

KONE H1 2023

Half-year Financial report

Dedicated to People Flow™

KONE’s January–June 2023 review:

Continued sales growth and improved profitability in a mixed operating environment

April–June 2023

- Orders received declined by 12.8% to EUR 2,275.5 (4–6/2022: 2,609.0) million. At comparable exchange rates, orders declined by 8.1%.
- Sales grew by 11.0% to EUR 2,835.9 (2,555.1) million. At comparable exchange rates, sales grew by 16.1%.
- Operating income (EBIT) was EUR 283.2 (189.0) million or 10.0% (7.4%) of sales. The adjusted EBIT was EUR 332.0 (209.3) million or 11.7% (8.2%) of sales.*
- Cash flow from operations (before financing items and taxes) was EUR 306.1 (166.6) million.

January–June 2023

- Orders received declined by 9.8% to EUR 4,538.6 (1–6/2022: 5,031.7) million. At comparable exchange rates, orders declined by 6.6%.
- Sales grew by 7.9% to EUR 5,392.5 (4,997.0) million. At comparable exchange rates, sales grew by 11.1%.
- Operating income (EBIT) was EUR 521.5 (360.2) million or 9.7% (7.2%) of sales. The adjusted EBIT was EUR 573.9 (405.8) million or 10.6% (8.1%) of sales.*
- Cash flow from operations (before financing items and taxes) was EUR 762.0 (385.3) million.

Business outlook for 2023 (specified)

KONE expects its sales growth at comparable exchange rates for the year 2023 to be in the range of 3–6%. The adjusted EBIT margin is expected to be in the range of 11.0–12.0%. Assuming that foreign exchange rates remain at the July 2023 level, the negative impact of foreign exchange rates on the adjusted EBIT is expected to be approximately EUR 50 million.

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

* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–June 2023, items affecting comparability amounted to EUR 52.4 million including EUR 54.7 million costs recognized on restructuring measures and a slight positive effect from remeasurement of the net assets of operations in Russia. In the comparison period, items affecting comparability included a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine as well as restructuring costs.

Key figures

		4–6/2023	4–6/2022	Change	1–6/2023	1–6/2022	Change	1–12/2022
Orders received	MEUR	2,275.5	2,609.0	-12.8%	4,538.6	5,031.7	-9.8%	9,131.3
Order book	MEUR				9,041.9	10,000.4	-9.6%	9,026.1
Sales	MEUR	2,835.9	2,555.1	11.0%	5,392.5	4,997.0	7.9%	10,906.7
Operating income	MEUR	283.2	189.0	49.8%	521.5	360.2	44.8%	1,031.2
Operating income margin	%	10.0	7.4		9.7	7.2		9.5
Adjusted EBIT [1)]	MEUR	332.0	209.3	58.6%	573.9	405.8	41.4%	1,076.6
Adjusted EBIT margin [1)]	%	11.7	8.2		10.6	8.1		9.9
Income before tax	MEUR	284.7	180.1	58.0%	525.8	350.9	49.9%	1,028.4
Net income	MEUR	221.8	138.7	59.9%	407.5	270.2	50.8%	784.5
Basic earnings per share	EUR	0.43	0.26	65.1%	0.79	0.51	53.9%	1.50
Cash flow from operations (before financing items and taxes)	MEUR	306.1	166.6		762.0	385.3		754.7
Interest-bearing net debt	MEUR				-640.9	-1,263.4		-1,309.0
Equity ratio	%				34.5	35.3		40.3
Return on equity	%				32.0	19.0		25.9
Net working capital (including financing items and taxes)	MEUR				-948.7	-1,308.1		-903.9
Gearing	%				-28.8	-51.0		-45.7

[1] KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–June 2023, items affecting comparability amounted to EUR 52.4 million including EUR 54.7 million costs recognized on restructuring measures and a slight positive effect from remeasurement of the net assets of operations in Russia. In the comparison period, items affecting comparability included a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine as well as restructuring costs.

Henrik Ehrnrooth, President and CEO:

”I am very pleased with the strong growth in sales during the second quarter driven by good development in all areas and businesses. This, together with better pricing on deliveries and a focus on costs resulted in a clear improvement in profitability. Orders received, on the other hand, declined in the quarter. While modernization continued to grow at a good rate, new equipment orders were impacted by the market dynamics in China. Following a promising start to the year, consumer confidence weakened causing activity in China’s property market to soften during the second quarter. Policy actions remain central to market recovery.

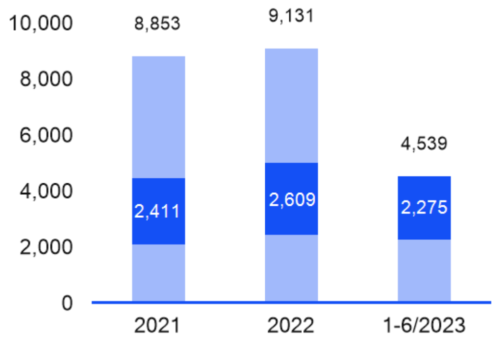
We continue to place strong emphasis on margin improvement. Trends in the operating environment are varied in our regions and businesses. In this environment, our priority is to grow in services globally as well as in selected new equipment markets. I am extremely happy with the consistently strong performance of our service businesses. The phenomenal second quarter sales growth of 24.8% shows the strength of our modernization business. Our focus has been on developing a more targeted commercial approach and ensuring a superior customer experience from tendering to delivery. This has improved both sales execution and profitability. In maintenance, we had another excellent quarter with sales growing by 9.8%. Our service base has consistently grown at a healthy pace. It exceeded 1.6 million units under maintenance in the second quarter. Pricing has further accelerated sales growth and the offering developments we have introduced in the areas of digital and sustainability have resonated well with our customers. This is visible in both improved retention rates and the positive development seen in the Net Promoter Score for our service businesses in our recently conducted customer loyalty survey.

Our new operating model was implemented as of July 1st, putting us on track to reach the targeted EUR 100 million annual savings. The changes we have made will further increase local accountability, thereby enabling faster decision-making closer to the customer interface. I am proud of the KONE team for their customer focus and the strong development of our business throughout the implementation of the changes to our organization. My heartfelt thanks to all our employees for their continued great work.

With six months behind us, we specify our business outlook for the year. We now expect sales to grow 3–6% and the adjusted EBIT margin to be within the 11.0–12.0% range. In the longer-term, I am confident that our industry leading service business growth, further enhanced local accountability, and the strength of our customer relationships position us well to develop towards our strategic and financial targets.”

