KONECRANES
Lifting Businesses™

Solid performance in Service and Port Solutions, weak profitability in Industrial Equipment

Interim Report
January–September 2019

Q3

Solid performance in Service and Port Solutions, weak profitability in Industrial Equipment

Konecranes has applied IFRS 16 Leases standard since January 1, 2019. The figures for comparison period 2018 have not been restated. Please refer to note 4 for more details on the implementation of IFRS 16 standard and other significant accounting policies. Figures in brackets, unless otherwise stated, refer to the same period a year earlier.

THIRD QUARTER HIGHLIGHTS

- Order intake EUR 715.3 million (716.5), -0.2 percent (-1.4 percent on a comparable currency basis), growth in Business Area Service and Port Solutions offset by weakness in Industrial Equipment.
- Service annual agreement base value increased 9.1 percent (+6.4 percent in comparable currencies) to EUR 263.4 million (241.5). Service order intake EUR 256.4 million (241.9), +6.0 percent (+3.6 percent on a comparable currency basis).
- Order book EUR 1,923.2 million (1,624.6) at the end of September, + 18.4 percent (+16.5 percent on a comparable currency basis).
- Sales EUR 841.3 million (800.2), + 5.1 percent (+3.8 percent on a comparable currency basis), driven by Business Area Port Solutions and Service.
- Adjusted EBITA margin 8.6 percent (9.3) and adjusted EBITA EUR 72.4 million (74.5), reflecting mainly lower sales volumes, weaker product mix and temporary operational costs in Business Area Industrial Equipment.
- Operating profit EUR 17.9 million (48.5), 2.1 percent of sales (6.1), restructuring costs totaling EUR 48.3 million (16.6).
- Earnings per share (diluted) EUR 0.04 (0.41).
- Business Area industrial Equipment launched three significant lifting products in September, refreshing and reinforcing its industry-leading portfolio: an innovative all-new S-series standard crane with a synthetic rope; a new highly modularized and compact M-series process crane; and a new higher-performance C-series electric chain hoist.

DEMAND OUTLOOK

Within the industrial customer segments, the demand environment in Europe continues to soften. The demand environment in North America is on a higher level compared to Europe but has started to show signs of weakening. Asia-Pacific continues to be stable overall.

Global container throughput continues on a good level and the prospects for orders related to container handling remain stable overall. That said, there is hesitation in the decision-making among some port customers.

JANUARY–SEPTEMBER 2019 HIGHLIGHTS

- Order intake EUR 2,386.0 million (2,160.5), + 10.4 percent (+9.0 percent on a comparable currency basis).
- Service order intake EUR 765.1 million (737.2), +3.8 percent (+1.2 percent on a comparable currency basis).
- Sales EUR 2,393.6 million (2,245.2), + 6.6 percent (+5.2 percent on a comparable currency basis), growth driven by Business Area Service and Port Solutions.
- Adjusted EBITA margin 7.8 percent (7.6) and adjusted EBITA EUR 187.8 million (171.5), reflecting sales growth and synergy cost-saving measures.
- Operating profit EUR 83.2 million (114.3), 3.5 percent of sales (5.1), restructuring costs totaling EUR 86.0 million (29.1)
- Earnings per share (diluted) EUR 0.46 (0.79)
- Free cash flow EUR 115.7 million (-3.3)
- Net debt EUR 674.2 million (620.5) and gearing 54.8 percent (49.9), the impact of the implementation of the new IFRS 16 standard on net debt was approximately EUR 120 million at the end of September.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

The Board of Directors of Konecranes Plc has appointed Rob Smith as President and CEO of Konecranes effective February 1, 2020. Since October 7, 2019, the company's CFO, Teo Ottola, who also serves as Deputy CEO, has been acting as the interim CEO and will do so until Rob Smith starts in the position. With this change, the previous President and CEO, Panu Routila, left the Konecranes Group on October 7, 2019.

FINANCIAL GUIDANCE

Konecranes expects sales in full-year 2019 to increase 5–7 percent year-on-year. Konecranes expects the adjusted EBITA margin to improve in full-year 2019 compared to full-year 2018.

Key figures

	Third quarter			January–September				
	7–9/2019	7–9/2018	Change %	1–9/2019	1–9/2018	Change %	R12M	1–12/2018
Orders received, MEUR	715.3	716.5	-0.2	2,386.0	2,160.5	10.4	3,315.8	3,090.3
Order book at end of period, MEUR				1,923.2	1,624.6	18.4		1,715.4
Sales total, MEUR	841.3	800.2	5.1	2,393.6	2,245.2	6.6	3,304.4	3,156.1
Adjusted EBITDA, MEUR [1)]	96.7	91.1	6.1	261.4	223.8	16.8	363.3	325.7
Adjusted EBITDA, % [1)]	11.5%	11.4%		10.9%	10.0%		11.0%	10.3%
Adjusted EBITA, MEUR [2)]	72.4	74.5	-2.8	187.8	171.5	9.5	273.3	257.1
Adjusted EBITA, % [2)]	8.6%	9.3%		7.8%	7.6%		8.3%	8.1%
Adjusted operating profit, MEUR [1)]	66.2	65.1	1.7	169.2	143.4	18.0	245.4	219.6
Adjusted operating margin, % [1)]	7.9%	8.1%		7.1%	6.4%		7.4%	7.0%
Operating profit, MEUR	17.9	48.5	-63.0	83.2	114.3	-27.2	135.1	166.2
Operating margin, %	2.1%	6.1%		3.5%	5.1%		4.1%	5.3%
Profit before taxes, MEUR	9.0	44.0	-79.6	55.2	86.8	-36.5	107.1	138.7
Net profit for the period, MEUR	3.7	31.9	-88.4	37.0	62.5	-40.9	72.8	98.3
Earnings per share, basic, EUR	0.04	0.41	-90.6	0.46	0.79	-42.7	0.95	1.29
Earnings per share, diluted, EUR	0.04	0.41	-90.6	0.46	0.79	-42.7	0.95	1.29
Interest-bearing net debt/Equity, %				54.8%	49.9%			42.5%
Net debt/Adjusted EBITDA, R12M [1)]				1.9	1.9			1.7
Return on capital employed, %							6.1%	7.9%
Adjusted return on capital employed, % [3)]							13.2%	12.5%
Free cash flow, MEUR	81.3	21.8		115.7	-3.3		192.2	73.1
Average number of personnel during the period				16,081	16,289	-1.3		16,247

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

Interim CEO Teo Ottola:

“We ended the third quarter with mixed performance. On the one hand, we saw order intake in Business Area Service return to a growth path and Business Area Port Solutions record yet another solid quarter. On the other hand, however, the performance in Business Area Industrial Equipment was increasingly affected by the deteriorating macroeconomic environment, along with temporary costs related to the optimization of our manufacturing footprint in Vernouillet, France and Wetter, Germany.

Beginning with Service, the annual value of the agreement base grew 6.4 percent year-on-year in comparable currencies, well in line with our targets. While project-related order intake continued to track below its long-term average, orders overall grew 3.6 percent from the previous year on a comparable currency basis. The adjusted EBITA margin of 16.2 percent remained approximately flat both year-on-year and sequentially.

In Port Solutions, strong demand for Straddle Carriers boosted order intake in Q3. On a comparable currency basis, the year-on-year order growth in the business area was 3.9 percent. The general sentiment among port customers continues on a good level despite hesitation in the decision-making among some port customers. The demand for Lift Trucks among our industrial customers started to level out. Year-on-year sales growth in Port Solutions exceeded 16 percent in Q3, and the orderbook remained above EUR 1 billion at the end of September. Volume growth helped to boost the adjusted EBITA margin to 8.2 percent in the quarter.

Moving to Industrial Equipment, we had a challenging quarter. Weakening macroeconomic conditions were reflected in external orders, which fell 9.7 percent from the year-ago period in comparable currencies. On a comparable currency basis, external sales fell 6.1 percent and the adjusted EBITA margin declined to 2.9 percent in Q3. The weakness in profitability was driven primarily by lower volume, weaker product mix and low productivity at our factory in Vernouillet, along with lower efficiency as a result of changes that are currently being implemented at our factory in Wetter. In addition, market softness has begun to limit our ability to fully absorb cost inflation with price increases.

We expect the profitability in Industrial Equipment to remain on a low level also in Q4, and see it as unlikely that the adjusted EBITA margin in Industrial Equipment would improve in full-year 2019 compared to 2018. Consequently, the adjusted EBITA margin improvement will slow down in full-year 2019 when compared to the improvement pace of the past couple of years.

To build a better long-term foundation for Konecranes, we continue to drive further efficiencies throughout the company, and in Business Area Industrial Equipment in particular. Many initiatives are already underway and we booked a further EUR 48 million of one-time costs related to ongoing activities in Q3. Together with the EUR 17 million restructuring costs recorded in Q2, the total restructuring amount stands now at EUR 65 million. We expect the corresponding run-rate savings to reach EUR 37 million by year-end 2020 and the amount to fully benefit our P&L by the end of 2021. The clear majority of these costs relate to Vernouillet and Wetter. The high restructuring amount booked in Q3 weighed heavily on EPS, which came down to EUR 0.04 for the Group.

On a more positive note, Business Area industrial Equipment made three significant product launches in Q3: an innovative all-new S-series standard crane with a synthetic rope; a new highly modularized and compact M-series process crane; and a new higher-performance C-series electric chain hoist. The new products will cover a substantial part of Industrial Equipment’s sales and include 20 patented key innovations that bring tangible safety and productivity improvements to our customers. Sales of the new products have already started, with a gradual roll-out across regions taking place in the coming quarters. The new products are planned to replace our current offering in the next two years, allowing us to reduce the number of product platforms from 20 down to 14. We expect the new products to strengthen our leading market position and act as a key driver in our pursuit for long-term profitable growth also in Business Area Industrial Equipment.”

Konecranes Plc's January–September 2019 Interim report

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

MARKET REVIEW

Activity in the world's manufacturing sector, according to the aggregated J.P.Morgan Global Manufacturing Purchasing Managers' Index (PMI), has weakened in 2019. The PMI fell below 50.0 mark in May and has remained there despite some recent improvement.

