

CARNEGIE NORDIC CAPITAL GOODS SEMINAR

Pekka Lundmark, President & CEO
March 5, 2015



BUSINESS SUMMARY



KEY STRATEGIC INITIATIVES



INDUSTRIAL INTERNET



SEGMENT-BASED OFFERING



oneKONECRANES



OUTLOOK



The background image shows a perspective view of a multi-lane highway interchange. A white van is driving away from the viewer on the right side of the road. Overlaid on the scene are several orange lines representing sensor beams or detection zones, extending from the van and across the road lanes. In the upper right, a large red rectangular box contains the text 'BUSINESS SUMMARY'.

BUSINESS SUMMARY

COMPANY

- Konecranes is a **global industry leading** group of lifting businesses
- Improving the **safety and productivity** of our customers' operations
- **Global** experience and **local** know-how
- Unique **service** business with a large addressable market
- Strong market position in both **developed and emerging markets**
- Track record of **long-term growth**

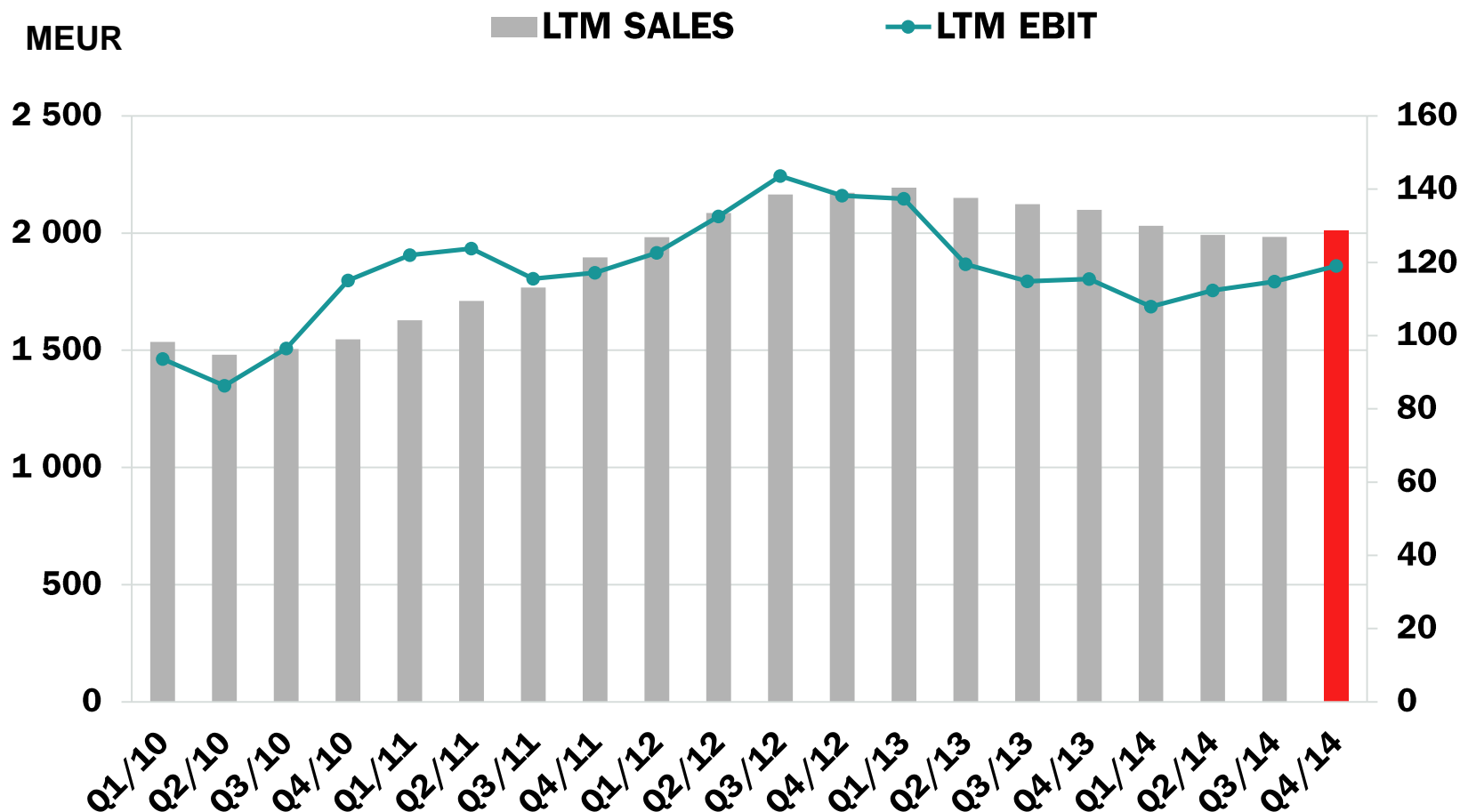


ORDER INTAKE GREW AND PROFITABILITY IMPROVED IN Q4

KEY FIGURES	Q4/14	Q4/13	Chg %	Chg % FX adj.	2014
Orders received, MEUR	513.3	422.2	+21.6	+20.1	1,903.5
Order book at end of period, MEUR	979.5	893.5	+9.6	+6.0	979.5
Net sales, MEUR	608.1	580.9	+4.7	+2.7	2,011.4
EBITDA excluding restructuring costs, MEUR	58.7	52.3	+12.3		162.2
EBITDA excluding restructuring costs, %	9.7%	9.0%			8.1%
Operating profit (EBIT) excluding restructuring costs, MEUR	47.1	42.8	+10.0		119.1
Operating margin (EBIT) excluding restructuring costs, %	7.7%	7.4%			5.9%
EPS, basic, EUR	0.51	0.38	+34.1		1.28
Free cash flow, MEUR	56.1	61.8	-9.3		109.4
Return on capital employed %, Rolling 12 Months					17.0 %

