

# KEY ASPECTS IN FINANCE

CMD | Düsseldorf | Dec 14, 2017  
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# AGENDA

## 1 Growth, Profitability and Returns

## 2 Financing and Capital Structure

## 3 Summary

This presentation contains comparisons to both the Konecranes' historical figures and the combined company figures. Historical figures relate to Konecranes' stand-alone financial information as reported for 2016 (including the divested STAHL CraneSystems business).

To provide a basis for comparison, this presentation also contains, under separate headings, the comparisons to combined company's financial information on an Unaudited basis estimated by the management for 2016. This financial information has been prepared to reflect the financial results of the combined company as if it had been operating as such for the full financial year 2016. The comparable combined company's operations comprise Konecranes' operations without the divested STAHL CraneSystems business, but include the acquired MHPS business. See "Basis of preparation for comparable combined company" for further information.

Comparable combined company's financial information applies an assumed situation and does not therefore reflect the true financial position or the result of the company during 2016. The previous year's order book for MHPS included deliveries for the next 12 months only.

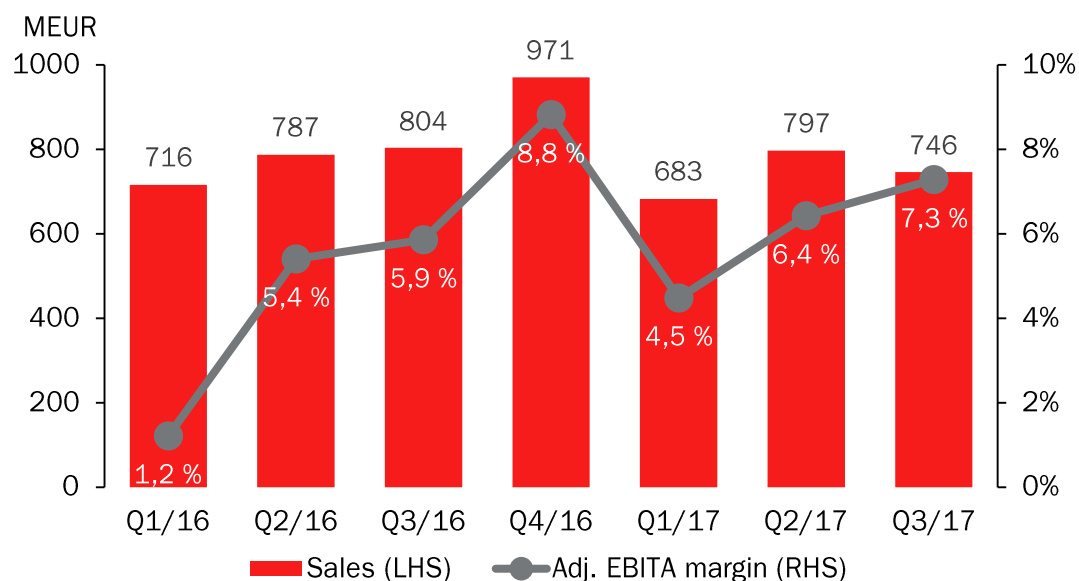
Gross margins included in the presentation are contribution margins calculated as sales less direct material and direct labor (wages and salaries).



**GROWTH,  
PROFITABILITY  
AND RETURNS**

# IMPROVED GROUP PROFITABILITY

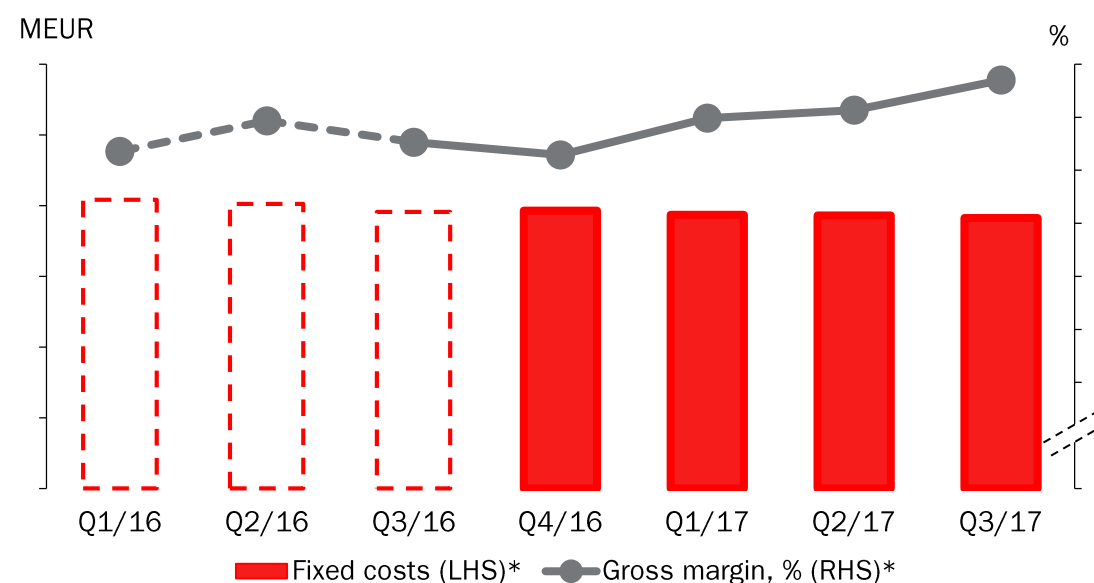
Comparable group sales and adjusted EBITA margin



