

KONE CMD 2016

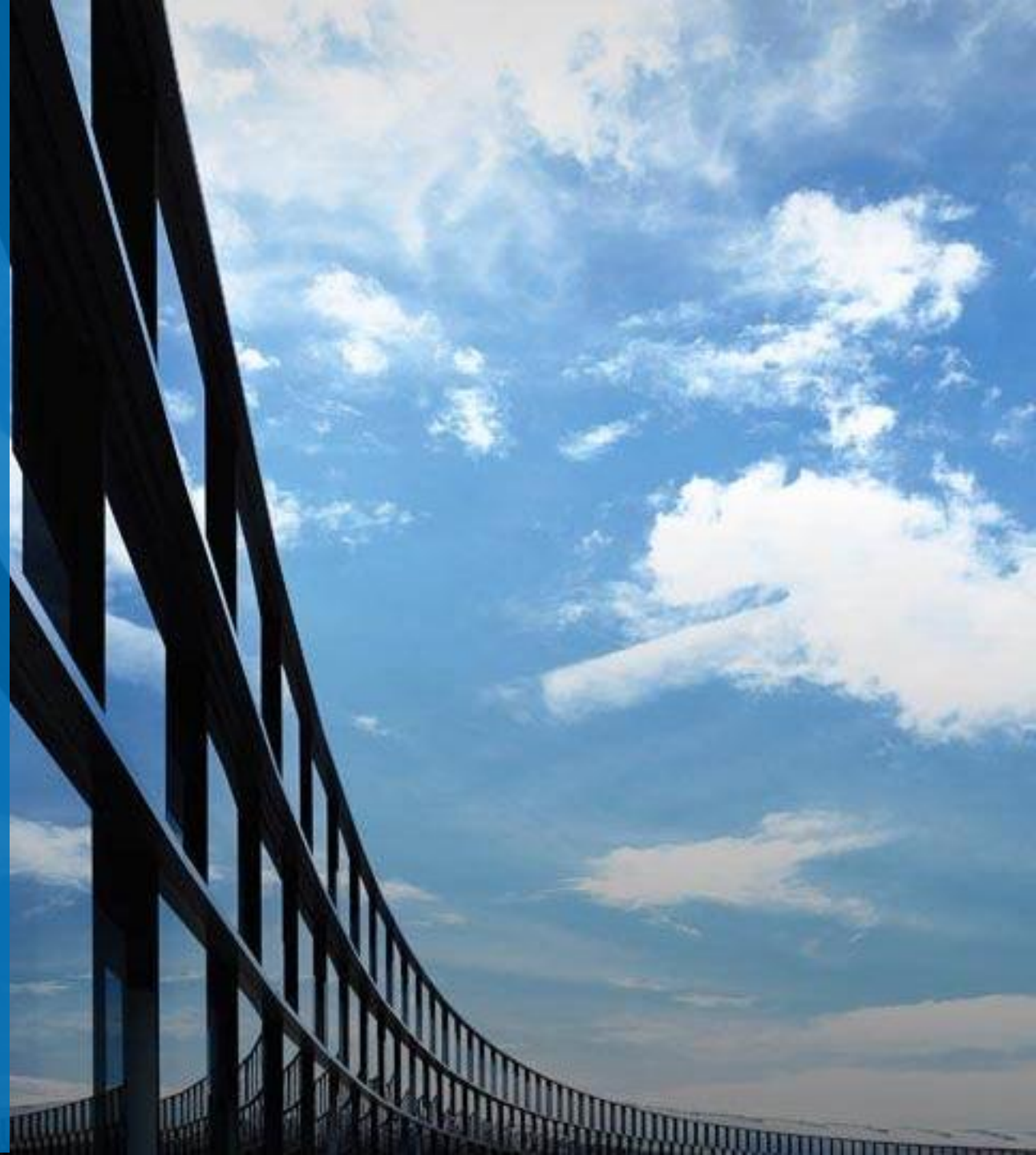
Performing through accelerated differentiation

HENRIK EHRNROOTH, PRESIDENT & CEO

SEPTEMBER 28, 2016

Agenda

- Strong progress on many fronts
- Changing market dynamics globally
- Developing KONE in a changing industry





Winning
with
customers





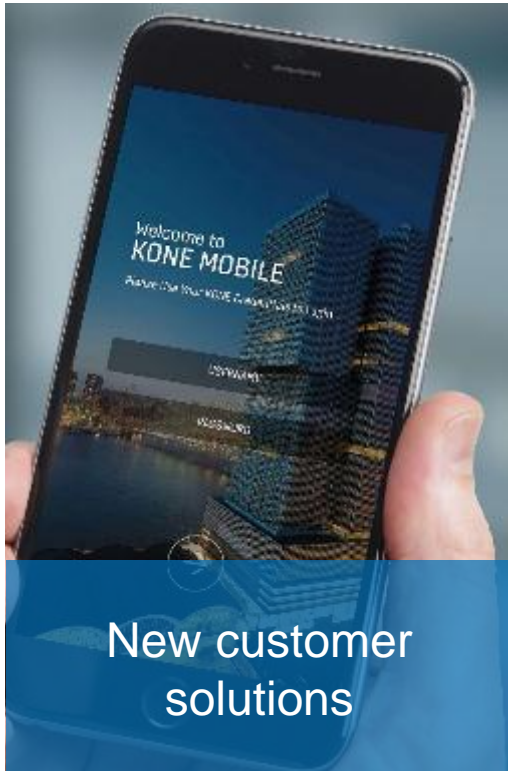
Strong progress on
many fronts

Our profitable growth continued during the first half of the year



		1–6/2016	1–6/2015	Historical change	Comparable change
Orders received	MEUR	4,010.1	4,247.3	-5.6%	-3.1%
Order book	MEUR	8,763.6	8,627.4	1.6%	5.5%
Sales	MEUR	4,020.9	3,901.2	3.1%	5.2%
Operating income (EBIT)	MEUR	570.0	537.1	6.1%	
Operating income (EBIT)	%	14.2	13.8		
Cash flow from operations (before financing items and taxes)	MEUR	699.0	638.2		
Basic earnings per share	EUR	0.90	0.80		

