

The background of the slide features three women in a modern office environment. On the left, a woman with blonde hair is partially visible, looking towards the center. In the middle, a woman with dark hair, wearing a white button-down shirt with a small cat illustration on the pocket and a dark blue shoulder bag, is smiling and looking towards the right. On the right, a woman with blonde hair tied back is seen in profile, looking towards the woman in the center. The office has large windows and modern lighting, creating a bright and professional atmosphere.

KONE CMD 2018

Our path towards the financial targets

ILKKA HARA, CFO
SEPTEMBER 25, 2018

→ FINANCIAL OVERVIEW

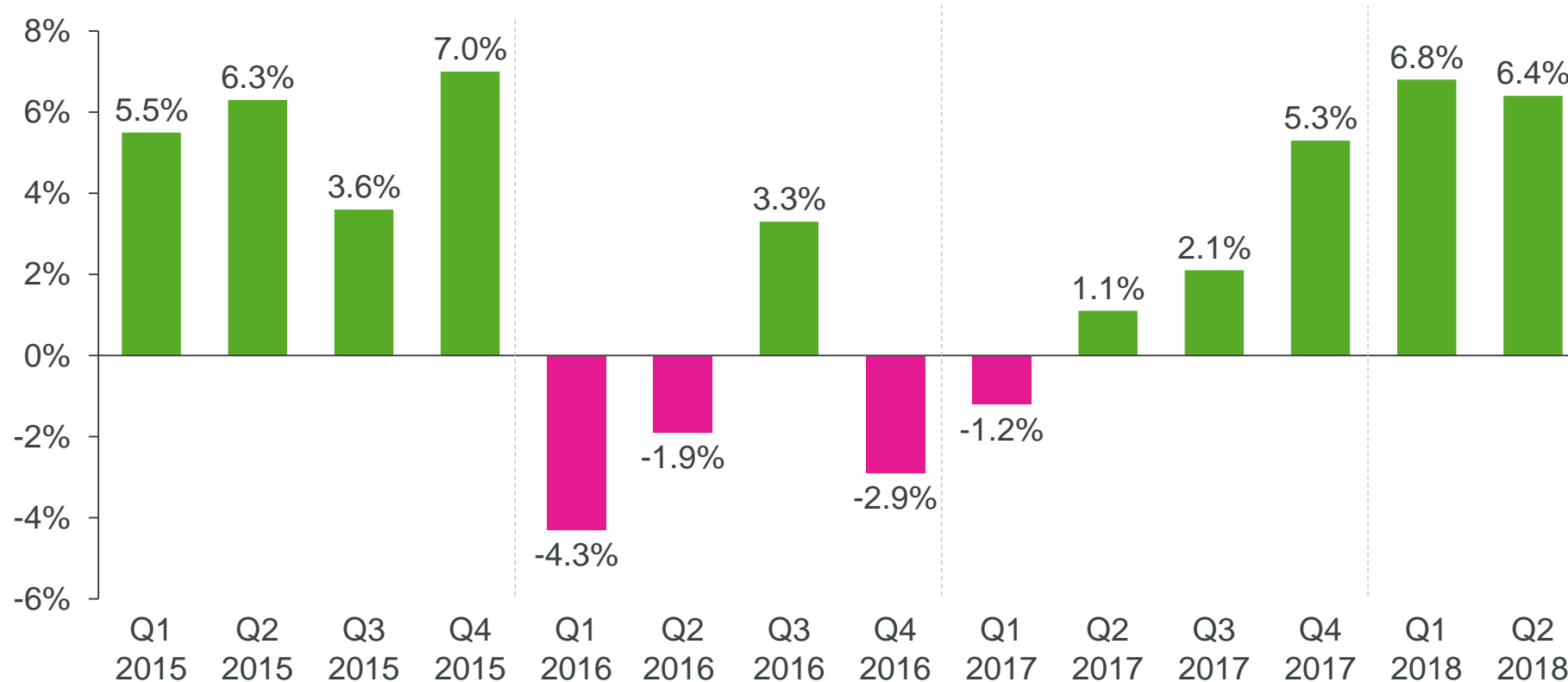
→ TOWARDS OUR FINANCIAL TARGETS



Financial overview

Orders received have returned to growth

Growth in orders received at comparable exchange rates



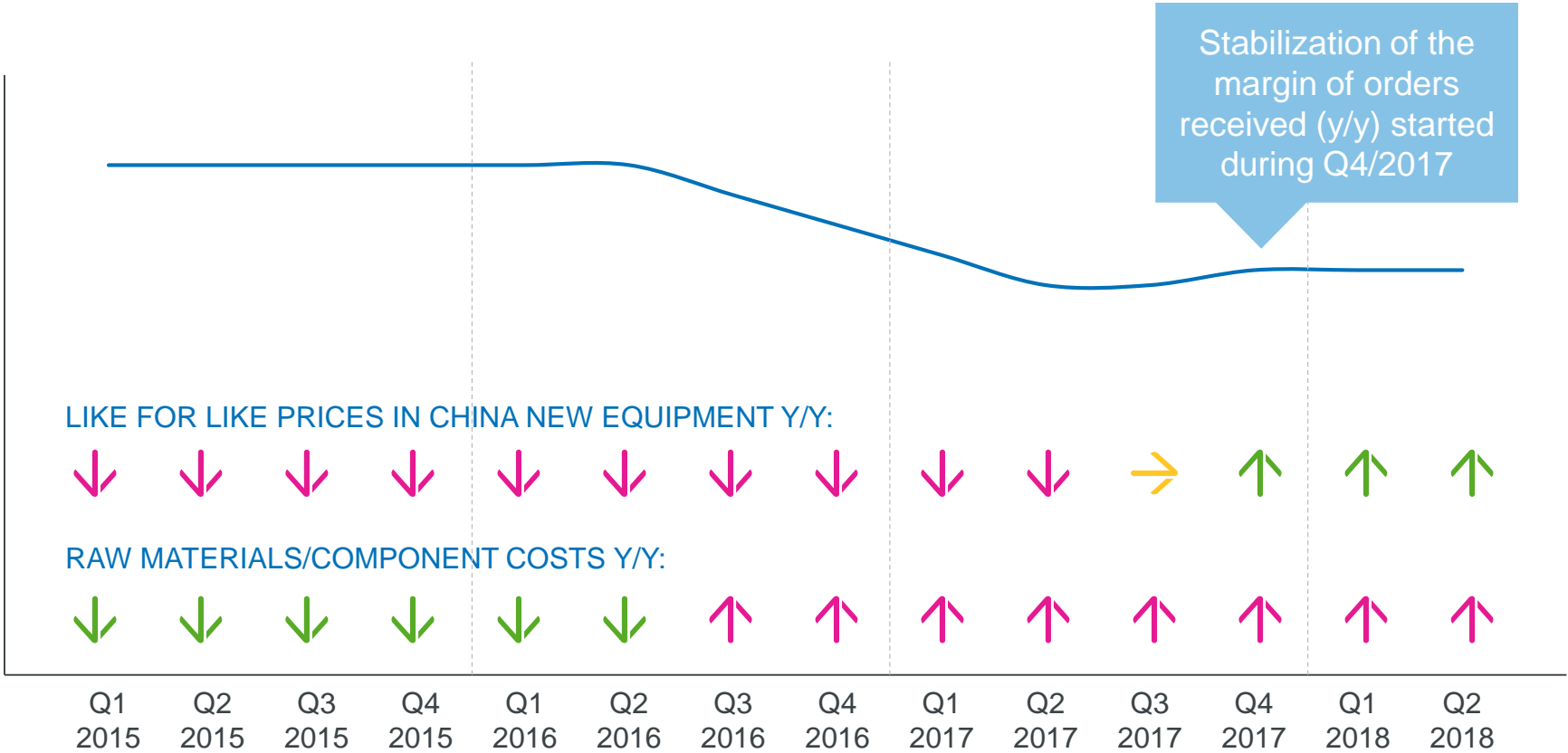
- In 2018, orders received has grown in all regions and in all businesses

