

The background is a nighttime photograph of a city skyline, likely New York City, with numerous skyscrapers illuminated. Overlaid on the image are several vertical white lines and circular data points, suggesting a digital or data-driven theme. The data points include: a water drop icon with "72.2 %", a target icon with "51 μ", a scale icon with "11 mm", a weight icon with "kg 322", a signal strength icon with "82 DB", and a speedometer icon with "3.7 S".

KONE ANNUAL GENERAL MEETING 2017

FEBRUARY 28, 2017
HENRIK EHRNROOTH, PRESIDENT & CEO

Presentation by the President & CEO

- KONE's year 2016
- Market development in 2016
- Market and business outlook for 2017
- KONE's strategy in a changing market environment





KONE's year 2016

Key figures 2016



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		

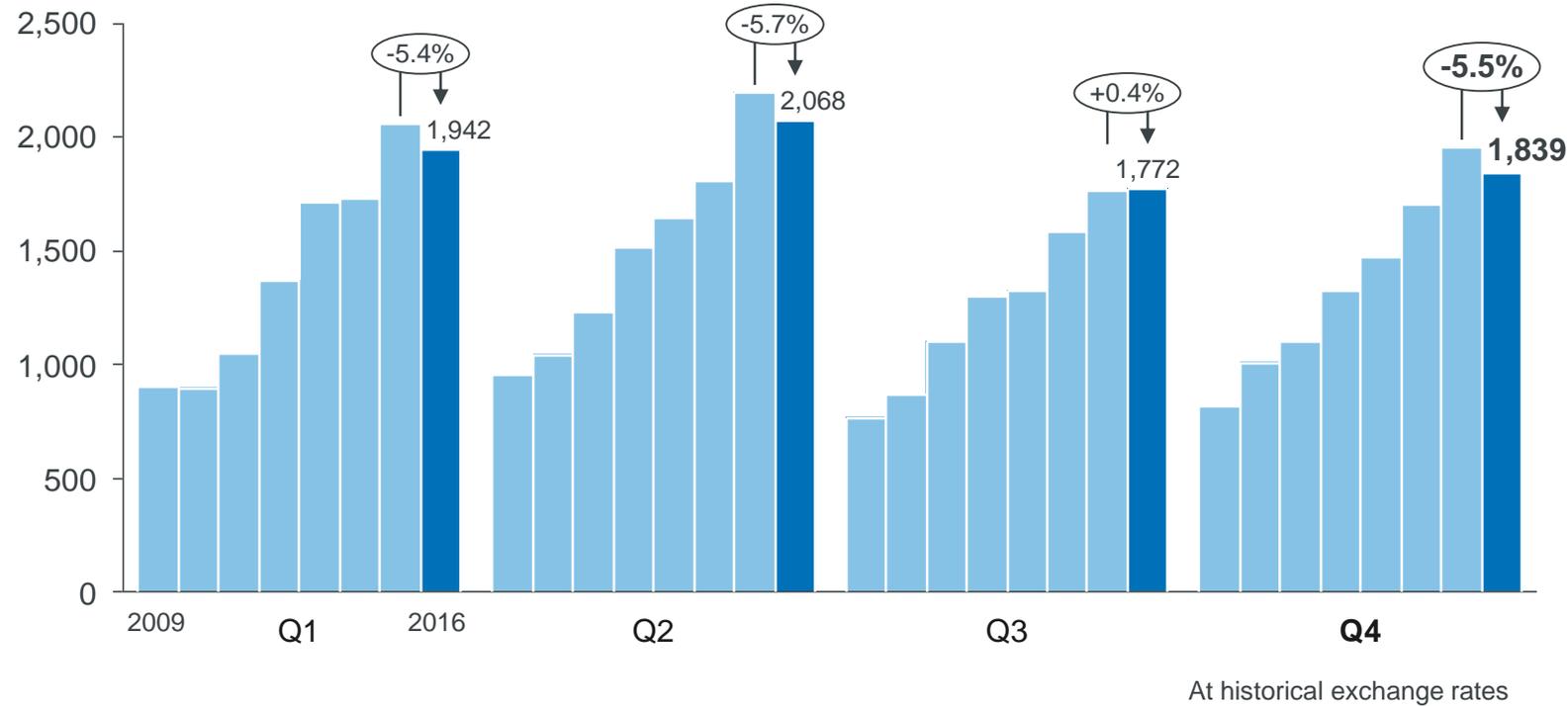
* Excluding extraordinary dividend of MEUR 118 from TELC in 2015

