

KONE CMD 2017

Winning with Customers in Central and North Europe

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AGENDA

- › MARKET OVERVIEW
- › WINNING WITH CUSTOMERS IN CENTRAL AND NORTH EUROPE
- › CUSTOMER PANEL



KONE in Central and North Europe



Central and North Europe in 2016



Sales around MEUR 1,800



More than 150,000 customers

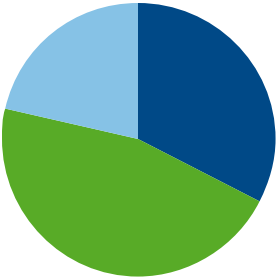


More than 300,000 elevators in service

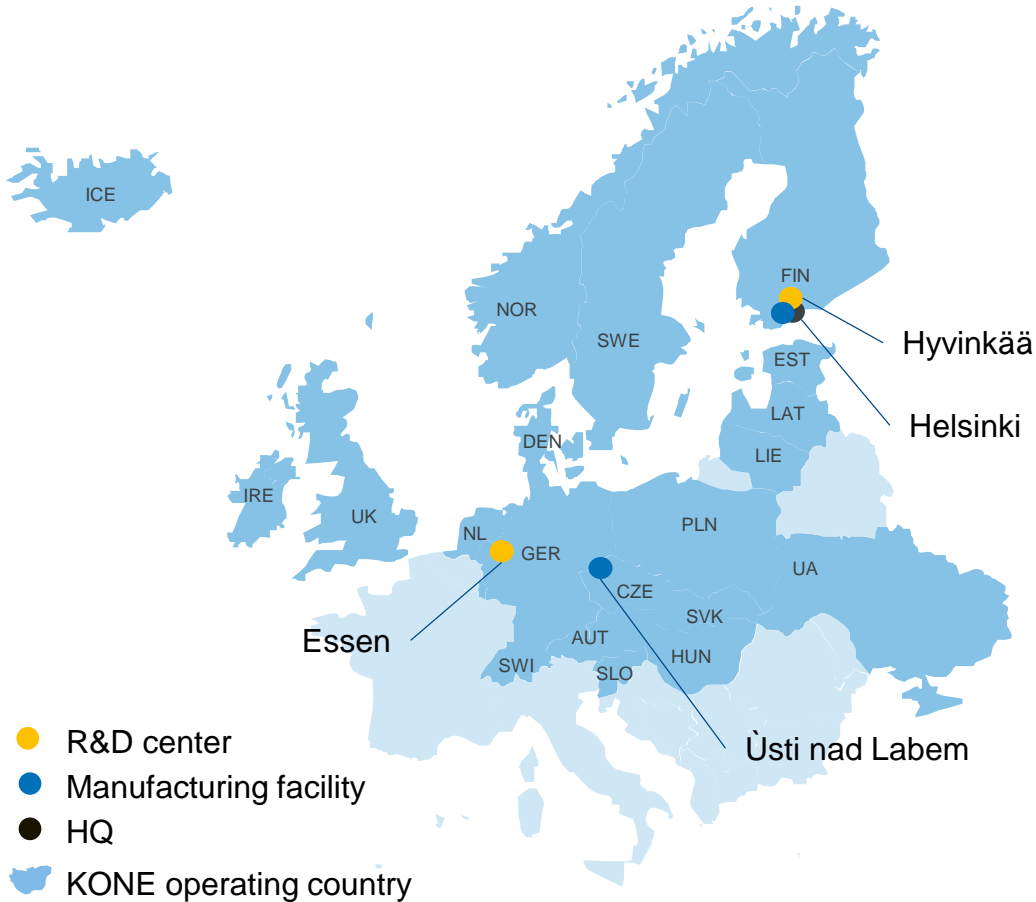


More than 8,000 employees

Sales 2016



- New equipment
- Maintenance
- Modernization





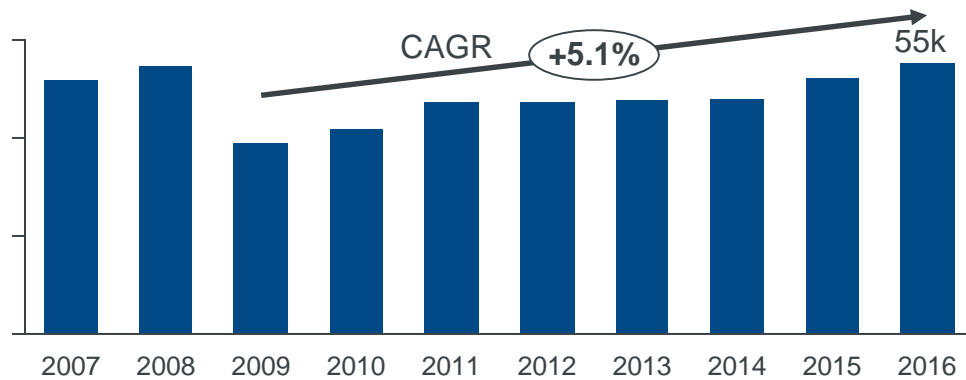
Market overview

