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# Kone Oyj (KNEBV.FI)

Q2 2025 Earnings Call

## CORPORATE PARTICIPANTS

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*Chief Financial Officer, Kone Oyj*

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## OTHER PARTICIPANTS

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**Miguel Borrega**

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## MANAGEMENT DISCUSSION SECTION

**Natalia Valtasaari**

*Head-Investor Relations, Kone Oyj*

Good morning, and welcome to KONE's Second Quarter Results Call. My name is Natalia Valtasaari, I'm Head of Investor Relations here at KONE. I'm very pleased to be joined today by our President and CEO, Philippe Delorme; and...

**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

Good morning.

**Natalia Valtasaari**

*Head-Investor Relations, Kone Oyj*

...our CFO, Ilkka Hara. So, as usual, Philippe will start by talking us through the highlights of the quarter, where we are in terms of our strategy execution. Ilkka will then go through the market situation, the financials in a bit more depth, and then Philippe will summarize before we move into Q&A.

During the Q&A, please remember to limit yourselves to one question, one follow up, and then you can absolutely feel free to rejoin the queue if you have anything on your mind.

With that, Philippe.

## Philippe Delorme

*President & Chief Executive Officer, Kone Oyj*

Thank you, Natalia, and good morning, everyone. I'm very pleased to be presenting our second quarter results today. We have good news again to share this quarter with positive development in both financial and strategic metric. And I'm proud of the KONE team and what we have accomplished, especially when considering the global environment, which as you know, it's quite complex at the moment.

For me, a highlight was a continued strength in Service and Modernization, where our focus on customer value and field execution has paid off. I see this as a clear proof of the resilience of our model. And as you know, we are dedicated to delivering profitable growth. With this in mind, our 12th consecutive quarter of margin expansion is a great achievement, and we have good levers also going forward. And last but not least, we are seeing the results of our dedicated focus on strategy execution.

I'll spend more time speaking about this in a moment, but let's first start by looking more closely at our financial development in the quarter.

So, overall, it was great to see broad-based growth in the quarter. Order received increased by 3% and high-single digit outside China. The main contributor was Asia-Pacific, Middle East and Africa, but we had some quite sizable New Building Solutions order wins also in Americas. In China, construction market conditions remain very difficult. And we continue to see the effects in our business.

Our sales increased by 4.9% at comparable currencies. And as mentioned, we had another outstanding quarter in Modernization with nearly 20% sales growth. Service also developed very well, especially outside China. And from a margin perspective, this resulted in a favorable business mix visible in the 25-basis-point improvement in adjusted EBIT margin for Q2. And finally, we had good cash generation in the quarter with operating cash flow increasing by approximately €50 million year-over-year.

So, as usual, let me share a few exciting customer reference from the quarter, starting with the recently completed Modernization in Europe, actually one of the largest we've had in the region. This was part of a complete refurbishment of a residential complex in Switzerland, a successful project with downtime pushed down to only four weeks per elevator in a country where we see scope for market share expansion. Then, a great win in Service where we have entered a new contract with Hong Kong Metro to provide maintenance, both for KONE and non-KONE elevators and escalators. This is a long-term and digitally-savvy customers, so we are very happy to see them choosing us as a partner again.

And finally, in New Building Solutions, we are excited about our first UltraRope project in Indonesia. So, this superlight hoisting technology is part of our next-generation high-rise offering. Always good to see our innovation gaining foothold in new markets. We have actually seen traction for UltraRope acceleration very nicely in the high-end, high-rise segment.

So, let's talk about strategy. We're now six months into the first full year of our Rise strategy, and I want to share a more detailed picture of our progress. And here, momentum is very good. Let's start with digital. We have successfully accelerated both the pace at which we are connecting our maintenance-based and the deployment of field productivity tool. This is very important to me as I'm a firm believer in the value of data and transparency as a driver of customer experience. Feedback from our Annual Customer Loyalty Survey really confirms this.

