

Q3 2019 Interim report

October 24, 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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Q3/19 Highlights

Good progress with Service growth strategy

- Annual value of Service's agreement base up 6.4% with comparable FX
- Order intake in Service up 3.6% with comparable FX

Mixed order intake in Q3

- Group order intake declined 1.4% YoY with comparable FX. Solid order growth in Service and Port Solutions offset by weak Industrial Equipment, reflecting weakening macroeconomic conditions

Group sales increased 3.8% with comparable FX

Decline in adjusted EBITA-% due to Industrial Equipment

- Group adjusted EBITA margin declined to 8.6% (9.3), reflecting mainly lower sales volumes, weaker product mix and temporary operational costs in Business Area Industrial Equipment
- While the adjusted EBITA margin declined to 2.9% (5.0) in Industrial Equipment, it improved to 8.2% (7.8) in Port Solutions and stayed approximately flat at 16.2% in Service

Cost savings plans updated

- EUR 48m restructuring costs booked in Q3, mainly related to Vernouillet and Wetter
- EUR 37m P&L savings expected from the total EUR 65m restructuring costs (incl. EUR 17m booked in Q2) expected by year-end 2021

Financial guidance reiterated, demand outlook updated to reflect softer conditions in Europe and weakening demand environment in the US



Key figures

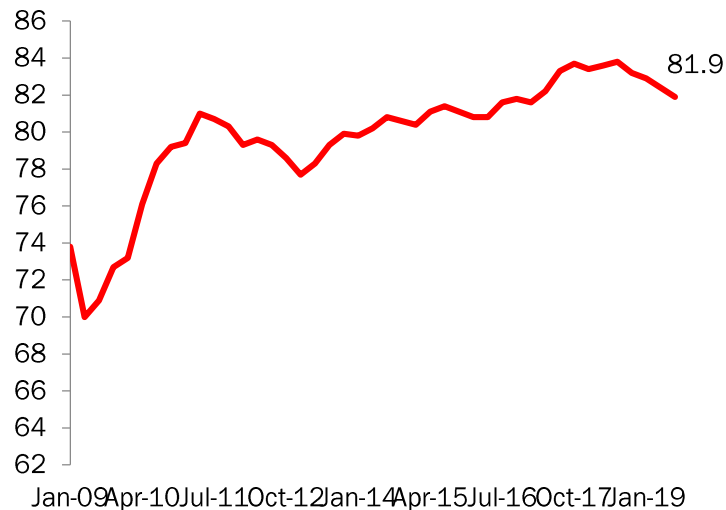
Key figures	7-9/19	7-9/18	Change %	Change % at comparable currencies	1-9/19	1-9/18	Change %	Change % at comparable currencies	1-12/18
Orders received, MEUR	715.3	716.5	-0.2	-1.4	2,386.0	2,160.5	10.4	9.0	3,090.3
Order book at end of period, MEUR					1,923.2	1,624.6	18.4	16.5	1,715.4
Sales, MEUR	841.3	800.2	5.1	3.8	2,393.6	2,245.2	6.6	5.2	3,156.1
Adj. EBITDA, MEUR	96.7	91.1	6.1		261.4	223.8	16.8		325.7
Adj. EBITDA, %	11.5	11.4			10.9	10.0			10.3
Adj. EBITA, MEUR	72.4	74.5	-2.8		187.8	171.5	9.5		257.1
Adj. EBITA, %	8.6	9.3			7.8	7.6			8.1
Operating profit (EBIT), MEUR	17.9	48.5	-63.0		83.2	114.3	-27.2		166.2
Operating margin (EBIT), %	2.1	6.1			3.5	5.1			5.3
EPS, basic, EUR	0.04	0.41	-90.6		0.46	0.79	-42.7		1.29
Free cash flow, MEUR	81.3	21.8			115.7	-3.3			73.1
Net debt, MEUR	674.2	620.5			674.2	620.5			545.3

Key figures by business area

Key figures	7-9/19	7-9/18	Change %	Change % at comparable currencies	1-9/19	1-9/18	Change %	Change % at comparable currencies	1-12/18
Service									
Orders received, MEUR	256.4	241.9	6.0	3.6	765.1	737.2	3.8	1.2	986.5
Sales, MEUR	312.1	296.3	5.3	3.2	918.1	856.0	7.3	4.8	1,192.5
Adj. EBITA, MEUR	50.6	48.0	5.6		147.2	124.2	18.4		180.0
Adj. EBITA, %	16.2	16.2			16.0	14.5			15.1
Industrial Equipment									
Orders received, MEUR	284.0	294.7	-3.6	-4.9	935.2	905.0	3.3	1.8	1,248.9
<i>of which external</i>	<i>227.9</i>	<i>248.8</i>	<i>-8.4</i>	<i>-9.7</i>	<i>785.2</i>	<i>767.2</i>	<i>2.3</i>	<i>0.7</i>	<i>1,065.5</i>
Sales, MEUR	281.7	291.7	-3.4	-4.9	849.5	825.3	2.9	1.5	1,150.9
<i>of which external</i>	<i>243.7</i>	<i>255.4</i>	<i>-4.6</i>	<i>-6.1</i>	<i>731.2</i>	<i>724.6</i>	<i>0.9</i>	<i>-0.5</i>	<i>1,009.2</i>
Adj. EBITA, MEUR	8.3	14.6	-43.5		17.6	27.8	-36.6		42.6
Adj. EBITA, %	2.9	5.0			2.1	3.4			3.7
Port Solutions									
Orders received, MEUR	249.0	240.0	3.8	3.9	882.9	696.9	26.7	27.0	1,096.0
Sales, MEUR	305.6	262.3	16.5	16.5	795.4	706.5	12.6	12.6	1,012.9
Adj. EBITA, MEUR	25.0	20.5	21.9		55.1	46.0	19.9		71.3
Adj. EBITA, %	8.2	7.8			6.9	6.5			7.0

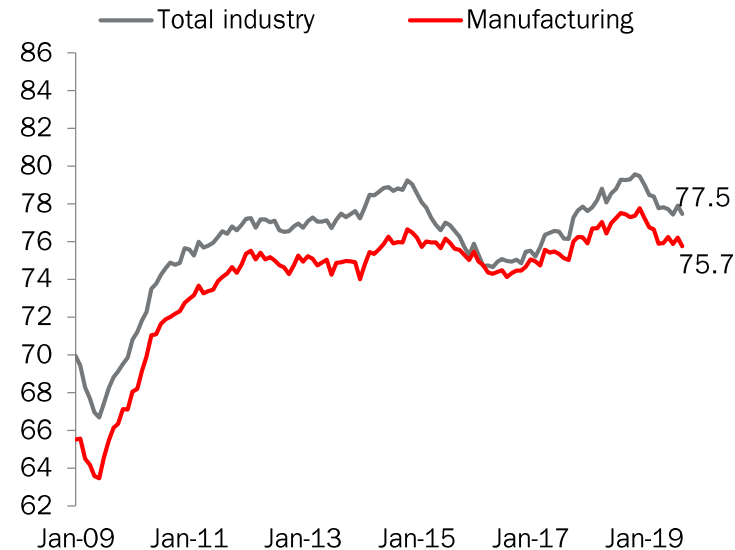
Market environment – service and industrial equipment

Capacity utilization rate – EU



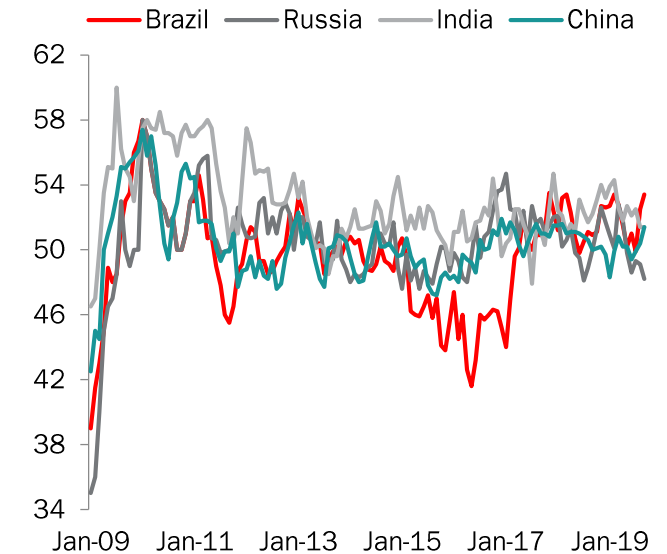
- Deteriorating operating conditions in Europe: manufacturing PMI has remained below 50.0 since February
- Capacity utilization rate decreased throughout FY19

Capacity utilization rate – USA



- Weakening operating conditions in the US, while still in the growth territory
- Capacity utilization rate declined in Q3

