

KONE CMD 2017

Accelerating the execution of our strategy

HENRIK EHRNROOTH, PRESIDENT & CEO

SEPTEMBER 29, 2017

AGENDA



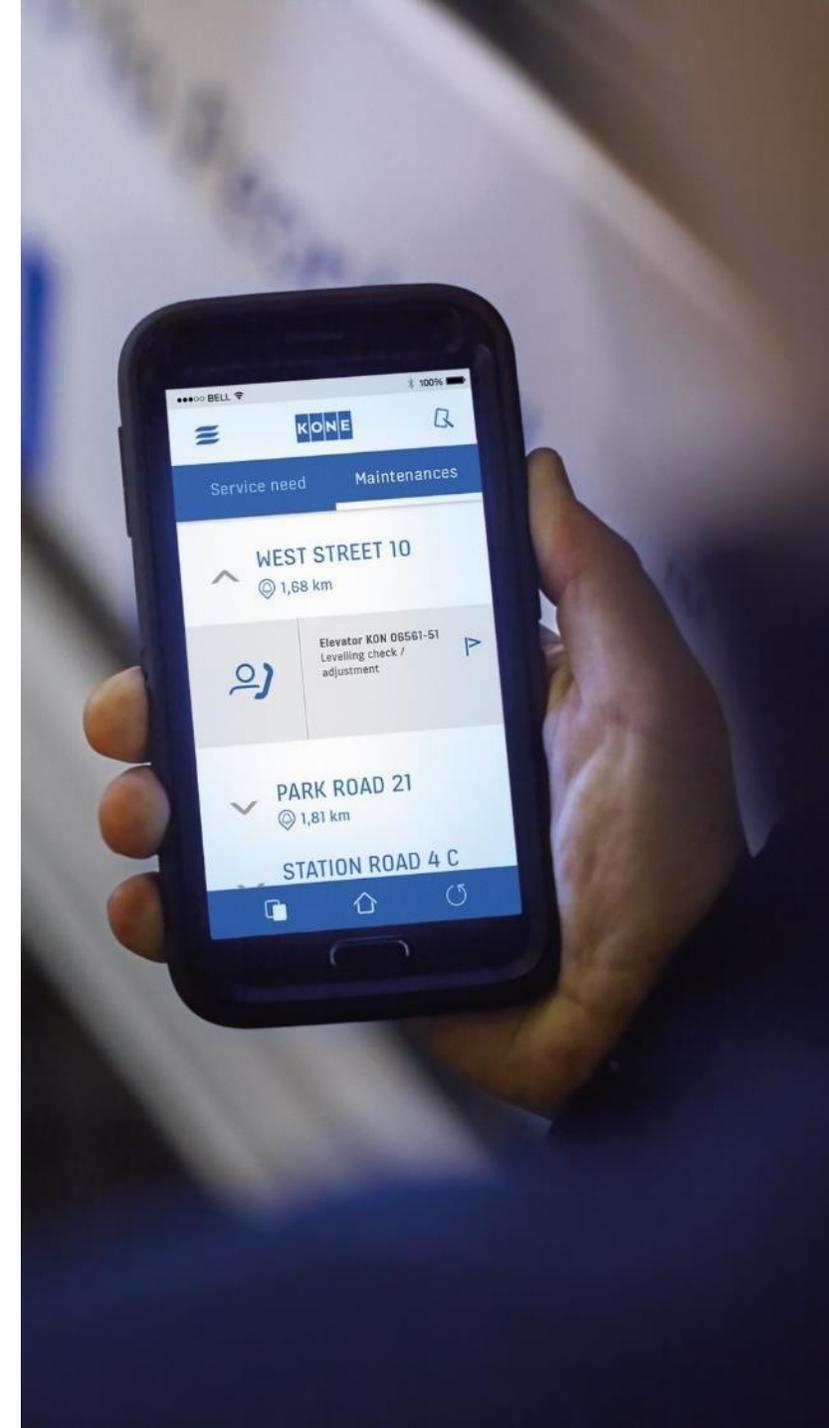
- › SOLID PROGRESS IN STRATEGY EXECUTION
- › GROWTH OPPORTUNITIES IN THE MARKET
- › WINNING WITH CUSTOMERS
- › CONCLUDING REMARKS

A photograph of a modern, multi-level shopping mall interior. The scene is dominated by blue-tinted escalators and walkways. The ceiling is a complex, geometric structure with a grid of white panels. A large white pillar is visible on the right side. The overall atmosphere is clean and contemporary. The text "Solid progress in strategy execution" is overlaid on the left side of the image.

