

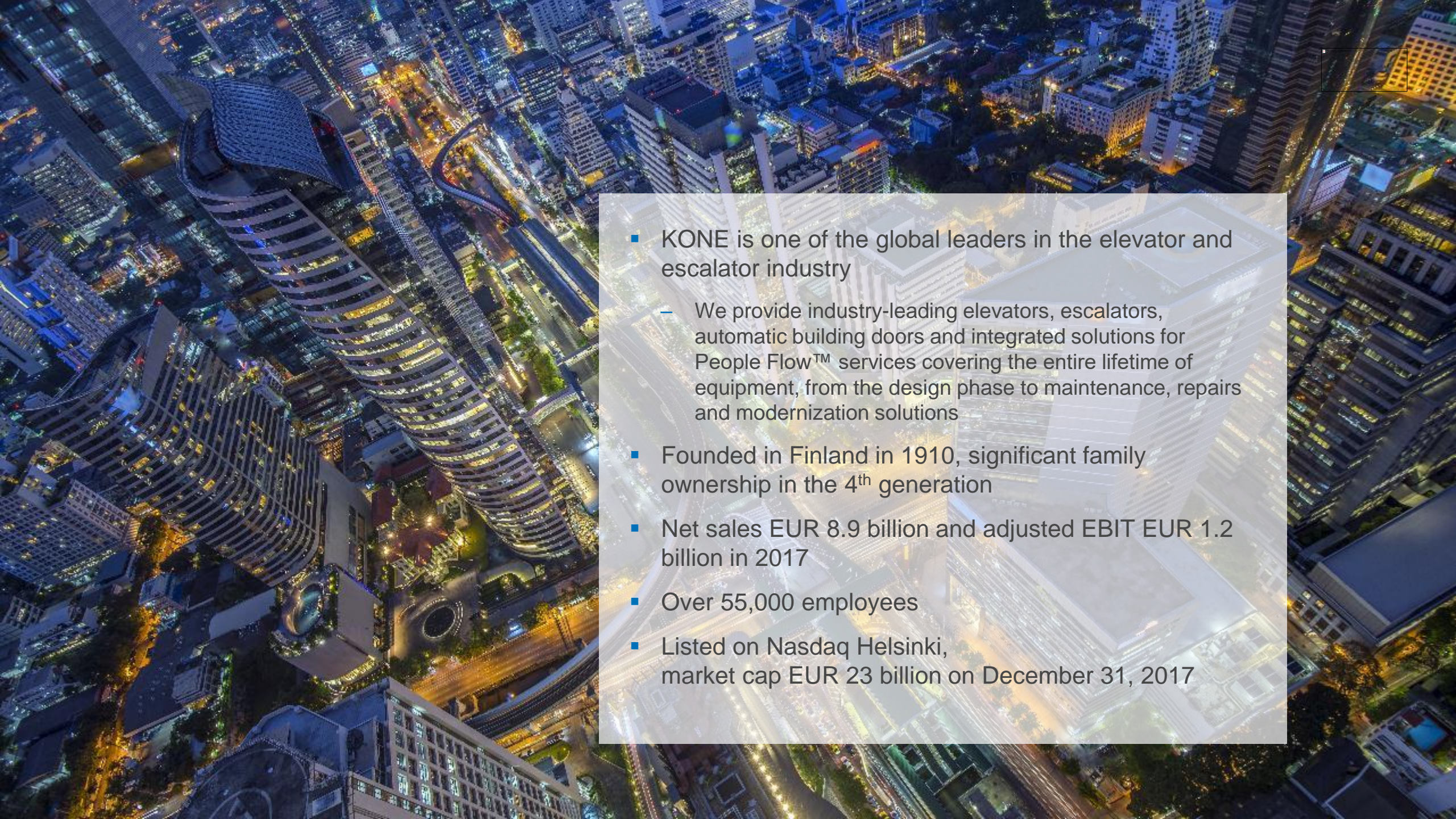


KONE Equity Story

INVESTORS@KONE.COM



KONE in a nutshell

- 
- KONE is one of the global leaders in the elevator and escalator industry
 - We provide industry-leading elevators, escalators, automatic building doors and integrated solutions for People Flow™ services covering the entire lifetime of equipment, from the design phase to maintenance, repairs and modernization solutions
 - Founded in Finland in 1910, significant family ownership in the 4th generation
 - Net sales EUR 8.9 billion and adjusted EBIT EUR 1.2 billion in 2017
 - Over 55,000 employees
 - Listed on Nasdaq Helsinki, market cap EUR 23 billion on December 31, 2017

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

Creating value by improving the flow of urban life



INPUTS

PEOPLE AND LEADERSHIP

- > 55,000 employees in >60 countries, ca. half of them in the field
- Personnel turnover rate 7.7%
- 92% of employees with individual development plan
- Wide training opportunities on all organizational levels around the world
 - >35 training centers
 - 3,900 courses in 30 different languages
- Management systems and certificates (e.g. ISO 14001, ISO 9001, OHSAS 18001)
- Governance structures and Code of Conduct

INNOVATIONS, PROCESSES AND SYSTEMS

- >3,000 patents
- R&D spend 1.8% of sales, 9 global R&D units
- >1,000 technology professionals in R&D
- Global KONE Way processes and systems
- Safe and efficient maintenance and installation methods

PARTNERING

- Co-creation with customers
- Partnering to develop new technologies
- Collaboration with >300 universities and educational institutions
- Distributors and agents important part of go-to-market

MANUFACTURING AND DELIVERY CHAIN

- 13 manufacturing units in 7 countries
- ~2,000 component suppliers
- thousands of installation suppliers
- Logistics network

BRAND AND REPUTATION

FINANCIAL

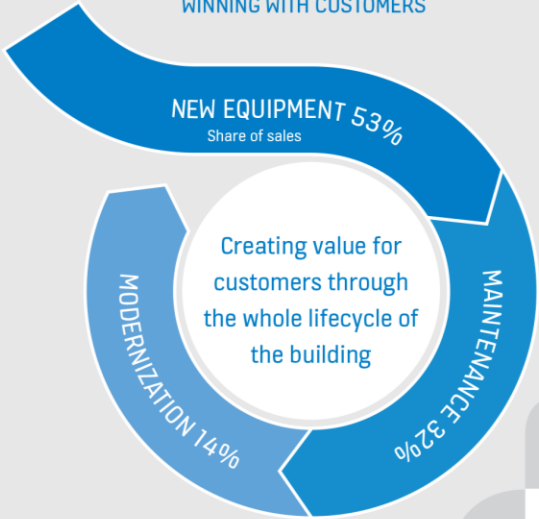
- Equity EUR 2.9 billion
- Interest-bearing net debt EUR -1.7 billion
- Net working capital EUR -0.9 billion
- Capital expenditure 1.3% of sales

NATURAL RESOURCES*

- Materials used 701,200 tonnes
- Heating and vehicle fleet fuels 423,000 MWh
- Electricity and district heat 94,800 MWh
- Water consumption 350,000 m³

BUSINESS MODEL

WINNING WITH CUSTOMERS



OUTPUTS

THE MOST SUSTAINABLE OFFERING

- 141,000 new elevators and escalators delivered in 2017
- Maintenance and modernization services, >1.2 million units in maintenance base
- Best in class energy efficiency, ISO 25745 A-class energy rating as the first elevator company
- Up to 70% energy savings through modernization of elevators
- Focus on safety and accessibility

EMISSIONS AND WASTE*

- Carbon footprint from own operations 311,000 tCO₂e
- Waste 23,100 tonnes
- Waste water effluents 14 tonnes

MOVING OVER 1 BILLION PEOPLE EVERY DAY

IMPACT

SHAREHOLDERS

- Dividend proposal 1.65 EUR per class B share
- Basic earnings per share 1.89 EUR
- Return on equity 34%

SOCIETY

- Contribution to sustainable urban environment
- Wages, salaries, other employment expenses and pensions EUR 2.7 billion
- Industrial Injury Frequency Rate (IIFR) 1.9 [-11% y/y]
- Promoting diversity and non-discrimination
- Increased amount of skilled workforce
- Direct purchases EUR 3.4 billion
- Income taxes EUR 300 million with effective tax rate 23.5%

ENVIRONMENT*

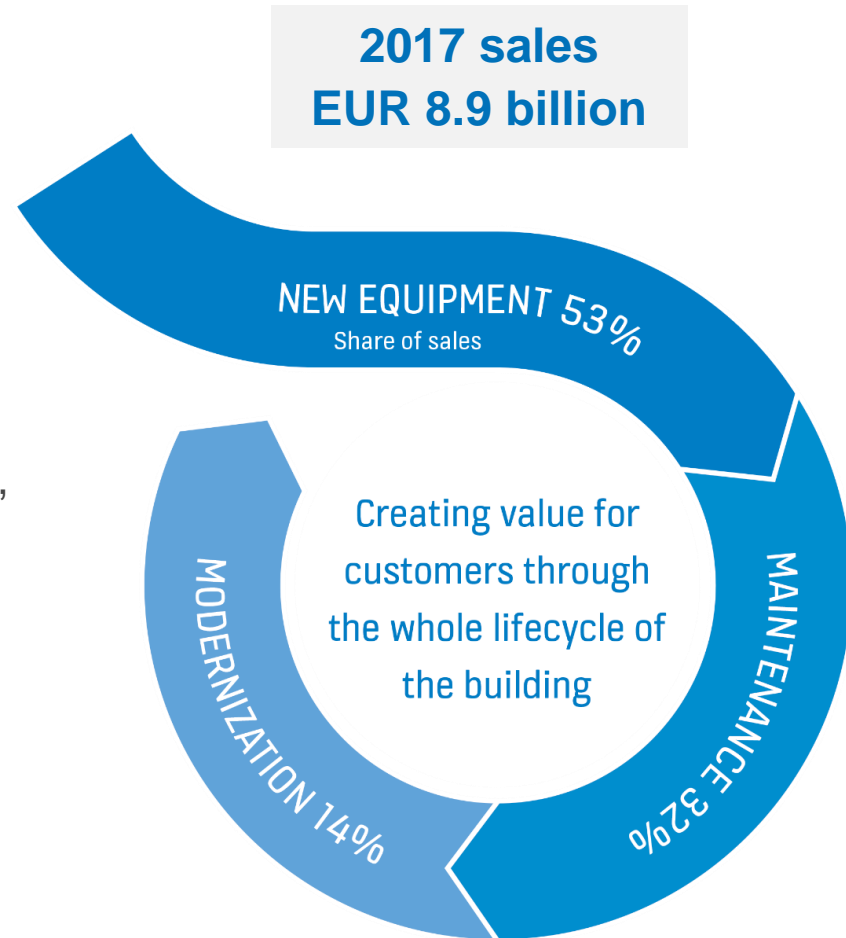
- -4.1% y/y reduction in operational carbon footprint relative to sales
- 28% of green electricity
- 90% of waste recycled or incinerated
- 100% corporate units, manufacturing units and R&D units are ISO 14001 and ISO 9001 certified
- 93% of strategic suppliers with ISO 14001 certification

*2016 figures. 2017 figures will be published in the 2017 Sustainability Report in Q2 2018.

