

KONE Q3 2022

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Q3 2022 Highlights

- Weak new equipment market in China
- Strong performance in services driven by robust development in both maintenance and modernization
- Improved margin on orders received demonstrates progress in profitability actions



Q3 2022 Key figures



SERVICES CONTRIBUTED TO SALES GROWTH, PROFITABILITY BURDENED BY CONTINUED COST HEADWINDS

		Q3/2022	Q3/2021	Change	Comparable change
Orders received	MEUR	2,155.5	2,211.1	-2.5%	-10.0%
Order book	MEUR	9,890.5	8,436.9	17.2%	8.4%
Sales	MEUR	2,998.2	2,610.0	14.9%	6.5%
Operating income (EBIT)	MEUR	303.9	326.5	-6.9%	
Operating income margin (EBIT %)	%	10.1	12.5		
Adjusted EBIT	MEUR	305.8	326.5	-6.3%	
Adjusted EBIT margin	%	10.2	12.5		
Cash flow from operations (before financing items and taxes)	MEUR	336.1	365.1		
Basic earnings per share	EUR	0.46	0.50	-8.5%	

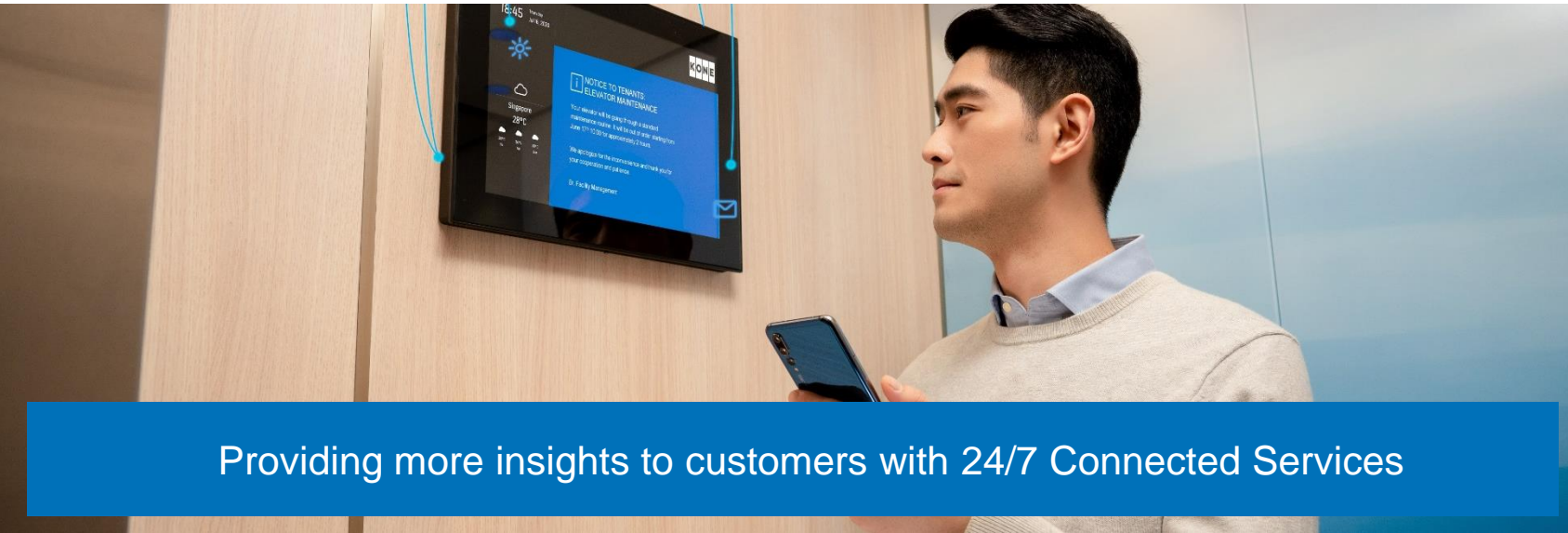
1–9 2022 Key figures



ORDER BOOK GROWTH PROVIDES A SOLID FOUNDATION GOING FORWARD

		1–9/2022	1–9/2021	Change	Comparable change
Orders received	MEUR	7,187.1	6,697.7	7.3%	0.1%
Order book	MEUR	9,890.5	8,436.9	17.2%	8.4%
Sales	MEUR	7,995.2	7,747.3	3.2%	-3.4%
Operating income (EBIT)	MEUR	664.0	943.4	-29.6%	
Operating income margin (EBIT %)	%	8.3	12.2		
Adjusted EBIT	MEUR	711.6	950.4	-25.1%	
Adjusted EBIT margin	%	8.9	12.3		
Cash flow from operations (before financing items and taxes)	MEUR	721.4	1,303.7		
Basic earnings per share	EUR	0.97	1.43	-32.0%	

Strong momentum in Services continues



Providing more insights to customers with 24/7 Connected Services

- 24/7 Connected Services penetration on KONE equipment close to 20%
- Measurable customer benefits driving higher conversion & retention
- KONE Care DX provides further improvement in all metrics including pricing

24/7 increases safety, transparency and uptime:

- 30% call out rates
- 40% entrapments
- +65% proactively identified faults



Strong trends supporting growth in modernization

- Improved pricing on new orders
- Aging equipment base
- Focus on sustainability
- Increased need for adaptability

We are taking strong actions to drive improved financial performance



Pricing improvement continues, dynamic contract models adopted in selected countries

