



KONE'S CAPITAL MARKETS DAY 2011

# Continuous development and renewal at KONE

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President and CEO

# Agenda



- KONE's performance
  - Market development
  - Drivers for growth and strategy implementation
  - GiantKONE in summary
  - Market and business outlook

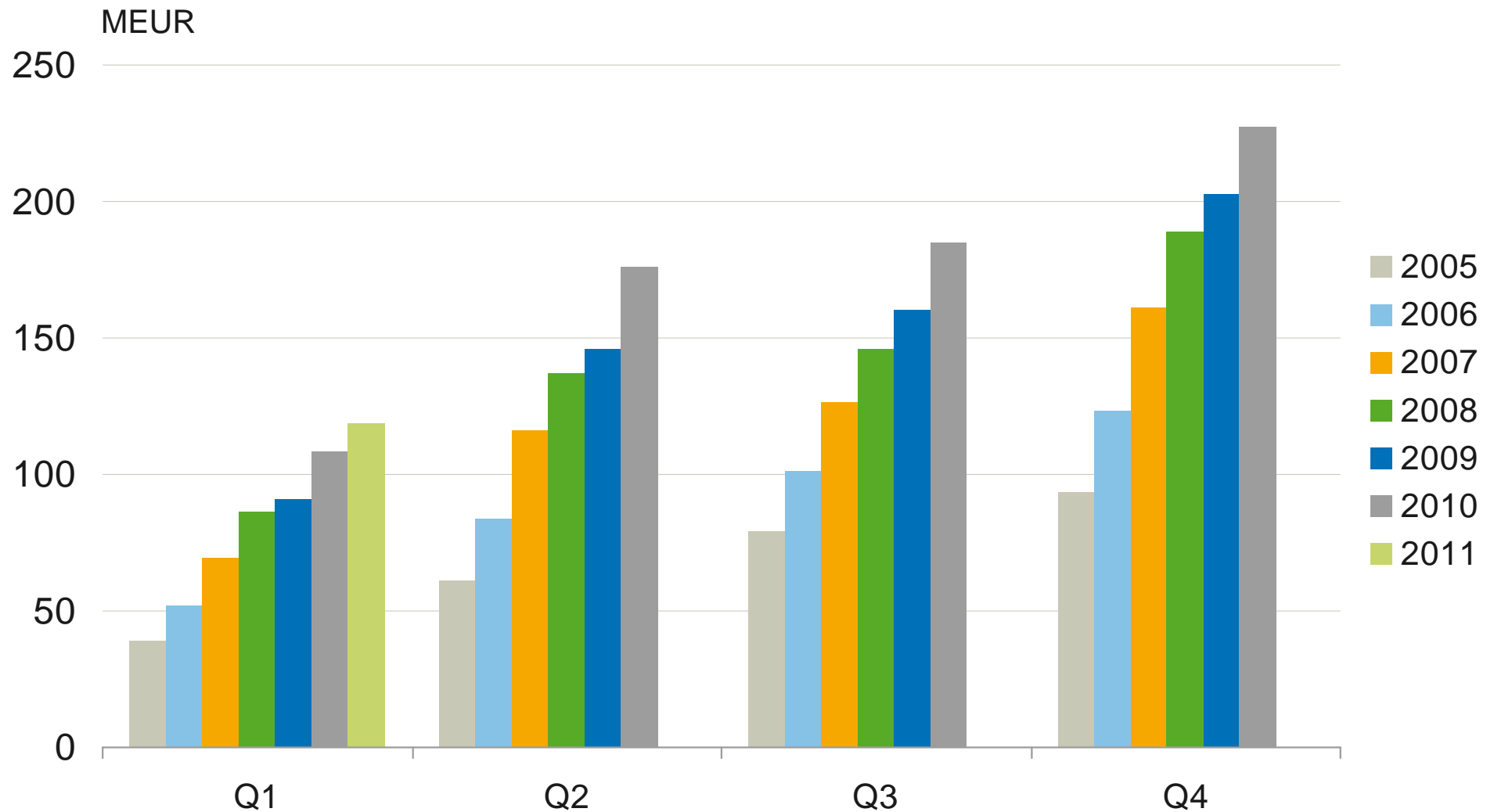
# Q1 2011: Strong growth in orders received and in operating income



		Q1/2011	Q1/2010	Historical change	2010
Orders received	MEUR	1,044.7	894.7	16.8%	3,809.0
Order book	MEUR	3,737.5	3,638.5	2.7%	3,597.8
Sales	MEUR	1,053.8	1,003.0	5.1%	4,986.6
Operating income	MEUR	118.7	108.6	9.3%	696.4
Operating income	%	11.3	10.8		14.0
Cash flow from operations (before financial items and taxes)	MEUR	237.3	217.6		857.2



