

The background of the slide is an aerial night photograph of a city. A prominent feature is a tall, slender tower with a glowing top section and a vertical light strip. The surrounding area is filled with city lights, roads, and buildings, creating a vibrant urban scene.

KONE CHINA SITE VISIT 2019

# Delivering customer value and fulfilling our market opportunities

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SEPTEMBER 26, 2019



# Agenda

- KONE'S GLOBAL SUPPLY NETWORK
- KONE PARK, KUNSHAN
- CORNERSTONES OF OUR SUCCESS
- SUCCEEDING IN THE FUTURE
- SAFETY GUIDELINES

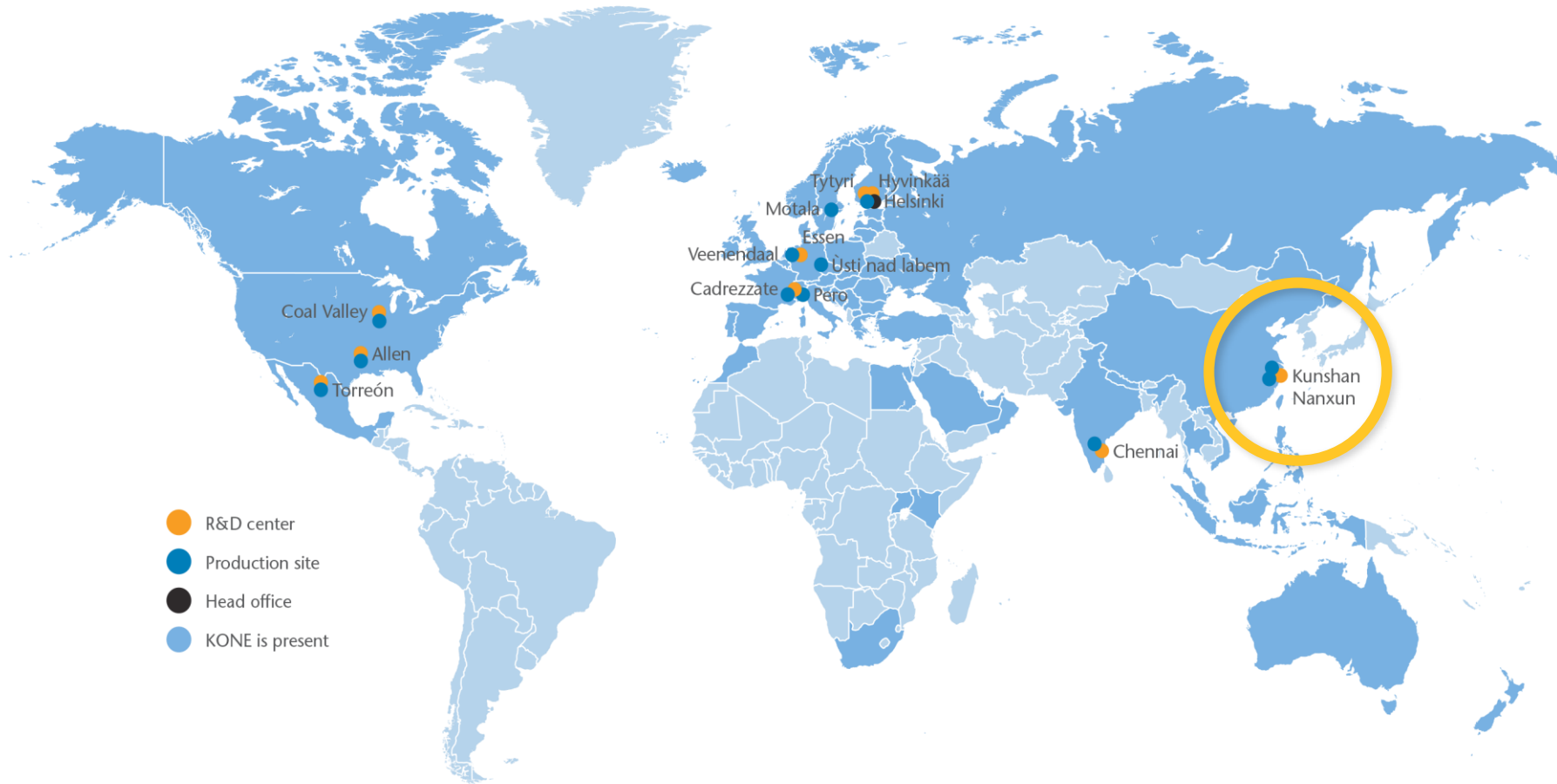




The image shows a large industrial factory interior. In the foreground, a worker wearing a blue hard hat and dark clothing is working on a large, complex metal frame structure. The frame is made of silver-colored metal beams and is positioned on a blue metal stand. In the background, there are several other similar metal frames, some of which