

# Going forward in a determined way

March 5, 2012

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# Agenda



- Business development in 2011
- Market development in 2011
- Highlights of 2011
- Market and business outlook 2012

# Record year in orders received and good overall performance in an uncertain environment

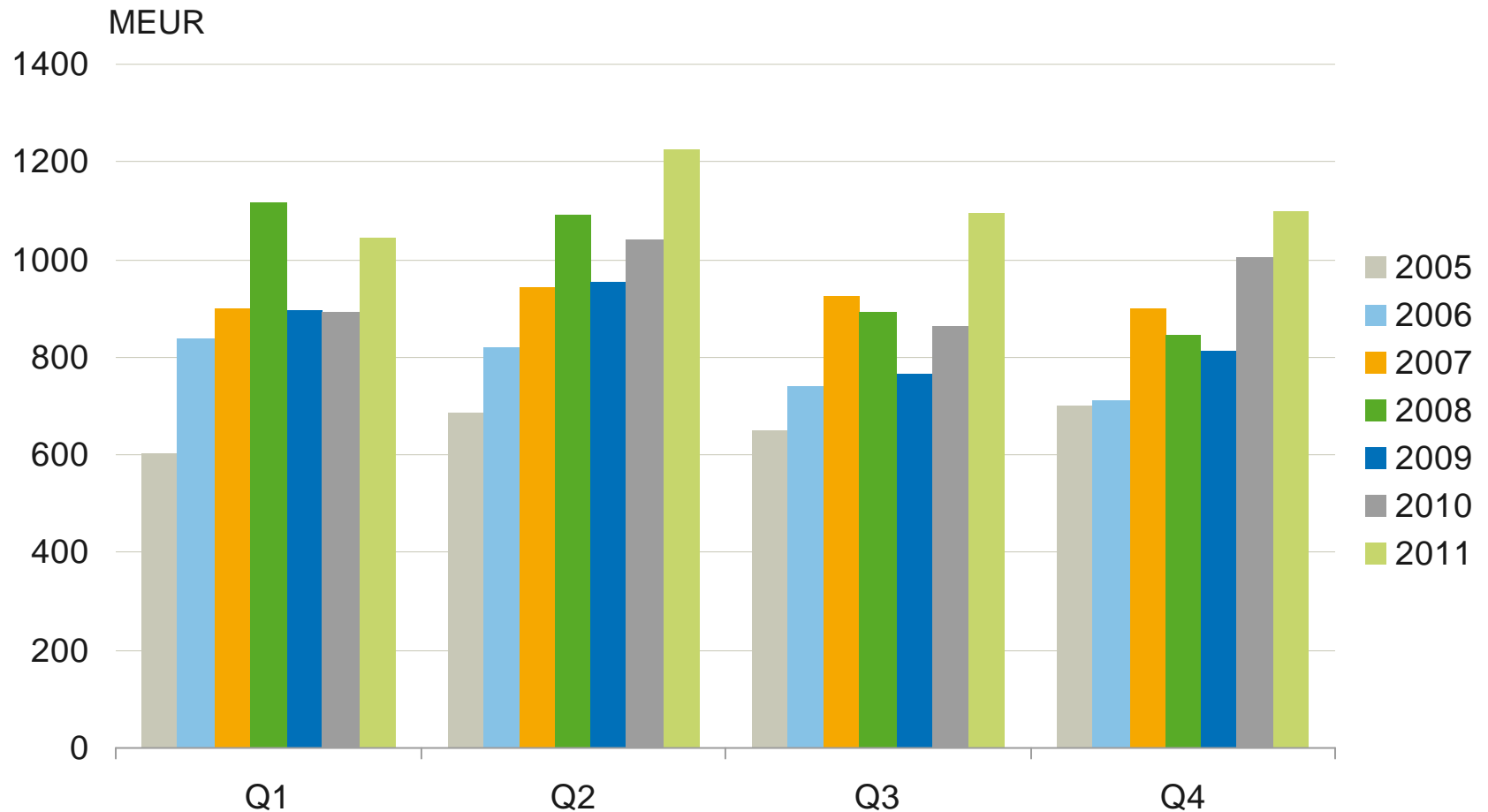


		2011	2010	Historical change	Comparable change
Orders received	MEUR	<b>4,465.1</b>	3,809.0	17.2%	17.8%
Order book	MEUR	<b>4,348.2</b>	3,597.8	20.9%	19.3%
