

# KONE Q4 2020

Financial Statement Bulletin



# KONE's January–December 2020 review:

## Earnings growth in a challenging operating environment

### October–December 2020

- Orders received grew by 4.0% to EUR 2,068.7 (10–12/2019: 1,988.3) million. At comparable exchange rates, orders grew by 7.9%.
- Sales declined by 2.4% to EUR 2,621.2 (2,684.6) million. At comparable exchange rates, sales grew by 0.8%.
- Operating income (EBIT) was EUR 367.1 (356.4) million or 14.0% (13.3%) of sales. The adjusted EBIT was EUR 380.6 (367.5) million or 14.5% (13.7%) of sales.\*
- Cash flow from operations (before financing items and taxes) was EUR 368.1 (385.7) million.

### January–December 2020

- Orders received declined by 2.6% to EUR 8,185.1 (1–12/2019: 8,399.8) million. At comparable exchange rates, orders declined by 0.6%.
- Sales declined by 0.4% to EUR 9,938.5 (9,981.8) million. At comparable exchange rates, sales grew by 1.4%.
- Operating income (EBIT) was EUR 1,212.9 (1,192.5) million or 12.2% (11.9%) of sales. The adjusted EBIT was EUR 1,250.5 (1,237.4) million or 12.6% (12.4%) of sales.\*
- Cash flow from operations (before financing items and taxes) was EUR 1,907.5 (1,549.6) million.
- The Board proposes a dividend of EUR 1.75 per class B share for the year 2020. Further the Board proposes an extraordinary dividend of EUR 0.50 per class B share and therefore the total proposed dividend is EUR 2.25 per class B share.

### Business outlook for 2021

In 2021, KONE's sales growth is estimated to be in the range of 0% to 6% at comparable exchange rates as compared to 2020. The adjusted EBIT margin is expected to be in the range of 12.4% to 13.4%. Assuming that foreign exchange rates would remain at the January 2021 level, foreign exchange rates are estimated to impact the adjusted EBIT negatively by around EUR 20 million.

\* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods during the Accelerate program. Restructuring costs related to the Accelerate program are excluded from the calculation of the adjusted EBIT.

## KEY FIGURES

		10-12/2020	10-12/2019	Change	1-12/2020	1-12/2019	Change
Orders received	MEUR	2,068.7	1,988.3	4.0%	8,185.1	8,399.8	-2.6%
Order book	MEUR				7,728.8	8,051.5	-4.0%
Sales	MEUR	2,621.2	2,684.6	-2.4%	9,938.5	9,981.8	-0.4%
Operating income	MEUR	367.1	356.4	3.0%	1,212.9	1,192.5	1.7%
Operating income margin	%	14.0	13.3		12.2	11.9	
Adjusted EBIT*	MEUR	380.6	367.5	3.6%	1,250.5	1,237.4	1.1%
Adjusted EBIT margin*	%	14.5	13.7		12.6	12.4	
Income before tax	MEUR	372.5	366.0	1.8%	1,224.2	1,217.5	0.6%
Net income	MEUR	287.2	283.0	1.5%	947.3	938.6	0.9%
Basic earnings per share	EUR	0.55	0.54	0.8%	1.81	1.80	0.6%
Cash flow from operations (before financing items and taxes)	MEUR	368.1	385.7		1,907.5	1,549.6	
Interest-bearing net debt	MEUR				-1,953.8	-1,552.9	
Equity ratio	%				45.5	46.5	
Return on equity	%				29.7	30.1	
Net working capital (including financing items and taxes)	MEUR				-1,160.1	-856.0	
Gearing	%				-61.1	-48.6	

\* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods during the Accelerate program. Restructuring costs related to the Accelerate program are excluded from the calculation of the adjusted EBIT.

## Henrik Ehrnrooth, President and CEO:

**"We had a strong finish to the year.** I am incredibly proud of the KONE team and what we have achieved together in a truly exceptional year. Our strong performance in 2020 was achieved through care for one another, a persistence to deliver on our promises to our customers and empowered teams. I want to express my sincere gratitude to our customers for the trust they have shown in us and to everyone at KONE for making 2020 a successful year.

**The fourth quarter results were solid.** For me, the highlights were the growth in orders received and the improved profitability. Our orders received grew in all regions and order margins were stable demonstrating strong competitiveness. Our adjusted EBIT margin improved both in the quarter and the full year. We have been consistently taking actions to improve profitability and I am pleased that this is now visible in the results. For the full year, our exceptionally strong cash flow was a clear highlight.

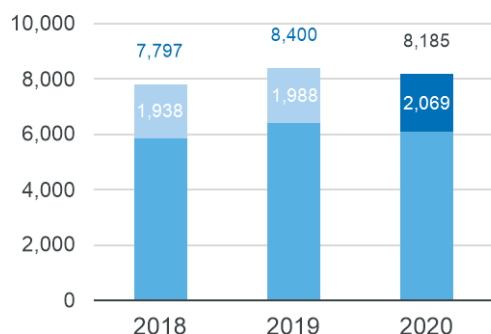
**2020 was the final year of the 'Winning with Customers' strategy.** We made progress on several fronts during the four-year period. There was a clear shift towards a more customer-centric mindset and we are collaborating with our customers and partners in new ways. We also have a more differentiated offering with which we create additional value for our customers. I believe that we are now better equipped to succeed and support our customers in a digitalizing and rapidly changing environment.

**We are now entering a new phase in our strategy: 'Sustainable success with customers'.** The next phase of KONE's strategy will build on what we have achieved and learnt during the previous phase of our strategy. We will continue to enhance the value we create for our customers. We will do this by leveraging our connected and adaptable core products and services and by pursuing an active role in smart and sustainable city development. The services business in China will also provide strong growth opportunities in the coming years. In addition, we will further raise our ambitions in sustainability, by embedding it deeper in all aspects of our business. Overall, I see many attractive growth opportunities for KONE, both through capturing growth in markets and through expanding the value we create for our customers. I'm confident that we are in a strong position to capture these opportunities.

**We enter 2021 with optimism despite the high level of uncertainty.** We see good potential for another year of sales growth and profitability improvement, and are excited to continue our journey taking KONE to the next level."

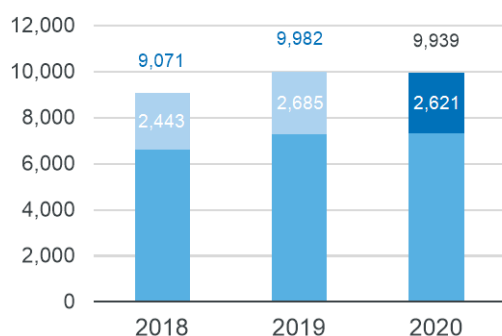
## Key Figures

### Orders received (MEUR)



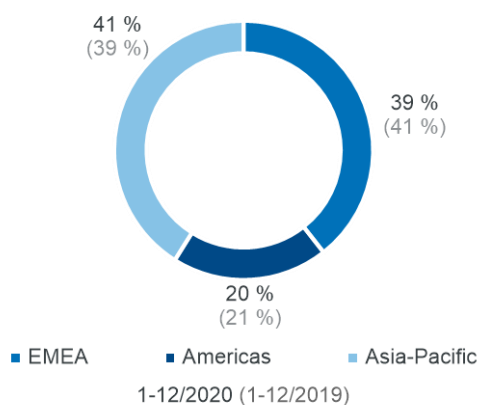
- **In October–December 2020**, orders received grew by 4.0% (at comparable exchange rates, orders received grew by 7.9%).
- At comparable rates, new equipment orders received grew slightly with slight decline in the volume business and significant growth in major projects. In modernization, orders received grew significantly with slight decline in the volume business and significant growth in major projects.
- The margin of orders received was stable.
- **In January–December 2020**, orders received declined by 2.6% (at comparable exchange rates, orders received declined by 0.6%).

### Sales (MEUR)

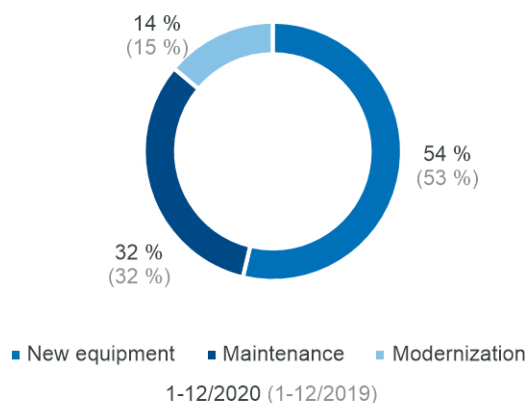


- **In October–December 2020**, sales declined by 2.4% (grew by 0.8% at comparable exchange rates). Sales growth was driven by high activity in China offsetting the decline in activity in many other areas.
- New equipment sales declined by 1.8% (grew by 1.6% at comparable exchange rates). Service (maintenance and modernization) sales declined by 3.0% (declined by 0.1% at comparable rates). Maintenance sales declined by 0.6% (grew by 2.3% at comparable rates) and modernization sales declined by 7.8% (declined by 4.7% at comparable rates).
- Sales in the EMEA region declined by 4.8% (declined by 2.7% at comparable rates). In the Americas region, sales declined by 14.7% (declined by 8.7% at comparable rates). In the Asia-Pacific region, sales grew by 7.3% (grew by 10.0% at comparable rates).
- **In January–December 2020**, sales declined by 0.4% (grew by 1.4% at comparable exchange rates)

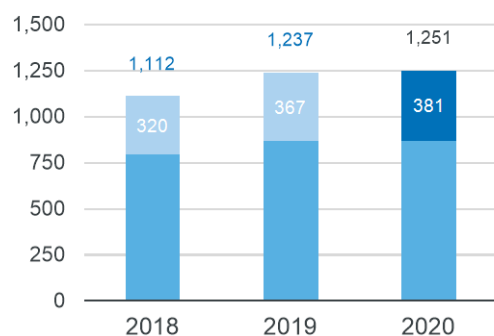
### Sales by region



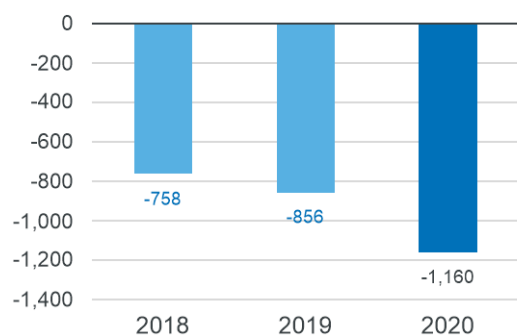
### Sales by business



## Adjusted EBIT (MEUR)

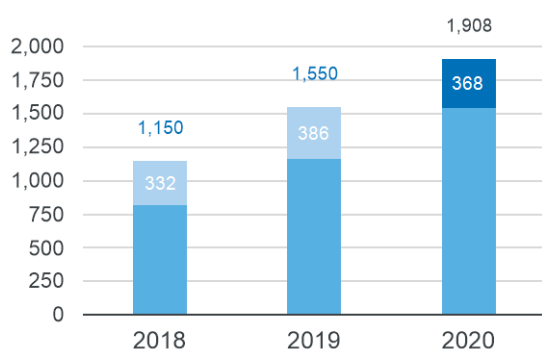


- **In October–December 2020**, operating income was 14.0% of sales (10–12/2019: 13.3%). The adjusted EBIT margin was 14.5% (13.7%).
- Going into this year we had an overall positive outlook for our margins. Despite the uncertain environment, profitability improved in the fourth quarter. This was a result of earlier improved margin of orders and lower discretionary spend offsetting the negative impacts of the COVID-19 pandemic.
- Translation exchange rates had a negative impact of 7.9 million on the operating income.
- Restructuring costs related to the Accelerate program were EUR 13.5 million and are excluded from the calculation of the adjusted EBIT.
- **In January–December 2020**, operating income was 12.2% of sales (1–12/2019: 11.9%). The adjusted EBIT margin was 12.6% (12.4%)

Net working capital<sup>1)</sup> (MEUR)

- **At the end of December 2020**, net working capital was at an improved level compared to the beginning of the year.
- Improvement was driven by a positive development in several net working capital items.