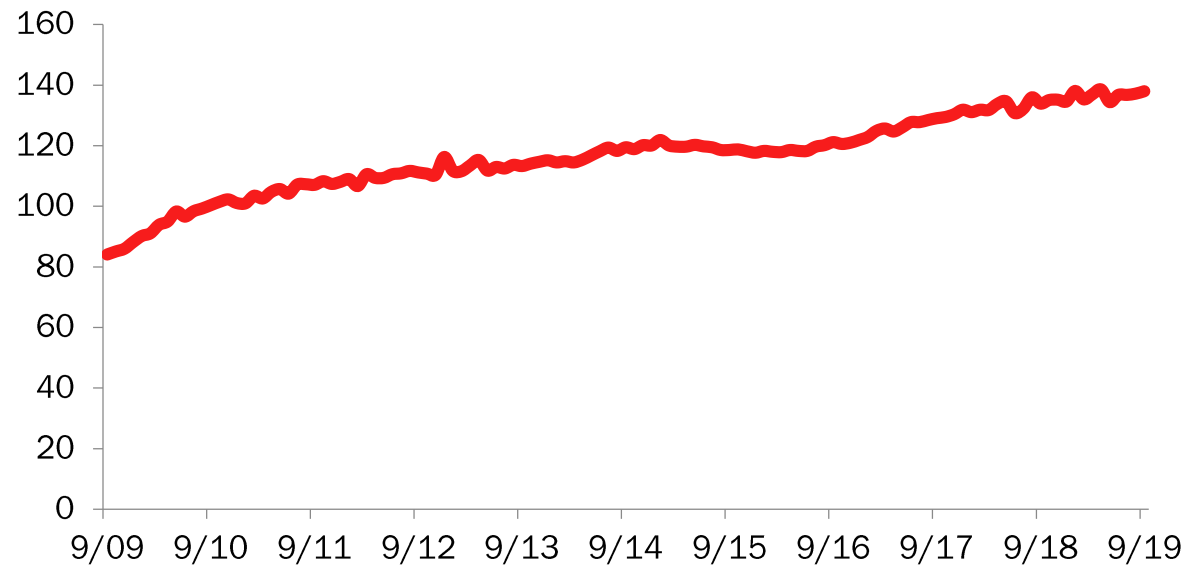
PMIs – BRIC countries



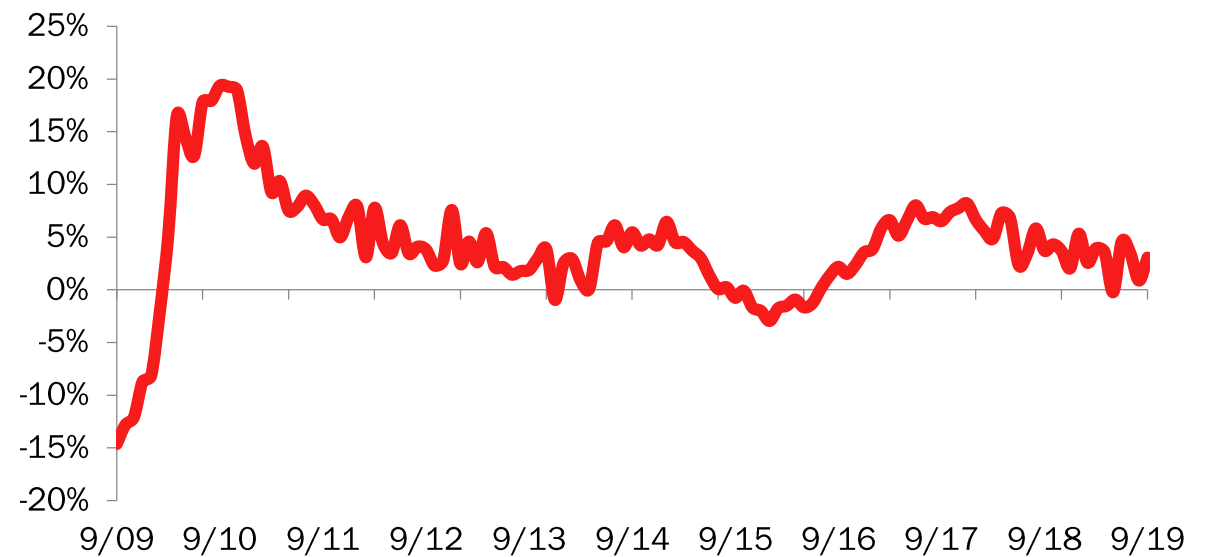
- Improving manufacturing conditions in Brazil, China and India
- Russia in the contraction territory in Q3

Market environment – Port Solutions

RWI/ISL Container Throughput Index



Monthly index change Y/Y

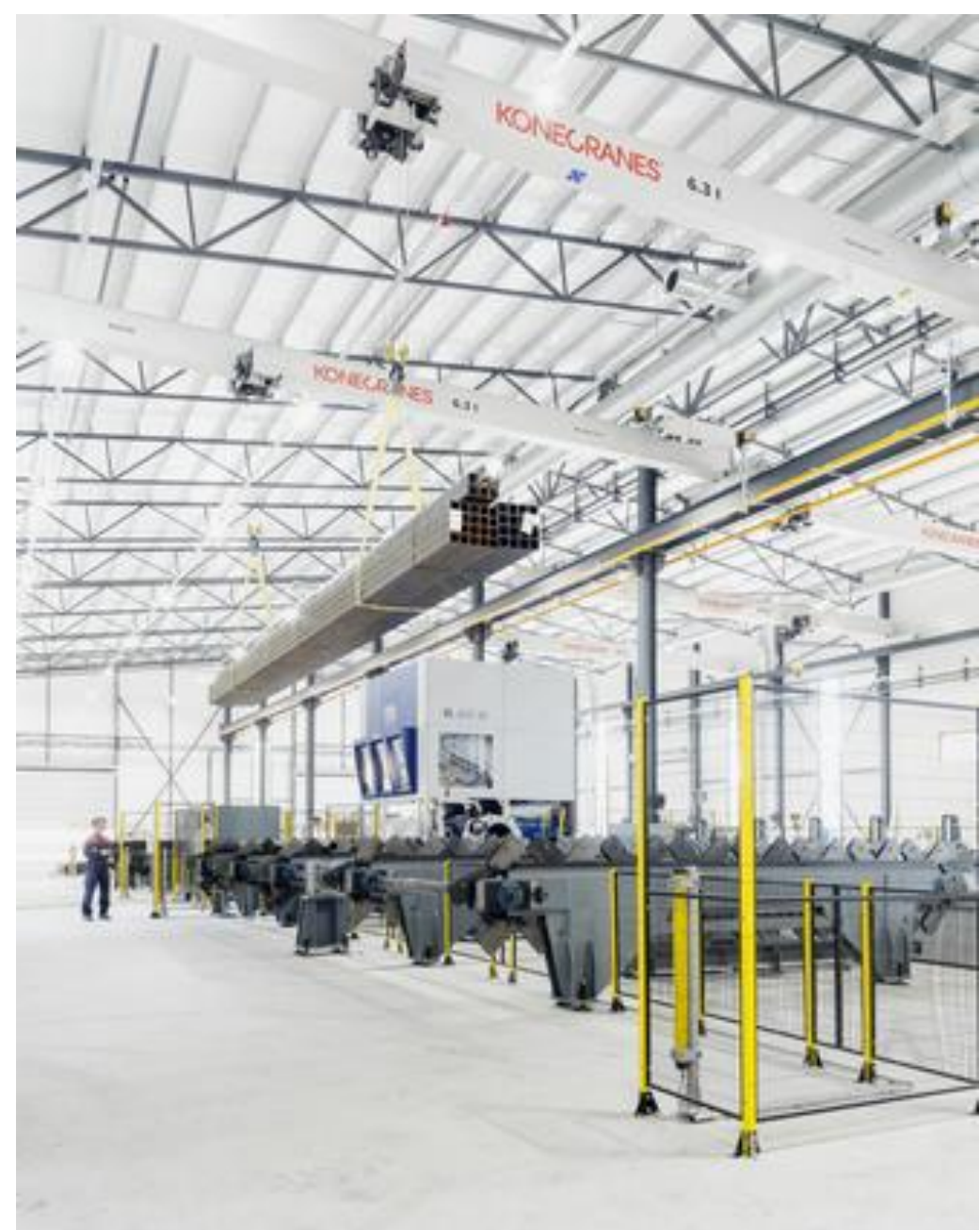


- The global container throughput index reached a new all-time high in August 2019

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

Demand outlook - update

- Within the industrial customer segments, the demand environment in Europe continues to soften.
- The demand environment in North America is on higher level compared to Europe but has started to show signs of weakening.
- Asia-Pacific continues to be stable overall.
- Global container throughput continues on a good level and the prospects for orders related to container handling remain stable overall. That said, there is hesitation in decision making among some port customers.



Financial guidance

Financial guidance for 2019

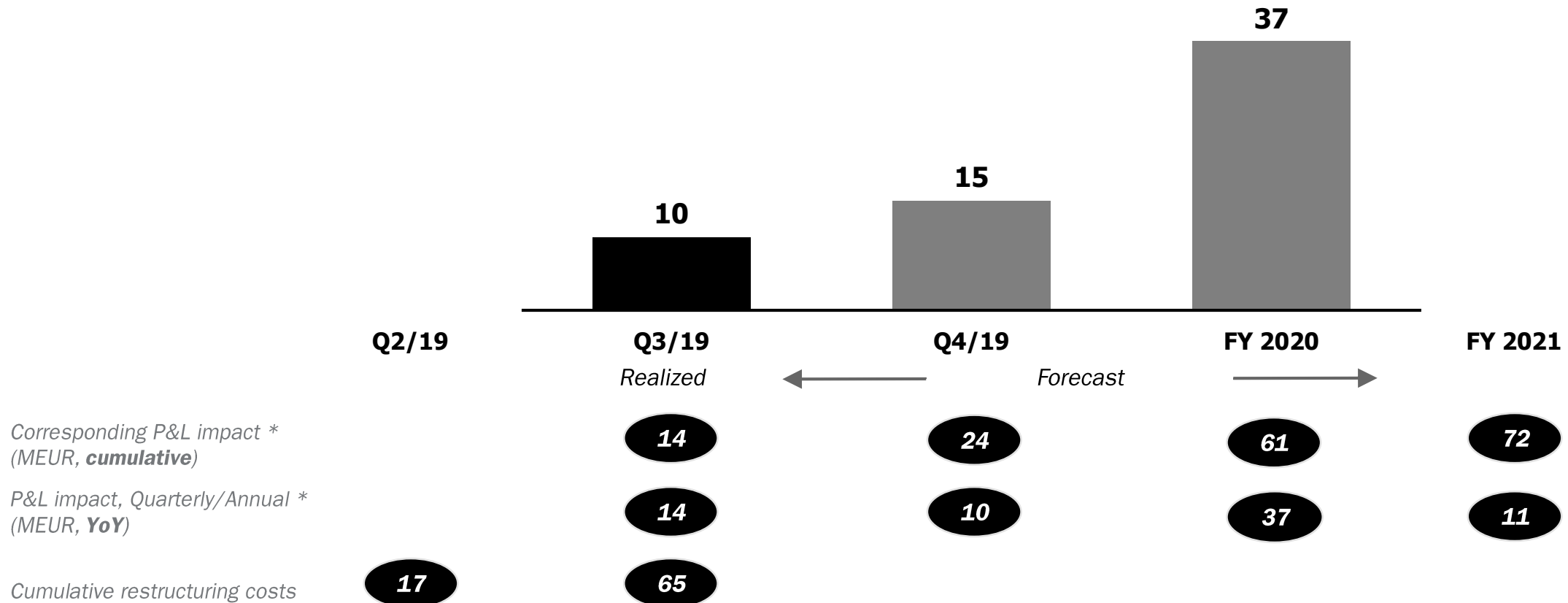
- Konecranes expects sales in full-year 2019 to increase 5-7% year on year.
- Konecranes expects the adjusted EBITA margin in full-year 2019 to improve compared to full-year 2018.

