



KONE Q3 2023

Henrik Ehrnrooth, President & CEO
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INTERIM REPORT JANUARY–SEPTEMBER 2023

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People Flow™

Q3 2023 Highlights

- Excellent performance in Service and Modernization
- Momentum in China regained and growth opportunities in India and the Middle East captured
- Stable development in orders received, good achievement considering market backdrop



Q3 2023 key figures

Orders received stable; strong growth in Service and Modernization sales

		Q3/2023	Q3/2022	Change	Comparable change
Orders received	MEUR	1,989.9	2,155.5	-7.7%	0.3%
Order book	MEUR	8,839.5	9,890.5	-10.6%	-3.7%
Sales	MEUR	2,749.9	2,998.2	-8.3%	-1.4%
Operating income (EBIT)	MEUR	316.5	303.9	4.1%	
Operating income margin (EBIT %)	%	11.5	10.1		
Adjusted EBIT	MEUR	315.9	305.8	3.3%	
Adjusted EBIT margin	%	11.5	10.2		
Cash flow from operations (before financing items and taxes)	MEUR	342.1	336.1		
Basic earnings per share	EUR	0.47	0.46	3.7%	

1–9/2023 key figures

Sales growth and improved profitability; market backdrop impacted orders received

		1–9/2023	1–9/2022	Change	Comparable change
Orders received	MEUR	6,528.5	7,187.1	-9.2%	-4.6%
Order book	MEUR	8,839.5	9,890.5	-10.6%	-3.7%
Sales	MEUR	8,142.4	7,995.2	1.8%	6.5%
Operating income (EBIT)	MEUR	837.9	664.0	26.2%	
Operating income margin (EBIT %)	%	10.3	8.3		
Adjusted EBIT	MEUR	889.8	711.6	25.0%	
Adjusted EBIT margin	%	10.9	8.9		
Cash flow from operations (before financing items and taxes)	MEUR	1,104.1	721.4		
Basic earnings per share	EUR	1.26	0.97	30.2%	

Appointment to the Executive Board

Axel Berkling

Axel Berkling has been appointed Executive Vice President, Commercial & Operations as of 11 October 2023. Axel will also continue to lead the Strategy & Transformation organization until a successor has been appointed to this role.

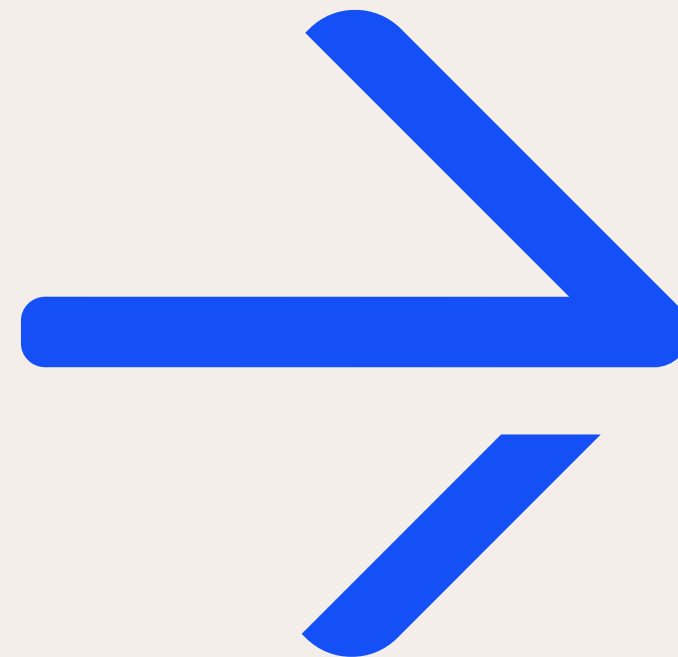


Philippe Delorme appointed President and CEO of KONE Corporation as of 1 January 2024

- Accomplished leader with over 25 years of business leadership experience from Schneider Electric, most recently as Executive Vice President, Europe Operations
- Member of the Schneider Electric Executive Committee 2009-2023
- Past key positions in strategy, technology and sales in Europe, the US and Asia