# Q1 2011: Solid growth in operating income

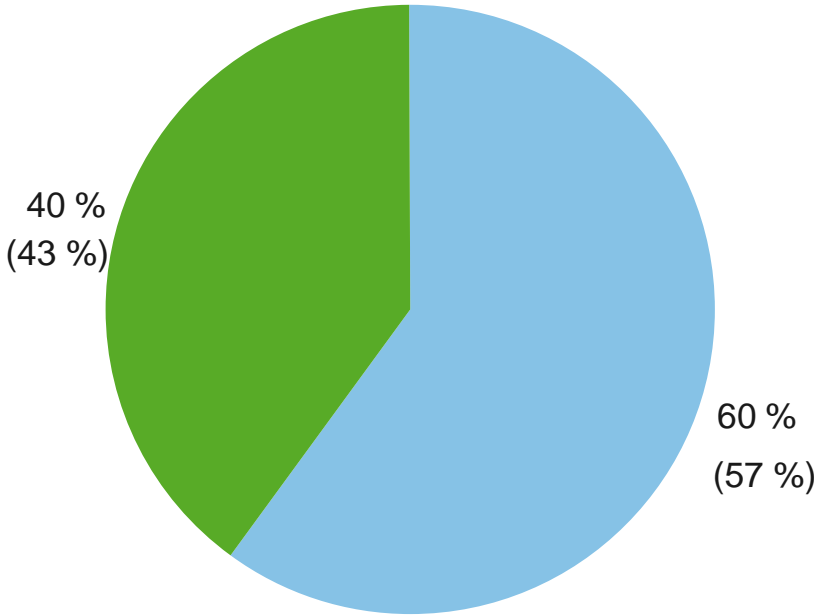


Note : Operating income excluding one-time items

# Q1 2011: The share of Asia-Pacific continued to grow

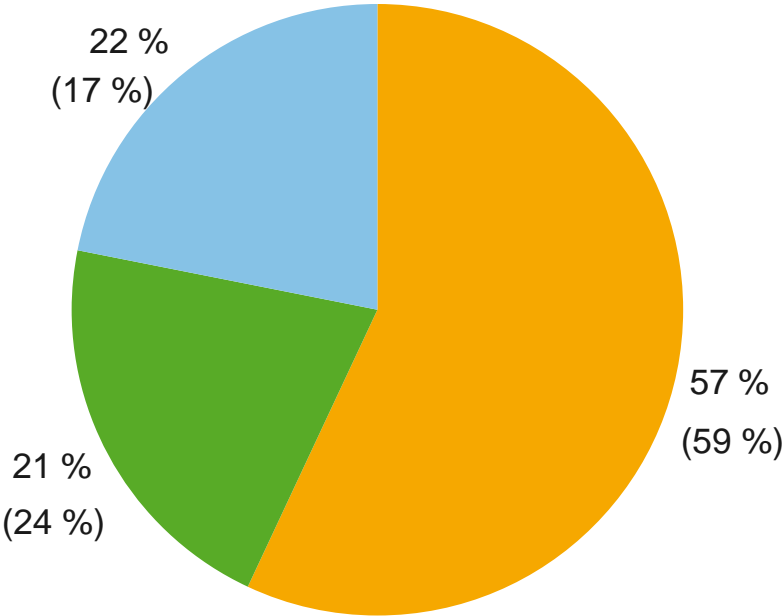


### Sales by business



■ Service ■ New equipment

### Sales by market



■ EMEA ■ Americas ■ Asia-Pacific

(2010 figures in brackets)

# New long-term targets set in early 2011

Growth	Faster than market
Profitability	EBIT-% 16
Cash flow	Improved working capital rotation



- KONE's performance



- Market development

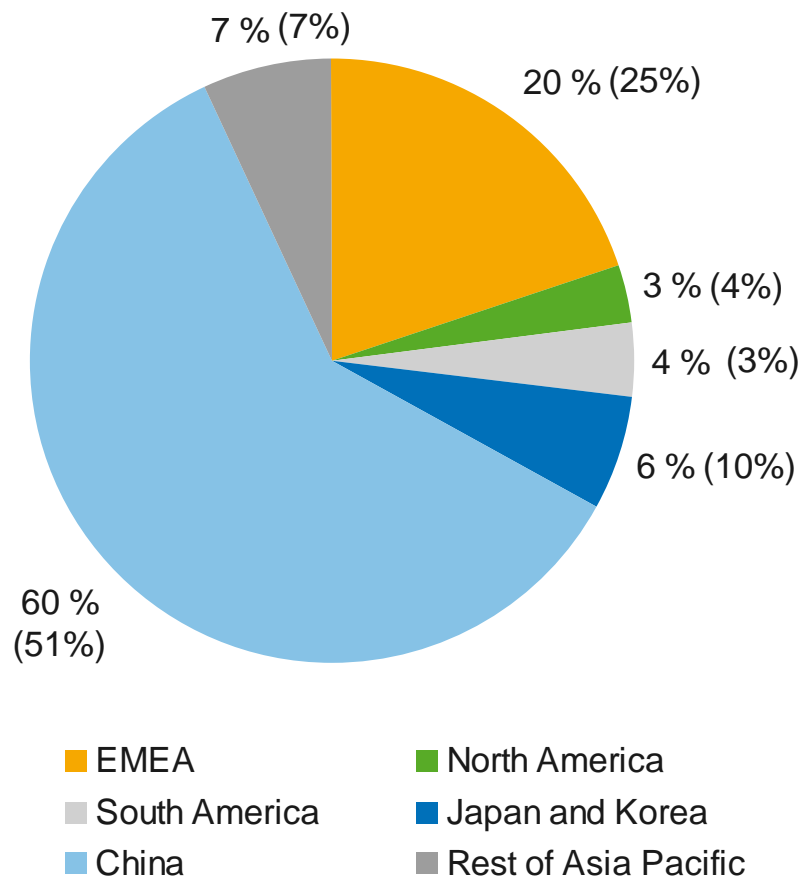
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# Elevator and escalator market in 2010

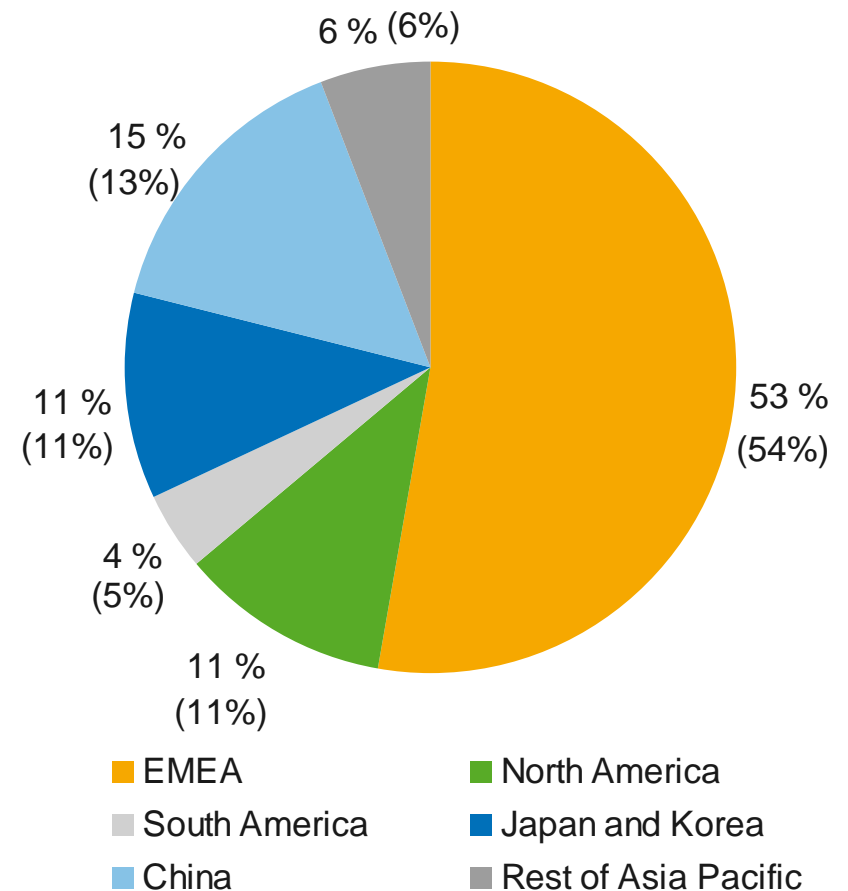


(2009 figures in brackets)

