

The background of the slide is a panoramic view of the San Francisco skyline. The Transamerica Pyramid is prominent on the left. The sun is visible behind a building on the right, creating a lens flare effect. The sky is filled with light, wispy clouds.

KONE CMD 2014

Driving profitable growth in North America

Larry Wash, Executive Vice President, Americas
September 26, 2014

Agenda



→ Growing North American market opportunity

→ Our progress in North America

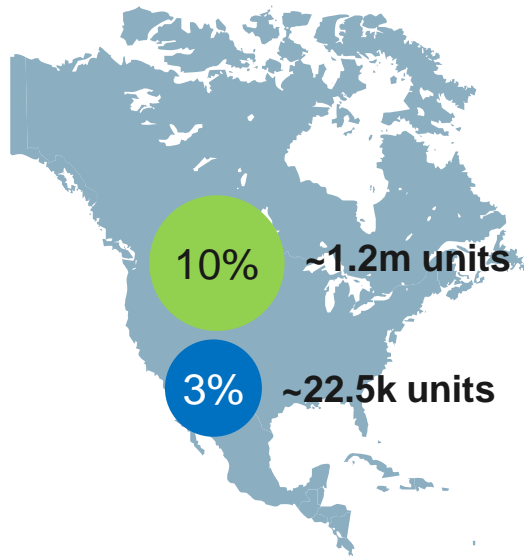
→ Our future direction and priorities



North America overview – United States is the most significant market



E&E market in 2013



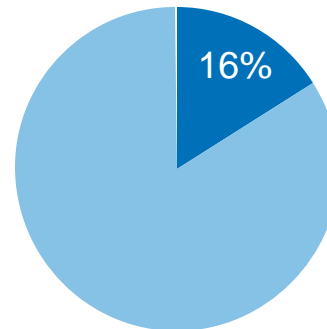
% of all E&E equipment in operation globally (in units)

% of all new equipment orders globally (in units)

