


KONE CMD 2014

# Further strengthening our position in a global growth industry

Henrik Ehrnrooth, President & CEO  
September 26, 2014

# Agenda



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- The background of the slide is a photograph of a modern building facade. The building features a mix of grey, white, and green panels, with large windows and balconies. The sky is blue with some white clouds.
- Overview of KONE's performance
  - An industry with healthy long-term growth trends
  - Market development and opportunities
  - KONE's strategy to capture the growth opportunities

# January–June 2014: Continued profitable growth



		1–6/2014	1–6/2013	Historical change	Comparable change
Orders received	MEUR	<b>3,531.6</b>	3,350.6	5.4%	10.1%
Order book	MEUR	<b>6,537.2</b>	5,874.4	11.3%	15.5%
Sales	MEUR	<b>3,290.7</b>	3,160.4	4.1%	7.9%
Operating income (EBIT)	MEUR	<b>442.9</b>	403.2	9.8%	
Operating income (EBIT)	%	<b>13.5</b>	12.8		
Cash flow from operations (before financing items and taxes)	MEUR	<b>605.6</b>	623.2		
Basic earnings per share	EUR	<b>0.67</b>	0.62		



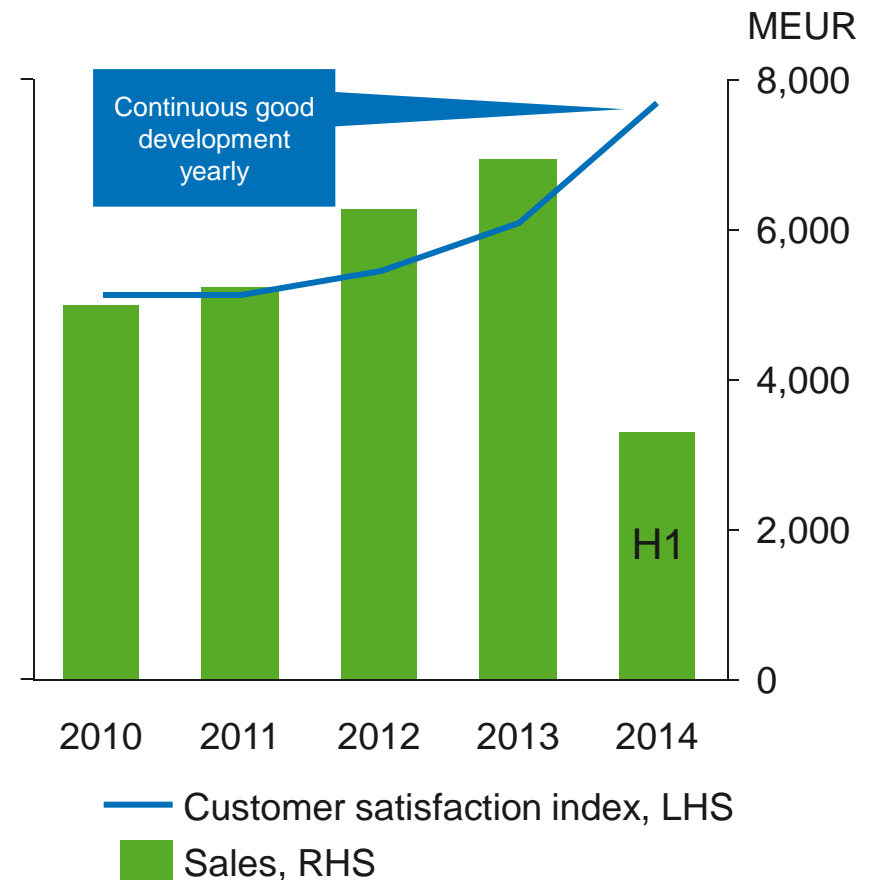
# Our five strategic targets reflect our long-term vision and provide the framework for measuring our performance



# We are focused on delivering a superior customer experience



## Customer satisfaction has overall clearly increased



# Engaged employees are our key strength and we aim to further improve

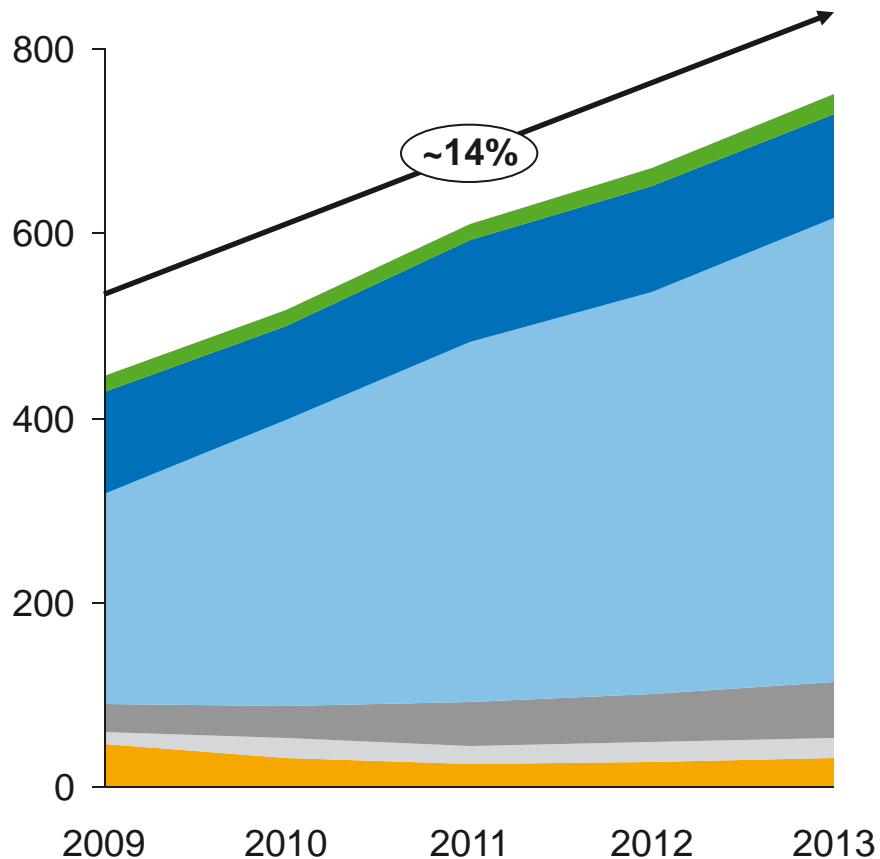
## Employee satisfaction developing well from a good level





