



Superior  
service  
in person.

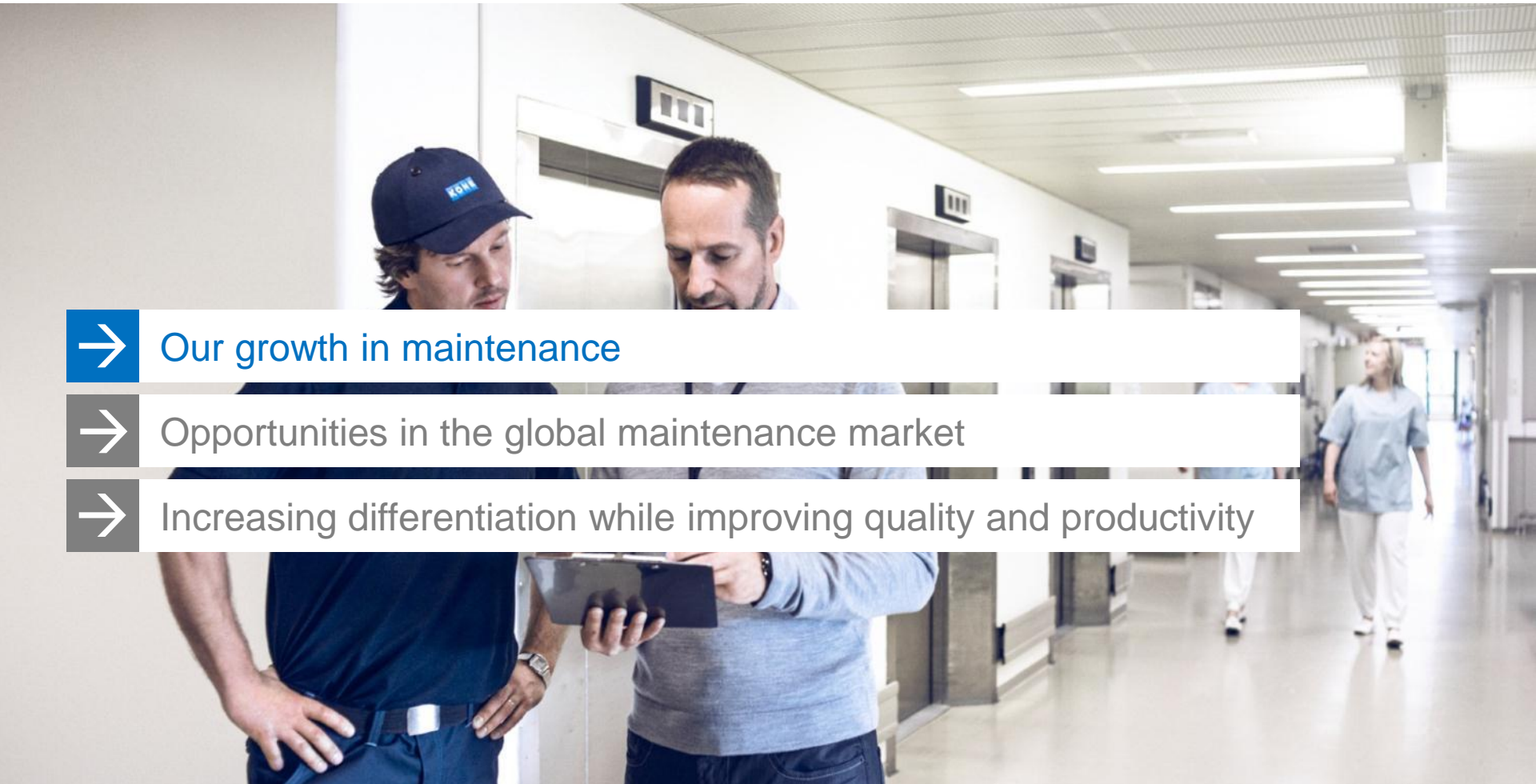
KONE CMD 2014

# Capturing global growth opportunities in our maintenance business

Thomas Hietto, Senior Vice President, Maintenance  
September 26, 2014

# Agenda



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- A photograph of two men in a brightly lit hallway. The man on the left is wearing a dark blue KONE baseball cap and a dark blue polo shirt. The man on the right is wearing a light blue long-sleeved shirt and dark pants. They are both looking at a tablet computer held by the man on the right. In the background, a woman in light blue scrubs is walking away from the camera down the hallway.
- Our growth in maintenance
  - Opportunities in the global maintenance market
  - Increasing differentiation while improving quality and productivity

