

The background of the slide is a photograph of a man and a woman in a modern elevator. The man, on the left, is wearing a dark blue double-breasted suit with a light blue shirt and a patterned tie. He is smiling and looking towards the woman. The woman, on the right, is wearing a light-colored, long-sleeved blouse and a matching skirt. She is also smiling and looking towards the man. The elevator interior has a dark, textured wall with a geometric pattern and a metal handrail. The lighting is warm and focused on the two individuals.

KONE CMD 2020

# Towards the financial targets

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SEPTEMBER 29, 2020

# We remain committed to our financial targets



GROWTH

Faster than market growth

PROFITABILITY

16% EBIT margin

CASH FLOW

Improved working capital rotation

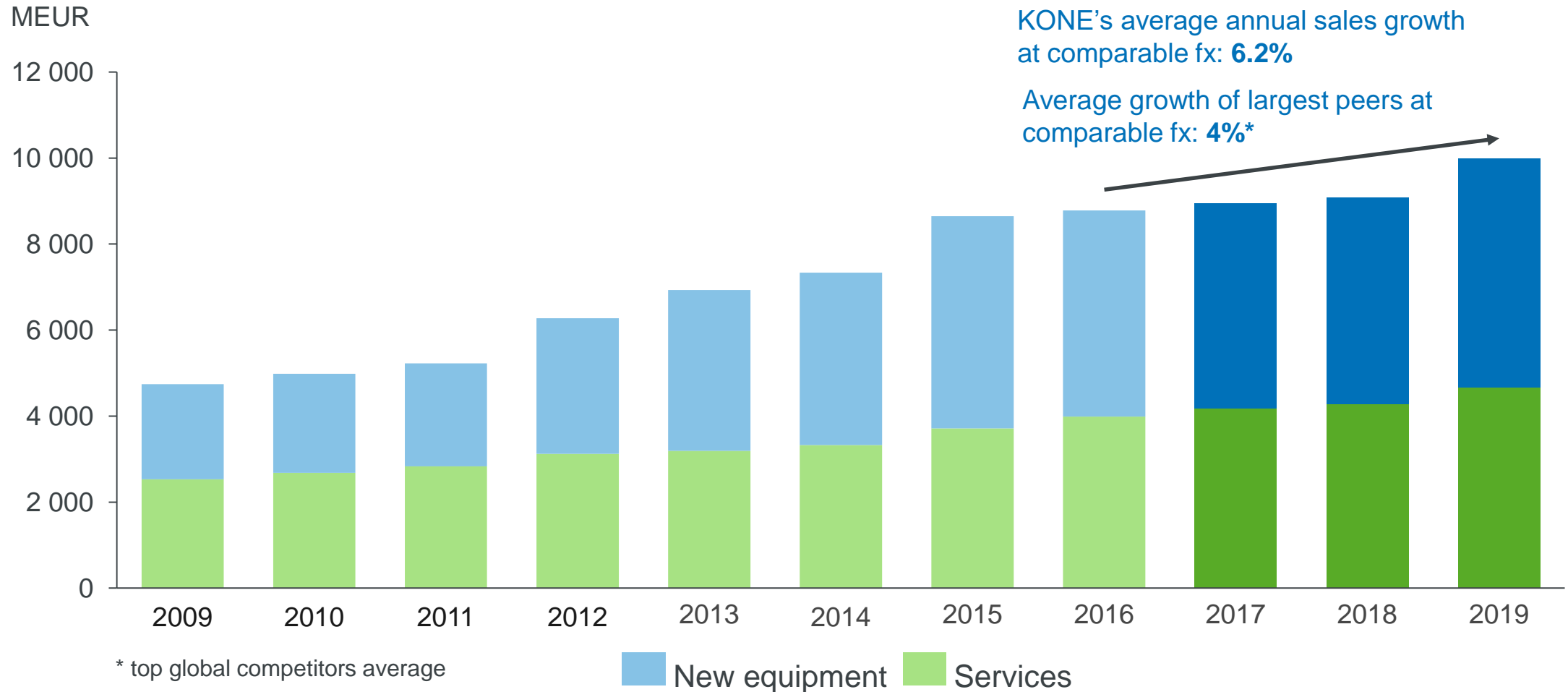
A high-angle, night-time photograph of a city skyline. The buildings are illuminated with warm yellow and white lights, contrasting with the deep blue twilight sky. Overlaid on the sky are numerous glowing blue lines that curve and intersect, resembling a network or data flow. The lines are most prominent in the upper right quadrant, where they form a dense web of connections. The overall mood is futuristic and technological.

