KONE as an investment

EQUITY STORY

2020
KONE as an investment

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KONE today

- One of the global leaders in the elevator and escalator industry
- We offer innovative and sustainable new equipment solutions, ensure the safety and availability of equipment in operation and offer modernization solutions for aging equipment
- Founded in Finland in 1910, significant family ownership in the 4th generation
- ~60,000 employees and ~500,000 customers
- Sales EUR 10 billion and adjusted EBIT EUR 1.2 billion in 2019
- Listed on the Nasdaq Helsinki, market cap EUR 30 billion on December 31, 2019

Sales by region
2019

- Asia-Pacific: 39%
- EMEA: 41%
- Americas: 21%

Sales by business
2019

- New equipment: 53%
- Maintenance: 32%
- Modernization: 15%
A typical day at KONE

- ~500,000 customers
- >1.3m units in service
- Operations in >60 countries
- Agents & distributors in ~100 countries
- Moving >1bn people per day
- >500 units delivered per day
- ~70,000 maintenance visits per day
- >500,000 maintenance visits per day
OUR BUSINESSES

New Equipment

KONE offers innovative and eco-efficient passenger and goods elevators for all types of buildings, from low and mid-rise structures to the world’s tallest skyscrapers.

KONE escalators and autowalks set industry standards for safety, eco-efficiency and visual design. Their high quality and reliability translate into a low total cost of ownership over their operational lifespan.

Sales, new equipment

1-12/2019

Elevators
Escalators
OUR BUSINESSES

Services

We lead the industry in advanced maintenance services for elevators, escalators, autowalks and automatic building doors. We make sure our customers’ equipment performs reliably and safely.

Our modernization services help customers determine when and how to upgrade equipment to ensure a lifetime of optimal operation and to maximize customers’ return on investment.
We have grown significantly over the last decade

**Sales**
MEUR

2008: 4,603  
2019: 9,982

**Elevator & escalator units in KONE service**
'000 units

2008: 709  
2019: >1,300

**Cash flow after investing activities**
EUR million

2008: 299  
2019: 1,148

**Adjusted EBIT**
MEUR

2008: 558  
2019: 1,237

---

* Cash flow from operating activities less cash flow from investing activities  
** Adjusted EBIT excludes restructuring costs related to the Accelerate program
Steady growth in sales and EBIT indicate a resilient underlying business model

KONE has been able to consistently increase its sales through different economic cycles
Sales, MEUR

Over time, the growth has been profitable
Adjusted EBIT, %, MEUR

↑ Growth at comp. FX
We have renewed ourselves many times to get where we are today

1910
KONE, “machine” in Finnish, was founded

1968-1994
Internationalization through major acquisitions: ASEA-Graham and Westinghouse (Europe), Montgomery Elevator Company (US)

1990 -
Strategic focus on organic growth:
- Building the market leading position in China;
- Several groundbreaking innovations

1993-1995
Becoming a focused elevator and escalator company

1996 -
Several groundbreaking innovations have kept KONE at the forefront of technological development;
- MonoSpace – the world’s first machine-roomless elevator

2017 -
Winning with Customers strategy; New connected services and solutions, e.g. KONE 24/7 Connected Services & KONE DX Class elevators

Four generations of family ownership
OUR MISSION IS TO IMPROVE THE FLOW OF URBAN LIFE
Global leader in a long-term growth industry
The world’s cities are growing

200,000 people move into cities each day – the same as 140 people every minute
Technological disruption

New technology gives us a great opportunity to learn new ways of working and serve our customers and users in smarter and more exciting ways.
Growth drivers

Core growth drivers

NEW EQUIPMENT
Urbanization

MAINTENANCE
Growing installed base

MODERNIZATION
Aging installed base

New opportunities

Changing customer needs

New technologies and services
Three stages of urbanization, resulting in taller and denser cities

Emerging markets

 Movement from rural to urban areas

- Urbanization is a key economic growth driver
- Every year, 80 million people move from the countryside to cities

Growth of middle income consumers

- Upgrading and rebuilding of former fringe areas in cities
- Congested cities require investment in urban infrastructure

Changing patterns of urban living

- Increase in one-person households
- Mature cities face a housing shortage
- Increasing building intelligence generates new demands

Mature markets
Customers’ expectations and needs are changing

**Changing use of buildings**
Flexibility and adaptability play a key role

**Ease & Convenience**
Seamless experience increasingly important for building users

**Speed**
Speed and efficiency during construction time key KPI for customers
Needs for sustainable and smart urban living

WE ADDRESS THESE NEEDS TO CREATE MORE VALUE

Affordable, accessible vertical housing
Safe, reliable, efficient infrastructure
Improving living standards and convenience
Eco-efficiency and sustainability
Growing building intelligence
Health and well-being
China is by far the largest new equipment market

Share of different regions out of total market
New elevator and escalator market ~1 million units

Based on KONE’s estimate. Figures have been rounded.
Around half of service in mature markets, biggest growth potential in developing markets

Share of different regions out of total market
Elevators and escalators in operation (~17 million units)

Based on KONE’s estimate. Figures have been rounded.
Significant growth potential in developing markets

Large OEMs’ typical sales split in mature and developing markets

<table>
<thead>
<tr>
<th>Sales, monetary value</th>
<th>Mature markets</th>
<th>Developing markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>2/3</td>
<td>&lt;20%</td>
</tr>
<tr>
<td>New equipment</td>
<td>1/3</td>
<td>&gt;80%</td>
</tr>
</tbody>
</table>

Mature markets and China in line with construction cycles

Growth markets e.g. Asia

New services

Growing and aging maintenance base, strongest growth in Asia-Pacific

Market today

Future market

- Asia-Pacific is a key growth market in both businesses
- Technological disruption and changing customer needs offer an opportunity for new services
- Growth opportunities in maintenance and modernization from maturing and growing maintenance base
Our geographic coverage is broad and the diversified global footprint provides stable cash flows.

