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KONE CMD 2015
Differentiation and profitable growth in
a changing environment

Henrik Ehrnrooth, President & CEO
September 25, 2015



We want to make the coming five years as exciting as the previous five...

KONE	in 2009	in 2014
Net sales	4,744	7,334
EBIT	567.0	1,036
EBIT %	11.9	14.1
Employees	33,988	47,064



Agenda



→ Our business development has been solid

→ Powerful megatrends driving demand

→ Differentiation in a changing environment

January-June 2015: Continued profitable growth

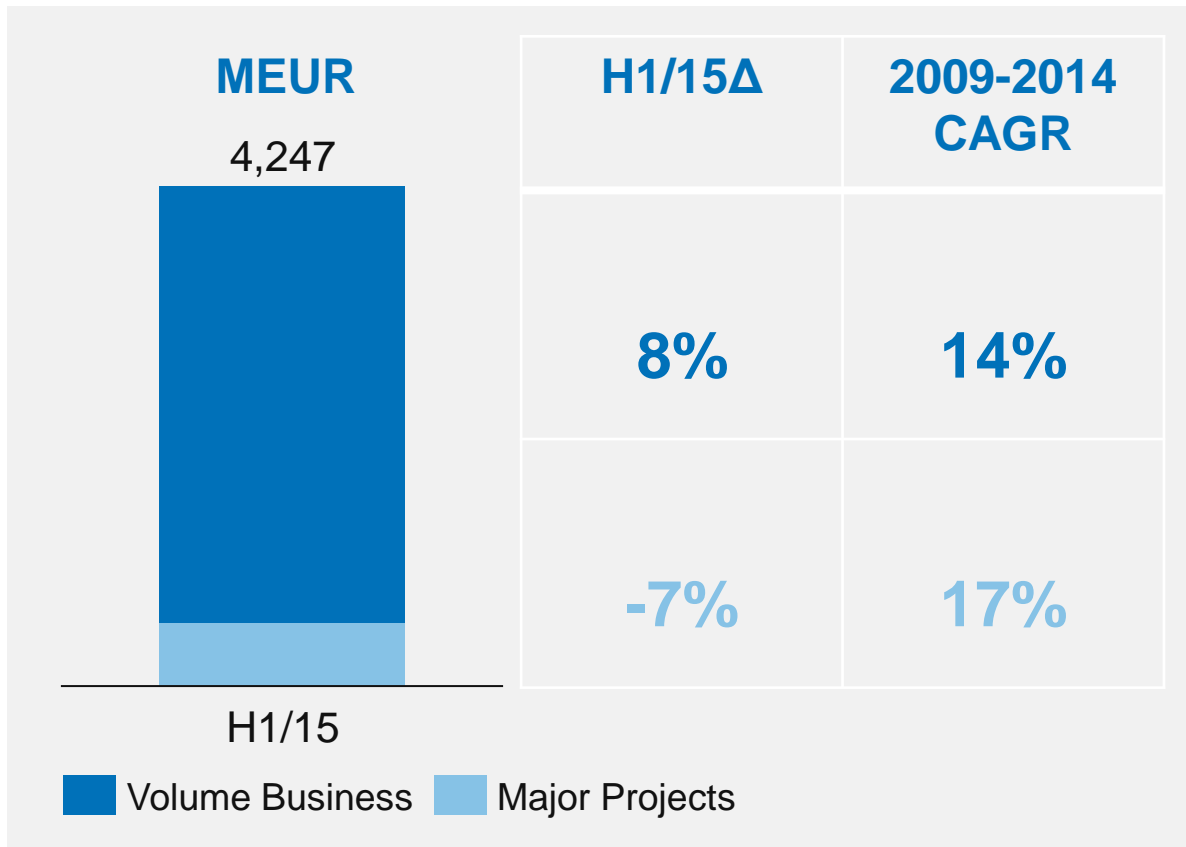


		1-6/2015	1-6/2014	Historical change	Comparable change
Orders received	MEUR	4,247.3	3,531.6	20.3%	5.9%
Order book	MEUR	8,627.4	6,537.2	32.0%	15.0%
Sales	MEUR	3,901.2	3,290.7	18.6%	6.9%
Operating income (EBIT)	MEUR	537.1	442.9	21.3%	
Operating income (EBIT)	%	13.8	13.5		
Cash flow from operations (before financing items and taxes)	MEUR	638.2	605.6		
Basic earnings per share	EUR	0.80	0.67		

Orders received: Good broad-based development in the volume business



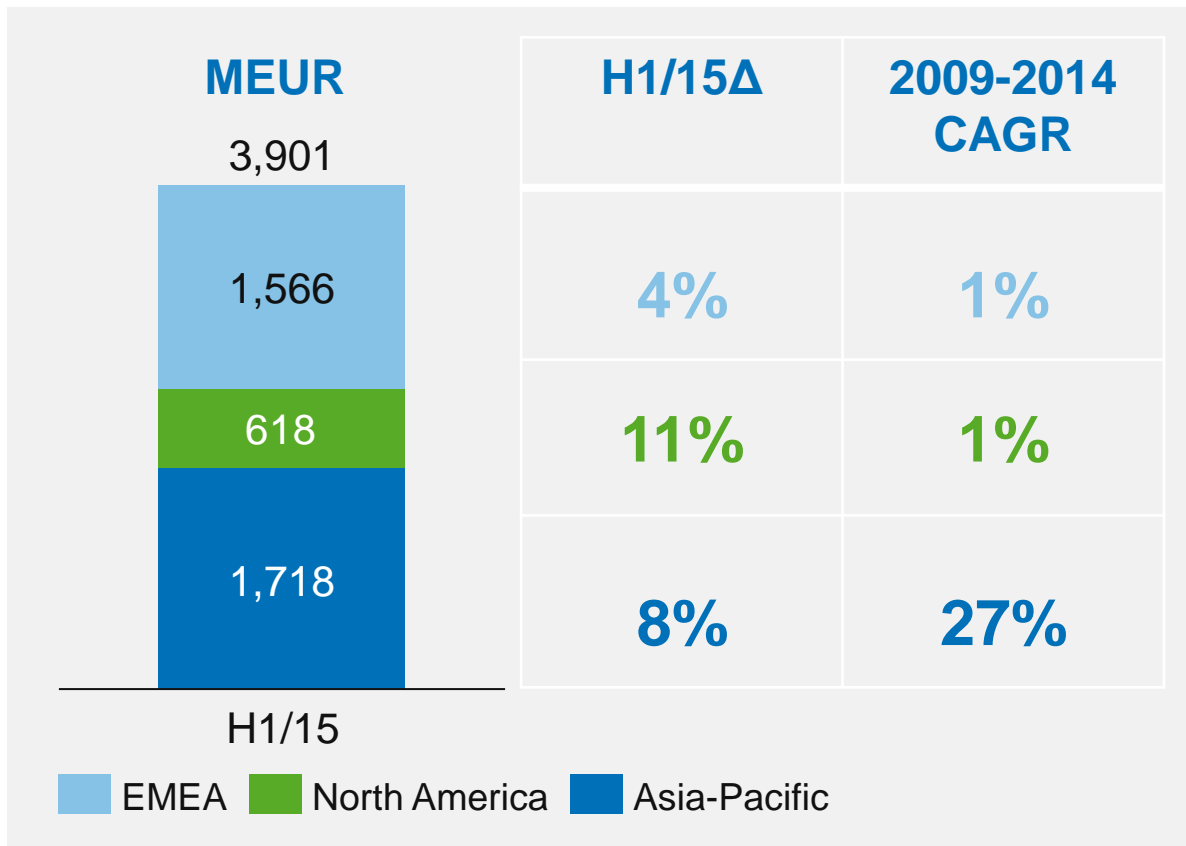
ORDERS RECEIVED, COMPARABLE GROWTH BY BUSINESS