New elevator and escalator market, 515,000 units



Elevators and escalators in operation 2010, >10M units



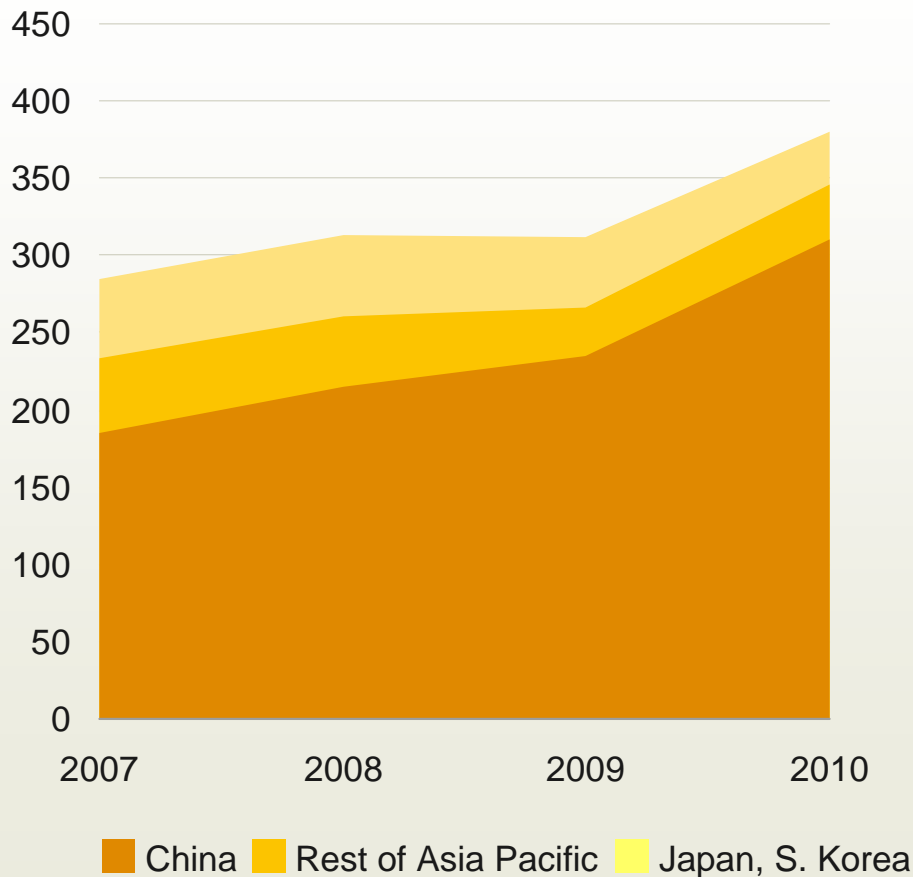
Source: Based on KONE's estimate.



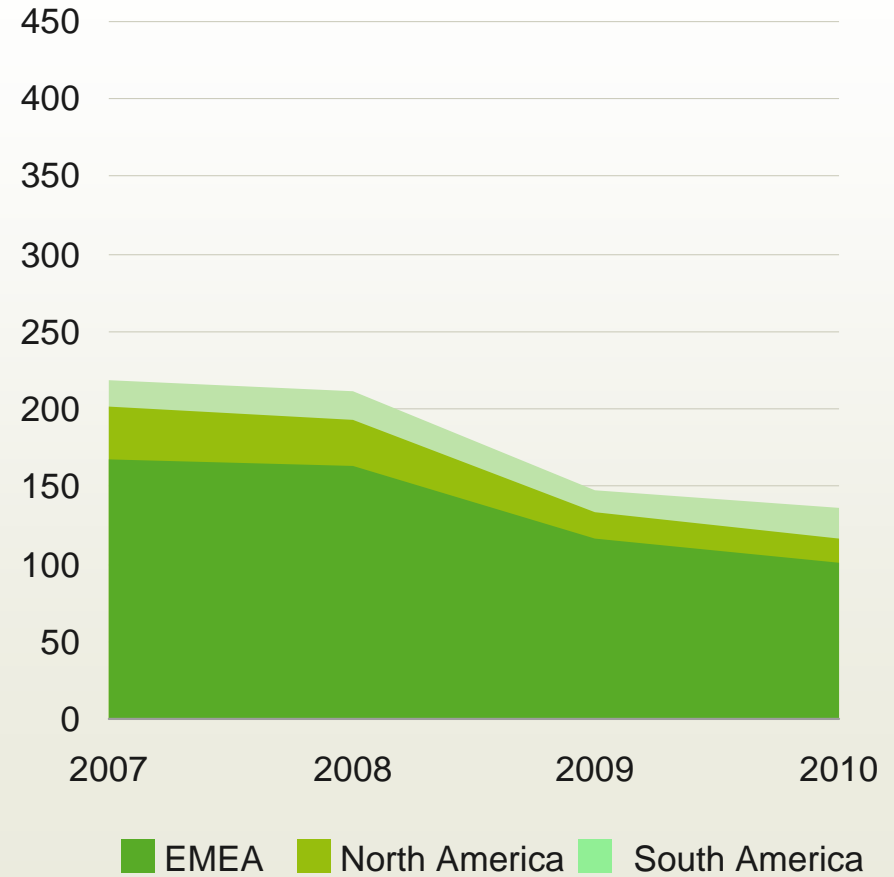
# Asia Pacific has continued to grow through the crises; EMEA and the Americas declined



Asia-Pacific,  
Thousand units



EMEA and the Americas,  
Thousand units

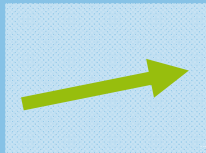


Source: Based on KONE's estimate.

# Central and North Europe: Varying recovery



New equipment



The residential segment recovering in several markets, in Nordic countries in particular

The non-residential segments growing slightly in most markets

Modernization



Developing positively

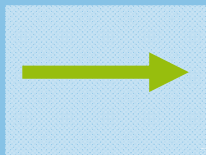
Maintenance



Developing well, but price competition remains intense

# South Europe and the Middle East: At a stable level

## New equipment

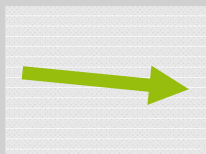


Most South European markets remain stable at a low level

- Residential segment growing in some markets
- Commercial segment burdened by high vacancy rates
- Infrastructure, medical and hotel segments gradually recovering

Most markets in the Middle East developing positively

## Modernization



Market relatively stable in most countries;  
France declining

## Maintenance

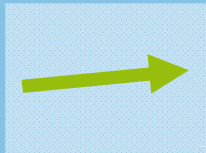


Developing well, but price competition is intense

# North America: Moderate recovery



New equipment



United States: Infrastructure segment declining; other segments showing signs of modest recovery

Canada: Continued good market activity

Mexico: Market recovering

Modernization



Activity increasing

Maintenance



Developing well, but pricing environment remains intense

# Asia-Pacific: Strong growth continues



## New equipment



### Rapid growth driven by the residential segment

- **China:** All segments growing and the affordable housing segment growing the fastest
- **India:** Growth driven by the residential segment
- **Australia:** Strong tendering activity
- **Southeast Asia:** Growth driven by the residential and hotel segments

