

KONE CAPITAL MARKETS DAY 2012

# Accelerating the development of KONE's competitiveness

Matti Alahuhta, President & CEO

June 8, 2012

# Agenda



- KONE's performance
  - Global market in 2011 and KONE's market share development
  - Developing KONE further
  - Launching a new product offering
  - Market development in 2012
  - Market and business outlook

# We had a strong start to the year



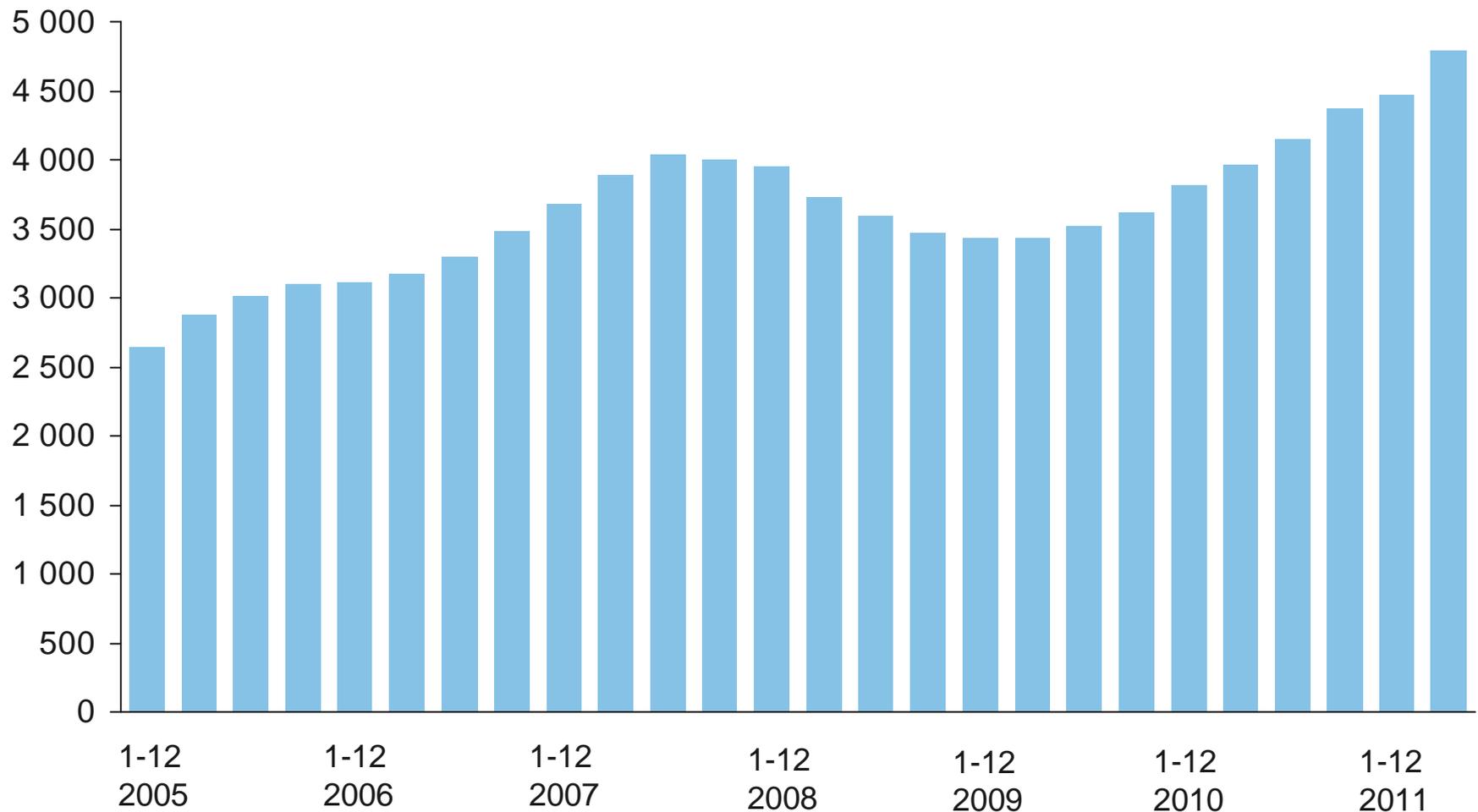
		Q1/2012	Q1/2011	Historical change	Comparable change
Orders received	MEUR	<b>1,365.9</b>	1,044.7	30.7%	27.1%
Order book	MEUR	<b>4,842.8</b>	3,737.5	29.6%	24.5%
Sales	MEUR	<b>1,241.3</b>	1,053.8	17.8%	15.1%
Operating income (EBIT)	MEUR	<b>132.7</b>	118.7	11.8%	
Operating income (EBIT)	%	<b>10.7</b>	11.3		
EBITA <sup>1)</sup>	MEUR	<b>141.4</b>	122.1	15.8%	
EBITA	%	<b>11.4</b>	11.6		
Cash flow from operations (before financial items and taxes)	MEUR	<b>248.3</b>	237.3		

1) Operating income excluding amortization of acquisition-related intangible assets.

