

# **CAPITAL MARKET DAY**

## **On the Road to Real Time Services**

Fabio Fiorino  
EVP, Head of BA Service



A photograph of a male worker in a blue cap and overalls, viewed from the side, operating a large yellow crane in an industrial setting. The worker is looking towards the right. The crane's structure is prominent, with yellow beams and a red handrail in the foreground.

# AGENDA

- Service overview
- Real time services – explained
- Real time services – business potential
- Summary / take aways

# SERVICE H1/12 PERFORMANCE SUMMARY

Service	1-6/2012	1-6/2011	Change percent	2011
Orders received, MEUR	371.3	353.5	+5.0	694.6
Contract base value, MEUR	181.1	151.2	+19.8	166.2
Net sales, MEUR	426.1	365.1	+16.7	796.1
Operating profit (EBIT) excluding restructuring costs, MEUR	30.0	21.8	+37.8	55.7
Operating profit (EBIT) excluding restructuring costs, %	7.0 %	6.0 %		7.0 %
ROCE %, R12M	31.2 %	34.3%		27.9 %
Personnel at the end of period	6,060	5,772	+5.0	5,980

- Continued solid demand in Crane Service and Parts; selective in Modernizations
- Service contract base +8% Y/Y in units, +20% Y/Y in value
- Turnaround in profitability due to sales growth and restructuring executed in Q1/12

# KONECRANES SERVICE

Specialized maintenance services for cranes, port equipment and machine tools from a single piece of equipment to entire maintenance operations.

Improving the safety and productivity of industrial and port operations around the globe.

Not just lifting things, but entire businesses.





