



KONE Annual General Meeting 2019

FEBRUARY 26, 2019

HENRIK EHRNROOTH, PRESIDENT & CEO

KONE's year 2018

Growth

Orders received and sales grew in all areas and all businesses

Result

Profitability was still burdened by many factors, adjusted EBIT returned to growth in Q4

Execution of strategy

The Winning with Customers strategy strengthens our competitiveness

2018 Key figures



SOLID GROWTH IN BOTH SERVICES AND NEW EQUIPMENT, ADJUSTED EBIT BURDENED BY SEVERAL HEADWINDS

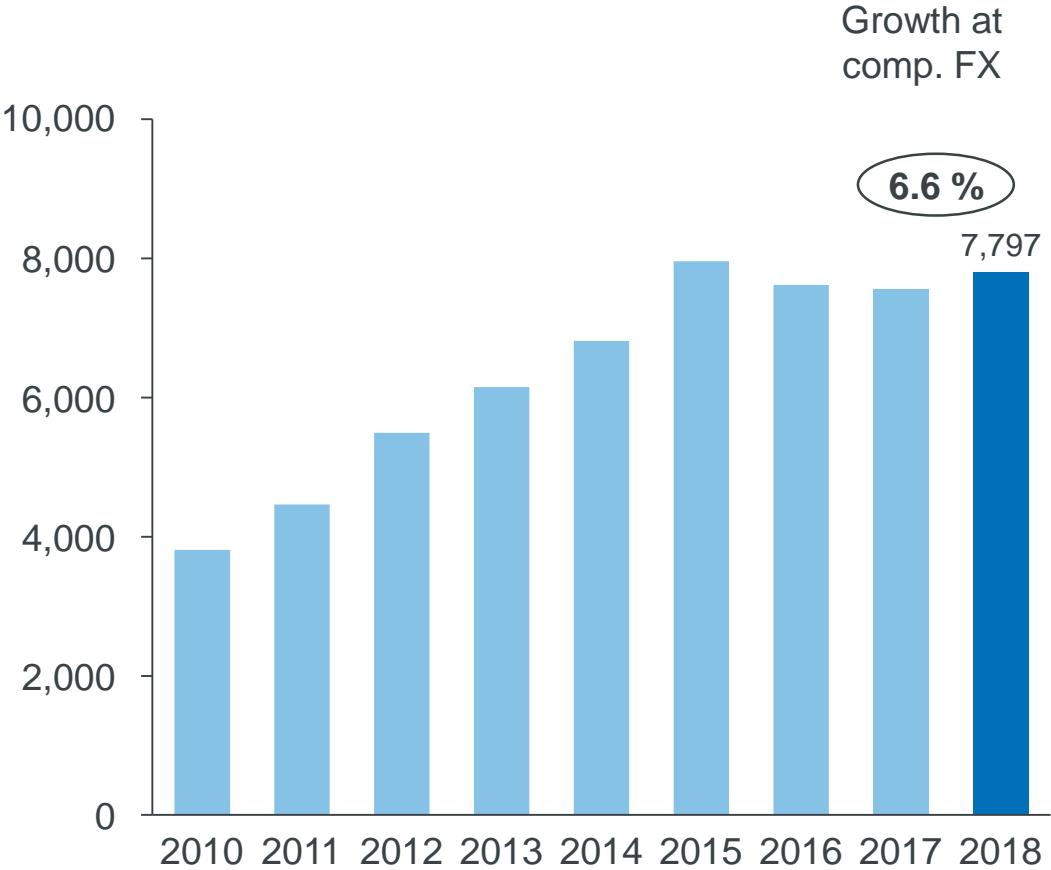
		1-12/2018	1-12/2017	Change	Comparable change
Orders received	MEUR	7,797.0	7,554.0	3.2%	6.6%
Order book	MEUR	7,950.7	7,357.8	8.1%	8.0%
Sales	MEUR	9,070.7	8,796.7	3.1%	6.3%
Operating income (EBIT)	MEUR	1,042.4	1,192.3	-12.6%	
Operating income margin (EBIT %)	%	11.5	13.6		
Adjusted EBIT	MEUR	1,112.1	1,205.5	-7.8%	
Adjusted EBIT margin	%	12.3	13.7		
Cash flow from operations (before financing items and taxes)	MEUR	1,150.1	1,263.3		
Basic earnings per share	EUR	1.63	1.86	-12.3%	