In the Eurozone, the manufacturing operating conditions have weakened compared to the start of the year. PMI has remained below the 50.0 mark since February and in September the degree of deterioration was the greatest in seven years. In addition, the capacity utilization rate has declined. In the second and the third quarter, operating conditions were generally weak across the region, with Germany remaining the weakest-performing nation. Greece, the Netherlands and France were the top performers of the region with PMI readings of over 50.0. Outside the Euro area, the UK manufacturing PMI fell below 50.0 in the second quarter and has since remained there, reflecting Brexit uncertainty.

In the US, the manufacturing sector's PMI has also weakened since the beginning of the year, yet it has remained above the 50.0 mark signaling growth. Thus, the activity in the US manufacturing sector remains better compared to the Eurozone, even if also in the US manufacturing capacity utilization rate has declined since the beginning of the year. Both manufacturing PMI and capacity utilization, however, improved in September compared to the previous month.

As for the emerging markets, China's manufacturing sector ended the third quarter signaling growth after slipping below the 50.0 mark earlier in the year. In Brazil and India, manufacturing operating conditions have improved throughout the year. However in Russia, the manufacturing sector registered the fastest deterioration in operating conditions for over a decade in September.

After the decline in early 2019, global container throughput reached a new all-time high in August. Year-on-year, global container throughput increased by approximately 3 percent in the third quarter.

Regarding raw material prices at the end of third quarter, both steel and copper remained below the previous year's level. The average EUR/USD exchange rate was approximately 6 percent lower compared to the year-ago period.

ORDERS RECEIVED

In the third quarter, orders received totaled EUR 715.3 million (716.5), representing a decrease of 0.2 percent. On a comparable currency basis, order intake decreased 1.4 percent. Orders received grew in the Americas and EMEA but decreased in APAC.

In Service, orders received increased 6.0 percent on a reported basis and 3.6 percent on a comparable currency basis. In Industrial Equipment, orders decreased 3.6 percent on a reported basis and 4.9 percent on a comparable currency basis. External orders in Industrial Equipment decreased 8.4 percent on a reported basis and 9.7 percent on a comparable currency basis. In Port Solutions, order intake increased 3.8 percent on a reported basis and 3.9 percent on a comparable currency basis.

In January–September, orders received totaled EUR 2,386.0 million (2,160.5), representing an increase of 10.4 percent. On a comparable currency basis, order intake increased 9.0 percent. Orders received increased in all three regions.

In Service, order intake grew 3.8 percent. On a comparable currency basis, order intake in Service increased 1.2 percent. In Industrial Equipment, orders increased 3.3 percent on a reported basis and 1.8 percent on a comparable currency basis. Industrial Equipment's external orders grew 2.3 percent, 0.7 percent on a comparable currency basis. In Port Solutions, orders increased 26.7 percent. On a comparable currency basis, Ports Solutions order intake grew 27.0 percent.

ORDERS RECEIVED AND NET SALES, MEUR

	7–9/ 2019	7–9/ 2018	Change percent	Change % at comparable currency rates	1–9/ 2019	1–9/ 2018	Change percent	Change % at comparable currency rates	1–12/2018
Orders received, MEUR	715.3	716.5	-0.2	-1.4	2,386.0	2,160.5	10.4	9.0	3,090.3
Net sales, MEUR	841.3	800.2	5.1	3.8	2,393.6	2,245.2	6.6	5.2	3,156.1

ORDER BOOK

At the end of September, the value of the order book totaled EUR 1,923.2 million (1,624.6), which was 18.4 percent higher compared to previous year. On a comparable currency basis, the order book increased 16.5 percent. The order book increased 24.6 percent in Port Solutions, 16.3 percent in Industrial Equipment and 2.4 percent in Service.

SALES

In the third quarter, Group sales increased 5.1 percent to EUR 841.3 million (800.2). On a comparable currency basis, sales increased 3.8 percent. Sales increased 5.3 percent in Service and 16.5 percent in Port Solutions but decreased 3.4 percent in Industrial Equipment. Industrial Equipment's external sales decreased 4.6 percent.

In January–September, Group sales totaled EUR 2,393.6 million (2,245.2), representing an increase of 6.6 percent. On a comparable currency basis, sales increased 5.2 percent. Sales increased 7.3 percent in Service, 2.9 in Industrial Equipment and 12.6 percent Port Solutions. In Industrial Equipment external sales increased 0.9 percent.

At the end of September, the regional breakdown of sales, calculated on a rolling 12-month basis, was as follows: EMEA 51 (52), Americas 35 (31) and APAC 14 (17) percent.

FINANCIAL RESULT

In the third quarter, the Group adjusted EBITA was EUR 72.4 million (74.5). The adjusted EBITA margin decreased to 8.6 percent (9.3). The adjusted EBITA margin totaled 16.2 percent (16.2) in Service, 2.9 percent (5.0) in Industrial Equipment and 8.2 percent (7.8) in Port Solutions. The decline in the Group adjusted EBITA was mainly attributable to lower sales volumes, weaker product mix and temporary operational costs in Business Area Industrial Equipment. Gross margin declined on a year-on-year basis.

In January–September, the Group adjusted EBITA increased to EUR 187.8 million (171.5). The adjusted EBITA margin improved to 7.8 percent (7.6). The adjusted EBITA margin in Service improved to 16.0 percent (14.5) and in Port Solutions to 6.9 percent (6.5) but decreased in Industrial Equipment to 2.1 percent (3.4). The improvement in the Group adjusted EBITA was mainly attributable to sales growth and synergy cost saving measures.

In January–September, the consolidated adjusted operating profit increased to EUR 169.2 million (143.4). The adjusted operating margin improved to 7.1 percent (6.4).

The consolidated operating profit in January–September totaled EUR 83.2 million (114.3). The operating profit includes adjustments of EUR 86.0 million (29.1), which are comprised of restructuring costs related mainly to the ongoing manufacturing footprint optimization. The operating margin in Service rose to 15.0 percent (13.0) and in Port Solutions to 5.9 percent (5.2) but decreased in Industrial Equipment to -6.8 percent (0.4).

In January–September, depreciation and impairments totaled EUR 92.9 million (80.4). The amortization arising from the purchase price allocations for acquisitions represented EUR 18.5 million (28.1) of the depreciation and impairments.

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

In January–September, financial income and expenses totaled EUR -27.5 million (-26.1). Net interest expenses accounted for EUR 13.9 million (12.5) of the sum and the remainder was mainly attributable to realized and unrealized exchange rate differences related to the hedging of future cash flows, which are not included in the hedge accounting.

January–September profit before taxes was EUR 55.2 million (86.8).

Income taxes in January–September were EUR -18.2 million (-24.3). The Group's effective tax rate was 33.0 percent (28.0). The increase in the effective tax rate is mainly due to restructuring related losses that have not been booked as deferred tax assets.

January–September net profit was EUR 37.0 million (62.5).

In January–September, the basic earnings per share were EUR 0.46 (0.79) and the diluted earnings per share were EUR 0.46 (0.79).

On a rolling 12-month basis, the return on capital employed was 6.1 percent (8.1) and the return on equity 5.9 percent (6.7). The adjusted return on capital employed was 13.2 percent (12.5).

BALANCE SHEET

At the end of September, the consolidated balance sheet amounted to EUR 3,738.7 million (3,499.2). The total equity at the end of the reporting period was EUR 1,230.4 million (1,242.3) or EUR 15.37 per share (15.49). The total equity attributable to the equity holders of the parent company was EUR 1,211.4 million (1,220.6).

Net working capital totaled EUR 399.7 million (426.9). Sequentially, net working capital decreased by EUR 68.4 million. The sequential decrease in net working capital resulted mainly from an increase in advance payments and provisions.

CASH FLOW AND FINANCING

Net cash from operating activities in January–September was EUR 132.7 million (20.3). Cash flow before financing activities was EUR 112.9 million (-2.2), which included a cash inflow of EUR 14.8 million (2.0) related to sale of property, plant and equipment, and cash outflows of EUR 2.8 million related to acquisition of Group companies and of EUR 31.8 million (25.6) related to capital expenditure.

At the end of September, interest-bearing net debt was EUR 674.2 million (620.5). Net debt increased mainly following the implementation of the new IFRS 16 Leases standard, the impact of which was approximately EUR 120 million at the end of September. The equity to asset ratio was 37.0 percent (38.9) and the gearing 54.8 percent (49.9).

At the end of September, cash and cash equivalents amounted to EUR 182.8 million (179.4). None of the Group's committed EUR 400 million back-up financing facility was in use at the end of the period.

In April 2019, Konecranes paid dividends, amounting to EUR 94.6 million or EUR 1.20 per share, to its shareholders.

CAPITAL EXPENDITURE

Capital expenditure in January–September, excluding acquisitions and joint arrangements, amounted to EUR 32.2 million (24.0). The amount consisted mainly of investments in machinery and equipment, office equipment and information technology.

ACQUISITIONS AND DIVESTMENTS

In January–September, the capital expenditure for acquisitions and joint arrangements was EUR 3.3 million (0.0).

In January 2019, Konecranes acquired a small service business from MSAURförderteknik GmbH and paid EUR 0.7 million for the acquired assets.

In August 2019, Konecranes acquired a small service business company Trevolution Service S.r.l. in Italy and paid EUR 2.6 million as a purchase price for the company shares.

PERSONNEL

In January–September, the Group had an average of 16,081 employees (16,289). On September 30, the number of personnel was 16,219 (16,361). During January–September, the Group's personnel increased by 142 people net.

At the end of September, the number of personnel by Business Area was as follows: Service 7,680 employees (7,351), Industrial Equipment 5,546 employees (5,831), Port Solutions 2,895 employees (3,084) and Group staff 98 (95).

The Group had 10,119 employees (10,021) working in EMEA, 3,314 (3,161) in the Americas and 2,786 (3,179) in APAC.

