

The background of the slide is a nighttime photograph of a construction site in a city. Several large tower cranes are visible, their lattice structures silhouetted against the dark sky. The cranes are illuminated with bright lights at their bases. In the background, several skyscrapers are lit up with various colors, including red, yellow, and white. One prominent building on the left has a red-lit top section. The overall scene conveys a sense of active construction and urban development.

KONE Result presentation 2016

JANUARY 26, 2017

HENRIK EHRNROOTH, PRESIDENT & CEO
ILKKA HARA, CFO

Highlights

- Continued good growth in operating income
- Growth of the service business accelerated
- Dividend proposal:
EUR 1.55 per class B share
- New strategy launched to drive differentiation



Q4 2016 Key figures



SOLID PROFIT DEVELOPMENT CONTINUED

		Q4/2016	Q4/2015	Historical change	Comparable change
Orders received	MEUR	1,839.2	1,947.2	-5.5%	-2.9%
Order book	MEUR	8,591.9	8,209.5	4.7%	5.4%
Sales	MEUR	2,593.2	2,561.8	1.2%	3.6%
Operating income (EBIT)	MEUR	392.2	378.5	3.6%	
Operating income margin (EBIT %)	%	15.1	14.8		
Cash flow from operations (before financing items and taxes)	MEUR	409.8	403.5		
Basic earnings per share	EUR	0.58	0.71		
Basic earnings per share, adjusted*	EUR	-	0.49		

* Excluding extraordinary dividend of MEUR 118 from TELC in 2015

1–12/2016 Key figures



ALL BUSINESSES CONTRIBUTED TO THE GROWTH IN OPERATING INCOME

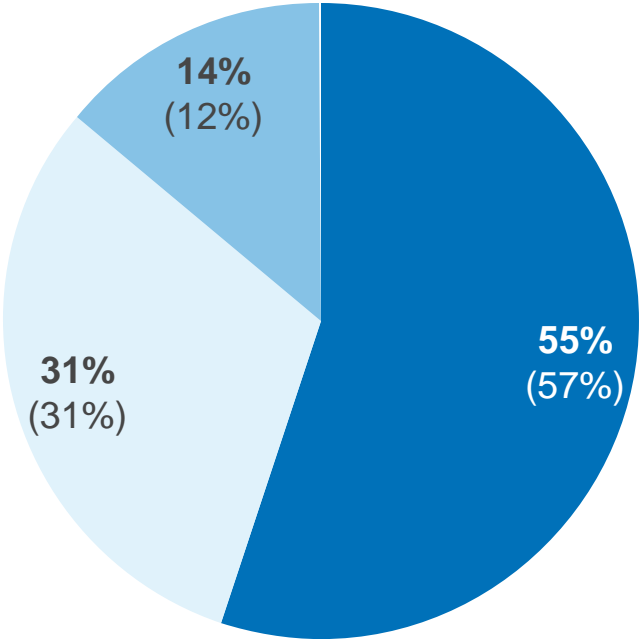
		1–12/2016	1–12/2015	Historical change	Comparable change
Orders received	MEUR	7,621.0	7,958.9	-4.2%	-1.6%
Order book	MEUR	8,591.9	8,209.5	4.7%	5.4%
Sales	MEUR	8,784.3	8,647.3	1.6%	3.9%
Operating income (EBIT)	MEUR	1,293.3	1,241.5	4.2%	
Operating income margin (EBIT %)	%	14.7	14.4		
Cash flow from operations (before financing items and taxes)	MEUR	1,509.5	1,473.7		
Basic earnings per share	EUR	2.00	2.01		
Basic earnings per share, adjusted*	EUR	-	1.79		

* Excluding extraordinary dividend of MEUR 118 from TELC in 2015

1–12/2016 Sales split

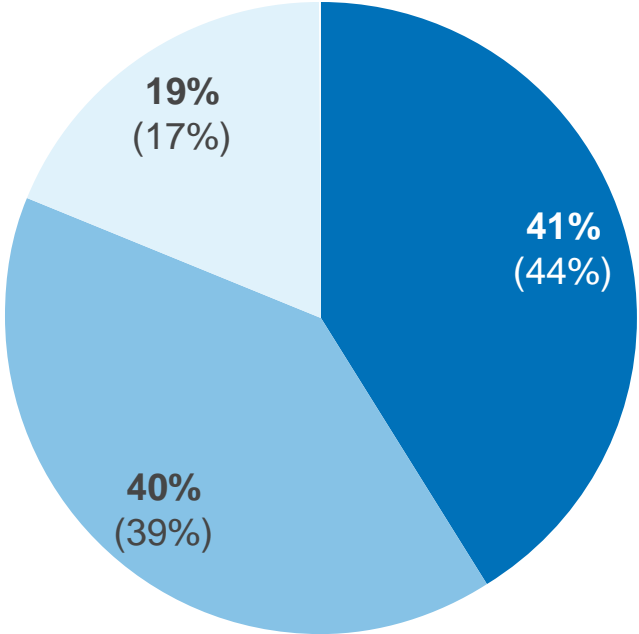
SHARE OF MODERNIZATION AND THE AMERICAS CONTINUED TO GROW

BY BUSINESS



■ New equipment ■ Maintenance ■ Modernization

BY AREA



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

1–12/2015 figures in brackets.
 Figures in charts are rounded and at historical exchange rates.

Business highlights in 2016



NEW EQUIPMENT

- New product launches in each geographic area strengthened competitiveness
- Improved product competitiveness enabled strong result in a challenging environment
- Extensions to People Flow Intelligence solutions

Orders received (units): ~158,000
(2015: ~161,000)

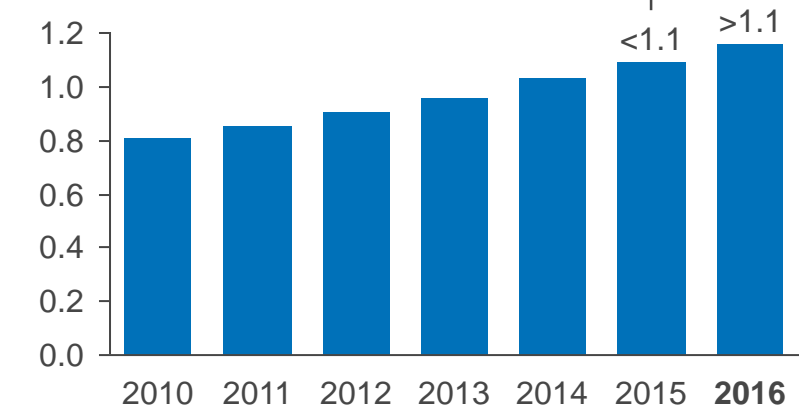
Units delivered: ~136,000
(2015: ~137,000)

SERVICE

- Solid growth in maintenance in all geographic areas
 - Strong conversions from new equipment, improved competition balance
- Strong growth in modernization driven by proactive sales approach and improved competitiveness
- New service concepts piloted and launched with encouraging results

