

A woman with blonde hair tied back, wearing a blue cardigan over a dark blue top, stands on the left side of the frame. She is smiling and looking towards a man on the right. The man has dark hair and a goatee, wearing a grey blazer over a green sweater. He is also smiling and looking towards the woman. They are standing in a modern office hallway with wood-paneled walls and a grey elevator door. The elevator door has a control panel with buttons labeled '1', '3', and a yellow bell icon. The overall atmosphere is professional and positive.

KONE CMD 2014

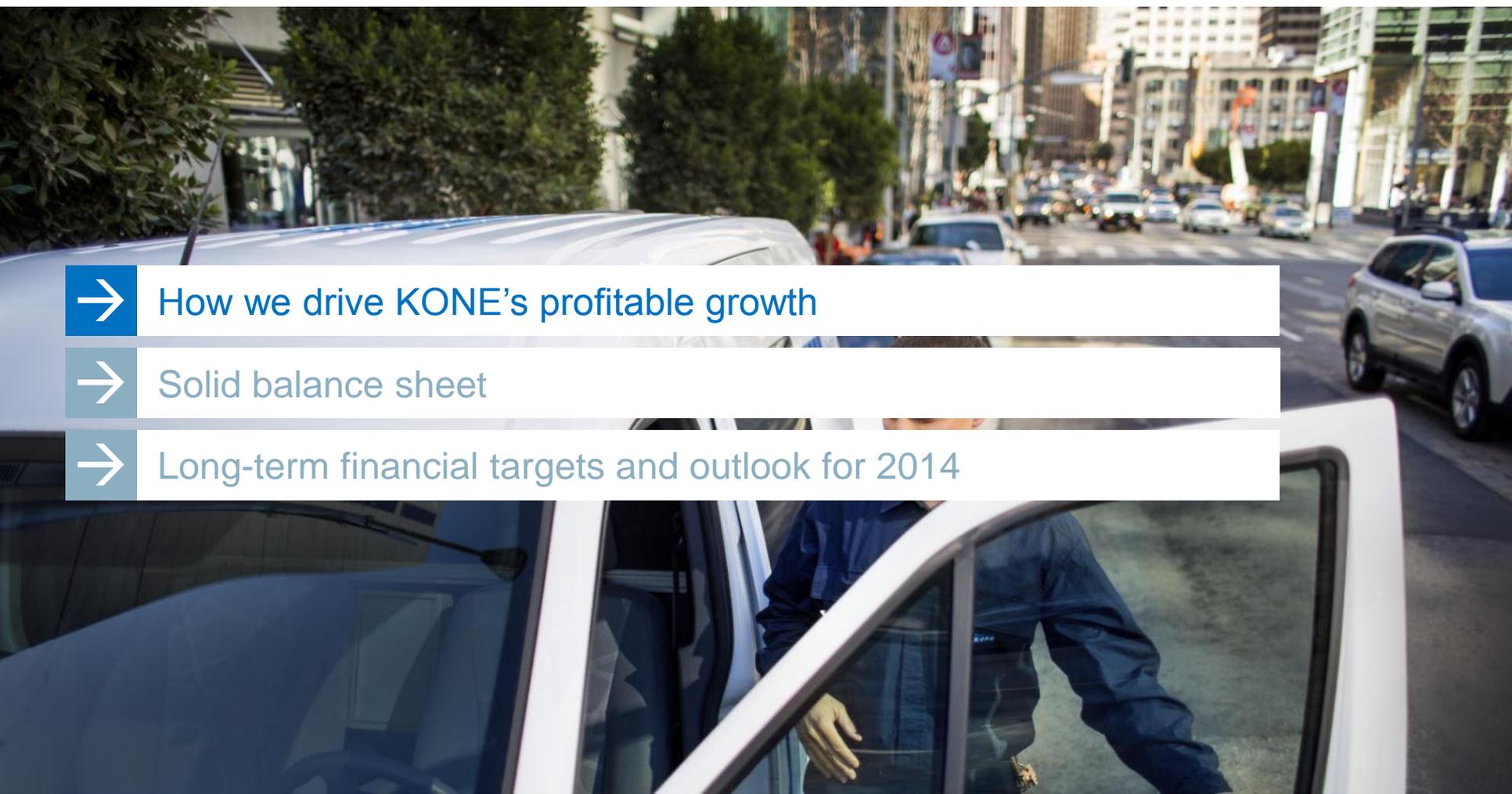
Healthy business model supporting strong financial development

Eriikka Söderström, CFO
September 26, 2014

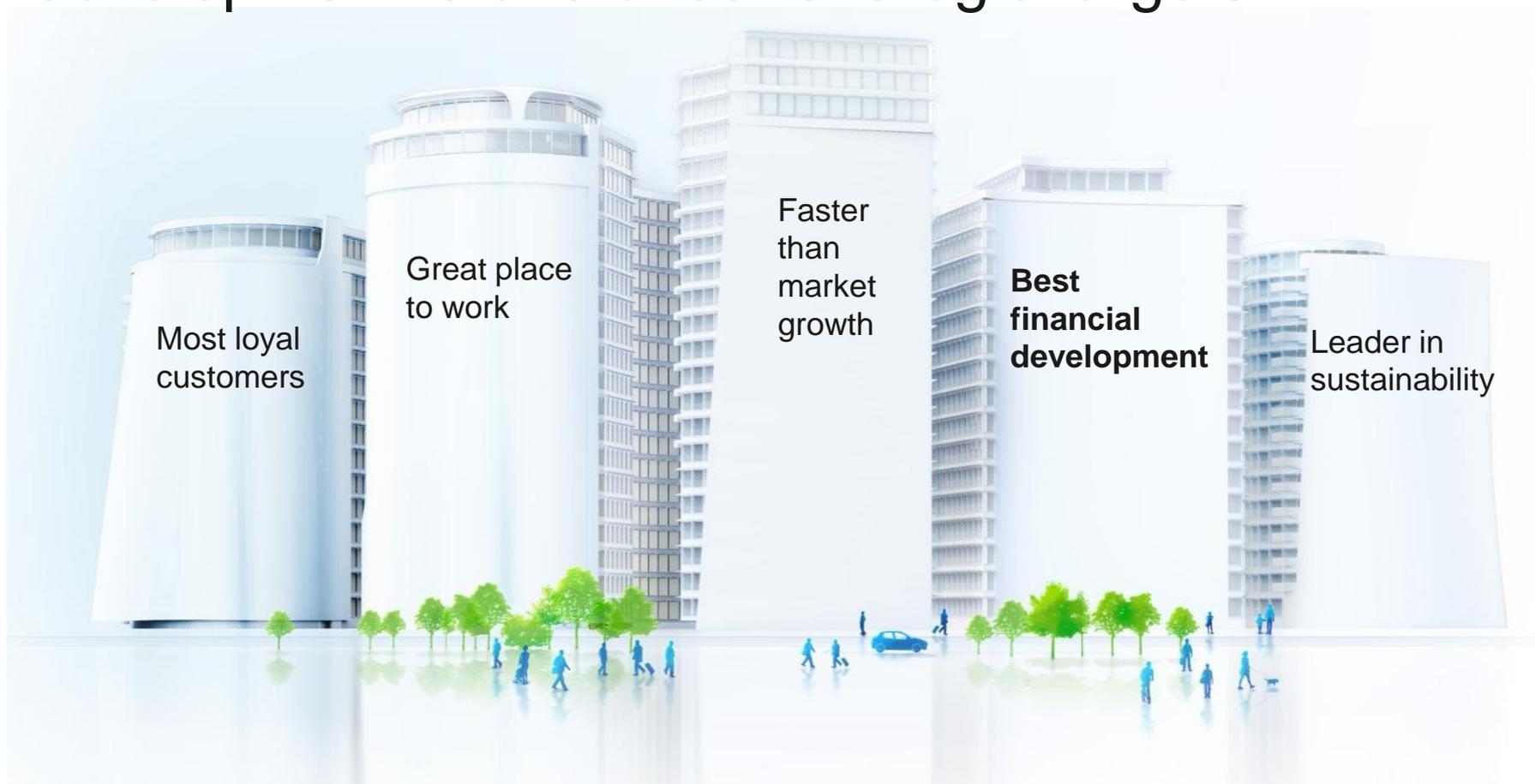
Graph on slide 13
has been updated
February 18, 2015.