BUSINESS AREAS

SERVICE

	7–9/ 2019	7–9/ 2018	Change percent	Change % at comparable currency rates	1–9/ 2019	1–9/ 2018	Change percent	Change % at comparable currency rates	1–12/2018
Orders received, MEUR	256.4	241.9	6.0	3.6	765.1	737.2	3.8	1.2	986.5
Order book, MEUR	245.5	239.6	2.4	-1.2	245.5	239.6	2.4	-1.2	214.3
Agreement base value, MEUR	263.4	241.5	9.1	6.4	263.4	241.5	9.1	6.4	243.9
Net sales, MEUR	312.1	296.3	5.3	3.2	918.1	856.0	7.3	4.8	1,192.5
Adjusted EBITA, MEUR [1)]	50.6	48.0	5.6		147.2	124.2	18.4		180.0
Adjusted EBITA, % [1)]	16.2%	16.2%			16.0%	14.5%			15.1%
Purchase price allocation amortization, MEUR	-2.6	-3.1	-15.2		-7.9	-9.4	-16.1		-12.5
Adjustments,MEUR	-0.6	-0.8			-1.8	-3.9			-4.8
Operating profit (EBIT), MEUR	47.4	44.1	7.6		137.4	110.9	23.9		162.7
Operating profit (EBIT), %	15.2%	14.9%			15.0%	13.0%			13.6%
Personnel at the end of period	7,680	7,351	4.5		7,680	7,351	4.5		7,372

[1)] Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.

Operational highlight in Q3:

- In August 2019, Konecranes acquired Trevolution Service SRL, one of Italy's largest independent crane service companies specializing in crane maintenance, repairs, modernizations, spare parts and hoists and components. The acquisition enlarges Konecranes' field service operations in Italy and provides an excellent opportunity to sell equipment to new customers. Trevolution Service, located near Milan in Barzago, has thousands of customers in a variety of industrial sectors, mainly covering the northern regions of Italy. The business has 25 employees.

In the third quarter, Service orders received increased 6.0 percent to EUR 256.4 million (241.9). On a comparable currency basis, the orders received increased 3.6 percent. Both field service and parts orders increased. Order intake increased in all three regions.

The order book increased 2.4 percent to EUR 245.5 million (239.6). On a comparable currency basis, the order book decreased 1.2 percent.

Sales increased 5.3 percent to EUR 312.1 million (296.3). On a comparable currency basis, sales increased 3.2 percent. Sales increased in all three regions. Field service growth outperformed parts growth.

The third-quarter adjusted EBITA was EUR 50.6 million (48.0) and the adjusted EBITA margin 16.2 percent (16.2). Gross margin increased slightly on a year-on-year basis. The operating profit was EUR 47.4 million (44.1) and the operating margin 15.2 percent (14.9).

The annual value of the agreement base increased 9.1 percent year-on-year to EUR 263.4 million (241.5). On a comparable currency basis, the annual value of the agreement base increased 6.4 percent. Sequentially, the annual value of the agreement base increased 3.5 percent on a reported basis and 2.0 percent on a comparable currency basis.

In January–September, orders received totaled EUR 765.1 million (737.2), corresponding to an increase of 3.8 percent. On a comparable currency basis, orders received increased 1.2 percent.

Sales increased 7.3 percent to EUR 918.1 million (856.0). On a comparable currency basis, sales increased 4.8 percent. Sales growth of parts outperformed field service sales growth. Sales increased in all three regions.

The adjusted EBITA was EUR 147.2 million (124.2) and the adjusted EBITA margin was 16.0 percent (14.5). The improvement in the adjusted EBITA margin was mainly attributable to sales growth and synergy cost savings. The operating profit was EUR 137.4 million (110.9) and the operating margin 15.0 percent (13.0).

INDUSTRIAL EQUIPMENT

	7–9/ 2019	7–9/ 2018	Change percent	Change % at comparable currency rates	1–9/ 2019	1–9/ 2018	Change percent	Change % at comparable currency rates	1–12/2018
Orders received, MEUR	284.0	294.7	-3.6	-4.9	935.2	905.0	3.3	1.8	1,248.9
of which external, MEUR	227.9	248.8	-8.4	-9.7	785.2	767.2	2.3	0.7	1,065.5
Order book, MEUR	665.1	572.0	16.3	12.9	665.1	572.0	16.3	12.9	590.6
Net sales, MEUR	281.7	291.7	-3.4	-4.9	849.5	825.3	2.9	1.5	1,150.9
of which external, MEUR	243.7	255.4	-4.6	-6.1	731.2	724.6	0.9	-0.5	1,009.2
Adjusted EBITA, MEUR [1)]	8.3	14.6	-43.5		17.6	27.8	-36.6		42.6
Adjusted EBITA, % [1)]	2.9%	5.0%			2.1%	3.4%			3.7%
Purchase price allocation amortization, MEUR	-1.7	-3.6	-52.8		-5.1	-10.9	-52.9		-14.5
Adjustments,MEUR	-40.1	-10.9			-70.0	-13.2			-12.9
Operating profit (EBIT), MEUR	-33.6	0.1			-57.5	3.7			15.1
Operating profit (EBIT), %	-11.9%	0.0%			-6.8%	0.4%			1.3%
Personnel at the end of period	5,546	5,831	-4.9		5,546	5,831	-4.9		5,782

[1)] *Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.*

Operational highlights in Q3:

Konecranes launched three new lifting products in September, refreshing and reinforcing its industry-leading portfolio. Overall, Konecranes has 20 awarded or pending key patents for the new products with wide geographic coverage. The launches include:

- Innovative all-new S-series industrial crane, which delivers greater lifting performance and longer-lasting use with its synthetic rope, unique user features, built-in digital connectivity and new structural design;
- Highly modularized M-series process crane, which offers compact design, proven technical solutions, smart features and digital connectivity, adding predictivity to service operations and enabling remote operation with Konecranes' unique Remote Operating Workstation. The M-series cranes will offer real-time data and insight via the yourKONECRANES customer portal to improve usage visibility and help anticipate maintenance needs;
- C-series electric chain hoist with its performance enhancing design features and easy serviceability beyond competition

In the third quarter, Industrial Equipment's orders received totaled EUR 284.0 million (294.7), corresponding to a decrease of 3.6 percent. On a comparable currency basis, orders received decreased 4.9 percent. External orders decreased 8.4 percent on a reported basis and 9.7 percent on a comparable currency basis. The decrease was driven by process cranes and components while order intake for standard cranes increased. Standard crane order growth was driven by EMEA and APAC, while the process crane order decline was driven by APAC and the Americas.

The order book increased 16.3 percent to EUR 665.1 million (572.0). On a comparable currency basis, the order book increased 12.9 percent.

Sales decreased 3.4 percent to EUR 281.7 million (291.7). On a comparable currency basis, sales decreased 4.9 percent. External sales decreased 4.6 percent on a reported basis and 6.1 percent on a comparable currency basis.

The third-quarter adjusted EBITA was EUR 8.3 million (14.6) and the adjusted EBITA margin 2.9 percent (5.0). Gross margin stayed approximately flat on a year-on-year basis. The decrease in the adjusted EBITA was mainly attributable to lower sales volumes, weaker sales mix and temporary operational costs due to the ongoing manufacturing footprint optimization. Operating profit was EUR -33.6 million (0.1) and the operating margin -11.9 percent (0.0). The decrease in EBIT was primarily due to restructuring costs.

In January–September orders received totaled EUR 935.2 million (905.0), corresponding to an increase of 3.3 percent. On a comparable currency basis, orders received increased 1.8 percent. External orders received increased 2.3 percent on a reported basis and 0.7 percent on a comparable currency basis. Order intake increased in standard cranes and process cranes but decreased in components.

Sales increased 2.9 percent to EUR 849.5 million (825.3). On a comparable currency basis, sales increased 1.5 percent. External sales increased 0.9 percent on a reported basis but decreased 0.5 percent on a comparable currency basis.

The adjusted EBITA was EUR 17.6 million (27.8) and the adjusted EBITA margin 2.1 percent (3.4). The decrease in the adjusted EBITA margin was mainly attributable to temporary operational costs in supply operations due to the ongoing manufacturing footprint optimization and weaker sales mix, as well as tariff costs. The operating profit was EUR -57.5 million (3.7) and the operating margin -6.8 percent(0.4).

PORT SOLUTIONS

	7–9/ 2019	7–9/ 2018	Change percent	Change % at comparable currency rates	1–9/ 2019	1–9/ 2018	Change percent	Change % at comparable currency rates	1–12/2018
Orders received, MEUR	249.0	240.0	3.8	3.9	882.9	696.9	26.7	27.0	1,096.0
Order book, MEUR	1,012.6	813.0	24.6	24.5	1,012.6	813.0	24.6	24.5	910.5
Net sales, MEUR	305.6	262.3	16.5	16.5	795.4	706.5	12.6	12.6	1,012.9
of which service, MEUR	48.4	45.3	6.9	6.1	140.2	132.7	5.7	4.6	178.3
Adjusted EBITA, MEUR [1)]	25.0	20.5	21.9		55.1	46.0	19.9		71.3
Adjusted EBITA, % [1)]	8.2%	7.8%			6.9%	6.5%			7.0%
Purchase price allocation amortization, MEUR	-1.8	-2.6	-29.9		-5.5	-7.8	-29.9		-10.4
Adjustments,MEUR	-4.4	-1.1			-2.6	-1.2			-20.9
Operating profit (EBIT), MEUR	18.8	16.8	11.8		47.1	37.0	27.1		40.0
Operating profit (EBIT), %	6.1%	6.4%			5.9%	5.2%			4.0%
Personnel at the end of period	2,895	3,084	-6.1		2,895	3,084	-6.1		2,830

[1)] Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.

Operational highlights in Q3:

- Strong order intake for Straddle Carriers in EMEA and APAC. Konecranes Noell Straddle Carriers are known for their excellent maneuverability, high speed and reliability. The offering includes automated and hybrid versions that are compelling for customers that look for improved and more sustainable operations.
- Konecranes Lift Trucks celebrated 25 years: since the first machine was made in 1994, Konecranes has sold nearly 10,000 lift trucks across 120 countries. Lift trucks are produced in Sweden, China and France, and have become renowned for their advanced technology, global distribution and service network.