Sales: More balanced growth across geographies in H1



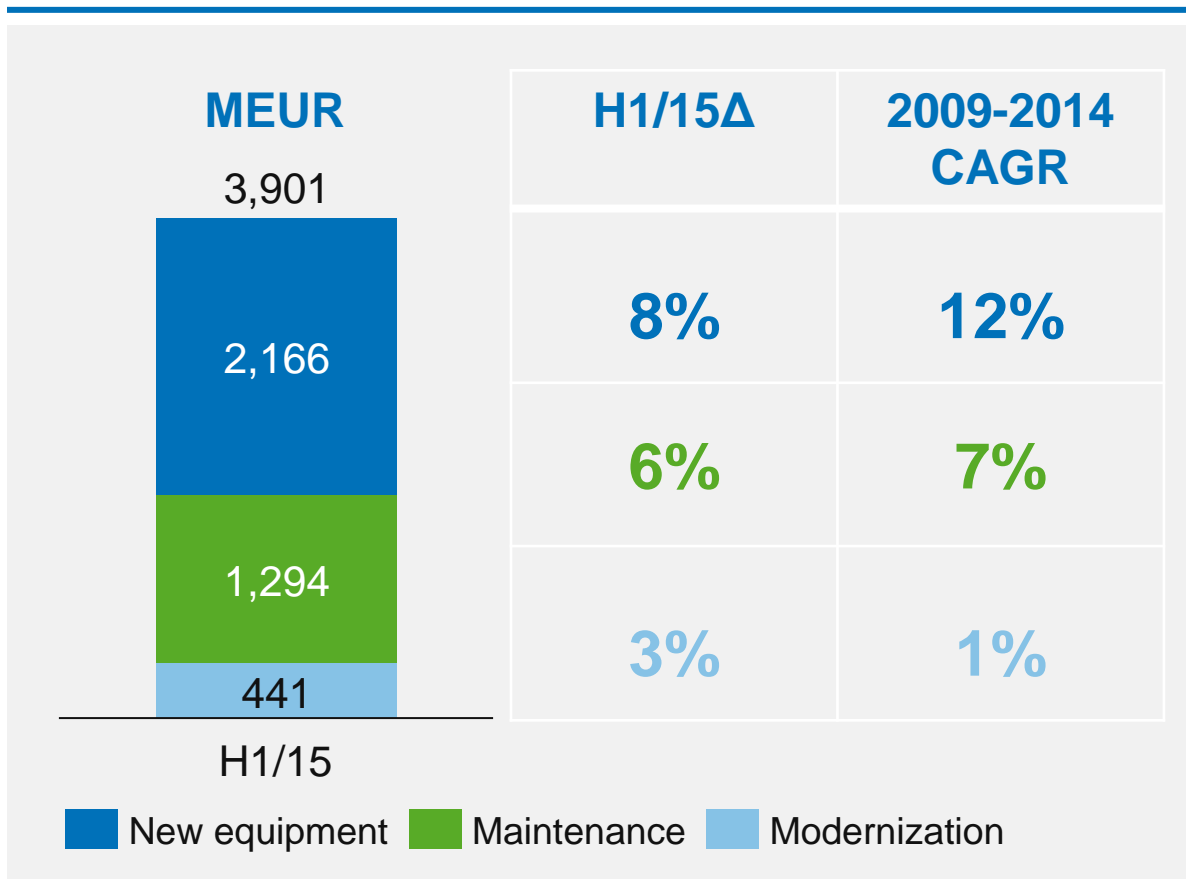
SALES BY AREA, COMPARABLE RATES



Sales: New equipment growth moderating from a high basis, continued solid growth in maintenance



SALES BY BUSINESS, COMPARABLE RATES



We have continued our strong performance towards our strategic targets and are positioned to capture future growth



