

**KONE CAPITAL MARKETS DAY 2020  
SEPTEMBER 29, 2020  
2:00 P.M. EEST**

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Sanna Kaje: Good afternoon, and welcome to KONE's first ever Virtual Capital Markets Day. I am Sanna Kaje, the head of KONE's Investor Relations. Let's just look at the agenda for today. We have all together four presentations, and short pre-recorded videos from the heads of our different geographic areas. The event will altogether take around three hours, a little bit more than that, and we have one ten-minute break in between. We have now been executing our Winning with Strategy – Winning With Customers strategy for four years and this is the final year of the strategy phase. The presentations will be focusing on what we have achieved in terms of mindset, whether working an offering during the strategy phase, and what will be the next steps going forward. You can have an opportunity to ask questions during the event. You can do that by submitting questions through the forum at the bottom of the page during the presentation. And at the end, we will open the telephone lines for more questions.

I will now invite on stage our President and CEO Henrik Ehrnrooth for the first presentation. Henrik please.

Henrik Ehrnrooth: Thank you, Sanna, and a warm welcome also on my behalf. Great to have all of you online. Of course, we would have much preferred to see you all in person, but let's make the best of this situation. I think we have an interesting afternoon or morning together, depending where you are. As Sanna mentioned already, we started executing our Winning With Customer strategy back in 2017. And we made some good progress since. The purpose of today is to review what progress we have made but also to talk about how do we see our markets developing in the coming years and how are we planning to capture that opportunity by driving further differentiation. So those are some of the key themes you will hear from my colleagues and from myself today.

Let's start with looking at what we have achieved during the past almost four years, since we started to work on our Winning With Customers strategy. And then I will talk about how we are building on the strengths that we have for the next phase in our development, very much as we have done consistently over many, many years.

2017 was the start of the current strategy phase. When we looked at the world in 2017, we could see many attractive changes happening that were positive for our industry. And we could see that by further differentiating and bringing solutions to our customers that actually helped them succeed in their business, we can create additional profitable growth. So that's what we set out to do. It is to build an even more customer-centric organisation, capabilities of really deeper understanding our customers businesses and that way being more consequential to their success. And of course, developing our offering to add more value to our customers, and that way also create additional revenue streams for KONE. But perhaps the biggest mindset change for us was wanting to create a truly outside-in mindset. Outside means that we start always, from whatever needs our customers have and that's how we develop everything at KONE. So those are some of the things that we set out to do almost four years ago.

What I'll talk about next is how have we developed there; but let's start with a few highlights. So what have we accomplished? I mentioned already mindsets, very important. That's always at the heart of everything; how we think about how we serve our customers, how we think about how we develop our company and how we work with our customers. So it's been a lot about creating customer centricity and capabilities around that. Again, we have continued to train actively our people. And when I look at the progress here, I think we made some really nice progress. You will hear much more from my colleagues of how we created capabilities for developing together with our customers for their benefit. So I think we actually made a big step forward here.

Mindset alone is of course not going to be enough; we need to have an offering for our customers to deliver value add to them. I think what is familiar to quite many of you is that we have had a very active phase of bringing new value-added services, solutions or products to our customers. I'll talk about those a little bit more, but that has been really a key to this phase, is actually we have brought 30 new types of services, bring new values to our customers that actually generates revenues that didn't exist in this industry before that I'm very pleased about. And also we brought about demand new ways of working to have a smarter, more efficient organisation. Brought about accelerate program, but also how we have further develop our KONE technologies and innovation organisation.

Let me then glimpse into our new equipment business and in services business, what we have done there. In our new equipment business, we're building on a very strong foundation we already had. I think as everyone knows, we have a very strong basic product competitiveness in our industry and that has been the basis of what we have done. In this period, we have again shown the direction of innovation in our industry.

One of the signs of that was that we brought the DX Class elevators to the market in November last year. Again, they bring a new era in elevators, but also we have improved the basic competitiveness of our products, both on elevators and escalators. To bring new value-added solutions to our customers and improve our capabilities in sales and pricing, we have developed a lot of sales capabilities with pricing excellence where I think we made a good progress, and that we can see from the outcomes, and also developed solution selling capabilities, where we sell whole systems solutions and outcomes to our customer rather than products only. And we have also strengthened our delivery chain to ensure that we constantly deliver on our customers promises. That is a big value for us to do it, and also to improve our productivity.

Now if we look at the outcomes, as you know, that we have gained market share, again, throughout this period, equally in the past two, two and a half years, even more so, and we have improved

margins of our orders received. So we can see that we have provided more value added and improved our pricing. The outcomes are quite good. In services, I think it is familiar to many people that about five years ago, we set out – actually a bit more than five years ago, we set out to differentiate even stronger in services, because actually, we felt that there was in general a lack of differentiation.

And one of the first things we concluded, and we always have had some basis, is that services are very much about people. People is the number one differentiator, how you make sure that they have the best service mindset, the best capabilities to serve our customers to focus on right outcomes for our customers. We brought a lot of new value-added solutions for our customers. We talked a lot about that 24/7 connected services and also the adaptable service offering our new KONE Care as well as more lately also our DX Class solutions to the modernisation business. So again, a lot of new solutions and value for our customers.

Much has been about capturing the digital opportunity, which is very significant in services. And we very much looked at that from two perspectives that how do we have a platform so we can actually add value to our customers, that's really the principal focus; but at the same time, we want to have the best tools for our field technicians, for our people who work and serve our customers to have the best information for them constantly and improve productivity. And I think we're actually in quite good shape here.

What is the outcome? We are the fastest growing in services of the major players in our industry. We have increased the value per unit, if you looked at maintenance. That's a big change to history, and it shows that we are adding value. And also in modernisation we have improved our margins in orders received. So I would claim that the outcomes are pretty positive.

Let's take a snap – dig into our 24/7 connected services, how are we developing them. We all know that this is really our flagship service. And we can see that momentum is building very nicely

here. The idea with our 24/7 connected services is of course to add clear value to our customers. At the same time, when we do that, we can create additional growth for KONE. And we can see it is driving growth for us. Already, if you look at this year, it is contributing about one percentage point to our maintenance growth and it's actually quite meaningful in my view.

Because if you think about our maintenance business, that has been continuously and constantly compounding between 5-6%, or sometimes up to 7%. If we can add one, two percentage points of growth through value-added services in the compounding, it is actually meaningful over time, and that is what we're doing and growth is actually accelerating here. Our penetration is still only a bit over 5% where we have a number of countries that are already over 10% of our contracts covered by this. And by the end of the year, we expect a lot of our big countries be over 10%.

What is perhaps even more important is that this is not a static service. The more customers we have, the more we learn and the better service needs and outcomes we can create. There is something that when you only have 1000 or 2000 or 3000 units connected, you will actually not have sufficient data to create really the best outcomes and the service needs. But when you start to have like us a very significant base connected, you actually learn all the time. And that helps us bring the new services to our customers constantly. Like we recently brought 24/7 planner, that's again a new element, new feature to our service, where we can create long-term asset management plans for the next two, three years for our customers to help them plan what do I need to repair, what do I need to upgrade and bring predictability to this. And this is a huge thing for our customers and we've seen very positive feedback as a result of that.

Those are really highlights from our new equipment business and service business, and a little bit of a look into 24/7. What I think is familiar to most people is that the way we measure our success is through our five strategic targets. Here we have our five strategic targets and we can see actually a good development in most of them throughout this period. So let's actually dive a little bit deeper into each of them how we create the most loyal customers, KONE being a great place to work, how

are we growing faster than market, what about best financial development, and being a leader in sustainability. Those are the five ways how we measure our longer-term success.

So let's start with most loyal customers, which is a clear objective of ours. The key ways of how we measure that is through our net promoter score. We again recently did our annual survey, and we've seen over the strategy period a good development in both our new equipment business and our services business. Latest survey was now in the spring and summer of 2020 and again, we had a slight uptick in that and had an all time high now Net Promoter Score and we are at a good level here. Our customers continue to appreciate us for our quality, our focus on them, and delivering on what we promise. Many also talk about our innovations. We do have an opportunity to improve in how responsive we are to a very broad and diverse customer base. And that is something that we're working a lot on how we can be much more responsive to really meet help our customers be served even better than they do today. So we have some good fundamentals, but, as always, good opportunities to improve.

KONE being a great place to work is really, I would say, fundamental of everything. By having skilled, motivated, engaged employees, it's clear with that we can serve our customers like no one else. We talked in connection with our Q2 results about the results of our employee engagement survey of this year and the results were just incredibly strong. First 92% of our 60,000 employees answered it. We were already before this, for many years, the so-called high-performance category and now we are very strongly into high performance category. We had very strong results. Our employees very much appreciate our strategy, direction, innovation, also said that the diversity inclusion scores, they have improved significantly. While we still have a lot to be done. But we also did earlier in the year an organisational health survey, also here we were in the top quartile, which strengths innovation direction, how we communicate internally where we go and customer competition focus. So we have a very good basis of our culture and engagement of employees, and this is important.

Our third target is to grow faster than market. And we have a good development in this period, both in our new equipment as well as our services business. Our orders received, which of course consists mainly of new equipment and then modernisation and partly also repair sales, has grown at constant currencies an average of 5% over this period. We know that we went into this period, the market in China was very difficult. So the first year we didn't grow but then in 2018 '19, we actually accelerated clearly that growth. And with this, we have constantly gained market share, particularly strong market share gains in 2018 and 2019. This year, of course, we need to see, I think we are in a good path, again. In maintenance, our maintenance base has compounded at 6%, which again, the fastest, if you look at us compared to our major competitors. So yes, we are also continuing to grow faster than the market.

Our fourth target is to have the best financial development. Here we can be fully satisfied. That's clear. You're into this period, we know that we had a very challenging market in China starting in 2015 and then particularly in '16, '17, and partly into '18 where pricing was very much under pressure and raw material prices came up. So that's actually put a pressure on our margins. What I'm happy about that since Q2 2019, we have actually improved now the margins of our orders received, both through improved pricing as well as productivity. And therefore, we aren't improving fast, which we could see in the second quarter of this year that despite the crisis, we actually slightly improved our margins. So it's really coming through but it's clear that we're working hard to come back to the levels we were before this period.

Our fifth target is to be the leader in sustainability. That's very important to us. We know that already today KONE has the most energy efficient products out to the market, but we constantly want to improve. We are looking at sustainability from a few different perspectives. First, we are looking at the carbon footprint of our operations. Here our target is to improve 3% annually compared to our sales, the CO2 per sale should reduce 3% per year. In three out of four years, we have exceeded our targets. One year didn't quite get there but then we put some more focus, and again, we started to exceed targets. Our target is by next year to have 50% of our energy

produced by renewable energy. We've gone up from 28% to 37%, so we still have some work to be done this year.

In diversity, number of women, this is one of the measures – but number of women at director level position has increased from 16% to 18%, and we have not brought to our target of 20%. So we continue to put more effort in this area. And then we want to be a zero-accident company. We have improved our industrial injury frequency rate for 2.1 to 1.7. And compared to benchmarks, 1.7 is at the very good level. However, it's clear that we are not happy about this that we want to be an incident-free company. So again, good developments in sustainability.

So those are five strategic targets. And if I just look at them, a snapshot on our development this year where we know the market has been very challenging. What I'm very happy about that the in the midst of the crisis this year, actually our business has remained very resilient. Our orders received has declined by 5%, which I think is a good achievement in this environment, our sales has been flat, our adjusted EBIT has just declined slightly. It declined more in the first quarter and then it they actually improved in the second quarter and our cash flow has been very strong, by far the strongest cash flow ever in a six-month period. So that of course gives us a very good fundament to continue developing KONE proactively also in this environment.

And let's turn to that next, that how we're building on our next phase and our mega trends, and our solid foundation to differentiate us more and continue to drive growth. I haven't talked so much about the COVID crisis, but let's talk about that shortly first. When we started to see the impact of the crisis, earlier this year, we immediately made a few fundamental decisions. One, which of course, the obvious one, which I think most companies are focused on is, is the safety, health and well being of our people, and our partners, and the general public, that there cannot be any compromise there. Secondly, we decided that actually, we want to create an even stronger company of KONE through this crisis. Because when we look at our history, we can see that many of our big improvements in our market position has come following or during the crisis and we also

want to take this opportunity here. We have the position to do it. We have a very strong balance sheet. We have motivated engaged employees, and a good position overall. So we said cost is not going to be our primary objective. Our primary objective is going to be health and safety of people serving our customers and really driving forward our development programs to really make KONE a stronger company.

So what have we done? We have increased our training over the years a lot. This year, we've expanded it a lot. Number of completed courses by employees during a crisis in the spring were up like three times compared to the previous year. Till now we are more than twice compared to normal levels. So the first objective when people did not have work to do in installation or service was to train them, and that's something we're going to continue.

Secondly, we actually accelerated our investments in R&D. Many of our core programs have allocated more resources to them and we developed our health and well being solutions. So we really want to make this an opportunity for us. And if we look at what are the implications of the crisis on many of our customer sectors, we can say that it's still unclear but there are many trends we follow closely. So if we look briefly, we can say that residential, I believe that is going to be a resilient sector because we are spending more time at home, we are going to work more at home and therefore people value their homes a lot. And we can see that that has recovered, actually, residential sales and construction in many countries are recovered quite nicely. So that's probably going to be quite resilient and that's more than 50% of our sales.

