

# Q4 2015 INTERIM REPORT

February 3, 2016

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**KONE CRANES**

# FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements regarding future events, including statements regarding Terex or Konecranes, the transaction described in this document and the expected benefits of such transaction and future financial performance of the combined businesses of Terex and Konecranes based on each of their current expectations. These statements involve risks and uncertainties that may cause results to differ materially from those set forth in the statements. When included in this document, the words “may,” “expects,” “intends,” “anticipates,” “plans,” “projects,” “estimates” and the negatives thereof and analogous or similar expressions are intended to identify forward-looking statements. However, the absence of these words does not mean that the statement is not forward-looking. Terex and Konecranes have based these forward-looking statements on current expectations and projections about future events. These statements are not guarantees of future performance.

Because forward-looking statements involve risks and uncertainties, actual results could differ materially. Such risks and uncertainties, many of which are beyond the control of Konecranes, include, among others: the ability of Terex and Konecranes to obtain shareholder approval for the transaction, the ability of Terex and Konecranes to obtain regulatory approval for the transaction, the possibility that the length of time required to complete the transaction will be longer than anticipated, the achievement of the expected benefits of the transaction, risks associated with the integration of the businesses of Terex and Konecranes, the possibility that the businesses of Terex and Konecranes may suffer as a result of uncertainty surrounding the proposed transaction, and other factors, risks and uncertainties that are more specifically set forth in Terex’ public filings with the SEC and Konecranes’ annual and interim reports. Konecranes disclaims any obligation to update the forward-looking statements contained herein.

# IMPORTANT ADDITIONAL INFORMATION

This document relates to the proposed merger of Terex and Konecranes through which all of Terex' common stock will be exchanged for Konecranes ordinary shares (or American depositary shares, if required). This document is for informational purposes only and does not constitute an offer to purchase or exchange, or a solicitation of an offer to sell or exchange, all of common stock of Terex, nor is it a substitute for the Preliminary Prospectus included in the Registration Statement on Form F-4 (the "Registration Statement") to be filed by Konecranes with the SEC, the Prospectus/Proxy to be filed by Terex with the SEC, the listing prospectus of Konecranes to be filed by Konecranes with the Finnish Financial Supervisory Authority (and as amended and supplemented from time to time, the "Merger Documents"). No offering of securities shall be made in the United States except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933.

INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE MERGER DOCUMENTS AND ALL OTHER RELEVANT DOCUMENTS THAT KONECRANES OR TEREX HAS FILED OR MAY FILE WITH THE SEC, NASDAQ HELSINKI, OR FINNISH FINANCIAL SUPERVISORY AUTHORITY WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION THAT INVESTORS AND SECURITY HOLDERS SHOULD CONSIDER BEFORE MAKING ANY DECISION REGARDING THE PROPOSED MERGER.

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Konecranes and Terex and their respective directors, executive officers and employees and other persons may be deemed to be participants in the solicitation of proxies in respect of the transaction. Information regarding Konecranes' directors and executive officers is available in Konecranes' annual report for fiscal year 2014 at [www.konecranes.com](http://www.konecranes.com). Information about Terex' directors and executive officers and their ownership of Terex ordinary shares is available in its Schedule 14A filed with the SEC on April 1, 2015. Other information regarding the interests of such individuals as well as information regarding Konecranes' and Terex' directors and officers will be available in the proxy statement/prospectus when it becomes available. These documents can be obtained free of charge from the sources indicated above.

# HIGHLIGHTS OF Q4/15

- + Container handling equipment orders on a good level
- + Service EBIT continued to improve
- + Cost savings delivering expected results
- Business conditions remained challenging among industrial customers, emerging and commodity markets hampering demand
- Lack of growth in Service order intake
- Equipment profitability

Q4 ORDERS RECEIVED Y/Y	EMEA	AME	APAC
SERVICE			
EQUIPMENT			

**Board of Directors proposes a dividend of EUR 1.05 per share**

# KEY FIGURES

KEY FIGURES	Q4 2015	Q4 2014	Chg %	Chg % FX adj.
Orders received, MEUR	512.5	513.3	-0.1	-4.6
Order book at end of period, MEUR	1 036.5	979.5	+5.8	+2.9
Net sales, MEUR	609.0	608.1	+0.1	-3.9
EBITDA excluding non-recurring items*, MEUR	57.0	58.7	-2.9	
EBITDA excluding non-recurring items*, %	9.4 %	9.7 %		
Operating profit (EBIT) excluding non-recurring items*, MEUR	44.6	47.1	-5.3	
Operating margin (EBIT) excluding non-recurring items*, %	7.3 %	7.7%		
Non-recurring items*, MEUR	13.8	1.6		
Operating profit (EBIT), MEUR	30.8	45.5	-32.3	
Operating margin (EBIT), %	5.1 %	7.5 %		
EPS, basic, EUR	0.21	0.51	-57.9	
Free cash flow, MEUR	24.8	56.1		

\*) Non-recurring items include transaction costs (-8,7 MEUR in 10-12/2015) which contain advisory, legal and consulting fees related to Konecranes Terex merger and restructuring costs (-5.0 MEUR in 10-12/2015). The non-recurring items in 2014 included restructuring costs only.



# FY2015 RESULT – POSITIVES AND NEGATIVES

- Order book +5.8% and Service contract base +7.5%
  - Solid 2016 outlook for container handling equipment deliveries
- Service EBIT margin improved from 10.0% to 10.4%
- Cost savings actions proceeding as planned

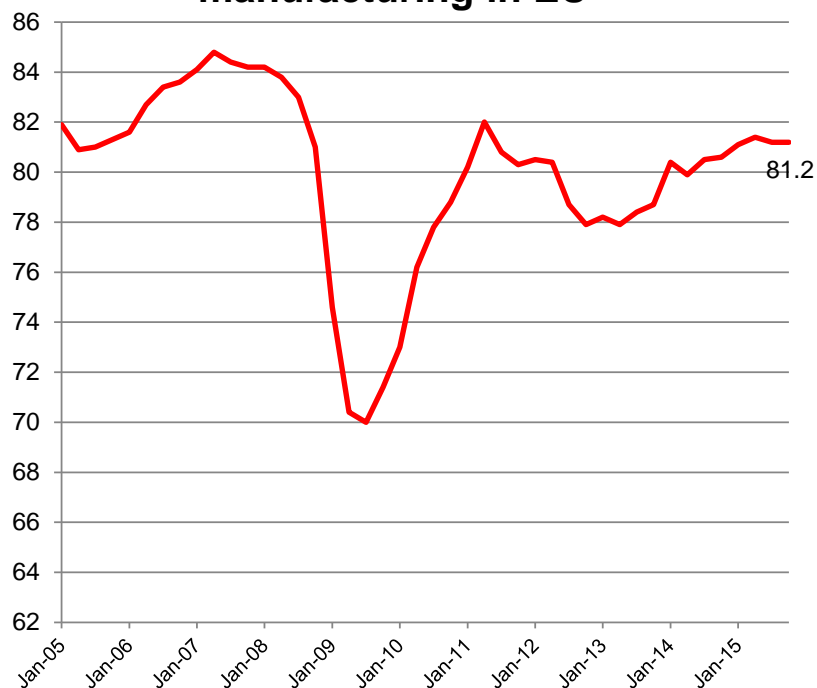


- Orders and sales down 3.3% and 1.1% at comparable currencies respectively
  - Another year of demand challenges in emerging markets
  - North American demand softened
- No turnaround in Equipment EBIT

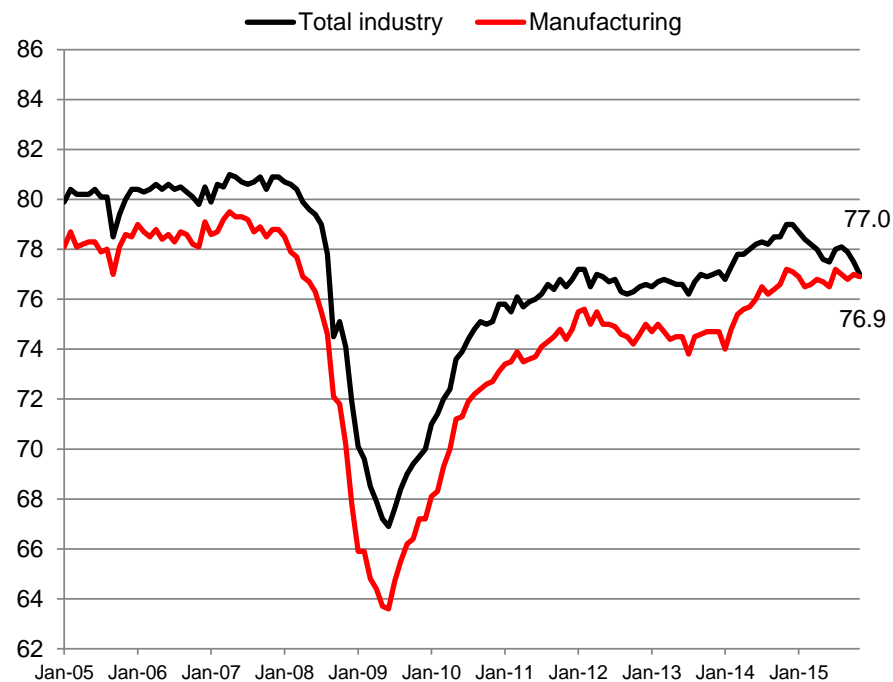


# CAPACITY UTILIZATION: EU27 AND USA

## Capacity utilisation of manufacturing in EU



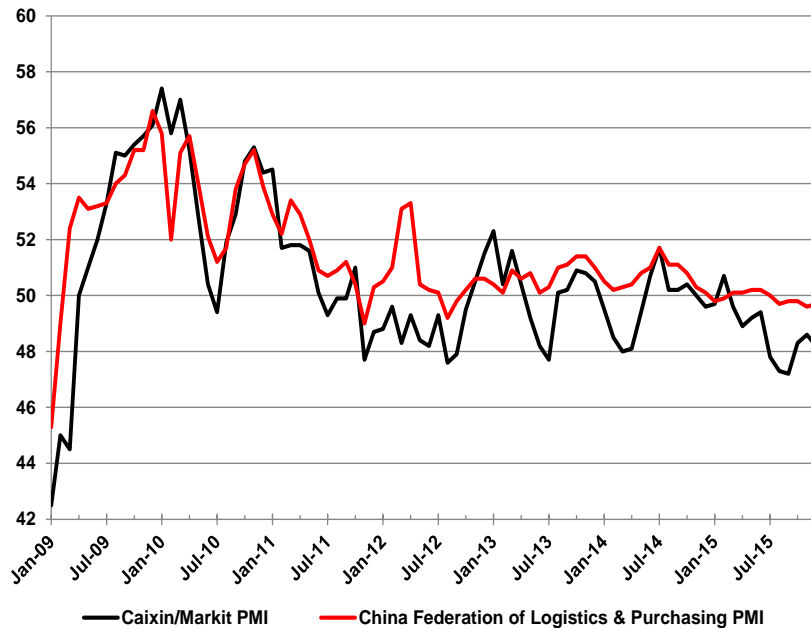
## Capacity utilisation in the USA



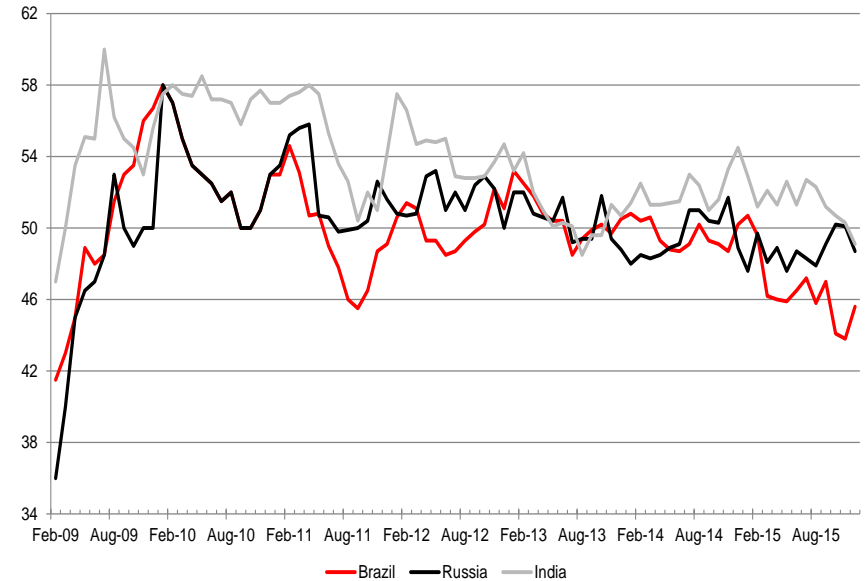
SOURCES: Eurostat (latest data point Q4/15), Federal Reserve Bank of St. Louis (November 2015)

