31,799	100
Sweden:	Konecranes AB	1,389	100
	Konecranes Lifttrucks AB	23,605	100
	Konecranes Sweden Holding AB	1,682	100
	Ulvaryd Fastighets AB	1,320	100
Switzerland:	Demag Cranes & Components GmbH	15,486	100
	Konecranes AG	1,719	100
Thailand:	Konecranes (Thailand) Ltd. *)	105	49
Turkey:	Konecranes Ticaret Ve Servis Limited Sirketi	93	100
Ukraine:	Konecranes Ukraine PJSC	2,048	100
	PJSC "Zaporozhje Kran Holding"	636	100
	PJSC "Zaporozhcran"	168	90.43

COMPANY LIST

Subsidiaries owned by the Group		Book value of shares	Group's share, %
United Arab Emirates:	Demag Cranes & Components Holding Ltd.	0	100
	Konecranes Middle East FZE	1,774	100
	Terex Material Handling (Middle East) FZE	13,360	100
United Kingdom:	Demag Cranes and Components Guarantee Ltd.	0	100
	Demag Cranes & Components Holdings Ltd.	10,078	100
	KCI Holding UK Ltd.	13,656	100
	Konecranes Demag UK Limited	6,385	100
	Lloyds Konecranes Pension Trustees Ltd.	0	100
	Morris Material Handling Ltd.	6,045	100
	TBA Doncaster Limited	1,030	53.03
	TBA Leicester Limited	9,481	62.8
	UKMHPS Limited	51,112	100
U.S.A.	Demag Cranes & Components Corp.	56,634	100
	KCI Holding USA Inc.	53,901	100
	Konecranes, Inc.	44,434	100
	Konecranes Nuclear Equipment & Services, LLC	0	100
	MMH Americas, Inc.	0	100
	MMH Holdings, Inc.	0	100
	Morris Material Handling, Inc.	59,566	100
	PHMH Holding Company	0	100
	R&M Materials Handling, Inc.	6,837	100
Vietnam:	Konecranes Vietnam Co., Ltd	0	100

*) Konecranes Group has majority representation on the entity's board of directors and approves all major operational decisions and thereby Konecranes consolidates the entity in the Group's financial statements.

Other shares and joint operations		Assets value	Group's share, %
Estonia:	AS Konesko	4,448	49.46
Finland:	Kiinteistöosakeyhtiö Kuikantorppa	261	50

Investments accounted for using the equity method		Assets value	Group's share, %
China:	Guangzhou Technocranes Company, Ltd.	784	25
	Jiangyin Dingli Shengshai High Tech Industrial Crane Company, Ltd.	527	30
	Shanghai High Tech Industrial Crane Company, Ltd.	2,185	28
Finland:	Fantuzzi Noell Baltic Oy	837	25
France:	Boutonnier Adt Levage S.A.	336	25
	Levelec S.A.	220	20
	Manulec S.A.	212	25
	Manelec S.A.R.L.	79	25
	S.E.R.E. Maintenance S.A.	143	25
Germany:	AQZ Ausbildungs- und Qualifizierungszentrum Düsseldorf GmbH	0	30
Singapore:	MHE-Demag Pte. Ltd.	62,822	50
Switzerland:	Demag IP Holdings GmbH	50	50
United Arab Emirates:	Crane Industrial Services LLC	1,647	49

Available-for-sale investments		Book value of shares	Group's share, %
Finland:	East Office of Finnish Industries Oy	50	5.26
	Fimecc Oy	120	5.69
	Levator Oy	0	19
	Vierumäen Kuntorinne Oy	345	3.3
France:	Heripret Holding SAS	53	19
Malaysia:	Kone Products & Engineering Sdn. Bhd.	13	10
Venezuela:	Gruas Konecranes CA	20	10
Others:		224	
Total:		**825**	

PARENT COMPANY STATEMENT OF INCOME – FAS

(1,000 EUR)		Jan 1–Dec 31 2017	Jan 1–Dec 31 2016
Note:			
	Sales	**0**	**0**
	Other operating income	0	2,500
2	Depreciation and impairments	-54	-51
3	Other operating expenses	-32,125	-39,807
	Operating profit	**-32,179**	**-37,359**
4	Financial income and expenses	61,542	24,757
	Income before appropriations and taxes	**29,362**	**-12,601**
5	Appropriations	42,983	60,450
6	Income taxes	-7,183	-4,278
	Net income	**65,163**	**43,570**

Note:	(1,000 EUR)	Dec 31, 2017	Dec 31, 2016
	ASSETS		
	NON-CURRENT ASSETS		
	Tangible assets		
7	Machinery and equipment	302	361
	Advance payments	229	0
		531	**361**
8	**Investments**		
	Investments in Group companies	153,040	153,040
	Other shares and similar rights of ownership	170	170
		153,210	**153,210**
	Total non-current assets	**153,741**	**153,572**
	CURRENT ASSETS		
	Long-term receivables		
	Loans receivable from Group companies	1,012,298	122,695
		1,012,298	**122,695**
	Short-term receivables		
	Accounts receivable	1	1
	Amounts owed by Group companies		
	Accounts receivable	4,072	2,683
10	Deferred assets	97,687	62,047
	Other receivables	156	509
10	Deferred assets	71	10,315
		101,987	**75,556**
	Cash in hand and at banks	**3**	**3**
	Total current assets	**1,114,288**	**198,254**
	TOTAL ASSETS	**1,268,030**	**351,825**

