



KONE CMD 2020

Winning with Customers

HENRIK EHRNROOTH, PRESIDENT AND CEO
SEPTEMBER 29, 2020

Agenda

- › DELIVERING RESULTS WITH WINNING WITH CUSTOMERS STRATEGY
- › BUILDING OUR NEXT PHASE ON STRONG MEGATRENDS AND A SOLID FOUNDATION



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

WAYS TO WIN

WINNING WITH CUSTOMERS

Collaborative innovation
and new competencies

Customer-centric
solutions and services



True service
mindset

Fast and smart
execution



CULTURE

SAFETY

QUALITY

VALUES

Delighting the
customer

Energy for
renewal

Passion for
performance

Winning
together



What have we accomplished during this strategy phase?

1

MINDSET

Customer-centricity
New capabilities

2

OFFERING

New services and solutions
adding value to our customers

3

WAYS OF WORKING

Smarter and more efficient
organization

Winning with Customers in new equipment business



DIFFERENTIATED OFFERING

- Future-proof KONE DX Class elevators
- Improved competitiveness

SALES CAPABILITIES

- Pricing excellence
- Solution selling capabilities

STRENGTHENED DELIVERY CHAIN

- Delivering on customer promise
- Continuous focus on productivity



Market share gains
Improved margin of orders received

Winning with Customers in services



ENGAGEMENT AND SERVICE MINDSET

- People, the number one differentiator
- Focus on customer outcomes

MORE VALUE FOR CUSTOMERS

- KONE 24/7 Connected Services
- Adaptable offerings (New KONE Care)
- DX for modernizations

CAPTURING THE DIGITAL OPPORTUNITY

- Digital foundation for new value-adding services
- Mobility solutions for the field



Growing faster than key competitors

Increasing value per maintenance unit

Improved margin in modernization orders

Momentum building up in KONE 24/7 Connected Services

- Significant incremental revenue per maintenance unit, contributes ~1pp to maintenance sales growth
- Contract penetration relative to maintenance base increasing
 - >5% penetration in the maintenance base, >10% penetration in forerunner countries (e.g. Finland, Netherlands, Singapore, Malaysia)
- Constantly expanding value for customers by adding new elements, e.g. 24/7 Planner



Good development in our strategic targets over the strategy period

STRATEGIC TARGETS

Most loyal customers

Great place to work

Faster than market growth

Best financial development

Leader in sustainability

Positive development in **Net Promotor Score**

Very positive development in **Employee engagement**

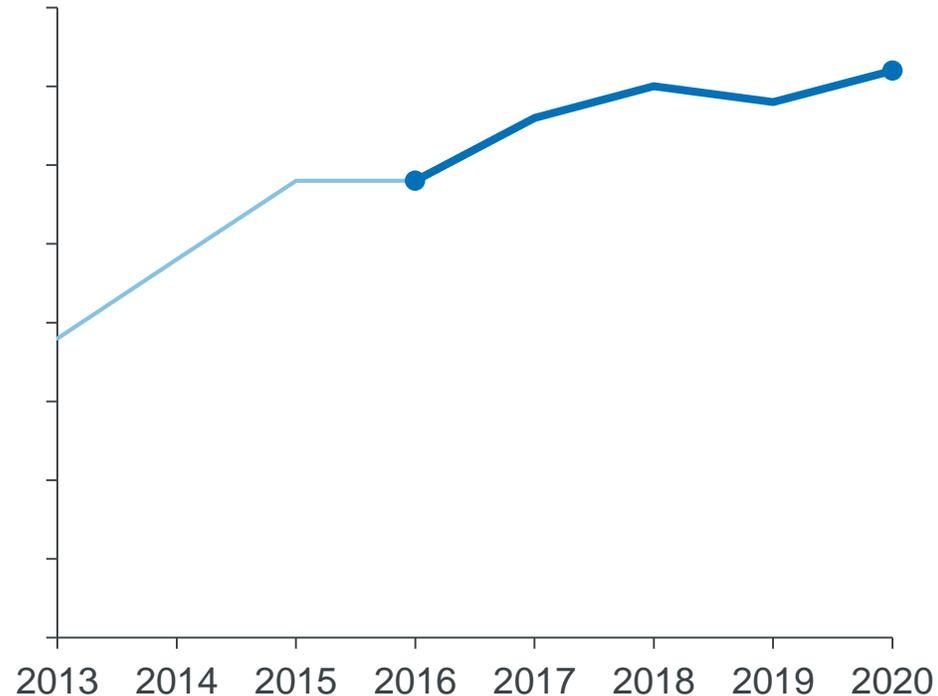
Strong development in both **new equipment and services**

