

# Business Review

KONE's CAPITAL MARKETS DAY 2009

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# Content



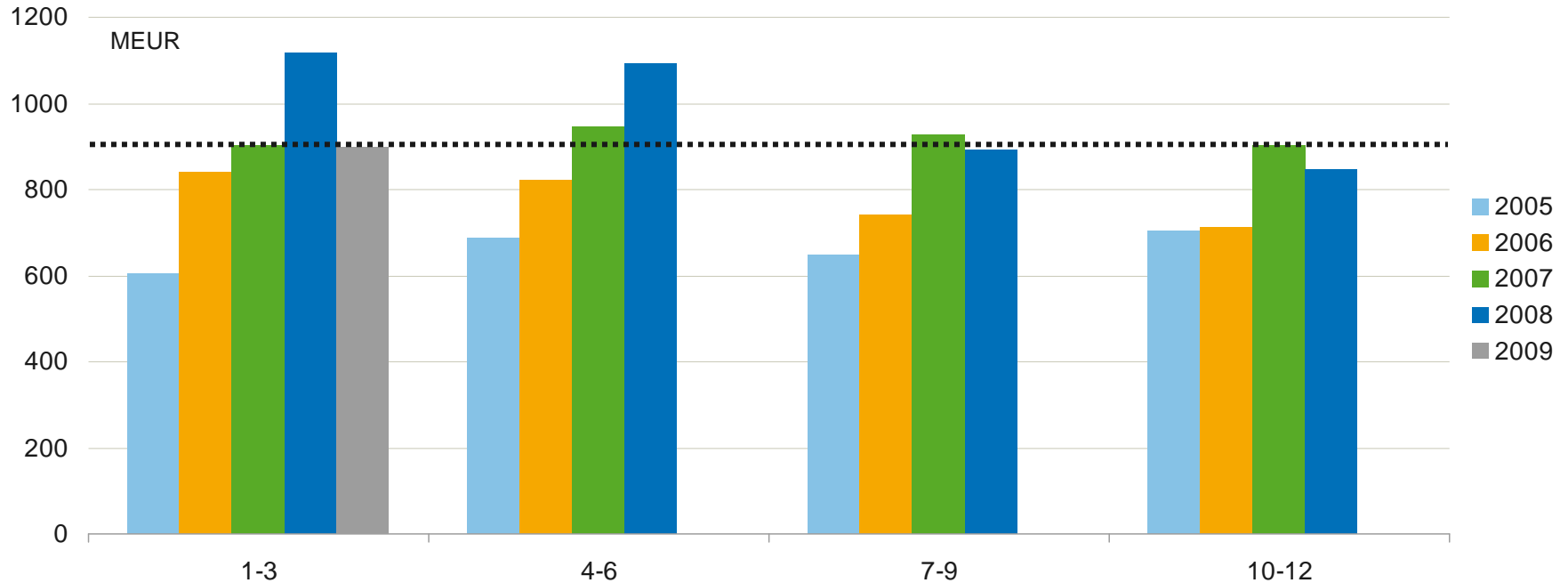
- Q1/2009 Results
- Market development
- KONE's way to develop competitiveness
- Managing in a challenging environment
- Outlook

