

KONE Q1 2022

APRIL 27, 2022

HENRIK EHRNROOTH, PRESIDENT & CEO

ILKKA HARA, CFO

Q1 2022 Highlights

- Strong growth in orders received and excellent start to the year in Services
- Increased uncertainty due to COVID-19 restrictions in China and the war in Ukraine
- Supply chain disruptions intensified, offsetting actions progressing well and remain a top priority



Q1 2022 Key figures



STRONG GROWTH IN ORDERS RECEIVED, OPERATING INCOME BURDENED BY SUPPLY CHAIN CONSTRAINTS

		Q1/2022	Q1/2021	Change	Comparable change
Orders received	MEUR	2,422.6	2,075.9	16.7 %	10.6 %
Order book	MEUR	9,255.4	8,180.4	13.1 %	7.3 %
Sales	MEUR	2,441.9	2,326.4	5.0 %	-0.4 %
Operating income (EBIT)	MEUR	171.1	249.8	-31.5 %	
Operating income margin (EBIT %)	%	7.0	10.7		
Adjusted EBIT	MEUR	196.5	249.8	-21.4 %	
Adjusted EBIT margin	%	8.0	10.7		
Cash flow from operations (before financing items and taxes)	MEUR	218.7	425.5		
Basic earnings per share	EUR	0.25	0.37	-32.9 %	

Driving differentiation through sustainability, productivity and adaptability



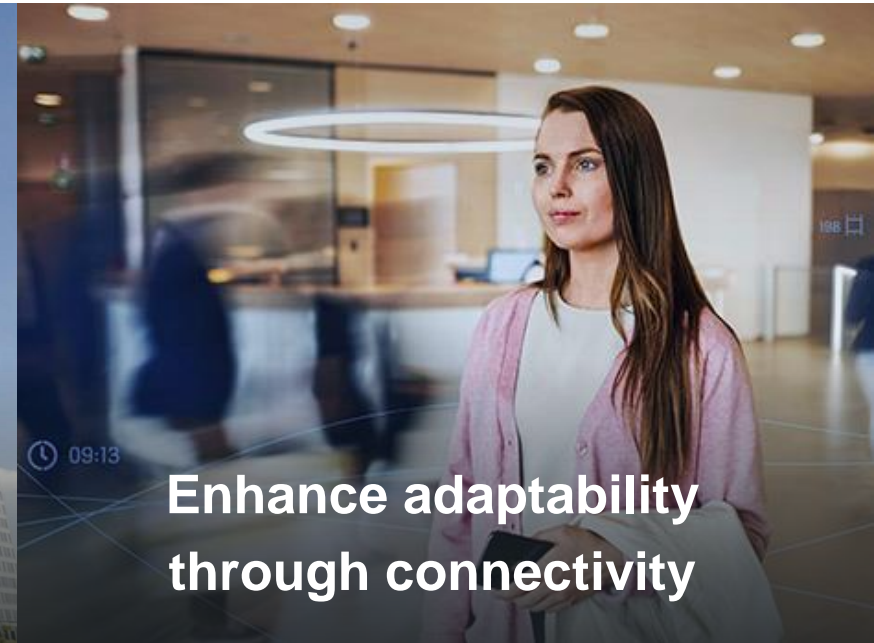
Partner for smart and sustainable buildings

- Industry's first carbon neutral elevators launched with carbon compensation
- Wooden shafts provide a new solution for eco-friendly construction



Accelerate construction with improved productivity

- New KONE Construction Time Use solutions include 24/7 Connected services for improved insights and uptime
- A standardized version of KONE JumpLift for machine-roomless elevators available for buildings of all heights can reduce construction time by several months



Enhance adaptability through connectivity

- KONE DX Class elevators available in all regions following their launch in the United States and Canada

Highlights of our progress in sustainability 2021



Work on **science-based targets** continued with full speed

-15%

Reduction in absolute Scope 1 and 2 emissions* (2030: -50%)

80%

Share of renewable electricity in our operations (2030: 100%)

+0.4%

Scope 3 emissions relative to products ordered* (2030: -40%)

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

21%

Share of women on director level (2030: 35%)

Endorsement of **UN Standards of Conduct**, and partnership with **Workplace Pride**

Continued **safety performance** compared to pre-pandemic levels

1.6

Industrial Injury Frequency rate (2030: 0.6)

Appointment to the Executive Board



Karla Lindahl

Karla Lindahl was appointed Executive Vice President, responsible for the South Europe and Mediterranean region and member of the Executive Board as of 1 April, 2022.

A high-angle, wide shot of a modern office space. The office is filled with cubicles, each equipped with a desk, a laptop, and various office supplies. Large windows on the right side of the frame allow natural light to flood the space. Several employees are visible: a man is seated at a desk in the foreground, working on a laptop; a woman is walking through the cubicles, carrying a folder; and another woman is seated at a desk in the lower right corner. The office has a clean, professional look with a mix of wood and metal materials.

Market development

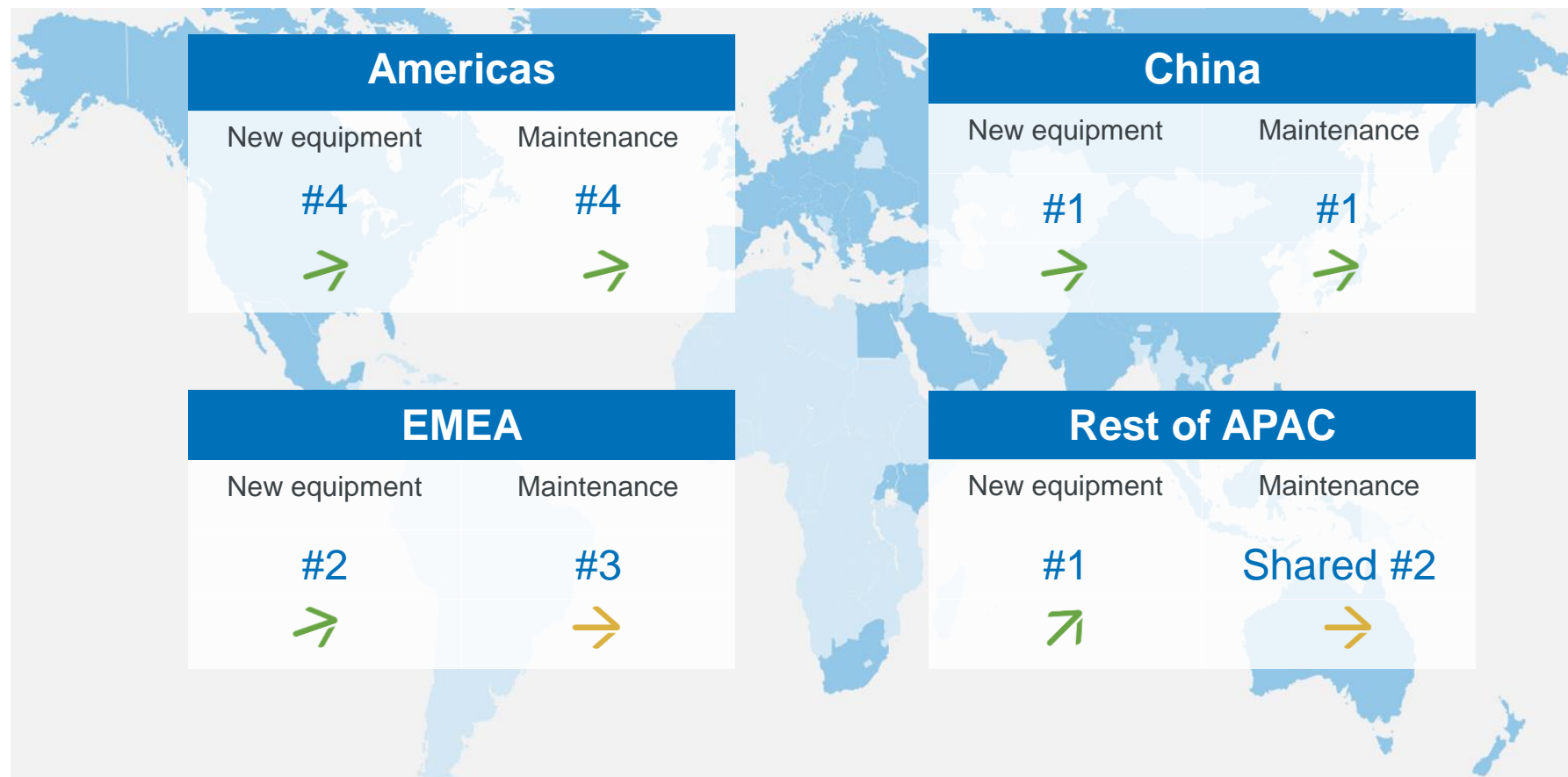
Global E&E markets and KONE's positioning in 2021



