

A man in a dark blue suit and grey trousers is walking away from the camera, pushing a green baby stroller. A brown paper shopping bag filled with groceries is attached to the stroller. He is using a hand gesture to interact with a black rectangular device mounted on a dark grey stone wall. In the background, a woman in a blue jacket and a pink backpack is walking towards a glass entrance of a building, followed by a young girl in a light pink jacket. The scene is set on a paved sidewalk next to a modern building with large glass windows and doors.

KONE Annual General Meeting 2018

FEBRUARY 26, 2018

HENRIK EHRNROOTH, PRESIDENT & CEO

A typical day at KONE



Over 1.2 million
units in service

Over 500
orders booked

Over 500 units
delivered

~ 70,000
maintenance
visits

~ 450,000
customers

Operations
in over
60 countries

We move
over one billion
people per day

2017 Highlights

- Continued solid development in services
- Roll-out of new services, launched in line with the new strategy, gained momentum
- Profitability burdened by several headwinds. Actions to counter the headwinds starting to show results



2017 Key figures



ORDERS RECEIVED RETURNED TO GROWTH - SEVERAL HEADWINDS IMPACTED THE RESULT

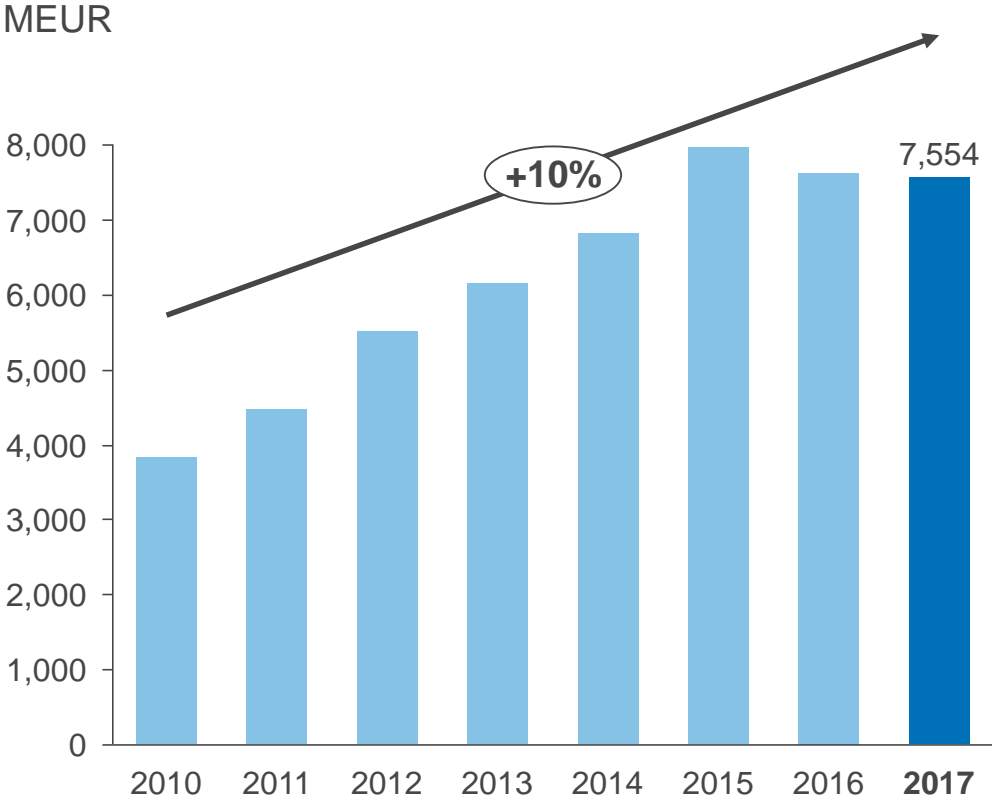
		1-12/2017	1-12/2016	Change	Comparable change
Orders received	MEUR	7,554.0	7,621.0	-0.9%	1.7%
Order book	MEUR	8,240.2	8,591.9	-4.1%	3.1%
Sales	MEUR	8,942.4	8,784.3	1.8%	4.2%
Operating income (EBIT)	MEUR	1,217.1	1,293.3	-5.9%	
Operating income margin (EBIT %)	%	13.6	14.7		
Adjusted EBIT	MEUR	1,230.3	1,293.3	-4.9%	
Adjusted EBIT margin	%	13.8	14.7		
Cash flow from operations (before financing items and taxes)	MEUR	1,263.3	1,509.5		
Basic earnings per share	EUR	1.89	2.00		

