

KONE / CEO's review

MARCH 2, 2021

HENRIK EHRNROOTH, PRESIDENT & CEO



KONE's year 2020



Growth

Orders received and sales remained stable in a challenging operating environment

Result

Growth in earnings and improved EBIT margin

Execution of strategy

Entering the new strategic phase from a position of strenght

FY 2020 Key figures



GROWING EARNINGS AND EXCEPTIONALLY STRONG CASH FLOW IN A CHALLENGING ENVIRONMENT

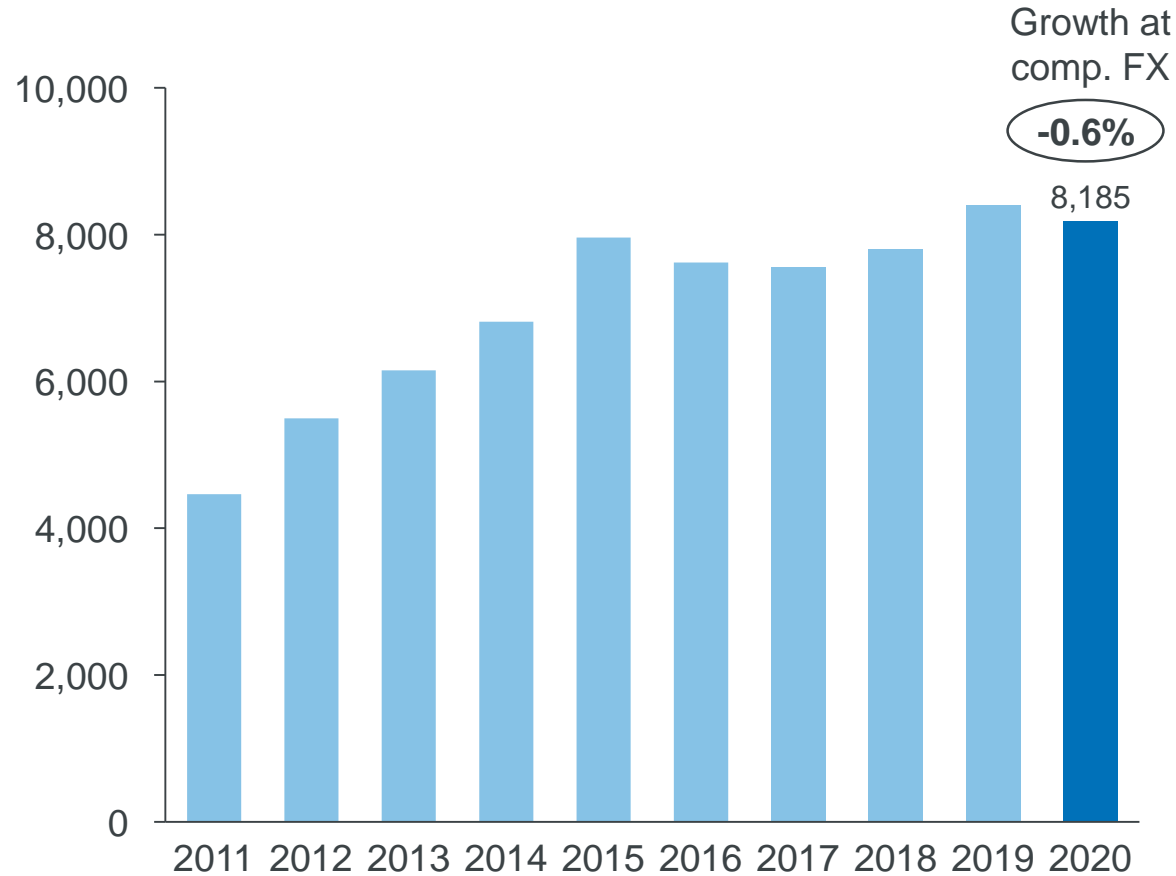
		FY 2020	FY 2019	Change	Comparable change
Orders received	MEUR	8,185.1	8,399.8	-2.6%	-0.6%
Order book	MEUR	7,728.8	8,051.5	-4.0%	0.7%
Sales	MEUR	9,938.5	9,981.8	-0.4%	1.4%
Operating income (EBIT)	MEUR	1,212.9	1,192.5	1.7%	
Operating income margin (EBIT %)	%	12.2	11.9		
Adjusted EBIT	MEUR	1,250.5	1,237.4	1.1%	
Adjusted EBIT margin	%	12.6	12.4		
Cash flow from operations (before financing items and taxes)	MEUR	1,907.5	1,549.6		
Basic earnings per share	EUR	1.81	1.80	0.6%	