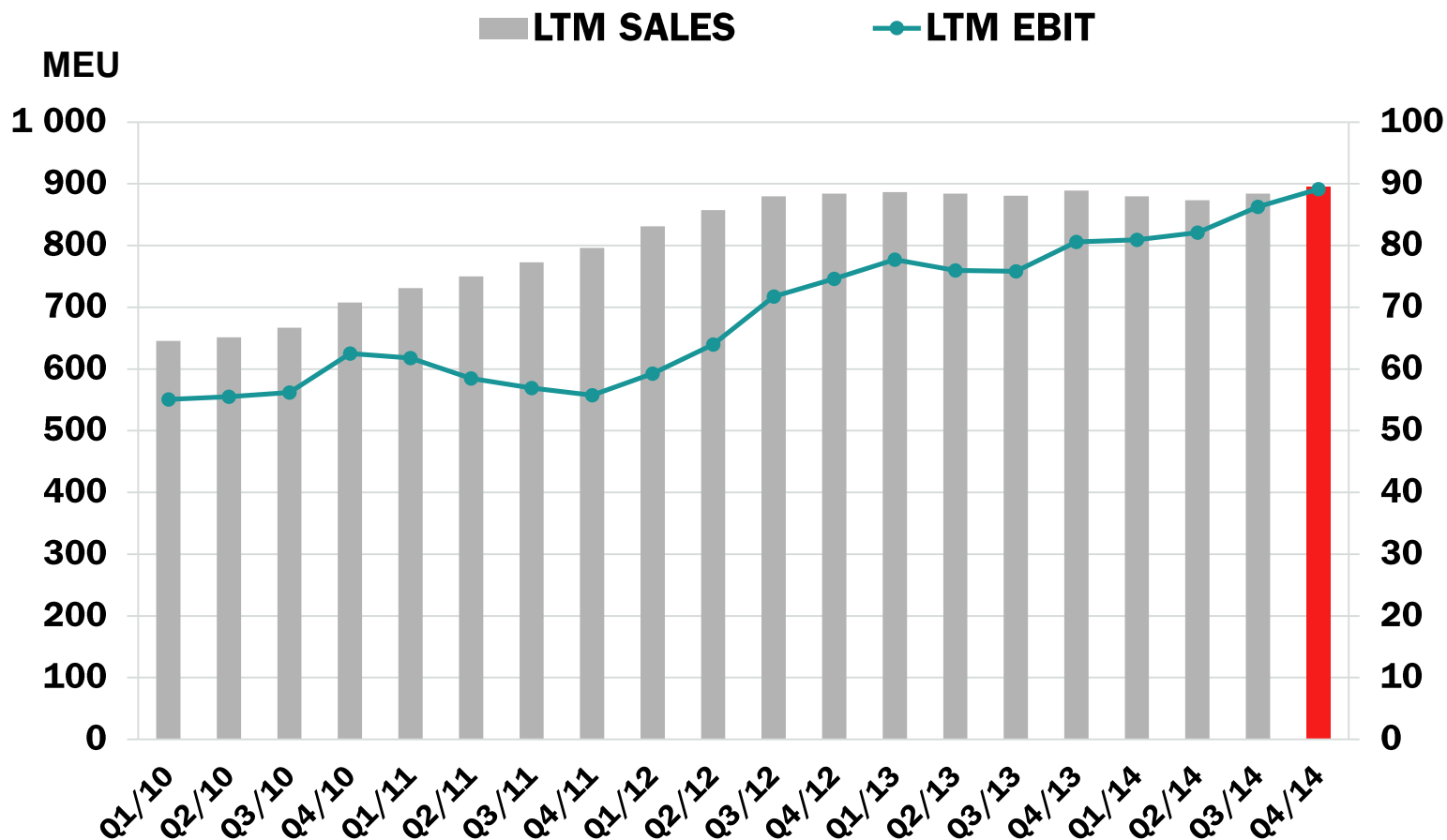
GROUP NET SALES AND EBIT

**R12M Sales: 2,011.4 (2,099.6) MEUR, -4.2% | EBIT: 119.1 (115.5) MEUR, +3.1%,
excluding restructuring costs**



