

# REVIEW BY THE CEO

**AGM March 27, 2014**  
Pekka Lundmark



# RYAN FLYNN APPOINTED EXECUTIVE VICE PRESIDENT, HEAD OF BUSINESS AREA EQUIPMENT

- Ryan Flynn is returning to Konecranes Plc and will start on June 1, 2014
- VP, Strategy & Business Development at BlueScope Steel in Shanghai
- Head of Region APAC at Konecranes in 2009-2013, joined Konecranes in Shanghai in 2005
- Born 1971 and holds BCom and MBA degrees





# AGENDA

- My two years in Asia
- Key financials in 2013
- Market situation
- Strategy implementation



# MY TWO YEARS IN ASIA

# THERE ARE MORE PEOPLE LIVING INSIDE THIS CIRCLE THAN OUTSIDE OF IT







Pelindo III Signing Ceremony



Blessing Of the Fleet



Steel Warehouse Delivery In Bangladesh



The First Western Crane Company In Bangladesh



6 Empty Container Handlers Delivered



**Cranes Delivered By Road Train  
Konecranes Australia**



**Our First TruConnect  
Agreement In Southeast Asia**



**ASC Project  
Sydney Australia**



**Caterpillar Plant on Batam**

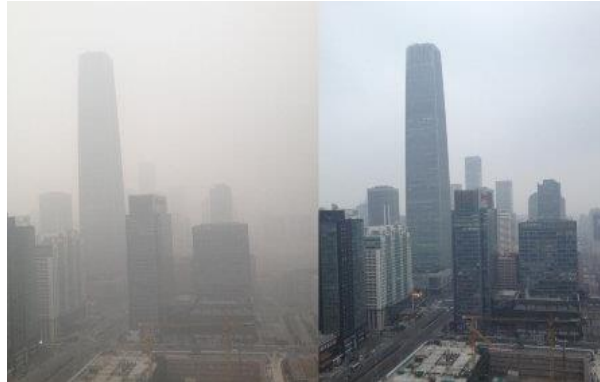


# NEW FACTORY IN JEJURI, INDIA

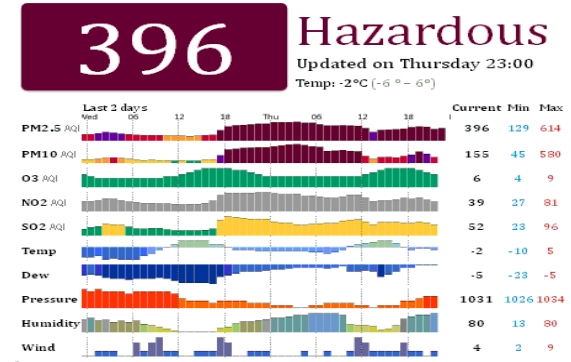




# POLLUTION CAUSING ATTITUDE CHANGE



Beijing AQI: Beijing Real-time Air Quality Index (AQI).

