

TOWARDS OPERATIONAL EXCELLENCE

The shift in focus from growth to operational excellence already bore fruit in 2012. Cramo achieved good results, considering the market situation. Profitability improved while gearing decreased. Cramo has proven to have a solid foundation in place for generating value, even in a less favourable business environment.

Why did you shift your strategic theme from growth to operational excellence?

Vesa Koivula: Cramo has enjoyed a period of strong growth since 2005. We have transformed what was a domestic company into one of the largest equipment rental service companies in Europe.

We believe the best way to increase shareholder value is to focus on operational excellence – to concentrate on profitability and stable profit distribution. We also aim to continue growing faster than the market, but growth is not an end in itself.

Stig Gustavson: We saw early on the need to reach a certain size. In our business – as in almost every business – there is a need for scale. For Cramo, scale means better utilisation of our fleet. A bigger rental fleet can provide better service to clients. Being a certain size also gives us a better position when we negotiate purchasing agreements with our suppliers.

Another aspect relates to our international growth. Although Europe functions more and more as one market, there are still big differences in business climate and activity between countries.

A wider international spread should ideally yield steadier business overall. Right now the whole of Europe seems to be in recession, so that aspect is on the back burner. And this again has given us a golden opportunity to concentrate on operational matters.

What does this strategic shift mean in practice?

Vesa Koivula: We have made good progress in increasing internal efficiency. We have been successfully implementing our Best in Town strategy. Our fleet



Cramo is a main sponsor to



EBITA improved by the end of the year. The impact of efficiency improvements started to show in the third quarter results.



FOCUS ON

1. PROFITABILITY

2. STABLE PROFIT DISTRIBUTION

management processes have improved and our depot network has undergone continuous development.

With this strategic shift we aim to optimise our operations in all our markets. That requires further implementation of the uniform Cramo Rental Concept and harmonised processes as well as a stronger expansion of the modular space business outside Sweden and Finland than before. Since we want to maintain our position as a driver in rental development, we will ensure continuous development of the Cramo Rental Concept.

Stig Gustavson: When we look at Cramo's background, many of our depots have a history as independent companies, with their own way of handling matters. We have naturally strived at acquisition to make the integration process quick and smooth. Yet it is clear that we still have some ground to cover to become a truly lean and efficient company, with modern standard procedures.

How do you see the benefits from this shift for different stakeholders?

Vesa Koivula: We believe that increased operational excellence and agility will be reflected in further enhanced customer service. This, together with more efficient internal operations and use of capital, will be reflected in improved profitability.

At the same time, our commitment to the United Nation's Global Compact means working under the UN's fundamental principles in the areas of human rights, labour rights, environmental sustainability and anti-corruption. [▶ Page 24.](#)

Stig Gustavson: Efficiency is good for everyone, everywhere and always.

We hope the benefits for our customers will be obvious: Fast and uncomplicated

service, with a complete range of modern, efficient equipment at reasonable prices.

Although some of our employees might find themselves made redundant in the process, the end result is a company that provides good, secure employment.

Our lenders love efficiency. Because the rental business is capital-intensive, we must maintain good relationships with all our finance providers at all times.

Finally, our shareholders have the right to expect a good, steady dividend stream – which has not been the case in these recent turbulent years. We see it as the ultimate goal of our current work to achieve shareholder value.

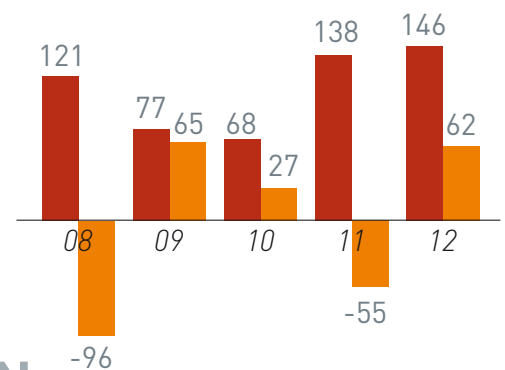
Economic uncertainty was the driving force in 2012. How has it affected your business?

Vesa Koivula: 2012 started on a positive note. Demand for equipment rental remained high in most of our market areas although harsh winter conditions slowed construction activity down in many Central and Eastern European countries. During the spring problems in Southern Europe affected the economic climate throughout Europe as well as in our markets. However, in some markets, especially Norway, the Baltic countries and Russia, demand continued to grow.

