

A photograph of Matti Alahuhta, the President and CEO of KONE, is the background of the slide. He is an older man with dark hair, smiling and looking towards the right. He is wearing a brown suit jacket, a white shirt, and a blue and white striped tie. A name tag is visible on his lapel. In the background, another person in a blue jacket is walking away from the camera in a brightly lit, modern office environment.

KONE'S CAPITAL MARKETS DAY 2010

Undergoing change at KONE

Matti Alahuhta
President and CEO



- Strong start to the year
- Fundamentals in KONE's change management
- How we have become
 - more customer focused/market driven
 - more globally balanced
 - more productive
- Moving forward



Strong start to the year

Q1 2010: The year started strongly



		Q1/2010	Q1/2009	Historical change	2009
Orders received	MEUR	894.7	898.5	-0.4%	3,432.4
Order book	MEUR	3,638.5	3,753.1	-3.1%	3,309.1
Sales	MEUR	1,003.0	1,021.0	-1.8%	4,743.7
Operating income	MEUR	108.6	91.2	19.1%	600.3 ¹⁾
Operating income	%	10.8	8.9		12.7 ¹⁾
Cash flow from operations (before financial items and taxes)	MEUR	217.6	170.3		825.1

- 1) Operating income, including the one-time cost of EUR 33.6 million related to the fixed cost adjustment program, was EUR 566.7 million

Our objective has been to take also the difficult times of the past 2 years as an opportunity



NEW EQUIPMENT	Significant decline in NEB market conditions, particularly in EMEA and North America Focus on growing markets and segments; Improve market share selectively	 
MAINTENANCE	New equipment conversion feeds the maintenance base Improving maintenance productivity	
MODERNIZATION	Total market size rather stable – opportunity to increase market share and productivity	
QUALITY	Positive development in product and operational quality	
FIXED COSTS	Decrease fixed costs	



- KONE's net sales is estimated to decline by 0-5% compared to 2009
- The operating income (EBIT) is expected to be in the range of EUR 580-620 million

Long-term targets



Growth	Faster than market
Profitability	EBIT-% 14
Cash flow	Improving Working Capital



Fundamentals in KONE's change management

We saw the need for change in 2005 although our performance had been relatively good



FROM	TO
Technology	Customers & Technology
Europe mindset	Europe, North America & Asia Pacific mindset
Profit	Profitable growth
Differentiation	Differentiation & cost competitiveness
High fixed cost level	Streamline and use fixed cost base for competitive advantage
Functional	Cross-functional collaboration
Relatively slow	Fast

We set to ourselves 5 development programs in 2005 to enable best possible value creation



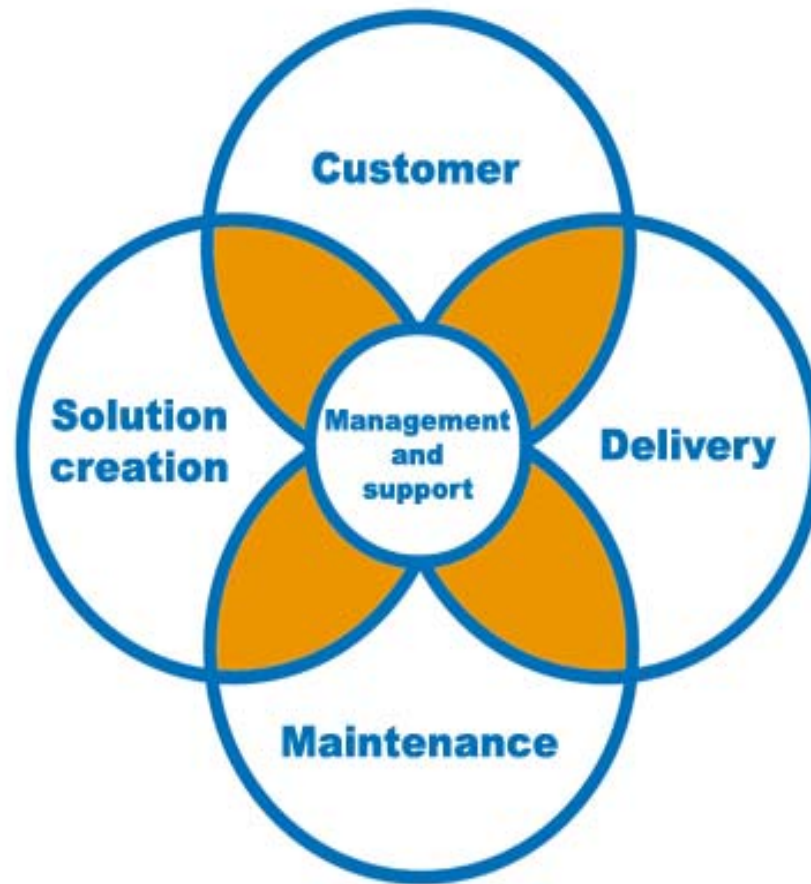
- Customer focus
- Product competitiveness
- Operational Excellence
- Sourcing
- Presence in Asia

