

The background of the entire page is a photograph of a modern, multi-story office building. The building has a white facade with blue-tinted glass windows. It features several cantilevered floors with greenery on them. A prominent external staircase is visible on the right side of the building. The foreground shows a paved walkway, some landscaping with green plants, and a metal railing in the bottom right corner.

KONE Q1 2020

Interim Report for January–March

KONE's January–March 2020 review:

Resilient sales and orders in an exceptional operating environment

January–March 2020

- Orders received grew by 0.7% to EUR 2,109.3 (1–3/2019: 2,094.1) million. At comparable exchange rates, orders grew by 0.3%.
- Sales were stable at EUR 2,198.3 (2,198.8) million. At comparable exchange rates, sales declined by 0.5%.
- Operating income (EBIT) was EUR 197.2 (215.4) million or 9.0% (9.8%) of sales. The adjusted EBIT was EUR 205.6 (228.4) million or 9.4% (10.4%) of sales.*
- Cash flow from operations (before financing items and taxes) was EUR 346.9 (377.6) million.

Business outlook for 2020 (unchanged)

KONE estimates that in 2020, its sales will decline or be stable at best at comparable exchange rates as compared to 2019. The rate of decline in sales will depend on the duration and severity of the COVID-19 related government measures and the pace of recovery.

- Stable sales would require a relatively brisk recovery in the second half of 2020 and sustained positive progress in KONE's largest market China.
- KONE's sales are expected to decline by less than 5% in case the restrictive measures would impact KONE's business mainly in the first half of 2020 and there would be a gradual recovery in the second half.
- Should the broad and strict government measures continue to impact KONE's operations well into the second half of 2020, KONE's sales are expected to decline by 5-10%.

The adjusted EBIT margin is expected to decline somewhat or to be stable at best.

Profitability is expected to be burdened by weaker fixed cost absorption due to lower sales, the costs related to the measures to ensure the safety and wellbeing of KONE's employees, suppliers and customers and the costs related to the actions in the supply operations to ensure solid delivery capability among other things. Excluding the COVID-19 related factors, KONE's profitability outlook has been positive.

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

KEY FIGURES

		1-3/2020	1-3/2019	Change	1-12/2019
Orders received	MEUR	2,109.3	2,094.1	0.7%	8,399.8
Order book	MEUR	8,386.4	8,454.7	-0.8%	8,051.5
Sales	MEUR	2,198.3	2,198.8	0.0%	9,981.8
Operating income	MEUR	197.2	215.4	-8.4%	1,192.5
Operating income margin	%	9.0	9.8		11.9
Adjusted EBIT*	MEUR	205.6	228.4	-10.0%	1,237.4
Adjusted EBIT margin*	%	9.4	10.4		12.4
Income before tax	MEUR	197.2	220.4	-10.5%	1,217.5
Net income	MEUR	152.8	169.8	-10.0%	938.6
Basic earnings per share	EUR	0.29	0.33	-9.4%	1.80
Cash flow from operations (before financing items and taxes)	MEUR	346.9	377.6		1,549.6
Interest-bearing net debt	MEUR	-970.2	-837.3		-1,552.9
Equity ratio	%	39.4	39.4		46.5
Return on equity	%	21.6	24.8		30.1
Net working capital (including financing items and taxes)	MEUR	-964.3	-938.5		-856.0
Gearing	%	-39.2	-34.7		-48.6

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

Henrik Ehrnrooth, President and CEO:

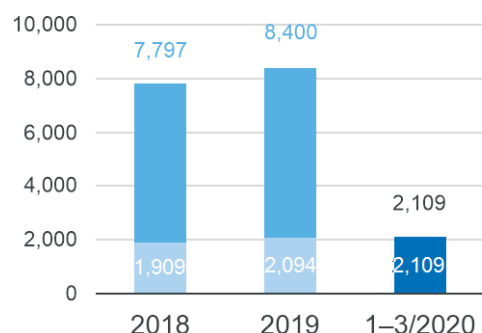
“During the first quarter, we faced challenges that were unimaginable at the beginning of the year. While the first outbreaks of COVID-19 took place in January, the scale of the global impact could not be seen until March. At KONE, we have been able to successfully overcome significant challenges brought to us by the pandemic. Our robust supply chain has continued to deliver to customer needs with minimal interruptions across the world and our maintenance operations have continued to ensure that people can move safely in buildings. All this with safe working practices. This has been possible because of the phenomenal commitment of our people and the collaboration within KONE and with our customers, suppliers and partners. I am immensely proud of the entire KONE team. I would also like to thank our suppliers and partners who have also incredibly well risen to the challenge.

KONE’s first quarter results were clearly impacted by the COVID-19 crisis. The biggest impacts came from China, India and South Europe as a result of wide-ranging restrictions. Our performance in Central and North Europe and the Americas was very strong on all fronts in Q1. I consider the overall outcome a good achievement in this environment. Our sales and orders received were stable at comparable exchange rates. I am pleased that service sales continued to grow at a good rate. New equipment sales declined by 5% as a result of the February lockdown in China that halted KONE’s new equipment business in the country. Orders received grew in Americas and Asia-Pacific driven by China and declined slightly in EMEA. Adjusted EBIT margin declined by 1 percentage point as a result of COVID-19 related extra costs and weaker fixed cost absorption. Looking ahead, it is clear that in terms of results development, the worst is still ahead of us in most parts of the world. The impacts of COVID-19 will be significant in the coming months on our business in Europe, Americas and many parts of Asia-Pacific. On a positive note, our China business has recovered rapidly, and the current level of customer deliveries is very high.

We have taken decisive actions to mitigate the impacts of the current crisis and to find new opportunities. Our priorities are very clear. First, we ensure the health and wellbeing of our employees. Second, we support our customers; and third, find opportunities to become an even stronger company. Simultaneously to working on business continuity plans we have continued active development of our offering and the roll-out of our new solutions such as the DX Class Elevators. While taking many actions to contain our costs, we have accelerated some of our investments in new services and solutions and in training and developing our employees. Our clear objective is to emerge as an even stronger company following this crisis. The strength and motivation of our team, our strong balance sheet and market positions put us in a strong position in this difficult time.”

