

KONE Q3 2022

Interim Report for January–September

KONE's January–September 2022 review:

Strong development in Services, New Equipment business burdened by China

July–September 2022

- Orders received declined by 2.5% to EUR 2,155.5 (7–9/2021: 2,211.1) million. At comparable exchange rates, orders declined by 10.0%.
- Sales grew by 14.9% to EUR 2,998.2 (2,610.0) million. At comparable exchange rates, sales grew by 6.5%.
- Operating income (EBIT) was EUR 303.9 (326.5) million or 10.1% (12.5%) of sales. The adjusted EBIT was EUR 305.8 (326.5) million or 10.2% (12.5%) of sales.*
- Cash flow from operations (before financing items and taxes) was EUR 336.1 (365.1) million.

January–September 2022

- Orders received grew by 7.3% to EUR 7,187.1 (1–9/2021: 6,697.7) million. At comparable exchange rates, orders grew by 0.1%.
- Sales grew by 3.2% to EUR 7,995.2 (7,747.3) million. At comparable exchange rates, sales declined by 3.4%.
- Operating income (EBIT) was EUR 664.0 (943.4) million or 8.3% (12.2%) of sales. The adjusted EBIT was EUR 711.6 (950.4) million or 8.9% (12.3%) of sales.*
- Cash flow from operations (before financing items and taxes) was EUR 721.4 (1,303.7) million.

Business outlook for 2022 (revised)

KONE estimates its sales in 2022 to decline by -1 to -4% at comparable exchange rates as compared to 2021. The adjusted EBIT is expected to be in the range of EUR 1,010–1,090 million, assuming that foreign exchange rates would remain at the October 2022 level. Foreign exchange rates are estimated to impact EBIT positively by around EUR 80 million. This guidance assumes that KONE's delivery capability is not impeded by extended or more severe COVID-19 restrictions in China during the fourth quarter.

KONE previously estimated its sales growth would be in the range of -1% to +3% at comparable exchange rates as compared to 2021. The adjusted EBIT was expected to be in the range of EUR 1,130–1,210 million, assuming that foreign exchange rates would remain at the July 2022 level. Foreign exchange rates were estimated to impact EBIT positively by around EUR 80 million.

* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–September 2022, items affecting comparability amounted to EUR 47.6 million including a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine, as well as costs for restructuring measures. In the comparison periods, items affecting comparability consisted of restructuring costs.

KEY FIGURES

		7-9/2022	7-9/2021	Change	1-9/2022	1-9/2021	Change	1-12/2021
Orders received	MEUR	2,155.5	2,211.1	-2.5%	7,187.1	6,697.7	7.3%	8,852.8
Order book	MEUR				9,890.5	8,436.9	17.2%	8,564.0
Sales	MEUR	2,998.2	2,610.0	14.9%	7,995.2	7,747.3	3.2%	10,514.1
Operating income	MEUR	303.9	326.5	-6.9%	664.0	943.4	-29.6%	1,295.3
Operating income margin	%	10.1	12.5		8.3	12.2		12.3
Adjusted EBIT*	MEUR	305.8	326.5	-6.3%	711.6	950.4	-25.1%	1,309.8
Adjusted EBIT margin*	%	10.2	12.5		8.9	12.3		12.5
Income before tax	MEUR	313.4	336.4	-6.8%	664.3	960.7	-30.8%	1,320.8
Net income	MEUR	238.0	260.7	-8.7%	508.2	744.5	-31.7%	1,022.7
Basic earnings per share	EUR	0.46	0.50	-8.5%	0.97	1.43	-32.0%	1.96
Cash flow from operations (before financing items and taxes)	MEUR	336.1	365.1		721.4	1,303.7		1,828.7
Interest-bearing net debt	MEUR				-1,552.8	-1,820.0		-2,164.1
Equity ratio	%				37.3	40.7		41.2
Return on equity	%				22.6	32.4		32.0
Net working capital (including financing items and taxes)	MEUR				-1,318.9	-1,356.9		-1,468.2
Gearing	%				-55.7	-62.2		-67.6

* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–September 2022, items affecting comparability amounted to EUR 47.6 million including a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine, as well as costs for restructuring measures. In the comparison periods, items affecting comparability consisted of restructuring costs.

Henrik Ehrnrooth, President and CEO:

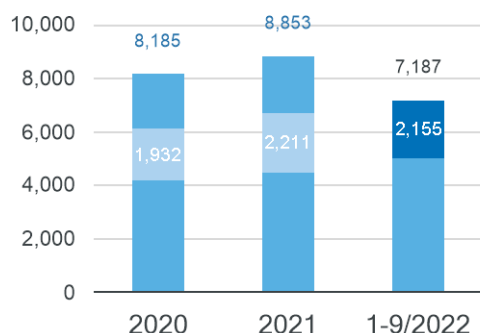
“Although the impact of the deterioration of the Chinese new equipment market was larger than expected, the third quarter was also characterized by many positives. I am particularly pleased with the continued strong performance of our services business, which was supported by robust activity in both the maintenance and modernization markets, as well as by the year-on-year improvement in the margin of new orders thanks to successful price increases. Compared to the previous quarter, pricing improved in all areas, and I would like to sincerely thank the whole KONE team for their dedication and commitment to prioritizing margin improvement. These positive developments were, however, overshadowed by the weak market environment in China, which has clearly impacted our deliveries and new orders. Liquidity constraints continued to be the key challenge, adversely affecting both new projects and progress at construction sites. COVID-19 restrictions, while less severe than in the previous quarter, added to uncertainty.

Our Services business contributed strongly to KONE’s overall sales growth with support from both volume and pricing. The demand for digital services also developed well, as customers increasingly seek to benefit from the improved safety, transparency, and uptime offered by our 24/7 Connected Services. Today close to 20% of KONE elevators in our maintenance base are connected to this service, and we are also actively installing it on non-KONE brands. For us, higher adoption of 24/7 has driven increased conversion and retention rates. We are seeing further improvements with KONE Care DX, an evolution of our flagship KONE Care and 24/7 Connected Services offerings specifically designed for our DX Class elevators. In the New Equipment business, on the other hand, sales were lower than anticipated largely due to liquidity challenges in China as well as some impact from component shortages. While the availability of components is expected to improve in the fourth quarter and commodity cost headwinds are reversing in Asia, progress at construction sites is likely to remain sluggish in several regions and cost inflation is a burden to this year’s results. As a result, we have lowered our sales and adjusted EBIT outlook for 2022.

Looking ahead, I expect our Services business to maintain its strong momentum and profitability to benefit from our actions to restore margins as of the fourth quarter. To further improve our financial performance and secure progress toward our targets, we are planning to simplify our operating model, speed up our ability to respond to changes in the external environment, and bring solutions to our customers faster. We expect these changes to have a clear impact on our operating leverage and cost structure. I am convinced that this, together with our focus on differentiation and accelerating service growth is central to strengthening our resilience and continuing to deliver superior value to our customers.”

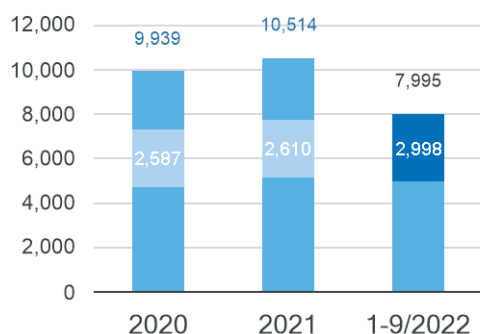
Key Figures

Orders received (MEUR)



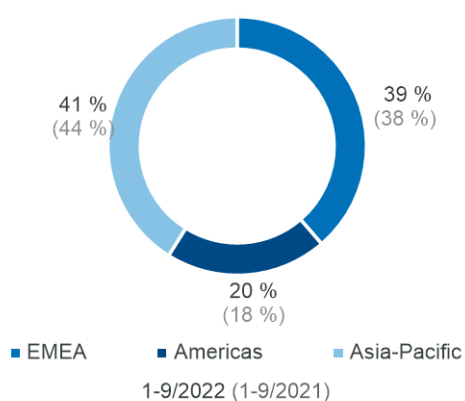
- **In July–September 2022**, orders received declined by 2.5% (declined by 10.0% at comparable exchange rates).
- At comparable rates, new equipment orders received declined significantly with significant decline in the volume business and significant growth in major projects. The decline was largely driven by China, where market conditions deteriorated further in the quarter. In modernization, orders received grew significantly with clear growth in the volume business and significant growth in major projects.
- The margin of orders received improved slightly both year-on-year and compared to the previous quarter thanks to pricing actions.
- **In January–September 2022**, orders received grew by 7.3% (grew by 0.1% at comparable exchange rates).