Record high new equipment orders received, solid development in services



Orders received 2010-2018

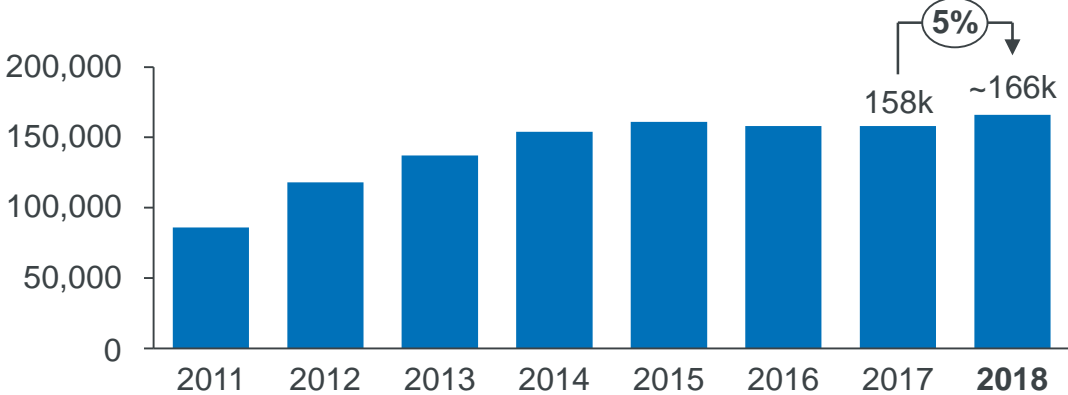
MEUR



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.

