

Q2 2019 Interim report

July 25, 2019

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KONECRANES®
Lifting Businesses™



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 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.

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Q2/19 Highlights

Synergy savings program completed

- EUR 140 million target in run-rate cost synergies achieved six months ahead of plans
- Related restructuring costs landed at EUR 139 million and restructuring-related CAPEX at EUR 15 million

Further efficiency improvements already ongoing

- EUR 17 million in restructuring costs booked by June-end, annual savings to equal the related restructuring costs
- P&L benefit expected from Q4 onwards, with full bottom-line impact by mid-2021

Continued improvement in Group adjusted EBITA margin

- Group adjusted EBITA margin improved to 8.4% (7.7%)
- P&L impact related to synergy cost savings was EUR 13 million in Q2

Mixed order intake in Q2

- Group order growth of +6.9% YoY with comparable FX, driven by Port Solutions, where order intake grew 31.8%
- In Service, annual agreement base value increased 4.9% but order intake declined 3.4% with comparable FX
- In Industrial Equipment, order intake declined 3.9% with comparable FX

Financial guidance reiterated, demand outlook updated to reflect weakening demand environment in Europe



Key figures

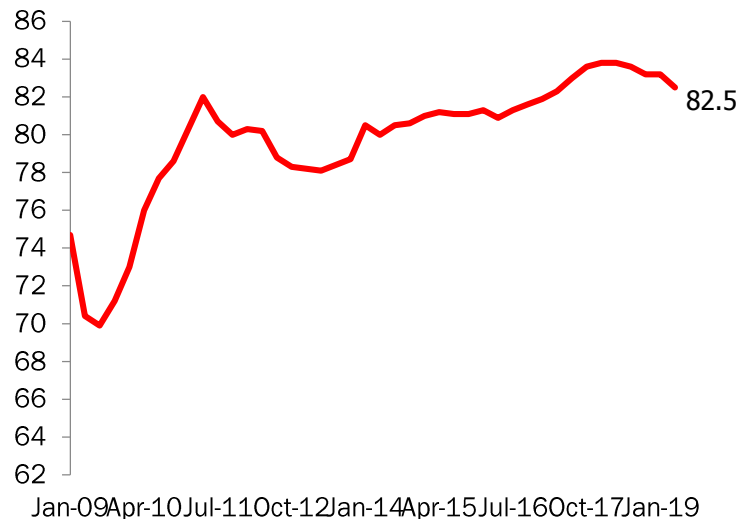
| Key figures | 4-6/19 | 4-6/18 | Change % | Change % at comparable currencies | 1-6/19 | 1-6/18 | Change % | Change % at comparable currencies | 1-12/18 |
|-----------------------------------|--------|--------|----------|-----------------------------------|---------|---------|----------|-----------------------------------|---------|
| Orders received, MEUR | 822.7 | 760.9 | 8.1 | 6.9 | 1,670.8 | 1,444.0 | 15.7 | 14.1 | 3,090.3 |
| Order book at end of period, MEUR | | | | | 1,967.8 | 1,647.5 | 19.4 | 18.9 | 1,715.4 |
| Sales, MEUR | 794.0 | 772.2 | 2.8 | 1.7 | 1,552.3 | 1,445.0 | 7.4 | 6.0 | 3,156.1 |
| Adj. EBITDA, MEUR | 92.6 | 77.5 | 19.5 | | 164.7 | 132.7 | 24.1 | | 325.7 |
| Adj. EBITDA, % | 11.7 | 10.0 | | | 10.6 | 9.2 | | | 10.3 |
| Adj. EBITA, MEUR | 67.0 | 59.8 | 12.0 | | 115.4 | 97.1 | 18.9 | | 257.1 |
| Adj. EBITA, % | 8.4 | 7.7 | | | 7.4 | 6.7 | | | 8.1 |
| Operating profit (EBIT), MEUR | 38.0 | 42.0 | -9.6 | | 65.3 | 65.8 | -0.8 | | 166.2 |
| Operating margin (EBIT), % | 4.8 | 5.4 | | | 4.2 | 4.6 | | | 5.3 |
| EPS, basic, EUR | 0.25 | 0.28 | -10.9 | | 0.42 | 0.38 | 8.4 | | 1.29 |
| Free cash flow, MEUR | 6.5 | -22.9 | | | 34.5 | -25.1 | | | 73.1 |
| Net debt, MEUR | 743.5 | 641.6 | | | 743.5 | 641.6 | | | 545.3 |

Key figures by business area

| Key figures | 4-6/19 | 4-6/18 | Change % | Change % at comparable currencies | 1-6/19 | 1-6/18 | Change % | Change % at comparable currencies | 1-12/18 |
|--------------------------|--------------|--------------|-------------|-----------------------------------|--------------|--------------|------------|-----------------------------------|----------------|
| Service | | | | | | | | | |
| Orders received, MEUR | 253.2 | 256.8 | -1.4 | -3.4 | 508.7 | 495.3 | 2.7 | 0.1 | 986.5 |
| Sales, MEUR | 308.9 | 293.3 | 5.3 | 3.0 | 606.0 | 559.7 | 8.3 | 5.6 | 1,192.5 |
| Adj. EBITA, MEUR | 49.7 | 42.4 | 17.2 | | 96.5 | 76.3 | 26.5 | | 180.0 |
| Adj. EBITA, % | 16.1 | 14.5 | | | 15.9 | 13.6 | | | 15.1 |
| Industrial Equipment | | | | | | | | | |
| Orders received, MEUR | 330.0 | 338.6 | -2.5 | -3.9 | 651.2 | 610.2 | 6.7 | 5.1 | 1,248.9 |
| <i>of which external</i> | <i>281.0</i> | <i>286.6</i> | <i>-1.9</i> | <i>-3.4</i> | <i>557.3</i> | <i>518.4</i> | <i>7.5</i> | <i>5.7</i> | <i>1,065.5</i> |
| Sales, MEUR | 293.2 | 285.0 | 2.9 | 1.7 | 567.7 | 533.6 | 6.4 | 5.0 | 1,150.9 |
| <i>of which external</i> | <i>253.6</i> | <i>249.1</i> | <i>1.8</i> | <i>0.7</i> | <i>487.5</i> | <i>469.2</i> | <i>3.9</i> | <i>2.5</i> | <i>1,009.2</i> |
| Adj. EBITA, MEUR | 8.5 | 6.5 | 30.5 | | 9.3 | 13.2 | -29.0 | | 42.6 |
| Adj. EBITA, % | 2.9 | 2.3 | | | 1.6 | 2.5 | | | 3.7 |
| Port Solutions | | | | | | | | | |
| Orders received, MEUR | 304.0 | 230.7 | 31.8 | 32.1 | 633.8 | 456.9 | 38.7 | 39.1 | 1,096.0 |
| Sales, MEUR | 248.0 | 243.7 | 1.8 | 2.0 | 489.8 | 444.2 | 10.3 | 10.3 | 1,012.9 |
| Adj. EBITA, MEUR | 19.5 | 19.3 | 1.0 | | 30.2 | 25.5 | 18.2 | | 71.3 |
| Adj. EBITA, % | 7.9 | 7.9 | | | 6.2 | 5.7 | | | 7.0 |

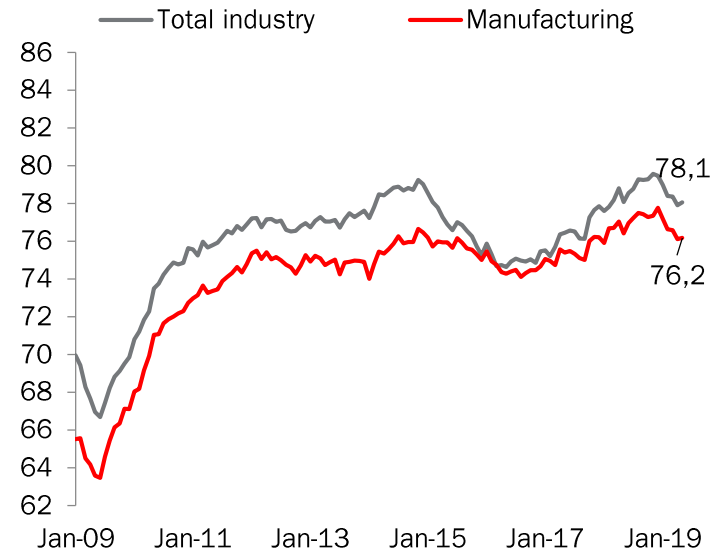
Market environment – service and industrial equipment

Capacity utilization rate – EU



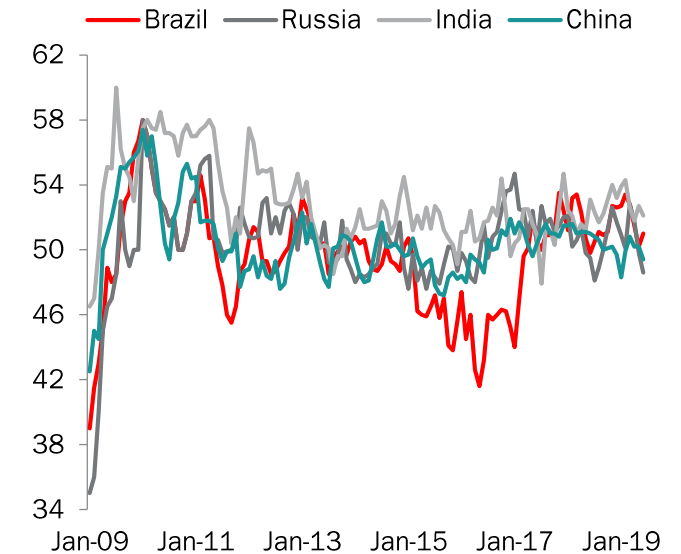
- Deteriorating operating conditions in Europe: manufacturing PMI has remained below 50.0 since February
- Capacity utilization rate decreased in Q2

Capacity utilization rate – USA



- Weakening operating conditions in the US, while still in the growth territory
- Capacity utilization rate declined in Q2, however, improvement in June