Continued economic uncertainty in the second half of the year was reflected in the postponement of investment decisions. This also slowed down the demand for equipment rental in most of our markets. Meanwhile, market-specific differences in demand for equipment rental increased. However, the demand in our main market areas remained satisfactory.

Stig Gustavson: We have certainly not been sitting still just waiting for better times. The efficiency programmes referred to above have been a must.

CASH FLOW FROM OPERATIONS AND AFTER INVESTMENTS MEUR



Both cash flow from operations and cash flow after investments increased to levels above those before the financial crisis.

On a strategic note I want to mention our new approach in Russia. Russian market conditions differ significantly from those in the West. We found that we are too small to carry the inherent risks of doing business there. We therefore made the unorthodox move of merging our operations in a joint venture with our close rival, Ramirent. In doing so, we created a viable platform for further growth in this interesting but difficult market.

How would you assess Cramo's financial performance in 2012?

Vesa Koivula: I am pleased to say that Cramo achieved good results, considering the market situation. Despite increased financial uncertainty and the divestment of our modular space production and customised space rental business in Finland, Group sales remained at about the same level as in 2011. Our EBITA margin improved compared with 2011, and gearing decreased as a result of positive cash flow. I can add that we have succeeded in implementing our short-term performance improvement actions, which were initiated in the second quarter of the year.

I am happy to say that we are one of those companies that have been able to show improved results year after year in this challenging environment.

Stig Gustavson: It is true that 2012 was yet another difficult year. Still, it is quite rewarding to see how we tackled the difficulties. The results, good cash flow and improving profitability, are proof of progress.

Nevertheless, the Board is fully committed to pressing on with further substantial improvements.

Cramo celebrates its 60th anniversary in 2013. What kind of starting point do you have for 2013 and for the next 60 years?

Vesa Koivula: We made good progress in implementing our revised strategy, as our results show. Alignment of our Central European business with the rest of the Group and the change in Norwegian operations initiated in 2011 have proceeded as planned. Our performance in the Baltic countries, especially Estonia, has been very good, while operations in Switzerland were terminated. Implementation of our harmonised Performance Management Model to improve efficiency at the depot level is also off to a good start. At the same time, the work to be the industry leader in responsibility and customer care continued, as the certificates granted to our Swedish and Finnish operations indicate.

With the divestment of modular space production in March, we freed up management resources and capital for our core modular space operations, the further development of our standardised modular space rental business and its geographical expansion. In order to capitalise on growth opportunities in the Russian and Ukrainian markets, we formed a joint venture.

We believe that we have strengthened our competitiveness in the past few years thanks to development projects based on the Group strategy as well as corporate acquisitions. We are more agile than ever, and we have our contingency plans in place in the event of a weaker market.

Stig Gustavson: Our business is closely linked to construction and manufacturing. Old Europe is still far from complete when it comes to infrastructure, housing or commercial construction. And with so many sectors opting for cheaper labour elsewhere, European industry must reinvent itself with new products, new efficiency and increased competitiveness.

The rental business is simply a very efficient way for a contractor or an industrial enterprise to get access to modern productive equipment without the burden of ownership.

From our present platform of scale and service, a good network and fast procedures, we will claim our fair and growing share of tomorrow's rental business.

2012 has been a tough year. What is your message to Cramo's employees?

Vesa Koivula: Unfortunately, efficiency improvements in this uncertain time have also entailed staff reductions. I am pleased that the Cramo spirit has remained good in spite of them. I would like to thank you all for your strong commitment. We really have passionate rental champions. And as the uncertainty persists, I ask you once again to stay prepared.

I was also delighted to see that almost a quarter of our employees enrolled in the first phase of the One Cramo Share Plan launched this year. The plan is one way to reward your efforts in working towards our goals.

Stig Gustavson: We want to take good care of our staff. During the year we launched a stock savings plan for all employees.

The employee puts aside a certain percentage of his/her monthly pay, and that money is used to buy company shares for the employee's share-holding account. After three years of saving and investing, the company is committed to giving one bonus share free of charge for every two shares owned by the employee. We now have some 520 new shareholders on our staff.

We strongly believe in the benefit of increasing the "sense of ownership" among staff.

What is your message to shareholders and investors?