Record high new equipment orders, solid development in services



Orders received 2011–2020

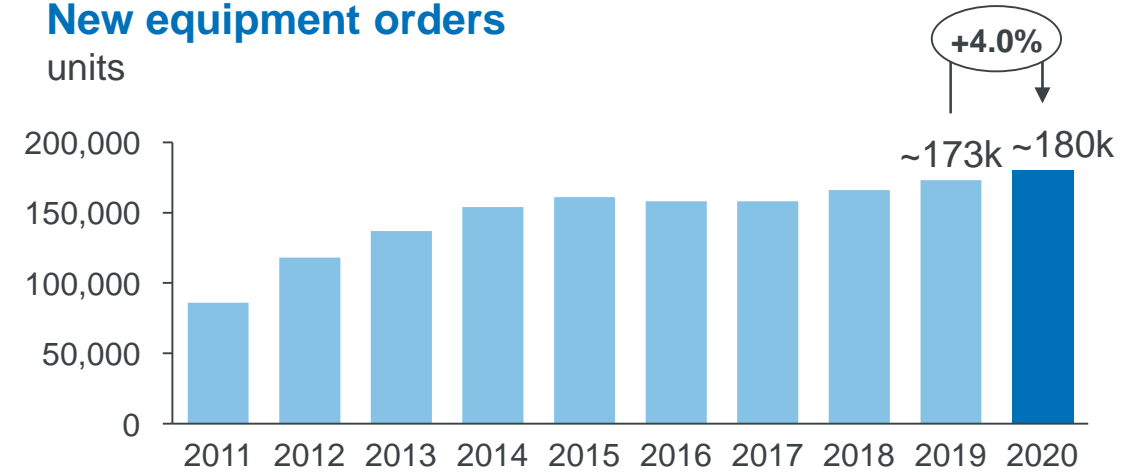
MEUR



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.

