

The background of the slide is a photograph of the Singapore skyline at dusk. The Marina Bay Sands hotel is prominent on the left, and the Singapore Flyer is on the right. The city lights are reflected in the water in the foreground.

KONE Q1 2018

APRIL 25, 2018

HENRIK EHRNROOTH, PRESIDENT & CEO

ILKKA HARA, CFO



Q1 2018 Highlights

- Solid growth in orders received with stabilizing margins
- Profitability continued to be burdened
- Good progress in driving differentiation

Q1 2018 Key figures



SOLID GROWTH IN ORDERS RECEIVED AT COMPARABLE CURRENCIES

		Q1/2018	Q1/2017	Change	Comparable change
Orders received	MEUR	1,908.7	1,913.0	-0.2%	6.8%
Order book	MEUR	7,786.6	7,960.5	-2.2%	5.9%
Sales	MEUR	2,008.0	1,943.4	3.3%	10.6%
Operating income (EBIT)	MEUR	211.5	245.8	-14.0%	
Operating income margin (EBIT %)	%	10.5	12.6		
Adjusted EBIT	MEUR	218.3	245.8	-11.2%	
Adjusted EBIT margin	%	10.9	12.6		
Cash flow from operations (before financing items and taxes)	MEUR	179.0	305.3		
Basic earnings per share	EUR	0.33	0.40	-17.5%	

Q1 2018 Business overview

- Orders received grew in all regions and in all businesses, margin of orders received continued to stabilize
- Solid progress in both maintenance and modernization
 - Maintenance prices improving, particularly in Central and Northern Europe
 - Roll-out of New KONE Care and 24/7 Connected Services continued
 - now available in over 15 countries
- New product launches to further strengthen our competitiveness in India and China
- Good progress in Accelerate program
- New offering structure to better meet the needs of our customers in a connected world



