

KONE H1 2021

JULY 20, 2021

HENRIK EHRNROOTH, PRESIDENT & CEO

ILKKA HARA, CFO

Q2 2021 Highlights

- Strong financial performance across the board
- Recovery solidified and market prices started to improve
- High employee engagement and improved customer loyalty



Q2 2021 Key figures



STRONG GROWTH IN ORDERS AND SALES, MARGIN EXPANSION CONTINUED

		Q2/2021	Q2/2020	Change	Comparable change
Orders received	MEUR	2,410.7	2,075.4	16.2%	17.2%
Order book	MEUR	8,272.5	8,307.3	-0.4%	-0.2%
Sales	MEUR	2,810.8	2,532.1	11.0%	12.7%
Operating income (EBIT)	MEUR	367.1	315.5	16.3%	
Operating income margin (EBIT %)	%	13.1	12.5		
Adjusted EBIT	MEUR	374.0	324.6	15.2%	
Adjusted EBIT margin	%	13.3	12.8		
Cash flow from operations (before financing items and taxes)	MEUR	513.2	592.3		
Basic earnings per share	EUR	0.55	0.47	17.6%	

1–6/2021 Key figures



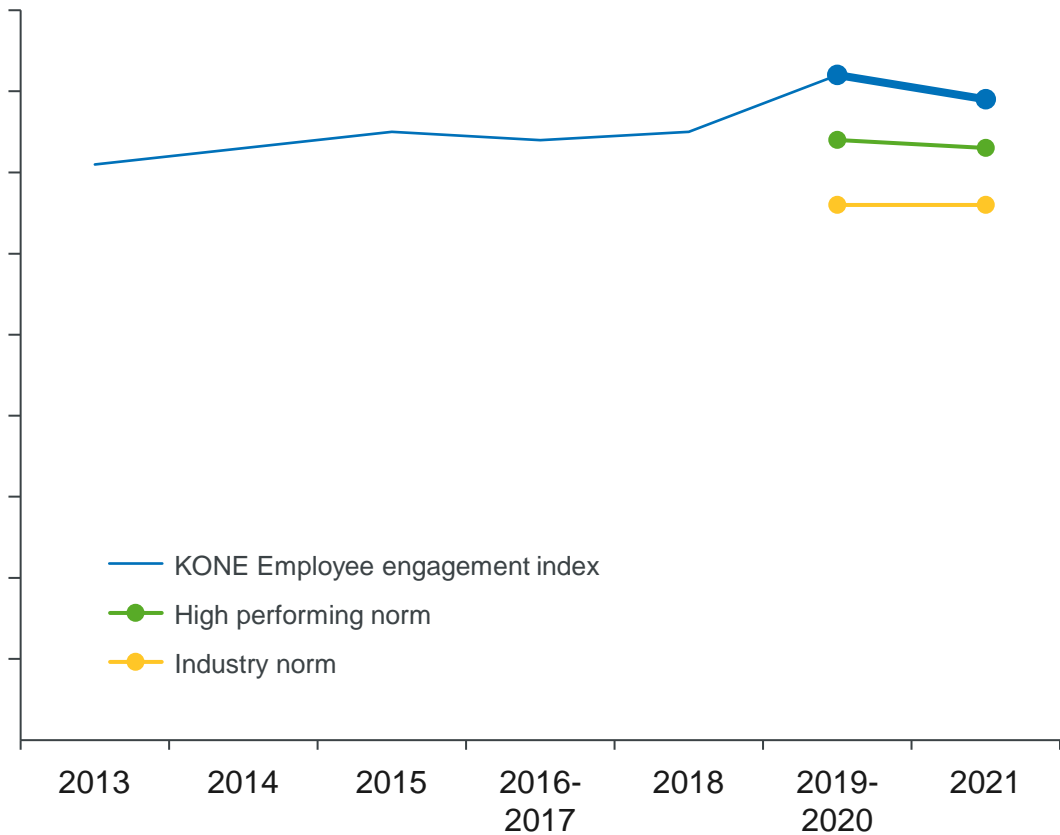
ROBUST PERFORMANCE ACROSS THE BOARD

		1–6/2021	1–6/2020	Change	Comparable change
Orders received	MEUR	4,486.6	4,184.7	7.2%	9.3%
Order book	MEUR	8,272.5	8,307.3	-0.4%	-0.2%
Sales	MEUR	5,137.3	4,730.3	8.6%	11.0%
Operating income (EBIT)	MEUR	616.9	512.7	20.3%	
Operating income margin (EBIT %)	%	12.0	10.8	-	
Adjusted EBIT	MEUR	623.9	530.2	17.7%	
Adjusted EBIT margin	%	12.1	11.2	-	
Cash flow from operations (before financing items and taxes)	MEUR	938.6	939.2		
Basic earnings per share	EUR	0.92	0.76	21.1%	

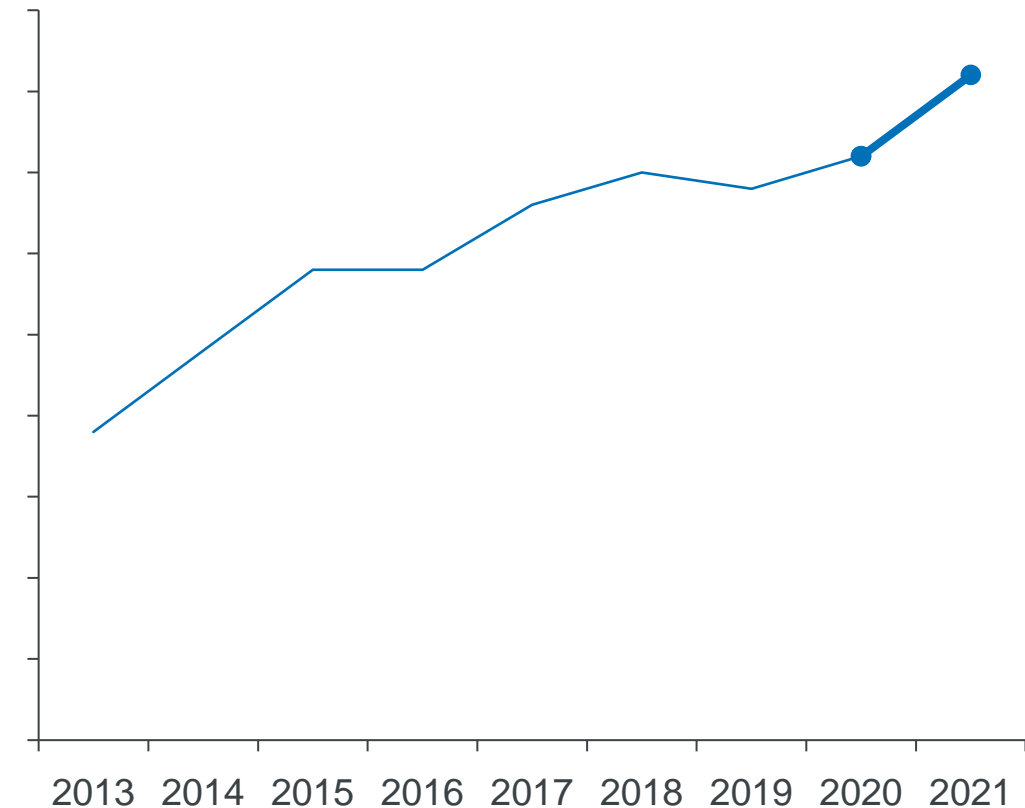
High employee engagement and improved customer loyalty