Global markets

- New equipment market was >1 million units, growing ~7%
- Maintenance market was <20 million units, growing ~5%

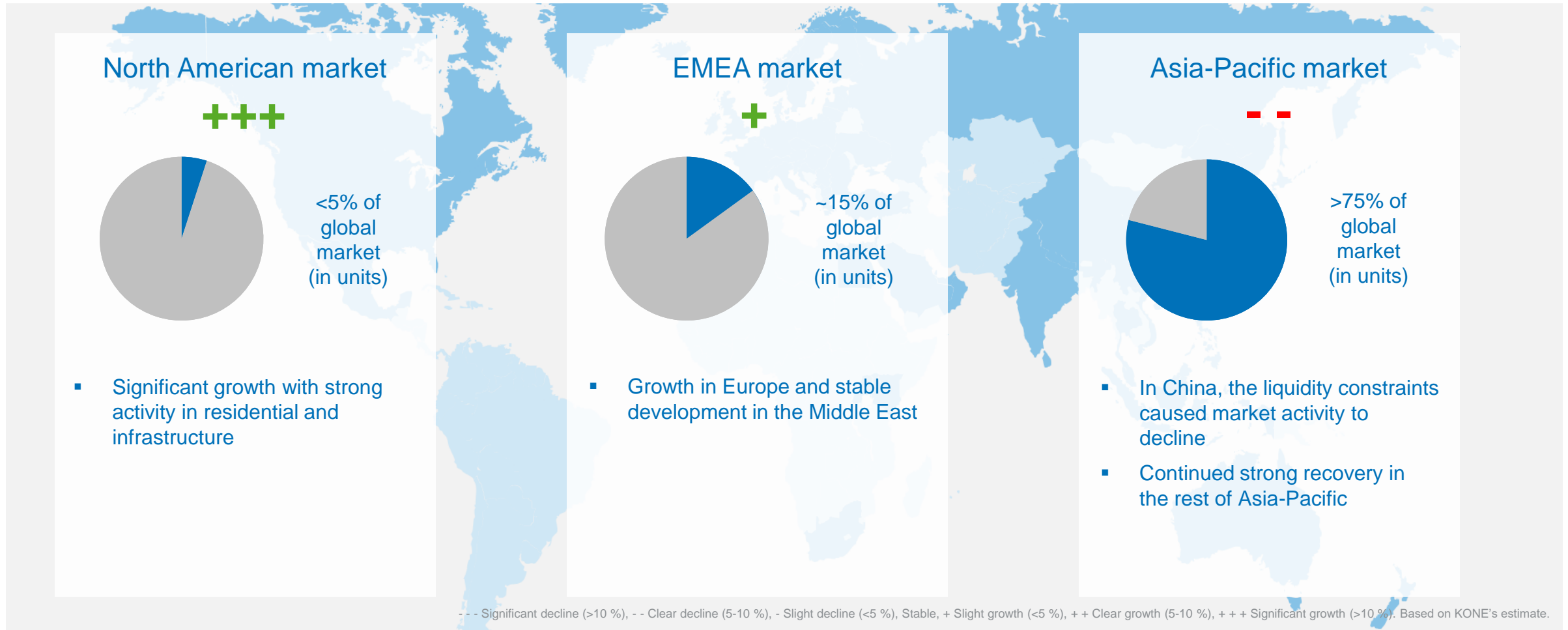
KONE's market position and market share development



Based on KONE's estimate. Includes 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.

New equipment market development in Q1 2022

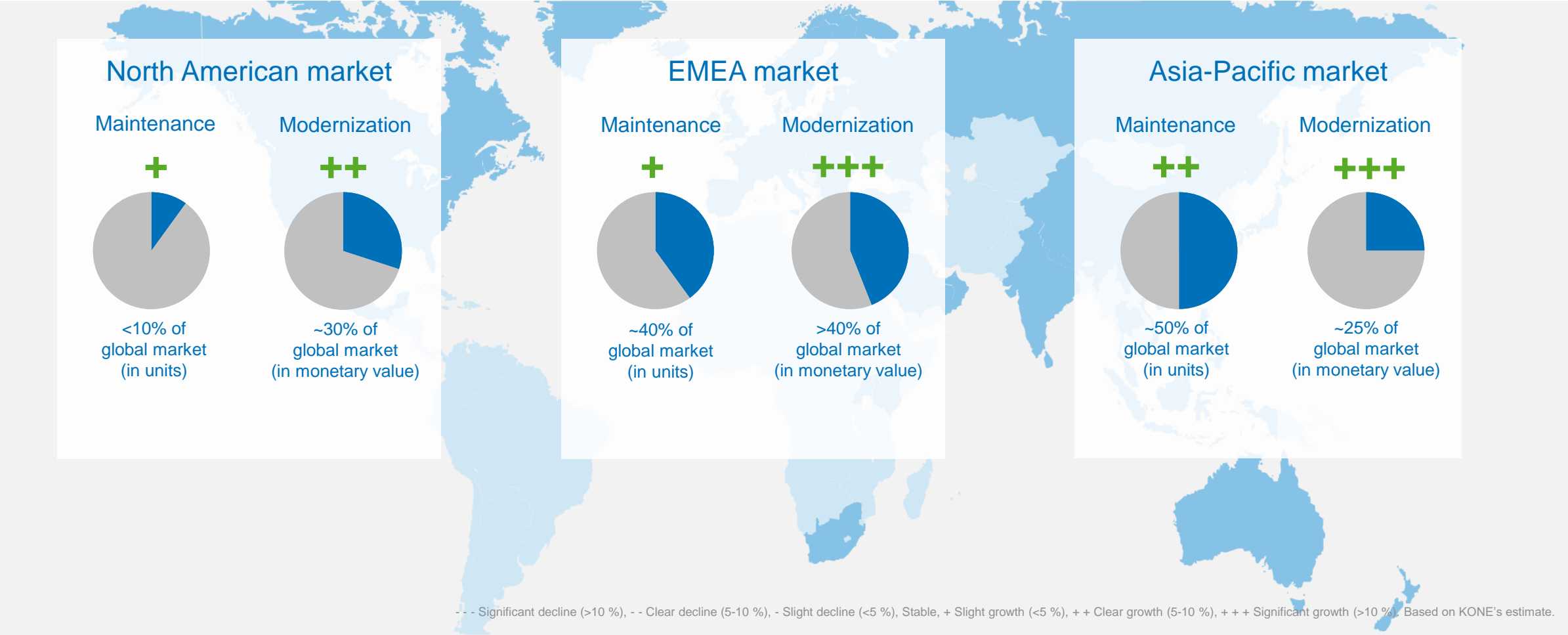
CHINA IMPACTED BY LIQUIDITY CONSTRAINTS, FAVORABLE DEVELOPMENT IN ALL OTHER REGIONS



