



KONE as an investment

EQUITY STORY

2020

KONE as an investment

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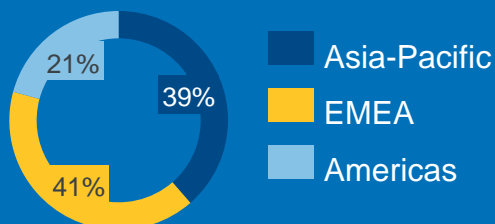
- Global leader in a long-term growth industry
- Stability through the life-cycle business model
- Competitiveness from customer centricity, innovations and productivity
- A capital-light and cash-generative business model
- Long-term growth supported by sustainability



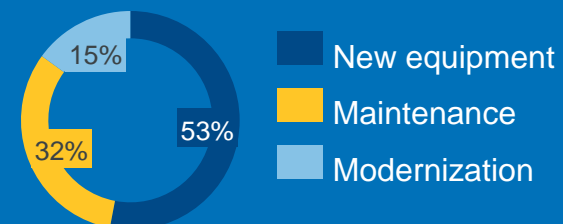
KONE today

- One of the global leaders in the elevator and escalator industry
- We offer innovative and sustainable new equipment solutions, ensure the safety and availability of equipment in operation and offer modernization solutions for aging equipment
- Founded in Finland in 1910, significant family ownership in the 4th generation
- ~60,000 employees and ~500,000 customers
- Sales EUR 10 billion and adjusted EBIT EUR 1.2 billion in 2019
- Listed on the Nasdaq Helsinki, market cap EUR 30 billion on December 31, 2019

Sales by region
2019



Sales by business
2019



A typical day at KONE

~500,000
customers

>1.3m
units in
service

Moving
>1bn
people
per day

Operations
in >60
countries

Agents
& distributors
in ~100
countries

>500 units
delivered
per day

~70,000
maintenance
visits
per day

OUR BUSINESSES

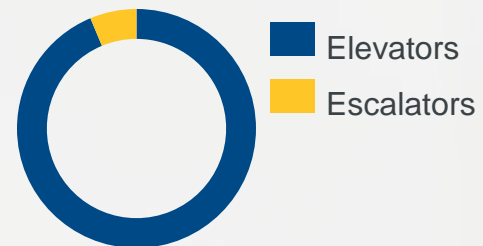
New Equipment

KONE offers innovative and eco-efficient passenger and goods **elevators** for all types of buildings, from low and mid-rise structures to the world's tallest skyscrapers.

KONE **escalators** and **autowalks** set industry standards for safety, eco-efficiency and visual design. Their high quality and reliability translate into a low total cost of ownership over their operational lifespan.

Sales, new equipment

1-12/2019

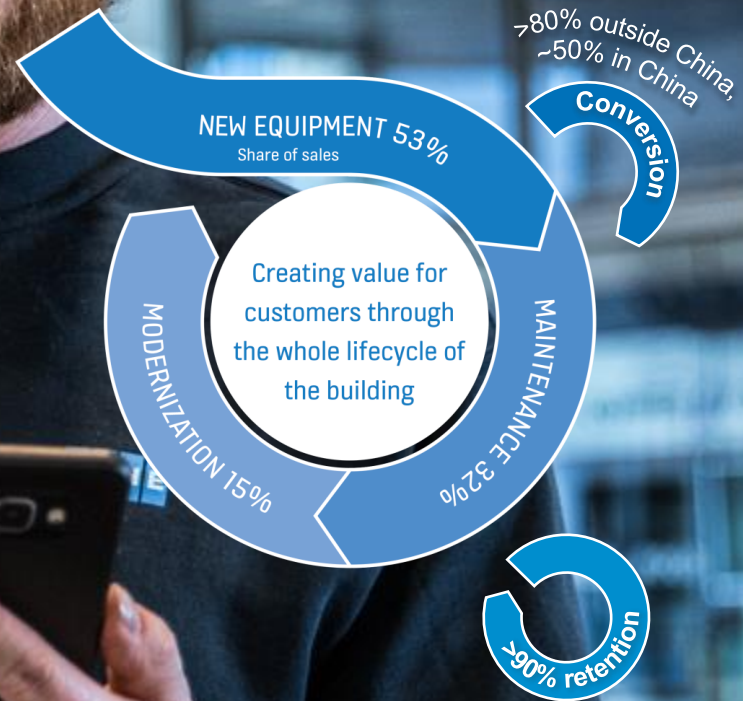


OUR BUSINESSES

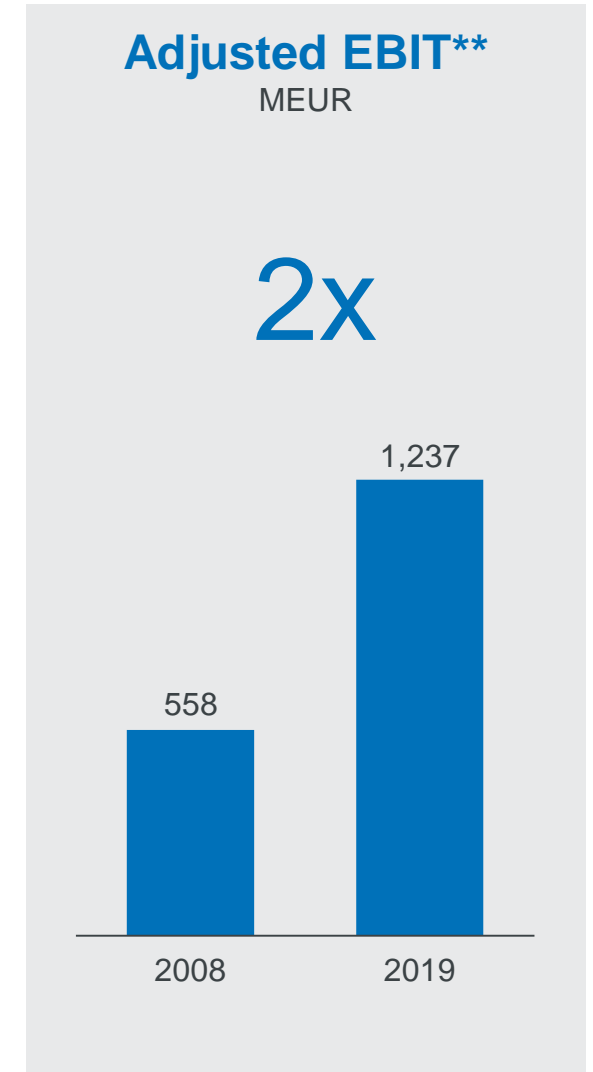
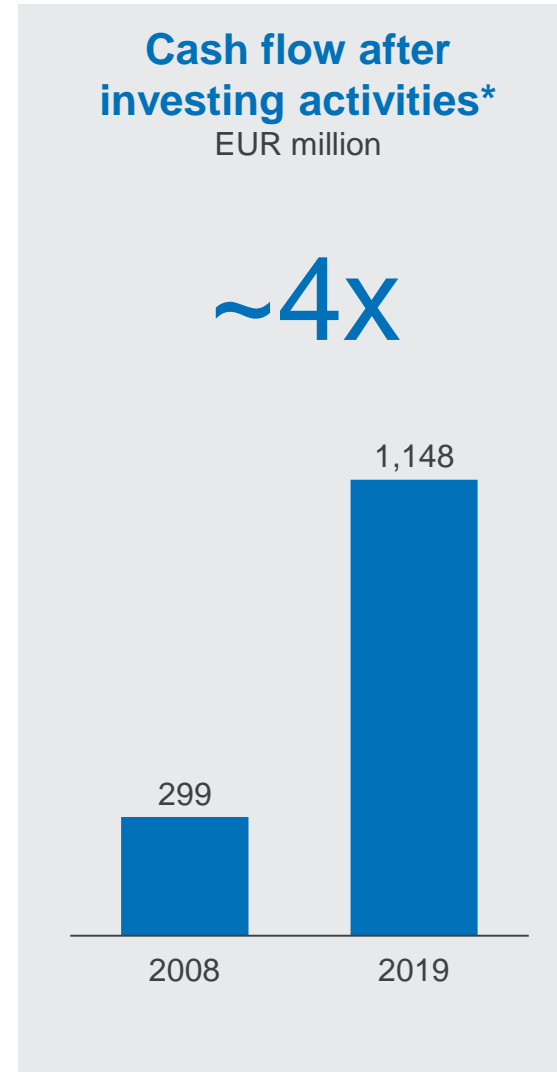
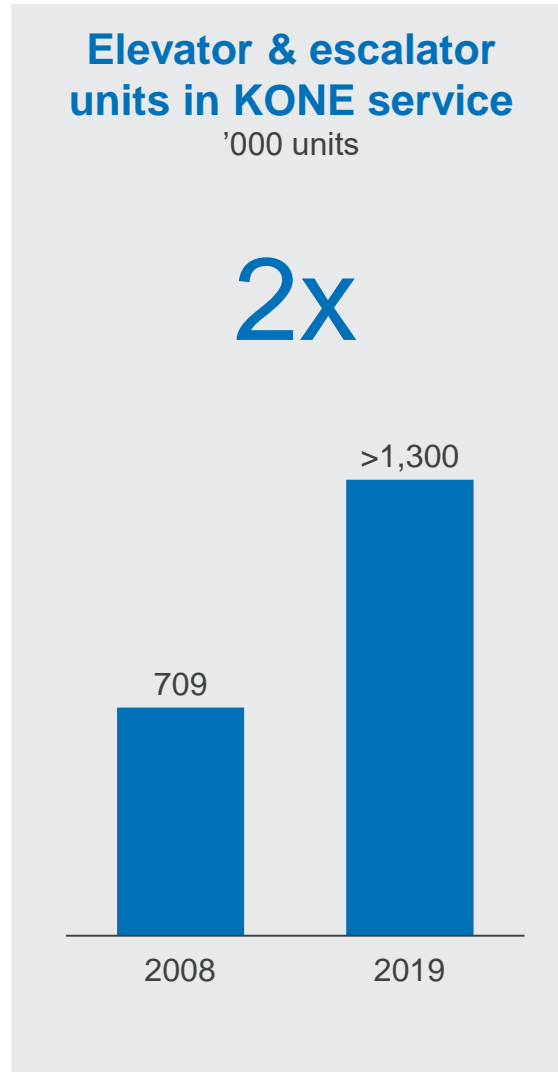
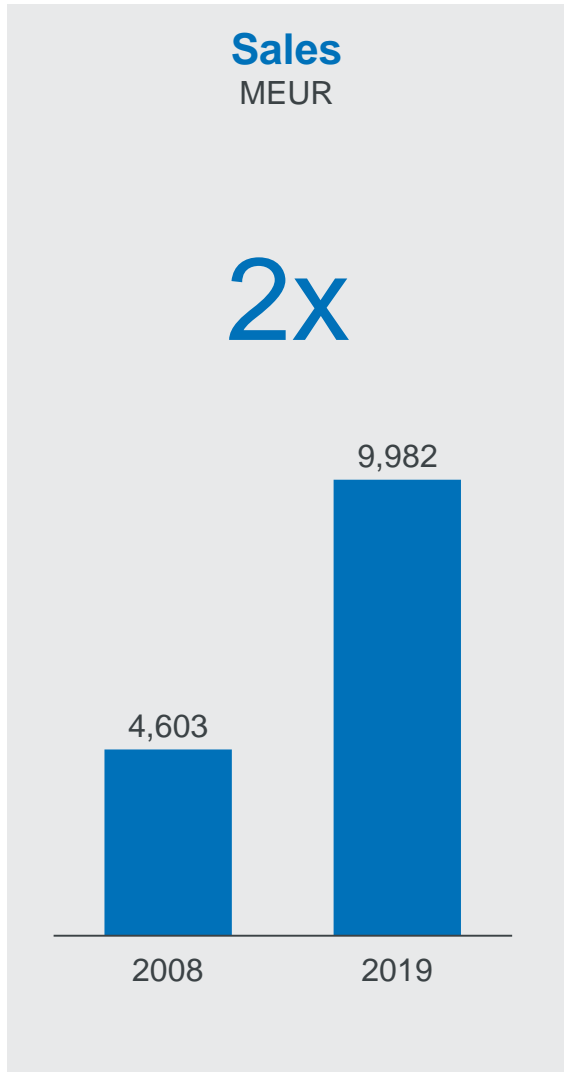
Services

We lead the industry in advanced **maintenance** services for elevators, escalators, autowalks and automatic building doors. We make sure our customers' equipment performs reliably and safely.

Our **modernization** services help customers determine when and how to upgrade equipment to ensure a lifetime of optimal operation and to maximize customers' return on investment.



We have grown significantly over the last decade



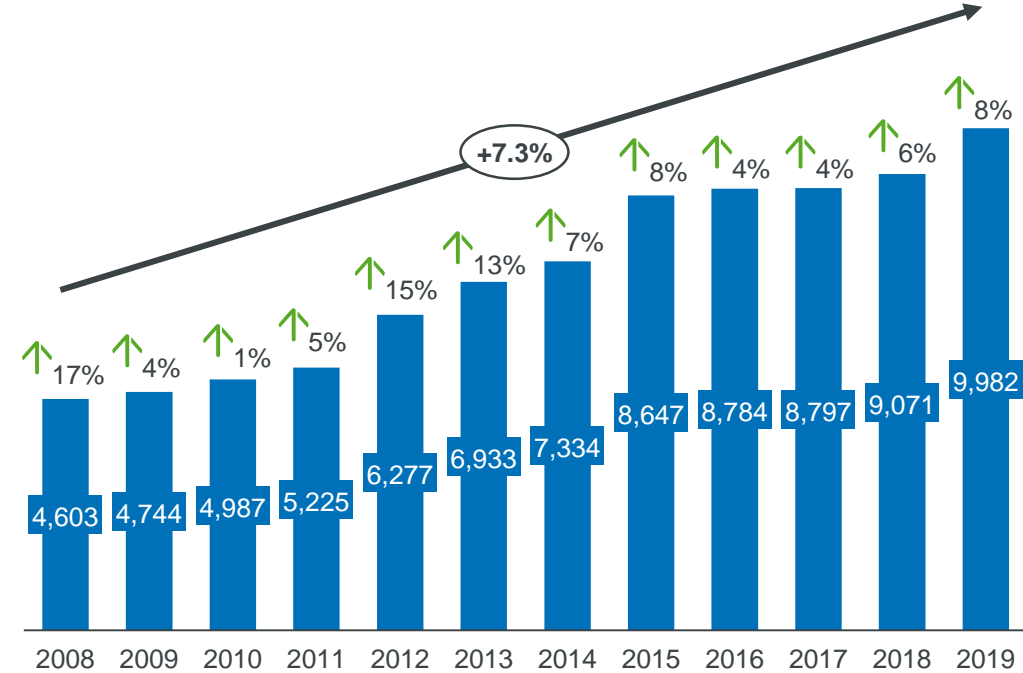
* Cash flow from operating activities less cash flow from investing activities
** Adjusted EBIT excludes restructuring costs related to the Accelerate program

Steady growth in sales and EBIT indicate a resilient underlying business model



KONE has been able to consistently increase its sales through different economic cycles

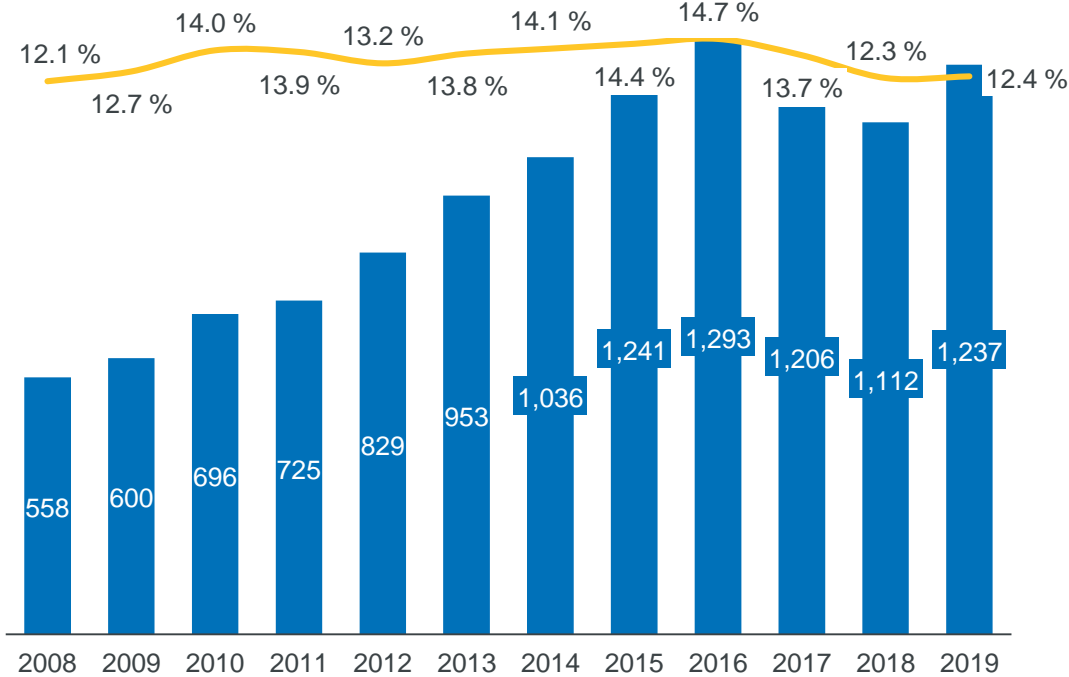
Sales, MEUR



↑ Growth at comp. FX

Over time, the growth has been profitable

Adjusted EBIT, %, MEUR



We have renewed ourselves many times to get where we are today



1968-1994
Internationalization through major acquisitions: ASEA-Graham and Westinghouse (Europe), Montgomery Elevator Company (US)

1993-1995
Becoming a **focused elevator and escalator company**

1990 ->
Strategic **focus on organic growth**;
Building the market leading position in China;
Several groundbreaking innovations



1910
KONE, “machine” in Finnish, was founded



1996->
Several groundbreaking **innovations** have kept KONE at the forefront of technological development; MonoSpace – the world’s first machine-roomless elevator

2017 ->
Winning with Customers strategy; New connected services and solutions, e.g. KONE 24/7 Connected Services & KONE DX Class elevators

Four generations of family ownership

MEGATRENDS

URBANIZATION

TECHNOLOGICAL
DISRUPTION

OUR MISSION
IS TO IMPROVE
THE FLOW OF
URBAN LIFE

VISION

KONE DELIVERS THE BEST
PEOPLE FLOW® EXPERIENCE

STRATEGIC TARGETS

- Most loyal customers
- Great place to work
- Faster than market growth
- Best financial development
- Leader in sustainability

WINNING WITH CUSTOMERS

Collaborative innovation
and new competencies

Customer-centric
solutions and services

True service
mindset

Fast and smart
execution

KONE
WAY

WAYS TO WIN

CULTURE

SAFETY

QUALITY

VALUES

Delighting the
customer

Energy for
renewal

Passion for
performance

Winning
together

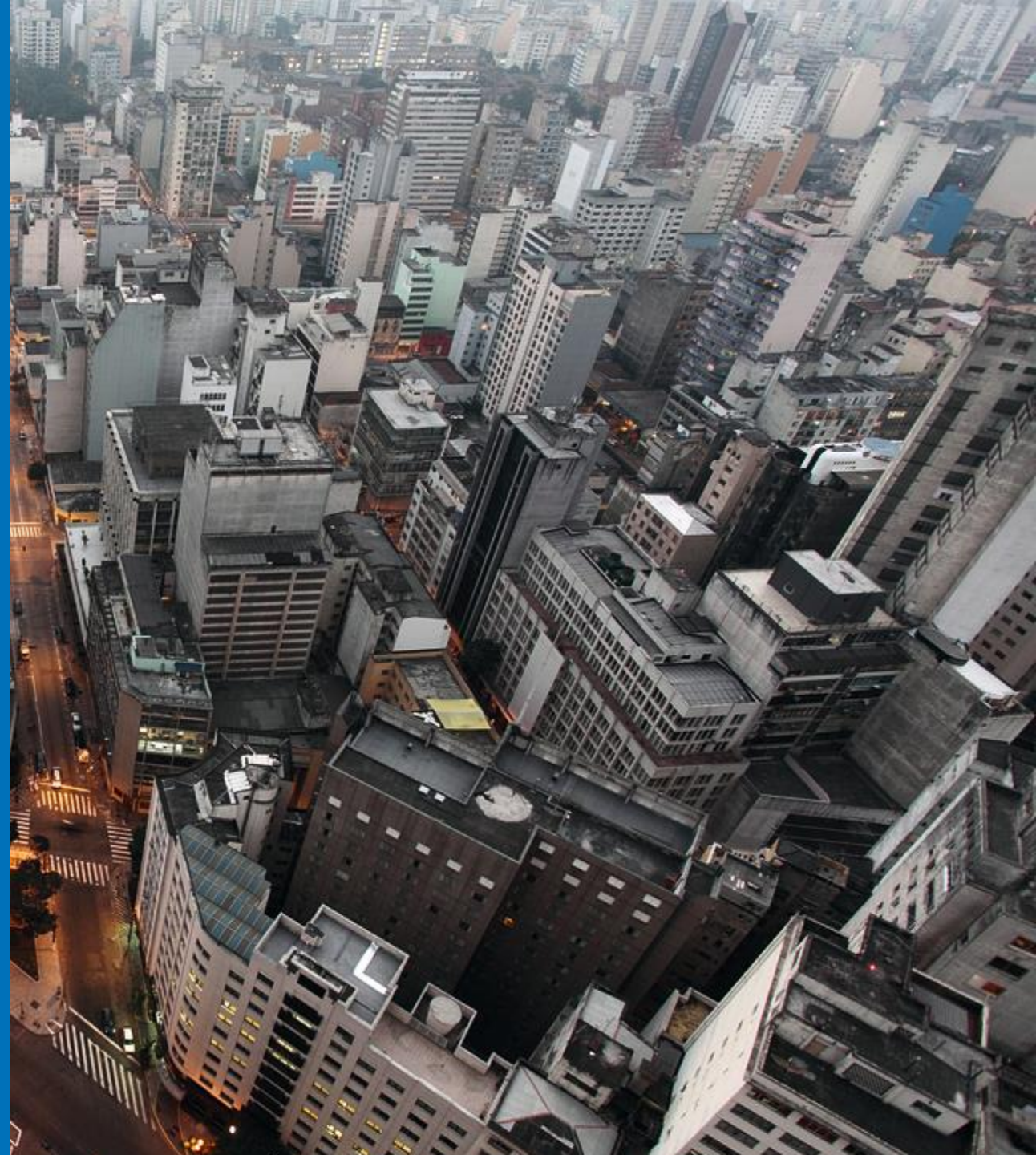


Global leader in a long-term growth industry



The world's cities are growing

200,000 people move into cities each day –
the same as 140 people every minute



Technological disruption

New technology gives us a great opportunity to learn new ways of working and serve our customers and users in smarter and more exciting ways.