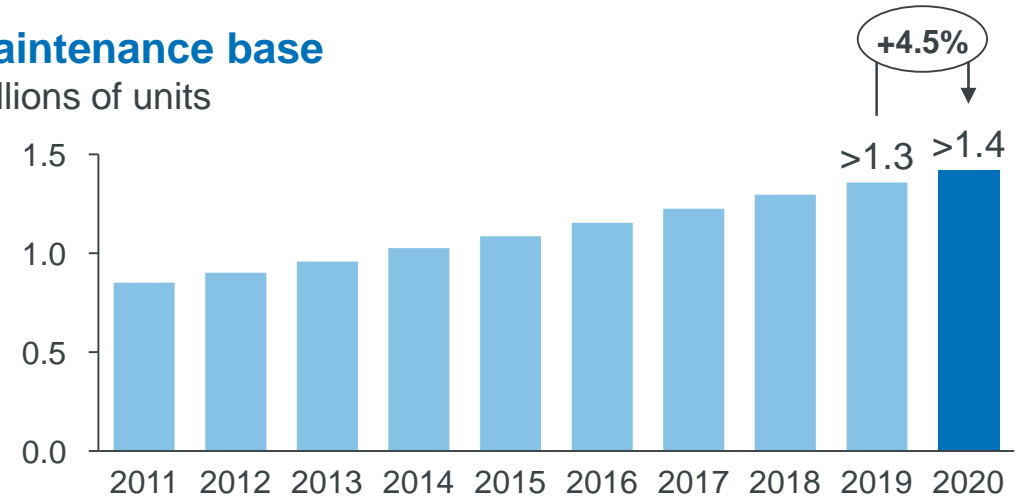
New equipment orders

units



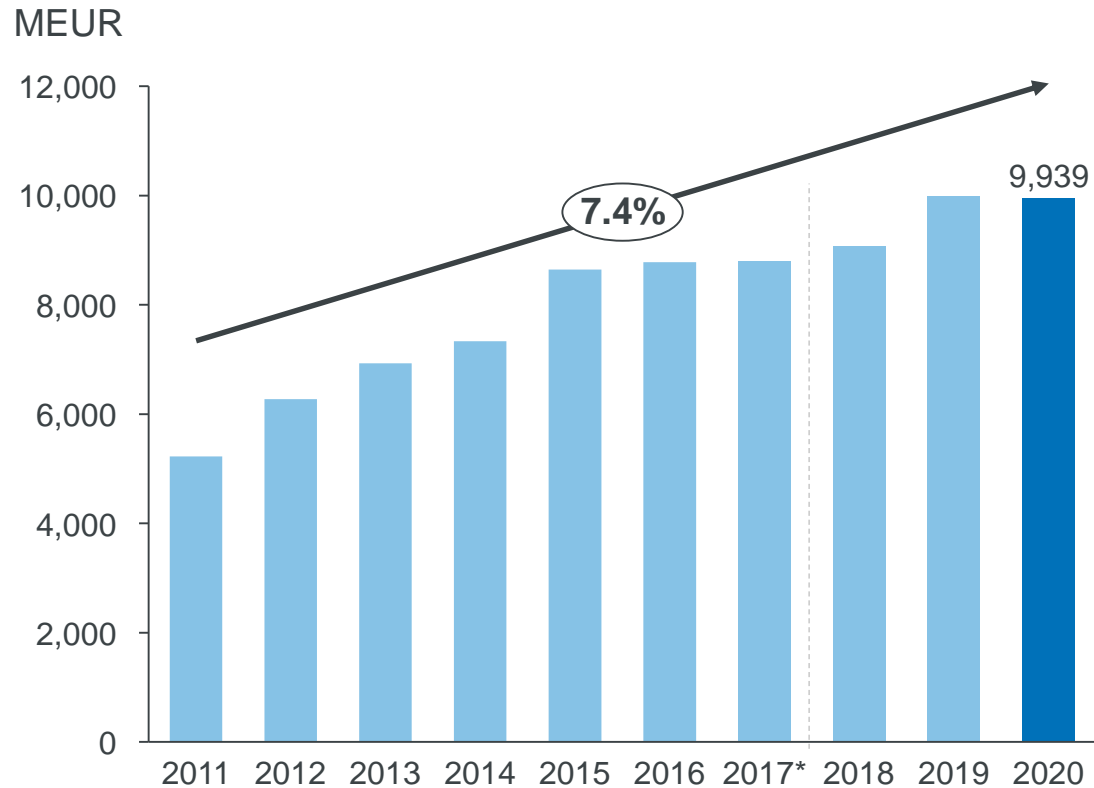
Maintenance base

millions of units



Sales growth was driven by high activity in China offsetting the decline in activity in many other areas