Offices, what is the future of the office? It's clear that the new normal, we will work differently. There will be more mixed mode of working, partly from home, probably more from offices to ensure that we continue to drive innovation, team spirit, culture and so forth, but there's going to be more mixed mode of work. So the question is, what does the future office look like? How much space do we need? I think that still unclear. And to me it's not at all clear there it is going to be less space because the trend during the past 20 years has been constantly less space per employee in office

buildings and we probably went too far. And we're going to need different types of spaces. So I believe really, the key here, again, will be adaptability, which we know that modern offices will be well suited to, but not necessarily older offices where they need to be upgraded. So let's follow here but it's going to be a change differently.

Infrastructure, with all the government stimulus we see, we think that's going to be a robust and resilient sector. And it's clear that travel, leisure and retail are going to be hardest hit. And that's going to take the time before they recover. But we're going to have different situations and that means they're going to be opportunities that we need to find from this that we think we can do, but also to really look at what are the needs that have come out. We can see that actually people flow and the elevator has shifted from being maybe a secondary thought in smart buildings to really a primary role. And that has really been a key thing that how can we bring more intelligence, how can we do things more remotely and how do we actually help building owners have safe flows to bring people back to the office; and here we're done again, a lot. Of course, our 24/7 connected services and DX Class elevators are incredibly relevant in this area because it really provides you with adaptability and ability to just seamlessly bring new services.

To also support buildings manage this, we brought out new health and wellbeing solutions, but also worked a lot with our customers on how do you safely return to offices, and what is the office of the future, to re-imagine that. And we can see that people flow is really at the centre of the thinking of many people. So we can see again, a lot of opportunities coming out of a situation like this.

But if we look a bit longer forward, we can see that our industry continues to have healthy mega trends that we can capture and bring opportunities from. Urbanisation, yes, that's going to continue but in a slightly different way. Sustainability, we can it's the most important challenge of our generation, hugely important, and technology enabler to solve many of the problems. So, these are the mega trends that we believe will drive continuous opportunities and growth in our industry.

So what about urbanisation? I've been asked many questions by people that, hey, do you think at KONE and do you think Henrik that urbanisation will continue or people move back to rural areas? I think the answer is very much urbanisation will continue, but in slightly different way. And that is because of demographic changes, more and more people living by themselves, they want to live closer to services, closer to entertainment, and probably to their friends. But it may not be only the biggest cities that grow; actually, it's probably going to be mega city hubs and clusters. And you hear Bill Johnson talk about that more for China. And therefore, rise of second tier cities around with good connectivity and connections in the big cities. And we know that high density areas brings opportunities, but also challenges, and that is what we want to resolve without people for solutions. So that's the urbanisation mega trend that we think is going to continue.

But also sustainability, we think that that is the biggest challenge of our generation. Cities and urban environments, they account for today 40% of world's energy-related greenhouse gas emissions. So they're going to play a significant role in sustainability for the future. And why we think this is going to be such an interesting trend is that we see a lot of commitment in this area. The EU Green Deal with emphasis on building renovation, what is very interesting is that if we look forward to 2050, 80% of the buildings that are going to exist in 2050, we expect exist already today, and less than a quarter of these buildings meet future or actually current regulations, and therefore they need to be modernised and upgraded for energy efficiency. China has just pledged energy neutrality – carbon neutrality by 2060. That's going to be a huge growth driver. And we can see that capital actually is drawn towards greener buildings. That's what tenants are expecting. And as we all know, at KONE, we have some great assets here. We are already a leader with the most energy-efficient product family in the industry. So we think that this is a great opportunity for us.

And also to further show our leadership here, we actually yesterday announced our pledge, the science-based targets. We are pledging that our operations will be carbon neutral by 2030. We are planning to reduce our greenhouse gas emissions by 50% of our own operations, so called scope one and two, and the rest, we will compensate. And of course, that will be a lot about our

buildings, lot about car fleet and so forth. But also we are committing to a significant reduction across the value chain.

So we have committed to a 40% further reduction in greenhouse gas emission from our products and materials life cycle energy usage, so called scope three relative to products ordered by 2030. This again, a very big commitment. Okay, here, we of course need to continue to improve the energy efficiency of our products and solution, of our materials, their circularity, but also engaging with our suppliers, much more in detail. But this is a big pledge, and very important to us because we think that sustainability and being a sustainable business is not only the right thing to do, it is also a huge business opportunity. That's why we made this pledge, because we think it's the right thing to do and we want to play our part here.

Next, before I wrap up, let's listen to short videos from our area heads, how they see the opportunities in various geographic areas. And they will all give their own perspective on a specific area where we are looking to differentiate and grow and bring opportunities. So let's have a look at what they have to say.

Thomas Hinnerskov: Hi, I'm Thomas Hinnerskov, Executive Vice President of Central and North Europe. Central and North Europe is a diverse area consisting of 21 countries, however dominated by some large mature markets like Germany and the UK. It's also an area where our resilient service business is the largest. Let's have a more granular look at the market and what the outlook is. Maybe before we do so, let me first start by thanking all our customers for trusting us and also our employees for delivering the KONE promise to our customers every day during these very challenging times.

Looking at our exposure, clearly, the residential segment is our largest customer segment with the resilient customers segment. It's also when you look from a new equipment market, they second with good underlying demand. Here, we believe we'll see a stable outlook for the near future. Less

favourable so is the commercial segment. Commercial has been softening and we believe that will continue in the coming months. Governments are looking into currently of supporting the economy, and that's where we see that the infrastructure investment will continue in trains, metro stations, etc. However, on modernisation overall, even though there's a very large potential in modernising equipment across central North Europe, we do see a softening in this market, as decision making is dragging out and taking longer time because customers are taking their course just look and see what actually their future brings before making the final decision.

So how are we capturing these opportunities in this market? Central and North Europe was one of the first where the DX Elevator was launched. The DX has clearly helped us differentiate being more relevant to our customers, but also helping solve our customer's problem in a better and more future proof way. Clearly when we talk to customers, they are concerned about that they don't really know what the future hotel, office, hospitals are going to look like. They need flexibility, they need adaptability for the future people as well. And that's where the DX will help and can help facilitate that. For example, should there be a need of robots in a hotel or an hospital going forward, that's something the DX elevator can facilitate and accommodate in a very easy way. Also, this situation with the COVID-19 has shown us that we need to be very adaptable when it comes to engaging and connecting with customers. And we've clearly been able to do so. This is something we're going to look much more into and focus and develop in the future how to in the best possible way and the most effective way also connect and engage with customers on their terms. With that, thank you very much. I hope you have a really good day. Thank you.

Pierre Liautaud: My name is Pierre Liautaud and I'm Executive Vice President for KONE, South Europe, Middle East and Africa. Our area is fairly large geographically and it expand from Brussels to Johannesburg, and from Lisbon to Karachi. It covers large and mature markets such as France, Italy, Iberica and also growth-oriented regions such as the Gulf countries, Turkey and Israel, but also Serbia and Romania. We are doing business under our own name in approximately 25 countries and we are represented by authorised distributor in another 40, mostly located in Africa

but also in countries such as Azerbaijan and Kazakhstan. As you can expect, our business in mature countries is largely driven by the services opportunity. We do have about 30% of total KONE maintenance base in our region, while the new equipment is the core growth engine in all developing markets.

Let's look at the near-term market outlook for the region. Our business mix is well-balanced in terms of customer segments. Residential, here in dark blue, is by far the largest slice of the pie seen in terms of volume and in profitability, and that is valid for both the new equipment and the services. Office in green, medical and infrastructure in yellow, and retail and hospitality in light blue are of about the equivalent size. When we look at the coming quarters, we see less growth in new equipment than in previous years, especially in developing market. We are seeing additional stable segments such as residential and office, we believe our value-added offering with DX and 24/7 will help us differentiate and develop our market share. Infrastructure and medical segments are the most likely to benefit from government stimulus packages and we are gearing up to take advantage of those opportunities, especially in modernisation. On the country perspective, we see good prospects in several markets, such as France, Saudi Arabia, Turkey, while the short-term outlook for Israel and Southeast Europe is less positive.

But now, beyond the near term, I'd like to represent how we plan to capture more business in our region. First, the investment we made over the past five years around customer experience are paying off. Understanding the customer journeys, developing initiative to engage at the right moment with the right mindset is helping us to increase responsiveness. I am very encouraged by the ratings received from customers to Net Promoter Score. Specifically, our commitment to serve all our customers during the peak of the COVID-19 pandemic that hit South Europe especially hard has earned us very positive feedback, and this is also translating in terms of customer loyalty, example of how well we're retaining the maintenance contract. That metric is high and it's including year-on-year, despite intense price competition from small and large competitors alike. In fact, we can expect the average maintenance price to rise in the future.

In terms of mid-term growth, the service opportunity in South Europe, Middle East and Africa is very large. And our core platform with DX and the 24/7 connected services is giving us a lot of benefits to win with our customers. Whatever the age of the equipment, whatever the brand, we can now offer to our customers modernisation solution that will deliver the benefits of KONE DX platform and the smart and reliable 24/7 connected services. What is really inspiring with the recent DX modernisation launch is that modernisation is no longer just a solution for eliminating technical obsolescence but it's also a new entry in the world of digital services. And when you think that the service market in Europe is in the range of several million units, you can imagine the potential. Thank you very much for your attention.

Ken Schmid: Hello. I'm Ken Schmid. KONE's Executive Vice President in the Americas. The Americas contributes approximately 20% to KONE's global revenue. Geographically, the region is comprised of Canada, the United States and Mexico. We also provide equipment and technical expertise to our distributors in Central and South America. Overall, the United States is a major contributor to revenue in the region. Now, let's take a look at our outlook for the markets. As you look at the segment distribution, you see that office and residential comprise a majority of the revenue. However, there are material contributions coming from infrastructure, medical, as well as hotel and retail, so good strong diversity across each of the segments. Our outlook in the new equipment business suggests that office and hotel retail will be slightly down. This is driven predominantly by the economic impacts of the COVID-19 pandemic. We think that the residential and infrastructure medical will be rather flat. As we look at the maintenance business, we see it as continuing to be rather resilient. We have good opportunities with our digital solutions, 24/7, as well as our health and well being solutions. Finally, the modernisation business line we see as being slightly down, with some recovery coming as discretionary spending loosens.

Now let's take a look at an opportunity that we're very excited about in the Americas in lean construction. The technicians that install our elevators and escalators in the United States come

with a very high hourly labour rate, so everything we can do to drive productivity and eliminate waste will drive strong profitability. When we talk about lean construction, we really look at it from four different angles. The first one I'd like to talk about is around product design. What we're doing now is designing elevators, by installers for installers, to make sure we standardise the tools and the work practices to drive efficiency. A great example of this is our recently released Mono 300. This is a machine-room-less elevator for two and three landing applications. It gives us access to the hydraulic elevator market that we previously did not have. This product was designed by technicians, for the technicians and we're very excited about the promise it holds in serving our customers and driving profitable growth.

The next area I would like to talk about is around scheduling, understanding our customers pain points, what are their schedules, what are they trying to achieve when, what are the coordination challenges with their other contractors on the job site. By aligning ourselves and understanding our customer's critical path to schedule, we can align our schedule to make sure we're doing the right things at the right time. We also then have the opportunity to set internal priorities for production, optimising the supply chain, and logistics to minimise costs. The next element I would like to speak to involves the visual workplace, something that may seem rather simple, but is a challenge in construction. With the visual workplace, we post where our teams gather and review every day visual indications of what we're going to achieve that day and the rest of the week. And then we circle back each day to say that we achieve each of the items that we said we were going to achieve. With technicians on multiple floors and many different points of the installation, this helps us stay aligned so that we can optimise each technician assuring that they're staying busy but it also assures coordination with the other trades and our customer, the general contractor.

Then the final element of lean construction is on some of our technology construction solutions. Specifically here I'd like to point out JumpLift. The JumpLift technology on a job site allows our customer to move people and materials on the job site with up to 50% efficiency. All of these four things combined for our lean construction solution to differentiate KONE, understanding our

customers business, their pain points addressing them, thereby adding value. We get employee engagement and at the end of the day, we're very proud to say that KONE will continue to be the selected partner of new construction. Thank you.

Axel Berkling: Good afternoon to all. I am Axel Berkling, Executive Vice President KONE Cooperation and I head the Asia Pacific region, excluding China. This region is one of our growth engines because it is urbanising at a rapid pace. It has the second youngest population in the world and the rate of technology adoption is up. It consists of a diverse group of countries [inaudible] countries. India is the second largest market in the world with an urbanisation rate of only 35%. We have in the Southeast Asian markets fast developing countries like Vietnam, Indonesia and the Philippines with urbanisation rate clearly below 50%. And some of more developed countries like Malaysia and Thailand with an urbanisation rate of above 50%. The other extreme of Singapore and Australia and [inaudible] which are highly urbanised countries. This rapid pace of urbanisation will [inaudible]. However, we also emphasise rapid growth in service business has a lot of opportunities.

Let's now take a look how we expect our markets to develop in the coming quarters. Firstly, the COVID-19 pandemic has infected our area quite severely. Some countries like Vietnam, Thailand, Australia and New Zealand were able to contain the virus fairly well. However, others like Malaysia and Singapore were more impacted but show good signs of recovery. India, Indonesia and the Philippines still struggle to contain the virus and the uncertainty remains quite high. The lockdowns have impacted our project delivery and caused labour shortages at times and causes some delays in projects. Our maintenance business has been [inaudible] services has been configured as exception.

