

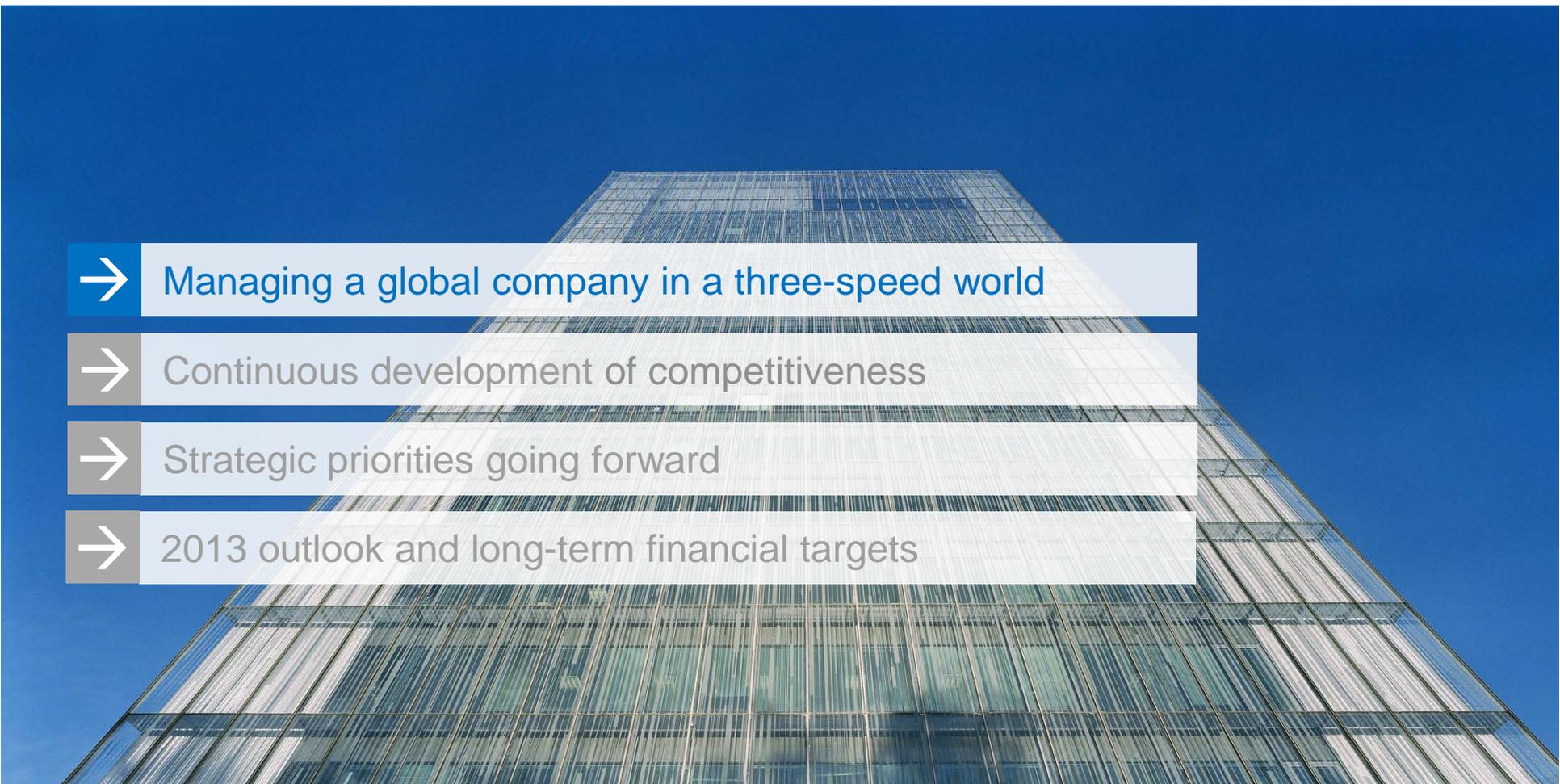
KONE CMD 2013

Strong progress in an uncertain environment

Matti Alahuhta, President & CEO

September 24, 2013

Agenda

The background of the slide is a low-angle, upward-looking photograph of a modern skyscraper with a glass facade. The building's lines converge towards the top of the frame, creating a strong sense of height and perspective against a clear blue sky.

→ Managing a global company in a three-speed world

→ Continuous development of competitiveness

→ Strategic priorities going forward

→ 2013 outlook and long-term financial targets

January–June 2013: Very strong development

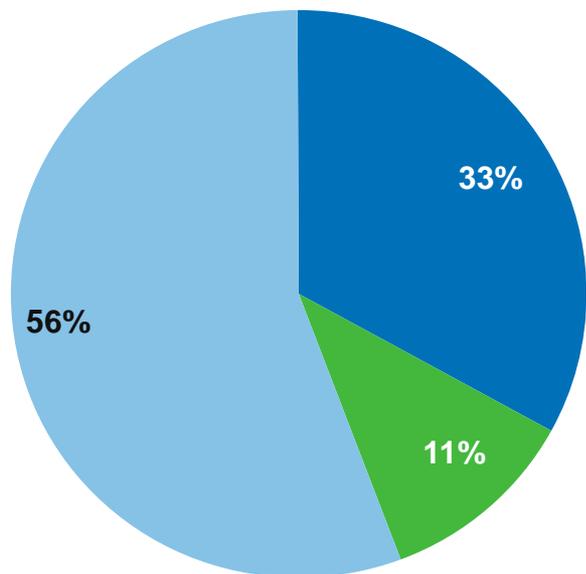


		1–6/2013	1–6/2012	Historical change	Comparable change
Orders received	MEUR	3,350.6	2,879.3	16.4%	16.3%
Order book	MEUR	5,874.4	5,305.3	10.7%	14.1%
Sales	MEUR	3,160.4	2,785.4	13.5%	13.7%
Operating income (EBIT)	MEUR	403.2	344.9 ¹⁾	16.9%	
Operating income (EBIT)	%	12.8	12.4 ¹⁾		
EBITA	MEUR	413.1	362.2 ¹⁾	14.1%	
EBITA	%	13.1	13.0 ¹⁾		
Cash flow from operations (before financing items and taxes)	MEUR	623.2	448.4		

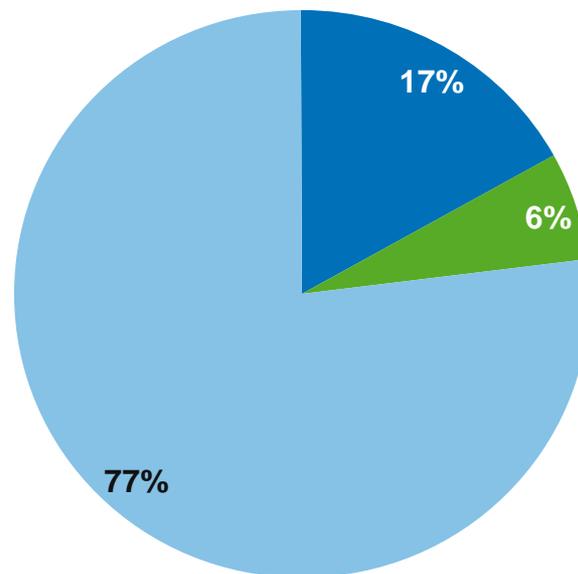
1) Excluding a MEUR 37.3 one-time cost related to the support function development and cost adjustment programs. Comparative figures for 2012 have been restated according to the revised IAS 19 'Employee Benefits'.