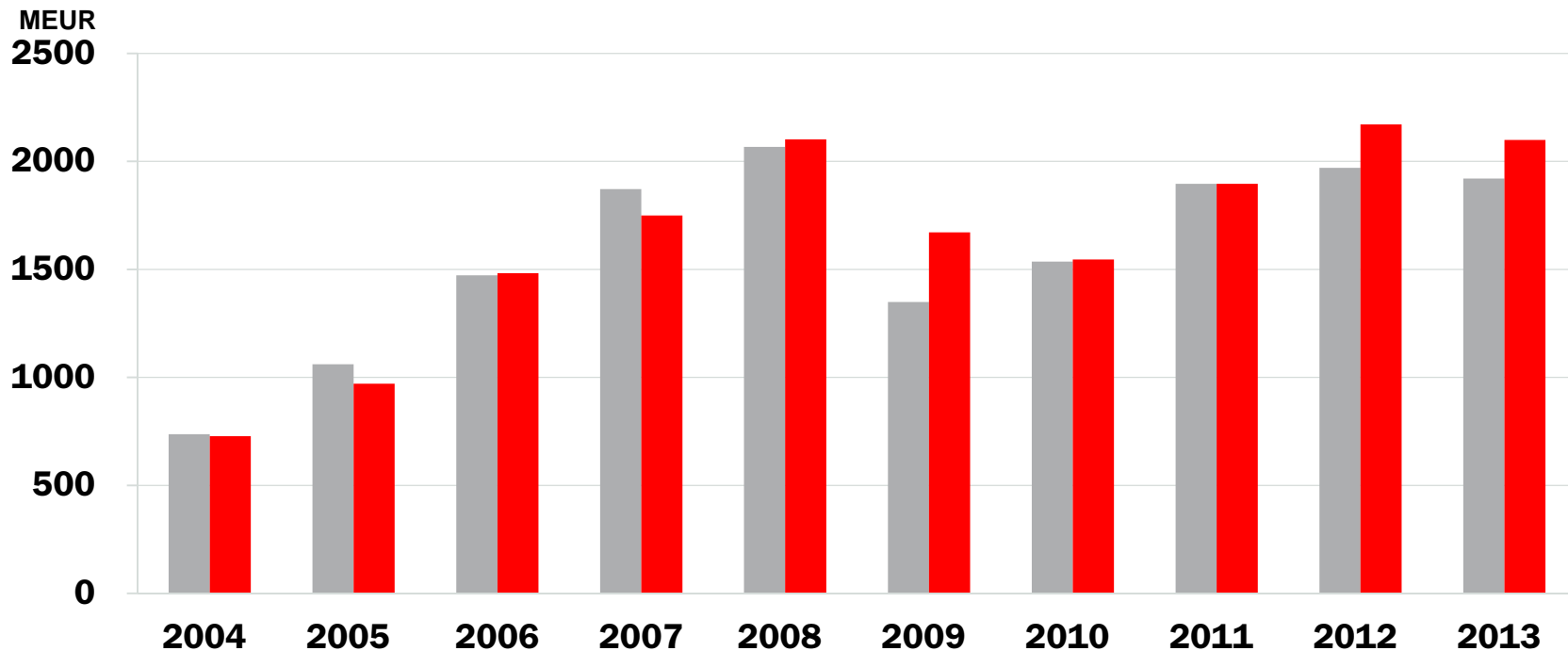




# KEY FINANCIALS IN 2013

# GROUP ORDERS RECEIVED AND SALES

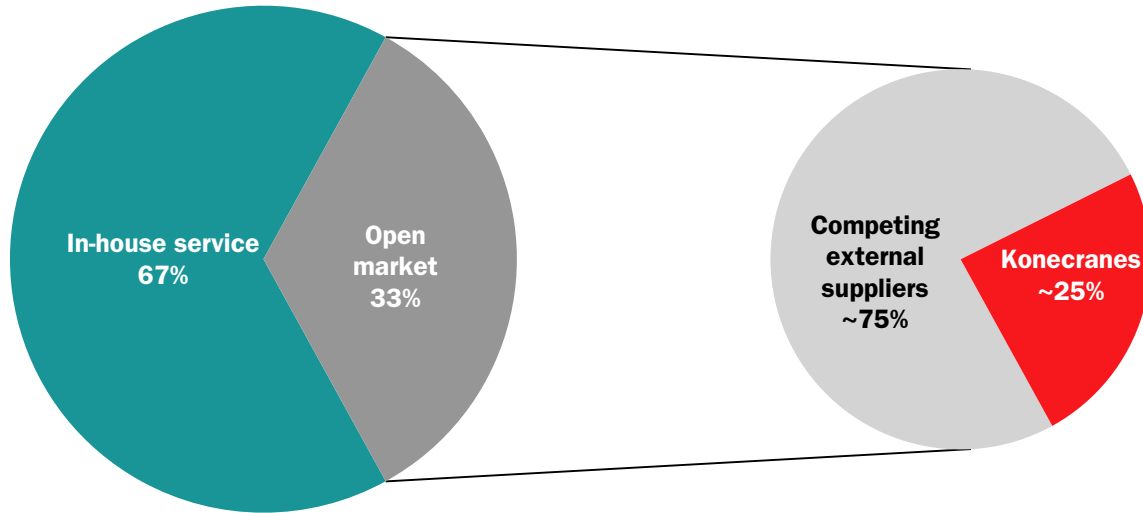
2013 Orders: 1,920.8 (1,970.1) MEUR, -2.5%\* | Net sales: 2,099.6 (2,171.5) MEUR, -3.3%\*\*



\*-0.1% at comparable currencies, \*\*-1.0% at comparable currencies



# SERVICE MARKET SHARE AND SIZE IN 2013



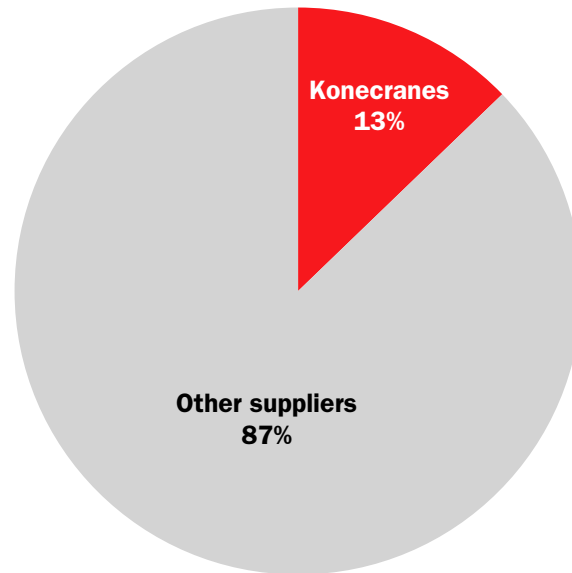
**Total market >10 BEUR**

**Open market >3 BEUR**

Note that market share and size are based on Konecranes' estimates, as no comprehensive statistics are available.

