



KONE Q1 2023

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INTERIM REPORT JANUARY–MARCH 2023

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People Flow™

Q1 2023 Highlights

- Positive momentum in orders and sales
- Excellent start to the year in services
- China E&E market remained weak; first signs of policy-driven improvement visible in construction activity
- Good results from profitability actions



Q1 2023 key figures

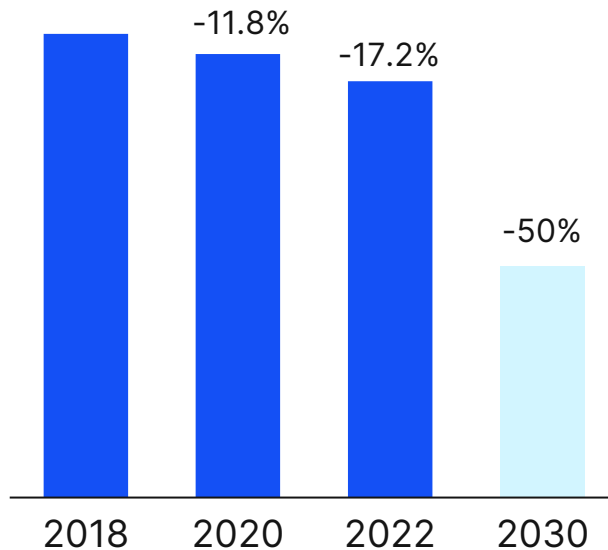
Good start to the year with sales growth and improved profitability

		Q1/2023	Q1/2022	Change	Comparable change
Orders received	MEUR	2,263.1	2,422.6	-6.6%	-5.1%
Order book	MEUR	9,176.2	9,255.4	-0.9%	2.1%
Sales	MEUR	2,556.6	2,441.9	4.7%	5.9%
Operating income (EBIT)	MEUR	238.3	171.1	39.3%	
Operating income margin (EBIT %)	%	9.3	7.0		
Adjusted EBIT	MEUR	241.9	196.5	23.1%	
Adjusted EBIT margin	%	9.5	8.0		
Cash flow from operations (before financing items and taxes)	MEUR	456.0	218.7		
Basic earnings per share	EUR	0.36	0.25	42.2%	

Securing our position as a leader in sustainability

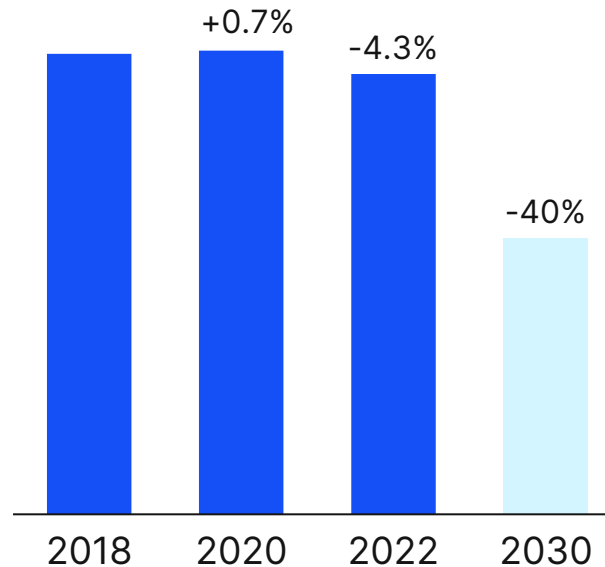
Our ambitious work to meet our **science-based targets** continued

Scope 1 & 2 emissions*



* Compared to 2018, SBTi baseline

Scope 3 emissions relative to products ordered**



** Includes emissions related to our products' materials (purchased goods and services) and lifetime energy consumption (use of sold products), compared to 2018, SBTi baseline

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

23.5%

Share of women at director level in 2022 (2030: 35%)

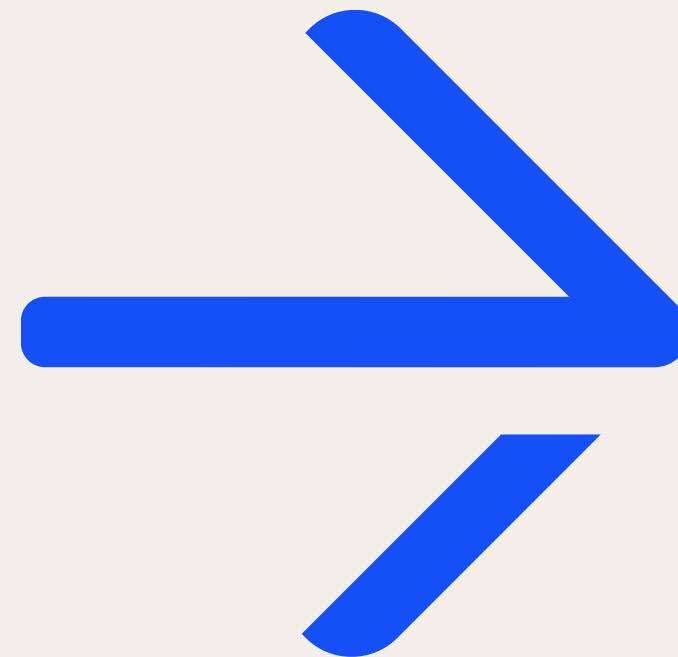
Improvement in our **safety performance**

1.4

Industrial Injury Frequency rate in 2022 (2030: 0.6)

Read more in our 2022 Sustainability report published today ([link](#))