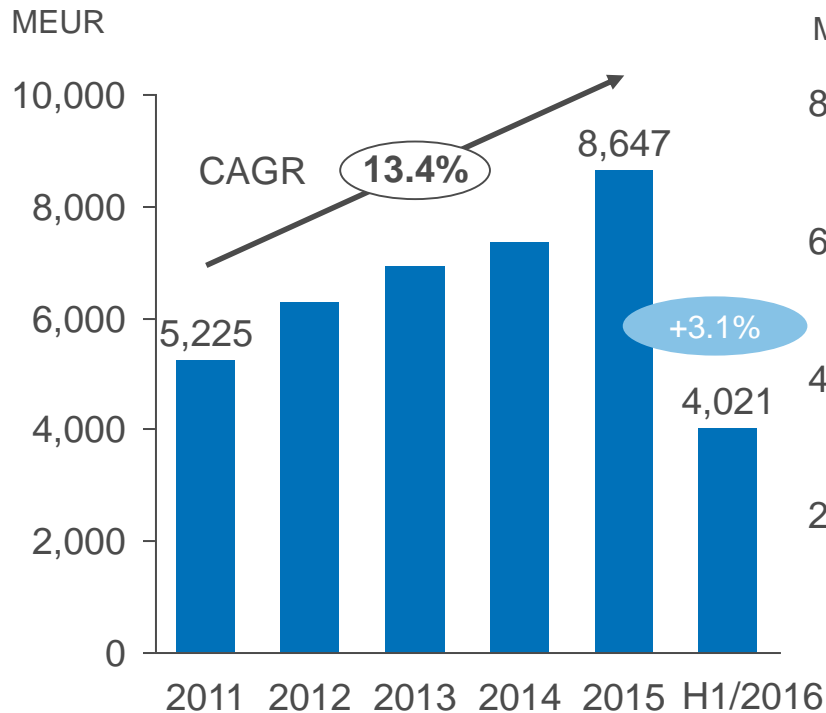
We are delivering on our promises



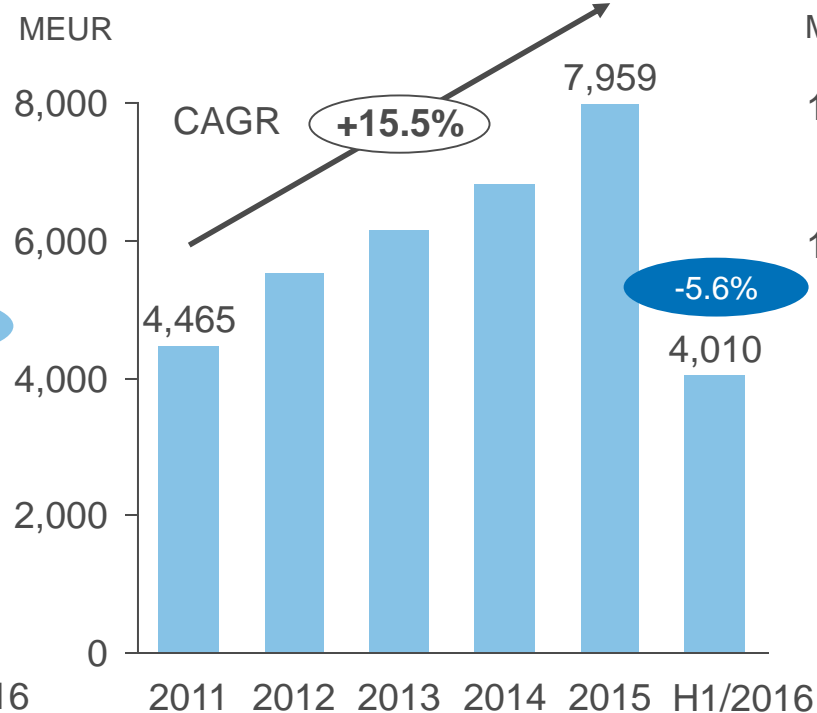
Our proactive and systematic development has enabled a continuous strong performance



SALES

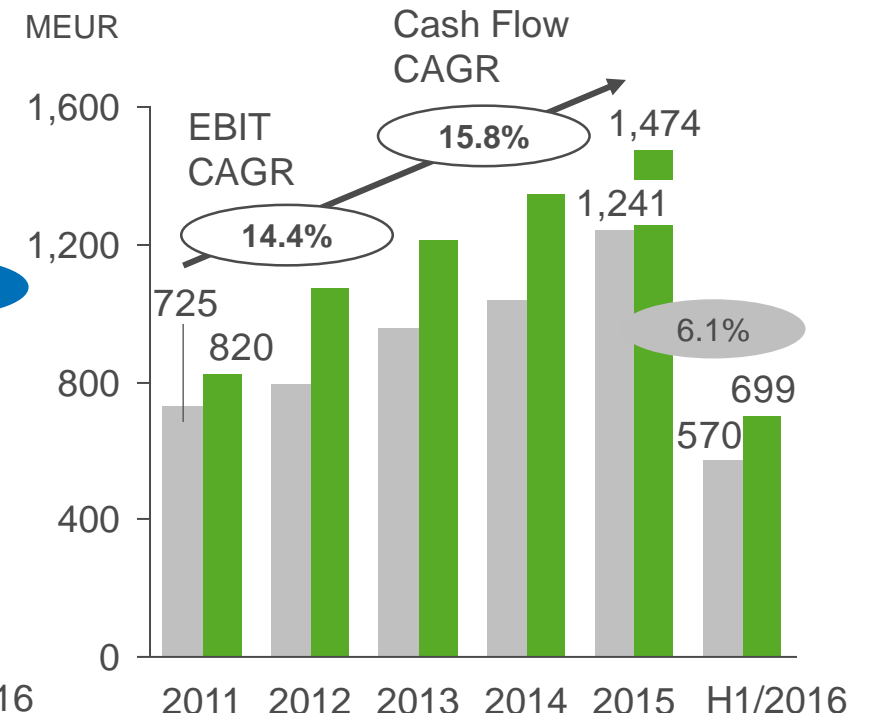


ORDERS RECEIVED



Orders received do not include maintenance contracts.

EBIT AND CASH FLOW



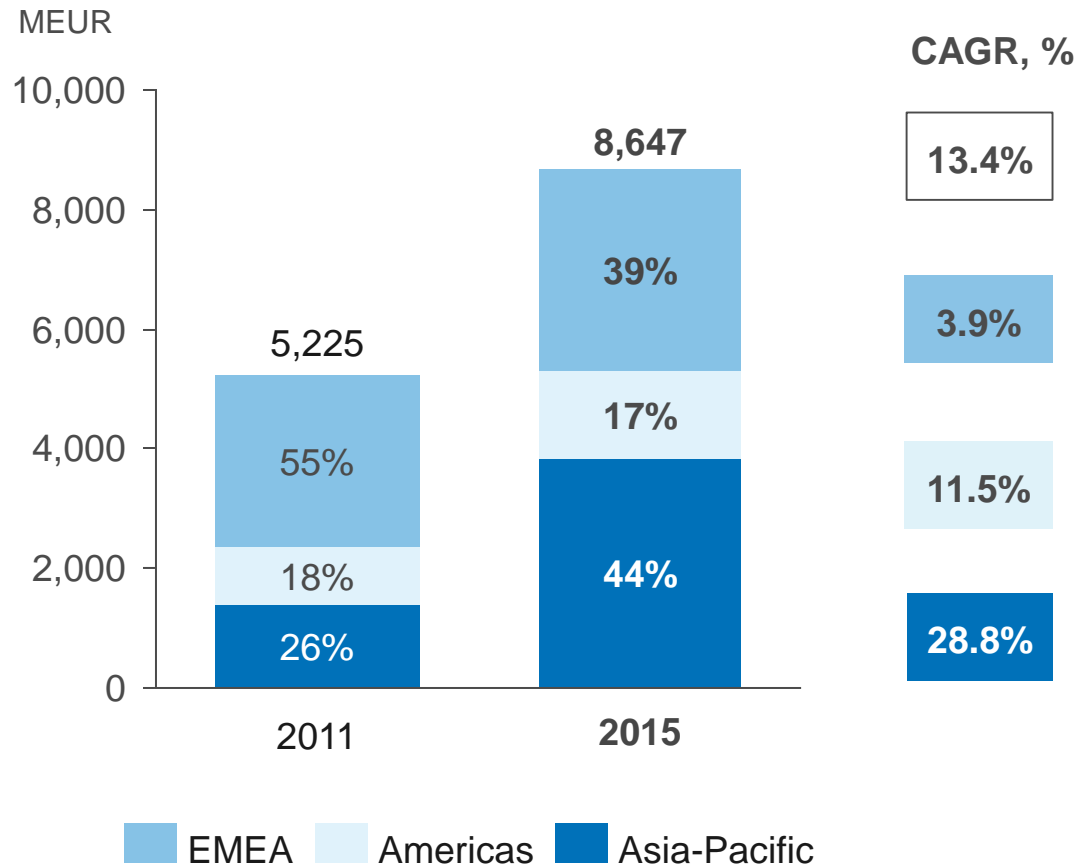
Legend: ■ EBIT ■ Cash flow before financing items

