

# KONE H1 2021

Half-year Financial Report



# KONE's January–June 2021 review:

Orders and sales grew in all regions, margin expansion continued

## April–June 2021

- Orders received grew by 16.2% to EUR 2,410.7 (4–6/2020: 2,075.4) million. At comparable exchange rates, orders grew by 17.2%.
- Sales grew by 11.0% to EUR 2,810.8 (2,532.1) million. At comparable exchange rates, sales grew by 12.7%.
- Operating income (EBIT) was EUR 367.1 (315.5) million or 13.1% (12.5%) of sales. The adjusted EBIT was EUR 374.0 (324.6) million or 13.3% (12.8%) of sales.\*
- Cash flow from operations (before financing items and taxes) was EUR 513.2 (592.3) million.

## January–June 2021

- Orders received grew by 7.2% to EUR 4,486.6 (1–6/2020: 4,184.7) million. At comparable exchange rates, orders grew by 9.3%.
- Sales grew by 8.6% to EUR 5,137.3 (4,730.3) million. At comparable exchange rates, sales grew by 11.0%.
- Operating income (EBIT) was EUR 616.9 (512.7) million or 12.0% (10.8%) of sales. The adjusted EBIT was EUR 623.9 (530.2) million or 12.1% (11.2%) of sales.\*
- Cash flow from operations (before financing items and taxes) was EUR 938.6 (939.2) million.

## Business outlook for 2021 (specified)

In 2021, KONE's sales growth is estimated to be in the range of 4% 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 13.0%. Assuming that foreign exchange rates remain at the July 2021 level, the impact of foreign exchange rates on the adjusted EBIT would be limited.

*KONE previously estimated its sales growth to be in the range of 2% to 6% at comparable exchange rates as compared to 2020. The adjusted EBIT margin was expected to be in the range of 12.4% to 13.2%. Assuming that foreign exchange rates would have remained at the April 2021 level, the impact of foreign exchange rates on the adjusted EBIT would have been limited.*

\* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. Restructuring costs related to significant restructuring programs are excluded from the calculation of the adjusted EBIT. In January–June 2021, the adjusted EBIT excluded costs of EUR 7.0 million related to restructuring measures in KONE's global business lines and functions. During 2017–2020, all restructuring costs excluded from adjusted EBIT related to the Accelerate program.

## KEY FIGURES

		4-6/2021	4-6/2020	Change	1-6/2021	1-6/2020	Change	1-12/2020
Orders received	MEUR	2,410.7	2,075.4	16.2%	4,486.6	4,184.7	7.2%	8,185.1
Order book	MEUR				8,272.5	8,307.3	-0.4%	7,728.8
Sales	MEUR	2,810.8	2,532.1	11.0%	5,137.3	4,730.3	8.6%	9,938.5
Operating income	MEUR	367.1	315.5	16.3%	616.9	512.7	20.3%	1,212.9
Operating income margin	%	13.1	12.5		12.0	10.8		12.2
Adjusted EBIT*	MEUR	374.0	324.6	15.2%	623.9	530.2	17.7%	1,250.5
Adjusted EBIT margin*	%	13.3	12.8		12.1	11.2		12.6
Income before tax	MEUR	372.1	315.3	18.0%	624.3	512.6	21.8%	1,224.2
Net income	MEUR	288.3	244.4	18.0%	483.8	397.2	21.8%	947.3
Basic earnings per share	EUR	0.55	0.47	17.6%	0.92	0.76	21.1%	1.81
Cash flow from operations (before financing items and taxes)	MEUR	513.2	592.3		938.6	939.2		1,907.5
Interest-bearing net debt	MEUR				-1,501.4	-1,330.2		-1,953.8
Equity ratio	%				38.4	40.8		45.5
Return on equity	%				33.3	27.0		29.7
Net working capital (including financing items and taxes)	MEUR				-1,311.0	-1,057.7		-1,160.1
Gearing	%				-57.3	-49.4		-61.1

\* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. Restructuring costs related to significant restructuring programs are excluded from the calculation of the adjusted EBIT. In January–June 2021, the adjusted EBIT excluded costs of EUR 7.0 million related to restructuring measures in KONE's global business lines and functions. During 2017–2020, all restructuring costs excluded from adjusted EBIT related to the Accelerate program.

## Henrik Ehrnrooth, President and CEO:

**“The second quarter was characterized by strong financial performance and solidifying market recovery.** Activity remained high in China, and business conditions improved elsewhere with the US being a clear highlight. Our orders received grew strongly in the quarter, which shows that our efforts to capture recovery driven opportunities have proven successful. Sales growth was also robust, with all regions and businesses contributing to the increase. I was especially pleased to see our maintenance business rebounding with discretionary activity increasing to well above pre-pandemic levels. Cash flow was yet again on an exceptionally high level, and margins have continued to expand. This is a clear demonstration of the strength of both our operations and our business model. While we expect recovery to continue, the global supply chain environment remains challenging. Material costs are at a high level, sea freight costs have risen dramatically, and the shortage of semiconductors is impacting every business using advanced electronics. That said, we expect logistics and component availability constraints to start easing towards the beginning of next year. At the same time, price increases have started to materialize in the Elevator and Escalator market. The way KONE’s employees have dealt with these challenges and constantly ensured that we deliver on our promises to our customers has been exemplary. I would like to extend my thanks to everyone involved for their continued great work and adaptability throughout these exceptional times.

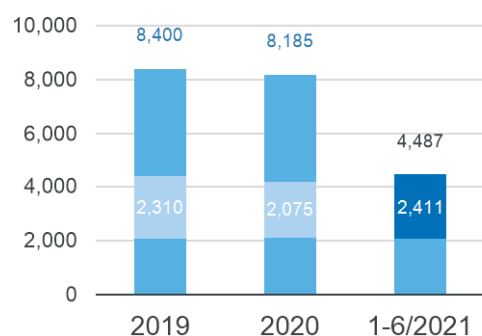
**Developing smart and sustainable solutions that adapt to future needs is central to ensuring that we remain our customers’ partner of choice.** The DX class elevator rollout is progressing well, and we have actively introduced enhancements to the related offering for both new equipment and modernization. The momentum for 24/7 Connected services continued to improve, with strong growth in all regions during the quarter. To ensure that we remain competitive in the eyes of our customers, we will continue to invest into connecting new solutions and services to our elevators and escalators. These solutions can cost-efficiently be tailored to the specific needs of our customers thanks to our digital platform and application programming interfaces. An example of this is the connected wheelchair concept - a solution, which provides wheelchair users with improved access and better mobility.

**Ensuring the success of our ‘Sustainable success with customers’ strategy requires empowered people and loyal customers.** During the quarter we conducted our annual employee engagement and customer loyalty surveys. The results for both were positive. Our employees continue to see KONE as a great place to work with a healthy company culture. Customer loyalty improved again, and we received positive feedback especially for the quality of our products and services, as well as the level of cooperation we provide.

**With six months behind us we have specified our business outlook for the year.** Thanks to strong sales momentum, we now expect full year to sales to grow by 4–6%. However, the effects of the inflationary cost environment will be increasingly visible in the coming quarters. Consequently, we expect the adjusted EBIT margin to be 12.4–13.0%. We have initiated actions to raise prices in several markets to counteract the margin headwinds we face, and I am encouraged to also see broader signs of improving market prices. This, together with our continuous focus on productivity and differentiation through value adding solutions, provides a solid foundation for future performance.”

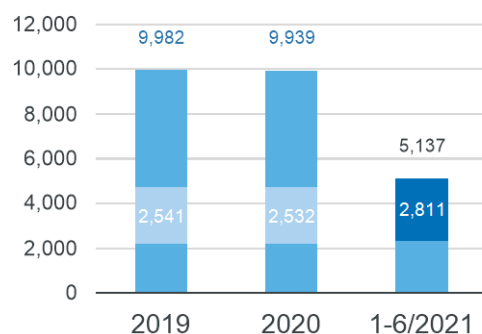
## Key Figures

### Orders received (MEUR)



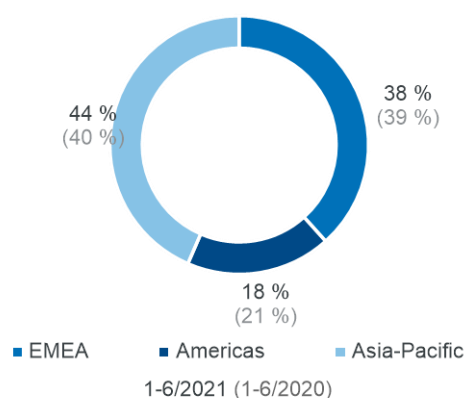
- **In April–June 2021**, orders received grew by 16.2% (grew by 17.2% at comparable exchange rates).
- At comparable rates, new equipment orders received grew significantly with significant growth in the volume business and significant growth in major projects. In modernization, orders received grew significantly with significant growth in the volume business and clear decline in major projects.
- The margin of orders received declined slightly year-on-year due to rising component and logistics costs.
- **In January–June 2021**, orders received grew by 7.2% (grew by 9.3% at comparable exchange rates).