Service market development in Q1 2022



BROAD-BASED GROWTH IN BOTH MAINTENANCE AND MODERNIZATION



Market activity and KONE's operations in China



Liquidity restrictions continued

- New equipment market declined; pricing environment characterized by intense competition
- Easing measures introduced in Q1 to support housing demand



COVID-19 restrictions have increased uncertainty

- >50 of 100 largest cities in some degree of lockdowns
- Significant disruptions to logistics and business operations
- Increased uncertainty expected to impact second quarter market activity



KONE's operations resilient in prevailing circumstances

- Solid demand for KONE's solutions
- Q1 deliveries somewhat impacted by construction site closures, maintenance remained resilient
- Kunshan and Nanxun factories closed for 3 weeks in April, now gradually opening up

Q1 Financials

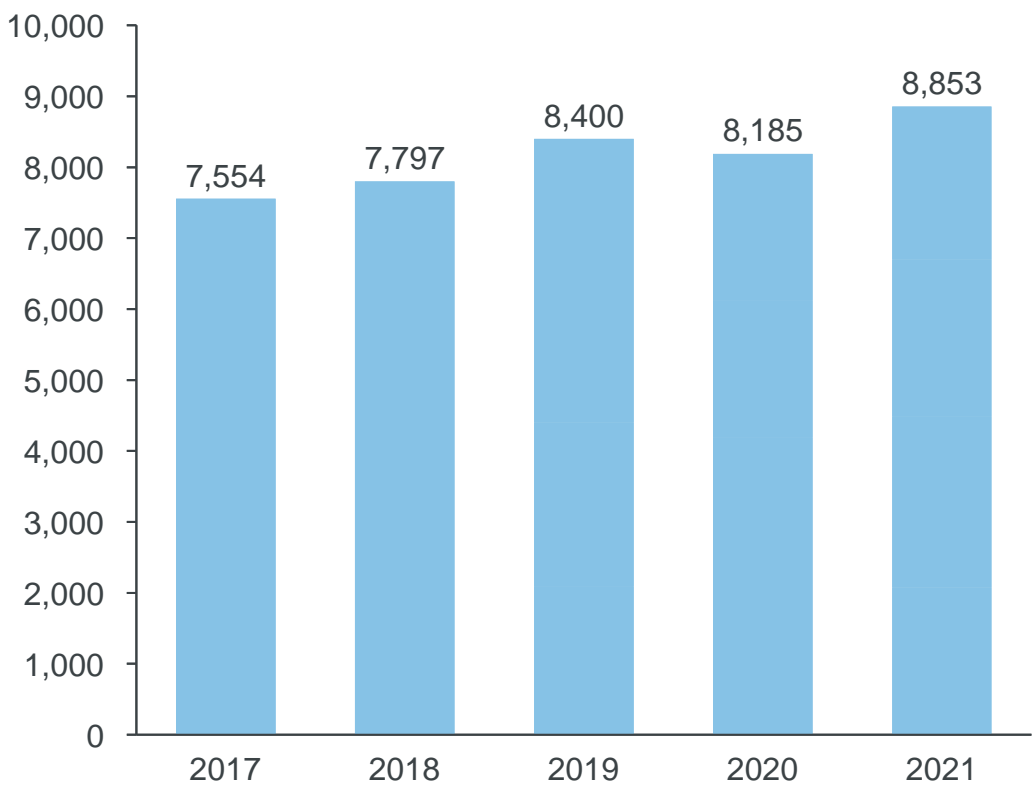


Orders received

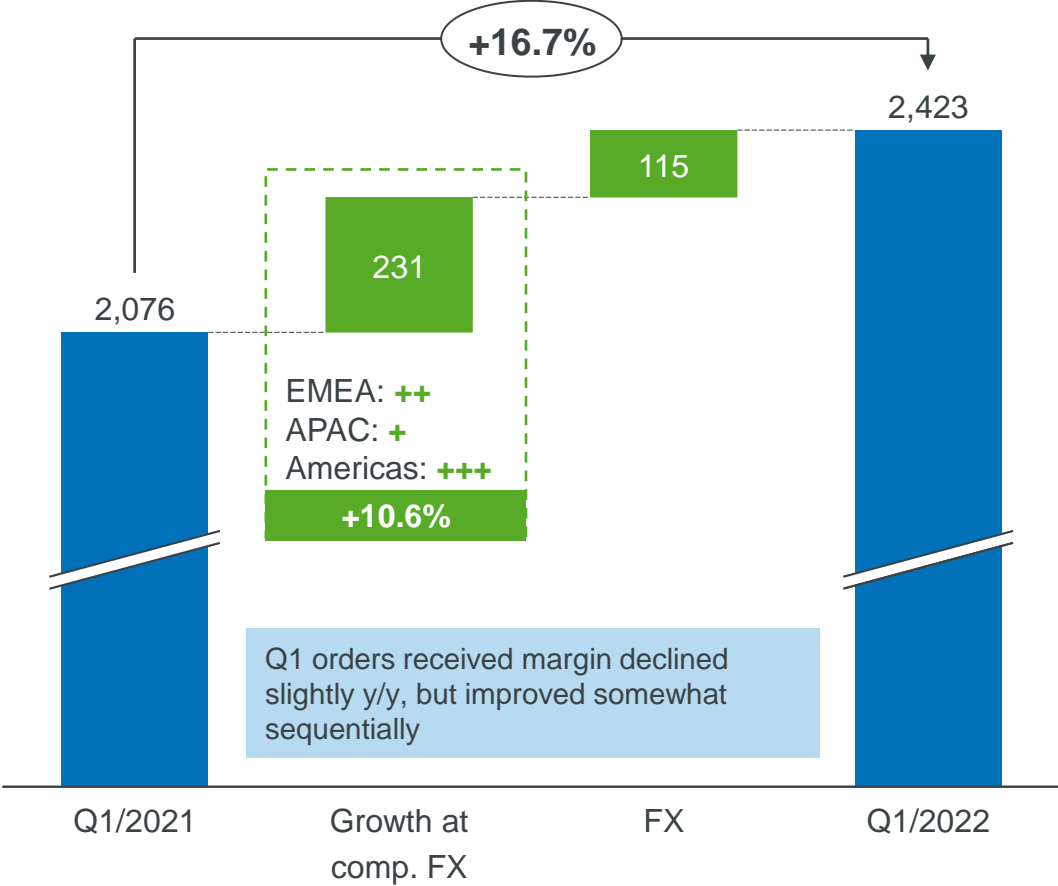


ORDERS RECEIVED GROWING STRONGLY IN ALL BUSINESSES,
PRICING ACTIONS DROVE SEQUENTIAL IMPROVEMENT IN MARGIN OF ORDERS RECEIVED