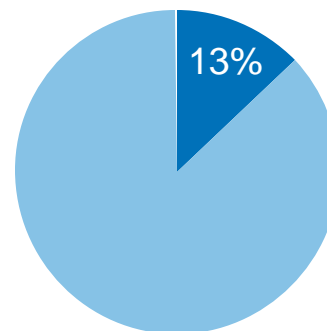
Based on KONE estimates

North America for KONE

% of total sales in 2013

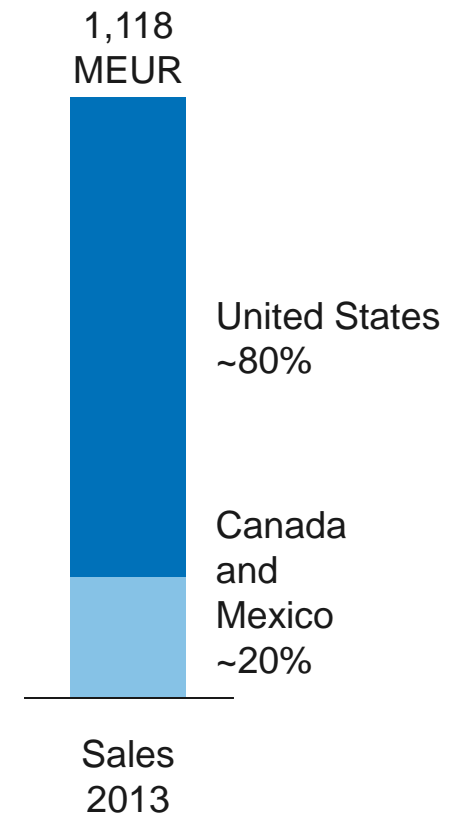


% of total employees at the end of 2013



North America sales split

KONE's sales split in 2013



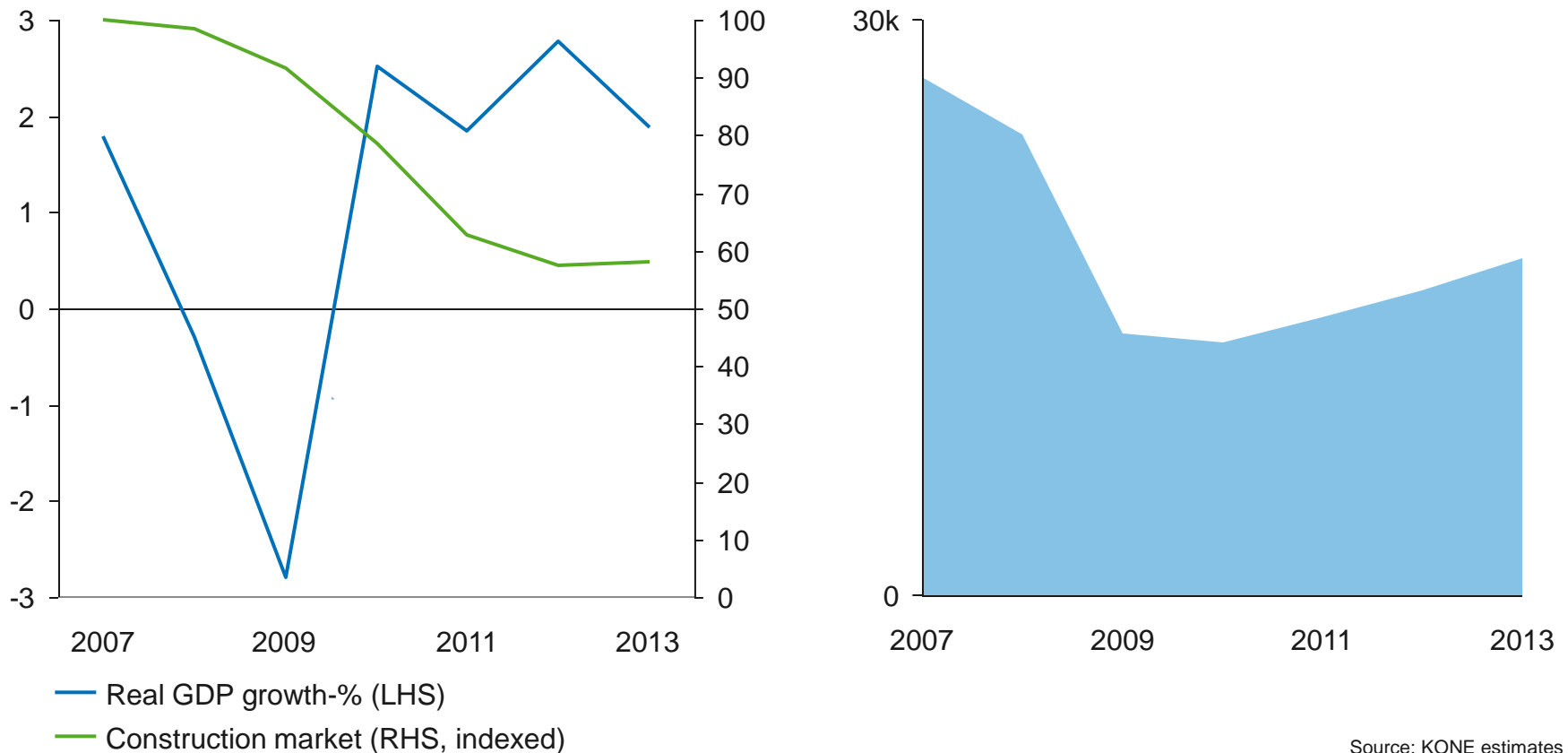
The E&E market in the United States suffered a severe crash, but is now on a good recovery track



The E&E market in the United States has recovered to ~65% of peak unit volumes

GDP & construction market development, 2007-2013 New equipment market in units, 2007-2013

