



KONE

# Interim Report for January-June 2009

July 21, 2009

Matti Alahuhta, President & CEO

# Q2 2009: Good growth in operating income and cash flow



		Q2/2009	Q2/2008	Historical change	1-12/2008
Orders received	MEUR	953.9	1,092.4	-12.7%	3,947.5
Order book	MEUR	3,754.1	3,838.7	-2.2%	3,576.7
Sales	MEUR	1,168.6	1,142.1	2.3%	4,602.8
Operating income	MEUR	146.3 <sup>1)</sup>	136.7	7.0%	558.4
Operating income	%	12.5 <sup>1)</sup>	12.0		12.1
Cash flow from operations (before financial items and taxes)	MEUR	201.1	118.9		527.4

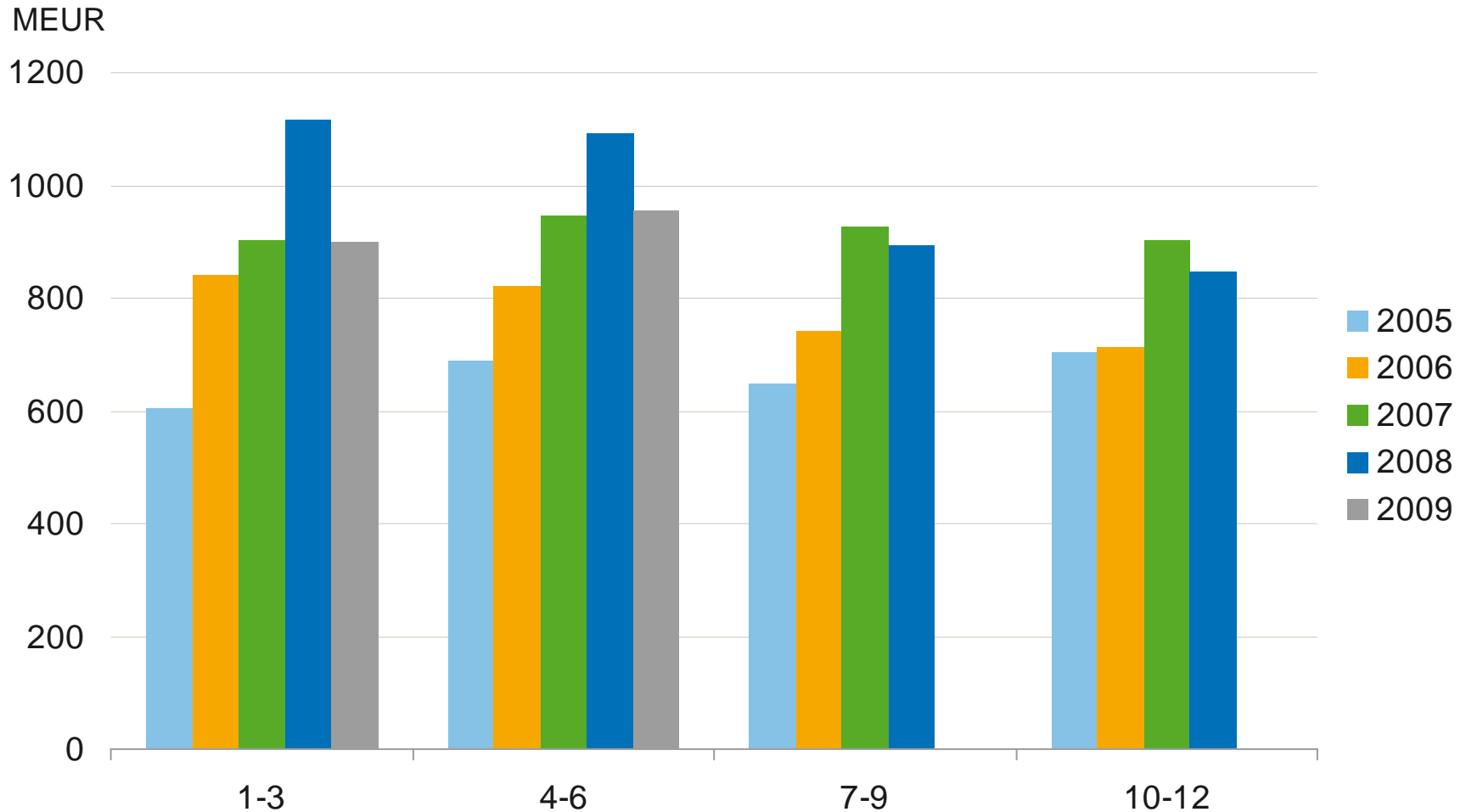
1) Excluding a EUR 33.6 million one-time cost related to the EUR 40 million fixed cost adjustment program.

