

# KONE QT 2021

Interim Report for January–March



# KONE's January–March 2021 review:

## Strong start to the year with growth in sales and earnings

### January–March 2021

- Orders received declined by 1.6% to EUR 2,075.9 (1–3/2020: 2,109.3) million. At comparable exchange rates, orders grew by 1.3%.
- Sales grew by 5.8% to EUR 2,326.4 (2,198.3) million. At comparable exchange rates, sales grew by 9.1%.
- Operating income (EBIT) was EUR 249.8 (197.2) million or 10.7% (9.0%) of sales. The adjusted EBIT was EUR 249.8 (205.6) million or 10.7% (9.4%) of sales.\*
- Cash flow from operations (before financing items and taxes) was EUR 425.5 (346.9) million.

### Business outlook for 2021 (specified)

In 2021, KONE's sales growth is estimated to be in the range of 2% to 6% at comparable exchange rates as compared to 2020. The adjusted EBIT margin is expected to be in the range of 12.4% to 13.2%. Assuming that foreign exchange rates remain at the April 2021 level, the impact of foreign exchange rates on the adjusted EBIT would be limited.

*KONE previously estimated its sales growth to be in the range of 0% to 6% at comparable exchange rates as compared to 2020. The adjusted EBIT margin was expected to be in the range of 12.4% to 13.4%. Assuming that foreign exchange rates would have remained at the January 2021 level, foreign exchange rates were estimated to impact the adjusted EBIT negatively by around EUR 20 million.*

\* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. Restructuring costs related to significant restructuring programs are excluded from the calculation of the adjusted EBIT. During 2017–2020, all restructuring costs excluded from adjusted EBIT related to the Accelerate program.

## KEY FIGURES

		1-3/2021	1-3/2020	Change	1-12/2020
Orders received	MEUR	2,075.9	2,109.3	-1.6%	8,185.1
Order book	MEUR	8,180.4	8,386.4	-2.5%	7,728.8
Sales	MEUR	2,326.4	2,198.3	5.8%	9,938.5
Operating income	MEUR	249.8	197.2	26.7%	1,212.9
Operating income margin	%	10.7	9.0		12.2
Adjusted EBIT*	MEUR	249.8	205.6	21.5%	1,250.5
Adjusted EBIT margin*	%	10.7	9.4		12.6
Income before tax	MEUR	252.2	197.2	27.9%	1,224.2
Net income	MEUR	195.5	152.8	27.9%	947.3
Basic earnings per share	EUR	0.37	0.29	26.7%	1.81
Cash flow from operations (before financing items and taxes)	MEUR	425.5	346.9		1,907.5
Interest-bearing net debt	MEUR	-1,375.3	-970.2		-1,953.8
Equity ratio	%	36.6	39.4		45.5
Return on equity	%	28.2	21.6		29.7
Net working capital (including financing items and taxes)	MEUR	-1,467.7	-964.3		-1,160.1
Gearing	%	-58.6	-39.2		-61.1

\* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. Restructuring costs related to significant restructuring programs are excluded from the calculation of the adjusted EBIT. During 2017–2020, all restructuring costs excluded from adjusted EBIT related to the Accelerate program.

## Henrik Ehrnrooth, President and CEO:

**“Our strong performance continued in Q1.** Orders received were stable, largely thanks to continued growth in China. When considering the comparison period where the effects of the pandemic were yet to be seen in many parts of the world, this was a solid achievement. With good sales growth and margin expansion, our EBIT grew significantly. Our strong cash flow was again a highlight for the quarter. I am very pleased with how we have started the year and would like to extend a big thank you to our customers for their trust and to KONE’s employees for the fantastic work they have done to deliver on our customer promises.

**We are driving differentiation through adaptability and sustainability.** This is the cornerstone of our new strategy phase and central to how we add value to our customers. Adaptability to changing user needs and to how buildings are used has become a critical success factor for many of our customers. Through our connected solutions, we enable an array of our own and third-party services to meet these requirements. Ensuring the sustainability of their buildings, as well as healthy and safe environments, is also high on our customers’ agenda. Our focus has long been on environmental performance and securing market leading offering in terms of energy efficiency. We are now taking this to the next level with our commitment to embedding sustainability in all aspects of our business. Illustrating this is our recently launched D&I pledge where we commit to increase our actions around diversity, inclusion and equity at KONE. One of the specific goals includes making a step-change in the share of women at director level from 19% last year to 35% by 2030.

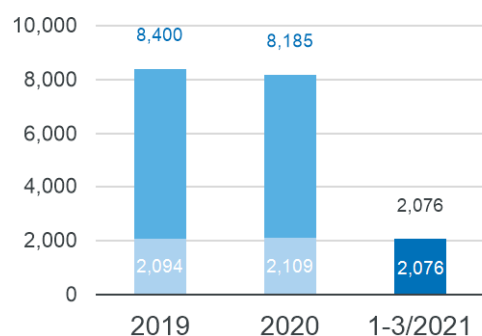
**We are fully focused on capturing growth opportunities from the emerging recovery that we are seeing.** I am encouraged by the recovery that we are starting to see in many markets and the continued strength of activity in China. During the first quarter, we completed the roll-out of our DX class elevators throughout EMEA and Asia-Pacific. We also had strong demand for our Office Flow solution that was launched late last year and the sales of our 24/7 Connected Services continues to accelerate. I am confident that these new solutions will create growth opportunities and provide support in an environment characterized by intense competition and rising material costs.

**I am optimistic about the important role offices play to the success of companies.** Flexible working arrangements are here to stay, and offices will need to transform to attract current and future employees. Key elements of this transformation will include creating an environment that promotes wellbeing, flexibility and sustainability. These changes will foster innovation and more inclusive ways of working. The vision paper we published in March, jointly with Accenture and Amazon Web Services, explores how the office could be reimagined.

**With the first quarter behind us, we have specified our business outlook for 2021.** We now expect sales to grow by 2-6% and the adjusted EBIT margin to be 12.4-13.2%. Despite headwinds from increased material prices, we are well on track to continue on the path of profitable growth.”

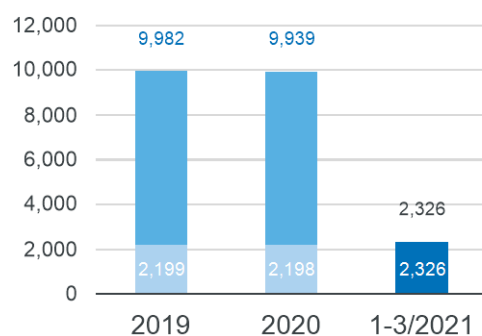
## Key Figures

### Orders received (MEUR)



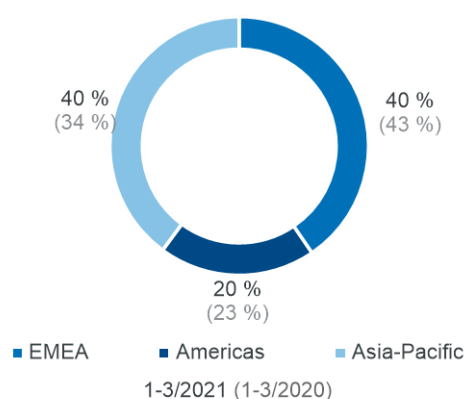
- **In January–March 2021**, orders received declined by 1.6% (grew by 1.3% at comparable exchange rates).
- At comparable rates, new equipment orders received grew slightly with slight growth in the volume business and stable development in major projects. In modernization, orders received declined slightly with slight decline in the volume business and significant decline in major projects.
- The margin of orders received declined slightly year-on-year as a result of increased raw material costs.

