

CEO's review

Philippe Delorme, President and CEO
Ilkka Hara, CFO

29 FEBRUARY 2024

KONE ANNUAL GENERAL MEETING

Dedicated to
People Flow™

Agenda

1. Operating environment in 2023
2. KONE's development
3. Financial performance and outlook



Operating environment in 2023

1

Macroeconomic dynamics are challenging

Some of the concerns we faced in 2022 have eased

- Supply disruption and shortages
- COVID-19 lockdowns
- Rapid cost inflation

...while others continue to create uncertainty

- War in Ukraine and other geopolitical tensions
- Persistent inflation

...and new ones have emerged to create instability in the markets

- Several Western construction markets continue to have negative outlook
- Chinese new construction market still weak in 2023

Dynamics of the China market has changed

Uncertainty in the construction market continues

- Consumer sentiment and overall market outlook remain weak
- Challenges in developer liquidity availability

Good opportunities in service and modernization

- Modernization growth to accelerate in the coming years
- Good growth opportunities also in Service

KONE in China

- KONE's exposure to China has declined to ~25% of sales
- Good competitive position in world's largest elevator and escalator market

Regional variations in elevator and escalator market in 2023

	North America	EMEA	APAC (excl. China)	China
New Building Solutions in units	---	---	++	---
Service in units	+	+	++	++
Modernization in monetary value	+	++	+++	+++

- In the more mature **New Building Solutions** markets, sentiment was impacted by rising interest rates and slowing economic growth, while activity in many emerging markets was more favorable
- Challenging market dynamics in China with weak consumer sentiment
- Growth across all regions in **Service and Modernization**

--- 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.

Good growth prospects in Service and Modernization

Resilient Service business



Continued above trend growth

Opportunities for acceleration in Modernization



Aging installed base and sustainability creating abundance of opportunities in modernization

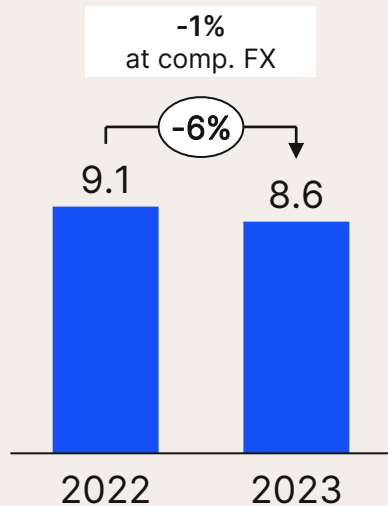
KONE's development

2

2023 financial performance highlights the resilience of our business

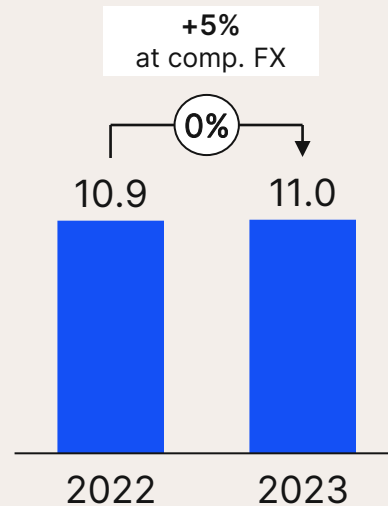
Improving momentum in **orders received** in H2/2023

Orders received, EUR bn



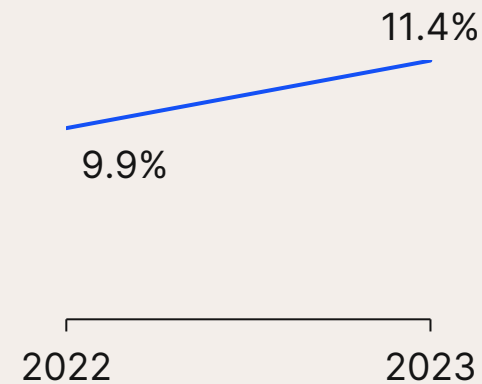
Solid **sales** growth demonstrating the resilience of our business

Sales, EUR bn



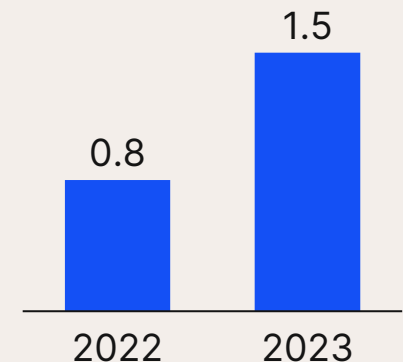
Clear improvement in **adjusted EBIT margin** bringing us back on the right track