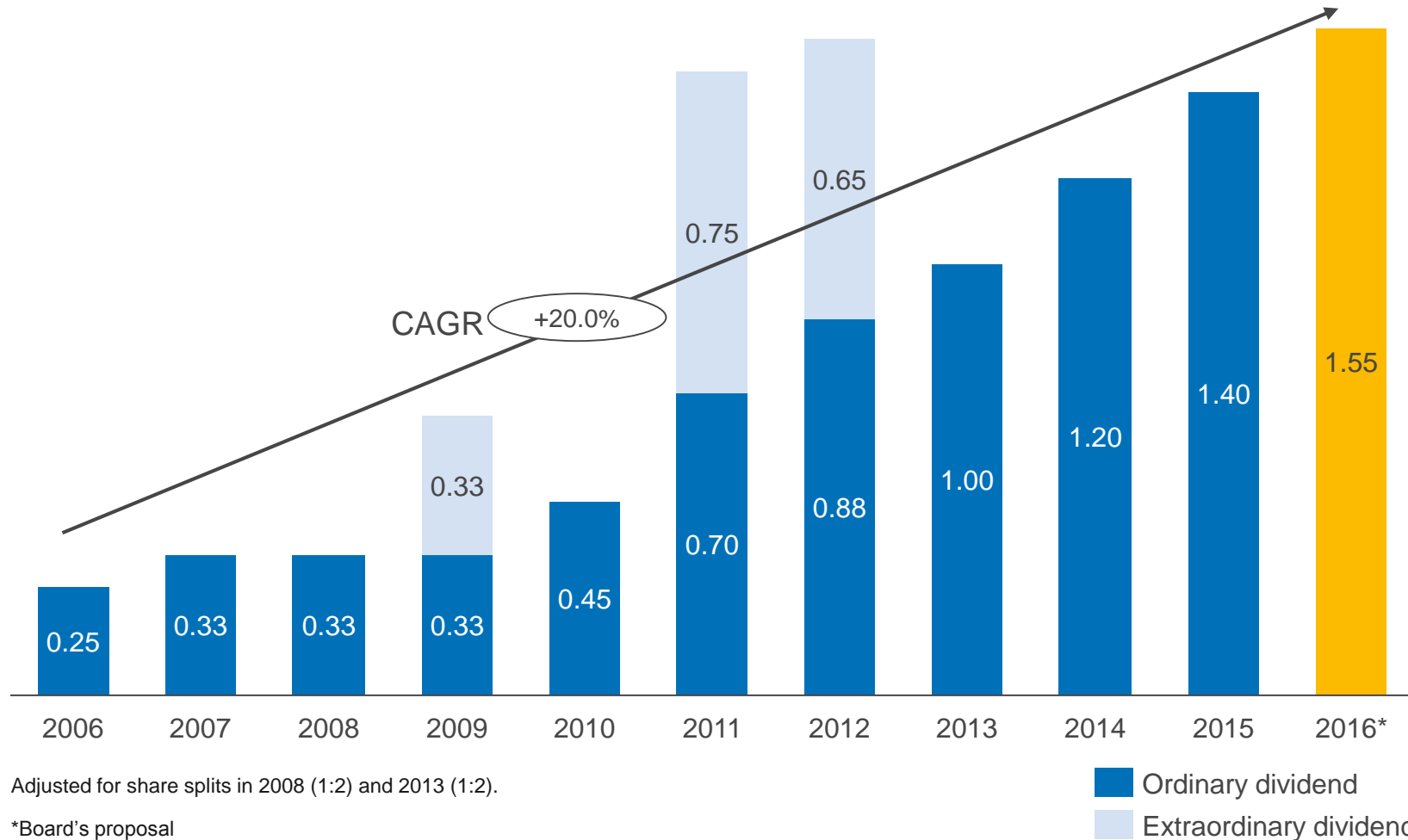
MAINTENANCE BASE

Millions of units



Dividend proposal: EUR 1.55 per class B share

Split-adjusted dividend per class B share, EUR, 2006–2016



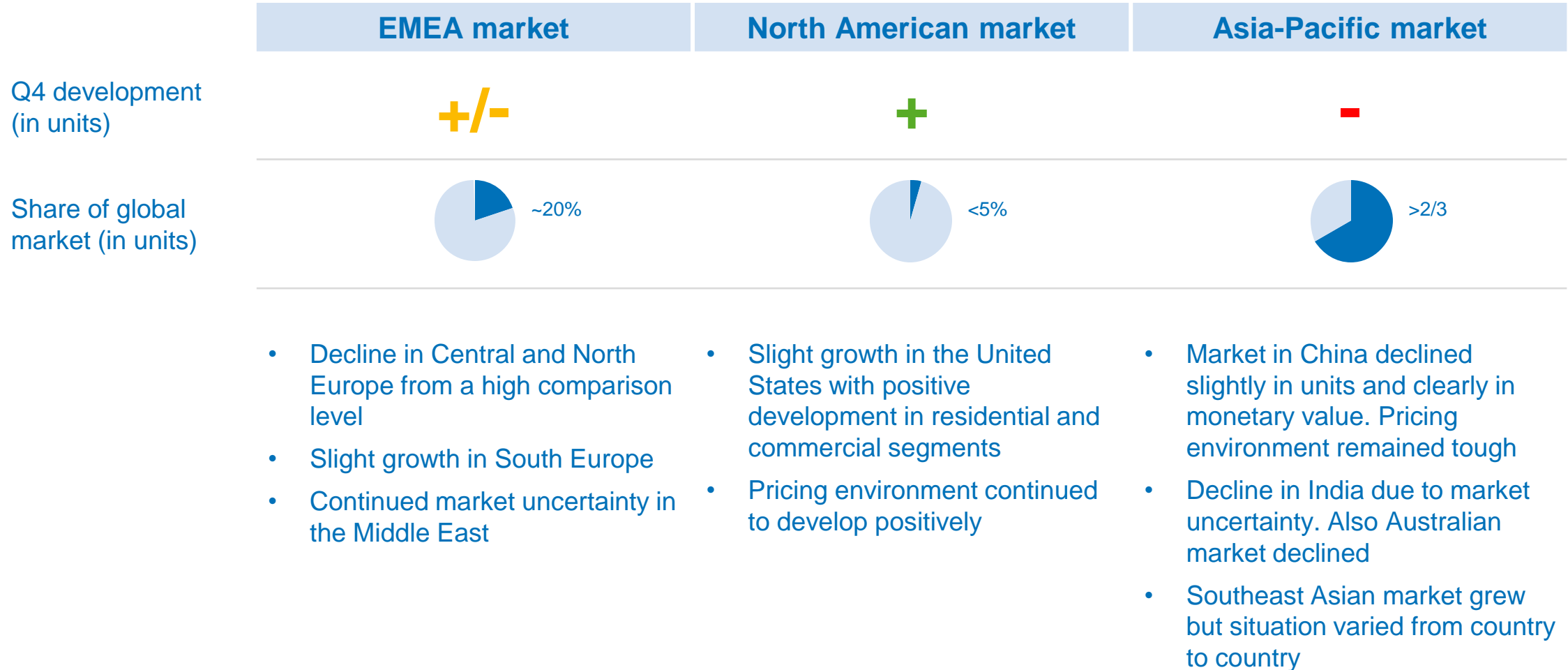
- Dividend payout:
 - ~78% of earnings per share
 - ~81% of cash flow after investing activities
- Effective dividend yield in 2016: 3.6%



Market development

New equipment market development in Q4

GLOBAL MARKET VOLUMES REMAINED RATHER STABLE



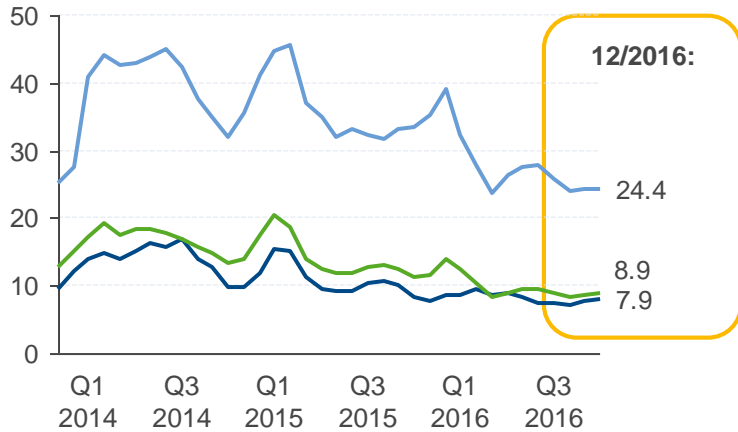
Chinese property market



MARKET CONDITIONS IN CHINA CONTINUED TO BE CHALLENGING IN Q4

Inventories

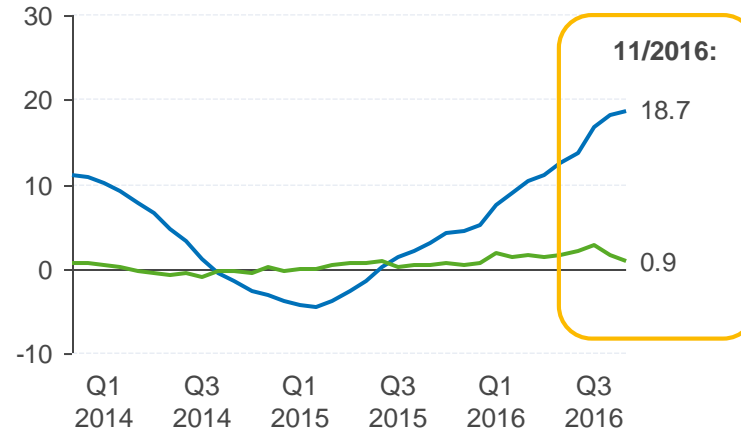
- Inventories of unsold apartments low in higher-tier cities but still somewhat elevated in lower-tier cities



