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Sanna Kaje: Good afternoon, and welcome to KONE's Q4 and 2018 Results Presentation. My name is Sanna Kaje and I'm the Head of Investor Relations. As usual, I have here with me our President and CEO, Henrik Ehrnrooth; and CFO, Ilkka Hara. Henrik will first go through the Q4 and 2018 highlights, a bit how the market has developed; Ilkka will then go deeper into the numbers; and Henrik will finish with how we see the market outlook.

Henrik, please.

Henrik Ehrnrooth: Thank you, Sanna, and also warm welcome on my behalf. And I'm very happy to say that we have lot of good news to share with you today. We know that this year or the last year overall had many challenges for us, particularly when you look at our result. But we were able to turn that trend clearly in the last quarter. And that's something I'm happy about.

If I look at the highlights for last year, particularly last quarter, is that orders received and sales grew, again, in all regions and all businesses. That is something we did consistently last year and a clear difference to year 2016 and 2017, how we turned our orders received, in particular, in all parts of the world back to growth. Also in last quarter, our EBIT – adjusted EBIT returned to clear growth; that I'm happy about.

We are now halfway through our Winning with Customers strategy phase. I'll go a little bit deeper into what we have achieved during this strategy phase. We can see it's leading to clear and strengthened differentiation.

And then finally, our Board of Directors made a proposal to our Annual General Meeting that we would pay dividend of €1.65 per B-class share, so continued strong dividend.

If I then go to the highlights for the fourth quarter, I talked already about the growth in orders received and then our EBIT return to growth. Orders received grew at 5.9% in comparable currencies and was a little bit over €1.9 billion, so a good number.

Given the good growth we have had in orders received last year, our order book is at a very solid level or close to €8 billion, and it grew at 8% last year. Our sales also continued to grow in all businesses; it was €2.4 billion and grew at 6.5%.

Our operating income, €292.5 million. And when we look at our adjusted EBIT, which is our operating income, and then exclude a restructuring cost from the Accelerate program, it was €319.6 million compared to €302.6 million previous year. So clear growth of about 6%.

Adjusted EBIT margin now stabilized and was 13.1%. So overall, I'm pleased that we returned the improvement path in our operating – or adjusted EBIT. Cash flow, we continue to have a solid cash conversion at €331.6 million and EPS was €0.45.

But one quarter is always a very short period of time, so looking at the full year always gives of course a broader picture. Here, highlight is perhaps our orders received at close to €7.8 billion for the year and a growth of 6.6%. And throughout the year, we grew at a very consistent rate and we grew consistently in all geographic areas, in all businesses.

So what I'm happy about here in the orders received is that it was very broad based. It wasn't only one or two regions that drove the growth, it was actually something that happened everywhere and that shows good consistency and breadth to the growth. And that I'm happy about.

Our sales exceeded €9 billion for the first time. It's an important milestone, 6.3% growth. Operating income, €1.042 billion and adjusted EBIT, €1.112 billion, compared to €1.205 billion the previous year. So here we know that our EBIT – adjusted EBIT margin declined clearly from 13.7% to 12.3%. It is clear that the 12.3% does not meet our objectives and our ambitions are clearly to improve that going forward.

Cash flow, €1.150 billion, more solid now towards end of the year, slightly lower in the first quarter. And EPS of €1.63.

If I look at some of the business highlights for the full year 2018, I would start with the record high orders we had in our new equipment business. Last year, our total orders received via our new equipment business was 166,000 units of elevators and escalators, up from about 158,000 the year before, which means it's a growth of about 5%. And we think it's clearly faster than overall market growth, which means that we grew faster than market and took some market share last year. The actions we have taken to offset headwinds, particularly in our new equipment business are starting to show positive results, clearly through pricing but also productivity.

Our service business continues to develop very solidly. The very consistent – the growth in our service business, it grew in all parts of the world and strong growth throughout Asia Pacific. Our total maintenance base grew by 6% and was 1.3 million units at the end of the year.

What I'm particularly happy about is that our new services are having a clear impact on pricing and conversions. We can see that particularly in the countries where we have rolled out these services early, we can see a concrete impact from our new KONE Care in Europe, the impact it is having on pricing and conversions, and 24/7 Connected Services on both pricing and conversions in all parts of the world. So it is definitely taking us forward, so we can see that we are on the right path here, although we are still at quite an early stage.

As I mentioned, our dividend proposal from our Board of Directors is €1.65 per B-class share, same level as in the prior year. But clearly, if we look at little bit longer perspective, we see that our dividends have grown solidly year after year, and now it stayed at the same level, but a good level. This means dividends of about €850 million. That's a little bit over 100% payout ratio and gives a dividend yield of 4%. So I would say, overall, a strong and attractive dividend is how I would describe it.

So those are some highlights for 2018. As I mentioned, we are halfway through our Winning with Customers strategy period. And it's always good to look back at what we have achieved in these two years. The way we measure our success, which I think is familiar to most of you, is through our five strategic targets. And if we look at how we developed against this, we can see broad-based, good development towards most of them, not all of them.

Our objectives, our most loyal customers, and we have seen continued improvement in our net promoter score, again, in 2018 on a very broad basis. So we can see what we're doing is taking us further towards that target.

We want KONE to be a great place to work. Our employee engagement continues to be at a very strong level. We are compared to external benchmarks in a high performance category, so we can see we have engaged and motivated employees. That I'm very happy about and that's clearly fundamental to developing a company going forward.

Last year, we had a strong development both in new equipment and in services, looking at orders received and our growth in our service base. And we believe that we did grow faster than the market in both of these businesses. It's a good development also there.

However, where we're not satisfied with our development, clearly, is when we look at the best financial development target and we know that our profitability in the past two years have clearly been burdened by several headwinds. And we need to continue to take determined action to improve our margins. It's clear that the level we are at the moment does not meet our objectives and is not satisfactory to us. Our ambition is higher.

And our final target is to be leader in sustainability. This can clearly be defined very broadly, but we want to be the leader in eco-efficiency, that we can see that we have the most energy efficient products in the market. We have continued to reduce our carbon – CO2 relative to sales. So we're becoming a more carbon-efficient company.

And we also in the past couple of days had had very exciting news, and some exciting, and I would say, very rewarding external recognitions for our work in sustainability. We were ranked as the 43rd most sustainable company in the world by Corporate Knights. And in CDP, which measures carbon dioxide efficiency, we were – we had a rating of A minus, which is benchmark in our industry. So again very important and exciting external recognitions in this area.