Adjusted EBIT margin, % of sales



Solid **cash** conversion signaling the health of our business

Cash flow from operations, EUR bn

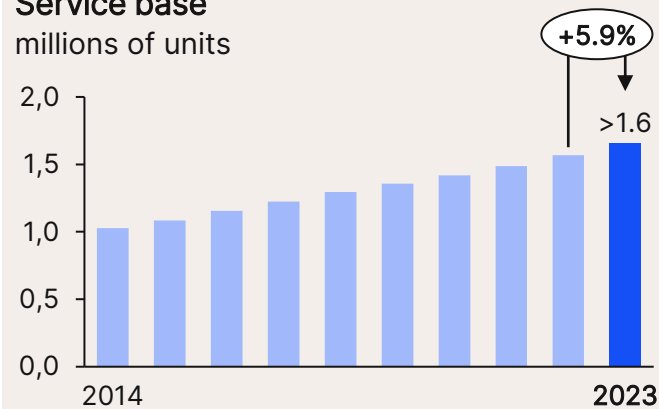


2023 business highlights

Service

- Record level of units added to our Service base
- Continued increase in 24/7 Connected Service penetration

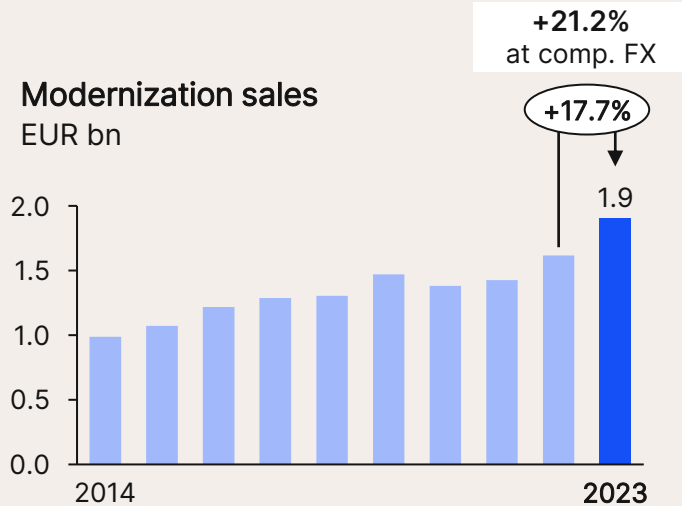
Service base
millions of units



Modernization

- >20% growth in Modernization highlighting our competitiveness and the abundance of opportunities in the business

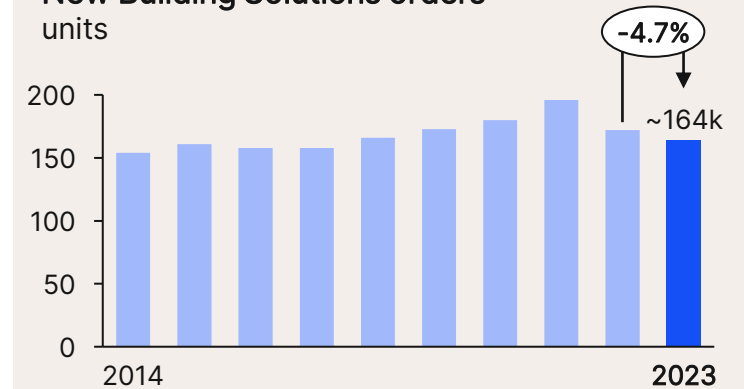
Modernization sales
EUR bn



New Building Solutions

- Stable order book at comparable exchange rates despite challenging market conditions

New Building Solutions orders
units



Strategic targets

Great place to work

Most loyal customers

Faster than market growth

Best financial performance

Leader in sustainability

Positive development towards our strategic targets

Employee engagement has stayed clearly above the global norm in the latest survey

Customer loyalty on a solid level

Faster than market growth in all businesses

Profitability back on an improving trend with solid cash generation

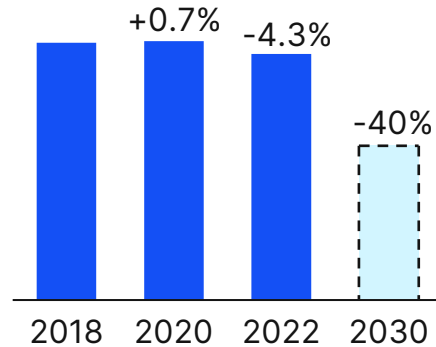
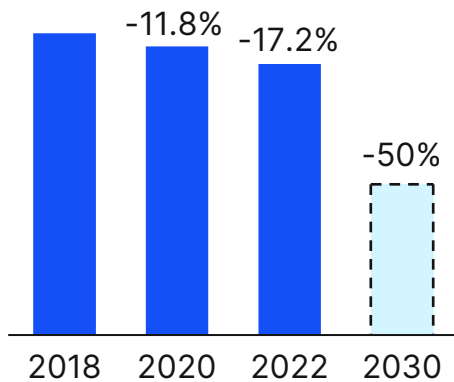
Good progress in all areas of sustainability

Strengthening our position as a leader in sustainability

Our ambitious work to meet our **science-based targets** continued...