# EQUIPMENT MARKET SHARE AND SIZE IN 2013

## INDUSTRIAL CRANES AND COMPONENTS, CONTAINER HANDLING EQUIPMENT

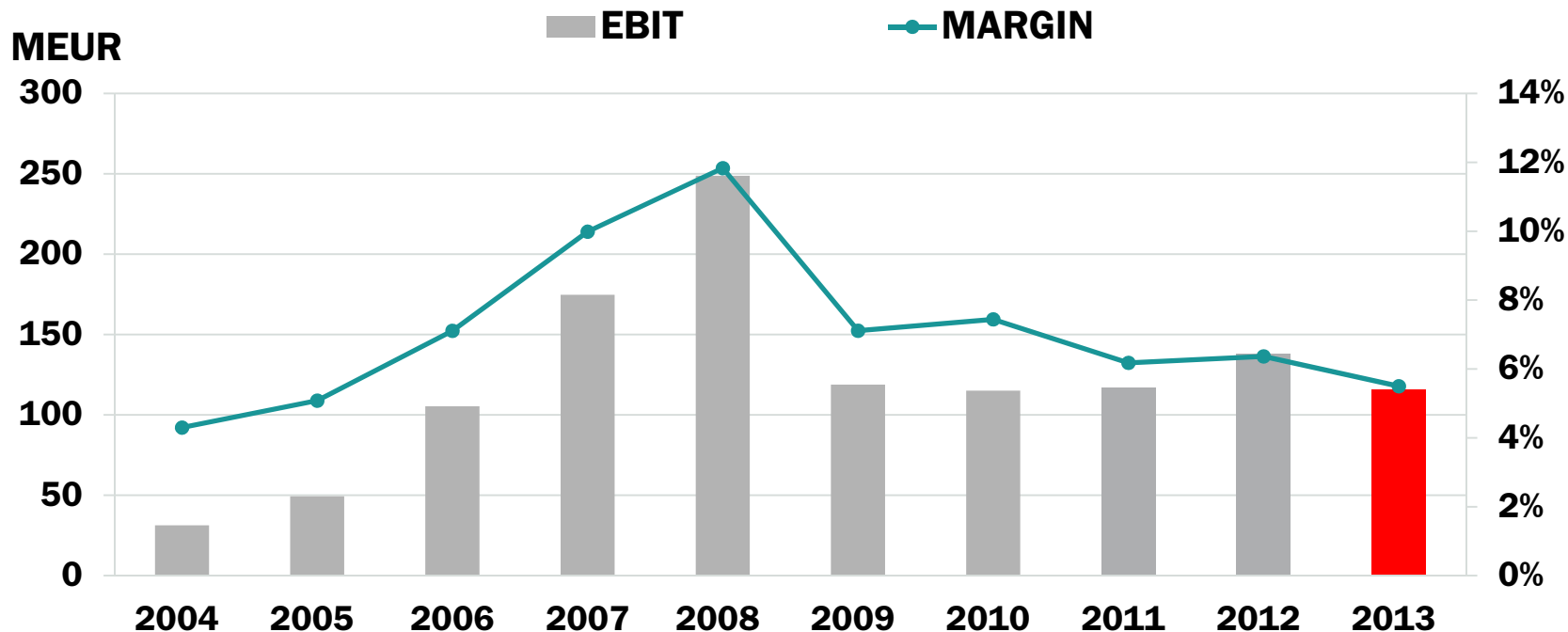


**Market size ~10 BEUR**

Note that market share and size are based on Konecranes' estimates, as no comprehensive statistics are available.


# GROUP EBIT & MARGIN


2013 EBIT: 115.5 (138.3) MEUR, -16.5% | MARGIN: 5.5% (6.4%), excluding restructuring costs





# 2013 RESULT – POSITIVES AND NEGATIVES

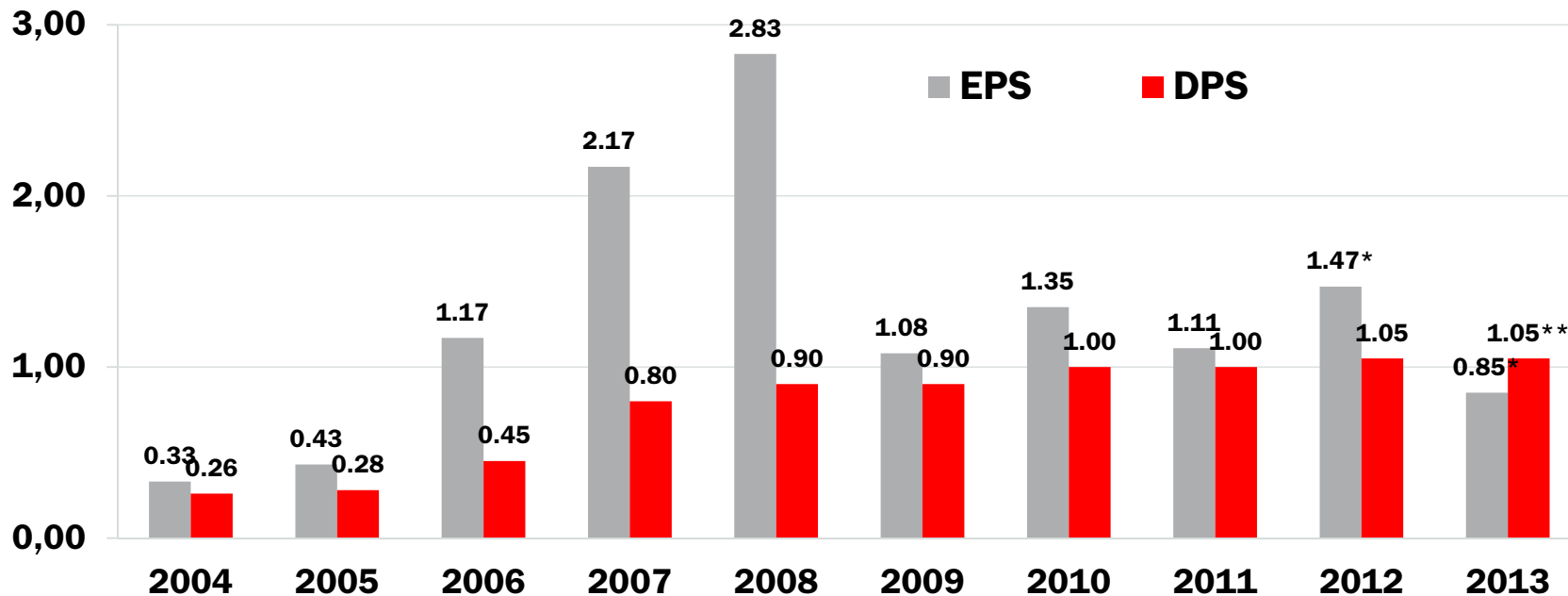
- 
- ✓ Service profitability
  - ✓ Continued strength in most North American businesses and several improvements in Europe
  - ✓ Fixed cost development thanks to restructuring actions
  - ✓ All-time high order intake in Port Cranes