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

Further cost savings expected from ongoing activities: EUR 48 million restructuring costs booked in Q3

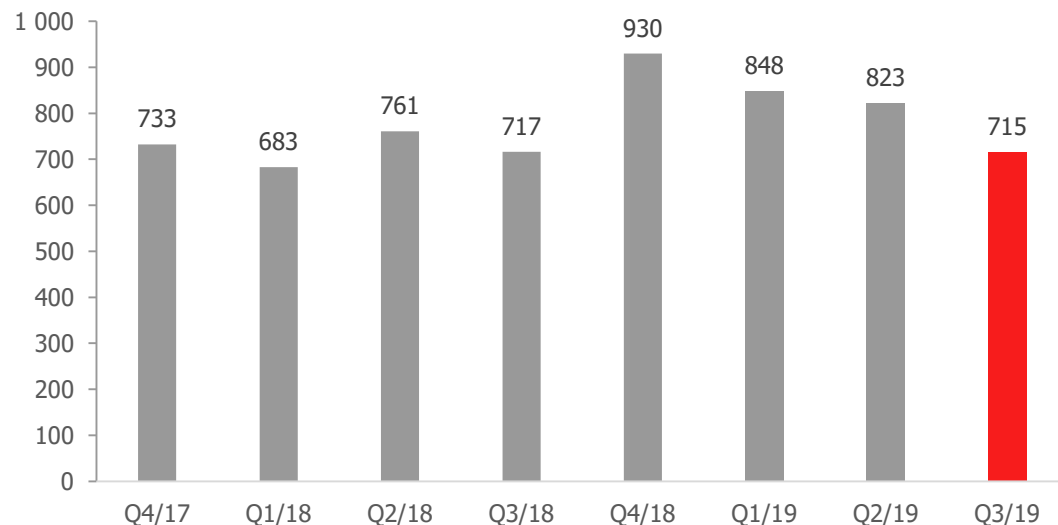
Cost synergy at EBIT level, cumulative run-rate impact estimate at period-end (MEUR)



* Includes EUR 35 million run-rate savings related to the previously communicated EUR 140 million synergy savings program

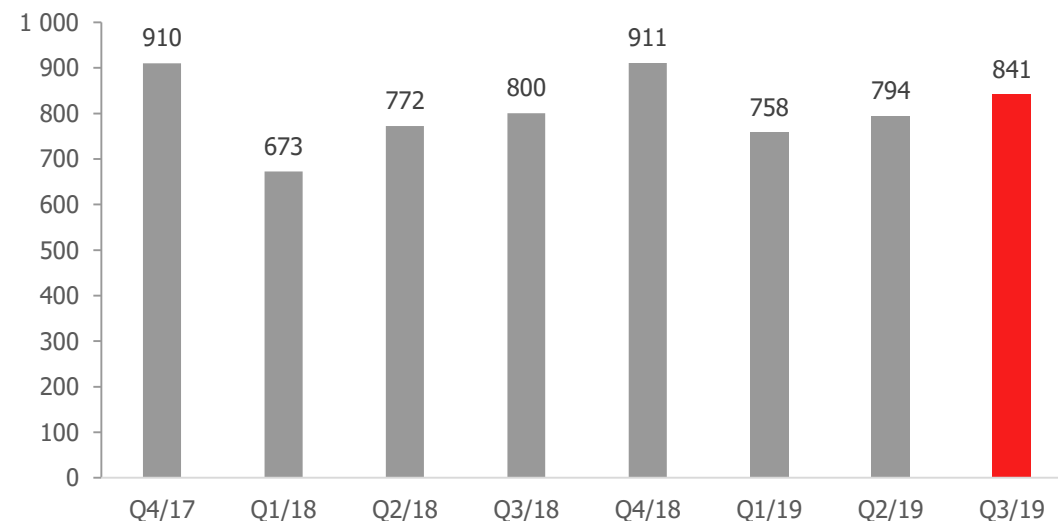
Q3/19 Group order intake and sales

MEUR



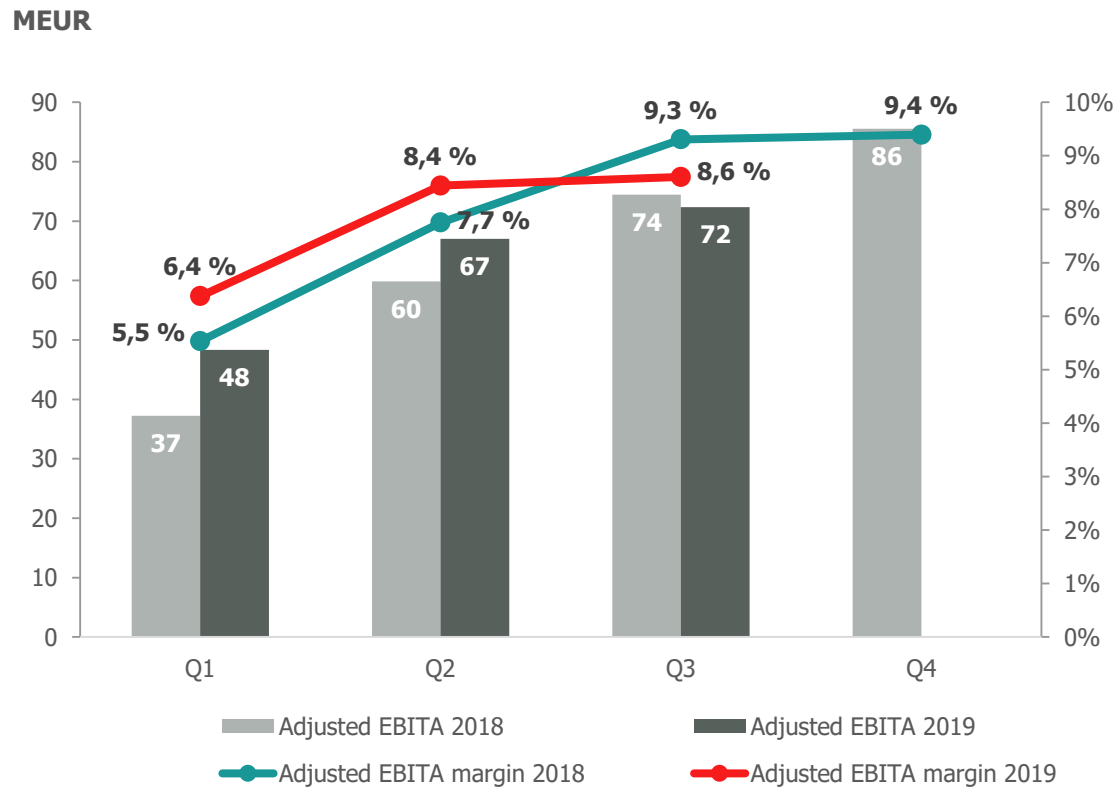
- Order intake decreased 0.2% to EUR 715.3 million (716.5), -1.4% on a comparable currency basis
- Orders received grew in reported currencies in EMEA and the Americas but declined in APAC. In comparable currencies, order intake decreased slightly also in the Americas.
- Orders received increased in Service (+6.0%) and Port Solutions (+3.8%), but decreased in Industrial Equipment (-3.6%)

MEUR



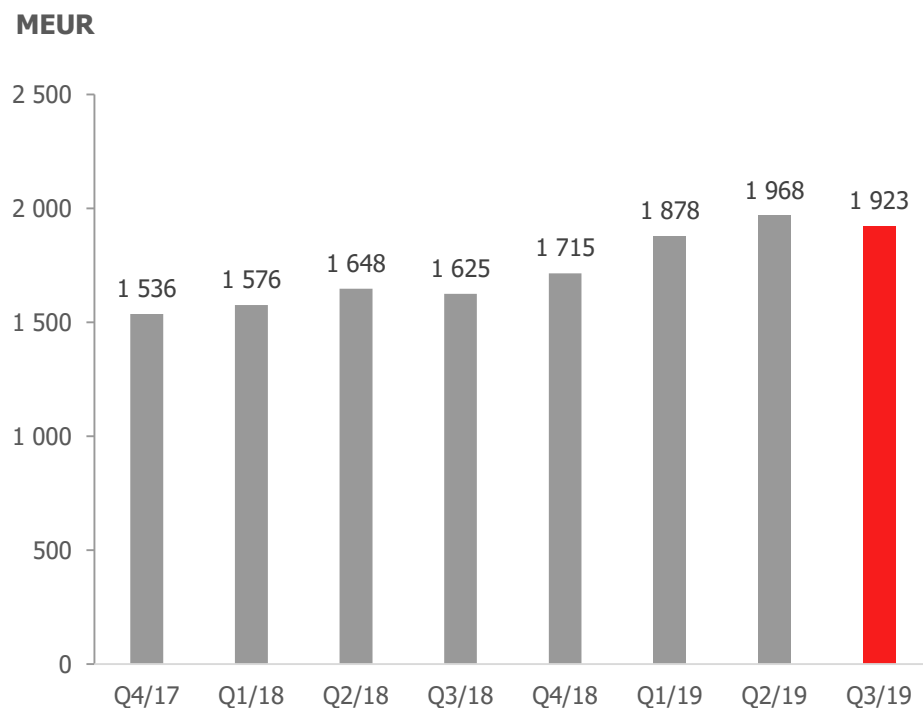
- Sales increased 5.1% to EUR 841.3 million (800.2), +3.8% on a comparable currency basis
- Sales increased in Service(+5.3%) and Port Solutions (+16.5%), but declined in Industrial Equipment (-3.4%)