# New equipment: we have been focused on increasing market share in growth markets

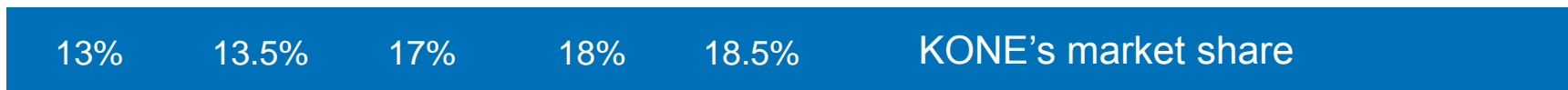
New equipment units, 1000s



Market growth, CAGR '09-'13	KONE's position	2009	2013
~6%	North America	#4	#4
~0%	EMEA	#3	#2
~22%	China	#4	#1
	China market share	~10%	18%
~18%	Rest of APAC*	#1	#1

\*Rest of APAC excluding Japan & Korea

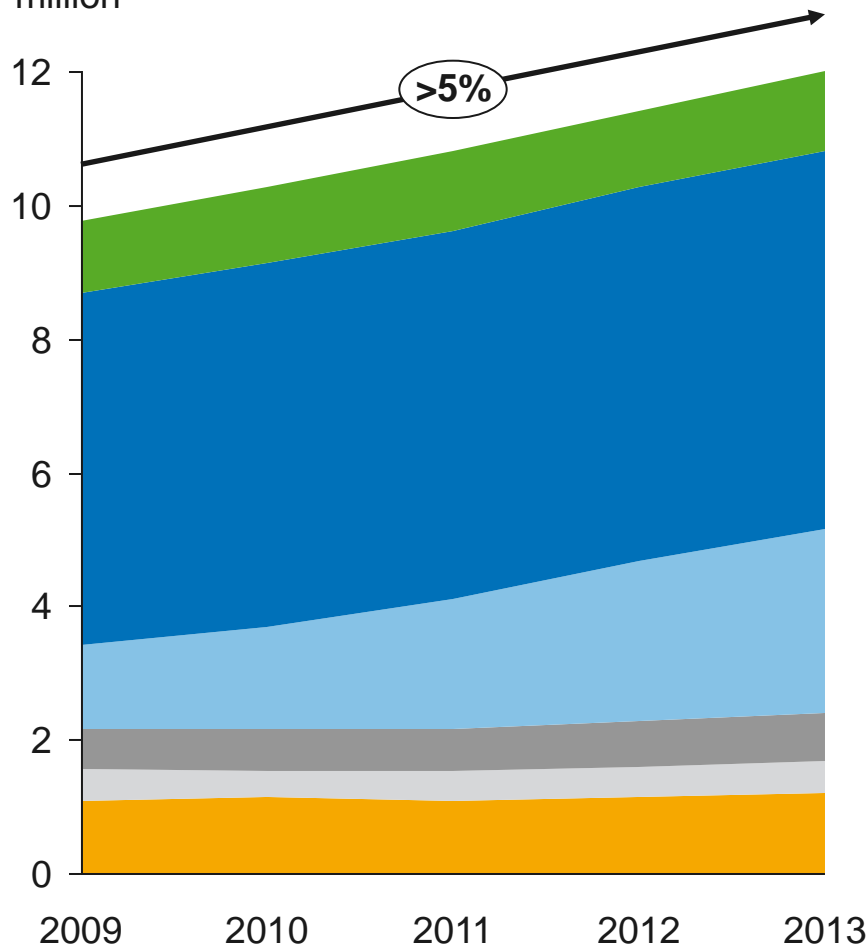
- North America
- China
- South America
- EMEA
- Rest of APAC
- Japan & Korea