Key management principles in development programs



- Each development program goes through the company and has significant potential impact on growth and profitability
- Each development program has well defined owners and projects
- Systematic monthly follow-up in Executive Board
- Continuous communication to all KONE employees

We defined the KONE Way process architecture to set a holistic, solid basis for our development work

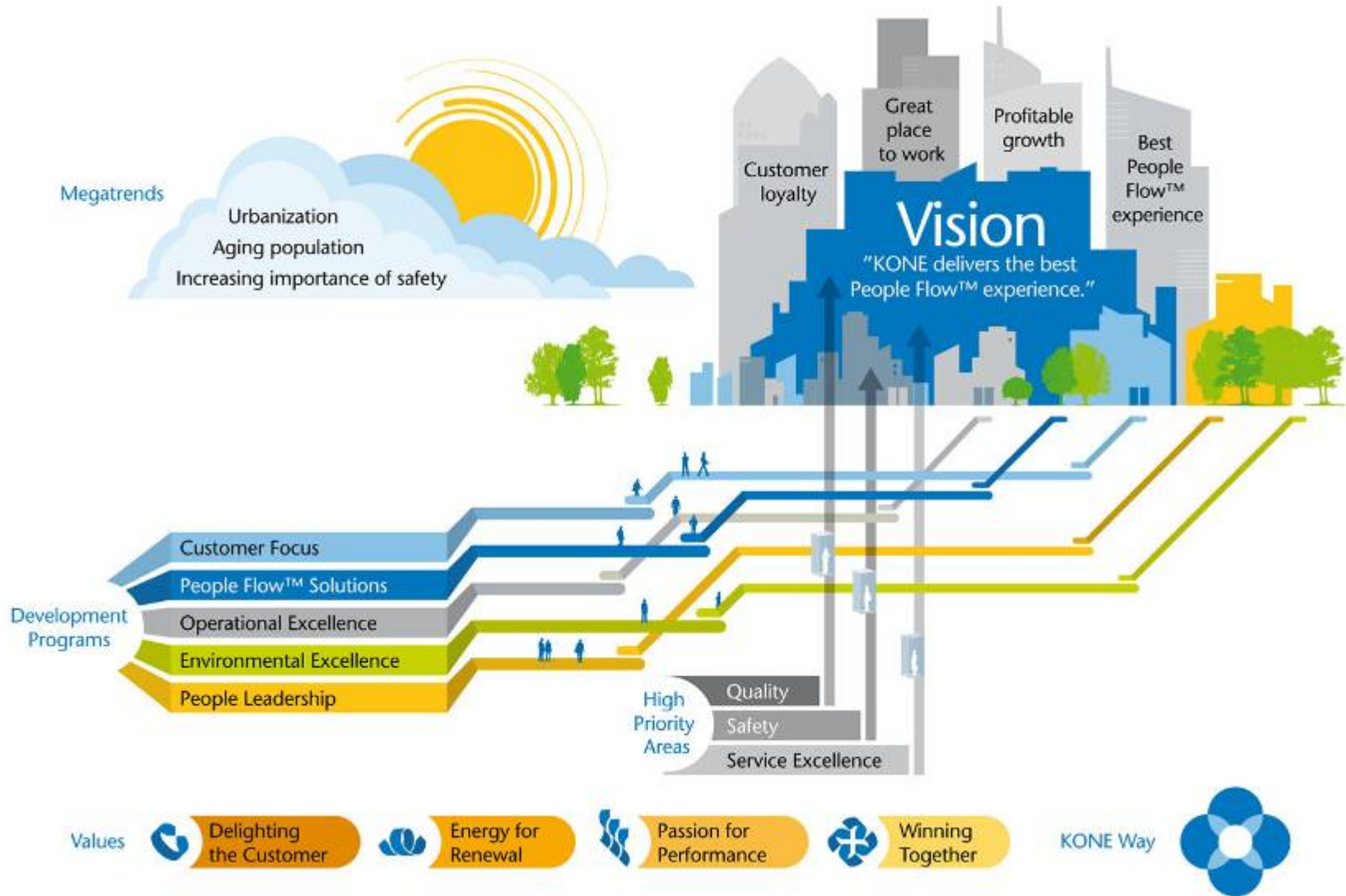


We defined KONE values as a basis to develop a culture that supports our change

- Delighting the Customer
- Energy for Renewal
- Passion for Performance
- Winning Together



Active development work continues





How we have become more customer focused/market driven

Improving customer/market focus throughout the whole business system



Main developments in **Customer Process**



Tools

- CRM
- KONE.com
- Tendering and ordering

Skills

- Sales management training
- Sales coaching

Customer Management Models

- Global customers
- Strategic customers – account management
- Core customers – quality service with optimized costs

Increasing customer focus in **Delivery and Maintenance processes**



Delivery process

- Correct timing of material deliveries to the site
- Better installation management resulting in less time on site
- Training programs to increase customer focus

Maintenance process

- Harmonized KONE Care offering
- Harmonized Modular Based Maintenance™ methods
- Common call center and field mobility platform
- Training programs to increase customer focus

Increasing customer focus in **Solution Creation process**



- R&D at market 'pulse' – more direct link from markets to solution development

- Segment focused offering, e.g.,
 - Residential segment
 - Office segment
 - Infra segment
 - Hospitals segment

- More focused and systematic implementation of offering improvements in complete offering releases



How we have become more globally balanced

In 2005 KONE was Europe-centric with plenty to improve in Asia and the Americas



KONE in Asia:

	<u>2005</u>		<u>2009</u>
▪ China	nr 8	→	Strong nr 4
▪ India	nr 2	→	Shared nr 1
▪ South East Asia	nr 5	→	nr 3

KONE in the Americas:

	<u>2005</u>		<u>2009</u>
▪ Market position	Nr 4	→	Significantly improved market share
▪ Profitability	Weak	→	Good

We started to further align our activities in Asia-Pacific and the Americas with our global KONE approach



