

The background of the slide is a photograph of the London skyline, featuring prominent skyscrapers like the Gherkin and the Walkie-Talkie, with their reflections on the water in the foreground. The sky is a soft, hazy blue.

KONE H1 2018

JULY 19, 2018

HENRIK EHRNROOTH, PRESIDENT & CEO

ILKKA HARA, CFO



Q2 2018 Highlights

- Orders received grew in all regions with stable margins
- Service business continued to grow well
- EBIT margin still burdened by several headwinds
- Positive results from the annual customer and employee surveys

Q2 2018 Key figures



CONTINUED GROWTH IN ORDERS RECEIVED AND GOOD CASH GENERATION THE KEY POSITIVES, ADJUSTED EBIT MARGIN STILL DOWN Y/Y

		Q2/2018	Q2/2017	Change	Comparable change
Orders received	MEUR	2,118.6	2,056.2	3.0%	6.4%
Order book	MEUR	7,915.3	7,749.2	2.1%	4.0%
Sales	MEUR	2,330.6	2,337.2	-0.3%	3.2%
Operating income (EBIT)	MEUR	280.5	335.8	-16.5%	
Operating income margin (EBIT %)	%	12.0	14.4		
Adjusted EBIT	MEUR	300.4	335.8	-10.5%	
Adjusted EBIT margin	%	12.9	14.4		
Cash flow from operations (before financing items and taxes)	MEUR	366.2	320.4		
Basic earnings per share	EUR	0.43	0.52	-16.0%	

January-June 2018 Key figures



SOLID GROWTH IN BOTH SERVICES AND NEW EQUIPMENT, ADJUSTED EBIT BURDENED BY SEVERAL HEADWINDS

		1-6/2018	1-6/2017	Change	Comparable change
Orders received	MEUR	4,027.2	3,969.2	1.5%	6.6%
Order book	MEUR	7,915.3	7,749.2	2.1%	4.0%
Sales	MEUR	4,338.6	4,280.6	1.4%	6.5%
Operating income (EBIT)	MEUR	492.0	581.6	-15.4%	
Operating income margin (EBIT %)	%	11.3	13.6		
Adjusted EBIT	MEUR	518.7	581.6	-10.8%	
Adjusted EBIT margin	%	12.0	13.6		
Cash flow from operations (before financing items and taxes)	MEUR	545.2	625.7		
Basic earnings per share	EUR	0.77	0.92	-16.7%	

Good progress towards our strategic targets



Continued improvement in **Customer loyalty** (NPS)