If I look at the outlook for the next couple of quarters, it varies for a lot of our customer segment and country. As I mentioned earlier, we are still a young and growing region and urbanisation continues to create growth opportunities in residential for larger customers. Vietnam, for example,

shows strong growth and we see some recovery, good opportunities in India as well. Expectations for remote working are impacting the outlook of our second largest customer segment, office. But we also see some green shoots in countries where the virus has been contained.

We also have a meaningful share of hotel and retail in the area, which due to the pandemic looks less positive in all countries, especially those with high share of tourist like Thailand. The medical segment shows positive signs, not just from the need for more hospitals but also the need for new technologies. We also expect government investing in infrastructure to support a good recovery in 2021 in almost all countries. Our service business has been on a double-digit growth strategy. The main challenge we are currently facing is the slowness [inaudible]. But the positive side is that we see opportunities in the long run as the market has been developing growth. The mobilisation business has opportunities, especially in the more matured countries as the building needs are changing post-pandemic. The need for making buildings more adaptable and future proof is increasing and this is creating opportunities. Overall, I would say that also we are facing some headwinds in the short run, we still see great opportunities for the long term.

Today, I would still like to talk about one exciting aspect of our diverse solution. The opportunities related to smart and green innovations. We are headquartered in Singapore where government initiatives to make the country green and smart are very strong. Singapore has been at the forefront when it comes to sustainability and new technologies and has topped the Smart City ranking for the second year in a row. Singapore has one of the highest adoption rates of our 24% of the business across the globe, it has also been one of the forerunners in the health and therapy solutions launched in the country. [Inaudible] innovation up in the city and we are working together with customers and partners to support them in their initiatives. This helps us strengthen our digital infrastructure, adopt new technologies and learn more to support our customers with their sustainability initiatives and how to influence the market. We believe these learnings will be valuable also in other countries. With high level of customer loyalty and our strong employee

engagement, we are confident that our area will be one of KONE's growth engines for the future. I truly believe we are on the right level. Thank you for your attention.

Henrik Ehrnrooth: I hope you all got some good insights of how we see our markets in the different geographic areas and how we are capturing opportunities in these markets. One thing that you probably realised that we didn't have anything on China because we know that China is of big interest and of course big interest to us, given the importance of the business to us. So we have now next, a slightly longer review by Bill Johnson of the current situation in China. So please, over to you, Bill.

Bill Johnson: China. China is all about people and people flow. Hello, I'm Bill Johnson with KONE Greater China. China represents a significant portion of KONE's global business. I will spend the next few minutes with you sharing our perspective on the China market and our operations here. Currently, we have more than 20,000 employees in China, operating in two factories, 90 branches and more than 500 service stations. We serve more than 30,000 customers, including nine of the top ten developers in China. Earlier this year, we were the first elevator OEM to ship more than one million units in China. This is a significant milestone for us and for the industry. The majority of our China operation has been led by the new equipment business, yet the maintenance and modernisation businesses are experiencing even stronger growth.

Let's first look at what has happened to the economy and the real estate market so far this year. Since the end of quarter one, China has experienced a very strong V shaped recovery. The real estate sector recovered quickly since quarter two and even stronger into quarter three. This has been supported by favourable government policies related to developer financing, access to land and new investment into infrastructure. The real estate market is linked to China's overall economic climate. Key drivers include regulatory direction, property supply and demand and of course developers access to capital. As anticipated, COVID-19 conditions may have material impact going forward.

Two macro trends impacting our industry is the continued formation of city clusters, as well as the recent focus on infrastructure investment. Growth in the city clusters will drive the elevator and escalator market at a sustainable level. Investment in these key clusters is accelerating, especially for transportation related to infrastructure and affordable housing. The residential segment in these key city clusters has recovered quickly to pre COVID-19 levels. And though the real estate sector has recovered impressively, we continue to see regulatory environment becoming slightly more restrictive going into 2021. One example, the government recently started to pilot a new risk assessment method to monitor debt among large developers. Such measures are likely to put pressure on real estate sector's cash flows going forward. In general, the central government continues its stance of housing for living, not speculation, and we do not expect this to change in the foreseeable future.

We remain optimistic going into the first half of 2021, however are cautious for the second half. The residential and infrastructure segments are expected to remain solid but office, retail and hotel will remain soft. For KONE China, residential remains a large part of our business at approximately 70% while infrastructure represents less than 10%. We continue to strengthen our position in China. Despite a challenging first quarter by mid February, we were one of the first OEMs to resume operations. This was possible through close collaboration with local governments, customers, suppliers and channel partners. By May 2020, all of our branches had reopened and we were shipping record numbers of elevators and escalators. A combination of sound strategy, strong execution and a great team proved to be successful in outperforming the market.

In the maintenance market, we expect continued double-digit growth for the foreseeable future. We are leveraging digital solutions to capture more opportunities. The progress in condition-based maintenance regulations will also help strengthen our position. However, the maintenance market will continue to be very fragmented and vulnerable to pricing competition. Looking at modernisation, it is still a small part of our overall business here. However, with a total installed

base of more than 7 million units, China modernisation is a huge and growing opportunity. As KONE China's instead base of more than one million units is relatively young, our opportunity is to capture projects from both KONE and non-KONE brands. We expect to continue growing our China mod business at more than 30% a year. We're more focused than ever on winning in the China market. KONE's strategic priorities remain the same. One, win with our customers and prove our added value to them. Two, leverage our scale and operational competitiveness, including our dual brand strategy with GiantKONE. Three, capture high growth service and modernisation segments. And four, continue to attract the best talent to grow and expand our business.

In closing, I'd like to express my appreciation to all of our KONE China employees for their commitment and dedication through this challenging year. They are heroes. I believe KONE China has come out of this crisis stronger than ever and we look forward to capturing even more opportunities in the future.

Henrik Ehrnrooth: So hope you also felt that that was interesting, and brought some new perspectives throughout our geographies and now lastly, from China. Before we go into questions, let me wrap up. While we know that the economic environment is likely to be very challenging over the coming years, we continue to see great opportunities in this industry. This is a truly great industry to be in and find opportunities. We think in the coming years that we're going to find exciting growth opportunities by being the best partner for our customers in smart and sustainable cities. We think that this is really a growing area, both in new buildings, in modernising them, as well as maintaining them. We expect that the services market will continue to grow in all parts of the world. So that's an area where we will continue to drive significant differentiation to capture growth. And of course, as we could just hear, throughout Asia Pacific, there continues to be fantastic growth opportunities and services. We also drive growth by continuing to develop our core offering to make sure that we have the strongest offering in the market that really suits our customers' needs and help them succeed in their business. And on top of that, we are building further value adding solutions that actually it's an opportunity for additional growth and additional revenues, as we have done, for

example, 24/7 connected services and what we are starting to do now with our DX Class elevators. So we expect that there continues to be a great opportunity also going forward.

This is just a glimpse into what we are planning from next year onwards once this current strategy phase is over, and we start our next one. You will hear more about this early next year. But with this, we now have good time for some of your questions that now are from online. So Sanna, if join me here.

Sanna Kaje: Thank you, Henrik. And if you have more questions, you can keep submitting them. We will have now 15 minutes for questions for Henrik and we can then take more at the end of the event. There seem to be several questions on kind of the customer segments and the mix and how it impacts us, and maybe good to start with the big picture. There's a question on the residential exposure that we have. How is it different in new equipment business compared to services?

Henrik Ehrnrooth: If we look at new equipment and services, and then I look at services, both maintenance and modernisation, then the residential exposure is higher in new equipment and that is, of course, because of China. As you could see, from all of the pie charts from the various area directors, it was clear it was the highest in China and that's of course, a very big part of our new equipment business. But if I look at between services overall is less than 50% but if you look at maintenance compared to modernisation, regarding maintenance, it's higher than its in modernisation. So we can say that the highest exposure to new equipment, then in maintenance and then in modernisation to residential.

Sanna Kaje: As a follow up to that, there's a couple of questions on kind of the impact of the customer segment exposures and profitability, and whether the shift perhaps towards more residential will impact profitability. And there's a China-specific question on this, but more a more general one as well.

Henrik Ehrnrooth: Not really, I would say that, in most places, there is not a huge difference between the profitability between these different segments, so that's not the big driver.

Sanna Kaje: Then a couple of questions on China and the China outlook, and I guess we just upgraded the market outlook for China. So in that sense, things are looking good at the moment, and then we'll talk about the restrictions getting tighter and here's first of all, a question on [inaudible]. Could you please talk a little bit more what these restrictions mean for you? Maybe we'll start with that.

Henrik Ehrnrooth: Well, there are various types of restrictions. As Bill talked about, we have the restrictions on developers and their ability to take on further debt. So that, of course, means that they have more difficulties to access financing. And, clearly, there can be some pressure on payment terms, but as you've seen from our cash flow, that has not been a problem for us. And then there are a lot of restrictions on people buying the apartments. So I think that the big – the biggest impact is, of course, the overall demand for housing or real estate in general and therefore the demand for elevators and escalators for those. So it's more that way it comes rather than a direct impact on KONE.

Sanna Kaje: And linked to this, why are we more cautious on the second half outlook in China versus to be more positive, I guess, for the coming quarters?

Henrik Ehrnrooth: Of course, we always have more visibility into the coming quarters. And, as Bill talked about it, you could hear that, currently, the momentum is good and we expect that to continue for the coming quarters. Clearly, we have slightly less visibility further – when we look further out and at the same time, we can see quite a lot of restrictions. And we expect that maybe those restrictions have a bigger impact than later in the coming year. But I would say it's, as we all know, the Chinese market is very dynamic and to have a clear prediction at this point of next year is a bit too early.

Sanna Kaje: Right. Then I guess shifting gears to services, starting from China. Here's the question on, do you want to increase your China exposure further from already high levels by acquiring Chinese service companies and distributors?

Henrik Ehrnrooth: As we talked to in the past as well is that at the moment, our growth strategy is primarily an organic one and I think that that makes sense. At KONE, the way we have achieved result is being quite focused on something and we want at this phase still be very focused on organic growth, because there's plenty of it. There are plenty of – I mean we install more new elevators in China than anyone else, so capturing that base. And then there is a huge base of KONE and GiantKONE elevators out in the market that we can of course recapture, so that is our primary focus. Maybe in the coming years, we'll start to look at acquisitions as well but that's not the most relevant point right now.

Sanna Kaje: Yep. Continuing on the on the same topic, there's a question on how the regulation and the regulator is piloting a new way to regulate the Chinese maintenance market. And there's no a pilot going on in Shanghai and there's a question on why is KONE not on the list of the trial OEMs? My understanding is that we are.

Henrik Ehrnrooth: We are, so those companies that were announced in two different phases and we are definitely included there. Shanghai is not the only one. There's been many other ones and we have been involved in a vast majority of these. So we're definitely involved in the Shanghai one as well. We were not part of the first announcement but further on. So I think we are quite well positioned there as well.

Sanna Kaje: Correct. Then I guess services more globally. Here's a more short-term oriented question on are we seeing any changes in the scope or pricing of maintenance contract when they come for renewal and especially for the non-residential segments.

Henrik Ehrnrooth: Nothing major; maybe in some more harder hit segments, in United States you have a slightly de-scoping of contracts. But that's not in the end, a huge difference that in some cases, you have a more comprehensive than everything is included, then if it's de-scoped, then more will be discretion repairs. So there's been some changes but not significant.

Sanna Kaje: Service differentiation, how would you rank KONE's current level of differentiation in services compared to the best in class in other service industries outside of elevators? So can we differentiate?

Henrik Ehrnrooth: I think we can, and as I mentioned that it all starts from people. What we can see from our own surveys is that we have a very engaged and motivated workforce. And that is to me the most important thing, because when you have engaged the motivated employees, they will serve your customers well. I also believe that we are showing the way in terms of innovation in terms of new types of services to our customers. So I think we're making progress. But also, I think you have to say that why did we start investing so much in services back in 2014-15? I think that when we looked at the sector more critically, we realised, actually, there was very little differentiation there. Maintenance business doesn't move very quickly, but I think we made some determined and good steps here. But I think we have a lot still to be done but I think we are in a good path here.

Sanna Kaje: Good. It seems like you're more focused across various regions on capturing services from other manufacturers. What protects you from them also trying to capture more service on your own installed base? What is the barrier to entry?

Henrik Ehrnrooth: I wouldn't say that we are more focused on capturing third party equipment from others. We've always been active and want to win more services, both, of course, converting what we installed, winning KONE equipment that is out to the market and also third party. I don't think

that that has changed. It is a competitive sector. We know that it's very fragmented. The biggest service market in monetary value is Europe, actually, by quite far, the largest still. And we have to remember that the top four players only a little bit over 50% of the market. So that has continued, but we believe that by further differentiating, we have an opportunity to continue to grow. And we have a good growth track record. We often say that many of the small local players are very competitive and have a purpose in the local market. And we need to just continue to develop KONE to compete successfully against them and our bigger competitors.

Sanna Kaje: Shifting gears towards the sustainability topic, and I guess a sustainability pledge as well. How much does an average on – an elevator on average consume of the electricity in a building? And related to this, what kind of opportunities do we see in the Green Deal? Is there an opportunity for us?

Henrik Ehrnrooth: Well, first of all, the mountain elevators, an elevator's energy consumption varies a lot. So old elevators actively used in a building can be 10% of the energy consumption, even sometimes more. A modern elevator in a residential building is not used very actively, just few percent. But that's what we see is that really, it's the old equipment that actually are consuming a lot and there's a big reduction possibility when you modernise. That's why we think that elevators also play a role in the Green New Deal in Europe. Details are not out there yet but I think that everything that contributes to make these buildings more energy-efficient and more sustainable is definitely going to be on the agenda. But it's not only about energy consumption. Of course, it's also about accessibility. It's about materials, healthy materials, and so forth. There's so many aspects to this that I think it is going to be and it is a big possibility for us.