Source: IMF, IHS Global Insight

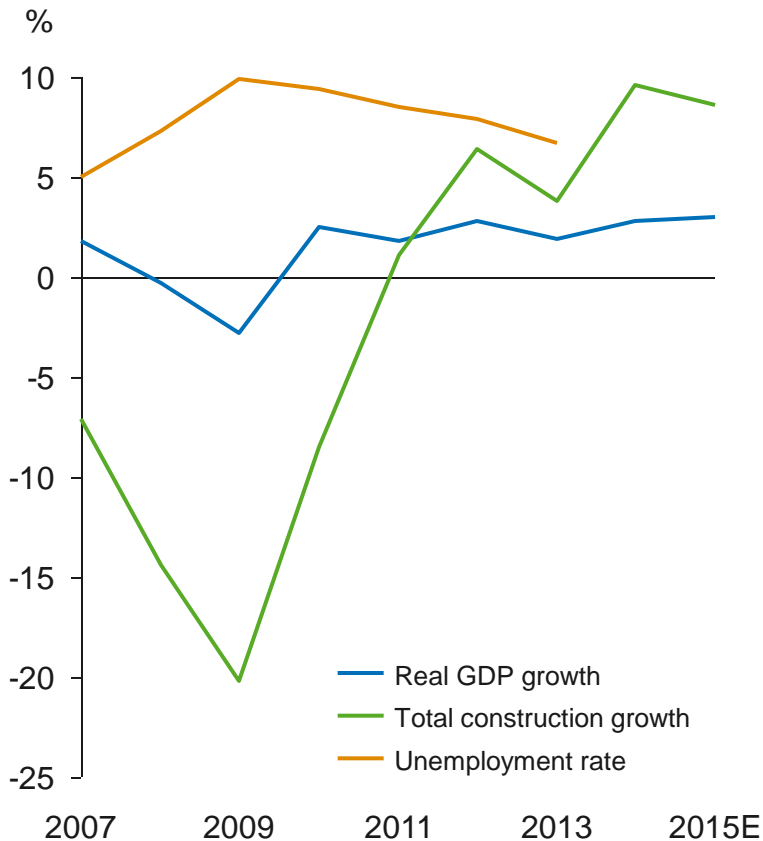


Source: KONE estimates

Macroeconomic and construction market trends in the United States are clearly positive



Positive economic indicators



Construction market trends

Growth in commercial development including office and hotels

Housing market recovery continues; growth in multi-family rental segment

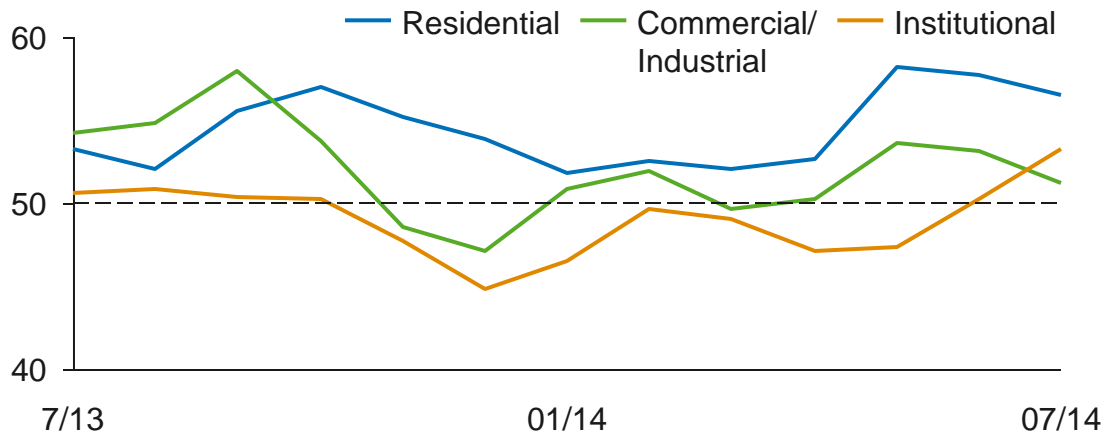
Investment in existing building upgrades

Steady investments in airport and transit facilities to upgrade aging infrastructure

The development in Architecture Billing Index reflects improvement in market sentiment

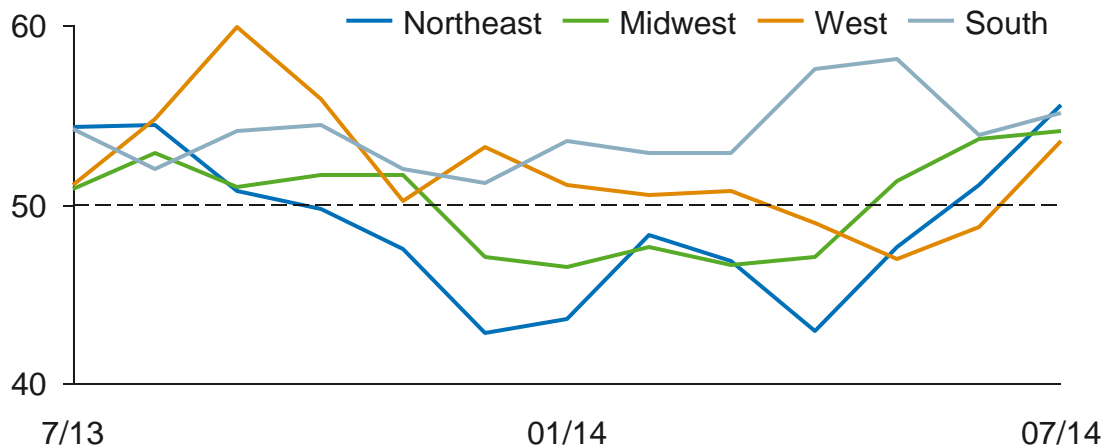


Residential the most positive sector



- All sectors show growth
- Institutional work picking up
- Residential activity remains high

ABI in positive territory for all regions



- Activity growth across all regions
- Northeast and Midwest catching up with West and South