Orders received



ORDERS RECEIVED GREW IN ALL REGIONS OUTSIDE CHINA IN 2016

MEUR



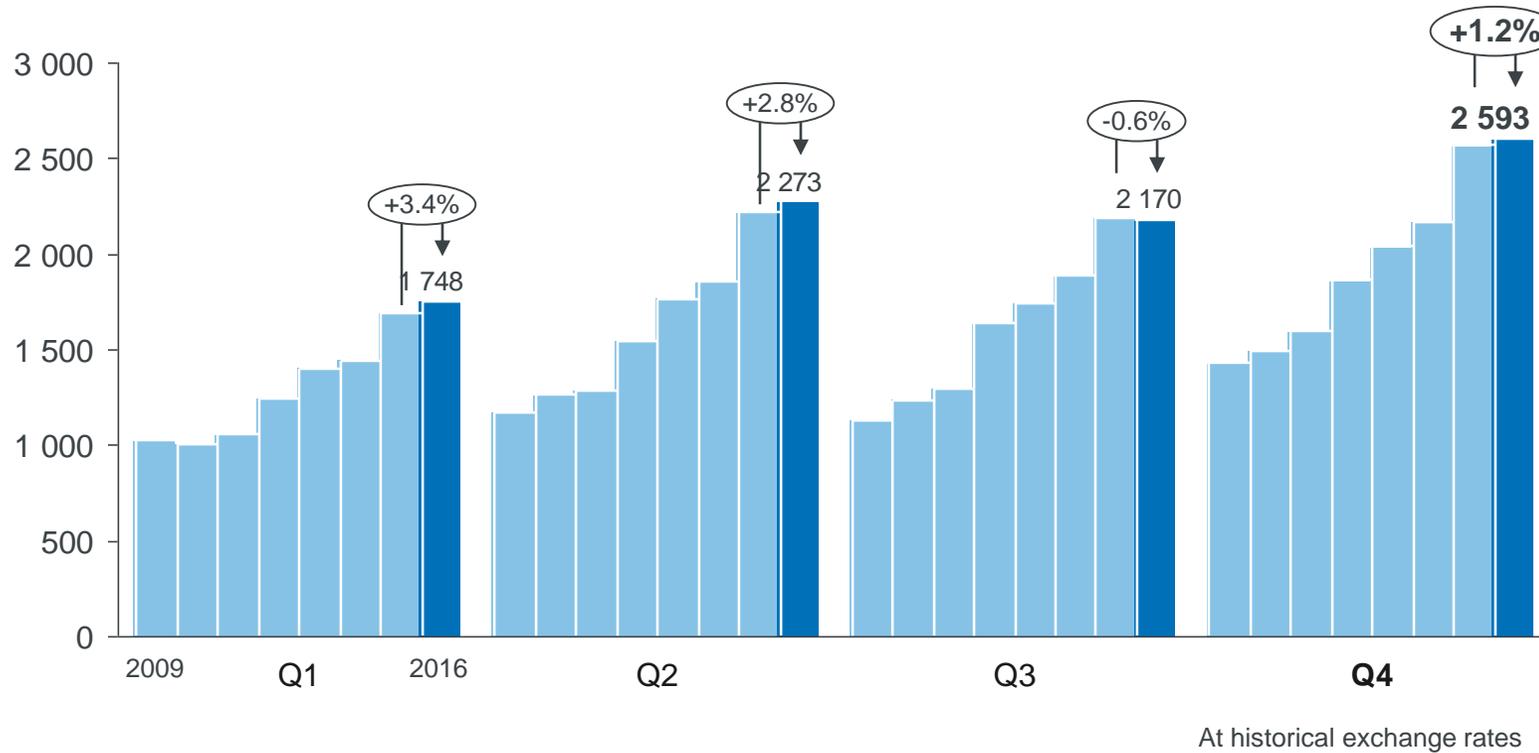
- Modernization orders grew clearly
- Global new equipment orders declined somewhat
- The relative margin of orders received declined slightly during the second half of the year but remained at a high level

Sales



GOOD GROWTH IN THE SERVICE BUSINESS IN 2016

MEUR



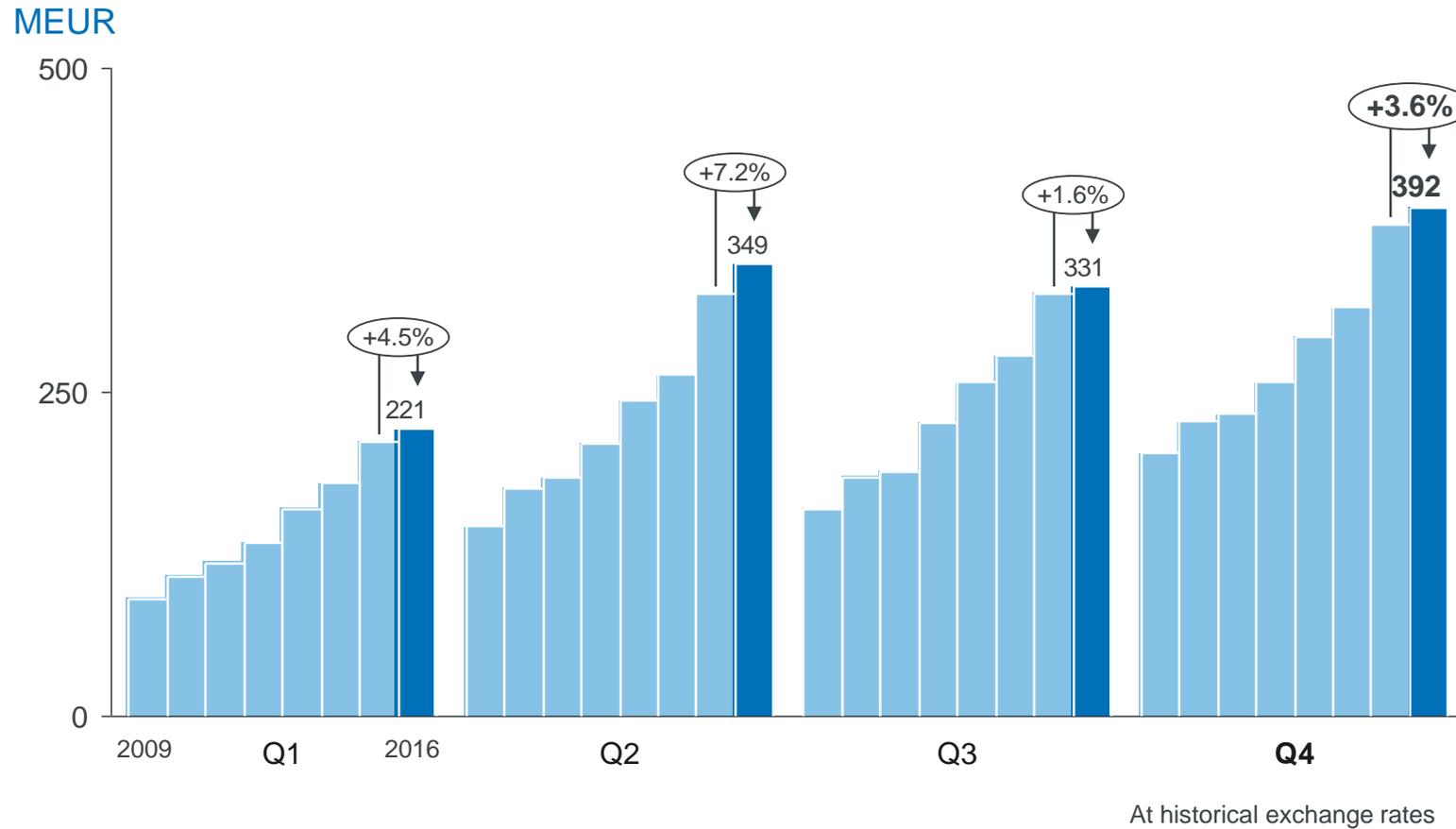
Sales growth at comparable exchange rates

