

KONE CEO's review

MARCH 1, 2022

HENRIK EHRNROOTH, PRESIDENT & CEO



KONE's year 2021



Growth

Strong orders and sales growth in recovering markets

Result

Good result considering the challenges in the supply chain environment

Strategy execution

New value-added services accelerated growth

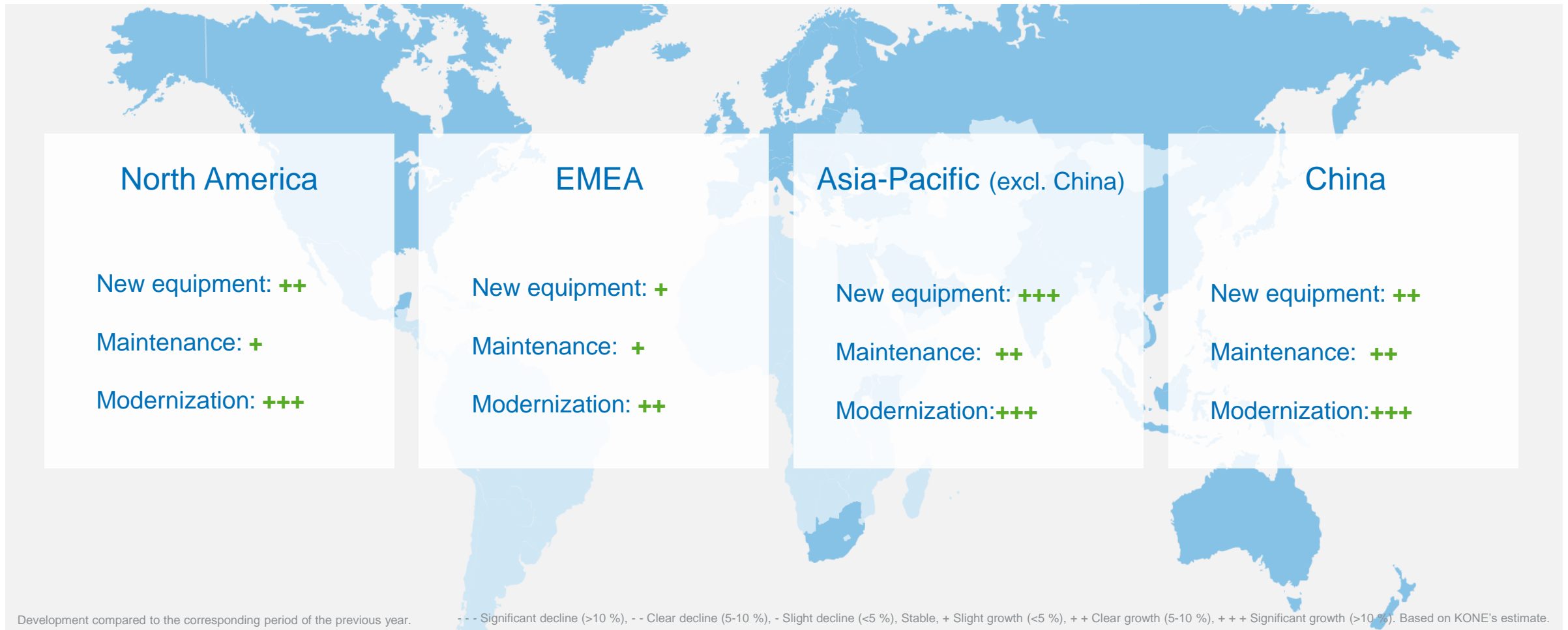
2021 key figures



STRONG YEAR IN ORDERS AND SALES, SUPPLY CHAIN ENVIRONMENT REMAINS CHALLENGING

		1–12/2021	1–12/2020	Change	Comparable change
Orders received	MEUR	8,852.8	8,185.1	8.2%	7.4%
Order book	MEUR	8,564.0	7,728.8	10.8%	3.8%
Sales	MEUR	10,514.1	9,938.5	5.8%	5.3%
Operating income (EBIT)	MEUR	1,295.3	1,212.9	6.8%	
Operating income margin (EBIT %)	%	12.3	12.2		
Adjusted EBIT	MEUR	1,309.8	1,250.5	4.7%	
Adjusted EBIT margin	%	12.5	12.6		
Cash flow from operations (before financing items and taxes)	MEUR	1,828.7	1,907.5		
Basic earnings per share	EUR	1.96	1.81	7.9%	

