

KONE Q1 2022

Interim Report for January–March

KONE's January–March 2022 review:

Strong growth in orders received, operating income burdened by supply chain constraints

January–March 2022

- Orders received grew by 16.7% to EUR 2,422.6 (1–3/2021: 2,075.9) million. At comparable exchange rates, orders grew by 10.6%.
- Sales grew by 5.0% to EUR 2,441.9 (2,326.4) million. At comparable exchange rates, sales declined by 0.4%.
- Operating income (EBIT) was EUR 171.1 (249.8) million or 7.0% (10.7%) of sales. The adjusted EBIT was EUR 196.5 (249.8) million or 8.0% (10.7%) of sales.*
- Cash flow from operations (before financing items and taxes) was EUR 218.7 (425.5) million.

Business outlook for 2022 (specified)

KONE estimates that in 2022, its sales growth will be in the range of 2% to 5% at comparable exchange rates as compared to 2021. The adjusted EBIT is expected to be in the range of EUR 1,180–1,280 million, assuming that foreign exchange rates would remain at the April 2022 level. Foreign exchange rates are estimated to impact EBIT positively by around EUR 70 million.

The outlook is dependent on the COVID-19 restrictions in China being lifted during the second quarter and a rapid recovery thereafter.

KONE previously estimated that in 2022, its sales growth will be in the range of 2% to 7% at comparable exchange rates as compared to 2021. The adjusted EBIT was expected to be in the range EUR 1,180–1,330 million, assuming that foreign exchange rates would remain at the January 2022 level. Foreign exchange rates were estimated to impact EBIT positively by around EUR 50 million.

* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. In January–March 2022, items affecting comparability included costs of EUR 25 million relating to the impairment of assets and recognition of provisions for commitments in Russia and Ukraine. In the comparison periods, items affecting comparability consisted of restructuring costs.

KEY FIGURES

		1-3/2022	1-3/2021	Change	1-12/2021
Orders received	MEUR	2,422.6	2,075.9	16.7%	8,852.8
Order book	MEUR	9,255.4	8,180.4	13.1%	8,564.0
Sales	MEUR	2,441.9	2,326.4	5.0%	10,514.1
Operating income	MEUR	171.1	249.8	-31.5%	1,295.3
Operating income margin	%	7.0	10.7		12.3
Adjusted EBIT*	MEUR	196.5	249.8	-21.4%	1,309.8
Adjusted EBIT margin*	%	8.0	10.7		12.5
Income before tax	MEUR	170.7	252.2	-32.3%	1,320.8
Net income	MEUR	131.5	195.5	-32.7%	1,022.7
Basic earnings per share	EUR	0.25	0.37	-32.9%	1.96
Cash flow from operations (before financing items and taxes)	MEUR	218.7	425.5		1,828.7
Interest-bearing net debt	MEUR	-1,451.2	-1,375.3		-2,164.1
Equity ratio	%	32.6	36.6		41.2
Return on equity	%	19.1	28.2		32.0
Net working capital (including financing items and taxes)	MEUR	-1,657.0	-1,467.7		-1,468.2
Gearing	%	-63.1	-58.6		-67.6

* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. In January–March 2022, items affecting comparability included costs of EUR 25 million relating to the impairment of assets and recognition of provisions for commitments in Russia and Ukraine. In the comparison periods, items affecting comparability consisted of restructuring costs.

Henrik Ehrnrooth, President and CEO:

“The year started with strong growth in orders received. The demand environment was favorable in all regions except for the new equipment market in China, where liquidity constraints resulted in a decline in activity. The positive market sentiment was overshadowed by Russia’s devastating attack on Ukraine. With local organizations in both countries, our priority has been to ensure the safety of our people. On March 3, we also decided to cease taking new orders and suspend deliveries to Russia. The measures taken to contain the spread of COVID-19 infections in China has further increased market uncertainty.

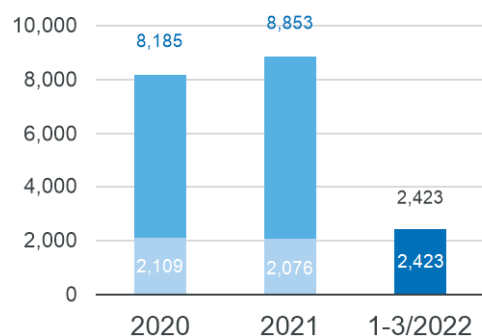
From a financial perspective, I was pleased to see our orders received growing strongly in all businesses. The progress we have made in increasing prices, lowering product costs and securing improvements in quality and productivity is also encouraging. Illustrating this is the clear contribution of pricing to the growth in our maintenance business as well as the second consecutive quarter of sequential improvement in the margin of orders received. Sales was broadly in line with last year’s level, thanks to strong growth in both maintenance and modernization. The decline in our operating income margin on the other hand, while anticipated, is clearly a concern. As sanctions imposed on Russia and COVID-19 related restrictions in China intensify the strain on global supply chains, taking further actions to clearly improve our margins remains our top priority. Based on the progress we have made, I am confident that we can overcome these headwinds. I am very proud of the entire KONE team, who has both navigated unexpected market developments admirably and continued to secure our ability to capture future growth opportunities.

Our Sustainable Success with Customers strategy is creating tangible competitive advantage. Sustainability, adaptability and productivity have become even more critical aspects for our customers after multiple years of significant changes in the external environment. Our DX class elevators, which together with connected services proactively help our customers adapt and improve People Flow, are now available in all regions. We also introduced the industry’s first carbon-neutral elevator using carbon offsetting, as well as a new range of solutions to improve our customers’ and our own productivity. Highlights included new KONE Construction Time Use solutions with KONE 24/7 Connected Services for improved insights and uptime, as well as a standardized version of KONE JumpLift, available for buildings of all heights, which has the potential to clearly reduce construction time.

With the first quarter behind us, we have specified our business outlook for 2022 as a result of increased pressure in the cost environment and the impact of liquidity constraints and COVID-19 lockdowns in China. We now expect sales to grow by 2–5% and adjusted EBIT to be in the range of EUR 1,180–1,280 million. Our full year outlook is dependent on the restrictions on operations in China being lifted during the second quarter and rapid recovery thereafter. Although market uncertainty has increased, we continue to see attractive growth opportunities in several areas and remain well positioned to capture these as they materialize.”

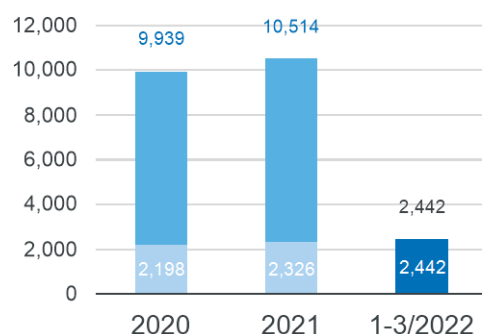
Key Figures

Orders received (MEUR)



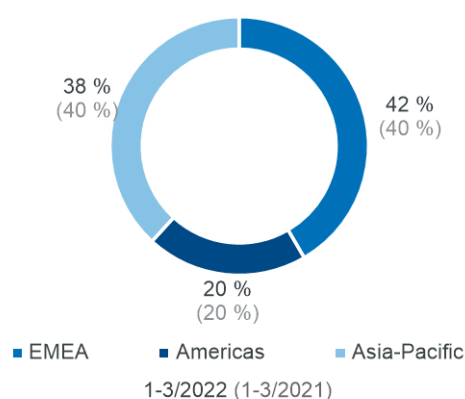
- **In January–March 2022**, orders received grew by 16.7% (grew by 10.6% at comparable exchange rates) with all regions and businesses contributing to the growth.
- At comparable rates, new equipment orders received grew clearly with clear growth in the volume business and significant growth in major projects. In modernization, orders received grew significantly with significant growth in the volume business and significant growth in major projects.
- The margin of orders received declined slightly year-on-year due to increased component and logistics costs. Compared to the previous quarter, the margin on orders received improved somewhat.