Q3/19 Group adjusted EBITA



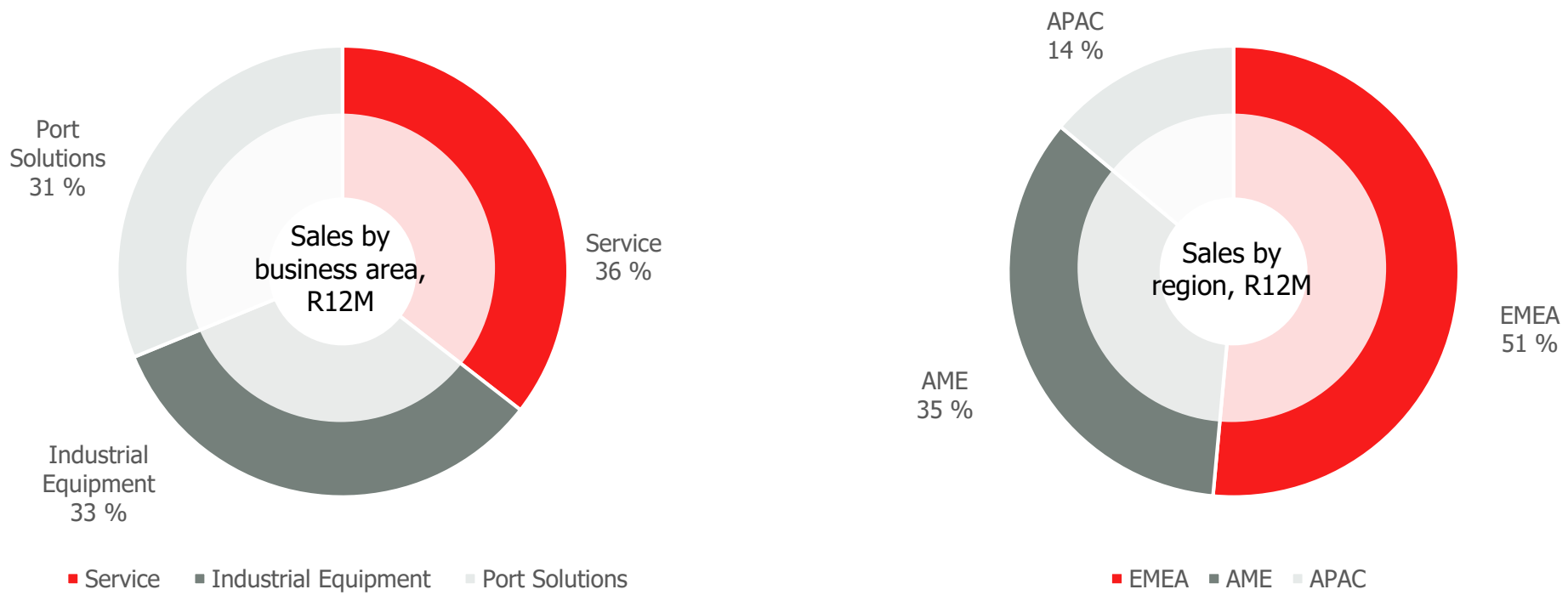
- Group adjusted EBITA decreased to EUR 72.4 million (74.5), 8.6% of sales (9.3)
- The decline resulted mainly from lower sales volumes, weaker product mix and temporary operational costs in Business Area Industrial Equipment
- Gross margin declined on a year-on-year basis

Q3/19 Group order book



- The value of the order book increased 18.4% to EUR 1,923.2 million (1,624.6)
- On a comparable currency basis, the value of the order book increased 16.5%
- Order book increased in all three Business Areas

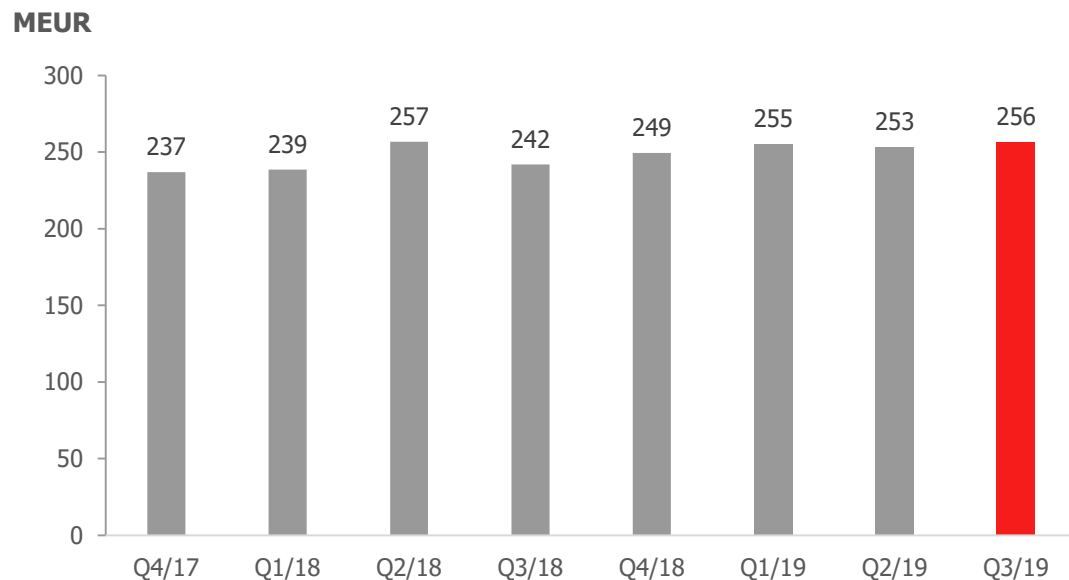
Group sales by business area and region



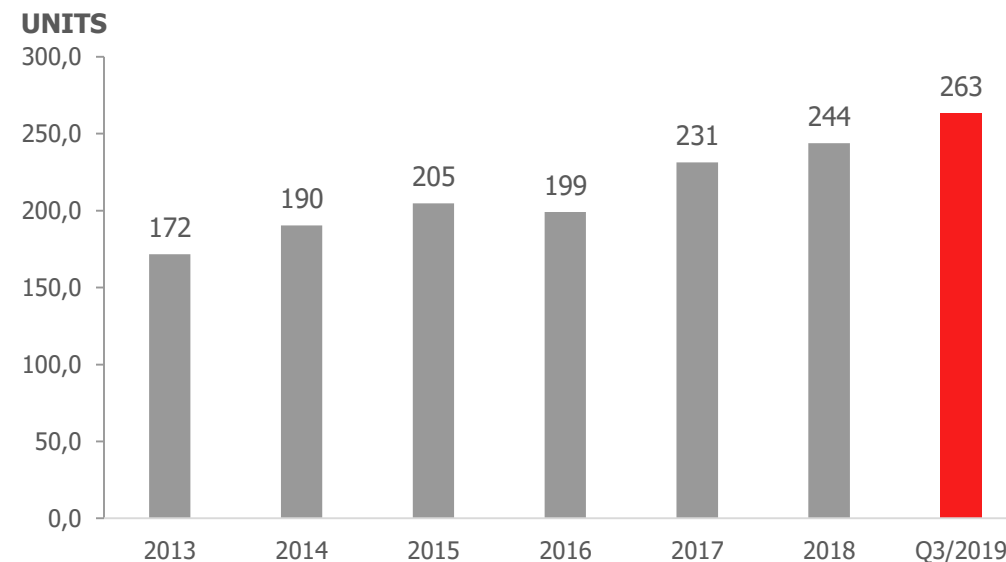
A worker wearing a white hard hat, safety glasses, and a red safety harness is working on a large, dark, cylindrical industrial component. The worker is wearing a grey shirt and blue gloves. The background shows a large warehouse filled with many stacks of similar cylindrical components. A red rectangular overlay is positioned on the right side of the image, partially covering the worker and the background.

Service

Q3/19 Service order intake and agreement base value



- Service orders received increased 6.0% to EUR 256.4 million (241.9). On a comparable currency basis, orders received increased 3.6%
- Both field service and parts orders increased
- Order intake increased all three regions

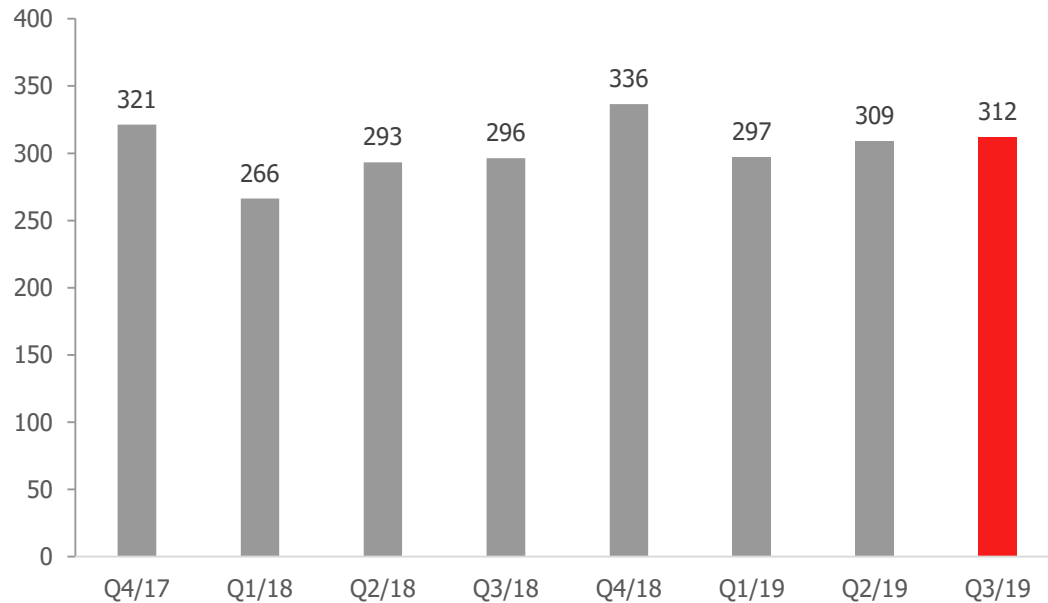


¹2014-16 agreement base on Konecranes stand-alone basis

- Year-on-year, the annual value of the agreement base increased 9.1% to EUR 263.4 million (241.5). On a comparable currency basis, the increase was 6.4%.
- Sequentially, the annual value of the agreement base increased 3.5% on a reported basis and 2.0% on a comparable currency basis