So when I look at our strategic targets, we can see broad-based development clearly in one area where we want to improve. The way we're improving it is through developing KONE through our strategy. The way we've developed KONE is through our ways to win. That is what guides our development activity nature of our businesses. And what we decided already few years ago is that the way we develop our innovation, the way we innovate has to become much more open, has to be much more with partners and with customers to bring all the best knowledge to bring the best solutions to our customers.

And I'm very pleased to say that today co-creation with customers and partners, that is how we operate. That is how we drive our innovation projects further and forward. And we have seen faster and better results from here. To do that, we also need new competencies for our people to succeed in the current environment. We need a lot of new capabilities in a changing, more and more digitalized world.

We have developed a lot, our employees and we can see through our people strategy, the way we are building up specific competence hubs around the world to support our business to succeed and our people to succeed, and the way we are developing them through very innovative, new learning methods. And we can see a very broad base of our employees participating in this. This is I think very, very exciting.

When we develop KONE this way, then come up with customer-centric solutions and services. These are solutions and services that meets the changing, and more and more individualized needs of our customers. We talked a lot about 24/7 Connected Services, and these are showing the way for our whole industry. And we can see that we are leading the way in our industry with this.

What I am particularly excited about these services is that here, we are generating revenues that have not existed in this business before, and these services now cover countries that represent 85% to our maintenance base, so very broadly available. And we're building momentum in many places.

Our new KONE Care maintenance offering is driving clear differentiation. We can see that it is having an impact, not only on prices but also on conversion. And in many countries in Europe we have been able to turn the trend where price has been under pressure for many years and we've now been able to turn it back, to the improvement path[?]. We can see it does differentiate us. And we can also see that the continuous improvements we're driving our core product offering is bearing fruit and we can see how that helped us grow faster than market last year.

Our fast and smart execution is the way to win, that is how we constantly need to be able to work smarter help our customers succeed in construction side or serving better in existing buildings.

Much of this is about freeing up time from our frontline people to spend more time with customers to add value to them. We've been able to reduce lot of administrative work to release time for customers, hugely important and we can see some very concrete benefits of this.

We've also very broadly improved how we can use advanced analytics to help us make smarter decisions and work smarter. And some of the very specific success cases here relate to how we are much better using advanced analytics for pricing and for retaining our customers better, know how to serve them better, particularly in maintenance business.

Then the final program, True Service Mindset, we know we are in the service business and we constantly need to meet and exceed our customers' expectations. To do that we have spent a lot of time in understanding what really matters to our customers and then excel in these areas. Here also, we can see from our customer loyalty surveys that we have made some good progress. So this is how we have developed KONE, how we would continue to drive KONE forward, our philosophy on developing the company.

To speed up the strategy execution, towards the end of 2017 we launched our Accelerate program with the idea of improving our customer-centric capabilities that is helping our customers succeed in their changing businesses. And by understanding their businesses even better by introducing speed, how we can bring our new services and solutions faster to the market and constantly in an ever more competitive market, be constantly more efficient. Those were the objectives.

The first program within Accelerate was a renewal of our entire HR function; that was already completed over a year ago in Q4 2017. And we're seeing some clear benefits from this. How we are making better decisions. How we are more efficient in HR. How we are much faster and better in recruiting new people and training people and so forth. So encouraged by this, we've started also transforming many other functions to be able to be more efficient in many other support functions that are critical to running KONE in order to release time for our customers, to serve them even better.

When we look at the Accelerate program, we had originally a target of about €100 million run rate savings by the end of 2020 and that the program would cost us about €100 million. As we have now been developing for about a little bit over year, we expect that the total savings will be somewhat over €100 million by the end of 2020. And we also expect the cost to be somewhat over €100 million by 2020. No big difference here; this is just something as we have gone further we have more specific plans now and know more about the program. But this is progressing as planned. So that is about how we're developing KONE and what happened in 2018.

If I then turn next to market development, how we see the external markets developing. I'm starting with new equipment market. We can see that overall, the new equipment market in the last quarter, last year grew slightly in units order. North America continue to grow from already a strong level, slightly. Europe, Middle East and Africa are pretty stable, with a stable market in Central and North Europe, slight growth in South Europe, but a decline in the Middle East. Asia-Pacific, slight growth, with the growing Chinese market, but also growth in rest of Asia-Pacific, with the growth in South-East Asia and in India.

If I then look at the service markets, maintenance, really nothing new; some growth in both North America, Europe, Middle East and Africa and good growth in Asia-Pacific. Modernization, North America continues to grow from a good level. Europe, Middle East and Africa now declined slightly due to some regulatory changes in some markets, and some markets coming down. And Asia-Pacific continues to grow at a good rate.

But as usual, let us look in a little bit more detail what happens in the very important large Chinese new equipment market. Here we saw last year a slight growth overall in the market. I would say perhaps one of the most important factors driving the market has been government policies towards the whole housing and property market, and restrictions that have been in place.

I'll talk a little bit more about those. But if we start with – we're looking at housing inventories what is the underlying market health of it. We can see that the inventories continued to be at pretty healthy level. These figures here are from end of November; our understanding is that December situation improved further – improved a bit. But we can see some places slightly increasing, but our understanding is that the absolute number of our partner store sales have gone down a bit.

But also we can see a cooling down in housing sales and housing prices in all city tiers, particularly in higher tier cities. And clearly, this is where government's restrictive measures are having a clear cooling down effect on the overall market. We have restrictive measures in over 100 of the largest cities.

The overall elevator and escalator market grew slightly. We also saw some growth – or actually some pretty good growth in total real estate investments, but it was mainly driven by increases in land prices.

So overall, I would say that we can see continuous demand for apartments. On the other hand, the restrictive measures from the government is keeping, clearly, markets at a more stable level. So that is about KONE, how we developed and our market. And now I hand over to Ilkka to dive a little deeper into our financial development.

Ilkka Hara: Thank you, Henrik, and also welcome on my behalf for this results announcement webcast. I'll go through our financials a bit more detailed. And also, at the end, we'll give you a heads-up on IFRS 16, an accounting standard change that will apply to 2019.

But first, let's start with orders received development in our last quarter of 2018. Our orders received reached over €1.9 billion. And we saw growth in all regions as well as in all businesses. And on reported basis the growth was 5%, and on a comparable basis, we saw 5.9% growth in our orders received.

If we look at it in more detail, especially the important Chinese market and the development for orders received there, we saw clear growth in both units ordered, as well as in monetary value in the quarter. Year on year, prices contributed positively, while the mix was negative, slightly negative contributor. If we look at quarter on quarter, prices were relatively stable. And overall, our margin for orders received was stable, again, on the fourth quarter, year on year. So the continued development that we've seen throughout 2018 continued also in the final quarter.