are leaning against a wall. The factory has a high ceiling with yellow overhead cranes and various pipes and conduits. The floor is concrete with yellow safety lines. The overall scene depicts a busy manufacturing environment.

**KONE's global  
supply network**

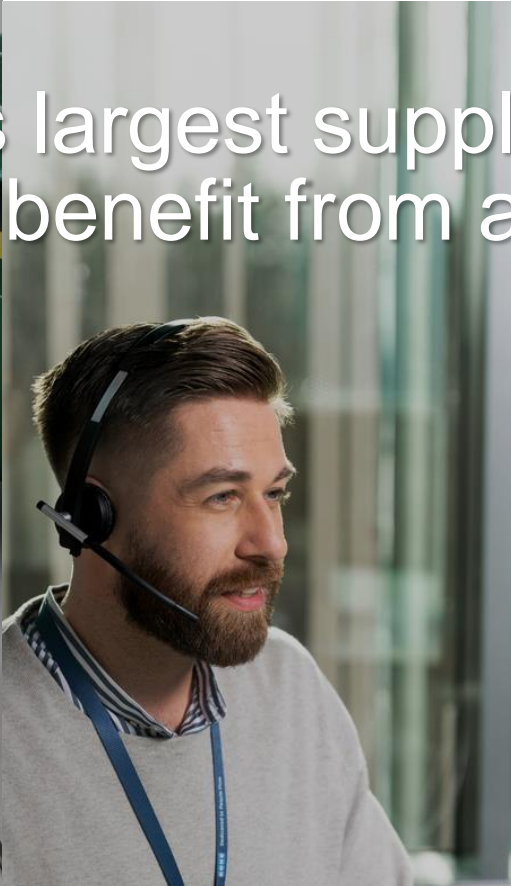
# We have a globally connected supply model



The China supply operations, incl. KONE Park and three distribution centers, is a key part of our global supply network



# As KONE's largest supply chain, the China supply operations benefit from a globally connected supply network



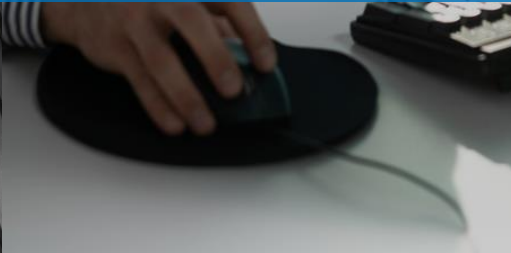
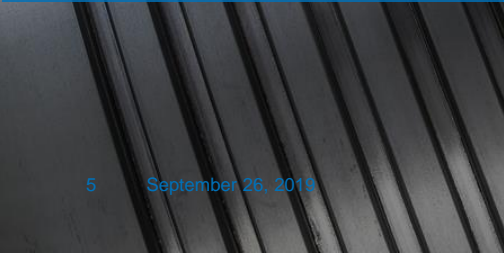
**Import and export of KONE components**

**Shared global development team resources**

**Collaboration in mid-to-long term local and global level sourcing**

**Co-innovation together with on-site R&D centers**

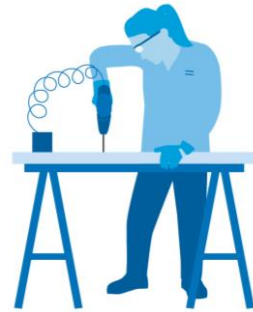
**Customer co-creation across the delivery chain**