H1/2016 growth rates at historical exchange rates

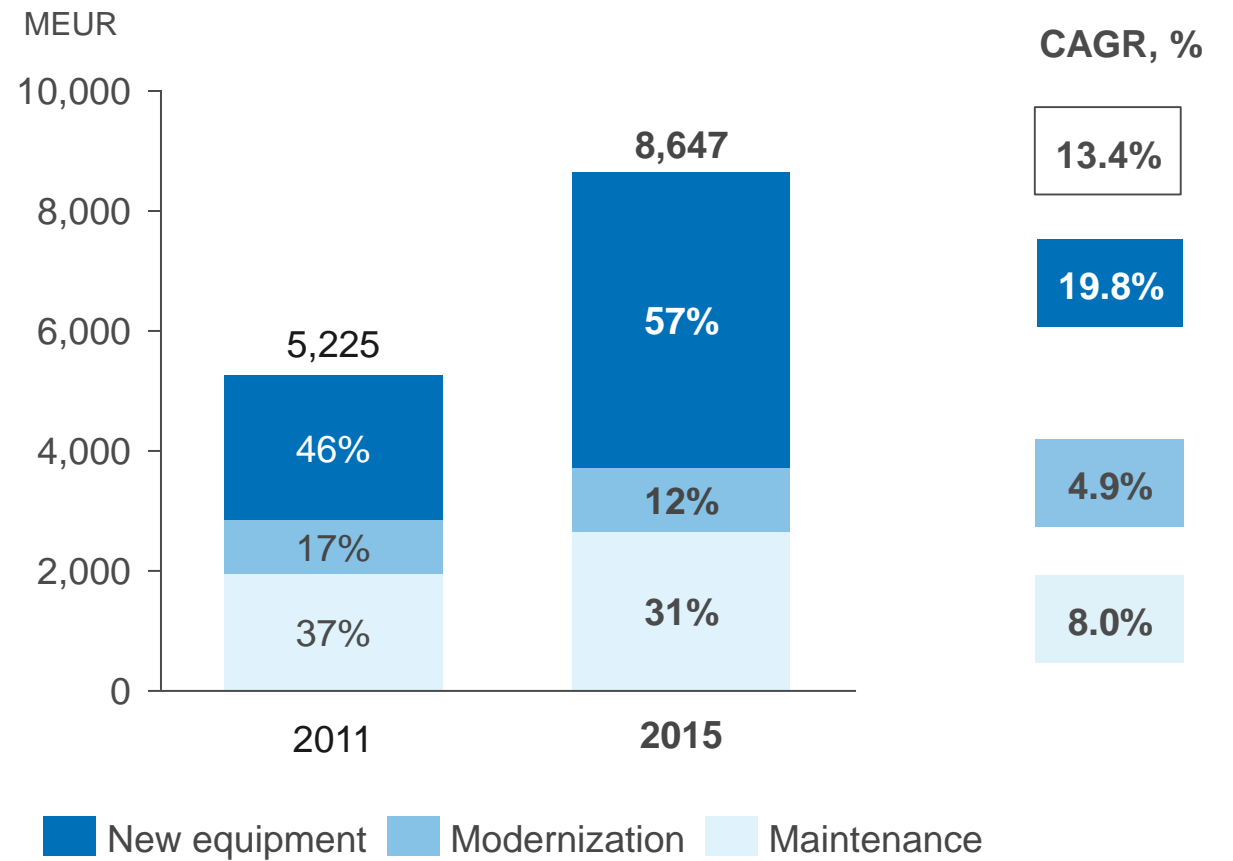
We have grown in all regions and businesses



SALES BY REGION



SALES BY BUSINESS



Clear progress towards our strategic targets



* tCO2 / MEUR sales

Our development programs have contributed to the strong performance



2014-2016

First in Customer Loyalty

A Winning Team of True Professionals

The Most Competitive People Flow® Solutions

Preferred Maintenance Partner

Top Modernization Provider

HIGHLIGHTS OF THE DEVELOPMENT PROGRAMS

Communication and interactions based on customer needs led to improved customer loyalty

More structured approach to people development is helping our people perform at their best

New solutions responding to customer needs have driven market share growth

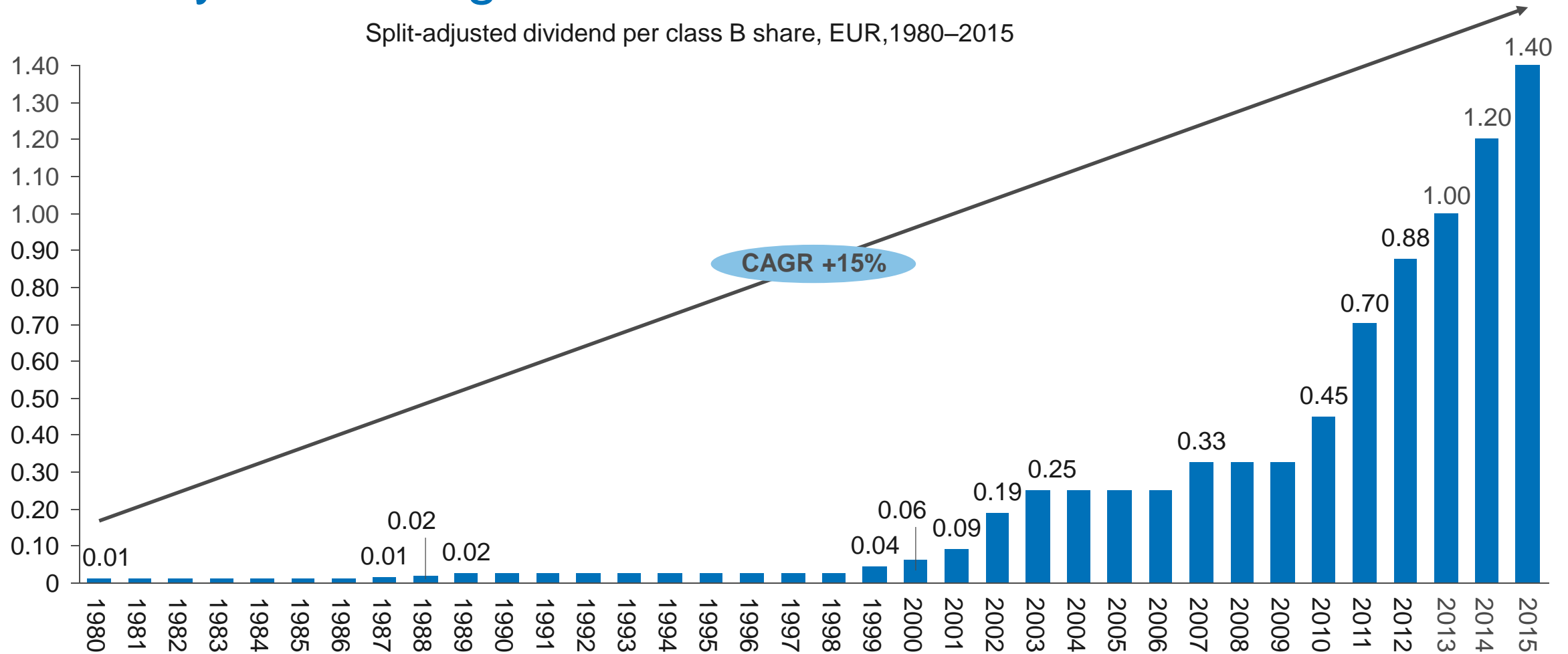
Continued good growth and increased investments in new value-adding services

Acceleration in growth enabled by better sales management

Our strong financial development has enabled a steadily increasing dividend



Split-adjusted dividend per class B share, EUR, 1980–2015



Note: Includes the basic dividend. Adjusted for share splits in 1999 (1:3), 2002 (1:3), 2005 (1:2), 2008 (1:2) and 2013 (1:2). 1 EUR= 5.9 FIM; not adjusted to constant exchange rate.