# PMI'S IN THE BRIC COUNTRIES

Chinese manufacturing PMI



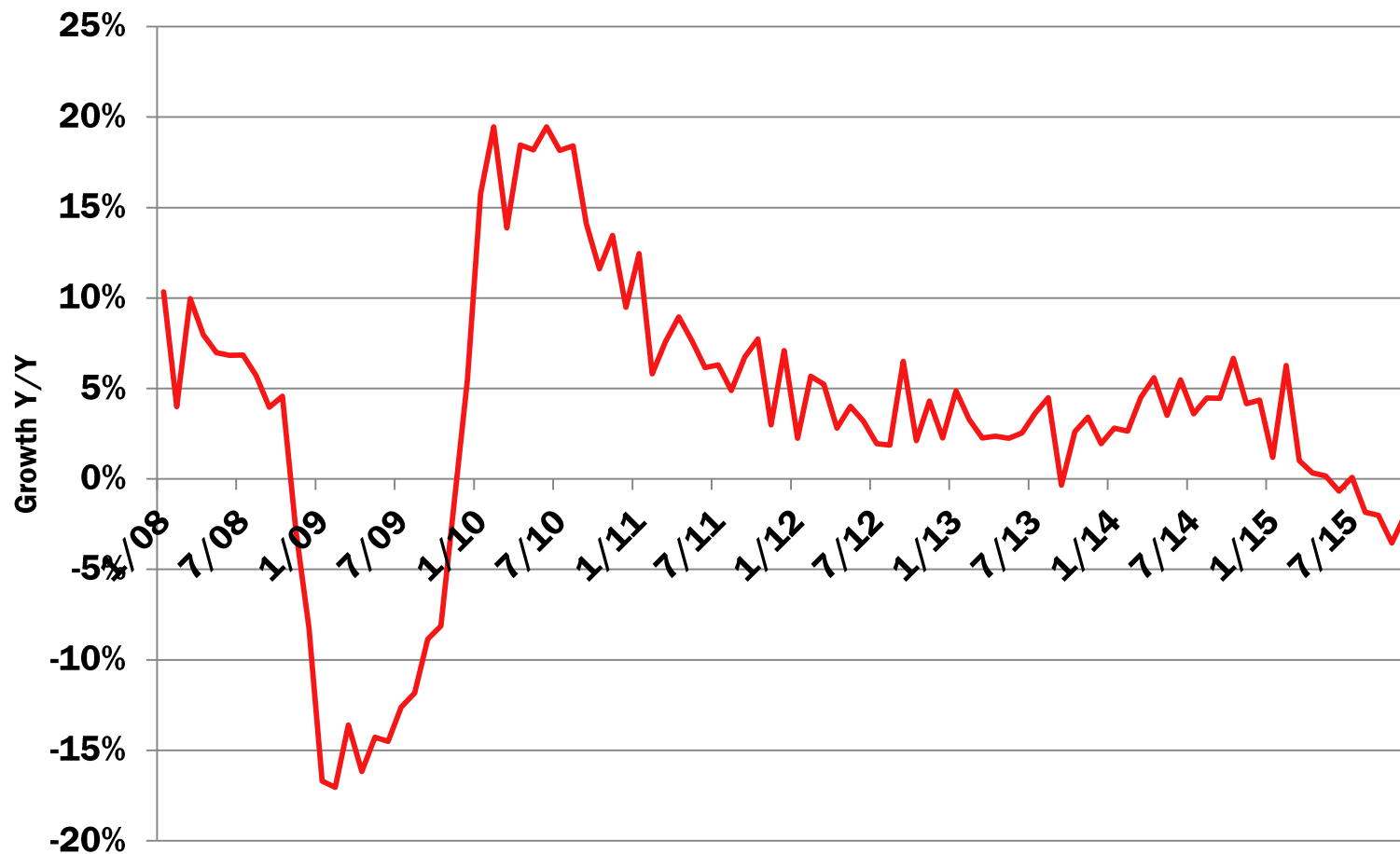
Brazil, Russia, India - PMI



SOURCES: Markit (latest data point December 2015)



# CONTAINER THROUGHPUT



Source: RWI/ISL Container Throughput Index (latest data point November 2015)

# MARKET OUTLOOK AND FINANCIAL GUIDANCE AS OF FEBRUARY 3, 2016

## Market outlook

- Customers are cautious about investing as economic growth has slowed down across the globe. Companies operating in emerging and commodity markets are particularly under pressure to save costs.
- Business activity in the North American manufacturing and process industries weakened toward the end of 2015 and demand outlook is more uncertain than a year ago.
- Demand situation in Europe is stable.
- Even though the global container throughput has slowed down, our offer base for container handling equipment has remained solid and the order book for 2016 deliveries is good.
- Continued contract base growth bodes well for the future of the service business.

## Financial guidance

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

# CHANGES IN PERSONNEL DUE TO RESTRUCTURING

- Group headcount at year-end 2014
- Personnel change due to restructuring mainly in Equipment
- New, mainly Service-related, recruitment in the Americas and Africa
- Reporting change in Q3/15
- Group headcount at year-end 2015

11,982 people

~ -415 people

~ +210 people

~ +110 people

11,887 people

# COST SAVINGS AND RESTRUCTURING COSTS IN 2015

- Cost savings

Approx. EUR10m

- Restructuring costs

- Service
- Equipment
- Unallocated overheads
  
- Cash costs
- Non-cash costs

EUR20.5m (3.2)

EUR4.0m (2.2)

EUR15.0m (1.0)

EUR1.4m (0.0)

EUR10.8m

EUR9.7m

## NEW COST SAVINGS ACTIONS, STREAMLINING OF REGIONAL STRUCTURE

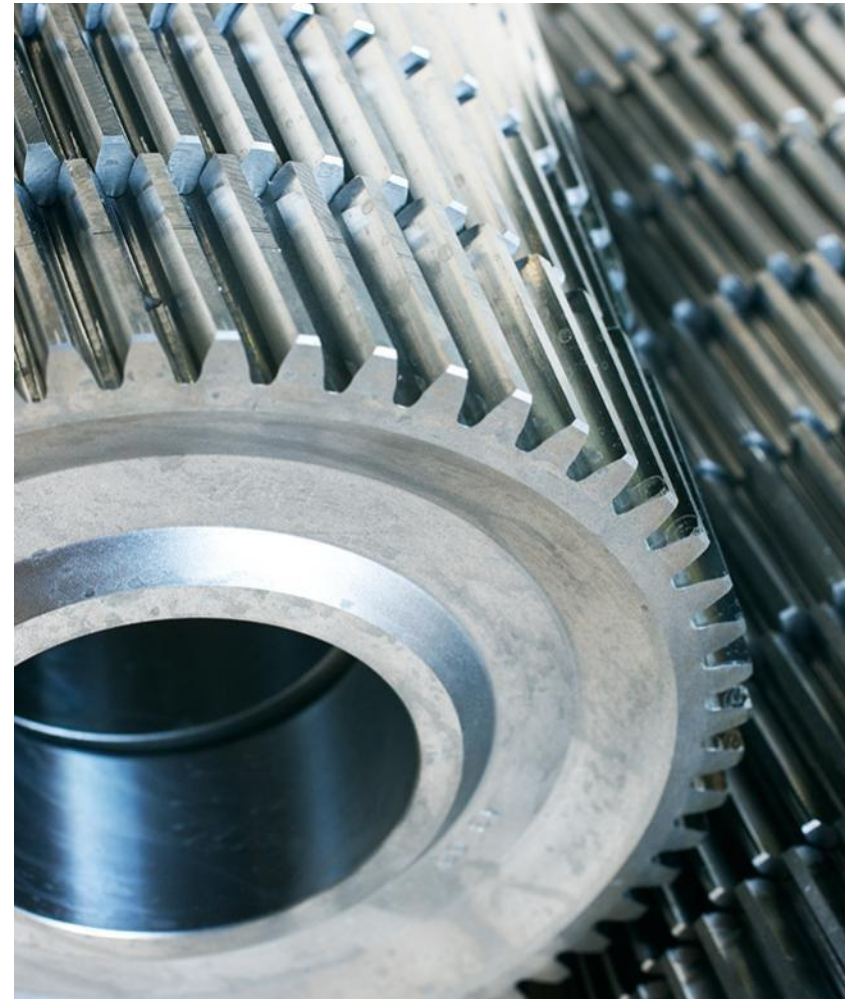
- New cost savings of EUR 25 million by end-2017
  - Evaluation of business model in certain countries
  - Closures and rightsizing of manufacturing units and optimization of supply chain
  - Streamlining product portfolio and related resources
  - Consolidation of regional functions
- Restructuring costs of approx. EUR 20 million
- Reduction of internal regions from five to three to create opportunities for further efficiency improvement



# UPDATE ON THE PENDING MERGER BETWEEN KONECRANES AND TEREX CORPORATION

- Integration planning has started in good co-operation
- Integration teams are making progress in detailing the previously announced operational synergy opportunities and developing plans to achieve these cost savings
- Antitrust clearances obtained in India and Turkey
- HSR filing submitted to the US DoJ, filing preparation and pre-notification discussions with EU
- Expected closing approximately mid-year 2016

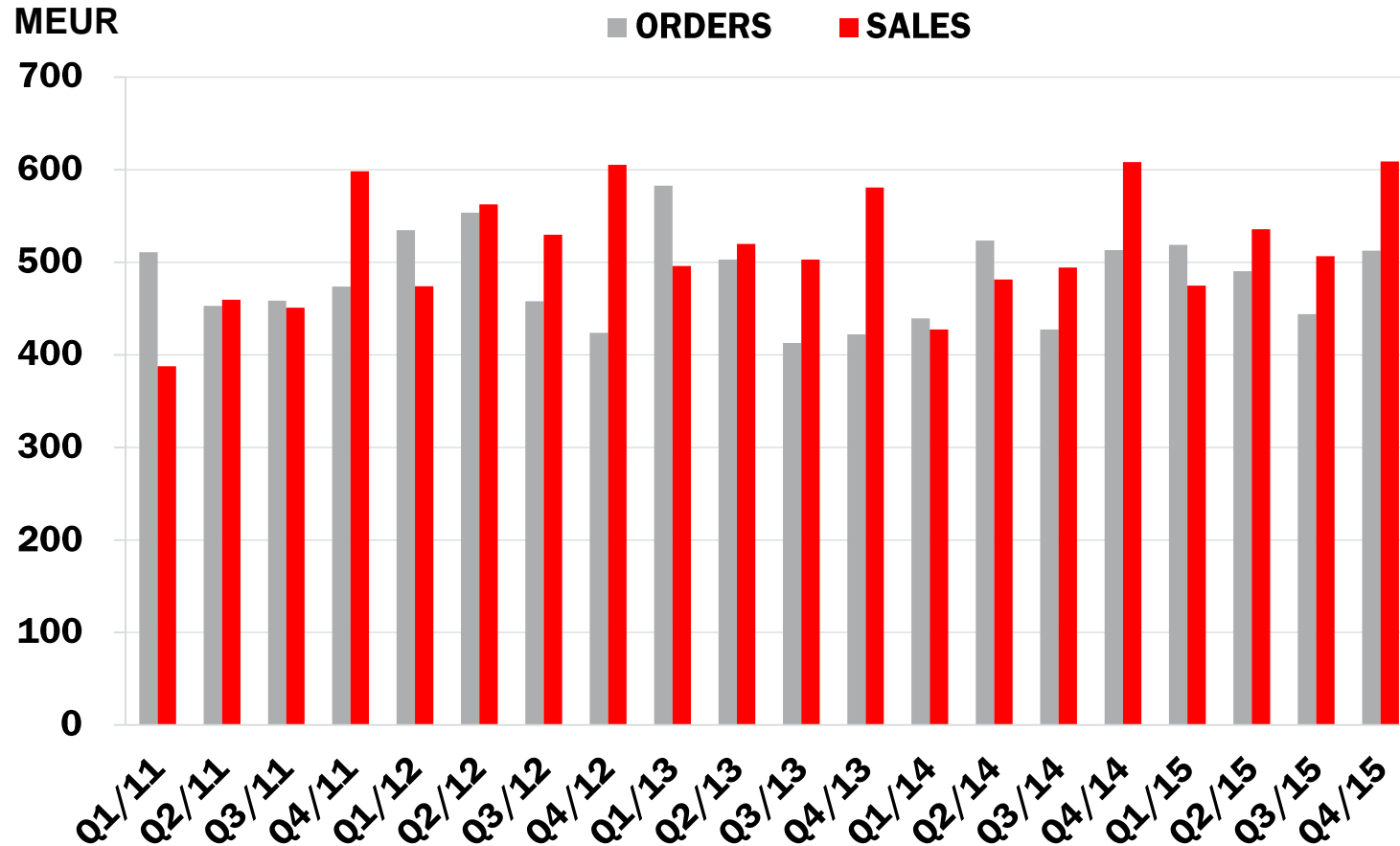
The transaction remains subject to approval by both Terex and Konecranes shareholders, regulatory approvals and other closing conditions.





# GROUP ORDERS AND NET SALES

Q4 Orders: 512.5 (513.3) MEUR, -0.1%\* | Net sales: 609.0 (608.1) MEUR, +0.1%\*\*