<sup>1)</sup> Including financing items and taxes

Cash flow<sup>2)</sup> (MEUR)

- **In October–December 2020**, cash flow declined slightly from the comparison period to EUR 368.1 million due to negative working capital development in the quarter after exceptionally positive first three quarters.
- **In January–December 2020**, cash flow was exceptionally strong at EUR 1,907.5 million.

<sup>2)</sup> Cash flow from operations before financing items and taxes

# KONE's January–December 2020 review

## KONE's operating environment

### Operating environment by region

	New equipment market in units		Maintenance market in units		Modernization market	
	10–12/2020	1–12/2020	10–12/2020	1–12/2020	10–12/2020	1–12/2020
<b>Total market</b>	Stable	Stable	+	+	+	Stable
<b>EMEA</b>	–	–	+	+	–	–
Central and North Europe	Stable	Stable	+	+	–	–
South Europe	– –	– –	Stable	Stable	Stable	– –
Middle East	– –	– –	+	+	–	–
<b>North America</b>	– – –	– – –	+	+	+++	+
<b>Asia-Pacific</b>	+	+	++	++	Stable	+
China	+	++	++	++	++	++
Rest of Asia-Pacific	– – –	– – –	+	+	– –	Stable

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

### October–December 2020

In the fourth quarter of 2020, the global elevator and escalator market continued to be impacted by the COVID-19 pandemic. Governments across the world continued to take measures to contain the outbreak by restricting the movement of people.

As a result of the increased uncertainty related to the COVID-19 pandemic, **demand in the new equipment market** decreased in most parts of the world. **In Asia-Pacific**, the new equipment volumes grew slightly driven by China where the market continued to grow. The growth in China was more moderate compared to the second and third quarter when the volumes were extraordinarily high. **In the rest of Asia-Pacific**, the new equipment markets declined significantly. **In the EMEA region**, the new equipment market declined slightly. The new equipment market in Central and North Europe stabilized from previous quarters while in South Europe, the market declined significantly. In the Middle East, the market declined clearly. **In North America**, the market declined significantly.

**Global maintenance market** remained resilient. The increased uncertainty had a significant impact on the **modernization markets** due to delayed decision-making. In North America, the volume market was significantly down and the growth was driven by major projects.

Intensifying competition affected the **pricing environment** adversely in October–December.

### January–December 2020

In 2020, the global elevator and escalator market was impacted by the COVID-19 pandemic. Governments across the world were taking significant measures to contain the outbreak by restricting the movement of people. In many places, this resulted in actions such as closing down construction sites and limiting manufacturing operations especially in the first half of the year. In most countries, maintenance was deemed an essential service which was allowed with some limitations even during lockdowns. In the beginning of the year, COVID-19 had the biggest impacts on the market in China, whereas from the second quarter onwards China was driving the growth and other markets were more impacted.

In the **new equipment market**, demand decreased in most parts of the world. **In Asia-Pacific**, the new equipment volumes grew slightly as a result of high level of activity **in China** after the challenging first quarter. **In the rest of Asia-Pacific**, the new equipment markets declined significantly. **In the EMEA region**, the new equipment market declined slightly. The new equipment market in Central and North Europe was stable, whereas in South Europe and in the Middle East, the market declined clearly. **In North America**, the new equipment market declined significantly.

**Global maintenance market** was resilient during 2020. The increased uncertainty had a bigger impact on the **modernization markets** due to delayed decision-making.

Intensifying competition affected **pricing environment** adversely in January–December.

## Orders received and order book

### Orders received

MEUR	10-12/2020	10-12/2019	Change	Comparable change <sup>1)</sup>	1-12/2020	1-12/2019	Change	Comparable change <sup>1)</sup>
Orders received	2,068.7	1,988.3	4.0%	7.9%	8,185.1	8,399.8	-2.6%	-0.6%

<sup>1)</sup> Change at comparable foreign exchange rates

### Order book

MEUR	Dec 31, 2020	Dec 31, 2019	Change	Comparable change <sup>1)</sup>
Order book	7,728.8	8,051.5	-4.0%	0.7%

<sup>1)</sup> 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 2020

Orders received grew by 4.0% as compared to October–December 2019 and totaled EUR 2,068.7 million. At comparable exchange rates, KONE's orders received grew by 7.9%.

At comparable rates, new equipment orders received grew slightly with slight decline in the volume business and significant growth in major projects. In modernization, orders received grew significantly with slight decline in the volume business and significant growth in major projects.

The margin of orders received was stable.

**Orders received in the EMEA region** grew slightly at comparable exchange rates as compared to October–December 2019. New equipment orders grew significantly and modernization orders declined significantly.

**In the Americas region**, orders received grew significantly at comparable rates as compared to October–December 2019 driven by exceptionally strong major projects orders in the quarter. New equipment orders declined significantly and modernization orders grew significantly.

**Orders received in the Asia-Pacific region** grew clearly at comparable rates as compared to October–December 2019. In China, new equipment orders grew significantly in monetary value and grew significantly in units. Like-for-like prices were stable and mix contributed negatively. In the rest of Asia-Pacific, new equipment orders received declined significantly. Modernization orders received grew significantly in China and declined significantly in the rest of Asia-Pacific.

### January–December 2020

Orders received declined by 2.6% as compared to January–December 2019 and totaled EUR 8,185.1 million. At comparable exchange rates, KONE's orders received declined by 0.6%.

At comparable rates, new equipment orders received declined slightly with slight growth in the volume business and significant decline in major projects. In modernization, orders received grew slightly with slight decline development in the volume business and significant growth in major projects.

The relative margin of orders received improved slightly compared to the comparison period. This was a result of solid pricing supported by new product and service launches and easing cost pressures.

KONE's new equipment orders received in elevator and escalator units amounted to approximately 180,000 units (2019: 173,000).

**Orders received in the EMEA region** declined clearly at comparable exchange rates as compared to January–December 2019. New equipment orders declined clearly and modernization orders declined clearly.

**In the Americas region**, orders received declined clearly at comparable rates as compared to January–December 2019. New equipment orders declined significantly and modernization orders grew significantly.

**Orders received in the Asia-Pacific region** grew clearly at comparable rates as compared to January–December 2019. In China, new equipment orders grew significantly in units and grew significantly in monetary value. Like-for-like prices were slightly higher than in the comparison period and mix contributed also positively. In the rest of Asia-Pacific, new equipment orders received declined significantly. Modernization orders received grew significantly in China and declined clearly in the rest of Asia-Pacific.

**The order book** declined slightly compared to the end of December 2019 but stood at a strong level of EUR 7,728.8 million at the end of the reporting period.

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



## Sales

### By region

MEUR	10-12/2020	10-12/2019	Change	Comparable change <sup>1)</sup>	1-12/2020	1-12/2019	Change	Comparable change <sup>1)</sup>
EMEA	1,073.8	1,127.4	-4.8%	-2.7%	3,916.2	4,045.4	-3.2%	-2.2%
Americas	479.2	561.5	-14.7%	-8.7%	1,939.5	2,046.7	-5.2%	-2.7%
Asia-Pacific	1,068.2	995.7	7.3%	10.0%	4,082.8	3,889.7	5.0%	7.5%
<b>Total</b>	<b>2,621.2</b>	<b>2,684.6</b>	<b>-2.4%</b>	<b>0.8%</b>	<b>9,938.5</b>	<b>9,981.8</b>	<b>-0.4%</b>	<b>1.4%</b>

<sup>1)</sup> Change at comparable foreign exchange rates

### By business

MEUR	10-12/2020	10-12/2019	Change	Comparable change <sup>1)</sup>	1-12/2020	1-12/2019	Change	Comparable change <sup>1)</sup>
New equipment	1,397.8	1,423.1	-1.8%	1.6%	5,340.2	5,318.8	0.4%	2.7%
Services	1,223.4	1,261.6	-3.0%	-0.1%	4,598.4	4,663.0	-1.4%	0.1%
Maintenance	833.6	838.9	-0.6%	2.3%	3,215.6	3,192.0	0.7%	2.2%
Modernization	389.9	422.6	-7.8%	-4.7%	1,382.8	1,471.0	-6.0%	-4.5%
<b>Total</b>	<b>2,621.2</b>	<b>2,684.6</b>	<b>-2.4%</b>	<b>0.8%</b>	<b>9,938.5</b>	<b>9,981.8</b>	<b>-0.4%</b>	<b>1.4%</b>

<sup>1)</sup> Change at comparable foreign exchange rates

### October–December 2020

KONE's sales declined by 2.4% as compared to October–December 2019, and totaled EUR 2,621.2 million. At comparable exchange rates, KONE's sales grew by 0.8%. Sales were impacted by the COVID-19 related restrictions in many markets. New equipment sales grew by 1.6% at comparable exchange rates as a result of the growth in China offsetting the decline in activity in many other areas. Maintenance sales grew by 2.3% at comparable exchange rates with resilient contract sales but lower discretionary spend by customers. Modernization sales was more impacted by the restrictions and declined by 4.7% at comparable exchange rates.

**Sales in the EMEA region** declined by 4.8% and totaled EUR 1,073.8 million. At comparable exchange rates, sales declined by 2.7%. New equipment sales were declined clearly, maintenance sales grew slightly and modernization sales declined slightly in the region.

**In the Americas**, sales declined by 14.7% and totaled EUR 479.2 million. At comparable exchange rates, sales declined by 8.7%. New equipment sales were declined significantly, maintenance sales declined slightly and modernization sales were declined significantly in the region.

**In Asia-Pacific**, sales grew by 7.3% and totaled EUR 1,068.2 million. At comparable exchange rates, sales grew by 10.0%. New equipment sales grew significantly, maintenance sales grew clearly and modernization sales grew clearly in the region.

### January–December 2020

KONE's sales declined by 0.4% as compared to January–December 2019, and totaled EUR 9,938.5 million. At comparable exchange rates, KONE's sales grew by 1.4%. The sales consolidated from the companies acquired in 2020 had only a minor impact on KONE's sales for the financial period.

Sales were impacted by the COVID-19 related restrictions in many markets.

New equipment sales accounted for EUR 5,340.2 million and grew by 0.4% over the comparison period. At comparable exchange rates, new equipment sales grew by 2.7%. The growth in China offset the decline in activity in many other areas.

