

Central and North Europe

THOMAS HINNERSKOV

EVP, CENTRAL AND NORTH EUROPE

KONE in Central and North Europe - 21 countries, dominated by mature markets

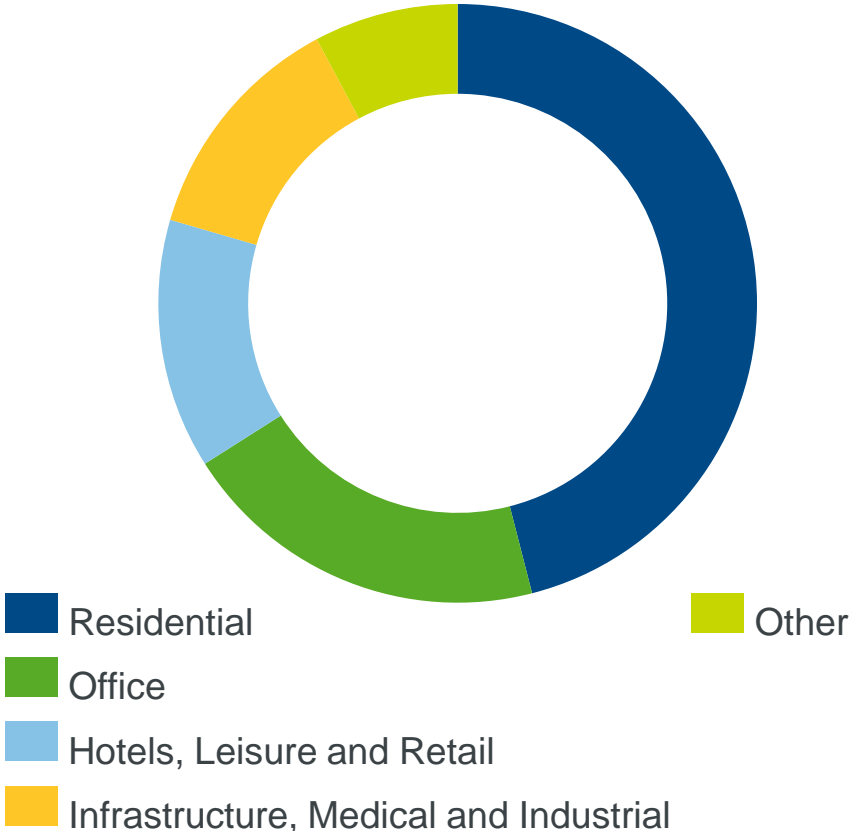


Short-term market outlook in Central and North Europe



KONE's exposure by customer segment

Indicative



Market outlook going into 2021

New equipment

Residential	→	Germany, Eastern Europe	↗
Commercial	↘	Scandinavia, the Netherlands, Russia	→
Infrastructure & medical	→	Finland, the UK, Ireland	↘

Maintenance Expected to be rather resilient

Modernization Short-term outlook negative due to slower decision-making, long-term outlook positive

Capturing the opportunities in Central and North Europe

Case: Differentiating with new solutions and
engaging with customers on their terms

Differentiating with new solutions and engaging with customers on their terms



Combining
physical with digital
is the new normal in what we offer to
our customers

Among the first regions in the
roll-out of DX Class elevators

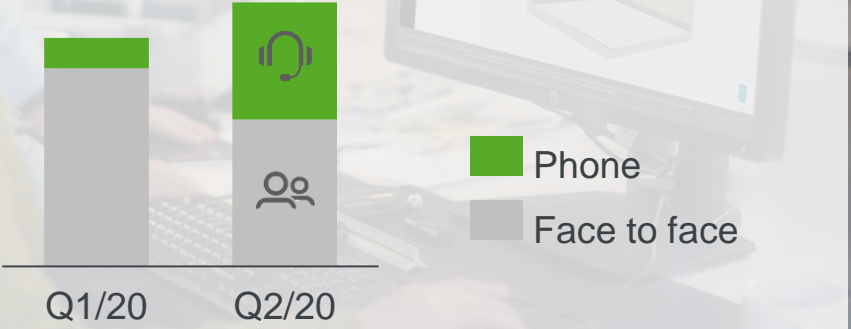
DX is **resonating** well with customers,
already showing that we can
differentiate with it