Solid progress in
strategy execution

Good performance on many fronts during the past year

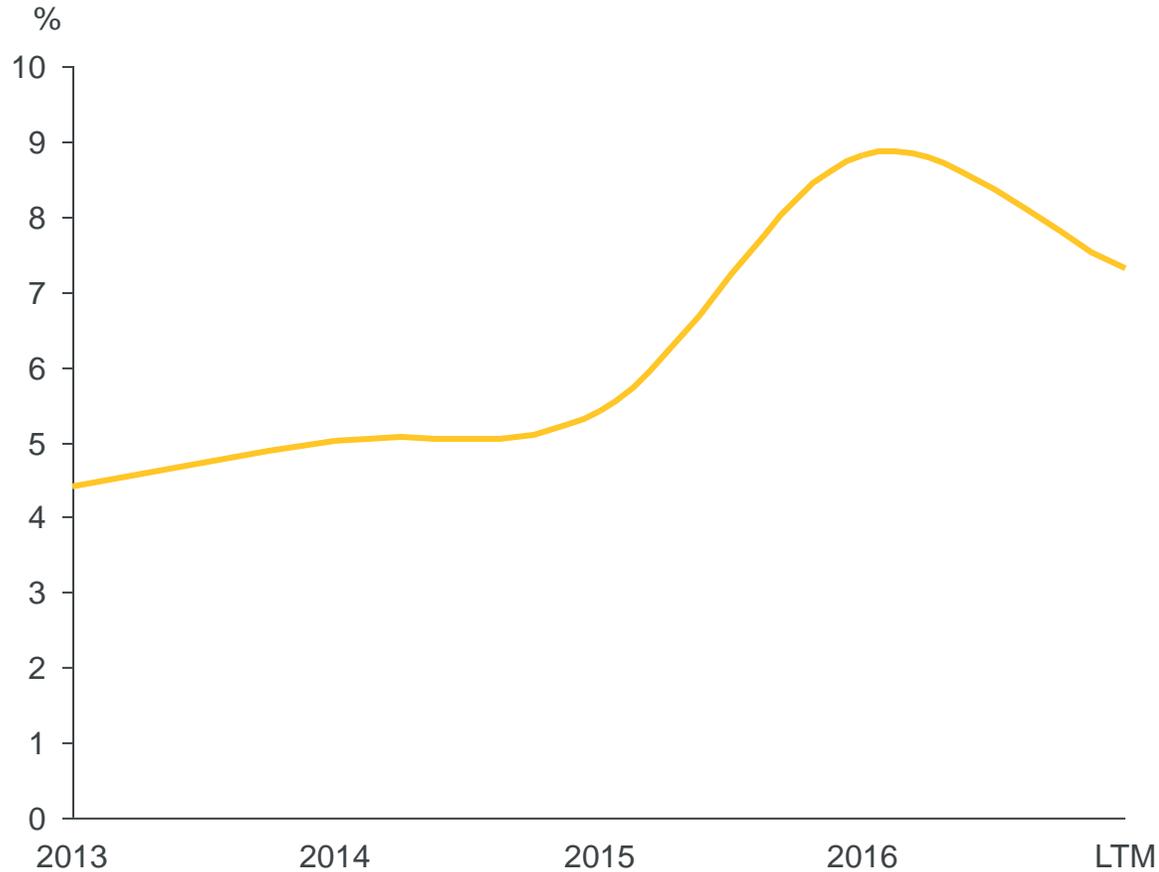
- ✓ Accelerating growth in services through better differentiation
- ✓ Solidifying our position in new equipment
- ✓ Capitalizing on the opportunities from digitalization



We have accelerated growth in services and launched a new ground-breaking offering to differentiate further