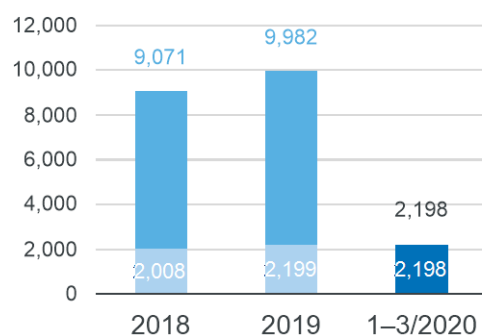
Key Figures

Orders received (MEUR)



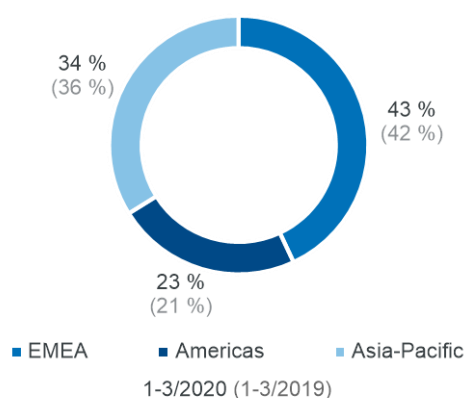
- **In January–March 2020**, orders received grew by 0.7% (at comparable exchange rates, orders received grew by 0.3%).
- At comparable rates, new equipment orders received declined slightly with slight growth in the volume business and significant decline in major projects. In modernization, orders received grew slightly with clear growth in the volume business and significant decline in major projects.
- The margin of orders received improved slightly.

Sales (MEUR)

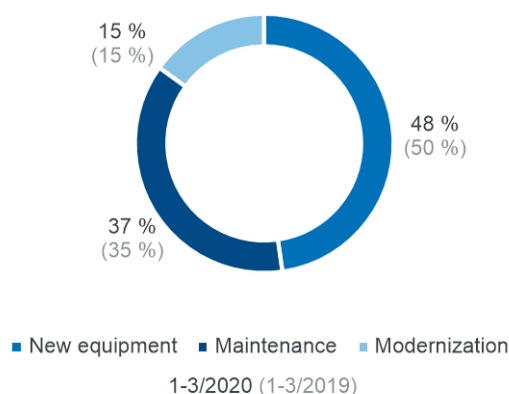


- **In January–March 2020**, sales were stable (declined by 0.5% at comparable exchange rates). Sales were impacted by the COVID-19 outbreak, which affected KONE's ability to deliver and install equipment especially in China. Towards the end of the quarter, COVID-19 related restrictions increased in other regions, while activity recovered in China.
- New equipment sales declined by 5.1% (declined by 5.3% at comparable exchange rates). Service (maintenance and modernization) sales grew by 5.1% (grew by 4.5% at comparable rates). Maintenance sales grew by 6.4% (grew by 5.7% at comparable rates) and modernization sales grew by 2.2% (grew by 1.4% at comparable rates).
- Sales in the EMEA region grew by 1.7% (grew by 1.5% at comparable rates). In the Americas region, sales grew by 8.3% (grew by 5.3% at comparable rates). In the Asia-Pacific region, sales declined by 6.9% (declined by 6.3% at comparable rates).

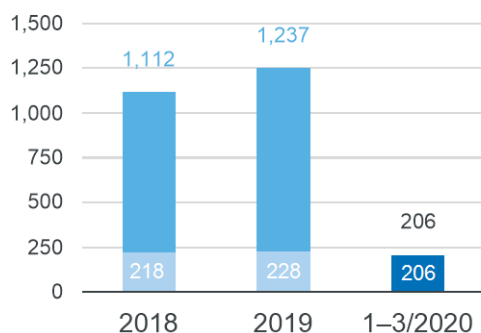
Sales by region



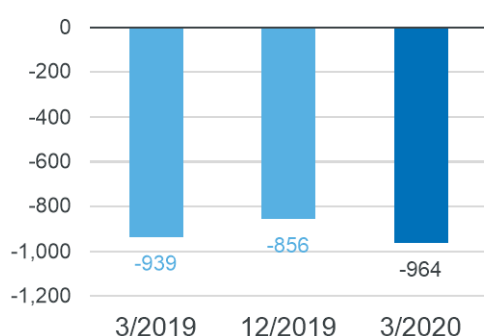
Sales by business



Adjusted EBIT (MEUR)

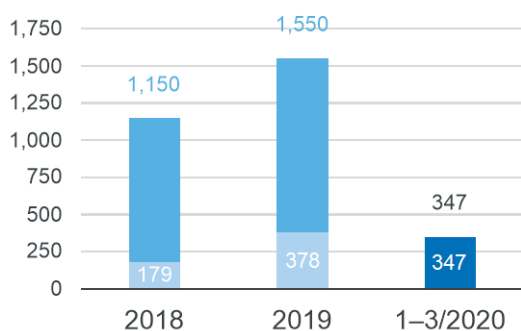


- **In January–March 2020**, operating income was 9.0% of sales (1–3/2019: 9.8%). The adjusted EBIT margin was 9.4% (10.4%).
- The adjusted EBIT margin was burdened by weaker fixed cost absorption due to lower than forecasted sales as well as COVID-19 related costs. Excluding the COVID-19 related factors, KONE's profitability outlook has been positive.
- Translation exchange rates had a positive impact of 0.8 million on the operating income.
- Restructuring costs related to the Accelerate program were EUR 8.4 million and are excluded from the calculation of the adjusted EBIT.

Net working capital¹ (MEUR)

- **In the end of March 2020**, net working capital improved compared to the beginning of the year.
- The improvement was driven by strong development in advances received and progress payments from customers.

¹⁾ Including financing items and taxes

Cash flow² (MEUR)

- **In January–March 2020**, cash flow was strong at EUR 346.9 million due to good development in the net working capital.

²⁾ Cash flow from operations before financing items and taxes

KONE's January–March 2020 review

KONE's operating environment

Operating environment by region

	New equipment market in units 1–3/2020	Maintenance market in units 1–3/2020	Modernization market 1–3/2020
Total market	--	+	+
EMEA	Stable	+	+
Central and North Europe	+	+	+
South Europe	-	-	-
Middle East	Stable	+	+
North America	Stable	+	+
Asia-Pacific	---	++	+
China	---	++	+
Rest of Asia-Pacific	---	+	+

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

January–March 2020

In the first quarter of 2020, also the global elevator and escalator market was impacted by the COVID-19 outbreak. Governments across the world were taking significant measures to contain the outbreak by restricting the movement of people. In many places, this resulted in actions such as closing down construction sites and limiting manufacturing operations. In most countries, maintenance has been deemed an essential service which was allowed with some limitations. During the first quarter, COVID-19 had the biggest impact in China, where the outbreak began in January, whereas in other countries around the world the impact started to be more visible towards the end of the quarter.

Despite the COVID-19 outbreak, **demand in the new equipment market** was still fairly resilient in many parts of the world. However, there started to be signs of increasing uncertainty towards the end of the quarter. **In Asia-Pacific**, the new equipment volumes declined

significantly. **In China**, the new equipment market declined significantly in units as a result of the COVID-19 outbreak but started to recover in March. Also **in the rest of Asia-Pacific**, the new equipment markets declined significantly. **In the EMEA region**, the new equipment market was rather stable. The new equipment market in Central and North Europe grew slightly from a high level, whereas in South Europe, the market declined slightly. In the Middle East, the market was stable. **In North America**, the new equipment market was stable on a high level.