Sourcing and offering developments reducing product costs

Good progress in improving order book margins with productivity

Simplifying our operating model to improve efficiency

Strong momentum in Services, 24/7 Connected Services accelerating growth

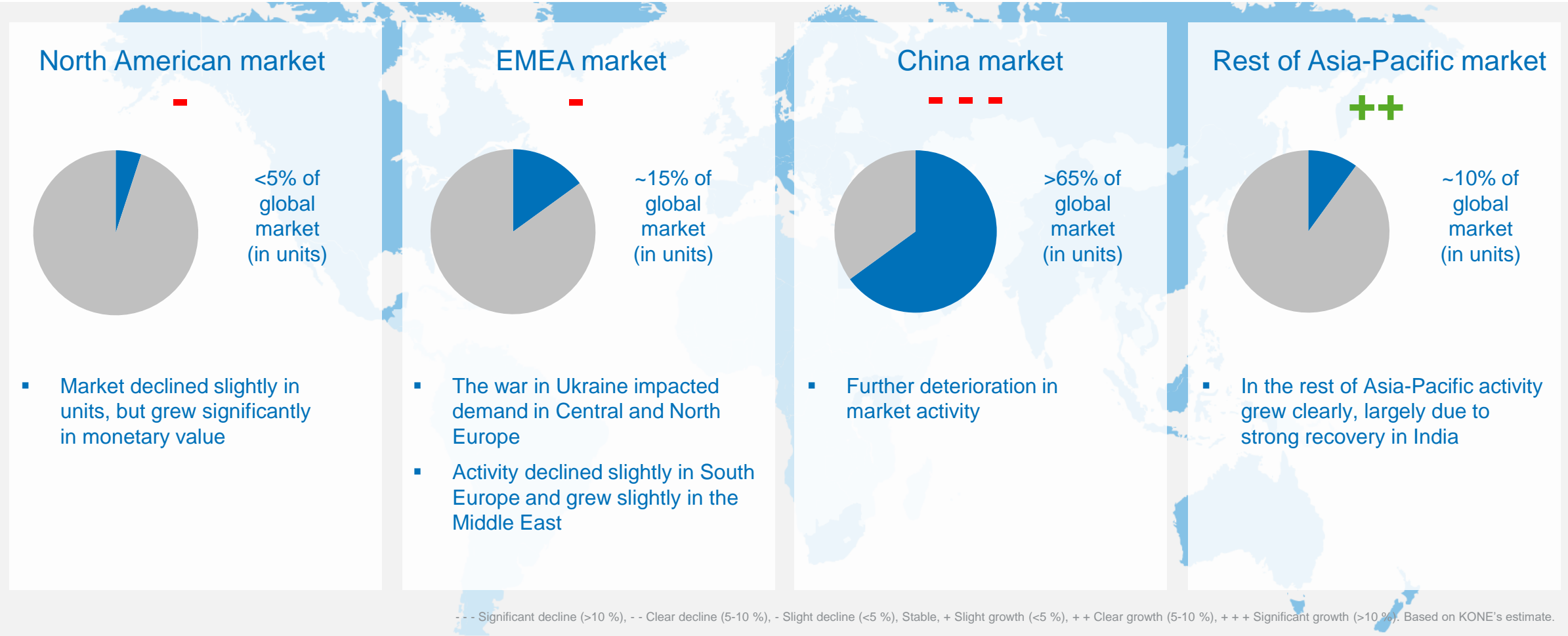
Market development



New equipment market development in Q3 2022



MARKETS EX CHINA GREW IN MONETARY VALUE, UNIT GROWTH AFFECTED BY ECONOMIC OUTLOOK



Chinese property market in Q3 2022



- Market conditions deteriorated further as liquidity constraints affected both new projects and construction site progress
- COVID-19 restrictions, although less severe than in the previous quarter, increased uncertainty
- Maintenance markets remained resilient, modernization activity mixed



- In units ordered, the new equipment market declined by over 20% y-o-y
- The pricing environment continues to be characterized by intense competition

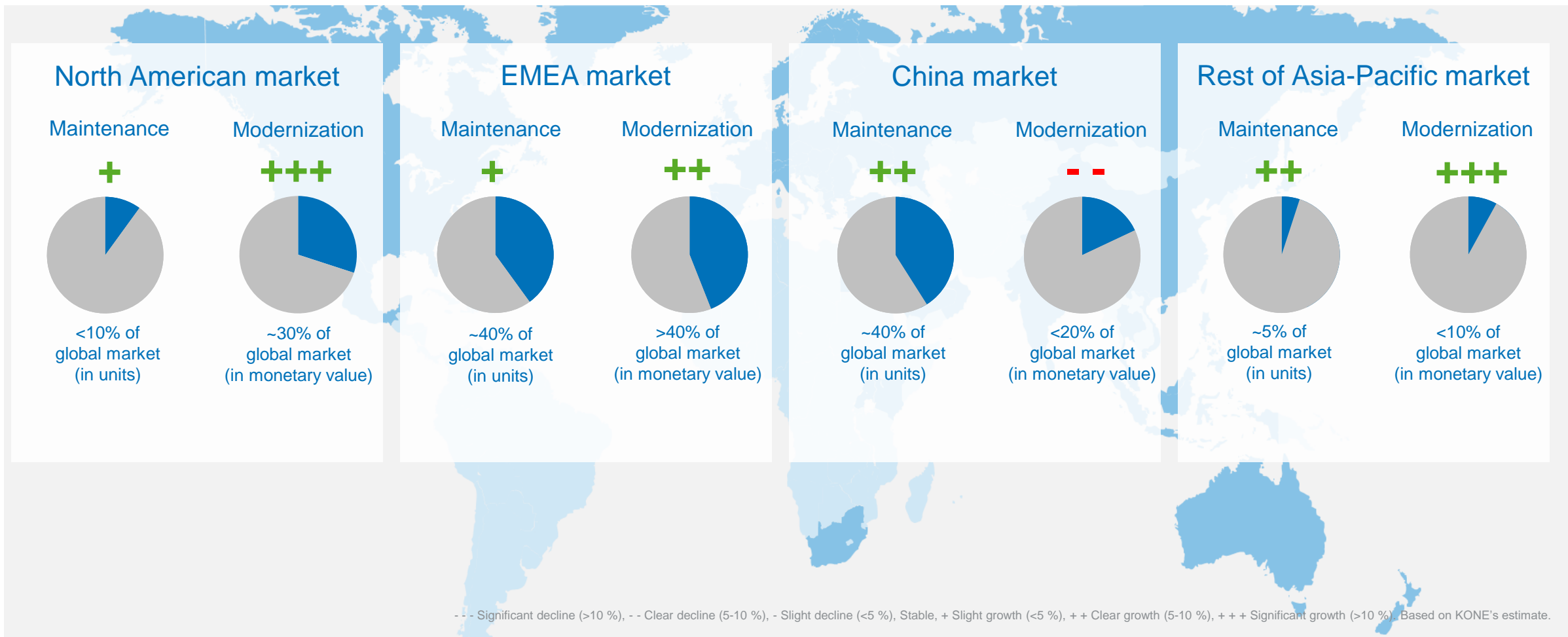


	YTD Sep 2022 y/y	Q3 2022 y/y
Real estate investment	-8.0%	-12.7%
Residential sales volume	-25.7%	-23.8%
New starts	-38.0%	-45.1%
Completions	-19.9%	-16.0%
New home prices in 70 largest cities (Sep)		-2.3%