Market development

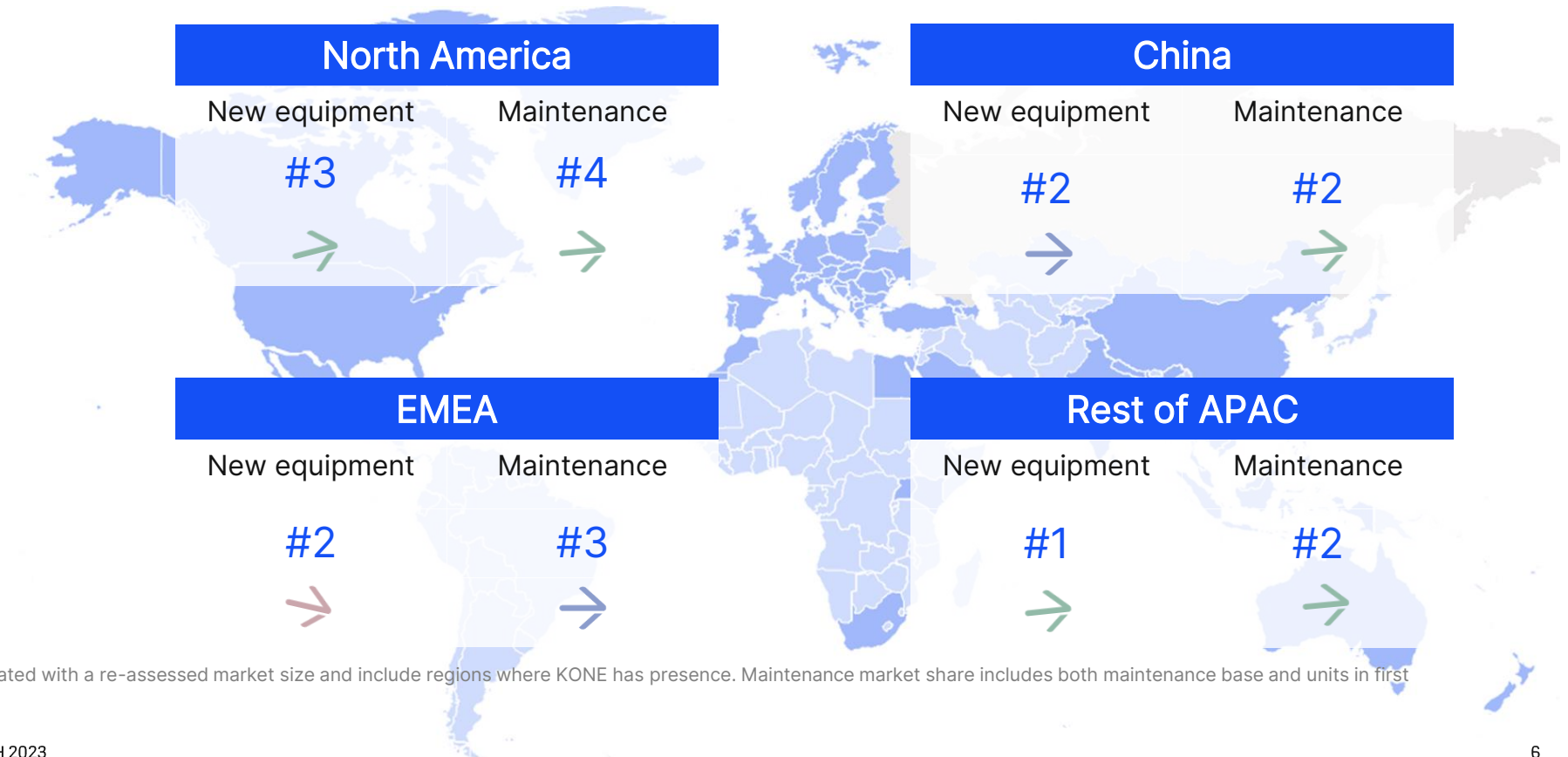


Global E&E markets and KONE's positioning in 2022

Global markets

- New equipment market was ~1 million units, declining >10%
- Maintenance market was >20 million units, growing ~5%
- Modernization market growth (in MV) 5-10%

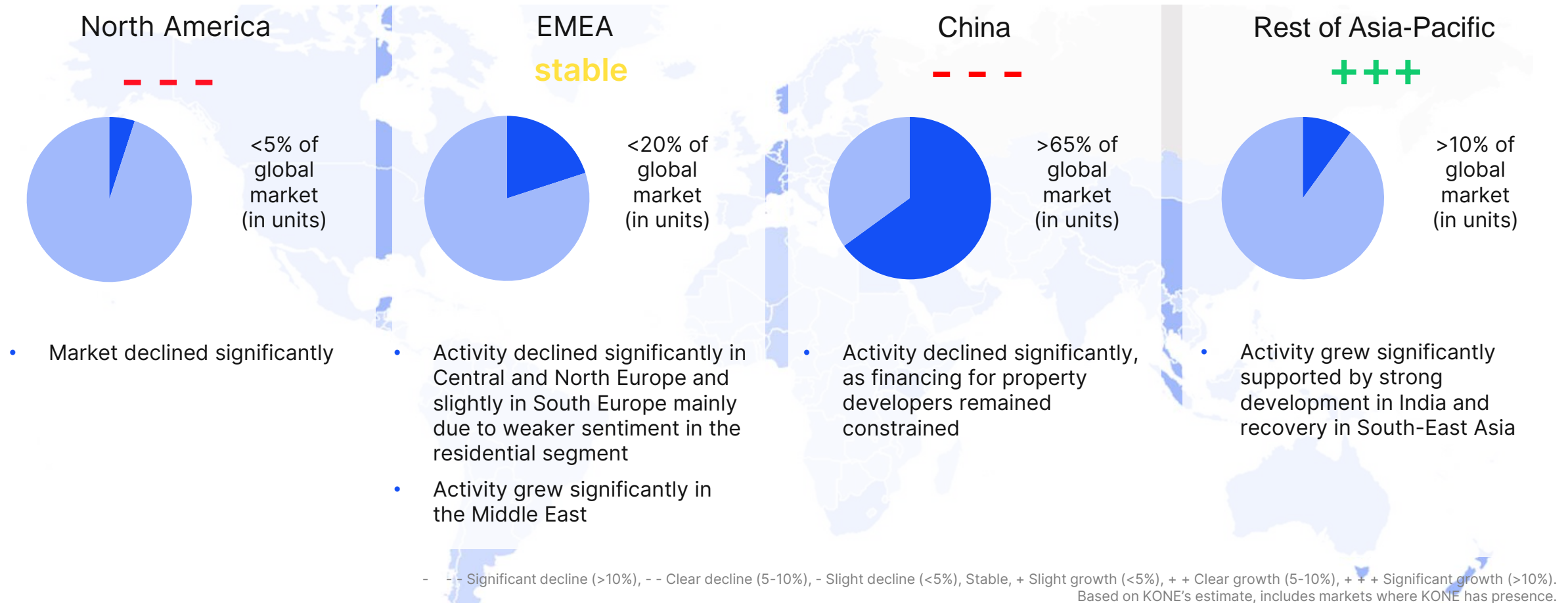
KONE's market position and market share development



Based on KONE's estimates. Market shares have been calculated with a re-assessed market size and include regions where KONE has presence. Maintenance market share includes both maintenance base and units in first service.