The E&E market in the US is weighted towards commercial segments



High-rise downtowns consisting mainly of commercial buildings

~2/3 of the E&E market volumes come from commercial segments

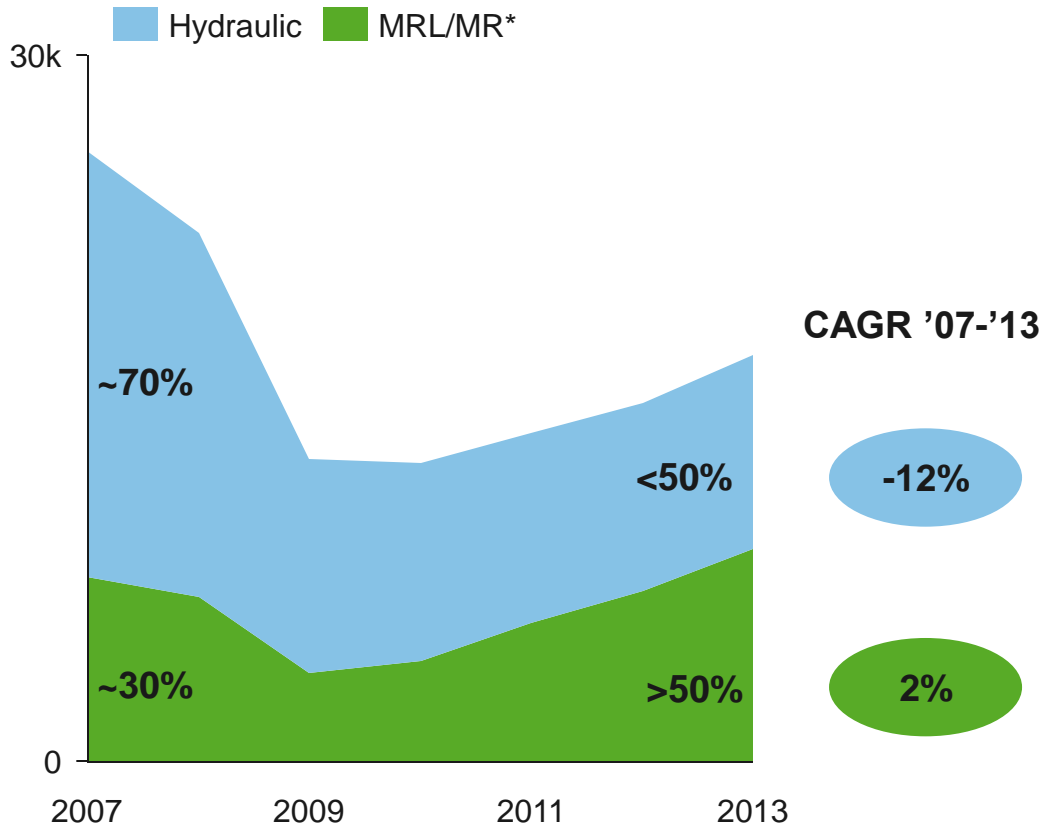
Residential suburbs with single-family houses and low-rise buildings

~1/3 of the E&E market volumes come from residential segments

The new equipment market structure is changing – KONE is the leader in the machine room-less segment



New elevator market in the United States, units



Growth segments in new E&E market

- Small to mid-sized office buildings
- Multi-family residential housing
- Hotels, stadiums and other entertainment related construction
- Infrastructure segment