Most loyal customers

Great place to work

Faster than market growth

Best financial development

Leader in sustainability

Improvement in all metrics in the past year

Customer satisfaction survey showed clear improvement

Results from annual employee satisfaction survey further improved

Consistent faster than market growth

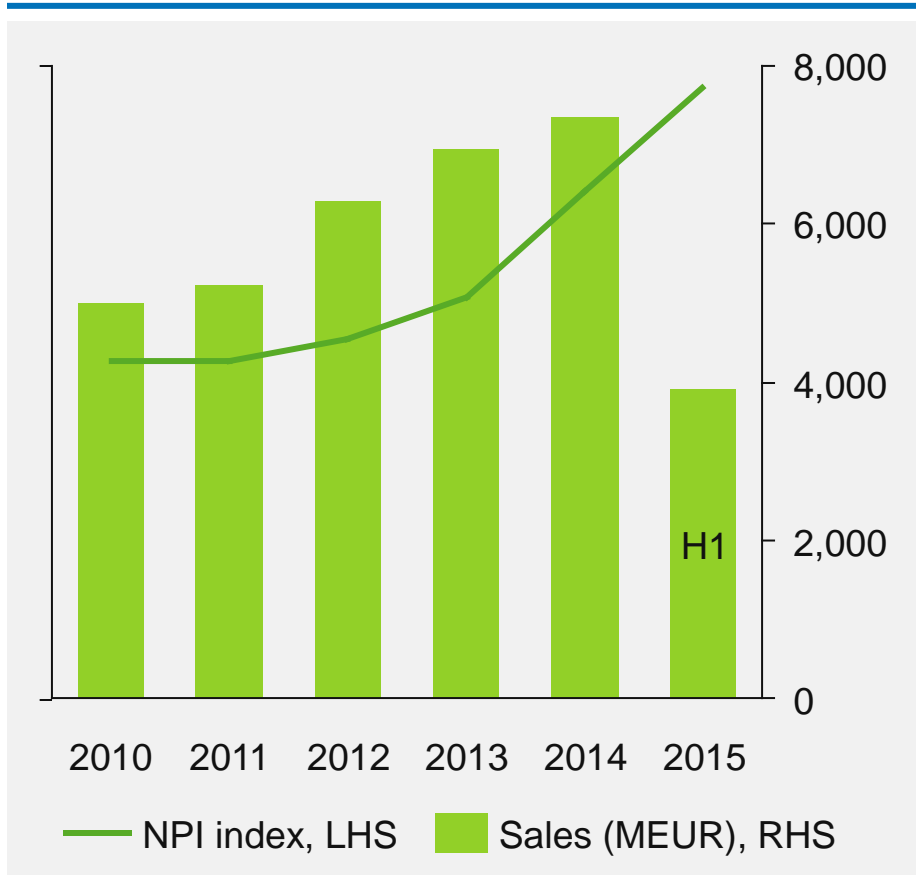
Growth has continued to be profitable

Decrease in environmental impact of products and operations

The development in our customer satisfaction has been very good



CUSTOMER SATISFACTION HAS OVERALL CLEARLY INCREASED



Most frequently occurring customer comments

- The strength of our quality
- We are a reliable partner who delivers on its promises
- We understand the needs of our customers

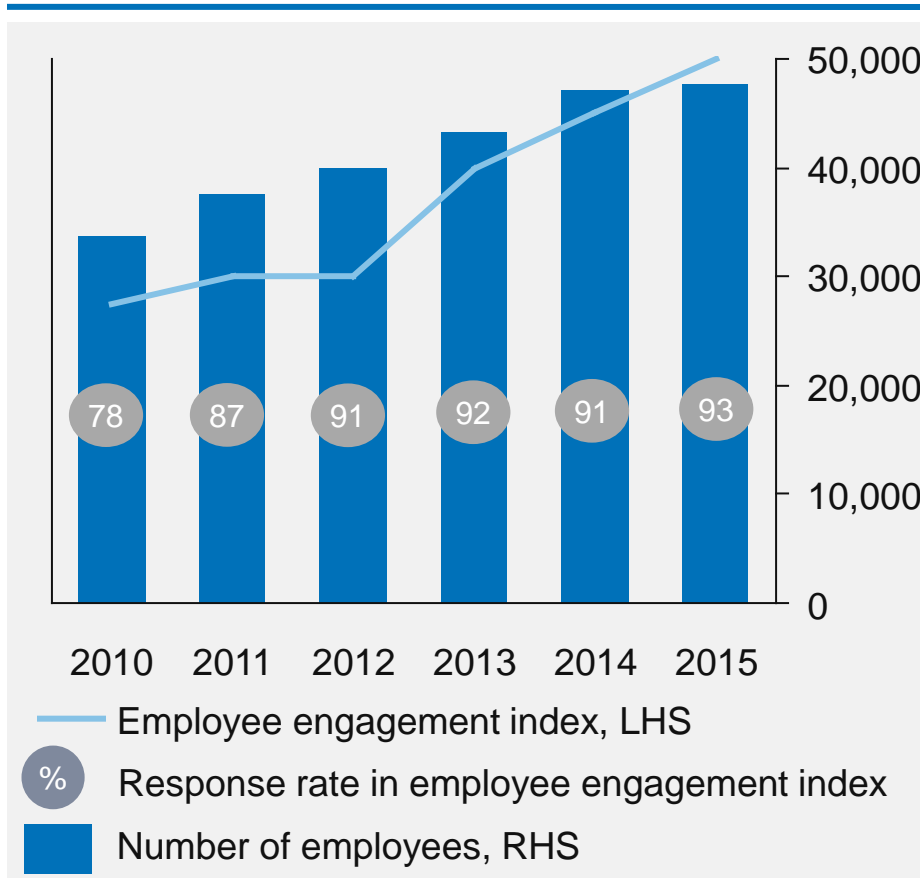
To further differentiate we will

- Improve customer communication and interaction at every touch point
- Strengthen our service offerings

Our employee satisfaction has continued to increase from a good level



EMPLOYEE SATISFACTION DEVELOPING POSITIVELY



Our people and our culture are KONE's greatest competitive asset and our face towards the customer

- We will support everyone to perform at their best
- We will further strengthen our field training and competence development

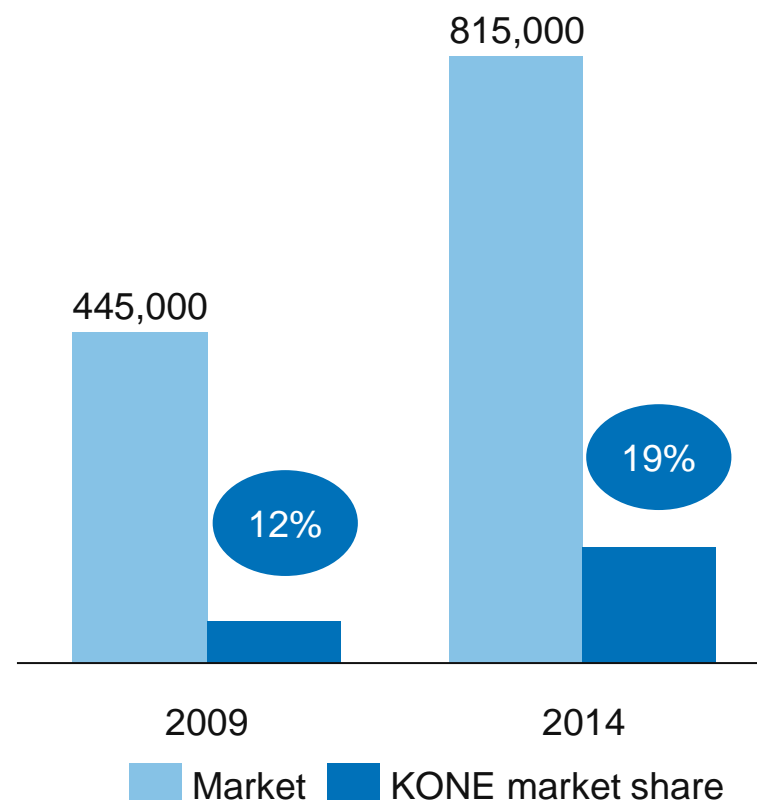
New equipment: We have increased our market share in all markets with the strongest improvement in growth markets