Vesa Koivula: As a result of a strategy revision, our focus has become highly shareowner-centric. Our aim is to have a stable profit distribution policy with increased dividends. Our capital structure is stable and our balance sheet is strong.

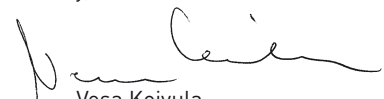
I want to thank you for your continued

trust in us. We will continue to implement our strategy vigorously, excel in our operations and adjust with agility to the challenges to be met. We will work to generate value for all of us.

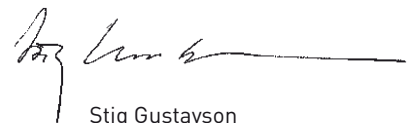
Stig Gustavson: Unfortunately, we cannot promise a better market environment in the near future. However, the results of our diligent work are forthcoming. We are well under way to further profitable growth.

I would like to thank all our loyal shareholders and welcome all new ones. Together with our competent staff we are looking forward to a rewarding future.

Sincerely,



Vesa Koivula
President and CEO



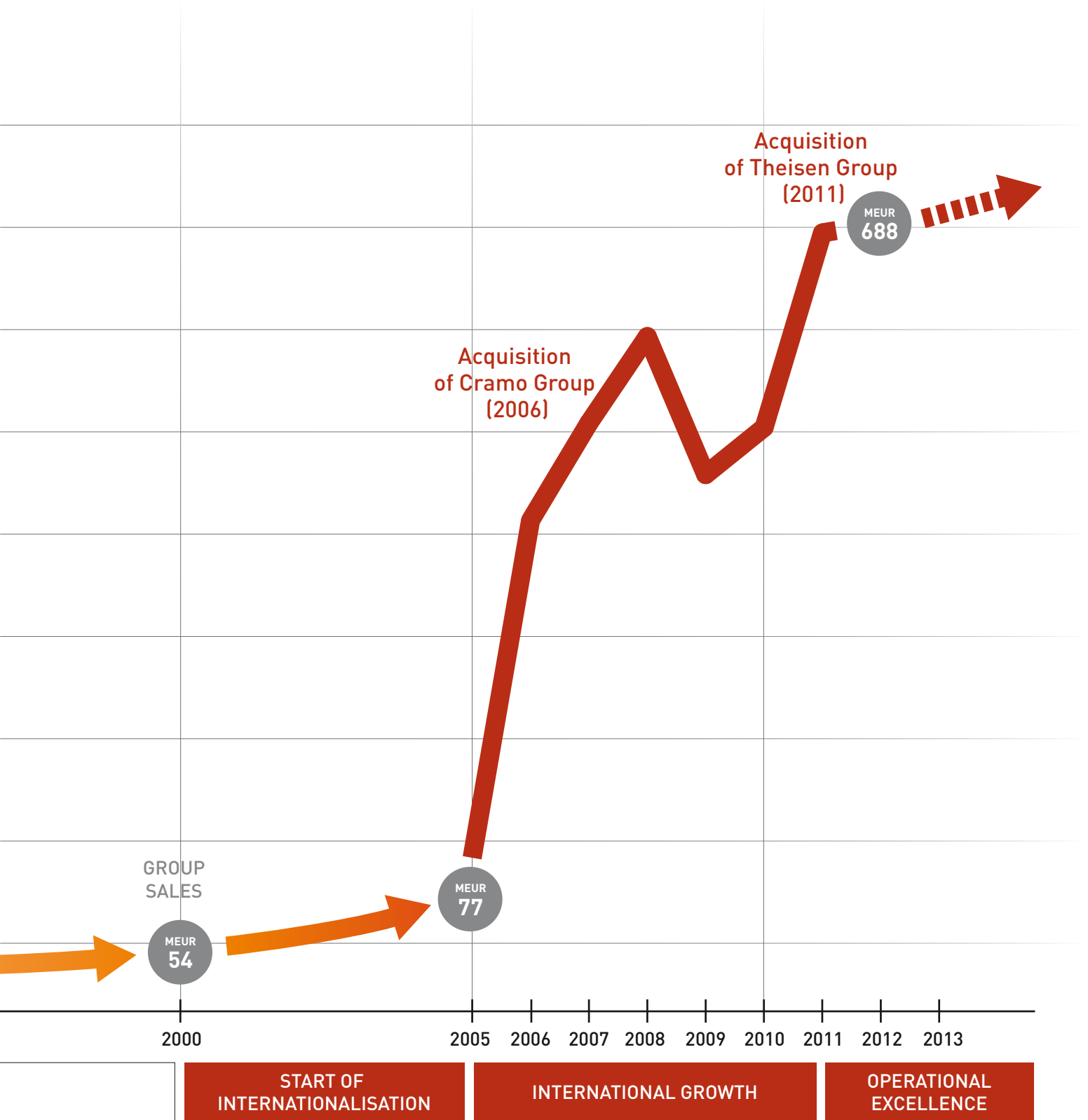
Stig Gustavson
Chairman of the Board

Company founded

1953

DOMESTIC GROWTH

SHIFT IN FOCUS FROM GROWTH TO PROFITABILITY AND CASH FLOW



Financial crisis 2007-2010 | European sovereign debt crisis 2010-2012

CRAMO PEOPLE – THE HEART OF EXCELLENT PERFORMANCE

At the end of the day, Cramo People are those who develop and deliver operational excellence both to the company and to customers.



UNDERSTANDING OUR NEEDS

– We have a good, long-term relationship with Cramo. They understand our needs and clearly care about our business. Furthermore, Cramo has without a doubt the best product range in aerials, which is our biggest need, remarks Mr Ivan Bezak, Project Manager at INGSTEEL, spol. s.r.o., the construction company responsible for building a new stamping plant at the vehicle assembly factory in Bratislava for Volkswagen Slovakia.

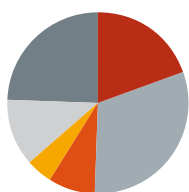
THE RIGHT PEOPLE IN THE RIGHT PLACE

– I believe that the further education this award allows will help me to improve my management skills and find new and more innovative ideas for our business processes, services and solutions or their implementation that are useful to Cramo and our customers. I also hope to be able to share the knowledge I gain with my colleagues and thus increase our team competence and competitiveness, says Mr Mindaugas Silobritas, Fleet Manager at Cramo Lithuania, Latvia, Kaliningrad and the 2012 winner of the EUR 15,000 Gunnar Glibberg Award.

