

CEO's review

Henrik Ehrnrooth, President and CEO

KONE's year 2022

Growth:

- Strong growth in services, varied development in the new equipment business

Result:

- Result burdened by pricing pressure and the market environment in China, impact from profitability actions towards the end of the year

Strategy execution:

- Further strengthened competitiveness with the launch of new products and solutions



2022 key figures

		1-12/2022	1-12/2021	Change	Comparable change
Orders received	MEUR	9,131.3	8,852.8	3.1%	-2.5%
Order book	MEUR	9,026.1	8,564.0	5.4%	5.4%
Sales	MEUR	10,906.7	10,514.1	3.7%	-1.8%
Operating income (EBIT)	MEUR	1,031.2	1,295.3	-20.4%	
Operating income margin (EBIT %)	%	9.5	12.3		
Adjusted EBIT	MEUR	1,076.6	1,309.8	-17.8%	
Adjusted EBIT margin	%	9.9	12.5		
Cash flow from operations (before financing items and taxes)	MEUR	754.7	1,828.7		
Basic earnings per share	e	1.50	1.96	-23.6%	

Regional variations in the development of the elevator and escalator market in 2022

New equipment market	1-3/2022	4-6/2022	7-9/2022	10-12/2022
EMEA	→	→	↘	↘
North America	↗	↗	↘	↘
China	↘	↘	↘	↘
Rest of Asia-Pacific	↗	↗	↗	↘
Maintenance	→	→	→	→
Modernization	↗	↗	↗	→

KONE's operations resilient in the prevailing new equipment market in China, growth opportunities in services

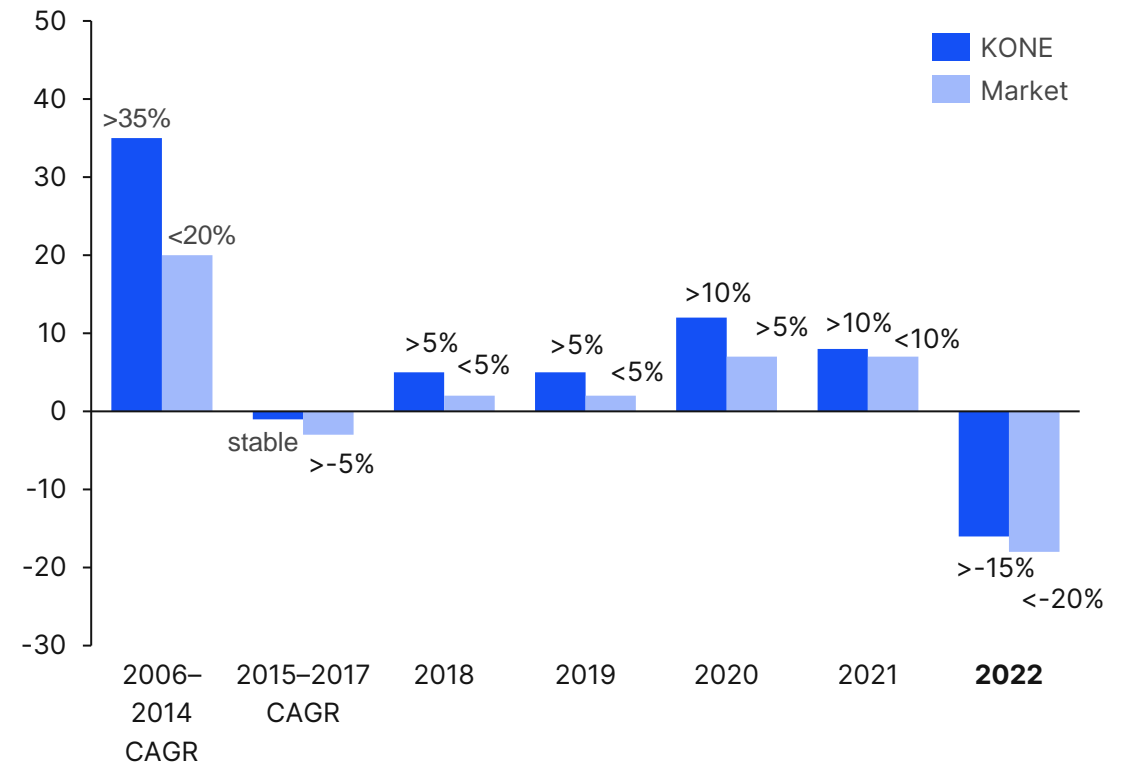
New equipment market

- The COVID-19 pandemic and liquidity restrictions weakened market activity
- The pricing environment was characterized by intense competition
- Numerous easing measures to stabilize the property market

