

BUILDING THE NEXT GENERATION LIFTING BUSINESS

CMD | Düsseldorf | Dec 14, 2017
Panu Routila President and CEO



AGENDA

- 1** Konecranes today
- 2** Successes in strategic initiatives
- 3** Focus areas for the next years
- 4** New financial targets



**KONECRANES
TODAY**

KONECRANES' JOURNEY TOWARDS AN INDUSTRY SHAPER

Trailblazer - 2005

Trailblazer with a unique service strategy and competitive products, consolidator in developed markets to become a key player in the industry

Visionary 2005 - 2015

From a company with a strong market position to a **visionary player** with high investments in technology products, digital services, processes and emerging markets

Shaping 2015 -

Becoming an **industry shaper** by strengthening the position as an industry leader, changing the market dynamics and fundamentally redefining the operating model

KONECRANES TODAY

Focused global leader in industrial lifting and port solutions

Strong basis for future **technology development** and continued dedication to R&D

Strong service offering on a much wider scale than ever before

Scale benefits and efficiencies that will allow us to become world-class

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

Modern **IT infrastructure** to be leveraged, improving our processes worldwide

**GREAT BUILDING
BLOCKS FOR
CREATING
FURTHER
SHAREHOLDER
VALUE**

MAJOR ACHIEVEMENTS IN 2017

- MHPS acquisition and STAHL CraneSystems divestment successfully completed in January 2017
- Customer focus maintained, day-to-day operations not distracted
 - First signs of cross-promoting the expanded product offering boosting Port Solutions order intake
- Fully-fledged integration program set up
 - 400 initiatives with 3,000 actions planned with rigorous system for follow-up
- Restructuring actions of 2016 and MHPS synergy benefits improving profitability as expected
- Strong cash flow and successful net working capital management enabling refinancing of acquisition debt at attractive rates