# Maintenance: strong position in new equipment provides solid base for growth

Units in operation, million



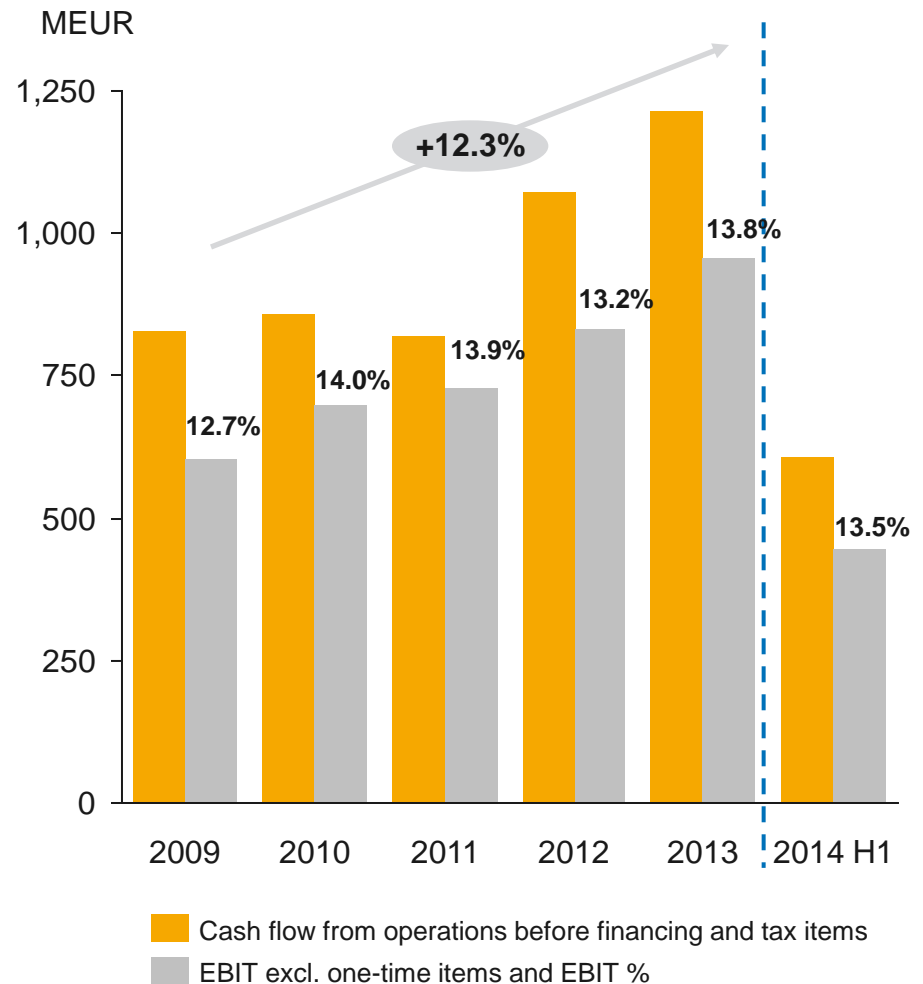
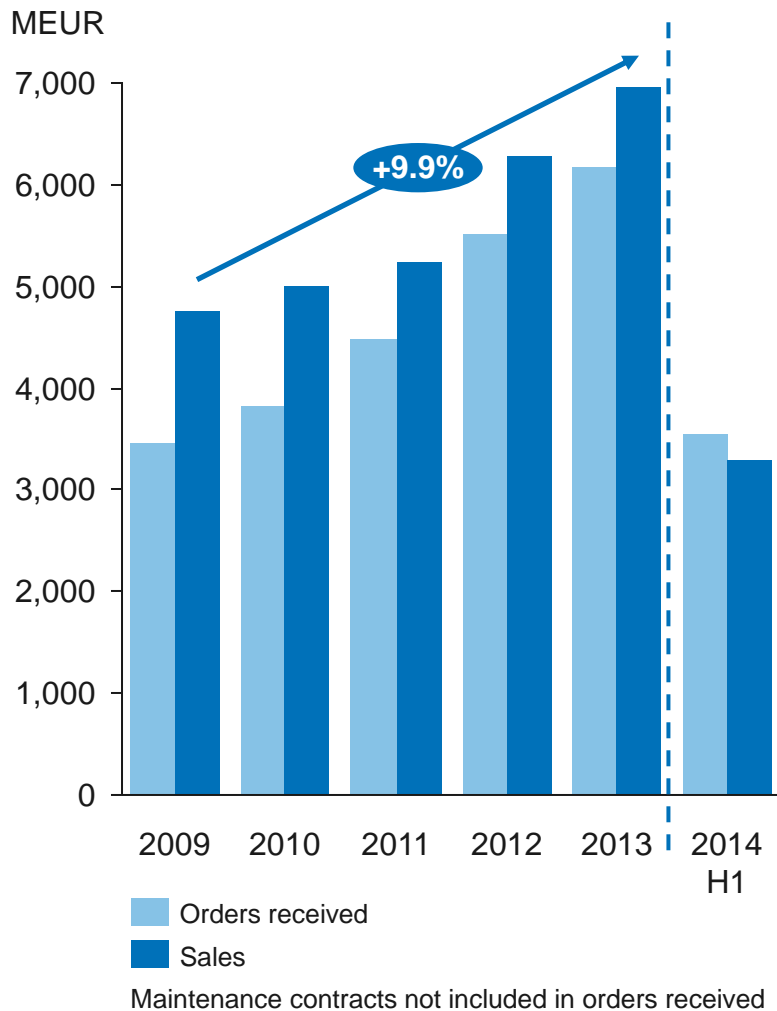
Market growth, CAGR '09-'13	KONE's position	2009	2013
<1%	North America	#4	#4
~2%	EMEA	#3	#3
~22%	China	#4	#1
~10%	Rest of APAC*	#2	#2

\*Rest of APAC excluding Japan & Korea

- North America
  China
  South America
- EMEA
  Rest of APAC
  Japan & Korea



# Our growth has been profitable



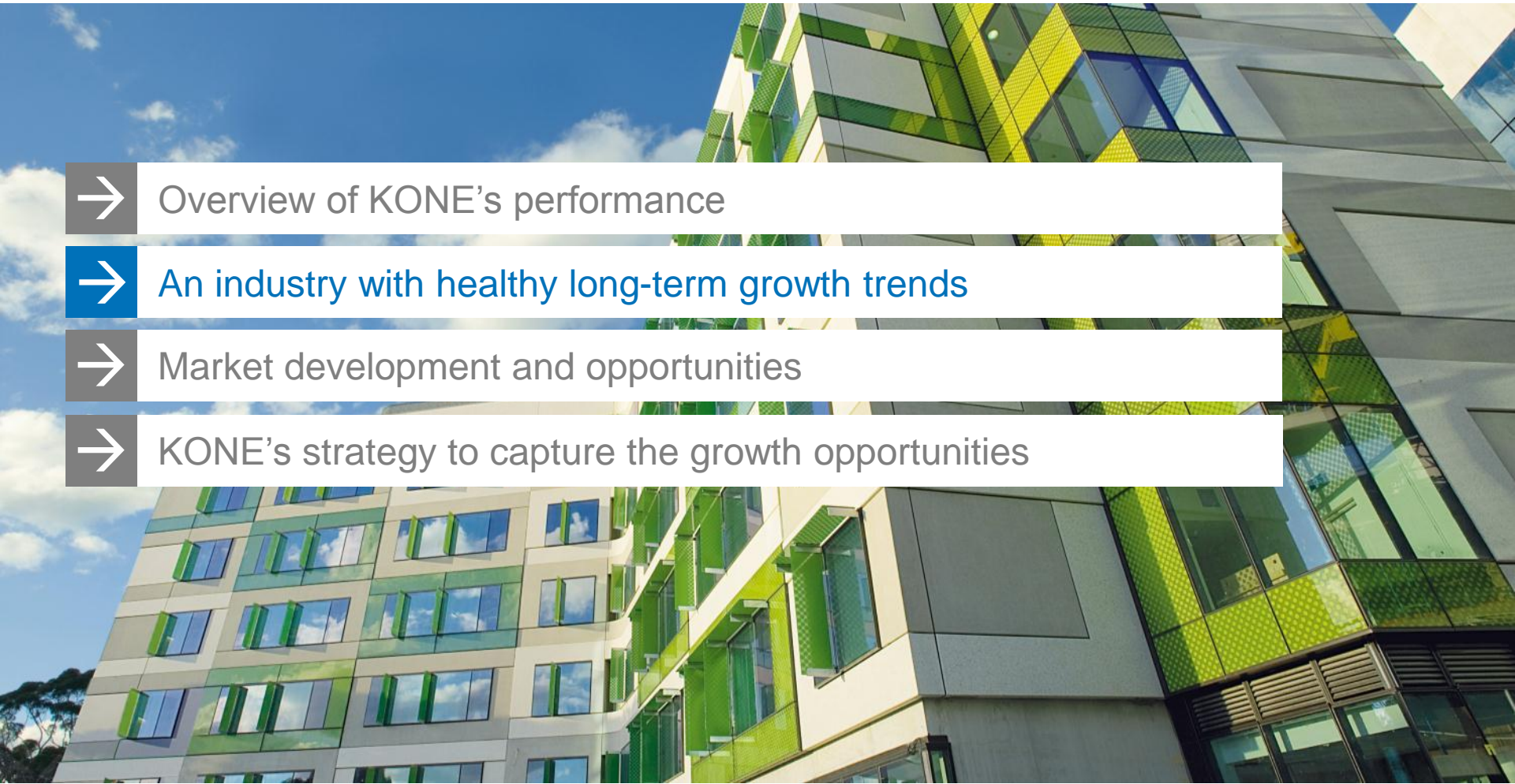
# We are the industry leader in eco-efficient solutions