Sales (MEUR)

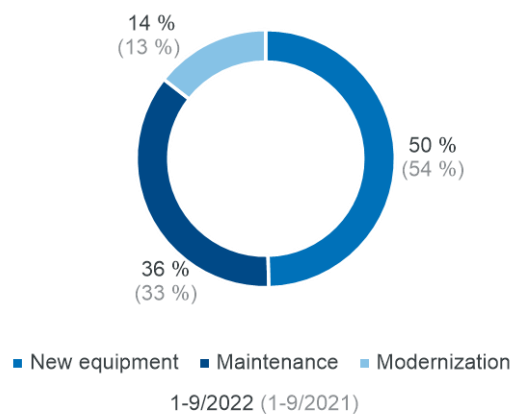


- **In July–September 2022**, sales grew by 14.9%. At comparable exchange rates, sales grew by 6.5%. All regions and businesses contributed to the growth in sales.
- New equipment sales grew by 14.5% (grew by 5.0% at comparable exchange rates). Service (maintenance and modernization) sales grew by 15.3% (grew by 8.2% at comparable exchange rates). Maintenance sales grew by 14.7% (grew by 8.0% at comparable exchange rates). Modernization sales grew by 16.9% (grew by 8.6% at comparable exchange rates).
- Sales in the EMEA region grew by 8.3% (grew by 7.0% at comparable exchange rates). In the Americas region, sales grew by 21.1% (grew by 4.5% at comparable exchange rates). In the Asia-Pacific region, sales grew by 17.8% (grew by 7.0% at comparable exchange rates).
- **In January–September 2022**, sales grew by 3.2% (declined by 3.4% at comparable exchange rates).

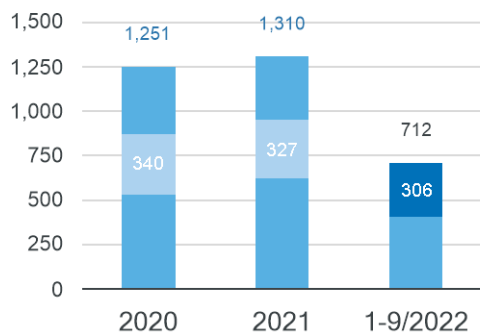
Sales by region



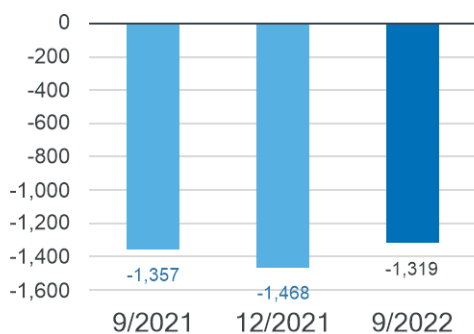
Sales by business



Adjusted EBIT (MEUR)

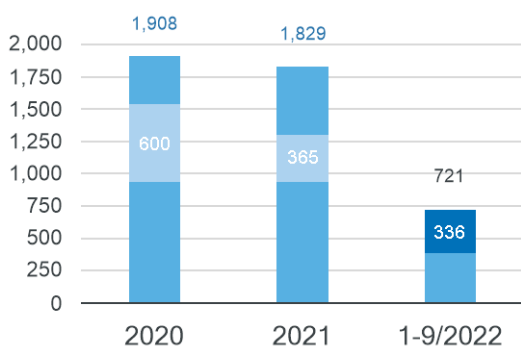


- **In July–September 2022**, operating income was 10.1% of sales (7–9/2021: 12.5%). The adjusted EBIT margin was 10.2% (12.5%).
- Profitability was burdened by continued cost headwinds and the new equipment delivery margin. Pricing, productivity and product cost actions remain strongly in focus.
- With comparable exchange rates, the translation impact on operating income for the comparison period was EUR 21.3 million.
- **In January–September 2022**, operating income was 8.3% of sales (1–9/2021: 12.2%). The adjusted EBIT margin was 8.9% (12.3%).
- Adjusted EBIT excludes costs of EUR 47.6 million related to the impairment of assets and recognition of provisions for commitments in Russia and Ukraine, as well as to restructuring measures.

Net working capital¹⁾ (MEUR)

- **At the end of September 2022**, net working capital increased moderately from the beginning of the year.
- Working capital was affected by higher-than-average inventories and the increase in accounts receivable, as well as by the decision to suspend deliveries and divest our operations in Russia.
- Foreign exchange rates had a EUR 93 million positive impact on the net working capital.

¹⁾ Including financing items and taxes

Cash flow²⁾ (MEUR)

- **In July–September 2022**, cash flow was EUR 336.1 million.
- **In January–September 2022**, cash flow amounted to EUR 721.4 million.
- Cash flow was impacted by the decline in operating income, as well as by the moderate increase in working capital.

²⁾ Cash flow from operations before financing items and taxes

KONE's January–September 2022 review

KONE's operating environment

Operating environment by region

	New equipment market in units		Maintenance market in units		Modernization market in monetary value	
	7–9/2022	1–9/2022	7–9/2022	1–9/2022	7–9/2022	1–9/2022
Total market	---	---	+	+	++	+++
EMEA	-	+	+	+	++	+++
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%)

July–September 2022

The market environment was mixed in the third quarter with continued strong activity in services and a slight slowdown in new equipment demand. Sentiment was affected by continued supply chain disruptions and labor availability constraints, as well as by rising interest rates and expectations for slowing economic growth.

In the new equipment market, continued liquidity constraints caused construction activity to decline significantly in **China** and COVID-19 restrictions, although less severe than in the previous quarter, increased uncertainty. **In the rest of Asia-Pacific**, activity grew clearly, largely due to strong recovery in India. **In the EMEA region**, activity levels were varied. The war in Ukraine impacted demand in Central and North Europe. Market activity also declined slightly in South Europe and grew slightly in the Middle East. **In North America**, the market declined slightly in units but grew significantly in monetary value.

The service market developed positively with broad based growth in both **maintenance and modernization**.

Although **the pricing environment** remained adversely affected by intense competition, market prices continued to improve outside China as a response to wide-spread cost inflation.

January–September 2022

Although the demand environment was favorable in many areas during the reporting period, overall market activity was adversely impacted by the weak market conditions in China. The disruptions to global supply chains, which were amplified by the war in Ukraine, rising interest rates and expectations for slower economic growth have also affected sentiment.

In the new equipment market in China, COVID-19 lockdowns were a considerable disruption in the second quarter. Though less severe, restrictions continued to create uncertainty during the third quarter. This, together with continued liquidity constraints, caused a significant slowdown in demand. **In the rest of Asia-Pacific**, the market grew clearly. **In the EMEA region**, increased uncertainty due to the war in Ukraine resulted in slightly declining activity in Central and North Europe. Activity in South Europe and in the Middle East grew slightly. **In North America**, the market grew clearly, thanks to strong activity in the residential and infrastructure segments in the first half of the year.

The service market developed positively with broad-based growth in both **maintenance and modernization**. Utilization rates have recovered to pre-pandemic levels in almost all customer segments and modernization market activity was driven by stimulus measures, infrastructure investments and office refurbishments.

Although **the pricing environment** remained adversely affected by intense competition, market prices improved outside China throughout the reporting period as a response to wide-spread cost inflation.

Orders received and order book

Orders received

MEUR	7-9/2022	7-9/2021	Change	Comparable change ¹⁾	1-9/2022	1-9/2021	Change	Comparable change ¹⁾	1-12/2021
Orders received	2,155.5	2,211.1	-2.5%	-10.0%	7,187.1	6,697.7	7.3%	0.1%	8,852.8

¹⁾ Change at comparable foreign exchange rates

Order book

MEUR	Sep 30, 2022	Sep 30, 2021	Change	Comparable change ¹⁾	Dec 31, 2021
Order book	9,890.5	8,436.9	17.2%	8.4%	8,564.0

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.

July–September 2022

Orders received declined by 2.5% as compared to July–September 2021 and totaled EUR 2,155.5 million. At comparable exchange rates, KONE's orders received declined by 10.0%.