### Sales (MEUR)

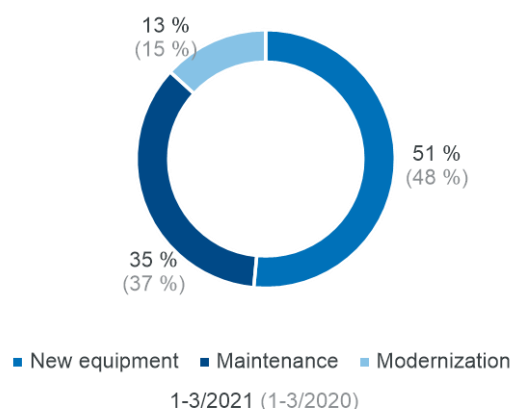


- **In January–March 2021**, sales grew by 5.8% (grew by 9.1% at comparable exchange rates). Sales growth was driven by strong recovery in China from a low comparison period.
- New equipment sales grew by 14.1% (grew by 17.9% at comparable exchange rates). Service (maintenance and modernization) sales declined by 1.7% (grew by 1.1% at comparable rates). Maintenance sales grew by 0.5% (grew by 3.2% at comparable rates) and modernization sales declined by 7.2% (declined by 4.2% at comparable rates).
- Sales in the EMEA region declined by 0.4% (grew by 1.0% at comparable rates). In the Americas region, sales declined by 10.2% (declined by 2.6% at comparable rates). In the Asia-Pacific region, sales grew by 24.7% (grew by 26.8% at comparable rates).

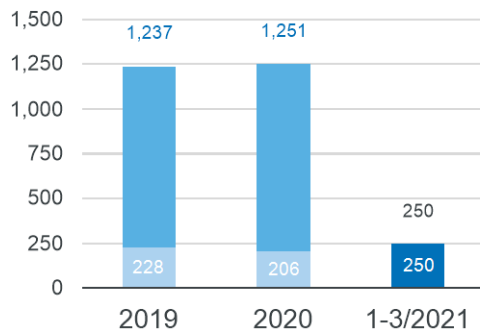
### Sales by region



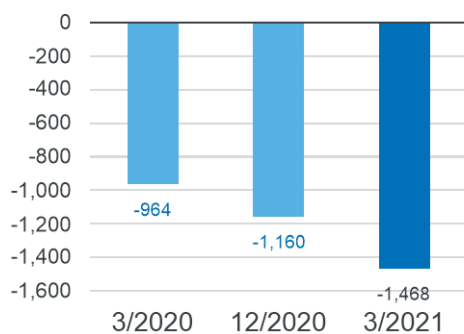
### Sales by business



## Adjusted EBIT (MEUR)

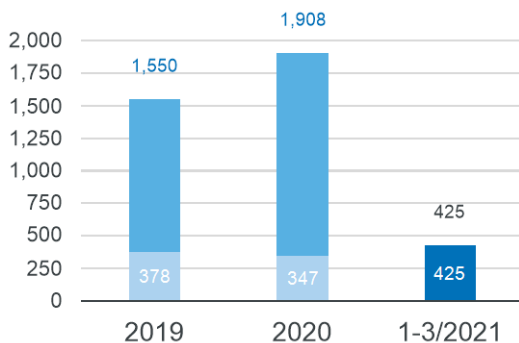


- In January–March 2021, operating income was 10.7% of sales (1–3/2020: 9.0%). The adjusted EBIT margin was 10.7% (9.4%).
- The improvement in profitability was driven by higher volumes, earlier improved margin of orders, productivity and lower discretionary spend.
- Translation exchange rates had a negative impact of EUR 4.4 million on the operating income.

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

- At the end of March 2021, net working capital was at a clearly improved level compared to the beginning of the year.
- The improvement was driven by positive development in advances received in the new equipment and in the maintenance business, as well as by recognition of dividend withholding tax payables.

<sup>1)</sup> Including financing items, taxes and dividend withholding tax

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

- In January–March 2021, cash flow was exceptionally strong at EUR 425.5 million thanks to improved working capital and growth in operating income.

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

# KONE's January–March 2021 review

## KONE's operating environment

### Operating environment by region

	New equipment market in units 1–3/2021	Maintenance market in units 1–3/2021	Modernization market in monetary value 1–3/2021
<b>Total market</b>	Stable	+	–
<b>EMEA</b>	–	Stable	– –
Central and North Europe	–	+	– –
South Europe	– –	Stable	– –
Middle East	Stable	Stable	– –
<b>North America</b>	– – –	Stable	Stable
<b>Asia-Pacific</b>	++	++	+
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 2021

In the first quarter of 2021, the global elevator and escalator market continued to be impacted by the COVID-19 pandemic and the measures taken to contain its spread. Compared to the previous quarter, there started to be early signs of recovery, especially in the residential and infrastructure segments thanks to the demand for affordable housing and anticipated investments.

**Demand in the new equipment market** decreased in most parts of the world from a high comparison period, where the negative effects of the pandemic were mainly visible in China. **In Asia-Pacific**, the new equipment markets grew clearly thanks to high level of activity in **China**. **In the rest of Asia-Pacific**, the new

equipment markets declined clearly. **In the EMEA region**, the new equipment market declined slightly. The new equipment market in Central and North Europe declined slightly whereas in South Europe, the market declined clearly. In the Middle East, the market was stable. **In North America**, the market declined significantly.

In the service market, **maintenance** activity was resilient globally, while **modernization** remained impacted by delayed decision-making.

Competition remained intense, which affected the **pricing environment** adversely.

## Orders received and order book

### Orders received

MEUR	1–3/2021	1–3/2020	Change	Comparable change <sup>1)</sup>	1–12/2020
Orders received	2,075.9	2,109.3	-1.6%	1.3%	8,185.1

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

### Order book

MEUR	Mar 31, 2021	Mar 31, 2020	Change	Comparable change <sup>1)</sup>	Dec 31, 2020
Order book	8,180.4	8,386.4	-2.5%	-1.9%	7,728.8

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

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

### January–March 2021

Orders received declined by 1.6% as compared to January–March 2020 and totaled EUR 2,075.9 million. At comparable exchange rates, KONE's orders received grew by 1.3%.

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

The margin of orders received declined slightly year-on-year as a result of increased raw material costs.