### Sales (MEUR)

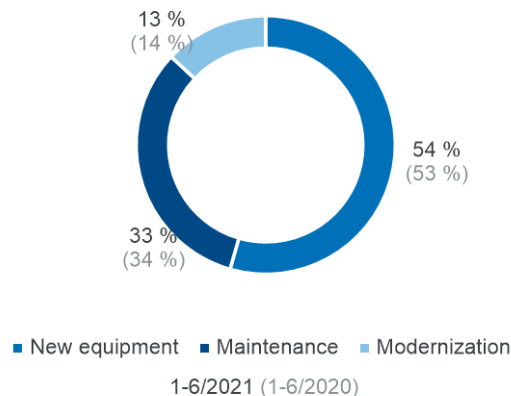


- **In April–June 2021**, sales grew by 11.0%. At comparable exchange rates, sales grew by 12.7% with all businesses and regions contributing to the growth.
- New equipment sales grew by 10.5% (grew by 12.0% at comparable exchange rates). Service (maintenance and modernization) sales grew by 11.7% (grew by 13.7% at comparable exchange rates). Maintenance sales grew by 9.8% (grew by 11.7% at comparable exchange rates) and modernization sales grew by 16.2% (grew by 18.8% at comparable exchange rates).
- Sales in the EMEA region grew by 11.8% (grew by 12.9% at comparable exchange rates). In the Americas region, sales declined by 0.1% (grew by 6.7% at comparable exchange rates). In the Asia-Pacific region, sales grew by 15.0% (grew by 14.9% at comparable exchange rates).
- **In January–June 2021**, sales grew by 8.6% (grew by 11.0% at comparable exchange rates).

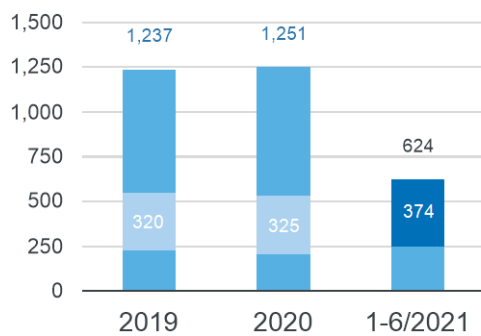
### Sales by region



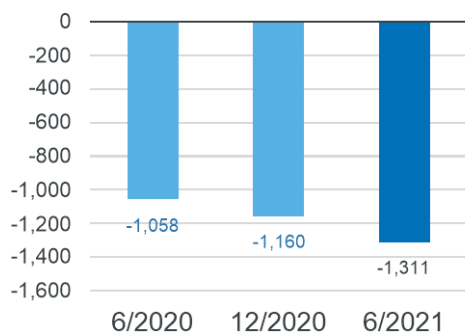
### Sales by business



## Adjusted EBIT (MEUR)

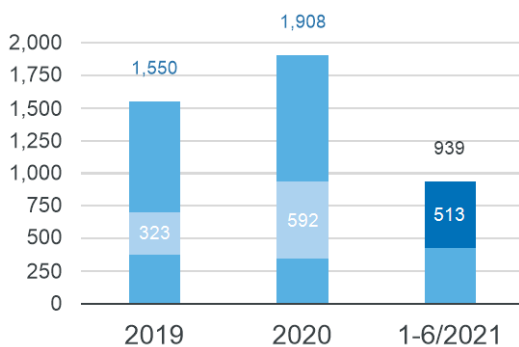


- **In April–June 2021**, operating income was 13.1% of sales (4–6/2020: 12.5%). The adjusted EBIT margin was 13.3% (12.8%).
- Margin expansion continued, despite rising component and logistics costs. The improvement in profitability was driven by higher volumes, earlier improved margin of orders and lower than normal discretionary spend.
- With comparable exchange rates, the translation impact on operating income for the comparison period was EUR 2.4 million.
- **In January–June 2021**, operating income was 12.0% of sales (1–6/2020: 10.8%). The adjusted EBIT margin was 12.1% (11.2%).

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

- **At the end of June 2021**, net working capital was at a clearly improved level compared to the end of the previous year.
- The improvement was largely a result of increased accounts payable due to strong growth in China.

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

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

- **In April–June 2021**, cash flow was exceptionally strong at EUR 513.2 million thanks to improved working capital and growth in operating income.
- **In January–June 2021**, cash flow was exceptionally strong at EUR 938.6 million.

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

# KONE's January–June 2021 review

## KONE's operating environment

### Operating environment by region

	New equipment market in units		Maintenance market in units		Modernization market in monetary value	
	4–6/2021	1–6/2021	4–6/2021	1–6/2021	4–6/2021	1–6/2021
<b>Total market</b>	++	++	+	+	+++	++
<b>EMEA</b>	+	Stable	+	Stable	++	+
Central and North Europe	+	Stable	+	+	+++	+
South Europe	+	–	+	Stable	++	Stable
Middle East	+	Stable	+	Stable	---	--
<b>North America</b>	++	+	+	+	+++	++
<b>Asia-Pacific</b>	+++	+++	++	++	+++	++
China	+++	+++	++	++	+++	+++
Rest of Asia-Pacific	+++	++	++	++	+++	Stable

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

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

### April–June 2021

Recovery continued in the global elevator and escalator market during the second quarter of 2021. Activity was strongest in the residential segment.

**Demand in the new equipment market** increased all around the world from a comparison period which was strongly impacted by the COVID-19 pandemic. **In Asia-Pacific**, the new equipment markets grew significantly. **In China**, the markets grew from an already high level whereas **in the rest of Asia-Pacific**, the new equipment markets witnessed strong recovery compared to the previous year. Across **the EMEA region**, the new equipment market grew slightly. **In North America**, the market grew clearly.

In the service market, **maintenance** activity started to normalize and demand picked up also in **modernization**.

**The pricing environment** continued to be adversely affected by intense competition. That said, market prices started to improve towards the end of the quarter.

### January–June 2021

Although the global elevator and escalator market continued to be impacted by the COVID-19 pandemic during the first half of 2021, the signs of recovery seen in the early part of the year solidified during the second quarter. In the residential segment, activity was supported by the demand for affordable housing, while stimulus measures boosted sentiment in the infrastructure segment. Activity in the commercial segment remained limited.

**Demand in the new equipment market** increased clearly. **In Asia-Pacific**, new equipment volumes grew significantly with **China** growing strongly in both quarters and **the rest of Asia-Pacific** recovering in the second quarter. **In the EMEA region**, the new equipment market was stable. The new equipment market in Central and North Europe and Middle East was stable, whereas in South Europe the market declined slightly. **In North America**, the new equipment market grew slightly.

In the service market, **maintenance** activity was resilient and started to normalize towards the end of the first half. **In modernization**, markets were still impacted by delayed decision-making in the first quarter, but demand started to pick up in the second quarter.

**The pricing environment** continued to be adversely affected by intense competition. That said, market prices started to improve towards the end of the period.

## Orders received and order book

### Orders received

MEUR	4-6/2021	4-6/2020	Change	Comparable change <sup>1)</sup>	1-6/2021	1-6/2020	Change	Comparable change <sup>1)</sup>	1-12/2020
Orders received	2,410.7	2,075.4	16.2%	17.2%	4,486.6	4,184.7	7.2%	9.3%	8,185.1

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

### Order book

MEUR	Jun 30, 2021	Jun 30, 2020	Change	Comparable change <sup>1)</sup>	Dec 31, 2020
Order book	8,272.5	8,307.3	-0.4%	-0.2%	7,728.8

<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.

#### April–June 2021

Orders received grew by 16.2% as compared to April–June 2020 and totaled EUR 2,410.7 million. At comparable exchange rates, KONE's orders received grew by 17.2%.

