



KONE CMD 2018

KONE in Asia-Pacific (ex. China)

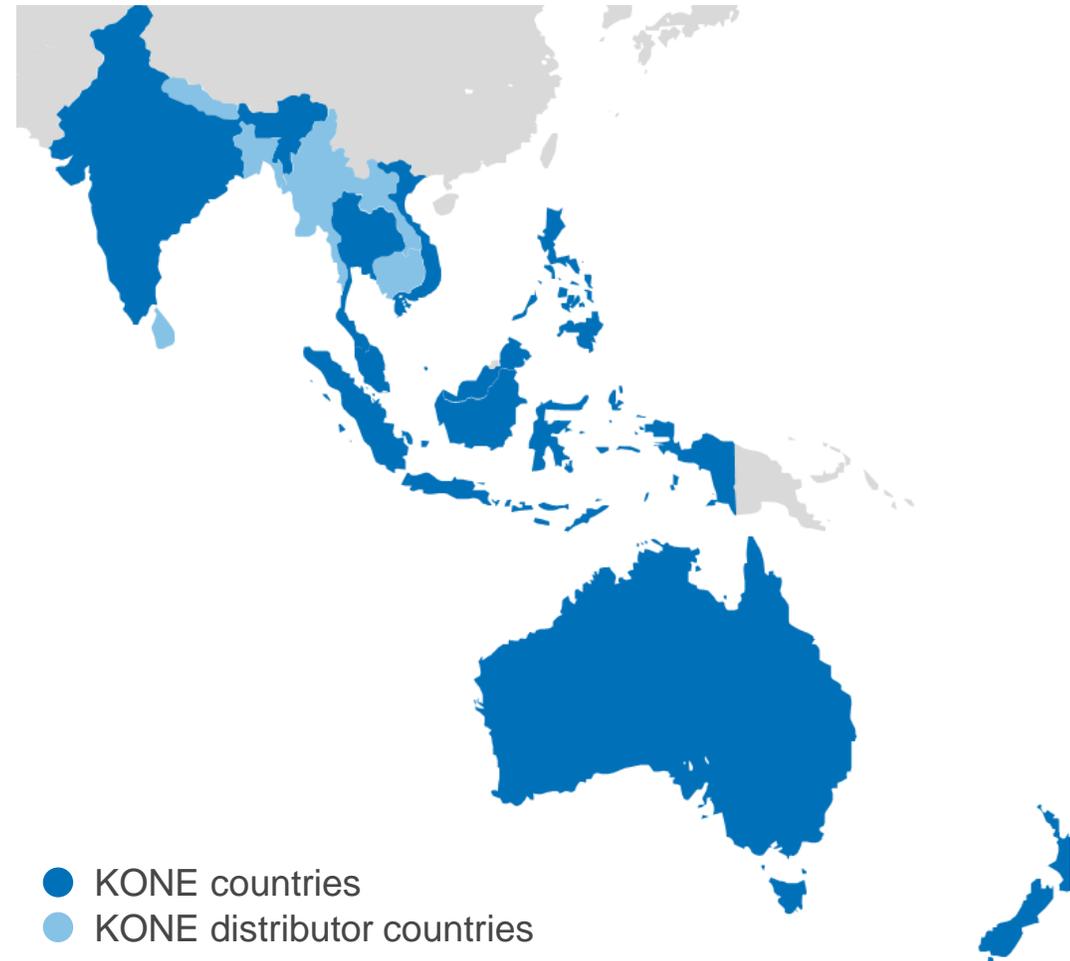
We are in the right neighborhood

AXEL BERKLING, EVP, ASIA-PACIFIC

SEPTEMBER 25, 2018

Asia-Pacific (ex. China) is a region with 2.3 billion people and low urbanization rate

	Population	Urbanization rate
India	1.3 billion	34%
Southeast Asia	0.9 billion	46%
Australia, New Zealand & Singapore	36 million	88%