We have a strong life-cycle business model

NEW EQUIPMENT BUSINESS

- Driven by urbanization and changing demographics
- Follows the regional construction cycles
- Fuels the growth of our service business
- Customers include builders, general contractors and developers



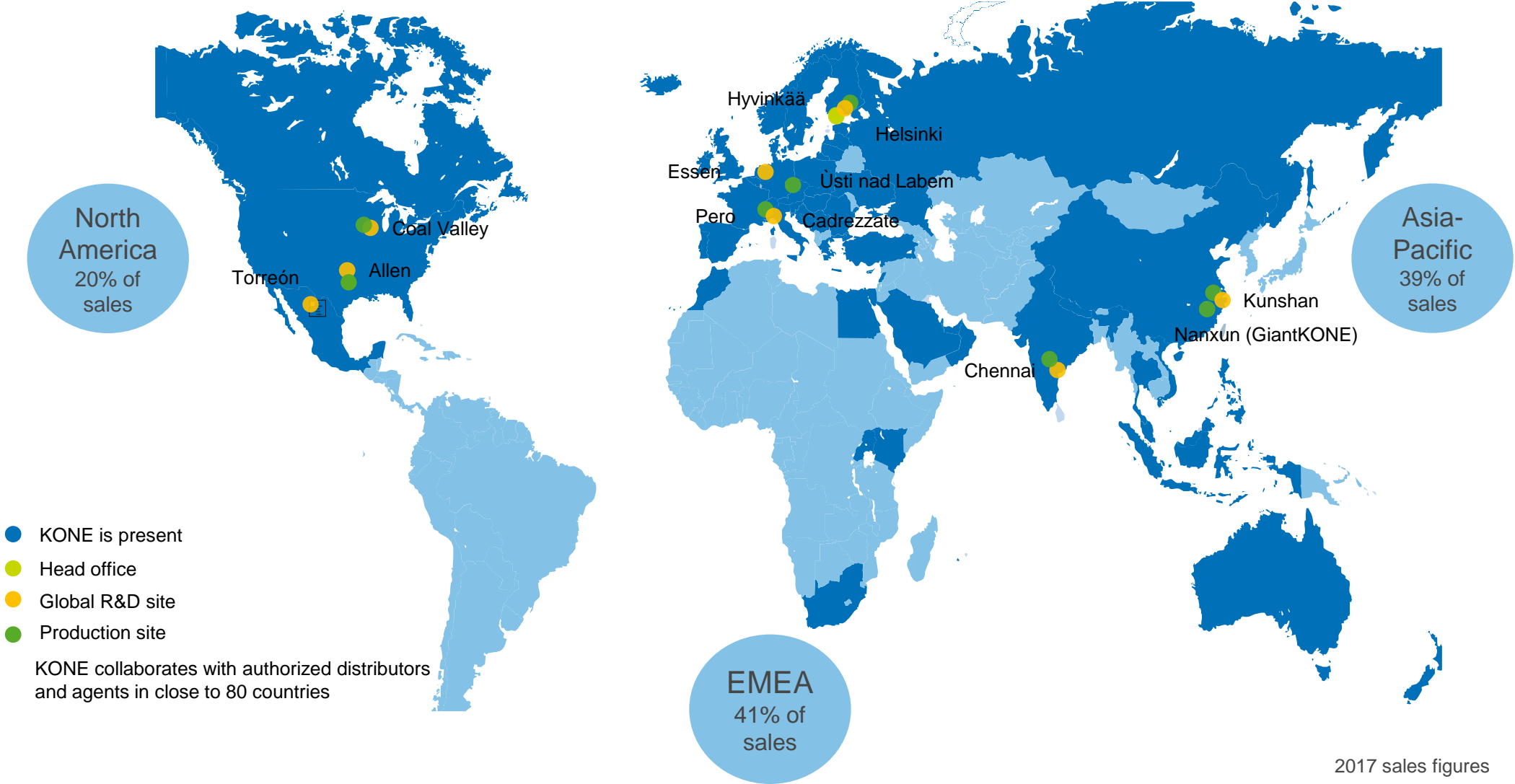
MAINTENANCE

- Stable business due to high requirements on safety and reliability
- High customer retention
- Customers include facility managers and building owners

MODERNIZATION

- Driven by aging the installed base and higher requirements for efficient people flow, safety and sustainability
- Customers include facility managers and building owners

We have a wide geographic reach



2017 sales figures

We have focused on increasing market share in growth markets



NEW EQUIPMENT

KONE's position	2009	2017
North America	#4	#4
EMEA	#3	#2
China	#4	#1
China market share	~10%	~20%
Rest of APAC*	#1	#1
Global new equipment market share	~12%	~19%

MAINTENANCE BUSINESS

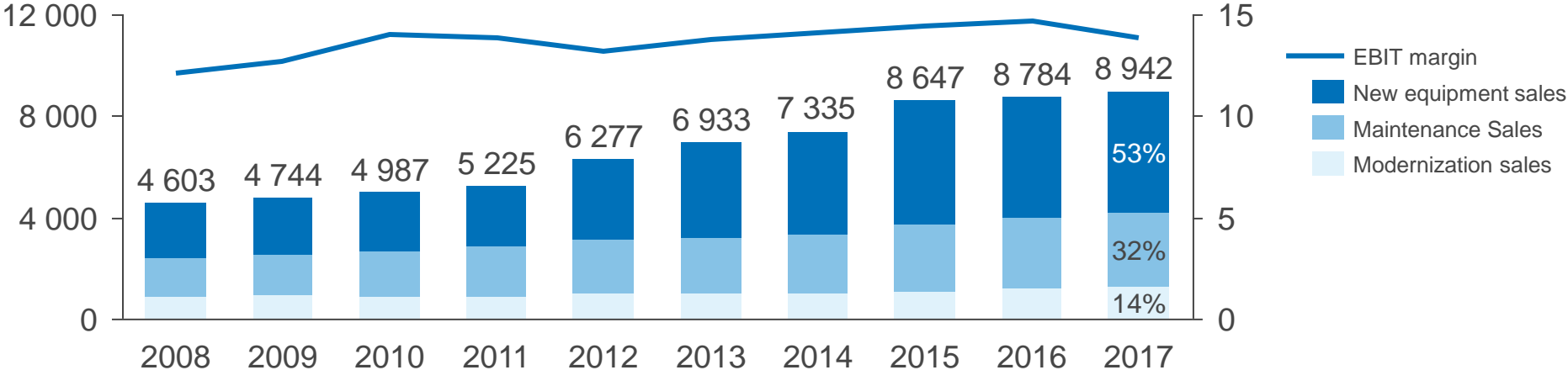
KONE's position	2009	2017
North America	#4	#4
EMEA	#4	#3
China	#4	#1
Rest of APAC*	#3	#2
Market position	#4	Shared #3

*Rest of APAC excluding Japan and Korea.

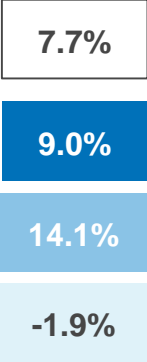
We have grown profitably by capitalizing on the opportunities in new equipment and Asia-Pacific



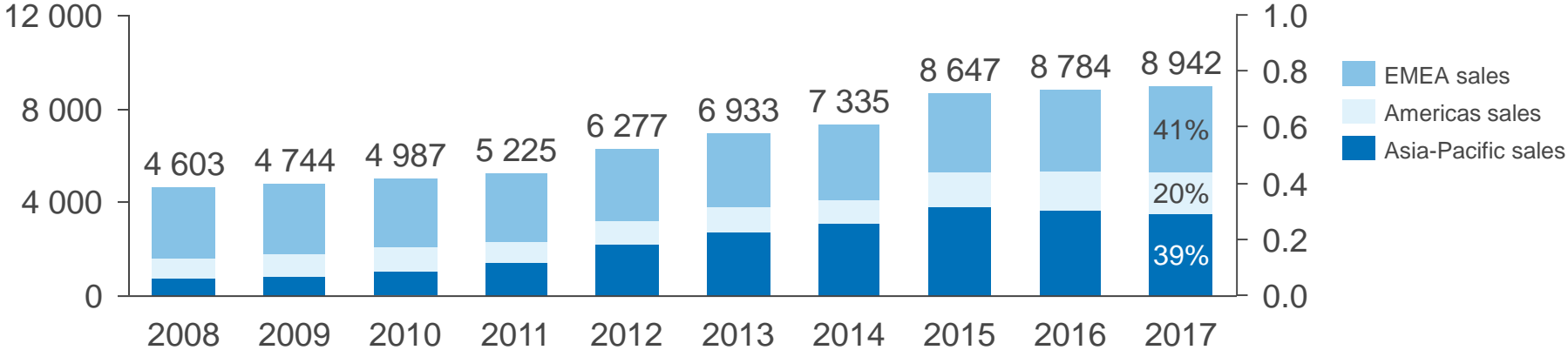
SALES BY BUSINESS



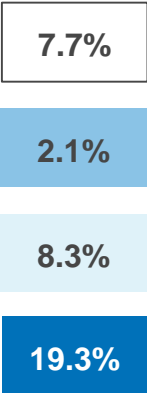
CAGR, %



SALES BY AREA

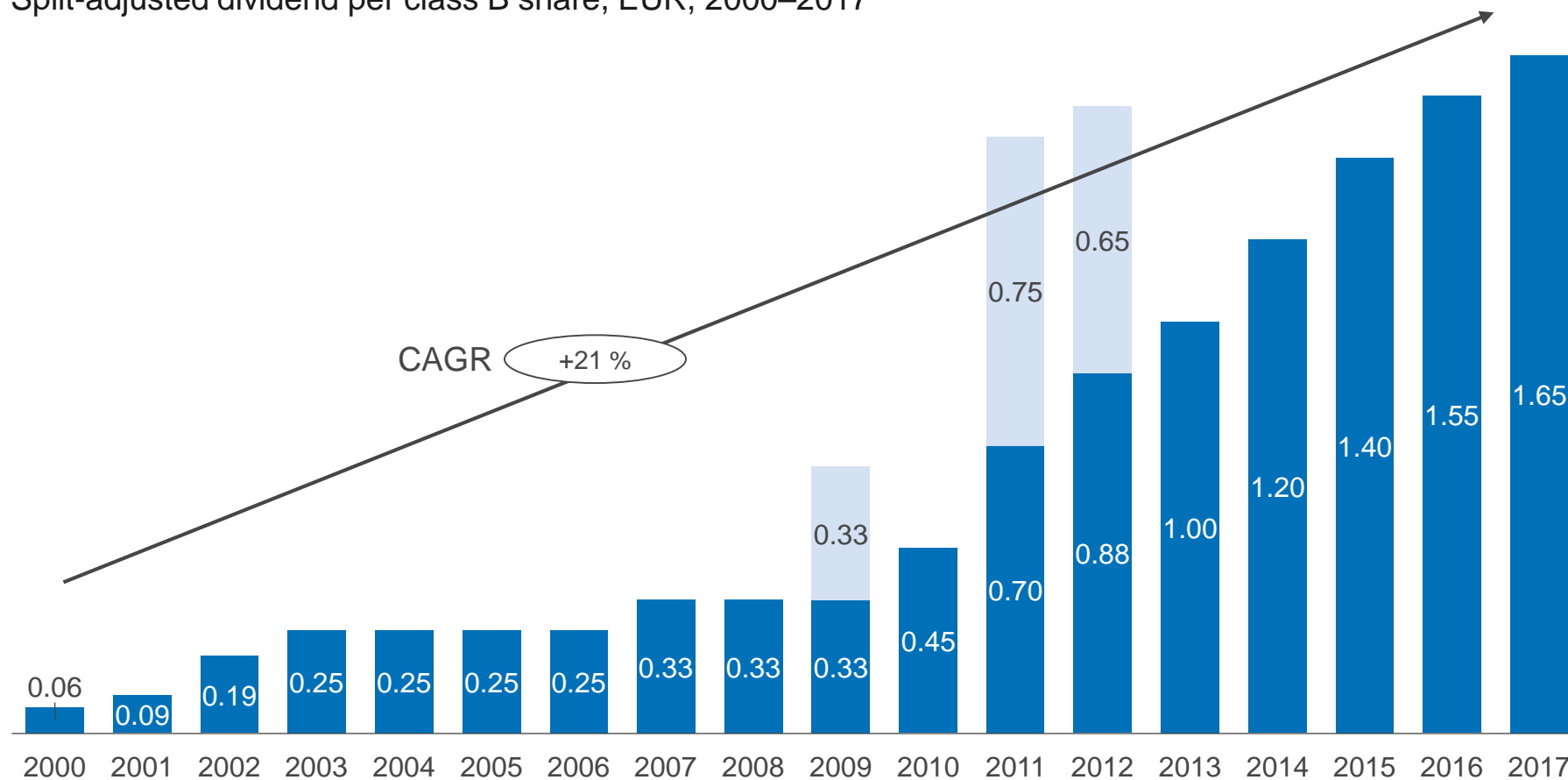


CAGR, %



Good financial development has enabled a steadily increasing dividend

Split-adjusted dividend per class B share, EUR, 2000–2017



- Dividend payout in 2017: 87% of earnings per share
- Effective dividend yield, 2017: 3.7%

Adjusted for share splits in 2002 (1:3), 2005 (1:2), 2008 (1:2) and 2013 (1:2).