Orders received

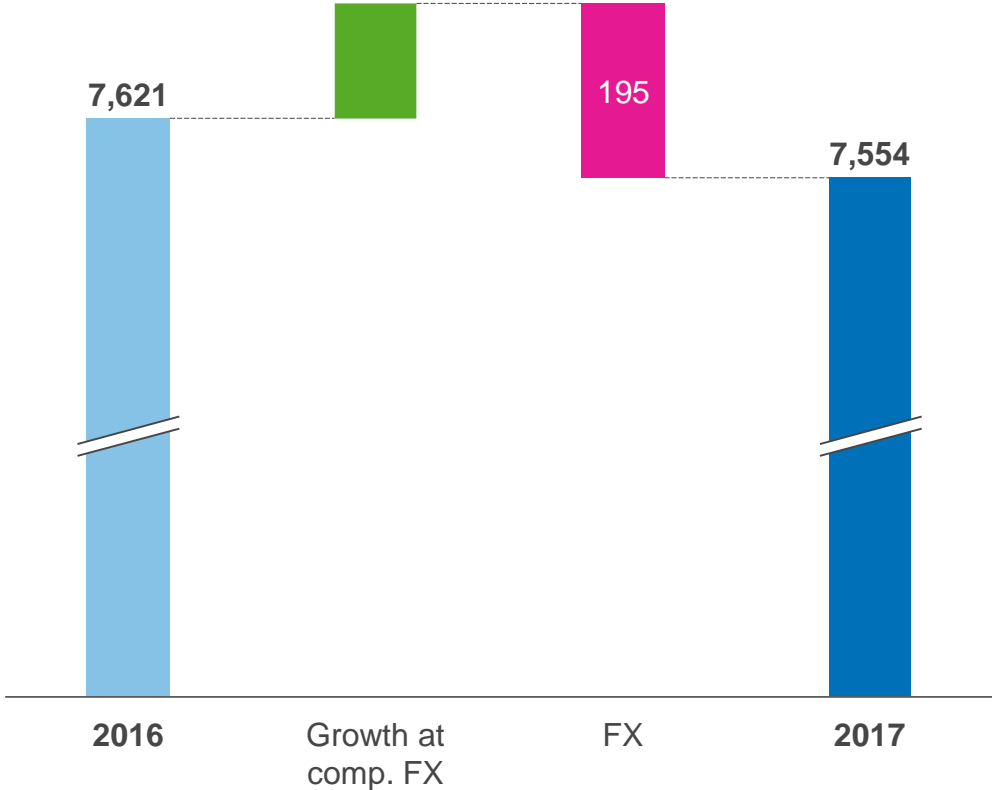


ORDERS RECEIVED RETURNED TO GROWTH AT COMPARABLE RATES,
THE MARGIN OF ORDERS RECEIVED STABILIZED IN Q4

Orders received 2010-2017



Orders received development 2016-2017

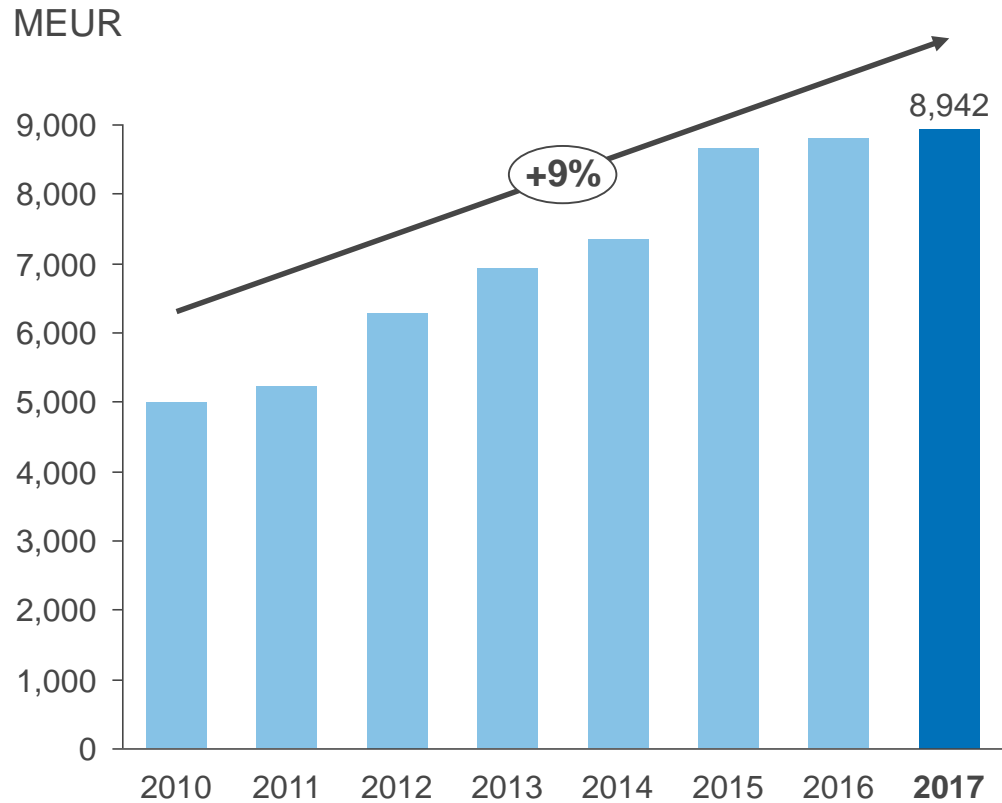


Sales

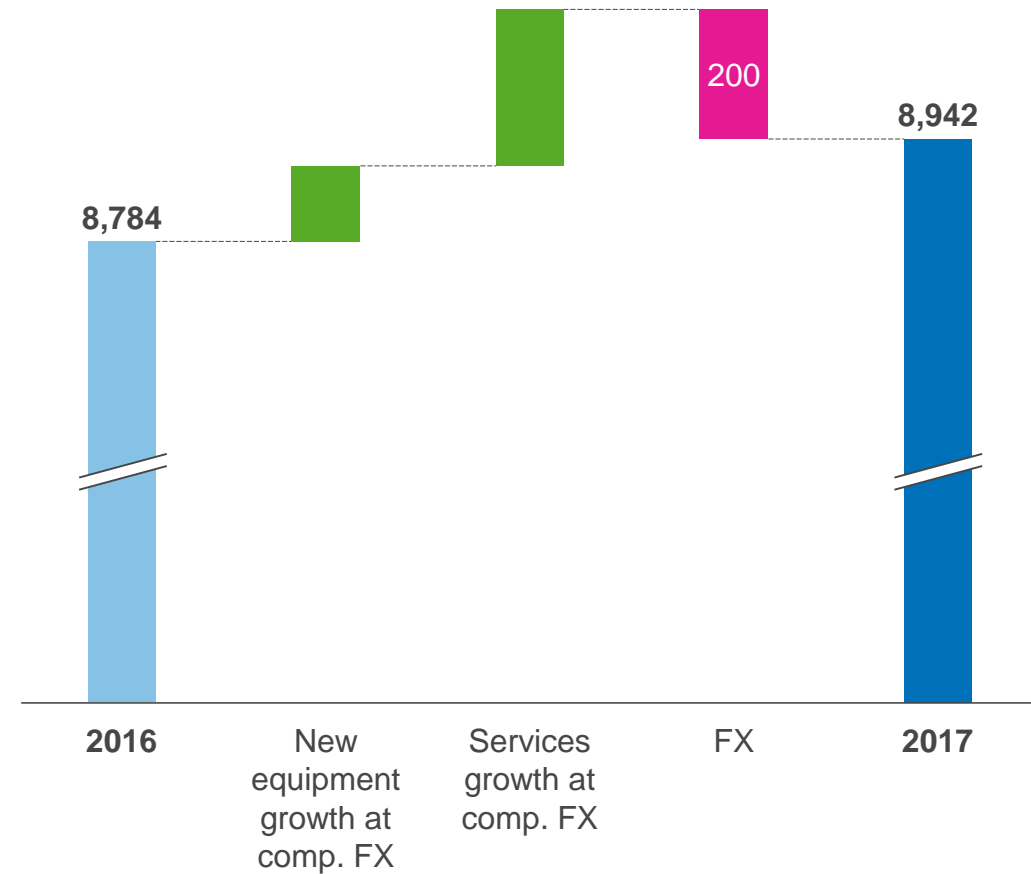


CONTINUED GOOD GROWTH IN SERVICES

Sales 2010-2017



Sales development 2016-2017

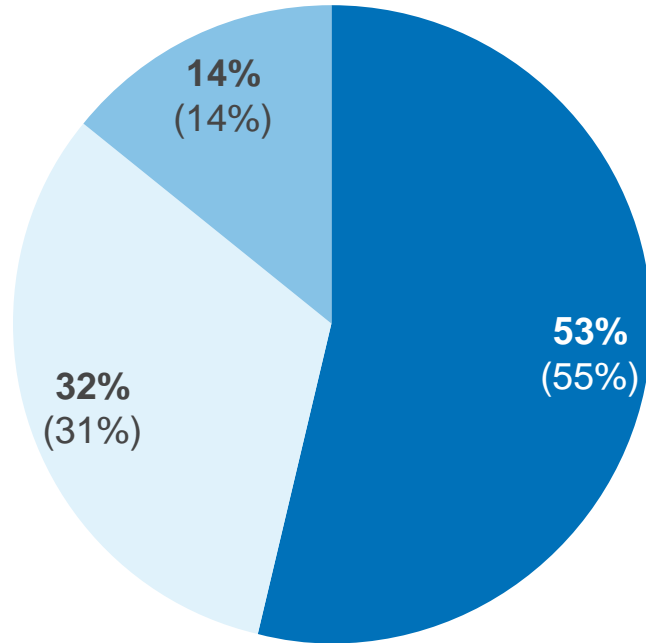