Growth drivers

Core growth drivers

NEW EQUIPMENT
Urbanization

MAINTENANCE
Growing installed base

MODERNIZATION
Aging installed base

New opportunities

Changing customer needs

New technologies and services

Three stages of urbanization, resulting in taller and denser cities

Emerging markets

Mature markets



Movement from rural to urban areas

- Urbanization is a key economic growth driver
- Every year, 80 million people move from the countryside to cities

Growth of middle income consumers

- Upgrading and rebuilding of former fringe areas in cities
- Congested cities require investment in urban infrastructure

Changing patterns of urban living

- Increase in one-person households
- Mature cities face a housing shortage
- Increasing building intelligence generates new demands

Customers' expectations and needs are changing



Changing use of buildings

Flexibility and adaptability play a key role



Ease & Convenience

Seamless experience increasingly important for building users



Speed

Speed and efficiency during construction time key KPI for customers

Needs for sustainable and smart urban living



WE ADDRESS THESE NEEDS TO CREATE MORE VALUE



Affordable, accessible vertical housing



Safe, reliable, efficient infrastructure



Improving living standards and convenience



Eco-efficiency and sustainability



Growing building intelligence

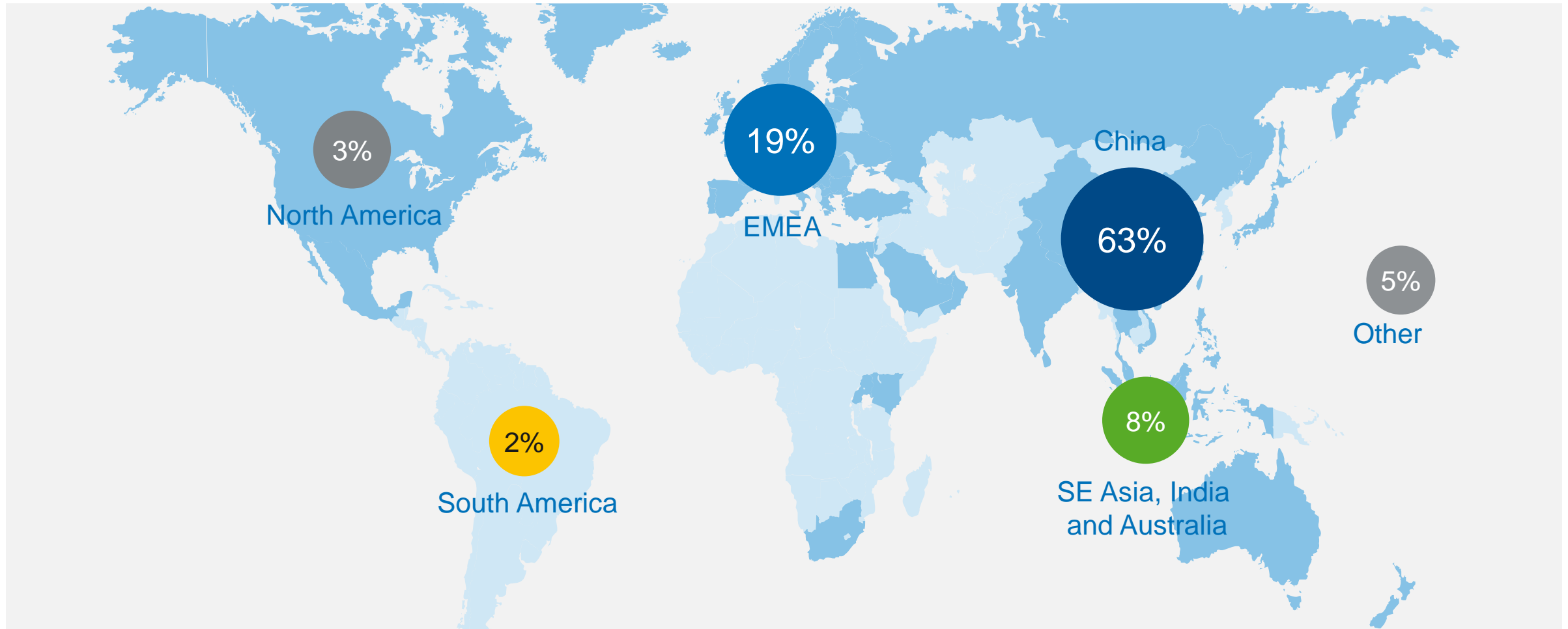


Health and well-being

China is by far the largest new equipment market

Share of different regions out of total market

New elevator and escalator market ~1 million units

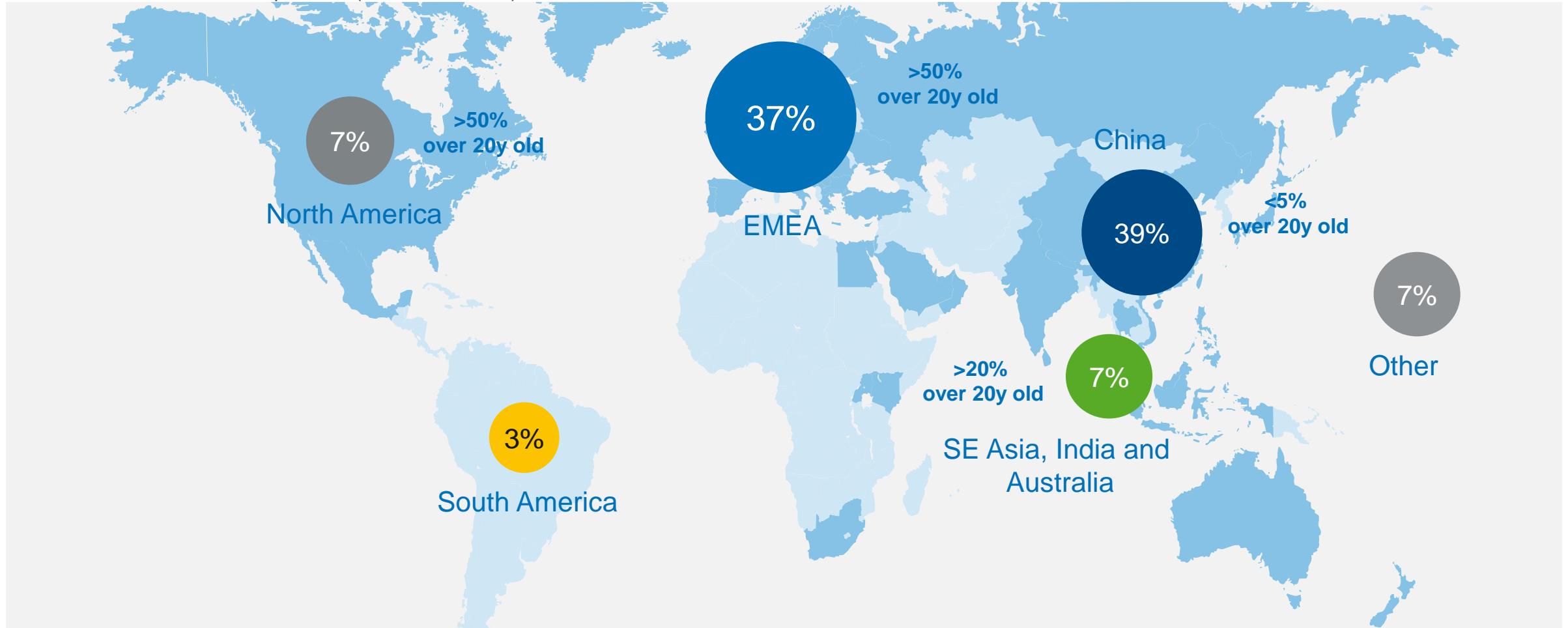


Based on KONE's estimate. Figures have been rounded.

Around half of service in mature markets, biggest growth potential in developing markets

Share of different regions out of total market

Elevators and escalators in operation (~17 million units)



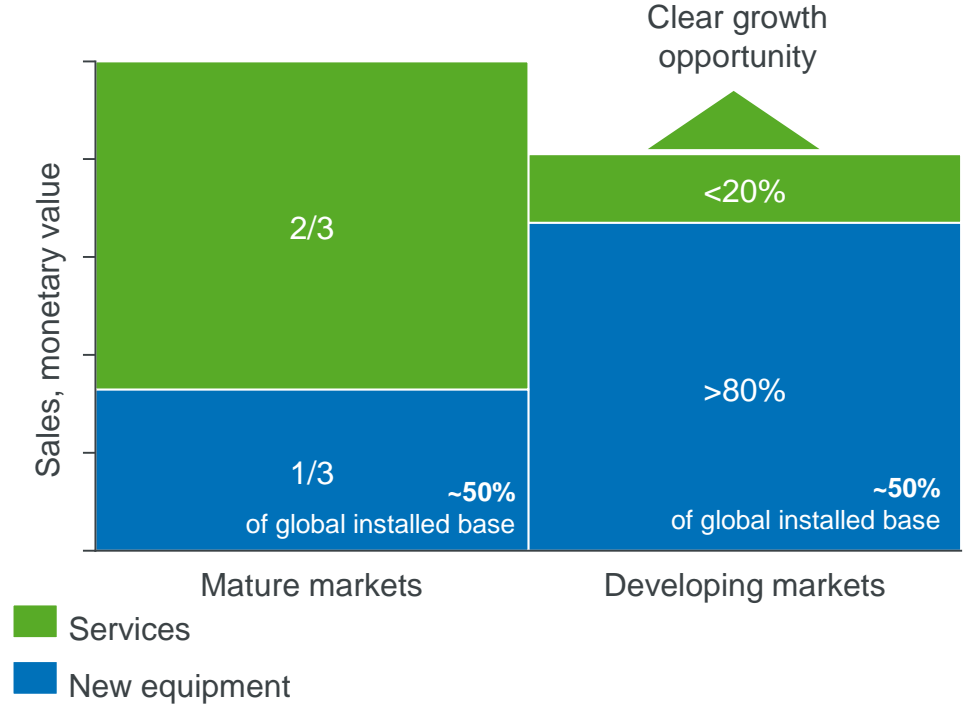
Based on KONE's estimate. Figures have been rounded.

Significant growth potential in developing markets



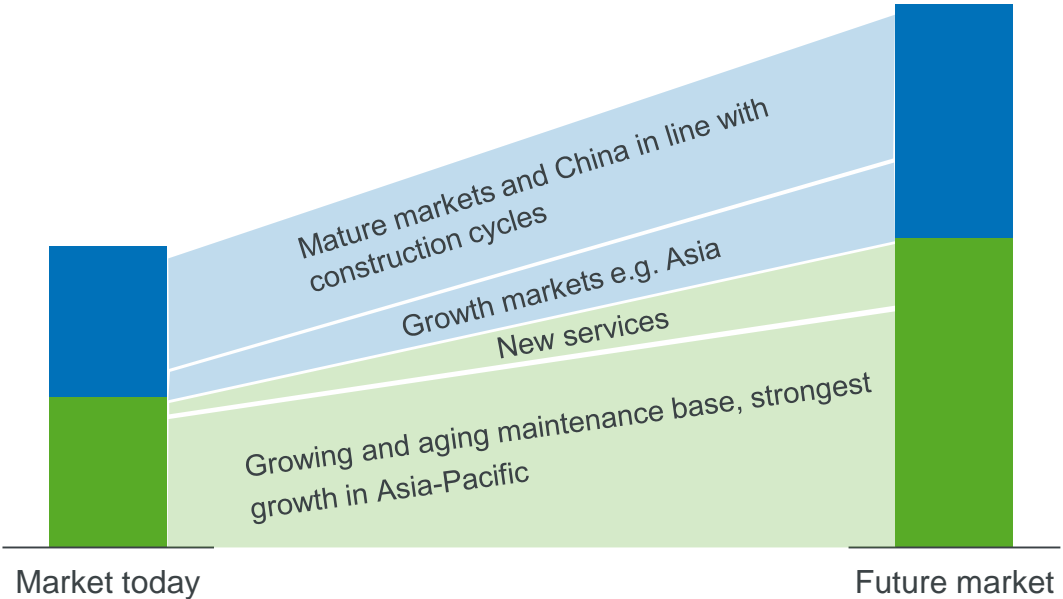
Large OEMs' typical sales split in mature and developing markets

Illustrative



Growth opportunities in both new equipment and services

Illustrative

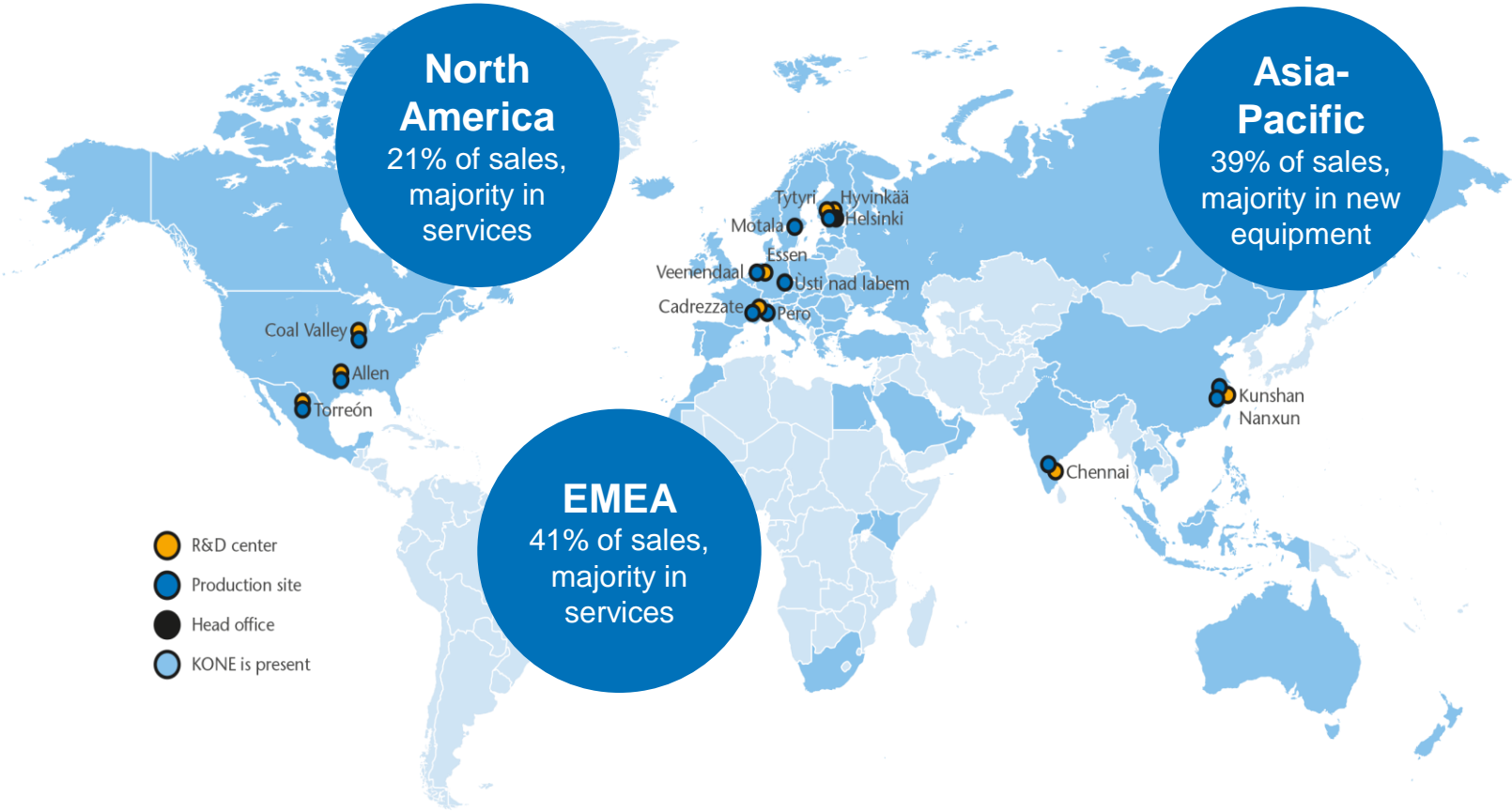


- Asia-Pacific is a key growth market in both businesses
- Technological disruption and changing customer needs offer an opportunity for new services
- Growth opportunities in maintenance and modernization from maturing and growing maintenance base

Our geographic coverage is broad and the diversified global footprint provides stable cash flows

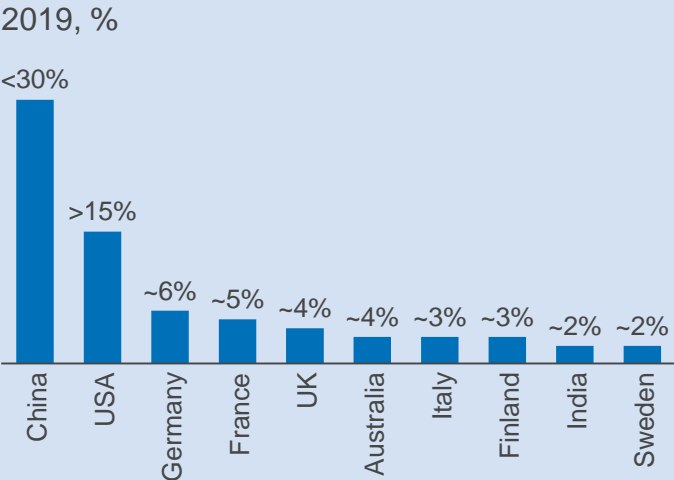


KONE in 2019



KONE has its own operations in more than 60 countries. Additionally, KONE collaborates with authorized distributors and agents in close to 100 countries.