Margin of orders received has stabilized



Gross margin of orders received

Illustrative



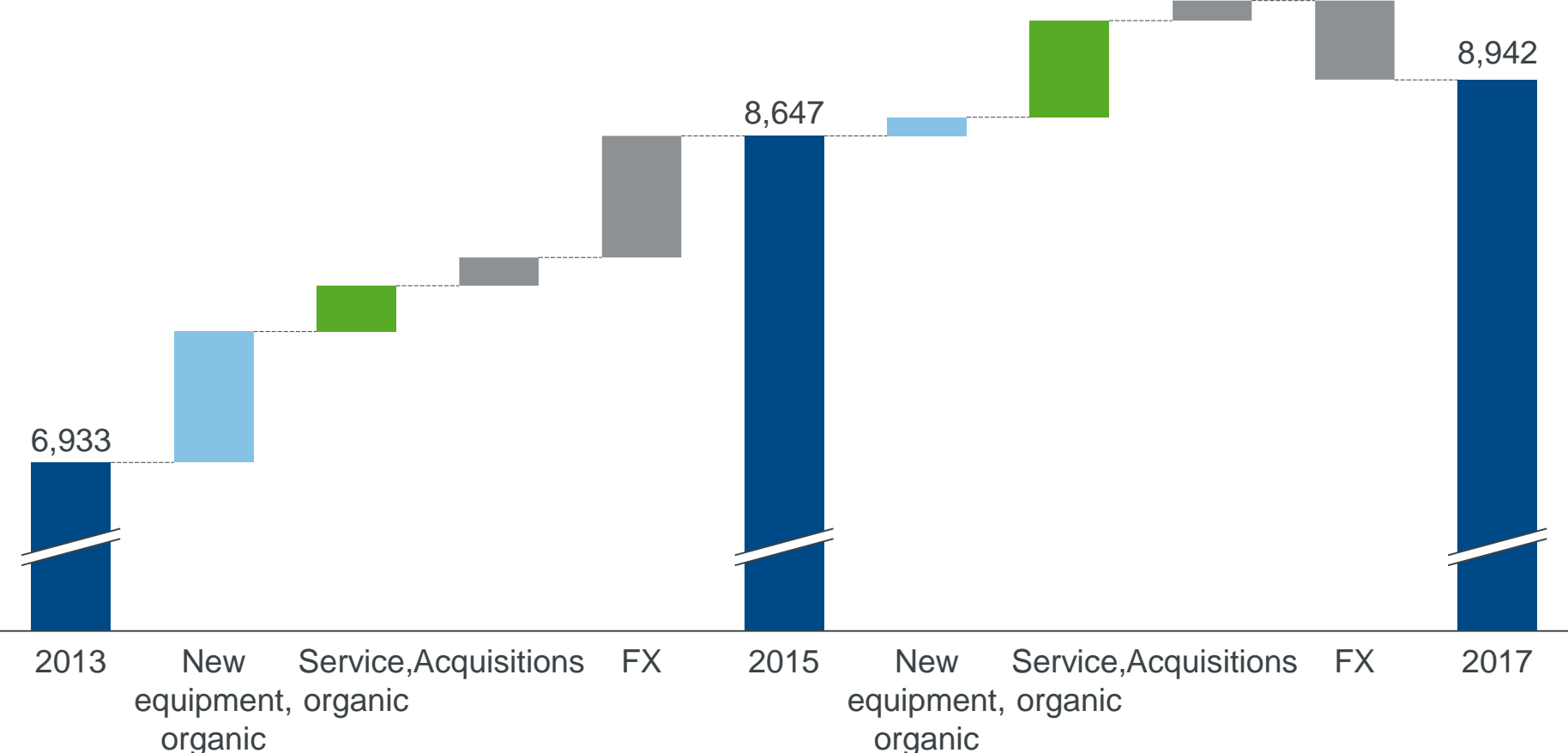
- The lead time from orders received to sales in the Chinese volume business is around 9 months

Sales growth has recently been driven by services, new equipment growth starting to now recover



Sales growth 2013-2017

MEUR



H1/2018 sales growth at comparable currencies:

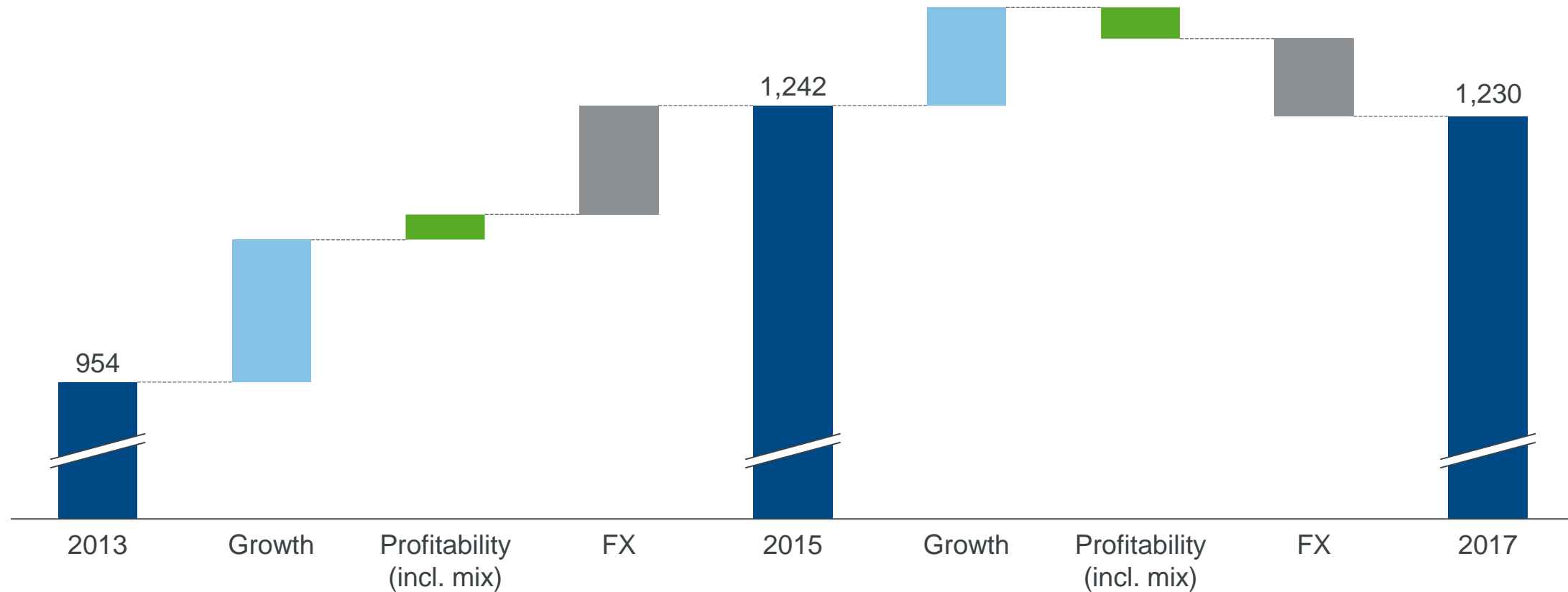
- New equipment 6.8%
- Services 6.1%

Organic sales growths based on estimated acquisition impacts. 2017 sales as reported, not restated for IFRS 15 and IFRS 9

Adjusted EBIT recently burdened by profitability headwinds and currencies

Adjusted EBIT growth 2013-2017

MEUR



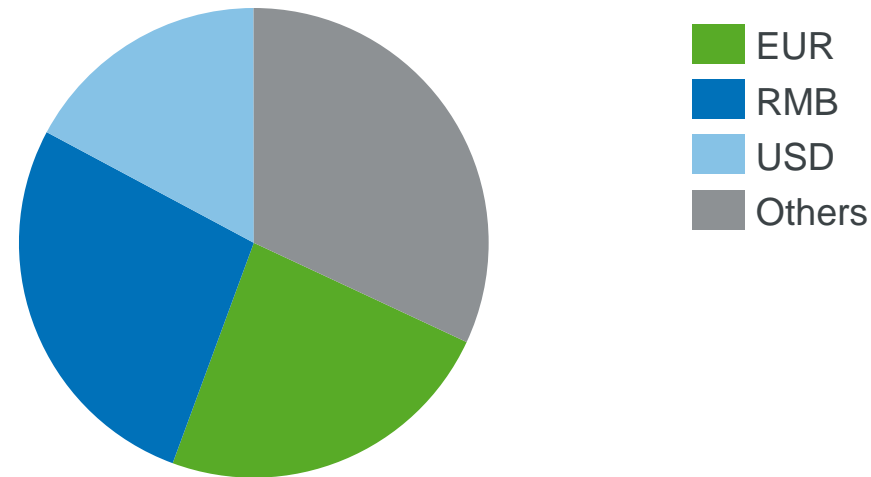
2017 adjusted EBIT as reported, not restated for IFRS 15 and IFRS 9

Foreign exchange rates continue to be a headwind

- Recent trade tensions have weakened several of KONE's key currencies against EUR
- With current spot rates, FX estimated to have MEUR ~45 negative impact on 2018 adjusted EBIT
- With current spot rates, FX estimated to have a somewhat negative impact on 2019 adjusted EBIT