2017 Sales split



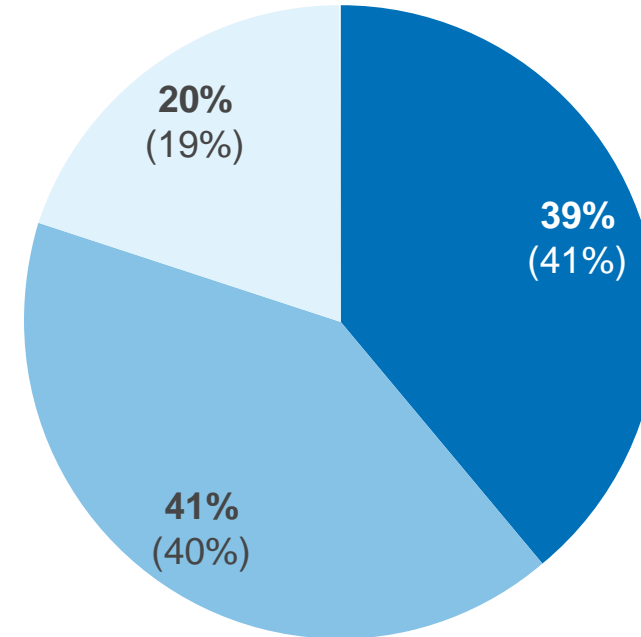
SHARE OF SERVICES AND THE AMERICAS AND EMEA REGIONS CONTINUED TO GROW

BY BUSINESS



- New equipment
- Maintenance
- Modernization

BY AREA



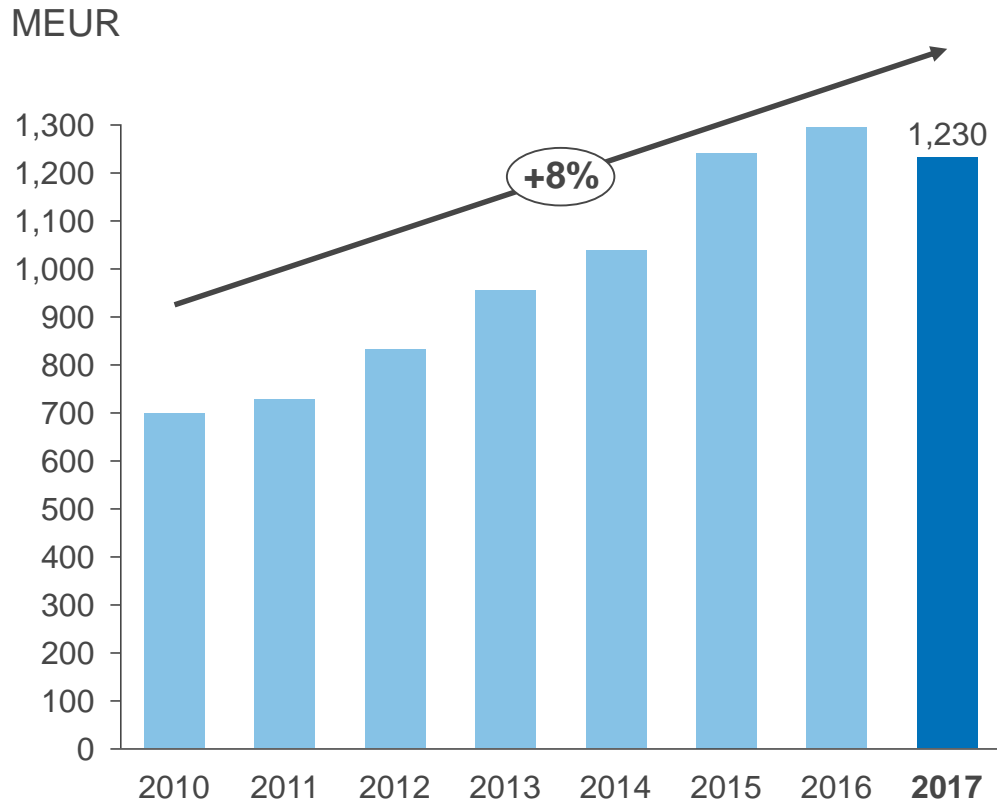
- Asia-Pacific
- EMEA (Europe, Middle East and Africa)
- Americas

1–12/2016 figures in brackets.
Figures in charts are rounded and at historical exchange rates.