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

**In the Americas region**, orders received declined significantly at comparable rates as compared to January–

March 2020. New equipment orders declined significantly and modernization orders grew significantly.

**Orders received in the Asia-Pacific region** grew clearly at comparable rates as compared to January–March 2020. In China, new equipment orders grew significantly in units and grew significantly in monetary value. Like-for-like prices were stable and mix was slightly negative. In the rest of Asia-Pacific, new equipment orders received were stable. Modernization orders received grew significantly in China and declined significantly in the rest of Asia-Pacific.

**The order book** declined slightly compared to the end of March 2020 but stood at a strong level of EUR 8,180.4 million at the end of the reporting period.

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	1–3/2021	1–3/2020	Change	Comparable change <sup>1)</sup>	1–12/2020
EMEA	941.9	946.1	-0.4%	1.0%	3,916.2
Americas	455.9	507.4	-10.2%	-2.6%	1,939.5
Asia-Pacific	928.6	744.7	24.7%	26.8%	4,082.8
<b>Total</b>	<b>2,326.4</b>	<b>2,198.3</b>	<b>5.8%</b>	<b>9.1%</b>	<b>9,938.5</b>

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

## By business

MEUR	1–3/2021	1–3/2020	Change	Comparable change <sup>1)</sup>	1–12/2020
New equipment	1,197.5	1,049.5	14.1%	17.9%	5,340.2
Services	1,128.9	1,148.7	-1.7%	1.1%	4,598.4
Maintenance	821.4	817.5	0.5%	3.2%	3,215.6
Modernization	307.5	331.3	-7.2%	-4.2%	1,382.8
<b>Total</b>	<b>2,326.4</b>	<b>2,198.3</b>	<b>5.8%</b>	<b>9.1%</b>	<b>9,938.5</b>

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

## January–March 2021

KONE's sales grew by 5.8% as compared to January–March 2020, and totaled EUR 2,326.4 million. At comparable exchange rates, KONE's sales grew by 9.1%. COVID-19 related restrictions continued to impact sales in many markets. New equipment sales grew by 17.9% at comparable exchange rates driven by strong recovery in China from a low comparison period. Development in other areas was mixed. Maintenance sales grew by 3.2% at comparable exchange rates with resilient contract sales but lower discretionary spend by customers. Modernization sales was more impacted by the restrictions and declined by 4.2% at comparable exchange rates.

**Sales in the EMEA region** declined by 0.4% and totaled EUR 941.9 million. At comparable exchange rates,

sales grew by 1.0%. New equipment sales grew slightly, maintenance sales grew slightly and modernization sales declined slightly in the region.

**In the Americas**, sales declined by 10.2% and totaled EUR 455.9 million. At comparable exchange rates, sales declined by 2.6%. New equipment sales grew slightly, maintenance sales declined slightly and modernization sales declined clearly in the region.

**In Asia-Pacific**, sales grew by 24.7% and totaled EUR 928.6 million. At comparable exchange rates, sales grew by 26.8%. New equipment sales grew significantly, maintenance sales grew significantly and modernization sales grew slightly in the region.

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

## Financial result

### Financial result

	1-3/2021	1-3/2020	Change	1-12/2020
Operating income, MEUR	249.8	197.2	26.7%	1,212.9
Operating income margin, %	10.7	9.0		12.2
Adjusted EBIT, MEUR	249.8	205.6	21.5%	1,250.5
Adjusted EBIT margin, %	10.7	9.4		12.6
Income before taxes, MEUR	252.2	197.2	27.9%	1,224.2
Net income, MEUR	195.5	152.8	27.9%	947.3
Basic earnings per share, EUR	0.37	0.29	26.7%	1.81

### January–March 2021

KONE's operating income (EBIT) was EUR 249.8 million or 10.7% of sales. There were no items impacting comparability in the reporting period. In the comparison period items affecting comparability consisted of restructuring costs related to the Accelerate program.

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

Translation exchange rates had a negative impact of EUR 4.4 million on the operating income.

KONE's income before taxes was EUR 252.2 million. Taxes totaled EUR 56.7 (44.4) million. This corresponds to an effective tax rate of 22.5% for the full financial year. Net income for the period was EUR 195.5 million.

Basic earnings per share was EUR 0.37.

## Cash flow and financial position

### Cash flow and financial position

	1-3/2021	1-3/2020	1-12/2020
Cash flow from operations (before financing items and taxes), MEUR	425.5	346.9	1,907.5
Net working capital (including financing items and taxes), MEUR	-1,467.7	-964.3	-1,160.1
Interest-bearing net debt, MEUR	-1,375.3	-970.2	-1,953.8
Gearing, %	-58.6	-39.2	-61.1
Equity ratio, %	36.6	39.4	45.5
Equity per share, EUR	4.49	4.73	6.12

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

Cash flow from operations (before financing items and taxes) during January–March 2021 was exceptionally strong at EUR 425.5 million.

Net working capital (including financing items and taxes) was EUR -1,467.7 million at the end of March 2021. The improvement was driven by positive development in advances received in the new equipment and in the maintenance business, as well as by recognition of dividend withholding tax payables.

Interest-bearing net debt was EUR -1,375.3 million at the end of March 2021. KONE's cash and cash equivalents

together with current deposits and loan receivables were EUR 2,024.2 (Dec 31, 2020: 2,629.4) million at the end of the reporting period. Interest-bearing liabilities were EUR 671.3 (Dec 31, 2020: 695.8) million, including a pension liability of EUR 151.4 (Dec 31, 2020: 187.2) million and leasing liability of EUR 350.2 (Dec 31, 2020: 342.9) million. Additionally, KONE had an asset on employee benefits, EUR 21.0 (Dec 31, 2020: 19.2) million. Gearing was -58.6% and equity ratio was 36.6% at the end of March 2021.

Equity per share was EUR 4.49.

## Capital expenditure and acquisitions

### Capital expenditure & acquisitions

MEUR	1-3/2021	1-3/2020	1-12/2020
On fixed assets	19.2	16.3	87.5
On lease agreements	29.3	24.2	113.4
On acquisitions	8.3	3.5	29.0
<b>Total</b>	<b>56.8</b>	<b>44.0</b>	<b>230.0</b>

KONE's capital expenditure and acquisitions totaled EUR 56.8 million in January–March 2021. Capital expenditure excluding acquisitions was mainly related to equipment and facilities in R&D, IT and production. Capital

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

Acquisitions totaled EUR 8.3 million in January–March 2021. KONE completed acquisitions of small maintenance businesses in the EMEA region.

## Research and development

### R&D expenditure

	1-3/2021	1-3/2020	Change	1-12/2020
R&D expenditure, MEUR	47.8	43.9	9.0%	179.6
As percentage of sales, %	2.1	2.0		1.8

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

Research and development expenditure totaled EUR 47.8 million, representing 2.1% of sales in January–March 2021. 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 2021, KONE continued the roll-out of KONE DX Class elevators by launching them in China and in India. This new elevator series featuring built-in connectivity and an enhanced user experience was introduced in the end of 2019 and will replace the current KONE elevator range across areas. KONE also introduced enhancements and extensions to the DX Class offering in Europe, Middle East and Mexico, where the new elevator series was rolled out during 2020.