Global service markets continued to develop positively, but uncertainty increased towards the end of the quarter especially in modernization.

Pricing environment remained relatively stable in January–March. However, there were signs of some pricing pressure towards the end of the quarter.

Orders received and order book

Orders received

MEUR	1–3/2020	1–3/2019	Change	Comparable change ¹⁾	1–12/2019
Orders received	2,109.3	2,094.1	0.7%	0.3%	8,399.8

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 2020

Orders received grew by 0.7% as compared to January–March 2019 and totaled EUR 2,109.3 million. At comparable exchange rates, KONE's orders received grew by 0.3%.

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

The relative margin of orders received improved slightly compared to the comparison period. This was a result of focused pricing actions and continued progress in improving productivity.

Orders received in the EMEA region declined slightly at comparable exchange rates as compared to January–

March 2019. New equipment orders declined significantly and modernization orders grew slightly.

In the Americas region, orders received grew clearly at comparable rates as compared to January–March 2019. New equipment orders grew slightly and modernization orders grew clearly.

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

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

Order book

MEUR	March 31, 2020	March 31, 2019	Change	Comparable change ¹⁾	Dec 31, 2019
Order book	8,386.4	8,454.7	-0.8%	1.2%	8,051.5

¹⁾ Change at comparable foreign exchange rates

The order book was stable compared to the end of March 2019 and stood at a strong level of EUR 8,386.4 million at the end of the reporting period.

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

Sales

By region

MEUR	1-3/2020	1-3/2019	Change	Comparable change ¹⁾	1-12/2019
EMEA	946.1	930.0	1.7%	1.5%	4,045.4
Americas	507.4	468.7	8.3%	5.3%	2,046.7
Asia-Pacific	744.7	800.1	-6.9%	-6.3%	3,889.7
Total	2,198.3	2,198.8	0.0%	-0.5%	9,981.8

¹⁾ Change at comparable foreign exchange rates

By business

MEUR	1-3/2020	1-3/2019	Change	Comparable change ¹⁾	1-12/2019
New equipment	1,049.5	1,106.1	-5.1%	-5.3%	5,318.8
Services	1,148.7	1,092.7	5.1%	4.5%	4,663.0
Maintenance	817.5	768.5	6.4%	5.7%	3,192.0
Modernization	331.3	324.2	2.2%	1.4%	1,471.0
Total	2,198.3	2,198.8	0.0%	-0.5%	9,981.8

¹⁾ Change at comparable foreign exchange rates

January–March 2020

KONE's sales were stable as compared to January–March 2019, and totaled EUR 2,198.3 million. At comparable exchange rates, KONE's sales declined by 0.5%. Sales were impacted by the COVID-19 outbreak, which affected KONE's ability to deliver and install equipment especially in China. Towards the end of the quarter, COVID-19 related restrictions increased in other regions, while activity recovered in China.

Sales in the EMEA region grew by 1.7% and totaled EUR 946.1 million. At comparable exchange rates, sales grew by 1.5%. New equipment sales declined slightly, maintenance sales grew clearly and modernization sales declined slightly in the region.

In the Americas, sales grew by 8.3% and totaled EUR 507.4 million. At comparable exchange rates, sales grew by 5.3%. New equipment sales grew clearly, maintenance sales grew clearly and modernization sales grew slightly in the region.

In Asia-Pacific, sales declined by 6.9% and totaled EUR 744.7 million. At comparable exchange rates, sales declined by 6.3%. 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

	1-3/2020	1-3/2019	Change	1-12/2019
Operating income, MEUR	197.2	215.4	-8.4%	1,192.5
Operating income margin, %	9.0	9.8		11.9
Adjusted EBIT, MEUR	205.6	228.4	-10.0%	1,237.4
Adjusted EBIT margin, %	9.4	10.4		12.4
Income before taxes, MEUR	197.2	220.4	-10.5%	1,217.5
Net income, MEUR	152.8	169.8	-10.0%	938.6
Basic earnings per share, EUR	0.29	0.33	-9.4%	1.80

KONE's operating income (EBIT) was EUR 197.2 million or 9.0% of sales. The adjusted EBIT, which excludes restructuring costs related to the Accelerate program, was EUR 205.6 million or 9.4% of sales.

The adjusted EBIT margin was burdened by weaker fixed cost absorption due to lower than forecasted sales as well as COVID-19 related extra costs. Excluding the COVID-19 related factors, KONE's profitability outlook has been positive.

Translation exchange rates had a positive impact of 0.8 million on the operating income, and the restructuring costs related to the Accelerate program were EUR 8.4 million.

KONE's income before taxes was EUR 197.2 million. Taxes totaled EUR 44.4 (50.6) million. This represents an effective tax rate of 22.5% for the full financial year. Net income for the period grew to EUR 152.8 million.

Basic earnings per share was EUR 0.29.

Cash flow and financial position

Cash flow and financial position

	1-3/2020	1-3/2019	1-12/2019
Cash flow from operations (before financing items and taxes), MEUR	346.9	377.6	1,549.6
Net working capital (including financing items and taxes), MEUR	-964.3	-938.5	-856.0
Interest-bearing net debt, MEUR	-970.2	-837.3	-1,552.9
Gearing, %	-39.2	-34.7	-48.6
Equity ratio, %	39.4	39.4	46.5
Equity per share, EUR	4.73	4.64	6.13

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

Cash flow from operations (before financing items and taxes) during January–March 2020 was strong at EUR 346.9 million.

Net working capital (including financing items and taxes) was EUR -964.3 million at the end of March 2020. Net working capital contributed positively driven by strong development in advances received and progress payments from customers.

Interest-bearing net debt was EUR -970.2 million at the end of March 2020. KONE's cash and cash equivalents

together with current deposits and loan receivables were EUR 1,677.6 (Dec 31, 2019: 2,252.0) million at the end of the reporting period. Interest-bearing liabilities were EUR 729.7 (Dec 31, 2019: 721.6) million, including a pension liability of EUR 195.1 (Dec 31, 2019: 172.9) million and leasing liability of EUR 357.8 (Dec 31, 2019: 371.0) million. Additionally, KONE had an asset on employee benefits, EUR 21.4 (Dec 31, 2019: 21.7) million. Gearing was -39.2% and equity ratio was 39.4% at the end of March 2020.

Equity per share was EUR 4.73.

Capital expenditure and acquisitions

Capital expenditure & acquisitions

MEUR	1-3/2020	1-3/2019	1-12/2019
On fixed assets	16.3	26.1	98.0
On leasing agreements	24.2	7.0	102.5
On acquisitions	3.5	8.2	36.0
Total	44.0	41.3	236.5

KONE's capital expenditure and acquisitions totaled EUR 44.0 million in January–March 2020. Capital expenditure was mainly related to equipment and facilities in R&D, IT, operations and production. Capital expenditure on leases consists mainly of maintenance vehicles and office facilities.

