Winning with customers in a changing environment

HENRIK EHRNROOTH, PRESIDENT & CEO
SEPTEMBER 25, 2018
→ DELIVERING ON OUR STRATEGIC TARGETS
→ SOLID GROWTH DRIVERS IN CHANGING URBAN ENVIRONMENTS
→ DRIVING DIFFERENTIATION
→ IMPROVING OUR PERFORMANCE
Delivering on our strategic targets
<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Result</th>
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<tbody>
<tr>
<td>Improved growth and pricing</td>
<td>Orders received growing solidly with stabilized margins</td>
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<tr>
<td>Continued roll-out and development of new services and solutions</td>
<td>New KONE Care, 24/7 Connected Services and Residential Flow showing clear differentiation</td>
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<tr>
<td>Increasing customer-centricity, speed and efficiency through the Accelerate program</td>
<td>Renewal of the way we are organized underway</td>
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Good progress towards our strategic targets

**STRATEGIC TARGETS**

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

- Continued improvement in **Net Promotor Score** in 2018
- **Employee engagement** on a strong level in 2018
- **Strong development** in both new equipment and services
- **Profitability** still burdened by several headwinds
- **Leader in eco-efficiency**, continued reduction in CO2/sales in 2017
Continuous improvement in NPS shows that we are on the right path

Customers are happy with
- Customer service & customer centricity
- KONE being a reliable partner
- Product quality

Where we can improve
- Faster response time
- Communication

Most loyal customers

<table>
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<tr>
<th>Year</th>
<th>2013</th>
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Employee engagement on a strong level

- Employee engagement above high performance benchmark
- Strategy very well perceived by the employees, high confidence in KONE’s future prospects

Employee engagement

- Employee engagement index
- Number of employees
- Response rate


Employee engagement index:
- 2010: 78
- 2011: 87
- 2012: 91
- 2013: 92
- 2014: 91
- 2015: 93
- 2016-2017: 93
- 2018: 91

Number of employees:
- 2010: 87
- 2011: 91
- 2012: 91
- 2013: 92
- 2014: 91
- 2015: 93
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- 2018: 91

Response rate:
- 2010: 78%
- 2011: 87%
- 2012: 91%
- 2013: 92%
- 2014: 91%
- 2015: 93%
- 2016-2017: 93%
- 2018: 91%
Orders received grew faster than the market in 1H 2018

NEW EQUIPMENT MARKET SHARE STABLE IN 2017 AT 19%

Based on KONE’s estimate

- - - Significant decline (>10 %), - - Clear decline (5-10 %), - Slight decline (<5 %), Stable, + Slight growth (<5 %), + + Clear growth (5-10 %), + + + Significant growth (>10 %)
Sales growth has recently been driven by services, where we have grown faster than key competitors.

**Sales 2008-2017**

**MEUR**

- 2008: MEUR 4,500
- 2009: MEUR 4,600
- 2010: MEUR 4,900
- 2011: MEUR 5,200
- 2012: MEUR 5,500
- 2013: MEUR 5,800
- 2014: MEUR 6,100
- 2015: MEUR 6,400
- 2016: MEUR 6,700
- 2017: MEUR 8,942

**CAGR 2008-2015:** +9%

**2015-2017:**
- New equipment: <2% at comp. FX
- Services: >7% at comp FX

**CAGR:** +2%
Adjusted EBIT margin burdened by several headwinds

- Profitability burdened by
  - Intense competition and margin pressure in particular in China
  - Higher raw material costs
  - Increased R&D and IT spend

**Adjusted EBIT, MEUR and EBIT margin 2013-2018**

* KONE has applied new IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2010-2016 are not restated and thus not fully comparable.
We are helping our customers to reduce their carbon footprint
Annual energy consumption (kWh/year)

<table>
<thead>
<tr>
<th>Overall operations (Scope 1,2,3)</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td></td>
<td>-4.6%</td>
<td>-4.0%</td>
<td>-0.2%</td>
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| Scope 1,2                        | -8.7%| -4.2%| -2.6%|

Annual reduction in KONE’s operational carbon footprint

More about our work on environmental, social and governance topics in our Sustainability Report 2017
Market outlook for 2018

NEW EQUIPMENT MARKETS

▪ Asia-Pacific: The market in China is expected to be stable or to decline slightly in units ordered and competition to remain intense. In the rest of Asia-Pacific, the market is expected to grow
▪ Europe, Middle East and Africa: The market is expected to grow slightly
▪ North America: The market is expected to grow slightly

MAINTENANCE MARKETS

▪ The maintenance market is expected to see the strongest growth rate in Asia-Pacific, and to grow slightly in other regions

MODERNIZATION MARKETS

▪ The modernization market is expected to grow slightly in the Europe, Middle East and Africa region and in North America and to develop strongly in Asia-Pacific
Business outlook for 2018

SALES
- In 2018, KONE's sales is estimated to grow by 3–7% at comparable exchange rates as compared to the restated 2017 sales