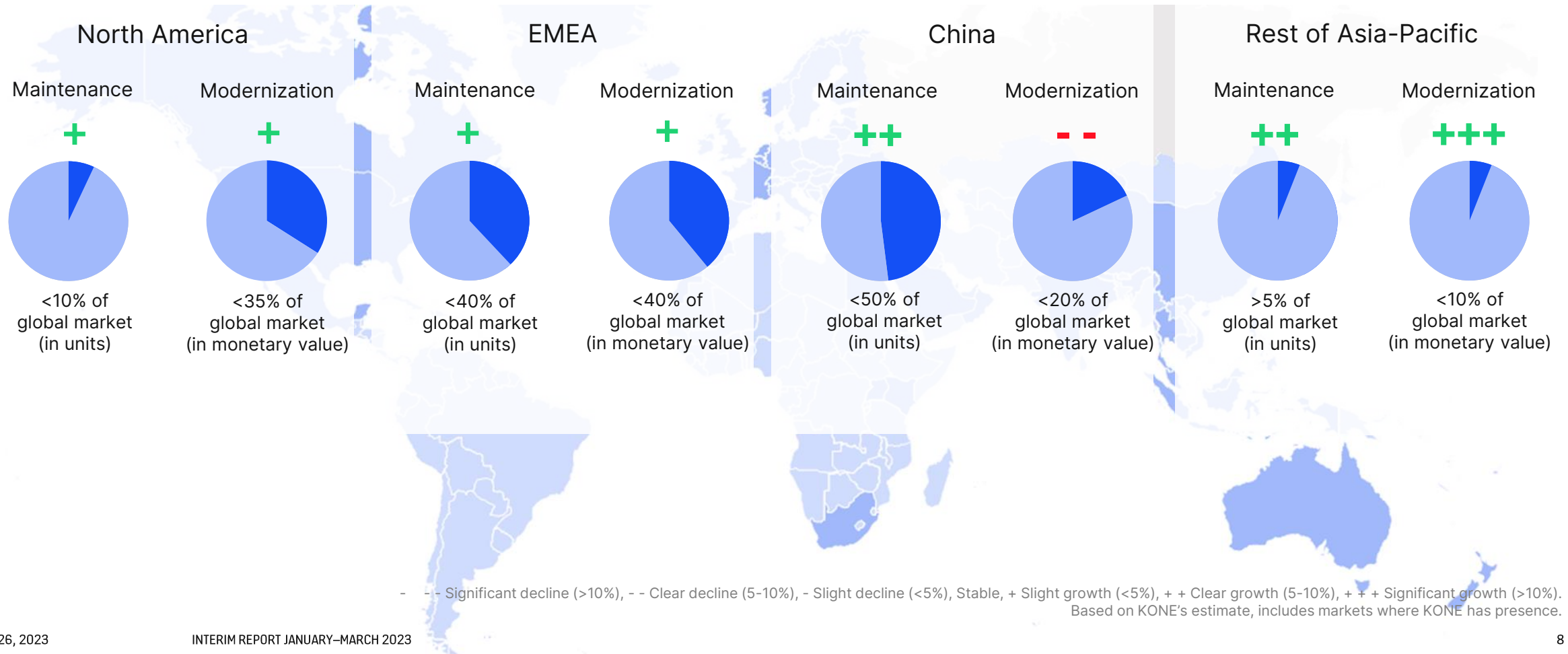
New equipment market development in Q1 2023

Global market declined, but demand trends differed regionally



Service market development in Q1 2023

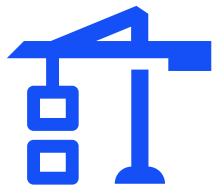
Positive overall development in the service markets



Market activity in China



- New equipment demand declined significantly as financing for developers remained constrained
- Pricing environment characterized by intense competition



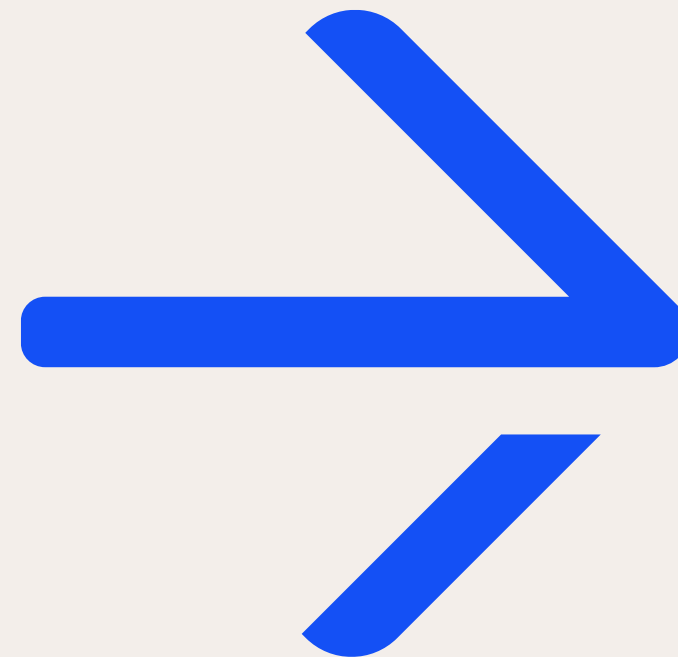
- Post-pandemic reopening drove recovery in China's economy
- First signs of policy impacts visible in construction activity



Real estate investment
Residential sales volume
New starts
Completions
New home prices in 70 largest cities (Mar)