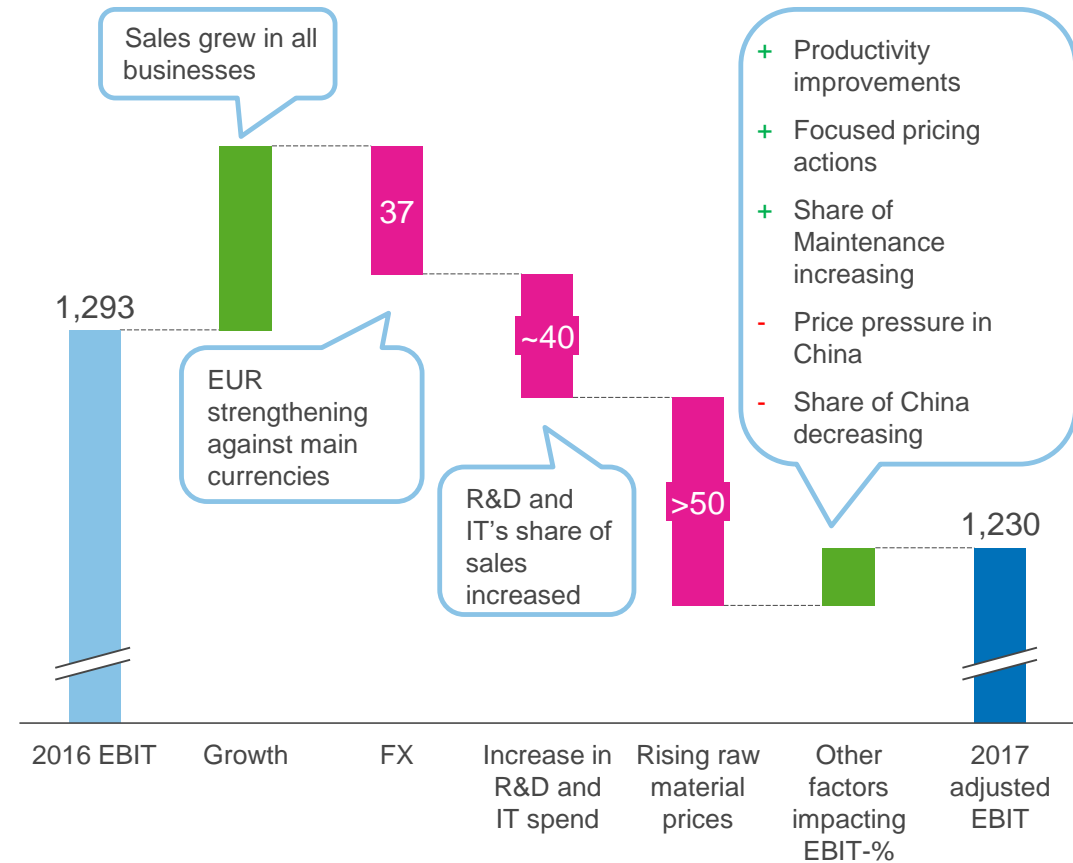
EBIT

EBIT MARGIN BURDENED BY SEVERAL HEADWINDS

Adjusted EBIT* 2010-2017



Adjusted EBIT development 2016-2017



* Adjusted EBIT was introduced in September 2017. Adjusted EBIT excludes restructuring costs related to the Accelerate program.

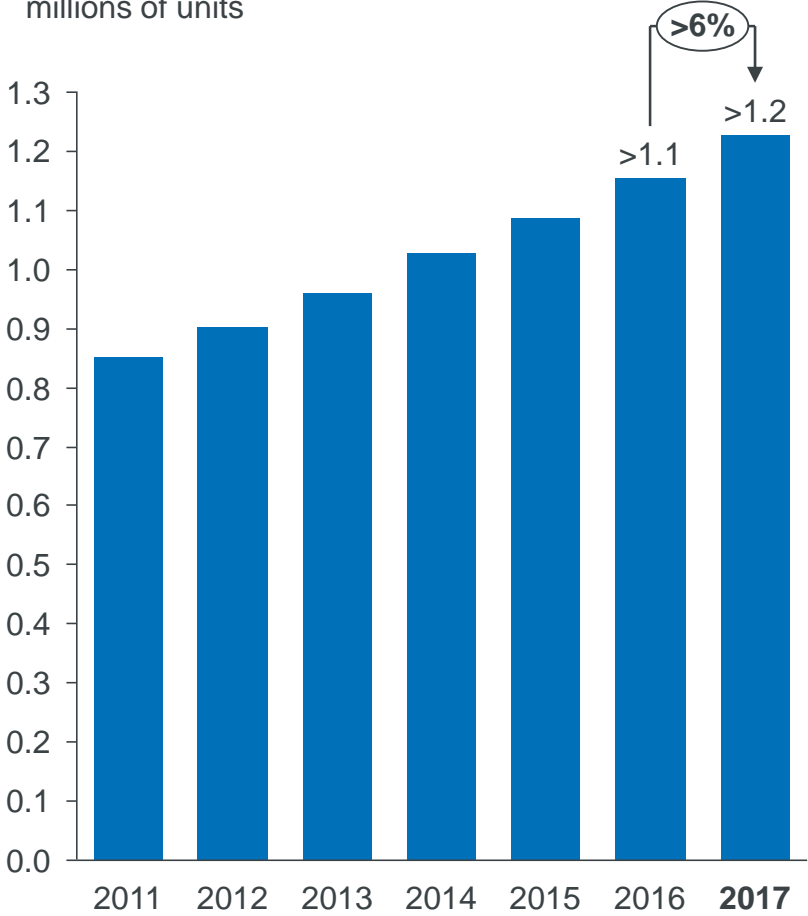
Record high new equipment deliveries, continued solid growth in maintenance base