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

The margin of orders received declined slightly year-on-year due to rising component and logistics costs.

**Orders received in the EMEA region** grew clearly at comparable exchange rates as compared to April–June 2020. New equipment orders grew slightly and modernization orders grew significantly.

**In the Americas region**, orders received grew significantly at comparable rates as compared to April–June 2020. New equipment orders grew significantly and modernization orders grew clearly.

**Orders received in the Asia-Pacific region** grew significantly at comparable rates as compared to April–June 2020. 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 while mix was slightly negative. In the rest of Asia-Pacific, new equipment orders received grew significantly. Modernization orders received grew significantly in China and grew significantly in the rest of Asia-Pacific.

#### January–June 2021

Orders received grew by 7.2% as compared to January–June 2020 and totaled EUR 4,486.6 million. At comparable exchange rates, KONE's orders received grew by 9.3%.

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

The margin of orders received declined slightly year-on-year due to rising component and logistics costs.

**Orders received in the EMEA region** grew slightly at comparable exchange rates as compared to January–June 2020. New equipment orders grew slightly and modernization orders were stable.

**In the Americas region**, orders received grew significantly at comparable rates as compared to January–June 2020. New equipment orders grew significantly and modernization orders grew significantly.

**Orders received in the Asia-Pacific region** grew significantly at comparable rates as compared to January–June 2020. 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 while mix was slightly negative. In the rest of Asia-Pacific, new equipment orders received grew significantly. Modernization orders received grew significantly in China and declined significantly in the rest of Asia-Pacific.

**The order book** was stable compared to the end of June 2020 but stood at a strong level of EUR 8,272.5 million at the end of the reporting period.

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



## Sales

### By region

MEUR	4-6/2021	4-6/2020	Change	Comparable change <sup>1)</sup>	1-6/2021	1-6/2020	Change	Comparable change <sup>1)</sup>	1-12/2020
EMEA	1,027.9	919.0	11.8%	12.9%	1,969.8	1,865.1	5.6%	6.9%	3,916.2
Americas	476.8	477.2	-0.1%	6.7%	932.6	984.6	-5.3%	2.0%	1,939.5
Asia-Pacific	1,306.2	1,135.9	15.0%	14.9%	2,234.8	1,880.6	18.8%	19.6%	4,082.8
<b>Total</b>	<b>2,810.8</b>	<b>2,532.1</b>	<b>11.0%</b>	<b>12.7%</b>	<b>5,137.3</b>	<b>4,730.3</b>	<b>8.6%</b>	<b>11.0%</b>	<b>9,938.5</b>

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

### By business

MEUR	4-6/2021	4-6/2020	Change	Comparable change <sup>1)</sup>	1-6/2021	1-6/2020	Change	Comparable change <sup>1)</sup>	1-12/2020
New equipment	1,599.3	1,447.1	10.5%	12.0%	2,796.8	2,496.7	12.0%	14.4%	5,340.2
Services	1,211.5	1,084.9	11.7%	13.7%	2,340.4	2,233.7	4.8%	7.2%	4,598.4
Maintenance	849.2	773.1	9.8%	11.7%	1,670.6	1,590.6	5.0%	7.3%	3,215.6
Modernization	362.3	311.8	16.2%	18.8%	669.8	643.1	4.2%	7.0%	1,382.8
<b>Total</b>	<b>2,810.8</b>	<b>2,532.1</b>	<b>11.0%</b>	<b>12.7%</b>	<b>5,137.3</b>	<b>4,730.3</b>	<b>8.6%</b>	<b>11.0%</b>	<b>9,938.5</b>

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

### April–June 2021

KONE's sales grew by 11.0% as compared to April–June 2020, and totaled EUR 2,810.8 million. At comparable exchange rates, KONE's sales grew by 12.7% with all regions and businesses contributing to the increase.

**Sales in the EMEA region** grew by 11.8% and totaled EUR 1,027.9 million. At comparable exchange rates, sales grew by 12.9%. New equipment sales grew significantly, maintenance sales grew clearly and modernization sales grew significantly in the region.

**In the Americas**, sales declined by 0.1% and totaled EUR 476.8 million. At comparable exchange rates, sales grew by 6.7%. New equipment sales declined slightly, maintenance sales grew significantly and modernization sales grew clearly in the region.

**In Asia-Pacific**, sales grew by 15.0% and totaled EUR 1,306.2 million. At comparable exchange rates, sales grew by 14.9%. New equipment sales grew significantly, maintenance sales grew significantly and modernization sales grew significantly in the region.

### January–June 2021

KONE's sales grew by 8.6% as compared to January–June 2020, and totaled EUR 5,137.3 million. At comparable exchange rates, KONE's sales grew by 11.0%.

Although sales continued to be impacted by COVID-19 related restrictions in the first half, the effects eased towards the end of the period. New equipment sales grew by 14.4% at comparable exchange rates due to strong growth in China. Service sales grew by 7.2% at comparable exchange rates with both maintenance and modernization activities starting to normalize in the second quarter.

**Sales in the EMEA region** grew by 5.6% and totaled EUR 1,969.8 million. At comparable exchange rates, sales grew by 6.9%. New equipment sales grew clearly, maintenance sales grew clearly and modernization sales grew clearly in the region.

**In the Americas**, sales declined by 5.3% and totaled EUR 932.6 million. At comparable exchange rates, sales grew by 2.0%. New equipment sales were stable, maintenance sales grew clearly and modernization sales were stable in the region.

**In Asia-Pacific**, sales grew by 18.8% and totaled EUR 2,234.8 million. At comparable exchange rates, sales grew by 19.6%. New equipment sales grew significantly, maintenance sales grew significantly and modernization sales grew significantly in the region.

## Financial result

### Financial result

	4-6/2021	4-6/2020	Change	1-6/2021	1-6/2020	Change	1-12/2020
Operating income, MEUR	367.1	315.5	16.3%	616.9	512.7	20.3%	1,212.9
Operating income margin, %	13.1	12.5		12.0	10.8		12.2
Adjusted EBIT, MEUR	374.0	324.6	15.2%	623.9	530.2	17.7%	1,250.5
Adjusted EBIT margin, %	13.3	12.8		12.1	11.2		12.6
Income before taxes, MEUR	372.1	315.3	18.0%	624.3	512.6	21.8%	1,224.2
Net income, MEUR	288.3	244.4	18.0%	483.8	397.2	21.8%	947.3
Basic earnings per share, EUR	0.55	0.47	17.5%	0.92	0.76	21.0%	1.81

#### April–June 2021

KONE's operating income (EBIT) was EUR 367.1 million or 13.1% of sales. The adjusted EBIT, which excludes costs of EUR 7.0 million related to restructuring measures in KONE's global business lines and functions, was EUR 374.0 million or 13.3% of sales. In the comparison period items affecting comparability consisted of restructuring costs related to the Accelerate program.

Margin expansion continued, despite rising component and logistics costs. The improvement in profitability was driven by higher volumes, earlier improved margin of orders and lower than normal discretionary spend.

With comparable exchange rates, the translation impact on operating income for the comparison period was EUR 2.4 million.

Basic earnings per share was EUR 0.55.

#### January–June 2021

KONE's operating income (EBIT) was EUR 616.9 million or 12.0% of sales. The adjusted EBIT which excludes costs of EUR 7.0 million related to restructuring measures in KONE's global business lines and functions, was EUR 623.9 million or 12.1% of sales. In the comparison period items affecting comparability consisted of restructuring costs related to the Accelerate program.

The improvement in profitability was driven by higher volumes, earlier improved margin of orders and lower than normal discretionary spend.

With comparable exchange rates, the translation impact on operating income for the comparison period was EUR 6.9 million.

KONE's income before taxes was EUR 624.3 million. Taxes totaled EUR 140.5 (115.3) million. This represents an effective tax rate of 22.5% for the full financial year. Net income for the period was EUR 483.8 million.

Basic earnings per share was EUR 0.92.

## Cash flow and financial position

### Cash flow and financial position

	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Cash flow from operations (before financing items and taxes), MEUR	513.2	592.3	938.6	939.2	1,907.5
Net working capital (including financing items and taxes), MEUR			-1,311.0	-1,057.7	-1,160.1
Interest-bearing net debt, MEUR			-1,501.4	-1,330.2	-1,953.8
Gearing, %			-57.3	-49.4	-61.1
Equity ratio, %			38.4	40.8	45.5
Equity per share, EUR			5.01	5.15	6.12

KONE's financial position was very strong at the end of June 2021.

