

The background of the slide is an aerial photograph of a city skyline. The most prominent feature is a cluster of modern skyscrapers with white, grid-like facades and dark glass windows. One of the buildings has a distinctive, angular, dark glass section. The surrounding city includes various other buildings, streets with traffic, and green spaces. The sky is blue with some light clouds.

# Business review

KONE's Extraordinary General Meeting 2013

December 2, 2013

Matti Alahuhta, President & CEO

# January–September 2013: Strong growth in a challenging environment



		1–9/2013	1–9/2012	Historical change	Comparable change
Orders received	MEUR	<b>4,677.8</b>	4,174.9	12.0%	13.5%
Order book	MEUR	<b>5,642.1</b>	5,283.7	6.8%	12.2%
Sales	MEUR	<b>4,899.6</b>	4,419.1	10.9%	12.4%
Operating income (EBIT)	MEUR	<b>660.7</b>	571.3 <sup>1)</sup>	15.6%	
Operating income (EBIT)	%	<b>13.5</b>	12.9 <sup>1)</sup>		
EBITA	MEUR	<b>675.7</b>	597.2 <sup>1)</sup>	13.2%	
EBITA	%	<b>13.8</b>	13.5 <sup>1)</sup>		
Cash flow from operations (before financing items and taxes)	MEUR	<b>972.2</b>	804.2		

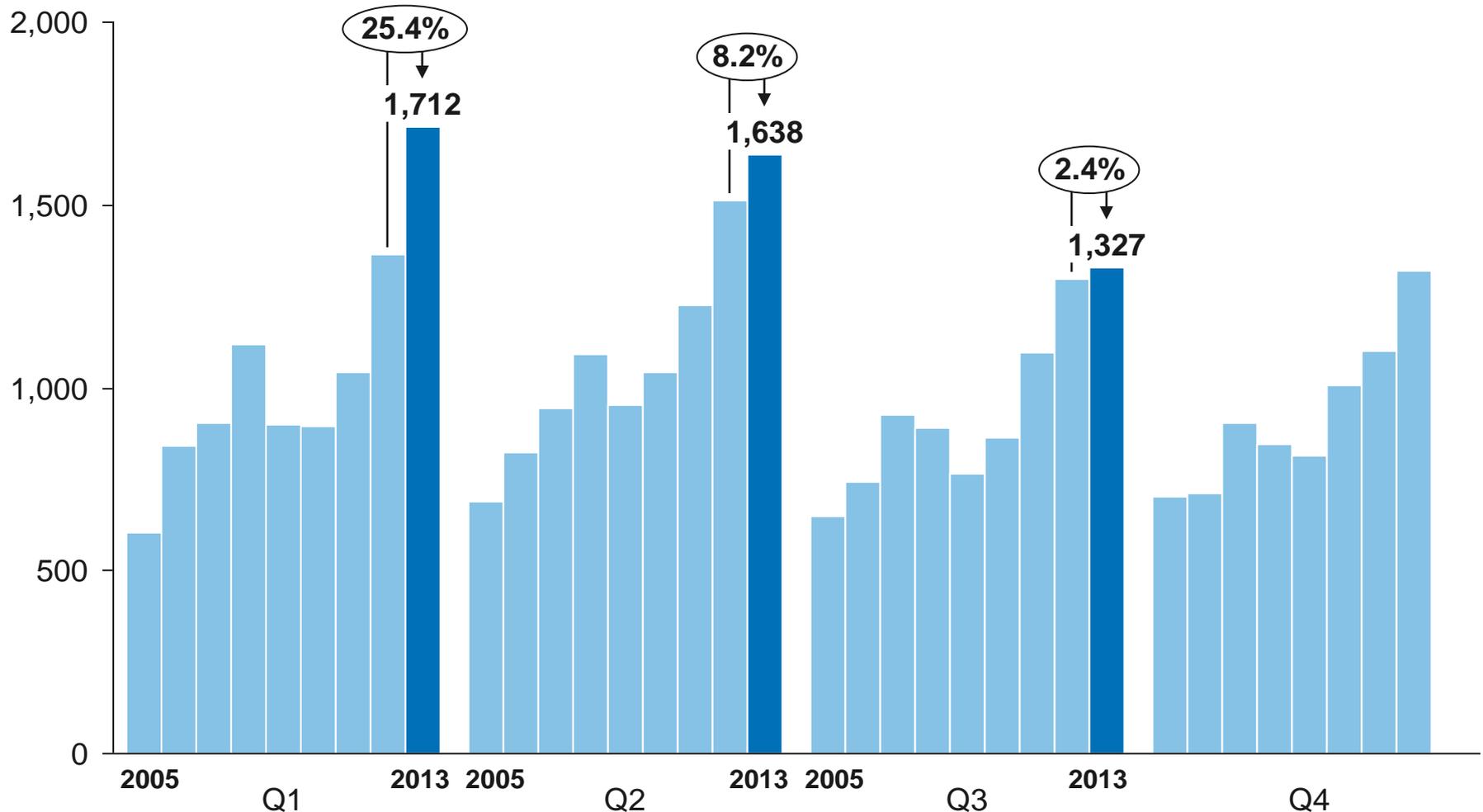
1) Excluding a MEUR 37.3 one-time cost related to the support function development and cost adjustment programs.