NEW EQUIPMENT

Orders received (units): ~158,000
(2016: ~158,000)

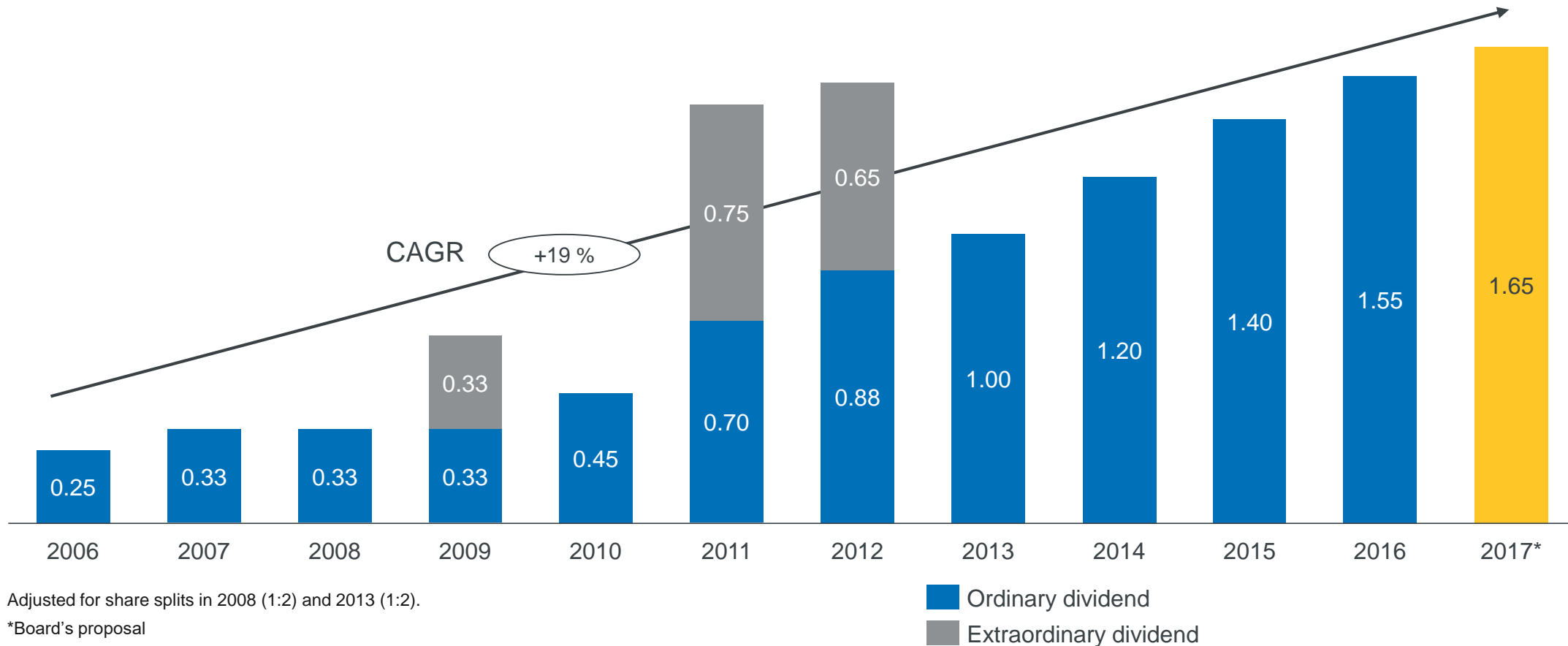
Units delivered: ~141,000
(2016: ~136,000)