CENTRAL AND NORTH EUROPE

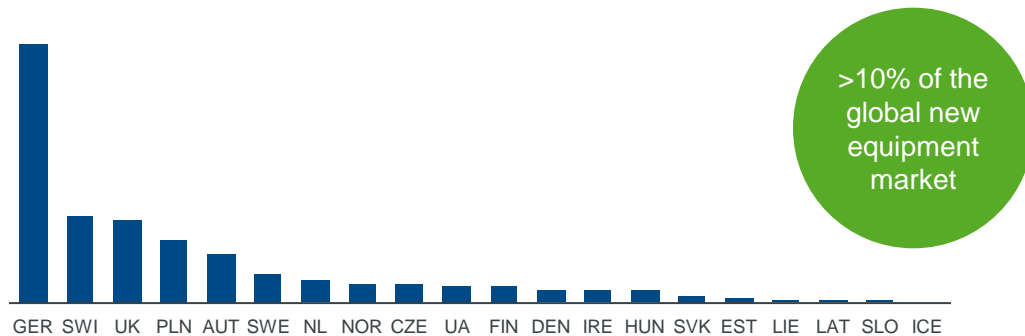
The new equipment market has grown since the financial crisis

Market has grown since 2009

New equipment market development 2007-2016 (units)



Germany is clearly the largest new equipment market

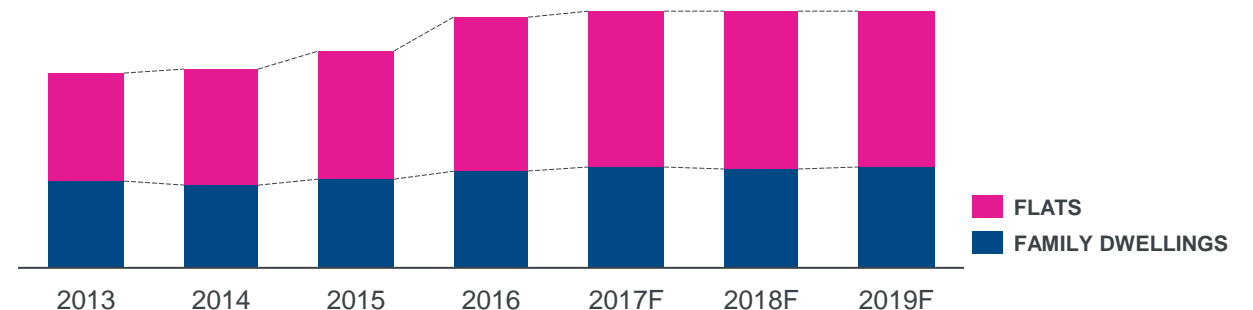


*Source: Euroconstruct 2017

Key growth drivers in new equipment

- Growth of core cities and the increasing number of one-person households
- Increasing need for affordable housing across the region
- The residential segment represents a growing share of the market, was 40% in 12/2016
- Major infrastructure projects in several countries

