



KONE H1 2023

Henrik Ehrnrooth, President & CEO
Ilkka Hara, CFO

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HALF YEAR FINANCIAL REPORT JANUARY–JUNE 2023

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People Flow™

Q2 2023 Highlights

- Broad-based sales growth and improved profitability
- Excellent performance in maintenance and modernization
- New equipment orders impacted by challenging market dynamics in China
- New operating model implemented



Q2 2023 key figures

Continued sales growth and improved profitability in a mixed operating environment

| | | Q2/2023 | Q2/2022 | Change | Comparable change |
|---|------|---------|----------|--------|-------------------|
| Orders received | MEUR | 2,275.5 | 2,609.0 | -12.8% | -8.1% |
| Order book | MEUR | 9,041.9 | 10,000.4 | -9.6% | -2.9% |
| Sales | MEUR | 2,835.9 | 2,555.1 | 11.0% | 16.1% |
| Operating income (EBIT) | MEUR | 283.2 | 189.0 | 49.8% | |
| Operating income margin (EBIT %) | % | 10.0 | 7.4 | | |
| Adjusted EBIT | MEUR | 332.0 | 209.3 | 58.6% | |
| Adjusted EBIT margin | % | 11.7 | 8.2 | | |
| Cash flow from operations (before financing items and taxes) | MEUR | 306.1 | 166.6 | | |
| Basic earnings per share | EUR | 0.43 | 0.26 | 65.1% | |

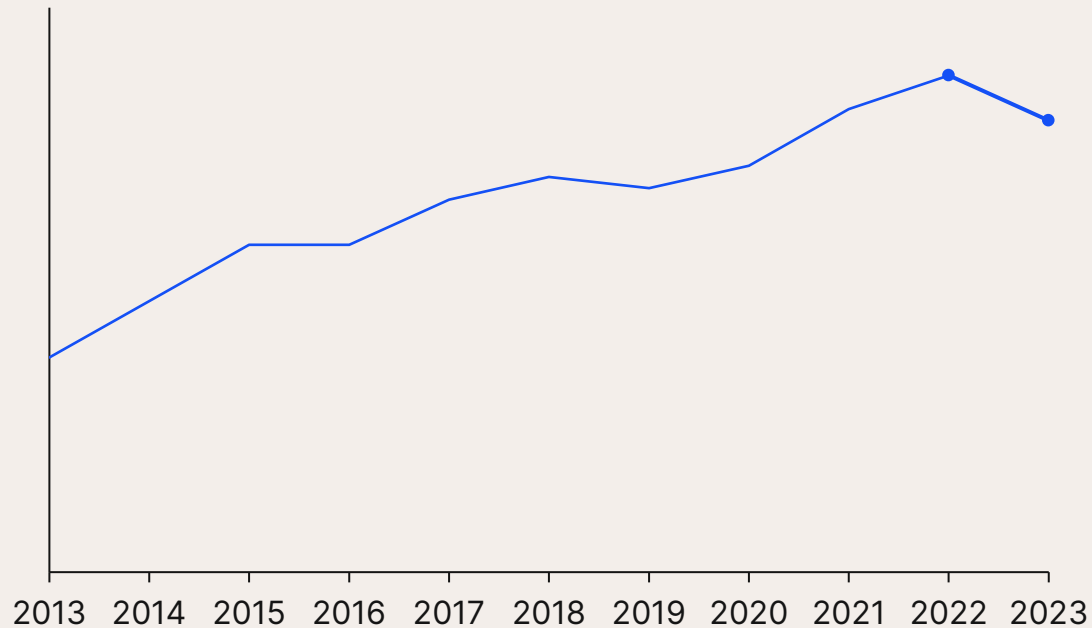
1-6/2023 key figures

Good development in sales and profitability, market backdrop impacted orders received

| | | 1-6/2023 | 1-6/2022 | Change | Comparable change |
|---|------|----------|----------|--------|-------------------|
| Orders received | MEUR | 4,538.6 | 5,031.7 | -9.8% | -6.6% |
| Order book | MEUR | 9,041.9 | 10,000.4 | -9.6% | -2.9% |
| Sales | MEUR | 5,392.5 | 4,997.0 | 7.9% | 11.1% |
| Operating income (EBIT) | MEUR | 521.5 | 360.2 | 44.8% | |
| Operating income margin (EBIT %) | % | 9.7 | 7.2 | | |
| Adjusted EBIT | MEUR | 573.9 | 405.8 | 41.4% | |
| Adjusted EBIT margin | % | 10.6 | 8.1 | | |
| Cash flow from operations (before financing items and taxes) | MEUR | 762.0 | 385.3 | | |
| Basic earnings per share | EUR | 0.79 | 0.51 | 53.9% | |

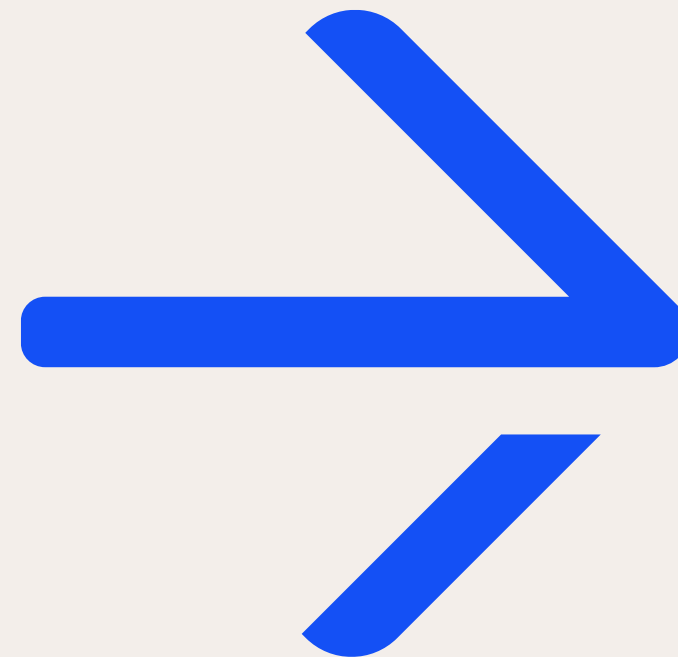
Customer loyalty on a solid level

Net promoter score (indicative)