Employee engagement on a strong level



STRATEGIC TARGETS

Most loyal customers

Great place to work

Faster than market growth

Best financial development

Leader in sustainability

ACCELERATE PROGRAM

Organizational changes initiated in several functions

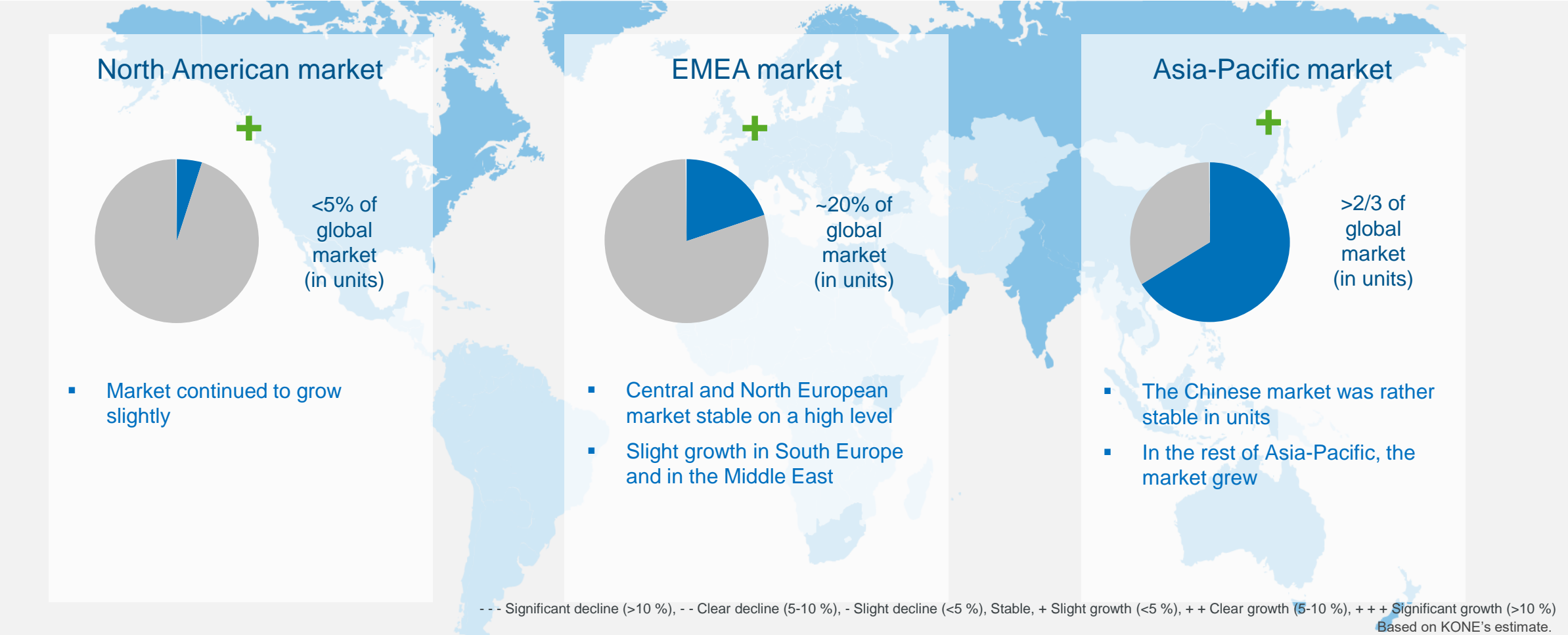
Market development



New equipment market development in Q2 2018



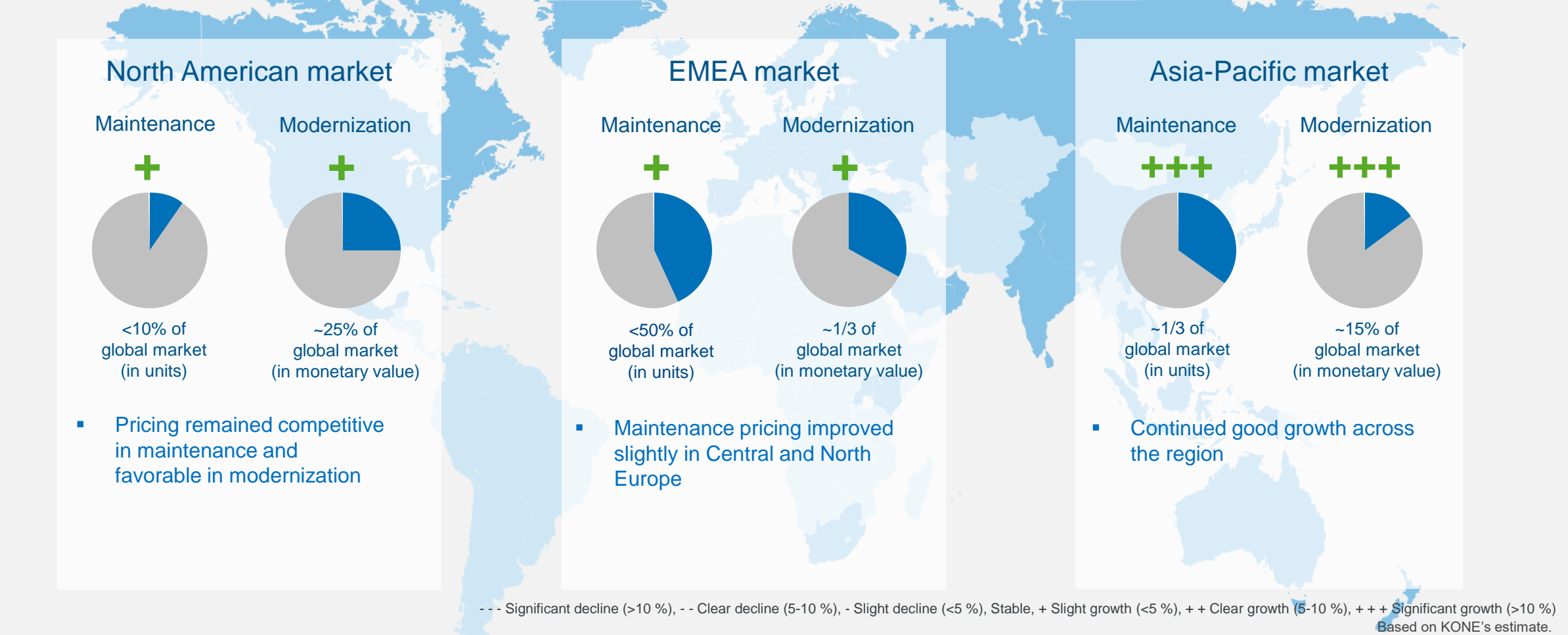
GLOBAL NEW EQUIPMENT MARKET GREW SLIGHTLY IN UNITS ORDERED



Service market development in Q2 2018



GROWTH CONTINUED ACROSS REGIONS

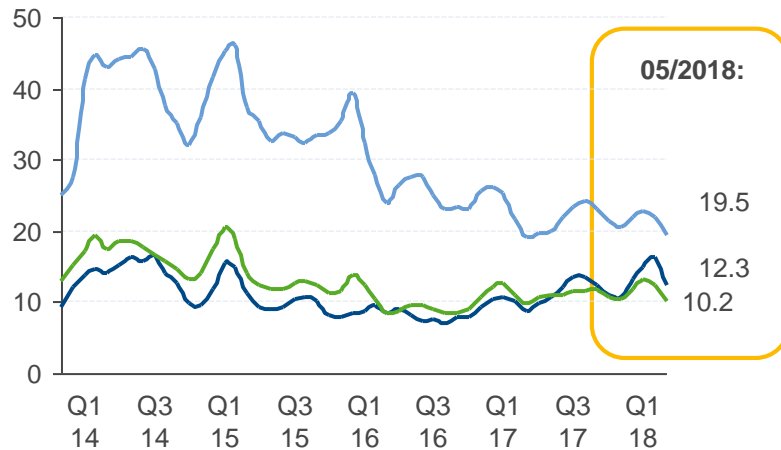


Chinese property market

GOVERNMENT CONTINUES TO HAVE A RESTRICTIVE POLICY

Housing inventories

- Housing inventories at a relatively healthy level

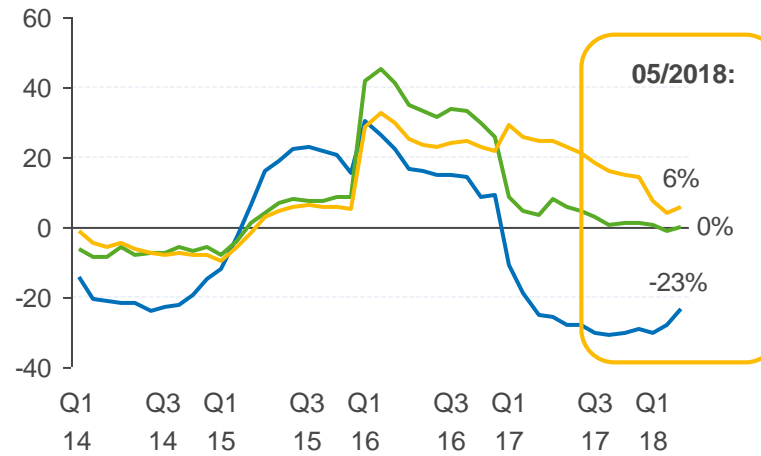


Newly built area for sale / monthly sales 3-m MVA

— Tier-1 — Tier-2 — sample of lower tier cities

Housing sales and prices

- Government's restrictive measures have cooled down the housing market
- Property sales still growing at a good rate in lower-tier cities