PEOPLE FLOW PLANNING AND CONSULTING

Data & insights for better performing buildings

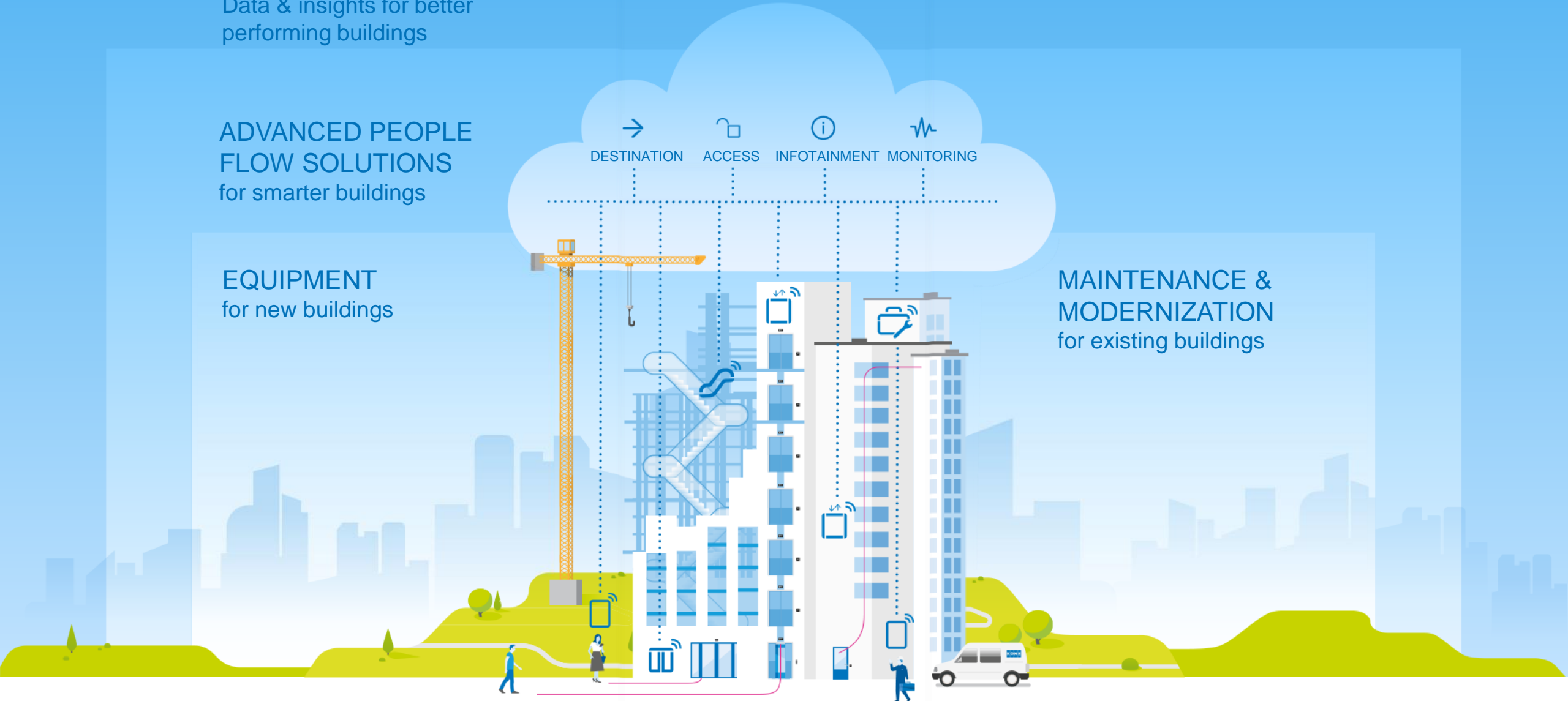


ADVANCED PEOPLE FLOW SOLUTIONS for smarter buildings



EQUIPMENT for new buildings

MAINTENANCE & MODERNIZATION for existing buildings



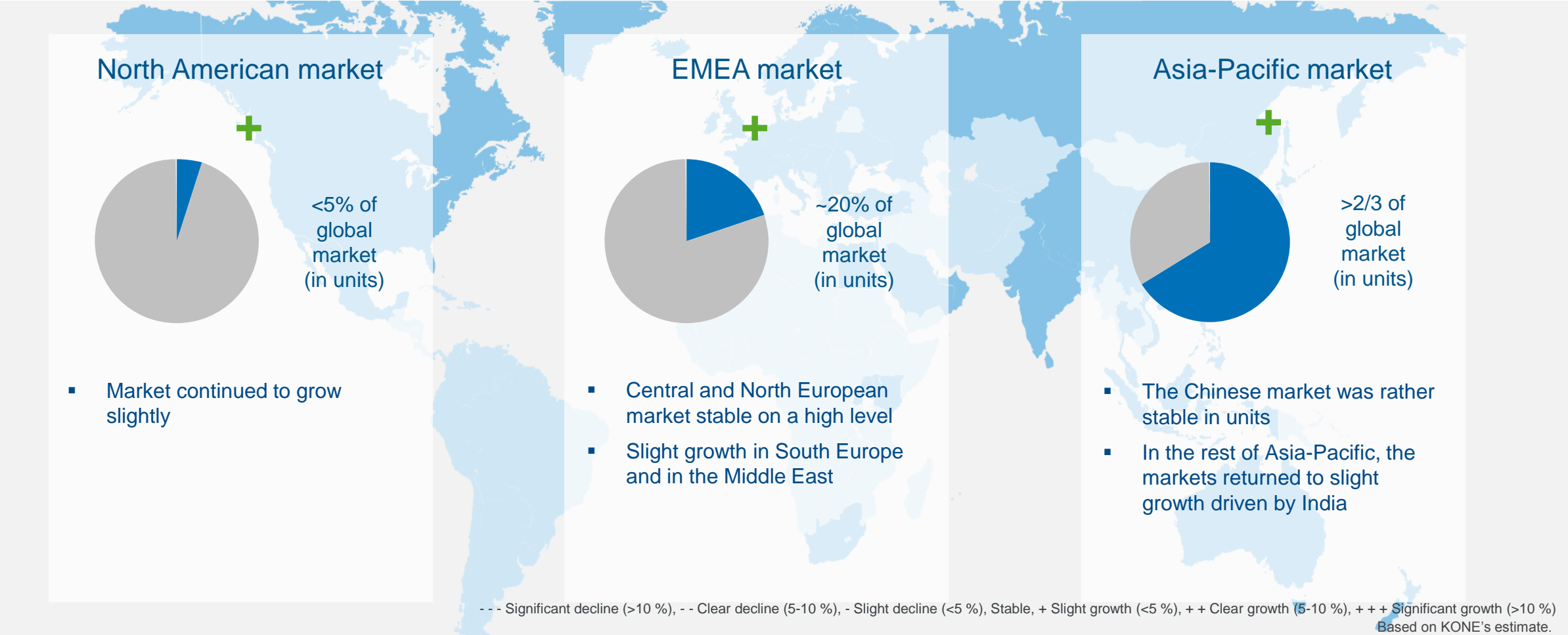


Market development

New equipment market development in Q1/2018



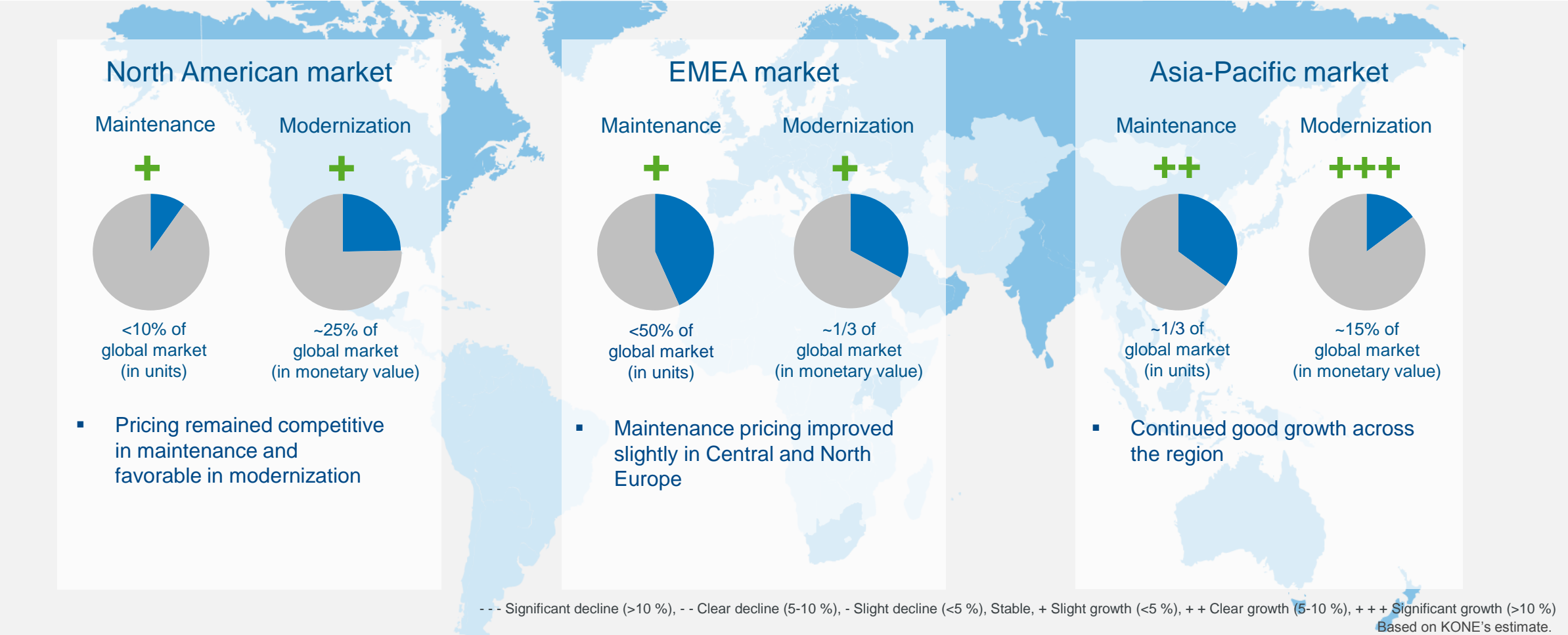
GLOBAL NEW EQUIPMENT MARKET GREW SLIGHTLY IN UNITS ORDERED



Service market development in Q1/2018



GROWTH CONTINUED ACROSS REGIONS

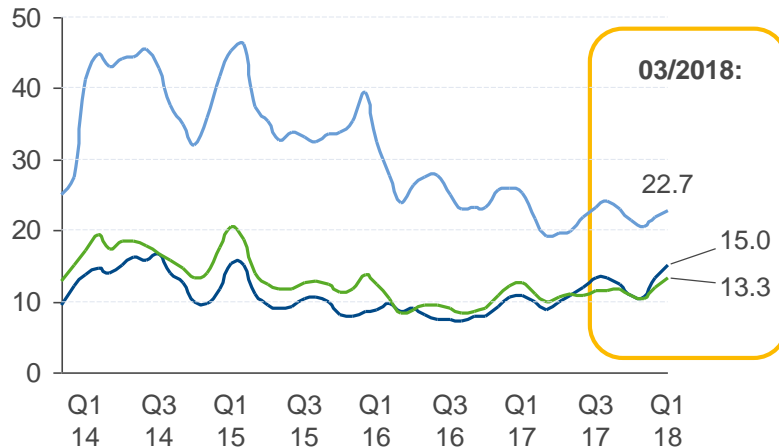


Chinese property market

GOVERNMENT MEASURES COOLING DOWN THE HOUSING MARKET

Housing inventories

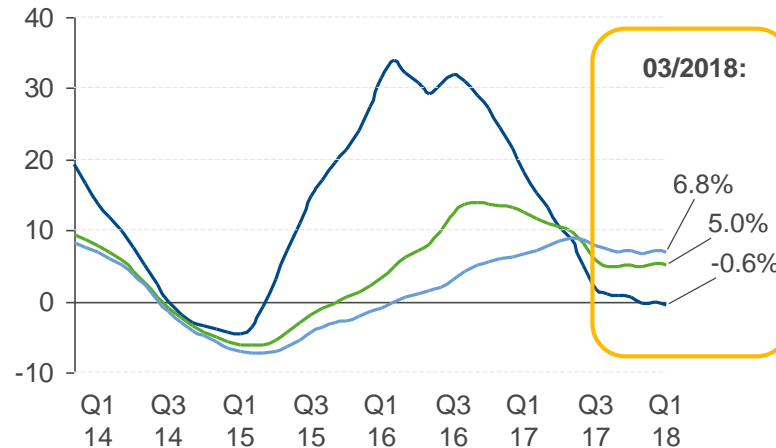
- Housing inventory at a relatively healthy level



Newly built area for sale / monthly sales 3-m MVA
 — Tier-1 — Tier-2 — sample of lower tier cities