Employee engagement index well above high performance benchmark



Net promoter score improved in both new equipment and services



Market development

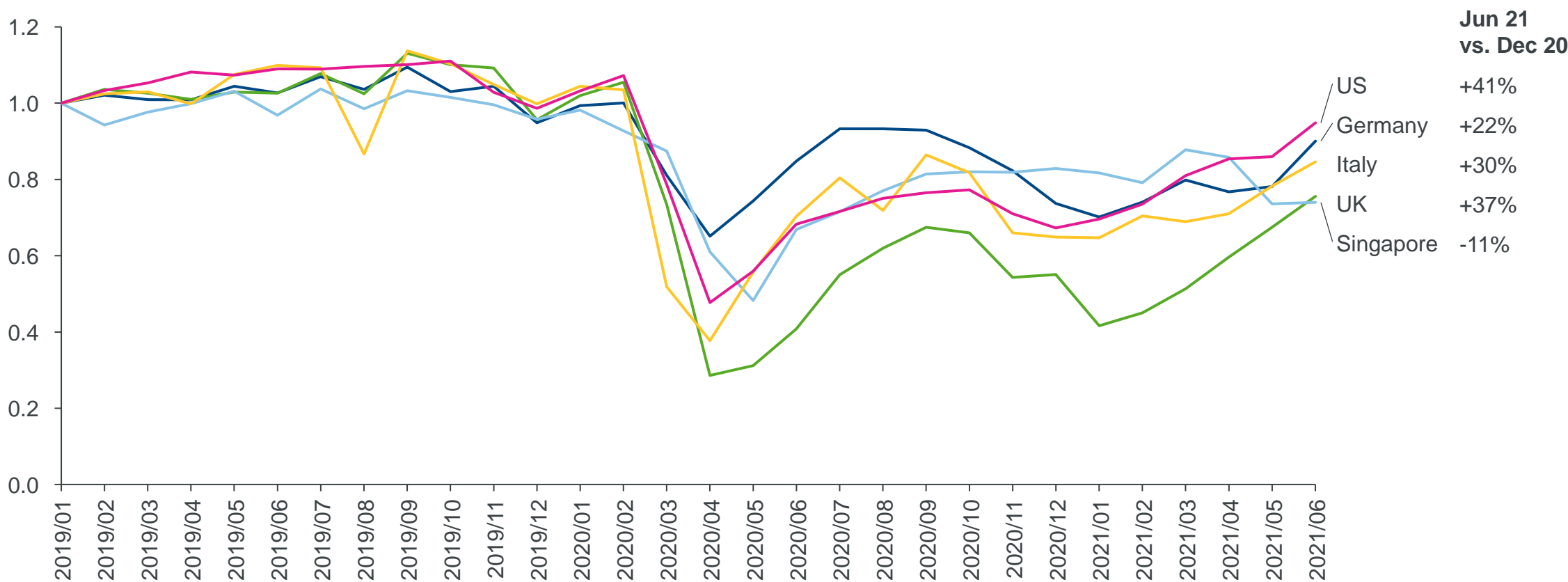


Elevator usage continued to recover in many markets



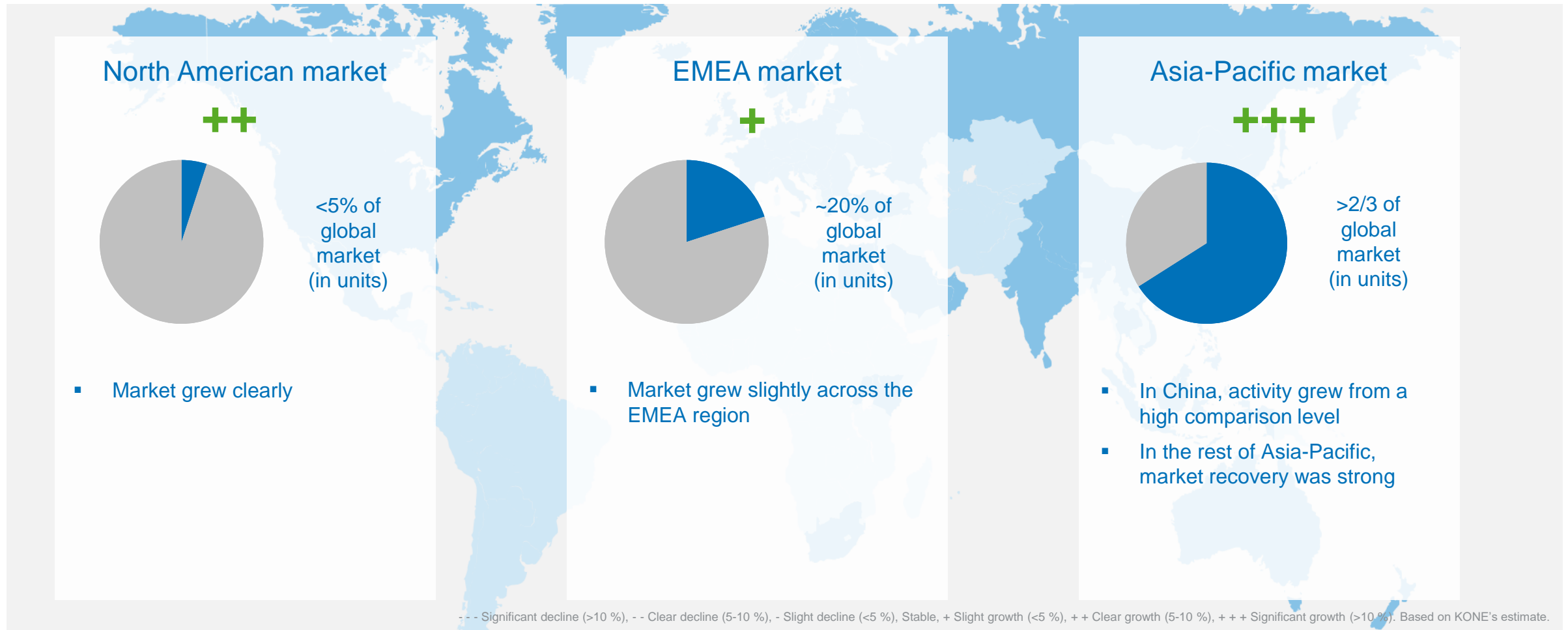
Monthly average number of starts per elevator, data from connected units

