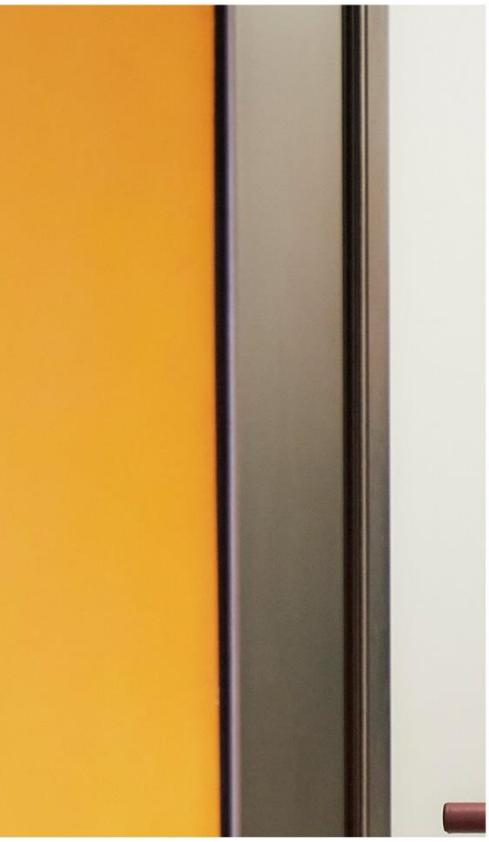


KONE Q1 2023

Interim report for January–March

Dedicated to People Flow™

KONE’s January–March 2023 review:

Good start to the year with sales growth and improved profitability

January–March 2023

- Orders received declined by 6.6% to EUR 2,263.1 (1–3/2022: 2,422.6) million. At comparable exchange rates, orders declined by 5.1%.
- Sales grew by 4.7% to EUR 2,556.6 (2,441.9) million. At comparable exchange rates, sales grew by 5.9%.
- Operating income (EBIT) was EUR 238.3 (171.1) million or 9.3% (7.0%) of sales. The adjusted EBIT was EUR 241.9 (196.5) million or 9.5% (8.0%) of sales.*
- Cash flow from operations (before financing items and taxes) was EUR 456.0 (218.7) million.

Business outlook for 2023 (specified)

KONE expects its sales at comparable exchange rates for the year 2023 to be somewhat above the previous year. The adjusted EBIT margin is expected to start to recover due to improved margins on orders received in 2022 and continued solid performance in the service 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.

KONE previously expected its sales at comparable exchange rates for the year 2023 to be at a similar level as in the previous year. The adjusted EBIT margin was expected to start to recover due to improved margins on orders received in 2022 and continued solid performance in the maintenance business.

* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–March 2023, items affecting comparability amounted to EUR 3.6 million, including a positive effect from remeasurement of the net assets of operations in Russia and costs recognized on restructuring measures. 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.

Key figures

		1–3/2023	1–3/2022	Change	1–12/2022
Orders received	MEUR	2,263.1	2,422.6	-6.6%	9,131.3
Order book	MEUR	9,176.2	9,255.4	-0.9%	9,026.1
Sales	MEUR	2,556.6	2,441.9	4.7%	10,906.7
Operating income	MEUR	238.3	171.1	39.3%	1,031.2
Operating income margin	%	9.3	7.0		9.5
Adjusted EBIT [1)]	MEUR	241.9	196.5	23.1%	1,076.6
Adjusted EBIT margin [1)]	%	9.5	8.0		9.9
Income before tax	MEUR	241.1	170.7	41.2%	1,028.4
Net income	MEUR	185.7	131.5	41.2%	784.5
Basic earnings per share	EUR	0.36	0.25	42.2%	1.50
Cash flow from operations (before financing items and taxes)	MEUR	456.0	218.7		754.7
Interest-bearing net debt	MEUR	-738.8	-1,451.2		-1,309.0
Equity ratio	%	32.5	32.6		40.3
Return on equity	%	30.0	19.1		25.9
Net working capital (including financing items and taxes) [2)]	MEUR	-1,032.3	-1,452.6		-903.9
Gearing	%	-35.4	-63.1		-45.7

[1] KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–March 2023, items affecting comparability amounted to EUR 3.6 million, including a positive effect from remeasurement of the net assets of operations in Russia and costs recognized on restructuring measures. 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.

[2] To improve the comparability of net working capital across the quarters, the definition of net working capital has been revised to exclude dividend withholding tax payable. Comparative periods have been restated accordingly.

Henrik Ehrnrooth, President and CEO:

"We started the year on a good note, with growth in sales and improved profitability. Order momentum was solid considering the market backdrop, supported by strong demand in our modernization business. Orders for new equipment remained burdened by the low activity levels in China. That said, sentiment in China has turned more positive as a result of policy measures, and we continue to expect the property market to start recovering towards the end of the first half of the year. The services business had yet another excellent quarter. Our maintenance base grew strongly, we continued to increase the share of 24/7 Connected Services within the maintenance base and pricing provided a further boost to growth. I was particularly pleased to see margins expanding, thanks to increased maintenance sales and the actions we have taken to improve profitability. I would like to extend my sincere thanks to the KONE team for their excellent work in driving our financial performance.

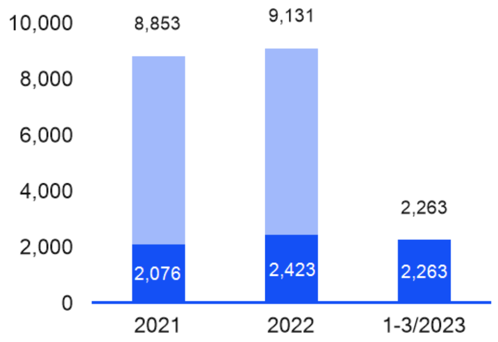
The plans we announced earlier this year to renew our operating model have progressed well during the quarter, putting us on track to implement the new model as of July 1st and achieve the targeted EUR 100 million annual savings. I am confident that this change will strengthen our customer focus and competitiveness in a changing operating environment.

A differentiated, sustainable and cost competitive offering is central to success as we enter a period of slower economic growth. During the quarter, we conducted our annual market development estimates which showed that we have maintained our strong position in new equipment and market leading growth in maintenance and modernization. This is a great achievement considering our focus on increasing prices in all of our businesses. It is also a clear endorsement of the value our customers see in our solutions and services. Sustainability has clearly become a central design principle across the world, and we have an important role to play in helping our customers to meet their sustainability targets. KONE's own development in this field has been positive. Our carbon footprint calculations for 2022 demonstrated good progress towards our emission reduction targets and we have seen a positive trend towards greater gender diversity. In the current uncertain environment, cost competitiveness is critical. We have raised productivity and made significant product cost improvements in many of our key offerings, which, together with the improved pricing over the past years, is central to our margin improvement ambitions.

We continue to see compelling growth opportunities in our business environment. While the economic environment and challenges in the Chinese property markets are headwinds, I am optimistic about the overall outlook for our industry due to the positive outlook for services and strong activity in Asia and the Middle East. We are well positioned to capture growth in these businesses and markets."

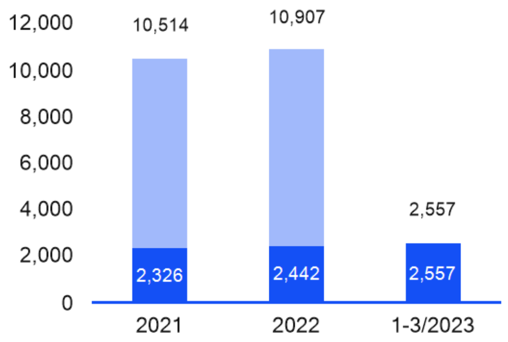
Key Figures

Orders received (MEUR)



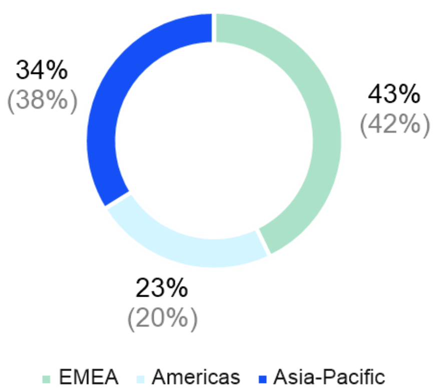
- **In January–March 2023**, orders received declined by 6.6% (at comparable exchange rates, orders received declined by 5.1%).
- At comparable rates, new equipment orders received declined significantly with significant decline in the volume business and clear growth in major projects. The decline was largely driven by the difficult market conditions in China, together with some impact from rising interest rates and slowing economic growth. In modernization, orders received grew significantly with significant growth in the volume business and significant growth in major projects.
- The margin of orders received improved both year-on-year and compared to the previous quarter thanks to lower commodity costs in China and favorable pricing development in other regions.

