

KONE Annual General Meeting 2020

FEBRUARY 25, 2020

HENRIK EHRNROOTH, PRESIDENT & CEO



KONE's year 2019



Growth

Orders received and sales grew in all areas and businesses

Result

Strong earnings growth, adjusted EBIT margin improved

Execution of strategy

The Winning with Customers strategy strengthens our competitiveness

2019 Key figures



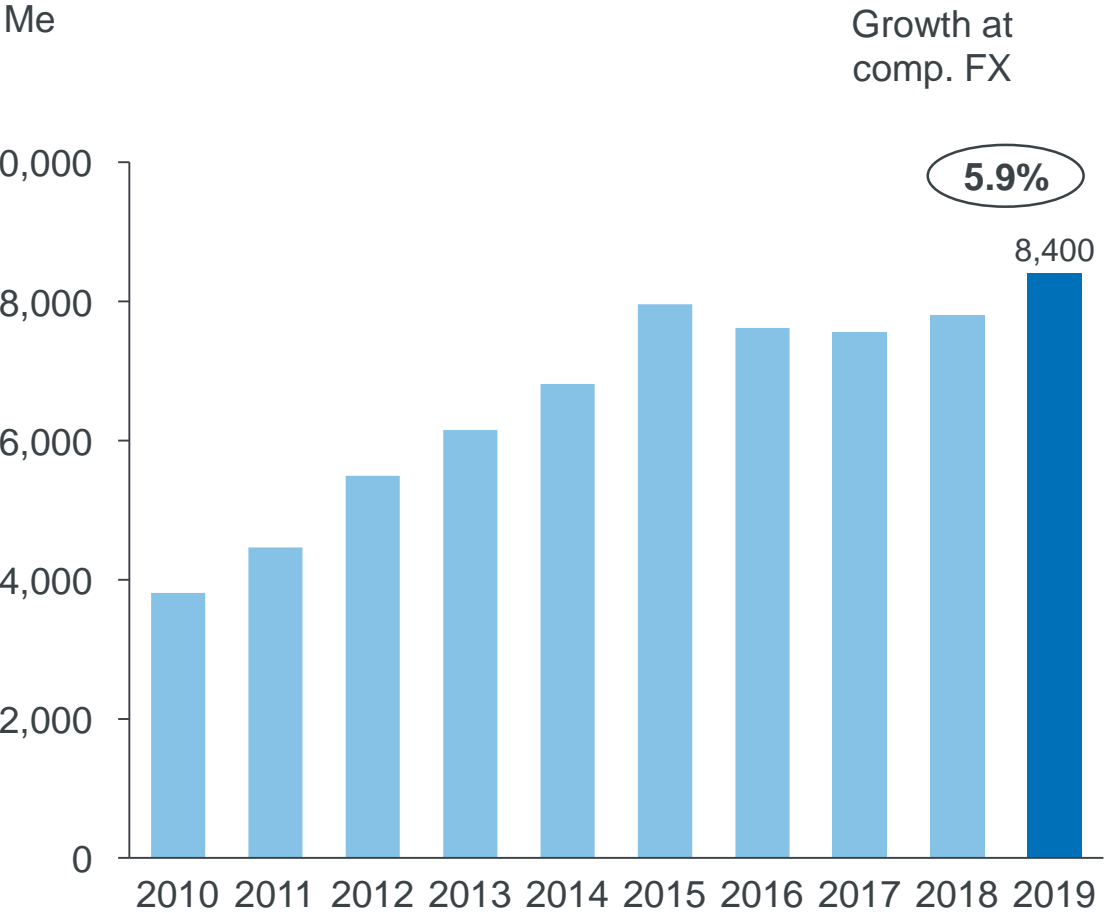
SOLID EARNINGS GROWTH WITH STRONG CASH CONVERSION

		1-12/2019	1-12/2018	Change	Comparable change
Orders received	MEUR	8,399.8	7,797.0	7.7 %	5.9 %
Order book	MEUR	8,051.5	7,950.7	1.3 %	-0.6 %
Sales	MEUR	9,981.8	9,070.7	10.0 %	8.2 %
Operating income (EBIT)	MEUR	1,192.5	1,042.4	14.4 %	
Operating income margin (EBIT %)	%	11.9	11.5		
Adjusted EBIT	MEUR	1,237.4	1,112.1	11.3 %	
Adjusted EBIT margin	%	12.4	12.3		
Cash flow from operations (before financing items and taxes)	MEUR	1,549.6	1,150.1		
Basic earnings per share	EUR	1.80	1.63		