- 
- × 14% CAGR in 2003-2012 came to a halt in 2013
  - × Extra costs in heavy-duty industrial crane and shipyard crane projects
  - × Heavy IT system development continued to burden result
  - × India

# ACTIONS TO IMPROVE EFFICIENCY AND REDUCE COSTS

- Two restructuring programs with a combined cost savings target of EUR 40 million (10 + 30) launched in 2013
  - Consolidation and transfer of production between sites
  - Consolidation of and efficiency improvements in administration and support functions
  - Consolidation of sales units to cover larger areas
  - Improving productivity and restructuring of underperforming operations
- Personnel impact over 700
- Timing of cost savings
  - EUR 10 million in 2013
  - EUR 15 – 20 million in 2014
  - EUR 10 – 15 million in 2015

# EPS AND DPS



\*Approx. EUR 1.54 in 2012 and EUR 1.20 in 2013 excluding restructuring costs

\*\*Board's proposal to the AGM





# MARKET SITUATION

# UKRAINE

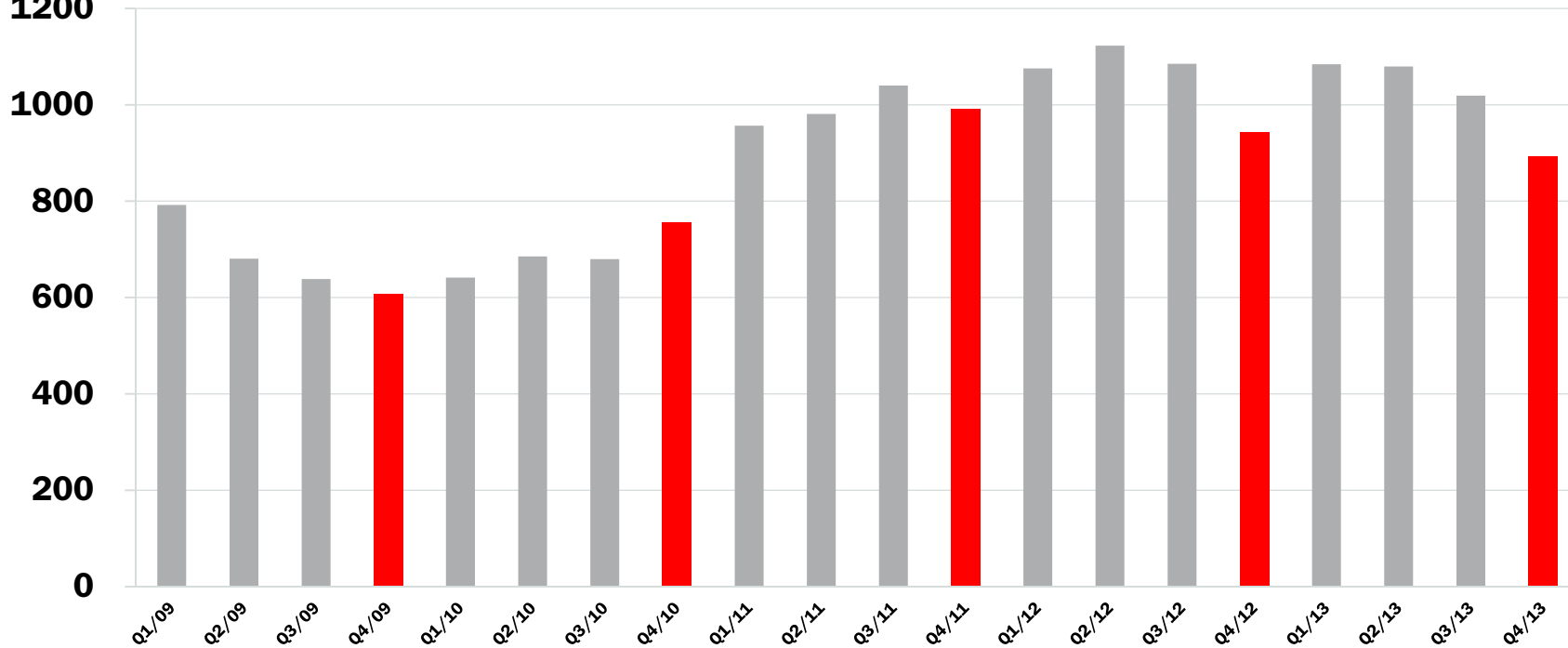
- Konecranes has a crane factory in the city of Zaporozhye
- Measures taken to reduce operational risks
- Transfers of production and depreciation of Hryvna expected to affect EBIT by approx. EUR 6 million in 2014