Additional extraordinary dividends: for 2009, a double dividend was paid; for 2011, an extraordinary dividend of EUR 0.75 was paid and for 2012, an extraordinary dividend of EUR 0.65 was paid.

Market outlook in 2016 (unchanged)

NEW EQUIPMENT MARKETS

- Asia-Pacific: The market in China is expected to decline by 5–10% in units ordered and also the price competition to continue intense. In the rest of Asia-Pacific, the market is expected to see some growth.
- Europe, Middle East and Africa: the market is expected to grow slightly with growth in Central and North Europe and a more stable development in South Europe and the Middle East.
- North America: the market is expected to see some growth.

MAINTENANCE MARKETS

- The maintenance markets are expected to see the strongest growth rate in Asia-Pacific, and to develop rather well also in other regions.

MODERNIZATION MARKETS

- The modernization market is expected to grow slightly in Europe, to continue to grow in North America, and to develop strongly in Asia-Pacific.



Business outlook in 2016 (unchanged)

SALES

- KONE's net sales is estimated to grow by 2–6% at comparable exchange rates as compared to 2015.

OPERATING INCOME

- The operating income (EBIT) is expected to be in the range of EUR 1,250–1,330 million, assuming that translation exchange rates would remain at approximately the average level of January–June 2016.



Going into 2017, there will be both headwinds and tailwinds impacting our result

Boosting our performance



Improvements in product competitiveness



Strong operating performance on a broad basis



Acceleration of growth in maintenance and modernization globally

Burdening our result



Increasing investments into long-term competitiveness



Slowing market and price competition in China



Less favorable translation exchange rates

Our long-term financial targets remain intact



Growth

Faster than market growth

Profitability

16% EBIT margin

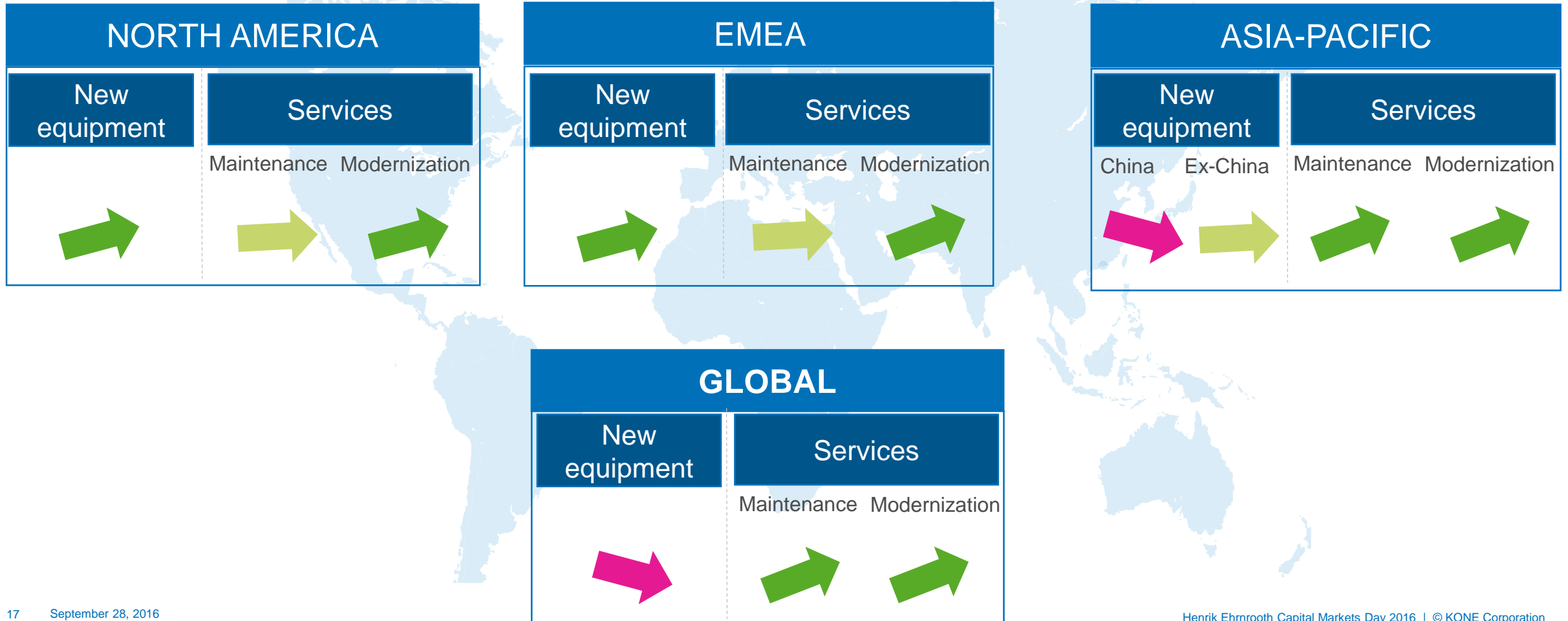
Cash flow

Improved working capital rotation



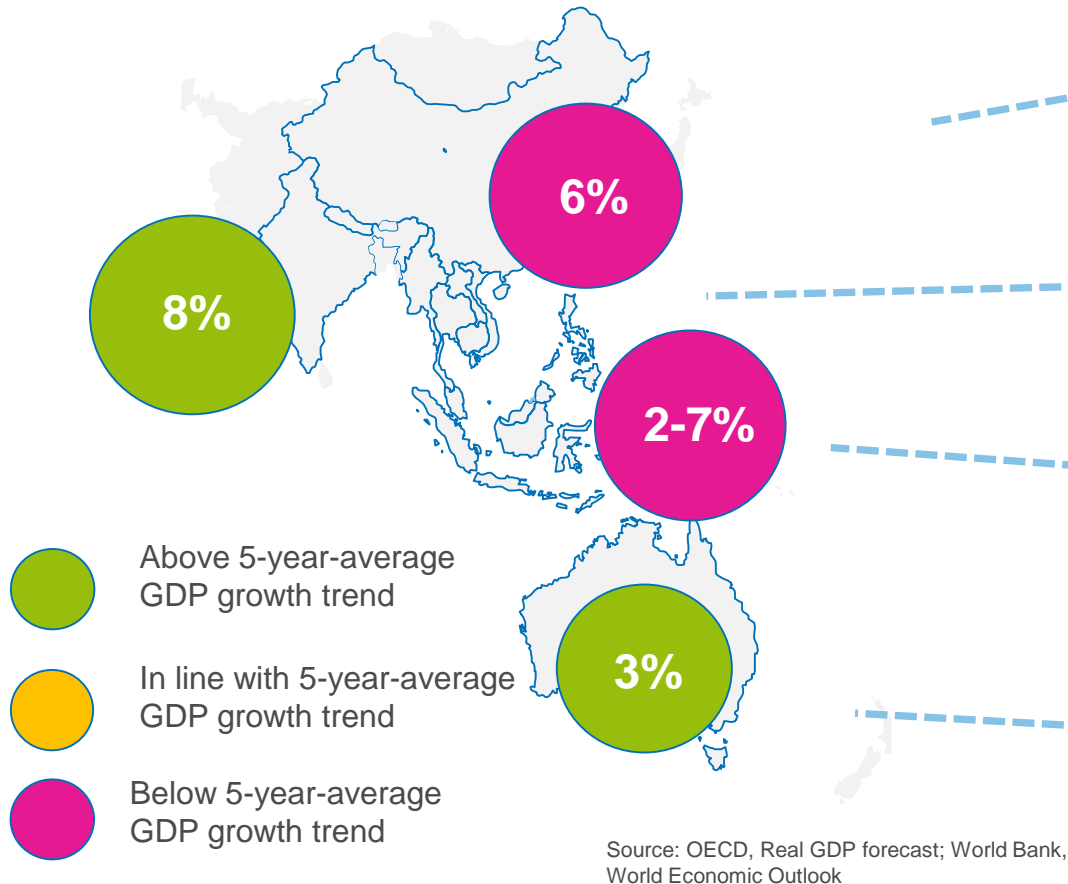
Changing market
dynamics globally

The market dynamics have changed with North America and EMEA now showing the most positive development



