

KONE CMD 2018

Winning with customers in a changing environment

HENRIK EHRNROOTH, PRESIDENT & CEO

SEPTEMBER 25, 2018

- 
- DELIVERING ON OUR STRATEGIC TARGETS
 - SOLID GROWTH DRIVERS IN CHANGING URBAN ENVIRONMENTS
 - DRIVING DIFFERENTIATION
 - IMPROVING OUR PERFORMANCE

Delivering on our
strategic targets



Our key focus areas during the past year

Improved growth and pricing

Orders received growing solidly with stabilized margins

Continued roll-out and development of new services and solutions

New KONE Care, 24/7 Connected Services and Residential Flow showing clear differentiation

Increasing customer-centricity, speed and efficiency through the Accelerate program

Renewal of the way we are organized underway

Good progress towards our strategic targets



STRATEGIC TARGETS

Most loyal customers

Great place to work

Faster than market growth

Best financial development

Leader in sustainability

Continued improvement in **Net Promotor Score** in 2018

Employee engagement on a strong level in 2018

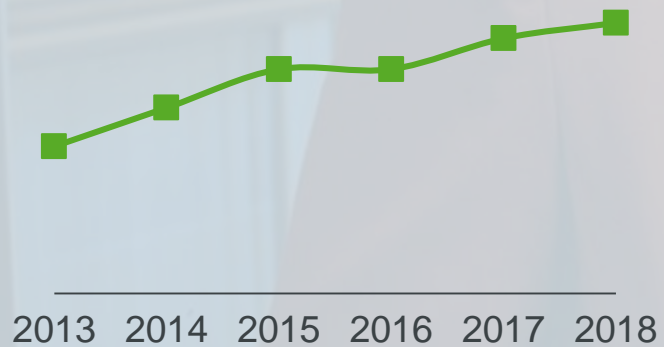
Strong development in both new equipment and services

Profitability still burdened by several headwinds

Leader in eco-efficiency, continued reduction in CO2/sales in 2017

Continuous improvement in NPS shows that we are on the right path

NPS development 2013-2018



Customers are happy with

- Customer service & customer centricity
- KONE being a reliable partner
- Product quality