– The training and career development framework is an excellent tool for developing passionate rental business champions, motivation and a good service attitude. It also enables us to ensure that we have the right competencies in the right place, develop competencies where they are needed and recruit the right people in order to achieve our operational goals and ensure high-quality customer service, says Ms Gunta Špīse, HR Manager at Cramo Latvia, Lithuania and Kaliningrad.



EMPLOYEES BY COUNTRY (FTE)
31 DECEMBER 2012 (2011)



- CENTRAL EUROPE 327 (295)
 - GERMANY 295 (256)
 - AUSTRIA 29 (30)
 - HUNGARY 3 (2)
 - SWITZERLAND 0 (7)
- EASTERN EUROPE 623 (589)
 - ESTONIA 138 (127)
 - LATVIA 44 (37)
 - LITHUANIA 51 (48)
 - RUSSIA 191 (136)
 - POLAND 150 (179)
 - CZECH REPUBLIC 39 (50)
 - SLOVAKIA 10 (13)
- BELGIUM 1 (1)

GAINING INSIGHT

– It is a great initiative to gain insight in our workday and to improve efficiency, says Mr Henrik Geber, Project Manager at Peab, one of the Nordic region's leading construction and civil engineering companies, on Cramo employees working as apprentices at a customer site.

MOTIVATED TO WORK

– The One Cramo Share Plan provides a great opportunity to invest money in the company I work at and increases the feeling of being part of a larger organisation. I find the shares to be an excellent way to invest and have a cushion for the future, notes Ms Gintarė Junevičiūtė, Marketing and Communications Manager at Cramo Lithuania.

– The conditions for participation were really inviting, so I found no reasons not to. Participating motivates me to invest maximum effort to realise company goals and grow company value, says Mr Aurimas Giedraitis, Project Manager at Cramo Lithuania.

The aim of the One Cramo Share Plan launched in 2012 is to encourage employees to become shareholders and reward them for their efforts in working towards Cramo's goals. At the same time, it builds further on the Cramo spirit, a common interest and understanding as well as strengthening the tie between Cramo shareholders and employees. About 22% of all employees across the Group enrolled in the plan in the first phase. ▶ Pages 42 and 89.