# January-June 2009: Continued good performance

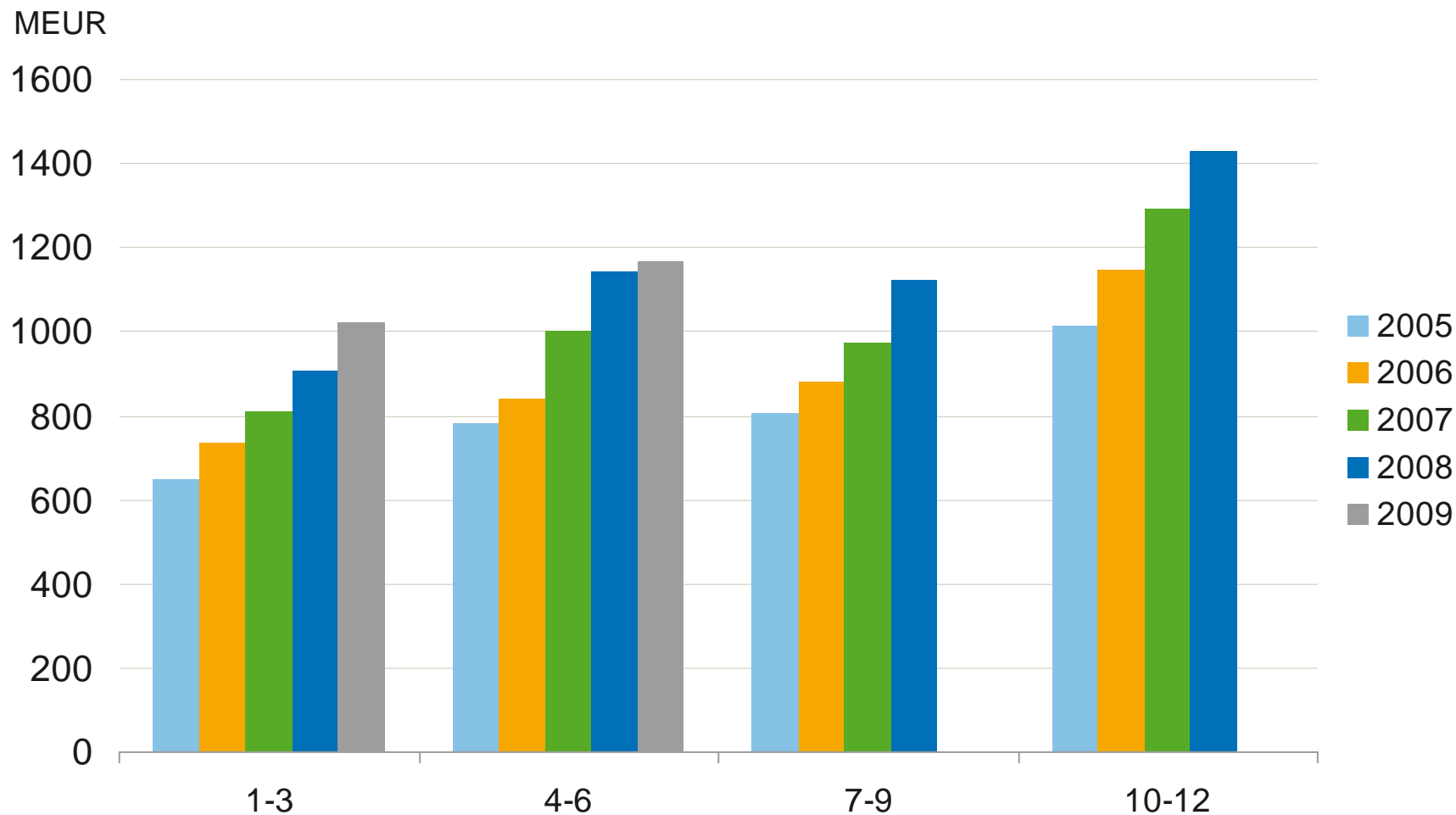
		1-6/2009	1-6/2008	Historical change	1-12/2008
Orders received	MEUR	1,852.4	2,209.9	-16.2%	3,947.5
Order book	MEUR	3,754.1	3,838.7	-2.2%	3,576.7
Sales	MEUR	2,189.6	2,047.4	6.9%	4,602.8
Operating income	MEUR	237.5 <sup>1)</sup>	223.2	6.4%	558.4
Operating income	%	10.8 <sup>1)</sup>	10.9		12.1
Cash flow from operations (before financial items and taxes)	MEUR	371.4	285.5		527.4