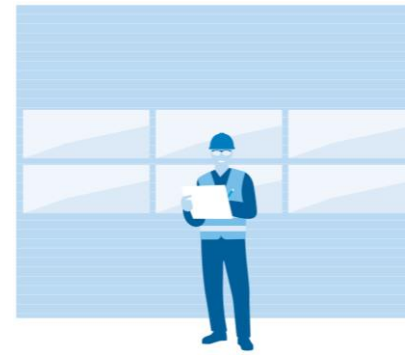
# We leverage a capital-light and efficient network of suppliers, KONE factories and distribution centers



Largely co-located and competitive supplier base



KONE factories focus on manufacturing of key components and testing



Efficient material flows to through strategically located distribution centers



The final assembly at customers' installation sites



The image shows a large industrial factory with a high ceiling and yellow overhead beams. In the foreground, a worker in a blue hard hat and dark uniform is working on a large, complex metal truss structure. The structure is made of silver-colored metal beams and is being assembled or repaired. In the background, there are more similar structures and various pieces of machinery. A sign with the Chinese characters "六线" and "Line 6" is visible on a wall in the distance. The overall scene is a busy manufacturing environment.

# KONE Park, Kunshan



# KONE's largest supply unit with over half of KONE's deliveries

- KONE's largest supply unit with a land area of 240,000 m<sup>2</sup> and one of the tallest elevator test towers in the world
- More than half of KONE's elevators and escalators are delivered from Kunshan
  - Deliveries to over 120 countries, China clearly the largest
- More than 2,000 people work at KONE Park, Kunshan
- Co-located technology center and other supply chain and global functions to support the local business
- Flexible operation according to actual demand



ISO 14001 &  
ISO 9001 certified



LEED Gold certified







## Milestones in China

- 1996 KONE registered in Kunshan
- 1998 Opening
- 2006 Extension
- 2013 KONE Park opening
- 2014 Received LEED Gold status
- 2015 236 m elevator test tower opening
- 2017 Escalator factory extension
- 2019 Solar park



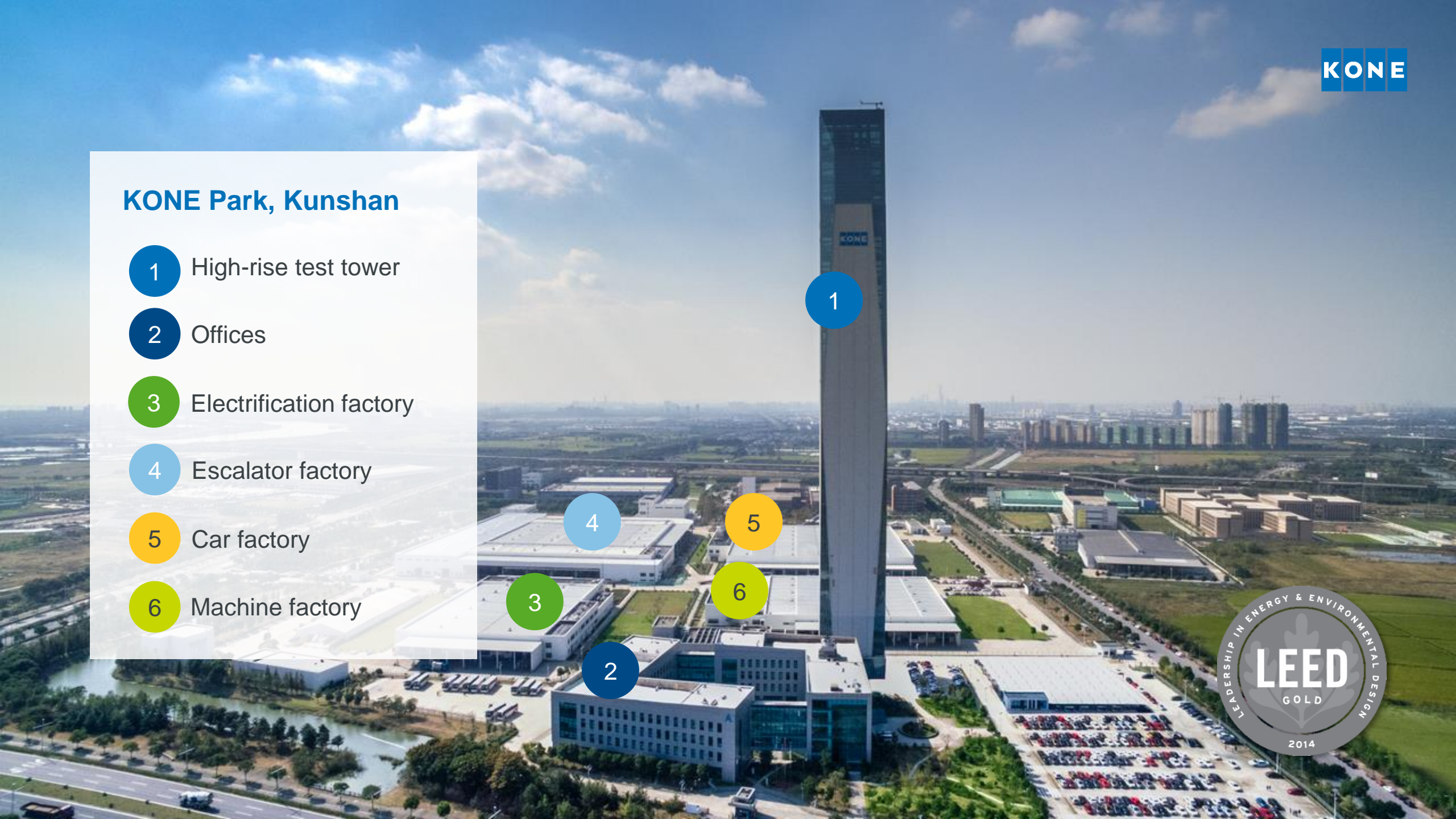
In July 2019, we opened a solar park in Kunshan, that provides over a third of our entire energy consumption