Comparative figures for 2012 have been restated according to the revised IAS 19 'Employee Benefits'.

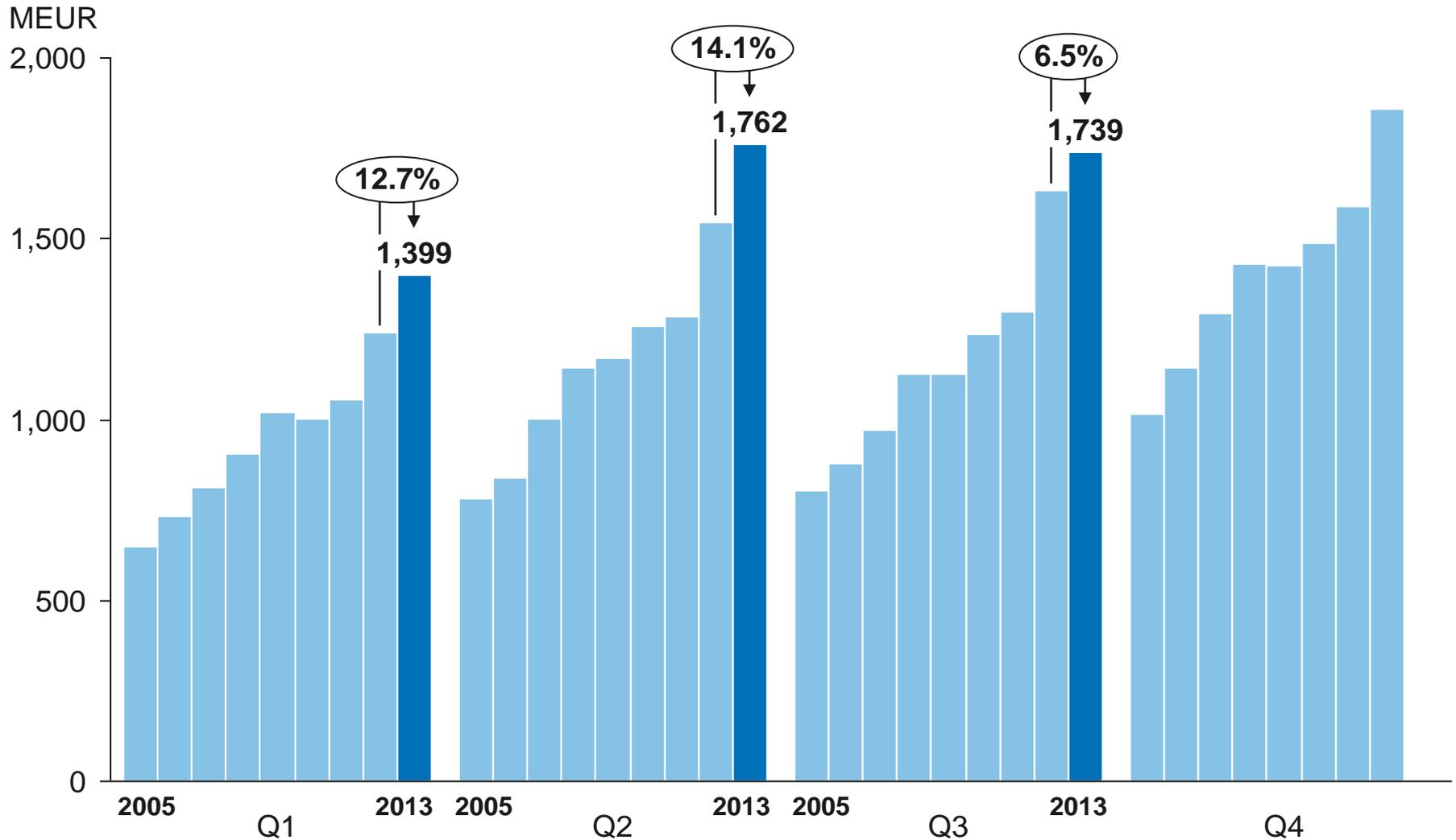
# Q3 2013 Orders received: Significant growth in Asia-Pacific and Americas, Europe impacted by delays in project awards