KONE has been in the maintenance business for a long time – today, we are a globally operating company



**KONE maintenance fleet, ca. 1920**



**KONE maintenance in 2014**



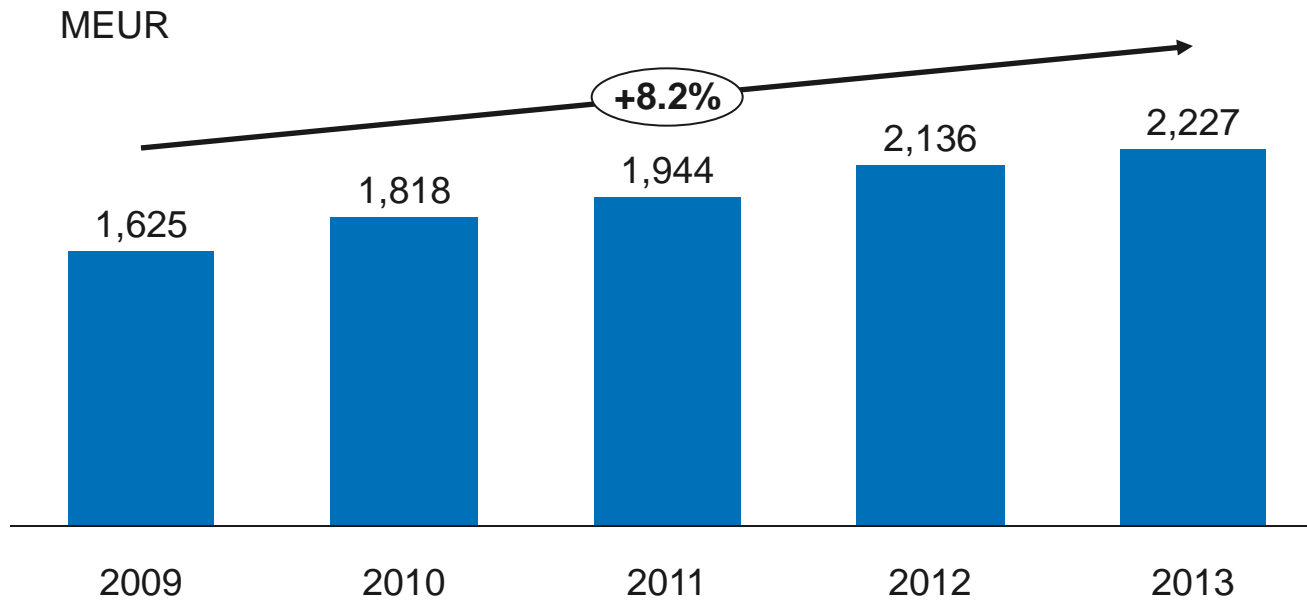
>950,000 elevators and  
escalators in  
maintenance globally