Sales	MEUR	<b>5,225.2</b>	4,986.6	4.8%	5.4%
Operating income	MEUR	<b>725.1</b>	696.4	4.1%	
Operating income	%	<b>13.9</b>	14.0		
Cash flow from operations (before financial items and taxes)	MEUR	<b>819.8</b>	857.2		
Basic earnings per share	EUR	<b>2.52</b> <sup>1)</sup>	2.10		
Dividend	EUR	<b>1.40</b> <sup>2)</sup>	0.90		

1) Including one-time gain from the revaluation of KONE's previously held stake in GiantKONE. Excluding this one-time gain, basic earnings per share is EUR 2.30.

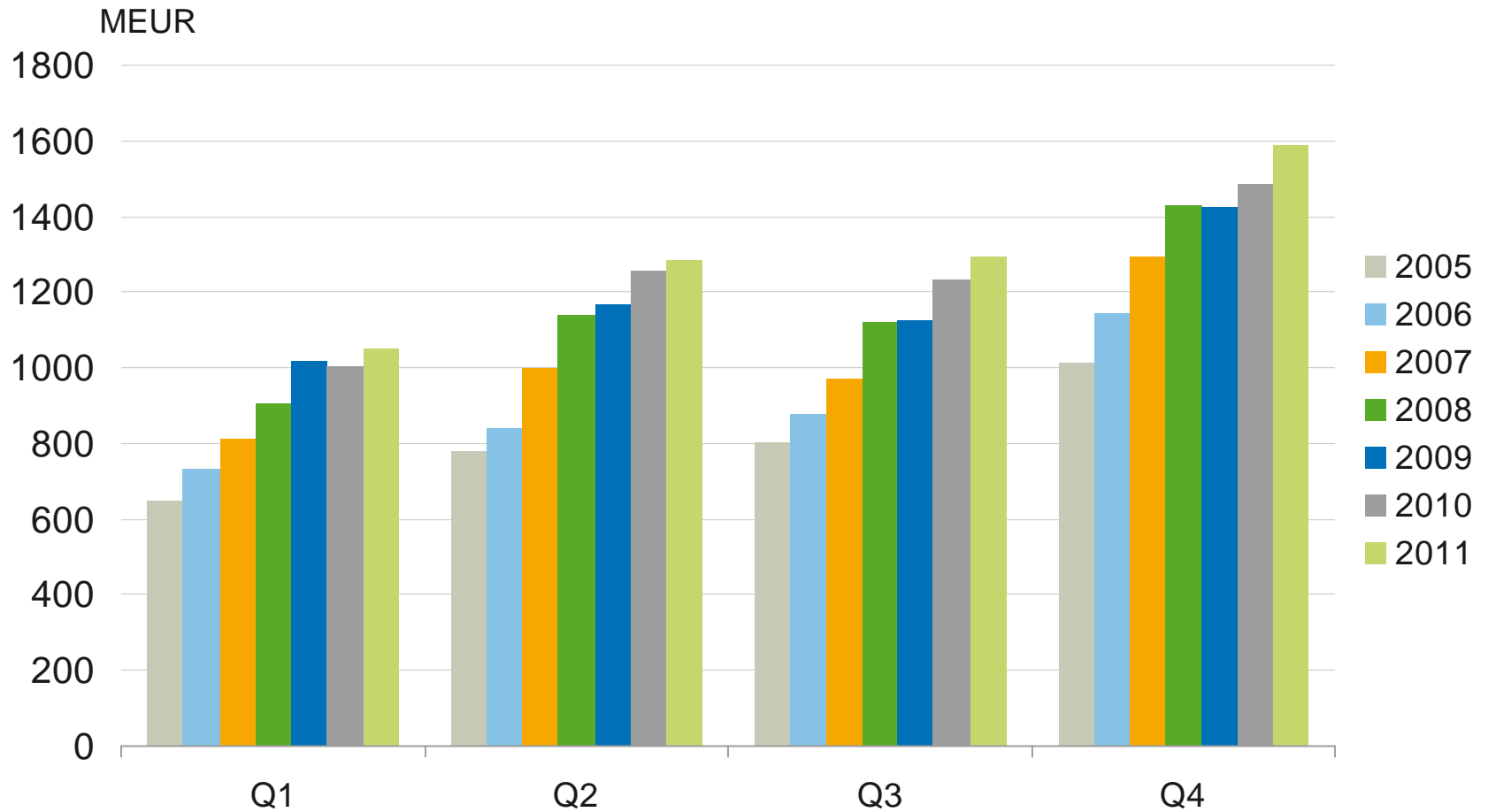
2) Board's proposal to the AGM.