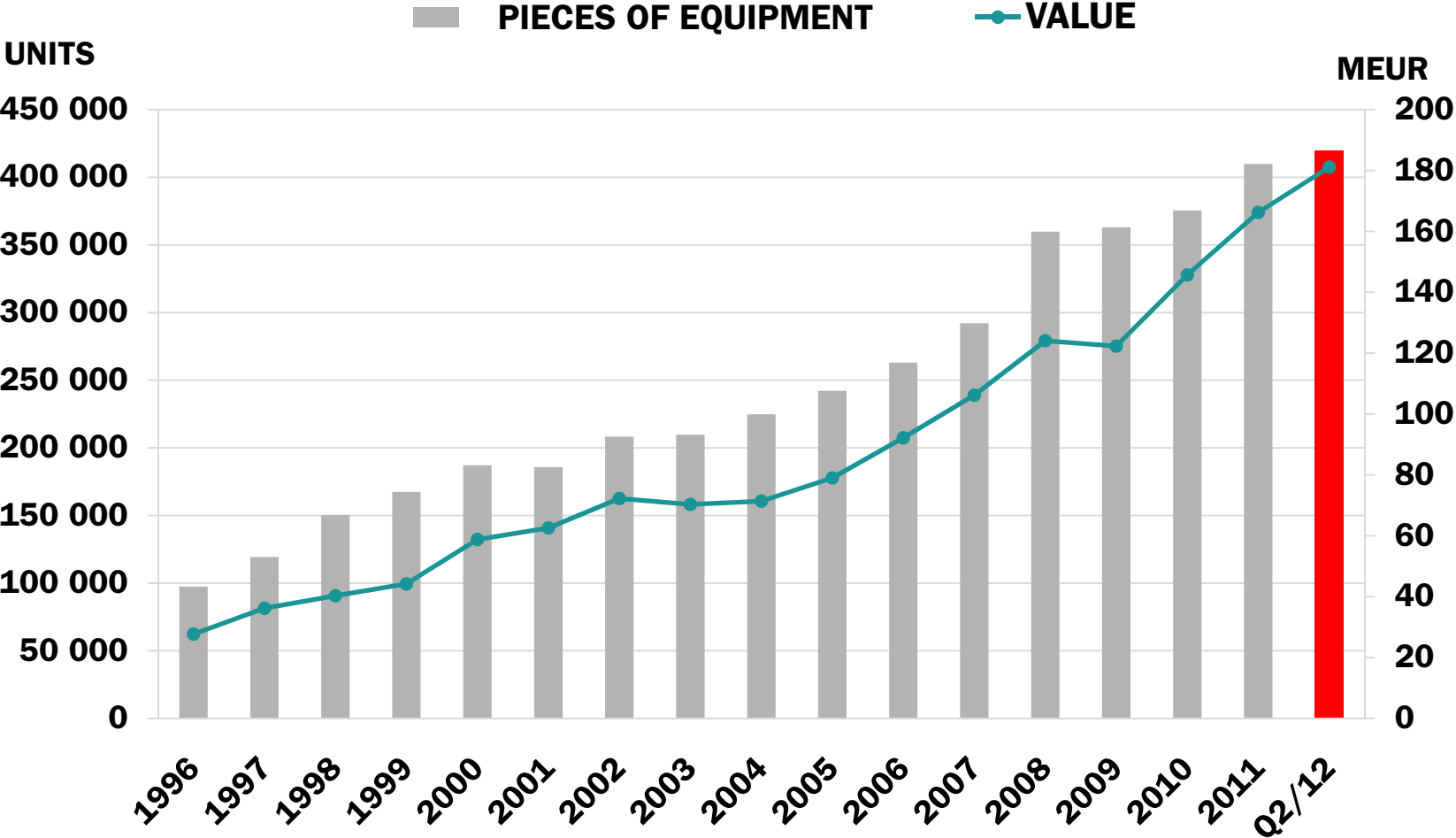
# KONECRANES SERVICE – CUSTOMER RELATIONSHIPS ON A LEVEL SUITED TO YOU



One –off Transaction

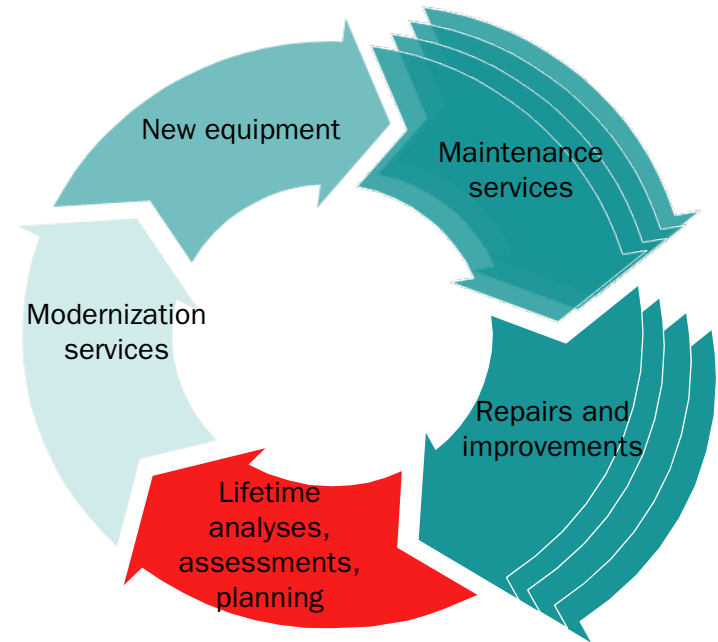
Full Scope Outsourcing

# CONTRACT BASE DEVELOPMENT



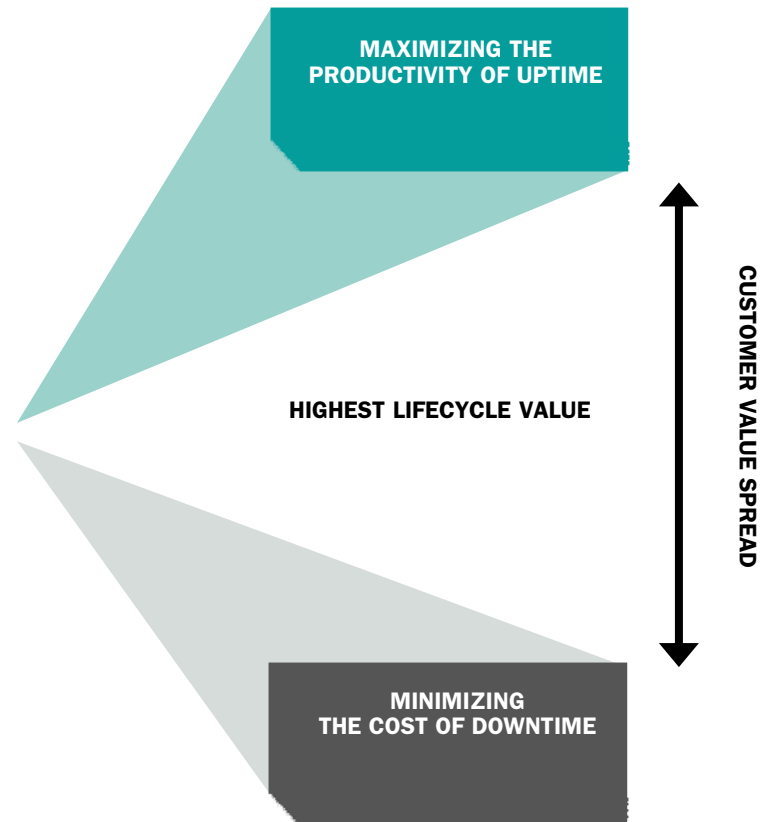
# OUR MAINTENANCE APPROACH

- Maintenance impacts **safety**, **availability**, and **performance**.
- Higher performance and availability result in **higher productivity**.
- Preventive maintenance **lowers the total cost of maintenance and the cost of down time**.