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)

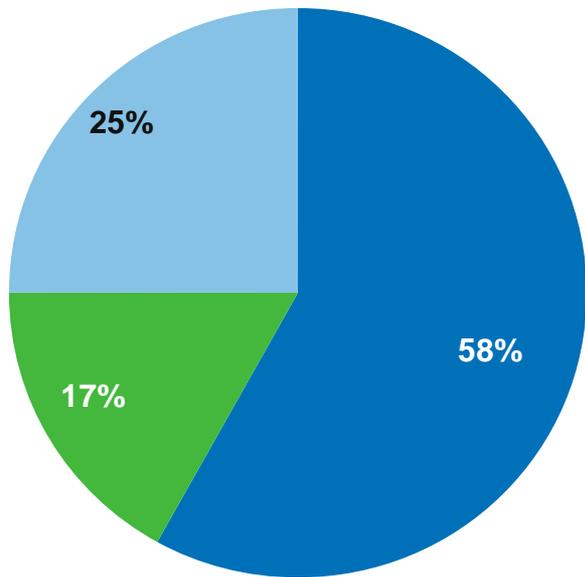
18%

■ EMEA
 ■ Americas
 ■ APAC

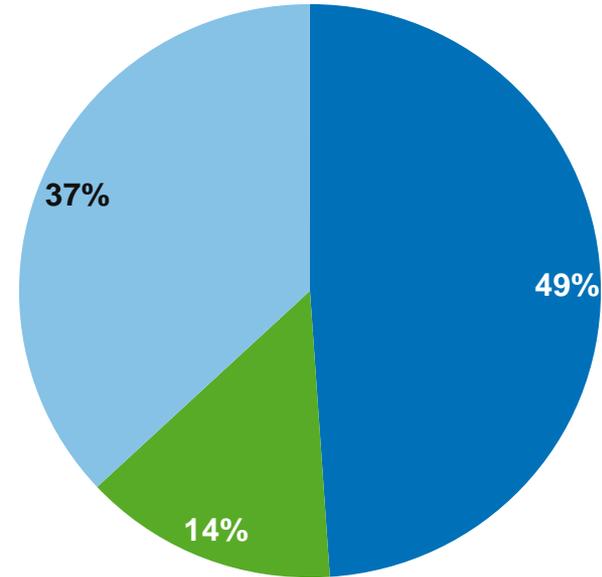
EMEA continues to represent ~50% of the global E&E maintenance base



Elevators and escalators in operation in 2007: 8.7 million units



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



KONE's maintenance base (in units)

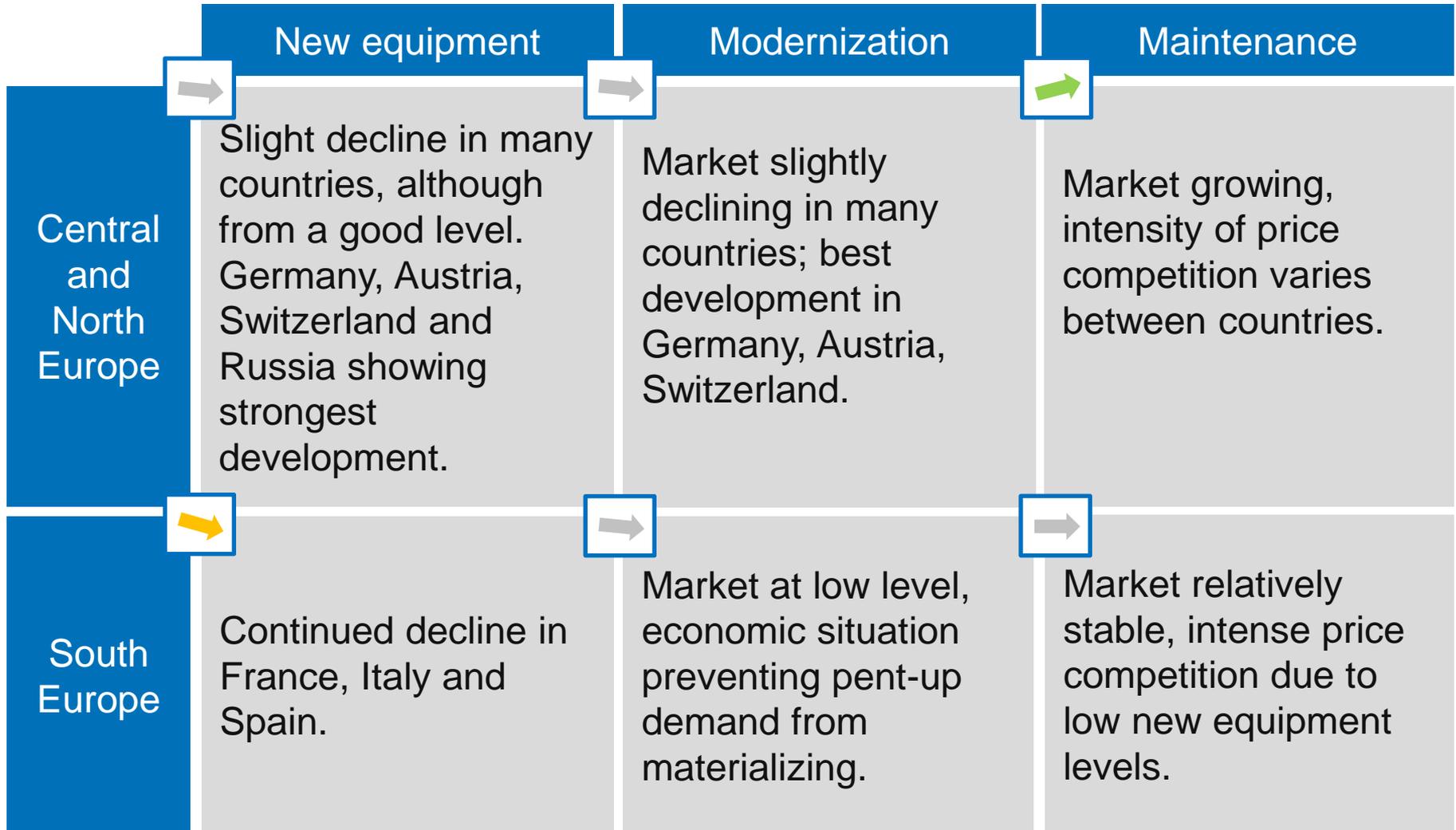
~650,000

KONE's maintenance base (in units)