Service market development in Q3 2022



BROAD-BASED GROWTH IN MAINTENANCE AND MODERNIZATION



Q3 Financials

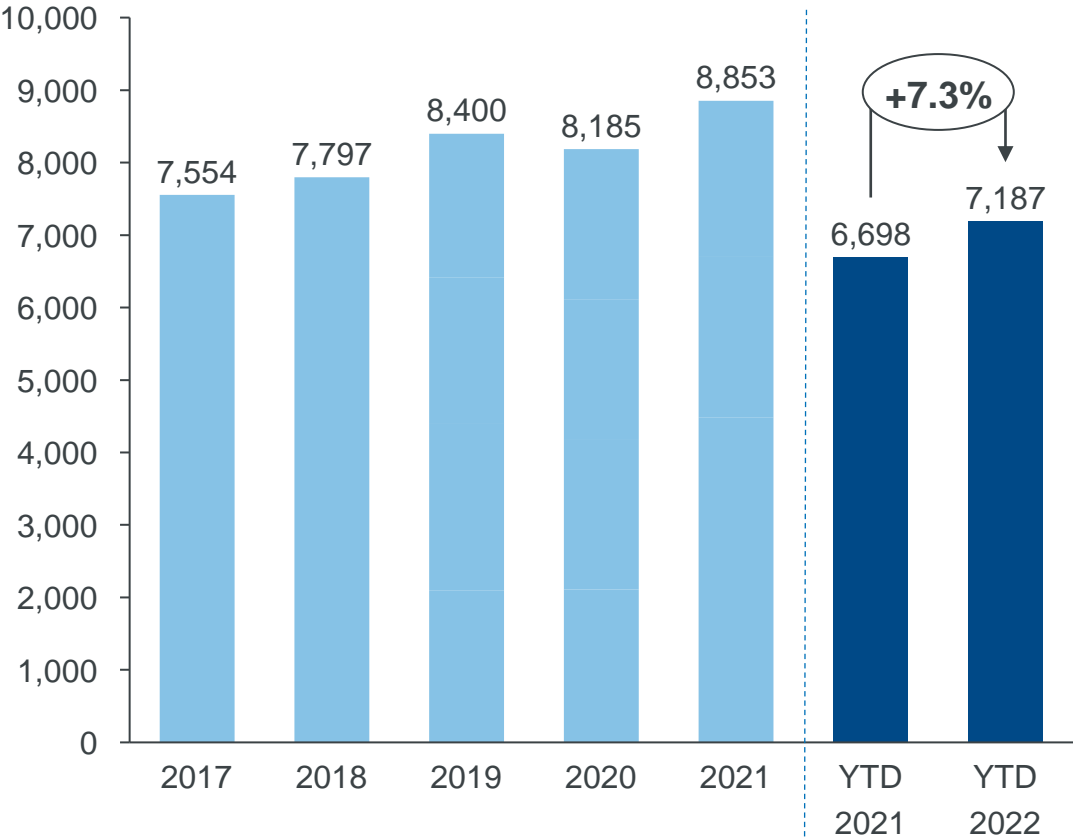


Orders received

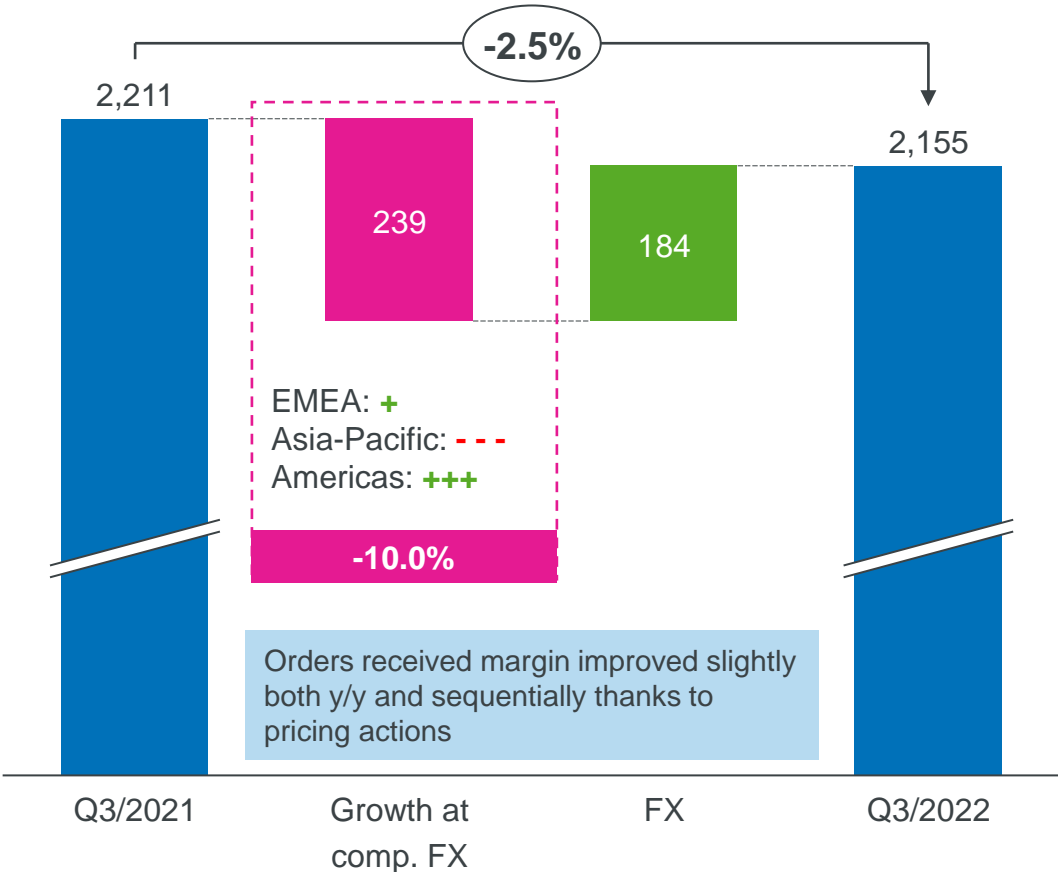


SLIGHT DECLINE IN Q3 ORDERS DRIVEN BY CHINA, MARGIN OF ORDERS RECEIVED IMPROVED

MEUR



MEUR