# OUR MAINTENANCE APPROACH

- Modernizations **prolong the economic service life of equipment.**
- **Measurable customer bottom line improvements.** Prove Value.
- Konecranes **Safety Culture** and Record **a competitive advantage.**



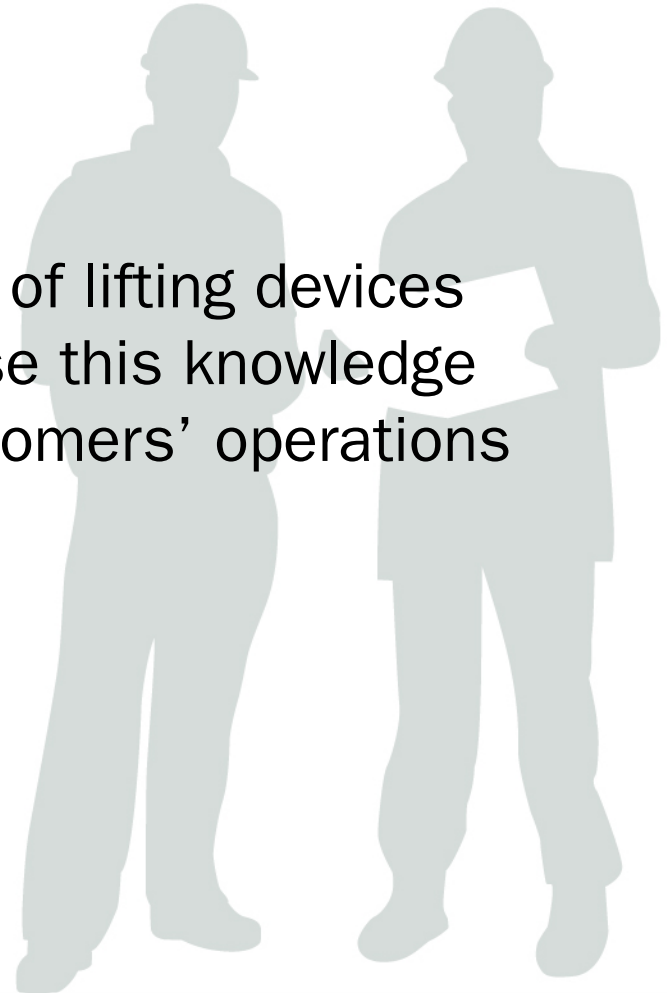


# REAL TIME SERVICES EXPLAINED



# OUR NEW 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.



# EVOLUTION OF SERVICES

## Reactive

## Preventive

## Real-time

### On-Call Services

- Compliance Inspections
- On-Call Repairs
- Spare Parts
- Modernizations based on requested proposals, typically when equipment is already worn out