At comparable rates, new equipment orders received declined significantly with significant decline in the volume business and significant growth in major projects. The decline was largely driven by China, where market conditions deteriorated further in the quarter. In modernization, orders received grew significantly with clear growth in the volume business and significant growth in major projects. Growth was supported primarily by pricing.

The margin of orders received increased slightly both year-on-year and compared to the previous quarter. The improvement was driven by price increases in all regions including China where like-for-like new equipment prices improved slightly and mix was neutral.

Orders received in the EMEA region grew slightly at comparable exchange rates as compared to July–September 2021. New equipment orders declined slightly and modernization orders grew clearly.

In the Americas region, orders received grew significantly at comparable rates as compared to July–September 2021. New equipment orders grew significantly and modernization orders grew significantly.

Orders received in the Asia-Pacific region declined significantly at comparable rates as compared to July–September 2021. 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 declined significantly. Modernization orders received declined significantly in China and grew significantly in the rest of Asia-Pacific.

January–September 2022

Orders received grew by 7.3% as compared to January–September 2021 and totaled EUR 7,187.1 million. At comparable exchange rates, KONE's orders received grew by 0.1%.

At comparable rates, orders received for the new equipment declined clearly with clear decline in volume business and significant growth in major projects. In modernization, orders received grew significantly, supported primarily by pricing as well as by volumes. Orders grew significantly in the volume business and grew significantly in major projects.

The margin of orders received declined slightly year-on-year due to increased component and logistics costs. Compared to the end of 2021, the margin on orders received improved somewhat. The improvement was driven by price increases in all regions except China where like-for-like new equipment prices declined slightly and mix was slightly negative.

Orders received in the EMEA region grew clearly at comparable exchange rates as compared to January–September 2021. New equipment orders declined slightly and modernization orders grew significantly.

In the Americas region, orders received grew significantly at comparable rates as compared to January–September 2021. New equipment orders grew significantly and modernization orders grew significantly.

Orders received in the Asia-Pacific region declined significantly at comparable rates as compared to January–September 2021. 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 slightly. Modernization orders received grew clearly in China and grew significantly in the rest of Asia-Pacific.

The order book grew by 17.2% compared to the end of September 2021 and stood at a strong level of EUR 9,890.5 million at the end of the reporting period. At comparable rates, the order book grew by 8.4%.

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

although they were somewhat higher than normal due to KONE's decision to divest its operations in Russia.

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

Sales

By region

MEUR	7-9/2022	7-9/2021	Change	Comparable change ¹⁾	1-9/2022	1-9/2021	Change	Comparable change ¹⁾	1-12/2021
EMEA	1,050.3	969.9	8.3%	7.0%	3,091.3	2,939.7	5.2%	4.1%	4,036.9
Americas	578.2	477.5	21.1%	4.5%	1,618.0	1,410.2	14.7%	2.4%	1,902.9
Asia-Pacific	1,369.7	1,162.6	17.8%	7.0%	3,285.9	3,397.4	-3.3%	-11.8%	4,574.3
Total	2,998.2	2,610.0	14.9%	6.5%	7,995.2	7,747.3	3.2%	-3.4%	10,514.1

¹⁾ Change at comparable foreign exchange rates

By business

MEUR	7-9/2022	7-9/2021	Change	Comparable change ¹⁾	1-9/2022	1-9/2021	Change	Comparable change ¹⁾	1-12/2021
New equipment	1,594.5	1,392.9	14.5%	5.0%	3,967.6	4,189.8	-5.3%	-12.5%	5,637.7
Services	1,403.7	1,217.1	15.3%	8.2%	4,027.6	3,557.5	13.2%	7.6%	4,876.4
Maintenance	986.9	860.4	14.7%	8.0%	2,872.5	2,531.0	13.5%	8.1%	3,450.6
Modernization	416.8	356.7	16.9%	8.6%	1,155.1	1,026.5	12.5%	6.2%	1,425.9
Total	2,998.2	2,610.0	14.9%	6.5%	7,995.2	7,747.3	3.2%	-3.4%	10,514.1

¹⁾ Change at comparable foreign exchange rates

July–September 2022

KONE's sales grew by 14.9% as compared to July–September 2021, and totaled EUR 2,998.2 million. At comparable exchange rates, KONE's sales grew by 6.5%. All regions and businesses contributed to the growth in sales.

New equipment sales grew by 5.0% at comparable exchange rates. Service sales grew by 8.2% at comparable exchange rates. Maintenance sales grew by 8.0% at comparable exchange rates, thanks to maintenance base growth, improved pricing and continued momentum in value-added services. Modernization sales grew by 8.6% at comparable exchange rates.

Sales in the EMEA region grew by 8.3% and totaled EUR 1,050.3 million. At comparable exchange rates, sales grew by 7.0%. New equipment sales grew significantly largely driven by growth in the Middle East. Maintenance sales grew clearly and modernization sales declined slightly in the region.

In the Americas, sales grew by 21.1% and totaled EUR 578.2 million. At comparable exchange rates, sales grew by 4.5%. New equipment sales declined slightly, maintenance sales grew clearly and modernization sales grew significantly in the region.

In Asia-Pacific, sales grew by 17.8% and totaled EUR 1,369.7 million. At comparable exchange rates, sales grew by 7.0%. New equipment sales grew slightly, maintenance sales grew significantly and modernization sales grew significantly in the Asia-Pacific region.

January–September 2022

KONE's sales grew by 3.2% as compared to January–September 2021, and totaled EUR 7,995.2 million. At comparable exchange rates, KONE's sales declined by 3.4%.

New equipment sales declined by 12.5% at comparable exchange rates due to the combined impact of severe second quarter COVID-19 lockdowns and continued liquidity constraints in China. Service sales grew by 7.6% at comparable exchange rates. At comparable exchange rates, maintenance sales grew by 8.1%, thanks to maintenance base growth, improved pricing and continued momentum in value-added services. At comparable exchange rates, modernization sales grew by 6.2%.

Sales in the EMEA region grew by 5.2% and totaled EUR 3,091.3 million. At comparable exchange rates, sales grew by 4.1%. New equipment sales grew slightly, maintenance sales grew clearly and modernization sales were stable in the region.

In the Americas, sales grew by 14.7% and totaled EUR 1,618.0 million. At comparable exchange rates, sales grew by 2.4%. New equipment sales declined significantly, maintenance sales grew clearly and modernization sales grew significantly in the region.

In Asia-Pacific, sales declined by 3.3% and totaled EUR 3,285.9 million. At comparable exchange rates, sales declined by 11.8%. New equipment sales declined significantly, maintenance sales grew significantly and modernization sales grew significantly in the region.

Financial result

Financial result

	7-9/2022	7-9/2021	Change	1-9/2022	1-9/2021	Change	1-12/2021
Operating income, MEUR	303.9	326.5	-6.9%	664.0	943.4	-29.6%	1,295.3
Operating income margin, %	10.1	12.5		8.3	12.2		12.3
Adjusted EBIT, MEUR	305.8	326.5	-6.3%	711.6	950.4	-25.1%	1,309.8
Adjusted EBIT margin, %	10.2	12.5		8.9	12.3		12.5
Income before taxes, MEUR	313.4	336.4	-6.8%	664.3	960.7	-30.8%	1,320.8
Net income, MEUR	238.0	260.7	-8.7%	508.2	744.5	-31.7%	1,022.7
Basic earnings per share, EUR	0.46	0.50	-8.5%	0.97	1.43	-32.0%	1.96

July–September 2022

KONE's operating income (EBIT) was EUR 303.9 million or 10.1% of sales. The adjusted EBIT was EUR 305.8 million or 10.2% of sales. Profitability was burdened by continued cost headwinds, as well as by the new equipment delivery margin.

Items affecting comparability, which in July–September 2022 amounted to EUR 1.9 million, consisted of restructuring costs.

With comparable exchange rates, the translation impact on operating income for the comparison period was EUR 21.3 million.

Basic earnings per share was EUR 0.46.

January–September 2022

KONE's operating income (EBIT) was EUR 664.0 million or 8.3% of sales. The adjusted EBIT was EUR 711.6 million or 8.9% of sales. Profitability was burdened by the COVID-19 lockdown related decline in sales in China during the second quarter as well as by continued cost headwinds throughout the reporting period.