Second point, in Modernization, we're delivering high-double digit growth in line with our target. We're also putting more focus on innovation on this business, specifically in relation to partial modernization. It's easy to see why

partial modernization is so appealing. It is quicker and easier to install. It drives energy efficiency gains and enable customers to tap into the benefits of connectivity. Approximately 30% growth in order for KONE MonoSpace upgrade, year-to-date, show that this value proposition is resonating.

Number three, innovation is also important success driver in win residential. And here, our recent offering enhancements such as cost-competitiveness MonoSpace 100 are key to making sure that the positive trend in NBS market share continues.

Number four, with regard to cut carbon, 60% of our equipment deliveries are now equipped with our regenerative drives. This is a key enabler for Scope 3 emission reduction, which reinforce my confidence that we will continue to make good progress towards our long-term commitment.

Turning finally to our core processes and culture, while there is more work to be done, we've gotten off to a good start, especially in our sales and operational excellence and pricing-related initiative. Some first results are already visible in our numbers, and we expect more meaningful contribution starting next year. We also continue to perform well against the global benchmark in employee engagement, which is a key measure of the strength of our culture.

Now, let's move on to sustainability. And let me start by sharing that we are tracking very well against this year's Sustainability Index target. While there is good development in all index component, the strong increase in regenerative drive sales really stands out. And we received on top of that several great recognitions for our sustainability work during the quarter. And here, I'm especially proud that we Ranked 15 in Corporate Knights' inaugural list of the most sustainable companies in Europe.

Last but not least, some people related news to share. So, last month, we announced the appointment of Michelle Wen as our EVP of Procurement, a new position in the Executive Board. So, Michelle has a strong track record in the field of procurement, mainly coming from the auto industry. Most recently, she was the Head of Procurement and Supply Chain at Stellantis. I'm certain that she will bring a lot of learnings as we double-down on driving procurement efficiency.

Now, let me hand over to Ilkka, who will go through the market development and financials in more detail. Ilkka, the floor is yours.

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## **Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

Thank you, Philippe. And also, warm welcome on my behalf to this second quarter result webcast. Let me start by talking about how we see the markets developing in the different regions over the past three months. Generally, I would say that the trends were broadly similar to what we saw in quarter one.

In terms of New Building Solutions, the market conditions continued to be difficult in China, and activity in Europe came down a bit in the quarter. Demand in North America saw a strong rebound in the quarter with customer decisions making ramp-up towards the end of the quarter. Demand for New Building Solutions was strong in Asia Pacific, Middle East, and Africa. Service and Modernization markets also continued to develop well with growth in all areas.

Let's next go through our financials and development there in more detail. Starting with our orders received, which increased by a solid 3% at the comparable currencies in the quarter. Order margins in total were stable. Pricing continues to be under pressure in China. But in other regions, order margins were more stable.

Looking at the development by business. We saw orders in New Building Solutions slightly up in the quarter. This was mainly due to good development in the major projects, while the volume business was more stable. Modernization orders grew low-single digit from a high comparison point. There are excellent opportunities in all regions, and I'm confident in our ability to drive double-digit growth in this business going forward.

In terms of sales, we grew by 4.9% at the comparable currencies in the quarter. It was great to see again a strong development in Services and Modernization. Interestingly, this year, Services has become our largest business. In New Building Solutions, continued low-delivery volumes in China was the main reason for the 5.2% sales decline. In Modernization, we delivered one of the highest sales quarters ever, increasing by nearly 19.9%. Growth was broad-based, all regions increased double-digit.

Services grew by 8.6% overall. A very good outcome. This quarter, the key growth driver was actually the value component. So, pricing, digital, and repair sales. Our maintenance sales base increased by 3%. Here, we see effects of our focus on margin and cash flow over volume in China. Outside of China, we continued to deliver very good performance in Services with over 10% growth.

In line with our Rise strategy, Q2 shows that we're transitioning towards becoming a Service and Modernization-driven business. Nearly 65% of our sales today come from these businesses, thanks especially to the strength outside of China. This increases our resilience and is great foundation for continued profitable growth going forward.