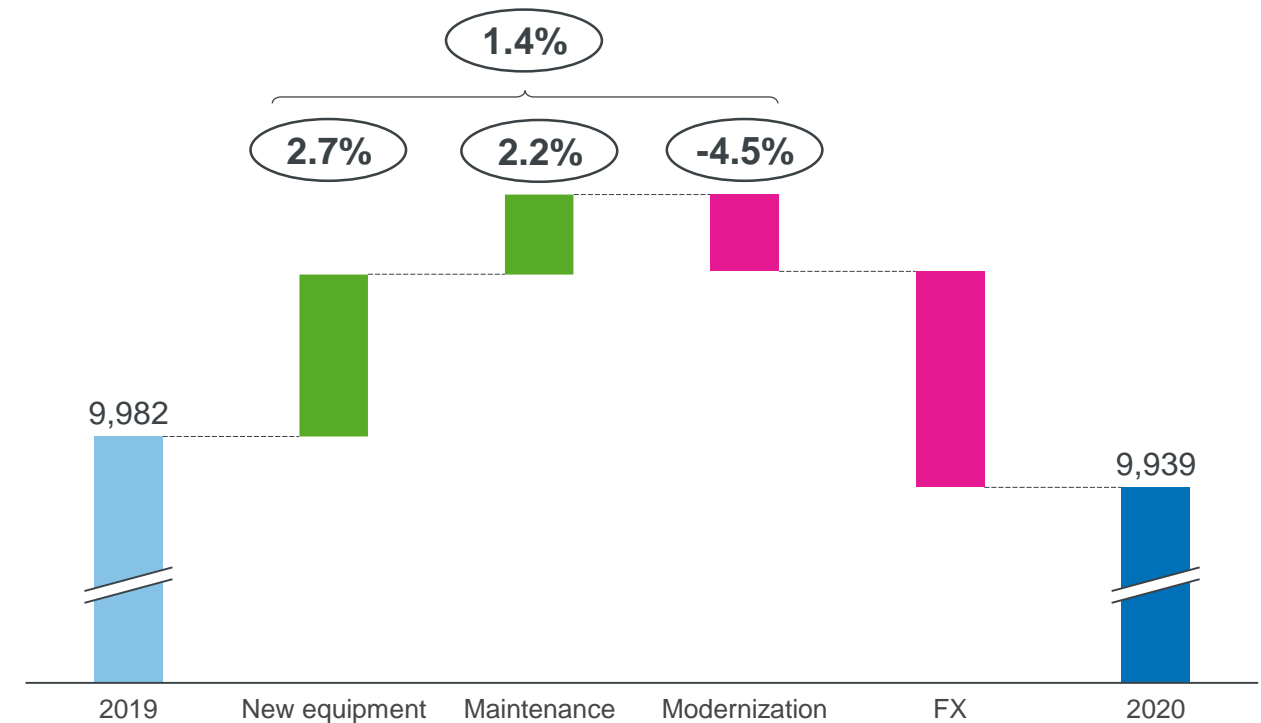
Sales 2011–2020



* KONE has applied 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 are not fully comparable.