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

Housing prices

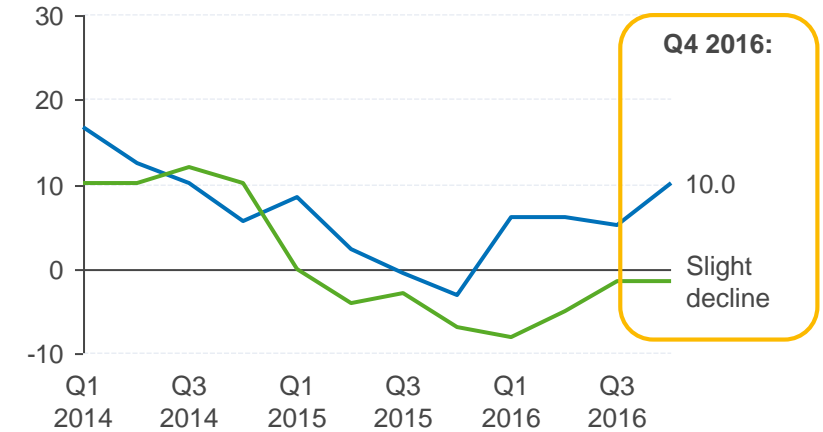
- Authorities have taken actions to curb the steep rise in housing prices in several higher-tier cities



— Housing prices, Y-o-Y — M-o-M

E&E market

- Real estate investment recovered in 2016 following stimulation and rising land prices
- Slight decline in E&E units ordered in Q4 with continued price pressure (same magnitude as during the previous quarters)



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

Sources: China NBS, E-house, CREIS, KONE estimates

Service market development in Q4



CONTINUED GROWTH ACROSS REGIONS

	EMEA market	North American market	Asia-Pacific market
Maintenance			
Q4 development	+	+	++
Share of global market (in units)	<50%	<10%	~35%
	<ul style="list-style-type: none"> Pricing environment remained tough especially in South Europe 	<ul style="list-style-type: none"> Price competition remained rather intense 	<ul style="list-style-type: none"> Continued good growth across the region
Modernization			
Q4 development	+	++	++
Share of global market (in monetary value)	~1/3	~25%	~15%
	<ul style="list-style-type: none"> Significant market growth in Central and North Europe; slight decline in South Europe 	<ul style="list-style-type: none"> Pricing environment continued to develop favorably 	<ul style="list-style-type: none"> Strong market growth



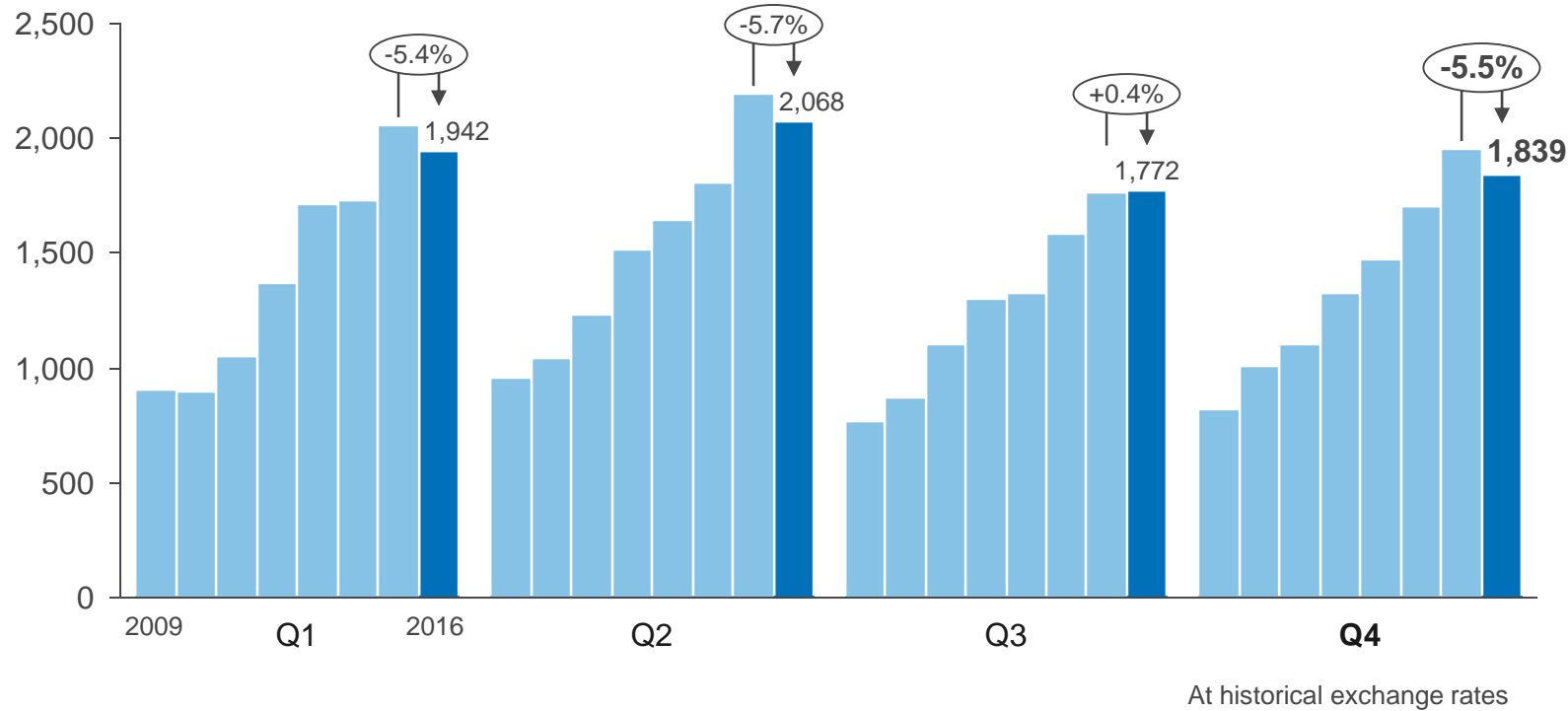
Q4 and 2016 financials

Orders received

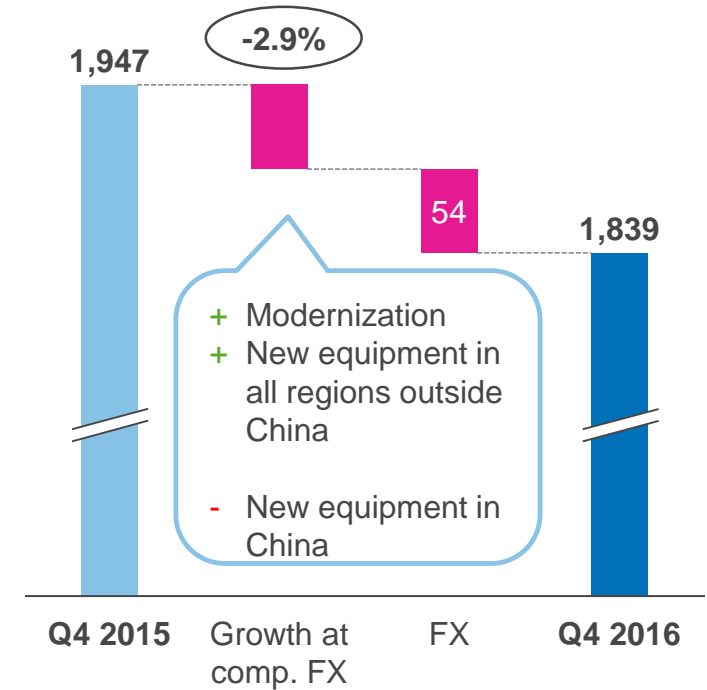


ORDERS RECEIVED GREW IN ALL REGIONS OUTSIDE CHINA BOTH IN Q4 AND FULL YEAR 2016

MEUR



- The relative margin of orders received declined slightly in H2/2016 but remained at a good level

