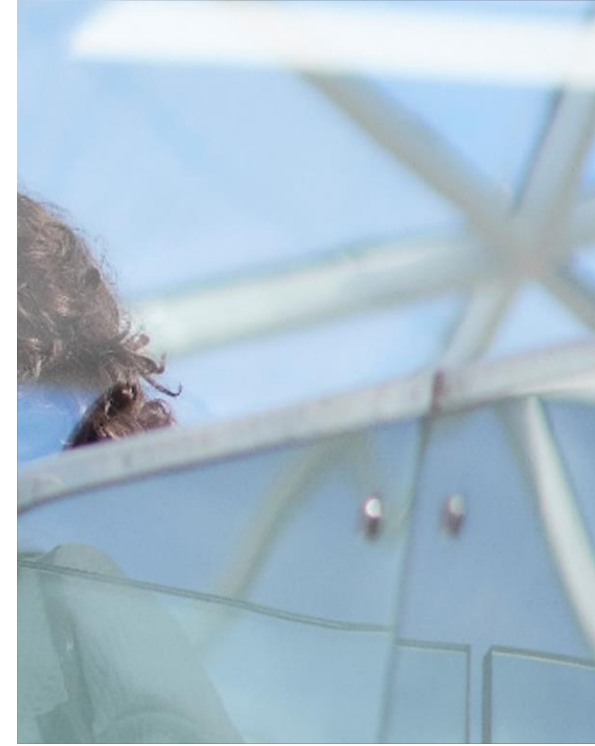




KONE



# KONE

# Result Presentation 2023

Philippe Delorme, President & CEO  
Ilkka Hara, CFO

JANUARY 26, 2024

RESULT PRESENTATION 2023

Dedicated to  
People Flow™

# Highlights

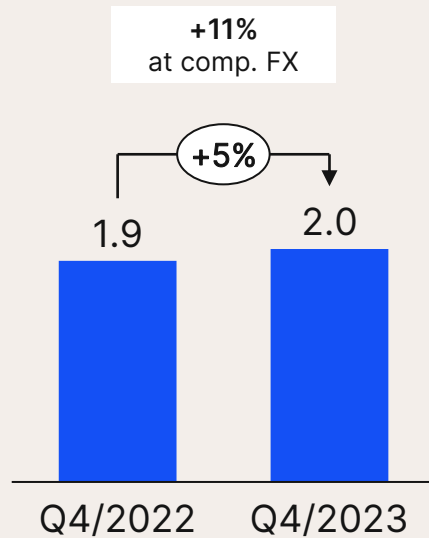
- Strong finish to the year and good progress on many fronts in 2023
- Positive outlook and solid starting point for 2024
- Dividend proposal EUR 1.75 per class B share



# Q4 2023 financial highlights

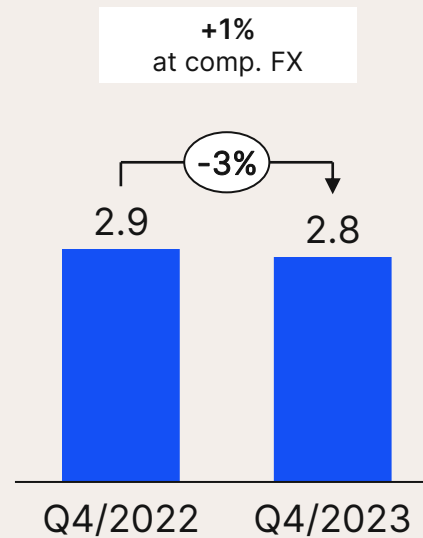
Strong growth in **orders received** across businesses and areas

Orders received, EUR bn



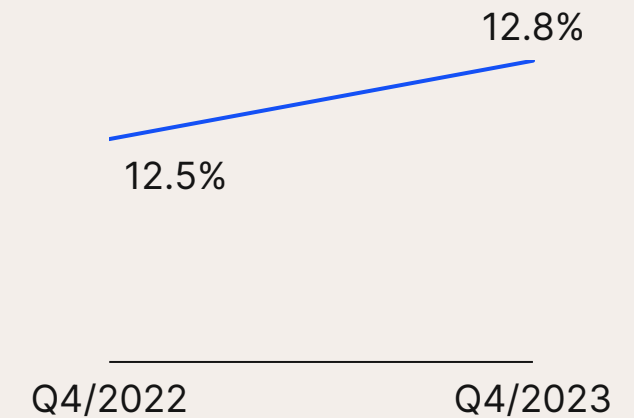
Continued strong growth in **Service and Modernization sales**

Sales, EUR bn



Continued improvement in **adjusted EBIT margin** and strong cash flow

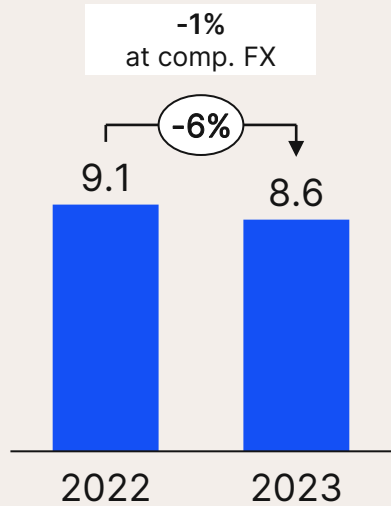
Adjusted EBIT margin, % of sales



# 2023 financial performance highlights the resilience of our business

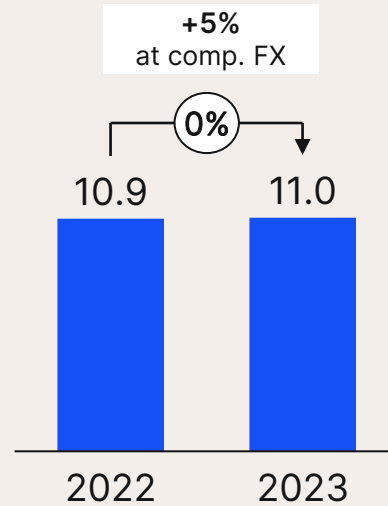
Improving momentum in **orders received** in H2/2023

Orders received, EUR bn



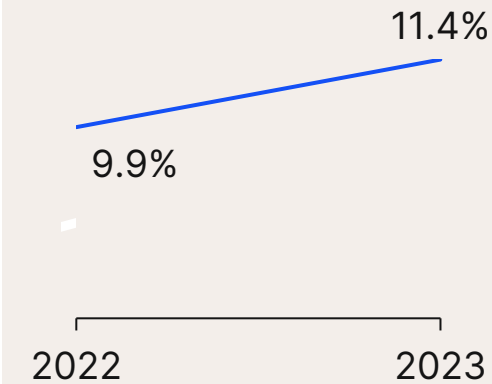
Solid **sales** growth demonstrating the resilience of our business

Sales, EUR bn



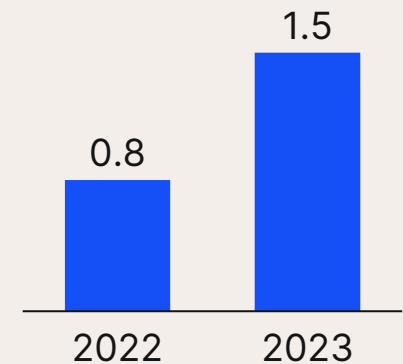
Clear improvement in **adjusted EBIT margin** bringing us back on the right track