■ Ordinary dividend
■ Extraordinary dividend

Key propositions of KONE as an investment

LONG-TERM GROWTH INDUSTRY

Growth supported by global megatrends

GLOBAL LEADER

Wide geographic coverage with a strong position in the growing Asian markets

LIFE-CYCLE BUSINESS

Services account for around 46% of our sales

CAPITAL-LIGHT BUSINESS MODEL

Low amount of fixed assets required, negative working capital and high return on invested capital

GOOD DIVIDEND YIELD

Solid track record of steadily growing dividends

CHALLENGER ATTITUDE

We retain our challenger attitude and continuously develop our competitiveness



An aerial night view of a dense city skyline, likely in East Asia, featuring numerous high-rise buildings with illuminated windows and balconies. The scene is captured from a high angle, showing the intricate layout of the urban landscape. The left side of the image is overlaid with a semi-transparent blue filter.

We operate in an industry driven by urbanization

Long-term growth industry



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



Well being
and
happiness

Urbanization and urban development continue globally, progressing through different stages

THREE STAGES OF URBANIZATION

1

MOVE FROM RURAL TO URBAN AREAS

- Urbanization is the essential driver in economic growth and development
- Scarcity of land in urban centers → increasing height of buildings
- Growing need for affordable housing

EMERGING MARKETS

2

GROWTH OF MIDDLE INCOME CONSUMERS

- Shrinking household sizes, increasing floor space per capita
- Upgrading and rebuilding of former fringe areas in cities
- Congested and inefficient cities are a major risk to economic growth → significant investment into urban infrastructure required

3

CHANGING PATTERNS OF URBAN LIVING

- Later family formation, increase in one-person households
- Challenges in mature cities: shortage of affordable apartments, aging of the buildings and infrastructure
- Increasing building intelligence is generating new demands

MATURE MARKETS

Different market dynamics provide diverse growth opportunities



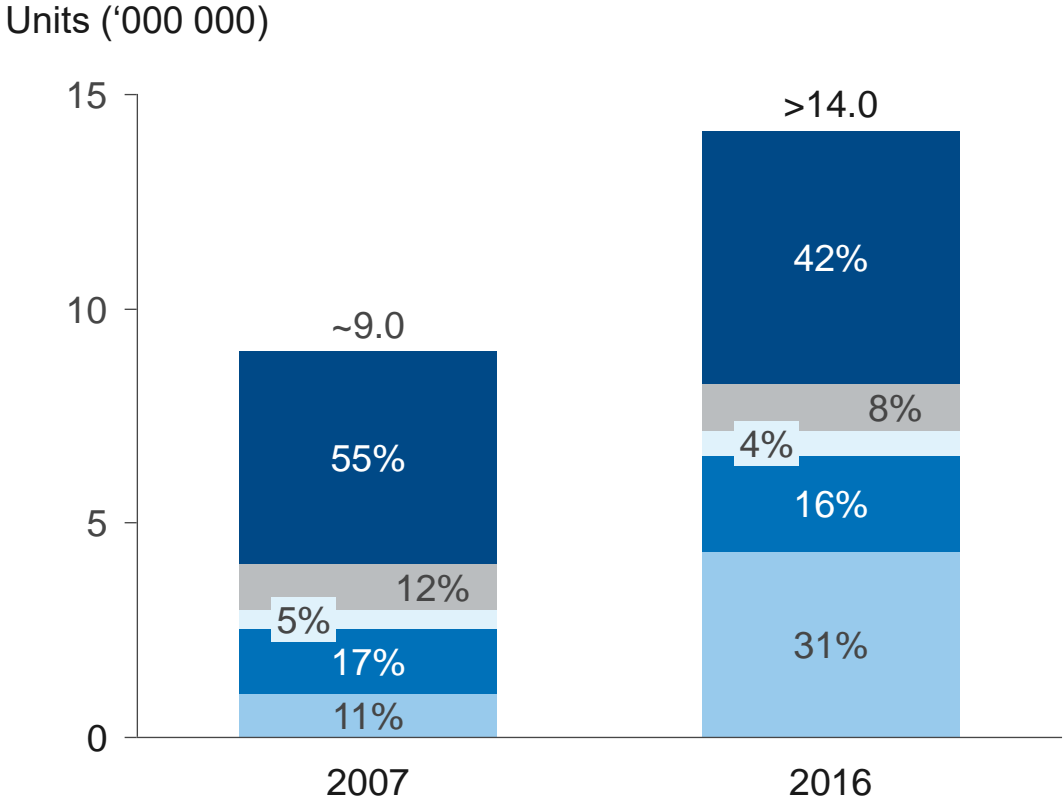
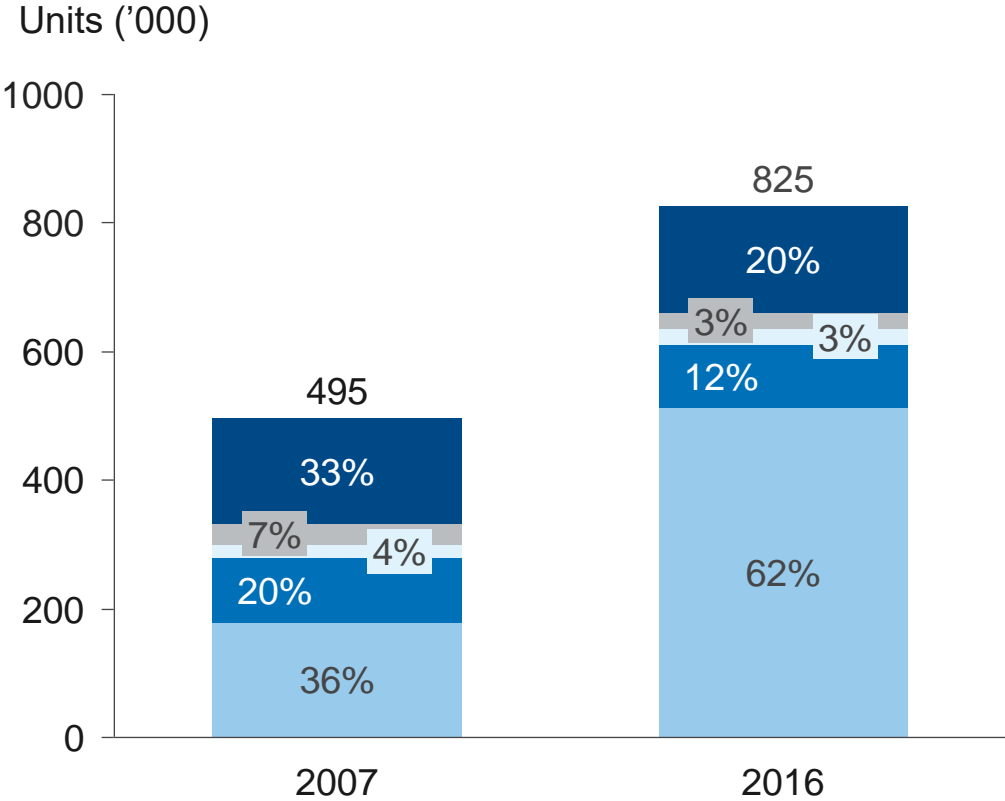
	New equipment	Maintenance	Services Modernization
Growth drivers	Urbanization, GDP growth, construction market growth	Growth of the installed base; legislation and safety requirements	Aging of installed base; legislation and safety requirements
Competitive landscape	Consolidated, handful of global OEMs Some more locally operating OEMs	Fragmented; OEMs have significant market shares Many small to mid-sized local players	Fragmented market Both OEMs and smaller companies have good market shares

During the past ten years, the role of Asia-Pacific has increased significantly



NEW EQUIPMENT MARKET (new orders received, units)

MAINTENANCE MARKET (total equipment in operation, units)



■ EMEA
 ■ North America
 ■ South America
 ■ Rest of APAC
 ■ China

Going forward, the importance of the service business in increasing

NEW EQUIPMENT

- Good growth opportunities, despite a moderation in the growth in Asia-Pacific
- Increasing opportunities from smarter buildings

MAINTENANCE

- Relative importance of maintenance out of the total business will increase in the emerging markets
- In all markets, new technology will start shaping the business

MODERNIZATION

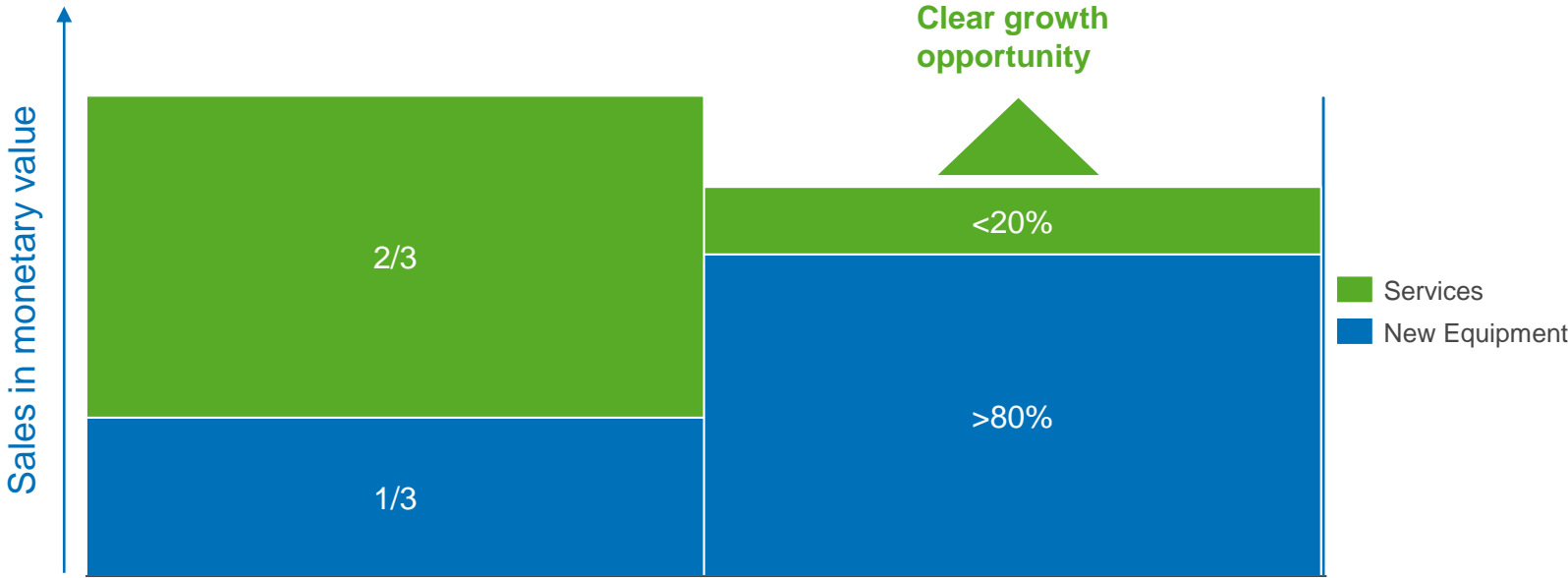
- Growing opportunities in all regions as the equipment base ages and customer demand increases