## Personnel

### KONE employees

	1-3/2021	1-3/2020	1-12/2020
Number of employees at the end of period	61,175	60,056	61,380
Average number of employees	61,246	60,037	60,376

### Geographical distribution of KONE employees

	1-3/2021	1-3/2020	1-12/2020
EMEA	23,844	23,593	23,798
Americas	7,193	7,416	7,336
Asia-Pacific	30,137	29,047	30,246
<b>Total</b>	<b>61,175</b>	<b>60,056</b>	<b>61,380</b>

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

During the first quarter, the COVID-19 pandemic continued across the world. KONE's main focus during the pandemic has been to continue serving our customers in the safest manner possible. In addition, employees have been supported by offering flexibility where needed and by ensuring that information on how to enhance wellbeing is easily available. For example, we have provided additional opportunities for learning about stress and resilience and access to professional help when needed.

We actively encourage diversity at KONE, and our values guide us in upholding an inclusive culture. During the first quarter, a new phase in KONE's strategy was launched with strong focus on sustainability and Diversity and Inclusion (D&I) as key elements of it. As one of the D&I specific goals, we committed to making a step-change in the share of women at the director level and increase it to 35% by 2030 (19% in 2020). The results of our annual salary review covering over 40,000 KONE employees showed that men and women in similar positions continue to be compensated equally on a global level.

Our elevated focus on driving sustainability is visible also in KONE's new share-based long-term incentive plan, launched in January, where sustainability was introduced as a new metric in addition to the financial metrics. The sustainability performance condition is a combination of reductions in carbon footprint, diversity and inclusion as well as safety related targets.

We strive to have the best professionals with the right competencies in each position. We facilitate this effort as well as increase the motivation, engagement and continuous development of the personnel through regular performance discussions, which take place at least twice a year. Performance discussions conducted in the first

quarter focused on achievement reviews for 2020 and goal setting for 2021.

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

Furthermore, we continued to invest in building capabilities to sell and deliver digital solutions and services. For example, we launched an 18-week program for selected roles in our country organizations focusing on the digital technologies behind KONE products and solutions. In connection to the continuing roll-out of KONE DX Class elevators, salespeople, engineers and field teams were actively trained on the topic as well as on KONE 24/7 Connected Services and KONE's ecosystem partnering. In Asia-Pacific, for example, up to 3,000 employees were trained on these topics during the first quarter.

After reduced recruitment volumes in 2020, we saw an increase in hiring levels during the first quarter. We continued to focus on the renewal of our competence base, and the systematic activities around talent attraction and building talent pipelines have helped us to reach shorter times to hire and improved quality of hires. We decided to delay the start of the International Trainee Program further until the travel restrictions are lifted and the program can be launched safely.

#### HIGHLIGHTS Q1/2021

- Committed to a new target for women in director level positions: 35% by 2030
- Launched a new share-based long-term incentive plan with sustainability as a new metric

## Environment

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

To support our heightened climate and environmental ambition, we renewed KONE's Environmental Policy Statement during the first quarter. The statement, which outlines our ambition, objectives and commitment to environmental sustainability in all our activities and is available publicly at [kone.com](https://kone.com).

In January-March, KONE was again awarded the best A grade in CDP's 2020 Supplier Engagement rating, in addition to the earlier announced placement on CDP's prestigious 2020 Climate Change A List. The CDP Supplier Engagement rating demonstrates leadership and best practice in engaging our suppliers on climate change issues.

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

The largest individual factor contributing to our reduced Scope 1 and 2 emissions in 2020 was the reduction in work-related driving and time spent at the office – due to various restrictions brought on by COVID-19. We also set out to incorporating electrified vehicles in local car policies, providing the necessary solutions for charging, and motivating our employees to select low-emissions vehicles. In 2020, 41% (2019: 37%) of all electricity in our facilities was produced from renewable sources, our target being over 50% by the end of 2021. For example, our Chinese subsidiary started purchasing 100% renewable electricity. In terms of the Scope 3 emissions that were a part of our target setting in 2020, our logistics emissions decreased by 4.1% in 2020 relative to units delivered, for example due to a significant reduction in air freight emissions in Europe and China. Our business air travel emissions were strongly impacted by COVID-19 as they decreased by 74%. For landfill waste, we have set a long-term target of 0% from our manufacturing units by 2030. In 2020, we were already at a low level of 0.6% (2019: 0.9%). KONE's total carbon footprint data (Scope 1, 2 and 3 emissions) has been externally assured.

As KONE's climate pledge was announced in September 2020, we have revised our long-term and

annual target setting, both in terms of ambition and scope. Our long-term target for Scope 1 and 2 emissions is an absolute reduction of 50% by 2030 from the base-year 2018. The respective annual target for 2021 is an

absolute reduction of 7%, compared to the base-year 2019 due to the exceptional circumstances in 2020. The vast majority of all the emissions associated with KONE's activities are generated outside our immediate operations in the value chain, particularly by our products' lifetime energy consumption and material use. As part of our climate pledge, we have also set a long-term target for reducing our product-related Scope 3 emissions by 40% by 2030, relative to ordered products. In 2020, our product-related Scope 3 emissions increased by 0.7% relative

to ordered products. This is mainly due to an increased number of products sold especially in the Asia-Pacific region, where the lifetime energy use emissions of our products tend to be higher due to fossil fuel-based energy generation. We have also set a separate target of 4% annual reduction in our Scope 3 logistics carbon footprint relative to units delivered. We are constantly improving our product-related Scope 3 emissions calculations as we work with our suppliers and partners for more transparent and efficient data collection.

KONE supports sustainable and green building through our energy-efficient and innovative offering, functional and sustainable materials, as well as transparent documentation about our products' environmental impacts. We can help our customers meet various green building requirements even better with the KONE DX Class elevator range. In connection with the launch of the DX Class elevators in the Chinese market, we obtained the best A-class ISO 25745 energy performance certifications for seven of our DX elevator models. KONE currently has 25 best-in-class energy performance references for our elevators and escalators. 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 (EPD) for the KONE TransitMaster™ 140 escalator – the first escalator EPD in the industry.

As demonstration of our sustainable offering, several KONE solutions have received external sustainability recognition. During the first quarter of 2021, KONE received the Singapore Green Building Product (SGBP) certification for the KONE 3000 S MonoSpace® elevator with the highest "Leader" rating. KONE currently has eight SGBP certifications with the highest ratings. KONE is the first and only elevator and escalator company to achieve such top ratings in the vertical transportation category.

### HIGHLIGHTS Q1/2021

- Best A grade in CDP's 2020 Supplier Engagement rating
- Overall operational carbon footprint for 2020 decreased by 8.9% relative to sales

## Changes in the Executive Board

In January–March 2021, KONE announced the following changes in the Executive Board.