Commercial effectiveness
is about engaging with customers on their terms

Customer-centric sales with omni-channel approach

The ways of interacting with customers have changed
in 2020



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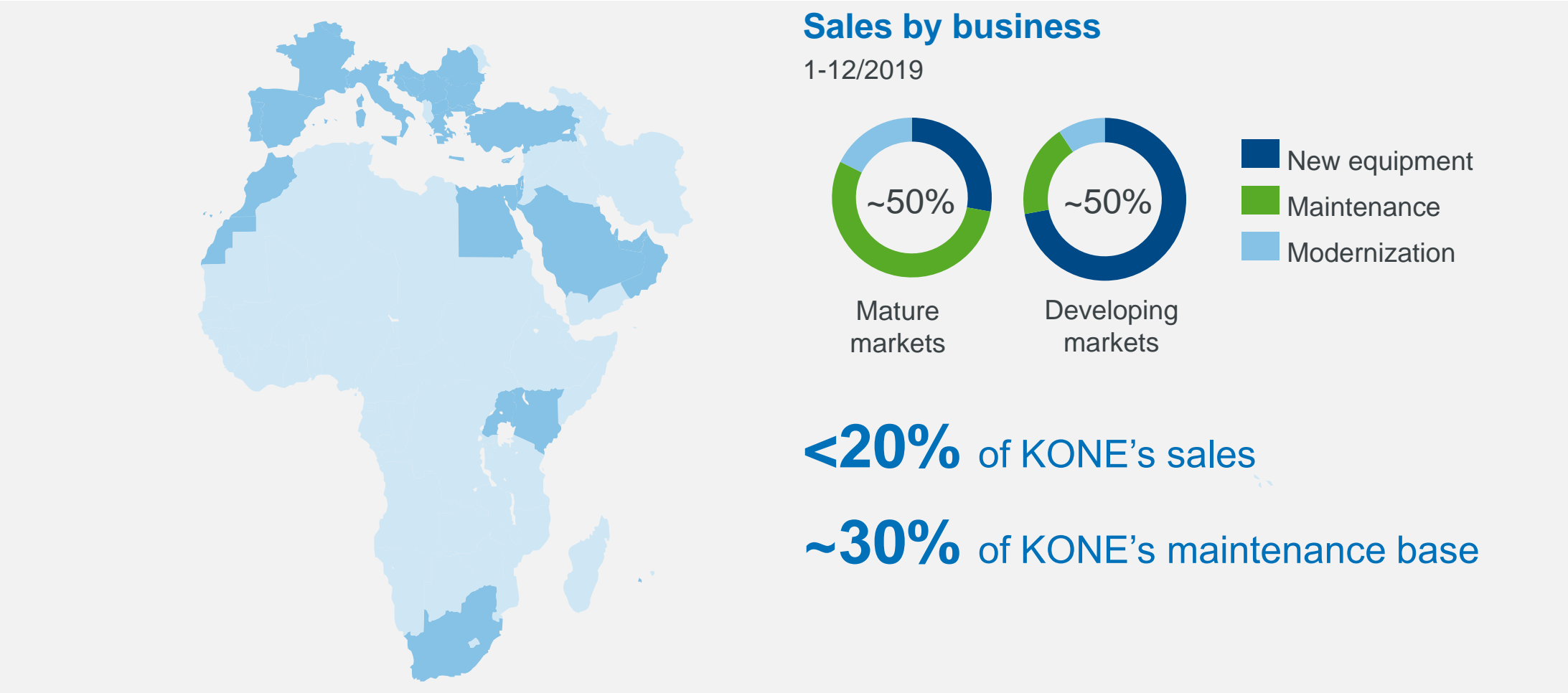


South Europe, Middle East and Africa

PIERRE LIAUTAUD

EVP, SOUTH EUROPE, MIDDLE EAST AND AFRICA

KONE South Europe, Middle East and Africa - The area with the largest maintenance base



Mature markets consist of South Europe, while developing markets are Middle East and Africa

Market outlook for South Europe, Middle East and Africa



KONE's exposure by customer segment

Indicative



- Residential
- Office
- Hotels and retail
- Infrastructure, Medical and Industrial
- Other

Market outlook going into 2021

New equipment			
Residential	→	France, Turkey, Saudi Arabia	↗
Office	→		
Retail and hospitality	↘	Israel, South-East Europe	↘
Infrastructure & medical	↗		
Maintenance	Expected to be resilient		
Modernization	Short-term outlook negative due to slower decision-making, long-term outlook positive		

Capturing the opportunities in South Europe, Middle East and Africa

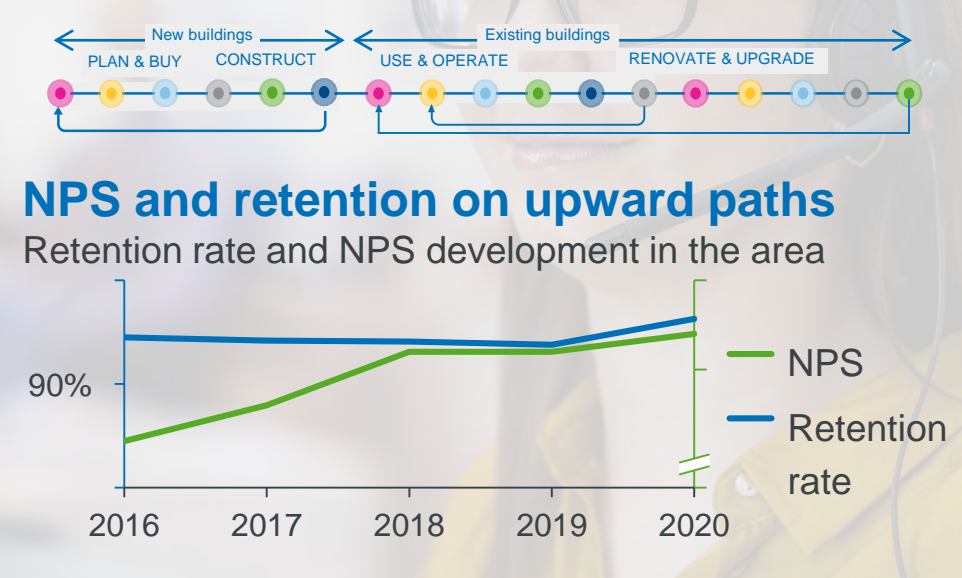
Case: Creating value for customers in services

In South Europe, the large and old maintenance base allows us to create value for customers in new ways



We have invested in customer loyalty

by supporting our customers in a pro-active way, shown in the improved retention rate



Opportunity in upgrading the portfolio with the digital platform

The maintenance base in SEMA consists of **>400,000 units**, half of them are non-KONE equipment.

