

The background of the slide is a photograph of a modern architectural complex. On the left, there is a long, covered walkway with a white, curved, ribbed canopy supported by white columns. In the center and right, a large, cylindrical building with a white, textured, scale-like facade is the main focus. The sky is clear and blue. In the foreground, there are some green trees and a white railing.

KONE'S CAPITAL MARKETS DAY 2010

Asia-Pacific review

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Agenda



- Asia-Pacific market
- China
 - The Chinese market
 - KONE in China
 - What we want to achieve in China
- Other markets in Asia-Pacific
- KONE's response to market trends
- Conclusions



Asia-Pacific market

Asia-Pacific region



China

Population¹⁾: 1,354 million

GDP²⁾: USD 4,909 billion

Urbanization rate¹⁾: 47%

Market size³⁾: approx
220,000 units

India

Population¹⁾: 1,214 million

GDP²⁾: USD 1,234 billion

Urbanization rate¹⁾: 30%

Market size³⁾: approx
20,000 units

Southeast Asia⁴⁾

Population¹⁾: 516 million

GDP²⁾: USD 1,425 billion

Urbanization rate¹⁾: 43%

Market size³⁾: approx
12,000 units

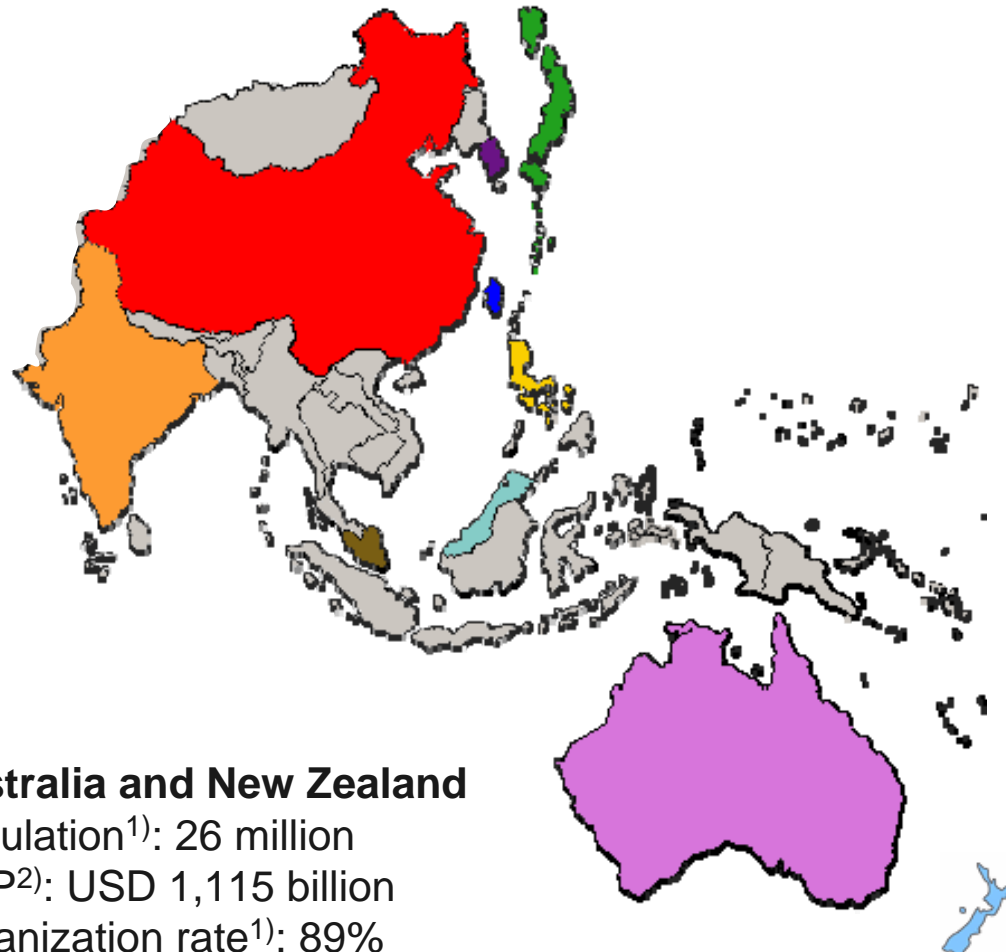
Australia and New Zealand

Population¹⁾: 26 million

GDP²⁾: USD 1,115 billion

Urbanization rate¹⁾: 89%

Market size³⁾: approx 2,000
units



1) Source: U.N. World Urbanization Prospects 2009

2) Source: International Monetary Fund, World Economic Outlook Database, April 2010

3) Market size is new equipment market size including elevators and escalators for 2009. Figures are based on KONE's estimate.