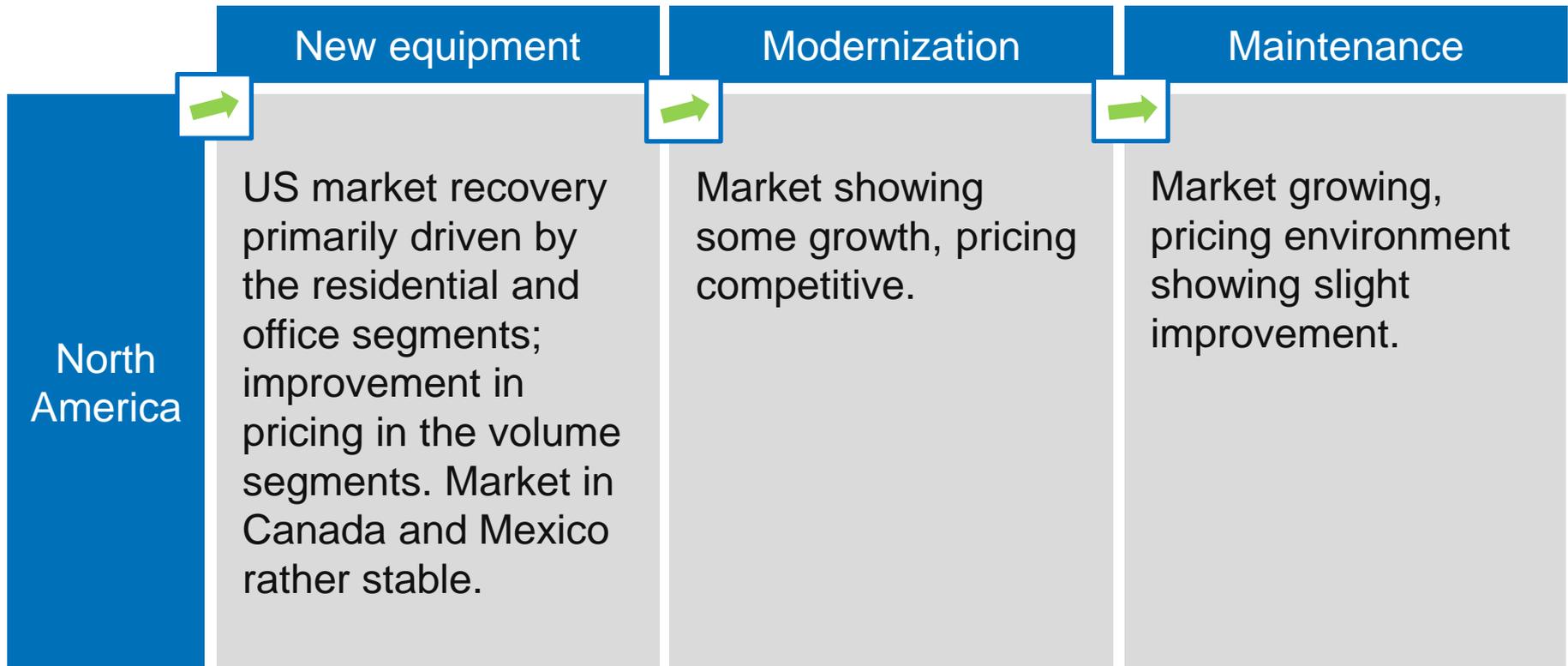
>900,000

EMEA Americas APAC

A three-speed world: **European** markets remain challenging



A three-speed world: **North American** markets, particularly the US, are recovering



A three-speed world: **Asia-Pacific** and the **Middle East** are driving global growth



	New equipment	Modernization	Maintenance
China	 <p>Demand driven by residential and commercial segments; intense price competition.</p>	 <p>Still a very small market due to rebuild of buildings, but some opportunities in the larger cities.</p>	 <p>Good growth; price competition intense in affordable housing; wage inflation high.</p>
India	 <p>Growth, but macro uncertainties high.</p>	 <p>Market growing, but some impact from uncertainty.</p>	 <p>Market growing; high wage inflation.</p>
Southeast Asia and Australia	 <p>Good growth in Southeast Asia, demand picking up in Australia.</p>	 <p>Market improving in Australia, opportunities also in Southeast Asia.</p>	 <p>Good market growth; high wage inflation in Southeast Asia.</p>
Middle East	 <p>Saudi Arabia driving growth.</p>	 <p>Moderate growth on the market.</p>	 <p>Market growing.</p>

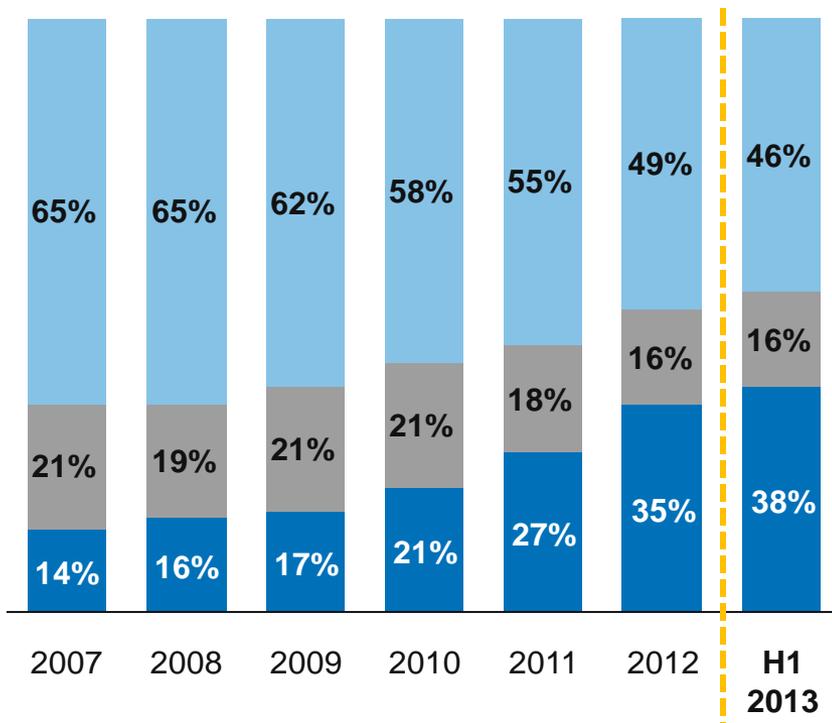
Strong growth in new equipment in Asia has made our geographic mix more balanced



The weight of Asia-Pacific has increased...