We can connect both new and old, KONE and non-KONE elevators to provide new value to customers

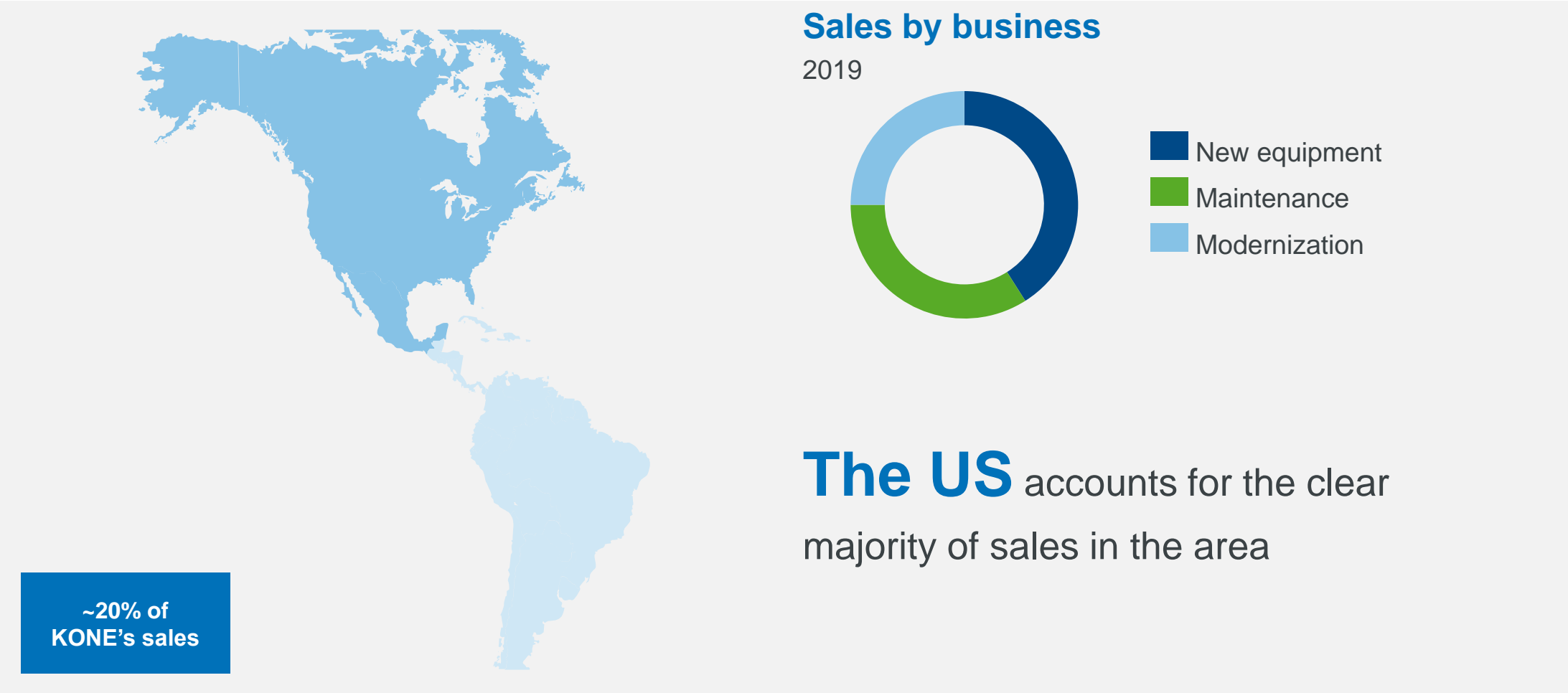
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Americas

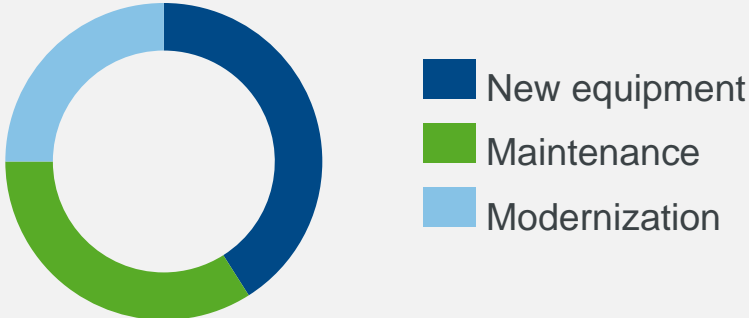
KEN SCHMID
EVP, AMERICAS

KONE Americas – commercial-driven market with high value and cost per elevator



Sales by business

2019



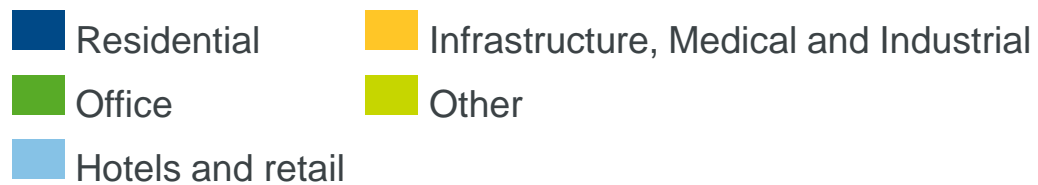
The US accounts for the clear majority of sales in the area

Outlook in the Americas



KONE's exposure by customer segment

Indicative



Market outlook going into 2021

New equipment

Residential



Office



Hotels & retail



Infrastructure & medical



Maintenance

Expected to be rather resilient

Modernization

Short-term outlook negative due to slower decision-making, long-term outlook positive

Capturing the opportunities in the Americas

Case: Lean construction

Winning in the Americas region by being the best partner to builders, the biggest customer segment in the region



Lean construction

All about understanding the customer's needs and providing a seamless construction-time experience

Solutions and ways of working to improve productivity in the construction process



Products designed by installers for installation



Streamlined supply chain with material & site management aligned with customer's schedule



Visualization of site progress to track customer success



Solutions like KONE JumpLift which improve people and material flow efficiency by up to 50%

