

KONE H1 2022

JULY 20, 2022

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Q2 2022 Highlights

- COVID-19 lockdowns in China significantly disrupted deliveries, order development robust
- Another excellent quarter in Services, growth driven by both volume and pricing
- Profitability improvement actions progressing well and remain a top priority



Q2 2022 Key figures



SECOND QUARTER STRONGLY IMPACTED BY COVID-19 LOCKDOWNS IN CHINA

		Q2/2022	Q2/2021	Change	Comparable change
Orders received	MEUR	2,609.0	2,410.7	8.2%	0.6%
Order book	MEUR	10,000.4	8,272.5	20.9%	12.2%
Sales	MEUR	2,555.1	2,810.8	-9.1%	-15.2%
Operating income (EBIT)	MEUR	189.0	367.1	-48.5%	
Operating income margin (EBIT %)	%	7.4	13.1		
Adjusted EBIT	MEUR	209.3	374.0	-44.0%	
Adjusted EBIT margin	%	8.2	13.3		
Cash flow from operations (before financing items and taxes)	MEUR	166.6	513.2		
Basic earnings per share	EUR	0.26	0.55	-52.7%	

1–6 2022 Key figures



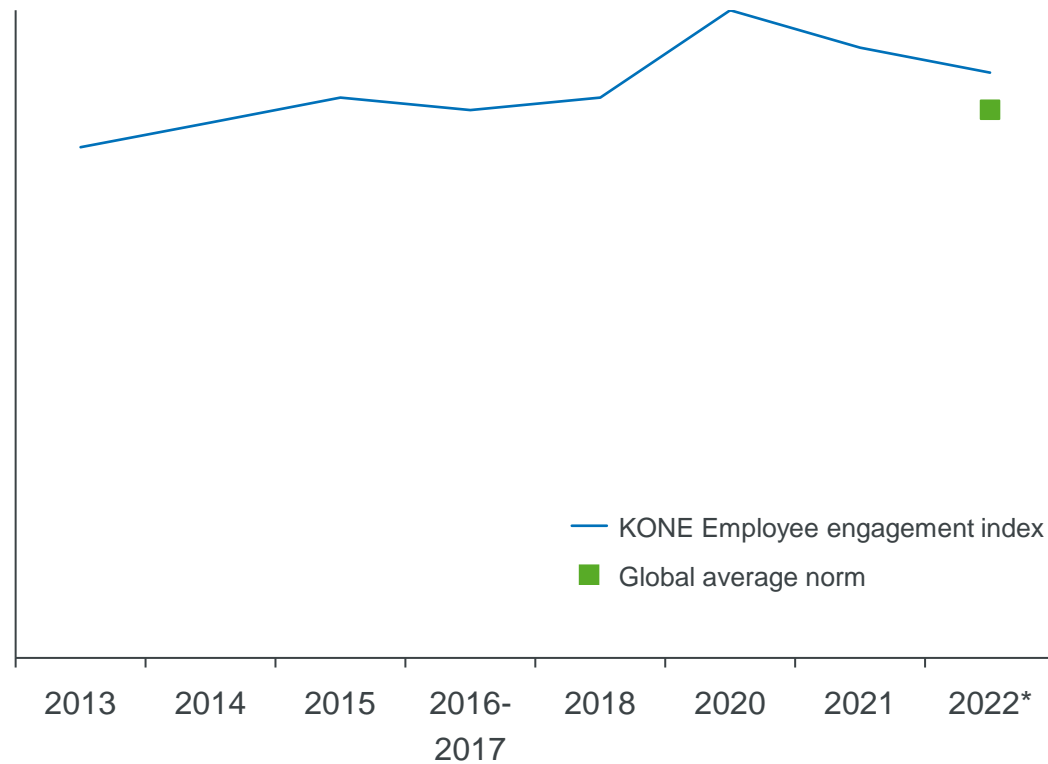
GOOD GROWTH IN ORDERS, RESULT BURDENED BY SUPPLY CHAIN CONSTRAINTS AND CHINA LOCKDOWNS

		1–6/2022	1–6/2021	Change	Comparable change
Orders received	MEUR	5,031.7	4,486.6	12.1%	5.2%
Order book	MEUR	10,000.4	8,272.5	20.9%	12.2%
Sales	MEUR	4,997.0	5,137.3	-2.7%	-8.5%
Operating income (EBIT)	MEUR	360.2	616.9	-41.6%	
Operating income margin (EBIT %)	%	7.2	12.0		
Adjusted EBIT	MEUR	405.8	623.9	-35.0%	
Adjusted EBIT margin	%	8.1	12.1		
Cash flow from operations (before financing items and taxes)	MEUR	385.3	938.6		
Basic earnings per share	EUR	0.51	0.92	-44.8%	

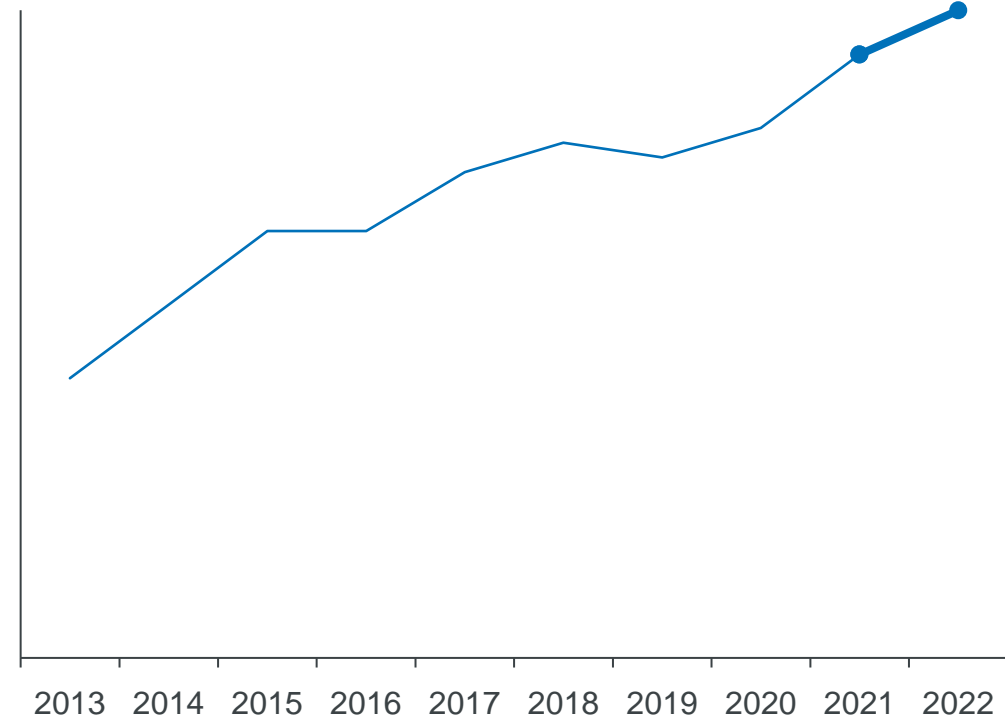
High employee engagement and continued improvement in customer loyalty



Employee engagement above pre-pandemic levels



Net promoter score improved in both new equipment and services



*KONE changed the employee engagement index vendor in 2022 and thus results from previous years are not fully comparable.