Top 10 countries by sales



KONE has increased its market share in key growth markets



KONE's position	New equipment		Maintenance	
	2009	2019	2009	2019
North America	#4	#4	#4	#4
EMEA	#3	#2	#4	#3
China	#4	#1	#4	#1
Rest of Asia-Pacific	#1	#1	#3	#2
Market position			#4	Shared #3

KONE's market share*	New equipment	
	2009	2019
In China	~10%	~20%
Globally	~12%	~18%

Based on KONE estimates. Total market size has been reassessed for 2018

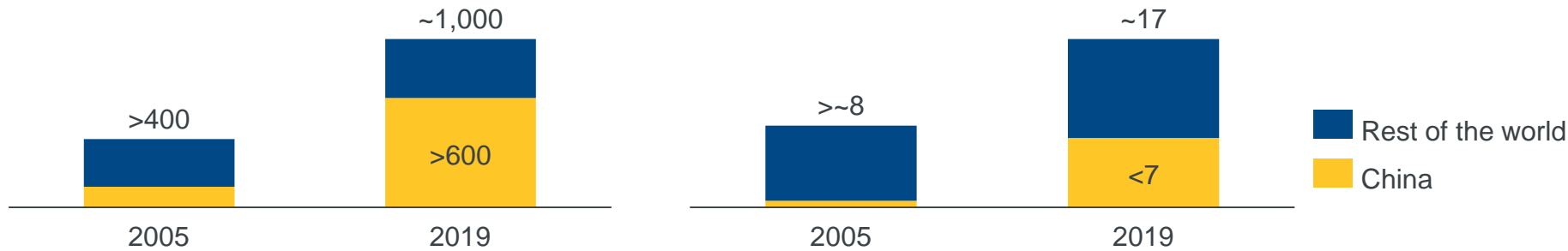
* Based on KONE addressable markets

KONE is the market leader in China, the world's largest E&E market

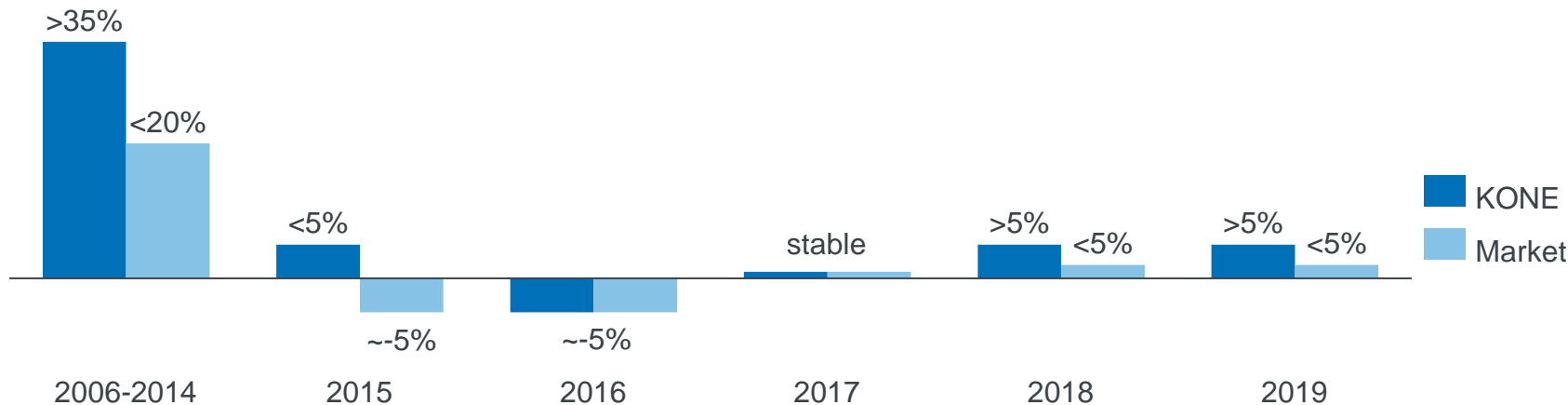


China doubled its share of the new equipment market in 10 years, and even more of the global installed base

new equipment market, '000 units; installed base, '000,000 units

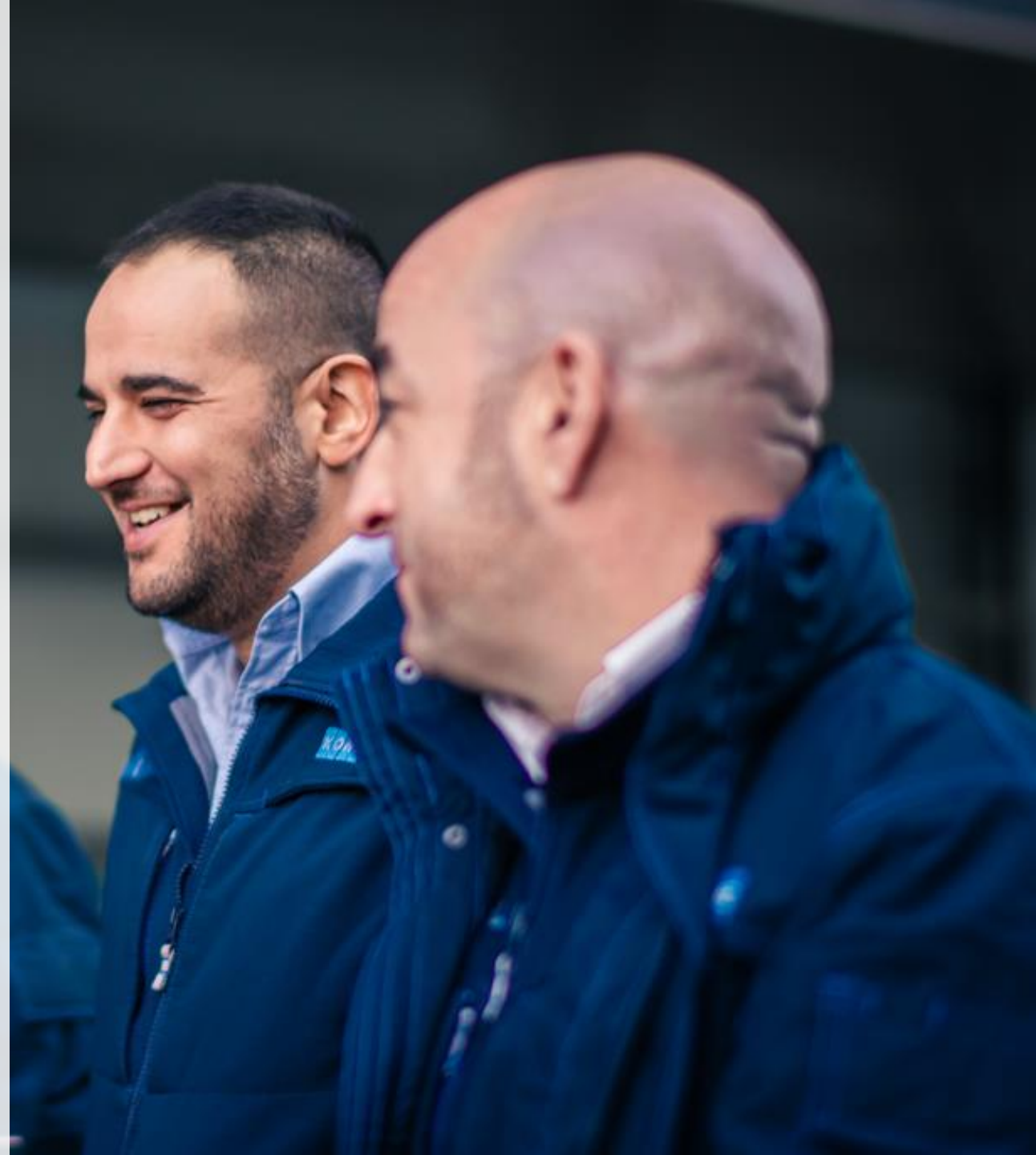


KONE's new equipment orders received in China vs. market development

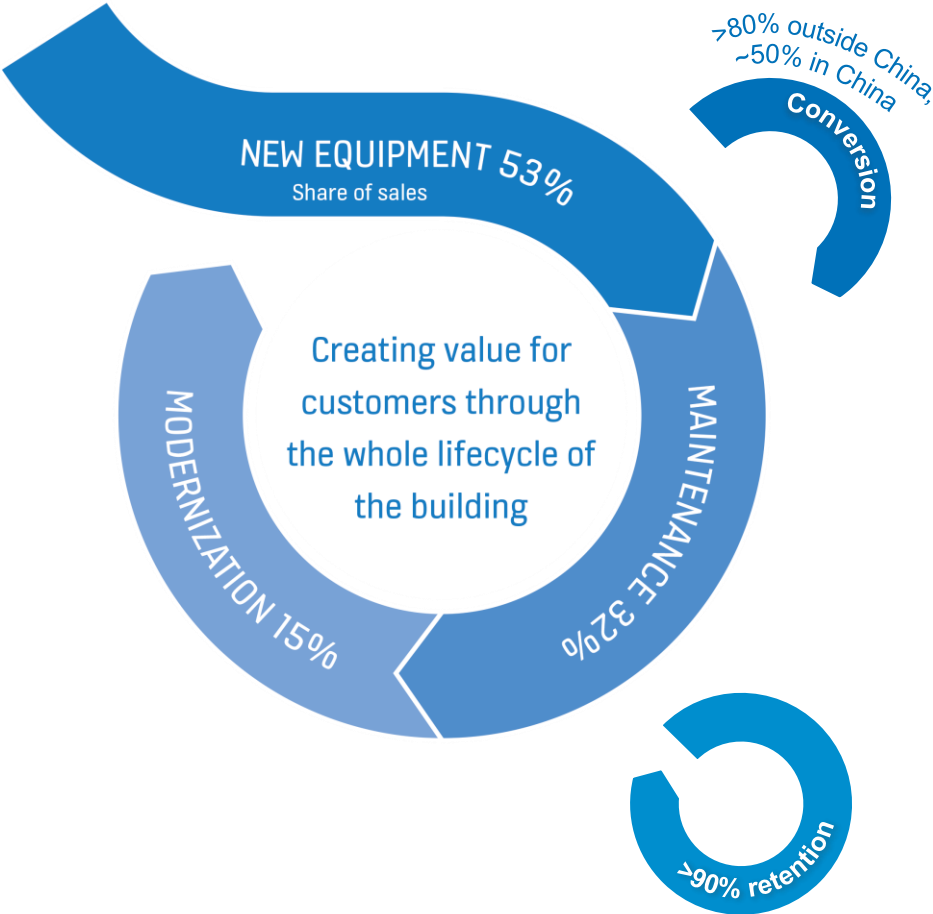


- KONE is #1 in new equipment and in maintenance
- >30,000 customers, including 9/10 of China's top developers
- China accounts for <30% of KONE's sales
- New equipment stands for ~85% of KONE's sales in China, service for ~15%
- <5% of elevators in China are >20y old
- The market is shifting towards services, offering clear growth potential

Stability through the
life-cycle business
model



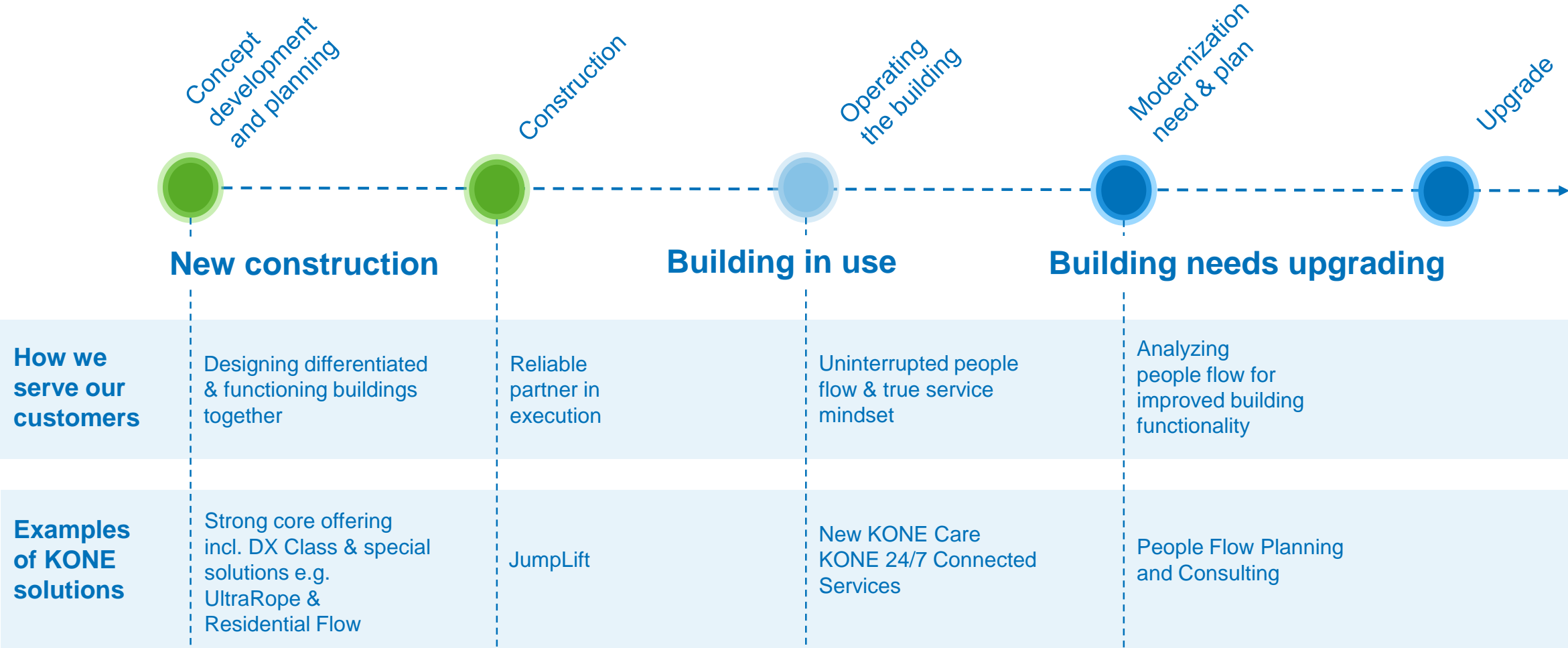
Lifecycle business model with high share of stable, recurring service revenues



Our three businesses support each other

- New equipment driven by urbanization and demographic change
- New equipment deliveries drive growth of recurring maintenance business
- Strong maintenance base is crucial in modernization
- Aging installed base and higher requirements for efficient people flow, safety and sustainability drive modernization growth

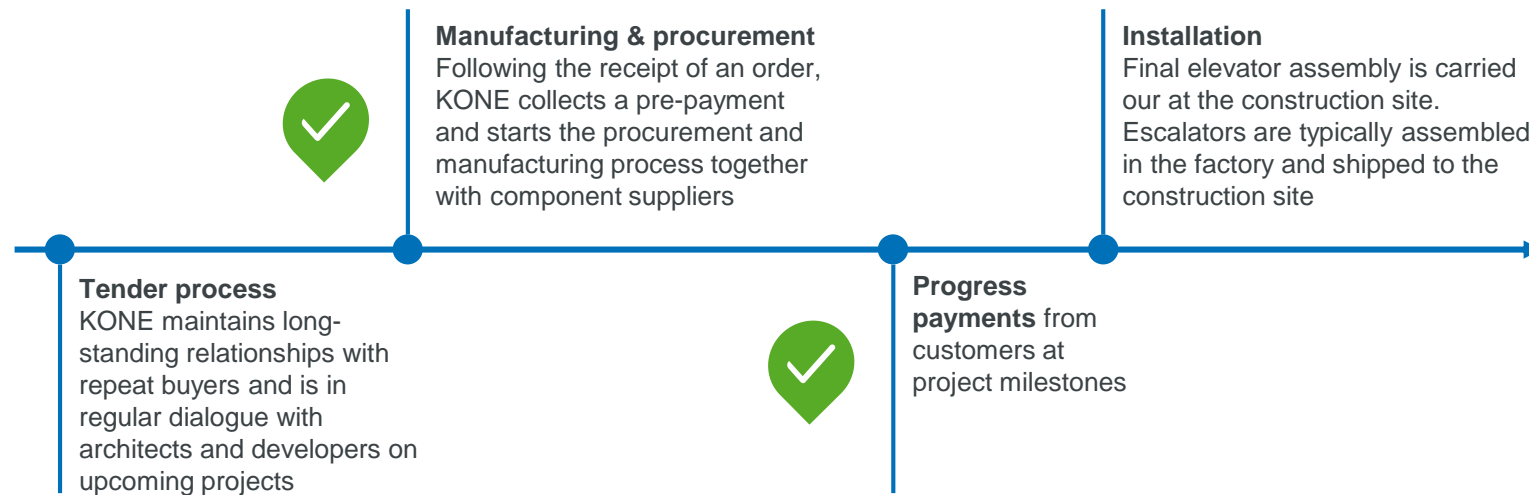
KONE's differentiated approach throughout the lifecycle of a building



In new equipment, we offer innovative solutions and smooth project execution



Typical timeline



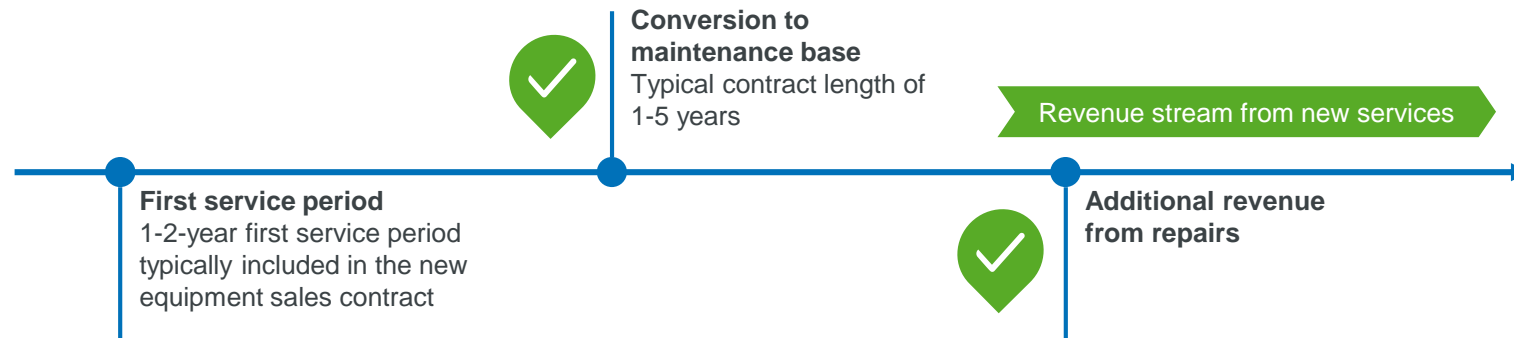
Key characteristics

- KONE helps its customers - developers, builders, consultants, architects and building owners – build well-functioning, future-proof buildings
- During construction, our strengths are reliability and support in ensuring smooth and efficient project execution
- Our offering is modular and modified to local needs
- The production consists largely of the assembly of sourced components, only selected components are produced in-house

Maintenance ensures safety and reliability, and provides stability and resilience to market cyclicality