In the third quarter, Port Solutions orders received totaled EUR 249.0 million (240.0), representing an increase of 3.8 percent. On a comparable currency basis, orders received increased 3.9 percent. Orders grew in the Americas and EMEA but fell in APAC.

The order book increased 24.6 percent to EUR 1,012.6 million (813.0). On a comparable currency basis, the order book increased 24.5 percent.

Sales increased 16.5 percent to EUR 305.6 million (262.3). On a comparable currency basis, sales increased 16.5 percent.

The third-quarter adjusted EBITA was EUR 25.0 million (20.5) and the adjusted EBITA margin 8.2 percent (7.8). The increase in adjusted EBITA results mainly from the sales growth. Gross margin decreased on a year-on-year basis. Operating profit was EUR 18.8 million (16.8) and the operating margin 6.1 percent (6.4).

In January–September, orders received totaled EUR 882.9 million (696.9), corresponding to an increase of 26.7 percent. On a comparable currency basis, orders received increased 27.0 percent.

Sales increased 12.6 percent to EUR 795.4 million (706.5). On a comparable currency basis, sales increased 12.6 percent.

The adjusted EBITA was EUR 55.1 million (46.0) and the adjusted EBITA margin 6.9 percent (6.5). Gross margin declined on a year-on-year basis mainly due to sales mix. The improvement in the adjusted EBITA margin was mainly attributable to sales growth and synergy cost savings. Operating profit was EUR 47.1 million (37.0) and the operating margin 5.9 percent(5.2).

Group overheads

In the third quarter, the adjusted unallocated Group overhead costs and eliminations were EUR 11.5 million (8.6), representing 1.4 percent of sales (1.1).

In the third quarter, the unallocated Group overhead costs and eliminations were EUR 14.6 million (12.4), representing 1.7 percent of sales (1.6). These included restructuring costs of EUR 3.1 million (3.8).

In January–September, the adjusted unallocated Group overhead costs and eliminations were EUR 32.1 million (26.5), representing 1.3 percent of sales (1.2).

In January–September, the unallocated Group overhead costs and eliminations were EUR 43.8 million (37.3), representing 1.8 percent of sales (1.7). These included restructuring costs of EUR 11.6 million (10.8).

ADMINISTRATION

Decisions of the Annual General Meeting

The resolutions of the Konecranes Annual General Meeting and the Board of Directors' organizing meeting have been published in the stock exchange releases dated March 28, 2019.

Composition of the Shareholders' Nomination Board

The AGM 2019 decided to establish a permanent Shareholders' Nomination Board to prepare proposals to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, for the election and remuneration of the members of the Board of Directors and to identify potential Board member candidates.

According to the decision of the AGM, the Shareholders' Nomination Board comprises one member appointed by each of the four largest shareholders of Konecranes Plc. The shareholders entitled to appoint a member are determined on the basis of the shareholders' register of the Company maintained by Euroclear Finland Ltd. on 31 August each year.

On September 5, 2019 Konecranes announced that the following members had been appointed to Konecranes' Shareholders Nomination Board:

- Peter Therman, Deputy Chairman of the Board of Directors of Hartwall Capital, appointed by HC Holding Oy Ab with 7,901,238 shares,
- Antti Mäkinen, CEO of Solidium, appointed by Solidium Oy with 5,832,256 shares,
- Risto Murto, CEO of Varma Mutual Pension Insurance Company, appointed by Varma Mutual Pension Insurance Company with 2,634,951 shares, and
- Stig Gustavson, appointed by Stig Gustavson and family with 2,366,157 shares.

In addition, Christoph Vitzthum, the Chairman of the Board of Directors of Konecranes, serves as an expert in the Nomination Board without being a member.

The now appointed Nomination Board will forward its proposals for the 2020 Annual General Meeting to the Board of Directors by 31 January 2020.

SHARE CAPITAL AND SHARES

On September 30, 2019 the company's registered share capital totaled EUR 30.1 million. On September 30, 2019, the number of shares including treasury shares totaled 78,921,906.

TREASURY SHARES

On September 30, 2019, Konecranes Plc was in possession of 82,480 treasury shares, which corresponds to 0.1 percent of the total number of shares and which had on that date a market value of EUR 2.4 million.

On February 28, 2019, 22,923 treasury shares were conveyed without consideration to the employees as a reward payment for the Savings Period 2015–2016 of the Konecranes Employee Share Savings Plan.

MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for the Konecranes shares on the Nasdaq Helsinki on September 30, 2019 was EUR 29.42. The volume-weighted average share price in January–September 2019 was EUR 30.67, the highest price being EUR 38.15 in April and the lowest EUR 24.84 in August. In January–September the trading volume on the Nasdaq Helsinki totaled 38.6 million, corresponding to a turnover of approximately EUR 1,194.5 million. The average daily trading volume was 204,470 shares representing an average daily turnover of EUR 6.3 million.

On September 30, 2019, the total market capitalization of Konecranes Plc was EUR 2,321.9 million including treasury shares. The market capitalization was EUR 2,319.5 million excluding treasury shares.

NOTIFICATIONS OF MAJOR SHAREHOLDINGS

In January–September 2019, 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
February 8, 2019	BlackRock, Inc.	Below 5%	4.96	1.80	6.77	5,345,488
February 21, 2019	BlackRock, Inc.	Above 5%	5.00	1.43	6.43	5,079,313
April 10, 2019	BlackRock, Inc.	Below 5%	4.98	1.08	6.06	4,787,047
April 16, 2019	BlackRock, Inc.	Above 5%	5.01	1.06	6.07	4,796,011
April 17, 2019	BlackRock, Inc.	Below 5%	4.96	1.08	6.04	4,770,550
April 18, 2019	BlackRock, Inc.	Above 5%	5.02	0.99	6.01	4,745,989
April 23, 2019	BlackRock, Inc.	Below 5%	4.90	0.97	5.88	4,642,378

RISKS AND UNCERTAINTIES

Konecranes operates in emerging countries that face 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.

Political risks and uncertainties have also increased outside the emerging countries due to the emergence of populism, patriotism and protectionism in a number of Western economies. This has led and can lead to further increases in tariffs on imported goods, such as components that Konecranes manufactures centrally before exporting them to most of the countries in which it operates. The resulting tariffs may result in a decrease in profitability.

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 on information systems. A higher-than-expected development or implementation costs, or a failure to extract business benefits from new processes and systems may lead to an impairment of assets or decrease in profitability.

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

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

The Group's other risks are presented in the Notes to the Financial Statements and the Governance Supplement to the Annual Report.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Appointment of a new President and CEO

On October 7, 2019 Konecranes announced that The Board of Directors of Konecranes Plc had appointed Rob Smith as President and CEO of Konecranes effective February 1, 2020. Since October 7, 2019, the company's CFO, Teo Ottola, who also serves as Deputy CEO, has been acting as the interim CEO and will do so until Rob Smith starts in the position.

Rob Smith joins Konecranes from AGCO Corporation, where his latest position has been Senior Vice President & General Manager, Europe and Middle East. Prior to this, he has worked in business leadership roles in TRW Automotive, Tyco Electronics and Bombardier Transportation, among others. He is 54 years old and is a dual citizen of both Germany and the United States. Further details, including a photo, are available in his CV attached to the stock exchange release dated October 7, 2019.

With this change, the previous President and CEO, Panu Routila, left the Konecranes Group on October 7, 2019.

Changes in the Group Executive Board

On October 14, 2019 Konecranes announced that Minna Aila, Executive Vice President, Marketing and Communications and a member of the Group Executive Board would leave the group and take up a position at another company by April 2020 at the latest.

Composition of the Group Executive Board

Until October 7, 2019, the Group Executive Board consisted of the following members:

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

As of October 7, 2019, the Group Executive Board consists of the following members:

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

Rob Smith, the new President and CEO, will join Konecranes on February 1, 2020.

Minna Aila, Executive Vice President, Marketing and Corporate Affairs, will leave Konecranes by April 2020 at the latest.

DEMAND OUTLOOK

Within the industrial customer segments, the demand environment in Europe continues to soften. The demand environment in North America is on a higher level compared to Europe but has started to show signs of weakening. Asia-Pacific continues to be stable overall.

Global container throughput continues on a good level and the prospects for orders related to container handling remain stable overall. That said, there is hesitation in the decision-making among some port customers.

FINANCIAL GUIDANCE

Konecranes expects sales in full-year 2019 to increase 5–7 percent year on year. Konecranes expects the adjusted EBITA margin to improve in full-year 2019 compared to full-year 2018.

Espoo, October 24, 2019
Konecranes Plc
Board of Directors

Disclaimer

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

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

Consolidated statement of income

EUR million	Note	7–9/ 2019	7–9/ 2018	Change percent	1–9/ 2019	1–9/ 2018	Change percent	1–12/ 2018
Sales	7	**841.3**	**800.2**	**5.1**	**2,393.6**	**2,245.2**	**6.6**	**3,156.1**
Other operating income		2.9	1.4		12.3	4.6		6.3
Materials, supplies and subcontracting		-388.0	-351.9		-1,039.9	-939.8		-1,371.9
Personnel cost		-252.0	-244.2		-776.6	-748.9		-1,006.5
Depreciation and impairments	8	-31.3	-26.0		-92.9	-80.4		-119.9
Other operating expenses		-155.0	-131.0		-413.2	-366.4		-498.0
Operating profit		**17.9**	**48.5**	**-63.0**	**83.2**	**114.3**	**-27.2**	**166.2**
Share of associates' and joint ventures' result		0.6	0.0		-0.5	-1.4		4.0
Financial income		0.9	0.5		5.7	1.3		2.6
Financial expenses		-10.4	-5.1		-33.2	-27.4		-34.1
Profit before taxes		**9.0**	**44.0**	**-79.6**	**55.2**	**86.8**	**-36.4**	**138.7**
Taxes	10	-5.3	-12.1		-18.2	-24.3		-40.4
PROFIT FOR THE PERIOD		**3.7**	**31.9**	**-88.4**	**37.0**	**62.5**	**-40.8**	**98.3**
Profit for the period attributable to:								
Shareholders of the parent company		3.0	32.3		35.9	62.6		101.8
Non-controlling interest		0.6	-0.5		1.1	-0.1		-3.5
Earnings per share, basic (EUR)		0.04	0.41	-90.6	0.46	0.79	-42.7	1.29
Earnings per share, diluted (EUR)		0.04	0.41	-90.6	0.46	0.79	-42.7	1.29