EBIT-% burdened by several headwinds, improving **margin of orders received**

Leader in **eco-efficiency**, continued reduction in **CO₂/sales**, improved **safety** and **diversity & inclusion**

Upward trending Net Promoter Score shows we are winning together with our customers

Net promoter score development

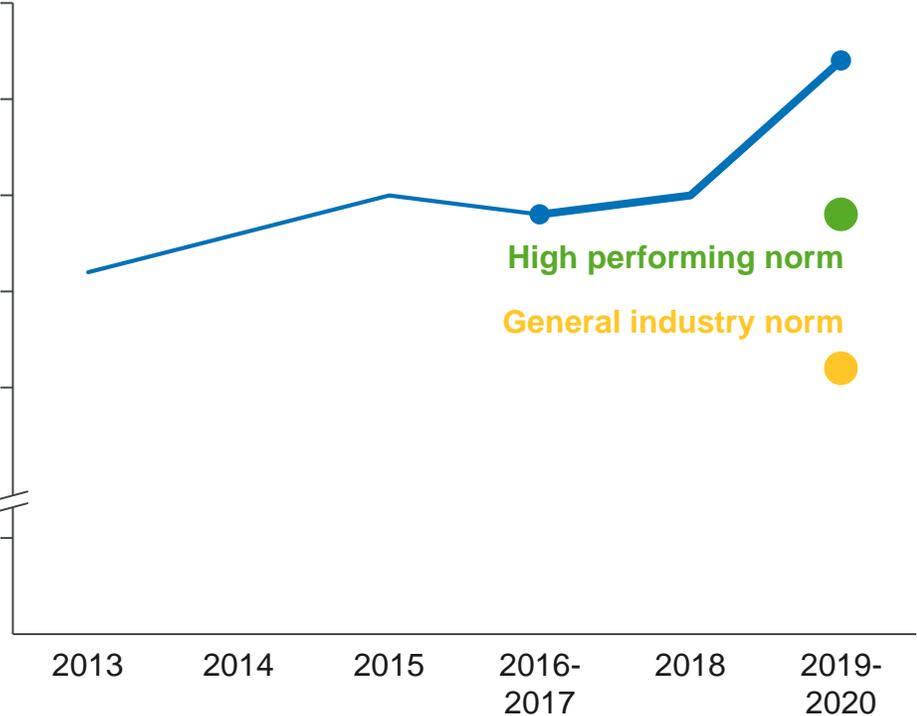


- Good development in both new equipment and services during the strategy period
- Latest customer survey was conducted in spring/summer 2020
 - Customers continue to value KONE for the high quality products and customer centricity
 - Opportunity to improve responsiveness with the broad and diverse customer base

Excellent results in surveys measuring employee engagement and organizational health



Employee engagement index



Employee engagement survey 2020

- High scores for strategy and direction of innovation
- Diversity & inclusion scores improved significantly