### Preventive & Corrective Services

- Inspections / Preventive Maintenance
- Planned Repairs / Spare Parts Mgmt
- Field Modernizations
- Overhauls/Rebuilds
- Lifting Equipment
- Operator Training
- Site Agreements

### Consultation Services

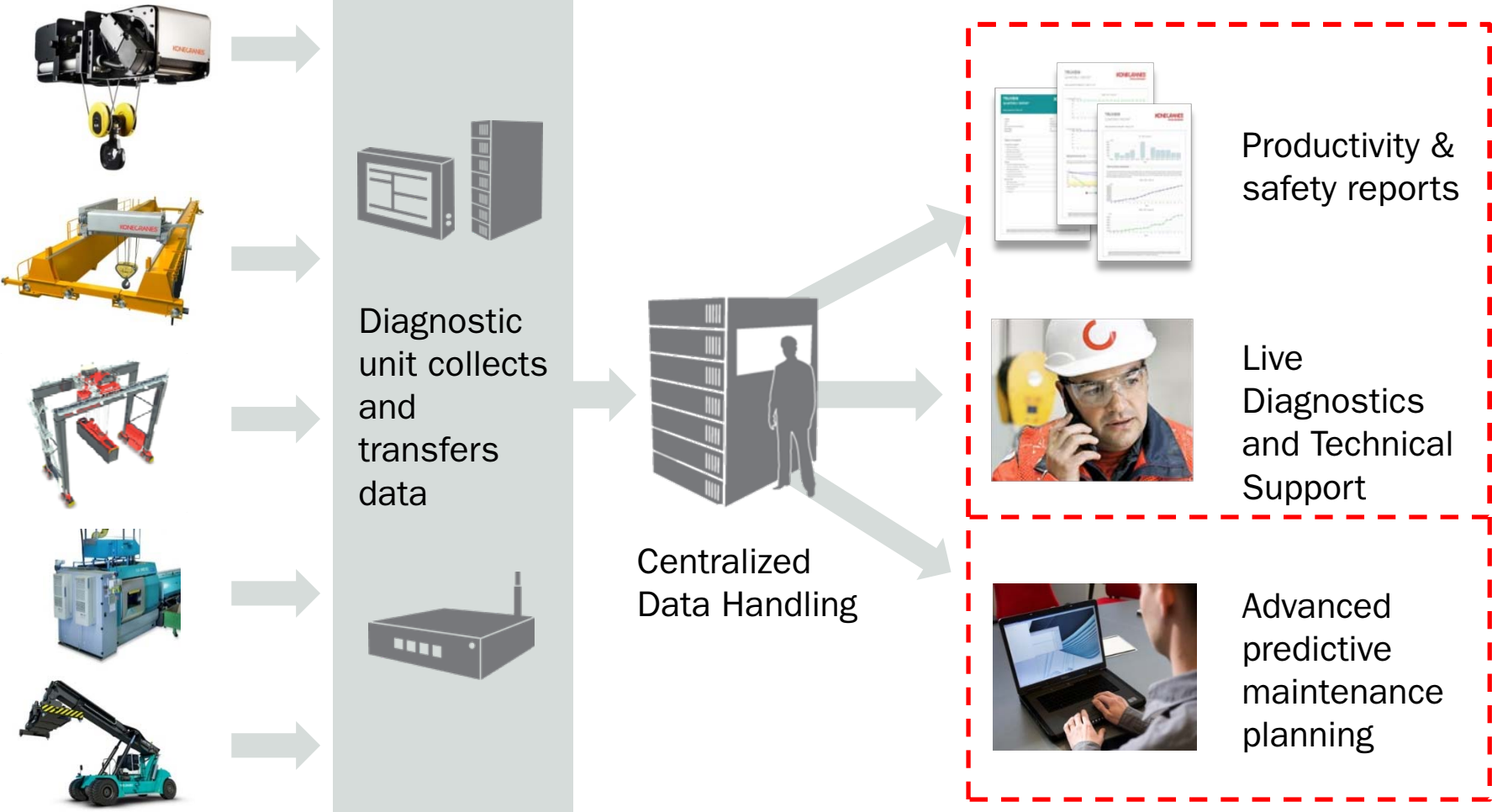
- Crane Reliability Survey
- Runway & Crane Geometry
- Critical Components Assessment / Non Destructive Testing
- Maintenance Assessment Plan
- Modernizations & Smart Solutions based on our recommendations