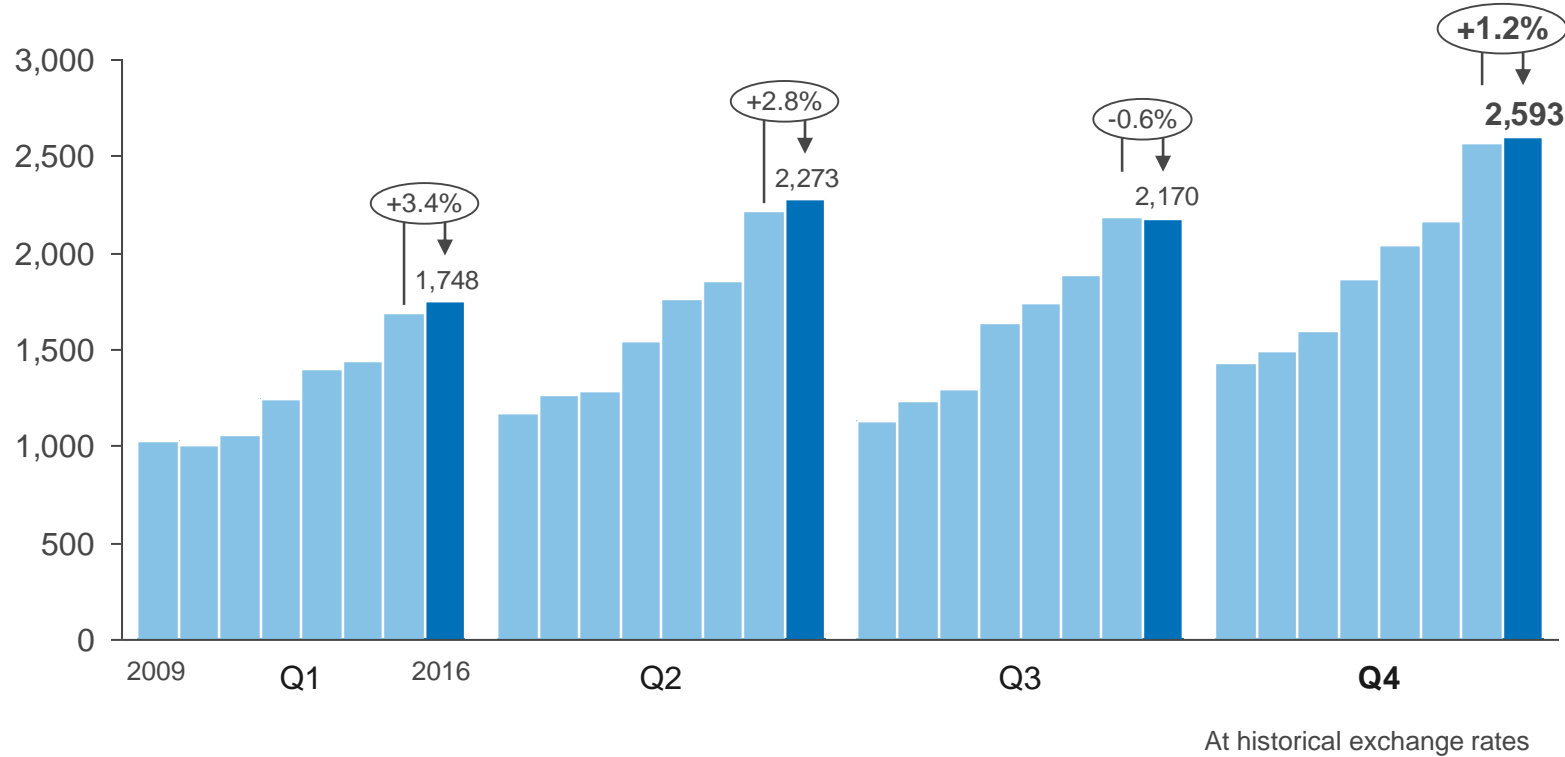


Sales

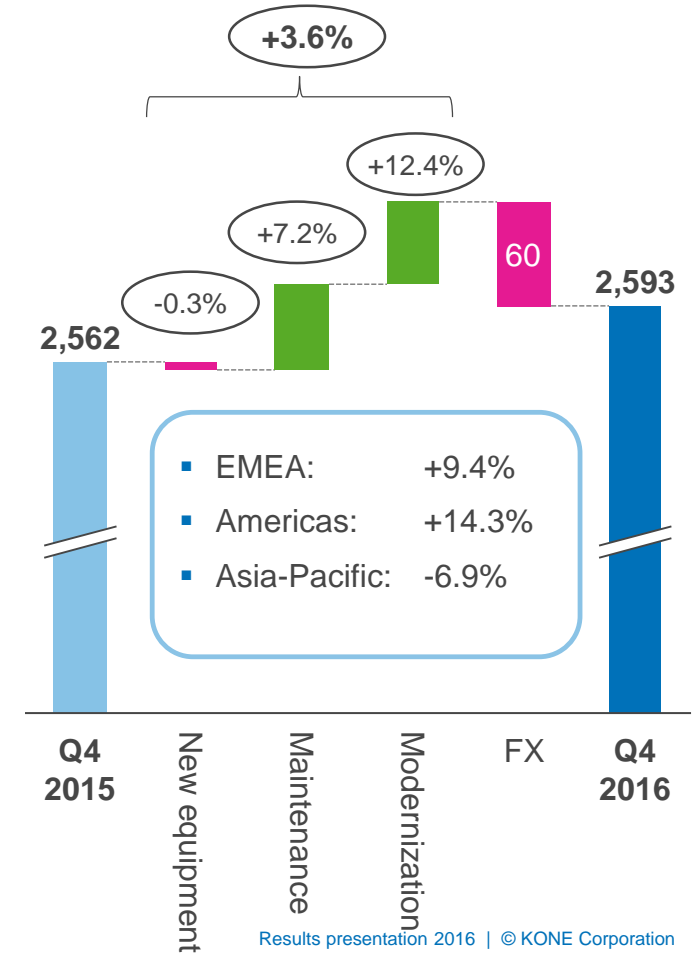


SALES GROWTH DRIVEN BY SERVICE BOTH IN Q4 AND FULL YEAR 2016

MEUR

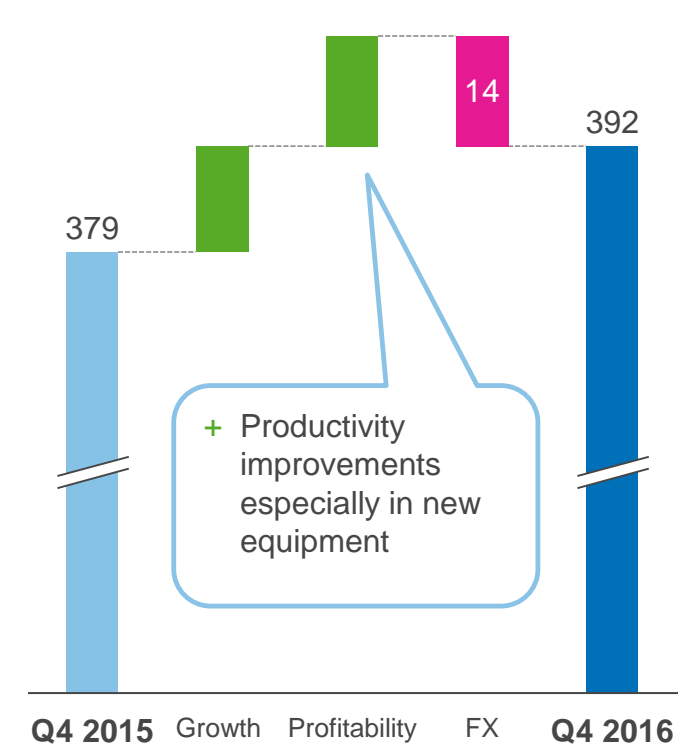
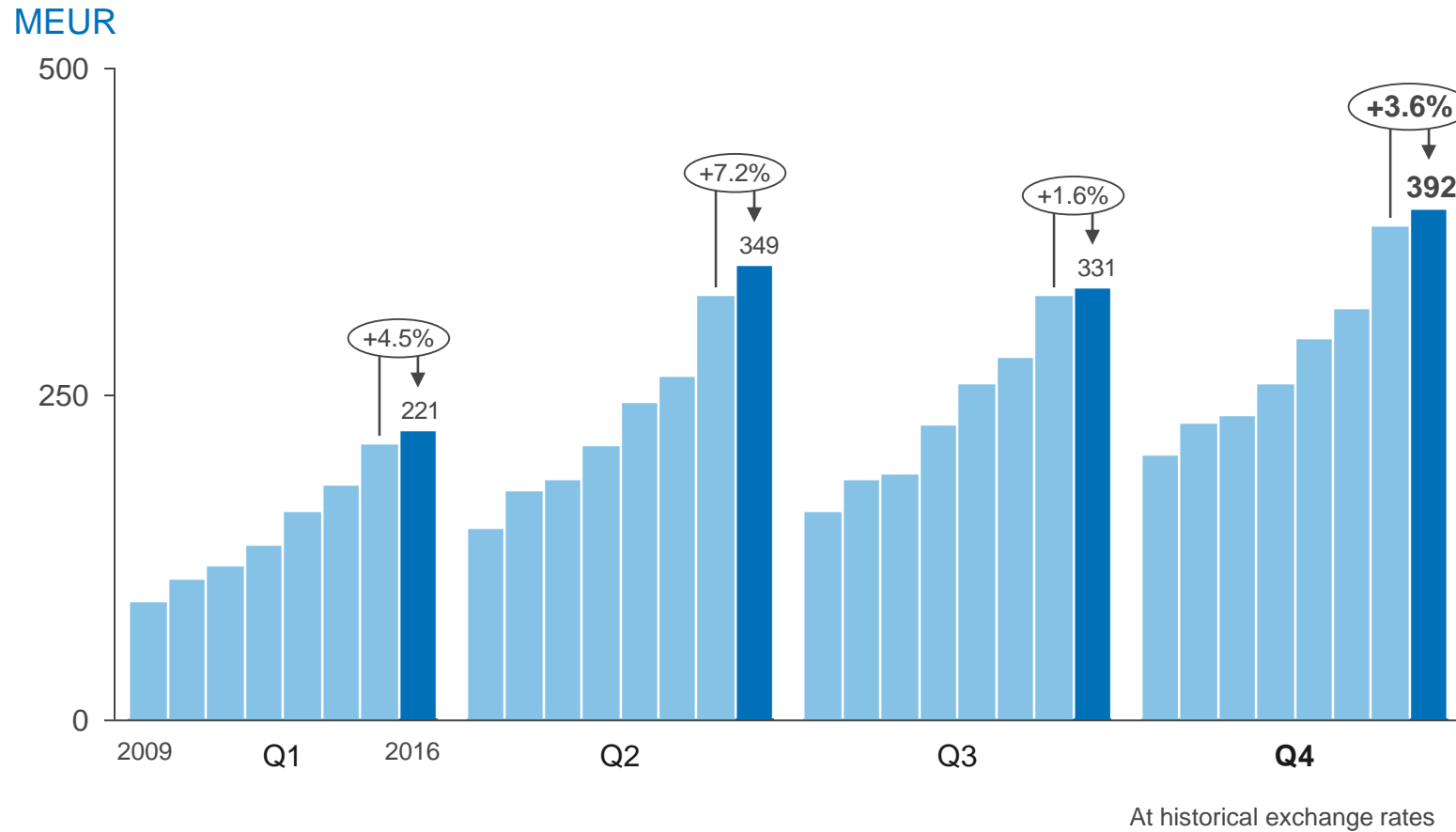