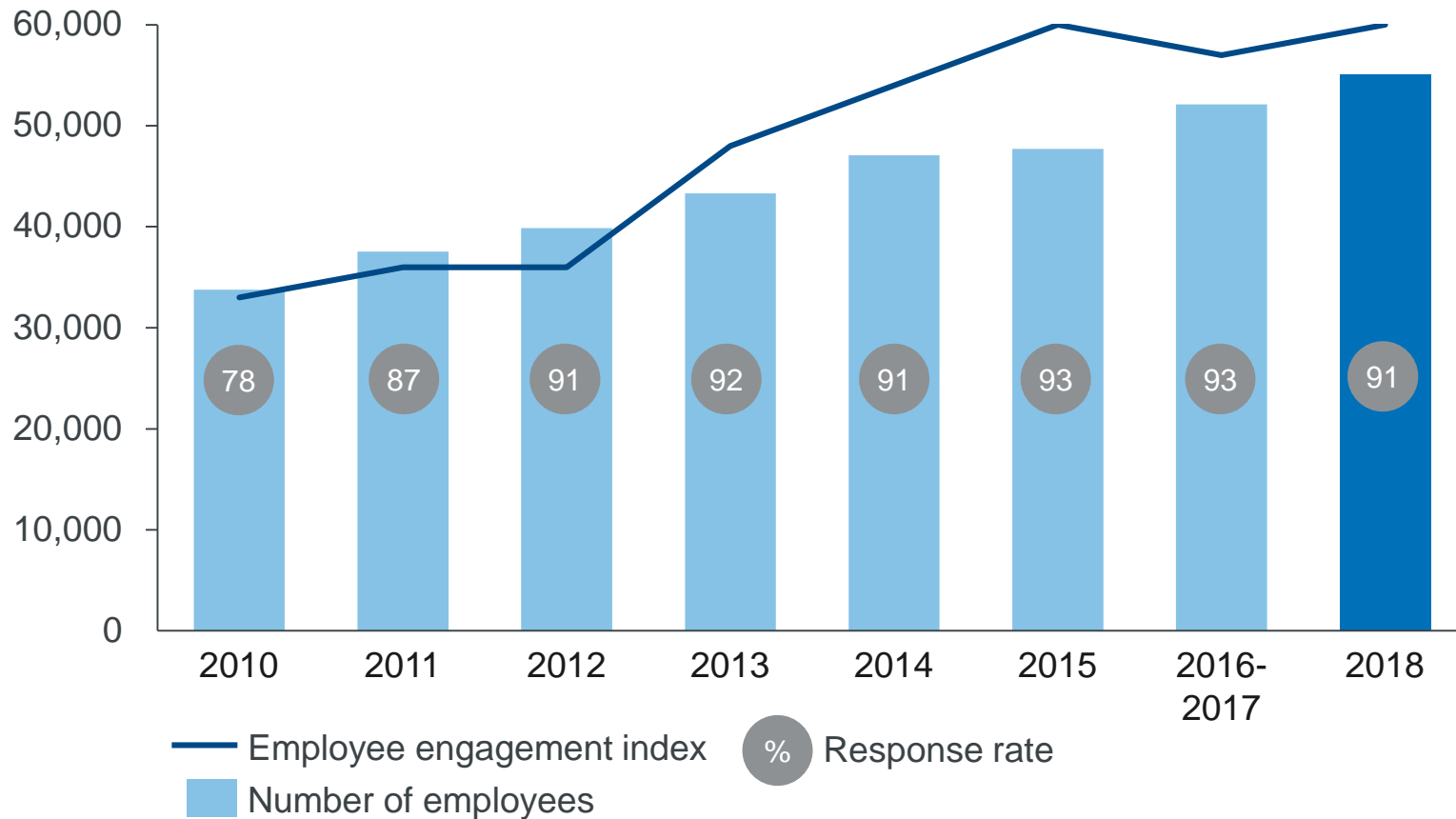
Where we can improve

- Faster response time
- Communication

Employee engagement on a strong level



Employee engagement

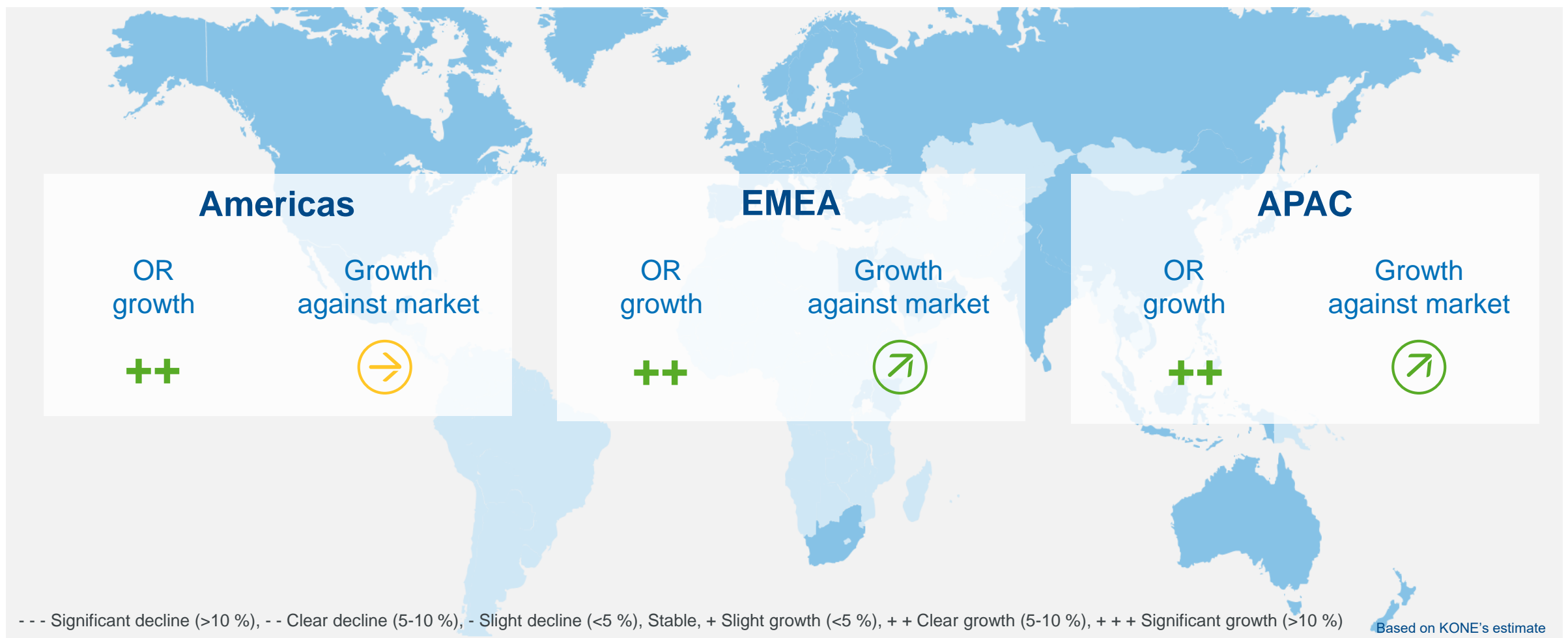


- Employee engagement above high performance benchmark
- Strategy very well perceived by the employees, high confidence in KONE's future prospects

Orders received grew faster than the market in 1H 2018

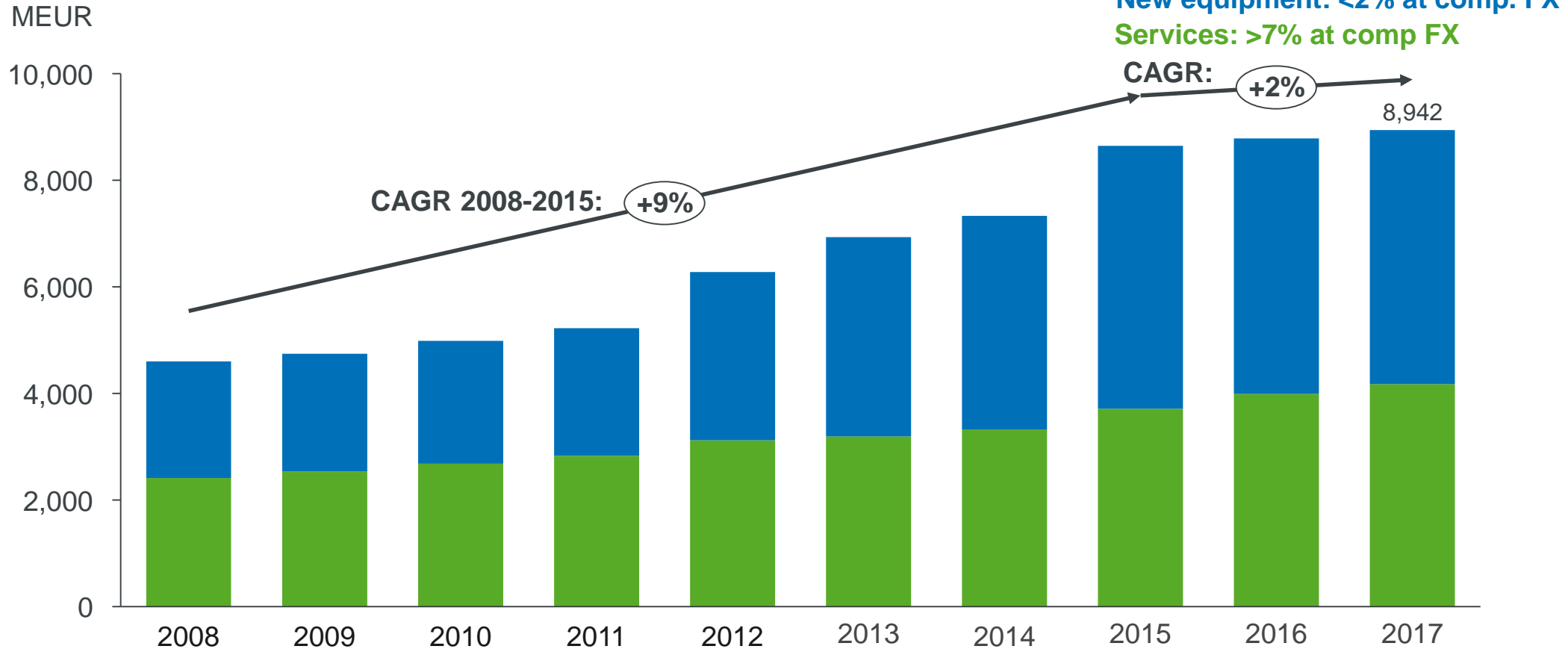


NEW EQUIPMENT MARKET SHARE STABLE IN 2017 AT 19%



Sales growth has recently been driven by services, where we have grown faster than key competitors

