

KONECRANES CAPITAL MARKETS DAY 2014

**KONECRANES**  
Lifting Businesses™

# KONECRANES IN 2014 AND BEYOND

**Pekka Lundmark, President & CEO**



# BUSINESS SUMMARY



## MEGATRENDS



## KEY STRATEGIC INITIATIVES



### INDUSTRIAL INTERNET



### SEGMENT-BASED OFFERING



### oneKONECRANES



## OUTLOOK





# BUSINESS SUMMARY

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# COMPANY

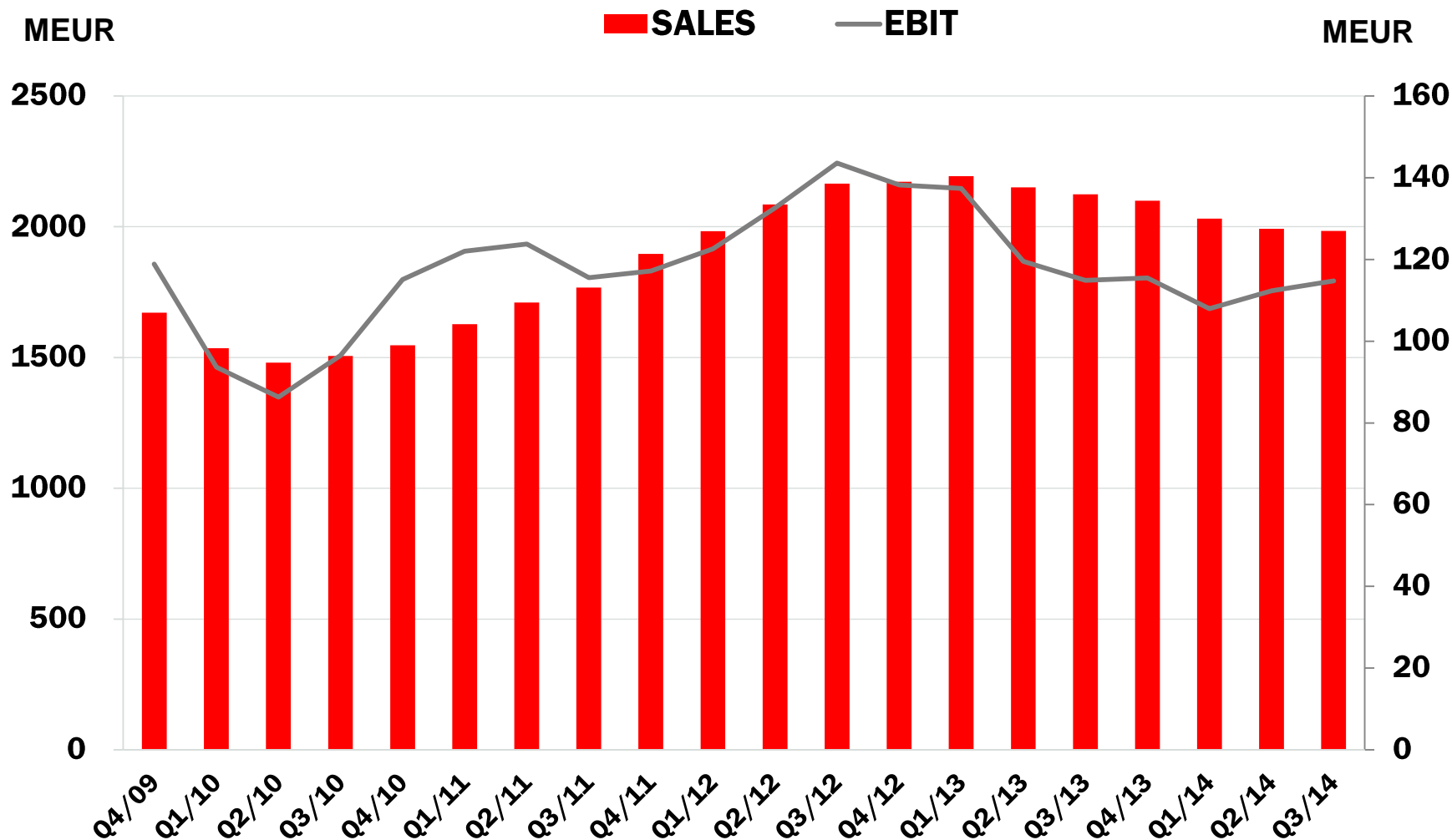
- Konecranes is a **global industry leading** group of lifting businesses
- Improving the **safety and productivity** of our customers' operations
- **Global** experience and **local** know-how
- Unique **service** business with a large addressable market
- Strong market position in both **developed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