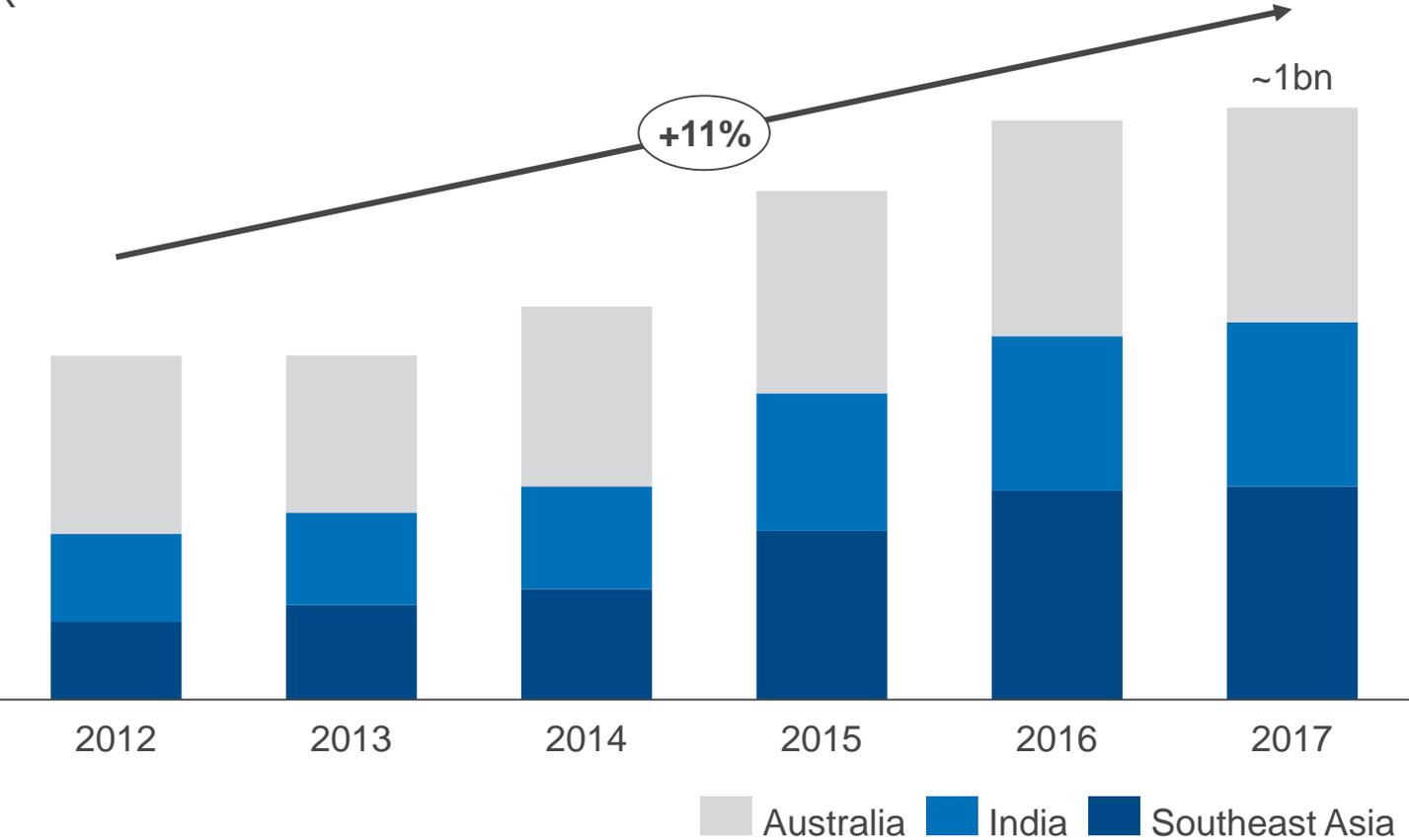


KONE has a strong position in the market



KONE's sales in the region

EUR



- Sales of EUR ~1 billion
- ~8,500 employees
- ~75,000 customers
- Factory, R&D and training centers, SSCs

#1 in new equipment
#2 in maintenance

*Figures are in historical currency rates and non-audited as KONE does not publish country-specific financial information