MAINTENANCE BASE
millions of units



Dividend proposal: EUR 1.65 per class B share

Split-adjusted dividend per class B share, EUR, 2006–2017



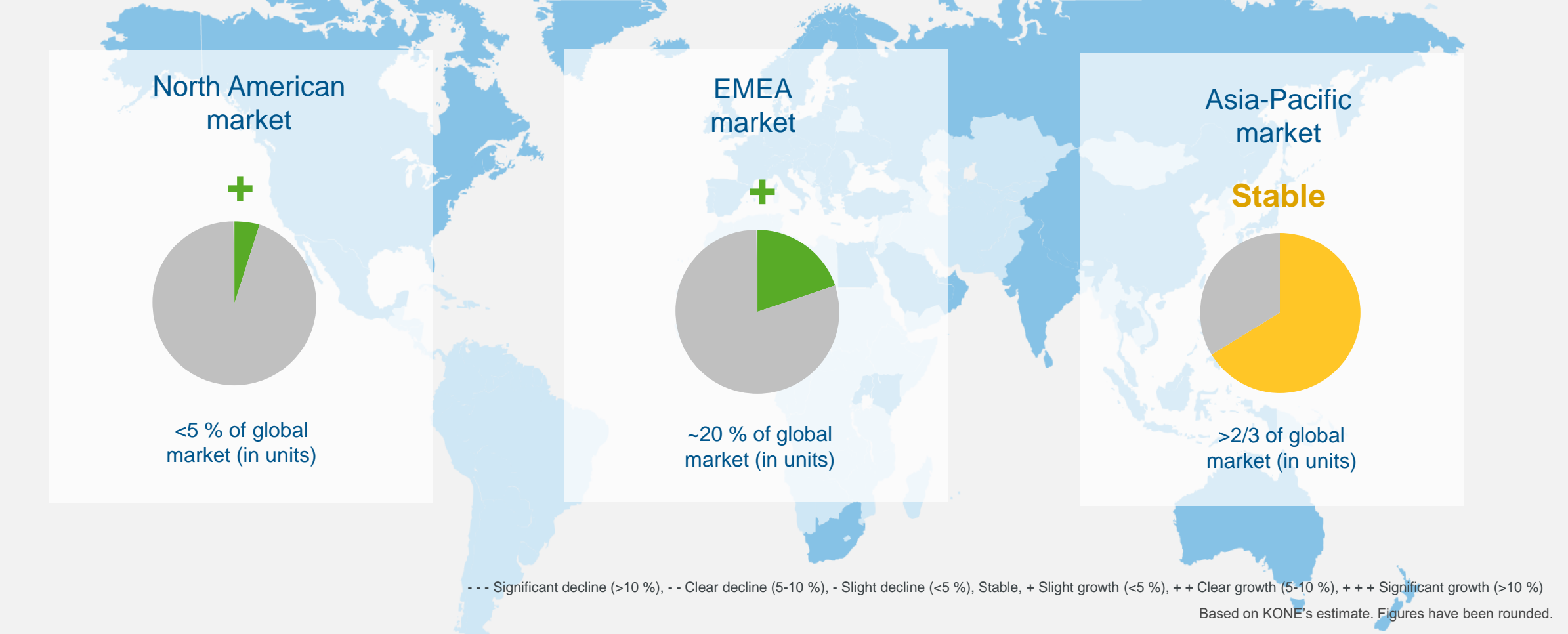


Market development in 2017

New equipment market development in 2017



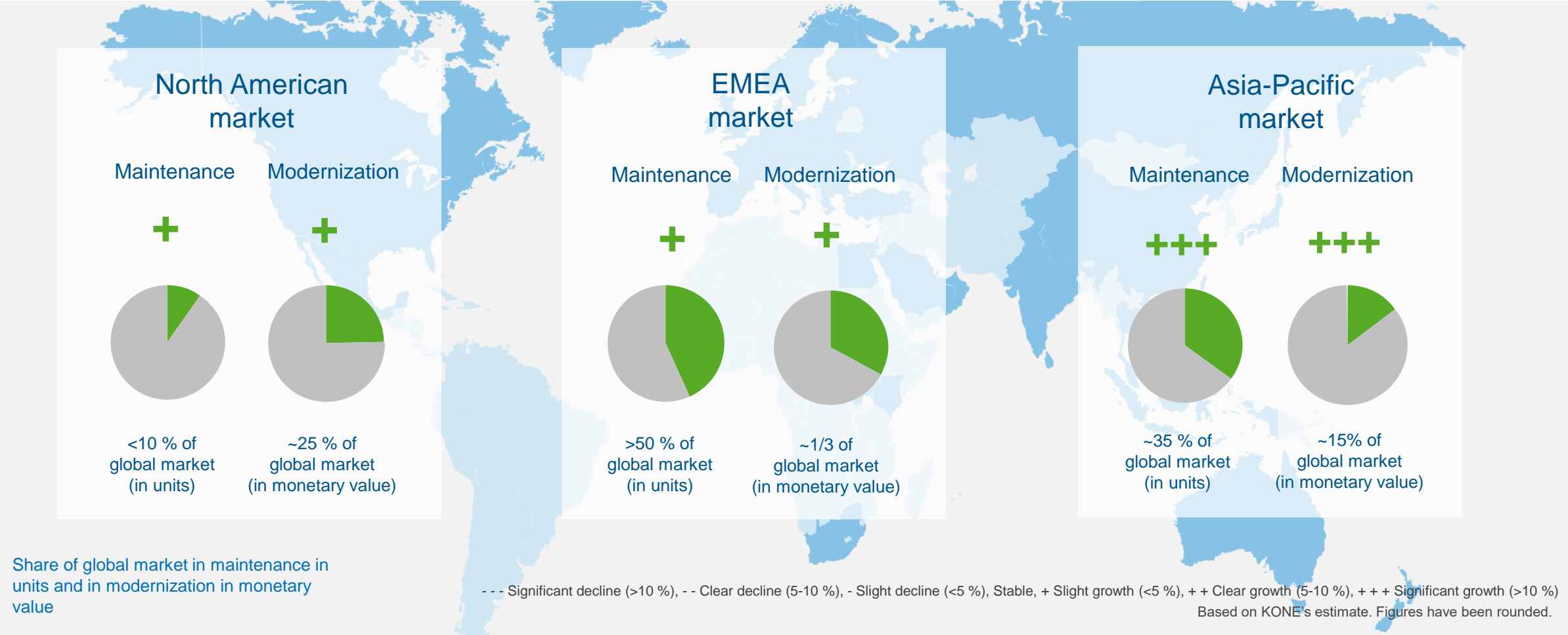
GLOBAL NEW EQUIPMENT MARKET WAS RELATIVELY STABLE IN UNITS ORDERED



Service market development in Q4/2017



GROWTH CONTINUED ACROSS REGIONS



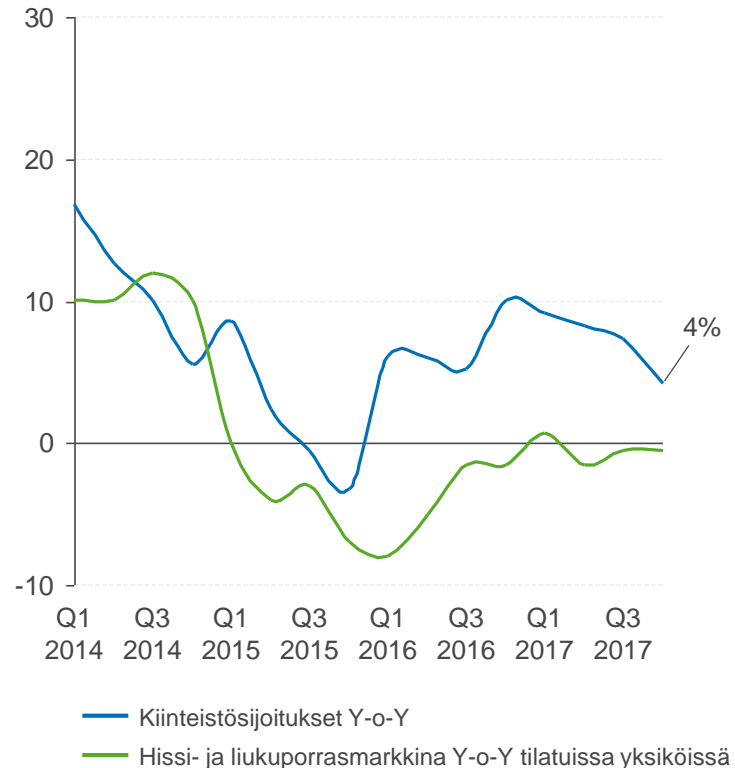
Chinese property market

FAIRLY STABLE MARKET, PRICE COMPETITION REMAINED INTENSE

Market development

- Inventories relatively low in higher-tier cities but still somewhat elevated in lower-tier cities
- Government's restrictive measures have cooled down the housing market
- Property sales still growing at a good rate in lower-tier cities
- E&E demand relatively stable in 2017, price competition remained intense