### Remote Services

- Remote Data Collection
- Safety/Usage Reporting
- Alerts
- Remote Troubleshooting
- Operational Efficiency Reporting
- Real Time Data



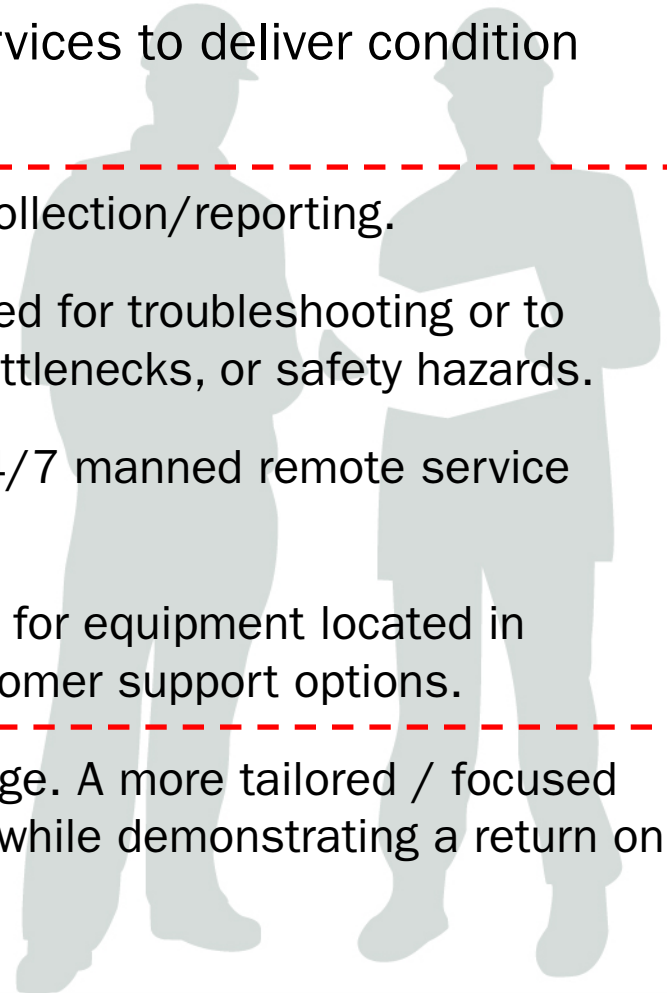
# REMOTE MONITORING LAYS A FOUNDATION FOR REAL-TIME SERVICES



# REAL TIME SERVICES – A GAME CHANGER

Our ultimate goal is to use real-time services to deliver condition based / predictive maintenance:

- Real-time alarms/notifications and data collection/reporting.
- Access to real-time data, which can be used for troubleshooting or to identify operational issues, productivity bottlenecks, or safety hazards.
- Field service technicians, supported by 24/7 manned remote service centers; remote access to equipment.
- Diagnostic and technical support services for equipment located in distant/isolated locations. Expanded customer support options.
- Maintenance actions based on actual usage. A more tailored / focused approach providing an optimized program while demonstrating a return on the maintenance investment