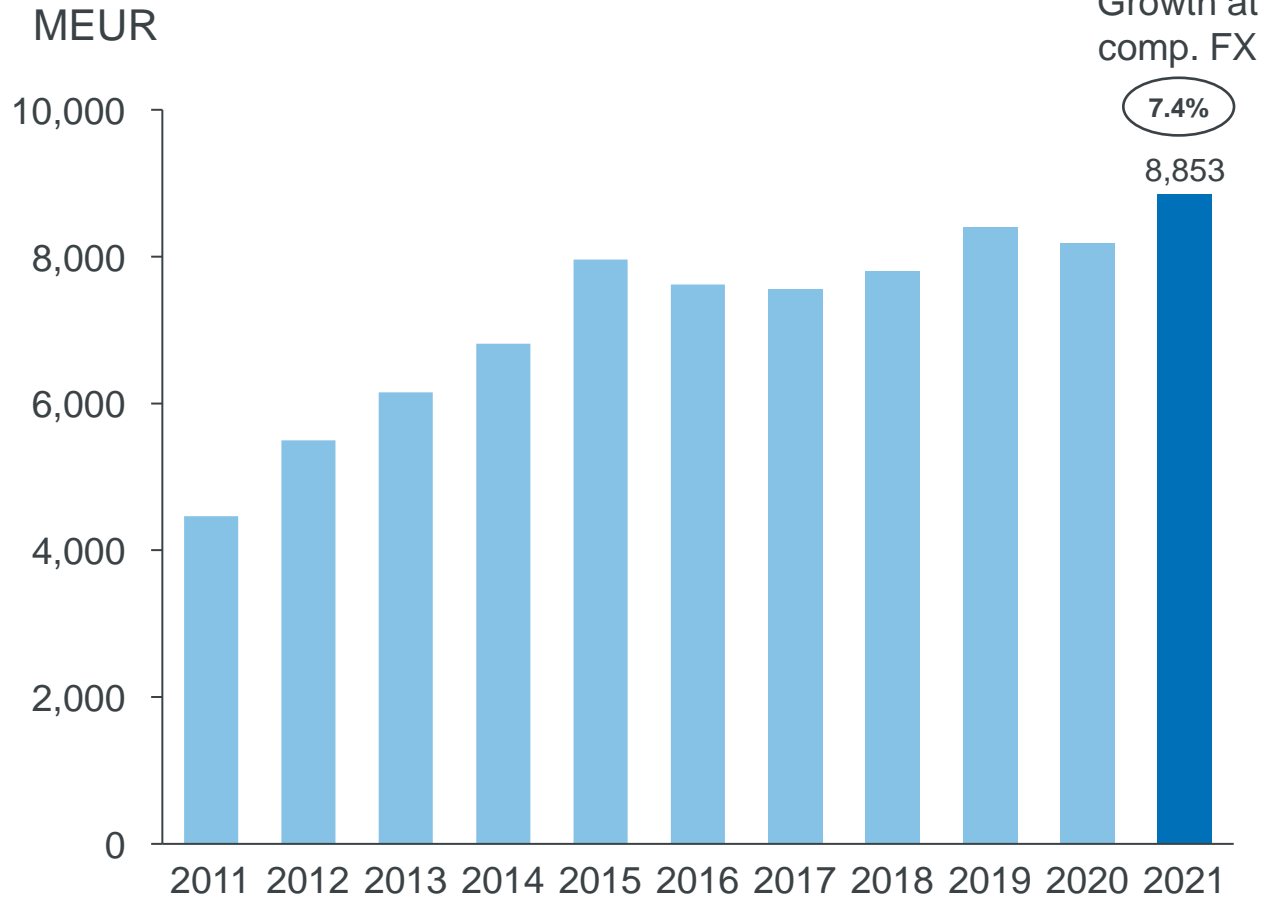
Broad-based recovery in the elevator and escalator market during 2021



