

KONE Result presentation 2021

FEBRUARY 2, 2022

HENRIK EHRNROOTH, PRESIDENT & CEO

ILKKA HARA, CFO



Q4 2021 Highlights

- Orders received at last year's high level
- Excellent development in the Services business
- Supply chain environment remains challenging. Good progress in offsetting actions
- Dividend proposal: EUR 1.75 dividend and EUR 0.35 extraordinary dividend per B class share



Q4 2021 Key figures



SOLID DEVELOPMENT IN THE QUARTER, COST HEADWINDS BURDENED PROFITABILITY

		Q4/2021	Q4/2020	Change	Comparable change
Orders received	MEUR	2,155.1	2,068.7	4.2%	0.4%
Order book	MEUR	8,564.0	7,728.8	10.8%	3.8%
Sales	MEUR	2,766.8	2,621.2	5.6%	1.8%
Operating income (EBIT)	MEUR	351.9	367.1	-4.1%	
Operating income margin (EBIT %)	%	12.7	14.0		
Adjusted EBIT	MEUR	359.4	380.6	-5.6%	
Adjusted EBIT margin	%	13.0	14.5		
Cash flow from operations (before financing items and taxes)	MEUR	525.0	368.1		
Basic earnings per share	EUR	0.53	0.55	-2.6%	

1–12/2021 Key figures



STRONG YEAR IN ORDERS AND SALES, SUPPLY CHAIN ENVIRONMENT REMAINS CHALLENGING

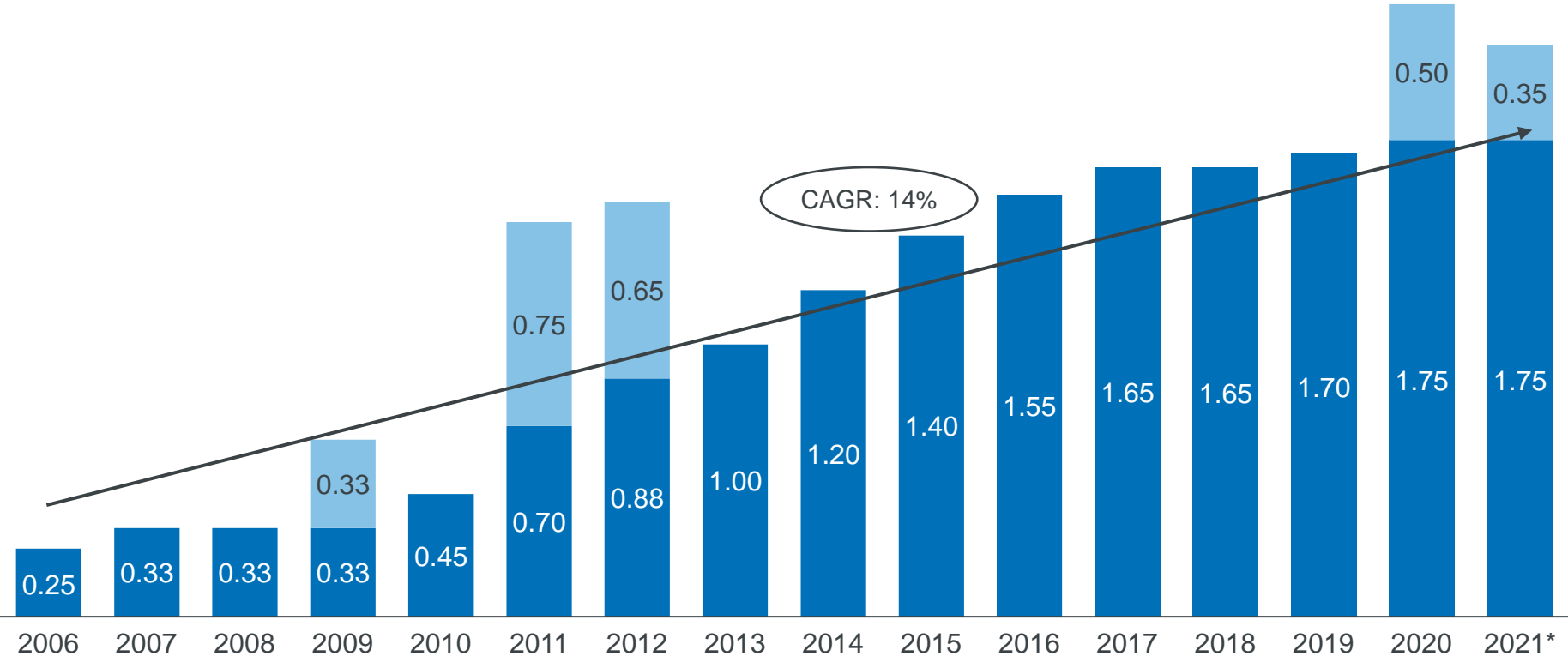
		1–12/2021	1–12/2020	Change	Comparable change
Orders received	MEUR	8,852.8	8,185.1	8.2%	7.4%
Order book	MEUR	8,564.0	7,728.8	10.8%	3.8%
Sales	MEUR	10,514.1	9,938.5	5.8%	5.3%
Operating income (EBIT)	MEUR	1,295.3	1,212.9	6.8%	
Operating income margin (EBIT %)	%	12.3	12.2		
Adjusted EBIT	MEUR	1,309.8	1,250.5	4.7%	
Adjusted EBIT margin	%	12.5	12.6		
Cash flow from operations (before financing items and taxes)	MEUR	1,828.7	1,907.5		
Basic earnings per share	EUR	1.96	1.81	7.9%	

Dividend proposal: EUR 2.10 per class B share including extraordinary dividend



Split-adjusted dividend per class B share

EUR, 2006-2021



Adjusted for share splits in 2008 (1:2) and 2013 (1:2)
* Board's proposal

- Dividend payout in 2021: 89% of earnings per share excluding the extraordinary dividend
- Effective dividend yield* in 2021:
 - 2.8% excluding the extraordinary dividend
 - 3.3% including the extraordinary dividend

■ Dividend
■ Extraordinary dividend

*Calculated based on the price of class B shares at end of reporting period.