SERVICE NET SALES AND EBIT

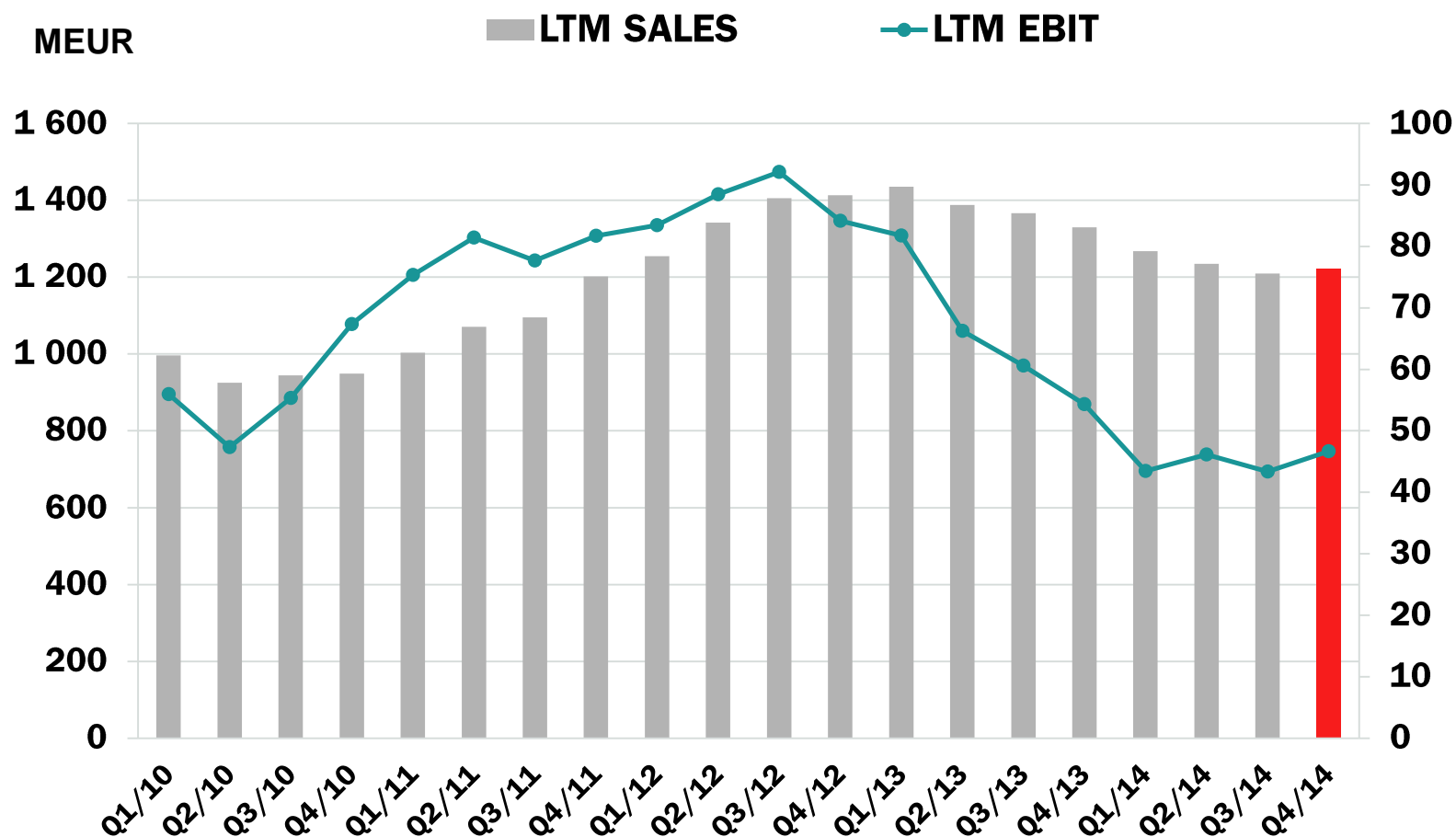
**R12M Sales: 895.1 (889.1) MEUR, +0.7%* | EBIT: 89.1 (80.6) MEUR, +10.6%,
excluding restructuring costs**