## Modernization



Activity at a healthy level in Australia and developing well in other countries

## Maintenance



Continued favorable development



# Growth trends and drivers



	Past trends	Growth drivers
New equipment	Market has been growing at a somewhat faster rate than GDP, clearly faster in developing countries	<ul style="list-style-type: none"><li>▪ Population growth</li><li>▪ Urbanization</li><li>▪ Changing demographics</li><li>▪ Environmental aspects</li></ul>
Modernization	Fluctuating – pre-recession growth approx. 10% p.a., thereafter market has remained relatively stable	<ul style="list-style-type: none"><li>▪ Aging equipment</li><li>▪ Aging population</li><li>▪ Safety and legislation</li><li>▪ Environmental aspects</li></ul>
Maintenance	Market growth approx. 5-7% p.a.	<ul style="list-style-type: none"><li>▪ Conversion from new equipment deliveries</li><li>▪ Safety and legislation</li></ul>



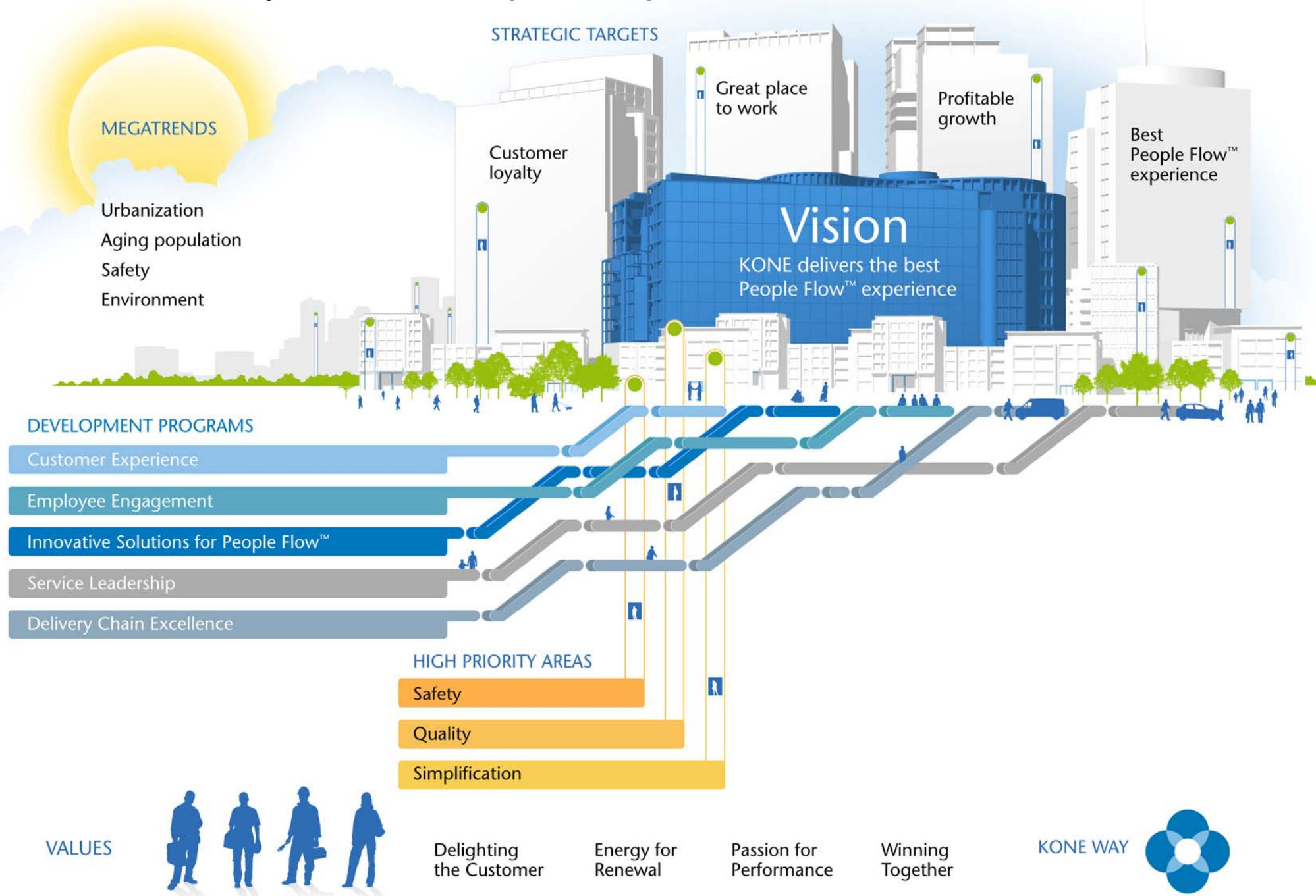
- KONE's performance
- Market development