Note:	(1,000 EUR)	Dec 31, 2017	Dec 31, 2016
	SHAREHOLDERS' EQUITY AND LIABILITIES		
11	**EQUITY**		
	Share capital	30,073	30,073
	Share premium account	39,307	39,307
	Paid in capital	767,074	68,691
	Retained earnings	107,905	146,678
	Net income for the period	65,163	43,570
		1,009,521	**328,318**
	APPROPRIATIONS		
	Depreciation difference	**74**	**58**
	LIABILITIES		
	Non-current liabilities		
	Other long-term liabilities	248,432	0
		248,432	**0**
	Provisions	**67**	**0**
	Current liabilities		
	Accounts payable	245	3,715
	Liabilities owed to Group companies		
	Accounts payable	373	406
12	Accruals	2	3,868
	Other short-term liabilities	87	101
12	Accruals	9,228	15,360
		9,936	**23,450**
	Total liabilities	**258,435**	**23,450**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,268,030**	**351,825**

(1,000 EUR)	Jan 1–Dec 31, 2017	Jan 1–Dec 31, 2016
Cash flow from operating activities		
Operating income	**-32,179**	**-37,359**
Adjustments to operating profit		
Depreciation and impairments	54	51
Group contributions from subsidiaries	60,500	25,000
Operating income before changes in net working capital	**28,375**	**-12,307**
Change in interest-free short-term receivables	2,143	893
Change in interest-free short-term liabilities	-16,335	2,278
Change in net working capital	**-14,192**	**3,171**
Cash flow from operations before financing items and taxes	**14,182**	**-9,136**
Interest received	7,634	308
Interest paid	-4	-2
Other financial income and expenses	-191	-4,531
Income taxes paid	-6,787	-1,402
Financing items and taxes	**652**	**-5,627**
NET CASH FROM OPERATING ACTIVITIES	**14,835**	**-14,764**
Cash flow from investing activities		
Capital expenditure and advance payments to intangible assets	-229	-209
Proceeds from sale of fixed assets	6	0
Dividends received	10,520	129,000
NET CASH USED IN INVESTING ACTIVITIES	**10,296**	**128,791**
Cash flow before financing activities	**25,131**	**114,027**
Cash flow from financing activities		
Proceeds from options excercised and share issues	698,383	312
Repayments of long-term receivables	-889,603	-52,651
Repayments of long-term liabilities	248,432	0
Dividends paid	-82,343	-61,689
NET CASH USED IN FINANCING ACTIVITIES	**-25,131**	**-114,027**
CHANGE OF CASH AND CASH EQUIVALENTS	**0**	**0**
Cash and cash equivalents at beginning of period	3	3
Cash and cash equivalents at end of period	3	3
CHANGE OF CASH AND CASH EQUIVALENTS	**0**	**0**

1. Accounting principles

The financial statements of the company have been prepared in euro and in accordance with accounting principles generally accepted in Finland.

Statement of income

(1,000,000 EUR)

2. Depreciation and impairments

	2017	2016
Machinery and equipment	0.1	0.1
Total	**0.1**	**0.1**

3. Other operating expenses and personnel

Costs and expenses in the Statement of Income were as follows:

	2017	2016
Wages and salaries	6.5	2.9
Pension costs	0.6	0.2
Other personnel expenses	0.2	0.0
Other operating expenses	0.8	0.2
Total	**8.0**	**3.3**

Wages and salaries in accordance with the Statement of Income

	2017	2016
Remuneration to Board	0.8	0.7
Other wages and salaries	5.6	2.2
Total	**6.5**	**2.9**
The average number of personnel	**5**	**5**
Auditors fees		
Audit	0.9	3.0
Other services	0.1	0.2
Total	**1.0**	**3.2**

4. Financial income and expenses

	2017	2016
Financial income from long-term investments:		
Dividend income from Group companies	35.5	29.0
Dividend income total	**35.5**	**29.0**
Interest income from long-term receivables:		
From Group companies	21.5	0.3
Other interest income	7.2	0.0
Interest income from long-term receivables total	**28.7**	**0.3**
Financial income from long-term investments total	**64.2**	**29.3**
Interest and other financial income	0.2	0.2
Interest and other financial income total	**0.2**	**0.2**
Interest expenses and other financial expenses:		
Other financial expenses	2.9	4.8
Interest expenses and other financial expenses total	**2.9**	**4.8**
Financial income and expenses total	**61.5**	**24.8**

5. Appropriations

	2017	2016
Difference between planned and untaxed depreciations	0.0	-0.1
Group contributions received from subsidiaries	43.0	60.5
Total	**43.0**	**60.4**

6. Income taxes

	2017	2016
Taxes on appropriations	8.6	12.1
Taxes on ordinary operations	-1.4	-8.3
Taxes from previous years	0.0	0.5
Total	**7.2**	**4.3**

Balance sheet

7. Machinery and equipment

	2017	2016
Acquisition costs as of January 1	0.5	0.1
Increase	0.0	0.4
Acquisition costs as of December 31	0.4	0.5
Accumulated depreciation January 1	-0.1	0.0
Accumulated depreciation	-0.1	-0.1
Total as of December 31	**0.3**	**0.4**

8. Investments

	2017	2016
Acquisition costs as of January 1	153.2	153.2
Total as of December 31	**153.2**	**153.2**

Investments in Group companies

	Domicile	2017 Book value	2016 Book value
Konecranes Finance Corp.	Hyvinkää	46.4	46.4
Konecranes Finland Corp.	Hyvinkää	4.2	4.2
Konecranes Global Corp.	Hyvinkää	102.4	102.4
Total		**153.0**	**153.0**

Other shares and similar rights of ownership

	2017	2016
East Office of Finnish Industries Oy	0.1	0.1
Dimecc Oy	0.1	0.1
Total	**0.2**	**0.2**

9. Treasury shares

	2017	2016
Number of shares as of January 1	4,521,333	4 539,913
Decrease	-4,355,572	-18,580
Number of shares as of December 31	**165,761**	**4,521,333**