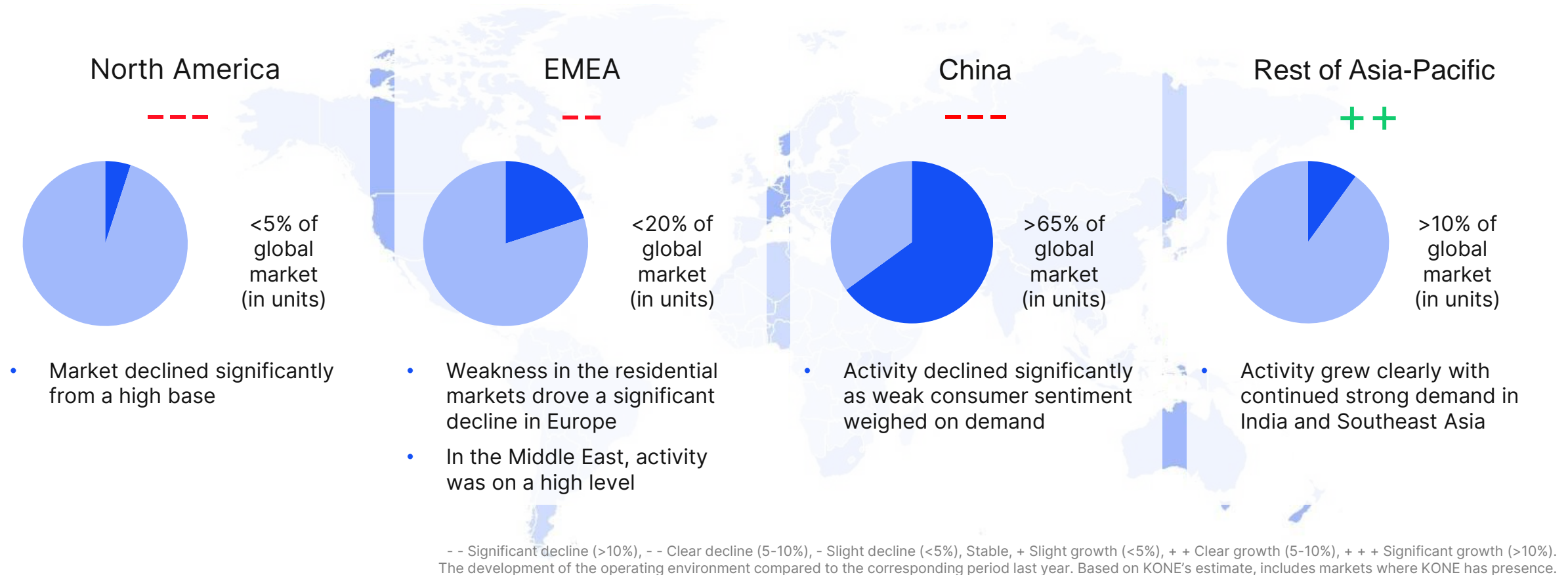


Market development



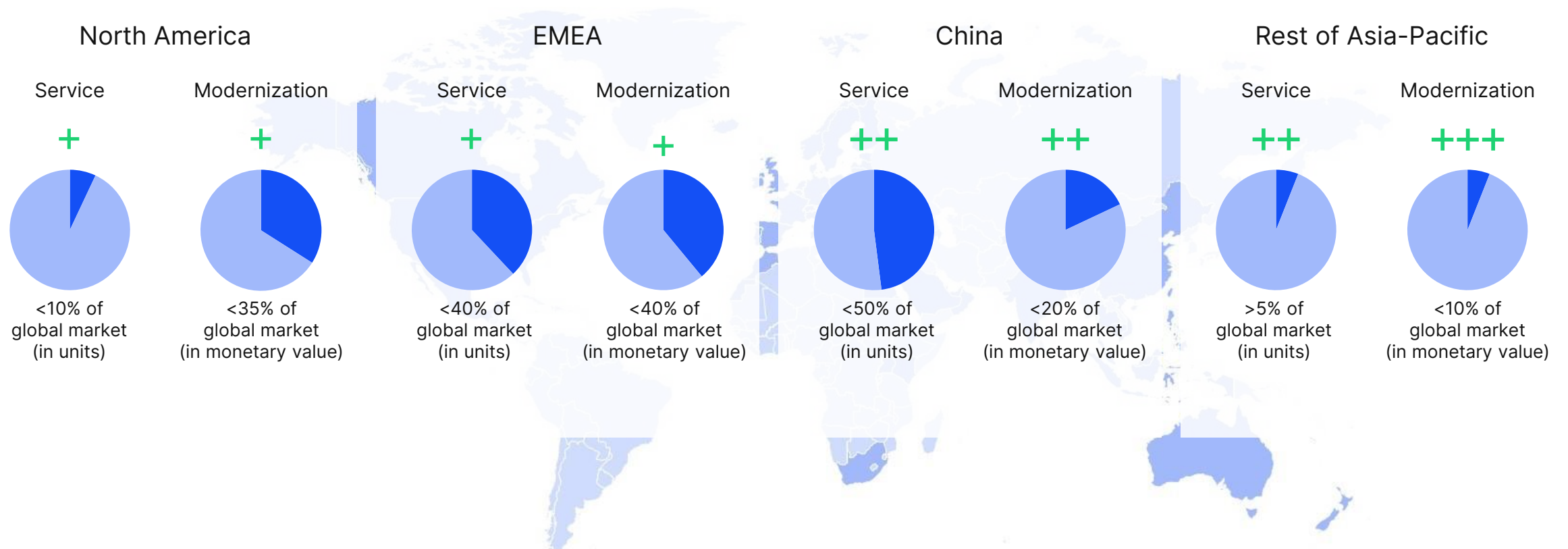
New Building Solutions market in Q3 2023

Markets impacted by continued weakness in China and slower construction activity in Europe and North America



Service and Modernization markets in Q3 2023

Positive development continued with growth across all regions



- - Significant decline (>10%), - - Clear decline (5-10%), - Slight decline (<5%), Stable, + Slight growth (<5%), + + Clear growth (5-10%), + + + Significant growth (>10%).
The development of the operating environment compared to the corresponding period last year. Based on KONE's estimate, includes markets where KONE has presence.

Market activity in China



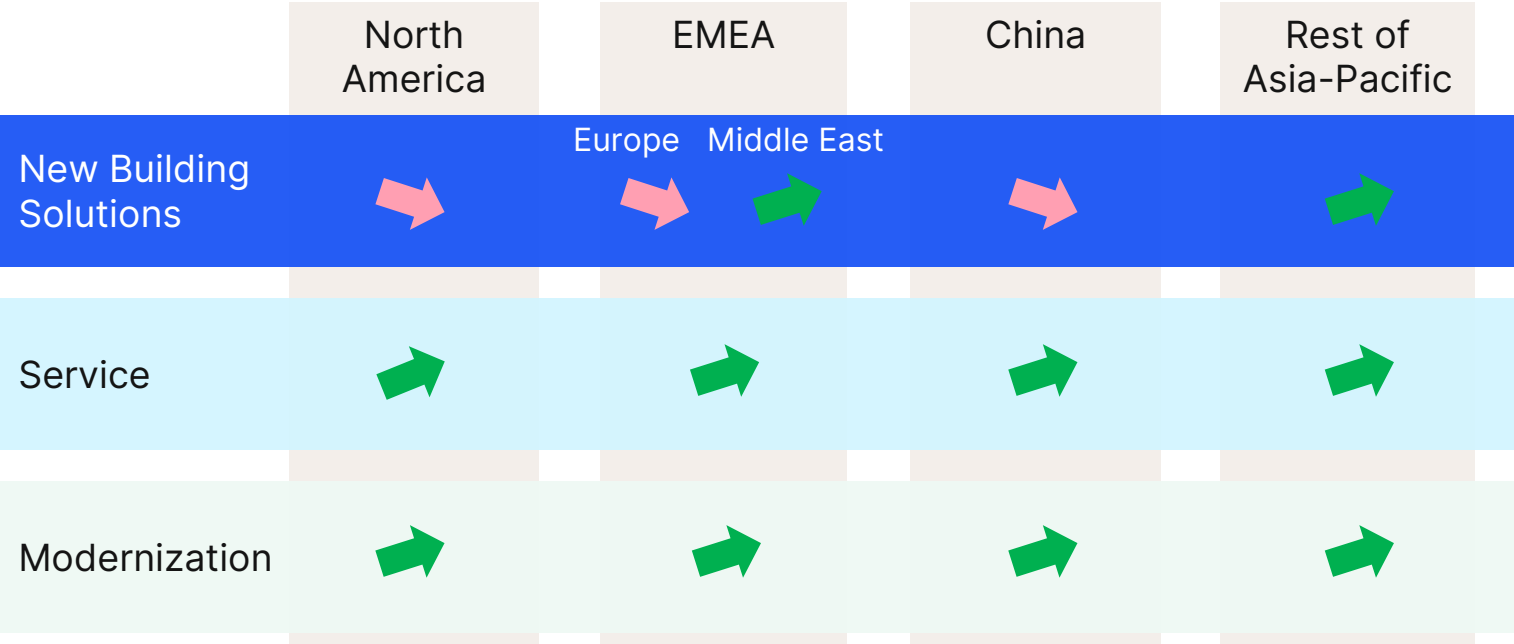
- Weak consumer sentiment continued to weigh on new construction activity, policy actions central to recovery
- Pricing environment characterized by intense competition
- Continued focus on completion of unfinished projects
- Strong growth in Service and Modernization markets