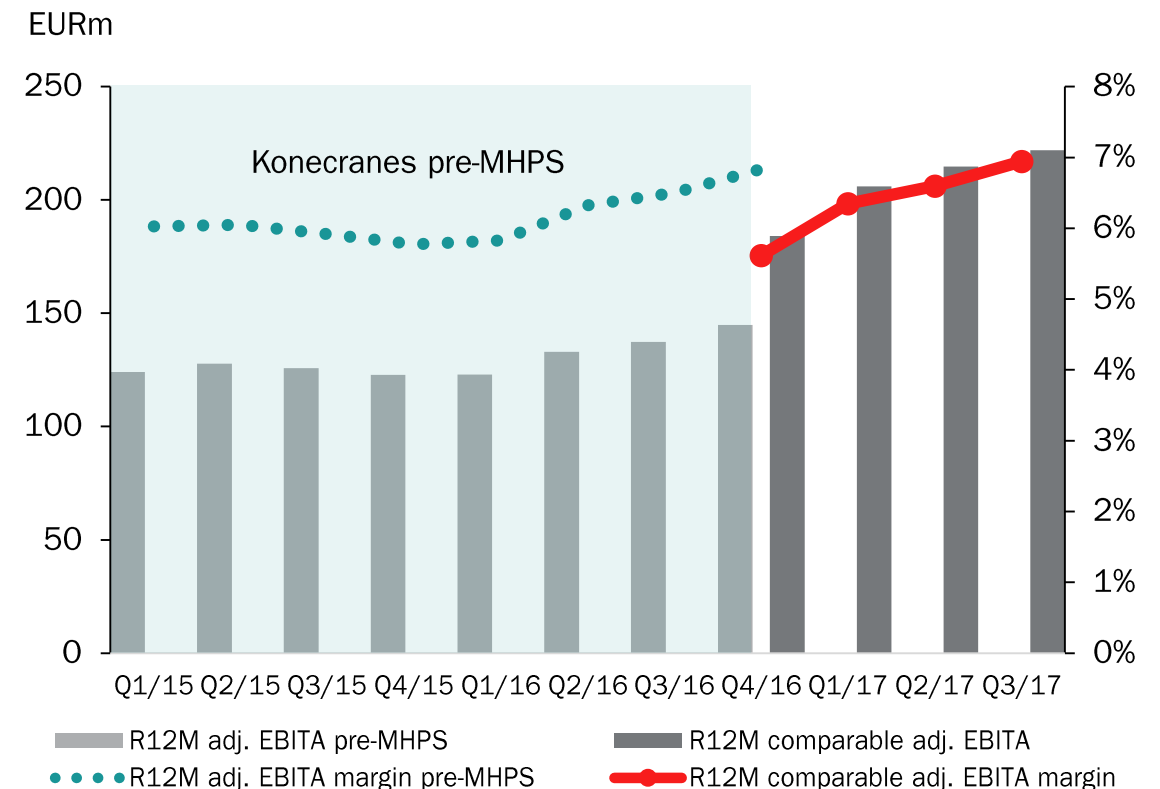


YTD 2017 FINANCIAL HIGHLIGHTS

Comparison to combined company figures

- Adj. EBITA increased by EUR38m, adj. EBITA margin by 1.9 percentage points on a year-on-year basis in January-September 2017
 - Clear adj. EBITA margin improvement in all business areas
- Order intake grew 8.1 percent year-on-year
 - In Port Solutions, orders grew for most of the product lines
 - Prioritizing focus on laying the foundation for the combined operations; order intake in Business Area Service and Business Area Industrial Equipment was slightly lower than a year ago

R12M adjusted EBITA



2017 FINANCIAL GUIDANCE AND BUILDING BLOCKS FOR 2018

Financial guidance for 2017

- The sales in 2017 are expected to be lower than the comparable combined company sales in 2016 (EUR 3,278 million).
- We expect the adjusted EBITA to total EUR 205-225 million in 2017 (comparable combined company's adjusted EBITA was EUR 184 million in 2016).

The comparable combined company's operations comprise Konecranes' operations without the divested STAHL CraneSystems business, but include the acquired MHPS business. See the stock exchange releases published on April 10, 2017 and April 13, 2017 for further financial information including the basis of preparation for comparable combined company.

Building blocks for 2018

- Combined order book up 27 percent year-on-year in Business Area Port Solutions at end-Q3/17
- Incremental MHPS acquisition-related synergy benefits of EUR40-50m in P&L in 2018
- Savings of EUR12m expected in net interests in 2018
- Negative impact from transaction and translation exposure mainly related to EUR/USD



SUCCESSES IN STRATEGIC INITIATIVES

KONECRANES' INDUSTRIAL INTERNET PORTFOLIO



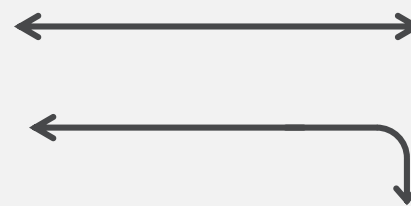
Crane operation and maintenance: transparency and recommendations to customer

Cranes with on-board data acquisition and KPI calculation capabilities



yourKONECRANES.com

Connected Sales



Connected R&D



Connected service technician



Dedicated, secured Konecranes data storage with analytics



Remote Center



GOOD COVERAGE OF NEW IT SYSTEMS AND PROCESSES, NOW EXPANDED TO COVER MHPS TOO

PRODUCT DATA



DOCUMENTS



We have streamlined our way of working and modernized our information systems to boost productivity and lower operational costs

SERVICE DATA



CUSTOMER DATA



- 360° view on our customers
- Real-time visibility to supply and demand
- Improved punctuality, quality and lead times
- Higher scalability, lower transaction cost