Service markets

- Capturing the significant growth opportunities is one of our strategic priorities
 - KONE's service business grew by ~10%

New equipment orders received in units vs. market development



Good progress in business priorities during 2022

Pricing:

- Price increases resulted in improved margin of orders received

Productivity:

- Offering developments improved installation productivity and product costs

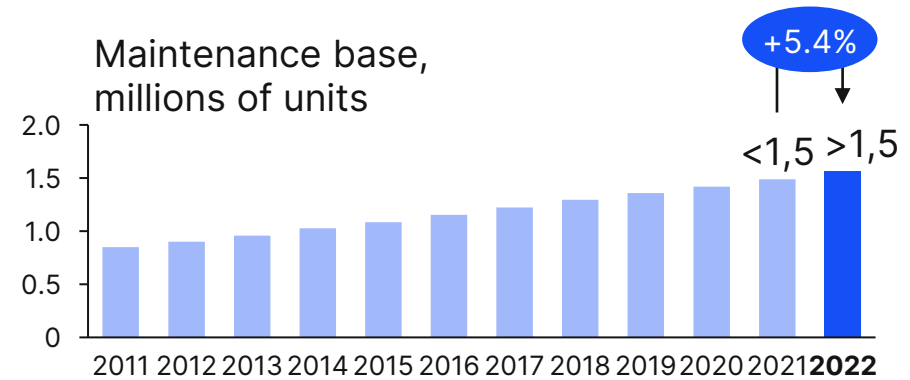
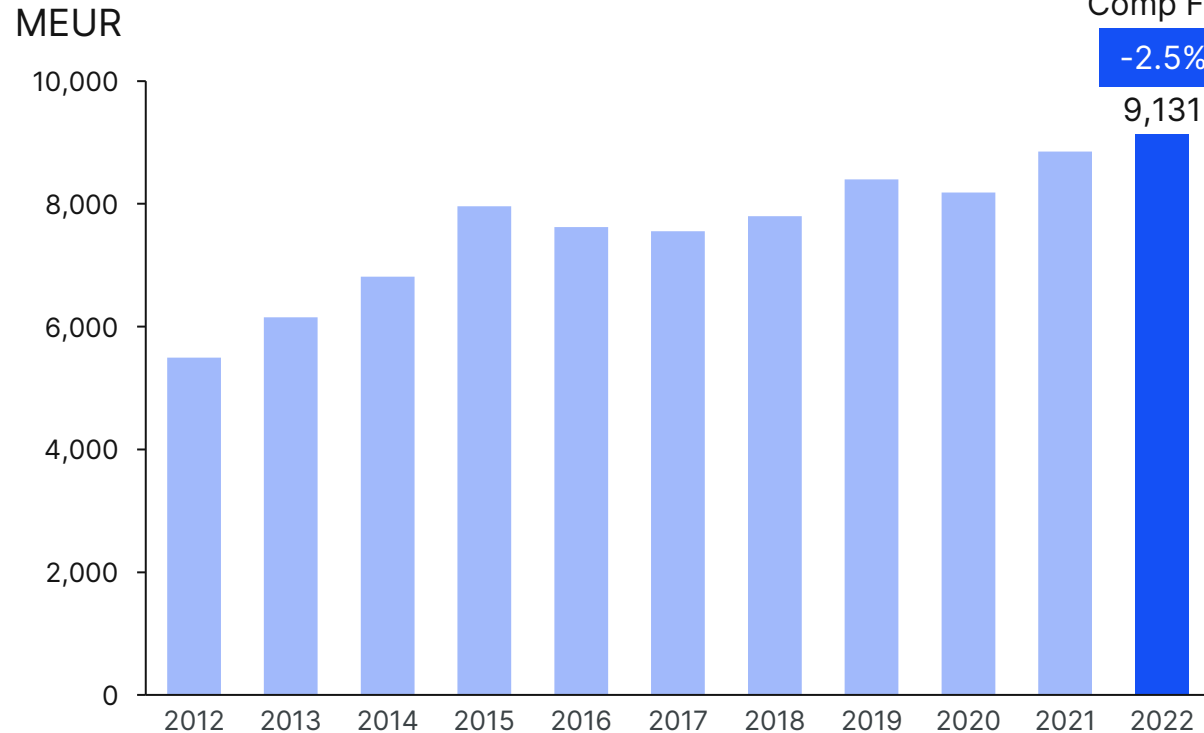
Growth in services:

- Strong growth in maintenance and modernization



KONE's orders impacted by difficulties in China's property sector, an excellent year in the service business

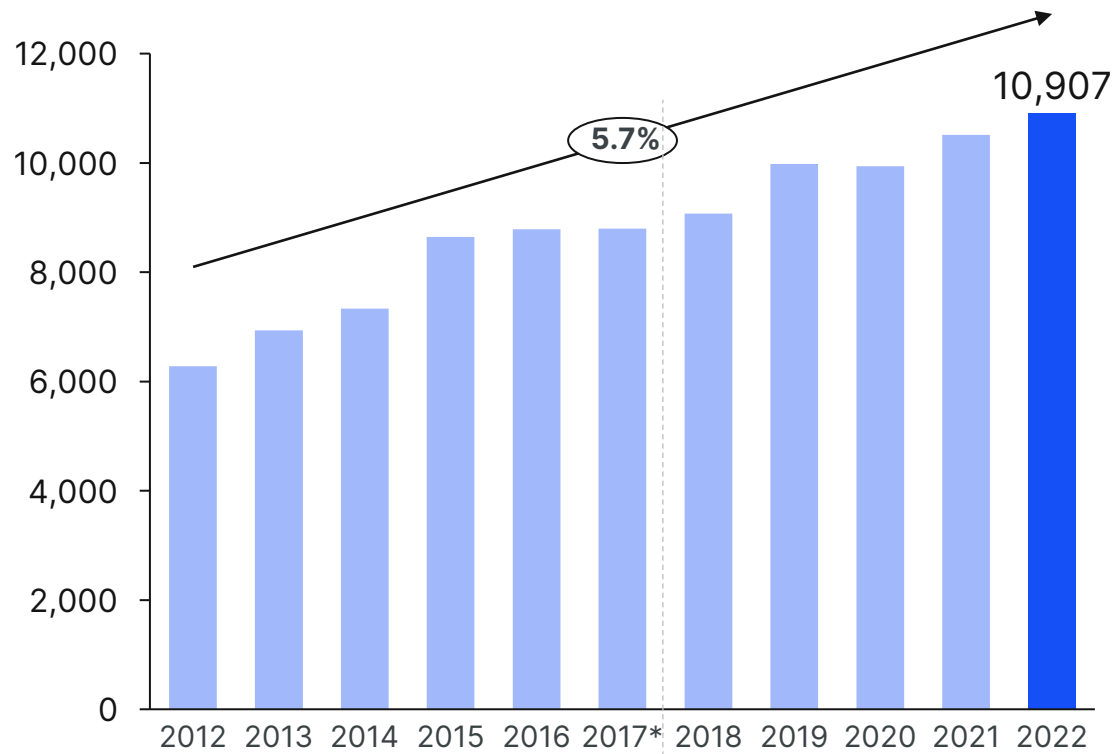
Orders received 2012–2022



Orders received consist predominantly of new equipment and modernization orders. Maintenance contracts are not included in orders received, but the figure includes orders related to the maintenance business, such as repairs.