# GROUP ORDER BOOK

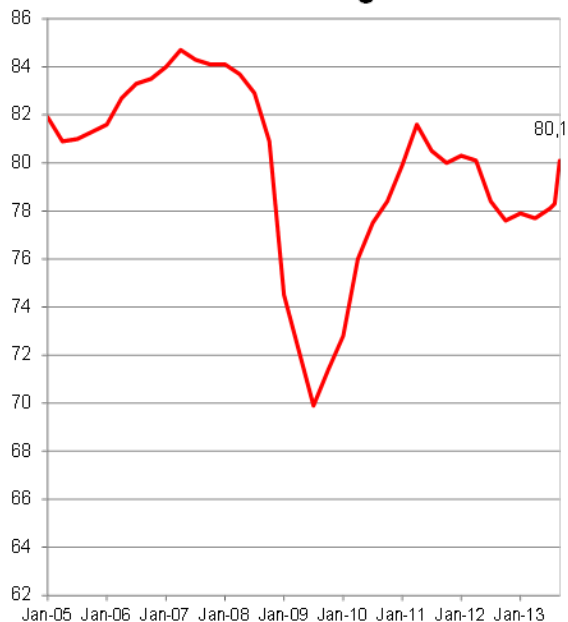
Q4 Order book: 893.5 (942.7) MEUR, -5.2%