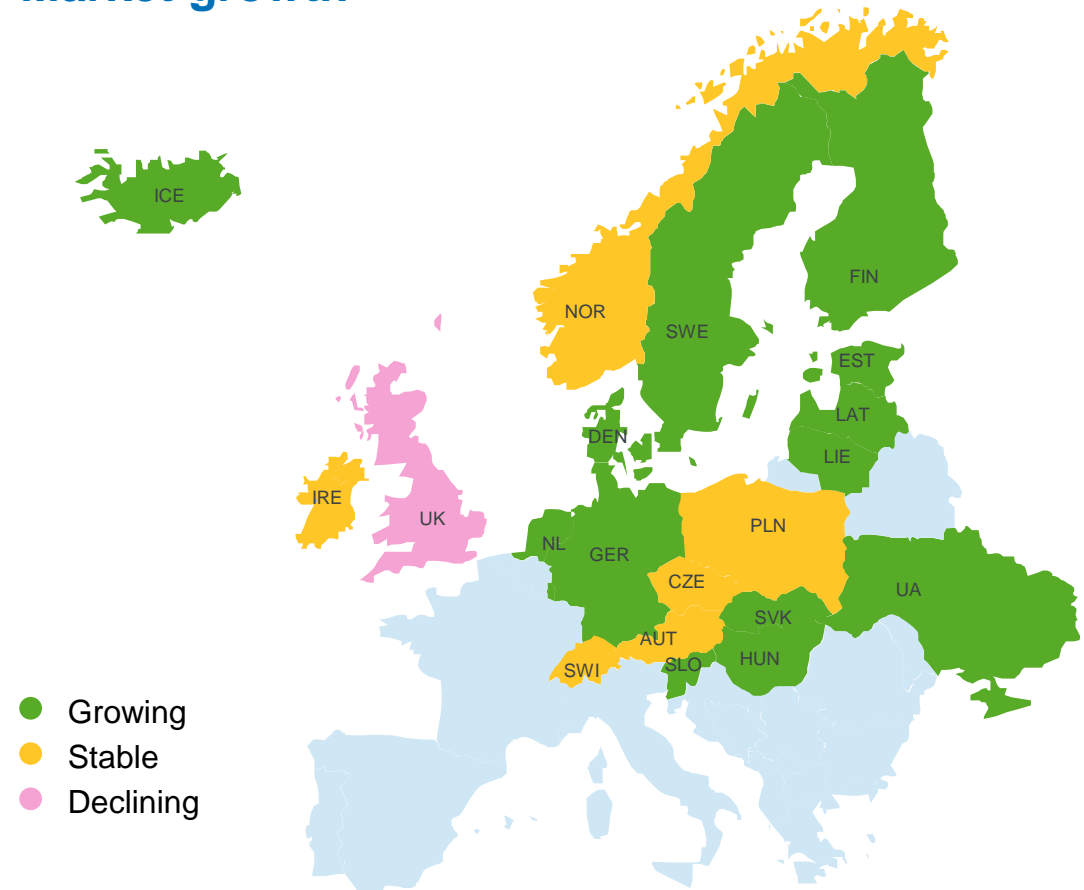
Building permits in Europe, 2016*



Key new equipment trends by country in 2017

- **Germany**
 - Strong market across the regions in both residential and office segments
- **United Kingdom**
 - Continued good demand in residential, in Greater London in particular, but decision making has slowed down
 - Slow down in the commercial segment
- **Nordic countries**
 - Swedish and Norwegian residential particularly strong
 - Finland at a high level, some large projects
- **Eastern Europe**
 - Growth across region and across segments, particularly in the Baltics
 - Market stable on a high level in Poland
 - Increased foreign investor interest

