

REVIEW BY THE CEO

AGM March 23, 2017
Panu Routila



AGENDA

- 2016 summary
- MHPS acquisition
- Outlook





2016 SUMMARY



MAJOR MILESTONES OF 2016

- 1** Transformation of the merger of equals with Terex Corporation to acquisition of Terex's Material Handling & Port Solutions (MHPS) business
- 2** Replacing the matrix organization with a line organization to improve clarity and to be prepared for the integration of MHPS
- 3** Lowering of fixed costs, cost savings of more than EUR 30 million leading to clear profitability improvement in both business areas
- 4** Customer focus retained, largest ever order in Konecranes' history received
- 5** Antitrust reviews, other legal proceedings and divestment of STAHL CraneSystems successfully executed to complete the MHPS acquisition in early 2017 as planned

We begin 2017 – and a new era – more agile, more focused, and with greater potential than ever to deliver strong results for all our stakeholders.

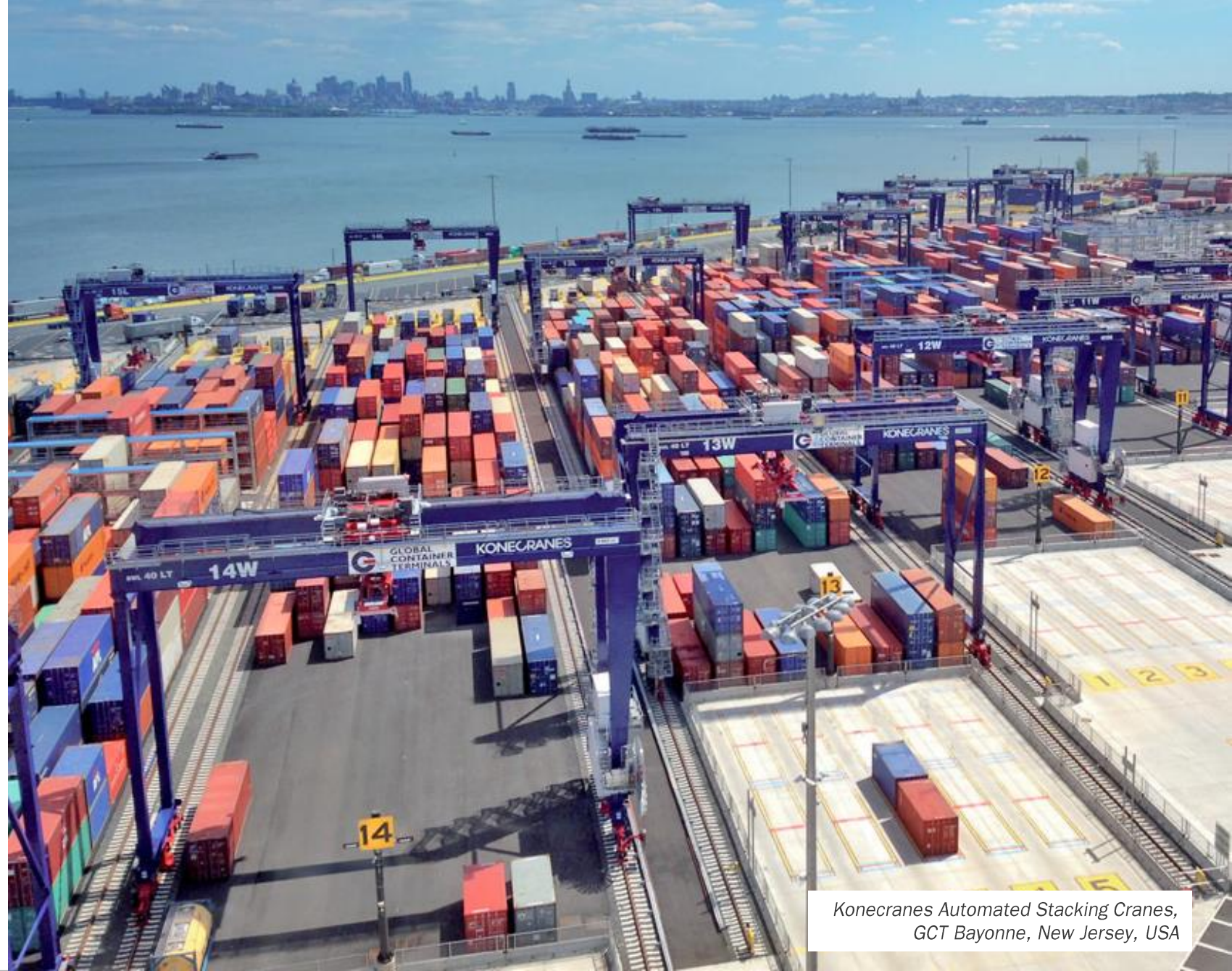
KEY FIGURES

KEY FIGURES	2016	2015	Chg %	Chg % FX adj.
Orders received, MEUR	1,920.7	1,965.5	-2.3	-0.9
Order book at end of period, MEUR	1,038.0	1,036.5	+0.1	-0.2
Sales, MEUR	2,118.4	2,126.2	-0.4	+1.1
Adj. EBITDA*, MEUR	191.6	166.5	+15.1	
Adj. EBITDA*, %	9.0	7.8		
Adj. Operating profit (EBIT)*, MEUR	140.8	117.7	+19.6	
Adj. Operating margin (EBIT)*, %	6.6	5.5		
Adjustments*, MEUR	-55.9	-54.7		
Operating profit (EBIT), MEUR	84.9	63.0	+34.6	
Operating margin (EBIT), %	4.0	3.0		
EPS, basic, EUR	0.64	0.53	+21.7	
Free cash flow, MEUR	83.9	-1.4		