KONE in 2019

**North America**
21% of sales, majority in services

**Asia-Pacific**
39% of sales, majority in new equipment

**EMEA**
41% of sales, majority in services

KONE has its own operations in more than 60 countries. Additionally, KONE collaborates with authorized distributors and agents in close to 100 countries.

Top 10 countries by sales
2019, %

- China: >15%
- USA: >15%
- Germany: ~6%
- France: ~5%
- UK: ~4%
- Australia: ~4%
- Italy: ~3%
- Finland: ~3%
- India: ~2%
- Sweden: ~2%
KONE has increased its market share in key growth markets

<table>
<thead>
<tr>
<th>KONE’s position</th>
<th>2009</th>
<th>2019</th>
<th>2009</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>#4</td>
<td>#4</td>
<td>#4</td>
<td>#4</td>
</tr>
<tr>
<td>EMEA</td>
<td>#3</td>
<td>#2</td>
<td>#4</td>
<td>#3</td>
</tr>
<tr>
<td>China</td>
<td>#4</td>
<td>#1</td>
<td>#4</td>
<td>#1</td>
</tr>
<tr>
<td>Rest of Asia-Pacific</td>
<td>#1</td>
<td>#1</td>
<td>#3</td>
<td>#2</td>
</tr>
<tr>
<td>Market position</td>
<td></td>
<td></td>
<td>#4</td>
<td>Shared #3</td>
</tr>
</tbody>
</table>

**New equipment**

<table>
<thead>
<tr>
<th>KONE’s market share*</th>
<th>2009</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>In China</td>
<td>~10%</td>
<td>~20%</td>
</tr>
<tr>
<td>Globally</td>
<td>~12%</td>
<td>~18%</td>
</tr>
</tbody>
</table>

Based on KONE estimates. Total market size has been reassessed for 2018
* Based on KONE addressable markets
KONE is the market leader in China, the world’s largest E&E market

China doubled its share of the new equipment market in 10 years, and even more of the global installed base
new equipment market, ‘000 units; installed base, ‘000,000 units

- KONE is #1 in new equipment and in maintenance
- >30,000 customers, including 9/10 of China’s top developers
- China accounts for <30% of KONE’s sales
- New equipment stands for ~85% of KONE’s sales
- <5% of elevators in China are >20y old
- The market is shifting towards services, offering clear growth potential

KONE’s new equipment orders received in China vs. market development

- KONE is #1 in new equipment and in maintenance
- >30,000 customers, including 9/10 of China’s top developers
- China accounts for <30% of KONE’s sales
- New equipment stands for ~85% of KONE’s sales
- <5% of elevators in China are >20y old
- The market is shifting towards services, offering clear growth potential
Stability through the life-cycle business model
Lifecycle business model with high share of stable, recurring service revenues

Our three businesses support each other

- New equipment driven by urbanization and demographic change
- New equipment deliveries drive growth of recurring maintenance business
- Strong maintenance base is crucial in modernization
- Aging installed base and higher requirements for efficient people flow, safety and sustainability drive modernization growth
KONE’s differentiated approach throughout the lifecycle of a building

<table>
<thead>
<tr>
<th>How we serve our customers</th>
<th>Examples of KONE solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>New construction</td>
<td>Strong core offering incl. DX Class &amp; special solutions e.g. UltraRope &amp; Residential Flow</td>
</tr>
<tr>
<td>Building in use</td>
<td>JumpLift</td>
</tr>
<tr>
<td>Building needs upgrading</td>
<td>Analyzing people flow for improved building functionality</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Concept development and planning</th>
<th>Construction</th>
<th>Operating the building</th>
<th>Modernization need &amp; plan</th>
<th>Upgrade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designing differentiated &amp; functioning buildings together</td>
<td>Reliable partner in execution</td>
<td>Uninterrupted people flow &amp; true service mindset</td>
<td>People Flow Planning and Consulting</td>
<td></td>
</tr>
</tbody>
</table>

**KONE’s Services**

- **New KONE Care**
- **KONE 24/7 Connected Services**
- **JumpLift**
- **UltraRope**
- **Residential Flow**
- **People Flow Planning and Consulting**

**Strong Core Offering**

- DX Class
- Special Solutions
- KONE 24/7 Connected Services
- People Flow Planning and Consulting
In new equipment, we offer innovative solutions and smooth project execution

Typical timeline

- **Tender process**
  - KONE maintains long-standing relationships with repeat buyers and is in regular dialogue with architects and developers on upcoming projects

- **Manufacturing & procurement**
  - Following the receipt of an order, KONE collects a pre-payment and starts the procurement and manufacturing process together with component suppliers

- **Installation**
  - Final elevator assembly is carried out at the construction site. Escalators are typically assembled in the factory and shipped to the construction site

- **Progress payments** from customers at project milestones

Key characteristics
- KONE helps its customers - developers, builders, consultants, architects and building owners – build well-functioning, future-proof buildings
- During construction, our strengths are reliability and support in ensuring smooth and efficient project execution
- Our offering is modular and modified to local needs
- The production consists largely of the assembly of sourced components, only selected components are produced in-house
Maintenance ensures safety and reliability, and provides stability and resilience to market cyclicality