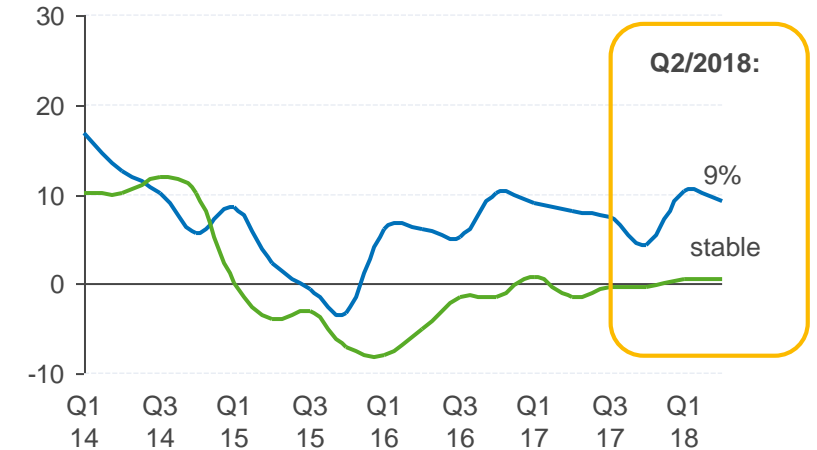


Sales area growth, change Y-o-Y

— Tier-1 — Tier-2 — Lower tier cities

E&E market

- Growth in real estate investment mainly driven by land, new starts improved
- Consolidation among property developers continues
- E&E demand was stable in Q2 2018