Key Figures

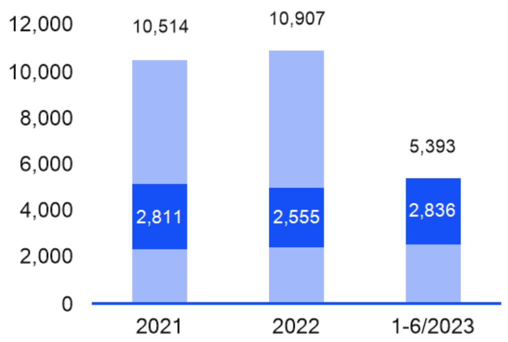
Orders received (MEUR)



- **In April–June 2023**, orders received declined by 12.8% (at comparable exchange rates, orders received declined by 8.1%).
- At comparable rates, new equipment orders received declined significantly with significant decline in the volume business and slight decline in major projects. The decline was driven by the challenging market conditions in China and the impact of increased interest rates and slowing economic growth in Europe and North America. In modernization, orders received grew clearly with clear growth in the volume business and significant growth in major projects.
- The margin of orders received improved year-on-year thanks to lower commodity costs in China and favorable pricing development in other regions. Compared to the previous quarter, the margin on orders received was stable.

- **In January–June 2023**, orders received declined by 9.8% (declined by 6.6% at comparable exchange rates).

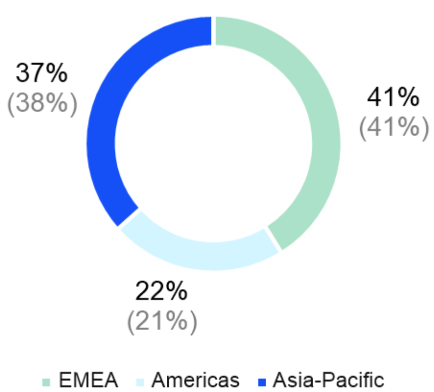
Sales (MEUR)



- **In April–June 2023**, sales grew by 11.0% (grew by 16.1% at comparable exchange rates). All regions and businesses contributed to the growth in sales.
- New equipment sales grew by 11.2% (grew by 18.5% at comparable exchange rates). Service (maintenance and modernization) sales grew by 10.8% (grew by 14.1% at comparable rates). Maintenance sales grew by 6.7% (grew by 9.8% at comparable rates) and modernization sales grew by 21.3% (grew by 24.8% at comparable rates).
- Sales in the EMEA region grew by 9.6% (grew by 13.0% at comparable rates). In the Americas region, sales grew by 10.8% (grew by 12.6% at comparable rates). In the Asia-Pacific region, sales grew by 12.6% (grew by 21.6% at comparable rates).

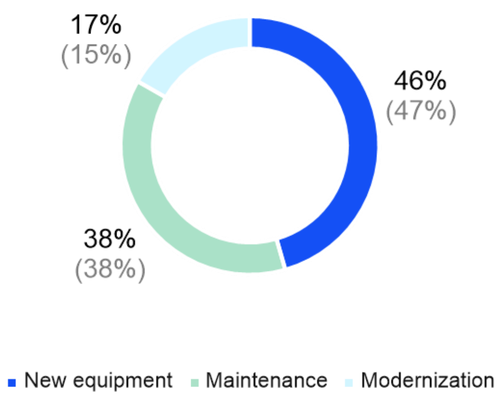
- **In January–June 2023**, sales grew by 7.9% (grew by 11.1% at comparable exchange rates).

Sales by region



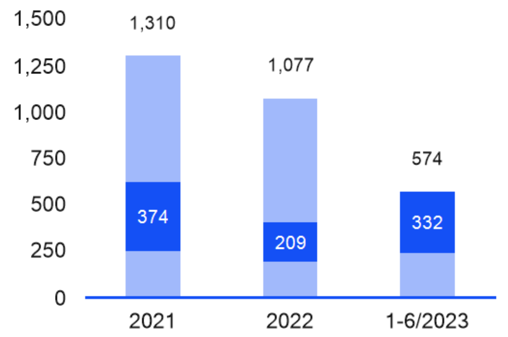
1–6/2023 (1–6/2022)

Sales by business



1–6/2023 (1–6/2022)

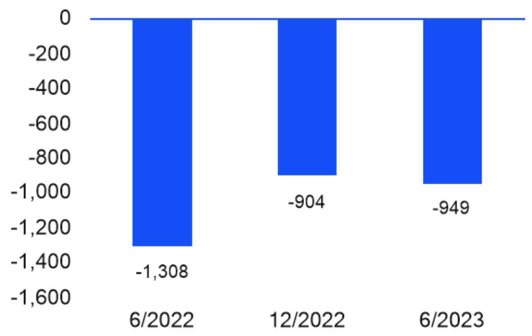
Adjusted EBIT (MEUR)



- **In April–June 2023**, operating income was 10.0% of sales (4–6/2022: 7.4%). The adjusted EBIT margin was 11.7% (8.2%).
- Profitability improved thanks to better pricing on deliveries, lower material costs and improved fixed cost absorption.
- With comparable exchange rates, the translation impact on operating income for the comparison period was EUR -4.5 million.

- **In January–June 2023**, operating income was 9.7% of sales (1–6/2022: 7.2%). The adjusted EBIT margin was 10.6% (8.1%).

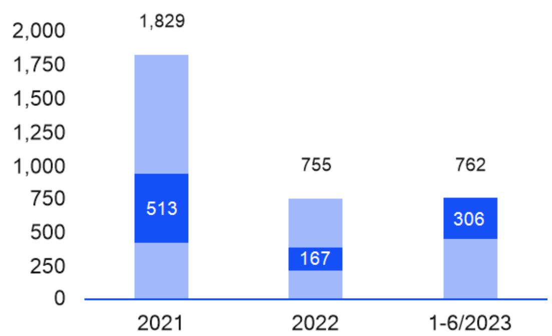
Net working capital[1] (MEUR)



- **At the end of June 2023**, net working capital was broadly stable compared to the beginning of the year.
- Foreign exchange rates had an approximately EUR 40 million positive impact on the net working capital.

1) Including financing items and taxes

Cash flow[2] (MEUR)



- **In April–June 2023** cash flow was EUR 306.1 million.
- Cash flow improved largely due to the increase in operating income. Net working capital had a slightly negative impact.

- **In January–June 2023**, cash flow amounted to EUR 762.0 million.
- Cash flow was positively impacted by the increase in operating income and changes in working capital.