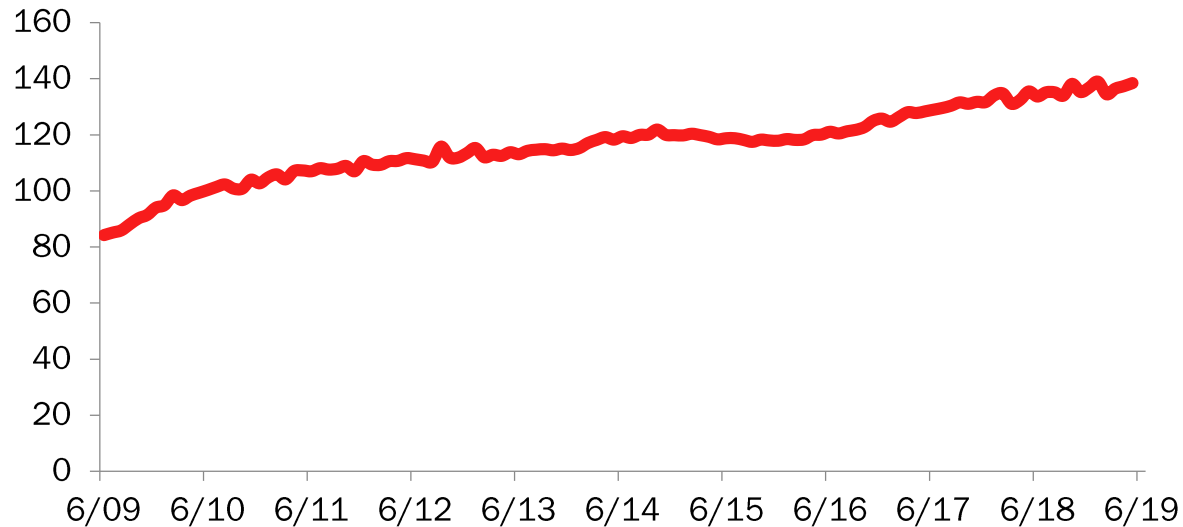
PMIs – BRIC countries



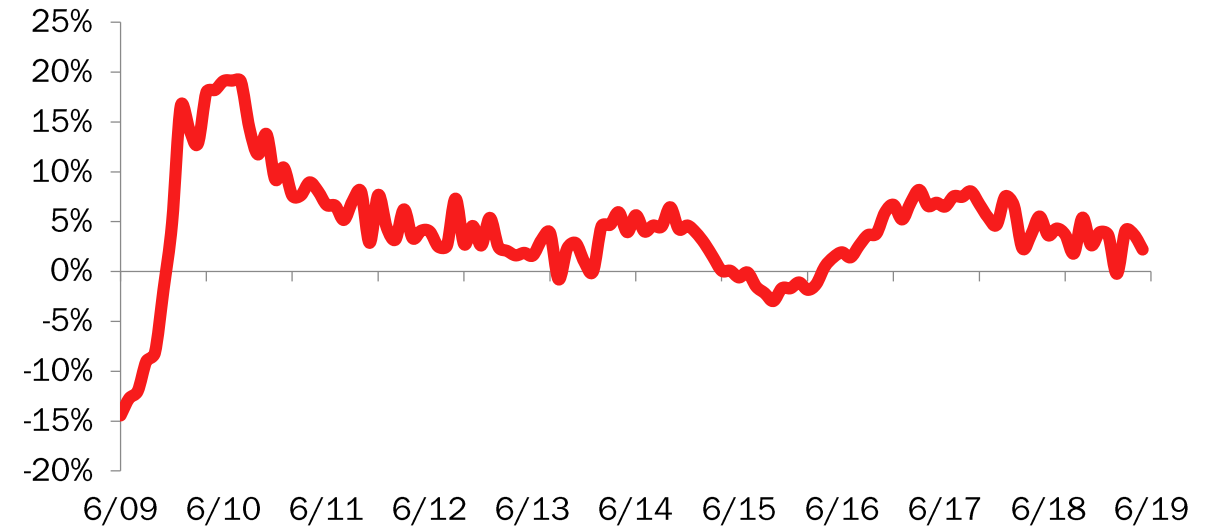
- Improving manufacturing conditions in Brazil and India
- China and Russia entered the contraction territory at the end of Q2

Market environment – Port Solutions

RWI/ISL Container Throughput Index



Monthly index change Y/Y

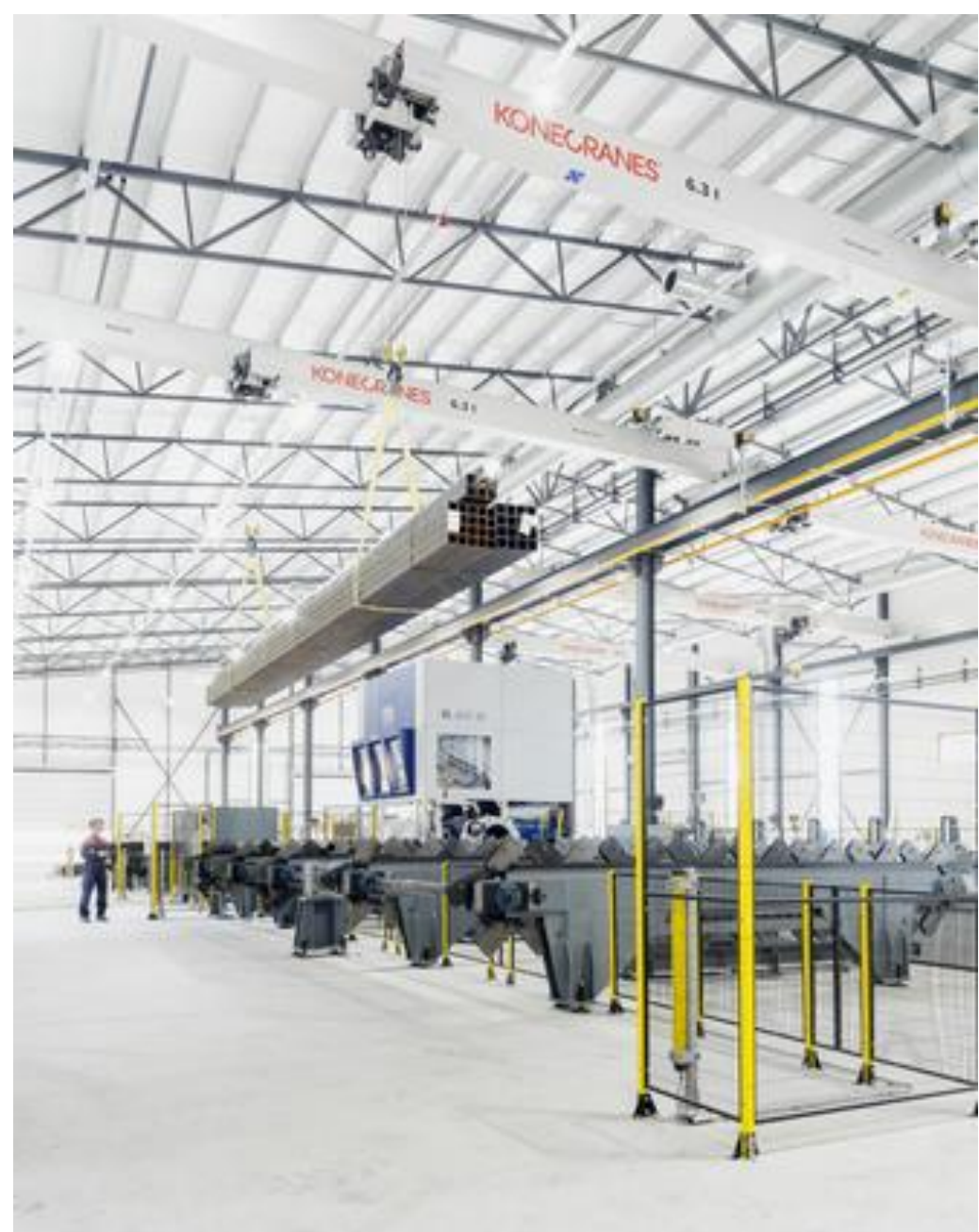


- The global container throughput index recovered during Q2 after a dip in February and was near its record high levels at the end of May

Source: RWI/ISL Container Throughput Index (latest data point May 2019)

Demand outlook - update

- Within the industrial customer segments, the demand environment in Europe, particularly in Germany, is showing signs of weakening.
- The demand environment in North America is stable and continues on a healthy level, while Asia-Pacific continues to be stable.
- Global container throughput continues on a good level and the prospects for orders related to container handling remain stable overall, but there are signs of hesitation in short-term decision making among some port customers.



Financial guidance

Financial guidance for 2019

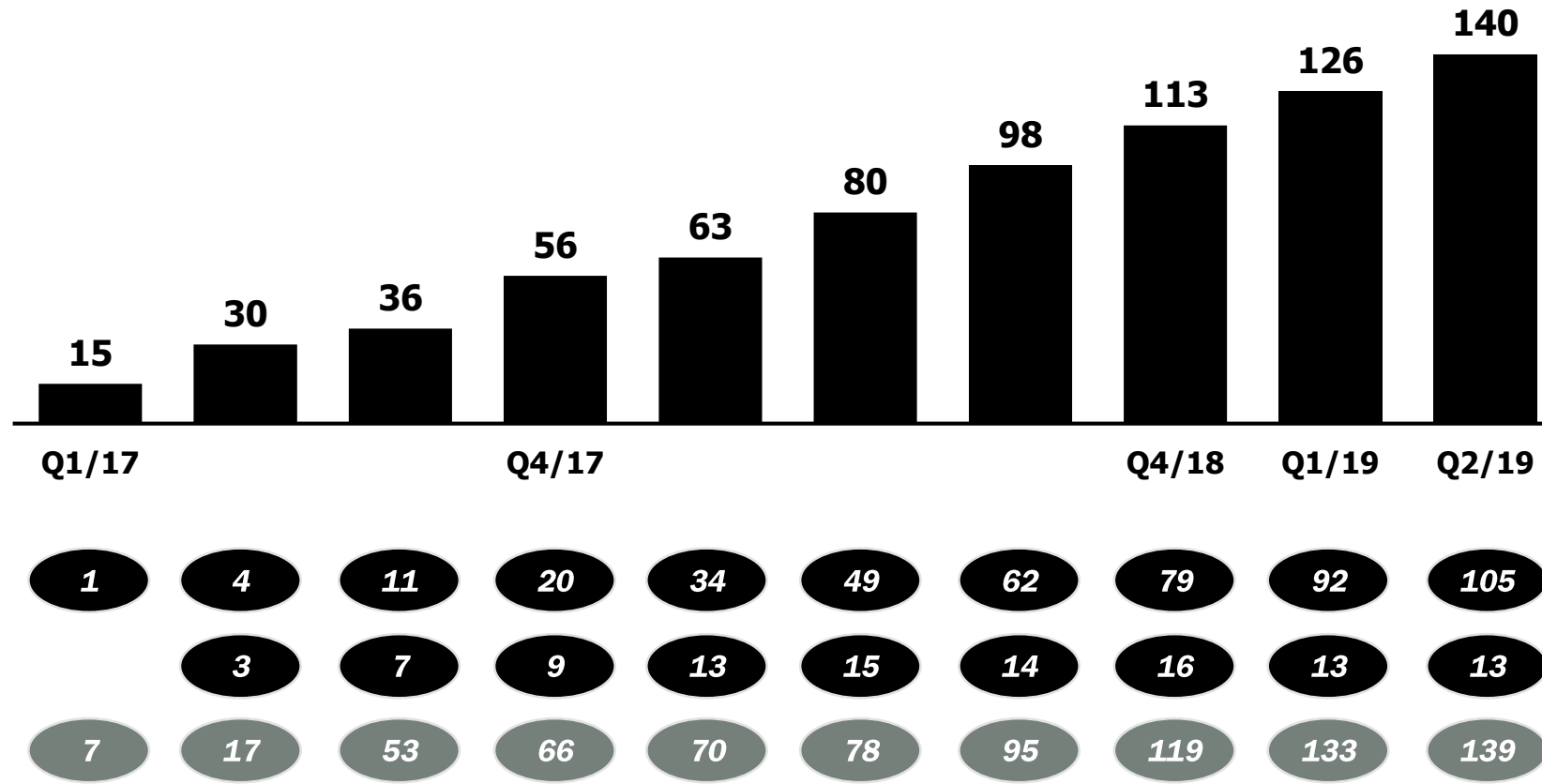
- Konecranes expects sales in full-year 2019 to increase 5-7% year on year.
- Konecranes expects the adjusted EBITA margin in full-year 2019 to improve compared to full-year 2018.