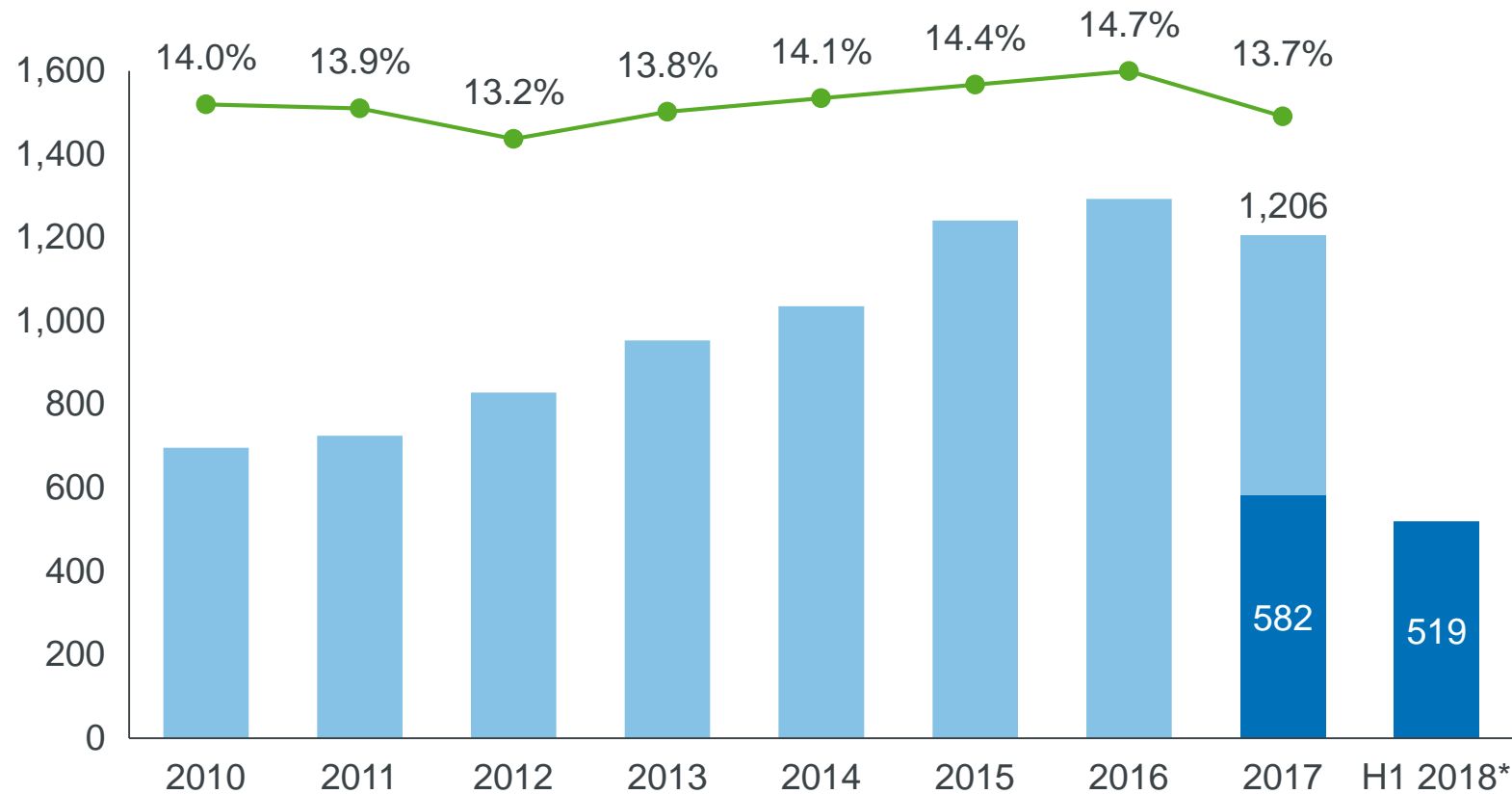
Sales 2008-2017



Adjusted EBIT margin burdened by several headwinds



Adjusted EBIT, MEUR and EBIT margin 2013-2018



- Profitability burdened by
 - Intense competition and margin pressure in particular in China
 - Higher raw material costs
- Increased R&D and IT spend

* KONE has applied new IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2010-2016 are not restated and thus not fully comparable.

Proud to be the industry leader in energy efficiency

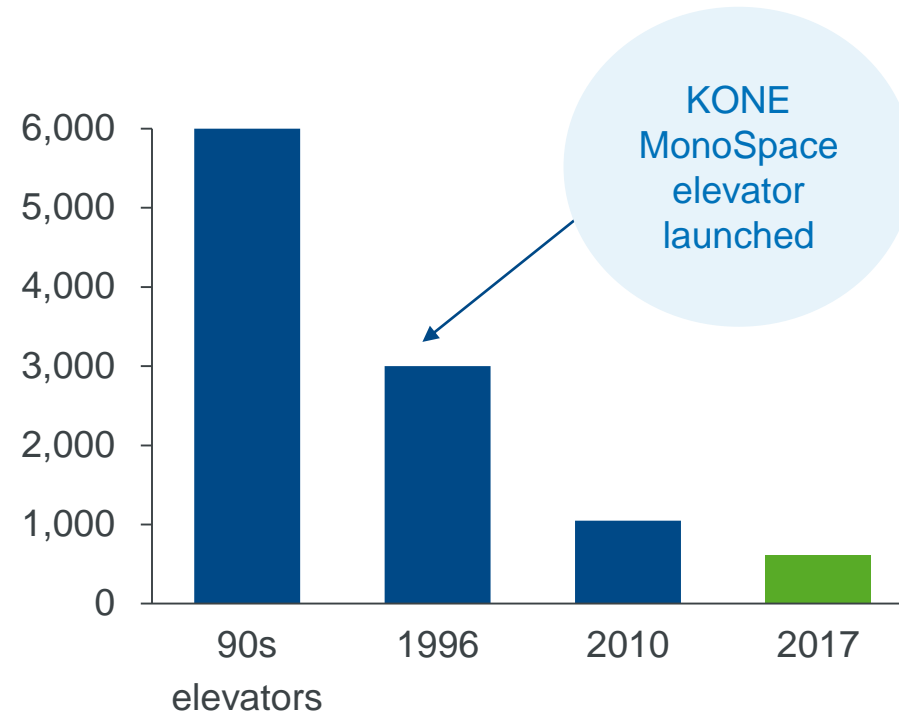


Annual reduction in KONE's operational carbon footprint

| | 2015 | 2016 | 2017 |
|----------------------------------|-------|-------|-------|
| Overall operations (Scope 1,2,3) | -4.6% | -4.0% | -0.2% |
| Scope 1,2 | -8.7% | -4.2% | -2.6% |

We are helping our customers to reduce their carbon footprint

Annual energy consumption (kWh/year)



More about our work on environmental, social and governance topics in our Sustainability Report 2017

Market outlook for 2018

NEW EQUIPMENT MARKETS

- Asia-Pacific: The market in China is expected to be stable or to decline slightly 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 by 3–7% at comparable exchange rates as compared to the restated 2017 sales

ADJUSTED EBIT

- The adjusted EBIT is expected to be in the range of EUR 1,100–1,200 million, assuming that foreign exchange rates would remain at the end of June 2018 level for the remainder of the year. Foreign exchange rates are estimated to impact EBIT negatively by approximately EUR 35 million. The pressure on the adjusted EBIT margin 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

- ⬇ Price pressure in earlier orders received in China
- ⬇ Higher raw material prices (approx. MEUR -100)
- ⬇ Foreign exchange rates with end of June rates (approx. MEUR -35)