Good development towards our strategic targets

STRATEGIC TARGETS

Great place to work

Most loyal customers

Faster than market growth

Best financial performance

Leader in sustainability

Employee engagement
above high-performance benchmark

Positive development in
Net Promoter Score

Strong development in both
new equipment and services

EBIT-% burdened by cost inflation
Exceptionally strong **cash flow**

Clear reduction in emissions from own operations, **slight increase in product related emissions***

Good progress in **diversity & inclusion targets**

Multiple external recognitions for our **sustainable performance**

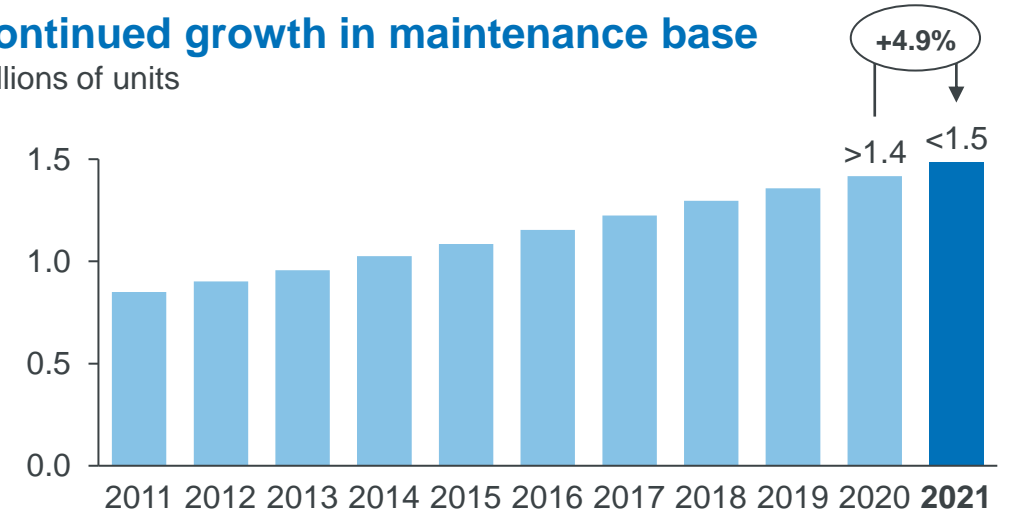
*2020 figures. 2021 results will be published in the Sustainability Report in Q2 2022.

Excellent year in Services business

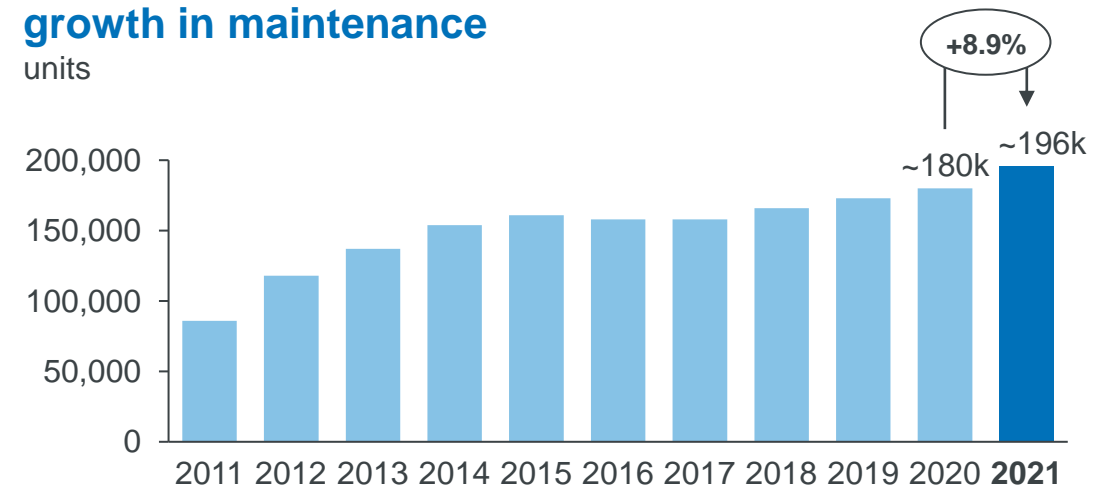


- Strong growth in maintenance sales with improved pricing
- Good development in modernization orders
- Faster than market growth in China services
- 24/7 Connected Services penetration >10% of maintenance base
- The industry's first carbon neutral maintenance offering, KONE Care DX, launched
 - Maximizing uptime with AI and connectivity

Continued growth in maintenance base
millions of units



Increased new equipment orders secure future growth in maintenance
units



Market development



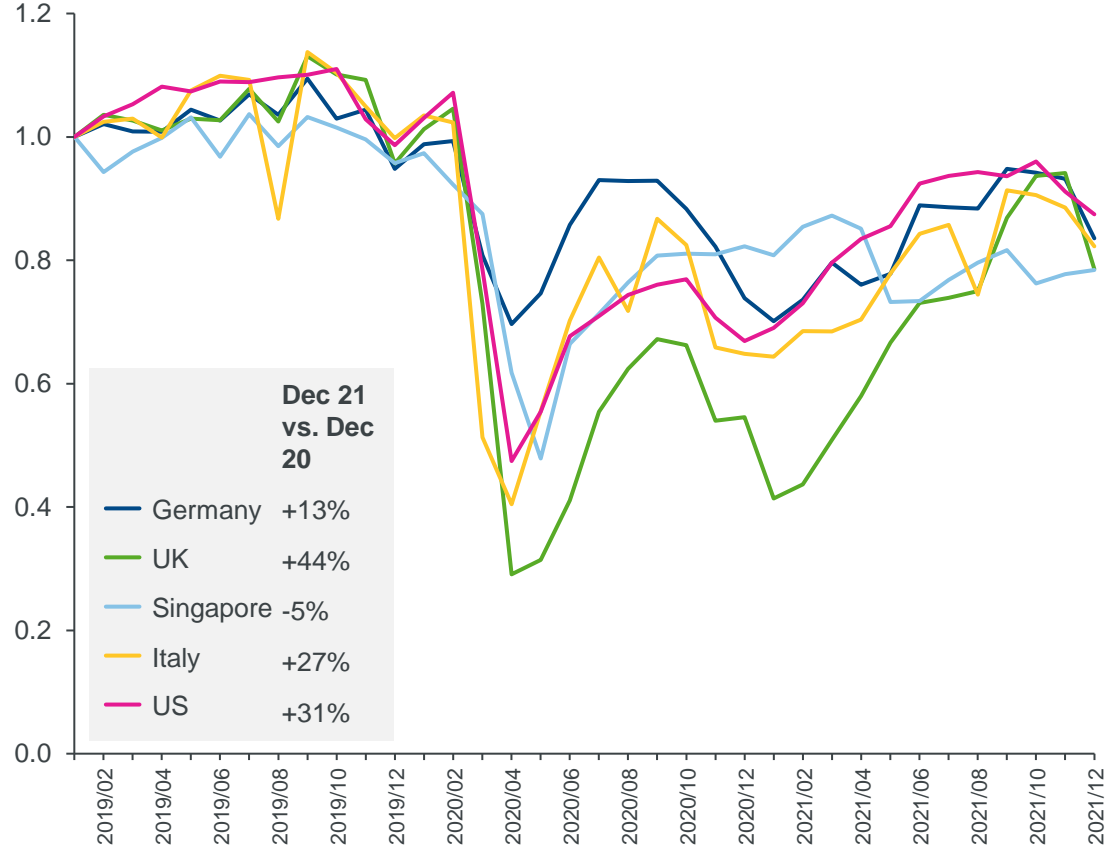
Broad-based year-on-year recovery in elevator usage