Services sales growth at comparable currencies



LTM=last twelve months



New KONE Care™
Flexible maintenance responding to customers individual needs

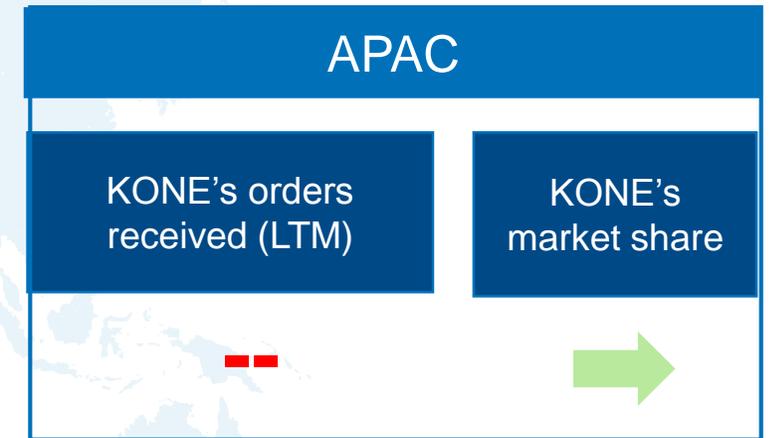
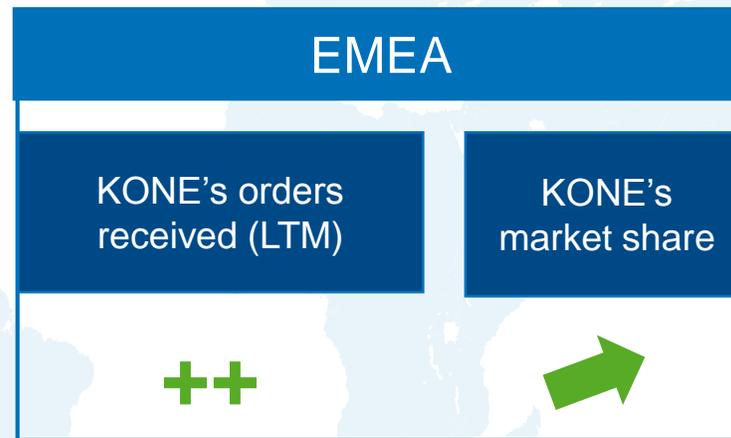


24/7 Connected Services
More intelligence to the services

We have strengthened our position in the growing new equipment markets and solidified our presence in China



- Extensions to product offering launched in all regions to further improve competitiveness
- Renewed high-rise elevator test laboratory opened in Tytyri, Finland
- We maintained the market leading position in China and have taken focused actions to stabilize pricing



+ = slight growth (<5%), ++ = clear growth (5-10%), +++ = significant growth (>10%)

- = slight decline (<5%), -- = clear decline (5-10%), --- = significant decline (>10%)

LTM = last twelve months, growth at comparable exchange rates

We are investing more than ever in innovation for a connected world



Connected customers

~25,000 connected customers



Connected users

Applications and services for both users in residential and commercial segments



Connected equipment

Over 150,000 connected equipment



Connected employees

Mobile tools for all KONE field employees (Technicians, supervisors and sales personnel)