— REI Y-o-Y — E&E market Y-o-Y in units

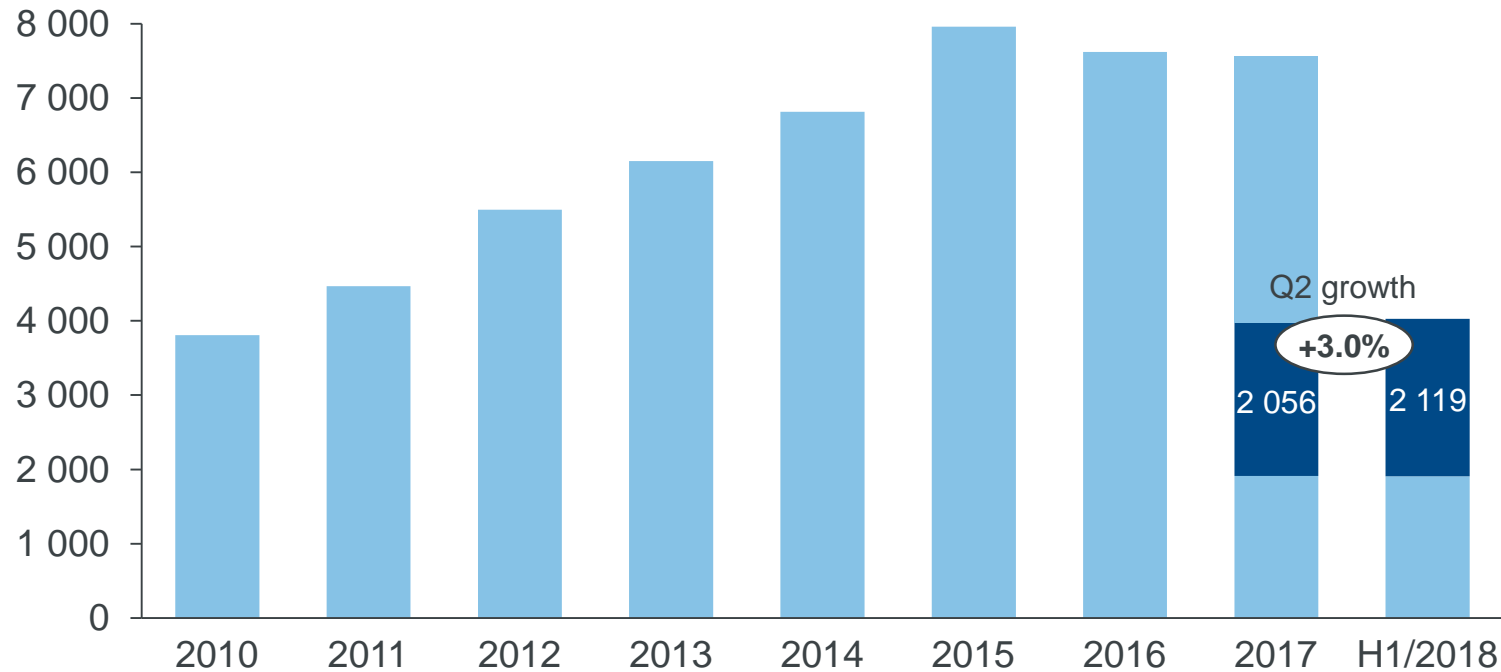
Q2 Financials



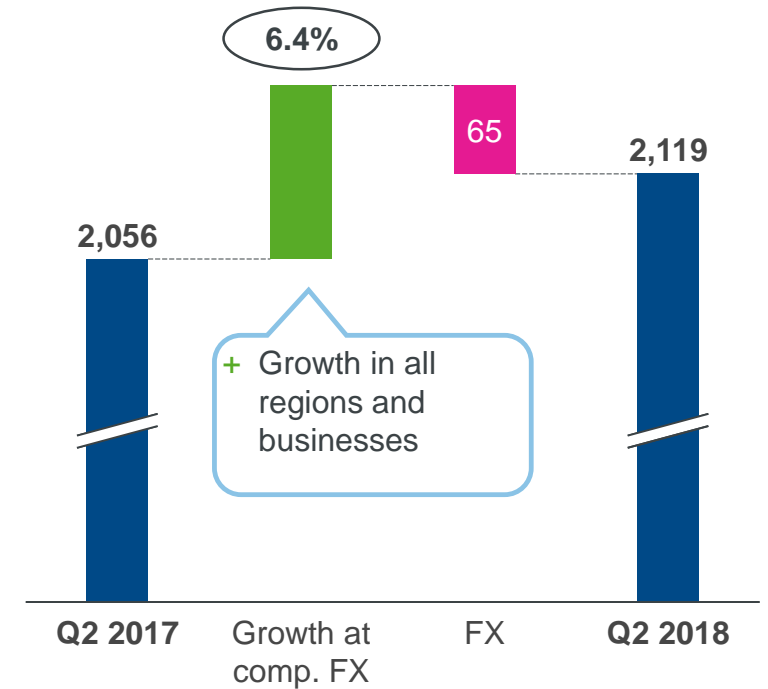
Orders received

ORDERS RECEIVED GREW IN ALL REGIONS AND BUSINESSES IN Q2 2018

MEUR



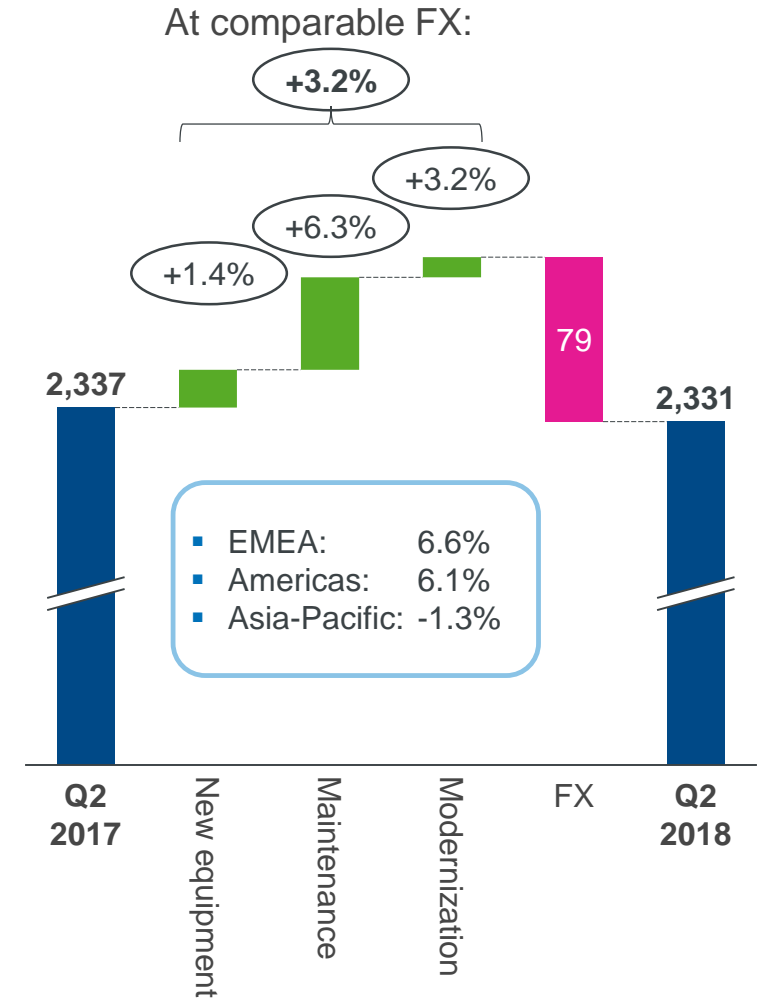
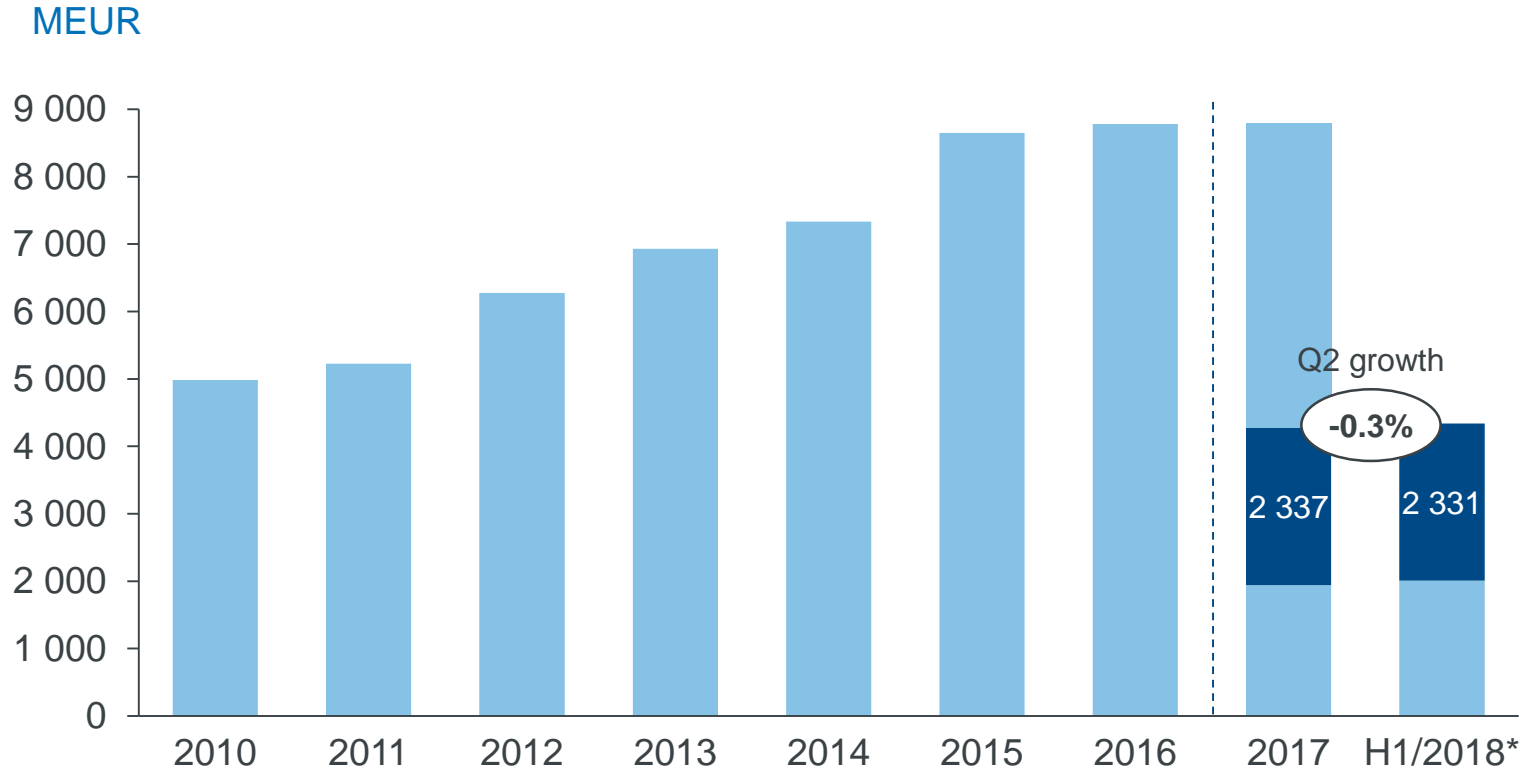
- In Q2, the margin of orders was stable compared to the comparison period