There are both headwinds and tailwinds impacting our result also in 2019



BOOSTING OUR PERFORMANCE

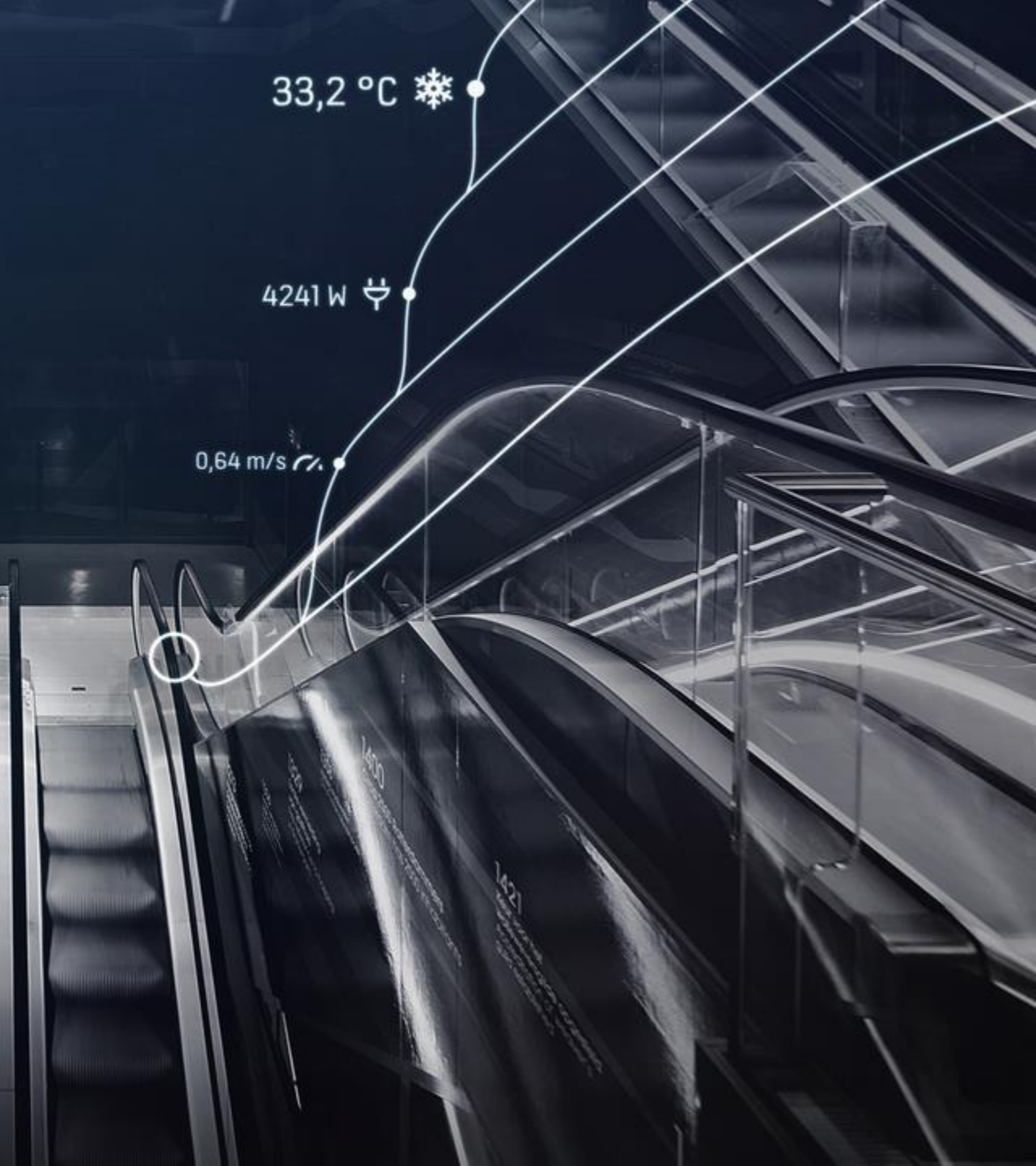
- ① Orders received growing with stabilized margin
- ① Solid growth in service business
- ① Accelerate savings and performance improvements



BURDENING OUR RESULT

- ② Raw materials and FX a headwind at current levels
- ② Trade and geopolitical uncertainties
- ② Labor shortage in Europe and in North America

Solid growth drivers in changing urban environments





Urbanization

Drives growth

Need for affordable, accessible housing

Need for safe and reliable infrastructure

More mixed use and flexible spaces

Smart, sustainable buildings



Technological disruption

Creates new opportunities

IoT and AI

Autonomous systems

Digital identification and verification

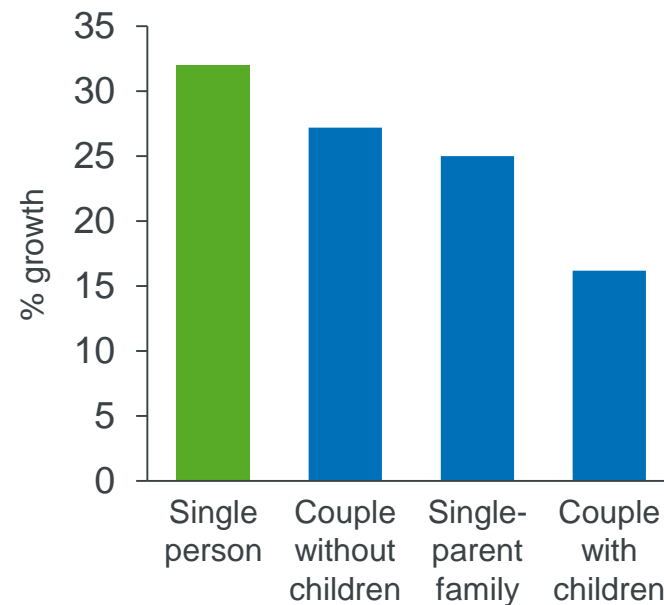
Housing shortage is a global challenge and requires more residential construction

Urbanization drives demand for affordable and accessible housing

- 80 million people move annually from countryside to cities
- Urban population continues to concentrate in the key clusters
- Demographic changes drive shift in living preferences from low-rise suburbs to apartment buildings closer to services

Number of single-person households is increasing

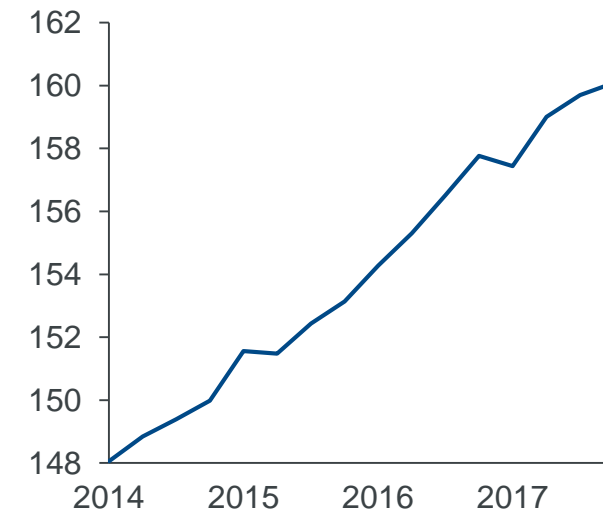
Global households by family type, 2016-2030