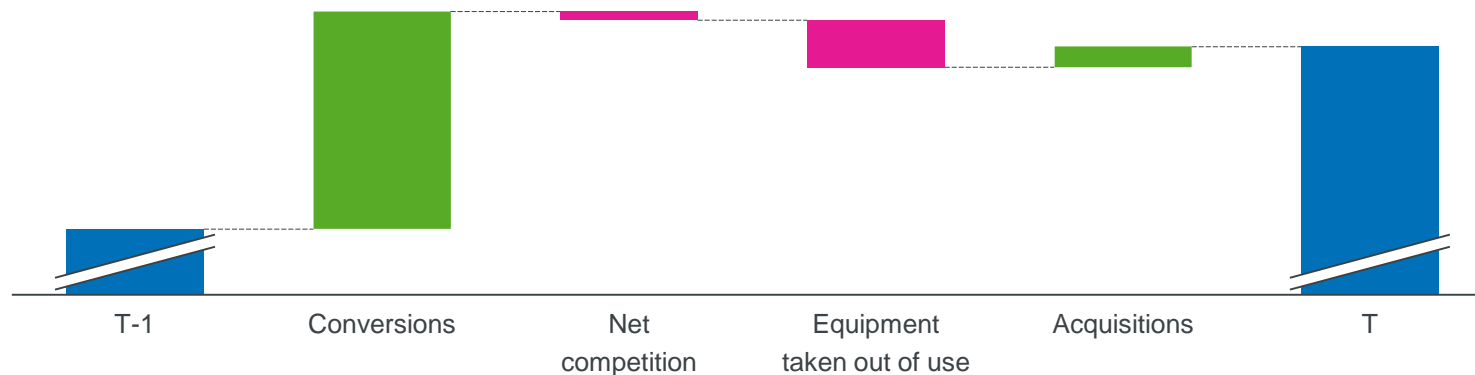


Typical timeline



Conversion is the key growth driver

Maintenance base, illustrative

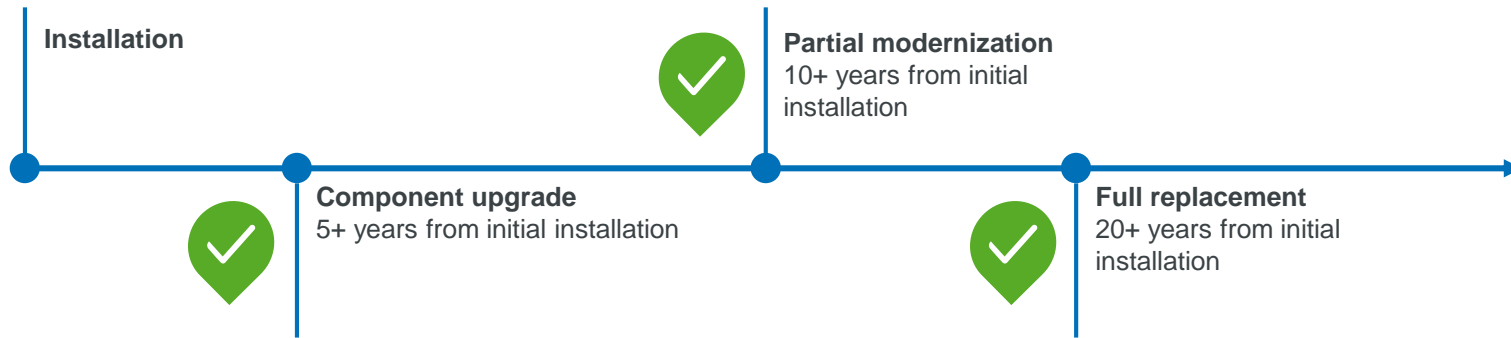


Key characteristics

- Customers include building owners, housing corporations and facility managers
- Elevator and escalator maintenance is legally required in most countries
- Growth of maintenance base driven by conversions from new equipment sales after first service period
- New digital services providing added value for customers
- KONE maintains both equipment manufactured by KONE as well as other brands

Modernization: from component upgrades to full replacements

Typical timeline

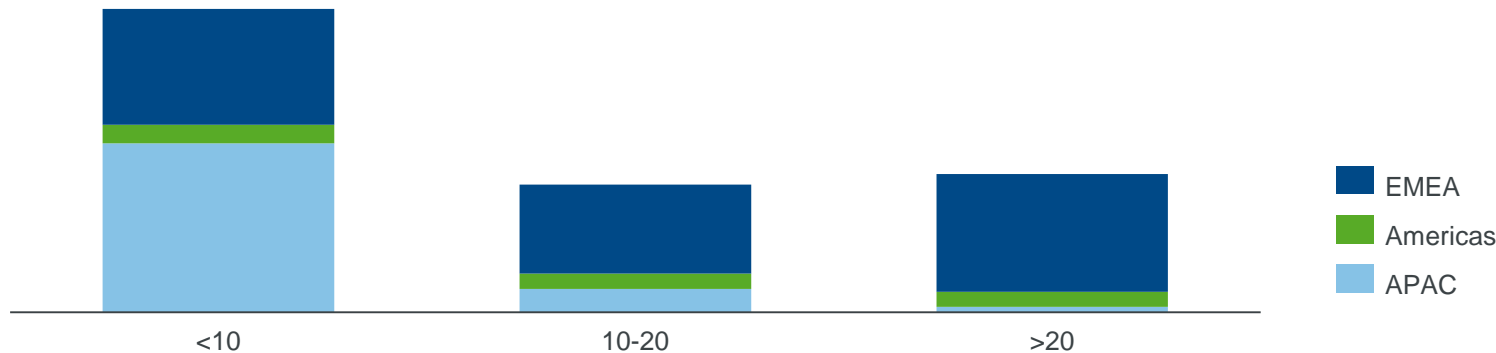


Key characteristics

- Customers include building owners, housing corporations, facility managers
- The length of the modernization cycle depends on the usage of the building
- Over half of the E&E in operations in the mature markets is >20 years old, providing significant modernization potential
- Regions at different maturities
- Substantial growth potential in APAC
- Changing use of buildings and higher customer requirements increasingly important drivers

Age split of KONE's maintenance base

Units, years

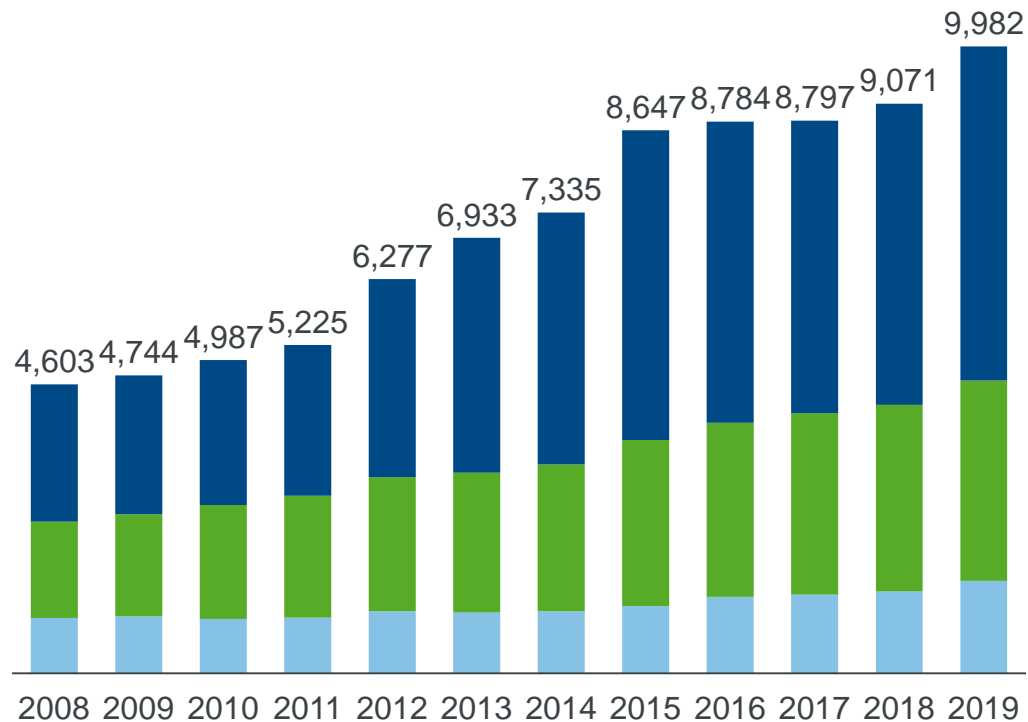


The balanced footprint and the growth in services makes the business resilient throughout cycles



Sales development by business

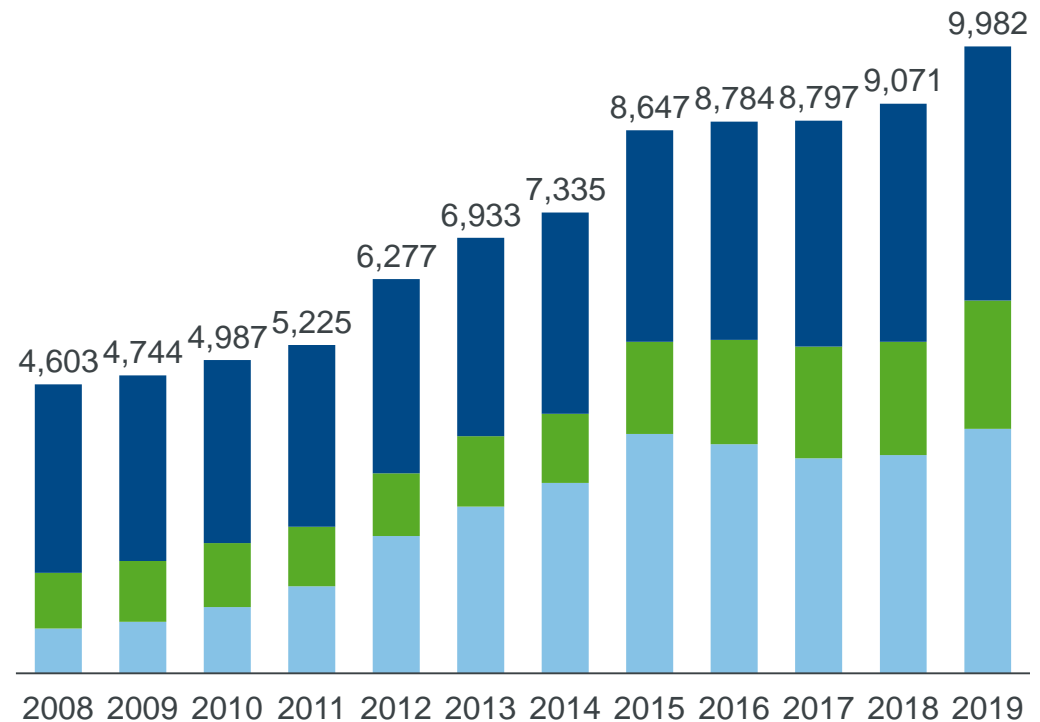
MEUR



■ New equipment
 ■ Maintenance
 ■ Modernization

Sales and adjusted EBIT development by area

MEUR



■ EMEA
 ■ Americas
 ■ Asia-Pacific

Competitiveness from
customer centricity,
innovations and
productivity



Innovating with a collaborative approach

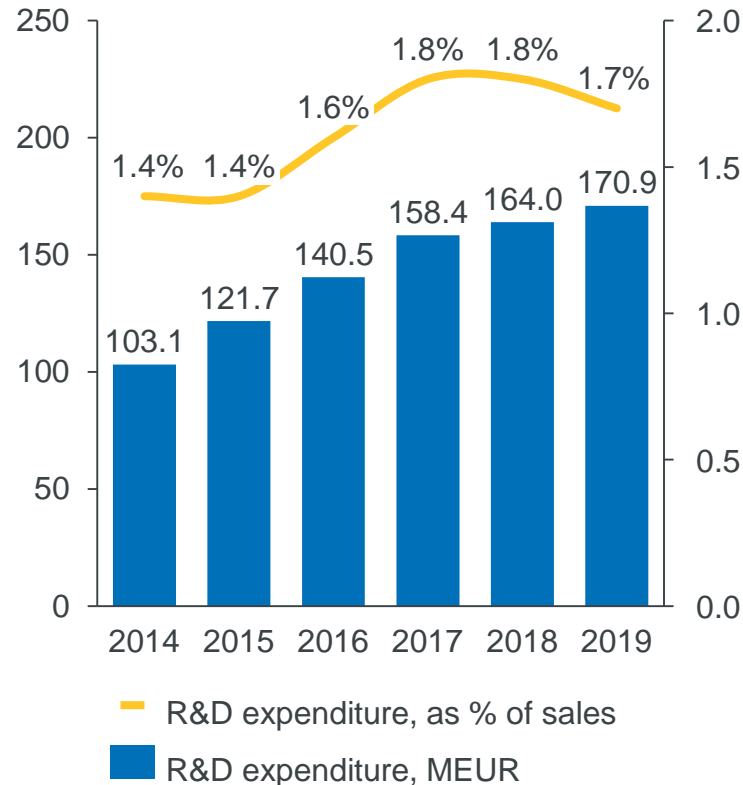


R&D at KONE

- >3,000 patents
- 9 global R&D units
- Ranked among the world's most innovative companies by Forbes
- >1,200 technology professionals work in our R&D
- Partnerships with technology companies
- Increasing amount of co-creation with customers

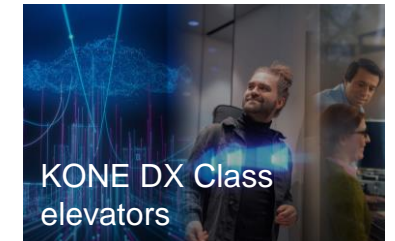
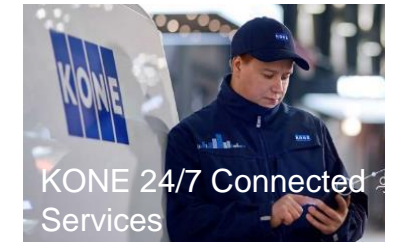
We have scaled up our R&D investments in the past few years

R&D expenditure, €m



Major innovations

Selected examples



We are investing for a digital future in our entire business



CONNECTED CUSTOMERS
Increased business value through better communication and productivity



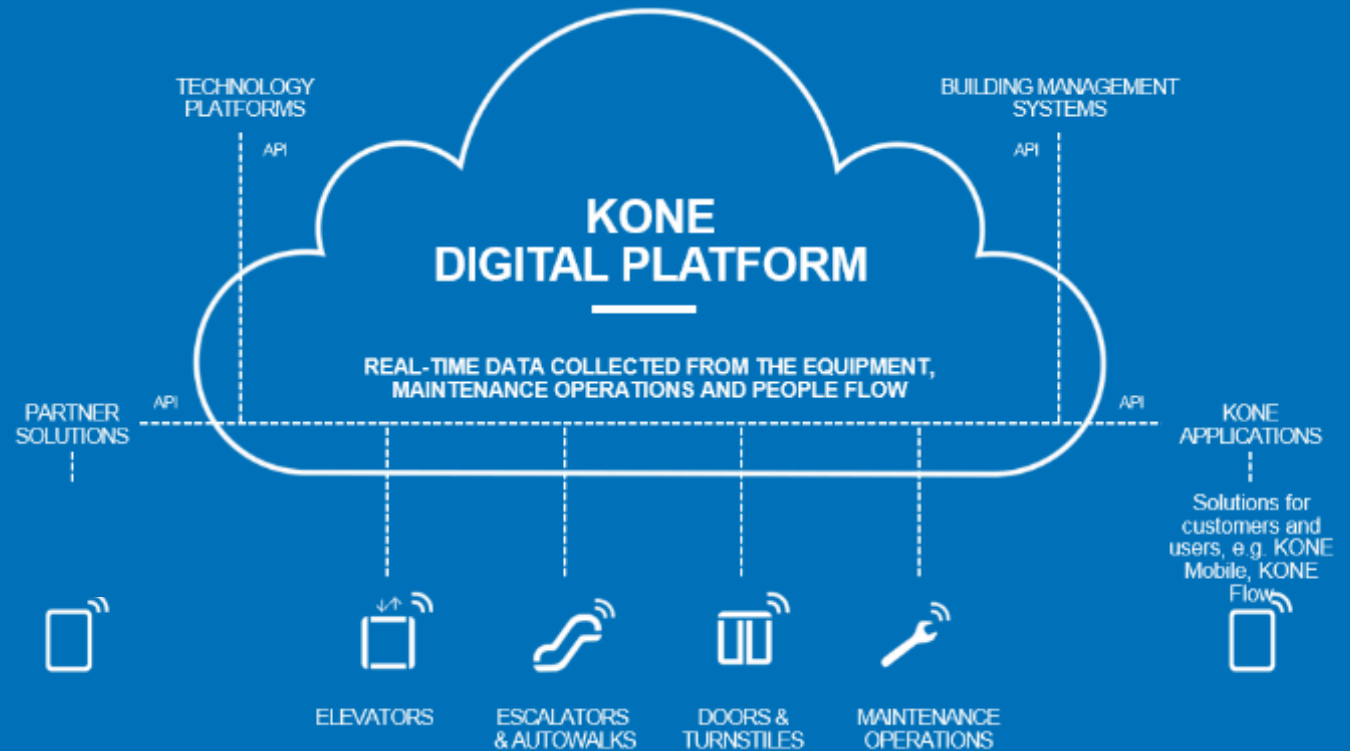
CONNECTED USERS
New, personalized experiences for users in residential and commercial



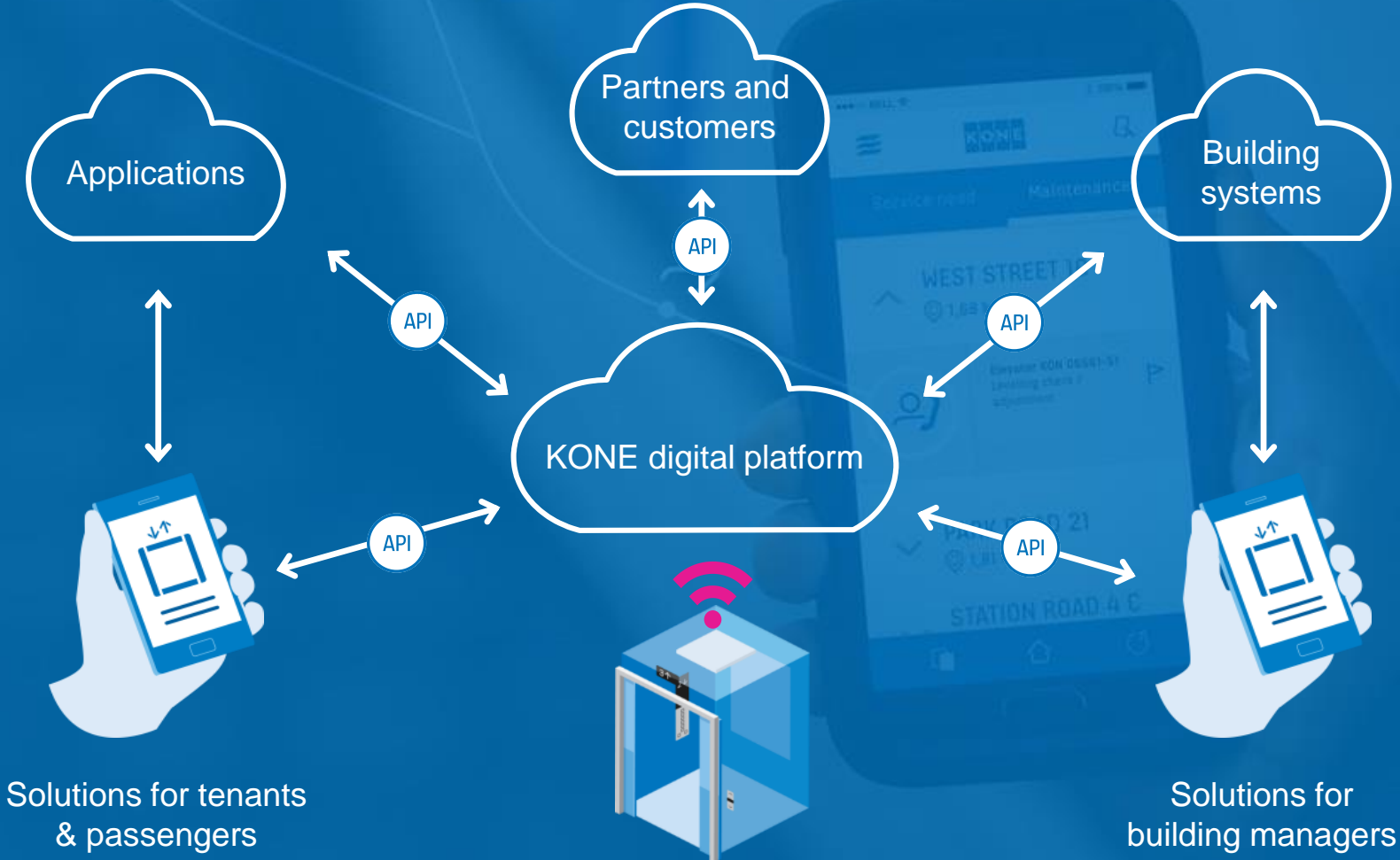
CONNECTED EQUIPMENT
Connecting >1 million units to the cloud



CONNECTED EMPLOYEES
Supporting the collaboration and efficiency of our people and new mobile tools



