



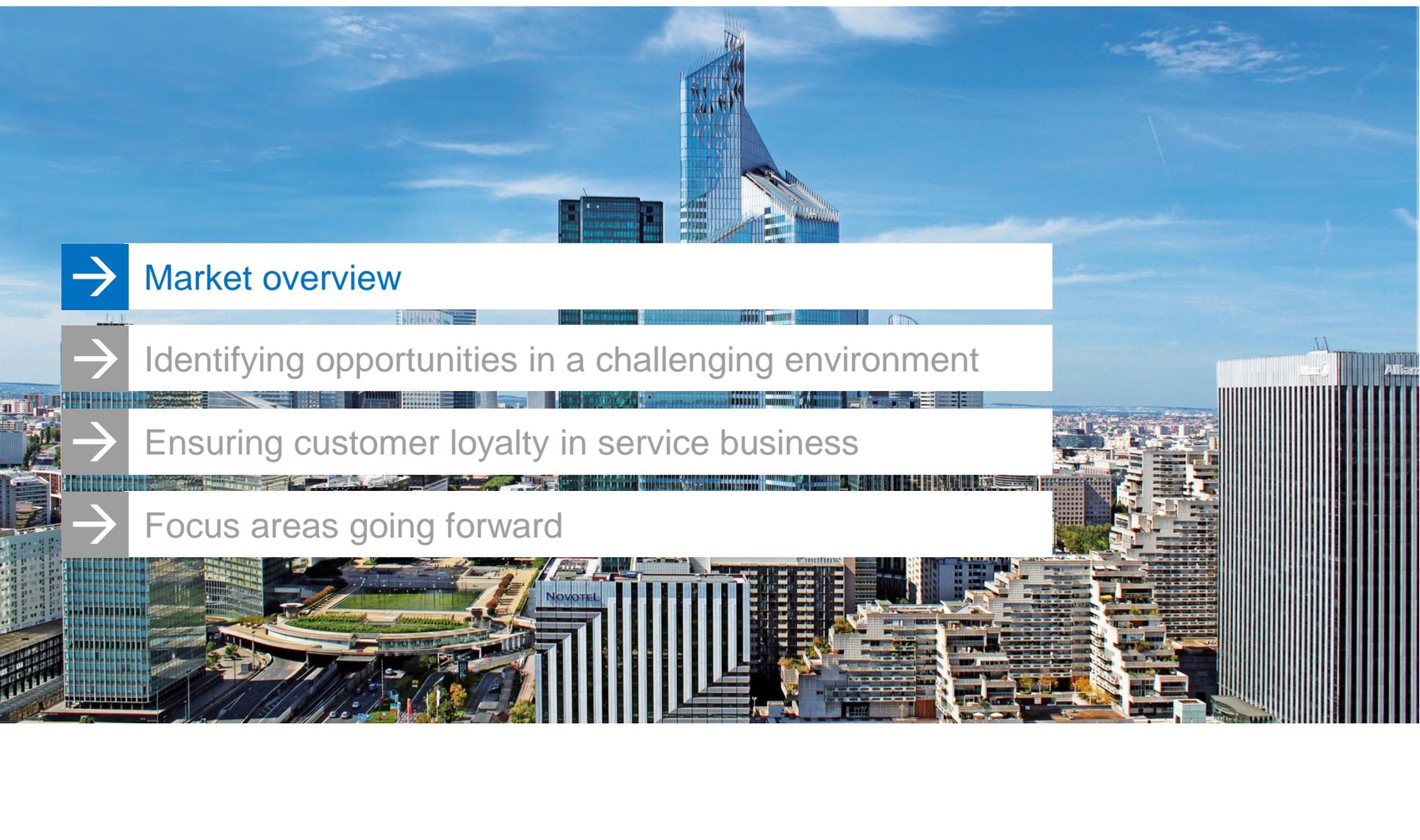
KONE CMD 2013

South Europe: Capturing opportunities in a challenging environment

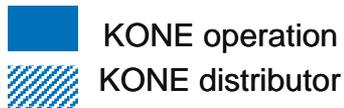
Pierre Liautaud, Executive Vice President, West and South Europe
September 24, 2013

Agenda



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- The background of the slide is a high-angle photograph of a city skyline. A prominent feature is a tall, modern skyscraper with a distinctive, angular, glass facade that tapers towards the top. Other buildings, including a Novotel hotel, are visible in the foreground and midground. The sky is a clear, bright blue with some light clouds.
- Market overview
 - Identifying opportunities in a challenging environment
 - Ensuring customer loyalty in service business
 - Focus areas going forward