Consolidated statement of other comprehensive income

EUR million	7–9/ 2019	7–9/ 2018		1–9/ 2019	1–9/ 2018		1–12/ 2018
Profit for the period	**3.7**	**31.9**		**37.0**	**62.5**		**98.3**
Items that can be reclassified into profit or loss							
Cash flow hedges	-10.0	-2.5		-11.1	-10.9		-13.4
Exchange differences on translating foreign operations	2.1	-5.7		7.9	-8.4		-5.7
Income tax relating to items that can be reclassified into profit or loss	2.0	0.5		2.2	2.2		2.7
Items that cannot be reclassified into profit or loss							
Re-measurement gains (losses) on defined benefit plans	0.0	0.0		0.0	0.0		0.7
Income tax relating to items that cannot be reclassified into profit or loss	0.0	0.0		0.0	0.0		-0.2
Other comprehensive income for the period, net of tax	**-5.9**	**-7.7**		**-1.0**	**-17.1**		**-15.9**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-2.3**	**24.1**		**36.0**	**45.4**		**82.4**
Total comprehensive income attributable to:							
Shareholders of the parent company	-3.0	25.1		35.1	46.0		86.2
Non-controlling interest	0.7	-0.9		0.9	-0.6		-3.8

Consolidated balance sheet

EUR million

ASSETS	Note	30.9.2019	30.9.2018	31.12.2018
Non-current assets				
Goodwill		910.2	904.9	906.1
Intangible assets		542.9	594.2	582.0
Property, plant and equipment		334.3	250.7	236.7
Advance payments and construction in progress		14.3	13.3	14.5
Investments accounted for using the equity method		69.0	66.8	71.0
Other non-current assets		0.8	0.8	0.8
Deferred tax assets		121.4	125.9	119.5
Total non-current assets		**1,992.9**	**1,956.5**	**1,930.5**
Current assets				
Inventories				
Raw material and semi-manufactured goods		299.4	272.4	281.7
Work in progress		415.5	373.9	336.6
Advance payments		27.6	23.7	17.5
Total inventories		742.6	670.1	635.8
Accounts receivable		509.0	493.5	548.0
Other receivables		36.2	32.8	28.5
Loans receivable		0.7	0.6	0.7
Income tax receivables		39.4	19.1	22.3
Receivable arising from percentage of completion method	7	148.2	85.9	115.7
Other financial assets		5.7	9.9	8.9
Deferred assets		53.8	51.5	46.2
Cash and cash equivalents		182.8	179.4	230.5
Total current assets		**1,718.4**	**1,542.7**	**1,636.5**
Assets held for sale	5.1	**27.4**	**0.0**	**0.0**
TOTAL ASSETS		**3,738.7**	**3,499.2**	**3,567.0**

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	**Note**	**30.9.2019**	**30.9.2018**	**31.12.2018**
Equity attributable to equity holders of the parent company				
Share capital		30.1	30.1	30.1
Share premium		39.3	39.3	39.3
Paid in capital		752.7	752.7	752.7
Fair value reserves	14	-8.8	2.1	0.1
Translation difference		5.2	-5.3	-2.8
Other reserve		64.9	50.2	55.2
Retained earnings		292.1	288.9	289.4
Net profit for the period		35.9	62.6	101.8
Total equity attributable to equity holders of the parent company		**1,211.4**	**1,220.6**	**1,265.8**
Non-controlling interest		19.0	21.7	18.4
Total equity		**1,230.4**	**1,242.3**	**1,284.1**
Non-current liabilities				
Interest-bearing liabilities	13	652.0	591.4	584.6
Other long-term liabilities		266.7	269.1	269.1
Provisions		21.0	22.0	21.2
Deferred tax liabilities		138.3	144.4	143.4
Total non-current liabilities		**1,078.0**	**1,027.0**	**1,018.3**
Current liabilities				
Interest-bearing liabilities	13	209.5	209.0	191.8
Advance payments received	7	411.6	305.2	341.4
Accounts payable		206.0	193.7	211.2
Provisions		161.4	115.6	112.6
Other short-term liabilities (non-interest bearing)		45.6	44.3	43.0
Other financial liabilities		23.3	8.9	7.7
Income tax liabilities		26.0	21.4	20.3
Accrued costs related to delivered goods and services		163.5	168.9	164.1
Accruals		180.7	162.9	172.5
Total current liabilities		**1,427.6**	**1,229.9**	**1,264.6**
Liabilities directly attributable to assets held for sale	5.1	**2.6**	**0.0**	**0.0**
Total liabilities		**2,508.2**	**2,256.9**	**2,282.8**
TOTAL EQUITY AND LIABILITIES		**3,738.7**	**3,499.2**	**3,567.0**

Consolidated statement of changes in equity

EUR million	Equity attributable to equity holders of the parent company				
	Share capital	Share premium	Paid in capital	Cash flow hedges	Translation difference
Balance at 1 January, 2019	**30.1**	**39.3**	**752.7**	**0.1**	**-2.8**
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-8.8	8.0
Total comprehensive income				-8.8	8.0
Balance at 30 September, 2019	**30.1**	**39.3**	**752.7**	**-8.8**	**5.2**
Balance at 1 January, 2018	**30.1**	**39.3**	**752.7**	**10.8**	**2.6**
Share issue					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-8.7	-7.9
Total comprehensive income				-8.7	-7.9
Balance at 30 September, 2018	**30.1**	**39.3**	**752.7**	**2.1**	**-5.3**

EUR million	Equity attributable to equity holders of the parent company				
	Other Reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January, 2019	**55.2**	**391.2**	**1,265.8**	**18.4**	**1,284.1**
Change in accounting principles (IFRS 16)		-4.5	-4.5		**-4.5**
Balance at 1 January, 2019, restated	**55.2**	**386.7**	**1,261.3**	**18.4**	**1,279.6**
Dividends paid to equity holders		-94.6	-94.6	-0.3	**-94.9**
Equity-settled share based payments	9.7	0.0	9.7		**9.7**
Profit for the period		35.9	35.9	1.1	**37.0**
Other comprehensive income		0.0	-0.8	-0.2	**-1.0**
Total comprehensive income	0.0	35.9	35.1	0.9	**36.0**
Balance at 30 September, 2019	**64.9**	**327.9**	**1,211.4**	**19.0**	**1,230.4**
Balance at 1 January, 2018	**36.6**	**384.3**	**1,256.4**	**22.5**	**1,278.9**
Change in accounting principles (IFRS 9)		-0.8	-0.8		**-0.8**
Change in accounting principles (IFRS 2)	1.5		1.5		**1.5**
Balance at 1 January, 2018, restated	**38.1**	**383.4**	**1,257.0**	**22.5**	**1,279.5**
Dividends paid to equity holders		-94.6	-94.6	-0.2	**-94.8**
Equity-settled share based payments	12.1	0.0	12.1		**12.1**
Profit for the period		62.6	62.6	-0.1	**62.5**
Other comprehensive income		0.0	-16.6	-0.5	**-17.1**
Total comprehensive income	0.0	62.6	46.0	-0.6	**45.4**
Balance at 30 September, 2018	**50.2**	**351.5**	**1,220.6**	**21.7**	**1,242.3**

Consolidated cash flow statement

EUR million	1–9/2019	1–9/2018	1–12/2018
Cash flow from operating activities			
Profit for the period	37.0	62.5	98.3
Adjustments to net income			
Taxes	18.2	24.3	40.4
Financial income and expenses	27.5	26.1	31.5
Share of associates' and joint ventures' result	0.5	1.4	-4.0
Depreciation and impairments	92.9	80.4	119.9
Profits and losses on sale of fixed assets and businesses	-4.9	1.8	3.8
Other adjustments	9.4	2.8	5.2
Operating income before change in net working capital	**180.7**	**199.3**	**295.1**
Change in interest-free current receivables	2.5	75.1	3.9
Change in inventories	-100.3	-127.7	-91.1
Change in interest-free current liabilities	109.2	-51.9	-4.3
Change in net working capital	**11.4**	**-104.6**	**-91.5**
Cash flow from operations before financing items and taxes	**192.1**	**94.8**	**203.5**
Interest received	20.4	11.3	19.3
Interest paid	-34.6	-25.0	-38.4
Other financial income and expenses	-12.4	7.4	7.4
Income taxes paid	-32.8	-68.2	-82.5
Financing items and taxes	**-59.4**	**-74.5**	**-94.3**
NET CASH FROM OPERATING ACTIVITIES	**132.7**	**20.3**	**109.2**
Cash flow from investing activities			
Acquisition of Group companies, net of cash	-2.8	0.0	0.0
Divestment of Businesses, net of cash	0.0	1.1	1.1
Capital expenditures	-31.8	-25.6	-38.3
Proceeds from sale of property, plant and equipment	14.8	2.0	2.2
NET CASH USED IN INVESTING ACTIVITIES	**-19.8**	**-22.5**	**-35.0**
Cash flow before financing activities	**112.9**	**-2.2**	**74.2**
Cash flow from financing activities			
Repayments of non-current borrowings	-20.7	-7.3	-14.5
Repayments of lease liability	-31.6	0.0	0.0
Proceeds from (+), payments of (-) current borrowings	-13.5	52.8	34.6
Change in loans receivable	0.0	-0.3	-0.3
Dividends paid to equity holders of the parent	-94.6	-94.6	-94.6
Dividends paid to non-controlling interests	-0.3	-0.2	-0.4
NET CASH USED IN FINANCING ACTIVITIES	**-160.8**	**-49.6**	**-75.2**
Translation differences in cash	4.0	-1.9	-1.6
CHANGE OF CASH AND CASH EQUIVALENTS	**-43.9**	**-53.7**	**-2.6**
Cash and cash equivalents at beginning of period	230.5	233.1	233.1
Cash and cash equivalents in assets held for sale	3.8	0.0	0.0
Cash and cash equivalents at end of period	182.8	179.4	230.5
CHANGE OF CASH AND CASH EQUIVALENTS	**-43.9**	**-53.7**	**-2.6**

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

FREE CASH FLOW (alternative performance measure)

EUR million	1–9/2019	1–9/2018	1–12/2018
Net cash from operating activities	132.7	20.3	109.2
Capital expenditures	-31.8	-25.6	-38.3
Proceeds from sale of property, plant and equipment	14.8	2.0	2.2
Free cash flow	**115.7**	**-3.3**	**73.1**

Notes

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of Konecranes Plc for nine months ending 30.9.2019 and 30.9.2018 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). As such, they do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements as of December 31, 2018. The unaudited interim condensed consolidated financial statements including notes thereto are presented in millions of euros and all values are rounded to the nearest million (€ 000 000) except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Company’s accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2018. From January 1, 2019 onwards Konecranes applies also new IFRS 16 standard as described below.

