



KONE's Annual General Meeting 2016

March 7, 2016

Henrik Ehrnrooth, President & CEO

KONE's 2015

Market development
in 2015

Long-term drivers

Our outlook for 2016

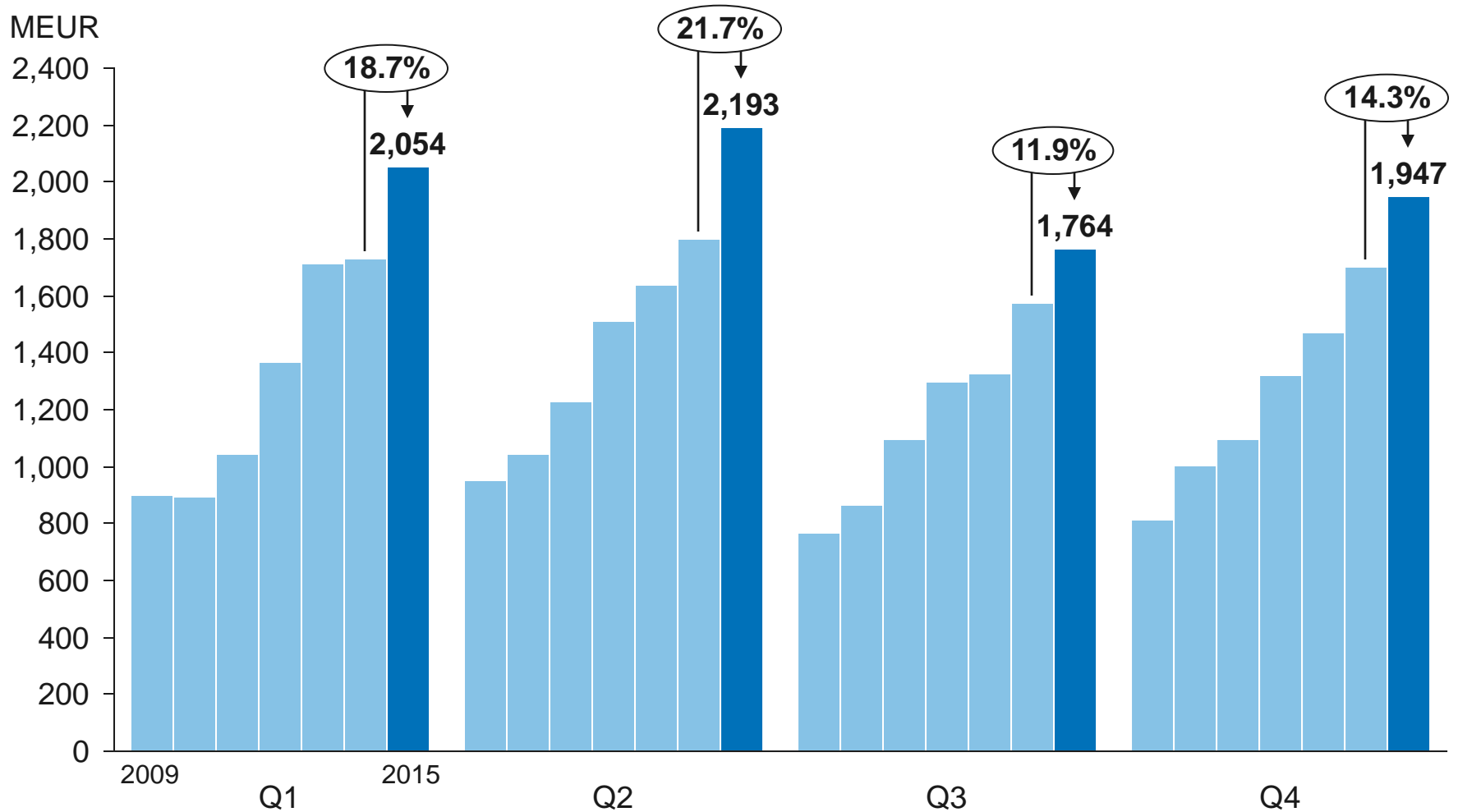


2015: Profitable growth in a changing market environment

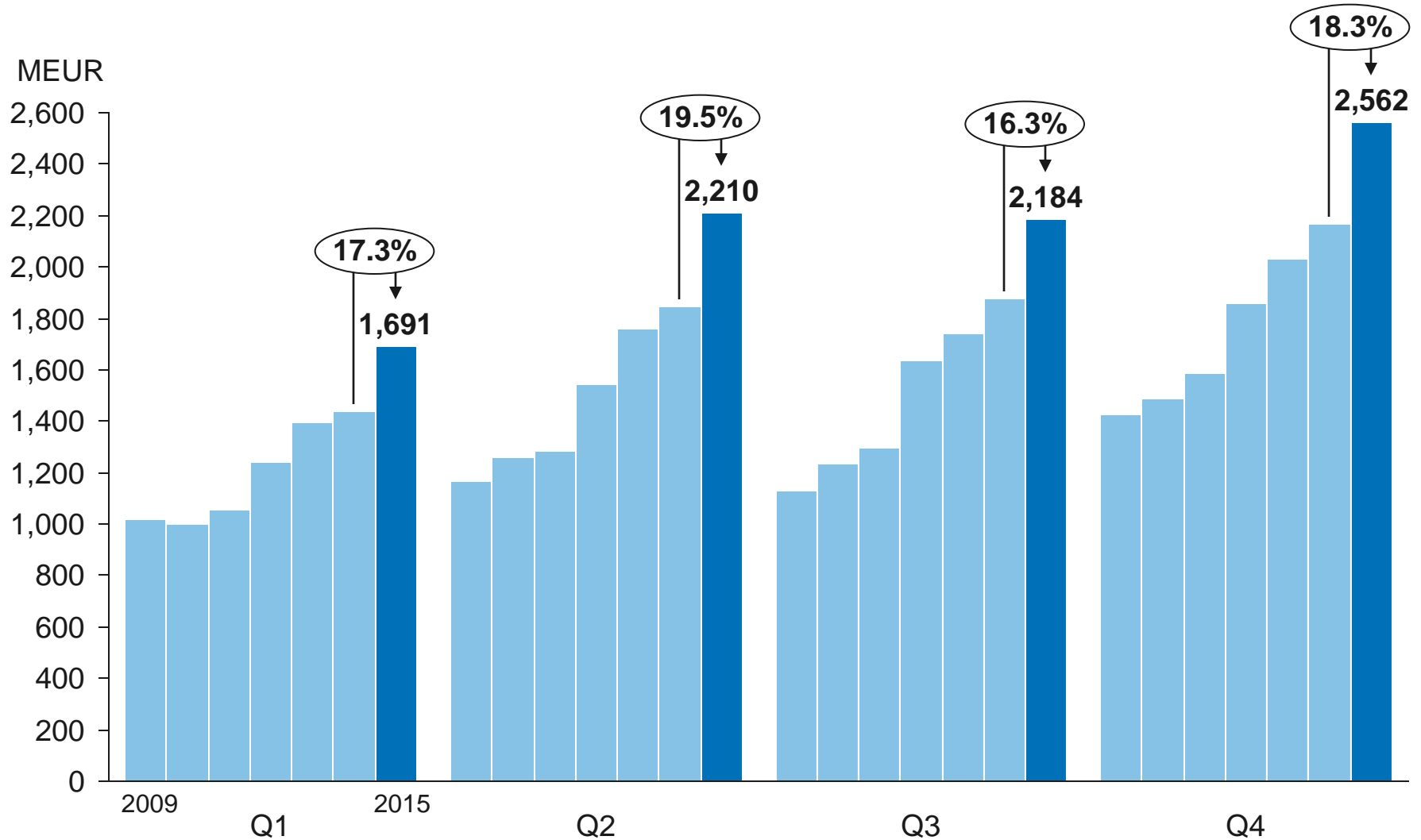


		2015	2014	Historical change	Comparable change
Orders received	MEUR	7,958.9	6,812.6	16.8%	5.6%
Order book	MEUR	8,209.5	6,952.5	18.1%	11.9%
Sales	MEUR	8,647.3	7,334.5	17.9%	8.3%
Operating income (EBIT)	MEUR	1,241.5	1,035.7	19.9%	
Operating income (EBIT)	%	14.4	14.1		
Cash flow from operations (before financing items and taxes)	MEUR	1,473.7	1,345.4		
Basic earnings per share	EUR	2.01	1.47		
Basic earnings per share excluding one-time item*	EUR	1.79	-		
Dividend per share	EUR	1.40¹⁾	1.20		

