

KONE Q4 2022

Financial Statement Bulletin

KONE's January–December 2022 review:

Strong growth in services, new equipment business impacted by considerable changes in market conditions

October–December 2022

- Orders received declined by 9.8% to EUR 1,944.2 (10–12/2021: 2,155.1) million. At comparable exchange rates, orders declined by 11.2%.
- Sales grew by 5.2% to EUR 2,911.5 (2,766.8) million. At comparable exchange rates, sales grew by 2.9%.
- Operating income (EBIT) was EUR 367.1 (351.9) million or 12.6% (12.7%) of sales. The adjusted EBIT was EUR 365.0 (359.4) million or 12.5% (13.0%) of sales.*
- Cash flow from operations (before financing items and taxes) was EUR 33.3 (525.0) million.

January–December 2022

- Orders received grew by 3.1% to EUR 9,131.3 (1–12/2021: 8,852.8) million. At comparable exchange rates, orders declined by 2.5%.
- Sales grew by 3.7% to EUR 10,906.7 (10,514.1) million. At comparable exchange rates, sales declined by 1.8%.
- Operating income (EBIT) was EUR 1,031.2 (1,295.3) million or 9.5% (12.3%) of sales. The adjusted EBIT was EUR 1,076.6 (1,309.8) million or 9.9% (12.5%) of sales.*
- Cash flow from operations (before financing items and taxes) was EUR 754.7 (1,828.7) million.
- The Board proposes a dividend of EUR 1.75 per class B share for the year 2022.

Business outlook for 2023

KONE expects 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 is expected to start to recover due to improved margins on orders received in 2022 and continued solid performance in the maintenance business.

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

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

KEY FIGURES

		10-12/2022	10-12/2021	Change	1-12/2022	1-12/2021	Change
Orders received	MEUR	1,944.2	2,155.1	-9.8%	9,131.3	8,852.8	3.1%
Order book	MEUR				9,026.1	8,564.0	5.4%
Sales	MEUR	2,911.5	2,766.8	5.2%	10,906.7	10,514.1	3.7%
Operating income	MEUR	367.1	351.9	4.3%	1,031.2	1,295.3	-20.4%
Operating income margin	%	12.6	12.7		9.5	12.3	
Adjusted EBIT*	MEUR	365.0	359.4	1.6%	1,076.6	1,309.8	-17.8%
Adjusted EBIT margin*	%	12.5	13.0		9.9	12.5	
Income before tax	MEUR	364.1	360.1	1.1%	1,028.4	1,320.8	-22.1%
Net income	MEUR	276.3	278.1	-0.7%	784.5	1,022.7	-23.3%
Basic earnings per share	EUR	0.53	0.53	-1.1%	1.50	1.96	-23.6%
Cash flow from operations (before financing items and taxes)	MEUR	33.3	525.0		754.7	1,828.7	
Interest-bearing net debt	MEUR				-1,309.0	-2,164.1	
Equity ratio	%				40.3	41.2	
Return on equity	%				25.9	32.0	
Net working capital (including financing items and taxes)	MEUR				-903.9	-1,468.2	
Gearing	%				-45.7	-67.6	

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

Henrik Ehrnrooth, President and CEO:

"2022 was once again a year characterized by considerable changes in our market environment. Inflation rose, the war in Ukraine created further uncertainty and in China, our largest market, the activity declined significantly due to widespread difficulties in the property sector. At the same time, service market activity was robust, providing good opportunities for growth. In this environment, we prioritized increasing prices to drive recovery in the margin of our orders received, accelerating the growth of our services business, as well as improving both product costs and productivity. I am very pleased with the progress we made in each of these areas. Our achievements would not have been possible without a motivated and engaged team. I would like to express my sincere appreciation to everyone at KONE for your commitment and outstanding work.

From a financial perspective, our full year performance was impacted by the prevailing market conditions, but we ended the year largely in line with our expectations. The market backdrop in China caused our fourth quarter orders to decline and significantly weakened our cash flow. Our sales on the other hand, were somewhat above last year's level thanks to a strong focus on delivery execution and robust growth in both maintenance and modernization sales. While we cannot be pleased with the development of our profitability, we did see an improvement in the fourth quarter thanks to the strong growth in maintenance sales, declining material costs in China and better pricing on deliveries outside China.

We continued to execute well on our 'Sustainable success with customers' strategy, which builds on increasing the value we create for our customers with new intelligent solutions and embedding sustainability even deeper across our operations. During the year, we consistently increased the share of our maintenance base covered by our flagship digital service platform, 24/7 Connected Services, and introduced DX class elevators in North America making them available in all regions. We also launched a number of new products and services addressing customers need for sustainable, productivity enhancing solutions. I am confident that these developments will ensure that we remain our customers' partner of choice.

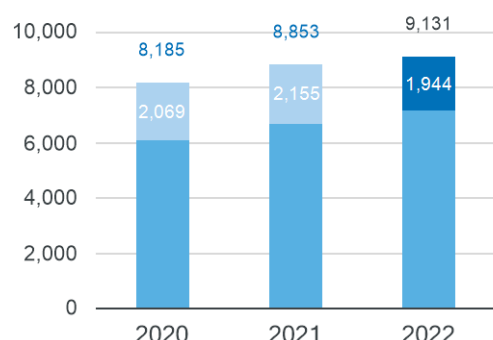
To drive our strategy forward with even greater efficiency, we have announced plans to renew our operating model. We intend to build on our existing strengths of decentralization and local accountability by providing our Areas even stronger responsibility for their direction and commercial strategy in order to better capture growth opportunities which are likely to differ regionally. By simplifying our organizational structure and processes, we will enable faster response to local customer needs in a more cost-efficient manner, while maintaining the strong competitiveness of our global offering platforms and supply chain.

Looking into 2023, we see good opportunities for growth in the service markets, whereas regional variations in new equipment markets are expected to be significant. Activity is expected to develop positively in Asia-Pacific ex China and in the Middle East but be more muted in Europe and North America. In China, we expect markets to start to recover towards the end of the first half as a result of the broad stimulus measures that have already been announced.

We expect our sales in 2023 to be at a similar level as in the previous year and profitability to start to recover thanks to successful pricing actions and solid services performance. This outlook is highly dependent on the effectiveness of the measures introduced to stabilize the property markets in China. Looking beyond 2023, I am confident that our strong team, competitive offering and the steps we are planning to further strengthen our customer focus will secure our progress towards our long-term financial and strategic targets."

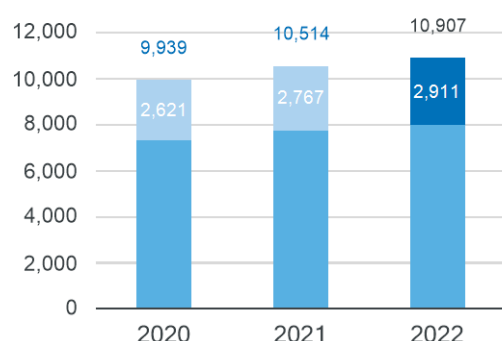
Key Figures

Orders received (MEUR)



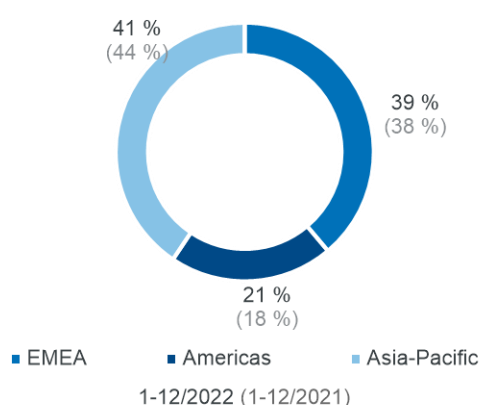
- **In October–December 2022**, orders received declined by 9.8% (at comparable exchange rates, orders received declined by 11.2%).
- At comparable rates, new equipment orders received declined significantly with significant decline in the volume business and stable development in major projects. The 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 slightly with stable development 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 price increases in all other regions.
- **In January–December 2022**, orders received grew by 3.1% (at comparable exchange rates, orders received declined by 2.5%). The decline at comparable rates was largely due to the impact of liquidity constraints and the COVID-19 pandemic on new equipment orders in China.

Sales (MEUR)

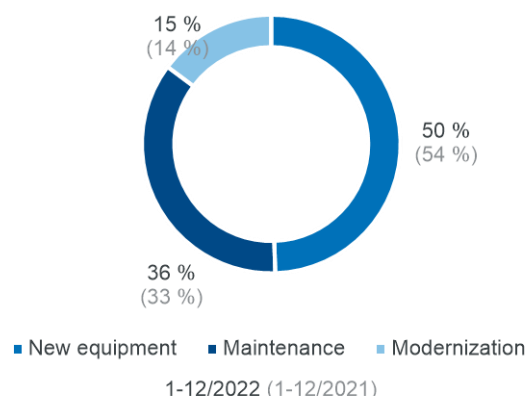


- **In October–December 2022**, sales grew by 5.2% (grew by 2.9% at comparable exchange rates). The strong growth in services sales compensated for a slight decline in new equipment sales.
- New equipment sales declined by 1.1% (declined by 2.4% at comparable exchange rates). Service (maintenance and modernization) sales grew by 12.2% (grew by 8.8% at comparable rates). Maintenance sales grew by 10.7% (grew by 7.6% at comparable rates) and modernization sales grew by 15.6% (grew by 11.4% at comparable rates).
- Sales in the EMEA region grew by 4.5% (grew by 4.8% at comparable rates). In the Americas region, sales grew by 26.2% (grew by 14.1% at comparable rates). In the Asia-Pacific region, sales declined by 2.8% (declined by 3.9% at comparable rates).
- **In January–December 2022**, sales grew by 3.7% (declined by 1.8% at comparable exchange rates). The decline in comparable rates was primarily due to the impact of liquidity constraints and the COVID-19 pandemic in China on new equipment deliveries.