As a response to Russia's invasion of Ukraine, KONE suspended its deliveries to Russia in March and announced the divestment of its operations in Russia in June. The share purchase agreement is subject to approval by the relevant regulatory authorities in Russia and is expected to close during the fourth quarter of 2022. Items affecting comparability in January–September 2022 amounted to EUR 47.6 million including a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine, as well as costs for restructuring measures. Further information can be found in the notes to the interim financial statements. In the comparison period, items affecting comparability consisted of restructuring costs.

With comparable exchange rates, the translation impact on operating income for the comparison period was EUR 58.7 million.

KONE's income before taxes was EUR 664.3 million. Taxes totaled EUR 156.1 (216.2) million. This represents an effective tax rate of 23.5% for the full financial year. Net income for the period was EUR 508.2 million.

Basic earnings per share was EUR 0.97.

Cash flow and financial position

Cash flow and financial position

	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Cash flow from operations (before financing items and taxes), MEUR	336.1	365.1	721.4	1,303.7	1,828.7
Net working capital (including financing items and taxes), MEUR			-1,318.9	-1,356.9	-1,468.2
Interest-bearing net debt, MEUR			-1,552.8	-1,820.0	-2,164.1
Gearing, %			-55.7	-62.2	-67.6
Equity ratio, %			37.3	40.7	41.2
Equity per share, EUR			5.33	5.60	6.13

KONE's financial position was very strong at the end of September 2022.

Cash flow from operations (before financing items and taxes) during January–September 2022 declined from an exceptionally strong level to EUR 721.4 million, due to the decline in operating income and a moderate increase in net working capital.

Net working capital (including financing items and taxes) was EUR -1,318.9 million at the end of September 2022. The increase from the beginning of the year was due to higher-than-average inventories and increased accounts receivable. KONE's decision to suspend deliveries and divest its operations in Russia also impacted net working capital negatively.

Interest-bearing net debt was EUR -1,552.8 million at the end of September 2022. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 2,194.3 (Dec 31, 2021: 2,885.1) million at the end of the reporting period. Interest-bearing liabilities were EUR 668.0 (Dec 31, 2021: 746.5) million, including a pension liability of EUR 117.2 (Dec 31, 2021: 194.3) million and leasing liability of EUR 338.8 (Dec 31, 2021: 343.6) million. Additionally, KONE had an asset on employee benefits, EUR 24.0 (Dec 31, 2021: 22.9) million. Gearing was -55.7% and the equity ratio was 37.3% at the end of September 2022.

Equity per share was EUR 5.33.

Capital expenditure and acquisitions

Capital expenditure & acquisitions

MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
On fixed assets	24.4	19.2	64.4	61.7	96.5
On lease agreements	26.6	26.0	72.5	94.8	120.6
On acquisitions	0.7	31.7	25.3	46.2	50.1
Total	51.6	76.8	162.1	202.7	267.3

KONE's capital expenditure and acquisitions totaled EUR 162.1 million in January–September 2022. 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 25.3 million in January–September 2022. KONE completed acquisitions of small maintenance businesses in the EMEA region.

Research and development

R&D expenditure

	7-9/2022	7-9/2021	Change	1-9/2022	1-9/2021	Change	1-12/2021
R&D expenditure, MEUR	45.3	46.2	-1.9%	137.6	141.5	-2.8%	188.8
As percentage of sales, %	1.5	1.8		1.7	1.8		1.8

The objective of KONE's research and development is to drive differentiation by putting the needs of customers and users at the center of all developments. Our R&D activities focus on developing 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 KONE DX Class elevators provide 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 regulatory 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 137.6 million, representing 1.7% of sales in January–September 2022. R&D expenditure includes the development of new product and service concepts as well as further development of existing solutions and services.

In March, KONE introduced a new range of products, solutions and services to help transform people and material flow on construction sites and provide new solutions for how buildings can become more flexible, adaptable and sustainable. Highlights consist of KONE

Construction Time Use solutions including KONE 24/7 Connected Services for improved insights and uptime; a new, standardized version of KONE JumpLift for machine-roomless elevators; as well as the industry's first carbon-neutral elevator through the use of carbon offsetting and elevators that are fully compatible with wooden buildings. In addition, KONE DX Class elevators were launched in the United States and Canada. Offering updates introduced in the new equipment business during the first quarter included a renewed elevator car design, air purifiers, as well as convenient tools for calculating energy consumption data and finding the right design combinations for building designers.

In June, KONE won three awards in the prestigious Red Dot Award: Product Design 2022 competition for a series of culture-inspired elevator interiors, a voice-operated call system and an energy saving motor.

During the third quarter, a cybersecurity certification was received for KONE DX class elevators. The IEC 62443-4-1 certification by TÜV Rheinland demonstrates that cybersecurity is an essential element in KONE's product development. To protect the company and customers from the consequences of cyberattacks, KONE is committed to complying with the new ISO 8102-20 cybersecurity standard, published in August. KONE also continues to drive cybersecurity standardization together with peers and partners to ensure the safety of the entire industry.

Personnel

KONE employees

	1-9/2022	1-9/2021	1-12/2021
Average number of employees	63,122	61,458	61,698
Number of employees at the end of period	63,378	62,124	62,720
EMEA	23,776	23,775	23,669
Americas	7,354	7,282	7,258
Asia-Pacific	32,248	31,068	31,792

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.

COVID-19 impact on the way we work

While the COVID-19 pandemic has continued globally, its impact to how KONE people are able to work has lessened in most parts of the world. Lockdowns continued in China during the third quarter; however, their impact on our operations was clearly smaller than in the previous quarter. Our priority globally continues to be serving our customers in the safest possible manner. We have supported our employees by offering flexibility where needed and by ensuring easy access to information on how to enhance wellbeing.

Employee engagement, KONE culture and talent

Making KONE a great place to work is our number one strategic target and we measure our progress with Pulse, a global engagement survey. The results of the 2022 survey, conducted during the second quarter, show that we provide a positive employee experience and an inclusive working environment. Despite a slight decline from the previous year, engagement continues to be on a high level and our employees recommend KONE as a great place to work. The very strong 91% response rate sets expectations for impactful action planning and follow-up. In this context, Pulse Talks were started in June with the aim to discuss the survey results in all teams globally and define team development actions. The Talks are expected to be completed by the end of October.

We actively encourage diversity at KONE, and our values guide us in upholding an inclusive culture. In 2022, we have launched two global Employee Resource Groups,

the Women's Employee Resource Group (SPARK) and the LGBTQ+ Employee Resource Group, with the aim to continuously improve the inclusion experience for our employees through open discussion and positive actions.

The well-being of KONE employees continues to be one of our key focus areas. We have broadened the Elevate Your Health concept to include four pillars: Physical, Emotional, Financial and Social well-being. The KONE well-being champions program was re-activated during the third quarter, and it will continue to be expanded to several new countries during the fourth quarter.

Recruitments were stable during the reporting period, with a focus on R&D, service technician, installer and sales hires. We continued to successfully hire talents also outside of the elevator and escalator industry to bring in complementary competences and skills.

Rewarding and performance

To ensure a continuous and strong focus on driving our sustainability ambitions, KONE's share based long-term incentive plan measures performance from both a

sustainability and a financial perspective. The sustainability performance condition in the 2022 incentive plan continues to be a combination of reductions in carbon footprint, diversity, equity, and inclusion as well as safety related targets. Our annual salary review is aligned to our pay for performance philosophy and closely follows rewarding from a diversity perspective. Covering over 40,000 KONE employees, the 2022 review showed that men and women in similar positions continue to be compensated equally on a global level.

Learning and development

We strive to have the best professionals with the right competencies in each position, and support this by providing our personnel with a wide range of learning opportunities. We continued to build the agility of our learning culture during the third quarter, focusing on social learning methods by promoting our communities and re-launching our coaching, mentoring and feedback channels in addition to discussing cultural elements and the learning mindset.

The upskilling program that was launched in 2021 to support KONE's Sustainable Success with Customer strategy continued in the third quarter with a strong focus

HIGHLIGHTS Q3/2022

- Refreshed Elevate your Health concept with four well-being pillars: Physical, Emotional, Financial and Social well-being
- Launch of global dashboard for completion rate of strategy-specified learning solutions

on internal marketing and the promotion of priority learning solutions that drive competence development efforts for both organization-wide and role-specific

competences. A global dashboard was launched to follow the completion rate of learning solutions in specified competence areas.

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 urban environments by enabling net zero energy buildings, smart eco-cities and low-carbon communities. To align with our heightened climate and environmental ambition, we launched our new Climate and Environmental Excellence Program during the first quarter and started its implementation during the second and third quarters by publishing training materials for KONE employees. The new program covers four focus areas: partner with customer, offering, operations and mindset and behavior.