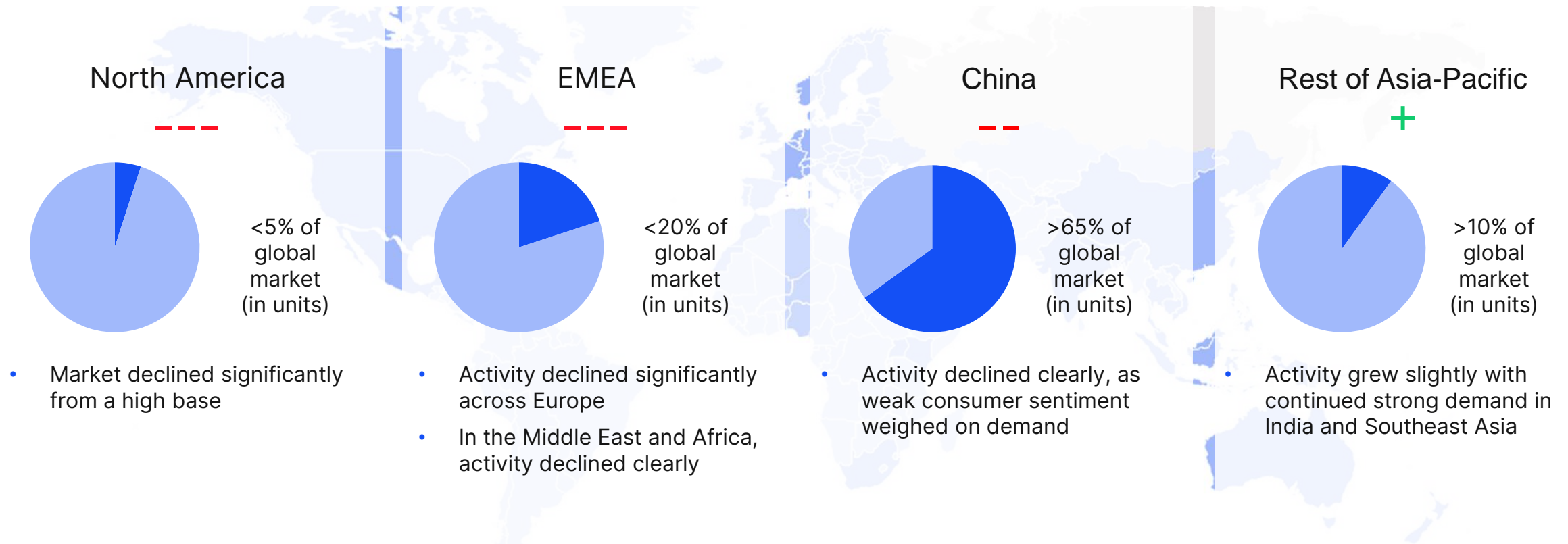
- Lockdown related delivery challenges in China impacted new equipment NPS
- Positive development in services, especially in modernization
- Good feedback on reliability, quality and responsiveness

Market development



New equipment market development in Q2 2023

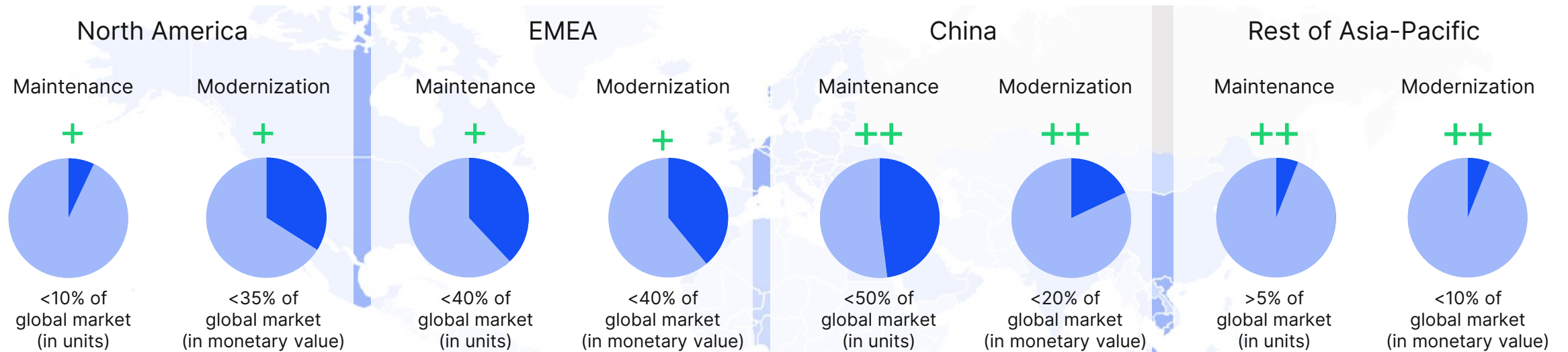
Activity impacted by challenging markets in China and economic environment in Europe and North America



--- Significant decline (>10%), -- Clear decline (5-10%), - Slight decline (<5%), Stable, + Slight growth (<5%), ++ Clear growth (5-10%), +++ Significant growth (>10%).
Based on KONE's estimate, includes markets where KONE has presence.

Service market development in Q2 2023

Positive development in the service markets across all regions



- - - Significant decline (>10%), - - Clear decline (5-10%), - Slight decline (<5%), Stable, + Slight growth (<5%), ++ Clear growth (5-10%), +++ Significant growth (>10%).
Based on KONE's estimate, includes markets where KONE has presence.