Scope 1 & 2 emissions*

Scope 3 emissions relative to products ordered*



* Compared to 2018, SBTi baseline

Moving towards our **diversity, equity and inclusion targets**

25.2%

Share of women at director level in 2023 (goal for 2030: 35%)

Improvement in our **safety performance**

1.1

Industrial Injury Frequency rate in 2023 (goal for 2030: 0.6)



... and there was good progress throughout 2023

1st in the industry with carbon neutral manufacturing units

21 EPD's – first partial modernization EPD promoting circularity and life cycle understanding in existing buildings

New, even stronger operating model



100 MEUR savings,
actions completed
by the end of 2023



Acting fast, close to
customers with
stronger Areas



Competitiveness,
speed and scale
through global
functions

Driving competitiveness with future-proof people flow products and services

Good progress in cost-competitiveness driven by new product introductions and procurement excellence



- Example: Mid-range product launched in China, addressing the most resilient market segment in China

Next-generation digitally enhanced remote services paving the way for the next step change in KONE service efficiency and customer experience



- New digital services built on top of KONE's pioneering intelligent predictive maintenance, KONE 24/7 Connected Services and KONE DX platform
- Examples: Remote rescue, callout resolution, immediate service need validation and software updates

Exciting customer references across our geographical areas

Infra



Sky Harbor Airport
Phoenix, USA

The image shows the Sky Harbor Airport in Phoenix, USA, at night. The airport's iconic architecture, including the control tower and the terminal building, is illuminated against a dark sky. The foreground shows a multi-level highway interchange with cars and streetlights.

Office



The CitiGroup Centre
London, United Kingdom

The image shows The CitiGroup Centre in London, United Kingdom. It is a tall, modern glass skyscraper with the 'Citi' logo at the top. The building is partially obscured by bare trees in the foreground, and the sky is a clear blue.

Multi-use



Merdeka 118 Tower
Kuala Lumpur, Malaysia

The image shows the Merdeka 118 Tower in Kuala Lumpur, Malaysia. It is a tall, dark, slender skyscraper with a distinctive spire. The tower is set against a backdrop of a cityscape and mountains under a dramatic, cloudy sky at sunset or sunrise.

Commercial



Agricultural Bank of China
Guangdong Provincial Branch
Guangdong, China

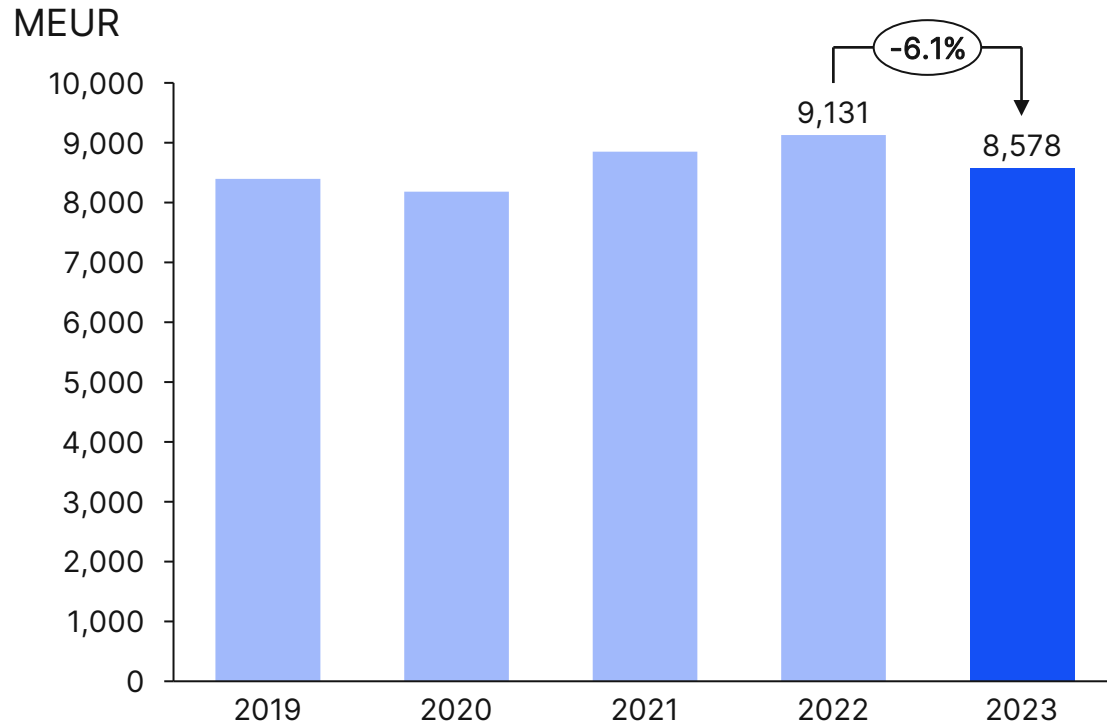
The image shows the Agricultural Bank of China Guangdong Provincial Branch in Guangdong, China. It is a large, multi-story building with a classical architectural style, featuring many windows and ornate details. The building is partially obscured by trees in the foreground.