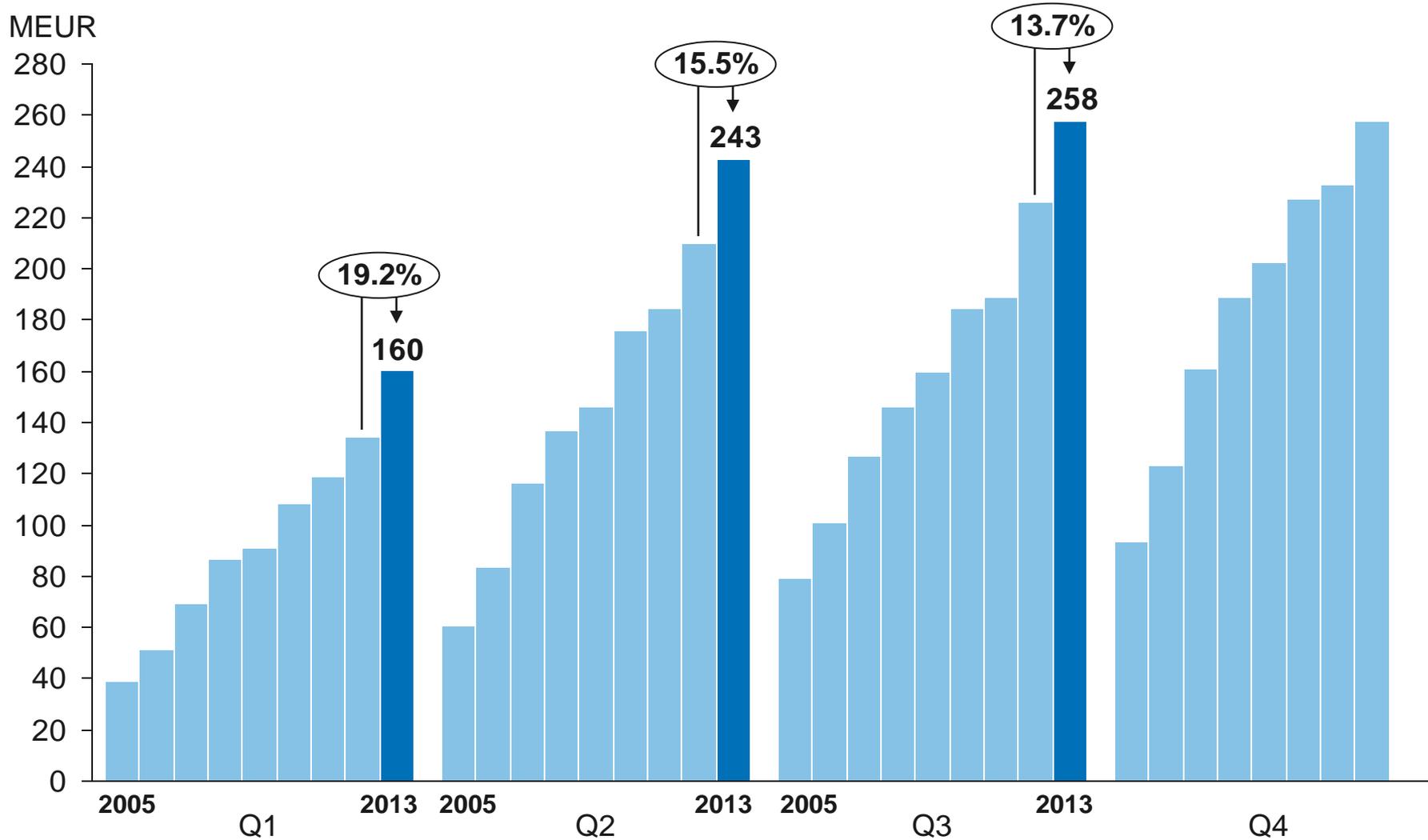
MEUR



# Q3 2013 Sales: Good growth rates in new equipment and maintenance



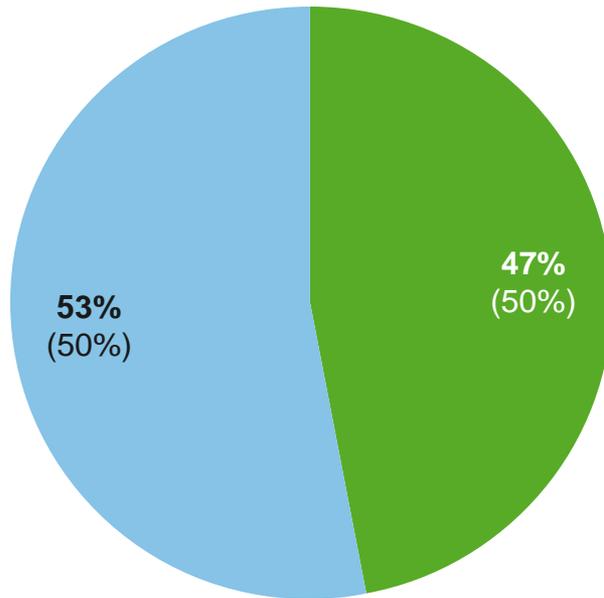
# Q3 2013 Operating income: Strong new equipment sales growth in Asia and positive development in global service business key contributors to EBIT growth



# January–September 2013: The share of new equipment business of total sales grew further

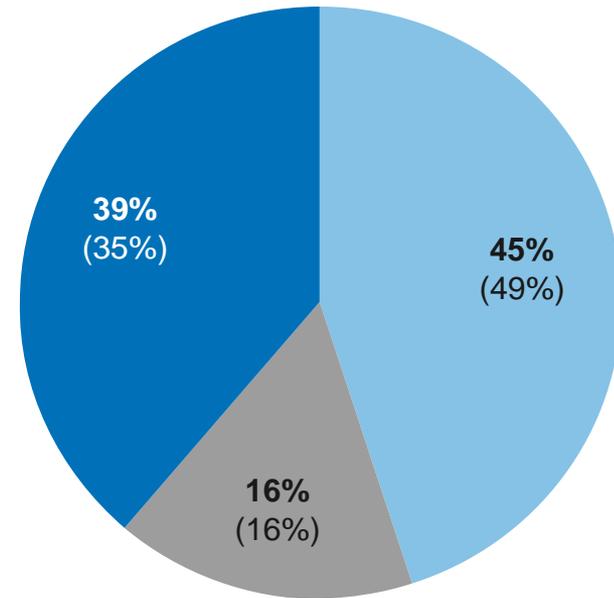


## Sales by business



 Service  
 New equipment

## Sales by market



 EMEA  
 Americas  
 Asia-Pacific

(1–9/2012 figures in brackets)  
EMEA = Europe, Middle East, Africa

# Q3 2013 EMEA: New equipment and modernization demand continued to decline in most markets



## New equipment markets

- In Central and North Europe, the decline of the market continued.
- In South Europe, demand continued to decline.
- In the Middle East, the market grew.