Comparison to combined company figures

- YTD sales down Y/Y by 3.5%
- YTD adjusted EBITA up Y/Y by 38 MEUR
- YTD adjusted EBITA margin up Y/Y by 1.9 percentage points

Comparable R12M group fixed costs and gross margin



Comparison to combined company figures

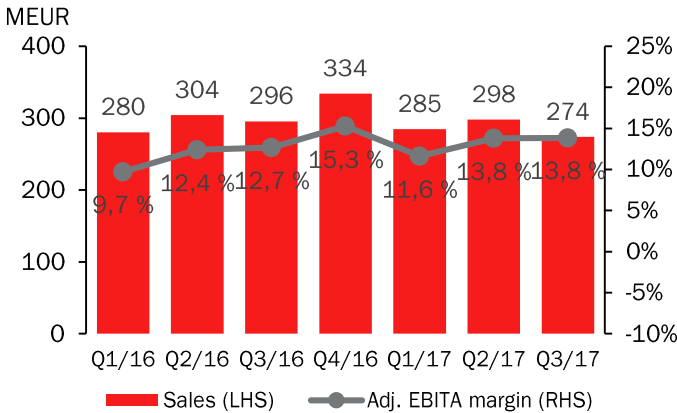
- YTD 2017 fixed costs are down Y/Y by 3.5%
- YTD 2017 gross margin has improved Y/Y by 2.0 percentage points

\*Q1-Q3/16 calculations are based on annualized figures. Q4/16-Q3/17 are R12M figures.