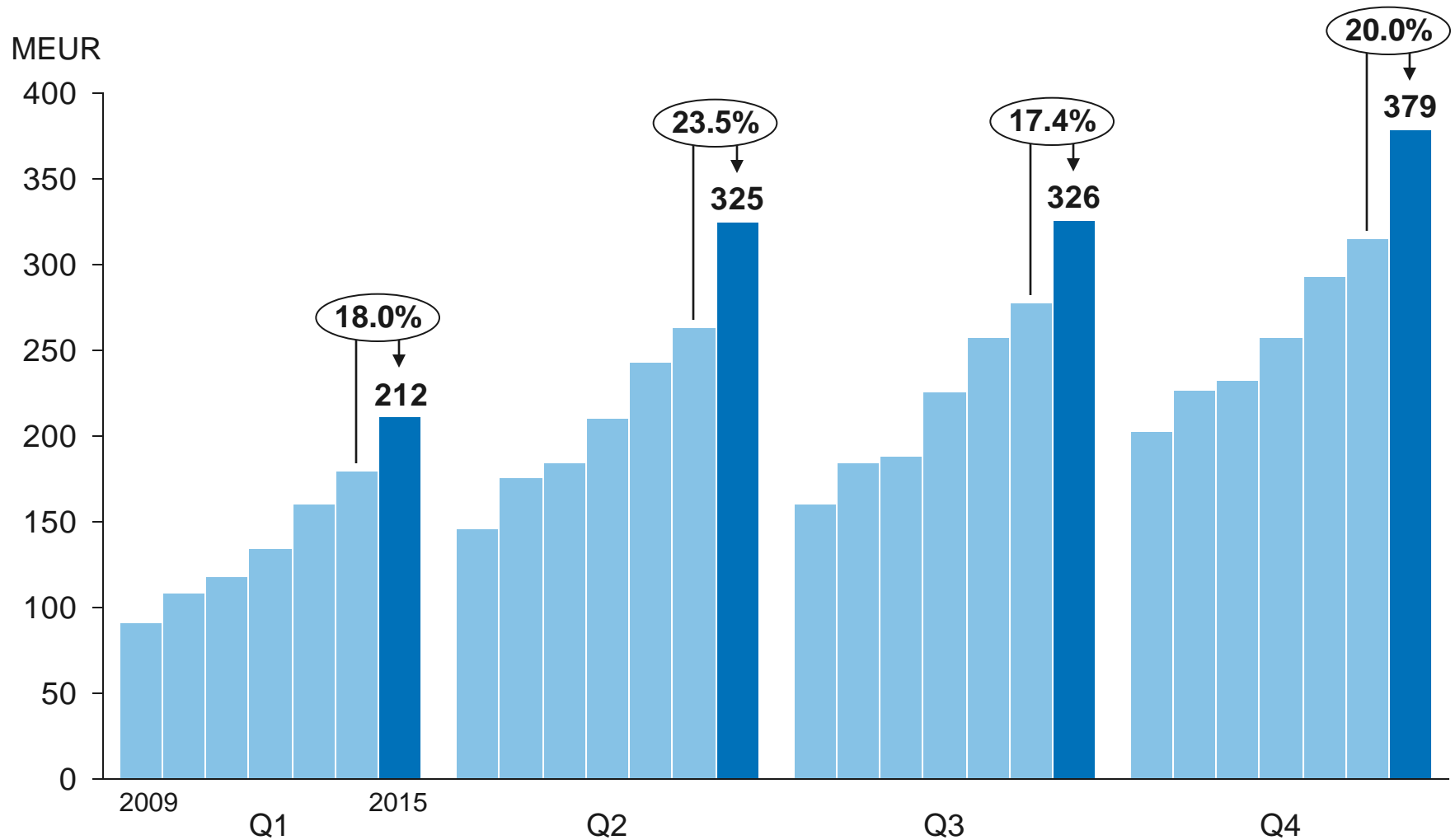
2015 Orders received: Growth in both the volume business and major projects



2015 Sales: Growth in all regions, in North America in particular



2015 Operating income: Positive development driven by both the new equipment and service businesses



2015: We further strengthened our offering and capabilities in new equipment



- New elevator solutions were launched in 2015:
 - I MonoSpace® and I MiniSpace™ for the Indian market
 - Z MiniSpace™ for the Chinese market
- Updated version of the TransitMaster 140 escalator was released for the infrastructure segment in China.
- KONE's new elevator test tower, one of the world's tallest at 236 meters, was opened in Kunshan in the autumn.

New equipment orders received

~ 161,000 units
(~ 154,000 units)

New equipment units delivered

~ 137,000 units
(~ 130,000 units)

2015: We delivered on our target to accelerate growth in services



- A strong level of conversions of installed equipment was driving the growth of the maintenance base.
- Our approach to sales and customer interactions was sharpened.
- We improved the response times of technicians and speed of problem resolution with a next generation Field Mobility device.