HIGHLIGHTS Q3/2022

- KONE was awarded Gold medal in the annual EcoVadis sustainability performance assessment
- New EPDs and green product certifications received for several escalator models in Sweden and Singapore

The largest individual factor contributing to the reduction in Scope 1 and 2 greenhouse gas (GHG) emissions was the increasing use of renewable electricity in our facilities. In 2021, we exceeded our green electricity target of 50%

set in 2017 and, simultaneously, reached our medium-term target of 80% green electricity by 2025 four years in advance. All our manufacturing units use only on-site or purchased renewable electricity, except India. Furthermore, many KONE subsidiaries are taking steps to electrify their vehicle fleets. As an example, nearly 30% of our car fleet in Norway and over 10% of our fleets in the Netherlands, Sweden and Israel are composed of electric vehicles. While the majority of Scope 1 and 2 GHG emission reductions were achieved through our own efforts, COVID-19 restrictions also contributed through their continued impact to business operations globally.

Recognitions

During the first quarter, KONE was again awarded the best A grade in CDP's 2021 Supplier Engagement rating, in addition to the earlier announced placement on CDP's prestigious 2021 Climate Change A List. The CDP Supplier Engagement rating demonstrates leadership and best practice in engaging our suppliers on climate change issues. During the second quarter, KONE earned a place in the Financial Times Europe's Climate Leaders ranking. The ranking identifies companies that achieved the greatest reduction in their greenhouse gas (GHG) emissions relative to their revenue between 2015 and 2020. Additionally, KONE Singapore was one of three companies to receive an Innovation Award in Business Leadership in Sustainability from the Singapore Green Building Council, Business & Construction Authority. During the third quarter, KONE was awarded Gold medal in the annual EcoVadis sustainability performance assessment. This places KONE in the top 3% amongst all companies assessed in 2022.

In 2022, we have made good progress on achieving our target to reduce GHG emissions in our own operations (Scope 1 and 2) by 16% compared to 2018.

The vast majority of 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. In 2021, our product and value chain related Scope 3 GHG emissions decreased by 0.3% compared to 2020 and increased by 0.4% compared to 2018, relative to ordered products. The major contributing factor to the decrease was the further improved energy efficiency of our products. We are constantly improving our product-related Scope 3 GHG emissions calculations as we work with our suppliers and partners for more transparent and efficient data collection.

We have also set a separate target of 4% annual reduction in our Scope 3 logistics carbon footprint relative to units delivered. In 2021, our logistics GHG emissions decreased by 3.5% relative to units delivered as compared to the previous year. For waste, our long-term target of 0% landfill waste from our manufacturing units by 2030 remains in place. In 2021, we were already at a low level of 0.4% (2020: 0.6%).

Environmental targets and outcomes

In 2020, KONE was the first in its industry to set ambitious, science-based GHG emission reduction targets validated against the latest climate science by the Science Based Targets initiative (SBTi) and to pledge to have carbon neutral operations by 2030. KONE's long-term target for Scope 1 and 2 emissions is an absolute reduction of 50% by 2030 from the base-year 2018. In addition, KONE targets a 40% reduction in emissions related to its products' materials and lifetime energy use (Scope 3 emissions) over the same target period, relative to orders received.

During the first quarter, we finalized the calculations of our 2021 carbon footprint. KONE's total carbon footprint data (Scope 1, 2 and 3 GHG emissions) have been externally assured. In 2021, KONE's target was to reduce its operational carbon footprint (Scope 1 and 2) by 7% compared to 2018. This target was exceeded as our overall operational carbon footprint decreased by 15% compared to 2018. Due to the expansion of our operations, we also measure comparable carbon footprint scope which reduced by 20% in 2021 compared to 2019.

KONE's sustainable offering

KONE supports sustainable and green building through our energy-efficient and innovative offering, functional and sustainable materials, as well as transparent documentation about our products' environmental impacts. We can help our customers meet various green building requirements even better with the KONE DX Class elevator range.

During the first quarter of 2022, our sustainable offering was extended with the launch of the first carbon neutral elevator in the industry. Our customers now have the option to buy their highly energy efficient KONE DX Class elevator as carbon neutral, where embodied carbon emissions until the handover (including emissions from materials, manufacturing, logistics and installation) are compensated. We follow a three-step approach to reach

carbon neutrality: measure, reduce, and compensate. We measure and communicate our product carbon footprint in our Environmental Product Declarations. We actively reduce our carbon emissions in line with KONE's Climate Pledge, KONE's Environmental guidelines and overall emission reduction targets. The remaining carbon emissions are compensated through a third party – South Pole.

KONE has a wide range of best-in-class energy performance references for our elevators and escalators. During the second quarter, one of the best-in-class rated elevators, KONE MonoSpace® received an additional China-mark, certified by TÜV, for its superior energy efficiency. Externally verified Environmental Product Declarations (EPDs) were published for the KONE MonoSpace® 500 DX elevator for the North American markets and the KONE MiniSpace™ HighRise with KONE UltraRope® elevator in the first half, as well as for the KONE TravelMaster™ 110 and KONE TravelMaster™ 110T

escalators in the third quarter. This represents an important achievement in the transparent communication of the lifecycle environmental impacts of our products.

As a demonstration of our sustainable offering, several KONE solutions have recently received external sustainability recognitions. During the first half of 2022, Singapore Green Building Product (SGBP) certifications were received for the KONE TravelMaster™ 110 escalator and the KONE N MonoSpace® and KONE N MiniSpace™ elevators with the highest "Leader" ratings. Also, in the third quarter, KONE received a re-approval of KONE TransitMaster™ 140 escalator. KONE currently has seven SGBP certifications with the highest "Leader" ratings. KONE is the first elevator and escalator company to achieve such top ratings in the vertical transportation category. KONE also received approved Byggarubedömningen (BVB) assessments for the KONE TravelMaster™ 110 and KONE TransitMaster™ 180 escalators.

Changes in the Executive Board

In January–September 2022, KONE announced the following changes in the Executive Board.

Karla Lindahl was appointed Executive Vice President, South Europe and Mediterranean and a member of the Executive Board at KONE as of April 1, 2022. She succeeds Thomas Hinnervik, Executive Vice President for South Europe, Middle East and Africa who left KONE at the end of April. As of April 1, 2022, Samer Halabi, Executive Vice President for the Asia-Pacific region excluding China, also

assumed the responsibility for the Middle East and Africa region.

Joe Bao was appointed Executive Vice President, responsible for the Greater China region and member of the Executive Board as of October 8, 2022. He succeeds William B. Johnson who has retired from the Executive Board after serving as Executive Vice President, Greater China since 2012.

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 154 million at the end of September 2022 (June 30, 2022: EUR 154 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. As China accounts for approximately one third of KONE's sales, a sustained market decline in the Chinese construction industry represents a risk for KONE's financial performance. Liquidity restrictions in the Chinese property markets started to raise market concerns during 2021 and the financing environment has remained tight throughout this year. The resulting decline in construction activity has adversely affected KONE's growth and profitability. KONE's customer portfolio is well diversified, limiting individual customer risks. However, prolonged liquidity constrictions 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.

The war in Ukraine has increased geopolitical risks and added to the disruption of global supply chains. The resulting shortage of materials and services, as well as rising costs, may expose KONE to business disruptions, rescheduling of orders and profitability risks. Global supply chains have also suffered from governmental lockdowns in China due to COVID-19 outbreaks. Should the Chinese authorities continue to implement strict COVID-19 restrictions, this would have an adverse impact on the Chinese economy, construction activity, availability of workforce and thereby the demand for KONE's services and solutions.

High inflation, rising interest rates and supply chain disruptions have weakened the global economic outlook, which represents a risk to KONE's business and profitability. 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.

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, for example, 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 component and subcontracted labor availability and cost risk 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. During the third quarter, KONE continued to use its global supply network to manage uncertainties in the global material markets and logistics.

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 also 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.

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 2021.

Risk management

Risks	Mitigation actions
Weakening of the economic environment, particularly in China	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 logistics costs weakening KONE's profitability	KONE aims to offset cost increases by improving the margin of orders received and 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.
Quality and reliability of IT systems and cybersecurity risks	KONE's security policies define controls to safeguard 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 2021.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on March 1, 2022. The meeting was held based on the so-called temporary act so that shareholders participated in the meeting and exercised their shareholder rights only by voting in advance and by submitting counterproposals and asking questions in advance.