Record high new equipment orders received, solid development in services

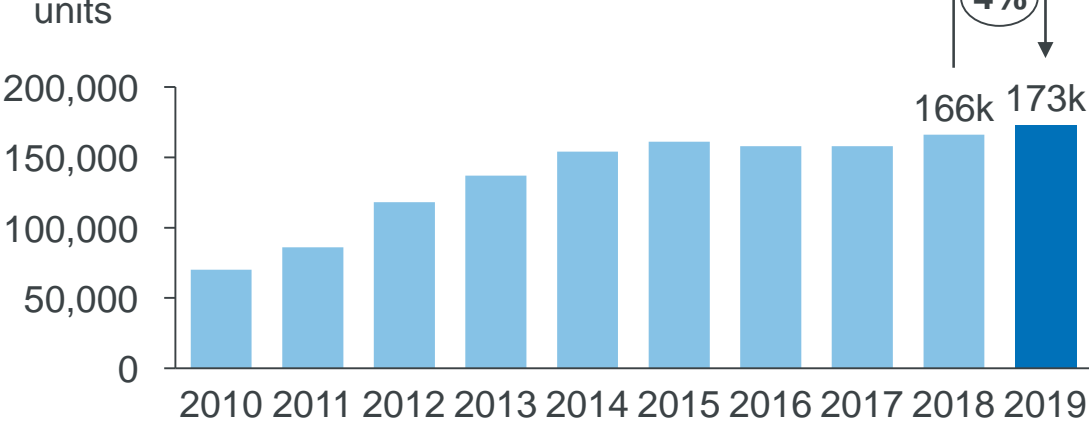


Orders received 2010-2019

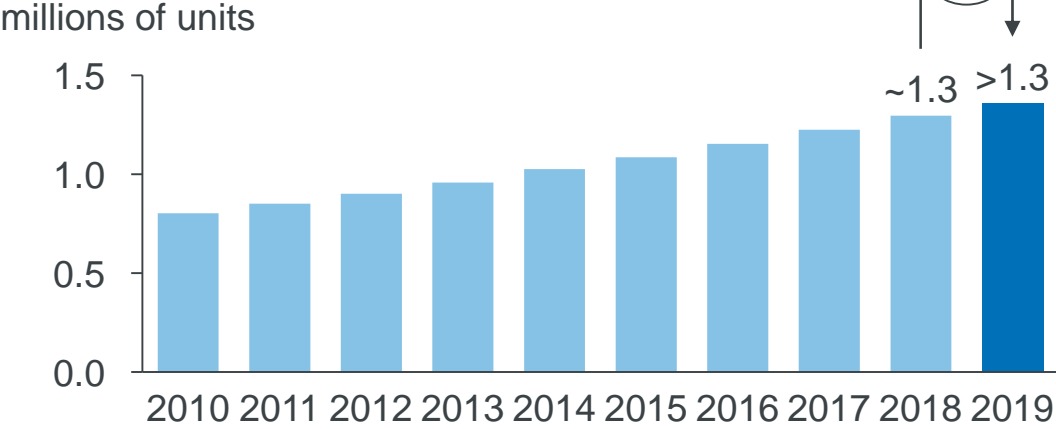


Orders received consist predominantly of new equipment and modernization orders. Maintenance contracts are not included in orders received, but the figure includes orders related to the maintenance business, such as repairs