Additional guidance information for 2019

- Synergy cost savings benefiting the adjusted EBITA margin in 2019
- Weaker sales mix particularly in Business Area Port Solutions
- Additional investments in future growth initiatives

Synergy savings program completed, cumulative run-rate savings target of EUR 140 million reached 6 months ahead of schedule

Cost synergy at EBIT level, cumulative run-rate impact at end of year (MEUR)



Corresponding P&L impact
(MEUR, 12-month rolling)

P&L impact, Quarterly
(MEUR, YoY)

Restructuring costs

Capex

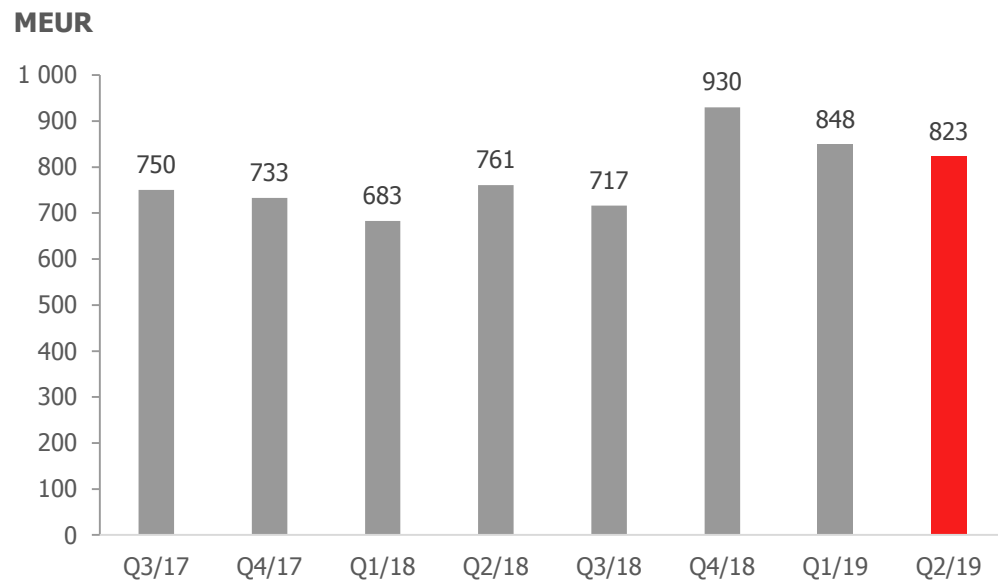
EUR 15 million in total during 2017-2019

*EUR 17 million additional restructuring costs booked in Q2 related to further efficiency improvements

EUR 140m synergy savings achieved from many areas

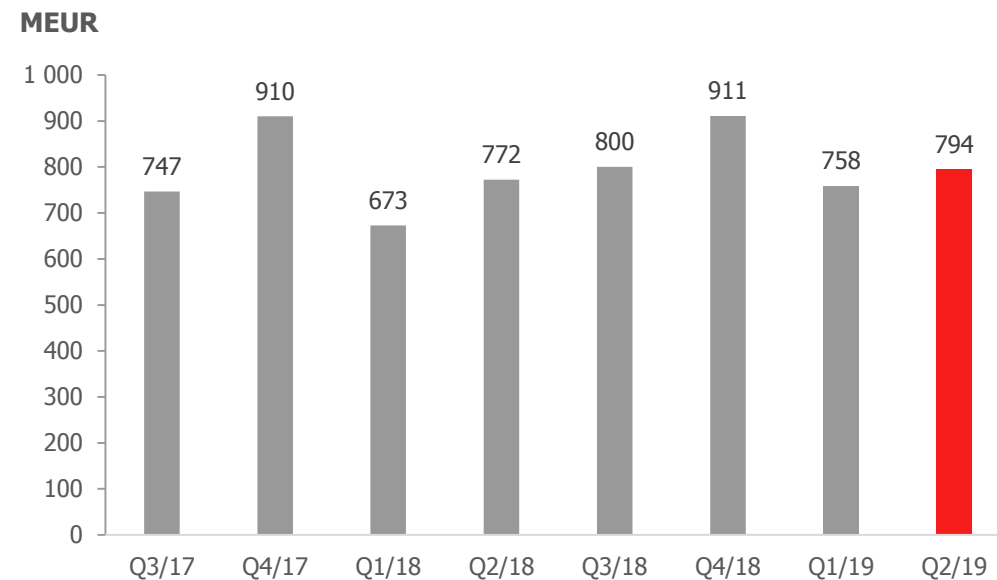
| Category | Key activities | Realized synergies | Original synergy estimate |
|--|--|--------------------|---------------------------|
| Commercial operations | <ul style="list-style-type: none"> New go-to-market model for IE and Service implemented New product portfolio defined | ~ 15 MEUR | ~ 15-25 MEUR |
| Technology and product platforms | <ul style="list-style-type: none"> Reduction of IE product platforms from 30 to 20 | ~ 10 MEUR | ~ 20-30 MEUR |
| Manufacturing operations | <ul style="list-style-type: none"> Closure of 12 production facilities Overall manufacturing and supplier network optimization | ~ 60 MEUR | ~ 50-70 MEUR |
| Service operations | <ul style="list-style-type: none"> Branch network consolidated in the Americas, APAC and most of EMEA, spare part network efficiency improved | ~ 30 MEUR | ~ 15-20 MEUR |
| Organization, staff resourcing and support | <ul style="list-style-type: none"> Target organization in place Net headcount reduction of 1,100 whilst investing in Service growth | ~ 25 MEUR | ~ 15-20 MEUR |
| Total: | | 140 MEUR | 140 MEUR |

Q2/19 Group order intake and sales



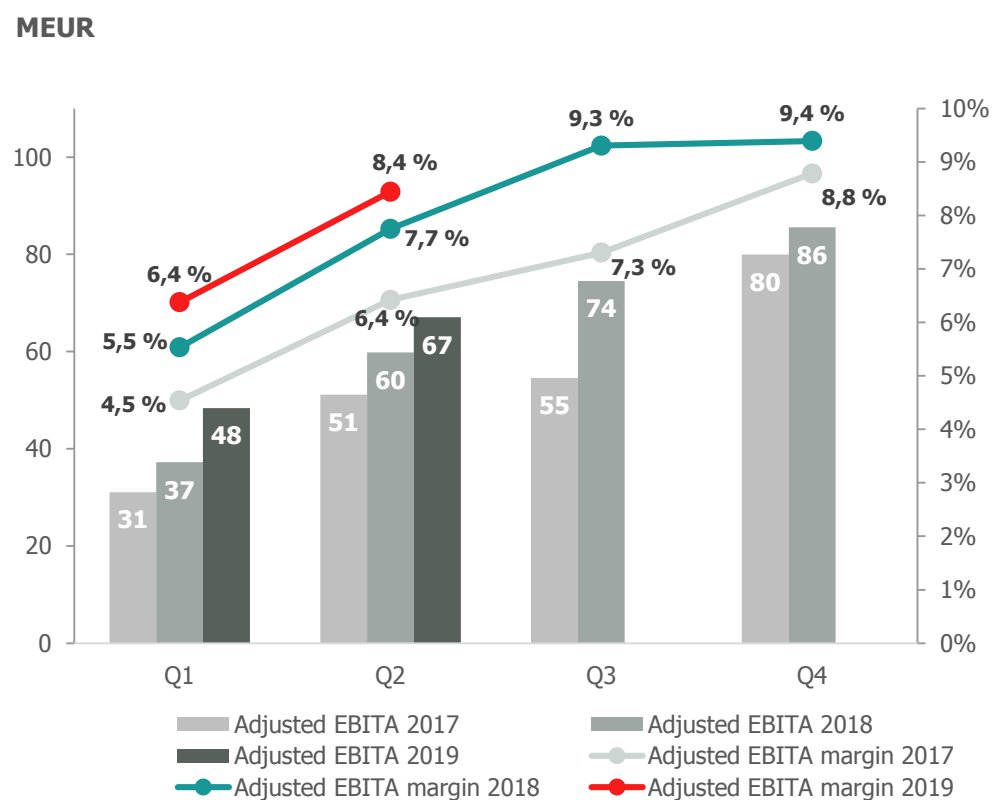
- Order intake increased 8.1% to EUR 822.7 million (760.9), +6.9% on a comparable currency basis
- Orders received grew in all regions
- Orders received increased in Port Solutions, but decreased in Service and Industrial Equipment:
 - Service -1.4%
 - Industrial Equipment -2.5%
 - Port Solutions +31.8%

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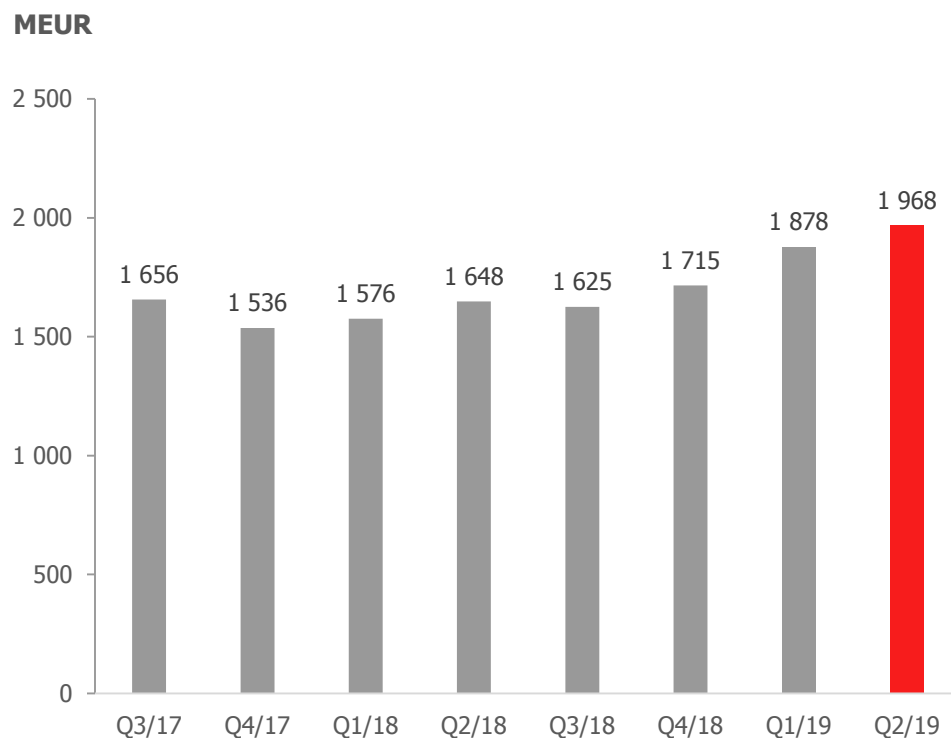
- Sales increased 2.8% to EUR 794.0 million (772.2), +1.7% on a comparable currency basis
- Sales increased in all Business Areas:
 - Service +5.3%
 - Industrial Equipment +2.9%
 - Port Solutions +1.8%