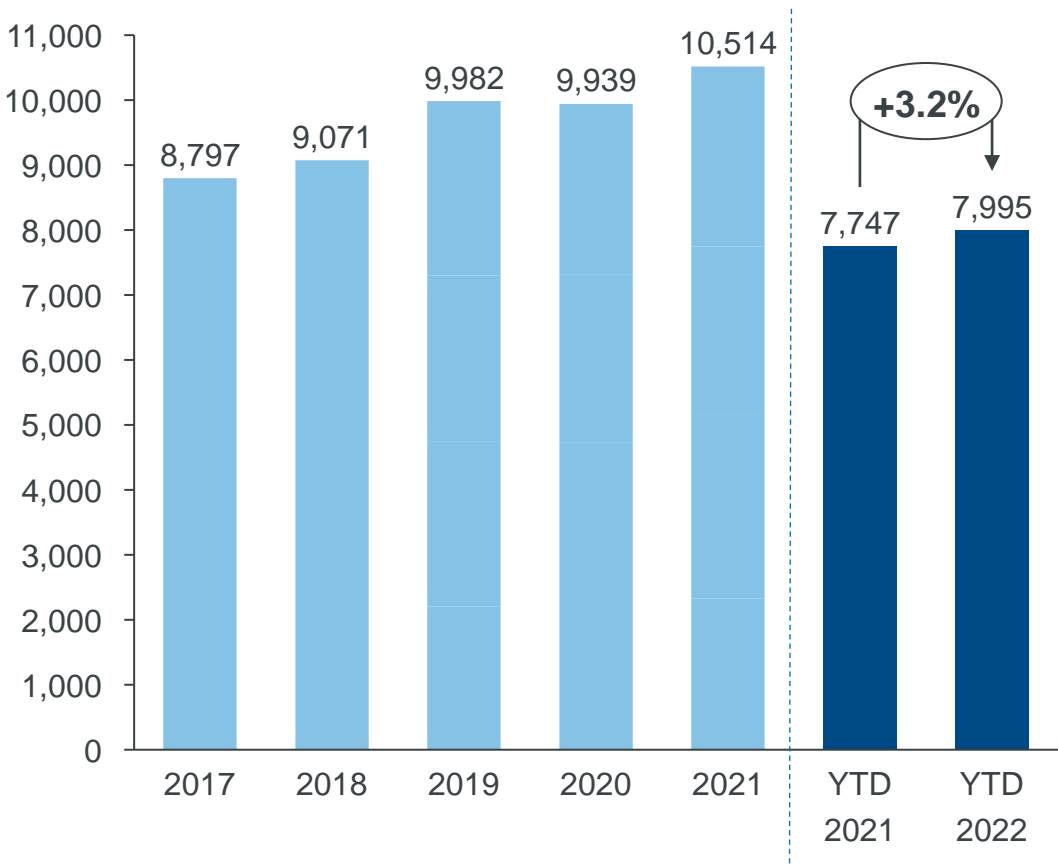


Sales

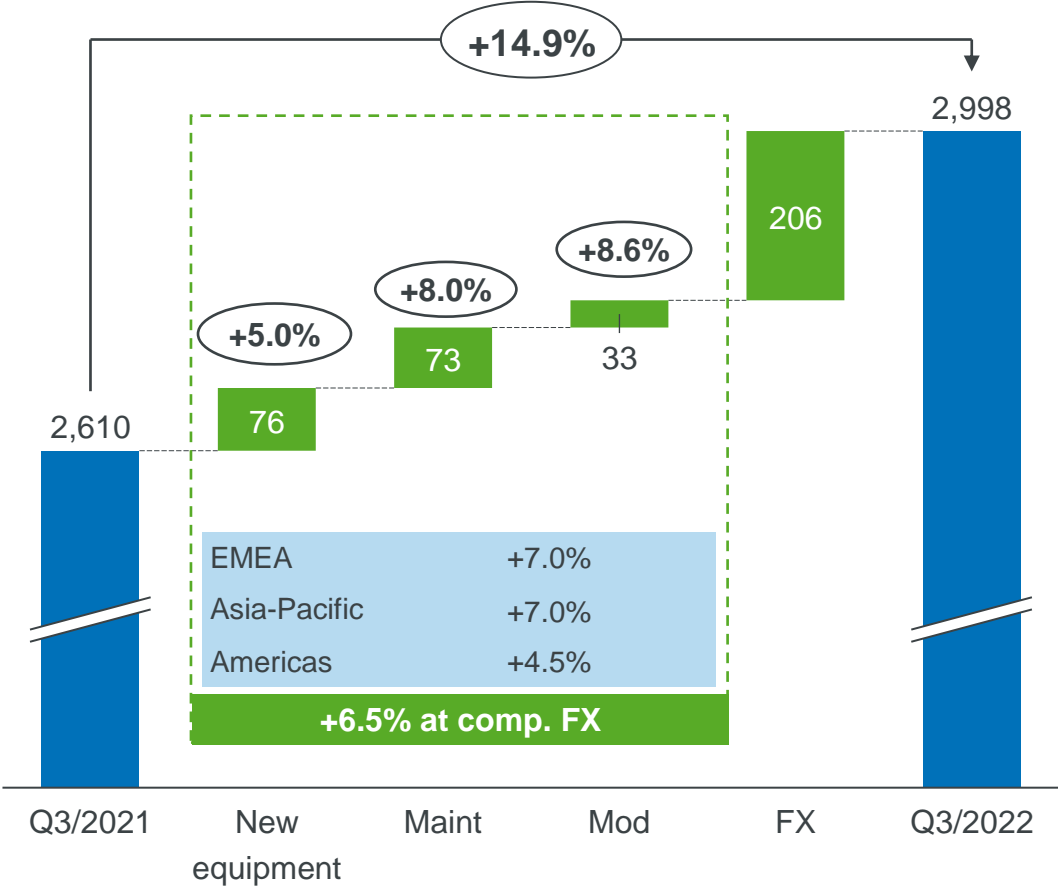
GROWTH IN ALL REGIONS AND BUSINESSES



MEUR



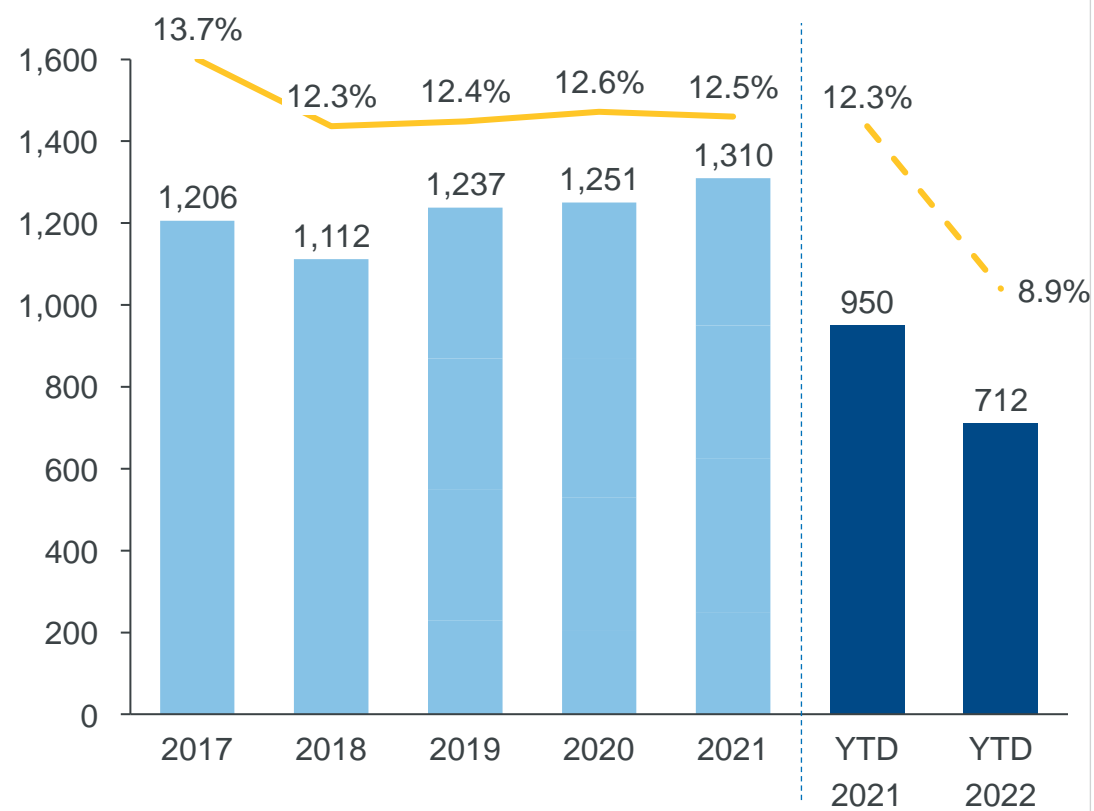
MEUR



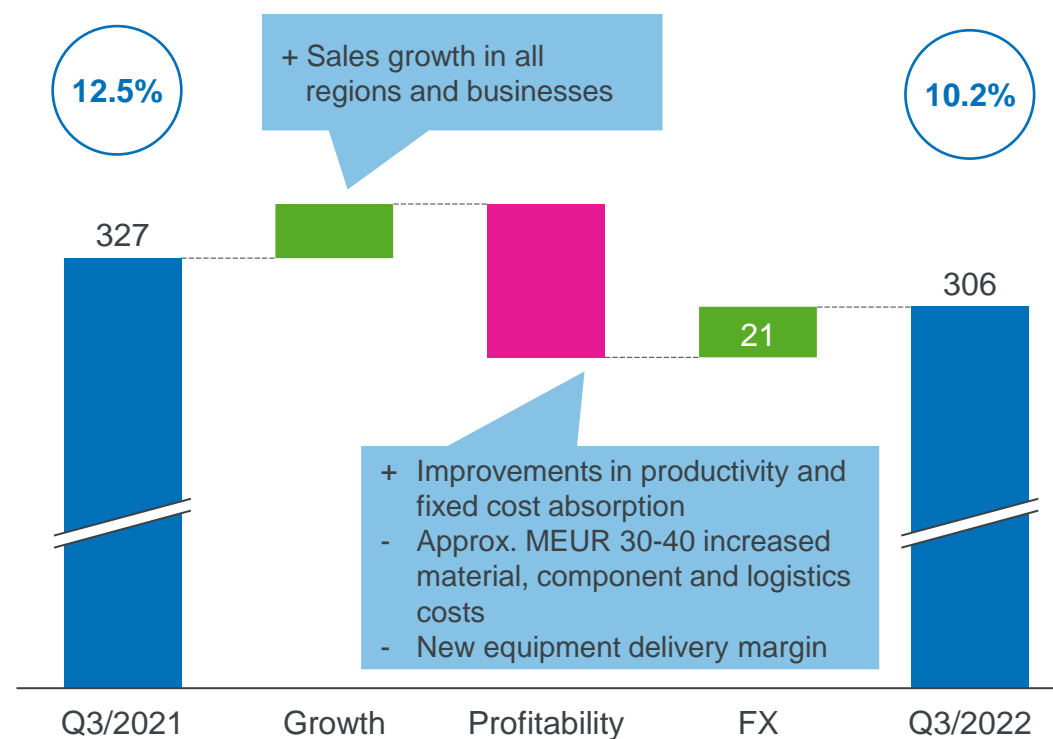
Adjusted EBIT and profitability

PROFITABILITY BURDENED BY CONTINUED COST HEADWINDS