Asia-Pacific: Uncertain market environment in China; positive signs in India

GDP growth 2017E, compared to 5-year-average GDP growth rate



China:

- Uncertainty in real-estate is reflected in the new equipment market. Significant regional and city-level heterogeneity
- Maintenance market growing strongly; increasing opportunities visible also in modernization

India:

- New equipment market showing positive signs

South-East Asia:

- Economic uncertainty visible in the varied new equipment market development; growth potential in services

Australia:

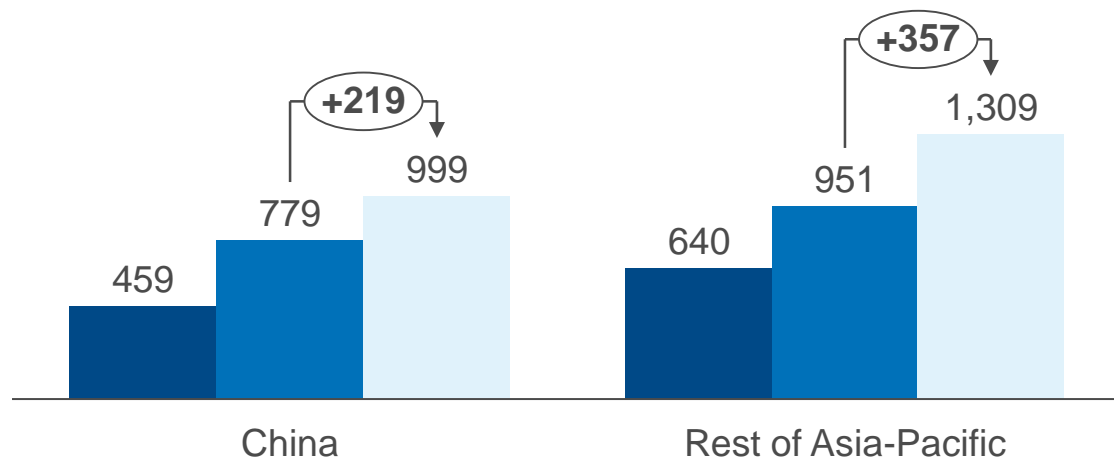
- After a period of strong growth, the residential segment showing early signs of cooling down, other segments more robust.

Asia-Pacific continues to see significant future demand potential driven by continued urbanization

URBANIZATION IS SET TO CONTINUE IN THE REGION

Urban population, millions of people

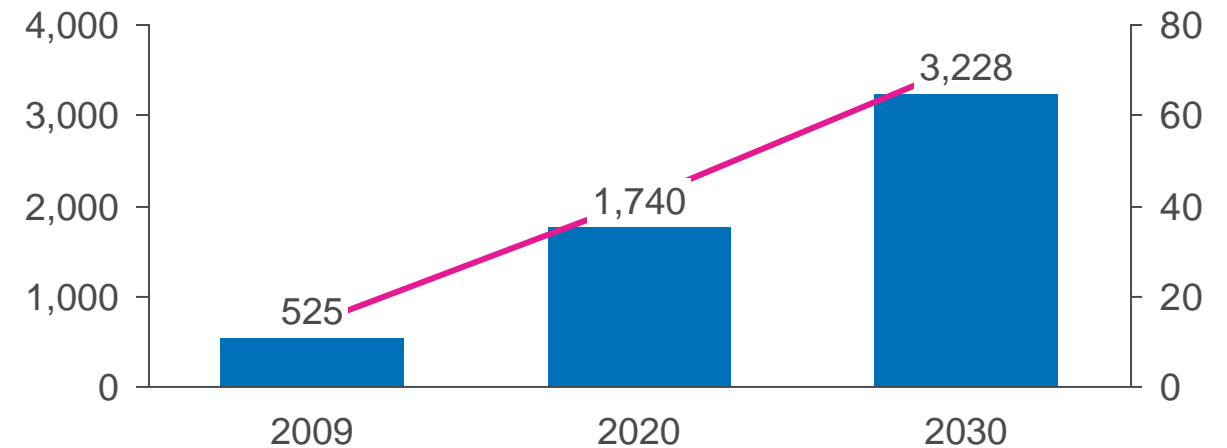
2000 2015 2030E



THE GROWING MIDDLE-INCOME POPULATION WILL REQUIRE MODERN APARTMENTS

LHS: Size of middle-income population in Asia-Pacific, millions

RHS: Middle-income share of total population in the region, percentage estimate



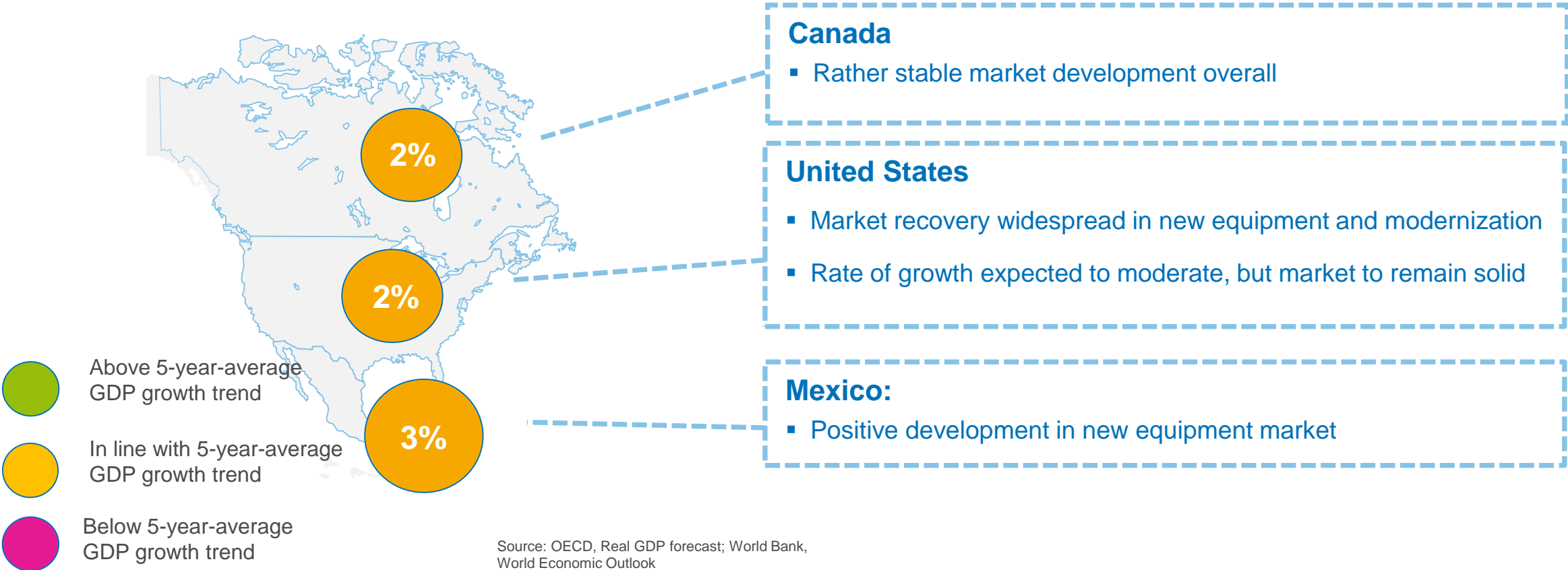
Urbanization and growing wealth of urban citizens create the challenge of keeping up adequate development in cities' infrastructure and services