Agenda



- 
- How we drive KONE's profitable growth
 - Solid balance sheet
 - Long-term financial targets and outlook for 2014

Achieving the industry's best financial development is one of our strategic targets



Best financial development

Our goal is to achieve better financial development than our competition

KONE's business model is flexible and capital-light, yielding a high return on capital



Global position in a lifecycle business

Enables us to catch growth opportunities in all regions and businesses as they arise

High cash flow generation

Negative working capital, low capital intensity

Flexible cost structure

Low amount of fixed costs, subcontracting used for example in installation

High return on capital

Absolute EBIT growth combined with low investment requirements generate a high return

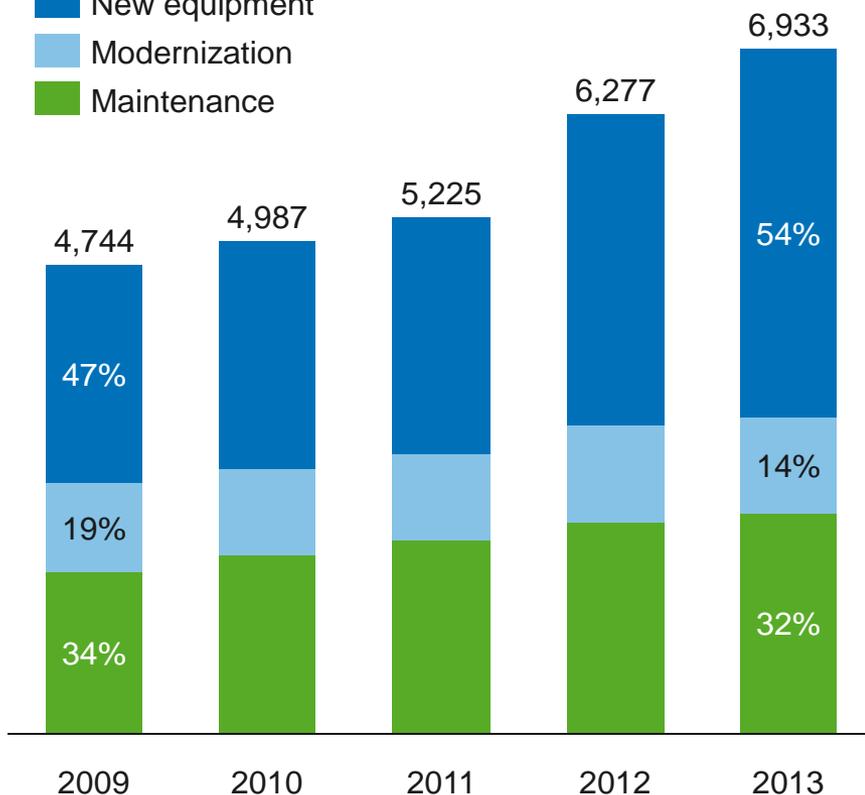
Our sales mix has become weighted towards new equipment driven by strong growth in Asia-Pacific



KONE's sales by business

MEUR

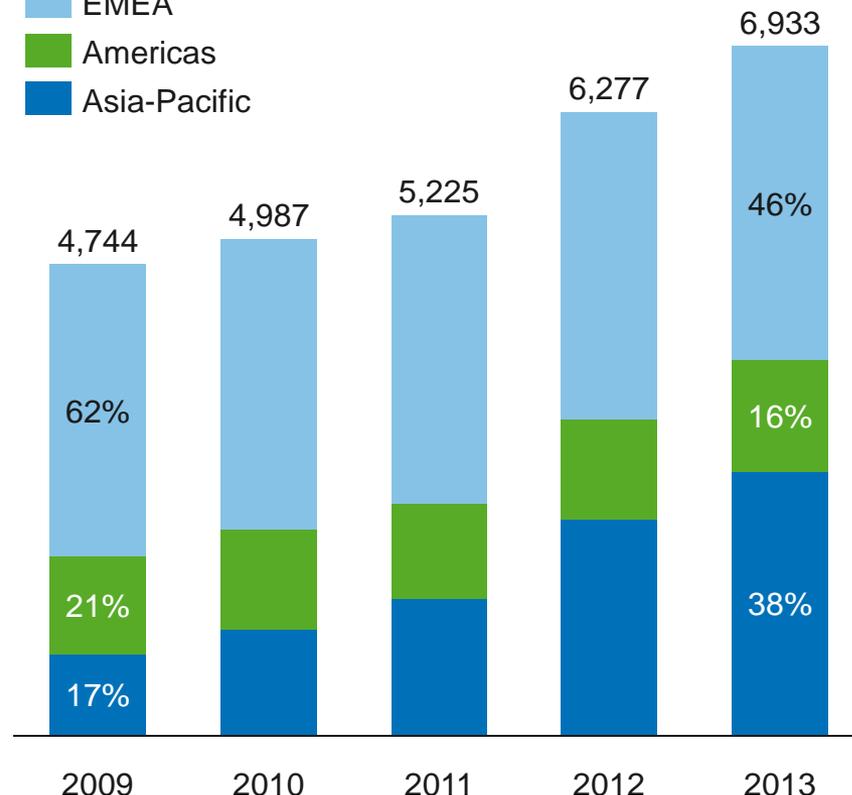
- New equipment
- Modernization
- Maintenance