- EMEA +4.9%
- Americas +13.5%
- Asia-Pacific -0.7%

- New equipment +0.2%
- Services +8.8%
 - Maintenance +6.2%
 - Modernization +15.4%

Operating income

ALL BUSINESSES CONTRIBUTED TO EBIT GROWTH IN 2016



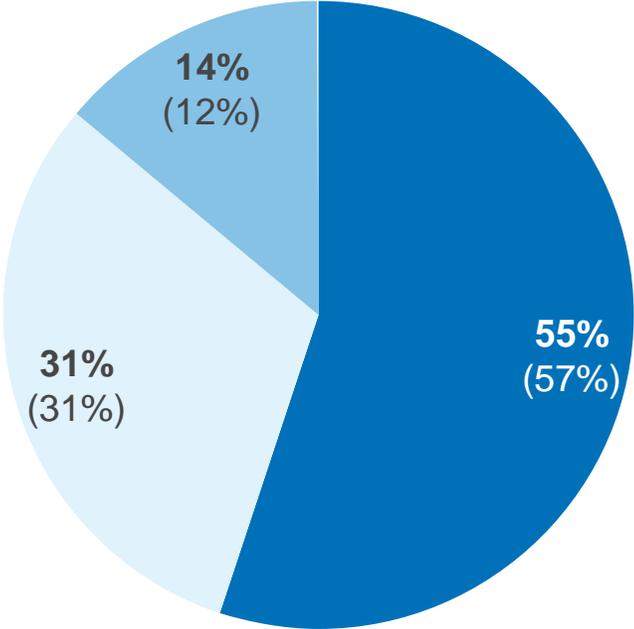
- Positive development in all businesses and across regions, in Europe and North America in particular
- Productivity improvements, particularly in new equipment, helped in offsetting the intense price pressure

Sales split in 2016



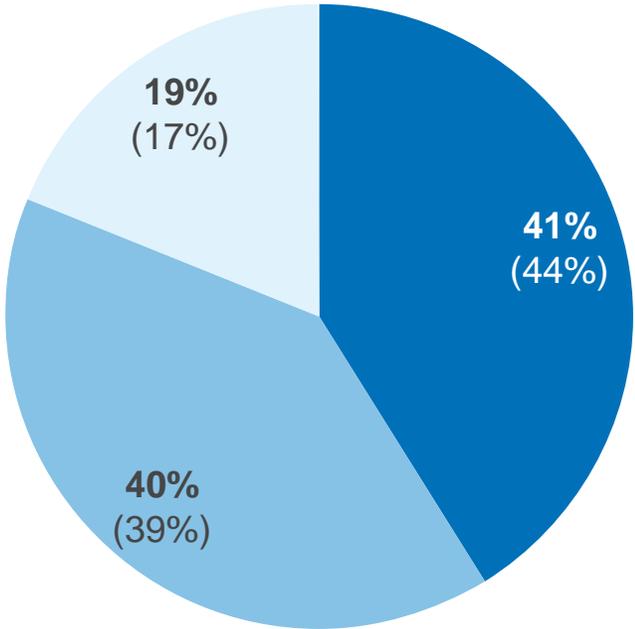
SHARE OF MODERNIZATION AND THE AMERICAS CONTINUED TO GROW

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

SERVICE

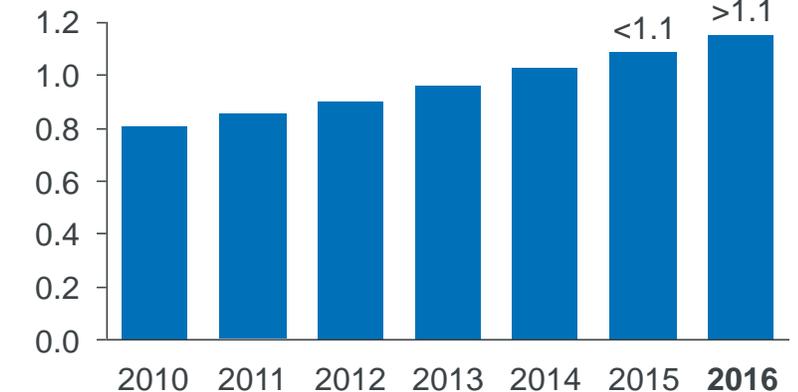
- Solid growth in maintenance in all geographic areas
- Strong growth in modernization driven by proactive sales approach and improved competitiveness
- New service concepts piloted and launched with encouraging results