## We have made significant progress in environmental matters

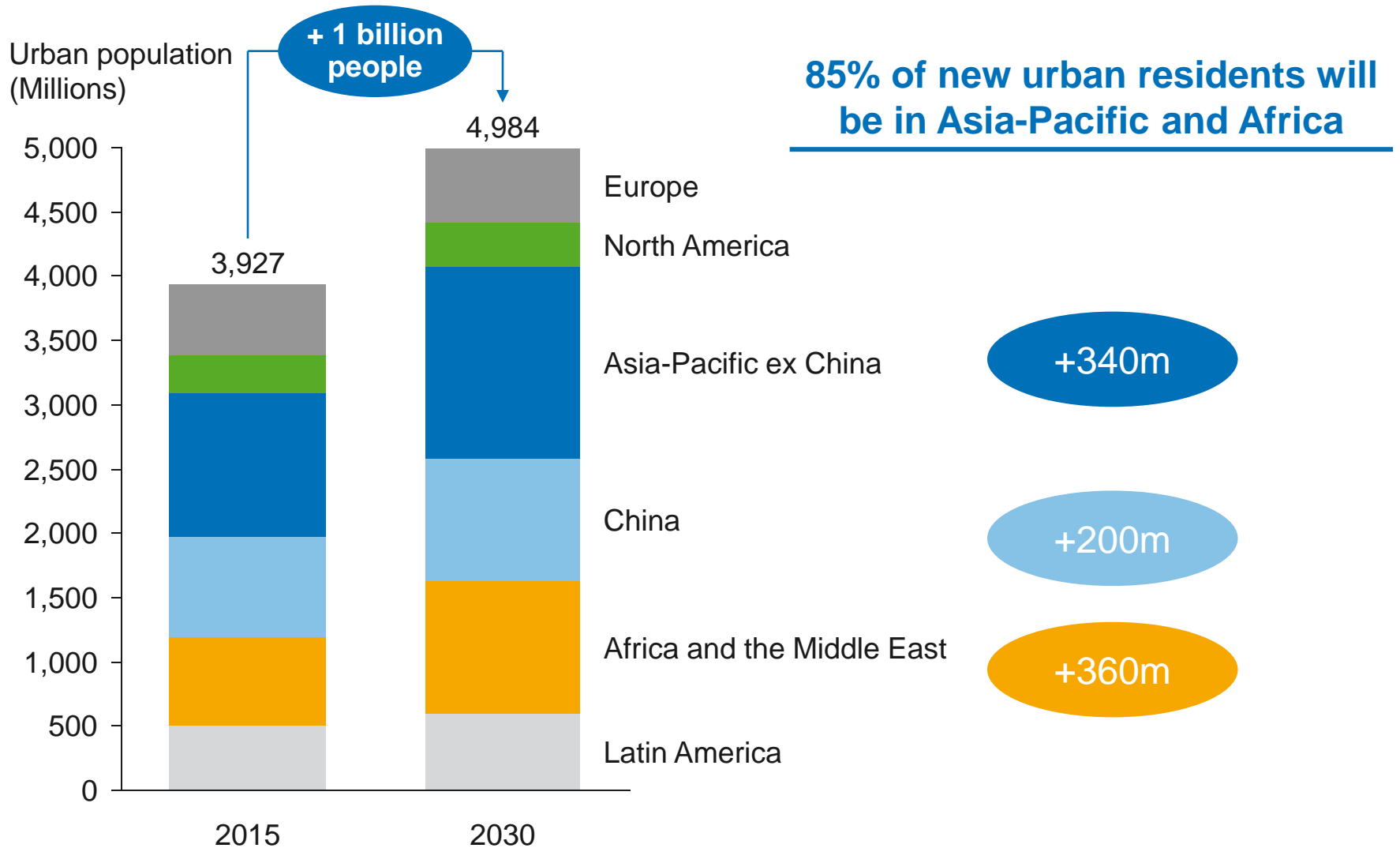
- We have decreased the energy consumption of our volume elevator offering by 60-75% between 2008-2012
- In 2013, we reduced our relative operational carbon footprint by 3.5% compared to 2012

## We have also received external recognition for our achievements

- KONE has continuously improved its score in the CDP rankings on carbon disclosure, with a score of 98/100 in 2013
- KONE was 12th in Newsweek's World's Greenest companies ranking

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# Over the next 15 years, significant urbanization will continue in emerging markets