KONE's sales by region

MEUR

- EMEA
- Americas
- Asia-Pacific



Our absolute EBIT has continued to grow faster than sales

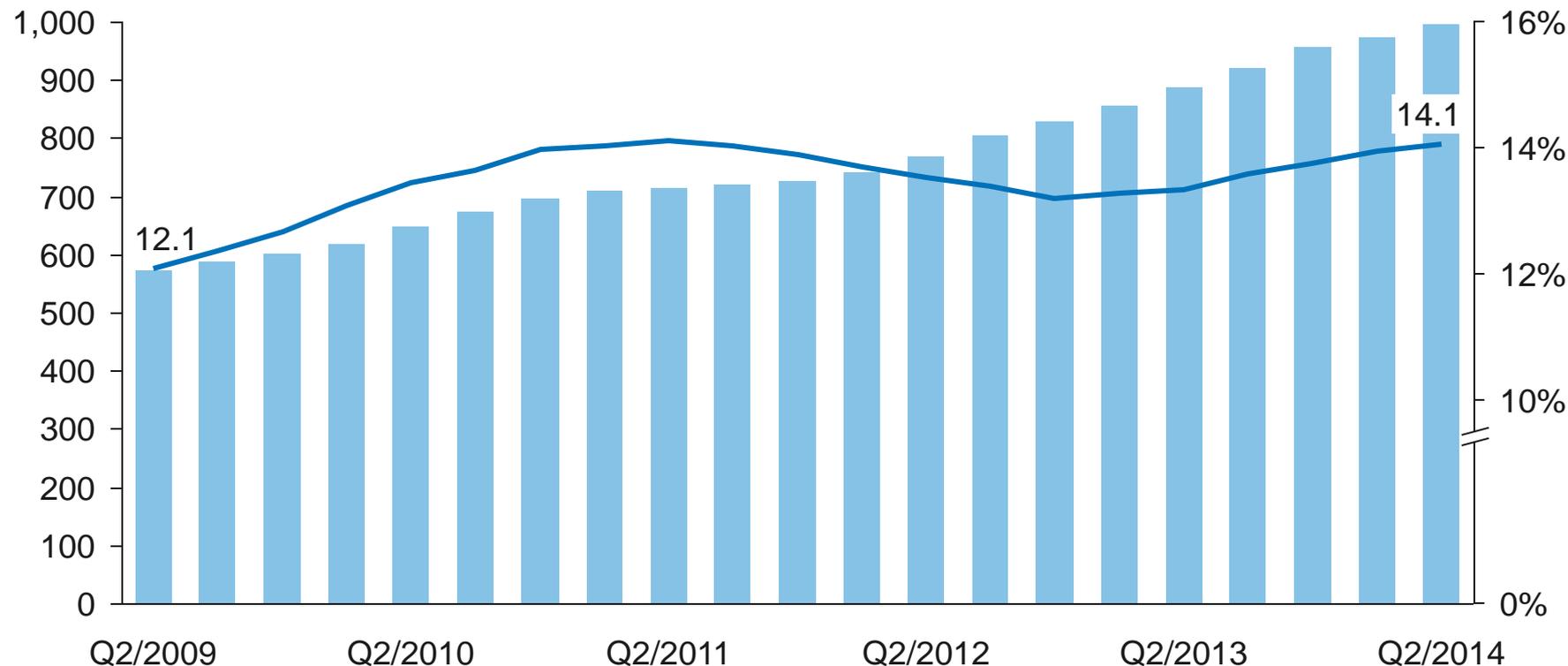


Improvement in both absolute EBIT and EBIT margin

12 months quarterly rolling absolute EBIT & margin progression, Q2/2009-Q2/2014

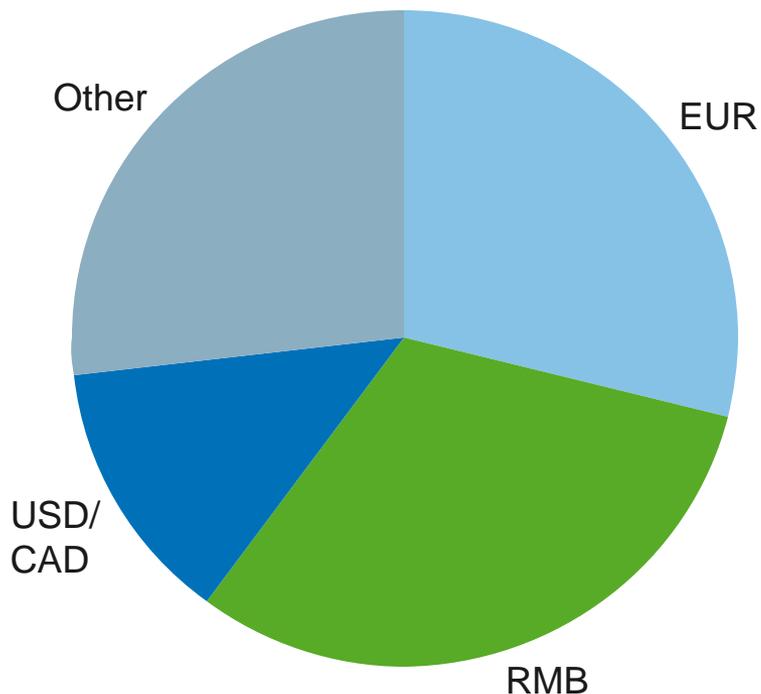
■ EBIT — EBIT-%

MEUR



Headwind from exchange rates, but also tailwind from raw material prices in H1/2014

Sales by currency 1–6/2014



Raw material price development

	Index change of market prices, %				
	2010	2011	2012	2013	1-6/2014
Hot-rolled steel	23%	19%	-12%	-4%	-1%
Stainless steel	25%	-1%	-15%	-11%	+2%
Copper	50%	14%	-12%	-8%	-7%
Rare Earths	130%	439%	-43%	-45%	-5%
Aluminum	17%	7%	-8%	-8%	-8%
Brent oil	31%	39%	1%	-3%	0%

Source: LME, Shanghai Futures Exchange, American Metal Market, Steel Info, MEPS, Finnish Technology Industries, Asian Metal, China Commodity Marketplace. Metal prices are averages of regional prices.