10. Deferred assets

	2017	2016
Group contributions	43.0	60.5
Payments which will be realized during the next financial year	33.7	11.8
Interest	21.1	0.0
Total	**97.8**	**72.4**

11. Equity

	2017	2016
Share capital as of January 1	30.1	30.1
Share capital as of December 31	**30.1**	**30.1**
Share premium account January 1	39.3	39.3
Share premium account as of December 31	**39.3**	**39.3**
Paid in capital as of January 1	68.7	68.4
Increase	698.4	0.3
Paid in capital as of December 31	**767.1**	**68.7**
Retained earnings as of January 1	190.2	208.4
Dividend paid	-82.3	-61.7
Retained earnings as of December 31	**107.9**	**146.7**
Net income for the period	**65.2**	**43.6**
Shareholders' equity as of December 31	**1,009.5**	**328.3**

Distributable equity	2017	2016
Paid in capital as of December 31	767.1	68.7
Retained earnings as of December 31	107.9	146.7
Net income for the period	65.2	43.6
Total	**940.1**	**258.9**

12. Accruals

	2017	2016
Income taxes	2.5	2.1
Wages, salaries and personnel expenses	1.2	0.9
Other items	5.6	16.2
Total	**9.2**	**19.2**

13. Contingent liabilities and pledged assets

	2017	2016
For obligations of subsidiaries		
Group guarantees	1,018.8	772.0
Leasing liabilities		
Next year	0.6	0.5
Later on	2.4	0.3
Total	**3.0**	**0.9**

Leasing contracts mainly have a maturity of three years and they have no terms of redemption.

	2017	2016
Total by category		
Guarantees	1,018.8	772.0
Other liabilities	3.0	0.9
Total	**1,021.9**	**772.9**

14. Nominal and fair values of derivative financial instruments

	2017 Fair value	2017 Nominal value	2016 Fair value	2016 Nominal value
Foreign exchange forward contracts	0.0	3.9	0.0	6.9

Derivatives are used for currency rate hedging only.

The derivative financial instruments are recognized according to KPL 5:2a at fair value in the parent company financial statements and the company does not apply hedge accounting for these derivatives.

The parent company's non-restricted equity is EUR 940,141,378.51 of which the net income for the year is EUR 65,162,549.32.

The Group's non-restricted equity is EUR 1,176,766,000.

According to the Finnish Companies Act, the distributable funds of the company are calculated based on the parent company's non-restricted equity. For the purpose of determining the amount of the dividend the Board of Directors has assessed the liquidity of the parent company and the economic circumstances subsequent to the financial year-end.

Based on such assessments the Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.20 will be paid on each share and that the remaining non-restricted equity is retained in shareholders' equity.