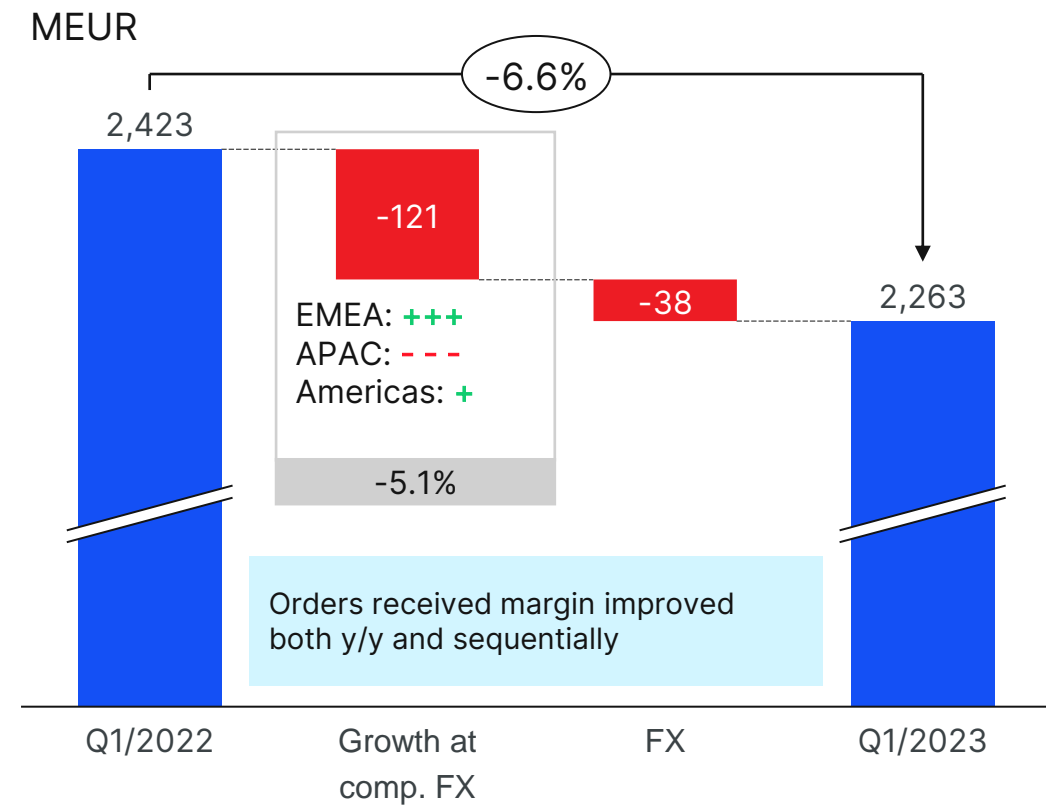
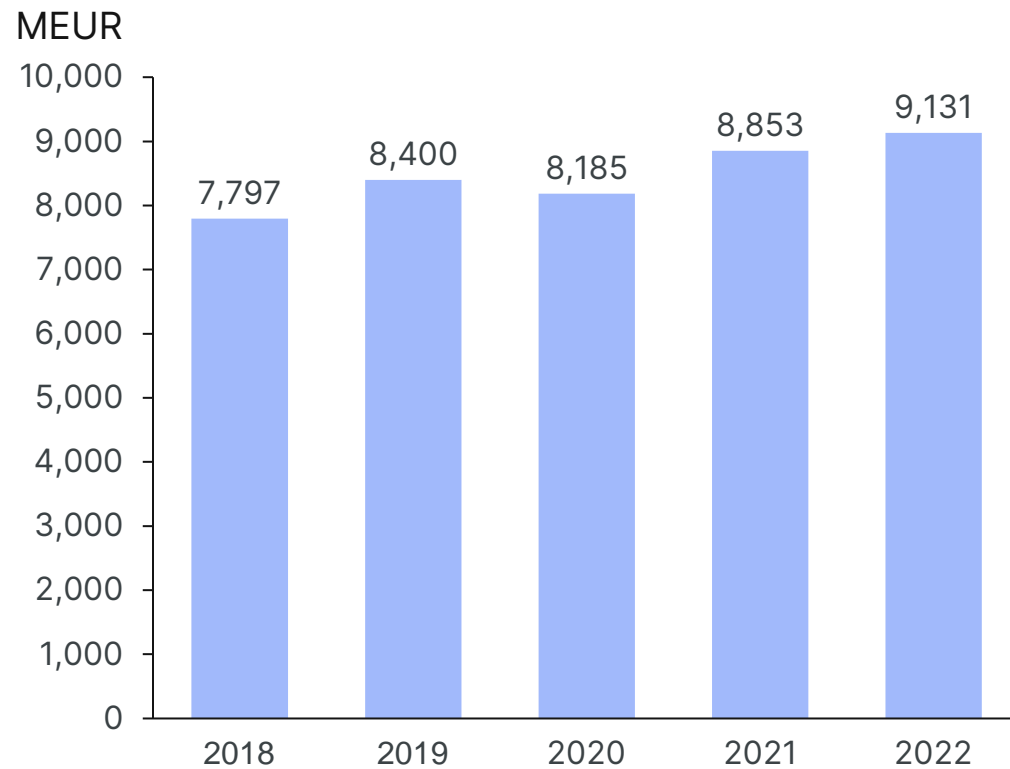
	Q1 '23 y/y	Q4 '22 y/y
Real estate investment	-5.8%	-16.3%
Residential sales volume	1.4%	-29.8%
New starts	-19.2%	-43.8%
Completions	14.7%	-10.0%
New home prices in 70 largest cities (Mar)	-1.4%	-2.3%

Q1 Financials



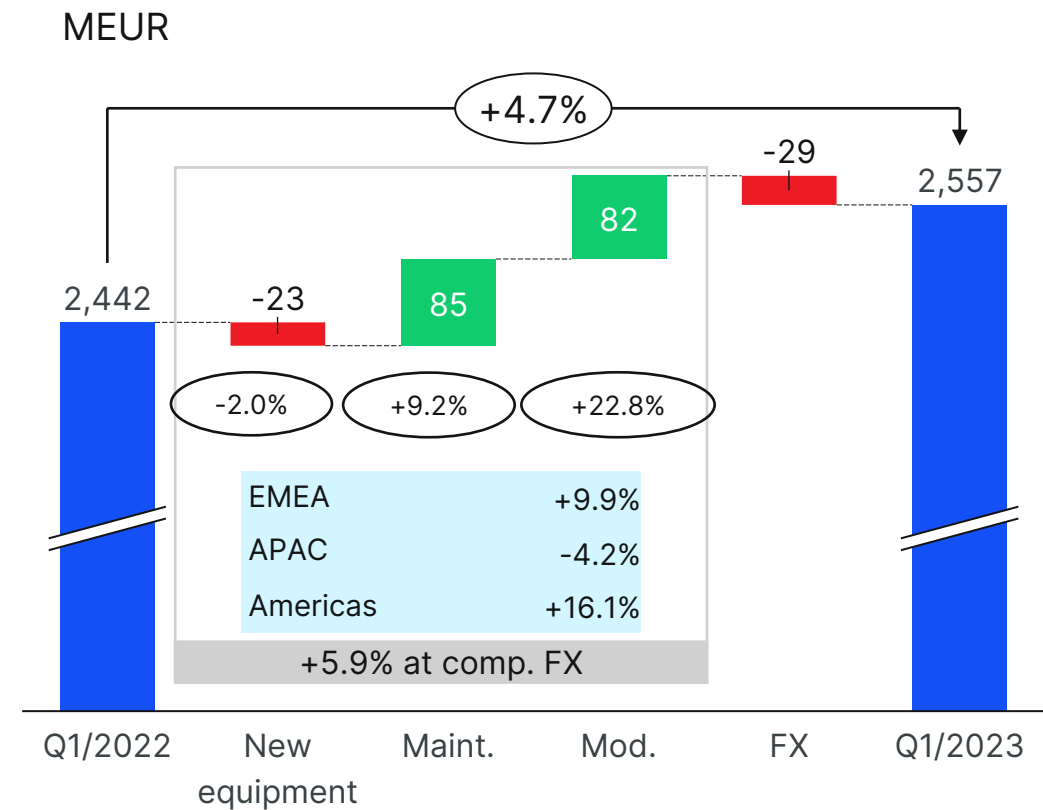
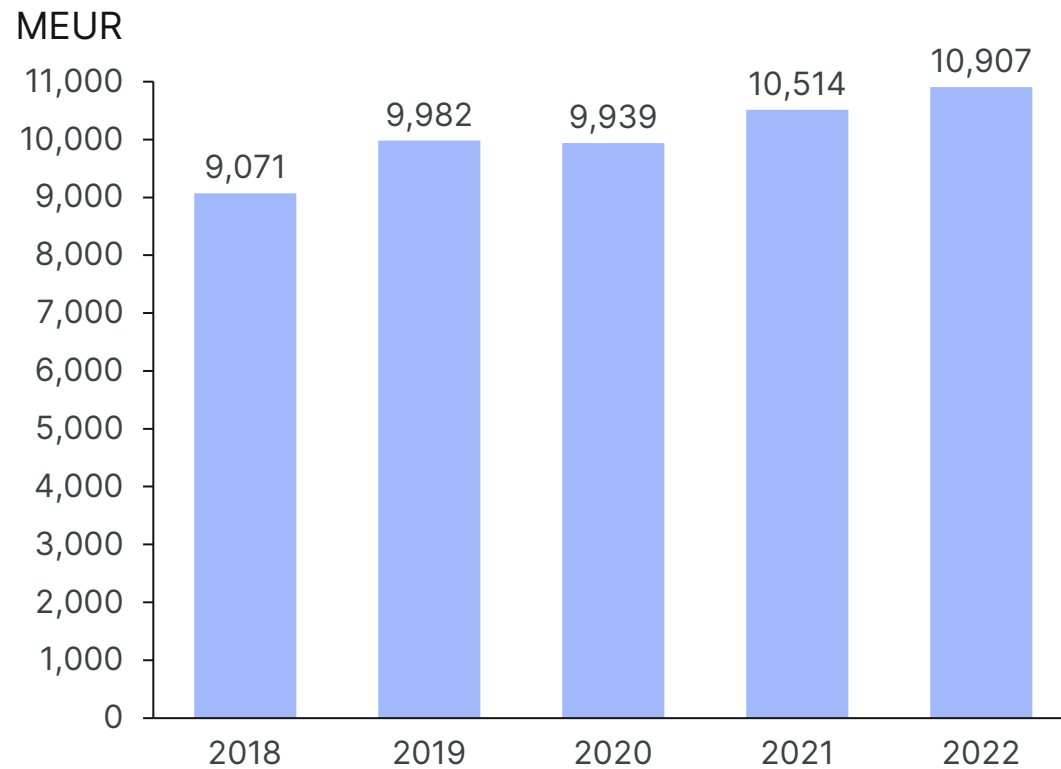
Orders received