Indexed, indicative as data from a limited number of units



New equipment market development in Q2 2021

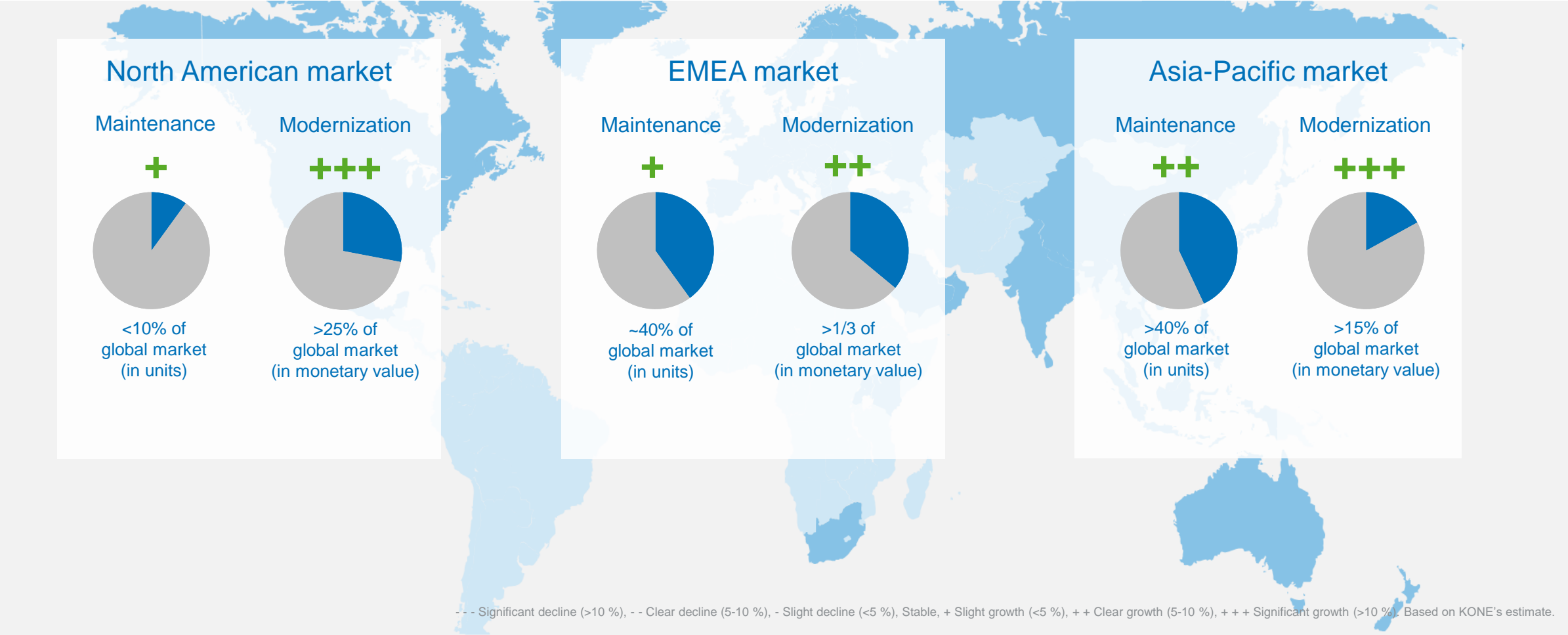
DEMAND INCREASED IN ALL REGIONS



Service market development in Q2 2021



MAINTENANCE ACTIVITY STARTED TO NORMALIZE AND DEMAND FOR MODERNIZATION PICKED UP



Chinese property market in Q2 2021



- In units ordered, the new equipment market grew significantly y-o-y
- The pricing environment continues to be characterized by intense competition, but market prices are starting to improve



- Macro momentum solid but moderating
- Real estate investments and sales remained strong year to date
- Financing environment for developers continues to tighten



	Q2 2021, y-o-y	CAGR, Q2 2019
Real estate investment	9.3%	8.6%
Residential sales volume	11.6%	7.8%
New starts	-6.1%	-1.2%
New home prices in 70 largest cities (June)	4.3%	

