

**SERVICE**  
**CMD, November 23, 2010**

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A man in a blue Konecranes shirt is shown in profile, looking down at a handheld electronic device. He is holding a stylus in his right hand and the device in his left. The device screen displays a list of text. The background is a blurred outdoor parking lot with several vehicles. The text "SERVICE IN BRIEF" is overlaid on the left side of the image.

## SERVICE IN BRIEF

# SERVICE BRIEFLY IN NUMBERS

Service	1-9/2010	1-9/2009	Change percent	2009
Orders received, MEUR	451.3	376.5	19.8	498.4
Order book, MEUR	111.7	88.1	26.8	75.9
Contract base value, MEUR	146.6	122.6	19.5	121.3
Net sales, MEUR	496.5	496.8	-0.1	667.2
Operating profit (EBIT) excluding restructuring costs, MEUR	40.4	45.2	-10.6	61.0
Operating profit (EBIT) excluding restructuring costs, %	8.1 %	9.1 %		9.1 %
Operating profit (EBIT), MEUR	40.4	44.0	-8.2	58.3
Operating profit (EBIT), %	8.1 %	8.9 %		8.7 %
ROCE %				43.8 %
Personnel at the end of period	5,125	5,033	1.8	4,991

# BUSINESS DRIVERS





# CUSTOMERS' BUSINESS DRIVERS AND OUR RESPONSE

## Globalization

- 545 locations in 43 countries and growing

## Productivity

- Smart maintenance and Konecranes lifting equipment

## Tighter time frames

- No breakdowns with smart maintenance

## Higher flexibility

- Resources according to the need

## Lack of competent resources

- Global Training Network



# SERVICE MARKET

Western countries - closed markets mostly in steel and ports

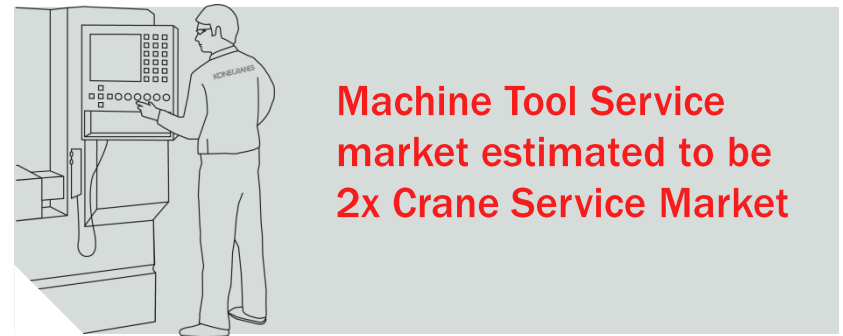
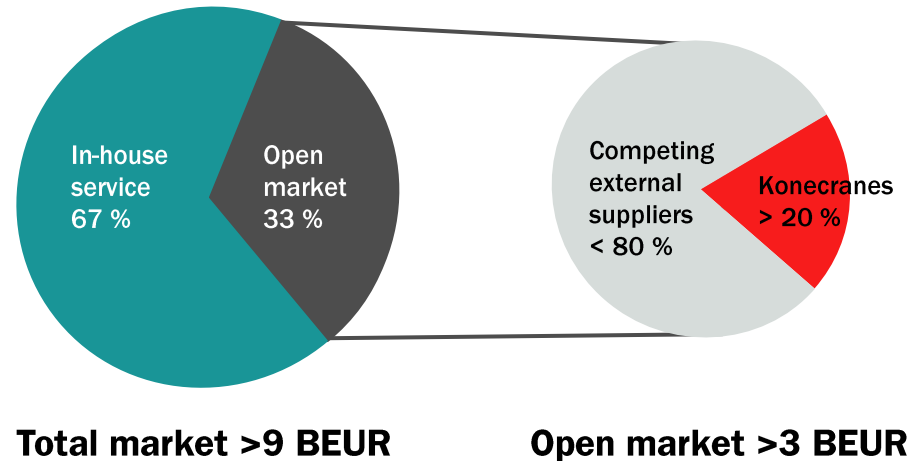
- Strong unions
- Municipal owners