# Our order intake has grown to a new level over the past 7 years



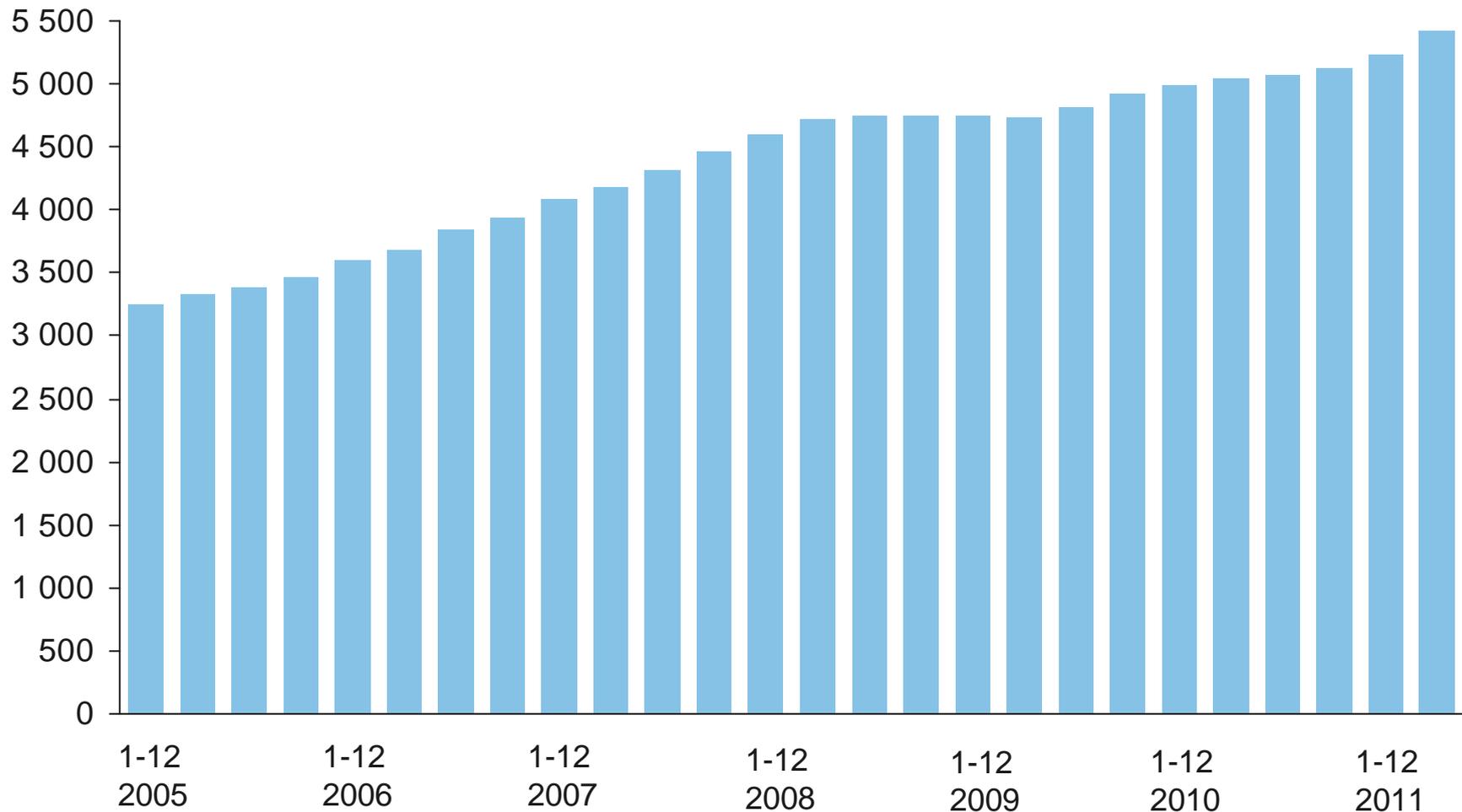
Quarterly Orders Received, 12 months rolling, Q4/2005-Q1/2012