Cash flow from operations (before financing items and taxes) during January–June 2021 was exceptionally strong at EUR 938.6 million.

Net working capital (including financing items and taxes) was EUR -1,311.0 million at the end of June 2021. The improvement compared to the end of the previous

year was largely a result of increased accounts payable due to the strong growth in China.

Interest-bearing net debt was EUR -1,501.4 million at the end of June 2021. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 2,199.0 (Dec 31, 2020: 2,629.4) million at the end of the reporting period. Interest-bearing liabilities were EUR 721.2 (Dec 31, 2020: 695.8) million, including a pension

liability of EUR 162.1 (Dec 31, 2020: 187.2) million and leasing liability of EUR 350.1 (Dec 31, 2020: 342.9) million. Additionally, KONE had an asset on employee benefits, EUR 21.6 (Dec 31, 2020: 19.2) million. Gearing

was -57.3% and equity ratio was 38.4% at the end of June 2021.

Equity per share was EUR 5.01.

## Capital expenditure and acquisitions

### Capital expenditure & acquisitions

MEUR	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
On fixed assets	23.3	19.5	42.5	35.8	87.5
On lease agreements	39.5	9.9	68.8	34.1	113.4
On acquisitions	7.6	0.4	15.9	4.0	29.0
<b>Total</b>	<b>70.4</b>	<b>29.8</b>	<b>127.2</b>	<b>73.8</b>	<b>230.0</b>

KONE's capital expenditure and acquisitions totaled EUR 127.2 million in January–June 2021. Capital expenditure excluding acquisitions was mainly related to equipment and facilities in R&D, IT and production. Capital

expenditure on leases consists mainly of maintenance vehicles and office facilities.

Acquisitions totaled EUR 15.9 million in January–June 2021. KONE completed acquisitions of small maintenance businesses in the EMEA region as well as in North America.

## Research and development

### R&D expenditure

	4-6/2021	4-6/2020	Change	1-6/2021	1-6/2020	Change	1-12/2020
R&D expenditure, MEUR	44.3	43.8	1.0%	92.1	87.7	5.0%	179.6
As percentage of sales, %	1.6	1.7		1.8	1.9		1.8

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. Our R&D activities focus on developing smart and sustainable solutions that adapt to future needs. By integrating elevators and escalators with digital systems, we enable an even smoother people flow and an improved user experience. Built-in connectivity in our 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.

Research and development expenditure totaled EUR 92.1 million, representing 1.8% of sales in January–June 2021. R&D expenditure includes the development of new product and service concepts as well as further development of existing solutions and services.

During January–June 2021, KONE continued the global rollout and extension of the KONE DX Class offering. 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. During the first quarter, KONE launched DX Class elevators in China and in India and introduced

enhancements to the DX Class offering in Europe, Middle East and Mexico, where the new elevator series was rolled out during 2020. During the second quarter, the KONE DX class modernization offering was expanded in Asia Pacific and China with improvements in partial modernization, full replacement and high-rise modernization. KONE also continued to make several other updates to the DX offering, including the introduction of new API (application programming interface) connectivity devices for elevators in the high-rise segment.

During the second quarter, KONE launched the KONE Lane turnstile. This next generation access gate solution offers improved space-efficiency, reducing the need for floorspace by up to 90% compared with conventional similar products. The solution is ideal for offices and multiuse developments and can be adjusted to suit various design styles. KONE Lane won two Red Dot Design Awards along with three other KONE solutions in May. Other awards were given to KONE Office Flow, KONE Digital Experience Car and the KONE TravelMaster Premium Kit escalator design solution, which were recognized for their design quality, innovation and smart connectivity.

## Personnel

### KONE employees

	1-6/2021	1-6/2020	1-12/2020
Number of employees at the end of period	61,439	60,237	61,380
Average number of employees	61,242	59,988	60,376

### Geographical distribution of KONE employees

	1-6/2021	1-6/2020	1-12/2020
EMEA	23,984	23,612	23,798
Americas	7,170	7,328	7,336
Asia-Pacific	30,285	29,297	30,246
<b>Total</b>	<b>61,439</b>	<b>60,237</b>	<b>61,380</b>

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.

During the first half of the year, the COVID-19 pandemic continued across the world. KONE's main focus during the pandemic has been to continue serving our customers in the safest manner possible. In addition, employees have been supported by offering flexibility where needed and by ensuring that information on how to enhance wellbeing is easily available. For example, we have provided additional opportunities for learning about stress management and resilience as well as access to professional help when needed. At the end of the second quarter, the COVID-19 situation varied in different countries. In countries where the restrictions were being lifted, KONE was actively planning to facilitate the return to the office whereas elsewhere we continued to provide support for our employees to help them manage the situation. In the hardest hit countries, such as India, we provided extra help in the form of vaccinations and protective equipment for KONE employees and their families as well as additional insurance coverage.

In the recent year, the pandemic has accelerated a change in how we work and encouraged all of us to experiment new ways of working. In the second quarter, we introduced the KONE flexible working statement to our employees confirming that KONE will continue support flexible working arrangements that are aligned with our business priorities. At KONE, we believe that our facilities will continue to be important as they enable employees, customers and partners to come together to collaborate, innovate and network. At the same time,

flexible working arrangements will remain in place to support the well-being of our employees and to attract diverse talent. In the near future, KONE countries and units will define their local flexible working options.

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

the first quarter, a new phase in KONE's strategy was launched with strong focus on sustainability and Diversity and Inclusion (D&I) as key elements of it. As one of the D&I specific goals, we committed to making a step-change in the share of women at the director level and increase it to 35% by 2030 (19% in 2020). The results of our annual salary review covering over 40,000 KONE employees showed that men and women in similar positions continue to be compensated equally on a global level. Our elevated focus on driving sustainability is visible also in KONE's new share-based long-term incentive plan, launched

in January, where sustainability was introduced as a new metric in addition to the financial metrics. The sustainability performance condition is a combination of reductions in carbon footprint, diversity and inclusion as well as safety related targets. During the second quarter, we continued to communicate widely about D&I topics, trained our employees on LGBTIQ+ and celebrated Pride month.

Making KONE a great place to work is KONE's number one strategic target and it is measured by employee engagement and a related Pulse employee survey. During the second quarter, we conducted a light version of the Pulse survey with 84% of all KONE employees taking part despite the challenging circumstances brought on by COVID-19. The global results show that KONE continues to be a great place to work with a healthy company culture and KONE employees are very engaged. Despite a slight decline from the very high 2020 scores in both engagement and enablement, the vast majority of the survey results were clearly above the external high-performance benchmarks. In the second quarter, we also

#### HIGHLIGHTS Q2/2021

- Global Pulse employee survey showed KONE employees continue to be engaged with vast majority of results clearly above external high-performance benchmarks



started Pulse Talks which will take place in all teams globally. The objective of the Talks is to ensure continuous dialogue on team wellbeing and make KONE an even better workplace.

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, that take place at least twice a year. Performance discussions conducted in the first quarter focused on achievement reviews for 2020 and goal setting for 2021. In March, we launched our annual Leadership and talent review globally. During the process, 51% of employees shared their career interests and 80% of managers completed the talent review for their team members. Completions improved slightly from 2020, with especially managers taking part more actively this year.

We support continuous learning and provide a rich training offering for our employees. Amidst the COVID-19 pandemic, we have actively encouraged employees to make use of learning opportunities. During the first half of 2021, we continued developing new online learning offerings and virtualizing our current instructor-led programs. For example, a trainer re-certification on installation safety can now be performed remotely with

the help of video cameras and a virtual collaboration tool. Furthermore, we continuously invest in building capabilities to sell and deliver digital solutions and services. In connection to the continuing roll-out of KONE DX Class elevators, salespeople, engineers and field teams have been actively trained on the topic as well as on KONE 24/7 Connected Services and KONE's ecosystem partnering. During the second quarter, digital and data competence development was a key topic in our "competence of a quarter" campaign which, for example, introduced relevant learning solutions and tips to our employees and included a gamified data literacy challenge. We also completed our first digital academy at the end of June involving 90 digital experts from all regions. In the digital academy, participants learned about the different digital technologies and how they are utilized in KONE solutions and gained competencies to act as a digital expert in their local units.