Sales (MEUR)



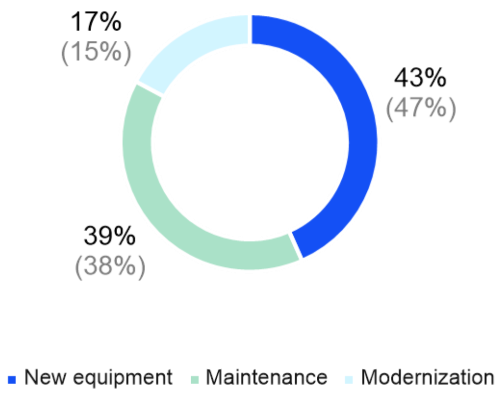
- **In January–March 2023**, sales grew by 4.7% (grew by 5.9% at comparable exchange rates). The strong growth in service sales compensated for a slight decline in new equipment sales.
- New equipment sales declined by 4.3% (declined by 2.0% at comparable exchange rates). Service (maintenance and modernization) sales grew by 12.9% (grew by 13.0% at comparable rates). Maintenance sales grew by 8.9% (grew by 9.2% at comparable rates) and modernization sales grew by 23.1% (grew by 22.8% at comparable rates).
- Sales in the EMEA region grew by 7.8% (grew by 9.9% at comparable rates). In the Americas region, sales grew by 20.7% (grew by 16.1% at comparable rates). In the Asia-Pacific region, sales declined by 7.1% (declined by 4.2% at comparable rates).

Sales by region



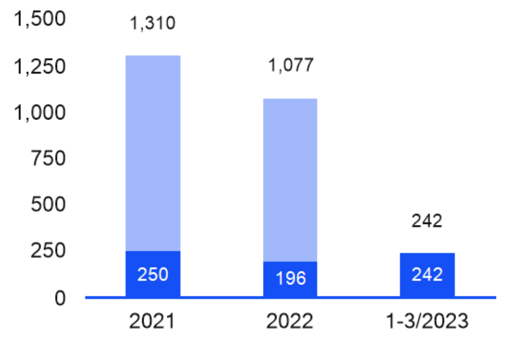
1–3/2023 (1–3/2022)

Sales by business



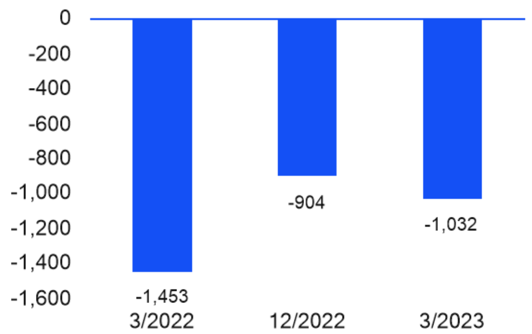
1–3/2023 (1–3/2022)

Adjusted EBIT (MEUR)



- **In January–March 2023**, operating income was 9.3% of sales (1–3/2022: 7.0%). The adjusted EBIT margin was 9.5% (8.0%).
- Profitability improved thanks to strong growth in maintenance sales, improved fixed cost absorption, as well as better pricing on deliveries outside China and lower material costs in China.
- With comparable exchange rates, the translation impact on operating income for the comparison period was EUR -1.4 million.

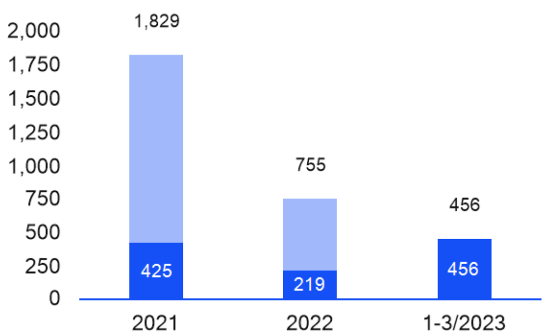
Net working capital[1] (MEUR)



- **At the end of March 2023**, net working capital improved moderately from the beginning of the year due to the decrease in accounts receivable and the invoicing cycle in the maintenance business.
- Foreign exchange rates had an approximately EUR 10 million negative impact on the net working capital.

[1)] Including financing items and taxes. To improve the comparability of net working capital across the quarters, the definition of net working capital has been revised to exclude dividend withholding tax payable. Comparative periods have been restated accordingly.

Cash flow[2] (MEUR)



- **In January–March 2023** cash flow was EUR 456.0 million.
- Cash flow improved as a result of the increase in operating income and the improvement in net working capital.

[2)] Cash flow from operations before financing items and taxes

KONE's January–March 2023 review

KONE's operating environment

	New equipment market in units 1–3/2023	Maintenance market in units 1–3/2023	Modernization market in monetary value 1–3/2023
Total market	- - -	+	+
EMEA	stable	+	+
Central and North Europe	- - -	+	++
South Europe	-	stable	+
Middle East	+++	++	-
North America	- - -	+	+
Asia-Pacific	- - -	++	-
China	- - -	++	- -
Rest of Asia-Pacific	+++	++	+++

The table represents the development of the operating environment compared to the corresponding period last year.

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

January–March 2023

Regional differences in demand trends were apparent in **the global new equipment market** during January–March. In the more mature markets, sentiment was impacted by rising interest rates and slowing economic growth, while demand in many emerging markets was strong. Activity declined significantly **in China**, as property developers' access to financing remained constrained. However, the pace of decline in key construction market indicators moderated during the quarter thanks to a number of supportive policies. **In the rest of Asia-Pacific**, activity grew significantly, supported by strong development in India and recovery in South-East Asia. **In the EMEA region**, activity declined significantly in Central and North Europe and slightly in South Europe mainly due to weaker sentiment in the residential segment. In the Middle East, activity grew significantly. **In North America**, the market declined significantly.

The service market developed positively. The maintenance market grew in all regions. Activity in the modernization market was robust in all regions except China where decision-making continued to be slow.

The pricing environment remained affected by intense competition in China, whereas elsewhere pricing was more favorable.

Orders received and order book

Orders received (MEUR)	1–3/2023	1–3/2022	Change	Comparable change[1]	1–12/2022
Orders received	2,263.1	2,422.6	-6.6%	-5.1%	9,131.3

[1] Change at comparable foreign exchange rates

Order book (MEUR)	Mar 31, 2023	Mar 31, 2022	Change	Comparable change[1]	Dec 31, 2022
Order book	9,176.2	9,255.4	-0.9%	2.1%	9,026.1

[1] Change at comparable foreign exchange rates

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.

January–March 2023

Orders received declined by 6.6% as compared to January–March 2022 and totaled EUR 2,263.1 million. At comparable exchange rates, KONE's orders received declined by 5.1%.

At comparable rates, new equipment orders received declined significantly with significant decline in the volume business and clear growth in major projects. The decline was largely driven by the difficult market conditions in China, together with some impact from rising interest rates and slowing economic growth on sentiment in the mature markets. In modernization, orders received grew significantly with significant growth in the volume business and significant growth in major projects.

The margin of orders received increased both year-on-year and compared to the previous quarter. The improvement was driven by lower commodity costs in China and favorable pricing development in other regions. In China like-for-like new equipment prices declined slightly and mix was slightly negative.

Orders received in the EMEA region grew significantly at comparable exchange rates as compared to January–March 2022. New equipment orders grew clearly thanks to strong growth in the Middle East. Modernization orders grew significantly in the region.

In the Americas region, orders received grew slightly at comparable rates as compared to January–March 2022. New equipment orders declined significantly and modernization orders grew significantly.

Orders received in the Asia-Pacific region declined significantly at comparable rates as compared to January–March 2022. In China, new equipment orders declined significantly in units and declined significantly in monetary value. In the rest of Asia-Pacific, new equipment orders received grew clearly. Modernization orders received declined clearly in China and grew significantly in the rest of Asia-Pacific.

The order book margin continued to be at a healthy level. Customer cancellations remained at a very low level.

Terminology: Slight <5%, clear 5-10%, significant >10%

Sales

By region (MEUR)	1–3/2023	1–3/2022	Change	Comparable change[1)]	1–12/2022
EMEA	1,095.0	1,016.0	7.8%	9.9%	4,237.7
Americas	595.0	493.1	20.7%	16.1%	2,239.8
Asia-Pacific	866.6	932.8	-7.1%	-4.2%	4,429.2
Total	**2,556.6**	**2,441.9**	**4.7%**	**5.9%**	**10,906.7**

[1)] Change at comparable foreign exchange rates

By business (MEUR)	1–3/2023	1–3/2022	Change	Comparable change[1)]	1–12/2022
New equipment	1,109.3	1,159.8	-4.3%	-2.0%	5,399.3
Services	1,447.2	1,282.1	12.9%	13.0%	5,507.4
Maintenance	1,008.0	925.3	8.9%	9.2%	3,890.4
Modernization	439.3	356.7	23.1%	22.8%	1,616.9
Total	**2,556.6**	**2,441.9**	**4.7%**	**5.9%**	**10,906.7**

[1)] Change at comparable foreign exchange rates

January–March 2023

KONE's sales grew by 4.7% as compared to January–March 2022, and totaled EUR 2,556.6 million. At comparable exchange rates, KONE's sales grew by 5.9%. The strong growth in service sales compensated for a slight decline in new equipment sales.