New equipment orders



Maintenance base

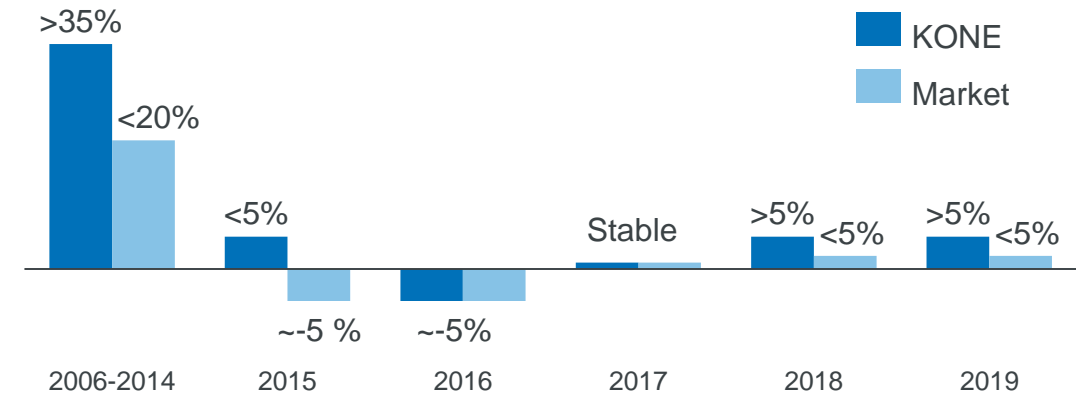


Good development in China

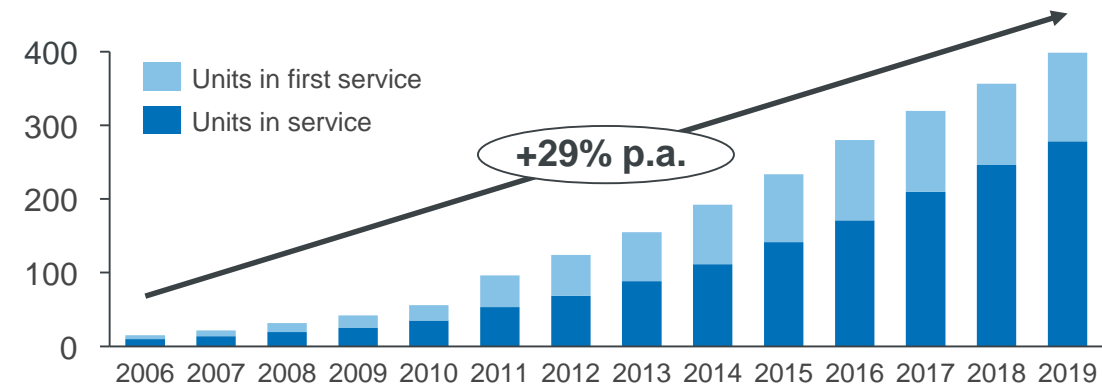
- KONE has grown faster than the market
 - The new equipment market grew slightly with government balancing between supporting the economy and restricting the residential market
 - Developer consolidation continued
- The service market continued to develop strongly
- Important milestone for KONE: million units delivered from our factories in China