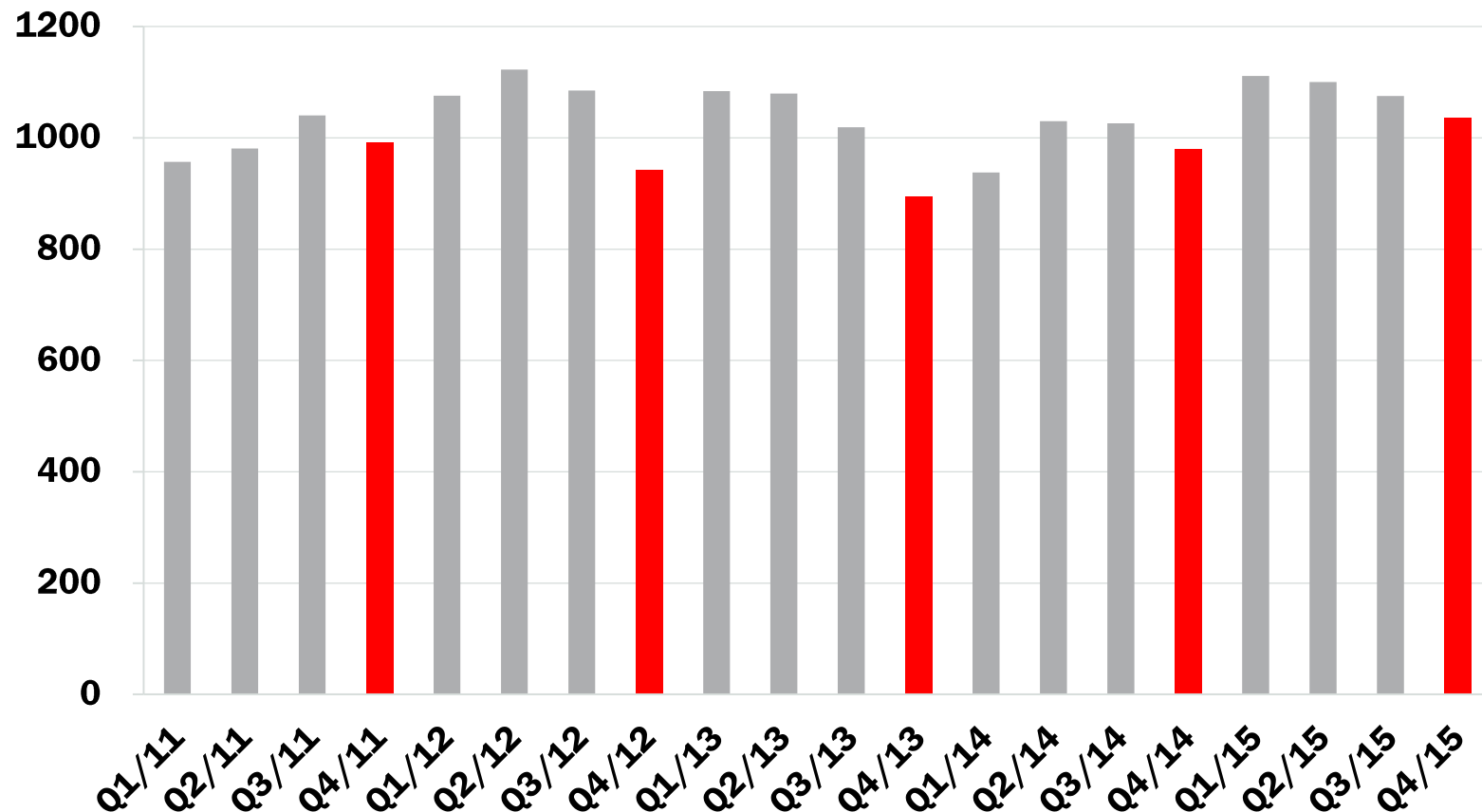


\*-4.6% at comparable currencies, \*\*-3.9% at comparable currencies

# GROUP ORDER BOOK

Q4 Order book: 1,036.5 (979.5) MEUR, +5.8%\*

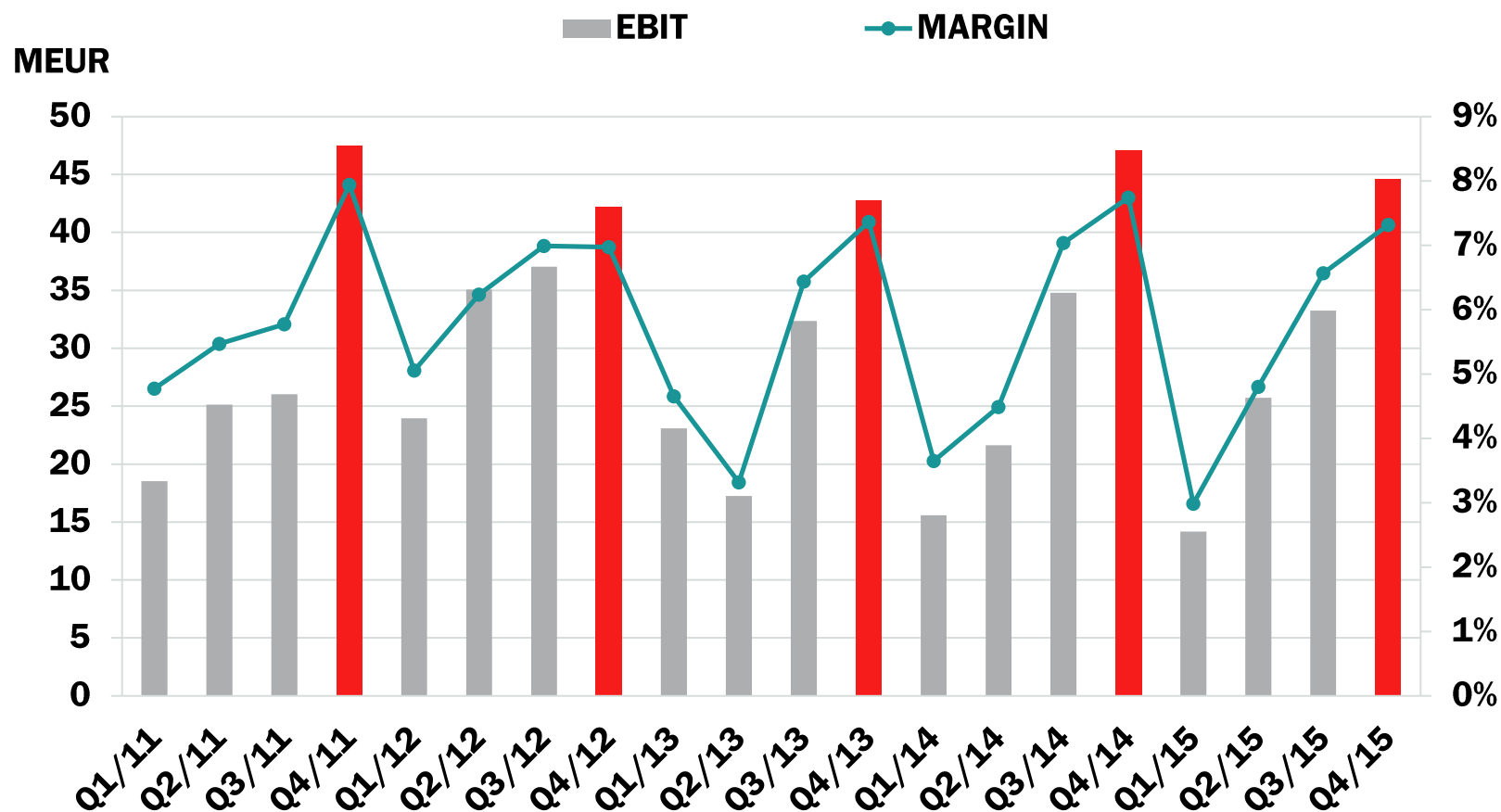
MEUR



\*+2.9% at comparable currencies

# GROUP EBIT & MARGIN

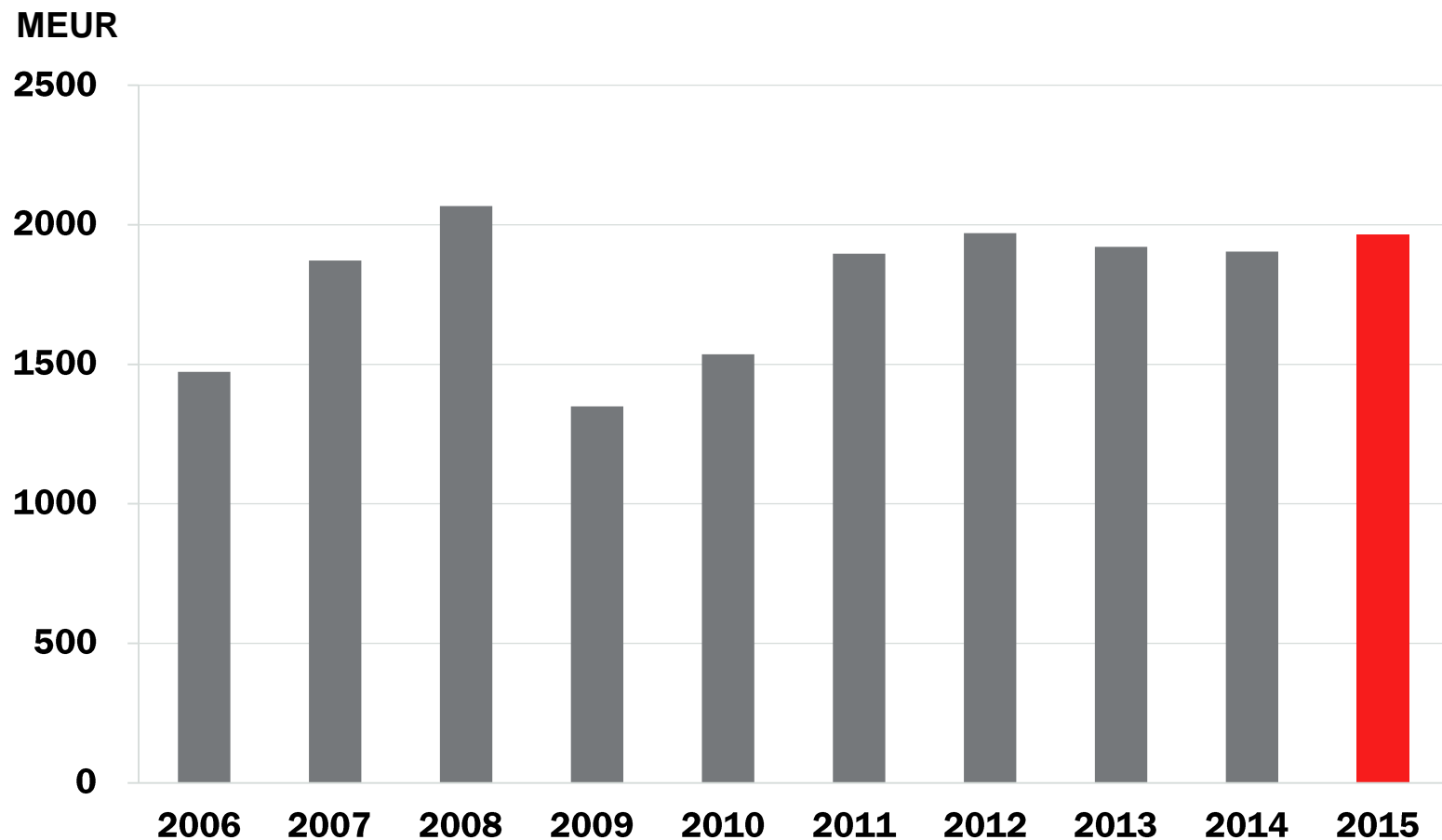
**Q4 EBIT: 44.6 (47.1) MEUR, -5.3% | MARGIN: 7.3% (7.7%), excluding non-recurring items\***



\*Non-recurring items for 2015 include restructuring costs, transaction costs relating to the Terex merger, and unwarranted payments due to identity theft and fraudulent actions. Prior years' figures excluding restructuring costs.