*+2.3% at comparable currencies

EQUIPMENT NET SALES AND EBIT

**R12M Sales: 1,221.7 (1,329.2) MEUR, -8.1%* | EBIT: 46.7 (54.3) MEUR, -14.1%,
excluding restructuring costs**



*-6.9% at comparable currencies

FY2014 RESULT – POSITIVES AND NEGATIVES

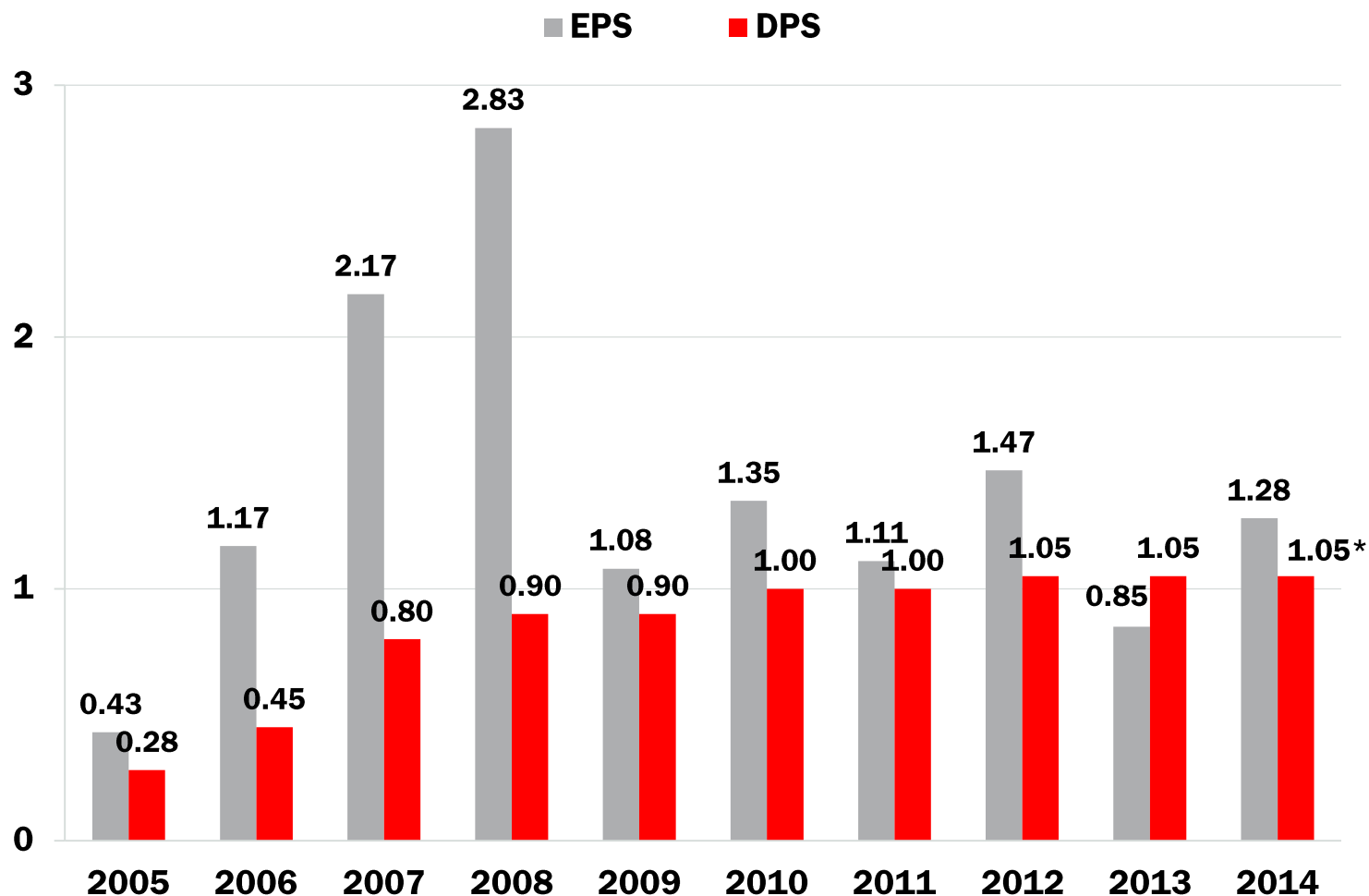
- Order book +9.6% and Service contract base +10.0%
 - Continued strength in North America
- EBIT +3.1% despite net sales -4.2%
 - Service EBIT margin from 9.1% to 10.0%
- FCF / Net income 147%



- Second year without sales growth
- Underabsorption of fixed costs in Equipment despite cost savings
- Market conditions continued soft in emerging markets