KONE operations in South Europe

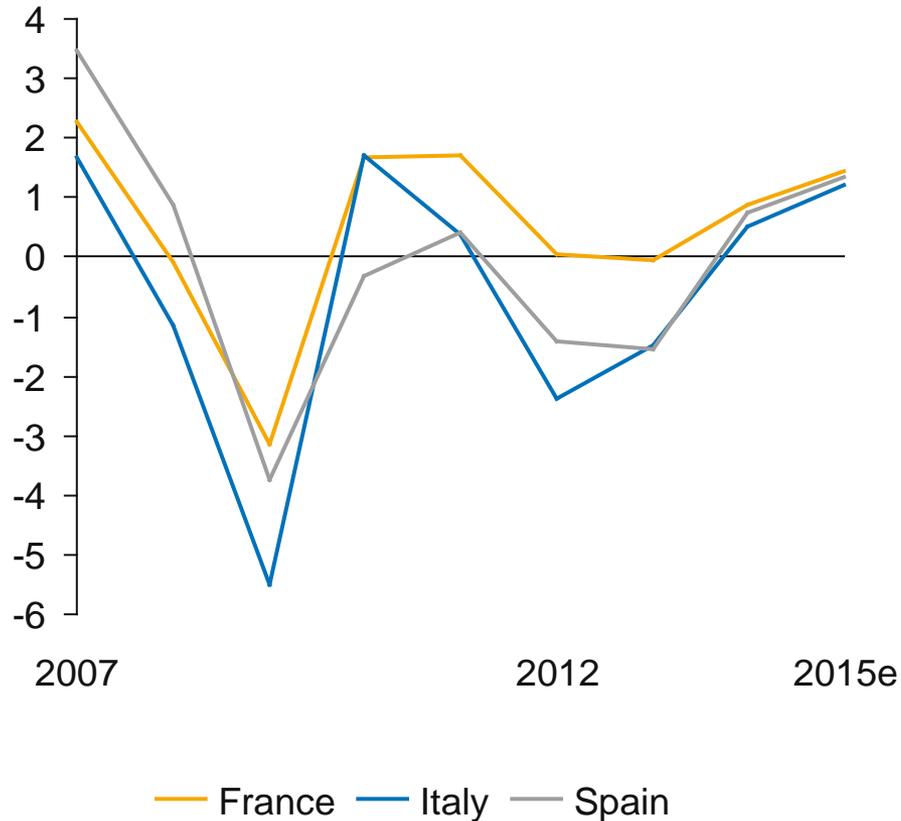


- For KONE, South Europe consists of: Belgium, France, Spain, Italy, Portugal, Greece, Cyprus, all with direct KONE presence
- In addition, Bulgaria, Albania, Croatia, Bosnia, Serbia are covered by KONE distributors
- South Europe currently accounts for approximately one third of the total new equipment market volume in Europe
- Over 3 million elevators & escalators in operation

Economic backdrop: crisis countries are stabilizing

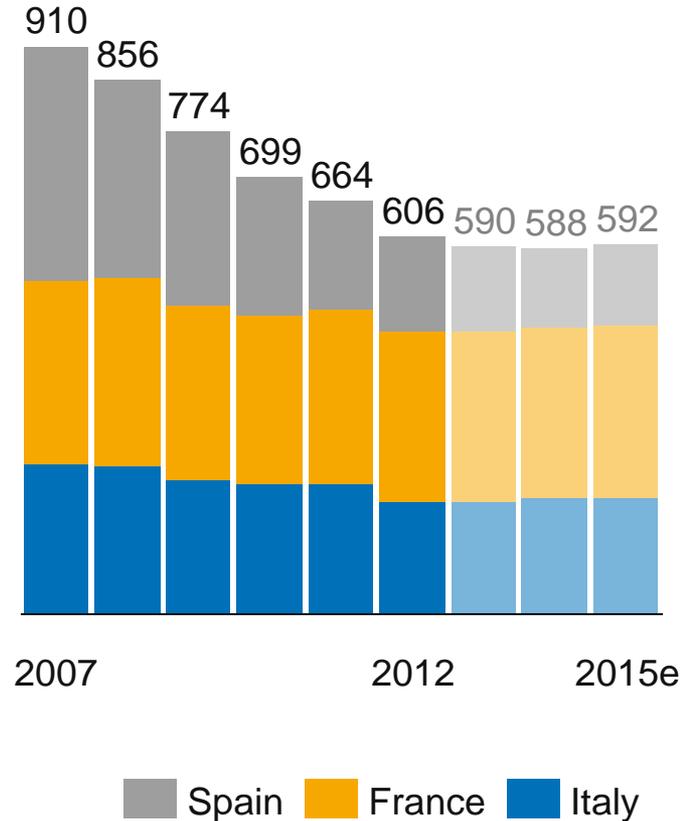
Annual change in GDP

(%, 2007-2015e)