New equipment sales declined by 2.0% at comparable exchange rates. Service sales grew by 13.0% at comparable exchange rates. Maintenance sales grew by 9.2% at comparable exchange rates, thanks to maintenance base growth, improved pricing and continued momentum in value-added services. Modernization sales grew by 22.8% at comparable exchange rates.

Sales in the EMEA region grew by 7.8% and totaled EUR 1,095.0 million. At comparable exchange rates, sales grew by 9.9%. New equipment sales grew slightly. Maintenance sales grew clearly and modernization sales grew significantly in the region.

In the Americas, sales grew by 20.7% and totaled EUR 595.0 million. At comparable exchange rates, sales grew by 16.1%. New equipment sales grew significantly, maintenance sales grew clearly and modernization sales grew significantly in the region.

In Asia-Pacific, sales declined by 7.1% and totaled EUR 866.6 million. At comparable exchange rates, sales declined by 4.2%. New equipment sales declined significantly, maintenance sales grew clearly and modernization sales grew significantly in the region.

Terminology: Slight <5%, clear 5-10%, significant >10%

Financial result

	1–3/2023	1–3/2022	Change	1–12/2022
Operating income, MEUR	238.3	171.1	39.3%	1,031.2
Operating income margin, %	9.3	7.0		9.5
Adjusted EBIT, MEUR	241.9	196.5	23.1%	1,076.6
Adjusted EBIT margin, %	9.5	8.0		9.9
Income before taxes, MEUR	241.1	170.7	41.2%	1,028.4
Net income, MEUR	185.7	131.5	41.2%	784.5
Basic earnings per share, EUR	0.36	0.25	42.2%	1.50

January–March 2023

KONE's operating income (EBIT) was EUR 238.3 million or 9.3% of sales. The adjusted EBIT was EUR 241.9 million or 9.5% of sales. Profitability improved thanks to strong growth in maintenance sales, improved fixed cost absorption, as well as better pricing on deliveries outside China and lower material costs in China.

In January–March 2023, items affecting comparability amounted to EUR 3.6 million, including a positive effect from remeasurement of the net assets of operations in Russia and costs recognized on restructuring measures.

With comparable exchange rates, the translation impact on operating income for the comparison period was EUR -1.4 million.

Basic earnings per share was EUR 0.36.

Cash flow and financial position

	1–3/2023	1–3/2022	1–12/2022
Cash flow from operations (before financing items and taxes), MEUR	456.0	218.7	754.7
Net working capital (including financing items and taxes), MEUR [1)]	-1,032.3	-1,452.6	-903.9
Interest-bearing net debt, MEUR	-738.8	-1,451.2	-1,309.0
Gearing, %	-35.4	-63.1	-45.7
Equity ratio, %	32.5	32.6	40.3
Equity per share, EUR	3.97	4.39	5.49

[1)] Including financing items and taxes. To improve the comparability of net working capital across the quarters, the definition of net working capital has been revised to exclude dividend withholding tax payable. Comparative periods have been restated accordingly.

KONE's financial position was strong at the end of March 2023.

Cash flow from operations (before financing items and taxes) during January–March 2023 increased to EUR 456.0 million, as a result of the improvement in both operating income and net working capital.

Net working capital (including financing items and taxes) was EUR -1,032.3 million at the end of March 2023. The improvement from the beginning of the year was a result of decreased accounts receivable and the invoicing cycle in the maintenance business.

Interest-bearing net debt was EUR -738.8 million at the end of March 2023. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 1,412.3 (Dec 31, 2022: 1,970.4) million at the end of the reporting period. Interest-bearing liabilities were EUR 686.5 (Dec 31, 2022: 673.9) million, including a pension liability of EUR 154.9 (Dec 31, 2022: 140.0) million and a leasing liability of EUR 321.8 (Dec 31, 2022: 324.0) million. Additionally, KONE had an asset on employee benefits, EUR 10.9 (Dec 31, 2022: 10.0) million. Gearing was -35.4% and the equity ratio was 32.5% at the end of March 2023.

Equity per share was EUR 3.97.

Capital expenditure and acquisitions

MEUR	1–3/2023	1–3/2022	1–12/2022
On fixed assets	25.9	19.5	101.7
On leasing agreements	33.1	22.2	107.5
On acquisitions	68.1	15.3	28.1
Total	**127.1**	**57.0**	**237.4**

KONE's capital expenditure and acquisitions totaled EUR 127.1 million in January–March 2023. Capital expenditure excluding acquisitions was mainly related to equipment and facilities in R&D, IT and production. Capital expenditure on leases consists mainly of maintenance vehicles and office facilities.

Acquisitions totaled EUR 68.1 million in January–March 2023. KONE completed acquisitions of several small maintenance businesses in Europe and a distributor in the Middle East.

Research and development

	1–3/2023	1–3/2022	Change	1–12/2022
R&D expenditure, MEUR	46.1	45.0	2.4%	187.8
As percentage of sales, %	1.8	1.8		1.7

The objective of KONE's research and development (R&D) is to drive differentiation by putting the needs of customers and users at the center of all development. Our R&D activities focus on designing smart and sustainable solutions that adapt to future needs. By integrating elevators and escalators with digital systems, we enable an even smoother people flow and an improved user experience. Built-in connectivity in our newest elevator models makes them a digital platform for various services and new business models. We support our customers in achieving their eco-efficiency goals throughout the building lifecycle, for instance by continuously developing the energy-efficiency of our solutions. Additionally, we continue to develop a variety of strategic partnerships to further enhance our customer focused solutions. Thanks to KONE's worldwide engagement with regulating authorities and extensive contribution to standardization, we ensure regulatory conformity as well as cost competitive market access for our innovative solutions.

Research and development expenditure totaled EUR 46.1 million, representing 1.8% of sales in January–March 2023. R&D expenditure includes the development of new products and service concepts as well as further development of existing solutions and services.

During the first quarter, KONE introduced the first KONE Escalator DX offering features, including KONE Design Lighting. This offering forms a set of value-adding features and services for our standard escalator product range and our escalator modernization offering.

Additionally, KONE was the first company in the industry to be granted the globally recognized ISO 27001 cybersecurity certification for digital services. The certification applies to KONE 24/7 Connected Services, KONE Online and KONE Mobile solutions.

Personnel

KONE employees	1–3/2023	1–3/2022	1–12/2022
Average number of employees	63,232	63,063	63,186
Number of employees at the end of period	**62,976**	**62,951**	**63,277**
EMEA	23,752	23,791	23,628
Americas	7,469	7,243	7,442
Asia-Pacific	31,754	31,918	32,208

KONE's main goal is to have the most capable and engaged team of professionals, who succeed in a changing world. Great employee experience, a diverse and inclusive culture, continuous learning, flexibility, and wellbeing are the core elements in our Empowered People Way to Win, one of the four KONE-wide transformation and development initiatives, which enable us to succeed in our strategy. KONE's activities are all guided by ethical principles. Employee rights and responsibilities include the right to a safe and healthy working environment, fair and equitable labor conditions, personal wellbeing, freedom of association, collective bargaining, non-discrimination, and the right to a working environment in which harassment and bullying are not tolerated.

Employee engagement, KONE culture and talent

We actively encourage diversity at KONE, and our values guide us in upholding an inclusive culture. In March we celebrated International Women's Day and encouraged our employees to take part in the Embrace Equity campaign. Our women's employee resource group SPARK organized a global virtual event to discuss gender equity, reaching over 800 employees.

To ensure that we have talented workforce to meet the customer requirements also in the future, during the first quarter we completed a review of KONE Apprenticeships programs running in multiple KONE locations. The results gave us valuable information on how we can better support our rising talents on their learning journey in KONE.

Recruitment volumes for operative and sales roles were stable during the first quarter, with a strong talent attraction focus on service technician and sales hires. We continued to successfully hire talents outside the elevator and escalator industry to bring in competences and skills complimentary to ours. We also opened the recruitment for summer trainee positions in many of our countries to build the talent pipeline. Recruitment volumes for other staff hires were lower than usual and focused on only filling critical roles due to the ongoing operating model renewal.