## KONE Park, Kunshan

- 1 High-rise test tower
- 2 Offices
- 3 Electrification factory
- 4 Escalator factory
- 5 Car factory
- 6 Machine factory





# KONE Park is home for four factories and two test towers



## Machine factory

8,200 m<sup>2</sup>

Four semi-automated, one-piece flow manufacturing lines



## Electrification factory

8,600 m<sup>2</sup>

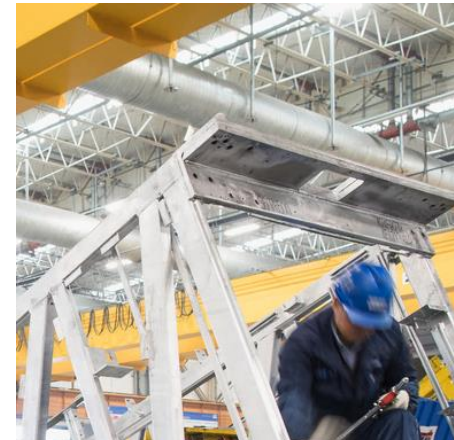
Assembly and testing of electrification systems



## Car factory

16,000 m<sup>2</sup>

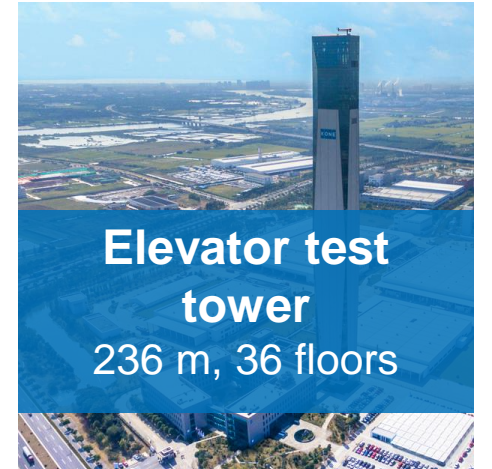
Largely automated shearing, punching and bending of metal sheets