SUPPLY AND FINANCIAL DATA



PERSONNEL DATA



Overall target is to achieve higher profitability

■ Completion rate of the new 1KC IT system

■ Target coverage of the new 1KC IT system

FOCUS AREAS FOR THE NEXT YEARS



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

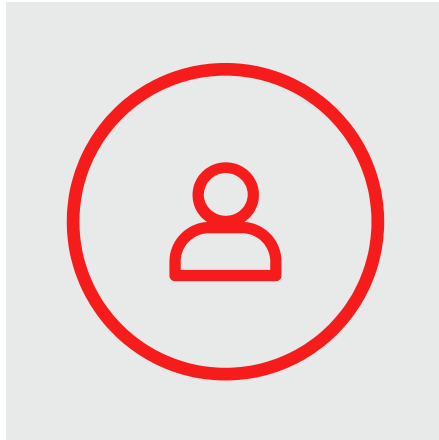
Growth Performance:
**CUSTOMER
EXPERIENCE**

Profitability performance:
**REALIZING FULL
POTENTIAL**

Technology performance:
**ENGINEERING
CAPABILITIES**

People performance:
**LIFTING
PEOPLE**

KONECRANES' CUSTOMER-CENTRIC APPROACH



- Improves customer cumulative experiences across multiple touchpoints
- Clarity and simplicity in the sales inquiry and order interface
- Professional and timely communications with the customer
- Fast order handling and punctual delivery
- Global service network with solid response time
- Lifecycle Care that results in highest lifecycle value