New equipment market

New equipment orders received in units vs. market development



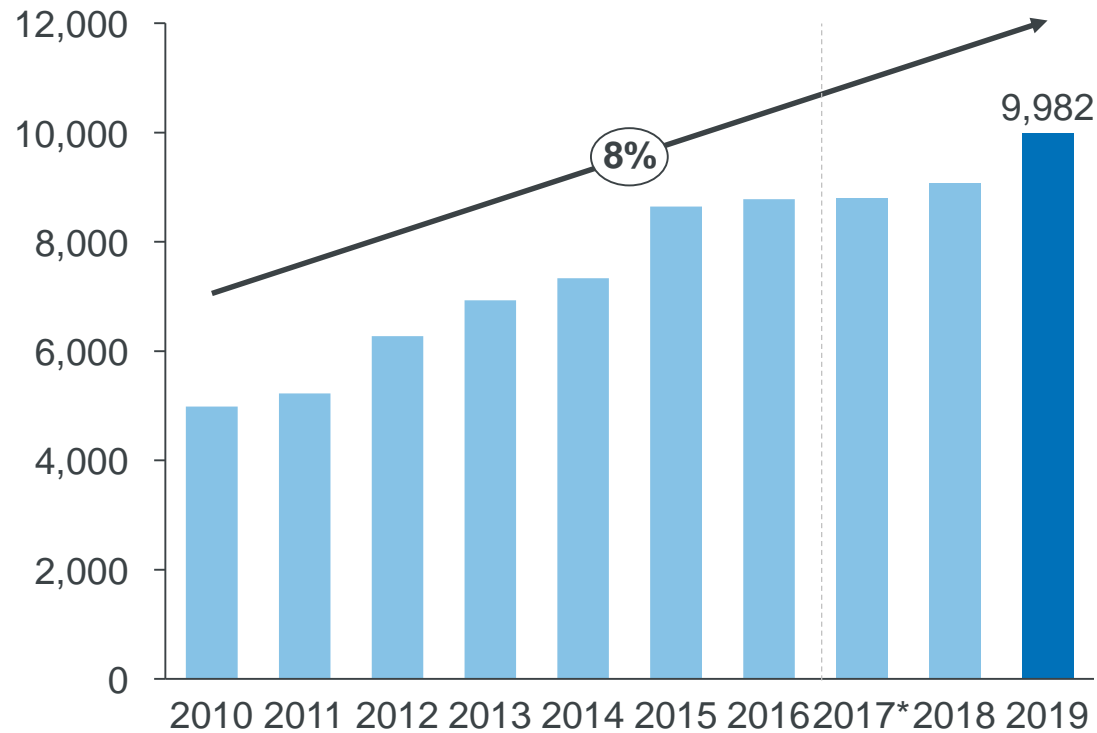
KONE's maintenance base in China



Sales grew in all businesses in 2019

Sales 2010-2019

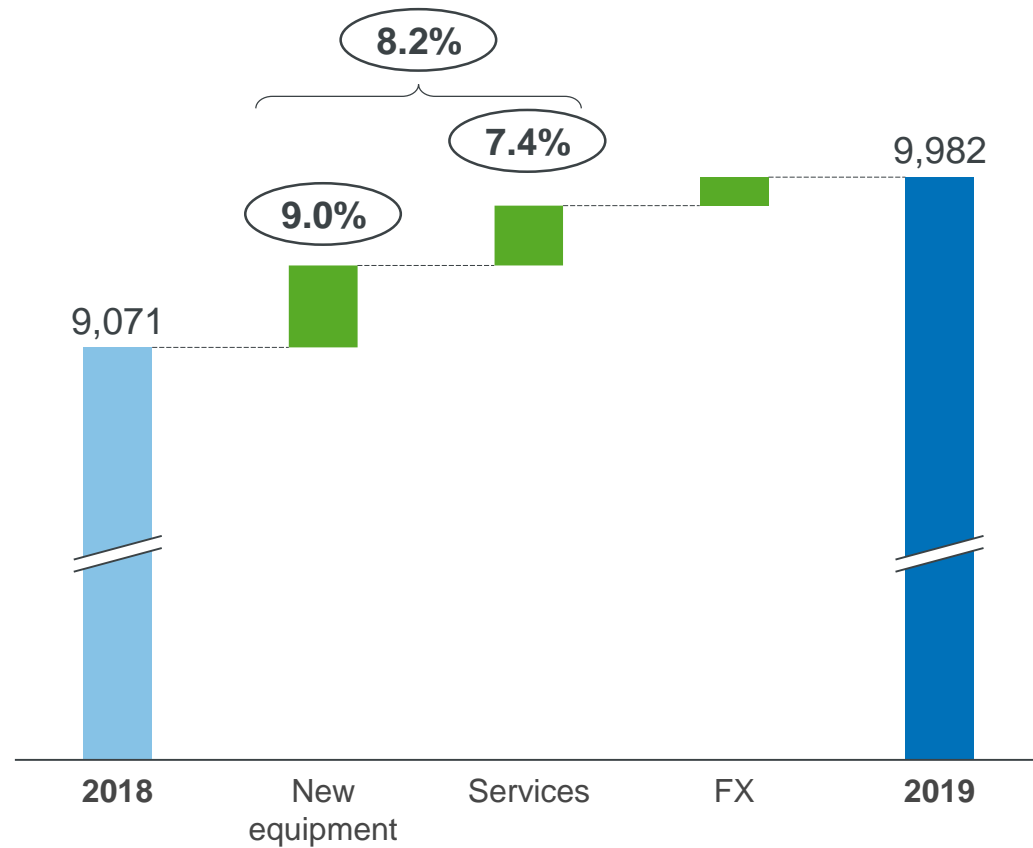
MEUR



* 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.