Total construction market size

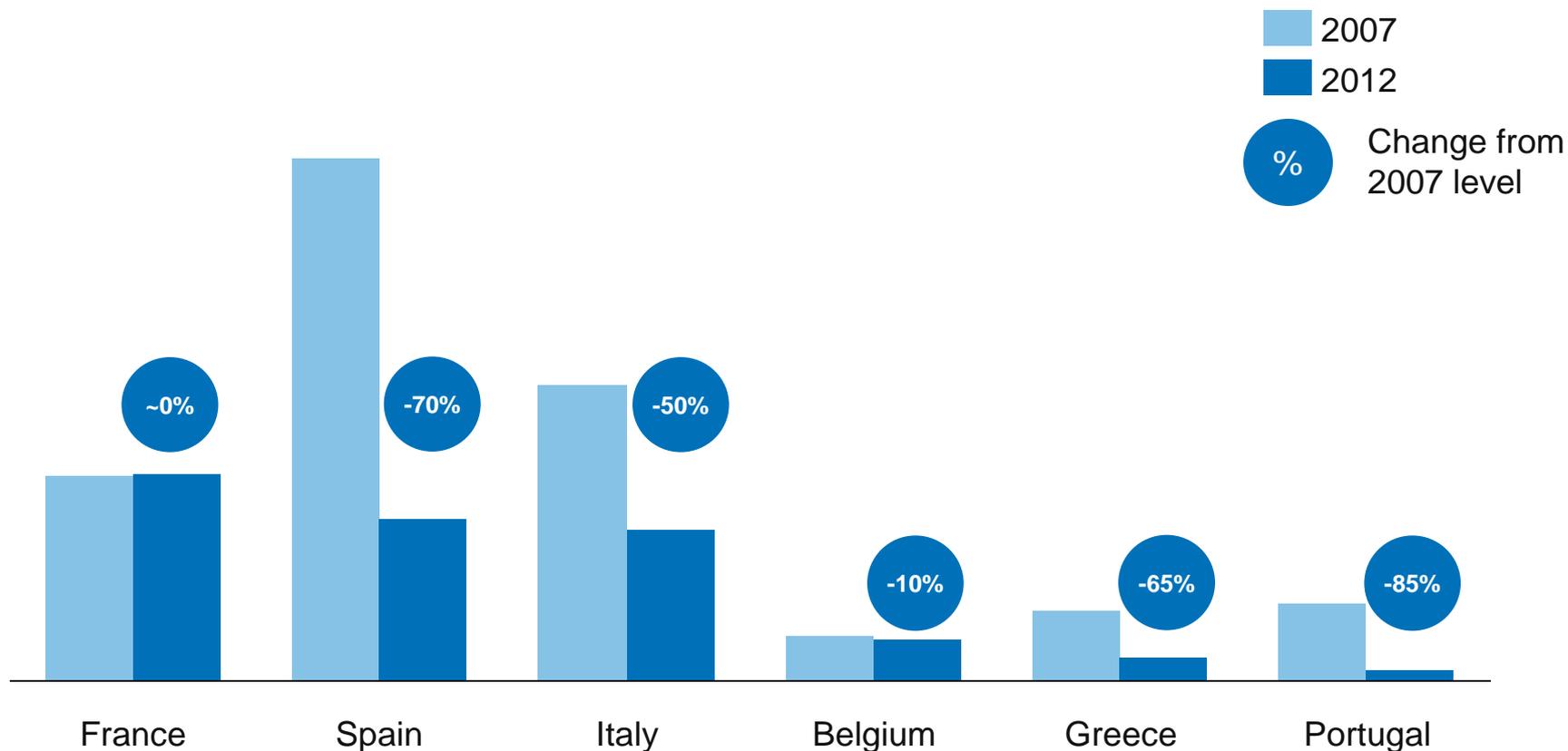
(USD billion, 2007-2015e)



New equipment markets dropped significantly between 2007 and 2012, except in France and Belgium