Source: Euromonitor International 2017

Housing prices have been affected by the shortage

Housing price index, 2014-2017, 2000=100

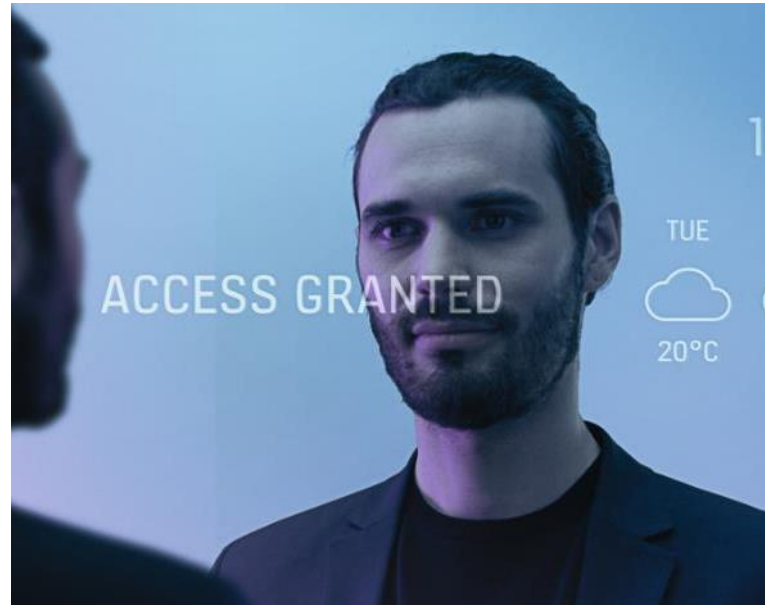


Source: IMF

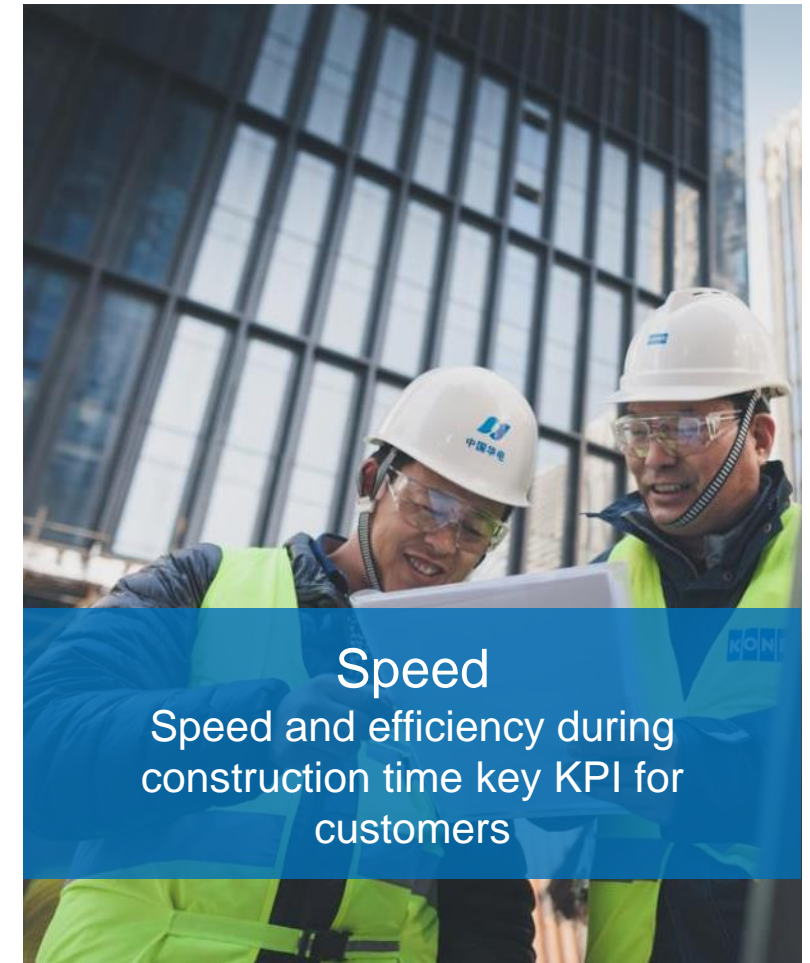
Our customers' needs and expectations are changing fundamentally



Changing use of buildings
Flexibility and adaptability
play a key role



Ease & Convenience
Seamless experience increasingly
important for building users



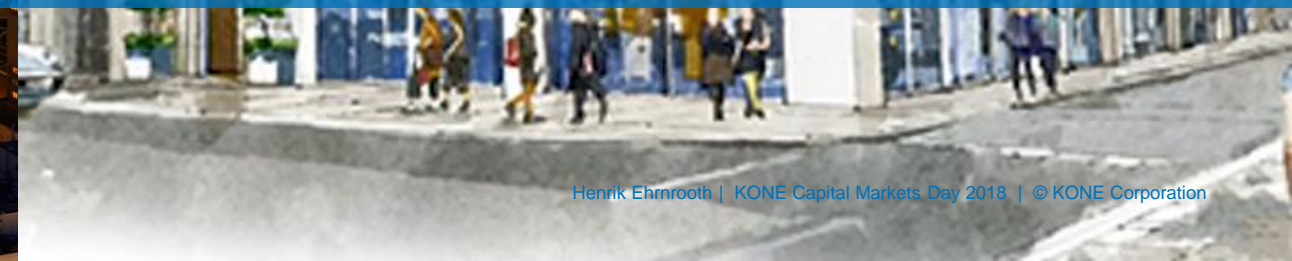
Speed
Speed and efficiency during
construction time key KPI for
customers



SPEED & RELIABILITY
One Bloor East, Toronto



EASE & CONVENIENCE
Golden Square, London





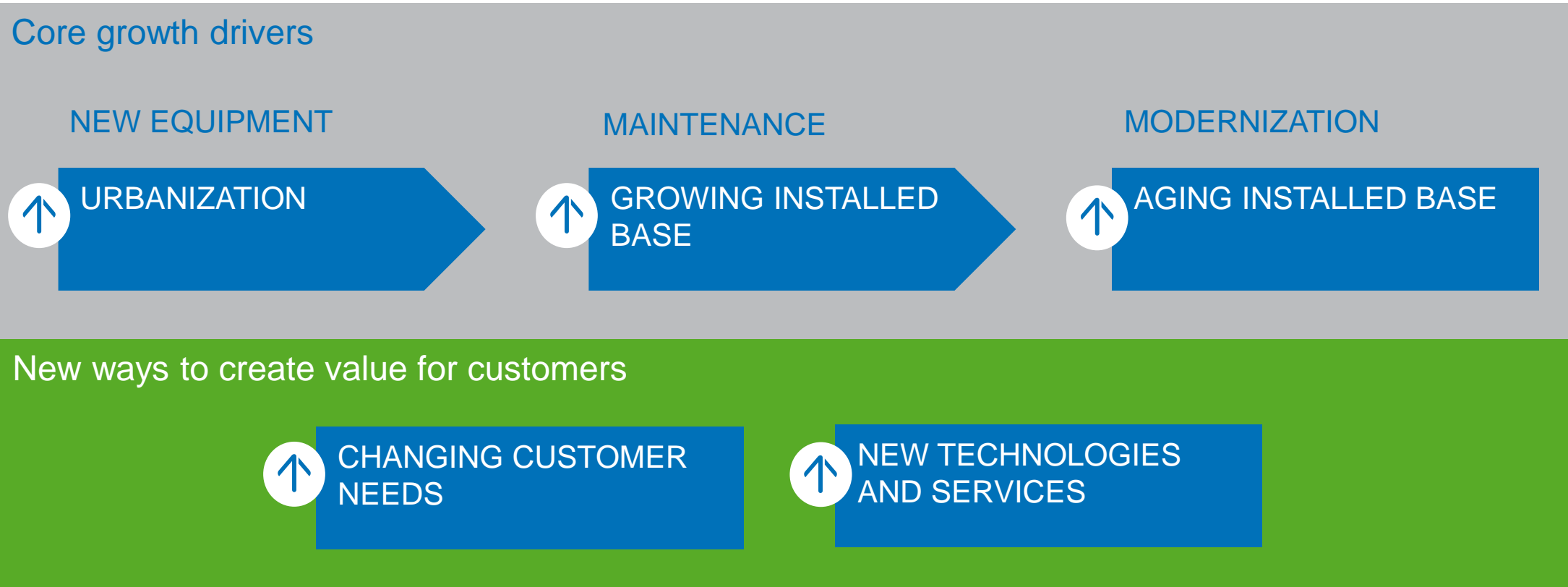
In this operating environment, our mission and vision are more relevant than ever