Equipment in KONE's maintenance base

< 1.1 million units
(> 1 million units)

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New equipment: the global market declined slightly due to a decline in the large Chinese market



Market development in 2015

China



Rest of Asia-Pacific



Europe, Middle East
and Africa



North America



- **In Asia-Pacific**, the new equipment market declined slightly in 2015, but remained at a high level
- **In the EMEA region**, Central and North Europe saw the strongest development. South Europe stabilized and the Middle East saw some growth.
- **In North America**, the market developed strongly

Maintenance: growth continued globally, with Europe and North America remaining the most significant markets



Market development in 2015

Europe, Middle East
and Africa



North America



China



Rest of Asia-Pacific



- **In the EMEA region**, the market grew, but the environment remained varied. South Europe in particular continued to see intense price competition
- **In North America**, the market saw some growth, but competition remained intense
- **In Asia-Pacific**, maintenance markets grew with at fastest rate globally

Modernization: slight increase in global modernization demand with a positive development in North America in particular



Market development in 2015

Europe, Middle East
and Africa



North America



China



Rest of Asia-Pacific



- **In the EMEA region**, the large European market developed favorably in Central and North Europe, but South Europe remained weak
- **In North America**, modernization demand continued to grow
- **In Asia-Pacific**, increasing modernization opportunities were seen from a smaller starting level

KONE's 2015

Market development
in 2015

Long-term drivers

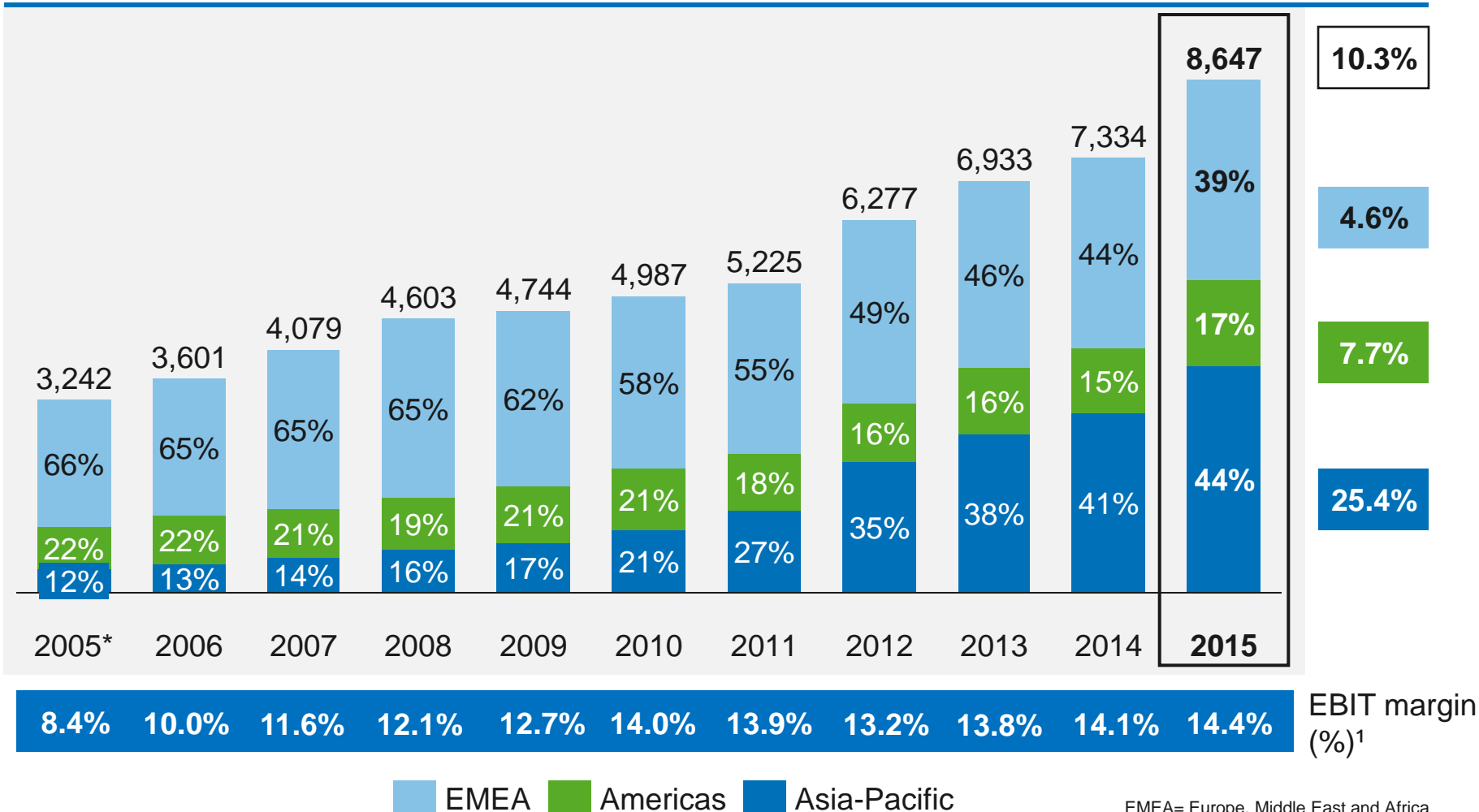
Our outlook for 2016



Over the past decade, KONE's sales has grown in all regions



Sales by area 2005–2015 (MEUR)