Organizational Health Index 2020

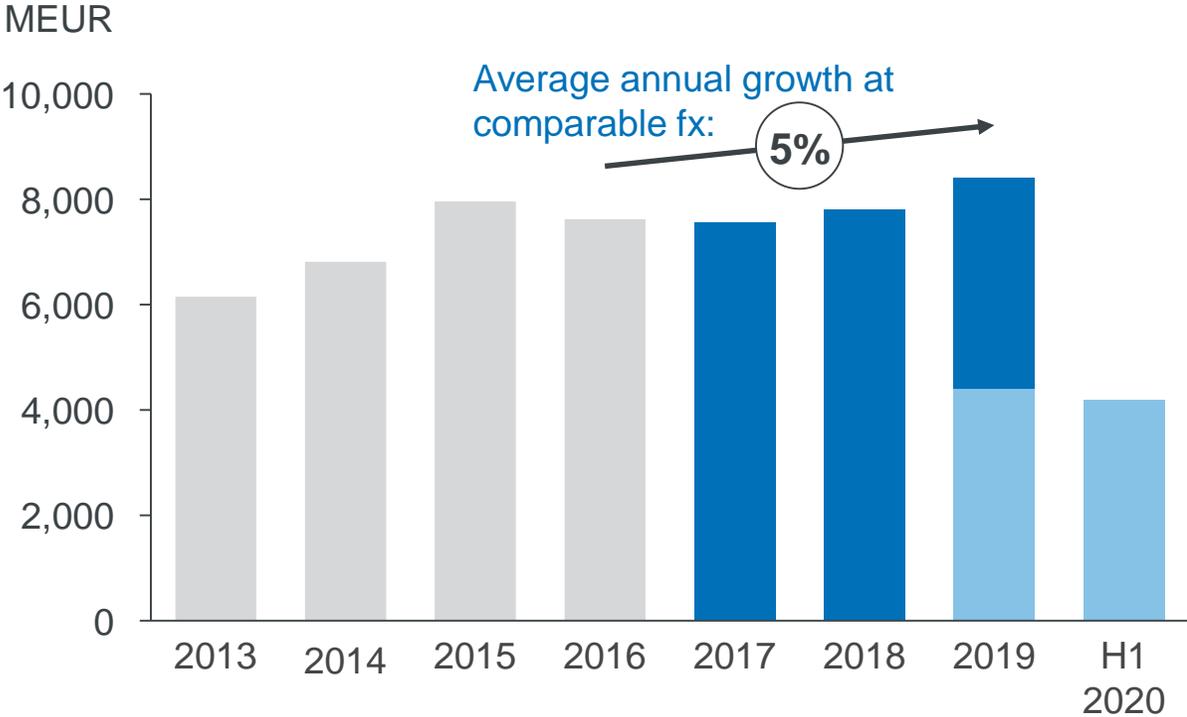
- KONE among the top quartile organizations
- Key strengths: innovation, direction, coordination & control, and customer and competition focus

Faster than market growth in new equipment and services



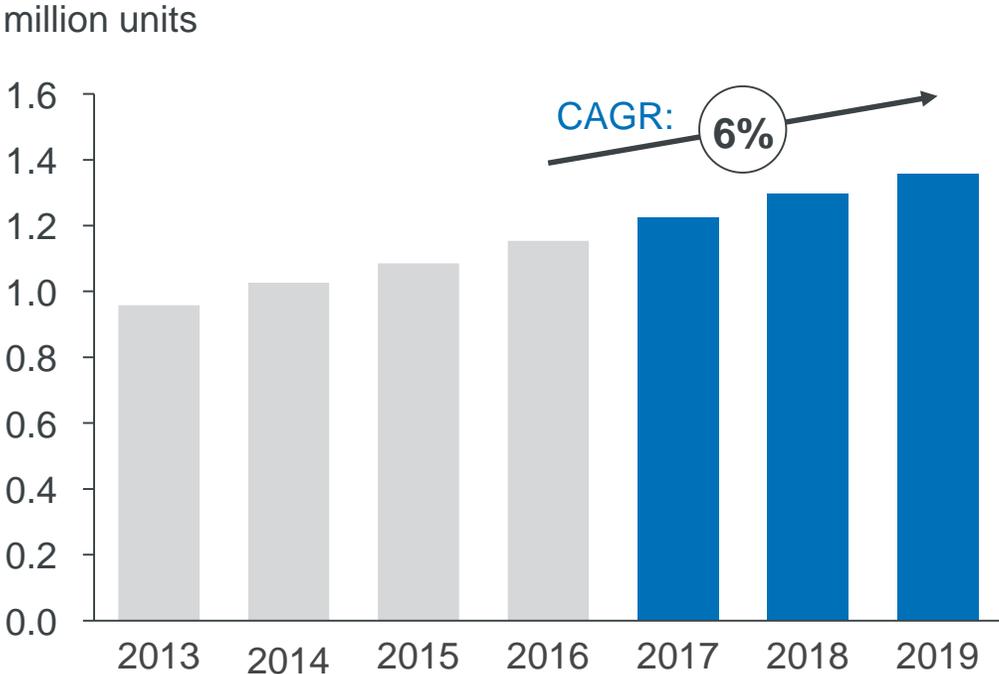
Market share gains in new equipment in 2018 and 2019, good start to 2020