Sales 2019–2020

At comp. FX

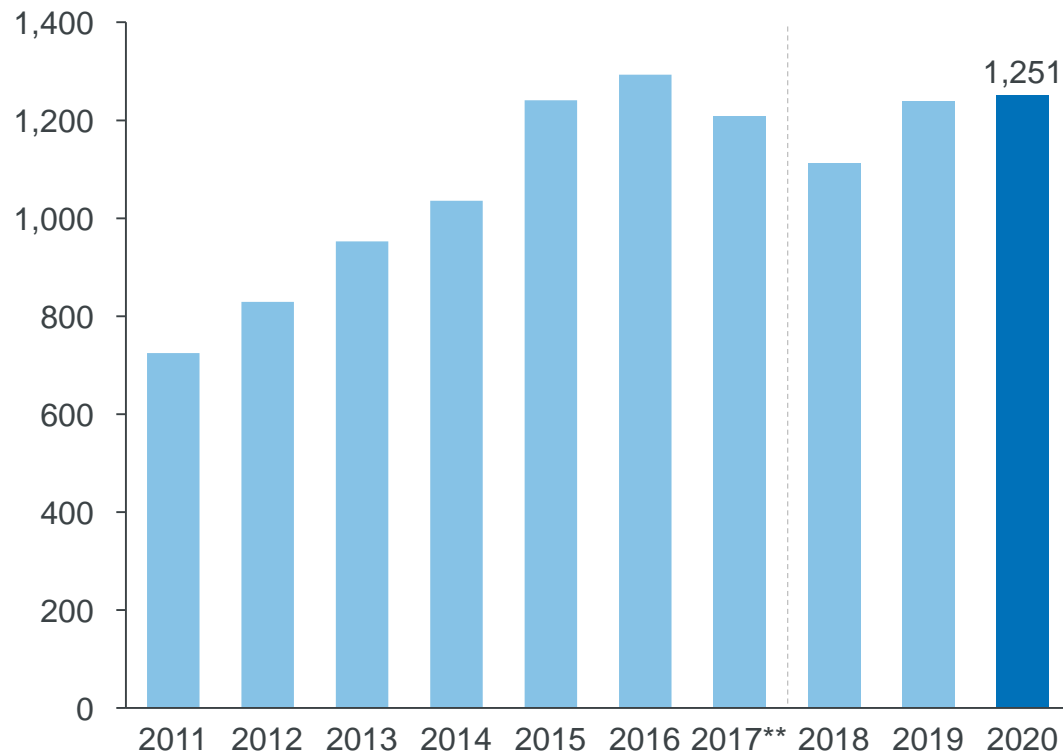


Good development in a tough environment in 2020

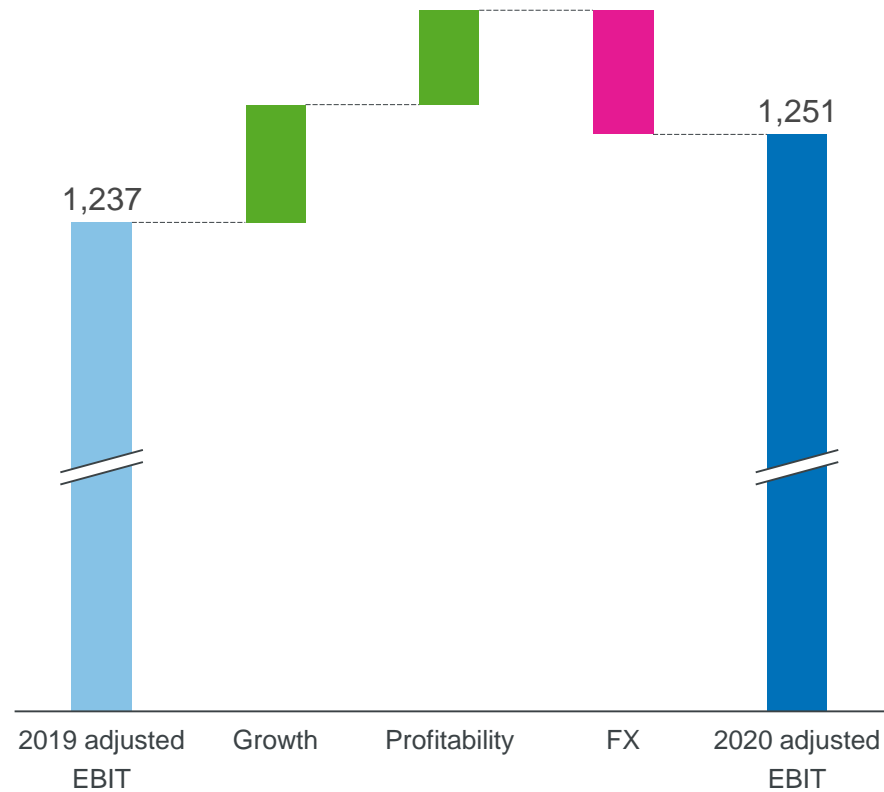


Adjusted EBIT* 2011-2020

MEUR



Adjusted EBIT development 2019-2020



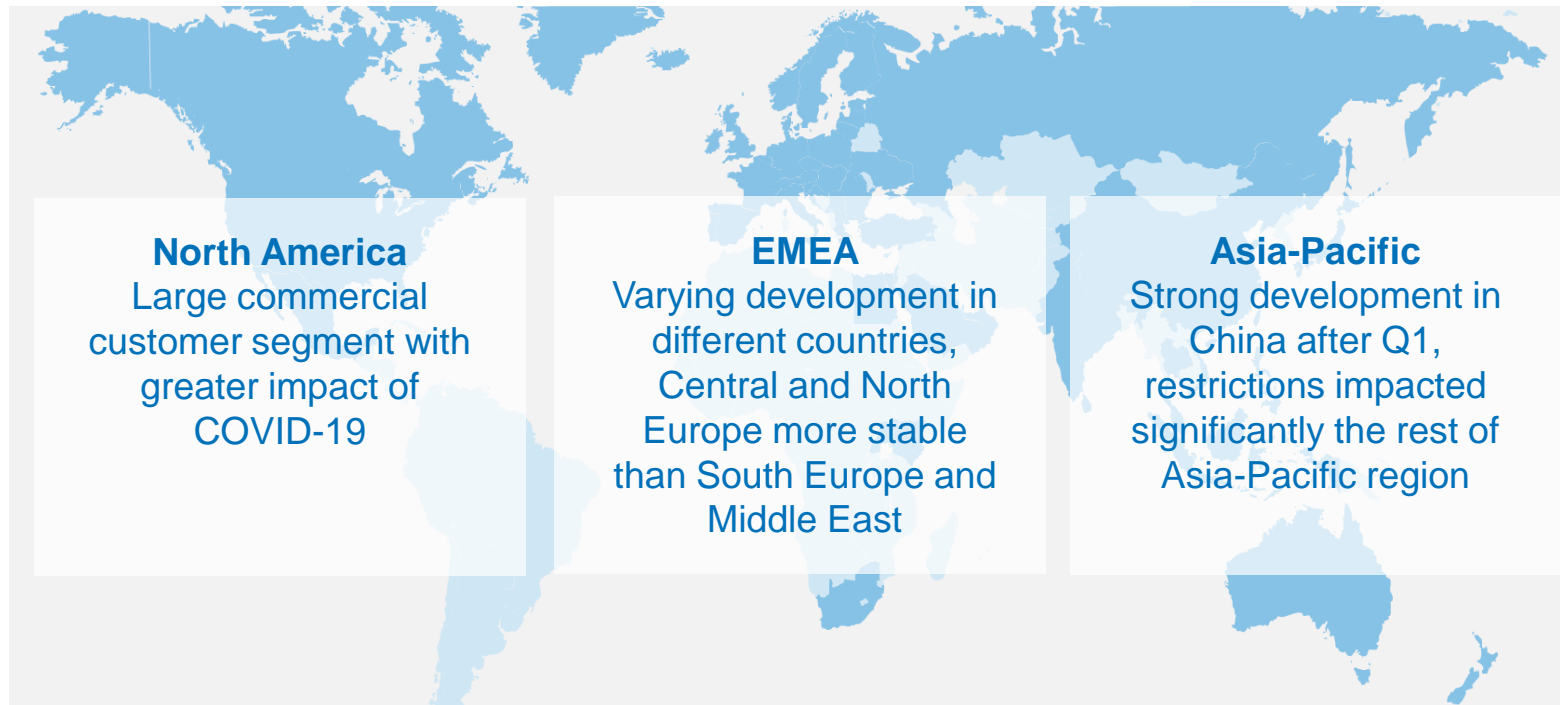
*Adjusted EBIT excludes restructuring costs related to the Accelerate program.

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

Operating environment in 2020



Strong development in China, varying in other areas; resilient maintenance market



New equipment

Stable, strong market in China offsetting the decline in other areas

Maintenance

Resilient, maintenance allowed also during COVID-19 restrictions

Modernization

Uncertainty impacted decision-making in the modernization market

KONE's focus areas in COVID-19 environment



Safe working and business continuity



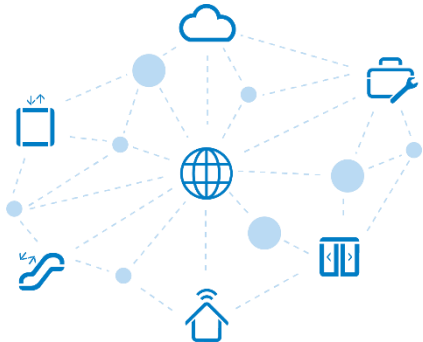
Wellbeing, engagement and care for our people



Cost containment and financial risk management



Customer activity and sales



Mid- and long-term opportunities to drive differentiation

Many existing trends have accelerated as a result of the pandemic - long-term implications still unclear