*) Machine room-less & machine-room traction

KONE not present in hydraulic segment

The maintenance market in the United States is large and consolidated

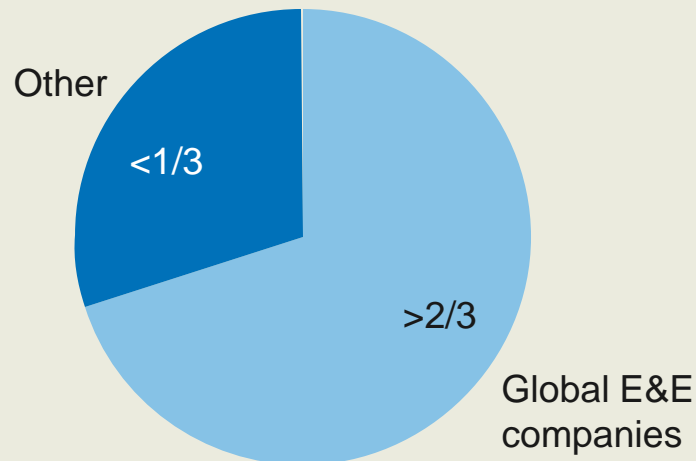


E&E units in operation in the United States

~1,000,000 units in service

Installed base has been relatively stable during the past years

These are mostly maintained by global E&E companies

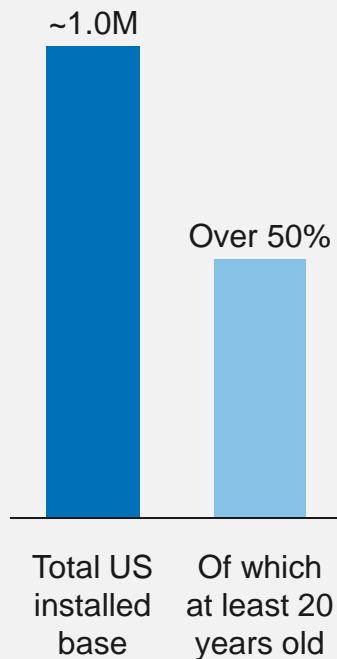


- Maintenance business is consolidated, and the competition for existing base tight
- Large public segment exists with public bids for contracts
- Price competition in maintenance has remained intense

Modernization market outlook in the United States is very positive, with a large opportunity particularly in high-rise buildings

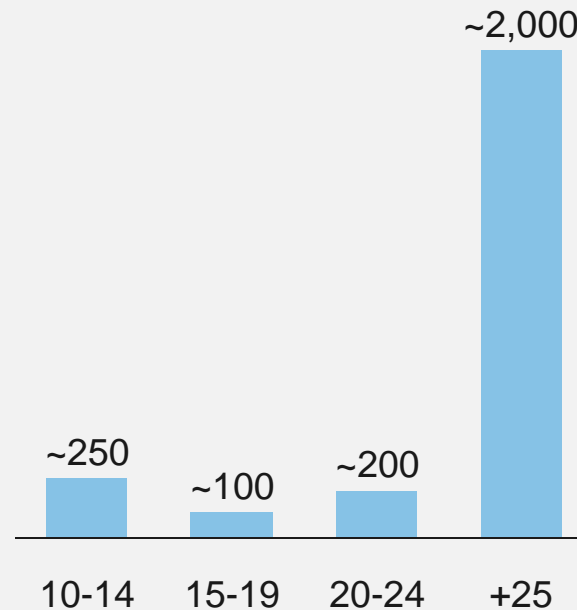


Installed E&E base is aging



High number of aging high-rise buildings

Number of buildings with 25 or more floors by age (building age in years)



In high-rise modernization, the largest opportunities lie in the office and residential segments

The background of the slide is a photograph of the Madison Square Garden entrance. The words "MADISON SQUARE GARDEN" are prominently displayed in large, raised letters above a glass-fronted entrance. To the left, a classical statue is visible. In the lower portion of the image, a person in a blue winter jacket is walking on a modern, curved escalator. The overall scene is brightly lit, suggesting an indoor or well-lit outdoor environment.