Then, moving to adjusted EBITDA and profitability. Margin expansion in the quarter was 25 basis points year-on-year. This took adjusted EBIT to €347 million. Looking at the profitability more closely, the margin decline in China was again the biggest challenge. But we also invested more into R&D, which is visible in the numbers. More than offsetting was the positive development in sales mix. I was also pleased to see Services margin improving in the quarter. So, overall, a very good delivery. Yet another quarter of profitability improvement.

And as mentioned by Philippe, we continue to be moving forward with our performance initiatives. Some results of this are visible this year and we expect more meaningful contribution starting year 2026.

Let me take this opportunity to provide an update view on the tariffs. First of all, just a reminder, that our business is highly local in nature, which limits the potential impacts. Of course, our US team has had to deal with increased business complexity. Tariffs have impacted costs for imported goods and components. For us, the imports to the US amount to less than 10% of our US sales. From results perspective, there was no impact yet in Q2, and we are very much committed to recovering most of the gross impact currently forecasted for the year. And we have a variety of mitigation actions already in place to ensure that we do so.

Then, turning to my favorite topic, cash flow. We had steady progress in the second quarter. Cash flow increased to €364 million, bringing the year-to-date cash flow to an €851 million. Working capital improved moderately from the beginning of the year, despite a roughly €70 million negative impact from FX. The Service invoicing cycle contributed positively. And more importantly, our focus on collections continues to pay off.

Then, let's look at how we think about the year 2025. We have slightly updated our market outlook. We now expect the New Building Solutions market in North America to be stable following the strong activity rebound in Q2. Our view in other areas is unchanged. China continues to be the main challenge. In Europe, we continue to expect some growth. And in Asia Pacific, the Middle East and Africa, we expect clear growth. Our outlook for Service and Modernization markets continue to be positive in all areas.

Then, to our business outlook. With six months behind us, we have specified our sales guidance and now expect growth of 2% to 5% at the comparable currencies. Our guidance for adjusted EBIT margin range is unchanged at 11.8% to 12.4%. FX is expected to be a headwind. And if the rates remain at July levels, we estimate a roughly €50 million negative impact to our EBIT. China continues to be building up on both volumes and margin. That said, performance will be supported by Service and Modernization also in the coming quarters, as well as by the ramp up of our performance initiatives.

With that, let me now hand back over to Philippe to close the presentation before going into Q&A.

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## Philippe Delorme

*President & Chief Executive Officer, Kone Oyj*

Thank you, Ilkka. So, to wrap it up, let me first take the opportunity to thank all the KONE teams for delivering a solid Q2. It was great to report another quarter of strong growth in the resilient Service and Modernization businesses. We are fully focused on executing our strategy with speed and precision. And I'm very happy to see the progress we've made.

And finally, with the first half performance, we are well on track to delivering on our growth and profitability expectation for the year. Thank you all for your attention, and I suggest that we now move on to your questions.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] We will now take our first question from Andre Kukhnin of UBS. Your line is open. Please go ahead.

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### Andre Kukhnin

*Analyst, UBS AG (London Branch)*

Q

Oh, hi, good morning. Thank you very much for taking my questions. Can I just start with the Service margin question? You said that it's improved in Q2, and I think that has been the trend. Could you talk about what is driving the improvements in Service margins? And could you give us some idea of where are we on that journey? Is this something that you expect to continue to happen in this year or the next year and maybe even beyond? Or this is kind of catching up to where best-in-class are, or is it establishing kind of new high margins? I know you don't disclose numbers exactly, but I'd just be quite keen to understand where are we in that journey?

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### Philippe Delorme

*President & Chief Executive Officer, Kone Oyj*

A

You want to start?

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### Ilkka Hara

*Chief Financial Officer, Kone Oyj*

A

Maybe I'll start then. So, I think we have a good margins in Services, but also a lot of potential to improve. And where we have seen a good development in improving Service margins is what we talked about sales and operational excellence initiative, this performance initiative. And namely, driving pricing forward where we've seen the early part of the impact in Services. And then, also, when we talk about digital, so we are seeing the digital

enabling us to be better at serving our customers, but also making it a better business for us as a result of predictability and also remote services.