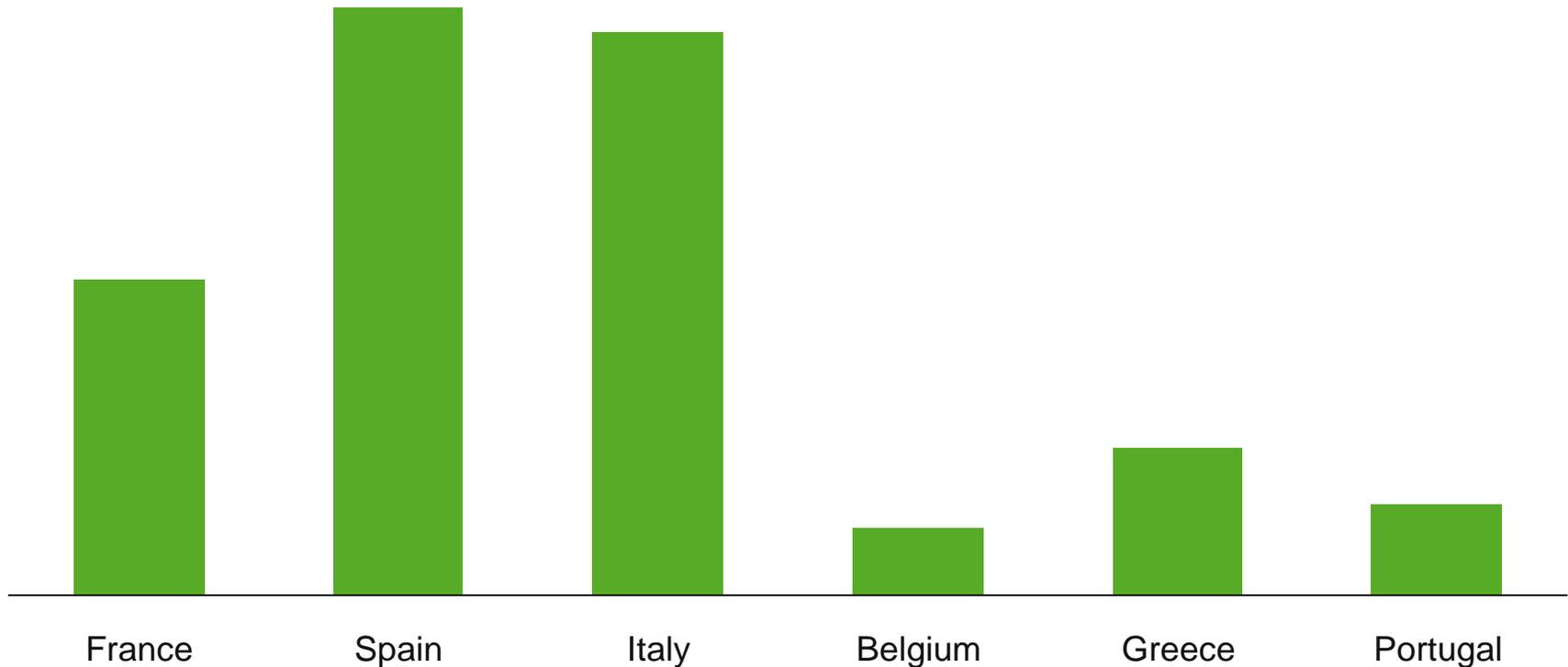
New equipment market, units

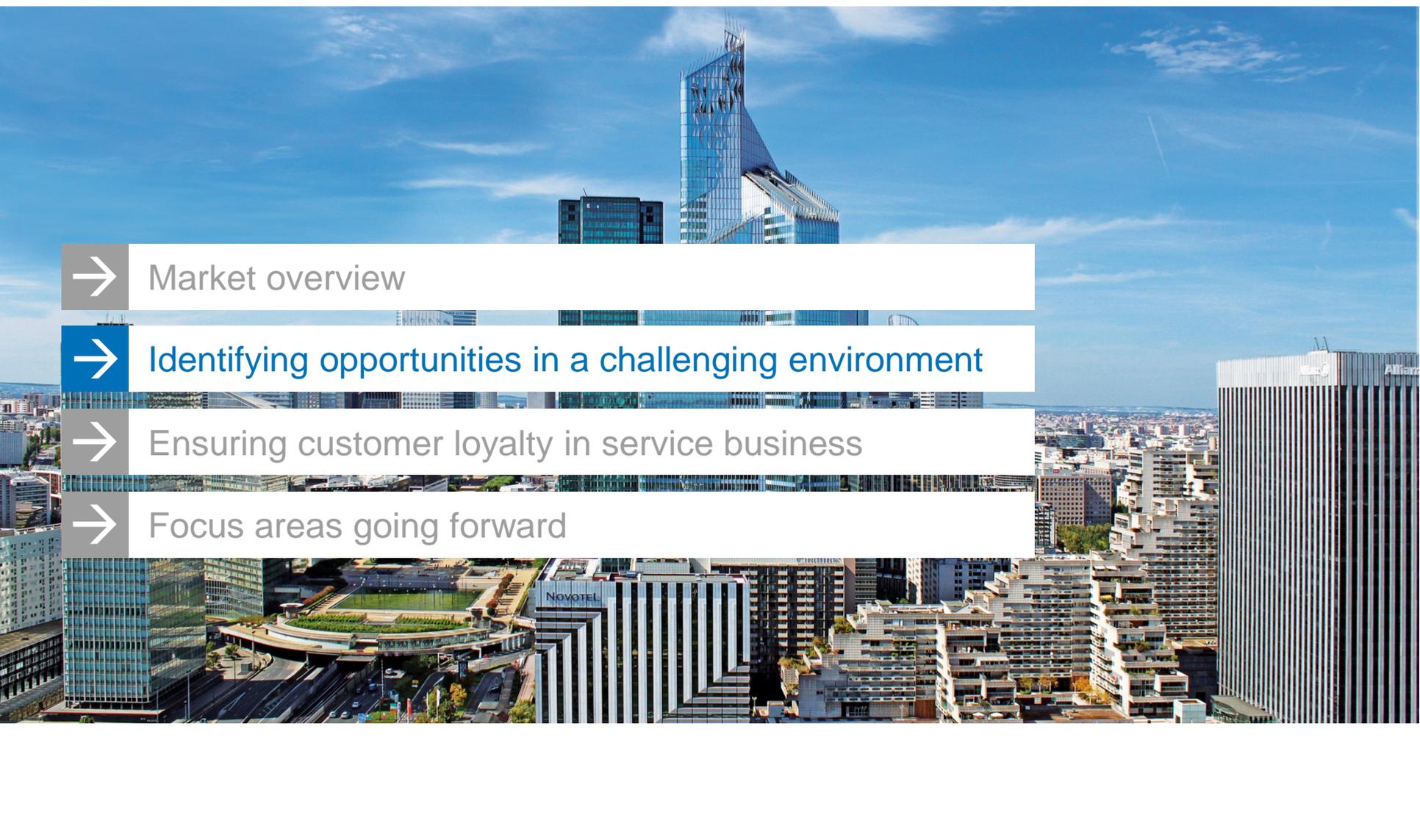


Maintenance markets have been largely stagnant in 2010-2012



Maintenance market, units in operation in 2012



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- The background of the slide is a high-angle photograph of a cityscape. In the center, a prominent skyscraper with a unique, angular, glass-clad facade stands out against a clear blue sky with light clouds. Below it, a dense urban area is visible, featuring a mix of modern high-rise buildings and older, more traditional structures. A large, curved, multi-level parking garage or transit hub is visible in the lower-left quadrant. The overall scene is bright and clear, suggesting a sunny day.
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The operating environment in South Europe is challenging overall, but varies between markets



Spain, Portugal

- First signs of the new equipment market bottoming
- Service markets under intense price pressure across all segments

Italy

- Negative development of the new equipment market continues
- Service markets remain extremely competitive but better modernization opportunities (aging equipment and no SNEL)

France, Belgium

- New equipment markets fared relatively well during the past years, but market has weakened recently in France