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 IAS17. 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

Notes

accounting under IFRS 16 is substantially unchanged from accounting under IAS 17.

Konecranes used the general modified retrospective approach in which right of use assets and lease liabilities were calculated per transition date 1.1.2019 except for the lease contracts of the Finnish premises in Hyvinkää and Hämeenlinna, in which Konecranes used modified retrospective method to calculate the right of use assets and liability from the commencement date but using the prevailing discount interest at the transition date. Konecranes elected also to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has various lease agreements for office equipment, vehicles and premises with varying terms and renewal rights. Group has used judgment especially for the use of extension options as well as when defining the lease term for open end lease agreements so that they are based on the business requirements and real estimated useful life time of the underlying asset. The right of use assets was increased by EUR 118.5 million and corresponding liabilities by EUR 124.1 million at 1.1.2019. Equity decreased by EUR 4.5 million and deferred tax asset increased by EUR 1.1 million. Group had also EUR 20.1 million existing finance leases according to IAS17 in 31.12.2018 balance sheet. The interest-bearing net debt of 1.1.2019 increased from EUR 545.3 million to EUR 669.4 million and interest-bearing net nebt / equity % respectively from 42.5% to 52.3%. Based on the transition data 1.1.2019 (excluding new contracts and possible changes to existing ones in 2019) other operating expenses is estimated to decrease by approximately EUR 34.0 million and depreciation to increase by approximately EUR 31.4 million and interest expenses increase by approximately EUR 3.3 million respectively during 2019. The estimated effects for 2019 are presented by segment below:

Estimated IFRS 16 adjustments to selected key figures per business

Statement of income (EUR million) 1–12/2019	Service	Industrial Equipment	Ports Solutions	Group costs	Total
Operating costs	15.7	8.1	3.8	6.4	34.0
EBITDA	**15.7**	**8.1**	**3.8**	**6.4**	**34.0**
Depreciation	-14.9	-7.1	-3.5	-5.8	-31.4
EBIT	**0.8**	**0.9**	**0.3**	**0.6**	**2.6**
Interest expenses					-3.3
Profit before taxes					**-0.7**
Taxes					0.2
Net result					**-0.5**

The right of use assets totalled EUR 132.0 million and lease liabilities EUR 138.5 million in 30.9.2019 balance sheet.

The IFRIC Interpretation 23 Uncertainty over Income Tax treatment addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. Since the Group operates in a multinational environment it has already applied significant and critical assessment in identifying uncertainties over income tax treatments. The interpretation did not have an impact on the consolidated financial statements of the Group.

Notes

5. ACQUISITIONS

In January 2019, Konecranes acquired a small service business from MSAURförderteknik GmbH in Germany and paid EUR 0.7 million as purchase price for the acquired assets. In August 2019, Konecranes acquired a small service business company Trevolution Service S.r.l. in Italy and paid EUR 2.6 million as purchase prices for the shares of the company.

The fair values of acquired businesses are as follows:

MEUR	Fair value
Intangible assets	
Clientele	1.2
Other intangible assets	0.0
Property, plant and equipment	0.3
Deferred tax assets	0.1
Inventories	0.6
Accounts receivable	1.0
Other assets	0.3
Cash and cash equivalents	0.5
Total assets	**3.9**
Deferred tax liabilities	0.3
Defined benefit plans	0.4
Other long-term liabilities	0.1
Accounts payable and other current liabilities	1.1
Total liabilities	**1.9**
Net assets	**2.1**
Purchase consideration transferred	**3.3**
Goodwill	**1.3**
Cash flow on acquisition	
Purchase consideration, paid in cash	3.3
Cash and cash equivalents in acquired companies	-0.5
Net cash flow arising on acquisition	**2.8**

5.1. Assets held for sale

The associated assets and liabilities of Noell Crane Systems (China) Ltd have been reported in the consolidated balance sheet separately as held for sale from 30.6.2019 onwards. The disposal group (assets and liabilities relating to Noell Crane Systems (China) Ltd) is valued at carrying amounts and assets have no longer been depreciated since classified as held for sale. Konecranes has signed an agreement to sell the company on October 18, 2019. The sale is subject to customary closing conditions including regulatory approvals. The transaction does not have significant impact on Konecranes financials. Closing of the transaction is expected to take place during Q4 2019.

Major classes of assets and liabilities of Noell Crane Systems (China) Ltd business classified as held for sale are, as follows:

Assets	30.9.2019
Intangible assets	8.4
Property, plant and equipment	9.9
Inventories	0.1
Accounts receivables	5.1
Other receivables	0.1
Cash and cash equivalents	3.8
Assets held for sale	**27.4**

Liabilities	30.9.2019
Interest-bearing liabilities	0.0
Provisions	2.1
Accounts payable	0.2
Accruals and other liabilities	0.2
Liabilities directly attributable to assets held for sale	**2.6**
Non-controlling interest	**6.5**

Assets and liabilities are reported in Ports Solutions segment.

Amounts included in accumulated Other Comprehensive Income	30.9.2019
Translation difference	0.0
Total	**0.0**

Notes

6. SEGMENT INFORMATION

6.1. Operating segments

EUR million

Orders received by Business Area	**1–9/2019**	% of total	**1–9/2018**	% of total	**1–12/2018**	% of total
Service [1]	765.1	30	737.2	32	986.5	30
Industrial Equipment	935.2	36	905.0	39	1,248.9	37
Port Solutions [1]	882.9	34	696.9	30	1,096.0	33
./. Internal	-197.2		-178.5		-241.1	
Total	**2,386.0**	**100**	**2,160.5**	**100**	**3,090.3**	**100**

[1] Excl. Service Agreement Base

Order book total [2]	**30.9.2019**	% of total	**30.9.2018**	% of total	**31.12.2018**	% of total
Service	245.5	13	239.6	15	214.3	12
Industrial Equipment	665.1	35	572.0	35	590.6	34
Port Solutions	1,012.6	53	813.0	50	910.5	53
Total	**1,923.2**	**100**	**1,624.6**	**100**	**1,715.4**	**100**

[2] Percentage of completion deducted

Sales by Business Area	**1–9/2019**	% of total	**1–9/2018**	% of total	**1–12/2018**	% of total
Service	918.1	36	856.0	36	1,192.5	36
Industrial Equipment	849.5	33	825.3	35	1,150.9	34
Port Solutions	795.4	31	706.5	30	1,012.9	30
./. Internal	-169.4		-142.6		-200.1	
Total	**2,393.6**	**100**	**2,245.2**	**100**	**3,156.1**	**100**

Adjusted EBITA by Business Area	**1–9/2019** MEUR	EBITA %	**1–9/2018** MEUR	EBITA %	**1–12/2018** MEUR	EBITA %
Service	147.2	16.0	124.2	14.5	180.0	15.1
Industrial Equipment	17.6	2.1	27.8	3.4	42.6	3.7
Port Solutions	55.1	6.9	46.0	6.5	71.3	7.0
Group costs and eliminations	-32.1		-26.5		-36.8	
Total	**187.8**	**7.8**	**171.5**	**7.6**	**257.1**	**8.1**

Operating profit (EBIT) by Business Area	**1–9/2019** MEUR	EBIT %	**1–9/2018** MEUR	EBIT %	**1–12/2018** MEUR	EBIT %
Service	137.4	15.0	110.9	13.0	162.8	13.6
Industrial Equipment	-57.5	-6.8	3.7	0.4	15.1	1.3
Port Solutions	47.1	5.9	37.0	5.2	40.0	4.0
Group costs and eliminations	-43.8		-37.3		-51.7	
Total	**83.2**	**3.5**	**114.3**	**5.1**	**166.2**	**5.3**

Notes

Business segment assets	**30.9.2019** MEUR	**30.9.2018** MEUR	**31.12.2018** MEUR
Service	1,360.1	1,291.7	1,284.8
Industrial Equipment	917.3	870.0	865.1
Port Solutions	921.2	860.1	884.4
Unallocated items	540.2	477.5	532.8
Total	**3,738.7**	**3,499.2**	**3,567.0**

Business segment liabilities	**30.9.2019** MEUR	**30.9.2018** MEUR	**31.12.2018** MEUR
Service	215.7	205.3	207.7
Industrial Equipment	357.3	352.3	365.0
Port Solutions	435.4	369.4	411.4
Unallocated items	1,499.8	1,329.9	1,298.7
Total	**2,508.2**	**2,256.9**	**2,282.8**

Personnel by Business Area (at the end of the period)	**30.9.2019**	% of total	**30.9.2018**	% of total	**31.12.2018**	% of total
Service	7,680	47	7,351	45	7,372	46
Industrial Equipment	5,546	34	5,831	36	5,782	36
Port Solutions	2,895	18	3,084	19	2,830	18
Group staff	98	1	95	1	93	1
Total	**16,219**	**100**	**16,361**	**100**	**16,077**	**100**

Notes

Orders received by Business Area, Quarters	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service [1)]	256.4	253.2	255.4	249.3	241.9	256.8	238.5
Industrial Equipment	284.0	330.0	321.2	343.9	294.7	338.6	271.6
Port Solutions [1)]	249.0	304.0	329.9	399.1	240.0	230.7	226.2
./. Internal	-74.3	-64.5	-58.4	-62.6	-60.1	-65.2	-53.2
Total	**715.3**	**822.7**	**848.1**	**929.8**	**716.5**	**760.9**	**683.1**