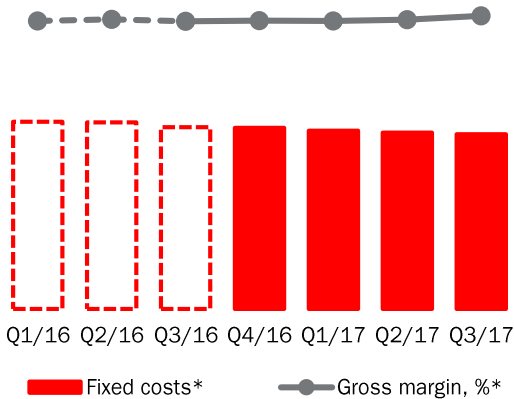
# PROFITABILITY IMPROVEMENT COMING FROM ALL BUSINESS AREAS

## Service

Comparable sales and EBITA margin

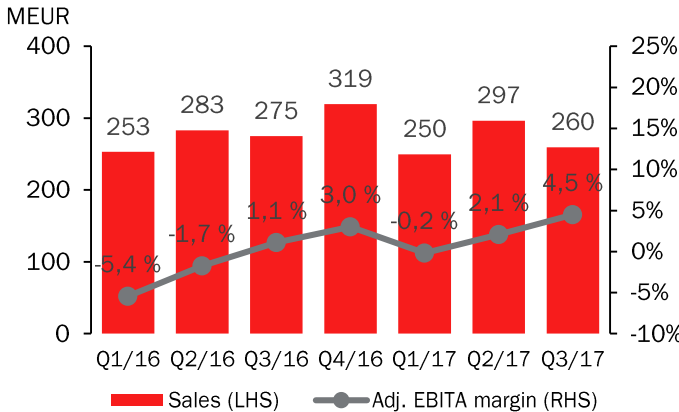


Comparable R12M fixed costs and gross margin

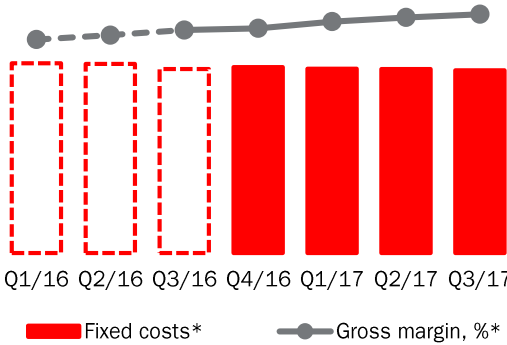


## Industrial Equipment

Comparable sales and EBITA margin

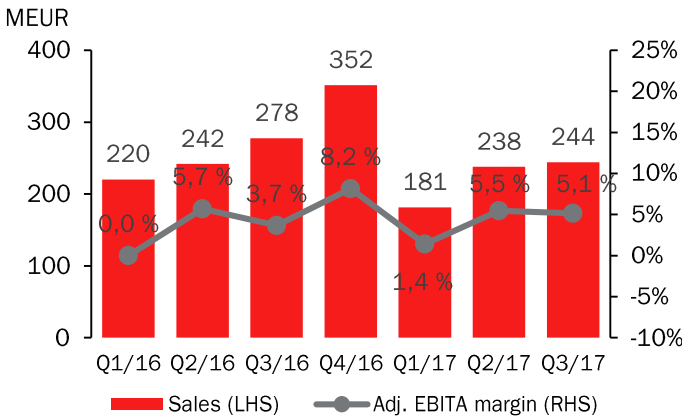


Comparable R12M fixed costs and gross margin

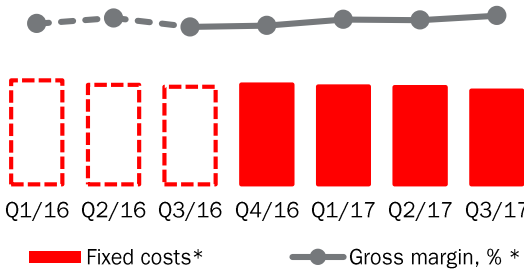


## Port Solutions

Comparable sales and EBITA margin



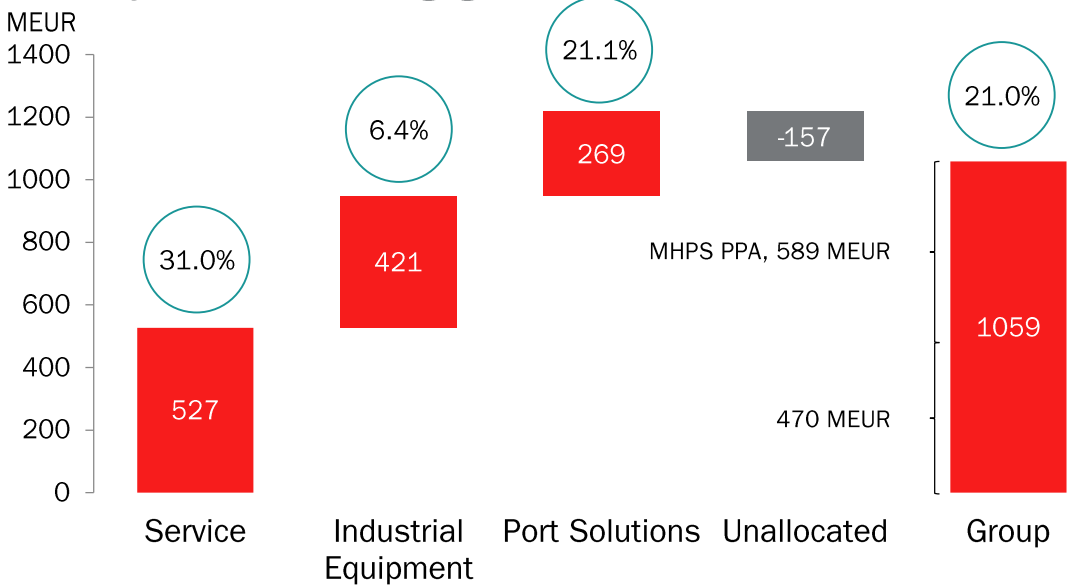
Comparable R12M fixed costs and gross margin





# ADJUSTED RETURN ON CAPITAL EMPLOYED\* PER BUSINESS AREA

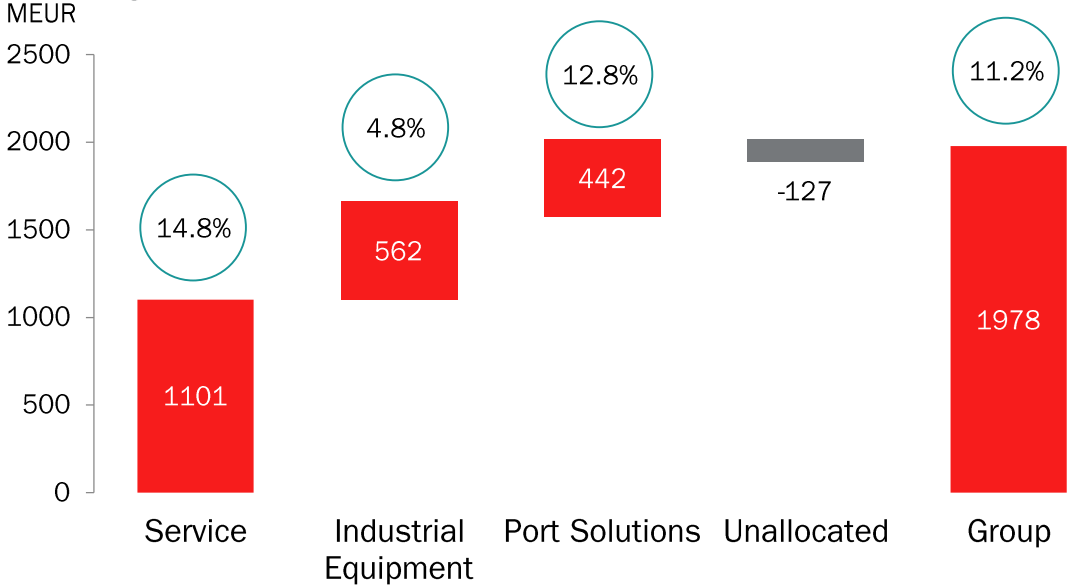
Capital employed and adj. return on capital employed\* excluding goodwill



Capital employed excl. GW    Adj. ROCE\*

\*Adj. return on capital employed calculated based on R12M adj. EBITA / capital employed Q3/17

Capital employed and adj. return on capital employed\*



Capital employed    Adj. ROCE\*

# PURCHASE PRICE ALLOCATION AMORTIZATION

Preliminary PPA	MEUR	Amortization time years	Annual forecast, MEUR				
			2017	2018	2019	2020	2021
Customers	227	15	15	15	15	15	15
Order book	19	2	9	9			
Trademarks	228						
Demag	167	indefinite					
Gottwald	51	indefinite					
Noell	8	10	1	1	1	1	1
Donati	1	10	0	0	0	0	0
Technology	104	15	7	7	7	7	7
PPE	13		3	4	0	0	0
<b>MHPS total</b>	<b>589</b>		<b>36</b>	<b>36</b>	<b>23</b>	<b>23</b>	<b>23</b>
Konecranes legacy			3	2	2	1	1
<b>Group total PPA</b>			<b>39</b>	<b>38</b>	<b>25</b>	<b>25</b>	<b>24</b>
Release of MHPS PPA in inventories	7	1	7				