# STABLE OPERATING PROFIT DESPITE LOWER SALES

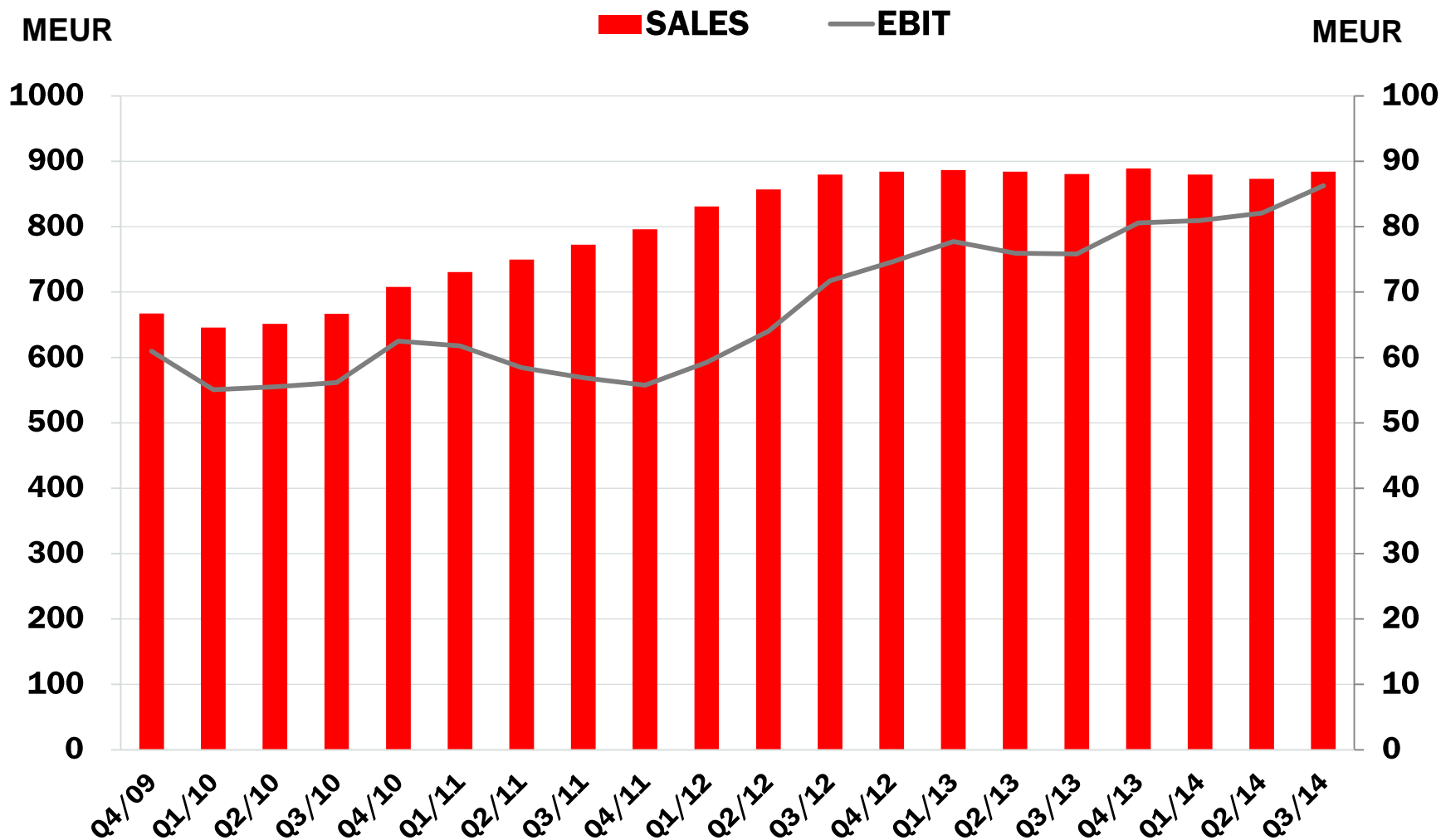
| KEY FIGURES   | 1-9/<br>2014 | 1-9/<br>2013 | Chg % | Chg %<br>FX adj. | 2013    |
|---|--------------|--------------|-------|------------------|---------|
| Orders received, MEUR                                       | 1,390.2      | 1,498.6      | -7.2  | -4.9             | 1,920.8 |
| Order book at end of period, MEUR                           | 1,026.2      | 1,018.9      | +0.7  | -0.9             | 893.5   |
| Net sales, MEUR   | 1,403.2      | 1,518.7      | -7.6  | -5.1             | 2,099.6 |
| EBITDA excluding restructuring costs, MEUR                  | 103.5        | 102.3        | +1.2  |                  | 154.6   |
| EBITDA excluding restructuring costs, %                     | 7.4 %        | 6.7 %        |       |                  | 7.4 %   |
| Operating profit (EBIT) excluding restructuring costs, MEUR | 72.0         | 72.7         | -0.9  |                  | 115.5   |
| Operating margin (EBIT) excluding restructuring costs, %    | 5.1%         | 4.8 %        |       |                  | 5.5 %   |
| EPS, basic, EUR   | 0.78         | 0.47         | 64.6  |                  | 0.85    |
| Free cash flow, MEUR  | 53.3         | 2.2          |       |                  | 64.0    |
| Return on capital employed %, Rolling 12 Months             | 15.6%        | 11.1 %       |       |                  | 11.6 %  |