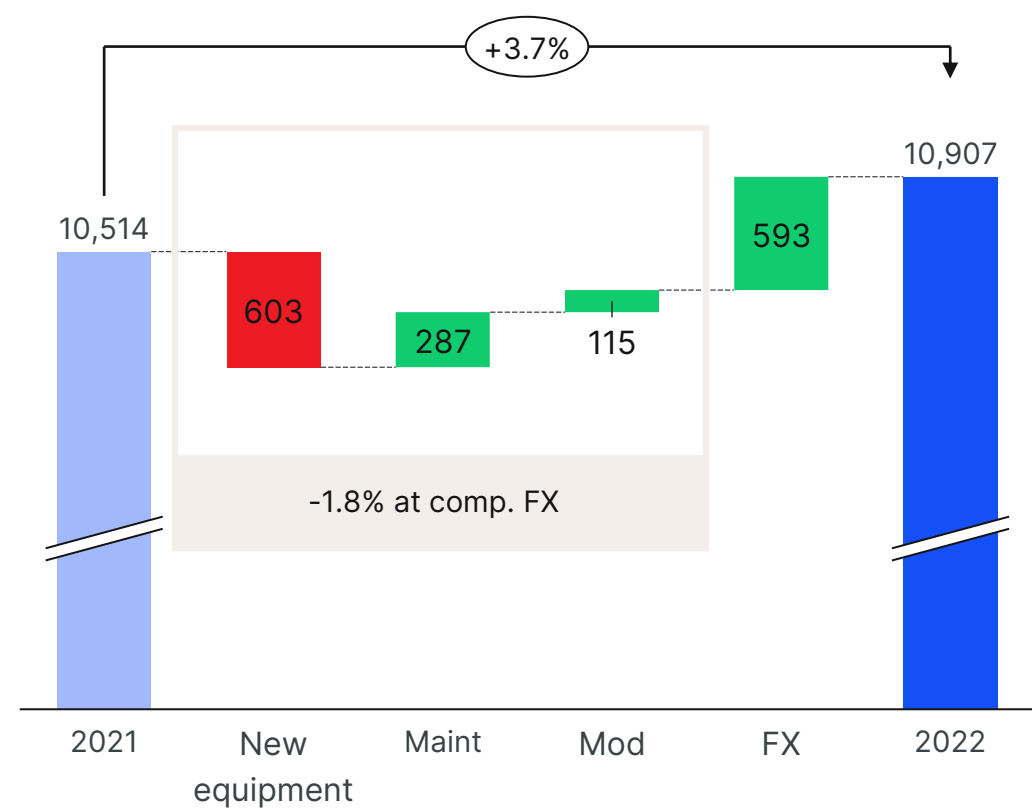
Sales supported by strong growth in services

Sales 2012–2022
MEUR



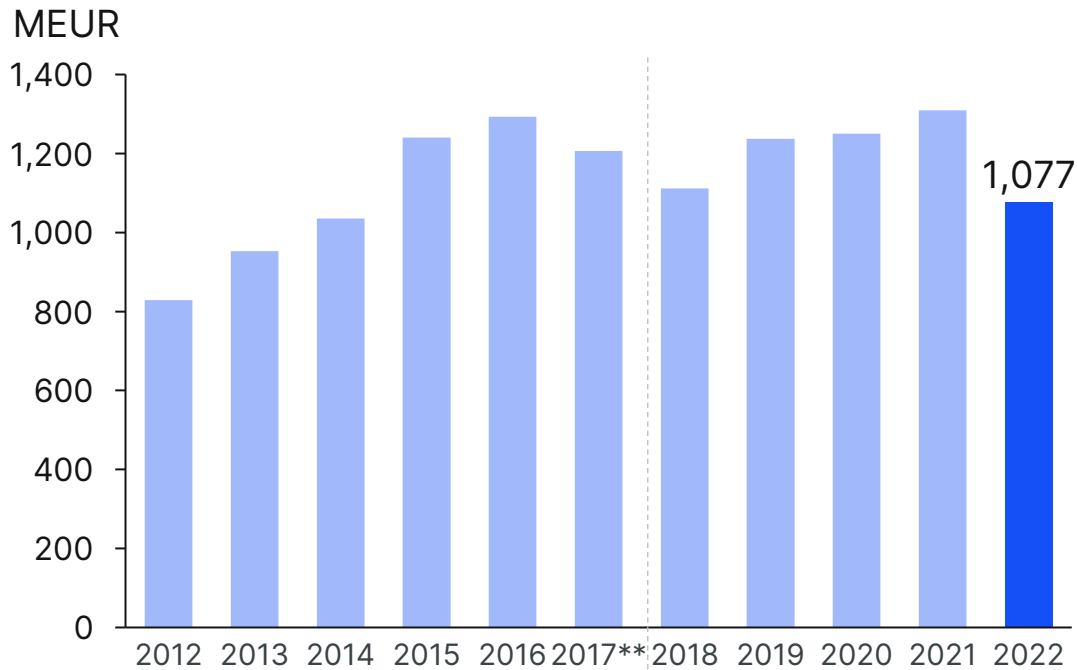
KONE has applied IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2011–2016 are not restated and thus not fully comparable