Housing sales and prices

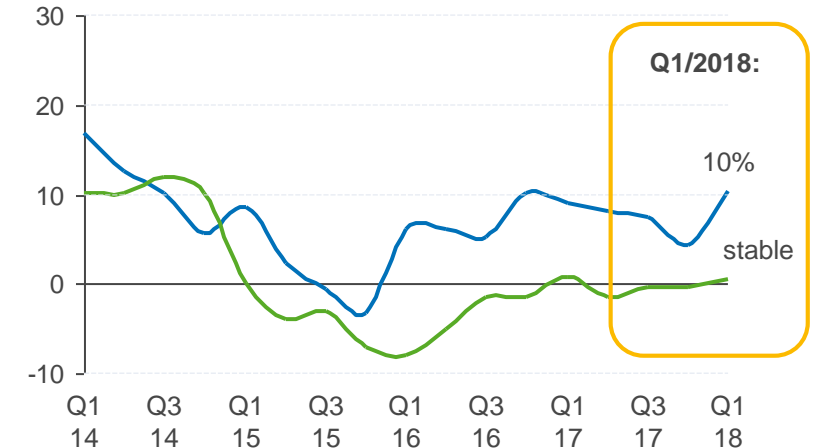
- Government's restrictive measures have cooled down the housing market
- Property sales still growing at a good rate in lower-tier cities



Housing prices, change Y-o-Y
 — Tier-1 — Tier-2 — sample of lower tier cities

E&E market

- Growth in real estate investment mainly driven by land, new starts improved
- Consolidation among property developers continues
- E&E demand was stable in Q1 2018

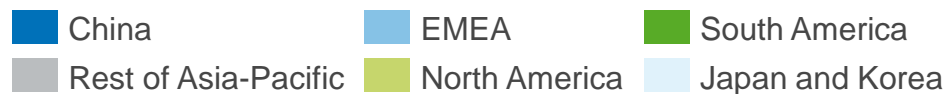
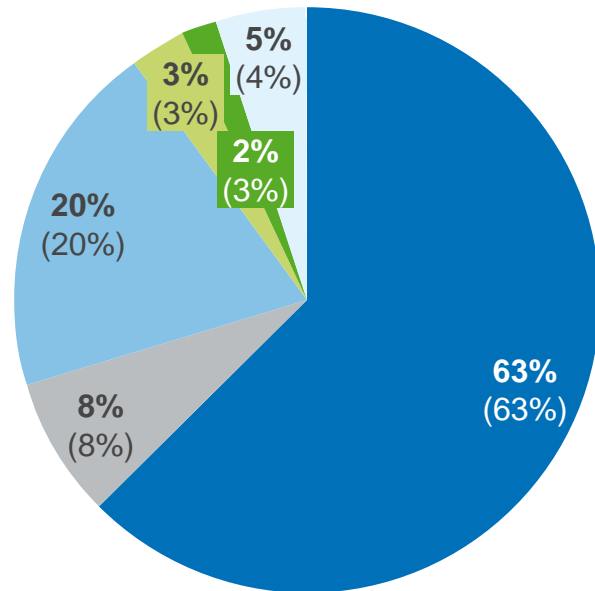


— REI Y-o-Y — E&E market Y-o-Y in units

The global new equipment market was stable in 2017

NEW EQUIPMENT MARKET

825,000 units (2016: 825,000 units)



Based on KONE's estimate. Figures have been rounded.

The new equipment market

- The new equipment market was stable in 2017 in both units ordered and in monetary value after declining for two consecutive years

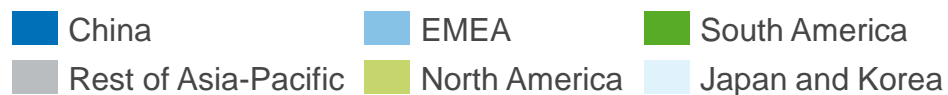
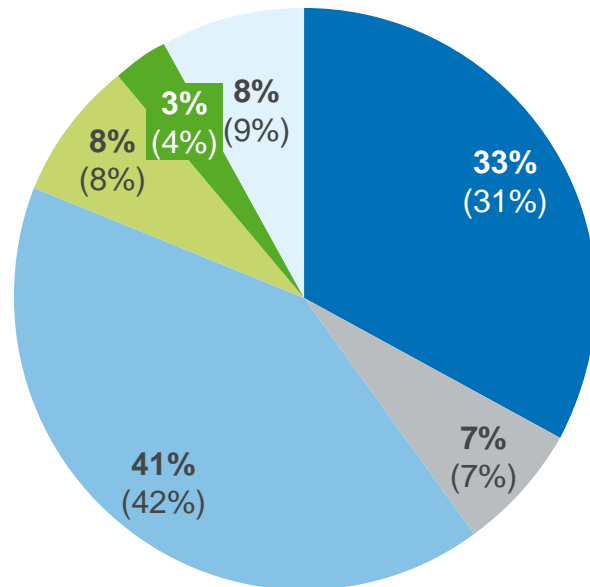
KONE's market share

- KONE's global market share (share of units ordered) was stable at 19% (2016: 19%)
- In monetary value, KONE's market share grew slightly

The service markets continued to grow in 2017

EQUIPMENT BASE

<15 M (>14 M) units



Based on KONE's estimate. Figures have been rounded.

The service markets:

- The global maintenance market continued to grow driven by China in particular
- Also the global modernization market continued to grow in all regions

KONE's market share:

- In maintenance, KONE continued to be a challenger with a market position of #3. Strong position in new equipment continues to feed the growth

KONE's market positions in 2017

STRONG MARKET POSITION IN NEW EQUIPMENT
FEEDING THROUGH TO GOOD DEVELOPMENT IN MAINTENANCE

Market position, KONE's estimate	EMEA	North America	China	Rest of Asia- Pacific
New equipment	#2	#4	#1	#1
Maintenance	#3	#4	#1	#2