Johannes Frände was appointed Executive Vice President, General Counsel and a member of the Executive Board at KONE as of February 1, 2021. He succeeds Klaus Cawén, who has served in different roles at KONE for 38 years. Thomas Hinnerskov was appointed Executive Vice President, responsible for the South Europe, Middle-East and Africa region as of April 1, 2021. He succeeds Pierre Liautaud, who has served 10 years at

KONE as Executive Vice President, South Europe, Middle-East and Africa region. Prior to this, Thomas Hinnerskov served as KONE's Executive Vice President, Central and North Europe. Axel Berkling was appointed new Executive Vice President, Central and North Europe. Prior to this, Axel Berkling served as KONE's Executive Vice President, Asia-Pacific region, excluding China. Samer Halabi was appointed Executive Vice President, responsible for the Asia-Pacific region and a member of the Executive Board as of May 1, 2021.

## Other events

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

entities relating to the two 2007 decisions, are pending in related countries. The claims have been made against various companies concerned by the decisions, including certain KONE companies. All claims are independent and are progressing procedurally at different stages. The total capital amount claimed jointly and severally from all of the defendants together was EUR 144 million at the end of March 2021 (December 31, 2020: EUR 144 million). KONE's position is that the claims are without merit. No provision has been made.



## Most significant risks

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

### Strategic risks

Demand for KONE's products and services and the competitive environment are impacted by the general economic cycles and especially the level of activity within the construction industry. As China accounts for ~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. Since the first half of 2020, many governments across the world have taken significant measures to contain the COVID-19 outbreak by restricting the movement of people and limiting some business activities. During the first quarter of 2021, the level of uncertainty continued to be high despite the ongoing vaccinations. A further deterioration of the situation or prolonged restrictions to contain the pandemic could have an adverse impact on the overall economic environment, construction activity and demand for KONE's services and solutions in the coming quarters.

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

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

### Operational risks

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

The majority of components used in KONE's supply chain are sourced from external suppliers. KONE also uses

a significant amount of subcontracted installation resources, has outsourced some business support processes and works with other partners in e.g. digital services and logistics. These expose KONE to component and subcontracted labor availability and cost risk as well as continuity risk in partnerships. A failure to secure the needed materials, components or resources or quality issues within these could cause business disruptions and cost increases. The global shortage of semiconductors, in particular, is being closely monitored and managed. Furthermore, disruptions from COVID-19 related government restrictions remain a risk to KONE's operations.

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

### Hazard, security and incidental risks

KONE's business activities are dependent on the uninterrupted operation, quality and reliability of its manufacturing facilities, sourcing channels, operational service solutions and logistics processes. KONE's, its suppliers' and customers' operations also utilize information technology extensively and KONE's business is dependent on the quality, integrity and availability of information. Thus, KONE is exposed to IT disruptions and cybersecurity risks, as operational information systems and products may be vulnerable to interruption, loss or manipulation of data, or malfunctions which can result in disruptions in processes and equipment availability. Any breach of sensitive employee or customer data may also result in significant penalties as well as reputational damage. Such cyber incidents could be caused by, including but not limited to, cyber-crime, cyber-attacks, computer malware, information theft, fraud, misappropriation, or inadvertent actions from our employees and vendors. Also physical damage caused by fire, extreme weather conditions, natural catastrophes or terrorism, among other things, to these operations, could cause business interruption for KONE or its suppliers.

### Financial risks

The majority of KONE's sales and result are denominated in currencies other than the Euro, which exposes KONE to risks arising from foreign exchange rate fluctuations. KONE is also exposed to counterparty risks related to financial institutions, through the significant amounts of liquid funds deposited with financial institutions, in the form of financial investments and in derivatives. Additionally, KONE is exposed to risks related to the liquidity and payment schedules of its customers, which may impact cash flow or lead to credit losses. Significant changes in local financial or taxation regulation could also have an impact on KONE's financial performance, liquidity and cash flow. For further information on financial risks, please refer to notes 2.4 and 5.3 in the Financial Statements for 2020.

## Risk management

## Risks

## Mitigation actions

Weakening of the economic environment, particularly in China	KONE strives to continuously develop its competitiveness in all regions and businesses. KONE has a wide geographic presence and a balanced business portfolio with a high share of maintenance business.
Geopolitical tensions impacting the competitiveness of KONE's supply chain, leading to increased costs or causing potential disruptions	KONE actively monitors the development of the applicable and relevant regulations, policies and trade rules, and evaluates the competitiveness and viability of KONE's supply chain and sourcing channels. KONE is taking actions to mitigate the impact of tariffs, for example by applying for tariff exemptions when applicable. KONE also applies increased scrutiny over business operations that may be affected by international trade restrictions.
Changes in the competitive or customer landscape, customer requirements or competitors' offerings impacting KONE's competitiveness	KONE aims to be the industry leader by investing in research and development and by taking an open innovation approach. KONE also closely follows emerging industry and market trends and actively monitors opportunities for industry consolidation.
A failure to secure and develop the needed organizational capabilities and competencies	KONE continuously evaluates the skills and competences required for the execution of the selected strategy and develops and/or acquires these from internal talent pools or externally. KONE also has extensive training programs in place to develop and retain critical talents.
Risks related to component and subcontracted labor availability	KONE's sourcing processes aim to identify critical suppliers and supply categories and implement dual sourcing, multi-year agreements, last-buy options and other measures to ensure the availability of the supply. KONE has also developed multinational subcontractor pools to ensure subcontractor capacity on a regional level. Subcontractors' competences and capabilities are monitored and developed continuously, similarly as with own employees.
Product integrity, safety or quality issues as well as issues with reputation	To mitigate product risks, KONE has processes in place for product design, supply, manufacturing, installation and maintenance, involving strict quality control. In addition, KONE aims for transparent and reliable communication, to prevent reputational risks and to manage potential incidents. KONE also has stringent corporate governance principles in place.
Interruptions to KONE's or its suppliers' operations	<p>KONE actively develops business continuity management capabilities to reduce the impact and likelihood of disruptions within its supply chain. Furthermore, KONE monitors the operations, business continuity management capabilities, financial strength and cybersecurity of its key suppliers. In addition, KONE aims to secure the availability of alternative sourcing channels for critical components and services. KONE also has a global property damage and business interruption insurance program in place.</p> <p>In an operating environment impacted by COVID-19, KONE's global supply chain helps mitigate the risk of interruptions. KONE has 12 manufacturing facilities in 8 countries, multiple distribution centers and a large supplier network across the globe, which helps to mitigate the challenges and restrictions in individual countries. During the COVID-19 crisis, KONE has also put extra focus on business continuity management.</p>
Quality and reliability of IT systems and cybersecurity risks	KONE's security policies define controls to safeguard information and information systems which are both in development and in operation, in order to detect cybersecurity incidents and to respond and recover in a timely manner. KONE works with third-party security service providers and trusted, well-known technology partners to manage the risks through the control framework. KONE conducts tests, reviews and exercises to identify areas of risk and to ensure the appropriate preparedness. The company continues to invest in its cybersecurity capabilities based on these findings. KONE also has a global cyber insurance program in place.
Financial risks	Centralized risk management in accordance with the KONE Treasury Policy. More information in notes 2.4 and 5.3 of KONE's Financial Statements 2020.