EPS AND DPS



*Board's proposal to the AGM to be held March 26



KEY STRATEGIC INITIATIVES

MEGATRENDS CREATE BUSINESS OPPORTUNITIES

DIGITALIZATION



RESOURCE SCARCITY



WORLD DEMOGRAPHICS



PEOPLE AND SOCIETY CHANGES



INDUSTRIAL INTERNET



HOMES

**Thermostats
Appliances
HVAC
Security
Lighting
Entertainment**

CARS

**Safety
Vehicle diagnostics
Service
Navigation
Fleet management**

PERSONAL LIFE

**Fitness bands
Smart watches
Smart glasses
Action cameras
Monitoring babies or elderly
Medication**

INTERNET OF THINGS

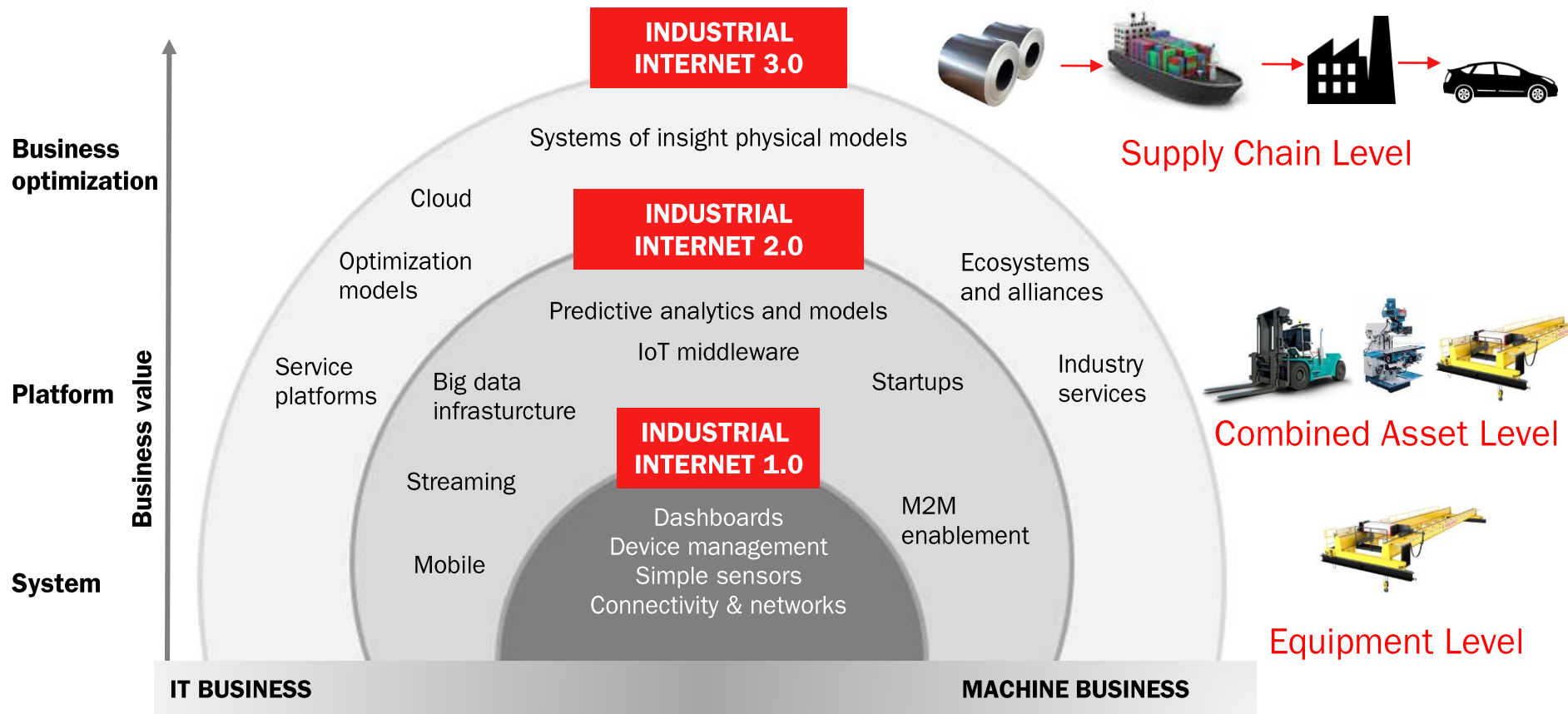
CITIES

**Traffic lights
Parking meters
Waste management
Road maintenance
Street lighting**

INDUSTRIAL INTERNET

**Real-time analytics
Smart sensors
Material storage
Factory and port automation
Robotics
Supply chain efficiency**

TWO WORLDS OF MACHINE BUILDING AND IT ARE CONVERGING IN PHASES



Original idea: Sanjay Tripathi, IBM

INDUSTRIAL INTERNET

We make machines intelligent and aware of their condition, and network them to create real-time visibility for enhanced **safety and productivity**. This *unique service* that we offer our customers differentiates us from our competitors and warrants a price premium.