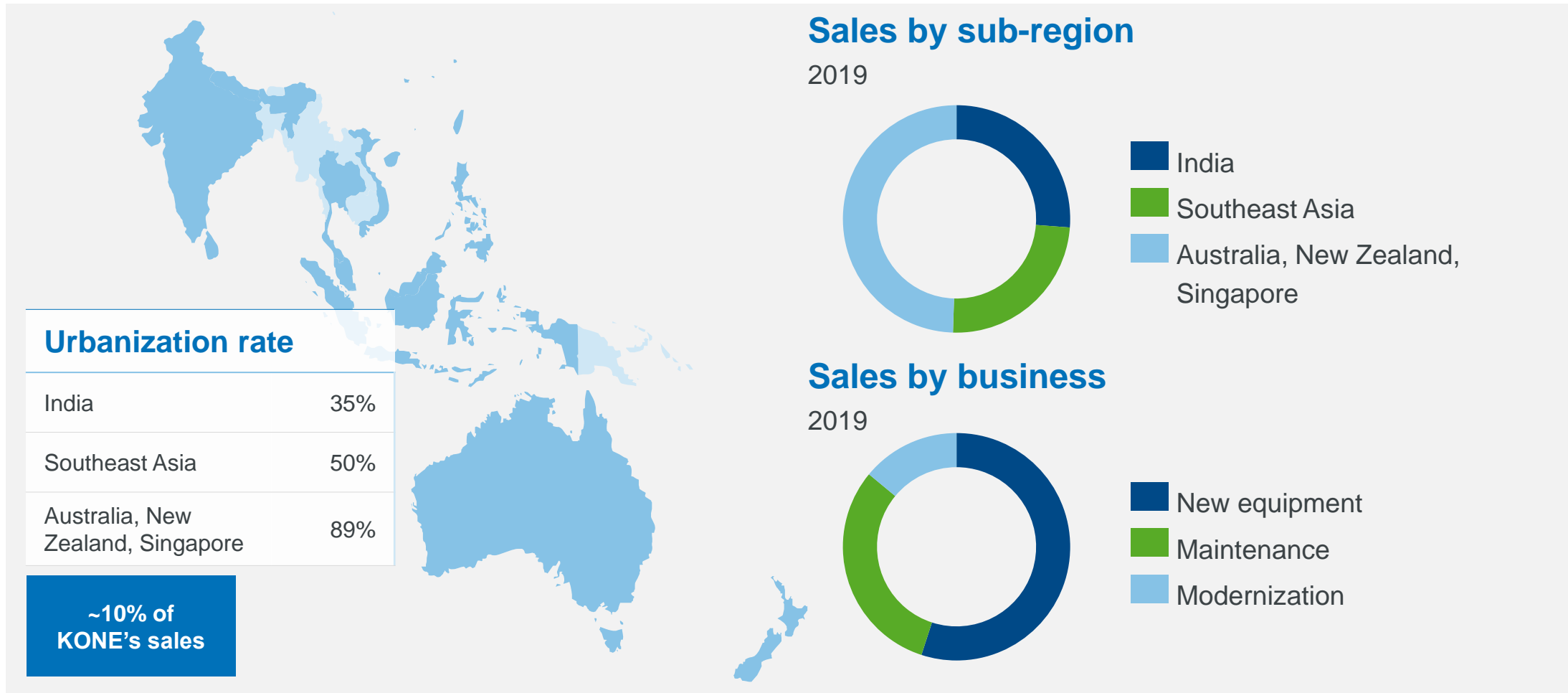
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Asia-Pacific (excl. China)

AXEL BERKLING
EVP, ASIA-PACIFIC (EXCL. CHINA)

KONE Asia-Pacific (excl. China) – the urbanizing part of the world

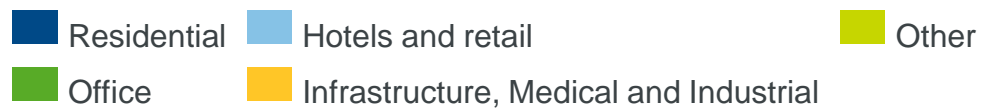


UN World Urbanization Prospects: The 2018 Revision

Outlook in Asia-Pacific (excl. China)

KONE's exposure by customer segment

Indicative



Market outlook going into 2021

New equipment

Residential	↗	Vietnam	↗
Office	→	Thailand, Malaysia	↘
Hotels & retail	↘	Indonesia, India, Philippines	⚡
Infrastructure & medical	↗	Singapore, Australia, New Zealand	→

Maintenance & modernization

Double-digit growth trend. In modernization, decision-making is currently delayed.

Capturing the opportunities in Asia-Pacific

Case: Singapore as an innovation hub for
smart and green building

Singapore as a key forerunner in smart and green cities and KONE's co-innovation approach



Singapore

an innovation hub for smart and green building

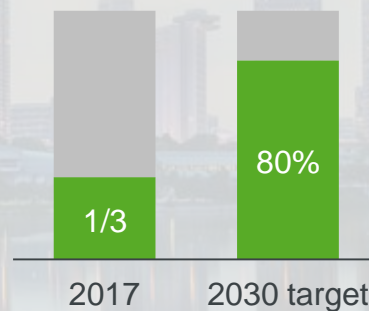
#1 Smart City second time in a row

ranking in Smart City Index, 2020

#1

Ambitious targets for green buildings

% of buildings classified green in Singapore



Source: Singapore Economic Development Board (2020)

Co-innovation

with customers

In our Innovation Lab approach, we are **working together** with our **customers and partners** to support them in their initiatives within e.g. smart and green building.