KONE's orders received



Maintenance base growth faster than key competitors' growth

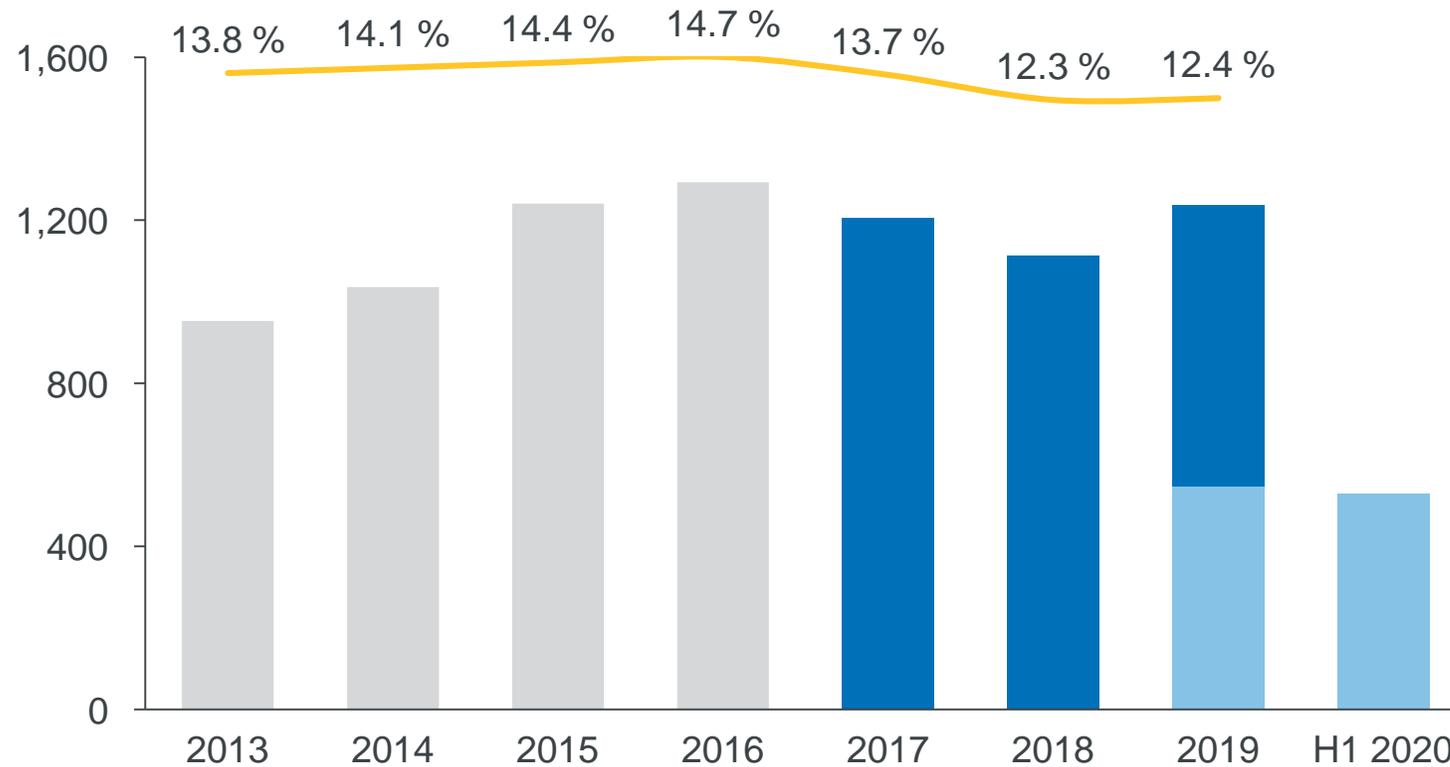
KONE's maintenance base



Profitability burdened by several headwinds, margin of orders improving

Adjusted EBIT

%, MEUR



Adjusted EBIT-% burdened by several headwinds

- Price pressure in China in 2016 and 2017
- Higher raw material prices and wage inflation