Service (maintenance and modernization) sales declined by 1.4%, and totaled EUR 4,598.4 million. At comparable exchange rates, service sales grew by 0.1%. Maintenance sales grew by 0.7% (2.2% at comparable exchange rates) and totaled EUR 3,215.6 million with resilient contract sales but lower discretionary spend by customers. Modernization sales were more impacted by the restrictions and declined by 6.0% (declined by 4.5% at comparable exchange rates) totaling EUR 1,382.8 million.

KONE's elevator and escalator maintenance base continued to grow and was over 1.4 million units at the end of 2020 (over 1.3 million units at the end of 2019).

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 only a minor positive contribution to the growth. In 2020, 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 (~30%), The United States (>15%), Germany (6%) and France (5%).

**Sales in the EMEA region** declined by 3.2% and totaled 3,916.2 million. At comparable exchange rates, sales declined by 2.2%. New equipment sales declined clearly, maintenance sales grew slightly and modernization sales declined clearly in the region.

**In the Americas**, sales declined by 5.2% and totaled EUR 1,939.5 million. At comparable exchange rates, sales declined by 2.7%. New equipment sales declined slightly, maintenance sales declined slightly and modernization sales declined clearly in the region.

**In Asia-Pacific**, sales grew by 5.0% and totaled EUR 4,082.8 million. At comparable exchange rates, sales grew by 7.5%. New equipment sales grew clearly, maintenance sales grew clearly and modernization sales grew clearly in the region.

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

## Financial result

### Financial result

	10-12/2020	10-12/2019	Change	1-12/2020	1-12/2019	Change
Operating income, MEUR	367.1	356.4	3.0%	1,212.9	1,192.5	1.7%
Operating income margin, %	14.0	13.3		12.2	11.9	
Adjusted EBIT, MEUR	380.6	367.5	3.6%	1,250.5	1,237.4	1.1%
Adjusted EBIT margin, %	14.5	13.7		12.6	12.4	
Income before taxes, MEUR	372.5	366.0	1.8%	1,224.2	1,217.5	0.6%
Net income, MEUR	287.2	283.0	1.5%	947.3	938.6	0.9%
Basic earnings per share, EUR	0.55	0.54	0.8%	1.81	1.80	0.6%

### October–December 2020

KONE's operating income (EBIT) was EUR 367.1 million or 14.0% of sales. The adjusted EBIT, which excludes restructuring costs related to the Accelerate program, was EUR 380.6 million or 14.5% of sales.

Going into this year we had an overall positive outlook for our margins. Despite the uncertain environment, profitability improved in the fourth quarter. This was a result of earlier improved margin of orders and lower discretionary spend offsetting the negative impacts of the COVID-19 pandemic.

Translation exchange rates had a negative impact of 7.9 million on the operating income, and the restructuring costs related to the Accelerate program were EUR 13.5 million.

Basic earnings per share was EUR 0.55.

### January–December 2020

KONE's operating income (EBIT) was EUR 1,212.9 million or 12.2% of sales. The adjusted EBIT, which

excludes restructuring costs related to the Accelerate program, was EUR 1,250.5 million or 12.6% of sales.

Going into this year we had an overall positive outlook for our margins. Despite the uncertain environment, profitability improved. This was a result of earlier improved margin of orders and lower discretionary spend offsetting the negative impacts of the COVID-19 pandemic.

Translation exchange rates had a negative impact of 18.4 million on the operating income. Restructuring costs related to the Accelerate program were EUR 37.7 million and savings from the program were over EUR 50 million.

KONE's income before taxes was EUR 1,224.2 million. Taxes totaled EUR 276.9 (278.9) million. This represents an effective tax rate of 22.6% for the full financial year. Net income for the period was EUR 947.3 million.

Basic earnings per share was EUR 1.81.

## Cash flow and financial position

### Cash flow and financial position

	10-12/2020	10-12/2019	1-12/2020	1-12/2019
Cash flow from operations (before financing items and taxes), MEUR	368.1	385.7	1,907.5	1,549.6
Net working capital (including financing items and taxes), MEUR			-1,160.1	-856.0
Interest-bearing net debt, MEUR			-1,953.8	-1,552.9
Gearing, %			-61.1	-48.6
Equity ratio, %			45.5	46.5
Equity per share, EUR			6.12	6.13

KONE's financial position was very strong at the end of December 2020.

Cash flow from operations (before financing items and taxes) during January–December 2020 was exceptionally strong at EUR 1,907.5 million.

Net working capital (including financing items and taxes) was EUR -1,160.1 million at the end of December 2020. The improvement was driven by a positive development in several net working capital items.

Interest-bearing net debt was EUR -1,953.8 million at the end of December 2020. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 2,629.4 (Dec 31, 2019: 2,252.0) million at the end of the reporting period. Interest-bearing liabilities were EUR 695.8 (Dec 31, 2019: 721.6) million, including a pension liability of EUR 187.2 (Dec 31, 2019: 172.9) million and leasing liability of EUR 342.9 (Dec 31, 2019: 387.5) million.



Additionally, KONE had an asset on employee benefits, EUR 19.2 (Dec 31, 2019: 21.7) million. Gearing was -

61.1% and equity ratio was 45.5% at the end of December 2020. Equity per share was EUR 6.12.

## Capital expenditure and acquisitions

### Capital expenditure & acquisitions

MEUR	10-12/2020	10-12/2019	1-12/2020	1-12/2019
On fixed assets	30.4	26.9	87.5	98.0
On leasing agreements	57.8	35.5	113.4	102.5
On acquisitions	11.8	2.6	29.0	36.0
<b>Total</b>	<b>100.0</b>	<b>65.0</b>	<b>230.0</b>	<b>236.5</b>

KONE's capital expenditure and acquisitions totaled EUR 230.0 million in January–December 2020. Capital expenditure was mainly related to equipment and facilities in R&D, IT, operations and production. Capital expenditure on leases consists mainly of maintenance vehicles and office facilities.

Acquisitions totaled EUR 29.0 million in January–December 2020. KONE completed small acquisitions of maintenance businesses in the EMEA region.

In the Financial Statement Bulletin 2019, KONE mentioned it had been evaluating acquisition opportunities related to the thyssenkrupp Elevator Technology business. On February 17, 2020 KONE published a stock exchange release stating it has withdrawn from these discussions with thyssenkrupp.

## Research and development

### R&D expenditure

	10-12/2020	10-12/2019	Change	1-12/2020	1-12/2019	Change
R&D expenditure, MEUR	51.4	48.0	7.0%	179.6	170.9	5.1%
As percentage of sales, %	2.0	1.8		1.8	1.7	

KONE's vision is to create the Best People Flow® experience. The objective of KONE's solution and service development is to drive differentiation further by putting the needs of customers and users at the center of all development. By closer collaboration with customers and partners, KONE will increase the speed of bringing new services and solutions to the market.

Research and development expenditure totaled EUR 179.6 million, representing 1.8% of sales in January–December 2020. R&D expenditures include the development of new product and service concepts as well as further development of existing solutions and services. At KONE, we find it especially important to continue to invest in research and development in challenging market conditions and have thus accelerated some development programs during 2020.

During January–December 2020, KONE launched new solutions as well as updates to its offering.

In the beginning of 2020, KONE started the launch of a new elevator series, KONE DX Class elevators, from Europe and the roll-out continued to Middle East, Russia, Turkey and countries in the Asia-Pacific region during the year. This new elevator series featuring built-in connectivity and an enhanced user experience was introduced in the end of 2019 and will replace the current KONE elevator range across areas. In the second quarter, KONE DX Class elevators won four awards in the renowned Red Dot Award: Product Design 2020 competition. The KONE DX Class elevator interior collection and the KONE DX Class digital experience elevator concept were awarded for their outstanding

design features, innovativeness and smart elements. During the year, the KONE DX Class elevators were made available also for modernization in many markets. This enables customers to access the digital services and applications offered by KONE and KONE's ecosystem partners by modernizing their equipment to DX Class.

In the second quarter, KONE introduced a range of people flow solutions to help make buildings and cities safer and healthier places to live, work and commute. These solutions address the challenges of adapting to a new way of life in the face of the current pandemic. The KONE People Flow Planning and Consulting service has been tailored to better support planning a safe return to offices and other buildings. By using data, simulation tools, and expertise from KONE's interior architects and data scientists, customers can quickly see how to reduce crowding and bottlenecks and enable people to move around safely in buildings. In addition, other new solutions introduced improve air quality in elevators, help disinfect escalator handrails and reduce the need to touch surfaces.

In the third quarter, KONE launched KONE MonoSpace® 300 elevator in the Americas. KONE MonoSpace 300 is a cost-efficient machine room-less elevator offering better ride comfort and improved energy-efficiency for a market segment previously dominated by hydraulic elevators.

In the fourth quarter, KONE introduced KONE Office Flow™ for offices in high-rise buildings in selected key markets in North America, Europe, Middle East and Asia Pacific. KONE Office Flow™ is a modular, connected people flow solution delivering personalized access and

enhanced user experiences in smart, adaptive workplaces. With touchless access and predictive elevator calling it integrates with mobile devices, removing the need for key cards and tags. It features a newly designed destination

control system, visitor management and guidance to reduce waiting and journey times.



## 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 is proud to conduct its business in a responsible and sustainable way, and we expect the same commitment from all our partners. We are committed to the laws and regulations of the countries where 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, Competition Compliance Policy, and our Environmental Excellence Program, as well as 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 its operations, offering and the value chain, showing climate leadership and commitment to limiting global warming to 1.5 degrees Celsius in accordance with the Paris Climate Agreement. KONE has started applying the Task Force on Climate-related Financial Disclosure (TCFD) reporting principles in order to report about climate-related financial risks and opportunities. KONE's initial TCFD reporting will take place within this Non-Financial information section and in other parts of this report. The table on in this text maps the pages of the report where content according to TCFD requirements can be found.

KONE's strategy and business model are described on pages 4–7 of KONE's Annual Review 2020. Risks and risk management related to matters below are described in the risk section under 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. KONE published its Sustainability Report for 2019 in April 2020. KONE's Sustainability Report for 2020 will be published during Q2 2021 according to GRI Standards.

### 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 Executive Board and our President and CEO. KONE's Executive Board discusses sustainability topics, including e.g. environmental, social and compliance topics, in its meetings regularly. In 2020, climate related topics alone were discussed 3-4 times. Furthermore, KONE has established forums

where sustainability and climate-related topics are regularly discussed: The Quality and Environmental Board and the Solution Board, both chaired by KONE President and CEO and with Executive Board level members. In 2020, KONE also established a Sustainability Board, a steering committee dedicated to sustainability topics, climate and environment among the priority areas. Several members of KONE's Executive Board are members of the Sustainability Board, chaired by

KONE's EVP of Operations Development.

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 of which environmental, social and anti-corruption matters are a part of.

During 2020, sustainability was on the agenda of Executive Board and Board of Directors meetings as part of the preparation of KONE's new strategy. In addition, one focus area during the year was Science-Based Targets, which KONE set in September 2020 (see more information in Environmental matters).