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

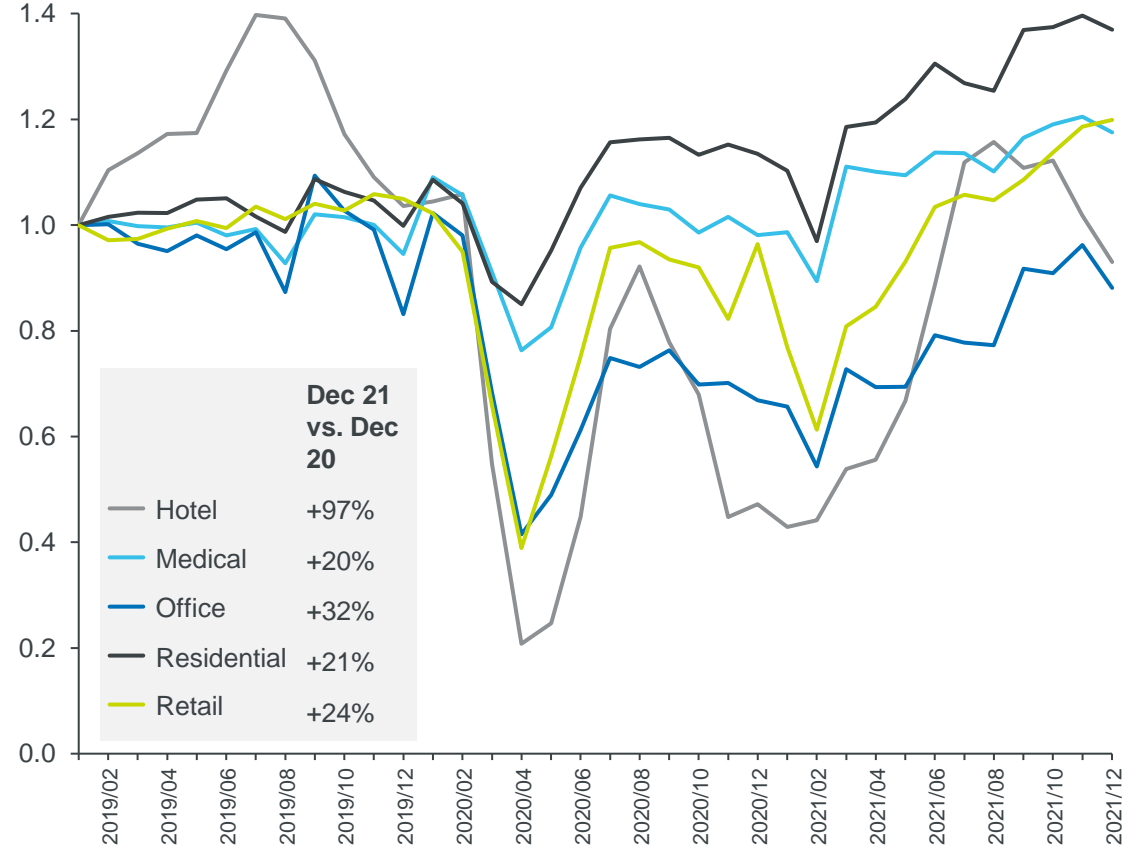
By country

Indexed, indicative



By segment

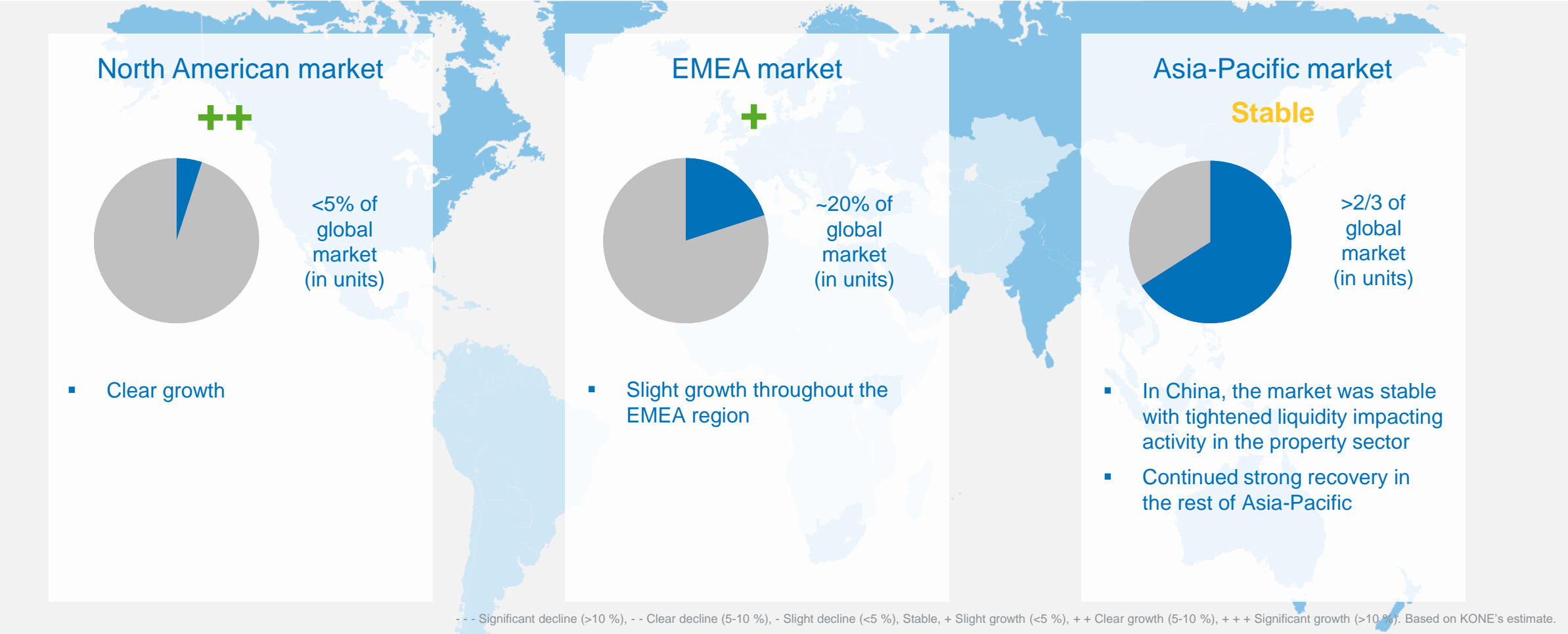
Indexed, indicative



New equipment market development in Q4 2021



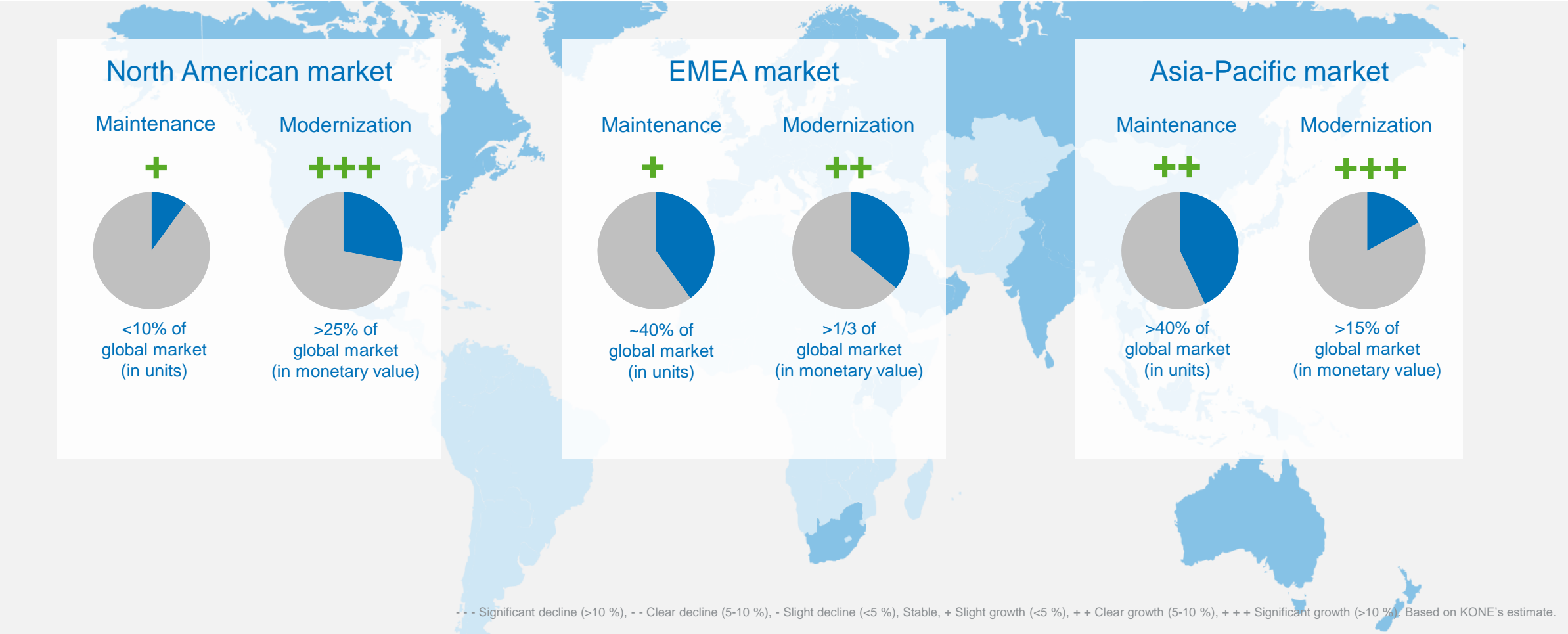
RECOVERY CONTINUED AT A VARIED PACE IN DIFFERENT REGIONS



Service market development in Q4 2021



BROAD-BASED GROWTH IN BOTH MAINTENANCE AND MODERNIZATION



Chinese property market in Q4 2021



- In units ordered, the new equipment market was stable y-o-y
- The pricing environment continues to be characterized by intense competition



- Macro momentum slowing
- Financing environment for developers remains tight
- Liquidity restrictions impacted property sector, balanced approach to easing measures



	Q4 2021, y-o-y	Q4 2021, CAGR from Q4 2019	1–12/2021, y-o-y
Real estate investment	-7.7%	+1.2%	+4.4%
Residential sales volume	-19.8%	-5.0%	+1.1%
New starts	-28.6%	-13.5%	-11.4%
New home prices in 70 largest cities (Dec)	+2.0%		