# GROUP ORDERS RECEIVED

2015 Orders: 1,965.5 (1,903.5) MEUR, +3.3%\*

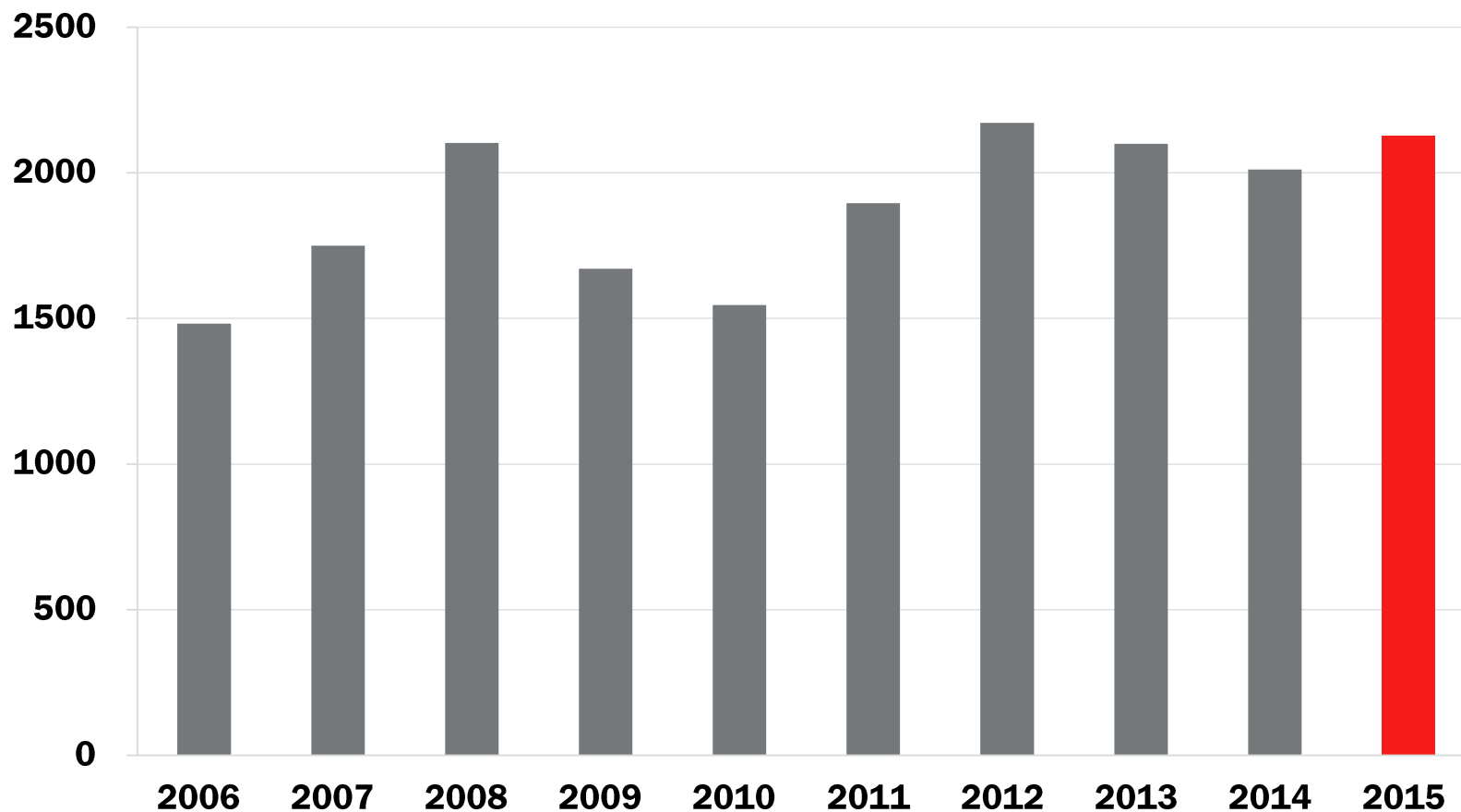


\*-3.3% at comparable currencies

# GROUP NET SALES

2015 Net sales: 2,126.2 (2,011.4) MEUR, +5.7%\*

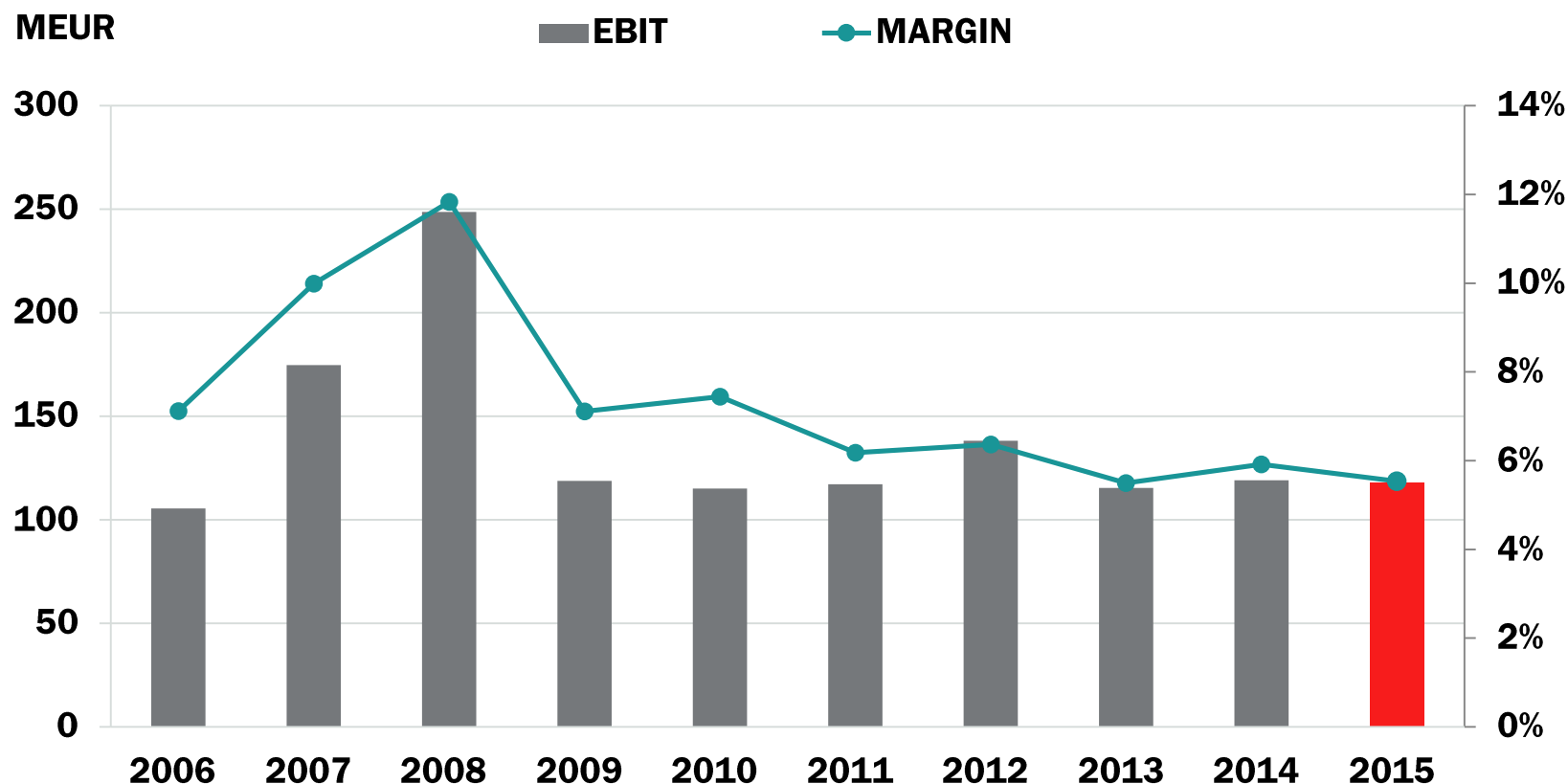
MEUR



-1.1% at comparable currencies

# GROUP EBIT & MARGIN

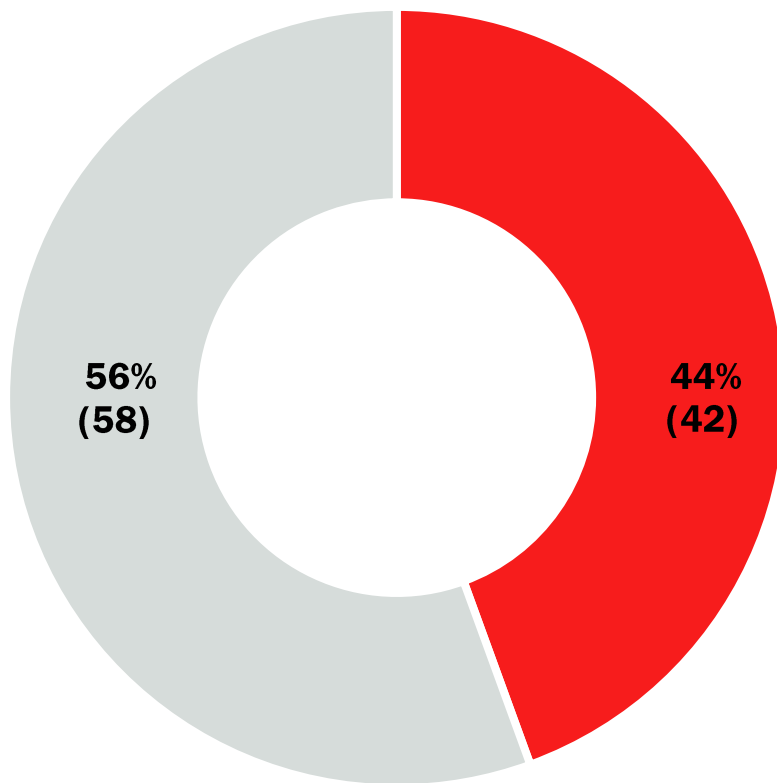
**2015 EBIT 117.7 (119.1) MEUR -1.1% | MARGIN: 5.5% (5.9%),**  
excluding non-recurring items\*



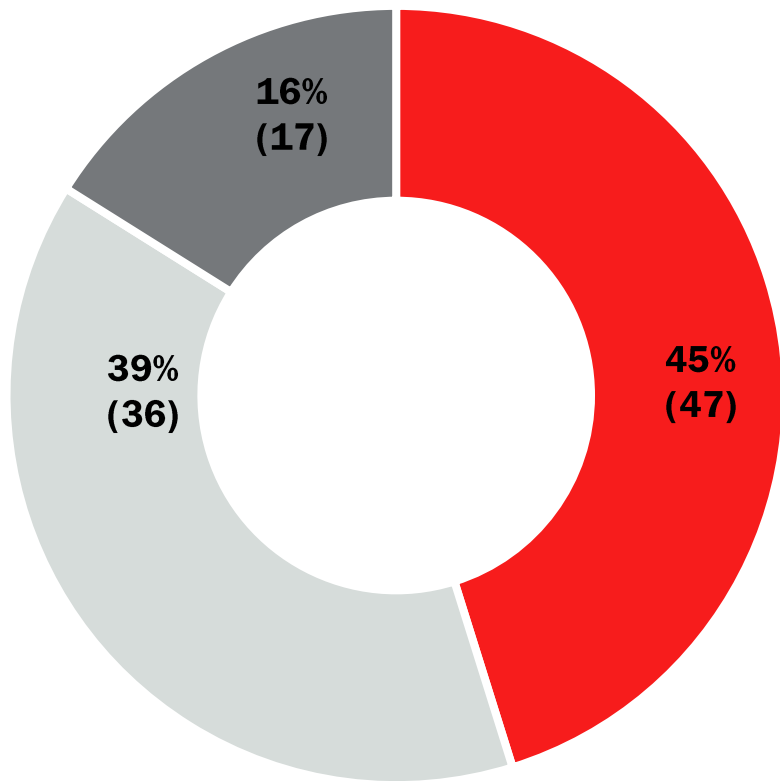
\*Non-recurring items for 2015 include restructuring costs, transaction costs relating to the Terex merger, and unwarranted payments due to identity theft and fraudulent actions. Prior years' figures excluding restructuring costs.



# SALES SPLIT BY BUSINESS AREA & REGION, R12M

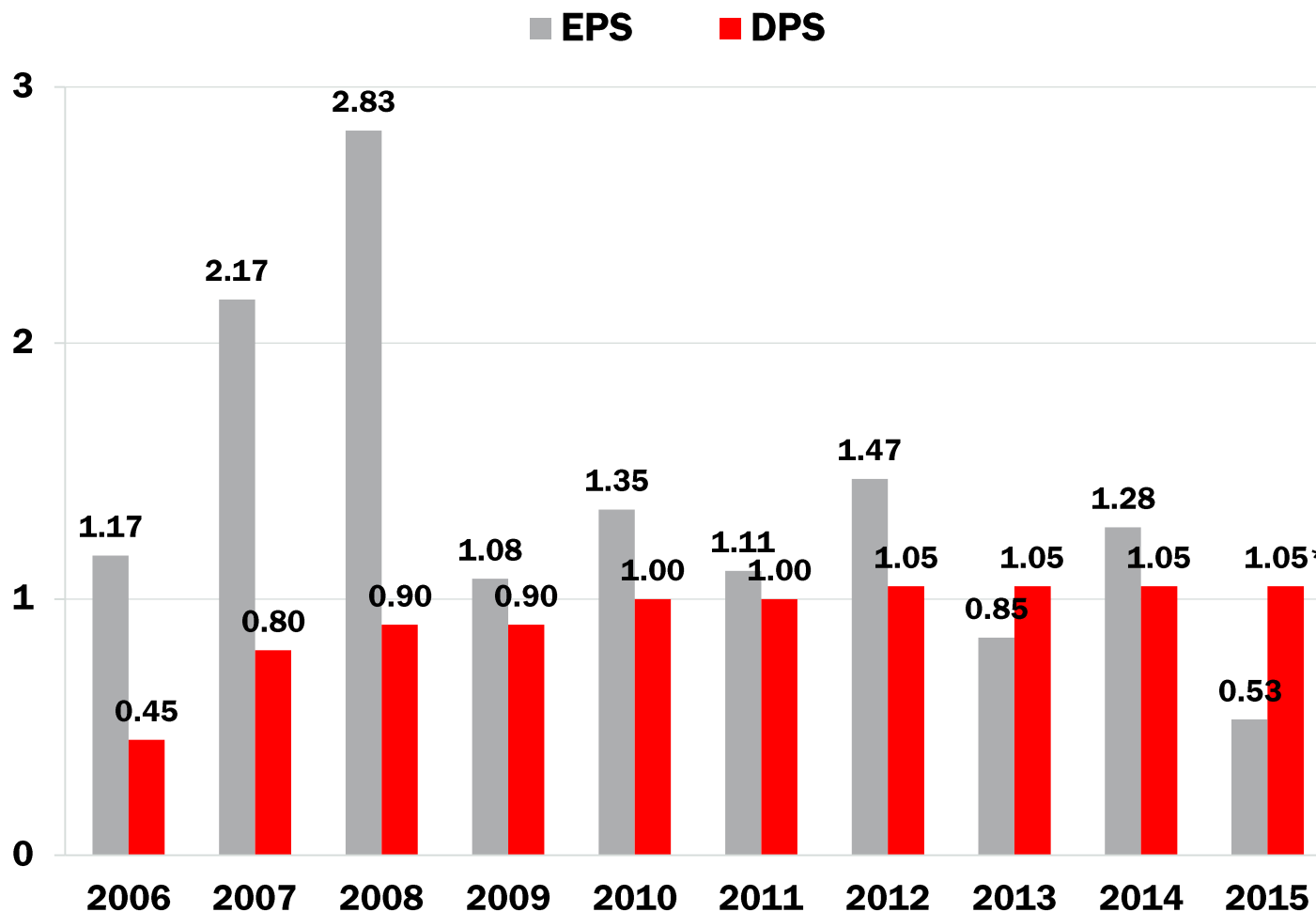


■ SERVICE  
■ EQUIPMENT



■ EMEA  
■ AME  
■ APAC

# EPS AND DPS



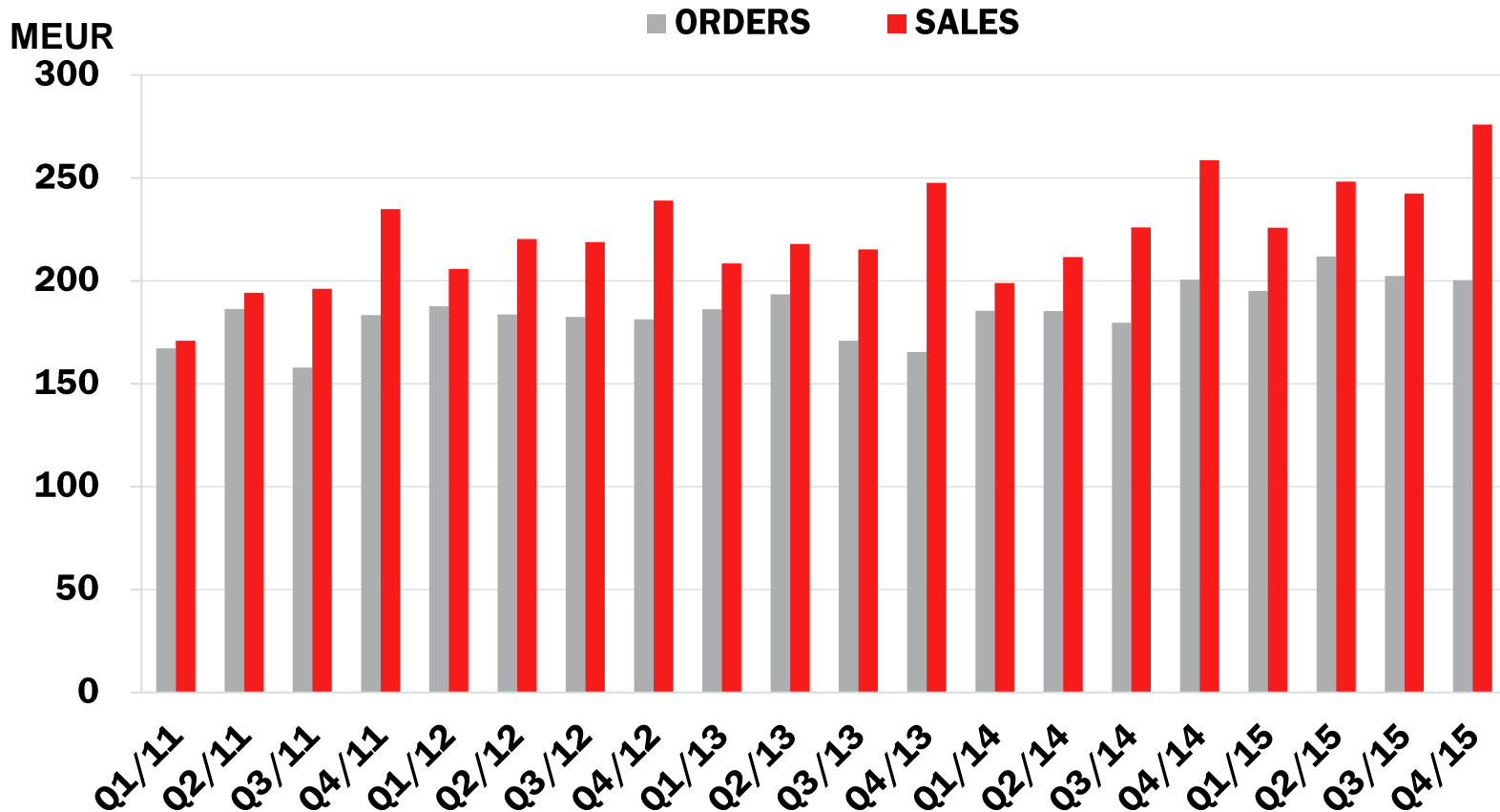
\*Board's proposal to the AGM

A photograph of two Konecranes service technicians at a port. One technician, wearing a white shirt and white hard hat, is looking at a white Konecranes truck. The other technician, wearing an orange shirt with "Lifting Businesses™" on the back and a white hard hat with a red Konecranes logo, is standing next to the truck. The truck has "KONE" and a crane logo on its side. In the background, a large red Konecranes gantry crane is visible against a blue sky with clouds.