Sales (MEUR)

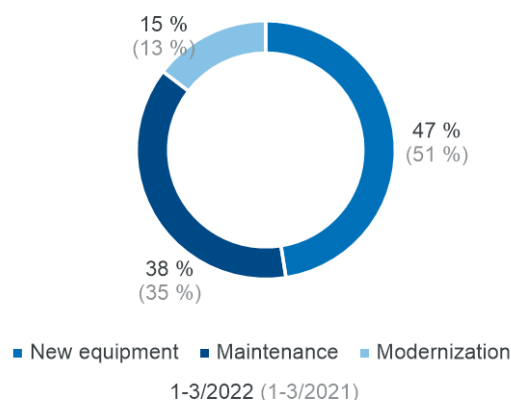


- **In January–March 2022**, sales grew by 5.0% (declined by 0.4% at comparable exchange rates). Strong growth in the service business compensated for the decline in new equipment sales.
- New equipment sales declined by 3.1% (declined by 9.4% at comparable exchange rates). Service (maintenance and modernization) sales grew by 13.6% (grew by 9.5% at comparable rates). Maintenance sales grew by 12.6% (grew by 8.7% at comparable rates) and modernization sales grew by 16.0% (grew by 11.5% at comparable rates).
- Sales in the EMEA region grew by 7.9% (grew by 7.0% at comparable rates). In the Americas region, sales grew by 8.2% (grew by 0.4% at comparable rates). In the Asia-Pacific region, sales grew by 0.4% (declined by 7.7% at comparable rates).

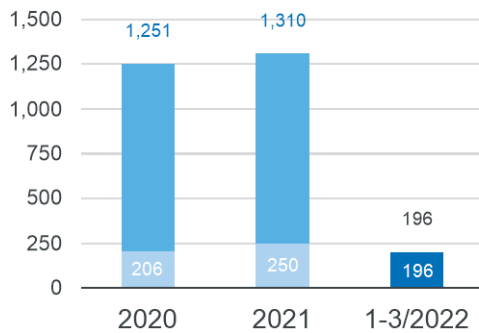
Sales by region



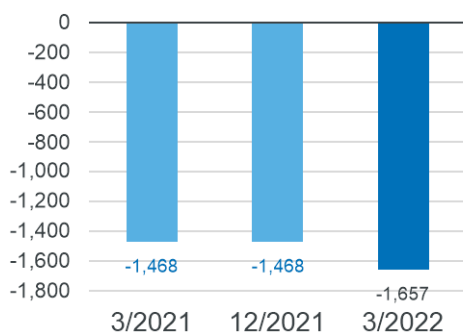
Sales by business



Adjusted EBIT (MEUR)

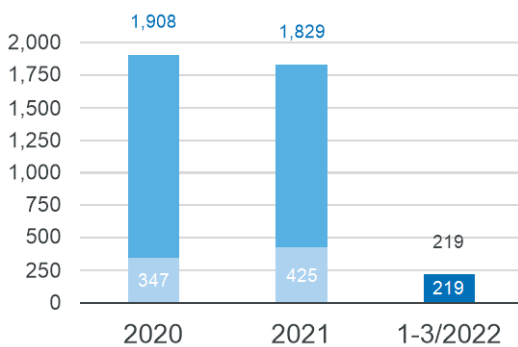


- In January–March 2022, operating income was 7.0% of sales (1–3/2021: 10.7%). The adjusted EBIT margin was 8.0% (10.7%).
- Increased material, component and logistics costs continued to burden the operating result. Pricing, productivity and product cost actions are strongly in focus to counteract these headwinds.
- Adjusted EBIT excludes costs of EUR 25 million related to the impairment of assets and recognition of provisions for commitments in Russia and Ukraine.
- With comparable exchange rates, the translation impact on operating income for the comparison period was EUR 15.0 million.

Net working capital¹⁾ (MEUR)

- At the end of March 2022, net working capital was at an improved level compared to the beginning of the year due to the invoicing cycle in the maintenance business and the recognition of dividend withholding tax payable. Accounts payable decreased from a high year-end level.
- Foreign exchange rates had a EUR 30 million positive impact on the net working capital.

¹⁾ Including financing items, taxes and dividend withholding tax

Cash flow²⁾ (MEUR)

- In January–March 2022, cash flow declined from an exceptionally strong level to EUR 218.7 million.
- Cash flow was primarily impacted by the decrease in accounts payable from a high year-end level, as well as by higher than average inventories.

²⁾ Cash flow from operations before financing items and taxes

KONE's January–March 2022 review

KONE's operating environment

Operating environment by region

	New equipment market in units 1–3/2022	Maintenance market in units 1–3/2022	Modernization market in monetary value 1–3/2022
Total market	-	+	+++
EMEA	+	+	+++
Central and North Europe	++	+	+++
South Europe	+	+	+++
Middle East	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%)

January–March 2022

The demand environment was favorable in many areas during the first quarter or the year, although the war in Ukraine and the measures taken to contain the spread of COVID-19 infections in China weakened market sentiment and further disrupted global supply chains.

Demand in the new equipment market increased in most parts of the world, with the exception of **China**, where liquidity constraints caused market activity to decline. **In the rest of Asia-Pacific**, the market continued to recover strongly. **In the EMEA region**, activity was mixed with growth in Europe and stable

development in the Middle East. **In North America**, the market grew significantly, thanks to strong activity in the residential and infrastructure segments.

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

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

Orders received and order book

Orders received

MEUR	1–3/2022	1–3/2021	Change	Comparable change ¹⁾	1–12/2021
Orders received	2,422.6	2,075.9	16.7%	10.6%	8,852.8
¹⁾ Change at comparable foreign exchange rates					

Order book

MEUR	Mar 31, 2022	Mar 31, 2021	Change	Comparable change ¹⁾	Dec 31, 2021
Order book	9,255.4	8,180.4	13.1%	7.3%	8,564.0
¹⁾ Change at comparable foreign exchange rates					

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

January–March 2022

Orders received grew by 16.7% as compared to January–March 2021 and totaled EUR 2,422.6 million. At comparable exchange rates, KONE's orders received grew by 10.6%.

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

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

Orders received in the EMEA region grew clearly at comparable exchange rates as compared to January–

March 2021. New equipment orders declined slightly and modernization orders grew significantly.

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

Orders received in the Asia-Pacific region grew slightly at comparable rates as compared to January–March 2021. In China, new equipment orders grew slightly in units and were stable in monetary value. In the rest of Asia-Pacific, new equipment orders received grew significantly. Modernization orders received grew significantly in China and grew slightly in the rest of Asia-Pacific.