EMEA= Europe, Middle East and Africa

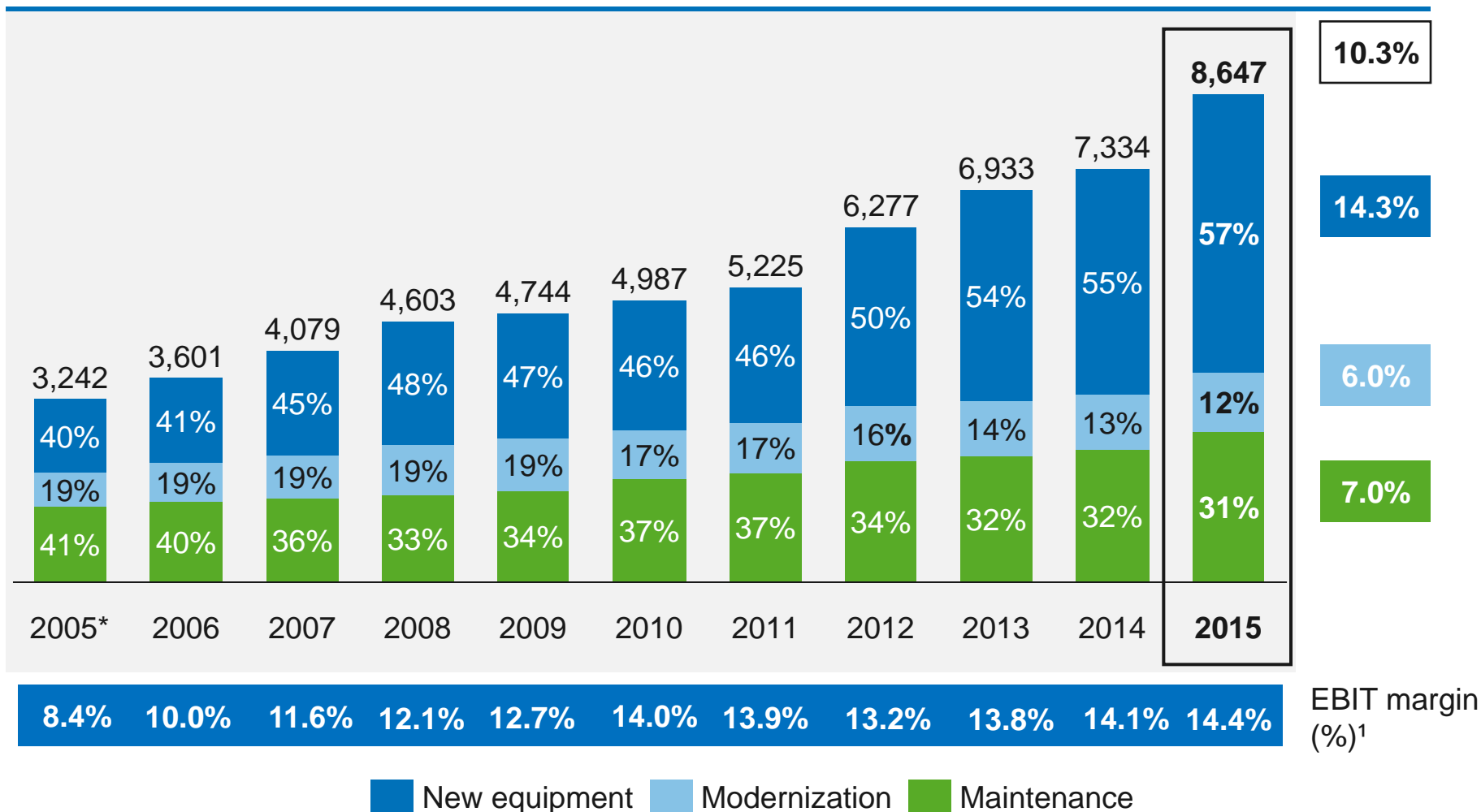
*) 2005 figures are pro forma

¹ Excluding one-time items

We have grown both the new equipment and the service business



Sales by business 2005–2015 (MEUR)