→ KONE IN ASIA-PACIFIC, WE ARE
IN THE RIGHT NEIGHBORHOOD

→ STRENGTHENING THE FOUNDATION
FOR GROWTH IN THE REGION





We are in the right
neighborhood

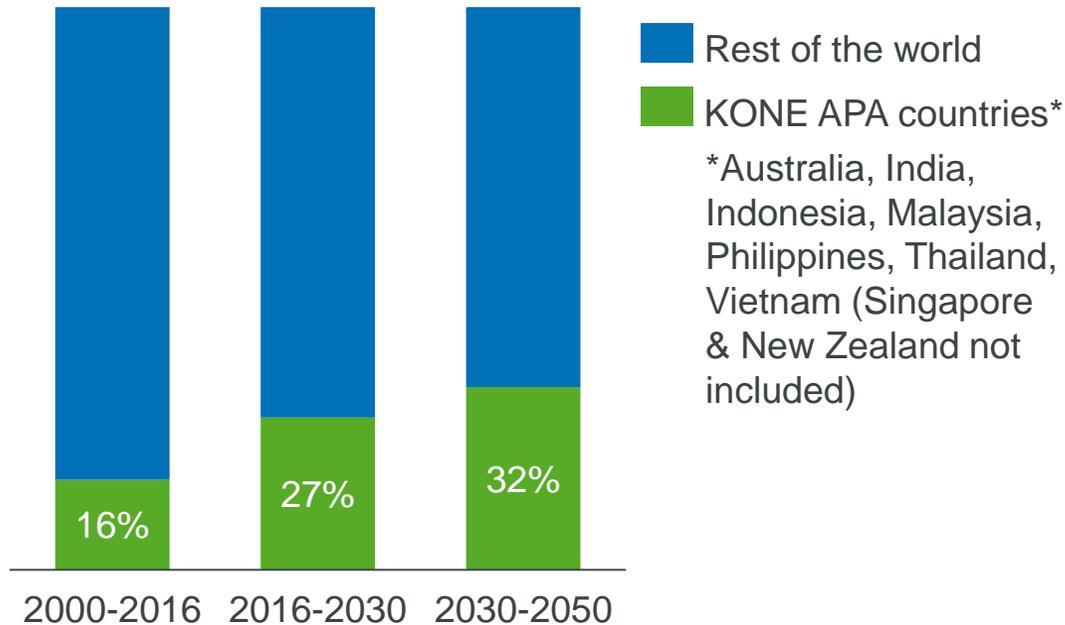
KONE IN ASIA-PACIFIC

We are in the right neighborhood



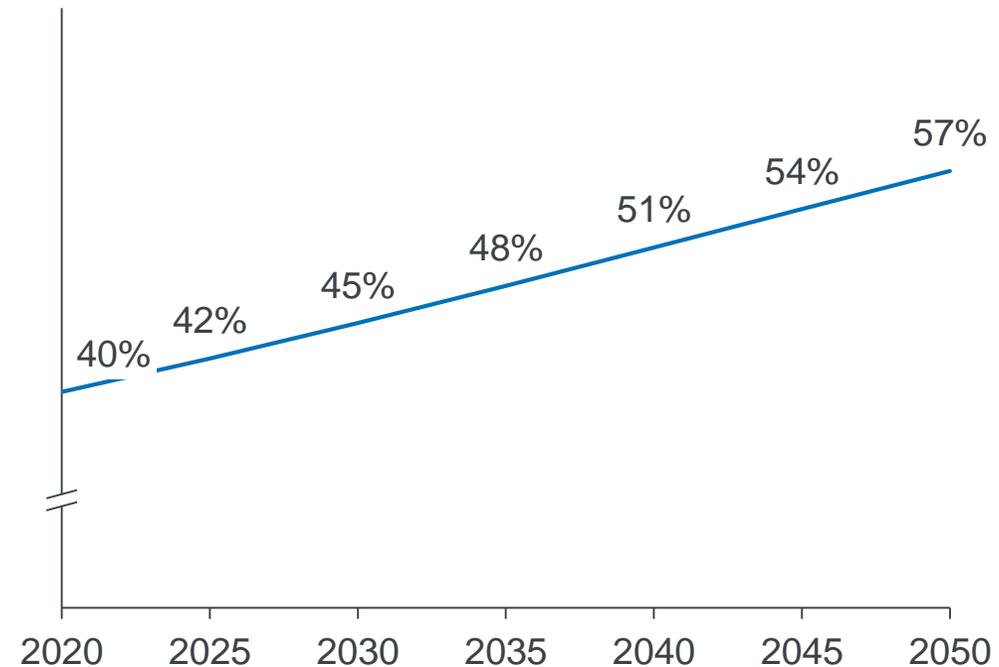
7 of the region's countries forecasted to be among the top 25 economies by 2050

Share of global GDP growth (ppp-adjusted)