Technological enablers: Connectivity, IoT cloud and cognitive analytics

We've made clear progress towards our strategic targets

A clear improvement in NPS in 2017

Most loyal customers

Employee engagement has remained on a high level

Great place to work

Strong position in new equipment, faster than market growth in services

Faster than market growth

Improved EBIT-% in 2016, headwinds in 2017

Best financial development

~4% reduction in CO2/sales in 2016

Leader in sustainability

STRATEGIC TARGETS

Most loyal customers

Great place to work

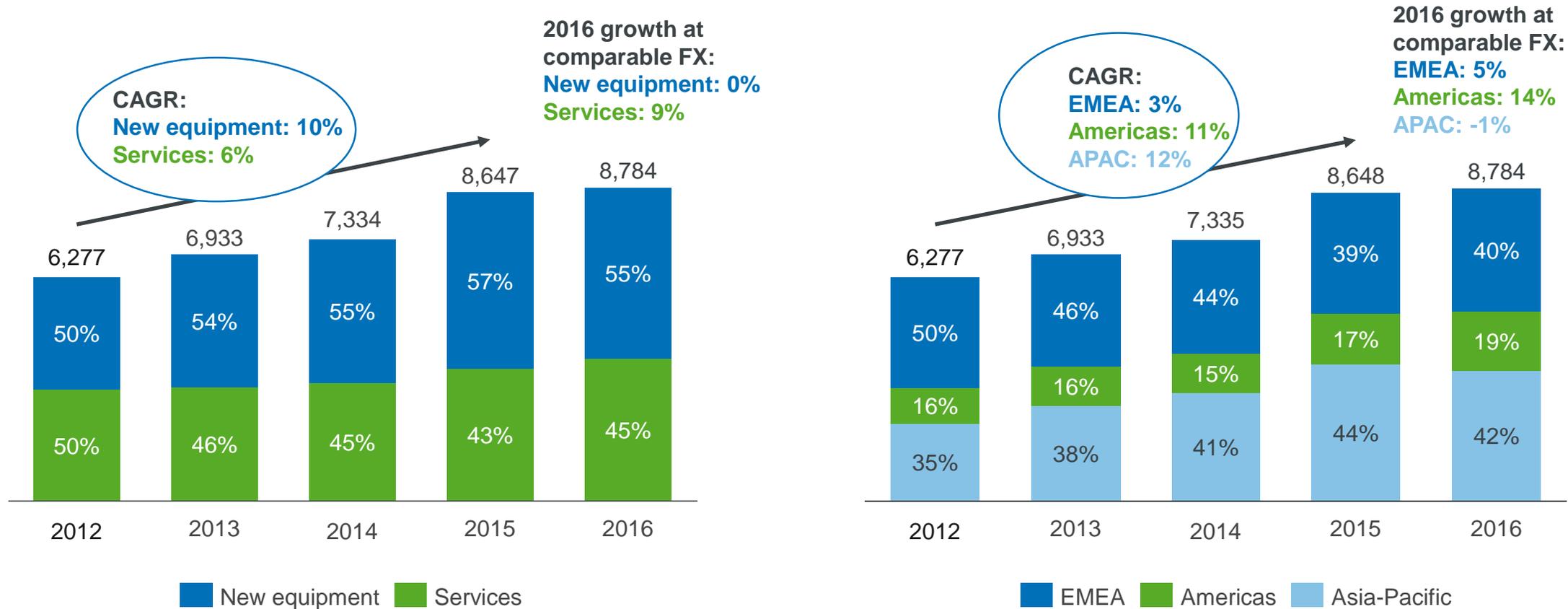
Faster than market growth

Best financial development

Leader in sustainability

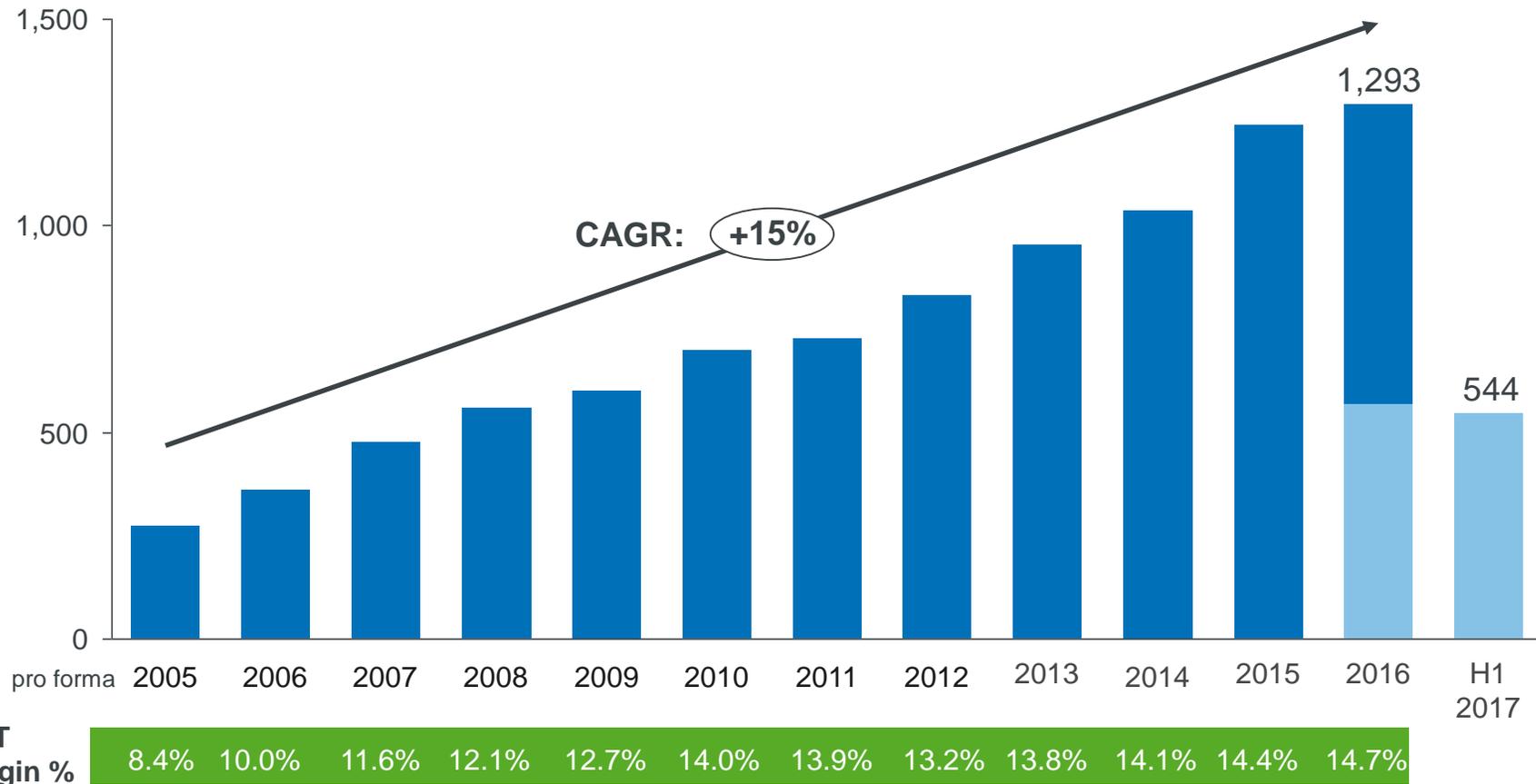
Sales growth has recently been driven by services, with good growth in new equipment in EMEA and Americas