Market development

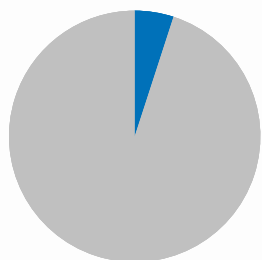


New equipment market development in Q2 2022

MARKET ACTIVITY IN CHINA DECLINED SIGNIFICANTLY, FAVORABLE DEVELOPMENT IN OTHER REGIONS

North American market

+++

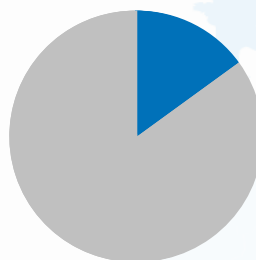


<5% of
global
market
(in units)

- Clear growth, thanks to continued good activity in the residential segment and growth in infrastructure investments

EMEA market

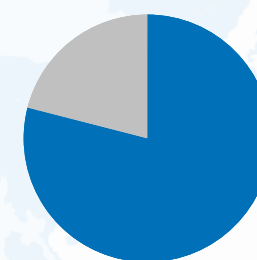
+



~15% of
global
market
(in units)

- The war in Ukraine impacted demand in Central and North Europe
- Activity grew slightly in South Europe and clearly in the Middle East

Asia-Pacific market



>75% of
global
market
(in units)

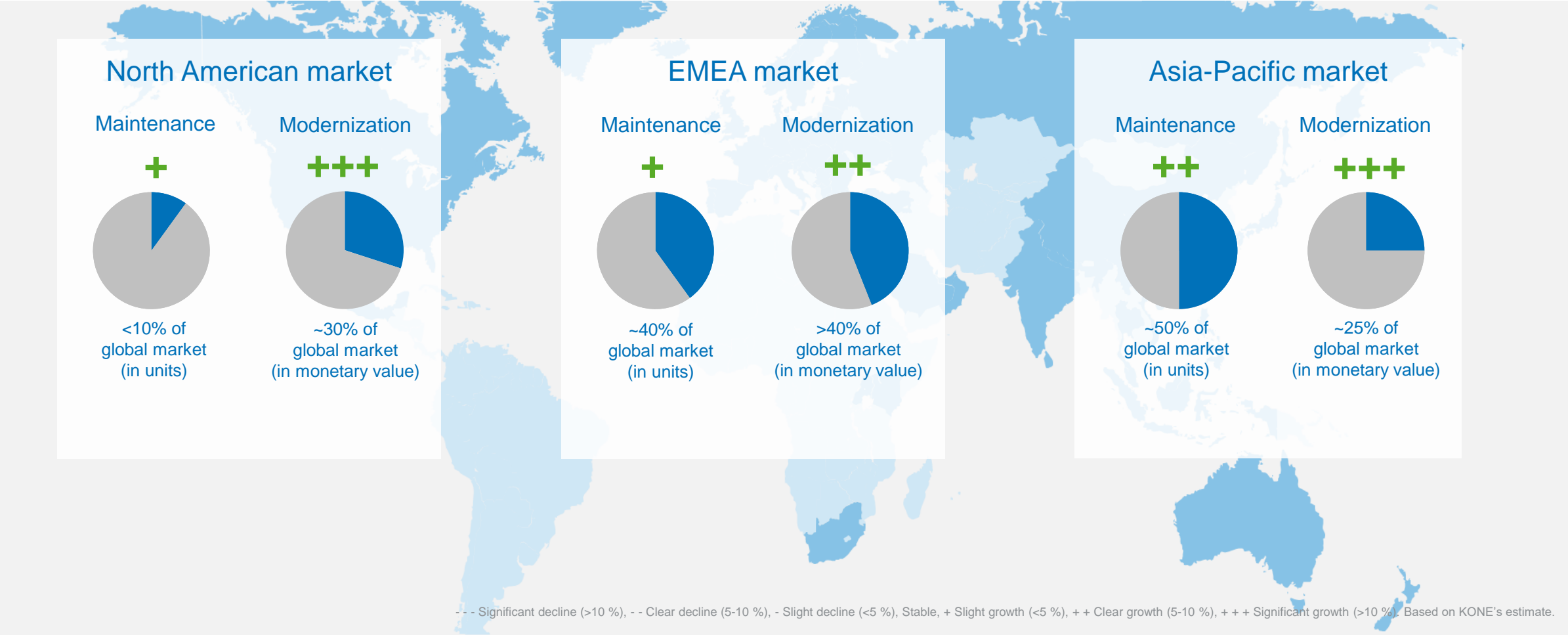
- In China, COVID-19 lockdowns and continued liquidity constraints caused market activity to decline significantly
- In the rest of Asia-Pacific, activity grew significantly

--- 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.