## Escalator factory

28,000 m<sup>2</sup>

Standard and heavy-duty escalator and autowalk assembly



## Elevator test tower

236 m, 36 floors



## Escalator test tower

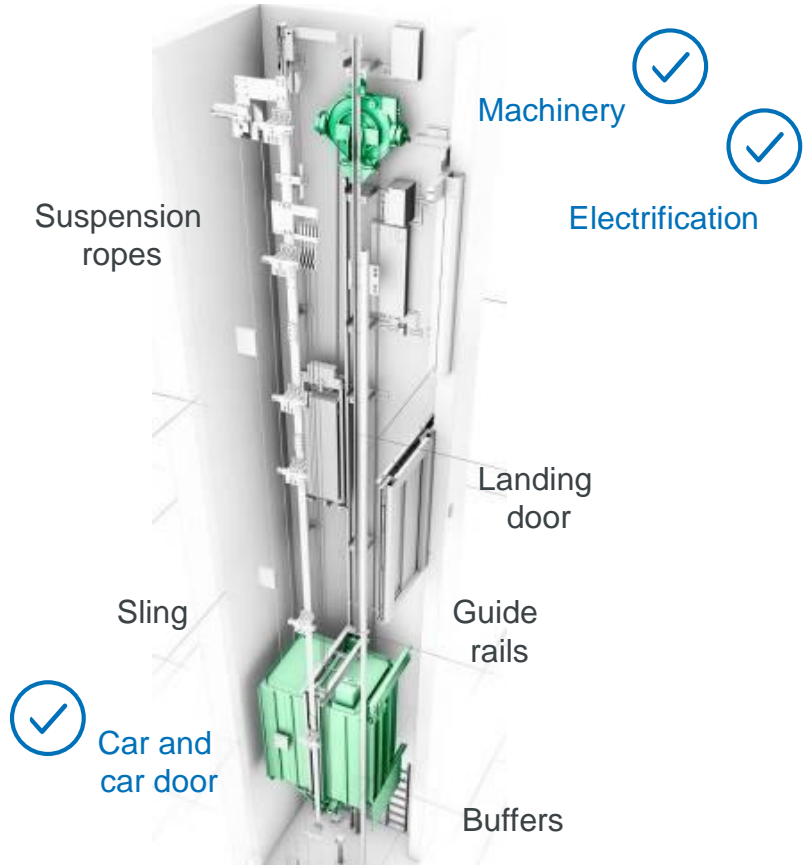
40 m



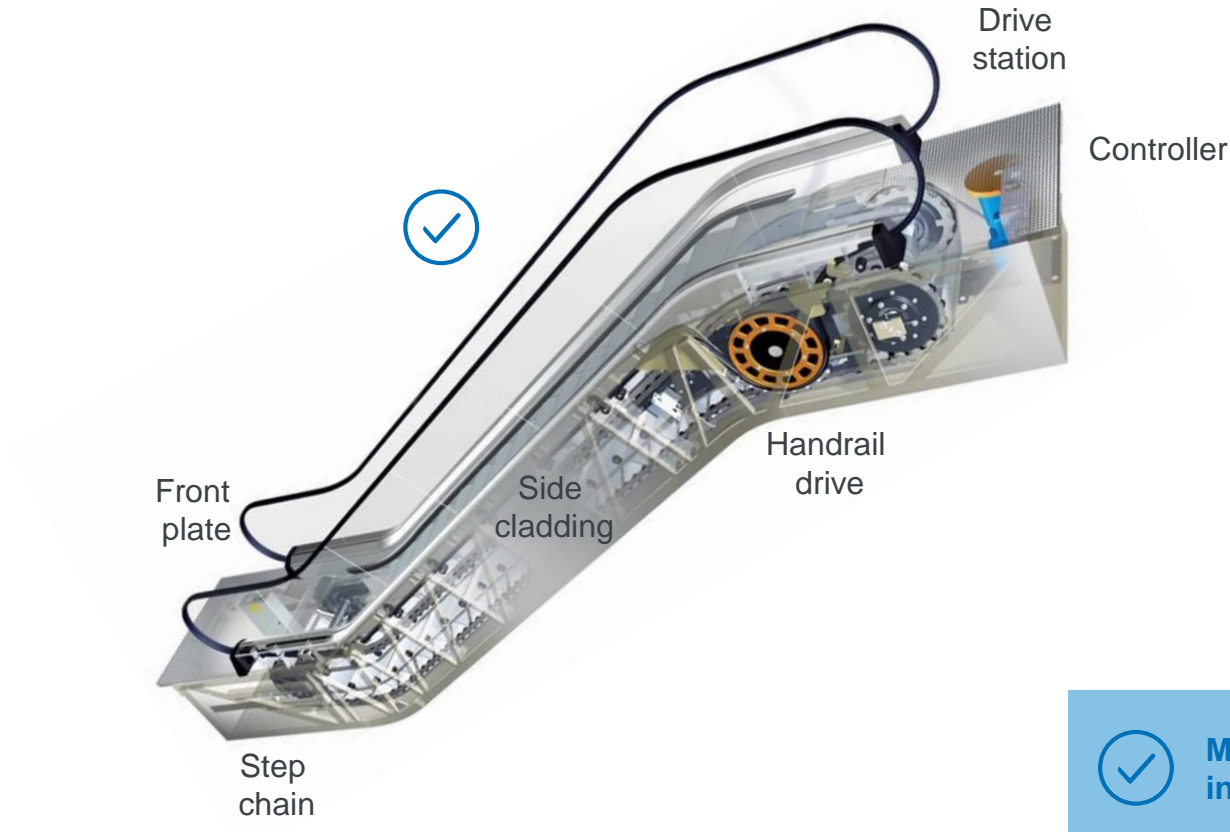
# Elevators are delivered as modules, while escalators are delivered as full units