Sales



SALES GROWTH WAS DRIVEN BY SERVICES IN Q2 2018

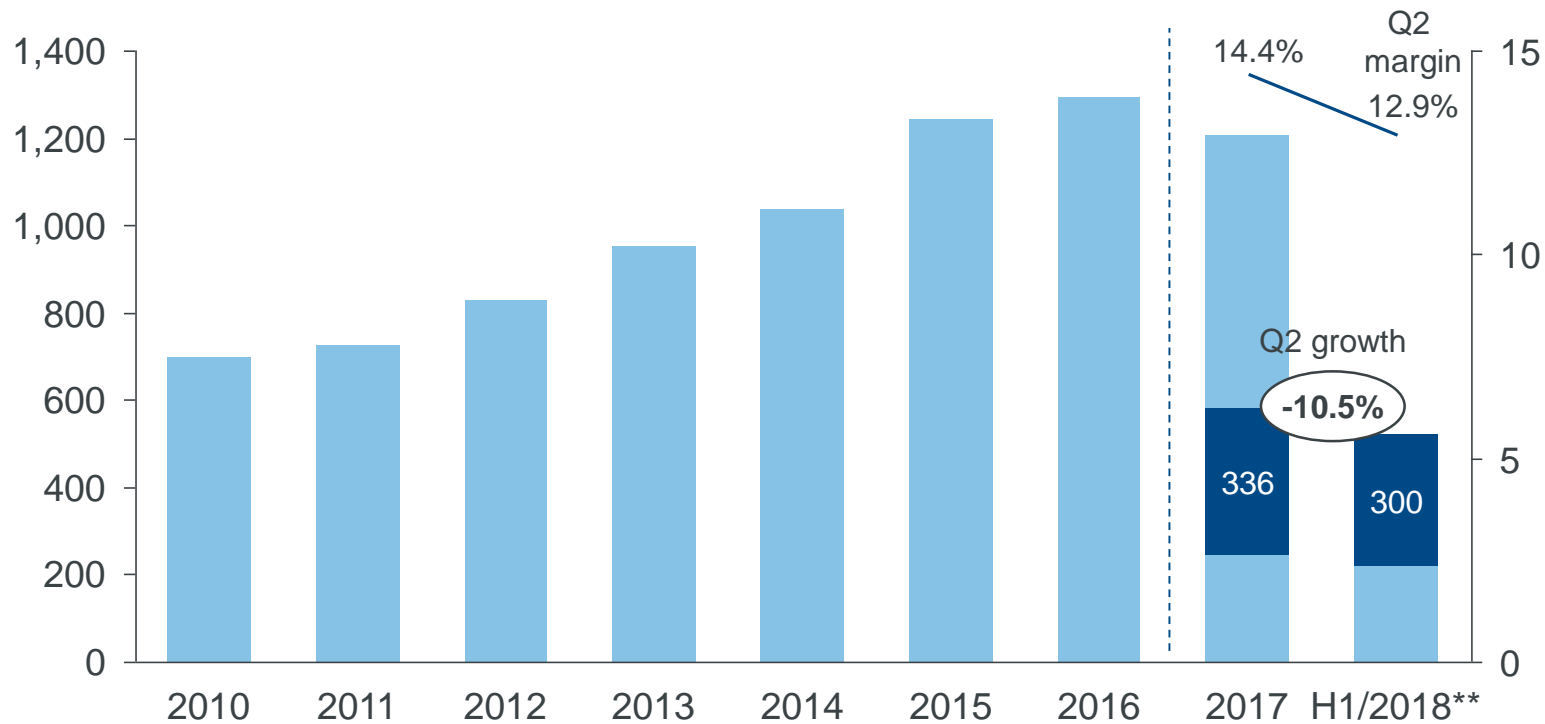


* KONE has applied new IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2010-2016 are not restated and thus not fully comparable.

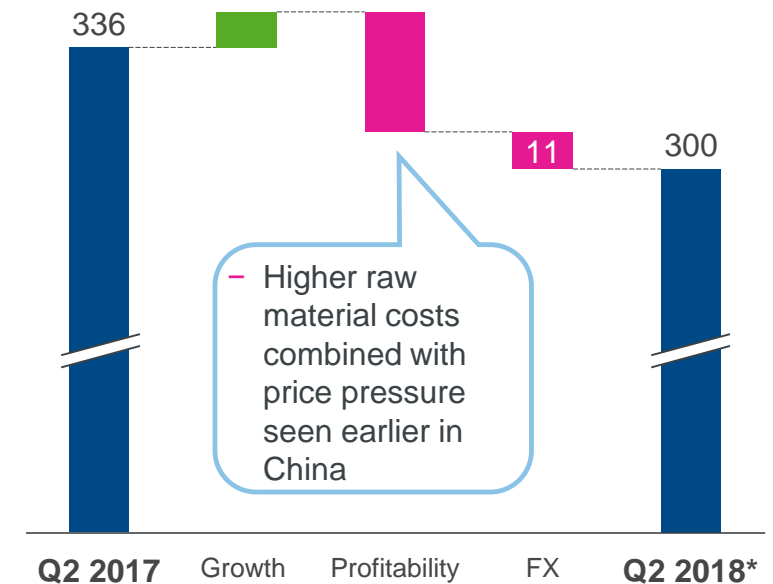
EBIT

PROFITABILITY CONTINUED TO BE BURDENED BY SEVERAL HEADWINDS IN Q2 2018

ADJUSTED EBIT*, MEUR AND ADJUSTED EBIT MARGIN



- Restructuring costs related to the Accelerate program were EUR 19.9 million in Q2 2018



* Adjusted EBIT was introduced in September 2017. Adjusted EBIT excludes restructuring costs related to the Accelerate program.