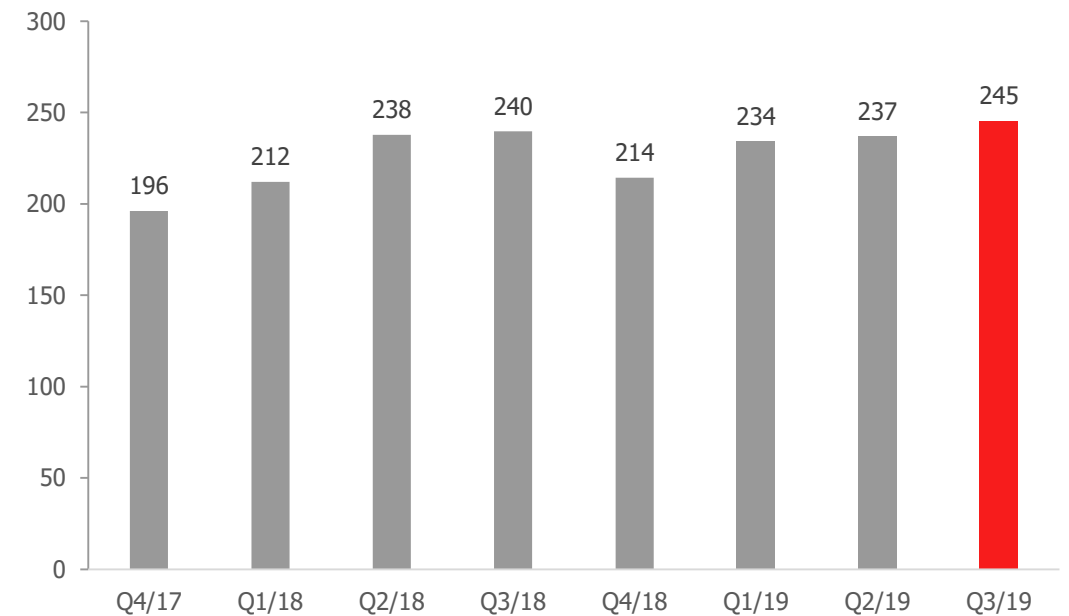
Q3/19 Service sales and order book

MEUR



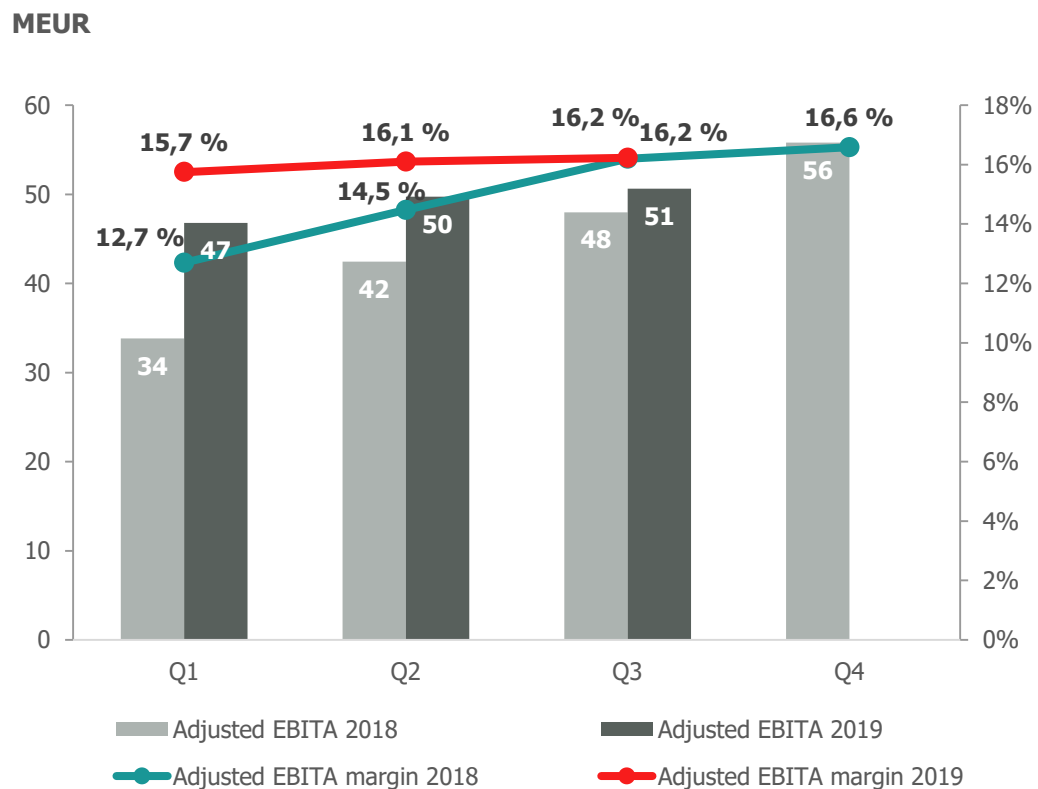
- Sales increased 5.3% to EUR 312.1 million (296.3)
- On a comparable currency basis, sales increased 3.2%
- Sales increased in all three regions
- Field service growth out performed parts sales growth

MEUR



- The order book increased 2.4% year-on-year to EUR 245.5 million (239.6)
- On a comparable currency basis, the order book decreased 1.2%

Q3/19 Service adjusted EBITA



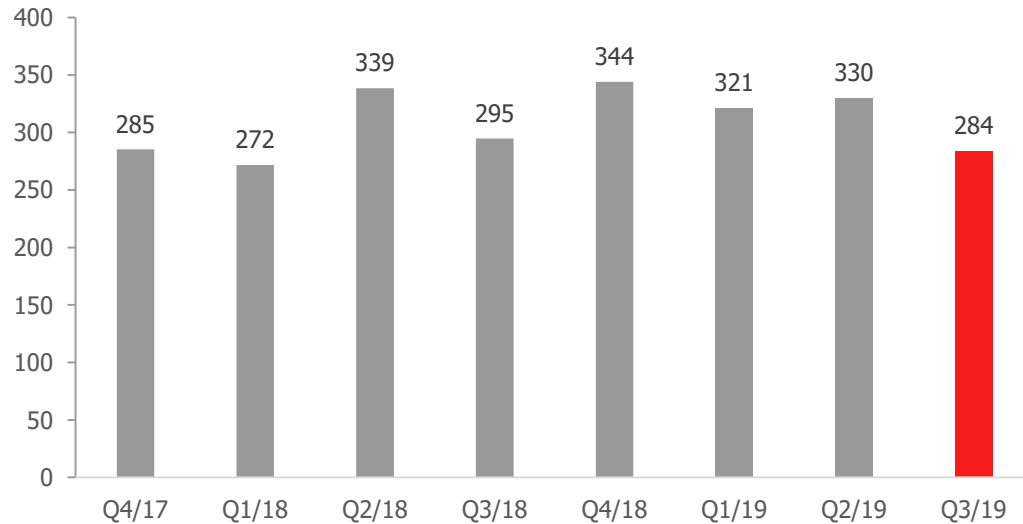
- The adjusted EBITA was EUR 50.6 million (48.0) and the adjusted EBITA margin 16.2% (16.2).
- Gross margin improved slightly on a year-on-year basis

Industrial Equipment



Q3/19 Industrial Equipment order intake and sales

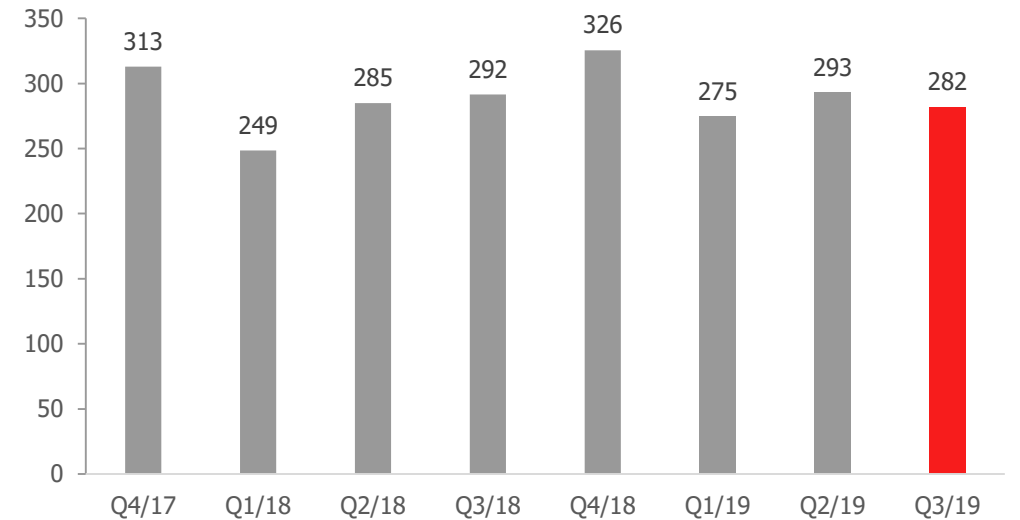
MEUR



- Orders received totaled EUR 284.0 million (294.7), corresponding to a decrease of 3.6%
- External orders decreased 8.4% on a reported basis and 9.7% on a comparable currency basis
- The decrease was driven by components and process cranes while orders received for standard cranes increased
- Order decline was driven by the Americas and APAC, while orders grew in EMEA

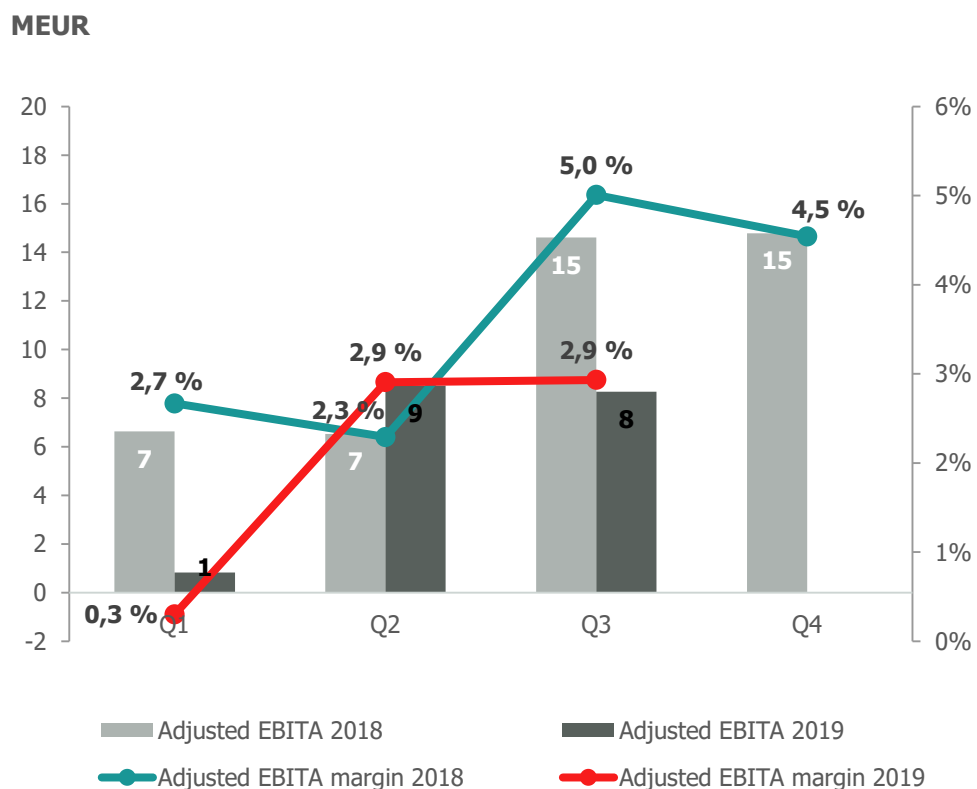
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MEUR