MEUR, %



MEUR, %



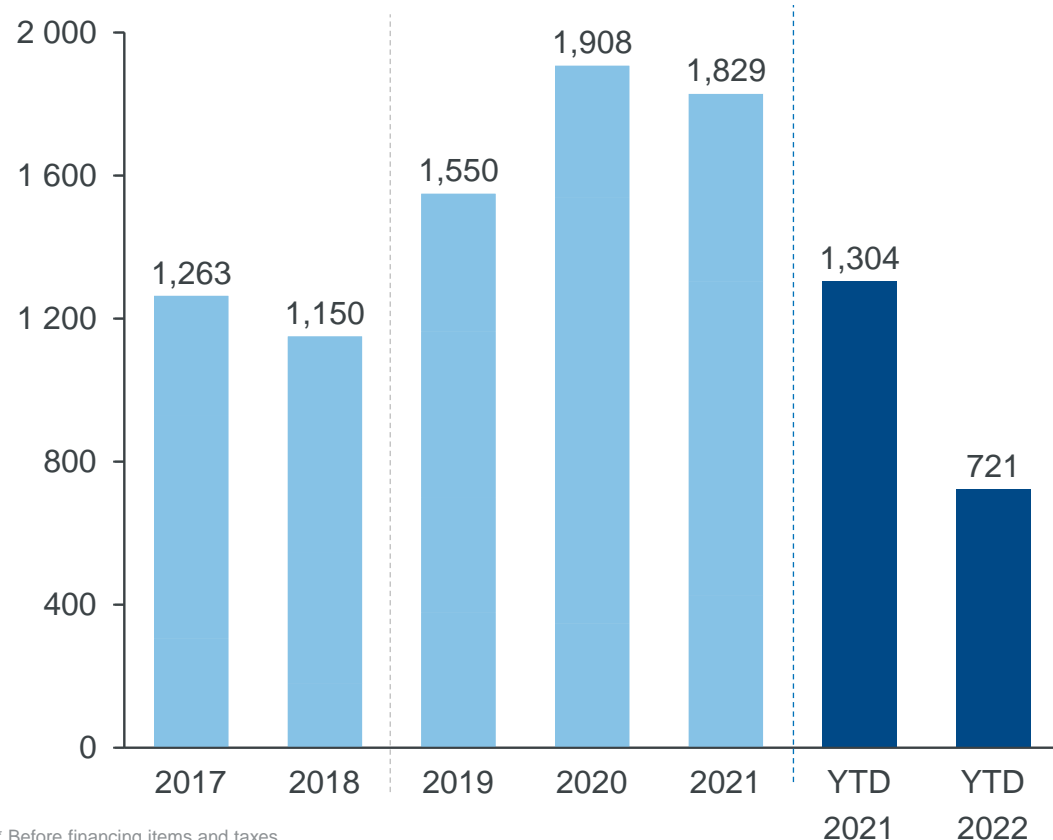
KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–September 2022, items affecting comparability amounted to EUR 47.6 million including a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine, as well as costs for restructuring measures. In