At KONE, **our mission** is to improve the flow of urban life

Our vision is to deliver the best people flow experience

Core growth drivers intact, new opportunities to create value for customers

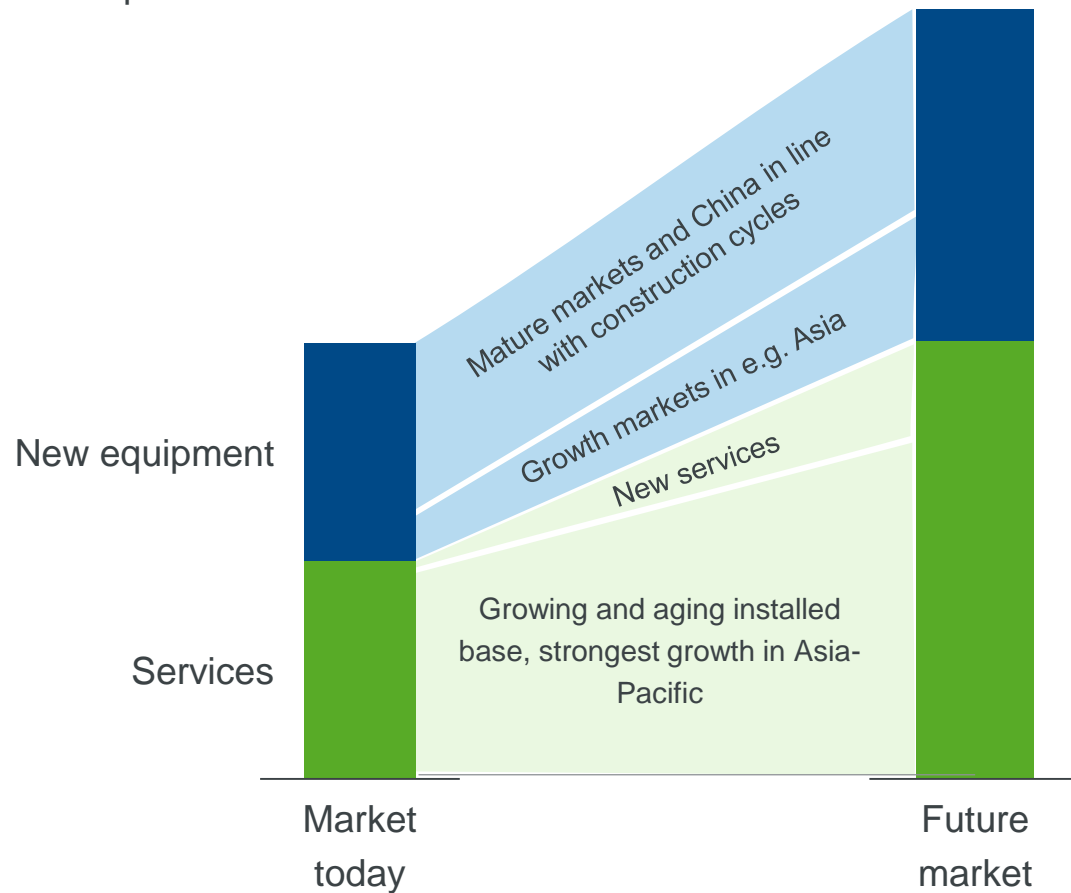


We have a strong position in the key growth markets



Growth opportunities in both businesses

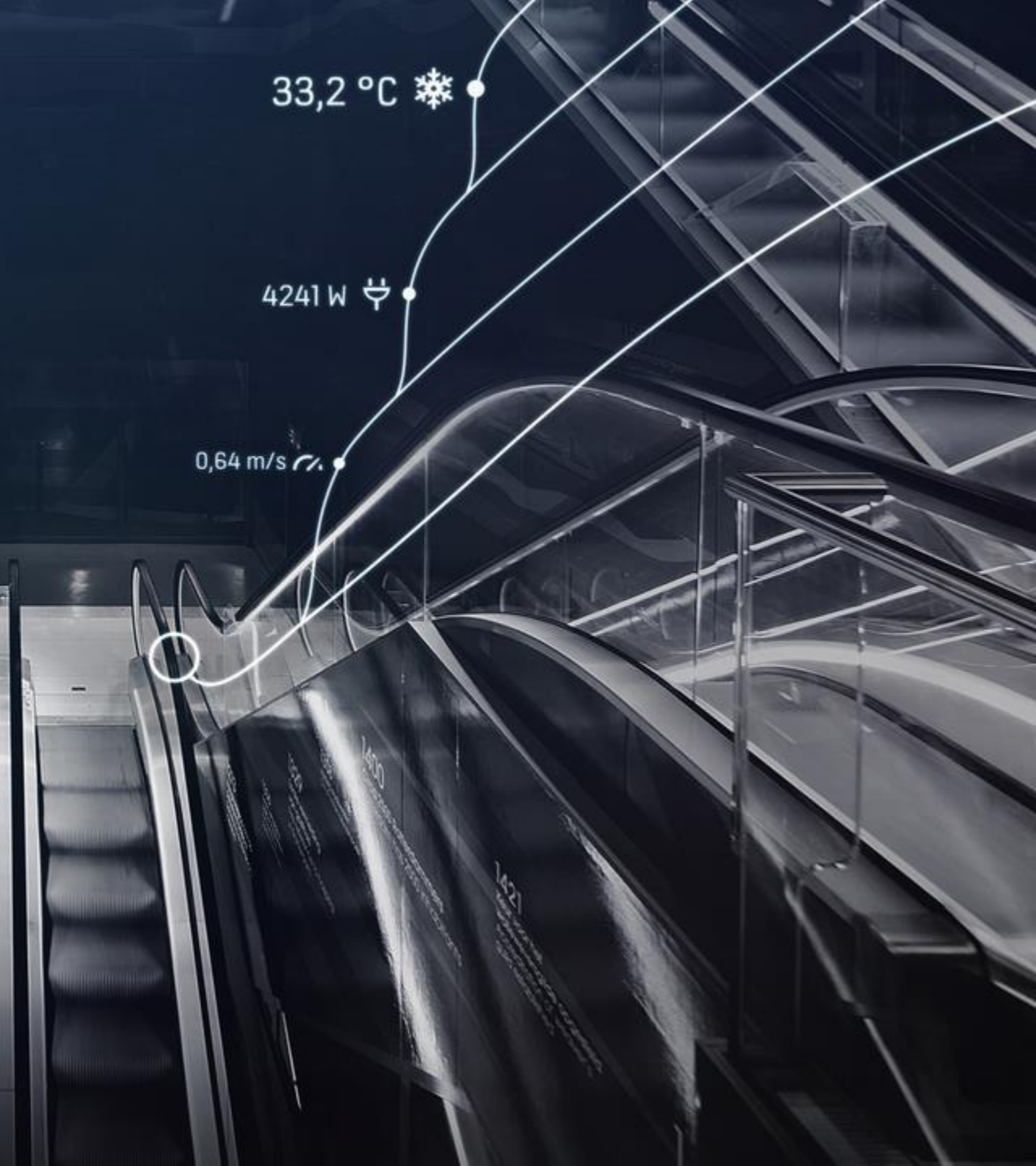
Graph illustrative



KONE is in a strong position to capture the opportunities

- KONE #1 in Asia-Pacific, a key growth market in both businesses
- Leading the way in new services
- Strengthening position in modernization