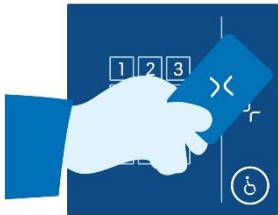


RESIDENTIAL
>50% of KONE's sales



TRENDS TO FOLLOW
Time spent at home increasing, more ordering in and deliveries

OFFICE
>15% of KONE's sales



TRENDS TO FOLLOW
A hybrid model of working remotely and at the office

Offices play an important role in terms of sense of community, well-being at work and innovation

INFRASTRUCTURE
>10% of KONE's sales



TRENDS TO FOLLOW
Stimulus from governments, continued rail investments

TRAVEL, LEISURE, RETAIL
>10% of KONE's sales



TRENDS TO FOLLOW
Hardest hit segment – travelling expected to recover well, retail sector's transition to online continues

Market and business outlook for 2021



Market outlook for 2021

New equipment markets

- The Chinese market is expected to be stable or to grow
- In the rest of the world, the market is expected to be down y-o-y in the first quarter due to a high comparison point and then to start recovering

Maintenance markets

- The maintenance markets are expected to be resilient, excluding the direct impacts of the lockdown measures

Modernization markets

- The fundamental growth drivers are intact but uncertainty in the market could still delay decision-making in modernization projects



Business outlook for 2021



Sales

- KONE estimates that in 2021, its sales growth will be in the range of 0% to 6% at comparable exchange rates as compared to 2020

Adjusted EBIT

- The adjusted EBIT margin is expected to be in the range of 12.4% to 13.4%

Supporting our performance

- Solid order book and maintenance base
- Improved margin of orders received
- Continual improvements in quality and productivity

Burdening our result

- Impacts of COVID-19
- Raw materials and logistics
- Investing in our capability to sell and deliver digital services and solutions
- Around MEUR -20 impact on EBIT from exchange rates



New phase in KONE's strategy

What did we accomplish during 'Winning with customers' strategy phase in 2017–2020?

1

MINDSET

Customer-centricity
New capabilities

2

OFFERING

New services and solutions
delivering value to
our customers

3

WAYS OF WORKING

Smarter and more efficient
organization

Good development in our strategic targets over the strategy period

STRATEGIC TARGETS

Most loyal customers

Great place to work

Faster than market growth

Best financial development

Leader in sustainability

Positive development in **Net Promotor Score**

Very positive development in **Employee engagement**

Strong development in both **new equipment and services**

EBIT-% burdened by several headwinds, positive development in 2020

Leader in **eco-efficiency**, continued reduction in **CO₂/sales**, improved **safety** and **diversity & inclusion**

Taking stronger action to tackle climate change by setting science-based targets



KONE PLEDGES FOR CARBON NEUTRAL OPERATIONS BY 2030

Targets for our own operations:

50% absolute reduction in GHG emissions from own operations (Scope 1 and 2) by 2030

SIGNIFICANT REDUCTIONS ACROSS THE VALUE CHAIN

Target for our value chain:

40% reduction in GHG emissions from products' materials and lifetime energy use (Scope 3) relative to products ordered by 2030

The background of the slide features a scenic view of a park with a city skyline in the distance. The sky is a mix of blue and yellow, suggesting a sunrise or sunset. Overlaid on the sky are several blue, curved lines that resemble a network or data flow, connecting various points across the top of the frame. In the foreground, a paved path winds through a green lawn, with several people walking and jogging. The overall atmosphere is bright and positive.