Highlights Q1/2023

- Operating model renewal progressing as planned

Rewarding and performance

Performance discussions that focused on goal setting for 2023 and achievement reviews for the previous year were held during the first quarter. We also conducted an annual salary review, which is aligned to our pay for performance philosophy and closely follows rewarding from a diversity perspective. Covering over 40,000 KONE employees, the review showed that men and women in similar positions continue be compensated equally on a global level.

Learning and development

During the first quarter, we focused on learning and development activities towards our employees in different fronts. We strengthened the support offered to our field trainers whose network enables us to reach business targets through a competent workforce and systematic train-the-trainer approach. We also reviewed our learning reporting guidance to secure higher quality data for measuring the impact of training. To boost the knowledge of our solutions, we started company-wide webinars on the different KONE offerings to support the ongoing business targets.

Operating model renewal

In January 2023, KONE announced plans to renew its operating model to strengthen its competitiveness and customer focus in a changing operating environment. The target is to drive KONE's strategy forward with greater speed and efficiency and operate more closely with customers, through stronger geographic Areas. The first structures and appointments have been announced internally during the first quarter and the design work will continue in the second quarter. The new organization structure is planned to be effective on July 1, 2023. Initial estimates are that the planned measures could result in the reduction of approximately 1,000 jobs globally. The planned changes are estimated to generate annual cost savings of around EUR 100 million and the related restructuring costs are expected to amount to approximately EUR 130 million.

Environment

In line with KONE's strategic target of being a leader in sustainability, our environmental approach supports the ongoing green and digital transformation of the built environment into smart eco-cities, low-carbon communities, and net zero energy buildings.

Recognitions

During the first quarter, KONE received a score of A- in CDP's Supplier Engagement 2022 rating, in addition to the earlier announced placement on CDP's prestigious 2022 Climate Change A List. The CDP Supplier Engagement rating demonstrates leadership and best practice in engaging our suppliers on climate change issues.

Environmental targets and outcomes

KONE announced its climate pledge in 2020. Our long-term target for Scope 1 and 2 greenhouse gas (GHG) emissions is an absolute reduction of 50% by 2030 from the base-year 2018. The vast majority of all the emissions associated with KONE's activities are generated outside our immediate operations in the value chain, particularly by our products' lifetime energy consumption and material use. We have therefore also set a long-term target for reducing our product and value chain related Scope 3 GHG emissions by 40% by 2030, relative to ordered products from the base-year 2018. In addition, we have pledged to have carbon neutral operations by 2030.

Our 2022 carbon footprint calculations were finalized during the first quarter of 2023. KONE's total carbon footprint data (Scope 1, 2 and 3 GHG emissions) has been externally assured. In 2022, KONE's target was to reduce the operational carbon footprint (Scope 1 and 2) by 16% compared to 2018. This target was exceeded as Scope 1 and 2 emissions reduced by almost 17% compared to 2018 emissions of 153,200 tCO2e. Due to the expansion of our operations, we also measure comparable carbon footprint scope, which reduced by 21% in 2022 compared to 2019 baseline (144,400 tCO2e). The largest individual factors contributing to the reduction in Scope 1 and 2 GHG emissions were the systematic transition to the use of renewable electricity in our facilities globally and a lower-emission vehicle fleet. KONE is committed to reducing electricity consumption in its own operations and has set a target to increase the share of electricity from renewable sources to more than 80% by the end of 2022 and to 100% by 2030. In 2022, electricity from renewable sources accounted for 84% of electricity consumption, up from 80% in the previous year. Apart from India, all our manufacturing units use only on-site or purchased renewable electricity.

Emissions per product ordered decreased by 4.7% compared to 2021 (71.7 tCO2e/order) and by 4.3% compared to 2018 (71.4 tCO2e/order). Contributing to the reduction was the further-improved energy efficiency of our products, thanks to, e.g., an increased share of energy-efficient electrification systems and regenerative drives in ordered elevators. Furthermore, a larger share of customers' buildings was located in countries that increased the share of renewable energy in their national electricity production, thus emitting fewer GHG emissions.

KONE has set a separate target of a 4% annual reduction in its Scope 3 logistics carbon footprint relative to units delivered. In 2022, our logistics GHG emissions increased by 3.5% relative to units delivered as compared to the previous year. This was mainly due to air freight emissions, which increased as logistics disruptions resulted in KONE having to manage its customers' deliveries in a sub-optimal manner. Business travel emissions increased by 72% compared to the previous year but remained 35% lower than the pre-COVID-19 level.

KONE's long-term target for waste management is 0% landfill waste at manufacturing units by 2030. In 2022, we were already at a low level of 0.2% (2021: 0.4%). According to KONE's biodiversity target (long-term and annual) our manufacturing units must not be located in or near UNESCO Word Heritage sites, Nature 2000 sites or other conservation parks, or biodiversity-sensitive areas. This target was met in 2022.

We track the amount of NOx (nitrogen oxides), SOx (sulfur oxides) and VOC (volatile organic compounds) emissions. Our long-term target is to limit the amount of NOx and SOx emissions to less than 1 ton per year and VOC emissions to less than 2 tons per year. In 2022, KONE met its air pollution reduction target.

Highlights Q1/2023

- Good progress in reducing GHG emissions
- A- score in CDP's Supplier Engagement 2022 rating
- First EDP published for a modernization solution MonoSpace® upgrade DX

KONE's sustainable offering

KONE supports sustainable and green building through an energy-efficient and innovative offering, the use of functional and sustainable materials, as well as the transparent documentation of our products' environmental impacts.

We have a wide range of best-in-class energy performance references for our products in various building types, market areas and product specifications. KONE currently has a total of 31 best-in-class energy efficiency references for our elevator and escalator platforms according to the international ISO 25745 standard for the energy performance of lifts, escalators and moving walks. During the first quarter, externally verified Environmental Product Declarations (EPDs) were published for the KONE NanoSpace DX and KONE MiniSpace™ DX Highrise with Steel Rope elevators. KONE also published the first EPD for a modernization solution, MonoSpace® upgrade DX.

During the first quarter, KONE received approved Byggvarubedömningen (BVB) assessments for the KONE TransitMaster™ 140 and TravelMaster™ 110 escalators. BVB is a Swedish nonprofit organization that evaluates solutions for buildings and drives the use of healthy and environmentally sustainable building materials.

Other events

In 2007, a decision was issued by the European Commission concerning alleged local anticompetitive practices before early 2004 in Germany, Luxembourg, Belgium and the Netherlands by leading elevator and escalator companies, including KONE's local subsidiaries. Also, the Austrian Cartel Court issued in 2007 a decision concerning anti-competitive practices that had taken place before mid-2004 in local Austrian markets by leading elevator and escalator companies, including KONE's local subsidiary. As previously announced by KONE, a number of civil damage claims by certain companies and public entities relating to the two 2007 decisions, are pending in related countries. The claims have been made against various companies concerned by the decisions, including certain KONE companies. All claims are independent and are progressing procedurally at different stages. The total capital amount claimed jointly and severally from all of the defendants together was EUR 81 million at the end of March 2023 (December 31, 2022: EUR 81 million). KONE's position is that the claims are without merit. No provision has been made.

Most significant risks

KONE is exposed to risks that may arise from its operations or changes in the operating environment. The most significant risk factors described below can potentially have an adverse effect on KONE's business operations and financial position and, as a result, on the value of the company. Other risks, which are currently either unknown or considered immaterial to KONE may, however, become material in the future.

Strategic risks

The demand for KONE's products and services and the competitive environment are impacted by the general economic cycles and especially the level of activity within the construction industry. High inflation and rising interest rates have weakened the global economic outlook which represents a risk to KONE's business and profitability, especially in Europe and in the US. KONE aims to mitigate these risks with more dynamic pricing strategies and contract models as well as ongoing actions to improve productivity and lower product costs. Additionally, geopolitical tensions could impact KONE's global manufacturing footprint and capabilities.

As China accounts for approximately one third of KONE's sales, a decline in the Chinese construction sector represents a risk for KONE's financial performance. Property markets showed some signs of stabilization towards the end of the first quarter, but recovery remains uncertain. Recurring liquidity constraints among Chinese property developers could further impact construction activity and customers' payment discipline in China and, consequently, the demand and commercial terms for KONE's solutions. KONE's customer portfolio is well diversified, which limits individual customer risks.

The war in Ukraine has increased geopolitical risks, added to the disruption of global supply chains and increased uncertainty in the European energy markets. Such risks and uncertainties may continue to expose KONE to business disruptions and profitability risks.