Financial performance and outlook

3

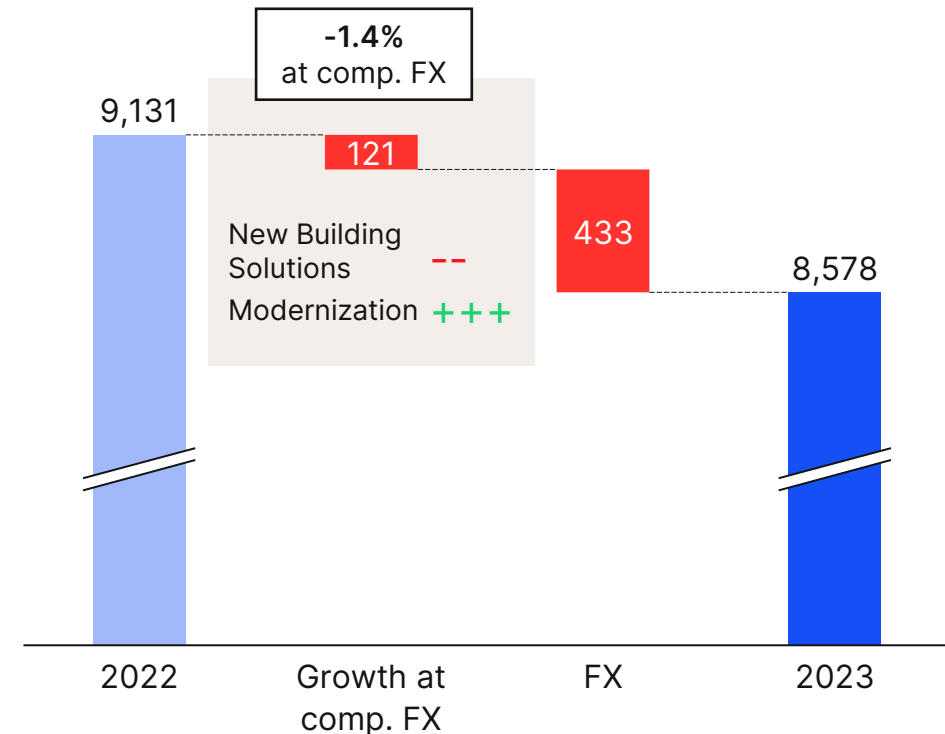
Strong growth in Modernization orders compensated for the decline in New Building Solutions

Orders received 2019-2023



Orders received consist predominantly of New Building Solutions and Modernization orders. Service contracts are not included in orders received, but the figure includes orders related to the Service business, such as repairs.