# SERVICE

# SERVICE ORDERS AND NET SALES

Q4 Orders: 200.3 (200.5) MEUR -0.1%\* | Sales: 275.9 (258.6) MEUR +6.7%\*

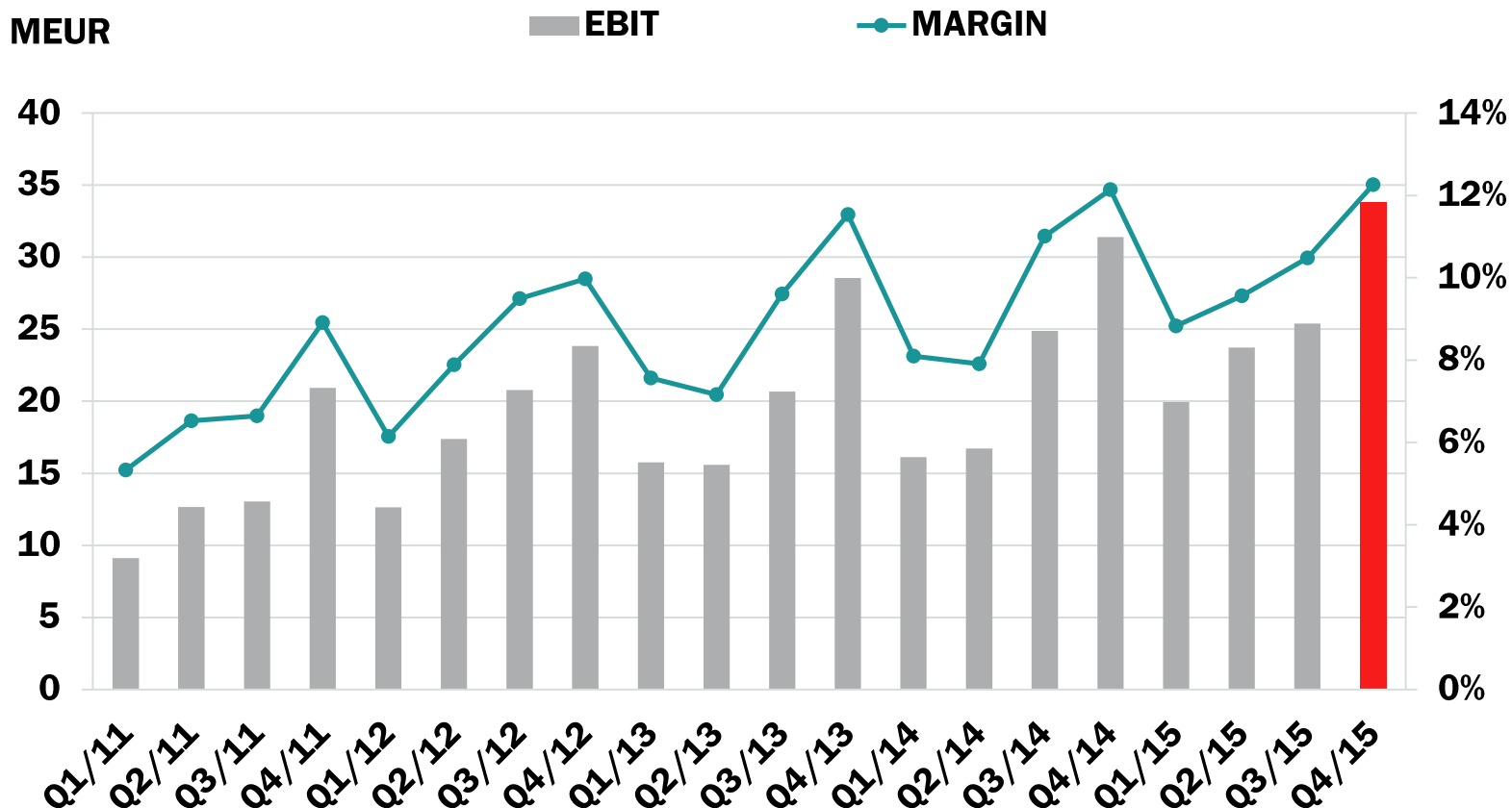


- Sales grew in all regions
- The growth in field service was stronger than in parts sales

\*-5.6% at comparable currencies, \*\*+0.7% at comparable currencies

# SERVICE EBIT & MARGIN

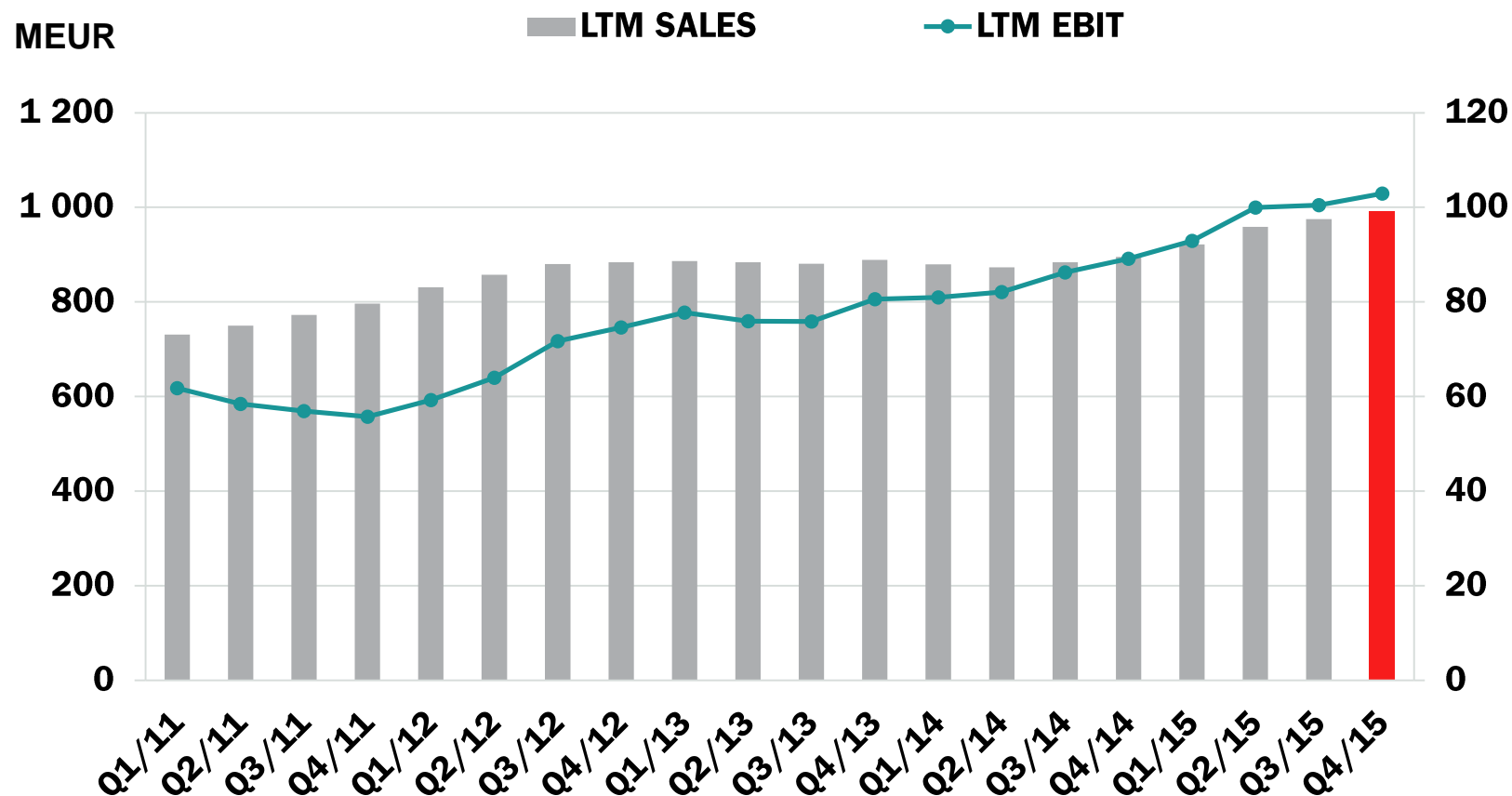
Q4 EBIT: 33.8 (31.4) MEUR, +7.7% | MARGIN: 12.3% (12.1%), excluding restructuring costs



- The operating margin improved due to the sales growth and higher gross margin

# SERVICE NET SALES AND EBIT

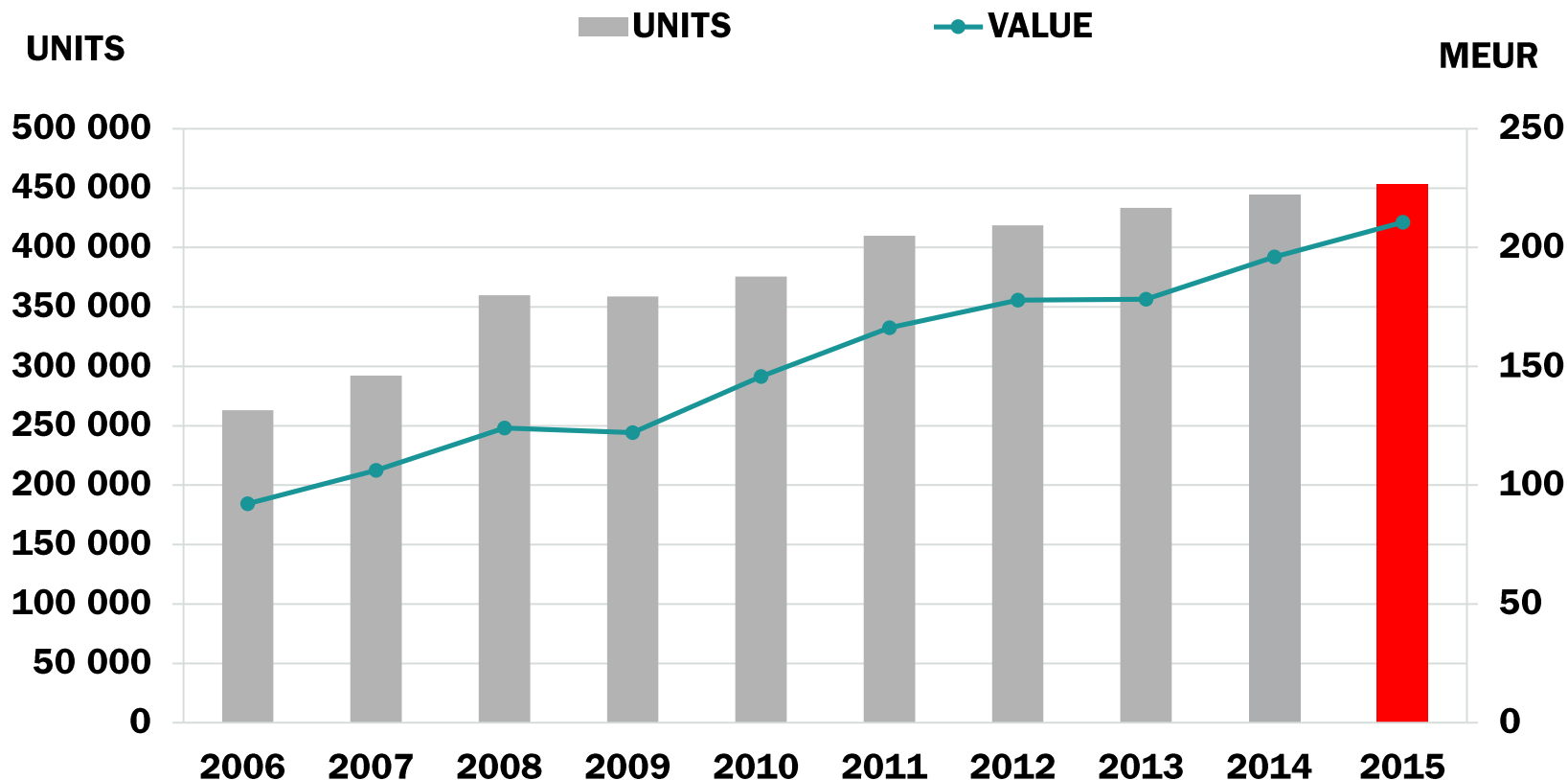
**R12M Sales: 992.3 (895.1) MEUR, +10.9% | EBIT: 102.9 (89.1) MEUR, +15.5%,  
excluding restructuring costs**





# SERVICE CONTRACT BASE

Q4 CB: 454 (444) thousand units, +2.1% | Annual value 210.6 (196.0) MEUR, +7.5%\*