In addition to the level of market demand, the competitiveness of KONE's offering is a key driver for growth and profitability. A failure to anticipate or address changes in customer requirements and in competitors' offerings, ecosystems and business models or in the regulatory environment could result in a deterioration of the competitiveness of KONE's offering. Furthermore, structural changes in the competitive landscape of the elevator and escalator industry, such as increased competition and customer consolidation in China, could affect market dynamics and KONE's market share.

Operational risks

Empowered employees with relevant competencies and skills are key to the successful execution of our strategy. With business models and ways of working changing in the elevator and escalator industry, KONE needs new organizational capabilities, as well as new competencies and talent on the individual employee level in the field of, e.g., digitalization. At the same time, the competition over talent, such as skilled field workforce, is increasing. Securing the needed resources and their competence management is critical. A failure to develop and retain the required capabilities or obtain them through recruitment could have an adverse impact on KONE's growth and profitability.

The majority of components used in KONE's supply chain are sourced from external suppliers, a significant number of which are located in China. KONE also subcontracts a significant amount of installation activity, outsources certain business support processes and works with partners in, e.g., digital services and logistics. This exposes KONE to supply chain and logistics constraints, risks related to component and subcontracted labor availability and cost as well as to continuity risk in partnerships. A failure to secure the needed materials, components or resources, or quality issues within these, could cause business disruptions, rescheduling of orders and cost increases. Labor availability constraints may also impact progress at construction sites.

As one of the leading companies in the industry, KONE has a strong brand and reputation. Issues that impact the company's reputation or brand could have an effect on KONE's business and financial performance. Such reputational risks could materialize in the case of e.g. safety, cybersecurity or non-compliance incidents, major delivery issues or product or service quality issues.

Hazard, security and incidental risks

KONE's business activities are dependent on the uninterrupted operation, quality and reliability of its manufacturing facilities, sourcing channels, operational service solutions and logistics processes. The operations of KONE, its suppliers and customers utilize information technology extensively and KONE's business is dependent on the quality, integrity, availability and confidentiality of information. Thus, KONE is exposed to IT disruption and cybersecurity risks, as operational information systems and products may be vulnerable to interruption, loss or manipulation of data, or malfunctions which can result in disruptions in processes and equipment availability. Geopolitical tensions, for instance those related to the war in Ukraine may lead to cyber, hybrid and even conventional attacks causing local and global digital disturbances that may impact KONE, our customers and our suppliers.

A breach of sensitive employee or customer data may result in significant penalties as well as reputational damage. Such incidents could be caused by, including but not limited to, cyber-crime, cyber-attacks, ransomware, information theft, fraud, or inadvertent actions from our employees and vendors.

Physical damage caused by fire, extreme weather conditions, natural catastrophes or terrorism, among other things, could also cause business interruption for KONE or its suppliers.

Financial risks

The majority of KONE's sales and result are denominated in currencies other than the euro, which exposes KONE to risks arising from foreign exchange rate fluctuations. KONE is also exposed to counterparty risks related to financial institutions, through the significant amounts of liquid funds deposited with financial institutions, in the form of financial investments and in derivatives. Although uncertainty increased in the global banking sector during the first quarter, no significant exposures have been identified in KONE's counterparties. Additionally, KONE is exposed to risks related to liquidity and payment discipline of its customers, which may impact cash flow or lead to credit losses. Significant changes in local financial or taxation regulation could also have an impact on KONE's financial performance, liquidity, and cash flow. For further information on financial risks, please refer to notes 2.4, 3.2 and 5.3 in the Financial Statements for 2022.

Risk management

Risks	Mitigation actions
Weakening of the global economic environment	KONE strives to continuously develop its competitiveness in all regions and businesses. KONE has a wide geographic presence, global manufacturing capabilities and supply network, as well as a balanced business portfolio with a high share of maintenance business.
Geopolitical tensions impacting the competitiveness of KONE's supply chain, leading to increased costs or causing potential disruptions	KONE actively monitors the development of the applicable and relevant regulations, policies and trade rules, prepares for alternative scenarios and evaluates the competitiveness and viability of KONE's supply chain and sourcing channels. KONE is taking actions to mitigate the impact of tariffs, for example by applying for tariff exemptions when applicable. KONE also applies increased scrutiny over business operations that may be affected by international trade restrictions or other geopolitical actions.
Changes in the competitive or customer landscape, customer requirements or competitors' offerings impacting KONE's competitiveness	KONE aims to be the industry leader with its competitive offering by investing in research and development and by taking an open innovation approach. KONE also closely follows emerging industry and market trends and actively monitors opportunities for industry consolidation.
Increasing material, fuel and/or logistics costs weakening KONE's profitability	KONE aims to offset cost increases by adopting dynamic pricing and contract models which allow KONE to pass on increased supply costs. Improving pricing, securing productivity gains and lowering product costs remains high on KONE's agenda.
A failure to secure and develop the needed organizational capabilities and competencies	KONE continuously evaluates the skills and competences required for the execution of the selected strategy and develops and/or acquires these from internal talent pools or externally. KONE also has extensive training programs in place to develop and retain critical talents.
Risks related to component and subcontracted labor availability	KONE's sourcing processes aim to identify critical suppliers and supply categories and implement alternative sources, long-term agreements, last-buy options and other measures to ensure the availability of the supply. KONE has also developed multinational subcontractor pools to ensure subcontractor capacity on a regional level. Subcontractors' competences and capabilities are monitored and developed continuously, similarly as with own employees. The semiconductor market is closely monitored, and the situation managed with detailed planning of delivery execution and active involvement of supply chain partners among other actions.
Product integrity, safety or quality issues as well as issues with reputation	To mitigate product risks, KONE has strict quality control processes for product design, supply, manufacturing, installation and maintenance. In addition, KONE aims for transparent and reliable communication, to prevent reputational risks and to manage potential incidents. KONE also has stringent corporate governance principles in place.
Interruptions to KONE's or its suppliers' operations	KONE actively develops business continuity management capabilities to reduce the impact and likelihood of disruptions within its supply chain. Furthermore, KONE monitors the operations, business continuity management capabilities, financial strength and cybersecurity of its key suppliers. In addition, KONE aims to secure the availability of alternative sourcing channels for critical components and services. KONE also has a global property damage and business interruption insurance program in place. KONE's global supply chain helps mitigate the risk of interruptions. KONE has 10 manufacturing facilities in 7 countries, multiple distribution centers and a large supplier network across the globe, which helps to mitigate the impacts from potential disruptions in individual locations or countries.
IT system interruptions and cybersecurity risks	KONE's security policies define controls to safeguard premises, information and information systems which are both in development and in operation, in order to detect cybersecurity incidents and to respond and recover in a timely manner. KONE works with third-party security service providers and trusted, well-known technology partners to manage the risks through the control framework. KONE conducts tests, reviews and exercises to identify areas of risk and to ensure the appropriate preparedness. The company continues to invest in its cybersecurity capabilities based on these findings. KONE also has a global cyber insurance program in place
Financial risks	KONE applies centralized risk management in accordance with the KONE Treasury Policy. More information on financial risk management can be found in notes 2.4, 3.2 and 5.3 of KONE's Financial Statements 2022.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on February 28, 2023.

The meeting approved the financial statements, considered the Remuneration Report for governing bodies and discharged the responsible parties from liability for the financial period January 1-December 31, 2022.

The number of Members of the Board of Directors was confirmed as nine. Re-elected as Members of the Board were Matti Alahuhta, Susan Duinhoven, Antti Herlin, Iiris Herlin, Jussi Herlin, Ravi Kant and Krishna Mikkilineni. Marika Fredriksson and Marcela Manubens were elected as new Members to the Board of Directors.

At its meeting held after the General Meeting on February 28, 2023, the Board of Directors of KONE Corporation elected from among its members Antti Herlin as its Chairman and Jussi Herlin as Vice Chair.

Susan Duinhoven was elected as Chair and Matti Alahuhta, Marika Fredriksson and Jussi Herlin as members of the Audit Committee. Susan Duinhoven, Matti Alahuhta and Marika Fredriksson are independent of both the company and of significant shareholders.

Jussi Herlin was elected as Chair and Matti Alahuhta, Antti Herlin and Ravi Kant as members of the Nomination and Compensation Committee. Matti Alahuhta and Ravi Kant are independent of both the company and of significant shareholders.

The General Meeting confirmed an annual compensation of EUR 220,000 for the Chairman of the Board, EUR 125,000 for the Vice Chair and EUR 110,000 for Board Members. Of the annual remuneration, 40 percent will be paid in class B shares of KONE Corporation and the rest in cash. In addition, the General Meeting confirmed a separate annual compensation to the members of the board committees: Chair of the Audit Committee: EUR 20,000 and members of the Audit Committee: EUR 10,000, and Chair of the Nomination and Compensation Committee: EUR 20,000 and members of the Nomination and Compensation Committee: EUR 10,000. The annual compensation of the members of the board committees is paid in cash. In addition, it was resolved that compensation is not paid to a Board Member who is employed by the company.