Q2/19 Group adjusted EBITA



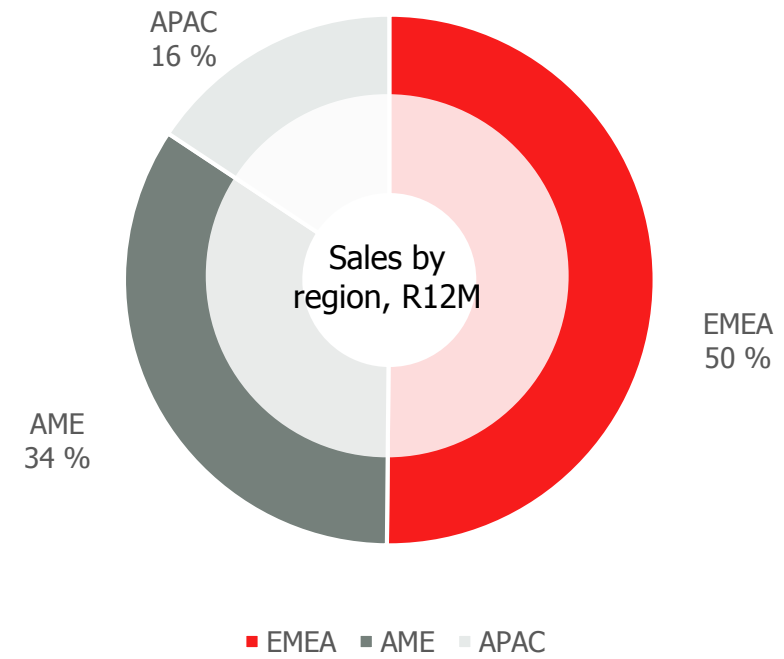
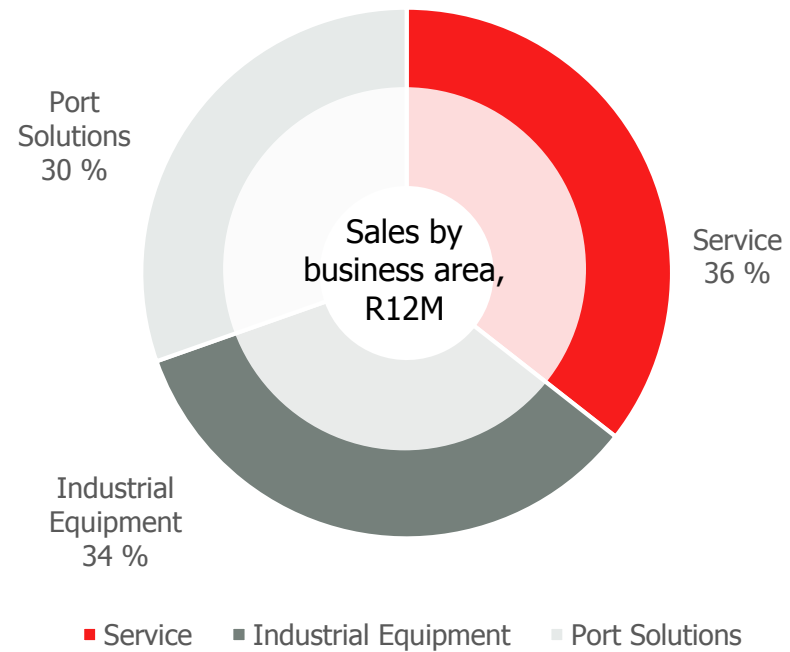
- Group adjusted EBITA increased to EUR 67.0 million (59.8), 8.4% of sales (7.7)
- The improvement was mainly attributable to synergy cost-savings
- Gross margin improved on a year-on-year basis

Q2/19 Group order book



- The value of the order book increased 19.4% to EUR 1,967.8 million (1,647.5)
- On a comparable currency basis, the value of the order book increased 18.9%
- Order book increased in Industrial Equipment and Port Solutions, but decreased in Service

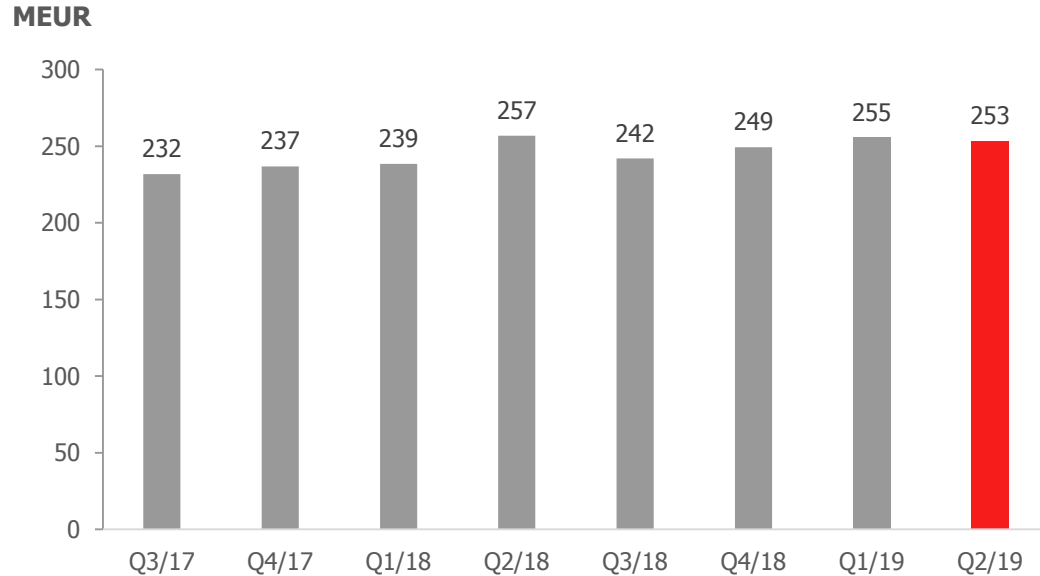
Group sales by business area and region



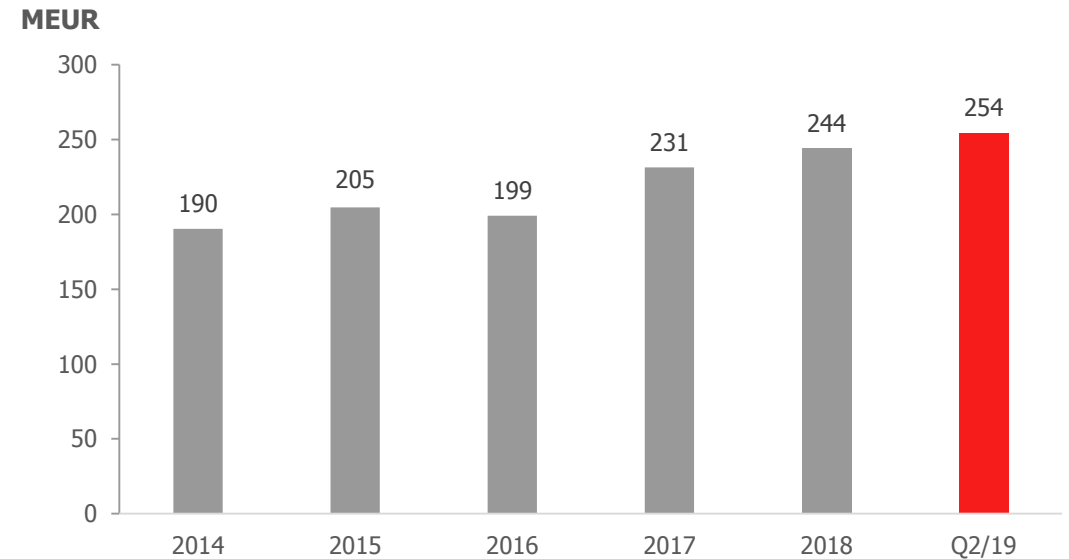
A worker wearing a white hard hat, safety glasses, and a red safety harness is working on a large, dark, cylindrical industrial component. The worker is positioned on a yellow metal platform or scaffolding. The background shows a large warehouse filled with numerous stacks of light-colored, cylindrical objects, possibly pipes or structural components, arranged in rows. The lighting is bright, coming from windows or skylights in the ceiling.

Service

Q2/19 Service order intake and agreement base value



- Service orders received decreased 1.4% to EUR 253.2 million (256.8). On a comparable currency basis, orders received decreased 3.4%
- Field service orders decreased as order intake for modernization projects fell across all regions, particularly in EMEA. Order intake for parts increased
- Order intake decreased in EMEA but increased in Americas and APAC
- Order intake excluding modernizations grew both in the Americas and APAC, but was approximately flat in EMEA

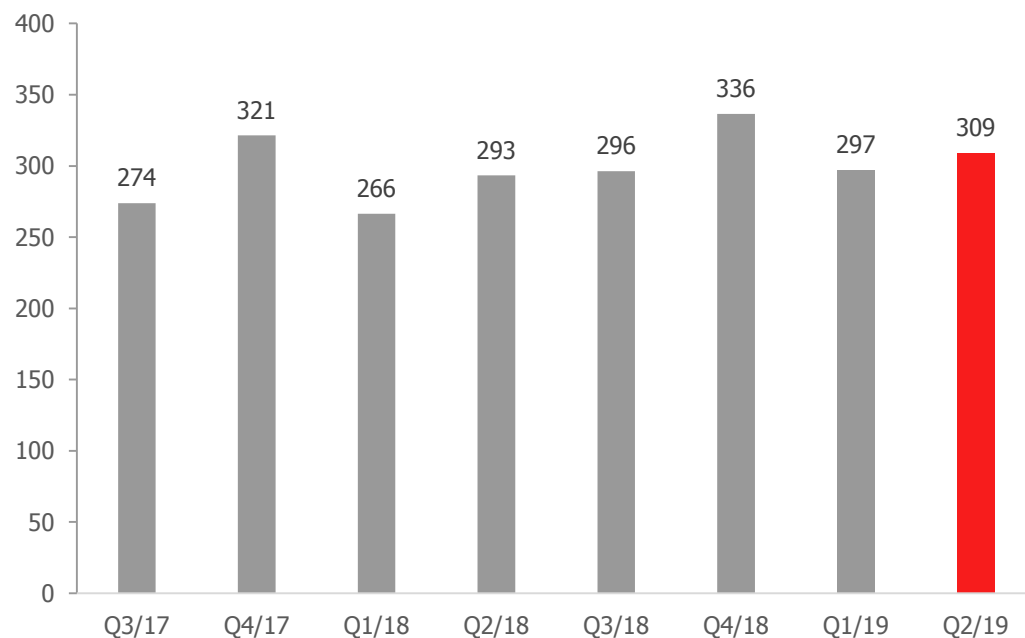


¹2014-16 agreement base on Konecranes stand-alone basis

- Year-on-year, the annual value of the agreement base increased 5.9% to EUR 254.4 million (240.1). On a comparable currency basis, the increase was 4.9%.
- Sequentially, the annual value of the agreement base increased 0.5% on a reported basis and 1.4% on a comparable currency basis