We are a global leader

KONE's position	2009	2014	Market share change in 2014
North America	#4	#4	~+2%-pts
EMEA	#3	#2	stable
China	#4	#1	+1% pts
China market share	~10%	19%	
Rest of APAC*	#1	#1	stable
Global new equipment market share	~12%	19%	

New equipment market and KONE share



*Rest of APAC excluding Japan & Korea

Maintenance: our strong position in new equipment provides significant growth opportunities in maintenance

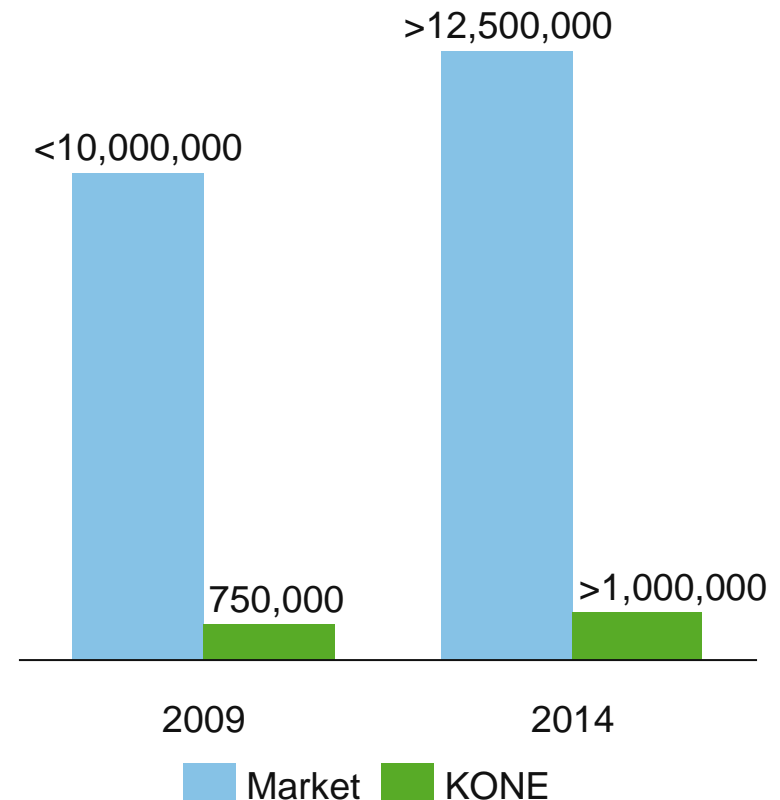


We have clearly grown share

KONE's position	2009	2014
North America	#4	#4
EMEA	#4	#3/4
China	#4	shared #1
Rest of APAC*	#3	shared #2
Market position	#4	#4

*Rest of APAC excluding Japan & Korea

Maintenance market and KONE maintenance base



Current market trends are varied, but provide clear opportunities globally



	New equipment market H1/15	Service market H1/15	Short-term market trends
Central and North Europe			Slight improvement in modernization and new equipment activity
South Europe			Pent-up demand in modernization; maintenance competitive
North America			Improvement of economy driving demand in new equipment and modernization. Maintenance competitive
Middle East			Improving pipeline in both volume and major projects business; share of maintenance increasing
China			Slight decline in new equipment market, but sustained large market volumes. Maintenance opportunity continues to grow
Rest of APAC			Indian market showing improving sentiment; service market developing positively throughout the region



New equipment markets

- Asia-Pacific: the market is expected to slightly decline in 2015, with a slight decline in the market in China.
- Europe, Middle East and Africa: the market is expected to grow slightly. In Central and North Europe, the market is expected to be stable or grow slightly, and the market in South Europe to start recovering. In the Middle East, the market is expected to see some growth.
- North America: the market is expected to continue to grow.

Maintenance markets

- The maintenance markets are expected to develop rather well in most countries.

Modernization markets

- The modernization market is expected to remain rather stable in Europe, but to continue to grow in North America and Asia-Pacific. This is expected to result in a rather stable or slightly growing market globally.



Sales

- KONE's net sales is estimated to grow by 6–8% at comparable exchange rates as compared to 2014.

Operating income

- The operating income (EBIT) is expected to be in the range of EUR 1,190–1,250 million, assuming that translation exchange rates would remain at approximately the average level of January–June 2015.

The background of the slide is a photograph of a modern building's interior. It features a complex network of glass railings and metal structural elements, creating a sense of depth and architectural detail. The lighting is bright, highlighting the metallic surfaces and the transparency of the glass.