Sales by market 2007 – H1 2013

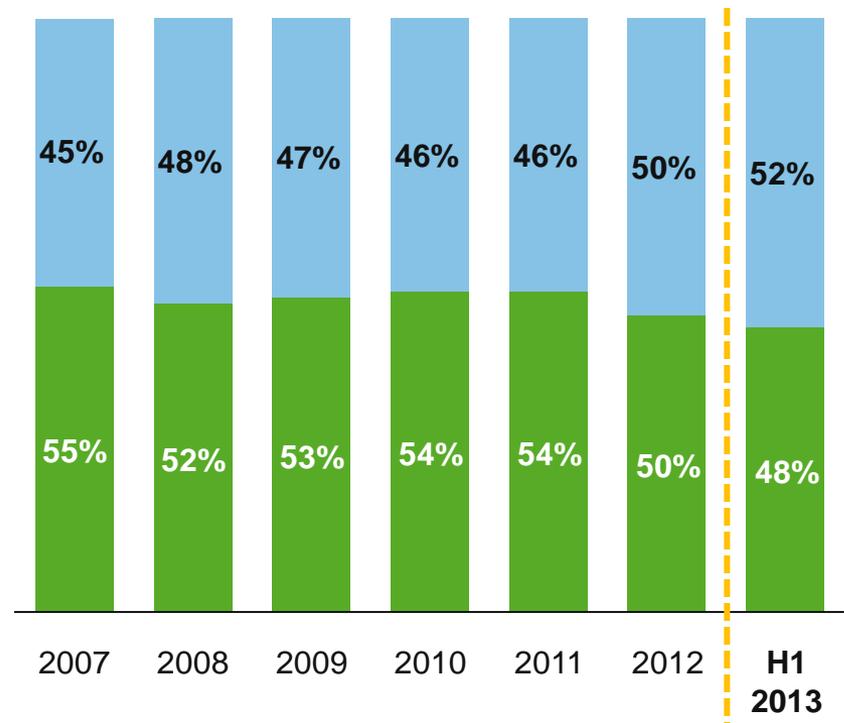
EMEA Americas Asia-Pacific



...as well as the share of new equipment

Sales by business 2007 – H1 2013

New equipment Service



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

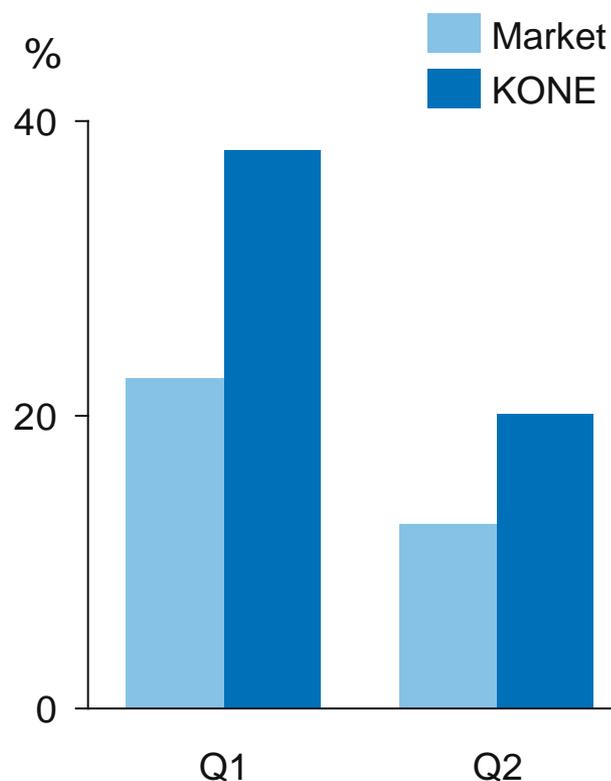


KONE's market position	2005		2009		2012
EMEA:					
Central and North Europe	nr. 2	→	nr. 2	→	shared nr. 1
South Europe	nr. 3	→	shared nr. 2	→	nr. 3
Middle East	nr. 4	→	nr. 3	→	nr. 1
Russia	nr. 4	→	nr. 4	→	nr. 4
Asia-Pacific:					
China	nr. 8	→	nr. 4	→	nr. 1
India	nr. 2	→	shared nr. 2	→	nr. 1
Southeast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

KONE further strengthened its position in China in 1H/2013



Market and KONE growth in new E&E units in 1H/2013, %

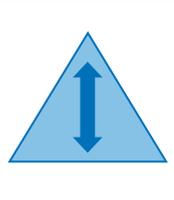


KONE development in 1H/2013

- KONE grew clearly faster than the market in 1H/2013, with good margins
- KONE and GiantKONE's pricing positions complement each other
- KONE's new volume elevators NMiniSpace and NMonoSpace launched in 2012 with solid volume growth
- GiantKONE's new product launched at the end of 2012 to target affordable housing market well received by the market
- Rapid growth of KONE's service business in China continues

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

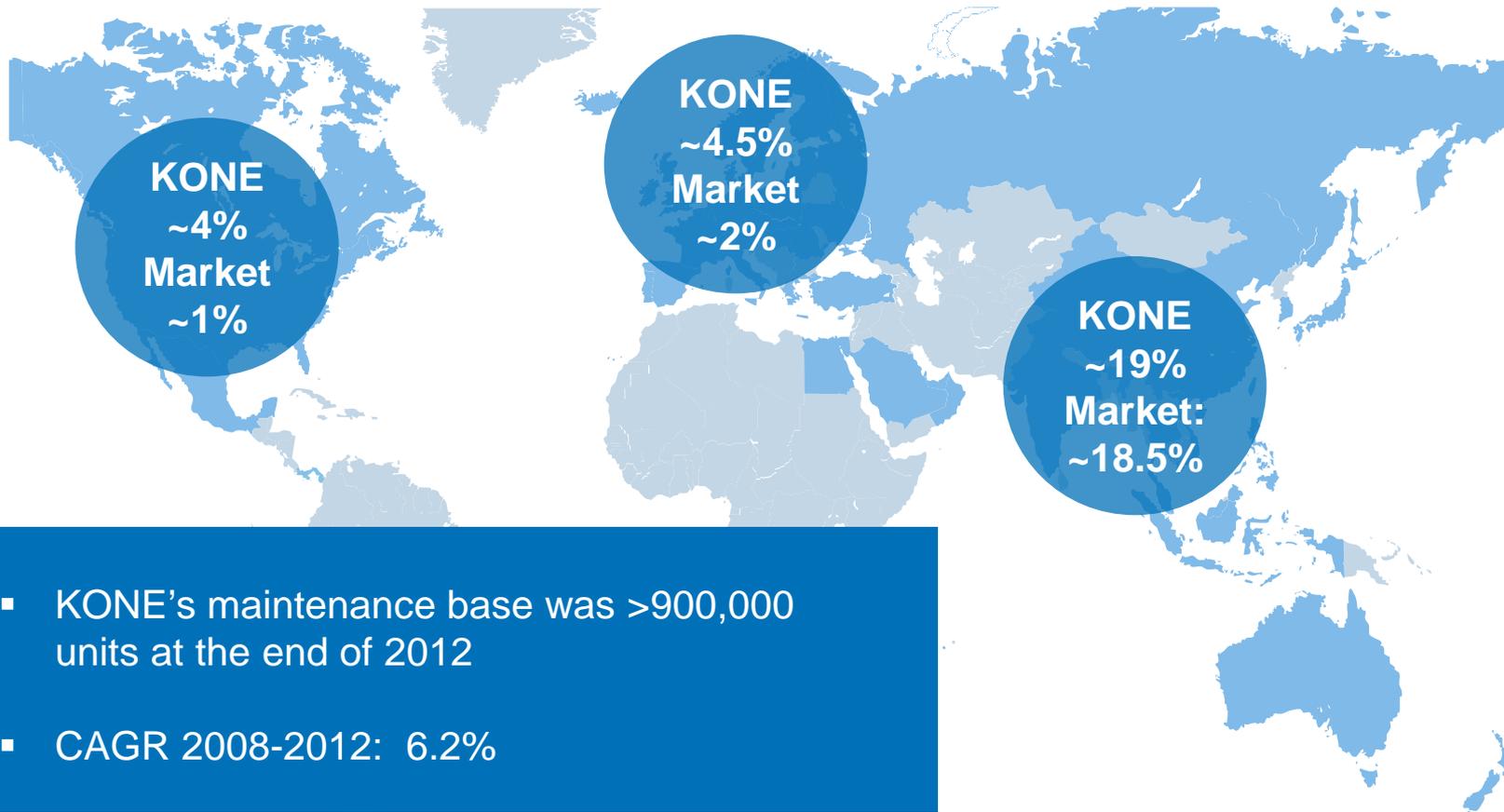


Focus areas	2005	2012	Future objectives	
Expanding product portfolio		KONE focused on higher mid-end segment	Broadly competitive offering for all segments	Continued close co-operation between local team and global R&D to further develop competitiveness
Expanding geographical coverage		Geographical coverage concentrated in larger cities	Approx. 400 locations	Ensure presence in all attractive growth regions
Active talent management		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
Two-brand strategy		GiantKONE JV established – 40% ownership	Ownership in GiantKONE 80% – clearly differentiated role for each brand	Dual brand strategy to strengthen competitiveness further
Building a leading maintenance business		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