Solid order development considering market backdrop



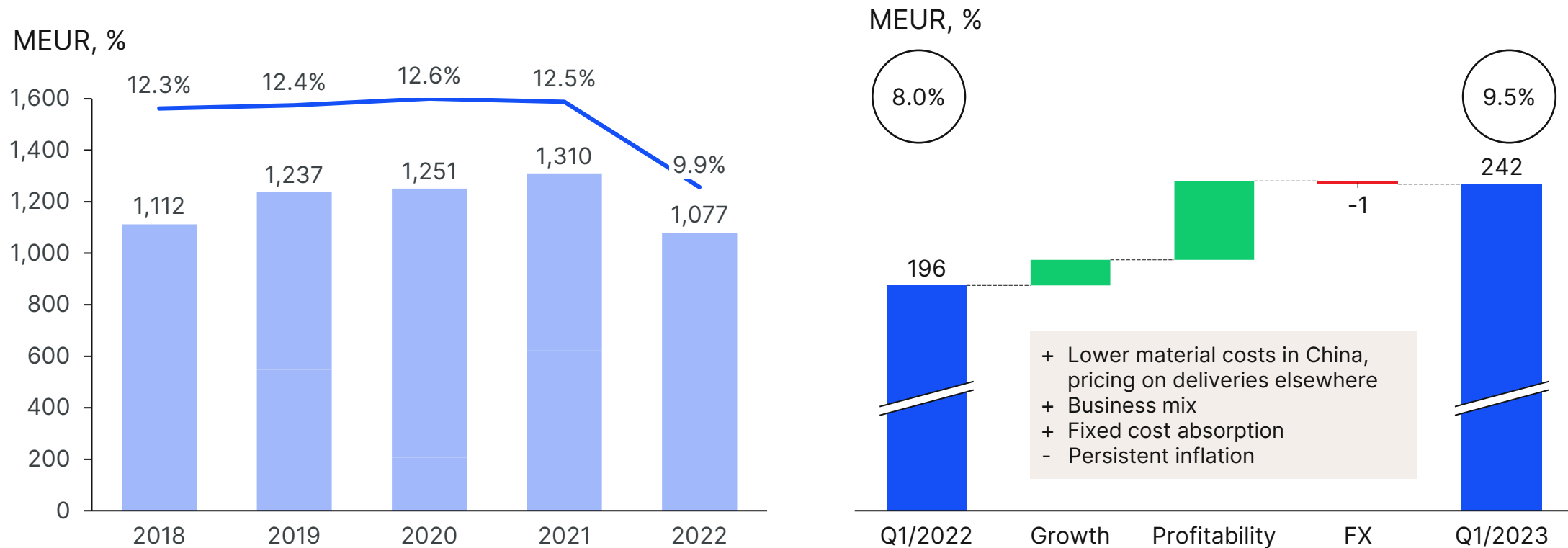
Sales

Strong growth in services compensated for a slight decline in new equipment sales



Adjusted EBIT and profitability

Margin expansion driven by growth in services sales and profitability improvement actions

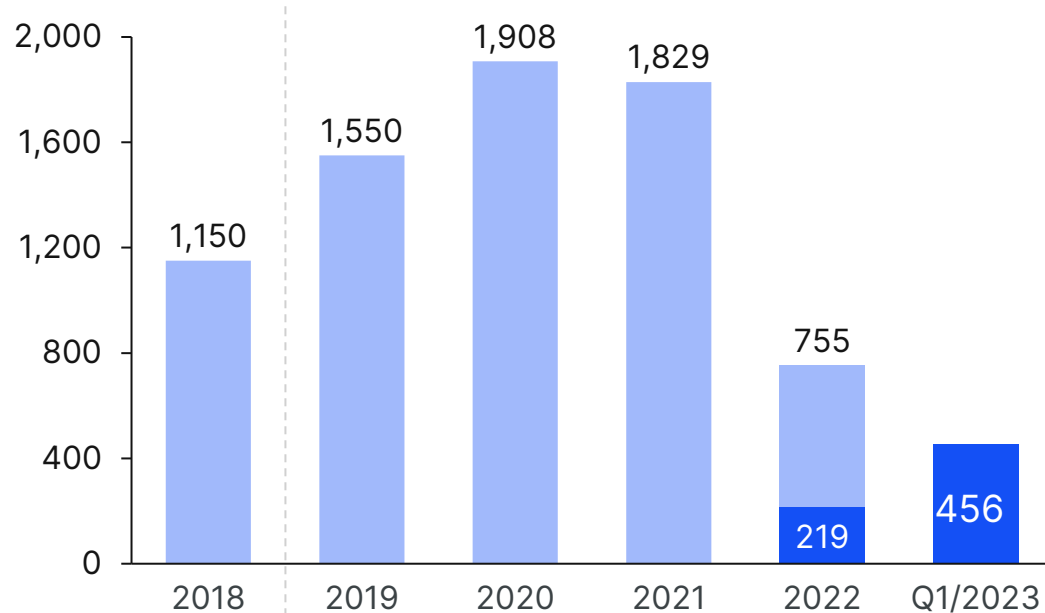


KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–March 2023, items affecting comparability amounted to EUR 3.6 million, including a positive effect from remeasurement of the net assets of operations in Russia and costs recognized on restructuring measures. 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 as a result of increased operating income and improved working capital