# Orders received: Growth in all geographies

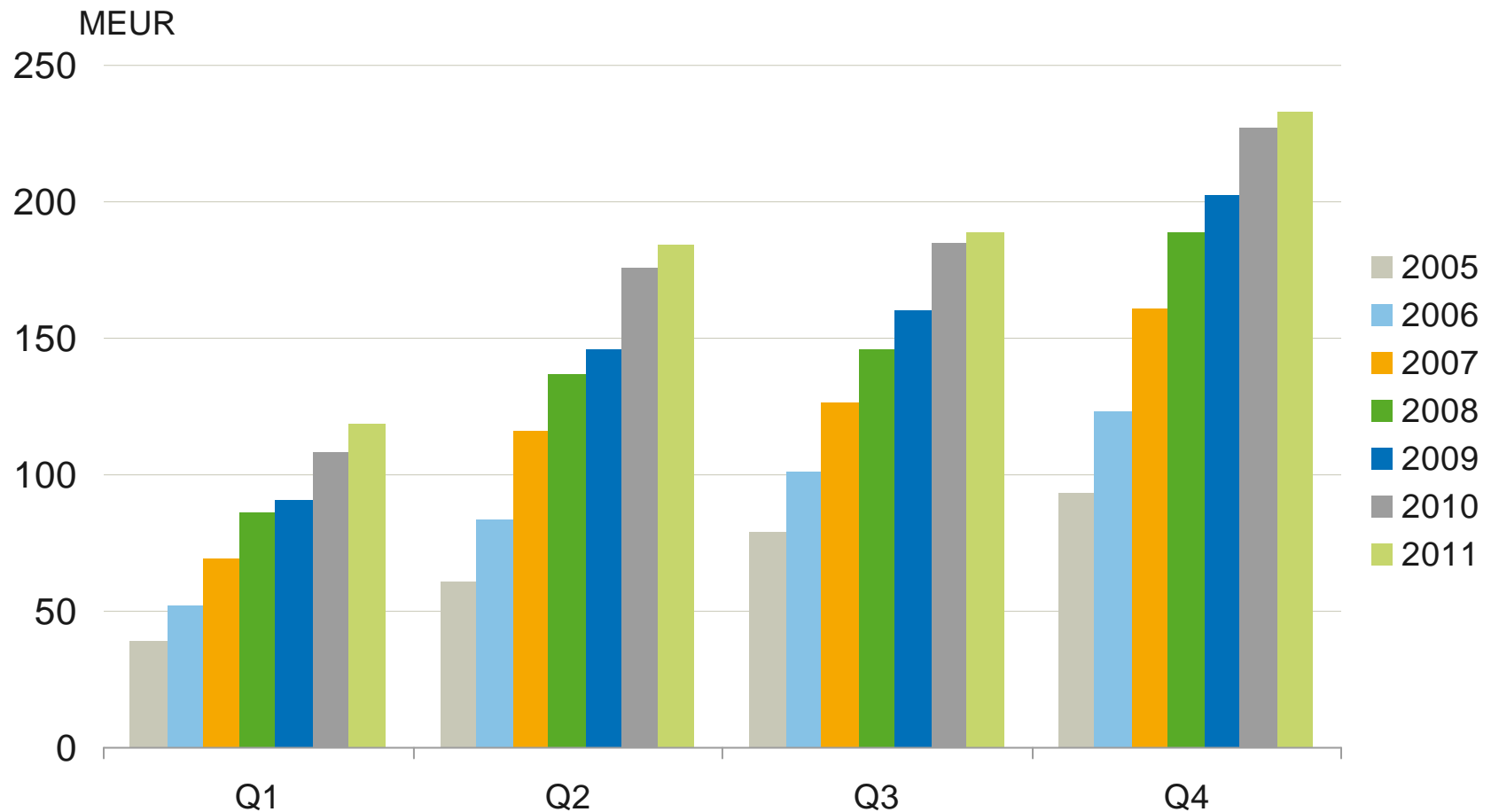


# Sales:

## Very strong growth in Asia-Pacific



# Operating income: Slower growth due to increased labor costs in