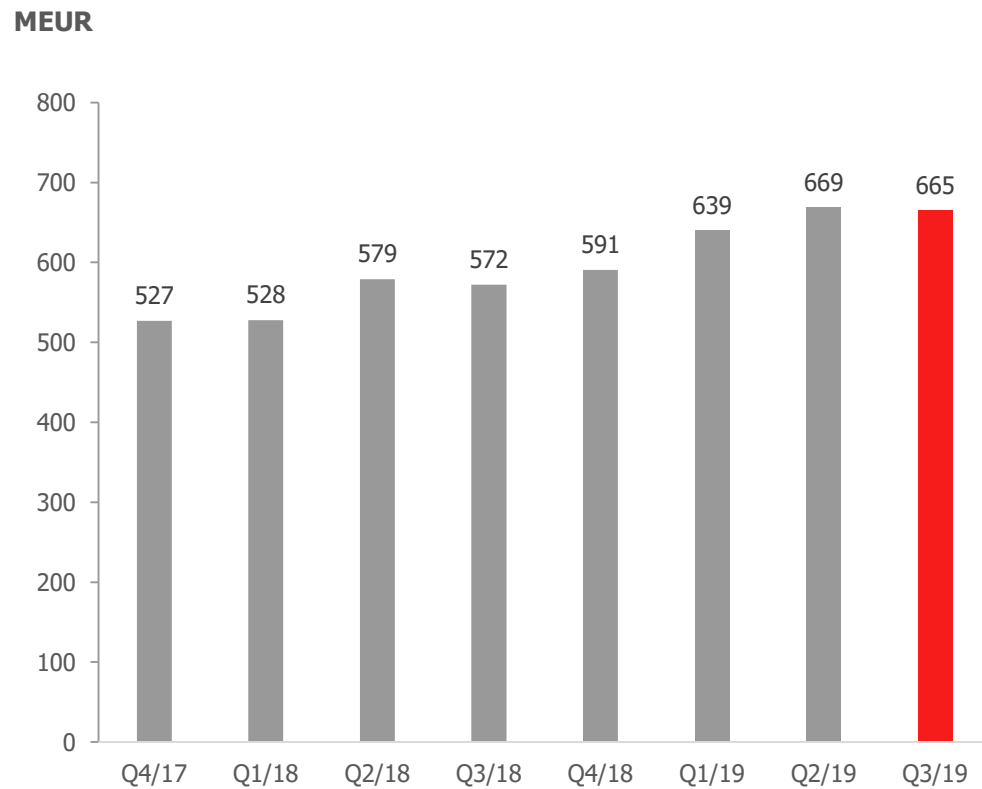
- Sales decreased 3.4% to EUR 281.7 million (291.7)
- External sales decreased 4.6% on a reported basis and 6.1% on a comparable currency basis

Q3/19 Industrial Equipment adjusted EBITA



- The adjusted EBITA was EUR 8.3 million (14.6) and the adjusted EBITA margin 2.9% (5.0)
- Gross margin stayed approximately flat year-on-year
- The decrease in the adjusted EBITA was mainly attributable to lower sales volumes, weaker product mix and temporary operational costs

Q3/19 Industrial Equipment order book



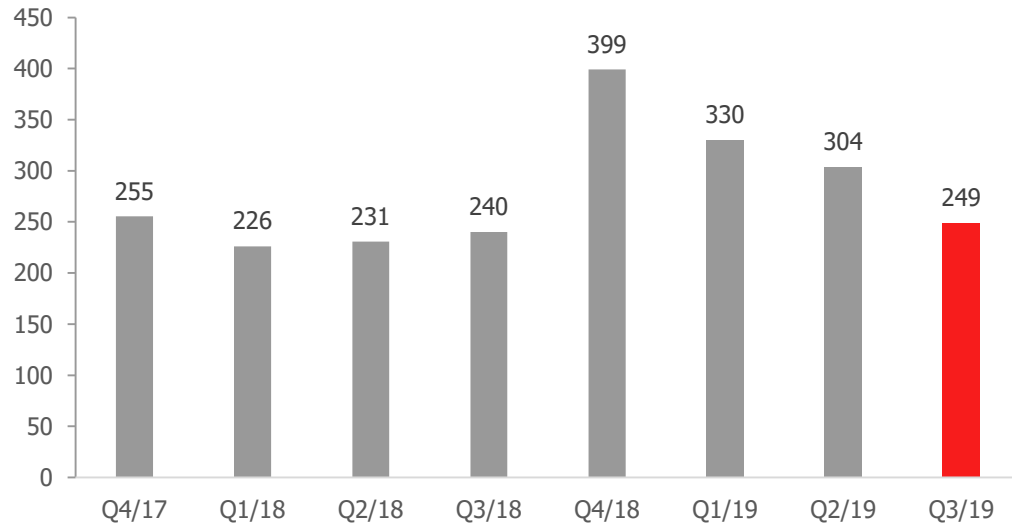
- The order book increased 16.3% year-on-year to EUR 665.1 million (572.0)
- On a comparable currency basis, the order book increased 12.9%

A large red and blue Konecranes NYCT gantry crane is lifting a blue container from a train car. The crane has "KONECRANES" and "NYCT" written on its side. The container is suspended by cables and is being lowered into a blue train car. The train car is on a track, and a white truck is visible in the background. The sky is blue with white clouds. A red semi-transparent box is overlaid on the right side of the image, containing the text "Port Solutions".

Port Solutions

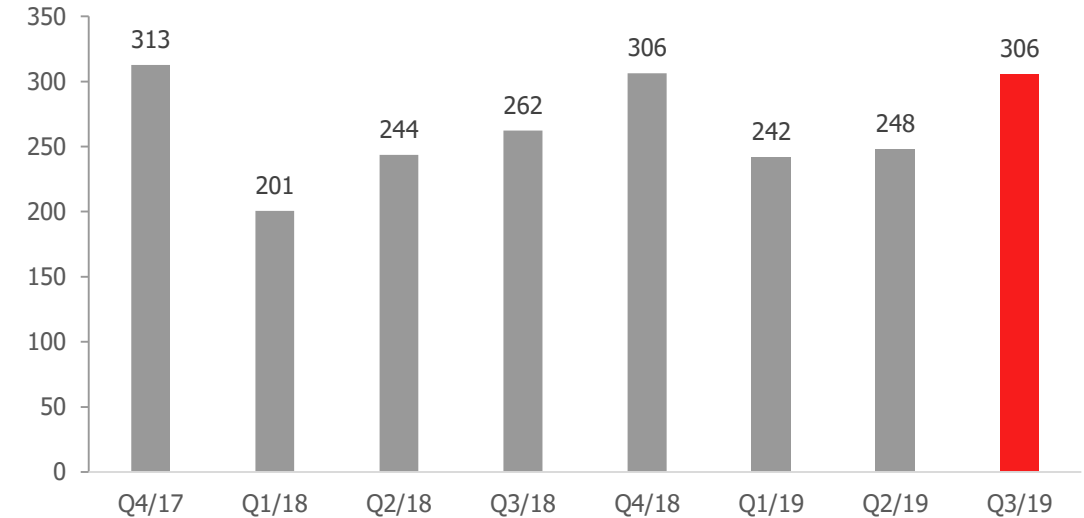
Q3/19 Port Solutions order intake and sales

MEUR



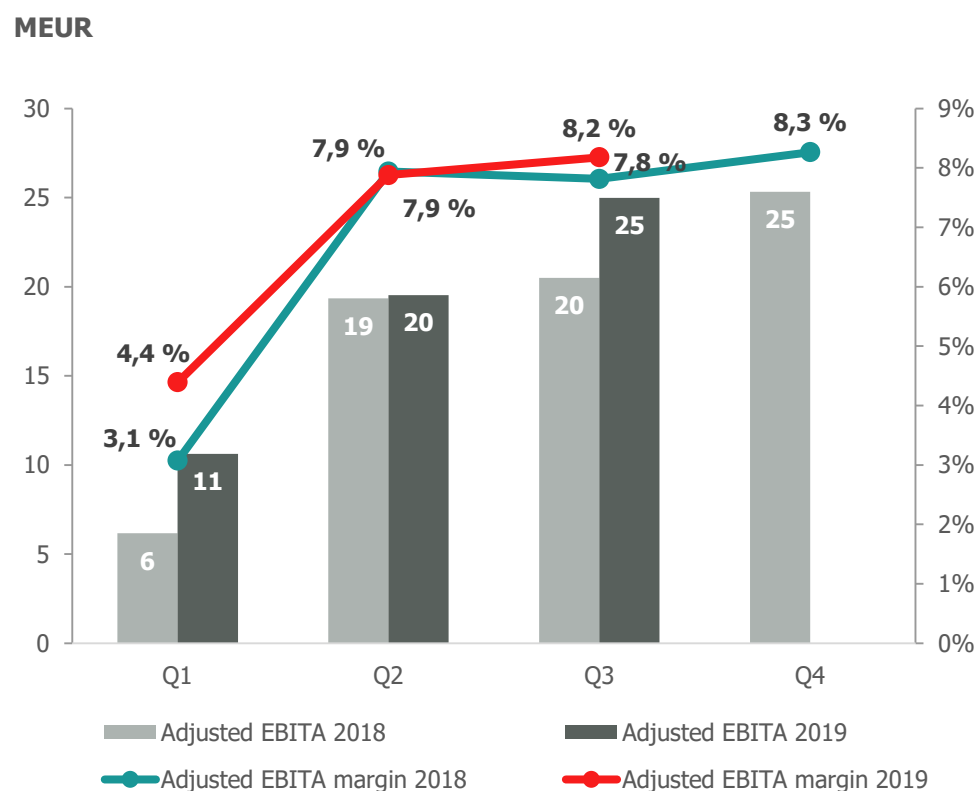
- Orders received totaled EUR 249.0 million (240.0), representing an increase of 3.8%. On a comparable currency basis, orders received increased 3.9%
- The order growth was driven by port cranes and solutions
- Orders grew in EMEA and the Americas but fell in APAC