Then moving on to sales, we saw good growth in both new equipment as well as in services in our fourth quarter. And our sales reached €2.443 billion. And on a reported basis that represents a 5.9% growth, and on a comparable basis 6.5% growth overall.

If we look at the key drivers for that development, first, new equipment growing at 7.3%, modernization over 7%, and our maintenance business growing at 5% in the quarter. And from geographical perspective, Americas had the strongest growth at 7.9% – sorry – Asia-Pacific had the strongest growth at 9%; Americas at 7.9%; and Europe, Middle East, Africa growing at 3.8% in the quarter.

Then adjusted EBIT, we can be pleased about the fact that we returned to growth with our adjusted EBIT in the fourth quarter, reaching €320 million, up from €303 million in the previous year. That's 5.9% growth year on year. And our margin was stable, as highlighted by Henrik, at 13.1% for adjusted EBIT margin.

Key driver for this development was growth contributing positively. Profitability was relatively flat, as already said, and currencies had relatively little impact into the quarter.

And overall, the cost for our Accelerate program in fourth quarter was €27 million. But as it is at yearend, it's good to also step back a bit and look at the 2018 EBIT development as a whole. So clearly, we can't be happy about the fact that our adjusted EBIT was down compared to 2017. The key drivers for this development, first, growth in all businesses contributed positively; currencies having a negative €40 million impact to our results approximately, with biggest impact coming from euro strengthening against renminbi, as well as US dollar. Increasing raw material prices had a negative roughly €100 million impact to our adjusted EBIT.

But then at the same time, we did see positive impact coming from our productivity improvements as well as from Accelerate program. Also, at the later part of the year, the focused pricing actions that we've taken earlier had a positive impact. At the same time, especially in the beginning of the year, the price pressure that we've seen earlier in our orders received in China was having a negative impact to our profits.

And then lastly, we are now starting to see increasing labor and subcontracting costs having a negative impact to our operating income and adjusted EBIT. But overall, as seen in the fourth quarter, we're now seeing that the actions that we're taking are having an impact; it's visible in the result which now start to improve in the fourth quarter of the year.

Cash flow, cash conversion was at a healthy level in fourth quarter and overall in 2018. The main driver for decreasing cash flow for the year was the decrease in our operating income. Net working capital was relatively stable compared to end of 2017, and our commercial terms with our customer continues to be on a good healthy level. That's the main points from our financials.

Then to close, few words about IFRS 16, which introduces a new on-balance-sheet, lease accounting model, which will be effective as of 1st January in our opening balance sheet. We'll come back with more details in conjunction of our first quarter results, but few highlights for you already at this stage. First, we will apply a modified retrospective approach, i.e. we will not publish restated figures, but at the same time we will give more color throughout the year of the impacts, so there is – comparability is there.

But the key impacts that we're now estimating for our financials. First, from a balance sheet perspective, we will see an increase in our net debt of approximately €330-380 million. On an income statement, we'll see an increase in operating income of approximately a bit more than €10 million and the corresponding increase in financing expenses then.

And on cash flow statement, as we will have increased depreciation, amortization, our cash flow from operating activities will increase approximately a bit more than €100 million. And then correspondingly, our cash flow from financing activities will decrease with that same amount. But overall, this has no impact to our cash flow, just we're between these two items. But as said, we'll come back with more details in conjunction of the first quarter results.

And with that, I'll open – give it back to Henrik with the market and business outlook for 2019.

Henrik Ehrnrooth: Thanks, Ilkka. So if we then wrap up with – that's what – what we discussed is history. Now we look forward into next – this year.

First look at the market, it is clear that the global economic outlook at the moment, given the uncertainty we see, means that the visibility is perhaps somewhat less than what we saw a year ago. We expect overall that our new equipment markets will be pretty stable this year. In China, we expect markets decline slightly or be stable in units ordered. And rest of Asia-Pacific, we expect markets to grow slightly, particularly driven by India and some South-East Asia countries.

Pretty stable development, although at a good and high level, both in North America and Europe, Middle East and Africa. Particularly North America and Central and North Europe are the high level, some growth in South Europe and Middle East perhaps more challenging.

Maintenance markets continue to grow, good growth opportunities there, particularly in Asia, but also growth in Europe, Middle East and Africa and in North America. Modernization market, pretty stable in Europe, Middle East and Africa, slight growth in North America, and good growth in Asia-Pacific. If you then look at the situation for KONE, what we expect for our business this year, we expect that our sales will grow between 2% and 7% in comparable currencies, so of course a result of good order book we have and solid growing service business.

And we expect an improvement in our adjusted EBIT this year, we expect it to be in the range of €1.120 million to €1.240 million, and that assumes that translation exchange rates stay approximately at the level where they've been in January. If they stay at that level, is actually this year, would be quite a minor impact from currencies, so less than €10 million.

There were a number of things that continue to boost our performance; our solid order book, our solid growing service business, our performance improvements, and about €50 million of savings from the Accelerate program.

But there are a number of headwinds that we continue to face. Raw materials and tariffs together, some roughly €50 million. And we can also see a clear increase in labor and subcontracting cost in many countries. The change is particularly visible in Europe, where we can see a clear shortage of skilled employees in many parts of the region. But this creates some headwinds to us. But overall, we expect our adjusted EBIT to improve in 2019.

So in summary, good growth in orders received throughout the year and the service business as well. That gives us a solid outlook for 2019, and adjusted EBIT in Q4 and for 2019 returning to growth. And the fundamental driver for that is that we can see a clearly improved differentiation from our Winning with Customers strategy.

With this, we are happy to open up for questions.

Sanna Kaje: Thank you, Henrik. Now we have plenty of time for your questions, so operator, please, you can start taking those from the telephone lines.

Operator: If you would like to ask a question, please signal by pressing star one on your telephone keypad. We'll take our first question of Omid Vaziri with Jefferies.

Omid Vaziri: Yes, good afternoon. Thanks so much for taking our questions. Despite the large net cash position you hold on balance sheet, you haven't paid an extraordinary dividend since 2012. Now, is this because you’re concerned about 2019 performance or that you're gearing up to make larger acquisitions? What's the reason for this? I see that the net cash position is more or less unchanged, year over year.

Henrik Ehrnrooth: Yeah, it's clear that we have a strong balance sheet and that's something we are very happy about. As we've been very consistent over the past years is that, we think it makes sense for us to maintain a healthy and strong balance sheet. We always said that if there are opportunities from growth through good acquisitions, then that's something that interests us and we therefore think it makes sense to maintain a strong balance sheet. So I think that we've been very consistent with, and that continues to be the view that we have taken.