20,000 maintenance  
professionals and 10,000  
service vehicles

# Our maintenance business has continued to grow steadily



## KONE's maintenance sales 2009–2013

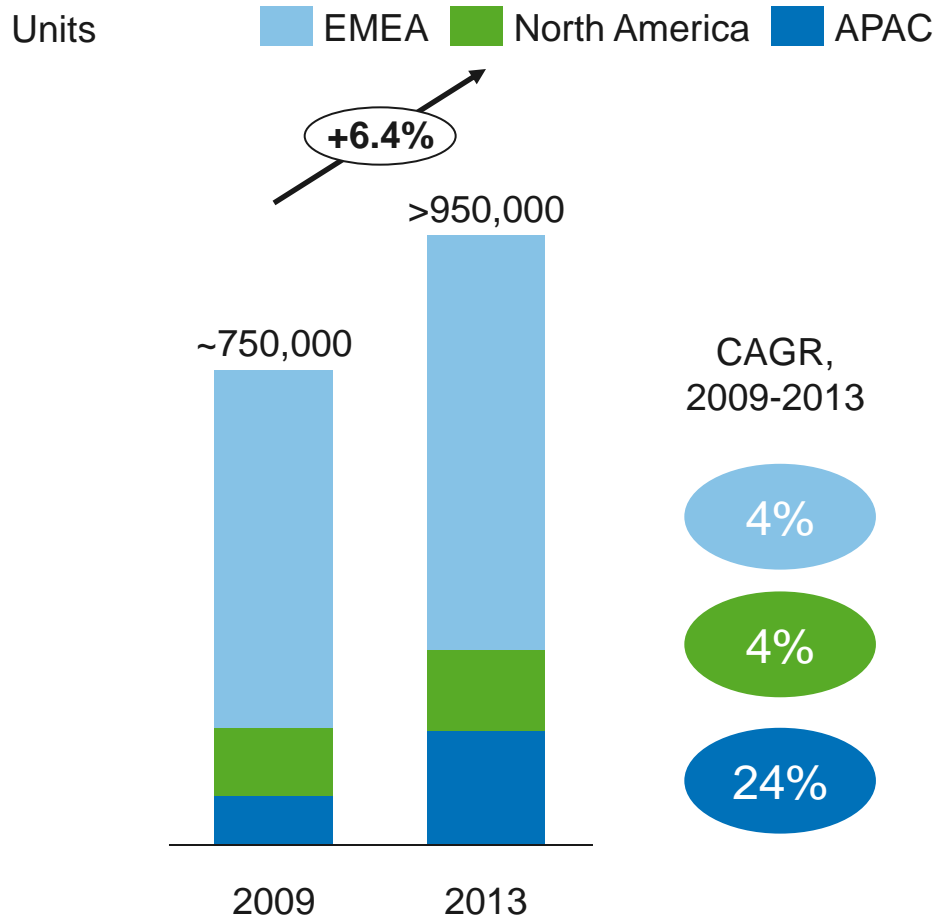


Maintenance sales growth, comparable rates: CAGR 7.1%  
Maintenance base growth in units: CAGR 6.4%