At comparable exchange rates:



Operating income

ALL BUSINESSES CONTRIBUTED TO EBIT GROWTH IN Q4 AND FULL YEAR 2016

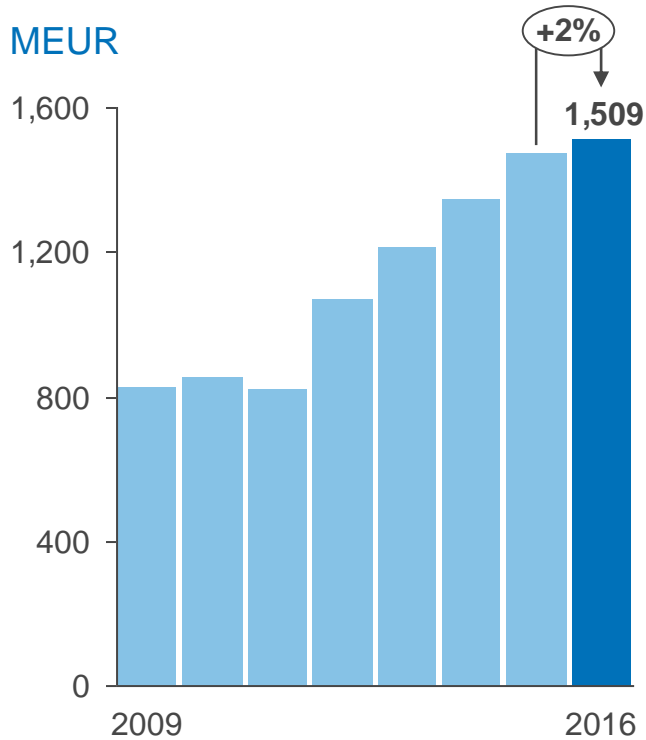


Cash flow 2016

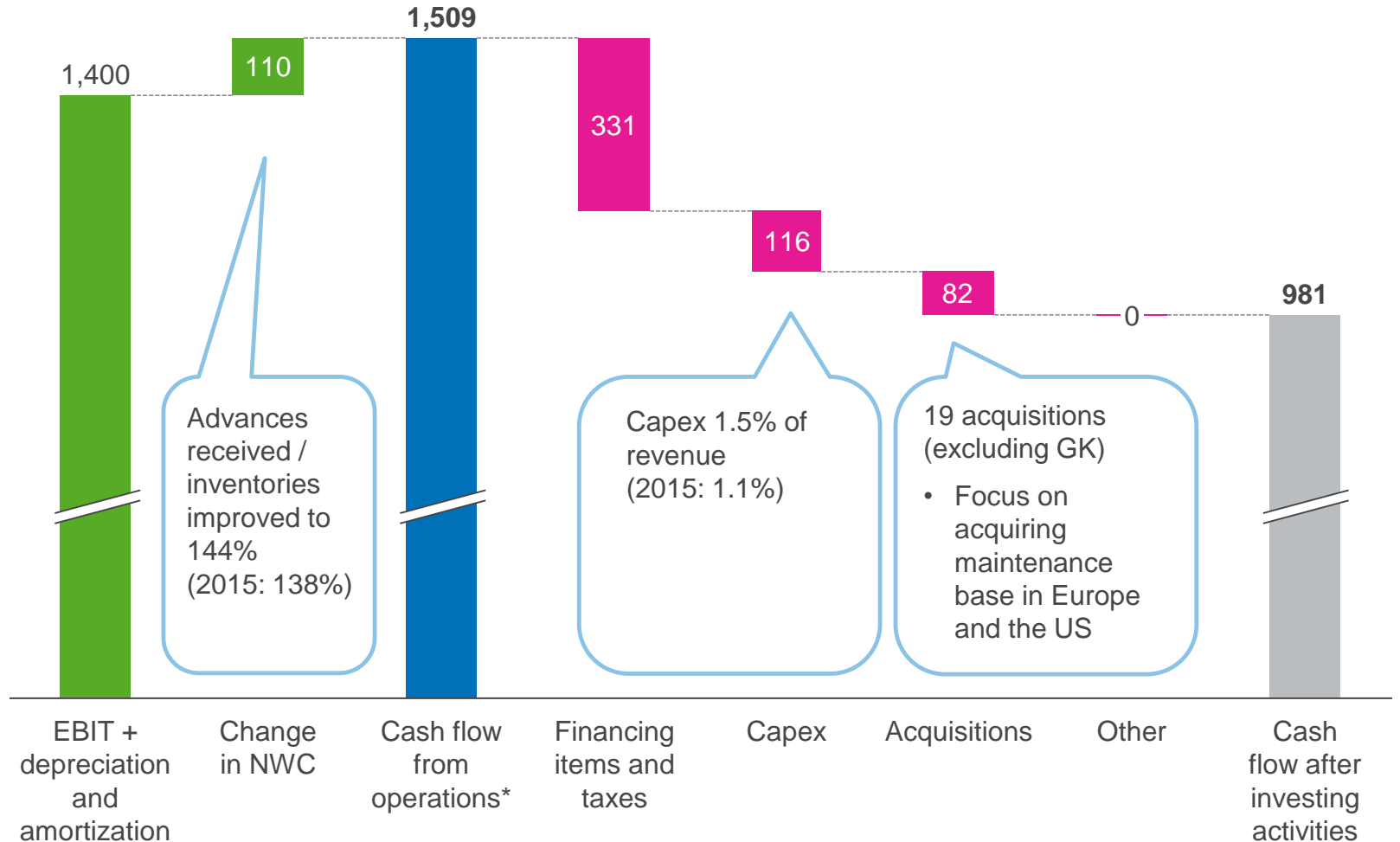


NET WORKING CAPITAL CONTINUED TO CONTRIBUTE POSITIVELY TO CASH FLOW

CASH FLOW FROM OPERATIONS*



*before financing items and taxes





Market and business outlook for 2017

Market outlook for 2017

NEW EQUIPMENT MARKETS

- Asia-Pacific: The market in China is expected to decline by 0–5% in units ordered, intense competition to continue. 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 markets are expected to see the strongest growth rate in Asia-Pacific and to grow slightly also in other regions.

MODERNIZATION MARKETS

- The modernization market is expected to grow slightly in Europe and in North America, and to develop strongly in Asia-Pacific.