Adjusted EBIT margin, % of sales



Solid **cash** conversion signaling the health of our business

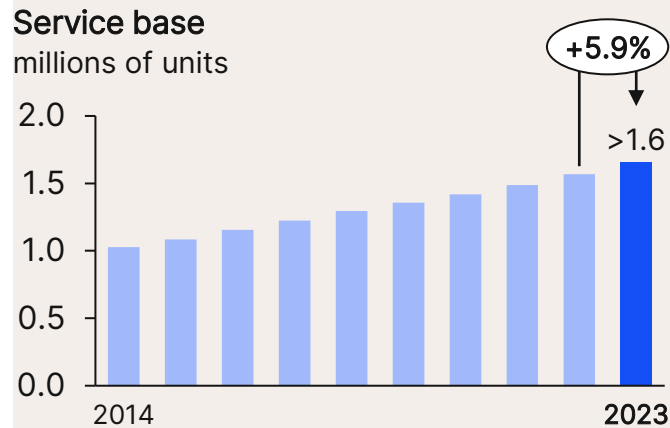
Cash flow from operations, EUR bn



# 2023 business highlights

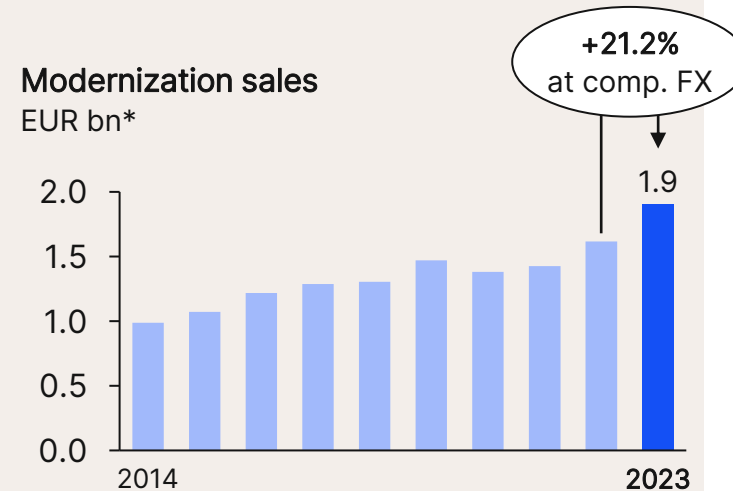
## Service

- Record level of units added to our Service base
- Continued increase in 24/7 Connected Service penetration



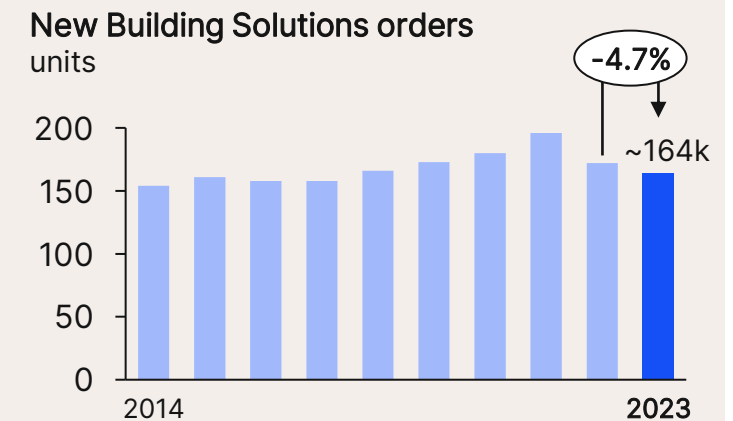
## Modernization

- >20% growth in Modernization highlighting our competitiveness and the abundance of opportunities in the business



## New Building Solutions

- Stable order book at comparable exchange rates despite challenging market conditions





# Strengthening our position as a leader in sustainability

## Progress to meet our **Science Based Targets** continued

**1st** in the industry with carbon neutral manufacturing units

**21** EPD's – first partial modernization EPD promoting circularity and life cycle understanding in existing buildings

## Moving towards our **diversity, equity and inclusion** targets

**25.2%** Share of women at director level in 2023 (goal for 2030: 35%)

## Improvement in our **safety performance**

**1.1** Industrial Injury Frequency rate in 2023 (goal for 2030: 0.6)



Our 2023 Sustainability report will be published in Q2

# Strategic targets

Great place to work

Most loyal customers

Faster than market growth

Best financial performance

Leader in sustainability

# Positive development towards our strategic targets

Employee engagement has stayed clearly above the global norm in the latest survey

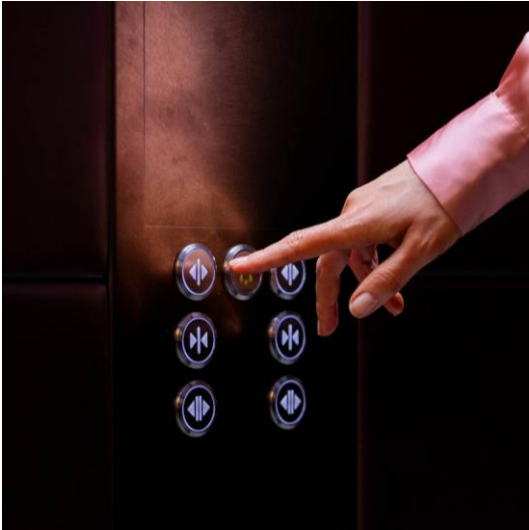
Customer loyalty on a solid level

Faster than market growth in all businesses

Profitability back on an improving trend with solid cash generation

Good progress in all areas of sustainability

# New operating model strengthening our competitiveness



100 MEUR savings,  
actions completed  
by the end of 2023



Acting fast, close to  
customers with  
stronger Areas



Competitiveness,  
speed and scale  
through global  
functions



# Appointments to the Executive Board

## Nicolas Alchal

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Nicolas Alchal has been appointed Executive Vice President, Strategy & Transformation as of Jan 1, 2025.

Before he will start in this role in the beginning of 2025, Nicolas will act as an interim Executive Vice President for Europe Area, from March 1, 2024, onwards, when the current position holder, Karla Lindahl, starts her maternity leave.



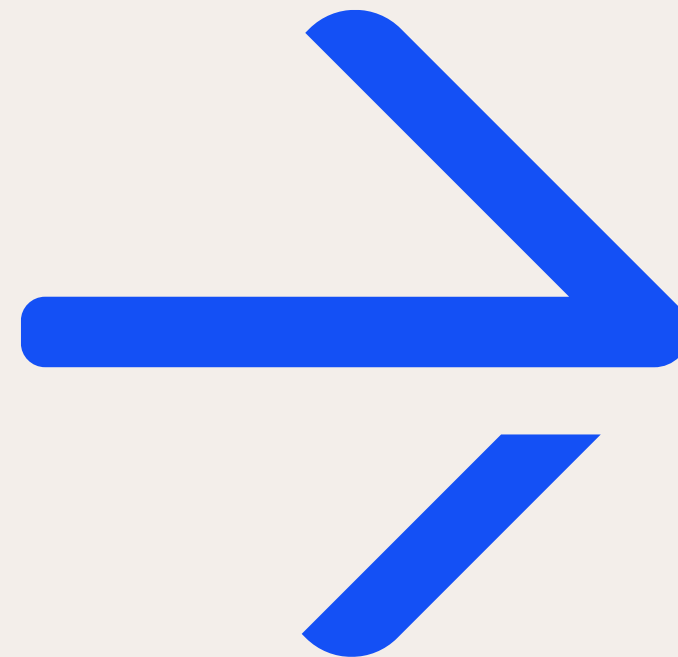
## Kaori Uehigashi

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Kaori Uehigashi has been named interim Executive Vice President for Strategy & Transformation organization as of January 4, 2024, and she will act in this position until the end of 2024.