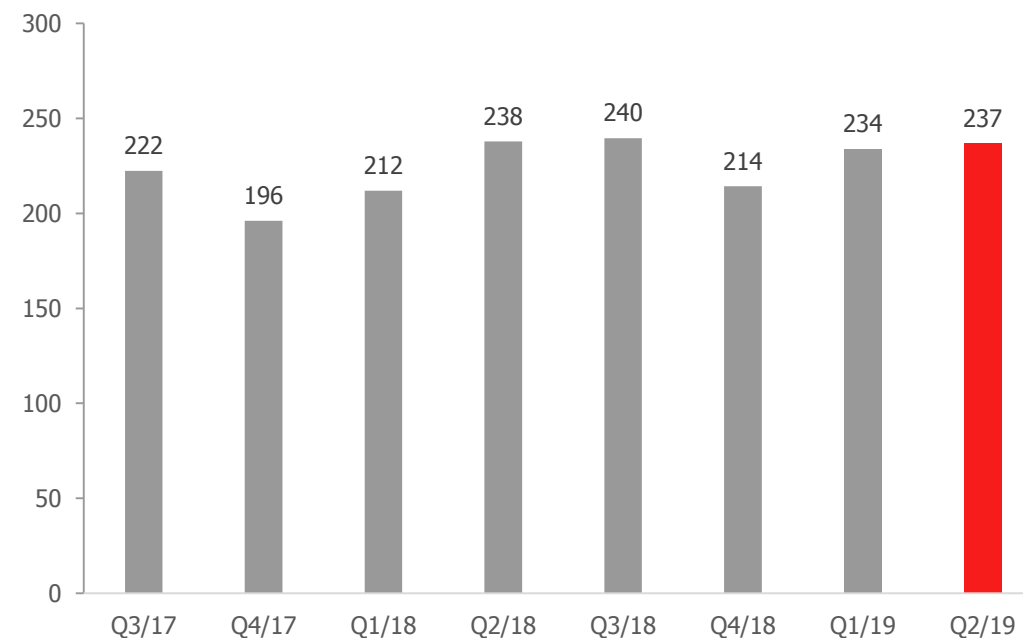
Q2/19 Service sales and order book

MEUR



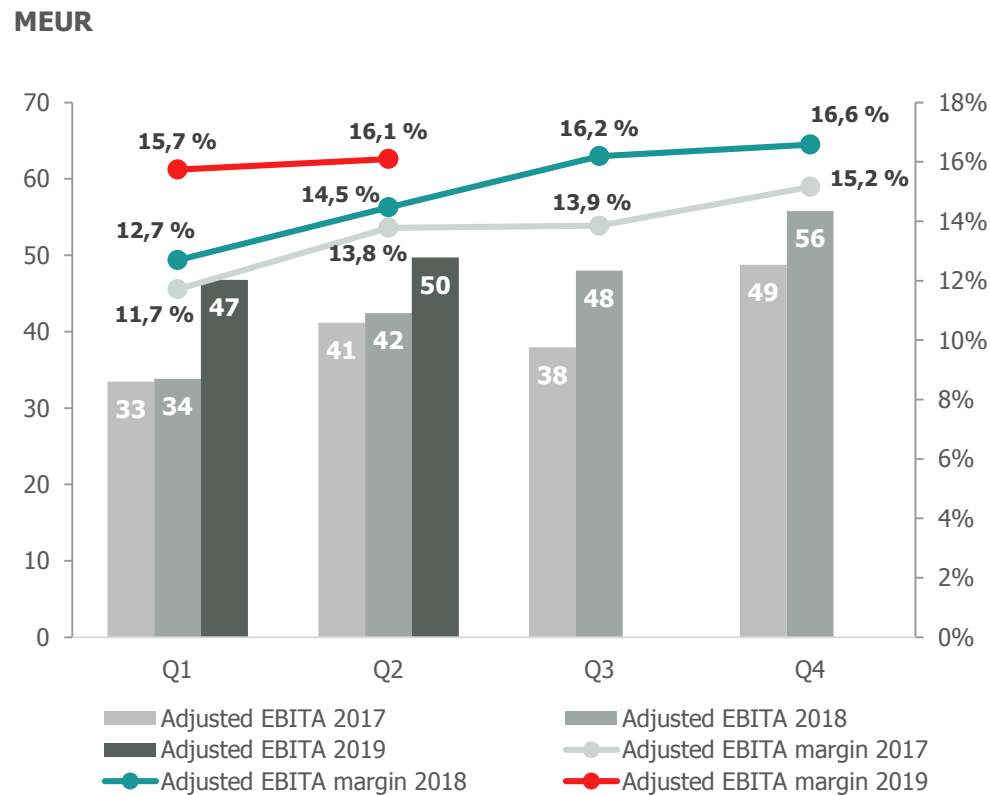
- Sales increased 5.3% to EUR 308.9 million (293.3)
- On a comparable currency basis, sales increased 3.0%
- Sales increased in all three regions
- Parts sales growth outperformed field service growth

MEUR



- The order book decreased 0.4% year-on-year to EUR 236.8 million (237.8)
- On a comparable currency basis, the order book decreased 1.6%

Q2/19 Service adjusted EBITA



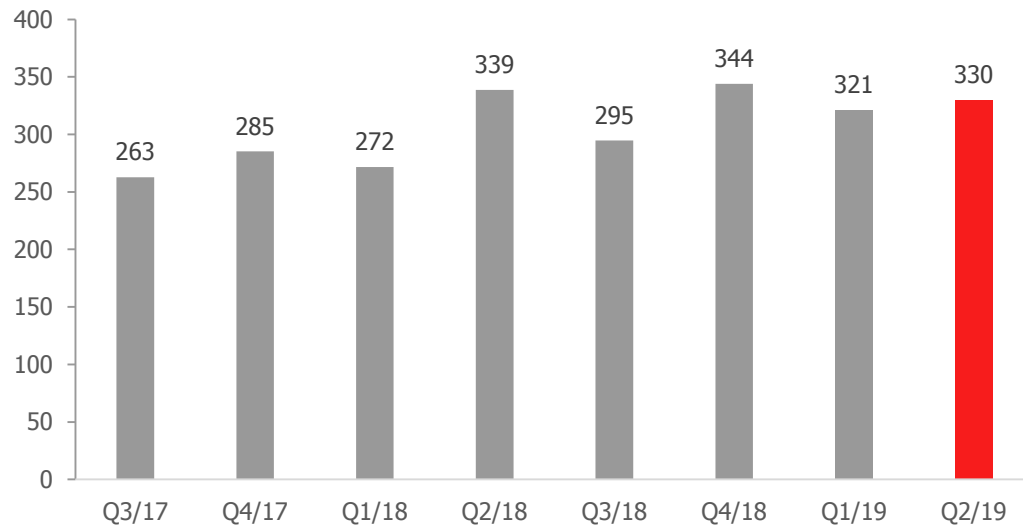
- The adjusted EBITA was EUR 49.7 million (42.4) and the adjusted EBITA margin 16.1% (14.5).
- Gross margin improved on a year-on-year basis
- The improvement was mainly attributable to sales growth and synergy cost savings

Industrial Equipment



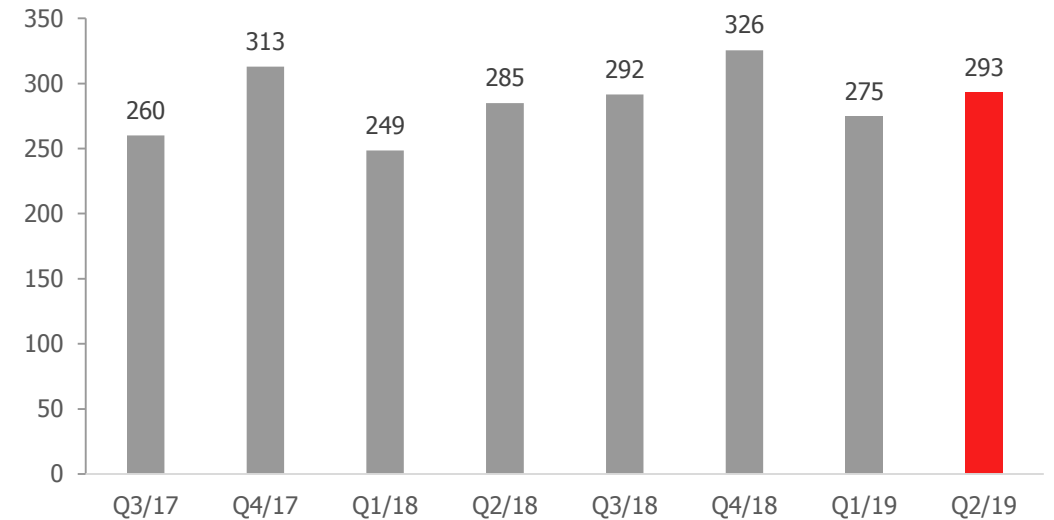
Q2/19 Industrial Equipment order intake and sales

MEUR



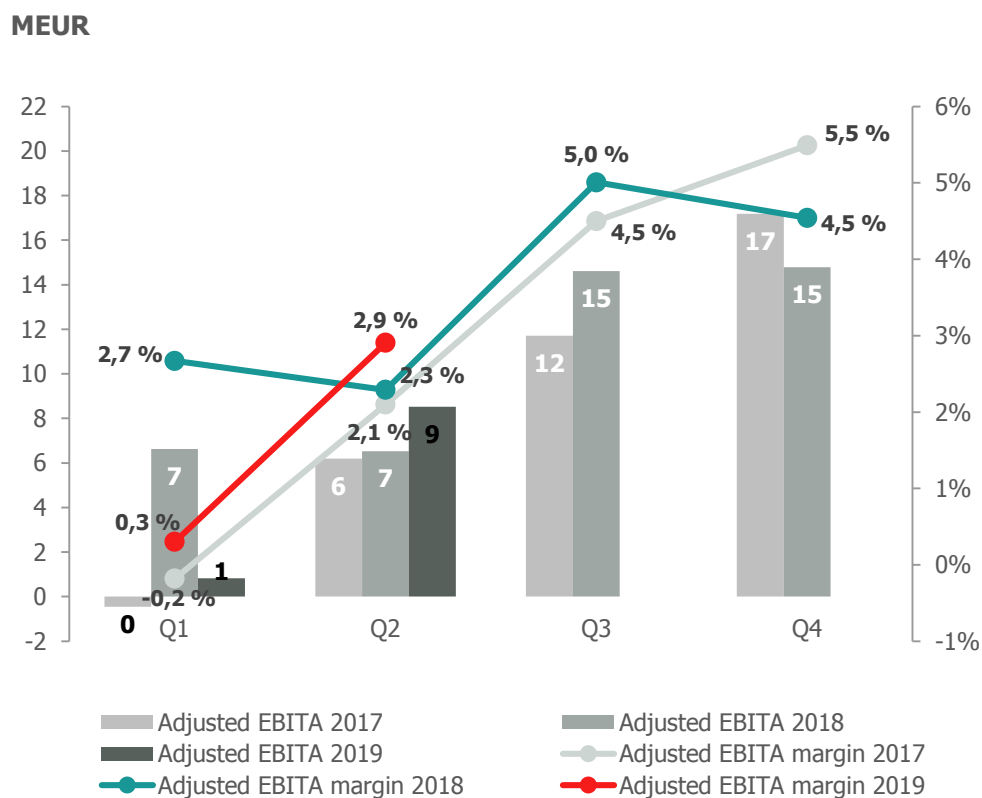
- Orders received totaled EUR 330.0 million (338.6), corresponding to a decrease of 2.5%
- External orders decreased 1.9% on a reported basis and 3.4% on a comparable currency basis
- The decrease was driven by components and standard cranes while orders received for process cranes increased in all three regions