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

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

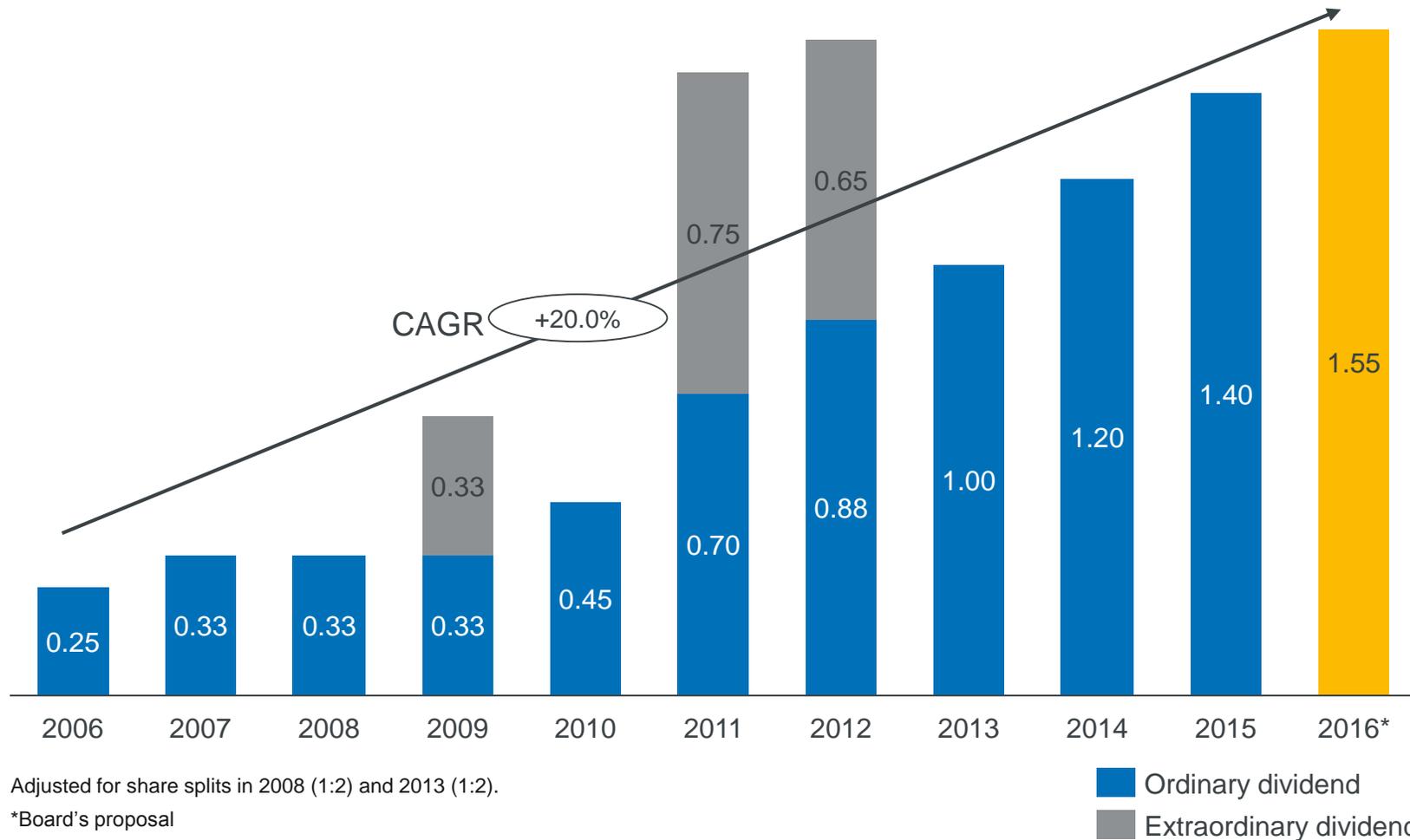
MAINTENANCE BASE

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 in 2016

New equipment market development

GLOBAL MARKET VOLUMES DECLINED SLIGHTLY



Service market development



CONTINUED GROWTH ACROSS REGIONS

	EMEA market	North American market	Asia-Pacific market
Maintenance			
2016 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"> Pricing competition remained rather intense 	<ul style="list-style-type: none"> Continued strong growth across the region
Modernization			
2016 development	+	+	++
Share of global market (in monetary value)	~1/3	~25%	~15%
	<ul style="list-style-type: none"> Clear market growth in Central and North Europe; market recovery in South Europe 	<ul style="list-style-type: none"> The slight market growth continued 	<ul style="list-style-type: none"> Strong market growth



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.





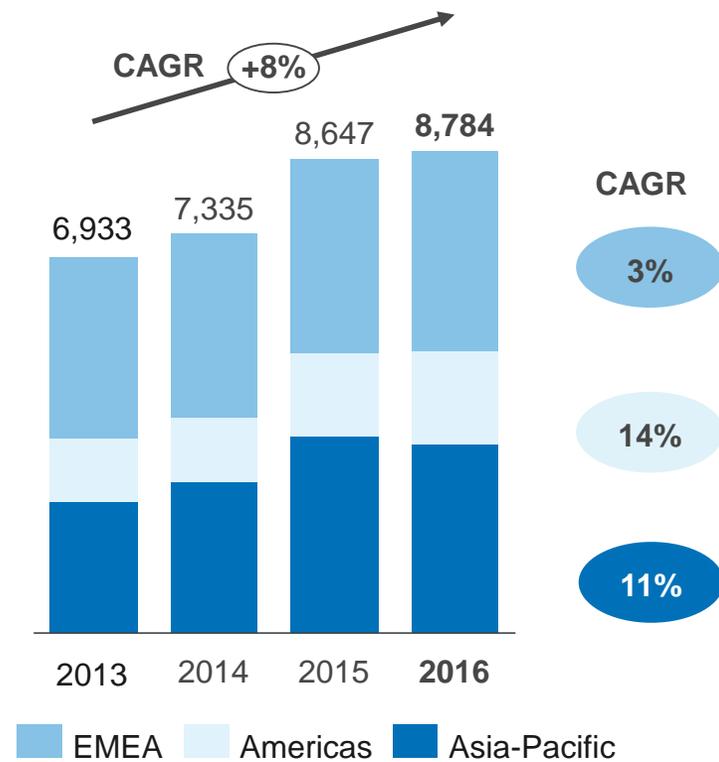
KONE's strategy in a changing market environment