	Q3 2023 y/y	YTD 2023 y/y
Real estate investment	-11.5%	-9.1%
Residential sales volume	-13.9%	-6.3%
New starts	-21.3%	-23.4%
Completions	21.7%	19.8%
New home prices in 70 largest cities (Sep)	-0.57%	

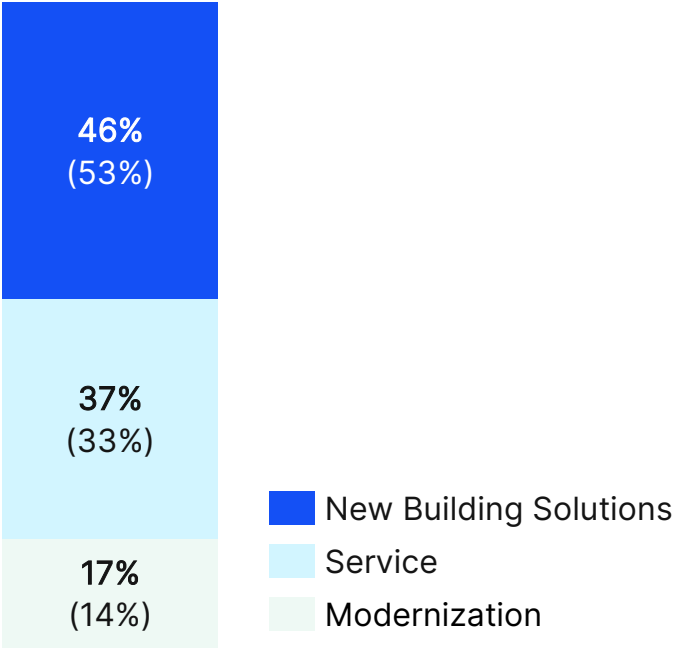
Growth opportunities in all regions, despite economic uncertainty in many parts of the world