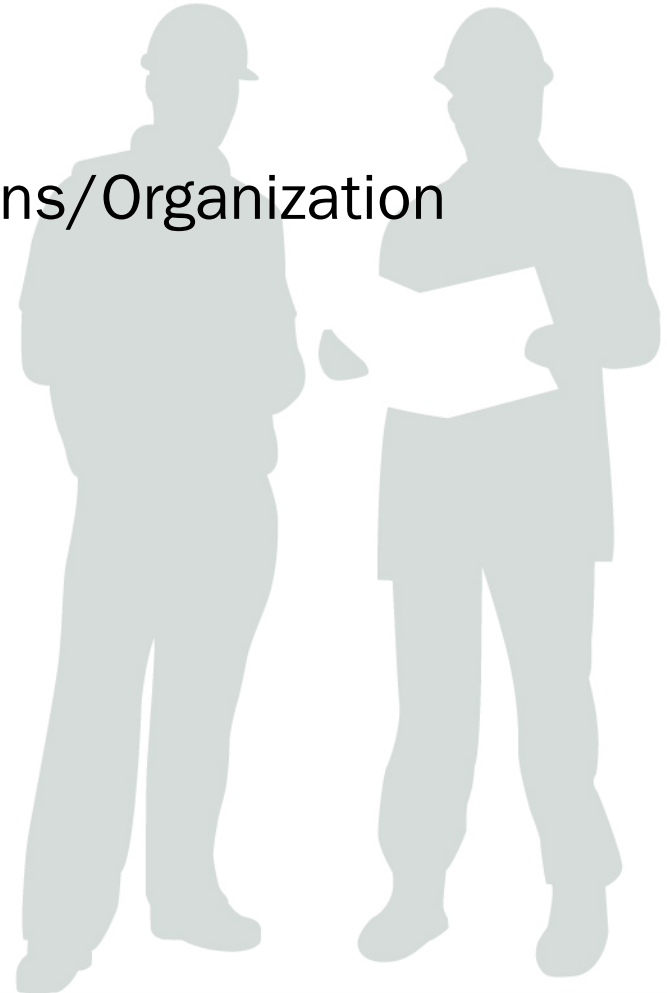


# 2012 PRIORITIES

## Knowledge-Based Offering/Solutions/Organization

- Integrated Systems & Applications
- Remote Connections
- Innovative Products and Services
- People

**REAL TIME  
SERVICES**



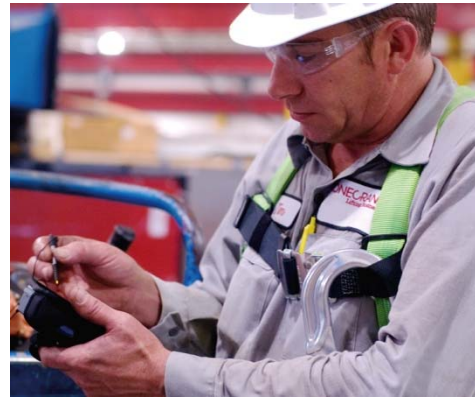


# REAL TIME DATA / REAL TIME SERVICES



## Customer Relationship Management

- Dedicated people



## Field Service Management

- Integrated Mobile Applications



## Equipment Base Management

- Remote equipment connections
- Innovative products and services

# REAL TIME SERVICES BUSINESS POTENTIAL



KONECRANES

# REAL TIME SERVICES: POTENTIAL & BENEFITS

- Substantial Annual Service Revenue Stream Potential
  - Paying subscriptions, retrofits and spin-off revenue
  - Stable “Subscription” revenue / On-line administration / Good leverage
  - Above average margins
- Key Differentiator for Konecranes Service & Equipment
  - Improved pricing power
  - Access to new customers and segments
  - Improved customer/maintenance contract acquisition and retention
  - Reinforces market leadership position; raises bar on competition
- Product & Services Innovation and Improvement Source
  - Tailored services based on actual equipment usage and location
  - Equipment design improvements based on actual reliability/usage data
  - Competitor Equipment performance data