2) Cash flow from operations before financing items and taxes

KONE's January–June 2023 review

KONE's operating environment

	New equipment market in units		Maintenance market in units		Modernization market in monetary value	
	4–6/2023	1–6/2023	4–6/2023	1–6/2023	4–6/2023	1–6/2023
Total market	---	---	+	+	+	+
EMEA	---	--	+	+	+	+
Central and North Europe	---	---	+	+	stable	+
South Europe	---	--	stable	stable	+	+
Middle East and Africa	--	stable	+	+	++	+
North America	---	---	+	+	+	+
Asia-Pacific	--	---	++	++	++	+
China	--	---	++	++	++	+
Rest of Asia-Pacific	+	++	++	++	++	++

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

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

April–June 2023

The global new equipment market declined during the second quarter as a result of higher interest rates and slowing economic growth in the more mature markets combined with challenging market dynamics in China**. In Asia-Pacific**, weak consumer sentiment weighed on demand in China while elsewhere in the region activity grew slightly with continued strong demand in India and Southeast Asia. **In the EMEA region**, activity declined significantly across Europe. In the Middle East and Africa, activity declined clearly. **In North America**, the market declined significantly from a high base.

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

The pricing environment was favorable outside China. In China, competition remained intense.

January–June 2023

Regional differences in demand trends were apparent **in the global new equipment market** during January–June. In the more mature markets, sentiment was impacted by rising interest rates and slowing economic growth, while demand in many emerging markets was on a healthier level. **In China**, the focus on completing unfinished projects was strong through the first half, but new construction related key indicators weakened during the second quarter following some policy driven improvement in the first quarter. Property developers' access to financing remained constrained and consumer sentiment was poor. **In the rest of Asia-Pacific**, activity grew clearly, supported by strong development in India and recovery in Southeast Asia. **In the EMEA region**, activity declined significantly in Central and North Europe and clearly in South Europe mainly due to weaker sentiment in the residential segment. In the Middle East and Africa, activity was stable. **In North America**, the market declined significantly from a high base.

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

The pricing environment was favorable outside China. In China, competition remained intense.

Orders received and order book

Orders received (MEUR)	4–6/2023	4–6/2022	Change	Comparable change[1]	1–6/2023	1–6/2022	Change	Comparable change[1]	1–12/2022
Orders received	2,275.5	2,609.0	-12.8%	-8.1%	4,538.6	5,031.7	-9.8%	-6.6%	9,131.3

[1] Change at comparable foreign exchange rates

Order book (MEUR)	Jun 30, 2023	Jun 30, 2022	Change	Comparable change[1]	Dec 31, 2022
Order book	9,041.9	10,000.4	-9.6%	-2.9%	9,026.1

[1] Change at comparable foreign exchange rates

Orders received consist predominantly of new equipment and modernization orders. Maintenance contracts are not included in orders received, but the figure includes orders related to the maintenance business, such as repairs.

April–June 2023

Orders received declined by 12.8% as compared to April–June 2022 and totaled EUR 2,275.5 million. At comparable exchange rates, KONE's orders received declined by 8.1%.

At comparable rates, new equipment orders received declined significantly with significant decline in the volume business and slight decline in major projects. The decline was driven by the challenging market conditions in China and the impact of increased interest rates and slowing economic growth in Europe and North America. In modernization, orders received grew clearly with clear growth in the volume business and significant growth in major projects.

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

Orders received in the EMEA region grew slightly at comparable exchange rates as compared to April–June 2022. New equipment orders declined clearly and modernization orders grew significantly in the region.

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

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

January–June 2023

Orders received declined by 9.8% as compared to January–June 2022 and totaled EUR 4,538.6 million. At comparable exchange rates, KONE's orders received declined by 6.6%.

At comparable rates, orders received for the new equipment declined significantly with significant decline in the volume business and slight growth in major projects. The decline was largely driven by the difficult market conditions in China, and the impact of increased interest rates and slowing economic growth in Europe and North America. In modernization, orders received grew significantly. Orders grew significantly in the volume business and grew significantly in major projects.

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

Orders received in the EMEA region grew clearly at comparable exchange rates as compared to January–June 2022. New equipment orders were stable thanks to strong growth in the Middle East and Africa during the first quarter. Modernization orders grew significantly in the region.

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

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

The order book declined by 9.6% compared to the end of June 2022 and stood at a strong level of EUR 9,041.9 million at the end of the reporting period. At comparable rates, the order book declined by 2.9%.

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

Sales

By region (MEUR)	4–6/2023	4–6/2022	Change	Comparable change[1]	1–6/2023	1–6/2022	Change	Comparable change[1]	1–12/2022
EMEA	1,123.2	1,025.0	9.6%	13.0%	2,218.2	2,041.0	8.7%	11.4%	4,237.7
Americas	605.7	546.7	10.8%	12.6%	1,200.7	1,039.8	15.5%	14.3%	2,239.8
Asia-Pacific	1,107.1	983.4	12.6%	21.6%	1,973.6	1,916.2	3.0%	8.8%	4,429.2
Total	**2,835.9**	**2,555.1**	**11.0%**	**16.1%**	**5,392.5**	**4,997.0**	**7.9%**	**11.1%**	**10,906.7**

[1] Change at comparable foreign exchange rates

By business (MEUR)	4–6/2023	4–6/2022	Change	Comparable change[1]	1–6/2023	1–6/2022	Change	Comparable change[1]	1–12/2022
New equipment	1,348.8	1,213.3	11.2%	18.5%	2,458.1	2,373.1	3.6%	8.3%	5,399.3
Services	1,487.2	1,341.8	10.8%	14.1%	2,934.4	2,623.9	11.8%	13.5%	5,507.4
Maintenance	1,024.4	960.3	6.7%	9.8%	2,032.4	1,885.6	7.8%	9.5%	3,890.4
Modernization	462.7	381.5	21.3%	24.8%	902.0	738.3	22.2%	23.8%	1,616.9
Total	**2,835.9**	**2,555.1**	**11.0%**	**16.1%**	**5,392.5**	**4,997.0**	**7.9%**	**11.1%**	**10,906.7**

[1] Change at comparable foreign exchange rates

April–June 2023

KONE's sales grew by 11.0% as compared to April–June 2022, and totaled EUR 2,835.9 million. At comparable exchange rates, KONE's sales grew by 16.1%. All regions and businesses contributed to the growth.

New equipment sales grew by 18.5% at comparable exchange rates. Service sales grew by 14.1% at comparable exchange rates. Maintenance sales grew by 9.8% at comparable exchange rates, thanks to maintenance base growth, improved pricing and continued momentum in value-added services. Modernization sales grew by 24.8% at comparable exchange rates.