So, I think in that journey of improving margins in Services, we have a lot of potential going forward, but it also takes time to really drive these initiatives forward. So, I expect a tailwind from that in the coming quarters and years to come.

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**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

I would just say we are now extremely clear on what needs to be done. We know it works. It's a matter of, indeed, taking the time to scale things between pricing and more what we call the Service ops, which would be the leveraging digital technology to be more efficient on the field, delivering the value that our customer wants to get. Great question.

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**Andre Kukhnin**

*Analyst, UBS AG (London Branch)*

Q

Great. Thank you very much. Thank you. And can I just – as a follow-up, can I just ask a quick one on regenerative drive, you mentioned that a couple of times, and I was just wondering, is that a kind of ASP opportunity for you as you shift towards more units going with regenerative drives, do you get basically higher value per unit on these? Or is it just a competition still?

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**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

Well, I think – so, Philippe would probably – will start talking about regenerative drives, because he's kind of quite passionate about it. So, we saw that now at – 58% of our shipments now are with regenerative drives. And of course it's right thing to do for the environment. So, we're actually contributing to that. But, of course, it is also a value-add to our customers. And it is improving our competitiveness. Then, at the end, you need to win deal by deal, and then you see the outcome, how you can differentiate with your competitors.

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**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

But for customers who care about energy efficiency, and they are plenty, the regen drives an immediate benefit of, say, [ph] 30% (00:20:01) energy efficiency. So, it's a very clear value prop. Now, how the pricing goes depends actually quite a bit of market segment geographies, but it's a clear market advantage, which, by the way, comes with quite a bit of R&D investment. It's one thing where we believe we are extremely competitive from a cost standpoint, leveraging the sourcing footprint we have in China especially. So, we feel very strong about that.

And last but not the least, it directly contribute on our Scope 3, which is a hard commitment we've made to the outside, and we are very committed to deliver what we've said we would deliver.

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**Andre Kukhnin**

*Analyst, UBS AG (London Branch)*

Q

All right. Thank you very much.

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**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

Pleasure.

**Operator:** Thank you. We will now move on to our next question from Michael Harleaux of Morgan Stanley. Your line is open. Please go ahead.

**Michael L. Harleaux**

*Analyst, Morgan Stanley & Co. International Plc*

Q

Good morning. Thank you for the presentation. And thank you for taking questions. I just have one on Modernization. If my memory serves me well in Q1, you reported a 20% growth in orders as well as sales. And growth was perhaps a bit lower this quarter. If you could give us some color as to why this is, if there are economic factors to consider or seasonality or anything else? That will be very helpful. Thank you.

**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

So, if your memory is good, and I'm sure your memory is good, we reported actually in Q2 last year a very, very high growth. So, our base of reference in Modernization, Q2 last year was pretty high, number one. Number two, in our Modernization business, as in our NBS business, we always have some major project and some volume business. And whether one project goes left or right at the end of a quarter, actually impacts in the end the order rate, or actually the sales is much more steady in term of quarter after quarter. So, the bottom line is we are very optimistic and very upbeat with the potential, further with the market potential that we see in Modernization, whatever cycle.

Second, we are very confident in our capacity to drive superior growth in that market, as you can see in our 20% growth in Modernization. So, for us, there are some, let's say, seasonality/one project going left and right at the end of the quarter. But very, very confident in executing our strategy, both with Service and Modernization growth.

**Michael L. Harleaux**

*Analyst, Morgan Stanley & Co. International Plc*

Q

Thank you. That was very helpful.

**Operator:** We will now move on to our next question from [ph] May Hanyang (00:22:44) of Goldman Sachs. Your line is open. Please go ahead.

**Daniela Costa**

*Analyst, Goldman Sachs International*

Q

Hi. Good morning. It's actually, Daniela here. And I have two follow-ups. First, I guess on the North America on you increasing the guidance, that looks also better than sort of what one of your peers today is seeing. Can you talk through, is it market share gains, your end-market mix or just you're more confident on the macro outlook? And my question – and second question just goes towards, can you talk a bit about pricing environment outside of China, given all the moving parts of tariffs and rates and everything? Thank you.