Sales and operating income developed positively in 2013–2016



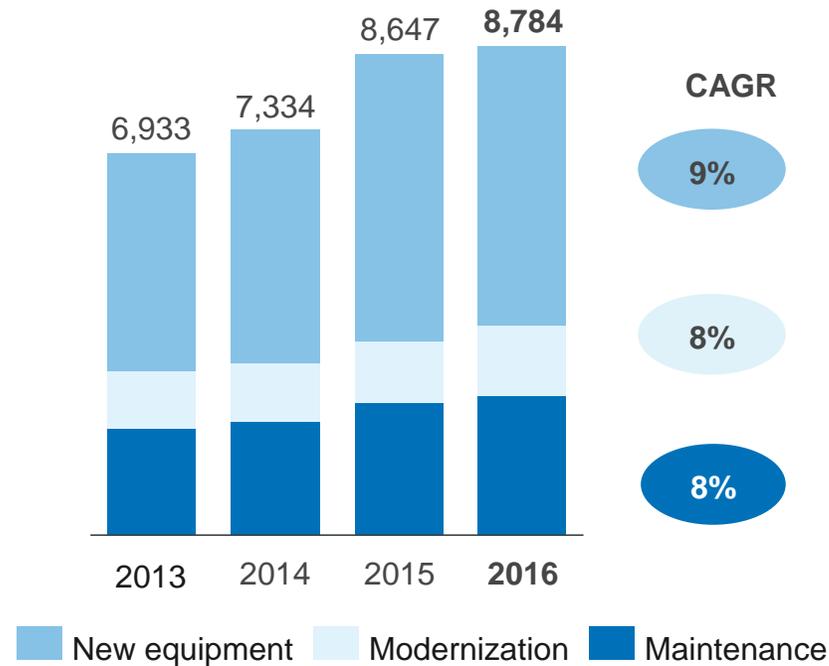
SALES BY AREA

MEUR



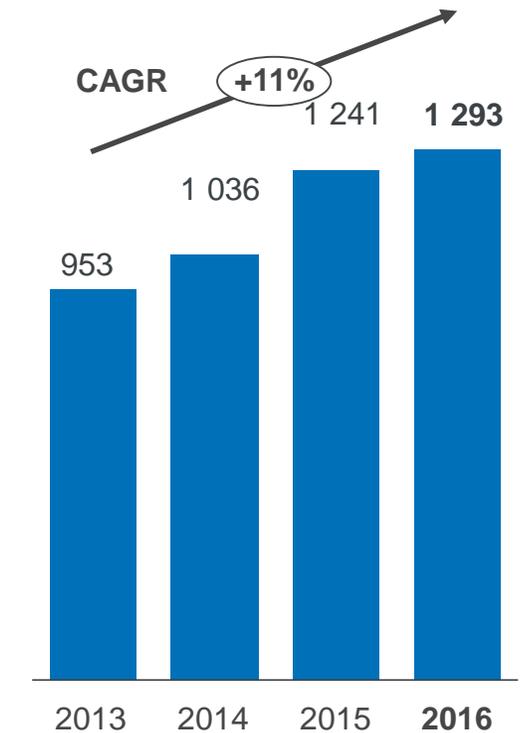
SALES BY BUSINESS

MEUR



OPERATING INCOME

MEUR



Our three-year development program ended in 2016



ACHIEVEMENTS OF THE DEVELOPMENT PROGRAMS 2014–2016

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

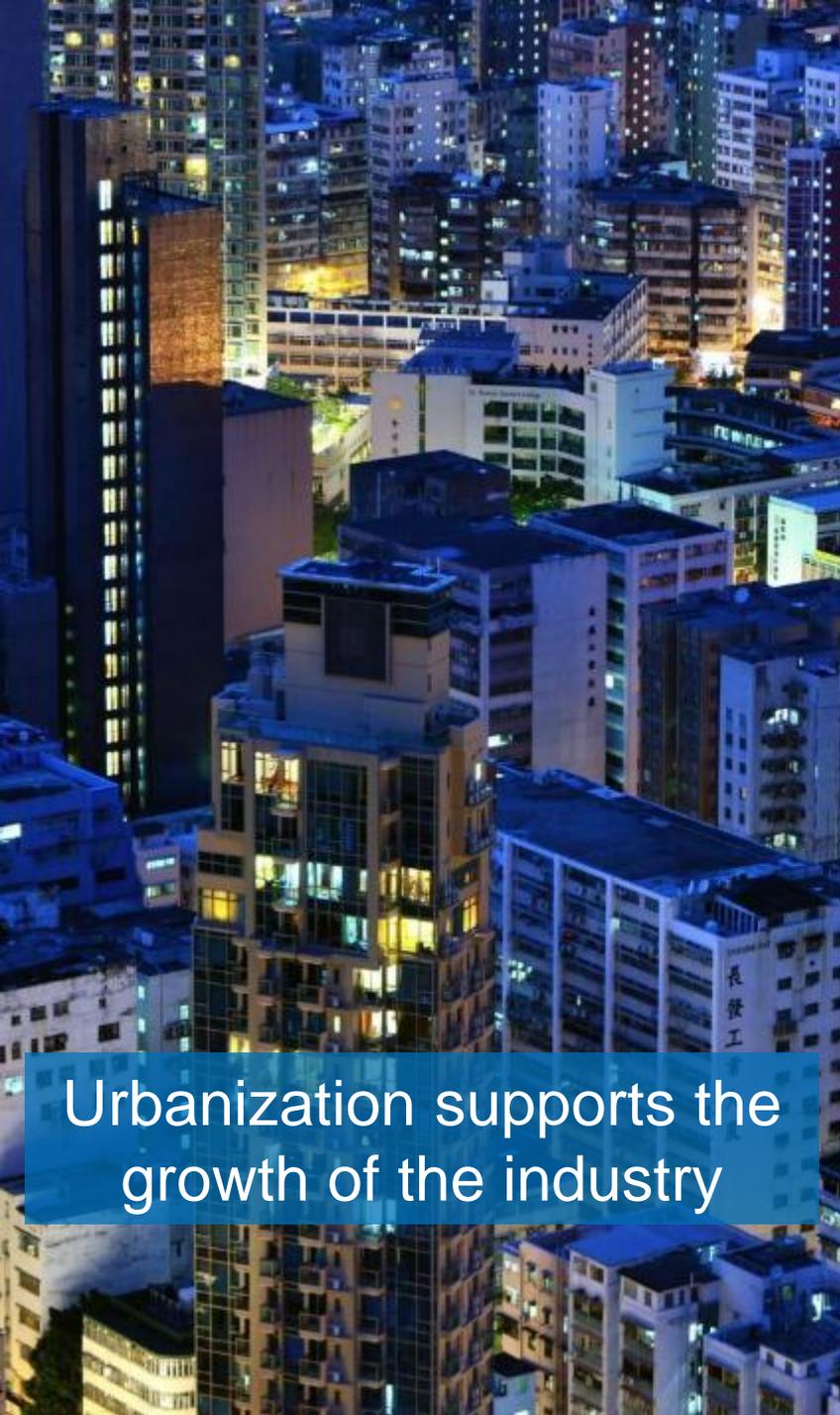
Faster than market growth with improved profitability. Improved competitiveness of product offering. Good ramp-up of PFI sales