Asia, material costs and price competition

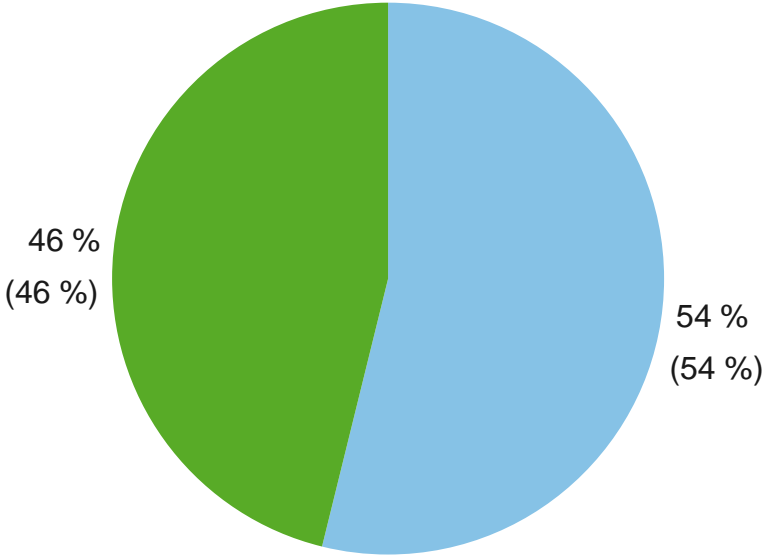


Note : Operating income excluding one-time items

# Development towards a more balanced geographical mix

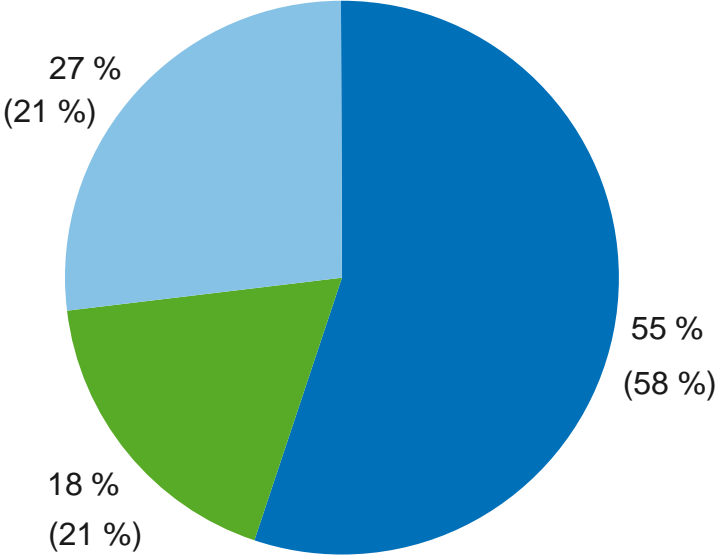


