

KONE's strategy 2025-2030

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KONE Capital Markets Day 2024

27 SEPTEMBER 2024

KONE CAPITAL MARKETS DAY 2024 © KONE CORPORATION

Dedicated to
People Flow™

KONE as an investment

RESILIENCE

~90% of profits from
Service and Modernization

Modernization

GROWTH

Targeting mid-single digit
sales growth

INNOVATION

Track record in shaping the
industry

PROFITABILITY

Targeting 13-14% adjusted
EBIT margin by 2027

SUSTAINABILITY

First in the industry with
Science Based Targets

RETURN ON CAPITAL

Capital light business
model

Agenda

1. Where we are today
2. Market opportunities
3. KONE's strategy for 2025-2030

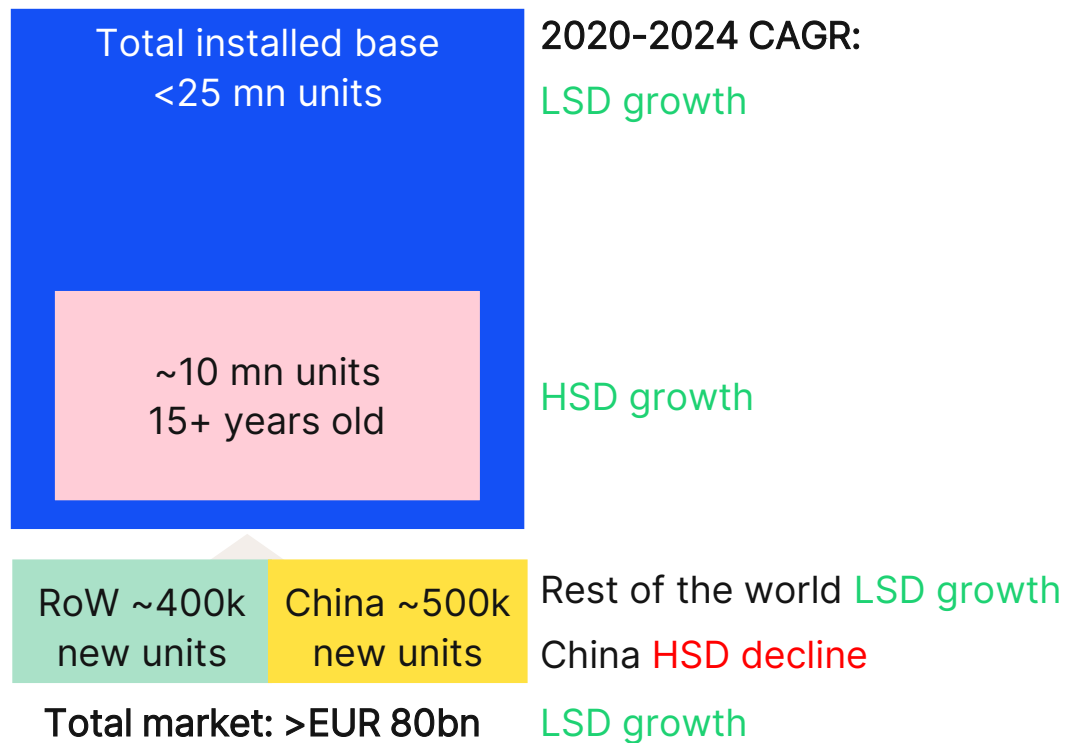


Where we are today

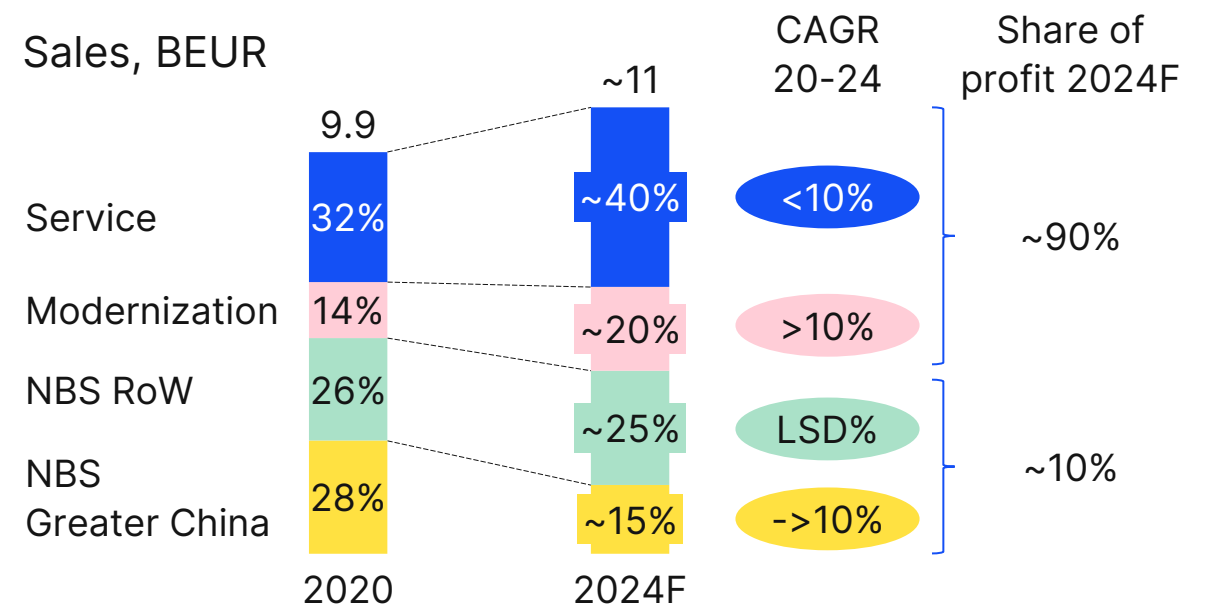
1

We have started to transform as markets are shifting towards Service and Modernization

Elevator and escalator market



KONE

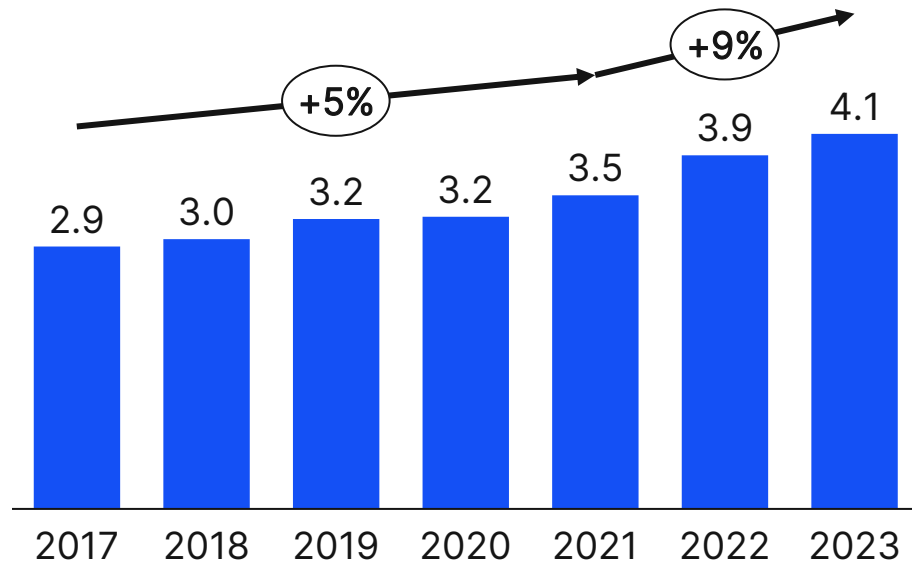


85% of sales in growing markets, and around 90% of profit from Service & Modernization – a highly resilient business