# Market development

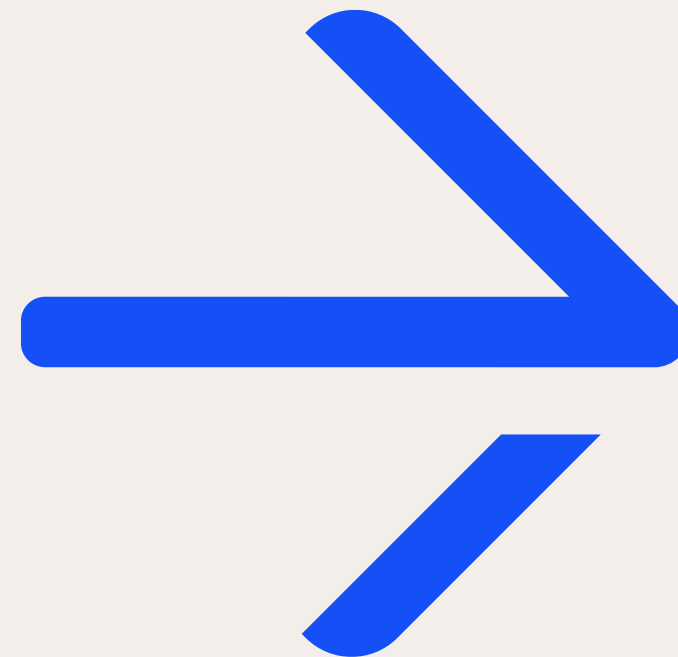


# Market development in Q4 2023



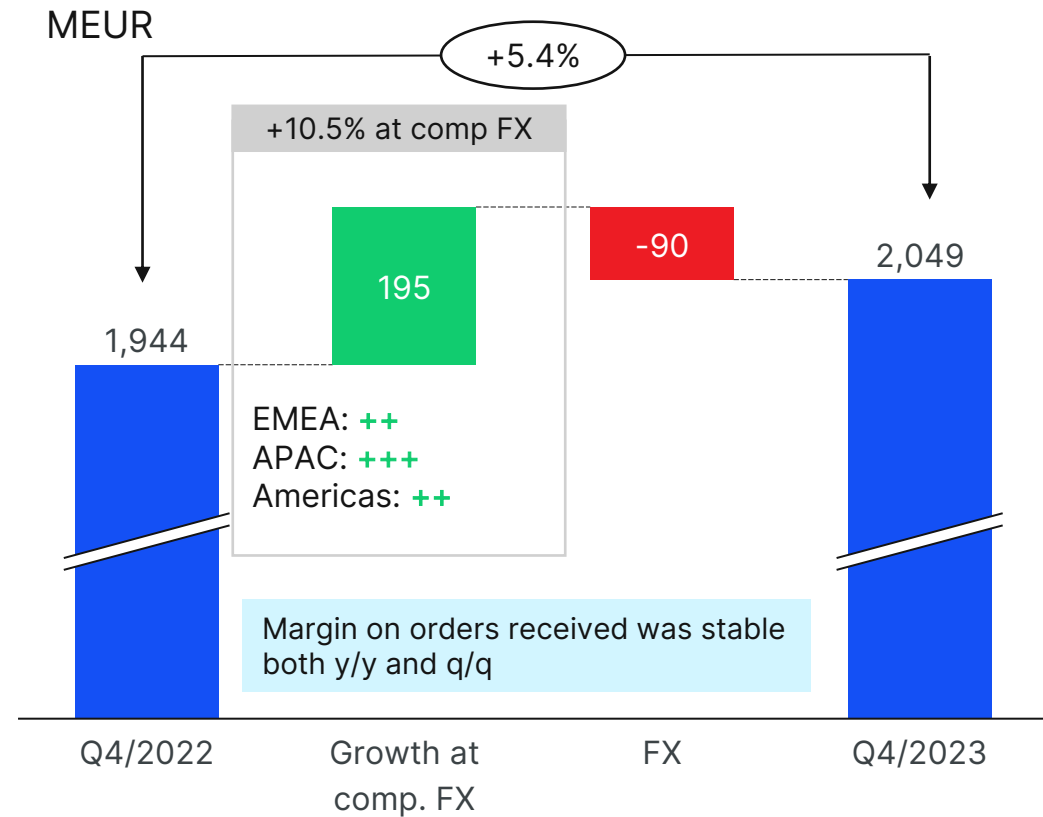
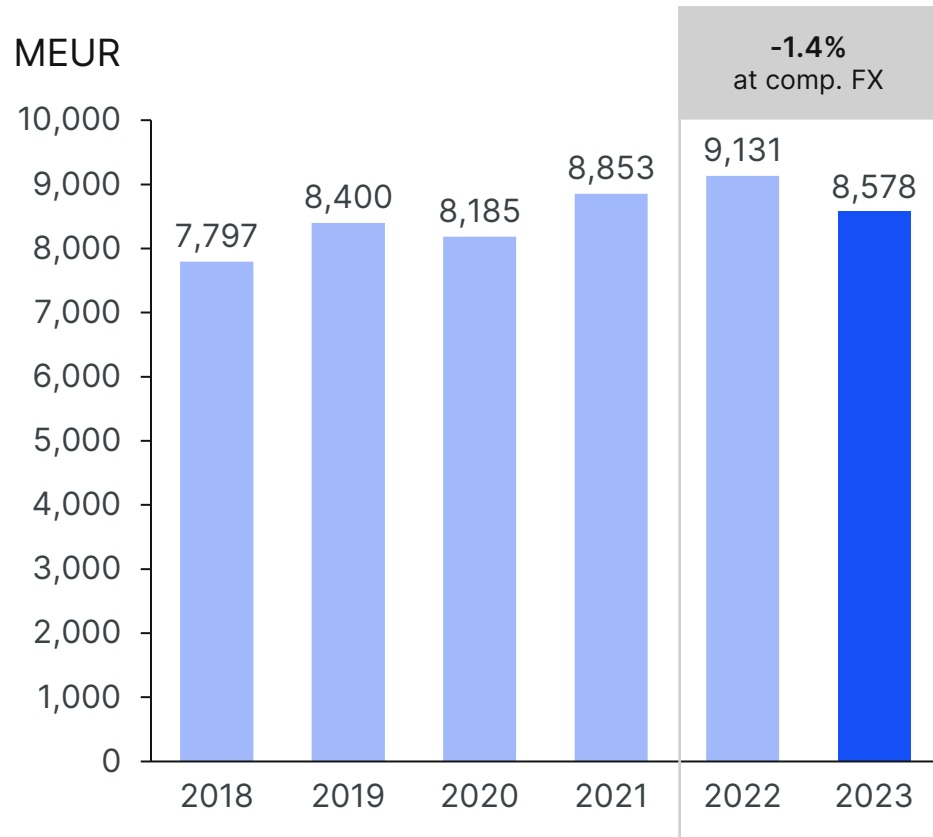
--- Significant decline (>10%), -- Clear decline (5-10%), - Slight decline (<5%), Stable, + Slight growth (<5%), ++ Clear growth (5-10%), +++ Significant growth (>10%).  
 The development of the operating environment compared to the corresponding period last year. Based on KONE's estimate.