MEUR



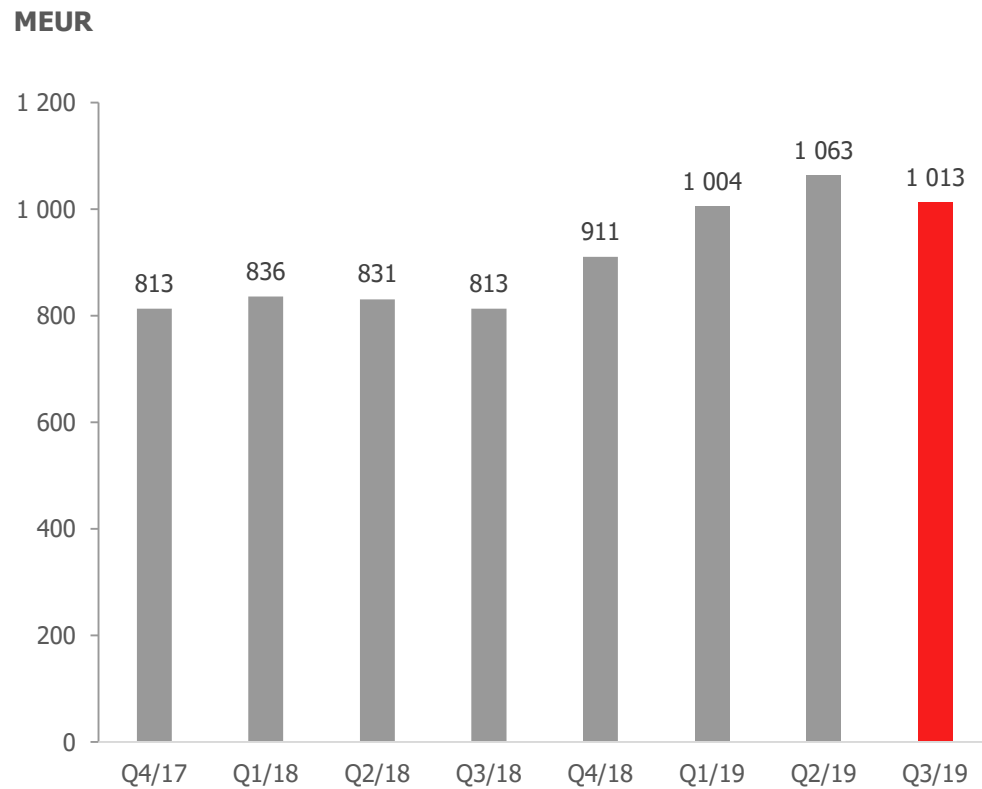
- Sales increased 16.5% to EUR 305.6 million (262.3). On a comparable currency basis, sales increased 16.5%

Q3/19 Port Solutions adjusted EBITA



- The adjusted EBITA was EUR 25.0 million (20.5) and the adjusted EBITA margin 8.2% (7.8)
- Gross margin decreased on a year-on-year basis
- The increase in adjusted EBITA results mainly from the sales growth

Q3/19 Port Solutions order book



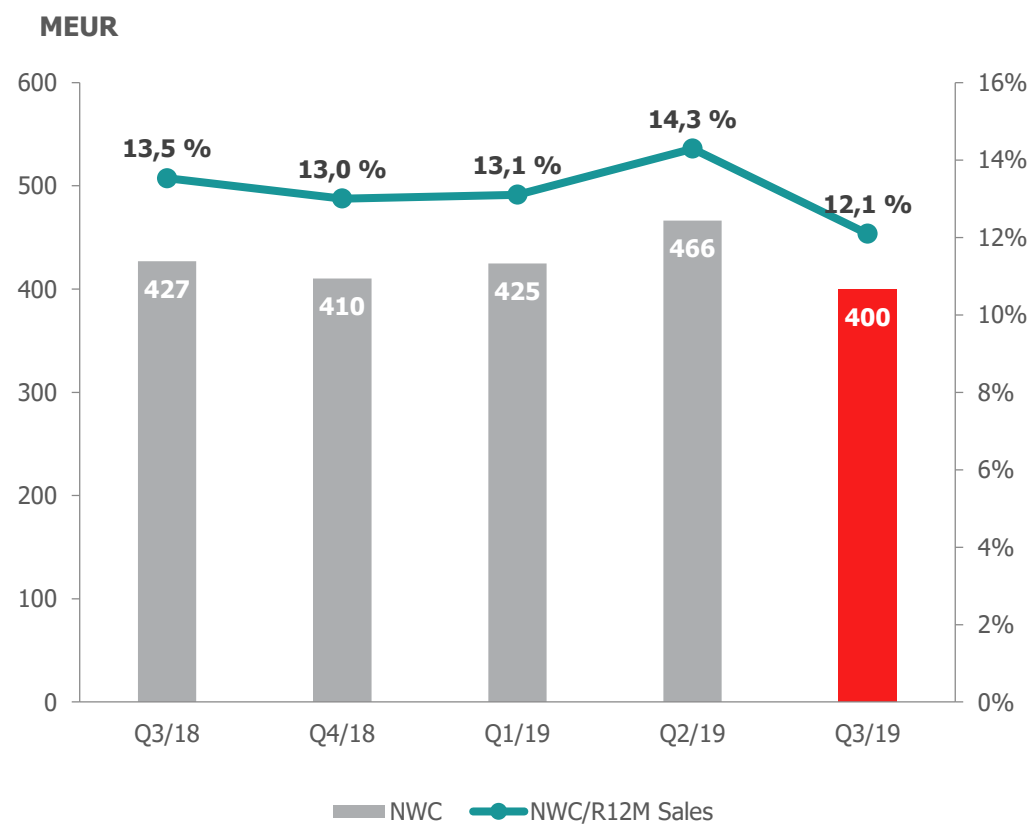
- The order book increased 24.6 percent to EUR 1,012.6 million (813.0)
- On a comparable currency basis, the order book increased 24.5%

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.