# GROUP R12M SALES AND EBIT



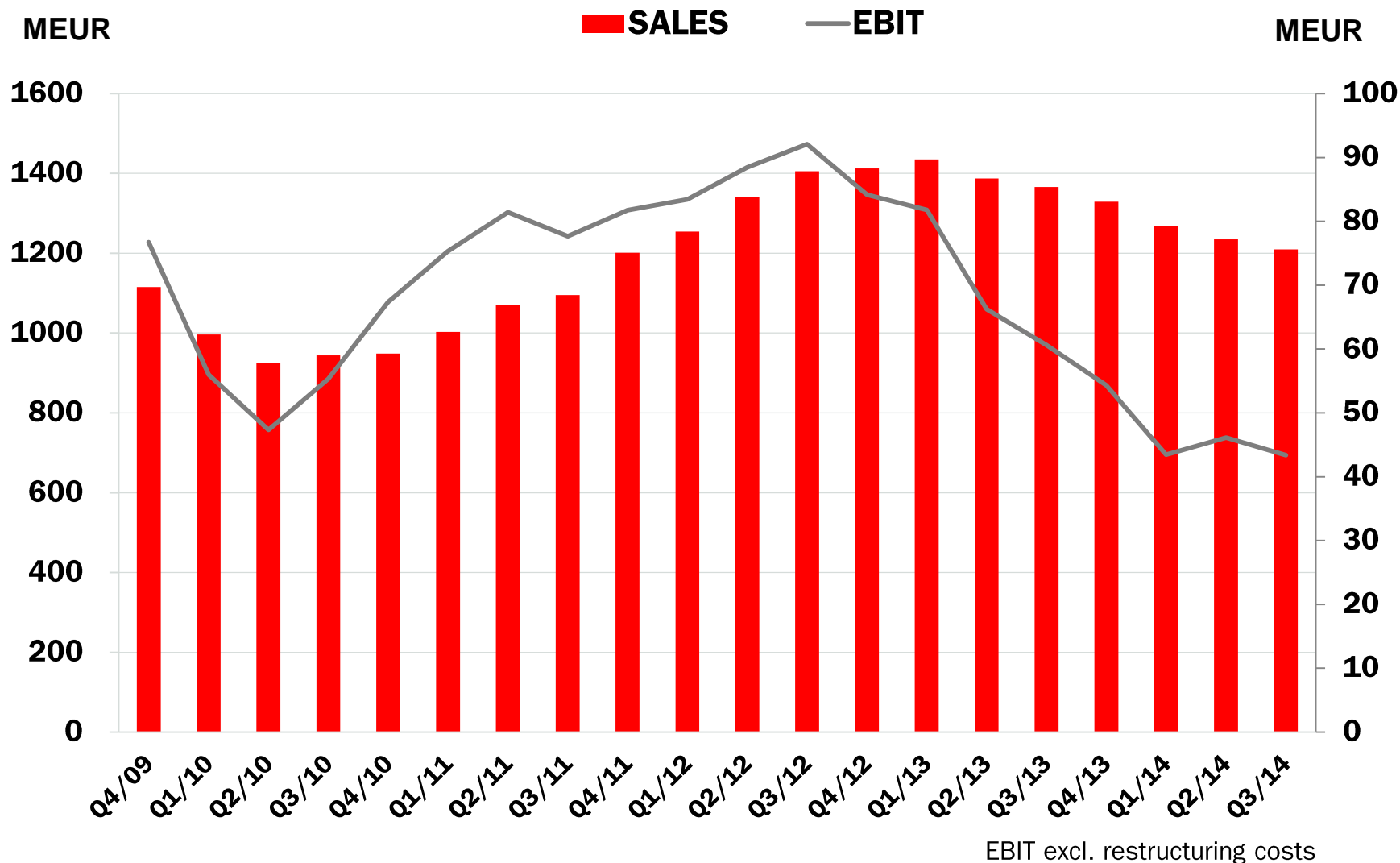
EBIT excl. restructuring costs

# SERVICE R12M SALES AND EBIT



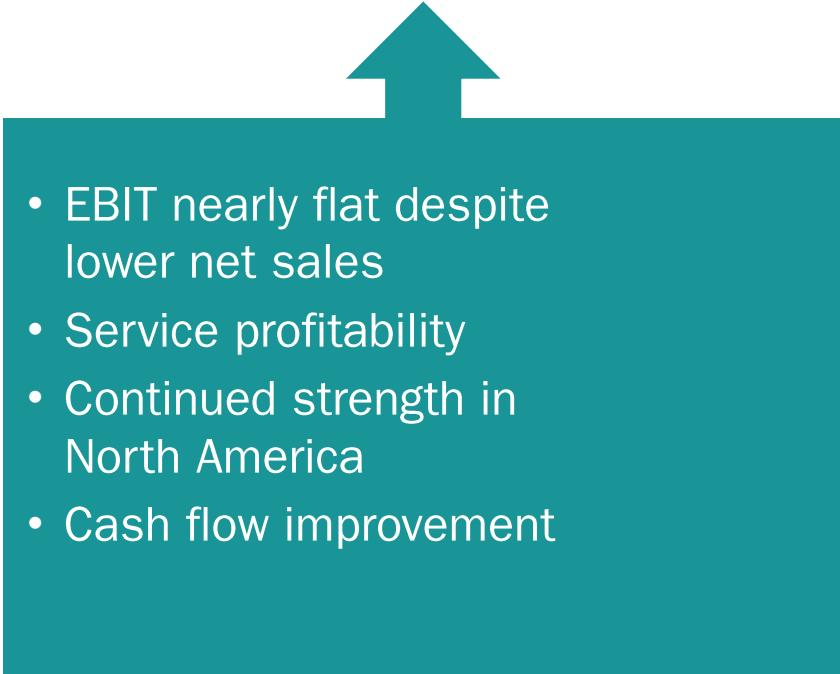
EBIT excl. restructuring costs

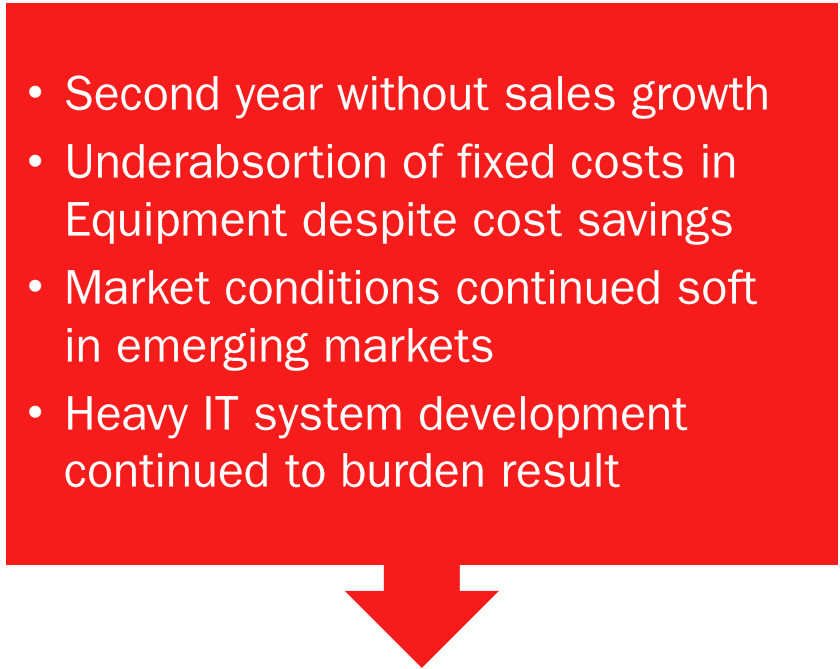
# EQUIPMENT R12M SALES AND EBIT





# YTD RESULT – POSITIVES AND NEGATIVES

- 
- EBIT nearly flat despite lower net sales
  - Service profitability
  - Continued strength in North America
  - Cash flow improvement