Market recovery impacting global supply chains

LOGISTICS AND COMPONENT AVAILABILITY CONSTRAINTS EXPECTED TO GRADUALLY EASE



**Elevated
material prices**



**Electronic
component
availability**



**Increasing
logistics costs**

Pricing environment starting to improve

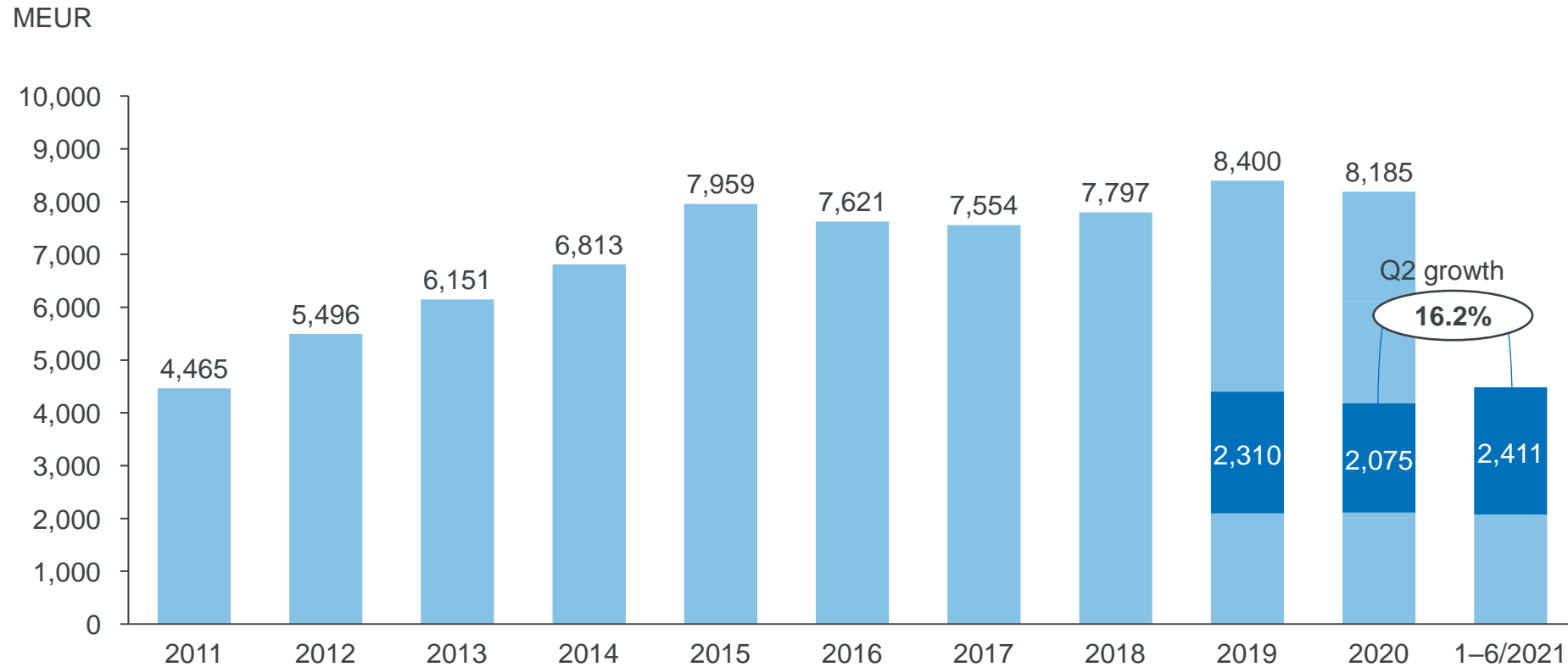
Q2 Financials



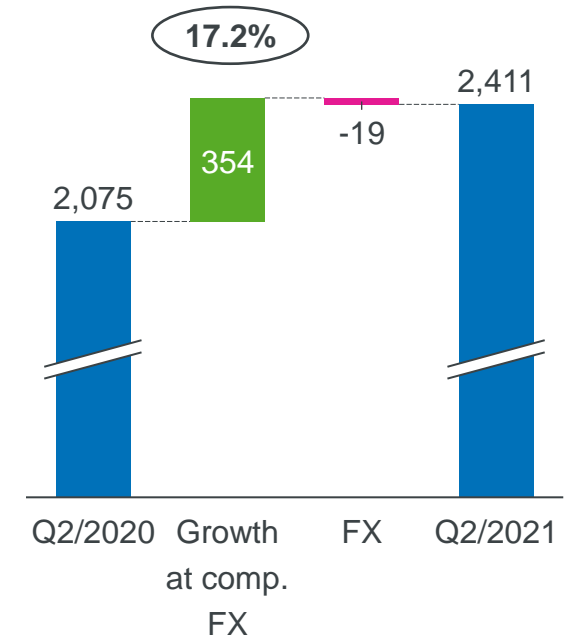
Orders received



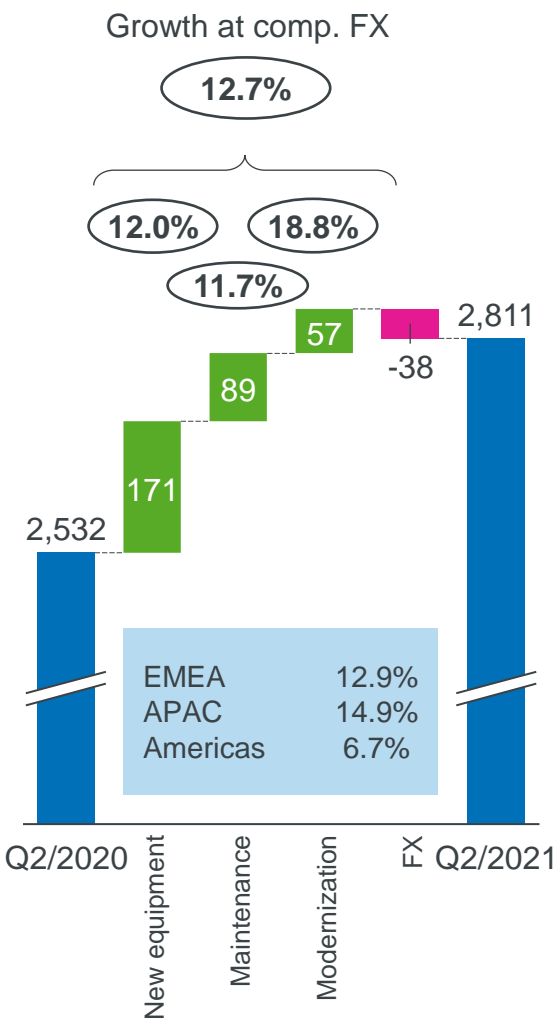
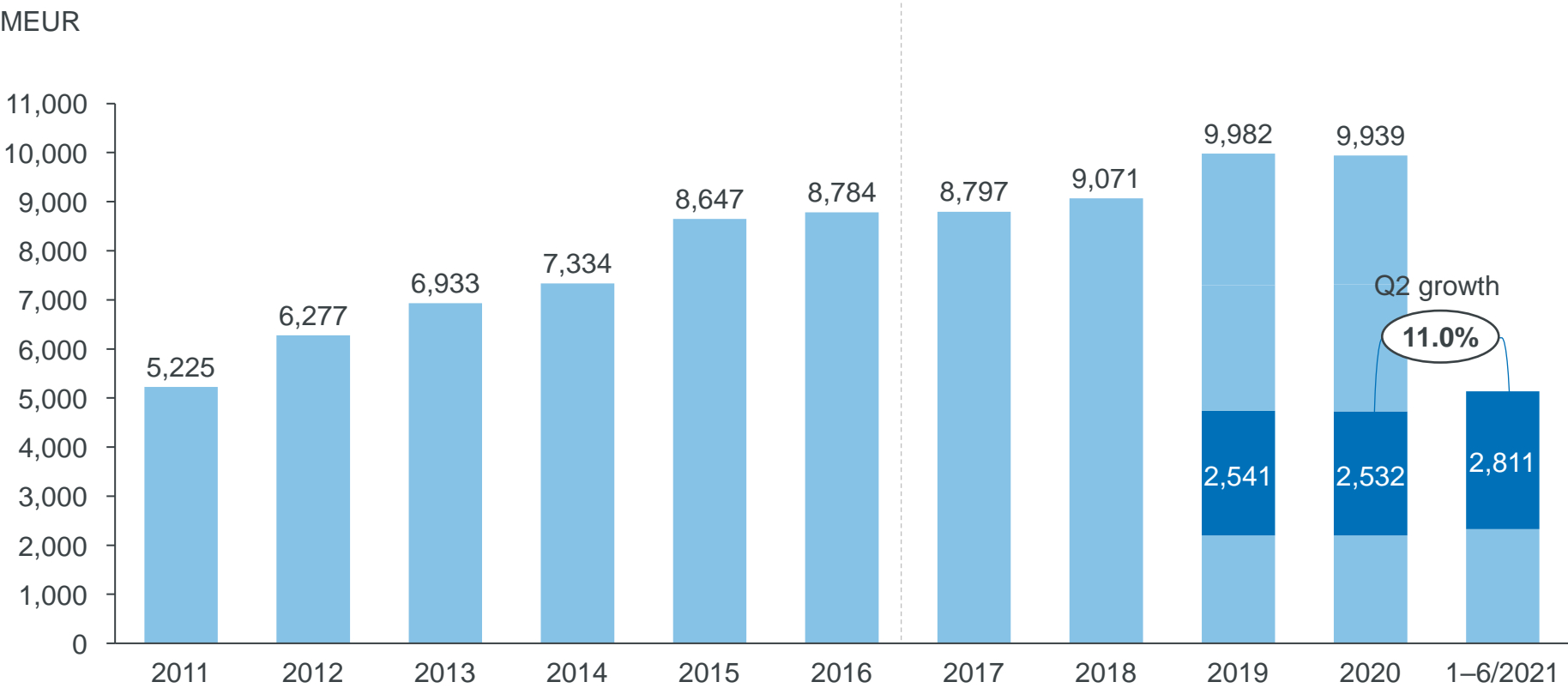
STRONG GROWTH IN ORDERS FOR BOTH NEW EQUIPMENT AND MODERNIZATION