MEUR



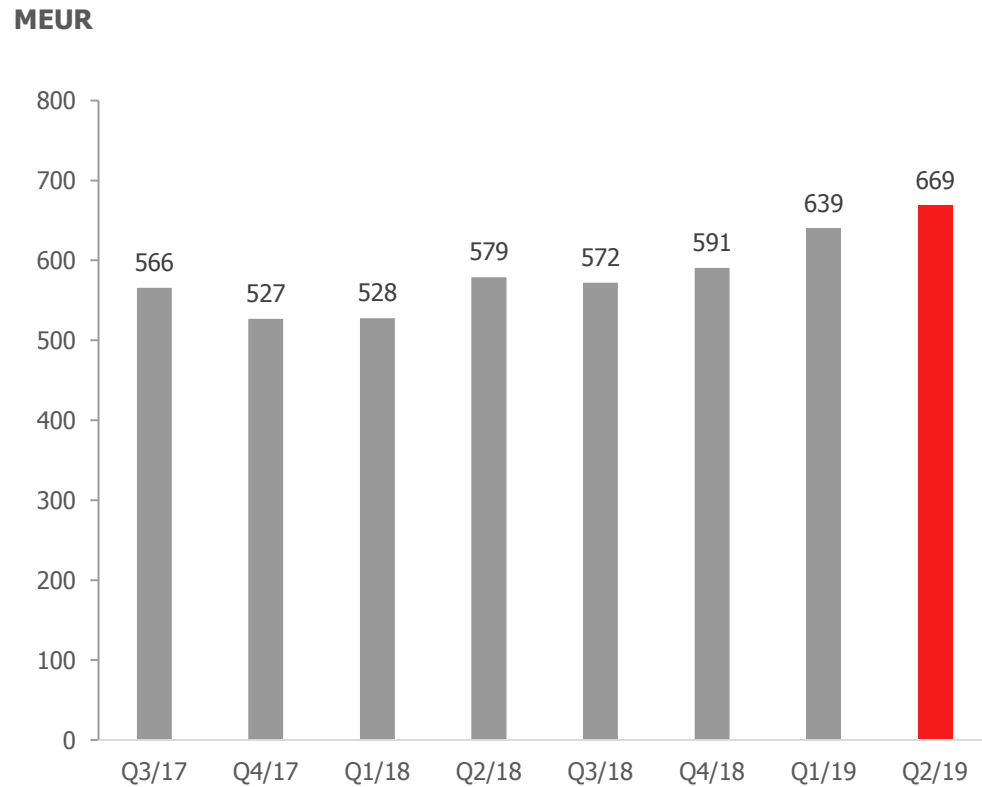
- Sales increased 2.9% to EUR 293.2 million (285.0)
- External sales increased 1.8% on a reported basis and 0.7% on a comparable currency basis

Q2/19 Industrial Equipment adjusted EBITA



- The adjusted EBITA was EUR 8.5 million (6.5) and the adjusted EBITA margin 2.9% (2.3)
- The increase in the adjusted EBITA and gross margin was mainly attributable to synergy cost savings

Q2/19 Industrial Equipment order book



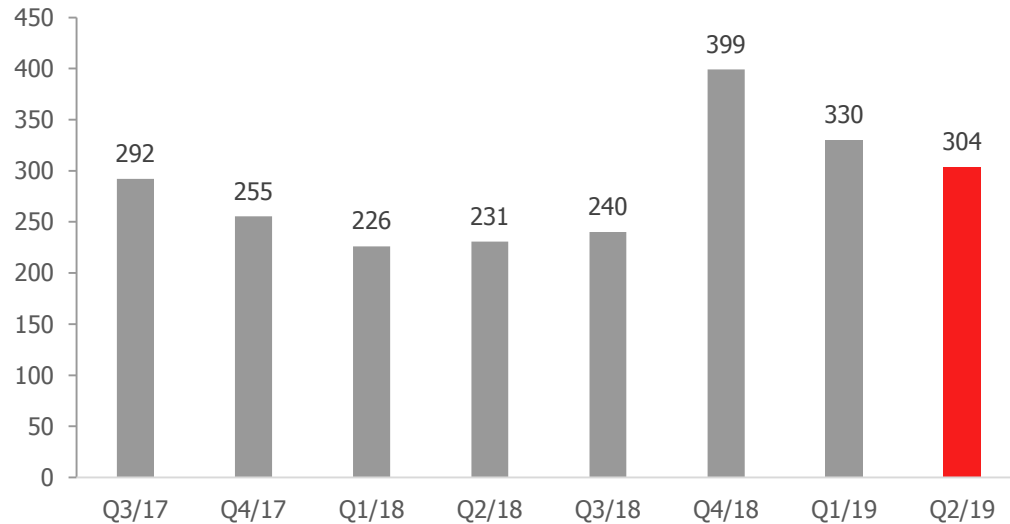
- The order book increased 15.5% year-on-year to EUR 668.5 million (579.0)
- On a comparable currency basis, the order book increased 14.5%

A large blue and red Konecranes NYCT gantry crane is shown in operation at a port. The crane is lifting a blue shipping container from a train car. The train car is loaded with several other blue containers. The scene is set against a bright blue sky with scattered white clouds. A red semi-truck is visible in the background, and a yellow line is painted on the asphalt in the foreground. The crane has "KONECRANES" and "NYCT" written on its side.

Port Solutions

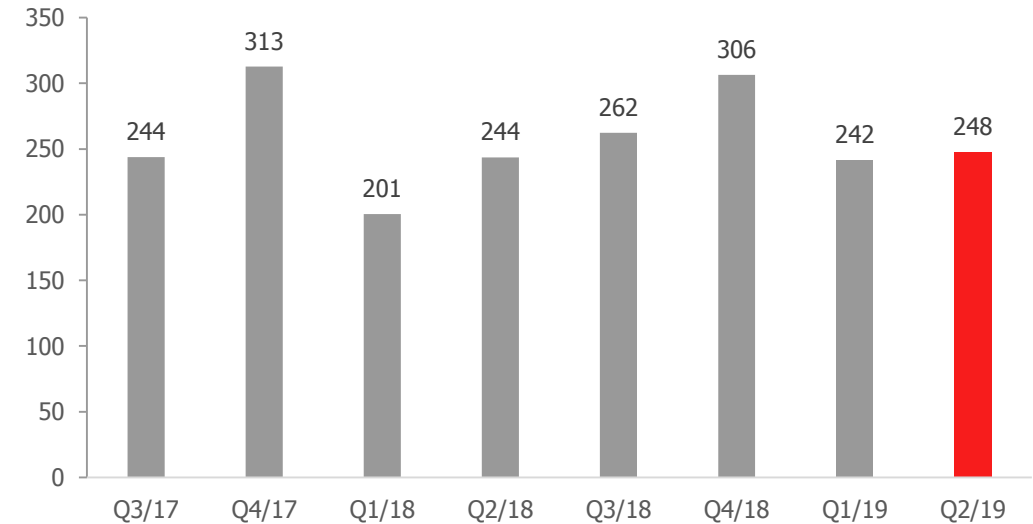
Q2/19 Port Solutions order intake and sales

MEUR



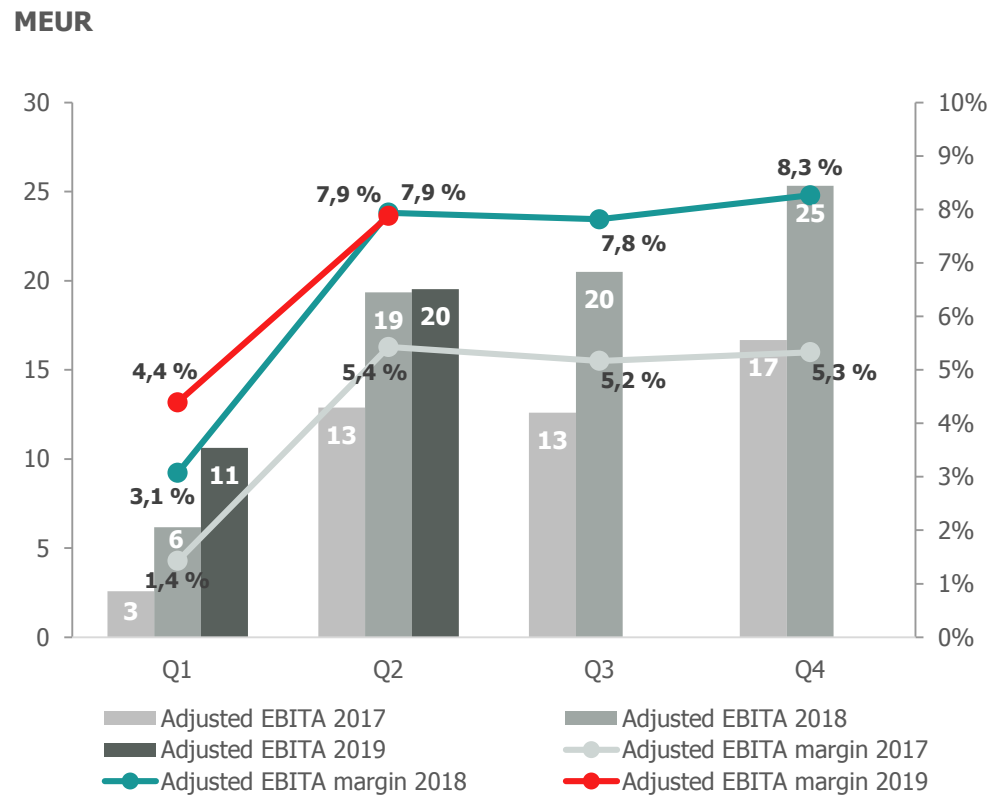
- Orders received totaled EUR 304.0 million (230.7), representing an increase of 31.8%. On a comparable currency basis, orders received increased 32.1%
- The order growth was driven by good order intake across several product categories
- Orders grew in EMEA and APAC but fell in the Americas