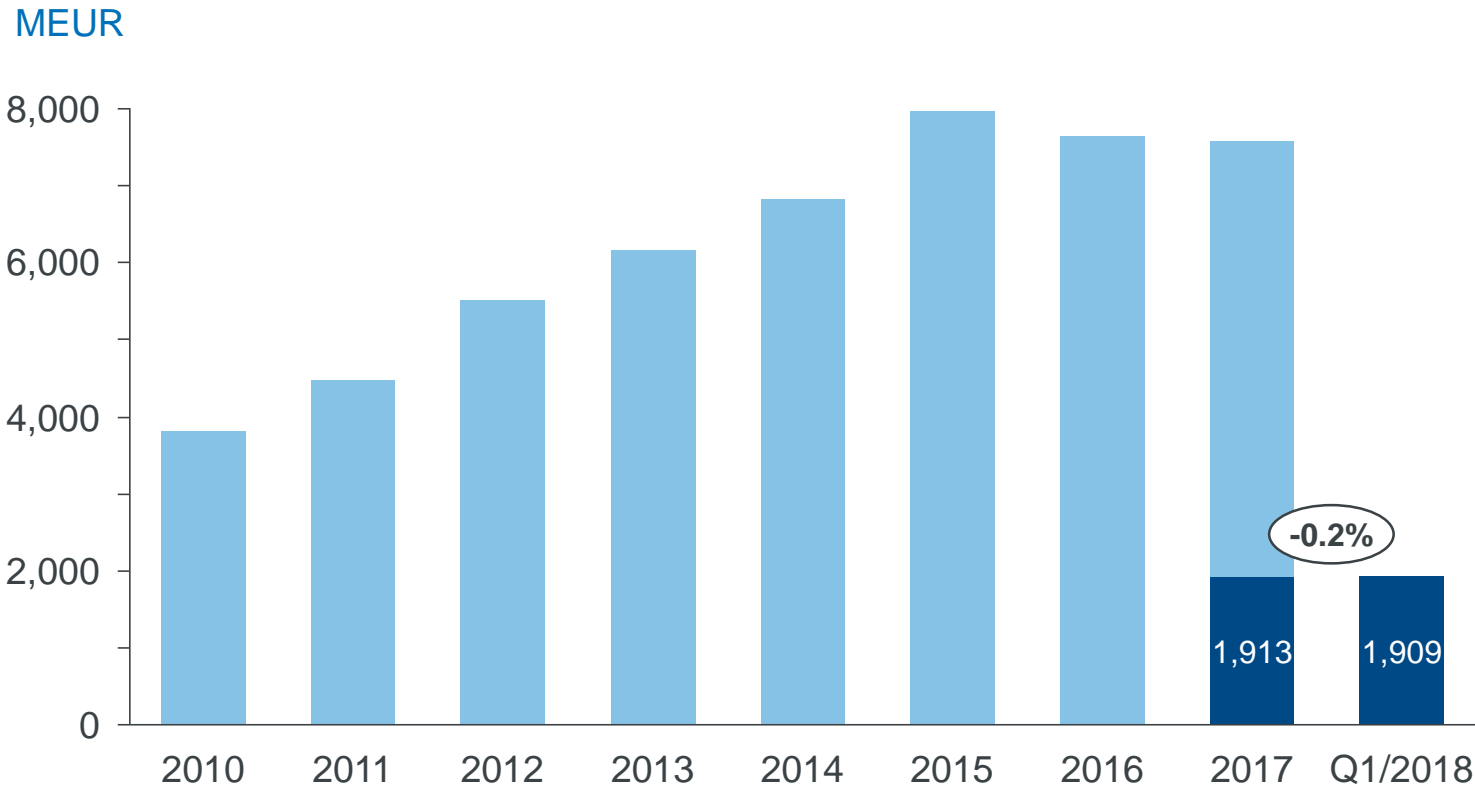


Q1 Financials

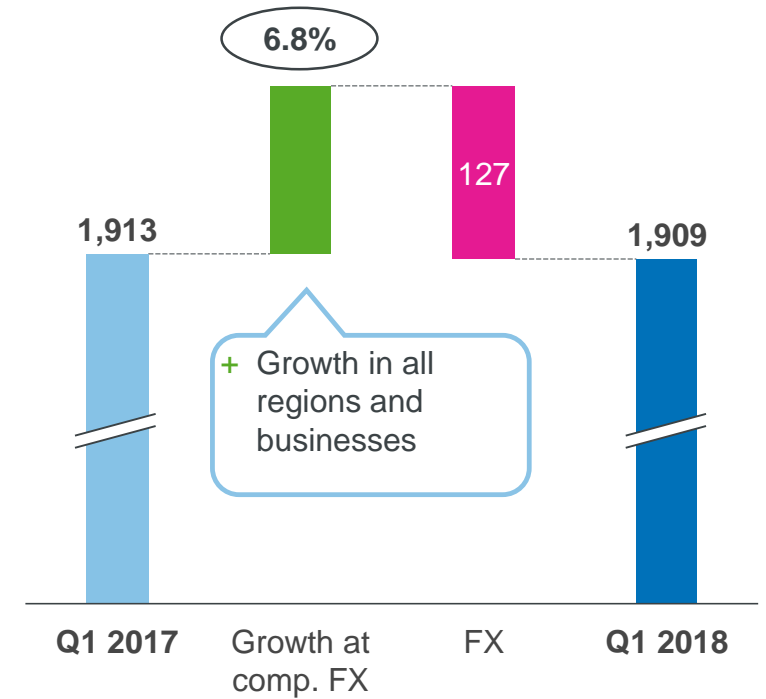
Orders received



ORDERS RECEIVED GREW IN ALL REGIONS AND BUSINESSES AT COMPARABLE EXCHANGE RATES IN Q1 2018



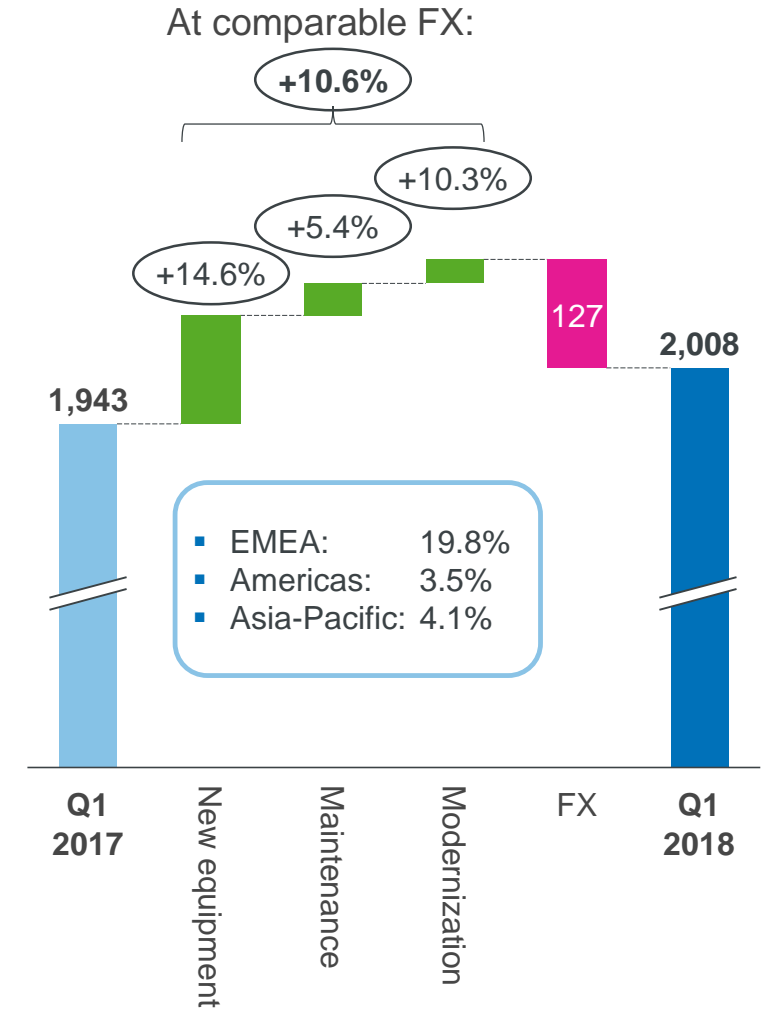
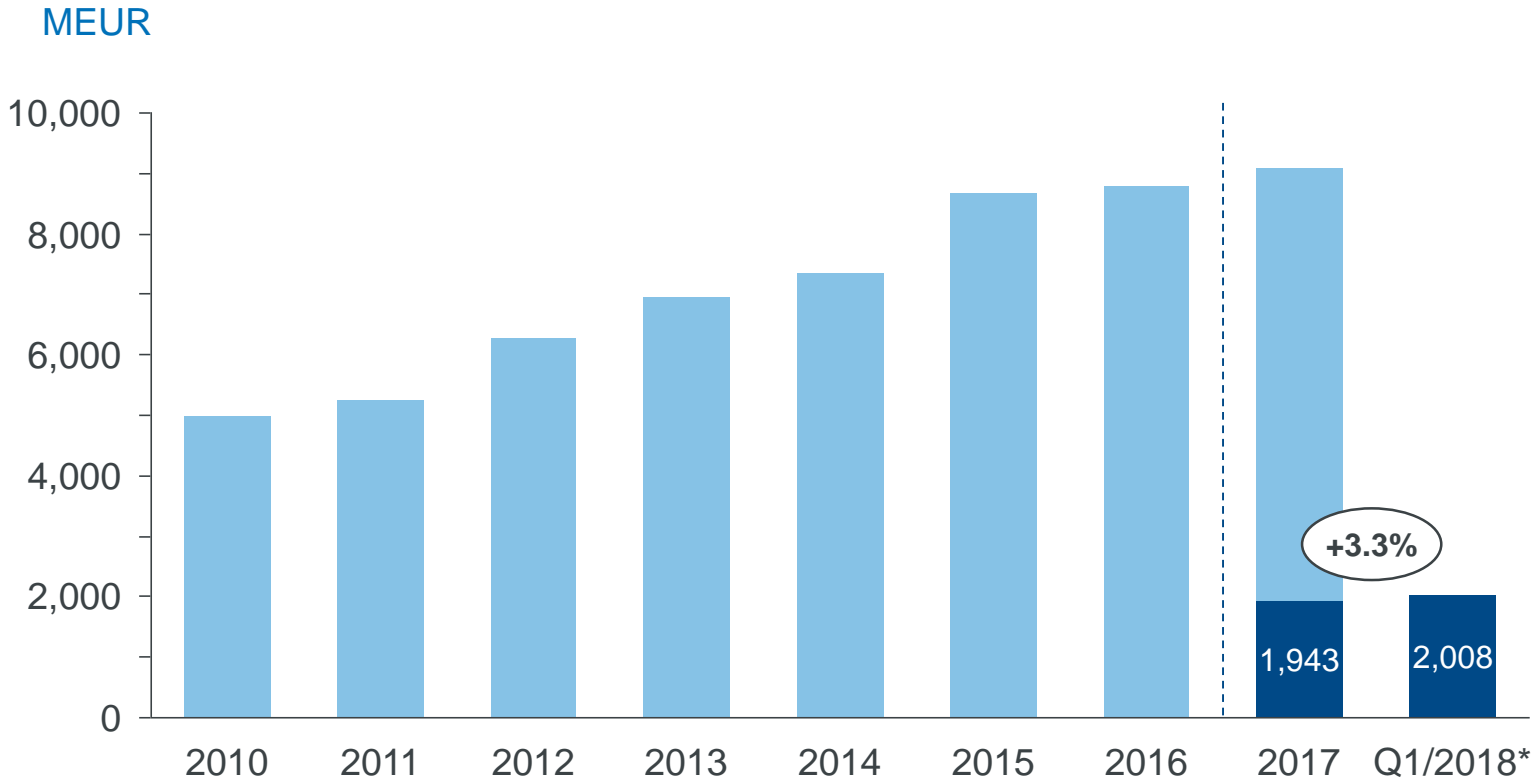
- The margin of orders continued to stabilize in Q1