Omid Vaziri: Yeah, thank you. But if we look at the track-record of paying extraordinary dividends in 2011, 2012, and I think in 2008 or 2009 you had another, clearly it was more frequent back then.

And now it's been a number of years, several years when you haven't paid it. So clearly a change in strategy there, it seems.

Henrik Ehrnrooth: Right. I don't think extraordinary dividend is ever a strategy. I think if you look at our ordinary dividend over the past years, that has grown quite significantly. So we have had more of a growth in our ordinary dividend. So I don't think that there has been a change in approach. I think we know it's important to many of our shareholders and we also think it's important to pay attractive dividends, and we feel that this is another attractive dividend.

Omid Vaziri: Yes, yes, okay. Thanks for the explanation. And if I could just move the conversation to China new equipment markets, so we understand from your reporting that competition remained intense, but pricing was stable in the new equipment market there. Now, given the material and labor cost inflation fourth quarter continuing, can you confirm that China new equipment market margins declined year over year on that basis, and how is KONE's performance different against that – in that market?

Henrik Ehrnrooth: Well, we don't have full visibility into our competitors. But we would expect – I mean, the reason we started to see a stabilizing pricing or even improved pricing in some places is clearly that there are lot of players who are suffering quite a lot with this price level and the cost that we are seeing. But clearly, it's a very competitive market, so we constantly need to improve the value we provide to our customers and how we improve our efficiency.

So last year, what we've said is that we've been able to stabilize the margins of our orders received. However, what we have delivered is clearly an order book where margins have come down. So therefore, year over year, the delivered margins on sales in China were lower, but in orders received, we have now seen a more stable situation for a year.

Omid Vaziri: Yes, thank you. But you confirm that pricing was, for the market as a whole, you're saying was stable, so KONE achieved higher prices year over year in the market.

Henrik Ehrnrooth: That's our rough expectation, yes.

Omid Vaziri: Yeah. Okay, yes, thank you very much. My final question is to do with this – the new alternative performance measure, the adjusted EBIT you introduced in 2017. You introduced it to help comparability of the business performance between reporting periods during the Accelerate program. As a result, the restructuring cost related to the Accelerate program were being excluded from your calculation of the adjusted EBIT, which is what you used to guide on as a metric. I mean, lot of the analysts are following this.

So now that we are halfway through this multiyear program, wouldn't it make sense to refocus on EBIT, including restructuring cost, for better year over year comparability? But also the fact that such spending in part, it's becoming part of the norm day-to-day spending to – in the new world order of the other elements – to win, take market share, to retain maintenance share, to improve customer loyalty and so on. Isn't it becoming more of the norm expenditure to operate in this environment? And so, why continue to treat it as a one-off?

Henrik Ehrnrooth: I would say, this year we probably – Ilkka, you can confirm – where we expect slightly lower cost on the Accelerate program. But I still think it's only the Accelerate program we adjust away, nothing else, to be very clear on that. Everything else that we develop, I would say, is part of the constant development how we invest in our business. That, yes, has increased somewhat over past years. But there, we don't adjust away anything. So it's only this Accelerate program.

So as we see it now, when that program is over, we'll no longer have this alternative performance measure as it looks now. But, Ilkka, any further comments there?

Ilkka Hara: Yeah, I would actually add two things. First, if we look at not only 2018, but the previous years, we call it out also there that from an R&D perspective, we actually have invested both R&D and IT more. It is stable now in 2018, but that's the investment we make for the normal business. Then when it comes to Accelerate program, it's really the transformational nature of the program which is then making us, calling it out, then making sure that that's been clearly visible there.

In 2018, we spent roughly €70 million for Accelerate program. And we are expecting then in 2019 less spend than that, going forward.

Omid Vaziri: Yes, thanks very much. That's very clear. But isn't it – I mean, isn't it the case that the very nature of areas you're investing in as part of this accelerate program is what's needed in today's elevator/escalator market globally to achieve the kind of growth rates, the kind of margin developments that you're hoping to achieve and the kind of order development that you are delivering, which is quite good?

And the kind of pricing increases that you are able to report; in places like China, it looks like it's better than the market. So isn't that what's really required to deliver those things and that's the bread and butter of your business and what's required on a day-to-day operational basis? So why it continues to –

Henrik Ehrnrooth: Sorry to interrupt. Nothing of standard, normal development is in there. This is only what we do as part of transformation and restructuring for these specific programs. So nothing else is included there, so I don't think we see it at all in a different way. Okay. Let's go to the next question.

Operator: And we'll take our next question from Klas Bergelind with Citi.

Klas Bergelind: Yes, hi, Henrik and Ilkka. It's Klas from Citi. So a couple of questions from me, first on the cost inflation from wages, both from normal wage inflation and from the contractors. What was the impact in 2018 when you look through the numbers? Was that perhaps €80 million from wages, €20 million from contracting? And I would assume that this number in absolute terms could be bigger in 2019, but by how much? This will help us understand the drop through better here in 2019. So it'd be great if we get some color at least, so maybe a question for you, Ilkka.

Ilkka Hara: Thanks, so, I guess, the way to think about it is that, why are we calling it out. It is the fact that you always – wages are increasing in number of places in the world. And that's been the case especially quite consistently in Asia-Pacific, for example. But what we are seeing now, especially, a latter part of 2018 and more towards 2019, is that these costs, in Europe, are actually now increasing faster than normally. And that's really what we're calling out.

And when we think about kind of what the impact could be for 2019 from wage and labor costs and increasing subcontracting costs, we're talking about some tens of millions; that's the way to think about the magnitude of it.

Klas Bergelind: But it's – that is obviously incremental, but the total absolute has to be somewhere around the €80-100 million, but then that will go up by €10-20 million. Is that how to think about it then?

Ilkka Hara: Well, we – you can look at our labor and related costs that's about €2.8 billion in 2018. So that's something that increases consistently, partly because of the growth on business, but also there is an inflation impact there. But in order magnitude, you are not that far off from the total.

Klas Bergelind: Okay. Good. My second one is a clarification on the – what you said Henrik on the margin versus backlog, you still say it's relatively stable. Is that the same thing as saying that the margin on new orders are on par with those leaving the backlog for delivery. So I just want to confirm that. And if that is the case, do you feel that you need to hike prices once again from the current levels to compensate for the increased wage inflation, etc.? Or can you handle that increased cost though productivity improvement?