- Short-term uncertainty in modernization market due to rescheduling of SNEL deadlines

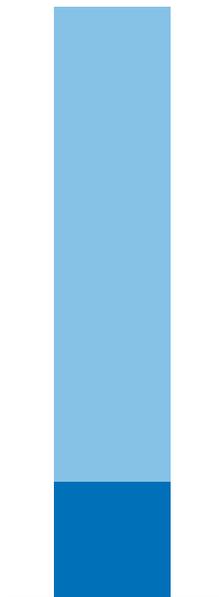
Opportunity 1: South Europe accounts for a very significant part of the global maintenance market



Global installed E&E base

- Rest of the world
- France, Italy, Spain

>11M units



France, Italy and Spain account for almost 1/5 of the global installed base

2012

South Europe's share of global installed base is shrinking but still very significant

KONE strong in France and Italy, challenger in Spain

Continued focus to develop service business in South Europe

Opportunity 2: 50% of equipment in operation in South Europe is over 20 years old and requires modernization

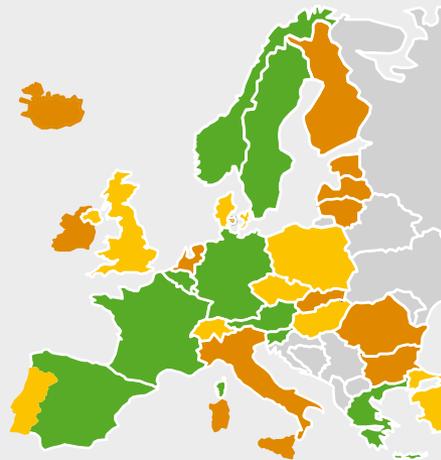


The prolonged weakness of the European economy has impacted the modernization business...

- Building owners are delaying decision-making when possible
- Part of aging elevators have been taken out of use
- The implementation of the Safety Norm for Existing Lifts regulation (SNEL) has been delayed in many markets

SNEL status, 4/2013

-  SNEL has been implemented through a national law
-  National legislation or guidelines in preparation
-  Slow progress/no measures taken to implement legislation, or no information available