## The main components of an elevator



## The main components of an escalator



 **Manufactured in Kunshan**



The image shows a large industrial factory interior. On the left, a long row of white-painted aluminum truss frames is laid out on the floor. In the center and right, a worker wearing a blue hard hat and dark clothing is working on a large, complex aluminum truss structure. The worker is using a power tool, possibly a drill or screwdriver. The background shows the factory's infrastructure, including yellow overhead cranes, pipes, and structural beams. The lighting is bright and even.

Cornerstones of  
our success



# Key attributes to the success



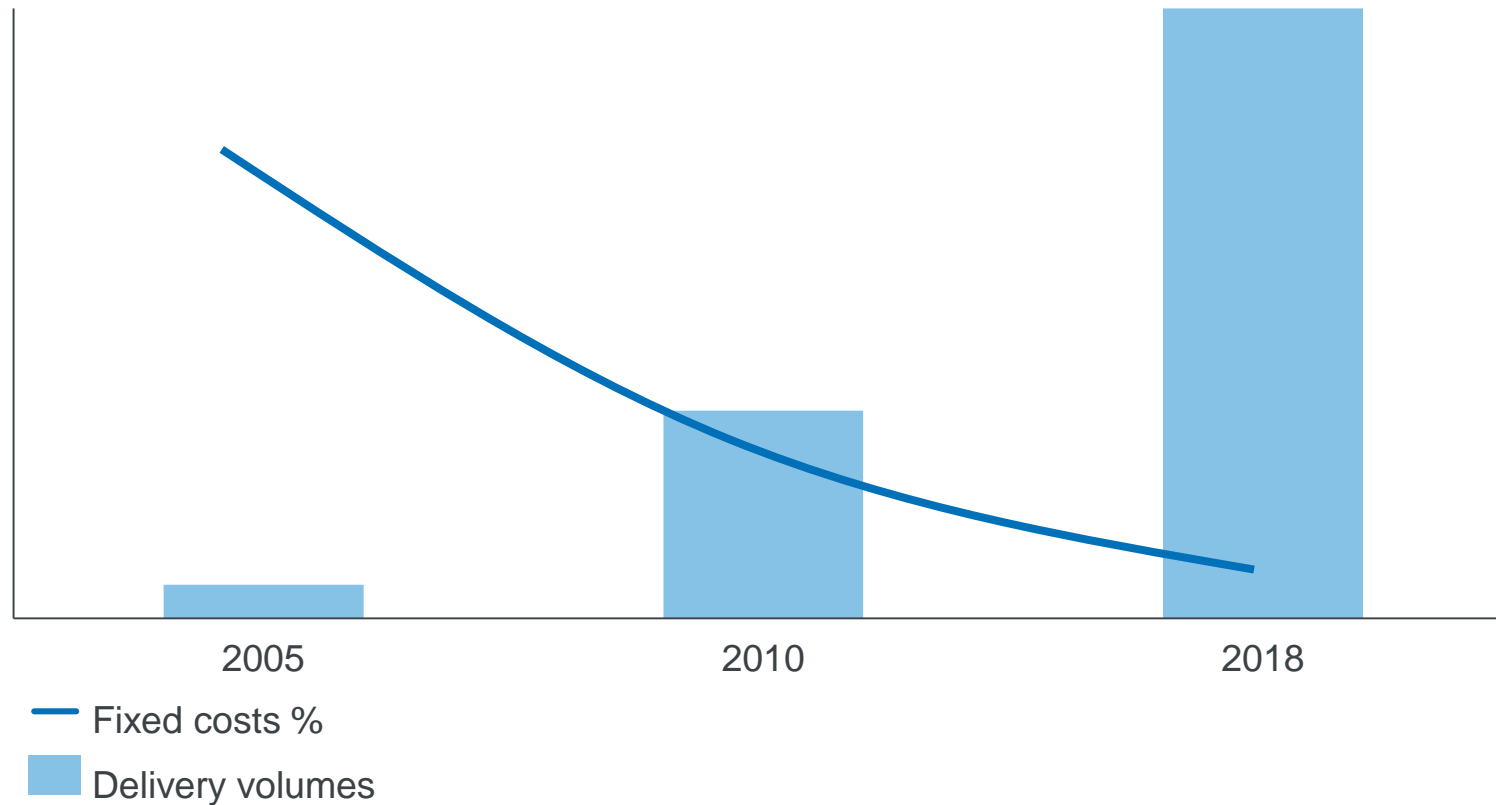
= Seamless and cost-competitive deliveries that have responded to customers' needs