→ Our business development has been solid

→ Powerful megatrends driving demand

→ Differentiation in a changing environment

Powerful global megatrends will continue to drive the E&E industry growth



Urbanization

Changing demographics

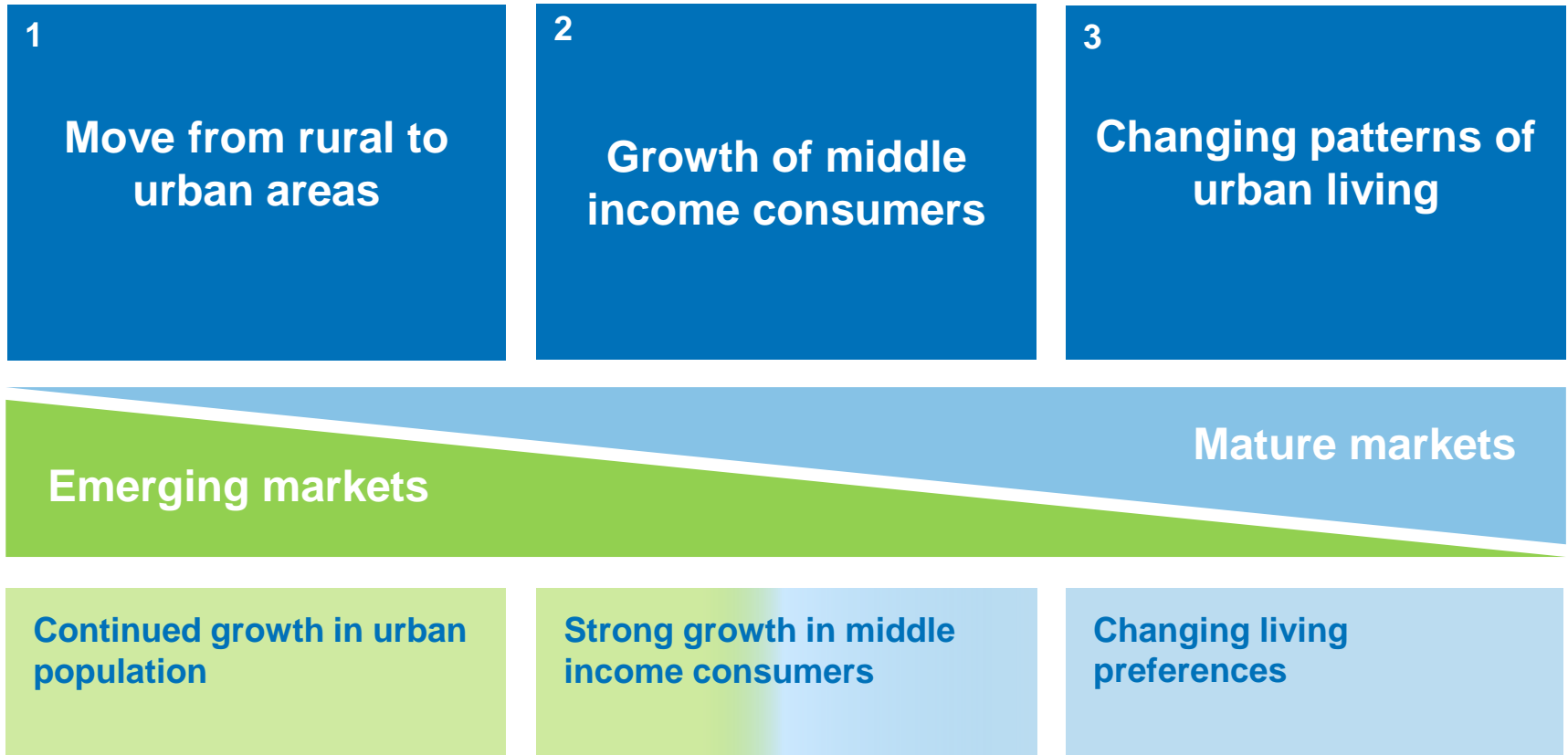
Environment

Safety

Connectivity

Quality

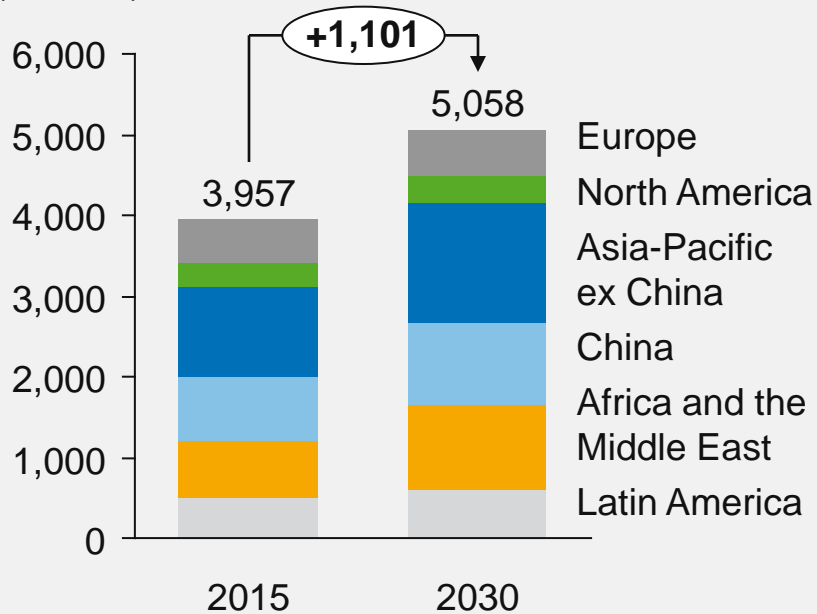
Urbanization and urban development are progressing globally simultaneously at different stages



Urbanization continues to be a strong driver in Asia-Pacific and Africa

1. Move from rural to urban areas

Urban population
(Millions)



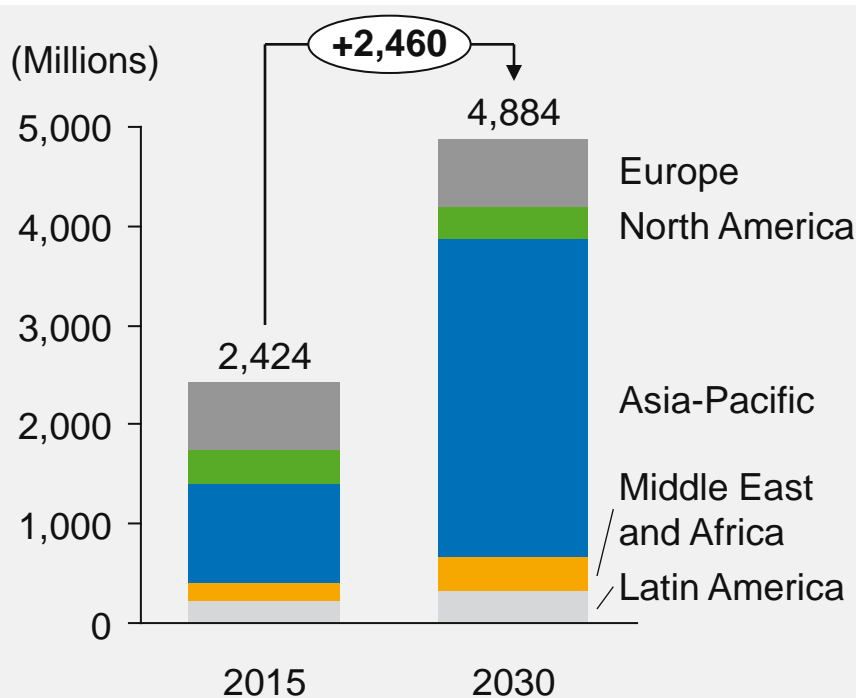
85% of the billion new urban residents by 2030 to be in Asia-Pacific and Africa

- Urbanization is the essential driver in economic growth and development
- Scarcity of land in urban centers → increasing height of buildings
- Growing need for affordable housing

China, India and Southeast Asia will continue to see a growing middle class accelerating urban development