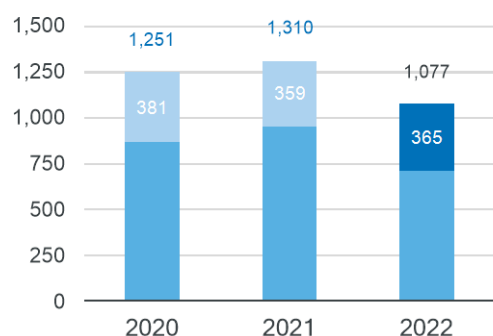
Sales by region



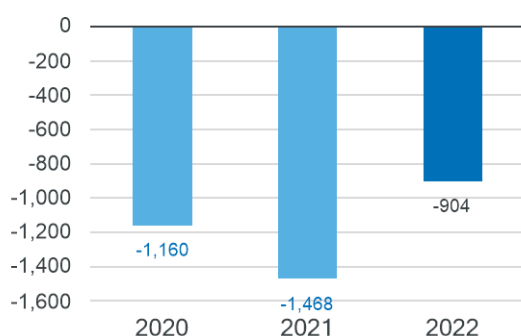
Sales by business



Adjusted EBIT (MEUR)

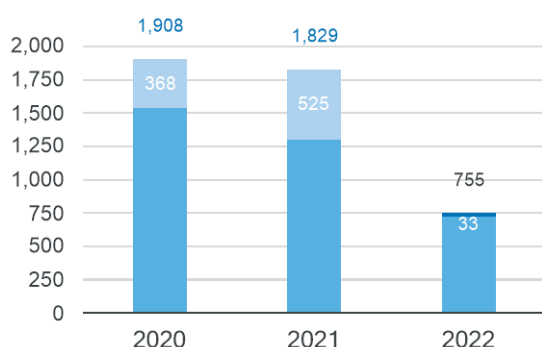


- **In October–December 2022**, operating income was 12.6% of sales (10–12/2021: 12.7%). The adjusted EBIT margin was 12.5% (13.0%).
- With comparable exchange rates, the translation impact on operating income for the comparison period was EUR 6.1 million.
- **In January–December 2022**, operating income was 9.5% of sales (1–12/2021: 12.3%). The adjusted EBIT margin was 9.9% (12.5%)
- Profitability was burdened by cost headwinds and the decline in sales in China. Pricing, productivity and product cost actions were strongly in focus throughout the year.
- Adjusted EBIT excludes costs of EUR 45.4 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 December 2022**, net working capital weakened from the beginning of the year.
- Working capital was affected by the decrease in accounts payable and the increase in accounts receivable, as well as by the decrease in advances received due to the decline in orders received in China. The decision to suspend deliveries and divest our operations in Russia and higher than average inventories also impacted working capital.
- Foreign exchange rates had an approximately EUR 6 million negative impact on the net working capital.

¹⁾ Including financing items and taxes

Cash flow²⁾ (MEUR)

- **In October–December 2022** cash flow was EUR 33.3 million.
- **In January–December 2022**, cash flow amounted to EUR 754.7 million.
- Cash flow was impacted by the decline in operating income, as well as by the increase in working capital.

²⁾ Cash flow from operations before financing items and taxes

KONE's January–December 2022 review

KONE's operating environment

Operating environment by region

	New equipment market in units		Maintenance market in units		Modernization market	
	10–12/2022	1–12/2022	10–12/2022	1–12/2022	10–12/2022	1–12/2022
Total market	---	---	+	+	+	+++
EMEA	--	-	+	+	+	+++
Central and North Europe	--	-	+	+	++	+++
South Europe	--	-	stable	+	-	+++
Middle East	+	+	++	++	++	++
North America	--	+	+	+	+	+++
Asia-Pacific	---	---	++	++	+	+
China	---	---	++	++	+	+
Rest of Asia-Pacific	-	++	++	++	stable	++

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%)

October–December 2022

The global new equipment market declined significantly in units during the fourth quarter of 2022, largely due to China where market conditions remained weak. In the more mature markets, sentiment was impacted by rising interest rates and expectations for slowing economic growth. **In China**, continued liquidity constraints and the sharp rise in COVID-19 infections caused activity to decline significantly. **In the rest of Asia-Pacific**, activity declined slightly. **In the EMEA region**, activity declined clearly in Central, North and South Europe. Market activity grew slightly in the Middle East. **In North America**, the market declined clearly.

The service market continued to develop 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–December 2022

In the new equipment market, the demand environment was favorable in many areas particularly during the first half of 2022. That said, global market activity declined due to the weak market conditions in China. The disruptions to global supply chains, which were amplified by the war in Ukraine, also affected

sentiment as did rising interest rates and expectations for slower economic growth. **In China**, COVID-19 lockdowns were a considerable disruption during the second quarter. Though less severe, restrictions continued to create uncertainty during the second half, as did the sharp rise in infections towards the end of the year. This, together with continued liquidity constraints, caused a significant decline in market activity. **In the rest of Asia-Pacific**, the market grew clearly, largely due to strong recovery in India. **The markets in the EMEA region** were mixed. Activity declined slightly in Central, North and South Europe, and grew slightly in the Middle East. **In North America**, the market grew slightly, thanks to strong activity in the residential and infrastructure segments in the first half of the year.

The service market developed positively throughout the year, with broad-based growth in both **maintenance** and **modernization**. Elevator utilization rates recovered to pre-pandemic levels in nearly all customer segments, boosting activity in the maintenance markets. Activity in the modernization markets was driven by stimulus measures, infrastructure investments and office refurbishments.

Although the **pricing environment** was 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	10–12/2022	10–12/2021	Change	Comparable change ¹⁾	1–12/2022	1–12/2021	Change	Comparable change ¹⁾
Orders received	1,944.2	2,155.1	-9.8%	-11.2%	9,131.3	8,852.8	3.1%	-2.5%

¹⁾ Change at comparable foreign exchange rates

Order book

MEUR	Dec 31, 2022	Dec 31, 2021	Change	Comparable change ¹⁾
Order book	9,026.1	8,564.0	5.4%	5.4%

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.

October–December 2022

Orders received declined by 9.8% as compared to October–December 2021 and totaled EUR 1,944.2 million. At comparable exchange rates, KONE's orders received declined by 11.2%.

At comparable rates, new equipment orders received declined significantly with significant decline in the volume business and stable development 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 slightly with stable development 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 price increases in all other regions. In China like-for-like new equipment prices declined slightly and mix was slightly negative.

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

In the Americas region, orders received declined clearly at comparable rates as compared to October–December 2021. New equipment orders declined significantly and modernization orders declined significantly.

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

January–December 2022

Orders received grew by 3.1% as compared to January–December 2021 and totaled EUR 9,131.3 million. At comparable exchange rates, KONE's orders received declined by 2.5%.

At comparable rates, orders received for the new equipment declined clearly with significant decline in the volume business and clear growth in major projects. The decline was due to the impact of liquidity constraints and the COVID-19 pandemic in China. In modernization, orders received grew significantly, supported primarily by pricing. Orders grew significantly in the volume business and grew significantly in major projects.

Compared to the end of 2021, the margin on orders received improved. 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.

KONE's new equipment orders received in elevator and escalator units amounted to approximately 172,000 units (2021: approximately 196,000).

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

In the Americas region, orders received grew significantly at comparable rates as compared to January–December 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–December 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 5.4% compared to the end of December 2021 and stood at a strong level of

EUR 9,026.1 million at the end of the reporting period.
At comparable rates, the order book grew by 5.4%.

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

Sales

By region

MEUR	10-12/2022	10-12/2021	Change	Comparable change ¹⁾	1-12/2022	1-12/2021	Change	Comparable change ¹⁾
EMEA	1,146.4	1,097.3	4.5%	4.8%	4,237.7	4,036.9	5.0%	4.3%
Americas	621.7	492.7	26.2%	14.1%	2,239.8	1,902.9	17.7%	5.4%
Asia-Pacific	1,143.4	1,176.8	-2.8%	-3.9%	4,429.2	4,574.3	-3.2%	-9.9%
Total	2,911.5	2,766.8	5.2%	2.9%	10,906.7	10,514.1	3.7%	-1.8%

¹⁾ Change at comparable foreign exchange rates

By business

MEUR	10-12/2022	10-12/2021	Change	Comparable change ¹⁾	1-12/2022	1-12/2021	Change	Comparable change ¹⁾
New equipment	1,431.7	1,447.9	-1.1%	-2.4%	5,399.3	5,637.7	-4.2%	-10.0%
Services	1,479.7	1,318.9	12.2%	8.8%	5,507.4	4,876.4	12.9%	7.9%
Maintenance	1,017.9	919.5	10.7%	7.6%	3,890.4	3,450.6	12.7%	8.0%
Modernization	461.8	399.4	15.6%	11.4%	1,616.9	1,425.9	13.4%	7.7%
Total	2,911.5	2,766.8	5.2%	2.9%	10,906.7	10,514.1	3.7%	-1.8%

¹⁾ Change at comparable foreign exchange rates

October–December 2022

KONE's sales grew by 5.2% as compared to October–December 2021, and totaled EUR 2,911.5 million. At comparable exchange rates, KONE's sales grew by 2.9%. The strong growth in services sales compensated for a slight decline in new equipment sales.

New equipment sales declined by 2.4% at comparable exchange rates. Service sales grew by 8.8% at comparable exchange rates. Maintenance sales grew by 7.6% at comparable exchange rates, thanks to maintenance base growth, improved pricing and continued momentum in value-added services. Modernization sales grew by 11.4% at comparable exchange rates.

Sales in the EMEA region grew by 4.5% and totaled EUR 1,146.4 million. At comparable exchange rates, sales grew by 4.8%. New equipment sales were stable. Maintenance sales grew clearly and modernization sales grew significantly in the region.

In the Americas, sales grew by 26.2% and totaled EUR 621.7 million. At comparable exchange rates, sales grew by 14.1%. New equipment sales grew significantly, maintenance sales grew clearly and modernization sales grew significantly in the region.

In Asia-Pacific, sales declined by 2.8% and totaled EUR 1,143.4 million. At comparable exchange rates, sales declined by 3.9%. New equipment sales declined clearly, maintenance sales grew clearly and modernization sales declined slightly in the region.

January–December 2022

KONE's sales grew by 3.7% as compared to January–December 2021, and totaled EUR 10,906.7 million. At comparable exchange rates, KONE's sales declined by 1.8%. The sales consolidated from the companies acquired in 2022 had only a minor impact on KONE's sales for the financial period.

New equipment sales declined by 10.0% at comparable exchange rates primarily due to the impact of liquidity constraints and the COVID-19 pandemic in China on new equipment deliveries. Service sales grew by 7.9% at comparable exchange rates. At comparable exchange rates, maintenance sales grew by 8.0%, thanks to maintenance base growth, improved pricing and continued momentum in value-added services. At comparable exchange rates modernization sales grew by 7.7%.

KONE's elevator and escalator maintenance base continued to grow and was well over 1.5 million units at the end of 2022 (close to 1.5 million units at the end of 2021).

The growth of the maintenance base was driven, in particular, by a continued good level of conversions of new equipment deliveries to the maintenance base. Acquisitions had a minor positive contribution to the growth. In 2022, the balance of maintenance contracts that were won from or lost to competition was slightly negative.