Service market development in Q2 2022



BROAD-BASED GROWTH IN BOTH MAINTENANCE AND MODERNIZATION



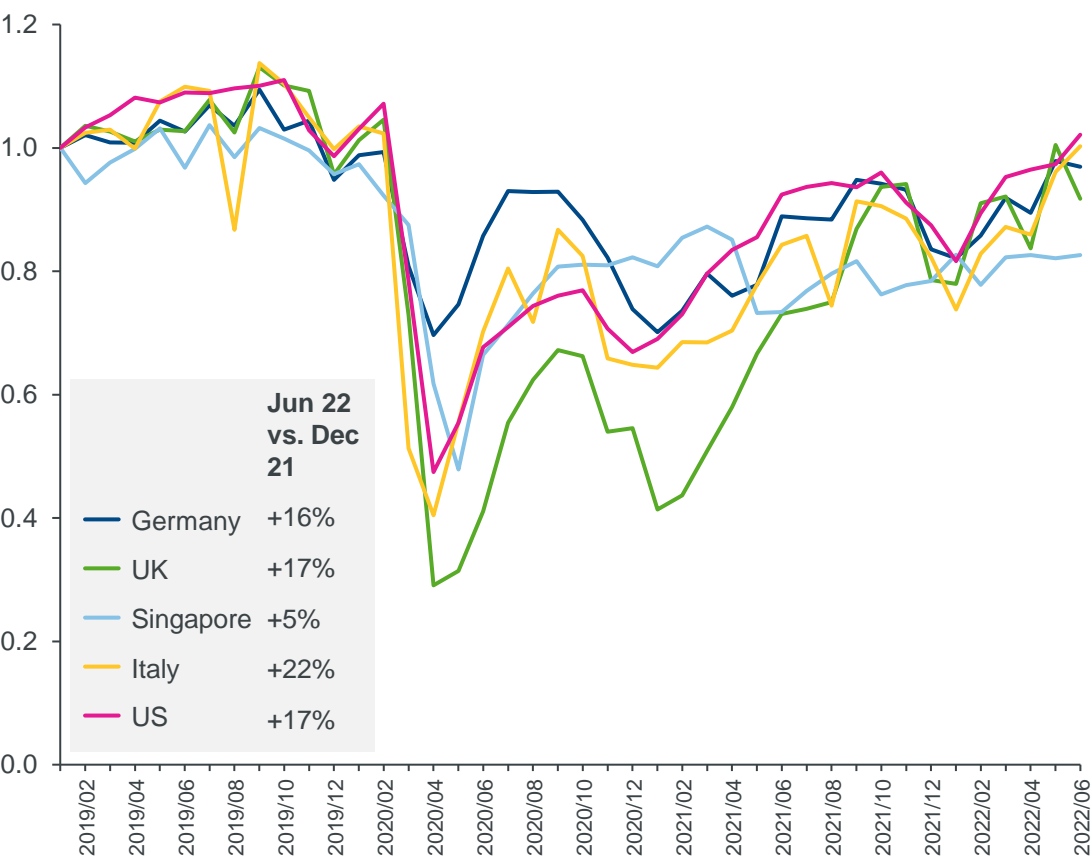
Elevator usage at pre-pandemic level



MONTHLY AVERAGE NUMBER OF STARTS PER ELEVATOR, DATA FROM CONNECTED UNITS

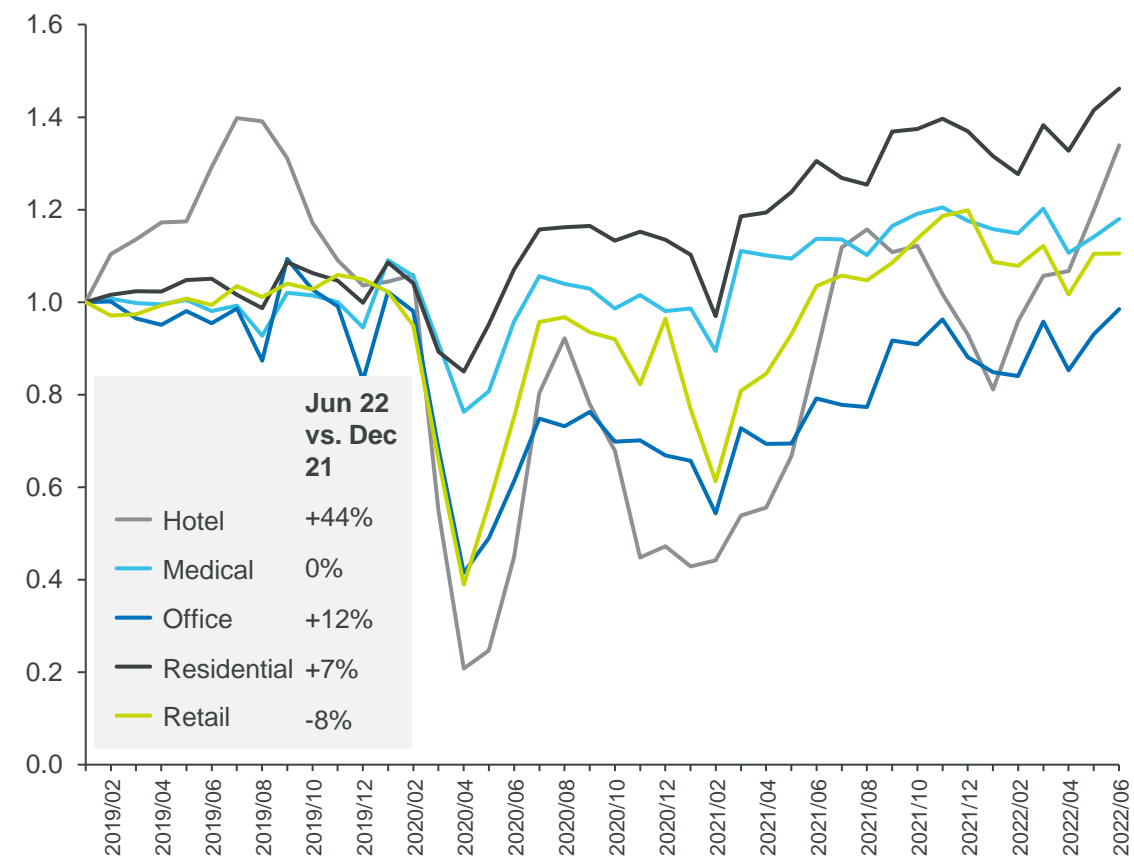
By country

Indexed, indicative



By segment

Indexed, indicative



Market activity and KONE's operations in China



Property markets impacted by liquidity constraints and COVID-19 lockdowns

- New equipment market declined >20% in Q2; pricing environment characterized by intense competition
- Lockdowns significantly disrupted business operations and raised market uncertainty
- Central and local easing measures continued



KONE's operations resilient in prevailing circumstances

- Following closures in April, Kunshan and Nanxun factories ramped up to partial capacity in May and full capacity in June
- Maintenance remained resilient while delivery constraints impacted modernization
- Solid demand for KONE's solutions considering market backdrop



	H1 2022 y/y	Q2 2022 y/y
Real estate investment	-5%	-9%
Residential sales volume	-27%	-32%
New starts	-34%	-44%
New home prices in 70 largest cities (June)		-0.9%