Sales in the EMEA region grew by 9.6% and totaled EUR 1,123.2 million. At comparable exchange rates, sales grew by 13.0%. New equipment sales grew significantly. Maintenance sales grew significantly and modernization sales grew significantly in the region.

In the Americas, sales grew by 10.8% and totaled EUR 605.7 million. At comparable exchange rates, sales grew by 12.6%. New equipment sales grew significantly, maintenance sales grew clearly and modernization sales grew significantly in the region.

In Asia-Pacific, sales grew by 12.6% and totaled EUR 1,107.1 million. At comparable exchange rates, sales grew by 21.6%. New equipment sales grew significantly, maintenance sales grew clearly and modernization sales grew significantly in the region.

January–June 2023

KONE's sales grew by 7.9% as compared to January–June 2022, and totaled EUR 5,392.5 million. At comparable exchange rates, KONE's sales grew by 11.1%. All regions and businesses contributed to the growth.

New equipment sales grew by 8.3% at comparable exchange rates. Service sales grew by 13.5% at comparable exchange rates. At comparable exchange rates, maintenance sales grew by 9.5%, thanks to maintenance base growth, improved pricing and continued momentum in value-added services. At comparable exchange rates modernization sales grew by 23.8%.

Sales in the EMEA region grew by 8.7% and totaled EUR 2,218.2 million. At comparable exchange rates, sales grew by 11.4%. New equipment sales grew significantly, maintenance sales grew significantly and modernization sales grew significantly in the region.

In the Americas, sales grew by 15.5% and totaled EUR 1,200.7 million. At comparable exchange rates, sales grew by 14.3%. New equipment sales grew significantly, maintenance sales grew clearly and modernization sales grew significantly in the region.

In Asia-Pacific, sales grew by 3.0% and totaled EUR 1,973.6 million. At comparable exchange rates, sales grew by 8.8%. New equipment sales grew clearly, maintenance sales grew clearly and modernization sales grew significantly in the region.

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

Financial result

	4–6/2023	4–6/2022	Change	1–6/2023	1–6/2022	Change	1–12/2022
Operating income, MEUR	283.2	189.0	49.8%	521.5	360.2	44.8%	1,031.2
Operating income margin, %	10.0	7.4		9.7	7.2		9.5
Adjusted EBIT, MEUR	332.0	209.3	58.6%	573.9	405.8	41.4%	1,076.6
Adjusted EBIT margin, %	11.7	8.2		10.6	8.1		9.9
Income before taxes, MEUR	284.7	180.1	58.0%	525.8	350.9	49.9%	1,028.4
Net income, MEUR	221.8	138.7	59.9%	407.5	270.2	50.8%	784.5
Basic earnings per share, EUR	0.43	0.26	65.1%	0.79	0.51	53.9%	1.50

April–June 2023

KONE's operating income (EBIT) was EUR 283.2 million or 10.0% of sales. The adjusted EBIT was EUR 332.0 million or 11.7% of sales. Profitability improved thanks to better pricing on deliveries, lower material costs and improved fixed cost absorption.

In April–June 2023, items affecting comparability consisted of costs related to restructuring measures amounting to EUR 48.8 million.

With comparable exchange rates, the translation impact on operating income for the comparison period was EUR -4.5 million.

Basic earnings per share was EUR 0.43.

January–June 2023

KONE's operating income (EBIT) was EUR 521.5 million or 9.7% of sales. The adjusted EBIT was EUR 573.9 million or 10.6% of sales. Profitability improved thanks to better pricing on deliveries, lower material costs and improved fixed cost absorption.

In January–June 2023, items affecting comparability amounted to EUR 52.4 million including EUR 54.7 million costs recognized on restructuring measures and a slight positive effect from remeasurement of the net assets of operations in Russia.

With comparable exchange rates, the translation impact on operating income for the comparison period was EUR -5.9 million.

KONE's income before taxes was EUR 525.8 million. Taxes totaled EUR 118.3 (80.7) million. This represents an effective tax rate of 22.5% for the full financial year. Net income for the period was EUR 407.5 million.

Basic earnings per share was EUR 0.79.

Cash flow and financial position

	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Cash flow from operations (before financing items and taxes), MEUR	306.1	166.6	762.0	385.3	754.7
Net working capital (including financing items and taxes), MEUR			-948.7	-1,308.1	-903.9
Interest-bearing net debt, MEUR			-640.9	-1,263.4	-1,309.0
Gearing, %			-28.8	-51.0	-45.7
Equity ratio, %			34.5	35.3	40.3
Equity per share, EUR			4.25	4.73	5.49

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

Cash flow from operations (before financing items and taxes) during January–June 2023 improved to EUR 762.0 million due to the increase in operating income and the changes in working capital.

Net working capital (including financing items and taxes) was EUR -948.7 million at the end of June 2023. Compared to the beginning of the year net working capital was broadly stable. Foreign exchange rates had an approximately EUR 40 million positive impact.

Interest-bearing net debt was EUR -640.9 million at the end of June 2023. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 1,328.2 (Dec 31, 2022: 1,970.4) million at the end of the reporting period. Interest-bearing liabilities were EUR 701.5 (Dec 31, 2022: 673.9) million, including a pension liability of EUR 162.4 (Dec 31, 2022: 140.0) million and a leasing liability of EUR 320.9 (Dec 31, 2022: 324.0) million. Additionally, KONE had an asset on employee benefits, EUR 12.1 (Dec 31, 2022: 10.0) million. Gearing was -28.8% and the equity ratio was 34.5% at the end of June 2023.

Equity per share was EUR 4.25.

Capital expenditure and acquisitions

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
On fixed assets	38.6	20.5	64.5	40.1	101.7
On leasing agreements	33.9	23.7	67.0	45.9	107.5
On acquisitions	75.2	9.3	143.3	24.5	28.1
Total	**147.7**	**53.5**	**274.8**	**110.5**	**237.4**

KONE's capital expenditure and acquisitions totaled EUR 274.8 million in January–June 2023. Capital expenditure excluding acquisitions was mainly related to manufacturing facilities and IT as well as tools and equipment in R&D. Capital expenditure on leases consists mainly of maintenance vehicles and office facilities.

Acquisitions totaled EUR 143.3 million in January–June 2023. KONE completed several small predominantly service-related acquisitions in Europe and acquired a distributor in the Middle East.