Sanna Kaje: Good. I guess, time a couple more questions. Let's see, there's quite a few, maybe we'll leave some to the end. US related question; what is the share of US of the total North America sales and the country share of the maintenance base as well?

Henrik Ehrnrooth: So United States is clearly the vast majority of North America because the others are Canada and Mexico and they are clearly smaller, so that's more than two thirds of our business, actually more than that. And maintenance is roughly 40% of the revenues there, and a, yeah, good and solid business.

Sanna Kaje: And I guess US, the bulk of the maintenance base as well in that region.

Henrik Ehrnrooth: Absolutely. Yes.

Sanna Kaje: Market share related questions, have we strengthened our position in escalators and what is our position? Are we the market leader in escalators in China and globally today?

Henrik Ehrnrooth: We are not the market leader in escalators today. But if I look at the past couple of years, we've clearly gained market share there. We have clearly improved our competitiveness in escalators and particularly now in escalators for metros, railways and so forth, so for infrastructure. So we actually are in quite a good position there and we've made a, I would say, quite a big improvement in the past few years in that area.

Sanna Kaje: What about the market share overall? We've been doing well in China, I guess compared to that market, so who are we taking market share from?

Henrik Ehrnrooth: I believe in China, it is particularly smaller and mid-sized players that have been losing out, given the consolidation of the customer base and the bigger players have been better placed to serve them. So I think it's principally small and mid-sized, but I can't point out exactly from whom, but general we have grown faster in the market and gained share there.

Sanna Kaje: Let's see. On the guidance, you upgraded the guidance last week, what was the trigger for that?

Henrik Ehrnrooth: The trigger for that is that the development in Q3 has been better than we had expected when we announced our Q2 results. Both China has been even stronger than we thought, we thought it was going to be very robust and good but he's been even better, but also, the momentum in maintenance has improved. So while maintenance is clearly not back to normal, we've seen an improvement there. So it's not only China, it is actually Europe and North America also have performed better than we expected.

Sanna Kaje: Personnel related question. Have we had to lay off people due to the COVID-19 pandemic?

Henrik Ehrnrooth: So as I mentioned that one of the core principles that we set early on is that cost is not the principal objective that is actually health, safety. And then before we have actually had people on temporary leave or so who wanted to train them. And our policy has not to be – we have not wanted to dismiss anyone because of the crisis. So that has been very strong policy for us. And our objective has been to keep our people employed. Yes, we have been – they've taken some of their holidays if they have untaken holidays, or in many countries, we've gone to negative work banks, but that way we kept KONE's employees paid all the time. And as I mentioned that the first objective has been to train them, which I think has worked very nicely. So that's how we have wanted to make sure that we take our responsibility also in this tough time.

Sanna Kaje: And also, Net Promoter Score related question, what is the absolute level that we haven't been?

Henrik Ehrnrooth: We haven't disclosed the absolute level and it varies quite a lot business to business and geography to geography. We can see that you have to usually look at them in regional context. So we haven't shown [inaudible] but we are seeing quite a good level, I would say.

Sanna Kaje: Maybe then the final question that that could be a good segue to the next topics. Do you think the new technological developments raise the hurdle for smaller competitors?

Henrik Ehrnrooth: I think that there would definitely be platform for smaller competitors as well, for example, in the maintenance side. But I think what is the really key here is as I mentioned without 24/7 connected services is that, for that type of a service, to actually work and to be valuable, you need to have enough units connected. It's not enough that you have 1000 units connected, it's not enough to have 2000 units connected, and many of the small players we see here actually have hundreds. So for you to learn and to create value, you need more of the data and insight, and the more of an insight you have, the more you can create value. So I think that the bigger players have an advantage here. Having said that, we all know that this industry has a lot of small residential customers, so the small players will be there, they will have a purpose and we will be competing against them every day. But they will be slightly different, probably the environment how we compete against them.

Sanna Kaje: Thank you, Henrik.

Henrik Ehrnrooth: Thank you.

Sanna Kaje: We will have more time for questions for Henrik as well at the end of the event. It's now time for a ten-minute break. So we'll be back shortly. Welcome back from the break. For the next section we have two presenters. Our Chief Technology Officer, Maciej Kranz, who joined the company roughly a year ago and has a strong background in digital transformation and is now looking at the opportunities we are facing with fresh eyes. We also have our former Chief Technology Officer, Tomio Pihkala, who is now heading the new equipment business and bringing these innovations to life there. So Maciej will first talk about the evolution of KONE's innovation approach and Tomio will then focus on the new equipment business.

Maciej the floor is yours.

Maciej Kranz: Thank you so much Sanna, and good afternoon, good morning, everybody. As Sanna mentioned, over the next couple of minutes, let's talk about our approach to innovation. Just to set things in context, our innovation is driven by a couple of key principles. One is our mission to improve the flow of urban life, as well as the megatrends that Henrik discussed already, so urbanisation, sustainability, and technology. And the way we are directing our innovation efforts is to focus on addressing everyday problems that people face moving in buildings, moving in districts, moving in cities. And some of these problems, we can actually address ourselves with our capabilities, our technologies, but increasingly, we actually also reaching out to our partners, and partnering with city ecosystems, co-creating with customers, co-creating with our partners as well. So when you think about innovation, we actually are very proud of our 110 history of innovativeness and coming to market with amazing innovations and market changing innovations.

Some examples, MonoSpace elevators or UltraRope were some of these innovations in recent history. And then building on this innovation history, in 2016, we made a bold decision to create KONE Technology and Innovation Organisation to pull under the one umbrella all of our technology activities in terms of research and development in our core offerings or physical capabilities, research and development in services, in solutions, in digital capabilities, IT capabilities as well as technology innovation.

And to put things in context, at that time, a couple of years ago, most of the industrial players were pursuing sort of a digital capabilities in – they were separate from mainstream, often led by Chief Digital Officers. So we've taken a different path, we've taken an integrated path, we integrated physical and digital capabilities. As a result of that, we were able to start coming out with physical and digital solutions that Henrik talked about. By using digital tools and new ways of working the agile capabilities, we're also able to reduce our time to market for our innovation capabilities and

innovation offerings by up to 40%. And also, we've engaged with roughly 1300s of our customers on co-creation activities. So now that we build this physical and digital foundation, we're moving forward and accelerating and scaling both our offerings as well as our capabilities. We're building physical and digital native organisation.

And of course, as you can expect, we are bringing all the new digital capabilities to the company when you think about data science and analytics, artificial intelligence, Internet of Things, cyber security, user interfaces, and user experience, all the kind of new capabilities coming into play here. But we are also spending a lot of our effort on evolving skills of our existing workforce to make sure that our engineers can evolve to become physical and digital natives. Building on the customer co-creation experiences of last few years, we are also expanding and integrating our co-creation capabilities with our customers. We are in the process of rolling out the network of our co-creation labs we call KONE works, where we co-create with our customers, we co-create with our partners from the sort of business problem statement all the way to a scalable solution. And lastly, we're integrating partner capabilities natively into our roadmaps as well. So focus on physical and digital integration.

In addition to that, we also are balancing our local and global capabilities. If you look at the map here, we actually have seven R&D locations and many more IT operations. And we've actually chosen these locations very carefully using the three criteria. The first one was, of course, access and proximity to our customers and partners so we can co-create with customers and partners. Secondly, of course, access to talent and to the right skills. And thirdly, also proximity to our supply chain and to our factories as well. And these R&D units work as a network, focusing on driving our global roadmap, but also on local capabilities.

Let me give you an example of our China operations in Kunshan next to Shanghai. This team is focusing on what we call China for China. So co-creating solutions with our customers and partners to make sure that we address their requirements in China. They also take our global roadmap and

evolve it to meet the needs of customers in China. But the same team also focuses on the work what we call in China for the rest of the world. For example, our escalator development is conducted in our China R&D facility as well. So we talked about physical and digital, and we've talked about local, and global.

So now let's talk about areas of focus. And in a nutshell, we are focusing on two key thrusts here, from the innovation perspective; first, on the strengthening our core and second, creating new revenue opportunities. When you think about strengthening the core, over the last few years, we've gone through the major transition. And if you look at the blue side of the slide here, we've moved from our core being physical to now our core being physical and digital. KONE DX, KONE 24/7 connected services are good examples of our core being physical digital. In addition, these capabilities also are becoming platforms, capabilities that we can build on top of as well. So in addition to establishing our digital and physical platforms, of course, as you can expect, we've been also working on optimisation about portfolio; MonoSpace 300 is a good example of our elevator offering targeting low rise buildings.

So the second area of focus has been around creating new revenue opportunities. And the immediate revenue opportunity, and Henrik talked about it as well, is to build capabilities on top of our platforms. Henrik mentioned 24/7 plan is a great idea – a great example of extending our 24/7 capabilities by working very closely with our customers, listening to their needs and responding with extended capabilities. Residential Flow is another example where we've created some contact-free and sort of interaction free capability for residents and visitors in the building to move around the building. And we plan to continue to focus on these types of capabilities building on top of our platforms.

And then last but not least, we're expanding into new opportunities. Two areas of focus; one, ecosystems, we've been talking about it already as well, focusing on two opportunities. One is to integrate offerings from our partners into our solution capabilities and bringing these combined

capabilities into our customers, our existing buying centres. And the second area that we are starting to look into as well, which is integrating our capabilities into our partners solutions and our partners taking these combined solutions to their customers, and to potentially new buying centres. And then outcome-based business models. This is the area that increasingly our customers are actually exploring and we are exploring with them. It's still early, but we think this is a very potent and interesting opportunity for us as well.

So I've mentioned a lot of physical and digital platforms. And if you see here on the slide at the bottom, connected equipment is highlighted and we've been talking about the strategic importance of us connecting our equipment. Why? Two reasons. One is that by connecting our equipment, then on behalf of our customers and for our customers, we can pull the data out of this equipment, then we can analyse the data, we can look at the insights and use the insights as solutions to our customer's problems. The reverse flow is also true. By connecting our equipment, we can start creating plug and play, digital and physical, physical and digital capabilities like for example in our DX Class elevators.

And the third capability is APIs, application programming interfaces. These are the gateways for us to integrate with our customer systems as well as with our partner capabilities to create joint solutions. We've given a lot of thought to this physical and digital platform capabilities, how we architect it, how we scale it, how we make it flexible. And the reason for it is that these digital and physical platforms then allow us to create and to deliver new value-added solutions at speed and at scale. One example of these kind of capabilities, and Henrik mentioned it already, is health and wellbeing solutions. We've actually introduced sort of initial wave of these offerings shortly after pandemic hit us. And the primary reason we were able to be so fast is because of the platform capabilities that we had.

So let's look at this example of health and well being in a bit more detail. Here is sort of a list of problem statements that our customers will typically come to us before COVID. So examples would

be, alright, I have, let's say, a lot of congestion in the lobby, or I'm getting some bottlenecks because of meetings or conventions, I would like to offer a fast lane capability for daily users while offering sort of easy access for visitors. And these were the problems that we were working with our customers and continue to work with our customers to solve those. But then obviously, over the last few months, we started facing sort of a different challenge. How do we enable people to move, let's say, from a parking lot to a covered optimised office in a safe and timely manner. And there are some couple of other problem statements here. How do we make sure that they can move around the building in sort of a contact-free way, how do we make sure that the surfaces people touch are either sort of re microbial free or have been decontaminated, how do we make sure that people can follow physical distancing rules? And we took this sort of a problem statement and we pulled existing capabilities that we already had at KONE, and we've added a few new ones as well. And then we pull them all together through people flow, planning and consulting capabilities, and design these experiences with our customers and for our customers but there's more. By using the API capabilities, we are also able to integrate our partner capabilities into these solutions like robotics or our smart locks, and Tomio will talk about those in a moment. But hopefully you see the picture here. It's starting with a customer problem, then figuring out how do we design this kind of experience together, and then what capabilities we can use that we have in KONE, as well as what capabilities we can integrate with our partners as well. And this is basically what the world will look like and this is where we were going.

In a way, we are already transitioning from being best in class product and services company to becoming best in class products, services and solutions company. In the process, we are redefining our engagements with our customers from sort of an outside pointed engagements around a new equipment or modernisation or a maintenance into a 360 continuous engagement where we actually work with our customers to design and sort of optimise their experiences and experiences of their customers. And these experiences can evolve as building uses change, as the businesses of our customers change as well. And in the process, we are establishing much more strategic relationships with our customers. We engage much earlier in the sales cycle. In

addition to sort of evolving our customer relationships, we also are evolving our internal capabilities by giving data, the right data, in the right place in the right time to our own frontline operations and our sales teams, so they can optimise – increase our productivity but also sort of serve our customers better.

So in summary, by combining physical and digital capabilities, local and global capabilities, by integrating our partner ecosystem and co-innovating with customers at scale, we are designing solutions that allow people to move in buildings, in district, in cities, with smiles on their faces.

Alright, thank you so much. And now let me invite Tomio. He can join me here, so you guys are getting two CTOs for the price of one. So Tomio, you and I have been actually working a lot and I really appreciate your help over the last year, not only because of your current role driving our new equipment business, but also because you actually drove KONE Technology and Innovation Organisation for a couple of years. So maybe a quick question before you start your section. You've been there since the beginning of KTI, and what are some of the biggest changes that you've noticed that happened in our approach to innovation the last couple of years?