2. Growth of middle income consumers



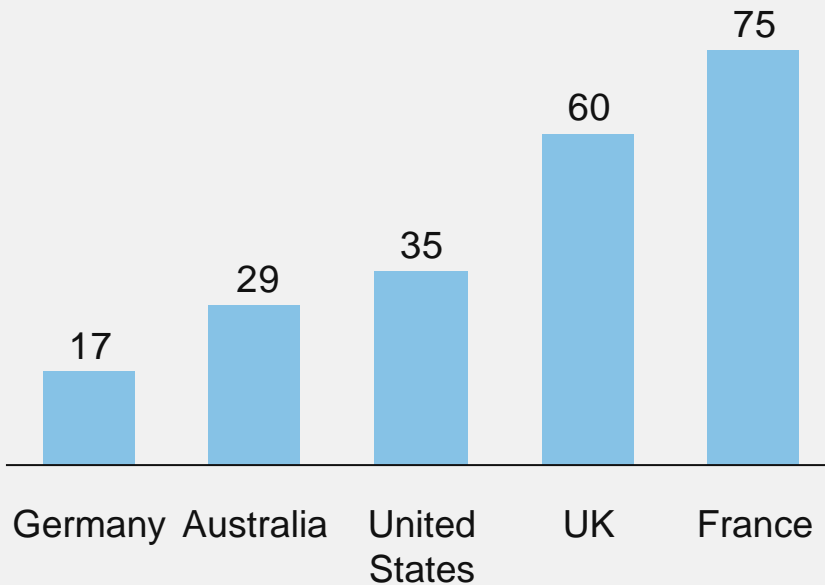
90 % of the 2.5 billion new middle income consumers to be in Asia-Pacific

- Shrinking household sizes, increasing floor space per capita
- Upgrading and rebuilding of former fringe areas in cities
- Congested and inefficient cities are a major risk to economic growth → significant investment into urban infrastructure required

Europe and North America will see changing requirements in city planning and infrastructure

3. Changing patterns of urban living

Projected % increase in one-person households, early-mid-2000s to 2025-2030



Living preferences continue to change alongside changing demographics

- Later family formation, increase in one-person households
→ preference to living closer to city center
- Challenges in mature cities: shortage of affordable apartments, aging of the buildings and infrastructure
- Increasing building intelligence is generating new demands

The background of the slide is a photograph of a modern building's interior. It features a complex network of metal beams and glass railings, suggesting a multi-level structure like a transit hub or office building. The lighting is bright, and the overall aesthetic is clean and industrial.

→ Our business development has been solid

→ Powerful megatrends driving demand

→ Differentiation in a changing environment

Fundamentals of growth in the E&E industry are solid.
Two important trends are shaping its development
going forward

The background of the slide is a photograph of a modern shopping mall. It features a wide, multi-level atrium with glass railings and escalators. The lighting is bright and even. In the foreground, a blue rectangular text box is overlaid on the image. In the background, a sign for a "BLUE CROSS SALE" is visible on the left, and a "MAIN" sign is visible on the right. The overall atmosphere is clean and contemporary.

Changing growth dynamics

Digitalization and increasing speed
of technological change

The industry dynamics are changing, with the importance of service business increasing



MODERNIZATION

- Growing opportunity in all regions as the installed base ages and requirements increase



NEW EQUIPMENT

- Good growth opportunities, despite a moderation in the growth in Asia-Pacific
- Increasing opportunities from smarter buildings

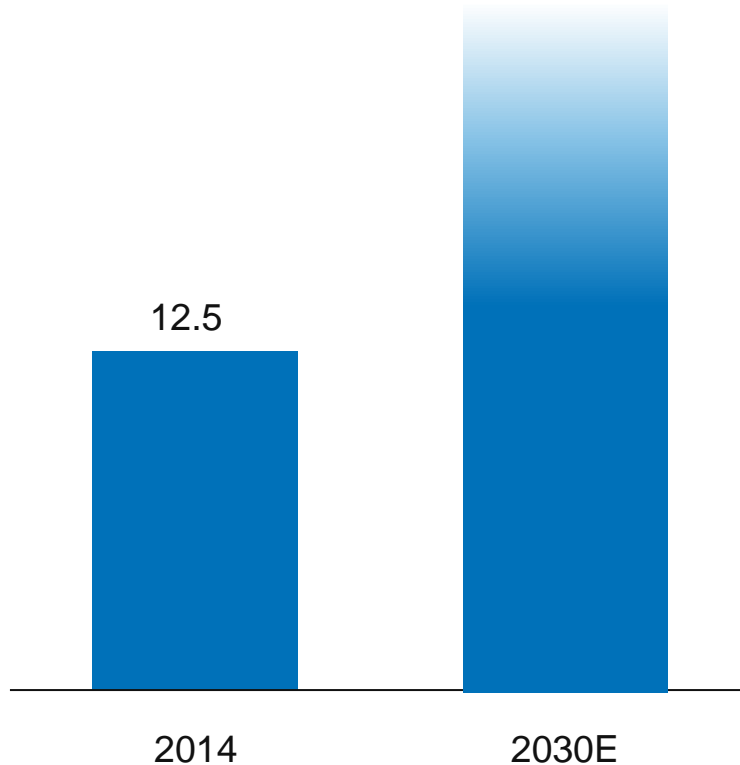
MAINTENANCE

- Relative importance of maintenance out of the total business will increase in the emerging markets
- In all markets, new technology will start shaping the business