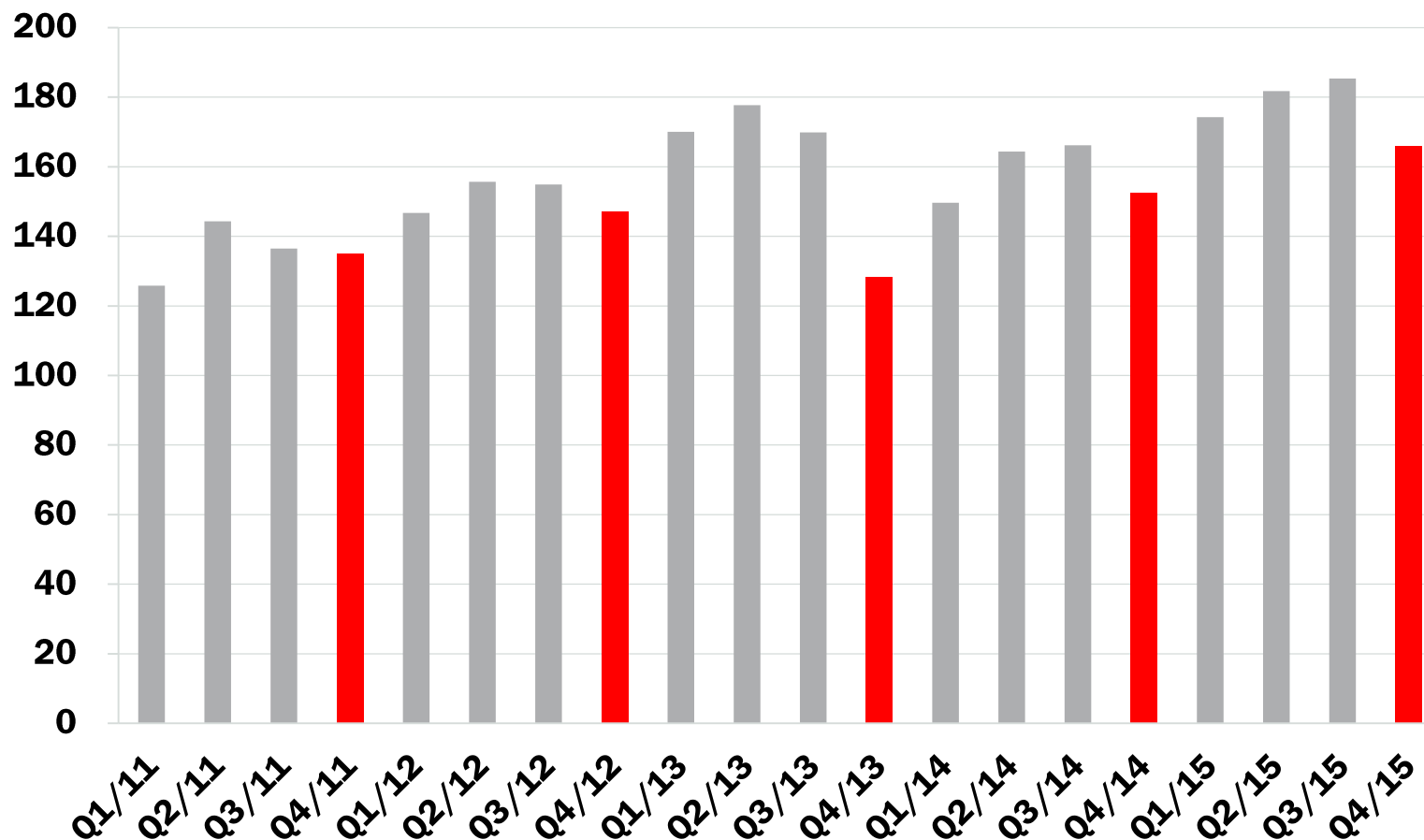


\*+2.9% at comparable currencies

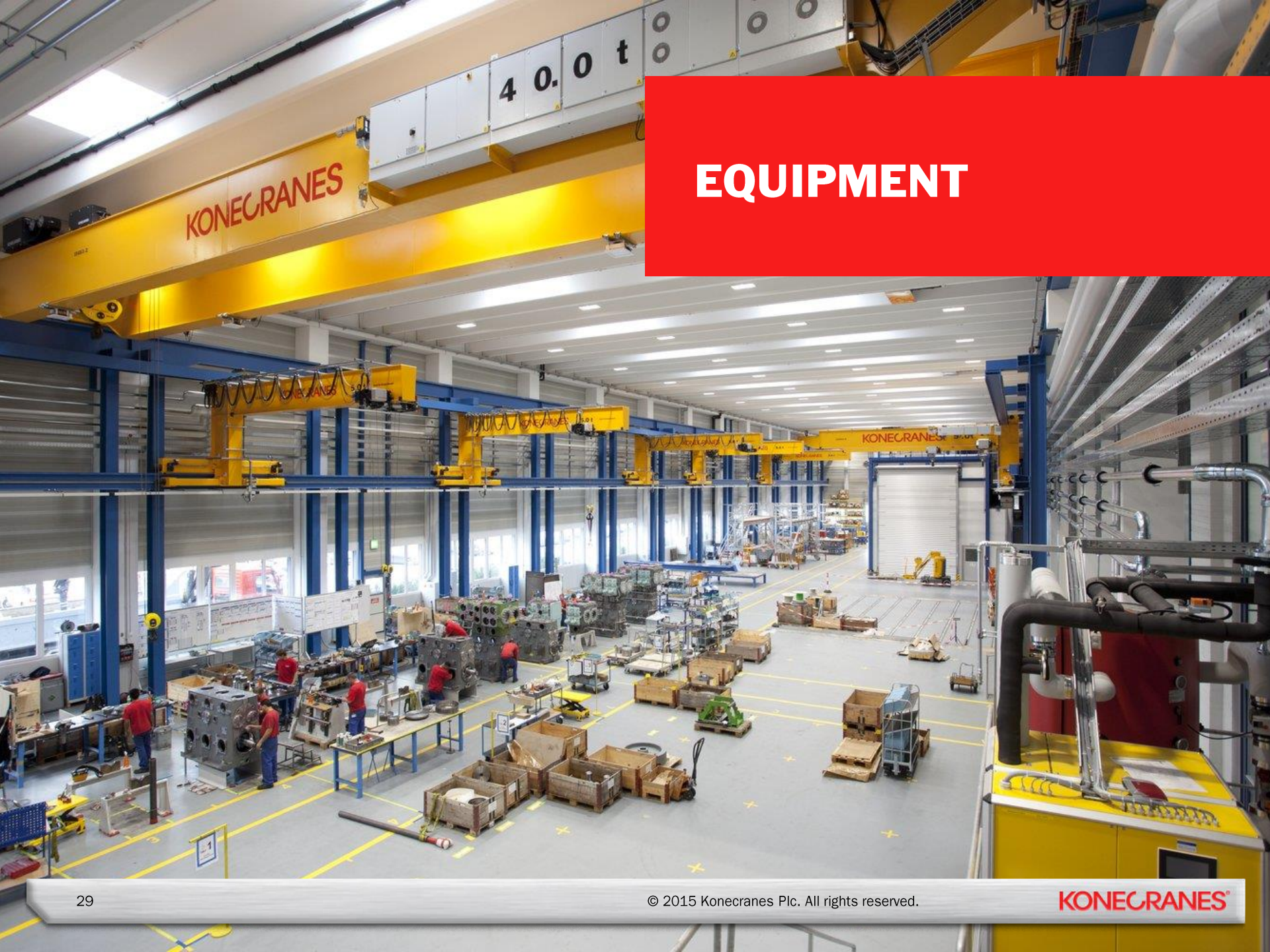
# SERVICE ORDER BOOK

**Q4 Order book: 165.8 (152.6) MEUR, +8.7%\***

MEUR



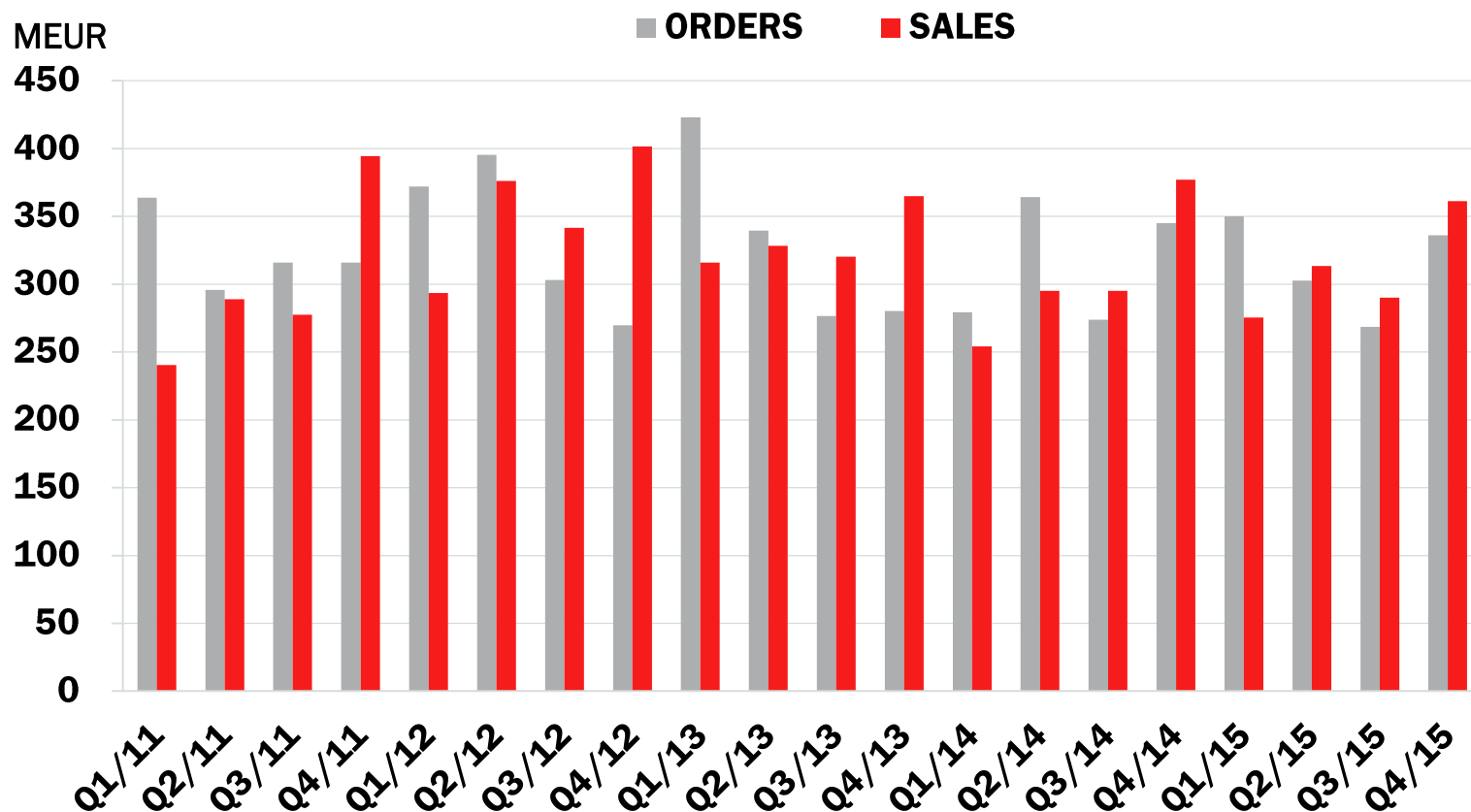
\*+3.4% at comparable currencies



# EQUIPMENT

# EQUIPMENT ORDERS AND NET SALES

**Q4 Orders: 336.2 (345.1) MEUR, -2.6%\* | Net sales: 361.3 (377.2) MEUR, -4.2%\*\***



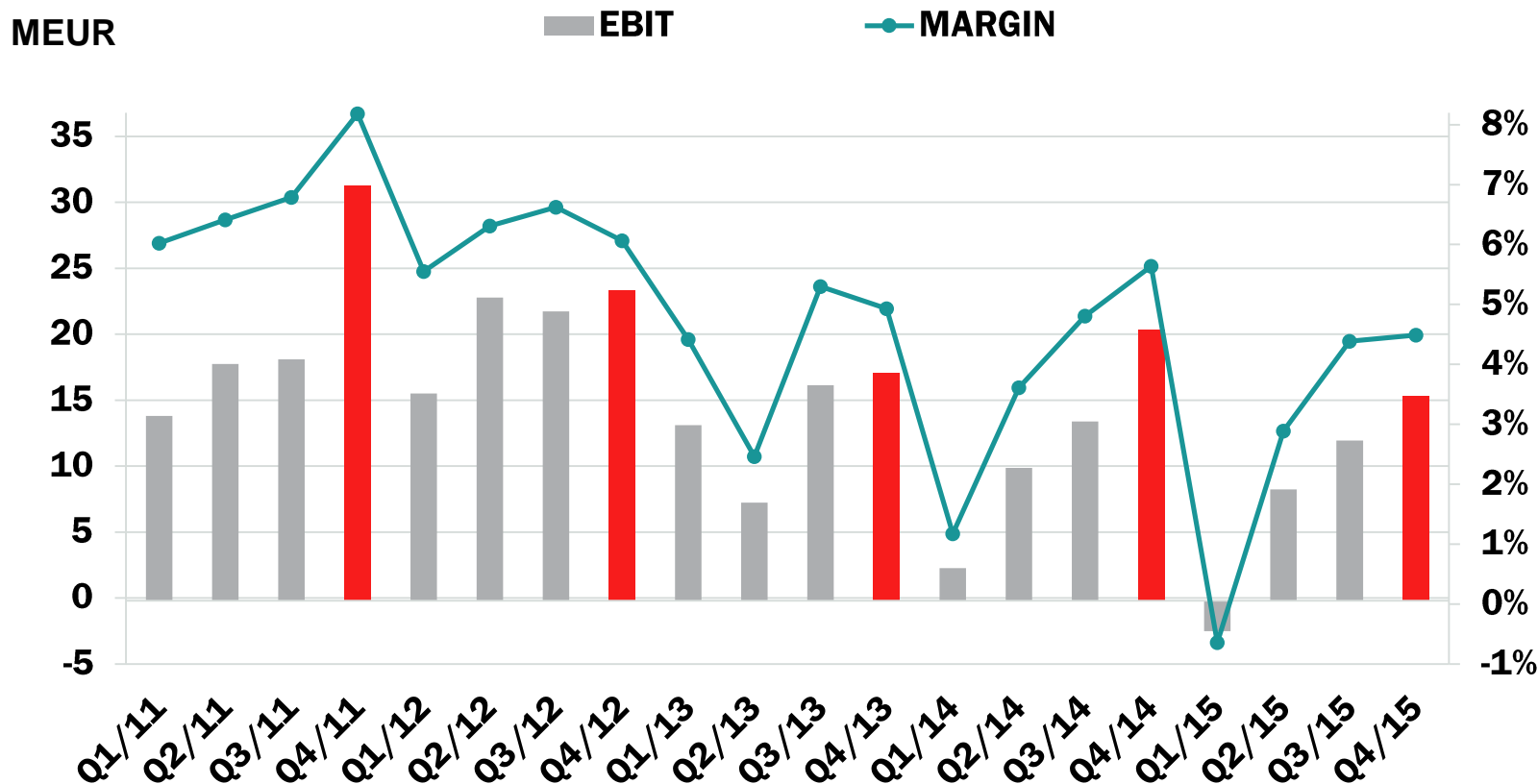
- Order intake increased in the Americas, but decreased in EMEA and Asia-Pacific
- Orders for port cranes and lift trucks rose, whereas orders for industrial cranes and crane components fell from the previous year