Acquisitions totaled EUR 3.5 million in January–March 2020. KONE completed small acquisitions of maintenance businesses in Europe.

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

Research and development

R&D expenditure

	1-3/2020	1-3/2019	Change	1-12/2019
R&D expenditure, MEUR	43.9	39.6	10.7%	170.9
As percentage of sales, %	2.0	1.8		1.7

KONE's vision is to deliver the Best People Flow® experience by providing ease, effectiveness and experiences to its customers and users. In line with its strategy, Winning with Customers, the objective of KONE's solution and service development is to drive differentiation further by putting the needs of customers and users at the center of all development. By closer collaboration with customers and partners, KONE will increase the speed of bringing new services and solutions to the market.

Research and development expenditure totaled EUR 43.9 million, representing 2.0% of sales in January–March 2020. R&D expenditures include the development of new product and service concepts as well as further development of existing solutions and services.

During January–March 2020, KONE DX Class elevators were launched in most European countries. This new elevator series featuring built-in connectivity and an enhanced user experience was introduced in the fourth quarter of 2019 and will replace the current KONE elevator range across areas.

Personnel

KONE employees

	1-3/2020	1-3/2019	1-12/2019
Number of employees at the end of period	60,056	57,559	59,825
Average number of employees	60,037	57,517	58,369

Geographical distribution of KONE employees

	1-3/2020	1-3/2019	1-12/2019
EMEA	23,593	22,711	23,306
Americas	7,416	7,486	7,632
Asia-Pacific	29,047	27,362	28,887
Total	60,056	57,559	59,825

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

The first quarter of 2020 was exceptional due to the COVID-19 outbreak. KONE leaders and HR teams in China and later across the world focused on ensuring that our vital business operations are functioning with good level of workforce available and safe working conditions. Field personnel was instructed of safe ways of working on sites and majority of office workers across the world started to work remotely, when possible. KONE units have followed the national regulations and recommendations and adjusted ways of working and capacity according to the situation. In this exceptional situation, KONE teams across the world have put a lot of effort on keeping everyone connected, engaged and motivated via numerous new virtual ways, such as virtual coffee breaks. Furthermore, KONE has distributed and promoted various virtual learning tools for keeping the wellbeing, both physical and mental, on a good level during the crisis.

In some KONE units, the ability to work on construction and maintenance sites has been limited due to national restrictions. In these cases, KONE has taken an approach to first and foremost agree on flexible working arrangements and the use of accrued holidays and negative time banks to ensure that our employees stay also financially safe. Only in a few limited cases where these measures have not been possible to use and where

there have been support mechanisms in place for employees locally, furloughs or temporary layoffs have been used. Employees who have not been able to work

due to the circumstances have also participated in various virtual trainings and e-learning opportunities.

In addition to the immediate business contingency and safety actions, KONE continued to develop the competences of employees. During the first quarter, we had a strong focus on bringing new online learning opportunities for our employees and also on virtualizing our current instructor-led programs using mobile learning, AR games, VR, social learning and Microsoft

Teams. In March, we launched a new online learning library. Over 12,000 studies were already started during the first week after the launch of the library. During the first quarter, we also held performance discussions which focused on goal setting for 2020 and achievement reviews from the past year.

Even though the recruitment volumes were reduced during the first quarter, talent attraction continued with focus on sales, R&D and technician hires and on building the pipeline for talent. Due to the outbreak and widely spread travel restrictions, KONE decided to cancel the traditional International Trainee Program. The program that takes students across the world for learning and work experience had received close to 3,000 applications in March. KONE's intention is to continue with the program again in 2021.

As part of KONE's strategy development, we started a process for enhancing our KONE culture to ensure that it supports and aligns with our strategic priorities. First step in this process was a global culture survey in which more than 8,000 employees participated. The findings of the survey indicated that KONE's work environment is healthy and that employees find the direction of the company

HIGHLIGHTS Q1/2020

- KONE's top priority has been the wellbeing and safety of its employees during the COVID-19 outbreak
- New online learning library launched with over 12,000 studies during the first week

clear. Building on this strong foundation, we are looking into ways in which we can further develop our culture.

During the first quarter, we continued to proceed with our diversity and inclusion roadmap by conducting a review of existing local diversity and inclusion policies and practices. The review included 53 countries and the information collected will be used as input for creating KONE's global diversity and inclusion strategy.

The Accelerate program continued. The aim of the program is to develop our operating model and to create

a more efficient and customer-focused way of working on a country, area and global level, across the entire KONE organization. During the first quarter, we concentrated on continuing the transformations in Finance, Customer Service, KONE Technology & Innovations and Quality functions. Customer Solutions Engineering, Logistics and Sourcing organizations are now actively using new ways of working and have enabled us to react fast during the exceptional market environment caused by COVID-19.

Environment

In line with KONE's ambition for climate leadership, our environmental targets for 2017–2021 are to be the leading provider of low-carbon People Flow® solutions and to have efficient low-carbon operations. Our Environmental Excellence program supports the transformation of the built environment into smart eco-cities, low-carbon communities, and net zero energy buildings. Improving resource efficiency is one of our top priorities.

During the first quarter of 2020, KONE was recognized as one of the most sustainable companies in the world by Corporate Knights Inc., ranking 32nd in their 2020 Global 100 Most Sustainable Corporations in the World ranking. KONE improved its position on the list by 11 compared to previous year, when it ranked 43rd. KONE was the only elevator and escalator company to make this ranking, and second among its 234 global category peers in the "Machinery Manufacturing" category. KONE was also awarded the best A grade in CDP's 2019 Supplier Engagement rating, in addition to the earlier announced place on CDP's prestigious 2019 Climate Change A List. The CDP Supplier Engagement rating demonstrates leadership and best practice in engaging our suppliers on climate change issues.

In March, KONE joined the Science Based Targets initiative (SBTi) by making a public commitment to setting long-term greenhouse gas emission reduction targets in line with climate science. This supports our increased ambition to accelerate the transition to low-carbon economy and will ensure that our transformation is aligned with climate science.

During the first quarter, we finalized the calculations of our 2019 carbon footprint. KONE's target is to reduce our operational carbon footprint relative to sales by 3% annually. In 2019, we exceeded this target as our overall operational carbon footprint (Scope 1, 2 and 3) relative to sales decreased by 3.1% compared to 2018, with sales growth calculated at comparable exchange rates. Our Scope 1 and 2 greenhouse gas emissions relative to sales decreased by 5.4%. This positive development was enabled by a 0.5% decrease in our absolute Scope 1 and 2 absolute emissions (with comparable reporting scope) while our business grew strongly. KONE's total 2019 absolute operational carbon footprint (Scope 1, 2, 3) amounted to 327,100 tons of carbon dioxide equivalent (2018: 319,200; figure restated). We continued systematic

reductions in our electricity emissions and succeeded in stabilizing the growth in our vehicle fleet emissions.