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China

WILLIAM B. JOHNSON
EVP, GREATER CHINA

KONE is the market leader in China



China contributed for **<30%** of total KONE sales in 2019

>20,000 employees located across China

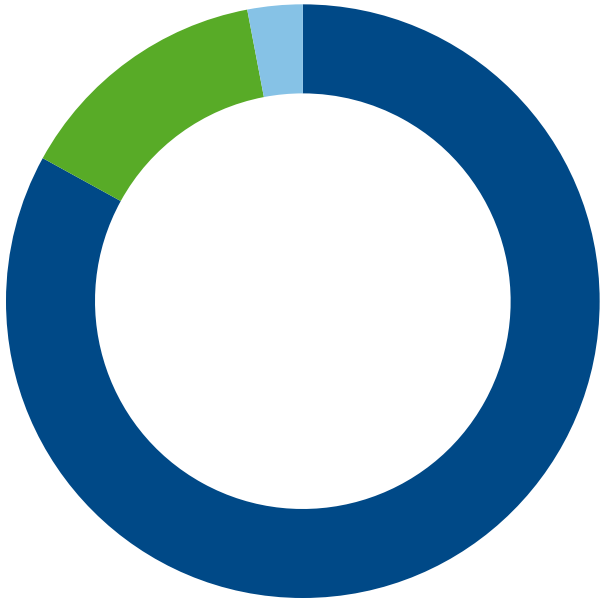
>30,000 customers, including 9 of China's top 10 developers

Two factories in China, in Kunshan & Nanxun

>1,000,000 units delivered in total

Sales by business

1-12/2020

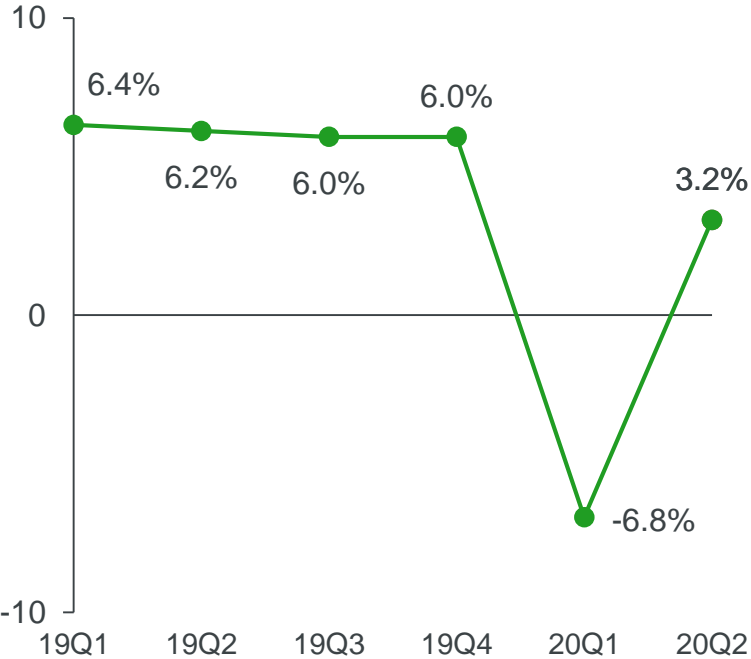


- New equipment
- Modernization
- Maintenance

Strong recovery in China after challenging Q1



GDP growth



Key drivers:

- “Second wave” infections
- Export/import levels
- Employment recovery

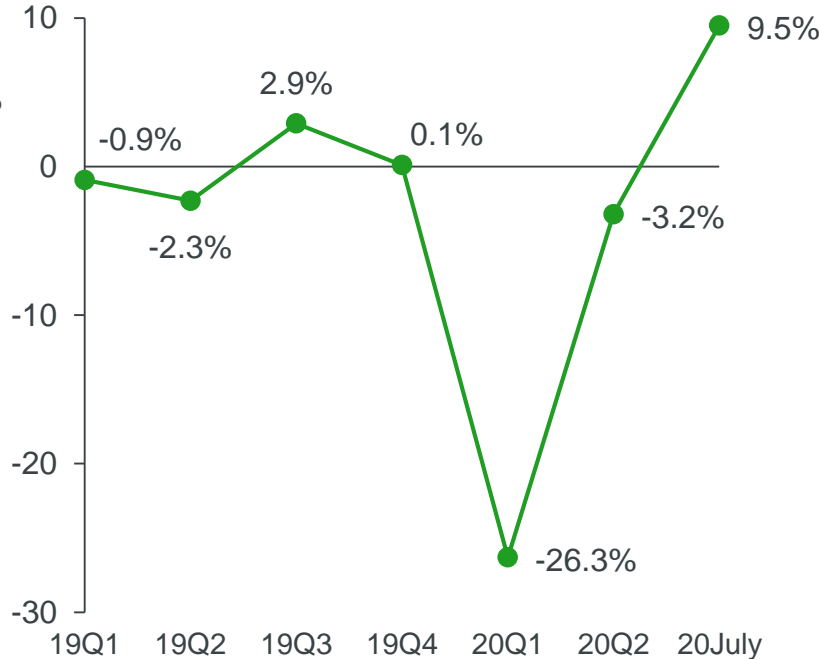
REI growth



Key drivers:

- Land sales and prices (local government support)
- Developers access to capital