Sales (MEUR) and growth at comparable exchange rates



Steady growth in EBIT, several factors burdening the result this year

EBIT excl. non-recurring items, MEUR



Tailwinds for EBIT

- Accelerated growth in maintenance and modernization
- Strong execution on a broad basis

Factors burdening the result

- Raw material prices & FX
- Price pressure in China
- Increased investment into R&D and IT

Business outlook for 2017 (updated)

- SALES

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

- ADJUSTED EBIT

- The adjusted EBIT is expected to be in the range of EUR 1,200-1,250 million, assuming that translation exchange rates would remain at the end of August level for the remainder of the year. Restructuring costs related to the Accelerate program are excluded from the calculation of adjusted EBIT.



Going into 2018, there will be both headwinds and tailwinds impacting our result

Headwinds and tailwinds going into 2018

Boosting our performance

- ↗ Performing well in EMEA and North America
- ↗ Services business growth
- ↗ Continued performance improvements

Burdening our result

- ↘ Pressure on margins due to intense competition in China
- ↘ Raw material prices and FX
- ↘ Restructuring costs from the Accelerate program



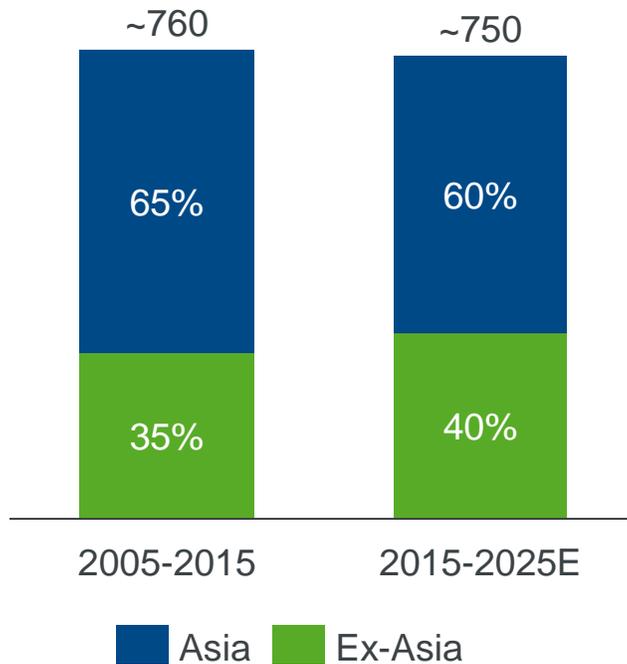
A photograph of a modern, multi-level shopping mall interior. The scene is dominated by blue-tinted escalators and glass railings. The ceiling is a complex, geometric structure with a grid of white panels. In the background, there are retail stores with glass fronts. The overall atmosphere is clean, bright, and modern. The text "Continued good growth opportunities in the market" is overlaid on the left side of the image in white font.