- In Q2, the margin of orders received declined slightly



SALES GROWTH ACROSS ALL REGIONS AND BUSINESSES WITH STRONG REBOUND IN SERVICES



KONE has applied IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2011-2016 are not restated and thus not fully comparable.

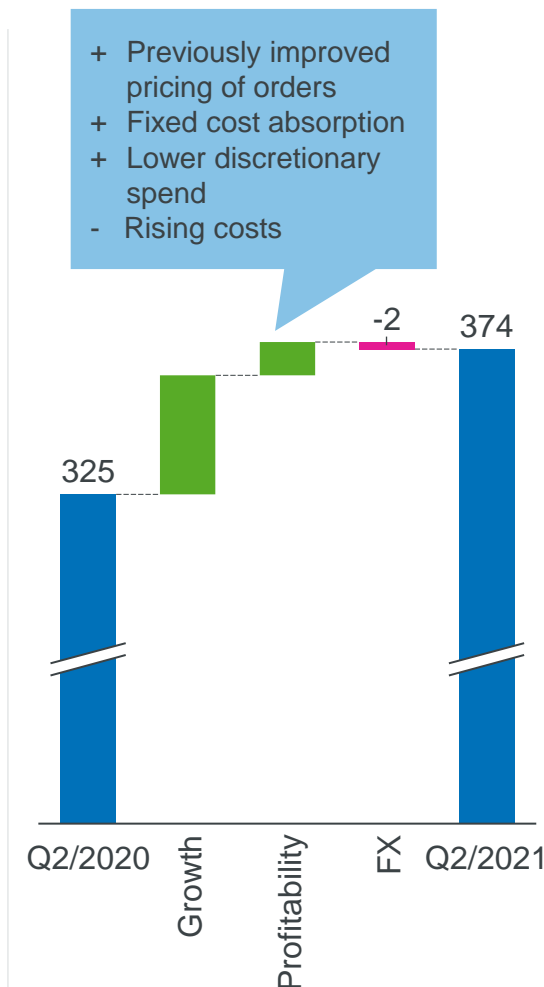
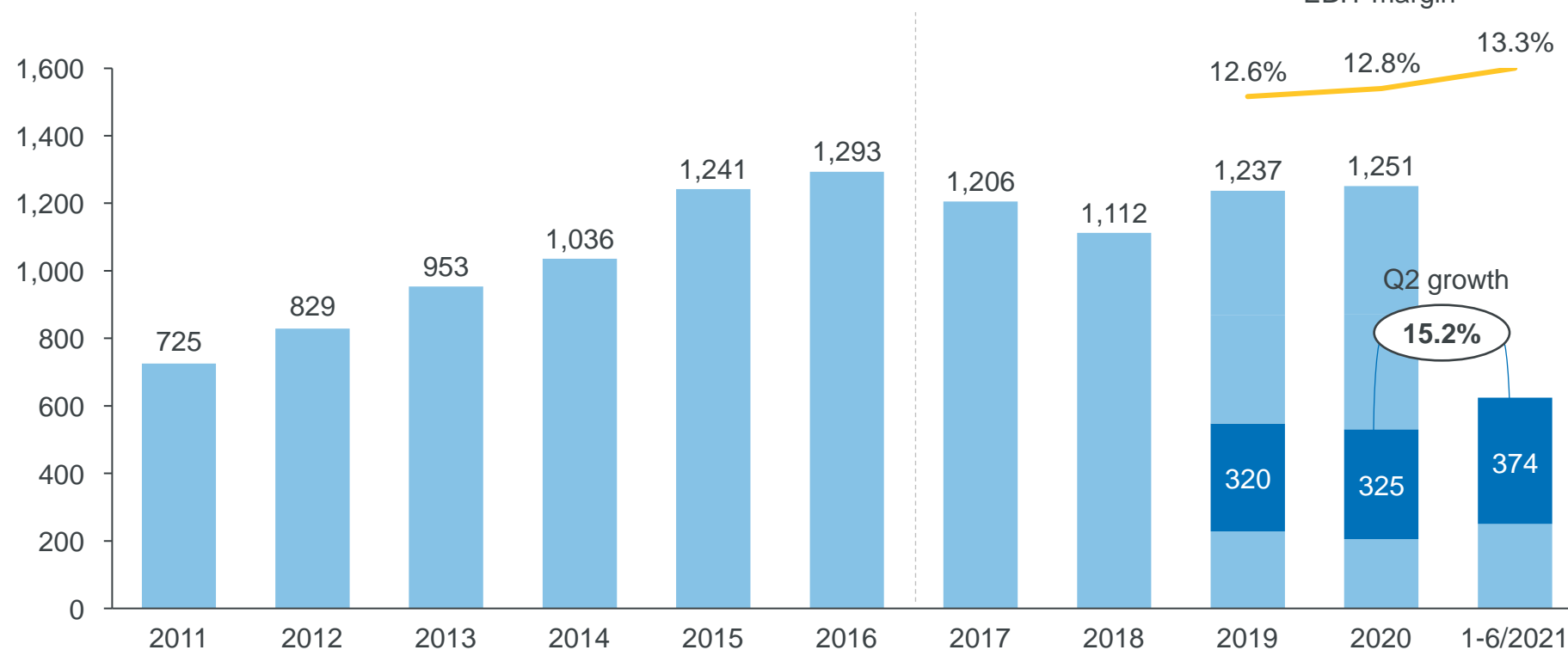
Adjusted EBIT

INCREASED EARNINGS DESPITE RISING COMPONENT AND LOGISTICS COSTS



Adjusted EBIT* and adjusted EBIT margin

MEUR; %



*KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. Restructuring costs related to significant restructuring programs are excluded from the calculation of the adjusted EBIT. In January-June 2021, the adjusted EBIT excluded costs of EUR 7.0 million related to restructuring measures in KONE's global business lines and functions. During 2017-2020, all restructuring costs excluded from adjusted EBIT related to the Accelerate program.