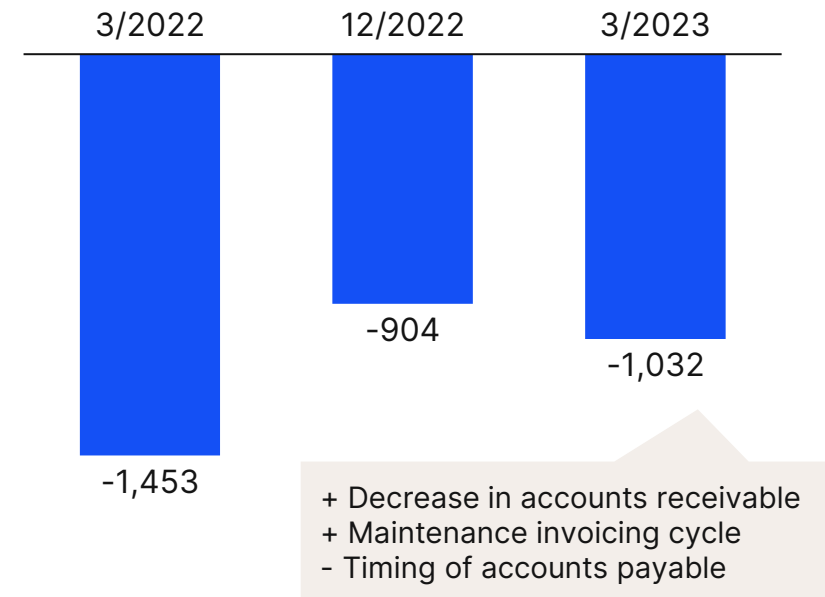
Cash flow from operations*, MEUR



* 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.

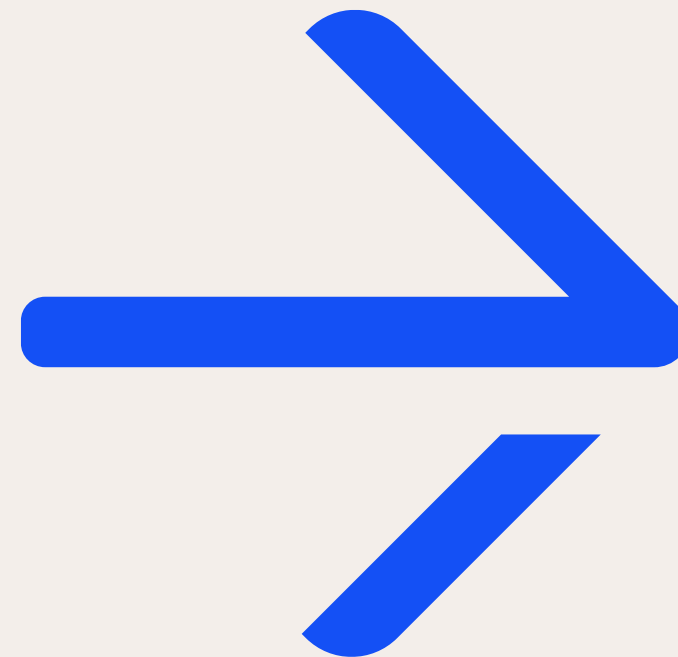
Net working capital**, MEUR



** Including financial items and taxes.

To improve the comparability of net working capital across the quarters, the definition of net working capital has been revised to exclude dividend withholding tax payable. Comparative periods have been restated accordingly.

Market and business outlook



Market outlook for 2023 (updated)

New equipment markets

- In China, the new equipment market is expected to decline by close to 10% during 2023. Activity is expected to start to recover towards the end of the first half as a result of the broad stimulus measures that have already been announced
- Activity is expected to grow clearly in Asia-Pacific excluding China and decline slightly in both the EMEA region and in North America

Modernization markets

- Modernization markets are expected to grow in all regions

Maintenance markets

- Maintenance markets are expected to grow slightly in the more mature markets and grow clearly in Asia-Pacific



Business outlook for 2023 (specified)

Sales

- KONE expects its sales at comparable exchange rates for the year 2023 to be somewhat above the previous year (prev. similar level to 2022)

Adjusted EBIT

- The adjusted EBIT margin is expected to start to recover due to better margins on orders received in 2022 and continued solid performance in the service business

The business outlook assumes that construction activity in China starts to recover towards the end of the first half as a result of the measures introduced to create stability in the property sector.

Supporting our performance

- Positive outlook for services
- Strong order book and improved margins on orders received in 2022
- Easing commodity cost headwinds in Asia

Burdening our performance

- Decline in China's new equipment market
- Increased component costs outside China and wage inflation
- Softer market environment in Europe and North America

Summary

- Strong start to the year across the board
- Further strengthening customer focus and competitiveness a key priority
- Well positioned to capture growth opportunities in services and in the new equipment business in Asia





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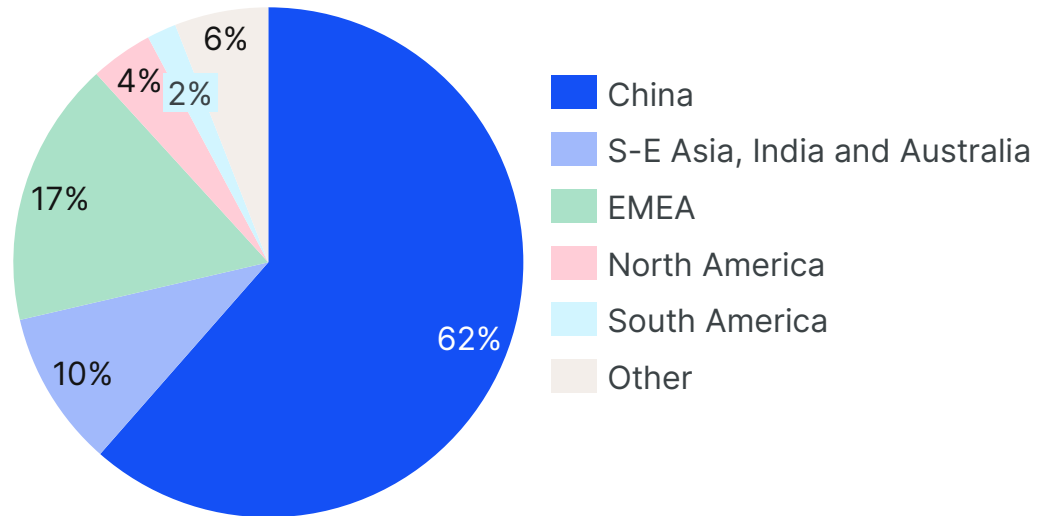
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Appendix