KONE's foreign exchange exposure

Sales by currency 2017



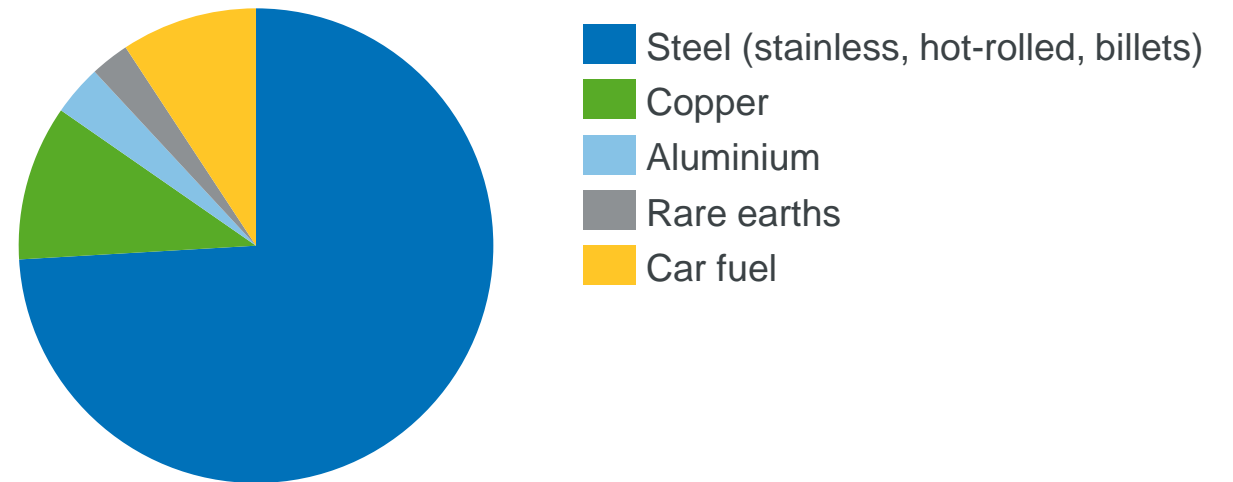
	H1/2018 average	Sep 20, 2018 spot
EUR / RMB	7.7119	8.0559
EUR / USD	1.2060	1.1769

Raw materials and trade tariffs put further upward pressure on component prices in 2019

- Higher raw material prices continue to be a headwind still in 2019
- New trade tariffs for steel and aluminum imports to US and for several products imported from China to the US
 - Estimated to have roughly MEUR 10 impact in 2019, visibility to the impact is still limited

KONE's raw material exposure is >5% of sales

Indicative

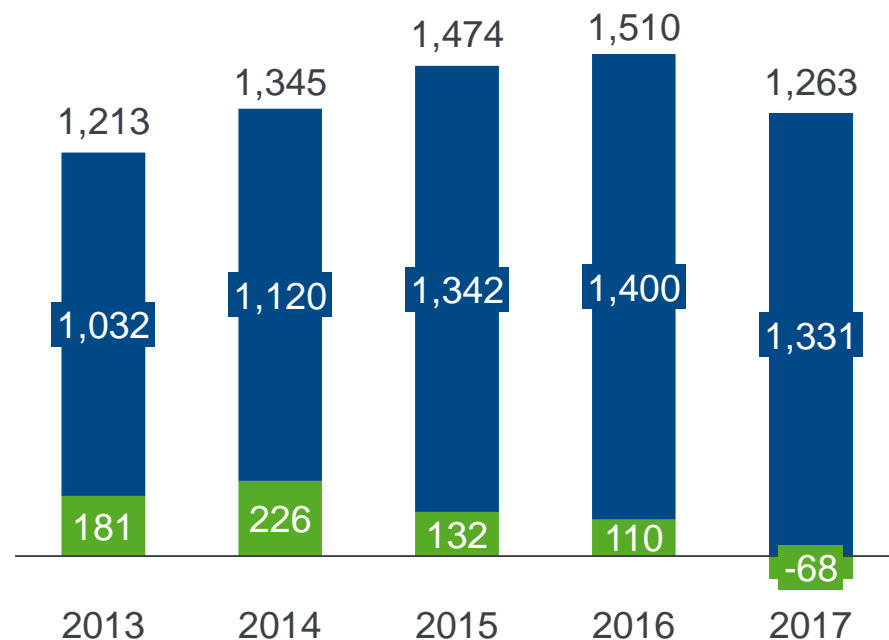


MEUR	2018	2019
Impact from raw materials and tariffs	~100	A headwind but less than in 2018