We have advanced in developing our pricing, but there is still room for improvement



Our pricing actions

Products

Continuous development of our solutions, services and our branding

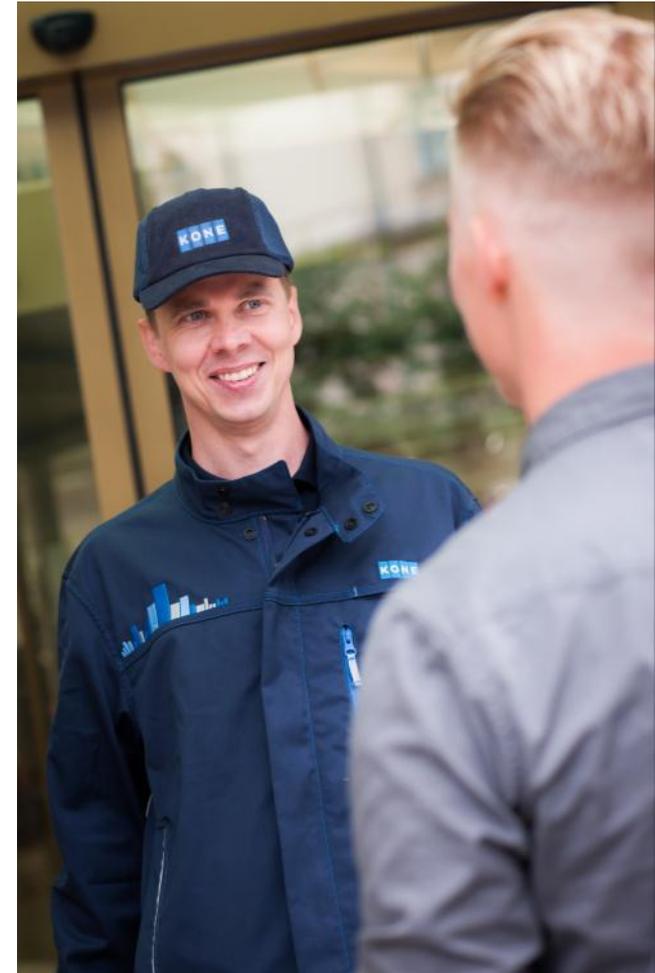
Competences

Understanding the customer and offering the right solutions

Pricing management

Local level responsibility with right targets and incentives

Finding the right price for different situations

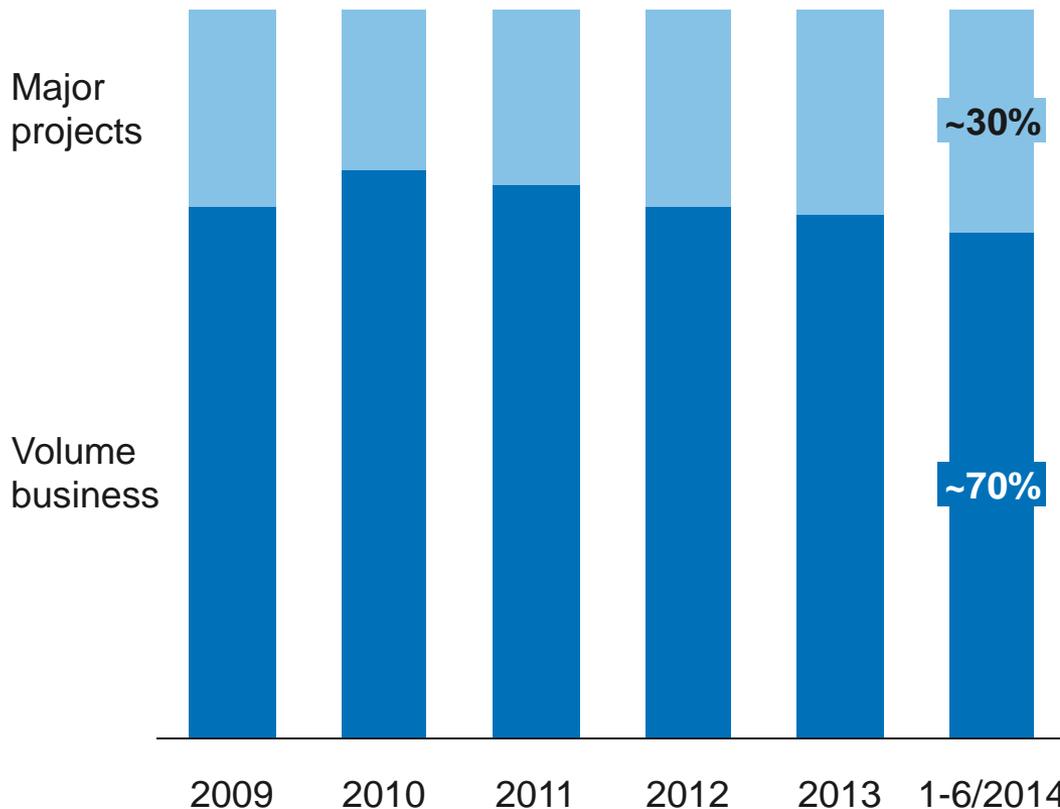


Our order book rotation has extended slightly



Share of major projects has increased

Share of major projects of KONE's new equipment order book



Order book rotation

Estimated lag from new equipment order to completion

<div style="background-color: #0070C0; color: white; padding: 10px; text-align: center;">Major projects</div> <div style="background-color: #0070C0; color: white; padding: 10px; text-align: center;">Volume business</div>	Globally Up to 5 years
	Europe ~1–1.5 years
	North America ~1.5–2 years
	Asia-Pacific* ~1.5–2.5 years
	China < 1 year

We benefit from operational and financial flexibility



Flexibility built into our new equipment business model

Sourcing & manufacturing

- High share of outsourcing to component suppliers
- Low investment requirements in manufacturing/assembly