Tomio Pihkala: Thank you, Maciej, for the good question. I would say it's all in all the change in innovation culture and we have seen more people innovating. So it used to be kind of very limited group of people who had a license to innovate. And then second aspect is actually about customer co-creation and customer aspects. I was kind of positively shocked when I saw some of the hardcore R&D engineers in the laboratory starting to talk about customer value and customer co-creation really get excited about it. So I think, didn't I know this, hey, there's something going on here, there's a change.

Maciej Kranz: And I think in some ways, it was also great that our people are open to change, right, that they can shift from sort of thinking technology to thinking customer problems.

Tomio Pihkala: That sort of thing. I have a question to you.

Maciej Kranz: Okay.

Tomio Pihkala: You have been now working more than one year in KONE and it has been a pleasure to work with you. But, when you came to KONE, what was the biggest surprise, so let's say, in terms of innovation culture? What you didn't expect when you came?

Maciej Kranz: Maybe I can give you – I can find sort of one. But I can maybe give you a longer – with a longer answer that the reason that how so excited about joining KONE is because we – I was excited about our approach to transforming ourselves, our business, our culture, as well as transforming the industry and it turned out to be absolutely true. The second reason was people, it was really easy for me to get integrated in the company and not only us working together, but us working broadly with, with our KONE colleagues, and also in KTI, I think it's been great to see how open people are, as you mentioned, to sort of evolve their skills and adopt new ways of working. Maybe one thing that surprised me, and it is actually big kudos to you and to the KTI team is that when I came here, I thought I will be building, creating a lot of new capabilities and instead, you've actually build this foundation that we talked about earlier, right. And then – so now my job is much more into evolution and scaling than building and it's actually a great place to be. And a personal note, I have to say I've had fun, lots of fun over the last few years.

Tomio Pihkala: Thank you, Maciej.

Maciej Kranz: Thank you, Tomio.

Tomio Pihkala: I think it's this one, right? Yeah.

Maciej Kranz: I think so, yes.

Tomio Pihkala: Very good. Well, Maciej had an exciting presentation and he talked about how we have been able to increase the new services and solutions in digital space. And, this change has been very rapid and it has become really our core part of offering. And I would claim that we are leading in terms of how we have been able to scale new digital solutions and services and also how we have been able to create the commercial success. So in my presentation, I would like to talk more about how we are really applying these new digital solutions or services in new equipment business. I will talk specifically about DX Class elevators, which Hendrik already mentioned earlier. And in the second part of my presentation, I want to talk about the foundation of our competitiveness without we will not be a global leader.

It was 29<sup>th</sup> November, 2019 to be exact, that was the day we started the new chapter in KONE. KONE launched DX Class elevators in Europe. So what is this new chapter? Well, elevator is no longer just elevator, but it is becoming platform. And with this platform, we can create new outcome-based business, we can enable us to increase the share of customer wallet. This is a big bet for us as we are replacing all our existing elevator volume offering with the DX Class elevators.

So what is DX really? DX has three value propositions. Number one, it has built in connectivity. It means that there are unlimited possibilities to upgrade people for experience during the lifecycle of the building. And this is done by using application programming interfaces, an entire partnership ecosystem we are building around DX.

Number two, we are completely reimagining and redefining the user experience by using digital elements and physical elements, combining them together and creating multi-sensory our user experience. This design has so far received outstanding five Red Dot Awards.

Number three, partner for smarter buildings. We have been introducing a series of new digital tools to help our customers to plan and design new buildings. We will be lucky here because we

introduced these self-service digital tools for our customers just before COVID hit the market. So we saw a big spike of users starting to use our car designers, our planner tools. And we have seen that not only our products are now becoming digital, but also the way how we are selling and how we are interacting with the customers is becoming more digital.

As mentioned earlier, DX Class elevators act as a digital platform for various services. And we can connect these services by using application programming interfaces. We have four type of APIs we are offering for the external users; elevator call, service robot, equipment status, and service inform[?]. Then we have three service categories we are offering to our customers. First of all, KONE's own solutions like 24/7 connected services or KONE Residential Flow, or we have so-called third-party services. So partner solutions, whether they are global or local partners in different parts of the world. Then we have a third category, so called customers own applications. So these are the customers own digital solutions, we are able to adapt by using API interfaces in the smart buildings.

The beauty of DX Class elevator is that every single service will make innovative more valuable for customer and every single service will make building smarter. We believe in open ecosystem where we can bring win-win relationship between customers, partners and KONE. We are building AppStore of the industry where different partners are creating new services or solutions for different segments, for different geographies, for different customer needs.

So here I have a few examples. We are working in the access control area with a company called EyeLock. With EyeLock's Smart Lock solutions, we can create a seamless user experience in residential buildings, all the way from the main entrance to your personal floor and your personal door. In commercial buildings, we are, for example, in office, hotels, we see more and more customers actually applying delivery robots to do different kinds of things like room service. And here we are partnered with companies like Savioke and Robotize. Finally, I also want to mention the company called BlindSquare. This company is doing a really great job to make life of blind and

visually impaired people easier, and also how they move in the cities and in the buildings. So this is a leading – global leading application for the blind and visually impaired people are now – can also call KONE elevators. I have to say that the DX has really received well among our customers so far. This story about DX is resonating well.

In an uncertain world we are living, our customers are continuously looking how they can actually adapt to the new situation to the new normal, for example, by creating touchless elevator journey. And here DX will come to the picture. We can offer that adaptability. In residential segment, the customers are appreciating safety and reliability. And here we are offering solutions like 24x7 Connected Services or antibacterial wall panels to improve the hygiene of the – of the car. So we have very different needs in different segments. And the beauty of DX Class elevators that you can truly mass customise the elevators to the different individual needs.

And more we have this customer project with the DX in each country, more we can demonstrate the value of DX for the wider audience. We have had really encouraging start with the DX. I would say it has to be one of the fastest product launches I have seen personally in KONE career. We have already reached 80% tendering activity in EMEA area. There are many countries, which are already 100% tendering and ordering DX Class elevators replacing existing elevators. We have also seen positive impact on margins. In addition, we are also now upselling and additionally selling new services on top of their elevators.

So our plan is to now expand DX to cover new markets and new geographies step by step, and our goal is to reach and cover the majority of the market by 2021. DX Class elevator will replace all our elevator offering and being competitive in affordable housing all the way to the high-end commercial segments. While we are excited about DX and how it has been received by customers, we are fully aware what is our foundation of competitiveness in new competitiveness. KONE is reliable and trustworthy partner. We deliver customer promise. And it is all about execution capability and efficient delivery chain, in other words, supply chain and installation.

So let me introduce our recent progress in our operational excellence focusing on delivery chain. Safety, quality and sustainability, these are essentially everything we do. There is no shortcut here. It requires continuous improvement mindset. In safety area, we have been able to decrease our industry incident failure rate in supply line by 24% in the past years. In fact, there are many factories, which have been operating in zero level for many, many years. And this is thanks to the consistent safety culture development. However, we are fully aware that there's a lot to improve as an industry in the area of safety, it continues to be our high priority area.

In the area of quality, we have also seen very positive progress. Early failure rate, which is one of our key quality metrics has been improving 32% in this period. And this is thanks to the more robust R&D process, investment in supply quality management and also consistent competence development in the area of Lean and Six Sigma particularly. Then about CO2 footprint, here we have been consistently improving our CO2 emission per sales in the past few years, 31% in this period. However, we are going to set much higher bar in this respect. Henrik already talked about it.

In terms of supply line, we are setting the goal to be carbon-neutral supply line by end of 2024. As our delivery volumes have been growing in the past few years, we have been able to leverage fixed costs by improving productivity in our supply units. So we have seen 27% improvement in this respect. Our customers are continuously pushing us to improve our delivery times and lead times and also responsiveness in project execution. This is particularly true in China. In normal cases, delivery times are measured in months, but we have also capability to have much faster deliveries.

In China, we are leading the industry by providing broad capability to provide elevators just in seven days for the most important customers. Efficient installation is hugely important part of our competitiveness. In fact, in China, we are the key leader in terms of installation efficiency, but we do have also challenges.

There is an increasing challenge in labour availability, subcontractors, this is short this year. And this is why we have been investing many years in installation-friendly products. Ken already talked about that in his video. For example, in Europe and in North America, where the labour costs are high, we have been reducing standard installation time for the volume elevators. In case of MonoSpace 500 DX, we have been able to reduce the installation hours by 14%.

But there are so much more opportunities to improve our operational excellence. Even if we are a global company with the global products and global supply chain, we do see a lot of complexity in our product platforms in our processes and we can improve that by harmonisation efforts. We also think that we can continue to expand our fast delivery capabilities. And, of course, we will continue to drive installation productivity going forward.

Then about COVID-19. COVID-19 is the toughest stress test for supply chain in our history. We have been managing all kinds of crisis, natural disaster, component shortages, but nothing like this magnitude. I have to say I'm really proud how we were able to restart the China operation in February and how we have been able to keep production running in Europe during the most difficult period when most of the other companies were shutting down operations. This was thanks to the strong focus and safe working practices and also strong local accountability. Our local teams were quickly reacting to the issues and proactively managing the business continuity challenges.

But to be honest, there were many close calls. We have to move production volumes suddenly to the different factories to the different suppliers, but I have to say that our people did excellent work. There was a lot of heroic actions by KONE people, by suppliers and we were able to manage the situation. However, we learned a lot. We learned that there is a lot of opportunities to improve our robustness of our supply chain by harmonising our processes, by harmonising also our product platforms. COVID-19 was also causing big disruptions to the logistics. This was caused by different

lockdown, different restrictions. And we had a situation where we have to explore new logistic routes or new distribution centres in extreme time pressure.

So this experience reminded about the power of seamless collaboration between the functions between supply line logistic sourcing field operation. All-in-all, I have to say there has to be a lots of learnings which are going to be valuable in future. Personally, past 255 days have been one of the longest days in my career.

So it is time to summarise my presentation. Number one, we are a really – we had a really good start with the DX. We really feel good about it, how it will help us to differentiate in the future. We will focus on scaling and expanding DX quickly. Number two, COVID-19 has opened our eyes to see more opportunities to improve operational excellence, which is our foundation of our business success.

With that, I'd like to thank you for listening my story, and I'll go back – give back to Sanna.

Sanna Kaje: Thank you, Tomio. Thank you, Maciej.

Maciej Kranz: Thank you.

Sanna Kaje: There's a lot of questions coming in. Let's see. Maybe I'll start with Tomio, you – as you had it going already. Given a building takes a long time to build and design, how critical is it to be able to deliver an elevator to the customer within seven days, how much of a differentiating factor it is?

Tomio Pihkala: Yeah, I mean, typically, obviously, there is a plenty of time, typically months of delivery times in normal cases, but there are situations where due to the various reasons, customer needs to speed up their own projects or they have had some sort of changes in the time, this is quite

normal in construction projects. In this situation, we provide this flexibility. And particularly, the big developers in China, they have been appreciating this capability. We are trying to expand that capability resource or competitiveness in the markets.

Sanna Kaje: Then there's a question on differentiation, and, I guess, you could both take it from a bit different angles, but maybe Tomio you first, this question that Otis is also shipping its new elevators with connected capabilities. How does KONE differentiate itself from key competitors, I suppose? And, yeah, how can you keep your product differentiation lead when your new innovations are visible to competitors' through their maintenance?

Tomio Pihkala: Yeah, okay, I'll start, Maciej. This is our favourite topic. Well, first of all, obviously, connectivity is important, but that's not itself yet create the value for our customers. So obviously, it's all about what kind of problems you're solving with the digital solutions and technologies and how you can really add value to the customers. And I think this is where we are trying to really put our efforts and make it scalable, and we will continue to do so, obviously, data plays an important role, how we can really use the data to create the new insight, how we can really help customers solve different problems. And this is going to be a thing we need to continue to improve and more we have data like Henrik mentioned, more we have opportunities to also innovate different new services.

Maciej Kranz: You're absolutely right. I think that connectivity is just an enabler, right, and we do expect everybody to do this. But the key here is – the couple of other sort of big trends that I think we need to be paying attention to. One is our customers want to co-create with us. They want to co-create solutions with us, not just buy stuff from us, right. And then the co-creation is tricky. It's not easy. And I think we've actually worked over last couple of years how to make it sort of addressing customer needs but also scalable, so not a bunch of one-offs.

Second one is speed of innovation, right, and speed of responding to market changes and customer needs. And again, we sort of architected as we talked about not just the connectivity but the overall platform. And thirdly is its partner ecosystem and integration as well. It takes literally a village to build solutions these days. And then you've seen the example of integration with our partners. And again, we build that system and capability and we can do it at scale as well. So it's about customer intimacy, it's about partner ecosystem and it's about speed.

Sanna Kaje: About the technologies and partnering, there's a question that you have not acquired any technology companies, I think ever, it says here. Aren't you thinking of creating a corporate venture capital fund where you would buy stakes in several tech start-ups? It has worked well for many industrial companies in transitioning to digital industry leaders?

Maciej Kranz: You know, I have worked with start-ups for 30 years, dozens of them. And, of course, there are different ways of these start-ups can get funding. But what I think start-ups really look for is for opportunities to partner and to go to market together, right. They're looking for ways for companies like us to create revenue opportunities for them. And it is basically what we're prioritising, is we don't have to put money in the start-up to work with a start-up and to develop a joint solution and take the joint solution to market.

