

A woman with brown hair, wearing a dark grey blazer over a white collared shirt and a black beaded necklace, is looking down at a smartphone in her hands. She is standing in front of a dark grey elevator panel. The panel features a vertical line of white icons: a person, a square with an upward arrow, and a clock. A white circle highlights the smartphone, with a line connecting it to the person icon on the panel. The elevator panel also has a "KONE" logo and a numeric keypad with buttons for 11, 12, 9, 10, 7, 8, 5, 6, 3, and 4.

KONE Result presentation 2017

JANUARY 25, 2018

HENRIK EHRNROOTH, PRESIDENT & CEO

ILKKA HARA, CFO

Q4 2017 Highlights

- Orders received grew in all regions and their margin stabilized in the fourth quarter
- Profitability burdened by several headwinds. Actions to counter the headwinds starting to show results
- Roll-out of new services gained momentum
- Dividend proposal EUR 1.65 per class B share



Q4 2017 Key figures



ORDERS RECEIVED AND SALES GREW IN ALL REGIONS AND IN ALL BUSINESSES - EBIT MARGIN DECLINED

		Q4/2017	Q4/2016	Change	Comparable change
Orders received	MEUR	1,845.8	1,839.2	0.4%	5.3%
Order book	MEUR	8,240.2	8,591.9	-4.1%	3.1%
Sales	MEUR	2,656.9	2,593.2	2.5%	6.8%
Operating income (EBIT)	MEUR	365.7	392.2	-6.8%	
Operating income margin (EBIT %)	%	13.8	15.1		
Adjusted EBIT	MEUR	375.6	392.2	-4.2%	
Adjusted EBIT margin	%	14.1	15.1		
Cash flow from operations (before financing items and taxes)	MEUR	335.0	409.8		
Basic earnings per share	EUR	0.55	0.58		

1–12/2017 Key figures



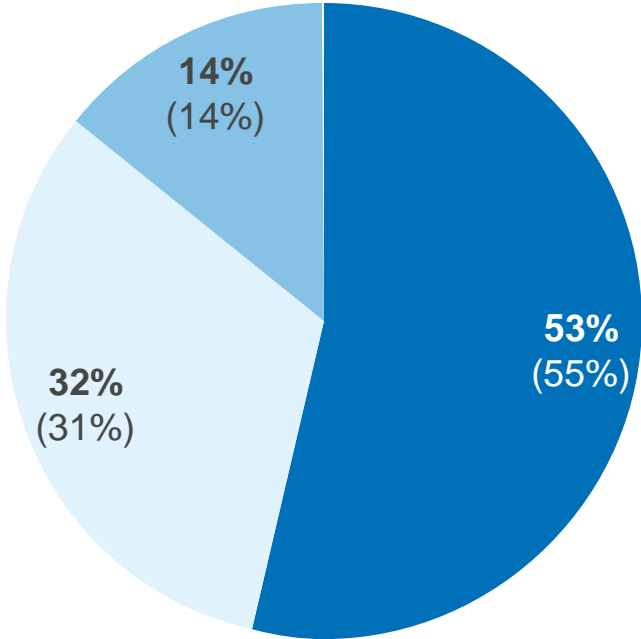
ORDERS RETURNED TO GROWTH - SEVERAL HEADWINDS IMPACTED THE RESULT

		1–12/2017	1–12/2016	Change	Comparable change
Orders received	MEUR	7,554.0	7,621.0	-0.9%	1.7%
Order book	MEUR	8,240.2	8,591.9	-4.1%	3.1%
Sales	MEUR	8,942.4	8,784.3	1.8%	4.2%
Operating income (EBIT)	MEUR	1,217.1	1,293.3	-5.9%	
Operating income margin (EBIT %)	%	13.6	14.7		
Adjusted EBIT	MEUR	1,230.3	1,293.3	-4.9%	
Adjusted EBIT margin	%	13.8	14.7		
Cash flow from operations (before financing items and taxes)	MEUR	1,263.3	1,509.5		
Basic earnings per share	EUR	1.89	2.00		

1–12/2017 Sales split

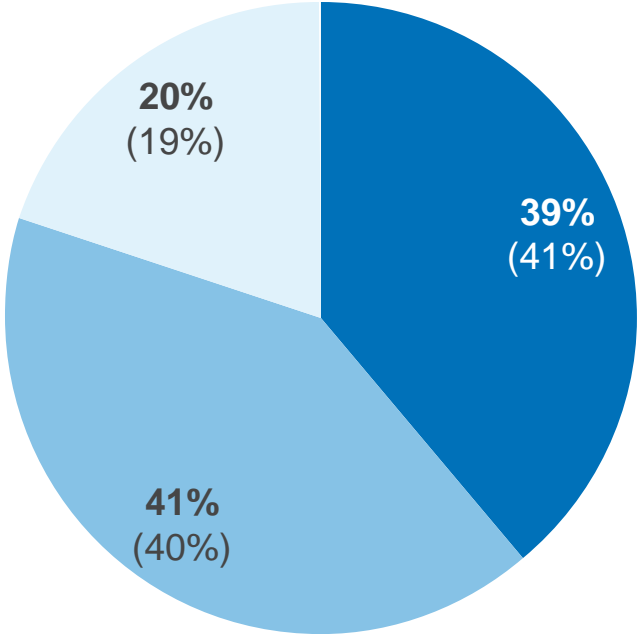
SHARE OF SERVICES AND THE AMERICAS AND EMEA REGIONS CONTINUED TO GROW

BY BUSINESS



■ New equipment ■ Maintenance ■ Modernization

BY AREA



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

1–12/2016 figures in brackets.
 Figures in charts are rounded and at historical exchange rates.