Our Service and Modernization growth has accelerated

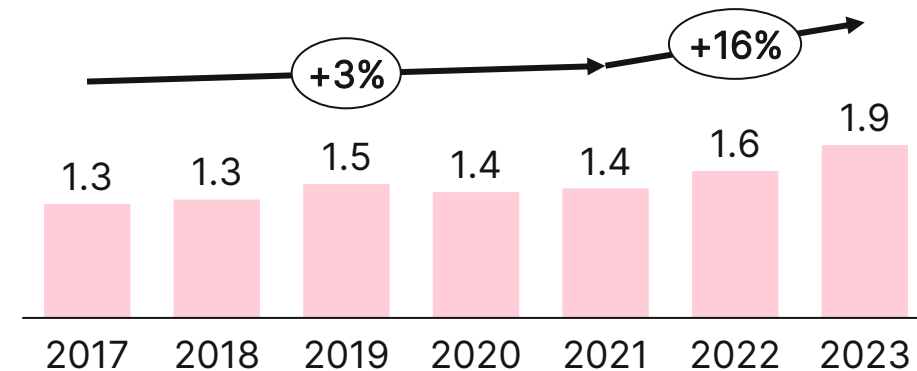
KONE's Service sales

BEUR



KONE's Modernization sales

BEUR



Market opportunities

2

Urbanization, technological development and sustainability continue to shape our industry

Urbanization

- 70% of people to live in cities by 2050 – pressing need for **affordable living**
- Role of **urban renewal** increasing

Digital

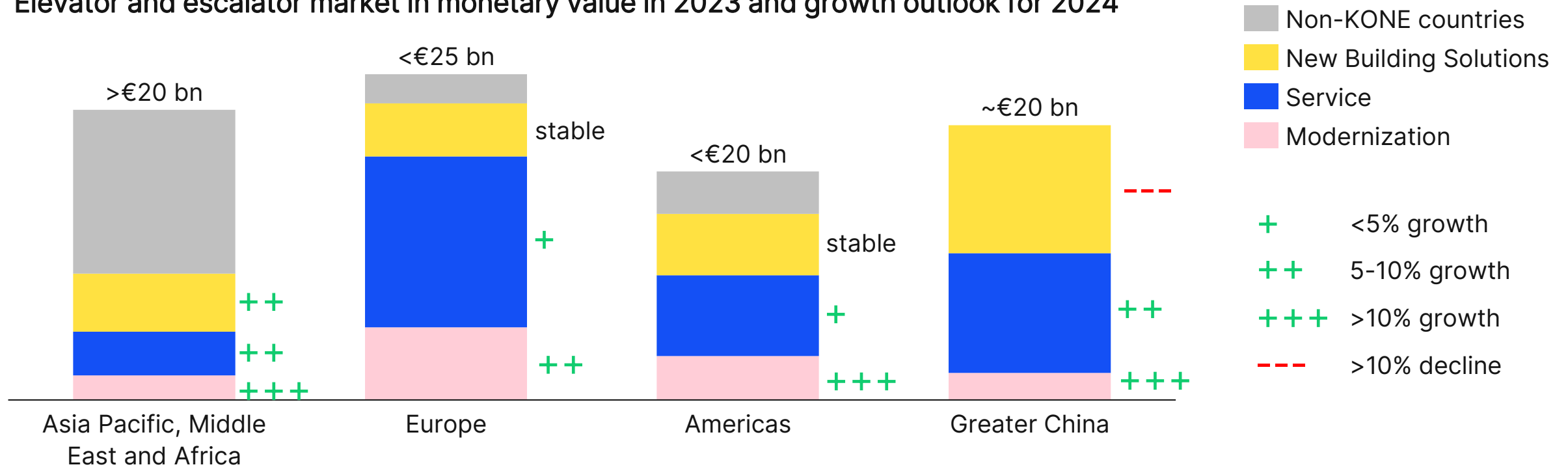
- Digital technologies driving efficiency and superior customer value
- AI with potential for up to **20% labor productivity** and **10% GDP growth** uplift over the next decades

Sustainability

- Built environment accounts for ~40% of global carbon emissions
- Hundreds of cities committing to carbon neutrality; **customers setting ambitious climate targets**