The order book grew significantly compared to the end of March 2021 and stood at a strong level of EUR 9,255.4 million at the end of the reporting period. At comparable rates, the order book grew clearly.

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

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

Sales

By region

MEUR	1-3/2022	1-3/2021	Change	Comparable change ¹⁾	1-12/2021
EMEA	1,016.0	941.9	7.9%	7.0%	4,036.9
Americas	493.1	455.9	8.2%	0.4%	1,902.9
Asia-Pacific	932.8	928.6	0.4%	-7.7%	4,574.3
Total	2,441.9	2,326.4	5.0%	-0.4%	10,514.1

¹⁾ Change at comparable foreign exchange rates

By business

MEUR	1-3/2022	1-3/2021	Change	Comparable change ¹⁾	1-12/2021
New equipment	1,159.8	1,197.5	-3.1%	-9.4%	5,637.7
Services	1,282.1	1,128.9	13.6%	9.5%	4,876.4
Maintenance	925.3	821.4	12.6%	8.7%	3,450.6
Modernization	356.7	307.5	16.0%	11.5%	1,425.9
Total	2,441.9	2,326.4	5.0%	-0.4%	10,514.1

¹⁾ Change at comparable foreign exchange rates

January–March 2022

KONE's sales grew by 5.0% as compared to January–March 2021, and totaled EUR 2,441.9 million. At comparable exchange rates, KONE's sales declined by 0.4%. New equipment sales declined by 9.4% at comparable exchange rates primarily due to continued liquidity constraints in China. Maintenance sales grew by 8.7% at comparable exchange rates, thanks to maintenance base growth, improved pricing and continued momentum in value-added services. Modernization sales grew by 11.5% at comparable exchange rates.

Sales in the EMEA region grew by 7.9% and totaled EUR 1,016.0 million. At comparable exchange rates, sales grew by 7.0%. New equipment sales grew clearly,

maintenance sales grew clearly and modernization sales grew clearly in the region.

In the Americas, sales grew by 8.2% and totaled EUR 493.1 million. At comparable exchange rates, sales grew by 0.4%. New equipment sales declined significantly, maintenance sales grew significantly and modernization sales grew significantly in the region.

In Asia-Pacific, sales grew by 0.4% and totaled EUR 932.8 million. At comparable exchange rates, sales declined by 7.7%. New equipment sales declined significantly, maintenance sales grew clearly and modernization sales grew significantly in the region.

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

Financial result

Financial result

	1-3/2022	1-3/2021	Change	1-12/2021
Operating income, MEUR	171.1	249.8	-31.5%	1,295.3
Operating income margin, %	7.0	10.7		12.3
Adjusted EBIT, MEUR	196.5	249.8	-21.4%	1,309.8
Adjusted EBIT margin, %	8.0	10.7		12.5
Income before taxes, MEUR	170.7	252.2	-32.3%	1,320.8
Net income, MEUR	131.5	195.5	-32.7%	1,022.7
Basic earnings per share, EUR	0.25	0.37	-32.9%	1.96

January–March 2022

KONE's operating income (EBIT) was EUR 171.1 million or 7.0% of sales. The adjusted EBIT was EUR 196.5 million or 8.0% of sales. The operating income was burdened by continued headwinds from material, component and logistics costs.

As a response to Russia's invasion of Ukraine, KONE has suspended its deliveries to Russia. Items affecting comparability in January–March 2022 included a charge of EUR 25 million for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine. KONE's risk exposure is limited, as Russia accounts for less than one percent of KONE's sales and the

imposed sanctions have no major direct impact on KONE's global sourcing or production activities. In the comparison period, items affecting comparability consisted of restructuring costs.

With comparable exchange rates, the translation impact on operating income for the comparison period was EUR 15.0 million.

KONE's income before taxes was EUR 170.7 million. Taxes totaled EUR 39.3 (56.7) million. This corresponds to an effective tax rate of 23.0% for the full financial year. Net income for the period was EUR 131.5 million.

Basic earnings per share was EUR 0.25.

Cash flow and financial position

Cash flow and financial position

	1-3/2022	1-3/2021	1-12/2021
Cash flow from operations (before financing items and taxes), MEUR	218.7	425.5	1,828.7
Net working capital (including financing items and taxes), MEUR	-1,657.0	-1,467.7	-1,468.2
Interest-bearing net debt, MEUR	-1,451.2	-1,375.3	-2,164.1
Gearing, %	-63.1	-58.6	-67.6
Equity ratio, %	32.6	36.6	41.2
Equity per share, EUR	4.39	4.49	6.13

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

Cash flow from operations (before financing items and taxes) during January–March 2022 declined from an exceptionally strong level to EUR 218.7 million. This was largely due to the decrease in accounts payable from a high year-end level, as well as higher than average inventories.

Net working capital (including financing items and taxes) was EUR -1,657.0 million at the end of March 2022. The improvement from year-end related to the invoicing cycle in the maintenance business and the recognition of dividend withholding tax payables.

Interest-bearing net debt was EUR -1,451.2 million at the end of March 2022. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 2,127.8 (Dec 31, 2021: 2,885.1) million at the end of the reporting period. Interest-bearing liabilities were EUR 702.6 (Dec 31, 2021: 746.5) million, including a pension liability of EUR 153.1 (Dec 31, 2021: 194.3) million and leasing liability of EUR 340.1 (Dec 31, 2021: 343.6) million. Additionally, KONE had an asset on employee benefits, EUR 23.5 (Dec 31, 2021: 22.9) million. Gearing was -63.1% and equity ratio was 32.6% at the end of March 2022.

Equity per share was EUR 4.39.

Capital expenditure and acquisitions

Capital expenditure & acquisitions

MEUR	1–3/2022	1–3/2021	1–12/2021
On fixed assets	19.5	19.2	96.5
On lease agreements	22.2	29.3	120.6
On acquisitions (including NCI buyouts)	15.3	8.3	50.1
Total	57.0	56.8	267.3

KONE's capital expenditure and acquisitions totaled EUR 57.0 million in January–March 2022. Capital expenditure excluding acquisitions was mainly related to equipment and facilities in R&D, IT and production. Capital expenditure on leases consists mainly of maintenance vehicles and office facilities.

Transaction price on acquisitions totaled EUR 15.3 million in January–March 2022 of which EUR 5.2 million was used to acquire non-controlling interests. KONE completed acquisitions of small maintenance businesses in the EMEA region.

Research and development

R&D expenditure

	1–3/2022	1–3/2021	Change	1–12/2021
R&D expenditure, MEUR	45.0	47.8	-5.9%	188.8
As percentage of sales, %	1.8	2.1		1.8

The objective of KONE's research and development is to drive differentiation by putting the needs of customers and users at the center of all 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. 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 45.0 million, representing 1.8% of sales in January–March 2022. R&D expenditure includes the development of new product and service concepts as well as further development of existing solutions and services.