konecranes.com

Website



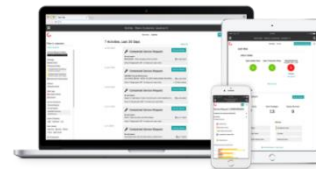
craneadvisor.konecranes.com

Online Crane Selection Tool



TRUCONNECT®

Remote Services



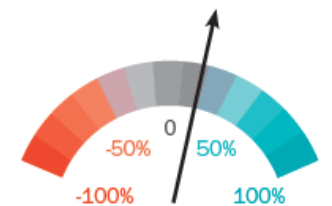
yourkonecranes.com

Customer Portal



store.konecranes.com

E-commerce



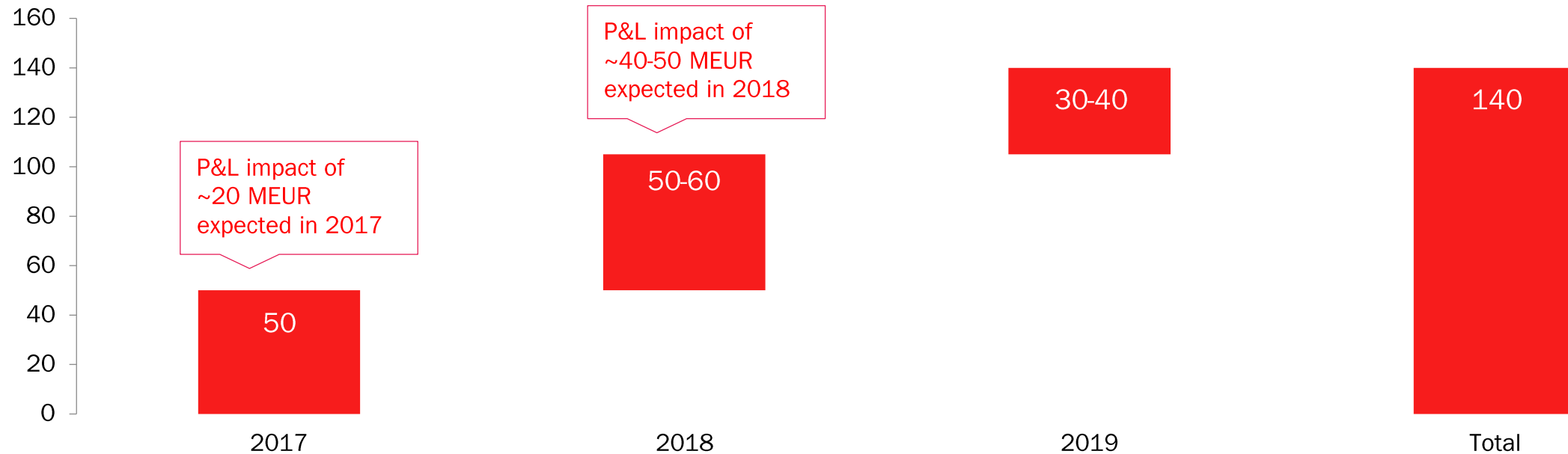
Voice of Customer

Customer advocacy and satisfaction survey

INTEGRATION OF MHPS PROCEEDING FASTER THAN ORIGINALLY PLANNED



Estimated cost synergy at EBIT level, run-rate impact at end of year (MEUR)



GOOD PROGRESS ACROSS ALL SYNERGY SOURCES



REALIZING FULL POTENTIAL

| Levers | Achievements | Degree of completion (at year end '17) | Next steps in 2018 | Synergy estimate |
|---|---|---|---|-----------------------|
| Commercial operations | <ul style="list-style-type: none"> New go-to-market model for IE and Service being implemented New product portfolio defined | | <ul style="list-style-type: none"> Finalize go-to-market model implementation and product portfolio updates | ~ 15 - 25 MEUR |
| Technology and product platforms | <ul style="list-style-type: none"> Product platform design well under way Module harmonization design largely done, moving into implementation planning | | <ul style="list-style-type: none"> Finalize product platform harmonization design Implement module harmonization | ~ 20 - 30 MEUR |
| Manufacturing operations | <ul style="list-style-type: none"> Closure of 9 production facilities announced and being implemented Overall manufacturing and supplier network optimization plans progressing well and in line with original plan | | <ul style="list-style-type: none"> Finalize announced plant closures and implement further rationalizations Realize supplier network optimization | ~ 50 - 70 MEUR |
| Service operations | <ul style="list-style-type: none"> US branch network consolidation mostly implemented and spare parts network optimization plan well underway | | <ul style="list-style-type: none"> Finalize branch network consolidations in EMEA & APAC Integrate service platform + offering | ~ 15 - 20 MEUR |
| Organization, staff resourcing and support | <ul style="list-style-type: none"> Moved into target management structure, incl. selected staff function right-sizing Detailed support function cost savings Indirect cost saving quick wins realized | | <ul style="list-style-type: none"> Implement planned support function cost savings | ~ 15 - 20 MEUR |
| Total | | | | 140 MEUR |

SYNERGIES BY BUSINESS AREA

REALIZING FULL
POTENTIAL



- **Industrial Equipment**
 - Manufacturing operations
 - Technology & product platforms
 - Commercial operations
- **Port Solutions**
 - Manufacturing operations
 - Organization, staff resourcing & support
 - Commercial operations
- **Service**
 - Service operations
 - Commercial operations
- **HQ and Other**
 - Organization, staff resourcing & support



SHARED COMMON KEY COMPONENTS ACROSS PRODUCTS ENABLES SCALE BENEFITS



CORE OF LIFTING

Integrated package of gearbox, motor and controls that is designed and made by Konecranes in-house specifically for cranes and lifting motions

We design the key components, the software and the interaction between them, specifically for lifting

- ~1500** Issued patents
- ~900** Pending patents

- Solution synergy across the equipment
- High-volume manufacturing
- Root cause based troubleshooting