>20 million people move to cities every year in the region

Urbanization rate**



** Average of all KONE countries and distributor countries in the region

Source: UN World Urbanization prospects 2018

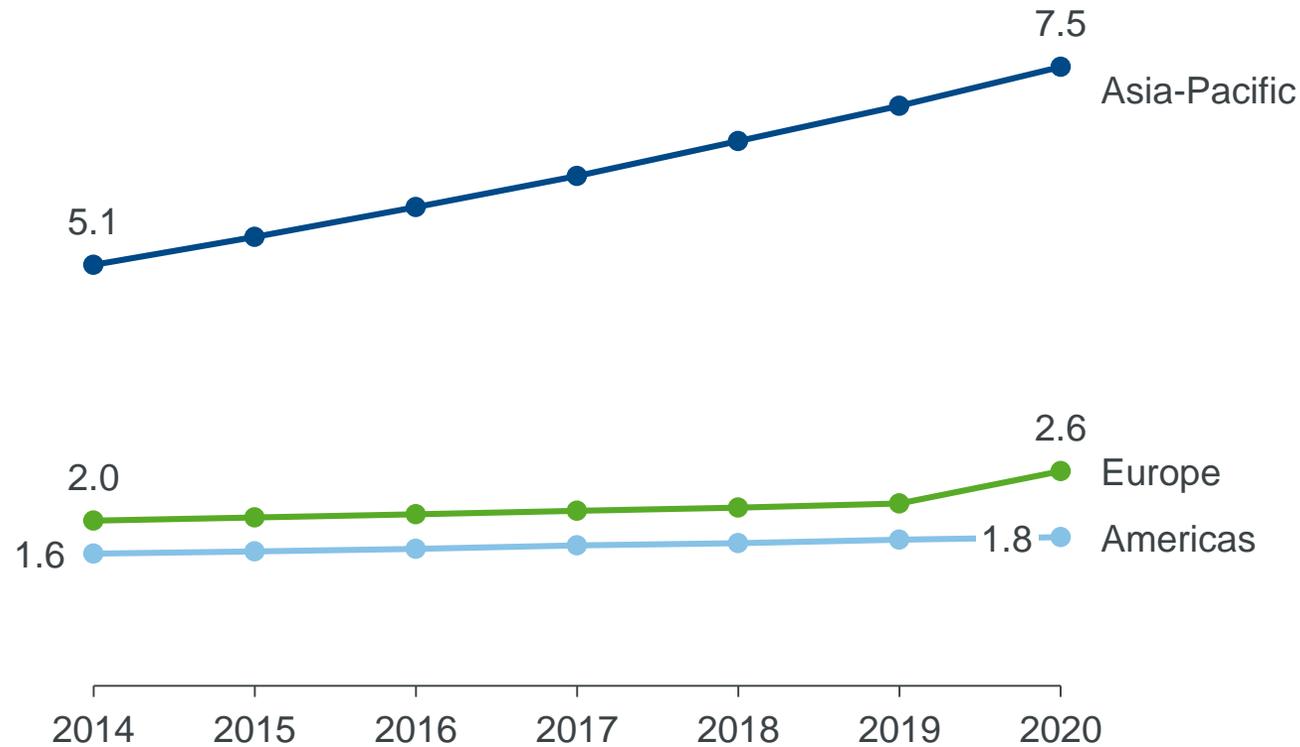
Source: pwc The World in 2050

Adoption of new technologies fastest in the world



Sensor market forecast by region

USD billion



Source: pwc (2016)

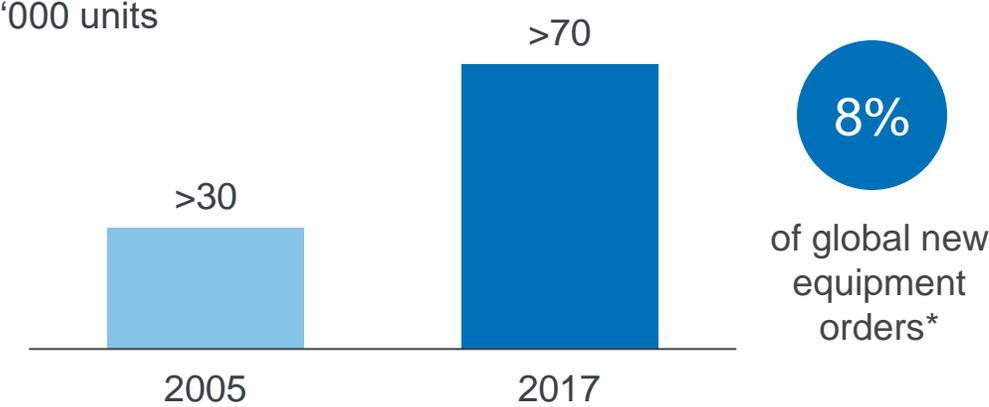


Singapore aspires to be the world's first "Smart Nation"