Espoo, February 7, 2018

Christoph Vitzthum
Chairman of the Board

Ole Johansson
Board member

Janina Kugel
Board member

Bertel Langenskiöld
Board member

Ulf Liljedahl
Board member

Malin Persson
Board member

Panu Routila
President and CEO

To the Annual General Meeting of Konecranes Plc

Report on the Audit of Financial Statements

Opinion
We have audited the financial statements of Konecranes plc (business identity code 0942718-2) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion
- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion
We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7.1 to the consolidated financial statements and note 4 to the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Material Handling & Port Solutions (MHPS) business combination *We refer to note 2.2 Use of estimates and judgments, note 2.3 Summary of significant accounting policies and note 4.*	
The Group acquired the MHPS business during the financial year. The acquisition date was determined to be January 4, 2017. The purchase consideration of 1,482 million euro was paid partly in cash and partly in Konecranes' shares. Assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at acquisition-date fair value. Management judgment relates specifically to determining the fair value of acquired assets and liabilities, in particular determining the fair values of separately identifiable intangible assets such as customer contracts and trademarks. The significant business combination is a key audit matter as it involves valuation processes and methods, and judgments made by management.	Our audit procedures included amongst other: • Assessing the acquisition date and the consideration transferred • Assessing together with our valuation specialists the valuation processes and methodologies to identify acquired assets and liabilities and to determine the fair value of these. • Assessing the disclosures in respect of business combinations.
Revenue recognition of long-term contracts and related provisions *Refer to note 2.2 Use of estimates and judgments, note 2.3 Summary of significant accounting policies, note 5, note 6 and note 24.*	
In accordance with its accounting principles, Konecranes applies the percentage of completion (PoC) method for recognizing revenue from long term fixed-price crane projects. The percentage of completion is based on a cost-to-cost method. The percentage-of-completion method of accounting involves the use of significant management assumptions, estimates and projections, principally relating to future material, labor and project-related overhead costs and the estimated stage of completion. In year 2017, approximately 11 percent of the sales of 3.1 billion euro were recognized under the PoC method. Revenue recognition of long-term contracts is a key audit matter and a significant risk of misstatement as defined by EU statute 537/2014 10. Article 2c. Konecranes makes several types of provisions related to risks associated with long-term project contracts and PoC accounting. These PoC related provisions require high level of management judgment and are a key audit matter due to that reason.	Our audit procedures to address the risk of material misstatement in respect of the long-term fixed price contracts included among others: • Assessing the Group's accounting policies over revenue recognition of long-term fixed price contracts; • Gaining an understanding of the PoC revenue recognition process; • Examination of the project documentation and testing the PoC calculations and inputs of estimates in the calculations and comparing the estimates to actuals; • Analytical procedures; • Assessing the significant judgments made by management based on an examination of the associated project documentation and discussion on the status of projects under construction with finance and project managers of the Company; and • Assessing the Group's disclosures in respect of revenue recognition. We have designed our audit procedures to be responsive to this specific audit area and our procedures included among others: • Gaining an understanding of the PoC related provisions process; • Testing the provision calculations and the inputs of estimates in these calculations and comparing estimates to actuals; and • Performing inquiries with management with regards to any significant events or legal matters that could affect the provisions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *Refer to note 2.3 Summary of significant accounting policies and note 5.* According to the Group's accounting policies revenue is recognized when the entity has transferred risks and rewards of ownership of the goods to the buyer. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the end of the reporting period. The terms and conditions of sales contracts vary by market and, in addition, the local management might feel pressure to achieve the revenue targets set. Revenue recognition is a key audit matter and a significant risk of material misstatement as defines by EU statute 537/2014 10. Article 2c due to the significant risk relating to an incorrect timing of recognition of revenue.	Our audit procedures to address the risk of material misstatement in respect of correct timing of revenue recognition included among others: • Analytical procedures; • Assessing the Group's accounting policies over revenue recognition compared to applicable accounting standards; • Assessing the revenue recognition process and methodologies and testing controls; • Testing revenue cut-off with substantive analytical procedures and by testing sales transactions before and after the date of the financial statements; • Assessing the Group's disclosures in respect of revenues.
Valuation of goodwill *Refer to note 2.2 Use of estimates and judgments, note 2.3 Summary of significant accounting policies and note 13.* The value of goodwill at the date of the financial statements amounted to 905.3 million euro representing 25 % of total assets and 71 % of equity (2016: 86.2 million euro, 6% of the total assets and 19 % of equity). Valuation of goodwill is tested annually through goodwill impairment test. The annual impairment test is a key audit matter because • The assessment process is complex and is based on numerous judgmental estimates; • It is based on assumptions relating to market or economic conditions; and • Of the significance of the goodwill to the balance sheet total. Valuation of goodwill is a significant risk of misstatement as defined by EU statute 537/2014 10. Article 2c. Konecranes has allocated goodwill to cash generating units (CGUs) which is the level for goodwill impairment test. The recoverable amount of a cash generating unit is based on value in use calculations, the outcome of which could vary significantly if different assumptions were applied. There are a number of assumptions used to determine the value in use of the cash generating units, including revenue growth, development of fixed costs, the operating margin and the discount rate applied. Changes in the above-mentioned assumptions may result in an impairment of goodwill.	Our audit procedures included, among others, involving valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to the discount rate. We specifically focused on the cash generating units for which reasonably possible changes in assumptions could cause the carrying value to exceed its recoverable amount. We also assessed the historical accuracy of managements' estimates. We assessed the Group's disclosures in note 13 in the financial statements about the assumptions to which the outcome of the impairment tests were more sensitive.
Income taxes *Refer to note 2.2 Use of estimates and judgments, note 2.3 Summary of significant accounting policies, note 11 and note 17.* The Group operates in a number of jurisdictions around the world, with differing tax regimes, resulting in different subjective and complex interpretation of local tax laws and is therefore open to assessment from multiple tax authorities. In the normal course of business the Group makes judgments and estimates in relation to tax issues and exposures resulting in the recognition of other taxes. Income taxes is a key audit matter as the future actual outcome of the decisions concerning these tax exposures may result in material higher or lower amounts than accrual included in the financial statements.	As part of our audit procedures: • We included both local and international tax specialists to analyze and assess the assumptions used to determine tax positions and corroborating the assumptions with supporting evidence. • We tested the amounts recognized as current and deferred tax, including the assessment of judgmental tax positions. In this area our audit procedures included, among others, assessment of the impact of the Group's correspondence with relevant tax authorities and the evaluation of tax exposures. • In addition with respect to deferred tax assets we assessed management's assumptions to determine the probability that deferred tax assets recognized in the statement of financial position will be recovered through taxable income in future years, and available tax planning strategies. We assessed the Group's disclosures in notes 11 and 17 in the financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement
We were first appointed as auditors by the Annual General Meeting on March 8, 2006, and our appointment represents a total period of uninterrupted engagement of 12 years.

Other information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions based on assignment of the Audit Committee
We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the distributable equity shown in the balance sheet for the parent company is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, February 7, 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Kristina Sandin
Authorized Public Accountant

Shares and shareholders

Shares and share capital

As of December 31, 2017, Konecranes Plc's fully paid-up share capital entered in the Trade Register was EUR 30,072,660, divided into 78,921,906 shares (63,272,342 in 2016). Konecranes has two classes of shares.

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. Following the completion of sales of class B shares held by Terex on February 15, May 23 and September 5, 2017, all class B shares were converted to class A shares in accordance with § 20 of the Articles of Association.

On December 31, 2017, the number of listed class A shares totaled 78,921,906 while the number of unlisted class B shares was zero as Terex Corporation ceased to own any class B shares following the share sale executed on September 5, 2017.

Each share entitles its holder to one vote at the Annual General Meeting and an equal dividend. Konecranes' shares are registered in the Finnish book entry system.

Treasury shares

On December 31, 2017, Konecranes Plc was in the possession of 165,761 own shares (4,521,333), which corresponds to 0.2 percent of the total number of shares having a market value of EUR 6.3 million on that date.

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.

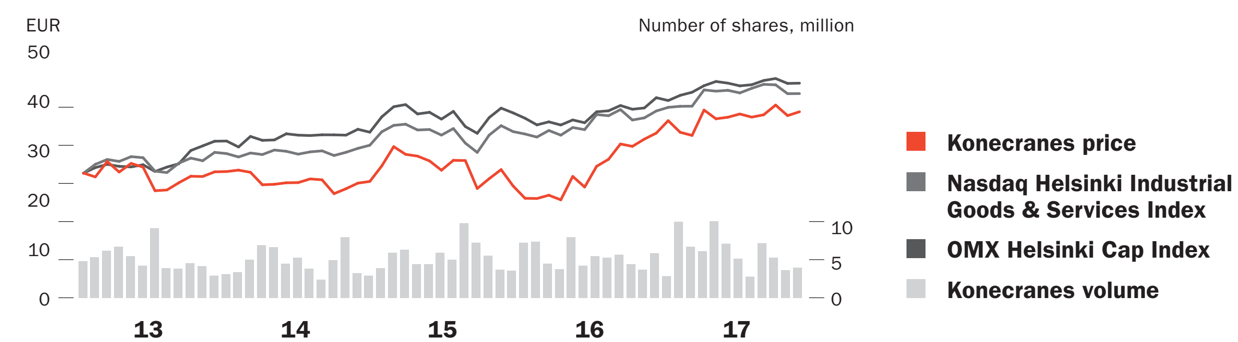
On June 12, 2017, The Board of Directors resolved to cancel 3,950,436 class A treasury shares held by the company. The cancellation of the treasury shares was registered with the Finnish Trade Register on June 13, 2017.