E&E market growth outlook



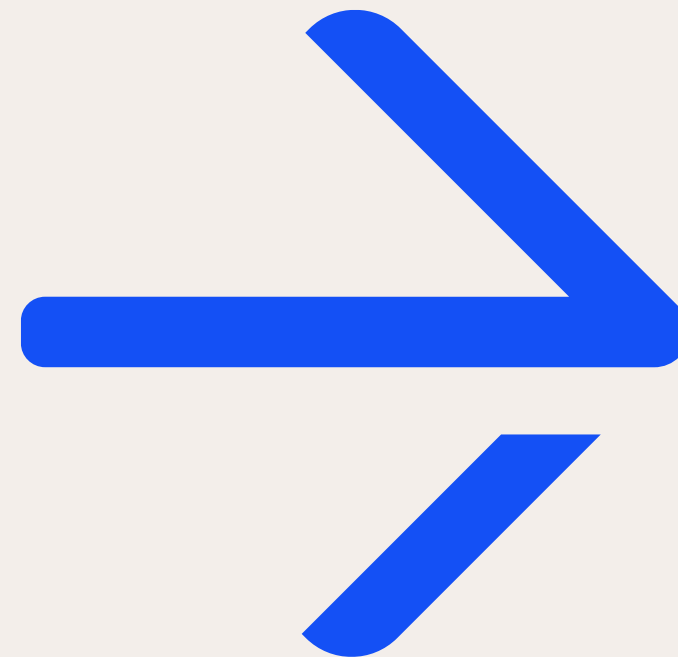
Based on KONE's estimates

Sales by business Q3/2023



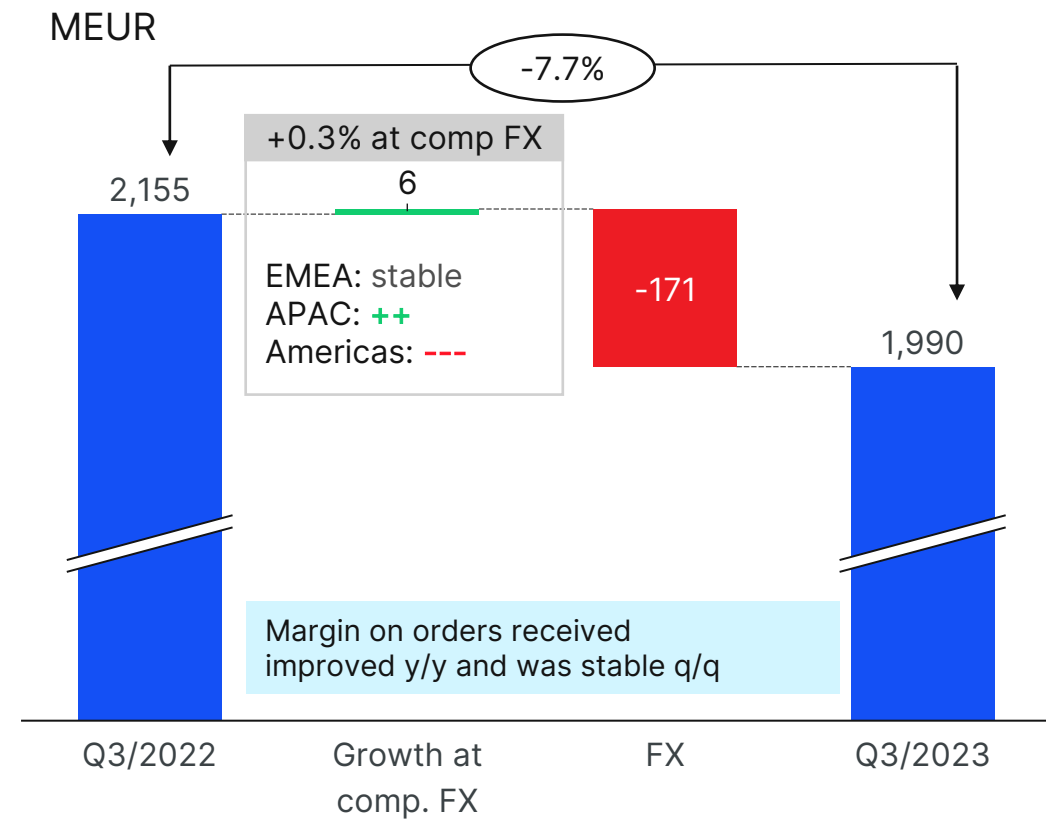
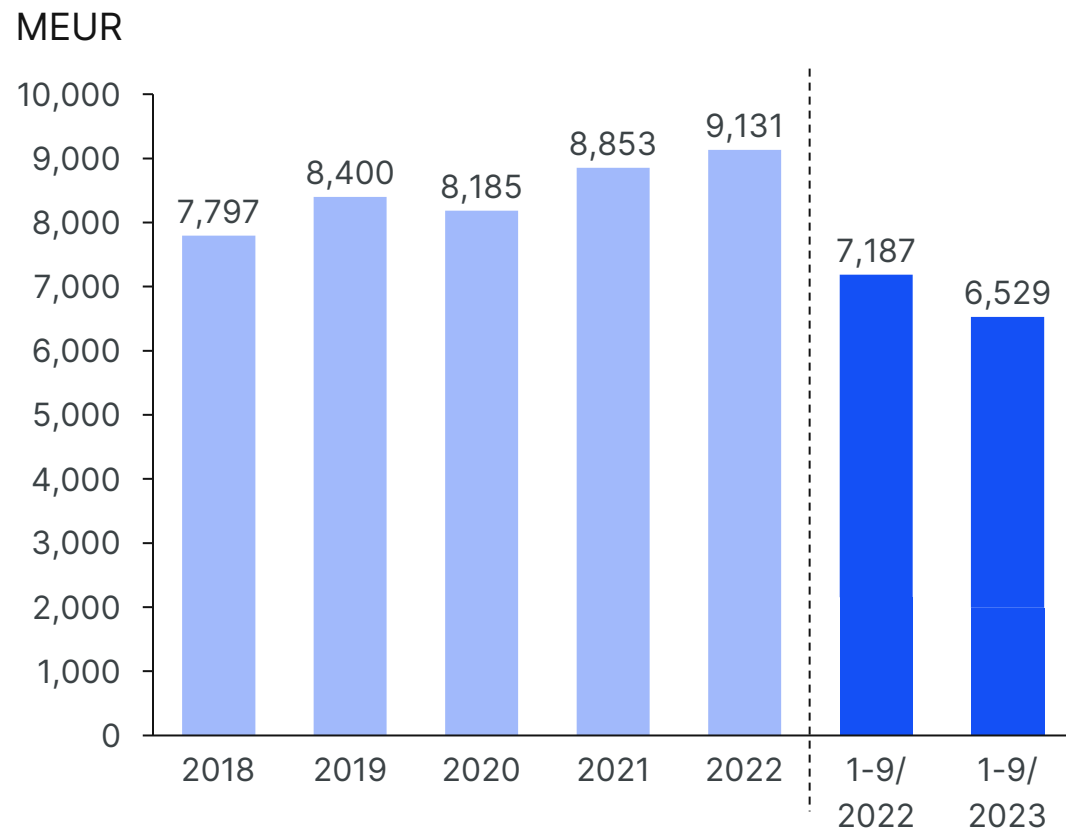
Q3/2022 figures in brackets. Figures in the chart are rounded and at historical exchange rates.