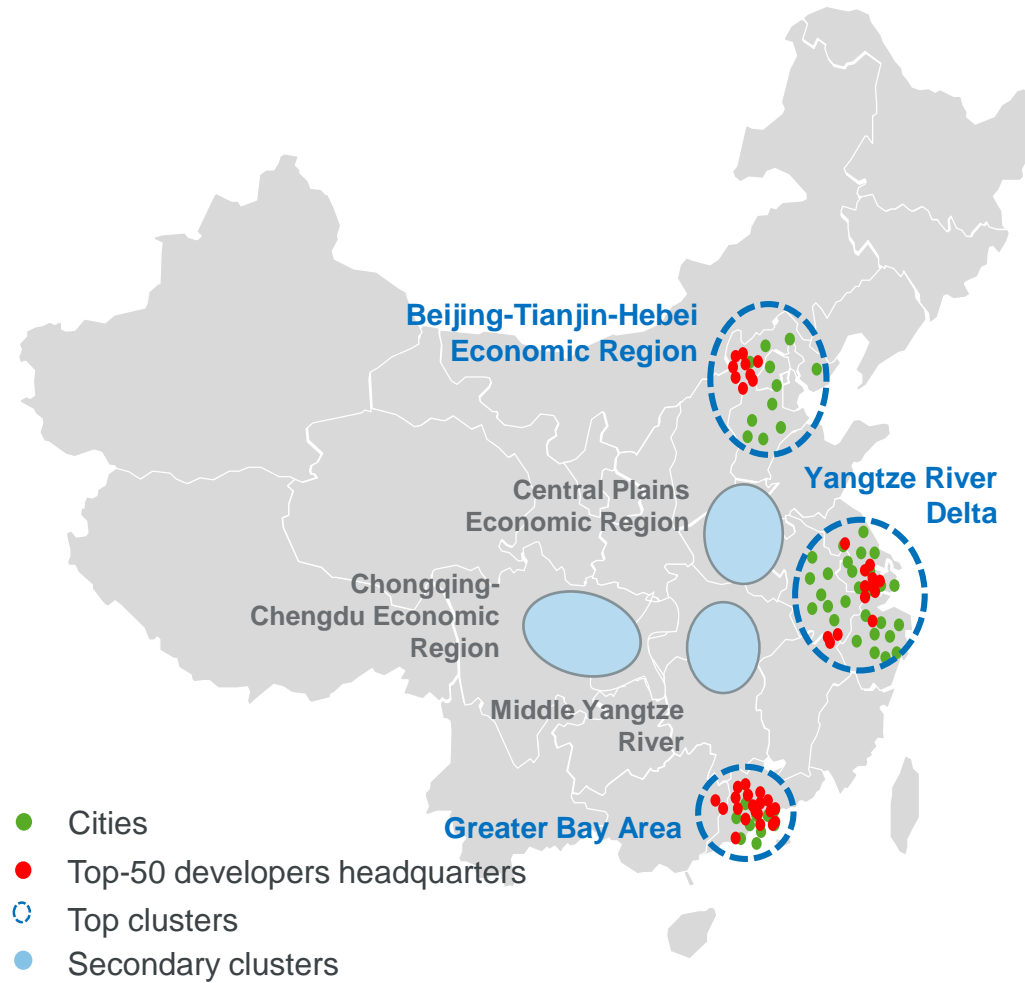
Property sales area growth



Key drivers:

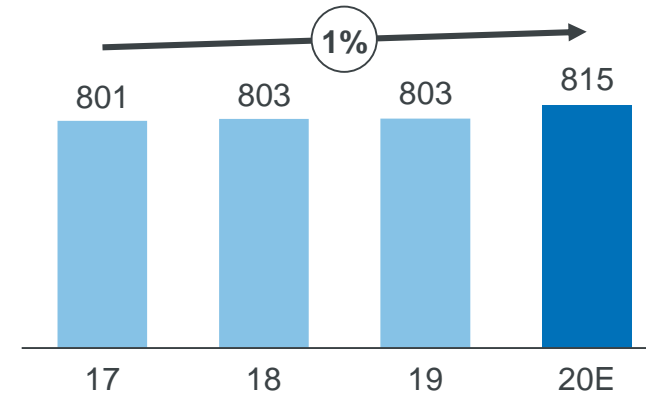
- Policy support (e.g. pricing, financing)
- Consumer sentiment (e.g. wage growth, unemployment, etc.)
- Property pricing growth

Key city clusters continue to drive urbanization growth



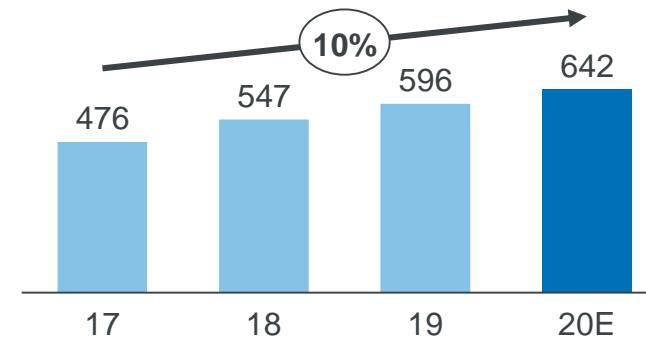
Railway investment

BRMB



Metro investment

BRMB



Source: China Railway Corporation, China Association of Metros, KONE estimates

“Housing is for living not for speculation” – government restrictions continues, further tightening likely in 2021

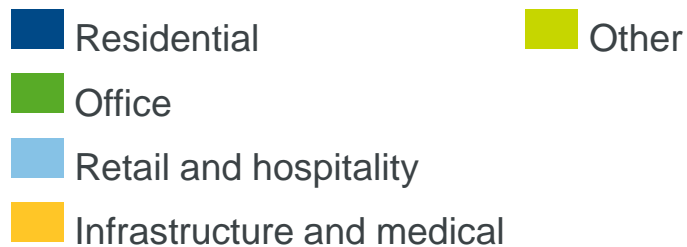
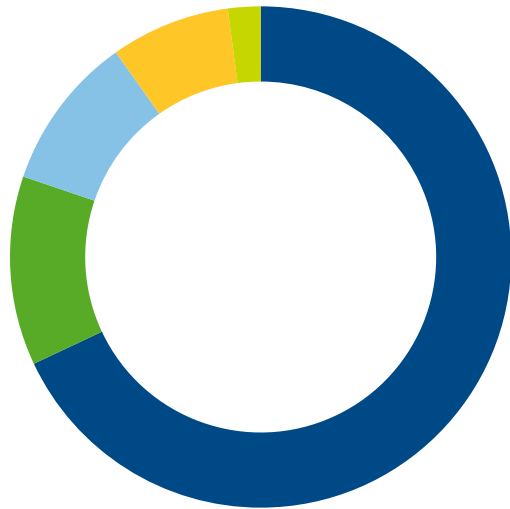
Developers	Buyers
Land purchases and land use Controls on type of development, strict idle land penalties, payment terms	Purchasing restrictions Controls on number of properties, eligibility to buy - closed loophole for false divorce
Financing Bank loans and bonds controlled; 3 bottom lines to limit developers debt risks	Down payment, mortgage interest Very strict mortgage terms for second and third property
Selling process Controls on pre-sales and selling price, stricter supervision on pre-sales funds	Re-selling Varying controls on re-selling the property - extended further in some cities