During January–March 2022, KONE introduced a new range of products, solutions and services to help transform people and material flow on construction sites - and provide new solutions for how buildings can become

more flexible, sustainable and adaptable. Highlights consisted of KONE Construction Time Use solutions, now including KONE 24/7 Connected Services for improved insights and uptime. A new, standardized version of KONE Jumlift for machine-roomless elevators brings a revolution in construction flexibility, as well as the potential to reduce construction time by several months, for all types of buildings. Elevators that are fully compatible with wooden buildings and shafts made of timber products provide a new solution for eco-friendly construction, while the introduction of an option for a carbon-neutral elevator, through the use of carbon offsetting, marks a first for the industry. In addition, KONE DX Class elevators were launched in the United States and Canada. This new elevator series offers connectivity and a customizable user experience and will replace the previous KONE elevator range across all areas. It uses sustainable materials to meet green building criteria and enables adaptability through the secure addition of new applications, such as robots, navigation apps and visitor management solutions.

KONE also continued to introduce offering updates in the new equipment business area during the first quarter. These included for example a renewed elevator car design, air purifiers, as well as convenient tools for calculating energy consumption data and finding the right design combinations for building designers.

Personnel

KONE employees

	1-3/2022	1-3/2021	1-12/2021
Number of employees at the end of period	62,951	61,175	62,720
Average number of employees	63,063	61,246	61,698

Geographical distribution of KONE employees

	1-3/2022	1-3/2021	1-12/2021
EMEA	23,791	23,844	23,669
Americas	7,243	7,193	7,258
Asia-Pacific	31,918	30,137	31,792
Total	62,951	61,175	62,720

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.

HIGHLIGHTS Q1/2022

- KONE Culture Playbook launched
- Annual salary review demonstrates equal compensation practices

to explore those new behaviors and mindsets in practice. It also encourages all employees to take part in strengthening our ways of working together to make a difference. In addition, we continued to strengthen our leaders' Diversity, Equity and Inclusion awareness and commitment through the Empowered by Inclusion learning journey. When celebrating International Women's Day, we encouraged our employees to take part in the Break the Bias campaign.

Our recruitment volumes were stable during the first quarter with a strong talent attraction focus on R&D, service technician and sales hires. With this, we continued to successfully hire talents outside the elevator and escalator industry

to bring in competences and skills complimentary to ours.

Due to the widely spread COVID-19 travel restrictions, KONE had to cancel its International Trainee Program once again. KONE's intention is to continue with the program again in 2023.

COVID-19 impact on the way we work

While the COVID-19 pandemic has continued globally, its impact to how KONE people are able to work has lessened, except in China where government restrictions intensified in the quarter. Precautionary measures to prevent the spread of infection have been implemented in KONE's working environment; however, our operations started to be affected by the lockdowns in the last week of the quarter. Our focus continues to be on serving our customers in the safest possible manner. We have supported our employees by offering flexibility where needed and by ensuring easy access to information on how to enhance wellbeing.

Employee engagement, KONE culture and talent

As part of KONE's strategy development, we continued the roll-out of our values and culture e-learning course during the first quarter and launched the KONE Culture Playbook. The playbook describes the many ways in which we are developing our culture at KONE and invites readers

Rewarding and performance

To ensure a continuous and strong focus on driving our sustainability ambitions, KONE's share based long-term incentive plan measures performance from both a sustainability and a financial perspective. The sustainability performance condition in the incentive plan 2022 continues to be a combination of reductions in carbon footprint, diversity, equity and inclusion as well as safety related targets.

Performance discussions focused on goal setting for 2022 and achievement reviews for the previous year were held during the first quarter. We also conducted an annual salary review, which is aligned to our pay for performance philosophy and closely follows rewarding from a diversity perspective. Covering over 40,000 KONE employees, the review showed that men and women in similar positions continue to be compensated equally on a global level.

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.

We successfully completed our Environmental Excellence program 2017–2021, exceeding many of the set targets. To support our heightened climate and environmental ambition, KONE's Climate and Environmental Excellence Program was renewed during the first quarter. The program, which covers four focus areas: partner with customer, offering, operations and mindset and behavior, will be available at kone.com during the second quarter of 2022.

HIGHLIGHTS Q1/2022

- KONE awarded Supplier Engagement Leader in CDP's 2021 rating
- Operational carbon footprint for 2021 decreased by 15% relative to sales

operations globally. In 2022, we target a 16% reduction in GHG emissions in our own operations (Scope 1 and 2) compared to 2018.

Our product and value chain related Scope 3 GHG emissions decreased by 0.3% compared to 2020 and increased by 0.4% compared to 2018, relative to ordered products. The major contributing factor to the decrease from the previous year was the further improved energy efficiency of our products. We achieved this, for example, by increasing the share of eco-efficient regenerative drives in elevator installations in the Asia-Pacific region, and by replacing older elevator technologies with modern energy efficient elevators. The increase compared to 2018 related primarily to the larger volume of products sold in the Asia-Pacific region, where the lifetime energy use emissions of our products tend to be

Recognitions

In January-March, KONE was awarded Supplier Engagement Leader by CDP's 2021 Supplier Engagement rating, in addition to the earlier announced placement on CDP's prestigious 2021 Climate Change A List. The CDP Supplier Engagement rating demonstrates leadership and best practice in engaging our suppliers on climate change issues.

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. As part of our climate pledge, 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. In addition, we have pledged to have carbon neutral operations in 2030.

The calculations of our 2021 carbon footprint were finalized during the first quarter. KONE's total carbon footprint data (Scope 1, 2 and 3 GHG emissions) has been externally assured. In 2021, KONE's target was to reduce our operational carbon footprint (Scope 1 and 2) by 7% compared to 2018. This target was exceeded as our overall operational carbon footprint decreased by 15% compared to 2018. Due to our operations expanding, we also measure comparable carbon footprint scope which reduced by 20% in 2021 compared to 2019. The largest individual factor contributing to the reduction in Scope 1 and 2 greenhouse gas (GHG) emissions was the increasing use of renewable electricity in our facilities. In 2021, we exceeded our green electricity target of 50% set in 2017 and, simultaneously, reached our medium-term target of 80% green electricity by 2025 four years in advance. All of our manufacturing units use only on-site or purchased renewable electricity, except India. While the majority of Scope 1 and 2 GHG emission reductions were achieved through our own efforts, COVID-19 restrictions also contributed through their continued impact to business

higher due to fossil fuel-based energy generation, as well as to recycled contents in our materials not increasing. We are constantly improving our product-related Scope 3 GHG emissions calculations as we work with our suppliers and partners for more transparent and efficient data collection. We have also set a separate target of 4% annual reduction in our Scope 3 logistics carbon footprint relative to units delivered. In 2021, our logistics GHG emissions decreased by 3.5% relative to units delivered as compared to the previous year. The biggest factors impacting our logistics GHG emissions were emission reduction in China due to the shorter average distance to destination countries as well as truck utilization improvement in Europe and the Americas. Greenhouse gas emissions from business travel continued to be impacted by COVID-19. While business travel increased significantly during 2021, it remained below pre-COVID levels, as most meetings still took place virtually. For waste, our long-term target of 0% landfill waste from our manufacturing units by 2030 remains in place. In 2021, we were already at a low level of 0.4% (2020: 0.6%).