Preferred Maintenance Partner

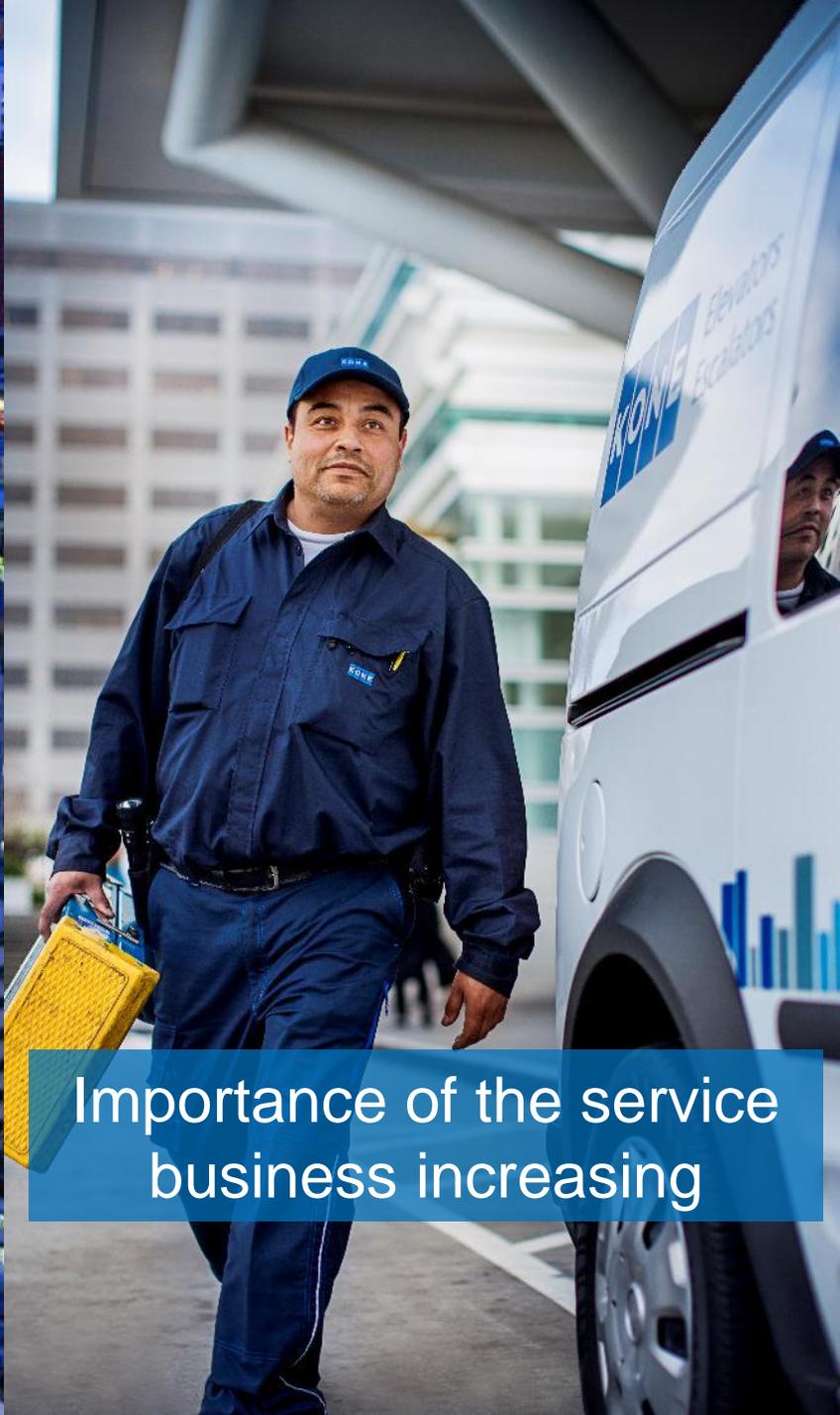
Solid growth. New online tools for customers and technicians to support new services. Encouraging results from new service concepts

Top Modernization Provider

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



Urbanization supports the growth of the industry



Importance of the service business increasing



Technological disruption drives need for change

The importance of the service business increasing with services providing interesting opportunities