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

MAJOR ORDER RECEIVED IN 2016

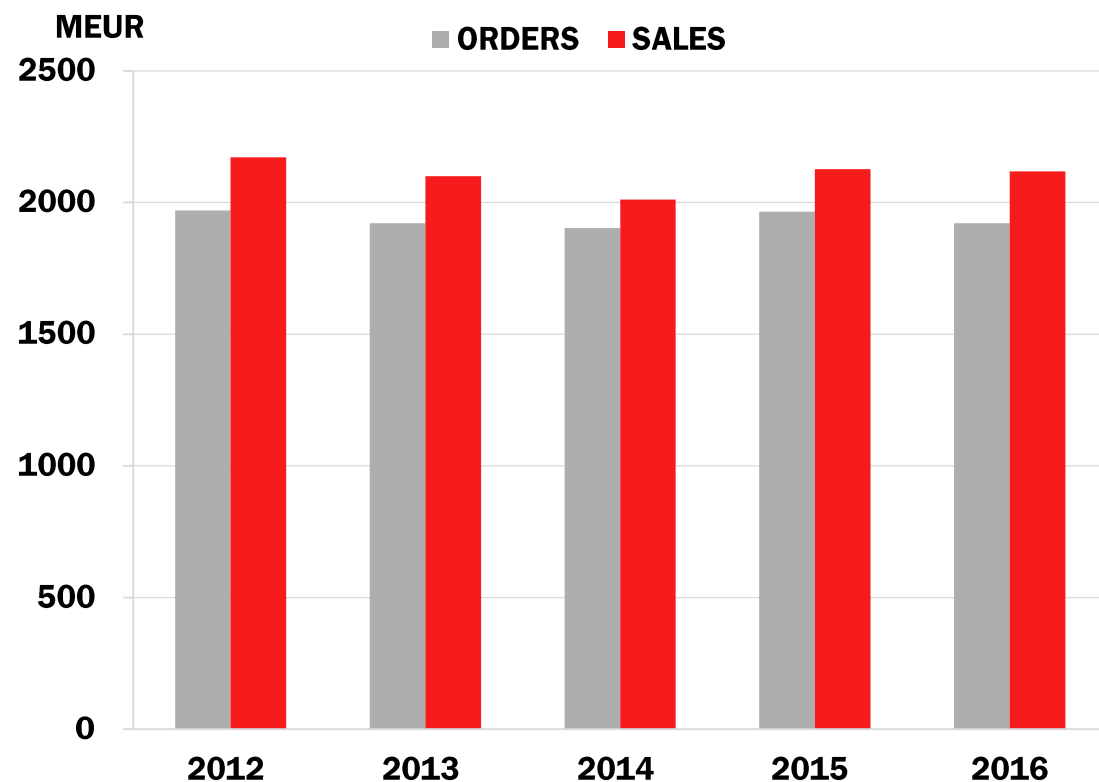
- Total 86 Automated Stacking Cranes (ASCs)
- Value of deal over EUR 200 million, largest in Konecranes' history
- First contract for 60 ASCs for Norfolk International Terminals
- Second contract for 26 ASCs for Virginia International Gateway
- Deliveries 2018-2020



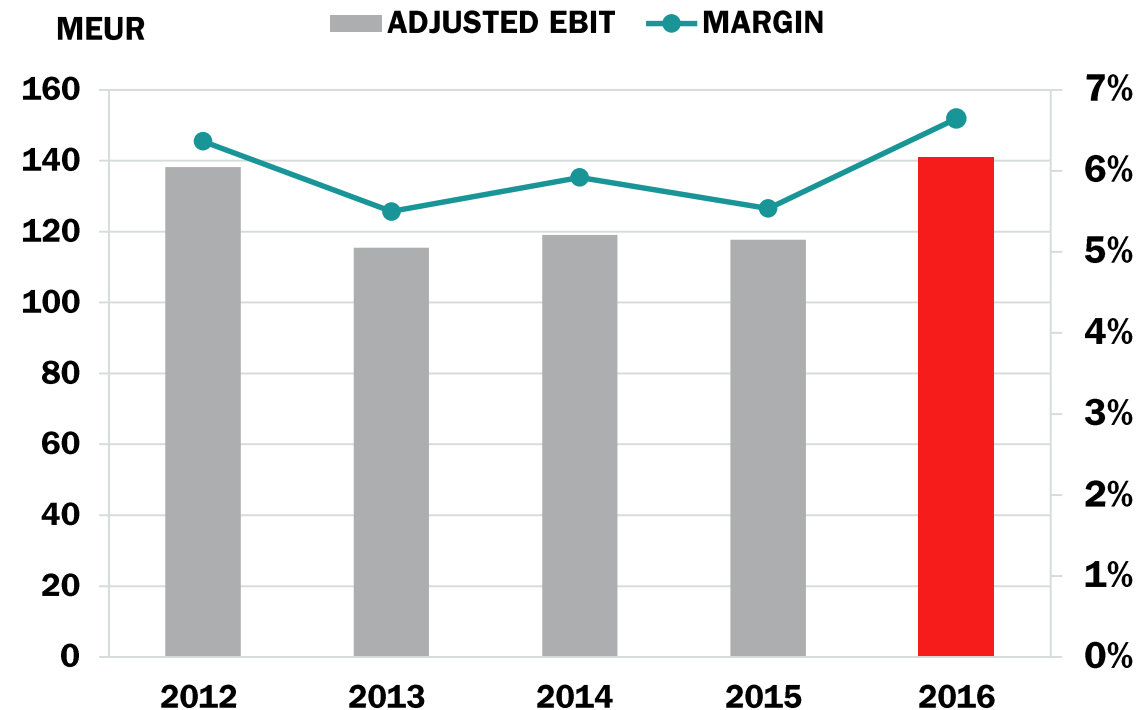
*Konecranes Automated Stacking Cranes,
GCT Bayonne, New Jersey, USA*