Driving differentiation



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

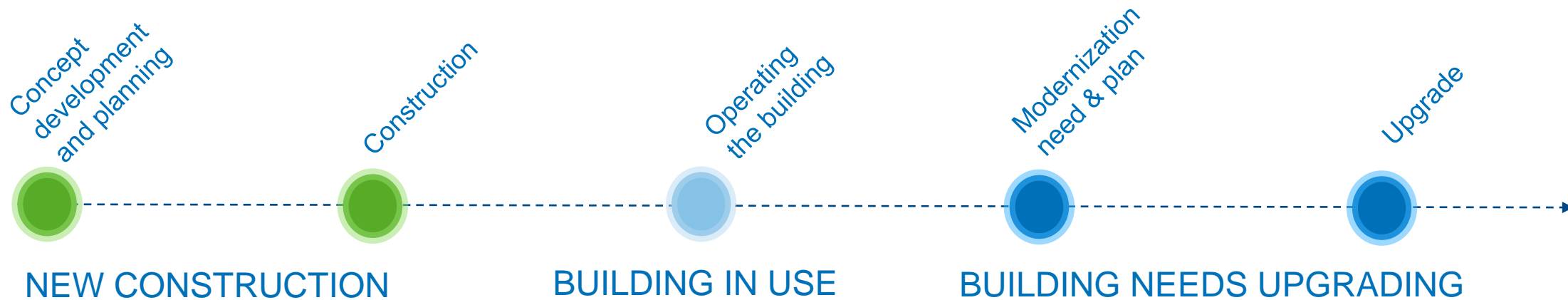
Delighting the
customer

Energy for
renewal

Passion for
performance

Winning
together

We have a systematic approach to differentiating throughout the lifecycle of a building



| HOW WE SERVE OUR CUSTOMERS | NEW CONSTRUCTION | BUILDING IN USE | BUILDING NEEDS UPGRADING |
|----------------------------|---|-------------------------------|--|
| | Designing differentiated & functioning buildings together | Reliable partner in execution | Uninterrupted people flow & true service mindset |
| | | | Analyzing people flows for improved building functionality |
| | | | Minimizing disruption |

| EXAMPLES OF KONE SOLUTIONS | NEW CONSTRUCTION | BUILDING IN USE | BUILDING NEEDS UPGRADING |
|----------------------------|--|-----------------|--|
| | Strong core offering & special solutions e.g. UltraRope & Residential Flow | JumpLift | New KONE Care KONE 24/7 Connected Services |
| | | | People Flow Planning and Consulting |
| | | | EcoMod |