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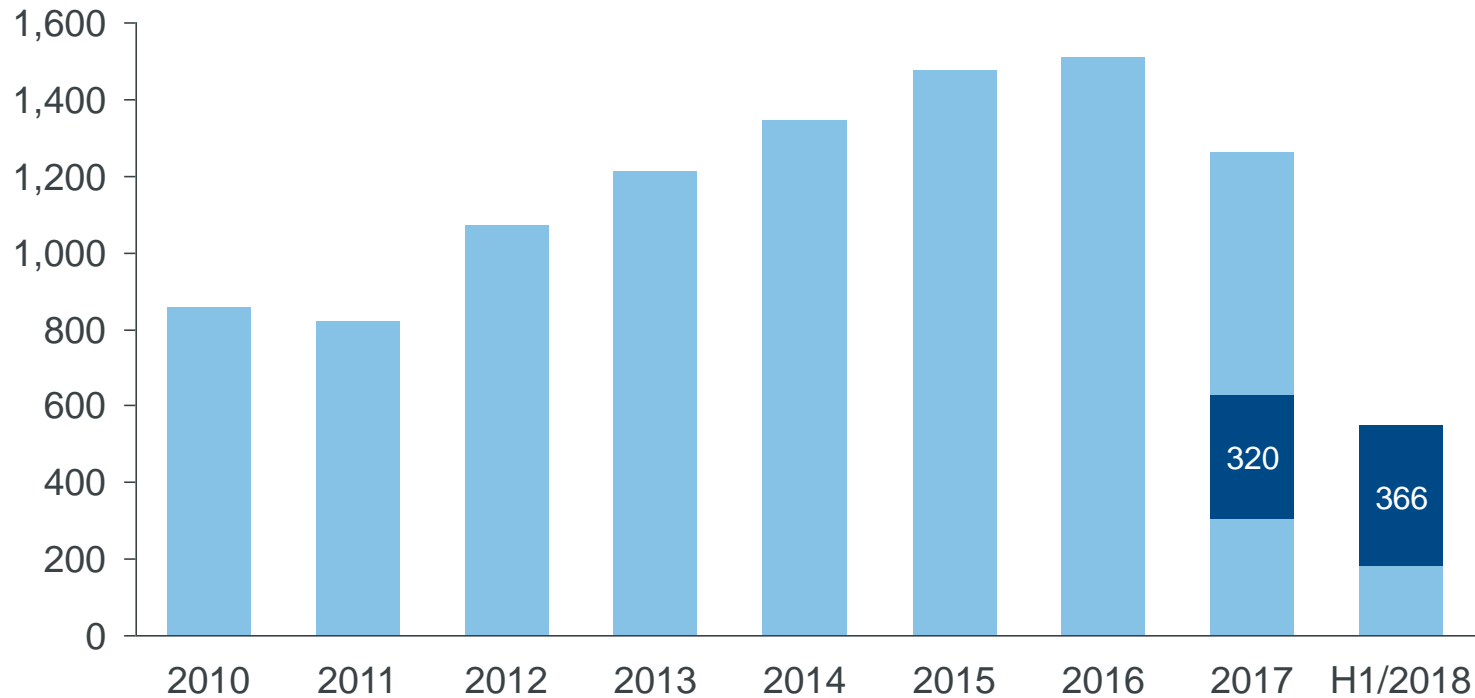
Cash flow



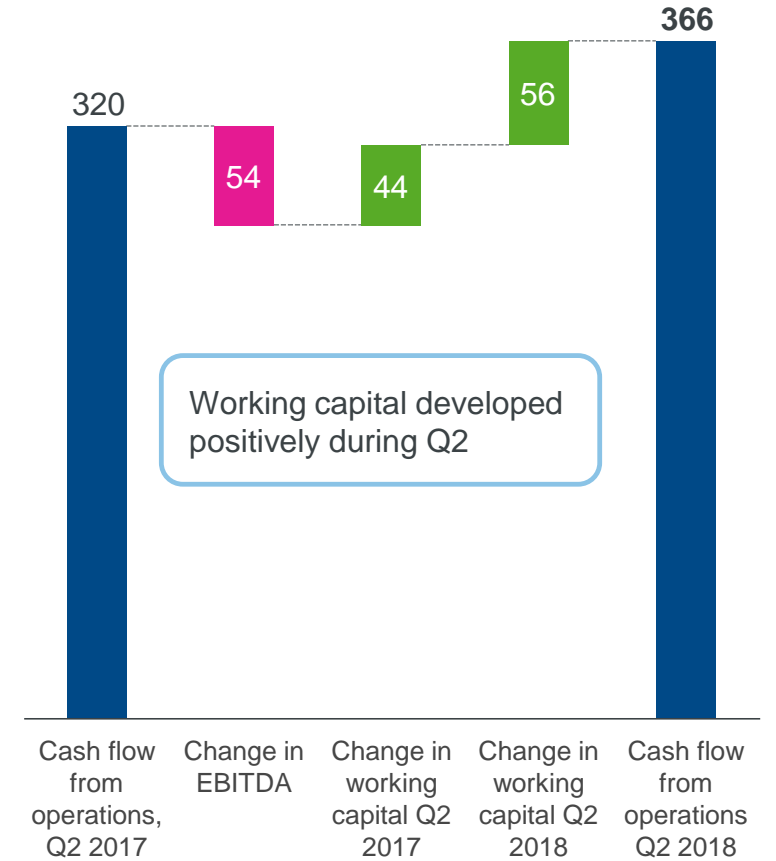
CASH GENERATION WAS STRONG IN Q2

CASH FLOW FROM OPERATIONS*

MEUR



*before financing items and taxes



Market and business outlook for 2018



Market outlook for 2018

NEW EQUIPMENT MARKETS

- Asia-Pacific: The market in China is expected to be stable or to decline slightly in units ordered and competition to remain intense. In the rest of Asia-Pacific, the market is expected to grow
- Europe, Middle East and Africa: The market is expected to grow slightly
- North America: The market is expected to grow slightly

MAINTENANCE MARKETS

- The maintenance market is expected to see the strongest growth rate in Asia-Pacific, and to grow slightly in other regions

MODERNIZATION MARKETS

- The modernization market is expected to grow slightly in the Europe, Middle East and Africa region and in North America and to develop strongly in Asia-Pacific



Business outlook for 2018

Sales

- In 2018, KONE's sales is estimated to grow by 3–7% at comparable exchange rates as compared to the restated 2017 sales

Adjusted EBIT

- The adjusted EBIT is expected to be in the range of EUR 1,100–1,200 million, assuming that foreign exchange rates would remain at the end of June 2018 level for the remainder of the year. Foreign exchange rates are estimated to impact EBIT negatively by approximately EUR 35 million. The pressure on the adjusted EBIT margin is expected to start to ease towards the end of 2018 as a result of pricing and productivity actions that have been taken

Boosting our performance

- Solid order book
- Services business growth
- Continued performance improvements

Burdening our result

- ⬇ Price pressure in earlier orders received in China
- ⬇ Higher raw material prices (approx. MEUR -100)
- ⬇ Foreign exchange rates (approx. MEUR -35)



Summary

- Clearly improved growth momentum in orders received
- Continued actions to improve margins
- Continuous good growth in services through improved differentiation
- Increasingly loyal customers and motivated employees