4) Southeast Asia includes Singapore, Indonesia, the Philippines, Malaysia, Vietnam, Thailand



China

The Chinese market in context



- Growth is not an option – it is the way of keeping society stable
- Urbanization is the way of creating economic growth
- Construction and real-estate industries are critical for urbanization and employment
- Government focus is to maintain a steady growth to meet national demand

Massive urbanization – key growth driver in China



Urban population

- 636 million in 2010
- Grown by 300 million during the last 15 years
- Will grow by 350 million during the next 15 years, which requires e.g. 50,000 high-rise buildings

Continued strong macroeconomic backdrop



Macroeconomic indicators

	2003	2004	2005	2006	2007	2008	2009	Q1/2010
GDP, y-o-y %-change	10.0	10.1	10.4	11.1	11.4	9.6	8.7	11.9
Industrial production, y-o-y %-change	17.0	16.7	16.4	16.6	18.5	12.9	10.3	19.6
Fixed investments, y-o-y %-change	27.7	26.6	26.0	23.9	24.8	26.1	30.1	25.6
Real estate investment, y-o-y %-change	29.7	28.1	19.8	21.8	30.2	20.9	16.1	35.1

Urbanization is also driving infrastructure spending



Creating an ultra modern public transportation system – plans existed but have been accelerated

- Railways
 - From 90,000 km
 - To 120,000 km with RMB 5,000 billion
- Metros
 - From 29 lines 780 km in 2008
 - To 79 lines 2,260 km approved in 2010 with RMB 882 billion
 - To 158 lines over 4,200 km in planning
- Airports
 - From 147 in 2006
 - To 190 in 2010
 - To 244 in 2020