Sales 2018-2019

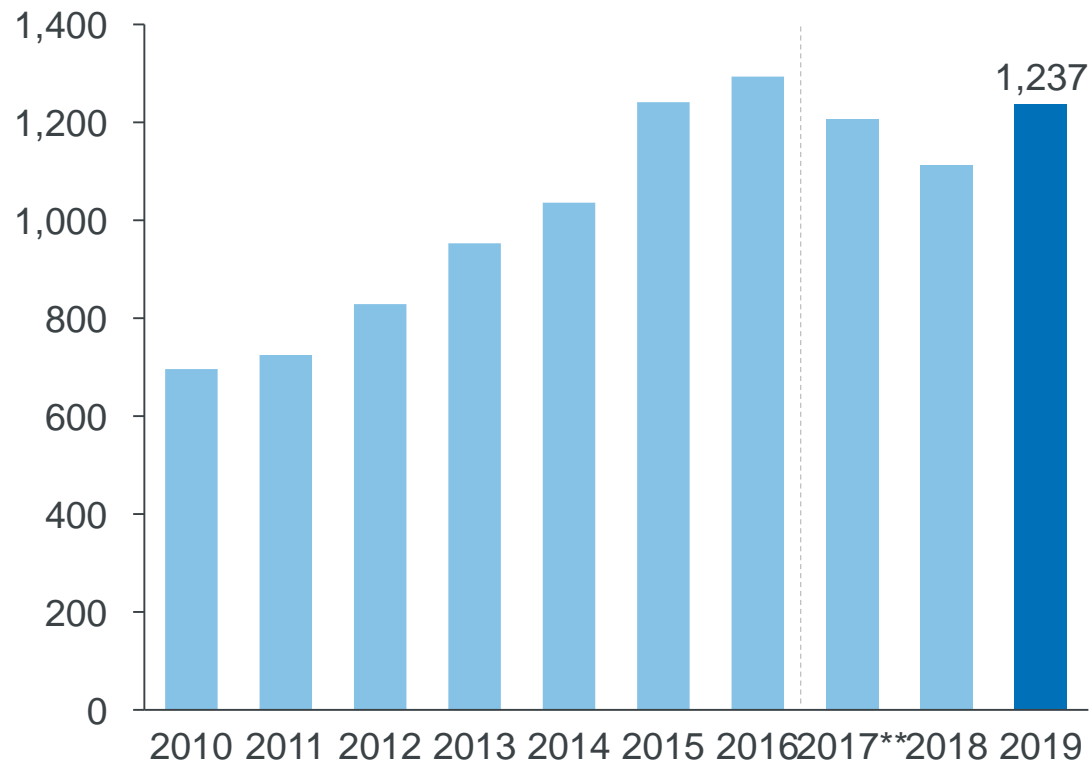
At comp. FX



Solid earnings growth in 2019

Adjusted EBIT* 2010-2019

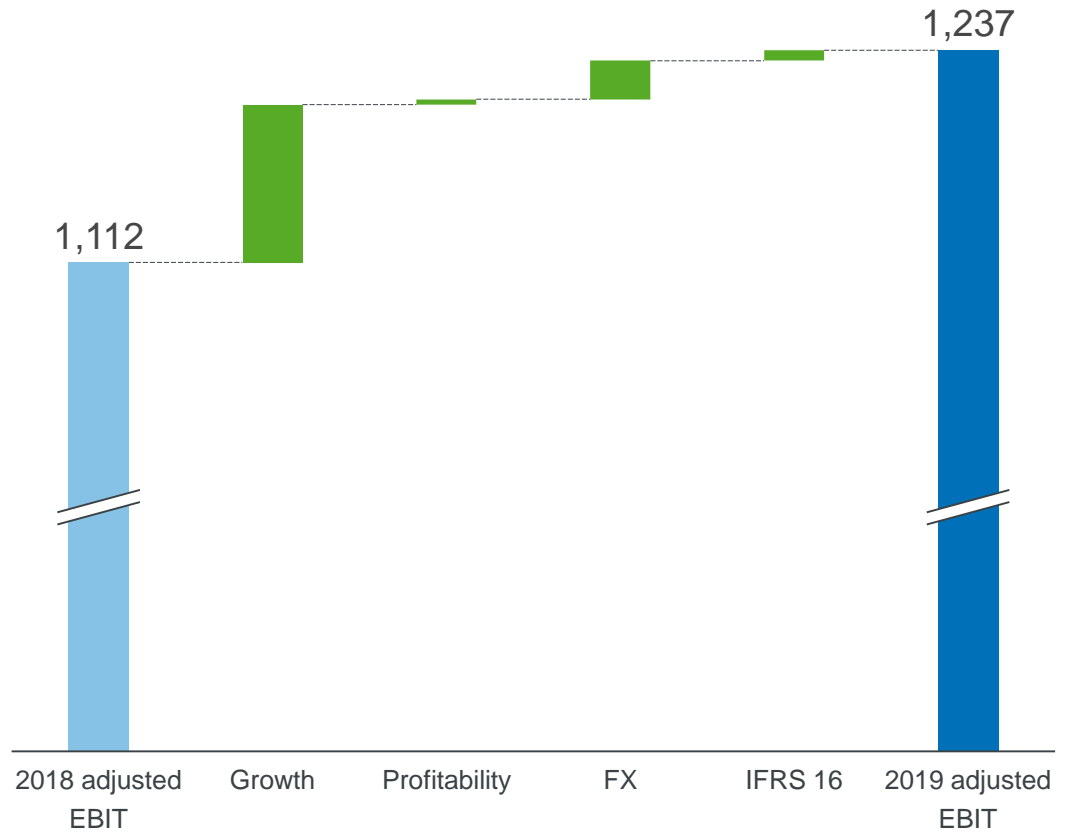
MEUR



* Adjusted EBIT excludes restructuring costs related to the Accelerate program.

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Adjusted EBIT development 2018-2019