# Q1 2009: Good growth in sales and EBIT

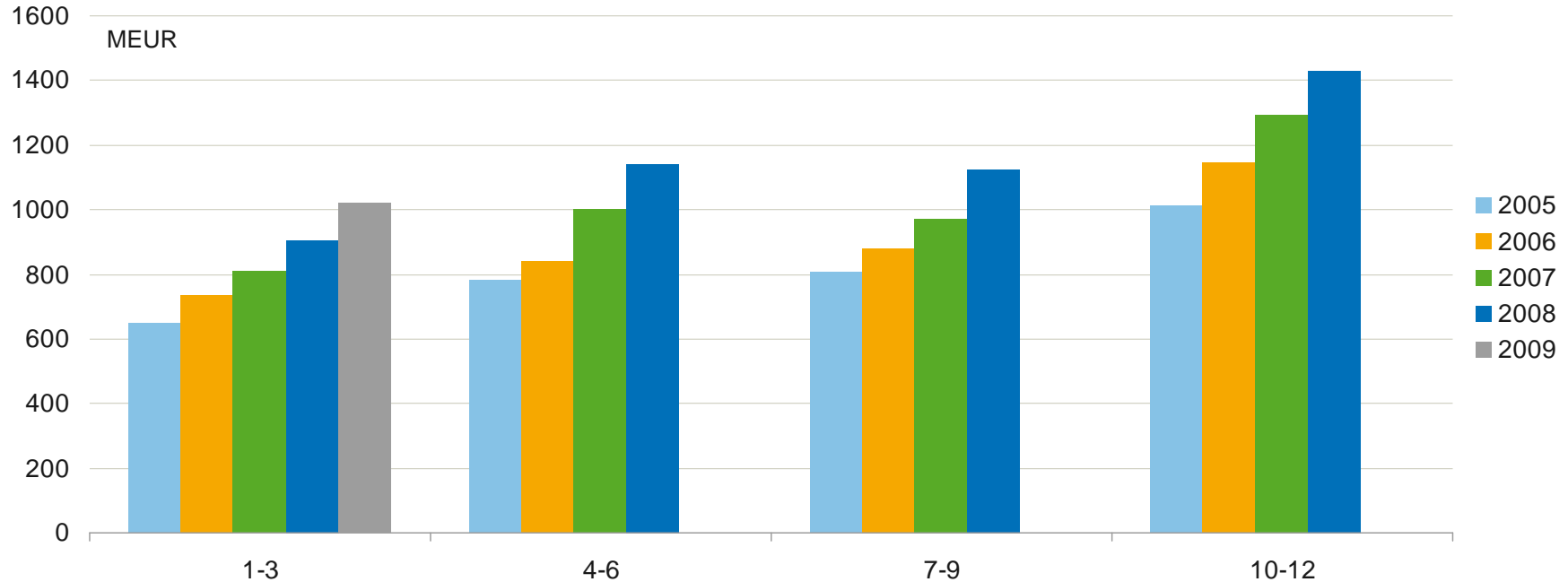


		Q1/2009	Q1/2008	Historical change	2008
Orders received	MEUR	898.5	1,117.5	-19.6%	3,947.5
Order book	MEUR	3,753.1	3,617.4	3.8%	3,576.7
Sales	MEUR	1,021.0	905.3	12.8%	4,602.8
Operating income	MEUR	91.2	86.5		558.4
Operating income	%	8.9	9.6		12.1
Cash flow from operations (before financial items and taxes)	MEUR	170.3	166.6		527.4

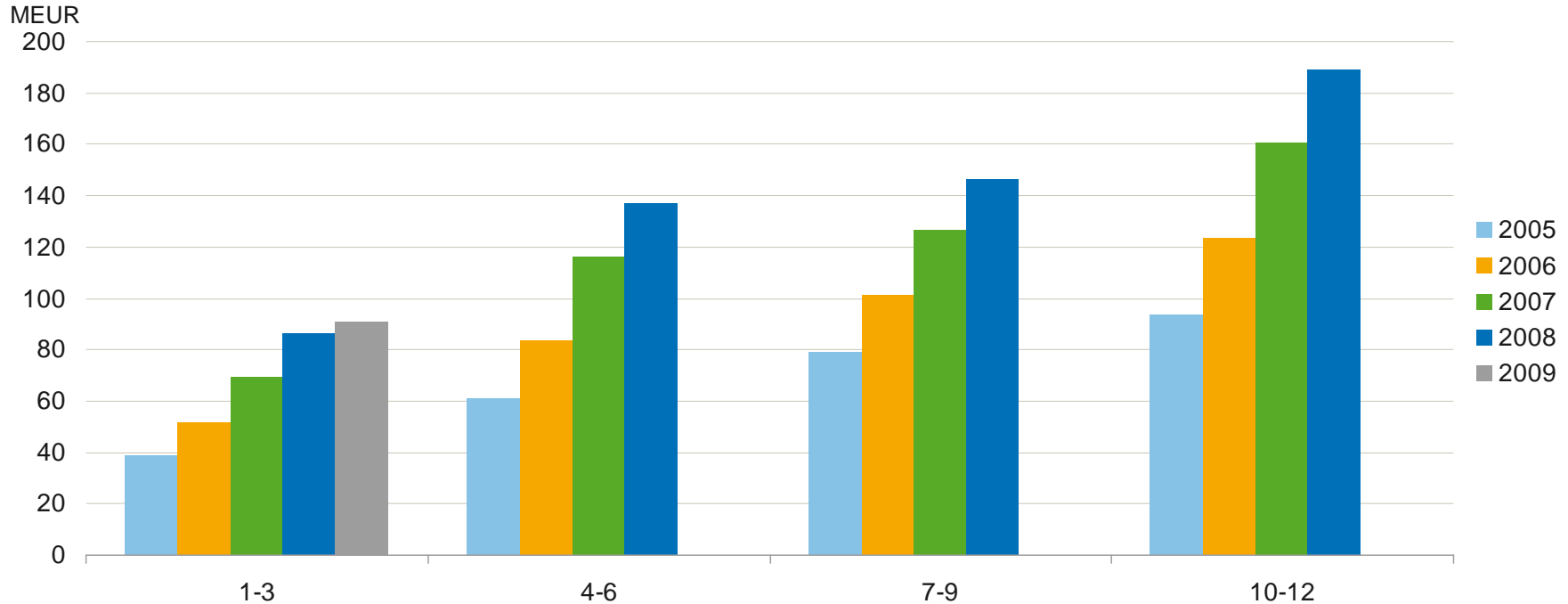
# Q1 2009: Orders received was higher than in Q3 and Q4 2008