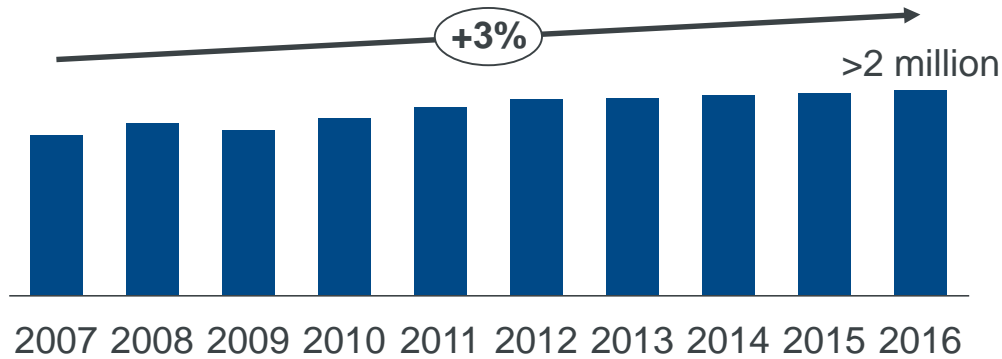
Market growth



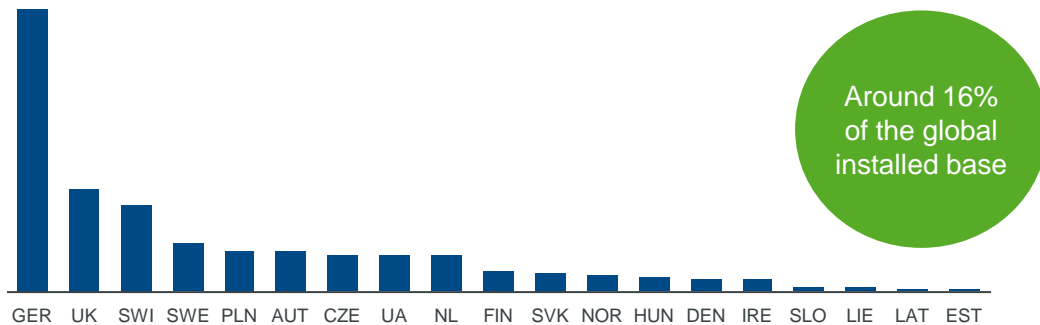
Large installed base continues to grow gradually driven by new equipment deliveries

The maintenance market growing gradually

Maintenance market development 2007-2016 (installed base, units)



Germany is clearly the largest market in maintenance



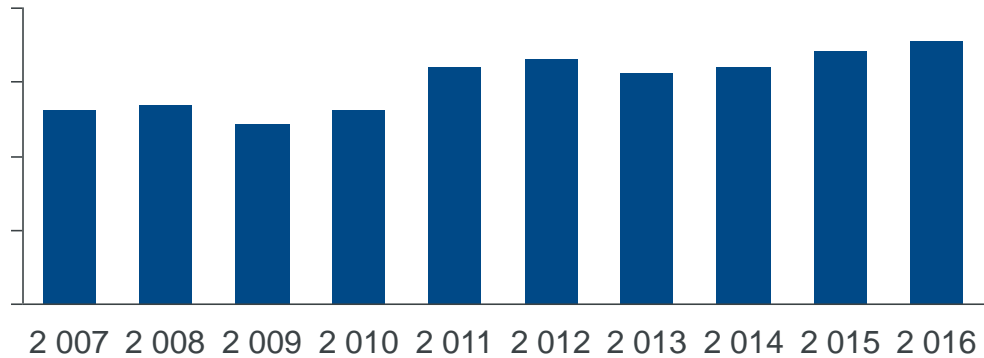
Key characteristics of the maintenance market

- Stable, gradually growing market from a high base, driven by new equipment
- Scale advantages have been driving consolidation
- Established and reliable brands are favored, customers are loyal and relationships are typically long
- Emerging signs of digital disruption in the market (sensors, bandwidth, analytics)

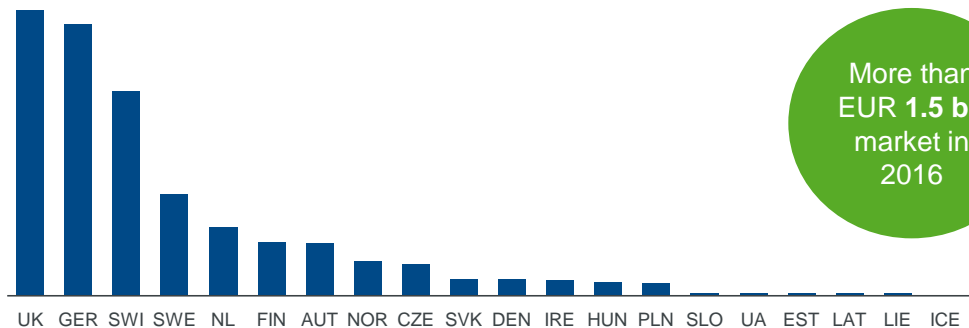
Modernization continues on a growth path