[1)] *Excl. Service Agreement Base*

Order book by Business Area, Quarters	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service	245.5	236.8	234.1	214.3	239.6	237.8	212.0
Industrial Equipment	665.1	668.5	639.4	590.6	572.0	579.0	527.6
Port Solutions	1,012.6	1,062.5	1,004.0	910.5	813.0	830.7	836.2
Total	**1,923.2**	**1,967.8**	**1,877.6**	**1,715.4**	**1,624.6**	**1,647.5**	**1,575.8**

Sales by Business Area, Quarters	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service	312.1	308.9	297.1	336.4	296.3	293.3	266.4
Industrial Equipment	281.7	293.2	274.6	325.6	291.7	285.0	248.6
Port Solutions	305.6	248.0	241.8	306.4	262.3	243.7	200.6
./. Internal	-58.2	-56.0	-55.2	-57.5	-50.0	-49.7	-42.8
Total	**841.3**	**794.0**	**758.2**	**910.8**	**800.2**	**772.2**	**672.8**

Adjusted EBITA by Business Area, Quarters	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service	50.6	49.7	46.8	55.8	48.0	42.4	33.8
Industrial Equipment	8.3	8.5	0.8	14.8	14.6	6.5	6.6
Port Solutions	25.0	19.5	10.6	25.3	20.5	19.3	6.2
Group costs and eliminations	-11.5	-10.7	-9.9	-10.3	-8.6	-8.5	-9.4
Total	**72.4**	**67.0**	**48.3**	**85.6**	**74.5**	**59.8**	**37.2**

Adjusted EBITA margin by Business Area, Quarters	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service	16.2	16.1	15.7	16.6	16.2	14.5	12.7
Industrial Equipment	2.9	2.9	0.3	4.5	5.0	2.3	2.7
Port Solutions	8.2	7.9	4.4	8.3	7.8	7.9	3.1
Group EBITA margin total	**8.6**	**8.4**	**6.4**	**9.4**	**9.3**	**7.7**	**5.5**

Personnel by Business Area, Quarters (at the end of the period)	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service	7,680	7,563	7,527	7,372	7,351	7,252	7,187
Industrial Equipment	5,546	5,537	5,502	5,782	5,831	5,829	5,872
Port Solutions	2,895	2,864	2,849	2,830	3,084	3,069	3,039
Group staff	98	94	93	93	95	90	87
Total	**16,219**	**16,058**	**15,971**	**16,077**	**16,361**	**16,240**	**16,185**

Notes

6.2. Geographical areas

EUR million

Sales by market	**1–9/2019**	% of total	**1–9/2018**	% of total	**1–12/2018**	% of total
Europe-Middle East-Africa (EMEA)	1,238.6	52	1,131.7	50	1,593.5	50
Americas (AME)	832.4	35	737.7	33	1,049.9	33
Asia-Pacific (APAC)	322.6	13	375.7	17	512.7	16
Total	**2,393.6**	**100**	**2,245.2**	**100**	**3,156.1**	**100**

Personnel by region (at the end of the period)	**30.9.2019**	% of total	**30.9.2018**	% of total	**31.12.2018**	% of total
Europe-Middle East-Africa (EMEA)	10,119	62	10,021	61	10,027	62
Americas (AME)	3,314	20	3,161	19	3,172	20
Asia-Pacific (APAC)	2,786	17	3,179	19	2,878	18
Total	**16,219**	**100**	**16,361**	**100**	**16,077**	**100**

Sales by market, Quarters	**Q3/2019**	**Q2/2019**	**Q1/2019**	**Q4/2018**	**Q3/2018**	**Q2/2018**	**Q1/2018**
Europe-Middle East-Africa (EMEA)	444.8	408.3	385.5	461.7	380.9	402.8	348.0
Americas (AME)	291.3	281.9	259.2	312.2	262.0	256.1	219.6
Asia-Pacific (APAC)	105.2	103.8	113.6	136.9	157.3	113.3	105.1
Total	**841.3**	**794.0**	**758.2**	**910.8**	**800.2**	**772.2**	**672.8**

Personnel by region, Quarters (at the end of the period)	**Q3/2019**	**Q2/2019**	**Q1/2019**	**Q4/2018**	**Q3/2018**	**Q2/2018**	**Q1/2018**
Europe-Middle East-Africa (EMEA)	10,119	10,028	9,966	10,027	10,021	9,902	9,854
Americas (AME)	3,314	3,237	3,231	3,172	3,161	3,139	3,123
Asia-Pacific (APAC)	2,786	2,793	2,774	2,878	3,179	3,199	3,208
Total	**16,219**	**16,058**	**15,971**	**16,077**	**16,361**	**16,240**	**16,185**

Notes

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

EUR million	30.9.2019	30.9.2018	31.12.2018
The cumulative revenues of non-delivered projects	529.9	427.8	433.2
Advances received netted	381.7	341.9	317.5
Contract assets	**148.2**	**85.9**	**115.7**
Gross advance received from percentage of completion method	447.0	363.8	375.3
Advances received netted	381.7	341.9	317.5
Contract liabilities	**65.4**	**22.0**	**57.8**

Net sales recognized under the percentage of completion method amounted EUR 302.2 million in 1–9/2019 (EUR 257.6 million in 1–9/2018).

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

Advance payments received	30.9.2019	30.9.2018	31.12.2018
Advance received from percentage of completion method (netted)	65.4	22.0	57.8
Other advance received from customers	346.2	283.3	283.6
Total	**411.6**	**305.2**	**341.4**

8. IMPAIRMENTS

EUR million	1–9/2019	1–9/2018	1–12/2018
Property, plant and equipment	0.8	0.0	13.8
Total	**0.8**	**0.0**	**13.8**

All impairments in 2019 and 2018 relate to restructuring actions.

9. RESTRUCTURING COSTS

Konecranes has recorded EUR 86.0 million restructuring costs during 1–9/2019 (EUR 29.1 million in 1–9/2018) of which EUR 0.8 million was impairment of assets (EUR 0.0 million for 1–9/2018). The remaining EUR 85.2 million of restructuring cost is reported 1–9/2019 in personnel costs (EUR 65.5 million) and in other operating expenses (EUR 27.9 million) and profits on disposal of assets in other operating income (EUR 8.2 million).

10. INCOME TAXES

Taxes in statement of Income	1–9/2019	1–9/2018	1–12/2018
Local income taxes of group companies	24.2	34.9	49.0
Taxes from previous years	-3.1	-0.5	-4.4
Change in deferred taxes	-2.9	-10.1	-4.3
Total	**18.2**	**24.3**	**40.4**

Notes

11. KEY FIGURES

	30.9.2019	30.9.2018	Change %	31.12.2018
Earnings per share, basic (EUR)	0.46	0.79	-42.7	1.29
Earnings per share, diluted (EUR)	0.46	0.79	-42.7	1.29
Alternative Performance Measures:				
Return on capital employed, %, Rolling 12 Months (R12M)	6.1	8.1	-24.7	7.9
Adjusted return on capital employed, %, Rolling 12 Months (R12M)	13.2	12.5	5.6	12.5
Return on equity, %, Rolling 12 Months (R12M)	5.9	6.7	-11.9	7.7
Equity per share (EUR)	15.37	15.49	-0.8	16.06
Interest-bearing net debt / Equity, %	54.8	49.9	9.8	42.5
Net debt / Adjusted EBITDA, Rolling 12 Months (R12M)	1.9	1.9	0.0	1.7
Equity to asset ratio, %	37.0	38.9	-4.9	39.8
Investments total (excl. acquisitions), EUR million	32.2	24.0	34.2	35.4
Interest-bearing net debt, EUR million	674.2	620.5	8.7	545.3
Net working capital, EUR million	399.7	426.9	-6.4	410.4
Average number of personnel during the period	16,081	16,289	-1.3	16,247
Average number of shares outstanding, basic	78,834,472	78,807,499	0.0	78,811,265
Average number of shares outstanding, diluted	78,834,472	78,807,499	0.0	78,811,265
Number of shares outstanding	78,839,426	78,823,503	0.0	78,816,503

Notes

Calculation of Alternative Performance Measures

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

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

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

Adjusted return on capital employed (%): $= \dfrac{\text{Adjusted EBITA}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}} \times 100$

Equity to asset ratio, %: $= \dfrac{\text{Shareholders' equity}}{\text{Total amount of equity and liabilities - advance payment received}} \times 100$

Interest-bearing net debt / Equity, %: $= \dfrac{\text{Interest-bearing liabilities - liquid assets - loans receivable}}{\text{Total equity}} \times 100$

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

Net working capital: = Non interest-bearing current assets + deferred tax assets (excluding Purchase Price Allocation) - Non interest-bearing current liabilities - deferred tax liabilities (excluding Purchase Price Allocation) - provisions

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

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

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

EBITDA: = Operating profit + Depreciation, amortization and impairments

EBITA: = Operating profit + Amortization and impairment of Purchase Price Allocations

Notes

Reconciliation of adjusted EBITDA, EBITA and Operating profit (EBIT)	1–9/2019	1–9/2018	1–12/2018
Adjusted EBITDA	**261.4**	**223.8**	**325.7**
Restructuring costs (excluding impairments)	-85.2	-29.1	-39.6
EBITDA	**176.1**	**194.7**	**286.1**
Depreciation, amortization and impairments	-92.9	-80.4	-119.9
Operating profit (EBIT)	**83.2**	**114.3**	**166.2**
Adjusted EBITA	**187.8**	**171.5**	**257.1**
Purchase price allocation amortization	-18.5	-28.1	-37.5
Adjusted Operating profit (EBIT)	**169.2**	**143.4**	**219.6**
Restructuring costs	-86.0	-29.1	-53.4
Operating profit (EBIT)	**83.2**	**114.3**	**166.2**

Interest-bearing net debt	30.9.2019	30.9.2018	31.12.2018
Non current interest bearing liabilities	652.0	591.4	584.6
Current interest bearing liabilities	209.5	209.0	191.8
Loans receivable	-0.7	-0.6	-0.7
Net debt in assets held for sale	-3.8	0.0	0.0
Cash and cash equivalents	-182.8	-179.4	-230.5
Interest-bearing net debt	**674.2**	**620.5**	**545.3**