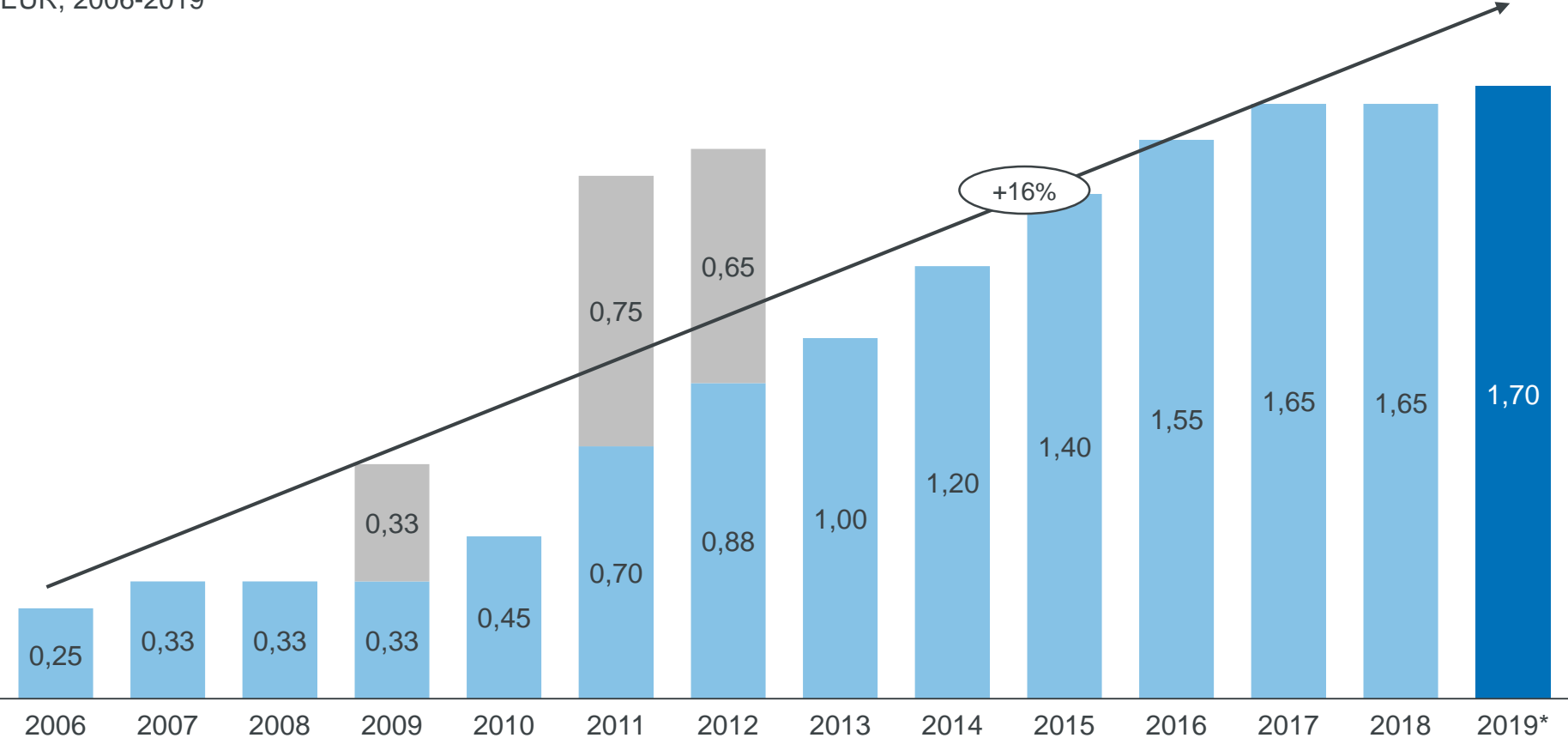


Dividend proposal: EUR 1.70 per class B share



Split-adjusted dividend per class B share

EUR, 2006-2019



- Dividend payout in 2019: 94% of earnings per share
- Effective dividend yield, 2019: 2.9%