Q3 Financials



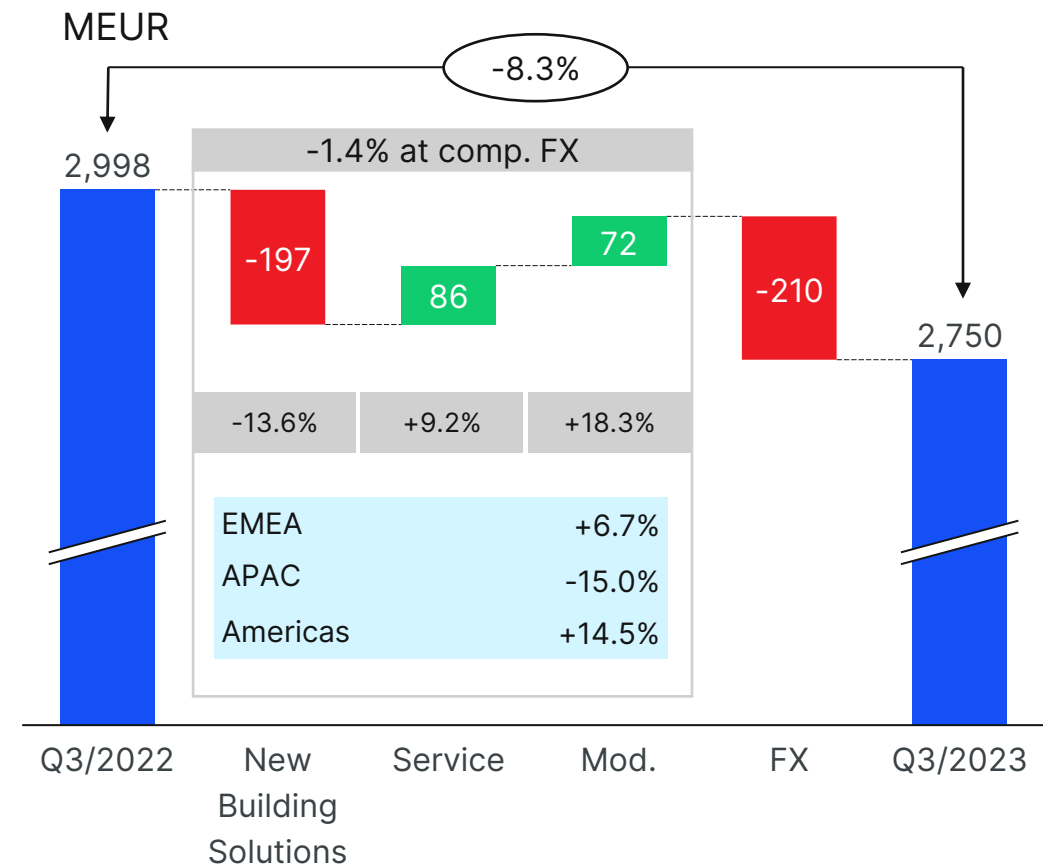
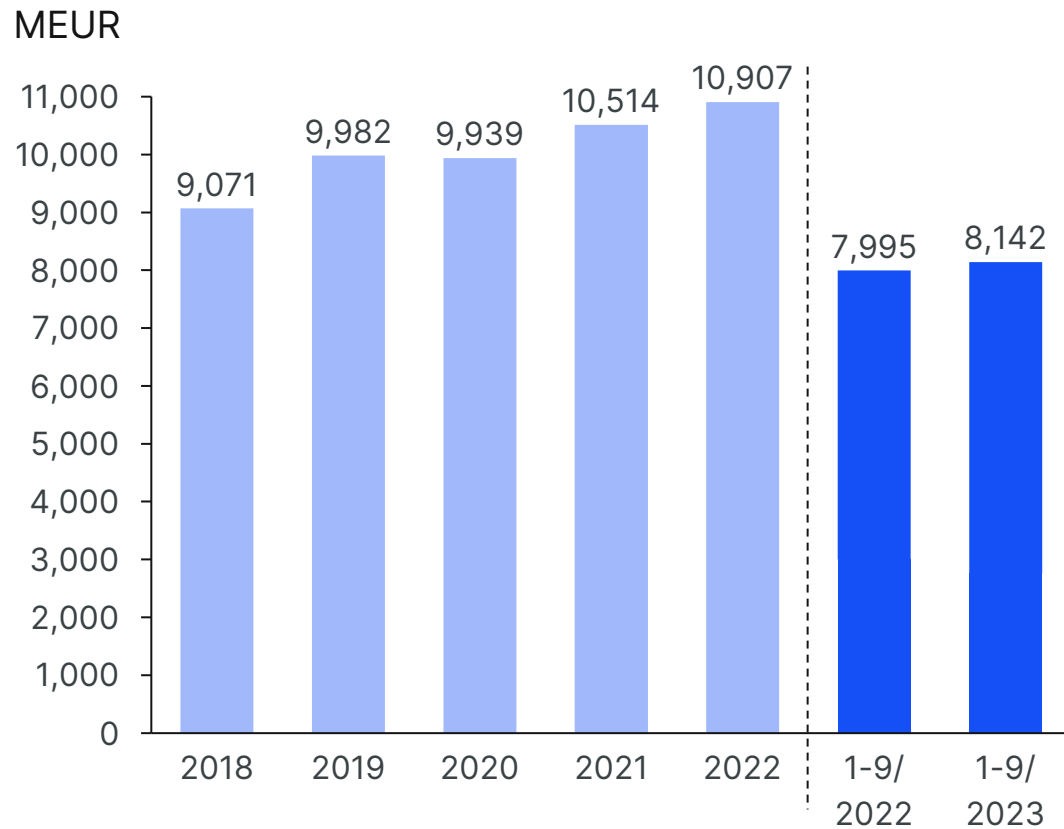
Orders received

Stable development in Q3 orders, margin on orders received remained on a good level



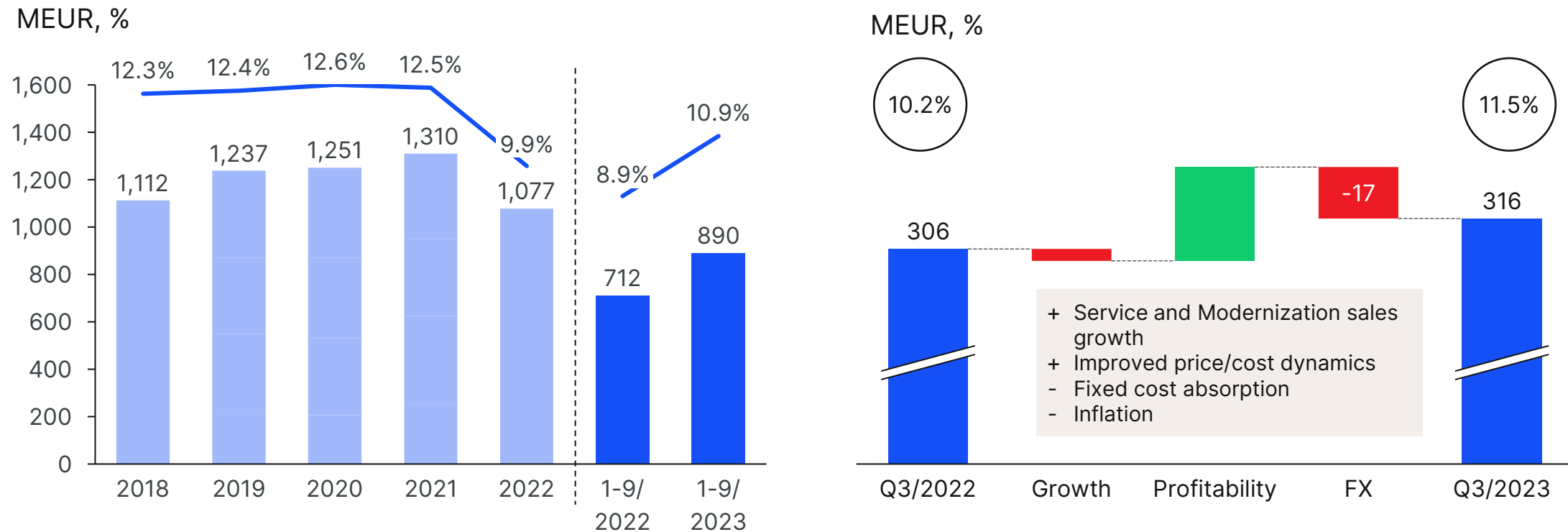
Sales

Strong growth in Service and Modernization partly compensated for decline in New Building Solutions