On August 8, 2017, 334,239 treasury shares were conveyed without consideration to the key employees as a reward payment for the Konecranes Performance Share Plan 2016.

Market capitalization and share trading

As of the end of 2017, the total market capitalization of Konecranes Plc on Nasdaq Helsinki was

Monthly price and volume on the Nasdaq Helsinki 2013–2017



Changes in the share capital and the number of shares

		Change in number of shares	Total number of shares	Change in share capital	Share capital EUR
1999	March 11, conversion of share capital into euros		15,000,000		30,000,000
2002	December 20, invalidation of shares held by the company and reduction of share capital	-691,370	14,308,630	-1,382,740	28,617,260
2004	New shares subscribed for with the 1997 stock options	1,400	14,310,030	2,800	28,620,060
2005	New shares subscribed for with the 1997, 1999A, 1999B, 2001A and 2003A stock options	176,000	14,486,030	352,000	28,972,060
2006 pre-split	New shares subscribed for with 1997, 1999B, 2001A and 2003A stock options	286,700	14,772,730	573,400	29,545,460
2006	March 17, share split 1:4	44,318,190	59,090,920	0	29,545,460
2006 post-split	New shares subscribed for with 1997, 1999B, 2001A, 2003A and 2003B series stock options	986,800	60,077,720	493,400	30,038,860
2007	February, new shares subscribed for with 2003B stock options	67,600	60,145,320	33,800	30,072,660
2007	March-December, new shares subscribed for with 1997, 1999B, 2001A, 2001B, 2003B and 2003C stock options	833,460	60,978,780	0	30,072,660
2008	February-December, new shares subscribed for with 1997, 1999B, 2001B, 2003B and 2003C stock options	633,540	61,612,320	0	30,072,660
2009	February-December, new shares subscribed for with 2001B and 2003C stock options	260,600	61,872,920	0	30,072,660
2010	February-May, new shares subscribed for with 2001B stock options	129,200	62,002,120	0	30,072,660
2011	January, share issue directed to the shareholders of KCR Management Oy	281,007	62,283,127	0	30,072,660
2011	February-May, new shares subscribed for with 2007A and 2007B stock options	958,300	63,241,427	0	30,072,660
2012	May-June, new shares subscribed for with 2009A stock options	30,915	63,272,342	0	30,072,660
2017	January 5, new class B shares issued to Terex Corporation related to the MHPS acquisition	19,600,000	82,872,342	0	30,072,660
2017	June 13, cancellation of treasury shares	-3,950,436	78,921,906	0	30,072,660

EUR 3,006.9 million (1,984.6), excluding treasury shares.

Konecranes' shares closed the year at EUR 38.18 (33.78) on Nasdaq Helsinki. The volume-weighted average trading price for the year was EUR 36.72. The highest quotation for the Konecranes share was EUR 42.64 in October and the lowest was EUR 31.52 in March.

The traded volume of Konecranes' shares totaled some 61.4 million on Nasdaq Helsinki. In monetary terms, this was valued at EUR 2,252.5 million. The daily average trading volume was 244,456 shares, representing a daily average turnover of EUR 9.0 million. In addition, approximately 100.5 million Konecranes' shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in 2017 according to Fidessa.

Board authorizations

On February 22, 2017, the Board of Directors decided on a directed share issue related to the reward payment for the Savings Period 2013–2014 of Konecranes Employee Share Savings Plan. In the share issue, 20,959 own 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. The decision on the directed share issue was based on the authorization granted to the Board of Directors by the Annual General Meeting of Shareholders held on March 23, 2016.

On March 1, 2017, the Board of Directors decided on a directed share issue related to the reward payment for the performance period 2014–2016 of the Konecranes Performance Share Plan 2012. In the share issue, 49,938 Konecranes Plc shares held by the company were conveyed without consideration to the key employees participating in the plan in accordance with the terms and conditions of the plan. The decision on the directed share issue was based on the authorization granted to the Board of Directors by the Annual General Meeting of Shareholders held on March 23, 2016.

The Annual General Meeting held on March 23, 2017, authorized the Board of Directors to decide on the repurchase of the Company's own A or B shares and/or on the acceptance as pledge of the Company's own A or B shares. The amount of own shares to be repurchased and/or accepted as pledge based on this authorization shall not exceed 6,000,000 shares in total. The authorization is effective until the end of the next Annual General Meeting, however no longer than until September 22, 2018. The Board of Directors did not use this authorization in 2017.

The AGM authorized the Board of Directors to decide on the issuance of shares as well as on the issuance of special rights entitling to shares referred to in Chapter 10 of Section 1 of the Finnish Companies Act. The amount of shares to be issued based on this authorization shall not exceed 6,000,000 shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization can also be used for incentive arrangements, however, not more than 1,000,000 A shares in total together with the authorization in the following paragraph. The authorization is effective until the end of the next Annual General Meeting, but no longer than until September 22, 2018. However, the authorization for incentive arrangements is valid until March 22, 2022. The Board of Directors did not use this authorization in 2017.