Connectivity enables services for customers and users



New services created together with customers are helping us differentiate today



New KONE Care

New way of selling maintenance contracts tailored according to customers' individual needs



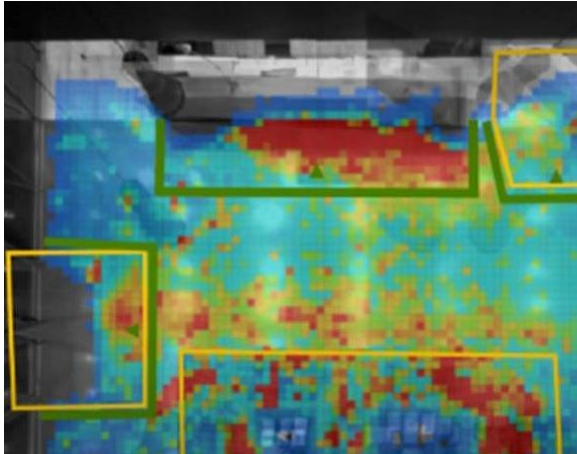
KONE 24/7 Connected Services

Predictability, safety and transparency through connectivity and intelligence



KONE Residential Flow

Simpler homecomings, visitor access control and information sharing



People Flow Planning and Consulting

Making buildings more functional and adaptable by analyzing people flow patterns and suggesting solutions

In 2018, KONE organized >300 co-creation sessions with customers

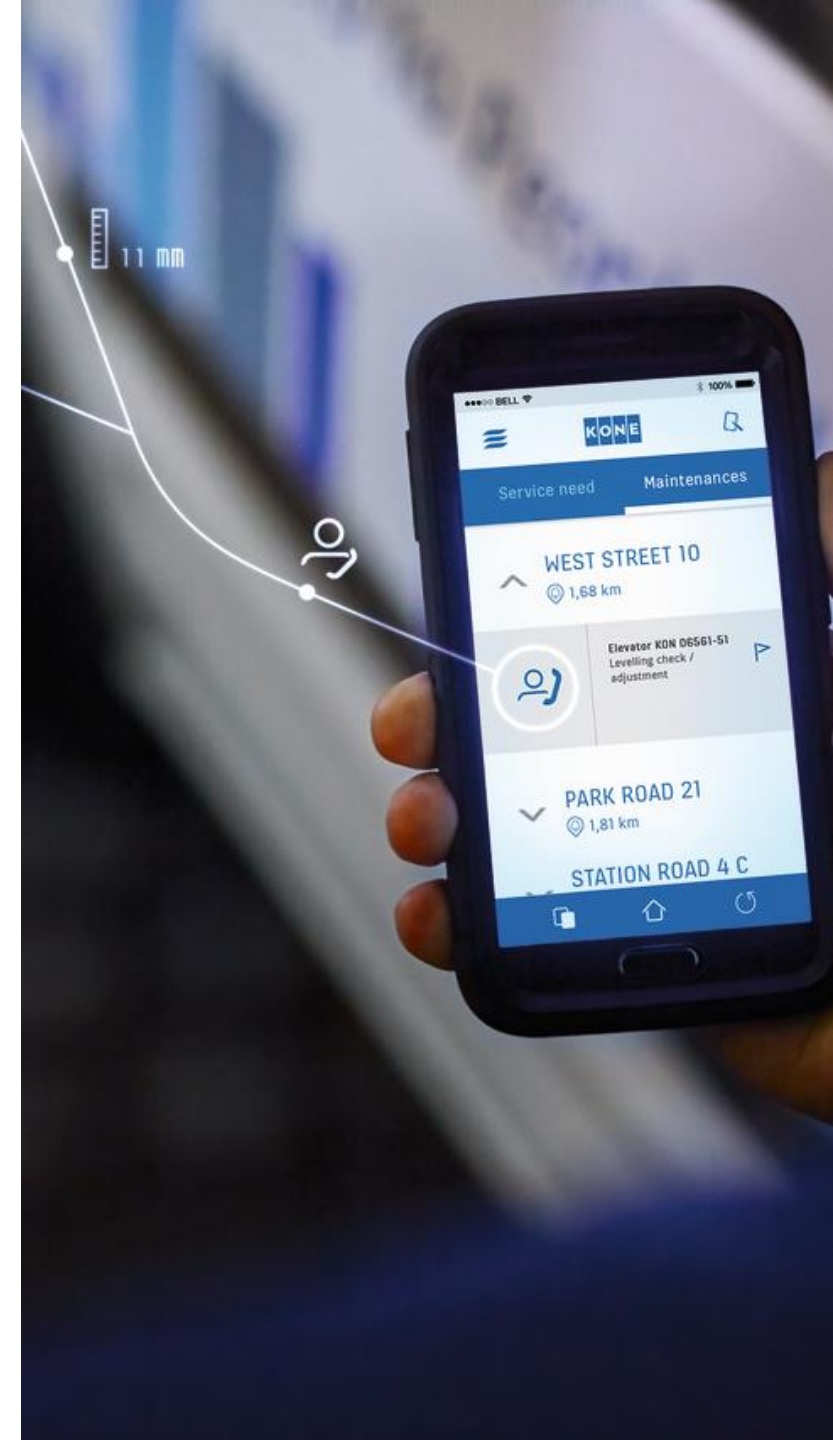
These new services are resonating well with customers

New KONE Care

- + Differentiator in the maintenance business – customers appreciate customization to their needs
- + Positive impact on maintenance contract value
- Maintenance base rotates slowly, contract penetration takes time

KONE 24/7 Connected Services

- + Ensures well-functioning buildings for our customers
- + Significant incremental revenue opportunity per unit in maintenance
- Requires new competencies in sales, we have been focusing on training salesforce



KONE DX Class

A NEW ERA FOR ELEVATORS – UPGRADEABLE SOLUTION THROUGHOUT THE LIFECYCLE OF A BUILDING



Create value with connected people flow solutions

Connecting elevators with new services using KONE's digital platform and secure APIs

Differentiating with a redefined user experience

Customizable, multisensory experiences and enhancements like anti-stain, -scratch and -bacterial surfaces materials

Partner for smarter buildings

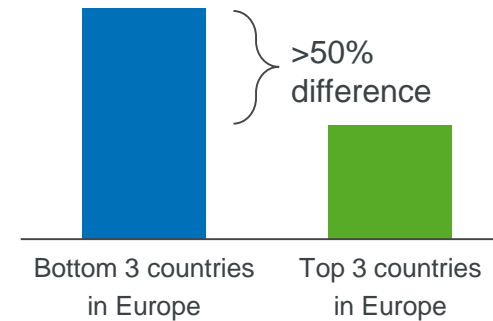
Next-generation planning tools, sustainable materials and expert support in building smarter and greener and keeping projects on track

Quality and productivity go hand in hand

Improving productivity and quality is a continuous effort and a sum of many small actions

- We employ different techniques and tools (e.g. Lean, Six Sigma, Kaizen) to improve the productivity and quality of our operations
- Digitalization enables productivity improvements e.g. in field operations and sales management
- In maintenance, the density of the maintenance base and growth of the service network are important profitability drivers
- In new equipment and modernization, installation efficiency is a key
- Together with value selling, the standardized KONE platform and the modularized components improve productivity and profitability
- We encourage our employees to take part in improving quality and productivity

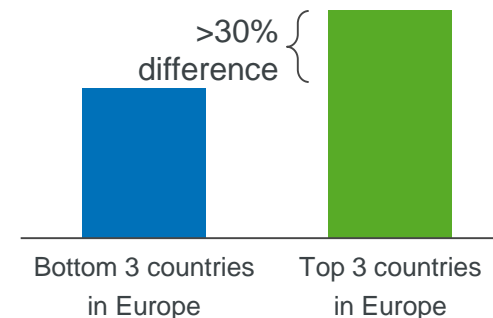
Example: Shortening the lead time to handover in new equipment



Benefits

- Faster delivery to the customer
- Better profitability and lower inventories

Example: Improving the first fix rate in maintenance



Benefits

- Better uptime for customers
- Better profitability

A capital-light and
cash-generative
business model



18
17
16
15
14
13
12
11
10
9

KONE's business model is flexible and capital-light, yielding a high return on capital



Flexible cost structure and low capex

- Subcontracting in installation and component suppliers complement own operations
- Low amount of fixed costs
- Relatively low level of tangible and intangible assets



Strong cash generation and good dividend yield

- Advance and progress payments from customers enable negative working capital and strong cash generation
- Strong cash flow has allowed steadily developing dividends



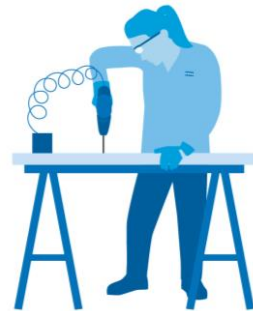
High return on capital employed

- Good profitability combined with the capital light business model enable high return on capital

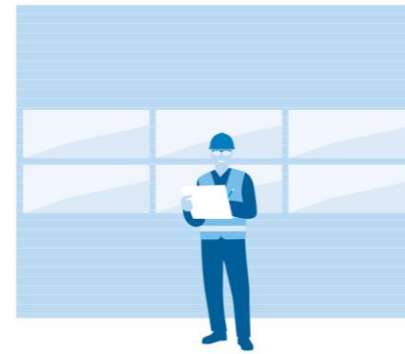
We leverage a capital-light and efficient network of suppliers, KONE factories and distribution centers



Largely co-located and competitive supplier base



KONE factories focus on manufacturing of key components and testing



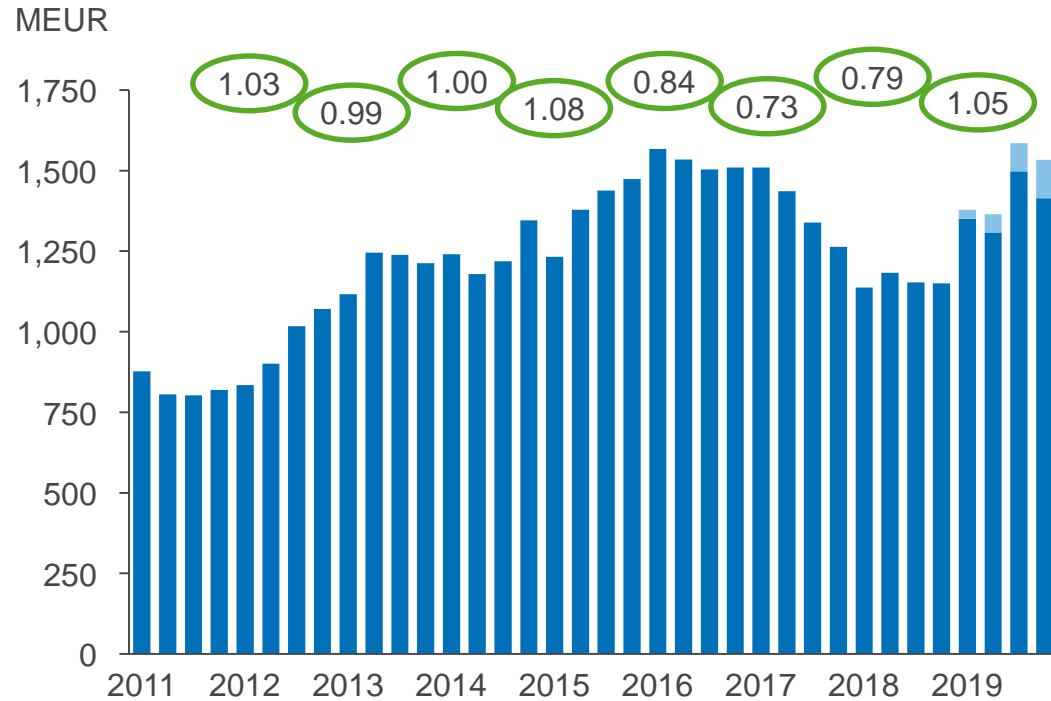
Efficient material flows to through strategically located distribution centers



The final assembly at customers' installation sites

We have a cash-generative business model

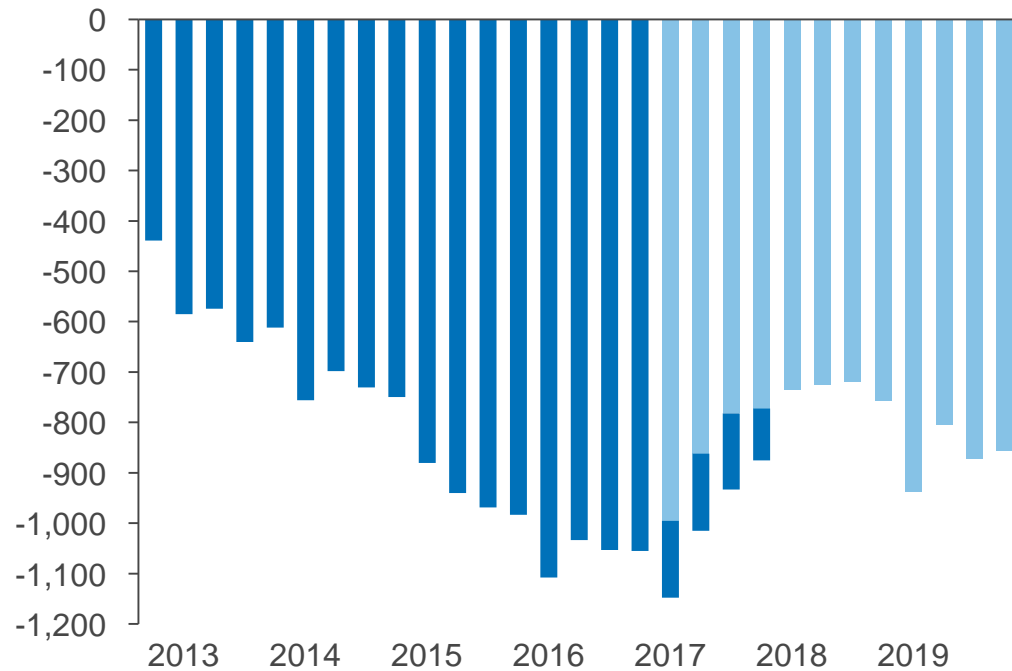
High operative cash flow generation and cash conversion



- IFRS 16 impact
- 12m rolling quarterly cash flow from operations (before financing items and taxes)
- Cash conversion ratio (cash flow from operations / EBITDA)

Negative net working capital

MEUR

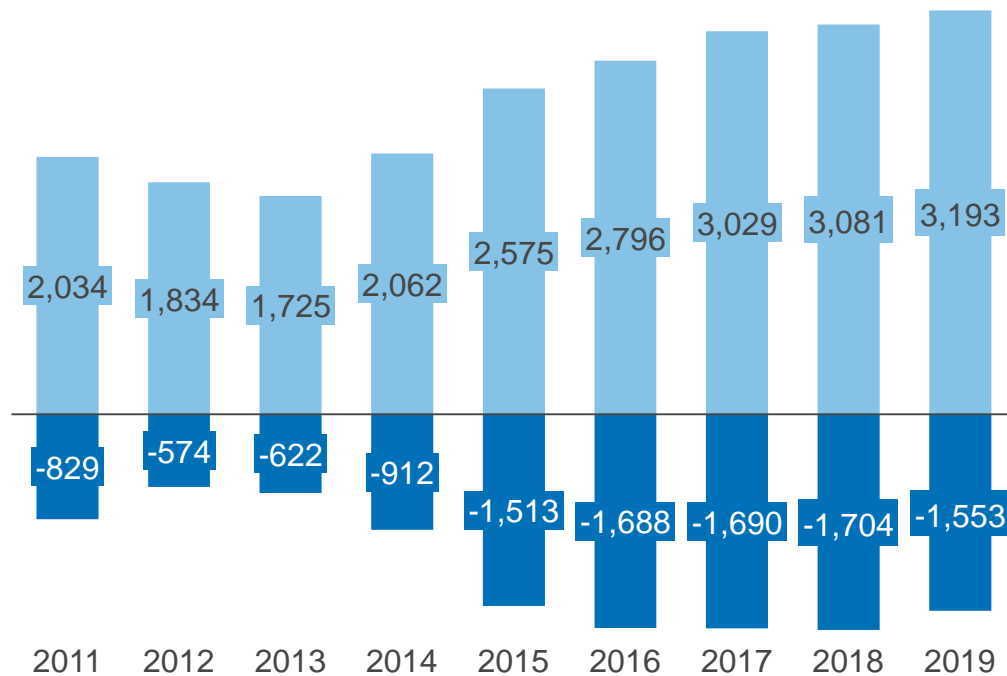


- Net working capital (pre-IFRS 15 impact)
- Net working capital (post-IFRS 15 impact)

Our balance sheet is strong and our business model enables a high return on capital

Total equity and net debt*

MEUR

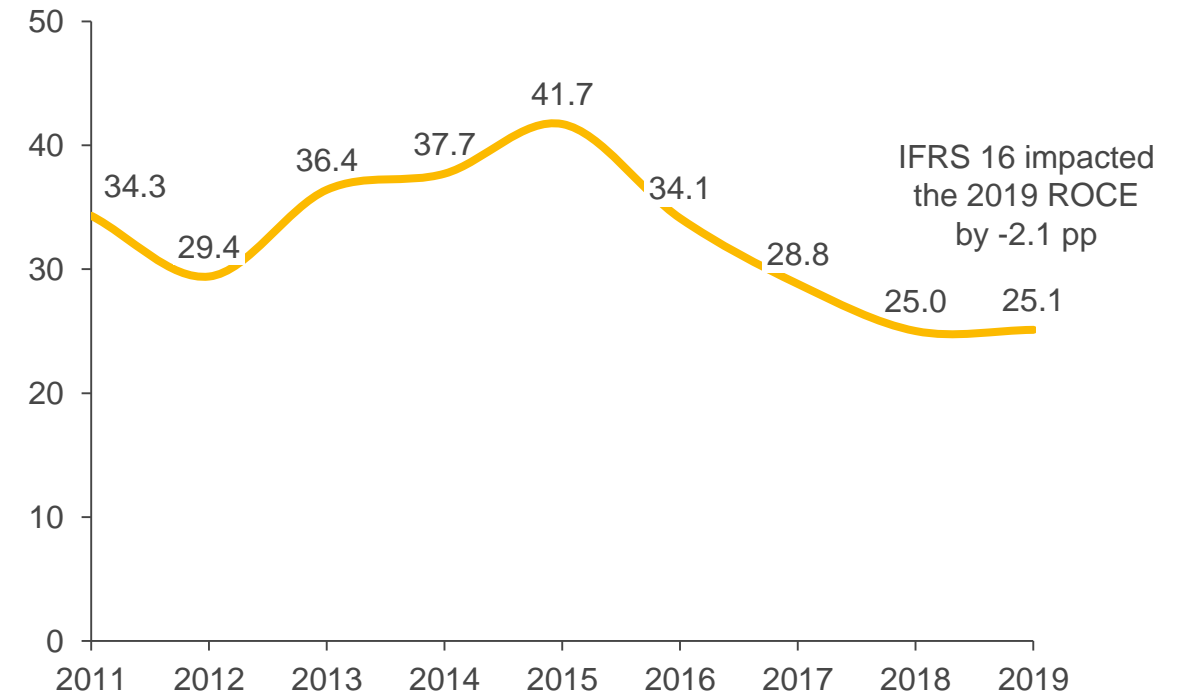


■ Total equity
■ Net debt

* IFRS 16 increased the 2019 opening interest-bearing debt by EUR 358 million

Return on capital employed

%

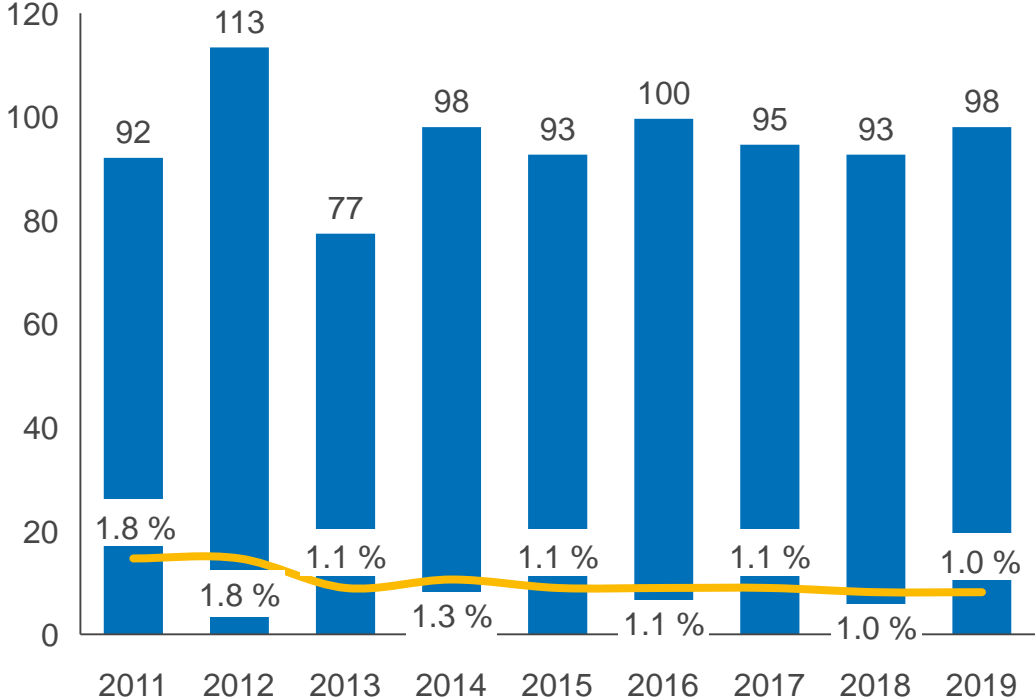


Low capital expenditure requirement, continued stream of small bolt-on acquisitions