- 
- Second year without sales growth
  - Underabsorption of fixed costs in Equipment despite cost savings
  - Market conditions continued soft in emerging markets
  - Heavy IT system development continued to burden result

# MEGATRENDS

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# MEGATRENDS CREATE BUSINESS OPPORTUNITIES

## TECHNOLOGY



## ENERGY AND ENVIRONMENTAL CHANGES



## WORLD DEMOGRAPHIC CHANGES

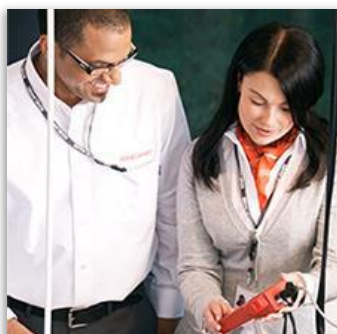


## PEOPLE AND SOCIETY CHANGES



# CORPORATE RESPONSIBILITY

We are committed to lifting our customers' businesses responsibly.



SMARTER  
OFFERING



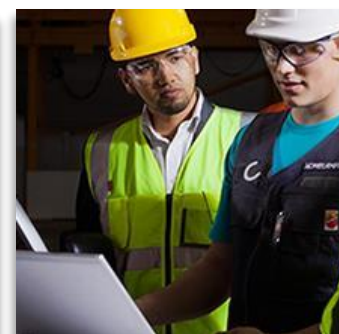
PEOPLE



ENVIRONMENT



SAFETY



FAIR PLAY





# KEY STRATEGIC INITIATIVES

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# OUR CORPORATE PLATFORM

## MISSION

We are not just lifting things, but entire businesses.

## VISION

We know in real time how millions of lifting devices and machine tools perform. We use this knowledge around the clock to make our customers' operations safer and more productive.

## KEY STRATEGIC INITIATIVES



**Industrial  
Internet**



**1KC**



**Segment-  
based  
Offering**

## VALUES

Trust in People

Total Service  
Commitment

Sustained  
Profitability

## MEGATRENDS



**PEOPLE AND SOCIETY**  
Generation Y behaves differently. They are IT savvy, and may seek a different work/life balance, challenge leaders of companies and countries, and expect ethical behavior, including good governance and workplace safety.



**WORLD DEMOGRAPHICS**  
Urbanization, new megacities, reverse brain drain with talent returning to emerging countries. The age pyramid favors emerging countries over Western countries. Emerging markets will represent a major part of the world's growth.



**TECHNOLOGY**  
Advances in data analytics, automation, sensors, wireless networking, and nanotechnology are enabling intelligent "self-aware" machines.



**ENERGY AND ENVIRONMENT**  
The need to save energy, find new sources, control emissions, and develop clean energy. Environmental awareness also growing in emerging markets; waste of any kind is increasingly unacceptable.



# INDUSTRIAL INTERNET

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## **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**