The most significant impacts of KONE's operational carbon footprint relate to logistics (51%), vehicle fleet (30%), and electricity and district heat consumption at

KONE's facilities (10%). In 2019, 37% (2018: 33%) of all electricity in KONE facilities was produced from renewable sources, our target being over 50% by 2021. Additionally, we have set a long-term target of 0% landfill waste from our manufacturing units by 2030. In 2019, the share of landfill waste from our manufacturing units was 0.9% (2018: 0.6%). KONE's carbon footprint data has been externally assured.

The most significant environmental impact of KONE's business relates to the amount of electricity used by KONE's solutions during their lifetime, underlining the importance of eco-efficient innovations. During the first quarter

of 2020, KONE renewed the Singapore Green Building Product (SGBP) certification for the KONE TravelMaster™ 110 escalator with the highest "Leader" rating, in addition to several products certified earlier. KONE is the first elevator and escalator company to achieve such top ratings in the vertical transportation category. In Sweden, KONE received an approved Byggvarubedomningen (BVB) assessment for the KONE TranSys™ elevator, in addition to several elevator and escalator assessments completed earlier. BVB is a non-profit organization that evaluates solutions for buildings and drives the use of sustainable building materials. During the first quarter, we also had an important achievement in transparent communication of life cycle environmental impacts of our products, as we published an externally verified Environmental Product Declaration for the KONE MiniSpace™ DX elevator.

KONE's manufacturing unit in Finland achieved the FSC® (Forest Stewardship Council) Chain of Custody certification, providing our customers with credible assurance that elevators manufactured in this unit come with wooden components from environmentally and socially responsible sources. To our knowledge, KONE is the only elevator company to have achieved the FSC® certification. In addition to our Finnish elevator manufacturing unit, our automatic building door manufacturing unit in the Netherlands has achieved the FSC® certification earlier.

HIGHLIGHTS Q1/2020

- KONE included in the Global 100 Most Sustainable Corporations in the World 2020 ranking and received CDP 2019 Supplier Engagement A rating
- KONE's 2019 overall operational carbon footprint reduced by 3.1% relative to sales. Scope 1 and 2 carbon footprint reduced by 5.4% relative to sales.
- KONE joined the Science Based Targets initiative (SBTi)

Changes in the Executive Board

In January–March 2020, KONE announced changes in the Executive Board. Ken Schmid (Master of Business Administration), was appointed Executive Vice President, KONE Americas as of April 1, 2020. In this role, KEN Schmid succeeds Larry Wash who served as Executive Vice President, KONE Americas and member of the Executive Board since July 2012. Max Alfthan decided to step down from his role as Executive Vice President responsible for Marketing and

Communications as of 31 March 2020. Max Alfthan served in this role and as a member of KONE's Executive Board since November 2014. The search for his successor has started. Susanne Skippari, Executive Vice President, Human Resources, has been named interim leader for Marketing and Communications in addition to her current role as of April 2020.

Other events

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

entities relating to the two 2007 decisions, are pending in related countries. The claims have been made against various companies concerned by the decisions, including certain KONE companies. All claims are independent and are progressing procedurally at different stages. The total capital amount claimed jointly and severally from all of the defendants together was EUR 156 million at the end of March 2020 (December 31, 2019: EUR 166 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 close to 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. During the reporting period, governments across the world were taking significant measures to contain the COVID-19 outbreak by restricting the movement of people, closing down construction sites, limiting manufacturing operations and other business activities. These restrictions are already affecting the level of activity within the construction industry globally and if prolonged, will have a more meaningful impact.

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

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

Operational risks

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

The majority of components used in KONE's supply chain are sourced from external suppliers. In addition to this, KONE uses a significant amount of subcontracted

installation resources, has outsourced some business support processes and collaborates with partners in digital services. These expose KONE to component and subcontracted labor availability and cost risk and continuity risk in partnerships. A failure to secure the needed components or resources or quality issues within these could cause business disruptions and cost increases. In the first quarter of 2020, COVID-19 related government restrictions caused some interruptions to KONE's supply chain in China and in India, and there is a risk of further interruptions globally depending on how the pandemic develops.

As one of the leading companies in the industry, KONE has a strong brand and reputation. Issues that impact the company's reputation or brand could have an effect on KONE's business and financial performance. Such reputational risks could materialize; for example, in the case of an incident, a major delivery issue or a product or service quality issue. Matters concerning product integrity, safety or quality could also have an impact on KONE's financial performance and affect customer operations.

Hazard, security and incidental risks

KONE's business activities are dependent on the uninterrupted operation, quality and reliability of its manufacturing facilities, sourcing channels, operational service solutions and logistics processes. KONE's, its suppliers' and customers' operation also utilize information technology extensively and KONE's business is dependent on the quality, integrity and availability of information. Thus, KONE is exposed to IT disruptions and cyber security 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, cybercrime, 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 2019.

Risk management

Risks

Mitigation actions

Weakening of the economic environment, particularly in China	KONE strives to continuously develop its competitiveness in all regions and businesses. KONE has a wide geographic presence and a balanced business portfolio with a high share of maintenance business.
Geopolitical tensions impacting the competitiveness of KONE's supply chain, leading to increased costs or causing potential disruptions	KONE actively monitors the development of the applicable and relevant regulations, policies and trade rules, and evaluates the competitiveness and viability of KONE's supply chain and sourcing channels. KONE is taking actions to mitigate the impact of tariffs, for example by applying for tariff exemptions when applicable. KONE also applies increased scrutiny over business operations that may be affected by international trade restrictions.
Changes in the competitive or customer landscape, customer requirements or competitors' offerings impacting KONE's competitiveness	KONE aims to be the industry leader by investing in research and development and by taking an open innovation approach. KONE also closely follows emerging industry and market trends and actively monitors opportunities for industry consolidation.
A failure to secure and develop the needed organizational capabilities and competencies	KONE continuously evaluates the skills and competences required for the execution of the selected strategy and develops and/or acquires these from internal talent pools or externally. KONE also has extensive training programs in place to develop and retain critical talents.
Risks related to component and subcontracted labor availability	KONE's sourcing processes aim to identify critical suppliers and supply categories and implement dual sourcing, multi-year agreements, last-buy options and other measures to ensure the availability of the supply. KONE has also developed multinational subcontractor pools to ensure subcontractor capacity on a regional level. Subcontractors competences and capabilities are monitored and developed continuously, similarly as with own employees.
Product integrity, safety or quality issues as well as issues with reputation	To mitigate product risks, KONE has processes in place for product design, supply, manufacturing, installation and maintenance, involving strict quality control. In addition, KONE aims for transparent and reliable communication, to prevent reputational risks and to manage potential incidents. KONE also has stringent corporate governance principles in place.
Interruptions to KONE's or its suppliers' operations	<p>KONE actively develops business continuity management capabilities to reduce the impact and likelihood of disruptions within its supply chain. Furthermore, KONE monitors the operations, business continuity management capabilities, financial strength and cybersecurity of its key suppliers. In addition, KONE aims to secure the availability of alternative sourcing channels for critical components and services. KONE also has a global property damage and business interruption insurance program in place.</p> <p>In the operating environment impacted by COVID-19, KONE's global supply chain helps mitigate the risk of interruptions. KONE has 13 manufacturing facilities in 9 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 2019.