The elevator and escalator market outlook is overall positive

Elevator and escalator market in monetary value in 2023 and growth outlook for 2024



Service market: Steady growth in installed base and significant opportunities from digitalization

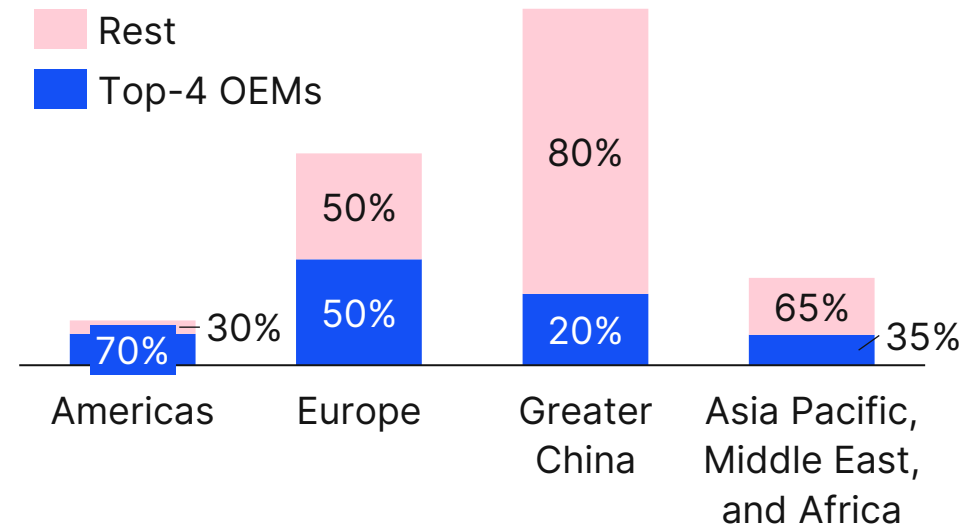
Key themes

1 Digital transformation redefining the industry: Value for customers (safety, transparency, efficiency) and efficient service delivery for elevator OEMs