Sanna Kaje: A little bit on the same topic, Tomio, here's a question that there has been no ecosystem partners added since January. What could be the next one?

Tomio Pihkala: Right. Well, we are working on and we are continuously expanding the partnership ecosystem. And, we will be announcing also some new partnership in the future.

Maciej Kranz: Please stay tuned.

Tomio Pihkala: And so please stay tuned.

Sanna Kaje: I guess we sound very excited about this physical and digital.

Maciej Kranz: We are.

Sanna Kaje: Exactly. So here's one question, what does it mean in concrete terms that our innovation focuses on combining physical and digital offerings, what's changing, how is it different from what we have been doing in the past year?

Maciej Kranz: Sure, maybe I can start.

Tomio Pihkala: Yeah.

Maciej Kranz: And we're talking about technology, combining technology from physical and technology – and digital perspective, but this is just the starting point. What we are working on is basically blending the best of both worlds. So our understanding of the markets of technology of customer problems and so forth, but then also integrating sort of digital ways of working. You look at internal start-ups, you look at sort of culture changes in terms of fast fail, in terms of accelerated sort of funnels of innovation. So what is exciting for us is not only the outcomes, but also how we get there and combining the best of the both worlds, and I think we've been pretty successful with it.

Tomio Pihkala: Yeah.

Sanna Kaje: Do you think new technological developments would be a hurdle for the small competitors?

Maciej Kranz: No, I think that in general, for me, if there is competition means that there are good things happening in the market, so in general, competition is good. And I would expect that there will be some technologies that would – that our small competitors will be exploiting as well. And I think

we need to stay vigilant, but at the same time from my perspective, and I may be sounding like a broken record here. But I truly believe that what will be defining our industry next couple of years is co-creation with customers, focusing on integrating solutions with partner ecosystems and sort of integration of best of both worlds, physical and digital, which results in nimbleness and speed, and that's sort of our secret sauce.

Tomio Pihkala: I mean, I think Henrik already mentioned really about, I mean, even if I'm an engineer, I would like to highlight the technology, but this is a people business, this is a people-centric business, where in the end of the day, you make a difference in how you serve customers, and that will continue to be the case in future.

Sanna Kaje: Then on the same sort of ecosystems and partners, isn't it the case that you need to make sure that you have connectivity with all of the large building management system providers, is this currently the case and do you have any preferred partners there?

Tomio Pihkala: Yeah, and I think it's a great question. And the way we've been architecting our API strategy is to be basically BMS-agnostic, right. So whatever systems our customers want us to connect with, whether they are home-grown or driven by some of the BMS established players, we will then – we can integrate with them. And I believe that's the right strategy for the market, which is that we use technology as a means to respond to customer needs.

Maciej Kranz: I think it's very much about providing mass customisation capability for our customers because they choose different partners, so, API strategy, we talk about quite a lot, that is very much enabling that in many ways also for building management companies.

Sanna Kaje: Tomio, again for you, when you say that DX Class is going to replace all new product rollouts going forward, does it mean that for all new products that KONE sells, it will be DX-enabled,

and will it make you less price competitive versus your peers? And then there was a different question also that can we DX-ify older elevators?

Tomio Pihkala: Yeah, that's an important question. So I highlighted also in my presentation that DX platform will be a very competitive platform, also competitive in affordable housing, but also all the way – also in high-end segments. So it is a digital platform, and we'll continue to have – conserve different type of customers starting from low-end residential, where maybe there's more competitiveness. So there's no question about that. Yes, but we are replacing all our volume for elevator offering, and we believe that having that scale that will also make the difference.

Sanna Kaje: And we can do it also the model renovations, right?

Tomio Pihkala: We can do it. Yes, that is something we are working on. I think it was mentioned by Henrik that we have a capability now to also, let's say, DX-ify existing KONE elevators in the service space.

Sanna Kaje: Then on the kind of outcomes that we want to provide to the customers, what is the biggest priority, is it reducing downtime or something else, what is the value for customers that we're trying to provide?

Tomio Pihkala: Well, I mean, we have half a million customers and they have very different type of needs. So there is no one thing obviously. So obviously, right now, of course, COVID-19 is creating lot of questions where we can also help. I think maybe Maciej you can explain some of the things we are doing to help there.

Maciej Kranz: I think that Henrik mentioned that in some way we find ourselves a little bit in a eye of the storm now where customers are coming to us a lot asking sort of these basic questions, which is how do I ensure safe and timely people flow, and we started from here, right. But at the same time, and again, if I look at this is, we have different segments of customers with different needs. And

what we're focusing on is having a flexible enough technology architecture that we can address these need – different needs, and also in different ways, including different business models.

Sanna Kaje: And there was a question on disruption and what kind of risks we see. So would you highlight anything, what are the things we are watching out for?

Maciej Kranz: Yeah, I think that definitely the pace of change is accelerating and we're watching it very carefully. Definitely move towards solutions is one of them, all right, and which is why we're pursuing sort of a partnering strategy. The need to be nimble and need to be fast in responding to markets is really, really critical. So we cannot take years to decide what we do. It takes weeks and months to respond and to anticipate the needs of the market. And thirdly is flexibility. Its flexibility from the technology perspective, also from the business model perspective. So we're ready.

Tomio Pihkala: I think the technology disruption as a such as a mega trend or trend is very positive trend for us. Of course, you need to really capture that, and I think we have been doing that with our new G-Star Solution Services[?], we'll continue to do so.

Maciej Kranz: And maybe from a technology perspective, if you look at the technology stack, we definitely are shifting more and more focus in our activities into analytics, into analysing the data into getting insights from the data, integrating these insights into solutions as well. So moving up from connectivity and sort of capturing the data into analysing the data.

Sanna Kaje: Yeah, then there's a couple of questions on the absolute levels of the chain – numbers that you showed there, but unfortunately, those are not numbers that we are disclosing. One more question, let's see, there's a lot of these and we can take more questions after Ilkka's presentation. What is the pricing impact of DX Class elevators, why is it positive for the margins impact, what is it that makes customers want to pay more for it?

Tomio Pihkala: Yes, so I already mentioned in my presentation that we have had a positive margin impact, and in terms of pricing it has been progressing well, And obviously, customer really appreciate the value of future proofness, for example, and that is a big value and they will be willing to pay for that. But then I think the second element of also pricing is that we are selling these additional services and solutions. So that's I think where obviously that's why I say that there's actually unlimited possibilities, more we actually capture some of the and understand customer problems, we can actually even more than sell on top of the elevator. So –

Maciej Kranz: I've been involved in a lot of customer meetings lately, and so the recurring theme is exactly what Tomio mentioned, which is now that we get our equipment connected, what can we do, right. And this sort of a visioning I think is a very powerful engagement model as well, where, because customers facing huge challenges every day in terms of profitability and sort of business models and so forth. And now we can actually engage in this conversation because we have a means to help them solve these.

Sanna Kaje: Excellent, very interesting. Thank you, gentlemen.

Tomio Pihkala: Thank you.

Maciej Kranz: Thank you.

Sanna Kaje: Now it's time for the last presentation, and it will be by our CFO, Ilkka Hara. So Ilkka will summarise, synthesise a little bit of what you've heard in the previous presentations and explain why these things are relevant for us from the point of view of our financial targets. Ilkka, please.

Ilkka Hara: Thank you, Sanna, and also a warm welcome on my behalf to this 2020 Capital Markets Day for KONE. I'll talk today about what we've heard today summarising it into a financial context and how that helps us to work towards our financial targets. And at the end of this session, my

session, you have a chance to do Q&A with all of the today's presenters, so stay tuned for that as well. But I'll start first just the reminder, I think this is something which is familiar to most of you and Henrik already talked about the strategic targets and how we progress towards them. But from a financial perspective, we have three targets.

First, growth, we want to grow faster than the market. Second, profitability. We have a clear ambition here. We want to improve our profitability towards our 16% EBIT margin target, while at the same time, obviously, given our light balance sheet, then balance that with also growing our absolute earnings as well. And then lastly, we have a target on cash flow. We want to improve our working capital rotations and therefore have a healthy cash generation for the business. So I'll talk all of these three topics, and at the end, I will conclude with our outlook for 2020 as a topic.

So let's start with growth, how are we able to grow faster than the market. But before we get there, I'll start with looking a bit backwards. Henrik talked about orders growth, I'll talk here about how we've been able to actually, if you look at the longer period growth, quite healthy, our sales. And during this strategy period since 2016, our average annual sales growth has been 6.2%, so clearly higher than largest peers for our industry. While the growth has been good, it's also been broad-based. So if I look at the business lines and how they contributed, our services has average growth at the comparable currencies of 6.5%, and our new equipment business has grown during this period 6%.

Also we've seen all of our areas contributing to this with highest growth in the period from Americas 8.7%, EMEA growing 6.5%, and Asia-Pacific 4.8%, and there Henrik already talked about the impact from China in the early part of the strategy period. But overall, we have been growing quite well in this period. If I then look a bit in what's happening in the coming years, and I'll start first with our market outlook.

So today, you heard a lot about urbanisation. We believe that continues to be a key trend and a growth driver in our industry, supporting positive development in new equipment business and market. Well, it is true that the weaker economic outlook is likely going to dampen the short-term construction outlook. At the end, we believe that the new equipment business in the coming years, we have a stable or low single-digit market growth in the coming years. And we as KONE, we aim to grow faster than the market in this segment.

Then if we look at services business, what is the opportunity there? Overall, we believe that opportunity there is mid to high single-digit growth. What is driving that? First, the fact that we have a steady growth in the installed base driving growth in the maintenance business. We have aging installed base that is fundamentally a growth driver for the modernisation business. We don't modernise enough. And then lastly, we've heard quite a bit today about the opportunities for creating more value into – in our services with the digital solutions that we're developing, clearly providing us a good opportunity to see the growth being more driven by the services going forward.

But then how about KONE? First, starting with our business in new equipment. We clearly on the right-hand side, we're signalling there that we want to grow not only with the market, but be able to capture growth in units and also in value higher than the market itself. What is enabling us to do it? First, we today talked a lot about the DX Class elevators and how that's been a positive source of differentiation.

It enables us to offer platforms for value adding services for our customers, and clearly that's something that we've seen our customers value. But it's not only about the future, it's also the basics. As witnessed by the last six months, the execution capabilities that we've had and now have been tested in this difficult environment, clearly are also valued by our customers. We're there to deliver what our customers need in a changing environment.

We continue to push for cost competitiveness to be able to also from that perspective, competitive, but we also want to innovate with our customers, co-create and understand their needs. And we believe that this is providing us with good basis to us the faster than the market growth in both units and in value going forward in the new equipment business.

Then, if I look at the maintenance business, there we talked about today how we've been able to turn around the corner when it comes to increasing the monetary value per unit, which was for quite some time going down in the – and now for the last few years have actually been improving. Clearly an opportunity for us to grow faster going forward.

We have a strong market position in new equipment, enabling us to grow our maintenance base. This is a people business at the end. So the fact that we have engaged capable people, as Henrik was talking about, is a key driver for customer loyalty that's clearly coming through in the net promoter scores and the comments that we get. And we are seeing that we are adding value for our customers through 24x7 Connected Services and other similar services where we get a higher revenue per unit going forward. There's clearly a potential for accelerating growth in the maintenance business going forward.

And then lastly about the modernisation business. The aging installed base that is aging West – in the Western world is also starting to be a more and more opportunity, especially in China and Asia. We believe that there's a sizeable opportunity for us in the aging equipment base in China, where more and more of those units that get modernised are actually KONE units that we have installed in the last 15 years.

And we talked today about the smart and green buildings, how they are a driver for modernisation business. It is clearly something where we see even the younger installed base getting modernised more in the coming years. So clearly we see that there's a potential also for accelerating growth in our modernisation business going forward.

Then how about profitability if that was about growing faster than the market? On profitability, if I look at the period from 2016 to 2019, clearly as Henrik was saying, we can't be happy about the progress we've made, both on absolute, as well as on relative terms, we have actually not been improving, while at the last year, we actually start to see our profitability improving, which is a good thing.

But what is the key drivers here? On the positive side, growth has contributed positively to adjusted EBIT. We actually decided to increase our investments in R&D and IT where we see good opportunities for creating value and that's been a slightly negative impact on profitability. We increased investments by 50 basis points as a percentage of sales. But by far the biggest driver for this development has been the combination of the prices in Chinese new equipment market which were under pressure, especially in '16 and '17, I'll talk a bit more about those, as well as the combination of the raw material headwinds that we've seen in the past few years.

On the positive side, Accelerate programme has contributed positively to our fixed cost leverage and we believe that it will also continue to develop positively and contribute also in this year and the following year positively to a profit.

But more about the margins of orders development, permits to talk about that. So first, this is a picture illustrating what has happened. We talked about how in the China market we saw pricing pressure overall, but while there's a combination of raw materials and therefore also the component costs coming down, our margins were quite stable. Then during 2016, as the market volumes peaked and we start to see the combination of lower volumes and pricing pressure intensifying, we actually saw the prices coming down, while the raw material prices were going up, and therefore our margins start to come down in the second half of 2016. We worked quite hard to develop our pricing capability, and therefore we start to see stabilisation of our orders margins in 2017. And with actions that we've taken, we actually start to see our orders margins improving in second

quarter 2019 and we've seen positive developments since. And that's clearly a good direction, but it's good to note that compared to where we were, we are at the lower level, but we have a healthy profitable business in China in new equipment.