ORDERS AND SALES RELATIVELY UNCHANGED, ADJUSTED OPERATING PROFIT IMPROVED IN 2016

Order intake and sales

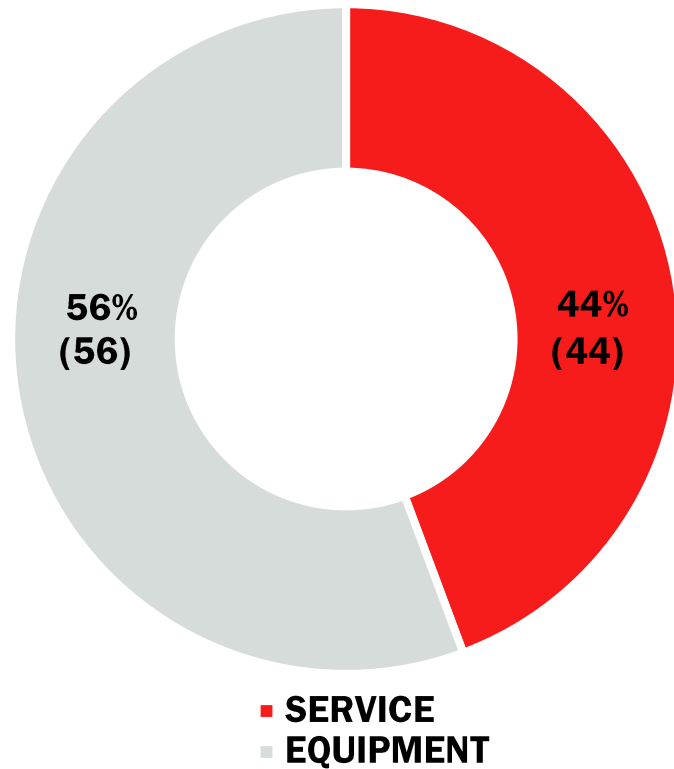


Adjusted operating profit

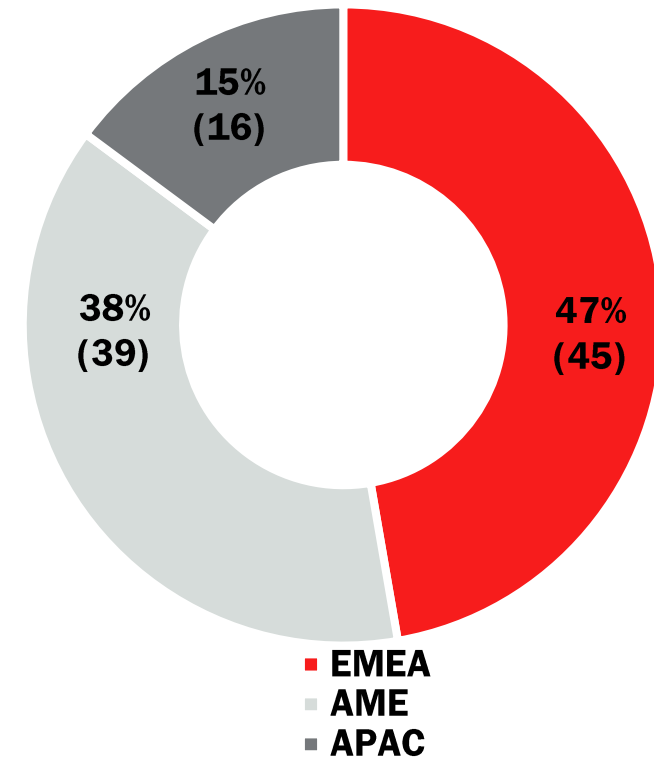


SALES SPLIT BY BUSINESS AREA AND REGION

Sales by business area in 2016

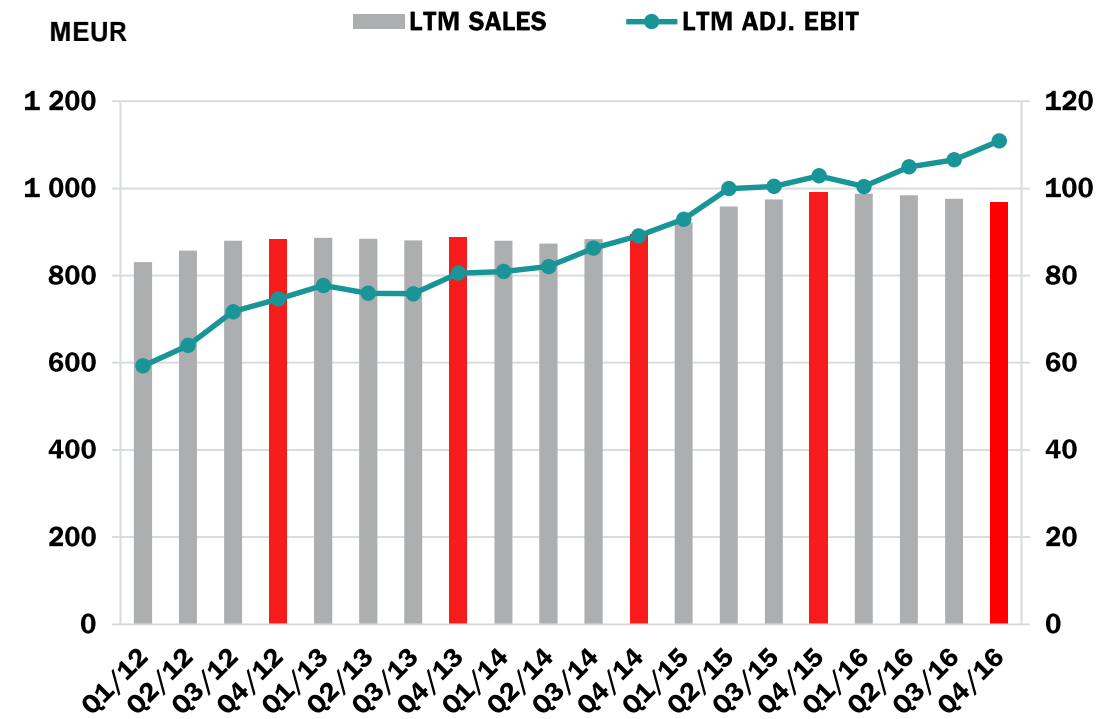


Sales by region in 2016

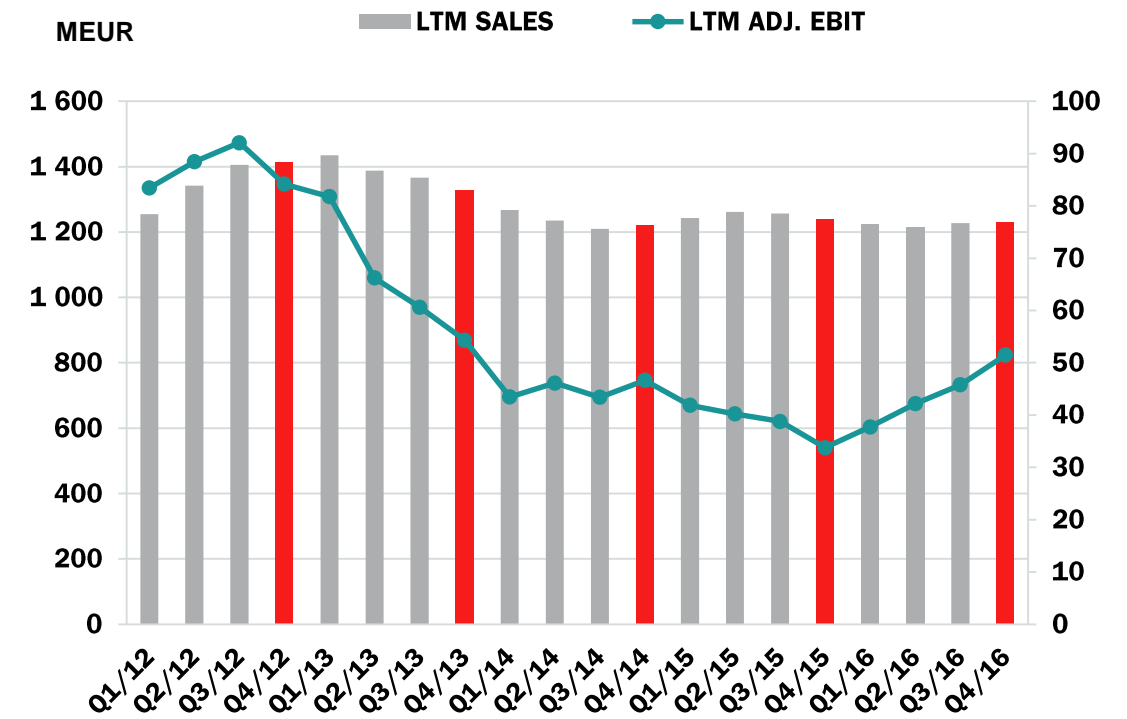


FIVE YEARS OF IMPROVING PROFITABILITY IN SERVICE; TURNAROUND IN EQUIPMENT PROFITABILITY