Capital expenditure on fixed assets

MEUR

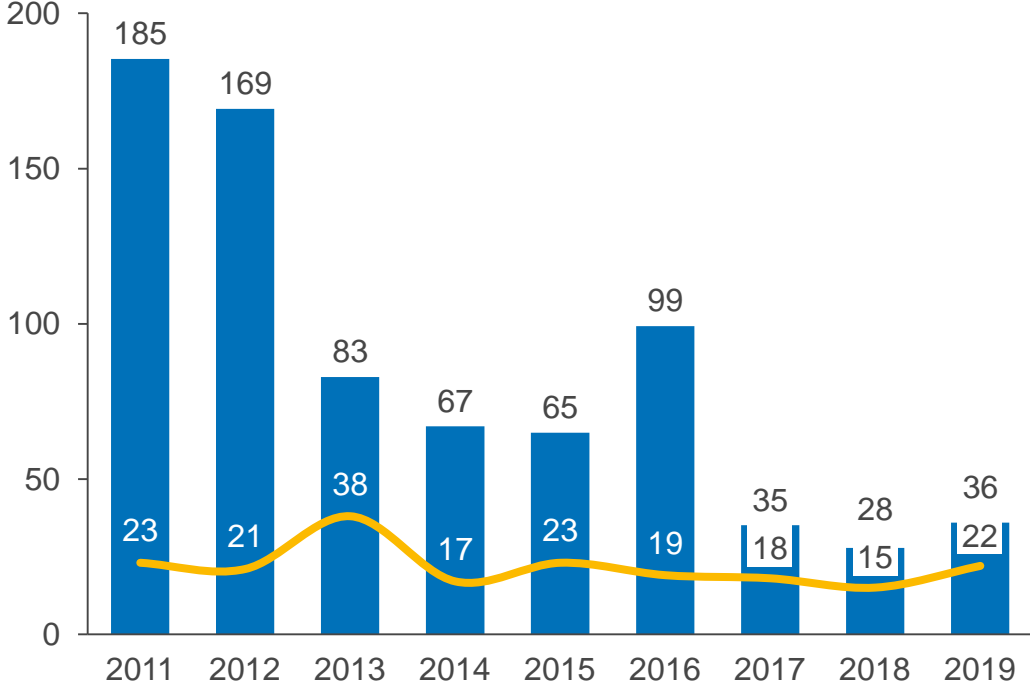


— Capex on fixed assets, as % of sales
■ Capex on fixed assets

Capital expenditure on leasing agreements including IFRS 16 was EUR 102.5 million in 2019

Acquisitions

MEUR

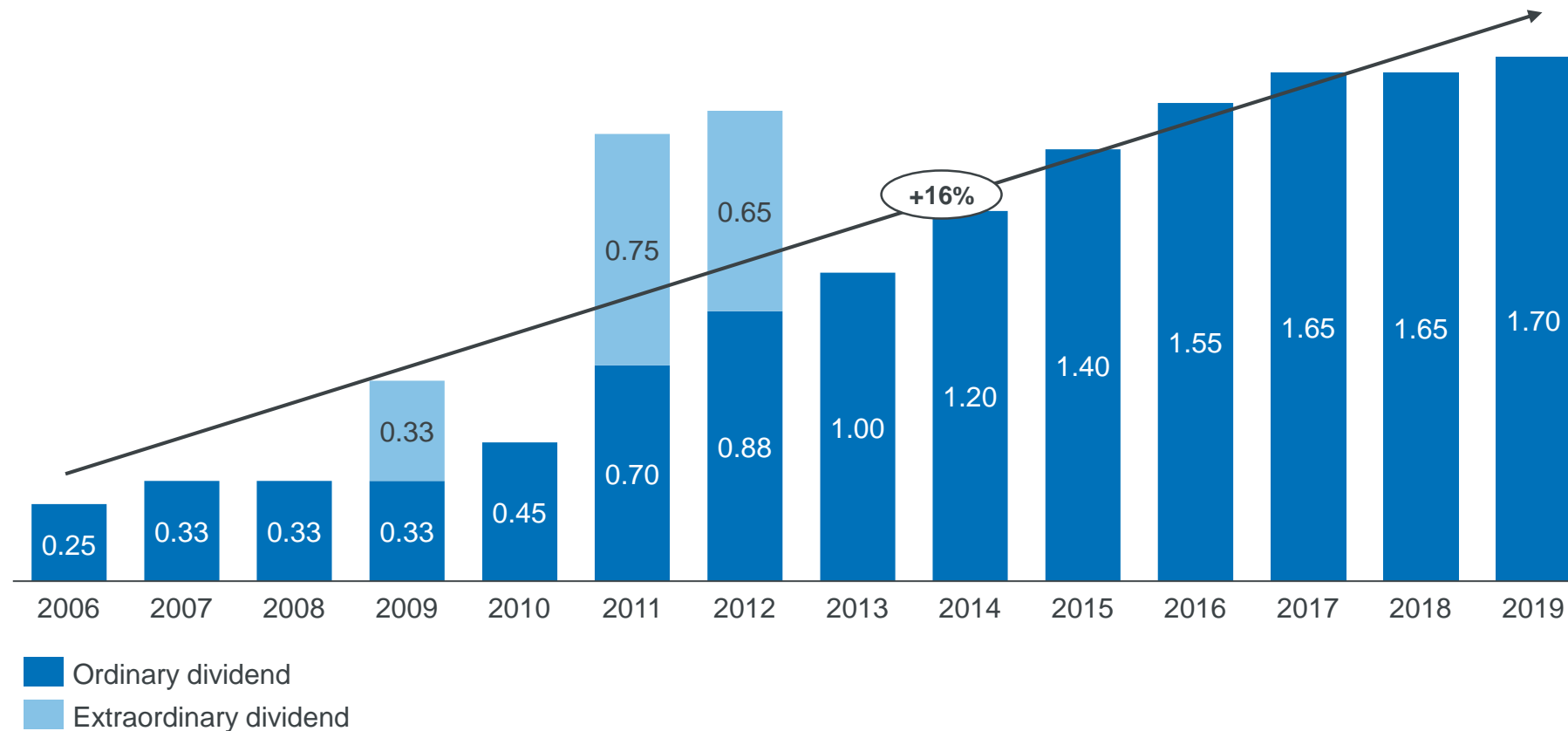


— Number of acquisitions Most acquisitions are small or medium-sized maintenance companies
■ Capex on acquisitions

Good financial development has enabled a steadily developing dividend

Split-adjusted dividend per class B share

EUR, 2006-2019



Adjusted for share splits in 2008 (1:2) and 2013 (1:2)

- Dividend payout in 2019: 94% of earnings per share
- Effective dividend yield, 2019: 2.9%

We remain committed to our financial targets



Growth
Faster than the market

Profitability
EBIT 16%

Cash flow
Improved working capital rotation

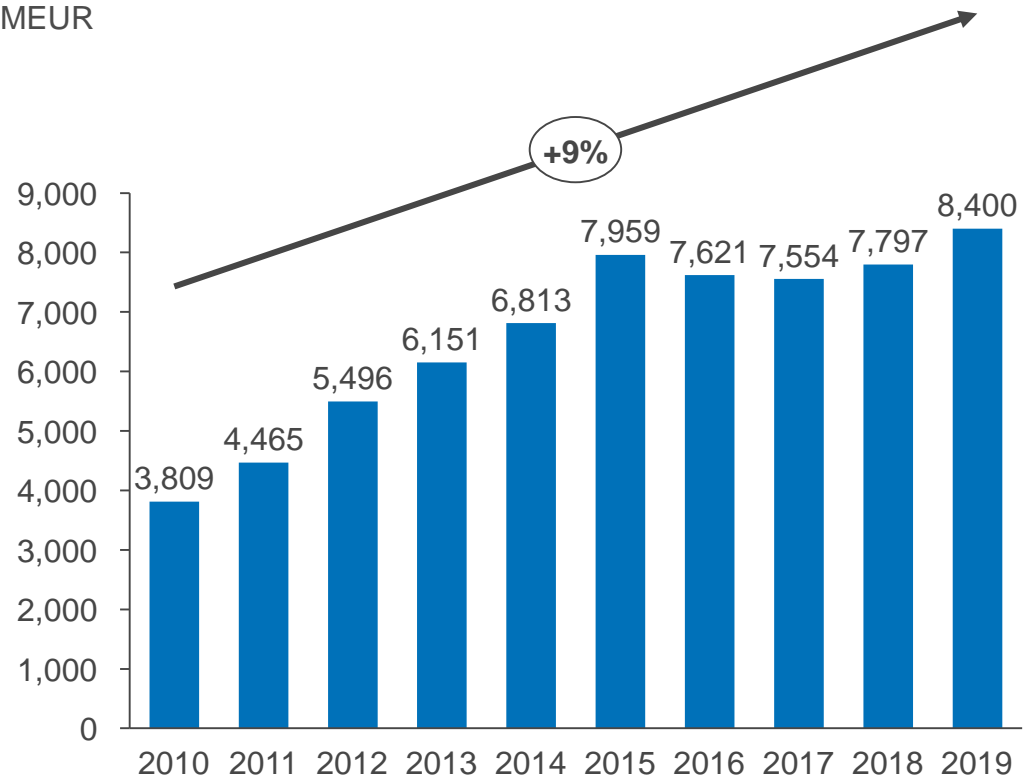
- Given the capital and asset structure of KONE, the aim is not to maximize the EBIT margin in the short term, but rather to grow the absolute EBIT in an optimal way over the long term and as a result maintain a strong return on capital employed
- The relative EBIT margin target is relevant in ensuring that growth and productivity improve continuously
- KONE has not defined a time frame for the achievement of these financial targets

We have consistently grown faster than the market



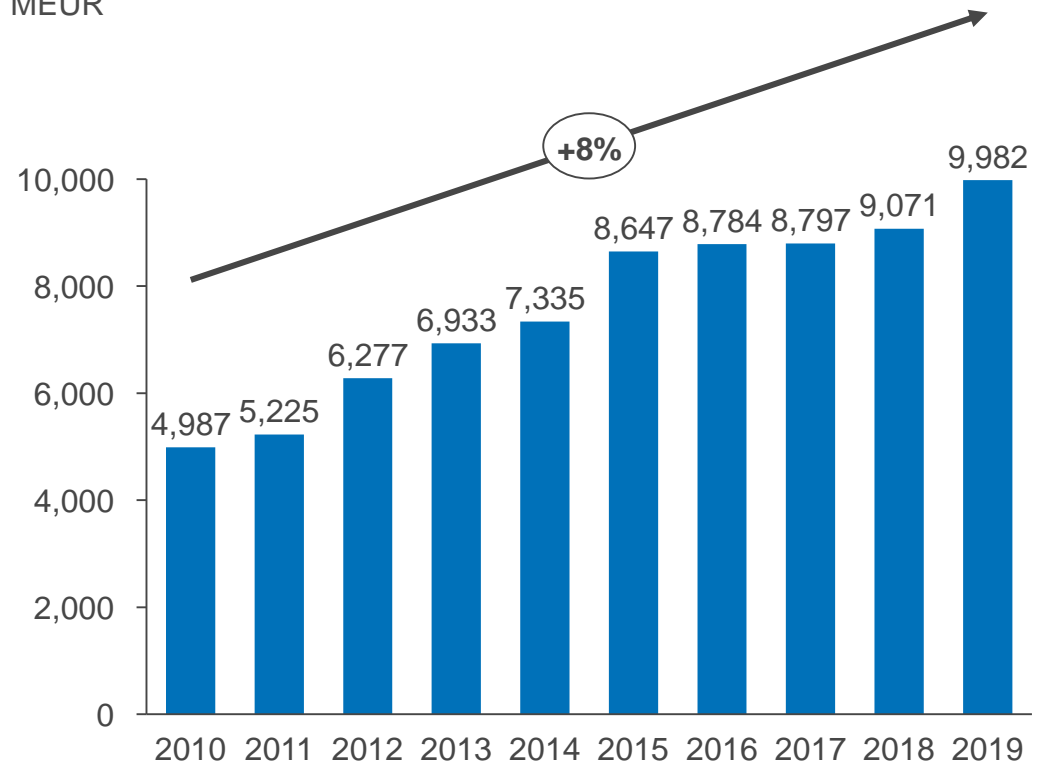
Orders received

MEUR



Sales

MEUR



There are several levers for profitability improvement



OUR ULTIMATE TARGET IS TO IMPROVE ABSOLUTE EBIT

16% EBIT MARGIN TARGET



GROWTH

ECONOMIES OF SCALE



DIFFERENTIATION

BETTER PRICING FROM
UNIQUE VALUE
TO CUSTOMERS



CUSTOMER
SATISFACTION

HIGHER
RETENTION



QUALITY AND
PRODUCTIVITY

COST COMPETITIVENESS



CUSTOMER FOCUS, SPEED AND EFFICIENCY PROVIDED BY THE ACCELERATE PROGRAM

With Accelerate, we are adjusting our ways of working to better support our strategy



Harmonizing roles and processes, leveraging scale & building expertise in many key functions



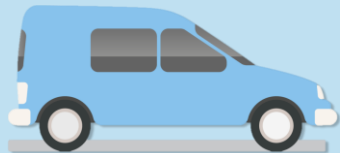
Customer Solutions Engineering



HR



Customer Service & Admin



Logistics



Finance



Sourcing

Accelerate program targets

- Customer centricity
- Speed
- Efficiency

- Estimated total savings close to MEUR 150 by the end of 2020
- Estimated restructuring costs over MEUR 150



Long-term growth
supported by
sustainability



We strive to be a leader in sustainability

For us, sustainability is...

...a source of innovation and competitive advantage

Pioneer in developing energy-efficient solutions, which help our customers certify their buildings

...embedded in how we conduct our business

Included in our strategic targets and reflected in our culture, processes and policies

...a prerequisite for long-term growth and success

Supports us in creating value for our stakeholders, including shareholders



#32nd in the Corporate Knights' 2020 Global 100 Most Sustainable Corporations in the World (only E&E company on the list)



Among top climate change performers according to CDP with A or A- score for the seventh consecutive year



Included in the FTSE4Good Index Series

15

Elevator models and four escalator models with best in class ISO 25745 energy efficiency ratings

Being a leader in sustainability is one of our strategic targets, and we focus on four key areas

STRATEGIC TARGET: TO BE A LEADER IN SUSTAINABILITY

Driving innovation and improving resource efficiency

- Deep understanding of customer needs
- Sustainable innovations and business models
- Resource efficiency
- Low-carbon operations



Providing the most sustainable offering

- Customer satisfaction
- Product and service quality
- End user safety and accessibility
- Energy efficiency of solutions and life cycle thinking



Being the best employer and attracting talent

- Competence development
- Fair employment practices
- Motivated and engaged employees
- Diversity and non-discrimination
- Employee safety and well-being



Enabling our partners and societies to prosper

- Generating long-term returns
- Creating wealth via taxes and employment
- Ethical business practices
- Long-term relationships with our suppliers
- Supporting local communities



Corporate governance & compliance — Risk management — Stakeholder engagement — Proactive communications

Sustainable social, environmental and economic performance

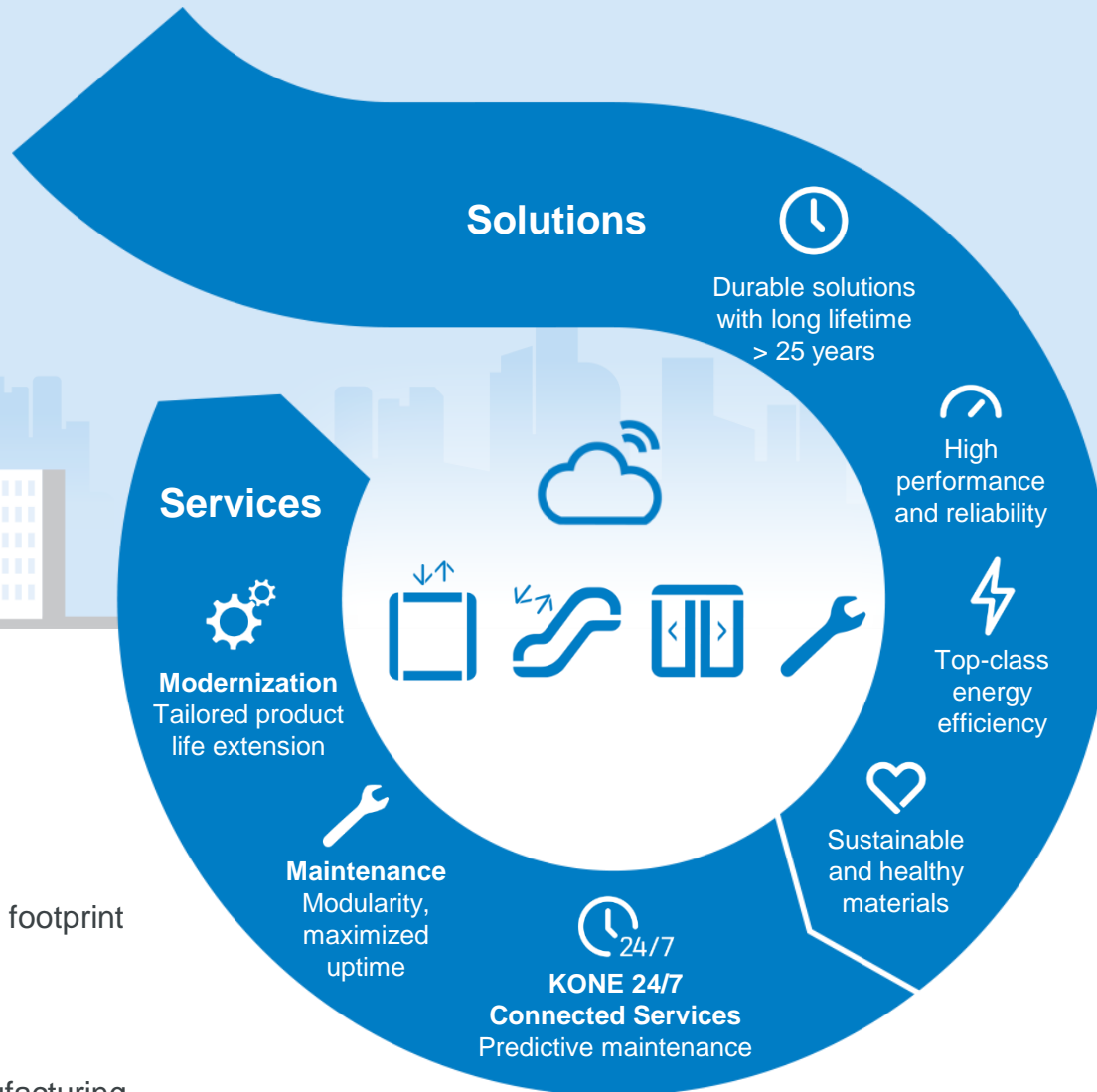
Resource efficiency and circular economy at KONE