During the second quarter, recruitment volumes recovered to nearly pre-pandemic levels. We continued to focus on the renewal of our competence base, and the systematic activities around talent attraction and building talent pipelines have helped us to reach shorter times to hire and improved quality of hires.

## Environment

In line with KONE's strategic target of being a leader in sustainability, our environmental approach supports the ongoing green and digital transformation of urban environments by enabling net zero energy buildings, smart eco-cities and low-carbon communities. To align with our heightened climate and environmental ambition, we renewed KONE's Environmental Policy Statement during the first quarter. The statement, which outlines our ambition, objectives and commitment to environmental sustainability in all our activities, is available publicly at [kone.com](https://www.kone.com).

During the first quarter, KONE was again awarded the best A grade in CDP's 2020 Supplier Engagement rating, in addition to the earlier announced placement on CDP's prestigious 2020 Climate Change A List. The CDP Supplier Engagement rating demonstrates leadership and best practice in engaging our suppliers on climate change issues. During the second quarter, KONE earned a place in the first ever 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 2014 and 2019.

During the first quarter, we finalized the calculations of our 2020 carbon footprint. KONE's target was to reduce our operational carbon footprint relative to sales by 3% annually. In 2020, we exceeded this target as our overall operational carbon footprint (Scope 1, 2 and the Scope 3 categories of logistics, business travel and waste) relative to sales decreased by 8.9% compared to 2019, with sales growth calculated at comparable exchange rates. Our Scope 1 and 2 greenhouse gas emissions relative to sales decreased by 11.8%.

The largest individual factor contributing to our reduced Scope 1 and 2 emissions in 2020 was the reduction in work-related driving and time spent at the office – due to various restrictions brought on by COVID-19. We also set out to incorporate electrified vehicles in local car policies, providing the necessary solutions for charging, and motivating our employees to select low-emissions vehicles. In 2020, 41% (2019: 37%) of all electricity in our facilities was produced from renewable sources, our target being over 50% by the end of 2021. In terms of the Scope 3 emissions that were a part of our target setting in 2020, our logistics emissions decreased by 4.1% in 2020 relative to units delivered, for example due to a significant reduction in air freight emissions in Europe and China. Our business air travel emissions were strongly impacted by COVID-19 as they decreased by 74%. For landfill waste, we have set a long-term target of 0% from our manufacturing units by 2030. In 2020, we were already at a low level of 0.6% (2019: 0.9%). KONE's total carbon footprint data (Scope 1, 2 and 3 emissions) has been externally assured.

As KONE's climate pledge was announced in September 2020, we revised our long-term and annual target setting, both in terms of ambition and scope, during the first quarter. Our long-term target for Scope 1 and 2 emissions is an absolute reduction of 50% by 2030 from the base-year 2018. The respective annual target for

2021 is an absolute reduction of 7%, compared to the base-year 2019 due to the exceptional circumstances in 2020. During the first half of the year, we made good progress in terms of reducing emissions from our own

operations. Many KONE subsidiaries are taking steps to renew their vehicle fleets. For example, in our maintenance operations KONE started piloting e-cargo bikes and e-scooters in Austria and replacing old motorcycles with new electric ones in Hong Kong. In terms of our facilities, we made a strong move to start purchasing 100% renewable electricity for all our manufacturing and office locations in North America.

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. As part of our climate pledge, we have also set a long-term target for reducing our product-related Scope 3 emissions by 40% by 2030, relative to ordered products. In 2020, our product-related Scope 3 emissions increased by 0.7% relative to ordered products. This was mainly due to an increased number of products sold especially in the Asia-Pacific region, where the lifetime energy use emissions of our products tend to be higher due to fossil fuel-based energy generation. We have also set a separate target of 4% annual reduction in our Scope 3 logistics carbon footprint relative to units delivered.

We focus on continuously strengthening supplier engagement with regards to environmental topics and increasing transparency in our supply chain. Sustainability was strongly highlighted in KONE's annual Supplier Day in June, where we presented and discussed our new strategy 'Sustainable success with customers', as well as continued to emphasize the importance of our supplier sustainability assessment.

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. In connection with the launch of the DX Class elevators in the Chinese market during the first quarter, we obtained the best A-class ISO 25745 energy performance certifications for seven of our DX elevator models. KONE currently has 25 best-in-class energy performance references for our elevators and escalators. During the second quarter, one of the best-in-class rated elevators, KONE MiniSpace™ received an additional China-mark, certified by TÜV, for its superior energy efficiency. During the first half of the year, we also published externally verified Environmental Product Declarations (EPDs) for the KONE 3000 TranSys™ elevator and the KONE TransitMaster™ 140 escalator – the first escalator EPD in the industry. This represents an important achievement in the transparent communication of the life cycle environmental impacts of our products.

As a demonstration of our sustainable offering, several KONE solutions have received external sustainability

### HIGHLIGHTS Q2/2021

- Good progress in reducing emissions from our own operations through car fleet transformation and renewable electricity purchasing
- Sustainability strongly highlighted in KONE's annual Supplier Day

recognition. During the first half of 2021, KONE received the Singapore Green Building Product (SGBP) certification for the KONE 3000 S MonoSpace® and the KONE 3000 TranSys™ elevators with the highest “Leader” ratings.

KONE currently has nine SGBP certifications with the highest ratings. KONE is the first and only elevator and escalator company to achieve such top ratings in the vertical transportation category.

## Changes in the Executive Board

In January–June 2021, KONE announced the following 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 the 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 served as KONE’s Executive Vice President, Central and North Europe. Axel Berkling was appointed new Executive Vice President, Central and North Europe. Prior to this, Axel Berkling served as KONE’s Executive Vice President, Asia-Pacific region, excluding China. 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 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 144 million at the end of June 2021 (March 31, 2021: EUR 144 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 approximately 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. Following the COVID-19 outbreak, many governments across the world have taken significant measures to contain the pandemic by restricting the movement of people and limiting some business activities. During the first half of 2021, construction markets started to recover in many countries largely due to successful vaccination campaigns and government stimulus. However, a deterioration of the situation, e.g. due to new COVID-19 variants, could have an adverse impact on the overall economic environment, construction activity and 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 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, 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

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, the 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. KONE also 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 as well as continuity risk in partnerships. A failure to secure the needed materials, components or resources or quality issues within these could cause business disruptions and cost increases. The global shortage of semiconductors, in particular, is being closely monitored and managed, requiring detailed planning of delivery execution. Furthermore, disruptions from COVID-19 related government restrictions remain a risk to KONE's operations.

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' operations 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 an 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.

## Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on March 2, 2021. The meeting was held based on the so-called temporary act so that shareholders participated in the meeting and exercised their shareholder rights only by voting in advance and by submitting counterproposals and asking questions in advance.

The meeting approved the financial statements, considered the Remuneration Report for governing bodies and discharged the responsible parties from liability for the financial period January 1–December 31, 2020.

The number of Members of the Board of Directors was confirmed as eight. Re-elected as Members of the Board were Matti Alahuhta, Susan Duinhoven, Antti Herlin, Iiris Herlin, Jussi Herlin, Ravi Kant and Juhani Kaskeala. Jennifer Xin-Zhe Li was elected as a new member to the Board of Directors.

At its meeting held after the General Meeting on March 2, 2021, the Board of Directors elected from among its members Antti Herlin as its Chairman and Jussi Herlin as Vice Chairman.

Ravi Kant was elected as Chairman and Matti Alahuhta and Jussi Herlin as members of the Audit Committee. Ravi Kant and Matti Alahuhta 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 220,000 for the Chairman of the Board, EUR 125,000 for the Vice Chairman and EUR

110,000 for Board Members. Of the annual remuneration, 40 percent will be paid in class B shares of KONE Corporation and the rest in cash. In addition, 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 2022.

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 2022.

The audit firm Ernst & Young Oy was nominated as the auditor for the term 2021.

## Share-based incentives

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

On January 28, 2021, KONE's Board of Directors decided on a new performance share plan, which replaced the existing performance share plans. The new performance plan continues to emphasize profitable growth and as a new measure sustainability. It consists of annually commencing individual share plans, each with a three-year rolling performance period, after which the potential share awards vest. If the participant's employment or service relationship with KONE Group terminates before the end of the performance period, the participant, as a rule, forfeits the share award without compensation. The potential reward is to be paid as a combination of KONE class B shares and a cash payment equivalent to the taxes and similar charges that are incurred from the receipt of shares. The target group and targets within the plan as well as possible rewards are decided upon annually by the Board. As part of the performance share plan for the senior management, a long-term target for their ownership has been set. For the Executive Board members, the long-term ownership target is that the members have an ownership of KONE shares corresponding to at least five years' annual base salary. For

other selected top management positions, the ownership target is at least two years' base salary.