Affordable housing is the key growth driver in the residential segment

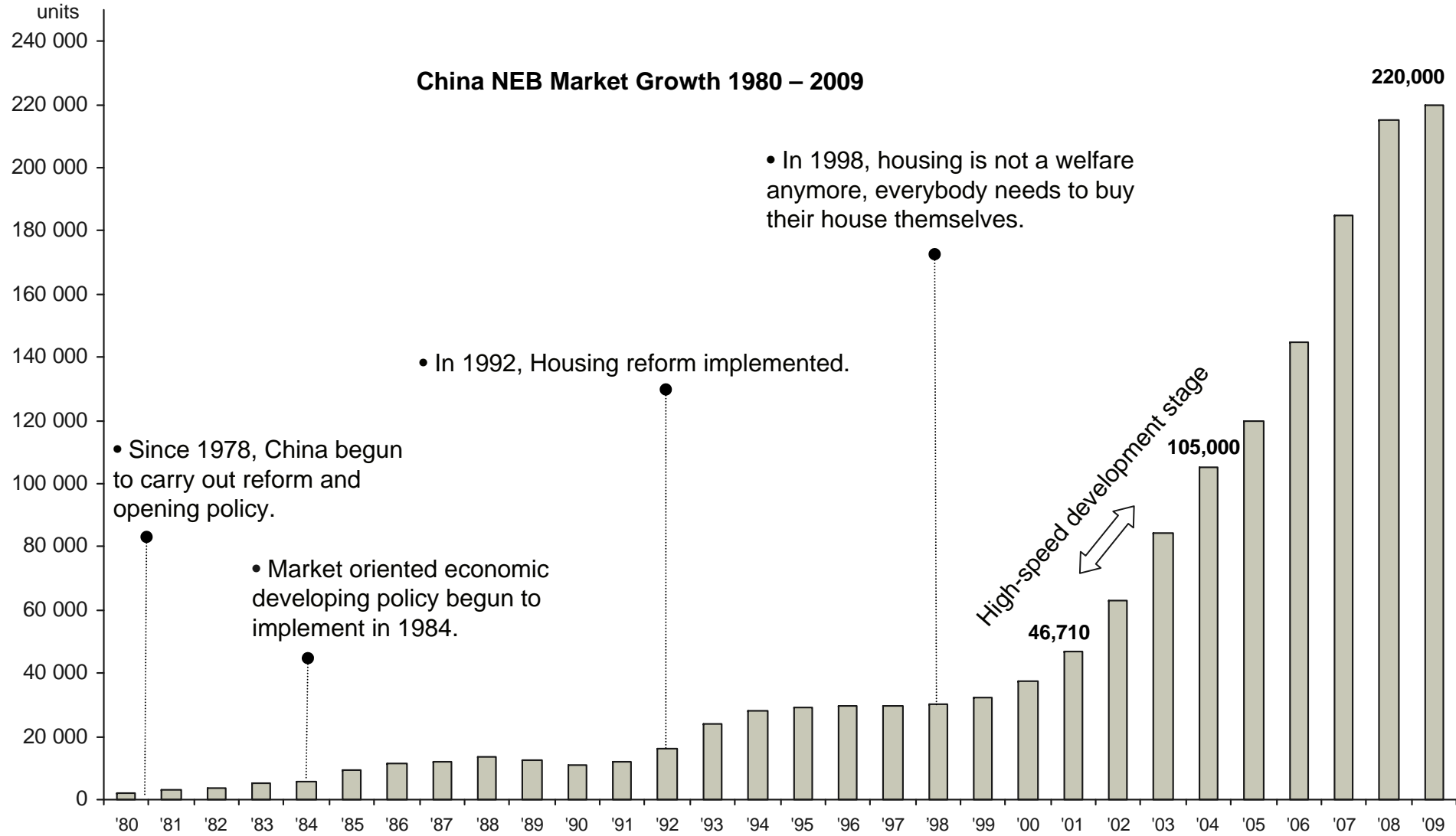


- How to ensure affordable apartments for newly urbanized people
- Controlled selling price/m²
- Fixed percentage of development floor area/project to affordable housing
 - the rest for commercial development and surrounding rural areas
- Parts of cities modernized at a time
- Robust model for years to come to ensure a sufficient amount of entry level apartments

China new equipment market started to grow rapidly 10 years ago



China NEB Market Growth 1980 – 2009



Source: China Elevator Association and KONE's estimates on the market size

Average annual growth rate ~19%

Maintenance market is fragmented but growing strongly



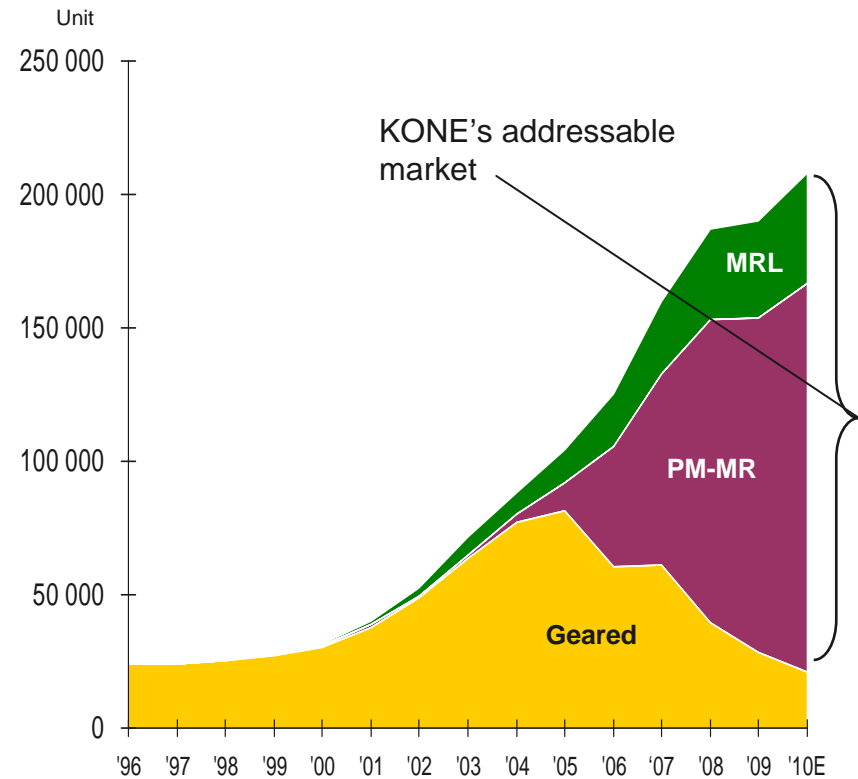
- Market is fragmented
- Regulations - strong basic requirements exist
- Enforcement is the challenge
- Need for high quality maintenance increasing