MEUR  
1200

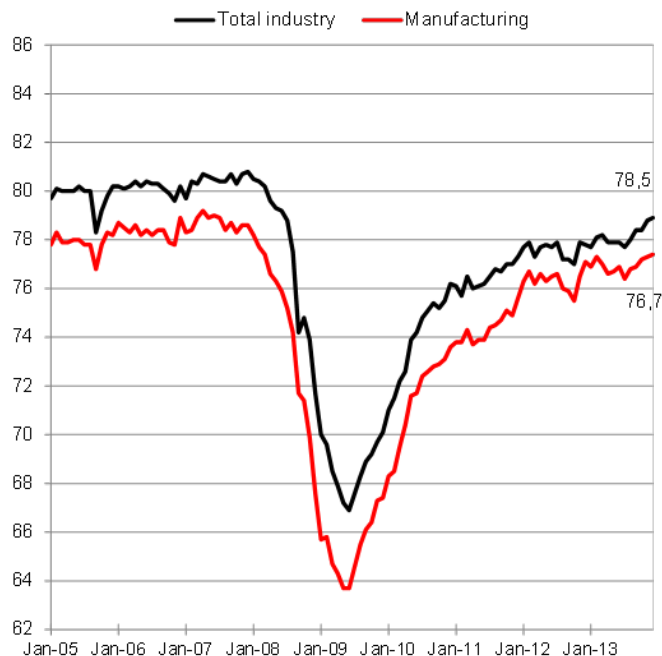


# CAPACITY UTILIZATION: EU27 AND USA

## Capacity utilisation of manufacturing in EU



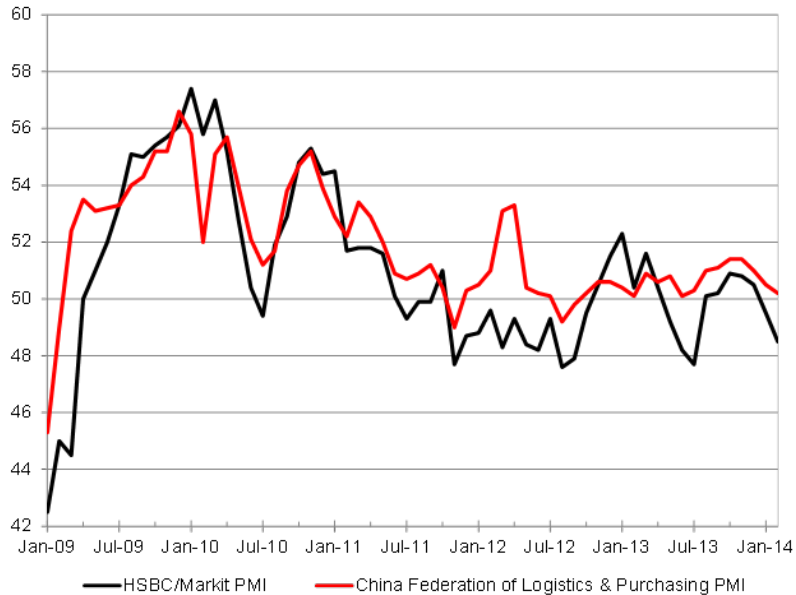
## Capacity utilisation in the USA



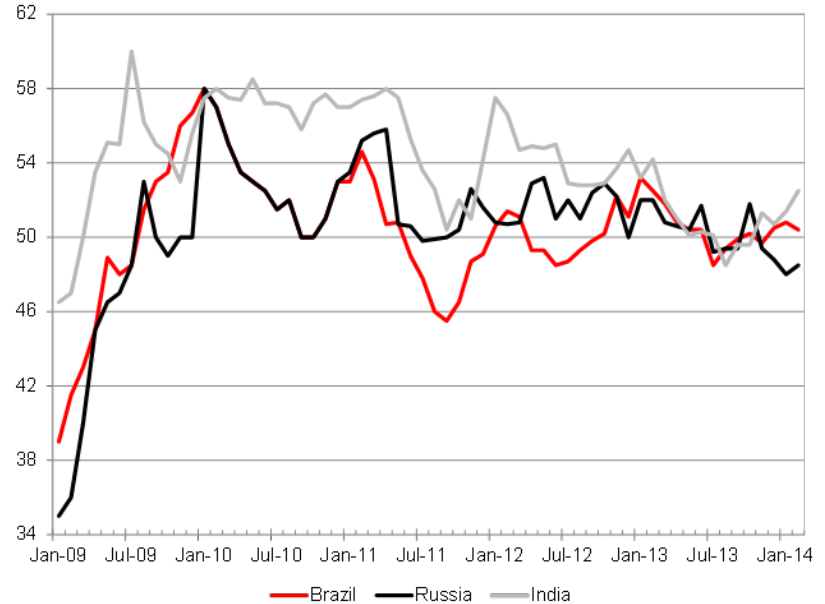
SOURCES: Eurostat (latest data point Q1/14), Federal Reserve Bank of St. Louis (January 2014)

# PMI'S IN THE BRIC COUNTRIES

## Chinese manufacturing PMI



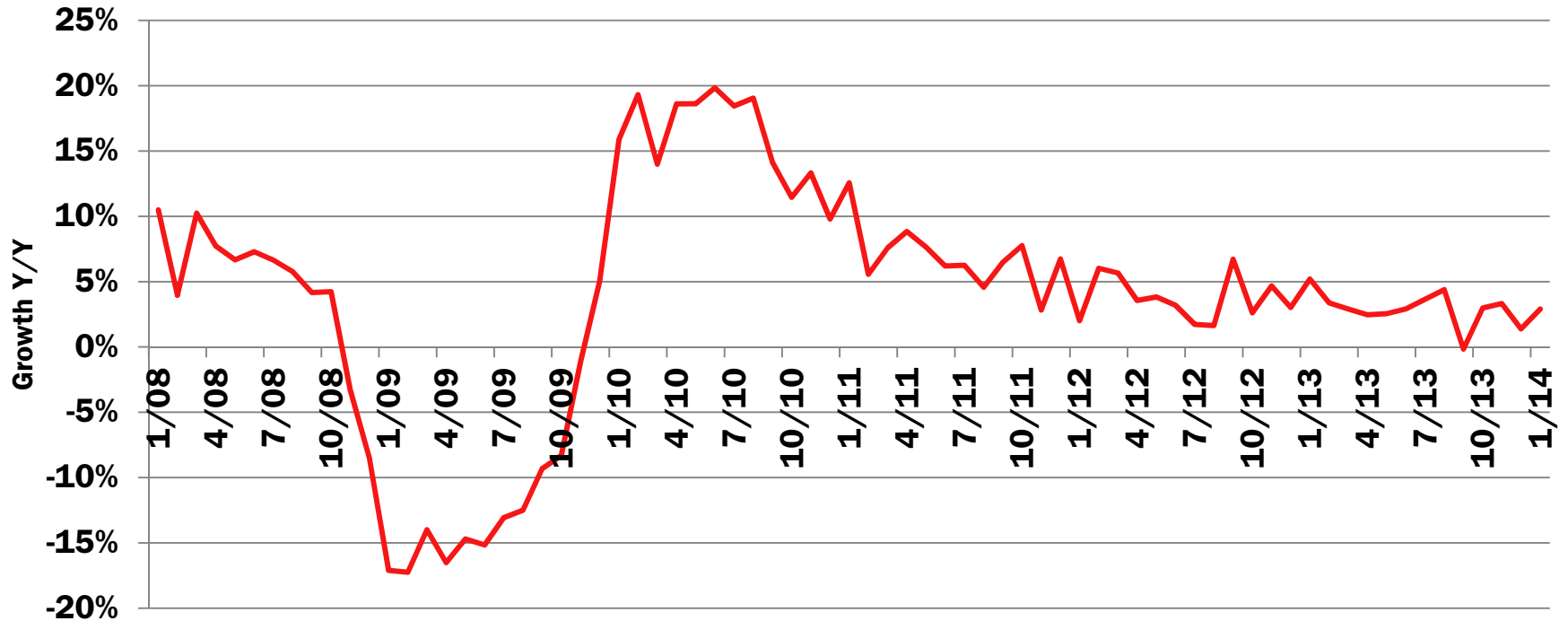
## Brazil, Russia, India - PMI



SOURCES: HSBC/Markit, (latest data point February 2014)