*) 2005 figures are pro forma

¹ Excluding one-time items

Powerful global megatrends will continue to drive the E&E industry growth



Urbanization

Changing demographics

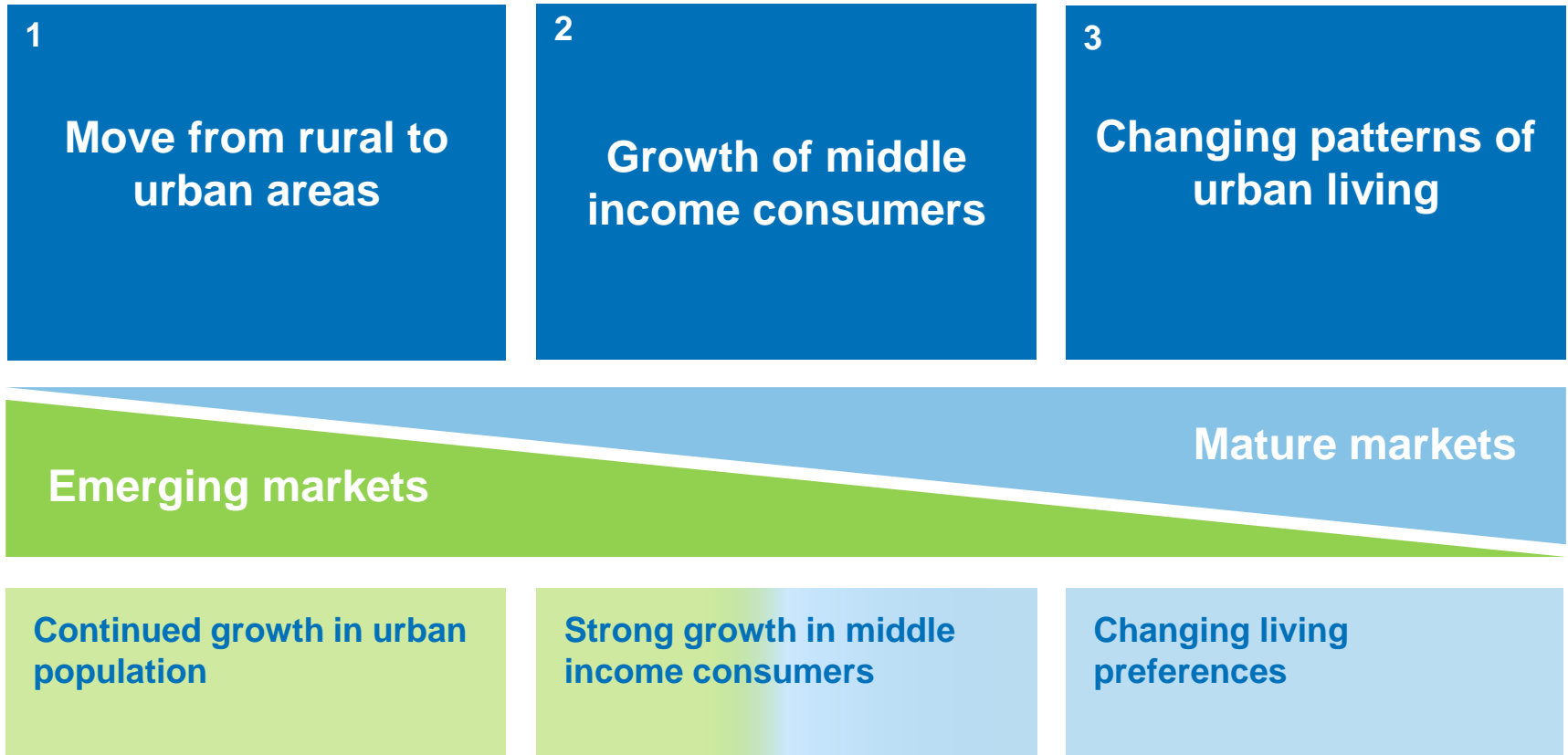
Environment

Safety

Connectivity

Quality

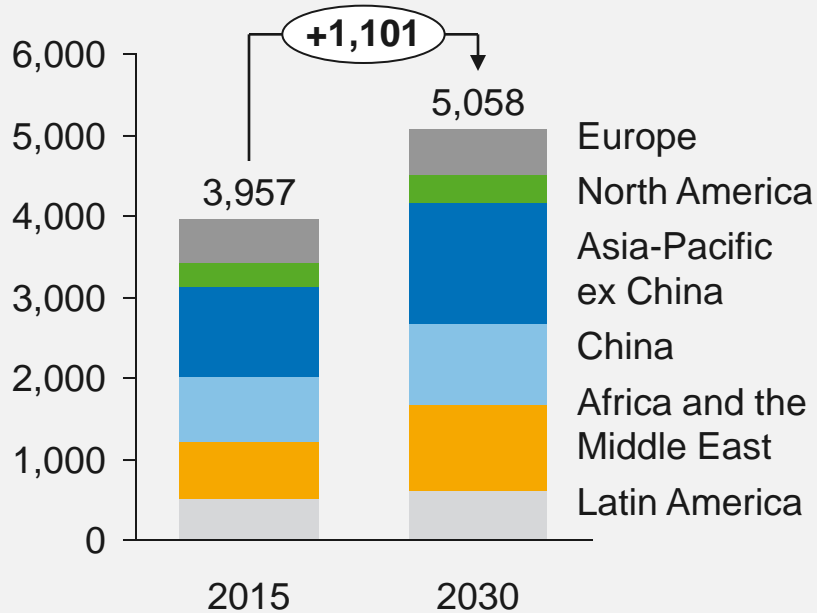
Urbanization and urban development continue globally, progressing through different stages