MEUR



MEUR

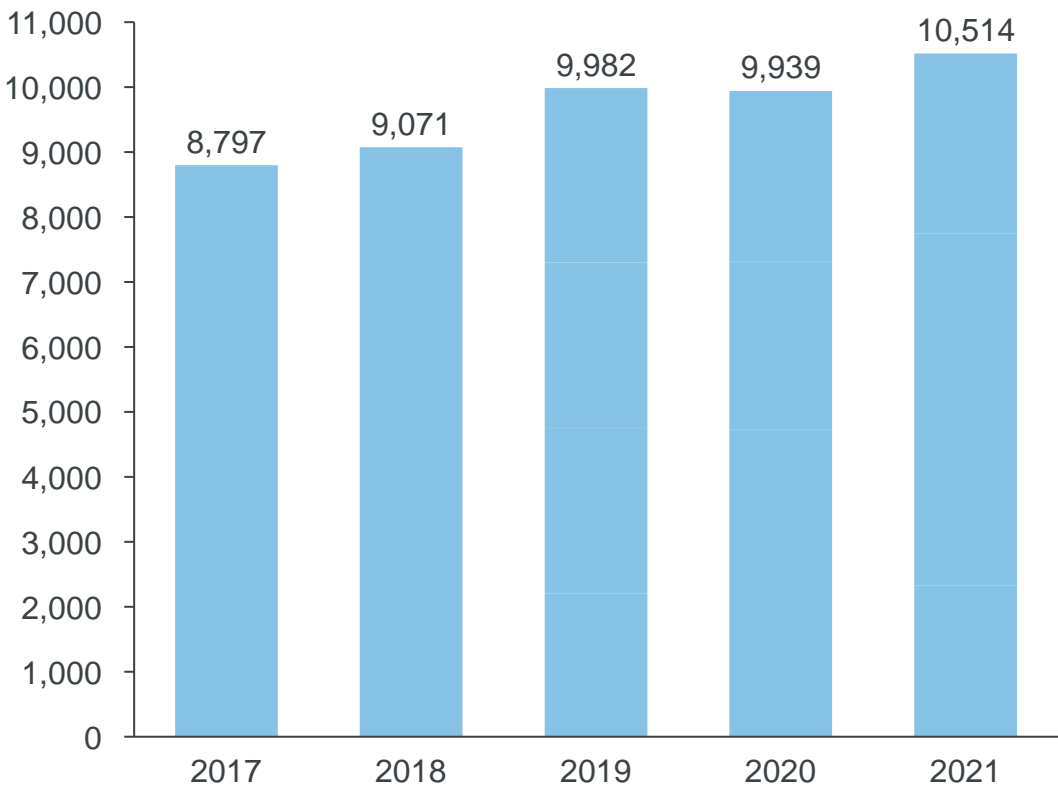


Sales

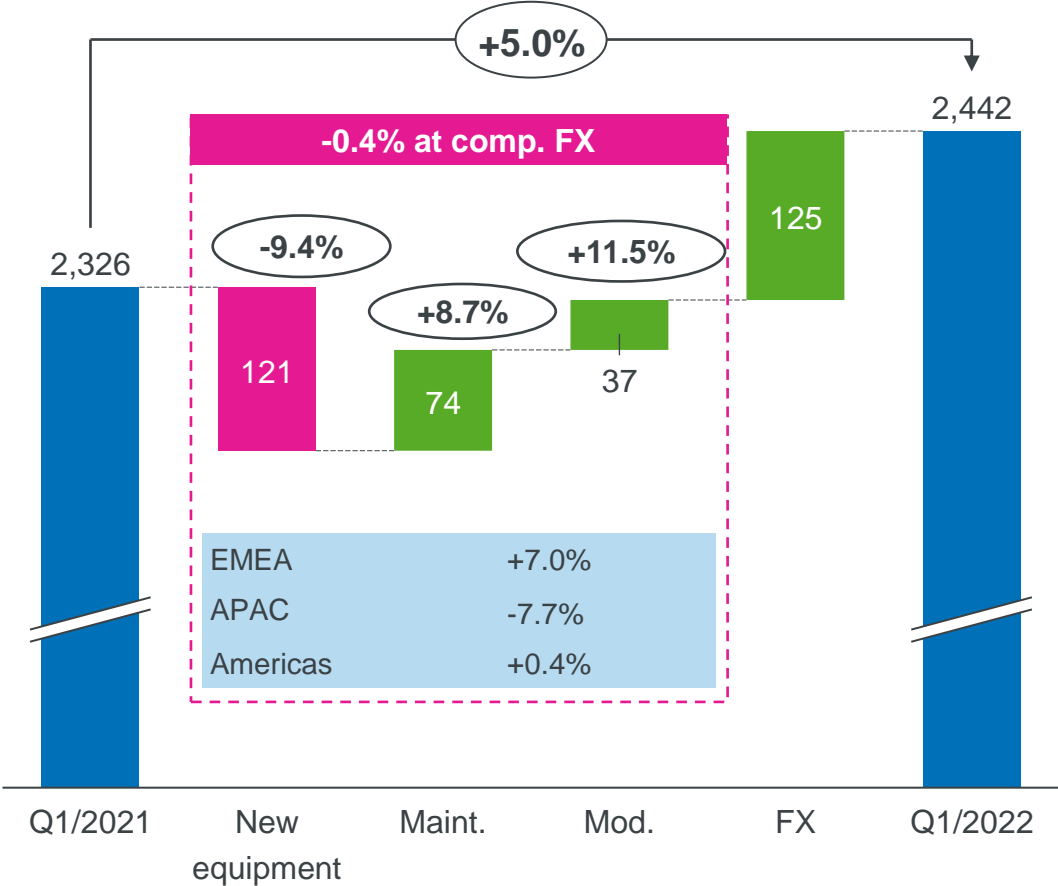


SALES BROADLY IN LINE WITH LAST YEAR’S LEVEL, THANKS TO STRONG GROWTH IN SERVICES

MEUR



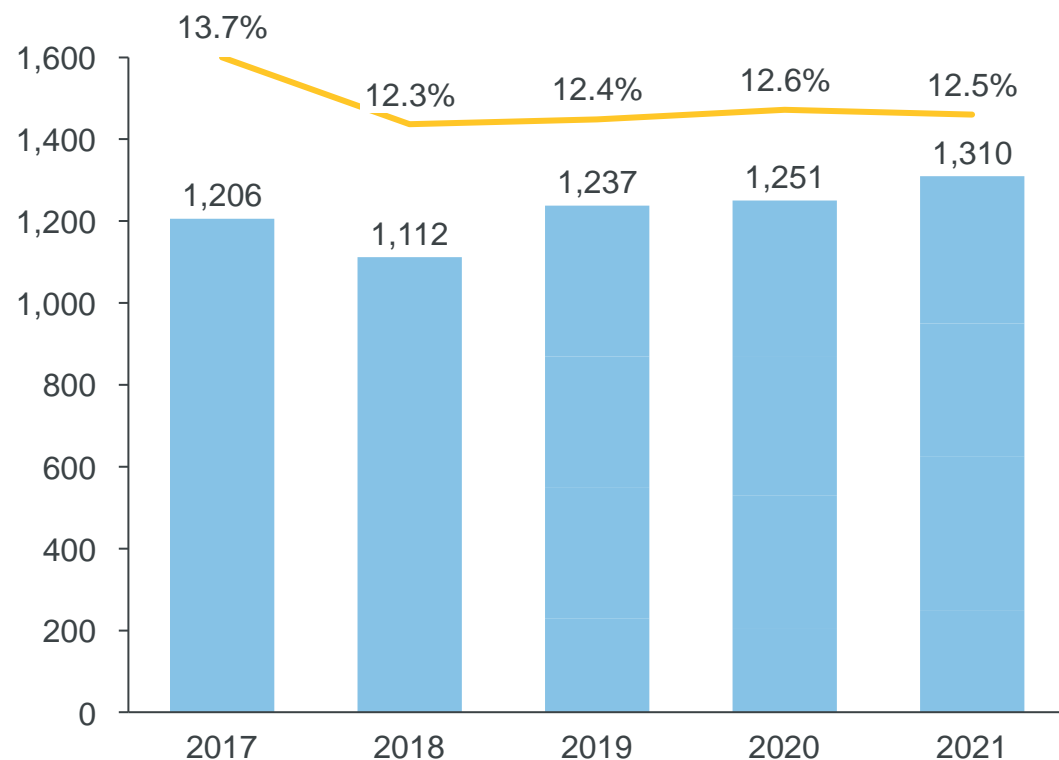
MEUR



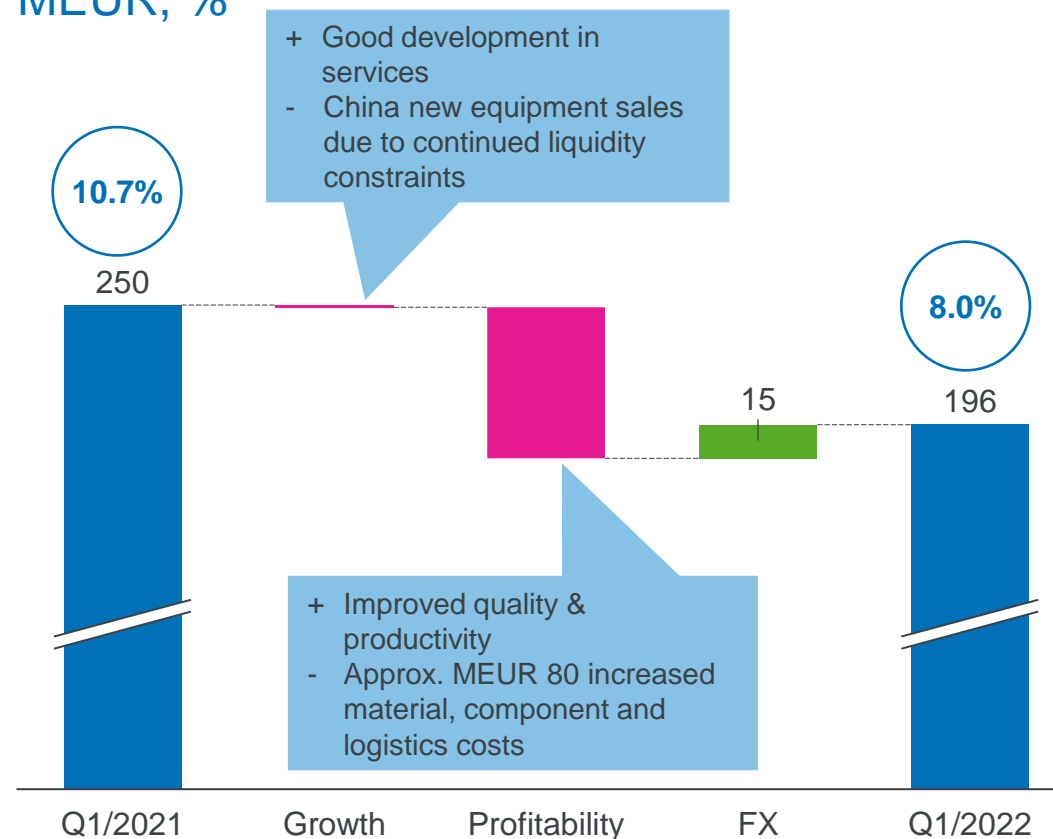
Adjusted EBIT and profitability

PROFITABILITY BURDENED BY INCREASED MATERIAL, COMPONENT AND LOGISTICS COSTS