# With our scalable operating platform, we have grown profitably

## Deliveries and fixed cost % at the China supply operations

Indicative





# The China supply operations is a benchmark supply line in terms of operative performance



**Continued stable and high level in timeliness**  
2015-2018

**>98%**

The complete on time rate has consistently been above 98%

**Ability to deliver fast for customer that value it**

**7 d**

We are now capable of delivering within 7 working days

**Strong development in product quality**  
2015-2018

**>10%**

The early failure rate has decreased by >10% per year

**Consistent improvement in resource efficiency**  
2015-2018

**-4%**

Electricity consumption (MWh) per delivered unit has decreased by 4% per year



The image shows a large industrial factory interior. In the foreground, a worker wearing a blue hard hat and dark clothing is working on a large, complex metal truss structure. The structure is made of silver-colored metal beams and is being assembled or repaired. In the background, there are several other similar truss structures, some of which are white. The factory has a high ceiling with yellow overhead cranes and various pipes and conduits. The floor is concrete with yellow safety lines. The overall scene depicts a busy manufacturing environment.

Succeeding in  
the future



# In order to succeed in the future, we are focusing on four building blocks



KONE's strategic targets



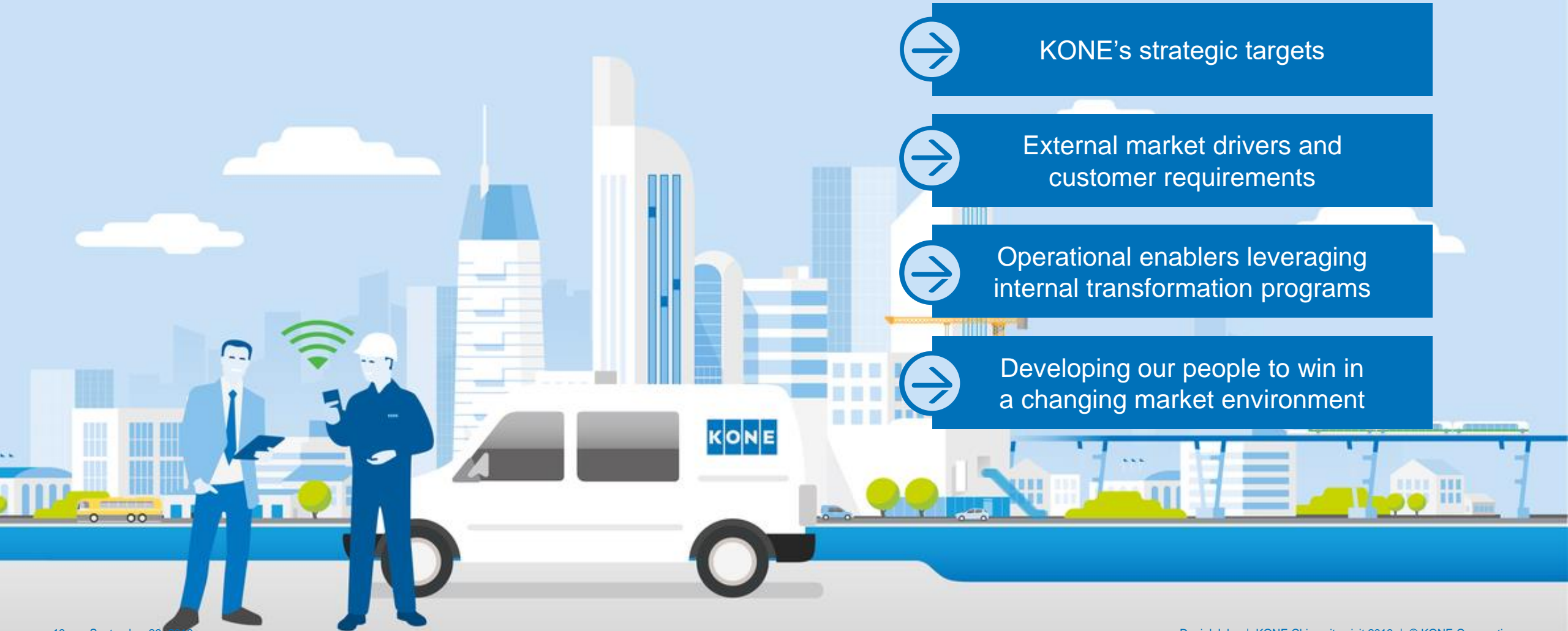
External market drivers and customer requirements



Operational enablers leveraging internal transformation programs



Developing our people to win in a changing market environment





# The China supply operations contribute to KONE's strategic targets



## STRATEGIC TARGETS

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Most loyal customers

Great place to work

Faster than market growth

Best financial development

Leader in sustainability

Improved **customer focus**

Improved **employee engagement**

Successful increase in **delivery volume**

Continuous **productivity and competitiveness** improvements