\*-6.6% at comparable currencies, \*\*-7.1% at comparable currencies



# EQUIPMENT EBIT & MARGIN

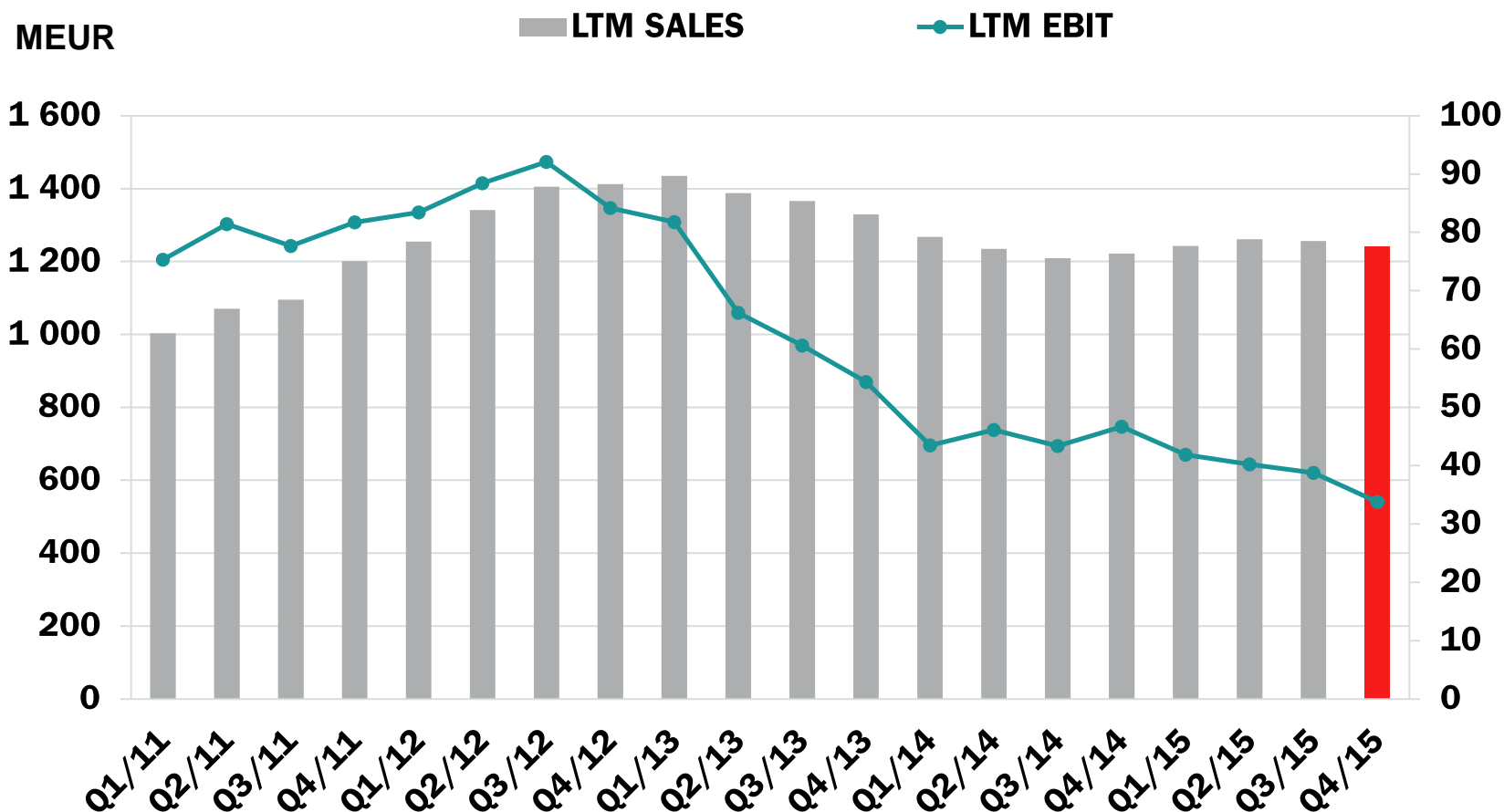
**Q4 EBIT: 15.5 (20.5) MEUR, -24.5% | MARGIN: 4.3% (5.4%), excluding restructuring costs**



- Operating margin was affected by lower sales at comparable currency rates and unfavorable sales mix
- Amortization related to new IT systems increased from the previous year
- Provision of EUR 3.3 million was booked relating to a receivable from a Latin American customer
- Cost savings of approximately EUR 4 million due to the restructuring actions

# EQUIPMENT NET SALES AND EBIT

**R12M Sales: 1,240.3 (1,221.7) MEUR, +1.5% | EBIT: 33.8 (46.7) MEUR, -27.7%,  
excluding restructuring costs**





# EQUIPMENT ORDER BOOK

**Q4 Order book: 870.7 (826.9) MEUR +5.3%\***

MEUR

1200

1000

800

600

400

200

0

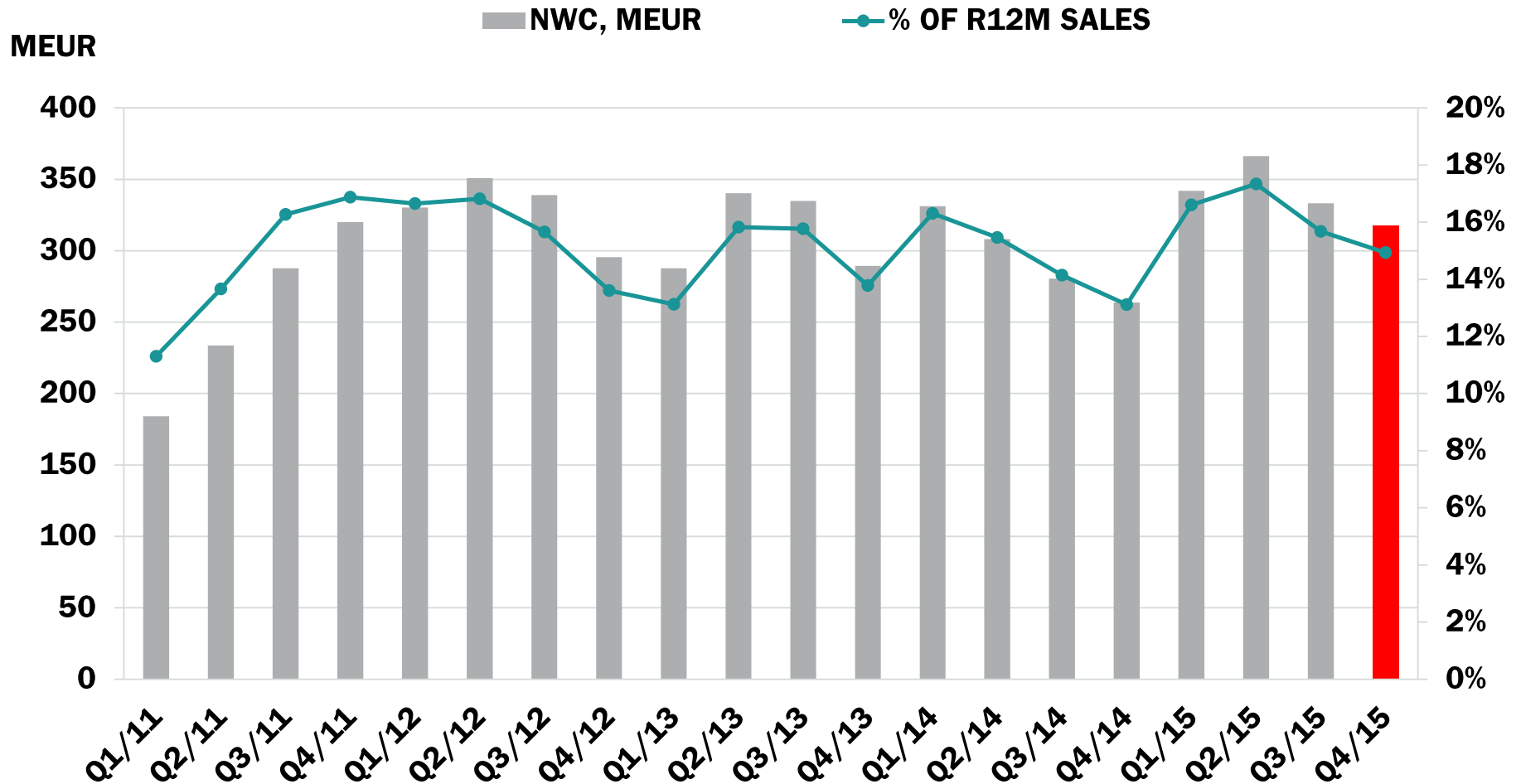
Q1/11 Q2/11 Q3/11 Q4/11 Q1/12 Q2/12 Q3/12 Q4/12 Q1/13 Q2/13 Q3/13 Q4/13 Q1/14 Q2/14 Q3/14 Q4/14 Q1/15 Q2/15 Q3/15 Q4/15

\*+2.8% at comparable currencies

# BALANCE SHEET AND CASH FLOW

# NET WORKING CAPITAL

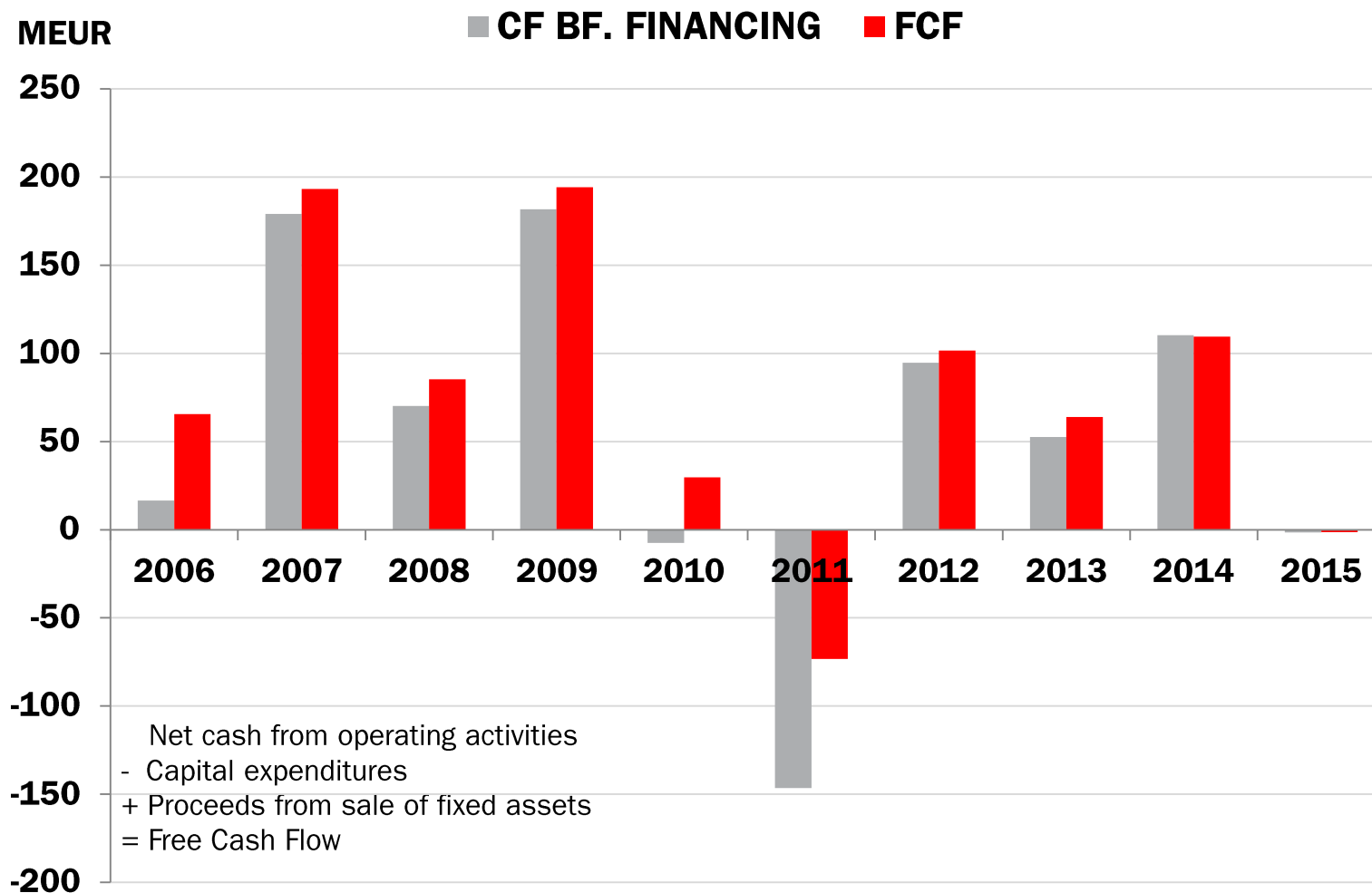
Q4 NWC: 317.4 (263.7) MEUR | 14.9% (13.1%) of R12M sales



Q1/15 excl. dividend liability of EUR 61, Q1/14 excl. dividend liability of EUR 61 million, Q1/13 excl. dividend liability of EUR 61 million, Q1/12 excl. dividend liability of EUR 57 million, Q1/11 excl. dividend liability of EUR 60 million