Especially the service markets in emerging countries have growth potential

KONE's typical sales split in mature markets currently

KONE's typical sales split in developing markets currently



Market opportunity almost equal in size	> 7M Units in operation	< 7M units in operation
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Digitalization shapes the industry

Everything becomes mobile and connected

Customers have full real-time transparency

Users demand increased convenience, efficiency and enjoyment in People Flow

New "ecosystems" emerging around smart buildings and cities

Data storage and integration

Mobility

Connectivity

Sensors

Analytics

Cloud

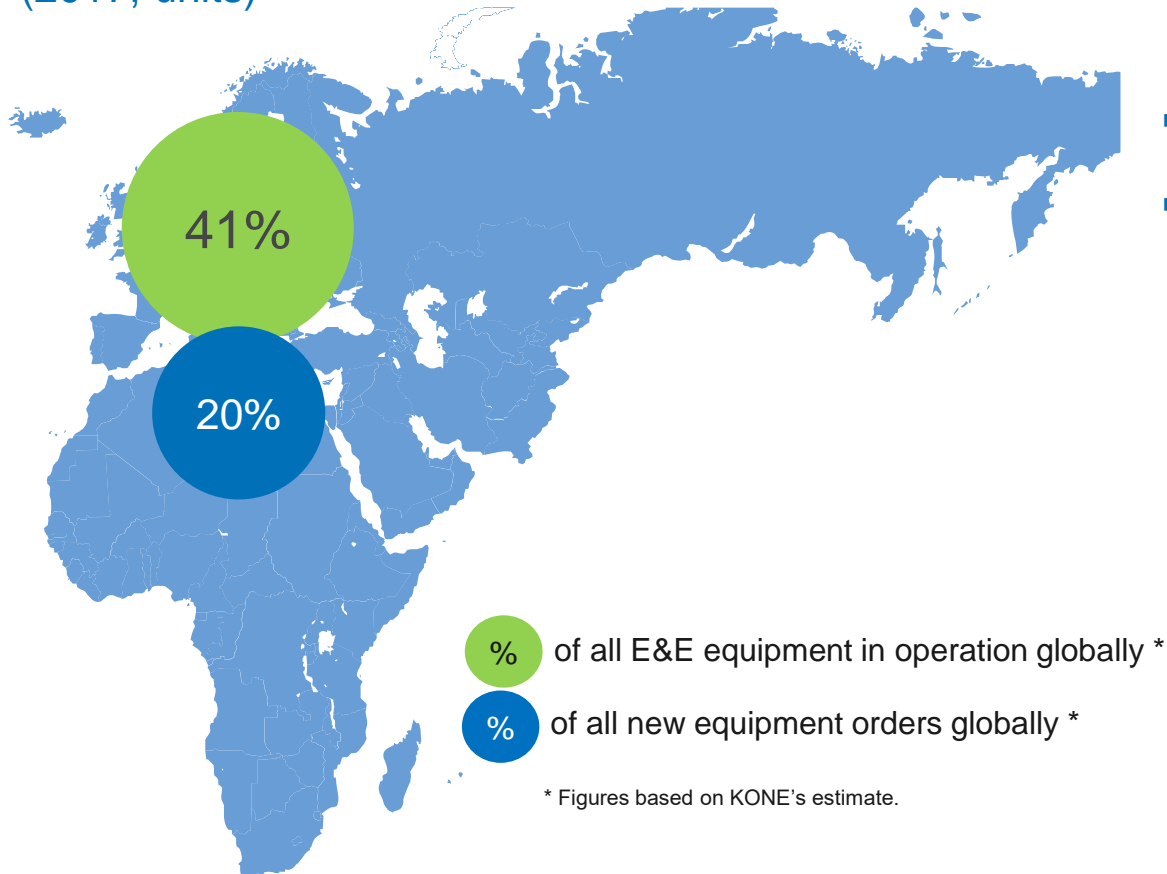


We have a wide
geographic coverage



EMEA has the largest installed base globally, Europe being a key service market

E&E MARKET IN EUROPE, MIDDLE EAST AND AFRICA (2017, units)



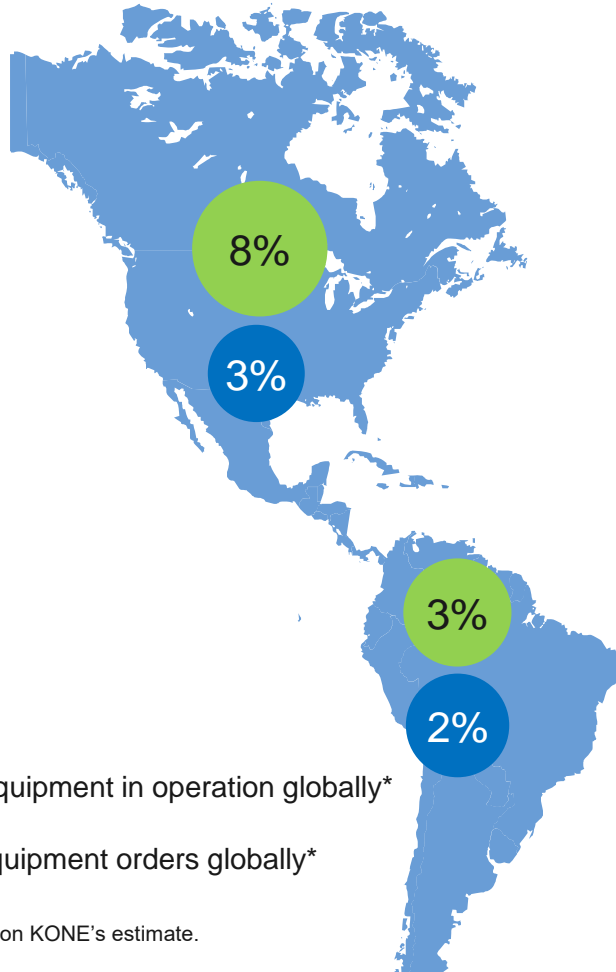
- A mix of more mature markets and developing regions; Europe the largest market in the area
- Residential is the largest market segment
- Rapidly aging elevator base in Europe provides structural growth potential in modernization

KONE in EMEA

- KONE's sales in 2017
 - EUR 3,632 million (41%)
 - Revenue mix is more weighted towards services (maintenance and modernization)
 - Largest sales contributors include France, Germany, UK, Italy, Finland and Sweden

North America, another key service market, is seeing good growth also in new equipment

E&E MARKET IN THE AMERICAS REGION (2017, units)



8% % of all E&E equipment in operation globally*

3% % of all new equipment orders globally*

* Figures based on KONE's estimate.

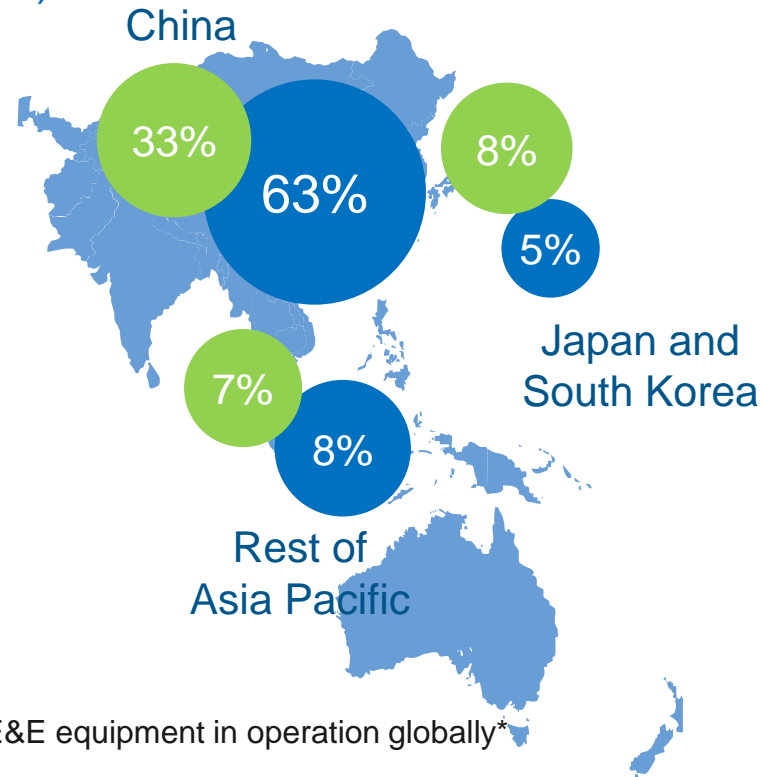
- In North America, non-residential segments comprise the majority of market volumes
- Rapidly aging elevator base provides structural growth potential in modernization

KONE in Americas

- KONE's sales in 2017
 - EUR 1,815 million (20%)
 - Revenue mix is more weighted towards services (maintenance and modernization)
 - United States is the largest sales contributor in the region (over 15% of KONE's total global sales)
- KONE has operations in United States, Canada and Mexico
 - No own operations in South America

The majority of new equipment volumes globally are in Asia-Pacific

E&E MARKET IN ASIA-PACIFIC (2017, units)



- A mix of developing and more mature markets
- China is the largest new equipment market globally and India the second largest
- Residential is the largest segment

KONE in Asia-Pacific

- KONE's sales in 2017
 - EUR 3,496 million (39%)
 - Largest sales contributors China (over 25% of KONE's total global sales), Australia and India
 - Sales weighted towards new equipment in most markets and particularly in China
- KONE is market leader in the new equipment market in China and India
 - No own operations in Japan and South Korea

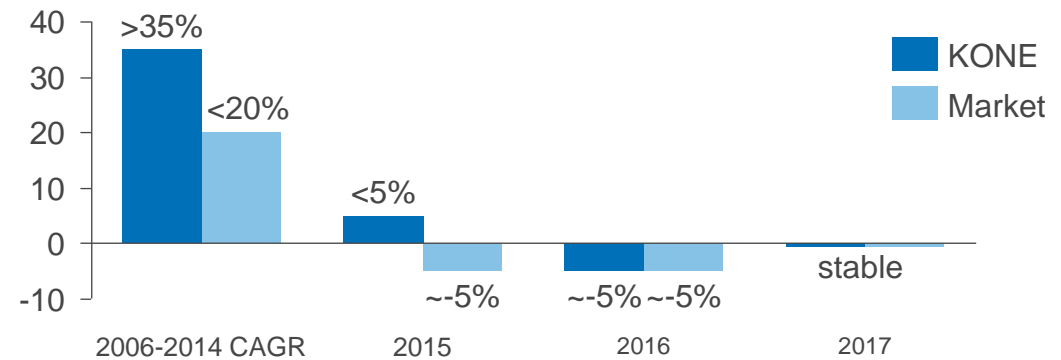
* Figures based on KONE's estimate.