Q2 Financials

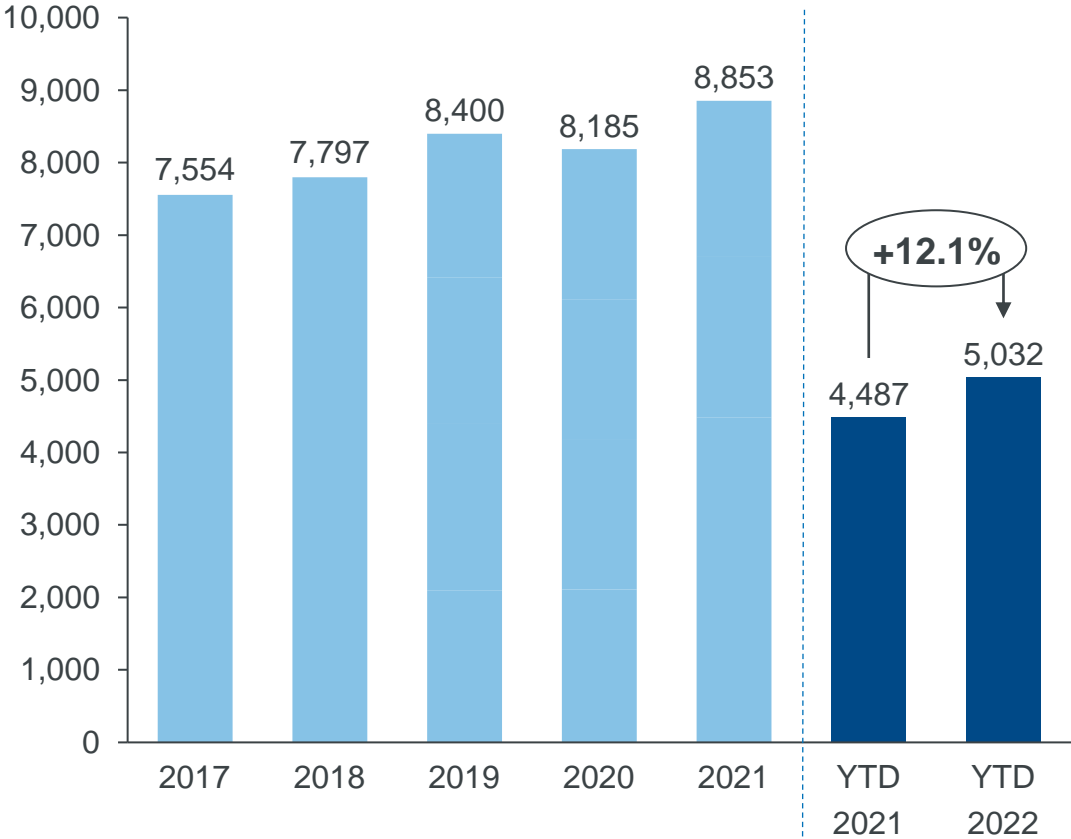


Orders received

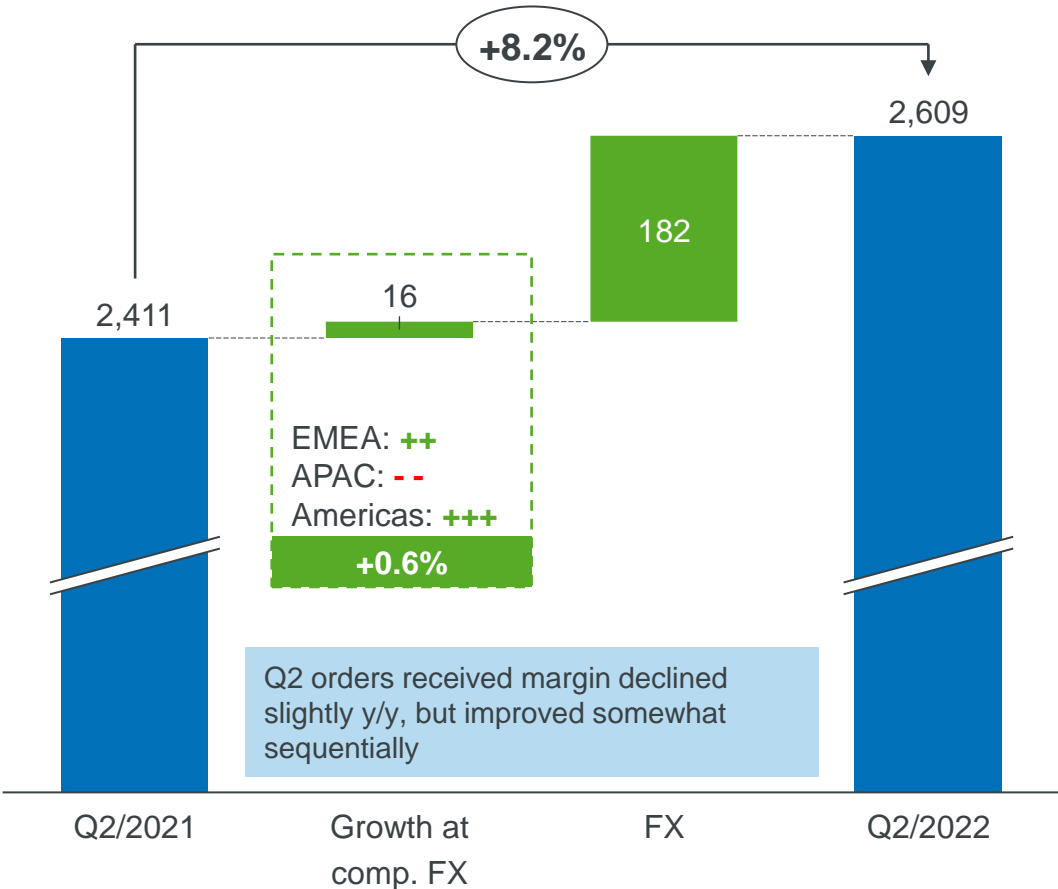


Q2 ORDERS ROBUST CONSIDERING CHINESE PROPERTY MARKET DEVELOPMENT

MEUR



MEUR

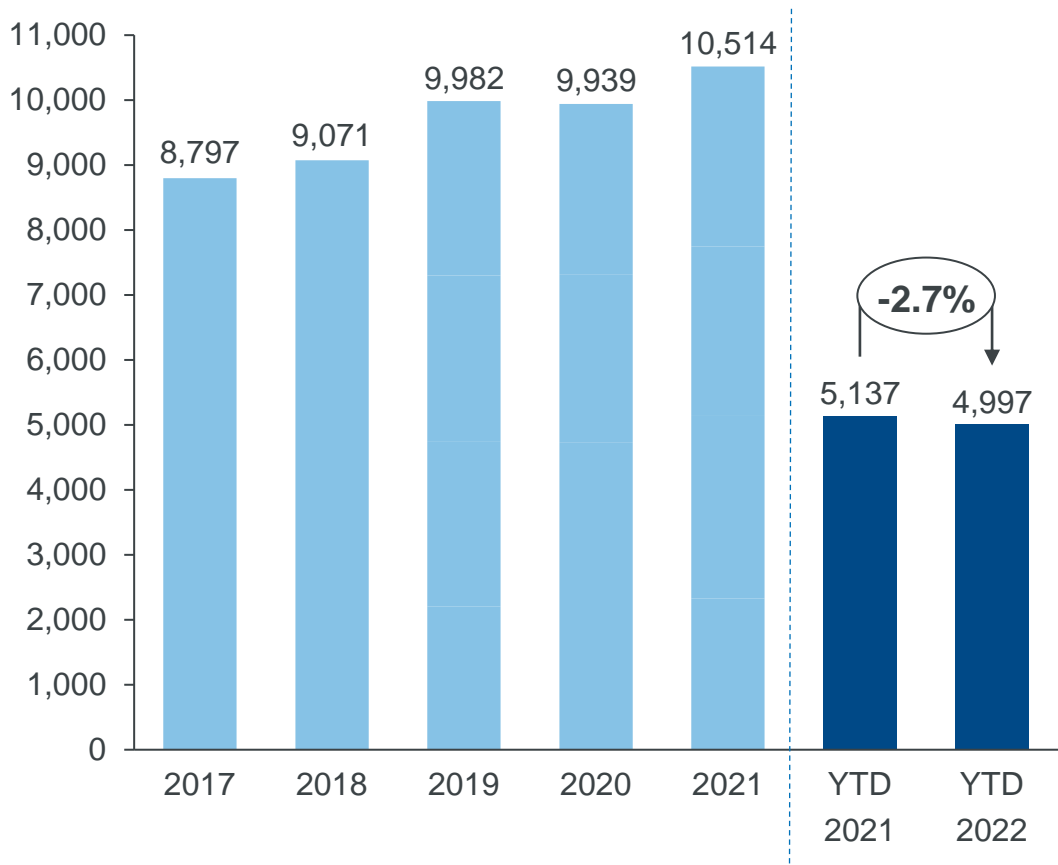


Sales

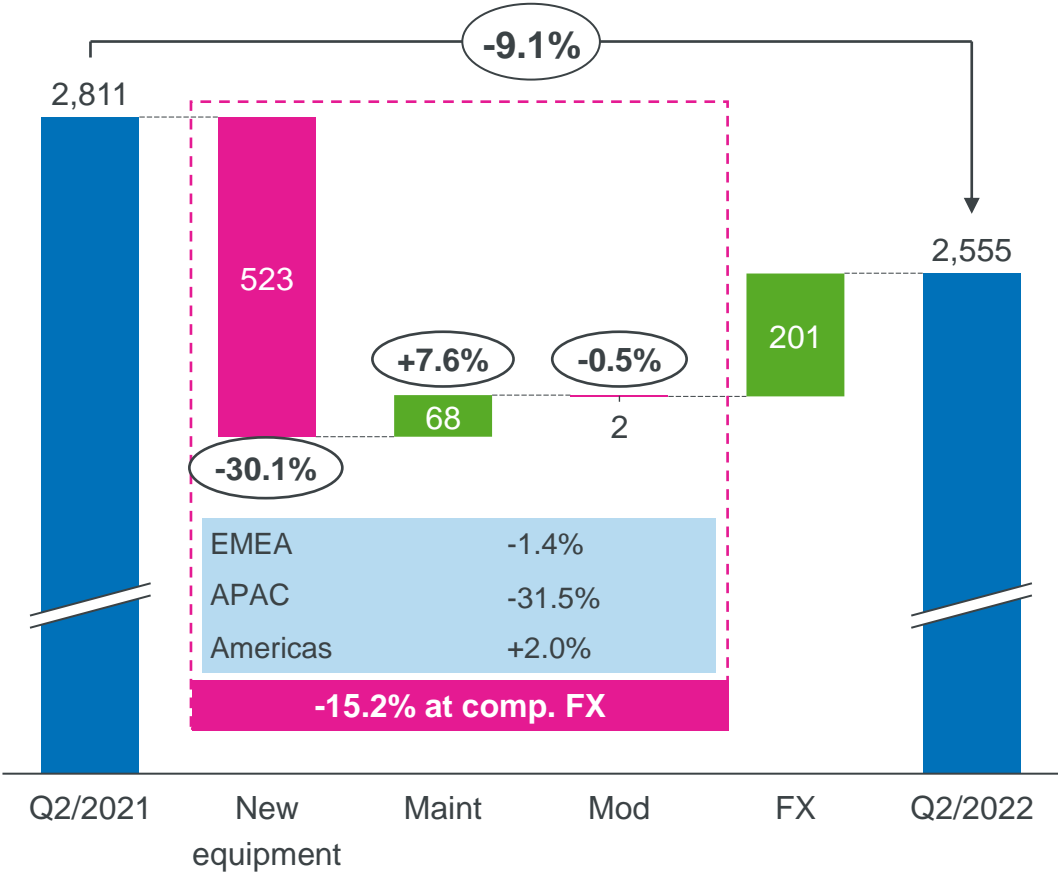


Q2 SALES SIGNIFICANTLY IMPACTED BY COVID-19 LOCKDOWNS IN CHINA