The AGM authorized the Board of Directors to decide on the transfer of the company's own A shares. The authorization is limited to a maximum of 6,000,000 A shares. The transfer of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization can also be used for incentive arrangements, however, not more than 1,000,000 A shares in total together with the authorization in the previous paragraph. This authorization is effective until the next Annual General Meeting of Shareholders, but no later than September 22, 2018. However, the authorization for incentive arrangements is valid until March 22, 2022. On August 2, 2017, the Board of Directors decided on a directed share issue related to the reward payment for the Konecranes Performance Share Plan 2016. In the share issue, 334,239 own class A shares held by the company were conveyed without consideration to the key employees participating in the plan in accordance with the terms and conditions of the plan. The decision on the directed share issue was based on the authorization granted to the Board of Directors by the Annual General Meeting of Shareholders held on March 23, 2017.

The AGM authorized the Board of Directors to decide on a directed issuance of A shares without payment needed for the continuation of the Share Savings Plan that the Annual General Meeting 2012 decided to launch. The number of new A shares to be issued or own shares held by the Company to be transferred may in the aggregate amount to a maximum total of 500,000 shares. The authorization concerning the share issue is valid until March 22, 2022. The Board of Directors did not use this authorization in 2017.

Performance share plans

In 2015, the Board of Directors resolved to implement a performance share plan according to which earning reward is based on attainment of target determined by the Board of Directors. The performance criterion for the discretionary period 2015–2017 is the cumulative Earnings per Share (EPS) excluding restructuring costs for the respective years. The potentially earned reward will be paid in spring 2018. The target group of the plans consists of approximately 180 people. The rewards to be paid on the basis of the discretionary period correspond to the value of an approximate maximum of 700,000 Konecranes Plc shares, which corresponds to 0.9 percent of all of the company's shares. If the target determined by the Board of Directors is attained, the reward payout will be a half of the maximum reward. The maximum reward payout requires that the target is clearly exceeded.

In 2016, Board resolved to establish a new share-based incentive plan directed to the Group key employees. In 2017, 334,239 treasury shares were conveyed without consideration to the key employees as a reward payment for the plan. The shares paid as reward may not be transferred during a restriction period established for the shares. The restriction period began from reward payment and will end on December 31, 2018.

In 2017, Board of Directors 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.

During the performance period 2017–2019 of the Performance Share Plan, 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 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. 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.

For a more detailed description of the performance share plan, see Note 29 on page 116 of the Financial Statements.

Employee share savings plan

Konecranes Plc's AGM 2012 approved the Konecranes Employee Share Savings Plan. The third plan period began on July 1, 2014 and ended on June 30, 2015. 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, 2018, and if his or her employment has not ended before this date for reasons related to the employee. Approximately 1,550 Konecranes employees signed up for the plan that commenced July 1, 2014. The number of new shares to be issued or own shares held by the company to be transferred under the terms and conditions of the plan may be a maximum total of 36,605 shares.

The fourth plan period began on July 1, 2015 and ended on June 30, 2016. 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, 2019, and if his or her employment has not ended before this date for reasons attributable to the employee. Approximately 1,550 Konecranes employees signed up for the Plan Period that commenced on July 1, 2015. The number of new shares to be issued or own shares held by the company to be transferred under the terms and conditions of the plan may be a maximum total of 48,286 shares.

The fifth plan period began on September 1, 2016 and ended on June 30, 2017. 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. Approximately 1,300 Konecranes employees signed up for the Plan Period that commenced on September 1, 2016. The number of new shares to be issued or own shares held by the company to be transferred under the terms and conditions of the plan may be a maximum total of 25,243 shares.

The sixth plan period began on July 1, 2017 and will end on June 30, 2018. 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, 2021, and if his or her employment has not ended before this date for reasons attributable to the employee. The total amount of all savings of the commencing plan period may not exceed EUR 8.5 million. Approximately 2,100 Konecranes employees signed up for the Plan Period that commenced on July 1, 2017.

For a more detailed description of the employee share savings plan, see Note 29 on page 116 of the Financial Statements.

Notifications of major shareholdings

In January-December 2017, Konecranes received the following notifications of major shareholdings.

Shareholders

Konecranes had 19,988 (19,523) shareholders on December 31, 2017. At year-end 2017, 58.9 (53.2) percent of the company's shares were nominee registered. More information on the breakdown of share ownership and board and management interests can be found in the Shares and Shareholders section on page 151 of the Financial Statements.

Konecranes Plc share trading information

- Date of listing on Nasdaq Helsinki: March 27, 1996
- Segment: Large Cap
- ICB classification: Industrials, Industrial Goods & Services, Industrial Engineering, Commercial Vehicles & Trucks 2753
- ISIN code: FI0009005870
- Trading code: KCR

Changes in share capital and number of shares

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
September 6, 2017	Terex Corporation	Below 5%	0	0	0	0
September 6, 2017	BlackRock, Inc.[5]	Above 10%	12.36	1.41	13.77	10,871,199
October 3, 2017	BlackRock, Inc.	Above 15%	13.44	1.69	15.14	11,949,513
October 26, 2017	BlackRock, Inc.	Below 15%	13.68	1.29	14.97	11,821,806
October 31, 2017	BlackRock, Inc.	Above 15%	13.74	1.28	15.02	11,859,461
November 1, 2017	BlackRock, Inc.	Below 15%	13.51	1.10	14.62	11,540,128

[1] The disclosure obligation arose due to total holding in Shares and Voting rights for BlackRock, Inc. going above 5%. Addtionally, the disclosure obligation also arose due to Shares and Voting rights for BlackRock, Inc. going above 5%. Furthermore, 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%.

[5] The disclosure obligation arose due to total holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going above 10%. Additionally, the disclosure obligation arose due to shares and voting rights for BlackRock Investment Management (UK) Limited going above 10%.