Dedicated to People Flow™

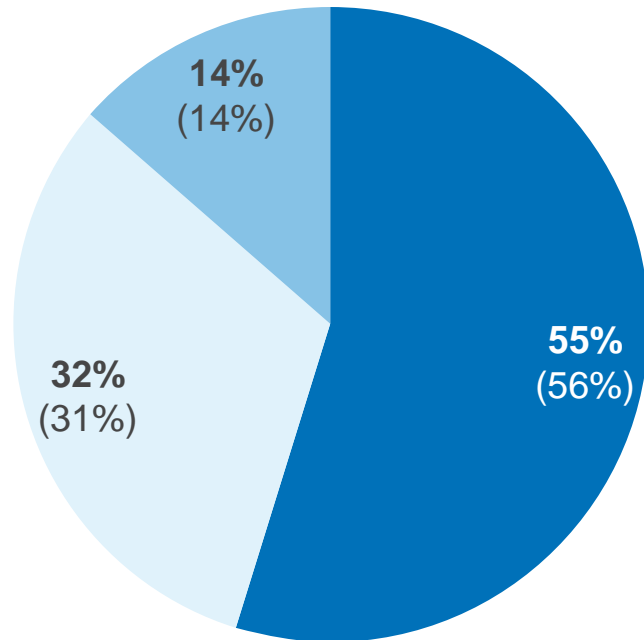


APPENDIX

Q2 2018 Sales split

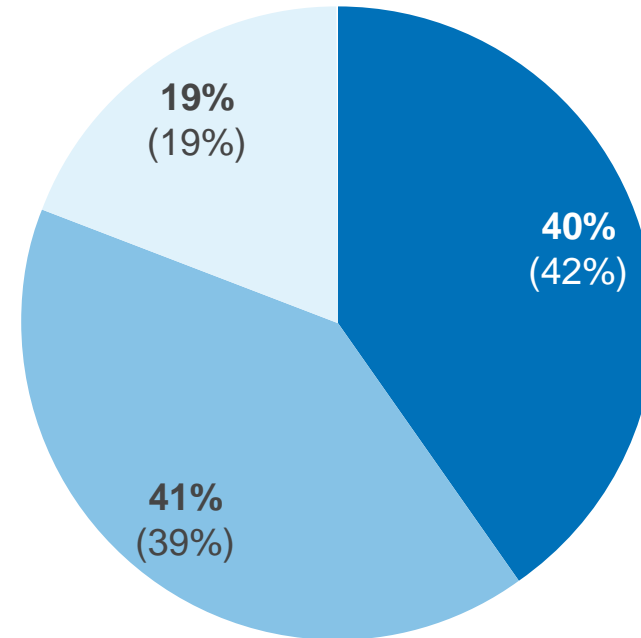


BY BUSINESS



■ New equipment ■ Maintenance ■ Modernization

BY AREA

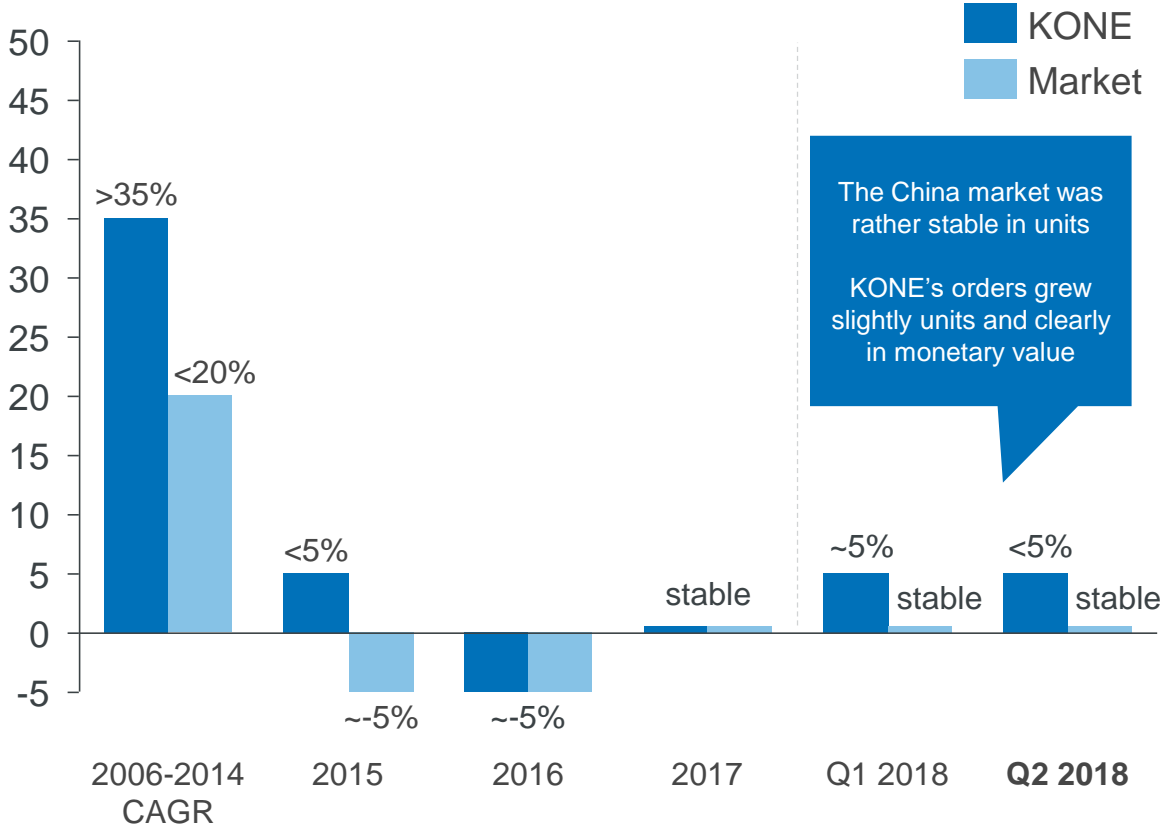


■ Asia-Pacific ■ EMEA (Europe, Middle East and Africa) ■ Americas

Q2/2017 figures in brackets.
Figures in charts are rounded and at historical exchange rates.