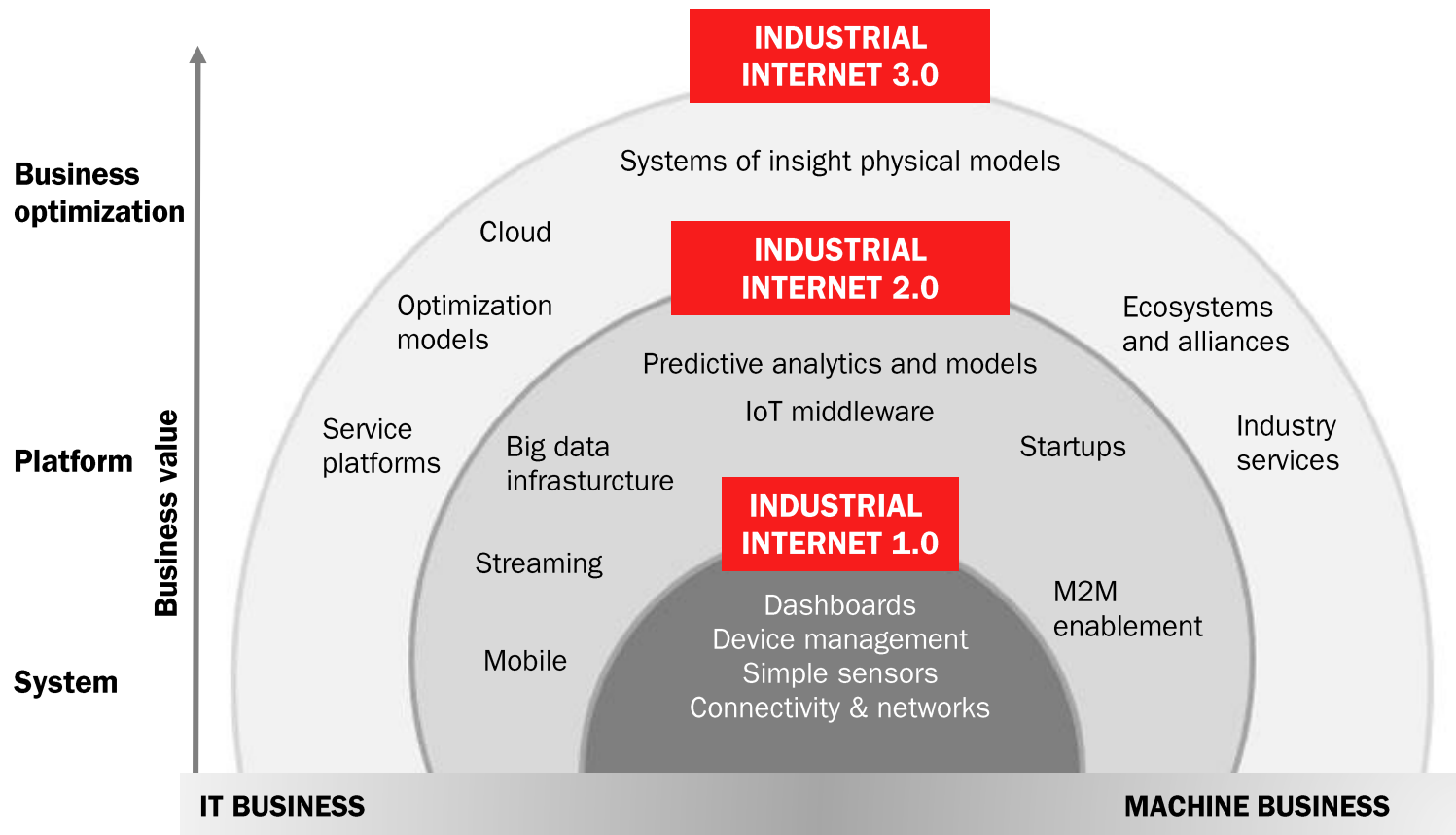
## **CITIES**

**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 BUSINESS AND TECHNOLOGY ARE CONVERGING IN PHASES



Original idea: Sanjay Tripathi, IBM

# INDUSTRIAL INTERNET ENABLES REAL TIME VISIBILITY FROM SINGLE EQUIPMENT TO ENTIRE SUPPLY CHAIN

## Industrial Internet 1.0



Equipment Level



OEM Fleet Level

## Industrial Internet 2.0



Plant Level



Combined Asset Level

## Industrial Internet 3.0



Supply Chain 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.

## DATA CAPTURE

## DATA ANALYTICS

## DATA USAGE



# WHAT'S IN IT FOR CUSTOMERS AND US?

| <b>Safety</b>     | <ul style="list-style-type: none"><li>• Input to product development<ul style="list-style-type: none"><li>- Data based on real use of equipment</li></ul></li></ul>      | <ul style="list-style-type: none"><li>• Safe use of equipment<ul style="list-style-type: none"><li>- Condition of rope, brake, gearbox, AC drive</li></ul></li><li>• Determining training needs<ul style="list-style-type: none"><li>• Detection of misuse</li></ul></li></ul> |
|-------------------|--|--|
|                   | <ul style="list-style-type: none"><li>• More accurate information for field service</li><li>• Optimal service provided</li><li>• Improved spare part logistics</li></ul> | <ul style="list-style-type: none"><li>• Maximize uptime<ul style="list-style-type: none"><li>- Right service at right time</li></ul></li><li>• Minimize planned downtime<ul style="list-style-type: none"><li>- Maintenance performed efficiently</li></ul></li></ul>          |
| <b>Konecranes</b> |  | <b>Customer</b>  |





# SEGMENT-BASED OFFERING

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# SEGMENT-BASED OFFERING

We meet our customers' needs across the world through a segment-based offering of products and services.