MEUR



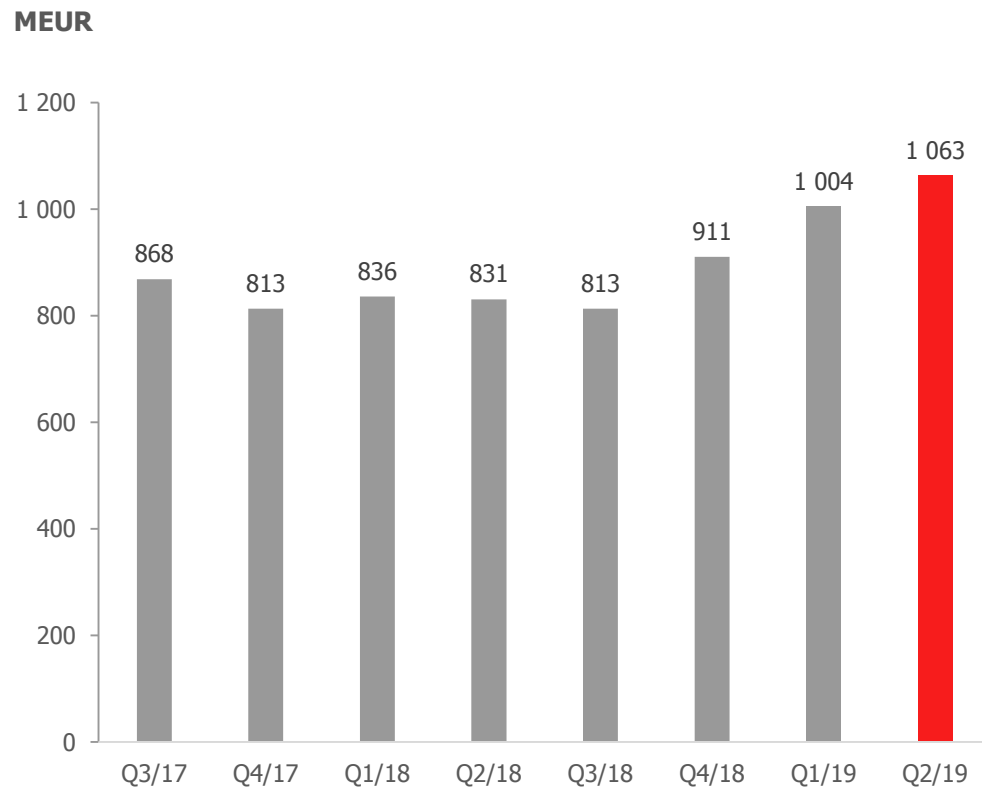
- Sales increased 1.8% to EUR 248.0 million (243.7). On a comparable currency basis, sales increased 2.0%

Q2/19 Port Solutions adjusted EBITA



- The adjusted EBITA was EUR 19.5 million (19.3) and the adjusted EBITA margin 7.9% (7.9)
- Gross margin decreased on a year-on-year basis mainly due to sales mix

Q2/19 Port Solutions order book



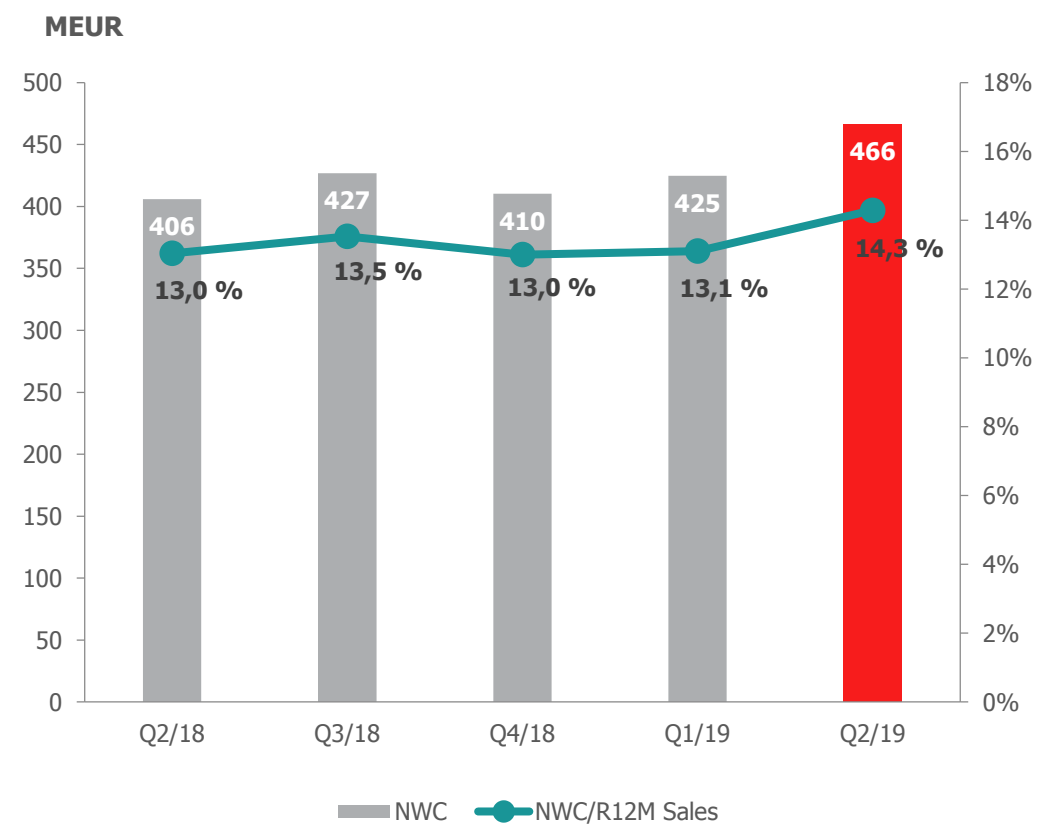
- The order book increased 27.9 percent to EUR 1,062.5 million (830.7)
- On a comparable currency basis, the order book increased 28.0%

A photograph of two Konecranes employees, a man and a woman, both wearing white hard hats and safety glasses. The man is wearing a blue and white striped shirt, and the woman is wearing a white Konecranes polo shirt with a red lanyard. They are both looking down at a laptop screen, which is partially visible. The woman is smiling. The background is a blurred outdoor setting.