KONE's market position in 2022

New equipment market in 2022

~1 million units



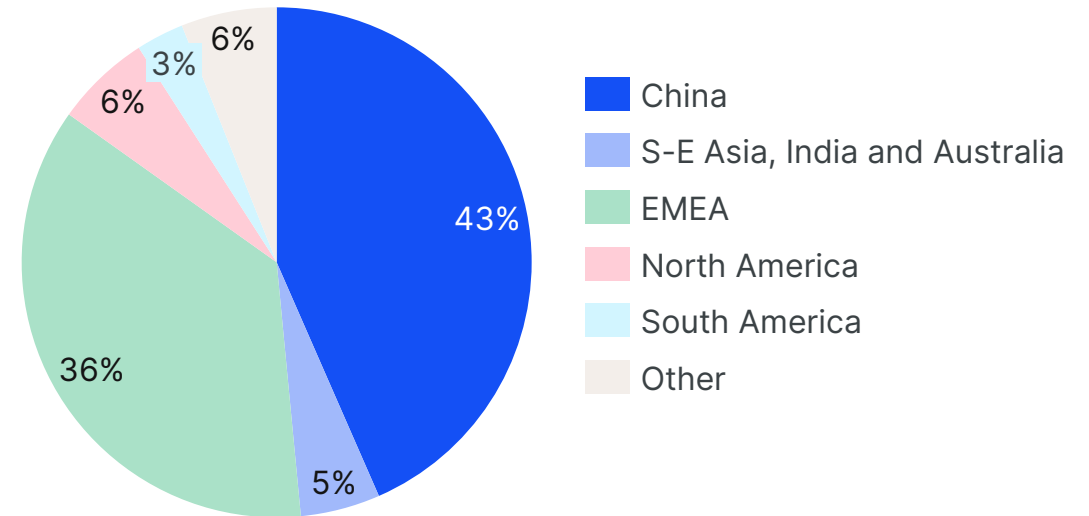
In new equipment KONE is a market leader with ~19%* share.

Based on KONE's estimates. Figures have been rounded.

* In regions where KONE has presence, maintenance market share includes both maintenance base and units in first service. Market share has been calculated with a re-assessed market size.

Equipment base in 2022

>20 million units

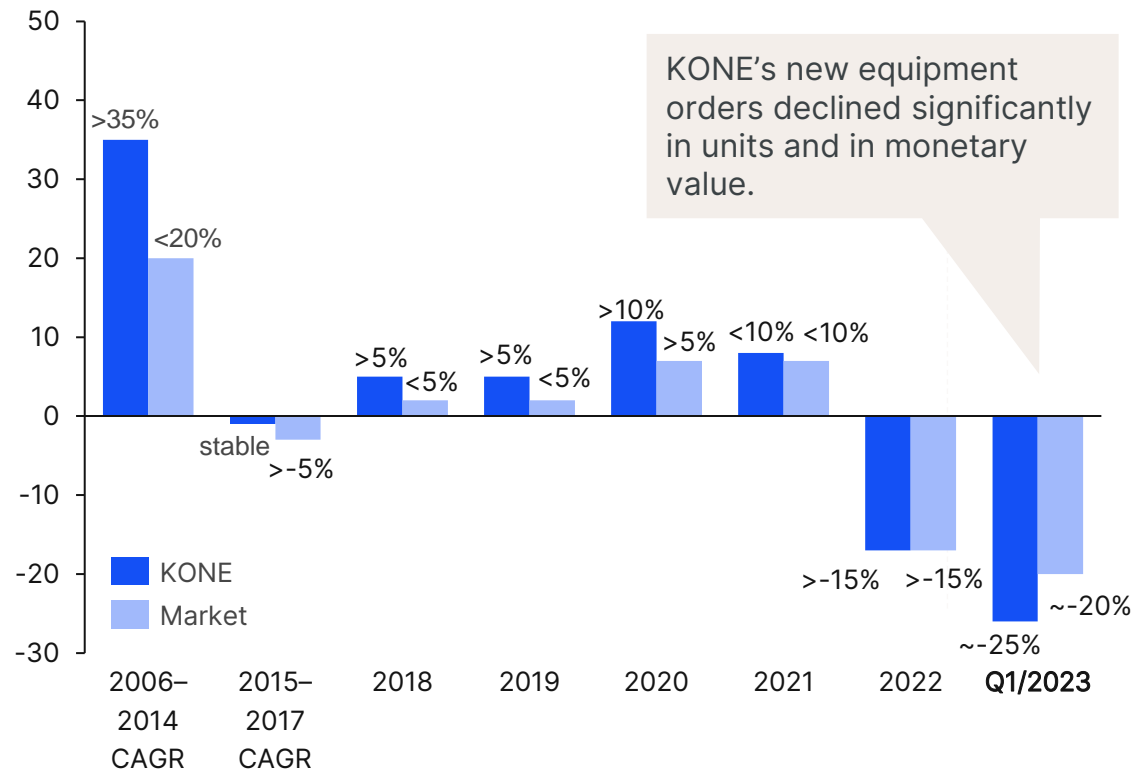


In maintenance, KONE continued to be a challenger with a market share of close to 10%*.