## Modernization markets

- The market declined.

## Maintenance markets

- The market grew, although with significant variation between countries. Maintenance markets in many countries remained characterized by very intense price competition, particularly in South Europe and also in some markets in Central and North Europe.

# Q3 2013 North America: Continued growth in new equipment, modernization and maintenance demand



## New equipment markets

- In the United States, growth continued, driven by both smaller and larger projects in the residential and office segments.
- In Canada, the market was stable.
- In Mexico, demand declined.

## Modernization markets

- The market grew.

## Maintenance markets

- The market grew, but price competition remained intense, particularly in the non-residential segments.

# Q3 2013 Asia-Pacific: Growth continued but at a lower rate than in H1 2013 in line with expectations



## New equipment markets

- In China, demand grew, although the market growth rate decelerated, as expected, from the higher level of H1 2013.
- In India, market growth continued driven mainly by the residential segment.
- In Australia, demand continued to grow.
- In Southeast Asia, markets continued to grow.

## Modernization markets

- The modernization market in Australia saw some growth.

## Maintenance markets

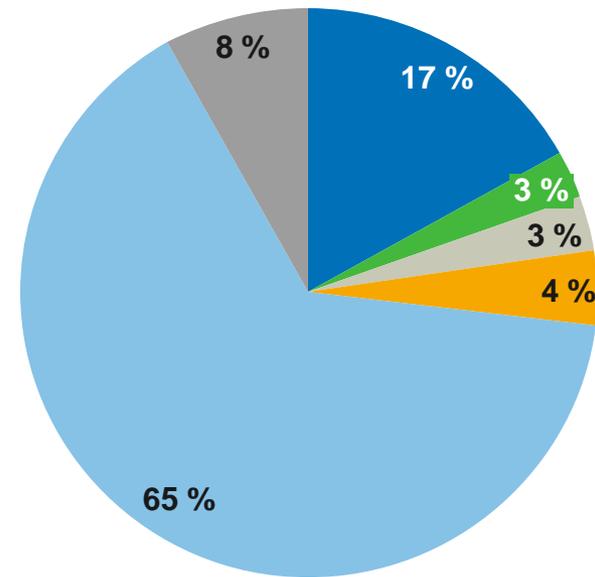
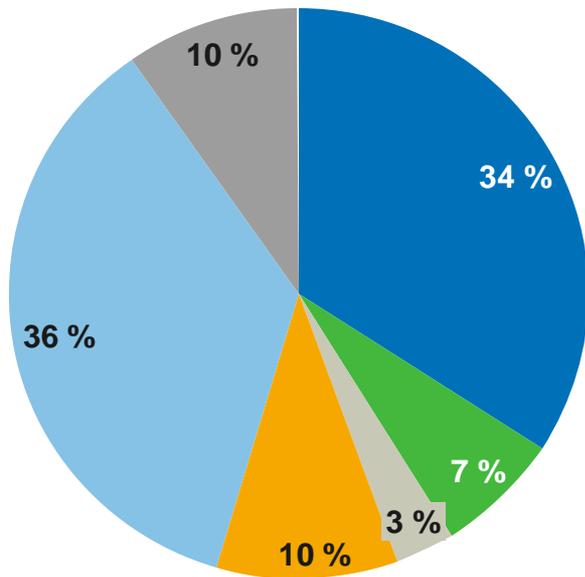
- The market continued to grow.