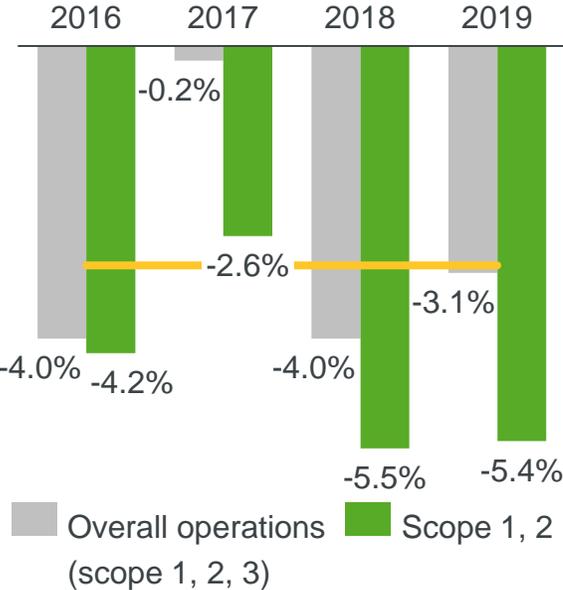
Margin of orders received developing positively since Q2 2019

- Solid pricing
- Improved productivity

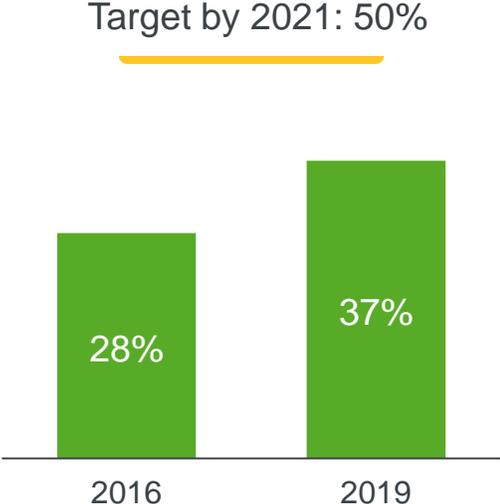
Good progress in sustainability KPIs during this strategy period



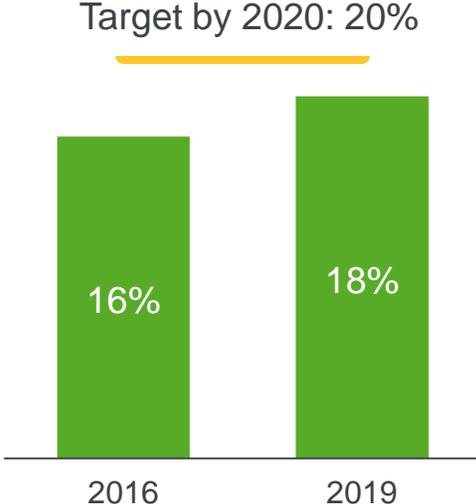
On target with the 3% annual CO₂e/sales reduction