# Q4 Financials



# Orders received

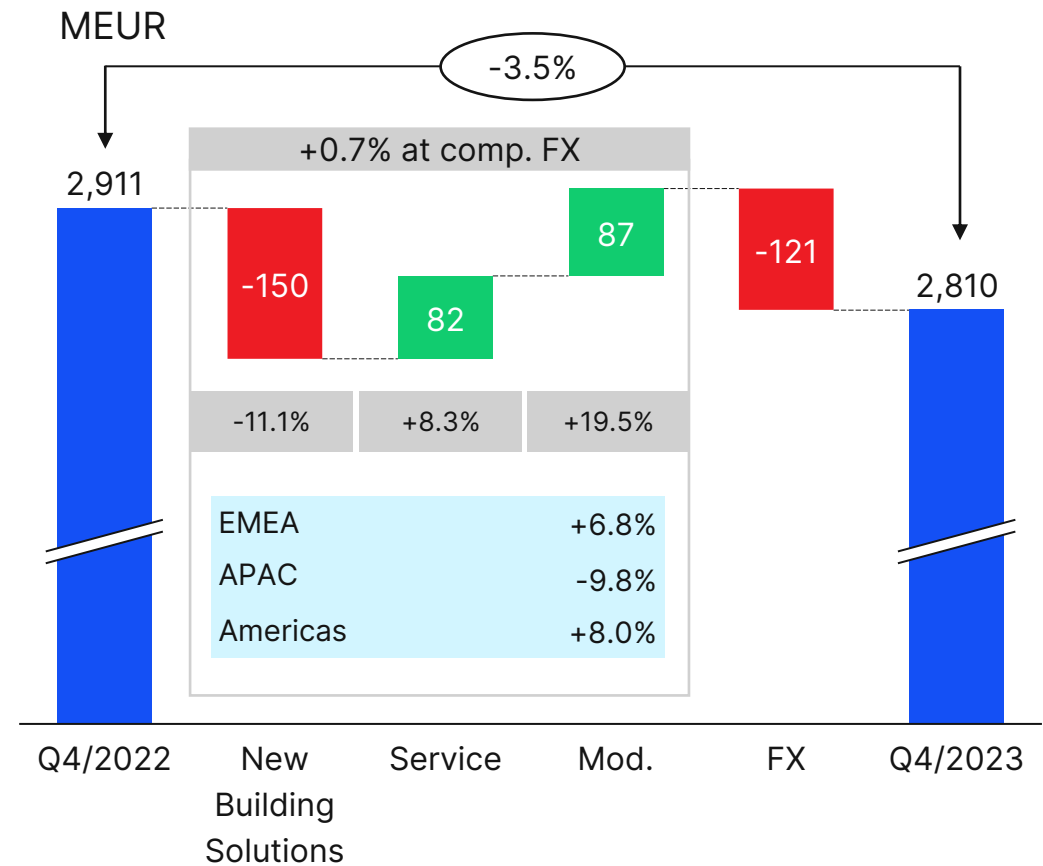
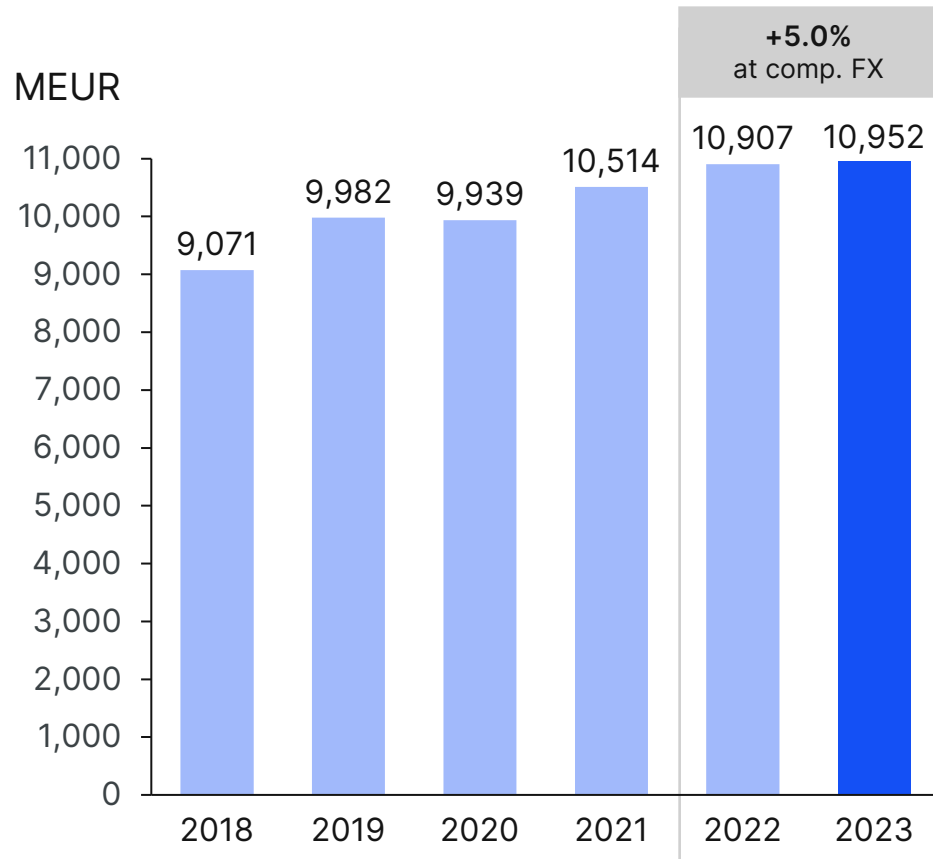
Strong order growth across businesses and areas