Then looking forward, how can we continue to see positive development in our earnings, as well as improving our profitability? So clearly, the two levers we are focused on are increasing the value per unit as you heard in all of the presentations today. We believe that we can – with improving differentiation, we can add more value to our customers increase the value proposition we have and by therefore seeing the value per unit going up.

At the same time, we are focused on also lowering the cost per unit, so working on making sure that we take the opportunities, as talked about by Tomio on product harmonisation, driving the quality and productivity up to decrease the cost, as well as continually working on fixed cost leverage, primarily that's been done by our Accelerate programme, but it actually happens everywhere every day across the KONE. Clearly, these two levers both needs to be used to continue to see good development on earnings as well as profitability.

Now a few words about 2021. We have both headwinds as well as tailwinds ahead of us. What's boosting our performance? So first, we have a strong order book and the recently improved margins in orders received clearly is a positive thing. We have solid growth in our services business contributing positively, as well as the mentioned Accelerate savings and performance improvements contribute positively. At the same time, given the environment we are in, we are expecting intensifying competition having a negative impact, as well as overall economic and geopolitical uncertainties creating a more difficult operating environment in next year. And then lastly, this year we've seen in our discretionary costs, a lower level. We are not traveling. We're quite mindful of where and how we spend on discretionary part. We don't expect that to continue fully next year. So there's clearly a more normal level we see. We just then burning our results compared to this year.

Lastly, on capital efficiency. So clearly, cash flow is important. And we've been seeing a very positive development this year, as Henrik was highlighting. Our first half 2020 cash flow has been exceptionally strong. And while there's exceptional items, especially in Q2, and there's always fluctuations, but if you look at the longer term development in our cash flow, we've actually seen a very good high operative cash generation and cash conversion over the last years. And this is enabled by our stringent working capital management and consistently that's something we've been able to do quite good job on.

Just to conclude now on the market and business outlook. First, we upgraded our market outlook last week, and there a new equipment, the key change was that we are now expecting the Chinese market to grow this year. In other regions, we are seeing the new equipment market to decline, no change there. In maintenance markets, we expect that to be resilient, and excluding the direct impacts of possible lockdown measures that has not changed. And the modernisation market, the fundamental growth drivers as talked about today are intact, but there is uncertainty in the market, and that could delay decision making impact in the modernisation projects overall.

And then for KONE, our business outlook for 2020, which was also upgraded last week. We are now seeing that our sales this year are going to be in the range of minus 1-2% at the comparable exchange rates compared to 2019. So that is clear – better than what we had in the past. And also our adjusted EBIT is in the range of 12.1 to 12.7 this year.

What is then supporting our performance to get here? We have a solid order book and maintenance base supporting the business. We have the improved margins of orders received, as well as to accelerate savings of 50 million that we expect for the year, and selective cost containment actions that are positively contributing to our results. On the other hand side, what's burning our results, overall, COVID-19 has a negative impact to our results. We are seeing a headwind from subcontracting costs that are increasing. And we are investing to our capabilities

despite this environment to sell and deliver digital services and solutions. And also, currencies have a negative 50 million impact to our EBIT from conversions and translation rates. So overall, this upgraded business outlook that we shared last week.

But with that, I'll conclude my presentation. And there will be now time for Q&A. But before we get to the Q&A, give us a minute to get settled here, and we'll start the session soon. Thank you.

Sanna Kaje: Welcome back. We are now ready for the Q&A session. Guess we got so many questions through the online forum. Thanks for those. I'll start with a couple more, so that we will not leave too many questions unanswered and then we will switch to the telephone lines. Maybe I'll start with you Ilkka, as you were the last one to present. There were a couple of questions on the 16% margin target and where we are compared to that with our current margin of orders received, and kind of how do we think about it overall and how to get there.

Ilkka Hara: Thank you, Hannah. And it's first part with what I said actually in the beginning. So we clearly have an ambition in terms of profitability, we want to get to 16% margin target. But it is also a combination of absolute as well as relative performance. So we don't want to sacrifice growing our absolute profits as well getting there. And clearly, if you look at the last few years, as I shared, it's been more challenging when it comes to our margin development. But clearly the fact that we're starting to see now improvement end of last year in our margins, and we had a positive margin outlook for this year is positive.

But there's many things where we see opportunities to continue to see that development going forward to be positive. So if you think about, we today talked about how we can add more value. So whole digital offering that is clearly contributing positively, the fact that we've been able to continue to see growth in our maintenance business contributes positively. And the fact that we have seen actually overtime quite good growth is also positive contribute to having a good fixed cost leverage. So all of those are contributing to getting towards our target. But I said many times,

it is also a target where there's a clear ambition, but we have not set an exact date for it. So in that sense, we want to do the right thing to grow both – grow profitably going forward to get there.

Sanna Kaje: Thanks. There were many questions on 24/7 connected services from different angles. One of the angles was that, that can we connect competitors equipment? And is that kind of our strategy to increase market share?

Ilkka Hara: I would say firstly that, yes, we can connect competitor equipment. And we have done that quite broadly. I would say here that our strategy really there hasn't changed that we out there in the market, winning customers daily and actually also losing customers, but that's of course our strategy win. The point is that we have a lot of non-KONE branded equipment in our maintenance base, that we now have the ability we actually have had for several years already the ability to connect. So that's the perspective I would think about it mainly that we have those in our maintenance space, those who want to connect, and of course, also all the KONE equipment we want to connect.

Sanna Kaje: Yeah. Then question on, I guess both DX and 24/7, but maybe Henrik will like to take this. Is there when you're able to be more predictive and smarter about things, will there be less need for repairs, for example, and is that bad for the business?

Henrik Ehrnrooth: I would say – I would see if there's anything back to that 24/7 as an example, we believe it's very good for our customers for their operations, for them running their buildings. Whatever you do that is good for your customers business you benefit. The fact that you can predict when things go wrong doesn't mean that you necessarily need to do less repairs, we can just provide much more visibility to our customers, and they can plan it. We can do it when it's convenient to them not in an unscheduled way. So I think it's only good for business. And particularly everything you do the customers that improves their businesses is good for your business.

Sanna Kaje: And I guess we can fix problems faster.

Henrik Ehrnrooth: We can fix problems faster, absolutely.

Sanna Kaje: Good. Then, maybe finally, before handing it over to the telephone lines. There were a couple of questions on the outcomes and the value for customers. What is it in concrete terms? Could you give us a couple of examples, what the outcome or the new value for customers could be?

Henrik Ehrnrooth: So there are many of them. So if you think about outcomes, you can think about those in for many different perspectives. A very basic outcome is that you just have better predictability. And you know that your people are going to be able to move in your building smooth seamlessly. Then you can go to more advanced outcomes. You know, an office building may say that KONE, the service you provide us is to make sure that everyone can get from point A to point B in maximum of x minutes. And that is what we pay you for. If it's better than that, you get the premium. If it's less than that, you get less. And/or we can say that it can be on a construction site that we can help you improve your productivity and so and so much because we're helping to move people more smoothly in that – on that construction site than you could previously with previous types of solutions. So that many different aspects of outcomes, but really an outcome, what is really key to that is that you're really focusing on what is important to your customer, what helps improve their business and that is what you commit to deliver upon.

Sanna Kaje: Thank you. I think we're now ready to take questions from the telephone lines. Operator, please.

Operator: Thank you. If you would like to ask a question, you may signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is

turned off to allow your signal to reach our equipment. Once again, star one for questions. We'll take our first question from Klas Bergelind with Citi.

Klas Bergelind: Yes. Hi, Henrik, Ilkka and Sanna [inaudible]. So my first question is on the maintenance business and focusing on Europe. So there is no – there is absolutely no doubt it'll be very strong, Henrik, when it comes to the hardware and how you can optimise deep as well. But I want to dig deeper into the maintenance business and the digital offering and some potential threats out there. We're hearing now about tech operators are starting to join forces with independent service providers and quite big independence and thinking they have an edge in that they understand not only your equipment but also pair the equipment from third parties from a tech perspective. And obviously you say you can connect to third parties, but they have access to lots of data on the third-party side. How do you look upon such threat? One could say that you're used to the strong balance sheet and acquire more independence [inaudible] or enter into partnership with these guys. I will [inaudible].

Henrik Ehrnrooth: So when we think about connecting and using data, here as I mentioned that we are connecting third-party equipment. So that is something we do today. Here I actually think that the big players will – do have a clear benefit because they have a broader base. And you'd require that data from a broader base to create those service needs. If you only have a small base, only some hundreds or a thousand or a couple of thousand, you're going to be very restricted in learning that what are the service needs that come out from certain signal out of the data and analyse and make sense out of it. So I think actually we are in a good shape here. Is there competition out there? Absolutely. There is. And they will always be. I think we also have to put it in perspective here that the big players have million plus or much more units in their service, then we're talking about smaller players who have some thousands, it's quite a different game to scale it from one level to the other. And we all have a very large service base that we can connect. So all of us have a big captured – captive service base that we can connect. So yes, there's going to be

competition. There's going to be small companies going to be startups. I think that's absolutely a sign of a healthy and a competitive industry. And that's something we're okay with.

Klas Bergelind: Okay, very good. Can you hear me again?

Henrik Ehrnrooth: We can hear you now again. Yeah.

Klas Bergelind: Okay. Thank you. So my second one is on DX. How protected is DX when you look at the independence getting access? So sorry, belabour the point, I totally get your answer. So but on earlier innovations, I think it took quite some time until they could understand the technology and connect to your products with DX, will it raise the barriers to entry versus to early models, is it more difficult to connect to the control system, the ports. It's a great product when we look at the hardware and open source into the building, but I'm also interested in the control systems and the port centers.

Henrik Ehrnrooth: Maciej, you can tell me how difficult is it for someone to connect into our DX Class elevator?

Maciej Kranz: I would – first I would start, I said in my presentation that actually, we believe in open ecosystem. We're building open ecosystem with APIs. So it's not so much about what do you are limiting, but it's about really actually opening the possibilities for our customers, for our partners, and also for KONE. So it's a bit different philosophy actually.

Tomio Pihkala: Let me add to this. Because this is really key, right? We believe in speed of execution speed of innovation. So, and – so the world of sort of putting artificial barriers is over, right? Us being close to our customers, working with our customers, responding to their customers, evolving our technology very rapidly, is sort of the winning formula. So – and that's how we sort of architecting our systems as well.

Klas Bergelind: Okay.

Henrik Ehrnrooth: I will still build on that. That is definitely our philosophy and an important point. Though, I would say that with our latest generation and control systems, we get much more data out of it than anyone else can get. But that's not the really the point. The point is to constantly move as you could hear from Maciej and Tomio.

Klas Bergelind: Got it. My very final one is on office and commercial. And I created a simple spreadsheet with all the comments. When I looked at the regional comments, looking through the slides, and obviously the negative trends into 2021, across office and commercial and infra team stable and then you say residential could see accelerating growth, obviously, with a caveat of China into the second half. When I do that, I sort of get to a stable market environment. I don't know, Henrik, if you want to put some numbers to do those slides. Is that how you think about it?

Henrik Ehrnrooth: I think it's first of all difficult to give a full outlook for next year. I think it's a little bit too early. I think the situation is moving quite fast. I think, we're going to have big differences. You know, China has already comes this year from a strong position. And as we said, we believe that the first quarter as we go into a good situation there. I think in other markets that have been harder hit this year, I think we have to see how they recover, because I do expect a recovery of them. So I think, let's see. I don't know, Ilkka, do you have anything to add?

Ilkka Hara: I think we're starting from a segment view clearly in front residential or maybe the more stronger segments, while then commercial clearly is maybe – and travel and leisure more impacted. But overall, I guess we are seeing the opportunities more towards a stable but early days to say exact numbers for next year, yet given the uncertainties. That may be the message for the incoming quarter, more stable in that sense.

Henrik Ehrnrooth: Yeah, of course.

Klas Bergelind: Thank you.

Henrik Ehrnrooth: Thank you.

Operator: We'll take our next question from Andre Kukhnin with Credit Suisse.

Andre Kukhnin: Hello, thanks so much for taking my questions. I'll start with one that relates to the outlook and move on to margins. Okay, if I may ask kind of directionally the stack of positives versus negative that you cite, which way are we looking for 2021?

Henrik Ehrnrooth: Well, as you see, even the 2020, there's still a range of outcomes for the business, there's both orders coming in, but also things to execute this year. And as you know, we will guide then 2021 more towards when we result – released our results in January. So, obviously, we have an ambition to be in a position to grow our profitability. But let's see what we then are able to do.

Andre Kukhnin: Thank you. And may I ask on increased competitiveness, that featuring is a headwind for 2021. When we discussed the Q2 results, it sounded like you saw signs of increased competitiveness, but not pricing deterioration. The fact that you putting it into headwinds for 2021, does that mean you've seen this kind of moving on and progressing further and turning from signs into increased competitiveness and hence the pricing outcome?

Henrik Ehrnrooth: I would actually define it as increased competition, I think our competitiveness is in very good shape, but has actually improved. When you have declining markets, as we have seen, then usually have the same number of players as before, usually everyone chasing a slightly smaller pie. And that usually creates more competition and that's what we see in the hardest hit markets so far and depends on the market development. That's definitely what we expect to see

going forward. I think what we said in Q2, was that – then we don't – as you know, we don't comment on that going forward. But until then, we had actually had a good pricing development and had continued to improve the margins of orders received. But clearly, as we said, that situation has got more intense.