Henrik Ehrnrooth: So I think that very roughly you can say probably orders received and delivered margins are not pretty at the similar level. I would say our objective is always – and that never changes – is always to find ways of adding more value to our customers, to improve them – help them improve their businesses. When we do that we can increase prices. That is not changing in any environment. And that is constantly our objective. It's clear that we have tough competition in doing that. That's okay. So I would say that, to your first question, more or less, yes.

Klas Bergelind: I just – I'm thinking, obviously, if raw materials are starting to say[?] – then obviously that that could change a little bit the pricing power, but yeah, I appreciate the ambition.

Henrik Ehrnrooth: I think that –

Klas Bergelind: My, my, my –

Henrik Ehrnrooth: – just to add, when we talk about the margin in our orders received, that of course is a certain assumption on the costs. And the costs we assume there is about what – where our product costs are today.

Klas Bergelind: Yeah. No. Fair enough. My last one is on the ranges in your guidance, on the lower end 2% growth and a 12% implied margin. That's quite a big slowdown. But the margin is still pretty healthy there, only 30 bps lower than the midpoint. So I guess, this is more reflection of your view, what can happen to demand in a different regions or the conversion over the backlog rather than pricing. Could you just walk through the rough assumption behind the lower end of the guidance, please, and how do you think about the China backdrop at the lower end?

Henrik Ehrnrooth: As always, there are certain – there is a range of outcomes, both downside and upside, throughout the year. We don't have full visibility to the full year, we have, of course, order book. But it is very clear we have to see what happened in China, but also in other markets, how the economy develops and what the confidence are of developers. So clearly, if we would be at the lower end, that will mean that we would see a slowdown in new equipment and deliveries. If you're at the higher end, we would actually see a more – actually strong orders already beginning of the year that could be still delivered during the same year.

So we have a fair bit of what we need to deliver. Now we have already an order book, but clearly we need to see still in a percentage of completion world, quite a lot of new orders beginning of the year that we deliver still in 2019.

Klas Bergelind: The reason why I ask is that one of your competitors said that they expect actually the conversion from orders to revenues to improve in 2019 on the back of better liquidity environment in China. And in that light, I felt that the range between 2% and 7% was quite big. But if you could comment a little bit what you see in China from that perspective would be very helpful.

Henrik Ehrnrooth: Ilkka, do you want to comment on liquidity in China?

Ilkka Hara: Yes. So if we look at overall liquidity situation in China, at the latter part of the year, overall in China, I think, liquidity actually improved. But it's important to note that, especially for our customers and the bigger developers that are quite levered overall, that's not where the liquidity was targeted; it is elsewhere in the market. And from that perspective, I think, there is a fair bit of pressure with our customers. But I don't see that changing in latter part of the year.

And if I look at the order book rotation, overall, we haven't seen a big change there, globally or in China either.

Klas Bergelind: Okay. Thank you so much.

Henrik Ehrnrooth: Thank you.

Operator: And we'll take our next question from Andre Kukhnin with Credit Suisse.

Andre Kukhnin: Yes. Good afternoon. Thanks very much for taking my questions. I'll go on the sum[?] as well. Can you just come back to this notion of the order intake margin being stable at the current material prices? Would an interpretation of that as net price being neutral, be right, i.e. at the current material prices with the prices that you're achieving for your product is a wash?

Henrik Ehrnrooth: We've got to see that during last year, material prices continue to be a headwind; as you know, about €100 million for the full year. That meant that during last year, we're able to increase prices roughly to what material prices increased. In some places, a little bit perhaps, but by and large. So Ilkka, anything more to add to that?

Ilkka Hara: No. No. I think the only thing to highlight is that, as we've spoken already earlier, is that, when we talk about 2019, we're seeing, as Henrik highlighted, about €50 million headwind from raw materials. That's because there is always a bit of a lag for us. First, there’s a raw material prices changing, and I guess there, we've seen a bit of a directional change now, lately. But our component prices are much more stable than that. And at least for the first part of the year, where we have better visibility for our component prices, we do see that there is a headwind coming from there plus the tariffs.

Andre Kukhnin: But if you think about it sequentially, I mean, tariffs, fair enough, and that's the €10 million you've quantified and see what happens on March. But just on raw materials, if you think about sequentially from Q4, the levels that you've achieved for your prices versus the levels that raw materials and component prices have landed at, do you expect raw material prices to go up from that level in H1 2019?

Ilkka Hara: For H1 2019, we actually have a pretty good visibility already to our component prices, and that basis is also for the €40 million that we call out. And there is less variance. We are – as we've said, locking our prices over most components between three to nine months forward. And that's why we have pretty good visibility. So then, what happens in second half of 2019, we both have moving parts also in the orders that we will receive, where and what type of orders, but also then we'll need to see where the prices are for raw materials and what that final prices for our components are for latter part of the year.

Andre Kukhnin: Right. And your product prices in Q4 where you're closing out – where you closed out the year, are they higher than beginning of the year? I'm just trying to figure out what is the annualization of the changes that took place during 2018 versus what the incremental moves will need to be during 2019.

Henrik Ehrnrooth: Clearly, we have had increasing costs and margin is stable, then, yes, prices have increased somewhat during 2018.

Andre Kukhnin: Right. So really, sorry to labor it, but just to close this. So if I look at your profit bridge on slide 18, and imagine it for 2019, then that rising raw material piece becomes €50 million. But within other factors impacting EBIT, the price element should be plus €50 million. Or am I getting that wrong?

Ilkka Hara: No. I think, the way to think about it is that there is a €50 million raw material headwind coming year on year. And the price is against the individual quarters are quite neutral, as we've said. So the raw materials are on the higher level than they were in 2018 when we were commenting in those quarters.

Andre Kukhnin: Right. Okay, so dependent on future price increase. Great. Thank you. And then can I just check something? On R&D and IT investments, when you started this journey just over two years ago, you talked about this ramping up by about €50 million per annum for two years. And then I think there was general expectation that they start coming off. What should we expect now that we've kind of traveled these two years?

Henrik Ehrnrooth: So as you remember in the first years, we did see a ramp up, and now as a percentage of sales, they've been pretty stable. And we think that with the growth we're seeing, we probably can see a pretty stable percentage – as a percentage of sales. That, of course, we have to – in future years, we have to see, but at least what the visibility we have at the moment.

Andre Kukhnin: Got it. And finally on China, very clear on the outlook. Just wondering if you could elaborate a little bit what your expectation set is within that, in terms of resi and non-resi segments and what do you expect the city, tier by tier, performance to differ in 2019 versus what we saw in 2018? I'm just – in conjunction with that, in your outlook, do you incorporate any assumption on whether the government measures will change one way or the other?