### External recognitions

KONE has received external recognition for efforts to conduct business in a sustainable way. For example, in early 2020, KONE was ranked as the 32nd most sustainable company in the world by Corporate Knights Inc. KONE was second among peer companies in the machinery manufacturing industry category and the only elevator and escalator industry company to make the Global 100 Most Sustainable Corporations in the World ranking. Furthermore, KONE was again included in the FTSE4Good index and made CDP's Climate Change A List among the top climate change performers. CDP is an international non-profit organization that drives engagement for climate action. This is the eighth consecutive year that KONE has achieved a leadership score of A or A- in the Climate Change rating, which describes long-term commitment to environmental work and sustainability. KONE was also awarded the best A grade in CDP's 2019 Supplier Engagement Rating, demonstrating leadership and best practice in engaging our suppliers on climate change issues. In addition, KONE has been awarded the EcoVadis platinum medal for our sustainability performance, placing us among the top 1% of all assessed companies.

### KONE's Sustainability Report 2020

- Will be published during Q2 2020
- In the report, you can find more detailed information about sustainability

## Non-financial key performance indicators

	Key performance indicator	Targets in 2020*	2020 results	2019 results
<b>Environmental matters</b>	Annual reduction of KONE's carbon footprint relative to sales, % <sup>1)</sup>	3% annual reduction relative to sales	Will be published in the Sustainability Report during Q2 2021.	3.1% reduction relative to sales
	Share of key suppliers ISO 14001 certified, %	100%	90%	91%
	Share of green electricity used in our facilities, %	50% by 2021	Will be published in the Sustainability Report during Q2 2021.	37%
	Share of landfill waste at our manufacturing units, %	0% by 2030	Will be published in the Sustainability Report during Q2 2021.	0.9%
<b>Personnel and social matters</b>	Industrial Injury Frequency Rate (IIFR) <sup>2)</sup>	Zero injuries	IIFR 1.2	IIFR 1.7
	Employee engagement	Maintain employee engagement on a strong level	The response rate in the Pulse employee engagement survey was record high at 92%. The global survey results took a great leap up and engagement was at a very strong level. All survey dimensions improved and the vast majority of KONE's global scores were above external high performance benchmarks.	Focused on completing the actions agreed based on 2018 employee engagement survey and organized dedicated discussions, Pulse Talks, across the organization. Almost 80% of employees participated in the Pulse Talks.
	Personnel voluntary turnover rate, % <sup>3)</sup>	Maintain voluntary turnover below market level	5.5%	7.6%
	Gender distribution, %	More balanced gender split	11% women, 89% men	11% women, 89% men
	Gender distribution in director level positions, %	20% of director level positions occupied by women by 2020	19%	18%
<b>Human rights, anti-corruption &amp; bribery</b>	Share of employees with completed Code of Conduct training, %	100%	96% of nearly 60,000 employees in 64 countries	90% of nearly 58,000 employees in 64 countries
	Share of key suppliers who have signed the Supplier Code of Conduct, %	100%	84% (scope expanded from previous year)	95%
	Share of distributors who have signed the Distributor Code of Conduct, %	100%	100% of our distributors in China and 88% in the rest of the world.	100% of distributors in China, and 87% in the rest of the world

\* Some targets will be updated for 2021 in line with KONE's new sustainability ambitions.

<sup>1)</sup> The environmental performance has been reported 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). RES-GO guarantees of origin subject to EECS (European Energy Certificate System) have been acquired for the purchased green electricity, as well as some supplier specific instruments. KONE's greenhouse gas emissions and water consumption at KONE's manufacturing units have been externally assured by Mitopro Oy. The emission factors are based on the data sources of DEFRA (UK Department for Environment, Food & Rural Affairs), World Resource Institute GHG Emission Factors Compilation, AIB (Association of Issuing Bodies) European Residual Mix Report, and supplier specific factors for Finland.

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

<sup>3)</sup> 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
<b>Governance</b>	Board's oversight of climate-related risks and opportunities	Non-financial information / Management and Board of oversight of sustainability, p. 15
	Management's role in assessing and managing climate-related risks and opportunities	Non-financial information / Management and Board of oversight of sustainability, p. 15
<b>Strategy</b>	Climate-related risks and opportunities over the short, medium and long term	Non-financial information / Environmental matters, p. 18
	Impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Strategy, KONE's Annual Review, p. 4 Risks and risk management related to the reporting of non-financial information, p. 26
	Resilience of strategy, taking into consideration different climate-related scenarios	KONE has not conducted scenario work according to TCFD yet.
<b>Risk management</b>	Processes for identifying and assessing climate-related risks	Risks and risk management related to the reporting of non-financial information, p. 26
	Processes for managing climate-related risks	Risks and risk management related to the reporting of non-financial information, p. 26
	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. 26
<b>Metrics and targets</b>	Metrics used to assess climate-related risks and opportunities	Non-financial information / Key performance indicators, p. 16 Non-financial information / Environmental matters, p. 18
	Scope 1, Scope 2 and Scope 3 emissions and the related risks	Non-financial information / Key performance indicators, p. 16 Non-financial information / Environmental matters, p. 18
	Targets used to manage climate-related risks and opportunities and performance against targets	Non-financial information / Key performance indicators, p. 16 Non-financial information / Environmental matters, p. 18



## 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 set out the environmental ambition and principles that guide our work in KONE's Environmental Policy. We develop smart and sustainable technologies for People Flow® and want to be the preferred partner for environmentally sustainable urban environments. We drive transformation towards sustainable, circular and carbon neutral operations, as well as 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 KONE Global Vehicle Fleet, Facility and Travel Policies also set out environmental requirements relevant to the operations of KONE or its partners.

In September 2020, we stepped up our environmental ambition by announcing KONE's climate pledge with science-based targets for significant greenhouse gas emissions reductions and an aim to have carbon neutral operations by 2030. KONE commits to a 50% cut in the emissions from its 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 the ambitious emissions reduction targets, KONE will achieve carbon neutral operations by 2030, through offsetting the remaining emissions. In addition, KONE targets a 40% reduction in the emissions related to its products' materials and lifetime energy use (scope 3 emissions) over the same target period, relative to orders received. KONE's targets are the most ambitious in the industry to date, and we were among the first 500 companies globally to have our targets officially validated by the Science Based Targets initiative. With the climate pledge, we are taking even stronger action and leading the way in our industry to create more sustainable urban environments.

We are taking strong actions across the supply chain and work together with our suppliers to cut emissions, increase the use of sustainable materials and limit the use of hazardous substances. Sustainability was also the theme of this year's KONE Supplier Day, during which we launched our Supplier Sustainability Assessment, a dedicated internal tool for screening our suppliers' performance in terms of their environmental and social responsibility. The assessment includes basic criteria that must be met in order to continue doing business with KONE, as well as other, more advanced criteria.

### KONE's offering

The majority of the environmental impacts associated with KONE's activities are related to our products over their full life cycle. Our innovations can thus have a significant role in advancing climate action. Requirements for smart and energy-efficient solutions, healthy and sustainable materials and overall, green and sustainable buildings are increasing. We see these shifts in customer demand as a clear opportunity and want to be the preferred partner for sustainable urban environments. 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.

KONE supports sustainable and green building through our energy-efficient and innovative offering, functional and sustainable materials, as well as transparent documentation about our products' environmental impacts. We can help our customers meet various green building requirements even better with the KONE DX Class elevator range which continues to be launched to new markets. 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 innovations. We currently have 19 best-in-class energy efficiency references for our products 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 sustainability. During the reporting period, KONE renewed the Singapore Green Building Product (SGBP) certifications for several of its solutions. KONE currently has seven SGBP-certified solutions and is the first and only elevator and escalator company to have all certifications with the highest possible ratings. The SGBP-certified solutions are recommended for Green Mark -certified buildings. KONE has also received several approved Byggarbetsmiljön (BVB) assessments for its products, the latest ones being KONE TranSys™ elevator and the TransitMaster™ 120 and TransitMaster™ 140 escalators in 2020. BVB is a nonprofit organization that evaluates solutions for buildings and drives the use of sustainable building materials.

During 2020, KONE also had important achievements in transparent communication about the environmental and health impacts of our products. We published Environmental Product Declarations (EPD) for six elevators. We currently have third-party verified EPDs for altogether eight elevator models and 11 automatic building door models, thus making KONE the people flow company with the most EPDs published to date. Furthermore, during the reporting year, we published two Health Product Declarations (HPD) for our products. KONE now has altogether six HPDs for its elevators and escalators.

### Own operations

KONE's target for 2020 was to reduce our operational carbon footprint relative to sales by 3%. This target includes our Scope 1 & 2 emissions, extended by selected Scope 3 categories that are closely monitored by KONE: logistics, business air travel and waste. The 2020 carbon footprint results will be published in the second quarter of 2021. In 2019, we exceeded our annual target as our overall operational carbon footprint (Scope 1, 2 and selected Scope 3 categories) relative to sales decreased by 3.1% compared to 2018, with sales growth calculated at comparable exchange rates. Our scope 1 and 2 greenhouse gas emissions relative to sales decreased by 5.4%. This positive development was enabled by a 0.5% decrease in our absolute Scope 1 and 2 emissions (with comparable reporting scope) while our business grew strongly. KONE's 2019 absolute operational carbon footprint amounted to 327,100 tons of carbon dioxide equivalent (2018: 319,200; figure restated). KONE's carbon footprint data has been externally assured. Additionally, we have set a long-term target of 0% landfill waste from our manufacturing units by 2030. In 2019, the share of landfill waste in our manufacturing units was 0.9% (2018: 0.6%).

During the reporting year, we took steps to achieve our target of having 50% of our electricity consumption

from renewable sources by the end of 2021. Along with our ambitious climate targets announced in September, we also raised our target for renewable electricity to 100% by 2030. Our manufacturing unit in Sweden now purchases 100% renewable electricity, and solar panels were installed in our new manufacturing unit in Chennai, India. Additionally, one of our subsidiaries, KONE Austria, is already carbon neutral for 2020 after offsetting their emissions by supporting renewable energy production in Uganda and Guatemala.

KONE uses the ISO 14001 environmental management system to enhance its environmental performance. It covers our corporate units, including all R&D and major manufacturing units, and 26 major subsidiaries. In addition, our manufacturing unit in Kunshan, China, received the ISO 50001 energy management system certification

during the reporting year. Altogether, three KONE manufacturing units are now ISO 50001- certified. At the end of 2020, 90% (2019: 91%) of our key suppliers were ISO 14001 certified, our target being 100%.

KONE's manufacturing unit in Finland achieved 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 also achieved the FSC® Chain of Custody certification, meaning that customers can now be provided this assurance for the full delivery chain for elevators installed in those countries. To our knowledge, KONE is the only elevator company to have achieved FSC® certifications.

## Personnel and social matters

### KONE employees

	1-12/2020	1-12/2019
Number of employees at the end of period	61,380	59,825
Average number of employees	60,376	58,369

### Geographical distribution of KONE employees

	1-12/2020	1-12/2019
EMEA	23,798	23,306
Americas	7,336	7,632
Asia-Pacific	30,246	28,887
<b>Total</b>	<b>61,380</b>	<b>59,825</b>

KONE had 61,380 (December 31, 2019: 59,825) employees at the end of December 2020. The average number of employees was 60,376 (1-12/2019: 58,369). Personnel voluntary turnover rate was 5.5% (7.6%) Employee costs for the reporting period totaled EUR 3,043 (3,048) million. The geographical distribution of KONE employees was 39% (December 31, 2019: 39%) in EMEA, 12% (13%) in the Americas and 49% (48%) in Asia-Pacific.