KONE's sustainable offering

KONE supports sustainable and green building through our energy-efficient and innovative offering, functional and sustainable materials, as well as transparent documentation about our products' environmental impacts. We can help our customers meet various green building requirements even better with the KONE DX Class elevator range. KONE is the first elevator and escalator company to have achieved the best A-class energy efficiency classification for a number of its installed solutions. The classification is granted according to the international ISO 25745 standard for the energy performance of lifts, escalators and autowalks. We have a wide range of best-in-class energy performance references for our products in various building types, several market areas and product specifications. KONE currently has a total of 23 best A-class ratings for elevators, and eight best A+++ classifications for escalator and autowalk models according to ISO 25745.

During the first quarter of 2022, our sustainable offering was extended with the launch of the first carbon neutral elevator in the industry. Our customers now have

the option to buy their highly energy efficient KONE DX Class elevator as carbon neutral, where embodied carbon emissions until the handover (including emissions from materials, manufacturing, logistics and installation) are compensated. We follow a three-step approach to reach carbon neutrality: measure, reduce, compensate. We measure and communicate our product carbon footprint in our Environmental Product Declarations. We actively reduce our carbon emissions in line with KONE's Climate Pledge, KONE's Environmental guidelines and overall emission reduction targets. The remaining carbon emissions are compensated through a third party – South

Pole. All our offsetting projects with South Pole are certified by GoldStandard®, a certification body that verifies that projects qualify for carbon credits.

In addition, during the first quarter of 2022, KONE received the Singapore Green Building Product (SGBP) certification for the KONE TravelMaster™ 110 escalator with the highest "Leader" rating. KONE currently has seven (five elevators and two escalators) SGBP certifications with the highest "Leader" ratings. KONE is the first elevator and escalator company to achieve such top ratings in the vertical transportation category.

Changes in the Executive Board

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

Karla Lindahl was appointed Executive Vice President, South Europe and Mediterranean and a member of the Executive Board at KONE as of April 1, 2022. She succeeds Thomas Hinnerskov, Executive Vice President for South

Europe, Middle East and Africa who will leave KONE at the end of April. As of April 1, 2022, Samer Halabi, Executive Vice President for the Asia-Pacific region excluding China, also assumed the responsibility for the Middle East and Africa region.

Other events

In 2007, a decision was issued by the European Commission concerning alleged local anticompetitive practices before early 2004 in Germany, Luxembourg, Belgium and the Netherlands by leading elevator and escalator companies, including KONE's local subsidiaries. Also, the Austrian Cartel Court issued in 2007 a decision concerning anti-competitive practices that had taken place before mid-2004 in local Austrian markets by leading elevator and escalator companies, including KONE's local subsidiary. As previously announced by KONE, a number of civil damage claims by certain

companies and public entities relating to the two 2007 decisions, are pending in related countries. The claims have been made against various companies concerned by the decisions, including certain KONE companies. All claims are independent and are progressing procedurally at different stages. The total capital amount claimed jointly and severally from all of the defendants together was EUR 154 million at the end of March 2022 (December 31, 2021: EUR 154 million). KONE's position is that the claims are without merit. No provision has been made.

Most significant risks

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

Strategic risks

The demand for KONE's products and services and the competitive environment are impacted by the general economic cycles and especially the level of activity within the construction industry. As China accounts for approximately 35% of KONE's sales, a sustained market decline in the Chinese construction industry would have an adverse effect on KONE's growth and profitability. Liquidity constraints in the Chinese property markets started to raise market concerns during 2021 and the financing environment remains tight. KONE's customer portfolio is well diversified, limiting individual customer risks. However, a worsening liquidity situation among Chinese property developers could impact construction activity and customers' payment discipline in China and, consequently, the demand and commercial terms for KONE's solutions.

The war in Ukraine has increased geopolitical risks and added to the disruption of global supply chains during the first quarter. The resulting shortage of materials and services and rising costs may expose KONE to business disruptions and profitability risks. Global supply chains have also suffered from the governmental lockdowns in China due to rising COVID-19 infections in a number of provinces. A deterioration of the COVID-19 situation would have an adverse impact on the Chinese economy, construction activity, availability of workforce and the demand for KONE's services and solutions. It could also result in prolonged site closures which would be a risk to KONE's supply operations.

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

Operational risks

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

The majority of components used in KONE's supply chain are sourced from external suppliers, a significant number of which are located in China. KONE also subcontracts a significant amount of installation activity, outsources certain business support processes and works with partners in e.g. digital services and logistics. This exposes KONE to component and subcontracted labor availability and cost risk as well as to continuity risk in partnerships. A failure to secure the needed materials, components or resources, or quality issues within these, could cause business disruptions and cost increases. Labor availability constraints may also impact progress at construction sites. The pressure on global supply chains continued during the first quarter, resulting in, for example, increased material prices and constraints in global logistics capacity and component availability, in particular semiconductors.

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

Hazard, security and incidental risks

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

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

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

Financial risks

The majority of KONE's sales and result are denominated in currencies other than the Euro, which exposes KONE to risks arising from foreign exchange rate fluctuations. KONE is also exposed to counterparty risks related to financial institutions, through the significant amounts of liquid funds deposited with financial institutions, in the form of financial investments and in derivatives. Additionally, KONE is exposed to risks related to liquidity and payment discipline of its customers, which may impact cash flow or lead to credit losses. Significant

changes in local financial or taxation regulation could also have an impact on KONE's financial performance, liquidity and cash flow. For further information on financial risks,

please refer to notes 2.4, 3.2 and 5.3 in the Financial Statements for 2021.

Risk management

Risks	Mitigation actions
Weakening of the economic environment, particularly in China	KONE strives to continuously develop its competitiveness in all regions and businesses. KONE has a wide geographic presence 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, prepares for alternative scenarios and evaluates the competitiveness and viability of KONE's supply chain and sourcing channels. KONE is taking actions to mitigate the impact of tariffs, for example by applying for tariff exemptions when applicable. KONE also applies increased scrutiny over business operations that may be affected by international trade restrictions or other geopolitical actions.
Changes in the competitive or customer landscape, customer requirements or competitors' offerings impacting KONE's competitiveness	KONE aims to be the industry leader with its competitive offering by investing in research and development and by taking an open innovation approach. KONE also closely follows emerging industry and market trends and actively monitors opportunities for industry consolidation.
Increasing material, fuel and logistics costs weakening KONE's profitability	KONE aims to offset cost increases by improving the margin of orders received. Improving pricing, securing productivity gains and lowering product costs remains high on KONE's agenda.
A failure to secure and develop the needed organizational capabilities and competencies	KONE continuously evaluates the skills and competences required for the execution of the selected strategy and develops and/or acquires these from internal talent pools or externally. KONE also has extensive training programs in place to develop and retain critical talents.
Risks related to component and subcontracted labor availability	KONE's sourcing processes aim to identify critical suppliers and supply categories and implement alternative sources, long-term agreements, last-buy options and other measures to ensure the availability of the supply. KONE has also developed multinational subcontractor pools to ensure subcontractor capacity on a regional level. Subcontractors' competences and capabilities are monitored and developed continuously, similarly as with own employees. The semiconductor market is closely monitored and the situation managed with detailed planning of delivery execution and active involvement of supply chain partners among other actions.
Product integrity, safety or quality issues as well as issues with reputation	To mitigate product risks, KONE has strict quality control processes for product design, supply, manufacturing, installation and maintenance. In addition, KONE aims for transparent and reliable communication, to prevent reputational risks and to manage potential incidents. KONE also has stringent corporate governance principles in place.
Interruptions to KONE's or its suppliers' operations	KONE actively develops business continuity management capabilities to reduce the impact and likelihood of disruptions within its supply chain. Furthermore, KONE monitors the operations, business continuity management capabilities, financial strength and cybersecurity of its key suppliers. In addition, KONE aims to secure the availability of alternative sourcing channels for critical components and services. KONE also has a global property damage and business interruption insurance program in place. KONE's global supply chain helps mitigate the risk of interruptions. KONE has 10 manufacturing facilities in 7 countries, multiple distribution centers and a large supplier network across the globe, which helps to mitigate the impacts from potential disruptions in individual locations or countries.
Quality and reliability of IT systems and cybersecurity risks	KONE's security policies define controls to safeguard information and information systems which are both in development and in operation, in order to detect cybersecurity incidents and to respond and recover in a timely manner. KONE works with third-party security service providers and trusted, well-known technology partners to manage the risks through the control framework. KONE conducts tests, reviews and exercises to identify areas of risk and to ensure the appropriate preparedness. The company continues to invest in its cybersecurity capabilities based on these findings. KONE also has a global cyber insurance program in place.
Financial risks	KONE applies centralized risk management in accordance with the KONE Treasury Policy. More information on financial risk management can be found in notes 2.4, 3.2 and 5.3 of KONE's Financial Statements 2021.