Cash flow – capital allocation

Cash flow from operations 2013–2017

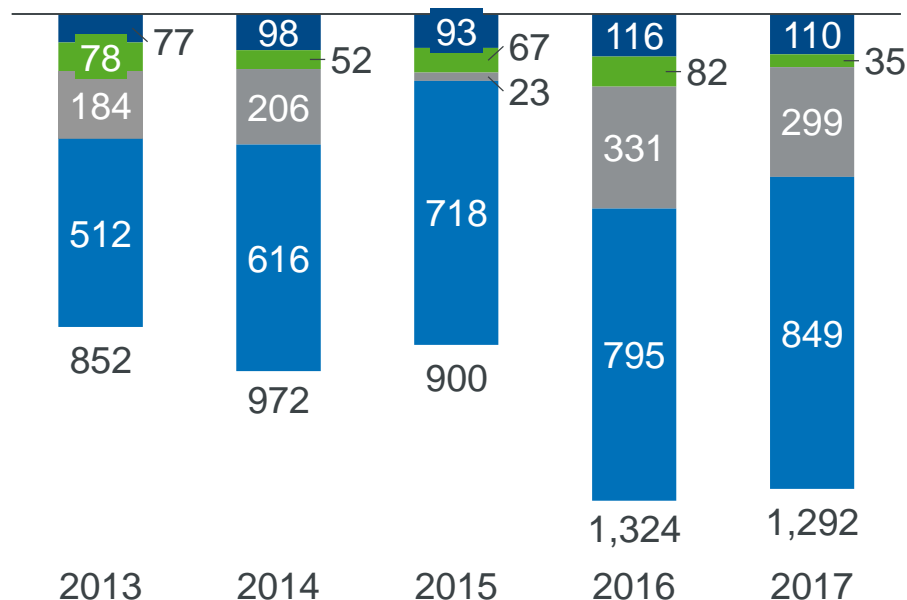
MEUR



■ EBITDA
■ Change in NWC

Capital allocation

MEUR



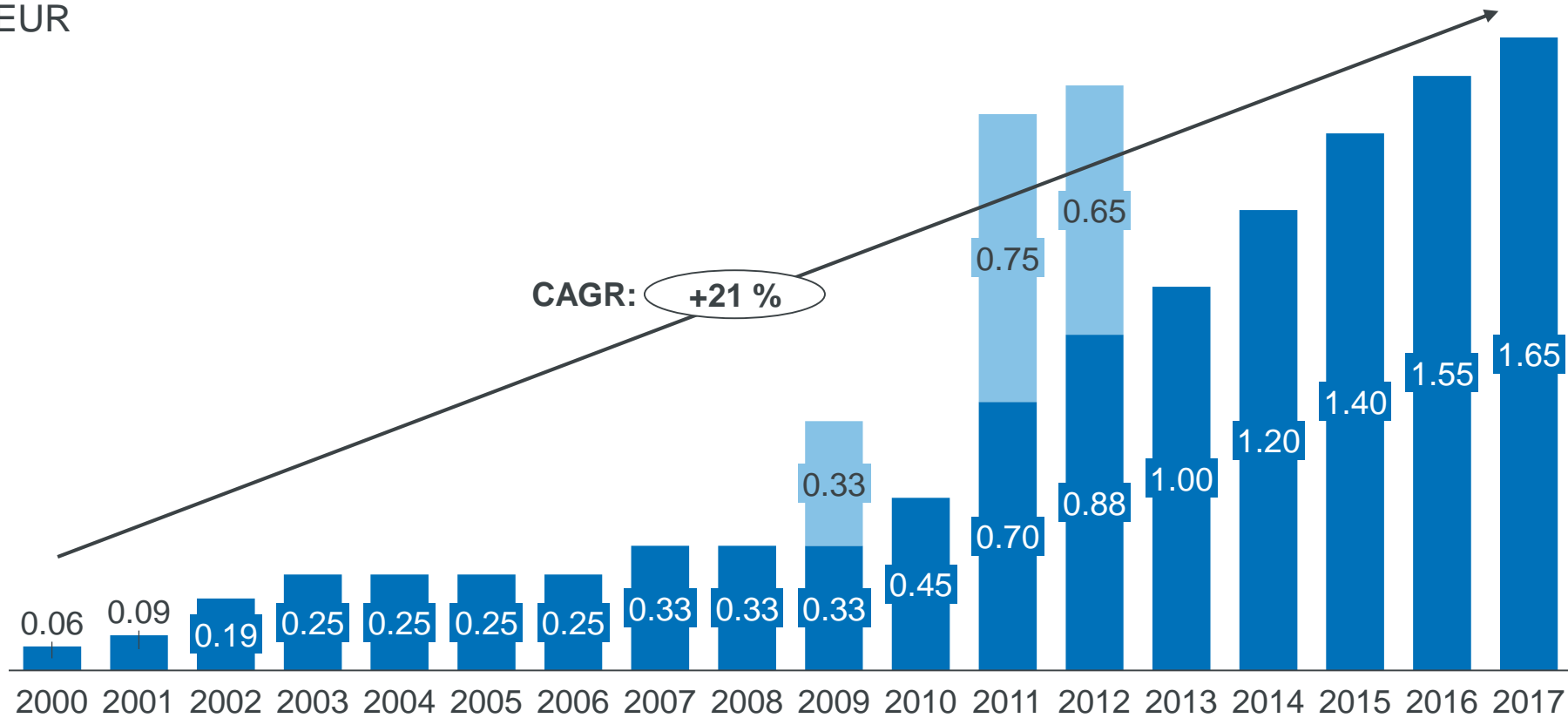
■ Capex
■ Acquisitions
■ Other incl. financing items and taxes
■ Dividends