The main goals of KONE's personnel strategy are to secure the availability, engagement, motivation and continuous development of the company's personnel. All KONE's activities are guided by ethical principles. Employee rights and responsibilities include the right to a safe and healthy working environment, personal well-being, freedom of association, collective bargaining, non-discrimination and the right to a working environment in which harassment of any kind is not tolerated.

Year 2020 was exceptional due to the COVID-19 outbreak. Especially during the first half of the year, KONE leaders and HR teams around the world focused on ensuring that our vital business operations are functioning with good level of workforce available and safe working conditions. Field personnel was instructed of safe ways of working on sites and majority of office workers across the world started to work remotely. In some KONE units, the ability to work on construction and maintenance sites was limited due to national restrictions. In these cases, KONE approach was to first

and foremost agree on flexible working arrangements and the use of accrued holidays and negative time banks to ensure that our employees stay also financially safe. Only in a few limited cases where it was not possible to use these measures, and where there were support mechanisms in place for employees locally, furloughs or temporary layoffs were used.

The wellbeing and safety of our employees was KONE's top priority in 2020. As many employees worked from home and field employees faced changed circumstances particularly the mental well-being of our workforce was in focus. Both global and local well-being resources were introduced to help managers and employees deal with remote work, anxiety and stress. In general, remote work worked well even for more challenging positions such call center employees and salespeople. During the year, new safety protocols for office environments were introduced to ensure safe return to the workplace.

## Diversity and inclusion

We actively encourage diversity at KONE, and our values guide us in upholding an inclusive culture. To strengthen our global approach and deepen our insights on customers and markets, we have set goals for diversity in our teams. During the reporting year, KONE's workforce included 147 (145) nationalities. The majority of our employees are male representing 89% (89%) of our people globally. We continue our efforts towards having a more balanced gender split. The share of women at director level positions increased to 19% (18%) leaving us slightly behind our global target of 20% (by 2020). To strengthen diversity and inclusion (D&I) at KONE, we assessed D&I maturity in 53 KONE countries and created a global D&I strategy based on the findings. The strategy was turned into a global D&I roadmap with targeted initiatives to further increase diversity, and to build a more inclusive talent practices and culture.

## Employee engagement & KONE culture

One of KONE's strategic targets is to be a great place to work, which is measured by employee engagement and a related Pulse employee survey. The Pulse survey offers employees an opportunity to give feedback and covers topics such as employee engagement and enablement, leadership, learning and growth, corporate responsibility, customer centricity, innovation and drive, and diversity and inclusion.

KONE's 13th global Pulse employee survey was carried out in spring 2020 and action plans were made in teams based on the results. A total of 52,745 employees provided feedback in the employee survey and we reached a record high global response rate of 92%. Overall, the global survey results took a great leap up and engagement is now at a very strong level. All survey dimensions improved and the vast majority of KONE's global scores were above external high performance benchmarks. In 2021, we will conduct a global light survey as well as organize Pulse Talks across all teams at KONE to ensure sustainable follow-up on the Pulse 2020 action plans and continuous dialogue on engagement.

During 2020, we also started a process for developing KONE's culture to ensure that it supports and aligns with our strategic priorities. First step in this process was a global culture survey in which more than 8,000 employees participated. The findings of the survey indicated that KONE's work environment is healthy and that employees find the direction of the company clear. As a second step, employees were encouraged to share their thoughts about the development of KONE's culture, values and ways of working as part of the global Pulse survey. A total of 25,370 employees provided feedback and these discoveries contributed to the review and refresh of KONE's values. The new values are "We care for each other", "We are committed to our customers' success", "We collaborate as one team" and "We perform with courage".

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 consultation and discussion on important developments affecting KONE employees. In 2020, the Employee Forum was postponed due to the COVID-19 pandemic, but

the smaller working group and top management had two virtual meetings focusing on safety as a topic.

## Training and development

We strive to have the best professionals with the right competencies in each position. We facilitate this effort as well as increase the motivation, engagement and continuous development of the personnel through regular performance discussions, which take place at least twice a year. In addition, we actively encourage all employees to prepare individual development plans and to complete their talent profiles.

KONE supports continuous learning and provides a rich training offering for its employees. There are over 6,000 in-house developed training programs available varying from several days trainer-led courses into 2-minutes online learning modules. These in-house programs are complemented by external learning libraries to enhance the training offering. In March 2020, we launched a new external online learning library with a lot of bite size courses. By the end of 2020, we reached 160,000 learning course completions in this new learning library alone.

In 2020, we had a strong focus on bringing new online learning opportunities for our employees and also digitizing current trainer-led programs by using mobile learning, AR games, VR, social learning and Microsoft Teams. Hence, by the end of 2020, the total amount of online learning course completions had increased by 92% compared to the previous year. Furthermore, total learning hours increased 26% compared to 2019. As an example, a new global COVID-19 safe working practices e-learning was launched in May with 32 language versions and with a special focus on our employees serving our customers in the field. Approximately 27,000 employees had completed the course by the end of 2020.

Amidst COVID-19, we encouraged everyone to use time to learn. As we encouraged salespeople to have virtual customer meetings, they were trained and supported on utilizing various virtual meeting tools and techniques. Also our trainers studied and took various virtual training tools in use and experimented camera technologies in virtual training sessions. This helped to re-purpose KONE's 41 training centers as broadcast and engagement hubs making them more efficient and increasing their reach and impact.

We continued our digital HR journey by implementing Workday Learning to support the learning activities of all KONE employees during 2020. By doing this, KONE has now all people data in one system, which allows for better end-to-end employee experience, and the possibility for more advanced people analytics to support people development. For example, the new system offers AI powered recommendations on learners' role and interest.

## Talent attraction

A key focus area within the KONE people strategy is attracting the best talent.

Even though recruitment volumes were reduced during 2020 due to COVID-19, targeting new competencies and increasing diversity through recruitment continued to be one of the key focus areas for KONE. Efforts to increase diversity through recruitment realized during the year with a large number of applicants outside of elevator and escalator industry. During the year 78% of all new hires to KONE positions were attracted from other industries. We were also able to recruit an

increasing number of people with new competencies related to, for example, digitalization and solution selling to KONE. Due to Covid-19 related travel restrictions, the annual KONE International Trainee Program (ITP) could not be organized. Instead, we offered local trainee positions for university students. KONE also continued to further strengthen its employer brand through active school collaboration.

### Accelerate program

Year 2020 was the final year of the Accelerate program, which was introduced in 2017 to create a more efficient and customer-focused way of working on a country, area and global level, across the entire KONE organization. During the Accelerate program, major changes were implemented in the KONE Way operating model. We harmonized job roles and defined our global reference organization model that provide a common set-up for all units. Three new functions, Customer Solutions Engineering, Customer Service & Admin and Logistics, were established and other already existing functions, e.g. HR, Sourcing, Finance, KONE Technology & Innovation and Quality, implemented major organizational and operating model changes. Alongside with the transformations, we introduced new learning and development opportunities both for function specific topics as well as on common topics such as change management. In 2020, the new global set-up has enabled us to react fast during the exceptional market environment caused by COVID-19.

### Safety

Over the year, improving safety at work remained a top priority. KONE continued the implementation of a companywide safety management system which guides us in achieving continual improvement.

By the end of 2020, 56,000 KONE employees had completed general safety training related to our safety management framework, and KONE's Health and Safety Policy. KONE employees receive health and safety training relevant to their work enabling it to be performed in a professional and safe manner. The focus during the year was on strengthening safety competences using interactive learnings and mobile tools. 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 safety. If any are found, the work in question is stopped until a safe method is approved.

In 2020, the IIFR (Industrial Injury Frequency Rate) improved to 1.2 (1.7). We continue to target zero injuries. In order to move towards our ultimate target of zero injuries, our target is IIFR below 1.0 by the end on 2024. The average lost days per incident was 27.3 (33.7). Furthermore, the number of safety observations, recorded in our global safety reporting tool, KONE Safety Solution, increased by 3.6%. All employees are encouraged to actively report safety near misses and incidents as it provides valuable information for improving safety. Focus during the year was on improving the quality, analysis and investigation of near misses and incidents.

KONE Safety Week was organized in all KONE units in June 2020 with a focus on safe behavior. In order to strengthen KONE's safety culture, agenda was complemented with elements of psychological safety. Various safety related activities were held during the week for

both internal and external stakeholders. For the first time, majority of the activities we organized virtually.

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. 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

The KONE Code of Conduct sets out our commitment to integrity, honesty, and fair play. The topics covered include: compliance with the laws and rules of society, the work environment and human rights, measures to combat fraud, bribery and corruption including guidance on gifts and corporate hospitality, health and safety, discrimination, fair competition, conflicts of interest, the marketing of products and services, and the environment and sustainability.

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 externally hosted reporting channel, the Compliance Line, to which all employees and suppliers have phone and/or web access. Reports can be made in the employee's native language and can be anonymous where permitted under data protection laws. Reports can be submitted on a range of topics including fraud and theft, fraudulent reporting, corruption, competition law, 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 2020, we received a total of 136 compliance reports, of which 24% were received through the Compliance Line. In total 35% of 141 cases closed in 2020 were either substantiated or partially substantiated, and disciplinary actions in those cases ranged from coaching discussions to termination of employment.

Our Code of Conduct E-learning course for all KONE employees covers topics such as conflicts of interest, fair competition, anti-bribery, privacy, work safety, harassment & discrimination and gifts & hospitality, and has a strong focus on scenarios that reflect day to day situations employees might face. The course is available in 37 languages. Nearly 60,000 employees in 64 countries have been assigned the training since 2018 with a completion rate of 96%. Regular face-to-face compliance training is also provided to managers and other target groups. In 2020 approximately 3,000 employees received compliance training either face-to-face or via Teams, in light of the COVID-19 pandemic.

KONE's general Code of Conduct is complemented by our Supplier and Distributor Codes of Conduct. Our Supplier Code of Conduct was renewed in July 2020 and is available in 30 languages. It 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 2020, 84% of KONE's current key non-product related and direct materials suppliers had signed the Code. The scope of this group was further expanded in 2020. We carry out periodic checks on suppliers' compliance with the Supplier Code of Conduct.

KONE's Distributor Code of Conduct covers the same topics as the Supplier Code of Conduct and is available in 5 languages. As business partners, our distributors are likewise 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. Our target is to have the Code signed by all our distributors. By the end of 2020, 100% (100%) of our distributors in China, and 88% (87%) of our distributors in the rest of the world, had signed the Code.

All the above Codes of Conduct are available on [kone.com](https://kone.com).

During 2020, we continued focusing on human rights in the supply chain by developing a supplier human rights assessment process within KONE. Although this work was delayed by the COVID pandemic, an on-site pilot assessment was nevertheless conducted in Finland which included interviews with management and randomly selected workers. Training and risk management improvement recommendations were provided to the supplier. We also developed a supplier human rights on-line questionnaire which will be rolled-out to selected suppliers during 2021. Human rights training was also provided to our internal human rights network throughout the year.

