

Q3 2018 Interim Report

October 25, 2018

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Agenda

1. Group highlights
2. Business Area Service
3. Business Area Industrial Equipment
4. Business Area Port Solutions
5. Cash flow and balance sheet
6. Appendix

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

Q3/18 Highlights

Strong results

- Group adjusted EBITA margin improved to 9.3% (7.3%)
- Group sales up 7.8% with comparable currencies, solid growth in all Business Areas
- Run-rate synergy savings at EUR 98m, slightly ahead of plan, full-year target raised to EUR 105-110m

Solid order growth in Service and Industrial Equipment

- Continued good execution with Service growth strategy, comparable currency orders and agreement base value up 4.8% and 3.2%, respectively
- In Industrial Equipment, external order growth of 5.5% with comparable currencies. Order intake growth for components continued to accelerate, solid growth in order intake for standard cranes in the Americas and EMEA
- In Port Solutions, market sentiment remains at a good level, full-year order intake expected to be around the same level or even higher than in 2017

Demand outlook updated

- Demand environment within the industrial customer segments continues to improve in EMEA and the Americas; that said, signs of stabilization are visible
- In APAC, the demand environment remains stable

Full-year financial guidance reiterated



Key figures

Key figures	7-9/18	7-9/17	Change %	Change % at comparable currencies	1-9/18	1-9/17*	Change %	Change % at comparable currencies
Orders received, MEUR	716.5	750.1	-4.5	-3.3	2,160.5	2,274.8	-5.0	-2.1
Order book at end of period, MEUR	1,624.6	1,656.6	-1.9	-1.2	1,624.6	1,656.6	-1.9	-1.2
Sales, MEUR	800.2	746.8	7.2	7.8	2,245.2	2,227.2	0.8	4.0
Adj. EBITDA, MEUR	91.1	72.2	26.3		223.8	192.0	16.6	
Adj. EBITDA, %	11.4%	9.7%			10.0%	8.6%		
Adj. EBITA, MEUR	74.5	54.5	36.5		171.5	136.7	25.5	
Adj. EBITA, %	9.3%	7.3%			7.6%	6.1%		
Operating profit (EBIT), MEUR	48.5	7.0	597.8		114.3	263.3	-56.6	
Operating margin (EBIT), %	6.1%	0.9%			5.1%	11.8%		
EPS, basic, EUR	0.41	-0.06	821.1		0.79	2.63	-69.7	
Free cash flow, MEUR	21.8	-6.2			-3.3	166.4		
Net debt, MEUR	620.5	566.4			620.5	566.4		

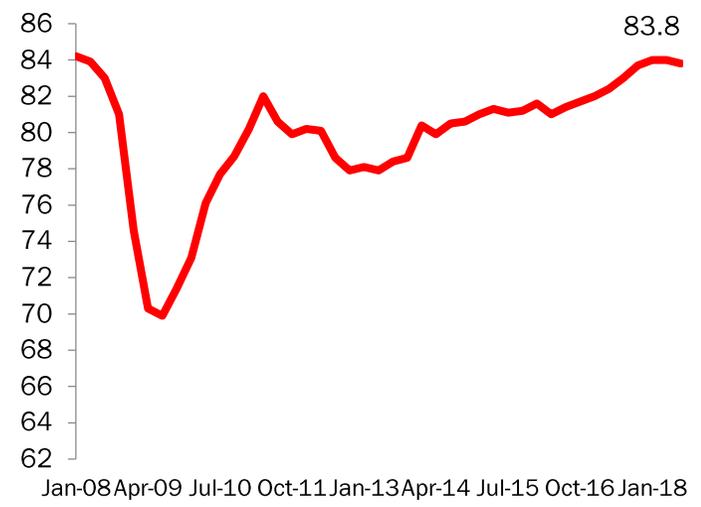
*1-9/17 included a capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems

Key figures by business area

Key figures	7-9/18	7-9/17	Change %	Change % at comparable currencies	1-9/18	1-9/17	Change %	Change % at comparable currencies
Service								
Orders received, MEUR	241.9	231.8	4.4	4.8	737.2	729.4	1.1	5.5
Sales, MEUR	296.3	273.9	8.2	8.5	856.0	858.1	-0.2	4.1
Adj. EBITA, MEUR	48.0	37.9	26.4		124.2	112.5	10.4	
Adj. EBITA, %	16.2%	13.9%			14.5%	13.1%		
Industrial Equipment								
Orders received, MEUR	294.7	262.8	12.2	13.3	905.0	842.0	7.5	10.8
<i>of which external</i>	<i>248.8</i>	<i>238.4</i>	<i>4.4</i>	<i>5.5</i>	<i>767.2</i>	<i>780.8</i>	<i>-1.7</i>	<i>1.4</i>
Sales, MEUR	291.7	260.2	12.1	12.5	825.3	805.3	2.5	5.7
<i>of which external</i>	<i>255.4</i>	<i>241.5</i>	<i>5.7</i>	<i>6.1</i>	<i>724.6</i>	<i>744.2</i>	<i>-2.6</i>	<i>0.5</i>
Adj. EBITA, MEUR	14.6	11.7	24.8		27.8	17.5	59.1	
Adj. EBITA, %	5.0%	4.5%			3.4%	2.2%		
Port Solutions								
Orders received, MEUR	240.0	292.2	-17.9	-16.2	696.9	800.9	-13.0	-11.5
Sales, MEUR	262.3	243.9	7.5	8.8	706.5	662.9	6.6	8.4
Adj. EBITA, MEUR	20.5	12.6	62.6		46.0	28.1	63.8	44.8
Adj. EBITA, %	7.8	5.2			6.5	4.2		

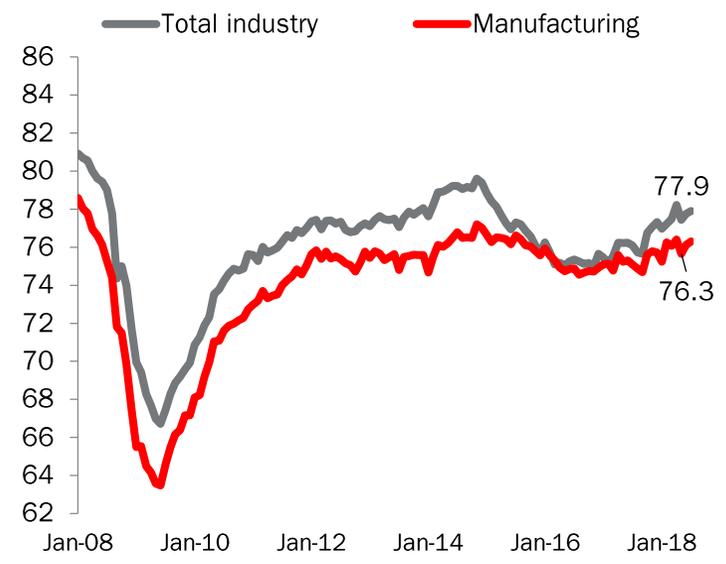
Market environment – Service and Industrial Equipment

Capacity utilization rate – EU



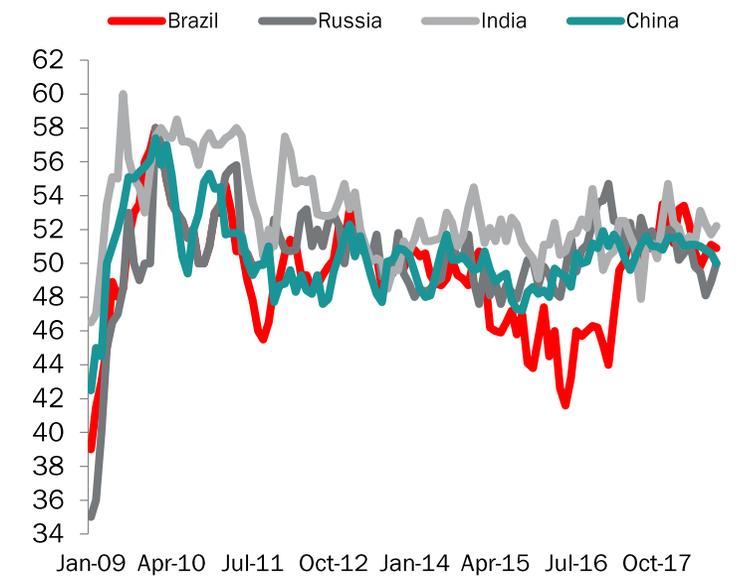
- Slowing growth rate in the Eurozone, PMI growth in September was the weakest in two years
- Capacity utilization rate in EU stayed approximately flat in Q3

Capacity utilization rate – USA



- Strong PMI growth in the US continued in Q3, despite worries about trade wars and tariffs
- Capacity utilization rates in the US turned to growth again in Q3