Business outlook for 2017

SALES

- KONE's net sales is estimated to grow by -1% to 3% at comparable exchange rates as compared to 2016.

OPERATING INCOME

- The operating income (EBIT) is expected to be in the range of EUR 1,180–1,300 million, assuming that translation exchange rates would remain at approximately the average level of January 2017.





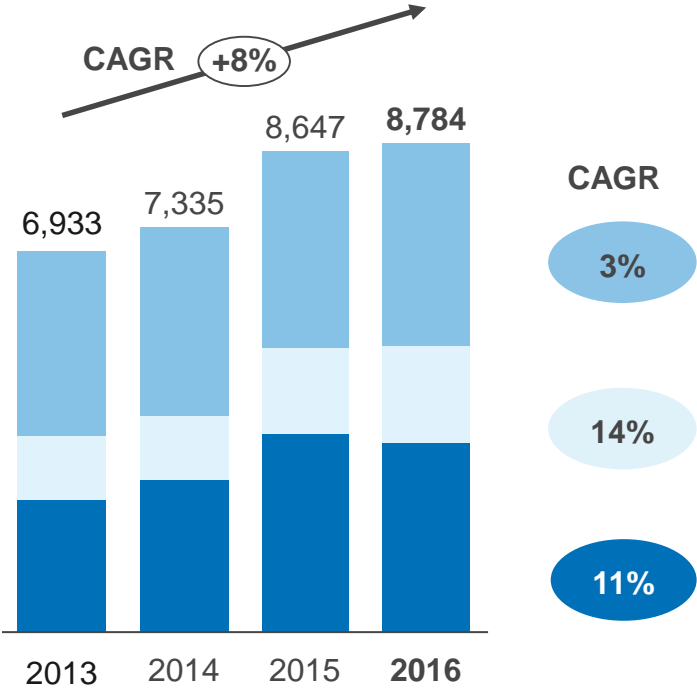
A new phase in
KONE's strategy

Sales and operating income 2013–2016



SALES BY AREA

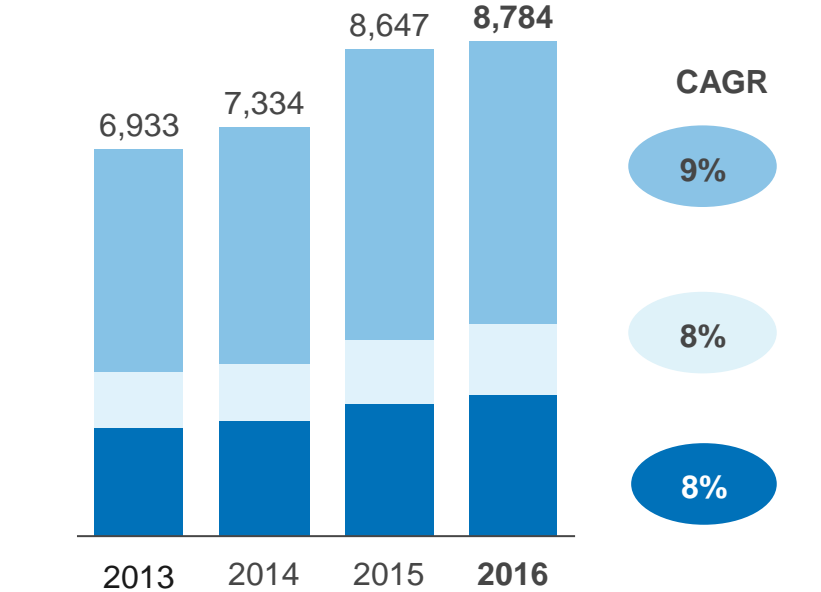
MEUR



EMEA Americas Asia-Pacific

SALES BY BUSINESS

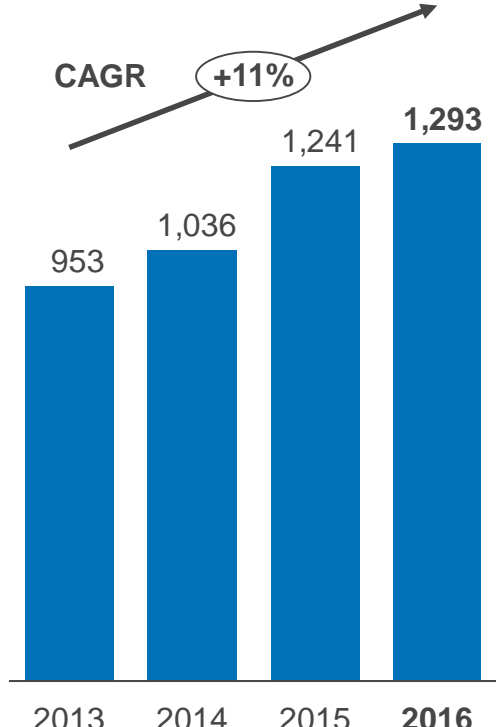
MEUR



New equipment Modernization Maintenance

OPERATING INCOME

MEUR



Achievements from Development Programs 2014-2016



COMPETITIVENESS IMPROVED AND GROWTH IN SERVICES ACCELERATED

First in Customer Loyalty

A clear improvement in customer loyalty through actions on customer communication and interactions

A Winning Team of True Professionals

Improved employee engagement. Close to 100% coverage of individual development plans. E-learning platform in active use

The Most Competitive People Flow Solutions

Faster than market growth with improved profitability. Improved competitiveness of product offering. Good ramp-up of PFI sales

Preferred Maintenance Partner

Solid growth. New online tools for customers and technicians to support new services. Encouraging results from new service concepts

Top Modernization Provider

Accelerated growth in modernization by proactive sales approach and improved competitiveness of offering

We are entering a new phase in our strategy



Capitalize on new technologies to add value for customers in new ways

Cater to changing customer expectations

Drive smart and sustainable urbanization



Increased differentiation

Higher speed of bringing new services and solutions to market

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

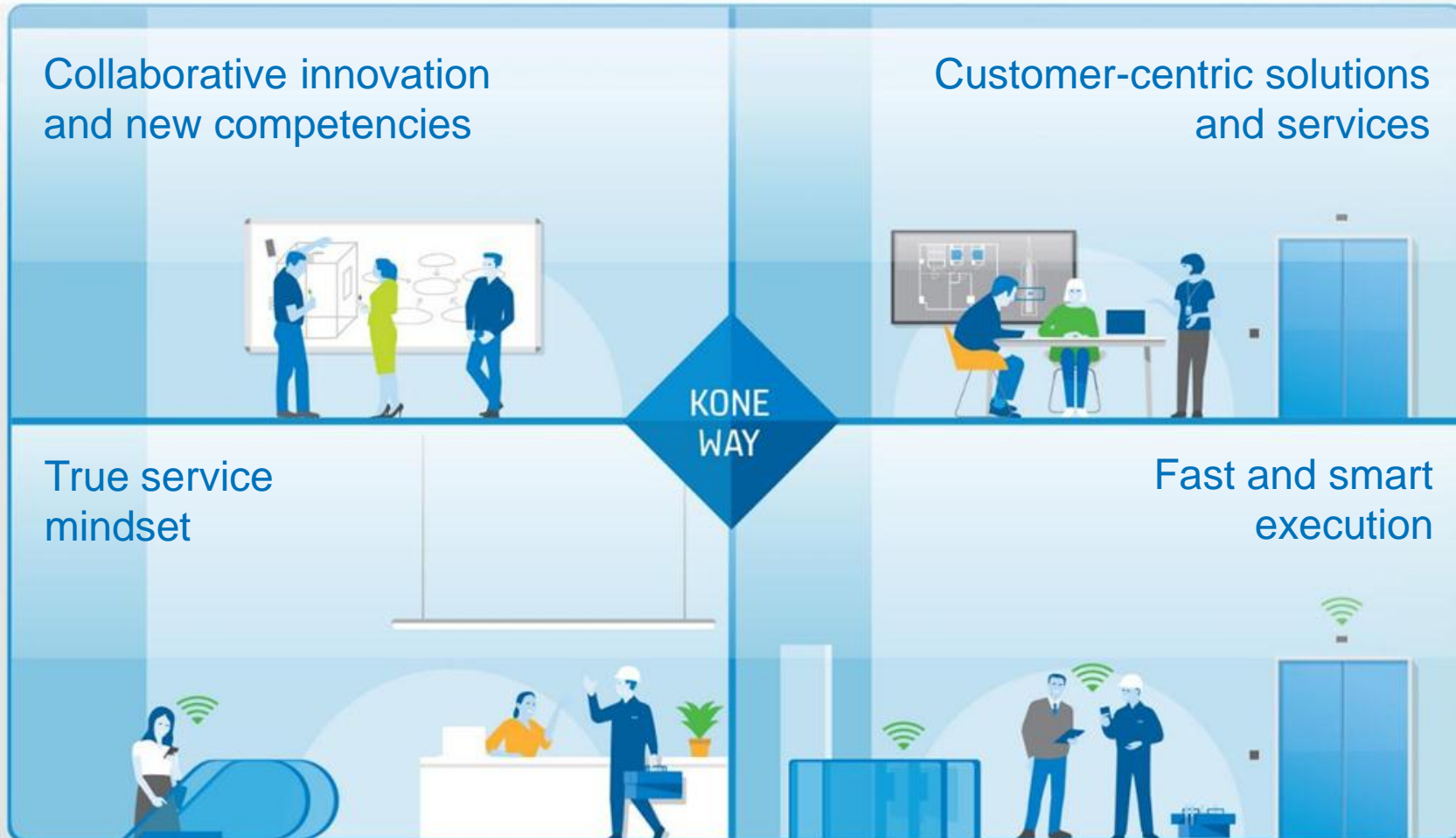
Winning
together

How do we bring our strategy to life?