Source: Demographia, United Nations, Brookings Institution

North America: rate of growth expected to moderate, but market to remain strong going forward

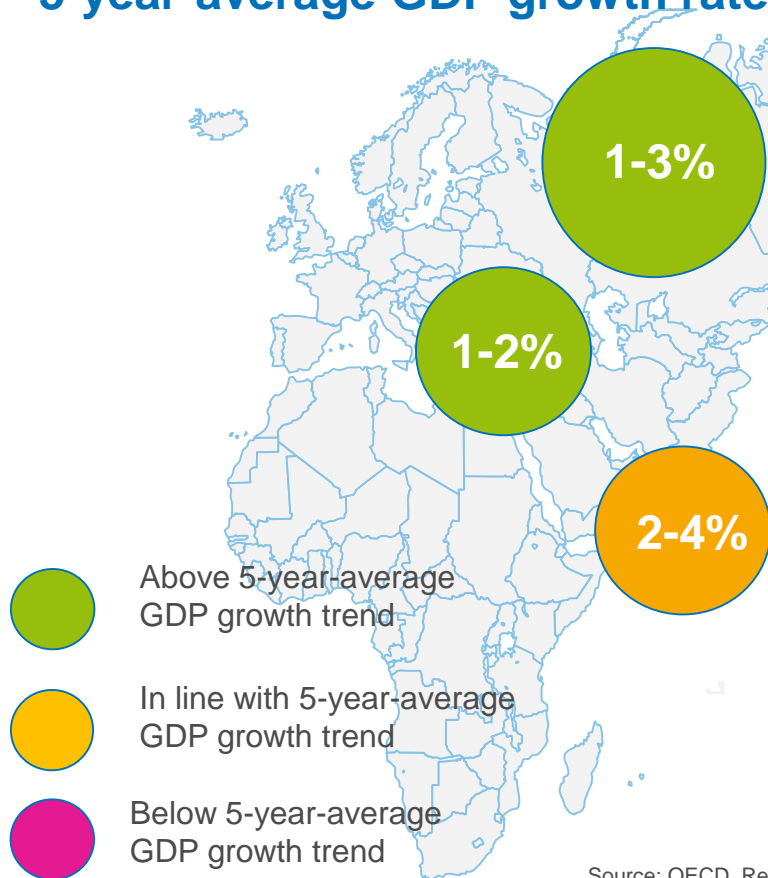


GDP growth 2017E, compared to 5-year-average GDP growth rate



EMEA: European markets are on average more positive than a year ago

GDP growth 2017E, compared to 5-year-average GDP growth rate



Source: OECD, Real GDP forecast; World Bank, World Economic Outlook

Central and North Europe:

- Pick-up in new equipment and modernization demand
- Market sentiment broadly neutral or upbeat

South Europe:

- Stabilization and recovery from low levels both in new equipment and modernization

The Middle East:

- Market sentiment affected by uncertainty in the region; overall development still rather stable at a good level

Markets in Africa

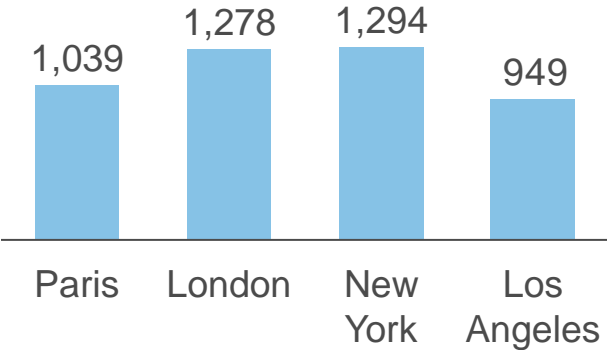
- Small markets in the near-term; in the long-term increasingly interesting opportunities

Europe and North America: evolving demographics and changing living preferences



CORE CITIES ARE GROWING

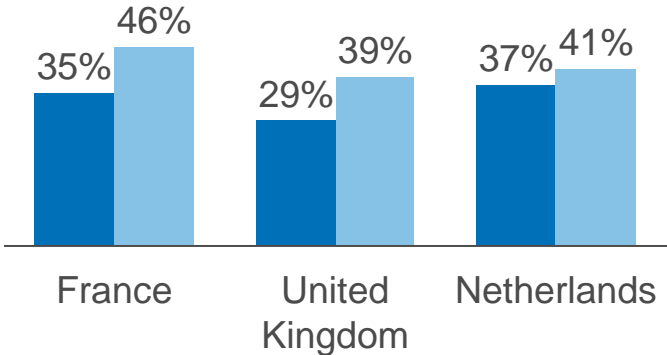
Absolute population growth 2014-2030E, thousands