Margin and cash flow pressure for developers

Outlook for the Chinese market going into 2021

Exposure by customer segment

Indicative



Market outlook going into 2021

New equipment

Residential	↗
Office	↘
Retail and hospitality	↘
Infrastructure	↗

Maintenance

Continued brisk growth

Modernization

Single-digit growth in 2020, and low double-digit growth afterwards

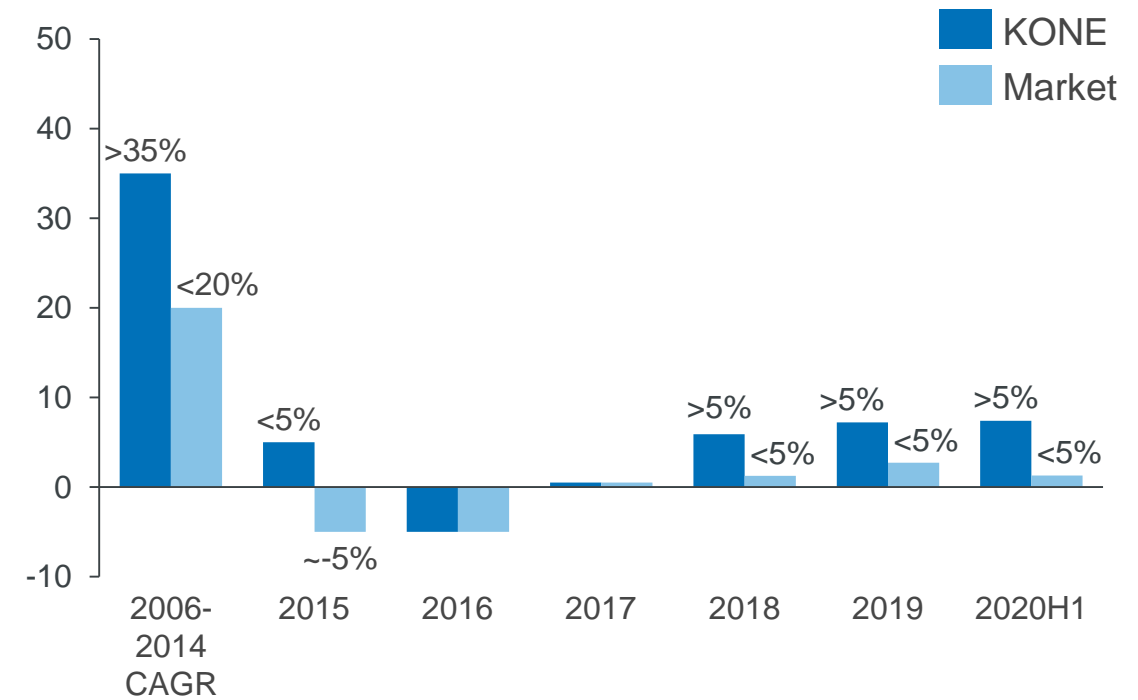
We continue to strengthen our position in new equipment



- KONE and GiantKONE one of the first OEMs to resume operations in mid-February → positive for reputation
- Our strengths:
 - Strong project execution
 - Service mindset
 - Competitive offering
 - Solid position among the big developers
 - Wide geographic coverage

Faster than market growth in new equipment with positive pricing

New equipment orders received in units vs. market development



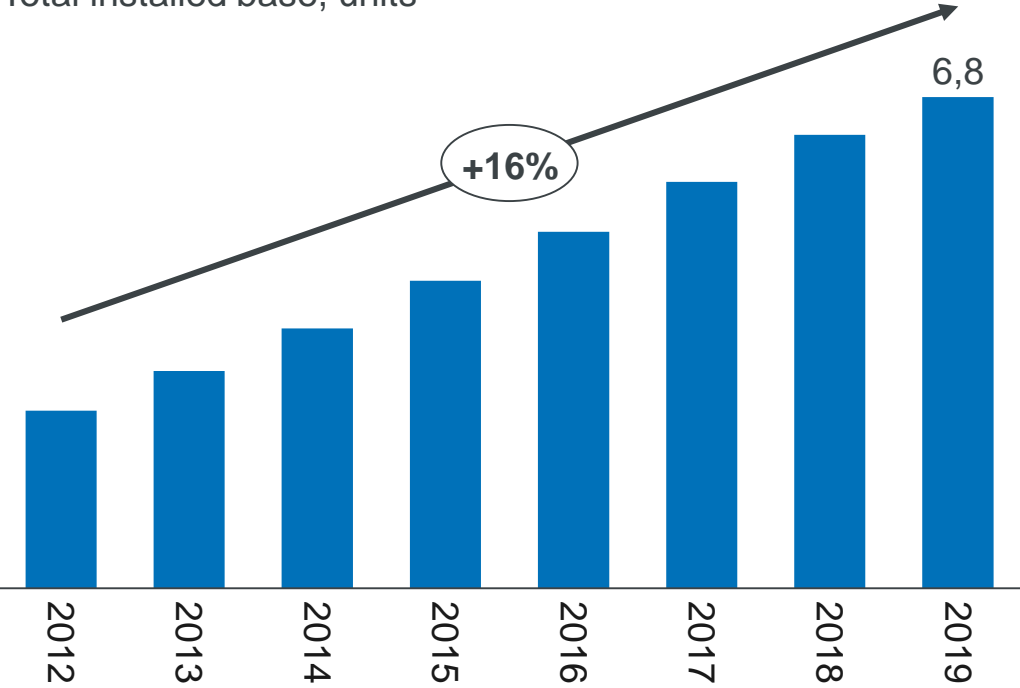
Source: KONE financial data; MI estimates