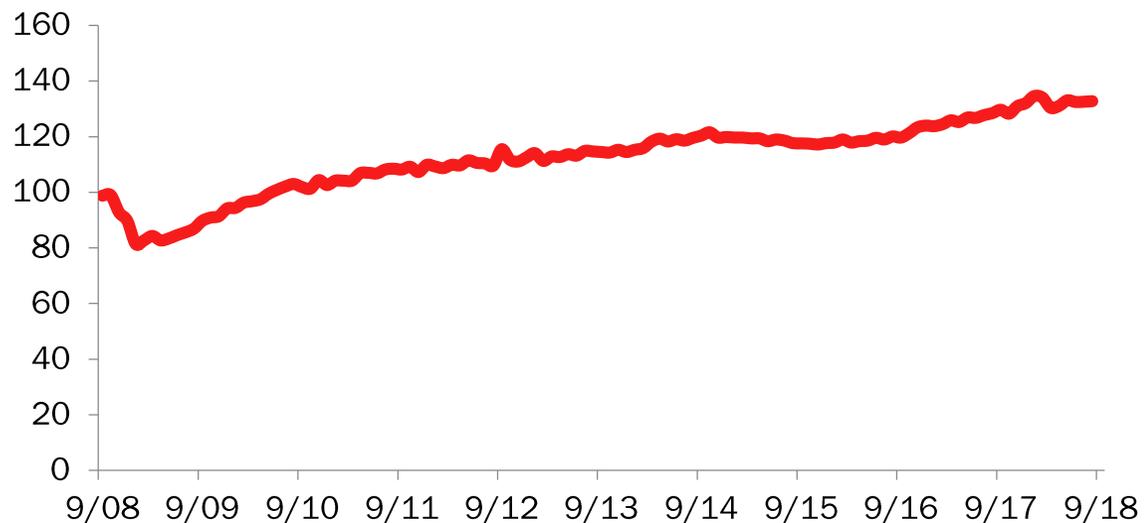
PMIs – BRIC countries



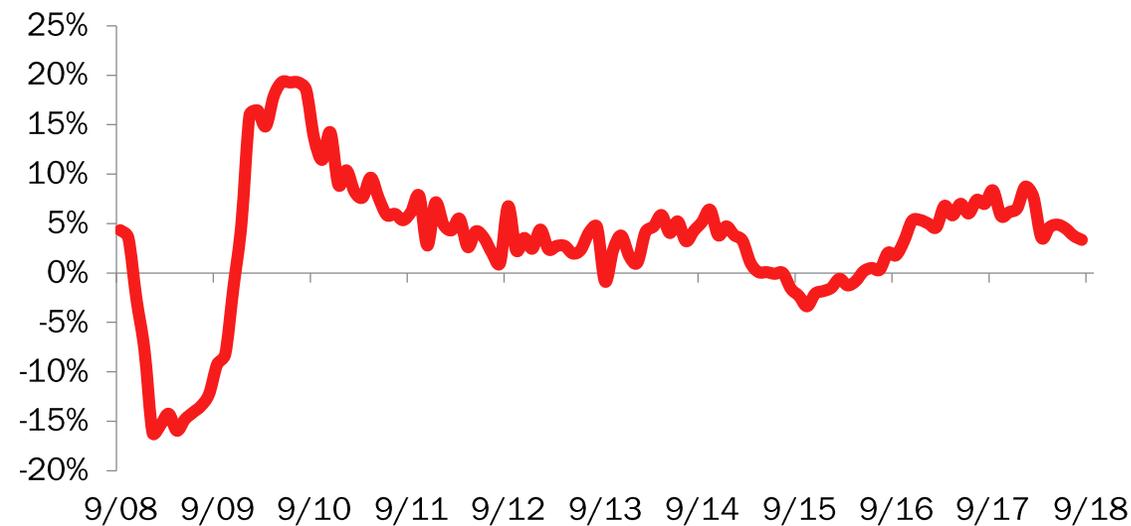
- Improving manufacturing conditions in Brazil and India
- Stagnant manufacturing conditions in China, slight improvement in Russia

Market environment – Port Solutions

RWI/ISL Container Throughput Index



Monthly index change Y/Y



- After setting a new all-time record in February 2018, global container throughput declined in March. Though the index has since increased, it continues to run below the record level.

Source: RWI/ISL Container Throughput Index (latest data point August 2018)

Demand outlook

- The demand environment within the industrial customer segments continues to improve in EMEA and the Americas; that said, signs of stabilization are visible.
- In APAC, the demand environment remains stable.
- Global container throughput continues at a high level, and the prospects for orders related to container handling remain stable.



Financial guidance

Financial guidance for 2018

- The sales in 2018 are expected to be approximately on the same level or higher than in 2017.
- We expect the adjusted EBITA margin to improve in 2018.

Additional information for 2018

- Negative impact from translation exposure mainly related to EUR/USD, approx. 2.5% on sales with the current FX rates
- Incremental MHPS acquisition-related synergy benefits of approximately EUR 50m in P&L in 2018
- Additional spending of approximately EUR 15m on R&D and IT in 2018 to enable harmonized processes within the company and secure our long-term competitiveness
- EUR 12m net interest savings expected in 2018, related to our debt refinancing activities last year

MHPS integration: Strong confidence in reaching EUR 140m cost synergy target, expect to reach the higher end of 2018 run-rate target range

Overall good progress in Q3: cumulative run-rate synergy savings at EUR 98m, up EUR 18m since Q2

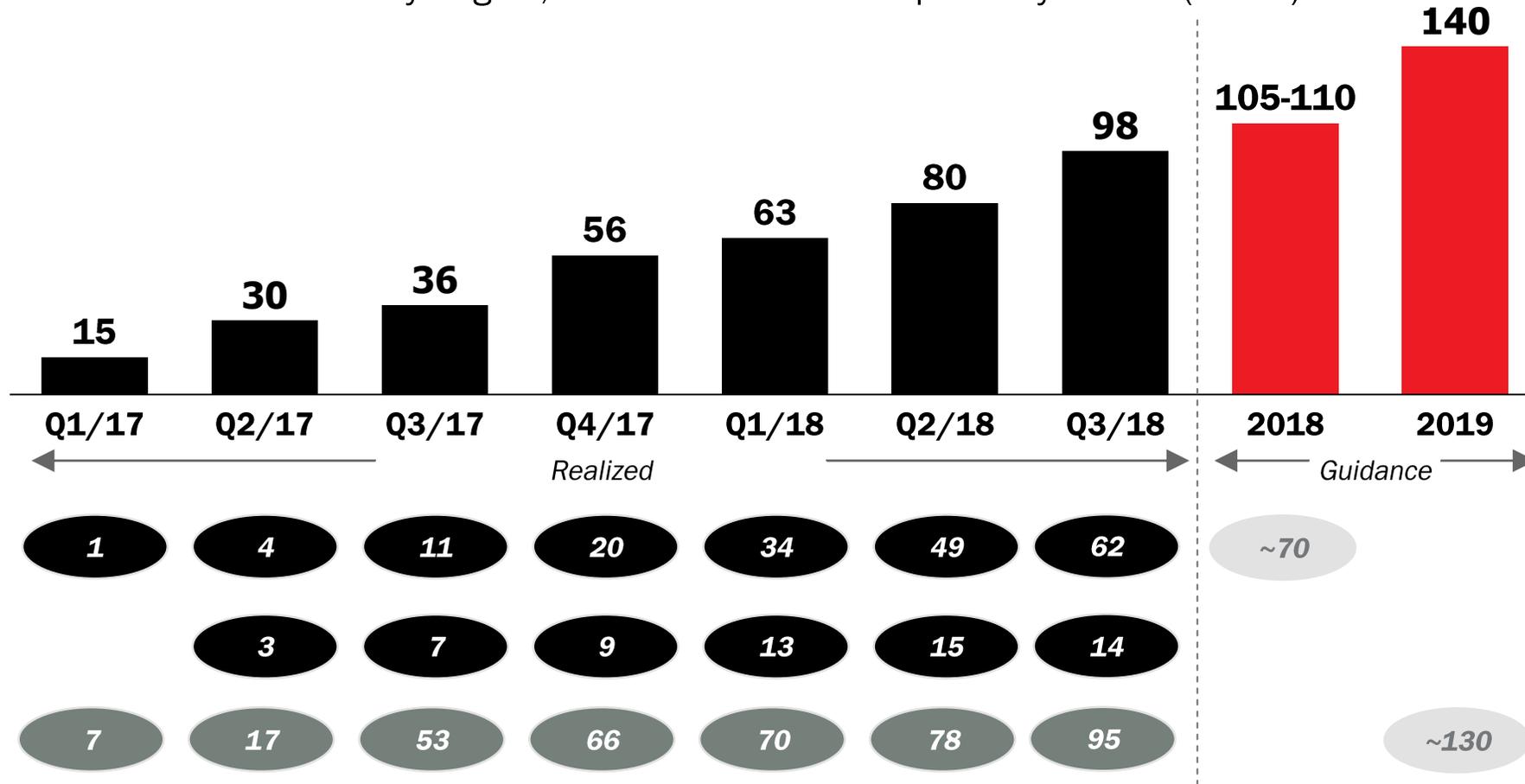
- 2018 target range narrowed to EUR 105-110m, which is at the higher end of the previous target range
- Full program target unchanged at EUR 140m
- EUR 62m of cumulative P&L impact delivered so far (EUR 14m in Q3)
- Cumulative P&L impact expected to reach approximately EUR 70m by year-end
- Restructuring cost estimate of EUR 130m and capex estimate of EUR 60m also unchanged

Operational integration and restructuring activities progressing on many fronts – focus on Industrial Equipment

- Demag manufacturing operations in Fengxian, China consolidated to Jingjiang
- Konecranes IT system implementations in Demag businesses continued
- Product platform development continued on several fronts
 - Improvements to existing platforms through shared technology
 - Component-level cost improvements for all continued platforms

MHPS integration: Strong confidence in reaching EUR 140m cost synergy target, expect to reach the higher end of 2018 run-rate target range

EBIT level cost synergies, cumulative run-rate impact at year-end (MEUR)



Corresponding P&L impact (MEUR, cumulative)

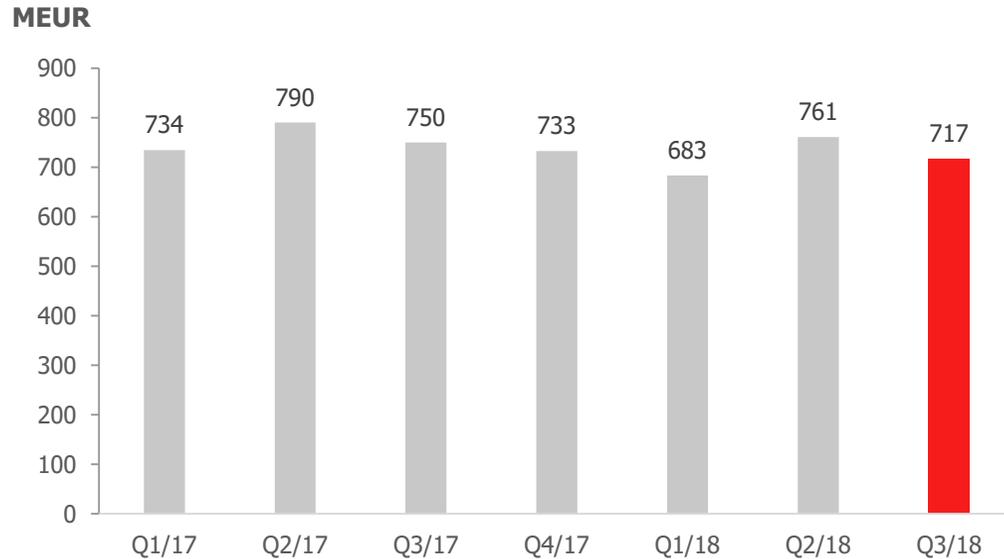
P&L impact, Quarterly (MEUR, YoY)

Restructuring costs (MEUR, cumulative)