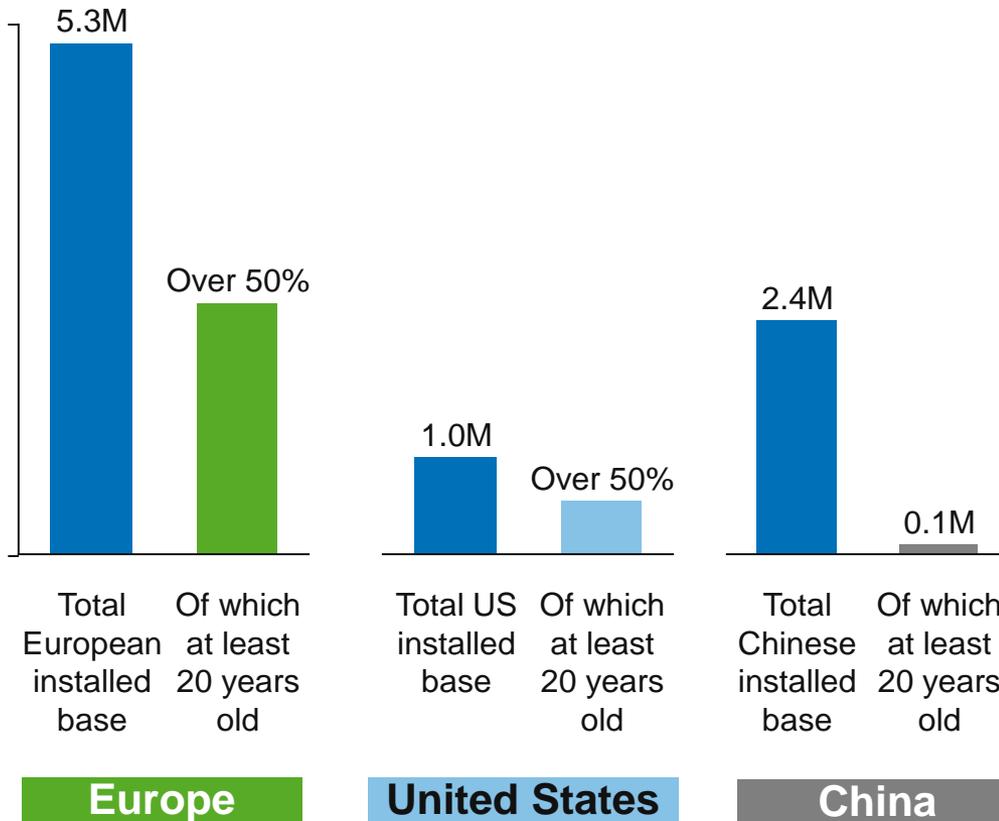


- KONE's maintenance base was >900,000 units at the end of 2012
- CAGR 2008-2012: 6.2%

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

Since the financial crisis, our approach has been to take the challenging situation as an opportunity



More granular market understanding in order to have better focus on growth opportunities

New equipment market share from 12% in 2007 to 18% in 2012

Acceleration of development programs

Continued strengthening of competitiveness throughout the business system

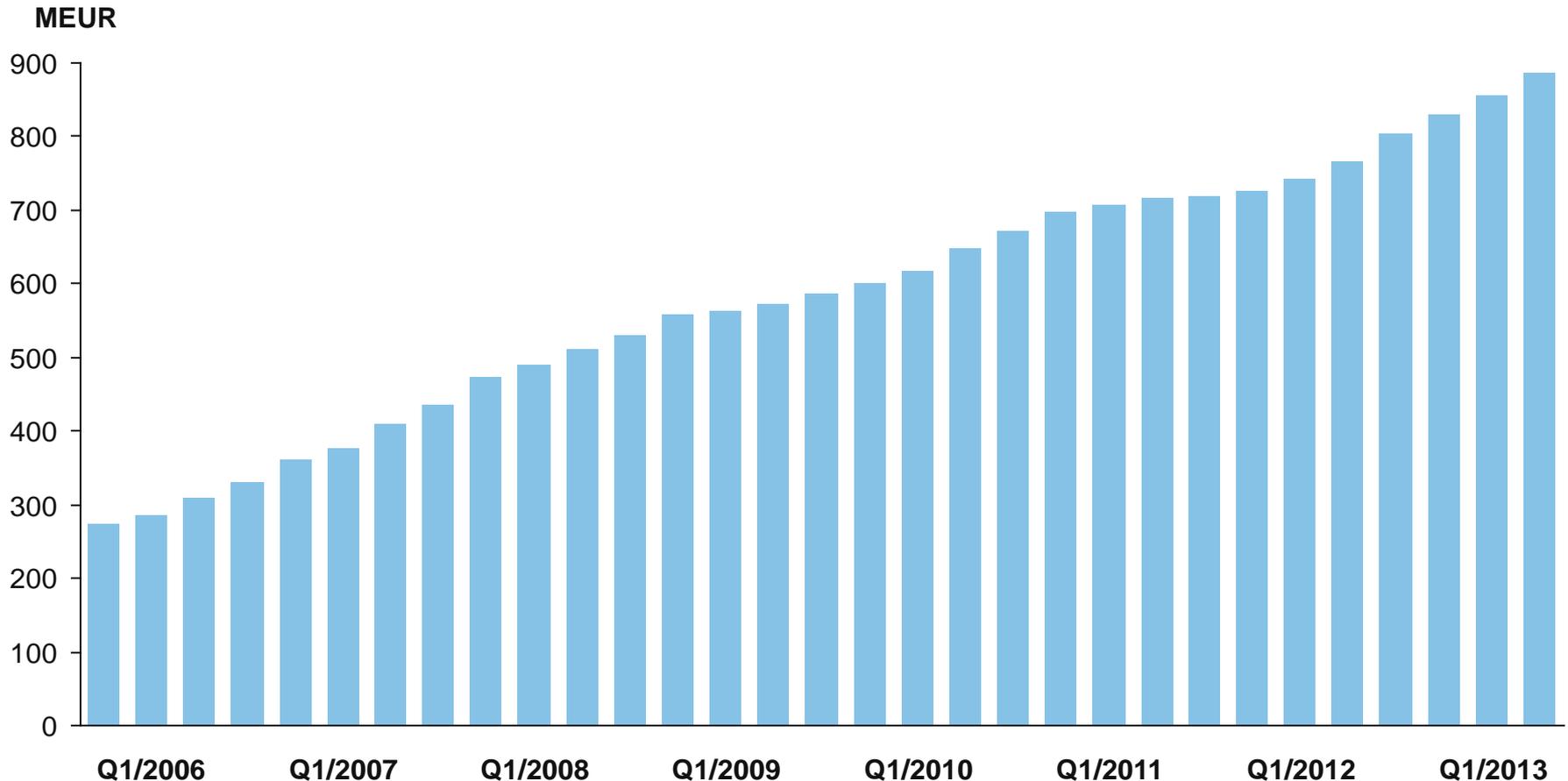
Increasing investments in people development