# Sales has grown as a result of good progress in both new equipment and service business



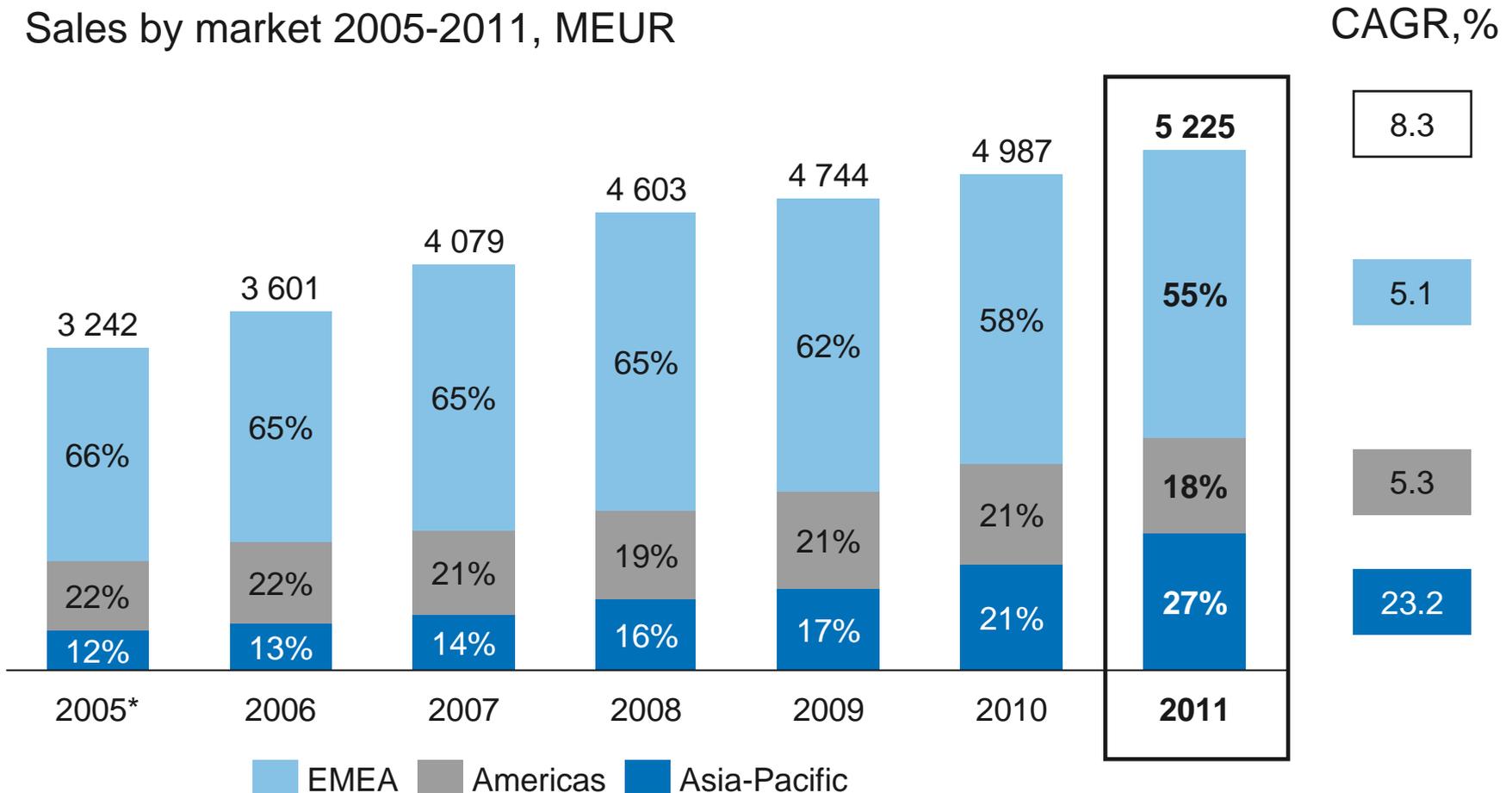
## Quarterly Sales, 12 months rolling, Q4/2005-Q1/2012