Decisions of the Annual General Meeting

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

The meeting approved the financial statements, considered the Remuneration Report for governing bodies and discharged the responsible parties from liability for the financial period January 1–December 31, 2021.

The number of Members of the Board of Directors was confirmed as nine. Re-elected as Members of the Board were Matti Alahuhta, Susan Duinhoven, Antti Herlin, Iiris Herlin, Jussi Herlin, Ravi Kant and Jennifer Xin-Zhe Li. Krishna Mikkilineni and Andreas Opfermann were elected as new Members to the Board of Directors.

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

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

Antti Herlin was elected as Chairman and Matti Alahuhta, Jussi Herlin and Jennifer Xin-Zhe Li as members of the Nomination and Compensation Committee. Matti Alahuhta and Jennifer Xin-Zhe Li are independent of both the company and of significant shareholders.

The General Meeting confirmed an annual compensation of EUR 220,000 for the Chairman of the Board, EUR 125,000 for the Vice Chairman and EUR 110,000 for Board Members. Of the annual remuneration, 40 percent will be paid in class B shares of KONE Corporation and the rest in cash. In addition, the General Meeting confirmed a separate annual compensation to the members of the board committees: Chairman of the Audit Committee: EUR 20,000 and members of the Audit Committee: EUR 10,000, and Chairman of the Nomination and Compensation Committee: EUR 20,000

and members of the Nomination and Compensation Committee: EUR 10,000. The annual compensation of the members of the board committees is paid in cash. In addition, it was resolved that compensation is not paid to a Board Member who is employed by the company.

The General Meeting approved the authorization for the Board of Directors to repurchase KONE's own shares. Altogether no more than 52,930,000 shares may be repurchased, of which no more than 7,620,000 may be class A shares and 45,310,000 class B shares. The authorization will be valid until the conclusion of the following annual general meeting, however, at the latest until 30 June 2023.

Furthermore, the General Meeting authorized the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act. The number of shares to be issued based on this authorization shall not exceed 7,620,000 class A shares and 45,310,000 class B shares. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization will be valid until the conclusion of the following annual general meeting, however, at the latest until 30 June 2023.

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

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

Dividend

The General Meeting approved dividends in line with the Board of Directors' proposal of EUR 1.7475 for each of the 76,208,712 class A shares and EUR 1.7500 for each of the outstanding 441,962,196 class B shares and an extra dividend of EUR 0.3475 for each of the outstanding

76,208,712 class A shares and EUR 0.3500 for each of the outstanding 441,962,196 class B shares. The date of record for dividend distribution was March 3, 2022, and dividends were paid on March 10, 2022.

Share-based incentives

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

The performance plan emphasizes profitable growth and sustainability. Incorporating sustainability measures alongside financial metrics ensures a strong focus on driving transformation and achieving our sustainability ambitions. The plan consists of annually commencing individual share plans, each with a three-year rolling

performance period, after which the potential share awards vest. If the participant's employment or service relationship with KONE Group terminates before the end of the performance period, the participant, as a rule, forfeits the share award without compensation. The potential reward is to be paid as a combination of KONE class B shares and a cash payment equivalent to the taxes and similar charges that are incurred from the receipt of

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

The 2022 performance share plan is targeted to approximately 55 members of the top management, including the President and CEO, members of the Executive Board and other top management, and approximately 525 other selected key personnel of KONE Group. The performance criteria applied to the 2022

performance share plan are based on annual growth in sales, adjusted EBIT margin and improvements in sustainability. The sustainability performance condition is a combination of reductions in carbon footprint, and targets related to diversity, equity and inclusion as well as safety.

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

Shares and share capital

Share capital and market capitalization

	Mar 31, 2022	Dec 31, 2021
Number of class B shares	453,187,148	453,187,148
Number of class A shares	76,208,712	76,208,712
Total shares	529,395,860	529,395,860
Treasury shares	11,224,952	11,433,525
Share capital, EUR	66,174,483	66,174,483
Market capitalization, MEUR*	24,660	32,652

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

Treasury shares

	1-3/2022
Treasury shares at the beginning of the period	11,433,525
Changes in treasury shares during the period	-208,573
Treasury shares at the end of the period	11,224,952

At the end of March 2022, the Group had 11,224,952 treasury shares. Treasury shares represent 2.5% of the

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

Shares traded on Nasdaq Helsinki

		1-3/2022	1-3/2021	1-12/2021
Shares traded on the Nasdaq Helsinki Ltd., million		64.0	47.2	180.4
Average daily trading volume		1,015,354	760,747	715,964
Volume-weighted average share price	EUR	53.34	66.70	65.44
Highest share notation	EUR	64.12	70.14	73.86
Lowest share notation	EUR	46.15	64.02	55.48
Share notation at the end of the period	EUR	47.59	69.66	63.04

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

The number of registered shareholders was 88,182 at the beginning of the review period and 101,118 at its end. The number of private households holding shares

totalled 96,028 at the end of the period, which corresponds to approximately 12.5% of the listed B shares. At the end of March 2022, a total of 52.1% of the B shares were owned by nominee-registered and non-Finnish investors.

Flagging notifications

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

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

Outlook

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

Market outlook 2022 (updated)

The Chinese new equipment market is expected to decline significantly due to the tightened liquidity situation in the property markets and the impact of COVID-19 related restrictions. In the rest of the world, activity in the new equipment markets is expected to increase, with clear growth in North America, slight growth in the EMEA region, and significant growth in Asia-Pacific, excluding China.

Modernization markets are expected to grow across regions supported by pent-up demand and stimulus measures.

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

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

Business outlook 2022 (specified)

KONE estimates that in 2022, its sales growth will be in the range of 2% to 5% at comparable exchange rates as compared to 2021. The adjusted EBIT is expected to be in the range of EUR 1,180–1,280 million, assuming that foreign exchange rates would remain at the April 2022 level. Foreign exchange rates are estimated to impact EBIT positively by around EUR 70 million.