NUMBER OF HOUSEHOLDS INCREASING

%-share of single-person households 2014 and 2030E

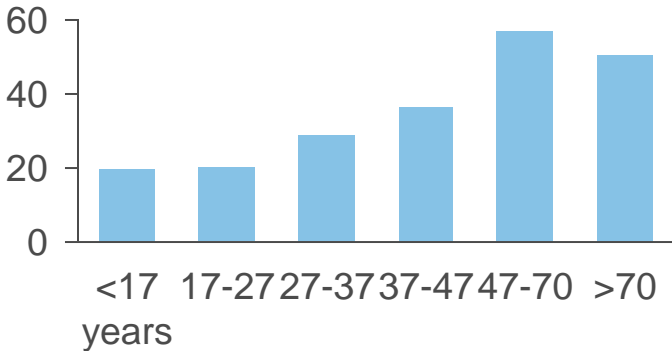
2014 2030E



BUILDINGS ARE AGING

Age of European residential dwellings

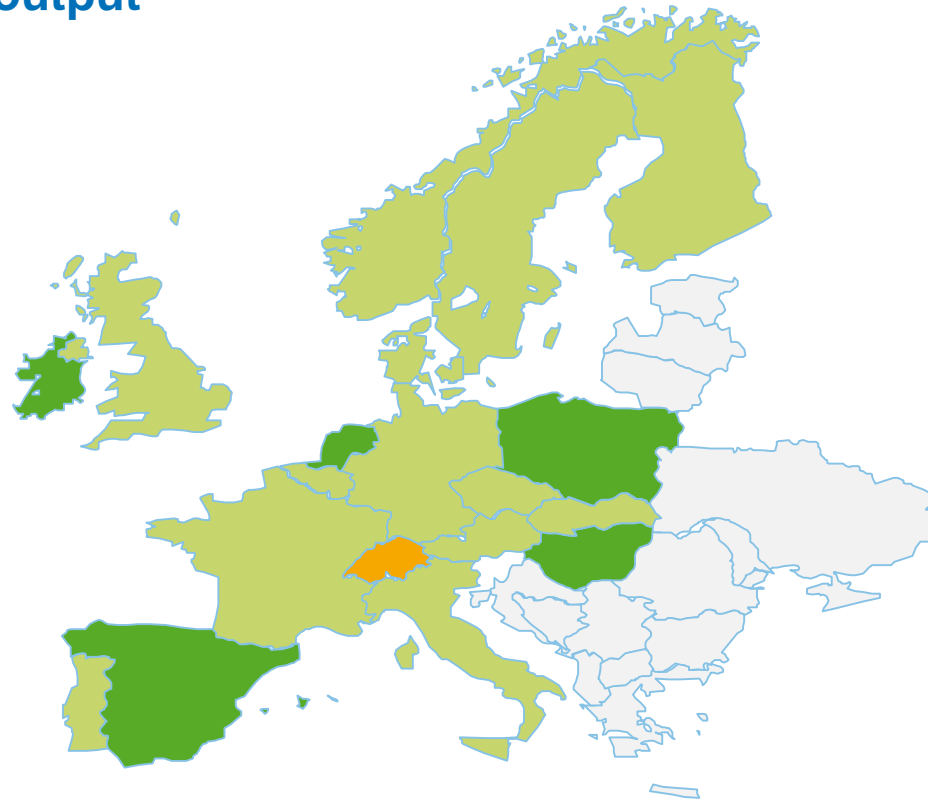
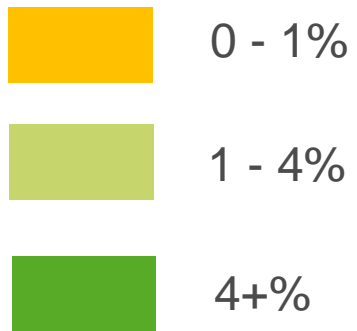
Millions of dwelling units



Affordability of apartments and aging infrastructure key concerns in urban areas

Construction outlook is positive across Europe

Total construction output growth 2017E



KEY DRIVERS FOR CONSTRUCTION

RESIDENTIAL SEGMENT

- Improved economic environment
- Consumer confidence and favourable financing conditions
- Immigration

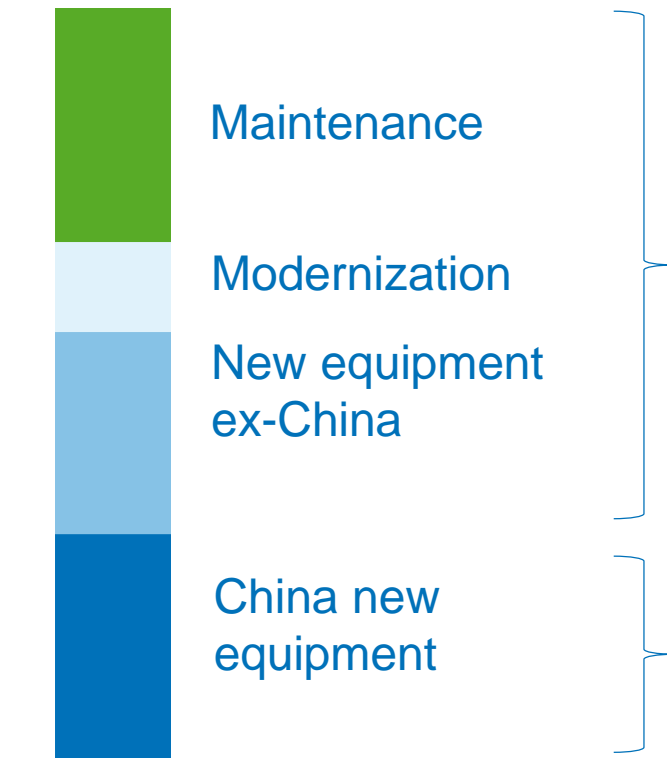
COMMERCIAL SEGMENT

- Improved business confidence
- Government spending

Source: Euroconstruct

The majority of our business has a growth outlook

Two thirds of our business has a growth outlook



GROWTH MARKETS

- **Maintenance:** increasing service opportunity in Asia-Pacific, in China in particular. Solid maintenance business in the more mature markets
- **Modernization:** mature markets showing positive signs in demand; increasing opportunities in Asia-Pacific
- **New equipment outside China:** many regional opportunities, Europe and North America in particular showing improving demand

NON-GROWTH MARKETS

- **China new equipment:** market declining; long-term drivers remain solid



Developing KONE in a
changing industry



Urbanization drives growth



Technological disruption
drives need for change

Needs for urban living

WE ADDRESS THESE NEEDS TO CREATE MORE VALUE



Affordable
vertical
housing



Safe,
reliable,
efficient
infrastructure



Improving
living
standards and
convenience



Eco-
efficiency and
sustainability



Growing
building
intelligence



Well being
and
happiness

OUR MISSION

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

We understand People Flow in and between buildings, making people's journeys safe, convenient and reliable

We make cities better places to live

OUR VISION

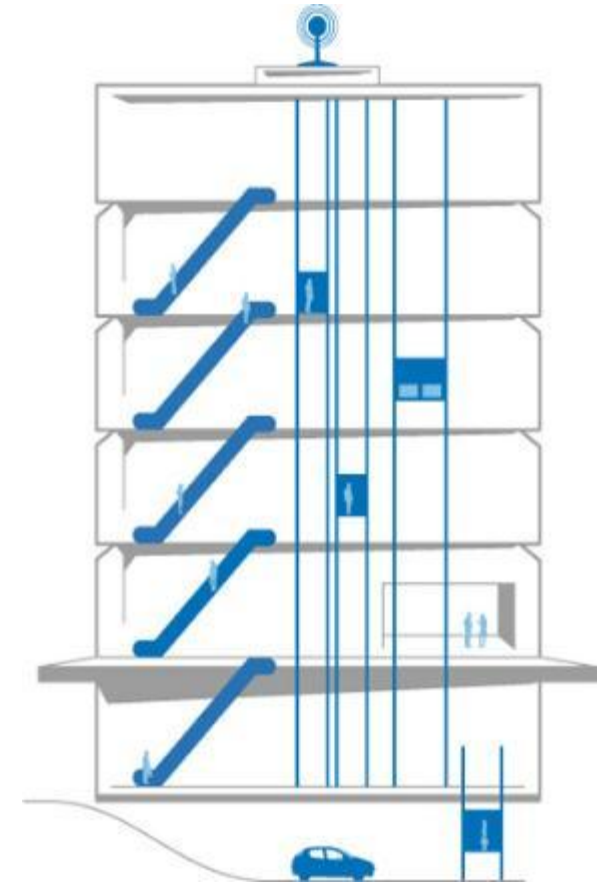
KONE delivers the best People Flow[®] experience

We provide **Ease, Effectiveness** and **Experiences** to users and customers, over the full life cycle of buildings

Our strong market position provides a good starting point for future development, in services in particular