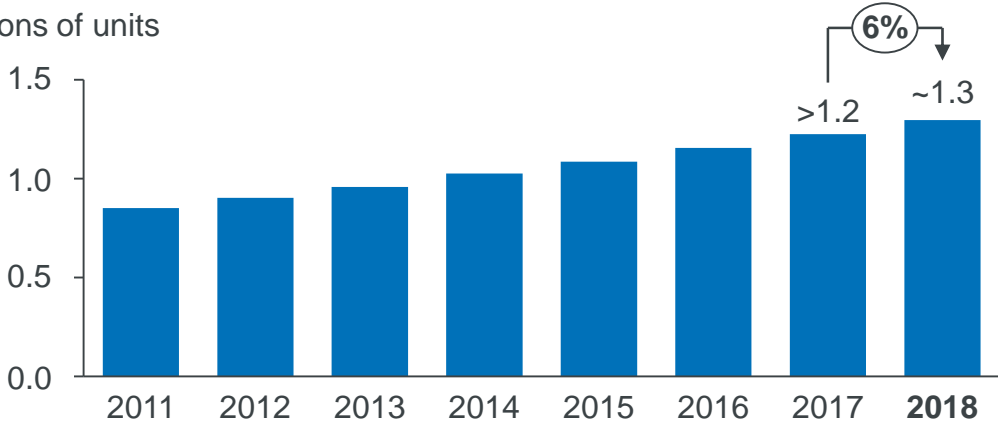
New equipment orders

units



Maintenance base

millions of units

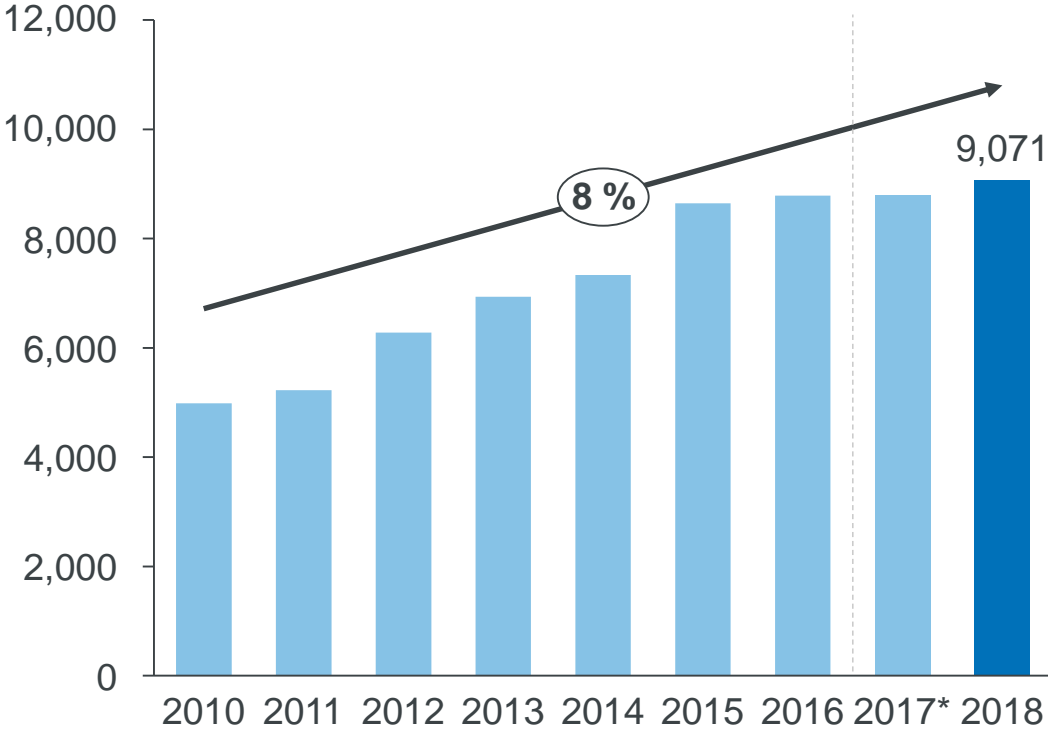


Sales grew in all businesses in 2018



Sales 2010-2018