# Over the past five years, our maintenance base has grown by 200,000 units, with fastest growth in Asia-Pacific



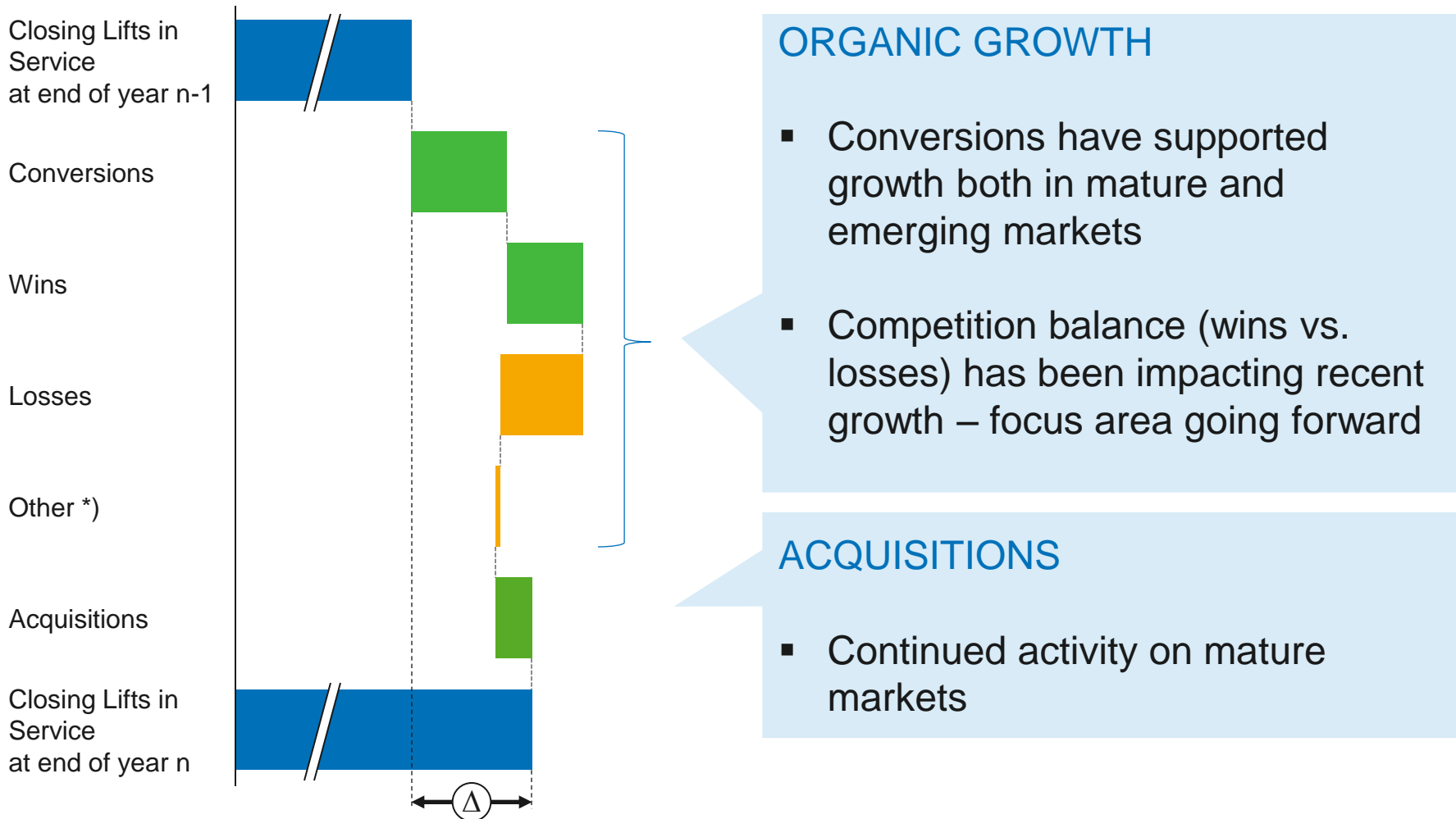
## Geographical split of maintenance base