Growing faster than the  
market

# We have grown faster than our peers over the strategy phase



## KONE's sales



# In the coming years, growth expected to be driven more by services



## New equipment business

- Urbanization continues to be the key growth driver
- Weaker economic outlook dampens the short term construction outlook
- KONE targets faster than market growth

**Stable or low single-digit market growth**

## Services business

- Steady growth of the installed base driving maintenance growth
- Aging of the installed base fundamental growth driver for modernization
- Opportunities to create value for customers in new ways

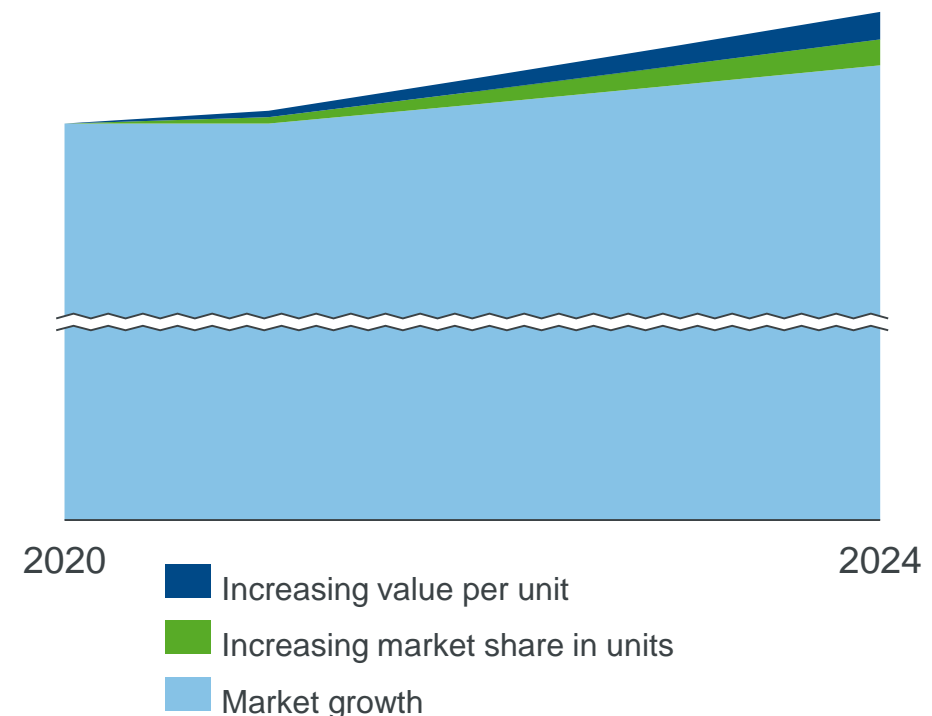
**Opportunities for mid to high-single-digit growth**

# Good ingredients for continued solid performance in new equipment in a more demanding market environment

- DX Class elevators a source of differentiation and a platform for more value-adding services for customers
  - Proven execution capability even during the toughest of crisis
  - Continuous push for cost competitiveness
  - Innovating for the future together with customers and partners
- A good basis to go after faster than market growth in units and higher value per unit