# 2011 Sales by market: Asia-Pacific's share of sales grew to 27% of total sales



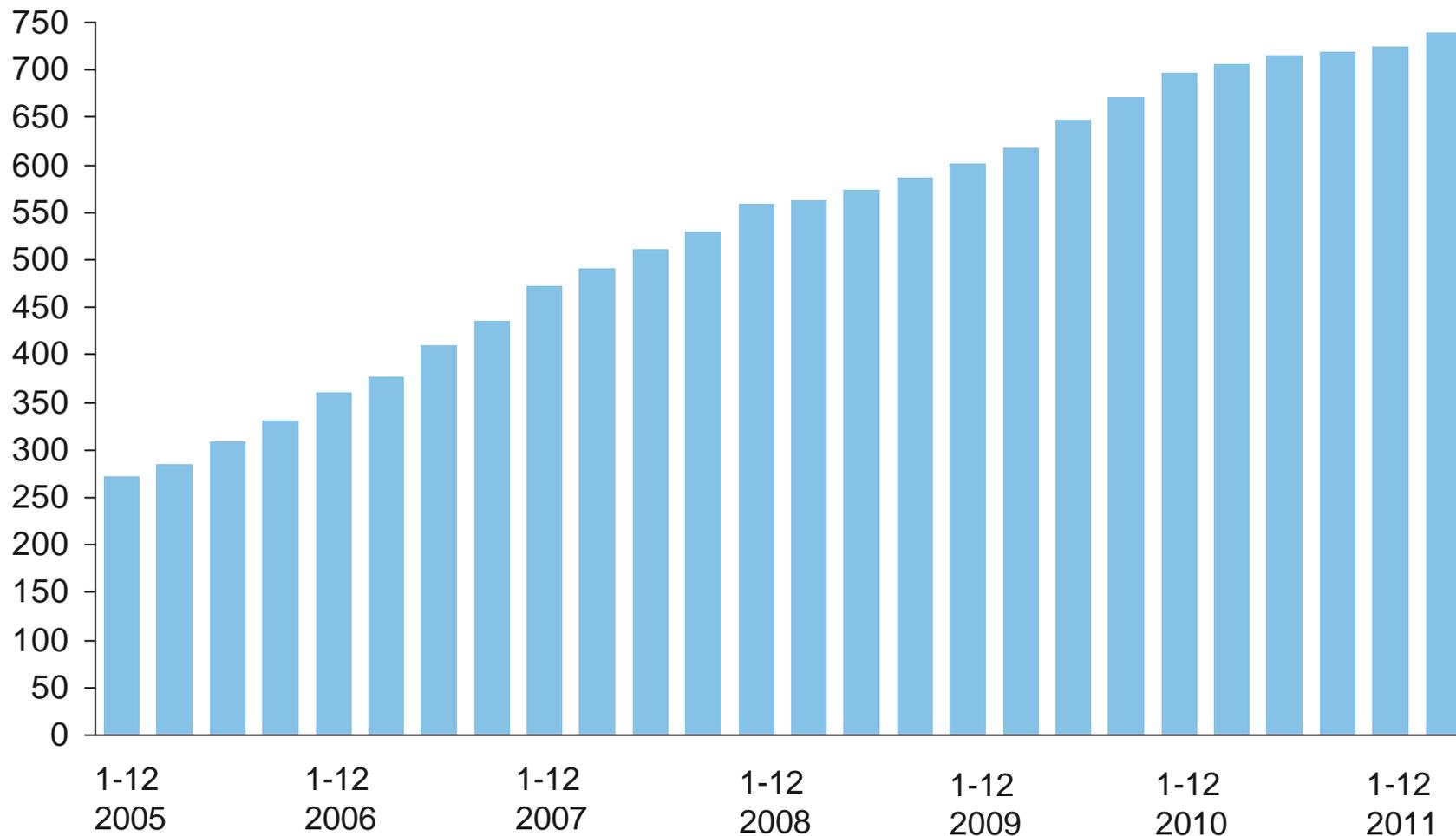
Sales by market 2005-2011, MEUR



# Our operating income has grown solidly



## Quarterly EBIT, 12 months rolling, Q4/2005-Q1/2012





- KONE's performance



- Global market in 2011 and KONE's market share development

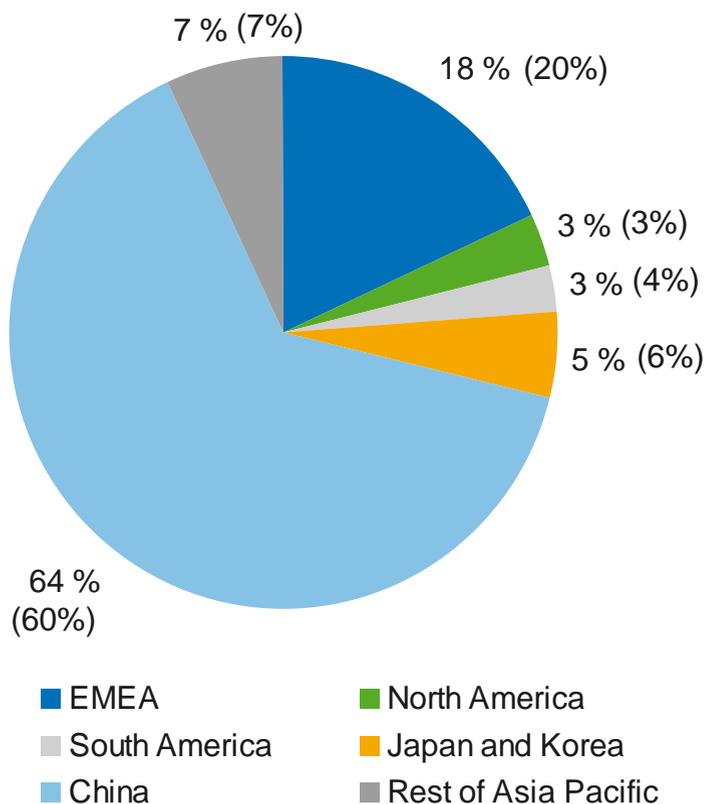
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# Elevator and escalator market in 2011