## Decisions of the Annual General Meeting

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

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

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

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

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

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

The General Meeting confirmed an annual compensation of EUR 220,000 for the Chairman of the Board, EUR 125,000 for the Vice Chairman and EUR

110,000 for Board Members. Of the annual remuneration, 40 percent will be paid in class B shares of KONE Corporation and the rest in cash. In addition, it was resolved that compensation is not paid to a board member who is employed by the company.

The General Meeting approved the authorization for the Board of Directors to repurchase KONE's own shares. Altogether no more than 52,930,000 shares may be repurchased, of which no more than 7,620,000 may be class A shares and 45,310,000 class B shares. The authorization will be valid until the conclusion of the following annual general meeting, however, at the latest until 30 June 2022.

Furthermore, the General Meeting authorized the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act. The number of shares to be issued based on this authorization shall not exceed 7,620,000 class A shares and 45,310,000 class B shares. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization will be valid until the conclusion of the following annual general meeting, however, at the latest until 30 June 2022.

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

## 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 1.75 for each of the outstanding 442,336,257 class B shares and an extra dividend of EUR 0.4975 for each of the 76,208,712 class A

shares and an extra dividend of EUR 0.50 for each of the outstanding 442,336,257 class B shares. The date of record for dividend distribution was March 4, 2021 and dividends were paid on March 11, 2021.

## Share-based incentives

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

On January 28, 2021, KONE's Board of Directors decided on a new performance share plan, which replaced the existing performance share plans. The new performance plan continues to emphasize profitable growth and as a new measure sustainability. It consists of annually commencing individual share plans, each with a three-year rolling performance period, after which the potential share awards vest. If the participant's employment or service relationship with KONE Group terminates before the end of the performance period, the participant, as a rule, forfeits the share award without compensation. The potential reward is to be paid as a combination of KONE class B shares and a cash payment equivalent to the taxes and similar charges that are incurred from the receipt of shares. The target group and

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

The 2021 performance share plan is targeted to approximately 55 members of the top management, including the President and CEO, members of the Executive Board and other top management, and approximately 500 other selected key personnel of KONE Group. The performance criteria applied to the 2021 performance share plan are based on annual growth in sales, adjusted EBIT margin and improvements in



sustainability. The sustainability performance condition is a combination of reductions in carbon footprint, diversity and inclusion as well as safety related targets.

The restricted share plan serves as a complementary long-term share plan to be used as a commitment instrument for retention and recruitment purposes for top management (excluding the President and CEO) and

other selected key persons. The restricted share plan does not have a performance condition. The plan has a commitment period up to 3 years, after which the potentially granted share awards will be paid to the participant, provided that their employment or service relationship with KONE Group is in force at the time of payment.

## Shares and share capital

### Share capital and market capitalization\*

	Mar 31, 2021	Dec 31, 2020
Number of class B shares	453,187,148	453,187,148
Number of class A shares	76,208,712	76,208,712
<b>Total shares</b>	<b>529,395,860</b>	<b>529,395,860</b>
Treasury shares	10,850,891	11,006,006
Share capital, EUR	66,174,483	66,174,483
Market capitalization, MEUR*	36,122	34,452

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

### Treasury shares

	1-3/2021
Treasury shares at the beginning of the period	11,006,006
Changes in treasury shares during the period	-155,115
Treasury shares at the end of the period	10,850,891

At the end of March 2021, the Group had 10,850,891 treasury shares. Treasury shares represent 2.4% of the

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

### Shares traded on Nasdaq Helsinki

	1-3/2021	1-3/2020	1-12/2020
Shares traded on the Nasdaq Helsinki Ltd., million	47.2	69.2	222.9
Average daily trading volume	760,747	1,098,932	884,675
Volume-weighted average share price	EUR 66.70	52.42	62.07
Highest share notation	EUR 70.14	62.28	76.20
Lowest share notation	EUR 64.02	42.39	42.39
Share notation at the end of the period	EUR 69.66	51.62	66.46

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 72,661 at the beginning of the review period and 78,354 at its end.

The number of private households holding shares totaled 74,166 at the end of the period, which corresponds to approximately 12.2% of the listed B shares. At the end of March 2021, a total of 54.1% of the B shares were owned by nominee-registered and non-Finnish investors.

## Outlook

North America		EMEA		Asia-Pacific	
New equipment	Services	New equipment	Services	New equipment	Services
Gradual recovery	<b>Maintenance</b> Resilient excl. impact from lock-downs  <b>Modernization</b> Gradual recovery	Gradual recovery	<b>Maintenance</b> Resilient excl. impact from lock-downs  <b>Modernization</b> Gradual recovery	<b>China</b> Slight growth  <b>Outside China</b> Gradual recovery	<b>Maintenance</b> Resilient excl. impact from lock-downs  <b>Modernization</b> Gradual recovery

## Market outlook 2021 (updated)

The new equipment market is expected to grow slightly in China. In the rest of the world, the markets are expected to gradually recover.

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

In the modernization markets, activity is expected to gradually recover supported by improving confidence.

## Business outlook 2021 (specified)

In 2021, KONE's sales growth is estimated to be in the range of 2% to 6% at comparable exchange rates as compared to 2020. The adjusted EBIT margin is expected to be in the range of 12.4% to 13.2%. Assuming that foreign exchange rates remain at the April 2021 level, the impact of foreign exchange rates on the adjusted EBIT would be limited.

KONE has a solid order book and maintenance base for 2021. The improvement seen in the margin of orders received is expected to support profitability together with continual improvements in quality and productivity.

The key headwinds for 2021 results are the increased material and logistics costs. KONE also continues to invest

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

*KONE previously estimated its sales growth to be in the range of 0% to 6% at comparable exchange rates as compared to 2020. The adjusted EBIT margin was expected to be in the range of 12.4% to 13.4%. Assuming that foreign exchange rates would have remained at the January 2021 level, foreign exchange rates were estimated to impact the adjusted EBIT negatively by around EUR 20 million.*

Helsinki, April 28, 2021

KONE Corporation's Board of Directors



# Consolidated statement of income

MEUR	1-3/2021	%	1-3/2020	%	1-12/2020	%
<b>Sales</b>	2,326.4		2,198.3		9,938.5	
Costs and expenses	-2,017.1		-1,940.3		-8,486.7	
Depreciation and amortization	-59.5		-60.8		-239.0	
<b>Operating income</b>	249.8	10.7	197.2	9.0	1,212.9	12.2
Financing income	10.3		10.6		41.8	
Financing expenses	-7.9		-10.6		-30.4	
<b>Income before taxes</b>	252.2	10.8	197.2	9.0	1,224.2	12.3
Taxes	-56.7		-44.4		-276.9	
<b>Net income</b>	195.5	8.4	152.8	7.0	947.3	9.5
<b>Net income attributable to:</b>						
Shareholders of the parent company	193.0		152.3		939.2	
Non-controlling interests	2.5		0.6		8.1	
<b>Total</b>	195.5		152.8		947.3	
<b>Earnings per share for profit attributable to the shareholders of the parent company, EUR</b>						
Basic earnings per share, EUR	0.37		0.29		1.81	
Diluted earnings per share, EUR	0.37		0.29		1.81	