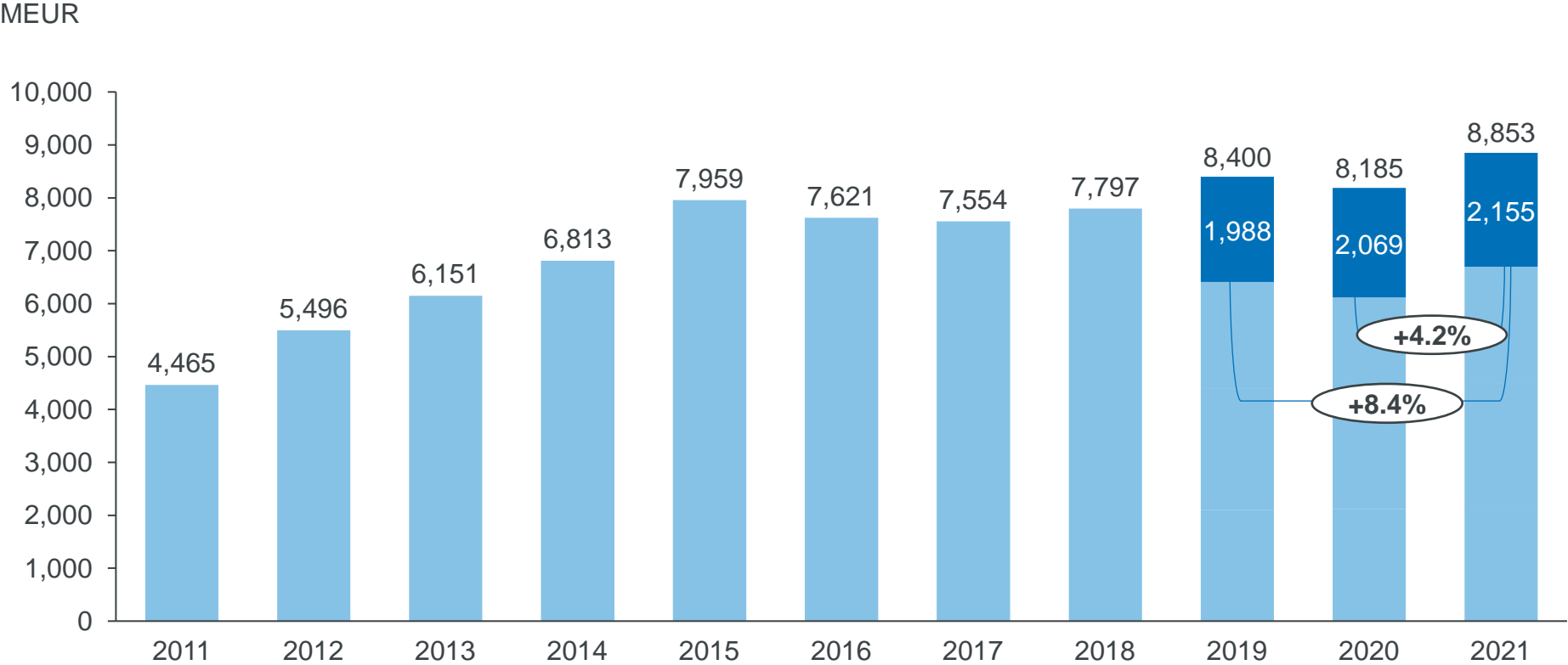
Q4 Financials



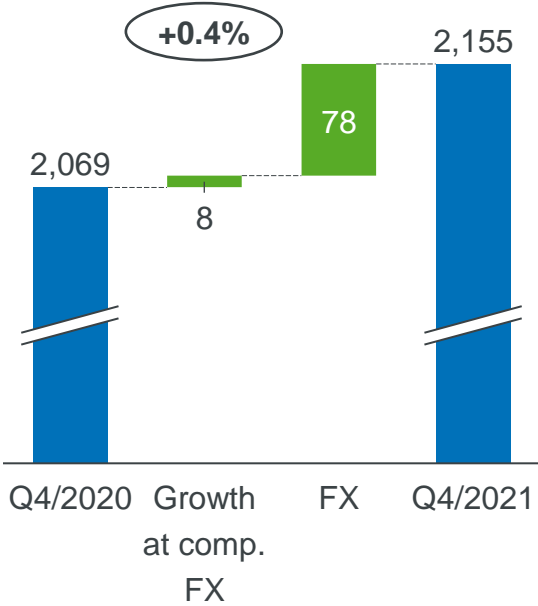
Orders received



MARKET RECOVERY PROVIDED GOOD BACKDROP FOR FULL YEAR ORDER GROWTH, Q4 ORDERS AT LAST YEAR'S HIGH LEVELS



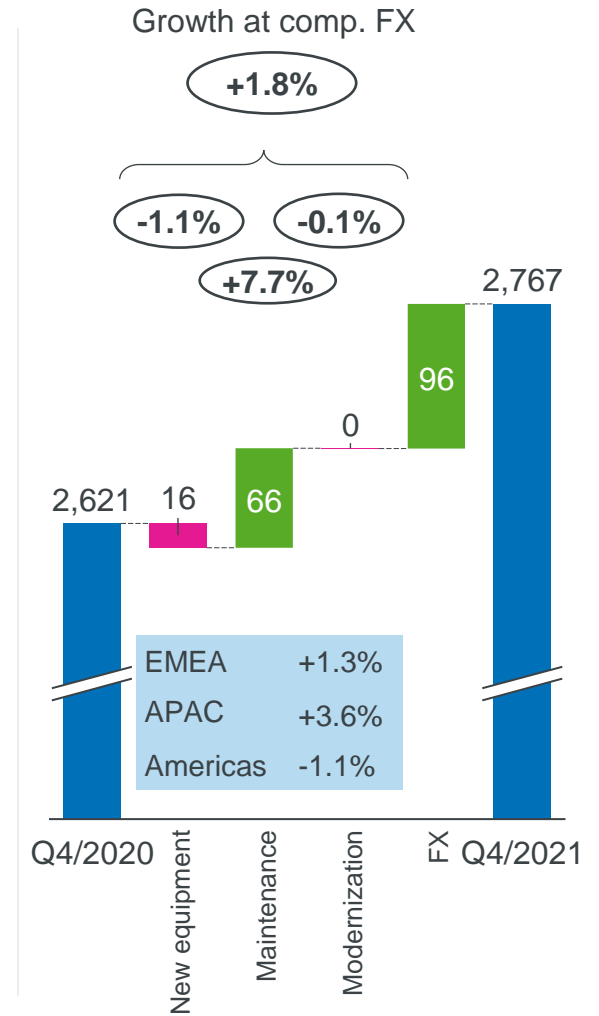
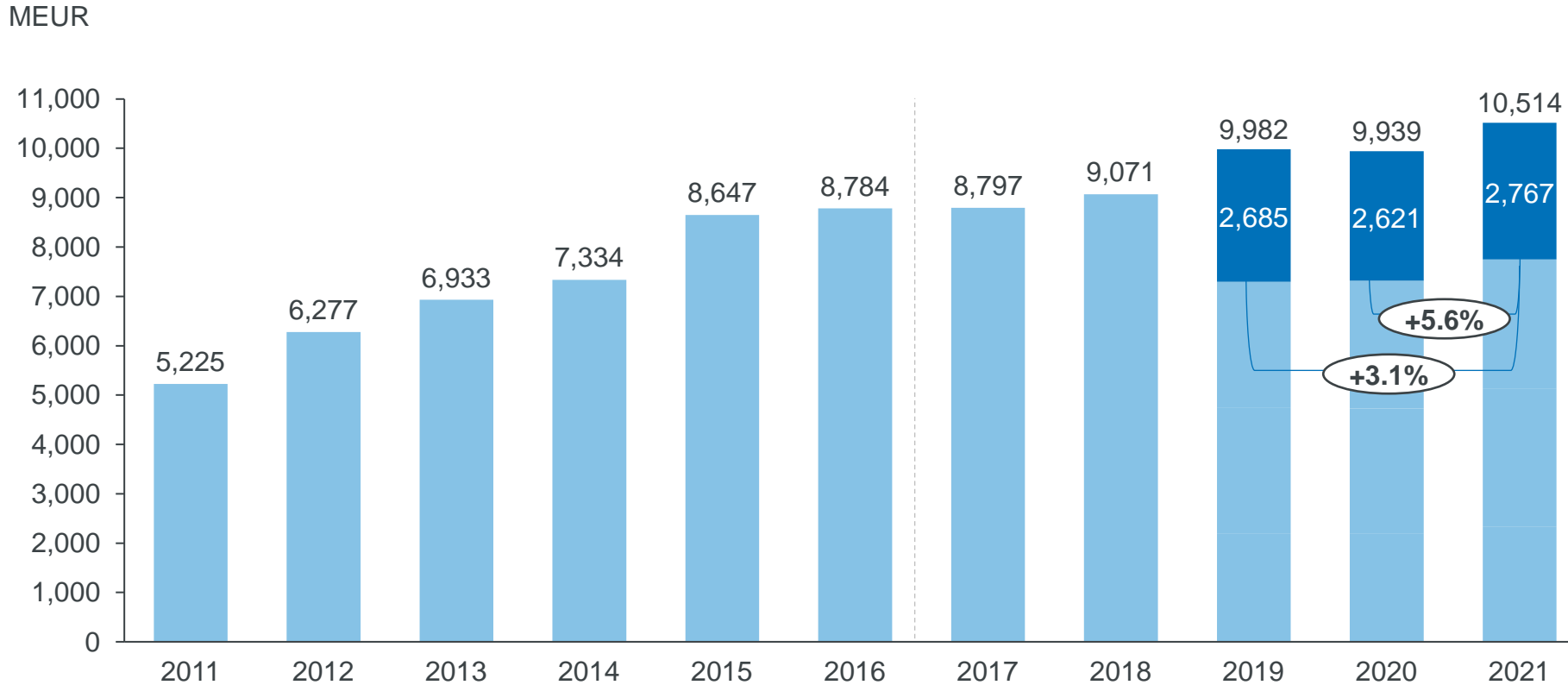
- Q4 orders received margin declined slightly y/y, but improved sequentially