## ▪ Drivers for growth and strategy implementation

- GiantKONE in summary
- Market and business outlook

# KONE's way to develop competitiveness



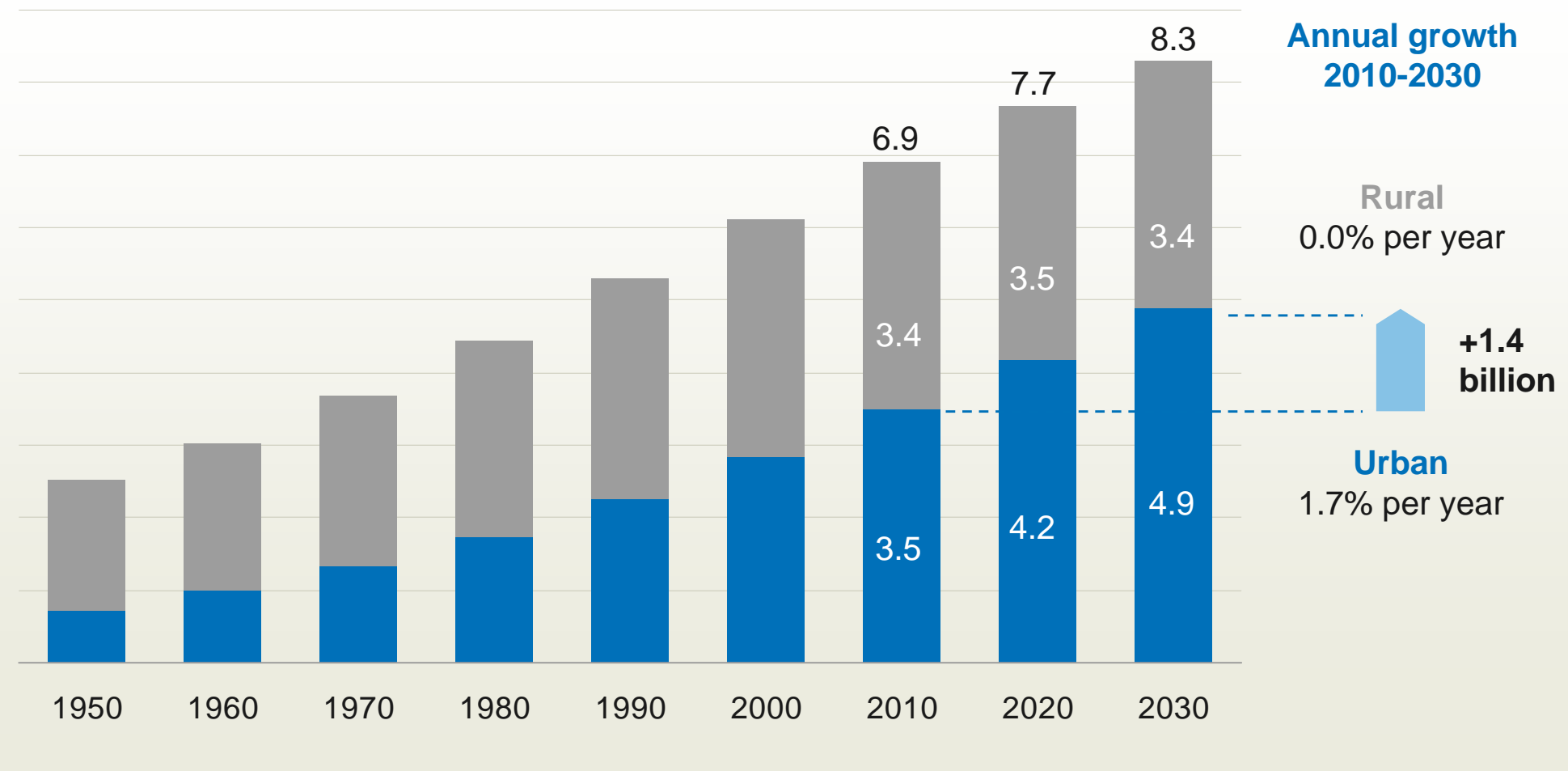
## URBANIZATION

# Cities will continue to grow upwards as the urban population increases by 1.4 billion over the next 20 years



### Global population growth

Billions of people



Source: U.N. World Urbanization Prospects 2009 revision; McKinsey Global Institute

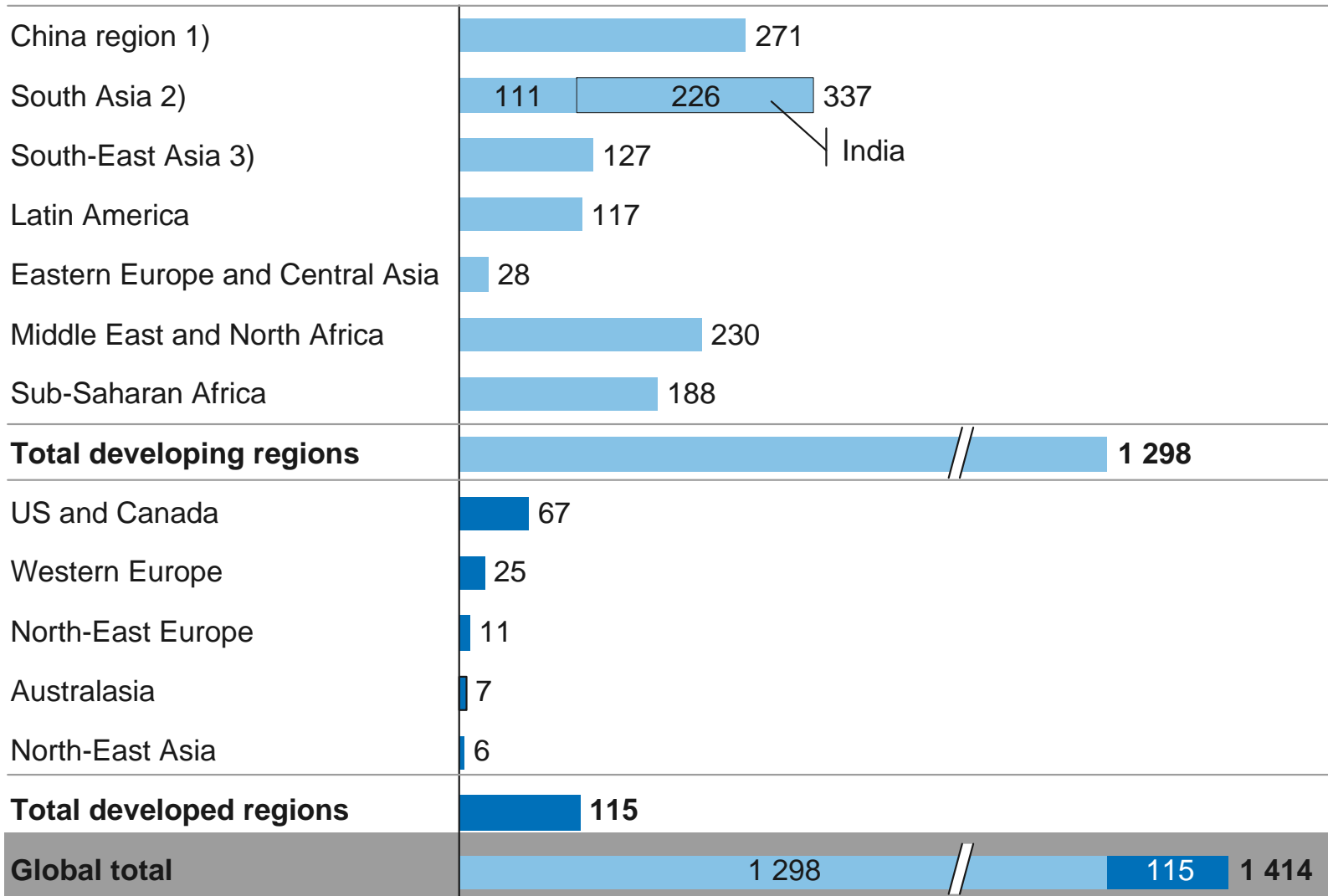
## URBANIZATION

Urban population is expected to increase most in developing regions (1.3 billion vs. 0.1) driven by China, India



Urban population change between 2010-2030 in the world by region

Millions



1) Includes cities in China (including Hong Kong and Macau) and Taiwan  
 2) Includes cities in Afghanistan, Bangladesh, India, Pakistan and Sri Lanka  
 3) Includes cities in Cambodia, Indonesia, Laos, Malaysia, Myanmar, Papua New Guinea, Philippines, Singapore, Thailand and Vietnam