NEW EQUIPMENT

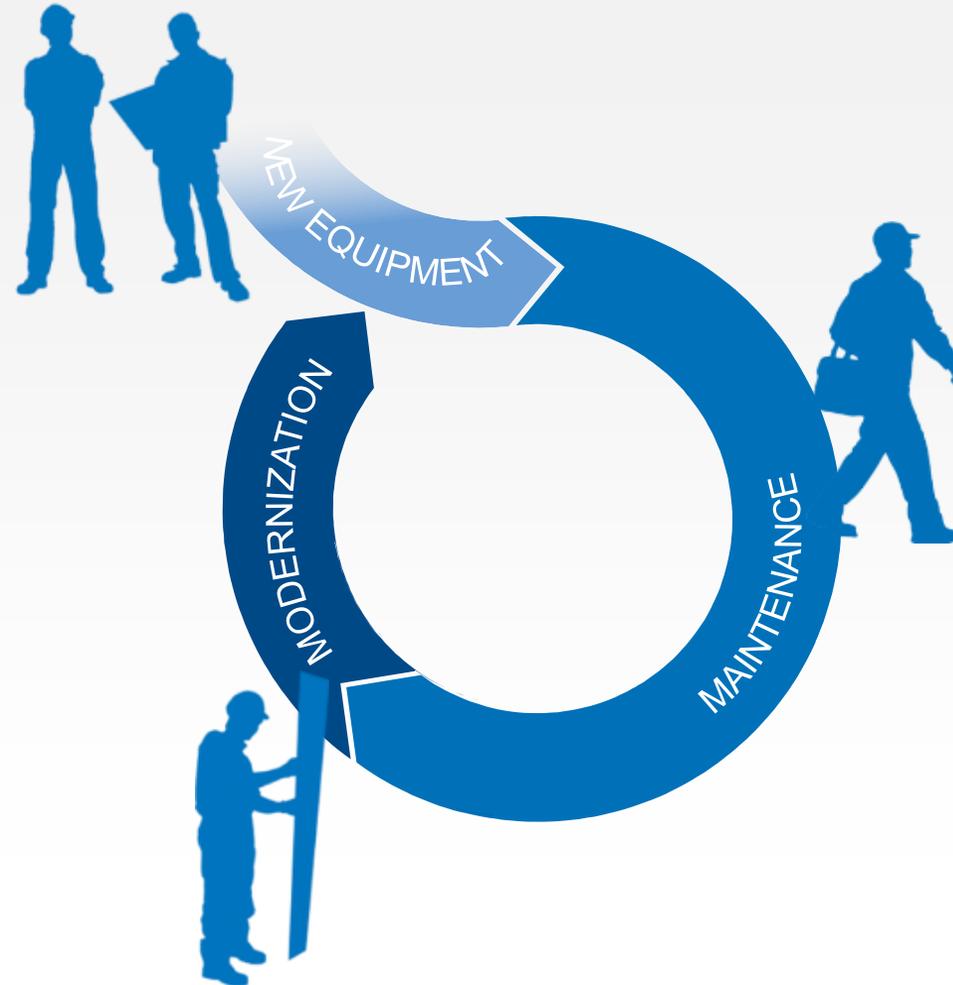
- Global market volumes declining; many local opportunities
- Growing opportunities in smart buildings

MODERNIZATION

- Growing opportunities in all regions as the equipment base ages and customer demands increase

MAINTENANCE

- The importance of maintenance increases in emerging markets
- New technology shapes the industry in all geographic regions



To further differentiate from competitors, we updated our strategy to be even more customer-centric