The largest individual countries in terms of sales were China (~31%), the United States (17%), Germany (6%) and France (5%).

Sales in the EMEA region grew by 5.0% and totaled EUR 4,237.7 million. At comparable exchange rates, sales grew by 4.3%. New equipment sales grew slightly, maintenance sales grew clearly and modernization sales grew slightly in the region.

In the Americas, sales grew by 17.7% and totaled EUR 2,239.8 million. At comparable exchange rates, sales grew by 5.4%. New equipment sales declined

slightly, maintenance sales grew clearly and modernization sales grew significantly in the region.

In Asia-Pacific, sales declined by 3.2% and totaled EUR 4,429.2 million. At comparable exchange rates, sales declined by 9.9%. New equipment sales declined significantly, maintenance sales grew clearly and modernization sales grew clearly in the region.

Financial result

Financial result

	10-12/2022	10-12/2021	Change	1-12/2022	1-12/2021	Change
Operating income, MEUR	367.1	351.9	4.3%	1,031.2	1,295.3	-20.4%
Operating income margin, %	12.6	12.7		9.5	12.3	
Adjusted EBIT, MEUR	365.0	359.4	1.6%	1,076.6	1,309.8	-17.8%
Adjusted EBIT margin, %	12.5	13.0		9.9	12.5	
Income before taxes, MEUR	364.1	360.1	1.1%	1,028.4	1,320.8	-22.1%
Net income, MEUR	276.3	278.1	-0.7%	784.5	1,022.7	-23.3%
Basic earnings per share, EUR	0.53	0.53	-1.1%	1.50	1.96	-23.6%

October–December 2022

KONE's operating income (EBIT) was EUR 367.1 million or 12.6% of sales. The adjusted EBIT was EUR 365.0 million or 12.5% of sales. Profitability improved from the previous quarter but remained somewhat lower than in the comparison period due to cost headwinds and the decline in sales in China.

Items affecting comparability in October–December 2022 amounted to EUR 2.1 million. The change in the ruble against the euro resulted in a decline in charges for asset impairment in Russia, which offset costs for restructuring measures.

With comparable exchange rates, the translation impact on operating income for the comparison period was EUR 6.1 million.

Basic earnings per share was EUR 0.53.

January–December 2022

KONE's operating income (EBIT) was EUR 1,031.2 million or 9.5% of sales. The adjusted EBIT was EUR 1,076.6 million or 9.9% of sales. Profitability was burdened by cost headwinds and the decline in sales in China. Easing cost headwinds, better pricing on deliveries outside China and continued strong

maintenance sales drove an improvement towards the end of the year.

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. Items affecting comparability in January–December 2022 amounted to EUR 45.4 million including a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine, as well as costs for restructuring measures. Further information can be found in the notes to the 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 64.8 million.

KONE's income before taxes was EUR 1,028.4 million. Taxes totaled EUR 244.0 (298.1) million. This represents an effective tax rate of 23.7% for the full financial year. Net income for the period was EUR 784.5 million.

Basic earnings per share was EUR 1.50.

Cash flow and financial position

Cash flow and financial position

	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Cash flow from operations (before financing items and taxes), MEUR	33.3	525.0	754.7	1,828.7
Net working capital (including financing items and taxes), MEUR			-903.9	-1,468.2
Interest-bearing net debt, MEUR			-1,309.0	-2,164.1
Gearing, %			-45.7	-67.6
Equity ratio, %			40.3	41.2
Equity per share, EUR			5.49	6.13

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

Cash flow from operations (before financing items and taxes) during January–December 2022 declined from an exceptionally high level to EUR 754.7 million,

due to the decline in operating income and increased net working capital.

Net working capital (including financing items and taxes) was EUR -903.9 million at the end of December 2022. Working capital was affected by the decrease in accounts payable and the increase in accounts receivable, as well as by the decrease in advances received due to the decline in orders received in China. The decision to suspend deliveries and divest our operations in Russia and higher than average inventories also impacted working capital.

Interest-bearing net debt was EUR -1,309.0 million at the end of December 2022. KONE's cash and cash

equivalents together with current deposits and loan receivables were EUR 1,970.4 (Dec 31, 2021: 2,885.1) million at the end of the reporting period. Interest-bearing liabilities were EUR 673.9 (Dec 31, 2021: 746.5) million, including a pension liability of EUR 140.0 (Dec 31, 2021: 194.3) million and leasing liability of EUR 324.0 (Dec 31, 2021: 343.6) million. Additionally, KONE had an asset on employee benefits, EUR 10.0 (Dec 31, 2021: 22.9) million. Gearing was -45.7% and the equity ratio was 40.3% at the end of December 2022.

Equity per share was EUR 5.49.

Capital expenditure and acquisitions

Capital expenditure & acquisitions

MEUR	10-12/2022	10-12/2021	1-12/2022	1-12/2021
On fixed assets	37.3	34.8	101.7	96.5
On leasing agreements	35.0	25.8	107.5	120.6
On acquisitions	2.9	4.0	28.1	50.1
Total	75.2	64.6	237.4	267.3

KONE's capital expenditure and acquisitions totaled EUR 237.4 million in January–December 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 28.1 million in January–December 2022. KONE completed acquisitions of small maintenance businesses in the EMEA region.

Research and development

R&D expenditure

	10-12/2022	10-12/2021	Change	1-12/2022	1-12/2021	Change
R&D expenditure, MEUR	50.3	47.4	6.1%	187.8	188.8	-0.5%
As percentage of sales, %	1.7	1.7		1.7	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 187.8 million, representing 1.7% of sales in January–December 2022. R&D expenditure includes the development of new products 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 JumiLift 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, a global provider of technical, safety, and certification services, 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.

During the fourth quarter, two KONE leaders were recognized in the renowned IoT (Internet of Things) Awards 2022 by CBT, an industry advisor and thought leader in the field of IoT.

Non-financial information

Sustainability is a source of innovation and a competitive advantage for KONE. We want to be the most trusted partner to our customers throughout the building life cycle and help them achieve their sustainability objectives, creating better urban environments. At KONE, sustainability covers our offering, operations and culture and encompasses the environmental aspect, diversity and inclusion, safety, quality and ethics and compliance. Our strategy and values reflect our commitment to sustainable practices.

KONE conducts its business in a responsible and sustainable way, and we expect the same commitment from all our partners. We are committed to complying with the laws and regulations of the countries in which we operate. KONE is a member of the UN Global Compact and dedicated to upholding its ten principles, which are aimed at promoting sustainability and fairness in the business environment. The principles are embedded in our strategy, policies and procedures, such as KONE's Code of Conduct, Human Rights Policy, Competition Compliance Policy, and Climate and Environmental Excellence Program, as well as in related processes. In addition, KONE supports the UN Sustainable Development agenda and its goals. KONE has also signed the Paris Pledge for Action climate initiative and, in 2020, set Science Based Targets for reducing emissions in its own operations, offering and the value chain by 2030, showing climate leadership and commitment to limiting global warming to 1.5 degrees celsius in accordance with the Paris Climate Agreement. KONE applies the Task Force on Climate-related Financial Disclosure (TCFD) reporting principles in order to report about climate-related financial risks and opportunities. The table on this text maps the pages of the report where disclosures according to TCFD requirements can be found.

KONE's strategy and business model are described on pages 3–5 of KONE's Annual Review 2022. Risks and risk management related to the matters below are described in the section 'Risks and risk management related to the reporting of non-financial information'.

More information on KONE's approach to sustainability can be found in the Sustainability Report, which is prepared according to GRI Standards. KONE published its Sustainability Report for 2021 in the second quarter of 2022. KONE's Sustainability Report for 2022 will be published during the second quarter of 2023.

Management and Board of Directors' oversight of sustainability

KONE has integrated the management of non-financial matters and sustainability into operations throughout the organization. KONE's management and supervisors work to ensure that employees are familiar with and comply with the legislation, regulations, and internal operating guidelines of their respective areas of responsibility, and that KONE's products and services are in full compliance with all codes and standards applicable to them.

Ultimately, sustainability and its management are the responsibilities of KONE's President and CEO and the Executive Board. KONE's Executive Board discusses sustainability topics, including e.g. environmental, social and compliance topics, in each meeting given the strong emphasis on sustainability in KONE's strategy 'Sustainable Success with Customers'. Furthermore, KONE has established forums where sustainability and climate-related topics are regularly

discussed: The Quality and Environmental Board chaired by the Executive Vice President of Operations Development and the Offering and Technology Board chaired by KONE President and CEO. Both the Quality and Environmental Board and the Offering and Technology Board consists of Executive Board level members. KONE also has a Sustainability Board, a steering committee dedicated to sustainability topics, with climate and environment

among the prioritized areas. Several members of KONE's Executive Board are members of the Sustainability Board, which is chaired by Executive Vice President of Operations Development. In 2022, KONE formed a separate sustainability reporting steering group focused on the development of KONE's sustainability disclosure practices. The group is chaired by the sustainability program lead, and members include Executive Vice President of Operations Development, Chief Financial Officer and General Counsel, as well as senior experts from the investor relations, assurance, environmental, communications and corporate controlling functions.

KONE's Board of Directors is responsible for overseeing and supervising the implementation of KONE's strategy, including sustainability topics and climate change issues. The Board also reviews risks and risk management, including environmental, social and anti-corruption matters. In addition, the Board and its Nomination and Compensation Committee review and approve the sustainability related key performance indicator in the share-based long-term incentive plan and monitor KONE's progression against it.

External recognitions

KONE has received external recognition for its efforts to conduct business in a sustainable way. During 2022, KONE was informed that it would be ranked among Corporate Knights' 2023 100 Most Sustainable Corporations in the World. Global 100 companies represent the top echelon in the world on sustainability performance. Moreover, KONE was again included in the FTSE4Good index as well as in CDP's Climate Change A List 2021 among the top climate change performers. CDP is an international non-profit organization that drives engagement for climate action. This is the tenth consecutive year that KONE has achieved a leadership score of A or A- in the Climate Change rating, which demonstrates our long-term commitment to environmental work and sustainability. KONE was also awarded the best A grade in CDP's 2021 Supplier Engagement Rating, demonstrating leadership and best practice in engaging our suppliers on climate change issues. In addition, KONE was

KONE's Sustainability Report 2022

- Will be published during Q2 2023
- In the report, you can find more detailed information about sustainability

awarded Gold medal in the annual EcoVadis sustainability performance assessment covering environment, labor and human rights, ethics and sustainable procurement. This places KONE in the top 3% of all companies assessed in 2022.

On top of the above, KONE was once again awarded as one of the best employers in the world by Forbes business magazine on their Forbes 2022 World's Best Employers list.