...however, demand should materialize going forward

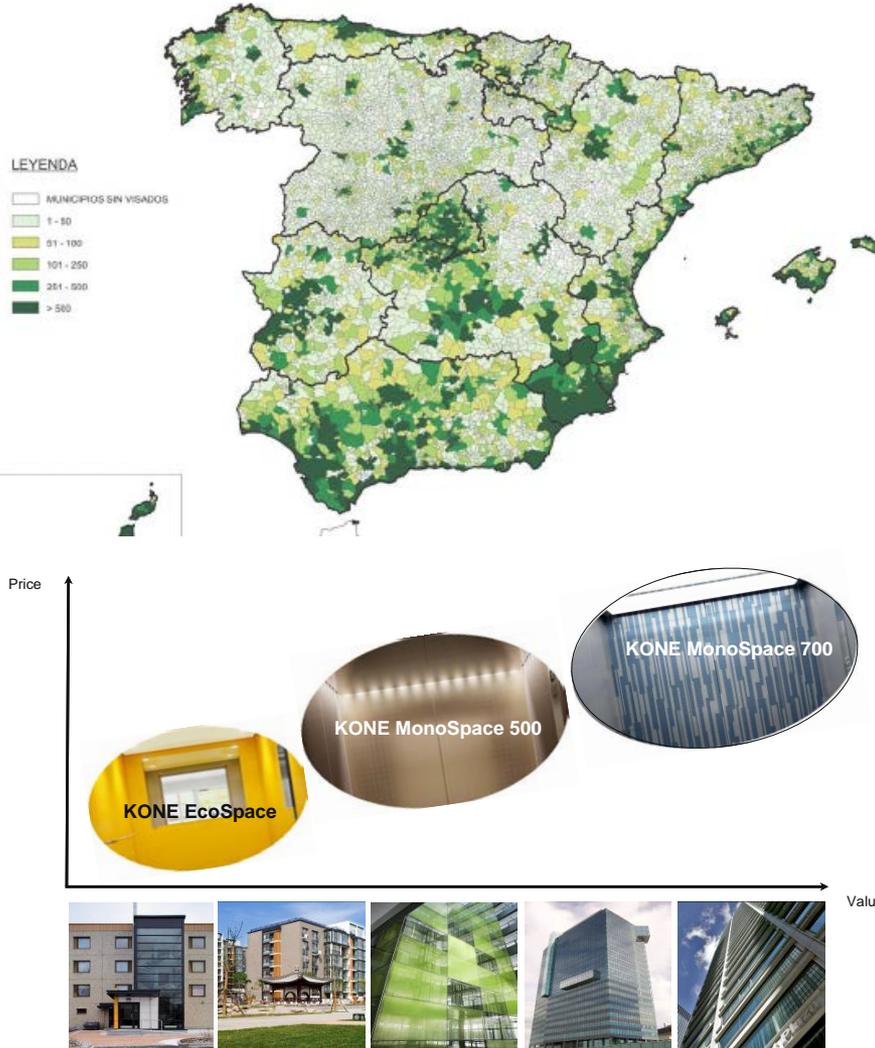
→ Not modernizing an aging equipment may result in:

- Possible safety issues
- Worsening user experience
- Increasing running costs

→ Parts most commonly in need of modernization are performance- and safety-critical:

- Controller
- Machine
- Landing doors

Opportunity 3: Catching new equipment business opportunities from accumulated construction demand



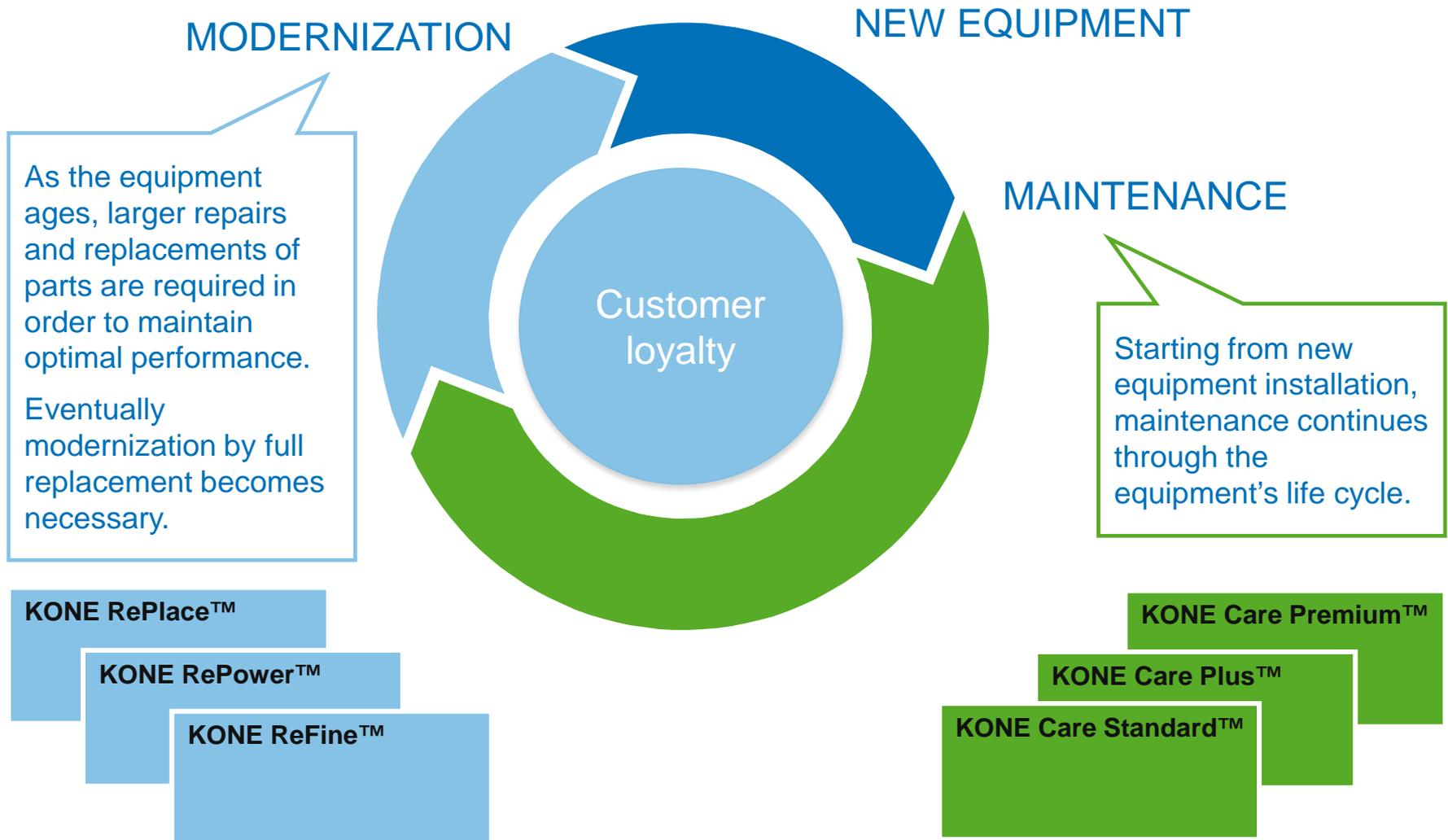
Heterogeneous development in different regions during boom construction years