90%
of the metals used
in KONE solutions can
be recycled



Ecosystem collaboration to
increase use of recycled
materials



Our targets

- > 3% annual reduction in carbon footprint relative to net sales
- > 50% green electricity by 2021
- 0 waste to landfill from manufacturing by 2030



Our progress in 2019

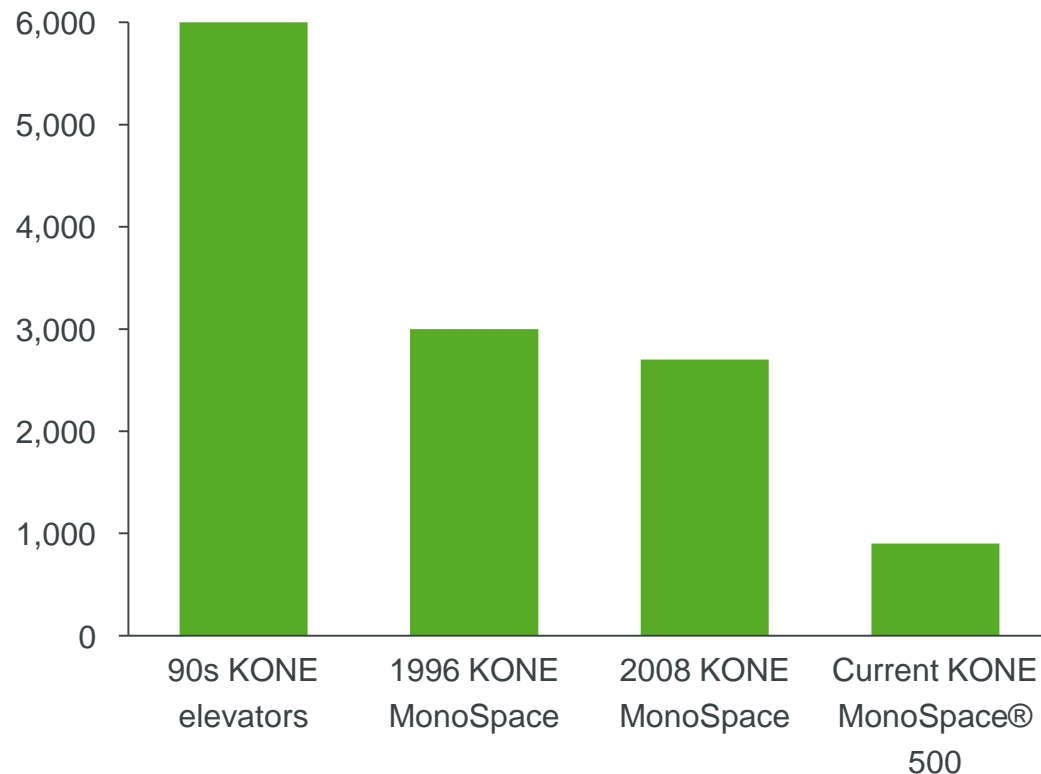
- 3% annual reduction in carbon footprint relative to net sales
- 37% green electricity
- < 1% waste to landfill from manufacturing

We are proud to be the leader in energy-efficiency

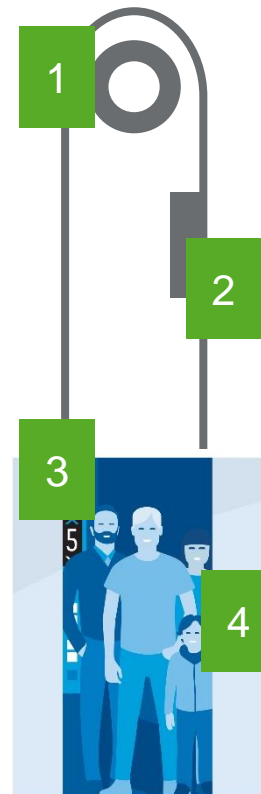


KONE's current volume elevator is up to 90% more energy efficient than in the 90s

Annual energy consumption (kWh/year)



How the KONE MonoSpace® 500 saves energy



- 1 KONE EcoDisc® hoisting machinery** is highly efficient and reduces the energy consumption of the elevator
- 2 Eco-efficient regenerative drive** enables energy to be reused within the building and cuts energy consumption by up to 35%
- 3 Long-lasting LED lighting** lasts 10 times longer and is 80% more efficient than halogen lighting
- 4 More advanced standby solutions** power down the equipment when not used and provide substantial energy savings, especially in residential buildings with low or medium traffic

Eco-efficiency in every phase of a building's life cycle



1. Trusted partner in green building development

Ensuring healthy materials, helping to reduce on-site energy consumption and reducing the carbon footprint of the building. We publish the environmental impact of KONE products and contribute to developing global energy management standards.

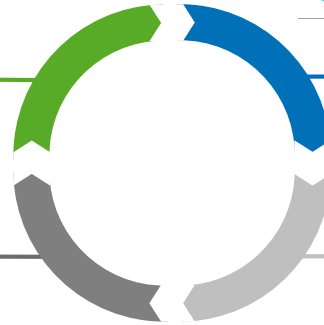


2. Eco-efficient installation

Considering the environment when installing new equipment. Our well-planned and efficient installation processes minimize the adverse environmental impacts of installation work and our systems ensure we reduce our chemical use and handle waste efficiently on site.

Up to 70% energy savings
By modernizing an elevator

3% annual carbon footprint
Reduction target relative to sales



4. Eco-efficiency through modernization

Applying a range of solution to make the biggest difference with the lowest possible environmental impact. Our modernization solutions range from retrofitting LED lights to a completely new elevator with energy-regeneration technology



3. Efficient maintenance processes

Using smart technologies and a green vehicle fleet to minimize emissions and maximize efficiency. Remote monitoring solutions reduce unnecessary technician callouts. By carrying optimized spare part stocks in our vehicles, we reduce warehouse visits, further decreasing emissions.

Supporting continuous learning and professional growth

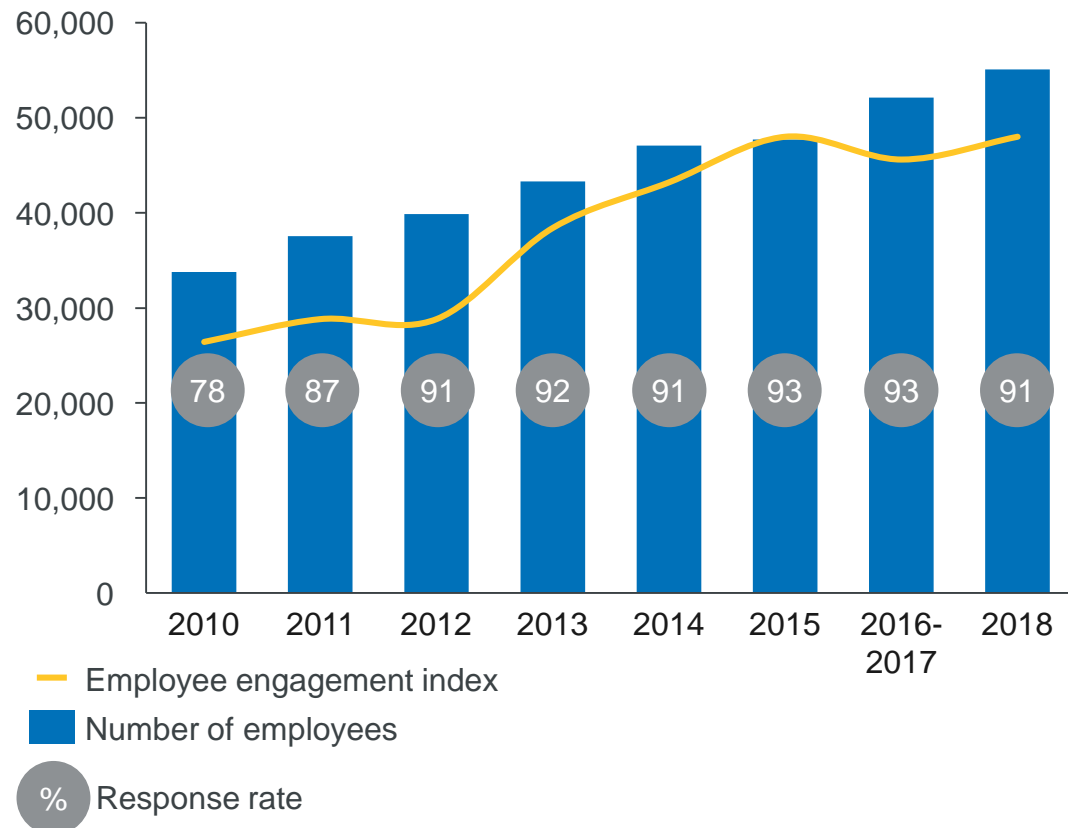


People are key to the success of KONE's strategy

- We must develop and obtain new competences e.g. in digitalization, understanding customers' businesses, consultative selling and leading transformations
- We offer versatile opportunities that support personal growth and career development
 - 41 training centers and >4,200 training programs: new training programs e.g. in solution selling and strategic sourcing
 - Modern learning methods, e.g. VR, AR & mobile learning
 - Performance discussions at least twice a year, completed with a talent review process and individual development plan
 - Mentorship program, talent program, 360 assessments

Great place to work as a strategic target, which we measure by employee engagement

Employee engagement

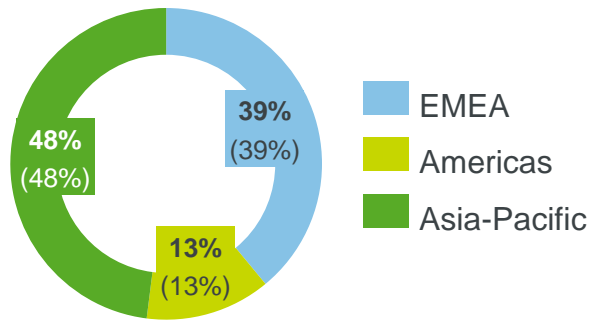


We value diversity in all forms and see it as a strength



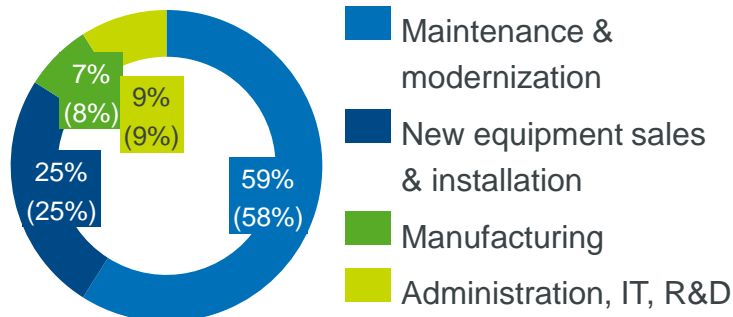
Employees by market

2019, (2018), %



Employees by job category

2019, (2018), %



Employee figures

2019

11%

Share of women, employees

59,825

Total number of employees, end of 2019

18%

Share of women, director level positions

145

Nationalities

7%

Share of women, Executive Board

7.6%

Voluntary turnover rate

38%

Share of women, Board of Directors

Our future success depends on our ability to build diverse and inclusive teams, communities and networks

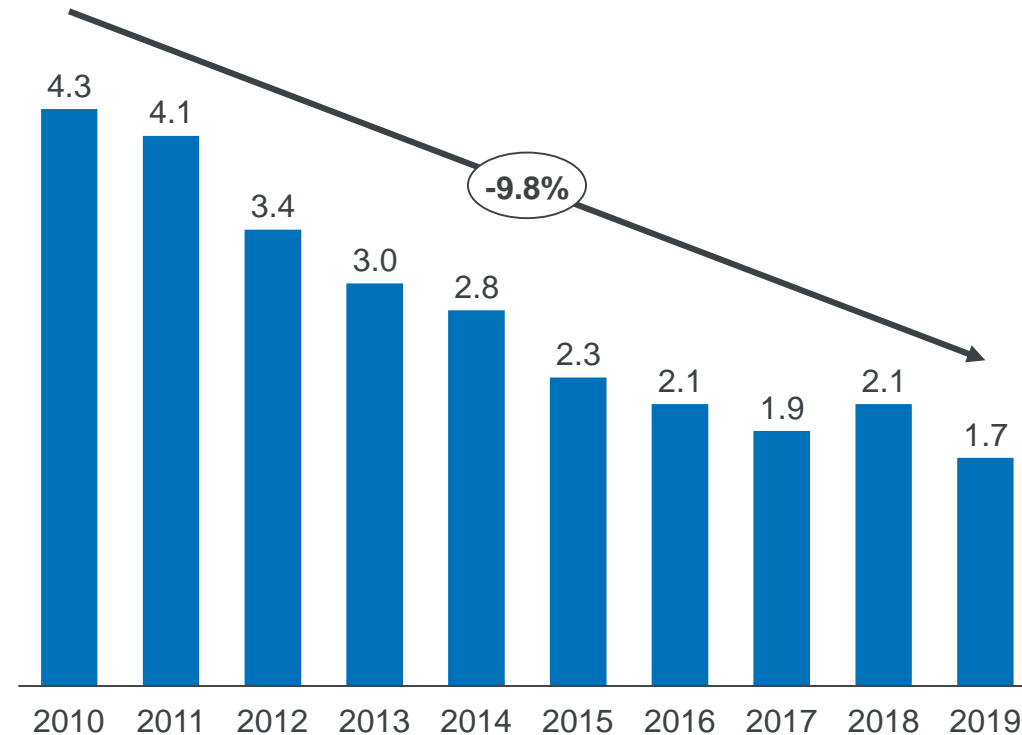
- Diversity training for talent acquisition teams
- Systematic tracking of hiring of new competencies and increasing diversity through recruitment
- Signed the European Round Table of Industrials Diversity and Inclusion Pledge
- Conducted a salary review: based on the review women and men are on a global level compensated equally at KONE
- Diversity KPIs: cultural diversity in global teams, share of women in employees, director level positions, the Executive Board and the Board of Directors

Safety is our top priority and an integral part of our strategy

- We enhance the safety of our products and services through rigorous attention to design, manufacturing, installation and maintenance processes
- In 2018, we launched a new global safety management system harmonizing safety management practices globally
- Safety is a joint effort involving everyone
 - Promoting safety awareness among our employees but also our customers and end consumers with active communication and training
 - We contribute actively to the development of safety codes and standards
- In 2019, our industrial injury frequency rate (IIFRS) improved to 1.7 (2018: 2.1). We continue to target zero incidents
- The average lost days per incident was 33.7 days (2018: 27.4)
- In order to increase transparency, we started disclosing fatalities of KONE employees in 2018 (2019: 1 fatality)

With a proactive approach to safety, we have successfully reduced injuries

IIFR, KONE employees



Safety every step of the way



SUPPLIERS

Clear safety and quality requirements which are continuously measured

OFFICE

Safe facilities and awareness through health and safety training and internal communication

INSTALLATION

Processes and certified installation methods designed to enhance safety, quality and reliability

MODERNIZATION

Upgrade or replacement solutions that meet the latest safety standards
Professional technicians following strict safety guidelines

MAINTENANCE

Preventative maintenance methods to enhance safe functioning of equipment
Regular training, coaching and auditing to assure safety

R&D

Potential safety hazards are identified and eliminated

PRODUCTION SITE

Careful control of raw materials and production processes
ISO 9001, 14001 and OHSAS 18001 certified

USE

Support to customers and building owners in promoting safe use
Safety events and communication for users

We engage in ethical business practices



- KONE's Code of Conduct sets out our commitment to integrity, honesty and fair play. It explains how we conduct our business in a responsible and ethical manner in order to win and retain customer trust
- Our general Code of Conduct is complemented by our Supplier and Distributor Code of Conducts
- KONE's Competition Compliance Policy outlines our unambiguous position against anti-competitive practices
- KONE runs online trainings in over 30 languages to increase its employees' awareness of KONE's Code of Conduct and Competition Compliance Policy

The KONE Code of Conduct applies to all KONE employees and covers topics such as

- Compliance with the laws and rules of society
- Work environment
- Human rights
- Zero tolerance for fraud, bribery and corruption
- Risks and conflicts of interest
- Health and safety
- Discrimination
- Fair competition
- Environment and sustainability
- Handling of information and data protection
- How to report concerns or violations of the Code

Building solid relationships with suppliers

- KONE thoroughly assesses its suppliers as part of risk management
- KONE's Supplier Excellence Certification Program assesses our key suppliers' sites based on criteria such as environmental and quality management systems, performance scorecards, and supplier audit results
- All suppliers are required to act in compliance with the KONE Supplier Code of Conduct, which addresses legal compliance, ethical conduct, environment, prohibition of corruptive practices, labor and human rights, health and safety and management system related topics
- Annual Supplier Day and supplier survey to key strategic suppliers to track and drive continuous improvement



KONE's general governance principles



- The duties and responsibilities of KONE Corporation's various governing bodies are determined by Finnish law and KONE's corporate governance principles.
- KONE complies with the Finnish Corporate Governance Code with a few exceptions due to KONE's ownership structure as a family company.
Exceptions:
 - Recommendation 16: Independence of the company of the members of the audit committee
 - Recommendation 17: Independence of the company of the members of the remuneration committee
 - Recommendation 18: Independence of the company of the members of the nomination committee

KONE's administrative bodies and officers with the greatest decision-making power



General Meeting of Shareholders



Board of Directors

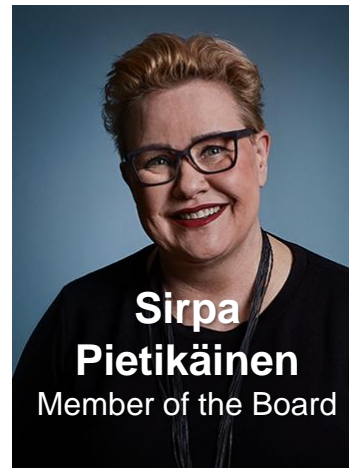
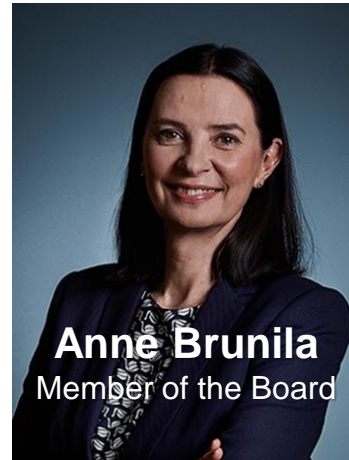
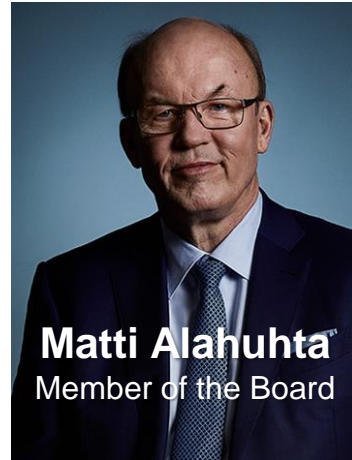
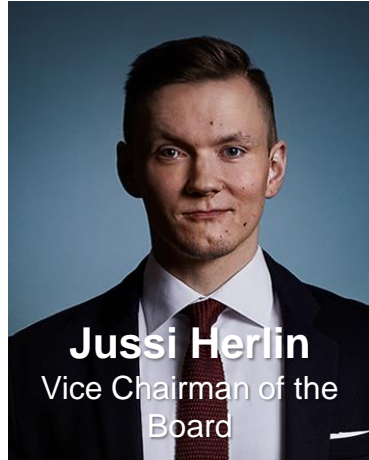


Full-time Chairman of the Board



President and CEO

Dedicated Board of Directors



67% independent members*

44% female

- When proposing members to the Board, attention is paid to the candidates' broad and mutually complementary background, experience, expertise, age, gender and views of both KONE's business and other businesses
- The Board of Directors has two Committees, the Audit Committee and the Nomination and Compensation Committee

* The independence of the members of the Board is assessed in line with the independence criteria of the Finnish Corporate Governance Code