Non-financial key performance indicators

	Key performance indicator	Target	2022 results	2021 results
Environmental matters	Greenhouse gas emissions from own operations (Scope 1 and 2) ¹⁾	Long-term target (2030): 50% reduction in absolute emissions, carbon neutral operations 2022 target: 16% reduction in Scope 1 and 2 absolute carbon footprint from 2019 baseline	Will be published in the Sustainability Report during Q2 2023	15% reduction
	Product-related greenhouse gas emissions (Scope 3) ¹⁾	Long-term target (2030): 40% reduction in product-related Scope 3 emissions relative to ordered products	Will be published in the Sustainability Report during Q2 2023	KONE's product and value chain emissions (Scope 3) per products ordered decreased by 0.3% compared to 2020 and increased by 0.4% compared to 2018
	Share of renewable electricity used in our facilities, %	Long-term target (2030): 100% 2025 target: 80% 2022 target: 75%	Will be published in the Sustainability Report during Q2 2023	80%
	Share of key suppliers ISO 14001 certified, %	100%	100%	88%
	Share of landfill waste at our manufacturing units, %	0% by 2030	Will be published in the Sustainability Report during Q2 2023	0.4%
	Number of products covered by Environmental Product Declarations	17 by 2022	17	13
Personnel and social matters	Industrial Injury Frequency Rate (IIFR) ²⁾	Zero injuries	IIFR 1.4	IIFR 1.6
	Employee engagement ³⁾	Maintain employee engagement on a strong level	Results remained clearly above the global norm	Slight decline. Remained above the external high-performance benchmark
	Personnel voluntary turnover rate, % ⁴⁾	Maintain voluntary turnover below market level	7.9%	7.8%
	Share of women in director level positions, %	35% of director level positions occupied by women by 2030	23.5%	21%
	Average learning hours per employee	>40 hours per year	35	43
Human rights, anti-corruption & bribery	% of total employees who have completed at least one ethics & compliance training during the year	90%	53% Planned global training was delayed due to Russian sanctions work and COVID-19	96%
	% of KONE's overall external spend that is covered by KONE Supplier Code of Conduct or equivalent accepted by KONE	80%	86%	80%
	% of distributors who have signed the Distributor Code of Conduct	100%	42% As of 2022, we track the share of distributors who have signed the 2018 or 2021 version of the Distributor Code of Conduct	100% of our distributors in China and 99% in the rest of the world Until 2021, we tracked the share of distributors who had signed the 2016 or 2018 version of the Distributor Code of Conduct

¹⁾ The greenhouse gas emissions from our own operations and value chain have been calculated in accordance with ISO 14064 and the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The Scope 2 emissions have been calculated according to the dual reporting principles of the GHG Protocol Scope 2 Guidance (market- and location-based method).

²⁾ The number of lost time injuries of one day or more, per million hours worked

³⁾ Not fully comparable due to new survey provider

⁴⁾ Sum of voluntarily left employees (with permanent contract) over 12 months divided by average closing headcount over 12 months

KONE's climate related disclosures according to TCFD

	TCFD recommended disclosures	Content in KONE's report
Governance	Board's oversight of climate-related risks and opportunities	Non-financial information / Management and Board of Directors' oversight of sustainability, p. 15
	Management's role in assessing and managing climate-related risks and opportunities	Non-financial information / Management and Board of Directors' oversight of sustainability, p. 15
Strategy	Climate-related risks and opportunities over the short, medium and long term	Non-financial information / Environmental matters, p. 19 Risks and risk management related to the reporting of non-financial information, p. 29
	Impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Strategy, KONE's Annual Review, p. 3 Risks and risk management related to the reporting of non-financial information, p. 29
	Resilience of strategy, taking into consideration different climate-related scenarios	Risks and risk management related to the reporting of non-financial information, p. 29
Risk management	Processes for identifying and assessing climate-related risks	Risks and risk management related to the reporting of non-financial information, p. 29
	Processes for managing climate-related risks	Risks and risk management related to the reporting of non-financial information, p. 29
	How processes for identifying, assessing and managing climate-related risks are integrated into the organizations overall risk management	Risks and risk management related to the reporting of non-financial information, p. 29
Metrics and targets	Metrics used to assess climate-related risks and opportunities	Non-financial information / Key performance indicators, p. 17 Non-financial information / Environmental matters, p. 19
	Scope 1, Scope 2 and Scope 3 emissions and the related risks	Non-financial information / Key performance indicators, p. 17 Non-financial information / Environmental matters, p. 19
	Targets used to manage climate-related risks and opportunities and performance against targets	Non-financial information / Key performance indicators, p. 17 Non-financial information / Environmental matters, p. 19

Environmental matters

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.

We have defined our environmental ambition and objectives as well as our commitment to environmental sustainability in all activities in our Environmental Policy, which is publicly available at kone.com.

In 2022, we launched our new Climate and Environmental Excellence Program and started its implementation by publishing training materials for KONE employees. The new program covers four focus areas: partner with customer, offering, operations and mindset and behavior. In line with our Environmental Policy, we develop smart and sustainable technologies for People Flow® and aim to be the preferred partner for environmentally sustainable urban environments. We drive transformation towards sustainable, circular and carbon neutral operations, and engage our employees, customers, suppliers and partners on climate and environmental action. The KONE Code of Conduct, the Supplier Code of Conduct, the Distributor Code of Conduct and the KONE Global Vehicle Fleet, Facility and Travel Policies also set out environmental requirements relevant to the operations of KONE or our partners.

KONE has a climate pledge with science-based targets for significant greenhouse gas emissions reductions. We are committed to a 50% cut in the emissions from our own operations (scope 1 and 2 emissions) by 2030, compared to a 2018 baseline. This target is in line with limiting global warming to 1.5°C, which is currently the most ambitious criteria for setting science-based targets. On top of these ambitious emissions reduction targets, we aim to achieve carbon neutral operations by 2030 by offsetting the remaining emissions. In addition, we target a 40% reduction in the emissions related to our products' materials and lifetime energy use (scope 3 emissions) over the same period, relative to orders received. KONE was the first to validate its science-based targets against the latest climate science in the elevator and escalator industry and KONE's targets are among the most ambitious in the industry to date. With our climate pledge, we are taking even stronger action and leading the way in our industry to create more sustainable urban environments.

We are working ambitiously together with our suppliers to cut emissions, increase the use of sustainable materials and limit the use of hazardous substances. We screen our suppliers' performance in terms of their environmental and social responsibility with our Supplier Sustainability Assessment. The assessment includes the basic criteria that must be met in order to continue doing business with KONE, as well as other, more advanced criteria.

Most of KONE's environmental figures for 2022 will be published in the Sustainability Report during the second quarter of 2023.

KONE's sustainable offering

Requirements for smart and sustainable materials, solutions and buildings are increasing. We see these shifts in demand as a growth opportunity and want to be the preferred partner for our customers. To further understand the emerging needs and technologies in sustainable, resilient urban environments and people's behavior in them, we actively participate in large-scale research projects and consortiums.

Our innovations can have a significant role in advancing climate action. We support smart and sustainable construction through our energy-efficient and innovative offering, functional and sustainable materials, as well as transparent documentation about our products' environmental impacts. Lifetime energy consumption is one of the main considerations in green buildings and it is also the single most significant environmental impact of KONE's products overall. This underlines the importance of eco-efficient solutions.

We currently have 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.

Several KONE solutions have received external recognition for their environmental performance. During 2022, we received Singapore Green Building Product (SGBP) certifications for KONE TravelMaster™ 110 and KONE TransitMaster™ 140 escalators and KONE N MonoSpace®, KONE N MiniSpace™ and KONE 3000S MonoSpace® elevators. 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. The SGBP certified solutions are recommended for Green Mark certified buildings. In 2022, KONE also received approved Byggarubedömningen (BVB) assessments for the KONE TransitMaster™ 120, KONE TravelMaster™ 110T and KONE TransitMaster™ 180 escalators. BVB is a nonprofit organization that evaluates solutions for buildings and drives the use of sustainable building materials. Furthermore, KONE MonoSpace®, one of the best-in-class rated elevators, received an additional China-mark certification for its superior energy efficiency. The recognition was certified by TÜV Rheinland, a global provider of technical, safety and certification services.

Important achievements were also made in the transparent communication about the environmental and health impacts of our products with Environmental Product Declarations (EPD) published for four of our solutions. EPDs were published for KONE MonoSpace® 500 DX for North American markets and KONE MiniSpace™ HighRise with KONE UltraRope® elevators, as well as for KONE TravelMaster™ 110 and KONE TravelMaster™ 110T escalators. The year 2022 marks the 20th anniversary for the elevator industry's first published EPD by KONE. Since then, we have expanded the number of third party verified EPDs in line with EN15804. Our EPDs cover the most sold elevator platforms from low- to high-rise.

In 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 EPDs. 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.

Own operations

During the first quarter of 2022, 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. To reflect the expansion of our operations, we also measure comparable carbon footprint scope which reduced by 20% in 2021 compared to 2019. 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. Good progress was made in achieving our target to reduce GHG emissions in our own operations (Scope 1 and 2) during 2022.

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%). KONE has a long-term and annual biodiversity target stating that KONE manufacturing units must not be located in or near UNESCO World Heritage sites, Nature 2000 or other conservation parks or biodiversity sensitive areas. In 2022, KONE fulfilled the target. We will publish the GHG emissions from 2022 in our Sustainability Report during the second quarter of 2023.

KONE uses the ISO 14001 environmental management system to enhance its environmental performance. It covers our corporate units, including all R&D, manufacturing units, and 32 major country organizations. Three KONE manufacturing units have ISO 50001 energy management system certification. At the end of 2022, 100% (2021: 88%) of our key suppliers were ISO 14001 certified, our target being 100%.

An increasing trend in customer demand is the focus on wooden buildings. To accommodate this, KONE's manufacturing unit in Finland continues to hold the FSC® (Forest Stewardship Council) Chain of Custody certification, providing credible assurance that elevators manufactured in this unit come with wooden components from environmentally and socially responsible sources. KONE's subsidiaries in Great Britain and Ireland continue to hold the FSC® Chain of Custody certification, meaning that customers can now be provided this assurance for the full delivery chain for elevators installed in these countries. To our knowledge, KONE is the only elevator company to have received FSC® certifications.