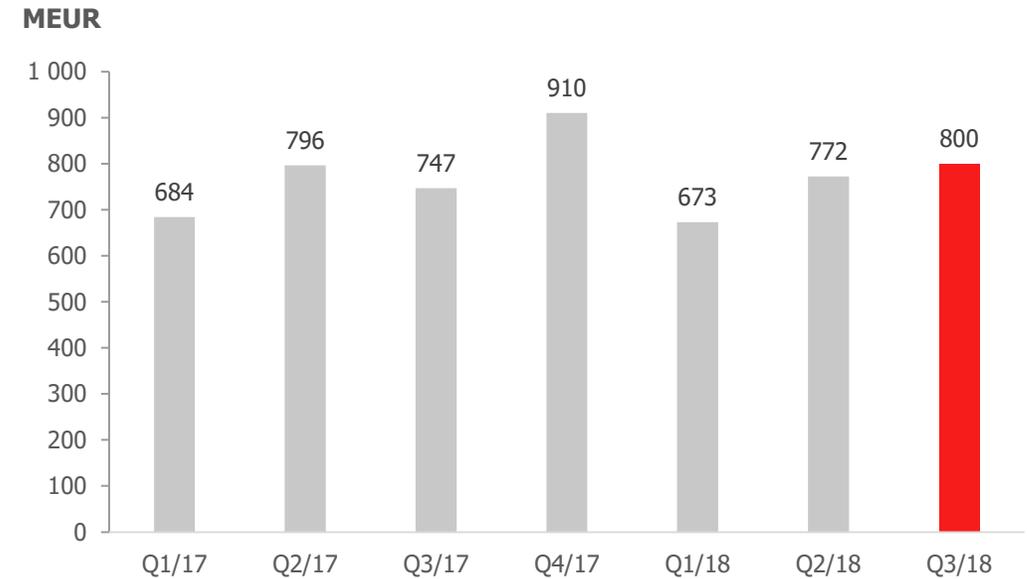
Capex

EUR ~60 million capex expected in 2017-2019

Q3/18 Group order intake and sales



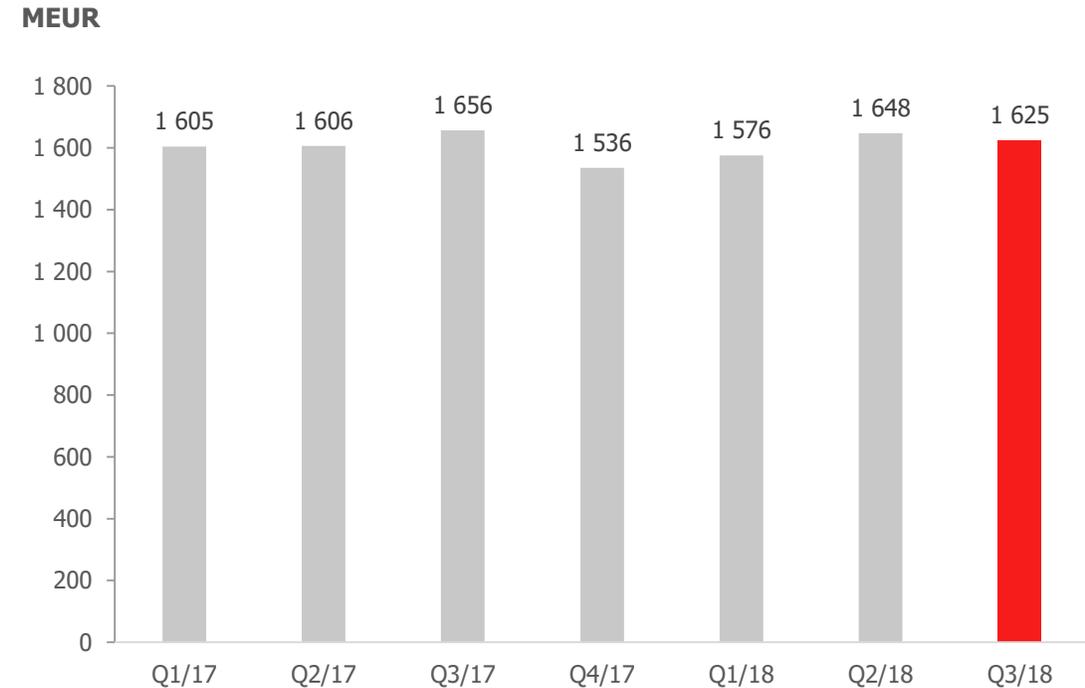
- Order intake decreased 4.5% to EUR 716.5 million (750.1), (-3.3% on a comparable currency basis)
- Order intake decrease driven by Business Area Port Solutions, largely due to the timing of projects
- In Service, order intake increased 4.4% (4.8% on a comparable currency basis)
- Orders received grew in EMEA, stayed flat in APAC and decreased in the Americas



- Group sales increased 7.2% to EUR 800.2 million (746.8), (+7.8% on a comparable currency basis)
- Sales increased in all Business Areas:
 - Industrial Equipment +12.1%
 - Service +8.2%
 - Port Solutions +7.5%

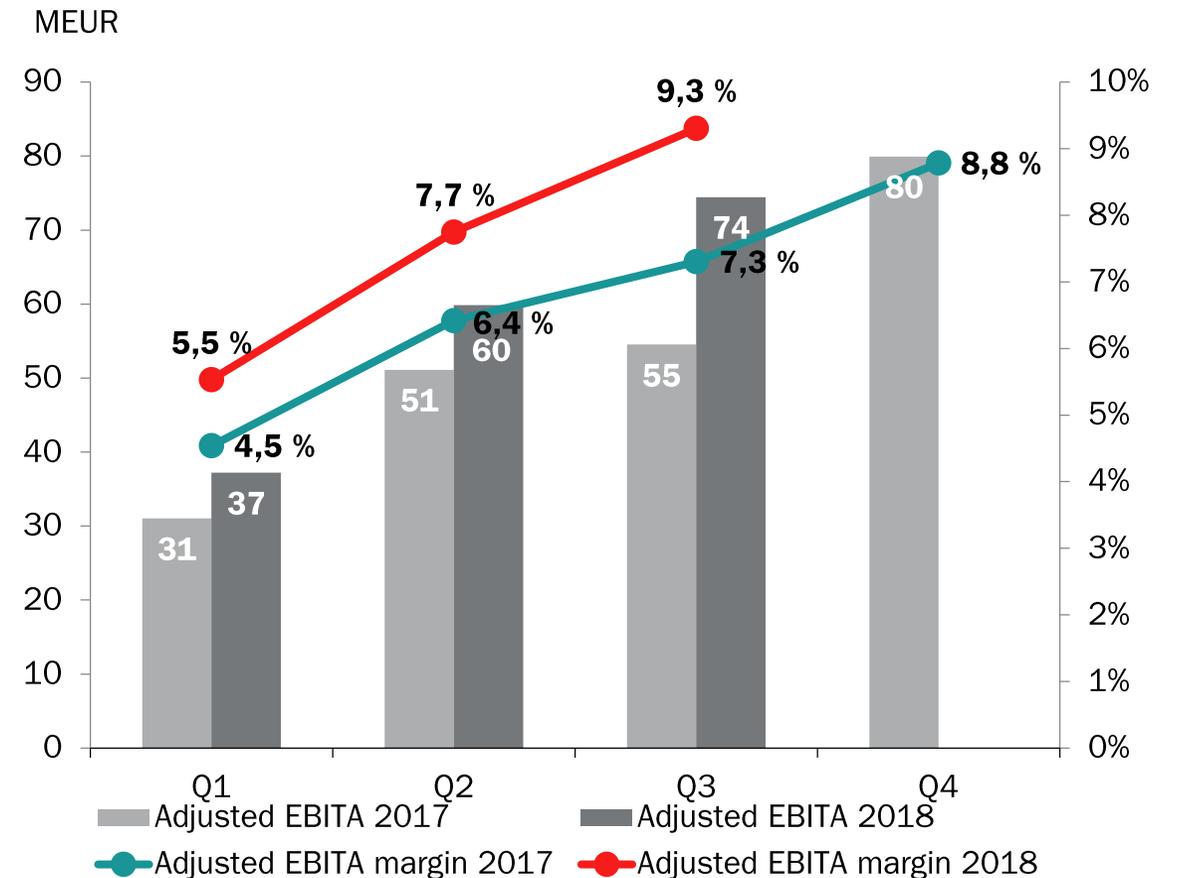
Q3/18 Group order book

- The value of the order book decreased 1.9% to EUR 1,624.6 million (1,656.6)
- On a comparable currency basis the value of the order book decreased -1.2%
- Order book increased in Service and Industrial Equipment but decreased in Ports Solutions

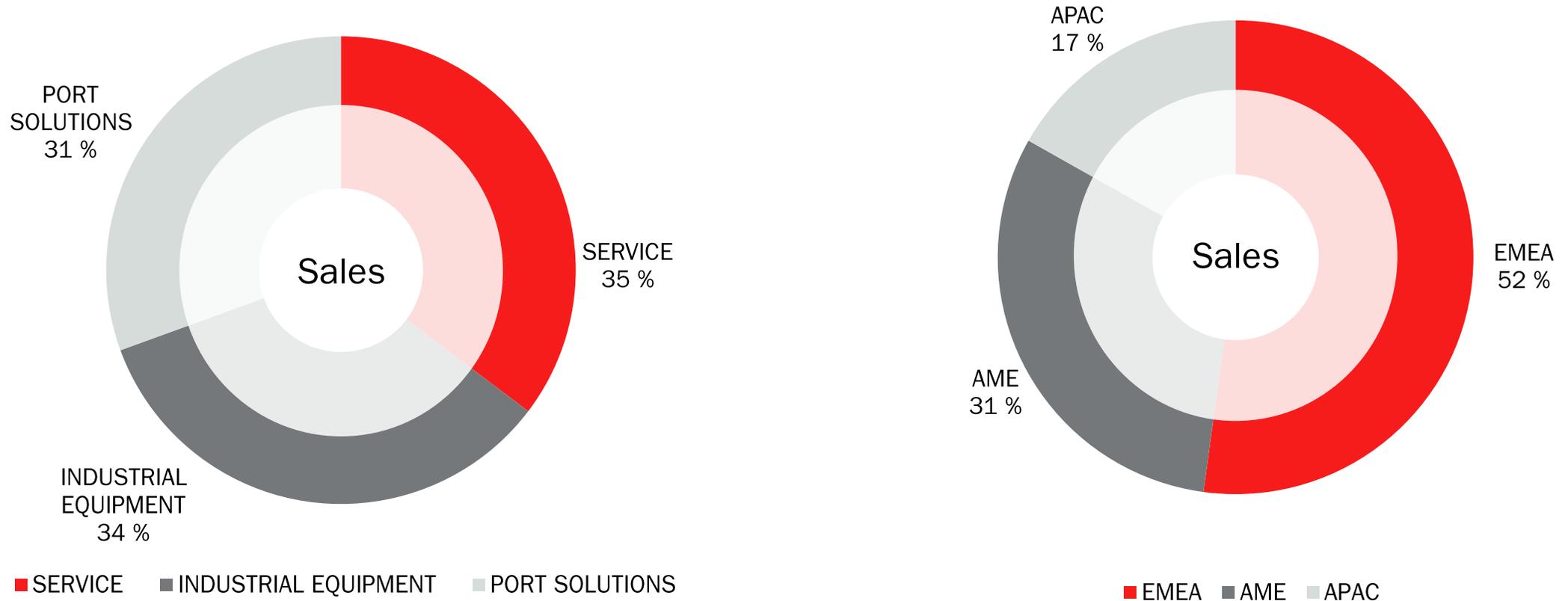


Q3/18 Group adjusted EBITA

- Group adjusted EBITA increased to EUR 74.5 million (54.5), 9.3% of sales (7.3)
- The improvement was mainly attributable to synergy cost-savings, higher net sales and improved sales mix, as well as successful delivery execution in Port Solutions
- Group level gross margin improved on a year-on-year basis