Henrik Ehrnrooth: Think about as – what we've seen a pickup in activity recently has been again in infrastructure. So perhaps that this is going to be a little bit more of the active segments, but, of course, it's not the biggest one. The most important is residential. Much will depend on government policies. We are not making any predictions as to what may happen to these. What we can see at the moment and what we understand from our customers is reflected in our outlook.

Perhaps, somewhat better situation now in higher tier cities, that's where we see more activity and – yeah, those are usually cities where there are more opportunities for people for work and education and so forth, so they are growing more people into them. Ao perhaps higher tier cities are a bit better than lower tier cities now.

Andre Kukhnin: That slightly down part of the outlook is hence based on resi potentially being down as a kind of carryover effect of completions slowing down during 2018. I mean, if you're not assuming government measures to change much, do you think an absence of those, when resi goes down?

Henrik Ehrnrooth: That would probably be a situation if the central point of our – central part of our forecast is that market slightly cools. Clearly, resi is the largest of them. We would see some cooling down in residential sector, overall.

Andre Kukhnin: Right. Right. Great. Thank you very much to both of you.

Henrik Ehrnrooth: Thank you.

Operator: And we'll take our next question from Lars Brorson with Barclays.

Lars Brorson: Hi, thank you. Hi, Henrick, Ilkka and Sanna. I have three questions. If I could start maybe with the EBIT bridge, Ilkka. I know we're all sort of circling around some of the key components of the EBIT bridge for 2019. The one component I'm starting to think is perhaps a greater negative than I think we have in our numbers now is mixed. And I wonder whether you can help me put a number around how you see mixed impacting your EBIT bridge in 2019. I mean, for starters, you've had solid new equipment order growth in 2018, including part of the shorter cycle markets that gets invoiced in 2019. You also have a quite slow-turning order book in North America, which I assume is also quite a headwind for you in 2019. So were you able to put some quantification around how you see mixed impacting the EBIT bridge 2019, please?

Ilkka Hara: Well, default[?], if you look at the overall situation for the business, so mixed hasn't change that dramatically, but at the same time there is still a lot of things, which are moving parts for 2019. So there's order that we need to still receive that we will deliver in 2019, and that's impacting it. So it's really hard to be very clear on the mixed, but I will not say that it's something that I would call out yet at this stage of the year as a big factor there.

Lars Brorson: Tens of millions of euros negative?

Ilkka Hara: I'll go back to my answer already, I will call that as a negative. It's still lots of moving parts for 2019, if you think about orders, especially on the volume side, that we will get during the first part of the year that get delivered in the year or so. So it's not something I would call out at this point.

Henrik Ehrnrooth: We don't see that – I wouldn't put a lot of focus on that, because that's not one of the bigger drivers, really.

Lars Brorson: Thanks. Henrik, if I can just ask on the European service pricing this year. I was a little bit surprised to hear Otis' comment yesterday on pricing in European services in 2019. I appreciate there are some quite meaningful differences in your regional exposures here compared to them. But could you help me a little bit with how you see the general pricing environment in European services this year? And also specifically your own pricing trend, obviously, you should see quite a positive impact from the rollout of some of your new service offerings.

Henrik Ehrnrooth: Clearly, it differs from country to country, Europe and – as always, the countries where trends are better, is where the economy is stronger. So there, Central and North Europe is better than South Europe. That's pretty evident. But we can also see that if we compared to previous years, and we look at just the value of service bases developing, we can see a clear improvement in the year 2018 compared to prior years. So we can see we're making progress, and much of it is through the actions we done ourselves. But again, also there is – South European markets probably slightly more challenging, with Central and North European markets a bit better.

Lars Brorson: Are you able to put some numbers around that, what that means in terms of pricing for the market? Is it flat? Slightly up? And you up more than that or what does that actually mean?

Henrik Ehrnrooth: We know that we are perhaps slightly up – we are slightly up. Market in South Europe is difficult to say; what I can say at least is that we are slightly up.

Lars Brorson: That's helpful. Thirdly, if I just could finally on the non-China Asia-Pacific market outlook for 2019, you're nudging it down slightly from growth to slight growth. You do talk about India, earlier, still seeing good growth. It's obviously, by far the largest new equipment market in Asia-Pacific ex-China. Can you give a little bit of color around the sort of slowdown in growth trends in non-China APAC, what's driving that? Or is it more of a caution around specifically India in 2019, with elections and other factors that could drive some volatility in that market?

Henrik Ehrnrooth: I would say, first of all, not in unit terms, but in value terms, Australia is a very significant part of that market, which is a big market, very important for us. And that market is clear cooling down, so that has some impact. But in units, we expect India to continue to grow, and yes, you have elections, but so do many other countries. Perhaps, we see a little bit more different – some South-East Asian countries are developing very nicely. Some have a little bit more turbulence. So perhaps that's the big difference.

But I would say Australia is declining – South-East Asia is a mixed picture and then we see growth in India.

Lars Brorson: Thank you.

Operator: And we'll take our next question from Lucie Carrier with Morgan Stanley.

Lucie Carrier: Hi. Thanks for taking my questions. I actually only have two follow-up. One was on the evolution of your Chinese margin. I understand in 2018, it was down versus 2017. But when I look actually into 2019, I have to say I struggled to see how we – it shouldn't benefit actually your mix in – your EBIT mix in 2019, considering that you look quite up in terms of orders in 2018 in China. And typically China is higher margin than the rest of your group. So that's something I wasn't sure to understand in terms of how you set up the guidance for the EBIT. That's my first question.

Henrik Ehrnrooth: You want to answer…?

Ilkka Hara: Yes. So first question that – or statement that – what was the impact from 2017 to 2018. So you are right. So the pricing for the orders earlier was down, as we call it, and it had an impact to our orders margin, and also overall profitability of the company. And for 2019, now we've seen stabilization in our order margins, and [inaudible] our comment also on China, as we've spoken earlier. So therefore, we are expecting a positive impact then in 2019 from China to our operating profit.

Lucie Carrier: But despite expecting that positive mix you're kind of guiding only, I would say, for 30 basis points at the midpoint of the guidance, 30 basis points margin expansion year on year?

Ilkka Hara: Well, there's a number of different outcomes and it's early in the year, if you think about the revenue range versus the adjusted EBIT range. So there's still a number of outcomes there.

Lucie Carrier: Okay, understood. And just maybe my last question. Actually, this is on the conversion rate in China. One of your competitor has spoken a bit more positively about that. I was wondering, and you're mentioning yourself I think, that a lot of new product where helping to improve the conversion overall. So I was wondering if you could give us a couple of pointers in terms of a new conversion rate on a global basis, which historically have been high but more specifically in China.