Developing countries – dominance of in-house maintenance

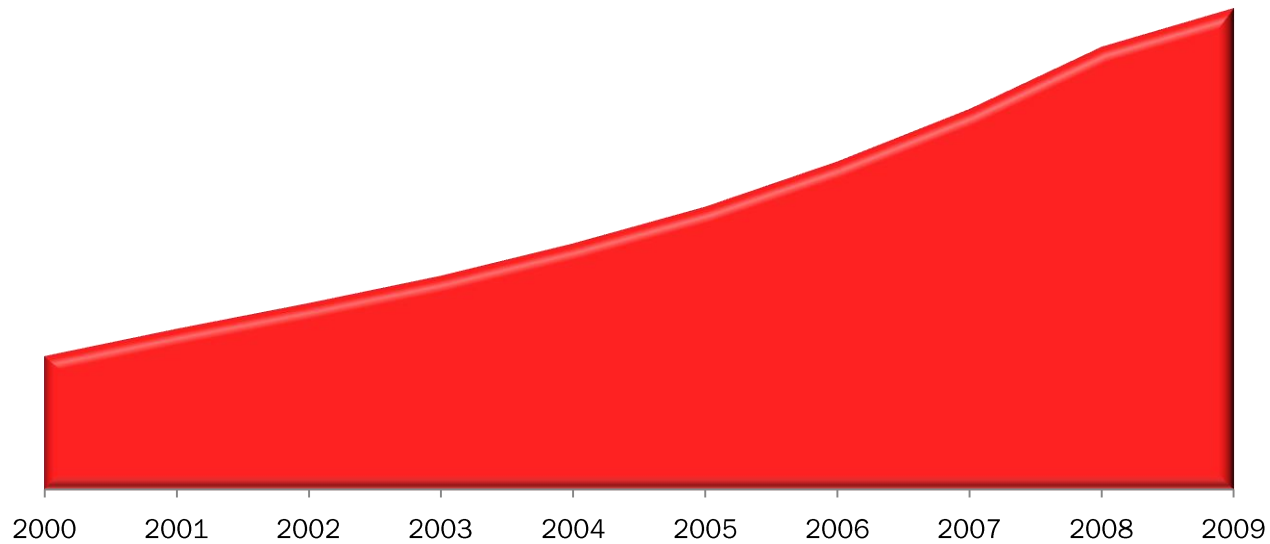
- Lack of service providers
- Poor service culture
- Social responsibilities

Strategy in developing countries

- Build local presence around own deliveries and FDI
- Remote services
- Acquisitions



# KONECRANES INSTALLED BASE





# OUR SERVICE APPROACH

A low-angle photograph of a modern, light-colored building with a dark blue roofline. The word "KONECRANES" is mounted on the side of the building in large, red, three-dimensional block letters. The sky is a clear, pale blue.

**KONECRANES**

# SERVICE BUSINESS WAS STARTED IN 1960



## Åke Gagneur's memo

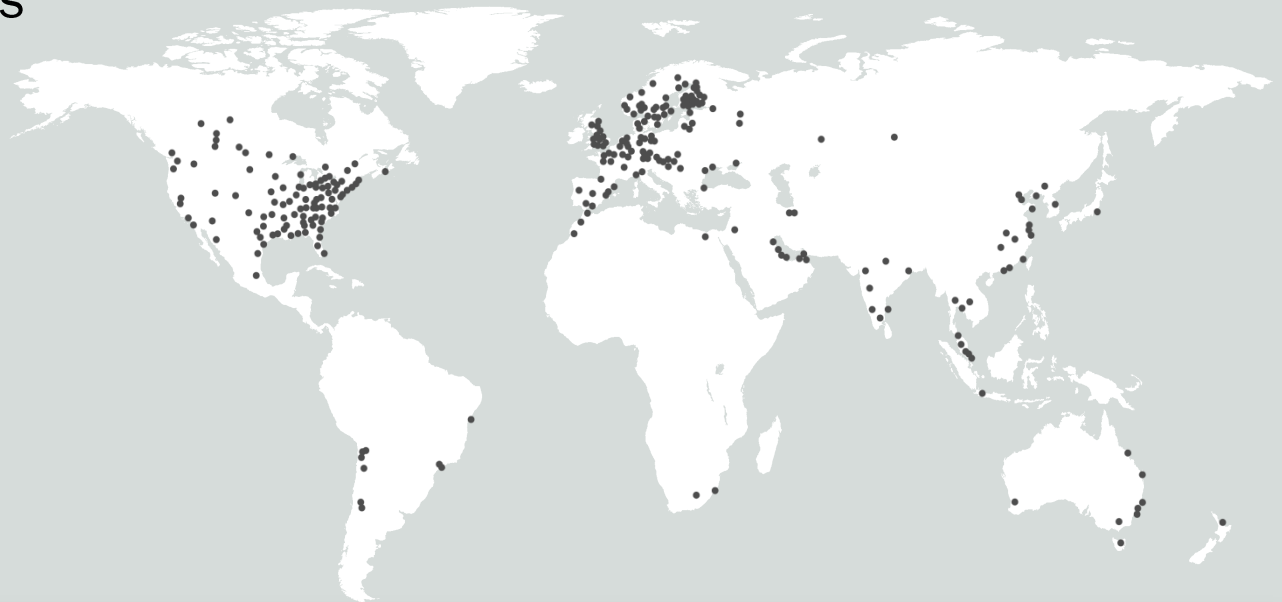
- We must create an archive to register our customer and crane histories.
- Maintenance programs must be defined for each type of crane, after which maintenance services and contracts must be priced.
- We must develop a service contracts form consisting standardized scope and terms.
- We must expand our coverage of our services outside Helsinki region and to other manufacturers' equipment.
- We must prepare a brochure/leaflet to market our new services.