MEUR



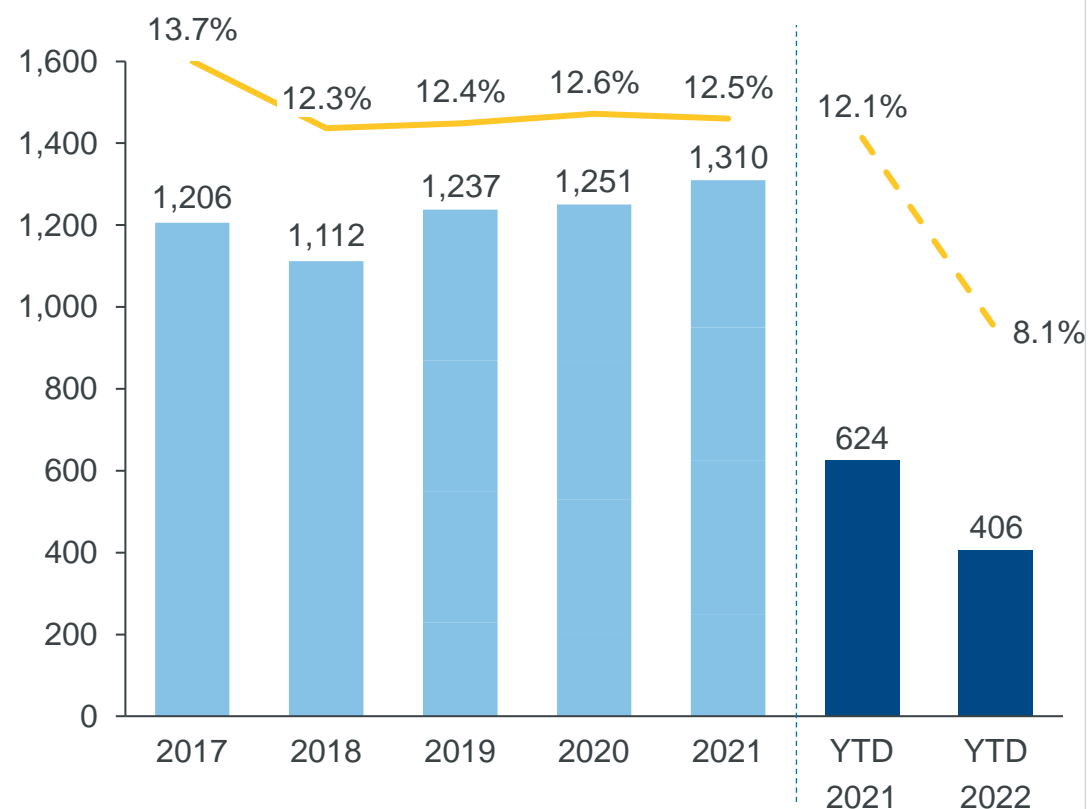
MEUR



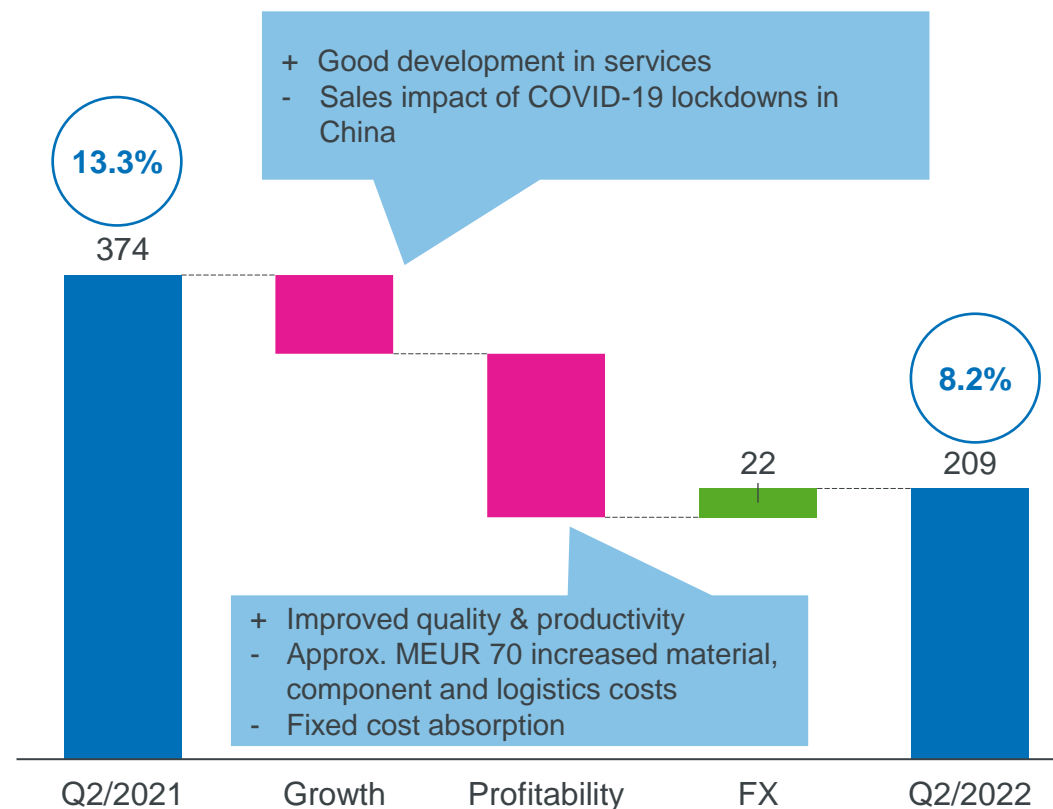
Adjusted EBIT and profitability

PROFITABILITY BURDENED BY SALES DECLINE AND 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–June 2022, items affecting comparability included a charge of EUR 45.6 million for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine, as well as for restructuring measures. In the comparison periods, items affecting comparability consisted of restructuring costs

We are taking strong actions to drive improved financial performance



Driving pricing
across all regions
and businesses, and
implementing more
dynamic contract
models