MEUR, %



MEUR, %



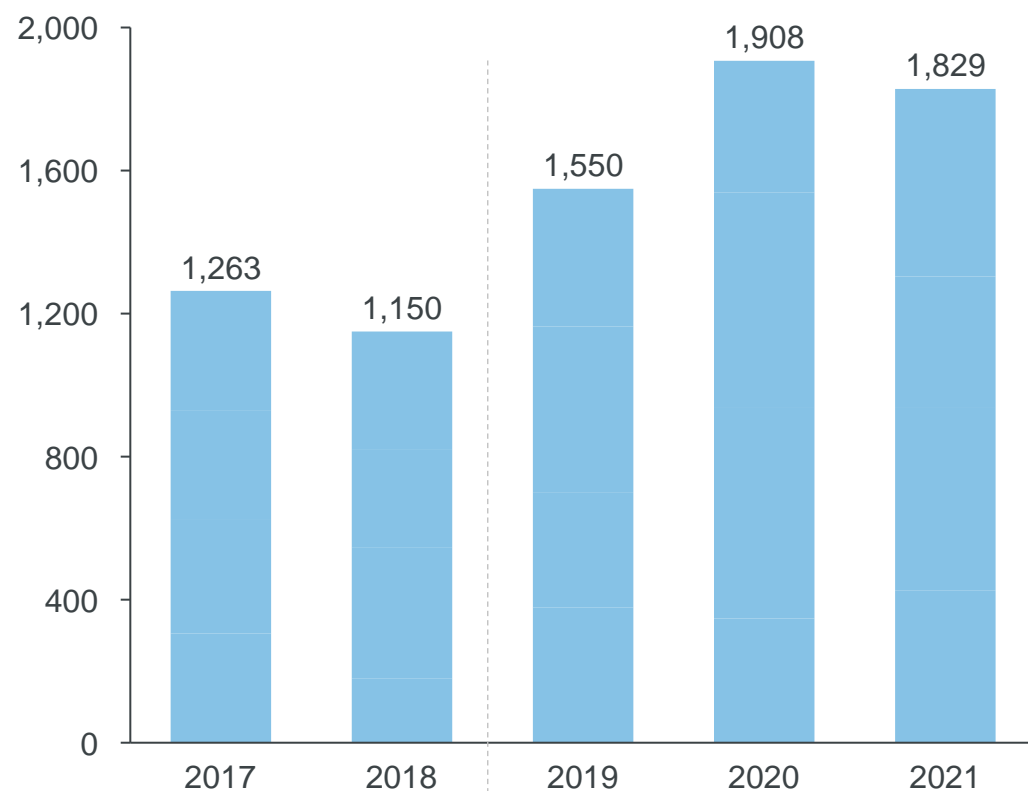
*KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. In January-March 2022, items affecting comparability included costs of EUR 25 million relating to the impairment of assets and recognition of provisions for commitments in Russia and Ukraine. In the comparison periods, items affecting comparability consisted of restructuring costs.