KONE has applied IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2011-2016 are not restated and thus not fully comparable.

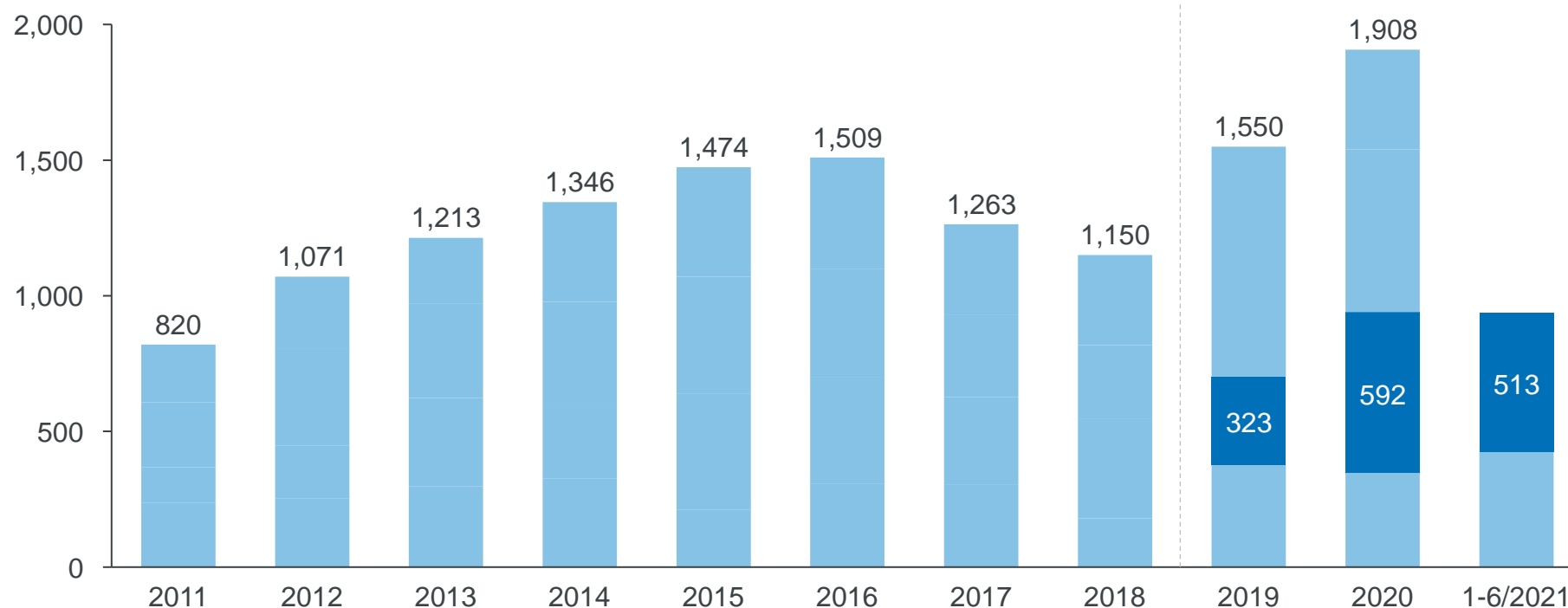
Cash flow



CASH FLOW REMAINED STRONG

Cash flow from operations*

MEUR



- Operating income and net working capital contributed positively to the cash flow

* Before financing items and taxes

KONE had adopted IFRS 16 from January 1, 2019 onward 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.

Market and business outlook



Market outlook for 2021 (updated)

New equipment markets

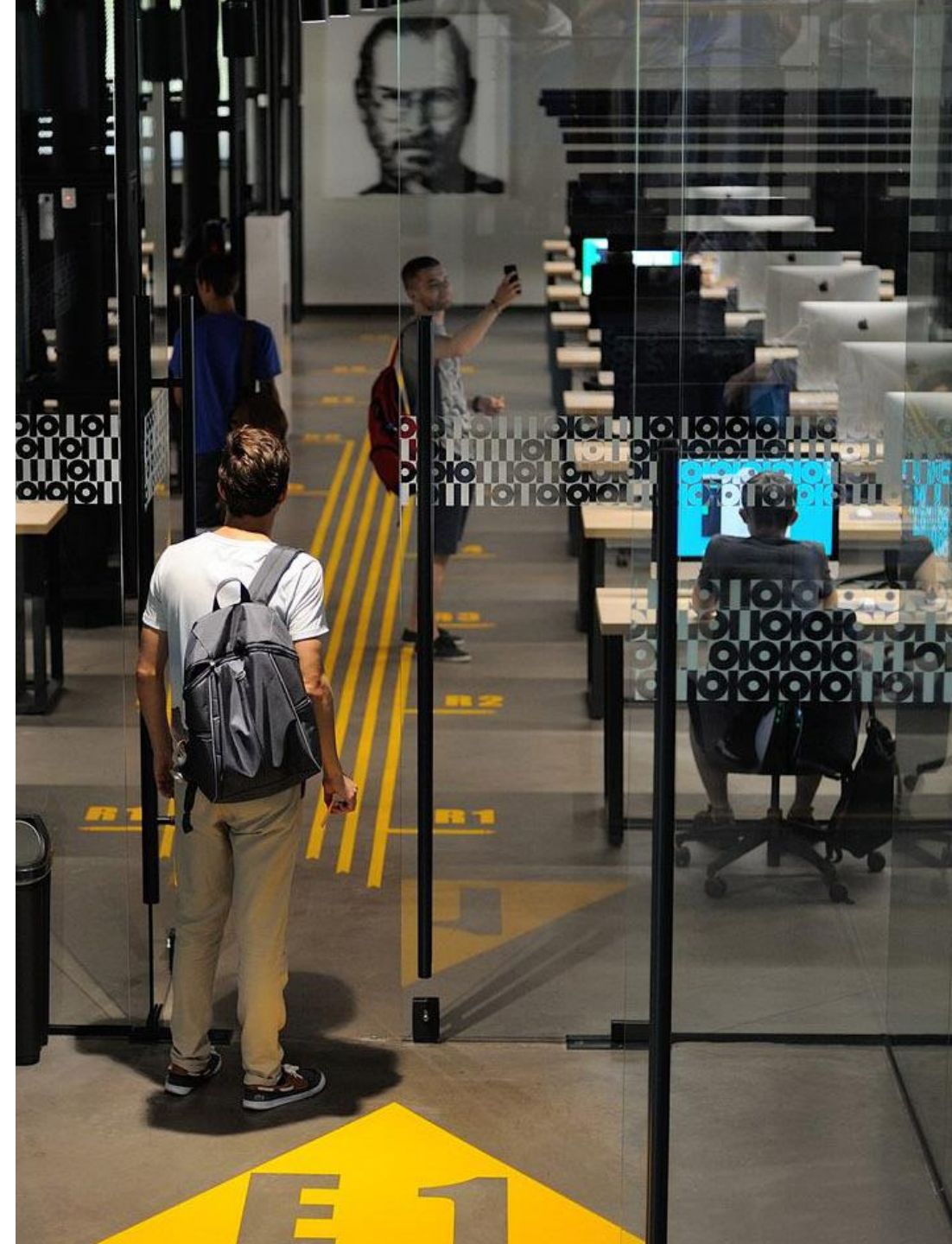
- In China, the new equipment market is expected to grow clearly compared to 2020, which was already a very strong year in terms of market activity
- In the rest of the world, the new equipment markets are expected to grow from a low comparison period
 - In Asia-Pacific, excl. China, the market is expected to grow significantly
 - In North America, the market is expected to grow clearly
 - The market in the Europe, Middle East and Africa region is expected to grow slightly