MEUR

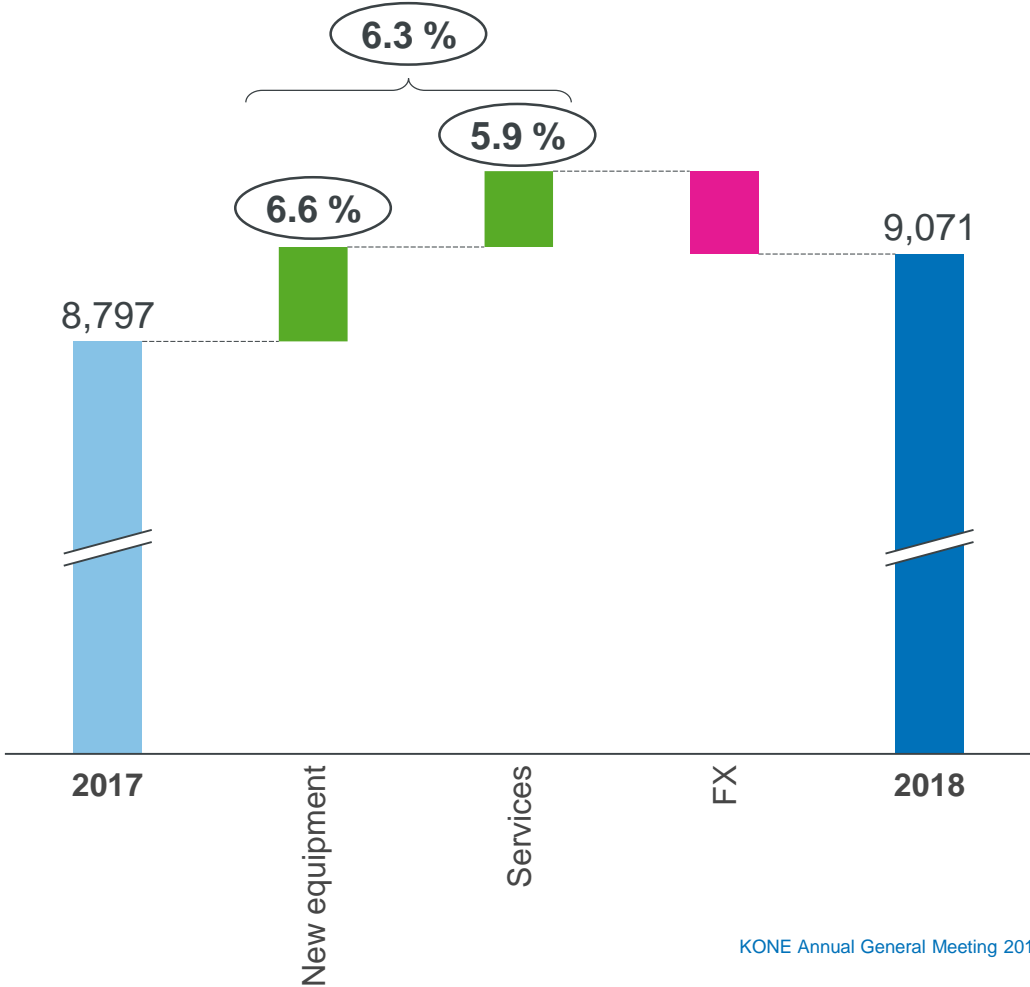


* KONE has applied new IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively.

Figures for 2010-2016 are not restated and thus not fully comparable.