1) Excluding a EUR 33.6 million one-time cost related to the EUR 40 million fixed cost adjustment program.

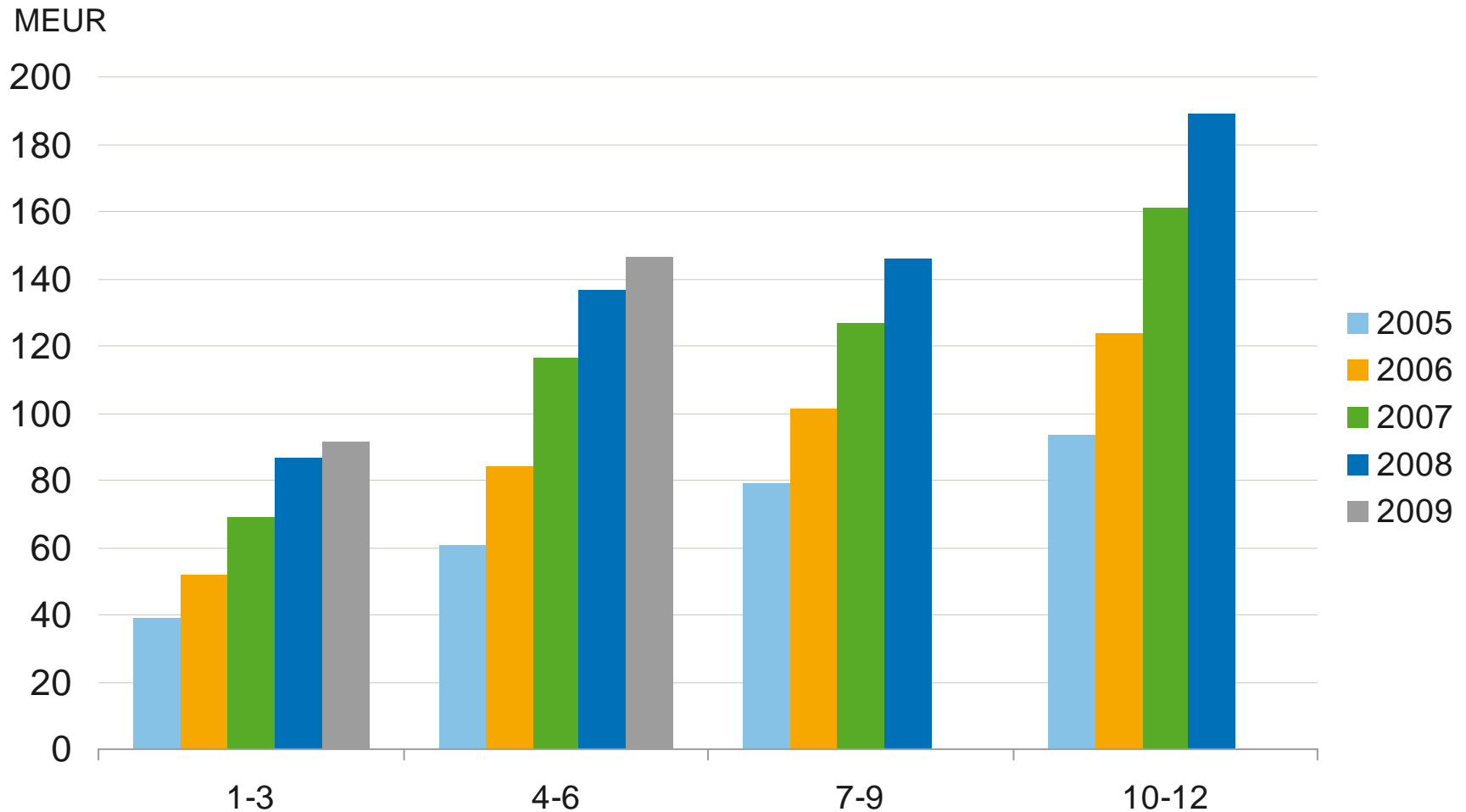
# Q2 2009: Orders received was higher than in each of the previous three quarters