**FOLLOWING 2012 PILOTS  
READY FOR GLOBAL  
COMMERCIAL LAUNCH  
Q4 2012**

## **TRUCONNECT® REMOTE SERVICES**

- Reporting & Monitoring
- Reporting & Monitoring with Alerts
- Remote Diagnostics & Technical Support
- Production Efficiency Monitoring



# TRUCONNECT® REMOTE SERVICES

## AVAILABLE IN THE FOLLOWING DISTINCT OFFERINGS:

### Remote Monitoring and Reporting

Available on demand:

- Actual crane usage
- Safety information
- Remaining service life



... with **Safety Alerts**

e.g. Overloads, by email/SMS soon after the event occurs.



# TRUCONNECT® REMOTE SERVICES

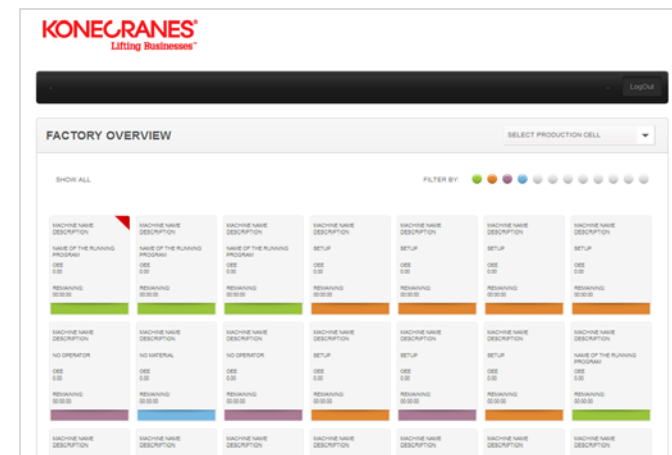
## AVAILABLE IN THE FOLLOWING DISTINCT OFFERINGS:

### Remote Diagnostics and Technical Support

- Advanced two-way remote connection
- Online diagnostics, in real time
- Live technical support, 24/7/365
- Ideally suited for extremely remote locations
- Dramatic reduction in downtime

### (Real-time) Production Efficiency Monitoring

- Currently available with machine tools to monitor OEE (overall equipment effectiveness) as well as other efficiency and productivity metrics.





# TRUCONNECT® REMOTE SERVICES SPARE PARTS CASE

*“Based on the TRUCONNECT® reports we were able to sell spare parts worth tens of thousands of Euros for one of our key accounts in a European country.”*

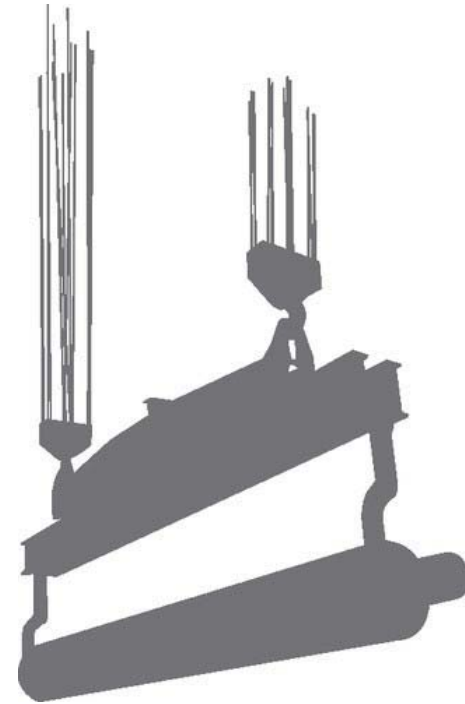
Key Account Coordinator,  
Konecranes



# TRUCONNECT® REMOTE SERVICES PAPER MILL CASE

*“We did not realize how many overload alarms we have had in one of our critical process cranes.”*