Adjusted EBIT and profitability

Margin expansion driven by sales mix and improved price/cost dynamics on deliveries

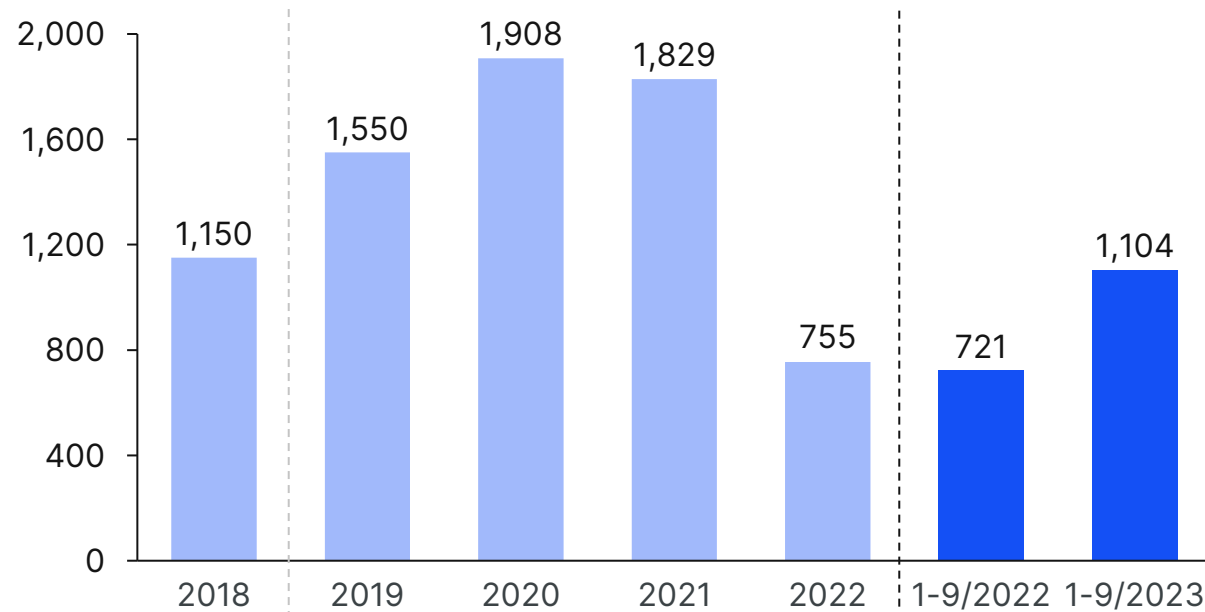


KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–September 2023, items affecting comparability amounted to EUR 51.9 million including EUR 54.8 million costs recognized on restructuring measures and 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.

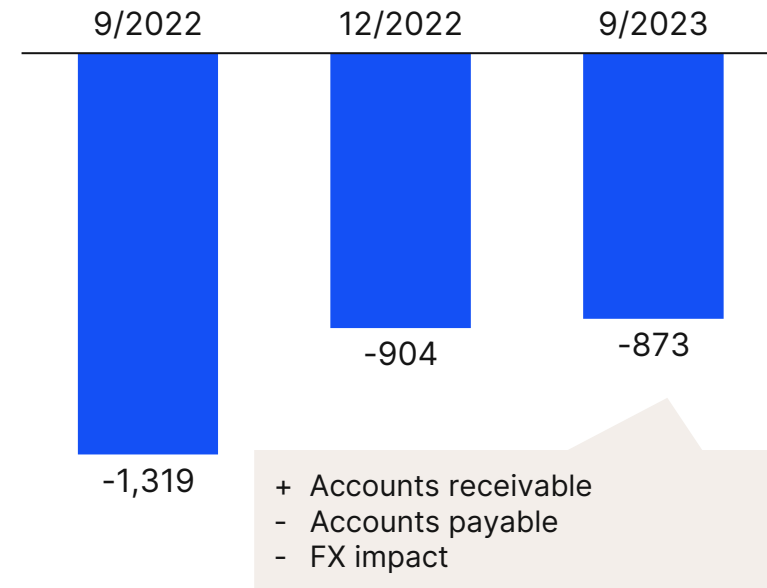
Cash flow from operations and net working capital

Cash flow improved due to increased operating income, net working capital broadly stable

Cash flow from operations*, MEUR



Net working capital**, MEUR

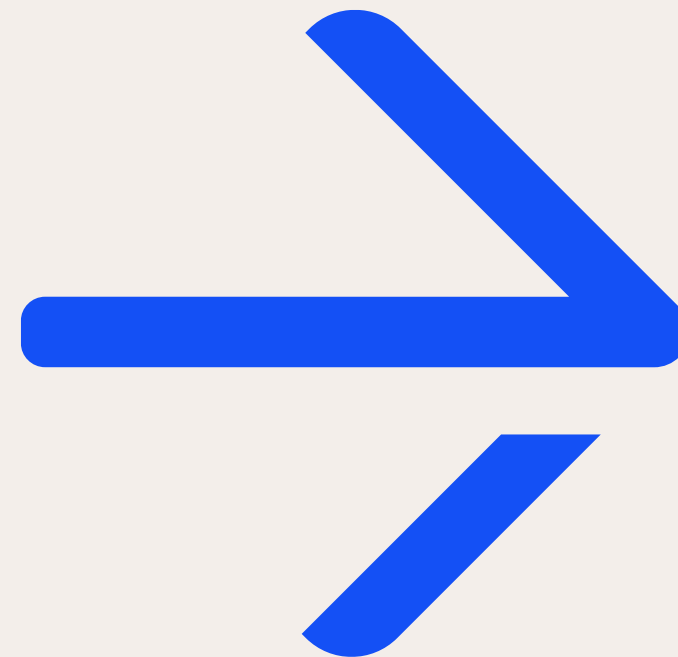


* Before financing items and taxes

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.