Sales



Q4 SALES GROWTH DRIVEN BY CONTINUED STRONG MOMENTUM IN THE MAINTENANCE BUSINESS



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

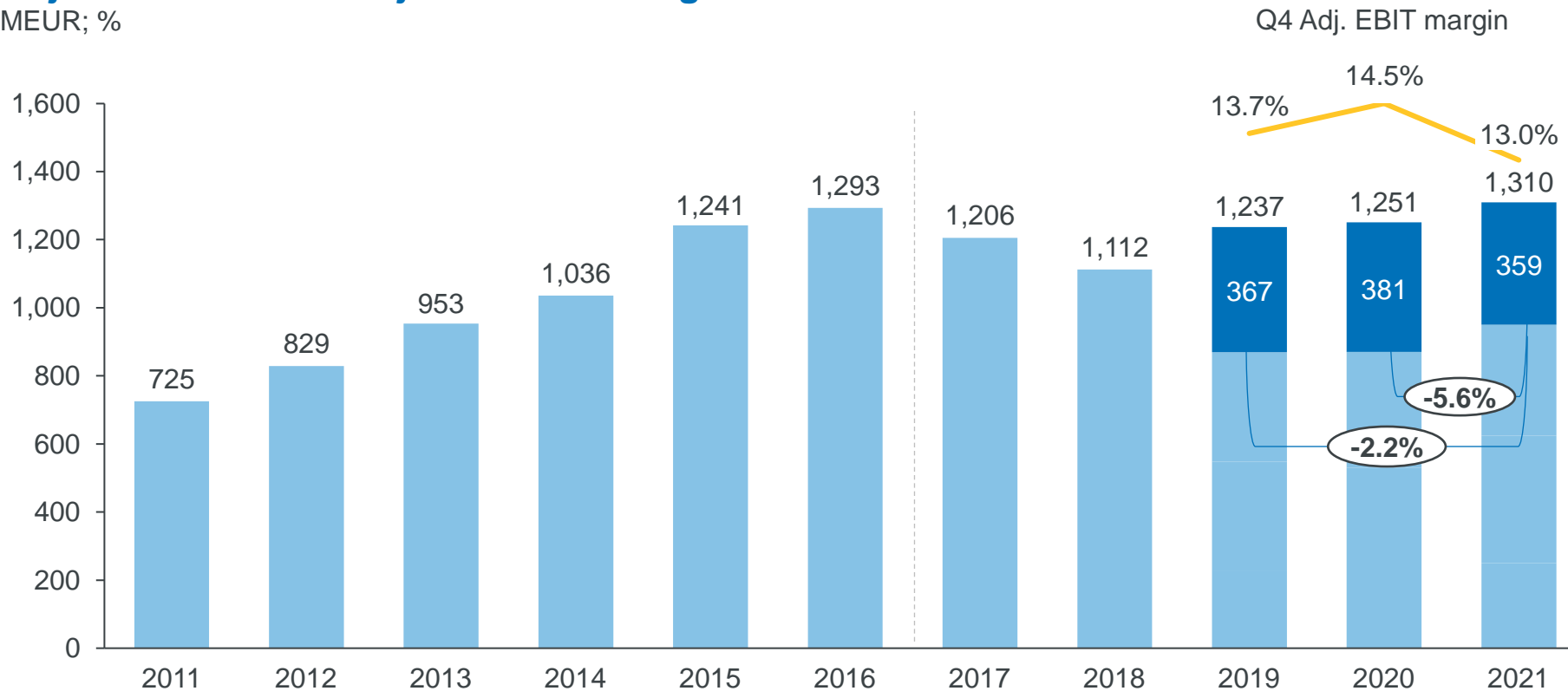
Adjusted EBIT



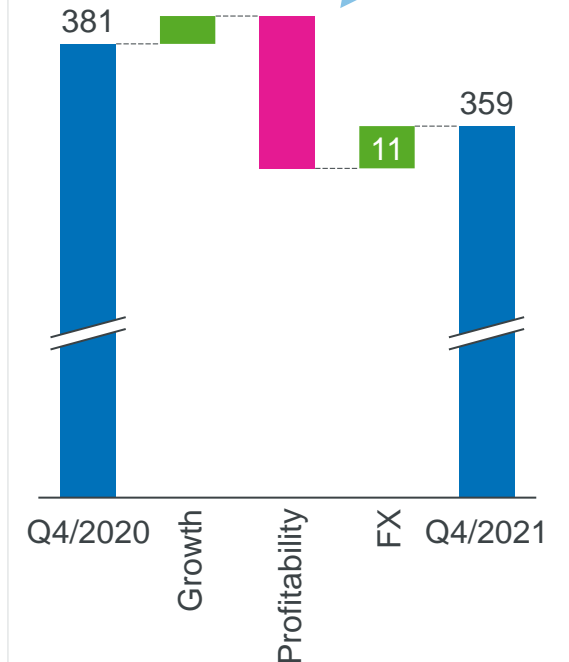
PROFITABILITY BURDENED BY INCREASED COMPONENT AND LOGISTICS COSTS

Adjusted EBIT* and adjusted EBIT margin

MEUR; %



- + Improved productivity
- + Good development in services
- Approx. MEUR 75 impact from increased component and logistics costs



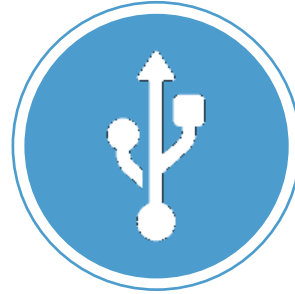
*KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. Restructuring costs related to significant restructuring programs are excluded from the calculation of the adjusted EBIT. In January–December 2021, the adjusted EBIT excluded costs of EUR 14.5 million related to restructuring measures in KONE's global business lines and functions. During 2017–2020, all restructuring costs excluded from the adjusted EBIT related to the Accelerate program.