## Changes in the Executive Board

In January–December 2020, KONE announced changes in the Executive Board.

Ken Schmid (Master of Business Administration), was appointed Executive Vice President, KONE Americas as of April 1, 2020. In this role, Ken Schmid succeeds Larry Wash who served as Executive Vice President, KONE Americas and member of the Executive Board since July 2012.

Max Alfthan decided to step down from his role as Executive Vice President responsible for Marketing and Communications as of 31 March 2020. Max Alfthan served in this role and as a member of KONE's Executive Board since November 2014. Susanne Skippari, Executive Vice President, Human Resources, was named interim leader for Marketing and Communications in addition to her current role as of April 2020.

Tricia Weener, (BA, Hons) was appointed Chief Marketing Officer and Executive Vice President, Marketing and Communications, as of January 18, 2021. Current interim EVP of Marketing and Communications, Susanne Skippari concentrates on her duties as Executive Vice President of Human Resources from January 18, 2021 onwards.

Also after the reporting period, on January 20, 2021, KONE announced changes in the Executive Board. Johannes Frände was appointed Executive Vice President, General Counsel and a member of the Executive Board at KONE as of February 1, 2021. He succeeds Klaus Cawén, who has served in different roles at KONE for 38 years. Thomas Hinnerskov was appointed Executive Vice President, responsible for South Europe, Middle-East and Africa region as of April 1, 2021. He succeeds Pierre Liautaud, who has served 10 years at KONE as Executive Vice President, South Europe, Middle-East and Africa region. Prior to this, Thomas Hinnerskov has served as KONE's EVP, Central and North Europe. Axel Berkling was appointed new EVP, Central and North Europe. Prior to this, Axel Berkling has served as KONE's EVP, Asia-Pacific region, excluding China.

On January 27, 2021, KONE announced that Samer Halabi was appointed Executive Vice President, responsible for the Asia-Pacific region and a member of the Executive Board as of May 1, 2021.

## 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 anticompetitive practices that had taken place before mid-2004 in local Austrian markets by leading elevator and escalator companies, including KONE's local subsidiary. As announced by KONE earlier, 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 144 million at the end of December 2020 (September 30, 2020: EUR 151 million). KONE's position is that the claims are without merit. No provision has been made.

## Most significant risks

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

### Strategic risks

Demand for KONE's products and services and the competitive environment are impacted by the general economic cycles and especially the level of activity within the construction industry. As China accounts for ~30% of KONE's sales, a sustained market decline in the Chinese construction industry, in particular, could have an adverse effect on KONE's growth and profitability. In 2020, many governments across the world took significant measures to contain the COVID-19 outbreak by restricting the movement of people and limiting business activities. The current level of uncertainty continues to be high despite of the ongoing vaccinations and further deterioration of the situation or prolonged restrictions to contain the pandemic could have an adverse impact on the overall economic environment, level of construction activity and the level of demand for KONE's services and solutions in the coming quarters.

Geopolitical tensions and protectionism continue to expose KONE to various business risks. In addition to the potential adverse impacts on the general economic activity, geopolitical tensions and protectionism could impact the competitiveness of KONE's supply chain, and lead to increased costs from trade and customs tariffs. A significant portion of KONE's component suppliers and global supply capacity is located in China.

In addition to the level of market demand, competitiveness of KONE's offering is a key driver of the company's 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, increased competition and customer consolidation in China, for example, could affect market dynamics and KONE's market share.

### Operational risks

Engaged employees with relevant competencies and skills are key to the successful execution of our strategy. With the business models and ways of working changing in the elevator and escalator industry, KONE needs new organizational capabilities and new competencies on the individual employee level in the field of, for example, digitalization. At the same time, competition over skilled field workforce is increasing and securing the needed field resources and their competence management is critical. A failure to develop and retain the needed 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. In addition to

this, KONE uses a significant amount of subcontracted installation resources, has outsourced some business support processes and works with other partners in e.g. digital services and logistics. These expose KONE to component and subcontracted labor availability and cost risk and continuity risk in partnerships. A failure to secure the needed components or resources or quality issues within these could cause business disruptions and cost increases. In 2020, COVID-19 related government restrictions caused some disruptions to KONE's operations especially in China and in India, and the risk of such disruptions globally remains still high, however depending on how the pandemic develops.

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; for example, in the case of an incident, a major delivery issue or a product or service quality issue. Matters concerning product integrity, safety or quality could also have an impact on KONE's financial performance and affect customer operations.

### 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. KONE's, its suppliers' and customers' operation also utilize information technology extensively and KONE's business is dependent on the quality, integrity and availability of information. Thus, KONE is exposed to IT disruptions 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. Any breach of sensitive employee or customer data may also result in significant penalties as well as reputational damage. Such cyber incidents could be caused by, including but not limited to, cyber-crime, cyber-attacks, computer malware, information theft, fraud, misappropriation, or inadvertent actions from our employees and vendors. Also physical damage caused by fire, extreme weather conditions, natural catastrophes or terrorism, among other things, to these operations, could 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 the liquidity and payment schedules of its customers, which may impact cash flow or lead to credit losses. Significant changes in local financial or taxation regulation could also have an impact on KONE's financial performance, liquidity and cash flow. For further information on financial risks, please refer to notes 2.4 and 5.3 in the Financial Statements for 2020.

## 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 and 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, 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.
Changes in the competitive or customer landscape, customer requirements or competitors' offerings impacting KONE's competitiveness	KONE aims to be the industry leader 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.
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 dual sourcing, multi-year 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.
Product integrity, safety or quality issues as well as issues with reputation	To mitigate product risks, KONE has processes in place for product design, supply, manufacturing, installation and maintenance, involving strict quality control. 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	<p>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.</p> <p>In the operating environment impacted by COVID-19, KONE's global supply chain helps mitigate the risk of interruptions. KONE has 12 manufacturing facilities in 8 countries, multiple distribution centers and a large supplier network across the globe, which helps to mitigate the challenges and restrictions in individual countries. During the COVID-19 crisis, KONE has also put extra focus on business continuity management.</p>
Quality and reliability of IT systems and cybersecurity risks	KONE's security policies define controls to safeguard information and information systems which are both in development and in operation, in order to detect cybersecurity incidents and to respond and recover in a timely manner. KONE works with third-party security service providers and trusted, well-known technology partners to manage the risks through the control framework. KONE conducts tests, reviews and exercises to identify areas of risk and to ensure the appropriate preparedness. The company continues to invest in its cybersecurity capabilities based on these findings. KONE also has a global cyber insurance program in place.
Financial risks	Centralized risk management in accordance with the KONE Treasury Policy. More information in notes 2.4 and 5.3 of KONE's Financial Statements 2020.



## 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 as a whole. In addition, KONE is applying TCFD guidelines on the reporting of climate-related risks.

The typical impact of the non-financial risks materializing would be reputational damage. In addition to the risk mitigation actions described below, KONE aims for transparent and reliable communication in order to prevent reputational risks and to 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, albeit they are not considered being very significant in comparison to other business risks which are reported under "Most significant risks". However, we see that climate risks will only keep increasing in relevance and potential impact. Overall, we identify, assess and manage climate and environmental risks as integral part of our company-wide business risk management process and ISO 14001 environmental management system. Certain KONE functions and locations conduct detailed climate and environmental risk assessments, according to relevant business requirements, e.g. in the Supply Chain function or at selected operational sites.

Climate and environmental risks are classified as transition risks and physical risks as well as risks of negative impacts on the climate. Some of the most relevant climate and environmental risks for KONE are physical risks to our supply chain and own operations, for example, as a result of extreme weather events. These risks can materialize, for example, in the form of delivery disruptions or interruptions in our own manufacturing, installation or maintenance activities. KONE's products are also subject to physical risks and possible damages due to changing environmental conditions or extreme weather events.

To mitigate the physical risks, we engage in several risk mitigation activities related 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 and 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. For example, 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.

We have equally identified transition risks in the form of changing market demands and emerging regulation for both KONE's solutions and operations. Not being able to meet the climate-related demands and offer the solutions and services our customers require, could have a detrimental impact on KONE's business. In addition to potential product-related requirements,

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 19,000 service and benefit vehicles.

To mitigate the transition risks, KONE constantly evaluates emerging regulation and market demands in our high-level business plans. KONE is an active member in relevant industry forums and research consortiums and proactively monitors the regulatory landscape. 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.

### 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. KONE also identifies and assesses risks related to any type of harassment, equal employment practices, working conditions and any form of discriminations. KONE prevents such situations by having adequate policies and processes in place and training its managers. KONE also offers its employees channels for reporting misconduct as there is no tolerance for such behavior. In 2020, safety and wellbeing of KONE employees were highlighted as a risk mitigation focus area due to the changing conditions caused by COVID-19 pandemic.

Major repairs or retrofits in public infrastructure locations may also affect the daily life of many people and therefore, may have a reputational impact.

Both safety and quality have a key role in product design, supply, manufacturing, installation and maintenance and they involve strict quality controls. KONE also follows 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 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. These standards were further clarified in our 2020 Supplier Code of Conduct. On the basis of the 2019 human rights risk assessment we conducted, we have prioritized our work on human rights in the supply chain, set up a human rights network and prepared supplier on-site and online assessment processes and documentation for roll-out in 2021.

### 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. 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. In addition, processes introduced under our Global Delegation

of Authority policy help to mitigate the risk of unauthorized payments, donations and sponsorships. We have introduced more stringent disclosure requirements in China for conflicts of interest and this work has continued worldwide in 2020. The most important action for internal mitigation continues to be the development of KONE's corporate culture through training and awareness building. In addition, in 2020 we began an anti-bribery and corruption risk assessment, which will be completed in early 2021.

## Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on February 25, 2020. The meeting approved the financial statements, considered the Remuneration Policy for governing bodies and discharged the responsible parties from liability for the financial period January 1-December 31, 2019.

The General Meeting approved dividends in line with the Board of Directors' proposal of EUR 1.6975 for each of the 76,208,712 class A shares and EUR 1.70 for each of the outstanding 441,851,042 class B shares. The date of record for dividend distribution was February 27, 2020 and dividends were paid on March 5, 2020.

The number of Members of the Board of Directors was confirmed as nine. Re-elected as Members of the Board were Matti Alahuhta, Anne Brunila, Antti Herlin, Jiri Herlin, Jussi Herlin, Ravi Kant, Juhani Kaskeala and Sirpa Pietikäinen. Susan Duinhoven was elected as a new member to the Board of Directors.

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

Ravi Kant was elected as Chairman and Anne Brunila, Antti Herlin and Jussi Herlin as members of the Audit Committee. Anne Brunila and Ravi Kant are independent of both the company and of significant shareholders.

Antti Herlin was elected as Chairman and Matti Alahuhta, Jussi Herlin and Juhani Kaskeala as members of the Nomination and Compensation Committee. Matti Alahuhta and Juhani Kaskeala are independent of both the company and of significant shareholders.