We are investing for a digital future in our entire business



CONNECTED CUSTOMERS

Increased business value through better communication and productivity



CONNECTED USERS

New, personalized experiences for users in residential and commercial



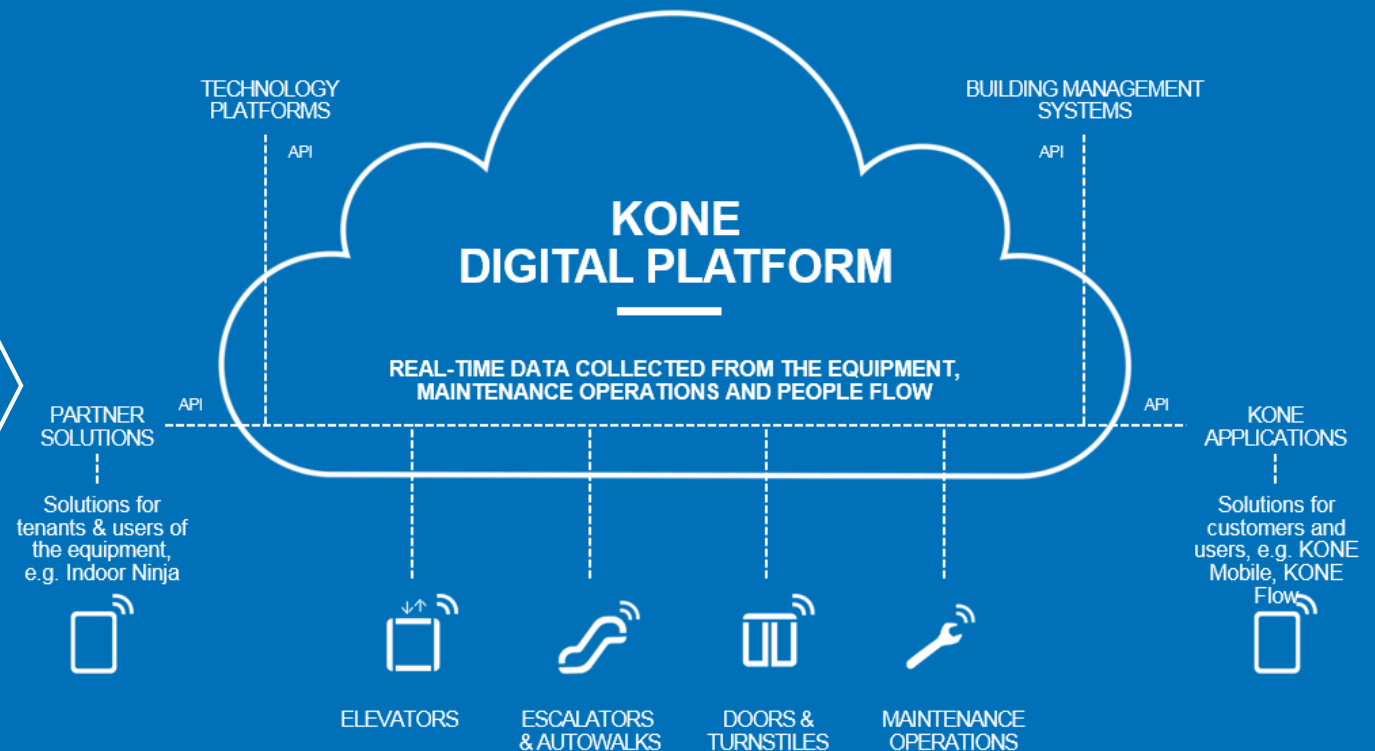
CONNECTED EQUIPMENT

Connecting >1 million units to the cloud



CONNECTED EMPLOYEES

Supporting the collaboration and efficiency of our people and new mobile tools



PEOPLE FLOW PLANNING AND CONSULTING

Data & insights for better performing buildings

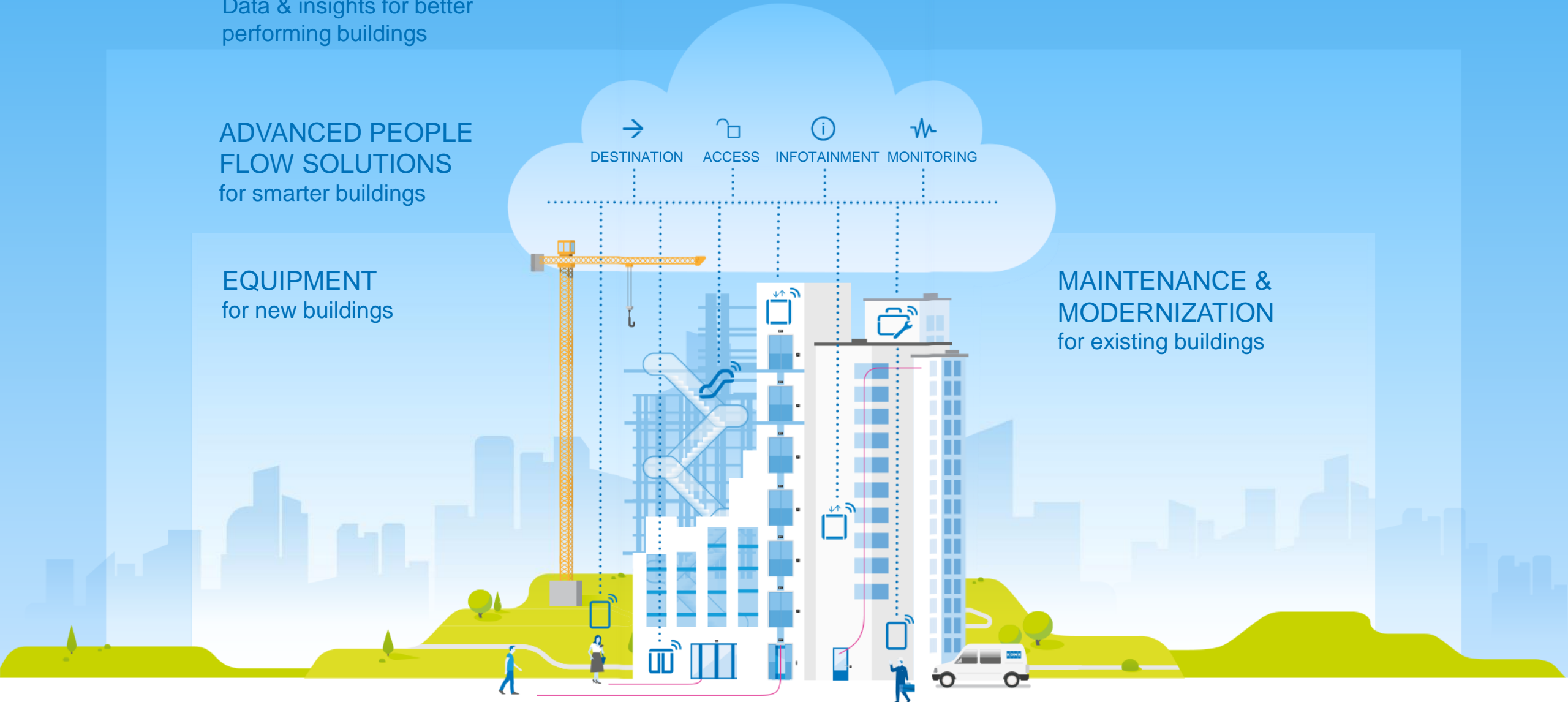


ADVANCED PEOPLE FLOW SOLUTIONS for smarter buildings



EQUIPMENT for new buildings

MAINTENANCE & MODERNIZATION for existing buildings



Improving our performance





SUSANNE SKIPPARI

Human Resources



MIKKO KORTE

Operations Development

Pricing is one of the key levers in improving profitability



WINNING WITH CUSTOMERS

Differentiated offering that helps customers succeed in their business

ADVANCED PRICING
TOOLS & DATA



GRANULAR
INSIGHT



INCENTIVIZATION &
EXECUTION



Continuous market and pricing intelligence
Regular review of pricing at all levels of management

With Accelerate, we enable our country organizations to focus on our customers and gain speed

Harmonizing roles and processes, leveraging scale & building expertise in many key functions



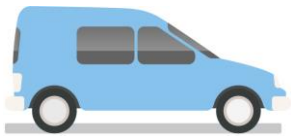
Customer Solutions Engineering



HR



Customer Service & Admin



Logistics



Finance



Sourcing

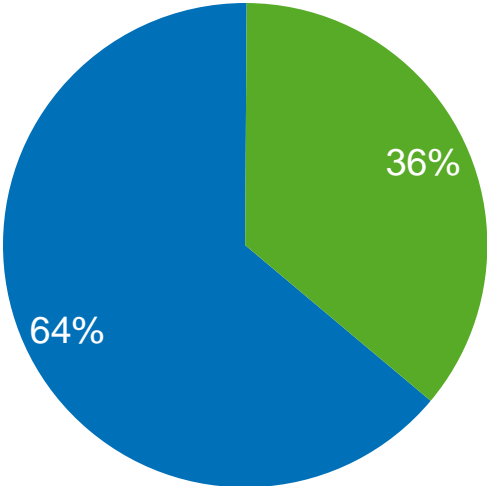
ACCELERATE PROGRAM TARGETS

- Customer centricity
- Speed
- Efficiency

Competence development derives from our strategy



OUR PEOPLE...



■ Field and customer facing roles
■ Other

...NEED THESE COMPETENCES...

- Field and product competences
- Digital foundation skills
- Customer business understanding
- New services & solutions
- Consultative selling
- Leadership

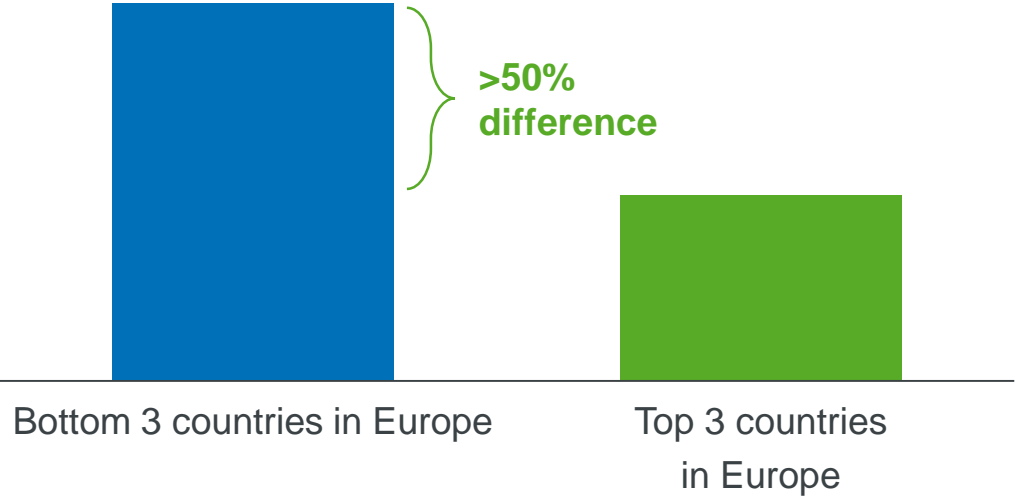
...AND THIS IS HOW WE GET THEM

- ATTRACT
Employer brand
- DEVELOP
Learning organization
- ENGAGE
KONE culture
- PARTNER

Improving productivity and quality is a continuous effort



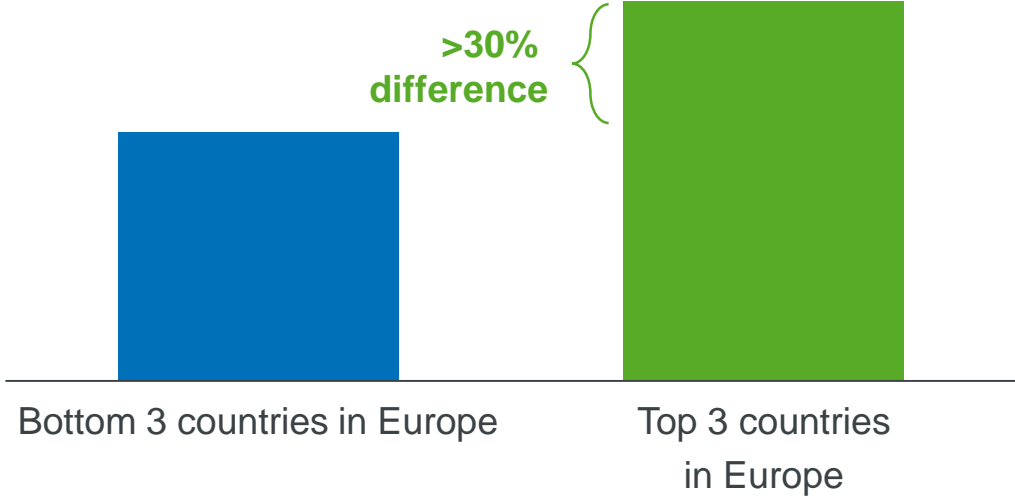
Case: Shortening the lead time to handover in new equipment



Benefits:

- Faster delivery to the customer
- Better profitability and lower inventories

Case: Improving the first fix rate in maintenance



Benefits:

- Better uptime for customers
- Better profitability

Summary

- We've made good progress in our strategic targets
- There are solid growth drivers for all of our businesses
- Winning with Customers strategy is improving our differentiation
- We are working actively to improve our performance



Dedicated to People Flow™