Research and development

	4–6/2023	4–6/2022	Change	1–6/2023	1–6/2022	Change	1–12/2022
R&D expenditure, MEUR	49.0	47.5	3.1%	95.1	92.5	2.8%	187.8
As percentage of sales, %	1.7	1.9		1.8	1.9		1.7

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

Research and development expenditure totaled EUR 95.1 million, representing 1.8% of sales in January–June 2023. R&D expenditure includes the development of new products and service concepts as well as further development of existing solutions and services.

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

In addition to the ISO 27001 cybersecurity certification granted to KONE's digital services during the first quarter, KONE was granted the IEC 62443 cybersecurity certification for its DX class elevators during the second quarter. The ISO 27001 certification applies to KONE 24/7 Connected Services, KONE Online and KONE Mobile solutions. Both achievements are a first for the global elevator and escalator industry. KONE is committed to ensuring that all its products and services meet the relevant customer and regulatory cybersecurity requirements also going forward.

Personnel

KONE employees	1–6/2023	1–6/2022	1–12/2022
Average number of employees	63,020	63,041	63,186
Number of employees at the end of period	**62,962**	**63,106**	**63,277**
EMEA	23,756	23,919	23,628
Americas	7,577	7,264	7,442
Asia-Pacific	31,628	31,924	32,208

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

Employee engagement, KONE culture and talent

We actively encourage diversity at KONE, and our values guide us in upholding an inclusive culture.

In June, we celebrated Pride month across the world. In addition to local activities, we arranged a global Pride event and virtual training to raise awareness around LGBTIQ+ inclusion and to provide guidance on how to build more inclusive environments.

Recruitment volumes for field roles were stable during the second quarter, with talent attraction focused strongly on service technician and sales hires. We continued to hire talents outside the elevator and escalator industry to bring in complementing competences and skills. Recruitment volumes for other staff roles were impacted by the ongoing operating model renewal. During the first half of the year, we recruited around 250 trainees across the world to build the talent pipeline and enable learning on the job for new talents.

Highlights Q2/2023

- In June, we celebrated Pride month across the world
- The new operating model became effective on July 1, 2023

Rewarding and performance

At the end of the second quarter, we started our mid-year review process which consists of performance and development discussions on achievements and progress during the first half of the year as well as on priorities and goals for the second half. An important part of the mid-year review is individual development planning, focusing on competences for both current and potential future roles.

Learning and development

During the first half, we focused on employee learning and development activities across different fronts. We strengthened the support offered to our field trainers whose network enables us to reach business targets through a competent workforce and systematic train-the-trainer approach. We also built and executed company-wide learning resources on change management to support the leaders during the ongoing operating model renewal.

Operating model renewal

In January 2023, KONE announced plans to renew its operating model to strengthen its competitiveness and customer focus in a changing operating environment. The target is to drive KONE's strategy forward with greater speed and efficiency and operate more closely with customers, through stronger geographic Areas. The first structures and appointments were announced internally during the first quarter and the design work and nominations continued in the second quarter. As planned, the new organizational structure became effective on July 1, 2023. The measures are expected to result in the reduction of approximately 1,000 jobs globally, with related restructuring costs of approximately EUR 70 million. The changes are estimated to generate annual cost savings of around EUR 100 million.

Environment

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

Recognitions

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

During the second quarter, MSCI, a leading provider of critical decision-support tools and services for the global investment community, raised KONE's ESG rating to AA class. MSCI ESG Research measures companies' resilience to financially material environmental, societal and governance risks and assesses how well the risks are managed in comparison to peers. Additionally, KONE earned a place in the Financial Times Europe's Climate Leaders ranking. The ranking identifies companies that achieved the greatest reduction in their greenhouse gas (GHG) emissions relative to their revenue between 2016 and 2021.

Environmental targets and outcomes

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

Our 2022 carbon footprint calculations were finalized during the first quarter of 2023. KONE's total carbon footprint data (Scope 1, 2 and 3 GHG emissions) has been externally assured. In 2022, KONE's target was to reduce the operational carbon footprint (Scope 1 and 2) by 16% compared to 2018.

Highlights Q2/2023

- KONE's ESG rating raised to AA class by MSCI
- First KONE Declare label approved by the Living Future Institute
- KONE Malaysia received the first green product certifications for several product platforms

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

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

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

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

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

KONE's sustainable offering

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

We have a wide range of best-in-class energy performance references for our products in various building types, market areas and product specifications. KONE currently has a total of 31 best-in-class energy efficiency references for our elevator and escalator platforms according to the international ISO 25745 standard for the energy performance of lifts, escalators and moving walks. During the first quarter, externally verified Environmental Product Declarations (EPD) were published for the KONE NanoSpace™ DX and KONE MiniSpace™ DX Highrise with Steel Rope elevators. KONE also published the first EPD for a modernization solution, MonoSpace® upgrade DX. During the second quarter, an EPD for KONE MonoSpace® 500 DX elevator for North American markets was republished with updated information. EPDs carry important information about the embodied carbon in our products, and they can be used when calculating the overall carbon footprint of buildings.

During the second quarter, externally verified Health Product Declarations (HPD) were published for the KONE TravelMaster™ 110 and TransitMaster™ 120 escalators. Through HPDs, we provide information about the material content and the associated health effects of our products, responding to a growing need for healthier living environments.

During the first quarter, KONE received approved Byggvarubedömningen (BVB) assessments for the KONE TransitMaster™ 140 and TravelMaster™ 110 escalators. BVB is a Swedish nonprofit organization that evaluates solutions for buildings and drives the use of healthy and environmentally sustainable building materials. During the second quarter, a Declare label for standard elevator cabin for KONE MonoSpace® 300 DX and KONE MonoSpace® 500 DX for North America was approved by the Living Future Institute. This is the first Declare label KONE has published, and KONE's standard elevator cabin is the only elevator product in the current Declare Database CSI DIV 14 Conveying Equipment. Declare labels provide transparency to end-users by reporting all product ingredients and information on the product's final assembly location, life expectancy and end-of-life options.

KONE also received the Singapore Green Building Product (SGBP) certifications for N MonoSpace DX and S MonoSpace DX elevators as first approvals, and for 3000 Transys (SOC) as a reapproval. Additionally, KONE Malaysia received the first green product certifications from MyHIJAU (Malaysia's Green recognition scheme) for the N MonoSpace®, N MiniSpace™, MiniSpace™, TranSys™, 3000 S Monospace ® and TravelMaster™ 110 platforms.