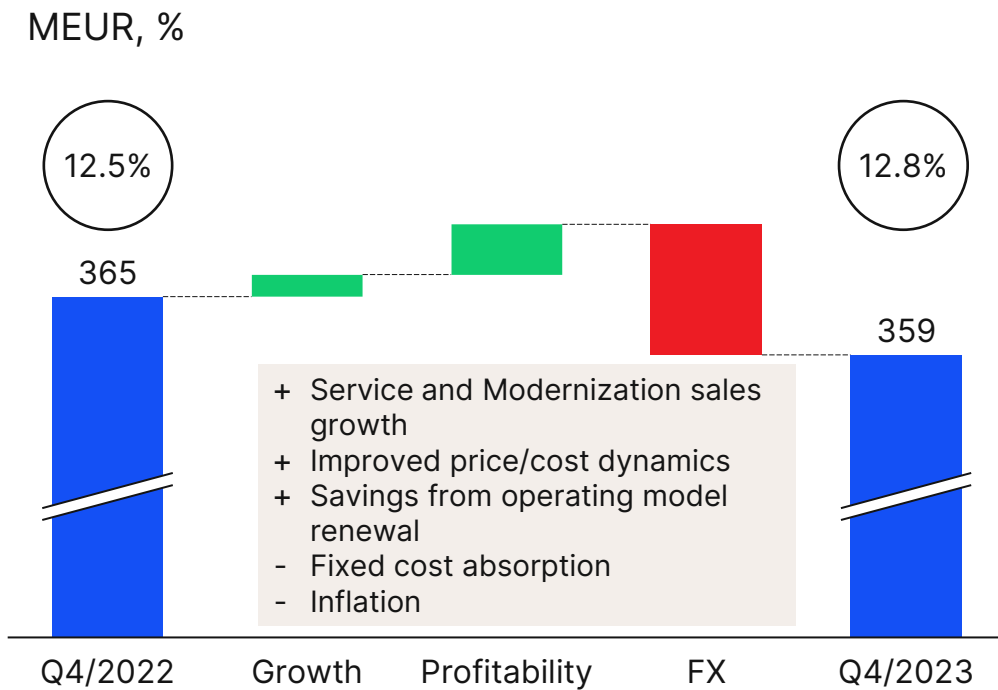
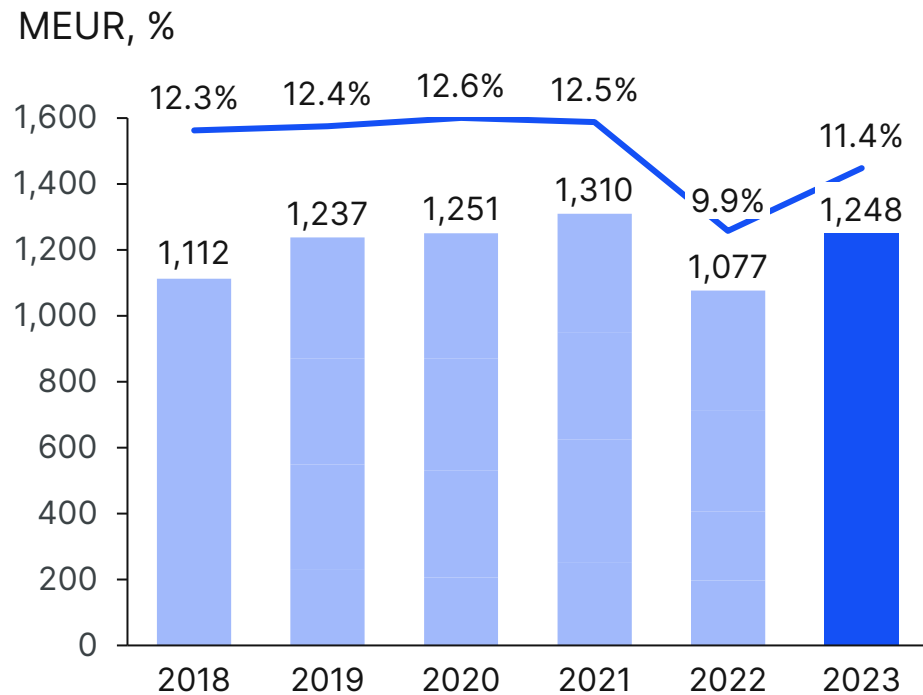
# Sales

Excellent Service and Modernization growth across all regions



# Adjusted EBIT and profitability

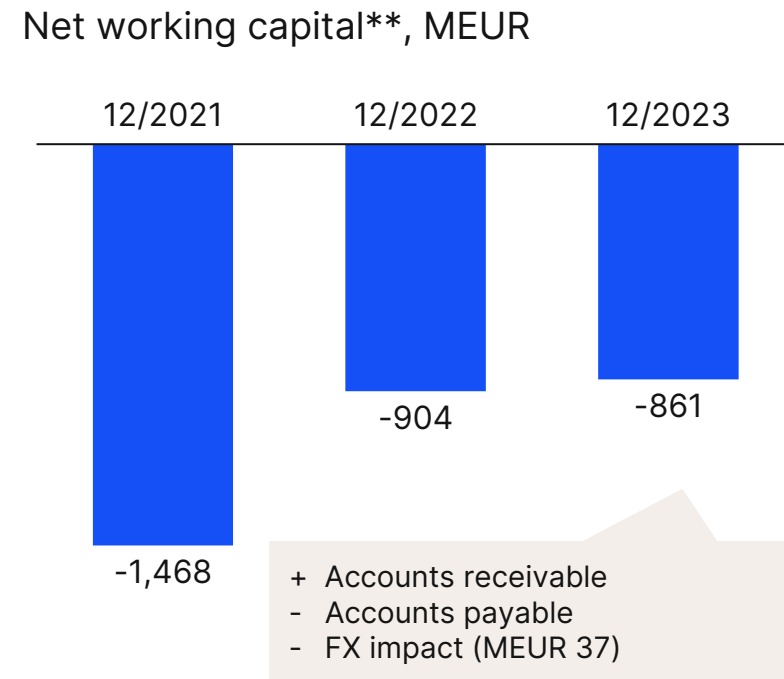
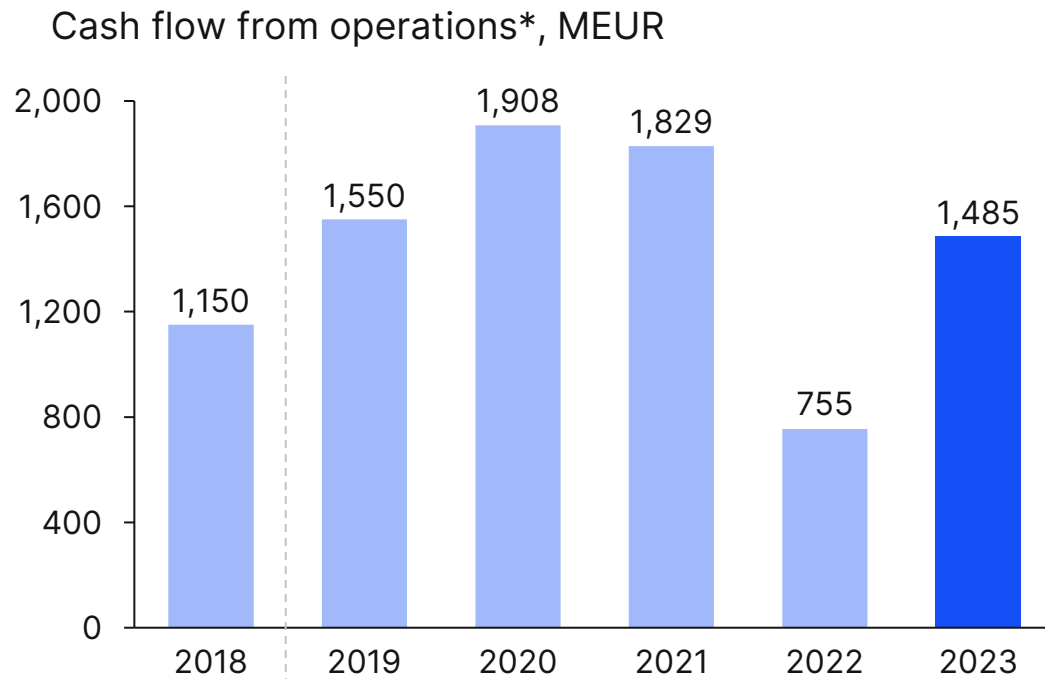
Continued margin improvement



KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In 2023, items affecting comparability amounted to EUR 48.3 million including EUR 57.7 million costs recognized on restructuring measures and a positive effect of EUR 8.0 million recognized on completion of the sale of operations in Russia. In the comparison period, items affecting comparability included a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine as well as restructuring costs.