# Asia-Pacific has been the driver for new equipment market growth in 2007–2012



**New elevators and escalators in 2007:  
495,000 units**

**New elevators and escalators in 2012:  
670,000 units**



**KONE's estimated market share globally (in new equipment units)**

**12%**

**KONE's estimated market share globally (in new equipment units)**

**18%**

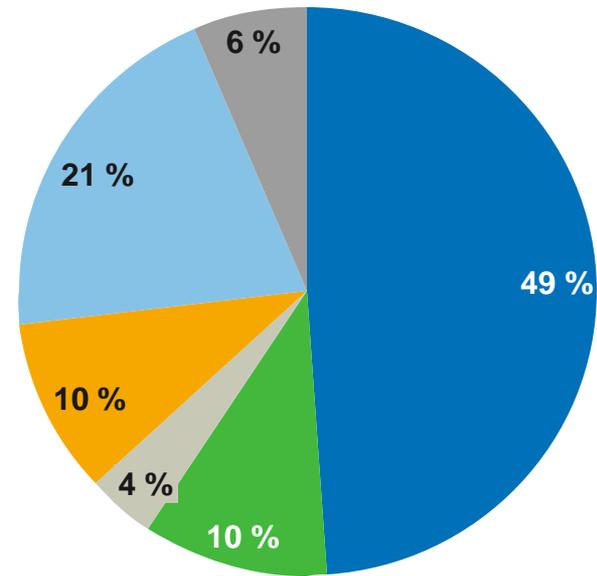
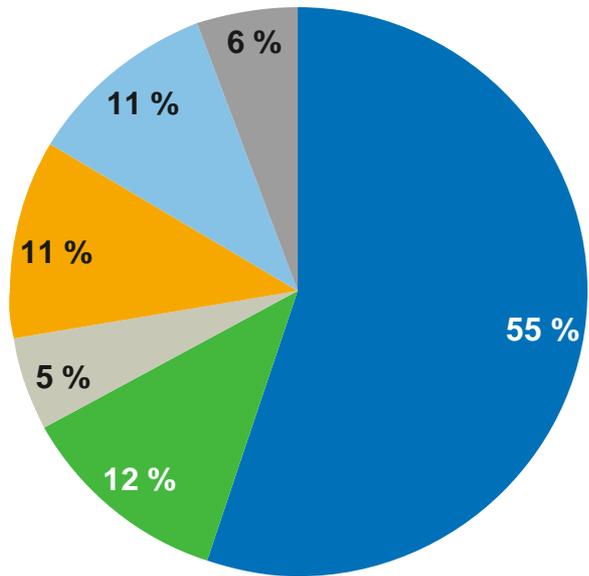