the comparison periods, items affecting comparability consisted of restructuring costs.

Cash flow from operations*



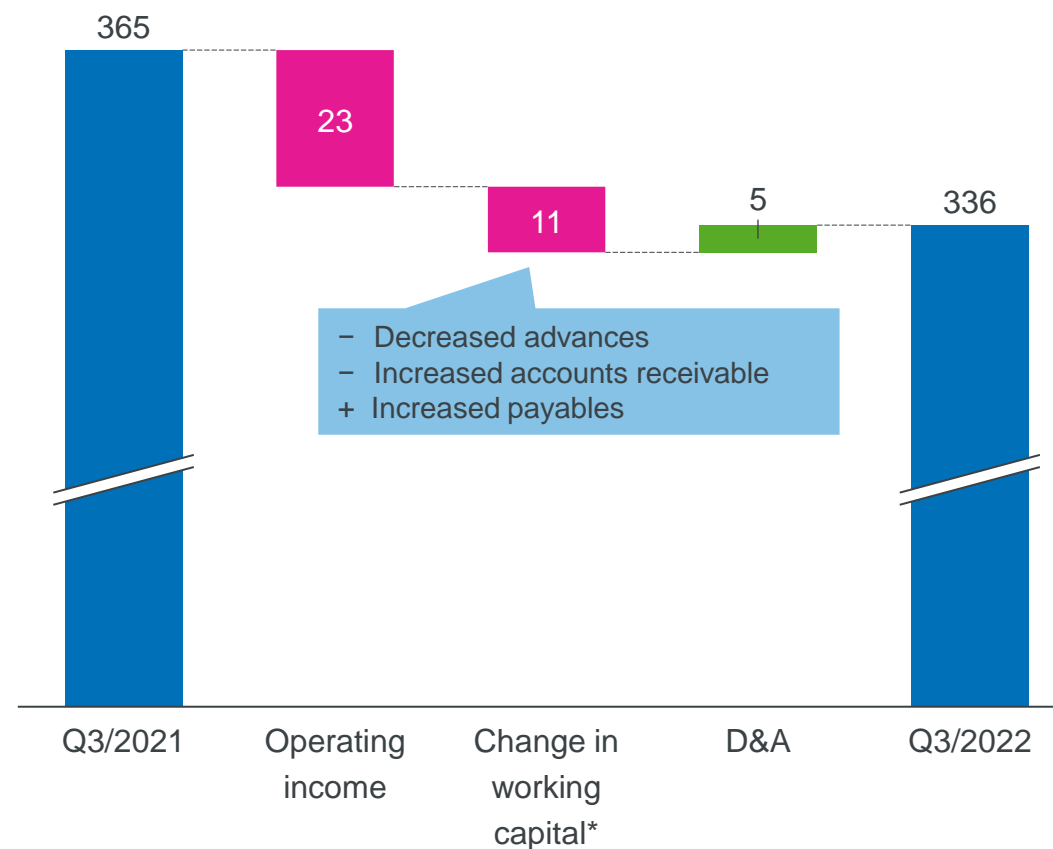
CASH FLOW IMPACTED BY DECLINE IN OPERATING INCOME AND MODERATE INCREASE IN WORKING CAPITAL

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.