Constant market growth since 2013

Modernization market development 2007-2016 (in monetary value)



The UK and Germany are the largest modernization markets



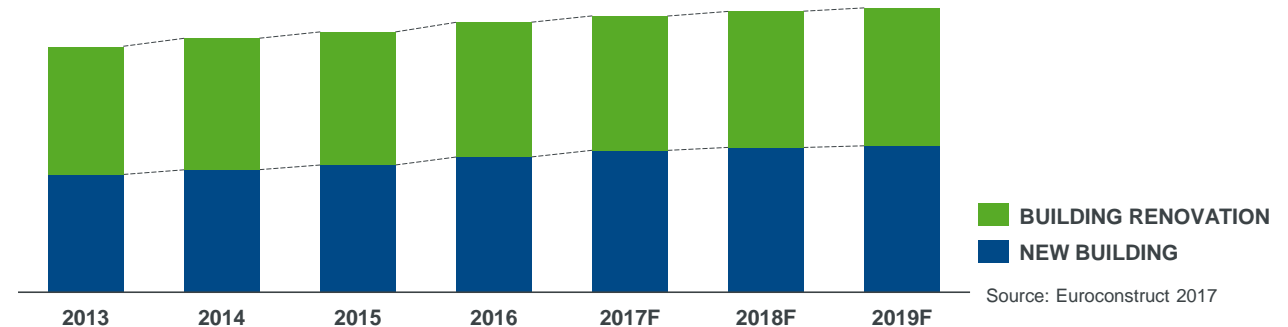
More than EUR 1.5 bn market in 2016

* Source: European Lift Association

Aging installed base provides many opportunities

- According to our estimates, over 50% of the installed base is over 20 years old
- Due to insufficient modernization, equipment over 20 years old is expected to represent over 60% of the equipment base in 2020*
- Trend of installing elevators in existing buildings without an elevator

New building and renovation in Central and North Europe 2013-2019



Source: Euroconstruct 2017

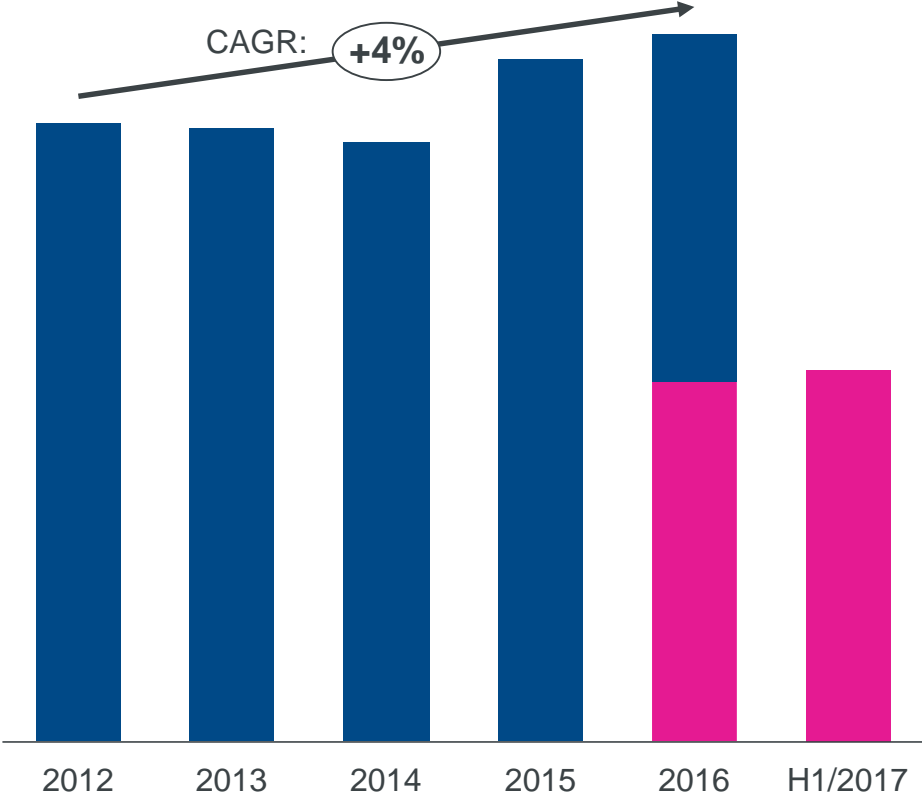
Winning with Customers in Central and North Europe