2017:

- Capex 1.3% of sales
- Acquisitions 0.4% of sales
- We have also increased our R&D and IT spend by 80 bps as % of sales from 2013 to 2017

Good financial development has enabled a steadily increasing dividend

Split-adjusted dividend per class B share 2000–2017 EUR



- Dividend payout in 2017: 87% of earnings per share
- Effective dividend yield, 2017: 3.7%

■ Ordinary dividend
■ Extraordinary dividend

Adjusted for share splits in 2002 (1:3), 2005 (1:2), 2008 (1:2) and 2013 (1:2)

Towards our financial targets

We remain committed to our financial targets



GROWTH

Faster than market growth

PROFITABILITY

16% EBIT margin

CASH FLOW

Improved working capital rotation

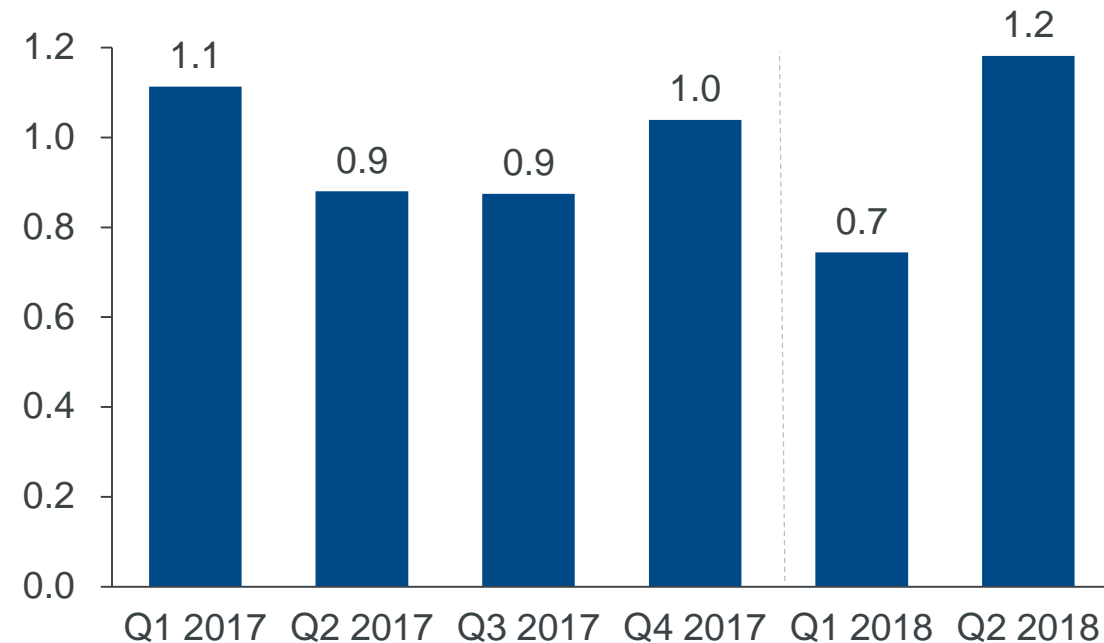
Strong cash generation is a continuous area of focus



- Customers' payment terms have remained on a good level
- Opportunities to improve inventory rotation
- Continuous improvements in accounts receivable and accounts payable

Cash conversion has remained on a good level

Cash flow from operations*/EBITDA



* Before financing items and taxes

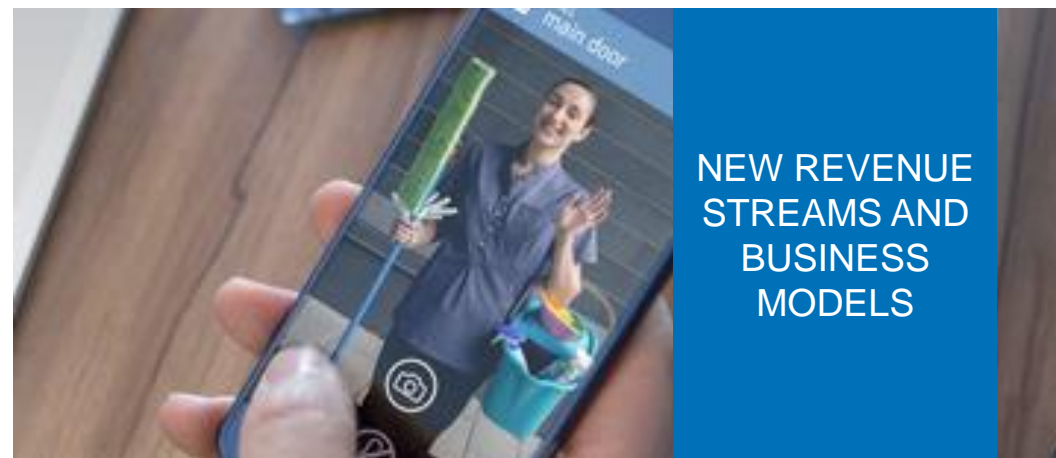
Continued faster than market growth in new equipment



