



KONE'S CAPITAL MARKETS DAY 2010

West and South Europe and Middle East review

Henrik Ehrnrooth
CFO

Agenda



- West and South Europe market review
- Middle East market review
- KONE's response to market trends

Market development in West and South Europe



- New equipment markets
 - Continue to decline except in Belgium and Turkey
 - Rate of decline getting lower in France and Italy
- Modernization markets are quite stable, providing good growth opportunities
- Maintenance markets continue to progress but are increasingly competitive
- KONE's market position
 - Very strong position in France, Belgium and Italy
 - Lower market share in Spain

Modernization market in West and South Europe



- France
 - 9% decrease in 2009 due to strong actions by building owners' associations against the SNEL law*
 - 75% completion rate for SNEL first phase (deadline 12/2010)*

- Italy
 - After the suspension of the SNEL law early this year by a lower court, the expected growth for 2010 is on hold until the Supreme Court renders its decision in the SNEL matter

- Belgium
 - The SNEL Royal Decree is generating good market growth

- Spain
 - Some opportunities in the market of existing buildings and full replacement solutions due to governmental incentives

The Middle East market is recovering – long-term planning and prioritization are characterizing the market



- Growth drivers
 - Increasing oil and gas prices
 - Government spending
 - Segments that are growing: infrastructure, education, medical, residential, tourism and leisure

- The Abu Dhabi market is already recovering

- The Qatar market is improving

- The Saudi Arabia market is showing good signs for further growth

- KONE's market position is strong

Aldar Headquarters, Abu Dhabi, to be completed in 2010

KONE's response to market trends



Market trend

KONE response

Development of affordable housing and low-end residential segment



KONE provides a dedicated and cost competitive product range (EcoSpace) for this segment, including eco-efficiency benefits

Aging population and accessibility requirements



KONE MaxiSpace™ offering space efficient solutions to buildings without elevators
KONE Care™ maintenance services keep elevators as well as automated doors in perfect conditions

End-user and workers' safety



KONE Care for Life™ advises customers on modernization needs
Industrialized installation and repair methods ensure quality and safety of work

Middle-East major projects development



Dedicated organization to master these projects and a full range of solutions from high-rise elevators to moving walkways

KONE'S CAPITAL MARKETS DAY 2010

KONE financial review

Henrik Ehrnrooth
CFO

Agenda



- Development of productivity in maintenance
- Sourcing excellence at KONE
- Fixed cost management
- Cash flow and capital management
- Conclusions



Development of productivity in maintenance

How to improve maintenance productivity



- Growth of maintenance density
- Service excellence program
- KONE Modular Based Maintenance™
- Call-out reduction program
- Leadership in operations