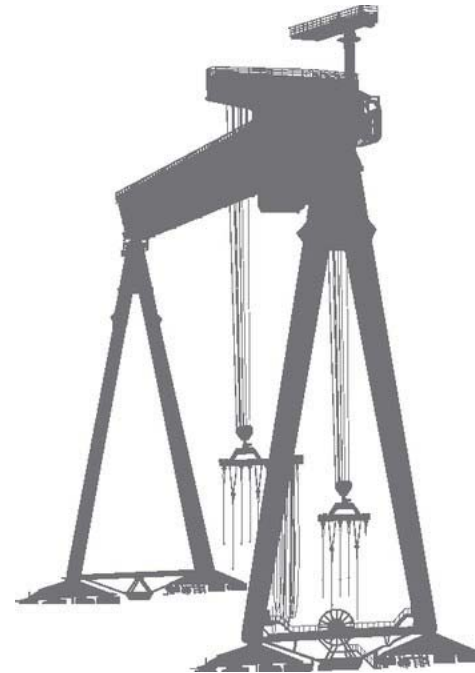
Maintenance Manager,  
Paper Company X



# TRUCONNECT® REMOTE SERVICES SHIPYARD CRANE CASE

*“It took us fifteen minutes to solve what was causing a breakdown to a Goliath under a TRUCONNECT® Technical Support contract.”*

Technical Support Engineers,  
Konecranes Global Technical  
Support



# PRODUCT INNOVATION AND LEADERSHIP IN ADVANCED MAINTENANCE SERVICES

- TRUCARE™ Extended Care for Konecranes Equipment
  - Extended warranty and comprehensive preventive maintenance contract, predicated upon the use of TRUCONNECT® Remote Monitoring and Reporting with various service option levels available.
  - A deeper commitment to customer service, retention and loyalty.
  - Remote Monitoring allows for the development and validation of TRUCARE™ pricing / costing models.
  - Remote Monitoring optimizes maintenance and gives visibility to maintenance and application compliance.

# TAKE AWAYS / SUMMARY

A man wearing a white hard hat and a light blue shirt is seen from the side, looking towards a building. The building has a large, red, 3D sign that reads "KONECRANES". The sky is blue with some white clouds.

**KONECRANES**

# REAL TIME SERVICES TAKE AWAYS

- Tens of thousands of remote connections in the next several years
  - Existing contract base is over 400,000 pieces of equipment; thousands of remote eligible pieces of equipment are sold each year.
  - Typical list prices for remote monitoring, reporting and alert services in machinery industry is 250€ to 750€ per connection per year
  - Remote Diagnostics / Technical Support and Production Efficiency Monitoring pricing potential is well above these levels.
- Additional products and services “spin-off” revenue
  - Service network available to provide the necessary consultation and service delivery– including retro-fit of existing equipment
- Improved Pricing Power / Contract Growth and Contract Retention –
  - True Differentiator, improved operational efficiency and means to prove value.
- Substantial Service Revenue Stream Potential



# SUMMARY

- Our short-term target is to bring the Service business back to the 8-10 % EBIT margin range.
  - This clear priority on profitability may moderate growth. One example is conservatism when selecting modernization projects.
- Over the next few years, our target is to gradually improve the Service business EBIT margin above this 8-10 % level.
  - While not publishing a specific target or time-line, we see substantial long-term improvement potential.
- Real-time Services is one key driver behind this, but not the only one.
  - This includes Remote Services as well as integrated systems and mobile applications that support differentiation, drive operational efficiencies and provide knowledge-based deliverables resulting in higher sales and margins.
  - Leverage, sales growth outpacing fixed cost growth, and more favorable product mix such as higher spare part volumes will be another key profitability driver.
  - New technologies and service products will also enable higher sales and margins.



# KONECRANES®

Lifting Businesses™



ites  
locations

## NOT JUST LIFTING THINGS, BUT ENTIRE BUSINESSES