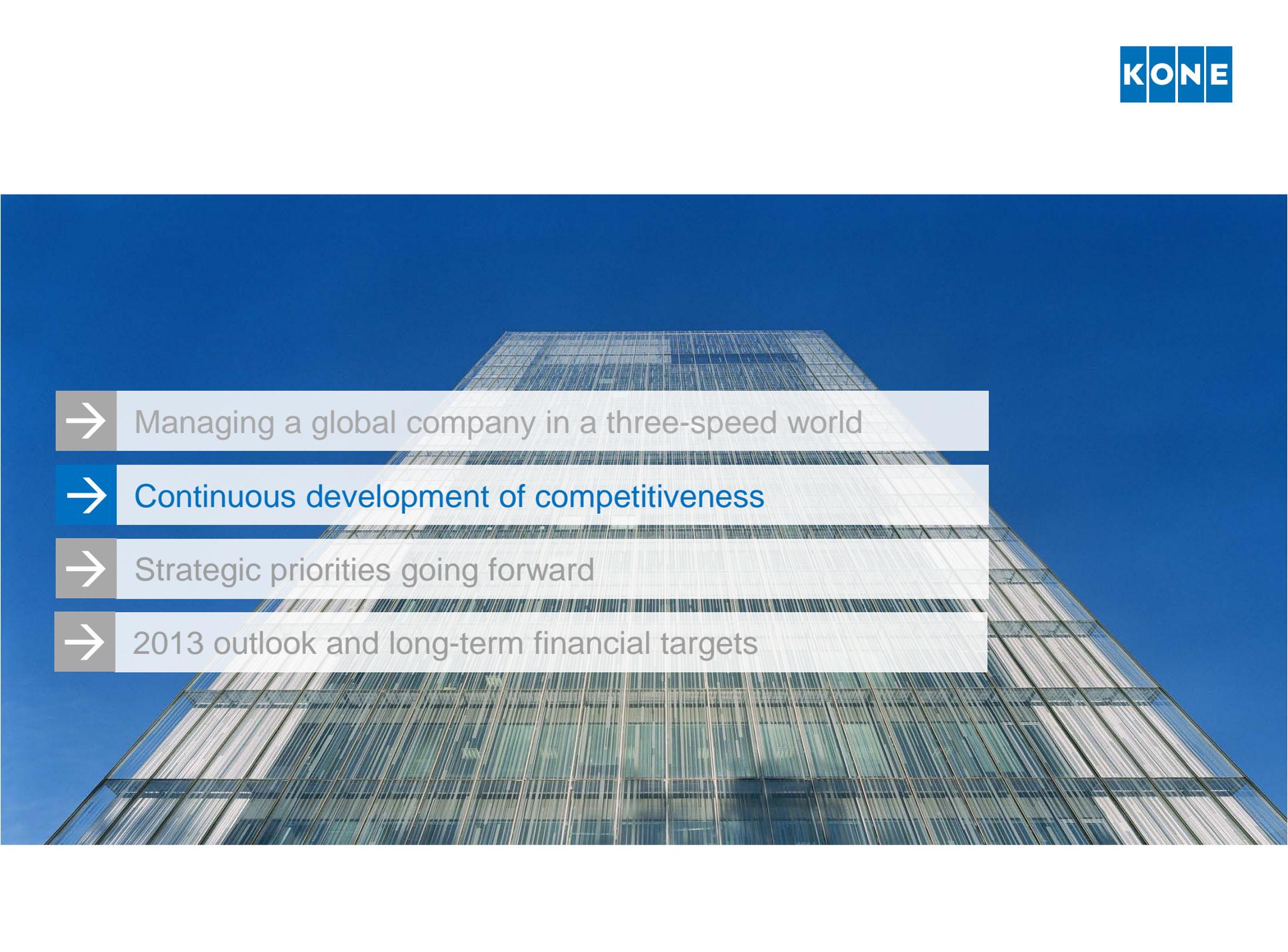
Improved employee satisfaction and engagement

Active development of competitiveness has enabled continued EBIT growth



12 months quarterly rolling absolute EBIT progression, Q4/2005-Q2/2013



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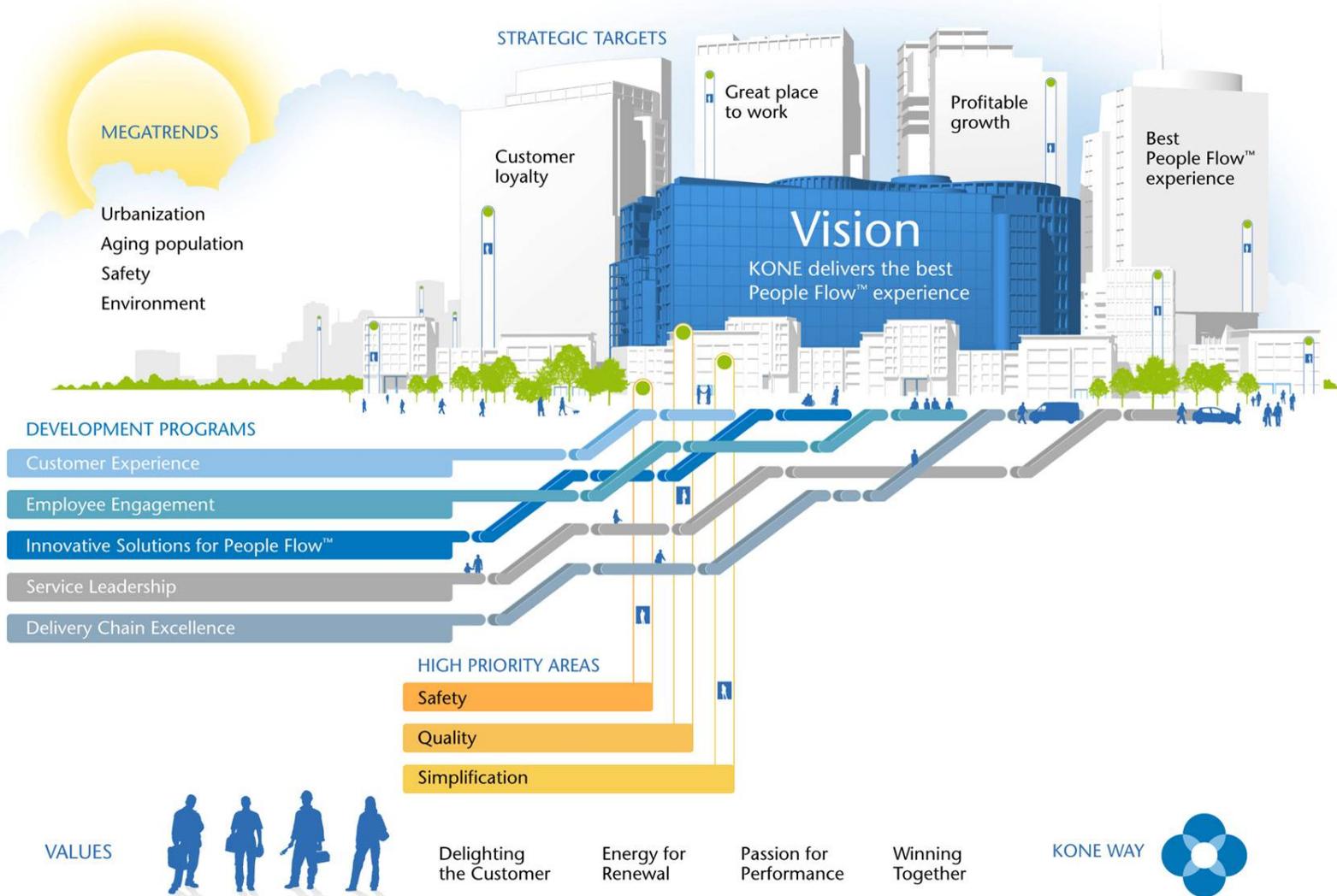
→ Managing a global company in a three-speed world