**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

Yeah. Maybe I'll start, and good alias, Daniela, so you got us surprised. So, first on North America, so yes, if you – at the early part of the year, there was clearly more impact on the uncertainty in the market than Q1. We saw the market being down, but in Q2, the market activity rebounded strongly, especially towards the end of the

quarter. And we expect now stable for the full year. So, I think it's more – it's not as big change as you said, but clearly, even in this complex market environment, we see a good activity with our customers. And that's the outlook.

Then, when it comes to pricing, I would actually comment it based on the businesses. So, when it comes to Modernization, we continue to see a big opportunity, and it is for us to grab. And I think the pricing has been something where it's more stable and it's really about executing against that huge 10 million units market opportunity.

And also, in NBS, we've seen pricing been more stable outside of China. So, contributing to the stable margins in the quarter. And like I said earlier, in Services, across the globe, we see good opportunities for further pricing increases. And this is about really understanding our customers, understanding how we could contribute value. And this is something that we follow under this performance initiative, sales and performance excellence. So that's something where we see good opportunities going forward.

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**Daniela Costa**

*Analyst, Goldman Sachs International*

Q

Thank you.

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**Operator:** Thank you. And we will now take our next question from [ph] Mary Anne Dolan (00:25:25) of Bank of America. Your line is open. Please go ahead.

Q

Good morning. Thank you very much for taking my questions. The first one is on China. I was wondering if you could provide a little bit of an update on what's happening in the country, and what you're currently seeing on the ground? And the second one is on the margin bridge to the 2025 guidance. I was wondering if you could provide a little bit of details on the building blocks from your current H1 margin to the guidance that you have? Thank you.

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**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

So, maybe I'll take the first one...

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**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

Yeah. Yeah. Yeah.

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**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

...and I'll leave you the second one. So, on China, a bit of repeat, but just to make sure we are all clear. So, the China market is divided into two parts, the New Construction, and the Modernization and Service. And somewhat what's – I wouldn't say new, but different compared to five years ago is that now it's a 50%/50% market, 50% New Construction, 50% Mod and Services. And every time we get question on China market, we talk actually about half of the market, which is the New Construction. So, on the New Construction, what do we see? We see a market down and I think we've quantified that for 2025. At the end of the year, we shall see.

While actually we see opportunity in Modernization and Service. In Service, actually, we're working more on our margin not on the growth to also help with the margin increase that we want to have overall in Service. And in Modernization, we are very happy with the growth we are seeing. So, I think when you look about China, you really have to look at all the submarkets to be much more precise on what's happening. And I would just say that in that context, we have a team that is extremely disciplined, that is outstanding, I repeat, outstanding in delivering cash. And when we'll do benchmark with others, we think we are the most disciplined and the best-in-class in delivering cash in China, margin, and then rebalancing our business to more Modernization and Service versus New Construction.

And we are executing on those lines. And I would say in that context, I'm very proud and happy with the performance of our China team. Second question.

**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

Yes. So, on the margin bridge. So, first, of course, we have a top line which is 2% to 5% in terms of top line guidance for the year. And depending on where we end up, the higher we are, the more we will get fixed cost leverage as a result. And the moving parts for the top line really are, we mostly have the NBS order book already in our orders. So, it's only about the – how the customer sites are progressing for the rest of the year. In Modernization, we will see still some orders being booked that we will deliver this year. So that's the uncertainty around that. And then in Services, very consistent execution in terms of the Service growth. So, those are the top line impacts to the margin.

Then, for the margin bridge, we continue to see Services and Modernization contributing positively as the mix continues to be positive. We mentioned that we slightly took up the R&D as a percentage of sales, so we controlled the other costs. But we do want to invest the R&D in line with our strategy. And as a result, then we are also guiding to an increased EBIT margins compared to last year with this guidance. So, those to me would be the biggest moving parts in that bridge.

Q

Perfect. Very clear. Thank you very much.

**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

Thank you.

**Operator:** Thank you. We'll take our next question from Miguel Borrega of BNP Paribas Exane. Your line is open. Please go ahead.