KONE has built a strong position in China



- Technological leader in the industry
 - Most advanced and environmentally friendly products
 - Leader in the machine-room-less (MRL) technology in China
 - EcoDisc® technology throughout the product range for 12 years
- KONE introduced a small machine room solution based on the MRL platform in 2005/2006
- Forerunner in providing professional service business to ensure safe and smooth operations of elevators and escalators

Elevator market in China by technology



Key development actions in China since 2005



- Expanded accessible market
 - Product portfolio extensions
 - Geographic spread
- Strengthened sales network
- Developed operational excellence
- Built a strong maintenance business
- Built a strong management team
- Increased R&D personnel and production capacity

Giant KONE – joint venture with Giant



- KONE established a JV with Giant Elevator in February 2005
 - KONE 40%, Giant Elevator 60%
 - An option for KONE to increase its shareholding to a majority stake
- JV provides
 - Access to new market segments
 - Additional production capacity, synergy between KONE China and Giant KONE
- Giant KONE is one of the largest national elevator companies
 - Installed more than 7,000 units in 2009
 - Total service base of 3,500 elevators in 2009

Our achievements in China

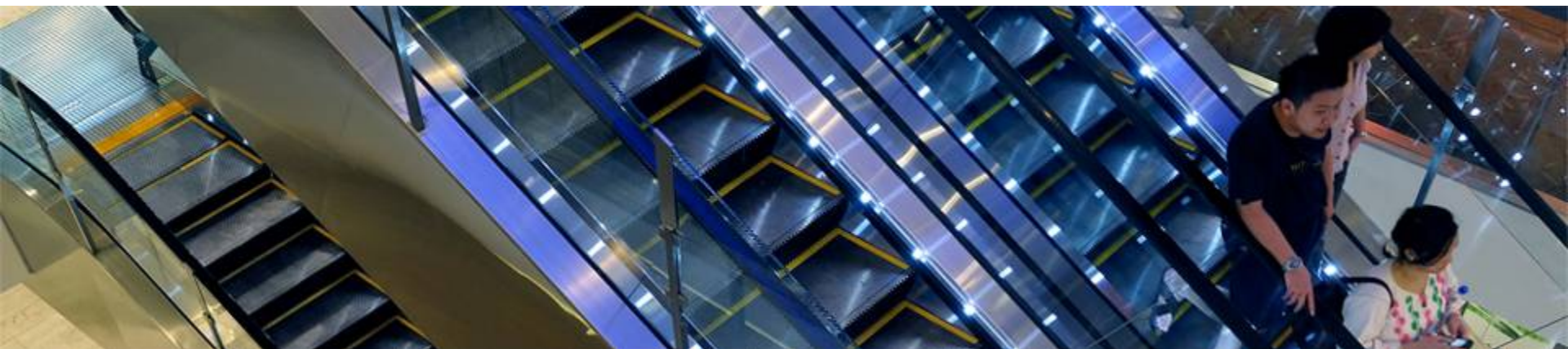


- Grown every year faster than the market during the past 5 years
- Today clearly among the 4 big brands in market share
- Been able to maintain a healthy profitability
- Developed a market leading maintenance business
- Learned to move fast and to be agile