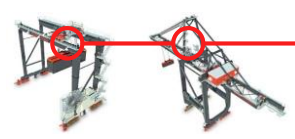


- Global pool of lifting expertise across industries

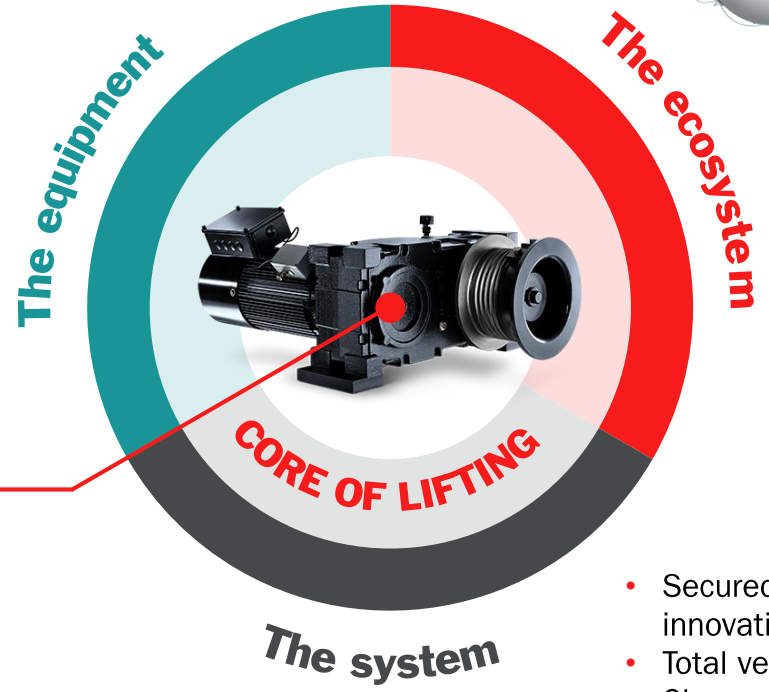
INDUSTRIAL EQUIPMENT



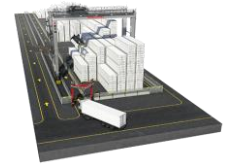
PORT SOLUTIONS



SERVICE



- Secured base for innovations
- Total vertical view
- Clear responsibility



INDUSTRIAL INTERNET – THE WAY FORWARD

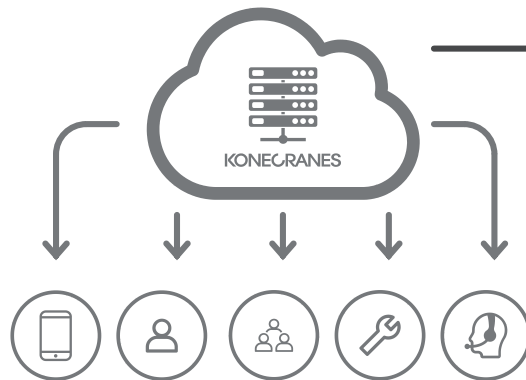


**Industry 4.0
ready**

**Situational analytics
and information**

Micro services / sales

Autonomous operation



**Customer's
systems (ERP etc.)**

Device operations
integrating to mill wide
operation execution
systems



**Open interfaces to
external, third-party
information and
operational ecosystem**



- Intelligence will expand to lighter devices from heavy process equipment
- Economies of scale due to implementing the same technologies over product portfolio. Offers unified insights to customers fleet
- New software based offering

SMART DIGITAL SAFETY FEATURES



SAFETY IS AN INTEGRAL PART OF OUR BUSINESS

- We provide value to our customers by lifting their safety performance
- Safety is a key element of the Konecranes brands
- Safety is fully integrated into our processes, operations and culture
- Ergonomic and safe user interfaces



SAFETY IS SMART AND DIGITAL

- Utilizing smart features and real-time visibility to our customers' equipment to make their operations safer
- Using predictive safety analytics in decision-making
- Improving own operational safety by utilizing technology, e.g. Point of Work Risk Assessment, digital reporting tools and wearable sensors

Selected smart features



SWAY CONTROL AND ACTIVE SWAY CONTROL



VIRTUAL PROTECTED AREAS AND WORKING LIMITS



SHOCK LOAD PREVENTION



HOOK CENTERING

TRAINING FOCUSED ON EXPERTISE, LEADERSHIP AND CHANGE MANAGEMENT



EXPERTISE

- One of our key strengths is unmatched competence of the field force, sales and engineering
- Alone during the first year, service technicians participate in more than 21 days of training
- Significant investments in engineering and sales management training, participation followed through a learning management system with more than 15,000 active users