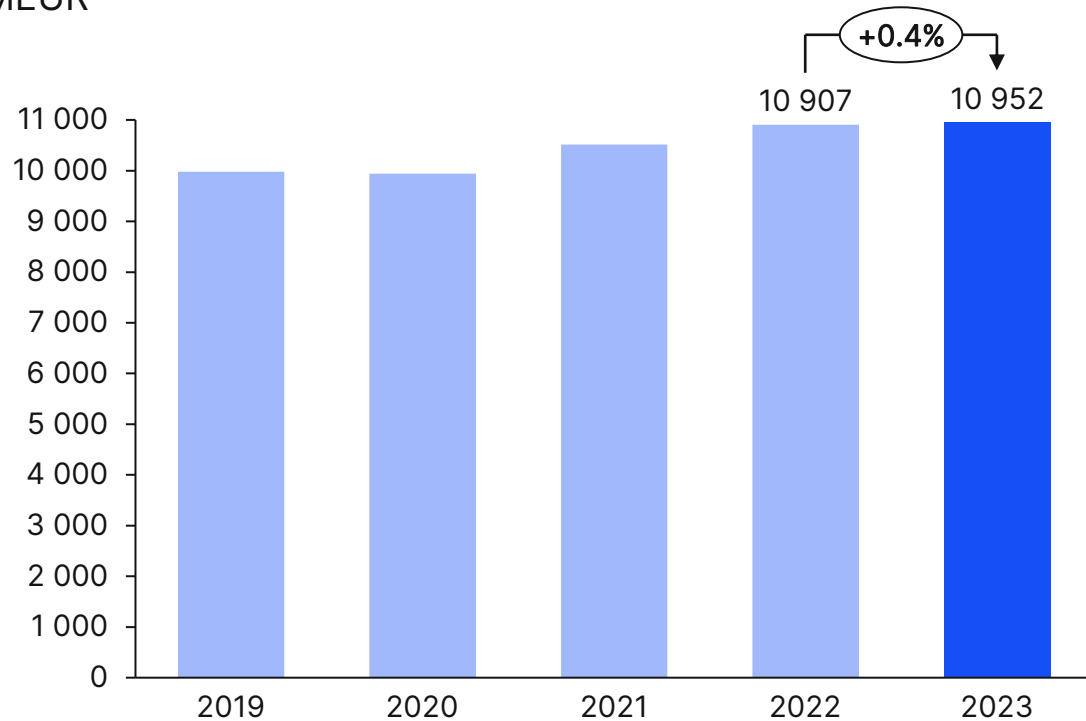
Orders received development 2022-2023



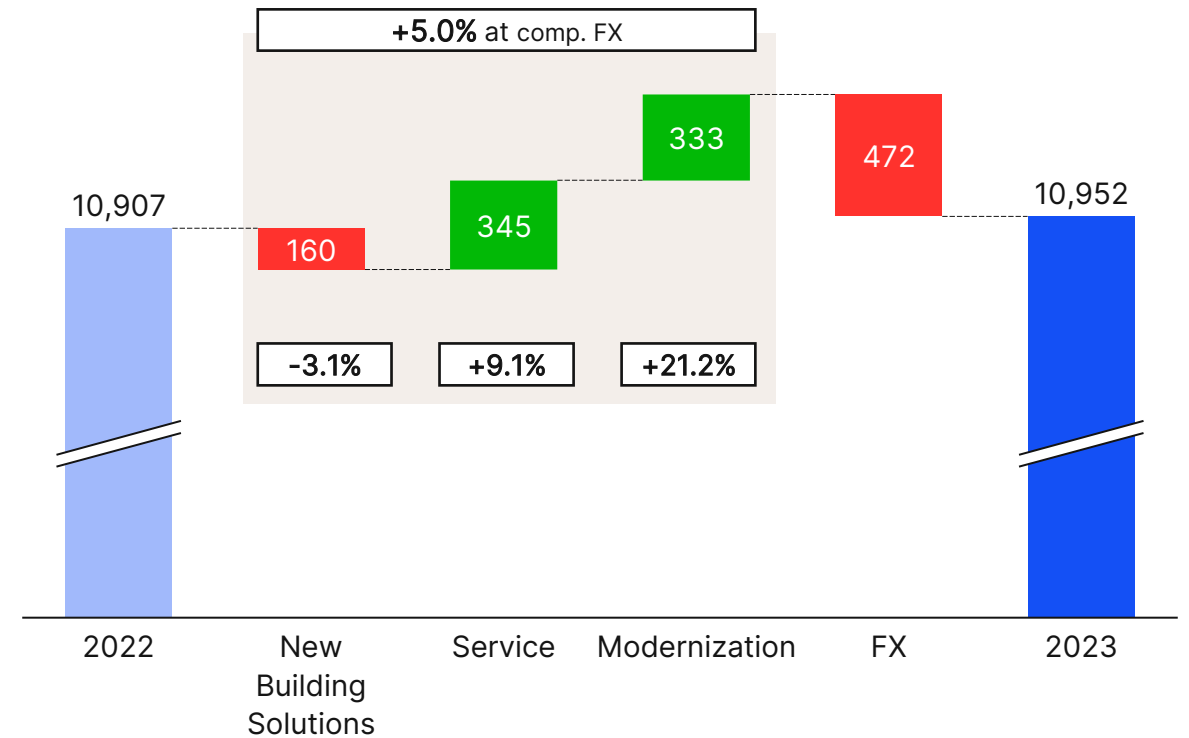
- - Significant decline (>10%), - - Clear decline (5-10%), - Slight decline (<5%), Stable, + Slight growth (<5%), + + Clear growth (5-10%), + + + Significant growth (>10%).