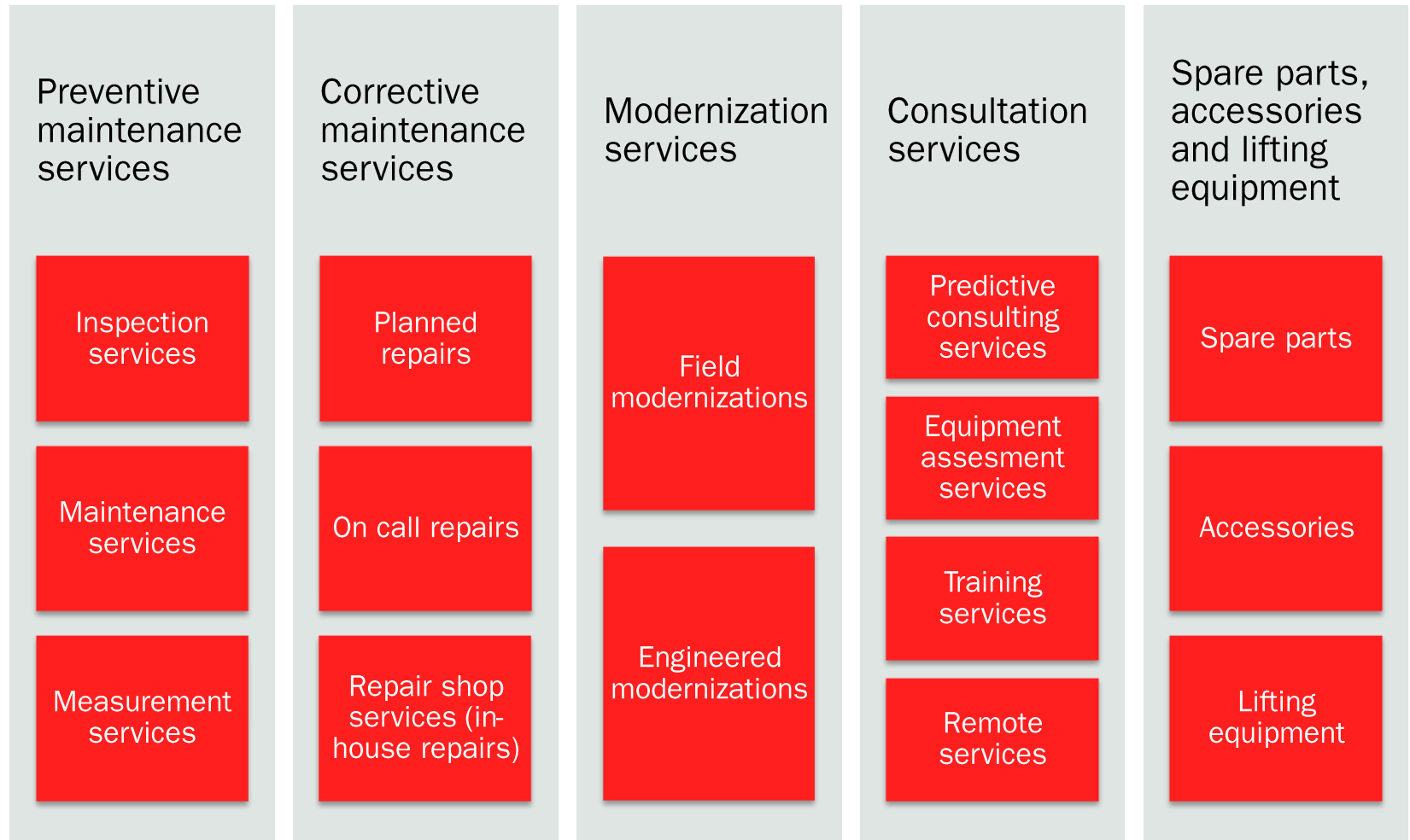
**Early start has helped us to develop strong service culture**