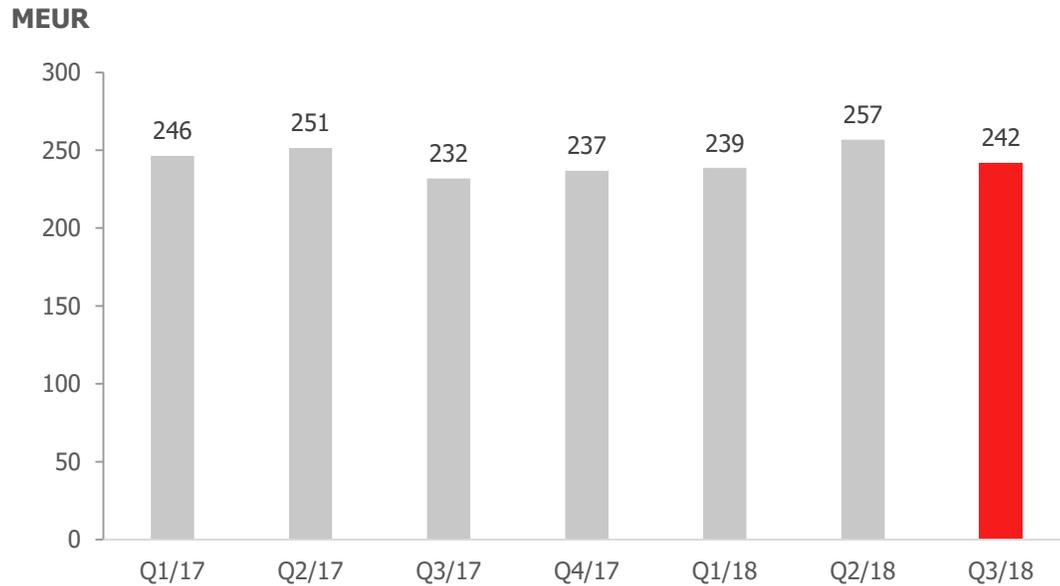
Group sales by business area and region



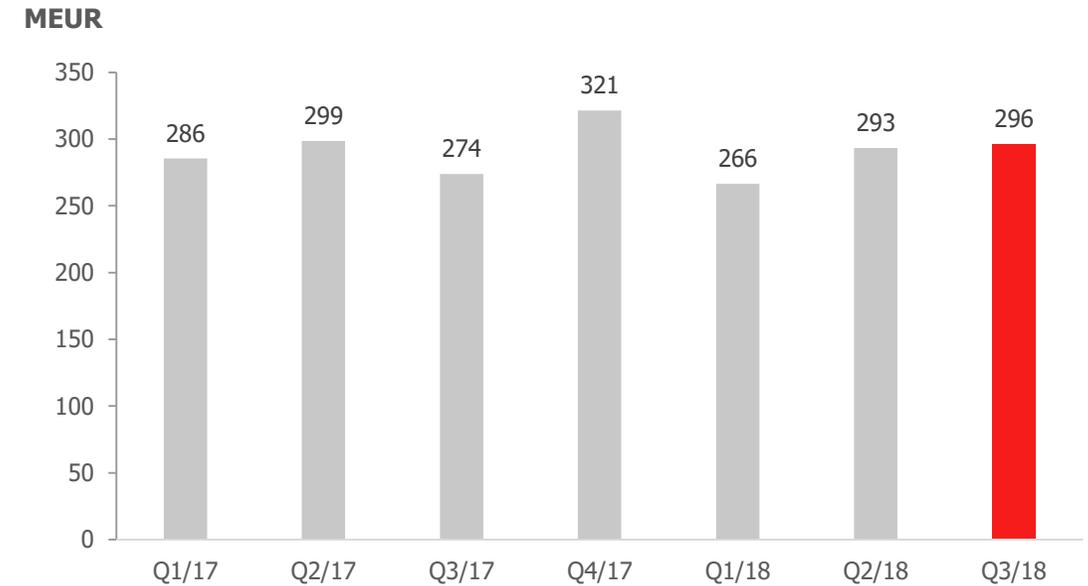


Service

Q3/18 Service order intake and sales



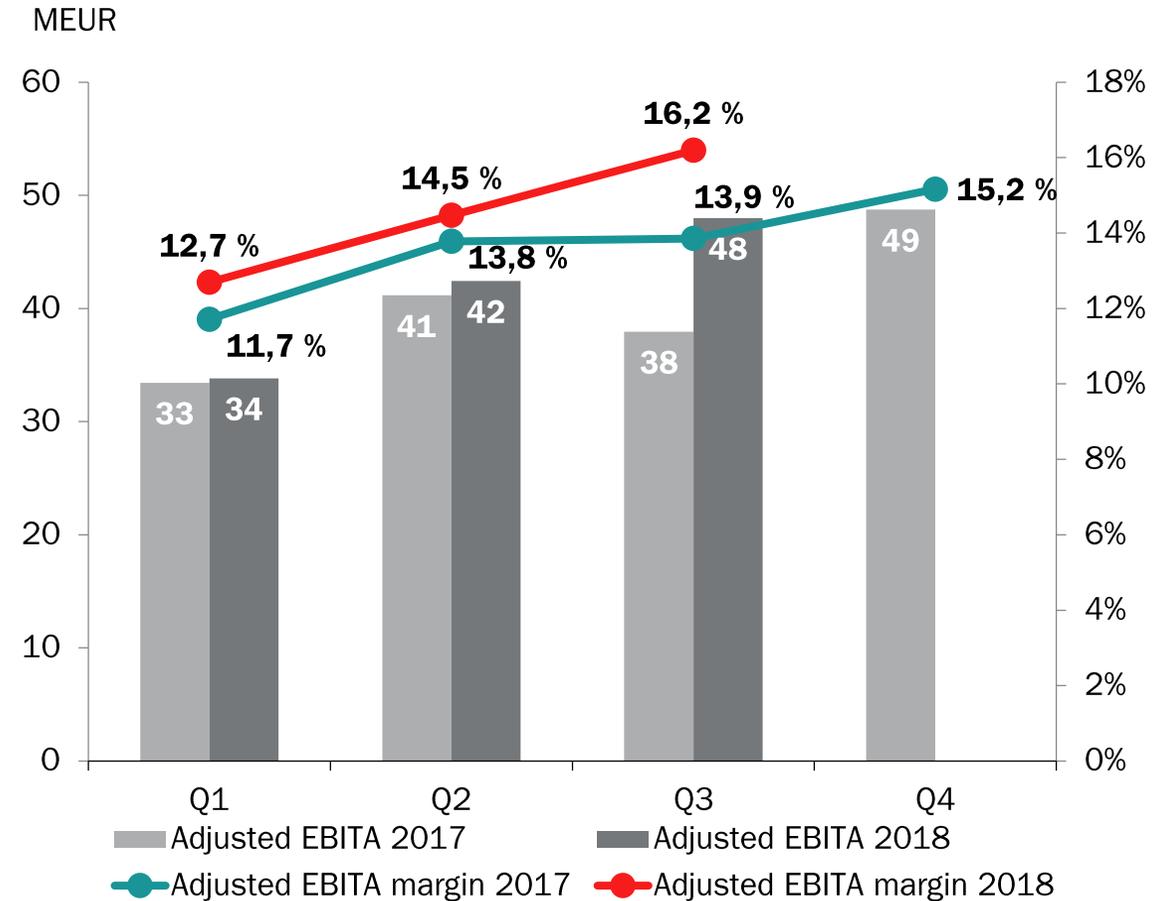
- Orders received increased 4.4% to EUR 241.9 million (231.8), 4.8% on a comparable currency basis
- Order intake increased for both field service and parts
- On a comparable currency basis, order intake grew in all three regions



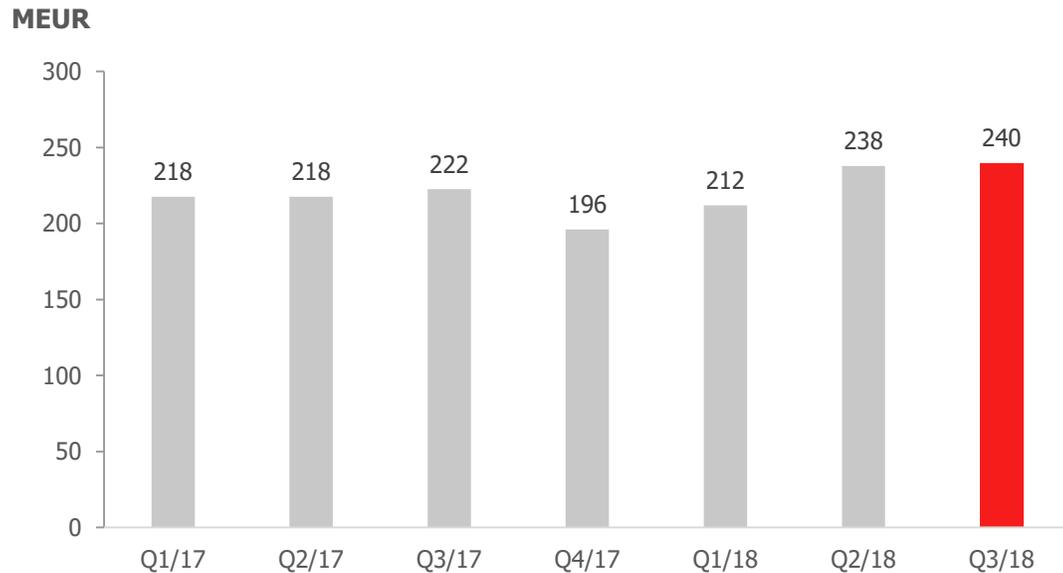
- Sales increased 8.2% to EUR 296.3 million (273.9)
- On a comparable currency basis, sales increased 8.5%
- Both field service and parts sales increased
- Sales increased in all three regions