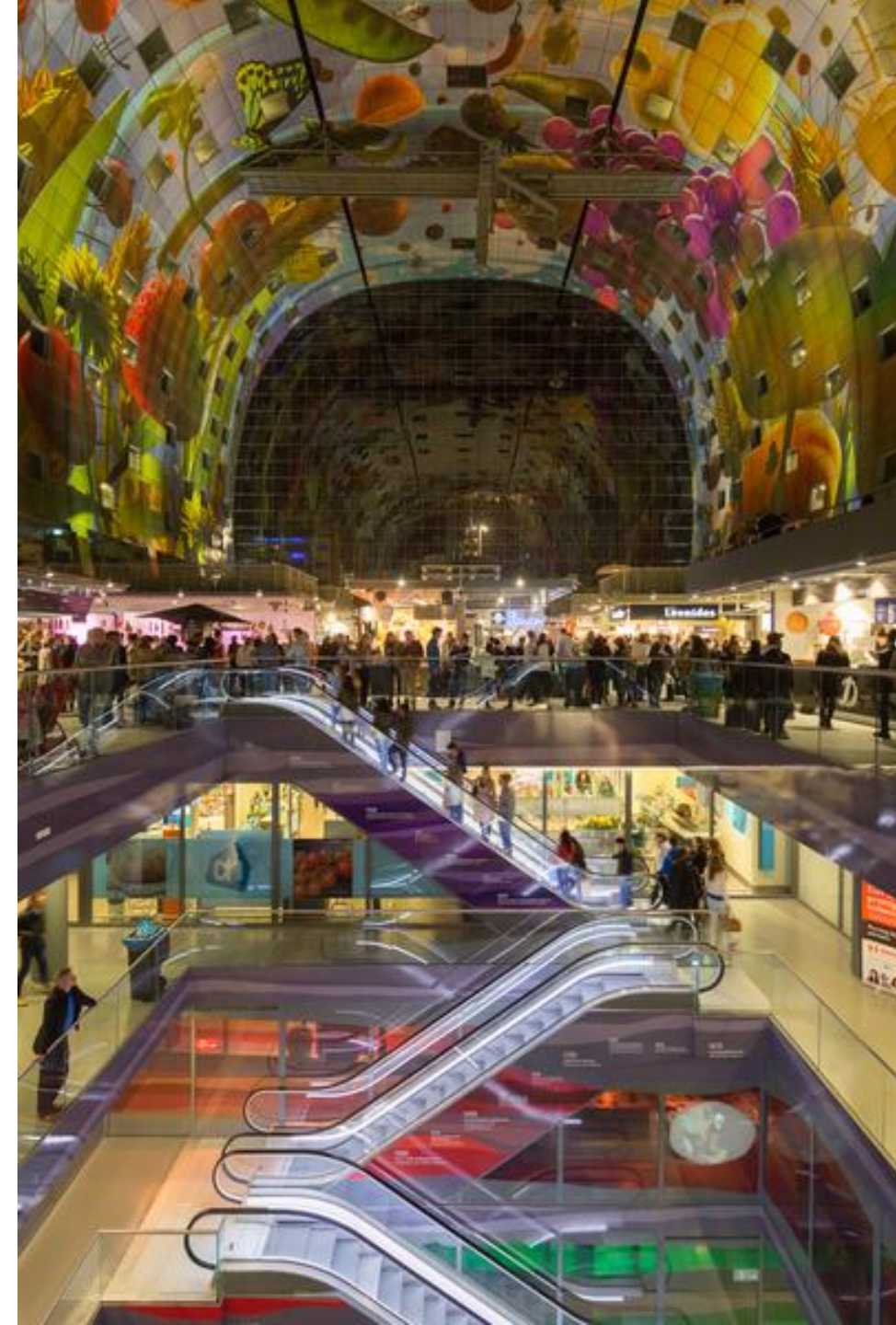
WE INTRODUCE FOUR WAYS TO WIN WITH OUR CUSTOMERS
OUR AIM IS TO PROVIDE EASE, EFFECTIVENESS AND EXPERIENCES TO USERS AND CUSTOMERS

→ Ways to Win



We are improving the flow of urban life

- 2016 another strong year for KONE
- New strategic phase: increased differentiation and stronger customer-centricity
- Technological disruption and connectivity bring opportunities to create value to our customers in new ways
- We are in a strong position to drive the change with a challenger mindset