KEY FIGURES	2012	2011	Change, %
Average number of employees (FTE)	2,664	2,580	3.3
Number of employees at year-end (FTE)	2,555	2,707	-5.6
Total number of employees	2,637	2,809	-6.1
permanently employed	2,520	2,630	-4.2
temporarily employed	117	179	-34.6
women	375	381	-1.6
men	2,262	2,428	-6.8
Personnel expenses/employee (EUR 1,000)	54.0	52.6	2.5
Personnel expenses/sales, %	20.9	20.0	

GENERATING IDEAS

– Cramopol was found to be a good tool for communicating our strategy and way of working as well as for strengthening the Cramo team spirit. At the same time we got plenty of good ideas from our employees for practical improvements. For example, we have improved our spare parts logistics, invoicing and sub-rental processes based on these ideas, says Mr Ladislav Takac, Managing Director at Cramo Czech Republic and Slovakia, where Cramopol will be played again in 2013.

The Cramopol game project received an honourable mention at the Henkilöstöteko 2012 competition, organised under the theme "Innovative solutions for developing the work community" by the Finnish Association for Human Resource Management – HENRY ry and Ilmarinen Mutual Pension Insurance Company. The jury appreciated the fact that Cramo Group, operating in a traditional industry, has identified an optimal way to implement their strategy in practice.

FOCUS ON UNIFORM TRAINING AND DEVELOPMENT

Following finalisation of the core concepts and models as well as support tools and templates in all HR focus areas, implementation was launched in 2011. In 2012 the focus at corporate HR shifted to further developing the unified training and career development framework. Implementation began in Finland, Sweden, Lithuania and Latvia in 2012.

CRAMO CARE – HARMONISED APPROACH TO SUSTAINABILITY

By helping its customers to meet their sustainability targets, developing market-leading sustainability services in cooperation with key customers, offering attractive working conditions and having high environmental standards in its customer offerings, Cramo creates performance excellence and competitive advantages.

Sustainability at Cramo means responsiveness to customer needs, development of sustainable products and services and conducting all operations with sustainability considerations.

At Cramo fair and mutually rewarding relations with all stakeholders form the platform for value creation and sustainable business. Sustainability management is based on the UN Global Compact as well as Cramo’s Code of Conduct

and Quality, Safety and Environment policies. Cramo has developed Group-level policies within the frame of the UN Global Compact and Cramo Care, a Group-wide sustainability program. The implementation of sustainability work is decentralised and adapted to the local business environment.

▣ www.cramo.com > Sustainability

DEVELOPMENTS IN 2010–2011

- A common framework for sustainability – Cramo Care – developed, with roadmap and organisation
- First implementations in business plan carried out in Sweden
- A pilot report based on the Global Reporting Initiative (GRI) completed in Sweden

TARGETS FOR CRAMO CARE

Become the leader in responsibility and customer care

ASSESSMENT OF DEVELOPMENTS IN 2012

- Further development of the framework, such as identifying focus areas of key stakeholders
▣ www.cramo.com > Sustainability
- Step-by-step implementation and adaptation of Cramo Care and quality, safety and environment Action List in operating countries, such as OHSAS 18001 certificate for Cramo Sweden, ISO 14001 certificate for Cramo Finland
- New sustainability section on the corporate website
- GRI-based reports in Sweden and Norway

PRIORITIES FOR 2013

- Further roll-out of Cramo Care
- Develop common GRI-based KPIs and implement them in all countries
- Implement model for misconduct reporting (“whistleblowing”)
- GRI-based sustainability reporting at the Group level in the Nordic countries
- UN Global Compact compliancy included for supplier chain management

GOOD EMPLOYEE CARE

– Cramo is a company with a good reputation, and our team is great and friendly to work with. I like working at Cramo because it offers continuous growth and learning opportunities. I like to be involved in different projects that will enhance my skills, and new challenges make work interesting and gratifying”, says Mr Rait Hiie, Depot Manager of Construction Machinery, with 17 years of experience at Cramo Estonia.

▣ Pages 20–21.