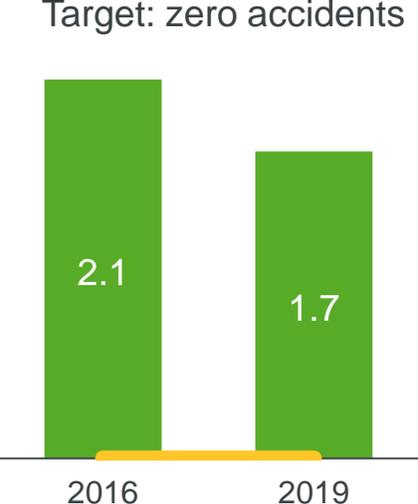
We have systematically increased the share of renewable energy



Share of women at director level positions has increased



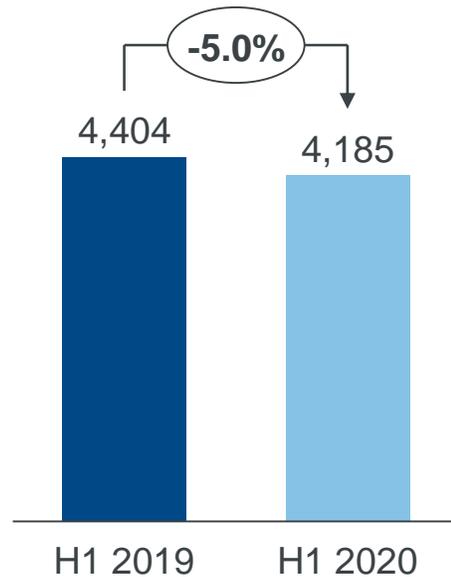
Industrial injury frequency rate at a low level



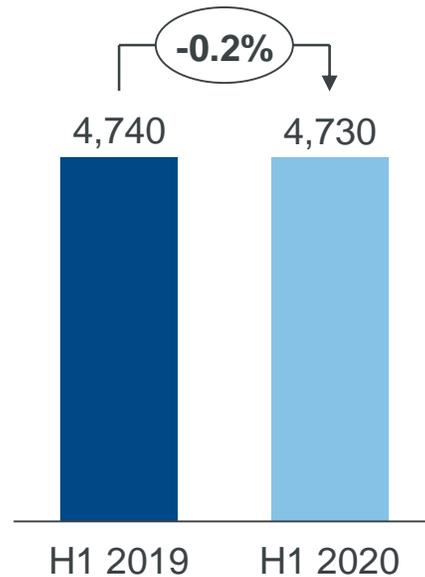
1-6/2020: Resilient sales and adjusted EBIT, increased uncertainty visible in orders received



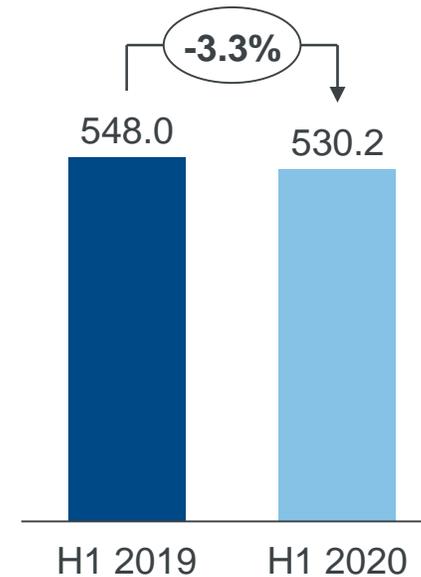
Orders received
MEUR



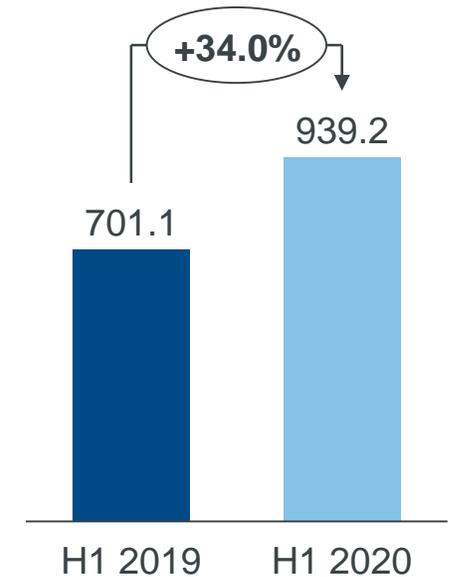
Sales
MEUR



Adjusted EBIT
MEUR



Cash flow (before financing items and taxes)
MEUR





Building our next
phase on strong
megatrends and a solid
foundation

The background of the slide is a photograph of a city park. In the foreground, there is a wide, paved walkway that curves to the right. To the left of the path is a large, well-maintained green lawn. In the background, several modern skyscrapers with glass facades are visible under a clear sky. The lighting suggests it is either early morning or late afternoon, with a warm, golden glow. A person is walking on the path in the distance.