# Cash flow from operations and net working capital

Cash flow improved due to increased operating income and changes in net working capital



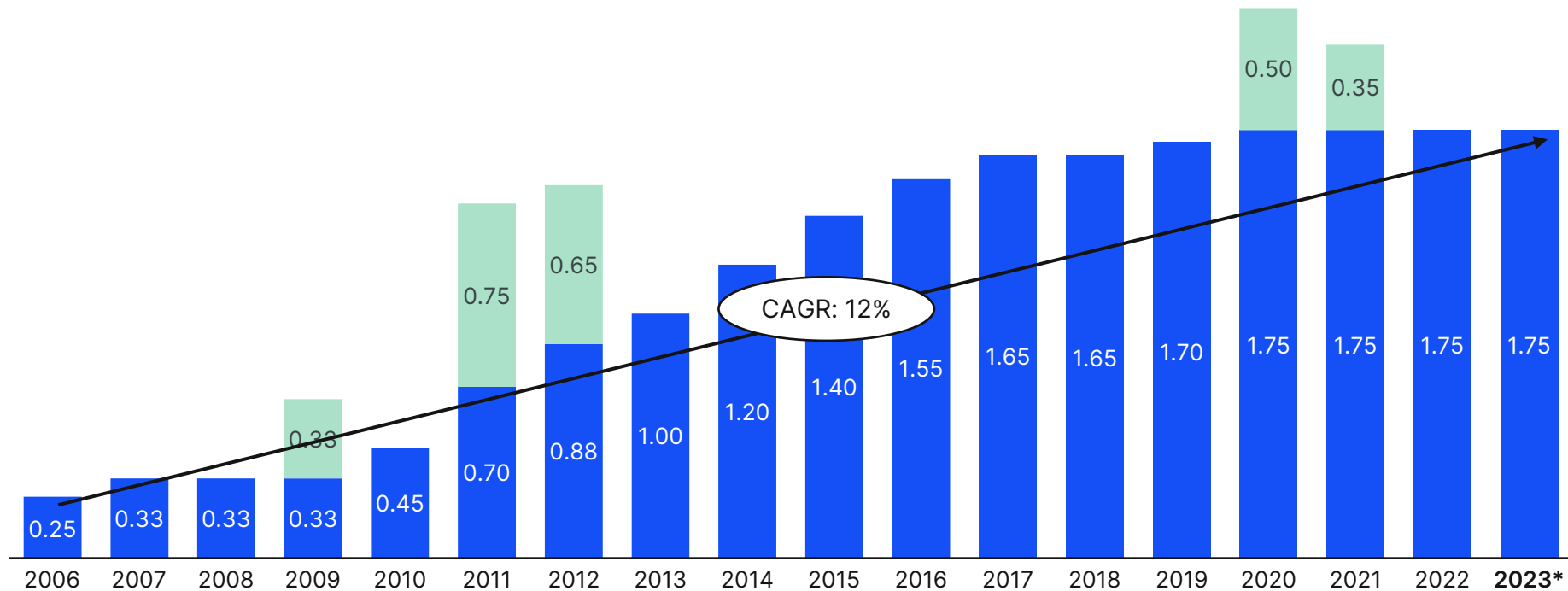
\* Before financing items and taxes  
 KONE had adopted IFRS 16 from January 1, 2019 onwards which improved cash flow from operations as payments of lease liabilities were included into cash flow from financing activities. The cash flows for comparative periods have not been restated.

\*\* Including financing items and taxes.

# Dividend proposal: EUR 1.75 per class B share

## Split-adjusted dividend per class B share

EUR, 2006–2023

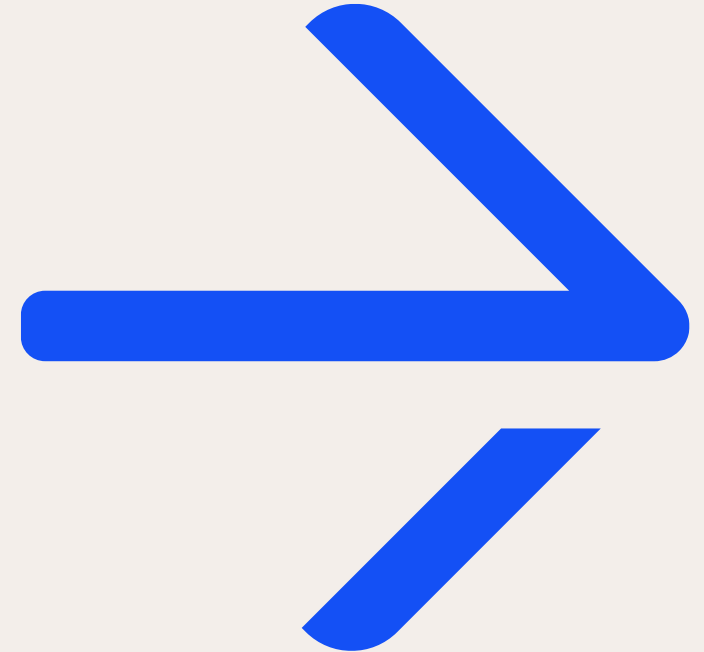


Adjusted for share splits in 2008 (1:2) and 2013 (1:2)  
 \* Board's proposal

■ Dividend  
 ■ Extraordinary dividend

- Dividend payout in 2023: 97.8% of earnings per share
  - Effective dividend yield\* in 2023: 3.88%
- \*CALCULATED BASED ON THE PRICE OF CLASS B SHARE AT THE END OF REPORTING PERIOD