The 2021 performance share plan is targeted to approximately 55 members of the top management, including the President and CEO, members of the Executive Board and other top management, and approximately 500 other selected key personnel of KONE Group. The performance criteria applied to the 2021 performance share plan are based on annual growth in sales, adjusted EBIT margin and improvements in sustainability. The sustainability performance condition is a combination of reductions in carbon footprint, 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 3 years, after which the potentially granted share awards will be paid to the participant, provided that their employment or service relationship with KONE Group is in force at the time of payment.

## Shares and share capital

### Share capital and market capitalization\*

	Jun 30, 2021	Dec 31, 2020
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>
Treasury shares	10,683,525	11,006,006
Share capital, EUR	66,174,483	66,174,483
Market capitalization, MEUR*	35,687	34,452

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

### Treasury shares

	1-6/2021
Treasury shares at the beginning of the period	11,006,006
Changes in treasury shares during the period	-322,481
Treasury shares at the end of the period	10,683,525

At the end of June 2021, the Group had 10,683,525 treasury shares. Treasury shares represent 2.4% of the

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

### Shares traded on Nasdaq Helsinki

	1-6/2021	1-6/2020	1-12/2020
Shares traded on the Nasdaq Helsinki Ltd., million	92.1	116.7	222.9
Average daily trading volume	748,447	948,419	884,675
Volume-weighted average share price	EUR 67.44	54.34	62.07
Highest share notation	EUR 73.86	62.32	76.20
Lowest share notation	EUR 64.02	42.39	42.39
Share notation at the end of the period	EUR 68.80	61.22	66.46

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

The number of registered shareholders was 72,661 at the beginning of the review period and 81,575 at its end.

The number of private households holding shares totaled 77,333 at the end of the period, which corresponds to approximately 12.3% of the listed B shares. At the end of June 2021, a total of 53.4% of the B shares were owned by nominee-registered and non-Finnish investors.

## Flagging notifications

During January–June 2021, BlackRock, Inc. announced several notices in accordance with the Finnish Securities Market Act Chapter 9, Section 5. The notices were announced on June 3, June 17, June 21, June 29 and June 30. The notices have been published 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 excluding financial instruments according to SMA 9:6a decreased to below five (5) per cent of the total number of shares of KONE Corporation on June 29, 2021. The total number of shares including financial instruments according to SMA 9:6a owned by BlackRock, Inc. and its funds remained above five (5) per cent of the total number of shares of KONE Corporation.



## Outlook

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

## Market outlook 2021 (updated)

In China, the new equipment market is expected to grow clearly compared to 2020, which was already a very strong year in terms of market activity. In the rest of the world, the new equipment markets are expected to grow from a low comparison period. In Asia-Pacific, excluding China, the new equipment market is expected to grow significantly. In North America, the new equipment market is expected to grow clearly. The new equipment

market in the Europe, Middle East and Africa region is expected to grow slightly.

With normalizing maintenance activity around the world, the maintenance markets are expected to grow clearly in Asia-Pacific and grow slightly in other regions.

Similarly, the modernization markets are expected to grow across all areas with the strongest growth in Asia-Pacific.

## Business outlook 2021 (specified)

In 2021, KONE's sales growth is estimated to be in the range of 4% 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 13.0%. Assuming that foreign exchange rates remain at the July 2021 level, the impact of foreign exchange rates on the adjusted EBIT would be limited.

KONE has a solid order book and maintenance base for 2021. Continual improvements in quality and productivity are expected to support profitability.

The key headwinds for 2021 results are the increased component and logistics costs. KONE also

continues to invest actively in building the capability to sell and deliver digital services and solutions.

*KONE previously estimated its sales growth to be in the range of 2% to 6% at comparable exchange rates as compared to 2020. The adjusted EBIT margin was expected to be in the range of 12.4% to 13.2%. Assuming that foreign exchange rates would have remained at the April 2021 level, the impact of foreign exchange rates on the adjusted EBIT would have been limited.*

Helsinki, July 20, 2021

KONE Corporation's Board of Directors

# Consolidated statement of income

MEUR	4-6/2021	%	4-6/2020	%	1-6/2021	%	1-6/2020	%	1-12/2020	%
<b>Sales</b>	2,810.8		2,532.1		5,137.3		4,730.3		9,938.5	
Costs and expenses	-2,383.0		-2,158.0		-4,400.1		-4,098.3		-8,486.7	
Depreciation and amortization	-60.7		-58.6		-120.2		-119.3		-239.0	
<b>Operating income</b>	367.1	13.1	315.5	12.5	616.9	12.0	512.7	10.8	1,212.9	12.2
Financing income	11.4		6.4		21.7		17.1		41.8	
Financing expenses	-6.4		-6.6		-14.4		-17.2		-30.4	
<b>Income before taxes</b>	372.1	13.2	315.3	12.5	624.3	12.2	512.6	10.8	1,224.2	12.3
Taxes	-83.7		-71.0		-140.5		-115.3		-276.9	
<b>Net income</b>	288.3	10.3	244.4	9.7	483.8	9.4	397.2	8.4	947.3	9.5
<b>Net income attributable to:</b>										
Shareholders of the parent company	286.3		243.2		479.3		395.5		939.2	
Non-controlling interests	2.0		1.2		4.5		1.8		8.1	
<b>Total</b>	288.3		244.4		483.8		397.2		947.3	
<b>Earnings per share for profit attributable to the shareholders of the parent company, EUR</b>										
Basic earnings per share, EUR	0.55		0.47		0.92		0.76		1.81	
Diluted earnings per share, EUR	0.55		0.47		0.92		0.76		1.81	

## Consolidated statement of comprehensive income

MEUR	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
<b>Net income</b>	288.3	244.4	483.8	397.2	947.3
<b>Other comprehensive income, net of tax:</b>					
Translation differences	-14.0	-41.5	81.4	-44.0	-173.2
Hedging of foreign subsidiaries	1.2	13.0	-12.0	7.9	52.0
Cash flow hedges	1.3	-9.6	-3.6	16.6	27.1
<b>Items that may be subsequently reclassified to statement of income</b>	-11.5	-38.0	65.8	-19.5	-94.1
Changes in fair value	0.2	-4.2	-3.5	-7.4	4.8
Remeasurements of employee benefits	-11.6	12.6	32.5	-2.2	8.8
<b>Items that will not be reclassified to statement of income</b>	-11.4	8.4	29.1	-9.6	13.6
<b>Total other comprehensive income, net of tax</b>	-22.9	-29.6	94.9	-29.1	-80.5
<b>Total comprehensive income</b>	265.5	214.8	578.7	368.1	866.8
<b>Total comprehensive income attributable to:</b>					
Shareholders of the parent company	263.4	213.6	574.1	366.4	858.7
Non-controlling interests	2.0	1.2	4.5	1.8	8.1
<b>Total</b>	265.5	214.8	578.7	368.1	866.8

# Condensed consolidated statement of financial position

## Assets

MEUR		Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
<b>Non-current assets</b>				
Goodwill		1,352.9	1,361.1	1,327.0
Other intangible assets		217.4	219.4	223.2
Tangible assets		720.1	708.0	710.0
Loan receivables and other interest-bearing assets	I	2.1	0.7	1.0
Investments		139.7	130.9	143.2
Employee benefits	I	21.6	21.3	19.2
Deferred tax assets	II	260.3	330.0	242.4
<b>Total non-current assets</b>		<b>2,714.2</b>	<b>2,771.5</b>	<b>2,666.1</b>
<b>Current assets</b>				
Inventories	II	622.0	672.1	597.0
Accounts receivable	II	2,283.1	2,200.9	2,178.6
Deferred assets	II	692.4	663.1	638.7
Income tax receivables	II	112.8	87.9	82.2
Current deposits and loan receivables	I	1,716.5	1,462.1	2,171.4
Cash and cash equivalents	I	482.5	550.1	457.9
<b>Total current assets</b>		<b>5,909.2</b>	<b>5,636.2</b>	<b>6,125.9</b>
<b>Total assets</b>		<b>8,623.4</b>	<b>8,407.7</b>	<b>8,792.0</b>