Decisions of the Annual General Meeting

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

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

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

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

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

The General Meeting confirmed an annual compensation of EUR 60,000 for the Chairman of the Board, EUR 50,000 for the Vice Chairman and EUR 45,000 for Board Members. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings but anyhow a fee of EUR 3,000 is paid per Committee meeting for a Chairman of the Committee residing outside of Finland and a fee of EUR 2,000 is paid per Committee meeting for those members residing outside of Finland. Of the annual remuneration, 40 percent will be paid in class B shares of KONE Corporation and the rest in cash.

The General Meeting approved the authorization for the Board of Directors to repurchase KONE's own shares. Altogether no more than 52,930,000 shares may be repurchased, of which no more than 7,620,000 may be class A shares and 45,310,000 class B shares. The authorization will be valid until the conclusion of the following annual general meeting, however, at the latest until 30 June 2021.

Furthermore, the General Meeting authorized the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act. The number of shares to be issued based on this authorization shall not exceed 7,620,000 class A shares and 45,310,000 class B shares. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization will be valid until the conclusion of the following annual general meeting, however, at the latest until 30 June 2021.

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

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

Dividend

The General Meeting approved dividends in line with the Board of Director's proposal of EUR 1.6975 for each of the 76,208,712 class A shares and EUR 1.70 for each of the

outstanding 441,633,543 class B shares. The date of record for dividend distribution was February 27, 2020 and dividends were paid on March 5, 2020.

Share-based incentives

KONE has two separate share-based incentive plans. One plan is targeted for the senior management of KONE including the President & CEO, members of the Executive Board and other top management, consisting of approximately 60 individuals. A second plan is targeted for other key personnel of KONE, totaling approximately 450 individuals. The potential reward is based on KPIs as decided by the Board on an annual basis in line with the strategic targets. The potential reward is to be paid as a combination of KONE class B shares and a cash payment equivalent to the taxes and similar charges that are incurred from the receipt of shares.

The share-based incentive plans have a vesting period of three years, including the performance period. If the participant's employment or service contract is terminated during the vesting period, they are either obliged to return the shares already received or lose the entitlement to the shares they have not yet received. As part of the plan for the senior management, a long-term target for their ownership has been set. For the Executive Board members, the long-term ownership target is that the members have an ownership of KONE shares corresponding to at least five years' annual base salary. For other selected top management positions, the ownership target is at least two years' base salary.

Share capital and market capitalization

Share capital and market capitalization*

	March 31, 2020	Dec 31, 2019
Number of class B shares	453,187,148	453,187,148
Number of class A shares	76,208,712	76,208,712
Total shares	529,395,860	529,395,860
Share capital, EUR	66,174,483	66,174,483
Market capitalization, MEUR*	26,742	30,180

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

Shares in KONE's possession

Shares in KONE's possession

	1-3/2020
Shares in KONE's possession at the beginning of the period	11,553,605
Changes in own shares during the period	-217,499
Shares in KONE's possession at the end of the period	11,336,106

At the end of March 2020, the Group had 11,336,106 class B shares in its possession. The shares in the Group's

possession represent 2.5% of the total number of class B shares. This corresponds to 0.9% of the total voting rights.

Shares traded on the Nasdaq Helsinki Ltd.

Trading on the KONE share

		1-3/2020	1-3/2019	1-12/2019
Shares traded on the Nasdaq Helsinki Ltd., million		69.2	43.3	157.0
Average daily trading volume		1,098,932	686,817	628,085
Volume-weighted average share price	EUR	52.42	43.72	49.82
Highest share notation	EUR	62.28	45.30	59.34
Lowest share notation	EUR	42.39	41.01	41.01
Share notation at the end of the period	EUR	51.62	44.96	58.28

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

platforms. The volume of KONE's B shares traded on the Nasdaq Helsinki Stock Exchange represented

approximately 25.3% of the total volume of KONE's class B shares traded in January–March 2020 (source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com).

The number of registered shareholders was 62,100 at the beginning of the review period and 69,882 at its end.

The number of private households holding shares totaled 65,959 at the end of the period, which corresponds to approximately 12.4% of the listed B shares. At the end of March 2020, a total of 53.1% of the B shares were owned by nominee-registered and non-Finnish investors.

Flagging notifications

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

www.kone.com. According to the latest notification, the total number of KONE Corporation shares owned by BlackRock, Inc. and its funds decreased to below five (5) per cent of the share capital of KONE Corporation on January 24, 2020.

Outlook

North America		EMEA		Asia-Pacific	
New equipment	Services	New equipment	Services	New equipment	Services
Decline	Maintenance Resilient excl. impact from lock-downs Modernization Uncertainty could delay decisions	Decline	Maintenance Resilient excl. impact from lock-downs Modernization Uncertainty could delay decisions	China Decline Outside China Decline	Maintenance Resilient excl. impact from lock-downs Modernization Uncertainty could delay decisions

Market outlook 2020 (updated)

The new equipment market is expected to decline across regions as a result of the increased uncertainty related to the COVID-19 outbreak. The Chinese market started to recover in March.

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

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

Business outlook 2020 (unchanged)

KONE estimates that in 2020, its sales will decline or be stable at best at comparable exchange rates as compared to 2019. The rate of decline in sales will depend on the duration and severity of the COVID-19 related government measures and the pace of recovery.

- Stable sales would require a relatively brisk recovery in the second half of 2020 and sustained positive progress in KONE's largest market China.
- KONE's sales are expected to decline by less than 5% in case the restrictive measures would impact KONE's business mainly in the first half of 2020 and there would be a gradual recovery in the second half.
- Should the broad and strict government measures continue to impact KONE's operations well into the second half of 2020, KONE's sales are expected to decline by 5-10%.

The adjusted EBIT margin is expected to decline somewhat or to be stable at best.