Housing prices





Market and business outlook for 2018

Market outlook for 2018

NEW EQUIPMENT MARKETS

- Asia-Pacific: The market in China is expected to decline slightly or to be stable in units ordered and competition to remain intense. In the rest of Asia-Pacific, the market is expected to grow.
- Europe, Middle East and Africa: The market is expected to grow slightly.
- North America: The market is expected to grow slightly.

MAINTENANCE MARKETS

- The maintenance market is expected to see the strongest growth rate in Asia-Pacific, and to grow slightly in other regions.

MODERNIZATION MARKETS

- The modernization market is expected to grow slightly in the Europe, Middle East and Africa region and in North America and to develop strongly in Asia-Pacific.



Business outlook for 2018

SALES

- In 2018, KONE's sales is estimated to grow at around a similar rate as in 2017 at comparable exchange rates.

ADJUSTED EBIT MARGIN

- The adjusted EBIT margin is expected to continue to decline in 2018 as witnessed in 2017. However, the margin pressure is expected to start to ease towards the end of 2018 as a result of pricing and productivity actions that have been taken.

Boosting our performance

- Solid order book
- Services business growth
- Continued performance improvements

Burdening our result

- Margin pressure in earlier orders received from intense competition in China and higher raw material prices
- Foreign exchange rates (approx. MEUR -40)

An aerial night view of a dense city skyline, likely Hong Kong, with numerous high-rise buildings illuminated by city lights. The left side of the image is overlaid with a semi-transparent blue filter.

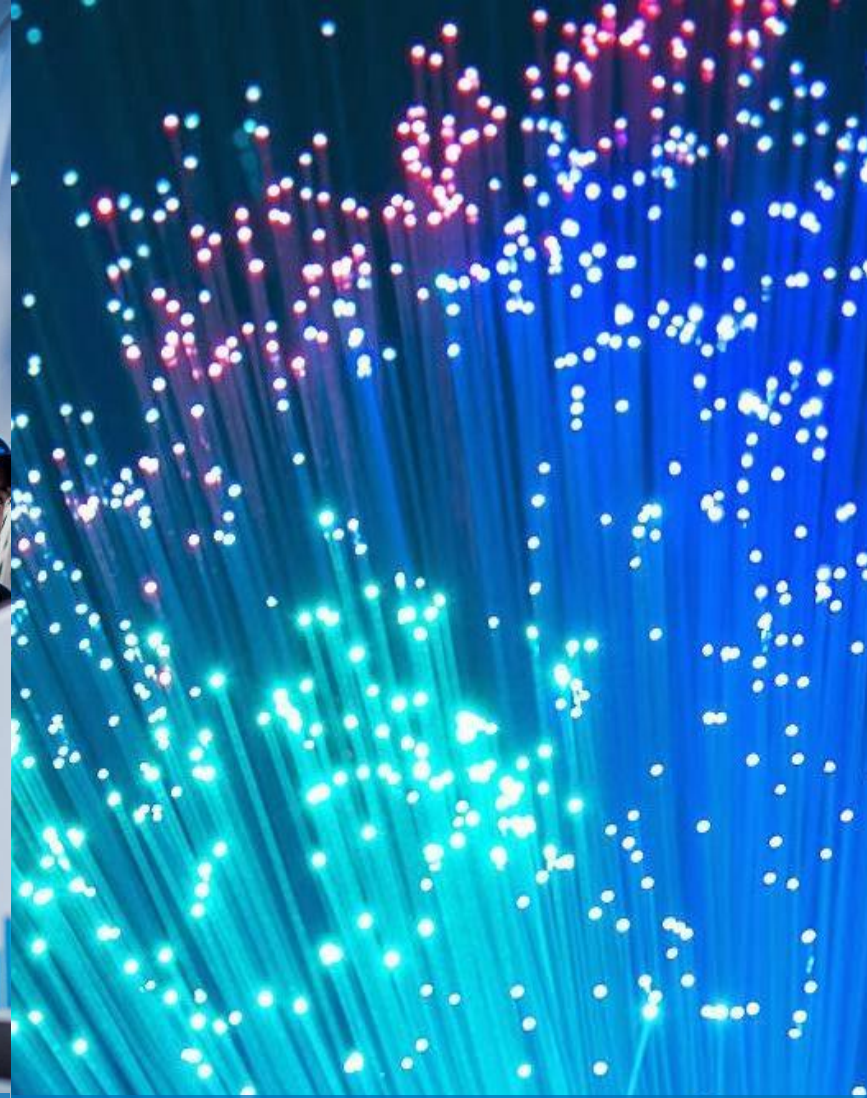
KONE's strategy in a changing market environment