MEUR



Market and business outlook



Market outlook for 2022 (updated)

New equipment markets

- The Chinese new equipment market is expected to decline by over 20% due to the tightened liquidity situation in the property markets and the impact of COVID-19 related restrictions
- In EMEA, the new equipment market is expected to be stable
- In North America and Asia-Pacific ex China the new equipment market is expected to grow clearly

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 (revised)



Sales

- KONE estimates that in 2022, its sales will decline by -1% to -4% at comparable exchange rates as compared to 2021

Adjusted EBIT

- The adjusted EBIT is expected to be in the range of EUR 1,010–1,090 million, assuming that foreign exchange rates would remain at the October 2022 level. Foreign exchange rates are estimated to impact EBIT positively by around EUR 80 million

This guidance assumes that KONE's delivery capability is not impeded by extended or more severe COVID-19 restrictions in China during the fourth quarter.

Supporting our performance

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

Burdening our result

- Approx. MEUR 200 headwind in 2022 from increased material, component and logistics costs
- Deterioration of the market environment in China and impact of COVID-19 restrictions
- Supply chain constraints

Headwinds and tailwinds going into 2023



BOOSTING OUR PERFORMANCE

- ① Strong order book and improving margin on orders received
- ① Positive momentum in Services
- ① Easing commodity cost headwinds and improving component availability



BURDENING OUR RESULT

- ② Slowing order book rotation
- ② Risk of continued liquidity constraints and COVID-19 restrictions in China
- ② Increasing wage inflation
- ② Impacts of geopolitical tensions on global supply chains



Summary

- New equipment market impacted by weak environment in China
- Continued strong momentum in Services drives resilience
- Progress in actions to improve profitability remains a priority
- Simplifying our operating model to drive long-term financial performance