DATA CAPTURE

DATA ANALYTICS

DATA USAGE



INDUSTRIAL INTERNET & REAL-TIME SERVICE



**CONNECTED CRANES,
LIFT TRUCKS
& MACHINE TOOLS**



**TECHNICIANS'
MOBILE TOOLS**



**INDUSTRIAL
INTERNET**



**SALES &
SERVICE
SUPPORT**

**DIAGNOSTICS
& ANALYTICS**



**CUSTOMER
PORTAL & APPS**

REAL-TIME SERVICE BY THE NUMBERS



100

**REMOTE SUPPORT
CASES PER MONTH**

4 000

ACTIVE ACCOUNTS

8 000

**REMOTE
CONNECTIONS**

AVAILABLE IN

25

**COUNTRIES
AROUND THE GLOBE**

250

**LIFTTRUCK
REMOTE CONNECTIONS
IN FIELD + ON ORDER**

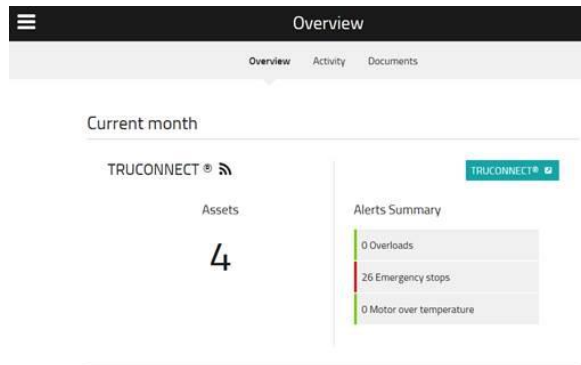
50%

GROWTH RATE

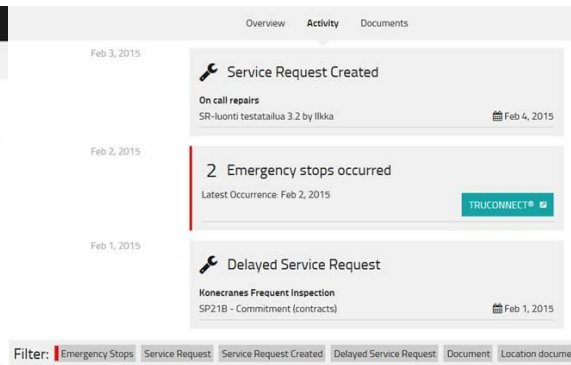


NEW DIGITAL CUSTOMER INTERFACE – NEW VERSION OF YOURKONECRANES

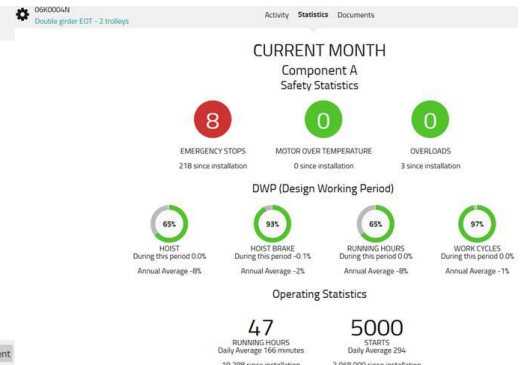
Overview, TRUCONNECT Summary



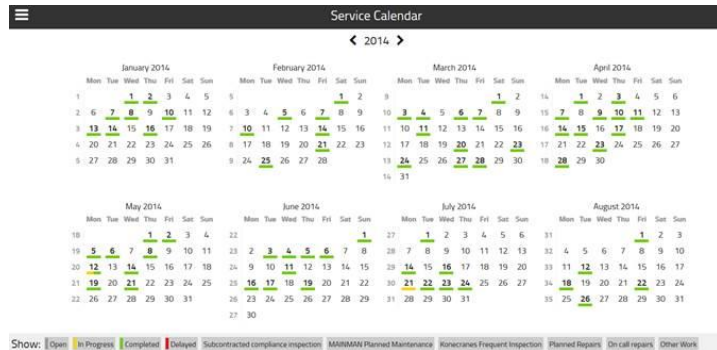
Overview, Latest Activities



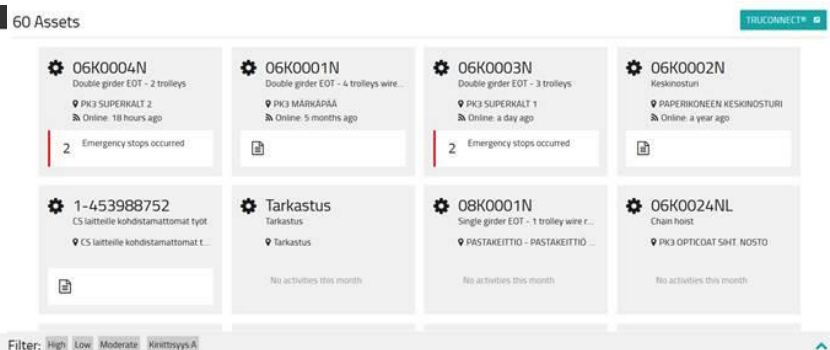
Asset Statistics



Service Calendar



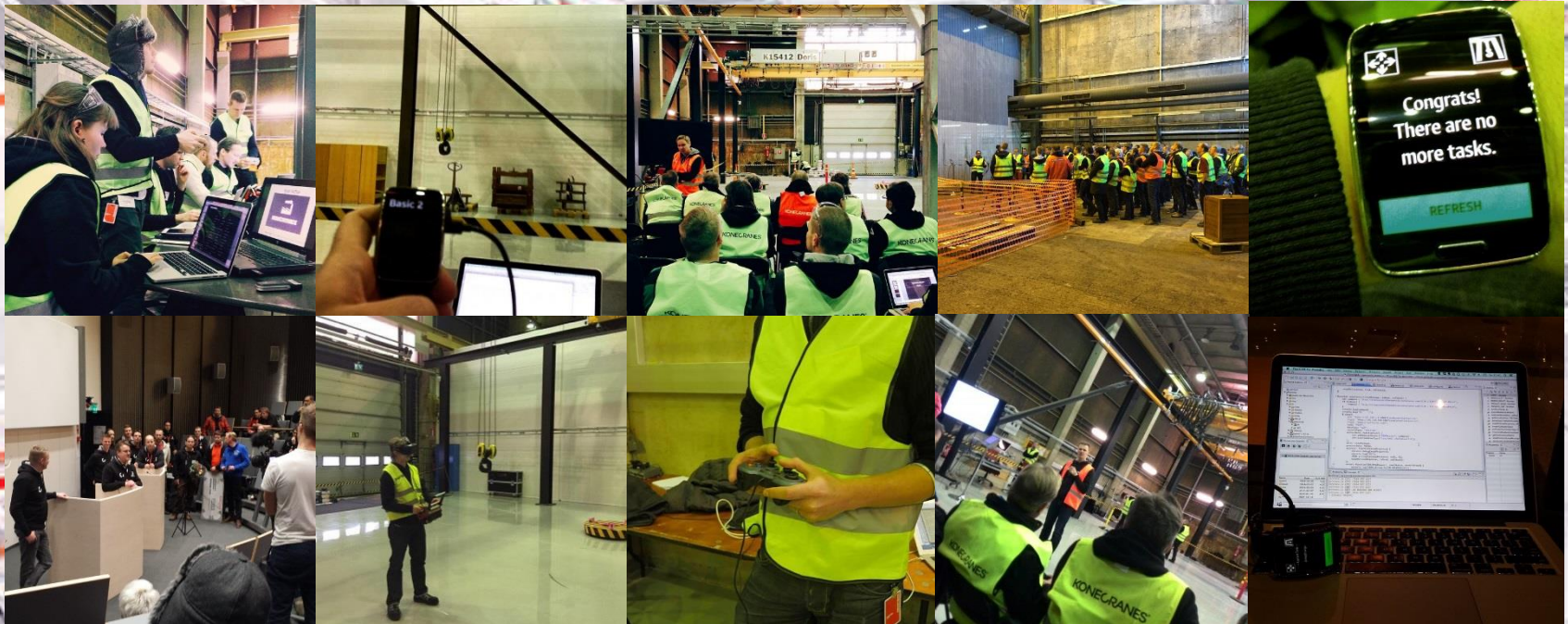
Asset Fleet



THE FIRST INDUSTRIAL HACKATHON

INDUSTRYHACK

AT KONECRANES



SEGMENT-BASED OFFERING



WE MEET OUR CUSTOMERS' NEEDS THROUGH A SEGMENT-BASED OFFERING OF PRODUCTS AND SERVICES

We are segmenting **customer needs** and consequently our sales cases and our offerings into “advanced” and “standard”.

Customers can seldom be permanently segmented since the **same customer can alternate between advanced needs and standard needs.**

Advanced Segment:

Most competitive offering for demanding customer needs