- Two trademarks (Demag and Gottwald) with indefinite lifetime
- The average amortization time of purchase price allocated to machinery and equipment in PPE is approximately 2 years and to buildings over 20 years
- Preliminary PPA is subject to change in Q4/2017
- Restructuring actions can have an effect on the future amortization
- Release of MHPS PPA in inventories is being booked as an adjustment

# EFFECTIVE TAX RATE

## Konecranes effective tax rate is mainly affected by:

- Prevailing tax rates in different countries
- Restructuring of operations
- Non-deductible items (e.g. impairments) and tax exempt items (e.g. divestments)

\*) Includes calculatory tax from STAHL CraneSystems divestment

\*\*) Includes adjustment of tax free share of STAHL CraneSystems divestment

Reconcillation of income before taxes with total income taxes, MEUR	Q1-Q3/17	2016
Profit before taxes	230.9	62.1
Tax calculated at the domestic corporation tax rate of 20.0%*	46.2	12.4
Effect of different tax rates of foreign subsidiaries*	27.5	1.2
<b>Normalized tax rate</b>	<b>31.9%</b>	<b>21.9%</b>
Taxes from previous years	-1.9	-2.3
Tax effect of non-deductible expenses and tax-exempt income**	-54.0	0.0
Tax effect of unrecognized tax losses of the current year	12.1	6.9
Tax effect of utilization of previously unrecognized tax losses	-1.7	-0.7
Tax effect of recognition of previously unrecognized tax losses	0.0	-0.9
Tax effect of impairment/release of impairment of previously recognized deferred tax assets	-0.5	5.3
Tax effect of recognizing the controlled temporary difference from investment in subsidiaries	0.5	1.2
Tax effect of tax rate change	0.2	0.3
Other items	-0.6	1.1
<b>Total</b>	<b>27.7</b>	<b>24.5</b>
<b>Effective tax rate</b>	<b>12.0%</b>	<b>39.5%</b>





# FINANCING AND CAPITAL STRUCTURE

# MATURITY PROFILE AND DEBT OVERVIEW

## Long-term debt overview

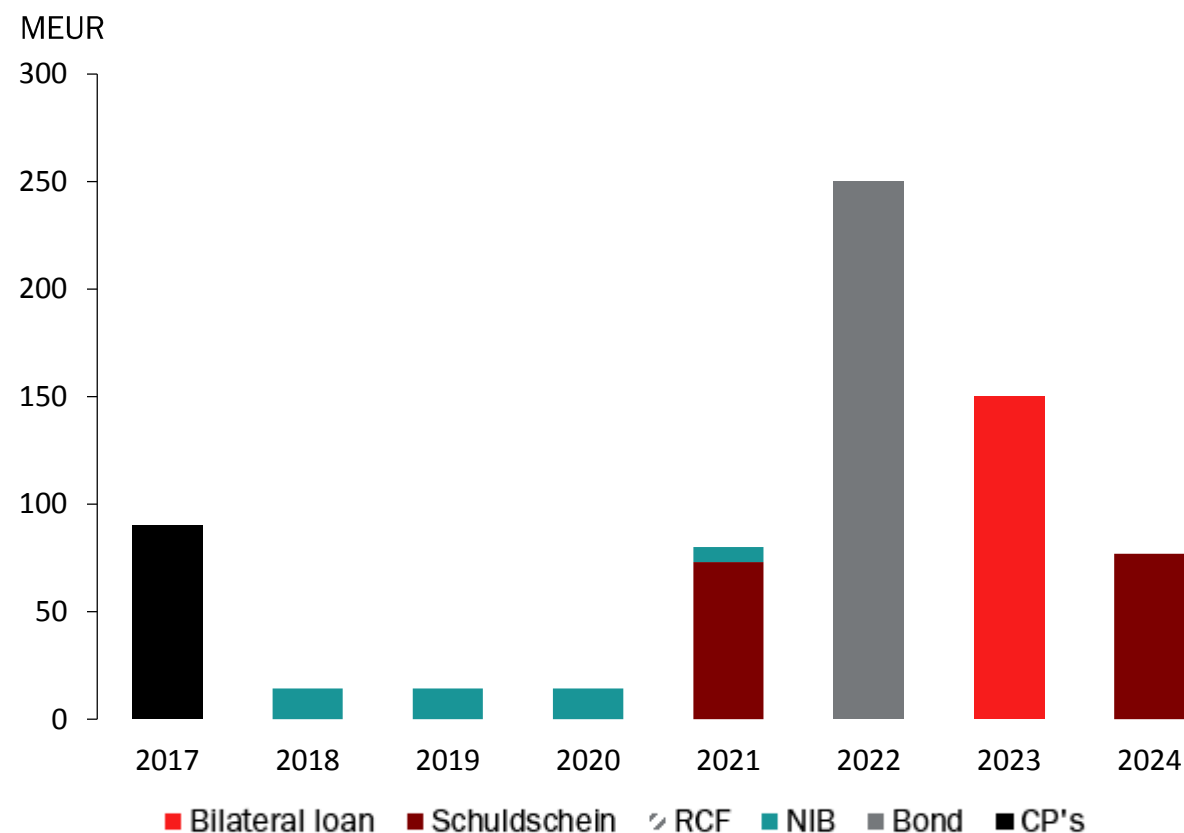
### Long-term debt January 4, 2017:

- EUR 50 million amortizing R&D loan (NIB)
- EUR 300 million term loan
- EUR 600 million term loan
- EUR 152 million bridge term loan

### Current long-term debt:

- EUR 50 million amortizing R&D loan (NIB)
- EUR 250 million senior unsecured bond
- EUR 150 million schuldschein loan
- EUR 150 million bilateral term loan

## Debt maturity profile

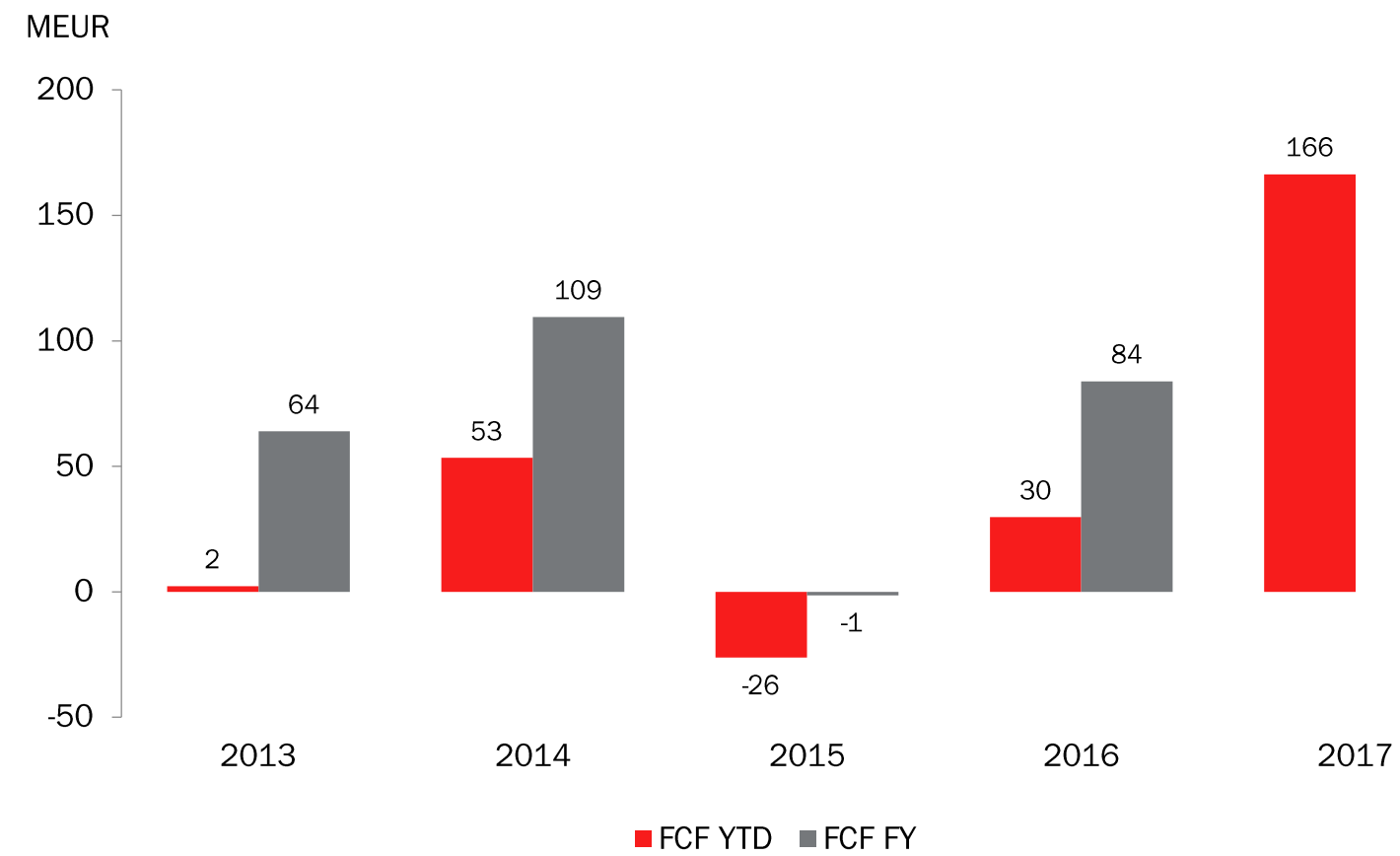


# FINANCIAL INCOME AND EXPENSES

Financial items, MEUR	1-9/2017	1-9/2017 annualized	Expected change in 2018
Financing net interest	-21	-28	+12
Forward premiums, net	-6		
FX differences, net	+4		
Commitment fees and guarantees/leasing	-6		
Others, including arrangement fees	-3		
<b>Total</b>	<b>-32</b>		