# Q1 2009: Sales growth was good because implementation work in sites proceeded as planned



# Q1 2009: EBIT growth was driven by sales and productivity growth, but suffered from high raw material costs



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# Q1 2009: In EMEA: New equipment markets continued to decline



- Maintenance markets have continued to develop well, but were very competitive.
- Modernization markets were somewhat negatively impacted.
- New equipment market declined clearly
  - Worst development in Spain, UK, Ireland, Russia, Middle-East and the Nordic countries.
  - More favorable situation in Germany, Austria, France, Italy and Belgium.
- Total stimulus packages for the large markets (Germany, UK, France) estimated to correspond to 1,5-2% of total construction sector in 2009



# Q1 2009 in Americas: Maintenance continued to develop well, modernization was somewhat negatively impacted



- Maintenance markets continued to develop well, but were very competitive.
- Modernization markets were somewhat negatively impacted.
  - In the US, discretionary modernization work tightened. Work critical to safety and building operations continued.
  - Market opportunities in Canada have developed well.

# Q1 2009 in Americas: New equipment market continued to weaken



- In the US:
  - Residential markets weakened
  - Commercial building markets continue to be challenging, with owners hesitant to make investments due to high uncertainty
  - However, architectural index slightly increased at the end of the quarter, after several consecutive quarters of decreasing activity
  - Infrastructure segment was rather good
  - Total stimulus packages for construction corresponds to 3-4% of the total construction sector in 2009
- The market in Canada was still at a rather good level.
- The market in Mexico was weak.

# Q1 2009: New equipment markets weakened also in China



- Maintenance markets continued to develop favorably.
- The new equipment market declined in the coastal area, but grew somewhat in the Central and Western parts of China.
- Long-term growth driver, urbanization, continues also short-term.
- Significant stimulus packages (~USD 575 Billion) with 70% expected to have impact on construction sector, corresponding ~20% of total construction sector in 2009.
  - Infrastructure development, Metros, Railways, Airports (Airports and Railways e.g., with 3,5-4,5 times higher planned investment rates in 2009-2013, than in the previous four year period 2004-2008)
  - Affordable housing
  - Hospitals, medical facilities in rural areas

# Q1 2009 in the rest of Asia Pacific: Weakening new equipment markets



- Maintenance markets continued to develop favorably.
- In India, the new equipment market was below last year's level.
- New equipment markets weakened clearly in Australia and South-East Asia.