Profitability is expected to be burdened by weaker fixed cost absorption due to lower sales, the costs related

to the measures to ensure the safety and wellbeing of KONE's employees, suppliers and customers and the costs related to the actions in the supply operations to ensure solid delivery capability among other things. Excluding the COVID-19 related factors, KONE's profitability outlook has been positive.

KONE has a solid order book and maintenance base for 2020. Targeted pricing and productivity actions, which have impacted the margin of orders received positively, are expected to support profitability together with around EUR 50 million of savings from the Accelerate program and other cost containment actions. Increasing subcontracting costs as well as the investment in building our capability to sell and deliver digital services and solutions are the main headwinds for the adjusted EBIT in 2020 in addition to the COVID-19 related items. KONE is also expecting to have around EUR 40 million of restructuring costs related to the Accelerate program in the final year of the program. These costs are excluded from the adjusted EBIT.

Helsinki, April 22, 2020

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	1-3/2020	%	1-3/2019	%	1-12/2019	%
Sales	2,198.3		2,198.8		9,981.8	
Costs and expenses	-1,940.3		-1,926.5		-8,547.9	
Depreciation and amortization	-60.8		-56.9		-241.5	
Operating income	197.2	9.0	215.4	9.8	1,192.5	11.9
Financing income	10.6		9.8		51.6	
Financing expenses	-10.6		-4.7		-26.5	
Income before taxes	197.2	9.0	220.4	10.0	1,217.5	12.2
Taxes	-44.4		-50.6		-278.9	
Net income	152.8	7.0	169.8	7.7	938.6	9.4
Net income attributable to:						
Shareholders of the parent company	152.3		167.4		931.3	
Non-controlling interests	0.6		2.3		7.3	
Total	152.8		169.8		938.6	
Earnings per share for profit attributable to the shareholders of the parent company, EUR						
Basic earnings per share, EUR	0.29		0.33		1.80	
Diluted earnings per share, EUR	0.29		0.32		1.80	

Consolidated statement of comprehensive income

MEUR	1-3/2020	1-3/2019	1-12/2019
Net income	152.8	169.8	938.6
Other comprehensive income, net of tax:			
Translation differences	-2.5	69.7	54.0
Hedging of foreign subsidiaries	-5.2	-4.8	-8.5
Cash flow hedges	26.2	-1.4	-14.5
Items that may be subsequently reclassified to statement of income	18.5	63.5	31.0
Changes in fair value	-3.2	1.5	-2.7
Remeasurements of employee benefits	-14.8	-28.8	-34.3
Items that will not be reclassified to statement of income	-18.0	-27.3	-37.0
Total other comprehensive income, net of tax	0.5	36.2	-6.0
Total comprehensive income	153.4	206.0	932.6
Total comprehensive income attributable to:			
Shareholders of the parent company	152.8	203.6	925.3
Non-controlling interests	0.6	2.3	7.3
Total	153.4	206.0	932.6

Condensed consolidated statement of financial position

Assets

MEUR		March 31, 2020	March 31, 2019	Dec 31, 2019
Non-current assets				
Goodwill		1,370.7	1,355.8	1,366.5
Other intangible assets		229.4	259.7	248.2
Tangible assets		730.2	755.8	742.2
Loan receivables and other interest-bearing assets	I	0.8	1.8	0.8
Investments		137.0	143.6	139.2
Employee benefits	I	21.4	25.3	21.7
Deferred tax assets	II	290.5	268.5	292.3
Total non-current assets		2,780.0	2,810.5	2,810.9
Current assets				
Inventories	II	666.0	645.5	648.6
Accounts receivable	II	2,192.8	2,057.6	2,232.3
Deferred assets	II	666.4	669.1	596.0
Income tax receivables	II	74.7	61.9	73.6
Current deposits and loan receivables	I	1,119.9	917.6	1,589.5
Cash and cash equivalents	I	557.7	636.3	662.4
Total current assets		5,277.5	4,987.9	5,802.4
Total assets		8,057.5	7,798.4	8,613.3

Equity and liabilities

MEUR		March 31, 2020	March 31, 2019	Dec 31, 2019
Equity				
		2,473.1	2,413.7	3,192.9
Non-current liabilities				
Loans	I	415.5	445.1	427.1
Employee benefits	I	195.1	175.1	172.9
Deferred tax liabilities	II	160.0	151.0	160.2
Total non-current liabilities		770.7	771.2	760.2
Provisions	II	122.2	137.9	127.1
Current liabilities				
Loans	I	119.0	123.5	121.6
Advance payments received and deferred revenue	II	1,774.3	1,671.9	1,753.8
Accounts payable	II	698.6	725.8	809.8
Accruals	II	2,002.7	1,863.4	1,725.0
Income tax payables	II	96.9	91.0	123.0
Total current liabilities		4,691.5	4,475.7	4,533.2
Total equity and liabilities		8,057.5	7,798.4	8,613.3

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, 2020	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									152.3	0.6	152.8
Other comprehensive income:											
Translation differences					-2.5						-2.5
Hedging of foreign subsidiaries					-5.2						-5.2
Cash flow hedges				26.2							26.2
Changes in fair value				-3.2							-3.2
Remeasurements of employee benefits						-14.8					-14.8
Transactions with shareholders and non-controlling interests:											
Profit distribution								-880.5			-880.5
Increase in equity (option rights)											-
Purchase of own shares											-
Change in non-controlling interests										0.2	0.2
Option and share-based compensation			7.1				7.9	-7.9			7.1
March 31, 2020	66.2	100.3	329.3	32.8	102.7	-138.6	-177.2	1,984.6	152.3	20.8	2,473.1

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, 2019	66.0	100.3	259.1	27.0	64.8	-89.5	-203.3	2,840.0		16.0	3,080.6
Restatement impact								-28.5			-28.5
Jan 1, 2019, restated	66.0	100.3	259.1	27.0	64.8	-89.5	-203.3	2,811.5		16.0	3,052.1
Net income for the period									167.4	2.3	169.8
Other comprehensive income:											
Translation differences					69.7						69.7
Hedging of foreign subsidiaries					-4.8						-4.8
Cash flow hedges				-1.4							-1.4
Changes in fair value				1.5							1.5
Remeasurements of employee benefits						-28.8					-28.8
Transactions with shareholders and non-controlling interests:											
Profit distribution								-851.7			-851.7
Increase in equity (option rights)											-
Purchase of own shares											-
Change in non-controlling interests										0.3	0.3
Option and share-based compensation			7.0				8.5	-8.5			7.0
March 31, 2019	66.0	100.3	266.1	27.2	129.7	-118.3	-194.8	1,951.4	167.4	18.7	2,413.7