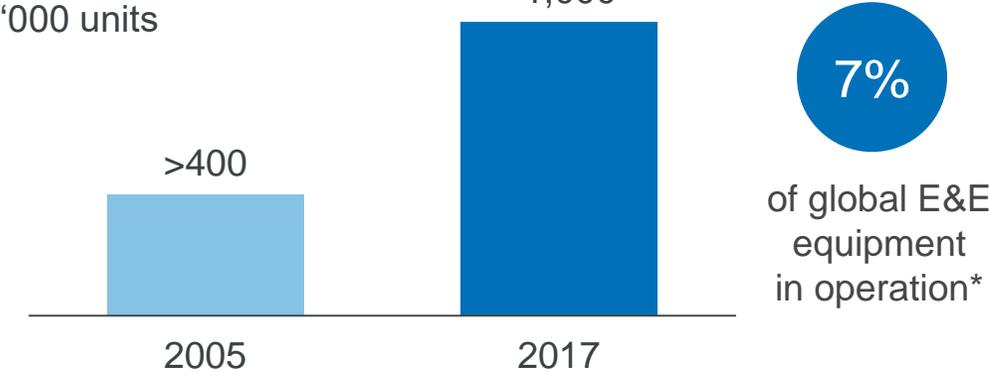
Good growth opportunities for KONE both in new equipment and services



Elevators and escalators ordered



Elevators and escalators in operation



- Urbanization drives demand in the residential and infrastructure segments
- The high and growing demand for new equipment drives steady, brisk growth of the installed base
- The conversion from new equipment to maintenance is typically high in the region as customers prefer OEMs for services
- The biggest modernization opportunities are currently in mature markets like Australia and Singapore

A combination of mature and developing elevator and escalator markets



E&E market in Asia-Pacific (ex. China) 2017

Units



- Developing E&E markets
- Mature E&E markets

India

<50k units ordered,
>400k units installed base

Southeast Asia

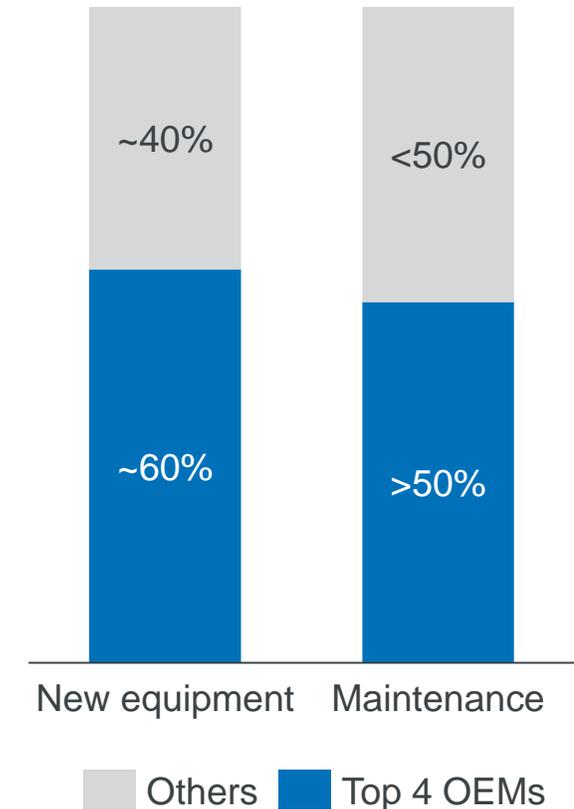
>20k units ordered,
~350k units installed base

Australia, New Zealand & Singapore

>5k units ordered,
~200k units installed base

The markets are fairly consolidated

Market share in 2017, units



*Figures based on KONE's estimate

Australia and New Zealand are mature markets with high share of services

- Economic and construction boom, population growth and FDI have boosted residential development, especially in Sydney and Melbourne
- The new equipment market is on a high level, cooling down slightly
- The maintenance market offers good opportunities because of the high value per unit
- There is a substantial modernization opportunity driven by aging installed base



86%
urbanized

Services
account for
~60% of
KONE's sales in
the region

KONE has a
strong market
position in the
region



Urbanization is expanding in Southeast Asia

- The new equipment market growth expanding to second-tier cities
- High activity in new equipment is translating into healthy growth in maintenance. Additionally, modernization demand has grown in Singapore and in major capital cities
- Growing but volatile market

KONE present in Singapore, Indonesia, Philippines, Vietnam, Malaysia, Thailand + several distributor countries