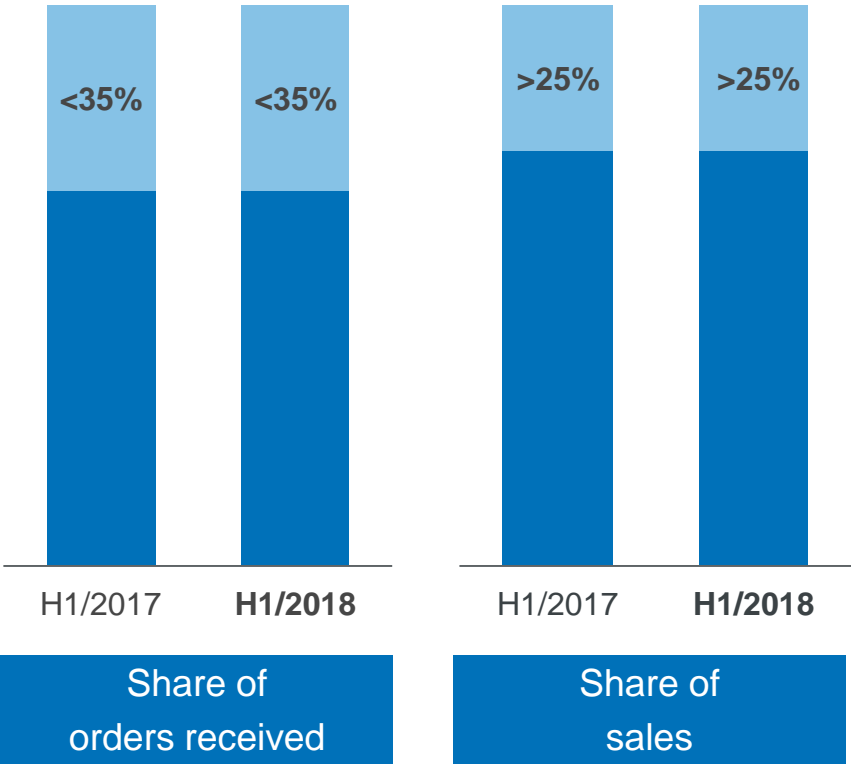
NEW EQUIPMENT MARKET

New equipment orders received in units vs. market development



CHINA'S SHARE OF KONE'S ORDERS AND SALES

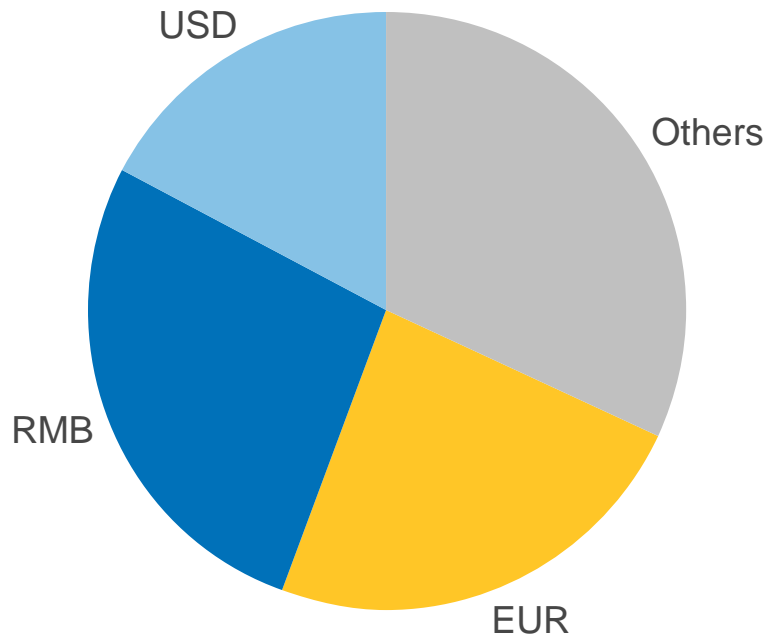
In monetary value



Currencies



SALES BY CURRENCY 1-12/2017



CURRENCY IMPACT

(MEUR)	Q2/2018	1-6/2018
Sales	-79	-206
EBIT	-11	-32
Orders received	-65	-191

MAIN CURRENCIES

	1-6/2018 average	2017 average	Jun 30, 2018 spot
EUR / RMB	7.7119	7.6299	7.7170
EUR / USD	1.2060	1.1307	1.1658
EUR / GBP	0.8811	0.8742	0.8861
EUR / AUD	1.5656	1.4780	1.5787

Q2 2018 Balance sheet – assets employed



MEUR	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Assets employed			
Goodwill	1,324.1	1,333.2	1,325.5
Other intangible assets	266.7	276.8	274.5
Tangible assets	378.0	365.8	377.0
Investments	134.7	145.4	134.3
Net working capital	-725.7	-861.7	-772.6
Assets employed total	1,377.8	1,259.4	1,338.7
Financed by			
Equity	2,632.6	2,561.6	3,028.9
Net debt	-1,254.8	-1,302.1	-1,690.2
Equity and net debt total	1,377.8	1,259.4	1,338.7

Q2 2018 Net working capital



MEUR	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Net working capital			
Inventories	634.5	611.8	626.8
Advance payments received and deferred revenue	-1,465.1	-1,376.8	-1,404.6
Accounts receivable	1,953.3	1,866.1	1,910.8
Other non-interest-bearing assets	690.6	531.8	472.0
Other non-interest-bearing liabilities	-1,728.5	-1,738.2	-1,654.3
Provisions	-134.4	-141.1	-137.9
Accounts payable	-782.0	-735.1	-705.1
Net deferred tax assets / liabilities	105.8	119.7	119.5
Net working capital total	-725.7	-861.7	-772.6

Q2 2018 Consolidated cash flow



MEUR	1-6/2018	1-6/2017	1-12/2017
Operating income	492.0	581.6	1,192.3
Change in working capital before financing items and taxes	-5.2	-12.5	-43.3
Depreciation and amortization	58.5	56.6	114.3
Cash flow from operations before financing items and taxes	545.2	625.7	1,263.3
Financing items and taxes	-119.8	-134.4	-299.6
Cash flow from operating activities	425.4	491.3	963.7
Investing activities	-54.1	-57.1	-143.5
Purchase of own shares	-	-	-
Increase in equity (option rights)	22.2	14.5	24.9
Profit distribution	-849.2	-795.4	-795.4
Changes in non-controlling interest	-0.6	-0.4	-5.5
Free cash flow	-456.3	-347.2	44.1