...and we want to capture more of the service opportunity in the longer term by leveraging connectivity



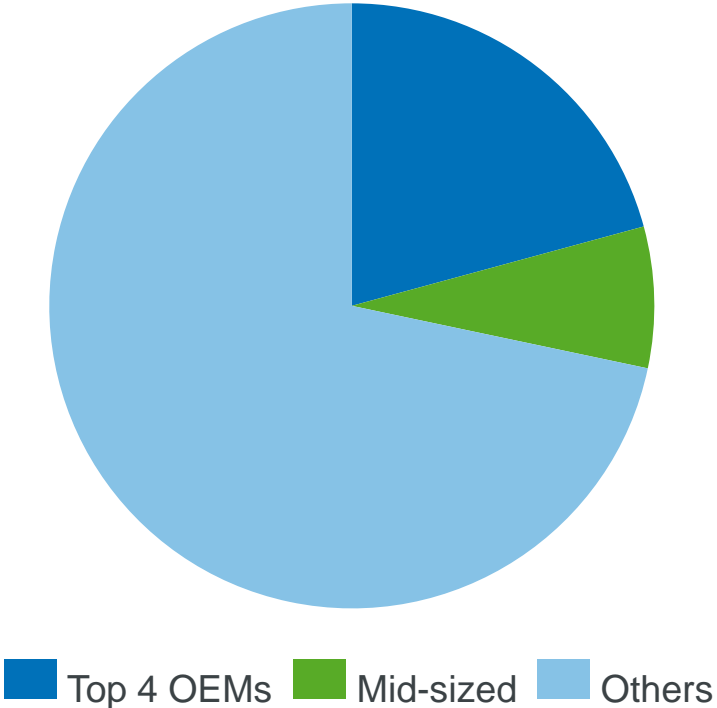
Maintenance market continues to grow briskly

Total installed base, units



...but is still very fragmented

% of maintenance market, units, 2019

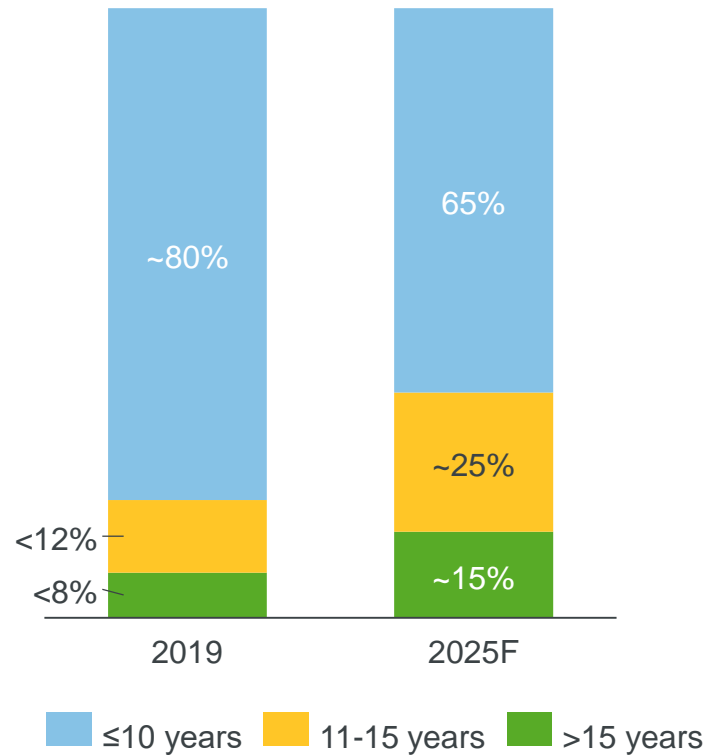


Great growth opportunities in modernization



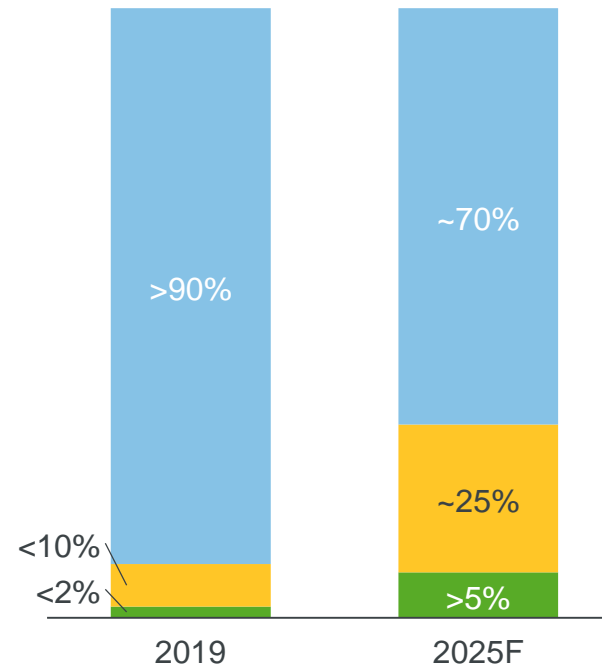
Age of the total installed base

Indicative



KONE's installed base is still young

Indicative



- We are currently capturing modernization opportunities mostly in non-KONE equipment
- We are starting to capture more modernization projects from our own installed base

Our focus areas in China

1

CUSTOMER-CENTRICITY

2

OPERATIONAL COMPETITIVENESS

3

SERVICES GROWTH

4

WINNING TEAM

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