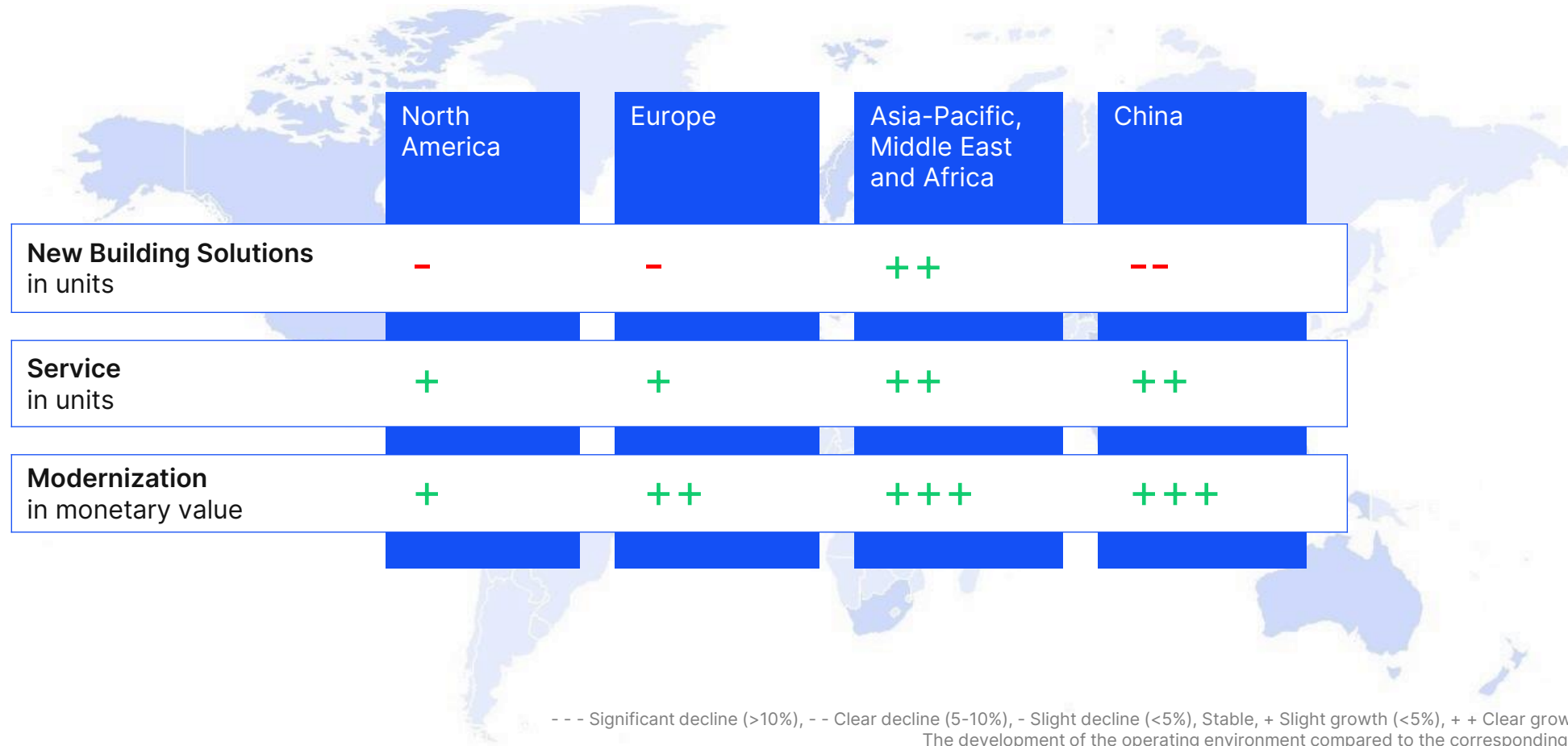
# Market and business outlook





# Market outlook for 2024

Nine out of KONE's 12 end-markets growing



# Business outlook for 2024

## Sales

- KONE expects its sales to be stable or to grow slightly at comparable exchange rates in 2024

## Adjusted EBIT

- The improvement in adjusted EBIT margin is expected to continue in 2024, albeit with less tailwinds than in 2023

### Supporting our performance


-  Strong growth in Service and Modernization
-  Better pricing coming through in deliveries
-  Strong order book
-  Savings from operating model renewal

### Burdening our performance

-  Declining New Building Solutions market in China, and uncertainty also in Europe and North America
-  Persistent cost inflation
-  Decisions to slightly increase investment in R&D and IT

# Summary

- Strong finish to the year
- Excellent performance in Service and Modernization highlighting the resilience of our business
- Stable order book and positive outlook in majority of our markets gives us a solid basis for 2024



KONE's Capital Markets Day is planned to be held on Friday, September 27, 2024.



# K O N E



# Appendix



# Q4 2023 key figures

Strong finish to the year

		Q4/2023	Q4/2022	Change	Comparable change
Orders received	MEUR	2,049.2	1,944.2	5.4%	10.5%
Order book	MEUR	8,715.7	9,026.1	-3.4%	0.1%
Sales	MEUR	2,809.9	2,911.5	-3.5%	0.7%
Operating income (EBIT)	MEUR	362.1	367.1	-1.4%	
Operating income margin (EBIT %)	%	12.9	12.6		
Adjusted EBIT	MEUR	358.6	365.0	-1.8%	
Adjusted EBIT margin	%	12.8	12.5		
Cash flow from operations (before financing items and taxes)	MEUR	381.1	33.3		
Basic earnings per share	EUR	0.53	0.53	0.4%	

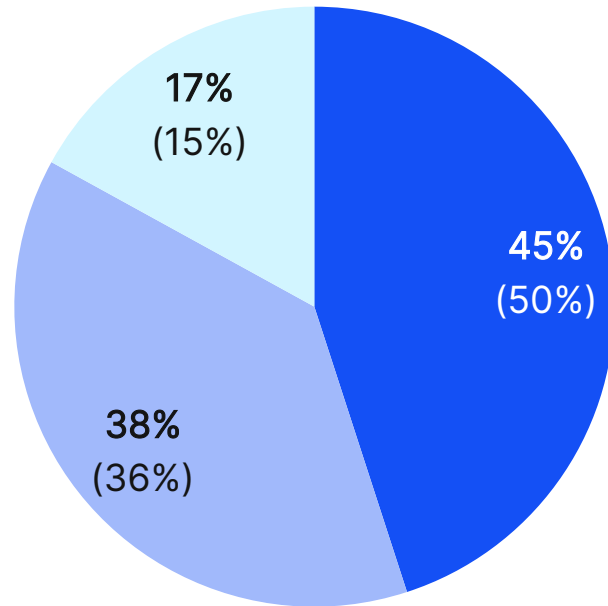
# 1-12/2023 key figures

Solid sales growth and profitability improvement; market backdrop impacted orders received

		1-12/2023	1-12/2022	Change	Comparable change
Orders received	MEUR	8,577.7	9,131.3	-6.1%	-1.4%
Order book	MEUR	8,715.7	9,026.1	-3.4%	0.1%
Sales	MEUR	10,952.3	10,906.7	0.4%	5.0%
Operating income (EBIT)	MEUR	1,200.1	1,031.2	16.4%	
Operating income margin (EBIT %)	%	11.0	9.5		
Adjusted EBIT	MEUR	1,248.4	1,076.6	16.0%	
Adjusted EBIT margin	%	11.4	9.9		
Cash flow from operations (before financing items and taxes)	MEUR	1,485.2	754.7		
Basic earnings per share	EUR	1.79	1.50	19.7%	

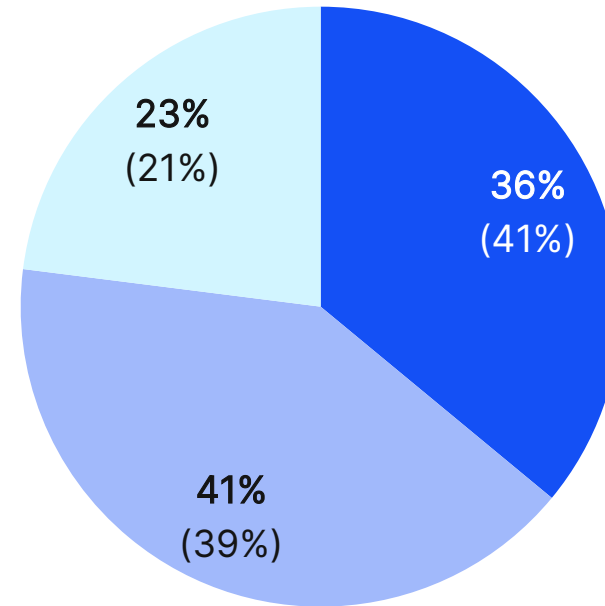
# 2023 Sales split

By business



- New Building Solutions
- Service
- Modernization

By region

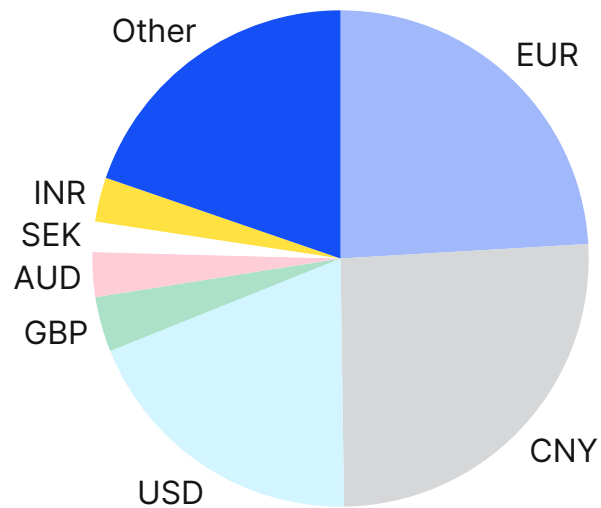


- Asia-Pacific
- EMEA
- Americas

2022 figures in brackets. Figures in charts are rounded and at historical exchange rates.