The General Meeting approved the authorization for the Board of Directors to repurchase KONE's own shares. Altogether no more than 52,930,000 shares may be repurchased, of which no more than 7,620,000 may be class A shares and 45,310,000 class B shares. The authorization will be valid until the conclusion of the following annual general meeting, however, at the latest until 30 June 2024.

Furthermore, the General Meeting authorized the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act. The number of shares to be issued based on this authorization shall not exceed 7,620,000 class A shares and 45,310,000 class B shares. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization will be valid until the conclusion of the following annual general meeting, however, at the latest until 30 June 2024.

The General Meeting decided to amend the Articles of Association by updating the article concerning the line of business of the company (2§) and changing the article concerning the general meeting (10§) so that the general meeting can be held completely without a meeting venue as a so-called remote meeting.

The audit firm Ernst & Young Oy was nominated as the auditor for the term 2023.

Dividend

The General Meeting approved dividends in line with the Board of Director’s proposal of EUR 1.7475 for each of the 76,208,712 class A shares and EUR 1.75 for each of the outstanding 441,001,592 class B shares. The date of record for dividend distribution was March 2, 2023 and dividends were paid on March 9, 2023.

Share-based incentive plans

KONE has two separate share-based incentive plans, one performance share plan and one restricted share plan.

KONE’s long-term incentive plan emphasizes profitable growth and sustainability. It consists of annually commencing individual share plans, each with a three-year rolling performance period. The plans vest and are delivered in one portion after the three years, based on accumulated outcomes for the three-year performance period. If the participant's employment or service relationship with KONE Group terminates before the end of the performance period, the participant, as a rule, forfeits the share award without compensation. The number of shares earned by participants under the share-based incentive plans are determined on gross basis with deduction for taxes made when applicable before delivery of the shares to the participants. The arrangements initiated in previous years included both cash and equity settled arrangements. Current arrangements are equity settled only.

The target group and targets within the plan as well as possible rewards are decided upon annually by the Board. As part of the long-term incentive plan for the senior management, a long-term target for their ownership has been set. For the Executive Board members, the long-term ownership target is that the members have an ownership of KONE shares corresponding to at least five years’ annual base salary. For other selected top management positions, the ownership target is at least two years’ base salary.

The 2023 long-term incentive plan is targeted to approximately 570 senior leaders, including the President and CEO, members of the Executive Board, other top management and selected key personnel of KONE Group. The performance criteria applied to the 2023 long-term incentive plan are based on annual sales growth and adjusted EBIT margin (jointly 80%), and improvements in sustainability (20%). The sustainability performance condition is a combination of reductions in carbon footprint, diversity and inclusion as well as safety related targets.

The restricted share plan serves as a complementary long-term share plan to be used as a commitment instrument for retention and recruitment purposes for top management (excluding the President and CEO) and other selected key persons. The restricted share plan does not have a performance condition. The plan has a commitment period up to three years, after which the share awards will be paid to the participant, provided that their employment or service relationship with KONE Group is in force at the time of payment.

Shares and share capital

Share capital and market capitalization*	Mar 31, 2023	Dec 31, 2022
Number of class B shares	453,187,148	453,187,148
Number of class A shares	76,208,712	76,208,712
Total shares	**529,395,860**	**529,395,860**
Treasury shares	12,185,556	12,306,640
Share capital, EUR	66,174,483	66,174,483
Market capitalization, MEUR*	24,826	24,975

* Market capitalization is calculated on the basis of both the listed B shares and the unlisted A shares excluding treasury shares. Class A shares are valued at the closing price of the class B shares at the end of the reporting period.

Shares in KONE's possession	1–3/2023
Shares in KONE's possession at the beginning of the period	12,306,640
Changes in own shares during the period	-121,084
Shares in KONE's possession at the end of the period	**12,185,556**

At the end of March 2023, the Group had 12,185,556 class B shares in its possession. The shares in the Group’s possession represent 2.7% of the total number of class B shares. This corresponds to 1.0% of the total voting rights.

Shares traded on Nasdaq Helsinki		1–3/2023	1–3/2022	1–12/2022
Shares traded on the Nasdaq Helsinki Ltd., million		40.3	64.0	236.7
Average daily trading volume		630,445	1,015,354	935,595
Volume-weighted average share price	EUR	49.16	53.34	46.56
Highest share notation	EUR	53.34	64.12	64.12
Lowest share notation	EUR	45.52	46.15	36.72
Share notation at the end of the period	EUR	48.00	47.59	48.30

In addition to the Nasdaq Helsinki Ltd., KONE's class B share is traded also on various alternative trading platforms.

The number of registered shareholders was 110,592 at the beginning of the review period and 110,463 at its end. The number of private households holding shares totaled 105,143 at the end of the period, which corresponds to approximately 12.6% of the listed B shares. At the end of March 2023, a total of 51.7% of the B shares were owned by nominee-registered and non-Finnish investors.

Outlook

North America		EMEA		Asia-Pacific	
New equipment	Services	New equipment	Services	New equipment	Services
Slight decline	Maintenance Slight growth	Slight decline	Maintenance Slight growth	China Clear decline	Maintenance Clear growth
	Modernization Slight growth		Modernization Clear growth	Outside China Clear growth	Modernization Significant growth

Market outlook 2023 (updated)

In China, the new equipment market is expected to decline by close to 10% during 2023. Activity is 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 and decline slightly in both the EMEA region and in North America.

Modernization markets are expected to grow in all regions supported by an aging equipment base as well as the focus on sustainability and adaptability of buildings.

Economic uncertainty and rising interest rates may limit growth in construction activity, which could impact demand in the new equipment and modernization markets.

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

Business outlook 2023 (specified)

KONE expects its sales at comparable exchange rates for the year 2023 to be somewhat above the previous year. The adjusted EBIT margin is expected to start to recover due to improved margins on orders received in 2022 and continued solid performance in the service 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.

KONE has a positive outlook for services, a strong order book and improved margins on orders received in 2022. Easing commodity cost headwinds in Asia are also expected to support the results.

The anticipated decline in China's new equipment market, increased component costs outside China and wage inflation are expected to burden performance. The softer market environment in Europe and North America is also a headwind.

KONE previously expected its sales at comparable exchange rates for the year 2023 to be at a similar level as in the previous year. The adjusted EBIT margin was expected to start to recover due to improved margins on orders received in 2022 and continued solid performance in the maintenance business.

Helsinki, April 26, 2023

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	1–3/2023	%	1–3/2022	%	1–12/2022	%
Sales	**2,556.6**		**2,441.9**		**10,906.7**	
Costs and expenses	-2,253.7		-2,207.8		-9,616.2	
Depreciation and amortization	-64.6		-62.9		-259.3	
Operating income	**238.3**	**9.3**	**171.1**	**7.0**	**1,031.2**	**9.5**
Financing income	16.4		12.4		51.2	
Financing expenses	-13.6		-12.8		-53.9	
Income before taxes	**241.1**	**9.4**	**170.7**	**7.0**	**1,028.4**	**9.4**
Taxes	-55.5		-39.3		-244.0	
Net income	**185.7**	**7.3**	**131.5**	**5.4**	**784.5**	**7.2**
Net income attributable to:						
Shareholders of the parent company	183.7		129.3		774.5	
Non-controlling interests	2.0		2.2		10.0	
Total	**185.7**		**131.5**		**784.5**	
Earnings per share for profit attributable to the shareholders of the parent company, EUR						
Basic earnings per share, EUR	0.36		0.25		1.50	
Diluted earnings per share, EUR	0.35		0.25		1.49	

Consolidated statement of comprehensive income

MEUR	1–3/2023	1–3/2022	1–12/2022
Net income	**185.7**	**131.5**	**784.5**
Other comprehensive income, net of tax:			
Translation differences	-39.1	34.3	5.1
Hedging of foreign subsidiaries	6.1	-5.5	-21.2
Cash flow hedges	2.0	-0.9	2.5
Items that may be subsequently reclassified to statement of income	**-31.1**	**27.8**	**-13.6**
Changes in fair value	-15.0	-4.9	-20.8
Remeasurements of employee benefits	-22.4	29.8	42.4
Items that will not be reclassified to statement of income	**-37.3**	**24.9**	**21.6**
Total other comprehensive income, net of tax	**-68.4**	**52.7**	**8.0**
Total comprehensive income	**117.3**	**184.2**	**792.5**
Total comprehensive income attributable to:			
Shareholders of the parent company	115.3	182.0	782.5
Non-controlling interests	2.0	2.2	10.0
Total	**117.3**	**184.2**	**792.5**