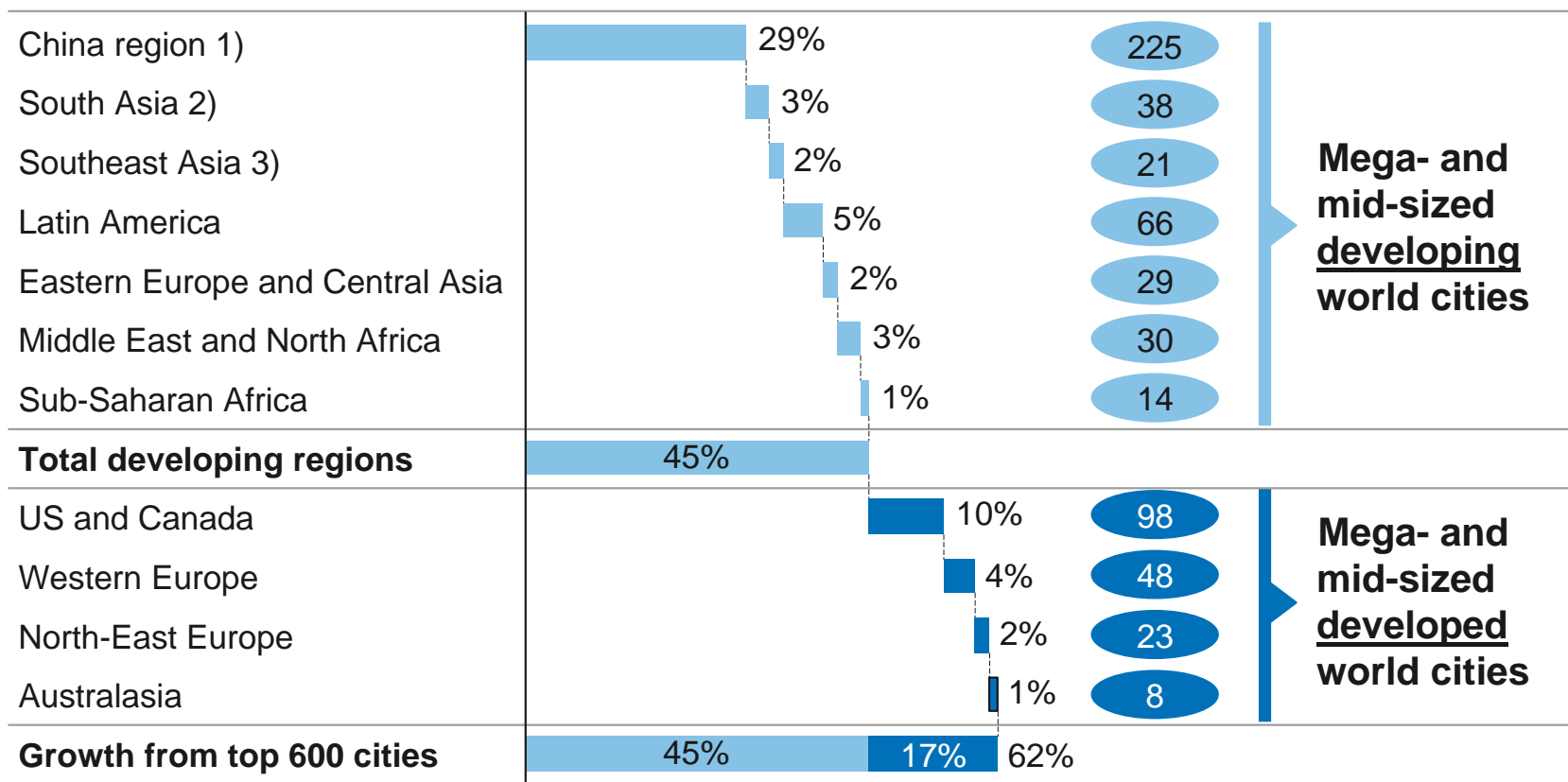
# URBANIZATION

The largest 600 cities in the world expected to generate 62% of the GDP growth between 2007 and 2025



**GDP growth by geography between 2007-25**  
100% = \$54.9 trillion, predicted real exchange rates

**Distribution of the top 600 growing cities**



- 1) Includes cities in China (including Hong Kong and Macau) and Taiwan
  - 2) Includes cities in Afghanistan, Bangladesh, India, Pakistan and Sri Lanka
  - 3) Includes cities in Cambodia, Indonesia, Laos, Malaysia, Myanmar, Papua New Guinea, Philippines, Singapore, Thailand and Vietnam
  - 4) S&R = Small cities and Rural areas
- Source: United Nations; McKinsey

## URBANIZATION

# China's urbanization will drive an unprecedented development of its cities



- 221 Chinese cities will have 1+ million people living in them by 2025. Europe has 35 today.
- 50,000 new skyscrapers by 2025.
- 40 billion square meters of floor space over the next 20 years (2 billion sqm/year) – in five million buildings.
- 170 mass-transit systems by 2025.

## URBANIZATION

India's urbanization rate increase is to accelerate with investments needed to fuel city growth