## Equity and liabilities

MEUR		Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
<b>Equity</b>				
		2,620.6	2,691.9	3,197.3
<b>Non-current liabilities</b>				
Loans	I	446.4	400.0	244.0
Employee benefits	I	162.1	187.2	187.2
Deferred tax liabilities	II	90.2	193.3	90.4
<b>Total non-current liabilities</b>		<b>698.6</b>	<b>780.6</b>	<b>521.6</b>
<b>Provisions</b>	II	<b>167.8</b>	<b>128.9</b>	<b>154.7</b>
<b>Current liabilities</b>				
Loans	I	112.8	116.8	264.6
Advance payments received and deferred revenue	II	1,807.4	1,811.3	1,766.8
Accounts payable	II	1,032.3	869.9	890.9
Accruals	II	2,079.8	1,908.2	1,882.6
Income tax payables	II	104.1	100.2	113.6
<b>Total current liabilities</b>		<b>5,136.4</b>	<b>4,806.3</b>	<b>4,918.4</b>
<b>Total equity and liabilities</b>		<b>8,623.4</b>	<b>8,407.7</b>	<b>8,792.0</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, 2021</b>	66.2	100.3	345.7	41.7	-10.9	-115.0	-164.7	2,911.3		22.6	3,197.3
Net income for the period									479.3	4.5	483.8
Other comprehensive income:											
Translation differences					81.4						81.4
Hedging of foreign subsidiaries					-12.0						-12.0
Cash flow hedges				-3.6							-3.6
Changes in fair value				-3.5							-3.5
Remeasurements of employee benefits						32.5					32.5
Transactions with shareholders and non-controlling interests:											
Profit distribution								-1,166.3			-1,166.3
Purchase of own shares											-
Change in non-controlling interests								1.5		-5.9	-4.4
Option and share-based compensation			15.4				11.9	-11.9			15.4
<b>Jun 30, 2021</b>	66.2	100.3	361.2	34.6	58.5	-82.4	-152.8	1,734.6	479.3	21.3	2,620.6

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									395.5	1.8	397.2
Other comprehensive income:											
Translation differences					-44.0						-44.0
Hedging of foreign subsidiaries					7.9						7.9
Cash flow hedges				16.6							16.6
Changes in fair value				-7.4							-7.4
Remeasurements of employee benefits						-2.2					-2.2
Transactions with shareholders and non-controlling interests:											
Profit distribution								-880.5			-880.5
Purchase of own shares											-
Change in non-controlling interests										-0.6	-0.6
Option and share-based compensation			12.0				20.5	-20.5			12.0
<b>Jun 30, 2020</b>	66.2	100.3	334.1	19.1	74.2	-126.0	-164.6	1,972.0	395.5	21.2	2,691.9

# 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
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



# Condensed consolidated statement of cash flows

MEUR	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Operating income	367.1	315.5	616.9	512.7	1,212.9
Change in net working capital before financing items and taxes	85.4	218.2	201.5	307.1	455.6
Depreciation and amortization	60.7	58.6	120.2	119.3	239.0
<b>Cash flow from operations before financing items and taxes</b>	<b>513.2</b>	<b>592.3</b>	<b>938.6</b>	<b>939.2</b>	<b>1,907.5</b>
Cash flow from financing items and taxes	-118.9	-93.0	-154.3	-173.0	-357.3
<b>Cash flow from operating activities</b>	<b>394.3</b>	<b>499.3</b>	<b>784.3</b>	<b>766.2</b>	<b>1,550.2</b>
Cash flow from investing activities	-25.3	-20.2	-52.2	-39.7	-109.8
<b>Cash flow after investing activities</b>	<b>369.0</b>	<b>479.1</b>	<b>732.1</b>	<b>726.5</b>	<b>1,440.4</b>
Profit distribution	-189.4	-87.9	-1,166.3	-880.5	-880.5
Change in deposits and loans receivable, net	-118.3	-357.1	475.9	119.4	-606.1
Change in loans payable and other interest-bearing debt	4.4	-39.2	-22.2	-67.8	-134.1
Changes in non-controlling interests	-0.6	-0.7	-1.0	-0.7	-3.8
<b>Cash flow from financing activities</b>	<b>-303.9</b>	<b>-484.9</b>	<b>-713.6</b>	<b>-829.5</b>	<b>-1,624.5</b>
<b>Change in cash and cash equivalents</b>	<b>65.0</b>	<b>-5.8</b>	<b>18.5</b>	<b>-103.0</b>	<b>-184.1</b>
Cash and cash equivalents at beginning of period	418.3	557.7	457.9	662.4	662.4
Translation difference	-0.9	-1.7	6.0	-9.3	-20.4
<b>Cash and cash equivalents at end of period</b>	<b>482.5</b>	<b>550.1</b>	<b>482.5</b>	<b>550.1</b>	<b>457.9</b>

## CHANGE IN INTEREST-BEARING NET DEBT

MEUR	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Interest-bearing net debt at beginning of period	-1,375.3	-970.2	-1,953.8	-1,552.9	-1,552.9
Interest-bearing net debt at end of period	-1,501.4	-1,330.2	-1,501.4	-1,330.2	-1,953.8
<b>Change in interest-bearing net debt</b>	<b>-126.1</b>	<b>-360.0</b>	<b>452.4</b>	<b>222.7</b>	<b>-401.0</b>

Payments of lease liabilities included in financing activities were EUR -60.2 (January–June 2020: -61.6) million and interest expense paid included in cash flow from financing items and taxes were EUR 4.5 (January–June 2020: 5.6) million.

# Notes to the interim report

## ACCOUNTING PRINCIPLES

KONE Corporation's Interim Report for January–June 2021 has been prepared in line with IAS 34, 'Interim Financial Reporting' and should be read in conjunction with KONE's financial statements for 2020, published on January 28, 2021. KONE has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2020. The information presented in this Interim Report has not been audited.

## KEY FIGURES

		1–6/2021	1–6/2020	1–12/2020
Basic earnings per share	EUR	0.92	0.76	1.81
Diluted earnings per share	EUR	0.92	0.76	1.81
Equity per share	EUR	5.01	5.15	6.12
Interest-bearing net debt	MEUR	-1,501.4	-1,330.2	-1,953.8
Equity ratio	%	38.4	40.8	45.5
Gearing	%	-57.3	-49.4	-61.1
Return on equity	%	33.3	27.0	29.7
Return on capital employed	%	27.5	22.7	25.0
Total assets	MEUR	8,623.4	8,407.7	8,792.0
Assets employed	MEUR	1,119.2	1,361.7	1,243.4
Net working capital (including financing and tax items)	MEUR	-1,311.0	-1,057.7	-1,160.1

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

## ALTERNATIVE PERFORMANCE MEASURE

KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. Restructuring costs related to significant restructuring programs are excluded from the calculation of the adjusted EBIT.

		4–6/2021	4–6/2020	1–6/2021	1–6/2020	1–12/2020
Operating income	MEUR	367.1	315.5	616.9	512.7	1,212.9
Operating income margin	%	13.1	12.5	12.0	10.8	12.2
Items impacting comparability	MEUR	7.0	9.1	7.0	17.4	37.7
Adjusted EBIT	MEUR	374.0	324.6	623.9	530.2	1,250.5
Adjusted EBIT margin	%	13.3	12.8	12.1	11.2	12.6

## 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 2014–2016 are not restated and thus not fully comparable.

		Q2/2021	Q1/2021	Q4/2020	Q3/2020	Q2/2020	Q1/2020
Orders received	MEUR	2,410.7	2,075.9	2,068.7	1,931.7	2,075.4	2,109.3
Order book	MEUR	8,272.5	8,180.4	7,728.8	7,914.4	8,307.3	8,386.4
Sales	MEUR	2,810.8	2,326.4	2,621.2	2,587.0	2,532.1	2,198.3
Operating income	MEUR	367.1	249.8	367.1	333.1	315.5	197.2
Operating income margin	%	13.1	10.7	14.0	12.9	12.5	9.0
Adjusted EBIT <sup>1)</sup>	MEUR	374.0	249.8	380.6	339.8	324.6	205.6
Adjusted EBIT margin <sup>1)</sup>	%	13.3	10.7	14.5	13.1	12.8	9.4
Items impacting comparability	MEUR	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 <sup>1)</sup>	MEUR	367.5	321.9	319.6	228.4	319.6	273.7	300.4	218.3
Adjusted EBIT margin <sup>1)</sup>	%	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 <sup>1)</sup>	MEUR	302.6	321.3	335.8	245.8	392.2	331.1	348.6	221.4
Adjusted EBIT margin <sup>1)</sup>	%	13.1	14.5	14.4	12.6	15.1	15.3	15.3	12.7
Items impacting comparability	MEUR	9.9	3.3	-	-	-	-	-	-