Strong growth in orders, excellent year in Services business

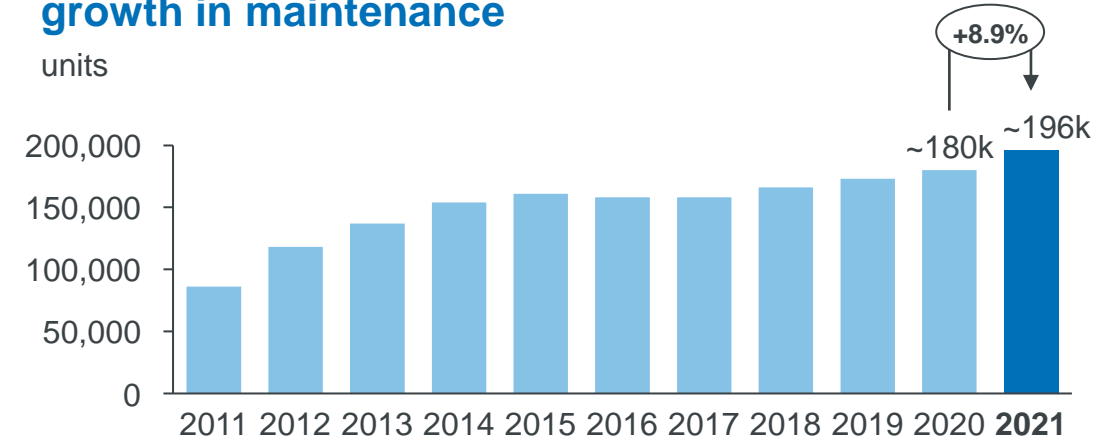


Orders received 2011–2021

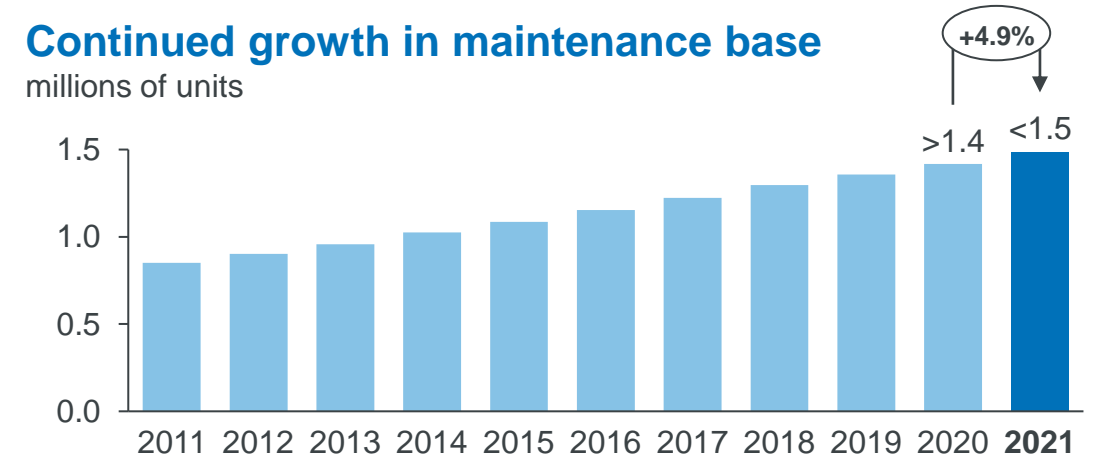


Orders received consist predominantly of new equipment and modernization orders. Maintenance contracts are not included in orders received, but the figure includes orders related to the maintenance business, such as repairs.