# EMEA continues to represent ~50% of the global E&E maintenance base



Elevators and escalators in operation in 2007: ~9 million units

Elevators and escalators in operation in 2012: >11 million units



**KONE's maintenance base (in units)**

**~650,000**

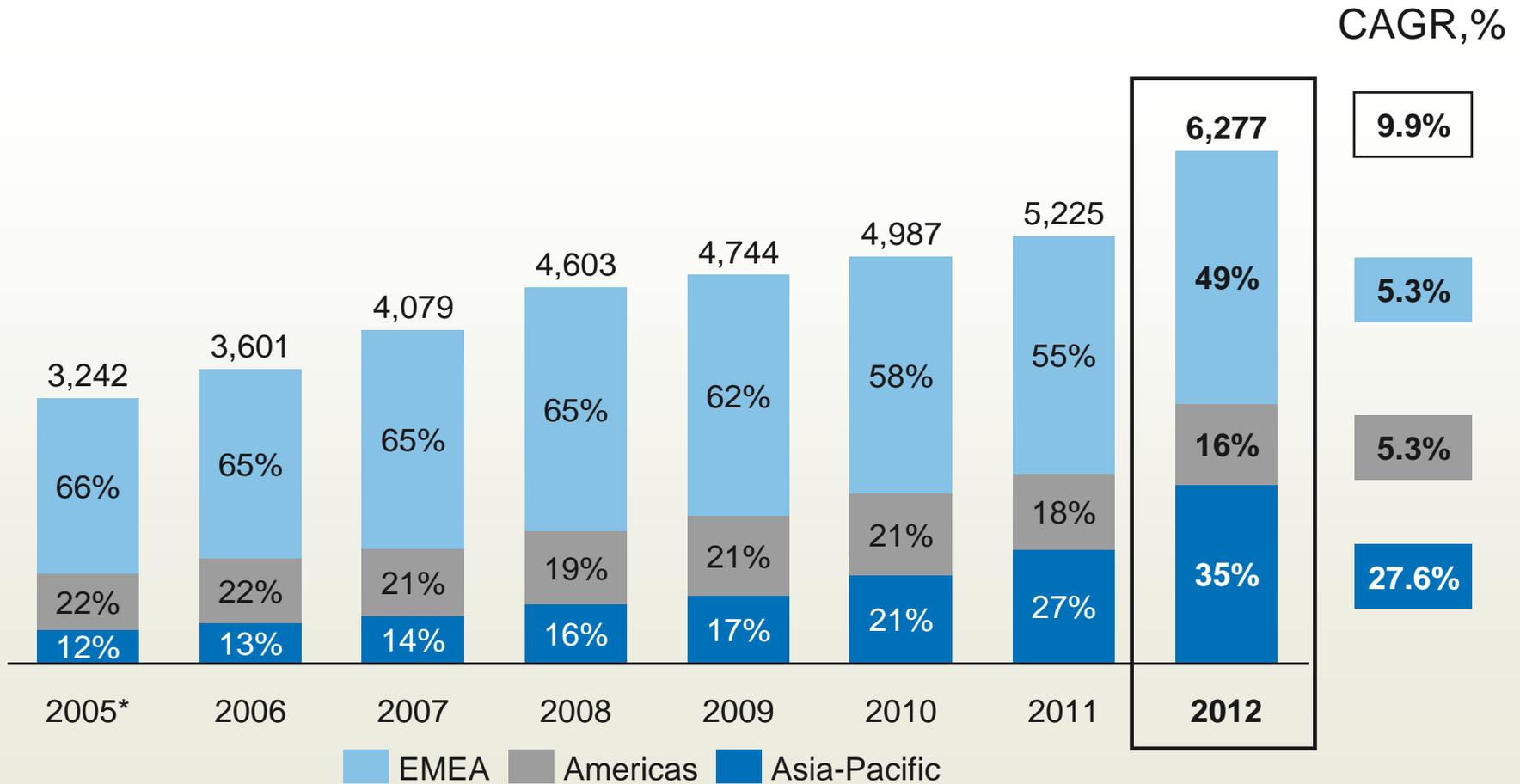
**KONE's maintenance base (in units)**

**>900,000**

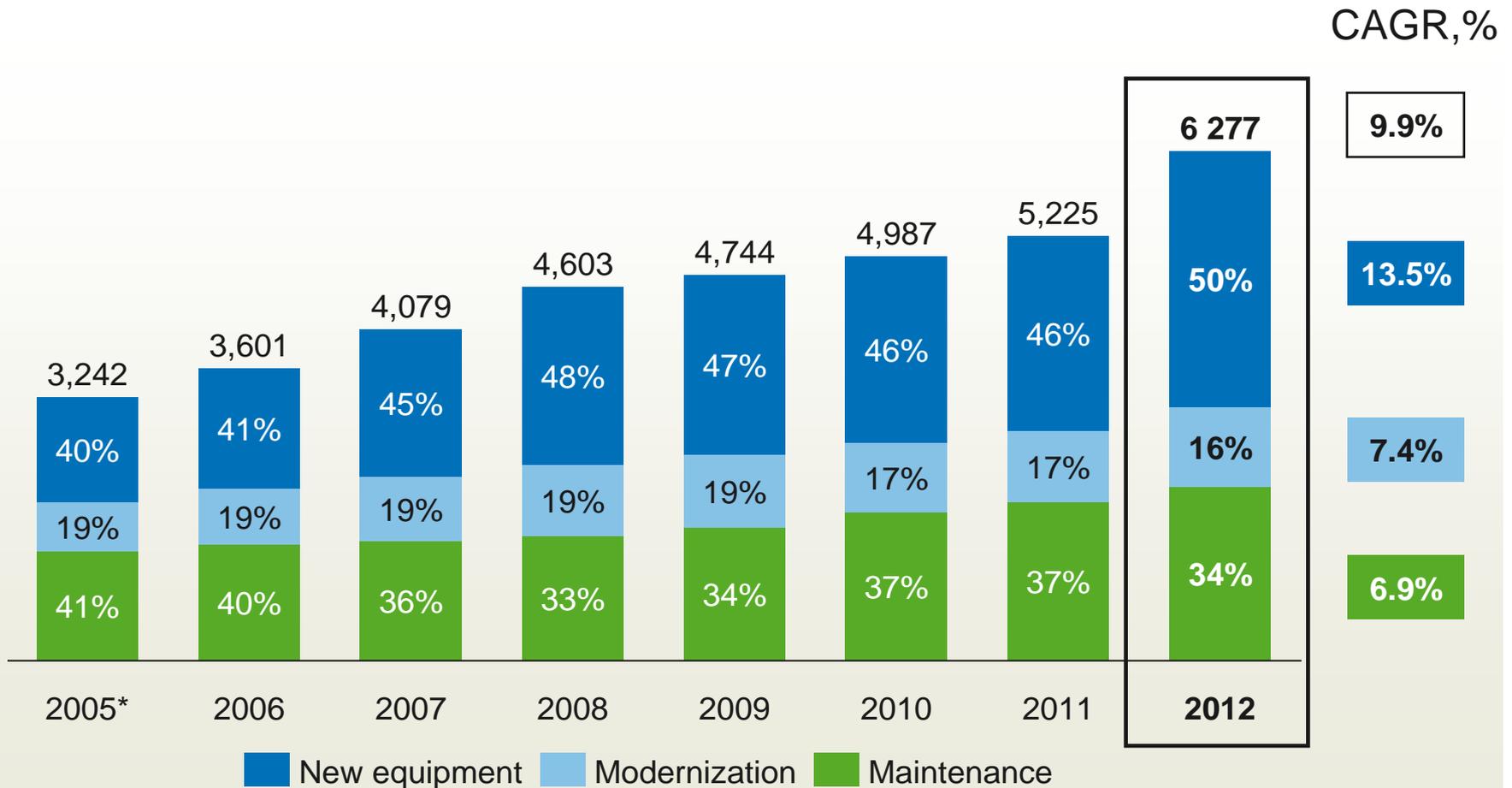


Based on KONE's estimate.  
EMEA = Europe, Middle East, Africa.