		Q4/2015	Q3/2015	Q2/2015	Q1/2015	Q4/2014	Q3/2014	Q2/2014	Q1/2014
Orders received	MEUR	1,947.2	1,764.5	2,193.5	2,053.8	1,703.8	1,577.2	1,801.9	1,729.7
Order book	MEUR	8,209.5	8,350.7	8,627.4	8,529.6	6,952.5	6,995.8	6,537.2	6,175.4
Sales	MEUR	2,561.8	2,184.2	2,210.4	1,690.9	2,165.8	1,877.9	1,848.9	1,441.8
Operating income	MEUR	378.5	325.9	325.2	211.9	315.3	277.5	263.2	179.6
Operating income margin	%	14.8	14.9	14.7	12.5	14.6	14.8	14.2	12.5
Adjusted EBIT <sup>1)</sup>	MEUR	378.5	325.9	325.2	211.9	315.3	277.5	263.2	179.6
Adjusted EBIT margin <sup>1)</sup>	%	14.8	14.9	14.7	12.5	14.6	14.8	14.2	12.5
Items impacting comparability	MEUR	-	-	-	-	-	-	-	-

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

## Net working capital

MEUR	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
<b>Net working capital</b>			
Inventories	622.0	672.1	597.0
Advance payments received and deferred revenue	-1,807.4	-1,811.3	-1,766.8
Accounts receivable	2,283.1	2,200.9	2,178.6
Deferred assets and income tax receivables	805.2	751.0	720.9
Accruals and income tax payables	-2,183.9	-2,008.4	-1,996.2
Provisions	-167.8	-128.9	-154.7
Accounts payable	-1,032.3	-869.9	-890.9
Net deferred tax assets/liabilities	170.2	136.7	152.0
<b>Total net working capital</b>	<b>-1,311.0</b>	<b>-1,057.7</b>	<b>-1,160.1</b>

## Depreciation and amortization

MEUR	4-6/2021	4-6/2020	1-6/2021	1-6/2020	1-12/2020
Depreciation and amortization of fixed assets	51.3	49.4	101.4	100.9	202.2
Amortization of acquisition-related intangible assets	9.4	9.2	18.8	18.5	36.8
<b>Total</b>	<b>60.7</b>	<b>58.6</b>	<b>120.2</b>	<b>119.3</b>	<b>239.0</b>

## Key exchange rates in euros

		Jun 30, 2021		Jun 30, 2020	
		Average rate	End rate	Average rate	End rate
Chinese Yuan	CNY	7.8010	7.6742	7.7808	7.9219
US Dollar	USD	1.2060	1.1884	1.1061	1.1198
British Pound	GBP	0.8703	0.8581	0.8735	0.9124
Australian Dollar	AUD	1.5706	1.5853	1.6708	1.6344

## FINANCIAL INSTRUMENTS

## Derivatives

## Fair values of derivative financial instruments

			Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
MEUR	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net	Fair value, net
Foreign exchange forward contracts and swaps	57.2	-39.0	18.2	-3.1	-0.3

## Nominal values of derivative financial instruments

			Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
MEUR					
Foreign exchange forward contracts and swaps			4,605.4	3,532.8	3,790.3

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

The fair values are represented on the balance sheet on a gross basis and can be set off on conditional terms. There has been no significant change in the nature of financial assets and liabilities carried in each measurement category from year-end 2020. 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.

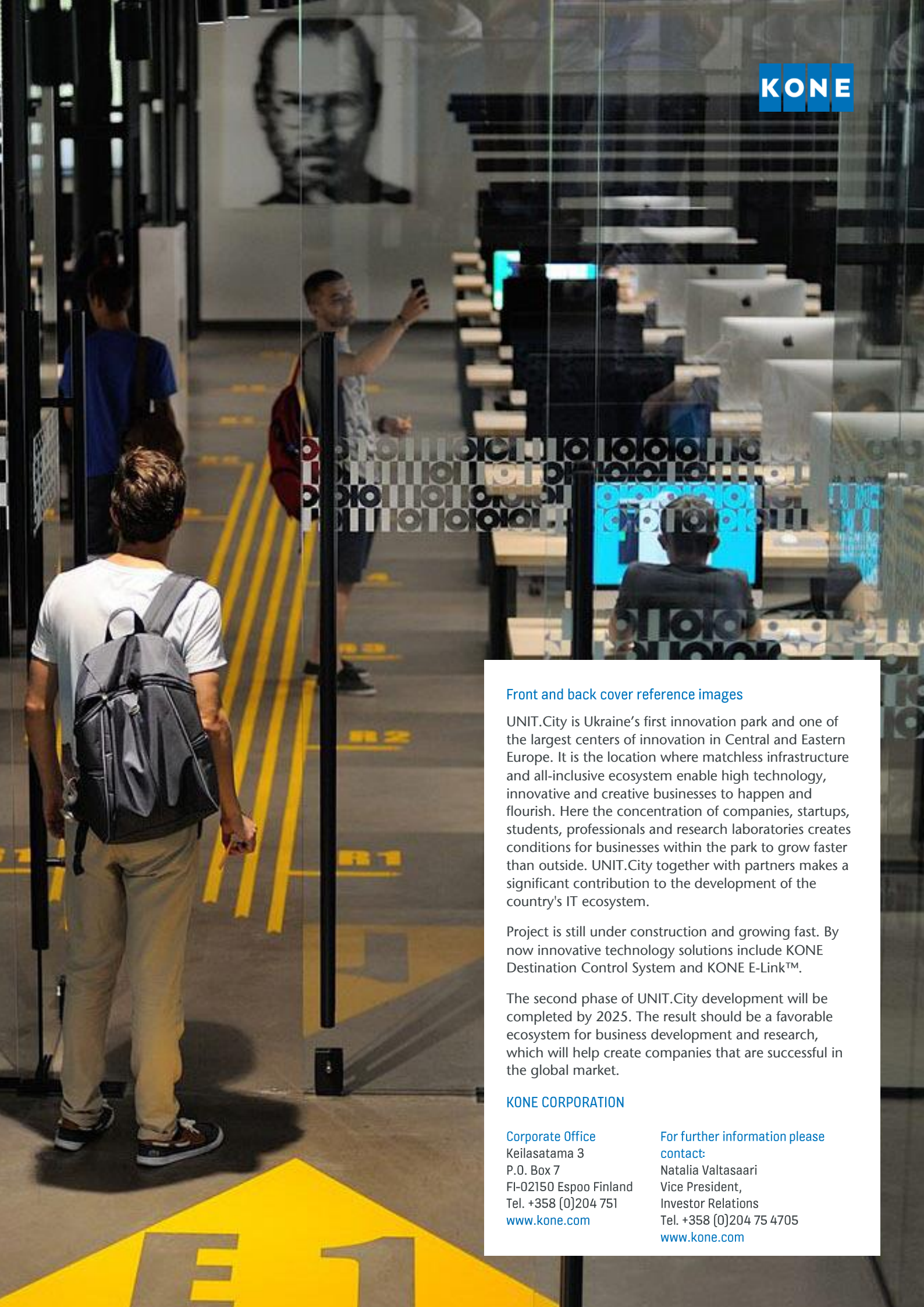
## COMMITMENTS

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 EUR 1,676.0 (Dec 31, 2020: 1,485.1) million as of June 30, 2021.



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

UNIT.City is Ukraine's first innovation park and one of the largest centers of innovation in Central and Eastern Europe. It is the location where matchless infrastructure and all-inclusive ecosystem enable high technology, innovative and creative businesses to happen and flourish. Here the concentration of companies, startups, students, professionals and research laboratories creates conditions for businesses within the park to grow faster than outside. UNIT.City together with partners makes a significant contribution to the development of the country's IT ecosystem.

Project is still under construction and growing fast. By now innovative technology solutions include KONE Destination Control System and KONE E-Link™.

The second phase of UNIT.City development will be completed by 2025. The result should be a favorable ecosystem for business development and research, which will help create companies that are successful in the global market.

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