Largest shareholders on December 31, 2017

		Number of shares and votes	% of shares and votes
1	HTT KCR Holding Oy Ab	7,381,238	9.4%
2	Solidium Oy	3,275,389	4.2%
3	Gustavson Stig and family*)	2,193,955	2.8%
4	Varma Mutual Pension Insurance Company	1,190,275	1.5%
5	Ilmarinen Mutual Pension Insurance Company	962,217	1.2%
6	The Local Government Pensions Institution, KEVA	931,042	1.2%
7	OP Funds	905,898	1.1%
8	Evli Funds	562,514	0.7%
9	Samfundet Folkhälsan i Svenska Finland	535,600	0.7%
10	The State Pension Fund	480,000	0.6%
	Ten largest registered shareholders' total ownership	**18,418,128**	**23.3%**
	Nominee registered shares	46,464,453	58.9%
	Other shareholders	13,873,564	17.6%
	Shares held by Konecranes Plc	165,761	0.2%
	Total	**78,921,906**	**100.0%**

*) Konecranes Plc has on December 28, 2011 received information according to which the Chairman of the company's Board of Directors Stig Gustavson has donated all of his shares in Konecranes Plc to his near relatives retaining himself for life the voting rights and right to dividend attached to the donated shares. The donation encompasses in total 2,069,778 shares.

Shares and options owned by the members of the Board of Directors and of the Group Executive Board on December 31, 2017

	Change in shareholding in 2017	Number of shares owned	% of shares and votes
Board of Directors	-12,566	26,069	0.0%
Group Executive Board	87,105	258,042	0.3%
Total	**74,539**	**284,111**	**0.4%**

Breakdown of share ownership by number of shares owned on December 31, 2017

Shares	Number of shareholders	% of shareholders	Number of shares and votes	% of shares and votes
1–100	10,090	50.5%	465,351	0.6%
101–1,000	8,453	42.3%	2,927,453	3.7%
1,001–10,000	1,274	6.4%	3,534,391	4.5%
10,001–100,000	130	0.7%	3,849,802	4.9%
100,001–1,000,000	27	0.1%	7,763,776	9.8%
Over 1,000,001	5	0.0%	13,916,680	17.6%
Registered shareholders total	**19,979**	**100.0%**	**32,457,453**	**41.1%**
Nominee registered shares	9	0.0%	46,464,453	58.9%
Total	**19,988**	**100.0%**	**78,921,906**	**100.0%**

Breakdown of share ownership by shareholder category on December 31, 2017

	% of shares and votes
Private companies	15.9%
Financial and insurance institutions	3.9%
Public sector organizations	5.6%
Households	11.1%
Non-profit organizations	3.7%
Foreigners	1.0%
Nominee registered shares	58.9%
Total	**100.0%**

Source: Euroclear Finland Oy, December 31, 2017.

INVESTOR RELATIONS

IR principles

The main objective of Konecranes' Investor Relations function is to assist in the correct valuation of the company's shares by providing capital markets with information on its operations and financial position. Konecranes pursues an open, reliable, and up-to-date disclosure policy, aimed at giving all market participants access to correct and consistent information regularly and equitably.

Investor Relations is responsible for investor communications and daily contacts. The President and CEO, together with the Chief Financial Officer, participate in IR activities and are regularly available for meetings with capital market representatives. The function regularly gathers and analyzes market information and investor feedback for use of top management and the Board of Directors.

Silent period

Konecranes observes a silent period prior to the publication of its financial statements and interim reports starting at the end of the quarter in question. During this time, company representatives do not comment on Konecranes' financial position.

Investor relations in 2017

In 2017, Konecranes participated in five investor seminars and held 23 roadshow days. All in all, we took part in approximately 230 investor meetings and conference calls in Boston, Chicago, Edinburgh, Frankfurt, Geneva, Helsinki, London, Madrid, New York, Paris, Stockholm and Zurich.

Investor contact

Eero Tuulos, Vice President, Investor Relations
Tel: +358 20 427 2050
E-mail: eero.tuulos@konecranes.com

Equity research

The following banks, investment banks, and equity research providers cover Konecranes:

- Carnegie Investment Bank
- Commerzbank
- Credit Suisse
- Danske Markets
- DNB Markets
- Handelsbanken Capital Markets
- HSBC
- Inderes
- Kepler Cheuvreux
- Nordea Markets
- Pohjola Bank
- SEB
- UBS

Konecranes takes no responsibility for the opinions expressed by analysts. More information on Konecranes as an investment can be found at www.konecranes.com > Investors.

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

Konecranes Annual General Meeting 2018 will be held on Tuesday, March 27, 2018 at 10 am. at Hyvinkääsali, Jussinkuja 1, 05800 Hyvinkää, Finland.

Shareholders registered no later than March 15, 2018 in the company's list of shareholders maintained by Euroclear Finland Ltd. are entitled to attend the AGM.

Holders of nominee-registered shares intending to participate in the AGM shall notify their custodian well in advance of their intention and comply with the instructions provided by the custodian.

A shareholder wishing to participate in the AGM must notify the company of his/her participation no later than March 22, 2018:

Internet: www.konecranes.com/agm2018
E-mail: agm2018@konecranes.com
Fax: +358 20 427 2105 (from abroad) or 020 427 2105 (Finland)
Phone: +358 20 427 2017 (from abroad) or 020 427 2017 (Finland)
Mail: Konecranes Plc, Laura Kiiski, P.O. Box 661, FI-05801 Hyvinkää, Finland

Shareholders are requested to inform the company of any proxies for the AGM in connection with their registration. A sample proxy can be found on the company's web site.