Typical timeline

Conversion to maintenance base
Typical contract length of 1-5 years

First service period
1-2 year first service period typically included in the new equipment sales contract

Revenue stream from new services
Additional revenue from repairs

Conversion is the key growth driver
Maintenance base, illustrative

Key characteristics
- Customers include building owners, housing corporations and facility managers
- Elevator and escalator maintenance is legally required in most countries
- Growth of maintenance base driven by conversions from new equipment sales after first service period
- New digital services providing added value for customers
- KONE maintains both equipment manufactured by KONE as well as other brands

Net competition
Equipment taken out of use
Acquisitions

T-1 Conversions Equipment taken out of use T
Modernization: from component upgrades to full replacements

**Key characteristics**

- Customers include building owners, housing corporations, facility managers
- The length of the modernization cycle depends on the usage of the building
- Over half of the E&E in operations in the mature markets is >20 years old, providing significant modernization potential
- Regions at different maturities
- Substantial growth potential in APAC
- Changing use of buildings and higher customer requirements increasingly important drivers

**Typical timeline**

- **Installation**
- **Component upgrade** 5+ years from initial installation
- **Partial modernization** 10+ years from initial installation
- **Full replacement** 20+ years from initial installation

**Age split of KONE’s maintenance base**

Units, years

- <10
- 10-20
- >20

- EMEA
- Americas
- APAC
The balanced footprint and the growth in services makes the business resilient throughout cycles.

Sales development by business
MEUR

Sales and adjusted EBIT development by area
MEUR

- **New equipment**
- **Maintenance**
- **Modernization**
- **EMEA**
- **Americas**
- **Asia-Pacific**
Competitiveness from customer centricity, innovations and productivity
Innovating with a collaborative approach

R&D at KONE

- >3,000 patents
- 9 global R&D units
- Ranked among the world’s most innovative companies by Forbes
- >1,200 technology professionals work in our R&D
- Partnerships with technology companies
- Increasing amount of co-creation with customers

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D Expenditure, MEUR</th>
<th>R&amp;D Expenditure, as % of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>103.1</td>
<td>1.4%</td>
</tr>
<tr>
<td>2015</td>
<td>121.7</td>
<td>1.4%</td>
</tr>
<tr>
<td>2016</td>
<td>140.5</td>
<td>1.6%</td>
</tr>
<tr>
<td>2017</td>
<td>158.4</td>
<td>1.8%</td>
</tr>
<tr>
<td>2018</td>
<td>164.0</td>
<td>1.8%</td>
</tr>
<tr>
<td>2019</td>
<td>170.9</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Major innovations

Selected examples

- **KONE MonoSpace® machine-room-less elevator**
- **KONE JumpLift construction time elevator**
- **KONE UltraRope® high-rise hoisting technology**
- **KONE 24/7 Connected Services**
- Next generation KONE MonoSpace® and MiniSpace® elevators
- **KONE DX Class elevators**
We are investing for a digital future in our entire business

CONNECTED CUSTOMERS
Increased business value through better communication and productivity

CONNECTED USERS
New, personalized experiences for users in residential and commercial

CONNECTED EQUIPMENT
Connecting >1 million units to the cloud

CONNECTED EMPLOYEES
Supporting the collaboration and efficiency of our people and new mobile tools
Connectivity enables services for customers and users

Applications

Partners and customers

API

Building systems

Solutions for tenants & passengers

Solutions for building managers

KONE digital platform
New services created together with customers are helping us differentiate today

New KONE Care
New way of selling maintenance contracts tailored according to customers’ individual needs

KONE 24/7 Connected Services
Predictability, safety and transparency through connectivity and intelligence

KONE Residential Flow
Simpler homecomings, visitor access control and information sharing

People Flow Planning and Consulting
Making buildings more functional and adaptable by analyzing people flow patterns and suggesting solutions

In 2018, KONE organized >300 co-creation sessions with customers
These new services are resonating well with customers

**New KONE Care**
- Differentiator in the maintenance business – customers appreciate customization to their needs
- Positive impact on maintenance contract value
  - Maintenance base rotates slowly, contract penetration takes time

**KONE 24/7 Connected Services**
- Ensures well-functioning buildings for our customers
- Significant incremental revenue opportunity per unit in maintenance
  - Requires new competencies in sales, we have been focusing on training salesforce
KONE DX Class
A NEW ERA FOR ELEVATORS – UPGRADEABLE SOLUTION THROUGHOUT THE LIFECYCLE OF A BUILDING

Create value with connected people flow solutions
Connecting elevators with new services using KONE’s digital platform and secure APIs

Differentiating with a redefined user experience
Customizable, multisensory experiences and enhancements like anti-stain, -scratch and -bacterial surfaces materials

Partner for smarter buildings
Next-generation planning tools, sustainable materials and expert support in building smarter and greener and keeping projects on track
Improving productivity and quality is a continuous effort and a sum of many small actions

- We employ different techniques and tools (e.g. Lean, Six Sigma, Kaizen) to improve the productivity and quality of our operations
- Digitalization enables productivity improvements e.g. in field operations and sales management
- In maintenance, the density of the maintenance base and growth of the service network are important profitability drivers
- In new equipment and modernization, installation efficiency is a key
- Together with value selling, the standardized KONE platform and the modularized components improve productivity and profitability
- We encourage our employees to take part in improving quality and productivity