What we want to achieve in China

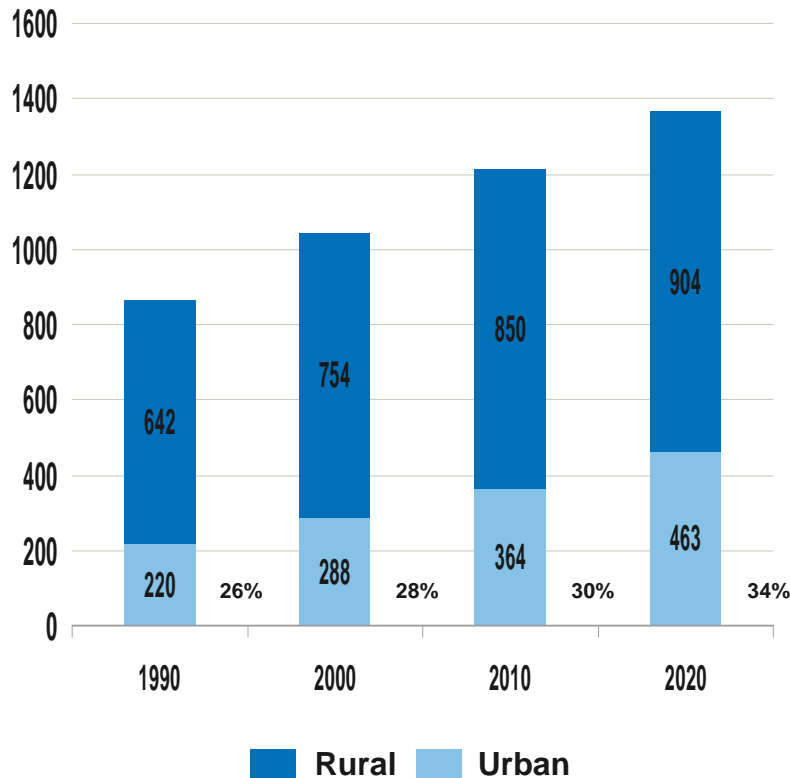


- Growth – faster than the market
 - Residential, affordable housing, office
 - Major projects
- Continue strengthening product portfolio
 - Stay highly competitive
 - Strengthen competitive advantages
- Cost competitiveness of new equipment – respond to price pressure
 - Optimize for China
 - Volume leverage
 - Sourcing
- Brand – even stronger awareness of KONE



Other markets in Asia-Pacific

Urbanization population
(million)



- GDP growth expected to be around 8% p.a. in 2010-2014*
- Urbanization creates long-term potential
- Clear recovery from the recession
 - Real estate, services, IT and manufacturing has returned on growth path
 - The residential market is active
 - The government investing on public transportation
 - Fast growth in 3rd and 4th tier cities
- KONE is the co-leader in the Indian market



- GDP growth around 3% p.a. 2010-2014*
- Markets in recovery since Q3/2009
- The new equipment and modernization markets in the residential segments showed clear signs of improvement during Q1
- KONE is the co-leader in the Australian market



- GDP*
 - 2011-2014 growth p.a. is 4-7%; Singapore ~4%, Malaysia 4-6%, Vietnam 6-7%, Indonesia 5-6%

- Market recovery in Q1/2010
 - High activity back in Singapore, Malaysia, the Philippines and Vietnam
 - Market instability in Thailand

- KONE no. 3 with the objective of growing faster than the market

Note: Southeast Asia includes Singapore, Indonesia, the Philippines, Malaysia, Vietnam, Thailand



KONE's response to market trends

KONE's response to market trends



Market trends

Growing environmental awareness - demand for eco-efficient solutions



KONE response

KONE has had eco-efficient solutions since market entry in Asia-Pacific; significant expansion of addressable market since 2005 and continuous improvement to keep leadership in eco-efficiency

Affordable housing to provide entry level living for newly urbanized citizen



KONE X Mini product line well positioned to serve this growing segment; constant efforts to further developments

Fast growth of installed base



KONE has strong focus on maintenance conversions and provides KONE Care service solutions that match the needs of different customer needs

Demand for high-end major projects increasing



KONE has high quality customer base in all main markets; focus on further developing sales, sales support and project management capabilities on all markets

KONE aims to grow faster than the market in Asia-Pacific



- Market will continue to grow
 - Urbanization driving continuous growth in China, India and in the Southeast Asian markets
 - Real estate and construction key drivers of employment and economic growth
 - Expansion of a new middle class will drive value growth

- A strong position and focused development actions provide a strong platform for continued growth for KONE



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