# FREE CASH FLOW



# CASH FLOW

EUR million	1-9/2017	1-9/2016	1-12/2016
<b>Cash flow from operating activities</b>			
<b>Operating income before change in net working capital</b>	<b>127.6</b>	<b>98.8</b>	<b>147.4</b>
Change in interest-free current receivables	77.9	30.7	-50.3
Change in inventories	-81.1	-8.4	61.3
Change in interest-free current liabilities	118.8	-13.6	29.8
<b>Change in net working capital</b>	<b>115.6</b>	<b>8.7</b>	<b>40.9</b>
<b>Cash flow from operations before financing items and taxes</b>	<b>243.2</b>	<b>107.5</b>	<b>188.3</b>
<b>Financing items and taxes</b>	<b>-59.4</b>	<b>-60.0</b>	<b>-78.6</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>183.8</b>	<b>47.6</b>	<b>109.6</b>
<b>Cash flow from investing activities</b>			
Acquisition of Group companies, net of cash	-731.7	-0.2	-0.2
Divestment of Businesses, net of cash	213.4	0.0	0.0
Proceeds from disposal of associated company	0.0	47.8	47.8
Capital expenditures	-18.9	-19.1	-27.3
Proceeds from sale of property, plant and equipment	1.5	1.3	1.5
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-535.7</b>	<b>29.7</b>	<b>21.7</b>
<b>Cash flow before financing activities</b>	<b>-351.8</b>	<b>77.2</b>	<b>131.4</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>320.5</b>	<b>12.8</b>	<b>-19.1</b>
Translation differences in cash	-7.2	-0.4	1.1
<b>CHANGE OF CASH AND CASH EQUIVALENTS</b>	<b>-38.5</b>	<b>89.6</b>	<b>113.4</b>

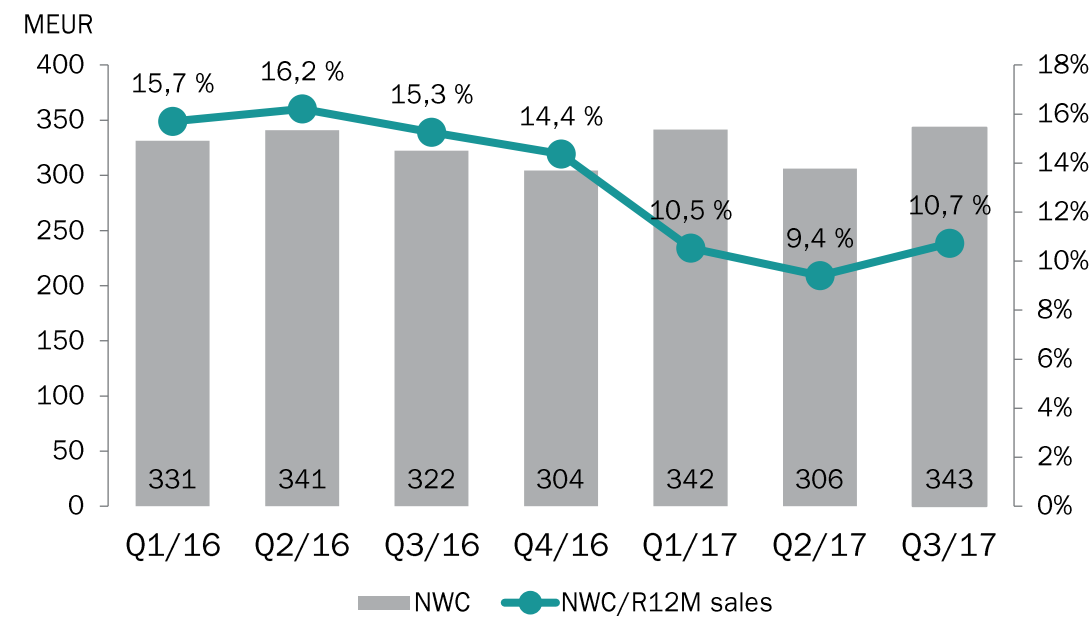
Strong net working capital development

MHPS purchase consideration, net of cash  
STAHL and Sanma divestments, net of cash