### Sales by business



■ Service ■ New equipment

### Sales by market



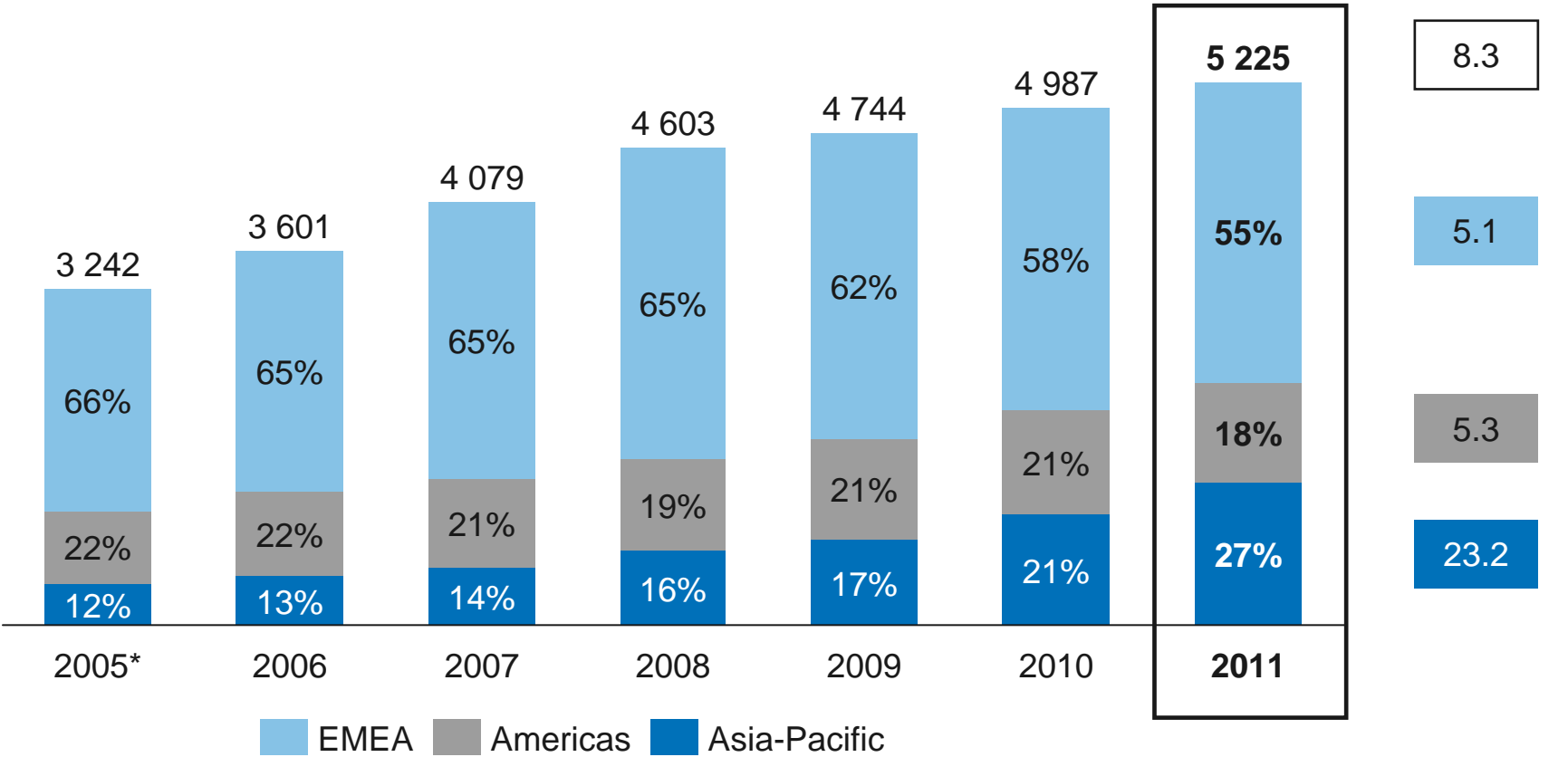
■ EMEA ■ Americas ■ Asia-Pacific

(2010 figures in brackets)