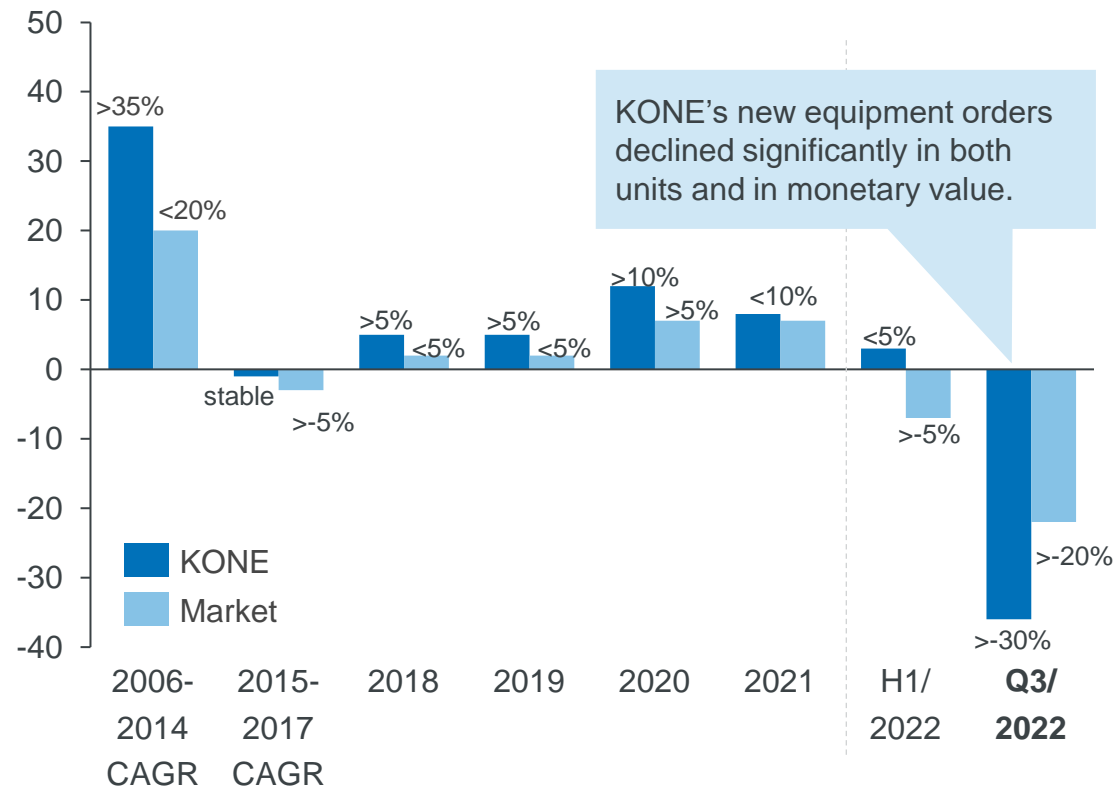
Dedicated to People Flow™



Appendix

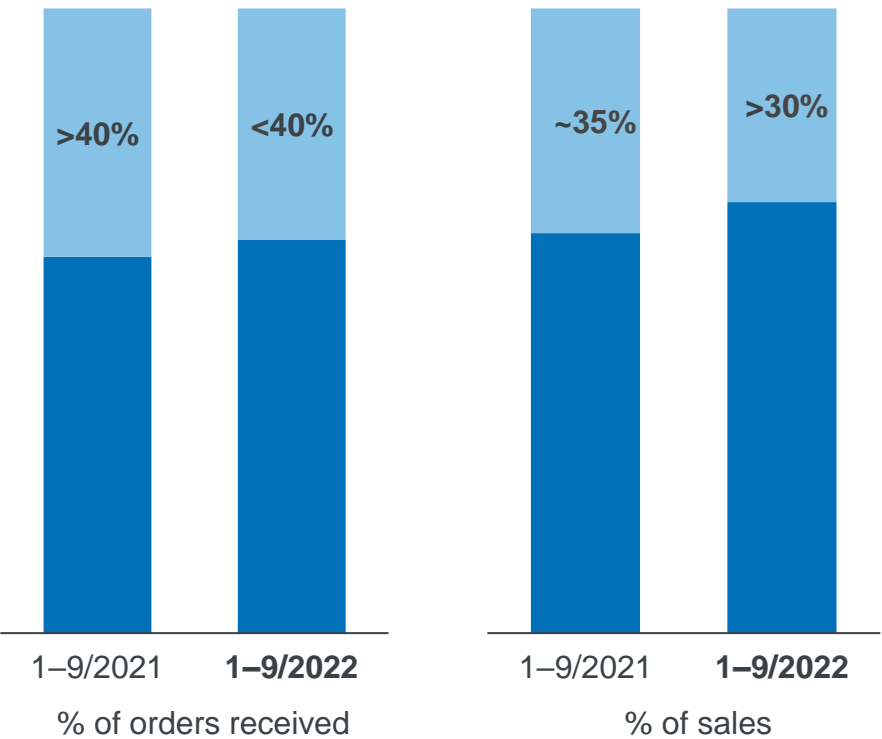
New equipment market

New equipment orders received in units vs. market development



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

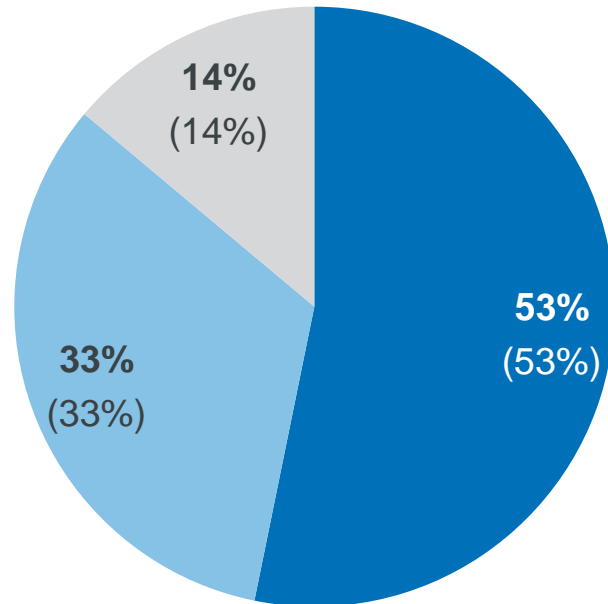
Monetary value



7–9/2022 Sales split

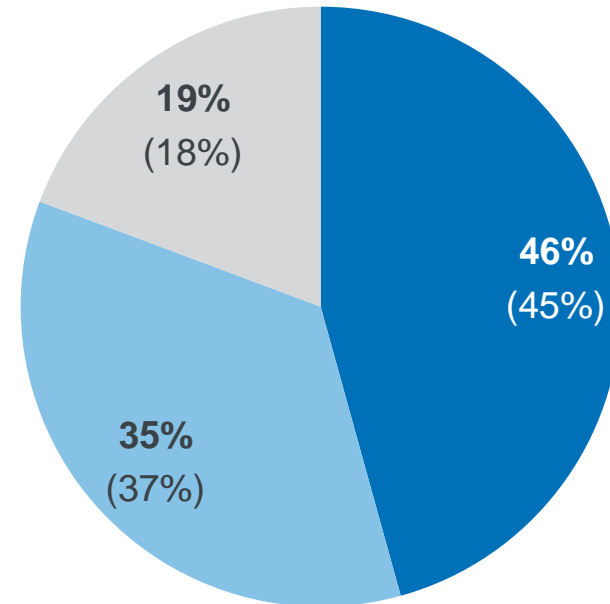


By business



- New equipment
- Maintenance
- Modernization

By region



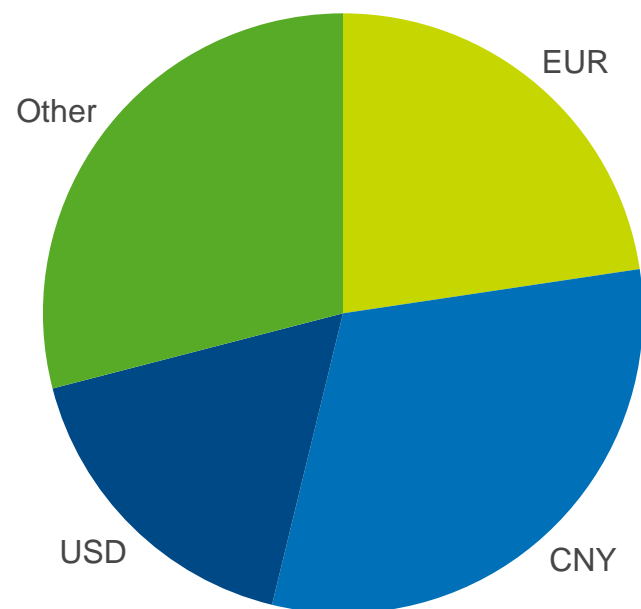
- Asia-Pacific
- EMEA (Europe, Middle East and Africa)
- Americas

7–9/2021 figures in brackets. Figures in charts are rounded and at historical exchange rates.

Currencies



Sales by currencies 1–9/2022



Currency impact*

MEUR	Q3	Full year
Sales	205.6	627.6
EBIT	21.3	70.0
Orders received	183.8	551.2

Main currencies

	Q3/2022 average	2021 average	Sep 30, 2022 spot
EUR / CNY	7.0147	7.6388	6.9368
EUR / USD	1.0637	1.1851	0.9748
EUR / GBP	0.8485	0.8615	0.8830
EUR / AUD	1.5082	1.5792	1.5076

*The impact of retranslating Q3/2021 and 1–12/2021 amounts with comparable exchange rates.

Balance sheet – assets employed



MEUR	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
Assets employed			
Goodwill	1,465.9	1,384.3	1,405.2
Other intangible assets	211.0	216.7	216.9
Tangible assets	744.5	720.9	736.7
Investments	135.0	142.0	144.6
Net working capital	-1,318.9	-1,356.9	-1,468.2
Assets employed total	1,237.4	1,107.0	1,035.1
Financed by			
Equity	2,790.3	2,927.0	3,199.2
Net debt	-1,552.8	-1,820.0	-2,164.1
Equity and net debt total	1,237.4	1,107.0	1,035.1

Net working capital



MEUR	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
Net working capital			
Inventories	935.9	673.7	717.8
Advance payments received and deferred revenue	-2,153.3	-1,893.7	-1,957.0
Accounts receivable	2,656.4	2,317.9	2,421.4
Deferred assets and income tax receivables	1,002.1	854.0	898.1
Accruals and income tax payables	-2,354.7	-2,245.8	-2,268.2
Provisions	-194.8	-164.6	-152.3
Accounts payable	-1,392.3	-1,056.6	-1,310.2
Net deferred tax assets / liabilities	181.6	158.2	182.2
Net working capital total	-1,318.9	-1,356.9	-1,468.2