** Including financial items and taxes.

Market and business outlook



Market outlook for 2023 (unchanged)

New Building Solutions 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
- Activity is expected to decline clearly in EMEA and decline significantly in North America

Modernization markets

- Modernization markets are expected to grow in all regions

Service markets

- Service markets are expected to grow slightly in the more mature markets and grow clearly in Asia-Pacific



Business outlook for 2023 (reiterated)

Sales

- KONE expects its sales growth at comparable exchange rates for the year 2023 to be in the range of 3–6%

Adjusted EBIT

- The adjusted EBIT margin is expected to be in the range of 11.0–12.0%
- Assuming that foreign exchange rates remain at the October 2023 level, the negative impact of FX on the adjusted EBIT is expected to be approximately EUR 40 million

Supporting our performance

- Growth in Service and Modernization
- Strong order book and improved margins on orders received
- Declining commodity costs

Burdening our performance

- Decline in China's New Building Solutions market
- Softer New Building Solutions market environment in Europe and North America
- Persistent inflation

Headwinds and tailwinds going into 2024

Boosting our performance

- ⬆ Positive outlook for Service and Modernization
- ⬆ Improved margins on orders received
- ⬆ Cost savings related to the operating model renewal

Burdening our result

- ⬇ Continued soft outlook for New Building Solutions in several regions
- ⬇ Persistent inflation

Summary

- Solid development in the third quarter
- Strong position in the growing markets in India, Southeast Asia and the Middle East
- Excellent performance and continued growth prospects in Service & Modernization