Changes in the Executive Board

KONE's new operating model came into effect on July 1, 2023, resulting in changes to the Executive Board. Led by President and CEO Henrik Ehrnrooth, the Executive Board is comprised of the following members: Joe Bao, Executive Vice President, Greater China; Axel Berkling, Executive Vice President, Strategy & Transformation; Hugues Delval, Executive Vice President, Commercial & Operations; Johannes Frände, Executive Vice President, Legal; Samer Halabi, Executive Vice President, Asia-Pacific, Middle East and Africa; Ilkka Hara, Chief Financial Officer; Mikko Korte, Executive Vice President, Supply Chain; Karla Lindahl, Executive Vice President, Europe; Tomio Pihkala, Executive Vice President, Technology & Innovation; Ken Schmid, Executive Vice President, Americas; and Susanne Skippari, Executive Vice President, People & Communications.

In conjunction with this change, Tricia Weener, Executive Vice President, Marketing & Communications and Maciej Kranz, Executive Vice President, Technology & Innovation stepped down from their roles as Executive Board members on July 1, 2023.

Other events

In 2007, a decision was issued by the European Commission concerning alleged local anticompetitive practices before early 2004 in Germany, Luxembourg, Belgium and the Netherlands by leading elevator and escalator companies, including KONE's local subsidiaries. Also, the Austrian Cartel Court issued in 2007 a decision concerning anti-competitive practices that had taken place before mid-2004 in local Austrian markets by leading elevator and escalator companies, including KONE's local subsidiary. As previously announced by KONE, a number of civil damage claims by certain companies and public entities relating to the two 2007 decisions, are pending in related countries. The claims have been made against various companies concerned by the decisions, including certain KONE companies. All claims are independent and are progressing procedurally at different stages. The total capital amount claimed jointly and severally from all of the defendants together was EUR 71 million at the end of June 2023 (March 31, 2023: EUR 81 million). KONE's position is that the claims are without merit. No provision has been made.

Most significant risks

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

Strategic risks

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

As China accounts for approximately one third of KONE's sales, a decline in the Chinese construction sector represents a risk for KONE's financial performance. Low consumer confidence and continuing liquidity constraints among Chinese property developers are hampering the recovery of the construction industry. KONE's customer portfolio is well diversified, which limits individual customer risks.

The global supply chains remain volatile and the war in Ukraine continues to increase geopolitical risks and unpredictability of the business environment. Such risks and uncertainties may expose KONE to business disruptions and profitability risks.

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

Operational risks

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

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

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

Hazard, security and incidental risks

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

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

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

Financial risks

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

Risk management

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

Decisions of the Annual General Meeting

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

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

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

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

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

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

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

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

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

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

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

Share-based incentive plans

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

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

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

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

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

Shares and share capital

Share capital and market capitalization*	Jun 30, 2023	Dec 31, 2022
Number of class B shares	453,187,148	453,187,148
Number of class A shares	76,208,712	76,208,712
Total shares	**529,395,860**	**529,395,860**
Treasury shares	12,159,159	12,306,640
Share capital, EUR	66,174,483	66,174,483
Market capitalization, MEUR*	24,739	24,975

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

Shares in KONE's possession	1–6/2023
Shares in KONE's possession at the beginning of the period	12,306,640
Changes in own shares during the period	-147,481
Shares in KONE's possession at the end of the period	**12,159,159**

At the end of June 2023, the Group had 12,159,159 class B shares in its possession. The shares in the Group's possession represent 2.7% of the total number of class B shares. This corresponds to 1.0% of the total voting rights.

Shares traded on Nasdaq Helsinki		1–6/2023	1–6/2022	1–12/2022
Shares traded on the Nasdaq Helsinki Ltd., million		75.1	117.5	236.7
Average daily trading volume		605,475	947,352	935,595
Volume-weighted average share price	EUR	49.31	49.92	46.56
Highest share notation	EUR	53.34	64.12	64.12
Lowest share notation	EUR	45.52	41.33	36.72
Share notation at the end of the period	EUR	47.83	45.36	48.30

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

The number of registered shareholders was 110,592 at the beginning of the review period and 109,385 at its end. The number of private households holding shares totaled 104,170 at the end of the period, which corresponds to approximately 12.5% of the listed B shares. At the end of June 2023, a total of 51.9% of the B shares were owned by nominee-registered and non-Finnish investors.

Outlook

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

Market outlook 2023 (updated)

In China, the new equipment market is expected to decline by approximately 10–15% during 2023. Policy actions are central to market recovery. In the rest of Asia-Pacific, activity is expected to grow clearly thanks to a continued positive outlook in India and Southeast Asia. Economic uncertainty and rising interest rates are impacting activity in the European and North American construction markets. In the EMEA region, activity is expected to decline clearly. In North America, activity is expected to decline significantly following a weak first half.

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

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

Business outlook 2023 (specified)

KONE expects its sales growth at comparable exchange rates for the year 2023 to be in the range of 3–6%. The adjusted EBIT margin is expected to be in the range of 11.0–12.0%. Assuming that foreign exchange rates remain at the July 2023 level, the negative impact of foreign exchange rates on the adjusted EBIT is expected to be approximately EUR 50 million.

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

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

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

Helsinki, July 20, 2023

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	4–6/2023	%	4–6/2022	%	1–6/2023	%	1–6/2022	%	1–12/2022	%
Sales	**2,835.9**		**2,555.1**		**5,392.5**		**4,997.0**		**10,906.7**	
Costs and expenses	-2,488.7		-2,301.8		-4,742.4		-4,509.6		-9,616.2	
Depreciation and amortization	-64.0		-64.3		-128.6		-127.2		-259.3	
Operating income	**283.2**	**10.0**	**189.0**	**7.4**	**521.5**	**9.7**	**360.2**	**7.2**	**1,031.2**	**9.5**
Financing income	9.8		10.5		26.2		22.9		51.2	
Financing expenses	-8.3		-19.4		-21.9		-32.2		-53.9	
Income before taxes	**284.7**	**10.0**	**180.1**	**7.1**	**525.8**	**9.8**	**350.9**	**7.0**	**1,028.4**	**9.4**
Taxes	-62.8		-41.4		-118.3		-80.7		-244.0	
Net income	**221.8**	**7.8**	**138.7**	**5.4**	**407.5**	**7.6**	**270.2**	**5.4**	**784.5**	**7.2**
Net income attributable to:										
Shareholders of the parent company	223.1		135.3		406.7		264.6		774.5	
Non-controlling interests	-1.2		3.4		0.8		5.6		10.0	
Total	**221.8**		**138.7**		**407.5**		**270.2**		**784.5**	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share, EUR	0.43		0.26		0.79		0.51		1.50	
Diluted earnings per share, EUR	0.43		0.26		0.79		0.51		1.49	