Market activity in China

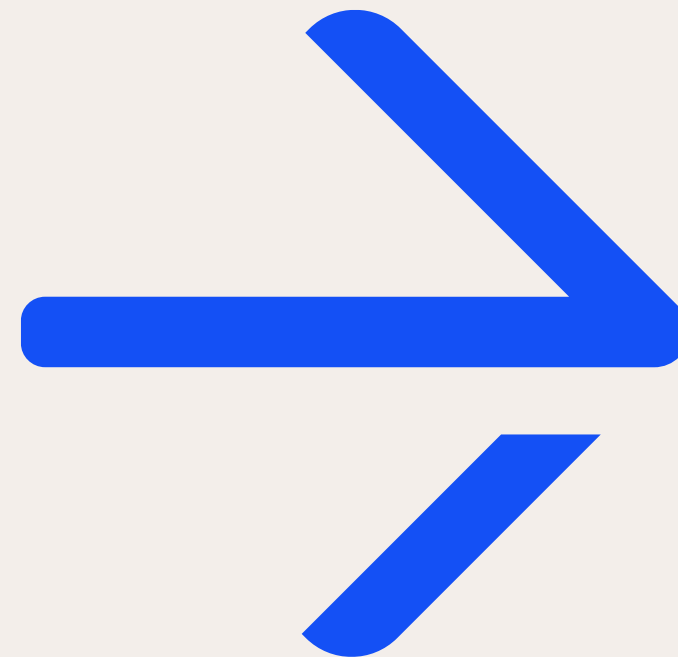


- Weak consumer sentiment weighed on second quarter new equipment demand in China following a promising start to the year, pricing environment characterized by intense competition
- Strong focus on completion of unfinished projects
- Policy actions central to recovery in new construction
- Maintenance markets developing well, modernization returned to trend growth



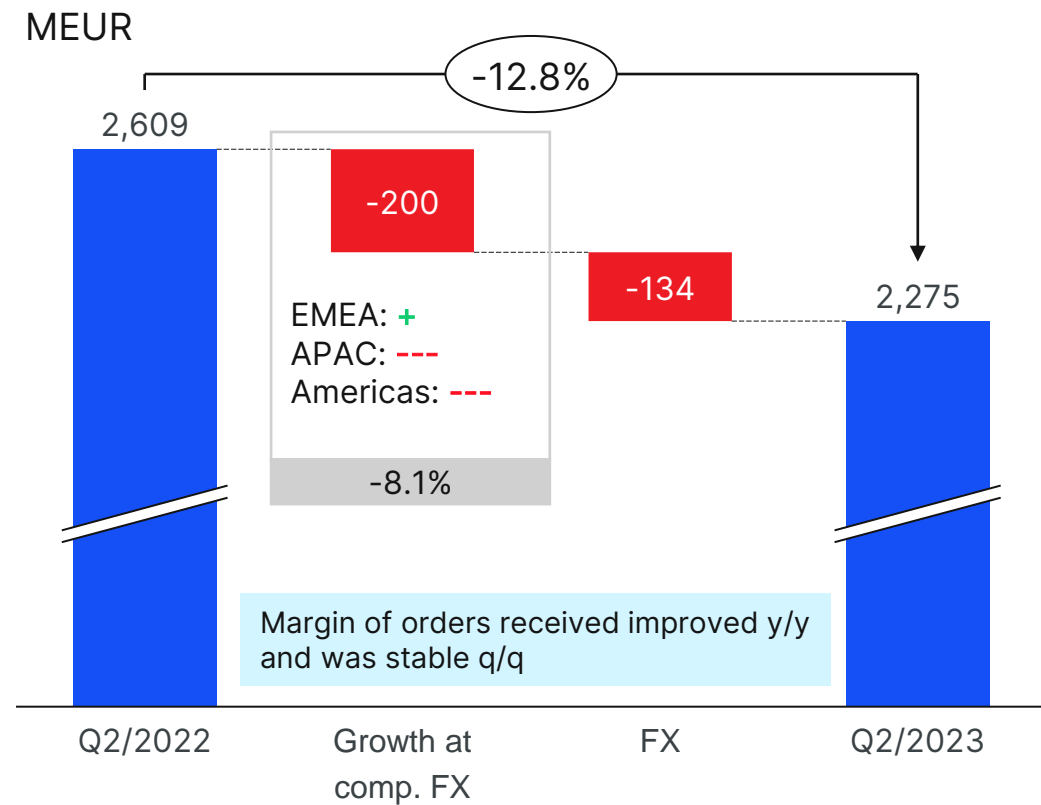
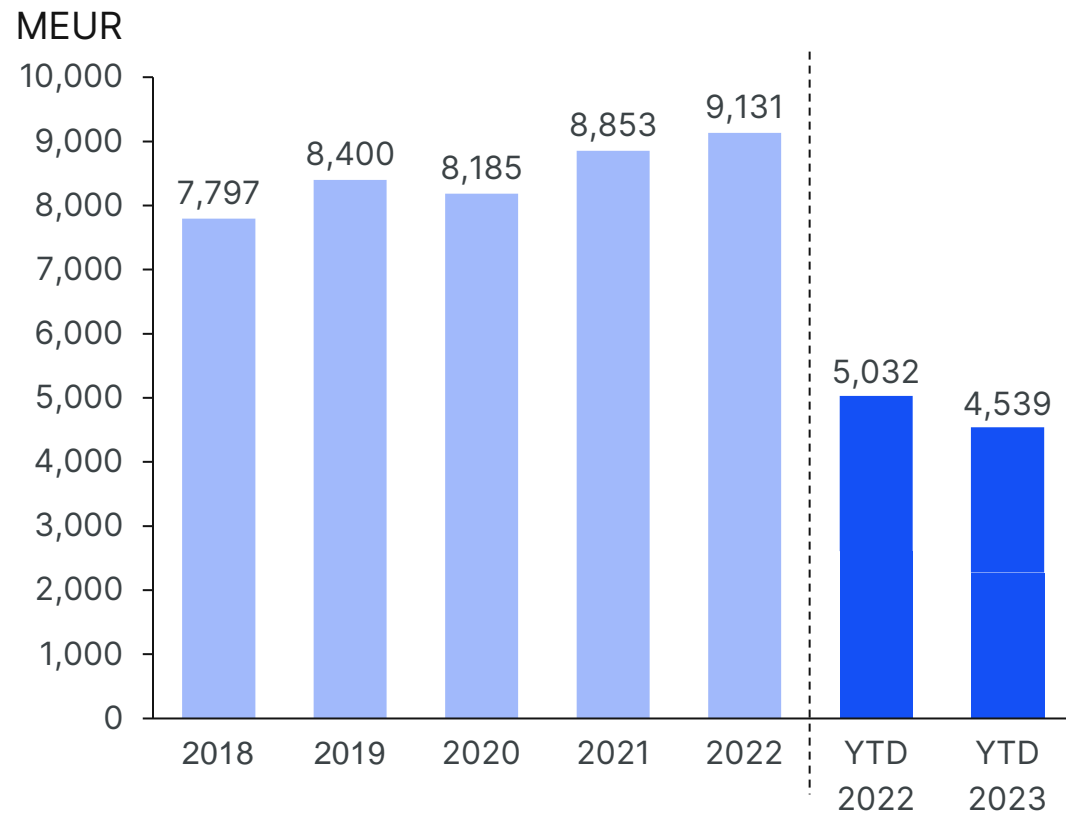
| | Q2 2023 y/y | H1 2023 y/y |
|--|-------------|-------------|
| Real estate investment | -9.5% | -7.9% |
| Residential sales volume | -6.8% | -2.8% |
| New starts | -28.6% | -24.3% |
| Completions | 25.3% | 19.0% |
| New home prices in 70 largest cities (Jun) | -0.43% | |