Installation

- Subcontracting used in installation

Admin

- Further centralization opportunities in back-office activities

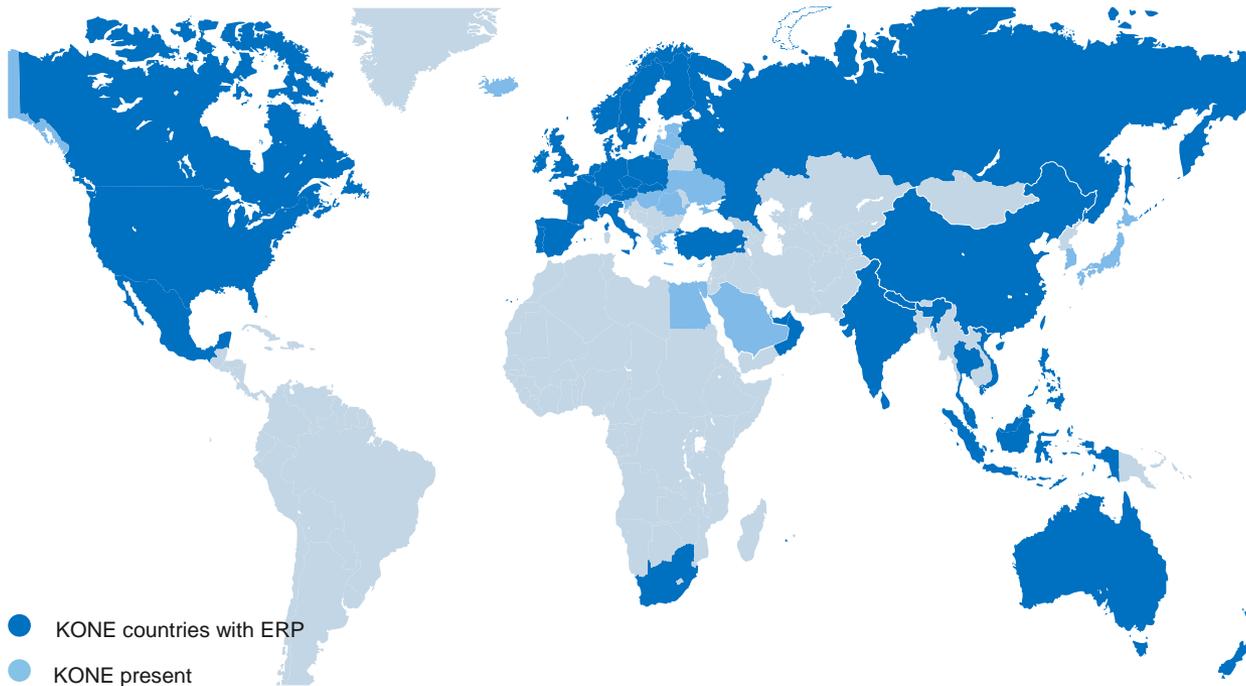
Service

- Service less prone to cyclicalities
- Own technicians used in service

Our investments to process development & IT enable scalability to support business growth



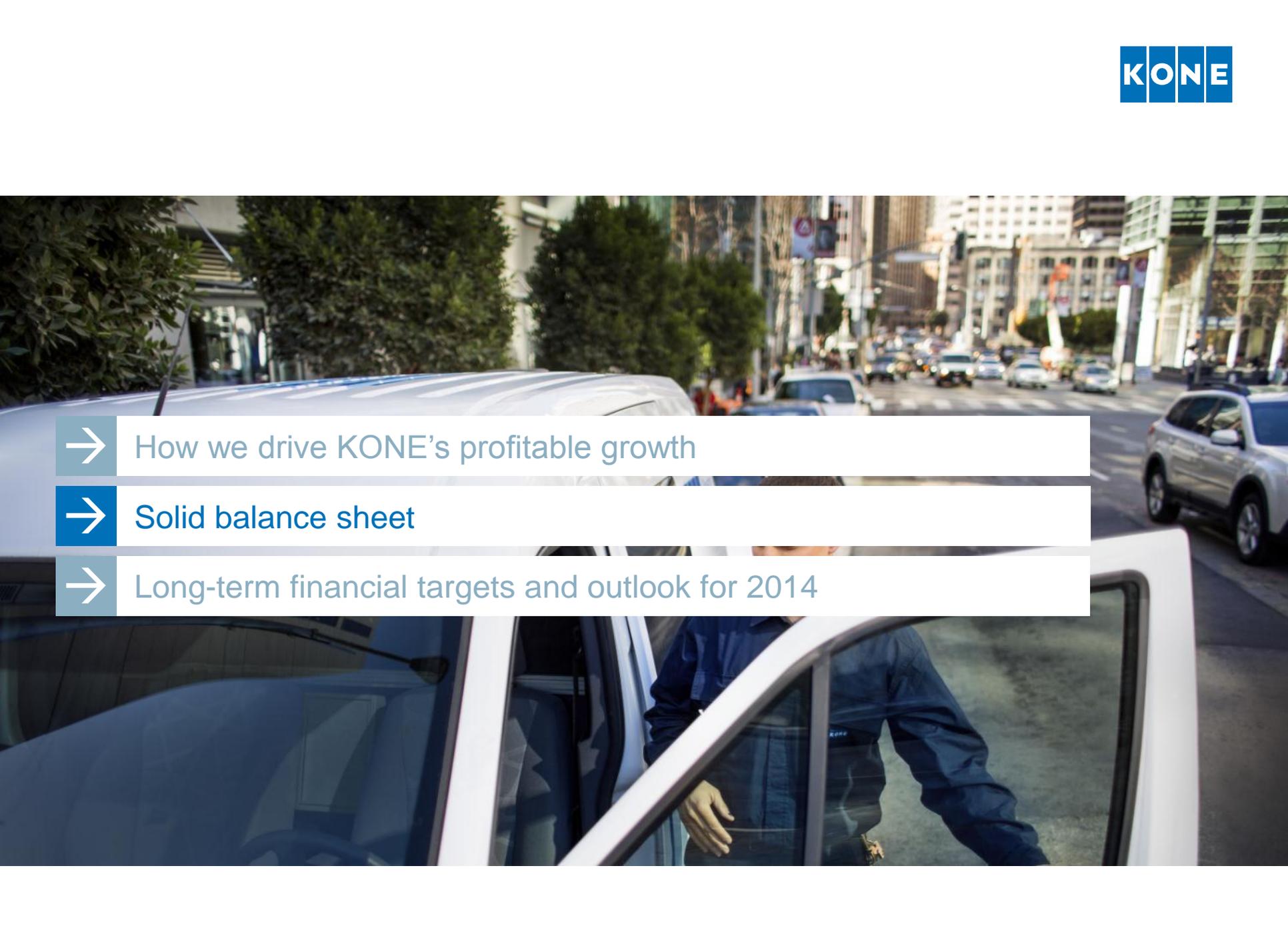
ERP system covers more than 90% of sales



Investments have supported our fast growth and provide a platform for future growth