Q3/18 Service adjusted EBITA

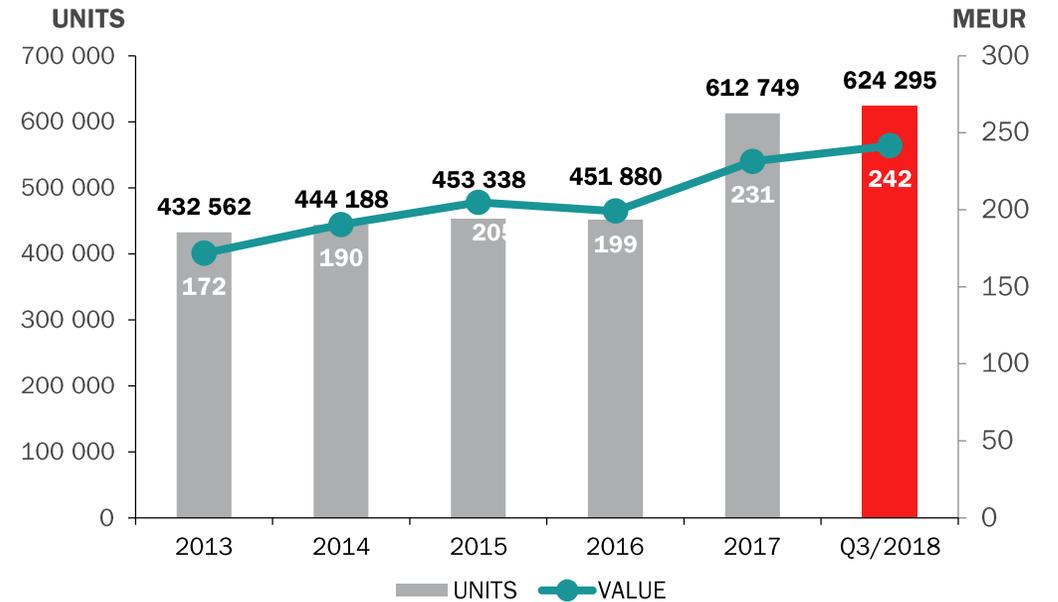
- The adjusted EBITA was EUR 48.0 million (37.9) and the adjusted EBITA margin 16.2% (13.9)
- Gross margin improved on a year-on-year basis
- The improvement was mainly attributable to volume growth, synergy cost savings and, to a lesser extent, an improved sales mix



Q3/18 Service order book and agreement base



Agreement base¹



¹2013-16 agreement base on Konecranes stand-alone basis

- The order book increased 7.7% year-on-year to EUR 239.6 million (222.5)
- On a comparable currency basis, the order book increased 8.1%

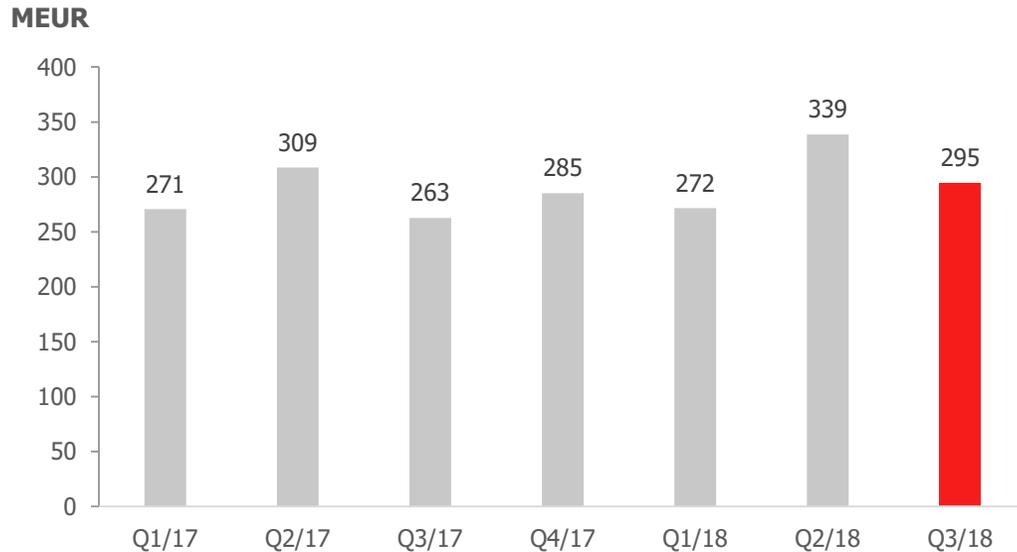
- Year-on-year, the annual value of the agreement base increased 2.5% in Q3, on a comparable currency basis the increase was 3.2%
- Sequentially, the annual value of the agreement base increased 0.6% both on a reported basis and on a comparable currency basis



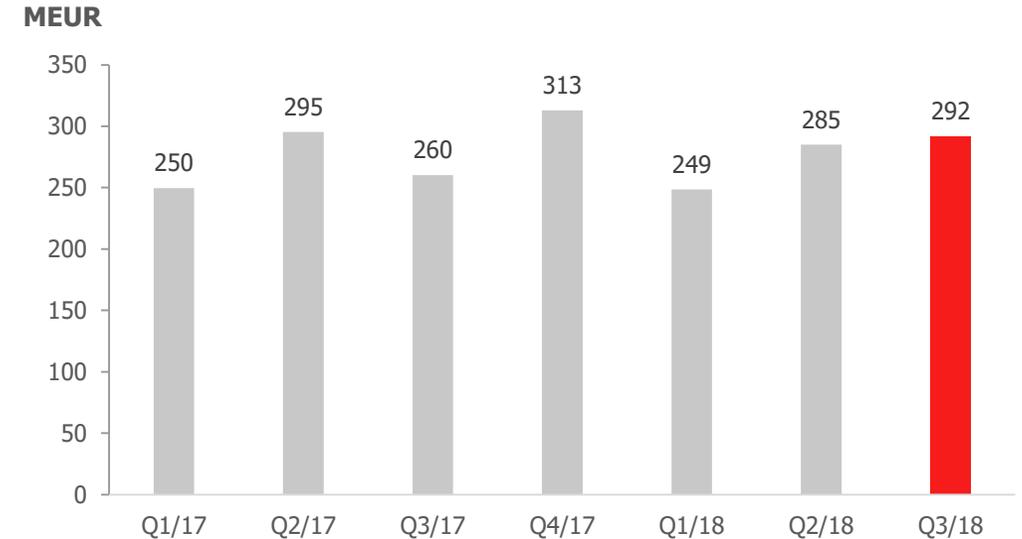
Industrial Equipment

Q3/18 Industrial Equipment order intake and sales

Harmonization of reporting practices had a positive Y/Y impact of EUR 8.3 million on order intake and EUR 9.5 million on internal sales.



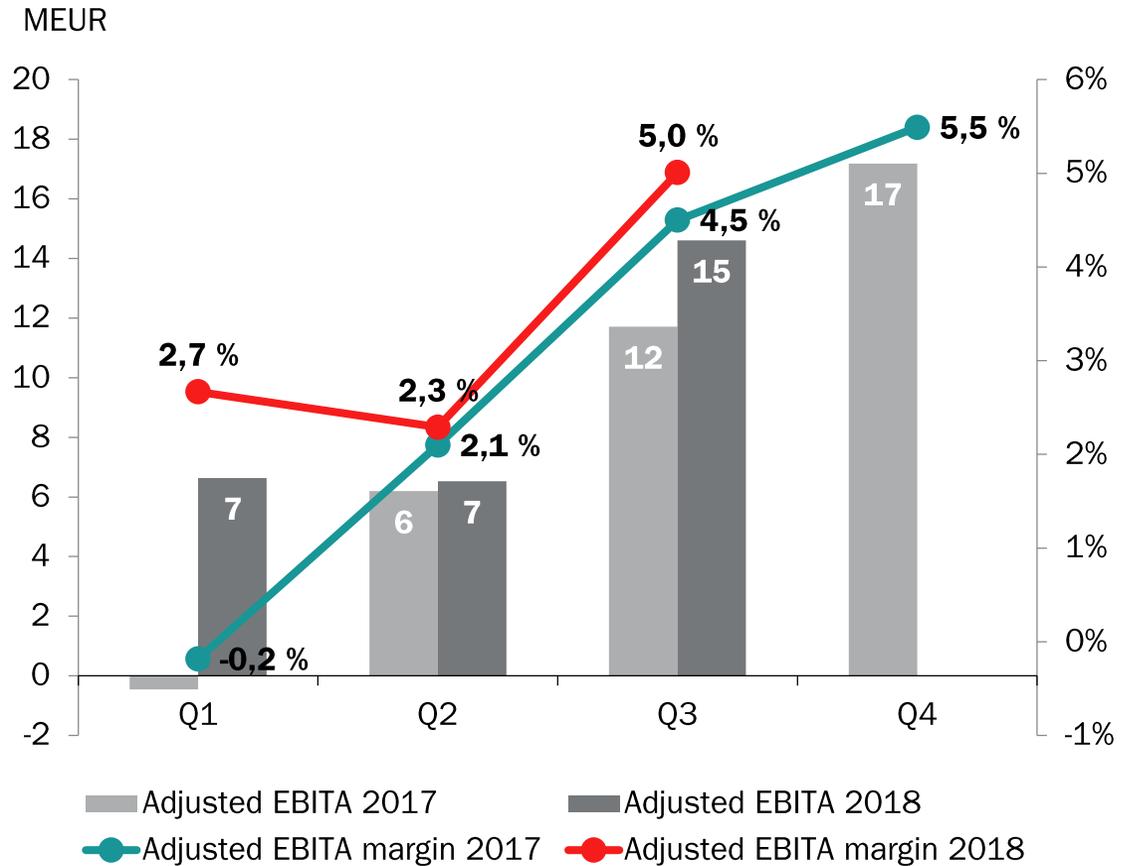
- Orders received totaled EUR 294.7 million (262.8), corresponding to an increase of 12.2%. The increase in order intake was primarily driven by an increase in internal orders
- External orders grew 5.5% on a comparable currency basis and totaled EUR 248.8m (238.4)
- Order intake for both components and standard cranes grew year-on-year, while order intake for process cranes stayed approximately flat



- Sales increased 12.1% to EUR 291.7 million (260.2).
- External sales increased 6.1% on a comparable currency basis and totaled EUR 255.4m (241.5)