Business highlights in 2017



- Actions to offset the margin headwinds started to show positive results
- Solid development in the service business with continued strong growth in China
- We invested more than ever in innovation and new technologies
- We revolutionized elevator maintenance with the flexible KONE Care and 24/7 Connected services
- Our Winning with Customers strategy is resonating positively with both employees and customers
- Accelerate program progressing, the aim is to speed up the execution of the strategy

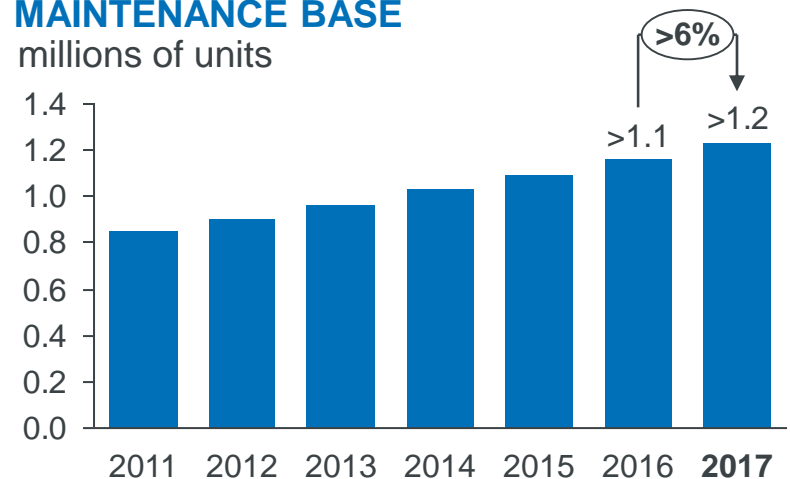
NEW EQUIPMENT

Orders received (units): ~158,000
(2016: ~158,000)

Units delivered: ~141,000
(2016: ~136,000)