2 Opportunities for consolidation in the fragmented market through improved service stickiness and acquisitions

Top 4 OEM's share of market in units

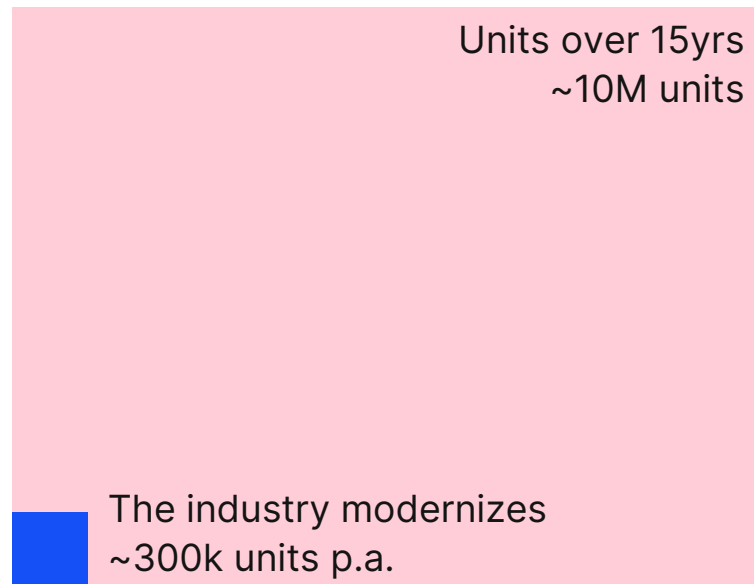
Indicative estimates



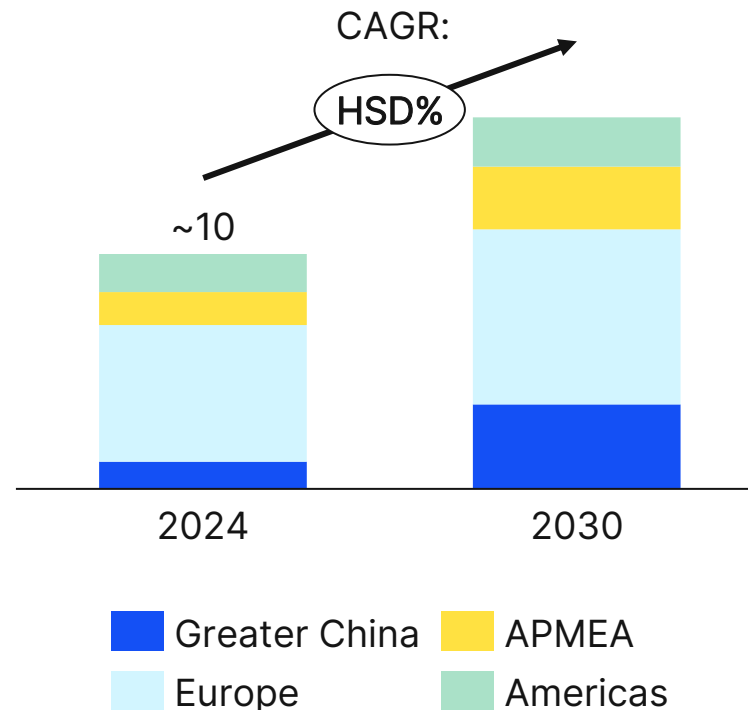
Recipe for success: combination of digital capabilities, skilled people & density in service base