# Sales by market 2005–2012 (MEUR)



# Sales by business 2005–2012 (MEUR)



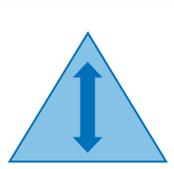
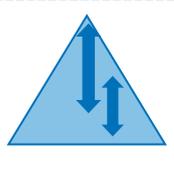
# New equipment: we have been able to grow our market share from 10% in 2005 to 18% in 2012



KONE's market position	2005		2009		2012
<b>EMEA:</b>					
Central and North Europe	nr. 2	→	nr. 2	→	shared nr. 1
South Europe	nr. 3	→	shared nr. 2	→	nr. 3
Middle East	nr. 4	→	nr. 3	→	nr. 1
Russia	nr. 4	→	nr. 4	→	nr. 4
<b>Asia-Pacific:</b>					
China	nr. 8	→	nr. 4	→	nr. 1
India	nr. 2	→	shared nr. 2	→	nr. 1
Southeast Asia	nr. 5	→	nr. 3	→	nr. 2
Australia	nr. 2	→	shared nr. 1	→	shared nr. 1
North America:	nr. 4	→	nr. 4	→	nr. 4

# We started to accelerate our development actions in China at the right time

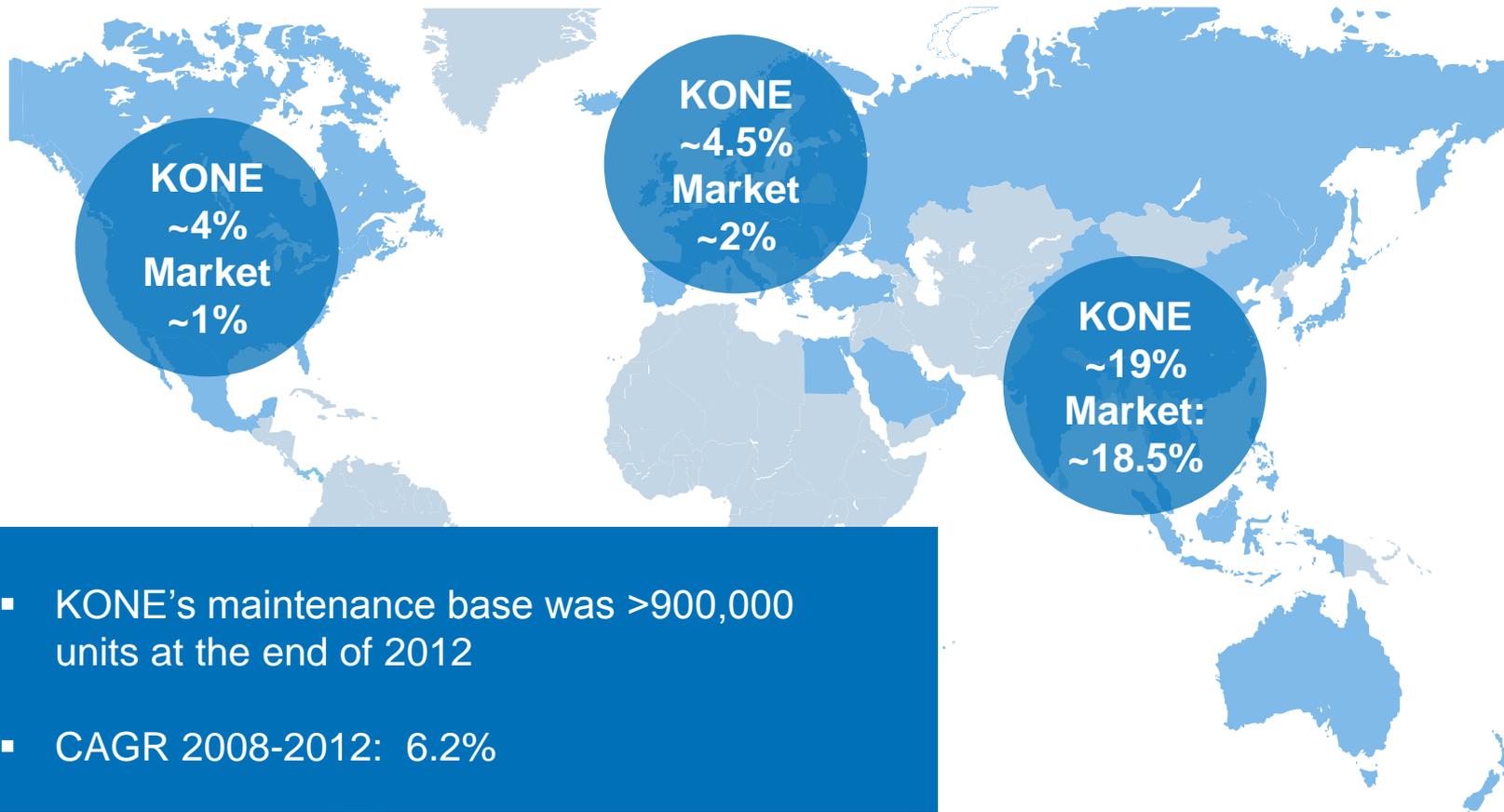


Focus areas	2005	2012	Future objectives	
<b>Expanding product portfolio</b>		KONE focused on higher mid-end segment	Broadly competitive offering for all segments	Continued close co-operation between local team and global R&D to further develop competitiveness
<b>Expanding geographical coverage</b>		Geographical coverage concentrated in larger cities	Approx. 400 locations	Ensure presence in all attractive growth regions
<b>Active talent management</b>		Target to attract the best talent and retain key people	Improved retention rate and employee satisfaction	Develop and promote internal talent; Attract external talent to support fast growth
<b>Two-brand strategy</b>		GiantKONE JV established – 40% ownership	Ownership in GiantKONE 80% – clearly differentiated role for each brand	Dual brand strategy to strengthen competitiveness further
<b>Building a leading maintenance business</b>		Small maintenance base; target to achieve fast growth	2005-2012 maintenance base CAGR close to 40%	Further expand the maintenance network, focus on conversions