Excellent growth in Modernization and Service

Sales 2019–2023
MEUR

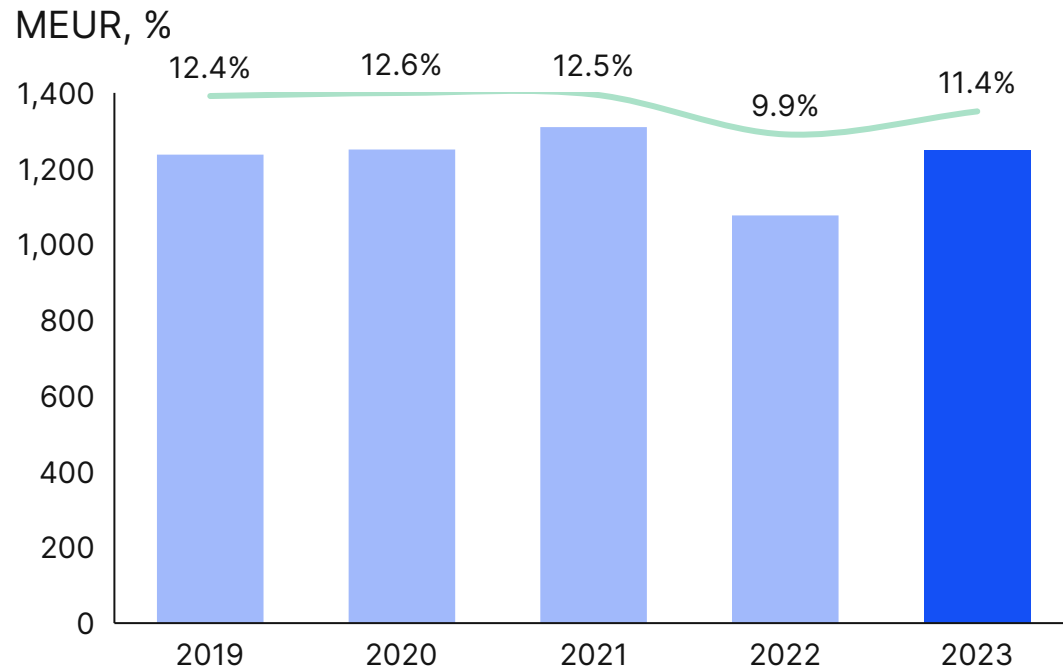


Sales development 2022-2023

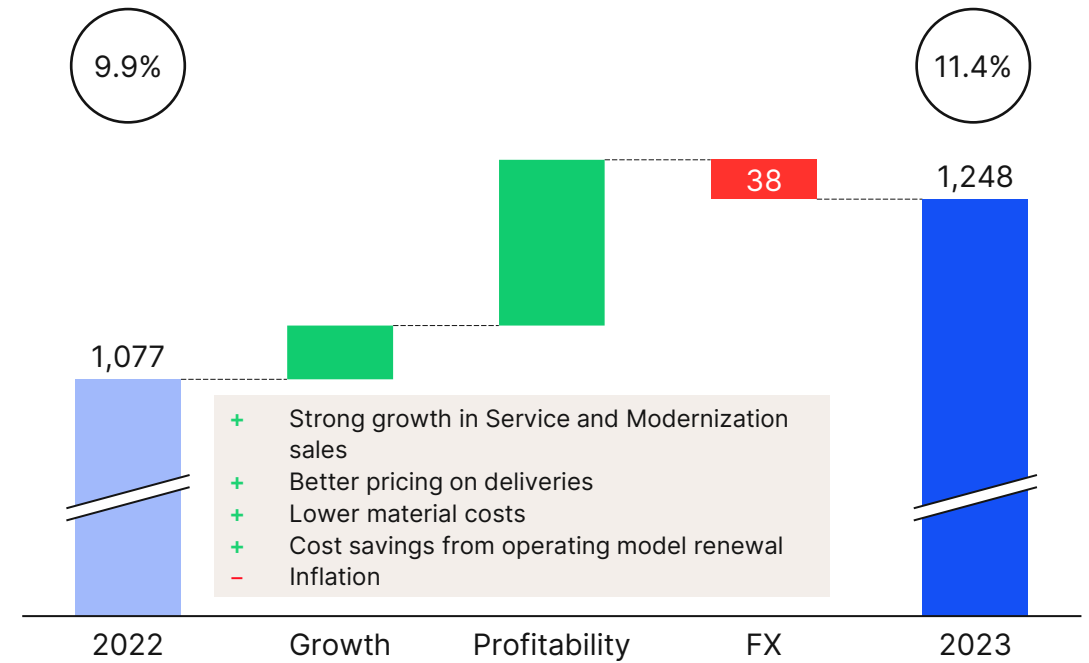


Profitability back on an improving trend

Adjusted EBIT* 2019–2023



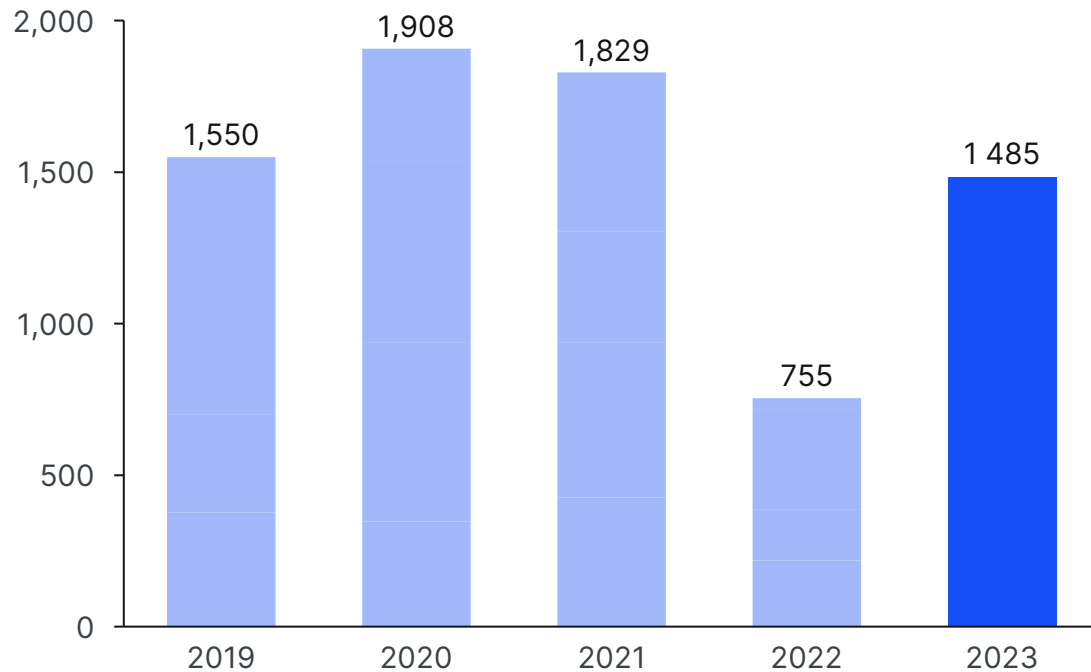
Adjusted EBIT development 2022-2023



*KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–December 2023, items affecting comparability amounted to EUR 48.3 million including EUR 57.7 million costs recognized on restructuring measures and a positive effect of EUR 8.0 million recognized on completion of the sale 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.

Solid cash flow supported by increase in operating income and changes in net working capital