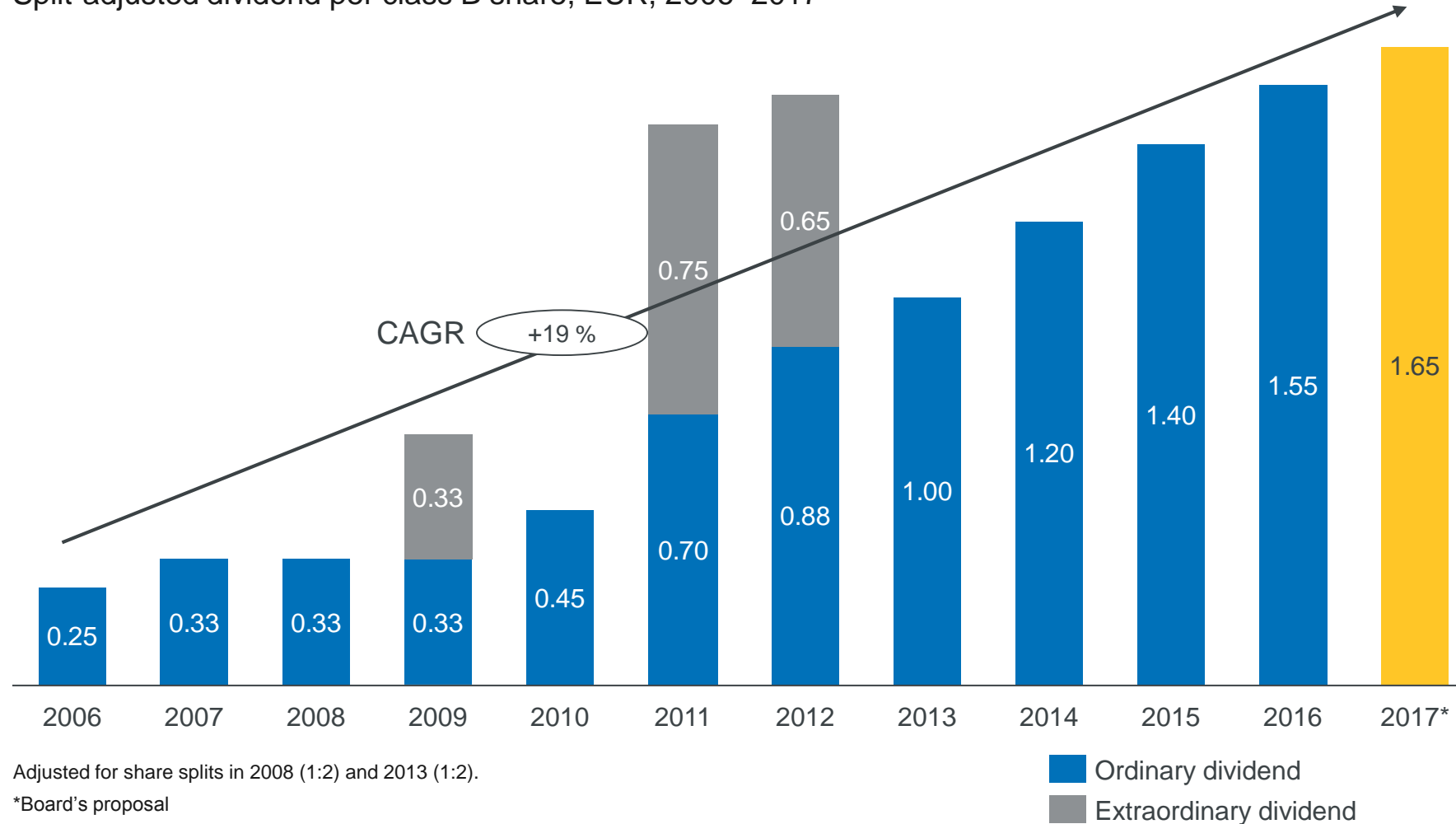
MAINTENANCE BASE

millions of units



Dividend proposal: EUR 1.65 per class B share

Split-adjusted dividend per class B share, EUR, 2006–2017



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

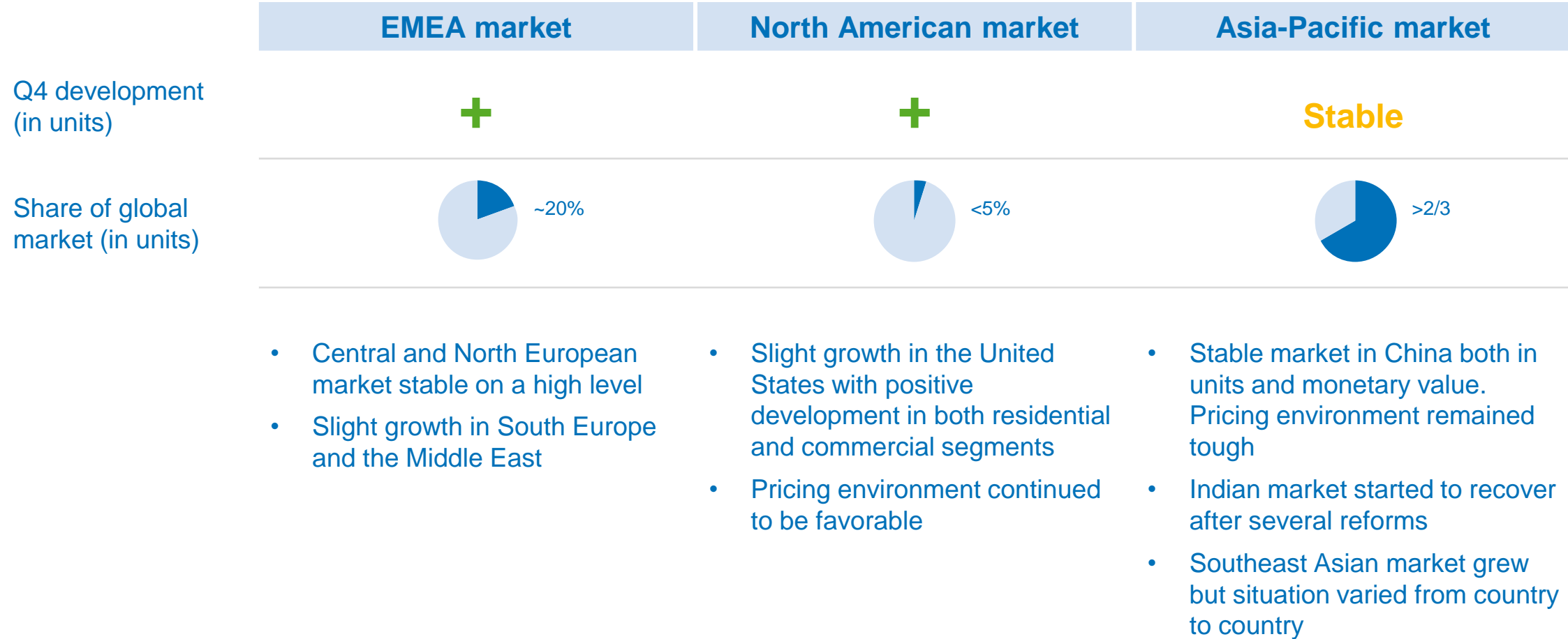


Market development

New equipment market development in Q4



GLOBAL NEW EQUIPMENT MARKET GREW SLIGHTLY IN UNITS ORDERED



Chinese property market

Government measures cooling down the housing market



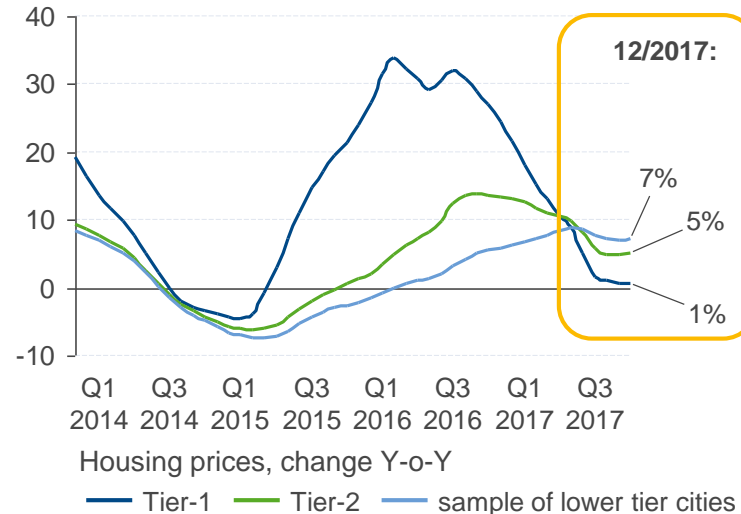
Housing inventories

- Inventories relatively low in higher-tier cities but still somewhat elevated in lower-tier cities



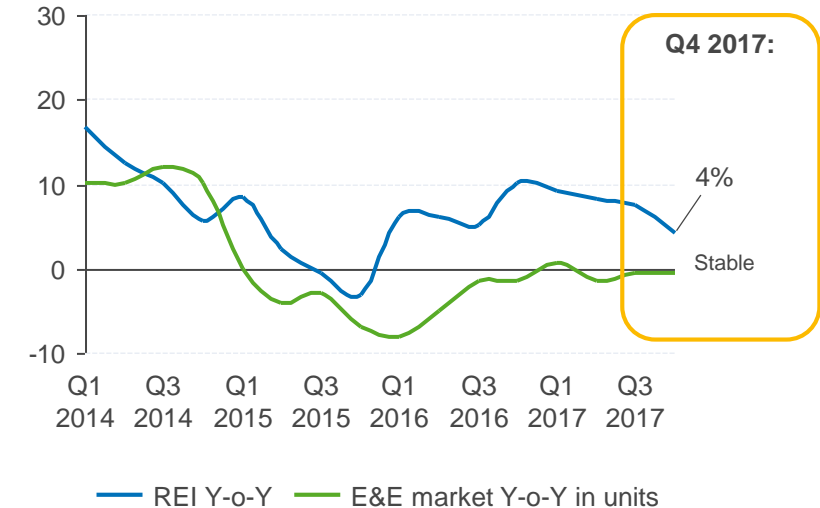
Housing sales and prices

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



E&E market

- Growth in real estate investment has slowed down slightly
- Consolidation among property developers continues
- E&E demand relatively stable in 2017



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

Service market development in Q4



GROWTH CONTINUED 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"> Slight growth across the region 	<ul style="list-style-type: none"> Pricing environment favorable 	<ul style="list-style-type: none"> Strong market growth

An aerial night view of a dense city skyline, likely Hong Kong, with numerous high-rise buildings illuminated by city lights. The left side of the image is overlaid with a semi-transparent blue filter. The text "Q4 and 2017 financials" is displayed in white on the blue background.