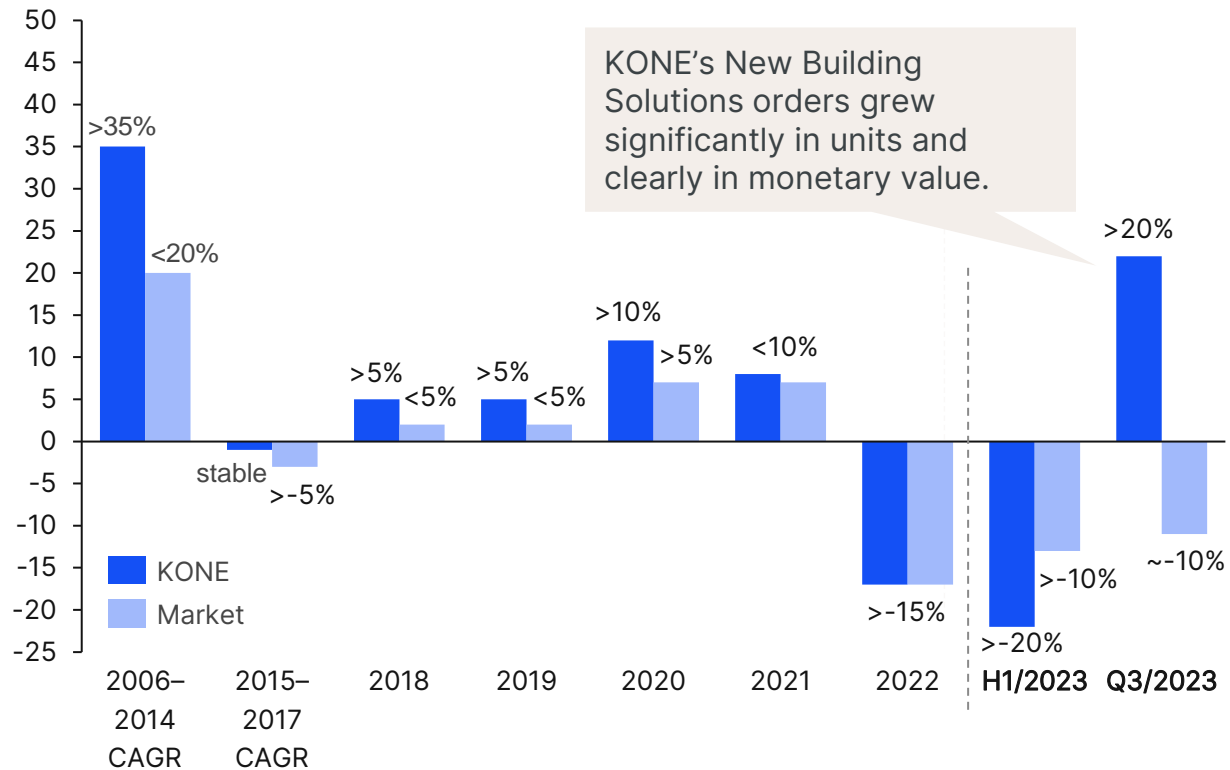
KONE

Appendix

KONE in China

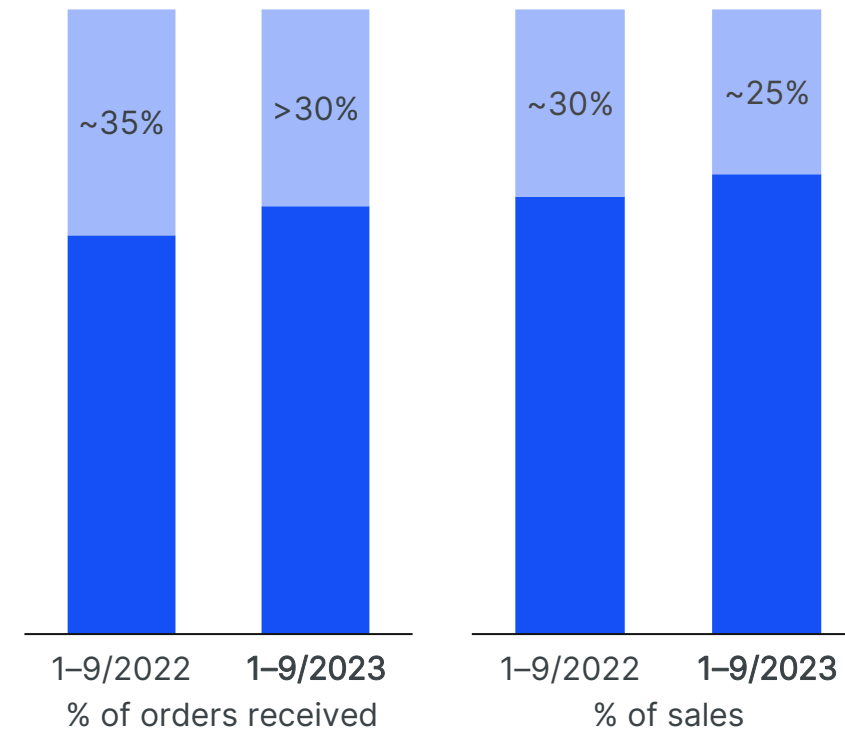
New Building Solutions market

New Building Solutions orders received in units vs. market development



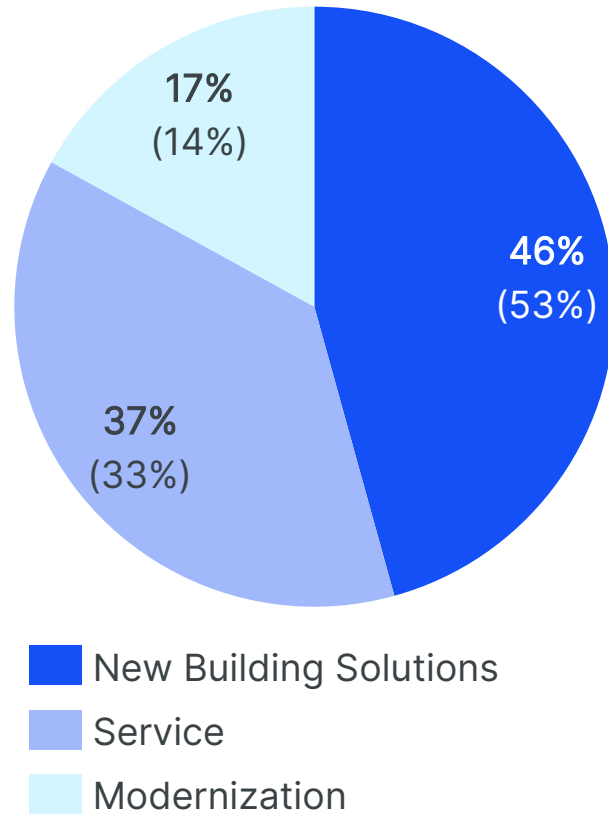
China's share of KONE's orders received and sales

Monetary value (at comp. FX)

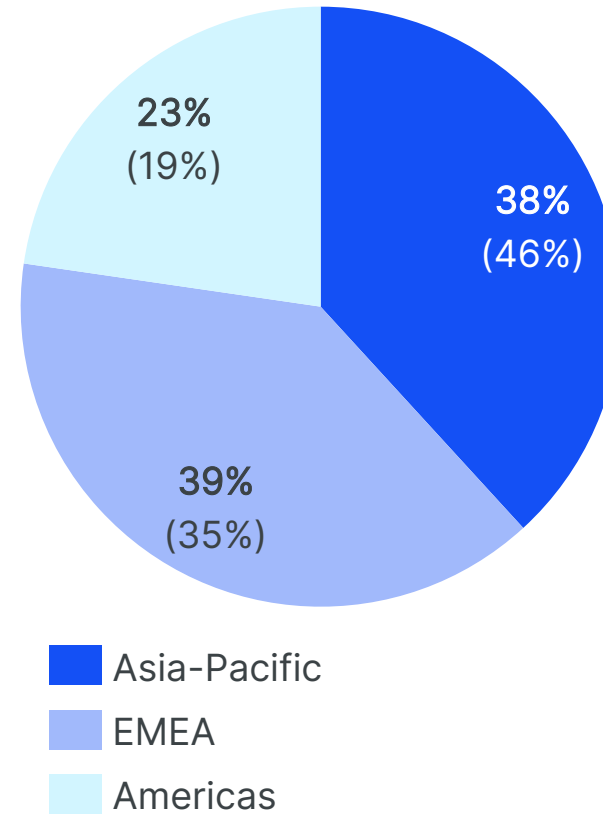


7–9/2023 Sales split

By business



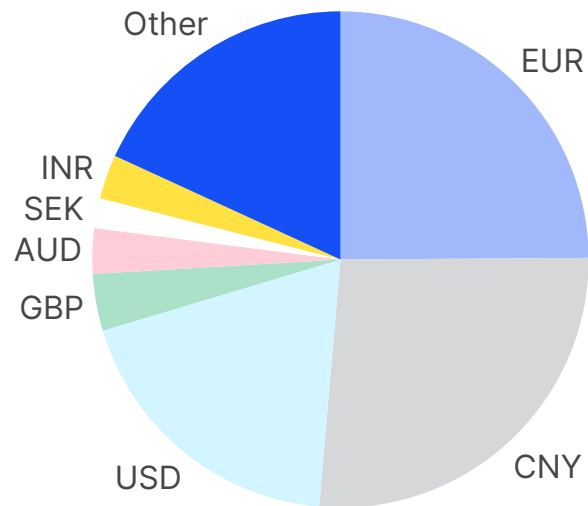
By region



7-9/2022 figures in brackets. Figures in charts are rounded and at historical exchange rates.

Currencies

Sales by currencies 1-9/2023



Currency impact*

MEUR	Q3	Full year
Sales	-209.5	-441.4
EBIT	-17.2	-35.0
Orders received	-171.1	-406.1

Main currencies

MEUR	Q3/2023 average	2022 average	Sep 30, 2023 spot
EUR / CNY	7.6145	7.0836	7.7352
EUR / USD	1.0801	1.0563	1.0594
EUR / GBP	0.8706	0.8537	0.8646
EUR / INR	88.9944	82.8319	88.0165
EUR / AUD	1.6232	1.5189	1.6339

*The impact of retranslating Q3/2022 and 1-12/2022 amounts with comparable exchange rates.

Balance sheet – assets employed

MEUR	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Assets employed			
Goodwill	1,479.3	1,465.9	1,414.7
Other intangible assets	302.5	211.0	208.2
Tangible assets	743.9	744.5	716.8
Investments	95.2	135.0	121.7
Net working capital	-872.6	-1,318.9	-903.9
Assets employed total	1,748.3	1,237.4	1,557.5
Financed by			
Equity	2,542.7	2,790.3	2,866.5
Net debt	-794.4	-1,552.8	-1,309.0
Equity and net debt total	1,748.3	1,237.4	1,557.5

Net working capital*

MEUR	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Net working capital			
Inventories	852.2	935.9	843.6
Advance payments received and deferred revenue	-1,964.2	-2,153.3	-1,973.8
Accounts receivable	2,508.0	2,656.4	2,668.1
Deferred assets and income tax receivables	916.3	1,002.1	826.9
Accruals and income tax payables	-2,250.3	-2,354.7	-2,181.2
Provisions	-213.5	-194.8	-177.4
Accounts payable	-919.4	-1,392.3	-1,132.8
Net deferred tax assets / liabilities	198.3	181.6	222.7
Net working capital total	-872.6	-1,318.9	-903.9

* Including financial items and taxes.