# SEGMENTATION OF CUSTOMER NEEDS

## Advanced

- For customers seeking high performance and automation
- Total cost of ownership drives customers' decision-making
- Connected to industrial internet

## Standard

- Basic products for price-driven customers
- Safety and quality not compromised
- Short delivery times
- Ease of maintenance



# BOXHUNTER

FOR A WORLD  
THAT NEVER  
SLEEPS



# S5 WIRE ROPE HOISTS

Compatible with Various  
Types of Girders

Compact low headroom  
trolley design

Complies with numerous  
international and area-  
specific standards

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

Quick Response Spare Parts  
Service

Quick delivery concept



STANDING THE TEST OF TIME

**MORRIS**  
CRANE SYSTEMS



**KONECRANES**

**FOCUS  
ON THE  
ESSENTIALS  
CXT UNO**







# oneKONECRANES

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**KONECRANES<sup>®</sup>**

# 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











## WHY ARE WE DOING THIS

We streamline our way of working and modernize our information systems to boost productivity and lower operational costs.

- 360° view on our customers
- Real-time visibility to demand and supply
- Improved punctuality, quality and lead times
- Higher scalability, lower transaction cost
- Common tools

**Led by business management**

# SCOPE SUMMARY

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

A man in a blue Konecranes shirt is looking up at a large red line graph on a glass wall. The graph shows a fluctuating line, with the word 'KONECRANES' written in large red letters across it. The background is a blurred industrial setting.

# OUTLOOK

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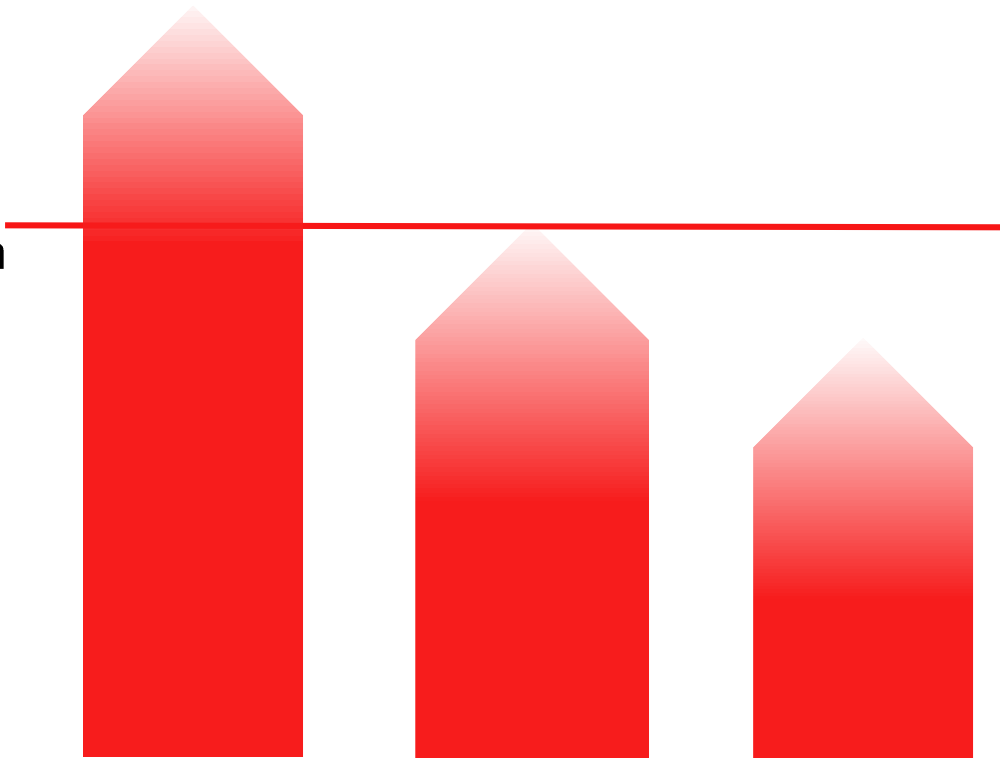
# TARGETING PROFITABILITY IMPROVEMENT IN BOTH SERVICE AND EQUIPMENT FOR GROUP TO APPROACH 10% EBIT MARGIN