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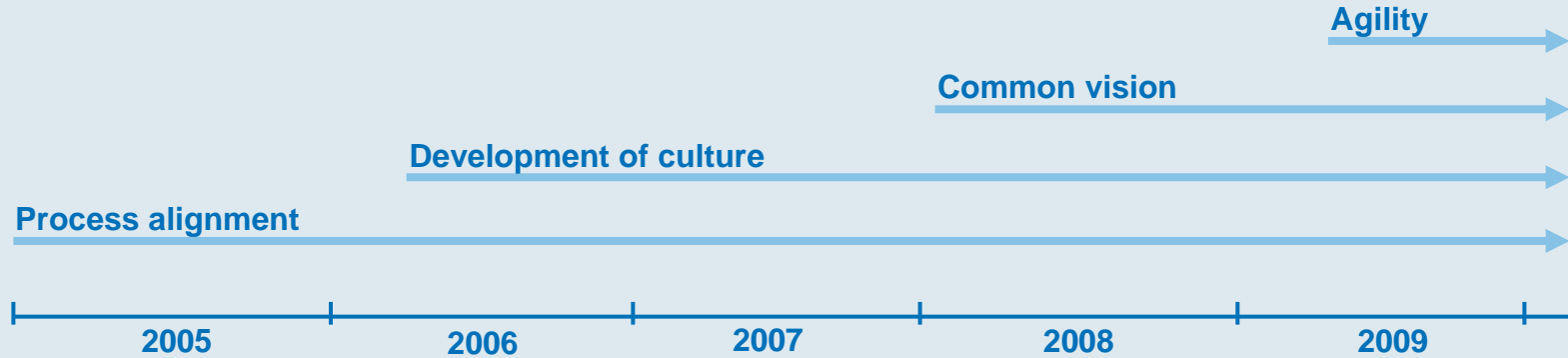
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# Intensive work in development programs

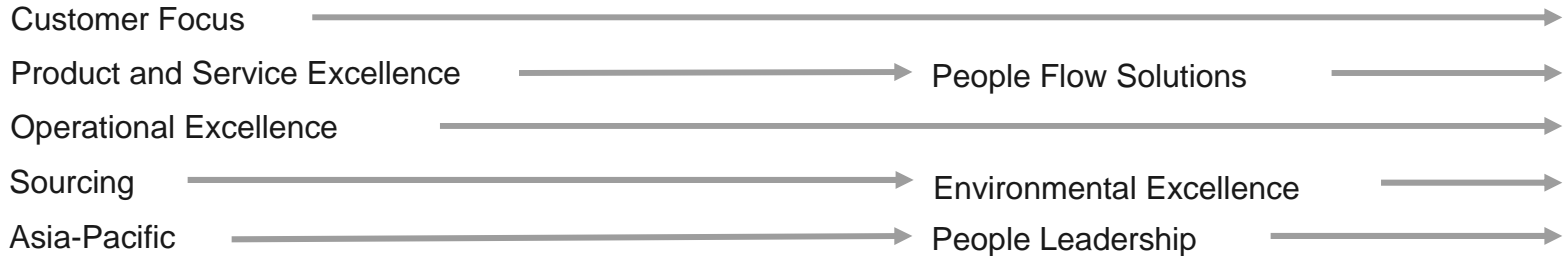


- Customer Focus
- People Flow Solutions
- Operational Excellence
- Environmental Excellence
- People Leadership

# As the next step, we are now working to make KONE more agile



## Development Programs:



# Agile KONE objectives



- Flatter structure  
→ closer to customers
- Wider span of control  
→ hands-on leadership
- More uniform structures  
→ better internal collaboration
- Improve efficiency and speed



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# 2009: KONE's objective is to use also this market phase as an opportunity



- To continue to gain market share and put the company into a great shape
  - In quality
  - In maintenance and installation productivity
  - In working capital rotation
- To continue the strong development of the service business
  - Maintenance
  - Modernization
- Positive spirit!

# High priority actions



- Try to get the best understanding of the market development
- Clear direction
- Sales activity - be close to and very active with customers
- Have tight cost control and control on receivables
- Develop leadership

# Focus on the most attractive opportunities



- Maintenance
- Modernization
- Public infrastructure business
- Affordable residential
- Expanding MRL (machine-room-less) share in the US

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# 2009 Market outlook



- The new equipment market will continue to decline because of the weakening global economy.
- Modernization will be less impacted.
- The maintenance market will continue to develop well.

# We take various actions to enable good business performance also in 2010



- High sales activity
  - Focus on most attractive segments
  - Further improvement of operational and product quality
  - Improvement of working capital rotation.
  - Continued active development of competitiveness
- and
- Target to reduce fixed cost running rate by EUR 40 million

# 2009 Outlook



- In net sales, KONE's objective is to reach a growth of 5 percent or at least approximately the net sales level of 2008.
- In operating income (EBIT), the objective is to reach a growth of 5 percent or at least approximately the operating income level of 2008.



# New competence in the Executive Board



Anne Korkiakoski  
Marketing &  
Communications



Ari Lehtoranta  
Major projects



Henrik Ehrnrooth  
CFO