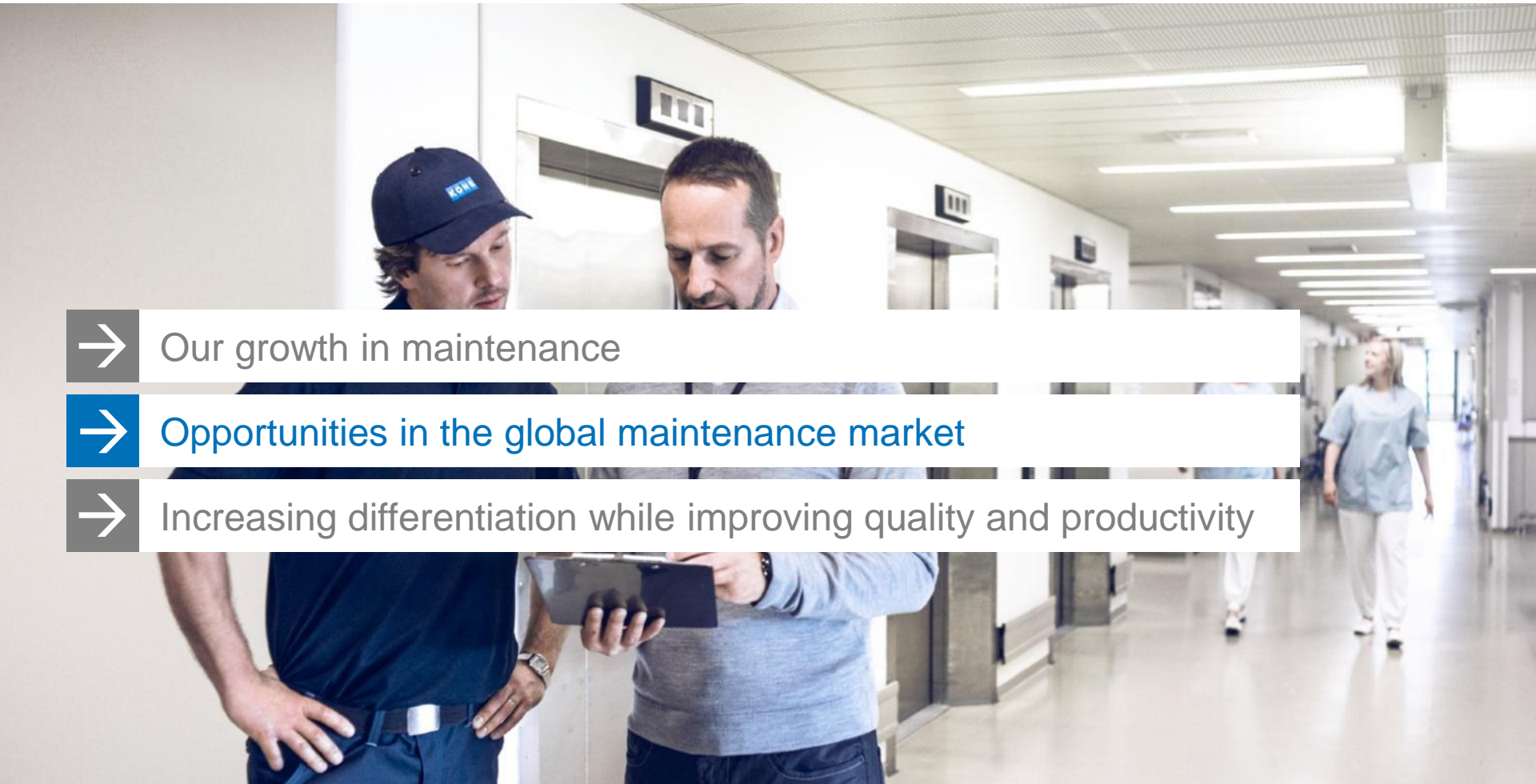


Maintenance base figures at end of year  
Excluding units under the first-maintenance period