- Smart features
- Real-time remote service

Standard Segment:

Most competitive offering for baseline customer needs

- Reliable quality and safety
- Standard performance

BOXHUNTER FOR A WORLD THAT NEVER SLEEPS

- First product launch within the Segment-based Offering strategy
 - Asia launch 4/2014
- Contains radical innovations
 - Cabin and machinery at the ground level
 - Lighter hoisting trolley
 - Counterweights to improve eco-efficiency
 - On average 25% lighter load with every lift



S5 WIRE ROPE HOISTS

Compatible with Various
Types of Girders

China launch 9/2014



Optimized load capacities of
2T, 3.2T, 5T, 8T and 10T

Quick Response Spare Parts
Service

Lean processes for sales,
distribution and supply

STANDING THE TEST OF TIME

MORRIS
CRANE SYSTEMS

FOCUS ON THE ESSENTIALS

CXT UNO

- Third product launch within the Segment-based Offering strategy
 - India launch 9/2014
 - Various countries to be launched in 2015
- Simple and robust construction, proven technology
- Primarily intended for companies operating in manufacturing, construction, and logistics
- Lifting capacity up to 10 tons

oneKONECRANES











ES®

BACKGROUND

- oneKONECRANES is a combination of commonly agreed **business processes** and set of supporting **IT tools**
- Fragmented IT systems as a result of historical organic and acquisitive growth
 - 10 different ERP systems in use prior to SAP roll-out
- Preparations and process development started in 2008
- Investments ramped up in 2011