Sales development 2017-2018

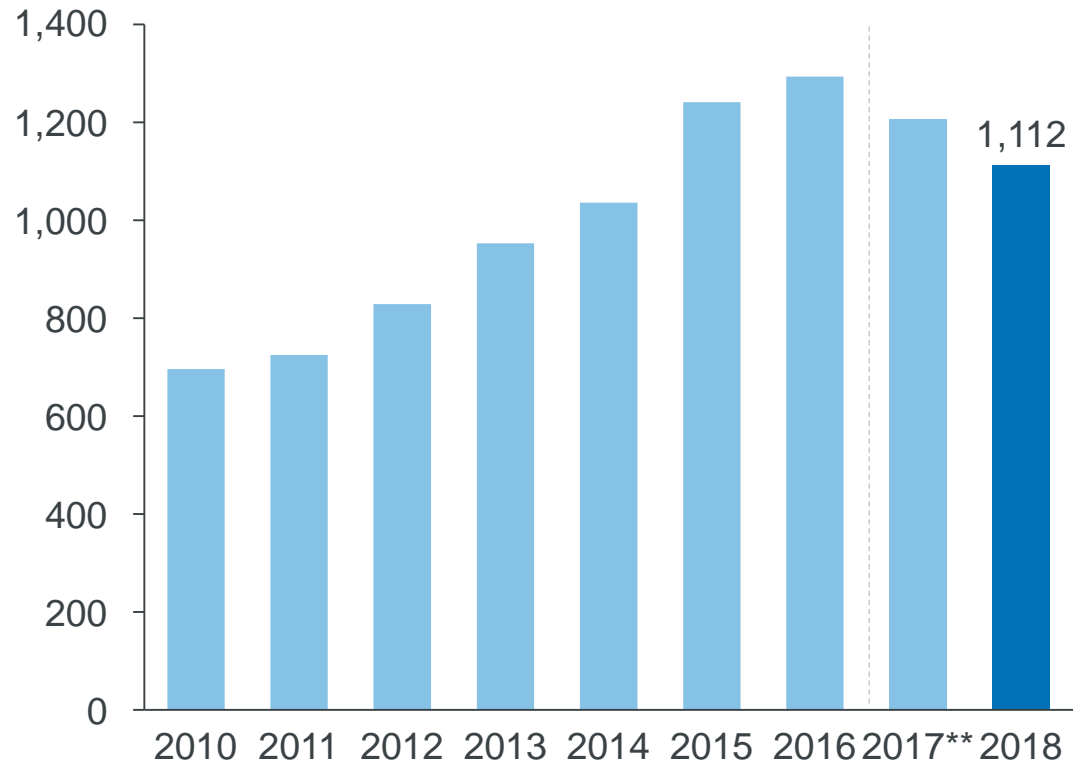
at comp. FX



Adjusted EBIT development was unsatisfactory

Adjusted EBIT* 2010-2018

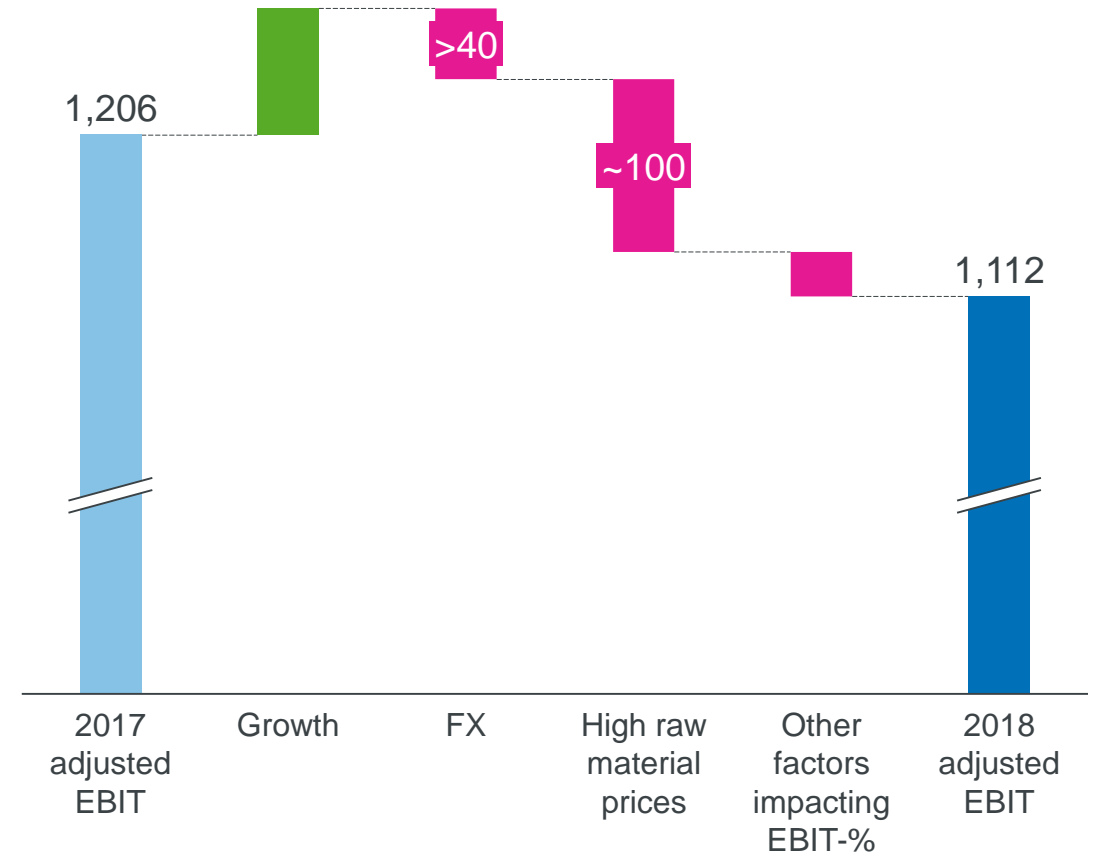
MEUR



* Adjusted EBIT was introduced in September 2017. Adjusted EBIT excludes restructuring costs related to the Accelerate program.