Cash flow from operations*



CASH FLOW DECLINED FROM AN EXCEPTIONALLY HIGH LEVEL DUE TO DECREASED PAYABLES

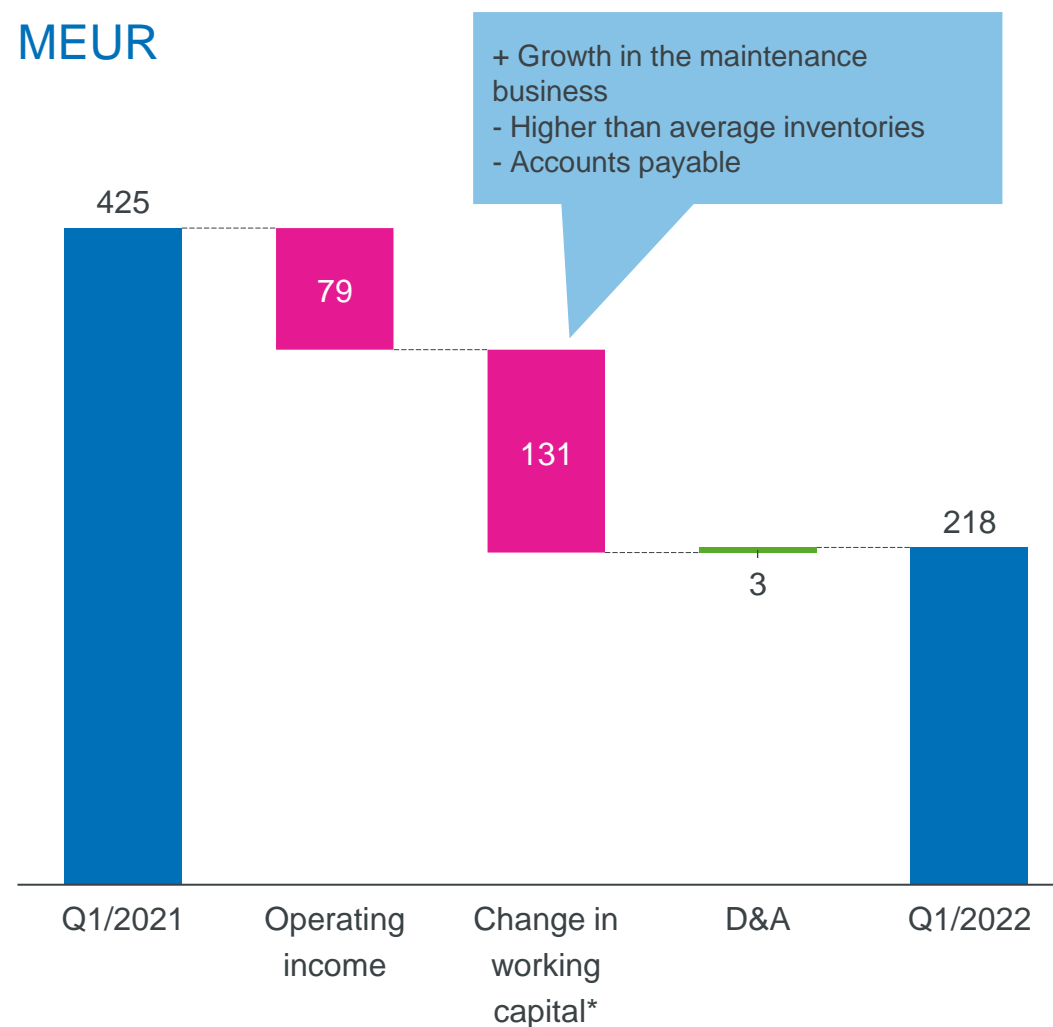
MEUR



* 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 significantly due to the tightened liquidity situation in the property markets and COVID-19 restrictions
- In the rest of the world, activity in the new equipment markets is expected to increase

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 (specified)



Sales

- KONE estimates that in 2022, its sales growth will be in the range of 2% to 5% at comparable exchange rates as compared to 2021

Adjusted EBIT

- The adjusted EBIT is expected to be in the range of EUR 1,180-1,280 million, assuming that foreign exchange rates would remain at the April 2022 level. Foreign exchange rates are estimated to impact EBIT positively by around EUR 70 million.

The outlook is dependent on the COVID-19 restrictions in China being lifted during the second quarter and a rapid recovery thereafter.

Supporting our performance

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

Burdening our result

- Approx. MEUR 150-200 headwind in 2022 from increased material, component and logistics costs
- COVID-19 restrictions in China
- Competitive dynamics and liquidity constraints in the Chinese property markets

Summary

- Growth opportunities in several areas despite clearly increased market uncertainty
- Visible progress in actions to address headwinds from supply chain constraints
- Driving differentiation through adaptability, productivity, and sustainability at the core of our strategic ambitions