**Miguel Borrega**

*Analyst, Exane BNP Paribas*

Q

Hi. Good morning, everyone. Thanks for taking my questions. I wanted to understand the stable margin on orders. So, essentially, what changed compared to the last couple of quarters of declines? Was it pricing in China that was less negative? Was it cost takeouts that became more aggressive? Was it margin outside of China that completely offset the China margin declines? Any color here would be great. Thank you.

**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

Yeah. So, first, a general comment, when it comes to product costs. We continue to see now a increasing product cost reductions, particular in China. So, we are at the record high-level double-digit declines in our product cost. Very happy about that. And of course, with China supply serving also other markets, we get the benefit out of that in Asia, in Europe mainly. Then, when it comes to pricing, so clearly, pricing environment in China continues to be very, very competitive. And despite the product cost reductions, we do see margins of orders particular in NBS declining.

And why the margins are now stable? It is actually because the impact of China is smaller. So, we see the business growing outside of China and being stable and somewhat positive as well. At the same time, the margins in China are declining, but as a result, the total is actually then stable. So, it is really the China being a smaller part of the business at this stage.

**Miguel Borrega**

*Analyst, Exane BNP Paribas*

Q

Thank you. And then, as a follow-up, I want to ask about the Modernization margin, because growth is obviously very strong at 20%. Can you give us some direction of travel on Modernization margins? In other words, if your margin is not improving on 20% top line growth, what is preventing that from happening? Thank you very much.

**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

Well, first, and I would go back to what I presented, or we presented in CMD last September. We have seen a continuous, very steady growth in the Modernization margins. As we're scaling up the business, we're also been able to get scale over our fixed costs as a result of that, and we expect that to continue going forward as we scale the Modernization business up. Then, of course, quarter by quarter, there are variances, but we see good opportunities for growth in profitability in Modernization. And that hasn't changed anywhere.

**Miguel Borrega**

*Analyst, Exane BNP Paribas*

Q

Very clear. Thank you very much.

**Operator:** Thank you. We will now take our next question from Delphine Brault of ODDO BHF. Your line is open. Please go ahead.

**Delphine Brault**

*Analyst, ODDO BHF*

Q

Yes. So, good morning, all. Thanks for taking my questions. I have one and one follow-up. First, on Modernization. What volume and pricing development are you seeing in China specifically? Does it continue to be your most profitable business in China, the Modernization part?

**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

So, for China, we actually saw a record growth in Modernization for both orders, as well as sales in Modernization. And it continues to be the most profitable business. But here, the nuances and precision is important. Where we see a big opportunity in China in partial modernization, it is – China is similar to rest of the

world. And of course, like rest of the world, the partial modernization is also a higher-margin business for us. And China is no different in Modernization than it is for rest of the businesses, it's a very competitive market. But we've been able to, in that market, develop quite positively when it comes to margins.

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**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

And we are really very intentional strategically, and back to the point, cash, margin rebalancing of the business. So, we really switched our attention from New Construction to Modernization. And as Ilkka said, really very happy to see such a great performance in Modernization growth in China. It's really impressive.

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**Delphine Brault**

*Analyst, ODDO BHF*

Q

Thank you. And the second question, sorry, it's also on China. And how much was NBS in China in H1? You said that the market is 50%/50%. If 50% NBS, 50% Mod and Ser. And for you, how much is it? And is it still a profitable business, NBS in China?

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**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

So, on the profitability, yes, it is. And then second, when we look at the proportionate asset, we want to be – do the 50%/50% as soon as we can. Now, NBS today is a 60% of the business, and 40% is the Service and Modernization. So, we're not quite there, but building as quickly as we can based on those priorities.

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**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

Which also shows because, also, relatively the size of China on our total P&L is approaching 20%. So, 60% of 20%, I'll let you do the math. But that means that the weight in the P&L of China NBS is really decreasing more and more. And we are strategically reallocating our resource to the priorities of strategy, Modernization and Service. So, we're doing what we say. And in the end, it's producing, it's helping us with where we want to go, which is being resilient and consistent in delivering our P&L.