Modernization market: Huge potential in the aging installed base

Modernization debt accumulating



Number of >15-y-o units growing

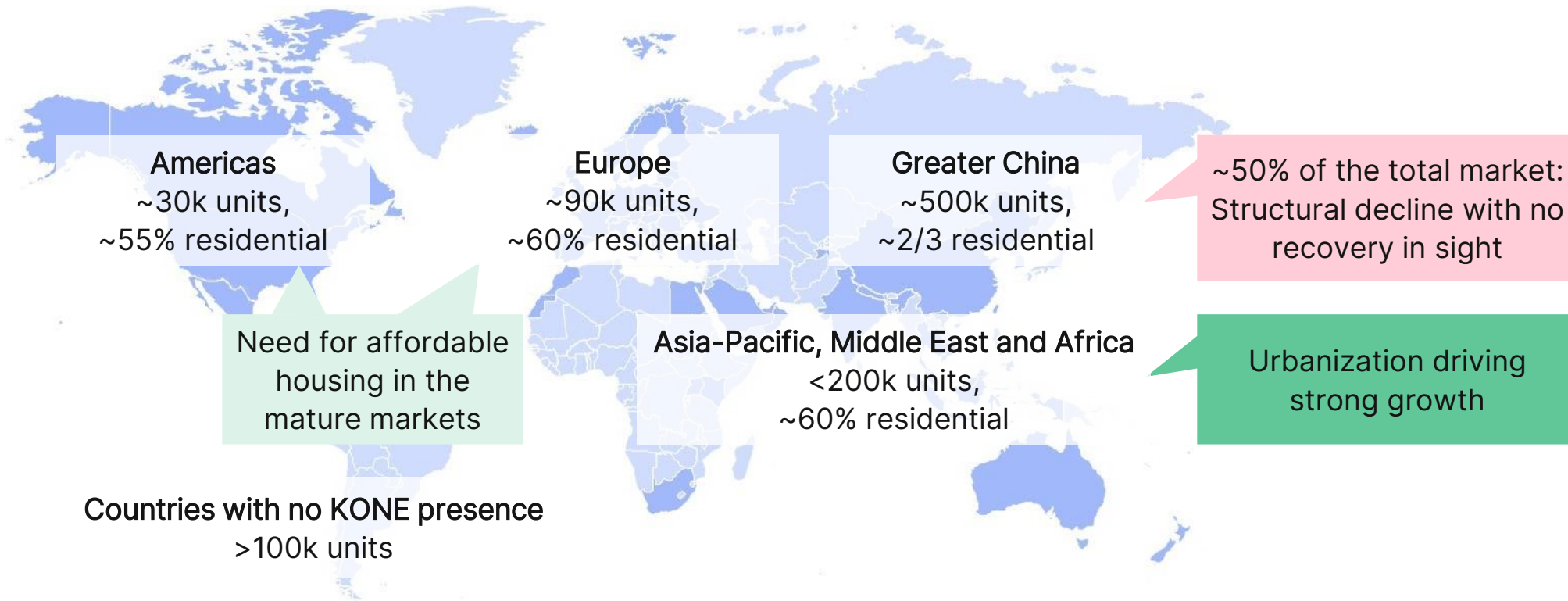


The debt has accumulated over time – why will the market materialize now?

- More focus from the industry
- Favorable regulation and policies
- Market needs: sustainability, safety, reliability

New Building Solutions market: Growth opportunities in urbanizing countries, Chinese market in structural decline

New elevator and escalator market <1 million units in 2023



KONE's strategy for 2025-2030

3

Rise to lead

#1 for Employees & Customers • Innovation & Sustainability • Growth & Profitability



**Accelerate
Digital**



**Drive
Modernization**



**Win
Residential**



**Cut
Carbon**

Core: Easiest to work for and work with

Accelerate Digital to fundamentally transform how we do service

Connectivity and data key enablers → **New norm**

More **customer value**
through transparency,
safety and uptime

→ Higher conversion and
retention rates

Smarter service delivery
through digitally enabled
technicians

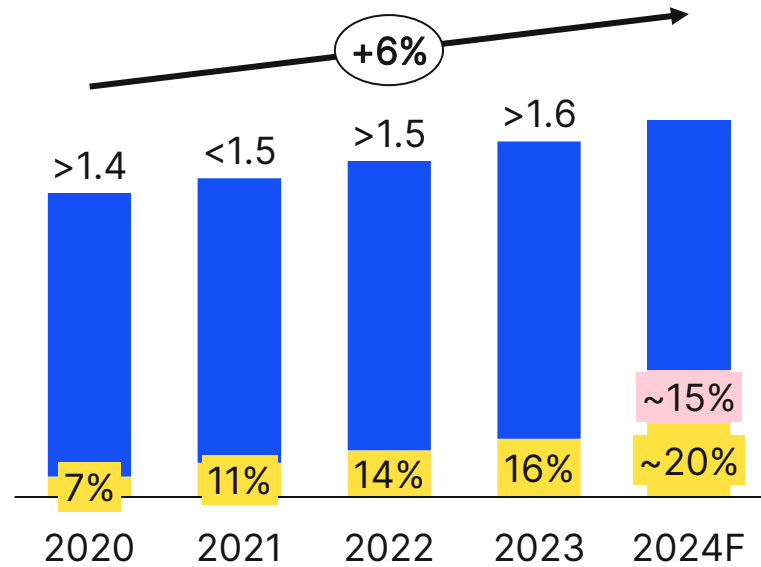
→ Up to 30% **productivity
improvement potential**

→ Close to **10% sales growth** and improving profitability



We see the benefits of digitalization already coming through – connectivity to become the new norm

Connectivity penetration increasing...
Units in service base, mn
Share of connected units



...creating tangible customer value...
24/7 Connected vs. non-24/7 units

70%
Of all potential faults identified proactively

40%
Fewer callouts

...translating to improved stickiness and margins

~10 pp higher
Conversion rate

~5 pp higher*
Retention rate

Simple connectivity 24/7 Connected units

Drive Modernization

the opportunity is as big as we make it

Activate customers to modernize

Differentiate with clear customer value

→ Safety, energy efficiency (up to 70%), lower emissions, digitalization

Scale and speed through industrialization

→ 1-day customer downtime as ambition in partial Modernization

→ **Double-digit sales growth** and improving profitability in Modernization; contributing to Service growth