Sales



SALES GREW IN ALL REGIONS AND ALL BUSINESSES AT COMPARABLE RATES IN Q1 2018, HIGH LEVEL OF PROJECT STARTS DROVE STRONG GROWTH IN NEW EQUIPMENT

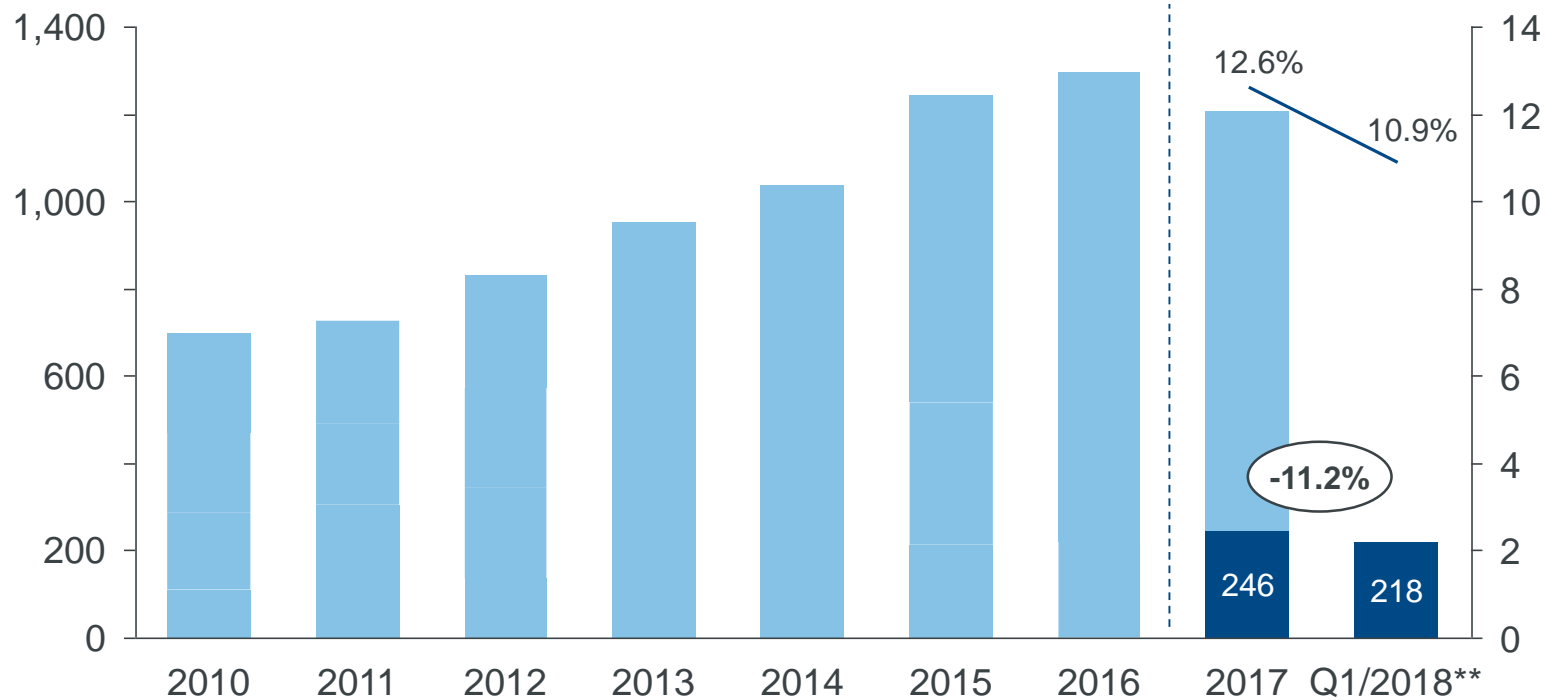


* KONE has applied new IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2010-2016 are not restated and thus not fully comparable.