# GLOBAL AND LOCAL

- 3,300 technicians making 1.5 million customer visits every year
- 545 sites world-wide
- 377,000 items of lifting equipment and machine tools in the contract base
- All makes of lifting equipment and machine tools in many different industries

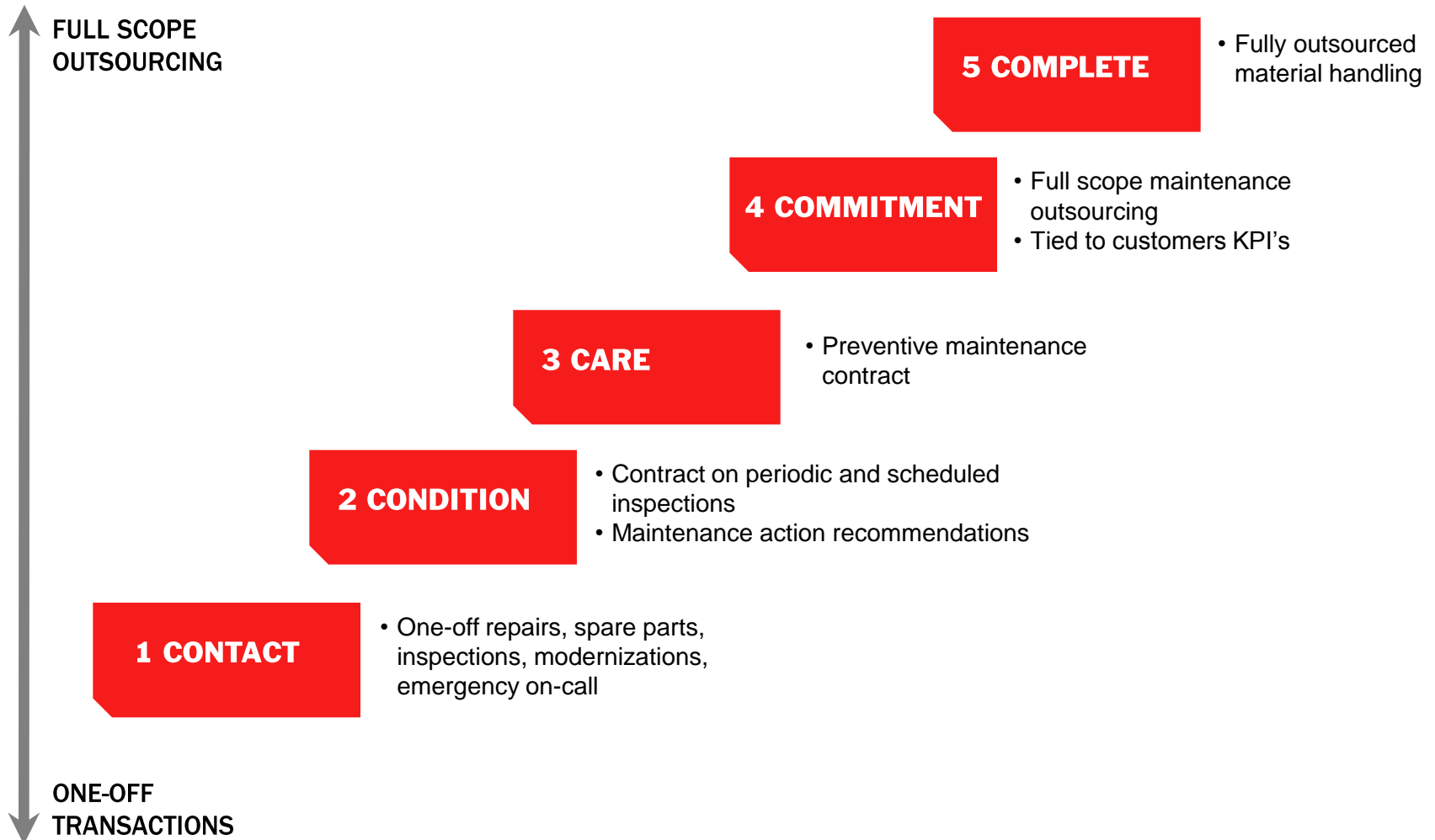


# SERVICE PRODUCTS OVERVIEW





# FIVE LEVELS OF SERVICE



## LEVEL 3 – CARE (PREVENTIVE MAINTENANCE)

- Equipment-specific preventive maintenance program based on knowledge and experience of Konecranes
- Includes periodic inspections, planned repairs and regular reporting to customer
- Customer benefits:
  - Reduced maintenance costs
  - Less downtime
  - Improved safety



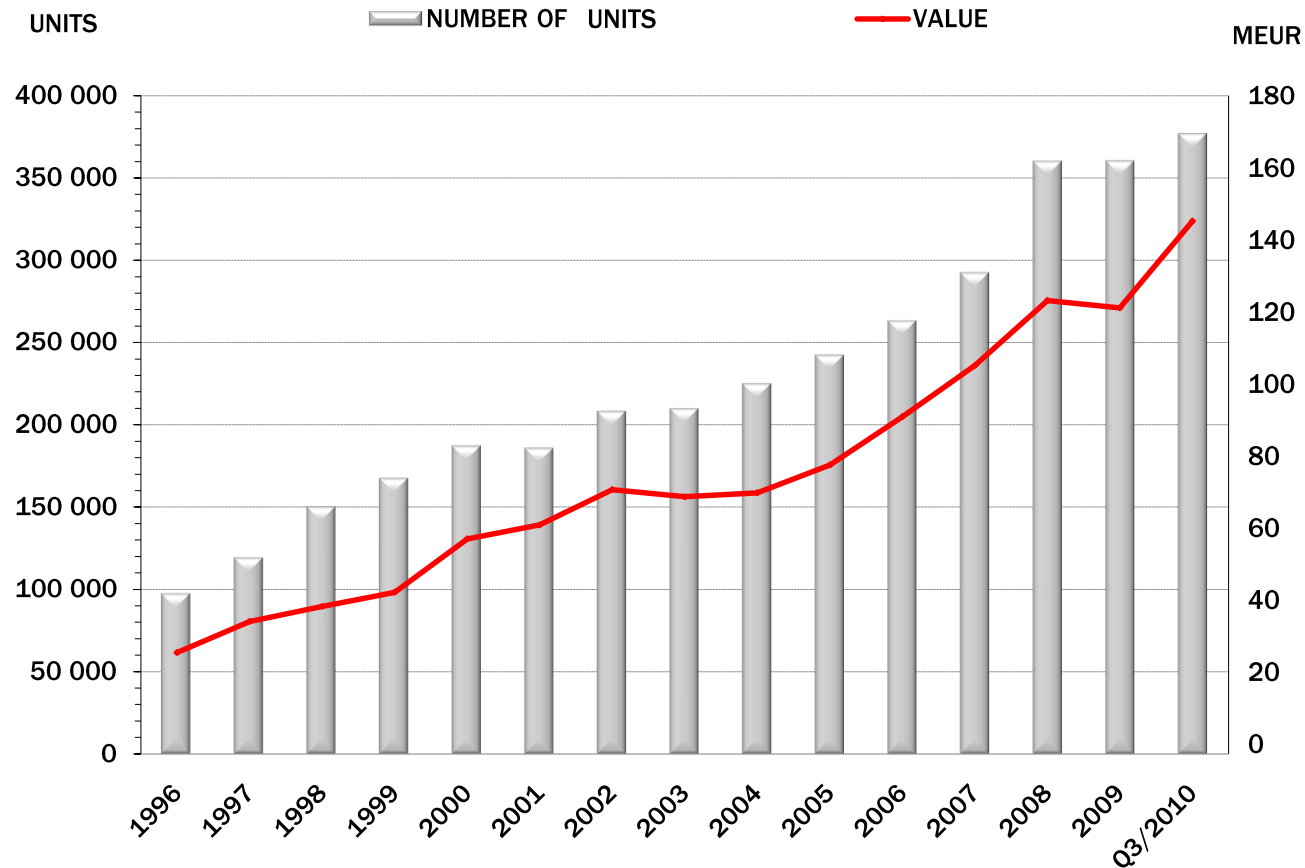
## LEVEL 4 – COMMITMENT (OUTSOURCING)