The General Meeting confirmed an annual compensation of EUR 60,000 for the Chairman of the Board, EUR 50,000 for the Vice Chairman and EUR 45,000 for Board Members. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings but anyhow a fee of EUR 3,000 is paid per Committee meeting for a Chairman of the Committee residing outside of Finland and a fee of EUR

2,000 is paid per Committee meeting for those members residing outside of Finland. Of the annual remuneration, 40 percent will be paid in class B shares of KONE Corporation and the rest in cash.

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 2021.

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 Finnish 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 2021.

The General Meeting decided to amend the Articles of Association by updating the article concerning the line of business of the company (2 §) and changing the articles concerning the auditing (7§ and 10§).

Authorized public accountants PricewaterhouseCoopers Oy and APA Jouko Malinen were nominated as auditors for the term 2020. Audit firm Ernst & Young Oy was nominated as the auditor for the term 2021.

## Share-based incentive plans

KONE has three separate share-based incentive plans, two performance share plans and one restricted share plan. The first performance share plan is targeted for the senior management of KONE including the President & CEO, members of the Executive Board and other top management, consisting of approximately 60 individuals. The second performance share plan is targeted for other key personnel of KONE, totaling approximately 500 individuals. The restricted share plan is targeted for senior management and other key personnel of KONE, excluding President & CEO. The potential reward for the performance share plans is based on KPIs as decided by the Board on an annual basis in line with the strategic targets. In 2020, the reward was based on sales growth and profitability as well as growth of KONE's digital services in both plans. The restricted share plan does not have a performance condition. The potential reward is to be paid as a

combination of KONE class B shares and a cash payment equivalent to the taxes and similar charges that are incurred from the receipt of shares.

The share-based incentive plans have a vesting period from one to three years, including the performance period. If the participant's employment or service contract is terminated during the vesting period, they are either obliged to return the shares already received or lose the entitlement to the shares they have not yet received. As part of the 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.

## Share capital and market capitalization

### Share capital and market capitalization\*

	Dec 31, 2020	Dec 31, 2019
Number of class B shares	453,187,148	453,187,148
Number of class A shares	76,208,712	76,208,712
<b>Total shares</b>	<b>529,395,860</b>	<b>529,395,860</b>
Share capital, EUR	66,174,483	66,174,483
Market capitalization, MEUR*	34,452	30,180

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

## Shares in KONE's possession

### Shares in KONE's possession

	1-12/2020
Shares in KONE's possession at the beginning of the period	11,553,605
Changes in own shares during the period	-547,599
Shares in KONE's possession at the end of the period	11,006,006

At the end of December 2020, the Group had 11,006,006 class B shares in its possession. The shares in the Group's possession represent 2.4% of the total number of class B shares. This corresponds to 0.9% of the total voting rights.

## Shares traded on the Nasdaq Helsinki Ltd.

### Trading on the KONE share

	1-12/2020	1-12/2019
Shares traded on the Nasdaq Helsinki Ltd., million	222.9	157.0
Average daily trading volume	884,675	628,085
Volume-weighted average share price	EUR 62.07	49.82
Highest share notation	EUR 76.20	59.34
Lowest share notation	EUR 42.39	41.01
Share notation at the end of the period	EUR 66.46	58.28

In addition to the Nasdaq Helsinki Ltd., KONE's class B share is traded also on various alternative trading platforms. The volume of KONE's B shares traded on the Nasdaq Helsinki Stock Exchange represented approximately 31.3% of the total volume of KONE's class B shares traded in October–December 2020 (source: Fidessa Fragmentation Index, [www.fragmentation.fidessa.com](http://www.fragmentation.fidessa.com)).

The number of registered shareholders was 62,100 at the beginning of the review period and 72,661 at its end. The number of private households holding shares totaled 68,746 at the end of the period, which corresponds to approximately 12.1% of the listed B shares. At the end of December 2020, a total of 54.6% of the B shares were owned by nominee-registered and non-Finnish investors.



## Flagging notifications

During January–December 2020, BlackRock, Inc. announced two notices in accordance with the Finnish Securities Market Act Chapter 9, Section 5. The notices were announced on January 17 and January 27. The notices have been released as stock exchange releases and are available on KONE Corporation's internet pages at

[www.kone.com](http://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 January 24, 2020.

## Outlook

North America		EMEA		Asia-Pacific	
New equipment	Services	New equipment	Services	New equipment	Services
Decline in the first quarter, recovery after that	<b>Maintenance</b> Resilient excl. impact from lock-downs  <b>Modernization</b> Uncertainty could delay decisions	Decline in the first quarter, recovery after that	<b>Maintenance</b> Resilient excl. impact from lock-downs  <b>Modernization</b> Uncertainty could delay decisions	<b>China</b> Stable or growth  <b>Outside China</b> Decline in the first quarter, recovery after that	<b>Maintenance</b> Resilient excl. impact from lock-downs  <b>Modernization</b> Uncertainty could delay decisions

## Market outlook 2021

The new equipment market is expected to be stable or to grow in China. In the rest of the world, the market is expected to decline year-on-year in the first quarter due to a high comparison point and then to start recovering.

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

In the modernization markets, the fundamental growth drivers are intact, but uncertainty could delay decision-making in modernization projects.

## Business outlook 2021

In 2021, KONE's sales growth is estimated to be in the range of 0 % to 6 % at comparable exchange rates as compared to 2020. The adjusted EBIT margin is expected to be in the range of 12.4% to 13.4%. Assuming that foreign exchange rates would remain at the January 2021 level, foreign exchange rates are estimated to impact the adjusted EBIT negatively by around EUR 20 million.

KONE has a solid order book and maintenance base for 2021. The improvement seen in the margin of orders

received is expected to support profitability together with continual improvements in quality and productivity.

The key headwinds for 2021 results are the potential impacts from COVID-19 as well as the rising raw material and logistics costs. KONE also continues to invest actively in building the capability to sell and deliver digital services and solutions.

## The Board's proposal for the distribution of profit

The parent company's non-restricted equity on December 31, 2020 is EUR 2,046,658,825.95 of which the net income for the financial year is EUR 389,581,522.35. 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 442,181,142 class B shares. Further, the Board proposes an extra dividend of EUR 0.4975 to be paid on the outstanding 76,208,712 class A shares and

EUR 0.50 on the outstanding 442,181,142 class B shares, resulting in a total amount of proposed dividend of EUR 1,165,996,127.94. The Board of Directors further proposes that the remaining non-restricted equity, EUR 880,662,698.01 be retained and carried forward. The Board proposes that the dividends be payable from March 11, 2021. All the shares existing on the dividend record date are entitled to dividend for the year 2020 except for the own shares held by the parent company.

## Annual General Meeting 2021

KONE Corporation's Annual General Meeting will be held on Tuesday 2 March 2021 at 11.00 a.m. In order to prevent the spread of the COVID-19 pandemic, the company's shareholders may participate in the General Meeting and exercise their shareholder rights only by voting in advance and by submitting counterproposals and asking questions in advance.

Helsinki, January 28, 2021

KONE Corporation's Board of Directors

## Consolidated statement of income

MEUR	10-12/2020	%	10-12/2019	%	1-12/2020	%	1-12/2019	%
<b>Sales</b>	2,621.2		2,684.6		9,938.5		9,981.8	
Costs and expenses	-2,193.6		-2,263.0		-8,486.7		-8,547.9	
Depreciation and amortization	-60.5		-65.3		-239.0		-241.5	
<b>Operating income</b>	367.1	14.0	356.4	13.3	1,212.9	12.2	1,192.5	11.9
Financing income	12.3		16.5		41.8		51.6	
Financing expenses	-6.9		-6.9		-30.4		-26.5	
<b>Income before taxes</b>	372.5	14.2	366.0	13.6	1,224.2	12.3	1,217.5	12.2
Taxes	-85.2		-83.0		-276.9		-278.9	
<b>Net income</b>	287.2	11.0	283.0	10.5	947.3	9.5	938.6	9.4
<b>Net income attributable to:</b>								
Shareholders of the parent company	283.1		280.0		939.2		931.3	
Non-controlling interests	4.1		3.0		8.1		7.3	
<b>Total</b>	287.2		283.0		947.3		938.6	
<b>Earnings per share for profit attributable to the shareholders of the parent company, EUR</b>								
Basic earnings per share, EUR	0.55		0.54		1.81		1.80	
Diluted earnings per share, EUR	0.55		0.54		1.81		1.80	

## Consolidated statement of comprehensive income

MEUR	10-12/2020	10-12/2019	1-12/2020	1-12/2019
<b>Net income</b>	287.2	283.0	947.3	938.6
<b>Other comprehensive income, net of tax:</b>				
Translation differences	-60.9	1.1	-173.2	54.0
Hedging of foreign subsidiaries	24.2	-19.9	52.0	-8.5
Cash flow hedges	0.0	6.8	27.1	-14.5
<b>Items that may be subsequently reclassified to statement of income</b>	-36.6	-12.1	-94.1	31.0
Changes in fair value	10.3	-12.3	4.8	-2.7
Remeasurements of employee benefits	18.8	-18.6	8.8	-34.3
<b>Items that will not be reclassified to statement of income</b>	29.1	-30.9	13.6	-37.0
<b>Total other comprehensive income, net of tax</b>	-7.5	-42.9	-80.5	-6.0
<b>Total comprehensive income</b>	279.7	240.0	866.8	932.6
<b>Total comprehensive income attributable to:</b>				
Shareholders of the parent company	275.6	237.1	858.7	925.3
Non-controlling interests	4.1	3.0	8.1	7.3
<b>Total</b>	279.7	240.0	866.8	932.6

# Condensed consolidated statement of financial position

## Assets

MEUR		Dec 31, 2020	Dec 31, 2019
<b>Non-current assets</b>			
Goodwill		1,327.0	1,366.5
Other intangible assets		223.2	248.2
Tangible assets		710.0	742.2
Loan receivables and other interest-bearing assets	I	1.0	0.8
Investments		143.2	139.2
Employee benefits	I	19.2	21.7
Deferred tax assets	II	242.4	292.3
<b>Total non-current assets</b>		<b>2,666.1</b>	<b>2,810.9</b>
<b>Current assets</b>			
Inventories	II	597.0	648.6
Accounts receivable	II	2,178.6	2,232.3
Deferred assets	II	638.7	596.0
Income tax receivables	II	82.2	73.6
Current deposits and loan receivables	I	2,171.4	1,589.5
Cash and cash equivalents	I	457.9	662.4
<b>Total current assets</b>		<b>6,125.9</b>	<b>5,802.4</b>
<b>Total assets</b>		<b>8,792.0</b>	<b>8,613.3</b>

## Equity and liabilities

MEUR		Dec 31, 2020	Dec 31, 2019
<b>Equity</b>			
		3,197.3	3,192.9
<b>Non-current liabilities</b>			
Loans	I	244.0	427.1
Employee benefits	I	187.2	172.9
Deferred tax liabilities	II	90.4	160.2
<b>Total non-current liabilities</b>		<b>521.6</b>	<b>760.2</b>
<b>Provisions</b>	II	<b>154.7</b>	<b>127.1</b>
<b>Current liabilities</b>			
Loans	I	264.6	121.6
Advance payments received and deferred revenue	II	1,766.8	1,753.8
Accounts payable	II	890.9	809.8
Accruals	II	1,882.6	1,725.0
Income tax payables	II	113.6	123.0
<b>Total current liabilities</b>		<b>4,918.4</b>	<b>4,533.2</b>
<b>Total equity and liabilities</b>		<b>8,792.0</b>	<b>8,613.3</b>