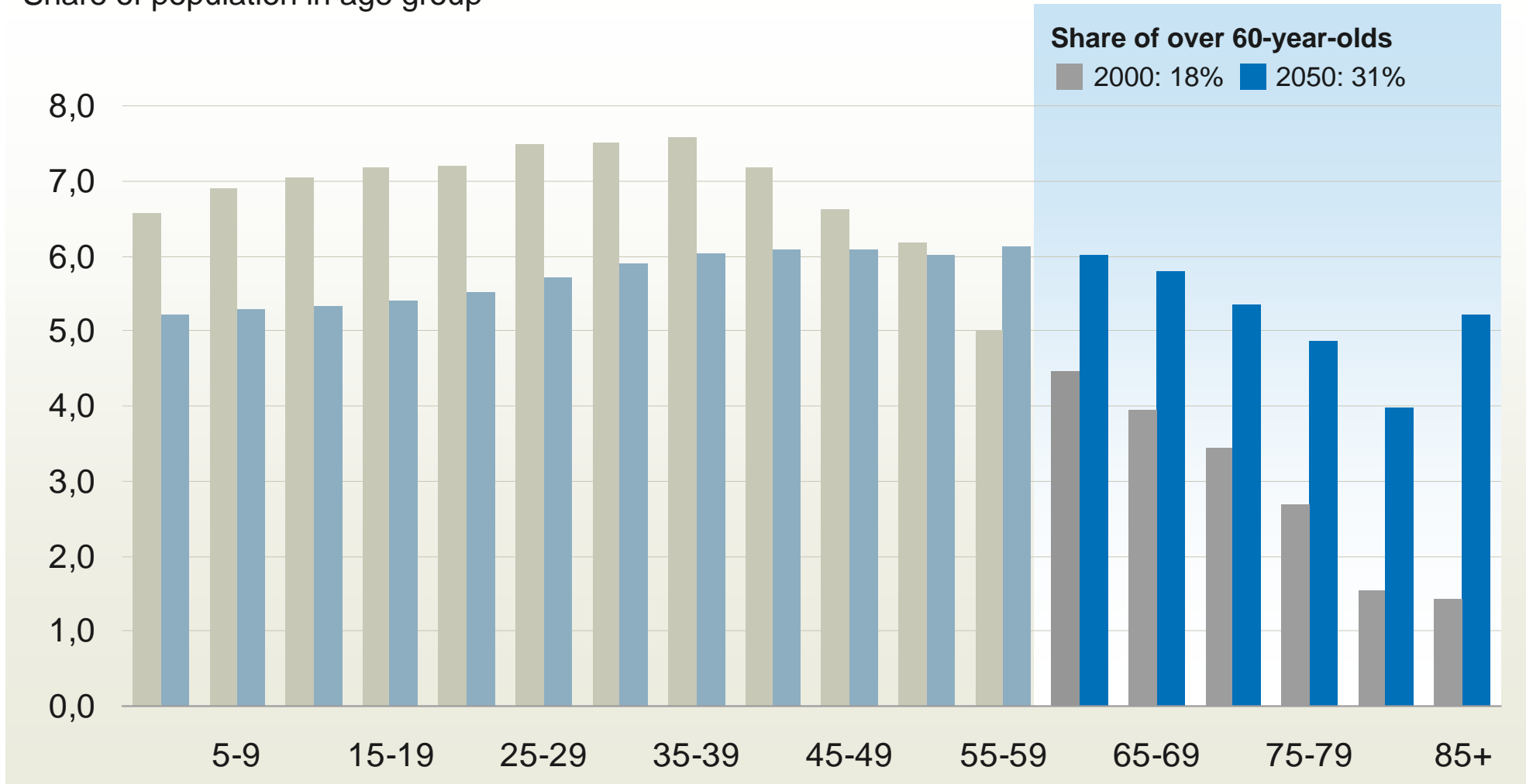
- **Urbanization rate will accelerate:**
  - 1991: 26% = 220m urban population
  - 2001: 28% = 290m
  - 2008: 30% = 340m
  - 2030: 40% = 590m
- **700-900 million square meters of commercial and residential space per year – or a new Chicago every year**
- **7,400 kilometers of metros and subways by 2030 – 20 times capacity added in past decade**

## AGING POPULATION

By 2050 there will be 2 billion people aged 60+ years globally, compared to 700 million in 2006



### OECD population distribution development by age group, % of total Share of population in age group



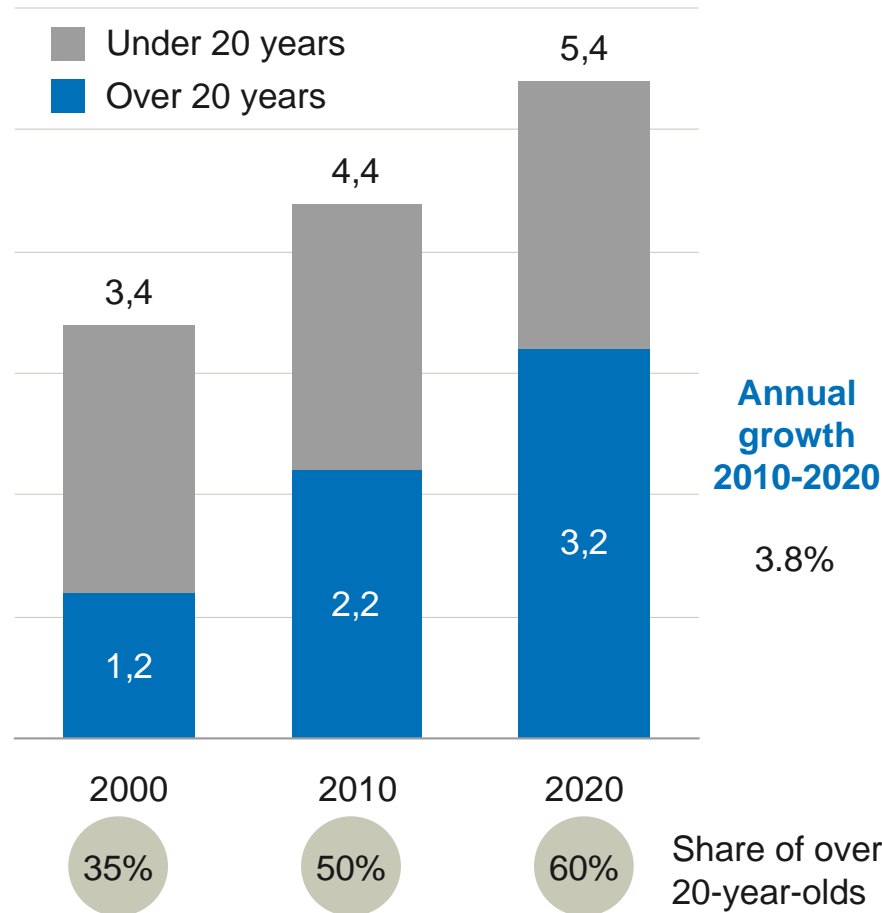
Source: OECD (Organization for Economic Co-Operation and Development) Demographic and Labour Force database

# Societies around the world are recognizing the increasing importance of safety



## Age distribution of operational elevators and escalators in Europe

Million units



The proportion of equipment over 20 years old is increasing in other developed markets as well

Source: European Lift Association (ELA)