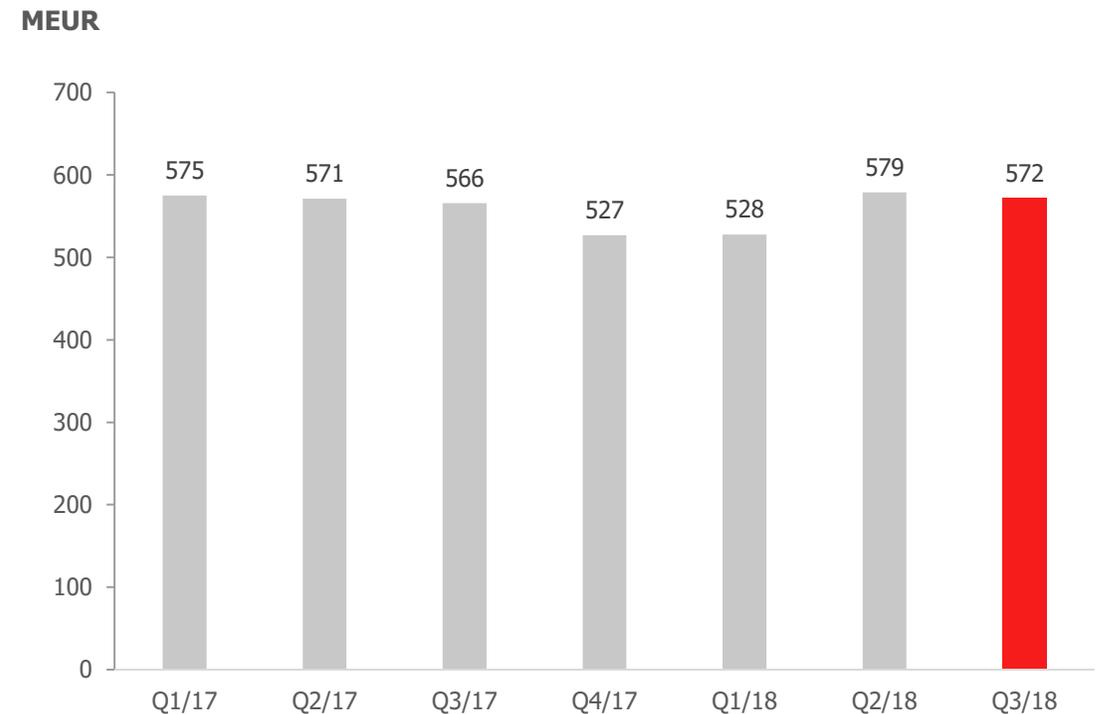
Q3/18 Industrial Equipment adjusted EBITA

- The adjusted EBITA was EUR 14.6 million (11.7) and the adjusted EBITA margin 5.0% (4.5)
- The improvement in the adjusted EBITA margin was mainly attributable to volume growth and synergy cost savings
- Gross margin decreased slightly



Q3/18 Industrial Equipment order book

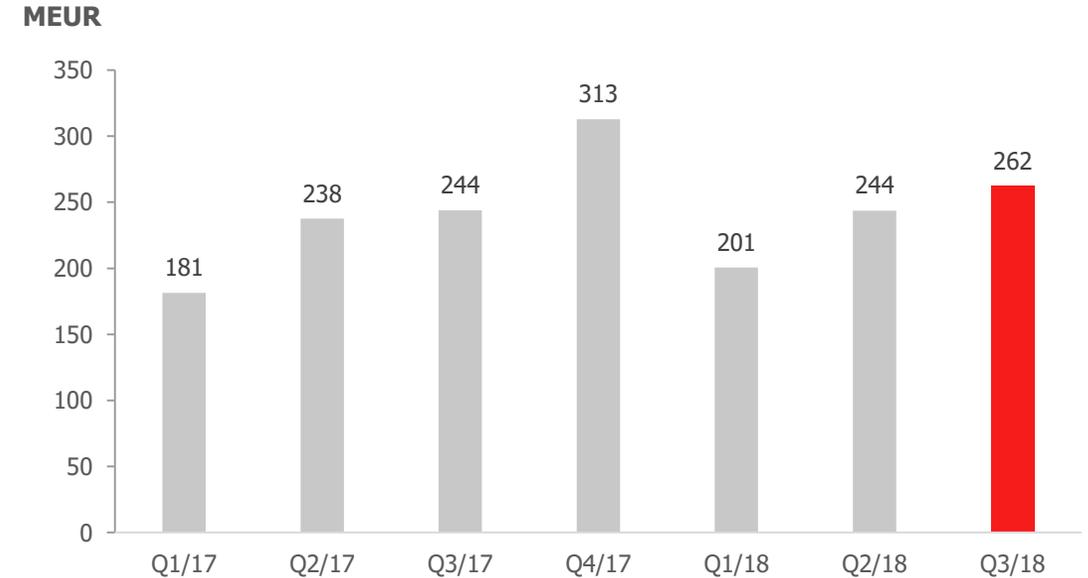
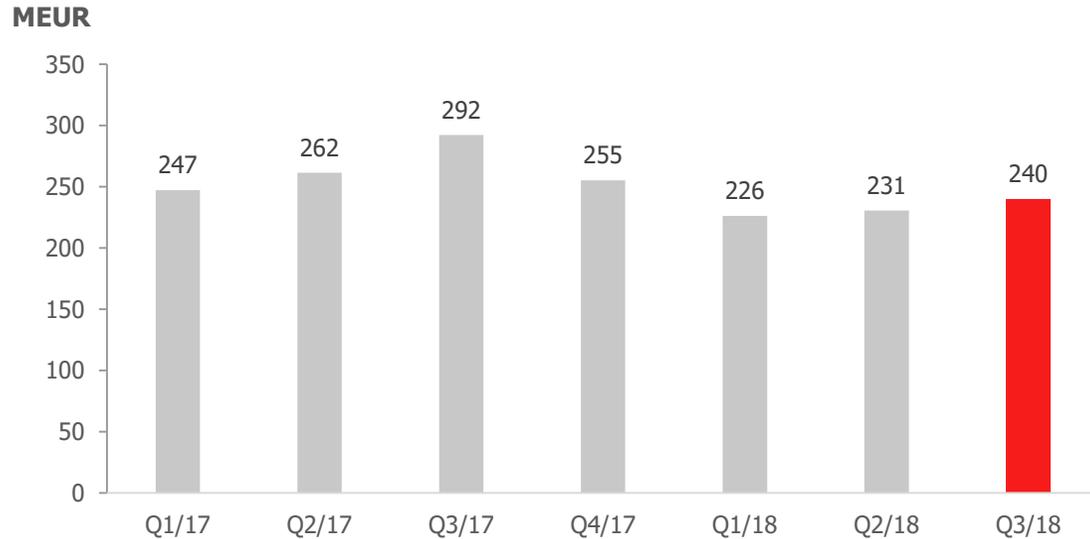
- The order book increased 1.1% year-on-year to EUR 572.0 million (565.7)
- On a comparable currency basis, the order book increased 2.2%





Port Solutions

Q3/18 Port Solutions order intake and sales

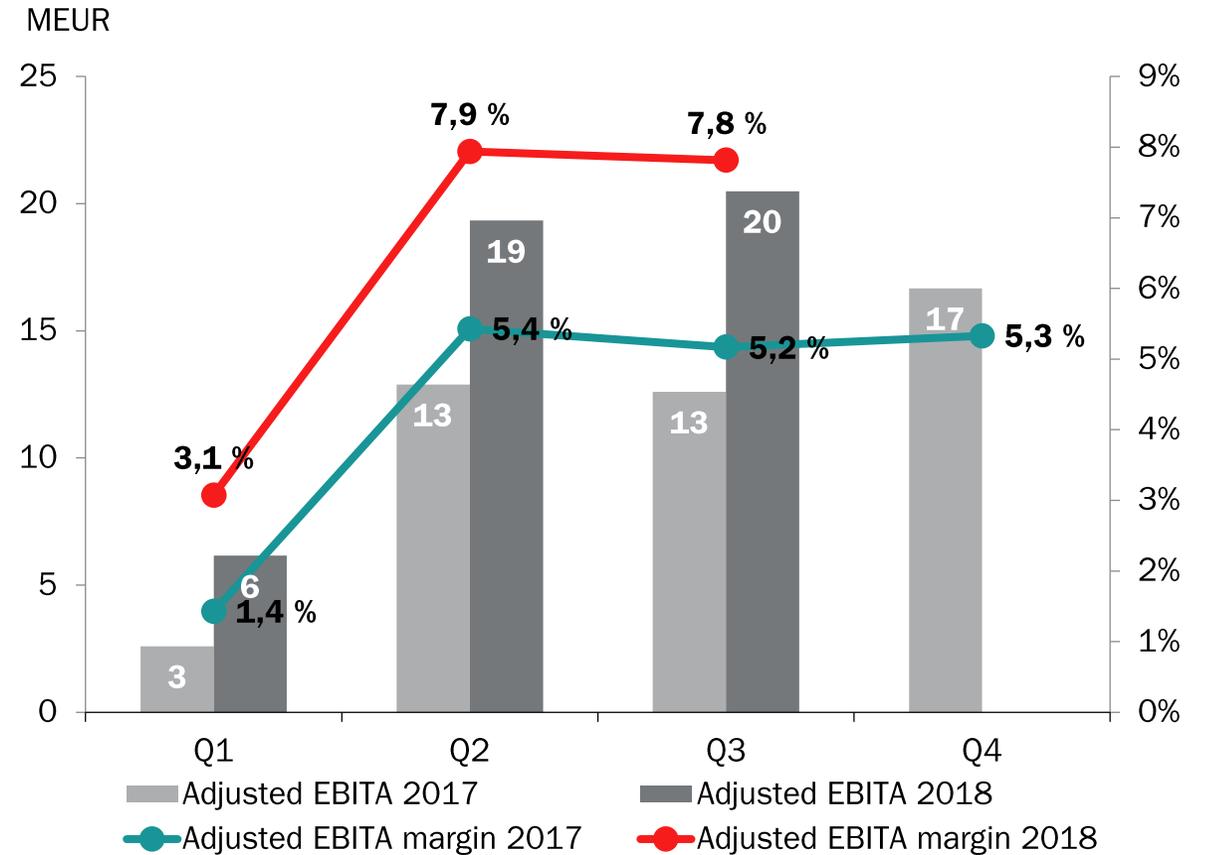


- Orders received totaled EUR 240.0 million (292.2), corresponding to a decrease of 17.9%. On a comparable currency basis, orders received decreased 16.2%.
- The decline was primarily driven by Port Cranes, partly offset by growth in order intake for Mobile Harbor Cranes and Port Solutions Service
-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