Dedicated to People Flow™



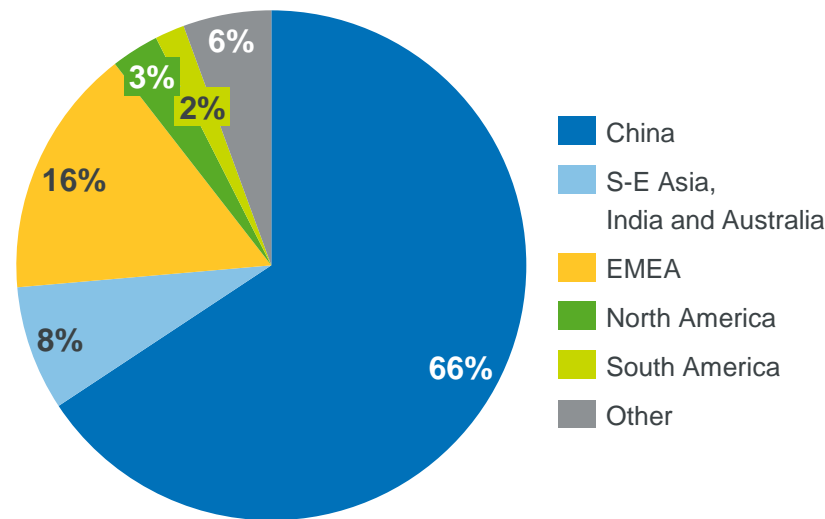
Appendix

KONE's market position in 2021



New equipment market in 2021

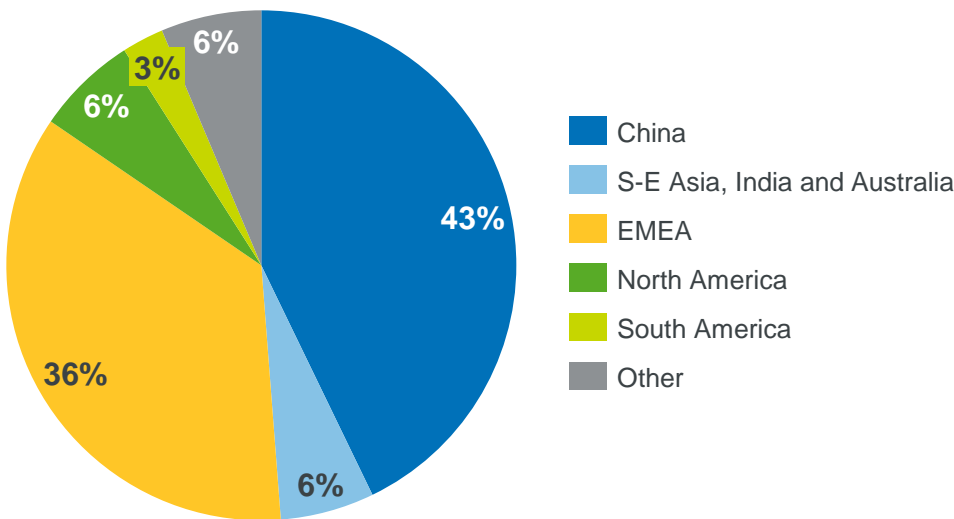
>1 million units



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

Equipment base in 2021

<20 million units



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

Based on KONE's estimate. 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.

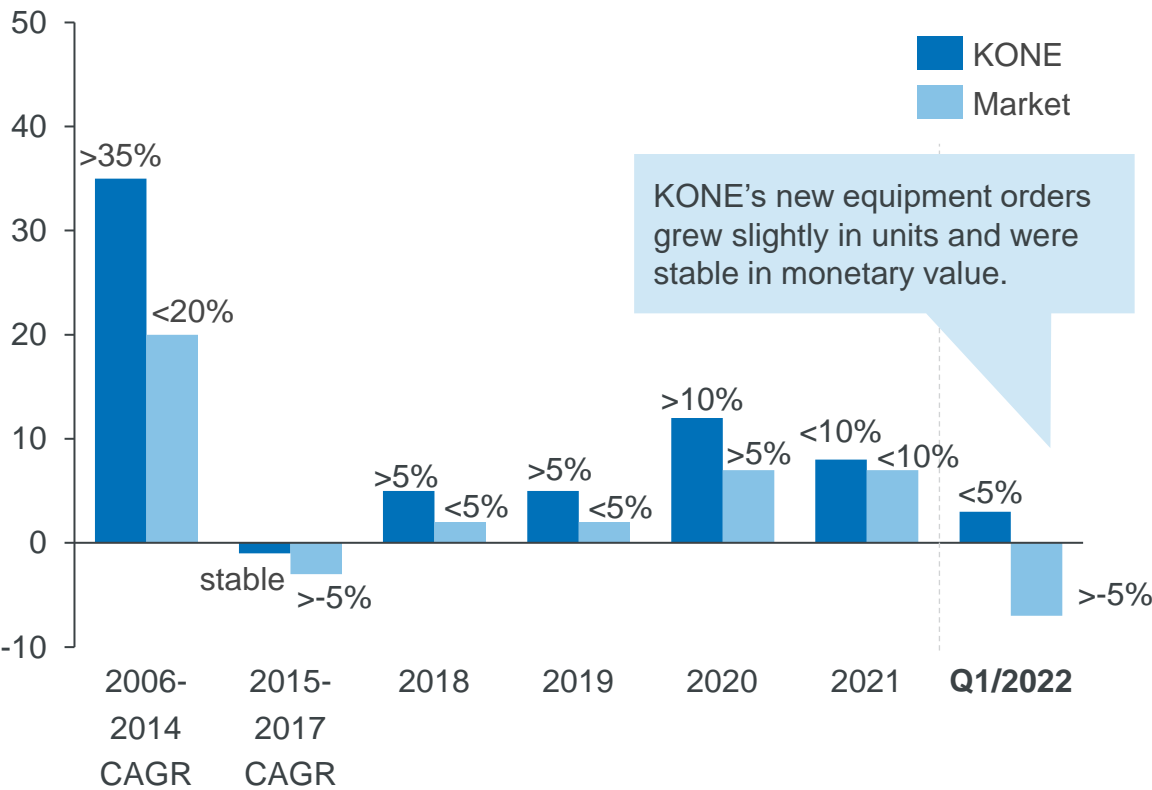
Chinese property market data

	Q1 2022, y-o-y	March 2022, y-o-y
Real estate investment	+0.7%	-2.4%
Residential sales volume	-18.6%	-23.1%
New starts	-17.5%	-22.2%
New home prices in 70 largest cities		-7.3%