Continued good growth opportunities in the market

Demographic changes support the concentration of people to core cities

Growth in urban population 2005-2025

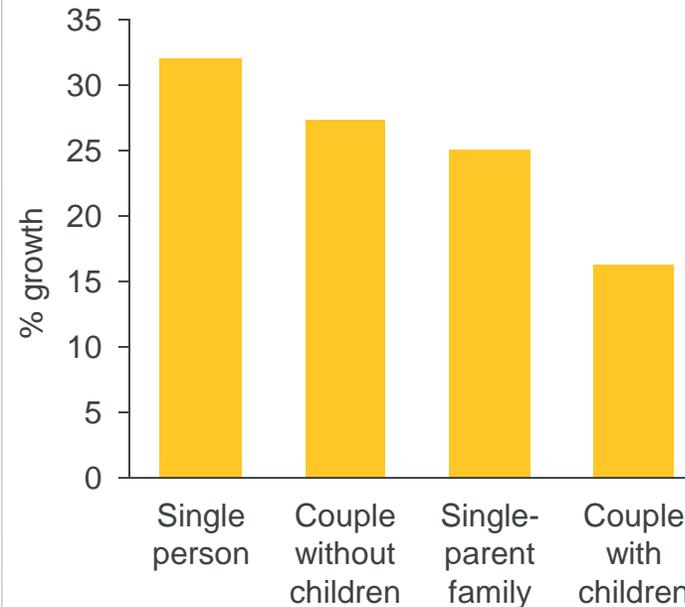
Million people



Source: U.N. World Urbanization Prospects 2014

Number of single-family households is increasing

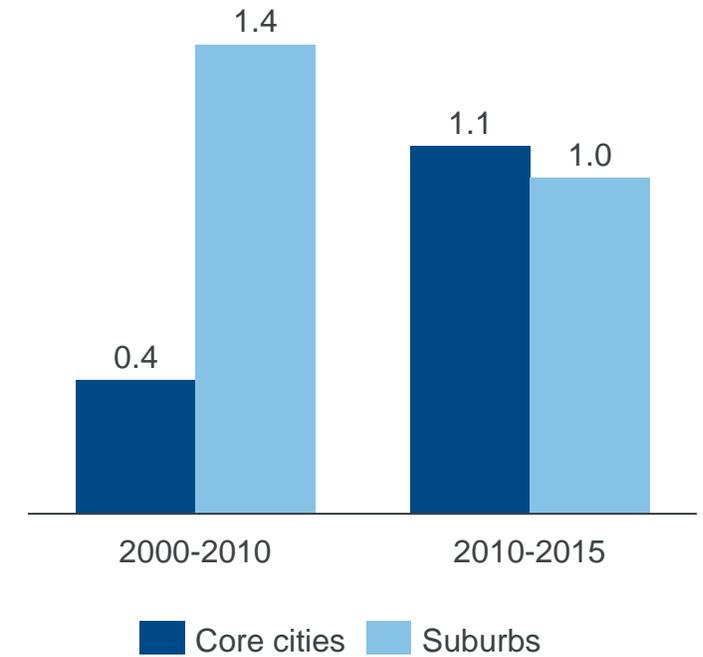
Global households by family type, 2016-2030



Source: Euromonitor International 2017

Core cities are growing

Average growth rate of US cities with >1million population



Source: U.S. Census Bureau

Cities are becoming smarter and more sustainable

Challenges of modern cities:

- Increased density of people in buildings requires more intelligent and reliable people flow
- Sustainability and energy efficiency critical
 - Urban areas account for 70% of global energy consumption
 - The share is expected to rise to 75% by 2030¹

Smart People Flow and digital technologies help solve these problems

New equipment markets are in different cyclical phases



EMEA

Some European countries already on high level, signs of recovery from a low level in South Europe

North America

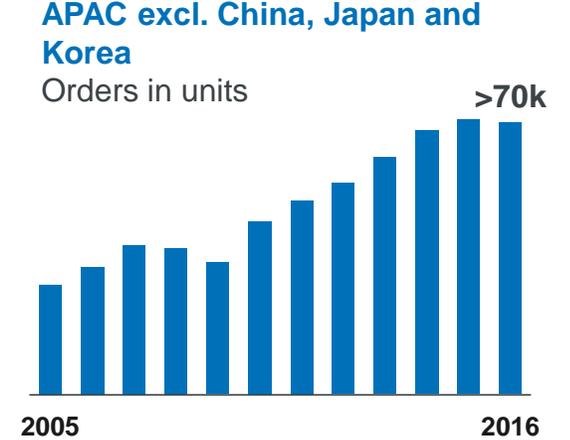
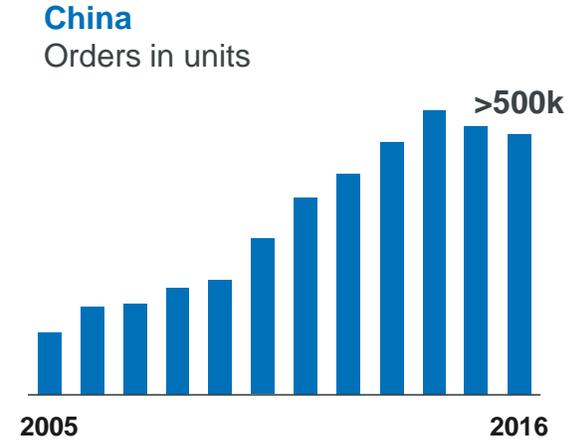
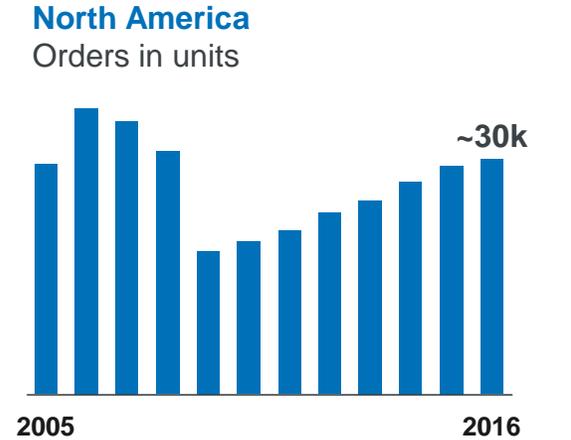
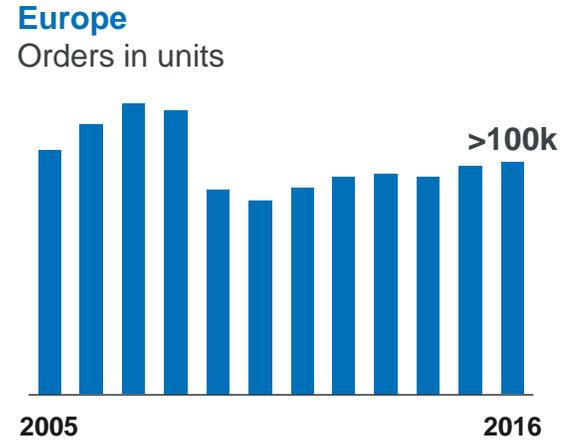
The positive cycle has continued for several years, but leading indicators continue to be positive