Exciting opportunities within and outside our service base

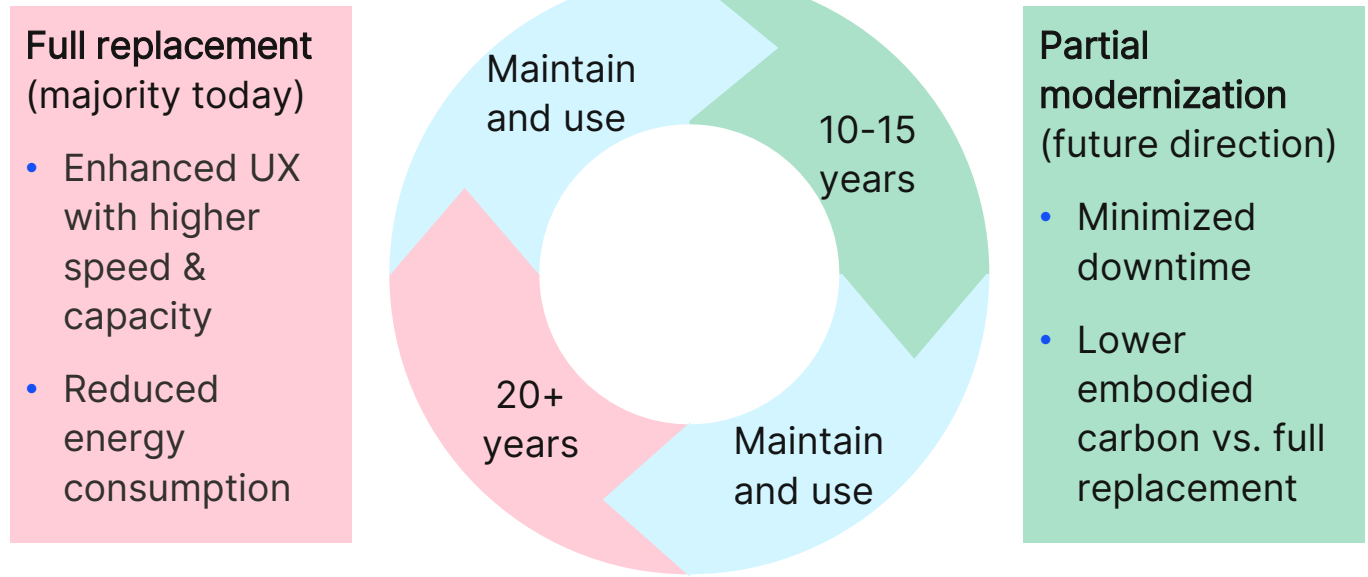
Today ~50% of our modernizations are within our service base

- We understand the condition and usage of the equipment

Exciting opportunities also outside our service base

- >1 million KONE units maintained by others
- Increasing share of wallet with existing customers
- Major projects

Two types of modernization



Win Residential the industry's largest segment

Develop fit-for-purpose offerings in New Building Solutions

Drive efficiency in sales and delivery

Realize lifecycle vision

→ Increase market share with improving profitability in New Building Solutions; Contribute to Service growth



Cut Carbon helping customers decarbonize

Reduce own carbon footprint:

50% reduction in Scope 1 & 2 emissions

40% reduction in Scope 3 emission per order received

Increase the share of
carbon reducing
revenue to help
customers decarbonize

Develop competencies
and tools to show
impact

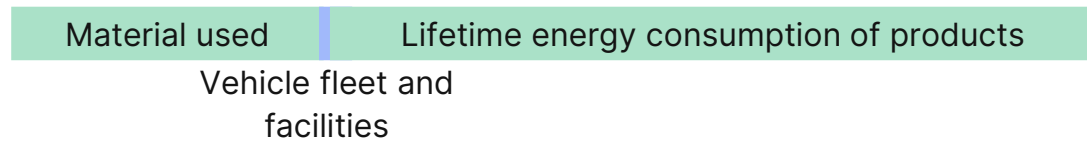
→ Differentiation and positive impact on the planet and
our customers