Q4 and 2017 financials

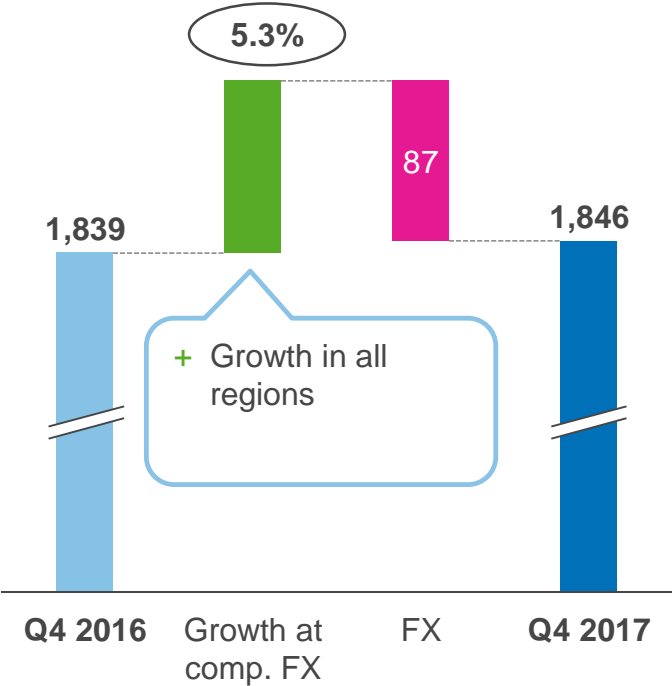
Orders received



ORDERS RECEIVED GREW IN ALL REGIONS AT COMPARABLE EXCHANGE RATES IN Q4 2017



- The margin of orders stabilized in Q4 2017