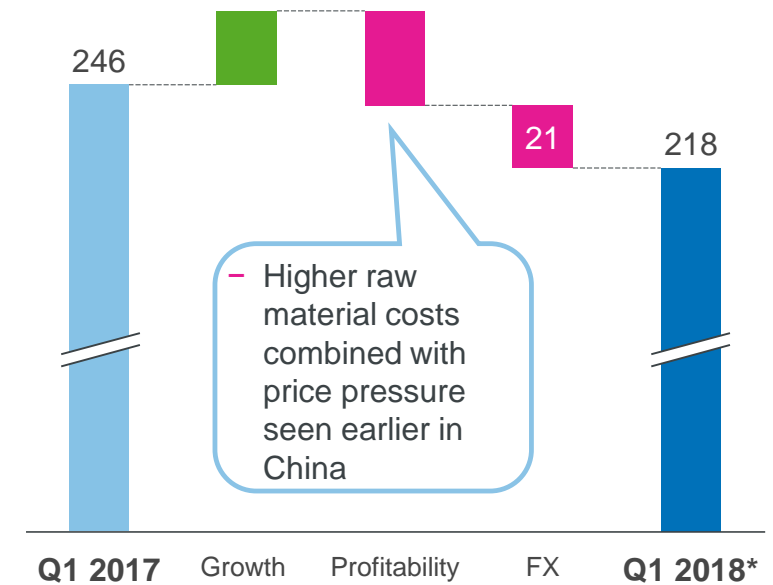
EBIT

EBIT MARGIN CONTINUED TO BE BURDENED BY SEVERAL HEADWINDS IN Q1 2018

ADJUSTED EBIT*, MEUR AND ADJUSTED EBIT MARGIN



- Restructuring costs related to the Accelerate program were EUR 6.9 million in Q1 2018



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

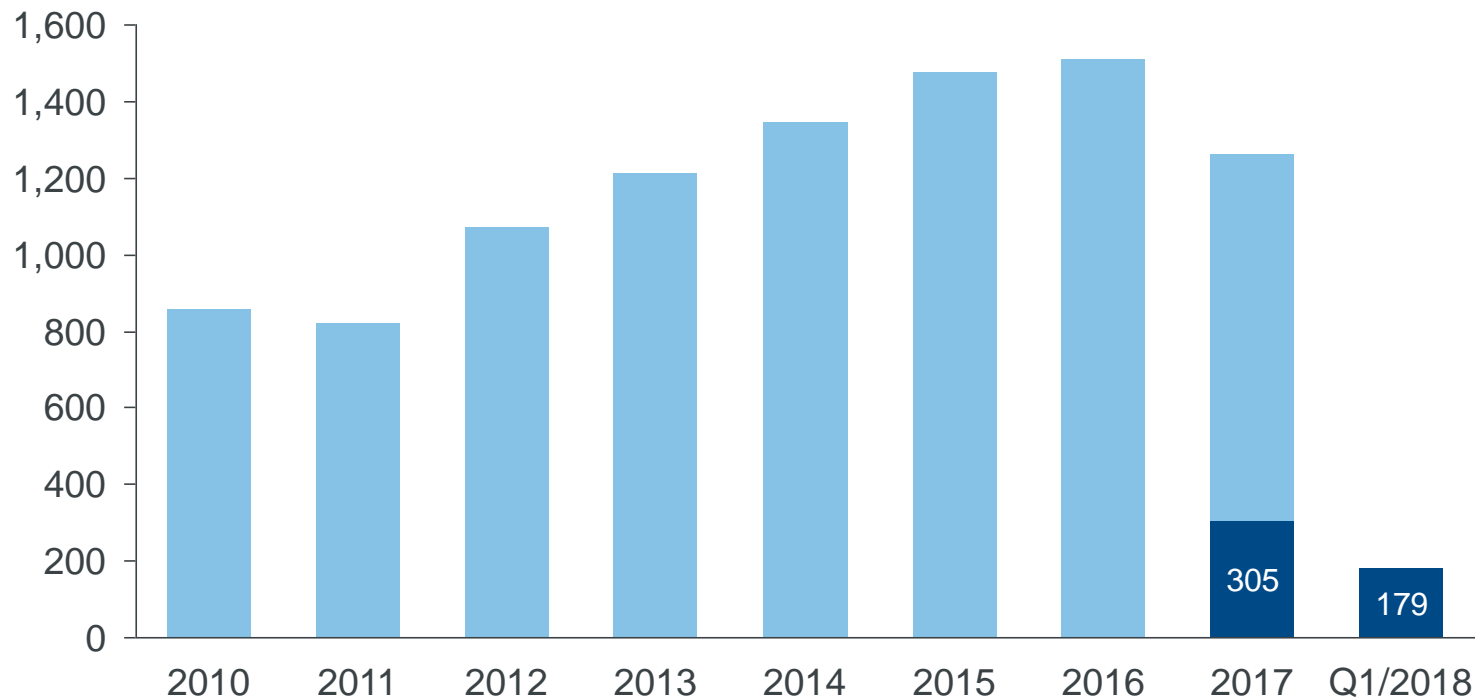
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Cash flow

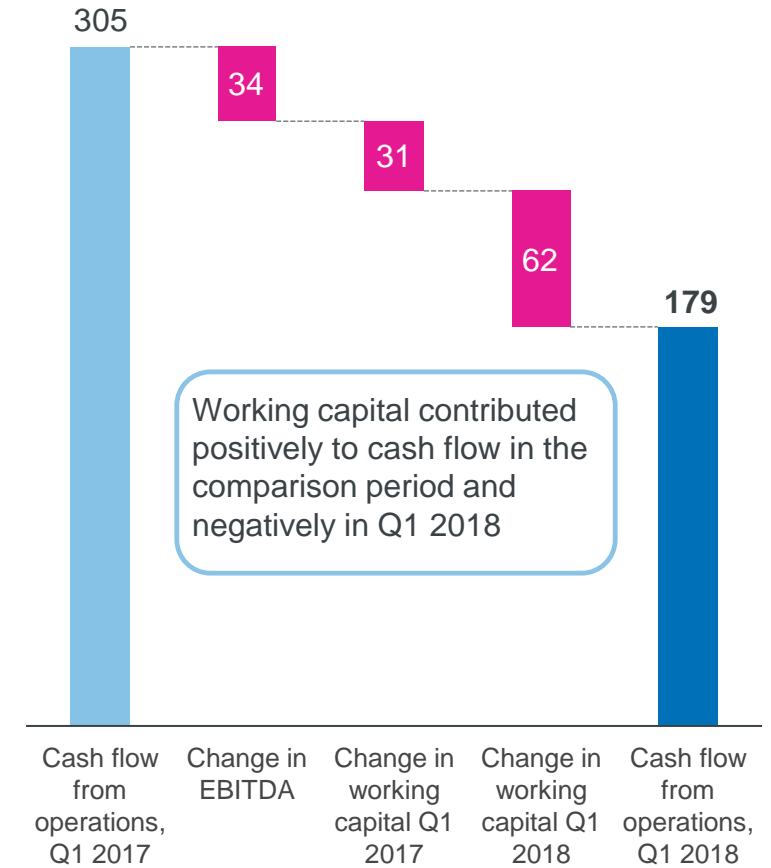
CASH FLOW DECLINED AGAINST A STRONG COMPARISON PERIOD

CASH FLOW FROM OPERATIONS*

MEUR



*before financing items and taxes





Market and business outlook for 2018

Market outlook for 2018

NEW EQUIPMENT MARKETS

- Asia-Pacific: The market in China is expected to decline slightly or to be stable 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 margin

- 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 March 2018 level for the remainder of the year. Foreign exchange rates are estimated to impact EBIT negatively by approximately EUR 40 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 (approx. MEUR -40)