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, 2021.

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 Jennifer Xin-Zhe Li. Krishna Mikkilineni and Andreas Opfermann were elected as new Members to the Board of Directors.

At its meeting held after the General Meeting on March 1, 2022, the Board of Directors elected from among its members Antti Herlin as its Chairman and Jussi Herlin as Vice Chairman.

Ravi Kant was elected as Chairman and Matti Alahuhta, Jussi Herlin and Susan Duinhoven as members of the Audit Committee. Ravi Kant, Matti Alahuhta and Susan Duinhoven are independent of both the company and of significant shareholders.

Antti Herlin was elected as Chairman and Matti Alahuhta, Jussi Herlin and Jennifer Xin-Zhe Li as members of the Nomination and Compensation Committee. Matti Alahuhta and Jennifer Xin-Zhe Li 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 Chairman 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: Chairman of the Audit Committee: EUR 20,000 and members of the Audit Committee: EUR 10,000, and Chairman 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 2023.

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 2023.

The audit firm Ernst & Young Oy was nominated as the auditor for the term 2022.

On March 24, 2022, KONE announced Andreas Opfermann's decision to resign from his position as a member of the Board of Directors of KONE, effective March 31, 2022 due to the significant and increasing time demands in his current role at Linde. Following his resignation, KONE's Board consists of the following ordinary members: Matti Alahuhta, Susan Duinhoven, Antti Herlin, Iiris Herlin, Jussi Herlin, Ravi Kant, Jennifer Xin-Zhe Li and Krishna Mikkilineni.

Share-based incentives

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

The performance plan emphasizes profitable growth and sustainability. Incorporating sustainability measures alongside financial metrics ensures a strong focus on driving transformation and achieving our sustainability ambitions. The plan consists of annually commencing individual share plans, each with a three-year rolling performance period, after which the potential share awards vest. 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 potential reward is to be paid as a combination of KONE class B shares and a cash payment equivalent to the taxes and similar charges that are incurred from the receipt of shares. The target group and targets within the plan as

well as possible rewards are decided upon annually by the Board. As part of the performance share 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 2022 performance share plan is targeted to approximately 55 members of the top management, including the President and CEO, members of the Executive Board and other top management, and approximately 525 other selected key personnel of KONE Group. The performance criteria applied to the 2022 performance share plan are based on annual growth in sales, adjusted EBIT margin and improvements in

sustainability. The sustainability performance condition is a combination of reductions in carbon footprint, and targets related to diversity, equity and inclusion as well as safety.

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 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 potentially granted 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

	Sep 30, 2022	Dec 31, 2021
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	11,221,025	11,433,525
Share capital, EUR	66,174,483	66,174,483
Market capitalization, MEUR*	20,525	32,652

* 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.

Treasury shares

	1-9/2022
Treasury shares at the beginning of the period	11,433,525
Changes in treasury shares during the period	-212,500
Treasury shares at the end of the period	11,221,025

At the end of September 2022, the Group had 11,221,025 treasury shares. Treasury shares represent

2.5% of the total number of class B shares. This corresponds to 0.9% of the total voting rights.

Shares traded on Nasdaq Helsinki

	1-9/2022	1-9/2021	1-12/2021
Shares traded on the Nasdaq Helsinki Ltd., million	186.4	131.7	180.4
Average daily trading volume	980,915	696,689	715,964
Volume-weighted average share price	EUR 47.07	67.38	65.44
Highest share notation	EUR 64.12	73.86	73.86
Lowest share notation	EUR 37.61	60.00	55.48
Share notation at the end of the period	EUR 39.61	60.78	63.04

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

The number of registered shareholders was 88,182 at the beginning of the review period and 110,750 at its end. The number of private households holding shares

totaled 105,319 at the end of the period, which corresponds to approximately 12.7% of the listed B shares. At the end of September 2022, a total of 51.9% of

the B shares were owned by nominee-registered and non-Finnish investors.

Flagging notifications

During January–September 2022, BlackRock, Inc. announced two notices in accordance with the Finnish Securities Market Act Chapter 9, Section 5. The notices were announced on March 7 and March 9. The notices have been released as stock exchange releases and are available on KONE Corporation's internet pages at

www.kone.com. According to the latest notification, the total number of KONE Corporation shares owned by BlackRock, Inc. and its funds decreased to below five (5) per cent of the share capital of KONE Corporation on March 8, 2022.

Outlook

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

Market outlook 2022 (updated)

The Chinese new equipment market is expected to decline by over 20% due to the tightened liquidity situation in the property markets and the impact of COVID-19 related restrictions. In the rest of the world, activity is expected to be stable in the EMEA region and grow clearly in both North America and Asia-Pacific, excluding China.

Modernization markets are expected to grow across regions supported by an aging equipment base, stimulus measures, and the emphasis on the adaptability of buildings.

Maintenance activity is expected to return to pre-pandemic growth trajectory with slight growth in the more mature markets and clear growth in Asia-Pacific.

Supply chain constraints and rising interest rates may limit growth in construction activity, which could impact demand in the new equipment and modernization markets. COVID-19 related lockdown measures in China and the war in Ukraine are adding to global supply chain disruptions and increasing uncertainty in the demand environment.

Business outlook 2022 (revised)

KONE estimates its sales in 2022 to decline by -1 to -4% at comparable exchange rates as compared to 2021. The adjusted EBIT is expected to be in the range of EUR 1,010–1,090 million, assuming that foreign exchange rates would remain at the October 2022 level. Foreign exchange rates are estimated to impact EBIT positively by around EUR 80 million. This guidance assumes that KONE's delivery capability is not impeded by extended or more severe COVID-19 restrictions in China during the fourth quarter.

KONE has a positive outlook for services and a solid order book. Furthermore, the effect of product cost, productivity and pricing actions are expected to support the results towards the latter part of the year.

Headwinds for the 2022 results include increased material, component and logistics costs, as well as

constraints in global supply chains. Other key headwinds are the deterioration of the market environment in China and the impact of COVID-19 restrictions.

KONE previously estimated its sales growth would be in the range of -1% to +3% at comparable exchange rates as compared to 2021. The adjusted EBIT was expected to be in the range of EUR 1,130–1,210 million, assuming that foreign exchange rates would remain at the July 2022 level. Foreign exchange rates were estimated to impact EBIT positively by around EUR 80 million.

Helsinki, October 27, 2022

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	7-9/2022	%	7-9/2021	%	1-9/2022	%	1-9/2021	%	1-12/2021	%
Sales	2,998.2		2,610.0		7,995.2		7,747.3		10,514.1	
Costs and expenses	-2,628.2		-2,221.8		-7,137.7		-6,621.9		-8,974.8	
Depreciation and amortization	-66.2		-61.7		-193.4		-181.9		-244.0	
Operating income	303.9	10.1	326.5	12.5	664.0	8.3	943.4	12.2	1,295.3	12.3
Financing income	15.9		16.1		38.8		37.8		52.9	
Financing expenses	-6.3		-6.2		-38.5		-20.6		-27.4	
Income before taxes	313.4	10.5	336.4	12.9	664.3	8.3	960.7	12.4	1,320.8	12.6
Taxes	-75.4		-75.7		-156.1		-216.2		-298.1	
Net income	238.0	7.9	260.7	10.0	508.2	6.4	744.5	9.6	1,022.7	9.7
Net income attributable to:										
Shareholders of the parent company	237.3		259.3		501.9		738.5		1,014.2	
Non-controlling interests	0.8		1.5		6.4		6.0		8.5	
Total	238.0		260.7		508.2		744.5		1,022.7	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share, EUR	0.46		0.50		0.97		1.43		1.96	
Diluted earnings per share, EUR	0.46		0.50		0.97		1.42		1.96	

Consolidated statement of comprehensive income

MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Net income	238.0	260.7	508.2	744.5	1,022.7
Other comprehensive income, net of tax:					
Translation differences	57.9	48.9	154.9	130.3	205.6
Hedging of foreign subsidiaries	-12.1	-9.1	-37.0	-21.1	-28.6
Cash flow hedges	-4.7	1.1	-4.7	-2.5	-2.1
Items that may be subsequently reclassified to statement of income	41.1	40.9	113.2	106.7	175.0
Changes in fair value	0.5	1.5	-10.5	-1.9	0.6
Remeasurements of employee benefits	26.4	-4.0	57.1	28.5	-6.7
Items that will not be reclassified to statement of income	26.9	-2.4	46.6	26.6	-6.1
Total other comprehensive income, net of tax	68.0	38.5	159.8	133.4	168.9
Total comprehensive income	306.0	299.2	668.0	877.9	1,191.5
Total comprehensive income attributable to:					
Shareholders of the parent company	305.2	297.8	661.6	871.9	1,183.1
Non-controlling interests	0.8	1.5	6.4	6.0	8.5
Total	306.0	299.2	668.0	877.9	1,191.5