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Adjusted EBIT development 2017-2018

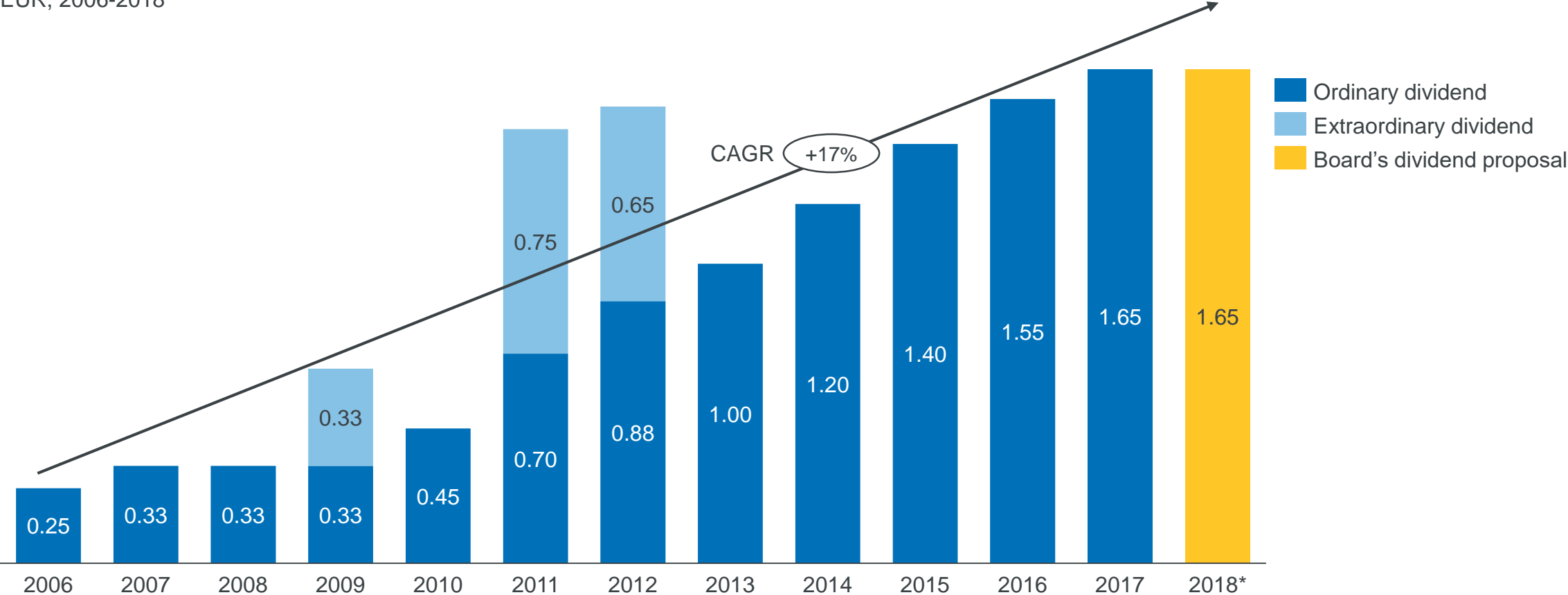


Dividend proposal: EUR 1.65 per class B share



Split-adjusted dividend per class B share

EUR, 2006-2018



Adjusted for share splits in 2008 (1:2) and 2013 (1:2)