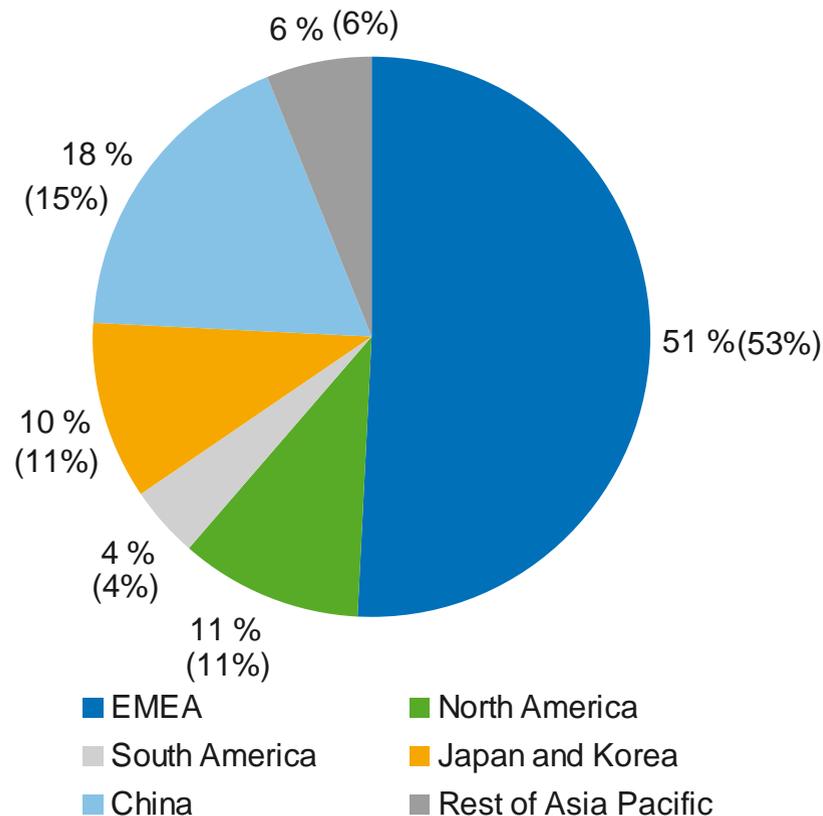


(2010 figures in brackets)