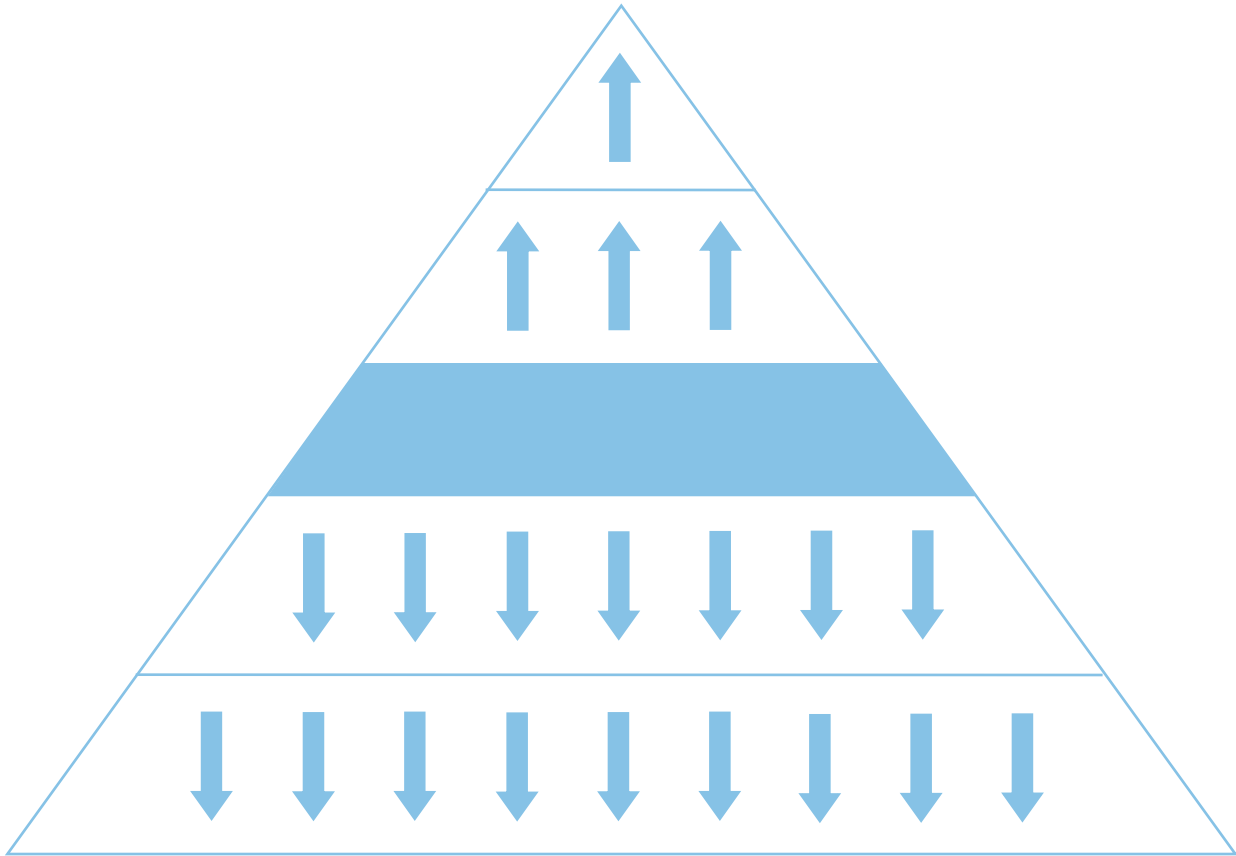
- Development of common culture
- Move to common processes
- Communication of a common vision
- Active global/local co-operation

We took Asia-Pacific and the Americas in strong overall focus

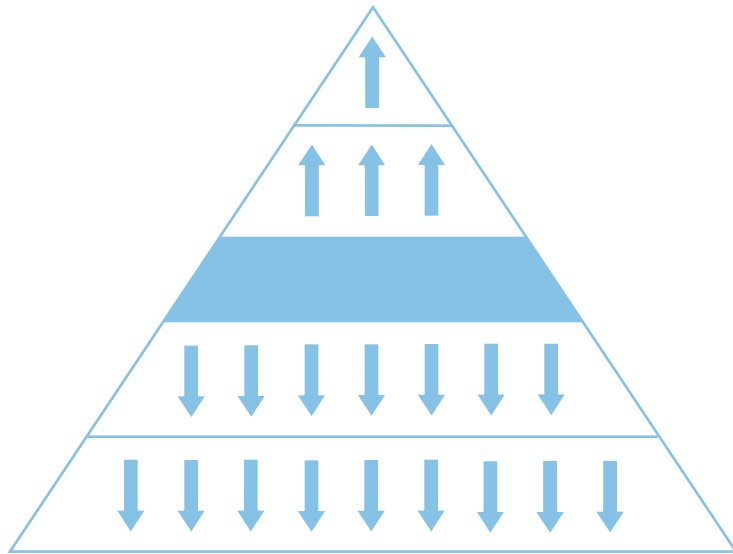


- We put the priorities of Asia-Pacific and the Americas to a very high level
- We strengthened our leadership teams in Asia-Pacific and the Americas
- We have used acquisitions more actively to support growth