Condensed consolidated statement of financial position

Assets

MEUR		Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
Non-current assets				
Goodwill		1,465.9	1,384.3	1,405.2
Other intangible assets		211.0	216.7	216.9
Tangible assets		744.5	720.9	736.7
Shares and other non-current financial assets		135.0	142.0	144.6
Non-current loans receivable	I	2.5	2.5	2.6
Employee benefit assets	I	24.0	22.2	22.9
Deferred tax assets	II	268.8	248.8	269.1
Total non-current assets		2,851.7	2,737.5	2,798.0
Current assets				
Inventories	II	935.9	673.7	717.8
Accounts receivable	II	2,656.4	2,317.9	2,421.4
Deferred assets	II	824.3	711.5	780.8
Income tax receivables	II	177.9	142.5	117.3
Current deposits and loan receivables	I	1,577.7	2,067.2	2,394.7
Cash and cash equivalents	I	616.6	436.1	490.4
Total current assets		6,788.8	6,349.0	6,922.4
Total assets		9,640.5	9,086.5	9,720.4

Equity and liabilities

MEUR		Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
Equity				
		2,790.3	2,927.0	3,199.2
Non-current liabilities				
Loans	I	429.1	441.9	435.4
Employee benefit liabilities	I	117.2	153.5	194.3
Deferred tax liabilities	II	87.2	90.7	86.9
Total non-current liabilities		633.5	686.1	716.6
Provisions	II	194.8	164.6	152.3
Current liabilities				
Loans	I	121.7	112.7	116.8
Advance payments received and deferred revenue	II	2,153.3	1,893.7	1,957.0
Accounts payable	II	1,392.3	1,056.6	1,310.2
Accruals	II	2,256.3	2,112.4	2,137.4
Income tax payables	II	98.3	133.4	130.9
Total current liabilities		6,021.9	5,308.8	5,652.3
Total equity and liabilities		9,640.5	9,086.5	9,720.4

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	Net income for the period	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									501.9	6.4	508.2
Other comprehensive income:											
Translation differences					154.9						154.9
Hedging of foreign subsidiaries					-37.0						-37.0
Cash flow hedges				-4.7							-4.7
Changes in fair value				-10.5							-10.5
Remeasurements of employee benefits						57.1					57.1
Transactions with shareholders and non-controlling interests:											
Profit distribution								-1,087.8			-1,087.8
Purchase of own shares											-
Change in non-controlling interests								-1.5		-3.1	-4.6
Share-based compensation			15.5				11.7	-11.7			15.5
Sep 30, 2022	66.2	100.3	389.5	25.0	284.0	-64.6	-186.9	1,646.6	501.9	28.2	2,790.3

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	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2021	66.2	100.3	345.7	41.7	-10.9	-115.0	-164.7	2,911.3		22.6	3,197.3
Net income for the period									738.5	6.0	744.5
Other comprehensive income:											
Translation differences					130.3						130.3
Hedging of foreign subsidiaries					-21.1						-21.1
Cash flow hedges				-2.5							-2.5
Changes in fair value				-1.9							-1.9
Remeasurements of employee benefits						28.5					28.5
Transactions with shareholders and non-controlling interests:											
Profit distribution								-1,166.3			-1,166.3
Purchase of own shares											-
Change in non-controlling interests								1.5		-6.0	-4.5
Share-based compensation			22.7				11.9	-11.9			22.7
Sep 30, 2021	66.2	100.3	368.4	37.3	98.3	-86.4	-152.8	1,734.6	738.5	22.6	2,927.0

Consolidated statement of changes in equity

	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	Net income for the period	Non-controlling interests	Total equity
MEUR											
Jan 1, 2021	66.2	100.3	345.7	41.7	-10.9	-115.0	-164.7	2,911.3		22.6	3,197.3
Net income for the period									1,014.2	8.5	1,022.7
Other comprehensive income:											
Translation differences					205.6						205.6
Hedging of foreign subsidiaries					-28.6						-28.6
Cash flow hedges				-2.1							-2.1
Changes in fair value				0.6							0.6
Remeasurements of employee benefits						-6.7					-6.7
Transactions with shareholders and non-controlling interests:											
Profit distribution								-1,166.3			-1,166.3
Purchase of own shares							-45.8				-45.8
Change in non-controlling interests								0.3		-6.1	-5.8
Share-based compensation			28.3				11.9	-11.9			28.3
Dec 31, 2021	66.2	100.3	374.0	40.2	166.1	-121.6	-198.6	1,733.4	1,014.2	25.0	3,199.2

Condensed consolidated statement of cash flows

MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Operating income	303.9	326.5	664.0	943.4	1,295.3
Change in net working capital before financing items and taxes	-34.0	-23.1	-136.1	178.4	289.4
Depreciation and amortization	66.2	61.7	193.4	181.9	244.0
Cash flow from operations before financing items and taxes	336.1	365.1	721.4	1,303.7	1,828.7
Cash flow from financing items and taxes	-12.7	-42.2	-147.0	-196.6	-244.0
Cash flow from operating activities	323.4	322.8	574.3	1,107.2	1,584.8
Cash flow from investing activities	-37.9	-18.2	-93.6	-70.4	-106.0
Cash flow after investing activities	285.5	304.6	480.7	1,036.7	1,478.8
Purchase of own shares	-	-	-	-	-45.8
Profit distribution	-	-	-1,087.8	-1,166.3	-1,166.3
Change in deposits and loans receivable, net	-92.2	-319.6	844.1	156.3	-151.7
Change in loans payable and other interest-bearing debt	-40.4	-36.1	-114.8	-58.3	-97.0
Changes in non-controlling interests	-1.8	-0.1	-7.3	-1.1	-1.2
Cash flow from financing activities	-134.4	-355.8	-365.8	-1,069.4	-1,462.0
Change in cash and cash equivalents	151.1	-51.2	114.9	-32.7	16.8
Cash and cash equivalents at beginning of period	462.2	482.5	490.4	457.9	457.9
Translation difference	3.4	4.8	11.4	10.8	15.6
Cash and cash equivalents at end of period	616.6	436.1	616.6	436.1	490.4

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Interest-bearing net debt at beginning of period	-1,263.4	-1,501.4	-2,164.1	-1,953.8	-1,953.8
Interest-bearing net debt at end of period	-1,552.8	-1,820.0	-1,552.8	-1,820.0	-2,164.1
Change in interest-bearing net debt	-289.5	-318.5	611.3	133.9	-210.2

Payments of lease liabilities included in financing activities were EUR -93.7 (January–September 2021: -91.0) million and interest expense paid included in cash flow from financing items and taxes were EUR 7.0 (January–September 2021: 6.7) million.

Notes to the interim report

ACCOUNTING PRINCIPLES

KONE Corporation's Interim Report for January–September 2022 has been prepared in line with IAS 34, 'Interim Financial Reporting' and should be read in conjunction with KONE's financial statements for 2021, published on February 2, 2022. KONE has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2021. The information presented in this Interim Report has not been audited.

KEY FIGURES

		1–9/2022	1–9/2021	1–12/2021
Basic earnings per share	EUR	0.97	1.43	1.96
Diluted earnings per share	EUR	0.97	1.42	1.96
Equity per share	EUR	5.33	5.60	6.13
Interest-bearing net debt	MEUR	-1,552.8	-1,820.0	-2,164.1
Equity ratio	%	37.3	40.7	41.2
Gearing	%	-55.7	-62.2	-67.6
Return on equity	%	22.6	32.4	32.0
Return on capital employed	%	19.7	27.1	26.8
Total assets	MEUR	9,640.5	9,086.5	9,720.4
Assets employed	MEUR	1,237.4	1,107.0	1,035.1
Net working capital (including financing and tax items)	MEUR	-1,318.9	-1,356.9	-1,468.2

The calculation formulas of key figures are presented in KONE's Financial Statements for 2021.