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

Responding to cost and availability headwinds in the supply chain



Elevated material prices



Increased costs for securing electronic component availability



Increased logistics costs

Good progress in KONE's actions to offset cost headwinds

Reducing product costs and improving productivity

Pricing actions across all businesses

Focusing on differentiated offering

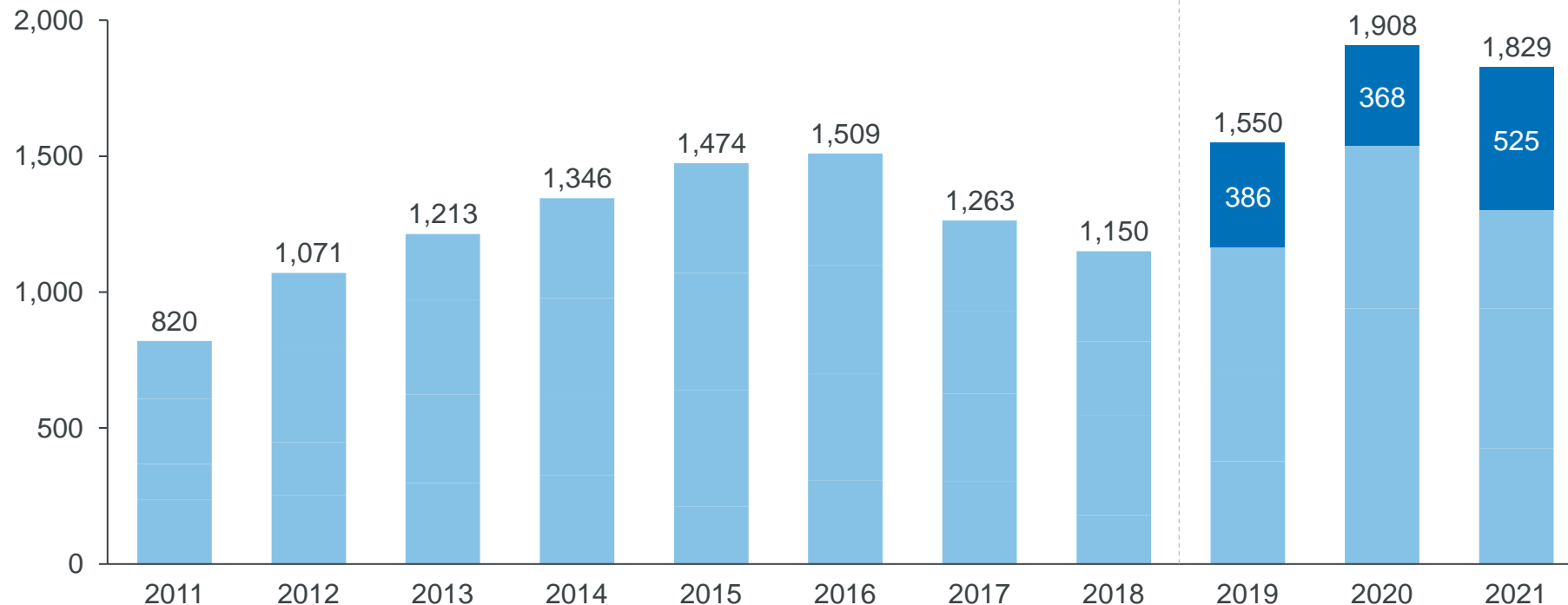
Cash flow



FULL YEAR CASH FLOW EXCEPTIONALLY STRONG

Cash flow from operations*

MEUR



- Q4 cash flow growth driven by positive working capital development

* 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.

Market and business outlook



Market outlook for 2022

New equipment markets

- In China, the new equipment market is expected to remain solid although below that of 2021 due to the tightened liquidity situation in the property markets
- In the rest of the world, the new equipment markets are expected to continue recovering

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



Sales

- KONE estimates that in 2022, its sales growth will be in the range of 2% to 7% at comparable exchange rates as compared to 2021

Adjusted EBIT

- The adjusted EBIT is expected to be in the range EUR 1,180-1,330 million, assuming that foreign exchange rates would remain at the January 2022 level. Foreign exchange rates are estimated to impact EBIT positively by around EUR 50 million

Supporting our performance

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

Burdening our result

- ⬇️ Approx. MEUR 100-150 headwind in 2022 from increased material, component and logistics costs
- ⬇️ Competitive dynamics and liquidity constraints in China

Summary

- Continued positive outlook in services. Growth expected in new equipment markets outside China.
- Good progress in actions to address impact of supply chain constraints
- Driving long-term growth and differentiation with our value-added solutions and services