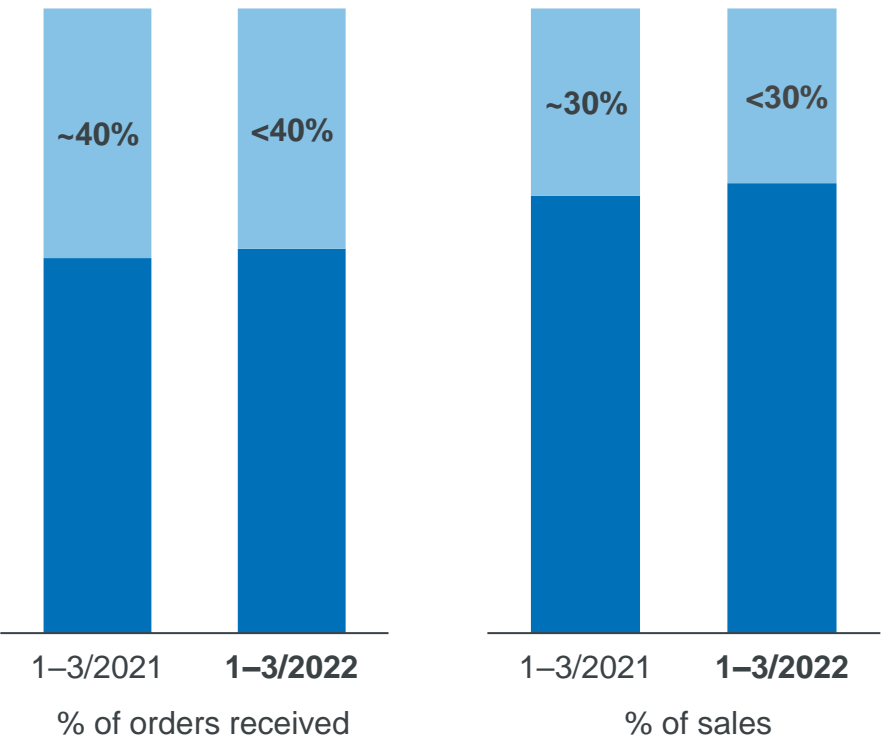
New equipment market

New equipment orders received in units vs. market development



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

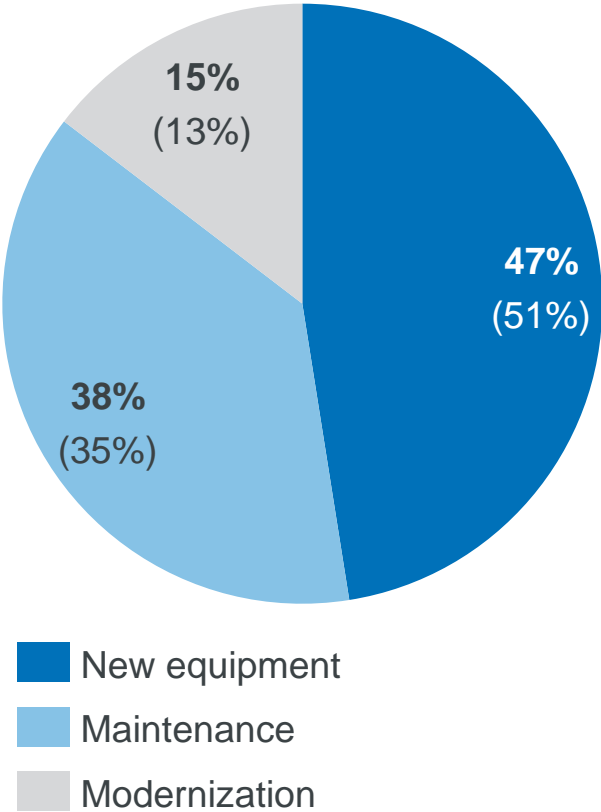
Monetary value



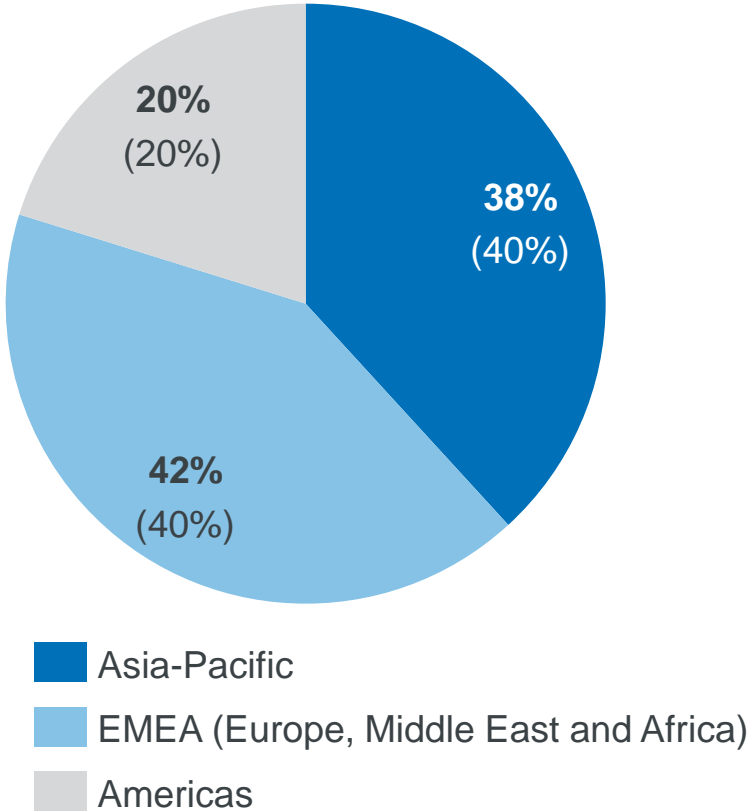
1–3/2022 Sales split



By business



By region

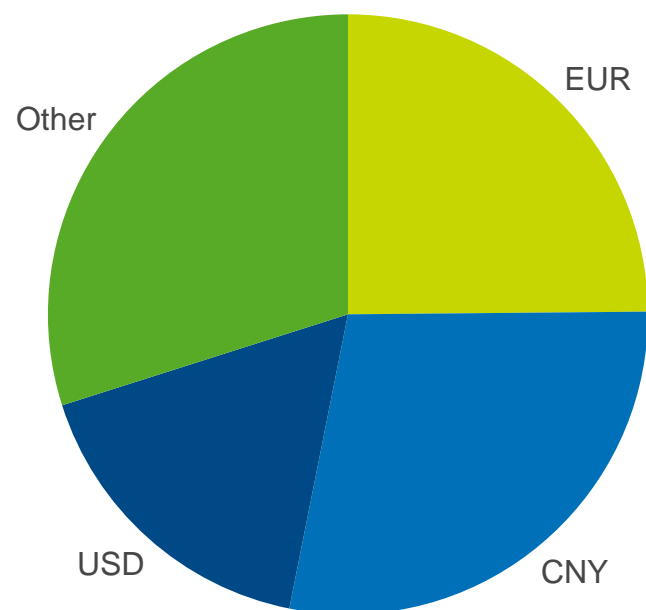


1–3/2021 figures in brackets. Figures in charts are rounded and at historical exchange rates.

Currencies



Sales by currencies 1–3/2022



Currency impact*

MEUR	Q1	Full year
Sales	124.8	432.4
EBIT	15.0	51.5
Orders received	115.3	382.2

Main currencies

	Q1/2022 average	2021 average	Mar 31, 2022 spot
EUR / CNY	7.0996	7.6388	7.0403
EUR / USD	1.1196	1.1851	1.1101
EUR / GBP	0.8383	0.8615	0.8460
EUR / AUD	1.5443	1.5792	1.4829

*The impact of retranslating Q1/2021 and 1–12/2021 amounts with comparable exchange rates.

Balance sheet – assets employed



MEUR	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Assets employed			
Goodwill	1,414.9	1,352.9	1,405.2
Other intangible assets	217.7	223.4	216.9
Tangible assets	734.9	724.9	736.7
Investments	139.2	139.5	144.6
Net working capital	-1,657.0	-1,467.7	-1,468.2
Assets employed total	849.8	973.0	1,035.1
Financed by			
Equity	2,301.0	2,348.3	3,199.2
Net debt	-1,451.2	-1,375.3	-2,164.1
Equity and net debt total	849.8	973.0	1,035.1

Net working capital



MEUR	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Net working capital			
Inventories	782.0	620.9	717.8
Advance payments received and deferred revenue	-2,009.3	-1,864.9	-1,957.0
Accounts receivable	2,458.0	2,164.0	2,421.4
Deferred assets and income tax receivables	911.7	746.2	898.1
Accruals and income tax payables	-2,638.9	-2,347.4	-2,268.2
Provisions	-163.9	-152.7	-152.3
Accounts payable	-1,172.1	-804.0	-1,310.2
Net deferred tax assets / liabilities	175.4	170.2	182.2
Net working capital total	-1,657.0	-1,467.7	-1,468.2