ADJUSTED EBIT
- The adjusted EBIT is expected to be in the range of EUR 1,100–1,200 million, assuming that foreign exchange rates would remain at the end of June 2018 level for the remainder of the year. Foreign exchange rates are estimated to impact EBIT negatively by approximately EUR 35 million. The pressure on the adjusted EBIT margin is expected to start to ease towards the end of 2018 as a result of pricing and productivity actions that have been taken

Boosting our performance
- Solid order book
- Services business growth
- Continued performance improvements

Burdening our result
- Price pressure in earlier orders received in China
- Higher raw material prices (approx. MEUR -100)
- Foreign exchange rates with end of June rates (approx. MEUR -35)
There are both headwinds and tailwinds impacting our result also in 2019

BOOSTING OUR PERFORMANCE
- Orders received growing with stabilized margin
- Solid growth in service business
- Accelerate savings and performance improvements

BURDENING OUR RESULT
- Raw materials and FX a headwind at current levels
- Trade and geopolitical uncertainties
- Labor shortage in Europe and in North America
Solid growth drivers in changing urban environments
Urbanization
Drives growth

Need for affordable, accessible housing

Need for safe and reliable infrastructure

More mixed use and flexible spaces

Smart, sustainable buildings

Technological disruption
Creates new opportunities

IoT and AI

Autonomous systems

Digital identification and verification
Housing shortage is a global challenge and requires more residential construction

Urbanization drives demand for affordable and accessible housing

- 80 million people move annually from countryside to cities
- Urban population continues to concentrate in the key clusters
- Demographic changes drive shift in living preferences from low-rise suburbs to apartment buildings closer to services

Number of single-person households is increasing
Global households by family type, 2016-2030

Housing prices have been affected by the shortage
Housing price index, 2014-2017, 2000=100

Source: Euromonitor International 2017

Source: IMF
Our customers’ needs and expectations are changing fundamentally

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
In this operating environment, our mission and vision are more relevant than ever.

At KONE, our mission is to improve the flow of urban life.

Our vision is to deliver the best people flow experience.
Core growth drivers intact, new opportunities to create value for customers

Core growth drivers

- NEW EQUIPMENT
  - URBANIZATION
- MAINTENANCE
  - GROWING INSTALLED BASE
- MODERNIZATION
  - AGING INSTALLED BASE

New ways to create value for customers

- CHANGING CUSTOMER NEEDS
- NEW TECHNOLOGIES AND SERVICES
We have a strong position in the key growth markets

Growth opportunities in both businesses
Graph illustrative

KONE is in a strong position to capture the opportunities

- KONE #1 in Asia-Pacific, a key growth market in both businesses
- Leading the way in new services
- Strengthening position in modernization

New equipment
Services

Market today
Future market

Growing and aging installed base, strongest growth in Asia-Pacific
Mature markets and China in line with construction cycles
Growth markets in e.g. Asia
New services
Driving differentiation
OUR MISSION IS TO IMPROVE THE FLOW OF URBAN LIFE
We have a systematic approach to differentiating throughout the lifecycle of a building.

**NEW CONSTRUCTION**
- Designing differentiated & functioning buildings together

**BUILDING IN USE**
- Reliable partner in execution
- Uninterrupted people flow & true service mindset

**BUILDING NEEDS UPGRADING**
- Analyzing people flows for improved building functionality
- Minimizing disruption

**HOW WE SERVE OUR CUSTOMERS**
- Strong core offering & special solutions e.g. UltraRope & Residential Flow
- JumpLift
- New KONE Care KONE 24/7 Connected Services
- People Flow Planning and Consulting
- EcoMod

**EXAMPLES OF KONE SOLUTIONS**
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
PEOPLE FLOW PLANNING AND CONSULTING
Data & insights for better performing buildings

EQUIPMENT for new buildings

ADVANCED PEOPLE FLOW SOLUTIONS for smarter buildings

MAINTENANCE & MODERNIZATION for existing buildings

Our vision is to deliver the best People Flow® experience
Improving our performance
Pricing is one of the key levers in improving profitability

WINNING WITH CUSTOMERS
Differentiated offering that helps customers succeed in their business

ADVANCED PRICING TOOLS & DATA

GRANULAR INSIGHT

INCENTIVIZATION & EXECUTION

Continuous market and pricing intelligence
Regular review of pricing at all levels of management
With Accelerate, we enable our country organizations to focus on our customers and gain speed

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

Customer Solutions Engineering
HR
Customer Service & Admin
Logistics
Finance
Sourcing

ACCELERATE PROGRAM TARGETS
Customer centricity
Speed
Efficiency
Competence development derives from our strategy

OUR PEOPLE…

…NEED THESE COMPETENCES…

Field and product competences
Digital foundation skills
Customer business understanding
New services & solutions
Consultative selling
Leadership

…and this is how we get them

ATTRACT
Employer brand

DEVELOP
Learning organization

ENGAGE
KONE culture

PARTNER
Improving productivity and quality is a continuous effort

Case: Shortening the lead time to handover in new equipment

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

Case: Improving the first fix rate in maintenance

Benefits:
- Better uptime for customers
- Better profitability
Summary

- We've made good progress in our strategic targets
- There are solid growth drivers for all of our businesses
- Winning with Customers strategy is improving our differentiation
- We are working actively to improve our performance
Dedicated to People Flow™

KONE