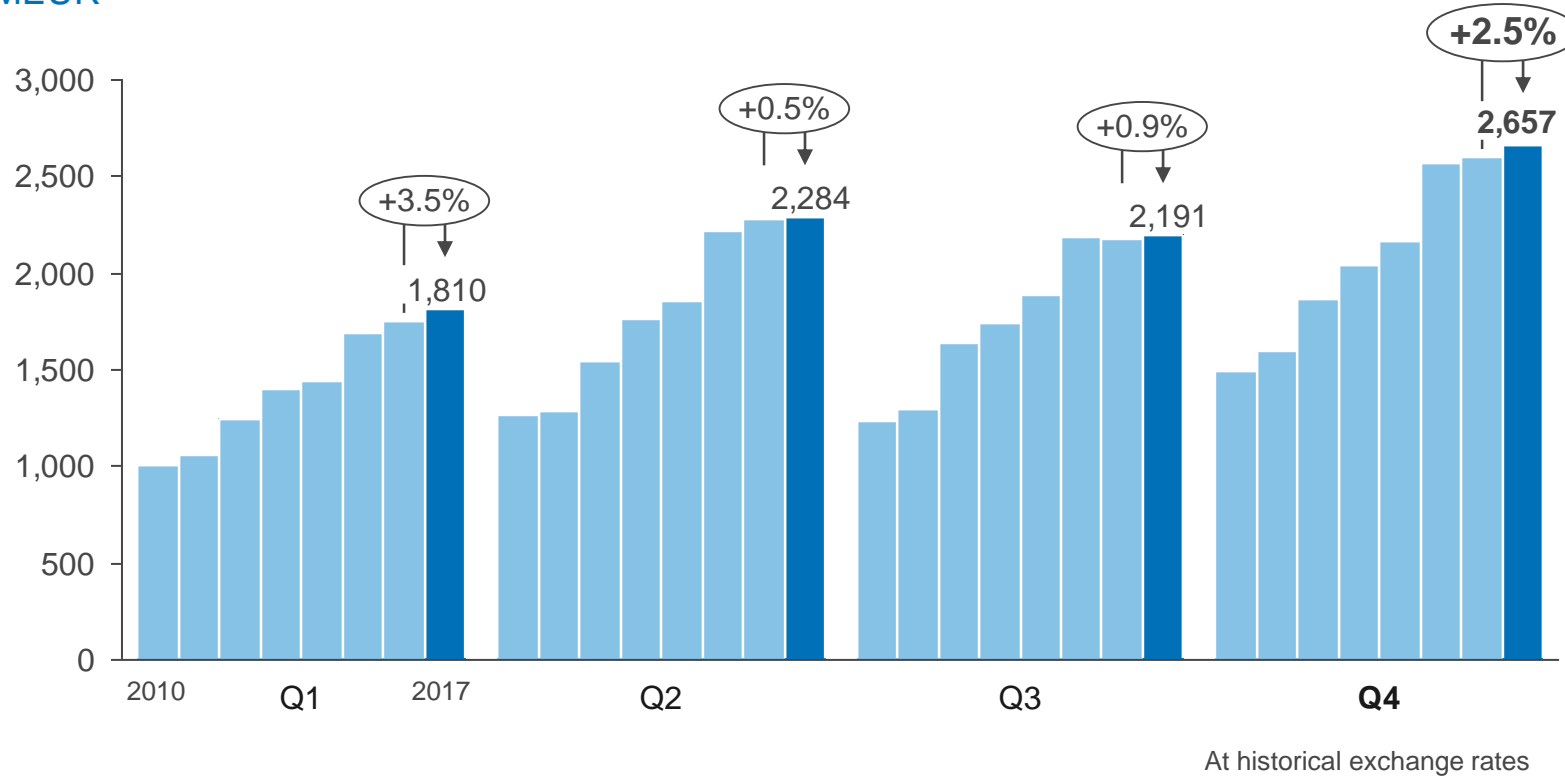


Sales

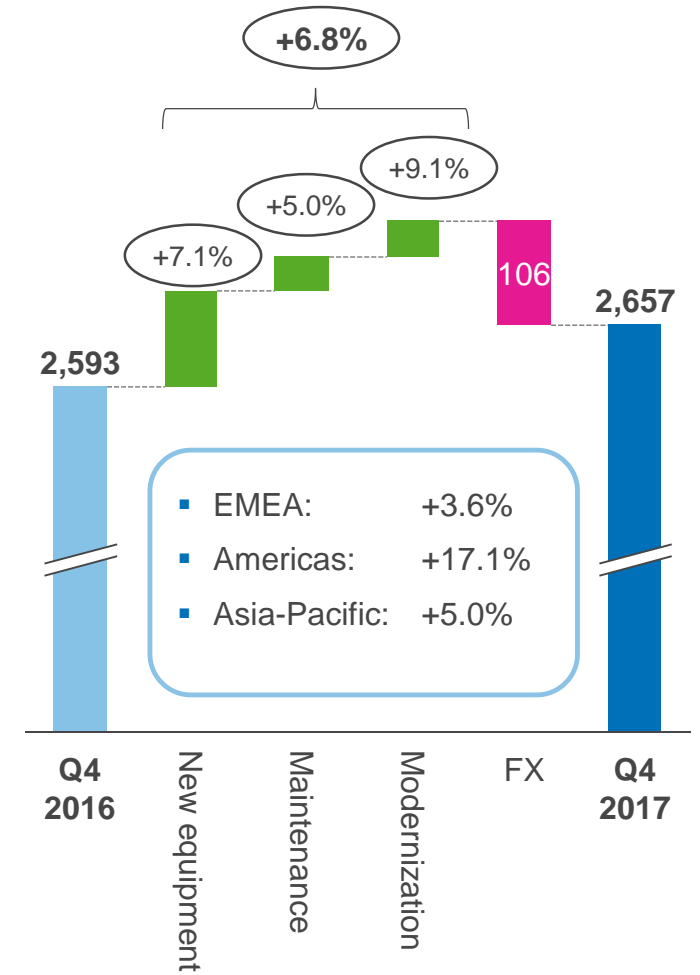


SALES GREW IN ALL BUSINESSES AND IN ALL REGIONS IN Q4 2017

MEUR



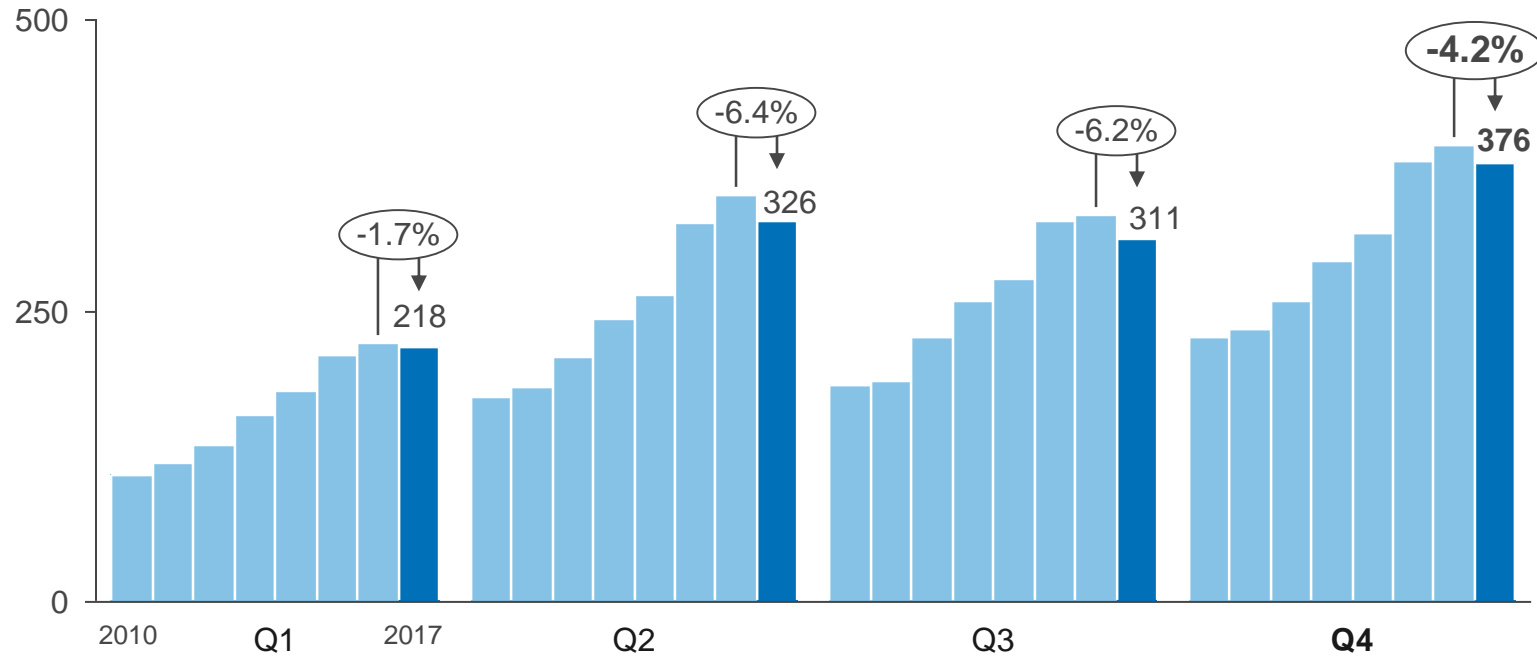
At comparable exchange rates:



EBIT

EBIT MARGIN STILL BURDENED BY SEVERAL HEADWINDS IN Q4 2017

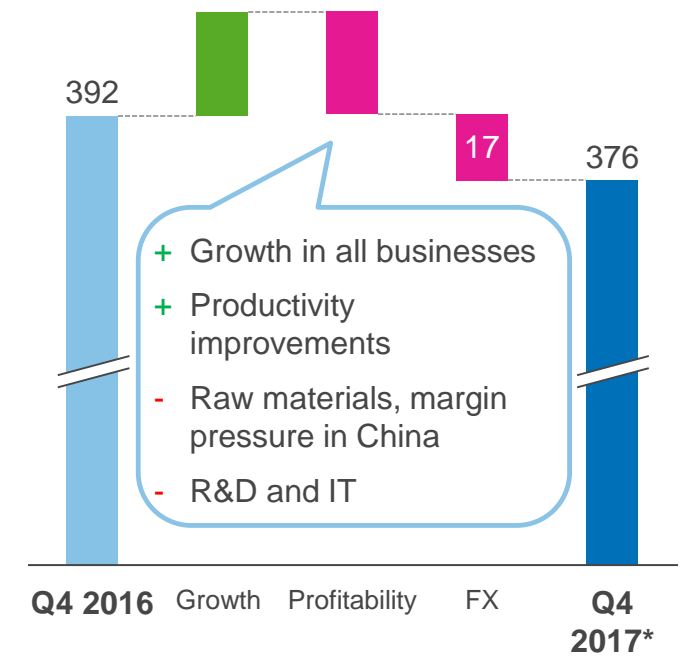
ADJUSTED EBIT*, MEUR



At historical exchange rates

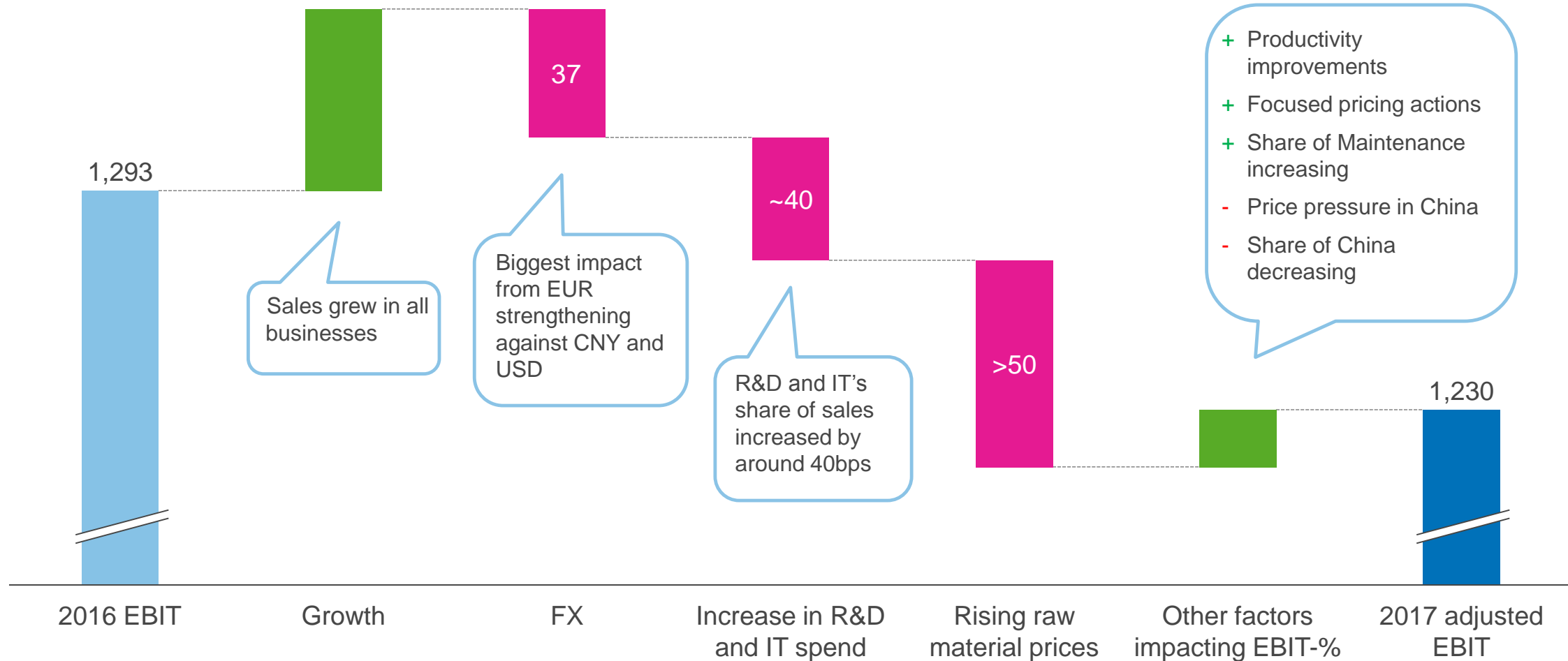
* Adjusted EBIT was introduced in September 2017. Adjusted EBIT excludes restructuring costs related to the Accelerate program.

- Restructuring costs related to the Accelerate program were EUR 10 million in Q4 2017