Sales development 2021–2022

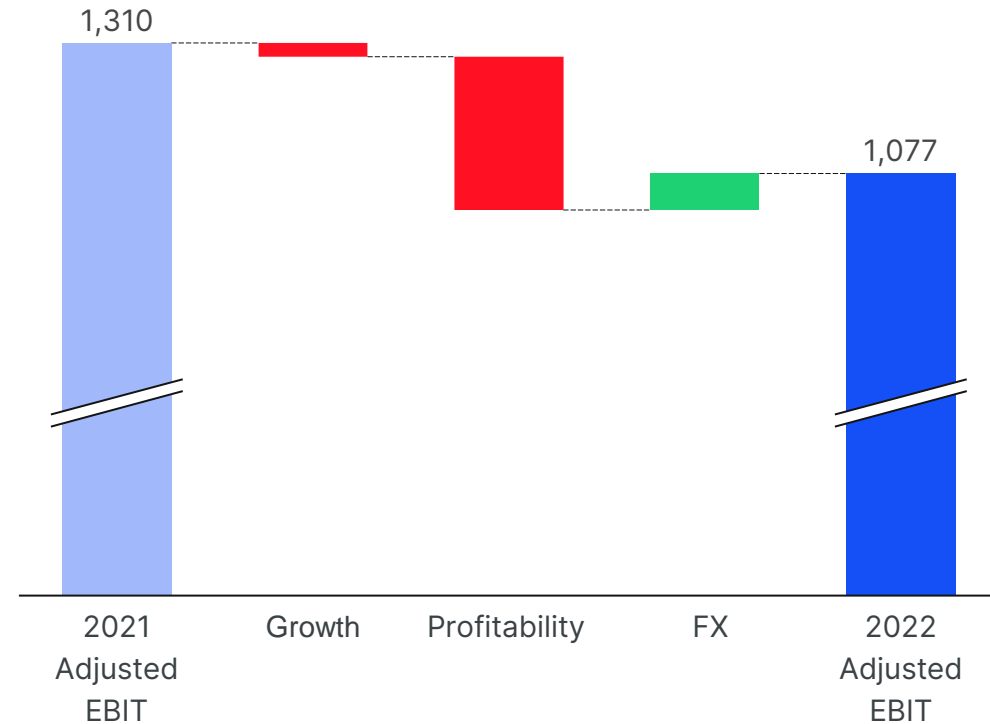


Result burdened by cost headwinds and the decline in new equipment deliveries, profitability improved towards the end of the year