China

Market expected to stay on a high level, but the era of strong growth is behind

Asia-Pacific excl. China

Market continues to be on a growth trend despite short term uncertainty



Market expected to grow slightly in 2017

Market expected to grow slightly in 2017

Market expected to decline by 0-5% in 2017

Market expected to grow slightly in 2017

Good growth opportunities in all service markets



MAINTENANCE

Mature markets

The installed base is growing at a low single-digit rate

Developing markets

The installed base is growing strongly in the developing markets

**Market CAGR
2011-2016
2%**

**Market CAGR
2011-2016
18%**

Market expected to grow slightly in 2017

Market expected to grow strongly in 2017

MODERNIZATION

Mature markets

Majority of the installed base is over 20 years old, pent-up demand for modernizations

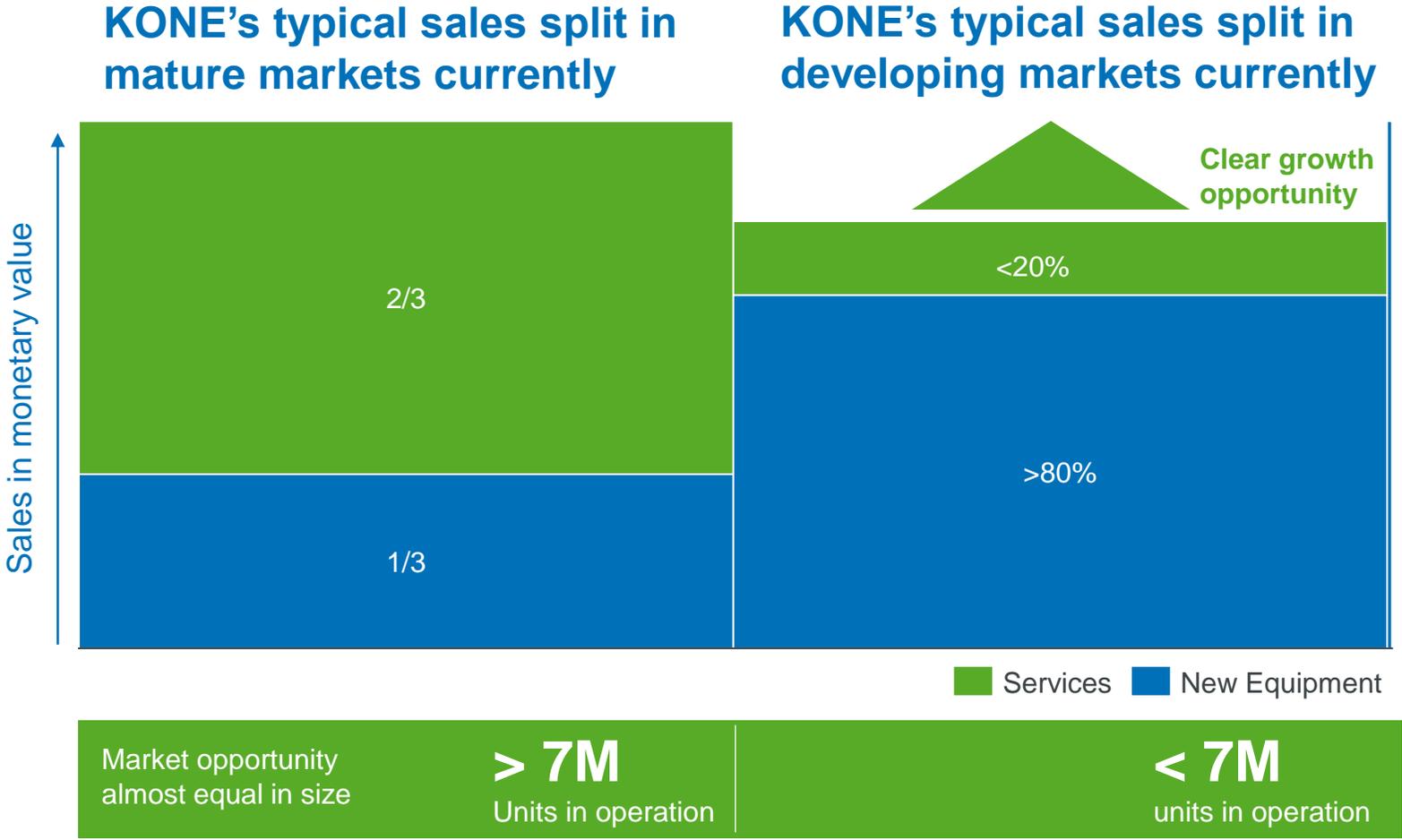
Developing markets

Modernization market still small but the future opportunity is significant

Market expected to grow slightly in 2017

Market expected to grow strongly in 2017

The service markets in the emerging countries offer clear growth opportunities





Winning with Customers

Our strategy builds on the previous phase



2014

- Services differentiation and growth

2015

- Renewed approach to innovation

2016

- KONE Mission and Vision



2017-2020

Winning with customers

MEGATRENDS

URBANIZATION

TECHNOLOGICAL
DISRUPTION

OUR MISSION
IS TO IMPROVE
THE FLOW OF
URBAN LIFE

VISION

KONE DELIVERS THE BEST
PEOPLE FLOW® EXPERIENCE

STRATEGIC TARGETS

Most loyal
customers

Great place
to work

Faster than
market growth

Best financial
development

Leader in
sustainability

WINNING WITH CUSTOMERS

Collaborative innovation
and new competencies

Customer-centric
solutions and services

True service
mindset

Fast and smart
execution

KONE
WAY

WAYS TO WIN

CULTURE

SAFETY

QUALITY

VALUES

Delighting the
customer

Energy for
renewal

Passion for
performance

Winning
together

How do we create value for our customers?

Better user experience to help our customers differentiate with their buildings

Efficient people flow brings productivity -> higher rents from tenants

Ease of mind with better transparency and smooth co-operation

Faster construction time with efficient people and material flows

Tailor-made solutions based on our customers individual needs

Safety



Differentiating through the Ways to Win



Collaborative innovation and new competencies