2017 EBIT bridge

SEVERAL FACTORS BURDENED THE PROFITABILITY IN 2017

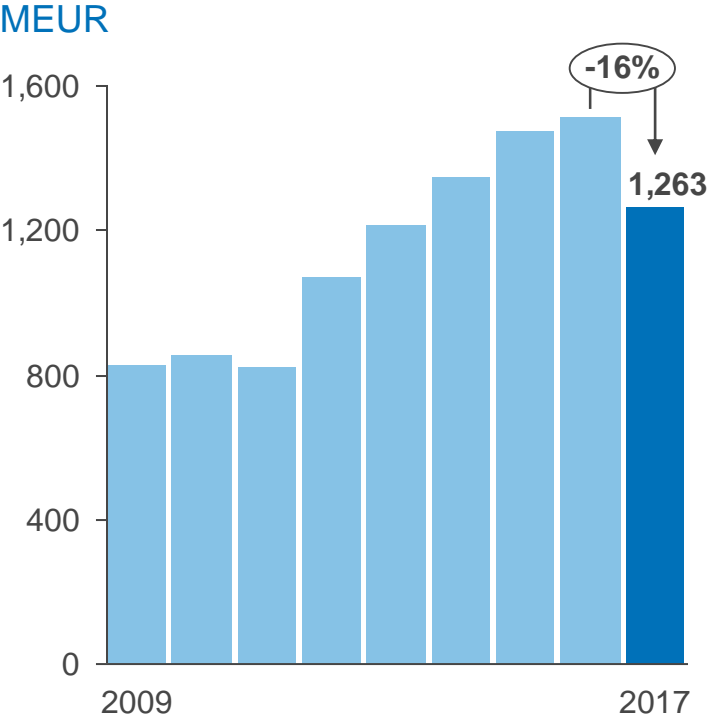


Cash flow 2017

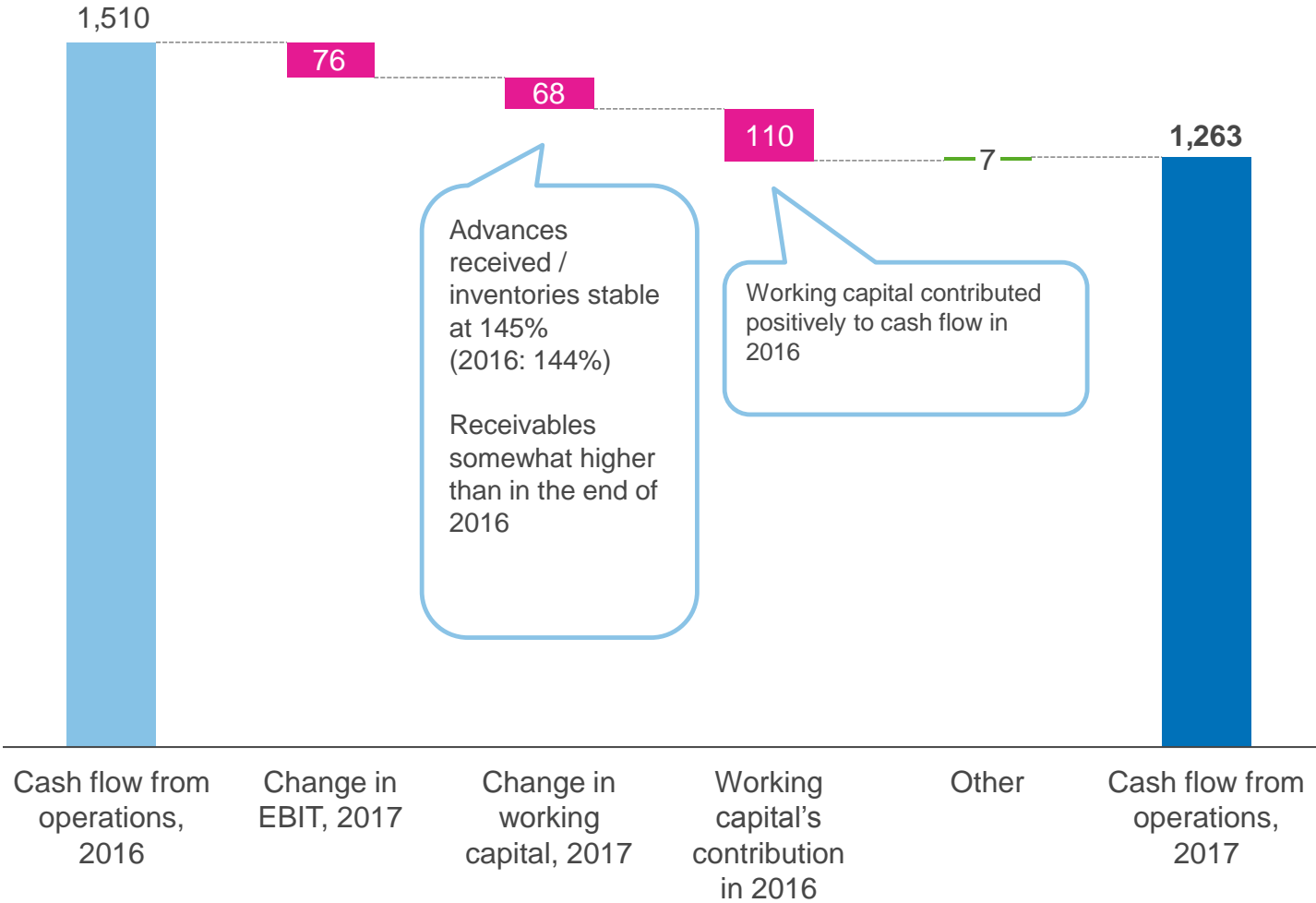


CASH FLOW WAS SOLID BUT BELOW THE STRONG LEVEL OF RECENT YEARS

CASH FLOW FROM OPERATIONS*



*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 at around a similar rate as in 2017 at comparable exchange rates.

Adjusted EBIT margin

- The adjusted EBIT margin is expected to continue to decline in 2018 as witnessed in 2017. However, the margin pressure 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

- Margin pressure in earlier orders received from intense competition in China and higher raw material prices
- Foreign exchange rates (approx. MEUR -40)

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

Our strategy is delivering results and we are accelerating the execution of the strategy

Good momentum in developing new customer-centric solutions

TO GET FULL BENEFITS WE NEED TO
ACCELERATE THE PROGRESS

New strategy well-received by customers and employees



Winning with Customers

BRINGING OUR NEW STRATEGY ALIVE TOGETHER WITH OUR CUSTOMERS



We don't just transport people within buildings – we want to give them the best experience



We help our customers differentiate and improve their businesses



Summary

- Sales growth continues
- The actions to counter the margin headwinds are already showing positive results
- Our latest solutions and services resonate well with customers – strengthened differentiation