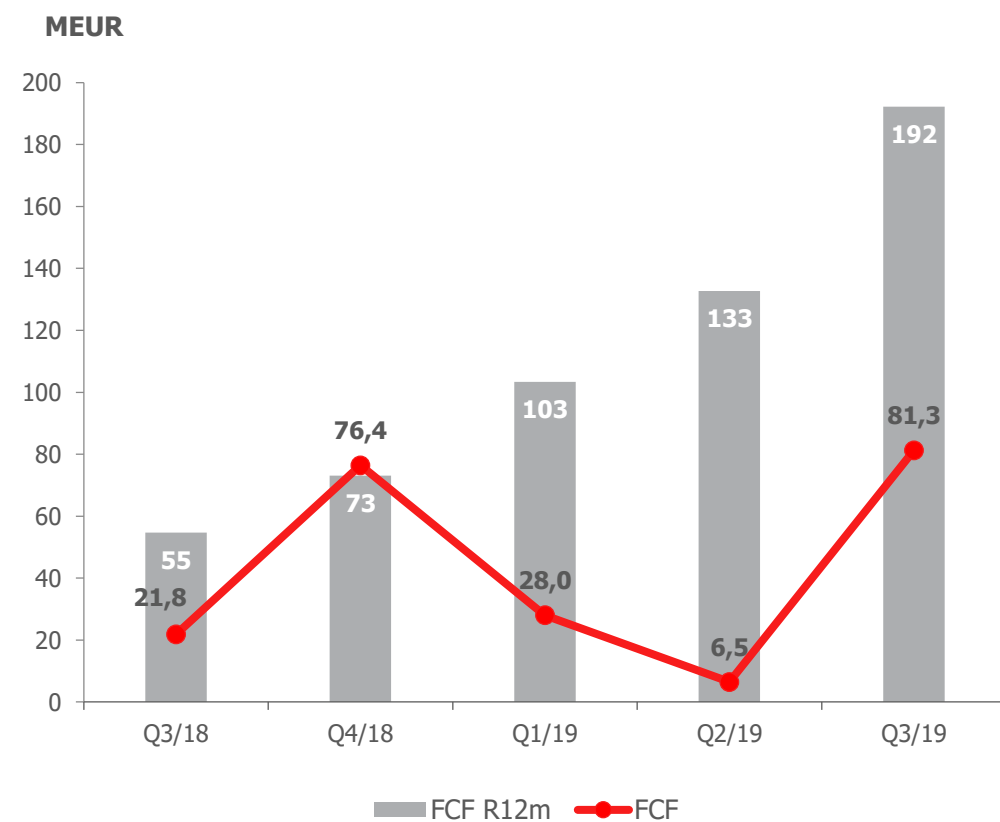
Cash Flow and Balance Sheet

Net working capital and free cash flow

Net working capital*



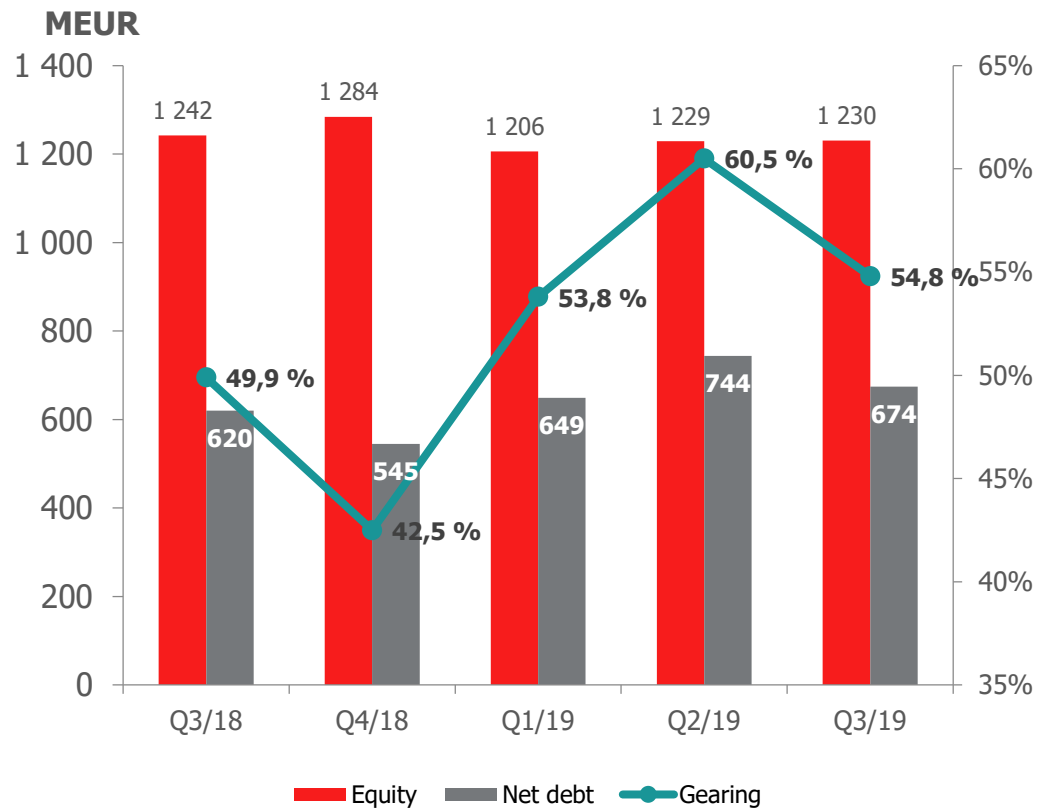
Free cash flow



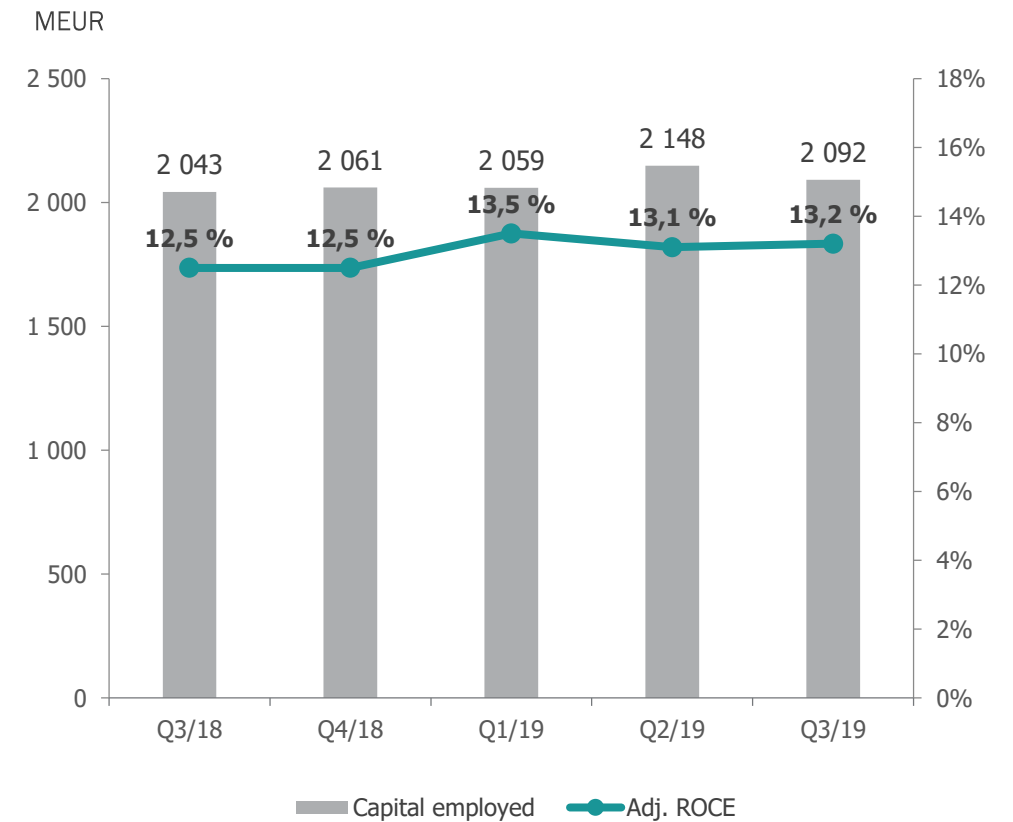
*Q1/19 excl. dividend payable of EUR 94.6 million

Gearing and return on capital employed

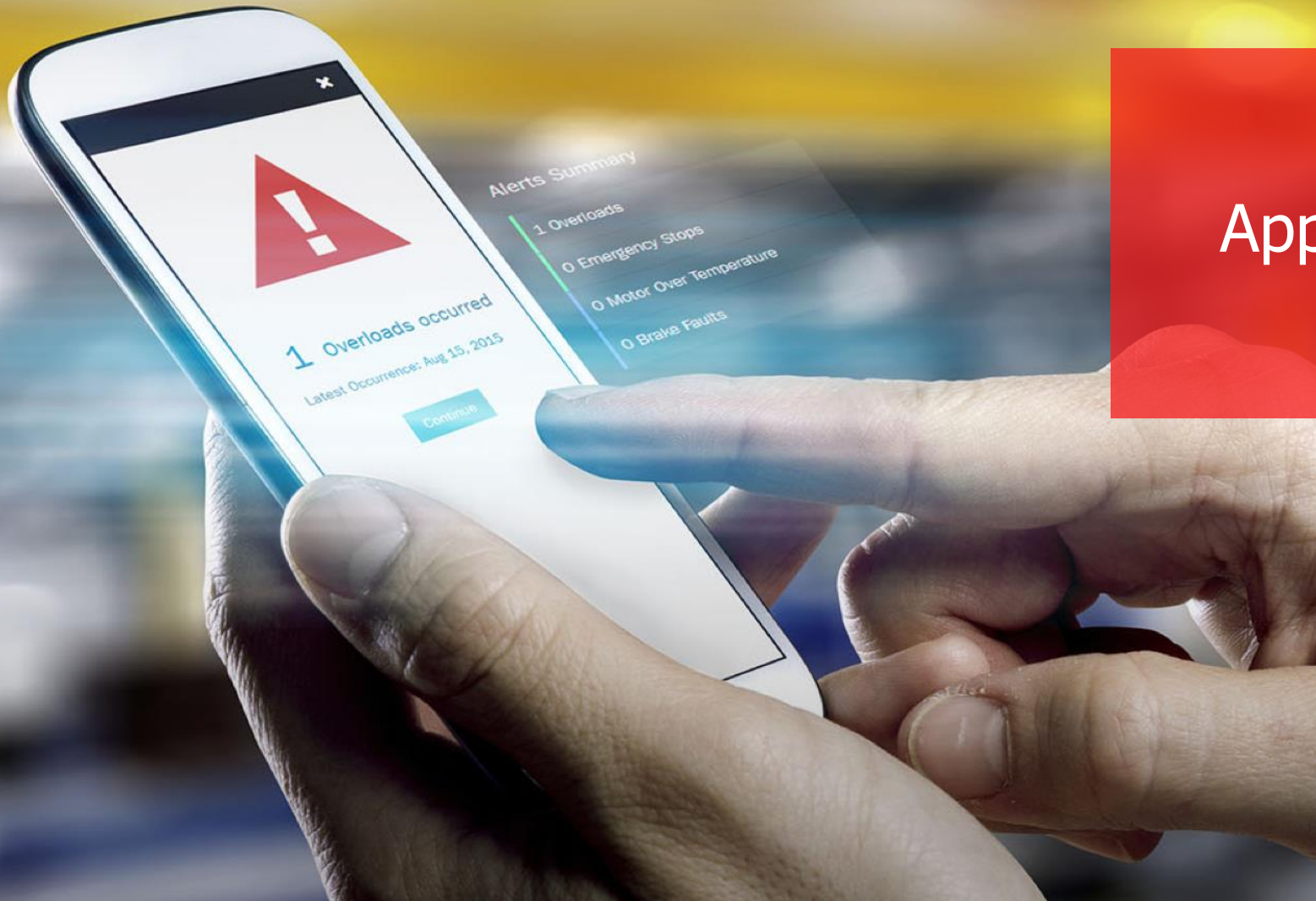
Equity, net debt and gearing



Capital employed and return on capital employed



Q&A



Appendix

Statement of income

EUR million	Q3/19	Q3/18	Change %	1-9/19	1-9/18	Change %	1-12/18
Sales	841.3	800.2	5.1	2,393.6	2,245.2	6.6	3,156.1
Other operating income	2.9	1.4		12.3	4.6		6.3
Materials, supplies and subcontracting	-388.0	-351.9		-1,039.9	-939.8		-1,371.9
Personnel cost	-252.0	-244.2		-776.6	-748.9		-1,006.5
Depreciation and impairments	-31.3	-26.0		-92.9	-80.4		-119.9
Other operating expenses	-155.0	-131.0		-413.2	-366.4		-498.0
Operating profit	17.9	48.5	-63.0	83.2	114.3	-27.2	166.2
Share of associates' and joint ventures' result	0.6	0.0		-0.5	-1.4		4.0
Financial income	0.9	0.5		5.7	1.3		2.6
Financial expenses	-10.4	-5.1		-33.2	-27.4		-34.1
Profit before taxes	9.0	44.0	-79.6	55.2	86.8	-36.4	138.7
Taxes	-5.3	-12.1		-18.2	-24.3		-40.4
PROFIT FOR THE PERIOD	3.7	31.9	-88.4	37.0	62.5	-40.8	98.3

Balance sheet

EUR million	30 Sep-19	30 Sep-18
Non-current assets		
Goodwill	910.2	904.9
Intangible assets	542.9	594.2
Property, plant and equipment	334.3	250.7
Other	205.5	206.8
Current assets		
Inventories	742.6	670.1
Accounts receivable	509.0	493.5
Receivables and other current assets	284.1	199.7
Cash and cash equivalents	182.8	179.4
Assets held for sale	27.4	0.0
Total Assets	3,738.7	3,499.2

EUR million	30 Sep-19	30 Sep-18
Total Equity	1,230.4	1,242.3
Non-current liabilities		
Interest-bearing liabilities	652.0	591.4
Other long-term liabilities	266.7	269.1
Other	159.3	166.4
Current liabilities		
Interest-bearing liabilities	209.5	209.0
Advance payments received	411.6	305.2
Accounts payable	206.0	193.7
Provisions	161.4	115.6
Other current liabilities	439.2	406.4
Liabilities directly attributable to assets held for sale	2.6	0.0
Total Equity and Liabilities	3,738.7	3,499.2

Cash flow statement

EUR million	1-9/19	1-9/18	1-12/18
Operating income before change in net working capital	180.7	199.3	295.1
Change in net working capital	11.4	-104.6	-91.5
Cash flow from operations before financing items and taxes	192.1	94.8	203.5
Financing items and taxes	-59.4	-74.5	-94.3
Net cash from operating activities	132.7	20.3	109.2
Net cash used in investing activities	-19.8	-22.5	-35.0
Cash flow before financing activities	112.9	-2.2	74.2
Net cash used in financing activities	-160.8	-49.6	-75.2
Change of cash and cash equivalents	-43.9	-53.7	-2.6
Free cash flow	115.7	-3.3	73.1

Key figures

EUR million	1-9/19	1-9/18	Change %
Earnings per share, basic (EUR)	0.46	0.79	-42.7
Earnings per share, diluted (EUR)	0.46	0.79	-42.7
Return on capital employed, %, Rolling 12 Months (R12M)	6.1	8.1	-24.7
Return on equity, %, Rolling 12 Months (R12M)	5.9	6.7	-11.9
Equity per share (EUR)	15.37	15.49	-0.8
Net debt / Adjusted EBITDA, Rolling 12 Months (R12M)	1.9	1.9	0.0
Equity to asset ratio, %	37.0	38.9	-4.9
Investments total (excl. acquisitions), EUR million	32.2	24.0	34.2
Average number of personnel during the period	16,081	16,289	-1.3
Average number of shares outstanding, basic	78,834,472	78,807,499	
Average number of shares outstanding, diluted	78,834,472	78,807,499	
Number of shares outstanding	78,839,426	78,823,503	



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