KONE in China

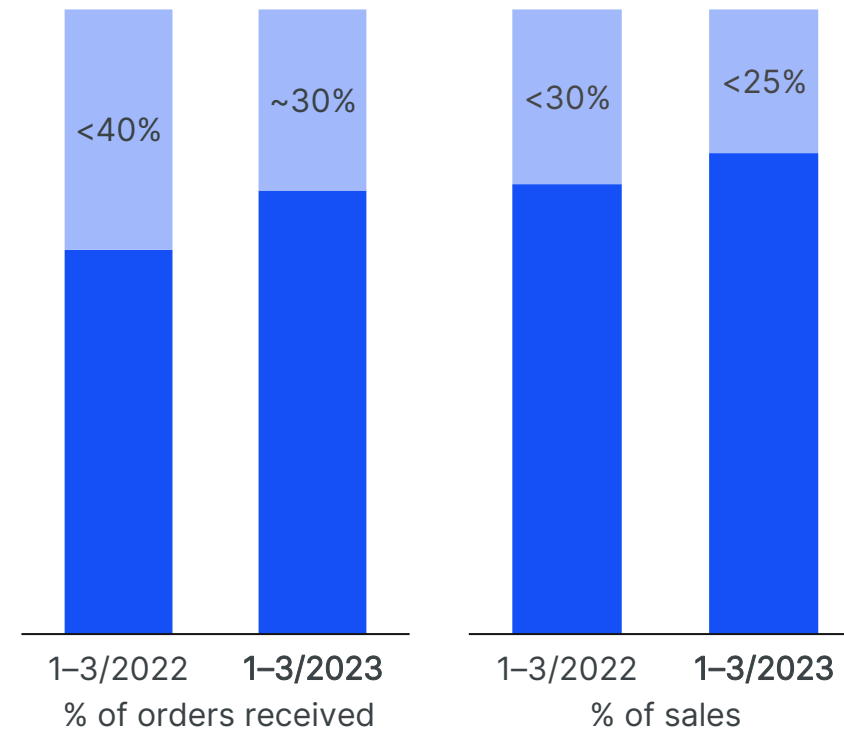
New equipment market

New equipment orders received in units vs. market development



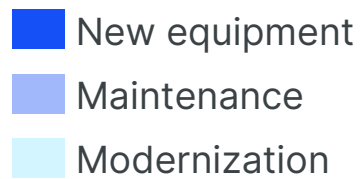
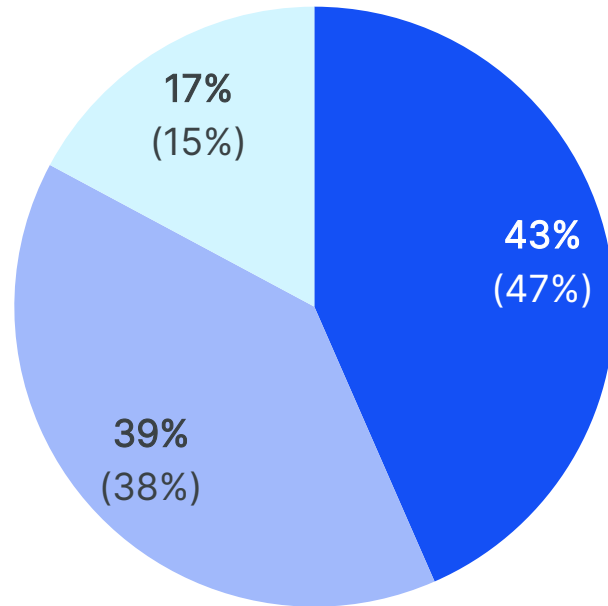
China's share of KONE's orders received and sales

Monetary value

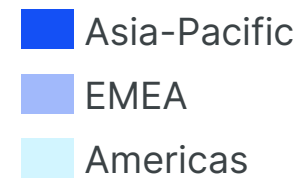
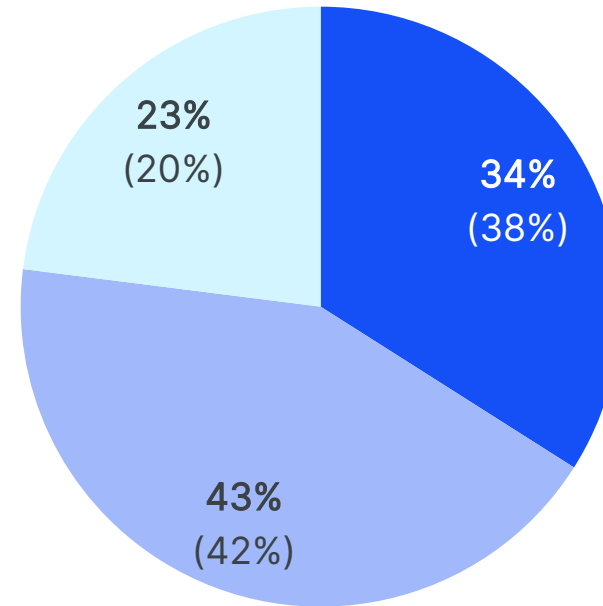


1–3/2023 Sales split

By business



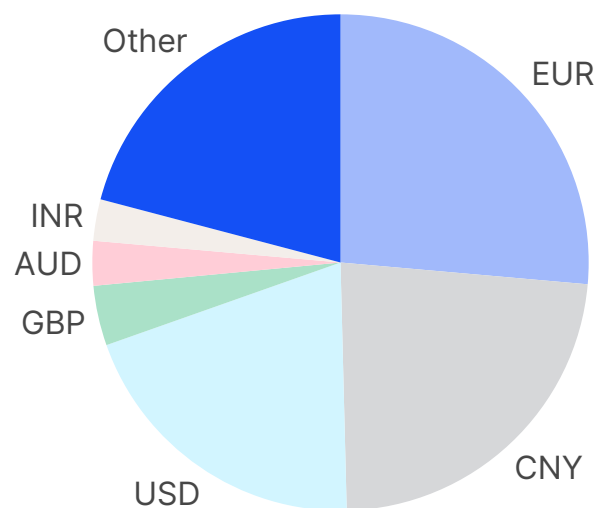
By region



1–3/2022 figures in brackets. Figures in charts are rounded and at historical exchange rates.

Currencies

Sales by currencies 1–3/2023



Currency impact*

MEUR	Q1	Full year
Sales	-28.7	-294.6
EBIT	-1.4	-22.5
Orders received	-38.4	-276.3

Main currencies

MEUR	Q1/2023 average	2022 average	Mar 31, 2023 spot
EUR / CNY	7.3802	7.0836	7.4763
EUR / USD	1.0748	1.0563	1.0875
EUR / GBP	0.8810	0.8537	0.8792
EUR / INR	88.4818	82.8319	89.3995
EUR / AUD	1.5799	1.5189	1.6268

*The impact of retranslating Q1/2022 and 1–12/2022 amounts with comparable exchange rates.

Balance sheet – assets employed

MEUR	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Assets employed			
Goodwill	1,434.6	1,414.9	1,414.7
Other intangible assets	244.6	217.7	208.2
Tangible assets	713.6	734.9	716.8
Investments	106.8	139.2	121.7
Net working capital	-1,032.3	-1,452.6	-903.9
Dividend withholding tax payable	-119.3	-204.4	-
Assets employed total	1,348.1	849.8	1,557.5
Financed by			
Equity	2,086.9	2,301.0	2,866.5
Net debt	-738.8	-1,451.2	-1,309.0
Equity and net debt total	1,348.1	849.8	1,557.5

Net working capital*

MEUR	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Net working capital			
Inventories	837.0	782.0	843.6
Advance payments received and deferred revenue	-1,972.2	-2,009.3	-1,973.8
Accounts receivable	2,494.1	2,458.0	2,668.1
Deferred assets and income tax receivables	839.3	911.7	826.9
Accruals and income tax payables	-2,314.4	-2,434.4	-2,181.2
Provisions	-183.8	-163.9	-177.4
Accounts payable	-937.8	-1,172.1	-1,132.8
Net deferred tax assets / liabilities	205.4	175.4	222.7
Net working capital total	-1,032.3	-1,452.6	-903.9

* Including financial items and taxes. To improve the comparability of net working capital across the quarters, the definition of net working capital has been revised to exclude dividend withholding tax payable. Comparative periods have been restated accordingly.