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
<b>Jan 1, 2020</b>	66.2	100.3	322.1	9.8	110.3	-123.8	-185.1	2,873.0		20.0	3,192.9
Net income for the period									939.2	8.1	947.3
Other comprehensive income:											
Translation differences					-173.2						-173.2
Hedging of foreign subsidiaries					52.0						52.0
Cash flow hedges				27.1							27.1
Changes in fair value				4.8							4.8
Remeasurements of employee benefits						8.8					8.8
Transactions with shareholders and non-controlling interests:											
Profit distribution								-880.5			-880.5
Increase in equity (option rights)											-
Purchase of own shares											-
Change in non-controlling interests										-5.5	-5.5
Option and share-based compensation			23.6				20.4	-20.4			23.6
<b>Dec 31, 2020</b>	66.2	100.3	345.7	41.7	-10.9	-115.0	-164.7	1,972.0	939.2	22.6	3,197.3

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
<b>Jan 1, 2019</b>	66.0	100.3	259.1	27.0	64.8	-89.5	-203.3	2,840.0		16.0	3,080.6
Restatement impact								-28.5			-28.5
<b>Jan 1, 2019, restated</b>	66.0	100.3	259.1	27.0	64.8	-89.5	-203.3	2,811.5		16.0	3,052.1
Net income for the period									931.3	7.3	938.6
Other comprehensive income:											
Translation differences					54.0						54.0
Hedging of foreign subsidiaries					-8.5						-8.5
Cash flow hedges				-14.5							-14.5
Changes in fair value				-2.7							-2.7
Remeasurements of employee benefits						-34.3					-34.3
Transactions with shareholders and non-controlling interests:											
Profit distribution								-851.7			-851.7
Increase in equity (option rights)	0.2		37.3								37.5
Purchase of own shares											-
Change in non-controlling interests										-3.3	-3.3
Option and share-based compensation			25.7				18.2	-18.2			25.7
<b>Dec 31, 2019</b>	66.2	100.3	322.1	9.8	110.3	-123.8	-185.1	1,941.7	931.3	20.0	3,192.9

# Condensed consolidated statement of cash flows

MEUR	10-12/2020	10-12/2019	1-12/2020	1-12/2019
Operating income	367.1	356.4	1,212.9	1,192.5
Change in working capital before financing items and taxes	-59.5	-36.0	455.6	115.7
Depreciation and amortization	60.5	65.3	239.0	241.5
<b>Cash flow from operations before financing items and taxes</b>	<b>368.1</b>	<b>385.7</b>	<b>1,907.5</b>	<b>1,549.6</b>
Cash flow from financing items and taxes	-66.7	-44.2	-357.3	-279.9
<b>Cash flow from operating activities</b>	<b>301.4</b>	<b>341.4</b>	<b>1,550.2</b>	<b>1,269.7</b>
Cash flow from investing activities	-42.3	-22.2	-109.8	-121.8
<b>Cash flow after investing activities</b>	<b>259.0</b>	<b>319.2</b>	<b>1,440.4</b>	<b>1,148.0</b>
Increase in equity (option rights)		-		37.5
Profit distribution	-	-	-880.5	-851.7
Change in deposits and loans receivable, net	-253.6	-217.8	-606.1	-182.7
Change in loans payable and other interest-bearing debt	-25.5	-23.9	-134.1	-134.1
Changes in non-controlling interests	-3.0	-	-3.8	-3.7
<b>Cash flow from financing activities</b>	<b>-282.1</b>	<b>-241.7</b>	<b>-1,624.5</b>	<b>-1,134.7</b>
<b>Change in cash and cash equivalents</b>	<b>-23.1</b>	<b>77.5</b>	<b>-184.1</b>	<b>13.2</b>
Cash and cash equivalents at beginning of period	482.7	586.0	662.4	636.0
Translation difference	-1.7	-1.0	-20.4	13.2
<b>Cash and cash equivalents at end of period</b>	<b>457.9</b>	<b>662.4</b>	<b>457.9</b>	<b>662.4</b>

## Change in interest-bearing net debt

MEUR	10-12/2020	10-12/2019	1-12/2020	1-12/2019
Interest-bearing net debt at beginning of period	-1,732.7	-1,276.9	-1,552.9	-1,346.4
Interest-bearing net debt at end of period	-1,953.8	-1,552.9	-1,953.8	-1,552.9
<b>Change in interest-bearing net debt</b>	<b>-221.1</b>	<b>-276.0</b>	<b>-401.0</b>	<b>-206.5</b>

Payments of lease liabilities included in financing activities were EUR 117.9 (January–December 2019: 108.4) million and interest expense paid included in cash flow from financing items and taxes were EUR 10.1 (January–December 10.8) million.

# Notes to the interim report

## ACCOUNTING PRINCIPLES

The information presented in this report is based on the audited KONE 2020 Financial Statements. 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 2020.

## KEY FIGURES

		1-12/2020	1-12/2019
Basic earnings per share	EUR	1.81	1.80
Diluted earnings per share	EUR	1.81	1.80
Equity per share	EUR	6.12	6.13
Interest-bearing net debt	MEUR	-1,953.8	-1,552.9
Equity ratio	%	45.5	46.5
Gearing	%	-61.1	-48.6
Return on equity	%	29.7	30.1
Return on capital employed	%	25.0	25.1
Total assets	MEUR	8,792.0	8,613.3
Assets employed	MEUR	1,243.4	1,640.0
Net working capital (including financing and tax items)	MEUR	-1,160.1	-856.0

The calculation formulas of key figures are presented in KONE's Financial Statements for 2020.

## ALTERNATIVE PERFORMANCE MEASURE

KONE reports an alternative performance measure, adjusted EBIT, to enhance comparability of the business performance between reporting periods during the Accelerate program. The adjusted EBIT is calculated by excluding from EBIT significant items impacting comparability such as restructuring costs arising from redundancy and other costs directly associated to the Accelerate program.

		10-12/2020	10-12/2019	1-12/2020	1-12/2019
Operating income	MEUR	367.1	356.4	1,212.9	1,192.5
Operating income margin	%	14.0	13.3	12.2	11.9
Items impacting comparability	MEUR	13.5	11.1	37.7	45.0
Adjusted EBIT	MEUR	380.6	367.5	1,250.5	1,237.4
Adjusted EBIT margin	%	14.5	13.7	12.6	12.4

## QUARTERLY FIGURES

KONE has adopted the IFRS 16 effective January 1, 2019 using the modified retrospective approach and the comparative figures have not been restated. Further, KONE applied IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2013–2016 are not restated and thus not fully comparable.

		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 <sup>1)</sup>	MEUR	380.6	339.8	324.6	205.6	367.5	321.9	319.6	228.4
Adjusted EBIT margin <sup>1)</sup>	%	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 <sup>1)</sup>	MEUR	319.6	273.7	300.4	218.3	302.6	321.3	335.8	245.8
Adjusted EBIT margin <sup>1)</sup>	%	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 <sup>1)</sup>	MEUR	392.2	331.1	348.6	221.4	378.5	325.9	325.2	211.9
Adjusted EBIT margin <sup>1)</sup>	%	15.1	15.3	15.3	12.7	14.8	14.9	14.7	12.5
Items impacting comparability	MEUR	-	-	-	-	-	-	-	-

		Q4/2014	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Orders received	MEUR	1,703.8	1,577.2	1,801.9	1,729.7	1,473.2	1,327.2	1,638.2	1,712.4
Order book	MEUR	6,952.5	6,995.8	6,537.2	6,175.4	5,587.5	5,642.1	5,874.4	5,823.1
Sales	MEUR	2,165.8	1,877.9	1,848.9	1,441.8	2,033.0	1,739.2	1,761.7	1,398.7
Operating income	MEUR	315.3	277.5	263.2	179.6	292.8	257.5	242.8	160.4
Operating income margin	%	14.6	14.8	14.2	12.5	14.4	14.8	13.8	11.5
Adjusted EBIT <sup>1)</sup>	MEUR	315.3	277.5	263.2	179.6	292.8	257.5	242.8	160.4
Adjusted EBIT margin <sup>1)</sup>	%	14.6	14.8	14.2	12.5	14.4	14.8	13.8	11.5
Items impacting comparability	MEUR	-	-	-	-	-	-	-	-

<sup>1)</sup> Operating income excluding items impacting comparability

## Net working capital

MEUR	Dec 31, 2020	Dec 31, 2019
<b>Net working capital</b>		
Inventories	597.0	648.6
Advance payments received and deferred revenue	-1,766.8	-1,753.8
Accounts receivable	2,178.6	2,232.3
Deferred assets and income tax receivables	720.9	669.6
Accruals and income tax payables	-1,996.2	-1,848.0
Provisions	-154.7	-127.1
Accounts payable	-890.9	-809.8
Net deferred tax assets/liabilities	152.0	132.1
<b>Total net working capital</b>	<b>-1,160.1</b>	<b>-856.0</b>

## Depreciation and amortization

MEUR	10-12/2020	10-12/2019	1-12/2020	1-12/2019
Depreciation and amortization of fixed assets	51.4	56.0	202.2	205.3
Amortization of acquisition-related intangible assets	9.1	9.3	36.8	36.2
<b>Total</b>	<b>60.5</b>	<b>65.3</b>	<b>239.0</b>	<b>241.5</b>

## Key exchange rates in euros

		Dec 31, 2020		Dec 31, 2019	
		Income statement	Statement of financial position	Income statement	Statement of financial position
Chinese Renminbi	RMB	7.8916	8.0225	7.7353	7.8205
US Dollar	USD	1.1452	1.2271	1.1214	1.1234
British Pound	GBP	0.8864	0.8990	0.8773	0.8508
Australian Dollar	AUD	1.6523	1.5896	1.6090	1.5995



## Derivatives

### Fair values of derivative financial instruments

			Dec 31, 2020	Dec 31, 2019
MEUR	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net
Foreign exchange forward contracts and swaps	76.8	-77.0	-0.3	-16.5

### Nominal values of derivative financial instruments

MEUR	Dec 31, 2020	Dec 31, 2019
Foreign exchange forward contracts and swaps	3,790.3	2,569.4

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 1485.1 (December 31, 2019: 1,576.6) million as of December 31, 2020.

This bulletin 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

Beijing Daxing Airport is Beijing's second-largest airport, capable of accommodating 45 million passengers by 2021. The capacity will grow to 100 million annually with planned expansions. Designed to look like a mythical phoenix bird in flight, the building was inspired by traditional Chinese architecture and blends classical and modern elements.

First opened in 2019 with planned expansions already in the pipeline, the 700,000 square meter airport was designed with efficiency and convenience to passengers as a priority. Departure and arrival gates are located on the same floor, and the radial design aims to allow passengers to enter the building and easily reach their flight gates. Once the expansion is completed, a total of 174 KONE TravelMaster™ escalators and a KONE E-Link™ monitoring system will help provide reliable, smooth people flow to transport millions of passengers.

## KONE CORPORATION

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