Maintenance markets

- With normalizing maintenance activity around the world, the maintenance markets are expected to grow clearly in Asia-Pacific and grow slightly in other regions

Modernization markets

- Modernization markets are expected to grow across all areas with the strongest growth in Asia-Pacific



Business outlook for 2021 (specified)



Sales

- KONE estimates that in 2021, its sales growth will be in the range of 4% to 6% (2% to 6%) at comparable exchange rates as compared to 2020

Adjusted EBIT

- The adjusted EBIT margin is expected to be in the range of 12.4% to 13.0% (12.4% to 13.2%). Assuming that foreign exchange rates remain at the July 2021 level, the impact of foreign exchange rates would be limited

Supporting our performance

- ⑦ Solid order book and maintenance base
- ⑦ Continuous improvements in quality and productivity

Burdening our result

- ④ Increased component and logistics costs, gradual easing expected towards 2022 (current year headwind MEUR ~175)
- ④ Investing in our capability to sell and deliver digital services and solutions

Summary

- Strong financial performance continued
- Addressing rising costs from a position of strength
- Improved momentum in value-adding services and solutions



Dedicated to People Flow™

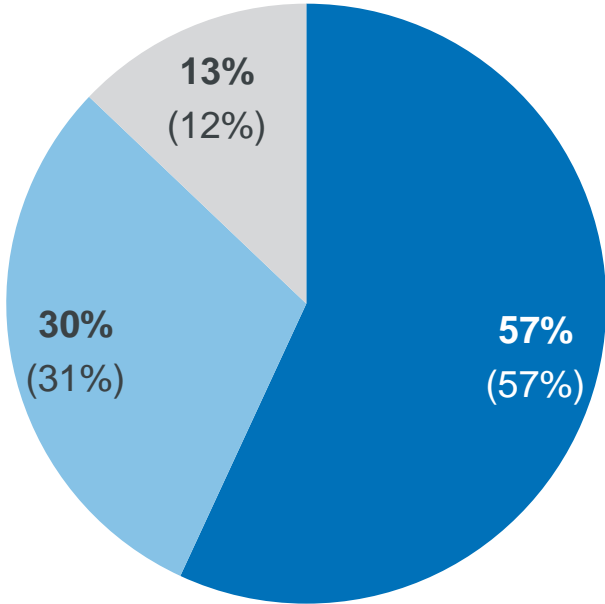


Appendix

Q2/2021 Sales split

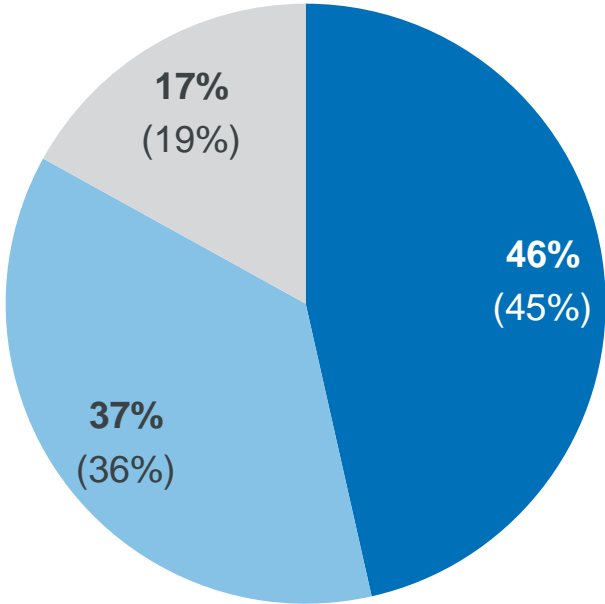


By business



- New equipment
- Maintenance
- Modernization

By region

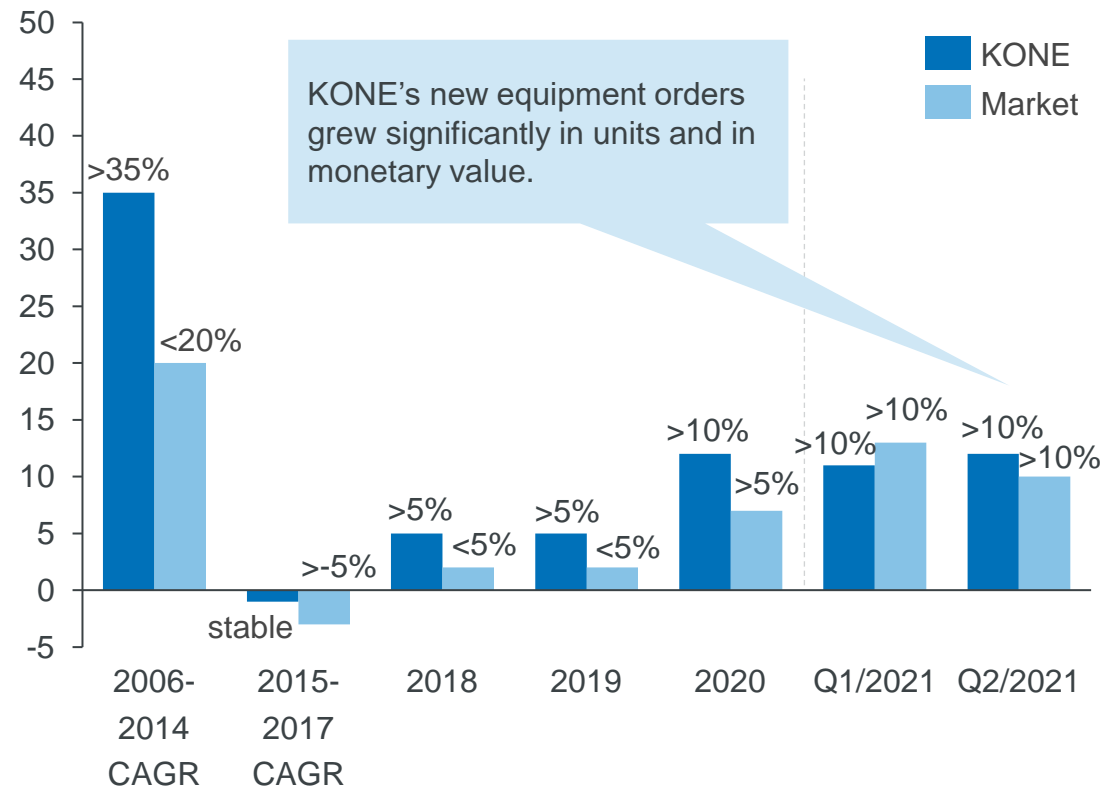


- Asia-Pacific
- EMEA (Europe, Middle East and Africa)
- Americas

4–6/2020 figures in brackets. Figures in charts are rounded and at historical exchange rates.