2017

Sustainability Report
published today

Summary

- Good start to the year in terms of growth in orders received
- Actions to improve profitability showing progress
- Gaining momentum in strategic initiatives such as new services

Dedicated to People Flow™



APPENDIX

2017 Sustainability highlights

- We are proud to have been recognized as one of the best employers in the world by Forbes (73rd in a list of 2,000 in the World's Best Employers list)
- We have continued to improve the energy efficiency of our offering and remain the leader in the industry in terms of verified products in the best energy efficiency categories
- Code of conduct training completed by 95% among the target group
- 226,000 e-learning courses completed on konelearning.com

30%
Of KONE facility electricity use is green and produced from renewable sources

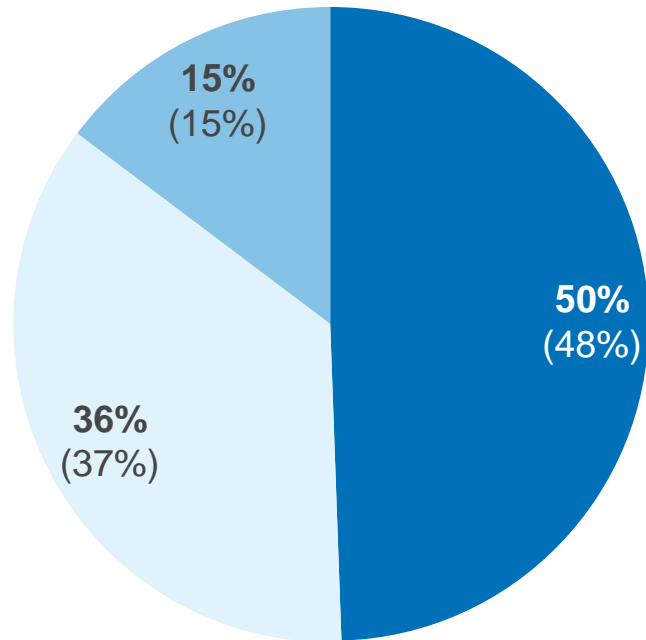
99%
Of waste from manufacturing units was recycled or incinerated



Q1 2018 Sales split

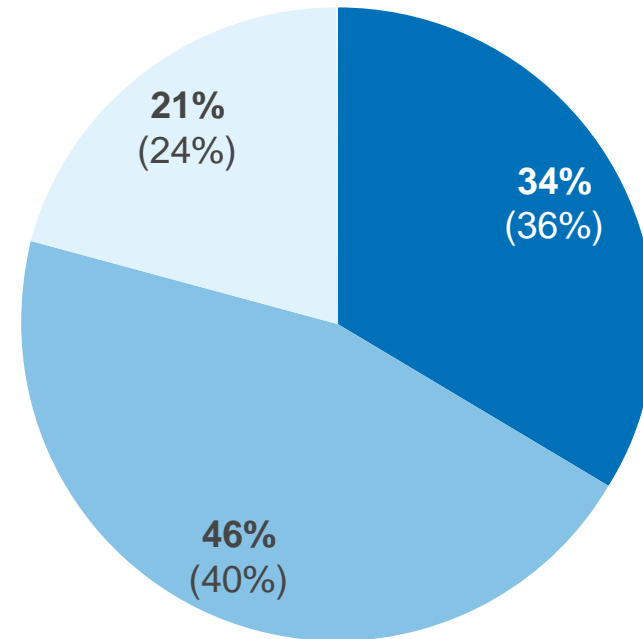


BY BUSINESS



■ New equipment ■ Maintenance ■ Modernization

BY AREA

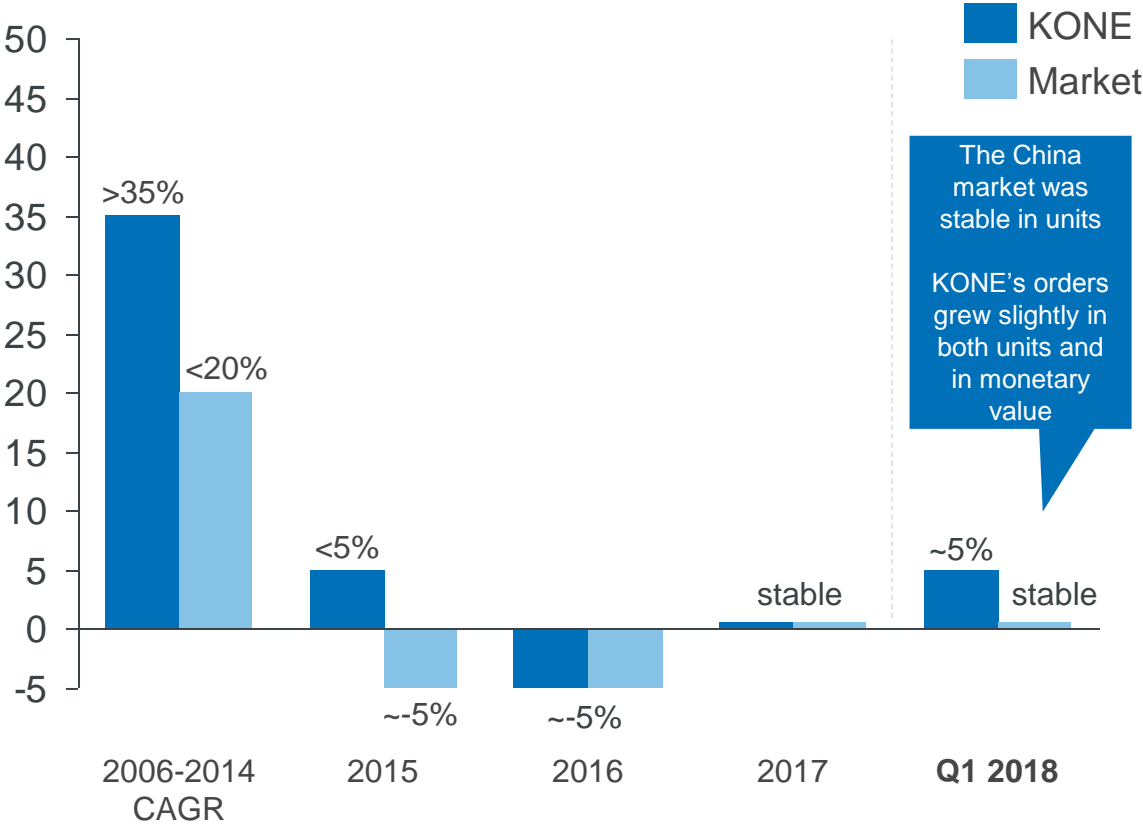


■ Asia-Pacific ■ EMEA (Europe, Middle East and Africa) ■ Americas

1-3/2017 figures in brackets.
Figures in charts are rounded and at historical exchange rates.