In China, we have solidified our presence in new equipment and continued to grow strongly in services

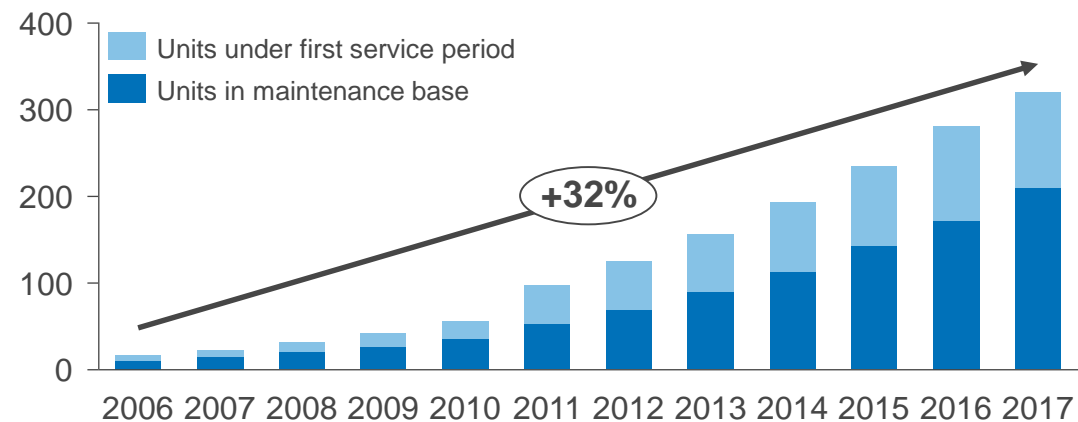


- New equipment** business accounts for about 90% of our China sales
 - 2017: China share of total sales was >25%, share of total orders received >30%
 - We continue to target faster than market growth in the long term in our new equipment business
- Services** account for over 10% of our China sales today
 - We see clear growth potential in the service business in China and focus on growing this business further
 - Conversion rate of ~50%, providing a good basis for growth

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



Our maintenance base and units in first service



We provide
life-cycle solutions



New equipment: elevators and escalators are at the core of our strong product offering



Elevators

Escalators

Our People Flow™
solutions

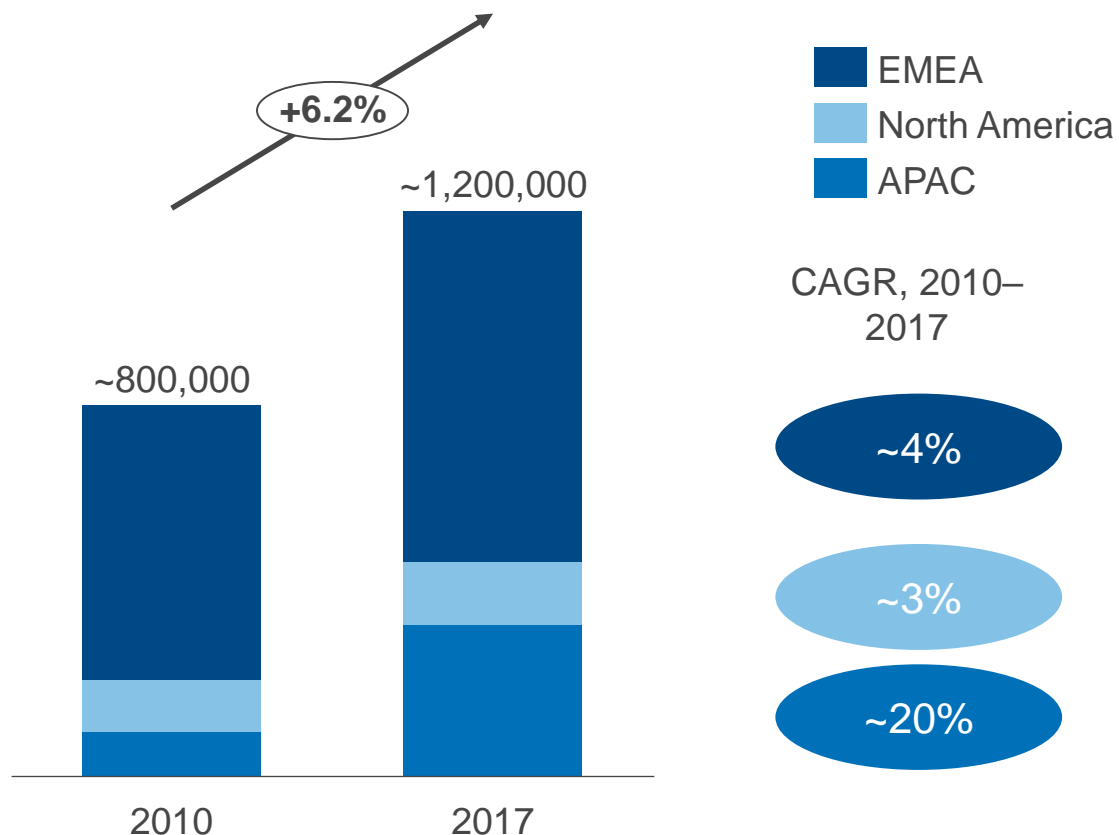
Automatic doors

People Flow
Intelligence*
solutions

*KONE People Flow Intelligence comprises solutions for access and destination control, as well as information communication and equipment monitoring

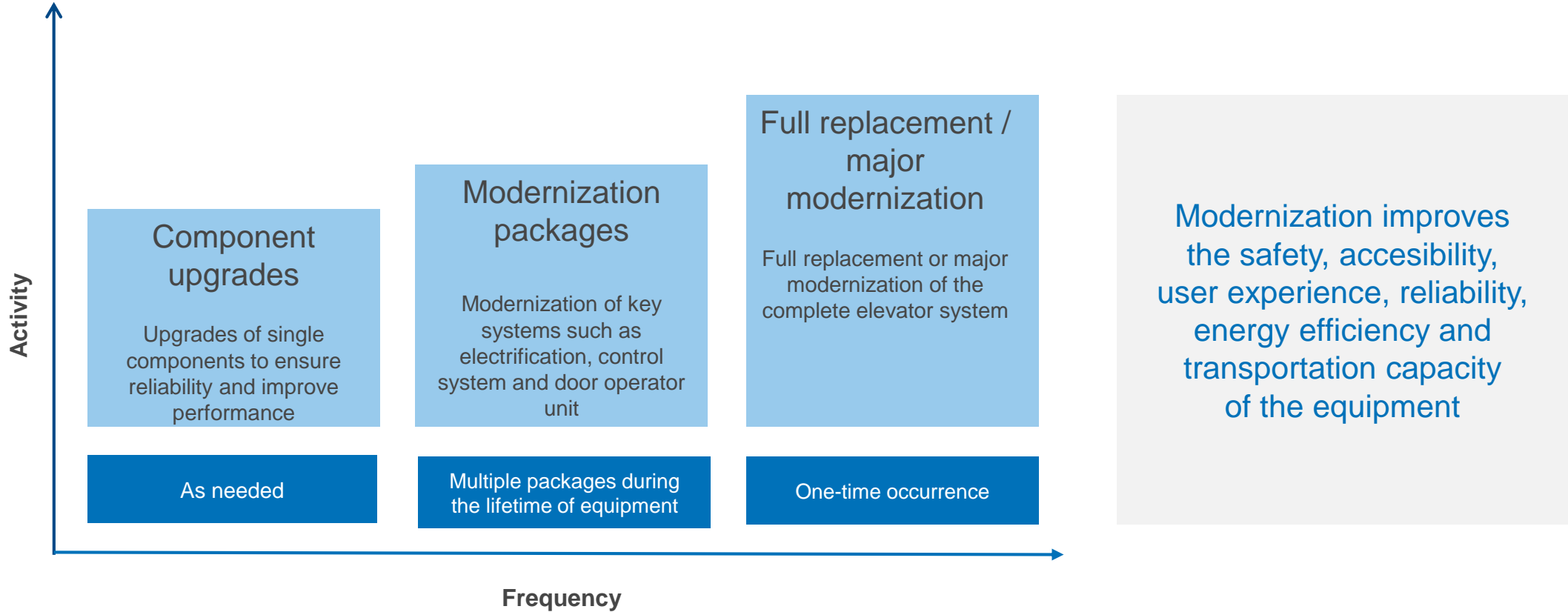
Maintenance is legally required – provides stability and resilience to market cyclicality

GEOGRAPHICAL SPLIT OF MAINTENANCE BASE (units)

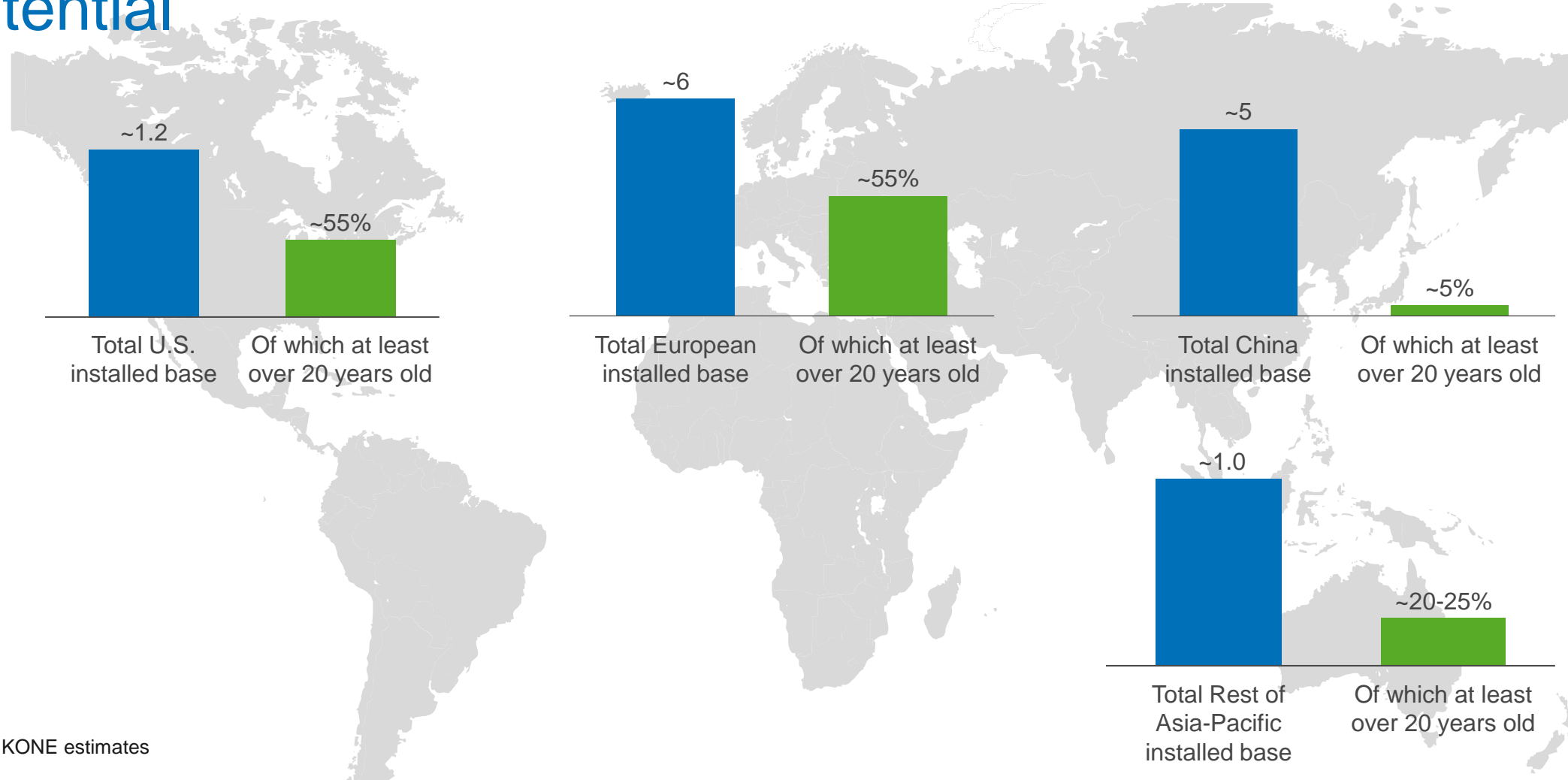


- Maintenance is legally required in most countries
- Growth of maintenance base driven by
 - Conversions from new equipment sales after first-maintenance period
 - Acquisitions
 - Wins from competition
- KONE offers modular-based, preventive maintenance, which can be tailored according to customer requirements
- We maintain both equipment manufactured by us as well as other brands