Condensed consolidated statement of financial position

Assets

MEUR		Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Non-current assets				
Goodwill		1,434.6	1,414.9	1,414.7
Other intangible assets		244.6	217.7	208.2
Tangible assets		713.6	734.9	716.8
Non-current loans receivable	I	2.1	2.6	2.5
Shares and other non-current financial assets		106.8	139.2	121.7
Employee benefit assets	I	10.9	23.5	10.0
Deferred tax assets	II	294.1	262.2	307.5
Total non-current assets		**2,806.7**	**2,795.0**	**2,781.3**
Current assets				
Inventories	II	837.0	782.0	843.6
Accounts receivable	II	2,494.1	2,458.0	2,668.1
Deferred assets	II	723.9	786.3	709.3
Income tax receivables	II	115.4	125.4	117.6
Current deposits and loan receivables	I	1,072.4	1,570.1	1,474.9
Cash and cash equivalents	I	340.0	557.7	495.5
Total current assets		**5,582.8**	**6,279.5**	**6,309.1**
Total assets		**8,389.5**	**9,074.5**	**9,090.4**

Equity and liabilities

MEUR		Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Equity		**2,086.9**	**2,301.0**	**2,866.5**
Non-current liabilities				
Loans	I	417.0	432.2	417.9
Employee benefit liabilities	I	154.9	153.1	140.0
Deferred tax liabilities	II	88.7	86.8	84.8
Total non-current liabilities		**660.6**	**672.1**	**642.7**
Provisions	**II**	**183.8**	**163.9**	**177.4**
Current liabilities				
Loans	I	114.6	117.3	116.0
Advance payments received and deferred revenue	II	1,972.2	2,009.3	1,973.8
Accounts payable	II	937.8	1,172.1	1,132.8
Accruals	II	2,212.3	2,315.7	2,052.2
Income tax payables	II	102.1	118.7	129.0
Dividend withholding tax payable		119.3	204.4	-
Total current liabilities		**5,458.3**	**5,937.5**	**5,403.8**
Total equity and liabilities		**8,389.5**	**9,074.5**	**9,090.4**

Items designated " I " comprise interest-bearing net debt.
Items designated " II " comprise net working capital.

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Non-controlling interests	Total equity
Jan 1, 2023	**66.2**	**100.3**	**393.1**	**21.9**	**150.1**	**-79.3**	**-236.6**	**2,420.9**	**29.9**	**2,866.5**
Net income for the period								183.7	2.0	185.7
Other comprehensive income:										
Translation differences					-39.1					-39.1
Hedging of foreign subsidiaries					6.1					6.1
Cash flow hedges				2.0						2.0
Changes in fair value				-15.0						-15.0
Remeasurements of employee benefits						-22.4				-22.4
Transactions with shareholders and non-controlling interests:										
Profit distribution								-904.7		-904.7
Purchase of own shares										-
Change in non-controlling interests									-0.7	-0.7
Share-based compensation*			-147.8				5.3	151.0		8.5
Mar 31, 2023	**66.2**	**100.3**	**245.3**	**8.9**	**117.0**	**-101.6**	**-231.3**	**1,850.8**	**31.3**	**2,086.9**

*As at 1 January, 2023 the cumulative effect arising from recognition of share based payment rewards has been reclassified from paid-up unrestricted equity to retained earnings to improve presentation.

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Non-controlling interests	Total equity
Jan 1, 2022	**66.2**	**100.3**	**374.0**	**40.2**	**166.1**	**-121.6**	**-198.6**	**2,747.6**	**25.0**	**3,199.2**
Net income for the period								129.3	2.2	131.5
Other comprehensive income:										
Translation differences					34.3					34.3
Hedging of foreign subsidiaries					-5.5					-5.5
Cash flow hedges				-0.9						-0.9
Changes in fair value				-4.9						-4.9
Remeasurements of employee benefits						29.8				29.8
Transactions with shareholders and non-controlling interests:										
Profit distribution								-1,087.8		-1,087.8
Purchase of own shares										-
Change in non-controlling interests								-2.6	0.1	-2.5
Share-based compensation			7.9				11.7	-11.7		7.9
Mar 31, 2022	**66.2**	**100.3**	**382.0**	**34.4**	**194.9**	**-91.8**	**-186.9**	**1,774.8**	**27.2**	**2,301.0**

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Non-controlling interests	Total equity
Jan 1, 2022	**66.2**	**100.3**	**374.0**	**40.2**	**166.1**	**-121.6**	**-198.6**	**2,747.6**	**25.0**	**3,199.2**
Net income for the period								774.5	10.0	784.5
Other comprehensive income:										
Translation differences					5.1					5.1
Hedging of foreign subsidiaries					-21.2					-21.2
Cash flow hedges				2.5						2.5
Changes in fair value				-20.8						-20.8
Remeasurements of employee benefits						42.4				42.4
Transactions with shareholders and non-controlling interests:										
Profit distribution								-1,087.8		-1,087.8
Purchase of own shares							-50.0			-50.0
Change in non-controlling interests								-1.5	-5.0	-6.5
Share-based compensation			19.1				12.0	-12.0		19.1
Dec 31, 2022	**66.2**	**100.3**	**393.1**	**21.9**	**150.1**	**-79.3**	**-236.6**	**2,420.9**	**29.9**	**2,866.5**

Condensed consolidated statement of cash flows

MEUR	1–3/2023	1–3/2022	1–12/2022
Operating income	238.3	171.1	1,031.2
Change in working capital before financing items and taxes	153.1	-15.3	-535.8
Depreciation and amortization	64.6	62.9	259.3
Cash flow from operations before financing items and taxes	**456.0**	**218.7**	**754.7**
Cash flow from financing items and taxes	-89.4	-33.4	-223.2
Cash flow from operating activities	**366.6**	**185.3**	**531.5**
Cash flow from investing activities	-93.5	-28.0	-132.6
Cash flow after investing activities	**273.0**	**157.4**	**398.9**
Purchase of own shares	-	-	-50.0
Profit distribution	-785.5	-883.3	-1,087.8
Change in deposits and loans receivable, net	398.6	833.8	913.1
Change in loans payable and other interest-bearing debt	-35.8	-38.5	-158.0
Changes in non-controlling interests	-	-4.4	-7.7
Cash flow from financing activities	**-422.7**	**-92.4**	**-390.5**
Change in cash and cash equivalents	**-149.7**	**64.9**	**8.4**
Cash and cash equivalents at beginning of period	495.5	490.4	490.4
Translation difference	-5.9	2.5	-3.3
Cash and cash equivalents at end of period	**340.0**	**557.7**	**495.5**

Change in interest-bearing net debt

MEUR	1–3/2023	1–3/2022	1–12/2022
Interest-bearing net debt at beginning of period	-1,309.0	-2,164.1	-2,164.1
Interest-bearing net debt at end of period	-738.8	-1,451.2	-1,309.0
Change in interest-bearing net debt	**570.2**	**712.8**	**855.1**

Payments of lease liabilities included in financing activities were EUR 30.7 (January–March 2022: 30.8) million and interest expense paid included in cash flow from financing items and taxes were EUR 3.2 (January–March 2022: 2.2) million.

Notes to the interim report

Accounting principles

KONE Corporation's Interim Report for January–March 2023 has been prepared in line with IAS 34, 'Interim Financial Reporting' and should be read in conjunction with KONE's financial statements for 2022, published on January 26, 2023. KONE has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2022, except for share based payments where starting 1 January, 2023 at the recognition of related expense, the off-setting entry is made against retained earnings instead of paid-up unrestricted equity reserve. The information presented in this Interim Report has not been audited.

Key figures

		1–3/2023	1–3/2022	1–12/2022
Basic earnings per share	EUR	0.36	0.25	1.50
Diluted earnings per share	EUR	0.35	0.25	1.49
Equity per share	EUR	3.97	4.39	5.49
Interest-bearing net debt	MEUR	-738.8	-1,451.2	-1,309.0
Equity ratio	%	32.5	32.6	40.3
Gearing	%	-35.4	-63.1	-45.7
Return on equity	%	30.0	19.1	25.9
Return on capital employed	%	25.2	16.6	22.4
Total assets	MEUR	8,389.5	9,074.5	9,090.4
Assets employed	MEUR	1,348.1	849.8	1,557.5
Net working capital (including financing and tax items)*	MEUR	-1,032.3	-1,452.6	-903.9

The calculation formulas of key figures are presented in KONE´s Financial Statements for 2022.

* To improve the comparability of net working capital across the quarters, the definition of net working capital has been revised to exclude dividend withholding tax payable. Comparative periods have been restated accordingly. Dividend withholding tax continues to be included in Assets Employed.