- A full scope maintenance solution based on a long-term development plan
- Our success is tied to jointly agreed key performance indicators (KPIs) of customers
- Konecranes takes responsibility of maintenance operation
- Includes a complete range of maintenance activities
- Both Konecranes and customer can maximize their productivity



OEE	888732
Availability	888811
Performance	888912
Quality	888990

# CONTRACT BASE DEVELOPMENT





## STRATEGIC AGENDA

# ACTIONS TO DRIVE GROWTH

## Contract base growth continues

- 50 years' experience of selling inspection and preventive maintenance contracts
- 10 years' experience of selling higher commitment contracts
- Equipment sales opportunities (both won and lost cases)

## Service innovation

- Crane Reliability Survey (CRS)
- New measurement and analysis tools such as RailQ, RopeQ
- Remote Services
- More to come

## Acquisitions

- Acquisitions of small service companies will continue
- Larger acquisitions normally add service business too

## Parts

- Activating sales to non-contract customers



# STRATEGIC FOCUS AREAS



# NEW SERVICES



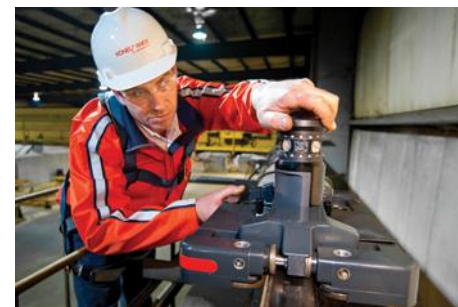
## CRANE RELIABILITY SURVEY (CRS)

- Designed to enhance safety, improve performance, and extend life span of equipment
- Customized review process and in-depth analysis
- Helps customers to create maintenance plans, control ownership costs and maximize ROI over equipment's life-cycle



## REMOTE SERVICES

- Launched to support Konecranes advanced maintenance concept
- Utilizes real-time equipment usage data
- Maintenance needs and expert support can be optimized and predicted



## RailQ

- New runway measurement and analysis method
- Customer gets a 3D model and report to bring runway back to accepted tolerances



# MACHINE TOOL SERVICE

- Synergy from shared customers in Crane Service
- Why Konecranes – a professional worldwide business partner with service as core competence
- Located in countries with established Crane Service operations
  - Nordic countries, the UK, the US
- Level 3 (preventive maintenance) or level 4 (outsourcing) contracts within general manufacturing



# ACTIONS TO IMPROVE EBIT

## Smart growth

- Fixed cost control – growth less than sales growth

## Investments will improve profitability once completed

- New service products – differentiation and better profitability
- New maintenance management software rollout underway
- Service management training

## Supply and distribution of parts & materials

- Distribution Centers (DCs) linked with service branches
- Consolidating service purchase volumes via DCs





# SUMMARY



# DIFFERENTIATION THROUGH SERVICE

A UNIQUE BUSINESS IN THE  
INDUSTRY WITH ITS OWN RIGHT TO GROW

## WIN-WIN SITUATION FOR CUSTOMER AND KONECRANES

✓ Improved productivity and uptime

3,300 service  
Technicians  
servicing  
cranes and  
machine tools  
of all makes

Own,  
dedicated  
management

75% of  
equipment in  
maintenance  
contract base  
non-  
Konecranes  
equipment

Preventive  
maintenance  
performed by  
well-trained  
professionals

Level-based  
service  
concept up to  
fully  
outsourced  
material  
handling

## 2/3 OF THE INSTALLED EQUIPMENT SERVICED IN-HOUSE

- ✓ Productivity of the service technicians low
- ✓ Reactive maintenance
  - > Too high downtime
  - > Challenges to maintain skills to service modern equipment





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