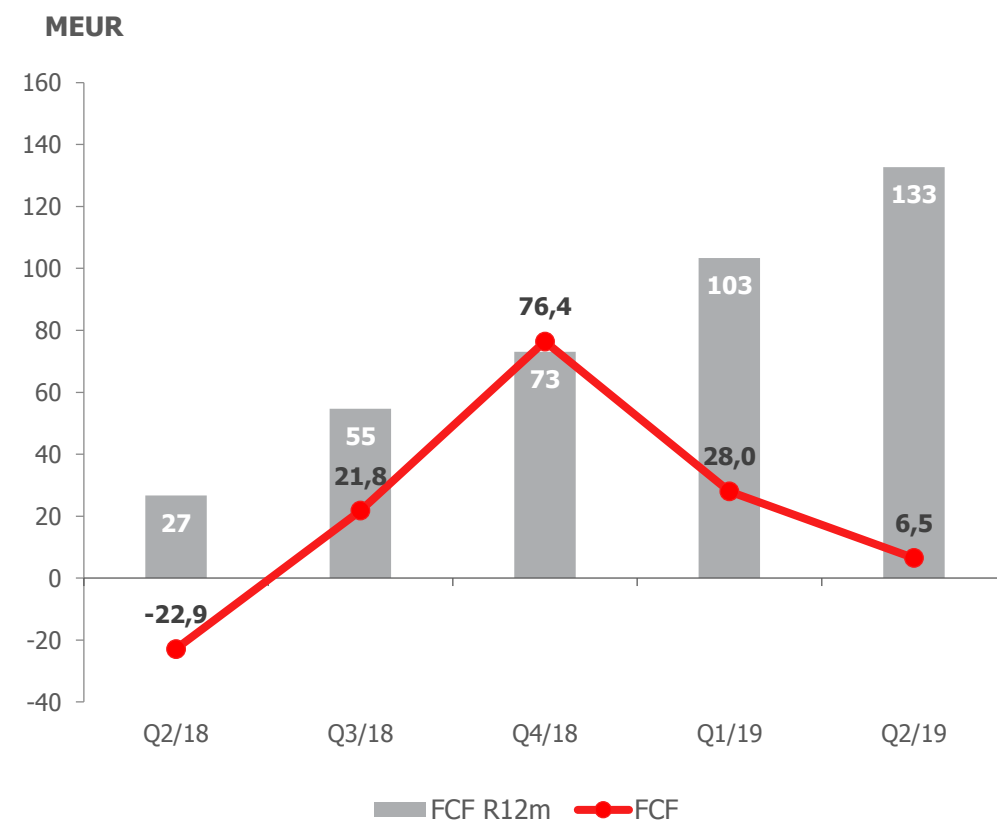
Cash Flow and Balance Sheet

Net working capital and free cash flow

Net working capital*



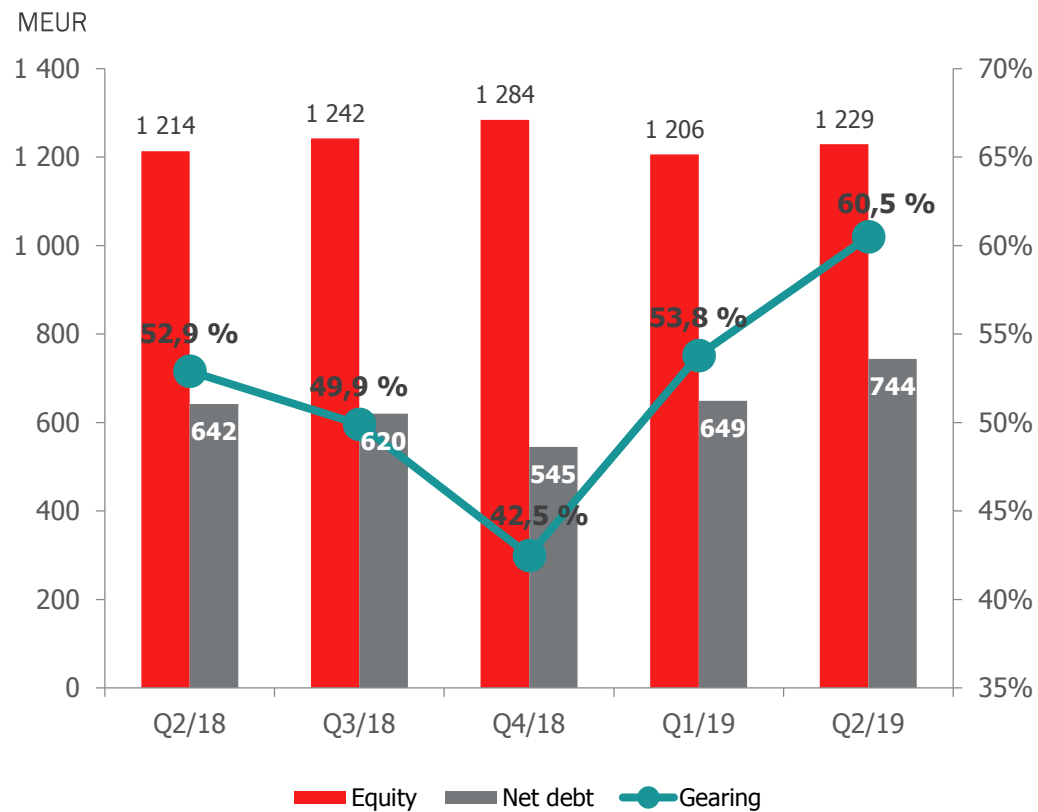
Free cash flow



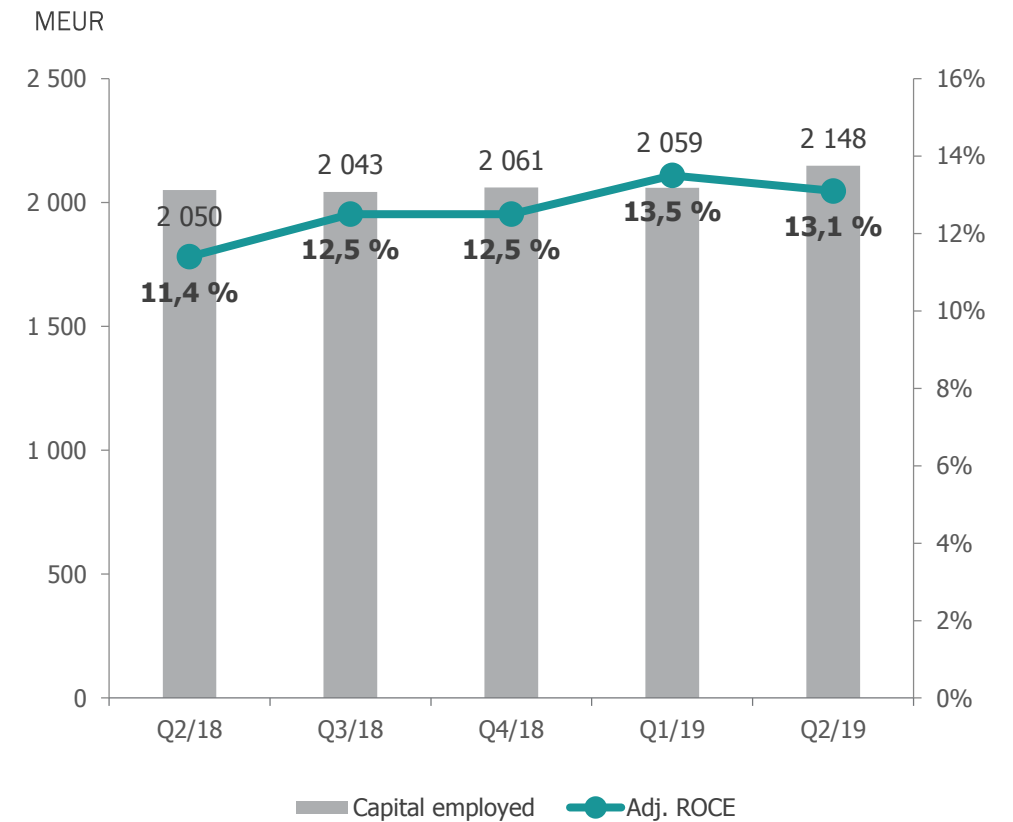
*Q1/19 excl. dividend payable of EUR 94.6 million

Gearing and return on capital employed

Equity, net debt and gearing



Capital employed and return on capital employed

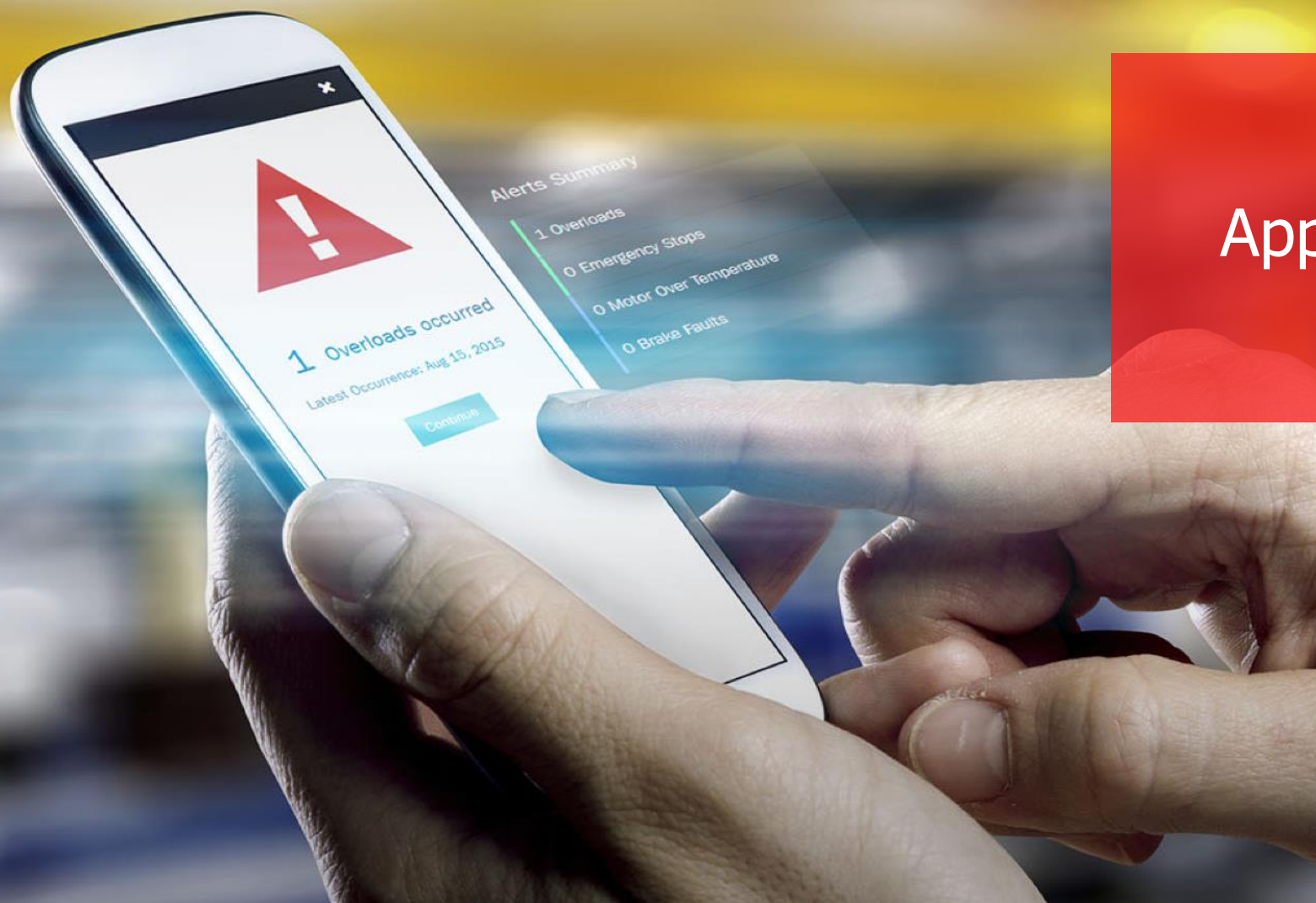


Konecranes CMD 2019

November 21, 2019

London

Q&A



Appendix

Statement of income

| EUR million | Q2/19 | Q2/18 | Change % | H1/19 | H1/18 | Change % | 1-12/18 |
|---|--------------|--------------|--------------|----------------|----------------|-------------|----------------|
| Sales | 794.0 | 772.2 | 2.8 | 1,552.3 | 1,445.0 | 7.4 | 3,156.1 |
| Other operating income | 5.7 | 2.0 | | 9.4 | 3.2 | | 6.3 |
| Materials, supplies and subcontracting | -329.4 | -325.5 | | -651.9 | -587.9 | | -1,371.9 |
| Personnel cost | -266.8 | -257.0 | | -524.7 | -504.7 | | -1,006.5 |
| Depreciation and impairments | -31.7 | -27.1 | | -61.6 | -54.4 | | -119.9 |
| Other operating expenses | -133.9 | -122.7 | | -258.2 | -235.4 | | -498.0 |
| Operating profit | 38.0 | 42.0 | -9.6 | 65.3 | 65.8 | -0.7 | 166.2 |
| Share of associates' and joint ventures' result | -0.1 | -0.8 | | -1.1 | -1.4 | | 4.0 |
| Financial income | 0.2 | 0.2 | | 0.2 | 0.8 | | 2.6 |
| Financial expenses | -10.1 | -10.0 | | -18.2 | -22.3 | | -34.1 |
| Profit before taxes | 27.9 | 31.4 | -11.0 | 46.2 | 42.8 | 7.9 | 138.7 |
| Taxes | -7.8 | -9.0 | | -12.9 | -12.2 | | -40.4 |
| PROFIT FOR THE PERIOD | 20.1 | 22.4 | -10.1 | 33.3 | 30.6 | 8.7 | 98.3 |

Balance sheet

| EUR million | 30 Jun-19 | 30 Jun-18 |
|--------------------------------------|----------------|----------------|
| Non-current assets | | |
| Goodwill | 906.5 | 905.2 |
| Intangible assets | 552.0 | 606.7 |
| Property, plant and equipment | 335.0 | 258.5 |
| Other | 203.0 | 208.1 |
| Current assets | | |
| Inventories | 735.9 | 654.2 |
| Accounts receivable | 481.1 | 486.5 |
| Receivables and other current assets | 267.6 | 201.4 |
| Cash and cash equivalents | 172.1 | 195.1 |
| Assets held for sale | 31.8 | 0.0 |
| Total Assets | 3,684.8 | 3,515.8 |

| EUR million | 30 Jun-19 | 30 Jun-18 |
|---|----------------|----------------|
| Total Equity | 1,228.8 | 1,213.5 |
| Non-current liabilities | | |
| Interest-bearing liabilities | 648.3 | 591.6 |
| Other long-term liabilities | 269.4 | 271.5 |
| Other | 160.7 | 169.2 |
| Current liabilities | | |
| Interest-bearing liabilities | 271.2 | 245.3 |
| Advance payments received | 381.3 | 329.8 |
| Accounts payable | 202.4 | 178.3 |
| Provisions | 124.8 | 107.8 |
| Other current liabilities | 388.5 | 408.8 |
| Liabilities directly attributable to assets held for sale | 9.3 | 0.0 |
| Total Equity and Liabilities | 3,684.8 | 3,515.8 |

Cash flow statement

| EUR million | 1-6/19 | 1-6/18 | 1-12/18 |
|---|--------------|--------------|--------------|
| Operating income before change in net working capital | 128.1 | 123.7 | 295.1 |
| Change in net working capital | -41.4 | -75.3 | -91.5 |
| Cash flow from operations before financing items and taxes | 86.7 | 48.4 | 203.5 |
| Financing items and taxes | -43.9 | -57.5 | -94.3 |
| Net cash from operating activities | 42.8 | -9.1 | 109.2 |
| Net cash used in investing activities | -9.0 | -15.0 | -35.0 |
| Cash flow before financing activities | 33.8 | -24.0 | 74.2 |
| Net cash used in financing activities | -87.9 | -13.7 | -75.2 |
| Change of cash and cash equivalents | -51.8 | -38.0 | -2.6 |
| | | | |
| Free cash flow | 34.5 | -25.1 | 73.1 |

Key figures

| EUR million | 1-6/19 | 1-6/18 | Change % |
|---|------------|------------|----------|
| Earnings per share, basic (EUR) | 0.42 | 0.38 | 8.4 |
| Earnings per share, diluted (EUR) | 0.42 | 0.38 | 8.4 |
| Return on capital employed, %, Rolling 12 Months (R12M) | 7.8 | 5.9 | 32.2 |
| Return on equity, %, Rolling 12 Months (R12M) | 8.3 | 3.9 | 112.8 |
| Equity per share (EUR) | 15.36 | 15.11 | 1.7 |
| Net debt / Adjusted EBITDA, Rolling 12 Months (R12M) | 2.0 | 2.1 | -4.8 |
| Equity to asset ratio, % | 37.2 | 38.1 | -2.4 |
| Investments total (excl. acquisitions), EUR million | 21.7 | 19.2 | 13.1 |
| Average number of personnel during the period | 16,035 | 16,265 | -1.4 |
| Average number of shares outstanding, basic | 78,831,954 | 78,799,365 | 0.0 |
| Average number of shares outstanding, diluted | 78,831,954 | 78,799,365 | 0.0 |
| Number of shares outstanding | 78,839,426 | 78,823,503 | 0.0 |



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