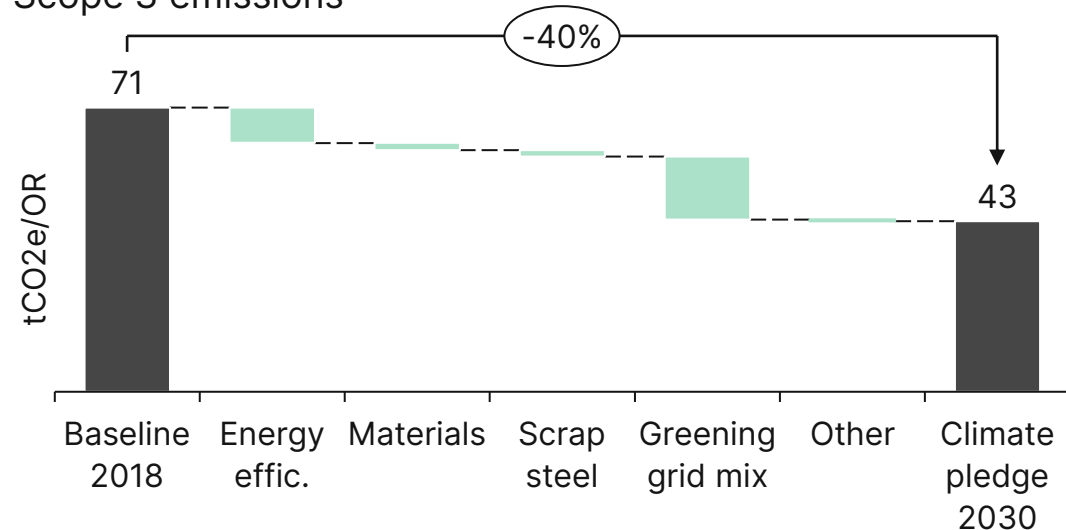
Reducing our own and our customers' carbon footprint

We are on track to reach our climate pledge

KONE's total CO2 footprint



Scope 3 emissions



Carbon reducing revenue



Regenerative drive:

- Energy converted by elevator to be utilized by any other electrical device in the building



Partial Modernizations:

- Extended elevator lifespan
- Lowered embodied carbon
- Reduced energy costs



Digitally enabled service:

- Less frequent visits
- Low-emission car fleet

Strengthening our core with targeted initiatives

Performance initiatives to drive margins

- Sales and operations excellence & pricing
- Procurement efficiency
- Functional efficiency
- End-to-end process improvement



Up to 150 bps
margin improvement
potential

Cultural change: Courage to set the bar high – Speed in execution – Simplicity in everything we do

How we measure success

#1 for Employees & Customers • Innovation & Sustainability • Growth & Profitability

- Employee engagement
- Customer net promoter score

- Share of new solutions
- Sustainability:
 - Carbon emissions
 - Safety
 - Diversity
 - Cybersecurity

- Faster than market growth
- Improvement in adjusted EBIT-%
- Improved working capital rotation

We are focused and committed to...

- Accelerating KONE's transformation into a more resilient, Service and Modernization-based business
- Driving a culture of courage, speed and simplicity
- Delivering mid single-digit sales growth and 13-14% adjusted EBIT margin by the end of 2027



Strong management team – focused and committed



PHILIPPE DELORME
President & CEO



NICOLAS ALCHAL
Europe



JOE BAO
Greater China



AXEL BERKLING
Commercial &
Operations



KAIJA BRIDGER
People &
Communications



JOHANNES FRÄNDE
General Counsel



SAMER HALABI
Asia-Pacific, Middle
East and Africa



ILKKA HARA
CFO



MIKKO KORTE
Supply Chain



TOMIO PIHKALA
Chief Technology
Officer



KEN SCHMID
Americas



KAORI UEHIGASHI
Strategy &
Transformation

An aerial photograph of a city, likely Helsinki, Finland, showing a dense urban landscape with numerous buildings, streets, and a waterfront area. The sky is a mix of blue and light grey clouds. A large white rectangular box is superimposed over the upper portion of the image, containing the letter 'K'.

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