# Q2 2009: Sales growth was strongest in Asia-Pacific



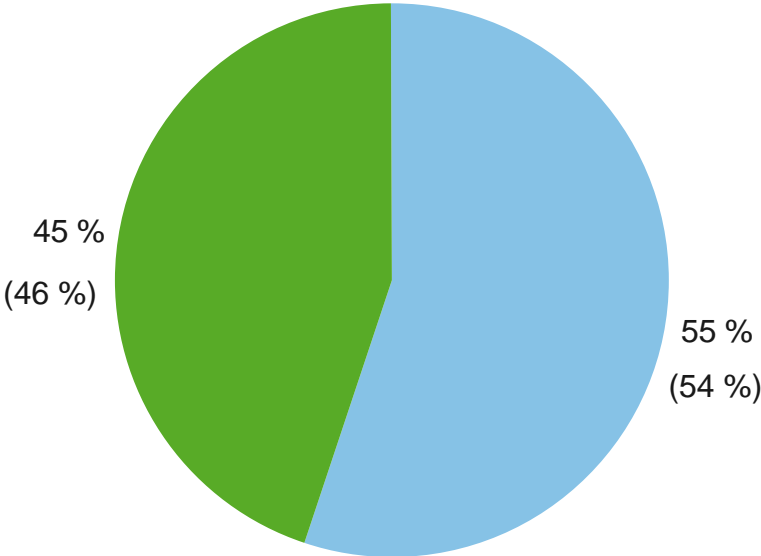
# Q2 2009: EBIT growth was driven by productivity growth and favorable sourcing cost development



# January-June 2009: Strong development in the service business

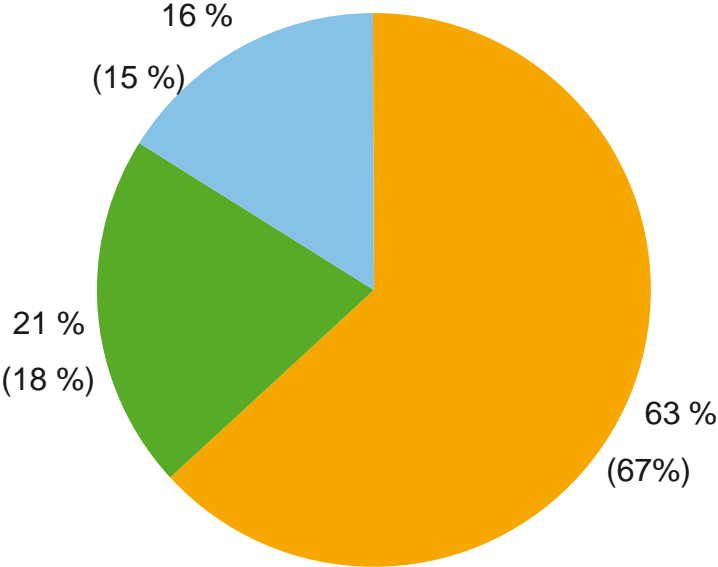


**Sales by business**



■ Service ■ New equipment

**Sales by market**



■ EMEA ■ Americas ■ Asia-Pacific

# Q2 2009: New equipment market continued to weaken in EMEA



- Rate of decline decreased in the new equipment market.
- Modernization markets were at about last year's level.
- Maintenance markets continued to develop well, but were very competitive.

# Q2 2009: New equipment market continued to weaken in the Americas



- In new equipment
  - The rate of market decline decreased in the U.S.
  - The market in Canada slowed down.
  - The market in Mexico was very weak.
- Modernization market was somewhat negatively impacted.
- Maintenance market continued to develop well, but was very competitive.