Urbanization continues to be a strong driver in Asia-Pacific and Africa

1. Move from rural to urban areas

Urban population
(Millions)



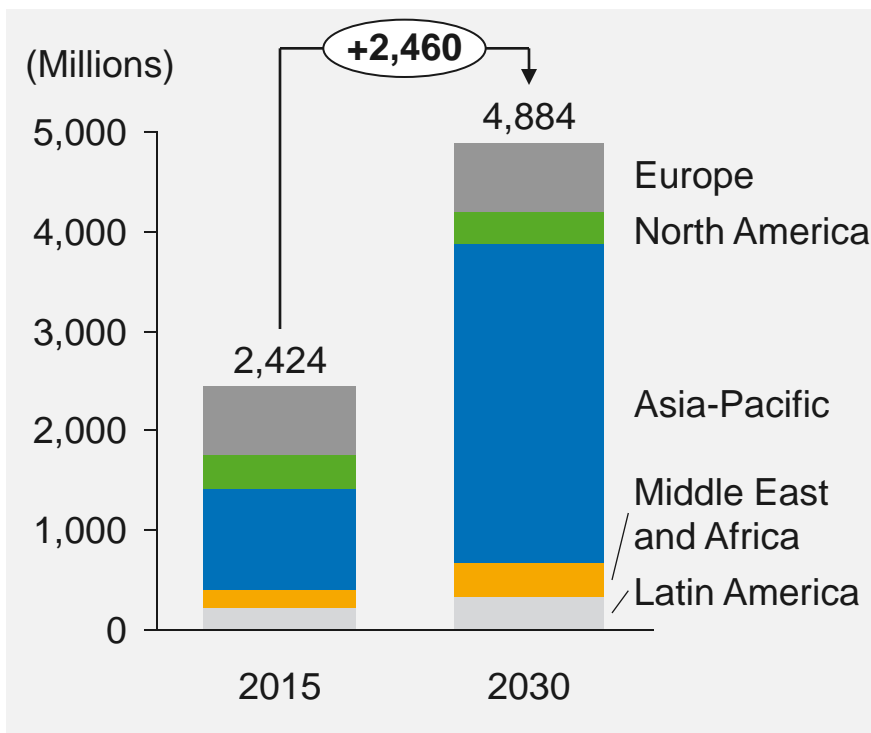
85% of the billion new urban residents by 2030 to be in Asia-Pacific and Africa



China, India and Southeast Asia will continue to see a growing middle class accelerating urban development



2. Growth of middle income consumers



90 % of the 2.5 billion new middle income consumers to be in Asia-Pacific

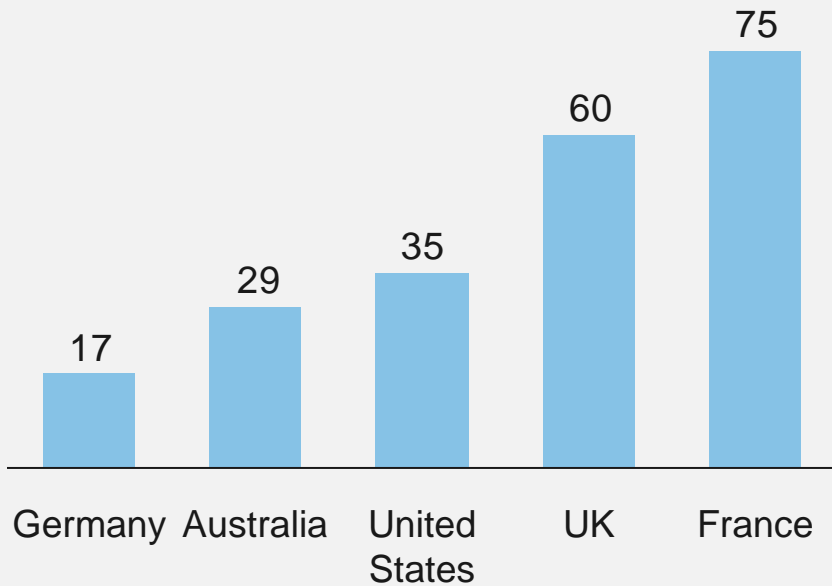


Europe and North America will see changing requirements in city planning and infrastructure