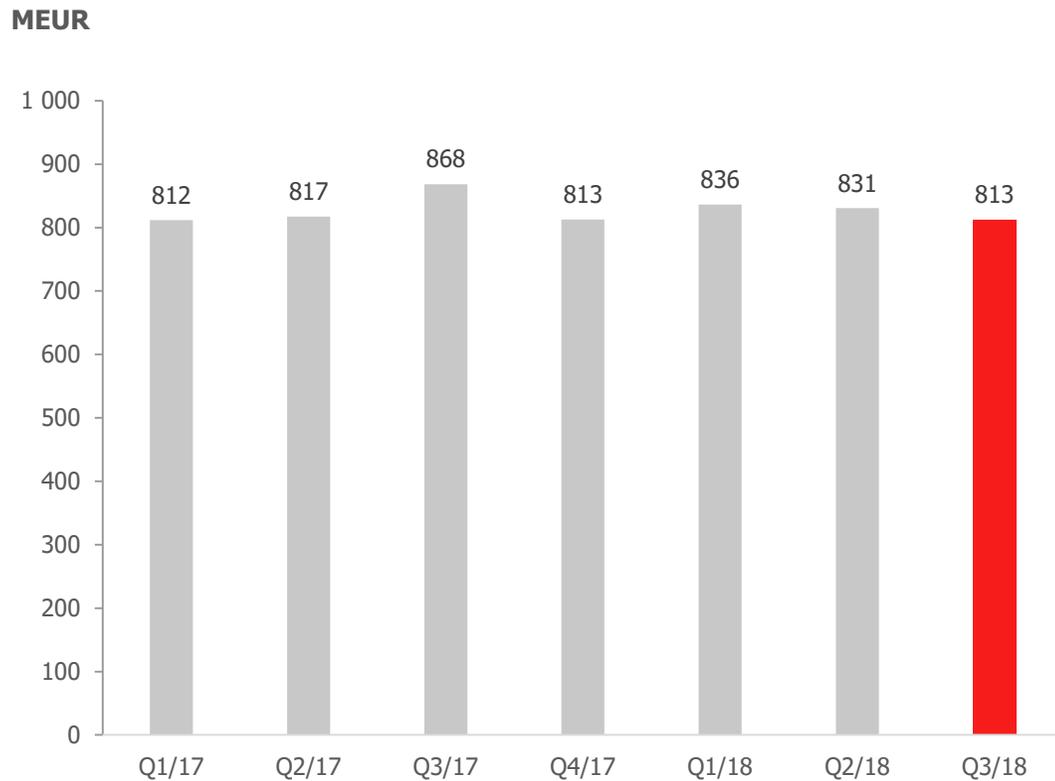
- Sales increased 7.5% to EUR 262.3 million (243.9). On a comparable currency basis, sales increased 8.8%, due to strong order backlog

Q3/18 Port Solutions adjusted EBITA

- The adjusted EBITA was EUR 20.5 million (12.6) and the adjusted EBITA margin 7.8% (5.2)
- Gross margin increased on a year-on-year basis
- The increase in profitability resulted primarily from volume growth, an improved project mix and good project execution



Q3/18 Port Solutions order book



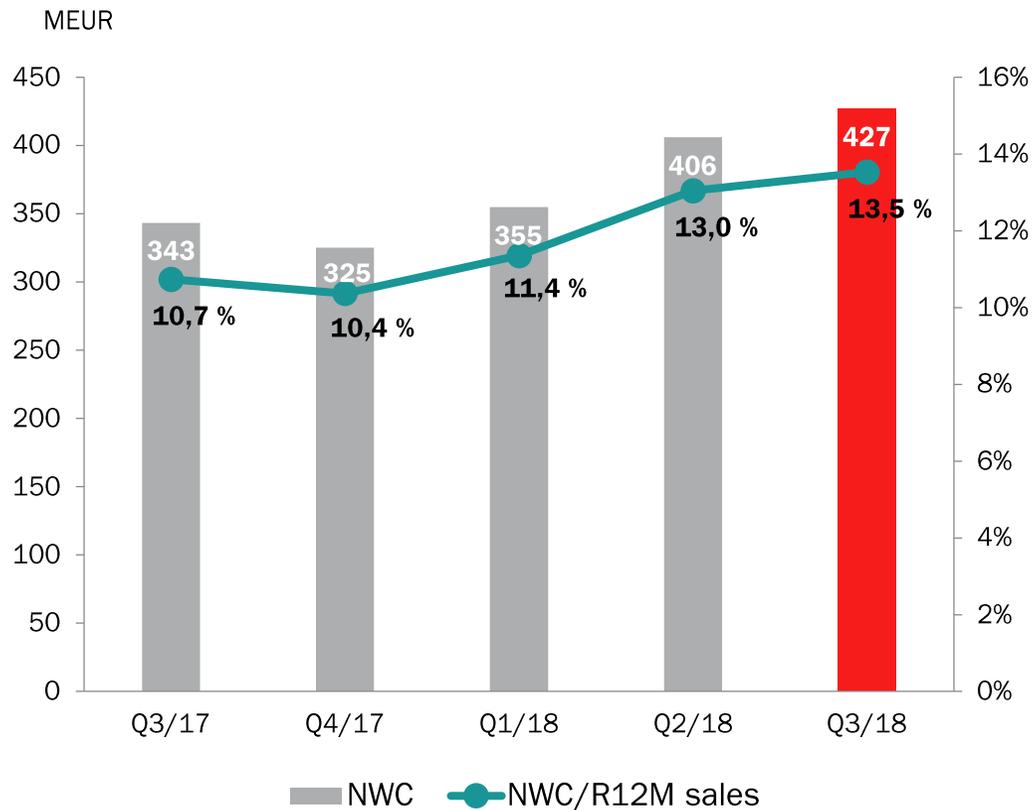
- The order book decreased 6.4% year-on-year to EUR 813.0 million (868.4)
- On a comparable currency basis, the order book decreased 5.8%



Cash Flow and Balance Sheet

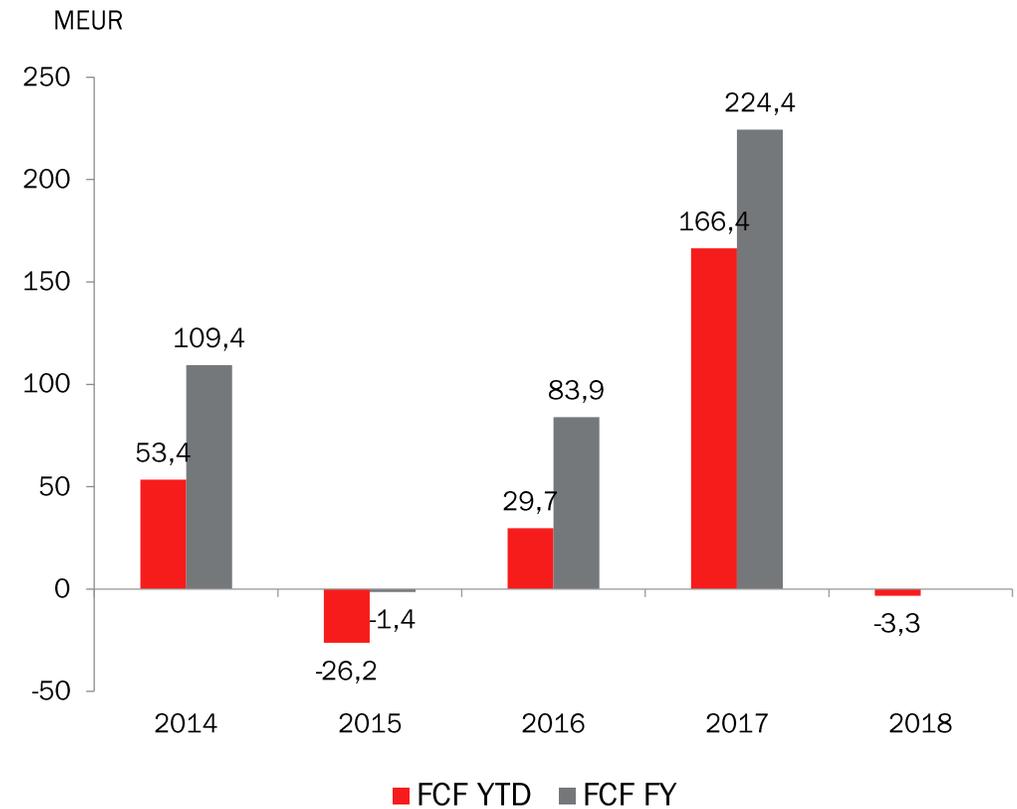
Net working capital and free cash flow

Net working capital*



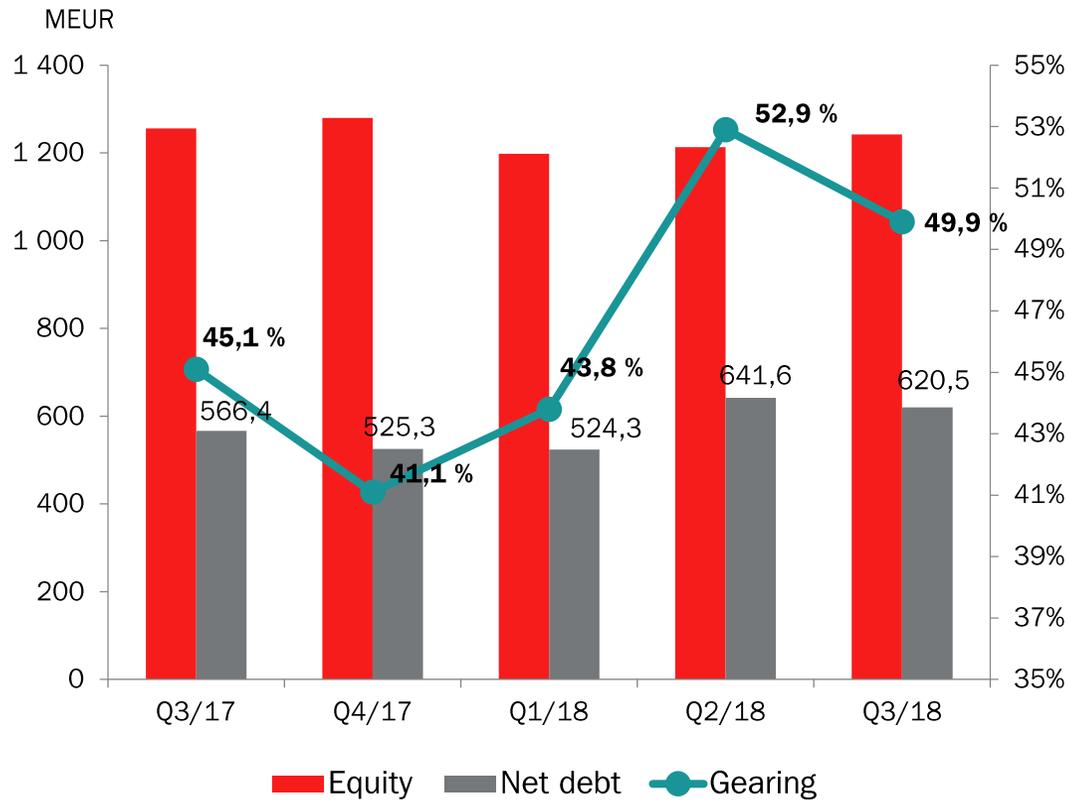
*Q1/18 excl. dividend payable of EUR 94.6 million