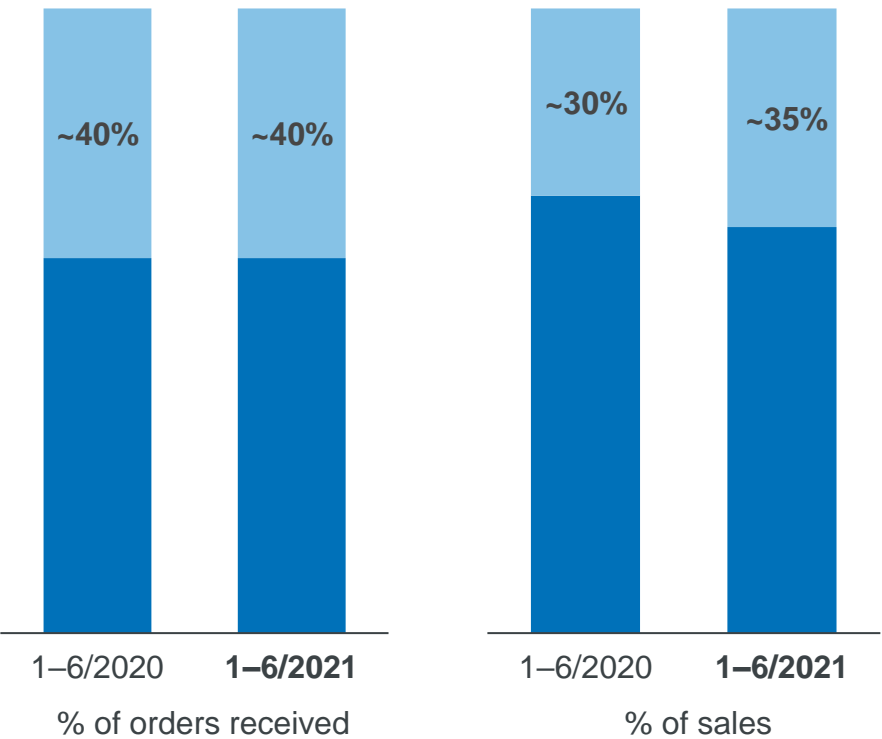
New equipment market

New equipment orders received in units vs. market development



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

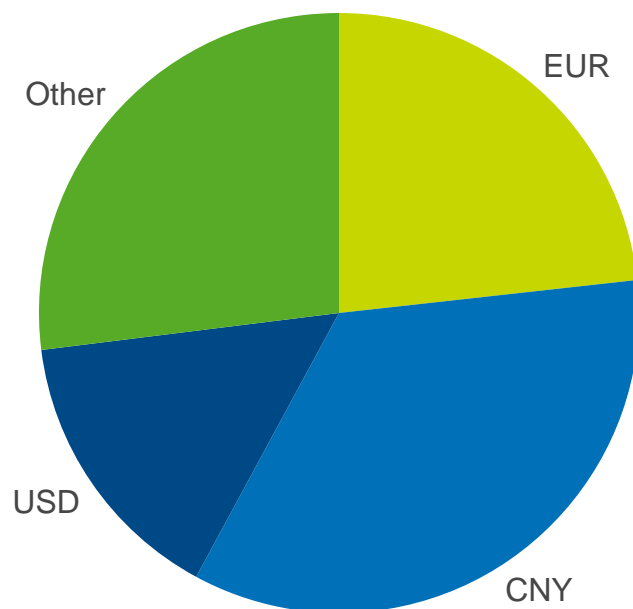
Monetary value



Currencies



Sales by currencies 1–6/2021



Currency impact*

MEUR	Q2	Full year
Sales	-38.1	-66.1
EBIT	-2.4	-2.6
Orders received	-18.5	-43.0

Main currencies

	Q2/2021 average	2020 average	Jun 30, 2021 spot
EUR / CNY	7.8010	7.8916	7.6742
EUR / USD	1.2060	1.1452	1.1884
EUR / GBP	0.8703	0.8864	0.8581
EUR / AUD	1.5706	1.6523	1.5853

*The impact of retranslating Q2/2020 and 1–12/2020 amounts with comparable exchange rates.

Balance sheet – assets employed



MEUR	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
Assets employed			
Goodwill	1,352.9	1,361.1	1,327.0
Other intangible assets	217.4	219.4	223.2
Tangible assets	720.1	708.0	710.0
Investments	139.7	130.9	143.2
Net working capital	-1,311.0	-1,057.7	-1,160.1
Assets employed total	1,119.2	1,361.7	1,243.4
Financed by			
Equity	2,620.6	2,691.9	3,197.3
Net debt	-1,501.4	-1,330.2	-1,953.8
Equity and net debt total	1,119.2	1,361.7	1,243.4

Net working capital



MEUR	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
Net working capital			
Inventories	622.0	672.1	597.0
Advance payments received and deferred revenue	-1,807.4	-1,811.3	-1,766.8
Accounts receivable	2,283.1	2,200.9	2,178.6
Deferred assets and income tax receivables	805.2	751.0	720.9
Accruals and income tax payables	-2,183.9	-2,008.4	-1,996.2
Provisions	-167.8	-128.9	-154.7
Accounts payable	-1,032.3	-869.9	-890.9
Net deferred tax assets / liabilities	170.2	136.7	152.0
Net working capital total	-1,311.0	-1,057.7	-1,160.1