# Environmental awareness becoming more important, driving eco-efficient decisions

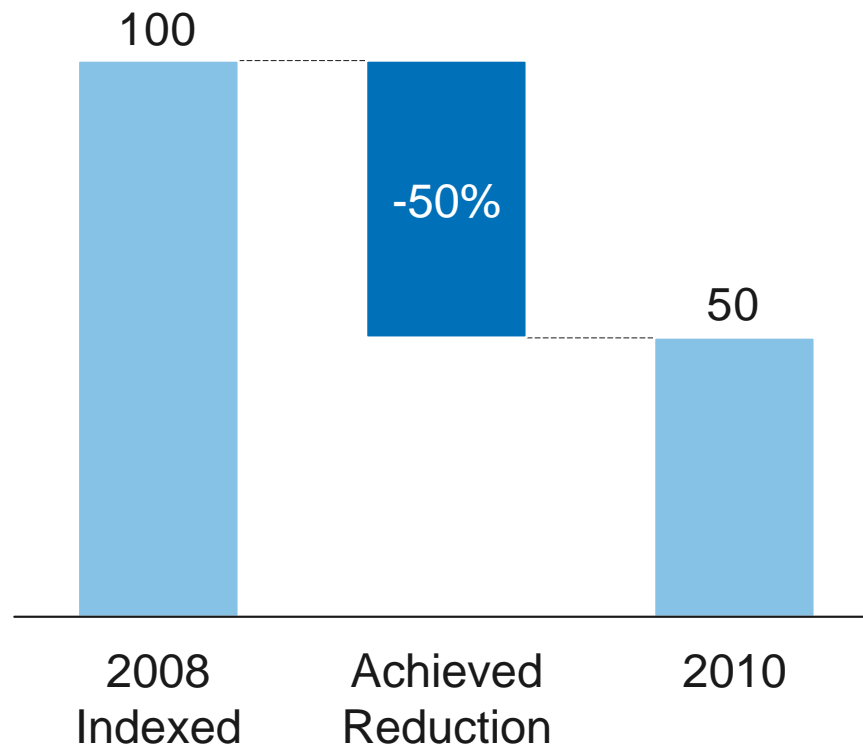


Urbanization is placing large strains on cities

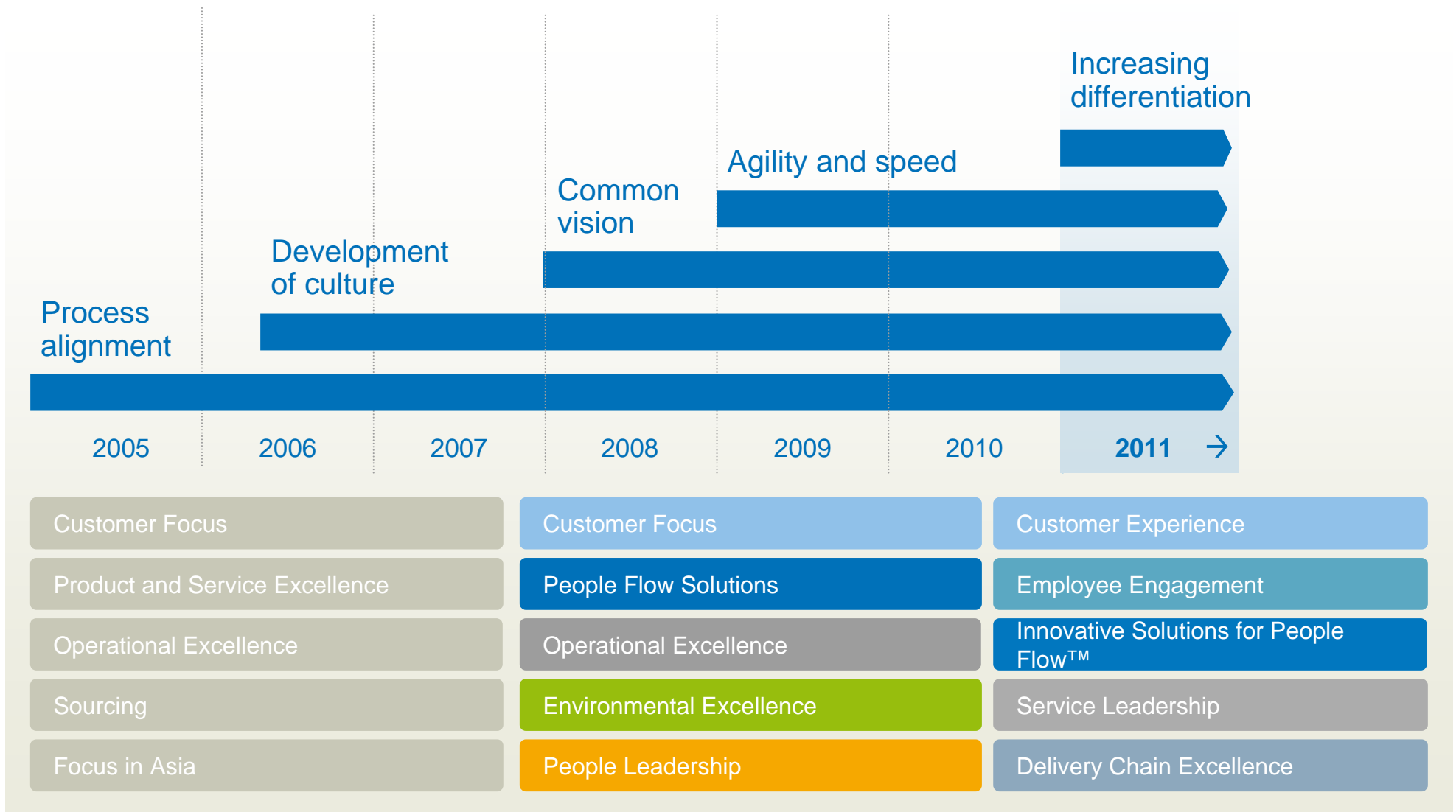


KONE is actively supporting the development of greener cities by reducing energy consumption

Energy consumption of KONE's volume elevators has fallen by 50% since 2008 – work for further decreases on-going



# Refreshing our Development Programs in a staged manner supports our continuous renewal





- KONE's performance
- Market development
- Drivers for growth and strategy implementation



## ▪ GiantKONE in summary

- Market and business outlook

# KONE to become majority shareholder in GiantKONE and hence a top 3 company in China



- February 2005: GiantKONE established
  - Giant Elevator's stake 60% and KONE's stake 40%
- 2005-2011: GiantKONE one of the fastest growing companies in the Chinese market
- May 2011: KONE acquires further 40% stake in GiantKONE, thus increasing its stake from 40% to 80%
  - Transaction subject to approval by relevant authorities
  - KONE has an option to buy and Giant a respective option to sell the remaining 20% stake at any point in time



# GiantKONE – why now?



- Fast growth in urbanization is moving from tier 1 and 2 coastal cities to tier 3 and 4 cities in central and western parts of the country
  - Geographical coverage even more important
  - 2 sales networks a strength
- Affordable housing is the fastest growing segment in China
  - GiantKONE strong in this segment



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# Market outlook 2011: unchanged



- The new equipment markets in Asia-Pacific are expected to continue to develop positively. The recovery of the new equipment markets in Central and North Europe is expected to continue in most countries, whereas most markets in South Europe are expected to be relatively stable at the current low level. The new equipment markets in North America are expected to recover modestly.
- The modernization markets are expected to be at about last year's level.
- The maintenance markets are expected to continue to develop well.

# Outlook 2011: unchanged



- KONE's net sales is estimated to grow 0–5% at comparable exchange rates as compared to 2010.
- The operating income (EBIT) is expected to be in the range of EUR 700–750 million, assuming that translation exchange rates do not deviate materially from the situation of the beginning of 2011.



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**KONE**