More information

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Investor Relations website

kone.com/investors



KONE Investor Relations App

Apple App store



KONE IR Insights podcast

soundcloud.com/kone-ir-insights

Dedicated to People Flow™

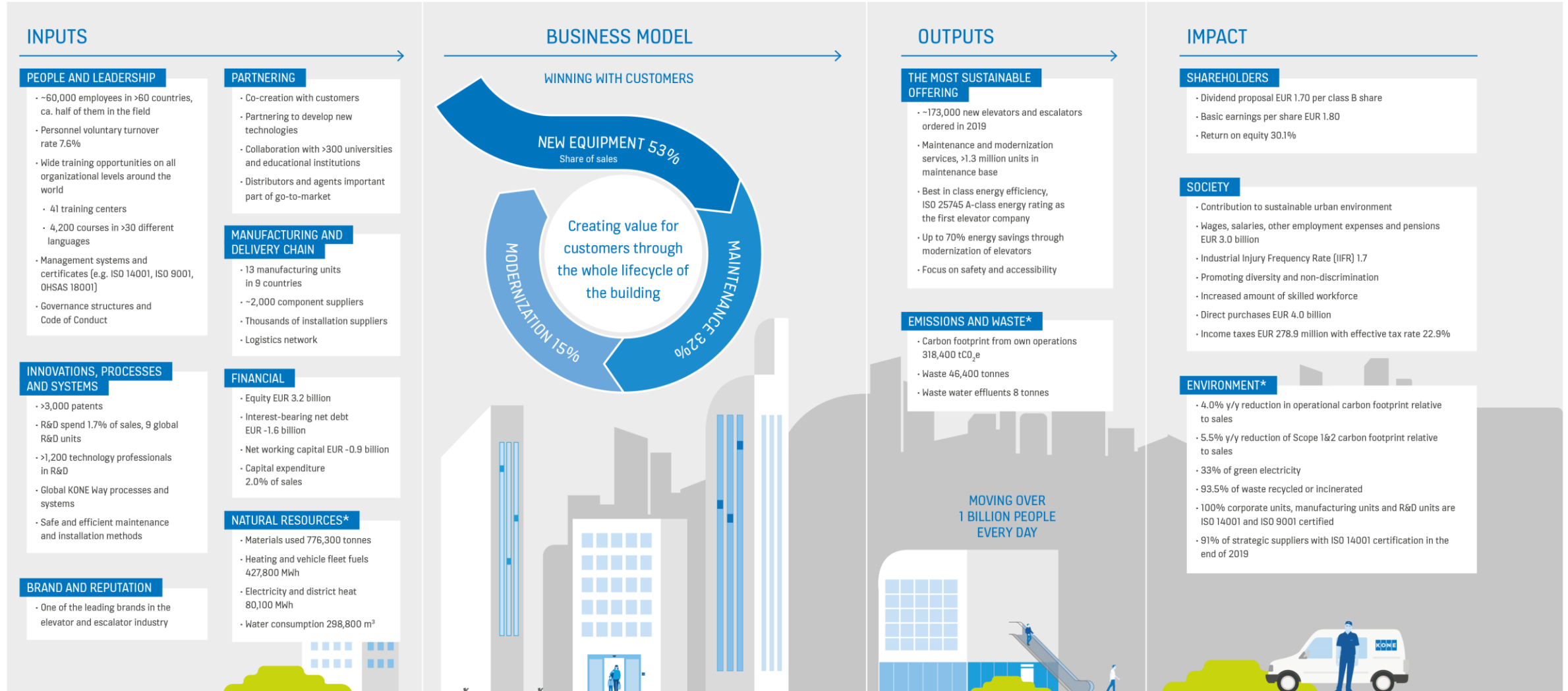


Appendix

Creating value by improving the flow of urban life



CREATING VALUE BY IMPROVING THE FLOW OF URBAN LIFE



*2018 figures. 2019 figures will be published in the 2019 Sustainability Report in Q2 2020.

KONE's FX and raw material exposure



KONE's foreign exchange exposure

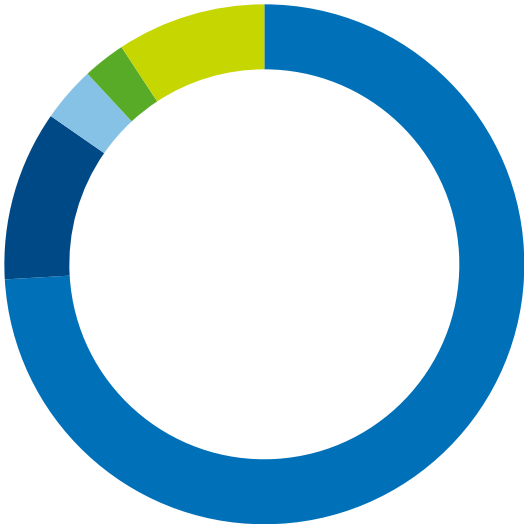
Sales by currency 1-12/2019



- EUR
- RMB
- USD
- Others

KONE's raw material exposure is >5% of sales

Indicative



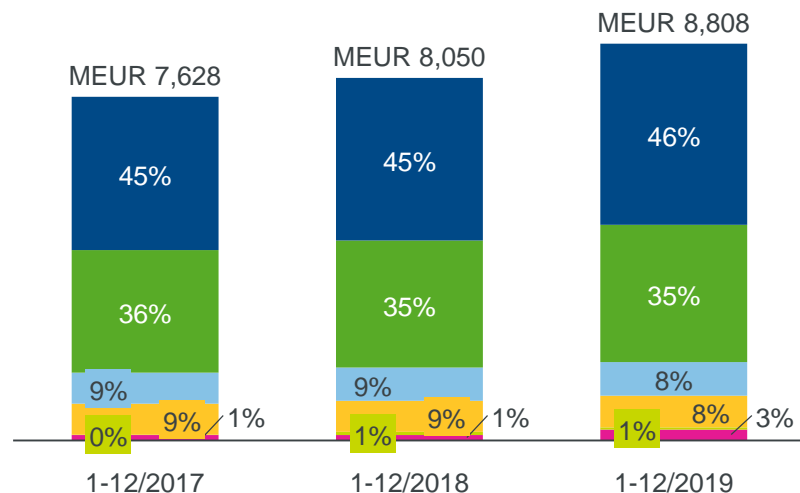
- Steel (stainless, hot-rolled, billets)
- Copper
- Aluminium
- Rare earths
- Car fuel

- In order to reduce exposure to raw material prices, KONE typically locks in prices with component suppliers for ~3-6 months

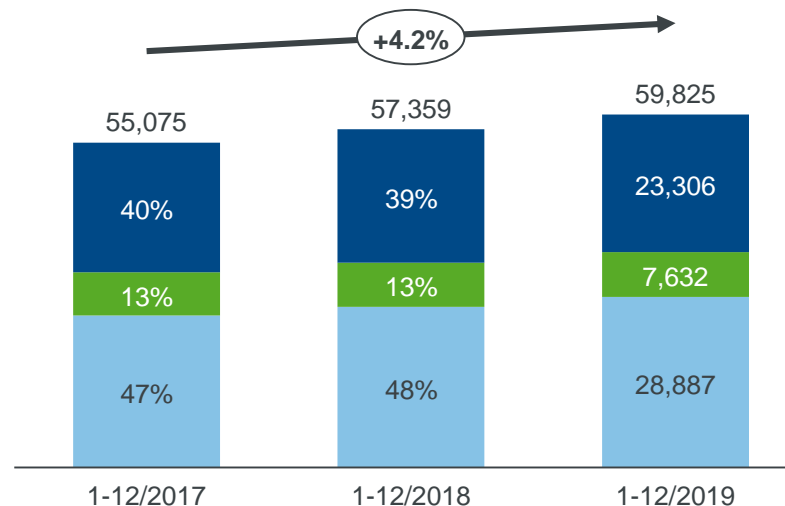
Variable costs comprise a significant portion of the cost base, especially in the new equipment business

Costs and expenses

2017-2019



Development of personnel



- Direct materials, supplies and subcontracting
- Wages, salaries, other employment expenses and pensions
- Other production costs *
- Selling, administrative and other expenses **
- Items impacting comparability ***
- Depreciation and amortization

- EMEA
- Americas
- Asia-Pacific

* Incl. costs of logistics, tools and consumables, operative car fleet and traveling as well as other miscellaneous operative costs
 ** Incl. costs related to premises, consulting and external services, IT and traveling as well as other miscellaneous administrative costs
 *** Restructuring costs related to the Accelerate program

New equipment & modernization

- Majority of costs from direct materials, supplies and installation subcontracting
- Subcontracting on a project-by-project basis, allowing flexibility to adjust cost base in case of sales headwinds

Maintenance

- Majority of costs from salaries and car fleet
- Costs mainly related to employees in recurring and stable maintenance business
- Maintenance contracts often include cost escalation clauses

KONE Environmental Excellence program



KEY INITIATIVES, 2017-2021

Key initiative	Target 2017-2021	Examples of achievements in 2019
<p>Solutions</p> <p>Our solutions are highly eco-efficient and contribute to green building ratings</p>	Further reduction in energy consumption	<ul style="list-style-type: none"> ▪ Launch of KONE DX Class elevators with built-in connectivity and focus on sustainability. ▪ Best-in-class ISO 25745 energy efficiency classifications for KONE MonoSpace® 700 and KONE TranSys™ elevators, and for KONE TravelMaster™ 120 escalator. Altogether, 15 KONE elevator and 4 escalators and autowalks with best-in-class energy performance classifications. ▪ Third-party verified Environmental Product Declarations published for KONE MonoSpace® 700 DX, KONE TranSys™ DX and KONE MiniSpace™ DX elevators. ▪ Health Product Declarations published for KONE MonoSpace® 500 and KONE TranSys™ DX elevators and KONE TravelMaster™ 110 escalator. ▪ New and renewed Singapore Green Building Product (SGBP) certifications with the highest Leader ratings. In total, eight KONE solutions have the SGBP certification. ▪ Approved Byggarubedömningen (BVB) assessments in Sweden for KONE TranSys™ elevator and TransitMaster™ 180 escalator. In total, we now have six approved BVB assessments. ▪ Solutions delivered to buildings certified with LEED, BREEAM and local green building standards
<p>Operations</p> <p>We do business by developing resource efficiency and minimizing the carbon footprint of our operations and services</p>	3% annual reduction of carbon footprint relative to sales	<ul style="list-style-type: none"> ▪ KONE's overall operational carbon footprint relative to sales decreased by 3.1%. Scope 1 and 2 carbon footprint relative to sales decreased by 5.4%. KONE's carbon footprint data is externally assured. ▪ New, state-of-the-art KONE manufacturing unit opened in India. The facility is designed in accordance with Indian Green Building Council (IGBC) criteria with water recycling and rainwater harvesting systems, as well as solutions to conserve energy and limit greenhouse gas emissions, plus maximize good indoor air quality. ▪ Solar panel installations in Kunshan and Hyvinkää factory premises completed. ▪ New KONE units purchasing green electricity: manufacturing unit in the Czech Republic (100%), Spanish subsidiary (partially). ▪ LEED Silver Commercial Interiors certification achieved for KONE Allen, Texas office spaces in the United States. ▪ Subsidiaries offsetting their operational carbon footprint: KONE Austria, KONE New Zealand.
<p>Culture</p> <p>We build eco-culture together with customers and suppliers</p>	CDP leadership ISO 14001 certification	<ul style="list-style-type: none"> ▪ Recognized for climate and sustainability performance: a place on CDP's A List, ranked as the 32nd most sustainable company in the world by Corporate Knights (up from 43rd for the previous year), included in the Carbon Clean200 list by Corporate Knights, and As You Sow. ▪ Included in the FTSE4Good index, awarded the Ecovadis gold medal for sustainability performance. ▪ Recognized in Asia Corporate Excellence & Sustainability Awards as one of Asia's best performing companies. ▪ Our corporate and R&D units, all major manufacturing units and 26 major subsidiaries are ISO 14001 certified (2018: 25). KONE Spain achieved ISO 14001 certification. Two of our European manufacturing units are ISO 50001 certified. At the end of 2019, 91% of our strategic suppliers were ISO 14001 certified (2018: 90%). ▪ Continued supplier trainings on sustainable materials. ▪ The theme of KONE's annual safety week was safe work environment. Environmental topics, such as preparation for extreme weather conditions and the importance of reducing greenhouse gas emissions were featured in the safety week program.

The majority of the new equipment demand is in APAC, EMEA and Americas represent half of installed base



North America

- Mature service market with significant potential in modernization
- Non-residential segments bigger than residential



EMEA

- Mix of mature markets and developing regions
- Service market with large installed base; significant growth potential in modernization
- Largest segment is residential



Asia-Pacific

- Mix of developing and mature markets
- Majority of new equipment demand; significant growth potential in services
- China and India are the two largest new equipment markets globally
- Largest segment is residential

Several trends are shaping the market in China



Market trends

URBANIZATION CONTINUES

In the next 10 years, 200 million people are expected to move into cities

CITY CLUSTERS EMERGE

Guided population migration to city clusters

“HOUSING FOR LIVING NOT SPECULATION”

Strict controls and restrictions to remain

TOP DEVELOPERS GETTING BIGGER

Top developers tend to favor OEMs

SERVICE MARKET REMAINS ROBUST, YET FRAGMENTED

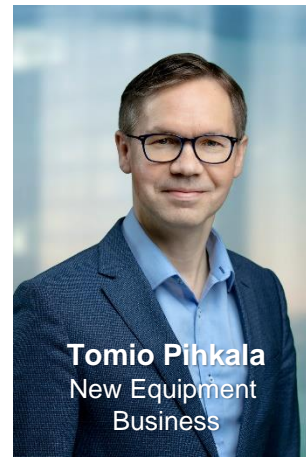
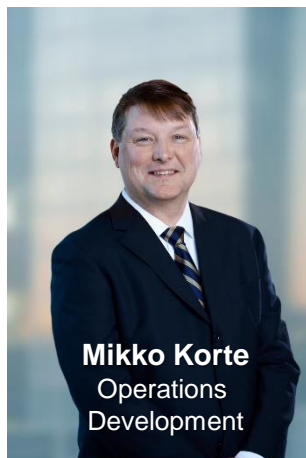
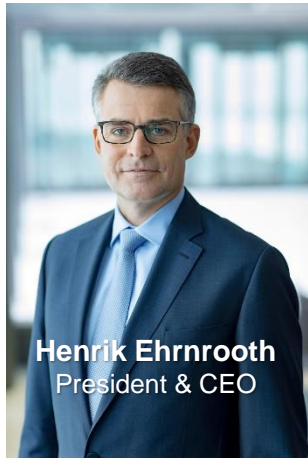
Double digit growth in installed base



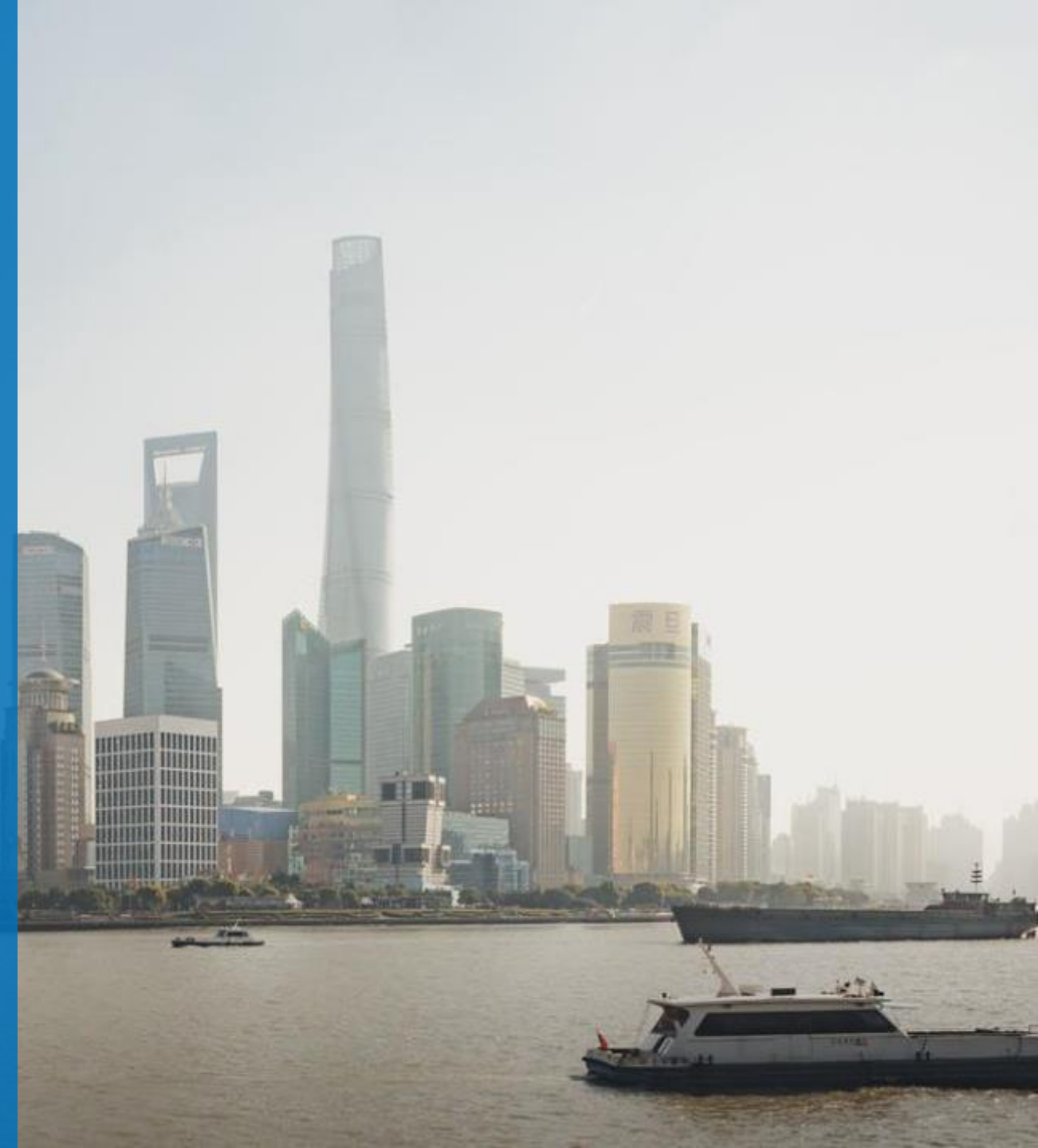
Government restrictions continue

Developers	Buyers
<p>Land purchases and land use Controls on type of development, strict idle land penalties, payment terms</p>	<p>Purchasing restrictions Controls on number of properties and eligibility to buy</p>
<p>Financing Bank loans and bonds controlled</p>	<p>Down payment, mortgage interest Very strict mortgage terms for second and third property</p>
<p>Selling process Pre-sales controls, selling price controls</p>	<p>Re-selling Varying local controls on re-selling the property</p>

Strong executive board with diverse backgrounds



Some of our iconic references



Bloomberg

LONDON, UK

Bloomberg's new European headquarters occupies an entire London city block, and its 18 glass elevators are a centerpiece of the collaboration-focused design. They are a window into a building ranked as one of the most sustainably designed office developments in the world.



Tribunal de Paris

PARIS, FRANCE

Designed by Renzo Piano, the luminous new Tribunal de Paris is an energy-efficient masterpiece of a building that houses multiple judicial entities.

Solutions like the one-of-a-kind panoramic elevator and high-security elevators for detainees help people move around the building smoothly and securely.

Stubai Glacier

TYROL, AUSTRIA

Installing escalators on a mountainside at heights of up to 2,900 meters above sea level is no easy task.

Add to that the occasional blizzard, sub-zero temperatures and around a million visitors in ski boots every year and you have a task for the sturdy KONE TransitMaster™ 120 – with a few customized modifications.



The KONE logo is positioned in the top left corner of the image. It consists of the word "KONE" in white, uppercase letters, each letter contained within a separate blue square. The squares are arranged in a horizontal row.

KONE

37 Golden Square

LONDON, UK

Smart home technology, ease of use and comfort are key when it comes to luxury living in the heart of London's Soho.

Full refurbishment and the addition of new technology is bringing fundamental benefits and giving the residents of 37 Golden Square a taste of the future today.

Kunming Changshui Airport

KUNMING, CHINA

Kunming Changshui Airport is an important hub for connections between China and Southeast Asia. Originally designed to accommodate 37 million travelers annually, in 2017 it served 45 million.

Smooth people flow is essential as passenger volumes at China's fourth largest airport continue to rise. KONE 24/7 Connected Services helps the maintenance team keep equipment up and running.