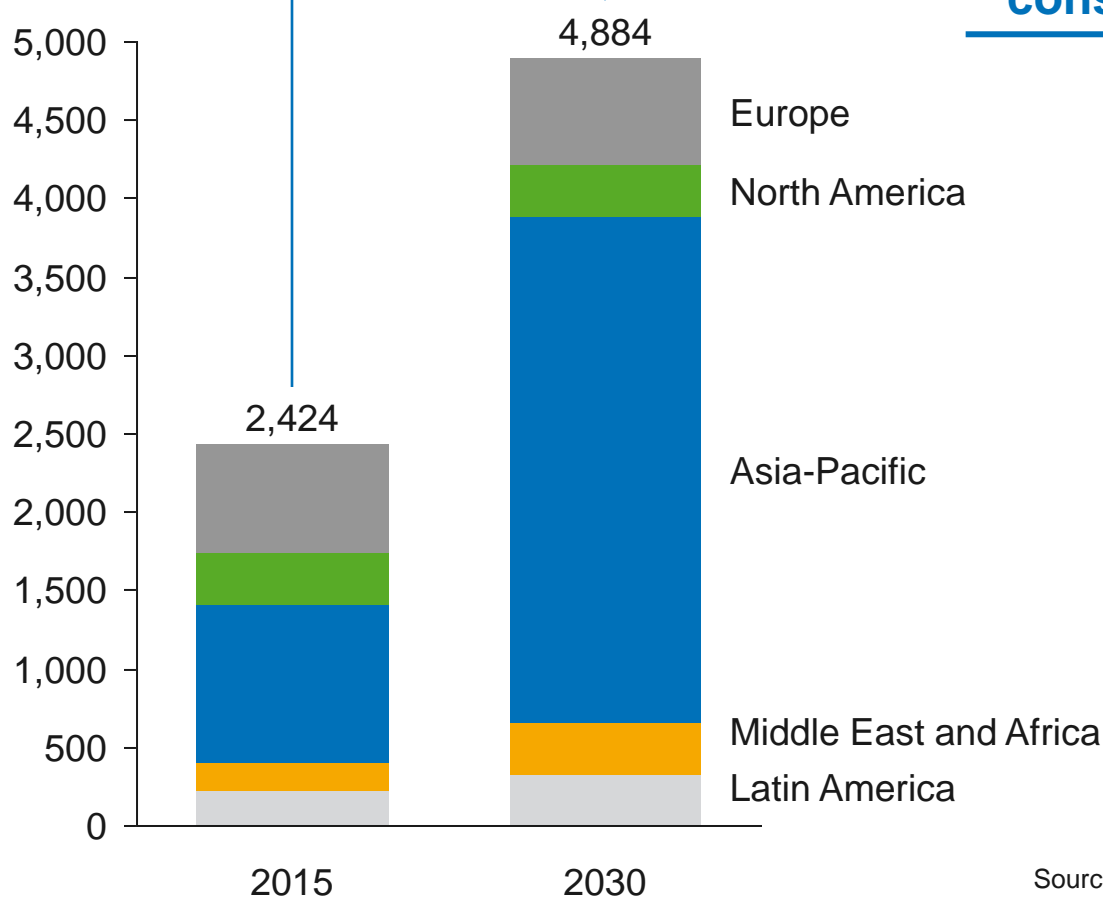




# The number of middle income consumers is expected to double globally in the next 15 years



Middle-income population (Millions)



**90 % of new middle income consumers to be in Asia-Pacific**

+2.2bn

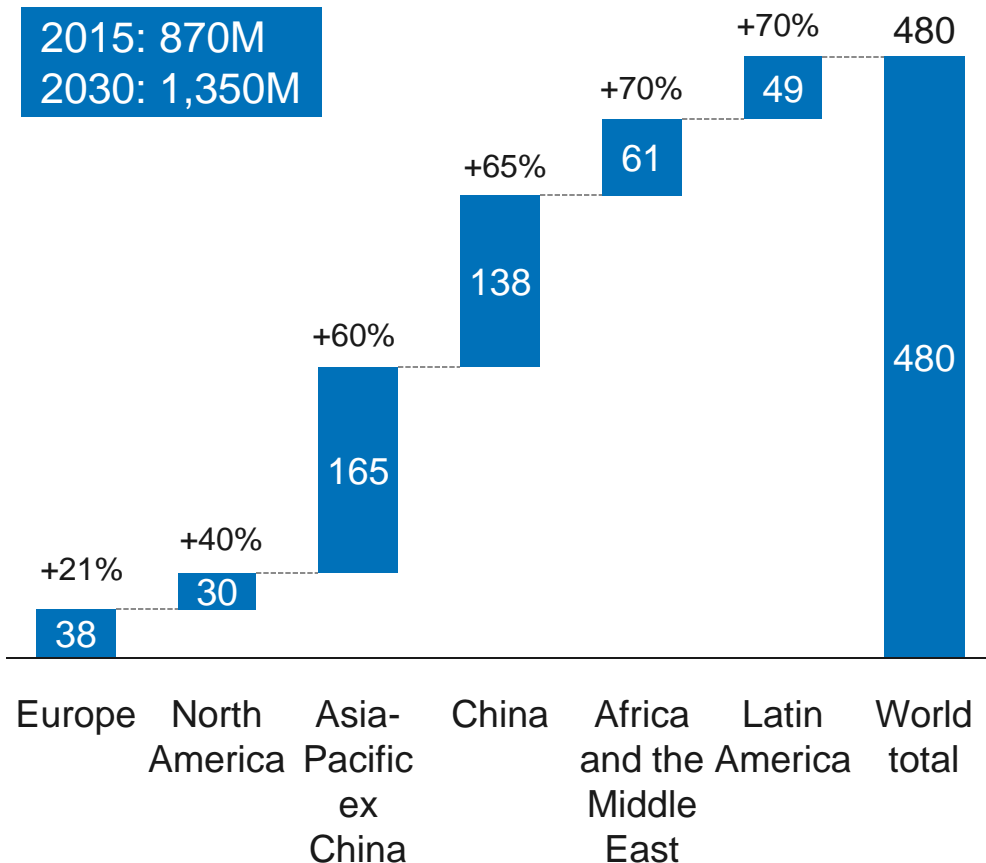
+160m

Source: UNDP Human Development Report, data from Brookings Institution. The middle income consumer group includes people earning or spending \$10–\$100 a day (2005 PPP).