Example: Shortening the lead time to handover in new equipment

Benefits
- Faster delivery to the customer
- Better profitability and lower inventories

Example: Improving the first fix rate in maintenance

Benefits
- Better uptime for customers
- Better profitability
A capital-light and cash-generative business model
KONE’s business model is flexible and capital-light, yielding a high return on capital

**Flexible cost structure and low capex**
- Subcontracting in installation and component suppliers complement own operations
- Low amount of fixed costs
- Relatively low level of tangible and intangible assets

**Strong cash generation and good dividend yield**
- Advance and progress payments from customers enable negative working capital and strong cash generation
- Strong cash flow has allowed steadily developing dividends

**High return on capital employed**
- Good profitability combined with the capital light business model enable high return on capital
We leverage a capital-light and efficient network of suppliers, KONE factories and distribution centers.

- **Largely co-located and competitive supplier base**
- **KONE factories focus on manufacturing of key components and testing**
- **Efficient material flows to through strategically located distribution centers**
- **The final assembly at customers’ installation sites**
We have a cash-generative business model

High operative cash flow generation and cash conversion

Negative net working capital

IFRS 16 impact
12m rolling quarterly cash flow from operations (before financing items and taxes)
Cash conversion ratio (cash flow from operations / EBITDA)
Our balance sheet is strong and our business model enables a high return on capital

Total equity and net debt*

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Equity</th>
<th>Net Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2,034 MEUR</td>
<td>-829 MEUR</td>
</tr>
<tr>
<td>2012</td>
<td>1,834 MEUR</td>
<td>-574 MEUR</td>
</tr>
<tr>
<td>2013</td>
<td>1,725 MEUR</td>
<td>-622 MEUR</td>
</tr>
<tr>
<td>2014</td>
<td>2,062 MEUR</td>
<td>-912 MEUR</td>
</tr>
<tr>
<td>2015</td>
<td>2,575 MEUR</td>
<td>-1,513 MEUR</td>
</tr>
<tr>
<td>2016</td>
<td>2,796 MEUR</td>
<td>-1,688 MEUR</td>
</tr>
<tr>
<td>2017</td>
<td>3,029 MEUR</td>
<td>-1,690 MEUR</td>
</tr>
<tr>
<td>2018</td>
<td>3,081 MEUR</td>
<td>-1,704 MEUR</td>
</tr>
<tr>
<td>2019</td>
<td>3,193 MEUR</td>
<td>-1,553 MEUR</td>
</tr>
</tbody>
</table>

Return on capital employed

<table>
<thead>
<tr>
<th>Year</th>
<th>ROCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>34.3%</td>
</tr>
<tr>
<td>2012</td>
<td>29.4%</td>
</tr>
<tr>
<td>2013</td>
<td>36.4%</td>
</tr>
<tr>
<td>2014</td>
<td>37.7%</td>
</tr>
<tr>
<td>2015</td>
<td>41.7%</td>
</tr>
<tr>
<td>2016</td>
<td>34.1%</td>
</tr>
<tr>
<td>2017</td>
<td>28.8%</td>
</tr>
<tr>
<td>2018</td>
<td>25.0%</td>
</tr>
<tr>
<td>2019</td>
<td>25.1%</td>
</tr>
</tbody>
</table>

* IFRS 16 increased the 2019 opening interest-bearing debt by EUR 358 million
Low capital expenditure requirement, continued stream of small bolt-on acquisitions

### Capital expenditure on fixed assets

<table>
<thead>
<tr>
<th>Year</th>
<th>MEUR</th>
<th>Capex on fixed assets, as % of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>92 MEUR</td>
<td>1.8 %</td>
</tr>
<tr>
<td>2012</td>
<td>113 MEUR</td>
<td>1.8 %</td>
</tr>
<tr>
<td>2013</td>
<td>77 MEUR</td>
<td>1.3 %</td>
</tr>
<tr>
<td>2014</td>
<td>98 MEUR</td>
<td>1.1 %</td>
</tr>
<tr>
<td>2015</td>
<td>93 MEUR</td>
<td>1.1 %</td>
</tr>
<tr>
<td>2016</td>
<td>100 MEUR</td>
<td>1.1 %</td>
</tr>
<tr>
<td>2017</td>
<td>95 MEUR</td>
<td>1.0 %</td>
</tr>
<tr>
<td>2018</td>
<td>93 MEUR</td>
<td>1.0 %</td>
</tr>
<tr>
<td>2019</td>
<td>98 MEUR</td>
<td>1.0 %</td>
</tr>
</tbody>
</table>

### Acquisitions

<table>
<thead>
<tr>
<th>Year</th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>185 MEUR</td>
</tr>
<tr>
<td>2012</td>
<td>169 MEUR</td>
</tr>
<tr>
<td>2013</td>
<td>83 MEUR</td>
</tr>
<tr>
<td>2014</td>
<td>67 MEUR</td>
</tr>
<tr>
<td>2015</td>
<td>65 MEUR</td>
</tr>
<tr>
<td>2016</td>
<td>99 MEUR</td>
</tr>
<tr>
<td>2017</td>
<td>35 MEUR</td>
</tr>
<tr>
<td>2018</td>
<td>18 MEUR</td>
</tr>
<tr>
<td>2019</td>
<td>15 MEUR</td>
</tr>
</tbody>
</table>

Most acquisitions are small or medium-sized maintenance companies.