Personnel and social matters

KONE employees

	1-12/2022	1-12/2021
Number of employees at the end of period	63,277	62,720
Average number of employees	63,186	61,698

Geographical distribution of KONE employees

	1-12/2022	1-12/2021
EMEA	23,628	23,669
Americas	7,442	7,258
Asia-Pacific	32,208	31,792
Total	63,277	62,720

Personnel voluntary turnover rate was 7.9% (7.8%). Employee costs for the reporting period totaled EUR 3,533 (3,222) million. The geographical distribution of KONE employees was 37% (December 31, 2021: 38%) in EMEA, 12% (12%) in the Americas and 51% (51%) in Asia-Pacific.

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.

Impact of COVID-19 on the way we work

While the COVID-19 pandemic continued globally in 2022, its impact to how KONE people were able to work lessened in most parts of the world. In China, lockdowns continued during the second half of the year but their impact on our operations was clearly smaller than in the second quarter. At end of the year, China released all COVID-19 restrictions, which raised absenteeism levels in our organization. We were, however, able to continue operations without major disruptions. Our priority globally has been to serve our customers in the safest possible manner. We have supported our employees by offering protective equipment and flexibility where needed, as well as by ensuring easy access to information on how to enhance wellbeing.

Diversity, equity and inclusion

We actively encourage diversity at KONE, and our values guide us in upholding an inclusive culture. We follow diversity from several perspectives, including industry background, competence and gender. As one of the Diversity, Equity and Inclusion (DEI) specific

goals, we have committed to making a step-change in the share of women at director level and increase it to 35% by 2030. In 2022, the share of women in director level positions increased to 23.5% (21%). Most of our employees are men representing 89% (88%) of our people globally. We continue our efforts towards achieving a more balanced gender split. During the reporting year, KONE's workforce included 151 (145) nationalities. To strengthen our global approach and deepen our customer and market insights, we also have goals to increase cultural diversity in our global teams.

In 2022, we continued to engage our senior leaders in a DEI learning journey to pave the way for a more inclusive culture. We also continued to strengthen DEI maturity in our countries through various actions, from transparent communication to data driven decision making and more inclusive talent practices and culture. We launched two global Employee Resource Groups, the Women's Employee Resource Group (SPARK) and the LGBTIQ+ Employee Resource Group, with the aim to continuously improve our employees' inclusion experience through open discussion and positive actions. In November, we celebrated Inclusion week and conducted a global Inclusion survey to understand how our employees experience their daily work from an inclusion point of view.

Our focus on driving DEI is visible also in KONE's share-based long-term incentive plan's sustainability metric, which includes diversity related targets.

KONE culture & employee engagement

During 2022, we continued developing KONE's culture to ensure that it supports our strategic targets. We focused on embedding cultural development into existing processes and transformational activities – our employee journey, programs, and leadership development. We also continued raising awareness of the role each employee plays in contributing to the success of our strategy with their actions and behaviors.

A key highlight was the launch of the KONE Culture Playbook in the beginning of 2022. The playbook serves as an invitation for everyone at KONE to take part in developing our ways of thinking and working together.

Making KONE a great place to work is KONE's number one strategic target and it is measured by employee engagement and a related Pulse employee survey. The survey offers employees an opportunity to give feedback and covers topics such as employee engagement, leadership, learning and growth, sustainability, customer centricity, innovation as well as diversity, equity and inclusion.

KONE's 14th global Pulse survey was conducted during the year with 91% of all employees taking part. The results showed that we provide a positive employee experience and an inclusive working environment, and that our employees would recommend KONE as a great place to work. Despite a slight decline from the previous year, engagement continued to be on a high level. We also organized Pulse Talks across all teams at KONE with 94% of employees participating. The objective of the Talks was to ensure involvement of all employees globally in Pulse result discussions and action planning, e.g., to maintain continuous dialogue with employees and make KONE an even better workplace.

KONE hosts a European Employee Forum annually to bring together employee representatives and top management to discuss issues ranging from safety to business development. A smaller working group meets two to four times a year to ensure continuous discussion on important developments affecting our employees. In 2022, topic covered in the Employee Forum included regular business updates and discussions about the 'Sustainable Success with Customers' strategy. Specific focus areas included the development of the service business as well as safety, sustainability and quality.

Learning and development

We strive to have the best professionals with the right competencies in each position. To support our employees and develop the needed organizational capabilities and competencies, we put a strong focus on a growing range of learning opportunities. With the 70-20-10 approach, we believe that 70% of our learning happens through practical experiences, 20% through social learning and 10% through formal development and training.

We continued to build the agility of our learning culture, focusing on mentoring, coaching, social learning methods and discussing of cultural elements and learning mindset. We continuously encourage our employees to stay curious, learn from others and focus on constant personal and professional development, for example through regular performance discussions, by preparing individual development plans and completing their talent profiles.

We have a wide variety of internal learning offering from short digital nanomodules and videos to Virtual Reality and gamified solutions and using AI generated content, as well as trainer-led courses lasting several days. In addition, external learning libraries are in active use to cover the training needs of our personnel. All our employees complete certain compliance trainings based on their roles, and for example our field employees go through methods and safety related trainings on a regular basis highlighting that safety is our first priority.

On average, KONE employees used 35 (43) hours in 2022 on formal development and training, in addition to learning that happens through hands-on experiences and social learning. The drop in the training hours was mainly driven by cancellations of face-to-face trainings due to COVID-19 pandemic in China. In 2022, a global learning dashboard was launched to follow the completion rate of learning solutions in specified strategic competence areas.

During 2022, we further emphasized the internal marketing and promotion of priority learning solutions that drive competence development efforts for both organization-wide and role-specific competences related to, for example, Lean thinking and leadership skills as well as digital and customer understanding. The promoted learning solutions are prioritized via the Upskilling program that was launched in 2021 to support the KONE 'Sustainable Success with Customers' strategy realization from a competence development perspective.

Talent attraction

A key focus area within the KONE people strategy is attracting the best talent by providing a great employee experience.

Recruitment volumes stabilized almost to pre-pandemic levels during 2022. Targeting new competencies and increasing diversity through recruitment continued to be one of KONE's key focus areas. Our efforts to increase diversity through recruitment resulted in a large number of applicants and hires from outside the elevator and escalator industry. We were also able to recruit an increasing number of people with new competencies related to, for example, digitalization and solution selling. Systematic activities around talent attraction and building talent pipelines have helped us to keep the times to hire and quality of hires on a good level even though the increasingly challenging talent market has impacted talent attraction and recruitment in many areas.

We offered local trainee positions for university students and continued to further strengthen our employer brand through active school collaboration.

Safety

Safety is our highest priority and we aim to be the benchmark for health and safety in our industry, and to continually improve our health and safety performance. To guide us in ensuring the safety of our employees, the users of our equipment and our partners alike, KONE has a company-wide safety management system (SMS) in place that sets forth minimum company requirements. Our SMS is based on the requirements of ISO 45001 Occupational health and safety management systems, and in many cases, it sets higher standards than local legislation.

In 2022, our SMS was updated to drive continual improvement in safety with new human-centric initiatives and clarified priorities. The revised SMS further emphasizes the right of all employees to stop working in unsafe conditions. Everyone at KONE is required to assess the safety of the tasks at hand and has the duty and authority to stop work if unsafe, to ask for support, or take the necessary actions to continue the job safely. To support this initiative, we will continue to promote a culture where stop work authority can be exercised without fear of punishment.

The SMS revision also sets expectations regarding communication on and participation in our global safety forums to all members of local safety teams and introduces the new safety programs that have been put into practice during the year.

KONE safety programs are set to drive safety performance improvement. One of the newly added concepts, borrowed from Lean methodology, is Gemba. KONE leaders carry out regular Gemba walks on different types of work environments to observe and to understand the reality, uncover opportunities for continual improvement and to learn new ways to support employees with focus on workplace safety. Another new concept is the Human Factors (HF) approach in safety management. In 2022, we kicked off the concept with webinars and workshops for safety professionals and managers. We aim at embedding the HF Tool™ into our incident analysis process to help elevate the focus not only on technical aspects and compliance in incident investigations and risk assessments, but also on how human factors contribute to safety both positively and negatively. During the year we also started a Subcontractor Safety Development Audit (SSDA) program with a focus on reviewing the safety management of subcontractor activities in KONE units. The program was well received and is planned to be made regular in the future.

The management of safety risks arising from our work activities is crucial, and therefore KONE has company-wide standards to ensure that risks are identified, assessed, and controlled. To support in controlling the main risks in the workplace and prevent incidents, we have nine KONE Core Safety Principles in place. The principles are expected behaviors common to all KONE employees, subcontractors and everyone we work with.

Our dedication to safety is reflected across the company – from design, engineering and production to installation, maintenance, training and customer support. We design our solutions and processes to enable us to conduct our business in a safe and sustainable manner and consistently apply the KONE safety management system in all our activities. Managers perform regular audits to measure compliance with KONE's policies, processes and defined working methods. Corrective actions are taken if deviations are identified. KONE also conducts process audits to identify possible obstacles to work safely. If any are found, the work in question is stopped until a safe method is approved.

Over the year, we have put effort on strategic longer-term plans for safety development, to support the transition to a more proactive approach when addressing safety topics. We constantly monitor our safety performance using several indicators, including Industrial Injury Frequency Rate (IIFR). In 2022, our IIFR was 1.4 (1.6). Our target is to reach IIFR 0.6 by 2030, and we continue to target zero injuries. As proactive indicators, we tracked for instance the number of management workplace visits and the number of customer and user safety promotion events. Monthly safety performance follow-up was carried out by every area, in global safety meetings, and by the Executive Board.

We are determined to continue reducing the number of incidents and injuries and expect our years of favorable safety progress to continue with strong efforts on building a culture, supportive of psychological and physical safety. To enable learning

from the past and avoid accidents in the future, all employees at KONE are encouraged to actively report safety occurrences and have access to our global safety incident reporting tool, KONE Safety Solution (KSS). The number of near misses recorded in KSS increased by 17% (22%) compared to 2021. As the quantity of the reported near misses is steadily on a good level, we continued driving the quality, investigation and analysis of our near miss and incident reports, as well as improving data utilization, transparency, and sharing lessons learned.

Health and safety awareness at KONE is supported by dedicated communication campaigns and training. The global KONE Safety Week was organized in all KONE units in May 2022 with a theme of Human Factors. Various safety related activities were held during the week for both internal and external stakeholders. A global year-end safety campaign was also organized to raise safety commitment and awareness of our Core Safety Principles.

All KONE employees are required to complete a general safety training related to our safety management framework and KONE's Health and Safety Policy. In addition, our employees receive health and safety training relevant to their work. To complement the existing safety promotion and training practices, monthly global toolbox talks were launched at the beginning of 2022 to support local safety units and drive consistent practices. The toolbox materials are available for all KONE employees.