# Conversions and acquisitions have been driving the maintenance base growth

## Components of maintenance base growth

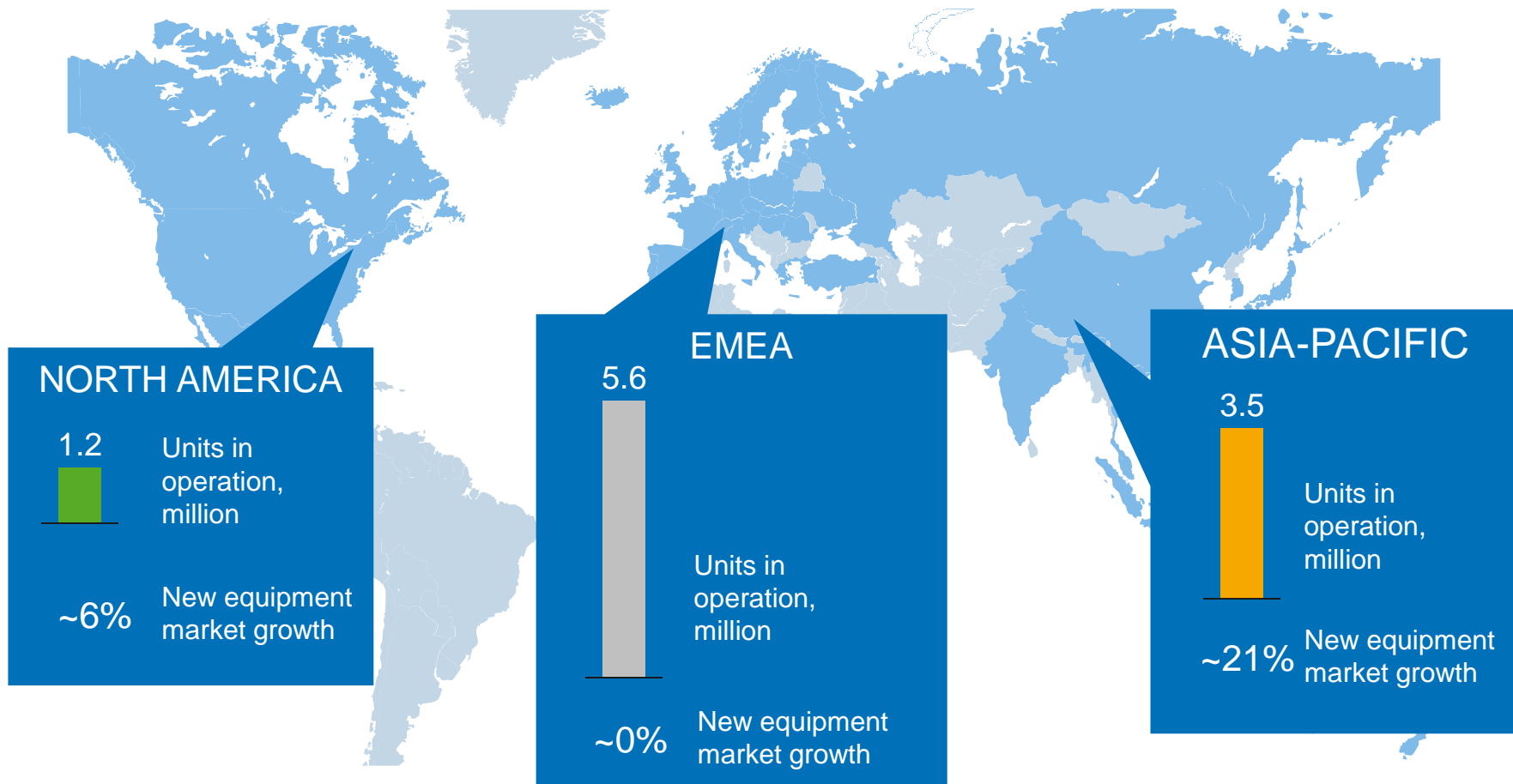


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- The background of the slide is a photograph of a long, brightly lit hallway. In the foreground, two men are standing and looking at a tablet held by the man on the right. The man on the left is wearing a dark blue polo shirt, dark pants, and a dark blue baseball cap with the KONE logo. The man on the right is wearing a light blue long-sleeved shirt and dark pants. In the background, a woman in light blue scrubs is walking away from the camera. The hallway has a tiled ceiling with recessed lighting and several doorways.
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# Maintenance market: the Asia-Pacific region seeing clearly the fastest growth



Units in operation in 2013 and new equipment market growth CAGR 2009-2013





# Maintenance markets in Asia-Pacific are developing rapidly



- Rapid new equipment market growth feeding growth of installed base
- Most of equipment base recently installed
- Conversion rate in China lower compared to mature markets; most other APAC countries with high rate
- Importance of safety and quality considerations increasing constantly

	China	India	Southeast Asia
Installed base in units	< 3 million	> 0.25 million	~0.25 million
Market share of top OEMs	~25%	>60%	50-80%



# At the same time, there are attractive market opportunities in Europe and North America



- Conversion rates typically high
- Installed base is aging rapidly, increasing need for both maintenance and modernization
- Competitive market environment following the economic weakness

	Europe	North America
Installed base in units	~5.3 million	~1.2 million
Market share of top OEMs	~55%	> 70%