Andre Kukhnin: Okay. Thank you. And the final one, if I may follow-up on DX. Clearly, that's one of the main features of the day to day. And thank you for the colour. Is it possible to quantify that kind of ASP increase? I know it's very diverse across different types of customers and verticals. But compared to the previous generation, is there a way to put a number of even kind of mid, high double-digit sort of ranges on what you're achieving with DX versus like-for-like previous generation? And how has DX launch developed in the last 10 months, compared to your original expectations in October, November last year?

Henrik Ehrnrooth: Let me start and I'll hand over to Tomio. The first is to remember that we are at early days. I would say and Tomio can comment more on the speed of the rollout compared to our expectations. What we are seeing with DX compared to the previous generation, is that pricing is first-of-all slightly better for that. So we're getting a slight price premium for that.

And why our customers paying a premium for that? Well, I think the key thing is that it gives them the adaptability and flexibility for the future. They may actually not know – many of them, actually conversion rates for 24/7, we expect it will be quite high for DX, because you can just turn it on. So that's, of course, will help. But all the other services, there are some that are picking them up already now. But the point is that when your needs change in the future, and the additional services, Tomio talked about the first services we have, but there are more coming. Then you can turn those on. And you get the benefits and we can get additional revenues.

So our expectation is that in the beginning, it's still limited, but there is a big opportunity from that. If I take some example, actually, not only one but there's several hospitals who have bought it.

They said, because we are thinking about what is our hospital of the future. And many Western countries saying, 'hey, we actually don't have enough staff in hospitals, so we need more delivery robots in them.' That is software having in a hospital. But if I buy DX now, I have the option to bring it. So I make my hospital future-proofed, when you want to have it, then you take that service. And we think actually the opportunity over lifetime can be quite significant. We start things still, I would say, we are very much at the start. As Tomio mentioned, we have tendered lot of them, we have sold, but we're only now installing the first ones, because you have to remember, from tender to sales to installation, there's quite a long cycle. So, but Tomio, how do you see the launch compared to expectations?

Tomio Pihkala: No, I think it was a positive surprise. I mentioned that it has been one of the fastest, let's say, product implementations I have seen personally and it has to be very consistent across the markets where we are selling this. So that has been very encouraging. Yes, we have seen a positive pricing and margin impact here. And again, as Henrik, you said, we are not just selling elevator here, and then later maintenance and modernisation, but actually we are able to upsell constantly services during the whole lifecycle. So I think, there will be a lot we'll do and we are going to see it and we are in early phase and you know that delivered to – order to deliver and installation are pretty long in our industry. So it will take some time before even see the some life – the lifetime benefits.

Henrik Ehrnrooth: And when Tomio talks about speed, he knows what speed is because he's lived a long time in China and spent a lot of time there. So this has been – then China speeding Europe and that's something.

Andre Kukhnin: Thank you.

Henrik Ehrnrooth: Thank you.

Operator: Thank you. We'll go next to Maddy Singh with Bank of America.

Madhvendra Singh: Yes. Hi, thanks for the call and the opportunity to ask the question. The first question I have is around the – again on the DX elevators. So I understand your position on the product, but if you could talk about the competitive environment around DX elevators, are there similar products available with your major competitors? If not so, then how far do you think they are behind in terms of these capabilities?

And second question is on the M&A side, what are your plans around M&A? And do you have a specific strategy now around this? Or if not M&A, then what are the alternative uses of cash for you?

Henrik Ehrnrooth: Okay. Maybe I'll start with M&A, and I can then hand over to Tomio or Maciej on the competition question on DX. As you know, we have a very strong balance sheet and you know that we continue to have a strong appetite for acquisitions. I guess the challenge constantly continues to be the availability of targets compared to what we are looking for. So definitely interested in that. And we clearly have a balance sheet power to do it. When we look at the DX, I'll let Tomio or Maciej answer that more. But when we look at compared to competition, of course, we don't know where they are, but as I think we're pretty good. And I don't think – we don't comment on them. But much again, Tomio, any thoughts you want to have?

Tomio Pihkala: Well, I can start, maybe Maciej you continue. But I think what I said also in the beginning was that I do believe that we are industry leader in terms of how we've been able to actually scale our new digital solution services, including DX, and have a commercial success already. And I think one of the unique – uniqueness of DX is that we are actually creating open ecosystem. And we actually building not just a great offering, but also ecosystem of partners. That is I think it's pretty unique. And of course, then I would not underestimate also the importance of the experience,

how we are able to create the unique experience combining digital and physical elements. But what do you think Maciej?

Maciej Kranz: Fully agree. And again, as we said, connectivity is an enabler, right. And we not only sort of coming up with DX for our current offerings, but we also DX-fying our installed base as well. But then exactly to Tomio's point is the ecosystem but it's also the solutions that come on top. And that's basically where customer value comes in, right. If we talk about just empty connectivity with a promise, the value will not hold very much, but if you have a connectivity with partner ecosystem with solutions on top and customer creation on top of that, we think that this is a sustainable differentiation formula.

Madhvendra Singh: And is it like a very unique thing right now, which is available only with you guys or you think competition is also offering similar products?

Maciej Kranz: We're not commenting individual competitors. But of course, we do see that there are similar kind of also connectivity provided for elevators. But I think that's not the key to connectivity. But really the what type of value you can enable by that. And I think here we believe that we have the unique advantage.

Henrik Ehrnrooth: Maybe to add to this, because we talked earlier that KONE was leading in the industry in terms of integrating physical and digital capability. And we have been working on this for what since 2016, right, so for a couple of years now. And we've gained experience and integrating these capabilities together, integrating a partner ecosystem, these are the things that you don't learn overnight. You actually have to experience it, you have to learn your mistakes, and you have to correct and move on. So it's not just DX, it's the whole package that is important.

Madhvendra Singh: Okay. I have one follow-up question on the pricing environment. It has been quite supportive so far. How long do you think the pricing generally will be supportive given all the

situations around increased competitiveness, as you have mentioned? Especially looking into 2021, do you think pricing will remain a tailwind for you? Or do you think that can be a headwind in 2021?

Henrik Ehrnrooth: I would say, first-of-all, we don't – we never comment on pricing going forward, because that's going to be individual, these negotiations we have with our customers. So I would say that why have we improved our pricing? I'm not sure it has been – the environment has been easy. I would say that it's because we have brought new values to our customers. And we have also definitely improved our sales and pricing capabilities. What we said is that what we expect going forward is that competition in the market is and has intensified. And then we have to see what the outcome is going forward from that.

Madhvendra Singh: Okay. And just the follow-up on my M&A question I asked. What are the alternative uses of cash if you are not able to find a suitable opportunity?

Ilkka Hara: Well, maybe I'll take it. So, as you said, we have a strong balance sheet. And if I think about the environment, we were especially in the beginning of this year, with COVID-19 crisis, definitely it was something we're having a strong balance sheet was advantage. We could get take a look at where we want to take going forward, and also have the balance sheet to support making decisions for the long-term, not for the short term. Then at the end of the day for us and this business, we don't need much capital to operate the business as such. So it's always a decision then also by the Board what the right capital structure is for the company. So let's see. At the end of the day, we've been quite proud about our track records in the past for the dividends, we've been able to consistently grow it quite nicely. And it's something we feel proud about. But at the end of the day, it's a decision by the Board.

Madhvendra Singh: Thank you very much for enlightening set of presentations. It was very, very useful. Thank you.

Henrik Ehrnrooth: Thank you.

Operator: We'll take our next question from Daniela Costa, with Goldman Sachs.

Daniela Costa: Hi, good afternoon. Hope you can you hear me well. I have one question with a couple of sub points that relates to the 16% long-term margin targets. I know you have had the target for the past few years, and wanted to understand how should we look at it now. So a couple of points, I guess, in the past, you've been close to 15% at the peak. Shall we see the 16%, how this is like where the next peak could be? Or is it more of a two-cycle ambition now because you have DX and KONE Care and 24/7 and all these opportunities that you didn't have before which makes it more likely now? Or is it just aspirational? How shall we interpret it? Thank you.

Henrik Ehrnrooth: Thanks for the question. And I guess I've answered already quite similar question at the beginning. But clearly, we have now good opportunities to grow profitability in terms of the offering we have. And if I look at the new services and solutions 24/7, they are clearly – their margin structure as you get them to volume is much more I would say software-like. So there's a fairly smaller incremental cost to add new units as you get it to scale. So clearly, those are ways for us to improve DX similarly as we add more services on top of this platform also is a different type of revenue opportunity that we've had in the past, we can now sell add-on revenue. So clearly, they are helping us to get towards the margin target. But your question is that the absolute maximum where we get to let's first get there, and then see what the next target is. So it's – still if I think about where we are today, we have plenty of work to be done to get there.

Operator: Thank you. We'll take our next question from Rizk Maida with Jefferies.

Rizk Maida: Yes, sir. Good afternoon. Hope you hear me. Well, thank you very much for the comprehensive presentation I have three questions. So number one is on the digital solution. So

whether that is 24/7 Connected, or KONE Care. Thanks for sharing the penetration rates. My question here is, maybe can you help us just assess what is this total stream of revenue, so digital revenues today as a percentage of maintenance sales. And also, if you can help us with what is roughly the percentage of newly signed maintenance contracts that are digital. And then, finally here, just the profitability on those contracts, I think last time you commented on those, because of all the investments that you said it was breakeven. I'll stop here and I'll ask the other questions later.

Henrik Ehrnrooth: Okay. So we have not disclosed the revenues. But what I mentioned is that our maintenance business, the additional revenue is contributing roughly a percentage point of our sale through sales growth. So that that tells you something. So it's the starting point. But we are growing them very nicely at the moment. When you look at how many of our new maintenance contracts, I think the most helpful way what I'd be looking at this that the new elevators that we install, that we then after the first service period convert into our maintenance base, what is the hit rate there? How many of those have 24/7 Connected services? And there we actually about 20%, in some cases, 25%. So that is – we can see that the momentum that way coming in is good, and of course, increasing. But then we have the huge base that we want to sell to our customers this additional value to them. And that of course is progressing also every day.

Ilkka Hara: Maybe I'll then add from a profitability perspective, that is part of your question. So actually, wanted to come back, because I think you are also then highlighting the new KONE Care and 24/7, in a bit the same sentence. So I would say that for the new KONE Care, it is the way we sell our maintenance service. That's the basic way to sell in most markets. And in that sense, we've been seeing a positive pricing impact coming from that. And that clearly then positively impacting profitability as well in those markets and those cases.

Then for 24/7 Connected service, I said already earlier that the margin structures we get to scale is much more software like but clearly still today, the scale we're in, we are actually more

breakeven, slightly positive maybe. But when we also includes the development course that we put into the developing it further and being able to really provide the platform to grow it. So in that sense, today, it's still more of a neutral impact of profitability.

Rizk Maldi: Okay. Thank you very much. My second question is on China and the – my understanding is that the restrictions now – have now spread from buyers to now real estate developers. I think we've had a bit of a shock a couple of weeks ago, one of the biggest real estate developers, sort of the encoding sort of a high leverage, and all of this has been speculated. Are you worried about the leverage of your customers in China? Do you track it? Or if you can help us a form of view that, that will be helpful.

Henrik Ehrnrooth: Well, I guess, first, my job is to worry. And so yes, I always worry. That comes with a job. But obviously, we talked about, over time, quite a lot about our relationship with our customers the fact that they're – the bigger developers are growing share and we've been as part of the whole negotiation with them, obviously, payment terms of part of that. And we continue to monitor that we – the customers that we are dealing with from a financial perspective are also healthy companies naturally. But then when it comes to the more recent changes, so I guess it's always has been a bit of up and down in China in terms of the liquidity overall in the market.

Now, I would say that during the first half of this year, overall, liquidity was better. And although the government was not specifically directing us, almost trying to restrict that to go to developers in order to have a good balanced growth in – especially in the residential sector. So, at the end of the day, I mean, it was also a positive, [inaudible] impacting our customers. Now, more recently, there's been tighter restrictions in place. And it is something that I believe that for the long term it's actually the right thing to do. We like to have customers that are have a healthy balance sheets and can continue to grow their business in a good way. And yes, we do follow, as I said, their leverage and the business from the numbers that we see.

Rizk Maidi: Okay. Thank you. And then finally, just on the market dynamics, whether you've seen any changes there, your biggest US competitor is now as a standalone company, another big competitor in Europe is in the hands of private equity. I'm just wondering if you've seen now in the last sort of months, quarters, any change in the market dynamics, please?

Ilkka Hara: As you know, again, we don't comment on individual competitors. I think what we said is that we think that competition, for many reasons have taken the market. I think we feel good about our competitiveness, about our position, about the team we have to deal with that. And that's just something you have to deal with. But we feel quite comfortable with the position that we have right now and how we are developing forward. Of course, it means that we have to run a little bit faster all the time. But that's what you have to do in a healthy and competitive industry.

Rizk Maidi: Thank you very much.

Operator: At this time, there are no additional questions. I'd like to turn it back to our speakers for any additional or closing remarks.

Sanna Kaje: Thank you. I guess it's time to wrap up. Thank you for the very active participation. And thank you to all the speakers. We would have loved to see you all face to face, but hopefully the day was worthwhile for you also this way. We will send feedback questionnaires afterwards and hopefully many of you will take the time and provide feedback to us. I guess next we will report our Q3 report on 22<sup>nd</sup> October. And in the meantime, if you have any questions, we're happy to help. Thank you. Have a nice evening.

Speaker: Thank you everyone.

Speaker: Thank you.