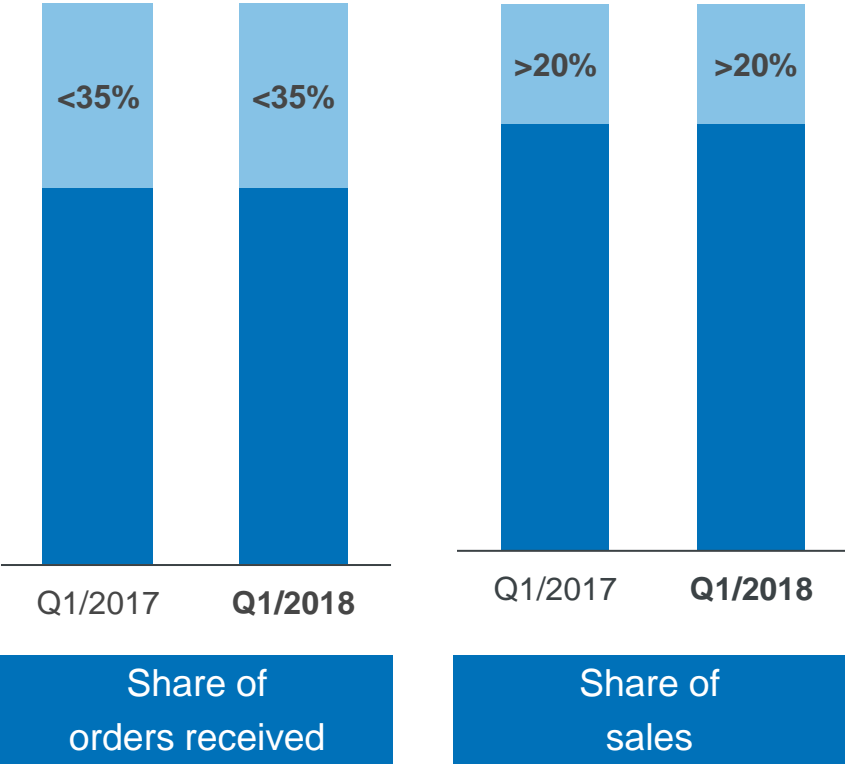
NEW EQUIPMENT MARKET

New equipment orders received in units vs. market development



CHINA'S SHARE OF KONE'S ORDERS AND SALES

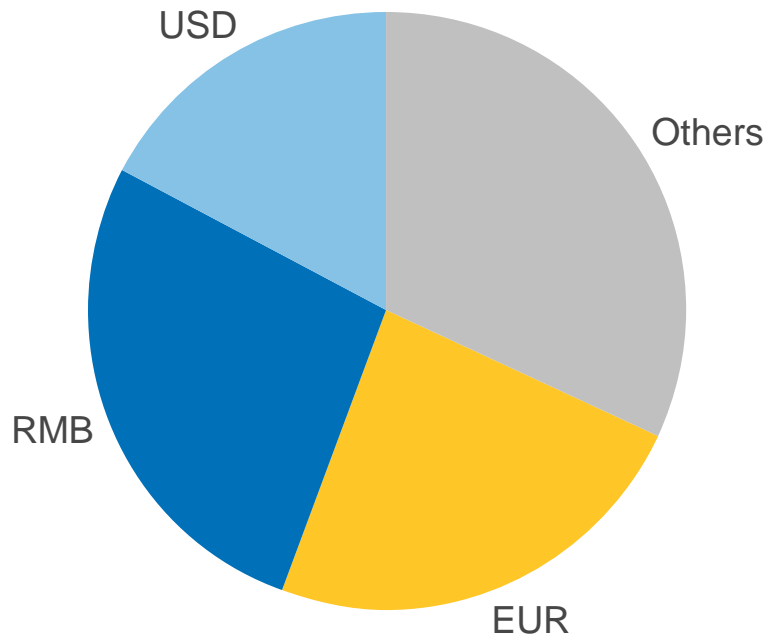
In monetary value



Currencies



SALES BY CURRENCY 1-12/2017



CURRENCY IMPACT

(MEUR)	Q1/2018	1-12/2017
Sales	-127	-200
EBIT	-21	-37
Orders received	-127	-195

MAIN CURRENCIES

	Q1 average	2017 average	Mar 31, 2018 spot
EUR / RMB	7.7784	7.3199	7.7468
EUR / USD	1.2246	1.1021	1.2321
EUR / GBP	0.8813	0.8159	0.8749
EUR / AUD	1.5594	1.4807	1.6036

Q1 2018 Balance sheet – assets employed



MEUR	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Assets employed			
Goodwill	1,316.2	1,369.9	1,325.5
Other intangible assets	267.4	287.2	274.5
Tangible assets	370.2	369.7	377.0
Investments	139.3	155.1	134.3
Net working capital	-735.9	-995.3	-772.6
Assets employed total	1,357.2	1,186.6	1,338.7
Financed by			
Equity	2,358.4	2,369.4	3,028.9
Net debt	-1,001.3	-1,182.8	-1,690.2
Equity and net debt total	1,357.2	1,186.6	1,338.7

Q1 2018 Net working capital



MEUR	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Net working capital			
Inventories	599.8	617.7	626.8
Advance payments received and deferred revenue	-1,418.9	-1,474.4	-1,404.6
Accounts receivable	1,835.6	1,813.0	1,910.8
Other non-interest-bearing assets	626.2	545.6	472.0
Other non-interest-bearing liabilities	-1,735.3	-1,829.3	-1,654.3
Provisions	-132.4	-158.7	-137.9
Accounts payable	-628.6	-644.2	-705.1
Net deferred tax assets / liabilities	117.8	135.1	119.5
Net working capital total	-735.9	-995.3	-772.6

Q1 2018 Consolidated cash flow



MEUR	1-3/2018	1-3/2017	1-12/2017
Operating income	211.5	245.8	1,192.3
Change in working capital before financing items and taxes	-61.5	31.1	-43.3
Depreciation and amortization	29.0	28.4	114.3
Cash flow from operations before financing items and taxes	179.0	305.3	1,263.3
Financing items and taxes	-58.9	-50.0	-299.6
Cash flow from operating activities	120.1	255.3	963.7
Investing activities	-27.2	-27.0	-143.5
Purchase of own shares	-	-	-
Increase in equity (option rights)	-	-	24.9
Profit distribution	-786.2	-729.8	-795.4
Changes in non-controlling interest	-0.1	-	-5.5
Free cash flow	-693.4	-501.4	44.1

IFRS 15 and IFRS 9 restated financials



KEY FIGURES

		Q1	Q2	Q3	Q4	1-12/2017
Orders received	MEUR	1,913.0	2,056.2	1,739.0	1,845.8	7,554.0
Order book	MEUR	7,960.5	7,749.2	7,473.5	7,357.8	7,357.8
Sales	MEUR	1,943.4	2,337.2	2,209.7	2,306.3	8,796.7
Operating income (EBIT)	MEUR	245.8	335.8	317.9	292.8	1,192.3
Operating income margin (EBIT margin)	%	12.6	14.4	14.4	12.7	13.6
Adjusted EBIT	MEUR	245.8	335.8	321.3	302.6	1,205.5
Adjusted EBIT margin	%	12.6	14.4	14.5	13.1	13.7
Income before tax	MEUR	271.8	346.5	330.2	301.9	1,250.4
Net income	MEUR	208.7	266.1	253.6	231.8	960.2
Basic earnings per share	EUR	0.40	0.52	0.49	0.45	1.86
Cash flow from operations (before financing items and taxes)	MEUR	305.3	320.4	302.7	335.0	1,263.3
Interest-bearing net debt	MEUR	-1,182.8	-1,302.1	-1,464.9	-1,690.2	-1,690.2
Equity ratio	%	42.5	44.5	47.7	50.0	50.0
Return on equity	%	31.4	31.8	31.6	32.1	32.1
Net working capital (including financing items and taxes)	MEUR	-995.3	-861.7	-782.2	-772.6	-772.6
Gearing	%	-49.9	-50.8	-52.5	-55.8	-55.8