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**Delphine Brault**

*Analyst, ODDO BHF*

Q

Thank you. That's very helpful.

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**Operator:** Thank you. [Operator Instructions] And we will now move on to our next question from Vlad Sergievskiy of Barclays. Your line is open. Please go ahead.

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**Vladimir Sergievskiy**

*Analyst, Barclays*

Q

Yes. Good morning. Thank you very much for taking my two questions. Just one would be a follow-up on Modernization order growth. You mentioned, obviously, it could be lumpy with larger projects happening or not. Would you be able to give us some context on this specifically second quarter of how volume business and major projects contributed to Modernization order growth? And maybe give us some color on the regional mix. What regions are still growing strongly? What regions are facing a bit more tougher comparable?

**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

Actually. So, I would not say that the differences in regions are the driver for this. We actually had a very good high comparison point in all regions last year, very good contribution from all regions to this outcome. And both – so both volume as well as then major projects were impacted by the high comparison point from last year. But, like I said, revenue, much more stable, continuous development when it comes to executing the projects, that's growing 20%. And then in orders, it's quite normal that the quarter is actually – there's much more volatility in the quarter by quarter in the orders. And we're now double-digit for the first half, so it's actually quite good development at the end.

**Vladimir Sergievskiy**

*Analyst, Barclays*

Q

Thank you very much. If I can also ask on the China construction market. Last quarter, about three months ago, you highlighted some signs of stabilization in it. Would you be able to update your comments from that? And have those signs of stabilization developed in something more – into something more positive since then?

**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

Well, I guess the data from China, when you look at the leading indicators, it's quite volatile. And there are some that had developed better, some that are more negative. We expect for this year, the market to be down double-digit. So that hasn't changed. And when it comes to then outlook for 2026, we'll come back to that when we're closer to 2026 as normal.

**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

And again, this is half of the China market. Just to repeat.

**Vladimir Sergievskiy**

*Analyst, Barclays*

Q

Thank you very much.

**Operator:** Thank you. And we'll now take our next question from Tomi Railo of BNP (sic) [DNB] (00:38:44). Your line is open. Please go ahead.

**Tomi Railo**

*Analyst, DNB Carnegie UK*

Q

Hello, it's Tomi from DNB Carnegie. Thanks for taking my question. Very simple. Can you comment how much Modernization orders were out of the total order intake in the quarter?

**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

I guess, we haven't been very specific by business on the orders, but if you look at the sales, you can get quite a good – so, mainly in orders, we have NBS and Modernization orders and then the repair business of Services. So, it gives a split if you'd look at the Services and – sorry, if you look at NBS and Modernization and the recent development in last quarter.

**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

And it's not an answer to the question, but I would just also repeat one point, which is very important in our business mix, which is Service in H1 is becoming our first business, which to me, I mean there are timing, strategy, execution where there are switches that are important to notice. That one, in my view, is very important.

**Tomi Railo**

*Analyst, DNB Carnegie UK*

Q

Just a follow-up, is...

**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

Sure.

**Tomi Railo**

*Analyst, DNB Carnegie UK*

Q

...Modernization already 50% of the orders or still below?

**Ilkka Hara**

*Chief Financial Officer, Kone Oyj*

A

Well, if you look at the sales split, then, and a few quarters behind, but it's – they're not quite there yet.

**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

A

Working on it.

**Tomi Railo**

*Analyst, DNB Carnegie UK*

Q

Thank you.

**Operator:** Thank you. There are no further questions in queue. I will now hand it back to the host for closing remarks.

**Natalia Valtasaari**

*Head-Investor Relations, Kone Oyj*

Thank you. Thanks, Ilkka and Philippe. And thank you, everyone, who's been on the lines, asking questions, listening in, and we always value that. We're here, the IR team is here in case you have any follow-ups along this day or in the coming days, please feel free to reach out. And with that, I wish you a lovely rest of the day and a lovely summer.

**Philippe Delorme**

*President & Chief Executive Officer, Kone Oyj*

Thank you very much.

## Ilkka Hara

*Chief Financial Officer, Kone Oyj*

Thank you.

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