The outlook is dependent on the COVID-19 restrictions in China being lifted during the second quarter and a rapid recovery thereafter.

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

Headwinds for the 2022 results include increased material, component and logistics costs and further disruptions to global supply chains. Other key headwinds are the competitive dynamics, liquidity constraints and COVID-19 related restrictions in China.

KONE previously estimated that in 2022, its sales growth will be in the range of 2% to 7% at comparable exchange rates as compared to 2021. The adjusted EBIT was expected to be in the range EUR 1,180–1,330 million, assuming that foreign exchange rates would remain at the January 2022 level. Foreign exchange rates were estimated to impact EBIT positively by around EUR 50 million.

Helsinki, April 27, 2022

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	1-3/2022	%	1-3/2021	%	1-12/2021	%
Sales	2,441.9		2,326.4		10,514.1	
Costs and expenses	-2,207.8		-2,017.1		-8,974.8	
Depreciation and amortization	-62.9		-59.5		-244.0	
Operating income	171.1	7.0	249.8	10.7	1,295.3	12.3
Financing income	12.4		10.3		52.9	
Financing expenses	-12.8		-7.9		-27.4	
Income before taxes	170.7	7.0	252.2	10.8	1,320.8	12.6
Taxes	-39.3		-56.7		-298.1	
Net income	131.5	5.4	195.5	8.4	1,022.7	9.7
Net income attributable to:						
Shareholders of the parent company	129.3		193.0		1,014.2	
Non-controlling interests	2.2		2.5		8.5	
Total	131.5		195.5		1,022.7	
Earnings per share for profit attributable to the shareholders of the parent company, EUR						
Basic earnings per share, EUR	0.25		0.37		1.96	
Diluted earnings per share, EUR	0.25		0.37		1.96	

Consolidated statement of comprehensive income

MEUR	1-3/2022	1-3/2021	1-12/2021
Net income	131.5	195.5	1,022.7
Other comprehensive income, net of tax:			
Translation differences	34.3	95.4	205.6
Hedging of foreign subsidiaries	-5.5	-13.2	-28.6
Cash flow hedges	-0.9	-4.9	-2.1
Items that may be subsequently reclassified to statement of income	27.8	77.3	175.0
Changes in fair value	-4.9	-3.7	0.6
Remeasurements of employee benefits	29.8	44.1	-6.7
Items that will not be reclassified to statement of income	24.9	40.5	-6.1
Total other comprehensive income, net of tax	52.7	117.7	168.9
Total comprehensive income	184.2	313.2	1,191.5
Total comprehensive income attributable to:			
Shareholders of the parent company	182.0	310.7	1,183.1
Non-controlling interests	2.2	2.5	8.5
Total	184.2	313.2	1,191.5

Condensed consolidated statement of financial position

Assets

MEUR		Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Non-current assets				
Goodwill		1,414.9	1,352.9	1,405.2
Other intangible assets		217.7	223.4	216.9
Tangible assets		734.9	724.9	736.7
Shares and other non-current financial assets		139.2	139.5	144.6
Non-current loans receivable	I	2.6	1.5	2.6
Employee benefit assets	I	23.5	21.0	22.9
Deferred tax assets	II	262.2	260.1	269.1
Total non-current assets		2,795.0	2,723.3	2,798.0
Current assets				
Inventories	II	782.0	620.9	717.8
Accounts receivable	II	2,458.0	2,164.0	2,421.4
Deferred assets	II	786.3	677.1	780.8
Income tax receivables	II	125.4	69.1	117.3
Current deposits and loan receivables	I	1,570.1	1,605.8	2,394.7
Cash and cash equivalents	I	557.7	418.3	490.4
Total current assets		6,279.5	5,555.3	6,922.4
Total assets		9,074.5	8,278.6	9,720.4

Equity and liabilities

MEUR		Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Equity				
		2,301.0	2,348.3	3,199.2
Non-current liabilities				
Loans	I	432.2	245.3	435.4
Employee benefit liabilities	I	153.1	151.4	194.3
Deferred tax liabilities	II	86.8	89.9	86.9
Total non-current liabilities		672.1	486.6	716.6
Provisions	II	163.9	152.7	152.3
Current liabilities				
Loans	I	117.3	274.7	116.8
Advance payments received and deferred revenue	II	2,009.3	1,864.9	1,957.0
Accounts payable	II	1,172.1	804.0	1,310.2
Accruals	II	2,520.2	2,244.2	2,137.4
Income tax payables	II	118.7	103.2	130.9
Total current liabilities		5,937.5	5,291.0	5,652.3
Total equity and liabilities		9,074.5	8,278.6	9,720.4

Items designated " I " comprise interest-bearing net debt.

Items designated " II " comprise net working capital.

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2022	66.2	100.3	374.0	40.2	166.1	-121.6	-198.6	2,747.6		25.0	3,199.2
Net income for the period									129.3	2.2	131.5
Other comprehensive income:											
Translation differences					34.3						34.3
Hedging of foreign subsidiaries					-5.5						-5.5
Cash flow hedges				-0.9							-0.9
Changes in fair value				-4.9							-4.9
Remeasurements of employee benefits						29.8					29.8
Transactions with shareholders and non-controlling interests:											
Profit distribution								-1,087.8			-1,087.8
Purchase of own shares											-
Change in non-controlling interests								-2.6		0.1	-2.5
Share-based compensation			7.9				11.7	-11.7			7.9
Mar 31, 2022	66.2	100.3	382.0	34.4	194.9	-91.8	-186.9	1,645.5	129.3	27.2	2,301.0

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2021	66.2	100.3	345.7	41.7	-10.9	-115.0	-164.7	2,911.3		22.6	3,197.3
Net income for the period									193.0	2.5	195.5
Other comprehensive income:											
Translation differences					95.4						95.4
Hedging of foreign subsidiaries					-13.2						-13.2
Cash flow hedges				-4.9							-4.9
Changes in fair value				-3.7							-3.7
Remeasurements of employee benefits						44.1					44.1
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		-5.0	-3.5
Share-based compensation			7.7				5.7	-5.7			7.7
Mar 31, 2021	66.2	100.3	353.4	33.1	71.3	-70.9	-158.9	1,740.7	193.0	20.1	2,348.3

Consolidated statement of changes in equity

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

Condensed consolidated statement of cash flows

MEUR	1-3/2022	1-3/2021	1-12/2021
Operating income	171.1	249.8	1,295.3
Change in net working capital before financing items and taxes	-15.3	116.1	289.4
Depreciation and amortization	62.9	59.5	244.0
Cash flow from operations before financing items and taxes	218.7	425.5	1,828.7
Cash flow from financing items and taxes	-33.4	-35.4	-244.0
Cash flow from operating activities	185.3	390.0	1,584.8
Cash flow from investing activities	-28.0	-26.9	-106.0
Cash flow after investing activities	157.4	363.2	1,478.8
Purchase of own shares	-	-	-45.8
Profit distribution	-883.3	-977.0	-1,166.3
Change in deposits and loans receivable, net	833.8	594.2	-151.7
Change in loans payable and other interest-bearing debt	-38.5	-26.6	-97.0
Changes in non-controlling interests	-4.4	-0.3	-1.2
Cash flow from financing activities	-92.4	-409.7	-1,462.0
Change in cash and cash equivalents	64.9	-46.5	16.8
Cash and cash equivalents at beginning of period	490.4	457.9	457.9
Translation difference	2.5	6.9	15.6
Cash and cash equivalents at end of period	557.7	418.3	490.4

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	1-3/2022	1-3/2021	1-12/2021
Interest-bearing net debt at beginning of period	-2,164.1	-1,953.8	-1,953.8
Interest-bearing net debt at end of period	-1,451.2	-1,375.3	-2,164.1
Change in interest-bearing net debt	712.8	578.5	-210.2

Payments of lease liabilities included in financing activities were EUR 30.8 (January–March 2021: 29.8) million and interest expense paid included in cash flow from financing items and taxes were EUR 2.2 (January–March 2021: 2.2) million.