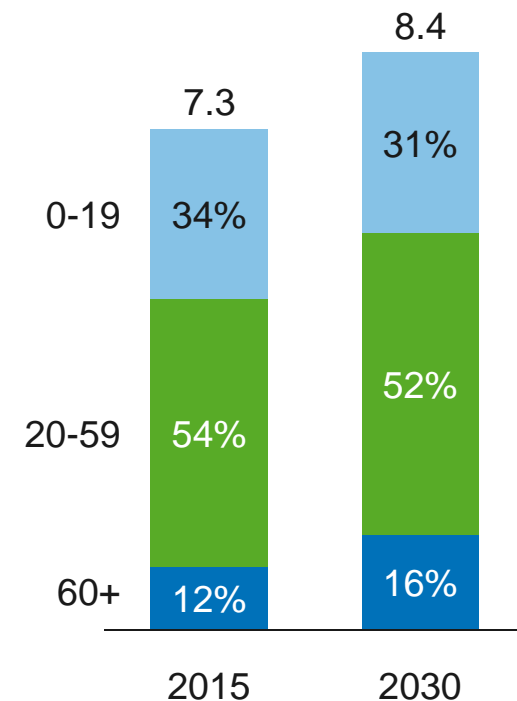
# At the same time, population is aging globally, with largest increase in 60+-year olds in Asia-Pacific



## Absolute and relative growth in number of 60+-year olds, 2015-2030



## Total global population by age group, billion



Cities will be built increasingly upwards

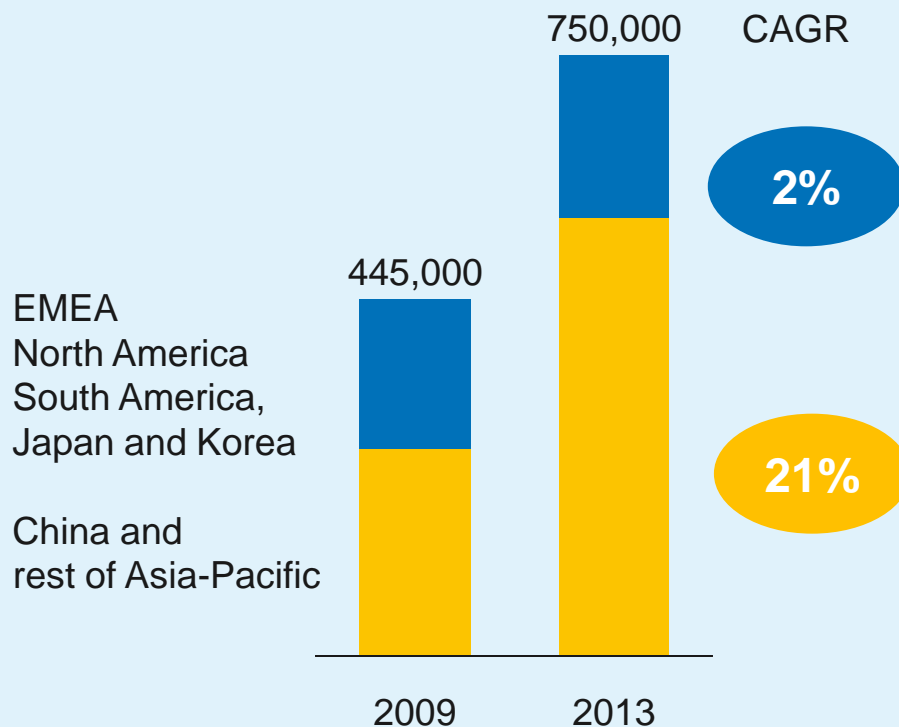
Demands for higher standards of housing

Need for accessibility solutions is increasing

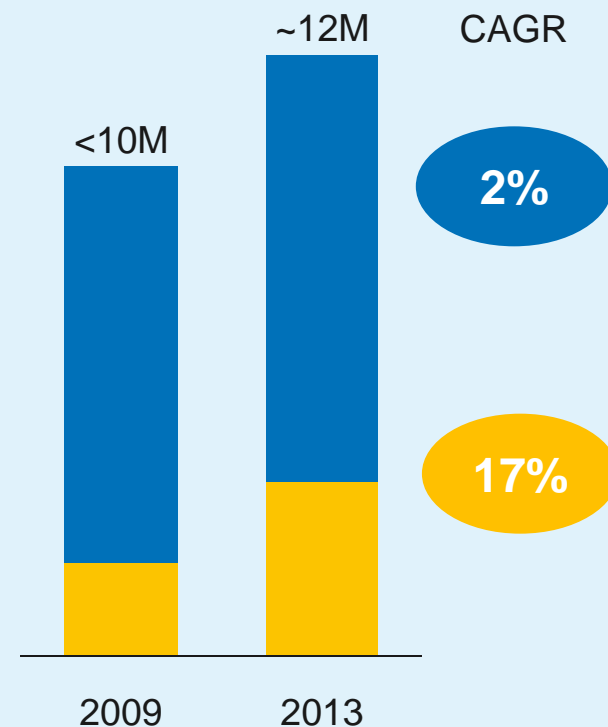
Importance of safety and sustainability of urban environments increasing

# The solid long-term growth drivers in new equipment will translate into a major service opportunity, particularly in Asia-Pacific

## New equipment market, E&E unit orders



## Installed base, E&E units





With a need for more sustainable urban environments in the future, smarter buildings will be part of the future development of E&E industry