Low capex, clearly below D&A

# NET WORKING CAPITAL

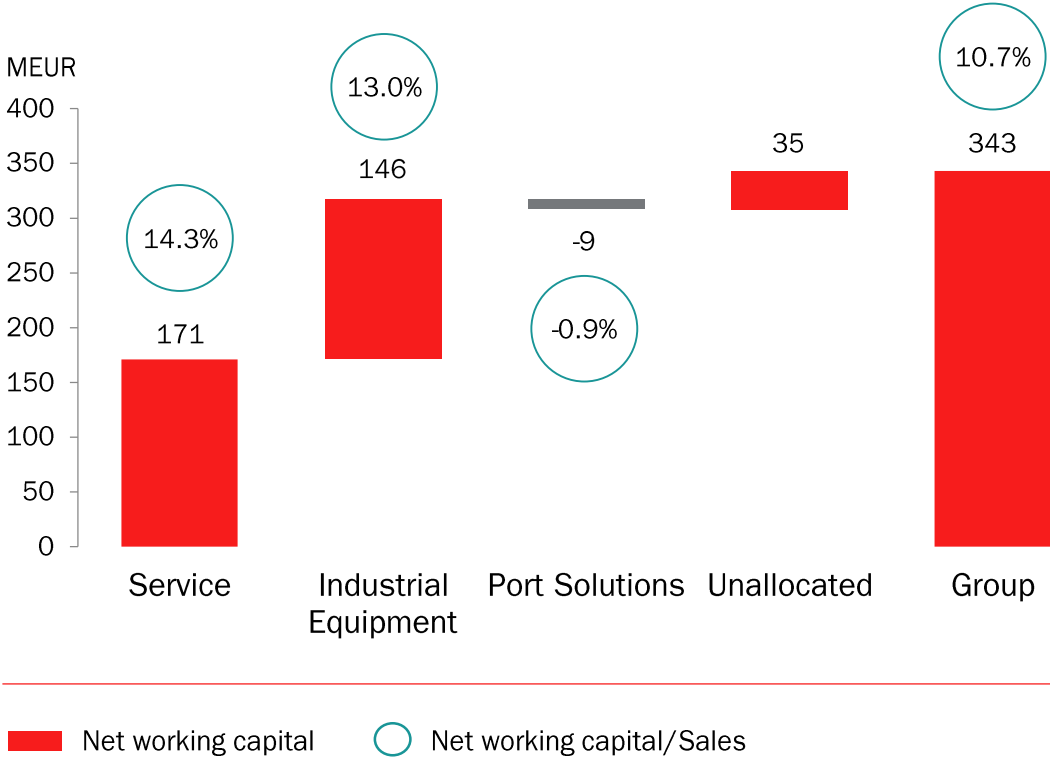
Group net working capital\*



\*Q1/17 excl. dividend liability of EUR 82 million, Q1/16 excl. dividend liability of EUR 62 million

Q1-Q3/17 R12M sales for comparable combined company

Net working capital\* by business area, Q3/17

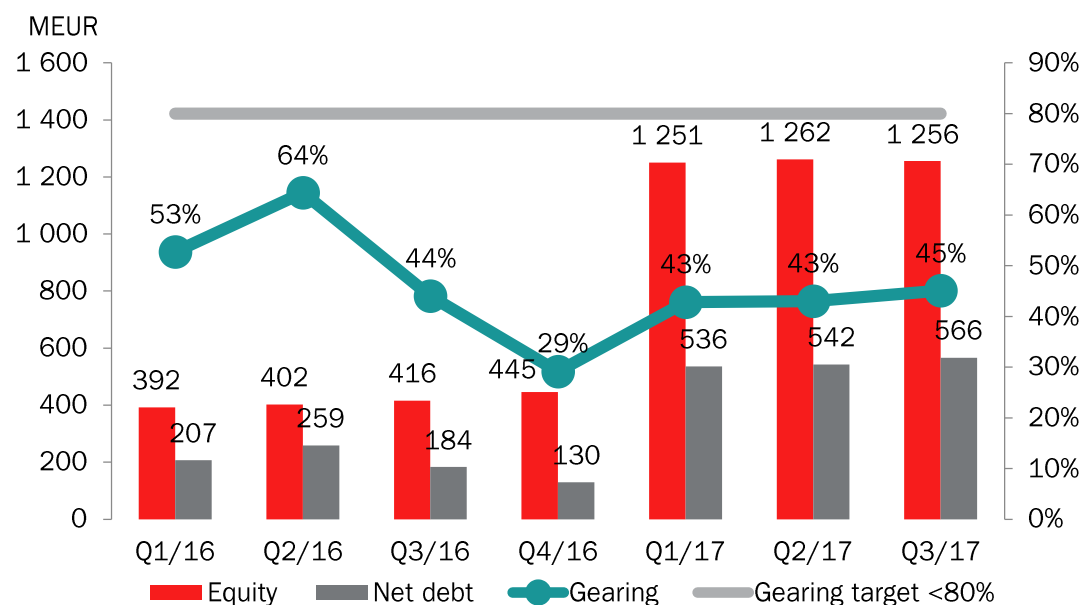


Net working capital      Net working capital/Sales



# GEARING AND LEVERAGE METRICS(A)

## Equity, net debt and gearing



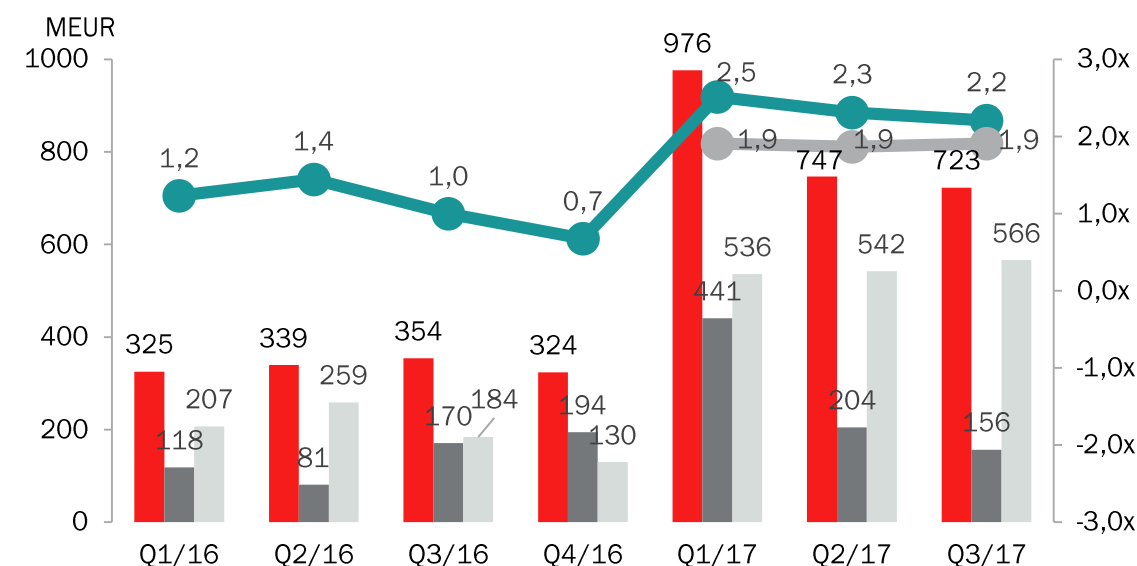
### Comments:

On January 4, 2017 the acquisition of MHPS was completed. Cash consideration for the acquisition was USD595m and EUR200m.