Adjusted EBIT* 2012–2022



Adjusted EBIT development 2021–2022

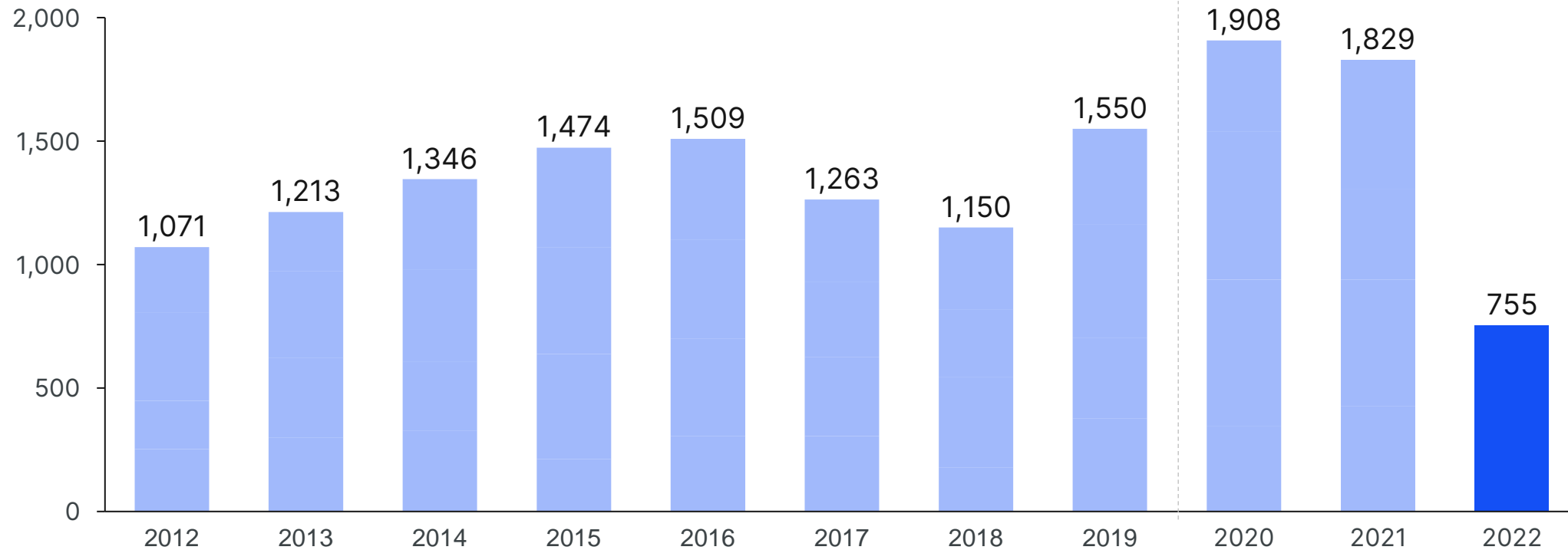


*KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–December 2022, items affecting comparability amounted to EUR 45.4 million including a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine, as well as costs for restructuring measures. In the comparison periods, items affecting comparability consisted of restructuring costs.

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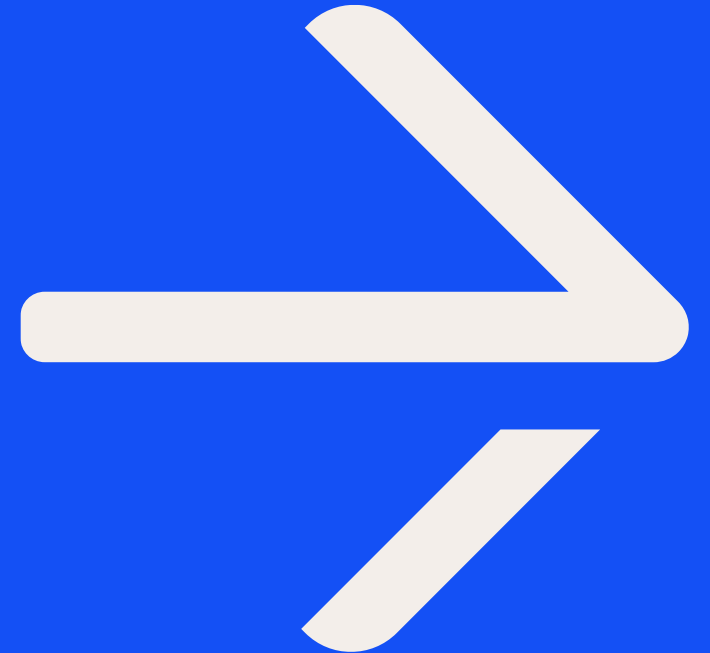
Cash flow declined from an exceptionally high level

Cash flow from operations*
MEUR



* Before financing items and taxes KONE had adopted IFRS 16 from January 1, 2019 onwards which improved cash flow from operations as payments of lease liabilities were included into cash flow from financing activities. The cash flows for comparative periods have not been restated.