Capital expenditure on leasing agreements including IFRS 16 was EUR 102.5 million in 2019.
Good financial development has enabled a steadily developing dividend

Split-adjusted dividend per class B share
EUR, 2006-2019

- Dividend payout in 2019: 94% of earnings per share
- Effective dividend yield, 2019: 2.9%

Adjusted for share splits in 2008 (1:2) and 2013 (1:2)
We remain committed to our financial targets

- Given the capital and asset structure of KONE, the aim is not to maximize the EBIT margin in the short term, but rather to grow the absolute EBIT in an optimal way over the long term and as a result maintain a strong return on capital employed.

- The relative EBIT margin target is relevant in ensuring that growth and productivity improve continuously.

- KONE has not defined a time frame for the achievement of these financial targets.

**Growth**
Faster than the market

**Profitability**
EBIT 16%

**Cash flow**
Improved working capital rotation
We have consistently grown faster than the market
There are several levers for profitability improvement

OUR ULTIMATE TARGET IS TO IMPROVE ABSOLUTE EBIT

16% EBIT MARGIN TARGET

GROWTH
- Economies of Scale

DIFFERENTIATION
- Better pricing from unique value to customers

CUSTOMER SATISFACTION
- Higher retention

QUALITY AND PRODUCTIVITY
- Cost competitiveness

CUSTOMER FOCUS, SPEED AND EFFICIENCY PROVIDED BY THE ACCELERATE PROGRAM
With Accelerate, we are adjusting our ways of working to better support our strategy.

Harmonizing roles and processes, leveraging scale & building expertise in many key functions

Accelerate program targets
- Customer centricity
- Speed
- Efficiency

- Estimated total savings close to MEUR 150 by the end of 2020
- Estimated restructuring costs over MEUR 150
Long-term growth supported by sustainability
We strive to be a leader in sustainability
For us, sustainability is…

...a source of innovation and competitive advantage
Pioneer in developing energy-efficient solutions, which help our customers certify their buildings

...embedded in how we conduct our business
Included in our strategic targets and reflected in our culture, processes and policies

...a prerequisite for long-term growth and success
Supports us in creating value for our stakeholders, including shareholders

#32nd in the Corporate Knights’ 2020 Global 100 Most Sustainable Corporations in the World (only E&E company on the list)

Among top climate change performers according to CDP with A or A- score for the seventh consecutive year

Included in the FTSE4Good Index Series

15 Elevator models and four escalator models with best in class ISO 25745 energy efficiency ratings
Being a leader in sustainability is one of our strategic targets, and we focus on four key areas:

**STRATEGIC TARGET: TO BE A LEADER IN SUSTAINABILITY**

<table>
<thead>
<tr>
<th>Driving innovation and improving resource efficiency</th>
<th>Providing the most sustainable offering</th>
<th>Being the best employer and attracting talent</th>
<th>Enabling our partners and societies to prosper</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Deep understanding of customer needs</td>
<td>• Customer satisfaction</td>
<td>• Competence development</td>
<td>• Generating long-term returns</td>
</tr>
<tr>
<td>• Sustainable innovations and business models</td>
<td>• Product and service quality</td>
<td>• Fair employment practices</td>
<td>• Creating wealth via taxes and employment</td>
</tr>
<tr>
<td>• Resource efficiency</td>
<td>• End user safety and accessibility</td>
<td>• Motivated and engaged employees</td>
<td>• Ethical business practices</td>
</tr>
<tr>
<td>• Low-carbon operations</td>
<td>• Energy efficiency of solutions and life cycle thinking</td>
<td>• Diversity and non-discrimination</td>
<td>• Long-term relationships with our suppliers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Employee safety and well-being</td>
<td>• Supporting local communities</td>
</tr>
</tbody>
</table>

**Corporate governance & compliance**  **Risk management**  **Stakeholder engagement**  **Proactive communications**

Sustainable social, environmental and economic performance
Resource efficiency and circular economy at KONE

90% of the metals used in KONE solutions can be recycled.

Our targets:
- > 3% annual reduction in carbon footprint relative to net sales
- > 50% green electricity by 2021
- 0 waste to landfill from manufacturing by 2030

Ecosystem collaboration to increase use of recycled materials.

Our progress in 2019:
- 3% annual reduction in carbon footprint relative to net sales
- 37% green electricity
- < 1% waste to landfill from manufacturing
We are proud to be the leader in energy-efficiency

KONE’s current volume elevator is up to 90% more energy efficient than in the 90s

<table>
<thead>
<tr>
<th>Annual energy consumption (kWh/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>90s KONE elevators</td>
</tr>
<tr>
<td>1996 KONE MonoSpace</td>
</tr>
<tr>
<td>2008 KONE MonoSpace</td>
</tr>
<tr>
<td>Current KONE MonoSpace® 500</td>
</tr>
</tbody>
</table>

How the KONE MonoSpace® 500 saves energy

1. **KONE EcoDisc® hoisting machinery** is highly efficient and reduces the energy consumption of the elevator.

2. **Eco-efficient regenerative drive** enables energy to be reused within the building and cuts energy consumption by up to 35%.

3. **Long-lasting LED lighting** lasts 10 times longer and is 80% more efficient than halogen lighting.

4. **More advanced standby solutions** power down the equipment when not used and provide substantial energy savings, especially in residential buildings with low or medium traffic.
Eco-efficiency in every phase of a building’s life cycle

1. Trusted partner in green building development
Ensuring healthy materials, helping to reduce on-site energy consumption and reducing the carbon footprint of the building. We publish the environmental impact of KONE products and contribute to developing global energy management standards.