Notes to the interim report

ACCOUNTING PRINCIPLES

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

KEY FIGURES

		1–3/2022	1–3/2021	1–12/2021
Basic earnings per share	EUR	0.25	0.37	1.96
Diluted earnings per share	EUR	0.25	0.37	1.96
Equity per share	EUR	4.39	4.49	6.13
Interest-bearing net debt	MEUR	-1,451.2	-1,375.3	-2,164.1
Equity ratio	%	32.6	36.6	41.2
Gearing	%	-63.1	-58.6	-67.6
Return on equity	%	19.1	28.2	32.0
Return on capital employed	%	16.6	23.5	26.8
Total assets	MEUR	9,074.5	8,278.6	9,720.4
Assets employed	MEUR	849.8	973.0	1,035.1
Net working capital (including financing and tax items)	MEUR	-1,657.0	-1,467.7	-1,468.2

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

ALTERNATIVE PERFORMANCE MEASURE

KONE reports an alternative performance measure, adjusted EBIT, to enhance the comparability of the business performance between reporting periods. The adjusted EBIT is calculated by excluding from EBIT significant items impacting comparability such as significant restructuring costs and starting 2022 also significant income and expenses incurred outside normal course of business of KONE. In January–March 2022, items affecting comparability consisted of costs arising from impairment of assets and recognition of provisions for commitments in Russia and Ukraine. In 2021 and earlier years, items affecting comparability consisted of restructuring costs.

		1–3/2022	1–3/2021	1–12/2021
Operating income	MEUR	171.1	249.8	1,295.3
Operating income margin	%	7.0	10.7	12.3
Items impacting comparability	MEUR	25.4	-	14.5
Adjusted EBIT	MEUR	196.5	249.8	1,309.8
Adjusted EBIT margin	%	8.0	10.7	12.5

QUARTERLY FIGURES

KONE has adopted IFRS 16 standard effective January 1, 2019 using the modified retrospective approach and comparative figures have not been restated. IFRS 15 and IFRS 9 standards have been applied from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2015–2016 are not restated and thus not fully comparable.

		Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Orders received	MEUR	2,422.6	2,155.1	2,211.1	2,410.7	2,075.9
Order book	MEUR	9,255.4	8,564.0	8,436.9	8,272.5	8,180.4
Sales	MEUR	2,441.9	2,766.8	2,610.0	2,810.8	2,326.4
Operating income	MEUR	171.1	351.9	326.5	367.1	249.8
Operating income margin	%	7.0	12.7	12.5	13.1	10.7
Adjusted EBIT ¹⁾	MEUR	196.5	359.4	326.5	374.0	249.8
Adjusted EBIT margin ¹⁾	%	8.0	13.0	12.5	13.3	10.7
Items impacting comparability	MEUR	25.4	7.5	-	7.0	-

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

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

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

¹⁾ Operating income excluding items impacting comparability

Net working capital

MEUR	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Net working capital			
Inventories	782.0	620.9	717.8
Advance payments received and deferred revenue	-2,009.3	-1,864.9	-1,957.0
Accounts receivable	2,458.0	2,164.0	2,421.4
Deferred assets and income tax receivables	911.7	746.2	898.1
Accruals and income tax payables ¹⁾	-2,638.9	-2,347.4	-2,268.2
Provisions	-163.9	-152.7	-152.3
Accounts payable	-1,172.1	-804.0	-1,310.2
Net deferred tax assets/liabilities	175.4	170.2	182.2
Total net working capital	-1,657.0	-1,467.7	-1,468.2

¹⁾ On March 31, 2022, net working capital included a withholding tax payable for dividends amounting to EUR 204 (189) million.

Depreciation and amortization

MEUR	1-3/2022	1-3/2021	1-12/2021
Depreciation and amortization of fixed assets	53.3	50.1	207.7
Amortization of acquisition-related intangible assets	9.6	9.4	36.4
Total	62.9	59.5	244.0

Key exchange rates in euros

		Mar 31, 2022		Mar 31, 2021	
		Income statement	Statement of financial position	Income statement	Statement of financial position
Chinese Yuan	CNY	7.0996	7.0403	7.8367	7.6812
US Dollar	USD	1.1196	1.1101	1.2063	1.1725
British Pound	GBP	0.8383	0.8460	0.8764	0.8521
Australian Dollar	AUD	1.5443	1.4829	1.5683	1.5412

Derivatives

Fair values of derivative financial instruments

			Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
MEUR	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net	Fair value, net
Foreign exchange forward contracts and swaps	98.5	-56.9	41.6	23.5	46.0

Nominal values of derivative financial instruments

		Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
MEUR				
Foreign exchange forward contracts and swaps		3,532.1	4,565.1	3,605.3

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

The fair values are represented on the balance sheet on a gross basis and can be set off on conditional terms. No collaterals or pledges have been given as a security against

any liabilities or received against any assets arising from derivatives or other financial instruments. Financial contracts are executed only with counterparties that have high credit ratings. The credit risk of these counterparties as well as the present creditworthiness of KONE are considered when calculating the fair values of outstanding financial assets and liabilities.

INVESTMENTS

The shares held include a 19.9% holding in Toshiba Elevator and Building Systems Corporation (TELC). TELC is an investment in equity instruments that does not have a quoted price in an active market. The fair value of TELC shares is estimated using a dividend discount model with the key inputs to the model including forecast dividend and discount rate. Investments also include other non-

current financial assets which involve smaller holdings in other companies without public quotation.

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

COMMITMENTS

Commitments include guarantees issued by banks and financial institutions for obligations arising in the ordinary course of business of KONE companies up to a maximum

of EUR 1,719.3 (Dec 31, 2021: 1,735.7) million as of March 31, 2022.

This report contains forward-looking statements that are based on the current expectations, known factors, decisions and plans of the management of KONE. Although the management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions as well as fluctuations in exchange rates.

Front and back cover reference images

With its 200 luxurious rooms and suites as well as a unique wooden structure, Hotel Jakarta in Amsterdam is one of the first energy-neutral hotels in the Netherlands. Featuring a subtropical garden, this state-of-the-art hotel considers sustainability in its every solution. For example, rainwater is collected to spray the subtropical garden, and solar energy is converted into electricity to heat the shower water. Three KONE MonoSpace® 700 DX elevators with built-in connectivity operate in wooden elevator shafts. Hotel Jakarta Amsterdam has received the BREEAM Excellent certificate. BREEAM is an international scheme that provides independent third-party certification for the assessment of the sustainability performance of individual buildings, communities, and infrastructure projects.

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