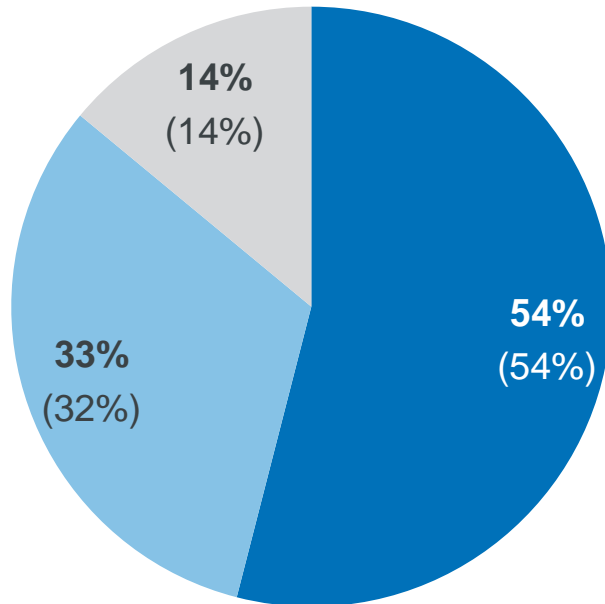
Dedicated to People Flow™



Appendix

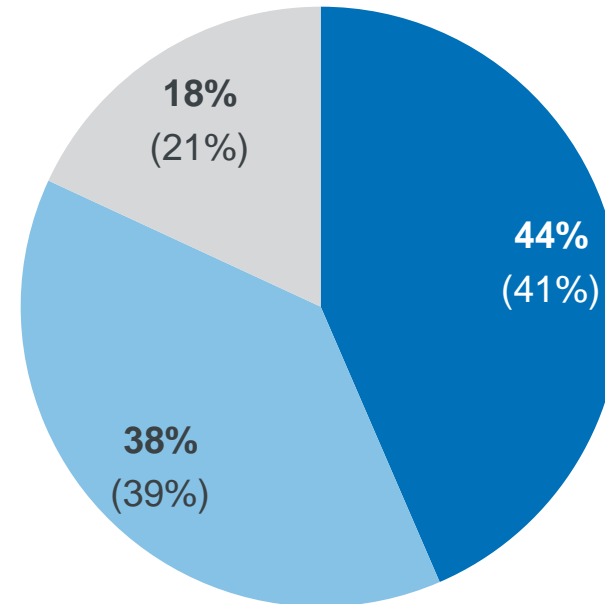
1–12/2021 Sales split

By business



- New equipment
- Maintenance
- Modernization

By region



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

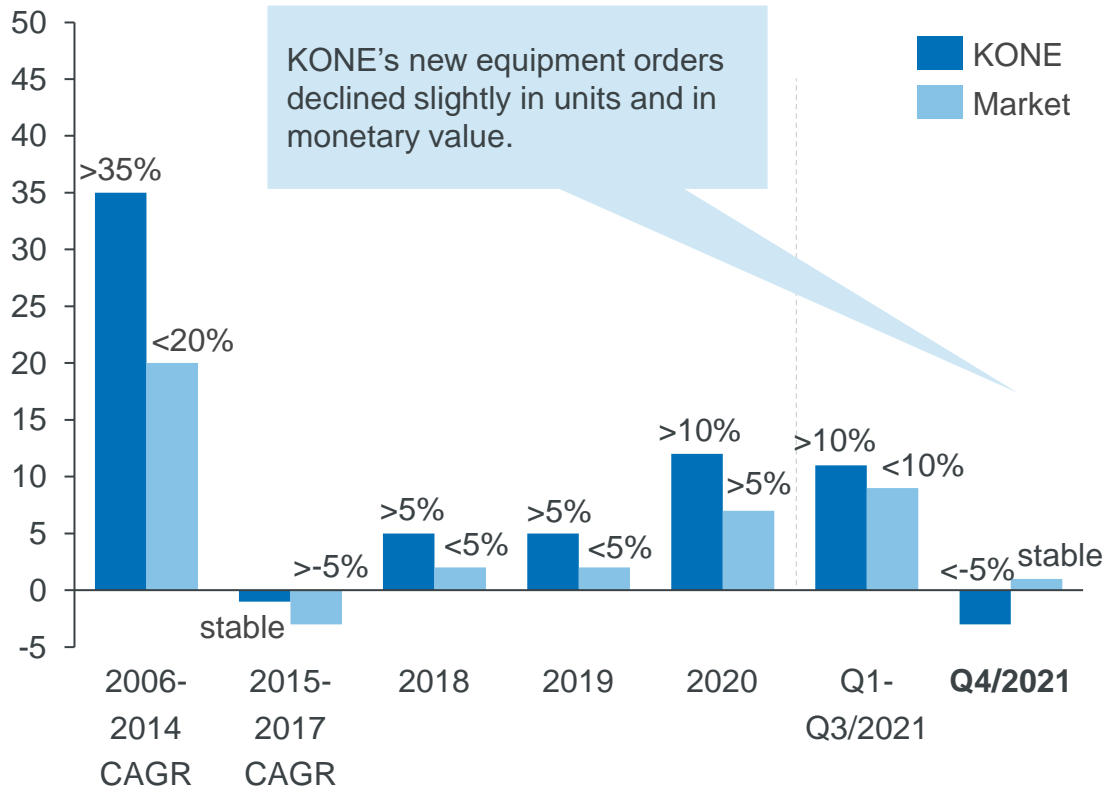
1–12/2020 figures in brackets. Figures in charts are rounded and at historical exchange rates.

KONE in China



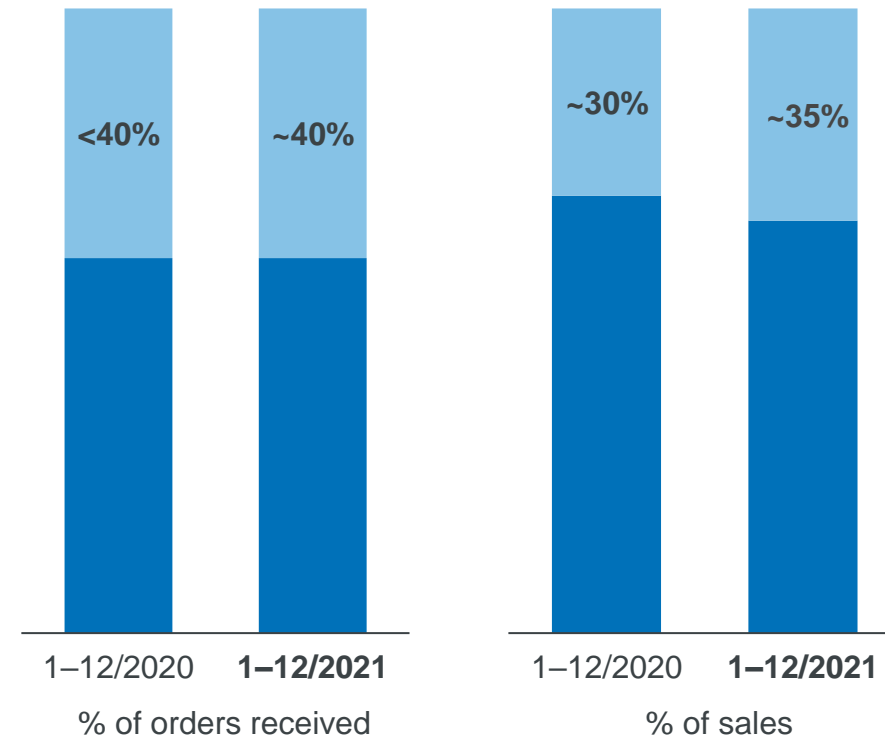
New equipment market

New equipment orders received in units vs. market development



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

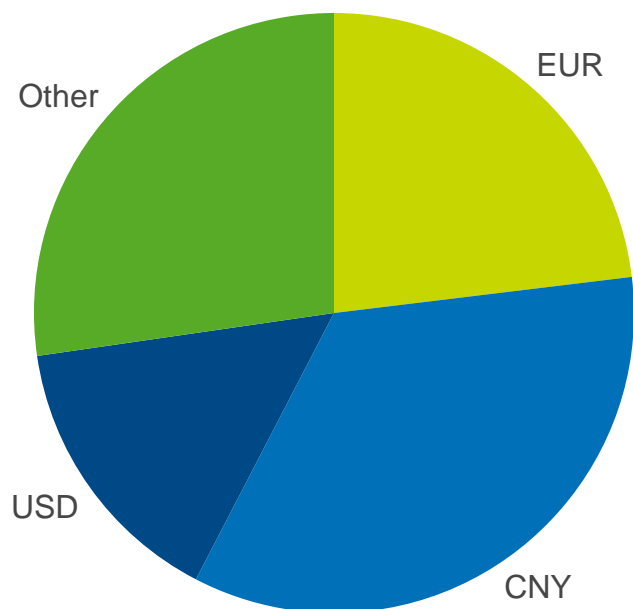
Monetary value



Currencies



Sales by currencies 1–12/2021



Currency impact*

MEUR	Q4	Full year
Sales	96.1	49.6
EBIT	10.9	12.4
Orders received	78.2	61.5

Main currencies

	Q4/2021 average	2020 average	Dec 31, 2021 spot
EUR / CNY	7.6388	7.8916	7.1947
EUR / USD	1.1851	1.1452	1.1326
EUR / GBP	0.8615	0.8864	0.8403
EUR / AUD	1.5792	1.6523	1.5615

*The impact of retranslating Q4/2020 and 1–12/2020 amounts with comparable exchange rates.

Balance sheet – assets employed



MEUR	Dec 31, 2021	Dec 31, 2020
Assets employed		
Goodwill	1,405.2	1,327.0
Other intangible assets	216.9	223.2
Tangible assets	736.7	710.0
Investments	144.6	143.2
Net working capital	-1,468.2	-1,160.1
Assets employed total	1,035.1	1,243.4
Financed by		
Equity	3,199.2	3,197.3
Net debt	-2,164.1	-1,953.8
Equity and net debt total	1,035.1	1,243.4

Net working capital



MEUR	Dec 31, 2021	Dec 31, 2020
Net working capital		
Inventories	717.8	597.0
Advance payments received and deferred revenue	-1,957.0	-1,766.8
Accounts receivable	2,421.4	2,178.6
Deferred assets and income tax receivables	898.1	720.9
Accruals and income tax payables	-2,268.2	-1,996.2
Provisions	-152.3	-154.7
Accounts payable	-1,310.2	-890.9
Net deferred tax assets / liabilities	182.2	152.0
Net working capital total	-1,468.2	-1,160.1