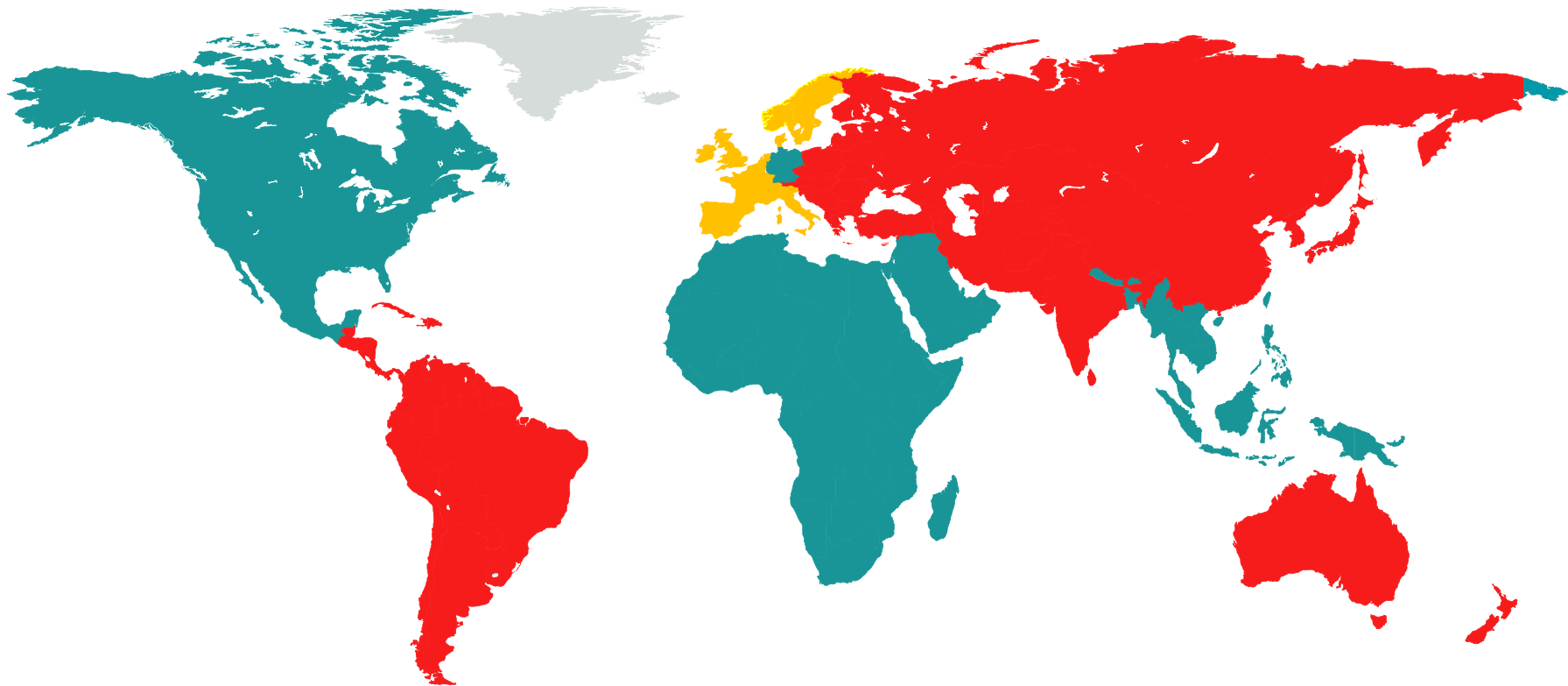


# CONTAINER THROUGHPUT



Source: RWI/ISL Container Throughput Index

# MARKET SENTIMENT



# STRATEGY IMPLEMENTATION



# KEY STRATEGIC INITIATIVES

# 1

## 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.

# 2

## EMERGING MARKETS OFFERING

We develop 'mid-market' products with high quality but lower price points, and strengthen our position in emerging markets.

# 3

## OneKONECRANES

We streamline our way of working and modernize our information systems to boost productivity and lower our cost level.

# 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.





# INDUSTRIAL INTERNET

## KONECRANES TRENDS

### End of 1980's Digitalization

- AC drives
- PLC



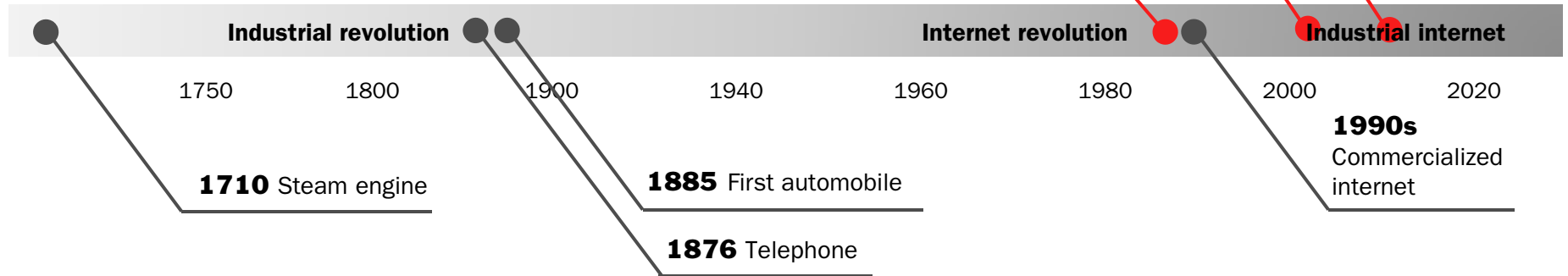
### 2010 Internet technology

- Sensor technology
- Smart features
- Remote condition monitoring and predictive maintenance
- Remote-based data collection and analysis, TRUCONNECT®