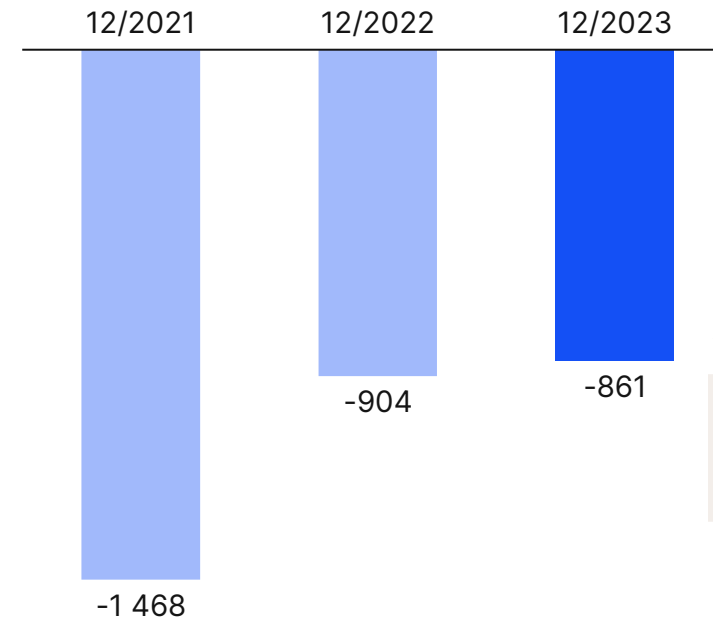
Cash flow from operations¹
MEUR



¹Before financing items and taxes

Net working capital²

MEUR

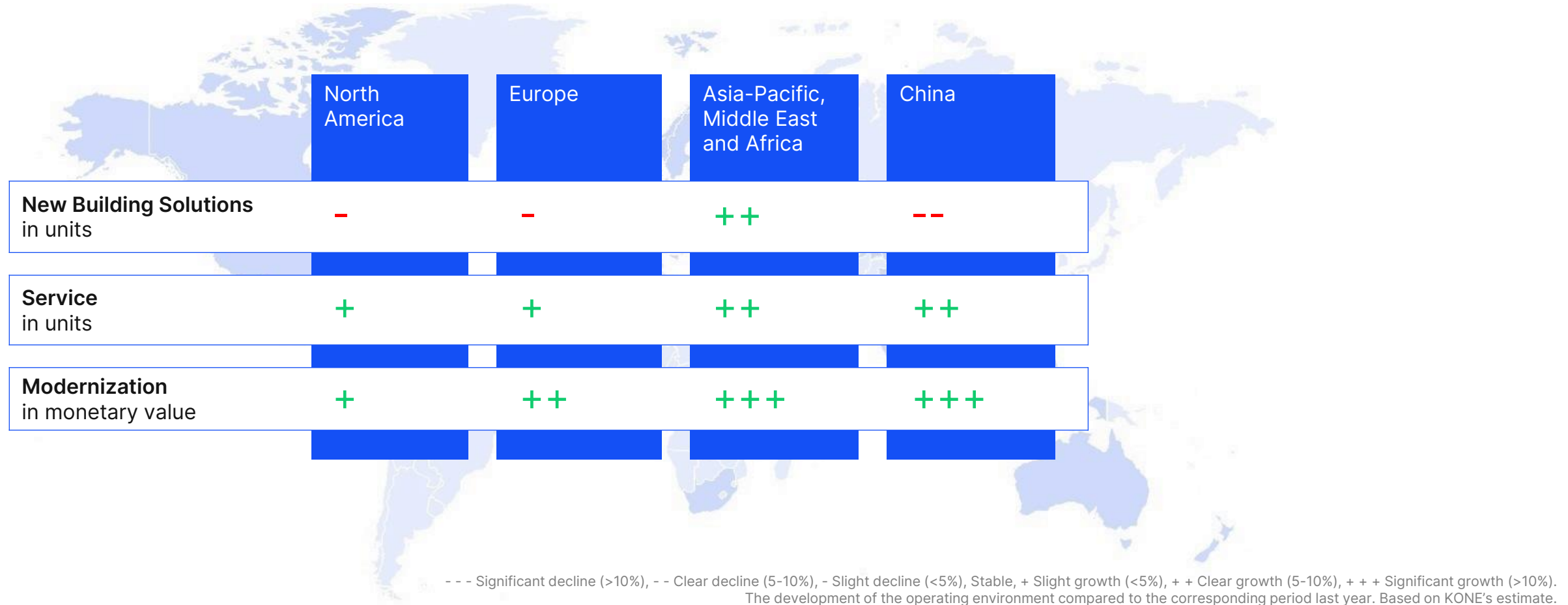


²Including financing items and taxes

- +Accounts receivable
- Accounts payable
- FX impact (MEUR 37)

Market outlook for 2024

Nine out of KONE's 12 end-markets growing



Business outlook for 2024

Sales

- KONE expects its sales to be stable or to grow slightly at comparable exchange rates in 2024

Adjusted EBIT

- The improvement in adjusted EBIT margin is expected to continue in 2024, albeit with less tailwinds than in 2023

Supporting our performance

-  Strong growth in Service and Modernization
-  Better pricing coming through in deliveries
-  Strong order book
-  Savings from operating model renewal

Burdening our performance

-  Declining New Building Solutions market in China, and uncertainty also in Europe and North America
-  Persistent cost inflation
-  Decisions to slightly increase investment in R&D and IT

Summary

- Excellent performance in Service and Modernization highlighting the resilience of our business
- Stable order book and positive outlook in majority of our markets give us a solid basis for 2024
- Offering competitiveness, customer focus and stronger local accountability driving long term growth





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