The period end exchange rates:	30.9.2019	30.9.2018	Change %	31.12.2018
USD - US dollar	1.089	1.158	6.3	1.145
CAD - Canadian dollar	1.443	1.506	4.4	1.561
GBP - Pound sterling	0.886	0.887	0.2	0.895
CNY - Chinese yuan	7.778	7.966	2.4	7.875
SGD - Singapore dollar	1.506	1.584	5.2	1.559
SEK - Swedish krona	10.696	10.309	-3.6	10.255
AUD - Australian dollar	1.613	1.605	-0.5	1.622

The period average exchange rates:	30.9.2019	30.9.2018	Change %	31.12.2018
USD - US dollar	1.124	1.194	6.3	1.181
CAD - Canadian dollar	1.493	1.537	2.9	1.529
GBP - Pound sterling	0.883	0.884	0.1	0.885
CNY - Chinese yuan	7.713	7.780	0.9	7.809
SGD - Singapore dollar	1.533	1.600	4.4	1.593
SEK - Swedish krona	10.567	10.237	-3.1	10.258
AUD - Australian dollar	1.608	1.576	-1.9	1.580

Notes

12. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	30.9.2019	30.9.2018	31.12.2018
For own commercial obligations			
Guarantees	568.0	538.0	619.2
Leasing liabilities			
Next year	-	41.3	39.8
Later on	-	89.1	77.5
Other	29.5	29.7	33.4
Total	**597.5**	**698.1**	**769.9**

According to IFRS 16 the disclosure for lease liabilities is not anymore required here from 1.1.2019 onwards.

Guarantees

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

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

Contingent liabilities relating to litigation

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

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

Notes

13. FINANCIAL ASSETS AND LIABILITIES

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

EUR million Financial assets 30.9.2019	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Current financial assets				
Account and other receivables	0.0	0.0	536.1	536.1
Derivative financial instruments	4.7	0.9	0.0	5.7
Cash and cash equivalents	0.0	0.0	182.8	182.8
Total	**4.7**	**0.9**	**718.9**	**724.5**

Financial liabilities 30.9.2019				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	652.0	652.0
Other payable	0.0	0.0	7.1	7.1
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	209.5	209.5
Derivative financial instruments	14.0	9.2	0.0	23.3
Accounts and other payable	0.0	0.0	251.4	251.4
Total	**14.0**	**9.2**	**1,120.1**	**1,143.4**

EUR million Financial assets 30.9.2018	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Current financial assets				
Account and other receivables	0.0	0.0	527.0	527.0
Derivative financial instruments	7.5	2.4	0.0	9.9
Cash and cash equivalents	0.0	0.0	179.4	179.4
Total	**7.5**	**2.4**	**706.4**	**716.2**

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

Notes

EUR million Financial assets 31.12.2018	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Current financial assets				
Account and other receivables	0.0	0.0	577.2	577.2
Derivative financial instruments	5.8	3.1	0.0	8.9
Cash and cash equivalents	0.0	0.0	230.5	230.5
Total	**5.8**	**3.1**	**807.7**	**816.6**

Financial liabilities 31.12.2018				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	584.6	584.6
Other payable	0.0	0.0	5.9	5.9
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	191.8	191.8
Derivative financial instruments	4.1	3.6	0.0	7.7
Accounts and other payable	0.0	0.0	254.0	254.0
Total	**4.1**	**3.6**	**1,036.3**	**1,044.0**

During the second quarter in 2019 Konecranes repaid the EUR 36 million R&D loan in advance from its cash reserves. At the end of September 2019, the outstanding long-term loans were: EUR 150 million term loan, EUR 150 million for the Schuldschein loan and EUR 250 million for the bond. The Schuldschein loan contains floating and fixed rate tranches. The term loan bears 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 1.37% 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 54.8% (30.9.2018: 49.9%) which is in compliance with the financial covenants the Company has to comply with.

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

Notes

13.2 Fair values

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

Financial assets	Carrying amount **30.9.2019**	Carrying amount **30.9.2018**	Carrying amount **31.12.2018**	Fair value **30.9.2019**	Fair value **30.9.2018**	Fair value **31.12.2018**
Current financial assets						
Account and other receivables	536.1	527.0	577.2	536.1	527.0	577.2
Derivative financial instruments	5.7	9.9	8.9	5.7	9.9	8.9
Cash and cash equivalents	182.8	179.4	230.5	182.8	179.4	230.5
Total	**724.5**	**716.3**	**816.6**	**724.5**	**716.2**	**816.6**
Financial liabilities						
Non-current financial liabilities						
Interest-bearing liabilities	652.0	591.4	584.6	664.2	600.8	586.7
Other payable	7.1	6.1	5.9	7.1	6.1	5.9
Current financial liabilities						
Interest-bearing liabilities	209.5	209.0	191.8	209.5	209.0	191.8
Derivative financial instruments	23.3	8.9	7.7	23.3	8.9	7.7
Accounts and other payable	251.4	237.8	254.0	251.4	237.8	254.0
Total	**1,143.4**	**1,053.2**	**1,044.0**	**1,155.6**	**1,062.6**	**1,046.1**

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

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

Notes

13.3 Hierarchy of fair values

Financial assets	30.9.2019 Level 1	30.9.2019 Level 2	30.9.2019 Level 3	30.9.2018 Level 1	30.9.2018 Level 2	30.9.2018 Level 3	31.12.2018 Level 1	31.12.2018 Level 2	31.12.2018 Level 3
Derivative financial instruments									
Foreign exchange forward contracts	0.0	5.7	0.0	0.0	9.8	0.0	0.0	8.9	0.0
Electricity derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**5.7**	**0.0**	**0.0**	**9.9**	**0.0**	**0.0**	**8.9**	**0.0**
Other financial assets									
Cash and cash equivalents	182.8	0.0	0.0	179.4	0.0	0.0	230.5	0.0	0.0
Total	**182.8**	**0.0**	**0.0**	**179.4**	**0.0**	**0.0**	**230.5**	**0.0**	**0.0**
Total financial assets	**182.8**	**5.7**	**0.0**	**179.4**	**9.9**	**0.0**	**230.5**	**8.9**	**0.0**

Financial liabilities	30.9.2019 Level 1	30.9.2019 Level 2	30.9.2019 Level 3	30.9.2018 Level 1	30.9.2018 Level 2	30.9.2018 Level 3	31.12.2018 Level 1	31.12.2018 Level 2	31.12.2018 Level 3
Derivative financial instruments									
Foreign exchange forward contracts	0.0	23.3	0.0	0.0	8.9	0.0	0.0	7.7	0.0
Currency options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity forward contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**23.3**	**0.0**	**0.0**	**8.9**	**0.0**	**0.0**	**7.7**	**0.0**
Other financial liabilities									
Interest bearing liabilities	0.0	861.5	0.0	0.0	800.4	0.0	0.0	776.4	0.0
Other payables	0.0	0.0	1.1	0.0	0.0	1.4	0.0	0.0	1.3
Total	**0.0**	**861.5**	**1.1**	**0.0**	**800.4**	**1.4**	**0.0**	**776.4**	**1.3**
Total financial liabilities	**0.0**	**884.8**	**1.1**	**0.0**	**809.3**	**1.4**	**0.0**	**784.1**	**1.3**

14. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	30.9.2019 Nominal value	30.9.2019 Fair value	30.9.2018 Nominal value	30.9.2018 Fair value	31.12.2018 Nominal value	31.12.2018 Fair value
Foreign exchange forward contracts	1,050.6	-17.6	1,020.9	0.9	1,224.2	1.2
Currency options	0.0	0.0	0.0	0.0	0.0	0.0
Electricity derivatives	0.0	0.0	0.1	0.0	0.0	0.0
Total	**1,050.6**	**-17.6**	**1,021.0**	**1.0**	**1,224.2**	**1.2**

Derivatives not designated as hedging instruments

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

Notes

CASH FLOW HEDGES

Foreign currency risk

Foreign exchange forward and option contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales and purchases in US dollar. These forecast transactions are highly probable, and they comprise about 50.1% of the Group's total hedged transaction flows. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

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

The cash flow hedges of the expected future sales and purchases in 2019 and 2018 were assessed to be highly effective and a net unrealized loss, with a deferred tax asset relating to the hedging instruments, is included in OCI. The amounts recognized in OCI are shown in the table below and the reclassifications to profit or loss during the year are as shown in the consolidated statement of income.

Fair value reserve of cash flow hedges

EUR million	30.9.2019	30.9.2018	31.12.2018
Balance as of January 1	0.1	10.8	10.8
Gains and losses deferred to equity (fair value reserve)	-11.1	-10.9	-13.4
Change in deferred taxes	2.2	2.2	2.7
Balance as of the end of period	**-8.8**	**2.1**	**0.1**

15. TRANSACTIONS WITH RELATED PARTIES

EUR million	30.9.2019	30.9.2018	31.12.2018
Sales of goods and services with associated companies and joint arrangements	36.1	34.6	47.1
Receivables from associated companies and joint arrangements	9.9	10.7	8.9
Purchases of goods and services from associated companies and joint arrangements	40.3	37.4	50.5
Liabilities to associated companies and joint arrangements	1.5	8.9	8.7

ANALYST AND PRESS BRIEFING

An analyst and press conference will be held at the restaurant Savoy(address: Eteläesplanadi 14, Helsinki, 7th floor) on October 24, 2019, at 11.00 am Finnish time. The Interim Report will be presented by Konecranes' Interim CEO Teo Ottola.

A live webcast of the conference will begin at 11.00 am at www.konecranes.com. Please see the press release dated October 10, 2019 for the conference call details.

NEXT REPORT

Konecranes Plc plans to publish Financial statement release 2019 on February 6, 2020.

KONECRANES PLC

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Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity enhancing lifting solutions as well as services for lifting equipment of all makes. In 2018, Group sales totaled EUR 3,16 billion. The Group has 16,200 employees in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).

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