The safety of the people using elevators, escalators and automatic building doors involves everyone from technology and maintenance service providers to building owners and equipment users. Therefore, we work closely with our customers to help them recognize and deal with situations that could lead to safety risks. We communicate actively about safety, organize activities and provide training along with educational materials to our customers and the general public to help equipment users stay safe.

Human rights, anti-corruption and bribery

KONE's Code of Conduct forms an integral part of our company culture and is the foundation of our ethical business practices. The Code sets out the responsible and ethical conduct expected of KONE employees and companies and is available in 33 languages on kone.com. The topics covered in the Code of Conduct include conflicts of interest, corruption, competition compliance, trade compliance, workplace well-being, health and safety, environmental compliance, human rights, privacy, fraud and theft, cybersecurity, intellectual property and confidentiality, external communications and insider trading. Also emphasized is KONE's non-retaliation policy which states that we do not tolerate any form of retaliation against anyone having made good faith compliance reports. Regular face-to-face compliance training is provided to employees. In 2022, 53% of KONE employees completed at least one compliance training. The lower than target level of completions was due to planned global training being delayed because of Russian sanctions work and COVID-19 pandemic.

Dedicated compliance officers help employees comply with KONE's Code of Conduct, and our global and regional compliance committees advise and take decisions on compliance matters, including investigations into allegations of employee misconduct

as well as human rights and corruption violations. All KONE employees are expected to understand and abide by the Code and to report any violations using the channels available for this purpose. Our internal reporting channels include reporting to management, HR, Legal or Compliance. We also have a confidential reporting channel for raising concerns, the Compliance Line, available for our employees, suppliers, distributors and the public at all times. It is operated by an independent third party and is accessible (anonymously, where permitted by local law) via phone and/or web in over 30 languages. Reports can be submitted on a range of topics including fraud and theft, fraudulent reporting, corruption, competition law, human rights, harassment and discrimination, data protection and confidentiality, environment and safety, trade compliance and conflicts of interest. All reports are handled by a dedicated impartial KONE Compliance team.

In 2022, we received a total of 177 compliance reports, of which 32% were received through the Compliance Line. Of the total number of reports, 30% were fraud/corruption related, 34% were HR related, 14% related to conflicts of interest, and the remaining 22% fell under various other categories. In total 35% of the 159 cases closed in 2022 were either substantiated or partially substantiated, and disciplinary actions in those cases ranged from coaching discussions to termination of employment, with 27 employees who were dismissed or resigned as a result of compliance investigations.

KONE's general Code of Conduct is complemented by our Supplier and Distributor Codes of Conduct. Our Supplier Code of Conduct is available in 30 languages and sets out the ethical business practice requirements that we expect from our suppliers. It covers areas such as legal compliance, ethical conduct, our zero tolerance for bribery and corruption, and the standards we require from our suppliers in terms of labor and human rights, health and safety, and environmental issues. KONE may terminate its contracts with suppliers for failure to adhere to the Code.

KONE expects its suppliers to comply with the requirements of the Supplier Code of Conduct in all their dealings with KONE, as well as with their own employees and suppliers, and third parties including government officials. All our suppliers are expected to sign KONE's Supplier Code of Conduct. By the end of 2022, 86% (80%) of KONE's total spend was with suppliers and installation subcontractors who have signed KONE's Supplier Code of Conduct or equivalent.

KONE's Distributor Code of Conduct covers similar topics as the Supplier Code of Conduct. It is available in 7 languages. As business partners, our distributors are expected to comply with the requirements of the Code in all their dealings with KONE, as well as in respect of their own employees, customers and suppliers, and third parties including government officials. We aim to have the Code signed by all our distributors. Starting from 2022, we track the share of distributors who have signed the 2018 or 2021 version of the Distributor Code of Conduct. By the end of 2022, 42% of our distributors had signed either the 2018 or 2021 version of the Distributor Code of Conduct.

All the above Codes of Conduct are available on kone.com.

Anti-corruption and bribery

In 2022, we issued new instructions on gifts and corporate hospitality as part of our anti-bribery actions. Training on the instructions is being rolled-out to all key employee groups and this will continue in 2023.

During the year, we updated KONE's Competition Compliance Policy and rolled out new training on this topic which was assigned to relevant employees (approximately 31,000 in total). The training was offered in 34 languages and by year end, 98% of KONE employees who were assigned the training had completed it.

Respect for human rights

In 2022, we issued a new Human Rights Policy which sets out our commitment to respect human rights. This policy complements KONE's Code of Conduct and related policies, including KONE's Supplier and Distributor Codes of Conduct. Our Human Rights Policy is available on kone.com and is reviewed annually.

KONE's Global Compliance Committee, comprising four Executive Board members, Corporate Controller, and Head of Global Compliance, is accountable for human rights at KONE. A human rights working group reporting to the Global Compliance Committee began work in April 2022. The working group assists the Committee in ensuring that KONE has an effective human rights program and drives this program across KONE. Our human rights program focuses on:

- Governance and accountability for human rights
- Continual development of our supplier human rights assessment program
- Regular human rights impact assessments for our own operations and supply chain
- Increasing training and awareness on human rights for our employees and business partners
- Identifying and taking actions to meet regulatory requirements

The human rights program is discussed and reviewed on a regular basis in the Global Compliance Committee and the Sustainability Board.

Embedding human rights in KONE strategy, policies and processes

We identify, assess and prioritize human rights impacts throughout our business and aim to prevent and mitigate those impacts in an on-going manner by embedding human rights in our strategy, policies and processes. Our human rights due diligence process consists of impact assessments, third party due diligence, supplier screenings and internal assessments and surveys. We continuously develop our human rights due diligence program in order to identify and address potential risks in our own operations and in our supply and delivery chain.

In order to identify and address potential risks in our supply chain we continued to develop our supplier assessment program in relation to human rights. In 2022, we conducted both online and on-site human rights assessments. We received online survey responses from 171 suppliers covering 251 production sites early in the year. The online questionnaire was then revised and sent to over 200 suppliers in December 2022. A total of 10 on-site human rights assessments were

conducted in 2022, with a large majority of them taking place in India.

Our human rights impact assessment, conducted with assistance of an external party in 2019, has recognized our salient human rights as 1) health and safety, and 2) respect for individuals' labor rights (prohibiting forced or child labor, discrimination, harassment or bullying, and ensuring freedom of association, collective bargaining, and appropriate working conditions). Such assessments are reviewed regularly as a part of an on-going process to reflect changes in our operations and in the business

environment. We will update the impact assessment in early 2023.

We continued screening and monitoring relevant suppliers, customers and other third parties with whom we conduct business through a compliance screening solution covering international adverse media, sanctions and watchlists.

We communicate internally and externally about our human rights program on a regular basis, including progress on our supplier human rights assessments, trainings, awareness activities, third-party due diligence and screenings.

Changes in the Executive Board

In January–December 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 Hinnerkov, 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.

On October 21, 2022, KONE announced that Karla Lindahl would be on maternity leave as of December 2022, returning to her position during the summer of 2023. Ilkka Hara, Chief Financial Officer, was named interim leader for the South Europe and Mediterranean region in addition to his current role.

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 December 2022 (September 30, 2022: EUR 154 million). The total capital amount claimed decreased due to a settlement during the fourth quarter. 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, 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. Additionally, geopolitical tensions could impact KONE's global manufacturing footprint and capabilities.

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 continued in 2022 and the financing environment remained tight throughout the year. The resulting decline in construction activity has adversely affected KONE's growth and profitability. KONE's customer portfolio is well diversified, which limits individual customer risks. However, prolonged 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.

The war in Ukraine increased geopolitical risks, added to the disruption of global supply chains and increased uncertainty in the European energy markets during the reporting year. The resulting shortage of energy, materials and services, as well as rising costs, may expose KONE to business disruptions, rescheduling of orders and profitability risks. Global supply chains also suffered from governmental lockdowns in China due to COVID-19 outbreaks during 2022. The lockdowns had adverse impacts on the Chinese economy, construction activity, availability of workforce and thereby the demand for KONE's services and solutions.

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 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. In 2022, KONE continued to use its global supply network to manage supply chain disruptions as well as 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 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, especially in China. 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 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/or 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.
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.

Risks and risk management related to the reporting of non-financial information

The assessment and analysis of KONE's most significant risks also covers non-financial risks. In line with the requirements of the Finnish Accounting Act, KONE has identified the most significant non-financial risks regardless of their materiality for KONE. In addition, KONE applies the guidelines of the Task Force on Climate-Related Financial Disclosures (TCFD) on the reporting of climate-related risks.

The typical effect of the non-financial risks materializing would be reputational damage to KONE or a negative impact on the surrounding society, the environment or individuals. In addition to the risk mitigation actions described below, KONE aims for transparent and reliable communication to prevent reputational risks and enable proactive management and learning from incidents, should they occur.

Climate and environmental risks

We recognize climate and environmental risks as having a potential negative impact on our business in the short to medium term. While the effect is not determined to be significant, we expect climate risks to increase in relevance and potential impact. Overall, we identify, assess and manage climate and environmental risks as an integral part of our company-wide business risk management process and ISO 14001 environmental management system. Certain KONE functions and locations, e.g. the Supply Chain function or selected operational sites, conduct detailed climate and environmental risk assessments according to relevant business requirements.

Climate and environmental risks are classified as transition risks and physical risks as well as risks of KONE's business activities having negative impacts on the climate. Among the most relevant climate-related risks for KONE are acute physical risks, extreme weather events such as tornadoes, hurricanes, hailstorms and thunderstorms, which may cause disruptions in the delivery chain or interruptions in our own manufacturing, installation or maintenance activities. Similarly, chronic physical risks, such as heavy rain and floods, or extreme heat waves and droughts, may disrupt logistics routes. KONE's products are also exposed to physical risks and possible damages due to changing climate conditions and extreme weather events.

To mitigate physical risks, KONE needs to be able to transfer procurement from its own or its supplier's manufacturing unit or distribution center to another location in order to back up supply chain and logistics routes in case of disruptive events. We actively develop our business continuity with regards to component availability and interruptions to our own or suppliers' operations, as described in the risk management table in this text. We use, for example, dedicated location-based software tools to regularly monitor our supply chain locations for risks related to extreme weather events such as fires, floods or hurricanes. In terms of our product development, we apply design specifications and specific procedures that aim to ensure product resilience even in harsh and changing environmental conditions. Rigorous environmental testing is a part of KONE's product development to ensure that our products sustain exceptional and changing weather

conditions, such as temperature variations and moisture.