■ Dividend
■ Extraordinary dividend

Adjusted for share splits in 2008 (1:2) and 2013 (1:2)
* Board's proposal

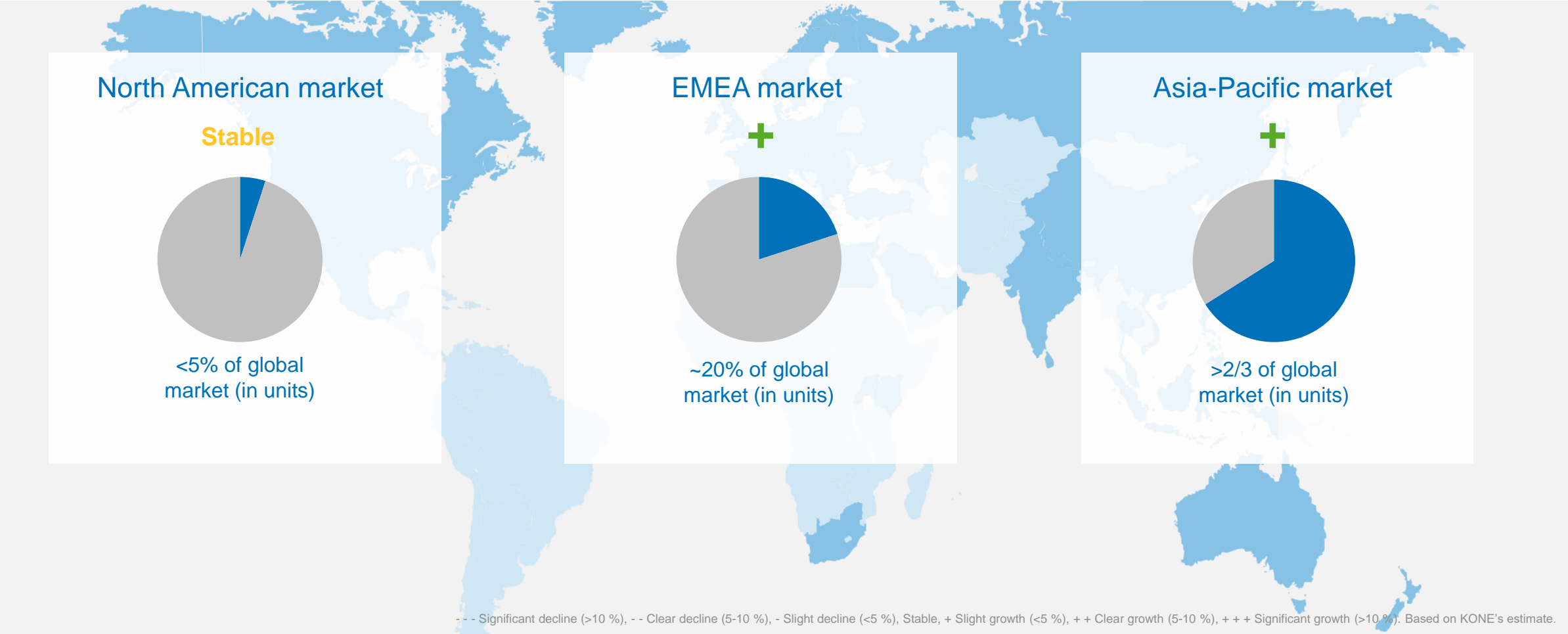
Market development in 2019



New equipment market development in 2019



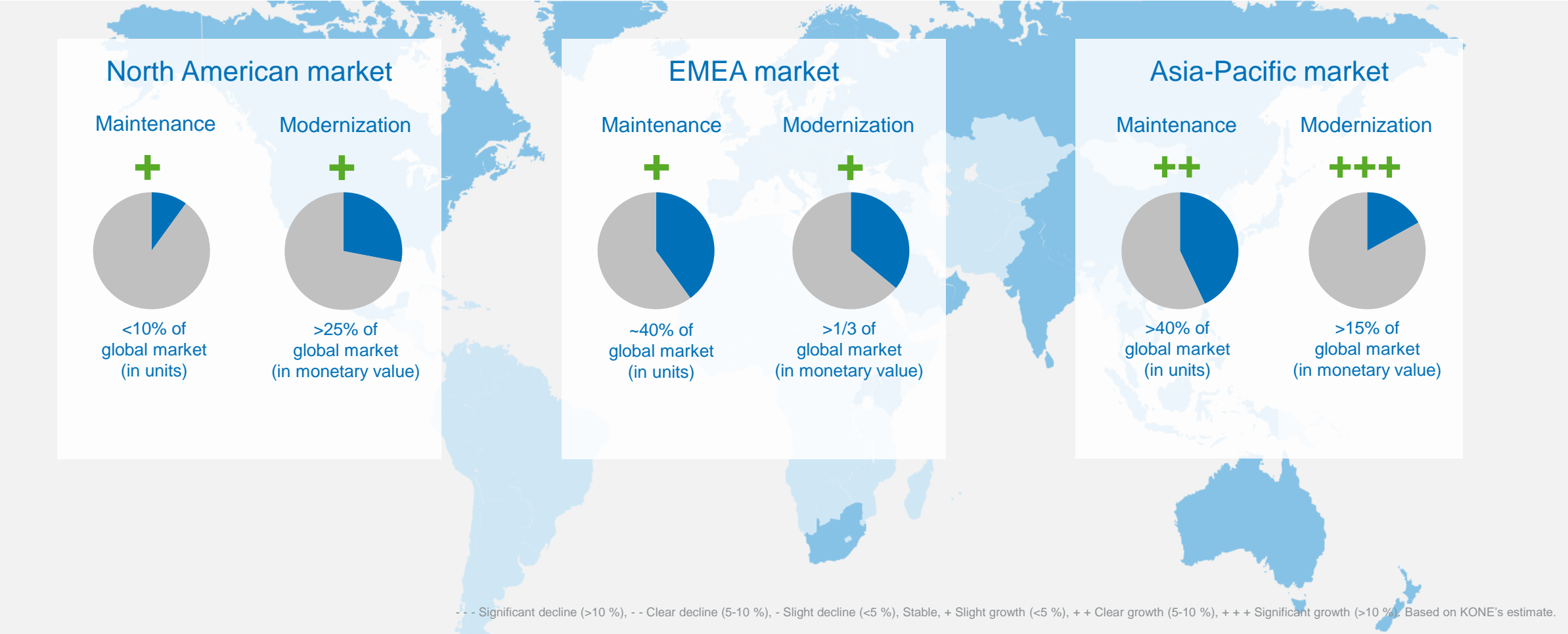
NEW EQUIPMENT MARKET GREW SLIGHTLY IN UNITS