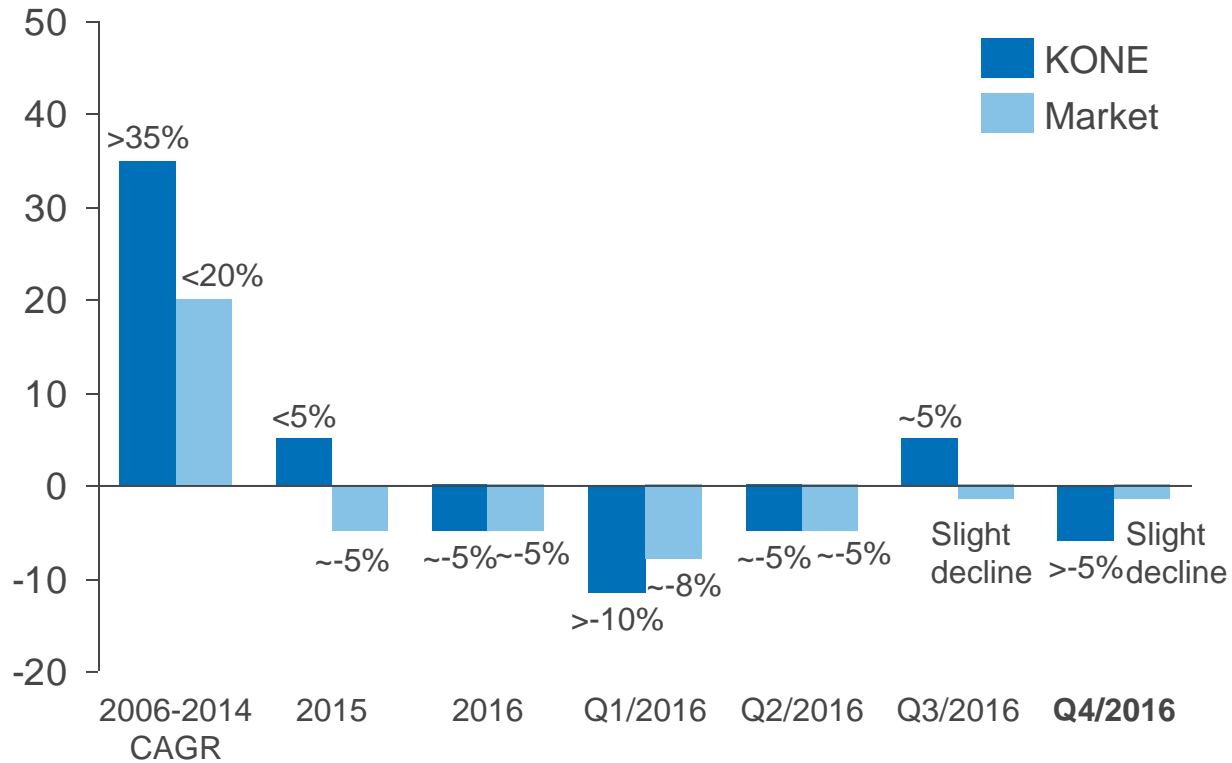
Dedicated to People Flow™



APPENDIX

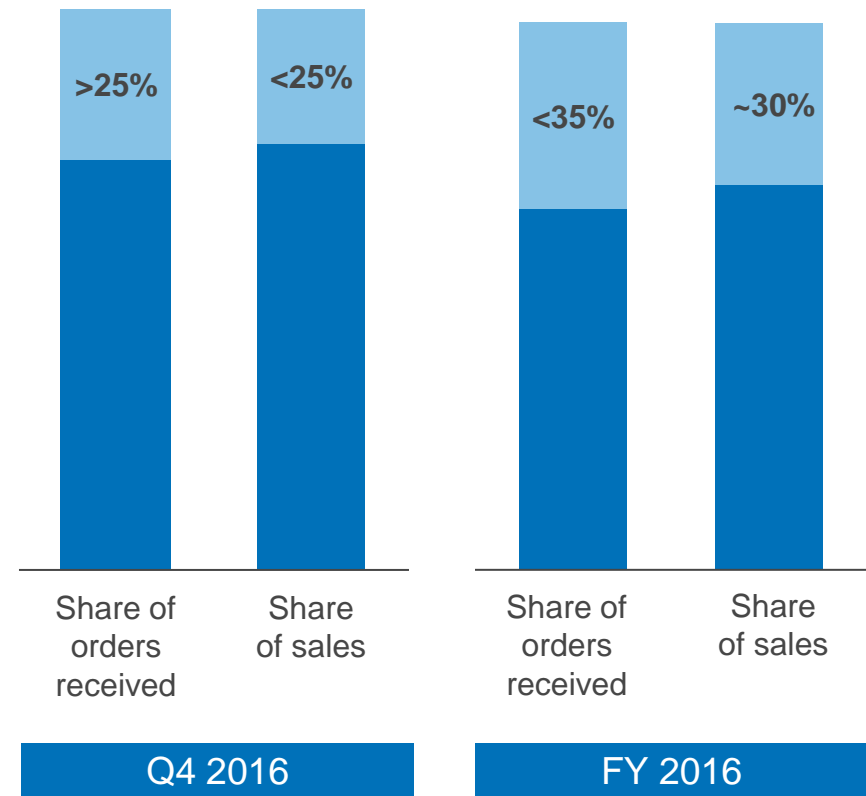
NEW EQUIPMENT MARKET

New equipment orders received in units vs. market development



CHINA'S SHARE OF KONE'S ORDERS AND SALES

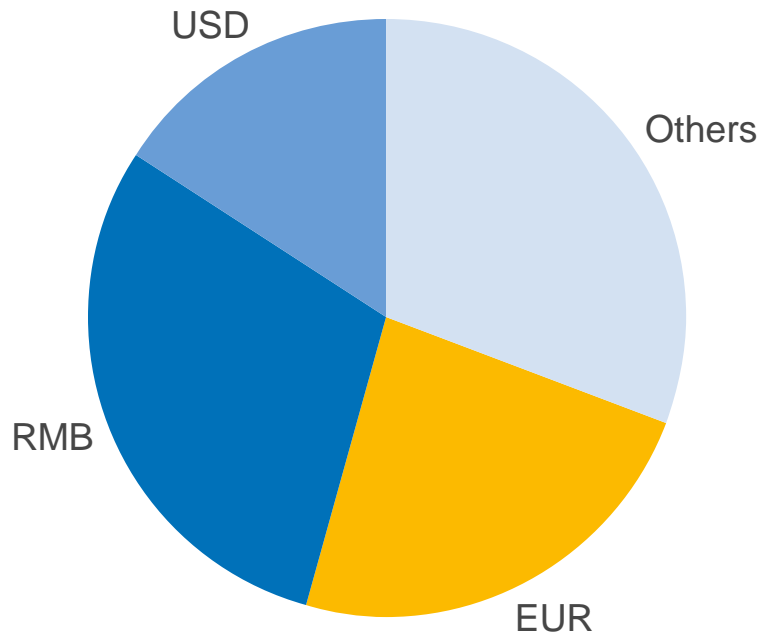
In monetary value



Currencies



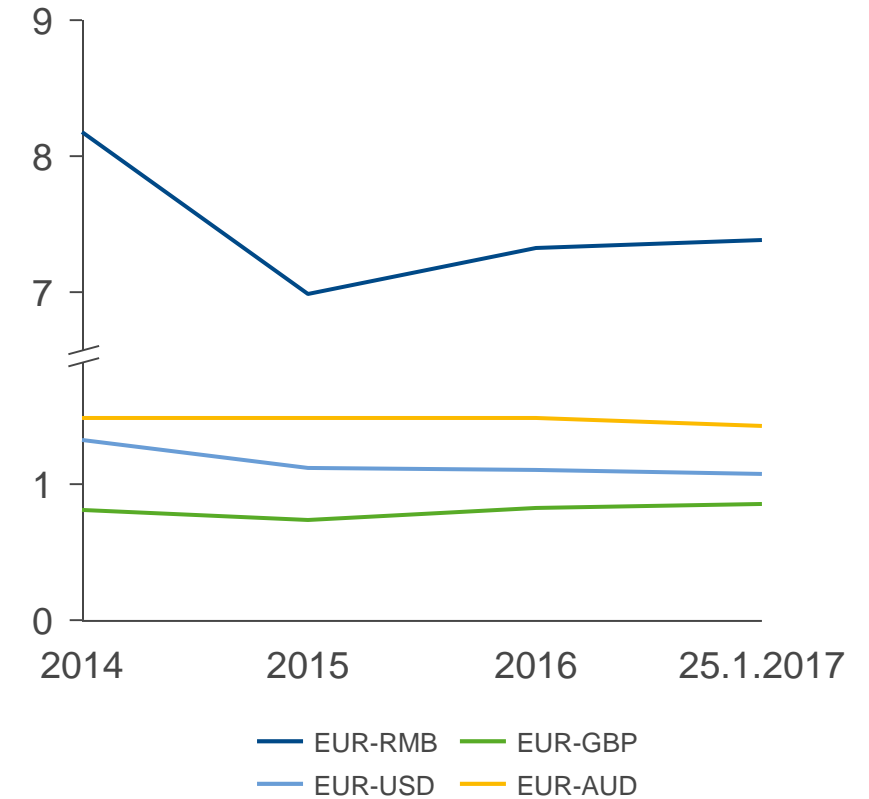
SALES BY CURRENCY 1-12/2016



CURRENCY IMPACT

(MEUR)	Q4	2016
Sales	-60	-195
EBIT	-14	-44
Orders received	-54	-211

MAIN CURRENCIES, AVERAGE RATES



Q4 2016 Balance sheet – assets employed



MEUR	Dec 31, 2016	Dec 31, 2015
Assets employed		
Goodwill	1,371.8	1,306.7
Other intangible assets	292.9	271.5
Tangible assets	368.3	345.4
Investments	129.9	122.7
Net working capital	-1,054.8	-983.4
Assets employed total	1,108.0	1,062.9
Financed by		
Equity	2,795.6	2,575.5
Net debt	-1,687.6	-1,512.6
Equity and net debt total	1,108.0	1,062.9

Q4 2016 Net working capital



MEUR

Net working capital

Inventories

1,373.5

1,326.7

Advance payments received

-1,976.9

-1,829.4

Accounts receivable

1,573.7

1,480.2

Other non-interest-bearing assets

429.8

434.0

Net deferred tax assets / liabilities

-1,692.5

158.8

Provisions

-183.2

-173.6

Accounts payable

-743.3

-728.9

Other non-interest-bearing liabilities

164.1

-1,651.3

Net working capital total

-1,054.8

-983.4

Q4 2016 Consolidated cash flow



MEUR	10–12/2016	10–12/2015	1–12/2016	1–12/2015
Operating income	392.2	378.5	1,293.3	1,241.5
Change in working capital before financing items and taxes	-10.9	-0.6	109.7	132.3
Depreciation and amortization	28.6	25.6	106.5	100.0
Cash flow from operations before financing items and taxes	409.8	403.5	1,509.5	1,473.7
Financing items and taxes	-92.7	32.2	-331.0	-27.0
Cash flow from operating activities	317.1	435.7	1,178.4	1,446.7
Investing activities	-37.5	-41.3	-197.6	-155.0
Purchase of own shares	0.0	-	-39.3	-71.2
Increase in equity (option rights)	6.9	0.2	18.4	13.5
Profit distribution	0.0	-	-718.2	-616.3
Changes in non-controlling interest	-0.2	-	-26.7	-18.4
Free cash flow	286.3	394.6	214.9	599.5