## Targeting faster than market growth in monetary value in new equipment

Illustrative



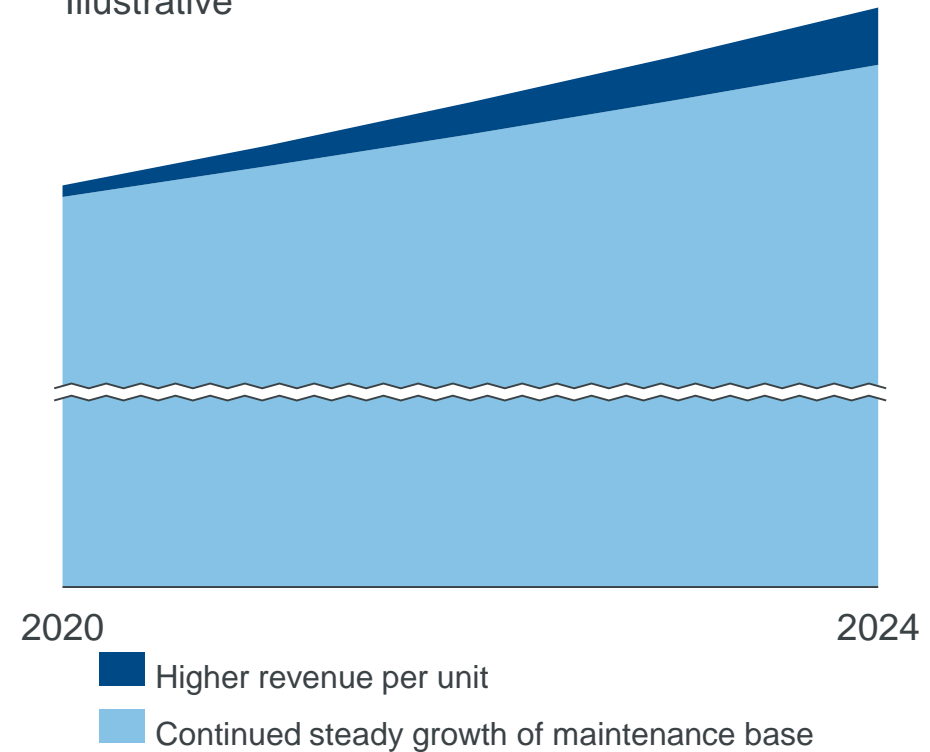
# In a good position to capture the growth opportunities in maintenance

- Strong market position in new equipment driving solid growth of maintenance base
- Engaged and capable people as the key driver of customer loyalty
- Higher value for customers through 24/7 Connected Services and other new services enable higher revenue per unit

→ Potential for accelerating growth in maintenance

## Boosting growth by increasing the value for customers

Illustrative



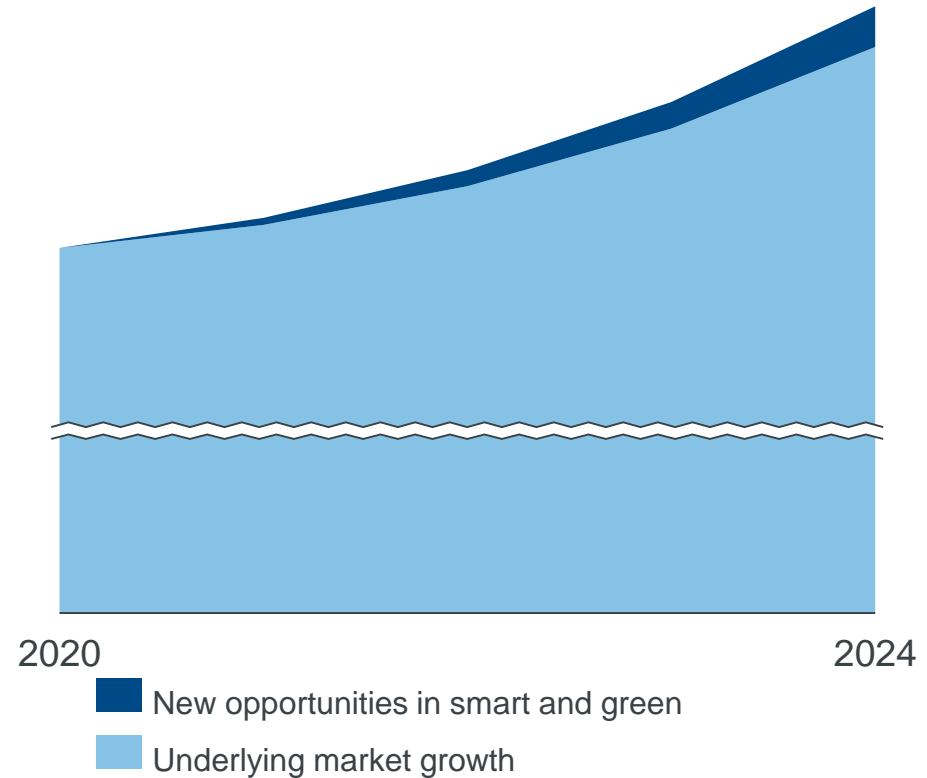
# Modernization opportunities increasing

- Aging installed base the fundamental growth driver
- Sizable modernization opportunity in China starting to materialize
- Smart and green as a driver for modernizations also in the younger installed base