New elevator and escalator market 610,000 units



Elevators and escalators in operation 2011 ~11M units



# New equipment: we have been able to significantly grow our market share

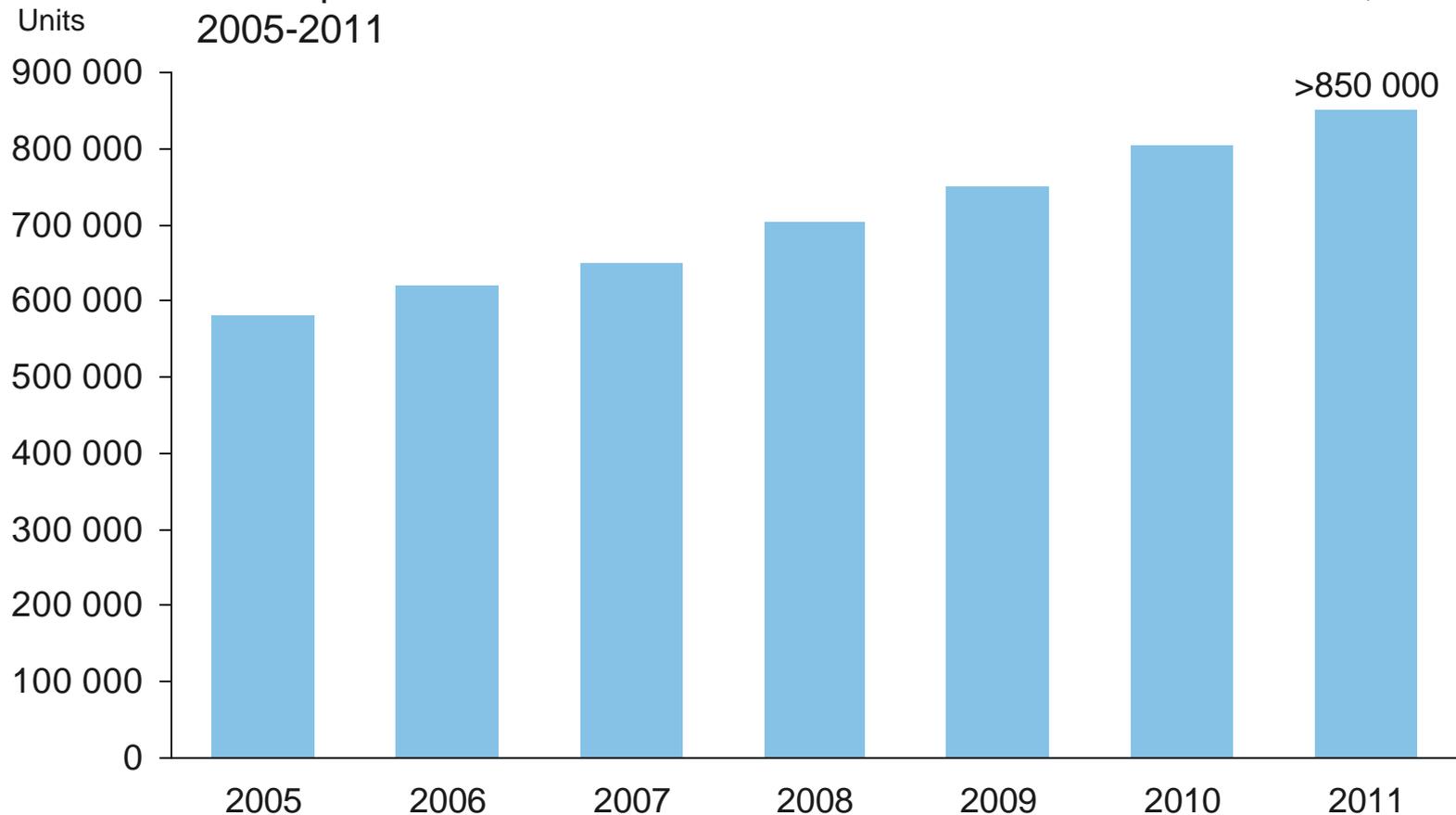


KONE's market position	2005		2009		2011
<b>EMEA:</b>					
Central and North Europe	nr. 2	→	nr. 2	→	shared nr. 1
South Europe	nr. 3	→	shared nr. 2	→	nr. 2
Middle East	nr. 4	→	nr. 3	→	nr. 2
Russia	nr. 4	→	nr. 4	→	nr. 4
<b>Asia-Pacific:</b>					
China	nr. 8	→	nr. 4	→	nr. 2
India	nr. 2	→	shared nr. 2	→	nr. 1
Southeast Asia	nr. 5	→	nr. 3	→	nr. 3
Australia	nr. 2	→	shared nr. 1	→	nr. 1
North America:	nr. 4	→	nr. 4 with significantly improved market share	→	nr. 4 with further improved market share