Our clear objective is to emerge
as an **even stronger company**
following COVID-19

We have continued to invest in
training our people and
accelerating R&D
during this crisis

Many existing trends have accelerated as a result of the pandemic - long-term implications still unclear



RESIDENTIAL >50% of KONE's sales



TRENDS TO FOLLOW
Time spent at home increasing, more ordering in and deliveries

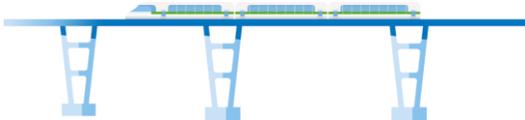
OFFICE >15% of KONE's sales



TRENDS TO FOLLOW
Increasing remote working/ a hybrid model of working remotely and at the office

The impact of physical distancing on capacity and space per employee

INFRASTRUCTURE >10% of KONE's sales



TRENDS TO FOLLOW
Stimulus from governments, sustainability of projects likely among key criteria

TRAVEL, LEISURE, RETAIL >10% of KONE's sales



TRENDS TO FOLLOW
Hardest hit segments, recovery depending on restrictive measures and consumer confidence

The elevator has shifted to a primary role in smart buildings - engaging more strategically with customers



KONE 24/7 Connected Services and DX Class elevators more relevant than ever

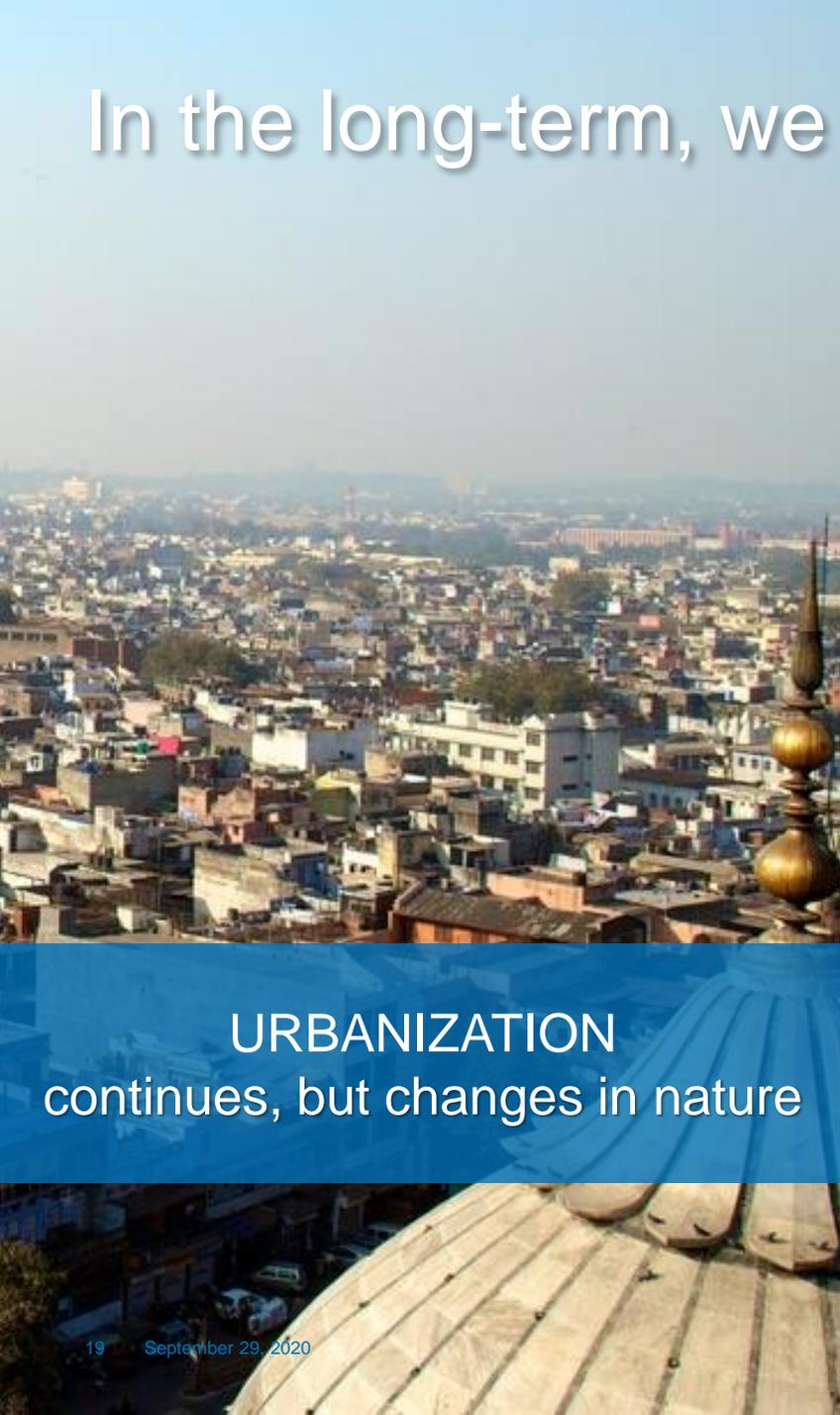


New range of KONE Health and well-being solutions



Helping our customers with planning for a safe return to office premises and office of the future

In the long-term, we believe these megatrends will prevail



URBANIZATION
continues, but changes in nature



SUSTAINABILITY
is the most important challenge
of our generation



TECHNOLOGY
acts as an enabler

City hubs continue to be pockets of growth – and KONE has a role in making them better places to live



Demographic changes continue to favor cities and apartment buildings

Top cities evolve to **mega-city hubs** with many city centers and linkage to networks of smaller cities

Rise of the second-tier cities – mid-sized cities attracting population

High-density environment brings **opportunities**, but also **challenges**