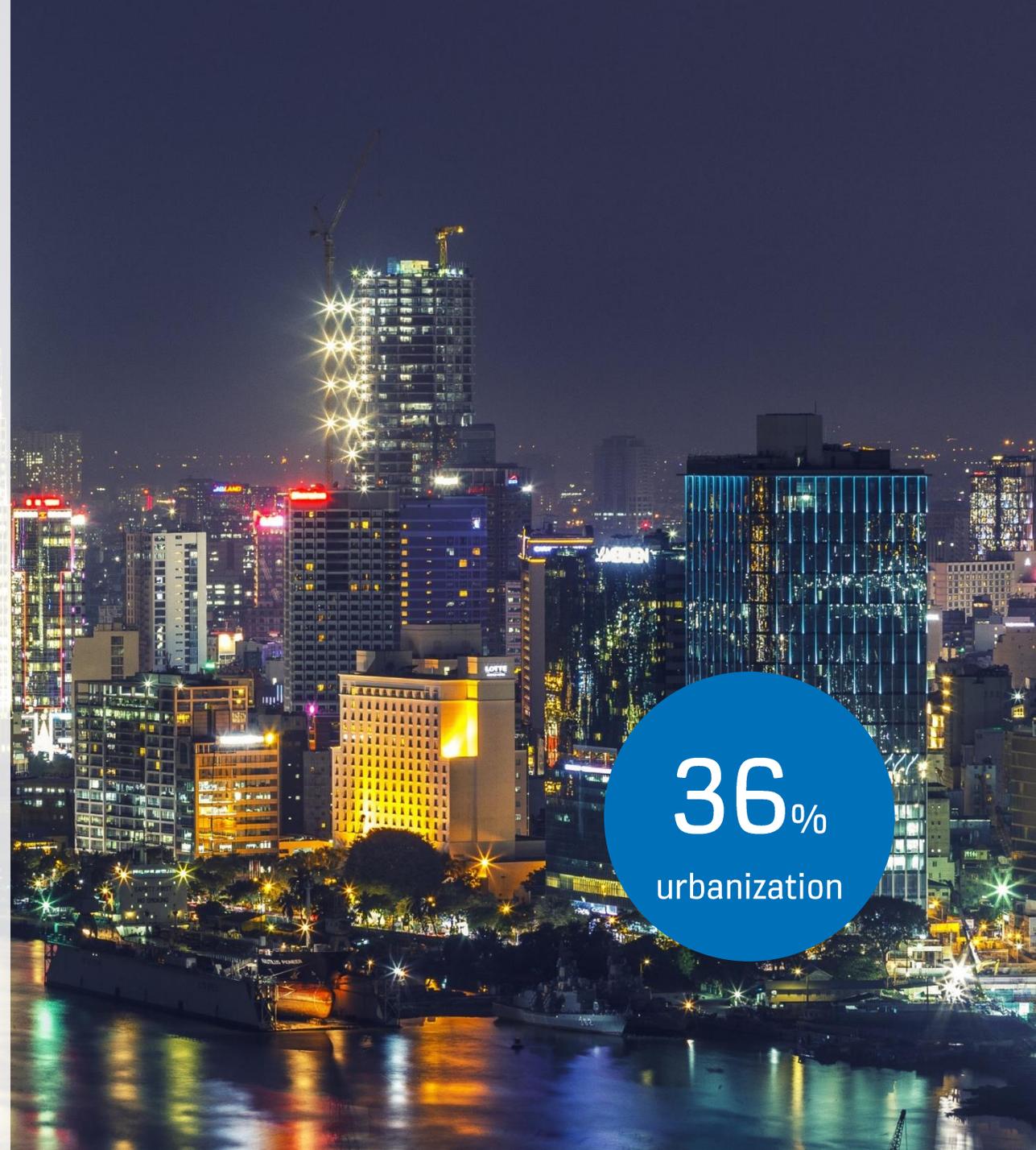
Case: Vietnam

ONE OF THE FASTEST GROWING MARKETS IN THE REGION

- Young population of around 100 million
- Growth spread between several cities: Ho Chi Minh City, Hanoi, Da Nang
- The Vietnamese culture and the overall market development of the market resembles China

KONE IN VIETNAM

- KONE doubled its new equipment business in Vietnam in 2017
- We opened a new office in Da Nang and a training center in Ho Chi Minh City. The training center is operating in collaboration with a local college





34%
urbanization

In 2017, ~3% of
KONE's total
sales, making it
the 7th largest
KONE country

REGULATORY CHANGES HAVE IMPACTED THE MARKET

Demonetization

RERA Act

Goods and
services tax

India is the second largest new equipment market globally

- Strong fundamentals for growth
 - Strong economic growth
 - Urbanization: 100 Smart Cities Mission & Housing for All
 - Need for infrastructure investments
- However, the market is volatile
 - 2017 reforms had an impact on the market, yet good for the longer term

KONE IN INDIA

- High customer loyalty and high conversion rates
- Regional offices in four major cities and over 50 branches across India
- New factory in Chennai to be opened in 2019

India's urbanization is likely to differ from China



INDIA

1.3bn people

- Cities growing more horizontally
- Slower decision-making, regulation differs
- Most of the land is privately owned
- 34% urban

CHINA

1.4bn people

- Cities are denser and buildings are taller
- Strong central planning
- The government manages land use
- 59% urban