Lowering product
cost through
sourcing and offering
developments

Improving margins of
existing order book
with productivity

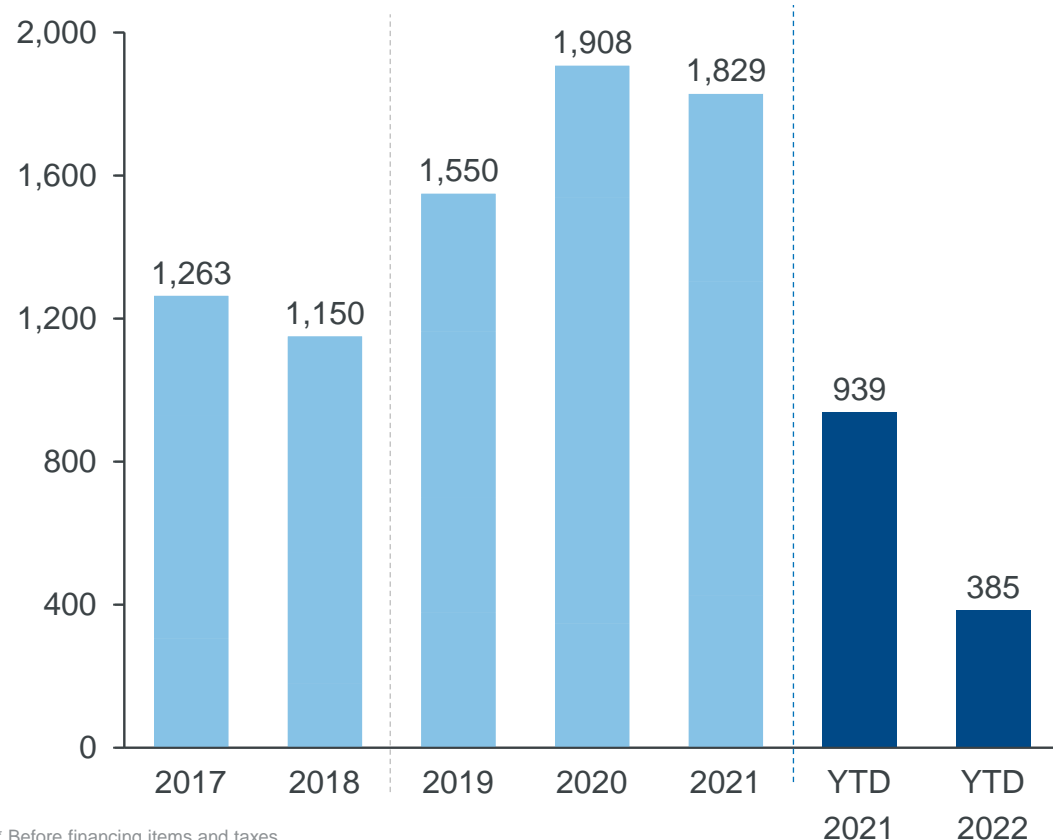
Accelerating service business growth

Cash flow from operations*



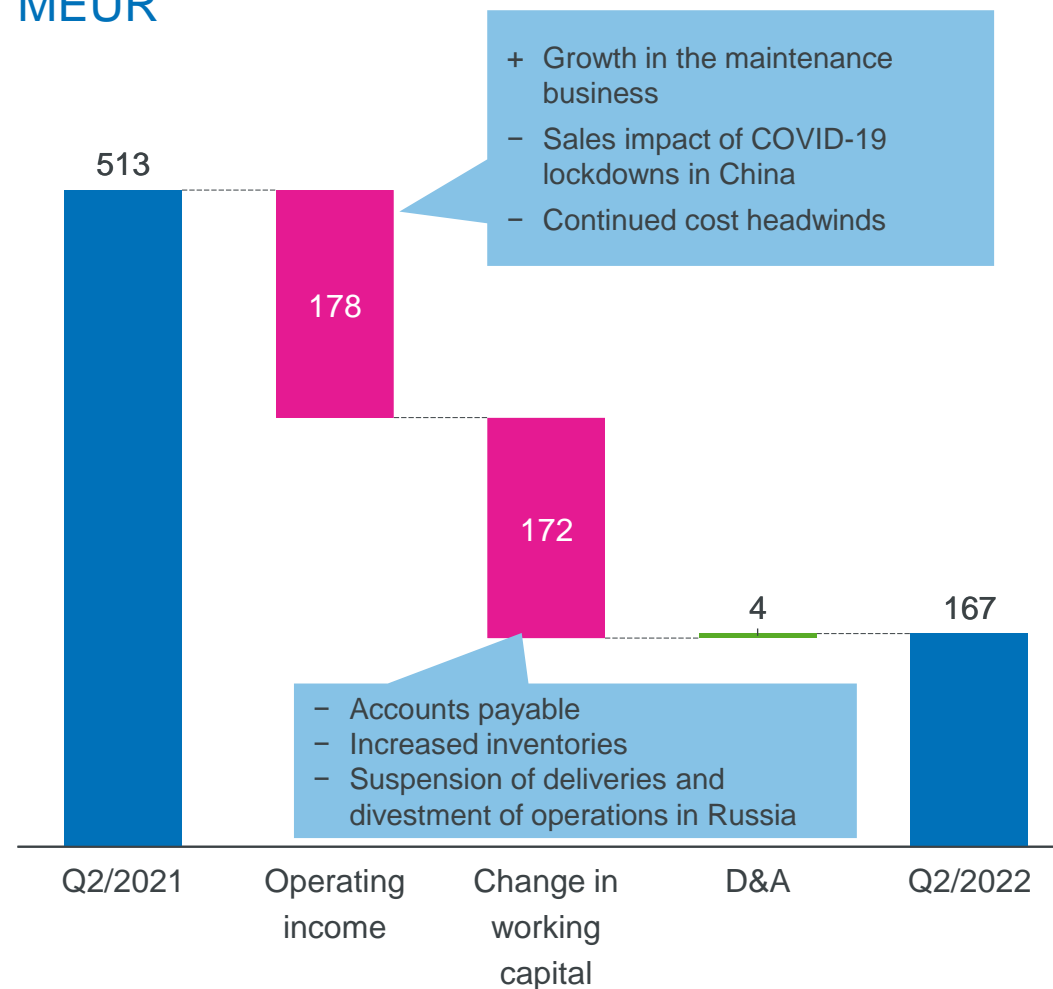
CASH FLOW DECLINED FROM AN EXCEPTIONALLY HIGH LEVEL DUE TO DECLINE IN OPERATING INCOME AND INCREASED NET WORKING CAPITAL

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 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 (revised)



Sales

- KONE estimates that in 2022, its sales growth will be in the range of -1% to +3% at comparable exchange rates as compared to 2021

Adjusted EBIT

- The adjusted EBIT is expected to be in the range of EUR 1,130–1,210 million, assuming that foreign exchange rates would remain at the July 2022 level. Foreign exchange rates are estimated to impact EBIT positively by around EUR 80 million

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

Summary

- Continued strong development in Services
- Strong focus on delivery execution and securing continued progress in actions to improve profitability
- High employee engagement and customer loyalty provides a solid foundation for capturing market opportunities