Business Area Service

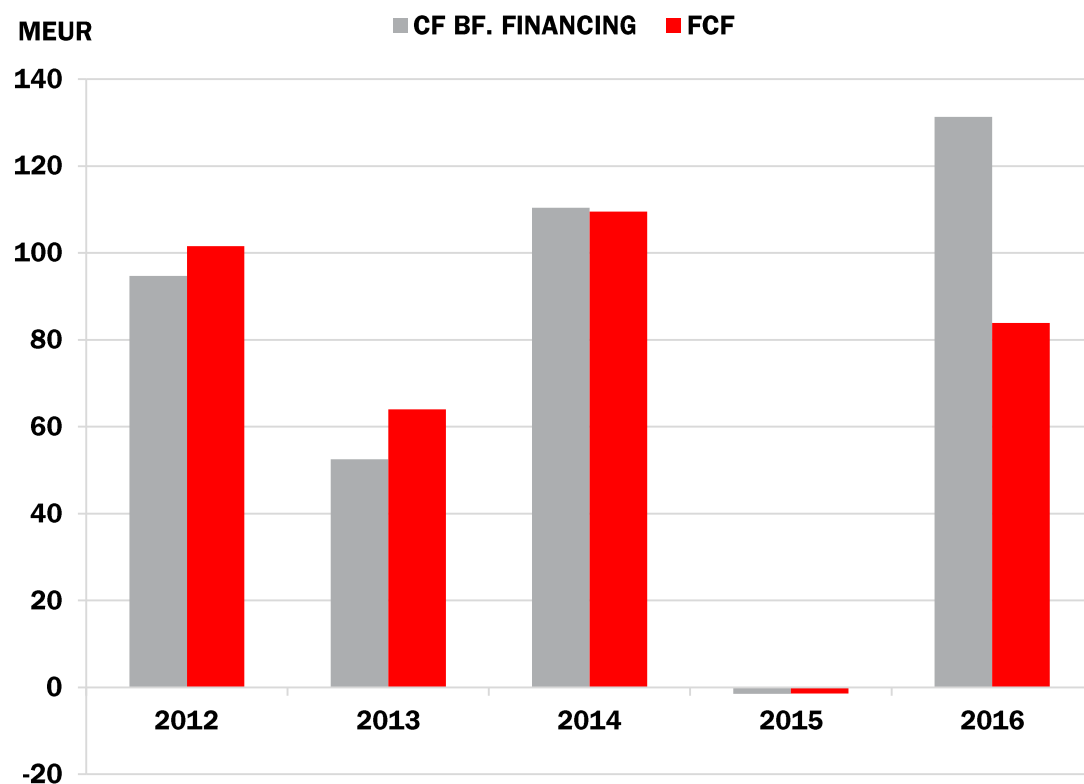


Business Area Equipment

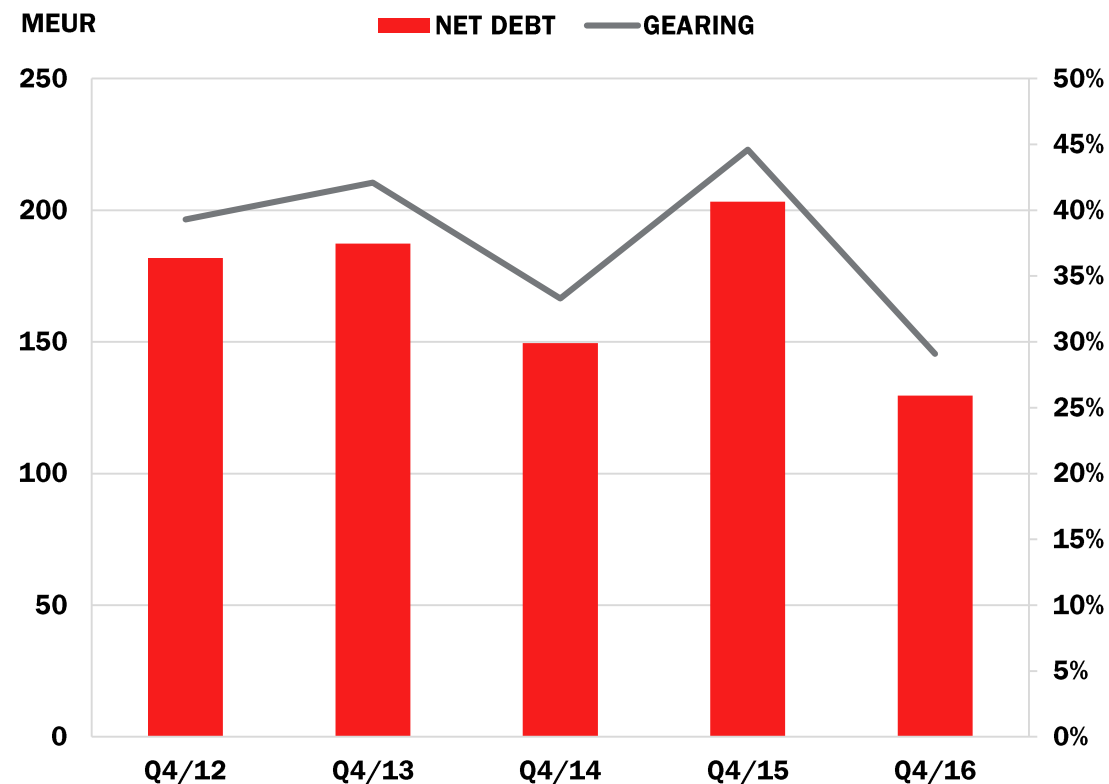


IMPROVED CASH FLOW AND NET DEBT MADE US WELL PREPARED FOR THE MHPS ACQUISITION

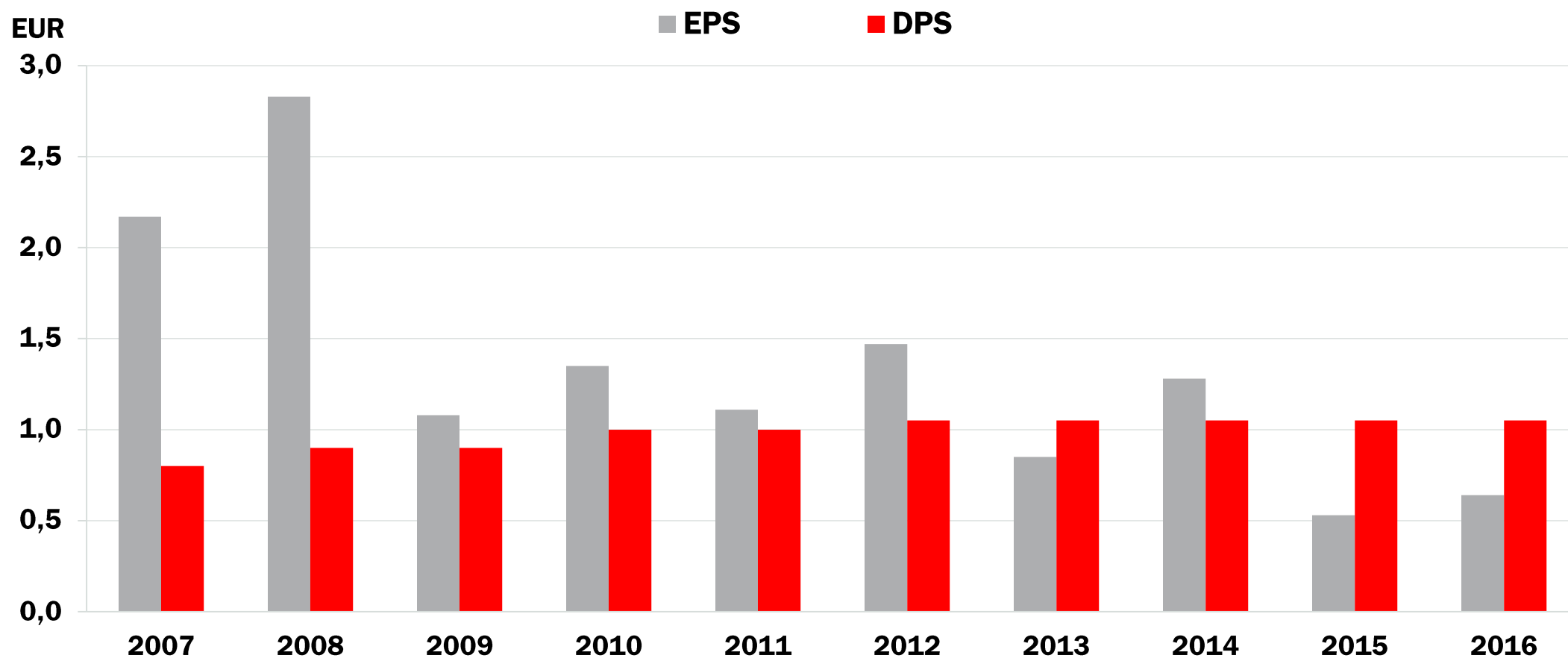
Cash flow



Net debt and gearing



BOARD PROPOSED A STABLE DIVIDEND; EPS BURDENED BY RESTRUCTURING AND TRANSACTIONS COSTS IN 2015-2016



DPS 2016 is Board's proposal to the AGM

MHPS ACQUISITION





MHPS ACQUISITION COMPLETED ON JANUARY 4, 2017

- A focused global leader in industrial lifting and port solutions created
- Synergies of EUR 140 million p.a. targeted at EBIT level, to be implemented within 3 years
- The consideration for the MHPS business was USD 595 million and EUR 200 million in cash and 19,600,000 new class B shares¹
- In 2016, MHPS' sales totaled USD 1,418 million and its adjusted EBITDA was USD 104 million²