Further improvement potential in process and IT system harmonization

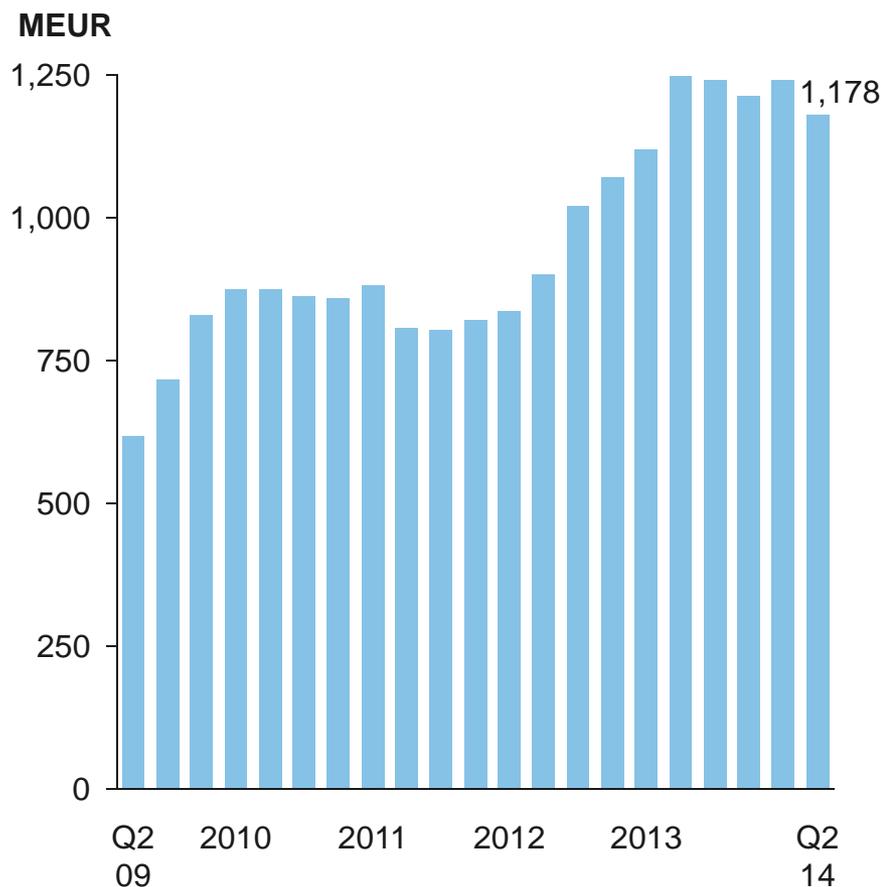
Common ERP enables countries to utilize other global solutions in sales, ordering, installation and field operations

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- The background of the slide is a photograph of a city street. In the foreground, a white van is parked with its driver-side door open. A person wearing a blue uniform is standing by the open door. The street is busy with other cars and buildings in the background.
- How we drive KONE's profitable growth
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We have maintained our strong cash flow and negative working capital

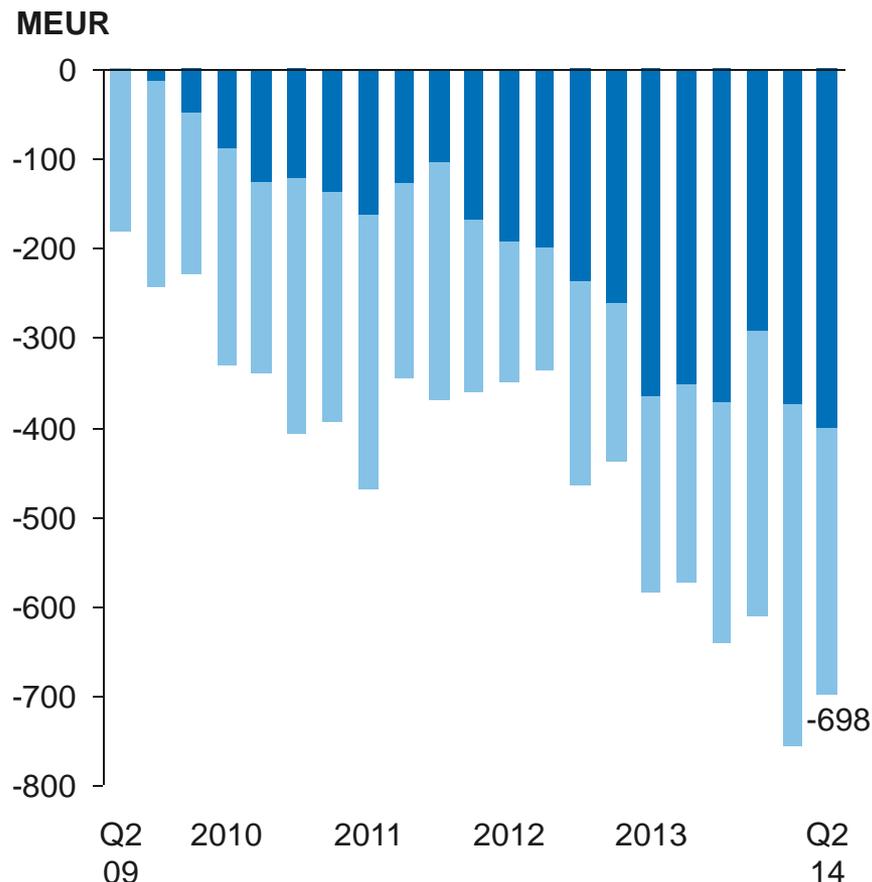


High operative cash flow generation



12m rolling quarterly cash flow from operations (before financing items and taxes)