Increased new equipment orders secure future growth in maintenance



Continued growth in maintenance base



The market in China grew despite tightened liquidity in the property sector



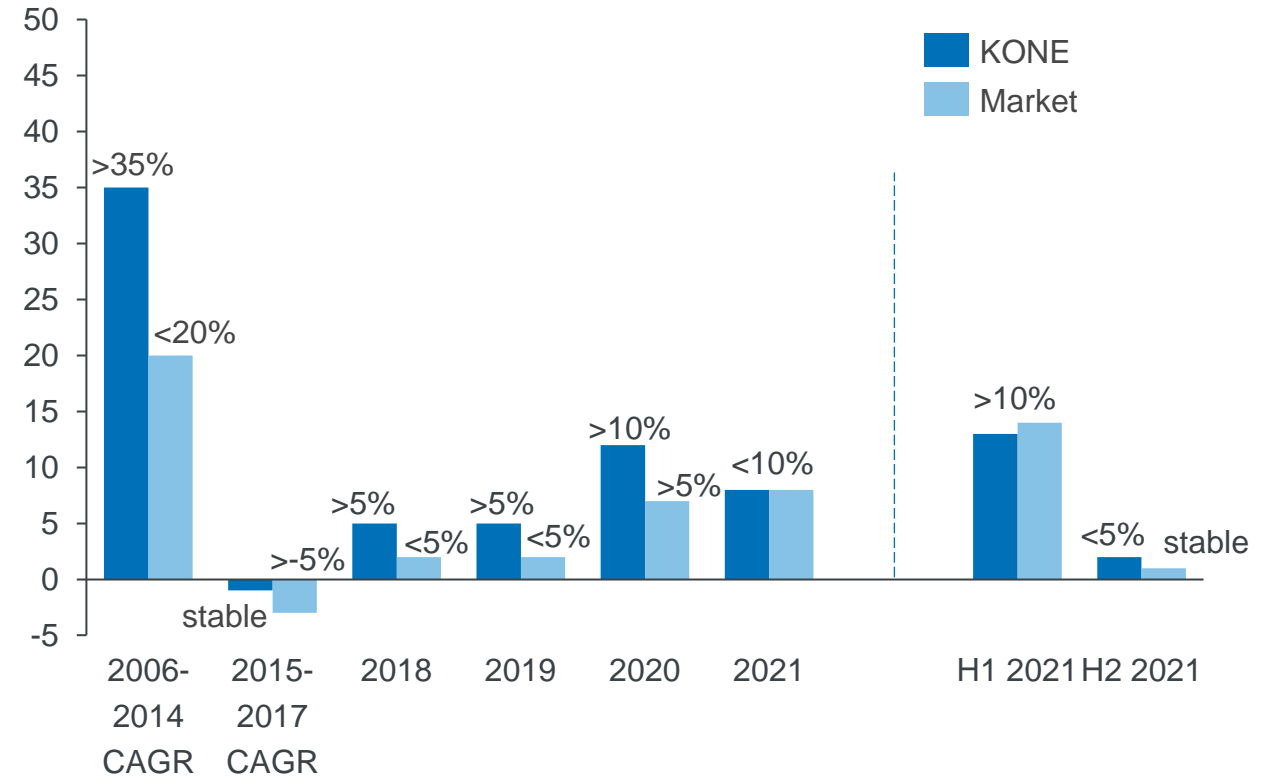
New equipment markets

- Strong growth in the first half, softer development in the second half
 - KONE's orders developed in line with the market
 - Tight competitive and market situation are reflected in the pricing environment, KONE's prices remained stable

Service markets

- Significant growth potential; capturing these opportunities is one of our strategic priorities
 - KONE's maintenance business grew >10%, modernization business grew c. 30-40%