Payment of dividend

The Board of Directors will propose to the Annual General Meeting of Shareholders that a dividend of EUR 1.20 per share will be paid for 2017. The dividend will be paid to shareholders who are registered on the record date in the company's shareholders' register maintained by Euroclear Finland Ltd.

- Record date of dividend payment: March 29, 2018
- Date of dividend payment: April 10, 2018

Financial reports in 2018

- Financial Statements for 2017: February 8, 2018
- Interim report, January–March: April 26, 2018
- Half year financial report, January–June: July 25, 2018
- Interim report, January–September: October 25, 2018

Konecranes' annual and interim reports are published in English, Finnish, and Swedish. The Annual Report is available in pdf format on the company web site and in print. Copies are mailed to shareholders on request and orders can be placed through the company website www.konecranes.com > Investors > Reports and result presentations > Order annual report.

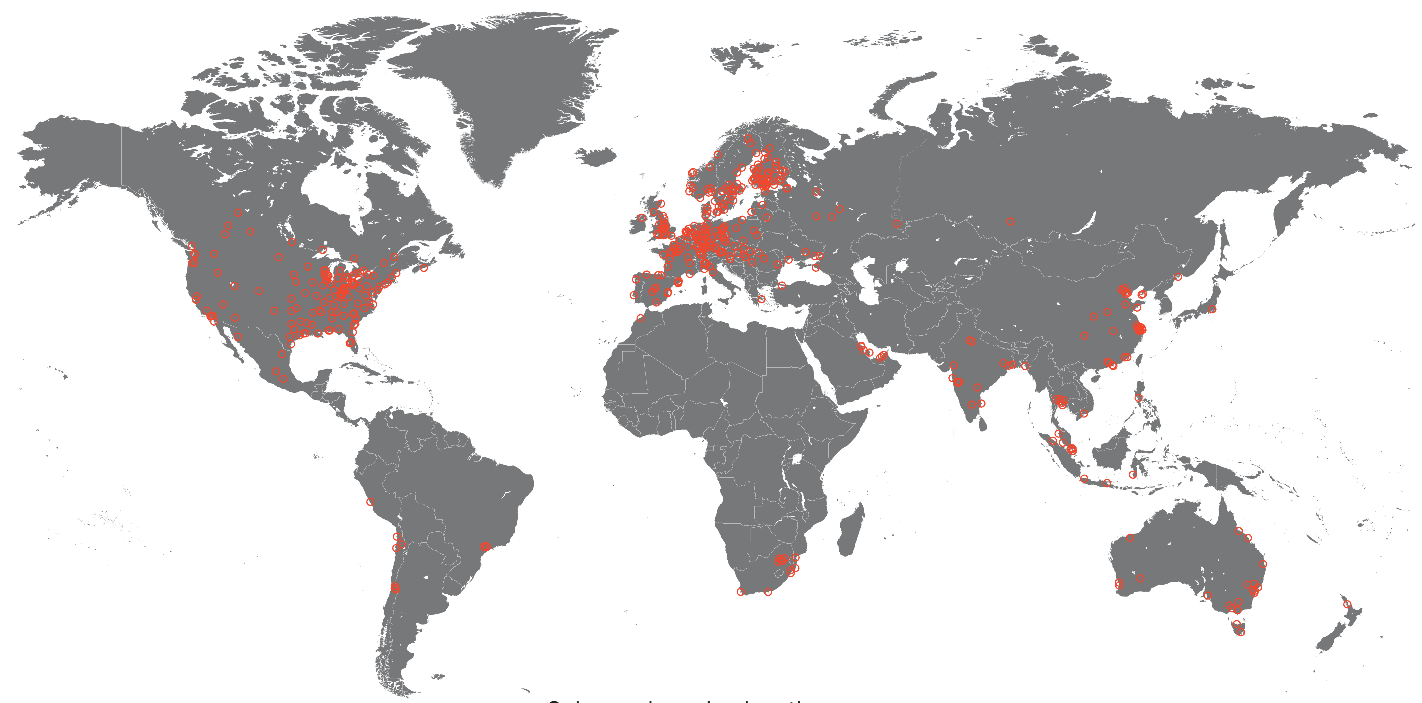
All press and stock exchange releases are available on the company's website (www.konecranes.com) and can be received by e-mail by subscribing at www.konecranes.com > Investors > Releases > Order releases.

Shareholder register

Konecranes shares are covered by the Finnish Book Entry Securities System. Shareholders should notify the relevant holder of their book entry account about changes in address or account numbers for the payment of dividends and other matters related to their holdings.

IMPORTANT DATES

Record date of the AGM:	March 15, 2018
Registration for the AGM closes:	March 22, 2018
The AGM:	March 27, 2018
Dividend ex-date:	March 28, 2018
Dividend record date:	March 29, 2018
Dividend payment date:	April 10, 2018



• Sales and service locations

Corporate Headquarters

Konecranes Plc
P.O. Box 661 (Koneenkatu 8)
FI-05801 Hyvinkää, Finland
Tel: +358 20 427 11

Corporate responsibility

For corporate responsibility matters please contact:
corporate-responsibility@konecranes.com

Regional Headquarters

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Tel: +1 937 525 5533

Europe, Middle East and Africa
Konecranes Region EMEA
P.O. Box 662 (Koneenkatu 8)
FI-05801 Hyvinkää, Finland
Tel: +358 20 427 11

Asia-Pacific
Konecranes Pte. Ltd.
8 Admiralty Street, #06-11 Admirax
Singapore 757438
Tel: +65 6 861 2233

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. The Group has 16,400 employees at 600 locations in 50 countries. Konecranes is listed on the Nasdaq Helsinki (symbol: KCR).

"We are motivated both by the tremendous potential benefits from this transformation, and the fact that they are well within our grasp."

Performance driven.

Panu Routila, President and CEO

KONECRANES®
Lifting Businesses™