Negative working capital

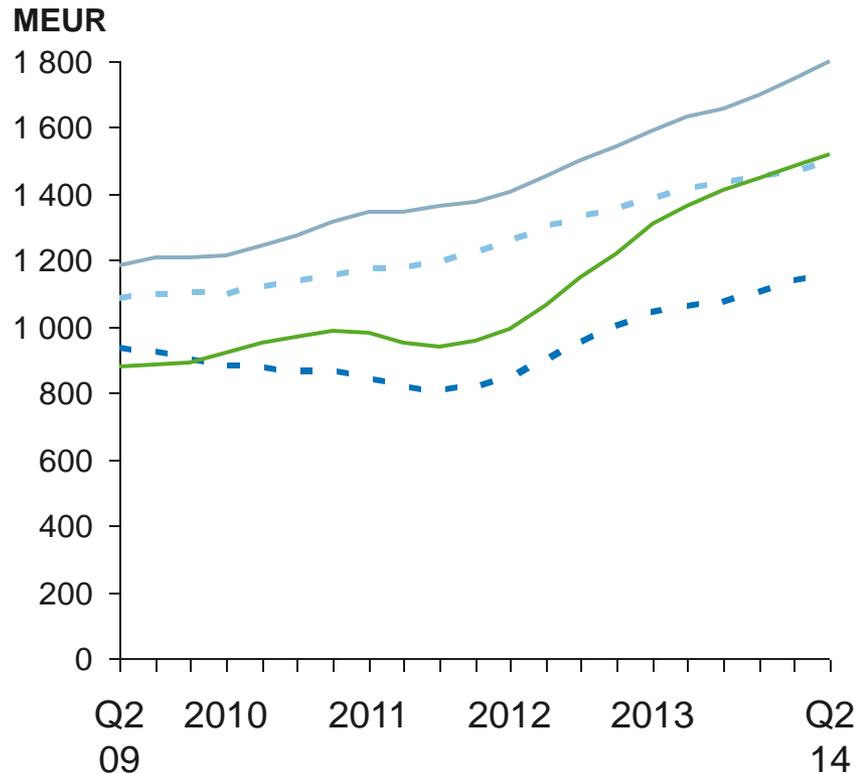


■ Inventories – advance payments
■ Other WC items

Working capital rotation has been stable

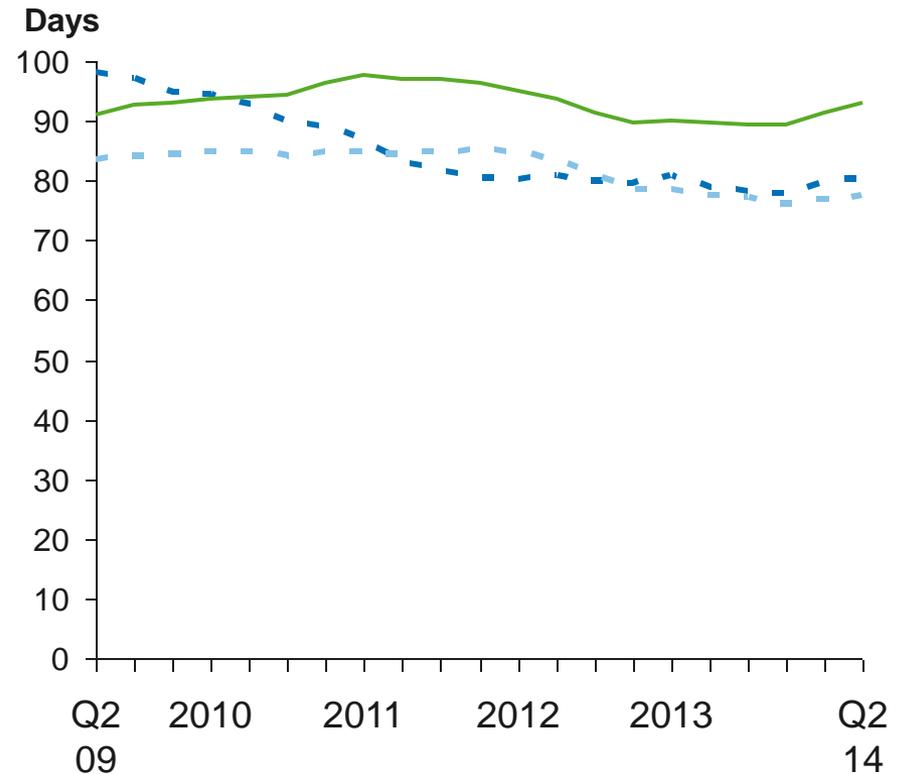


Working capital item development



- | | |
|---|---|
| Assets | Liabilities |
| — Total inventories | — Advance payments received |
| — Accounts receivable & other non-IB assets | — Accounts payable & other non-IB liabilities |

WC rotation relative to sales

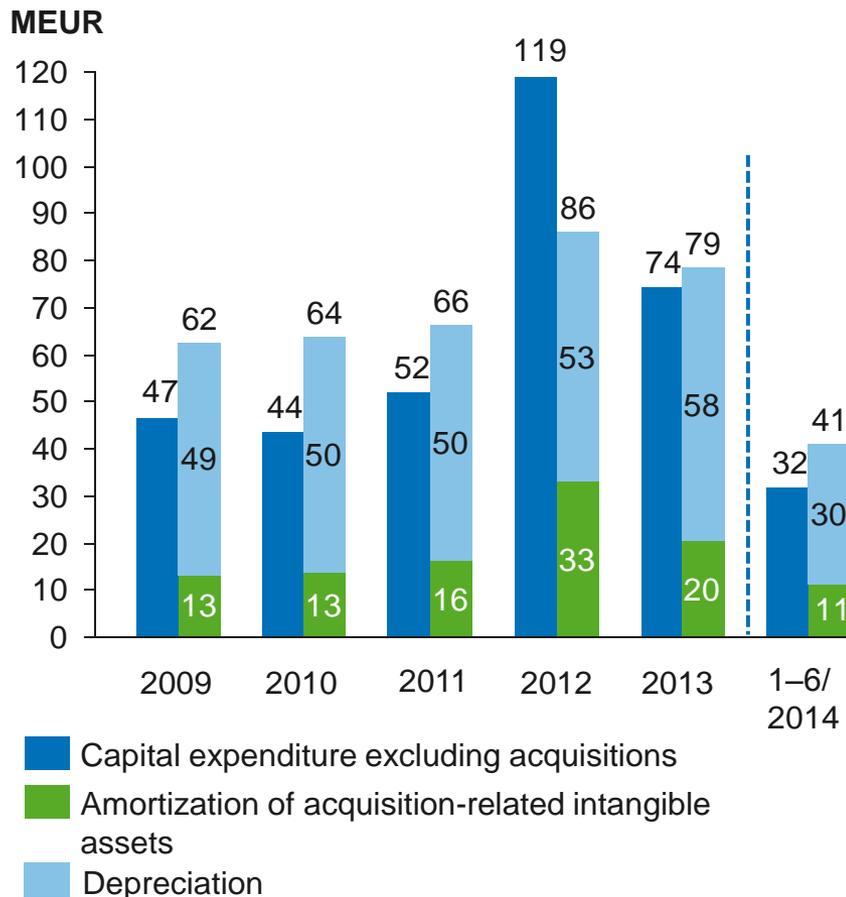


- Inventory rotation
- Accounts receivable & other non-IB assets rotation
- Accounts payable & other non-IB liabilities rotation