Drivers for maintenance growth



New equipment continues to feed maintenance base

Orders Received units

70000

60000

50000

40000

30000

20000

10000

0

2004

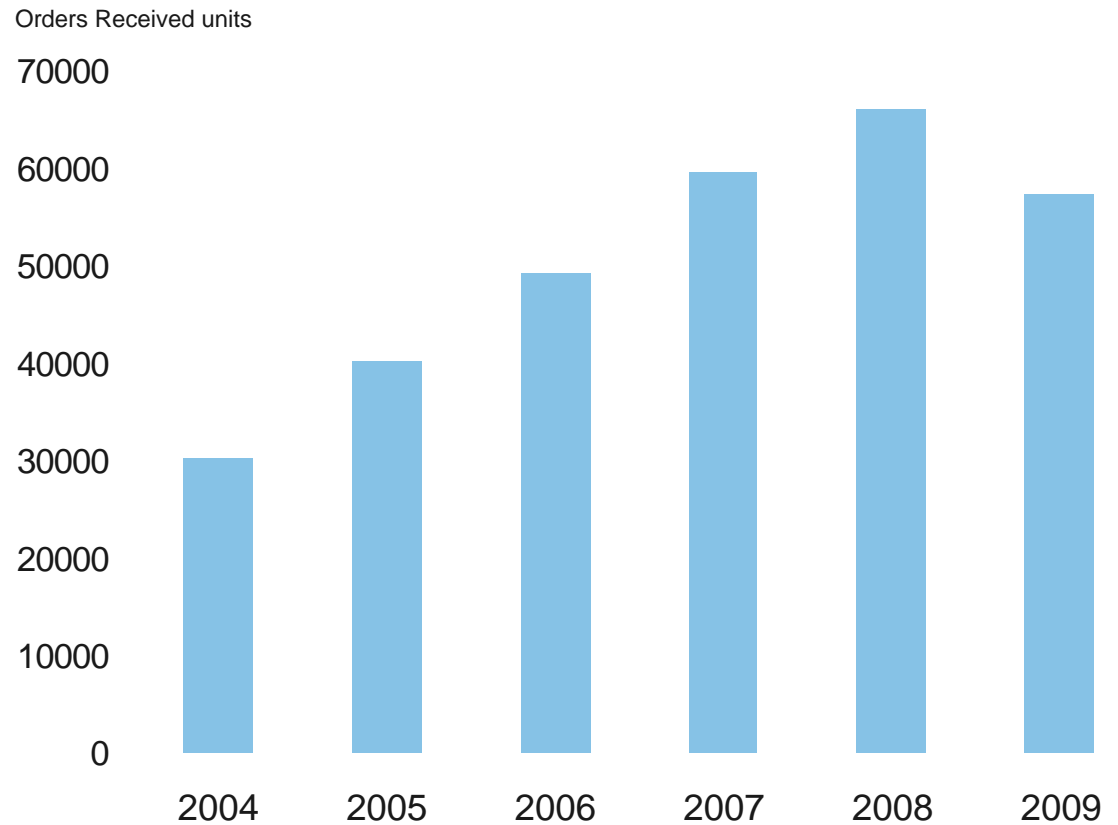
2005

2006

2007

2008

2009





Sourcing excellence at KONE

Improvement of cost competitiveness through sourcing excellence



Supplier quality

- Supplier development

Cost management

- Continuous cost competitiveness

Supplier risk management

- Quarterly surveys with corrective actions

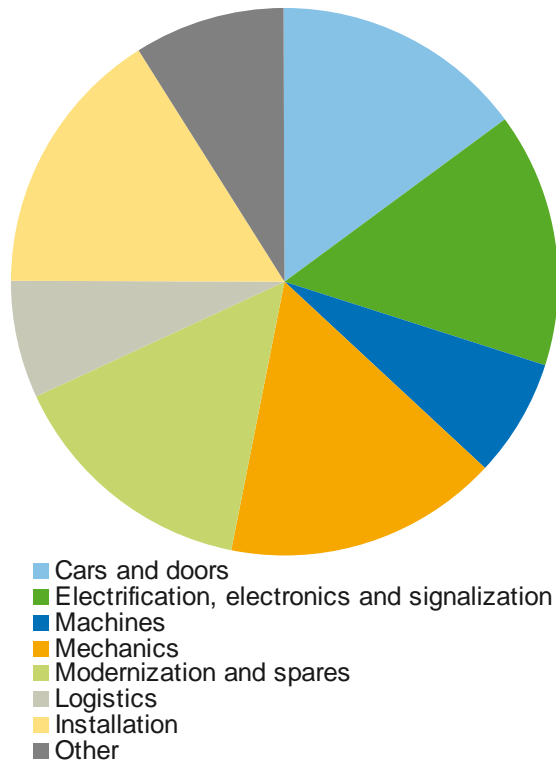
Category management

- Source plans, cross-functional / unit teaming

Supplier relationship management

- Platform and process implementation

Breakdown of key sourcing categories



Management of commodity prices

- Majority of metals prices fixed for 2010
- Process in place to fix prices for 2011
 - Capture opportunity as a result of volatility in metals prices
 - Manage increases in materials prices
- Majority of factory purchases are in local currency



Fixed cost management

Fixed cost focus



- Fixed cost adjustment program* - structural change in fixed cost
 - EUR 40 million reduction in fixed cost run rate
 - EUR 33.6 million one-time cost
 - Decrease of approximately 500 jobs globally
 - Proceeding according to plan
- Moderate development of salaries
- General tight management of costs



Cash flow and capital management

Financial Position - Assets Employed



MEUR	Mar 31, 2010	Mar 31, 2009	Dec 31, 2009
Assets employed			
Intangible assets	717.3	695.2	706.7
Tangible assets	205.2	213.0	200.5
Investments	169.9	157.9	156.0
Net working capital	-330.0	-152.0	-228.7
Assets employed total	762.4	914.1	834.5
Financed by			
Equity	1,122.4	954.4	1,339.2
Net debt	-360.0	-40.3	-504.7
Equity and net debt total	762.4	914.1	834.5

Development of net working capital has contributed strong cash flow



MEUR	Mar 31, 2010	Mar 31, 2009	Dec 31, 2009
Net working capital			
Inventories	860.2	933.1	784.6
Advance payments received	-948.9	-866.9	-832.4
AR and other non IB assets	1105.7	1,110.5	1,056.1
Net deferred tax assets / liabilities	125.0	91.5	110.4
Employee benefits	-112.9	-117.2	-110.6
Provisions	-103.6	-49.3	-100.3
AP and other non IB liabilities	-1,255.5	-1,253.7	-1,136.5
Net working capital total	-330.0	-152.0	-228.7

Continued strong cash flow



MEUR	1-3/2010	1-3/2009	1-12/2009
Operating income	108.6	91.2	566.7
Change in working capital before financing items and taxes	93.4	63.6	194.2
Depreciation	15.6	15.5	64.2
Cash flow from operations	217.6	170.3	825.1
Cash flow from financing items and taxes	-64.7	-15.7	-123.7
Cash flow from operating activities	152.9	154.6	701.4
Cash flow from investing activities	-16.3	-22.3	-90.6
Issue of shares	-	0.3	9.9
Dividends paid	-307.1	-151.9	-164.0
Change in net debt	-170.5	-19.3	456.7

Conclusions



- Continued development of productivity
- Sourcing excellence – improvement in quality and cost competitiveness
- Fixed cost adjustment program in accordance with plan
- Strong improvement in working capital has resulted in a very strong cash flow



Dedicated to People Flow™