Our orders received have developed strongly over the last few years

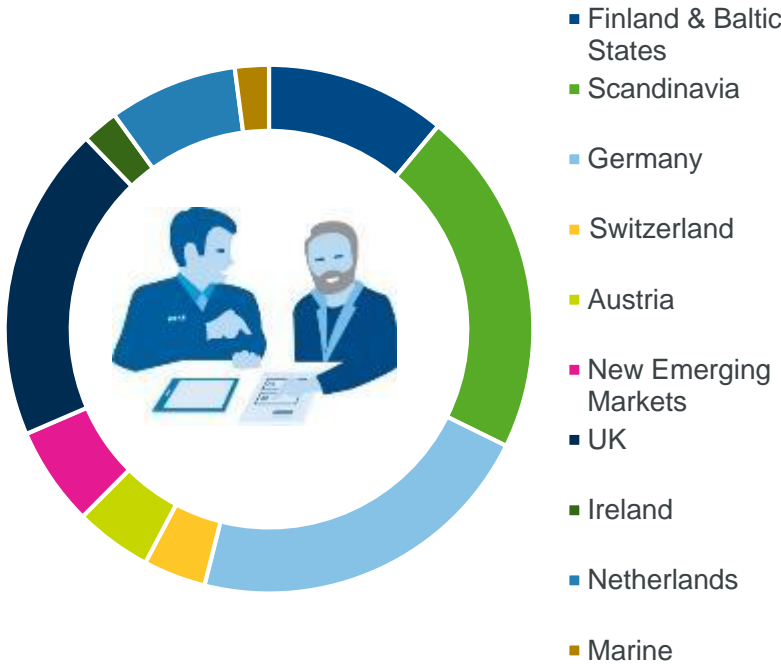


Orders received development 2012-H1/2017



Bars at historical rates, CAGR at comparable rates

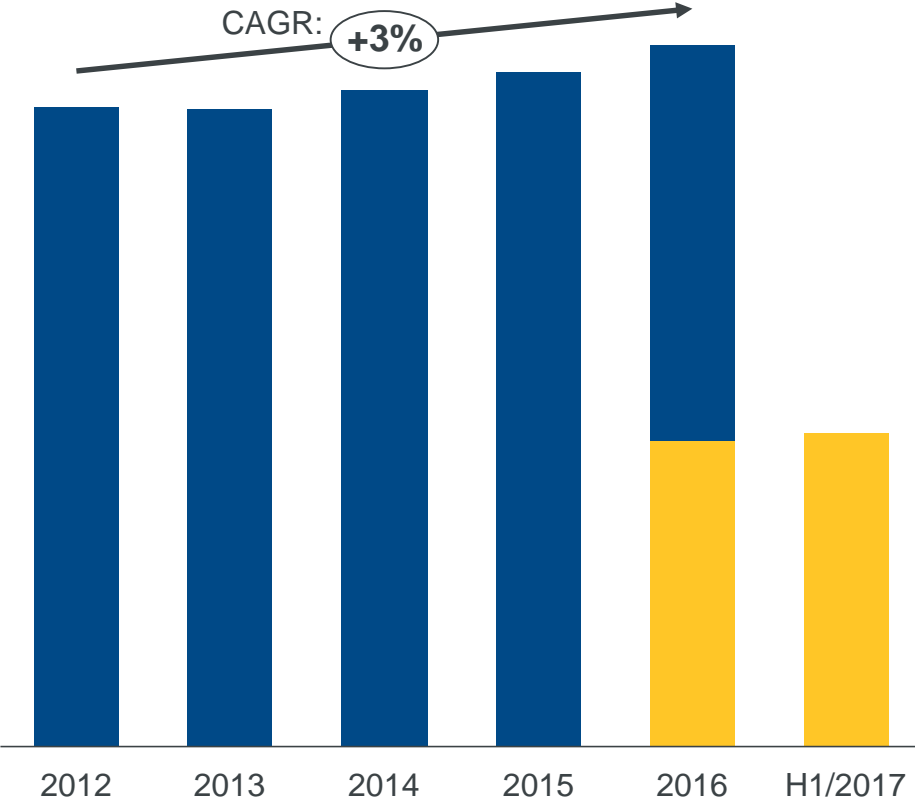
Orders received 2016



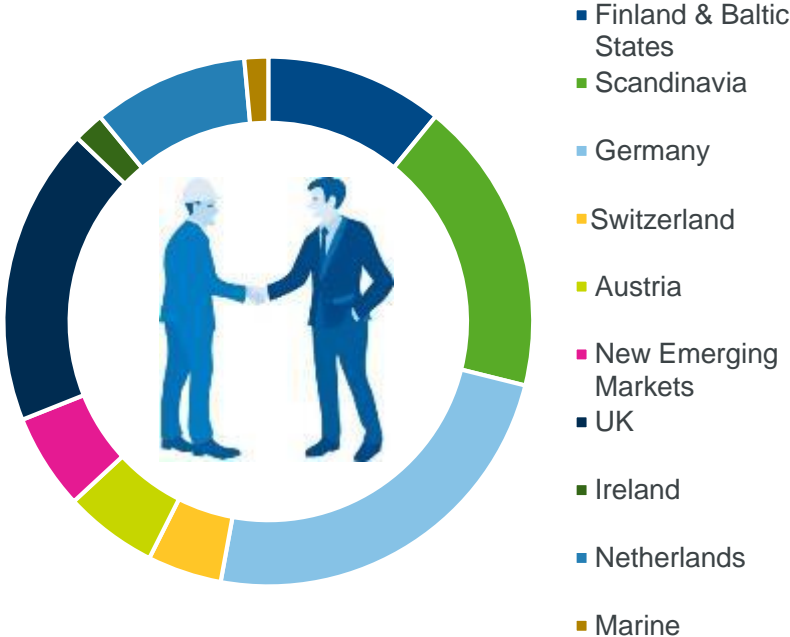
Stable profitable growth



Sales development 2012-H1/2017, at comparable rates



Sales 2016



Bars at historical rates, CAGR at comparable rates

We have a strong market position in Central and North Europe

The two main drivers for KONE's strong market position in Central and North Europe have been the **good solutions and services** offered in the market, but even more importantly, our highly **competent and motivated people**

	2014	2016
New equipment	#2	#2
Maintenance	#3	Shared #2
Modernization	#2	#2

Business highlights from the past year



WE AIM TO CREATE VALUE FOR OUR CUSTOMERS BY CONSTANTLY DEVELOPING AND RENEWING OUR OFFERING

London Underground



In addition to our long-term maintenance and modernization relationship with London Underground, we are currently installing more than 100 new elevators for London Underground and Crossrail (Elizabeth Line).

Brno, Czech Republic



Full replacement project of 75 units completed in a tight schedule – 8 months from order received to handover to customer.

Grand Tower in Frankfurt



High-end residential building in Frankfurt, Germany. The building has 52 floors and KONE provides five elevators to the project.

New KONE Care™



Piloted in a couple of Central and North European countries, currently live in seven countries

24/7 Connected Services



We are launching the 24/7 Connected Services in North Europe at the moment

Winning in maintenance, Germany



Our refined customer-centric strategy increased our before limited footprint and enabled us to welcome 9/10 of the biggest residential customers in Germany as our customers.

Our focus areas going forward

- We want to further increase our understanding of our customers in order to meet their individual needs
- Capitalize on market opportunities in new equipment and proactively drive modernization demand
- Get traction on new services and solutions in maintenance
- Utilize scale to be more efficient



Dedicated to People Flow™