Among KONE's most relevant transition risks are potential shifts in the supply and demand for low carbon materials, electricity and fuel, which may increase operating costs in the short to medium term. Also, the risk of not being able to provide technological improvements or innovations that support the transition to a lower-carbon, energy-efficient economy may impact KONE's competitiveness, customers' demand for KONE's solutions and services and thereby KONE's business detrimentally. On the other hand, moving to more expensive low carbon technology may negatively impact profitability in the short to medium term, should a significant number of customers prefer low-cost solutions. Emerging climate-related regulation may also impact our operations. For example, the need to transition towards more sustainable mobility solutions is evident for KONE's current fleet of over 18,000 service and benefit vehicles.

To mitigate market transition risks, KONE evaluates plausible scenarios for market supply and demand, as well as the impact of emerging regulation in our high-level business plans. KONE is an active member in relevant industry forums and research consortiums and proactively monitors the regulatory landscape. To mitigate technology transition risk, KONE bases its innovation work on the needs of our customers and equipment users. All in all, KONE sees the transition towards sustainable solutions as a source of innovation and competitive edge rather than a threat. As part of KONE's climate pledge, we have set ambitious greenhouse gas reduction targets for our offering and operations and aim to have carbon neutral operations by 2030. The pledge will guide our work for more climate-friendly products, services and ways of working, and we actively collaborate with our suppliers and partners to achieve our targets.

Climate change scenario analysis

During 2022, KONE expanded its risk and opportunity assessment to include Climate Change Scenario Analysis, as recommended by TCFD, to help ensure that our strategy is resilient to climate change in a range of possible future states. In the first phase of the analysis, we focused on the qualitative implications of climate-related risks and opportunities in key strategic performance areas of our operations: direct material purchases, manufacturing operations, logistics and product and service design.

The scenarios used in KONE's Climate Change Scenario Analysis are Shared Socio-economic Pathways (SSPs) SSP1, SSP2 and SSP3. The SSPs have been created by an international team of climate scientists, economists and energy system modelers. SSP scenarios characterize possible future development pathways, making assumptions on changes in socio-economic factors, together with assumptions about the ambition level for mitigating climate change. These are translated into respective scenarios of greenhouse gas emissions by the International Panel for Climate Change (RCP scenarios). The resulting climate change projections describe a range of plausible future climates and mean temperatures, from a pessimistic high-carbon scenario (4 °C warming pathway) to a middle of the road scenario (2.7 °C warming pathway), further to a low-

carbon scenario (1.5 °C warming pathway) that meets the ambitions of the 2015 Paris Agreement.

KONE is committed to the 1.5 °C pathway. In this scenario, climate change mitigating actions are strong, and the Paris Climate Agreement goals are met. Regulations are ambitious, globally consistent, and aiming at low-carbon economy. The demand for sustainable and climate resilient solutions, a full transformation to renewable energy and electrification as well as the focus on energy efficiency create opportunities for KONE. Even in the 1.5°C scenario, physical changes may cause occasional disruptions to KONE factories and supply chain.

In the 2.7 °C scenario, insufficient actions to stop climate change will, in the longer term, lead to major changes globally, causing disruptions in the availability of certain raw materials and increased price volatility. Global supply chains and logistic routes may face notable disruptions, affecting KONE's business.

In the 4°C scenario emissions continue to rise, transition to low-carbon economy is disorganized, economic growth is preferred over climate action and overconsumption of resources continues. Climate policies are fragmented, carbon markets non-integrated, and carbon leakage increases due to large differences in carbon regulations between countries. The demand for sustainable and climate resilient solutions grows in advanced economies, whereas in developing markets customers may not be willing to pay for such solutions. Extreme weather conditions increase disruptions in supply chains and logistic routes, which may lead to significant logistic cost increases.

Differences between the three scenarios are expected to emerge more towards 2050 as extreme weather events and chronic changes become more intense, especially in the 4°C scenario. In the 1.5°C scenario, transitional impacts, such as regulations, are more notable, and in the 4°C scenario physical impacts, such as storms, floods and drought, dominate.

In 2023, KONE will continue to analyze and integrate the deliverables of the Climate Change Scenario Analysis into our strategic planning.

Social and employee related risks

Safety is a top priority at KONE and potential safety incidents are among the most significant social and employee related risks. Incidents are mitigated through, for example, extensive training and communication, consistent safety management practices, standardized maintenance and installation methods and regular process audits. We also identify and assess risks related to any type of bullying, harassment, equal employment practices, working conditions and any form of discriminations. We address such risks by having adequate policies and processes in place and by training our managers and employees. We offer our employees channels for reporting misconduct as there is zero tolerance for this type of behavior. Overall, we see a safe workplace with an inclusive and caring culture as an opportunity to improve employee wellbeing, engagement, and productivity, and at the same time increase KONE's attractiveness as an employer and business partner.

Both safety and quality have a key role in product design, supply, manufacturing, installation and maintenance and they involve strict quality controls. We also acknowledge that our activities, such as major repairs in public infrastructure may affect the daily life of many people. We follow globally implemented principles in how to manage potential incidents and implement improvements.

Human rights related risks

The most significant human rights related risks are in the supply and delivery chain and are related to terms and conditions of work. All our suppliers and installation subcontractors are expected to sign KONE's Supplier Code of Conduct, which sets out our ethical business practice requirements, including the standards we require in terms of labor and human rights. We carry out online and on-site supplier human rights assessments in order to identify and address potential risks in our supply chain. In 2022, we issued a new Human Rights Policy, which sets out KONE's commitment to respect human rights and explains what we are doing to uphold human rights throughout our operations.

Anti-corruption and bribery related risks

KONE requires its employees and partners to adhere to high ethical standards and to comply with its Code of Conduct, Distributor Code of Conduct and Supplier Code of Conduct. These codes cover numerous compliance topics, including competition law, trade sanctions compliance, and labor and human rights issues, as well as prohibiting corruption and bribery.

In 2021, we completed an anti-bribery and corruption risk assessment, which identified our highest risks as relating to third party intermediaries, sourcing and sales activities. Follow-up actions to mitigate risks were started in 2021 and continued in 2022.

Unethical business practices among KONE's employees or various stakeholders could cause reputational damage for KONE as well as a possible financial impact. The risks of such behaviors and practices materializing are included in the scope of KONE's regular audit programs. KONE utilizes a supplier screening solution, which monitors entities against sanctions, watch lists and adverse media attention, including corruption and human rights issues. Processes under our Global Delegation of Authority policy help to mitigate the risk of unauthorized payments, donations and sponsorships. The most important action for internal mitigation continues to be the development of KONE's corporate culture through training and awareness building. Ethics & Compliance KPIs and actions have been integrated into our Sustainability strategy. All employees are required to complete at least one annual training on ethics & compliance, and supplier and distributor Code of Conduct sign-up rates are tracked annually.

We see that ethical business practices provide a competitive edge, protect business relationships with stakeholders and help to build a strong reputation.

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 Chair.

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 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: 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 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 incentive plans

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

In January 2021, KONE's Board of Directors decided on a new long-term share-based incentive plan, which replaced the existing share-based plans. The new long-term incentive plan continues to emphasize profitable growth and as a new measure 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. No shares are delivered in 2022 and 2023. 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 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 2022 long-term incentive plan is targeted to 55 members of top management, including the President and CEO, members of the Executive Board and other top management as well as to 525 other selected key personnel of KONE Group. The performance criteria applied to the 2022 long-term incentive 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, 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 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

	Dec 31, 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	12,306,640	11,433,525
Share capital, EUR	66,174,483	66,174,483
Market capitalization, MEUR*	24,975	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

	1-12/2022
Shares in KONE's possession at the beginning of the period	11,433,525
Changes in own shares during the period	873,115
Shares in KONE's possession at the end of the period	12,306,640

At the end of December 2022, the Group had 12,306,640 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.

During the fourth quarter, KONE completed the repurchase of the company's own class B shares, which started on November 3, 2022 and ended on November 15, 2022. A total of 1,083,500 own shares were

repurchased for an average price of EUR 46.1051 per share. The shares were repurchased in public trading on Nasdaq Helsinki Ltd. at the market price prevailing at the time of purchase. The shares were repurchased on the basis of the authorization given by the Annual General Meeting on March 1, 2022 and will be used as a part of share-based incentive plans of KONE.

Shares traded on Nasdaq Helsinki

		1-12/2022	1-12/2021
Shares traded on the Nasdaq Helsinki Ltd., million		236.7	180.4
Average daily trading volume		935,595	715,964
Volume-weighted average share price	EUR	46.56	65.44
Highest share notation	EUR	64.12	73.86
Lowest share notation	EUR	36.72	55.48
Share notation at the end of the period	EUR	48.30	63.04

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 88,182 at the beginning of the review period and 110,592 at its end. The number of private households holding

shares totaled 105,228 at the end of the period, which corresponds to approximately 12.6% of the listed B shares. At the end of December 2022, a total of 51.7% of the B shares were owned by nominee-registered and non-Finnish investors.

Flagging notifications

During January–December 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
Slight decline	Maintenance Slight growth Modernization Slight growth	Stable	Maintenance Slight growth Modernization Clear growth	China Significant decline Outside China Clear growth	Maintenance Clear growth Modernization Significant growth

Market outlook 2023

In China, the new equipment market is expected to decline by somewhat over 10% during 2023. Property developers' access to financing is likely to remain constrained especially during the first quarter of the year, but markets are expected to start to recover towards the end of the first half as a result of the broad stimulus measures that have already been announced. In the rest of the world, activity is expected to grow clearly in Asia-Pacific excluding China, be stable in the EMEA region and decline slightly North America from a high level.

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

KONE expects 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 is expected to start to recover due to improved margins on orders received in 2022 and continued solid performance in the maintenance business.

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

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.

Headwinds for the 2023 results include slower order book rotation, the anticipated decline in China's new equipment market, as well as wage inflation and increasing component costs.

The Board's proposal for the distribution of profit

The parent company's non-restricted equity on December 31, 2022 is EUR 1,926,632,335.19 of which the net income for the financial year is EUR 1,706,952,719.25.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.7475 be paid on the outstanding 76,208,712 class A shares and EUR 1.75 on the outstanding 440,880,508 class B shares, resulting in a total amount of proposed dividend of EUR

904,715,613.22. The Board of Directors further proposes that the remaining non-restricted equity, EUR 1,021,916,721.97 be retained and carried forward.

The Board proposes that the dividends be payable from March 9, 2023. All the shares existing on the dividend record date are entitled to dividend for the year 2022 except for the own shares held by the parent company.

Annual General Meeting 2023

KONE Corporation's Annual General Meeting will be held on Tuesday February 28, 2023 at 11.00 a.m. at Messukeskus Siipi, Rautatieäisenkatu 3, in Helsinki, Finland.