LEADERSHIP AND INTEGRATION

- Integrated leadership trainings in all levels of the organization
- Strategy session for top 40 executives at top business school in 2017
- More than 80 senior leaders have completed common leadership training focusing on culture and high performance in 2017

CHANGE MANAGEMENT

- Increased change management capabilities through hands on change management trainings
- More than 450 managers trained with Konecranes' change management platform in 2017

SECURING TOMORROW'S PERFORMANCE

OPERATING RESPONSIBLY TO ENSURE LONG-TERM PROFITABILITY

RISK MITIGATION

- Compliance and business integrity
- Minimizing negative environmental and social impacts
- Ensuring our employees and customer's safety

BUSINESS OPPORTUNITIES

- Circular economy business model
- Energy and resource efficiency in operations
- Safety and eco-efficient product offering
- Diversity





NEW FINANCIAL TARGETS

TRUCONNECT - Demo Customer, Location 1

Start Date: Select Date End Date: Select Date [View Service Request](#) [TRUCONNECT Report](#)

TRUCONNECT® - Last 30 Days Summary

| | | |
|--|--|--|
| Condition Host Brake Service Life HOIST A During service: 0.0% View Condition | Alerts Emergency Stops HOIST A View Alerts | Operating Statistics 3,000 Starts 100% View Operating Statistics |
|--|--|--|

Summary widget provides overall asset operation from each main monitoring area, which are Condition, Alerts, warning statistics and production.
[View TRUCONNECT Reports](#)

[Learn more about Summary](#)

Condition #

| | |
|------------|---|
| Host | ▼ |
| Host Brake | ▼ |

[Learn more about Condition](#)

POST-INTEGRATION FINANCIAL TARGETS

PREVIOUS FINANCIAL TARGETS

Growth

Vision to reach a global market share of 30%

Profitability

10% EBIT margin over the cycle

Capital structure

Optimal net interest-bearing debt/equity ratio 50-80%

LATEST OUTCOME

Clear #1 in industrial cranes & components and related service, a leading supplier of container handling equipment

R12M adj. EBITA margin 6.9%
R12M adj. EBIT margin 5.6%

Q3/17 net interest-bearing debt/equity ratio 45%

NEW FINANCIAL TARGETS

Group sales growth (CAGR) 5% in 2018-2020

Group adjusted EBITA margin 11% in 2020

Net interest-bearing debt/equity ratio <80%

DILIGENT EXECUTION OF SYNERGY PLANS CREATE THE FOUNDATION FOR PERFORMANCE AND GROWTH

FINANCIAL TARGETS

GROUP SALES GROWTH (CAGR) 5% IN 2018-2020

- Sales growth to be led by:
- Business Area Service
 - New growth opportunities created by MHPS' large installed base
 - Digital business transformation
 - Business Area Port Solutions
 - Cross-promotion of the enlarged offering
 - Opportunities in automation and software

GROUP ADJUSTED EBITA MARGIN 11% IN 2020

- The management considers:
- Solid double-digit adjusted EBITA margin achievable in Business Area Service
 - Business Area Industrial Equipment and Business Area Port Solutions to approach high single-digit adjusted EBITA margin by 2020

INTEREST-BEARING NET DEBT TO EQUITY RATIO (GEARING) BELOW 80%

- Refinancing done to lower interest expenses
- Track record of attractive dividends
- Financial flexibility for M&A opportunities

STRATEGIC STEPS

Realizing break-out growth – unlocking the full value creation opportunity

2020+

- Geared up for new growth opportunities

Leading industrial and port technology company across operations

2018-2020

- Digital leadership
- Commercial excellence
- Product leadership
- Manufacturing transformation
- Service growth
- Procurement uplift

Delivering the synergy benefits of the MHPS acquisition

2017-2019

- Realization of synergy plans



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