# Sales by market: Asia-Pacific's share of sales grew to 27% of total sales



Sales by market 2005-2011, MEUR



\*) 2005 figures are pro forma

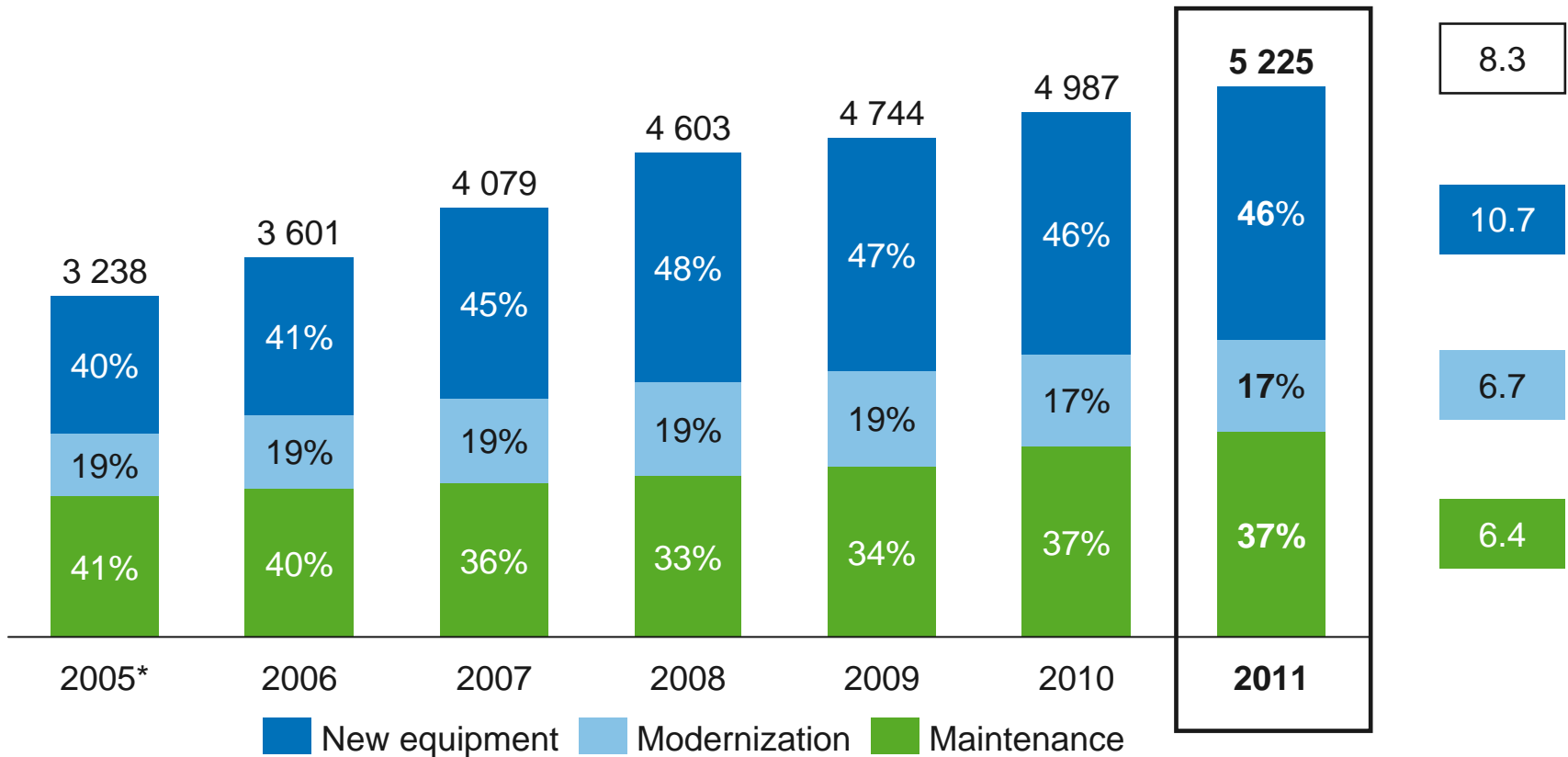


# Sales by business: Growth in all businesses



Sales by business 2005-2011, MEUR

CAGR,%





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# EMEA: Growth in Central and North Europe, weakness in South Europe



## New equipment markets

- In Central and North Europe, the market grew during the first half of the year. The growth levelled off during the second half.
- In South Europe, markets were mostly stable at a weak level.
- In the Middle East, the market grew strongly in Saudi Arabia.
- In Russia, the strong growth continued.

## Modernization markets

- Growth in Central and North Europe and decline in South Europe.

## Maintenance markets

- Good development, but price competition remained intense.

# Americas: Continued gradual recovery from a low level in the new equipment market



## New equipment markets

- In the United States, the gradual recovery continued, but the market remained at a low level. The activity level varied significantly across different regions.
- In Canada, the market activity was at a good level.
- In Mexico, the market recovered throughout the year.

## Modernization markets

- Slight growth.

## Maintenance markets

- Good development, but price competition remained intense.

# Asia-Pacific: Continued strong growth with the growth rate slowing down towards the end of the year



## New equipment markets

- In China, the market grew strongly especially during the first three quarters.
- In India, the market grew strongly during the first half of the year, but at a slower rate during the second half.
- In Australia, the market developed well for most of the year and weakened towards the end of the year.