Helsinki, January 26, 2023

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	10-12/2022	%	10-12/2021	%	1-12/2022	%	1-12/2021	%
Sales	2,911.5		2,766.8		10,906.7		10,514.1	
Costs and expenses	-2,478.5		-2,352.8		-9,616.2		-8,974.8	
Depreciation and amortization	-65.9		-62.1		-259.3		-244.0	
Operating income	367.1	12.6	351.9	12.7	1,031.2	9.5	1,295.3	12.3
Financing income	12.4		15.1		51.2		52.9	
Financing expenses	-15.4		-6.9		-53.9		-27.4	
Income before taxes	364.1	12.5	360.1	13.0	1,028.4	9.4	1,320.8	12.6
Taxes	-87.8		-81.9		-244.0		-298.1	
Net income	276.3	9.5	278.1	10.1	784.5	7.2	1,022.7	9.7
Net income attributable to:								
Shareholders of the parent company	272.6		275.7		774.5		1,014.2	
Non-controlling interests	3.6		2.4		10.0		8.5	
Total	276.3		278.1		784.5		1,022.7	
Earnings per share for profit attributable to the shareholders of the parent company, EUR								
Basic earnings per share, EUR	0.53		0.53		1.50		1.96	
Diluted earnings per share, EUR	0.53		0.53		1.49		1.96	

Consolidated statement of comprehensive income

MEUR	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Net income	276.3	278.1	784.5	1,022.7
Other comprehensive income, net of tax:				
Translation differences	-149.8	75.3	5.1	205.6
Hedging of foreign subsidiaries	15.8	-7.5	-21.2	-28.6
Cash flow hedges	7.1	0.4	2.5	-2.1
Items that may be subsequently reclassified to statement of income	-126.8	68.2	-13.6	175.0
Changes in fair value	-10.3	2.5	-20.8	0.6
Remeasurements of employee benefits	-14.7	-35.2	42.4	-6.7
Items that will not be reclassified to statement of income	-25.0	-32.7	21.6	-6.1
Total other comprehensive income, net of tax	-151.8	35.5	8.0	168.9
Total comprehensive income	124.5	313.7	792.5	1,191.5
Total comprehensive income attributable to:				
Shareholders of the parent company	120.9	311.3	782.5	1,183.1
Non-controlling interests	3.6	2.4	10.0	8.5
Total	124.5	313.7	792.5	1,191.5

Condensed consolidated statement of financial position

Assets

MEUR		Dec 31, 2022	Dec 31, 2021
Non-current assets			
Goodwill		1,414.7	1,405.2
Other intangible assets		208.2	216.9
Tangible assets		716.8	736.7
Non-current loans receivable	I	2.5	2.6
Shares and other non-current financial assets		121.7	144.6
Employee benefit assets	I	10.0	22.9
Deferred tax assets	II	307.5	269.1
Total non-current assets		2,781.3	2,798.0
Current assets			
Inventories	II	843.6	717.8
Accounts receivable	II	2,668.1	2,421.4
Deferred assets	II	709.3	780.8
Income tax receivables	II	117.6	117.3
Current deposits and loan receivables	I	1,474.9	2,394.7
Cash and cash equivalents	I	495.5	490.4
Total current assets		6,309.1	6,922.4
Total assets		9,090.4	9,720.4

Equity and liabilities

MEUR		Dec 31, 2022	Dec 31, 2021
Equity			
		2,866.5	3,199.2
Non-current liabilities			
Loans	I	417.9	435.4
Employee benefit liabilities	I	140.0	194.3
Deferred tax liabilities	II	84.8	86.9
Total non-current liabilities		642.7	716.6
Provisions	II	177.4	152.3
Current liabilities			
Loans	I	116.0	116.8
Advance payments received and deferred revenue	II	1,973.8	1,957.0
Accounts payable	II	1,132.8	1,310.2
Accruals	II	2,052.2	2,137.4
Income tax payables	II	129.0	130.9
Total current liabilities		5,403.8	5,652.3
Total equity and liabilities		9,090.4	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									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	1,646.4	774.5	29.9	2,866.5

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									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	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Operating income	367.1	351.9	1,031.2	1,295.3
Change in working capital before financing items and taxes	-399.7	111.0	-535.8	289.4
Depreciation and amortization	65.9	62.1	259.3	244.0
Cash flow from operations before financing items and taxes	33.3	525.0	754.7	1,828.7
Cash flow from financing items and taxes	-76.2	-47.4	-223.2	-244.0
Cash flow from operating activities	-42.9	477.6	531.5	1,584.8
Cash flow from investing activities	-39.0	-35.6	-132.6	-106.0
Cash flow after investing activities	-81.8	442.1	398.9	1,478.8
Purchase of own shares	-50.0	-45.8	-50.0	-45.8
Profit distribution	-	-	-1,087.8	-1,166.3
Change in deposits and loans receivable, net	69.0	-307.9	913.1	-151.7
Change in loans payable and other interest-bearing debt	-43.2	-38.7	-158.0	-97.0
Changes in non-controlling interests	-0.4	-0.2	-7.7	-1.2
Cash flow from financing activities	-24.7	-392.6	-390.5	-1,462.0
Change in cash and cash equivalents	-106.5	49.5	8.4	16.8
Cash and cash equivalents at beginning of period	616.6	436.1	490.4	457.9
Translation difference	-14.7	4.8	-3.3	15.6
Cash and cash equivalents at end of period	495.5	490.4	495.5	490.4

Change in interest-bearing net debt

MEUR	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Interest-bearing net debt at beginning of period	-1,552.8	-1,820.0	-2,164.1	-1,953.8
Interest-bearing net debt at end of period	-1,309.0	-2,164.1	-1,309.0	-2,164.1
Change in interest-bearing net debt	243.8	-344.1	855.1	-210.2

Payments of lease liabilities included in financing activities were EUR 124.3 (January–December 2021: 121.0) million and interest expense paid included in cash flow from financing items and taxes were EUR 10.2 (January–December 2021: 8.9) million.

Notes to the interim report

ACCOUNTING PRINCIPLES

The information presented in this report is based on the audited KONE 2022 Financial Statements. This unaudited KONE Corporation's Financial Statement Bulletin has been prepared in line with IAS 34, 'Interim Financial Reporting'. KONE has applied the same accounting principles in the preparation of the Financial Statement Bulletin as in the Financial Statements for 2022.

KEY FIGURES

		1-12/2022	1-12/2021
Basic earnings per share	EUR	1.50	1.96
Diluted earnings per share	EUR	1.49	1.96
Equity per share	EUR	5.49	6.13
Interest-bearing net debt	MEUR	-1,309.0	-2,164.1
Equity ratio	%	40.3	41.2
Gearing	%	-45.7	-67.6
Return on equity	%	25.9	32.0
Return on capital employed	%	22.4	26.8
Total assets	MEUR	9,090.4	9,720.4
Assets employed	MEUR	1,557.5	1,035.1
Net working capital (including financing and tax items)	MEUR	-903.9	-1,468.2

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

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.

		10-12/2022	10-12/2021	1-12/2022	1-12/2021
Operating income	MEUR	367.1	351.9	1,031.2	1,295.3
Operating income margin	%	12.6	12.7	9.5	12.3
Items impacting comparability	MEUR	-2.1	7.5	45.4	14.5
Adjusted EBIT	MEUR	365.0	359.4	1,076.6	1,309.8
Adjusted EBIT margin	%	12.5	13.0	9.9	12.5

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.

		Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Orders received	MEUR	1,944.2	2,155.5	2,609.0	2,422.6	2,155.1	2,211.1	2,410.7	2,075.9
Order book	MEUR	9,026.1	9,890.5	10,000.4	9,255.4	8,564.0	8,436.9	8,272.5	8,180.4
Sales	MEUR	2,911.5	2,998.2	2,555.1	2,441.9	2,766.8	2,610.0	2,810.8	2,326.4
Operating income	MEUR	367.1	303.9	189.0	171.1	351.9	326.5	367.1	249.8
Operating income margin	%	12.6	10.1	7.4	7.0	12.7	12.5	13.1	10.7
Adjusted EBIT ¹⁾	MEUR	365.0	305.8	209.3	196.5	359.4	326.5	374.0	249.8
Adjusted EBIT margin ¹⁾	%	12.5	10.2	8.2	8.0	13.0	12.5	13.3	10.7
Items impacting comparability	MEUR	-2.1	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	Dec 31, 2022	Dec 31, 2021
Net working capital		
Inventories	843.6	717.8
Advance payments received and deferred revenue	-1,973.8	-1,957.0
Accounts receivable	2,668.1	2,421.4
Deferred assets and income tax receivables	826.9	898.1
Accruals and income tax payables	-2,181.2	-2,268.2
Provisions	-177.4	-152.3
Accounts payable	-1,132.8	-1,310.2
Net deferred tax assets/liabilities	222.7	182.2
Total net working capital	-903.9	-1,468.2

Depreciation and amortization

MEUR	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Depreciation and amortization of fixed assets	56.1	53.9	219.8	207.7
Amortization of acquisition-related intangible assets	9.8	8.2	39.5	36.4
Total	65.9	62.1	259.3	244.0

Key exchange rates in euros

		Dec 31, 2022		Dec 31, 2021	
		Income statement	Statement of financial position	Income statement	Statement of financial position
Chinese Yuan	CNY	7.0836	7.3582	7.6388	7.1947
US Dollar	USD	1.0563	1.0666	1.1851	1.1326
British Pound	GBP	0.8537	0.8869	0.8615	0.8403
Australian Dollar	AUD	1.5189	1.5693	1.5792	1.5615

Derivatives

Fair values of derivative financial instruments

			Dec 31, 2022	Dec 31, 2021
MEUR	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net
Foreign exchange forward contracts and swaps	27.2	-32.6	-5.4	46.0

Nominal values of derivative financial instruments

MEUR	Dec 31, 2022	Dec 31, 2021
Foreign exchange forward contracts and swaps	2,974.8	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. Investment 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 1,802.9 (December 31, 2021: 1,735.7) million as of December 31, 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

At the Zuidas financial district in Amsterdam, The Valley is the ultimate integration of living and working in an urban environment. Spanning over 75,000 m² of floor space, there is ample room for offices, retail, catering, a total of 196 apartments, an underground 375-car parking garage and a dedicated parking space for 1,850 bicycles.

In this project, smooth people flow is delivered by 21 KONE MonoSpace® 700 elevators, reaching a speed of three meters per second, and two KONE TravelMaster™ 110 escalators located on the ground floor of the 3-tower building. Maximum equipment uptime will be ensured by the predictive maintenance concept KONE 24/7 Connected Services.

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