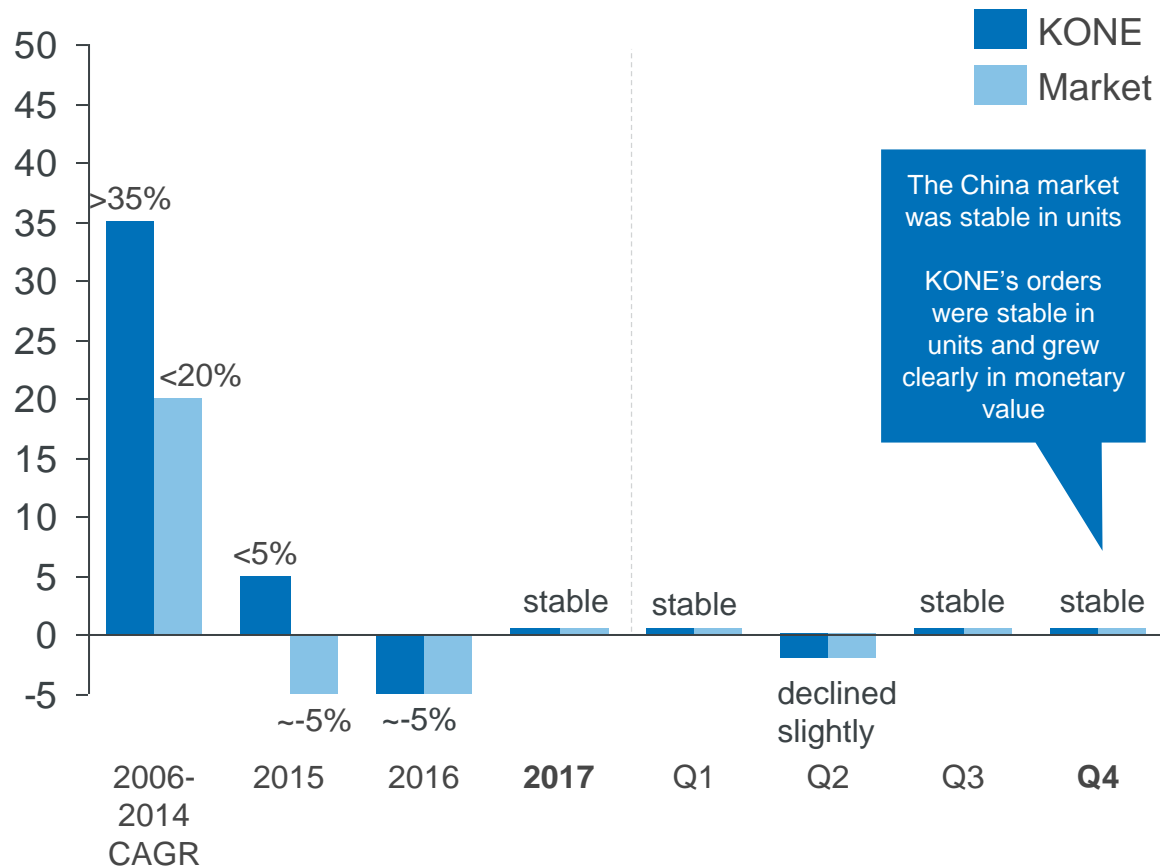
Dedicated to People Flow™



APPENDIX

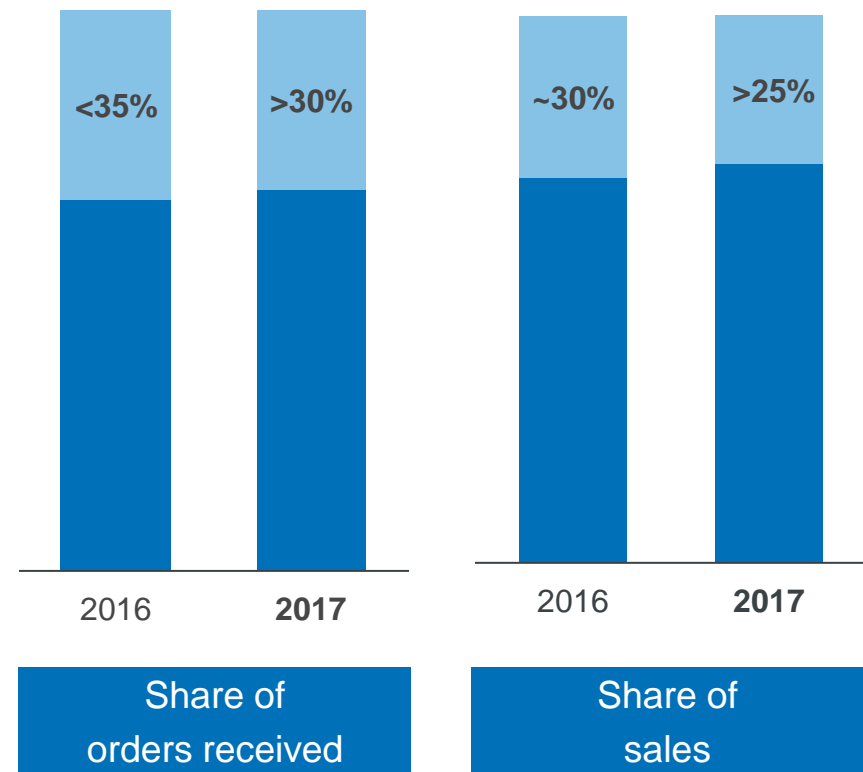
NEW EQUIPMENT MARKET

New equipment orders received in units vs. market development



CHINA'S SHARE OF KONE'S ORDERS AND SALES

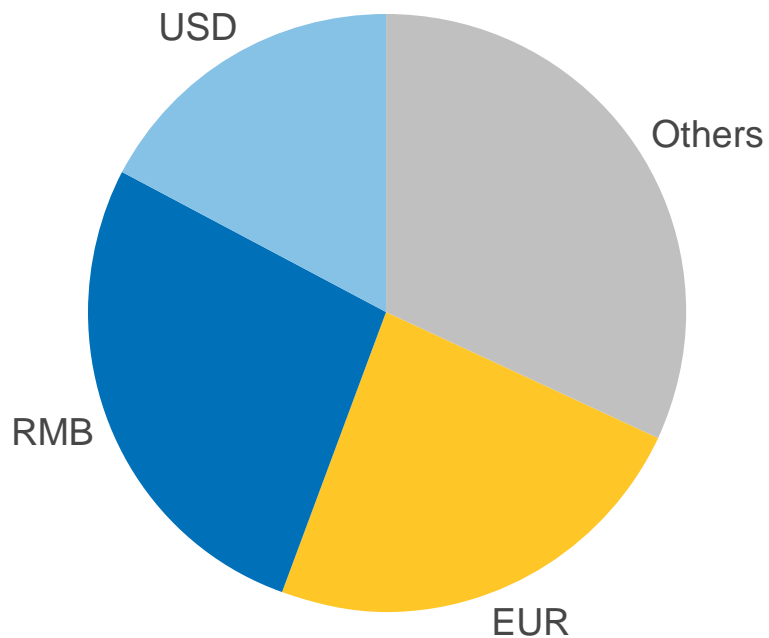
In monetary value



Currencies



SALES BY CURRENCY 1-12/2017



CURRENCY IMPACT

(MEUR)	Q4/2017	1-12/2017
Sales	-106	-200
EBIT	-17	-37
Orders received	-87	-195

MAIN CURRENCIES

	2017 average	2016 average	Dec 31, 2017 spot
EUR / RMB	7,5828	7,3199	7,8534
EUR / USD	1,1151	1,1021	1,1806
EUR / GBP	0,8719	0,8159	0,8818
EUR / AUD	1,4592	1,4807	1,5075

Q4 2017 Balance sheet – assets employed



MEUR

Assets employed

Goodwill

1,325.5

1,371.8

Other intangible assets

274.5

292.9

Tangible assets

377.0

368.3

Investments

115.8

129.9

Net working capital

-875.6

-1,054.8

Assets employed total

1,217.2

1,108.0

Financed by

Equity

2,907.4

2,795.6

Net debt

-1,690.2

-1,687.6

Equity and net debt total

1,217.2

1,108.0

Q4 2017 Net working capital



MEUR

Net working capital

	Dec 31, 2017	Dec 31, 2016
Inventories	1,244.6	1,373.5
Advance payments received	-1,806.1	-1,976.9
Accounts receivable	1,608.7	1,573.7
Other non-interest-bearing assets	445.8	429.8
Other non-interest-bearing liabilities	-1,653.4	-1,692.5
Provisions	-142.3	-183.2
Accounts payable	-705.1	-743.3
Net deferred tax assets / liabilities	132.2	164.1
Net working capital total	-875.6	-1,054.8

Q4 2017 Consolidated cash flow



MEUR	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Operating income	365.7	392.2	1,217.1	1,293.3
Change in working capital before financing items and taxes	-60.3	-10.9	-68.1	109.7
Depreciation and amortization	29.5	28.6	114.3	106.5
Cash flow from operations before financing items and taxes	335.0	409.8	1,263.3	1,509.5
Financing items and taxes	-57.5	-92.7	-299.6	-331.0
Cash flow from operating activities	277.5	317.1	963.7	1,178.4
Investing activities	-47.2	-37.5	-143.5	-197.6
Purchase of own shares	-	-	-	-39.3
Increase in equity (option rights)	3.3	6.9	24.9	18.4
Profit distribution	-	-	-795.4	-718.2
Changes in non-controlling interest	-2.4	-0.2	-5.5	-26.7
Free cash flow	231.2	286.3	44.2	214.9