- In Southeast Asia, markets were strong.

## Modernization markets

- Continued growth in Australia and in other markets.

## Maintenance markets

- Continued good development.

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# 2011: Good progress in a demanding environment



- 17 percent growth in orders received.
- KONE increased its stake in its Chinese joint venture GiantKONE from 40 to 80 percent.
- KONE no. 2 on the Chinese market and market leader in India.
- KONE was ranked 39th on the list of the world's most innovative companies by Forbes.
- KONE was ranked 10th on the list of most innovative companies by the research organization Patent Board in the sector of Heavy Industrial Equipment.

# KONE became the majority owner of GiantKONE – market share grew both in China and globally



- The acquisition was completed and GiantKONE consolidated as a subsidiary as of December 1, 2011.
- GiantKONE is one of the largest Chinese E&E companies.
- GiantKONE's key financial figures 2011:
  - Orders received: EUR 342 million
  - Sales: EUR 247 million
  - EBIT margin: approximately 11%
  - Personnel: approximately 2000 employees
- KONE has an option to buy and Giant Holdings an option to sell the remaining 20%.



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# Market outlook 2012: The new equipment markets outside of the Asia-Pacific region are challenging



- The new equipment markets in Asia-Pacific are expected to continue to grow, but at a clearly lower rate than in 2011.

In new equipment, the markets in Central and North Europe are expected to remain relatively stable or decline slightly, and the markets in South Europe are expected to decline from an already weak level.

The new equipment market in North America is expected to gradually recover from a low level.