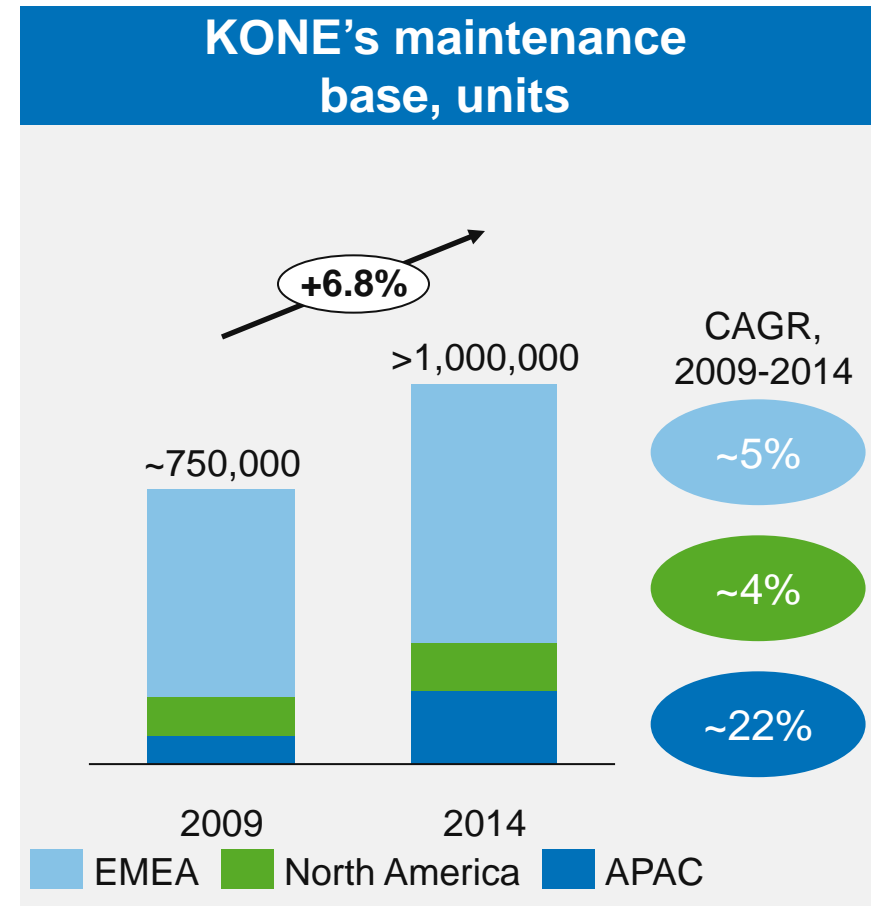
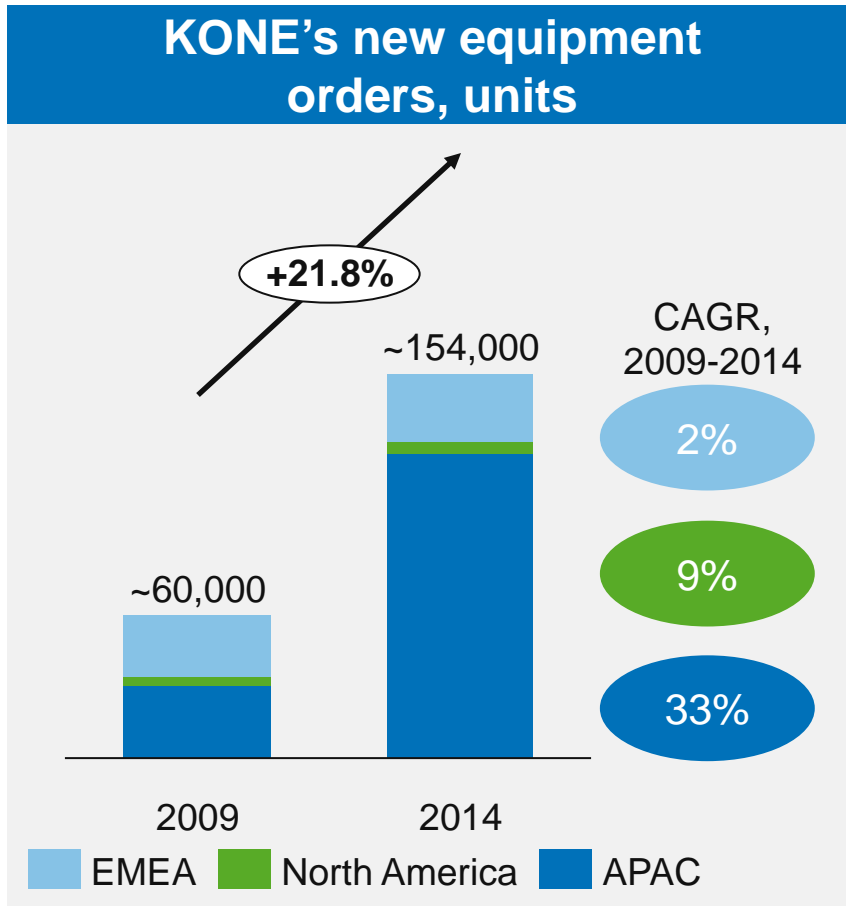
Driven by strong fundamentals, the E&E market will present significant opportunities



EQUIPMENT IN OPERATION GLOBALLY, MILLION E&E UNITS



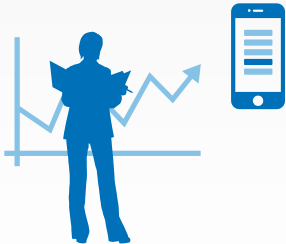
We have good potential to accelerate our service business growth



Maintenance: tapping the conversion potential in Asia-Pacific
Modernization: proactive sales for equipment in our maintenance

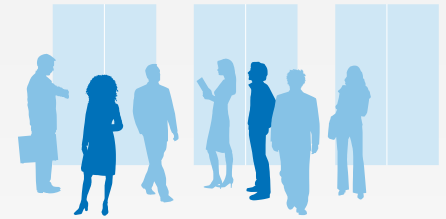
Customer centricity and differentiation are cornerstones in accelerating growth in maintenance