→ Continuous development of competitiveness

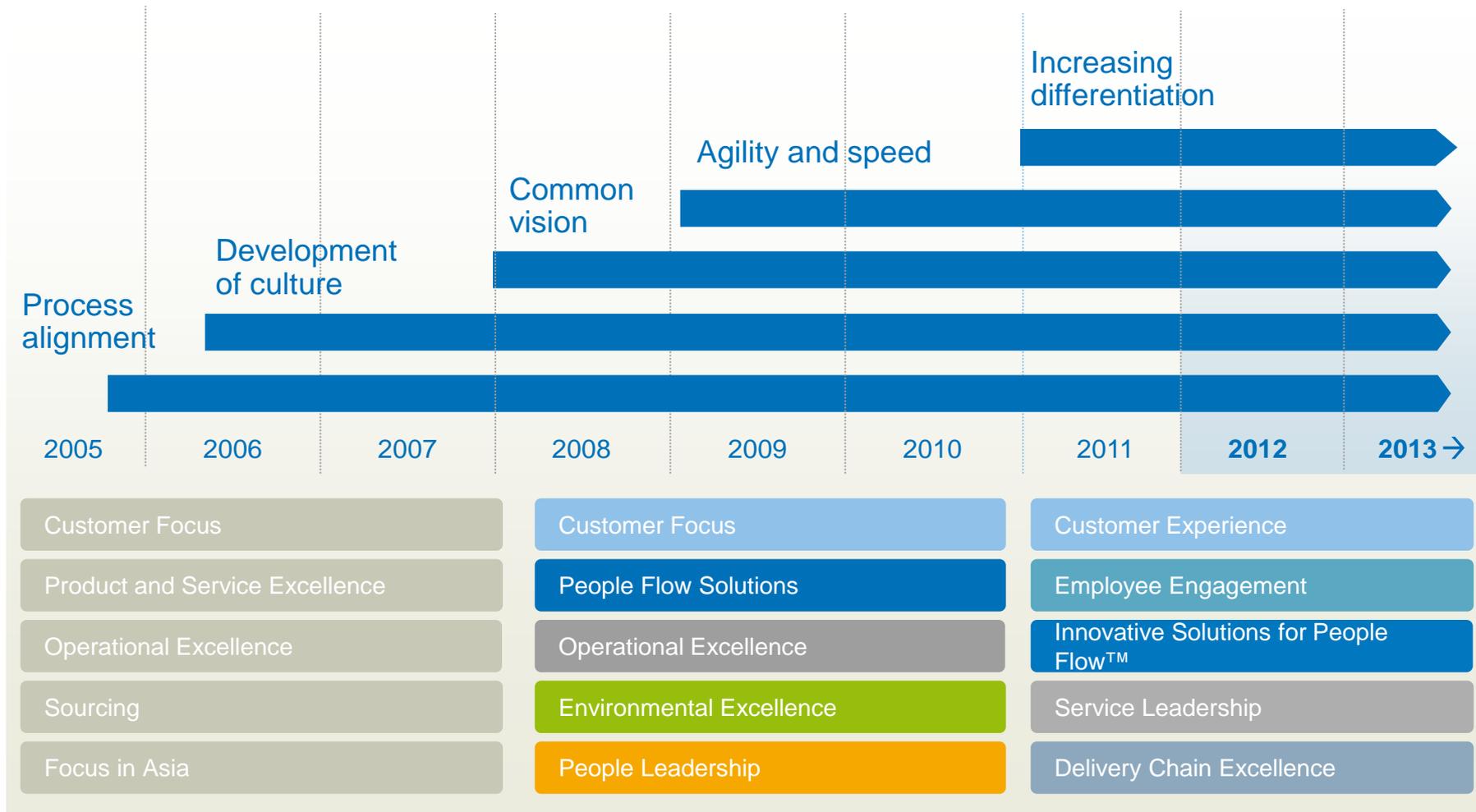
→ Strategic priorities going forward

→ 2013 outlook and long-term financial targets

We continue to develop our competitiveness in a systematic way



Three-year cycle development programs support our continuous renewal

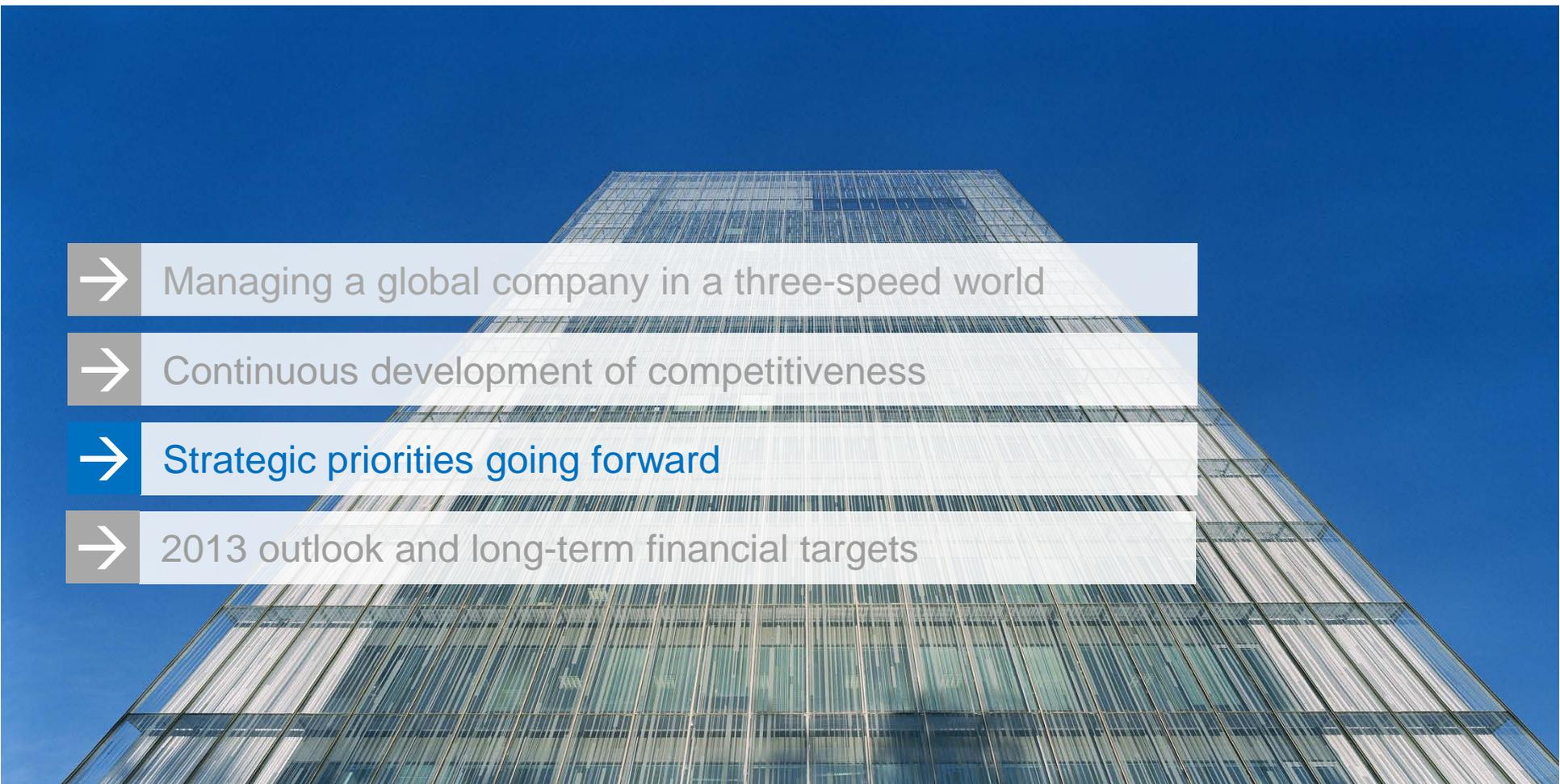


Innovations are essential in further improving our product competitiveness



- 2012: New volume elevator offering
 - Improved competitiveness in all key aspects
- 2013: UltraRope™
 - Revolutionary technology for the high-rise segment
- KONE was again ranked as one of the world's most innovative companies (#37 in Forbes' ranking in 2013)