**Green energy** reached 35% of total electricity consumption



# Customers' expectations are changing and to succeed in the future, we need to respond

## Market drivers

- Consolidation among large developers continues, increasing their purchase power
- Competition is expected to remain intense
- Customers value reliability and speed, high quality service and latest technologies



## KONE's response

- Exceling further in operational performance
- Differentiating on lead time, responsiveness and time-to-market
- Having a competitive and digital offering
- Customer-specific, non-standard solutions



## How we'll get there

- Continuous improvement of processes and tools
- Co-innovation with customers and suppliers
- More frequent, agile releases
- Higher use of digital solutions and data utilization



## Summary

- The China supply operations is KONE's largest, globally connected, supply unit
- The scalable operating platform is key to our success
- To succeed in the future, we are focusing on our strategic targets, customers, operational enablers and our people





The image shows a large industrial factory interior. In the foreground, there are several large, white, truss-like metal structures. In the background, a worker wearing a blue hard hat and dark clothing is working on a similar structure. The factory has a high ceiling with yellow overhead cranes and various pipes and equipment. A sign in the background reads "六线 Line 6".

# Safety guidelines



# Safety guidelines for the visit to KONE Park, Kunshan



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We will tour the factory in four groups led by KONE personnel



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Two factories will be visited in a golf cart, two by foot



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Please stay strictly in the designated area and follow the instructions of the group leader



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Please do not take photographs inside the factories. Photography is allowed outside



Dedicated to People Flow™