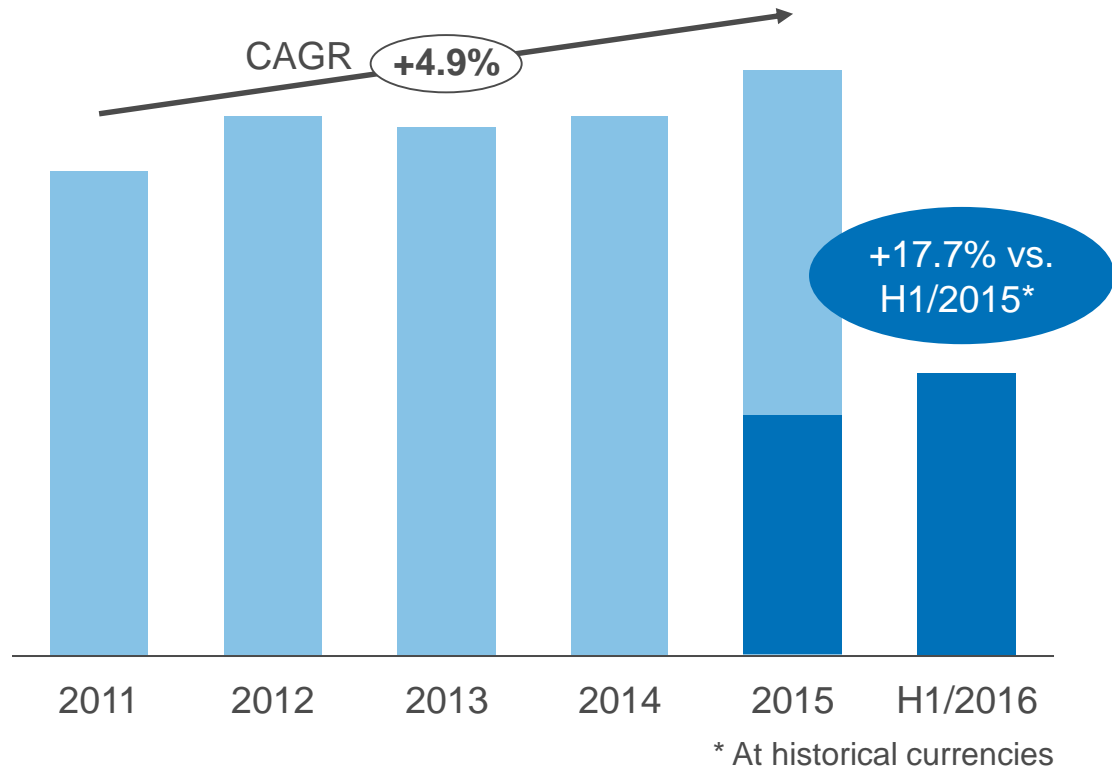


2015 market position, KONE's estimate	EMEA	North America	China	Rest of Asia-Pacific
New equipment	#2	shared #3	#1	#1
Maintenance	#3	#4	shared #1	#2



In modernization, we have improved growth by more proactive work with our customers

Sales development in modernization



What have we done

- Creating demand and targeting the right opportunities**

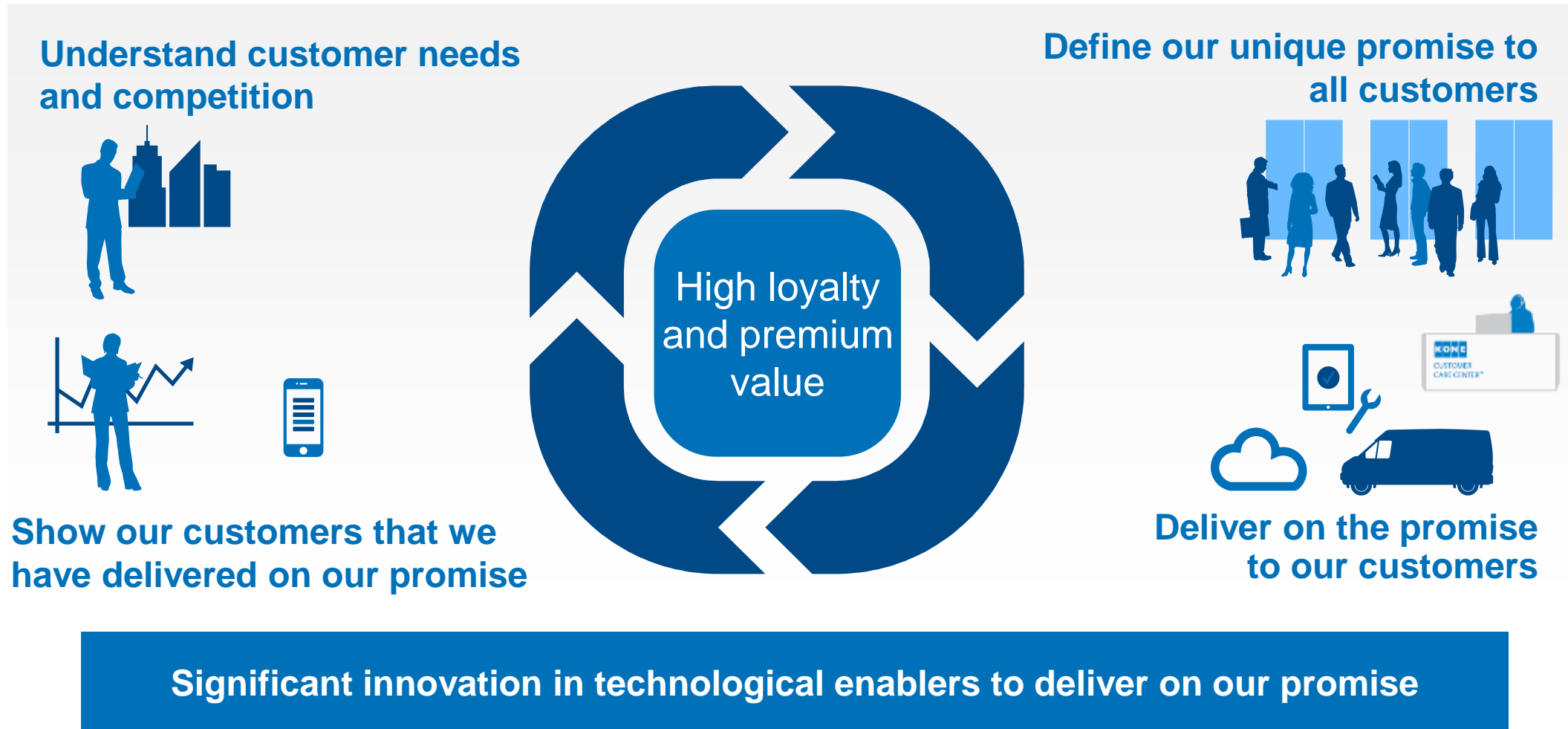
✓
- Offer better value for the customer**

✓
- Faster customer response and better cost efficiency**

✓
- Consultative sales management approach**

✓





We have gained a deeper insight into our customer needs which helps us differentiate further in services




We continue to invest in connectivity and mobility to enable the delivery of new and better services



Ease, Effectiveness and Experiences to users and customers

Connected customers <i>Increased business value</i>	Connected users <i>Personalized experience</i>	Connected equipment <i>Efficient People Flow</i>	Connected employees <i>Collaboration & efficiency</i>
 <ul style="list-style-type: none">▪ Better communication: KONE Mobile & Online▪ Customer productivity: Architect toolbox	 <ul style="list-style-type: none">▪ Personalized experience: RemoteCall, People Flow Intelligence solutions	 <ul style="list-style-type: none">▪ Uptime: condition-based maintenance▪ Faster resolution times: remote diagnostics	 <ul style="list-style-type: none">▪ Mobility tools for field collaboration and productivity

 Technological enablers: Connectivity, IoT cloud and cognitive analytics
Connecting an additional >1m equipment to the cloud

In new equipment, we are taking a more holistic approach to working with our customers to deliver added value

KONE

**STRONGER SUPPORT IN
PLANNING AND
DELIVERY**

Best support for our customers throughout planning and construction

**DIFFERENTIATED AND
COMPETITIVE PRODUCT
OFFERING**

Differentiate further by offering solutions based on specific customer needs

ECONOMIES OF SCALE

Continue actions on product competitiveness

We will focus on continued service acceleration and new equipment leadership



Strong performance on a broad basis

Good growth opportunities in multiple geographies

Stronger differentiation by providing services and solutions tailored to our customers' needs

Accelerated investments to bring new solutions faster to our customers and users

Dedicated to People Flow™