Sustainable success with customers

KONE STRATEGY 2021–2024

URBANIZATION



SUSTAINABILITY



TECHNOLOGY



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

Marketing and sales renewal

Digital + physical enterprise

Lean KONE



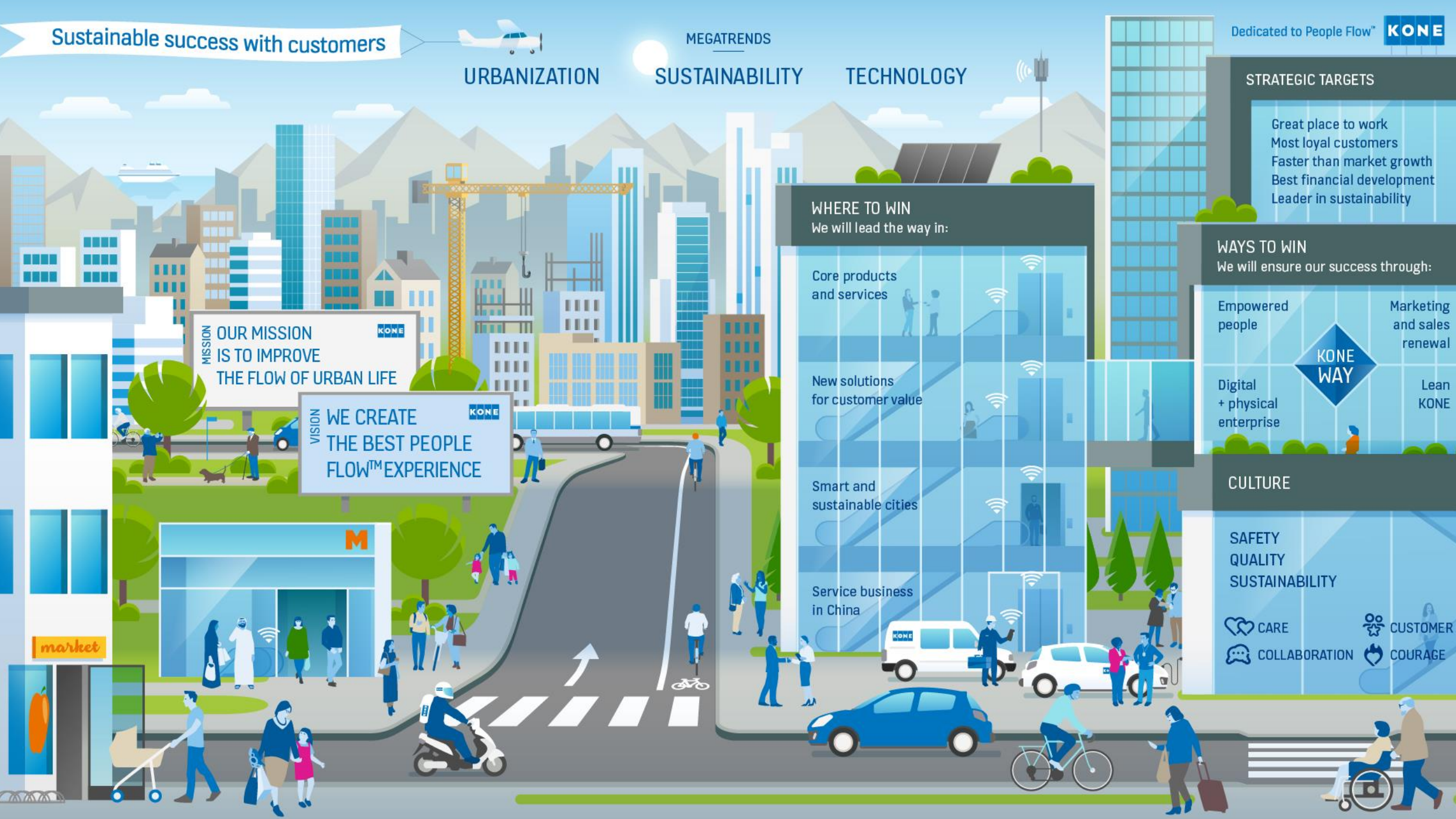
CULTURE

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

M

KONE

KONE

KONE




Sustainable success with customers

THE SHIFT WE DRIVE BY 2024 WITH OUR STRATEGY

A large blue arrow pointing to the right, containing the text "Sustainability in everything we do".

Sustainability in
everything we do

A large blue arrow pointing to the right, containing the text "Expanding the scope of business with customers through value-added solutions".

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



Summary

- Strong performance overall in an exceptional environment
- Entering the next phase of our strategy with optimism and from a position of strength



Dedicated to People Flow™