2. Eco-efficient installation
Considering the environment when installing new equipment. Our well-planned and efficient installation processes minimize the adverse environmental impacts of installation work and our systems ensure we reduce our chemical use and handle waste efficiently on site.

3. Efficient maintenance processes
Using smart technologies and a green vehicle fleet to minimize emissions and maximize efficiency. Remote monitoring solutions reduce unnecessary technician callouts. By carrying optimized spare part stocks in our vehicles, we reduce warehouse visits, further decreasing emissions.

4. Eco-efficiency through modernization
Applying a range of solution to make the biggest difference with the lowest possible environmental impact. Our modernization solutions range from retrofitting LED lights to a completely new elevator with energy-regeneration technology.

Up to 70% energy savings
By modernizing an elevator

3% annual carbon footprint
Reduction target relative to sales
People are key to the success of KONE’s strategy

- We must develop and obtain new competences e.g. in digitalization, understanding customers’ businesses, consultative selling and leading transformations
- We offer versatile opportunities that support personal growth and career development
  - 41 training centers and >4,200 training programs: new training programs e.g. in solution selling and strategic sourcing
  - Modern learning methods, e.g. VR, AR & mobile learning
  - Performance discussions at least twice a year, completed with a talent review process and individual development plan
  - Mentorship program, talent program, 360 assessments

Great place to work as a strategic target, which we measure by employee engagement

Employee engagement

- Number of employees
- Employee engagement index
- Response rate

Supporting continuous learning and professional growth
We value diversity in all forms and see it as a strength.

Employees by market
2019, (2018), %
- EMEA: 39% (39%)
- Americas: 48% (48%)
- Asia-Pacific: 13% (13%)

Employees by job category
2019, (2018), %
- Maintenance & modernization: 7% (8%)
- New equipment sales & installation: 9% (9%)
- Manufacturing: 25% (25%)
- Administration, IT, R&D: 56% (58%)

Employee figures
2019
- Share of women, employees: 11%
- Total number of employees, end of 2019: 59,825
- Share of women, director level positions: 18%
- Nationalities: 145
- Share of women, Executive Board: 7%
- Voluntary turnover rate: 7.6%
- Share of women, Board of Directors: 38%

Our future success depends on our ability to build diverse and inclusive teams, communities and networks:
- Diversity training for talent acquisition teams
- Systematic tracking of hiring of new competencies and increasing diversity through recruitment
- Signed the European Round Table of Industrials Diversity and Inclusion Pledge
- Conducted a salary review: based on the review women and men are on a global level compensated equally at KONE
- Diversity KPIs: cultural diversity in global teams, share of women in employees, director level positions, the Executive Board and the Board of Directors
Safety is our top priority and an integral part of our strategy

- We enhance the safety of our products and services through rigorous attention to design, manufacturing, installation and maintenance processes
- In 2018, we launched a new global safety management system harmonizing safety management practices globally
- Safety is a joint effort involving everyone
  - Promoting safety awareness among our employees but also our customers and end consumers with active communication and training
  - We contribute actively to the development of safety codes and standards
- In 2019, our industrial injury frequency rate (IIFRS) improved to 1.7 (2018: 2.1). We continue to target zero incidents
- The average lost days per incident was 33.7 days (2018: 27.4)
- In order to increase transparency, we started disclosing fatalities of KONE employees in 2018 (2019: 1 fatality)

With a proactive approach to safety, we have successfully reduced injuries
IIFR, KONE employees
Safety every step of the way

SUPPLIERS
Clear safety and quality requirements which are continuously measured

OFFICE
Safe facilities and awareness through health and safety training and internal communication

INSTALLATION
Processes and certified installation methods designed to enhance safety, quality and reliability

MODERNIZATION
Upgrade or replacement solutions that meet the latest safety standards
Professional technicians following strict safety guidelines

MAINTENANCE
Preventative maintenance methods to enhance safe functioning of equipment
Regular training, coaching and auditing to assure safety

R&D
Potential safety hazards are identified and eliminated

PRODUCTION SITE
Careful control of raw materials and production processes
ISO 9001, 14001 and OHSAS 18001 certified

USE
Support to customers and building owners in promoting safe use
Safety events and communication for users
We engage in ethical business practices

- KONE’s Code of Conduct sets out our commitment to integrity, honesty and fair play. It explains how we conduct our business in a responsible and ethical manner in order to win and retain customer trust.

- Our general Code of Conduct is complemented by our Supplier and Distributor Code of Conducts.

- KONE’s Competition Compliance Policy outlines our unambiguous position against anti-competitive practices.

- KONE runs online trainings in over 30 languages to increase its employees’ awareness of KONE’s Code of Conduct and Competition Compliance Policy.

The KONE Code of Conduct applies to all KONE employees and covers topics such as:

- Compliance with the laws and rules of society
- Work environment
- Human rights
- Zero tolerance for fraud, bribery and corruption
- Risks and conflicts of interest
- Health and safety
- Discrimination
- Fair competition
- Environment and sustainability
- Handling of information and data protection
- How to report concerns or violations of the Code
Building solid relationships with suppliers

- KONE thoroughly assesses its suppliers as part of risk management.

- KONE’s Supplier Excellence Certification Program assesses our key suppliers’ sites based on criteria such as environmental and quality management systems, performance scorecards, and supplier audit results.