→ Potential for accelerating growth in modernization

## Market growth accelerating

Illustrative







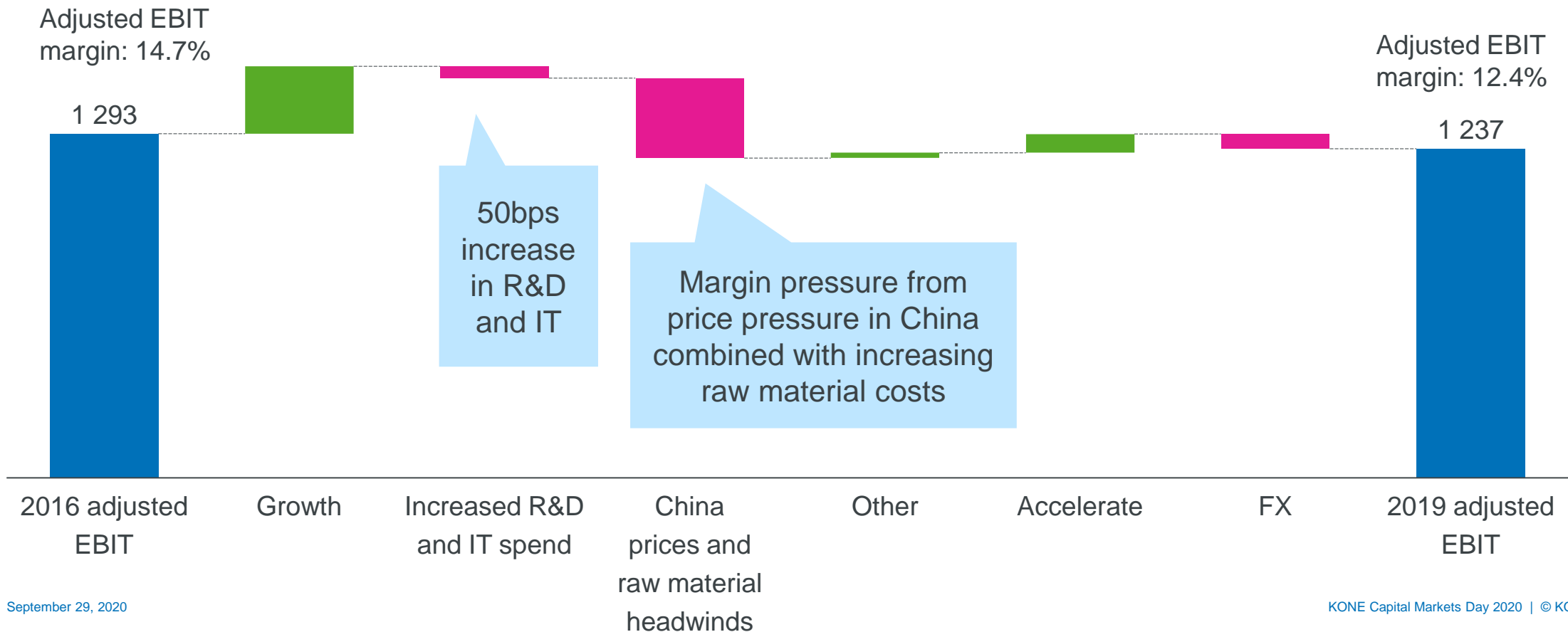
Improving profitability

# Adjusted EBIT has been burdened by several headwinds during the strategy phase



## Adjusted EBIT

MEUR, indicative contributions of different items

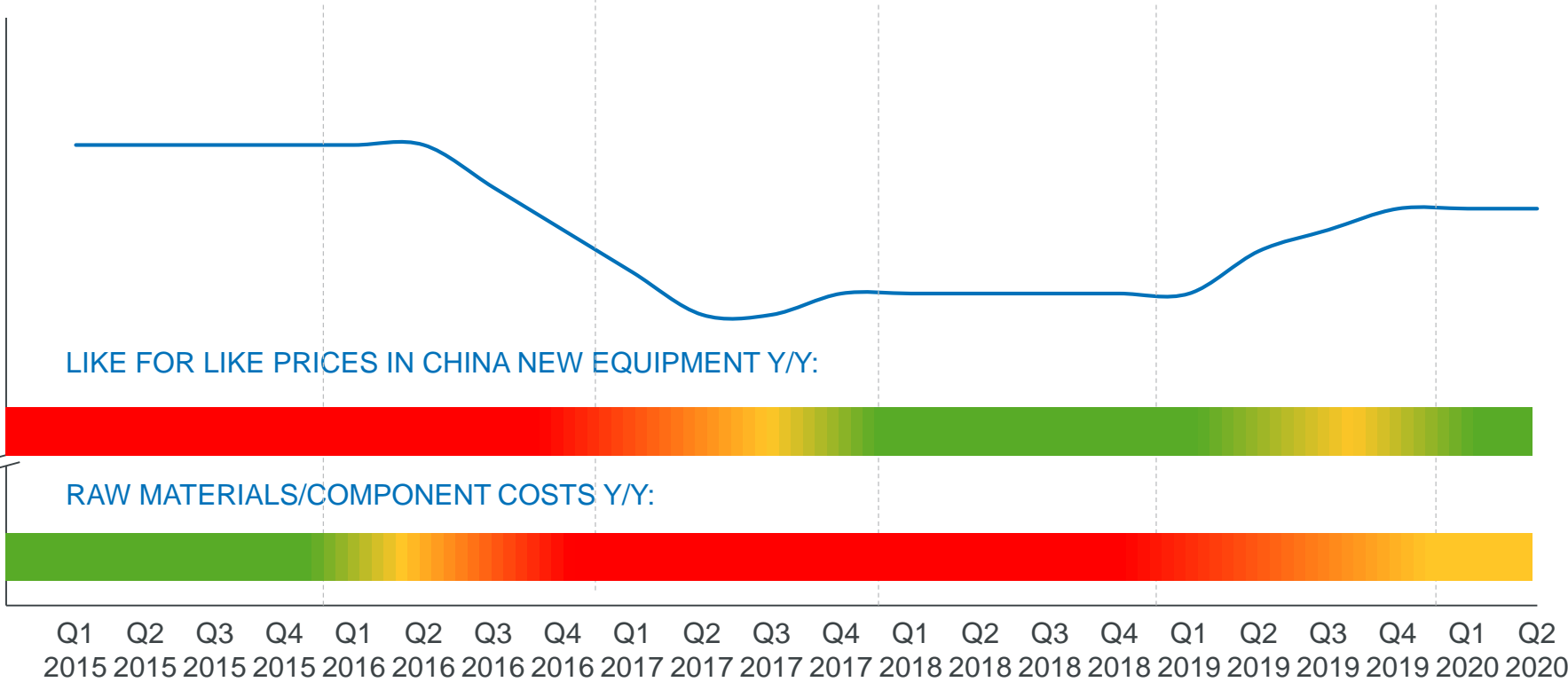


# Margin of orders received has improved recently



## Gross margin of orders received

Illustrative



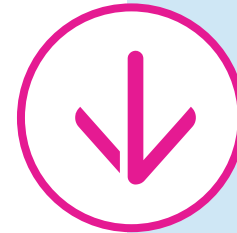
- The margin of orders received started to improve in Q2/2019
- Improved differentiation supporting pricing

# We remain focused on earnings growth and improving profitability



## Increasing the value per unit

- Improved **differentiation** by having differentiated value propositions for different types of customers
- Creating **value for customers** in new ways both new equipment and services



## Lowering the cost per unit

- Further product **harmonization**
- Continuous focus on **quality** and **productivity**
- Improving **fixed cost leverage**

# There are both headwinds and tailwinds going into 2021



## BOOSTING OUR PERFORMANCE

- ① Strong order book with recently improved margin in the orders received
- ① Solid growth in service business
- ① Accelerate savings and performance improvements



## BURDENING OUR RESULT

- ② Intensifying competition
- ② Economic and geopolitical uncertainties
- ② Discretionary costs resuming to more normal levels