- Co-creation for fast prototyping and go-to-market
- Developing leadership competencies for a digital world

Customer-centric solutions and services

- Roll-out of the new KONE Care and 24/7 Connected Services
- Launch of Residential Flow

True service mindset

- One KONE customer journey
- KONE Make a Difference program

Fast and smart execution

- New project management model
- Better mobile tools for field personnel

Our strategy is delivering results,
we will now accelerate our execution

KONE

Good momentum in developing new
customer-centric solutions

New strategy well-received by
customers and employees

**TO GET FULL BENEFITS WE NEED TO
ACCELERATE THE PROGRESS**

2020

We will accelerate the execution of our new strategy

MEGATRENDS

URBANIZATION

TECHNOLOGICAL
DISRUPTION

VISION
KONE DELIVERS THE BEST
PEOPLE FLOW® EXPERIENCE

STRATEGIC TARGETS

- Most loyal customers
- Great place to work
- Faster than market growth
- Best financial development
- Leader in sustainability

WINNING WITH CUSTOMERS

Innovation
competencies



Building customer-centric capabilities

Strengthen customer interface and people development in local units

Increasing speed

Increase speed in rolling-out new services and solutions

Improving efficiency

Leverage our scale even better – improve service and efficiency of non-customer facing functions

CULTURE

SAFETY

QUALITY

VALUES

- Delighting the customer
- Energy for renewal
- Passion for performance
- Winning together

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Concluding remarks

How we will develop strongly towards our strategic targets

KONE now

- Market leader in key growth markets in new equipment, strong challenger in services
- Strong execution, innovation and service mindset the key differentiators

KONE in 2020

- Strong position in new equipment in all key regions; clearly strengthened market position in services
- Differentiating with selling outcomes for customers as a partner, helping them to improve their businesses

The most customer-centric company in the industry

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Good progress in developing new services and solutions that differentiate KONE

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Continued growth opportunities in the market

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We are increasing customer-centricity, speed and efficiency to capture the best opportunities

Dedicated to People Flow™