SCOPE SUMMARY

	Projects ongoing in:	Business benefits	Completion rate:
	Sales and customer relationship management	<ul style="list-style-type: none"> • Increased proactive sales • Increased cross-selling • Better customer service 	
	Product configuration & pricing	<ul style="list-style-type: none"> • Time savings in sales • Improved demand planning and order processing 	
	Material delivery and finance	<ul style="list-style-type: none"> • Productivity improvement • Improved NWC • Scale in sourcing • Savings in logistics 	
	Field service operations	<ul style="list-style-type: none"> • Productivity improvement • Improved NWC • Increased sales 	



OUTLOOK

MARKET OUTLOOK AND FINANCIAL GUIDANCE AS OF FEBRUARY 4, 2015

Market outlook

- European customers are still cautious about investing.
- The Purchasing Managers' Indexes are giving a reason for the continued optimism regarding the U.S. market.
- The near-term market outlook in emerging markets remains uncertain.
- Continued contract base growth bodes well for the future of the service business.

Financial guidance

- Based on the order book, service contract base and the near-term demand outlook, the year 2015 sales are expected to be higher than in 2014.
- We expect the 2015 operating profit, excluding restructuring costs, to improve from 2014.

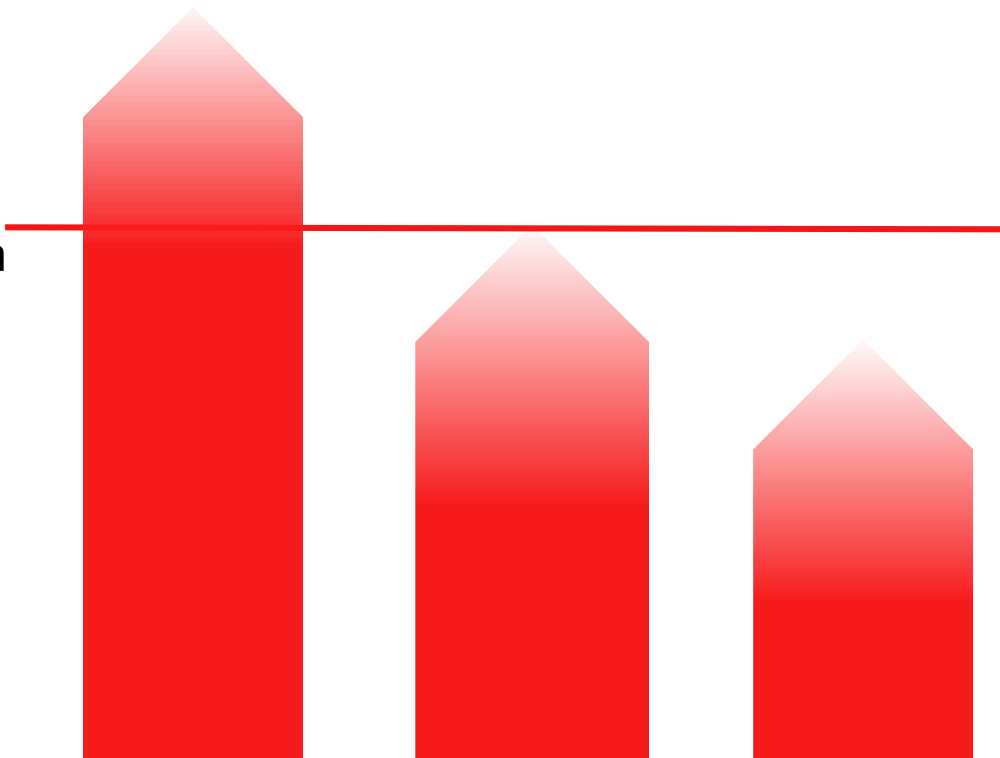
TARGETING PROFITABILITY IMPROVEMENT IN BOTH SERVICE AND EQUIPMENT FOR GROUP TO APPROACH 10% EBIT MARGIN

SERVICE

GROUP

EQUIPMENT

**10% Group
EBIT margin
target**



**Equipment
targeting
cost savings
of EUR30m
by the end of
the first quarter
in 2016**

OUR JOURNEY



2011–2013

- Investment in the key strategic initiatives were ramped up
- Higher investment in R&D and IT
- Expansion of geographic presence
- Poor operating leverage

Present

- New standard products launched
- New combinations of products and services using modern technology, “Industrial Internet”
- Harmonized processes and systems taken into use

Future

- Larger addressable market with standard products
- Growth in advanced segment through digitalization
- Market share gains through active sales management
- World class efficiency and platform for high operating leverage and sustained profitable growth



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