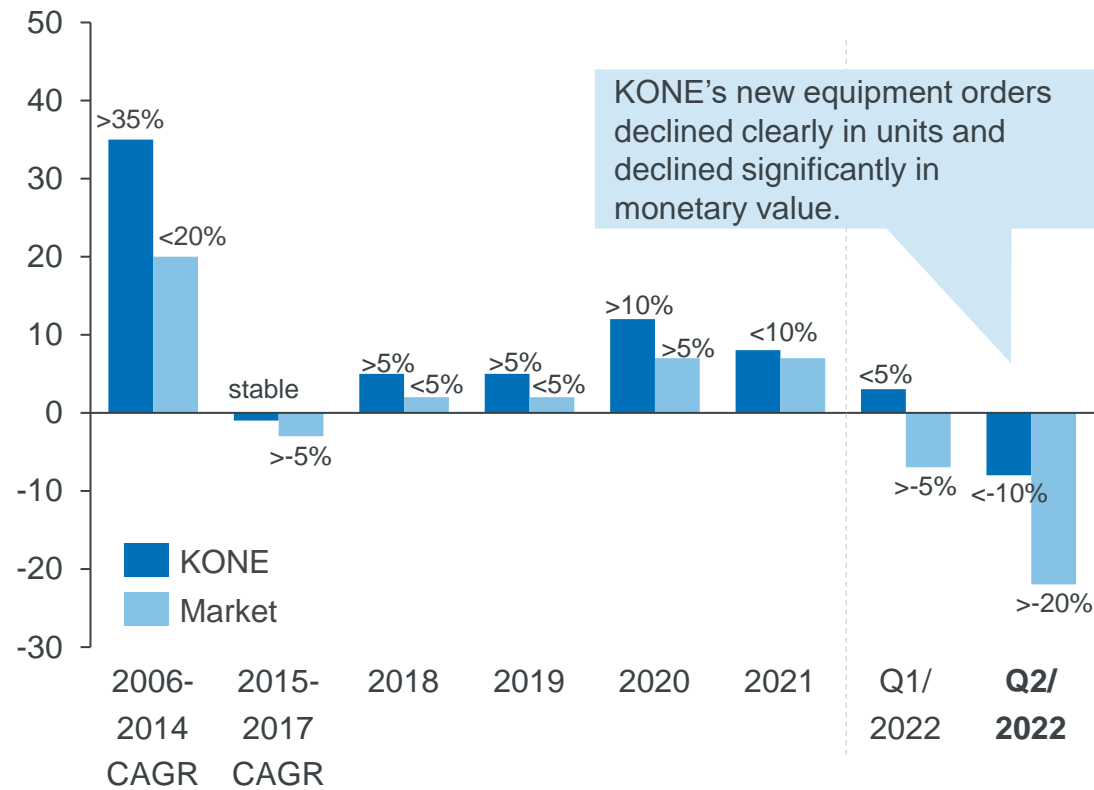
Dedicated to People Flow™



Appendix

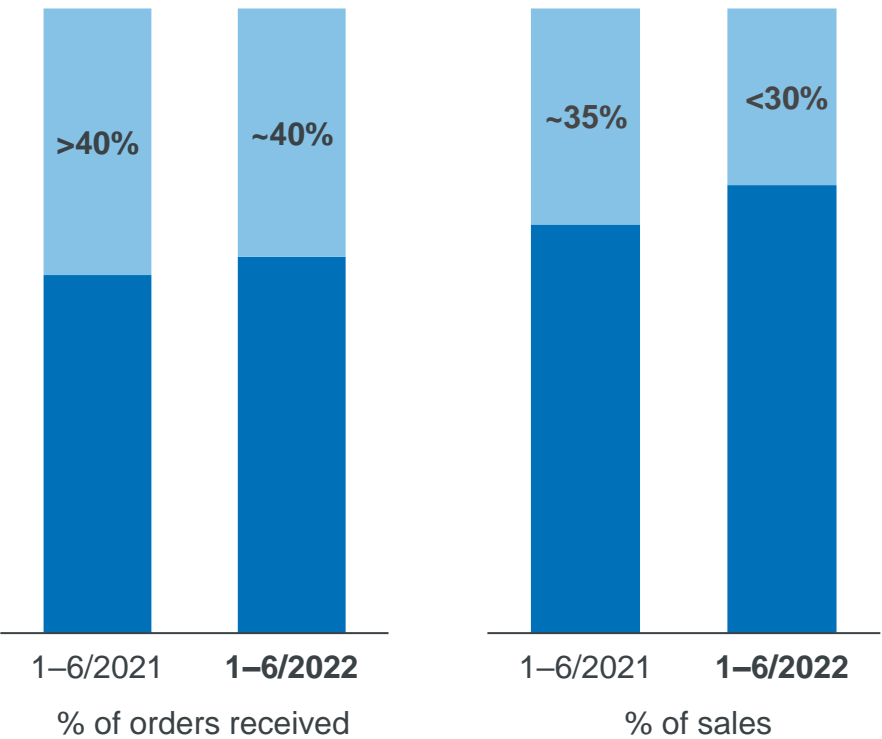
New equipment market

New equipment orders received in units vs. market development



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

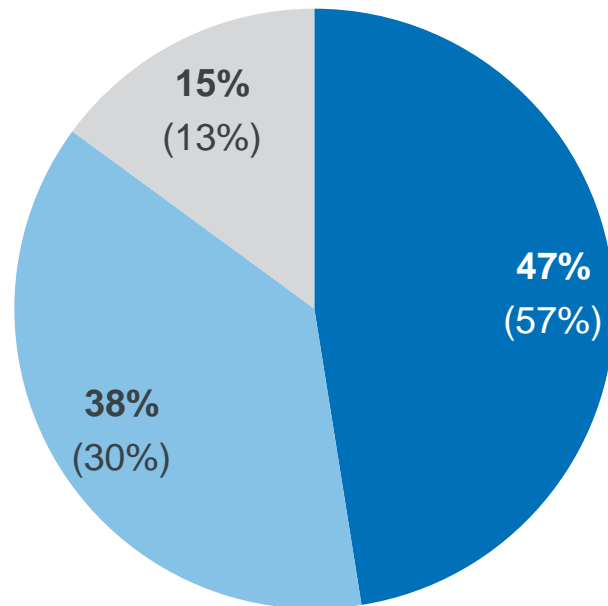
Monetary value



4–6/2022 Sales split

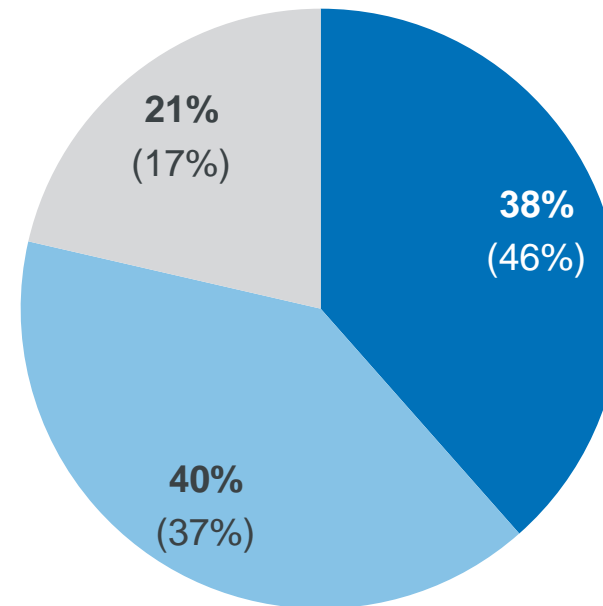


By business



- New equipment
- Maintenance
- Modernization

By region



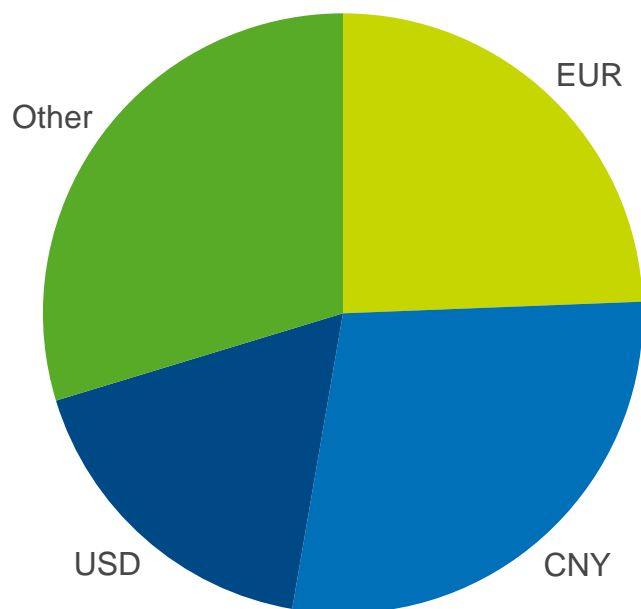
- Asia-Pacific
- EMEA (Europe, Middle East and Africa)
- Americas

4–6/2021 figures in brackets. Figures in charts are rounded and at historical exchange rates.

Currencies



Sales by currencies 1–6/2022



Currency impact*

MEUR	Q2	Full year
Sales	200.9	526.8
EBIT	22.3	60.3
Orders received	182.4	464.8

Main currencies

	Q2/2022 average	2021 average	Jun 30, 2022 spot
EUR / CNY	7.0636	7.6388	6.9624
EUR / USD	1.0917	1.1851	1.0387
EUR / GBP	0.8431	0.8615	0.8582
EUR / AUD	1.5215	1.5792	1.5099

*The impact of retranslating Q2/2021 and 1–12/2021 amounts with comparable exchange rates.

Balance sheet – assets employed



MEUR	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Assets employed			
Goodwill	1,437.8	1,352.9	1,405.2
Other intangible assets	216.7	217.4	216.9
Tangible assets	735.8	720.1	736.7
Investments	133.1	139.7	144.6
Net working capital	-1,308.1	-1,311.0	-1,468.2
Assets employed total	1,215.4	1,119.2	1,035.1
Financed by			
Equity	2,478.7	2,620.6	3,199.2
Net debt	-1,263.4	-1,501.4	-2,164.1
Equity and net debt total	1,215.4	1,119.2	1,035.1

Net working capital



MEUR	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Net working capital			
Inventories	873.4	622.0	717.8
Advance payments received and deferred revenue	-2,184.3	-1,807.4	-1,957.0
Accounts receivable	2,541.1	2,283.1	2,421.4
Deferred assets and income tax receivables	1,040.6	805.2	898.1
Accruals and income tax payables	-2,393.1	-2,183.9	-2,268.2
Provisions	-187.3	-167.8	-152.3
Accounts payable	-1,174.8	-1,032.3	-1,310.2
Net deferred tax assets / liabilities	176.4	170.2	182.2
Net working capital total	-1,308.1	-1,311.0	-1,468.2