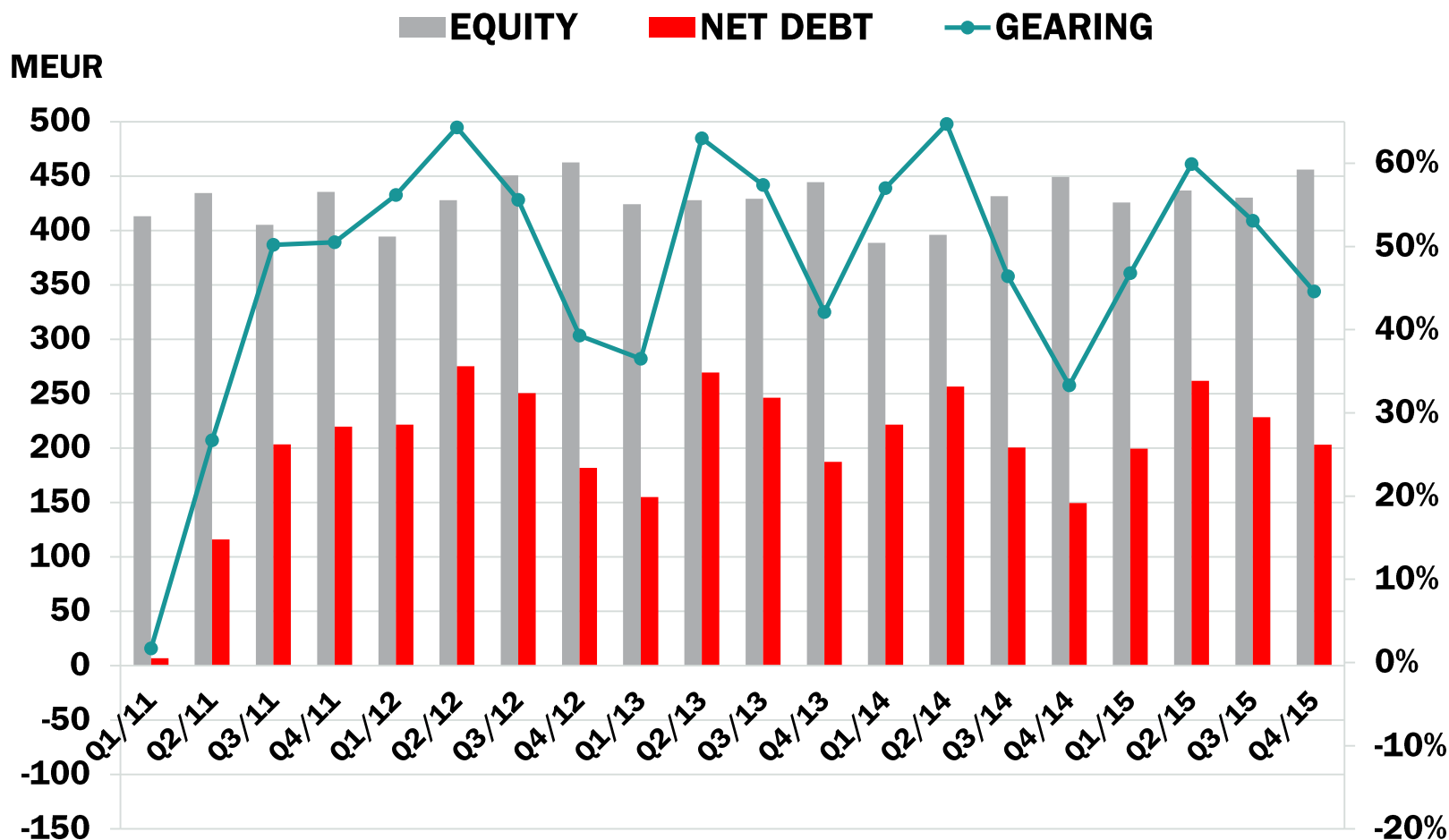
# CF BEFORE FINANCING ACTIVITIES AND FCF

2015 CF BF. FINANCING: -1.5 (110.4) MEUR | FCF: -1.4 (109.5) MEUR



# GEARING

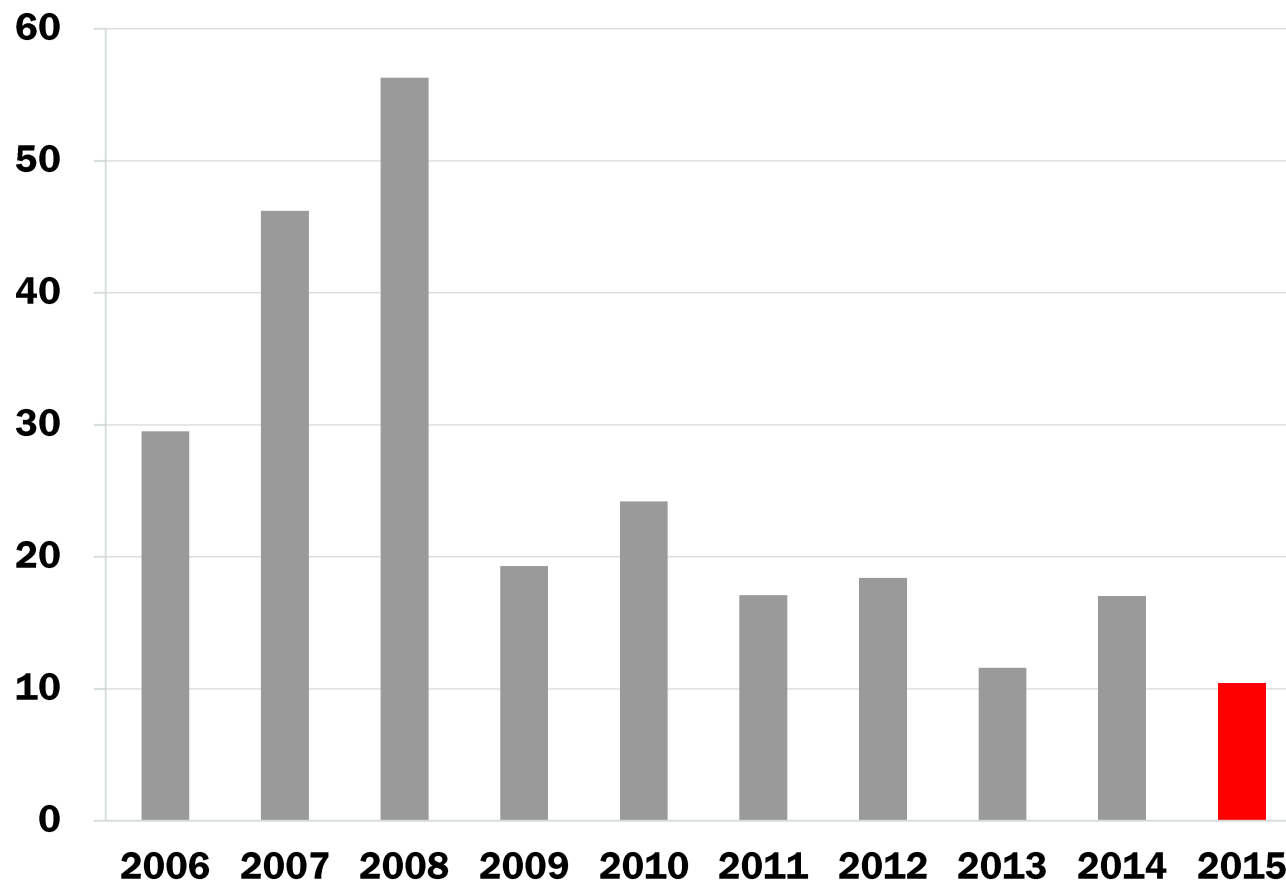
Q4 Equity: 456.0 (449.2) MEUR | Net debt: 203.2 (149.5) MEUR | Gearing: 44.6% (33.3%)



# RETURN ON CAPITAL EMPLOYED

2015 ROCE: 10.4%\* (17.0%\*\*)

ROCE %



\*18.1% excluding restructuring costs, transaction costs relating to the Terex merger, and unwarranted payments due to identity theft and fraudulent actions.

\*\*17.4% excluding restructuring costs



KONECRANES



**NOT JUST LIFTING  
THINGS, BUT ENTIRE  
BUSINESSES**

A close-up photograph of a male worker wearing a white hard hat with a red 'C' logo and clear safety glasses. He is looking intently at an electrical control panel. The panel features various components, including red and white cables, digital displays, and control buttons. The worker is wearing an orange high-visibility jacket. A red rectangular box is overlaid on the top right of the image, containing the word 'APPENDIXES' in white capital letters.

# APPENDIXES



# STATEMENT OF INCOME

MEUR	2015	2014	% Change
<b>Sales</b>	<b>2,126.2</b>	<b>2,011.4</b>	5.7
Other operating income	1.4	2.8	
Materials, supplies and subcontracting	-969.9	-938.0	
Personnel cost	-661.5	-593.7	
Depreciation and impairments	-54.0	-43.1	
Other operating expenses	-379.1	-323.4	
<b>Operating profit</b>	<b>63.0</b>	<b>115.8</b>	-45.6
Share of associates' and joint ventures' result	4.8	3.7	
Financial income and expenses	-12.5	-12.1	
<b>Profit before taxes</b>	<b>55.4</b>	<b>107.4</b>	-48.5
Taxes	-24.6	-32.8	
<b>Net profit for the period</b>	<b>30.8</b>	<b>74.6</b>	-58.7

# BALANCE SHEET

MEUR	December 31, 2015	December 31, 2014	MEUR	December 31, 2015	December 31, 2014
Non-current assets	505.7	500.4	Equity	456.0	449.2
Inventories	365.2	335.5	Non-current liabilities	171.3	283.0
Other current assets	533.2	543.6	Provisions	52.9	45.2
Cash and cash equivalents	80.8	97.9	Current liabilities	804.7	699.9
<b>Total assets</b>	<b>1,485.1</b>	<b>1,477.4</b>	<b>Total equity and liabilities</b>	<b>1,485.1</b>	<b>1,477.4</b>

# CASH FLOW STATEMENT

MEUR	2015	2014
Operating income before change in net working capital	115.5	157.0
Change in net working capital	-27.6	26.9
Financing items and taxes	-48.6	-35.4
<b>Net cash from operating activities</b>	<b>39.3</b>	<b>148.4</b>
<b>Cash flow from investing activities</b>	<b>-40.8</b>	<b>-38.0</b>
<b>Cash flow before financing activities</b>	<b>-1.5</b>	<b>110.4</b>
Proceeds from options exercised and share issues	14.3	1.5
Change in interest-bearing debt	36.8	-79.7
Acquired non-controlling interest	-5.9	-5.9
Dividends paid to equity holders of the parent	-61.5	-60.8
<b>Net cash used in financing activities</b>	<b>-16.3</b>	<b>-144.9</b>
Translation differences in cash	0.6	0.3
<b>Change of cash and cash equivalents</b>	<b>-17.2</b>	<b>-34.3</b>
Cash and cash equivalents at beginning of period	97.9	132.2
Cash and cash equivalents at end of period	80.8	97.9
<b>Change of cash and cash equivalents</b>	<b>-17.2</b>	<b>-34.3</b>

# KEY FIGURES

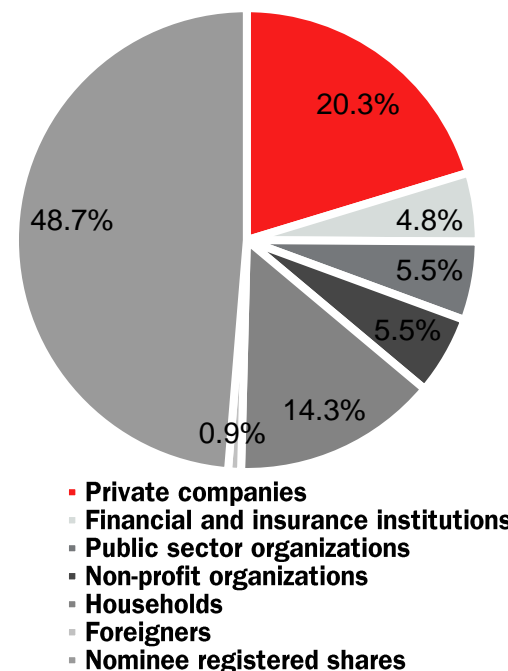
MEUR	31 December 2015	31 December 2014	% Change
Earnings per share, basic, EUR	0.53	1.28	-59.1
Earnings per share, diluted, EUR	0.53	1.28	-59.0
Return on capital employed %, R12M	10.4	17.0	-38.8
Return on equity %, R12M	6.8	16.7	-59.3
Equity per share, EUR	7.79	7.75	0.5
Current ratio	1.1	1.3	
Gearing (%)	44.6	33.3	
Solidity (%)	34.8	35.2	
EBITDA, MEUR	117.1	159.0	-26.4
Investments total (excl. acquisitions), MEUR	49.3	60.0	-17.8
Interest-bearing net debt, MEUR	203.2	149.5	35.9
Net working capital, MEUR	317.4	263.7	20.4
Personnel at end of period	11,887	11,982	-0.8
Personnel on average during the period	11,934	11,920	0.1
Average number of shares outstanding, basic	58,542,309	57,908,972	1.1
Average number of shares outstanding, diluted	58,542,309	58,034,096	0.9
Number of shares outstanding	58,732,429	57,943,927	1.4

# THE LARGEST SHAREHOLDERS

Largest shareholders on December 31, 2015	Number of shares	% of all shares
<b>1</b> HTT KCR Holding Oy Ab	6,870,568	10.9
<b>2</b> Gustavson Stig, Chairman of the Board of Konecranes and family *)	2,078,013	3.3
<b>3</b> Varma Mutual Pension Insurance Company	1,190,275	1.9
<b>4</b> The State Pension Fund	780,000	1.2
<b>5</b> OP Investment Funds	655,000	1.0
<b>6</b> The Local Government Pensions Institution	598,542	0.9
<b>7</b> Danske Capital Funds	562,120	0.9
<b>8</b> Samfundet Folkhälsan I Svenska Finland	535,600	0.8
<b>9</b> Ilmarinen Mutual Pension Insurance Company	501,603	0.8
<b>10</b> Aktia Funds	491,086	0.8
<b>Konecranes Plc's treasury shares</b>	<b>4,539,913</b>	<b>7.2</b>
<b>Nominee registered shares</b>	<b>30,835,513</b>	<b>48.7</b>
<b>Other shareholders</b>	<b>13,634,109</b>	<b>21.5</b>
<b>Total number of shares</b>	<b>63,272,342</b>	<b>100.0</b>

\*) Konecranes Plc has on December 28, 2011 received information according to which the Chairman of the company's Board of Directors Stig Gustavson has donated all the shares he at time owned in Konecranes Plc to his near relatives retaining himself for life the voting rights and right to dividend attached to the donated shares. The donation encompassed in total 2,069,778 shares.

Market cap EUR 1,345.0 million excluding treasury shares



## Trading information

- Listing: Nasdaq Helsinki
- Date of listing: March 27, 1996
- Segment: Large Cap
- Sector: Industrials
- Trading code: KCR1V
- 1-12/15 average daily trading volume 226,922 shares, EUR 6.3 million

# CONTACT INFORMATION

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