* Board's proposal

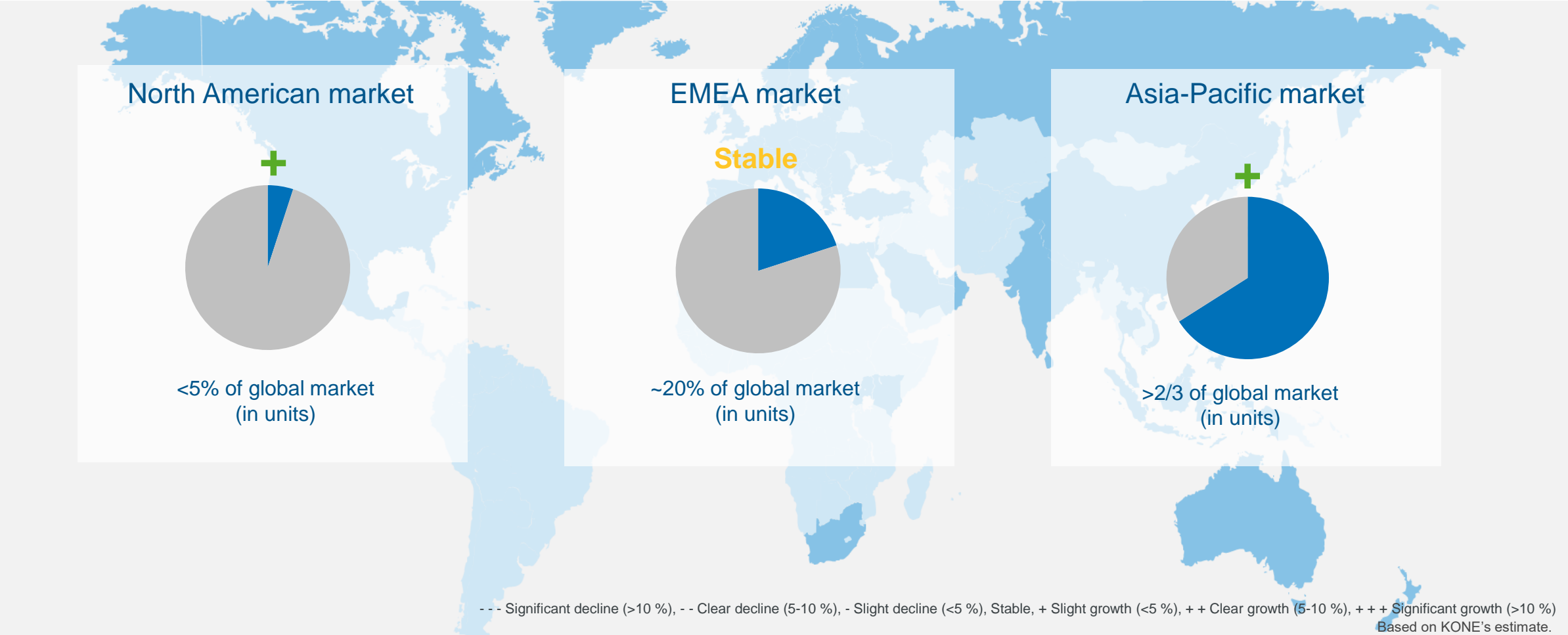
Market development in 2018



New equipment market development in 2018



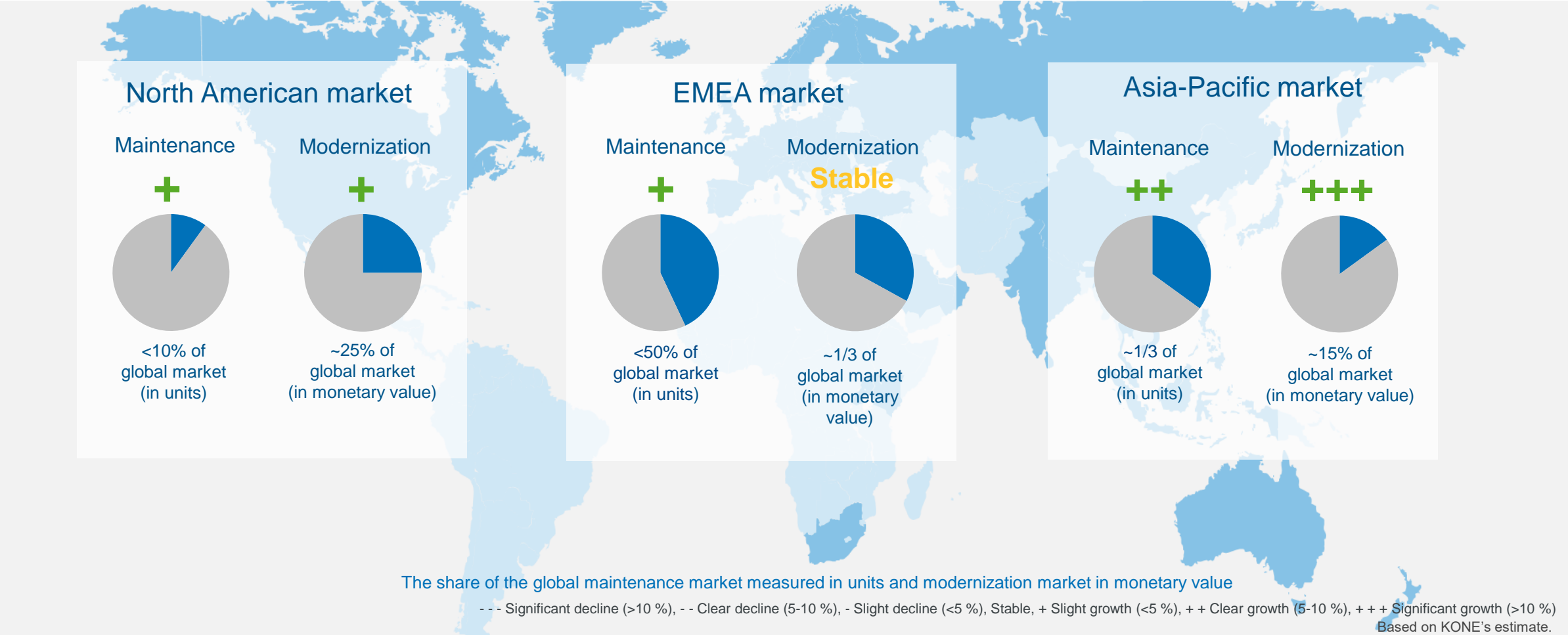
GLOBAL NEW EQUIPMENT MARKET GREW SLIGHTLY IN UNITS ORDERED



Service market development in 2018



CONTINUED POSITIVE DEVELOPMENT



Chinese property market

Market development

- Housing inventories continued to be at a healthy level
- Government's restrictive measures on the housing market continued
- Consolidation among property developers continues
- E&E market grew slightly in 2018