KONE offers **people flow solutions** enabling smart, adaptable and sustainable buildings for our customers

Opportunities in the green building market are increasing

- Cities and buildings need a step change in energy-efficiency
 - Built environment accounts for 40% of the world’s energy-related GHG emissions
- Several initiatives for greener buildings across the world, e.g.
 - EU Green Deal with a strong emphasis on building renovations: ~80% of today’s buildings will be in use in 2050 and majority of this stock is not energy efficient
 - China’s pledge on carbon neutrality by 2060
 - Real estate investors shifting towards certified buildings



KONE AS A GREEN BUILDING PARTNER

- widest product range with A-class ISO 25745 energy performance
- smart, durable, safe materials that contribute to indoor air quality



Taking stronger action to tackle climate change by setting science-based targets

KONE PLEDGES FOR CARBON NEUTRAL OPERATIONS BY 2030

Targets for our own operations:

50% absolute reduction in GHG emissions from own operations (Scope 1 and 2) by 2030

How to get there:

- Vehicle fleet transformation
- Renewable electricity

SIGNIFICANT REDUCTIONS ACROSS THE VALUE CHAIN

Target for our value chain:

40% reduction in GHG emissions from products' materials and lifetime energy use (Scope 3) relative to products ordered by 2030

How to get there:

- Further improvements in the energy efficiency and material circularity of products
- Engaging our suppliers on the change

In the medium to long-term, there continue to be several drivers for growth



Best partner
for smart and
sustainable
cities

Excelling in
the core offering

Growth in the
service market
Asia-Pacific
as a major
opportunity

Creating value
for customers
in new ways

More on the focus
areas for the next
strategy phase will
be announced in
the beginning of
2021

Dedicated to People Flow™