# Q2 2009: Mixed picture in the new equipment markets in Asia-Pacific



- The new equipment market
  - Good development in China; Q2 market was at last year's level.
  - In India, Australia and Southeast Asia markets were weak.
- The modernization and maintenance markets continued to develop favorably.

# New initiatives in the development programs have brought good short term results



- Customer Focus
- People Flow Solutions
- Operational Excellence
- Environmental Excellence
- People Leadership

# KONE's objective is to use even this difficult market phase as an opportunity



- Continue to strengthen the market position in new equipment.
- Continue the strong development in the service business.
- Put the company in a great shape in
  - Quality
  - Maintenance and installation productivity
  - The entire logistics network
- Increase people leadership development efforts.  
and
- Improve fixed costs management.

# Fixed costs adjustment plan defined in order to be prepared for 2010



- At least EUR 40 million annual reduction in fixed cost run-rate.
- EUR 33.6 million one-time cost.
- The program is estimated to decrease approximately 500 jobs globally. However, simultaneous recruitment continues in countries that provide growth opportunities.

## Actions:

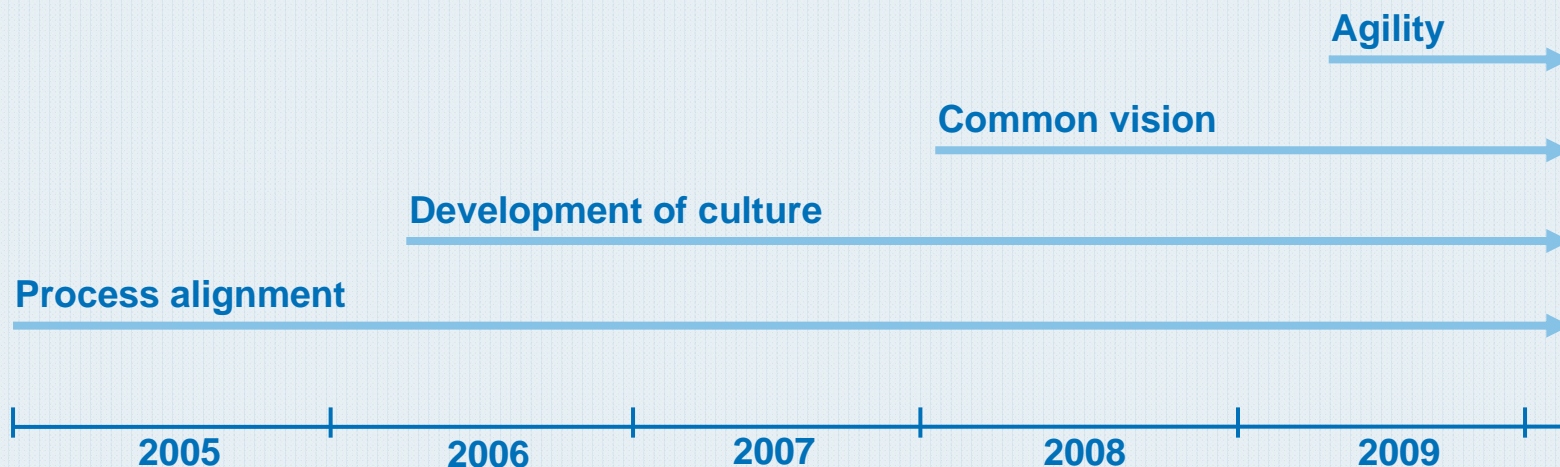
- Agile KONE
- Selective development actions in the supply chain
- Flexibility of outsourcing
- Tighter cost control

# Agile KONE – organizational development program brings several strengths



- Flatter structure
  - closer to customers
- Wider span of control
  - hands-on leadership
- More uniform structures
  - better internal collaboration
- Improve efficiency and speed

# The comprehensive development activity continues



## Development Programs:





- The maintenance market will continue to develop well.
- Modernization will be at about last year's level.
- Rate of decline will decrease in the new equipment market.



- In net sales, KONE's objective is to grow 2–5 percent as compared to net sales in 2008.
- In operating income (EBIT), the objective is EUR 570–595 million, excluding the one-time cost of EUR 33.6 million.

*Dedicated to People Flow™*