Q2 Financials



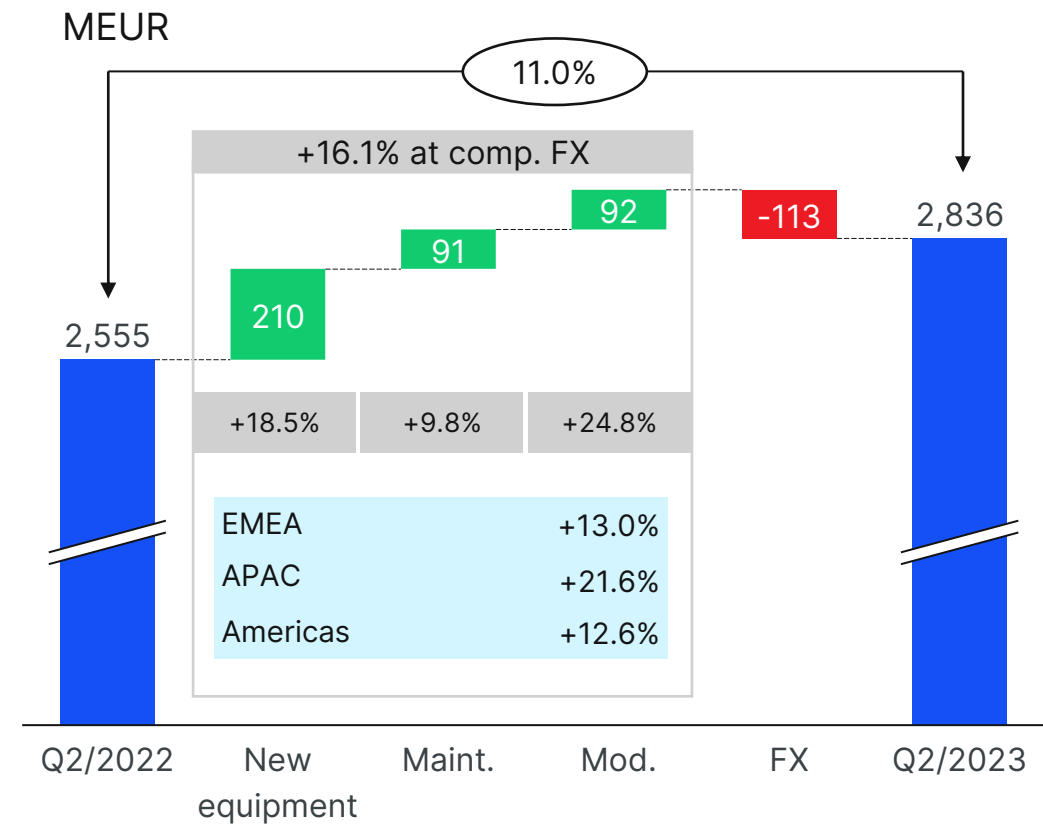
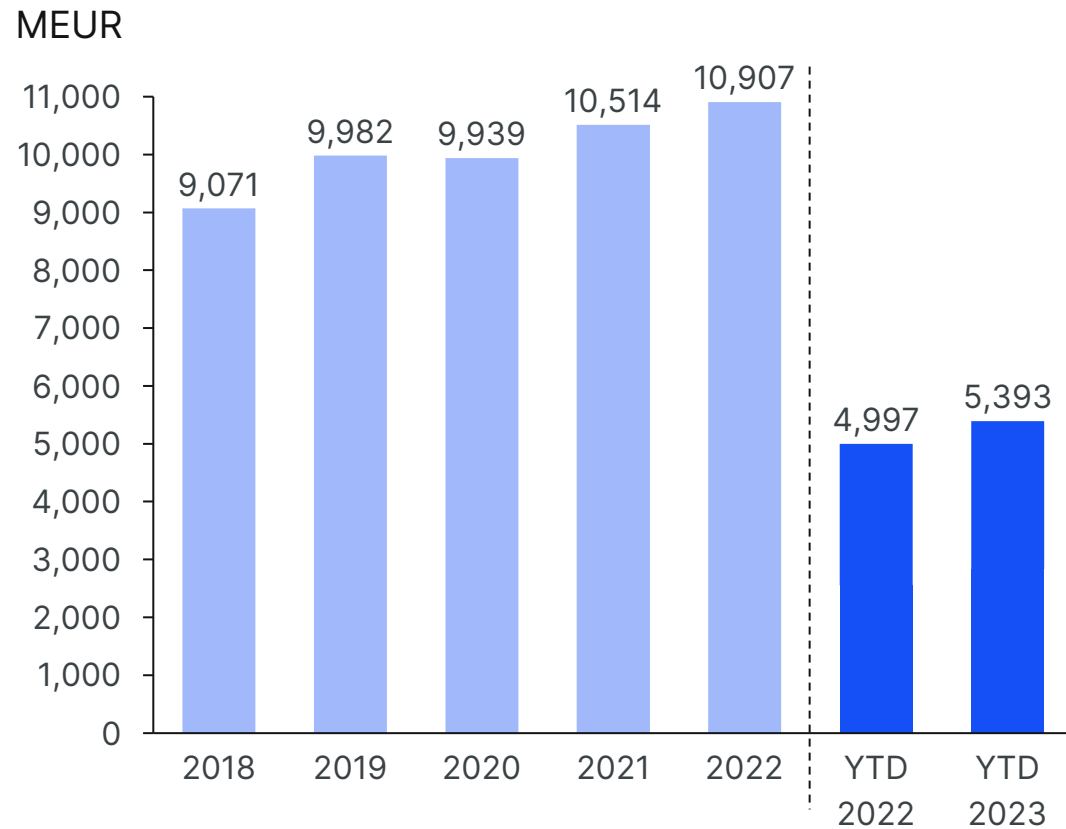
Orders received