Strengthening the
foundation for growth
in the region



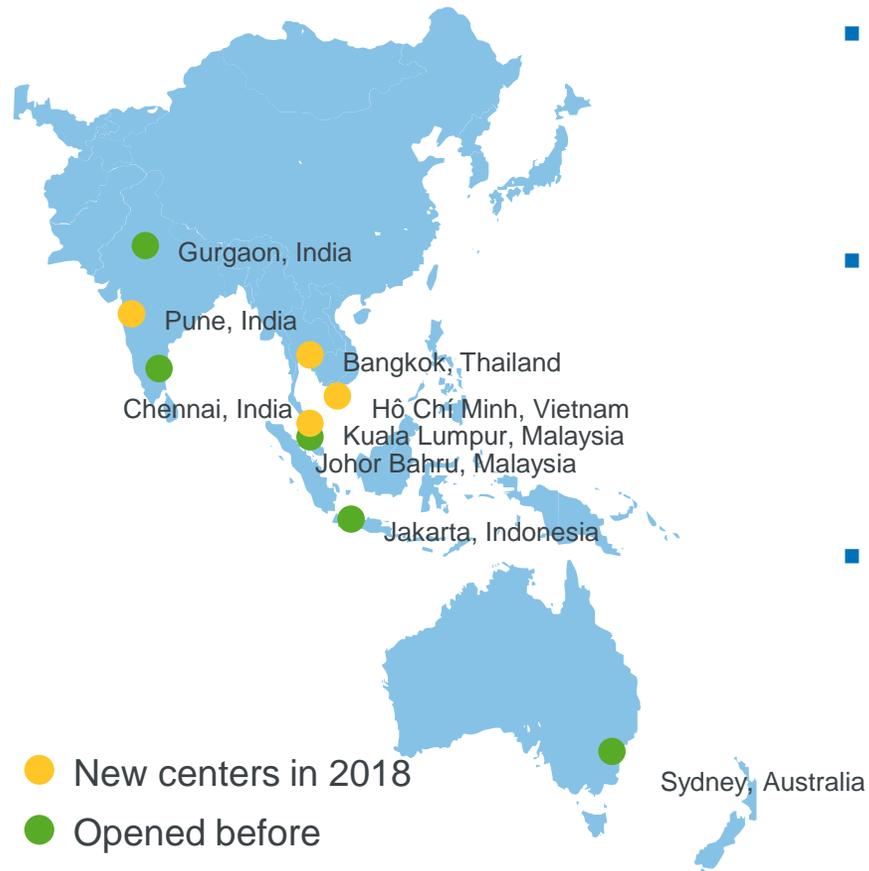
Our foundation: Committed people and strong corporate culture

- Leading employee engagement within KONE
- Enthusiasm for change
- High commitment for winning together



We are systematically investing in training our people

Training centers



- Four new training centers in 2018, with the latest technology
- In a growing market, we constantly need to recruit and train people
- Safety and quality are key in everything we do



Our foundation: Loyal customers

- Strong relationship with top developers supports expansion within the region
- We have a high conversion rate in the region (~90%)

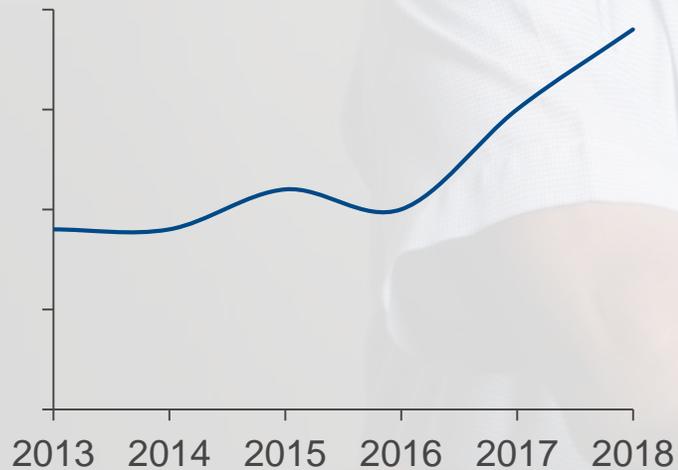
Everything is good. The installation happened on time and as scheduled.
Developer, India

The servicing of KONE is very good. The staff are also nice and very cooperative.