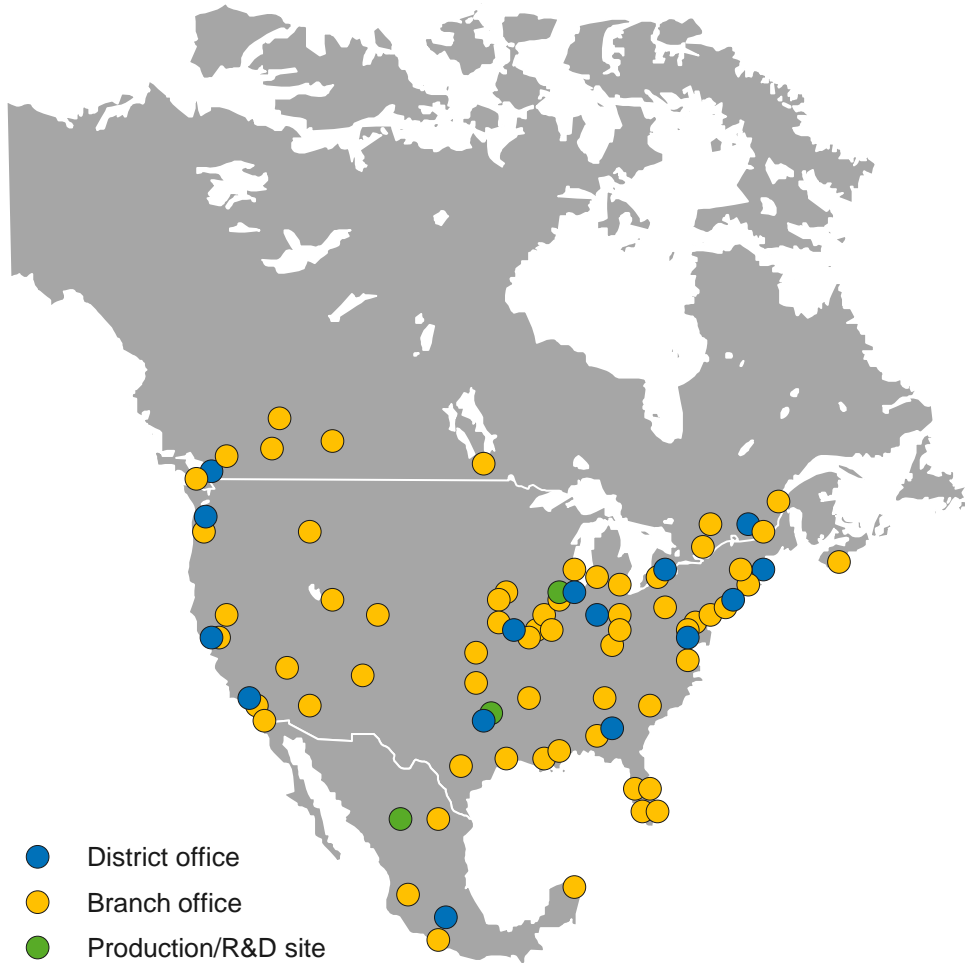
MADISON SQUARE GARDEN

→ Growing North American market opportunity

→ Our progress in North America

→ Our future direction and priorities

We have a broad footprint across North America, enabling us to capture opportunities in different pockets of growth



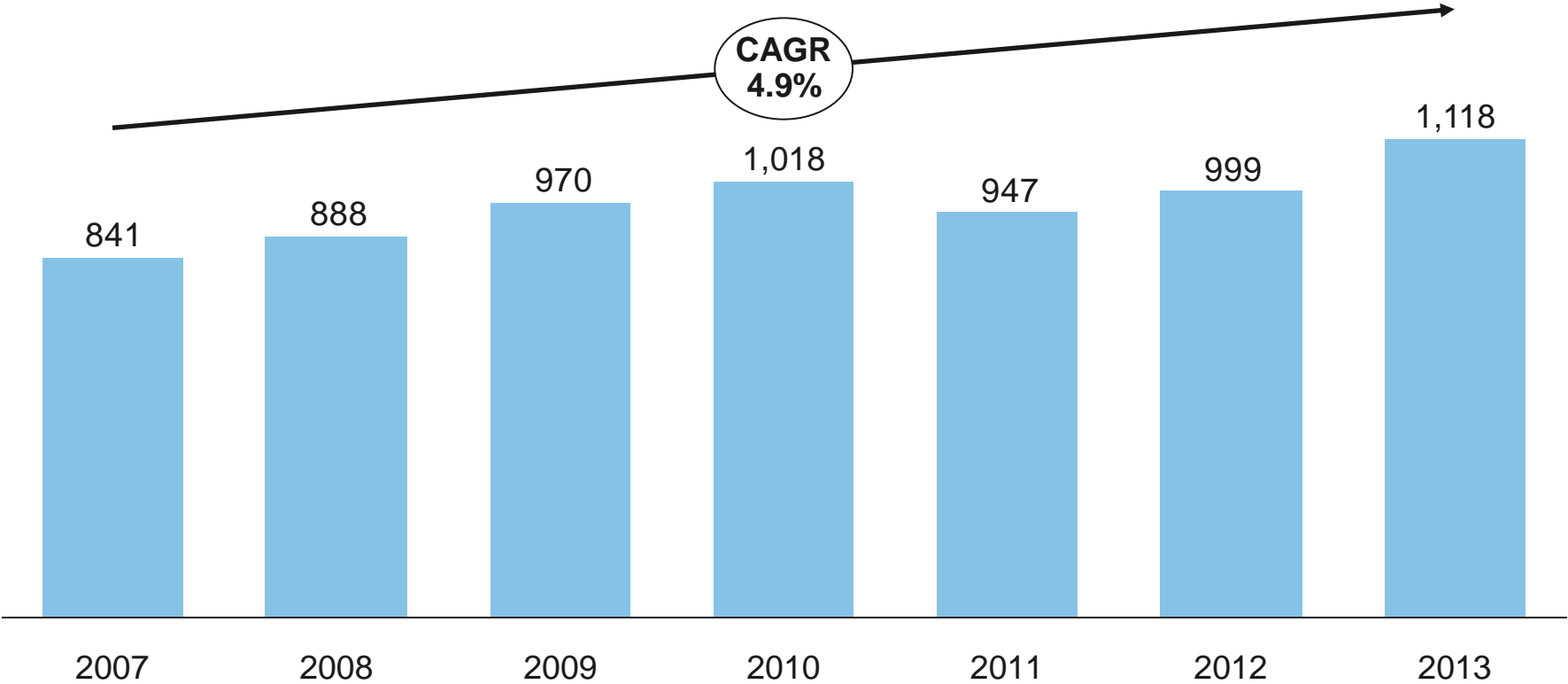
- North America HQ in Lisle, Illinois
- Broad district and branch network across North America
- Two production sites and one R&D center
- Over 5,000 employees