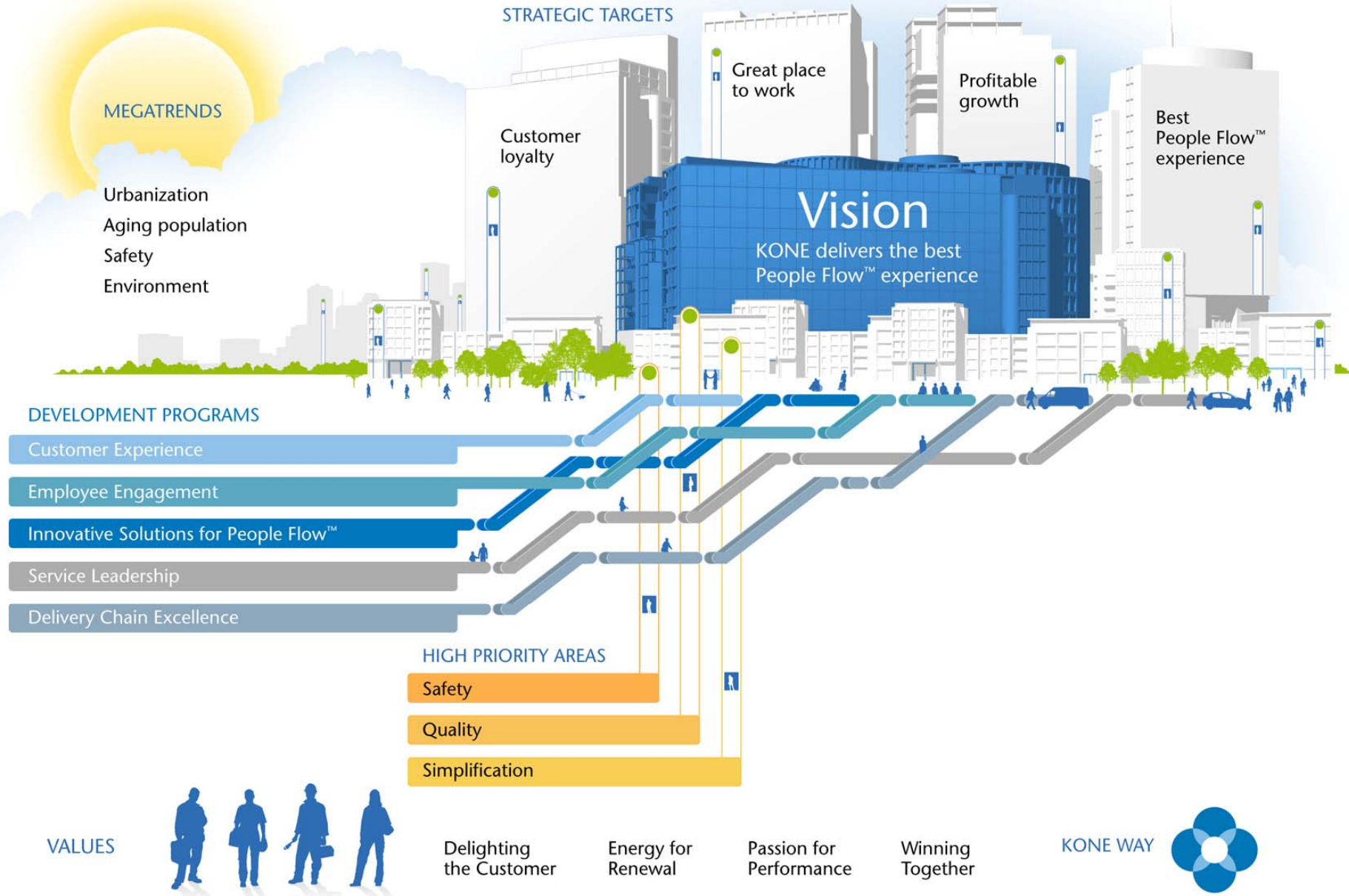
- The modernization markets are expected to be at about the same level as in 2011 or grow slightly.
- The maintenance markets are expected to continue to develop well.

# We continuously aim to take the difficult market situation as an opportunity



- Focus on growth markets and segments.
- Stronger differentiation from competition with our development programs.
- Improving quality and productivity.
- Development of personnel.

# We develop our competitiveness continuously



# Business outlook 2012: Our target is continuous profitable growth



- KONE's net sales is estimated to grow by 8-13% at comparable exchange rates as compared to 2011.
- The operating income (EBIT) is expected to be in the range of EUR 730-790 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2012.



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