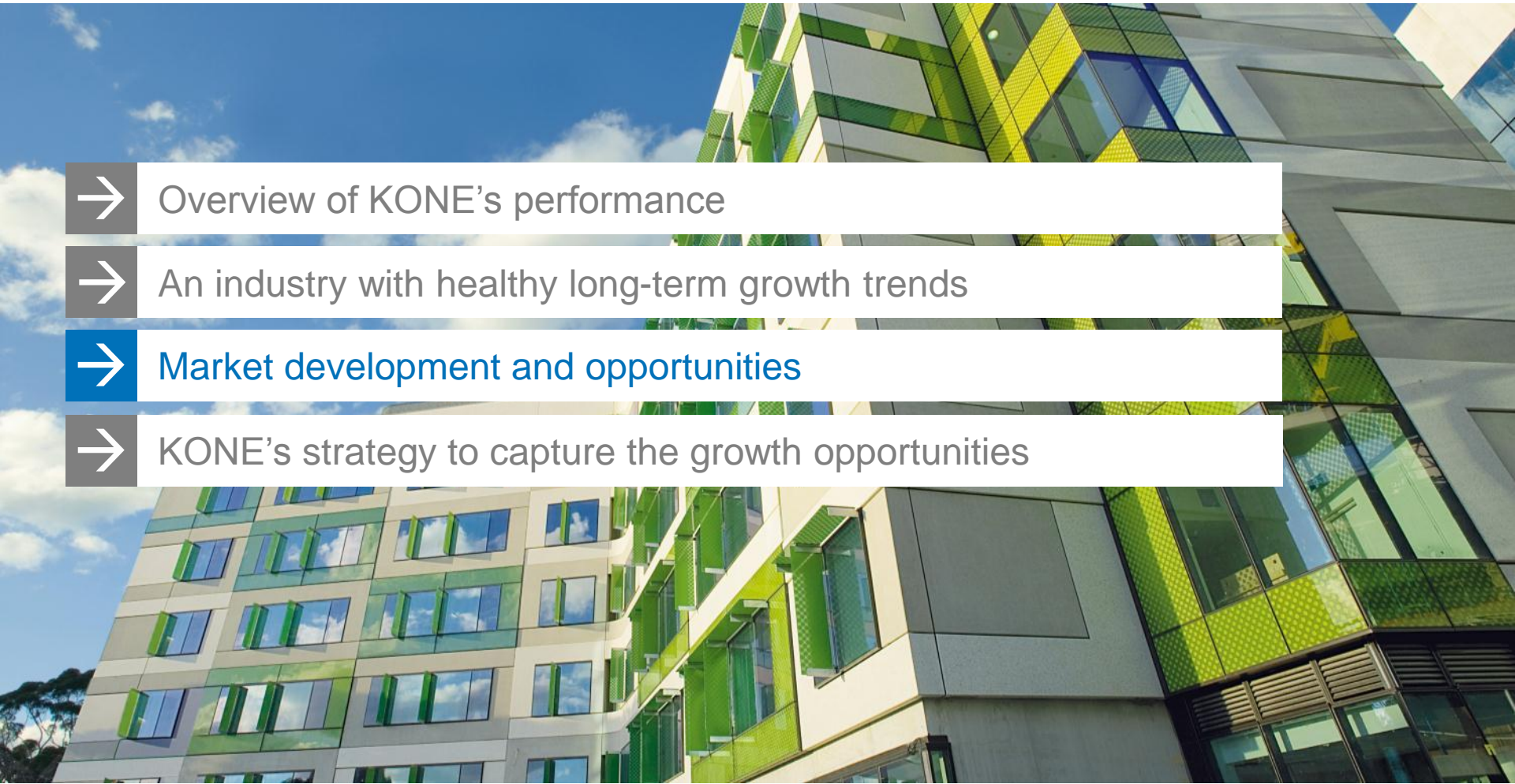


## Rise of systems enabling:

Centralized building and  
people flow management

Optimization of building  
support and maintenance  
operations

Better user experience and people flow  
Reliability, quality and predictability

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# Europe: continued mixed environment



## Key positives

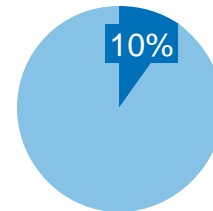
- Market trends in Central and North Europe showing slight improvement
- Pent-up modernization demand

## Key challenges

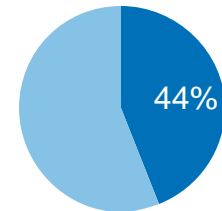
- South Europe remains weak
- Pricing competition in the service business in many markets



Share of Europe of the global market in 2013:



New equipment orders received in units



Units in operation



# The Middle East and Africa: potential for clear market growth in coming years



## Key positives

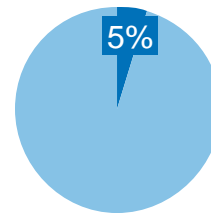
- Middle East seeing continued new equipment market growth
- The next wave of urbanization to take place in Africa



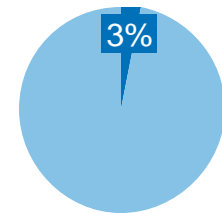
## Key challenges

- Availability of skilled workforce

Share of the Middle East and Africa of the global market in 2013:



New equipment orders received in units



Units in operation



# North America: positive market development in both new equipment and modernization



## Key positives

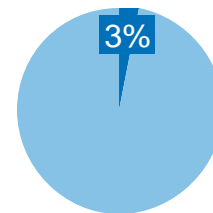
- Solid growth in new equipment across segments
- Growth also in modernization driven by the office segment



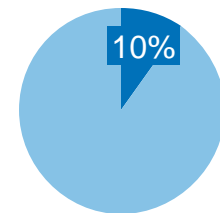
## Key challenges

- Continued price competition in maintenance
- Largest new equipment projects also highly competitive

Share of North America of the global market in 2013:



New equipment orders received in units



Units in operation

# China: favorable long-term growth trends in new equipment, maintenance the next big opportunity

## Key positives

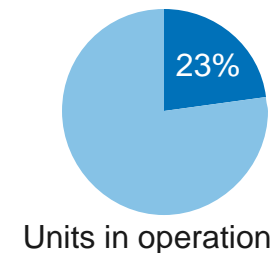
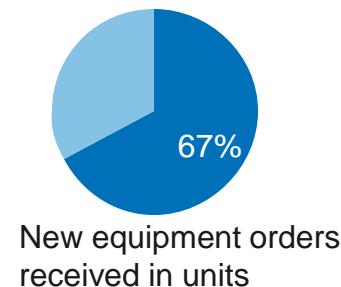
- Continued favorable long-term outlook for new equipment
- Maintenance opportunity significant and growing



## Key challenges

- Increasing the conversion rate in maintenance
- Managing fast growth of operations
- Short-term uncertainty in the economy

Share of China of the global market in 2013:



# Rest of Asia-Pacific: an overall positive market outlook



## Key positives

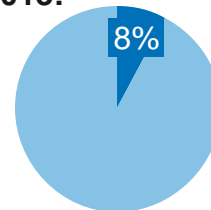
- Strong growth prospects in India and many Southeast Asian countries
- Maintenance market rather mature and growing rapidly