Alternative performance measure

KONE reports an alternative performance measure, adjusted EBIT, to enhance the comparability of the business performance between reporting periods. The adjusted EBIT is calculated by excluding from EBIT significant items impacting comparability such as significant restructuring costs and starting 2022 also significant income and expenses incurred outside normal course of business of KONE. In January–March 2023, items affecting comparability included a positive effect from remeasurement of the net assets of operations in Russia at fair value less costs to sell, offset by costs recognized on restructuring measures. As at March 31, operations in Russia continue to be classified as held for sale.

Alternative performance measure		1–3/2023	1–3/2022	1–12/2022
Operating income	MEUR	238.3	171.1	1,031.2
Operating income margin	%	9.3	7.0	9.5
Items impacting comparability	MEUR	3.6	25.4	45.4
Adjusted EBIT	MEUR	241.9	196.5	1,076.6
Adjusted EBIT margin	%	9.5	8.0	9.9

Quarterly figures

KONE has adopted IFRS 16 standard effective January 1, 2019 using the modified retrospective approach and comparative figures have not been restated. IFRS 15 and IFRS 9 standards have been applied from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2016 are not restated and thus not fully comparable.

		Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Orders received	MEUR	2,263.1	1,944.2	2,155.5	2,609.0	2,422.6
Order book	MEUR	9,176.2	9,026.1	9,890.5	10,000.4	9,255.4
Sales	MEUR	2,556.6	2,911.5	2,998.2	2,555.1	2,441.9
Operating income	MEUR	238.3	367.1	303.9	189.0	171.1
Operating income margin	%	9.3	12.6	10.1	7.4	7.0
Adjusted EBIT[1]	MEUR	241.9	365.0	305.8	209.3	196.5
Adjusted EBIT margin[1]	%	9.5	12.5	10.2	8.2	8.0
Items impacting comparability	MEUR	3.6	-2.1	1.9	20.3	25.4

		Q4/2021	Q3/2021	Q2/2021	Q1/2021	Q4/2020	Q3/2020	Q2/2020	Q1/2020
Orders received	MEUR	2,155.1	2,211.1	2,410.7	2,075.9	2,068.7	1,931.7	2,075.4	2,109.3
Order book	MEUR	8,564.0	8,436.9	8,272.5	8,180.4	7,728.8	7,914.4	8,307.3	8,386.4
Sales	MEUR	2,766.8	2,610.0	2,810.8	2,326.4	2,621.2	2,587.0	2,532.1	2,198.3
Operating income	MEUR	351.9	326.5	367.1	249.8	367.1	333.1	315.5	197.2
Operating income margin	%	12.7	12.5	13.1	10.7	14.0	12.9	12.5	9.0
Adjusted EBIT[1]	MEUR	359.4	326.5	374.0	249.8	380.6	339.8	324.6	205.6
Adjusted EBIT margin[1]	%	13.0	12.5	13.3	10.7	14.5	13.1	12.8	9.4
Items impacting comparability	MEUR	7.5	-	7.0	-	13.5	6.7	9.1	8.4

		Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Orders received	MEUR	1,988.3	2,007.3	2,310.1	2,094.1	1,937.9	1,831.9	2,118.6	1,908.7
Order book	MEUR	8,051.5	8,399.8	8,407.1	8,454.7	7,950.7	7,791.6	7,915.3	7,786.6
Sales	MEUR	2,684.6	2,557.6	2,540.8	2,198.8	2,443.4	2,288.7	2,330.6	2,008.0
Operating income	MEUR	356.4	314.2	306.5	215.4	292.5	258.0	280.5	211.5
Operating income margin	%	13.3	12.3	12.1	9.8	12.0	11.3	12.0	10.5
Adjusted EBIT[1]	MEUR	367.5	321.9	319.6	228.4	319.6	273.7	300.4	218.3
Adjusted EBIT margin[1]	%	13.7	12.6	12.6	10.4	13.1	12.0	12.9	10.9
Items impacting comparability	MEUR	11.1	7.7	13.1	13.1	27.1	15.7	19.9	6.9

		Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Orders received	MEUR	1,845.8	1,739.0	2,056.2	1,913.0	1,839.2	1,771.7	2,067.8	1,942.3
Order book	MEUR	7,357.8	7,473.5	7,749.2	7,960.5	8,591.9	8,699.0	8,763.6	8,529.7
Sales	MEUR	2,306.3	2,209.7	2,337.2	1,943.4	2,593.2	2,170.2	2,272.6	1,748.3
Operating income	MEUR	292.8	317.9	335.8	245.8	392.2	331.1	348.6	221.4
Operating income margin	%	12.7	14.4	14.4	12.6	15.1	15.3	15.3	12.7
Adjusted EBIT[1]	MEUR	302.6	321.3	335.8	245.8	392.2	331.1	348.6	221.4
Adjusted EBIT margin[1]	%	13.1	14.5	14.4	12.6	15.1	15.3	15.3	12.7
Items impacting comparability	MEUR	9.9	3.3	-	-	-	-	-	-

[1] Operating income excluding items impacting comparability

Net working capital* (MEUR)	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Inventories	837.0	782.0	843.6
Advance payments received and deferred revenue	-1,972.2	-2,009.3	-1,973.8
Accounts receivable	2,494.1	2,458.0	2,668.1
Deferred assets and income tax receivables	839.3	911.7	826.9
Accruals and income tax payables	-2,314.4	-2,434.4	-2,181.2
Provisions	-183.8	-163.9	-177.4
Accounts payable	-937.8	-1,172.1	-1,132.8
Net deferred tax assets/liabilities	205.4	175.4	222.7
Total net working capital	**-1,032.3**	**-1,452.6**	**-903.9**

* To improve the comparability of net working capital across the quarters, the definition of net working capital has been revised to exclude dividend withholding tax payable. Comparative periods have been restated accordingly.

Depreciation and amortization (MEUR)	1–3/2023	1–3/2022	1–12/2022
Depreciation and amortization of fixed assets	54.2	53.3	219.8
Amortization of acquisition-related intangible assets	10.4	9.6	39.5
Total	**64.6**	**62.9**	**259.3**

Key exchange rates in Euros		Mar 31, 2023		Mar 31, 2022	
		Income statement	Statement of financial position	Income statement	Statement of financial position
Chinese Yuan	CNY	7.3802	7.4763	7.0996	7.0403
US Dollar	USD	1.0748	1.0875	1.1196	1.1101
British Pound	GBP	0.8810	0.8792	0.8383	0.8460
Indian Rupee	INR	88.4818	89.3995	84.0707	84.1340
Australian Dollar	AUD	1.5799	1.6268	1.5443	1.4829

Derivatives

Fair values of derivative financial instruments (MEUR)	Mar 31, 2023			Mar 31, 2022	Dec 31, 2022
	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net	Fair value, net
Foreign exchange forward contracts and swaps	25.5	-30.6	-5.0	41.6	-5.4

Nominal values of derivative financial instruments (MEUR)	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Foreign exchange forward contracts and swaps	3,218.3	3,532.1	2,974.8

The fair values of foreign exchange forward contracts and swaps are measured based on price information derived from active markets and commonly used valuation methods (fair value hierarchy level 2).

The fair values are represented on the balance sheet on a gross basis and can be set off on conditional terms. No collaterals or pledges have been given as a security against any liabilities or received against any assets arising from derivatives or other financial instruments. Financial contracts are executed only with counterparties that have high credit ratings. The credit risk of these counterparties as well as the present creditworthiness of KONE are considered when calculating the fair values of outstanding financial assets and liabilities.

Investments

The shares held include a 19.9% holding in Toshiba Elevator and Building Systems Corporation (TELC). TELC is an investment in equity instruments that does not have a quoted price in an active market. Investments also include other non-current financial assets which involve smaller holdings in other companies without public quotation.

Shares and other non-current financial assets are classified as investments measured at fair value through other comprehensive income and the fair value is measured using income or market approach valuation techniques under fair value hierarchy level 3.

Commitments

Commitments include guarantees issued by banks and financial institutions for obligations arising in the ordinary course of business of KONE companies up to a maximum of 1,767.8 (December 31, 2022: 1,802.9) million as of March 31, 2023.

KONE Corporation

Corporate Offices

Keilasatama 3
P.O. Box 7
FI-02150 Espoo Finland
Tel. +358 (0)204 751
www.kone.com

For further information please contact:

Natalia Valtasaari
Head of Investor Relations
Tel. +358 (0)204 75 4705

This report contains forward-looking statements that are based on the current expectations, known factors, decisions and plans of the management of KONE. Although the management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions as well as fluctuations in exchange rates.

Dedicated to
People Flow™