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

Condensed consolidated statement of cash flows

MEUR	1–3/2020	1–3/2019	1–12/2019
Operating income	197.2	215.4	1,192.5
Change in working capital before financing items and taxes	88.9	105.3	115.7
Depreciation and amortization	60.8	56.9	241.5
Cash flow from operations before financing items and taxes	346.9	377.6	1,549.6
Cash flow from financing items and taxes	-80.0	-64.8	-279.9
Cash flow from operating activities	267.0	312.8	1,269.7
Cash flow from investing activities	-19.5	-32.3	-121.8
Cash flow after investing activities	247.5	280.5	1,148.0
Increase in equity (option rights)	-	-	37.5
Profit distribution	-792.6	-782.8	-851.7
Change in deposits and loans receivable, net	476.5	516.0	-182.7
Change in loans payable and other interest-bearing debt	-28.6	-25.1	-134.1
Changes in non-controlling interests	-	-0.1	-3.7
Cash flow from financing activities	-344.6	-292.0	-1,134.7
Change in cash and cash equivalents	-97.2	-11.5	13.2
Cash and cash equivalents at beginning of period	662.4	636.0	636.0
Translation difference	-7.6	11.9	13.2
Cash and cash equivalents at end of period	557.7	636.3	662.4

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	1–3/2020	1–3/2019	1–12/2019
Interest-bearing net debt at beginning of period	-1,552.9	-1,346.4	-1,346.4
Interest-bearing net debt at end of period	-970.2	-837.3	-1,552.9
Change in interest-bearing net debt	582.7	509.1	-206.5

Payments of lease liabilities were EUR 25.8 (January–March 2019: 25.8) million.

Notes to the interim report

ACCOUNTING PRINCIPLES

KONE Corporation's Interim Report for January–March 2020 has been prepared in line with IAS 34, 'Interim Financial Reporting' and should be read in conjunction with KONE's financial statements for 2019, published on January 28, 2020. KONE has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2019. The information presented in this Interim Report has not been audited.

KEY FIGURES

		1–3/2020	1–3/2019	1–12/2019
Basic earnings per share	EUR	0.29	0.33	1.80
Diluted earnings per share	EUR	0.29	0.32	1.80
Equity per share	EUR	4.73	4.64	6.13
Interest-bearing net debt	MEUR	-970.2	-837.3	-1,552.9
Equity ratio	%	39.4	39.4	46.5
Gearing	%	-39.2	-34.7	-48.6
Return on equity	%	21.6	24.8	30.1
Return on capital employed	%	18.4	20.1	25.1
Total assets	MEUR	8,057.5	7,798.4	8,613.3
Assets employed	MEUR	1,502.9	1,576.4	1,640.0
Net working capital (including financing and tax items)	MEUR	-964.3	-938.5	-856.0

The calculation formulas of key figures are presented in KONE's Financial Statements for 2019.

ALTERNATIVE PERFORMANCE MEASURE

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

		1–3/2020	1–3/2019	1–12/2019
Operating income	MEUR	197.2	215.4	1,192.5
Operating income margin	%	9.0	9.8	11.9
Items impacting comparability	MEUR	8.4	13.1	45.0
Adjusted EBIT	MEUR	205.6	228.4	1,237.4
Adjusted EBIT margin	%	9.4	10.4	12.4

QUARTERLY FIGURES

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

		Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019				
Orders received	MEUR	2,109.3	1,988.3	2,007.3	2,310.1	2,094.1				
Order book	MEUR	8,386.4	8,051.5	8,399.8	8,407.1	8,454.7				
Sales	MEUR	2,198.3	2,684.6	2,557.6	2,540.8	2,198.8				
Operating income	MEUR	197.2	356.4	314.2	306.5	215.4				
Operating income margin	%	9.0	13.3	12.3	12.1	9.8				
Adjusted EBIT ¹⁾	MEUR	205.6	367.5	321.9	319.6	228.4				
Adjusted EBIT margin ¹⁾	%	9.4	13.7	12.6	12.6	10.4				
Items impacting comparability	MEUR	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	-	-	-	-	-	-	-	-

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

¹⁾ Operating income excluding items impacting comparability

Net working capital

MEUR	March 31, 2020	March 31, 2019	Dec 31, 2019
Net working capital			
Inventories	666.0	645.5	648.6
Advance payments received	-1,774.3	-1,671.9	-1,753.8
Accounts receivable	2,192.8	2,057.6	2,232.3
Deferred assets and income tax receivables	741.1	731.0	669.6
Accruals and income tax payables	-2,099.6	-1,954.5	-1,848.0
Provisions	-122.2	-137.9	-127.1
Accounts payable	-698.6	-725.8	-809.8
Net deferred tax assets/liabilities	130.5	117.5	132.1
Total net working capital	-964.3	-938.5	-856.0

Depreciation and amortization

MEUR	1-3/2020	1-3/2019	1-12/2019
Depreciation and amortization of fixed assets	51.5	48.1	205.3
Amortization of acquisition-related intangible assets	9.3	8.8	36.2
Total	60.8	56.9	241.5

Key exchange rates in euros

		March 31, 2020		March 31, 2019	
		Income statement	Statement of financial position	Income statement	Statement of financial position
Chinese Renminbi	RMB	7.7329	7.7784	7.6867	7.5397
US Dollar	USD	1.1055	1.0956	1.1397	1.1235
British Pound	GBP	0.8580	0.8864	0.8717	0.8583
Australian Dollar	AUD	1.6833	1.7967	1.5954	1.5821

Derivatives

Fair values of derivative financial instruments

			March 31, 2020	March 31, 2019	Dec 31, 2019
MEUR	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net	Fair value, net
Foreign exchange forward contracts and swaps	42.5	-31.5	10.9	5.2	-16.5

Nominal values of derivative financial instruments

MEUR	March 31, 2020	March 31, 2019	Dec 31, 2019
Foreign exchange forward contracts and swaps	3,081.7	2,925.9	2,569.4

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

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

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

INVESTMENTS

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

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

COMMITMENTS

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

of EUR 1,576 (December 31, 2019: 1,577) million as of March 31, 2020.

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

Front and back cover reference images

ALICE@Mediapolis is a multi-tenant office space in Singapore's "Silicon Valley". With so many creatives, start-ups, and visitors moving through its 11 floors, the customer wanted to create a modern, intelligent facility that would provide users with a fantastic digital experience and unparalleled people flow.

In addition to service and passenger elevators, KONE supplied turnstiles, Advanced People Flow Solutions, and the KONE Destination elevator control system to make moving through the building smooth and barrier-free. This is the first time such a comprehensive set of KONE solutions has been installed in a building in Singapore. The bar was raised even higher with the integration of a smartphone app into KONE's entry and elevator system. The result is a place where green spaces, stunning architecture, and great minds combine, underpinned by the latest in smart People Flow® technology.

KONE's financial reporting schedules 2020

Half-year Financial Report January–June, 2020
Friday, July 17, 2020

Interim Report January–September, 2020
Thursday, October 22, 2020

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