New equipment orders in units vs. market development

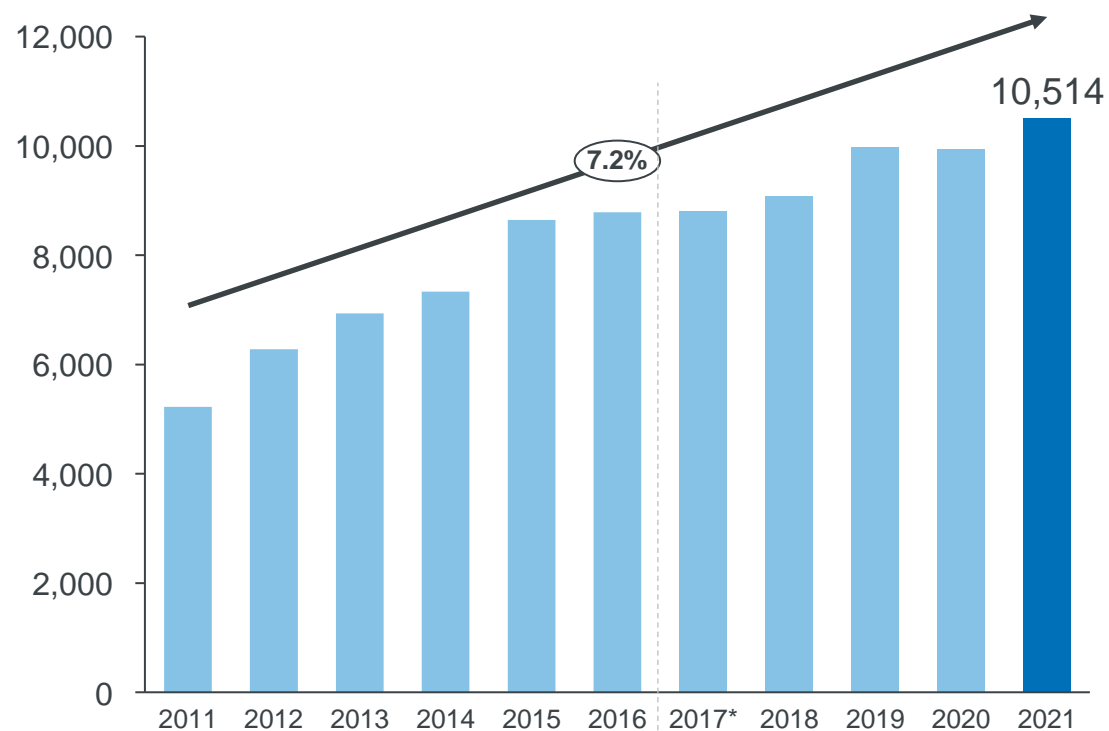


Sales growth in all regions and businesses



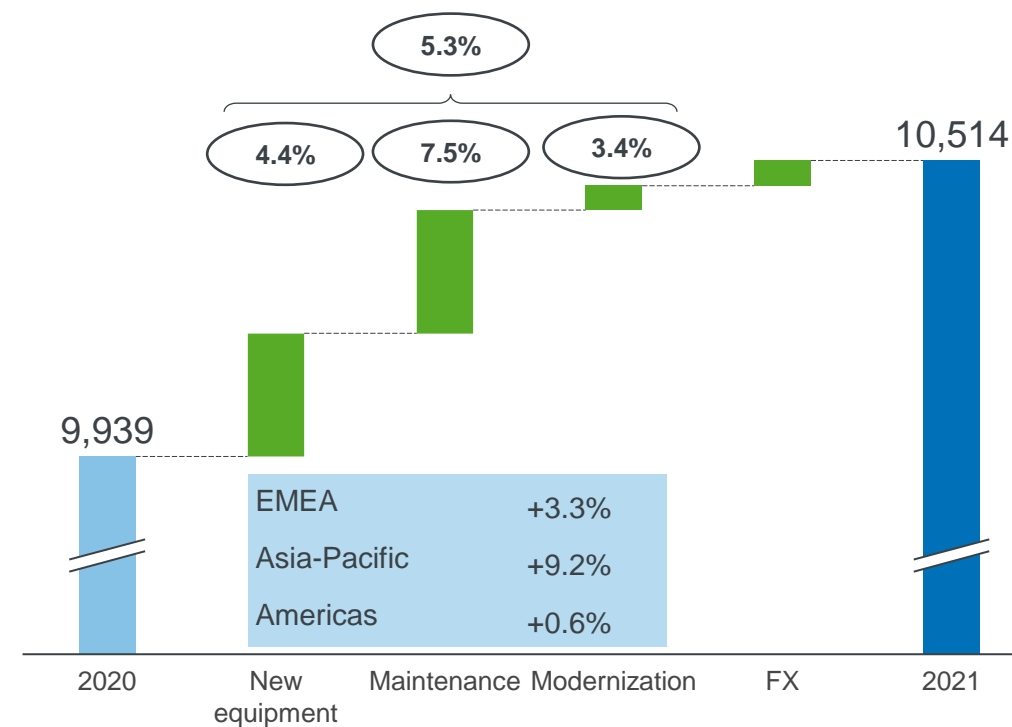
Sales 2011–2021

MEUR



Sales development 2020–2021

At comp. FX

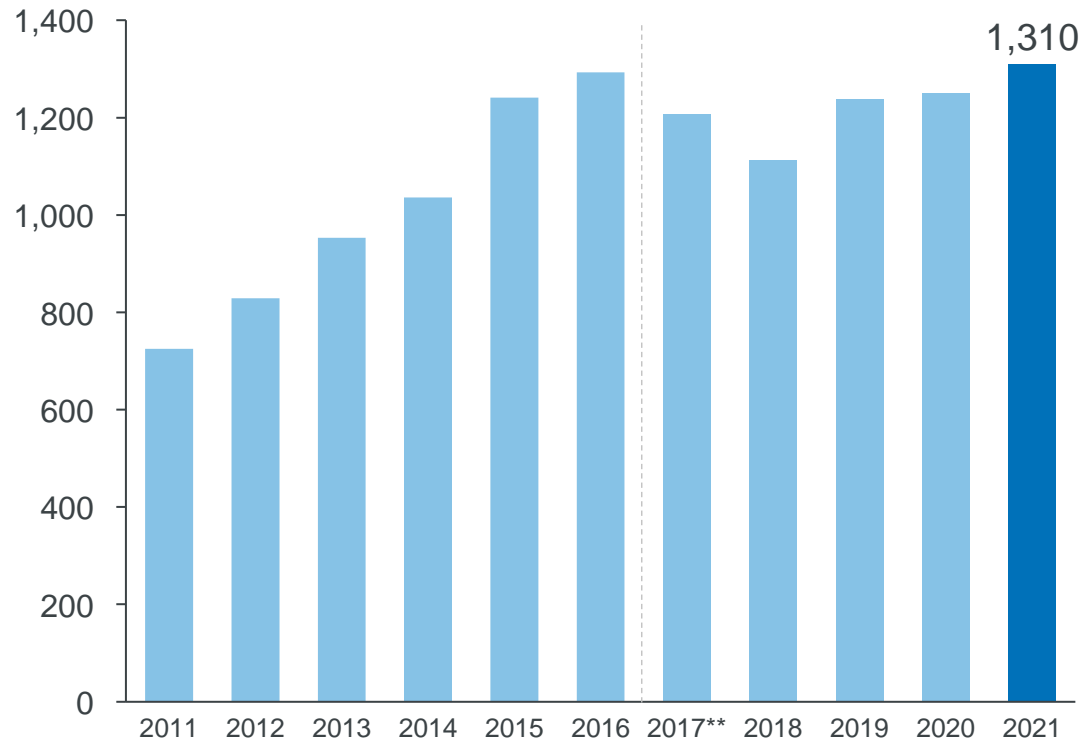


KONE has applied IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2011–2016 are not restated and thus not fully comparable.