3. Changing patterns of urban living

Projected % increase in one-person households, early-mid-2000s to 2025-2030



Living preferences continue to change alongside changing demographics



The industry and KONE will be shaped by two significant trends going forward

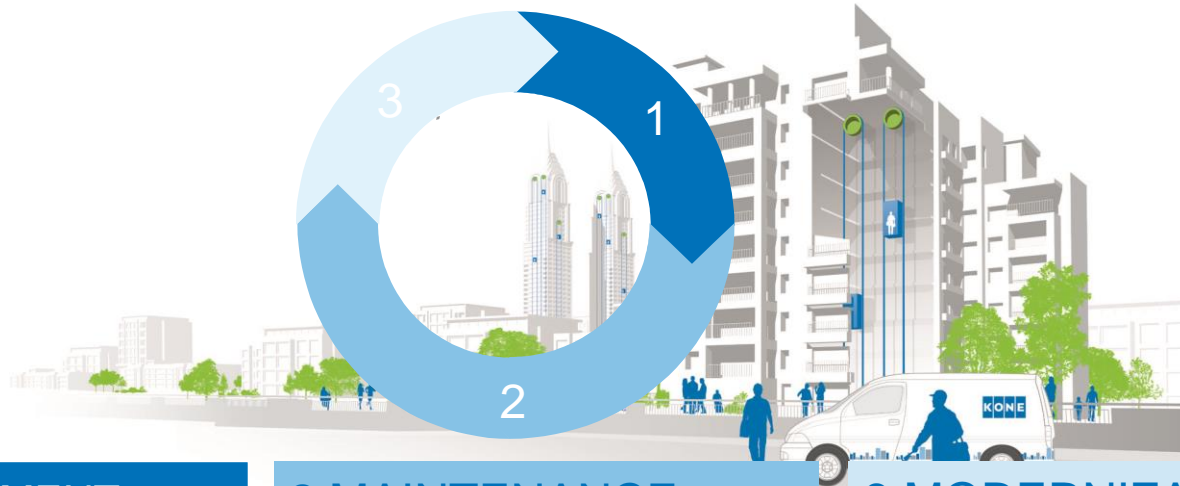


Changing growth dynamics

The background of the slide is a photograph of a modern shopping mall. It features multiple levels with glass railings and escalators. In the upper left, a blue sign reads "BLUE CROSS SALE". In the upper right, a sign for "MAIN" is visible. Two large, semi-transparent blue rectangular boxes are overlaid on the image, containing white text. The top box contains the text "Changing growth dynamics" and the bottom box contains the text "Digitalization and increasing speed of technological change".

Digitalization and increasing speed of technological change

The importance of the service business is increasing as the new equipment market slows



1 NEW EQUIPMENT

- Opportunities in many markets despite the decline in global market volumes.
- Increasing opportunities from smarter buildings

2 MAINTENANCE

- Importance of maintenance relative to the total business will increase in the emerging markets
- New technology to start shaping the business everywhere

3 MODERNIZATION

- Growing opportunity in all regions as the installed equipment base ages and customer requirements increase

Development of technological enablers continues to accelerate

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

Connectivity

Analytics

Mobility

Sensors

Cloud

Our strategy focuses on making KONE an even more competitive company



Work with our development programs continues in 2016



First in Customer Loyalty

Further improve customer service and communication

A Winning Team of True Professionals

Help all employees perform at their best

The Most Competitive People Flow® Solutions

Develop innovative solutions in new equipment

Preferred Maintenance Partner

Strengthen our differentiation in the maintenance business

Top Modernization Provider

Accelerate the growth of the modernization business

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New equipment markets

- Asia-Pacific: The market in China is expected to decline by 5–10% in units ordered and also the price competition to continue intense. In the rest of Asia-Pacific, the market is expected to see some growth.
- Europe, Middle East and Africa: the market is expected to grow slightly with growth in Central and North Europe and a more stable development in South Europe and the Middle East.
- North America: the market is expected to see some growth.

Maintenance markets

- The maintenance markets are expected to see the strongest growth rate in Asia-Pacific, and to develop rather well also in other regions.

Modernization markets

- The modernization market is expected to grow slightly in Europe, to continue to grow in North America, and to develop strongly in Asia-Pacific.



Sales

- KONE's net sales is estimated to grow by 2–6% at comparable exchange rates as compared to 2015.

Operating income

- The operating income (EBIT) is expected to be in the range of EUR 1,220–1,320 million, assuming that translation exchange rates would remain at approximately the average level of January 2016.



Dedicated to People Flow™