The STAHL CraneSystems divestment was completed on January 31, 2017, Konecranes received cash proceeds of EUR232m from the STAHL divestment.

A) All data prior to Q1 2017 are Konecranes standalone figures

## Debt and Leverage Metrics



Gross Debt

Net Debt

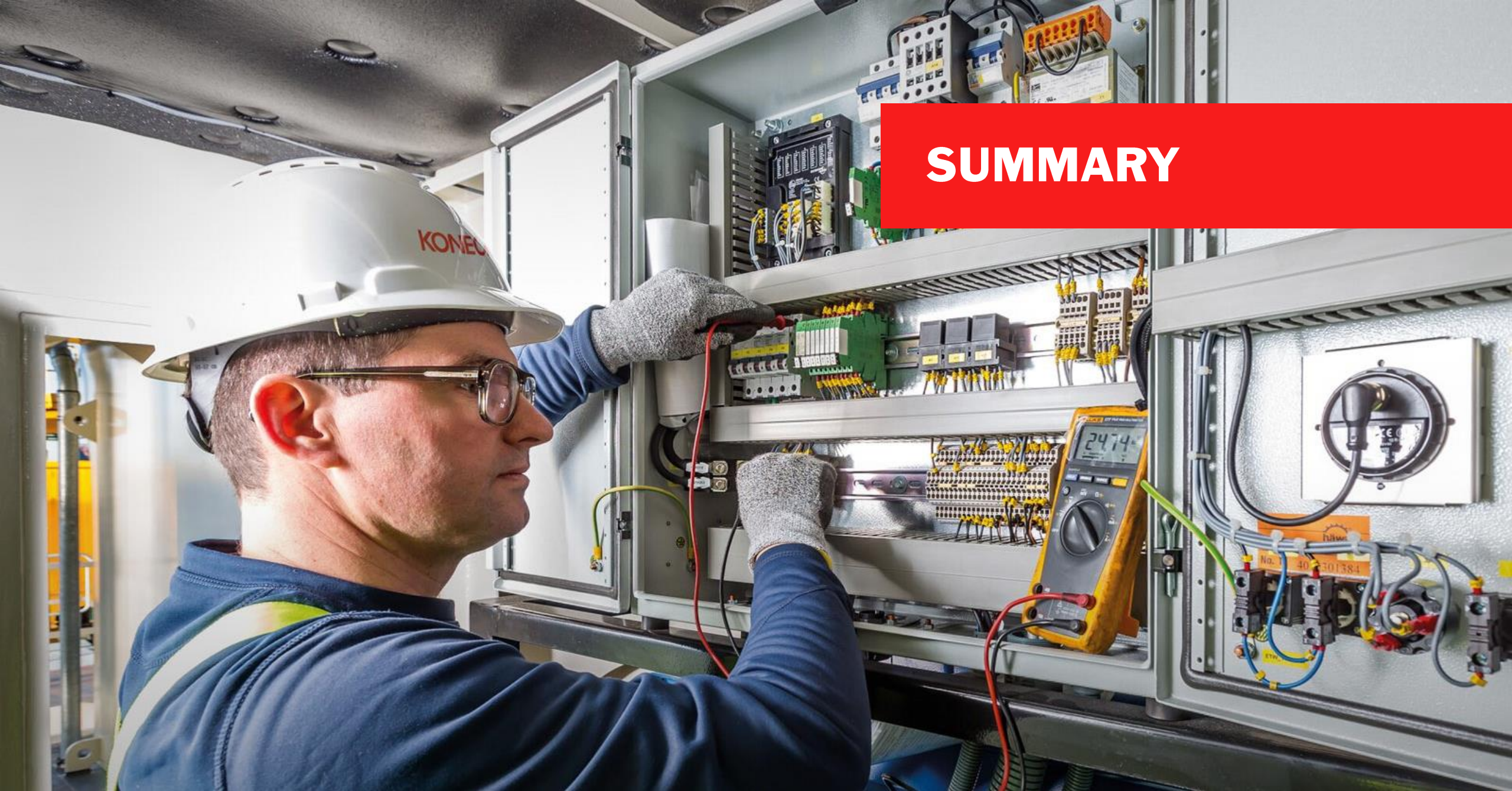
Net Debt/Adj. EBITDA

Cash and cash equivalents

Net Debt/Adj. EBITDA\*

\* R12M adj. EBITDA based on comparable combined company

# SUMMARY



# SUMMARY

- Clear profitability improvement thanks to gross margin expansion and lower fixed costs
- Cash flow strong thanks to net working capital release and low capital expenditure
- Loans related to the MHPS acquisition refinanced at attractive rates and more balanced maturity profile
- Savings expected in financial income and expenses in 2018





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