Modernization encompasses a variety of activities from component upgrades to full replacement of equipment



Over half of the E&E in operation in the mature markets is over 20 years old, providing significant modernization potential



Source: KONE estimates

We differentiate with competitive products and strong execution

COMPETITIVE PRODUCTS

Ride comfort

Visual design

Space efficiency

Eco-efficiency

STRONG EXECUTION

Reliability

High-quality service and delivery



Our strategy provides a
clear direction



We have a new phase in our strategy to even better serve our customers

Capitalize on new technologies to add value for customers in new ways



Cater to changing customer expectations



Drive smart and sustainable urbanization



Increased differentiation

Higher speed of bringing new services and solutions to market

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

We've made clear progress towards our strategic targets

A clear improvement in NPS in 2017

Most loyal customers

Employee engagement has remained on a high level

Great place to work

Strong position in new equipment, faster than market growth in services

Faster than market growth

EBIT-% burdened by headwinds in 2017, expected to start to ease towards the end of 2018

Best financial development

~0,2% reduction in CO2/sales in 2017

Leader in sustainability

STRATEGIC TARGETS

Most loyal customers

Great place to work

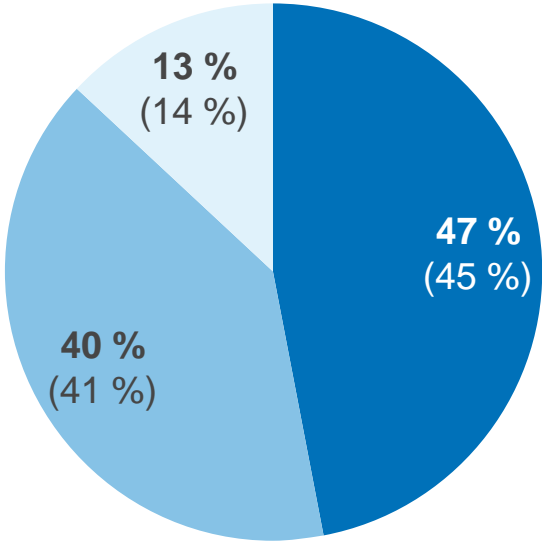
Faster than market growth

Best financial development

Leader in sustainability

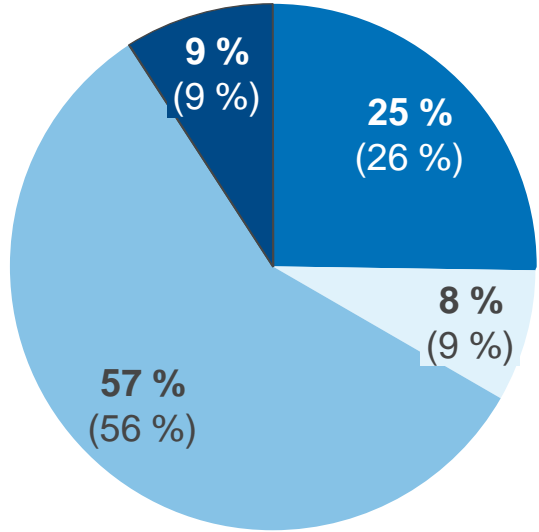
Our employees are our key asset and the majority is in the field every day

EMPLOYEES BY REGION



- Asia-Pacific
- EMEA
- North America

EMPLOYEES BY FUNCTION

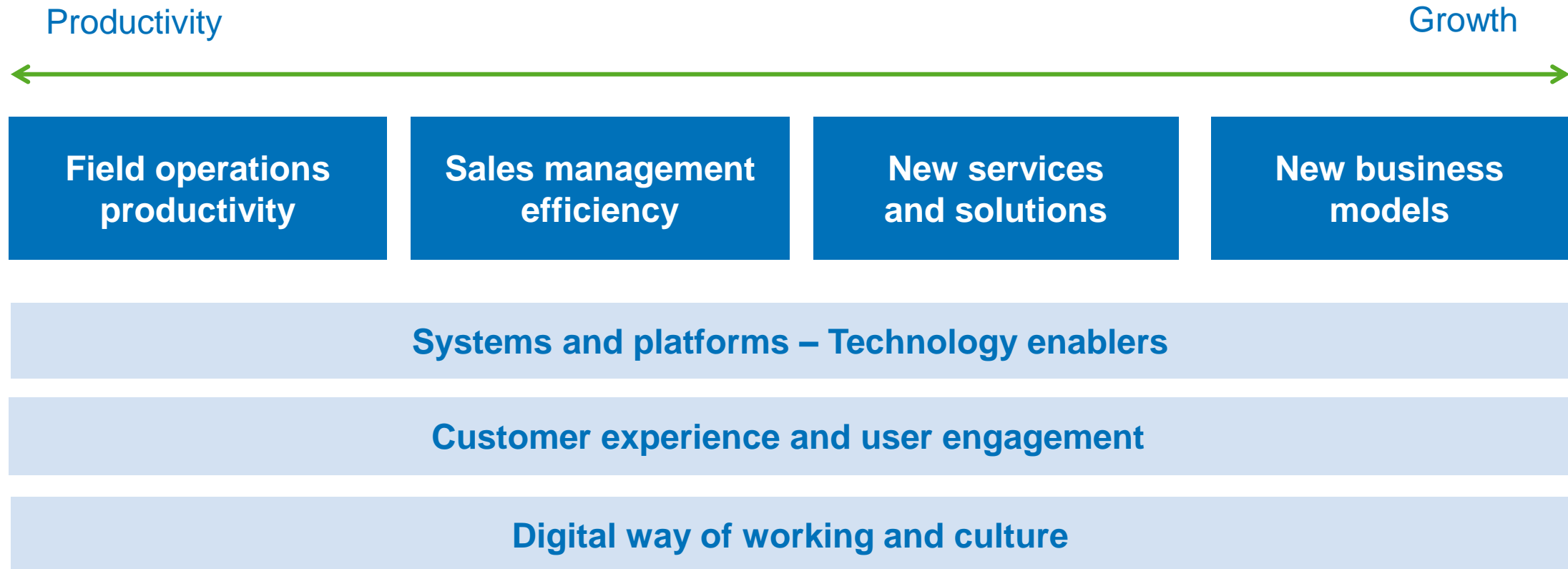


- New equipment sales and installations
- Production
- Maintenance and modernization
- Administration, IT, R&D

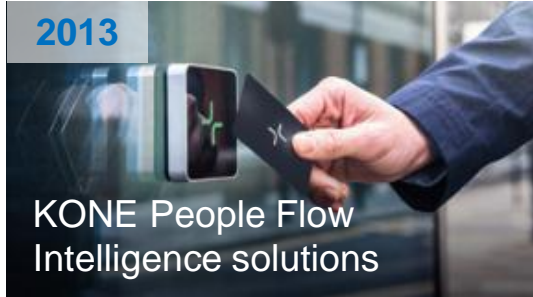
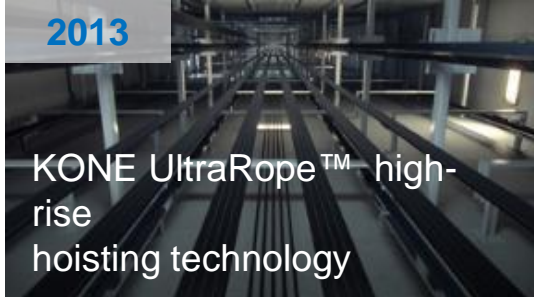
Employees at the end of 2017



Digitalization enables the delivery of new services and improved quality and productivity of our operations



Examples of KONE's industry leading innovations



A low-angle, upward-looking photograph of a modern glass skyscraper. The building's facade is composed of a grid of dark window frames and large glass panels. The sky is visible through the upper windows. The left half of the image is covered by a semi-transparent blue overlay. The text is positioned on the left side, over the blue overlay.

Our capital-light business
model enables a high
return

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



Strong market position in a lifecycle business

Enables us to catch growth opportunities in all regions and businesses as they arise