¹ Terex currently holds 12,150,000 Class B shares in Konecranes

² See stock exchange release dated Feb 13, 2017 for definitions

STAHL CRANESYSTEMS DIVESTMENT

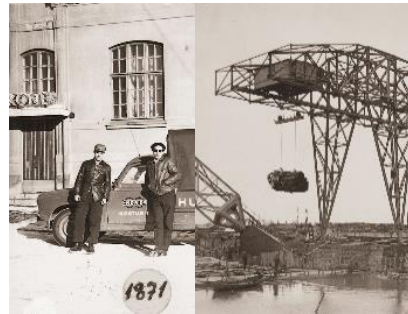
- STAHL CraneSystems divestment was completed on January 31, 2017
- Final selling price approx. EUR 224 million
- Konecranes expects to book an after-tax capital gain of approximately EUR 200 million in the first quarter of 2017
- Proceeds from the divestment have been used to amortize loans related to the MHPS acquisition
- In 2016, STAHL CraneSystems' sales outside the Konecranes Group totaled approximately EUR 130 million and its EBITDA was approximately EUR 26 million



ABOUT KONECRANES AND MHPS

Konecranes

- Sales of €2.1bn
- Around 11,000 employees worldwide



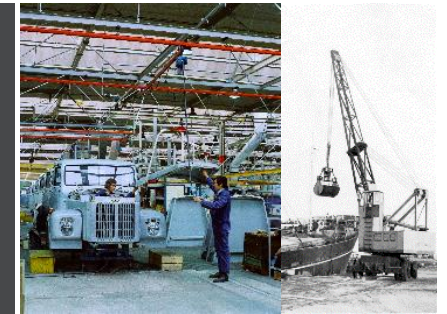
Over 100 years of strong organic and acquisition-based growth, which all started when KONE Corporation was founded in 1910:

- **1933** – KONE commences crane production
- **1930s/40s** – Product range starts to include hoists and harbor cranes
- **1980s** – Internationalization efforts gather pace with US expansion
- **1994** – KCI Konecranes is spun off from KONE

Note: Based on 2016 figures.

MHPS

- Sales of €1.3bn
- Around 7,000 employees worldwide



Almost 200 years of German-origin engineering heritage and expertise:

- **1819** – First operations in Wetter of company that becomes Demag in 1910
- **1824** – Noell commences operations in Würzburg
- **1906** – Gottwald Port Technology is founded in Düsseldorf
- **2011** – Former Mannesmann Demag acquired by Terex after several changes in ownership

STRATEGIC RATIONALE: A VERY COMPLEMENTARY COMBINATION OF STRENGTHS

Combines a highly **complementary** set of products

Strengthens our service offering on a much wider scale

Creates a truly **global footprint**, so we can serve our customers globally

Creates a stronger basis for future **technology development** and continued dedication to R&D

Can reach **scale benefits and efficiencies** that will allow us to become world class

Allows for **IT infrastructure** to be leveraged, improving our processes worldwide

UNMATCHED CUSTOMER OFFERING IN SERVICE, INDUSTRIAL EQUIPMENT AND PORT SOLUTIONS

Service



Industrial Equipment



Port Solutions



FAMILY OF LEADING BRANDS

Service & Industrial Equipment

KONECRANES®
DEMAG


Power Brands

SWF
KRANTECHNIK

R&M
MATERIALS
HANDLING
INC.