- All suppliers are required to act in compliance with the KONE Supplier Code of Conduct, which addresses legal compliance, ethical conduct, environment, prohibition of corruptive practices, labor and human rights, health and safety and management system related topics.

- Annual Supplier Day and supplier survey to key strategic suppliers to track and drive continuous improvement.
KONE’s general governance principles

- The duties and responsibilities of KONE Corporation’s various governing bodies are determined by Finnish law and KONE’s corporate governance principles.

- KONE complies with the Finnish Corporate Governance Code with a few exceptions due to KONE’s ownership structure as a family company.

  Exceptions:
  - Recommendation 16: Independence of the company of the members of the audit committee
  - Recommendation 17: Independence of the company of the members of the remuneration committee
  - Recommendation 18: Independence of the company of the members of the nomination committee
Dedicated Board of Directors

Antti Herlin  
Chairman of the Board

Jussi Herlin  
Vice Chairman of the Board

Matti Alahuhta  
Member of the Board

Anne Brunila  
Member of the Board

Susan Duinhoven  
Member of the Board

Iiris Herlin  
Member of the Board

Ravi Kant  
Member of the Board

Juhani Kaskeala  
Member of the Board

Sirpa Pietikäinen  
Member of the Board

67% independent members*

44% female

- When proposing members to the Board, attention is paid to the candidates’ broad and mutually complementary background, experience, expertise, age, gender and views of both KONE’s business and other businesses

- The Board of Directors has two Committees, the Audit Committee and the Nomination and Compensation Committee

* The independence of the members of the Board is assessed in line with the independence criteria of the Finnish Corporate Governance Code
More information

Sanna Kaje  
VP, Investor Relations  
+358 (0)204 75 4705  
sanna.kaje(at)kone.com

Essi Lipponen  
Investor Relations Manager  
+358 (0)204 75 4560  
essi.lipponen(at)kone.com

Nelli Hämäläinen  
Investor Relations Specialist  
+358 (0)204 75 4925  
nelli.hamalainen(at)kone.com

Heidi Nurmi  
Investor Relations Coordinator  
+358 (0)204 75 4240  
heidi.nurmi(at)kone.com

Investor Relations website  
kone.com/investors

KONE Investor Relations App  
Apple App store

KONE IR Insights podcast  
soundcloud.com/kone-ir-insights
Appendix
Creating value by improving the flow of urban life
KONE’s FX and raw material exposure

KONE’s foreign exchange exposure
Sales by currency 1-12/2019

KONE’s raw material exposure is >5% of sales
Indicative

- In order to reduce exposure to raw material prices, KONE typically locks in prices with component suppliers for ~3-6 months.
Variable costs comprise a significant portion of the cost base, especially in the new equipment business

Costs and expenses 2017-2019

- Direct materials, supplies and subcontracting
- Wages, salaries, other employment expenses and pensions
- Other production costs *
- Selling, administrative and other expenses **
- Items impacting comparability ***
- Depreciation and amortization

New equipment & modernization

- Majority of costs from direct materials, supplies and installation subcontracting
- Subcontracting on a project-by-project basis, allowing flexibility to adjust cost base in case of sales headwinds

Maintenance

- Majority of costs from salaries and car fleet
- Costs mainly related to employees in recurring and stable maintenance business
- Maintenance contracts often include cost escalation clauses

Development of personnel

- EMEA
- Americas
- Asia-Pacific

Why invest in KONE | © KONE Corporation
# KONE Environmental Excellence program

**KEY INITIATIVES, 2017-2021**

<table>
<thead>
<tr>
<th>Key initiative</th>
<th>Target 2017-2021</th>
<th>Examples of achievements in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Solutions</strong></td>
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</table>
| Our solutions are highly eco-efficient and contribute to green building ratings | Further reduction in energy consumption | - Launch of KONE DX Class elevators with built-in connectivity and focus on sustainability.  
- Best-in-class ISO 25745 energy efficiency classifications for KONE MonoSpace® 700 and KONE TranSys™ elevators, and for KONE TravelMaster™ 120 escalator. Altogether, 15 KONE elevator and 4 escalators and autowalks with best-in-class energy performance classifications.  
- Third-party verified Environmental Product Declarations published for KONE MonoSpace® 700 DX, KONE TranSys™ DX and KONE MiniSpace™ DX elevators.  
- Health Product Declarations published for KONE MonoSpace® 500 and KONE TranSys™ DX elevators and KONE TravelMaster™ 110 escalator.  
- New and renewed Singapore Green Building Product (SGBP) certifications with the highest Leader ratings. In total, eight KONE solutions have the SGBP certification.  
- Approved Byggvarubedömningen (BVB) assessments in Sweden for KONE TranSys™ elevator and TransitMaster™ 180 escalator. In total, we now have six approved BVB assessments.  
- Solutions delivered to buildings certified with LEED, BREEAM and local green building standards.  
| **Operations**  |                  |                                 |
| We do business by developing resource efficiency and minimizing the carbon footprint of our operations and services | 3% annual reduction of carbon footprint relative to sales | - KONE’s overall operational carbon footprint relative to sales decreased by 3.1%. Scope 1 and 2 carbon footprint relative to sales decreased by 5.4%. KONE’s carbon footprint data is externally assured.  
- New, state-of-the-art KONE manufacturing unit opened in India. The facility is designed in accordance with Indian Green Building Council (IGBC) criteria with water recycling and rainwater harvesting systems, as well as solutions to conserve energy and limit greenhouse gas emissions, plus maximize good indoor air quality.  
- Solar panel installations in Kunshan and Hyvinkää factory premises completed.  
- New KONE units purchasing green electricity: manufacturing unit in the Czech Republic (100%), Spanish subsidiary (partially).  
- LEED Silver Commercial Interiors certification achieved for KONE Allen, Texas office spaces in the United States.  
- Subsidiaries offsetting their operational carbon footprint: KONE Austria, KONE New Zealand.  
| **Culture**  |                  |                                 |
| We build eco-culture together with customers and suppliers | CDP leadership  
ISO 14001 certification | - Recognized for climate and sustainability performance: a place on CDP’s A List, ranked as the 32nd most sustainable company in the world by Corporate Knights (up from 43rd for the previous year), included in the Carbon Clean200 list by Corporate Knights, and As You Sow.  
- Included in the FTSE4Good index, awarded the Ecovadis gold medal for sustainability performance.  
- Recognized in Asia Corporate Excellence & Sustainability Awards as one of Asia’s best performing companies.  
- Our corporate and R&D units, all major manufacturing units and 26 major subsidiaries are ISO 14001 certified (2018: 25). KONE Spain achieved ISO 14001 certification. Two of our European manufacturing units are ISO 50001 certified. At the end of 2019, 91% of our strategic suppliers were ISO 14001 certified (2018: 90%).  
- Continued supplier trainings on sustainable materials.  
- The theme of KONE’s annual safety week was safe work environment. Environmental topics, such as preparation for extreme weather conditions and the importance of reducing greenhouse gas emissions were featured in the safety week program.  