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We are targeting good growth with solid margins across all our businesses



New equipment

Continue targeting faster than market growth in order to achieve increasing benefits from economies of scale

Maintenance

Accelerate growth and productivity development in the maintenance business

Modernization

Capitalize on the untapped modernization opportunities and the accumulated demand – stronger focus on modernization than before



We will continue building on our strengths going forward



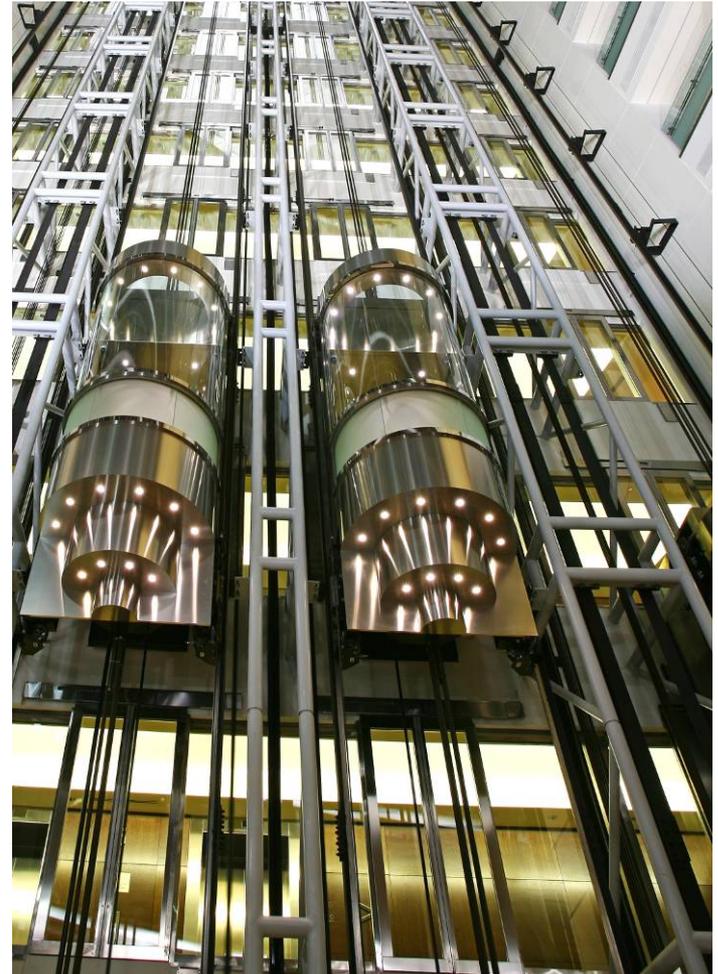
Continued good growth as a result of market share gains and market growth driven by global megatrends

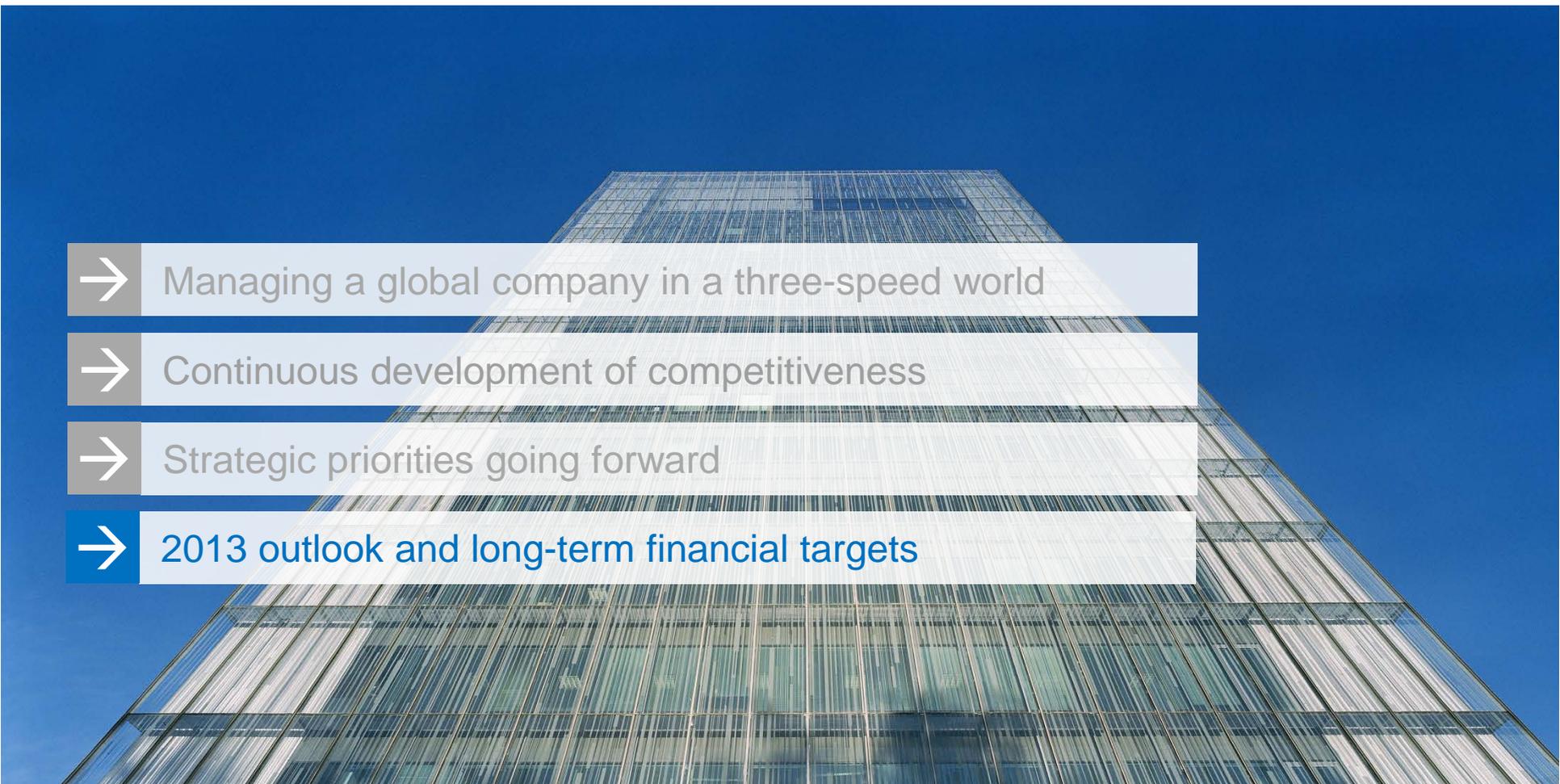
Strong market position in Asia brings growth opportunities and strength in service business brings stability

Challenger attitude and consistent active development of competitiveness

High-quality execution of a capital-light and cash-generative business model

Low amount of fixed assets required
Negative working capital
High return on invested capital



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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 slightly 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.

Our long-term financial targets



Growth	Faster than market
Profitability	EBIT-% 16
Cash flow	Improved working capital rotation



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