Free cash flow

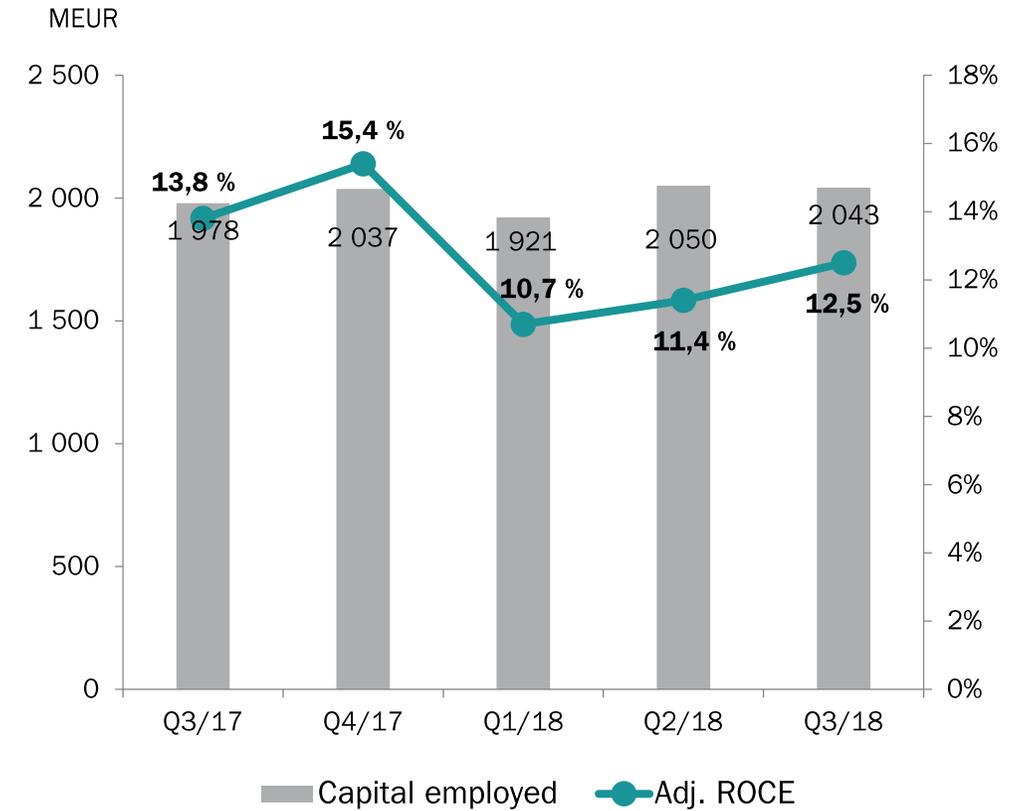


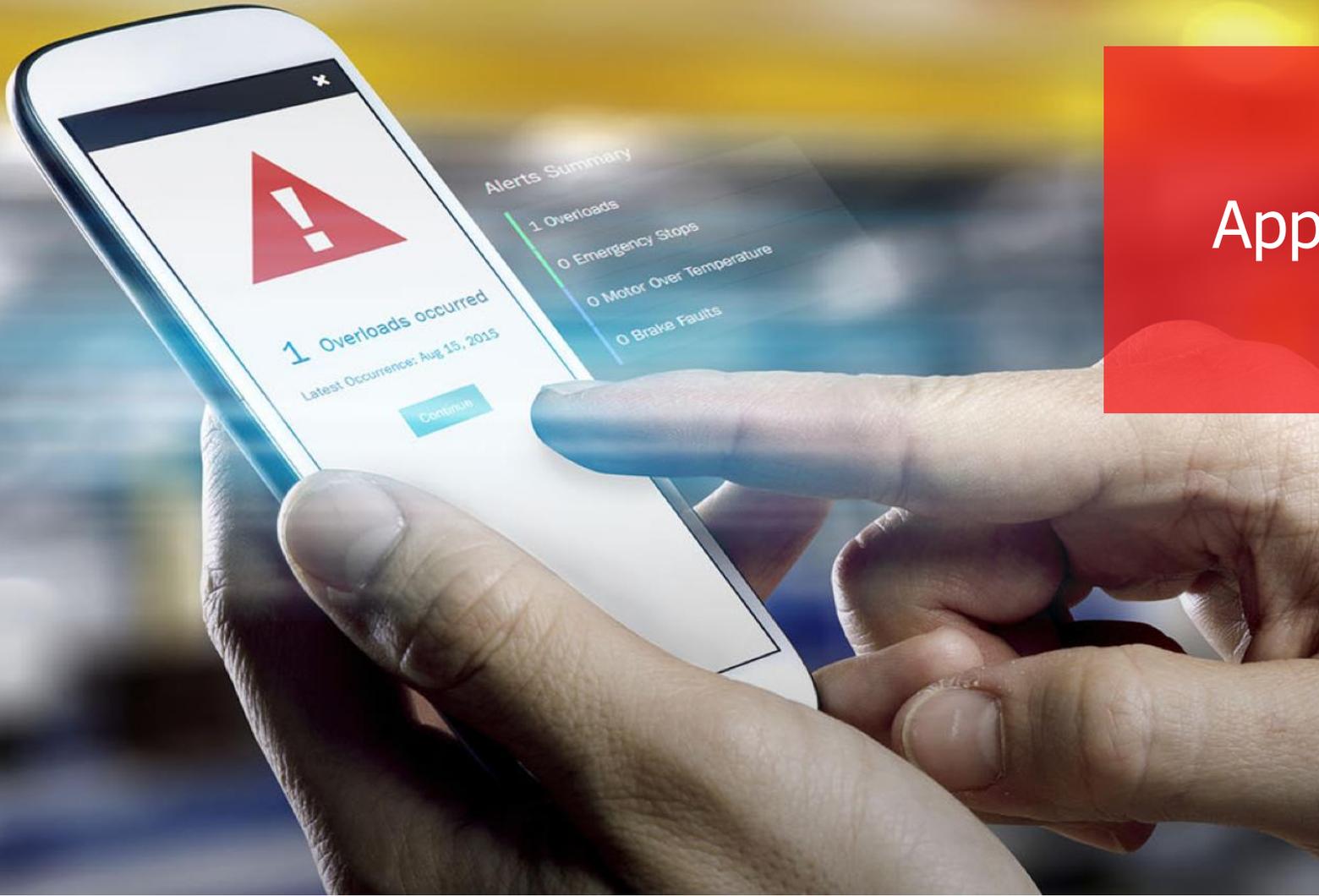
Gearing and return on capital employed

Equity, net debt and gearing



Capital employed and return on capital employed





Appendix

Statement of income

EUR million	Q3/18	Q3/17	Change %	1-9/18	1-9/17*	Change %
Sales	800.2	746.8	7.2	2 245.2	2 227.2	0.8
Other operating income	1.4	2.9		4.6	224.8	
Materials, supplies and subcontracting	-351.9	-348.9		-939.8	-965.6	
Personnel cost	-244.2	-242.8		-748.9	-760.7	
Depreciation and impairments	-26.0	-27.9		-80.4	87.6	
Other operating expenses	-131.0	-123.2		-366.4	-374.8	
Operating profit	48.5	7.0	597.8	114.3	263.3	-56.6
Share of associates' and joint ventures' result	0.0	-0.3		-1.4	-0.5	
Financial income	0.5	5.6		1.3	32.7	
Financial expenses	-5.1	-17.0		-27.4	-64.2	
Profit before taxes	44.0	-4.7	1 039.7	86.8	231.4	-62.5
Taxes	-12.1	0.5		-24.3	-27.7	
PROFIT FOR THE PERIOD	31.9	-4.1	870.7	62.5	203.6	-69.3

* Note: 1-9/17 included the capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems.

Balance sheet

EUR million	30 Sep-18	30 Sep-17
Non-current assets		
Goodwill	904.9	919.0
Intangible assets	594.2	638.4
Property, plant and equipment	250.7	265.5
Other	206.8	203.3
Current assets		
Inventories	670.1	627.0
Receivables and other current assets	693.2	707.6
Cash and cash equivalents	179.4	155.6
Total Current assets	1,542.7	1,490.2
Total Assets	3,499.2	3,516.5

EUR million	30 Sep-18	30 Sep-17
Total Equity	1,242.3	1,255.2
Non-current liabilities		
Interest-bearing liabilities	591.4	648.2
Other long-term liabilities	269.1	280.7
Other	166.4	183.1
Current liabilities		
Interest-bearing liabilities	209.0	74.5
Advance payments received	305.2	334.8
Accounts payable	193.7	174.8
Other current liabilities	522.1	565.3
Total Equity and Liabilities	3,499.2	3,516,5

Cash flow statement

EUR million	1-9/18	1-9/17	2017
Operating income before change in net working capital	199.3	128.0	218.9
Change in net working capital	-104.6	115.2	116.2
Cash flow from operations before financing items and taxes	94.8	243.2	335.0
Financing items and taxes	-74.5	-59.4	-85.6
Net cash from operating activities	20.3	183.8	249.4
Net cash used in investing activities	-22.5	-535.7	-542.0
Cash flow before financing activities	-2.2	-351.8	-292.6
Net cash used in financing activities	-49.6	320.5	340.0
Change of cash and cash equivalents	-53.7	-38.5	38.9
Free cash flow	-3.3	166.4	224.4

Key figures

EUR million	1-9/18	1-9/17*	Change %
Earnings per share, basic (EUR)	0.79	2.63	-69.7
Earnings per share, diluted (EUR)	0.79	2.63	-69.7
Return on capital employed, %, Rolling 12 Months (R12M)	8.1	21.8	-62.8
Return on equity, %, Rolling 12 Months (R12M)	6.7	25.7	-73.9
Equity per share (EUR)	15.49	15.66	-1.1
Net debt / Adjusted EBITDA, Rolling 12 Months (R12M)	1.9	2.2	-13.6
Equity to asset ratio, %	38.9	39.5	-1.5
Investments total (excl. acquisitions), EUR million	24.0	27.8	-13.7
Average number of personnel during the period	16 289	15 307	6.4
Average number of shares outstanding, basic	78 807 499	78 109 755	0.9
Average number of shares outstanding, diluted	78 807 499	78 109 755	0.9
Number of shares outstanding	78 823 503	78 756 145	0.1

*The comparison period included a capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems



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