Understand customer needs and competition



Show our customers that we have delivered on our promise

Define our promise and offering to customers



Deliver on the promise to our customers

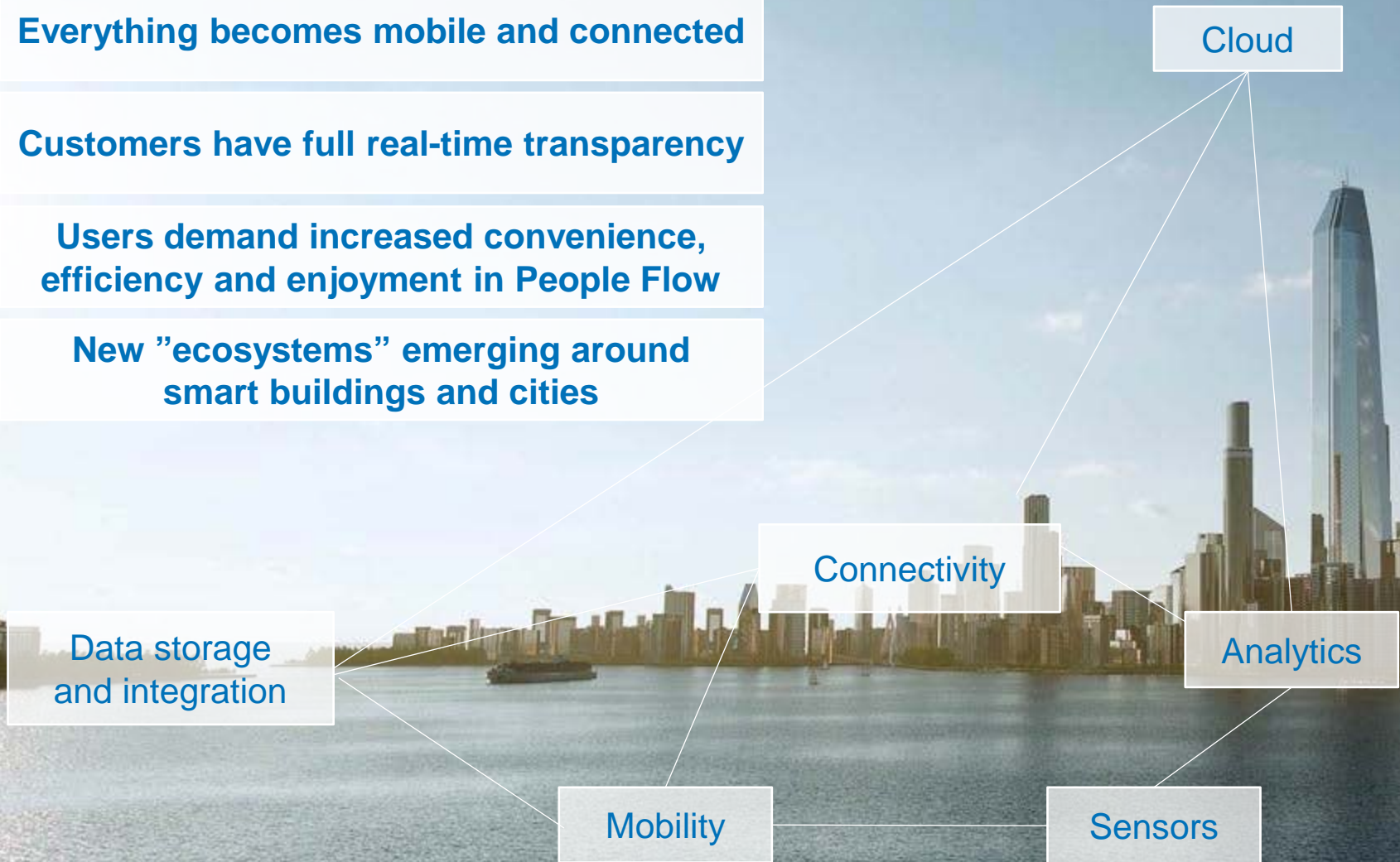


Everything becomes mobile and connected

Customers have full real-time transparency

Users demand increased convenience, efficiency and enjoyment in People Flow

New "ecosystems" emerging around smart buildings and cities



Cloud

Connectivity

Analytics

Sensors

Mobility

Data storage
and integration

Digitalization enables delivery of new value added services to our customers and an improved quality and productivity of our operations



We are renewing our approach to innovation to accelerate our differentiation



New Technology & Innovation unit combining KONE's R&D and IT development units, focusing on both incremental and radical innovation

The new unit will be led by
Chief Technology Officer

New leader appointed for
Operations Development



EVP, CTO: Tomio Pihkala

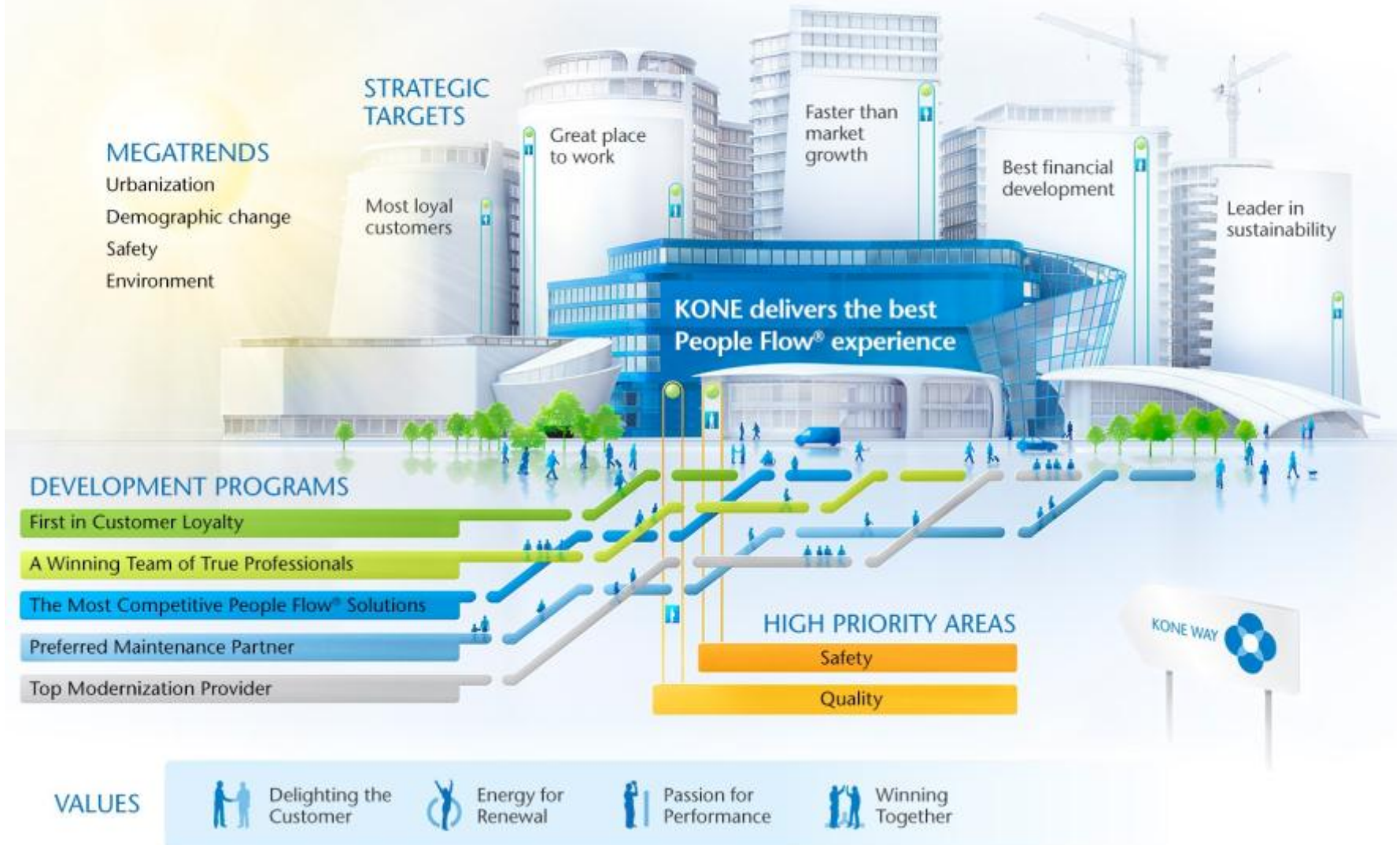
- Member of the Executive Board since 2013, currently responsible for Operations Development
- With KONE since 2001



EVP, Operations Development: Mikko Korte

- Currently SVP, New Equipment for KONE Americas
- With KONE since 1995

With our ongoing actions, we will make KONE an even more competitive company



We are committed to delivering on the future growth potential and leading change in our industry



Accelerating growth and differentiation in our service business

Further strengthening our leadership in new equipment

Driving new ways of working and new business models, enabled by technology



Dedicated to People Flow™