New equipment orders impacted by market backdrop, good growth in modernization



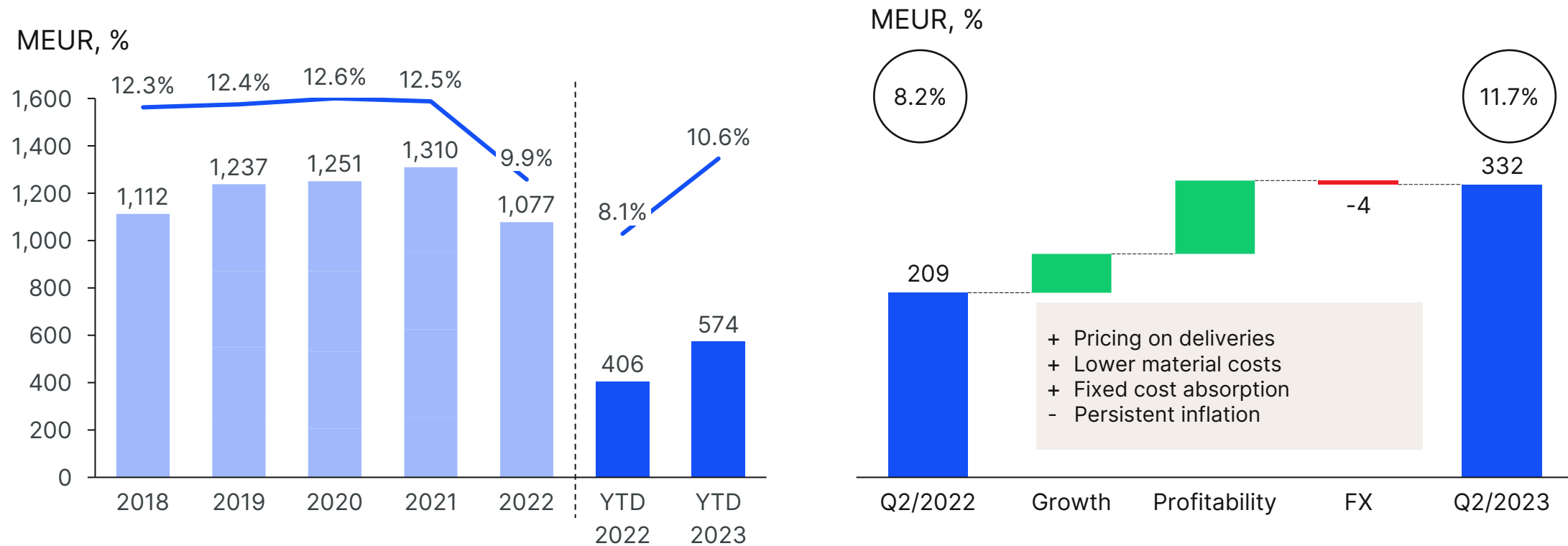
Sales

Broad-based sales growth



Adjusted EBIT and profitability

Margin expansion driven by sales growth and profitability improvement actions

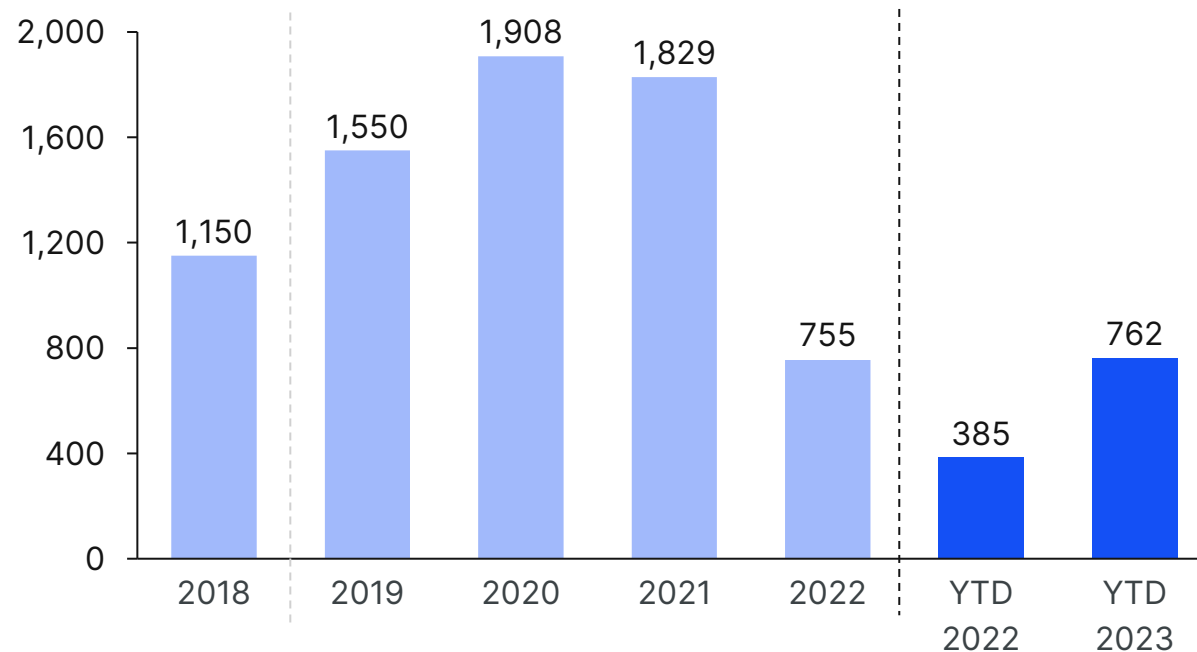


KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–June 2023, items affecting comparability amounted to EUR 52.4 million including EUR 54.7 million costs recognized on restructuring measures and a slight positive effect from remeasurement of the net assets 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 largely due to increased operating income

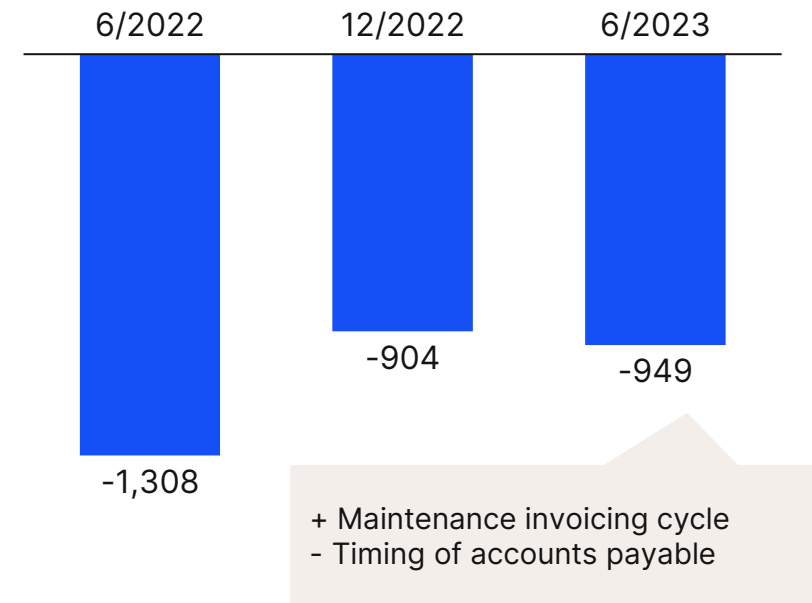
Cash flow from operations*, MEUR



* Before financing items and taxes

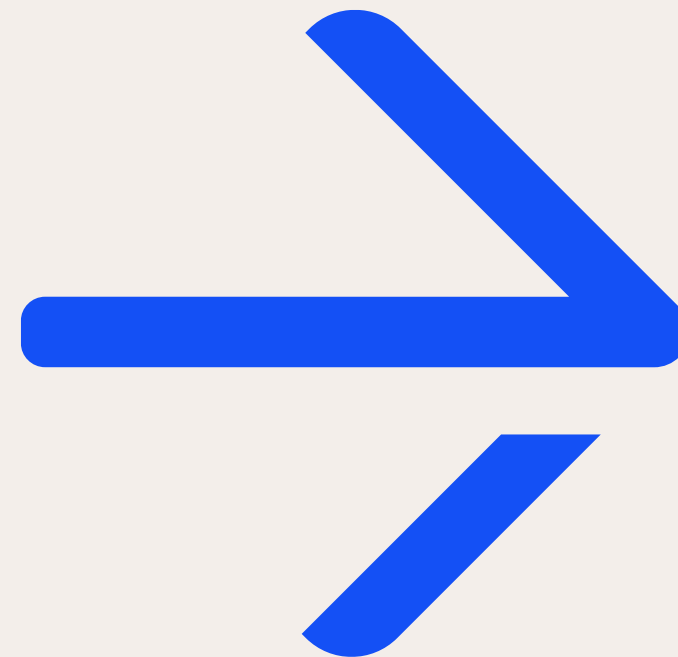
KONE had adopted IFRS 16 from January 1, 2019 onwards which improved cash flow from operations as payments of lease liabilities were included into cash flow from financing activities. The cash flows for comparative periods have not been restated.

Net working capital**, MEUR



** Including financial items and taxes. .

Market and business outlook



Market outlook for 2023 (updated)

New equipment markets

- In China, the market is expected to decline by approximately 10–15% during 2023. Policy actions are central to market recovery.
- In the rest of Asia-Pacific, activity is expected to grow clearly
- In EMEA, activity is expected to decline clearly
- In North America, activity is expected to decline significantly following a weak first half

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 growth at comparable exchange rates for the year 2023 to be in the range of 3–6% (prev. somewhat above the previous year)

Adjusted EBIT

- The adjusted EBIT margin is expected to be in the range of 11.0–12.0% (prev. start to recover)
- Assuming that foreign exchange rates remain at the July 2023 level, the negative impact of FX on the adjusted EBIT is expected to be approximately EUR 50 million

Supporting our performance

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

Burdening our performance

- Decline in China's new equipment market
- Softer new equipment market environment in Europe and North America
- Wage inflation

Summary

- Good development in sales and profitability
- New operating model drives strengthened customer focus and competitiveness
- Well positioned to capture growth opportunities in services and in selected new equipment markets



The image shows a modern building lobby with a curved glass and metal staircase on the left. The floor is a light-colored, polished material. In the background, there are glass doors and a white reception desk. The KONE logo is overlaid in the center, with each letter in a white box. The 'K' is blue, the 'O' is a circular inset showing a close-up of the staircase, the 'N' is brown, and the 'E' is light blue.