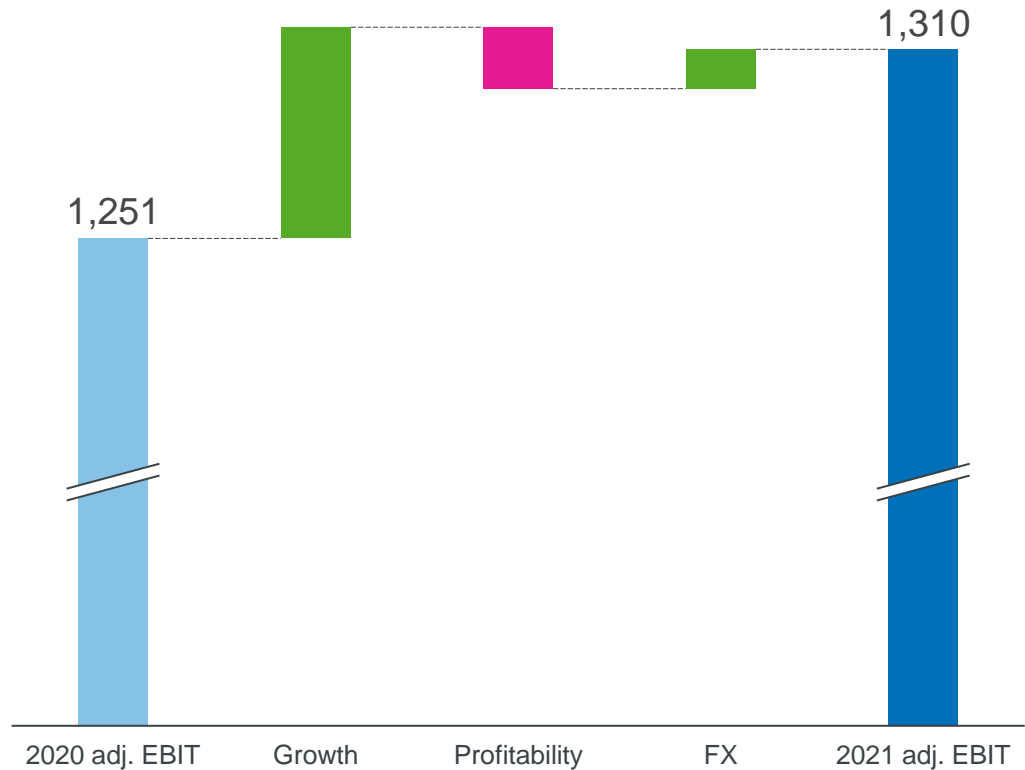
Operating result at a good level considering the significant increase in costs

Adjusted EBIT* 2011–2021

MEUR



Adjusted EBIT development 2020–2021



*KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. Restructuring costs related to significant restructuring programs are excluded from the calculation of the adjusted EBIT. In January–December 2021, the adjusted EBIT excluded costs of EUR 14.5 million related to restructuring measures in KONE's global business lines and functions. During 2017–2020, all restructuring costs excluded from the adjusted EBIT related to the Accelerate program.

**KONE has applied IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2011–2016 are not restated and thus not fully comparable.

Challenges in global supply chains throughout the year - Delivering on customer promises KONE's priority