Henrik Ehrnrooth: Yeah. So in China, our conversion rate has improved somewhat last year. So we can see a good development there. And, you know, with KONE, I think, we have a good conversion rate and we can see that is improving. So that is help – that helped and that's why we had good conversions overall last year.

Lucie Carrier: Any number you can maybe give us?

Henrik Ehrnrooth: As you know for the KONE brand, we have been converting slightly over 60%. When we measure 60%, we look at all deliveries that we have through all channels, so 100% on deliveries and what is the conversion against that. So I think it's important to understand how one calculates these numbers. And if [inaudible] KONE, it's lower, so then the average would be, as we said, a bit over 50%.

Lucie Carrier: And just maybe the last question to follow on one question that was asked earlier. Around the top line guidance, I mean, you're exiting 2018 with an order backlog at roughly 8% organically. You're guiding 2-7%. I think it's maybe I guess a little bit surprising or a bit difficult for us to kind do the math on how cautious you are here. Because it looks like in terms of size, the order backlog typically takes between 6 to 12 months to covert. So is that – is that a specific concern for you towards the – towards the end of 2019 that kind of drive where you're kind of guiding at the midpoint?

Henrik Ehrnrooth: First of all, it does take longer than six months to convert an order backlog. It's probably closer to a year and depends very much market to market and final delivery.

Lucie Carrier: But then in this case, if it takes – then if it takes a year, you are up about 8% at the end of this year?

Henrik Ehrnrooth: I said – of course, always, in our order book, you have – you have different mix. One of the growth drivers for us, particularly end of the year this year, was good success in many large projects, good growth in North America where the conversion is longer. So I would say this is how we see this order book playing out over the coming years, and that's the outlook that we see. I don't think if there's anything more surprising to that.

Lucie Carrier: Okay. Thank you.

Henrik Ehrnrooth: Thank you.

Operator: And we'll take our next question from James Moore with Redburn.

James Moore: Good afternoon, everyone, Henrick, Ilkka. I've got a few bridge style questions, if we could run through those. And if 2019, €50 million, what would accelerate in 2018, please? I'm guessing €22 million, but some precision would be helpful.

Henrik Ehrnrooth: Probably less than that, but –

Ilkka Hara: Yeah. So if we look at – and we said there is not that significant driver yet in 2018 for our results, but in 2018, roughly speaking, about €10 million impact from a cost-saving perspective for the P&L.

James Moore: So we still have maybe €50 million plus to go in 2020 given your above €100 million comment earlier?

Ilkka Hara: Well, if you think about how these savings happen, so €50 million we're saying that's the P&L impact and it will always take some time to execute these programs. So there's some waiting there within the year, also some work that we still need to do to make those happen. So it will likely leave us with a run rate which is higher than €50 million at the end of the year. But let's see. We still have work to be done there.

James Moore: Okay.

Henrik Ehrnrooth: And I think, James, we say that, yes, then that should give us some clear benefits again in the following year.

Ilkka Hara: Yeah.

James Moore: Okay. And on wage inflation, can I clarify your answer? I didn't really understand it. Are you saying that the 2019 euro million increase is expected to be bigger or smaller than the 2018 increase for wage inflation?

Ilkka Hara: What I was saying is that the wage inflation or increase in wage cost is increasing its pace as there is more scarcity of resources. And therefore, it is bigger than we've seen previously.

James Moore: Are you talking something that's a meaningful change to whatever the number is, if it's €80 million or €100 million? Are we talking sort of 1.5, 2X or not as big an increase as that?

Ilkka Hara: No, I'm talking about some tens of millions as an impact.

James Moore: The change in the rate of it?

Ilkka Hara: Yeah.

James Moore: Okay. Thanks. And if you could – on productivity, you sometimes commented in the past away from Accelerate, your sort of normal ongoing productivity. Could you help us a little bit with what benefit you thought you saw last year and how that compares to what you are thinking in 2019, just to see if there's any change to the impacts there?

Henrik Ehrnrooth: Yeah. I mean, we see constant year-over-year improvement in productivity, in maintenance, how you do it better, also installation performance, and there are many, many drivers to that. I think that's been pretty steady and even development there, so no huge changes to past years.

James Moore: And is that still around 1% of sales a year or is that – have I got my order of magnitude wrong there?

Henrik Ehrnrooth: Well, we don't look at it as a percentage of sales but we look at it as, you know, how productivity usually measure against your costs. And you get a few percentage points per year is a target what you need to get.

James Moore: Thanks. And just lastly, you mentioned that your volume business was down globally, but a project helped. But was that a China project or a project in another region that you were referring to?

Henrik Ehrnrooth: Yeah, you know, these major projects, they come and go, but it was not in China. China was actually the volume business that developed quite nicely. But we had a few larger projects in the quarter. Sometimes you have more of them, sometimes less, but nothing out of the ordinary.

James Moore: Thank you very much. Thanks, Henrik.

Henrik Ehrnrooth: Thank you.

Operator: And we'll take our next question from Antti Suttelin with Danske B.

Antti Suttelin: Yes, hi. This is Antti from Danske. A question on your China margin, you have said in this call that your equipment margin in China fell in 2018. But where are we now? Where are we in China compared to rest of the world in terms of equipment margin?

Henrik Ehrnrooth: If you just think of new equipment business, clearly, China has good margins compared to the rest of the world, but not as much higher as they used to be.

Antti Suttelin: Yeah. But is it – would you still say that the difference is significant, maybe twice as high or something like that?

Henrik Ehrnrooth: It depends on market to market. But China margins, I would say, just on new equipment continue to be good.

Antti Suttelin: And why wouldn't – why wouldn't the margin fall to a level outside of China, over time?

Henrik Ehrnrooth: I would say that not everyone has the margins in China that we do. You can see a lot of players really struggling in that market. And that's where we're starting to see consolidation happening amongst some of the weaker players in that market. So that means to me that we have a pretty good situation there, compared to many others.

Antti Suttelin: Yes. But would you expect this margin to continue to go down in 2019?

Henrik Ehrnrooth: That is clearly not our objective. Our objective is clearly something else.

Antti Suttelin: Yeah. So you don't see a new way of order price pressure in 2019?

Henrik Ehrnrooth: I would say the market is very competitive. It clearly is the largest new equipment market in the world. There are clearly more players there than any other markets. It's highly competitive. We have a good value proposition that we need to continue to improve and show our customers that it really makes sense to work with KONE that helps them in their business. And then I think we can continue to develop well.