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–September 2022, items affecting comparability consisted of costs arising from impairment of assets and recognition of provisions for commitments in Russia and Ukraine, as well as restructuring costs. In 2021 and earlier years, items affecting comparability consisted of restructuring costs.

		7–9/2022	7–9/2021	1–9/2022	1–9/2021	1–12/2021
Operating income	MEUR	303.9	326.5	664.0	943.4	1,295.3
Operating income margin	%	10.1	12.5	8.3	12.2	12.3
Items impacting comparability	MEUR	1.9	-	47.6	7.0	14.5
Adjusted EBIT	MEUR	305.8	326.5	711.6	950.4	1,309.8
Adjusted EBIT margin	%	10.2	12.5	8.9	12.3	12.5

DIVESTMENTS

In June 2022 KONE announced decision to divest its business in Russia by selling it to local management. The share purchase agreement is subject to approval by the relevant regulatory authorities in Russia and closing is expected to be effected during the fourth quarter of 2022. At the closing of the reporting period management considers that the criteria are met for the business to be classified as held for sale. The assets and liabilities have however not been presented separately from other assets and liabilities of the Group in the statement of financial position nor have results related to the business been presented as a separate component in the income statement as the impact is immaterial. The assets and liabilities of the business have been measured at the lower of their carrying amount or fair value less cost to sell. Items affecting comparability in January–September 2022 primarily consist of the impairment of assets and recognition of provisions for commitments in Russia and Ukraine, as well as restructuring measures. The charge is subject to fluctuation in Russian ruble against the euro.

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 2015–2016 are not restated and thus not fully comparable.

		Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Orders received	MEUR	2,155.5	2,609.0	2,422.6	2,155.1	2,211.1	2,410.7	2,075.9
Order book	MEUR	9,890.5	10,000.4	9,255.4	8,564.0	8,436.9	8,272.5	8,180.4
Sales	MEUR	2,998.2	2,555.1	2,441.9	2,766.8	2,610.0	2,810.8	2,326.4
Operating income	MEUR	303.9	189.0	171.1	351.9	326.5	367.1	249.8
Operating income margin	%	10.1	7.4	7.0	12.7	12.5	13.1	10.7
Adjusted EBIT ¹⁾	MEUR	305.8	209.3	196.5	359.4	326.5	374.0	249.8
Adjusted EBIT margin ¹⁾	%	10.2	8.2	8.0	13.0	12.5	13.3	10.7
Items impacting comparability	MEUR	1.9	20.3	25.4	7.5	-	7.0	-

		Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Orders received	MEUR	2,068.7	1,931.7	2,075.4	2,109.3	1,988.3	2,007.3	2,310.1	2,094.1
Order book	MEUR	7,728.8	7,914.4	8,307.3	8,386.4	8,051.5	8,399.8	8,407.1	8,454.7
Sales	MEUR	2,621.2	2,587.0	2,532.1	2,198.3	2,684.6	2,557.6	2,540.8	2,198.8
Operating income	MEUR	367.1	333.1	315.5	197.2	356.4	314.2	306.5	215.4
Operating income margin	%	14.0	12.9	12.5	9.0	13.3	12.3	12.1	9.8
Adjusted EBIT ¹⁾	MEUR	380.6	339.8	324.6	205.6	367.5	321.9	319.6	228.4
Adjusted EBIT margin ¹⁾	%	14.5	13.1	12.8	9.4	13.7	12.6	12.6	10.4
Items impacting comparability	MEUR	13.5	6.7	9.1	8.4	11.1	7.7	13.1	13.1

		Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Orders received	MEUR	1,937.9	1,831.9	2,118.6	1,908.7	1,845.8	1,739.0	2,056.2	1,913.0
Order book	MEUR	7,950.7	7,791.6	7,915.3	7,786.6	7,357.8	7,473.5	7,749.2	7,960.5
Sales	MEUR	2,443.4	2,288.7	2,330.6	2,008.0	2,306.3	2,209.7	2,337.2	1,943.4
Operating income	MEUR	292.5	258.0	280.5	211.5	292.8	317.9	335.8	245.8
Operating income margin	%	12.0	11.3	12.0	10.5	12.7	14.4	14.4	12.6
Adjusted EBIT ¹⁾	MEUR	319.6	273.7	300.4	218.3	302.6	321.3	335.8	245.8
Adjusted EBIT margin ¹⁾	%	13.1	12.0	12.9	10.9	13.1	14.5	14.4	12.6
Items impacting comparability	MEUR	27.1	15.7	19.9	6.9	9.9	3.3	-	-

		Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Orders received	MEUR	1,839.2	1,771.7	2,067.8	1,942.3	1,947.2	1,764.5	2,193.5	2,053.8
Order book	MEUR	8,591.9	8,699.0	8,763.6	8,529.7	8,209.5	8,350.7	8,627.4	8,529.6
Sales	MEUR	2,593.2	2,170.2	2,272.6	1,748.3	2,561.8	2,184.2	2,210.4	1,690.9
Operating income	MEUR	392.2	331.1	348.6	221.4	378.5	325.9	325.2	211.9
Operating income margin	%	15.1	15.3	15.3	12.7	14.8	14.9	14.7	12.5
Adjusted EBIT ¹⁾	MEUR	392.2	331.1	348.6	221.4	378.5	325.9	325.2	211.9
Adjusted EBIT margin ¹⁾	%	15.1	15.3	15.3	12.7	14.8	14.9	14.7	12.5
Items impacting comparability	MEUR	-	-	-	-	-	-	-	-

¹⁾ Operating income excluding items impacting comparability

Net working capital

MEUR	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
Net working capital			
Inventories	935.9	673.7	717.8
Advance payments received and deferred revenue	-2,153.3	-1,893.7	-1,957.0
Accounts receivable	2,656.4	2,317.9	2,421.4
Deferred assets and income tax receivables	1,002.1	854.0	898.1
Accruals and income tax payables	-2,354.7	-2,245.8	-2,268.2
Provisions	-194.8	-164.6	-152.3
Accounts payable	-1,392.3	-1,056.6	-1,310.2
Net deferred tax assets/liabilities	181.6	158.2	182.2
Total net working capital	-1,318.9	-1,356.9	-1,468.2

Depreciation and amortization

MEUR	7-9/2022	7-9/2021	1-9/2022	1-9/2021	1-12/2021
Depreciation and amortization of fixed assets	55.9	52.3	163.7	153.7	207.7
Amortization of acquisition-related intangible assets	10.3	9.4	29.7	28.2	36.4
Total	66.2	61.7	193.4	181.9	244.0

Key exchange rates in euros

		Sep 30, 2022		Sep 30, 2021	
		Average rate	End rate	Average rate	End rate
Chinese Yuan	CNY	7.0147	6.9368	7.7422	7.4847
US Dollar	USD	1.0637	0.9748	1.1972	1.1579
British Pound	GBP	0.8485	0.8830	0.8663	0.8605
Australian Dollar	AUD	1.5082	1.5076	1.5833	1.6095

Derivatives

Fair values of derivative financial instruments

			Sep 30, 2022	Sep 30, 2021	Dec 31, 2021	
		Derivative assets	Derivative liabilities	Fair value, net	Fair value, net	
MEUR				Fair value, net	Fair value, net	
	Foreign exchange forward contracts and swaps	55.7	-64.1	-8.4	15.3	46.0

Nominal values of derivative financial instruments

	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
MEUR			
Foreign exchange forward contracts and swaps	2,805.5	4,323.8	3,605.3

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. The fair value of TELC shares is estimated using a dividend discount model with the key inputs to the model including forecast dividend and discount rate. 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 EUR 1,936.1 (Dec 31, 2021: 1,735.7) million as of September 30, 2022.

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.

Front and back cover reference images

Located in Lyon, France, Silex2 consists of two buildings, combining living and working comfort for the well-being of its users, with a total area of 30,700 m², supplemented by 1,700 m² of green spaces. KONE provided an integrated and connected solution that takes into account all the needs of the building. With 14 elevators, 2 escalators and 11 turnstiles - as well as KONE Access, KONE Destination and KONE E-Link services - facility managers have efficient access control and optimal people flow supervision, while guaranteeing the security and confidentiality of users. And the connectivity benefits don't stop there: all elevators are equipped with KONE 24/7 Connected Services predictive maintenance. Equipped with KONE's eco-efficient equipment with a low carbon footprint, the building has been awarded the BREEAM Excellent level certification.

KONE CORPORATION

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