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

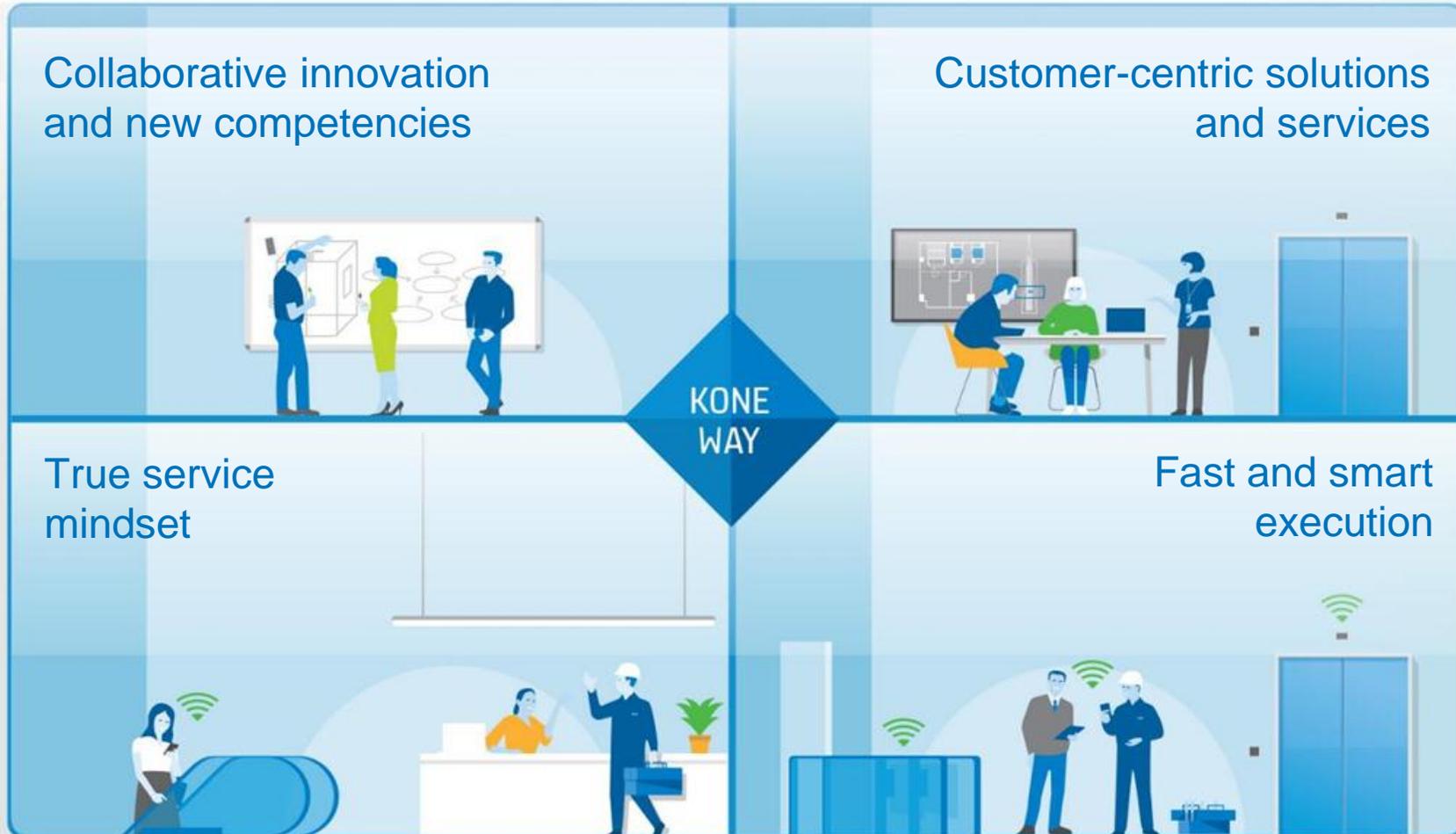
Winning
together

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



In line with our new strategy, we launched a customizable maintenance offering in February

KONE Care™ service offering

- ✓ New maintenance services respond to the individual and changing needs of our customers
- ✓ Designed together with our customers

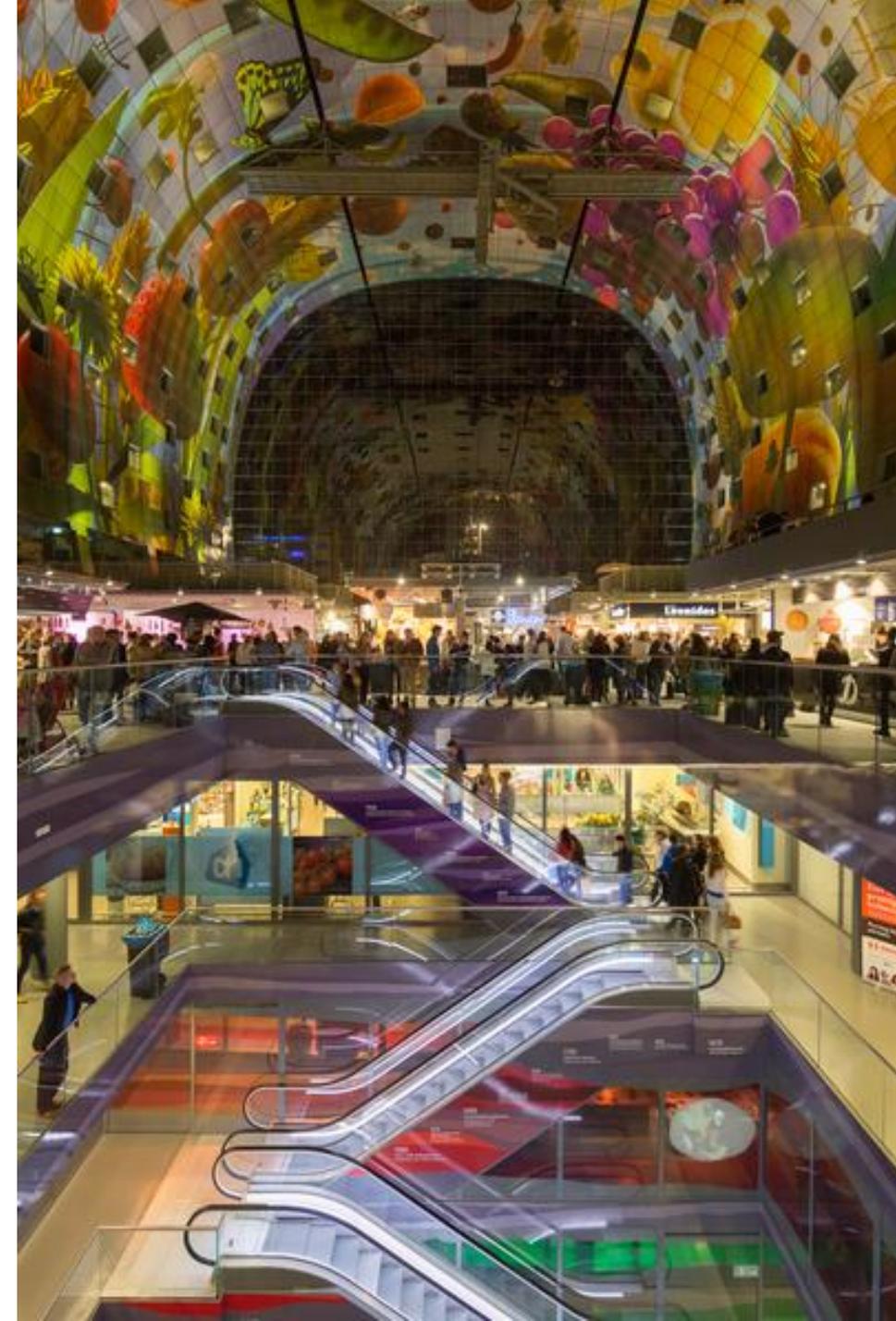
24/7 Connected Services

- ✓ We bring more intelligence to maintenance services by using the IBM Watson IoT platform
- ✓ Considerable benefits to our customers:
 - ✓ Predictability
 - ✓ Transparency
 - ✓ Speed



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™