Consolidated statement of comprehensive income

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Net income	**221.8**	**138.7**	**407.5**	**270.2**	**784.5**
Other comprehensive income, net of tax:					
Translation differences	-60.8	62.8	-100.0	97.0	5.1
Hedging of foreign subsidiaries	5.8	-19.4	11.9	-25.0	-21.2
Cash flow hedges	-17.0	1.0	-15.0	0.0	2.5
Items that may be subsequently reclassified to statement of income	**-72.1**	**44.3**	**-103.1**	**72.1**	**-13.6**
Changes in fair value	-8.4	-6.1	-23.4	-11.0	-20.8
Remeasurements of employee benefits	-6.9	0.8	-29.2	30.6	42.4
Items that will not be reclassified to statement of income	**-15.2**	**-5.3**	**-52.6**	**19.6**	**21.6**
Total other comprehensive income, net of tax	**-87.3**	**39.1**	**-155.7**	**91.8**	**8.0**
Total comprehensive income	**134.5**	**177.8**	**251.8**	**362.0**	**792.5**
Total comprehensive income attributable to:					
Shareholders of the parent company	135.8	174.4	251.0	356.4	782.5
Non-controlling interests	-1.2	3.4	0.8	5.6	10.0
Total	**134.5**	**177.8**	**251.8**	**362.0**	**792.5**

Condensed consolidated statement of financial position

Assets

MEUR		Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Non-current assets				
Goodwill		1,439.0	1,437.8	1,414.7
Other intangible assets		281.2	216.7	208.2
Tangible assets		718.3	735.8	716.8
Non-current loans receivable	I	2.1	2.4	2.5
Shares and other non-current financial assets		98.4	133.1	121.7
Employee benefit assets	I	12.1	23.8	10.0
Deferred tax assets	II	299.6	264.1	307.5
Total non-current assets		**2,850.7**	**2,813.8**	**2,781.3**
Current assets				
Inventories	II	829.2	873.4	843.6
Accounts receivable	II	2,531.6	2,541.1	2,668.1
Deferred assets	II	729.6	881.9	709.3
Income tax receivables	II	143.4	158.7	117.6
Current deposits and loan receivables	I	1,019.1	1,476.1	1,474.9
Cash and cash equivalents	I	309.1	462.2	495.5
Total current assets		**5,562.0**	**6,393.4**	**6,309.1**
Total assets		**8,412.6**	**9,207.2**	**9,090.4**

Equity and liabilities

MEUR		Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Equity		**2,229.1**	**2,478.7**	**2,866.5**
Non-current liabilities				
Loans	I	417.7	428.4	417.9
Employee benefit liabilities	I	162.4	157.8	140.0
Deferred tax liabilities	II	96.4	87.7	84.8
Total non-current liabilities		**676.5**	**673.8**	**642.7**
Provisions	**II**	**217.3**	**187.3**	**177.4**
Current liabilities				
Loans	I	121.4	115.0	116.0
Advance payments received and deferred revenue	II	1,953.5	2,184.3	1,973.8
Accounts payable	II	952.4	1,174.8	1,132.8
Accruals	II	2,134.0	2,314.4	2,052.2
Income tax payables	II	128.4	78.7	129.0
Total current liabilities		**5,289.8**	**5,867.3**	**5,403.8**
Total equity and liabilities		**8,412.6**	**9,207.2**	**9,090.4**

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

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Non-controlling interests	Total equity
Jan 1, 2023	**66.2**	**100.3**	**393.1**	**21.9**	**150.1**	**-79.3**	**-236.6**	**2,420.9**	**29.9**	**2,866.5**
Net income for the period								406.7	0.8	407.5
Other comprehensive income:										
Translation differences					-100.0					-100.0
Hedging of foreign subsidiaries					11.9					11.9
Cash flow hedges				-15.0						-15.0
Changes in fair value				-23.4						-23.4
Remeasurements of employee benefits						-29.2				-29.2
Transactions with shareholders and non-controlling interests:										
Profit distribution								-904.7		-904.7
Purchase of own shares										-
Change in non-controlling interests									-1.3	-1.3
Share-based compensation*			-147.4				6.4	157.8		16.8
Jun 30, 2023	**66.2**	**100.3**	**245.7**	**-16.5**	**61.9**	**-108.5**	**-230.2**	**2,080.7**	**29.4**	**2,229.1**

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

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Non-controlling interests	Total equity
Jan 1, 2022	**66.2**	**100.3**	**374.0**	**40.2**	**166.1**	**-121.6**	**-198.6**	**2,747.6**	**25.0**	**3,199.2**
Net income for the period								264.6	5.6	270.2
Other comprehensive income:										
Translation differences					97.0					97.0
Hedging of foreign subsidiaries					-25.0					-25.0
Cash flow hedges				0.0						0.0
Changes in fair value				-11.0						-11.0
Remeasurements of employee benefits						30.6				30.6
Transactions with shareholders and non-controlling interests:										
Profit distribution								-1,087.8		-1,087.8
Purchase of own shares										-
Change in non-controlling interests								-1.6	-4.8	-6.4
Share-based compensation			11.7				11.7	-11.7		11.7
Jun 30, 2022	**66.2**	**100.3**	**385.8**	**29.3**	**238.2**	**-91.0**	**-186.9**	**1,911.1**	**25.7**	**2,478.7**

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

Condensed consolidated statement of cash flows

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Operating income	**283.2**	189.0	521.5	360.2	1,031.2
Change in working capital before financing items and taxes	-41.1	-86.7	111.9	-102.1	-535.8
Depreciation and amortization	64.0	64.3	128.6	127.2	259.3
Cash flow from operations before financing items and taxes	**306.1**	**166.6**	**762.0**	**385.3**	**754.7**
Cash flow from financing items and taxes	-127.4	-100.9	-216.8	-134.3	-223.2
Cash flow from operating activities	**178.6**	**65.6**	**545.2**	**251.0**	**531.5**
Cash flow from investing activities	-99.1	-27.8	-192.6	-55.7	-132.6
Cash flow after investing activities	**79.5**	**37.9**	**352.6**	**195.2**	**398.9**
Purchase of own shares	-	-	-	-	-50.0
Profit distribution	-119.3	-204.4	-904.7	-1,087.8	-1,087.8
Change in deposits and loans receivable, net	46.5	102.5	445.0	936.3	913.1
Change in loans payable and other interest-bearing debt	-27.2	-35.9	-63.0	-74.4	-158.0
Changes in non-controlling interests	-0.5	-1.1	-0.5	-5.5	-7.7
Cash flow from financing activities	**-100.5**	**-139.0**	**-523.2**	**-231.4**	**-390.5**
Change in cash and cash equivalents	**-20.9**	**-101.1**	**-170.6**	**-36.2**	**8.4**
Cash and cash equivalents at beginning of period	340.0	557.7	495.5	490.4	490.4
Translation difference	-9.9	5.6	-15.8	8.0	-3.3
Cash and cash equivalents at end of period	**309.1**	**462.2**	**309.1**	**462.2**	**495.5**