# Service: our maintenance base has grown steadily – we continue to be an active challenger



Development of KONE's elevator and escalator maintenance base, 2005-2011



Maintenance base growth CAGR 2005-2011: 6,7%



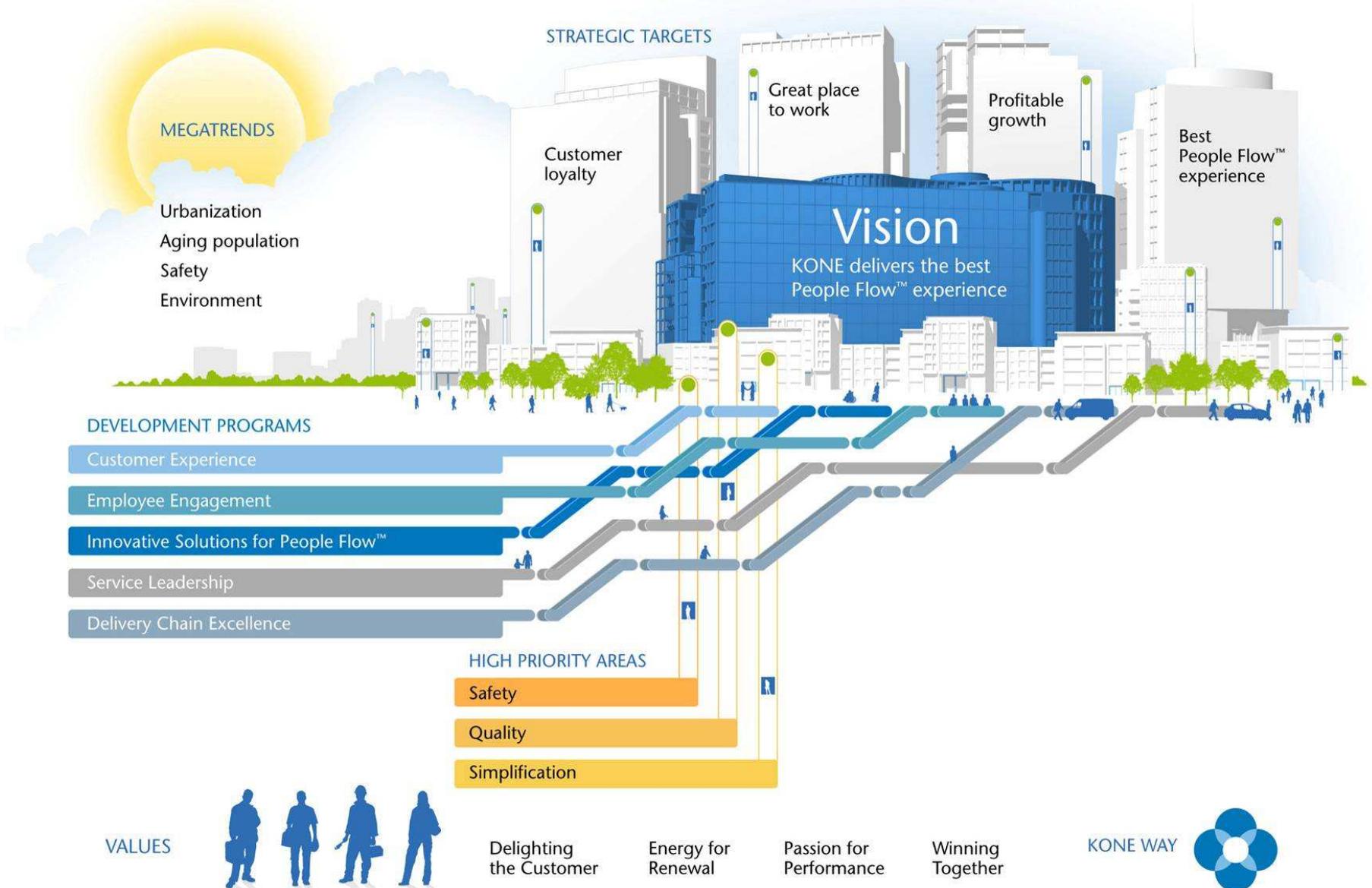
- KONE's performance
- Global market in 2011 and KONE's market share development



## ▪ Developing KONE further

- Launching a new product offering
- Market development in 2012
- Market and business outlook

# We have accelerated the development of our competitiveness



# Our Development Programs provide focus areas in developing our operations



Customer Experience

Employee Engagement

Innovative Solutions for People Flow®

Service Leadership

Delivery Chain Excellence



- Develop communication with customers in all touch points
- Increase granularity in market understanding
- Improve impact and efficiency of sales teams



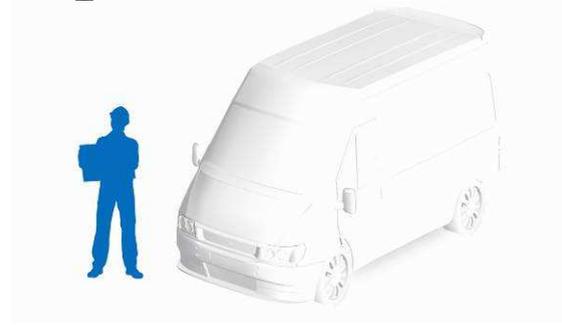
- Develop leadership capabilities
- Improve professional growth opportunities
- Promote well-being



- New global product offering
  - Ride comfort
  - Visual design
  - Eco-efficiency
- Improve cost competitiveness in all product categories



- Shorten follow-up cycles
- Further develop field mobility tools
- Train and coach technicians, supervisors and service managers
- Develop modernization product offering, sales and processes