 **VERLINDE**
LIFTING EQUIPMENT

MORRIS
CRANE SYSTEMS

 **donati**

Port Solutions

KONECRANES®

KONECRANES® | GOTTWALD

KONECRANES® | NOELL

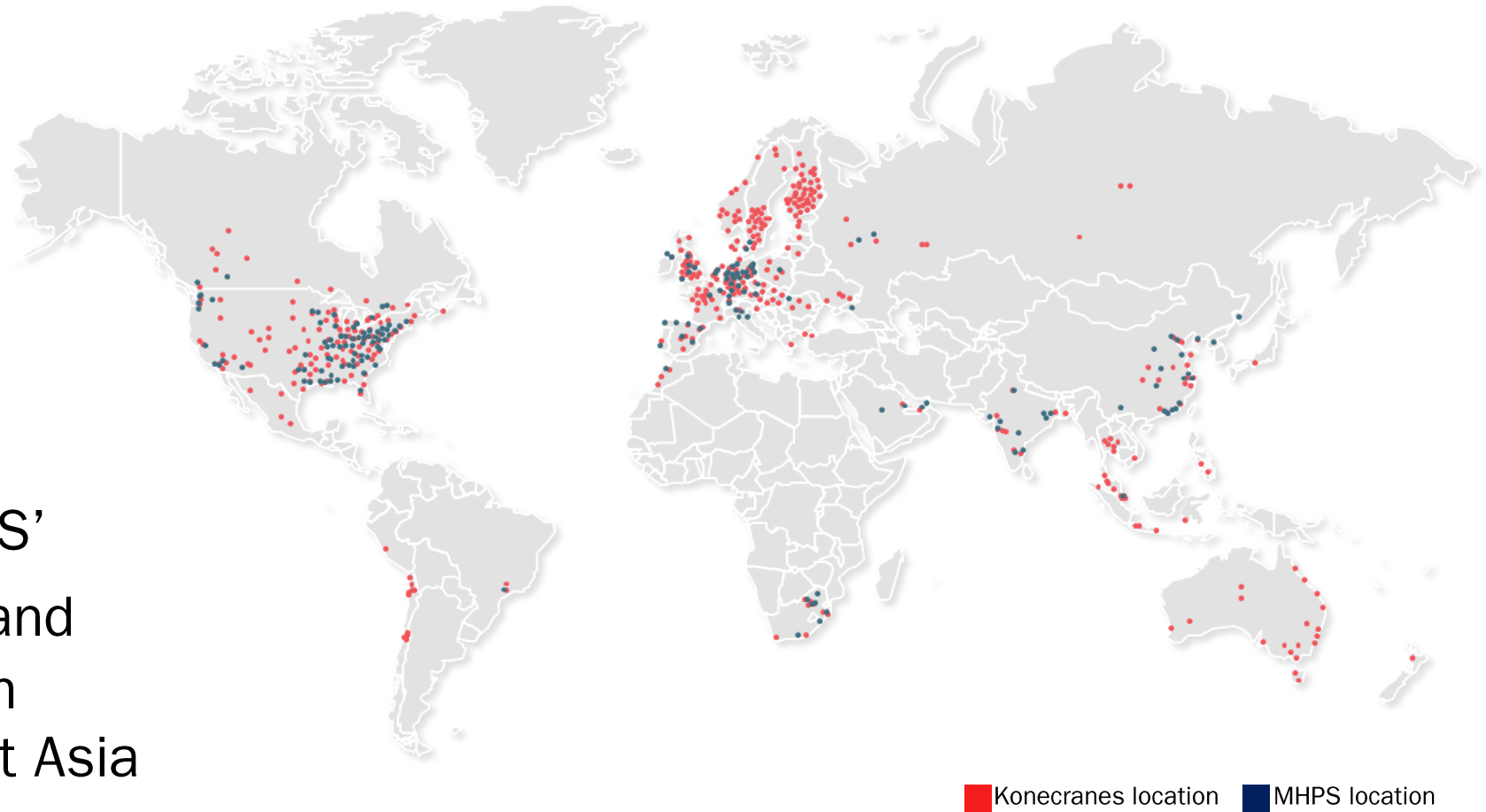
KONECRANES® | LIFTACE

A GLOBAL COMPANY

50 countries

18,000 employees

Konecranes' **basis** in Northern Europe, North America and China complemented by MHPS' **strength** in Central and Southern Europe, South America and South-East Asia



Note: Joint Venture locations not visible on the map.

INTEGRATION OF DEMAG AND PORT SOLUTIONS PROCEEDING AS PLANNED

Main achievements

- Day 1 organization in place
- Solid integration plans outlined and governance model in place

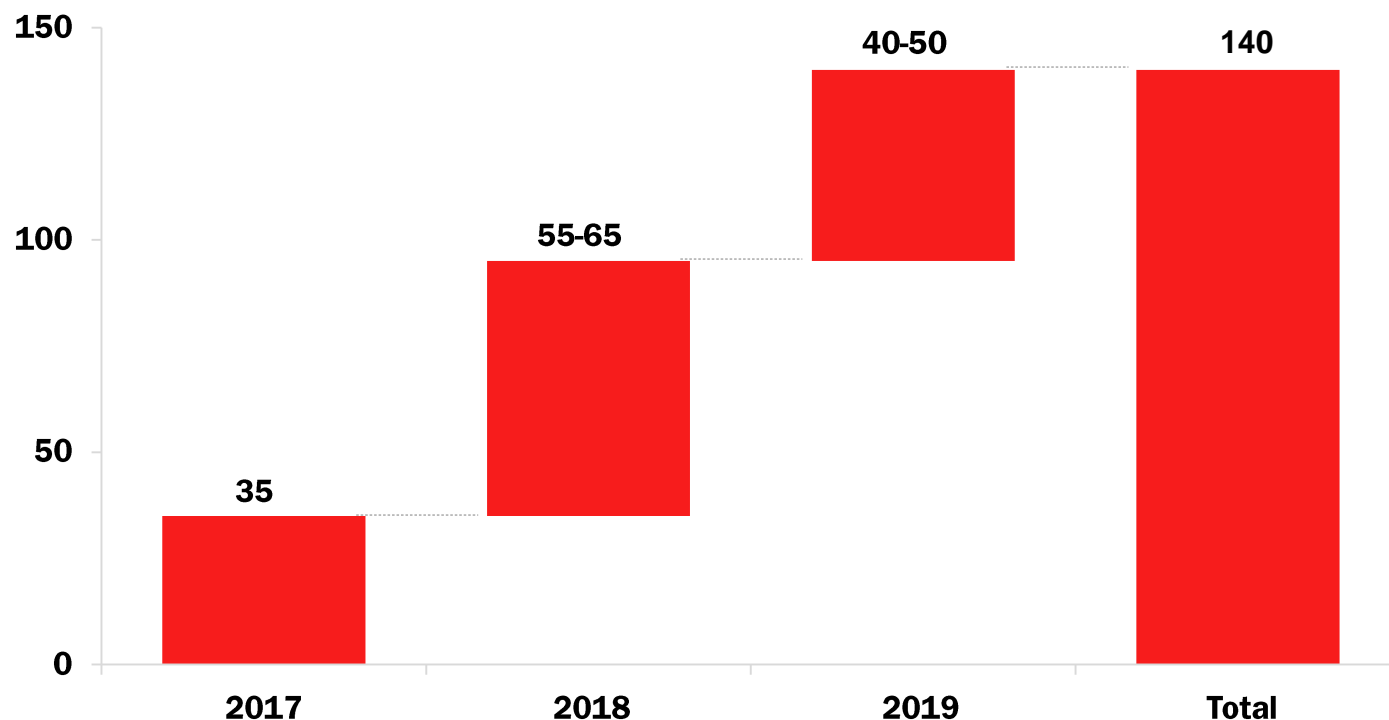
Next steps

- Integration plan detailing ongoing
- Select quick-win actions already initiated, continue chasing them
- Launch implementation for other 2017 integration actions
- Continue focusing on our customers

Information contained in this document does not imply that decisions have been made to take specific action.
Any decisions/implementation actions will take place within the required social and legal processes.