Builder, Malaysia

Customer loyalty

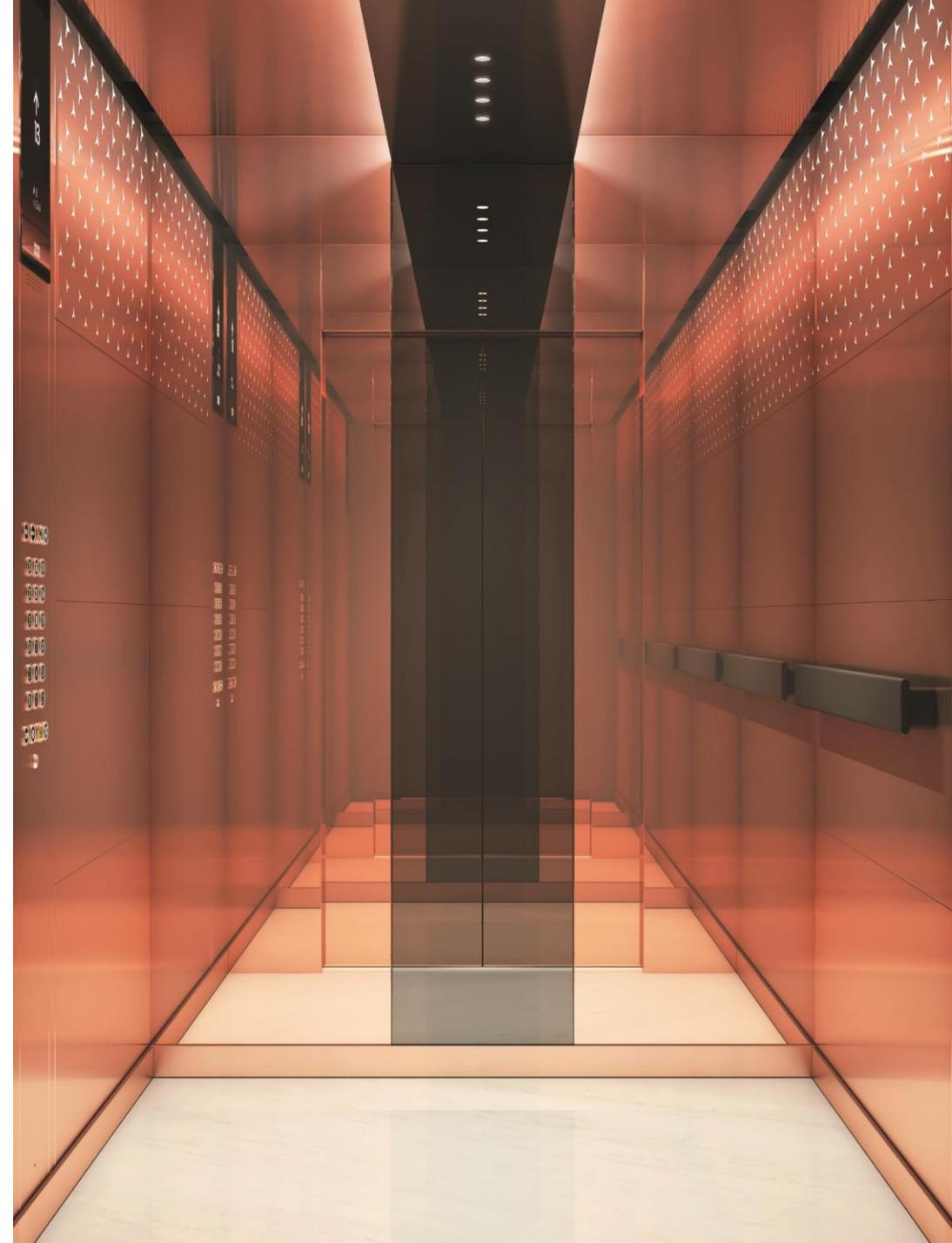
NPS



Case India: New offering inspired by the local culture

In India, elevator designs were created inspired from the local cultural beliefs

- In 2018, we launched a new offering for the mid-range segment, basing it on the global KONE product platform
- KONE U MiniSpace® & KONE U MonoSpace®
- Car inspired by the nine gems: Navaratna



Differentiating through our offering

- The technology adoption rate is high and customers demand the latest technologies and solutions
- There are a lot of major projects in the area, where customers appreciate special solutions such as JumpLift, destination control systems, UltraRope® and integrated access control
- We have launched some of our new services in the key markets
 - The 24/7 Connected Services launch has generated a lot of interest already



Marina Bay Sands, Singapore

- First UltraRope® installed
- The ability to provide high-quality service was especially important for the customer
- Modernization of equipment





Summary

- We are in the right neighborhood with good growth potential
- Our employee engagement, customer loyalty and market position are key in capturing the opportunities and we will continue to invest in the region

Dedicated to People Flow™