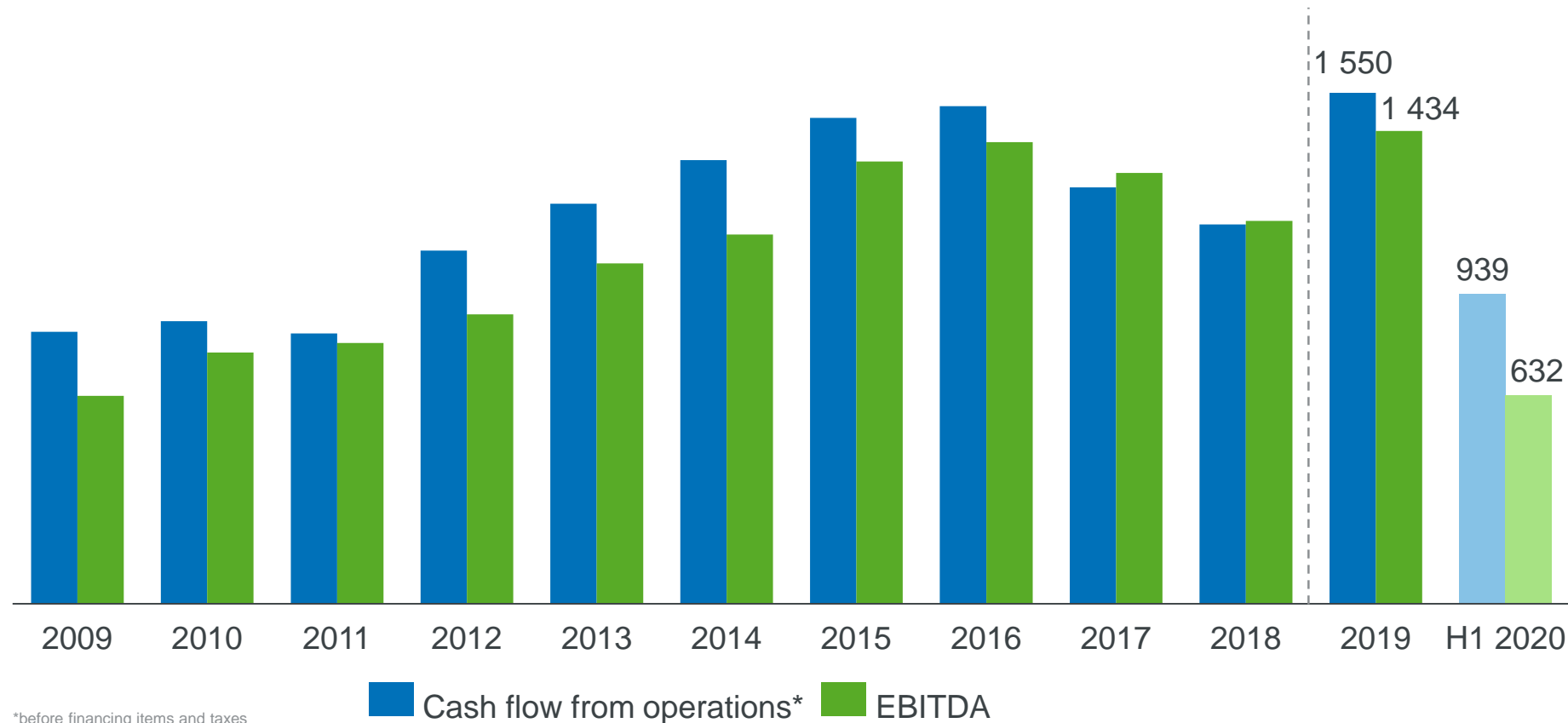
Capital efficiency

# We continue to be focused on cash flow



## High operative cash generation and cash conversion

MEUR



\*before financing items and taxes  
Post 2019, including IFRS 16

- Stringent working capital management has resulted in a consistently strong cash generation
- H1 2020 cash flow has been exceptionally strong

An aerial night view of a city, likely New York City, with a blue digital overlay. The overlay consists of numerous glowing blue lines that curve and intersect across the sky, suggesting a network or data flow. The city lights are visible in the background, and the foreground shows a dense urban landscape with various buildings and streets.

# Market and business outlook



# Market outlook for 2020

## New equipment markets

- The Chinese market is expected to grow
- In other regions, the new equipment market is expected to decline as a result of the increased economic uncertainty

## Maintenance markets

- The maintenance markets are expected to be resilient, excluding the direct impacts of the lockdown measures

## Modernization markets

- The fundamental growth drivers are intact but uncertainty in the market could delay decision-making in modernization projects



# Business outlook for 2020 (upgraded in 9/2020)



## Sales

- KONE estimates that in 2020, its sales growth will be in the range of -1% to 2% at comparable exchange rates as compared to 2019

## Adjusted EBIT

- The adjusted EBIT margin is expected to be in the range of 12.1% to 12.7%

### Supporting our performance

- Solid order book and maintenance base
- Improved margin of orders received
- Accelerate savings (MEUR ~50) and selective cost containment

### Burdening our result

- Impacts of COVID-19 outbreak
- Subcontracting cost increases
- Investing in our capability to sell and deliver digital services and solutions
- Around MEUR -50 impact on EBIT from exchange rates

Dedicated to People Flow™