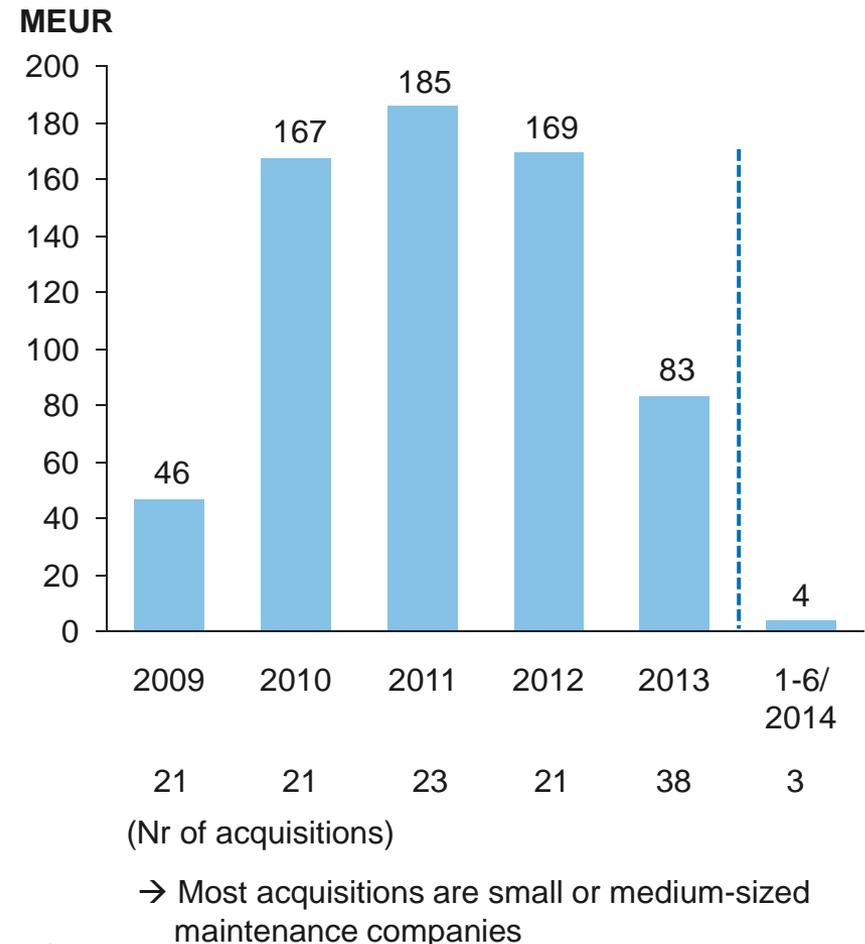
Capex remains at a low level, and we have acquired less than usual in H1/2014



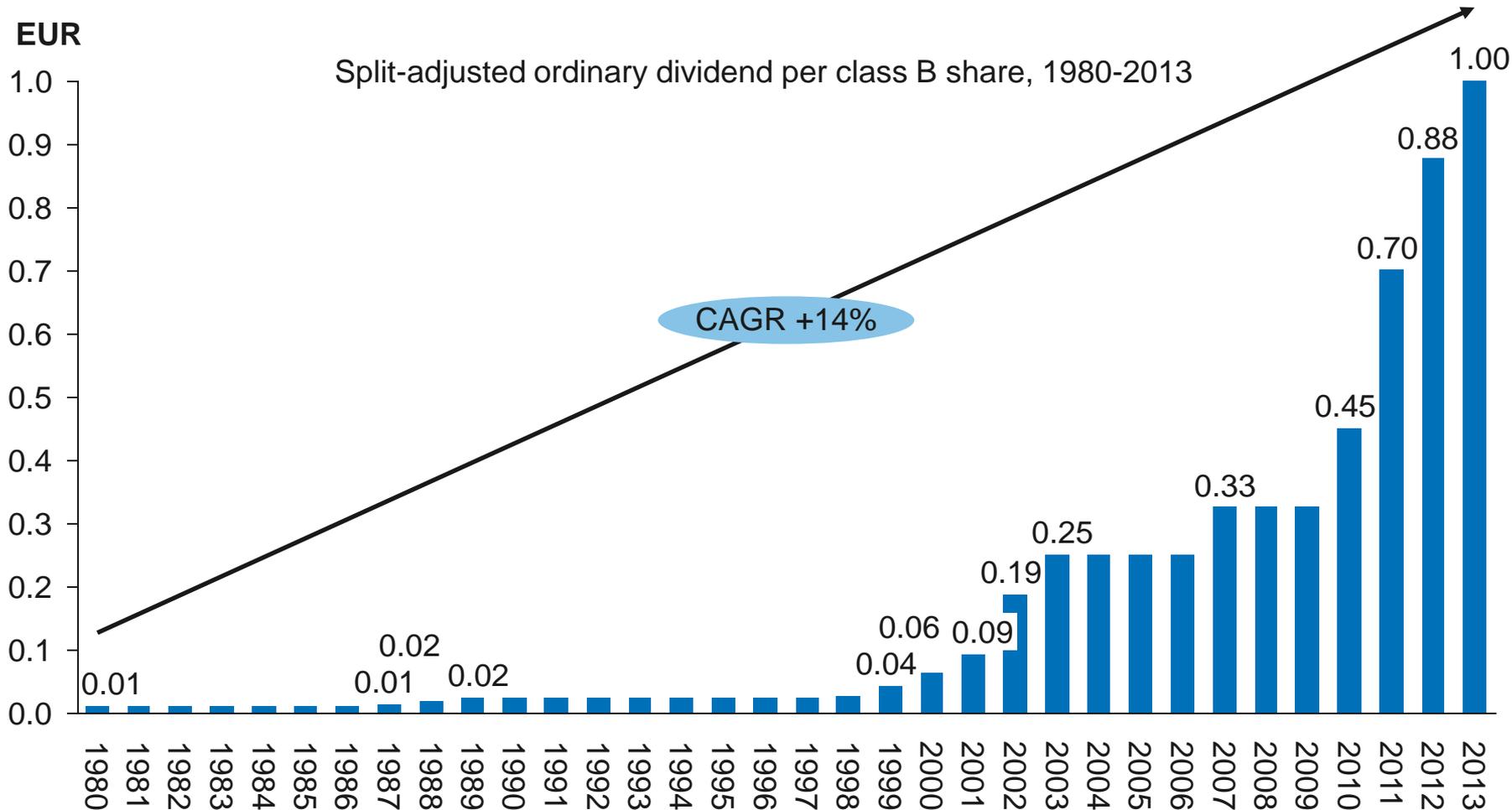
Capital expenditure and depreciation



Acquisitions



KONE's financial performance has enabled increasing dividend payments to shareholders



Note: Adjusted for share splits in 1999 (1:3), 2002 (1:3), 2005 (1:2), 2008 (1:2) and 2013 (1:2). 1 EUR= 5.9 FIM; not adjusted to constant exchange rate.

Additional extraordinary dividends: for 2009, a double dividend was paid; for 2011, an extraordinary dividend of EUR 0.75 was paid and for 2012 an extraordinary dividend of EUR 0.65 was paid.

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- How we drive KONE's profitable growth
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Our long-term financial targets are intact



Long-term financial targets

Financial focus areas

Growth	Faster than market	Market position and pricing
Profitability	EBIT margin of 16%	Absolute EBIT growth over the long-term
Cash flow	Improved working capital rotation	Receivable and inventory rotation



New equipment markets

- The market in Asia-Pacific is expected to grow clearly. The market in China is expected to grow by approximately 10%.
- The market in the EMEA region is expected to grow slightly, with slight growth in Central and North Europe, a further slight decline in South Europe, and a growing demand in the Middle East.
- The market in North America is expected to continue to grow.

Modernization markets

- The modernization market is expected to grow slightly.

Maintenance markets

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



Sales

- KONE's net sales is estimated to grow by 6–9 % at comparable exchange rates as compared to 2013.

Operating income

- The operating income (EBIT) is expected to be in the range of EUR 1,000–1,050 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2014.



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