E&E market



Halfway through our
strategy period



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**

Employee engagement on a strong level

Strong development in both new equipment and services

Profitability burdened by several headwinds

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



CORPORATE KNIGHTS

Among the world's most sustainable companies

CDP

Top tier with "A-" ranking in climate reporting

FORBES

One of the world's best employers and most innovative companies



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

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

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

CORE GROWTH DRIVERS

NEW EQUIPMENT
Urbanization

MAINTENANCE
Growing installed base

MODERNIZATION
Aging installed base

NEW WAYS TO CREATE VALUE FOR CUSTOMERS

Changing customer needs

New technologies and services

PEOPLE FLOW PLANNING AND CONSULTING

Data & insights for better performing buildings

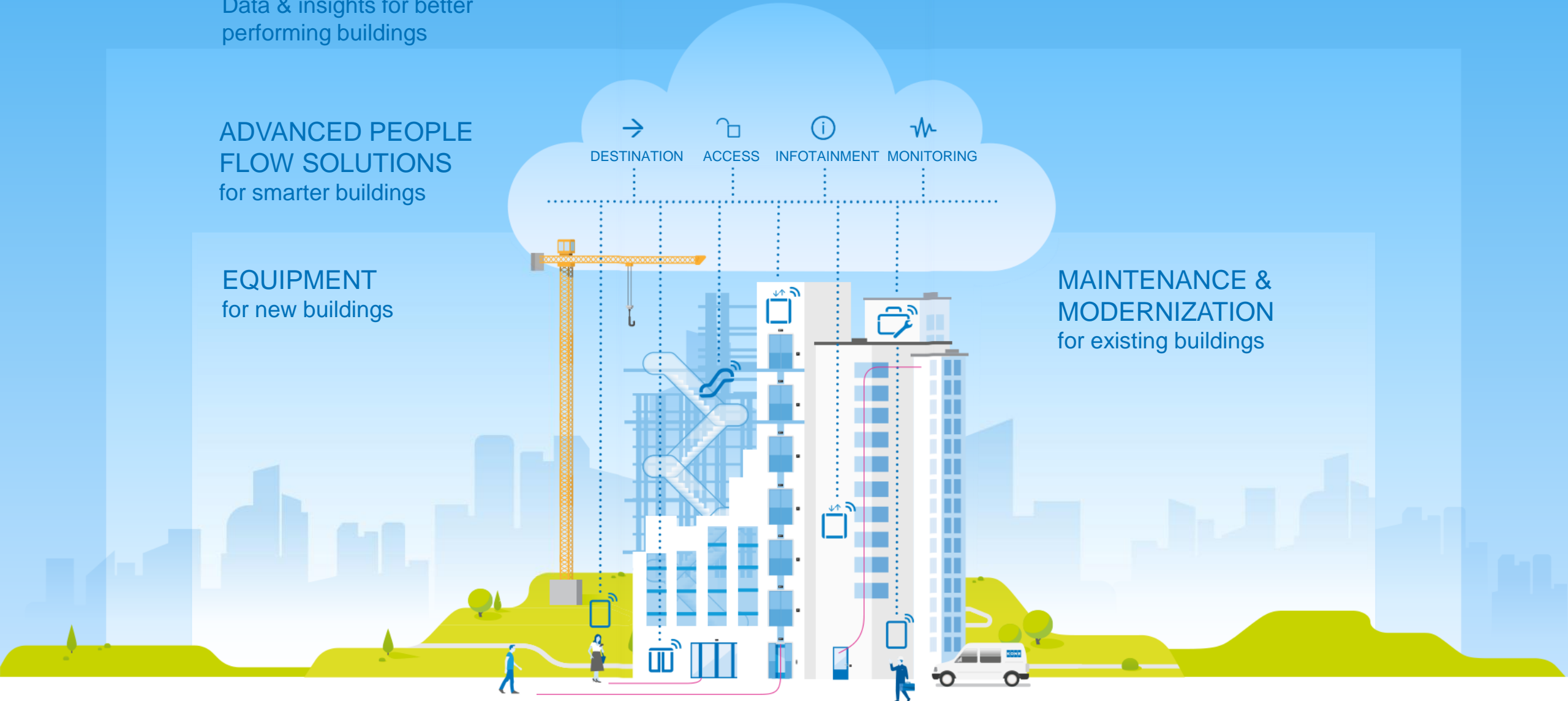


ADVANCED PEOPLE FLOW SOLUTIONS for smarter buildings



EQUIPMENT for new buildings

MAINTENANCE & MODERNIZATION for existing buildings



Our vision is to deliver the best People Flow[®] experience

New services and solutions have strengthened our differentiation



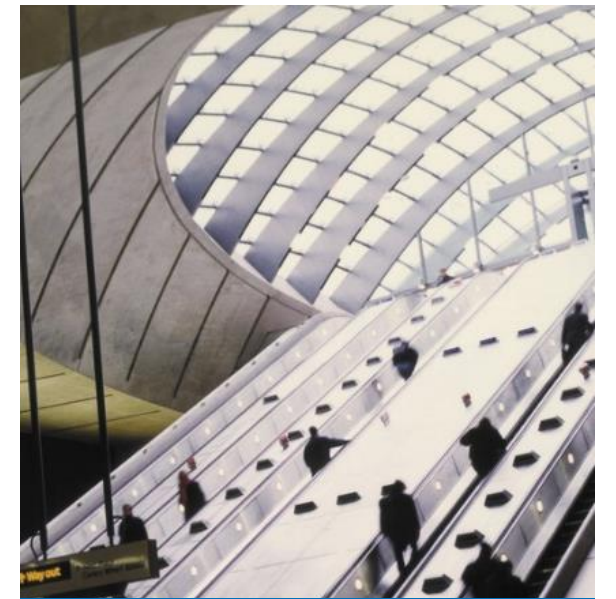
NEW
KONE CARE



KONE 24/7
CONNECTED SERVICES



RESIDENTIAL
FLOW



MORE COMPETITIVE
SOLUTIONS



BLOOMBERG EUROPEAN
HEADQUARTERS,
London



TRIBUNAL DE PARIS,
Paris



KUNMING CHANGSHUI
AIRPORT, Kunming

Market and business outlook for 2019



Market outlook for 2019

New equipment markets

- Asia-Pacific: The market in China is expected to decline slightly or to be stable in units ordered. In the rest of Asia-Pacific, the market is expected to grow slightly
- More stable development in North America and Europe, Middle East and Africa

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 be stable in the Europe, Middle East and Africa region, to grow slightly in North America, and to develop strongly in Asia-Pacific



Business outlook for 2019

Sales

In 2019, KONE's sales is estimated to grow by 2–7% at comparable exchange rates as compared to 2018

Adjusted EBIT

The adjusted EBIT is expected to be in the range of EUR 1,120–1,240 million, assuming that foreign exchange rates would remain at the January 2019 level. Foreign exchange rates are estimated to impact EBIT positively by less than EUR 10 million.

Boosting our performance

- Solid order book
- Services business growth
- Continued performance improvements
- Accelerate savings (MEUR ~50)

Burdening our result

- ⬇ Raw material prices and trade tariffs (MEUR ~50)
- ⬇ Labor and subcontracting cost increases

Summary

- Good growth in orders received and continued growth outlook in services - solid basis for 2019
- Adjusted EBIT returning to growth
- Winning with Customers is taking us towards our strategic targets



Dedicated to People Flow™