We expanded our addressable market by expanding our product portfolio rapidly

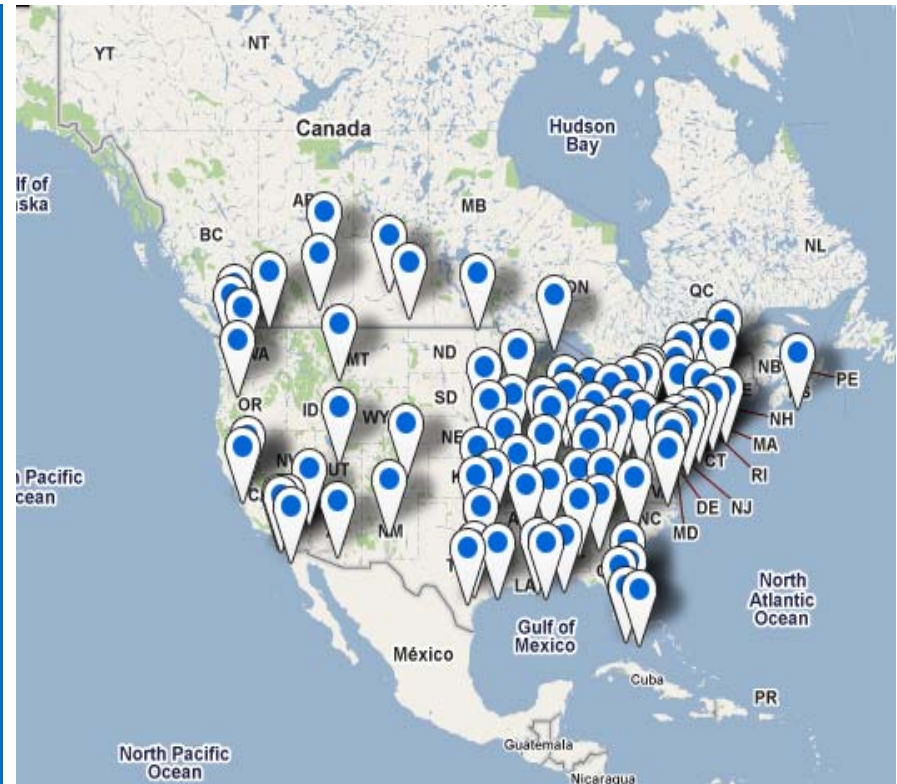


Expanding our addressable market successfully has required intensive development in global production and sourcing activities in addition to deeper market understanding



- Global production and sourcing networks managed from China
- Global category based sourcing organization
- Creating win-win relationships
- Increasing share of sourcing from low cost countries

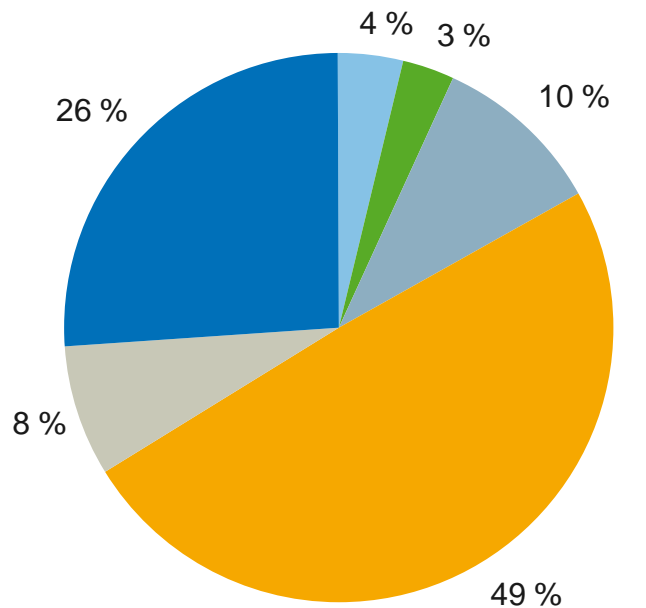
We have filled the white spots by setting up new branch offices