High cash flow generation

Negative working capital, low capital intensity

Flexible cost structure

Low amount of fixed costs, subcontracting used for example in installation

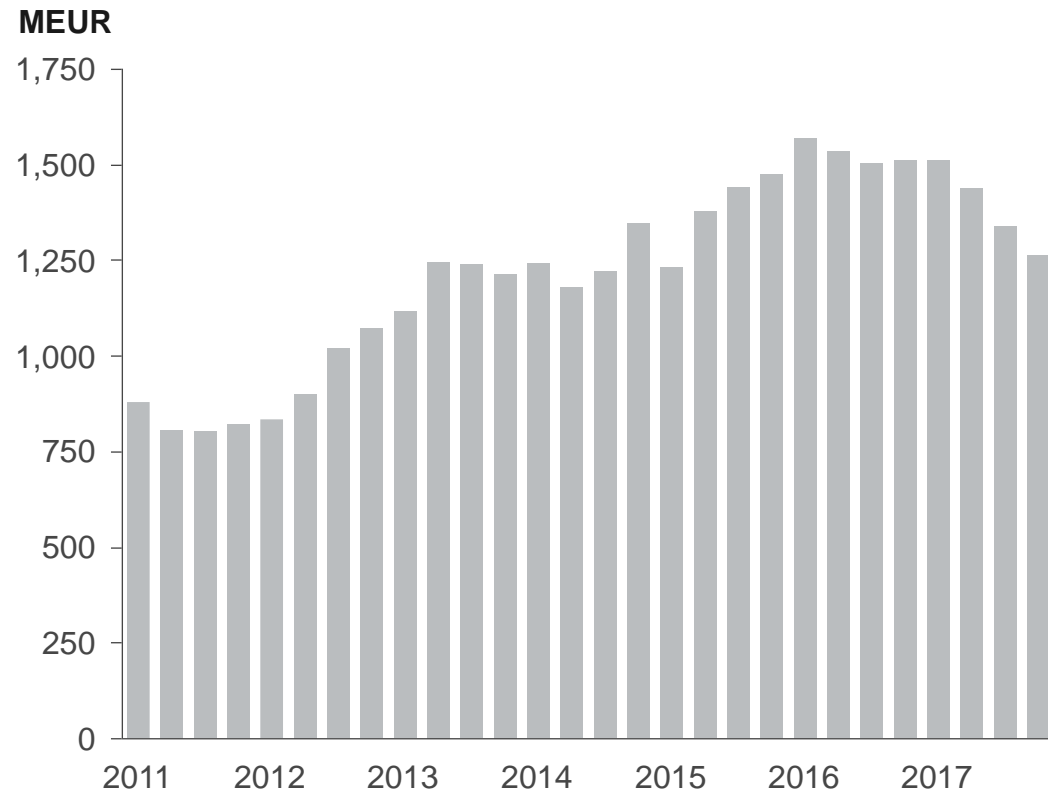
High return on capital

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

We have a cash-generative business model

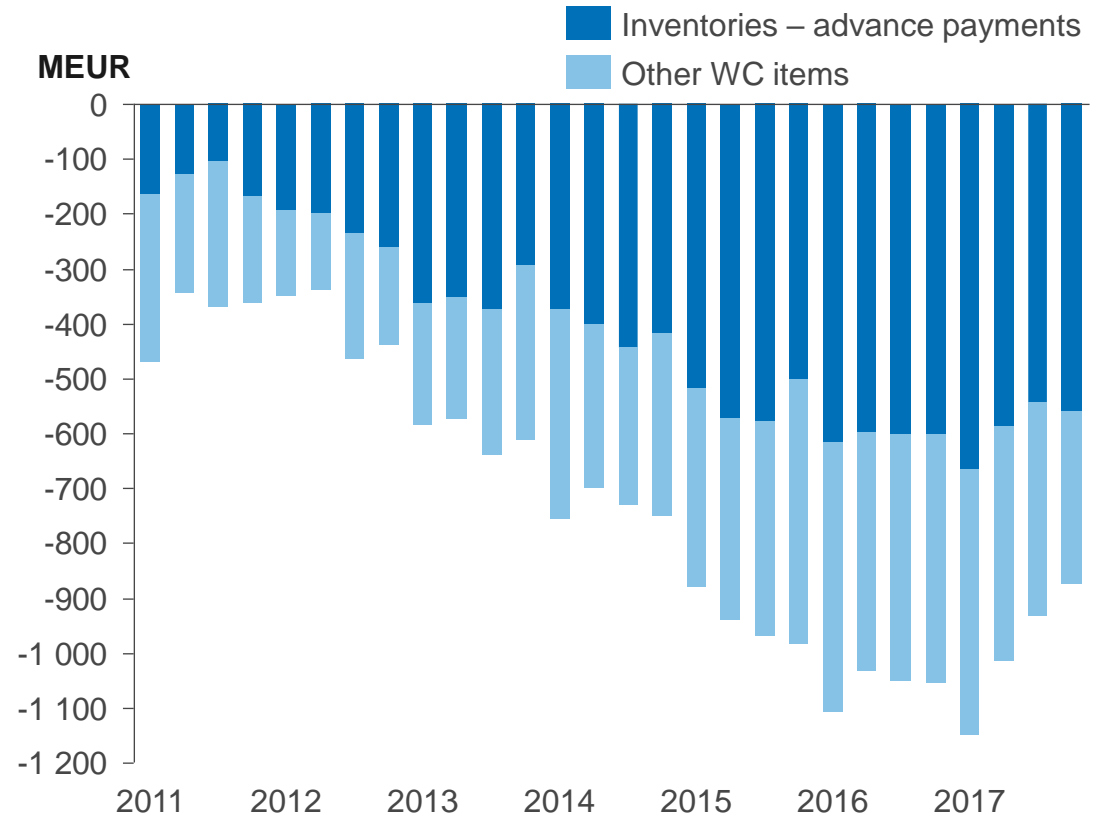


HIGH OPERATIVE CASH FLOW GENERATION



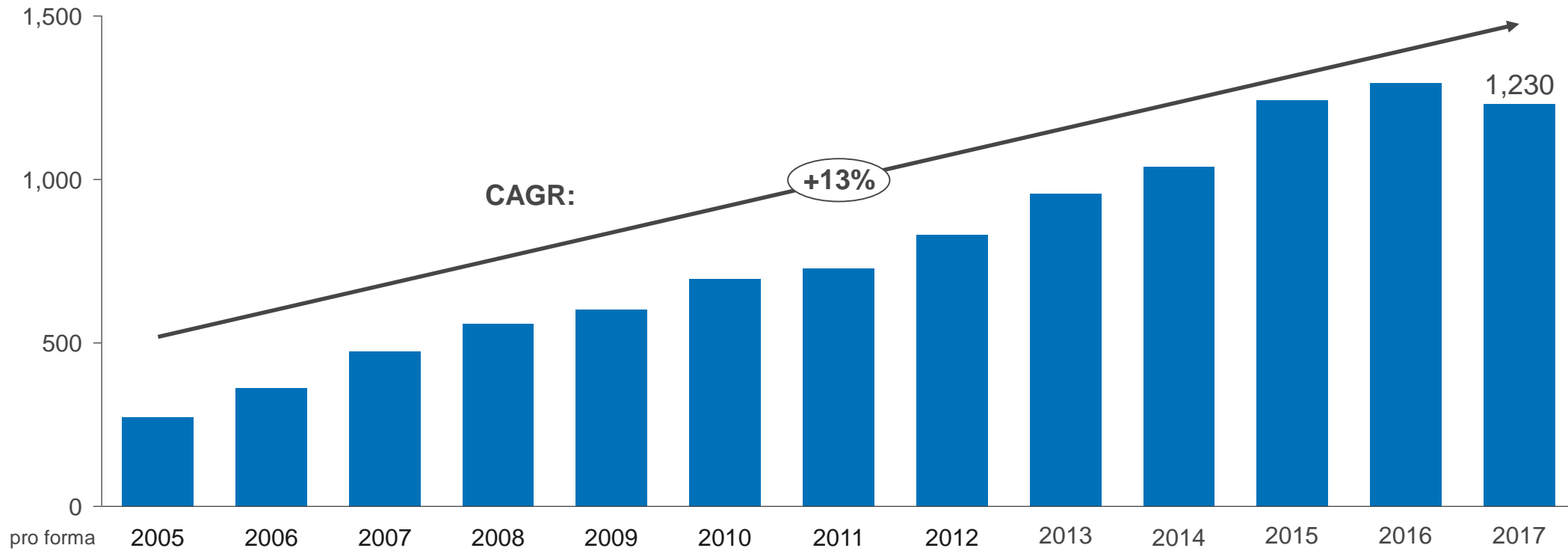
12m rolling quarterly cash flow from operations (before financing items and taxes)

NEGATIVE WORKING CAPITAL



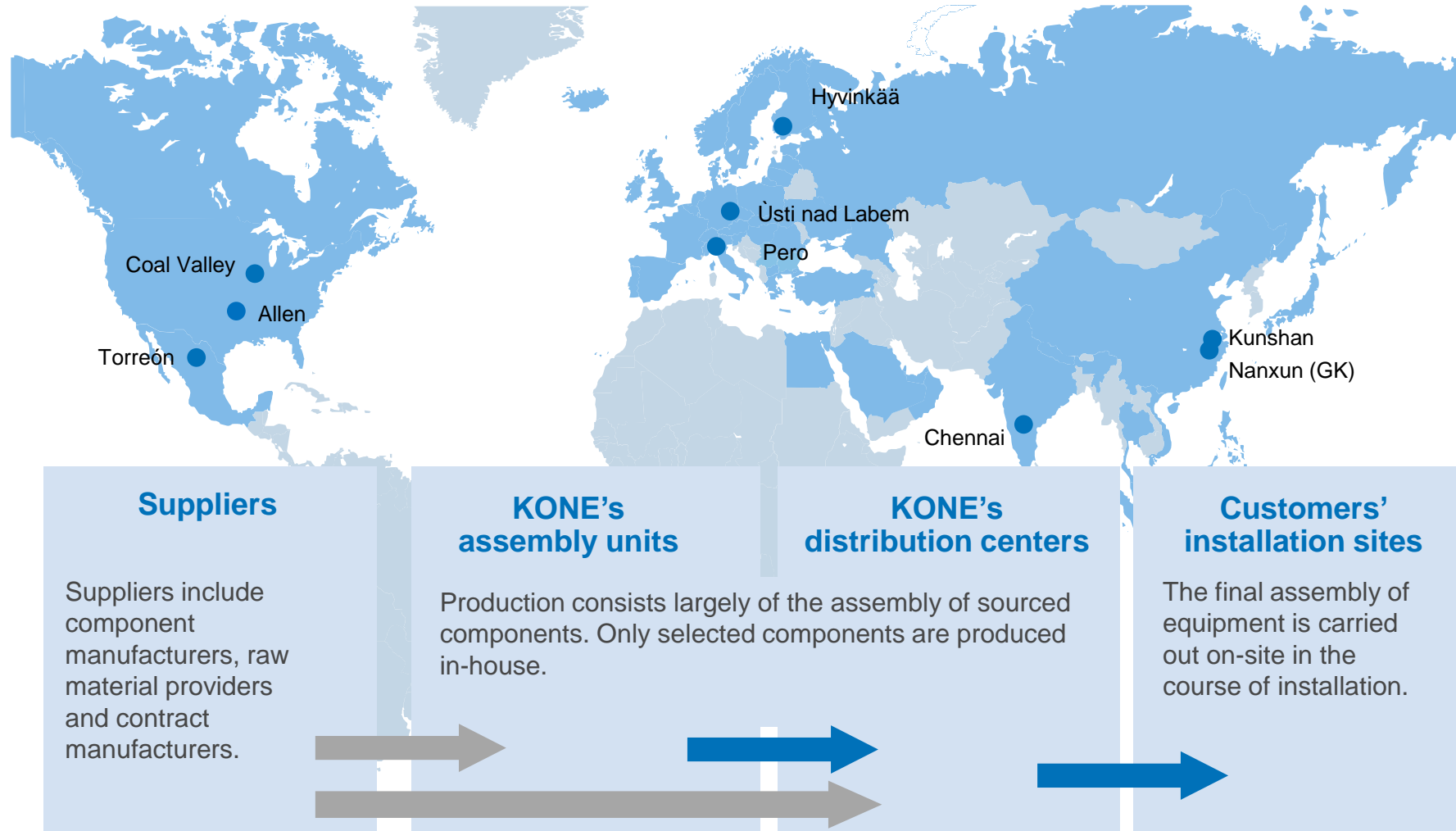
Steady growth in EBIT

Adjusted EBIT, MEUR



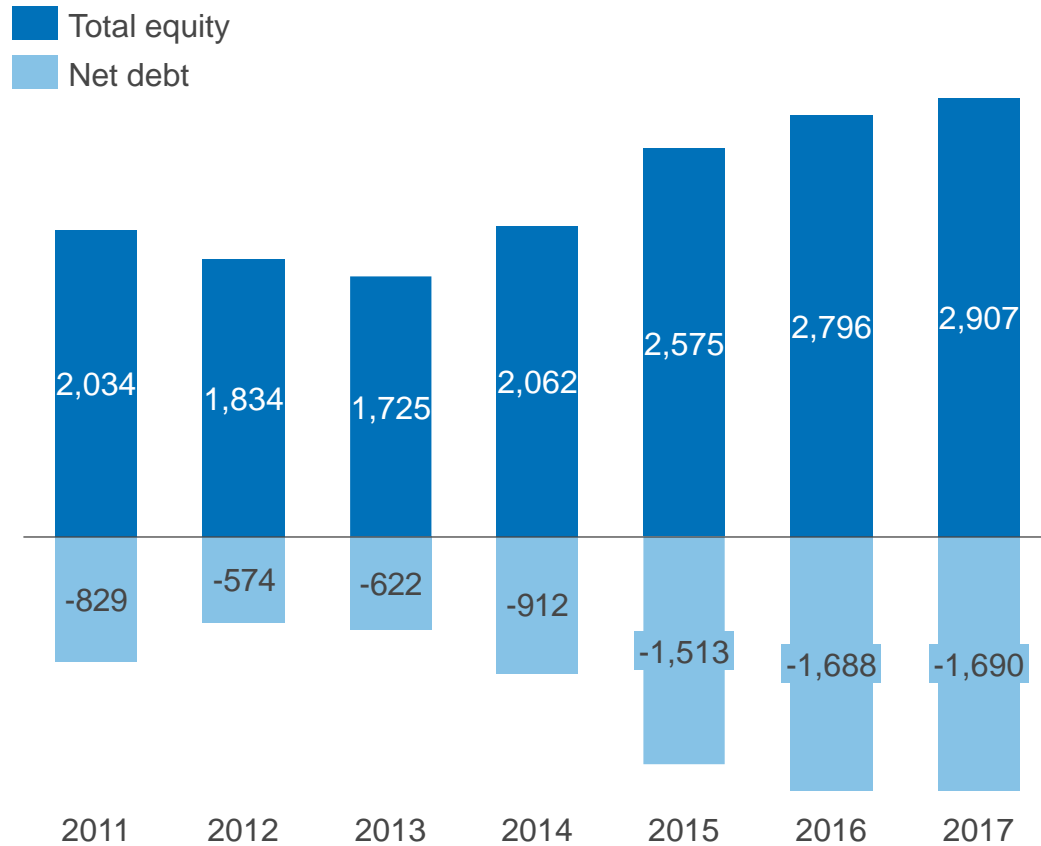
Year	Adjusted EBIT margin %
2005	8.4%
2006	10.0%
2007	11.6%
2008	12.1%
2009	12.7%
2010	14.0%
2011	13.9%
2012	13.2%
2013	13.8%
2014	14.1%
2015	14.4%
2016	14.7%
2017	13.8%