Change in interest-bearing net debt

MEUR	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Interest-bearing net debt at beginning of period	-738.8	-1,451.2	-1,309.0	-2,164.1	-2,164.1
Interest-bearing net debt at end of period	-640.9	-1,263.4	-640.9	-1,263.4	-1,309.0
Change in interest-bearing net debt	**97.9**	**187.9**	**668.1**	**900.7**	**855.1**

Payments of lease liabilities included in financing activities were EUR 61.9 (January–June 2022: 62.2) million and interest expense paid included in cash flow from financing items and taxes were EUR 6.6 (January–June 2022: 4.5) million.

Notes to the interim report

Accounting principles

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

Key figures

		1–6/2023	1–6/2022	1–12/2022
Basic earnings per share	EUR	0.79	0.51	1.50
Diluted earnings per share	EUR	0.79	0.51	1.49
Equity per share	EUR	4.25	4.73	5.49
Interest-bearing net debt	MEUR	-640.9	-1,263.4	-1,309.0
Equity ratio	%	34.5	35.3	40.3
Gearing	%	-28.8	-51.0	-45.7
Return on equity	%	32.0	19.0	25.9
Return on capital employed	%	26.5	17.0	22.4
Total assets	MEUR	8,412.6	9,207.2	9,090.4
Assets employed	MEUR	1,588.2	1,215.4	1,557.5
Net working capital (including financing and tax items)	MEUR	-948.7	-1,308.1	-903.9

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

Alternative performance measure

KONE reports an alternative performance measure, adjusted EBIT, to enhance the comparability of the business performance between reporting periods. The adjusted EBIT is calculated by excluding from EBIT significant items impacting comparability such as significant restructuring costs and starting 2022 also significant income and expenses incurred outside normal course of business of KONE. In January–June 2023, items affecting comparability amounted to EUR 52.4 million including EUR 54.7 million costs recognized on restructuring measures and a slight positive effect from remeasurement of the net assets of operations in Russia. In the comparison period, items affecting comparability included a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine as well as restructuring costs.

In June 2022 KONE announced decision to divest its operations in Russia. Despite delays in the process, management remains committed to completing the transaction and accordingly, as at June 30, 2023, operations in Russia continue to be classified as held for sale with assets and liabilities measured at the lower of their carrying amount or fair value less cost to sell.

Alternative performance measure		4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Operating income	MEUR	283.2	189.0	521.5	360.2	1,031.2
Operating income margin	%	10.0	7.4	9.7	7.2	9.5
Items impacting comparability	MEUR	48.8	20.3	52.4	45.6	45.4
Adjusted EBIT	MEUR	332.0	209.3	573.9	405.8	1,076.6
Adjusted EBIT margin	%	11.7	8.2	10.6	8.1	9.9

Quarterly figures

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

		Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Orders received	MEUR	2,275.5	2,263.1	1,944.2	2,155.5	2,609.0	2,422.6
Order book	MEUR	9,041.9	9,176.2	9,026.1	9,890.5	10,000.4	9,255.4
Sales	MEUR	2,835.9	2,556.6	2,911.5	2,998.2	2,555.1	2,441.9
Operating income	MEUR	283.2	238.3	367.1	303.9	189.0	171.1
Operating income margin	%	10.0	9.3	12.6	10.1	7.4	7.0
Adjusted EBIT[1]	MEUR	332.0	241.9	365.0	305.8	209.3	196.5
Adjusted EBIT margin[1]	%	11.7	9.5	12.5	10.2	8.2	8.0
Items impacting comparability	MEUR	48.8	3.6	-2.1	1.9	20.3	25.4

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

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

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

[1] Operating income excluding items impacting comparability

Net working capital (MEUR)	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Inventories	829.2	873.4	843.6
Advance payments received and deferred revenue	-1,953.5	-2,184.3	-1,973.8
Accounts receivable	2,531.6	2,541.1	2,668.1
Deferred assets and income tax receivables	873.0	1,040.6	826.9
Accruals and income tax payables	-2,262.4	-2,393.1	-2,181.2
Provisions	-217.3	-187.3	-177.4
Accounts payable	-952.4	-1,174.8	-1,132.8
Net deferred tax assets/liabilities	203.2	176.4	222.7
Total net working capital	**-948.7**	**-1,308.1**	**-903.9**

Depreciation and amortization (MEUR)	4–6/2023	4–6/2022	1–6/2023	1–6/2022	1–12/2022
Depreciation and amortization of fixed assets	53.5	54.5	107.7	107.8	219.8
Amortization of acquisition-related intangible assets	10.5	9.8	20.9	19.4	39.5
Total	**64.0**	**64.3**	**128.6**	**127.2**	**259.3**

Key exchange rates in Euros		Jun 30, 2023		Jun 30, 2022	
		Income statement	Statement of financial position	Income statement	Statement of financial position
Chinese Yuan	CNY	7.5156	7.8983	7.0636	6.9624
US Dollar	USD	1.0789	1.0866	1.0917	1.0387
British Pound	GBP	0.8752	0.8583	0.8431	0.8582
Indian Rupee	INR	88.7613	89.2065	83.1807	82.1130
Australian Dollar	AUD	1.6108	1.6398	1.5215	1.5099

Derivatives

Fair values of derivative financial instruments (MEUR)	Jun 30, 2023			Jun 30, 2022	Dec 31, 2022
	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net	Fair value, net
Foreign exchange forward contracts and swaps	28.5	-64.1	-35.6	51.3	-5.4

Nominal values of derivative financial instruments (MEUR)	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Foreign exchange forward contracts and swaps	4,129.1	5,361.7	2,974.8

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

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

Investments

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

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

Commitments

Commitments include guarantees issued by banks and financial institutions for obligations arising in the ordinary course of business of KONE companies up to a maximum of 1,825.6 (December 31, 2022: 1,802.9) million as of June 30, 2023.

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