K

O

N

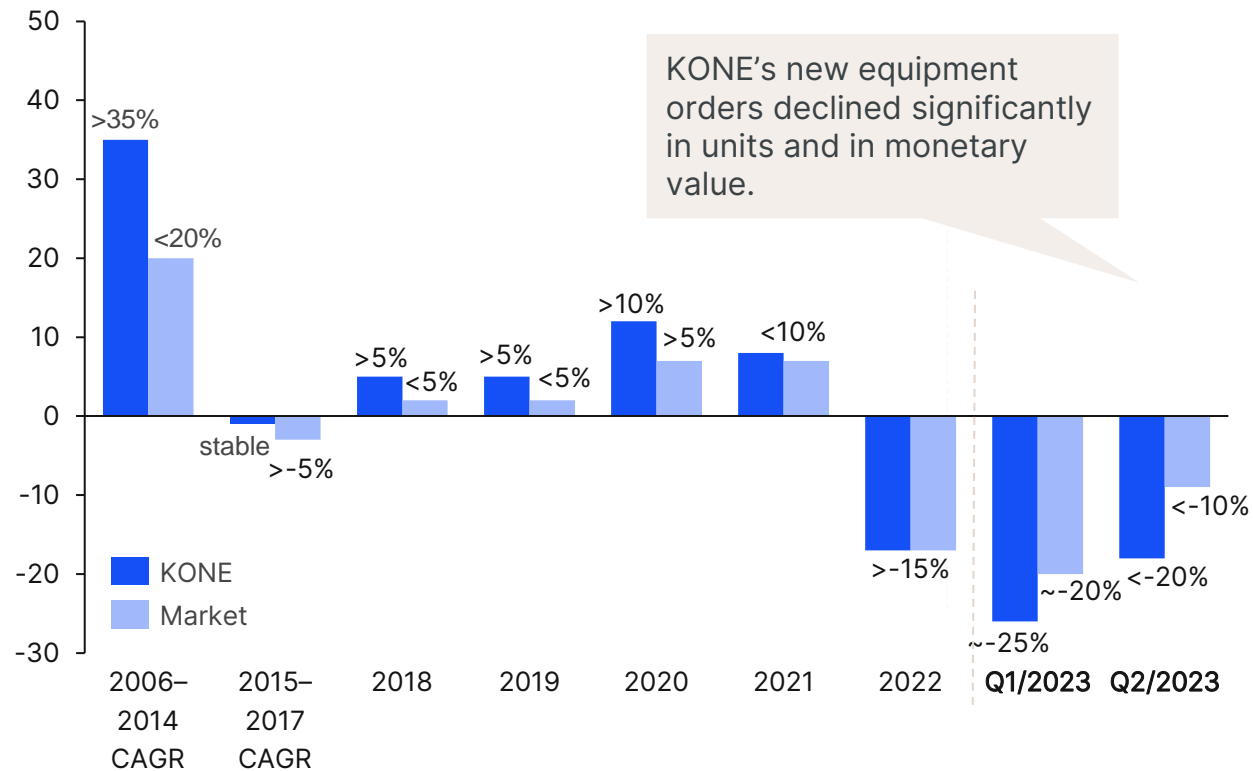
E

Appendix

KONE in China

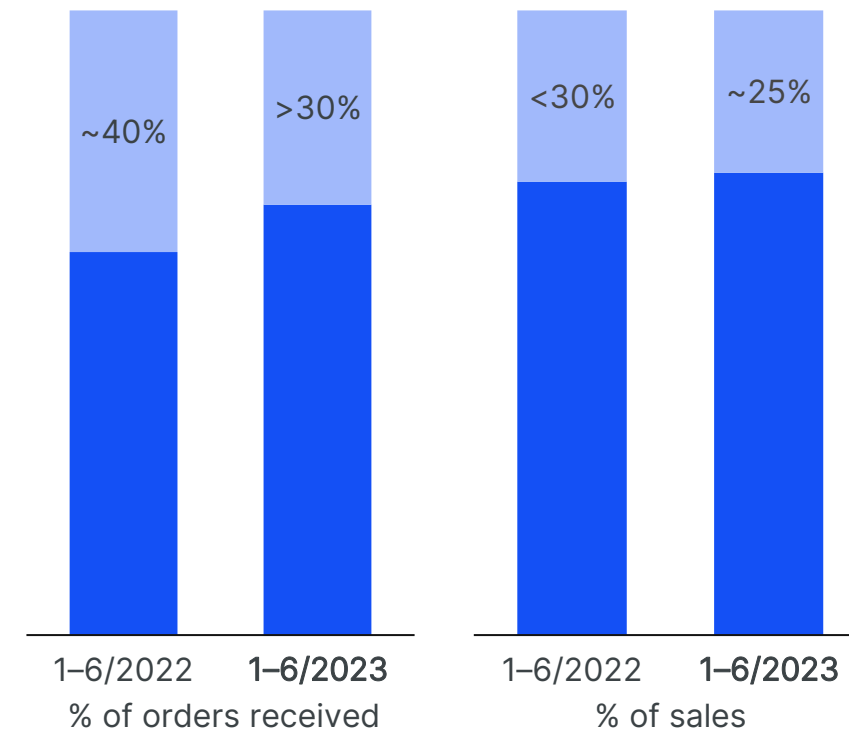
New equipment market

New equipment orders received in units vs. market development



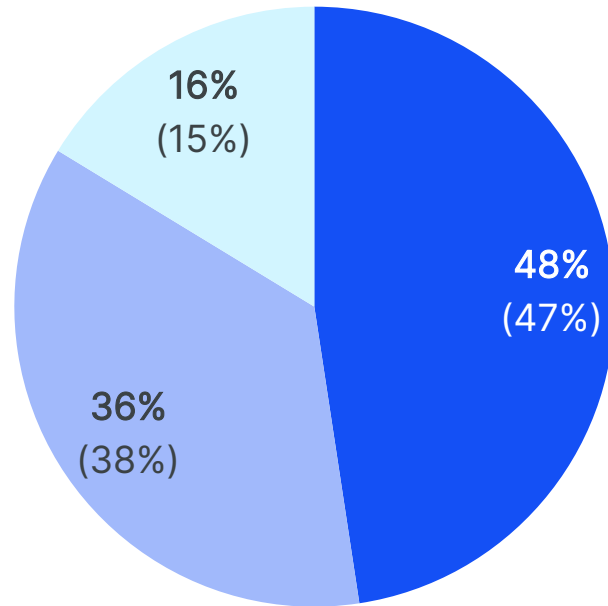
China's share of KONE's orders received and sales