Competitive offerings built upon granular understanding of markets and segments

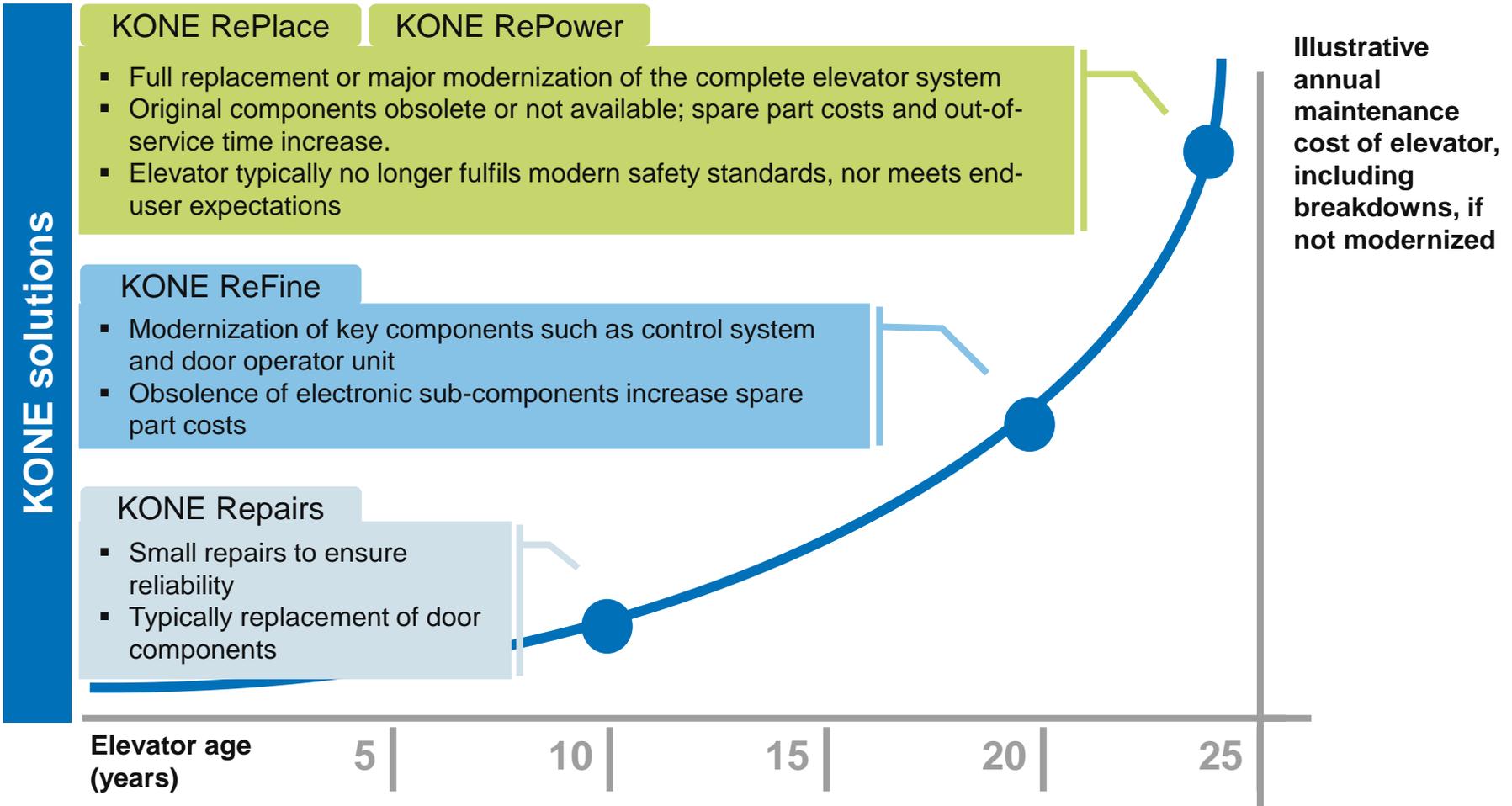
Smart allocation of sales and marketing resources to optimize fixed costs spending in a volatile environment

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- The background of the slide is a high-angle photograph of a city skyline. A prominent feature is a tall, modern skyscraper with a distinctive, angular, glass facade that tapers towards the top. Other buildings of various heights and styles are visible, including a Novotel hotel. The sky is a clear, bright blue with some light clouds.
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Our business model generates recurring revenues through service quality and customer satisfaction