Smart and
sustainable
solutions at the
core of our strategy



Sustainable success with customers



MEGATRENDS

URBANIZATION

SUSTAINABILITY

TECHNOLOGY

Dedicated to People Flow™ **KONE**

STRATEGIC TARGETS

- Great place to work
- Most loyal customers
- Faster than market growth
- Best financial development
- Leader in sustainability

WHERE TO WIN

We will lead the way in:

Core products and services

New solutions for customer value

Smart and sustainable cities

Service business in China

WAYS TO WIN

We will ensure our success through:

Empowered people

Marketing and sales renewal

Digital + physical enterprise

Lean KONE



CULTURE

SAFETY
QUALITY
SUSTAINABILITY

CARE

CUSTOMER

COLLABORATION

COURAGE

MISSION
OUR MISSION IS TO IMPROVE THE FLOW OF URBAN LIFE

VISION
WE CREATE THE BEST PEOPLE FLOW™ EXPERIENCE

market

Strategic targets

Great place to work

Most loyal customers

Faster than market growth

Best financial performance

Leader in sustainability

Good development towards our strategic targets

Employee engagement continues clearly above the global norm

Sustained positive trend in customer loyalty

Strong growth in services, new equipment development in line with the market

Profitability burdened by cost headwinds and the decline in new equipment delivery volumes

Good progress in all areas of sustainability

Our innovations meet the changing needs of our customers



Partner in smart and sustainable buildings

- The industry's first carbon-neutral elevators and maintenance service introduced to the market



Accelerate construction with improved productivity

- Construction time JumpLift and 24/7 Connected Services solutions improve reliability and reduce construction time by several months



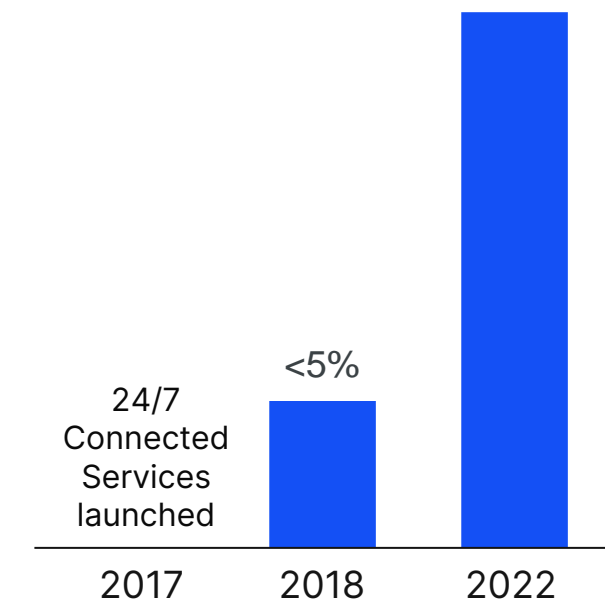
Enhance adaptability through connectivity

- KONE DX Class elevators available in all regions

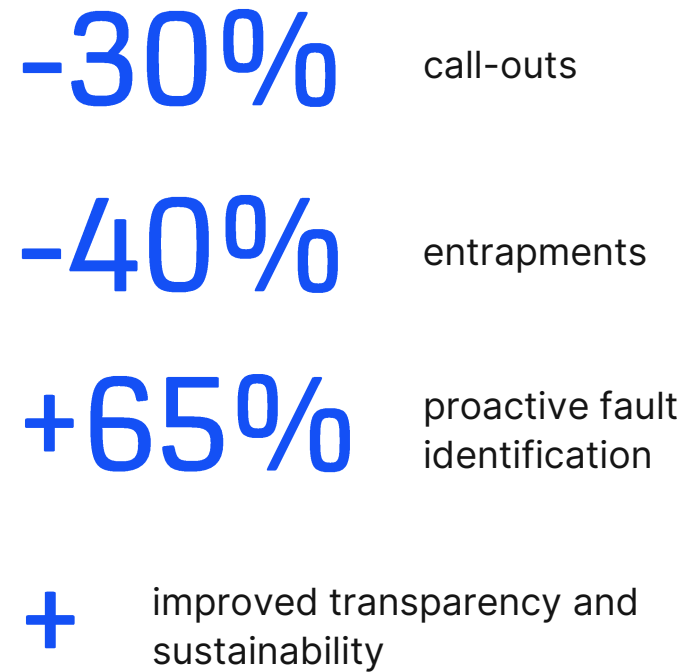
24/7 Connected Services creates value for our customers

24/7 Connected Services penetration has been increasing steadily...

as % of maintenance base



...creating measurable benefits to customers...