**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

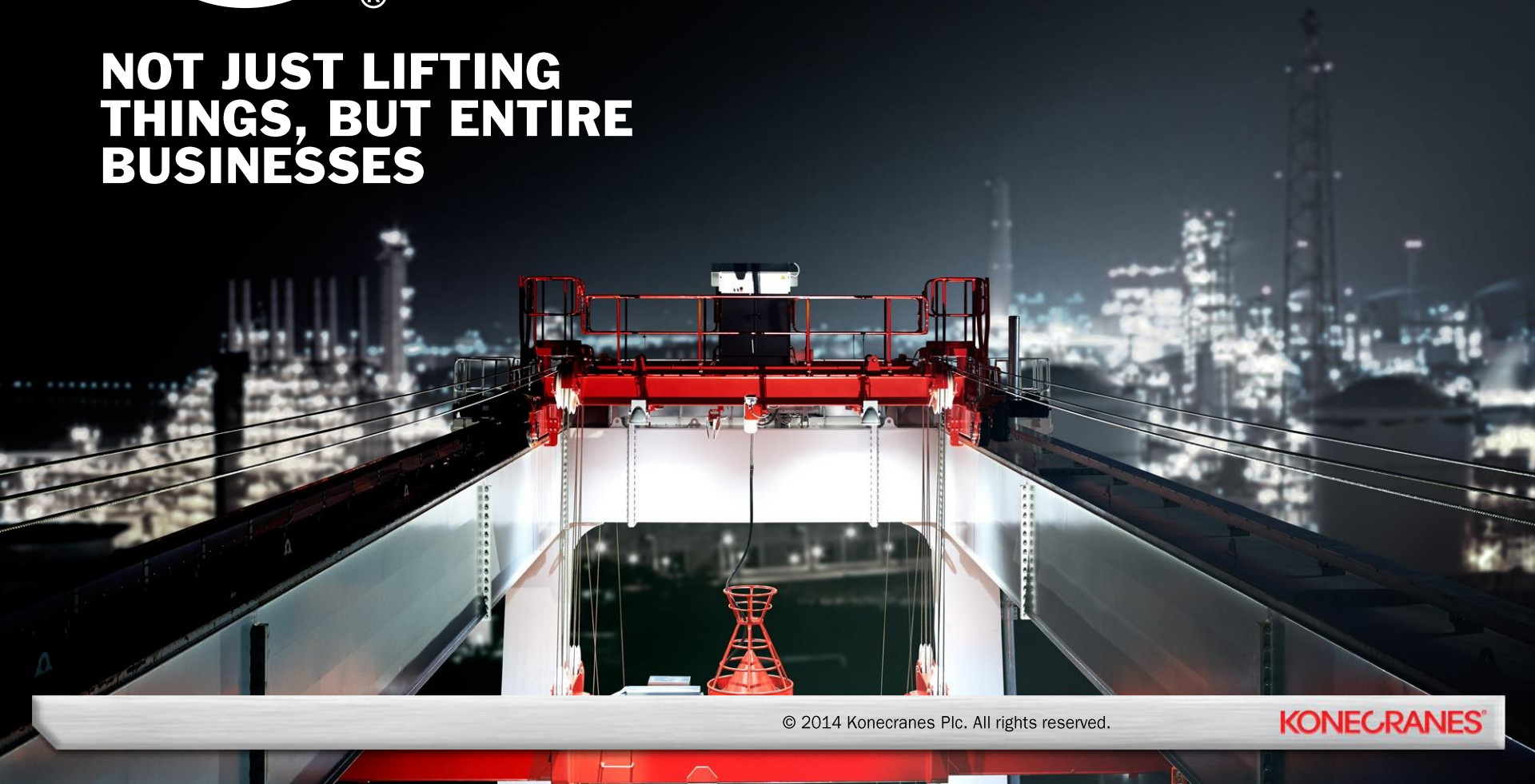
- New standard products launched
- New combinations of products and services using modern technology, “Industrial Internet”
- Harmonized processes and systems taken into use

## 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**



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