# Currencies

## Sales by currencies 1-12/2023



## Currency impact\*

MEUR	Q4	Full year
Sales	-120.9	-472.0
EBIT	-14.4	-37.5
Orders received	-89.9	-432.9

## Main currencies

	Q4/2023 average	2022 average	Dec 31, 2023 spot
EUR / CNY	7.6589	7.0836	7.8509
EUR / USD	1.0816	1.0563	1.1050
EUR / GBP	0.8702	0.8537	0.8691
EUR / INR	89.3371	82.8319	91.9045
EUR / AUD	1.6297	1.5189	1.6263

\*The impact of retranslating Q4/2022 and 1-12/2022 amounts with comparable exchange rates.

# Balance sheet – assets employed

MEUR	Dec 31, 2023	Dec 31, 2022
Assets employed		
Goodwill	1,469.0	1,414.7
Other intangible assets	287.2	208.2
Tangible assets	779.7	716.8
Investments	97.9	121.7
Net working capital	-861.2	-903.9
Assets employed total	1,772.6	1,557.5
Financed by		
Equity	2,786.0	2,866.5
Net debt	-1,013.4	-1,309.0
Equity and net debt total	1,772.6	1,557.5



# Net working capital\*

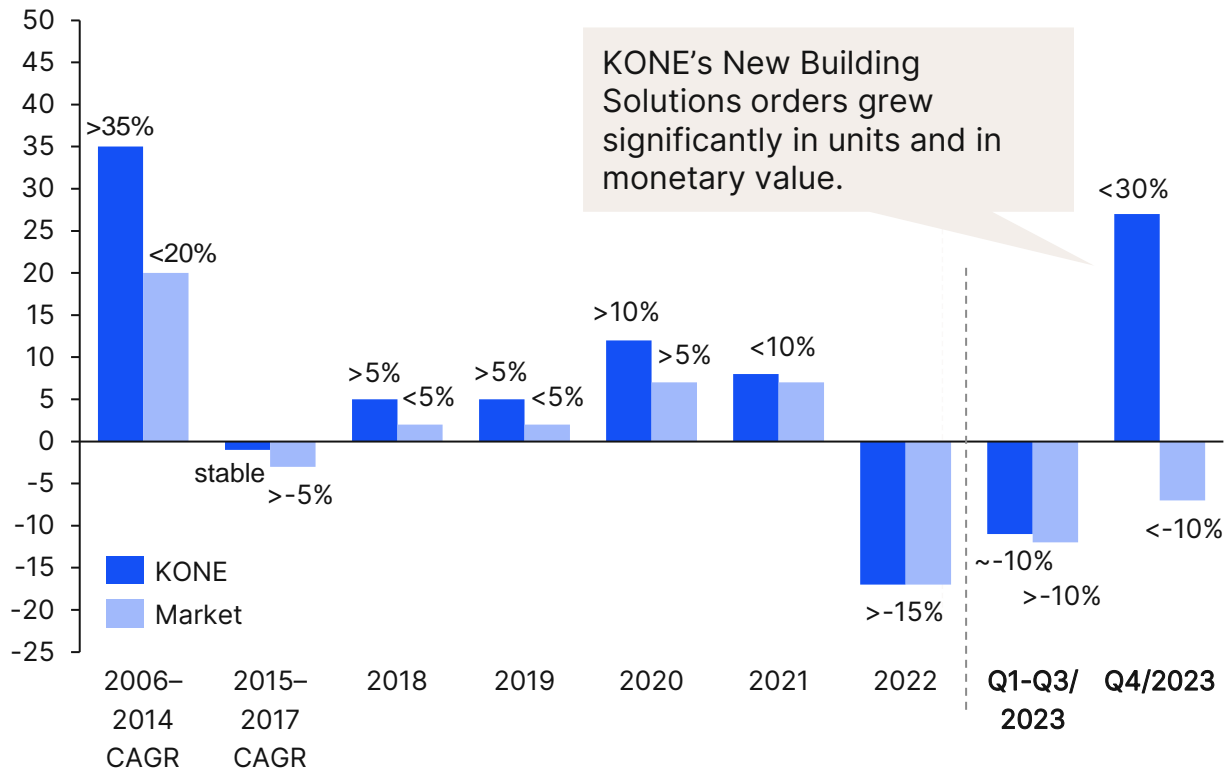
MEUR	Dec 31, 2023	Dec 31, 2022
Net working capital		
Inventories	820.9	843.6
Advance payments received and deferred revenue	-1,915.7	-1,973.8
Accounts receivable	2,495.1	2,668.1
Deferred assets and income tax receivables	759.7	826.9
Accruals and income tax payables	-2,131.1	-2,181.2
Provisions	-196.9	-177.4
Accounts payable	-927.0	-1,132.8
Net deferred tax assets / liabilities	233.9	222.7
Net working capital total	-861.2	-903.9

\* Including financial items and taxes.

# KONE in China

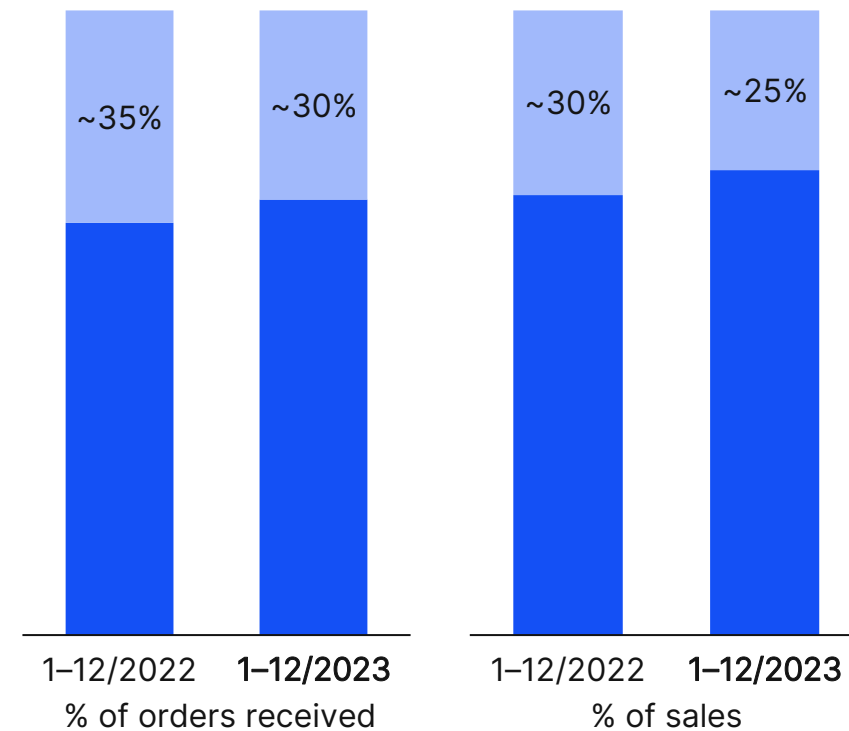
## New Building Solutions market

New Building Solutions orders received in units vs. market development

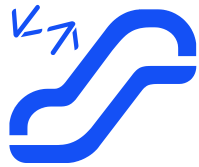


## China's share of KONE's orders received and sales

Monetary value (at comp. FX)



# Market activity in China



- Weak consumer sentiment continued to weigh on new construction activity, policy actions also key to recovery
- Pricing environment characterized by intense competition
- Strong growth in Service and Modernization markets



	Q4 2023 y/y	1-12/2023 y/y
Real estate investment	-11.4%	-9.6%
Residential sales volume	-14.0%	-8.2%
New starts	-9.4%	-20.4%
Completions	14.5%	17.0%
New home prices in 70 largest cities (Dec)	-0.89%	-0.92%