# Maintenance: Solid growth in Europe and North America as well as continuing fast growth opportunities in Asia-Pacific



## KONE's maintenance base growth rate (CAGR) by region 2008—2012

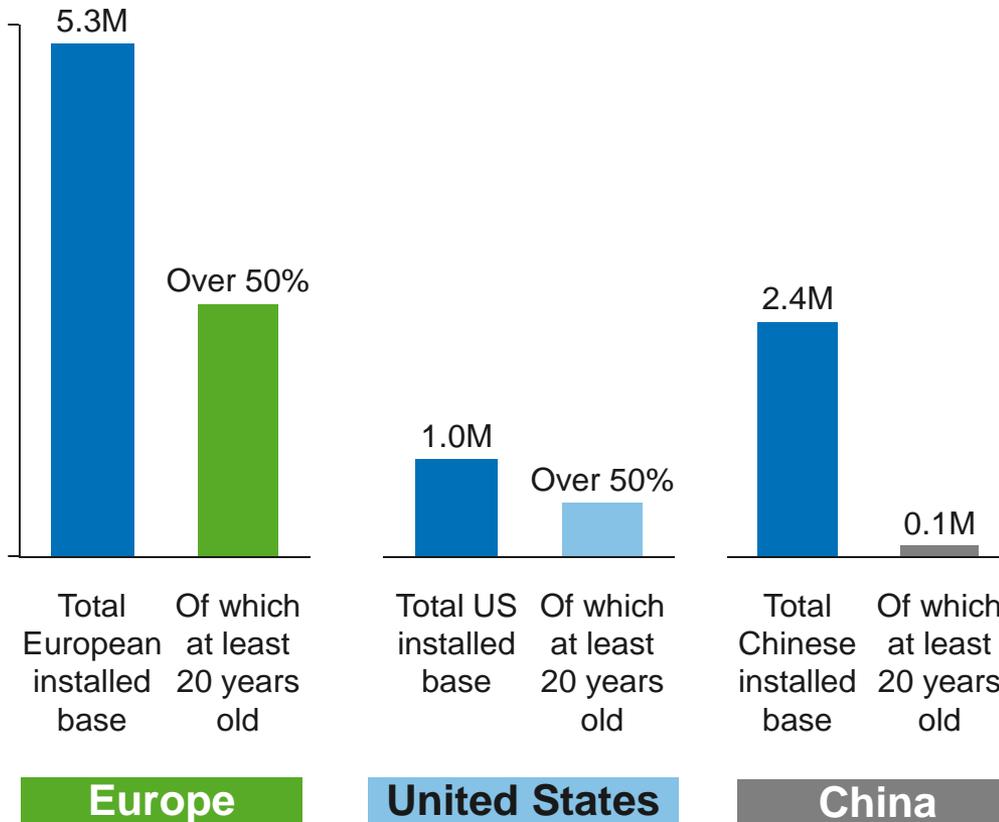


- KONE's maintenance base was >900,000 units at the end of 2012
- CAGR 2008-2012: 6.2%

# Modernization: we aim to capture the significant untapped modernization potential in Europe and North America



## Comparison of the age of installed E&E base by region, end of 2012



## We are focused on capturing the opportunity

- Increased focus on developing modernization sales capabilities and tools
- Developing a more granular understanding of growth opportunities
- Further improved competitiveness in the full replacement segment with new volume elevator offering

# Continued good progress with our Development Programs – case Innovative Solutions for People Flow™



Customer Experience

Employee Engagement

Innovative Solutions  
for People Flow™

Service Leadership

Delivery Chain Excellence

1. Launch of innovative KONE UltraRope™ hoisting technology
2. Roll-out of global volume elevator offering progressed according to plans
3. Launch of new escalator offering with further improved energy efficiency and versatile design options

In addition, KONE was ranked number 37 in the ranking of most innovative companies in the world by Forbes



## New equipment markets

- The market in Asia-Pacific is expected to grow clearly. The market in China is expected to grow by 10–15 % in 2013.
- The market in Central and North Europe is expected to decline and the market in South Europe to decline further from an already weak level.
- The market in North America is expected to continue to grow.

## Modernization markets

- The modernization market is expected to be at about the same level as in 2012 or decline slightly.

## Maintenance markets

- The maintenance market is expected to continue to develop rather well in most countries.



## Sales

- KONE's net sales is estimated to grow by 11–14% at comparable exchange rates as compared to 2012.

## Operating income

- The operating income (EBIT) is expected to be in the range of EUR 920–955 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of September 2013.

# Board of Directors proposes an extra dividend and a share issue without payment (split)



## Proposed extra dividend

- Extra dividend of EUR 1.30 per B share and EUR 1.295 per A share
- The proposed extra dividend would amount to EUR 332.8 million in total

## Proposed share issue without payment (split)

- Number of shares to be increased by issuing new shares to the shareholders without payment in proportion to their holdings
- Ratio of 1 for 1 for both classes of shares
- New shares issued will not be entitled to the proposed extra dividend



*Dedicated to People Flow™*