- Implement LEAN and SixSigma
- Fast ramp-up of new products
- Business specific delivery chain



Our objective is to continuously take the difficult market situation as an opportunity in the current uncertain environment



- Stronger differentiation from competition with our development programs
- Focus on growth markets and segments
- Improving quality and productivity
- Development of personnel

# We measure our performance in five key areas to assess our development



Customer satisfaction

Target: Continuously improved customer loyalty

Employee satisfaction

Target: Continuously improved employee engagement

Faster than market growth

Target: Continue to grow faster than the market

Financial performance vs. competition

Target: Better financial development than that of key global competitors

Sustainability

Target: Good progress in the area of sustainability



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# We have worked very actively to further improve our product competitiveness



- Developing innovative solutions for People Flow® is a key focus area and one of our five Development Programs
- We have increased our R&D expenditure
- We have now introduced a new global product offering

# The new offering covers our global volume elevator range



60%

of new  
equipment volume

90%

of full  
replacement volume

Machine-room-less and small machine room  
elevators for residential, hotel,  
office and retail segments



# The new offering features significant developments in competitiveness and added value for customers



## USER EXPERIENCE

- Improved ride comfort
- Enhanced visual design

## CUSTOMER EXPERIENCE

- Better eco-efficiency
- Improved space efficiency
- KONE is an even closer and more dedicated partner to our customers

## IMPROVED TECHNOLOGY

- Harmonized and modular global product platform:
  - New machines, hoisting mechanics
  - Cars, slings, signalization, visuals
- Simplification across product range

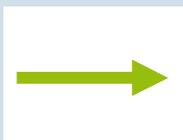


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# Central and North Europe: New equipment market stable or slightly declining

## NEW EQUIPMENT



Market stable or decreasing slightly

- Market at a relatively good level in Germany, Austria, Switzerland and the Nordic countries
- Market weak in the Netherlands, Ireland and parts of eastern Europe

## MODERNIZATION



Market stable or declining slightly

## MAINTENANCE



Market developing well, but pricing environment challenging

Source: Based on KONE's estimate.

# South Europe: Continued weakness

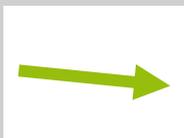
## NEW EQUIPMENT



### Market continues to weaken

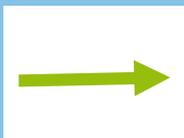
- France: market declining slightly
- Italy: market continues to decline
- Spain: market at a very low level

## MODERNIZATION



Market declining slightly

## MAINTENANCE



Intense price competition

Source: Based on KONE's estimate.

# Middle East and Russia: Continued growth

## NEW EQUIPMENT

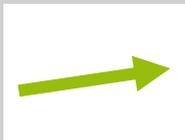


Most markets in the Middle East developing positively

- Saudi Arabia: continued growth
- United Arab Emirates: some signs of market recovery

Continued gradual growth in Russia

## MODERNIZATION



Markets still small, but growing

## MAINTENANCE



Markets developing positively

Source: Based on KONE's estimate.

# North America: Gradual recovery

## NEW EQUIPMENT

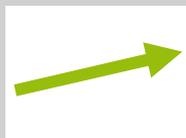


United States: continued gradual recovery in the market with regional variations

Canada: stable market at a good level

Mexico: stable market

## MODERNIZATION



Market continues to grow

## MAINTENANCE



Market developing well, but pricing environment remains intense

Source: Based on KONE's estimate.

# Asia-Pacific: Slower growth than last year

## NEW EQUIPMENT



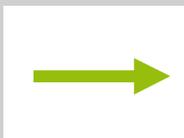
China: continued growth but at a lower rate than earlier; the affordable housing segment growing the fastest

India: market growing slightly despite continued financing constraints

Australia: market declining due to longer lead times in decision-making

Southeast Asia: continued growth

## MODERNIZATION



Market declining slightly in Australia

## MAINTENANCE



Continued good development

Source: Based on KONE's estimate.



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- The new equipment markets are expected to continue to grow in Asia-Pacific, but at a significantly lower rate than in 2011, and there is uncertainty related to the development in the second half of the year.

The markets in Central and North Europe are expected to remain relatively stable or decline slightly, and the markets in South Europe are expected to decline from an already weak level.

The market in North America is expected to continue to gradually recover from a low level.

- The modernization markets are expected to be at about the same level as in 2011 or grow slightly.
- The maintenance markets are expected to continue to develop well.



- KONE's net sales is estimated to grow by 10-15% at comparable exchange rates as compared to 2011.
- The operating income (EBIT) is expected to be in the range of EUR 750-800 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2012.



*Dedicated to People Flow™*