Elevated
material prices



Increased costs for
securing electronic
component availability



Increased
logistics costs

Good progress in KONE's actions to offset cost headwinds

Pricing actions across all businesses

Reducing product costs and improving productivity

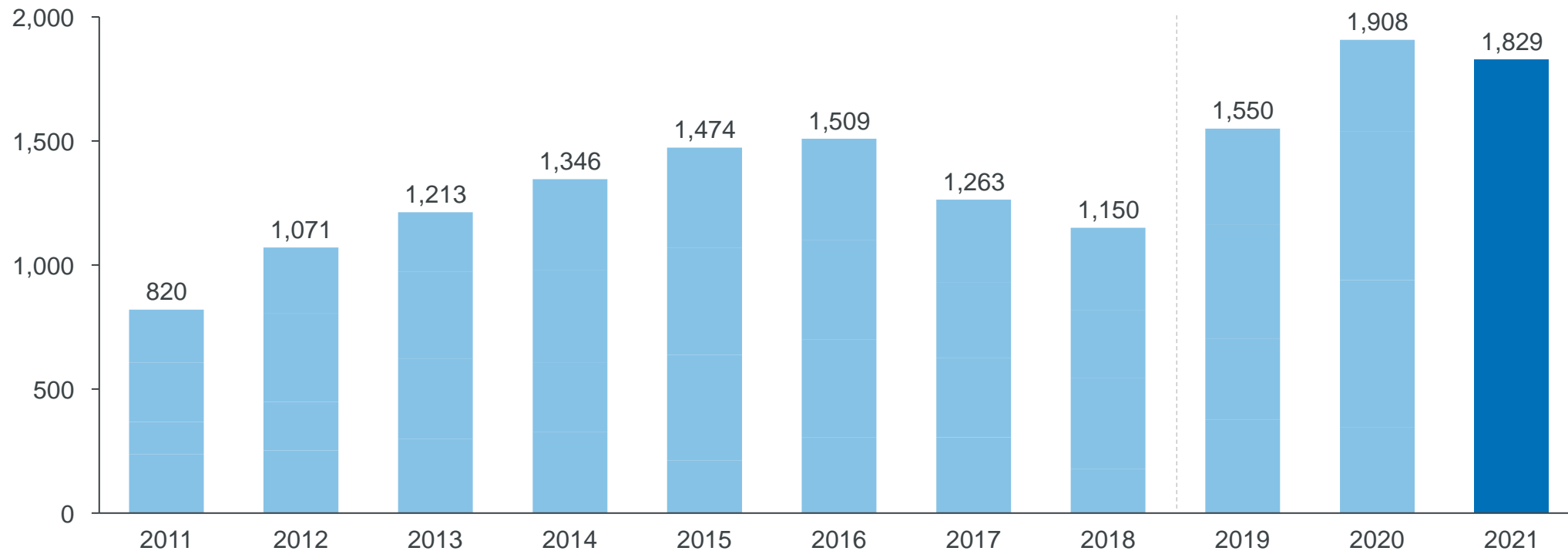
Focusing on differentiated offering

Cash flow once again exceptionally strong



Cash flow from operations*

MEUR



* Before financing items and taxes

KONE had adopted IFRS 16 from January 1, 2019 onwards which improved cash flow from operations as payments of lease liabilities were included into cash flow from financing activities. The cash flows for comparative periods have not been restated.

Smart and sustainable
new solutions and
services at the core of
our strategy



Sustainable success with customers



MEGATRENDS

URBANIZATION

SUSTAINABILITY

TECHNOLOGY

Dedicated to People Flow™ **KONE**

STRATEGIC TARGETS

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

WHERE TO WIN

We will lead the way in:

Core products and services

New solutions for customer value

Smart and sustainable cities

Service business in China

WAYS TO WIN

We will ensure our success through:

Empowered people

Digital + physical enterprise

Marketing and sales renewal

Lean KONE



CULTURE

SAFETY
QUALITY
SUSTAINABILITY

CARE

COLLABORATION

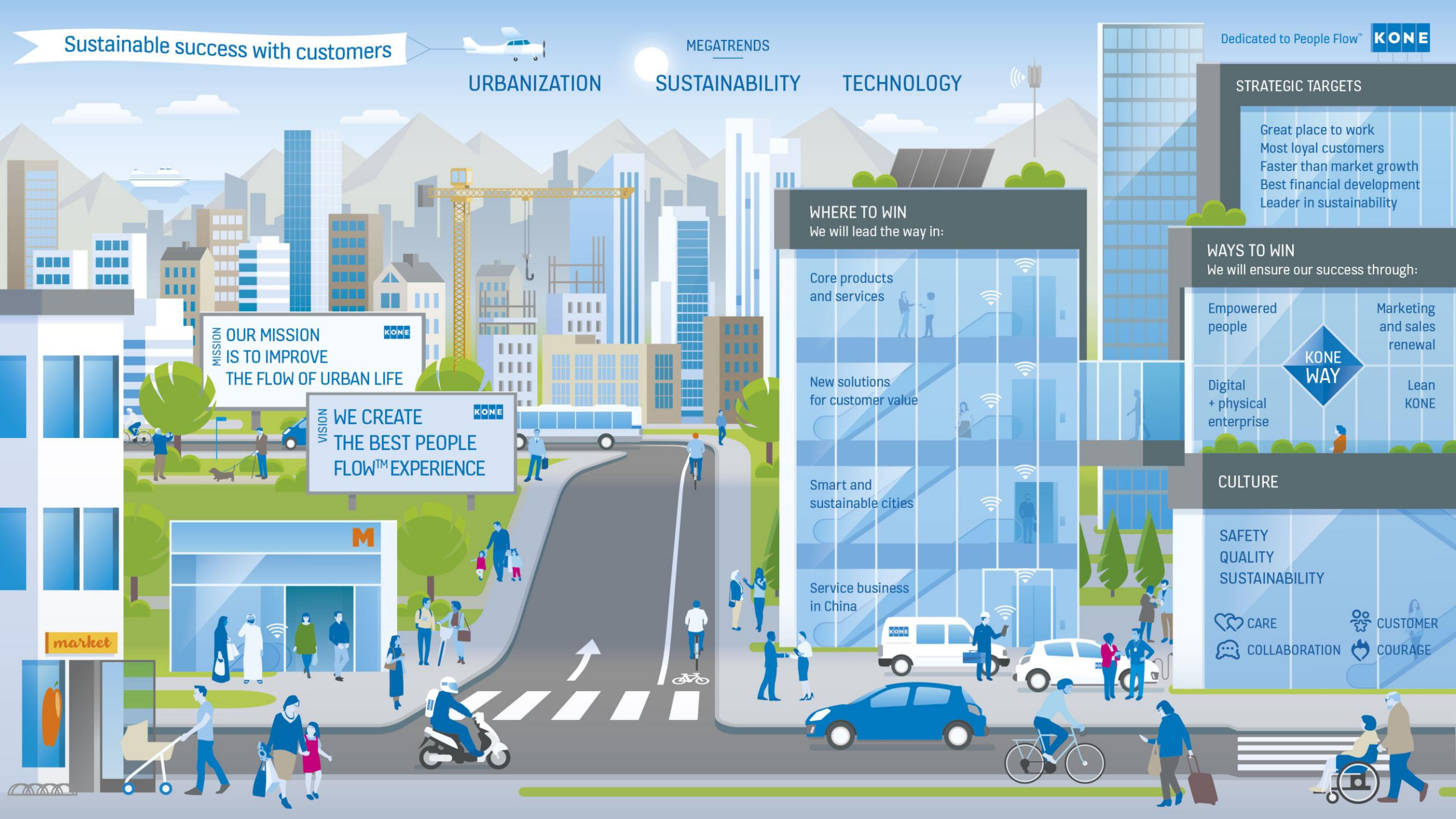
CUSTOMER

COURAGE

MISSION
OUR MISSION IS TO IMPROVE THE FLOW OF URBAN LIFE

VISION
WE CREATE THE BEST PEOPLE FLOW™ EXPERIENCE

market



Sustainable success with customers

THE SHIFT WE DRIVE BY 2024 WITH OUR STRATEGY

Sustainability in
everything we do

Expanding the scope of
business with customers through
value-added solutions



Good development towards our strategic targets

STRATEGIC TARGETS

Great place to work

Most loyal customers

Faster than market growth

Best financial performance

Leader in sustainability

Employee engagement
above high-performance benchmark

Positive development in
Net Promoter Score

Strong development in both
new equipment and services

EBIT-% burdened by cost inflation
Exceptionally strong **cash flow**

Clear reduction in emissions from own operations, **slight increase in product related emissions***

Good progress in **diversity & inclusion targets**

Multiple external recognitions for our **sustainable performance**

*2020 figures. 2021 results will be published in the Sustainability Report in Q2 2022.

In recent years we have invested in new value-added services for our customers



Driving differentiation, customer loyalty and growth

KONE 24/7 Connected Services: Predictive maintenance brings many benefits to the customer



>40%
fewer callouts



70%
of all potential
faults identified
proactively



50%
reduction in
entrapments



**Improved
sustainability**

- Less unplanned visits
- Prolonged equipment lifetime

Market and business outlook



Market outlook for 2022

New equipment markets

- In China, the new equipment market is expected to remain solid although below that of 2021 due to the tightened liquidity situation in the property markets
- In the rest of the world, the new equipment markets are expected to continue recovering

Modernization markets

- Modernization markets are expected to grow across all regions

Maintenance markets

- Maintenance activity is expected to return to pre-pandemic growth trajectory with slight growth in the more mature markets and clear growth in Asia-Pacific



Business outlook for 2022



Sales

- KONE estimates that in 2022, its sales growth will be in the range of 2% to 7% at comparable exchange rates as compared to 2021

Adjusted EBIT

- The adjusted EBIT is expected to be in the range EUR 1,180-1,330 million, assuming that foreign exchange rates would remain at the January 2022 level. Foreign exchange rates are estimated to impact EBIT positively by around EUR 50 million

Supporting our performance

- Solid order book and positive outlook for services
- Effects of product cost, productivity & pricing actions towards the latter part of the year

Burdening our result

- ⬇️ Approx. MEUR 100-150 headwind in 2022 from increased material, component and logistics costs
- ⬇️ Competitive dynamics and liquidity constraints in China

Summary

- Well positioned to capture the growth opportunities we see in our markets
- Improving pricing, securing productivity gains and lowering product costs remains high on our agenda
- Driving long-term growth and differentiation with value-added solutions and services



Dedicated to People Flow™