The majority of the new equipment demand is in APAC, EMEA and Americas represent half of installed base

North America
- Mature service market with significant potential in modernization
- Non-residential segments bigger than residential

EMEA
- Mix of mature markets and developing regions
- Service market with large installed base; significant growth potential in modernization
- Largest segment is residential

Asia-Pacific
- Mix of developing and mature markets
- Majority of new equipment demand; significant growth potential in services
- China and India are the two largest new equipment markets globally
- Largest segment is residential
Several trends are shaping the market in China

Market trends

**URBANIZATION CONTINUES**
In the next 10 years, 200 million people are expected to move into cities

**CITY CLUSTERS EMERGE**
Guided population migration to city clusters

**“HOUSING FOR LIVING NOT SPECULATION”**
Strict controls and restrictions to remain

**TOP DEVELOPERS GETTING BIGGER**
Top developers tend to favor OEMs

**SERVICE MARKET REMAINS ROBUST, YET FRAGMENTED**
Double digit growth in installed base

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**Government restrictions continue**

<table>
<thead>
<tr>
<th>Developers</th>
<th>Buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land purchases and land use</strong></td>
<td><strong>Purchasing restrictions</strong></td>
</tr>
<tr>
<td>Controls on type of development, strict idle land penalties, payment terms</td>
<td>Controls on number of properties and eligibility to buy</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td><strong>Down payment, mortgage interest</strong></td>
</tr>
<tr>
<td>Bank loans and bonds controlled</td>
<td>Very strict mortgage terms for second and third property</td>
</tr>
<tr>
<td><strong>Selling process</strong></td>
<td><strong>Re-selling</strong></td>
</tr>
<tr>
<td>Pre-sales controls, selling price controls</td>
<td>Varying local controls on re-selling the property</td>
</tr>
</tbody>
</table>

Why invest in KONE | © KONE Corporation
Strong executive board with diverse backgrounds

Henrik Ehrnrooth  
President & CEO

Axel Berkling  
Asia-Pacific

Klaus Cavén  
M&A and Strategic Alliances, Legal Affairs

Hugues Delval  
Service Business

Ilkka Hara  
CFO

Thomas Hinserskov  
Central and North Europe

William B. Johnson  
Greater China

Mikko Korte  
Operations Development

Maciej Kranz  
Chief Technology Officer

Pierre Liautaud  
South Europe, Middle East and Africa

Tomio Pinkala  
New Equipment Business

Susanne Skippari  
Human Resources

Ken Schmid  
Americas
Some of our iconic references
Bloomberg's new European headquarters occupies an entire London city block, and its 18 glass elevators are a centerpiece of the collaboration-focused design. They are a window into a building ranked as one of the most sustainably designed office developments in the world.
Designed by Renzo Piano, the luminous new Tribunal de Paris is an energy-efficient masterpiece of a building that houses multiple judicial entities.

Solutions like the one-of-a-kind panoramic elevator and high-security elevators for detainees help people move around the building smoothly and securely.

Photo: Raphaël de Bengy
Stubai Glacier

TYROL, AUSTRIA

Installing escalators on a mountainside at heights of up to 2,900 meters above sea level is no easy task.

Add to that the occasional blizzard, sub-zero temperatures and around a million visitors in ski boots every year and you have a task for the sturdy KONE TransitMaster™ 120 – with a few customized modifications.
37 Golden Square
LONDON, UK

Smart home technology, ease of use and comfort are key when it comes to luxury living in the heart of London’s Soho.

Full refurbishment and the addition of new technology is bringing fundamental benefits and giving the residents of 37 Golden Square a taste of the future today.
Kunming Changshui Airport
KUNMING, CHINA

Kunming Changshui Airport is an important hub for connections between China and Southeast Asia. Originally designed to accommodate 37 million travelers annually, in 2017 it served 45 million.

Smooth people flow is essential as passenger volumes at China’s fourth largest airport continue to rise. KONE 24/7 Connected Services helps the maintenance team keep equipment up and running.