HOW WE PLAN TO ACHIEVE IT

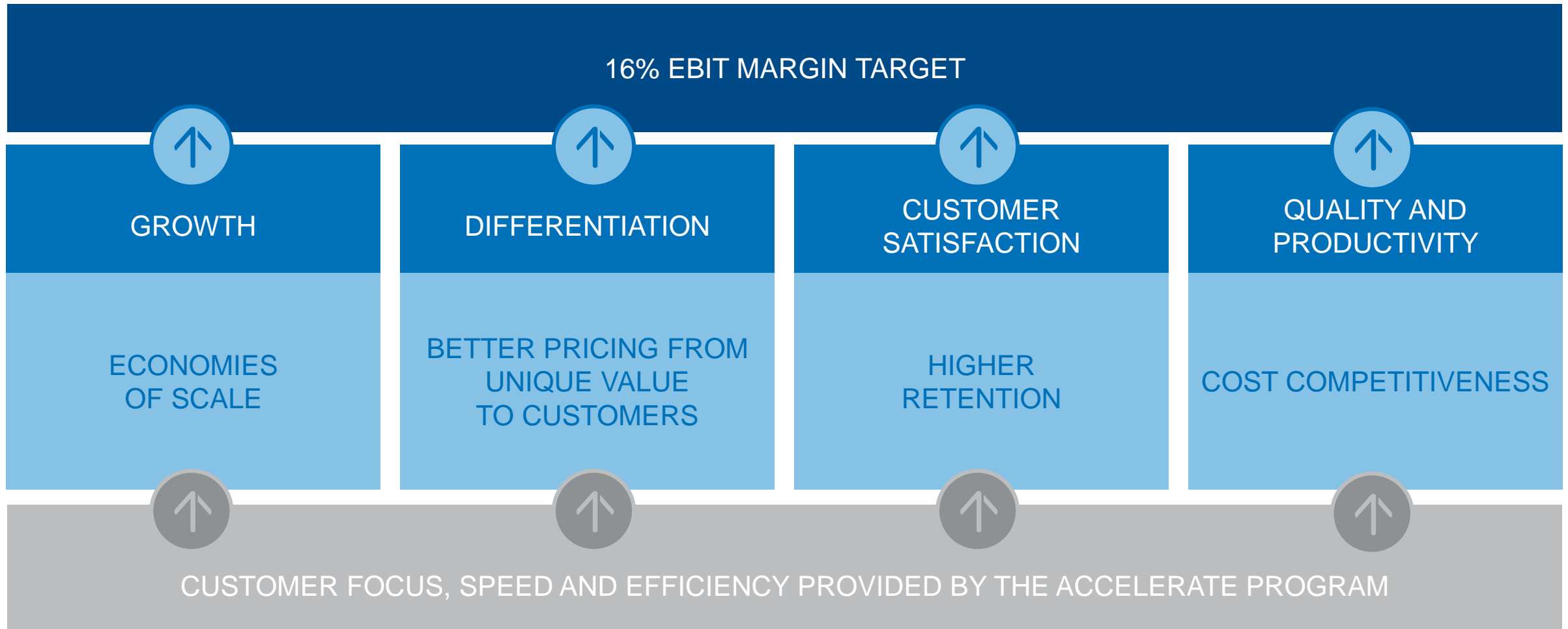


Strong position in new equipment a great backdrop for faster than market growth in services



There are several levers for profitability improvement

OUR ULTIMATE TARGET IS TO IMPROVE THE ABSOLUTE EBIT



Accelerate: customer centricity, speed and efficiency



Estimated costs MEUR 100, whereof the majority are expected to accrue over the first two years

Estimated savings, 2019: MEUR ~50

Estimated run rate savings by the end of 2020: MEUR 100



Summary

- We are well on a growth track
- Profitability is burdened by several headwinds, however, orders received margin has stabilized
- We are committed to our financial targets

Dedicated to People Flow™