Antti Suttelin: Yeah, okay. Thank you.

Henrik Ehrnrooth: Thank you.

Operator: And we'll take our next question from Glen Liddy with JP Morgan.

Glen Liddy: Good afternoon. There's a lot of focus, obviously, this afternoon on wage costs. Are you suffering from any shortage of employees in some of the developed markets?

Henrik Ehrnrooth: I would say that's something you need to constantly develop very actively to have enough employees, because I think the whole – it's not only our business. I would say it's the whole construction trade for skilled employees is suffering from shortages in big parts of Europe at the moment.

Glen Liddy So does that mean that you're running with overtime bills that are larger than normal?

Henrik Ehrnrooth: Partly[?] that.

Glen Liddy Alright. Also in the US, the government shutdown, is that having any impact on the business at all in terms of getting paid in a timely manner, if you have any government-related business?

Henrik Ehrnrooth: We haven't seen any significant impact at least so far. I can't say what the impact will be if it is prolonged, but so far it hasn't had any meaningful impact on us.

Glen Liddy: Is that because the US government isn't a material customer, or it's just too early to know?

Henrik Ehrnrooth: I would say, you have to remember, our business is so broadly spread amongst many, many customers that individual customers are seldom a large portion of the revenues.

Glen Liddy Okay. And finally on wage costs, have you had to enter into any multi-year pay rise commitments anywhere?

Henrik Ehrnrooth If you first look at Europe, the vast majority of your operative employees would be part of some general bargaining agreement, some of those are multi-year. That is something we cannot impact. Those are usually more centrally negotiated. And some of them are multi-year and that's what we're saying, in some countries we saw, towards the end of the last year, larger increases than – clear larger increases than we've seen in the prior years.

Glen Liddy: Right, so you're not able to pass these on in full to customers yet then?

Henrik Ehrnrooth Well, that's, of course, if we're – you know, if we're able with pricing. There are some industries and some contracts usually they're more related to a CPI or general inflation, something like that. So partly, partly not, then it's, of course, up to our skill and ability to do that.

Glen Liddy: Okay.

Ilkka Hara: And naturally, if you think about – when we talk about pricing, it is our aim over time to be able to get a good price for our services and solutions and products. So that's one part of it and what we need to do.

Glen Liddy: Sure. And finally, the new service products that you've launched, I appreciate they've only been launched relatively recently. But in the markets that they were launched first, is it yet a material percentage of the service income?

Henrik Ehrnrooth: It's increasing all the time. I think what you have to remember in our type of business, if we talk about the new KONE Care contracts, so those views when they are renewals or renegotiations or conversions. And the service portfolio does not change that fast. I think that's one of the good things with our – with our business.

So – but if we look at – if I look at the new KONE Care contract types in the countries that we have been operating this for over a year, what we sell today by way of renegotiations, renewals or conversions, this is what we sell.

Glen Liddy: Okay then, that's great. Thank you.

Henrik Ehrnrooth: Thank you.

Operator: And we'll take our next question from Andre Kukhnin with Credit Suisse.

Andre Kukhnin: Oh, great. Thanks first for taking my follow-ups. I just wanted to first come back to pricing and thinking about that as a kind of item on the bridge of 2019. Looking at the components, you have positive pricing in China on new equipment, you said, a few percent or slightly [inaudible] raised. Europe service, you said you're up slightly. I'm kind of adding up to about €100 million in a very sort of just calculating a way of taking China sales, multiplying by 3; taking Europe service sales, multiplying by 1. Am I far off? And what's on the other end that I should bear in mind that can make the numbers smaller or neutral?

Henrik Ehrnrooth: I'm not sure I'm fully following your bridge calculations. But, you know, we have to always – bridges are good, but we have to remember that the world doesn't work like a bridge, because there are so many more variables that drive something that – yes, pricing has increased a bit, particularly new equipment business. At the same time, costs have gone up. What is the net-net of these two is pretty neutral so far. If you continue the same pace of price increases and now cost reduce at the lower – or increase at a lower level, then clearly that would drop through more.

Andre Kukhnin: Right. No, absolutely. I was just trying to separate the price. I know it's – you've got tens of thousands contracts with different times of deliveries. But just thinking about you having four quarters plus of positive price element in China, if that kind of altogether is 3%, then on the sub €3 billion of sales based on your order disclosure, that should be adding up to like €70 million, €80 million positive.

So just – or is this, kind of these price increases change or the prices that's securing in orders change as we deliver them or – I'm just trying to understand what components in the bridge are going to be different in 2019 versus 2018?

Henrik Ehrnrooth: So first of all, I think it's important to say that I think we made good progress. I think our pricing has been better than market overall. And there are some players that have developed better, others less good. So – and I think we are probably in the better category.

But I think the net-net, what we have communicated is that the margin of our orders received have been pretty stable.

Andre Kukhnin: Right, right, okay. We'll work with that. And just on connected devices, we're also keen to find out any details, any kind of numbers and appreciate there is kind of different ways of connecting lifts[?] and calling a connected device. But maybe I could try it from perspective of how much that helps growth in 2018, i.e. how much of the growth that you generated in your service business was thanks to that connected devices premium, the bigger packages that you secured or better conversion rates?

Henrik Ehrnrooth: Look, better conversion rates, that I don't – that's difficult to say. But there was a slight positive impact on pricing. From this, we have to remember that, again, prices for our new services, the 24/7 Connected Services, we have a clear objective. We sell them as a commercial service, because we can see that that really helps our customers improve their business and there are clear benefits to our customers. So we are doing it in a way that we are selling them as a commercial service and as we said that prices are quite good for them.

However, we have to remember that we are at still early days, so the absolute numbers, even though we're saying it broadly, are still not meaningful. But last year, it had a – yeah, a slight positive impact to our overall growth rate in the maintenance business.

Andre Kukhnin: Right. I picked up a couple of points that suggest that as a kind of add-on service, it generates something like a quarter of your worth of your usual service maintenance revenue for the Connected Care, and running some numbers suggest that it's added anywhere between kind of 0.5% to 1% of growth to your service business. Can you comment if that's kind of right ballpark or still far off?

Henrik Ehrnrooth: It's probably not too far of the truth.

Andre Kukhnin: Okay, great. Thanks so much for your help.

Henrik Ehrnrooth: Thank you.

Operator: And there are no further questions at this time.

Henrik Ehrnrooth: Okay. Then I would like to thank everyone for participating, again for your active participation and questions. And I think we are then ready to close here. So thank you.