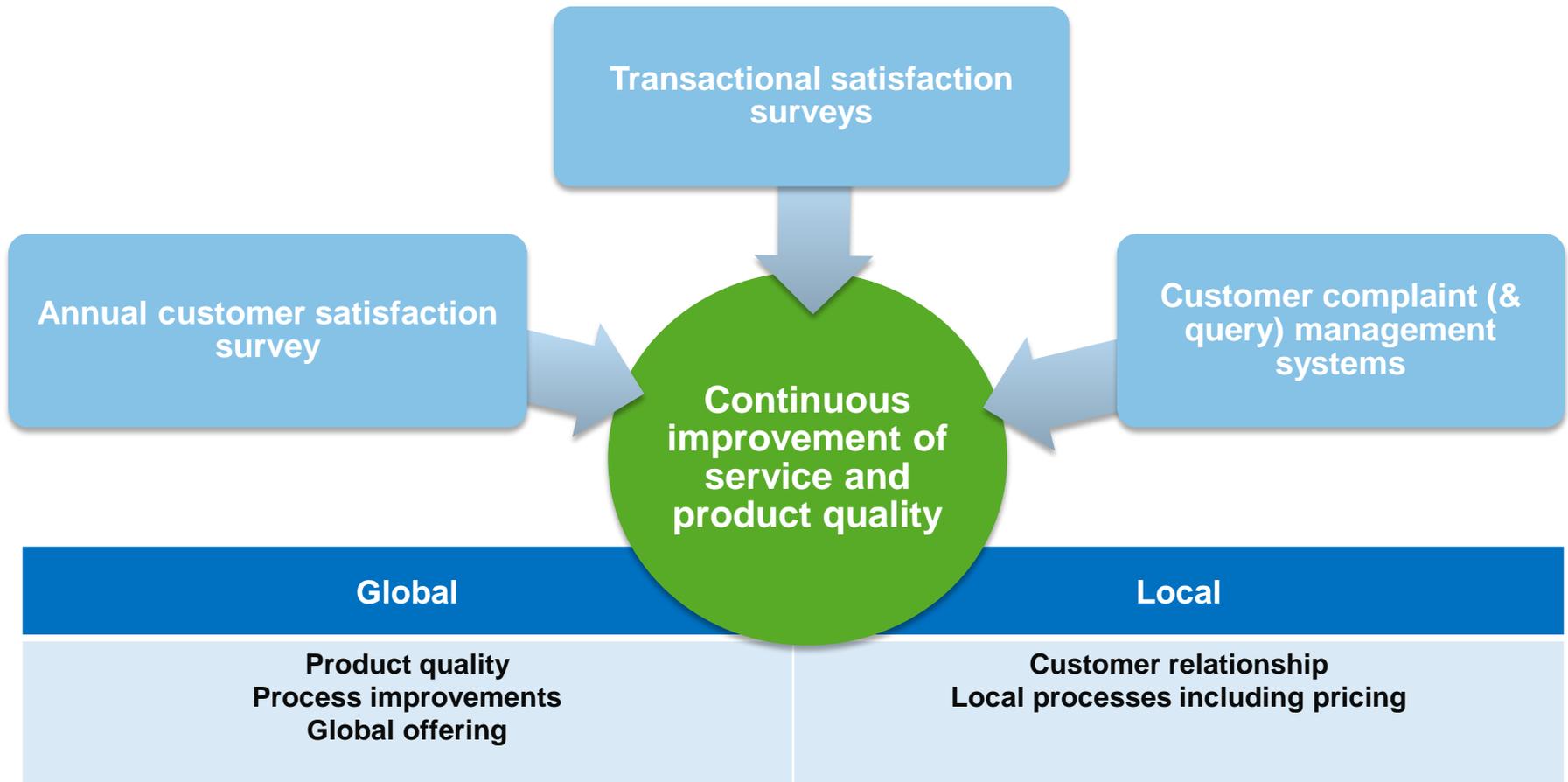
Without modernization, the cost of maintenance significantly increases during the equipment's lifecycle

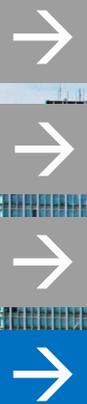


We actively use customer satisfaction data to improve service level and ensure customer loyalty



Customer data collection and management



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- Four white arrows pointing to the right are positioned on the left side of the slide, each pointing to a corresponding text box. The bottom-most arrow is colored blue, while the others are white.
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Turning challenges into new opportunities – from growth to smart growth



→ Focus on growth opportunities

- Working on increasingly granular understanding of markets
- Constant and active sales efforts

→ Superior pricing capabilities

- Clear understanding of price sensitivity
- Selective price adjustments to address sweet spots
- Manage pricing policies professionally to strike right balance between volume and margins

→ Stronger operational discipline

- Focus on field productivity and costs management
- Increasing the clock speed to react faster
- Agile organizations to create flexibility



Dedicated to People Flow

KONE