Service market development in 2019



CONTINUED POSITIVE DEVELOPMENT



Strategy execution



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



WAYS TO WIN

CULTURE

SAFETY

QUALITY

VALUES

Delighting the
customer

Energy for
renewal

Passion for
performance

Winning
together



Good progress towards our strategic targets



STRATEGIC TARGETS

Most loyal customers

Net Promotor Score stayed on a good level

Great place to work

New training programs and centers to further strengthen the competences and engagement of our personnel

Faster than market growth

Strong development in both new equipment and services

Best financial development

Solid earnings growth, profitability improved in the second half of 2019

Leader in sustainability

Leader in eco-efficiency, reduction in CO₂/sales exceeded our target

We combine physical products to digital solutions

SMART PEOPLE
FLOW SOLUTIONS
for smarter buildings

KONE'S DIGITAL PLATFORM AND
OPEN APPLICATION PROGRAMMING INTERFACES

THIRD PARTY SOLUTIONS
FOR SMART BUILDINGS

ELEVATORS,
ESCALATORS
AND AUTOMATIC
BUILDING DOORS
for new buildings

MAINTENANCE AND
MODERNIZATION
during the lifecycle of the
building

We combine physical products to digital solutions

SMART PEOPLE
FLOW SOLUTIONS
for smarter buildings

KONE'S DIGITAL PLATFORM AND
OPEN APPLICATION PROGRAMMING INTERFACES

THIRD PARTY SOLUTIONS
FOR SMART BUILDINGS

KONE DX
Class
elevators

KONE 24/7
Connected
Services

ELEVATORS,
ESCALATORS
AND AUTOMATIC
BUILDING DOORS
for new buildings

MAINTENANCE AND
MODERNIZATION
during the lifecycle of the
building

New KONE
Care



KONE DX Class

A NEW ERA FOR ELEVATORS – UPGRADEABLE SOLUTION THROUGHOUT THE LIFECYCLE OF A BUILDING

Create value with connected people flow solutions

Connecting elevators with new services using KONE's digital platform and secure APIs

Differentiating with a redefined user experience

Customizable, multisensory experiences and enhancements like anti-stain, -scratch and -bacterial surfaces materials

Partner for smarter buildings

Next-generation planning tools, sustainable materials and expert support in building smarter and greener and keeping projects on track

Sustainability highlights



External recognition for our work in sustainability



CDP score A
(A- or A for 7th consecutive year)



32nd in Corporate Knights' Global 100 Most Sustainable Corporations in the World ranking



Included in the FTSE4Good Index Series again

Achievements in 2019



Industrial Injury Frequency Rate improved to 1.7 (2018: 2.1)

Best in class energy efficiency

KONE now has 16 elevator models and 3 escalator models with ISO 25745 energy efficiency ratings

 KONE's Sustainability Report 2019 will be published in April 2020

Visible benefits from Accelerate program – last year of the program



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



Customer Solutions Engineering



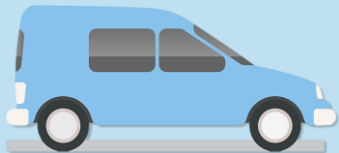
HR



Customer Service & Admin



Technology & Innovations



Logistics



Finance



Sourcing



Quality

Accelerate program targets

- Customer centricity
- Speed
- Efficiency

Estimated savings and costs

- Estimated total savings close to MEUR 150 by the end of 2020
- Costs over MEUR 150





ALICE@Mediapolis
Singapore



Telia Company Headquarters
Stockholm



M3 Cityringen
Copenhagen

Market and business outlook for 2020



Market outlook for 2020

New equipment markets

- The new equipment market is expected to be relatively stable or to grow slightly. However, the coronavirus outbreak creates uncertainty to the outlook
- In China, the market is expected to be relatively stable or to grow slightly, while in the rest of the Asia-Pacific, the market is expected to grow slightly
- The new equipment markets in North America and the Europe, Middle East and Africa region are expected to be rather stable

Maintenance markets

- Maintenance markets are 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 North America and in the Europe, Middle East and Africa region and to develop strongly in Asia-Pacific



Business outlook for 2020



Sales

- In 2020, KONE's sales is estimated to grow by 0–6% at comparable exchange rates as compared to 2019

Adjusted EBIT

- The adjusted EBIT is expected to be in the range of EUR 1,250–1,400 million, assuming that foreign exchange rates would remain at the January 2020 level. Foreign exchange rates are estimated to impact EBIT positively by around EUR 15 million

Boosting our performance

- ⑦ Improved margin of orders received
- ⑦ Services business growth
- ⑦ Accelerate savings (MEUR ~50)

Burdening our result

- ④ Labor and subcontracting cost increases
- ④ Investing in our capability to sell and deliver digital services and solutions
- ④ Impact of coronavirus outbreak

Summary

- Strategy execution on track – strong competitiveness
- Continued profitable growth expected in 2020
- We continue to invest in renewing ourselves to be able to deliver better outcomes to our customers every day



Dedicated to People Flow™