Urbanization supports the growth of the industry



Importance of the service business increasing



Technological disruption drives need for change

MEGATRENDS

URBANIZATION

TECHNOLOGICAL
DISRUPTION

OUR MISSION
IS TO IMPROVE
THE FLOW OF
URBAN LIFE

VISION

KONE DELIVERS THE BEST
PEOPLE FLOW® EXPERIENCE

STRATEGIC TARGETS

Most loyal
customers

Great place
to work

Faster than
market growth

Best financial
development

Leader in
sustainability

WINNING WITH CUSTOMERS

Collaborative innovation
and new competencies

Customer-centric
solutions and services

True service
mindset

Fast and smart
execution

KONE
WAY

WAYS TO WIN

CULTURE

SAFETY

QUALITY

VALUES

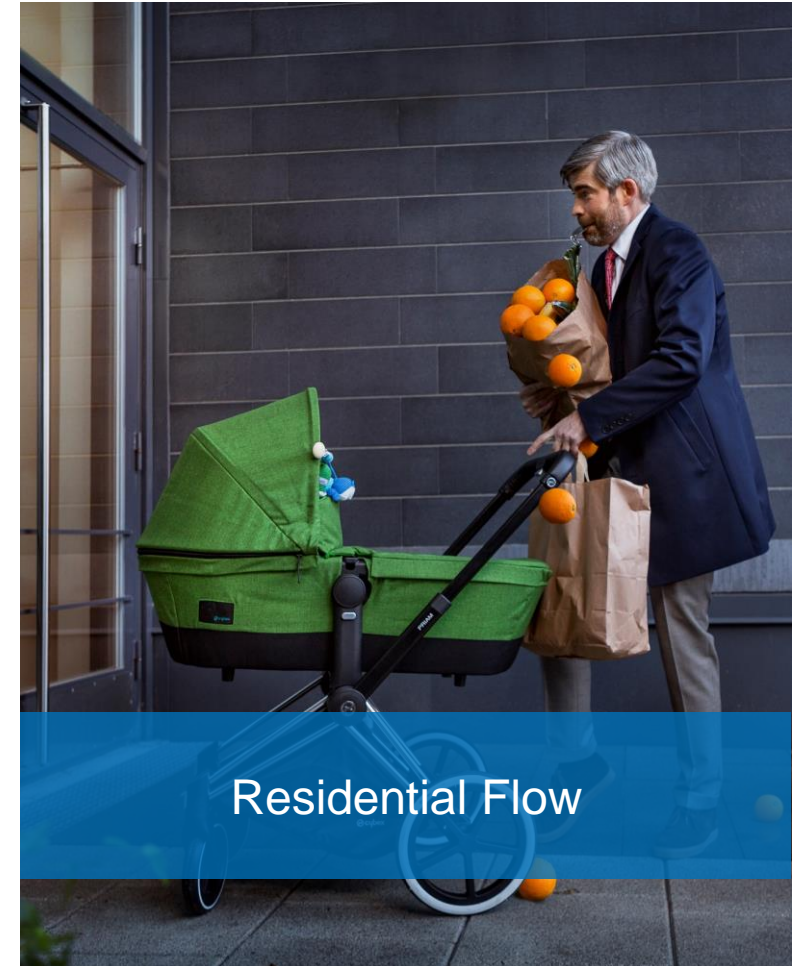
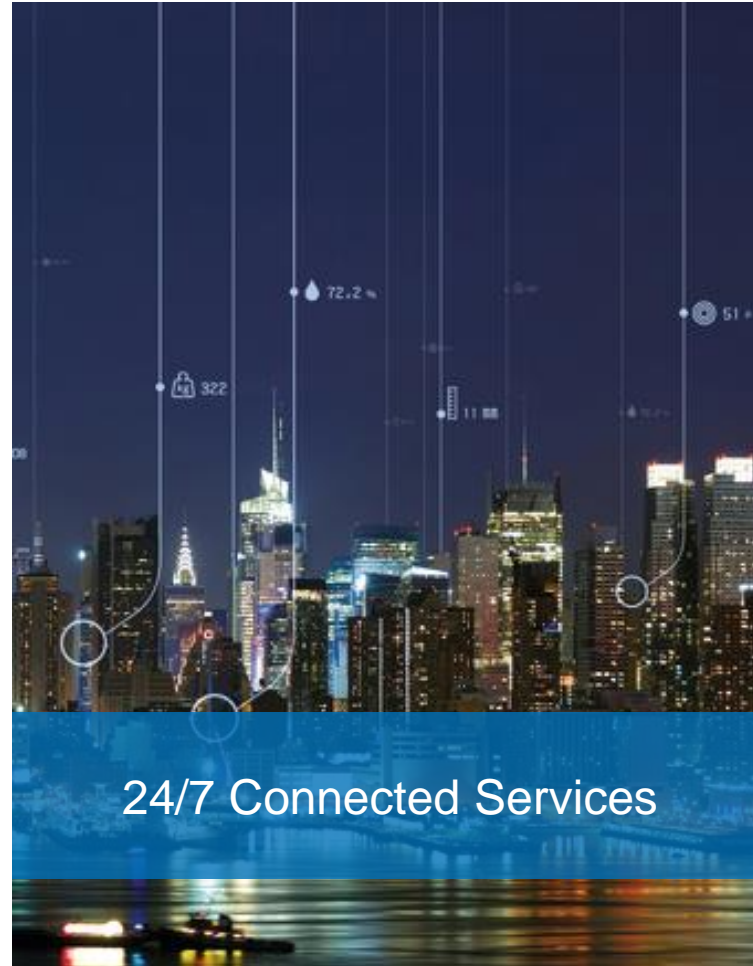
Delighting the
customer

Energy for
renewal

Passion for
performance

Winning
together

In line with the strategy, we launched new services in 2017



Winning with Customers

BRINGING OUR NEW STRATEGY ALIVE TOGETHER WITH OUR CUSTOMERS



We don't just transport people within buildings – we want to give them the best experience



We help our customers differentiate and improve their businesses



We will accelerate the execution of our new strategy



MEGATRENDS

URBANIZATION

TECHNOLOGICAL
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Leader in
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Building customer-centric capabilities

Strengthen customer interface and people development in local units



Increasing speed

Increase speed in rolling-out new services and solutions



Improving efficiency

Leverage our scale even better – improve service and efficiency of non-customer facing functions

Summary

- Our strategy is taking us to the right direction – winning with customers
- The importance of service business is increasing; customer feedback on our latest solutions and services has been encouraging
- In 2018, we expect the market to continue to provide growth opportunities



Dedicated to People Flow™