KONE's sales in North America – on solid growth track



KONE's sales in North America in 2007–2013

MEUR

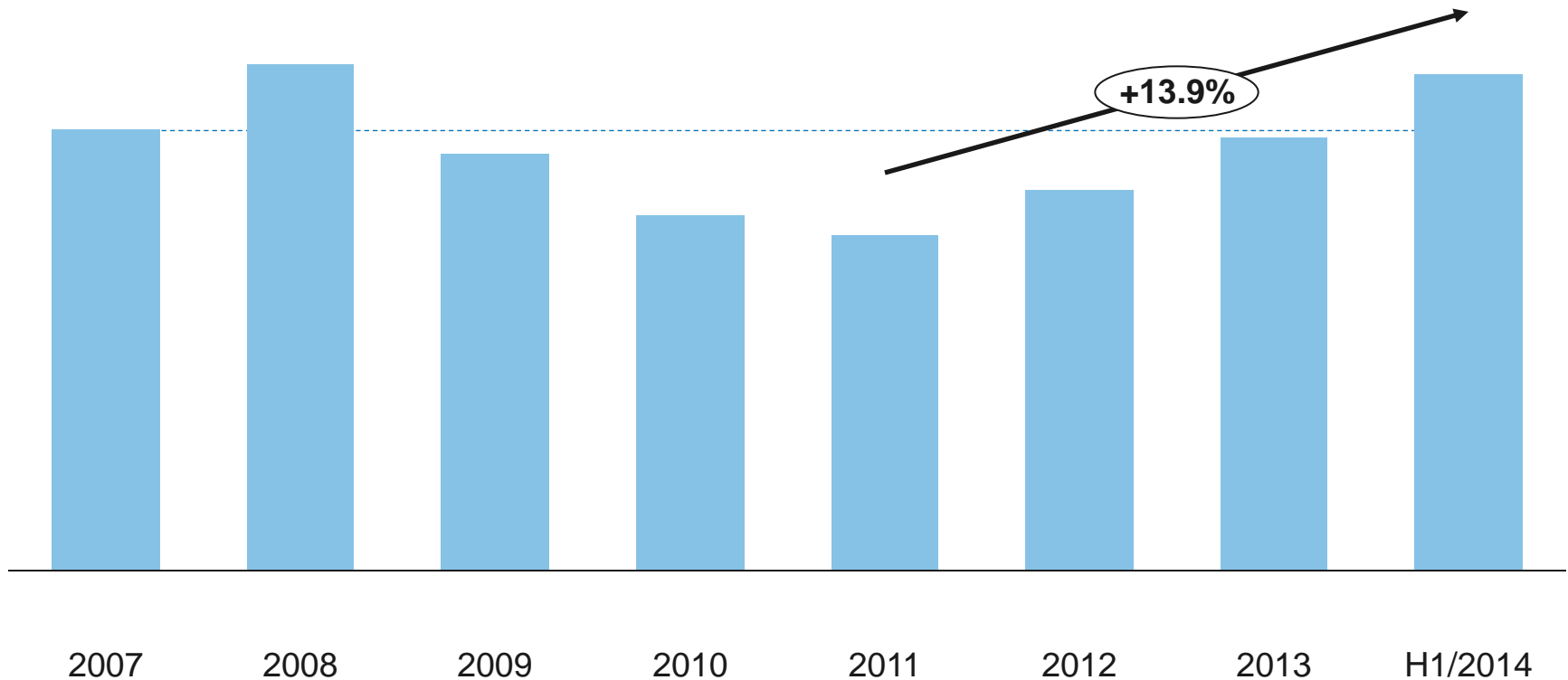


Our order book is growing and its margin improving



North American order book has developed well since 2011

KONE's order book development in North America, 2007–H1/2014 (indexed, 2007=100)