### 2002 Condition monitoring

- Control Pro



# KEY STRATEGIC INITIATIVES

# 1

## INDUSTRIAL INTERNET

TRUCONNECT® product family  
launched in several countries

Thousands of items of  
equipment with a remote  
connection

# 2

## EMERGING MARKETS OFFERING

Several product types in  
design and testing phase

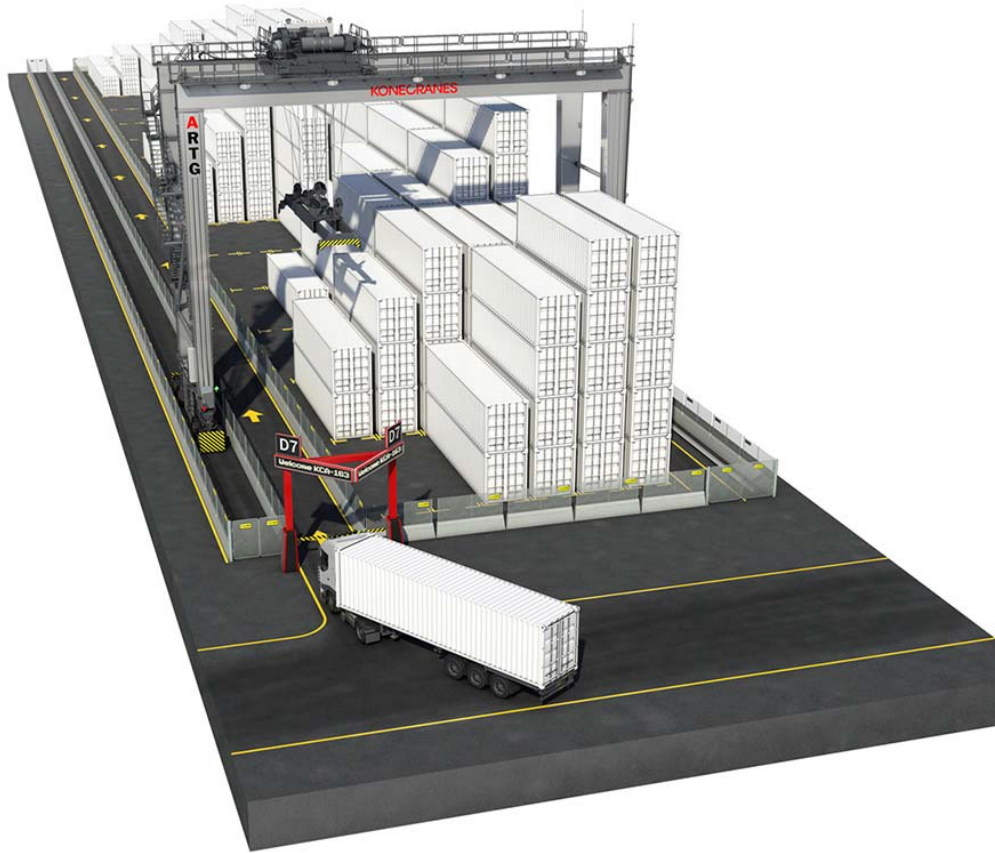
First product launch in near  
future

# 3

## OneKONECRANES

New CRM and HR systems in  
global use

Service and Equipment ERP  
systems and harmonized  
processes cover ~20% of  
Group sales



## KONECRANES ARTG

- Konecranes is the first company offering automation for RTG container terminals
- Customers moving to an automated operating model can start with their current yard infrastructure
- The ARTG system offers all benefits of automation: operational cost savings, greater productivity, increased predictability and increased safety

## KONECRANES AGILON

- Agilon is a patented materials inventory and management system
- It consists of a net portal, a shelving system, and a robot that travels within the shelving
- It picks the parts listed by the operator and brings them straight to the service point
- Connected real-time with parties in the supply chain



reddot award 2014  
winner



# OUR JOURNEY



**2005–2010**

- Capitalizing on growth seeds planted earlier
- Wider installed base and consolidation through key acquisitions

**2011–2016**

- Becoming a truly global company with harmonized processes and systems
- Increasing addressable market with new product segments
- Building a base for new services using modern technology, “Industrial Internet”

**2017–**

- Lifting customers’ businesses with smart, productivity-enhancing products and services
- World class efficiency and platform for sustained profitable growth



# EMPLOYEE SHARE SAVINGS PROGRAM

Over

**1,700**

employees

More than

**40**

countries

**15%**

of employees globally

**1/3**

of employees in Finland





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