Elevator and escalator market in 2009

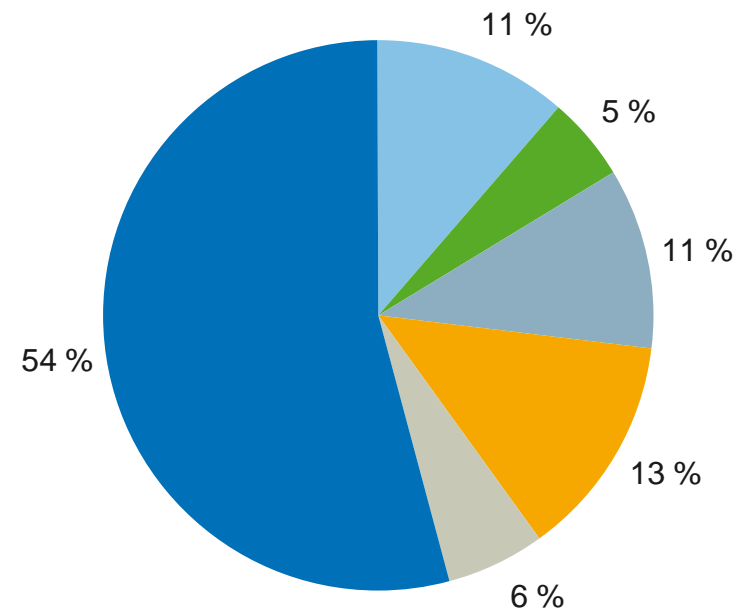


New elevator and escalator market (445,000 units)



- North America
- South America
- Japan and Korea
- China
- Rest of Asia Pacific
- EMEA

Elevators and escalators in operation (<10 million units)



- North America
- South America
- Japan and Korea
- China
- Rest of Asia Pacific
- EMEA



How we have become more productive

Fundamentals of improving productivity

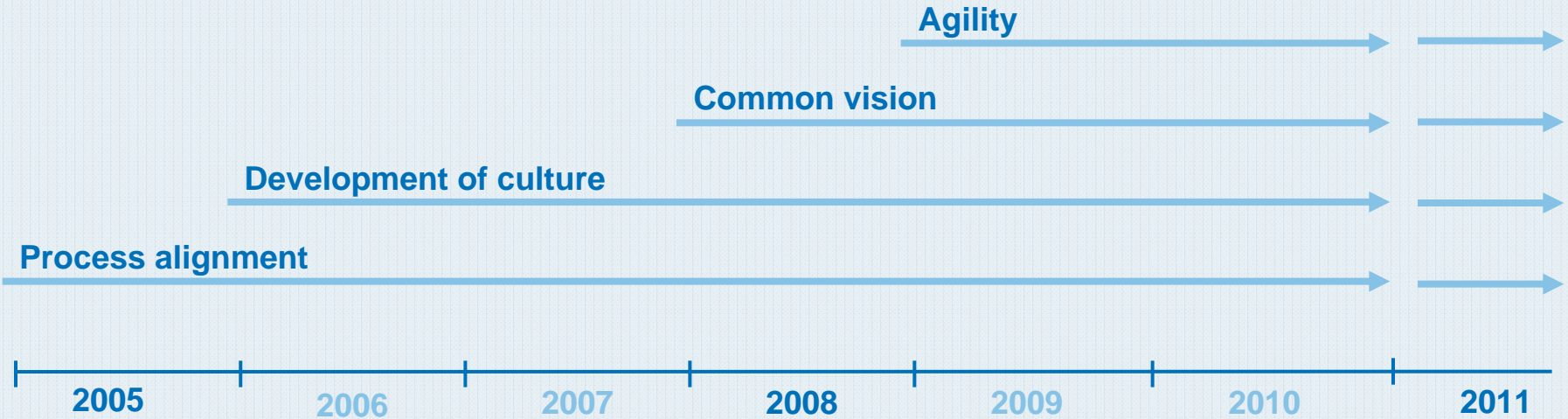


- Growth focused strategy
- Fixed cost growth lower than sales growth
- Process quality and discipline
- Cross-functional collaboration
- Improvement in quality



Moving forward

Preparing for the next step



Development programs:



New set of
development programs



Dedicated to People Flow™