Note: Europe excluding Russia

# As a response to market trends, we have clear priorities in each region

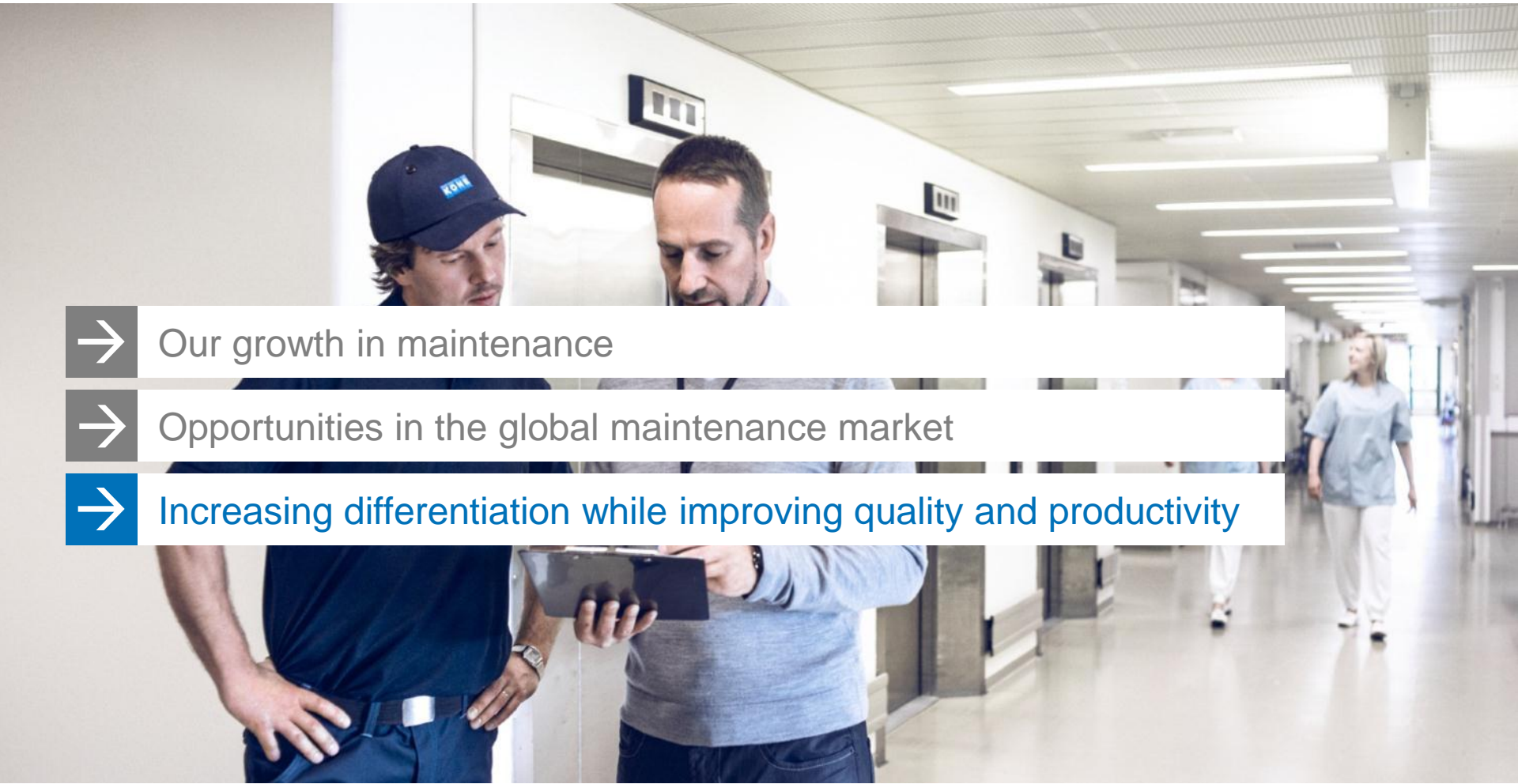


## Europe, North America

- **Improve our competition balance**
- **Further increase conversion rates**
- **Strengthen pricing competencies**

## Asia-Pacific

- **Focus on growth through increasing conversions from own installations**
- **Strengthen pricing competencies**

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- Our growth in maintenance
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# Several of our development programs strengthen our capabilities to differentiate