## Consolidated statement of comprehensive income

MEUR	1-3/2021	1-3/2020	1-12/2020
<b>Net income</b>	195.5	152.8	947.3
<b>Other comprehensive income, net of tax:</b>			
Translation differences	95.4	-2.5	-173.2
Hedging of foreign subsidiaries	-13.2	-5.2	52.0
Cash flow hedges	-4.9	26.2	27.1
<b>Items that may be subsequently reclassified to statement of income</b>	77.3	18.5	-94.1
Changes in fair value	-3.7	-3.2	4.8
Remeasurements of employee benefits	44.1	-14.8	8.8
<b>Items that will not be reclassified to statement of income</b>	40.5	-18.0	13.6
<b>Total other comprehensive income, net of tax</b>	117.7	0.5	-80.5
<b>Total comprehensive income</b>	313.2	153.4	866.8
<b>Total comprehensive income attributable to:</b>			
Shareholders of the parent company	310.7	152.8	858.7
Non-controlling interests	2.5	0.6	8.1
<b>Total</b>	313.2	153.4	866.8

# Condensed consolidated statement of financial position

## Assets

MEUR		Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
<b>Non-current assets</b>				
Goodwill		1,352.9	1,370.7	1,327.0
Other intangible assets		223.4	229.4	223.2
Tangible assets		724.9	730.2	710.0
Loan receivables and other interest-bearing assets	I	1.5	0.8	1.0
Investments		139.5	137.0	143.2
Employee benefits	I	21.0	21.4	19.2
Deferred tax assets	II	260.1	290.5	242.4
<b>Total non-current assets</b>		<b>2,723.3</b>	<b>2,780.0</b>	<b>2,666.1</b>
<b>Current assets</b>				
Inventories	II	620.9	666.0	597.0
Accounts receivable	II	2,164.0	2,192.8	2,178.6
Deferred assets	II	677.1	666.4	638.7
Income tax receivables	II	69.1	74.7	82.2
Current deposits and loan receivables	I	1,605.8	1,119.9	2,171.4
Cash and cash equivalents	I	418.3	557.7	457.9
<b>Total current assets</b>		<b>5,555.3</b>	<b>5,277.5</b>	<b>6,125.9</b>
<b>Total assets</b>		<b>8,278.6</b>	<b>8,057.5</b>	<b>8,792.0</b>

## Equity and liabilities

MEUR		Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
<b>Equity</b>				
		2,348.3	2,473.1	3,197.3
<b>Non-current liabilities</b>				
Loans	I	245.3	415.5	244.0
Employee benefits	I	151.4	195.1	187.2
Deferred tax liabilities	II	89.9	160.0	90.4
<b>Total non-current liabilities</b>		<b>486.6</b>	<b>770.7</b>	<b>521.6</b>
<b>Provisions</b>	II	<b>152.7</b>	<b>122.2</b>	<b>154.7</b>
<b>Current liabilities</b>				
Loans	I	274.7	119.0	264.6
Advance payments received and deferred revenue	II	1,864.9	1,774.3	1,766.8
Accounts payable	II	804.0	698.6	890.9
Accruals	II	2,244.2	2,002.7	1,882.6
Income tax payables	II	103.2	96.9	113.6
<b>Total current liabilities</b>		<b>5,291.0</b>	<b>4,691.5</b>	<b>4,918.4</b>
<b>Total equity and liabilities</b>		<b>8,278.6</b>	<b>8,057.5</b>	<b>8,792.0</b>

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

Items designated " II " comprise net working capital.

# Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
<b>Jan 1, 2021</b>	66.2	100.3	345.7	41.7	-10.9	-115.0	-164.7	2,911.3		22.6	3,197.3
Net income for the period									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
Option and share-based compensation			7.7				5.7	-5.7			7.7
<b>Mar 31, 2021</b>	66.2	100.3	353.4	33.1	71.3	-70.9	-158.9	1,740.7	193.0	20.1	2,348.3

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
<b>Jan 1, 2020</b>	66.2	100.3	322.1	9.8	110.3	-123.8	-185.1	2,873.0		20.0	3,192.9
Net income for the period									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
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
<b>Mar 31, 2020</b>	66.2	100.3	329.3	32.8	102.7	-138.6	-177.2	1,984.6	152.3	20.8	2,473.1

# Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
<b>Jan 1, 2020</b>	66.2	100.3	322.1	9.8	110.3	-123.8	-185.1	2,873.0		20.0	3,192.9
Net income for the period									939.2	8.1	947.3
Other comprehensive income:											
Translation differences					-173.2						-173.2
Hedging of foreign subsidiaries					52.0						52.0
Cash flow hedges				27.1							27.1
Changes in fair value				4.8							4.8
Remeasurements of employee benefits						8.8					8.8
Transactions with shareholders and non-controlling interests:											
Profit distribution								-880.5			-880.5
Purchase of own shares											-
Change in non-controlling interests										-5.5	-5.5
Option and share-based compensation			23.6				20.4	-20.4			23.6
<b>Dec 31, 2020</b>	66.2	100.3	345.7	41.7	-10.9	-115.0	-164.7	1,972.0	939.2	22.6	3,197.3

# Condensed consolidated statement of cash flows

MEUR	1–3/2021	1–3/2020	1–12/2020
Operating income	249.8	197.2	1,212.9
Change in net working capital before financing items and taxes	116.1	88.9	455.6
Depreciation and amortization	59.5	60.8	239.0
<b>Cash flow from operations before financing items and taxes</b>	<b>425.5</b>	<b>346.9</b>	<b>1,907.5</b>
Cash flow from financing items and taxes	-35.4	-80.0	-357.3
<b>Cash flow from operating activities</b>	<b>390.0</b>	<b>267.0</b>	<b>1,550.2</b>
Cash flow from investing activities	-26.9	-19.5	-109.8
<b>Cash flow after investing activities</b>	<b>363.2</b>	<b>247.5</b>	<b>1,440.4</b>
Profit distribution	-977.0	-792.6	-880.5
Change in deposits and loans receivable, net	594.2	476.5	-606.1
Change in loans payable and other interest-bearing debt	-26.6	-28.6	-134.1
Changes in non-controlling interests	-0.3	-	-3.8
<b>Cash flow from financing activities</b>	<b>-409.7</b>	<b>-344.6</b>	<b>-1,624.5</b>
<b>Change in cash and cash equivalents</b>	<b>-46.5</b>	<b>-97.2</b>	<b>-184.1</b>
Cash and cash equivalents at beginning of period	457.9	662.4	662.4
Translation difference	6.9	-7.6	-20.4
<b>Cash and cash equivalents at end of period</b>	<b>418.3</b>	<b>557.7</b>	<b>457.9</b>

## CHANGE IN INTEREST-BEARING NET DEBT

MEUR	1–3/2021	1–3/2020	1–12/2020
Interest-bearing net debt at beginning of period	-1,953.8	-1,552.9	-1,552.9
Interest-bearing net debt at end of period	-1,375.3	-970.2	-1,953.8
<b>Change in interest-bearing net debt</b>	<b>578.5</b>	<b>582.7</b>	<b>-401.0</b>

Payments of lease liabilities included in financing activities were EUR 29.8 (January–March 2020: 25.8) million and interest expense paid included in cash flow from financing items and taxes were EUR 2.2 (January–March 2020: 3.0) million.