We have a streamlined and capital-light network of production and distribution centers, focusing on assembly

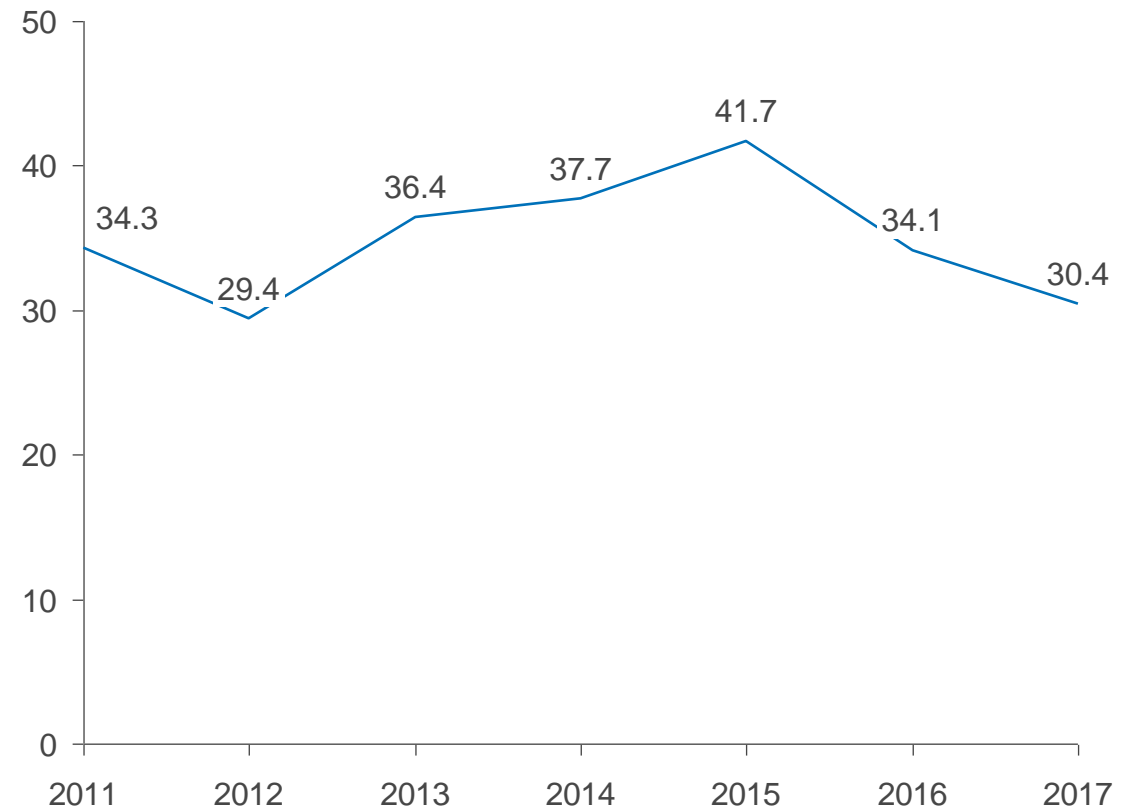


Our balance sheet is strong and our business model enables a high return on capital

TOTAL EQUITY AND NET DEBT, MEUR



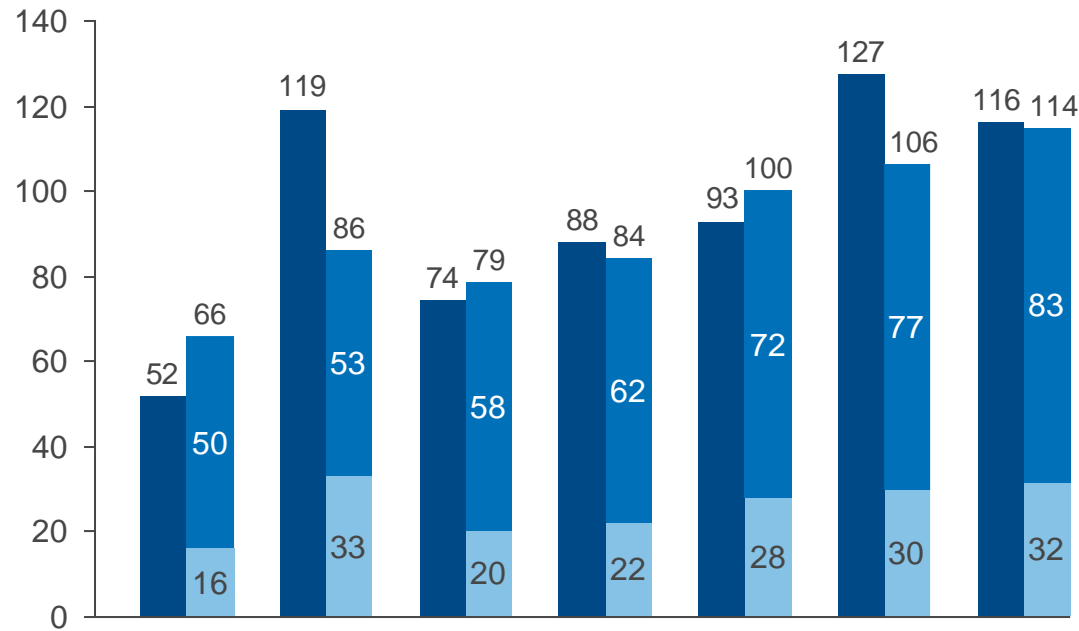
RETURN ON CAPITAL EMPLOYED, %



Low capital expenditure requirement, continued stream of small bolt acquisitions

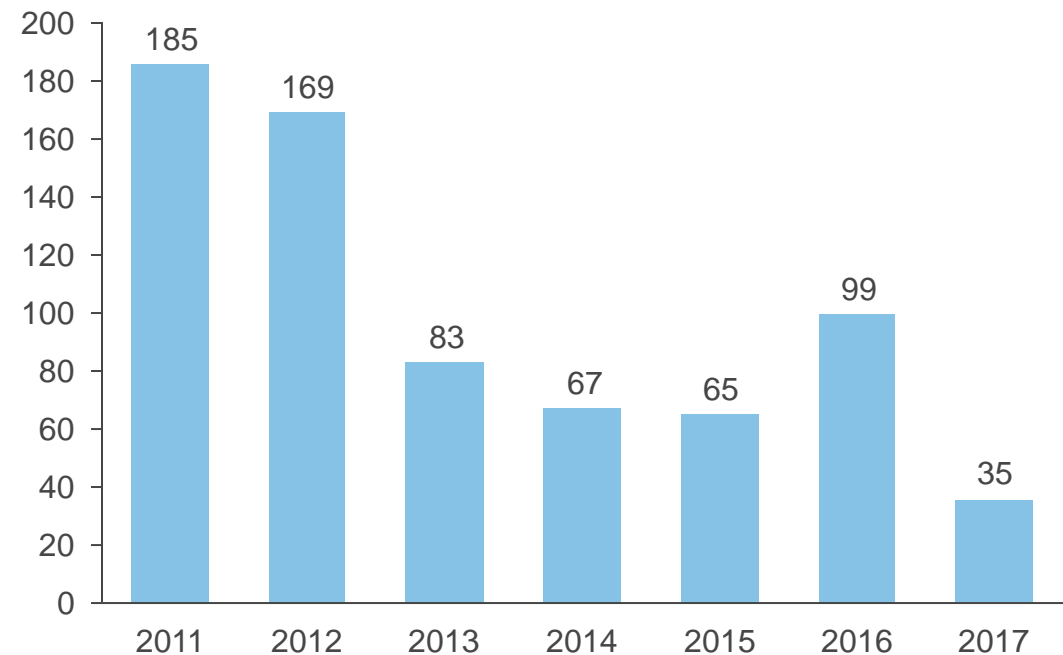


CAPITAL EXPENDITURE AND DEPRECIATION, MEUR



- Capital expenditure excluding acquisitions
- Amortization of acquisition-related intangible assets
- Depreciation

ACQUISITIONS, MEUR



(Nr of acquisitions)

Most acquisitions are small or medium-sized maintenance companies

We remain committed to our financial targets

Growth

Faster than market growth

Profitability

16% EBIT margin

Cash flow

Improved working capital rotation

KONE's key figures 2011–2017



		2017	2016	2015	2014	2013	2012	2011
Orders received	MEUR	7,554	7,621	7,959	6,813	6,151	5,496	4,465
Sales	MEUR	8,942	8,784	8,647	7,334	6,933	6,277	5,225
Adjusted EBIT ¹⁾	MEUR	1,230	1,293	1,241	1,036	953	829	725
Cash flow from operations ²⁾	MEUR	1,263	1,509	1,474	1,345	1,213	1,071	820
Net working capital ^{3) 4)}	MEUR	-876	-1055	-983	-750	-612	-439	-361
Fixed assets ³⁾	MEUR	377	368	345	317	270	262	232
Total equity ³⁾	MEUR	2,907	2,796	2,576	2,062	1,725	1,834	2,034
Net debt ³⁾	MEUR	1,690	-1,688	-1,513	-912	-622	-574	-829
ROCE	%	30.4	34.1	41.7	37.7	36.3	29.4	34.3
Basic EPS	EUR	1.89	2.00	2.01 ⁵⁾	1.47	1.37	1.23 ⁶⁾	1.15 ⁶⁾
Basic dividend per B share ⁷⁾	EUR	1.65	1.55	1.40	1.20	1.00	0.88	0.70

Figures for 2012 have been restated according to the revised IAS 19 'Employee Benefits'.

- 1) In September 2017, KONE introduced a new alternative performance measure, adjusted EBIT, to enhance comparability of the business performance between reporting periods during the Accelerate program. Restructuring costs related to the Accelerate program are excluded from the calculation of the adjusted EBIT.
- 2) Cash flow from operations before financing items and taxes.
- 3) At the end of the period.
- 4) Including tax receivables and liabilities, accrued interest and derivative items
- 5) Basic earnings per share excluding extraordinary dividend received from TELC was EUR 1.79 in 2015.
- 6) Excluding one-time items. Including one-time items, basic earnings per share was EUR 1.17 in 2012 and EUR 1.26 in 2011.
- 7) In addition, KONE has distributed extraordinary dividends, EUR 0.33 for 2009, EUR 0.75 for 2011 and EUR 0.65 for 2012.

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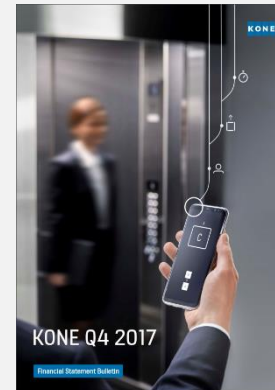
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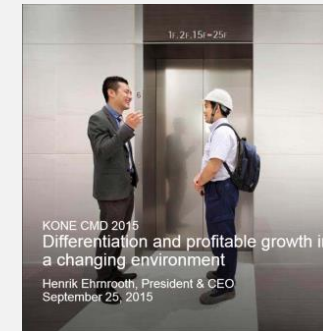
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