**First in Customer Loyalty**

**Improving customer service based on continuous feedback**

**A Winning Team of True Professionals**

**Developing our field and customer service competencies**

**The Most Competitive People Flow® Solutions**

**Ease of maintenance and reliability**

**Preferred Maintenance Partner**

**Top Modernization Provider**

**Identifying larger repair needs to optimize equipment performance**

# The "Preferred Maintenance Partner" development program drives our profitable growth

KONE

**Preferred Maintenance Partner development program**

Driving the profitable growth of our maintenance business

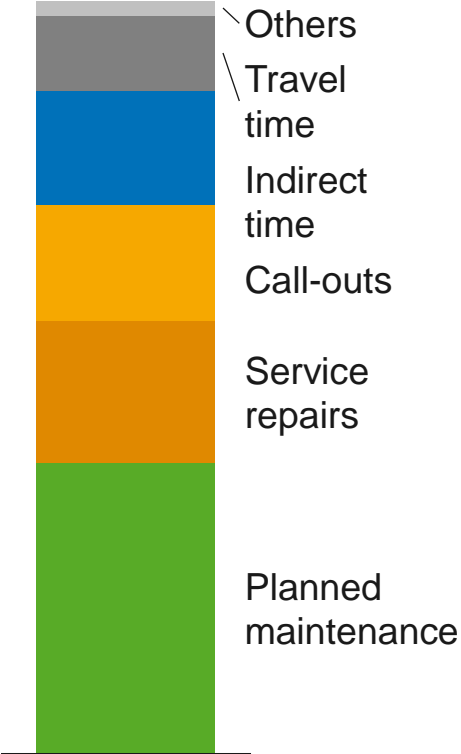
Accelerating differentiation  
from competition

Improving field  
quality and productivity



# We want to improve our field productivity as we grow our maintenance base

## Indicative maintenance field cost breakdown



## Field costs constitute a large part of the total cost of performing maintenance

People, process and system development and growth of our maintenance base will translate into improved field productivity:

- Increased share of planned maintenance and service repairs
- Reduce call-outs and travel time



Improvement in quality and productivity will translate into a win-win – a better service experience with better efficiency

<p><b>Build a winning team</b></p>		<ul style="list-style-type: none"> <li>Develop our service managers, supervisors and maintenance technicians systematically</li> </ul>	<p>People</p>
<p><b>Increase share of planned maintenance</b></p>		<ul style="list-style-type: none"> <li>Reduce call-outs, optimize routes, smarter dispatching algorithms</li> </ul>	<p>Process and system development</p>
<p><b>Optimize field operations</b></p>		<ul style="list-style-type: none"> <li>Optimize maintenance schedule for each equipment and daily tasks for each technician</li> </ul>	
<p><b>Better use of data</b></p>		<ul style="list-style-type: none"> <li>Continue developing the use of historical and remote monitoring data</li> </ul>	
<p><b>Increase density of maintenance base</b></p>		<ul style="list-style-type: none"> <li>Growth organically and through acquisitions, leverage on fixed costs</li> </ul>	<p>Growth</p>



# Improving loyalty starts with understanding our customer needs and competition

Understand customer needs and competition



Show our customers that we have delivered on our promise

Refine our promise and offering to customers



Deliver on the promise to our customers



We want to even better understand our customers' needs to develop our services and differentiation



## Further developing our services

- Increased flexibility in maintenance offerings

## Strengthening our maintenance sales

- Focused and competent sales organization
- Professional sales management
- Pricing excellence

## Focusing on high-quality execution globally

- Customer service culture
- Providing a high-quality and uniform customer experience

# Our actions address our regional priorities and will support profitable growth going forward




## We are focused on

- Accelerating our growth in mature markets
- Capturing the growth opportunity in Asia-Pacific

## We will do this by

- Continuously developing our people and execution to provide best-in-class customer experience
- Increasing customer loyalty through increased differentiation
- Improving the quality and productivity of our operations



We will become our customers' Preferred Maintenance Partner globally.

We will deliver them a superior service experience and peace of mind.