Our performance in North America has developed positively on a broad basis



Improving customer loyalty

Better employee engagement and retention

Faster than market growth since H2/2013

Improving productivity and profitability

No presence in hydraulic segment

We are growing our market share profitably in all businesses



New equipment

- Clear market share growth
- Margin expansion achieved through pricing excellence in small and mid-sized office projects and small- to medium-sized major projects

Maintenance

- Slight market share gains and margin expansion in a competitive environment

Modernization

- Faster than market growth with margin expansion following strong performance in the office segment

Smart growth achieved with focus on pricing excellence in all businesses

We are strengthening our position also in major projects in North America



One Bloor, Toronto, Canada



- 75-storey mixed use building
- KONE delivers nine elevators, two escalators and KONE Polaris destination control system
- The first site in North America to use KONE JumpLift solution during construction time
- JumpLifts used for 24 months and then converted to permanent elevators

WMATA, Washington D.C., US



- Modernization of escalators on 37 stations of the Washington Metro
- Order includes modernization of 128 escalators
- Project duration 7 years
- In monetary value, largest order in KONE's history

The Washington Metro escalator modernization project is a very significant win, reflecting our existing strengths



Excelling at project execution

34 Stations 128 Escalators 7 Years

Delivering on our promise

KONE has been able to deliver ahead of time despite schedule changes

Co-operation with all stakeholders

Constant communication with the customer and other stakeholders necessary for successful execution

Project performance

Focus on productivity has enabled positive performance

Executive sponsorship and oversight

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We are further developing our competitiveness through implementation of global development programs



Across our business, we are focused on improving customer experience



Service

- Continue to drive improved Customer Loyalty – leveraging strong customer insight and proactive communication
- Continue to drive improved reliability and performance through technology enabled processes and strong operational execution

New equipment

- Customer design assistance in the planning phase for better people flow and faster and safer construction
- Improved project management, scheduling, installation processes and communication to better respond to customers' needs and processes

We are actively investing in developing our people



Focus on developing and attracting talent

- Invest in systems, structure, people and tools to provide access for learning and development for every employee
- Create career paths for different roles throughout the organization
- Increased investment in developing, motivating and engaging KONE employees
- Developing and promoting internal talent and attracting external talent for growth



In new equipment, several recent innovations are further improving our competitiveness

Enhancing our competitiveness in commercial and high-rise buildings

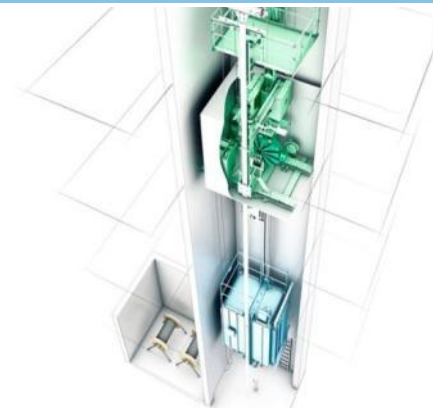
People Flow Intelligence



High-rise elevator platform



JumpLift



Capitalizing on our strength in the machine-room-less segment

Further development of our pricing excellence

In maintenance, we are targeting profitable growth through improved execution and customer experience

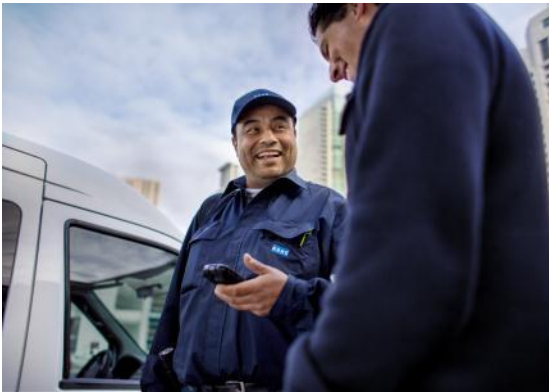


Fully leveraging advanced field management systems and remote monitoring technology

Improving our field capabilities and customer experience

Delivering solutions – not just maintenance

Developing our service technicians



Driving improved equipment availability



Delivering solutions and KONE value



In modernization, we have become more proactive in market development and demand creation

Improve our sales competencies and proactive demand creation capabilities

Targeting & prioritizing opportunities



Training our salespeople



Systematic follow-up of opportunities



Focus on further utilizing global solutions and improving high-rise competencies

Capitalize on our technical expertise and strength in escalator modernization



North America is an attractive market with growth in all segments. We are actively participating in this market through smart growth.

Our priorities

- Great place to work – building and developing our talent.
- Smart growth – gaining market share while expanding margins.
- Productivity – improving field operations and competencies.
- Customer experience – improving customer loyalty by focusing on quality, responsiveness & communications.

Dedicated to People Flow™

KONE