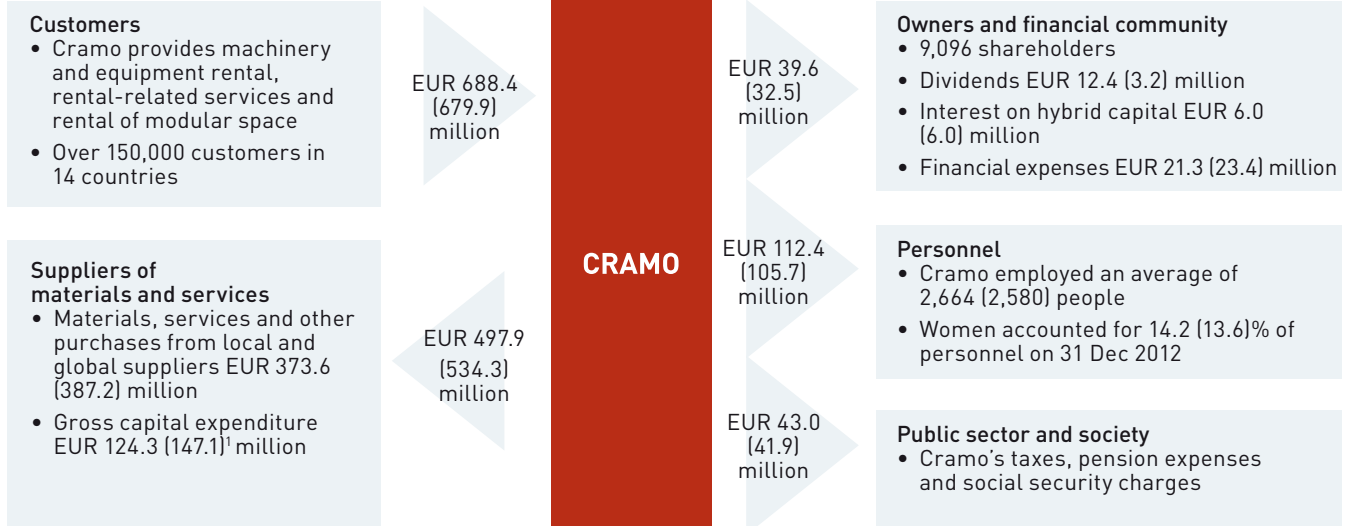
GOOD CUSTOMER CARE

– Our aim is to develop passionate rental champions that understand customers’ needs and take good care of them. In order to identify any difference between customers’ expectations and our performance and focus our development activities in the right places, we carried out a sustainability survey with the Swedish Institute in 2011. As a result, we started preparing for the implementation of QSE standards in LitLat, explains Mr Darius Norkus, Managing Director at Cramo Lithuania, Latvia and Kaliningrad.



CRAMO'S ECONOMIC IMPACTS IN 2012

GENERATION OF ADDED VALUE



¹ Excluding acquisitions

HIGH STANDARDS

Health, safety and the work environment are on the agenda four times a year when Cramo and Veidekke meet.

– A unique proactive collaboration with regular face-to-face meetings to also monitor health and safety issues. The most important thing is that Cramo's personnel have acted quickly in an exemplary manner to address issues we raised instead of digging "trenches" and meeting only when we have a serious conflict. Cramo's training of our employees in operating lifts is another good example of proactive safety work in our relationship, says Ms Elisabet Langbråten, HSE Manager at Veidekke Construction AB, Bygg Stockholm, in Sweden.



– Safety and the working environment have a central role in the industries we operate in. We create benefits for both customers and employees through new sustainable services and solutions as well as through concepts to reduce the risk of accidents, emergencies and injuries. Our three certificates in the area, ISO 9001 on quality, ISO 14001 on environment and OHSAS 18001 on safety, show that we are a credible partner, says Ms Marika Örnstlig, Safety Coordinator at Cramo Sweden.

– Our aim is to effectively minimise the environmental impact caused by processes, products and services such as new energy-efficient modular space solutions. By taking care of environmental and quality issues in our operations, we help our customers to meet their sustainability targets, notes Ms Mirja Juslin, Quality Manager at Cramo Finland where ISO 14001 and ISO 9001 are certified and OHSAS 18001 is under way.

SUPPORTING CHILDREN

On the Group level Cramo continued its support as an international partner of SOS Children's Villages, and most operating companies also participated in more local projects as part of the company's social responsibility program.

■ www.cramo.com > Sustainability > Cramo Care > Community Care