Monetary value



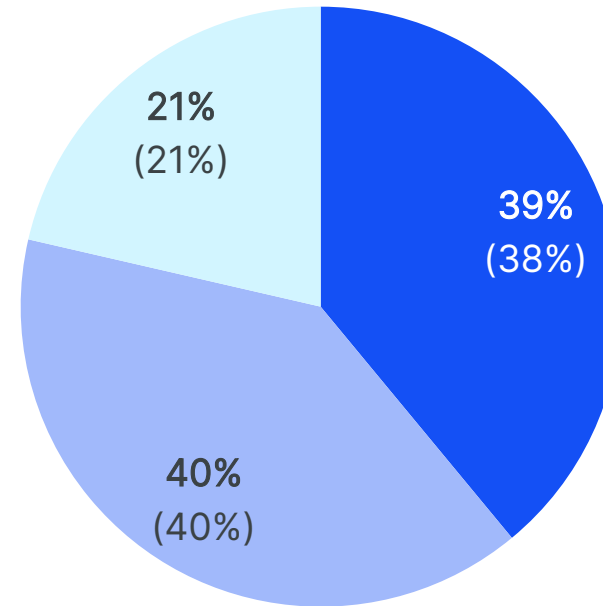
4–6/2023 Sales split

By business



- New equipment
- Maintenance
- Modernization

By region

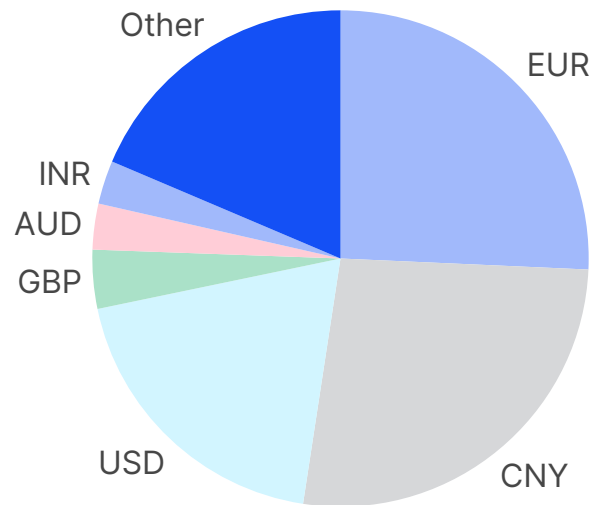


- Asia-Pacific
- EMEA
- Americas

4–6/2022 figures in brackets. Figures in charts are rounded and at historical exchange rates.

Currencies

Sales by currencies 4–6/2023



Currency impact*

| MEUR | Q2 | Full year |
|-----------------|--------|-----------|
| Sales | -112.9 | -384.4 |
| EBIT | -4.5 | -30.0 |
| Orders received | -133.5 | -356.1 |

Main currencies

| MEUR | Q2/2023 average | 2022 average | Jun 30, 2023 spot |
|-----------|-----------------|--------------|-------------------|
| EUR / CNY | 7.5156 | 7.0836 | 7.8983 |
| EUR / USD | 1.0789 | 1.0563 | 1.0866 |
| EUR / GBP | 0.8752 | 0.8537 | 0.8583 |
| EUR / INR | 88.7613 | 82.8319 | 89.2065 |
| EUR / AUD | 1.6108 | 1.5189 | 1.6398 |

*The impact of retranslating Q2/2022 and 1–12/2022 amounts with comparable exchange rates.

Balance sheet – assets employed

| MEUR | Jun 30, 2023 | Jun 30, 2022 | Dec 31, 2022 |
|---------------------------|--------------|--------------|--------------|
| Assets employed | | | |
| Goodwill | 1,439.0 | 1,437.8 | 1,414.7 |
| Other intangible assets | 281.2 | 216.7 | 208.2 |
| Tangible assets | 718.3 | 735.8 | 716.8 |
| Investments | 98.4 | 133.1 | 121.7 |
| Net working capital | -948.7 | -1,308.1 | -903.9 |
| Assets employed total | 1,588.2 | 1,215.4 | 1,557.5 |
| Financed by | | | |
| Equity | 2,229.1 | 2,478.7 | 2,866.5 |
| Net debt | -640.9 | -1,263.4 | -1,309.0 |
| Equity and net debt total | 1,588.2 | 1,215.4 | 1,557.5 |

Net working capital*

| MEUR | Jun 30, 2023 | Jun 30, 2022 | Dec 31, 2022 |
|--|--------------|--------------|--------------|
| Net working capital | | | |
| Inventories | 829.2 | 873.4 | 843.6 |
| Advance payments received and deferred revenue | -1,953.5 | -2,184.3 | -1,973.8 |
| Accounts receivable | 2,531.6 | 2,541.1 | 2,668.1 |
| Deferred assets and income tax receivables | 873.0 | 1,040.6 | 826.9 |
| Accruals and income tax payables | -2,262.4 | -2,393.1 | -2,181.2 |
| Provisions | -217.3 | -187.3 | -177.4 |
| Accounts payable | -952.4 | -1,174.8 | -1,132.8 |
| Net deferred tax assets / liabilities | 203.2 | 176.4 | 222.7 |
| Net working capital total | -948.7 | -1,308.1 | -903.9 |

* Including financial items and taxes.