# Notes to the interim report

## ACCOUNTING PRINCIPLES

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

## KEY FIGURES

		1–3/2021	1–3/2020	1–12/2020
Basic earnings per share	EUR	0.37	0.29	1.81
Diluted earnings per share	EUR	0.37	0.29	1.81
Equity per share	EUR	4.49	4.73	6.12
Interest-bearing net debt	MEUR	-1,375.3	-970.2	-1,953.8
Equity ratio	%	36.6	39.4	45.5
Gearing	%	-58.6	-39.2	-61.1
Return on equity	%	28.2	21.6	29.7
Return on capital employed	%	23.5	18.4	25.0
Total assets	MEUR	8,278.6	8,057.5	8,792.0
Assets employed	MEUR	973.0	1,502.9	1,243.4
Net working capital (including financing and tax items)	MEUR	-1,467.7	-964.3	-1,160.1

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

## ALTERNATIVE PERFORMANCE MEASURE

KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of the business performance between reporting periods. Restructuring costs related to significant restructuring programs are excluded from the calculation of the adjusted EBIT. During 2017–2020, all restructuring costs excluded from adjusted EBIT related to the Accelerate program.

		1–3/2021	1–3/2020	1–12/2020
Operating income	MEUR	249.8	197.2	1,212.9
Operating income margin	%	10.7	9.0	12.2
Items impacting comparability	MEUR	-	8.4	37.7
Adjusted EBIT	MEUR	249.8	205.6	1,250.5
Adjusted EBIT margin	%	10.7	9.4	12.6

## QUARTERLY FIGURES

KONE has adopted the IFRS 16 effective January 1, 2019 using the modified retrospective approach and the comparative figures have not been restated. Further, KONE applied IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2014–2016 are not restated and thus not fully comparable.

		Q1/2021	Q4/2020	Q3/2020	Q2/2020	Q1/2020
Orders received	MEUR	2,075.9	2,068.7	1,931.7	2,075.4	2,109.3
Order book	MEUR	8,180.4	7,728.8	7,914.4	8,307.3	8,386.4
Sales	MEUR	2,326.4	2,621.2	2,587.0	2,532.1	2,198.3
Operating income	MEUR	249.8	367.1	333.1	315.5	197.2
Operating income margin	%	10.7	14.0	12.9	12.5	9.0
Adjusted EBIT <sup>1)</sup>	MEUR	249.8	380.6	339.8	324.6	205.6
Adjusted EBIT margin <sup>1)</sup>	%	10.7	14.5	13.1	12.8	9.4
Items impacting comparability	MEUR	-	13.5	6.7	9.1	8.4

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

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

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

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

## Net working capital

MEUR	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
<b>Net working capital</b>			
Inventories	620.9	666.0	597.0
Advance payments received and deferred revenue	-1,864.9	-1,774.3	-1,766.8
Accounts receivable	2,164.0	2,192.8	2,178.6
Deferred assets and income tax receivables	746.2	741.1	720.9
Accruals and income tax payables <sup>1)</sup>	-2,347.4	-2,099.6	-1,996.2
Provisions	-152.7	-122.2	-154.7
Accounts payable	-804.0	-698.6	-890.9
Net deferred tax assets/liabilities	170.2	130.5	152.0
<b>Total net working capital</b>	<b>-1,467.7</b>	<b>-964.3</b>	<b>-1,160.1</b>

<sup>1)</sup> As at March 31, 2021, net working capital included a withholding tax payable for dividends amounting to EUR 189 (88) million.

## Depreciation and amortization

MEUR	1-3/2021	1-3/2020	1-12/2020
Depreciation and amortization of fixed assets	50.1	51.5	202.2
Amortization of acquisition-related intangible assets	9.4	9.3	36.8
<b>Total</b>	<b>59.5</b>	<b>60.8</b>	<b>239.0</b>

## Key exchange rates in euros

		Mar 31, 2021		Mar 31, 2020	
		Average rate	End rate	Average rate	End rate
Chinese Yuan	CNY	7.8367	7.6812	7.7329	7.7784
US Dollar	USD	1.2063	1.1725	1.1055	1.0956
British Pound	GBP	0.8764	0.8521	0.8580	0.8864
Australian Dollar	AUD	1.5683	1.5412	1.6833	1.7967

## Derivatives

### Fair values of derivative financial instruments

			Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
MEUR	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net	Fair value, net
Foreign exchange forward contracts and swaps	77.0	-53.5	23.5	10.9	-0.3

### Nominal values of derivative financial instruments

			Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
MEUR					
Foreign exchange forward contracts and swaps			4,565.1	3,081.7	3,790.3

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

The fair values are represented on the balance sheet on a gross basis and can be set off on conditional terms. 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 1,660.5 (Dec 31, 2020: 1,485.1) million as of March 31, 2021.

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



### Front and back cover reference images

Olderfleet is a 58,500sqm premium-grade building combining modern design with Melbourne's beautiful heritage. The commercial development, by Australian property group Mirvac, includes the latest thinking in smart technology, sustainability, and amenities. It is the first building in Australia to achieve a Platinum Core and Shell WELL Pre-Certification and is targeting a 6 Star Green Star, 5 Star NABERS energy rating, and 4 Star NABERS water rating.

Olderfleet's 25-metre high glass atrium showcases two KONE scenic lift cars, tailored to meet the building's needs. The innovative technology solutions include KONE UltraRope, Destination Control System, turnstiles, bespoke EIDs, DOP pedestals and leather car interiors, Hybrid JumpLift, KCE group controls, and remote call application. The full portfolio of KONE products and solutions ensure that this wonderful building offers the best People Flow experience for years to come.

### KONE CORPORATION

#### Corporate Office

Keilasatama 3  
P.O. Box 7  
FI-02150 Espoo Finland  
Tel. +358 (0)204 751  
[www.kone.com](http://www.kone.com)

#### For further information please contact:

Natalia Valtasaari  
Vice President,  
Investor Relations  
Tel. +358 (0)204 75 4705  
[www.kone.com](http://www.kone.com)