SYNERGY STATUS: EUR140M WITHIN THREE YEARS FROM CLOSING

Synergy at EBIT level, run-rate impact at end of year (EURm)



~EUR130M of one-time restructuring cost and ~EUR60M capex expected 2017-2019

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SYNERGY SOURCES: RANGE OF CONCRETE LEVERS IDENTIFIED

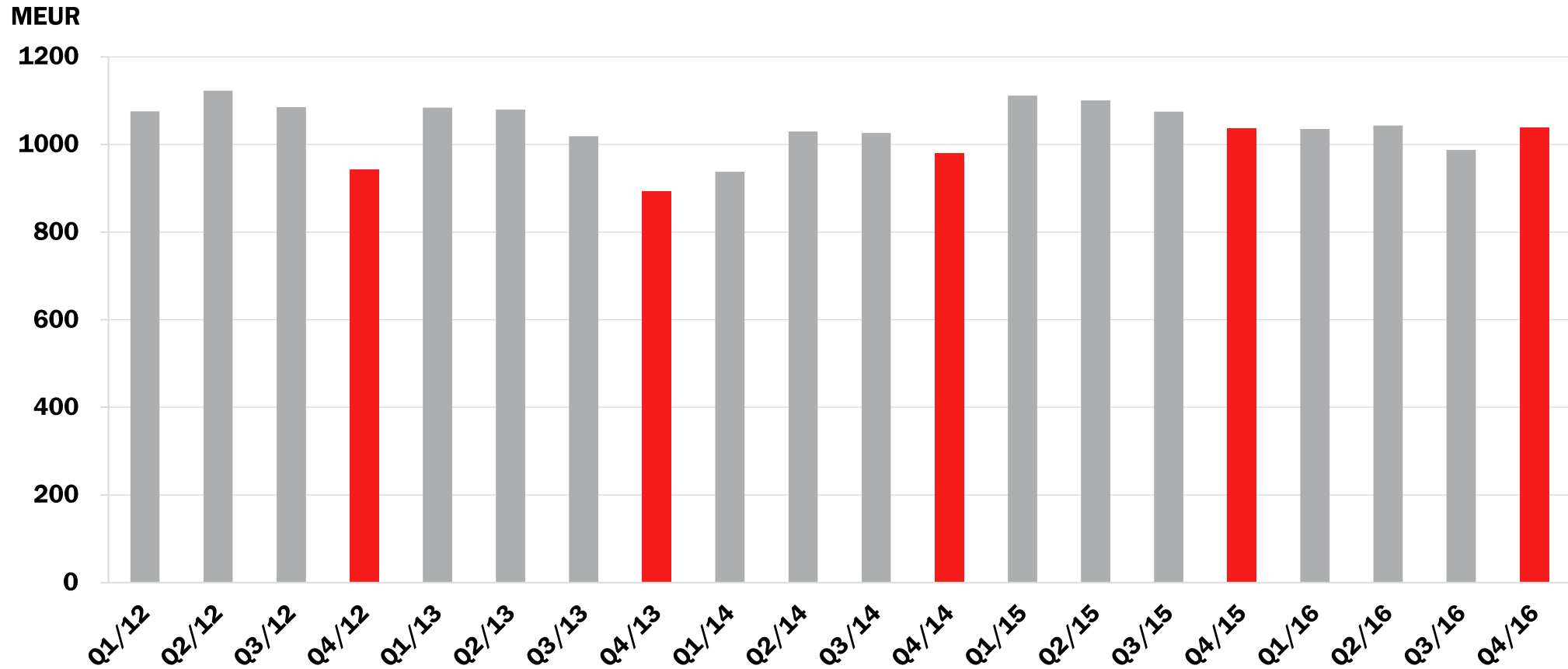
	Examples of levers	Initial synergy estimate
Commercial	<ul style="list-style-type: none"> • Go-to-market and sales channel optimization • Combined product portfolio optimization and cross-sales 	~ 15 - 25 M€
Technology and product platforms	<ul style="list-style-type: none"> • Product platform and module harmonization • Technology and R&D portfolio and footprint optimization 	~ 20 - 30 M€
Manufacturing operations	<ul style="list-style-type: none"> • Manufacturing footprint and capacity utilization optimization • In- and out-sourcing for cost and quality gains • Global supplier network optimization, scale and harmonization • Efficiency gains through roll-out of lean production best practices 	~ 50 - 70 M€
Service operations	<ul style="list-style-type: none"> • Branch network consolidation, addressing overlaps • Spare parts distribution center and network optimization 	~ 15 - 20 M€
Organization and support	<ul style="list-style-type: none"> • Mgmt and backoffice scale, organization structure optimization • IT: infra, support, HW and business application harmonization 	~ 15 - 20 M€

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OUTLOOK

ORDER BOOK STABLE, BUT WITH A LONGER LEAD TIME



MARKET OUTLOOK AND FINANCIAL GUIDANCE

Market outlook

- Customers are cautious about investing due to modest volume growth in manufacturing and process industries, as well as container handling.
- The companies operating in emerging and commodity markets are particularly under pressure to save costs.
- The demand situation in Europe and North America is mixed.
- Low growth in global container throughput has led to a slow decision-making among container terminal operators.
- The quarterly Equipment order intake may fluctuate due to the timing of the large port crane projects.

Financial guidance

- Due to the very recent acquisition of the Terex's MHPS business, Konecranes believes that it is not appropriate to provide financial guidance for the new combined business at the present time and intends to provide financial guidance in conjunction with its Interim Report January-March 2017.

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

GROWTH

- Customer experience

PROFITABILITY

- Realizing potential

TECHNOLOGY

- Engineering capabilities

PEOPLE

- Lifting people



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