## Key challenges

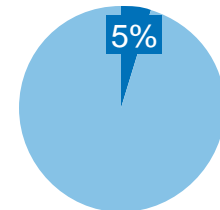
- Availability of skilled workforce
- Liquidity in several markets



Share of rest of Asia-Pacific of the global market in 2013:




New equipment orders received in units



Units in operation



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# Our priorities in mature markets: opportunities from economic recovery in North America, pent-up demand in Europe



## EUROPE

- Increase growth in maintenance
- Accelerate growth of modernization business

## NORTH AMERICA

- Grow market share in all businesses
- Continue improving execution



# Our priorities in APAC, Middle East and Africa: seize the service opportunity and tap continued new equipment demand



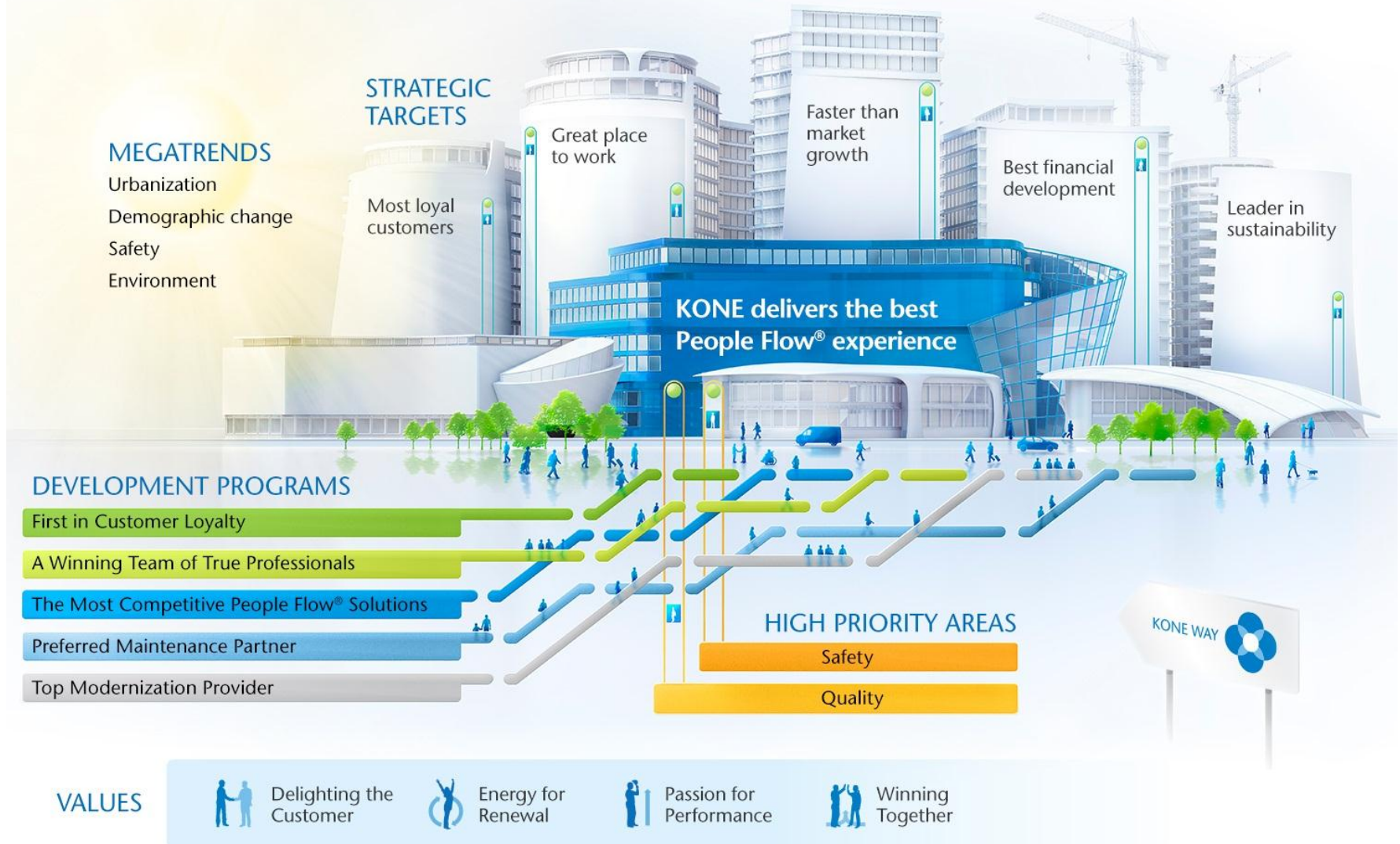
## ASIA-PACIFIC

- Grow our maintenance business profitably
- Continue faster than market growth in new equipment

## THE MIDDLE EAST AND AFRICA

- Capitalize on new equipment market activity in the Middle East
- Gradually expand presence in emerging African markets

# Our development programs are at the core of the implementation of our strategy



# Our development programs are central in driving differentiation



**First in Customer Loyalty**

**A Winning Team of True Professionals**

**The Most Competitive  
People Flow® Solutions**

**Preferred Maintenance Partner**

**Top Modernization Provider**



We want to continue improving customer satisfaction and have the most loyal customers in our industry



- Strengthening our customer service culture by using continuous feedback
- Developing our communication with our customers and end users
- Improving our understanding of customer needs

# We will continue developing our people to build a winning team and attract the best talent

- Help all employees to perform at their best
- Developing systematically our field competencies
- Focusing on attracting the top talent globally



In new equipment, we will continue to build on our strong position and aim to further profitably increase market share

- Further improving competitiveness of new elevators and escalators
- Continuing to develop solutions for smart buildings
- Improving quality and productivity



# In maintenance, we will grow our maintenance base profitably and faster than competition



- Developing our sales processes and competences
- Further strengthening our services to better respond to our customers' needs
- Improving field quality and productivity



# In modernization, we target improved productivity and focus on proactive demand creation



- Developing our sales processes and competences
- Continuing to develop our modernization offering to ensure competitiveness in all market segments
- Improving our end-to-end modernization processes

Continue improving customer loyalty to reach highest level

Helping our people perform at their best and attract best talent

Focus on growing the service business globally through accelerating differentiation

Ensure consistent execution globally

**KONE** Elevators  
Escalators

*Dedicated to People Flow™*