...and driving improved customer satisfaction, retention and profitability



We are constantly developing new services to create value for our customers



KONE CARE

- Contracts tailored to customer needs



24/7 PLANNER AND 24/7 CONNECT

- Intelligence through connectivity and analytics



KONE CARE DX

- Smart, carbon-neutral maintenance service



CONTINUOUS DEVELOPMENT OF VALUE-ADDED SERVICES

- Sustainability at the core of our services and solutions

2016

2021

Planned operating model renewal further strengthens competitiveness and customer focus

What?

- Simplify our operating model
- Strengthen local accountability
- Benefit from global scale

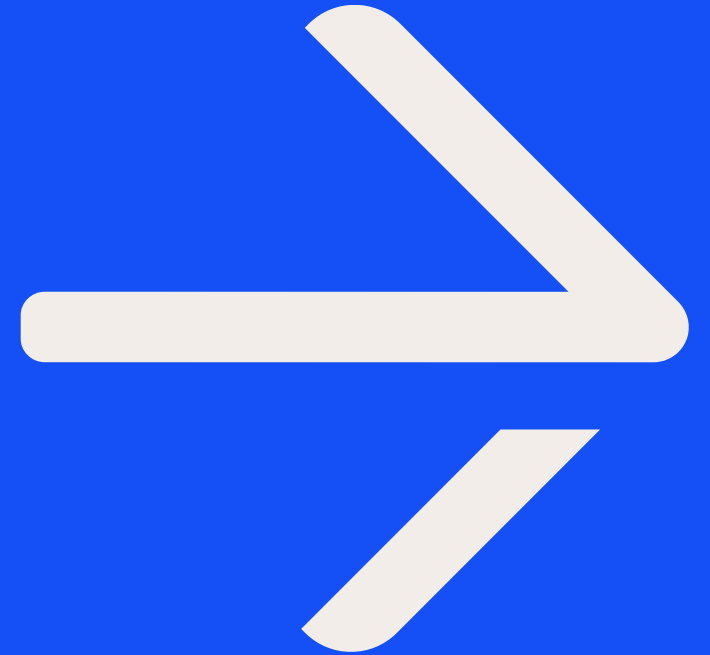
Why?

- Respond faster to local customer needs and market conditions

Targeted outcome

- Better capture regional growth opportunities
- Improve competitiveness and profitability
- MEUR 100 savings

Market and business outlook



Market outlook for 2023

New equipment markets

- The Chinese new equipment market is expected to decline by somewhat over 10%. Markets are expected to start to recover towards the end of the first half as a result of the broad stimulus measures that have already been announced
- In the rest of the world, activity is expected to grow clearly in Asia-Pacific excluding China, be stable in the EMEA region and decline slightly in North America from a high level

Modernization markets

- Modernization markets are expected to grow in all regions

Maintenance markets

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



Business outlook for 2023

Sales

- KONE expects its sales at comparable exchange rates for the year 2023 to be at a similar level as in the previous year

Adjusted EBIT

- The adjusted EBIT margin is expected to start to recover due to better margins on orders received in 2022 and continued solid performance in the maintenance business

The business outlook assumes that construction activity in China starts to recover towards the end of the first half as a result of the measures introduced to create stability in the property sector

Supporting our performance

- Positive outlook for services
- Strong order book and improved margins on orders received in 2022
- Easing commodity cost headwinds in Asia

Burdening our performance

- ⬇️ Slower order book rotation
- ⬇️ Anticipated decline in China's new equipment market
- ⬇️ Wage inflation and increasing component costs

Summary

- Strong year in services and positive results from profitability actions
- Offering competitiveness, customer focus and stronger local accountability driving long term growth





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