



# KONE Q4 2023

Financial Statement Bulletin

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People Flow™

# KONE's January–December 2023 review:

Strong finish to the year

## October–December 2023

- Orders received grew by 5.4% to EUR 2,049.2 (10–12/2022: 1,944.2) million. At comparable exchange rates, orders grew by 10.5%.
- Sales declined by 3.5% to EUR 2,809.9 (2,911.5) million. At comparable exchange rates, sales grew by 0.7%.
- Operating income (EBIT) was EUR 362.1 (367.1) million or 12.9% (12.6%) of sales. The adjusted EBIT was EUR 358.6 (365.0) million or 12.8% (12.5%) of sales.\*
- Cash flow from operations (before financing items and taxes) was EUR 381.1 (33.3) million.

## January–December 2023

- Orders received declined by 6.1% to EUR 8,577.7 (1–12/2022: 9,131.3) million. At comparable exchange rates, orders declined by 1.4%.
- Sales grew by 0.4% to EUR 10,952.3 (10,906.7) million. At comparable exchange rates, sales grew by 5.0%.
- Operating income (EBIT) was EUR 1,200.1 (1,031.2) million or 11.0% (9.5%) of sales. The adjusted EBIT was EUR 1,248.4 (1,076.6) million or 11.4% (9.9%) of sales.\*
- Cash flow from operations (before financing items and taxes) was EUR 1,485.2 (754.7) million.
- The Board proposes a dividend of EUR 1.75 per class B share for the year 2023.

## Business outlook for 2024

KONE expects its sales to be stable or to grow slightly at comparable exchange rates in 2024. The improvement in adjusted EBIT margin is expected to continue in 2024, albeit with less tailwinds than in 2023.

\* KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–December 2023, items affecting comparability amounted to EUR 48.3 million including EUR 57.7 million costs recognized on restructuring measures and a positive effect of EUR 8.0 million recognized on completion of the sale of operations in Russia. In the comparison period, items affecting comparability included a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine as well as restructuring costs.

## Key figures

		10-12/2023	10-12/2022	Change	1-12/2023	1-12/2022	Change
Orders received	MEUR	2,049.2	1,944.2	5.4%	8,577.7	9,131.3	-6.1%
Order book	MEUR				8,715.7	9,026.1	-3.4%
Sales	MEUR	2,809.9	2,911.5	-3.5%	10,952.3	10,906.7	0.4%
Operating income	MEUR	362.1	367.1	-1.4%	1,200.1	1,031.2	16.4%
Operating income margin	%	12.9	12.6		11.0	9.5	
Adjusted EBIT <sup>1)</sup>	MEUR	358.6	365.0	-1.8%	1,248.4	1,076.6	16.0%
Adjusted EBIT margin <sup>1)</sup>	%	12.8	12.5		11.4	9.9	
Income before tax	MEUR	360.6	364.1	-1.0%	1,206.1	1,028.4	17.3%
Net income	MEUR	276.3	276.3	0.0%	931.6	784.5	18.8%
Basic earnings per share	EUR	0.53	0.53	0.4%	1.79	1.50	19.7%
Cash flow from operations (before financing items and taxes)	MEUR	381.1	33.3		1,485.2	754.7	
Interest-bearing net debt	MEUR				-1,013.4	-1,309.0	
Equity ratio	%				40.9	40.3	
Return on equity	%				33.0	25.9	
Net working capital (including financing items and taxes)	MEUR				-861.2	-903.9	
Gearing	%				-36.4	-45.7	

<sup>1</sup> KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In January–December 2023, items affecting comparability amounted to EUR 48.3 million including EUR 57.7 million costs recognized on restructuring measures and a positive effect of EUR 8.0 million recognized on completion of the sale of operations in Russia. In the comparison period, items affecting comparability included a charge for the impairment of assets and recognition of provisions for commitments in Russia and Ukraine as well as restructuring costs.

## Philippe Delorme, President and CEO:

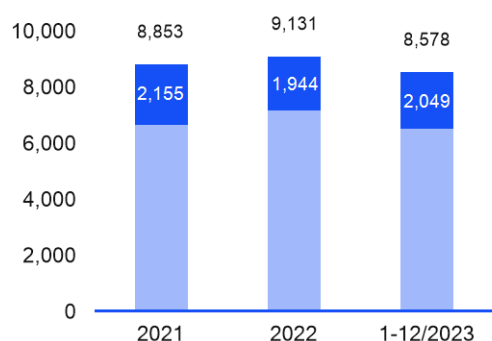
**"Our fourth quarter results underlined again the resilience of our business.** Despite the economic and geopolitical uncertainty in the world, nine out of KONE's twelve end-markets continue to grow. Our orders received grew by double-digits at comparable exchange rates with positive development across Areas and Businesses in the final quarter of 2023. Also, KONE's financial results were solid in the final quarter of 2023. The highlights for me were the continued strong growth in Service sales and the 20% sales growth in Modernization at comparable exchange rates. Importantly, we continued to also improve profitability, and cash generation was healthy.

**Overall, many things developed favorably in 2023.** We regained momentum in orders received, our sales grew by 5% at comparable exchange rates in a challenging market, we improved profitability with good cash conversion, and made great progress in sustainability. All of this gives us a solid starting point for 2024. In 2024, we expect sales to be stable or to grow slightly at comparable exchange rates. The improvement in adjusted EBIT margin is expected to continue, albeit with less tailwinds than in 2023.

**For me, 2024 will be a year of learning, and I will be spending most of my time traveling and meeting customers and KONE teams.** I see many unique and exciting opportunities for us to lead our industry, and we will raise the bar where we need to. I'm impressed by the strong culture and teams at KONE. The operating model renewal completed in 2023, will also help us execute our strategy with greater speed and attention to the differences between our geographical areas. With that, I'm confident that we will have a successful future and I'm excited to start our journey together."

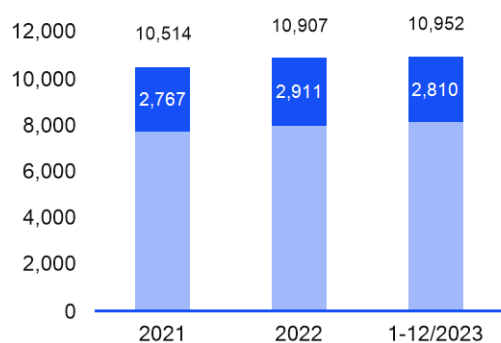
## Key Figures

### Orders received (MEUR)



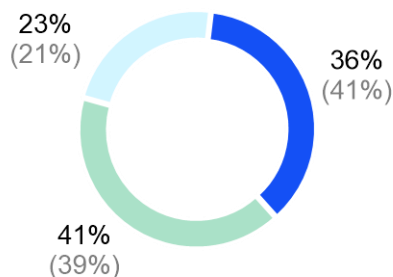
- **In October–December 2023**, orders received grew by 5.4% (at comparable exchange rates, orders received grew by 10.5%).
- At comparable rates, New Building Solutions orders received grew clearly with significant growth in the volume business and significant decline in major projects. All regions contributed to the growth in the volume business. In Modernization, orders received grew significantly with clear growth in the volume business and significant growth in major projects.
- The margin of orders received was stable year-on-year and compared to the previous quarter.
- **In January–December 2023**, orders received declined by 6.1% (declined by 1.4% at comparable exchange rates). The decline was largely driven by the weak New Building Solutions orders in China during the first half of the year, and the impact of increased interest rates and slowing economic growth to New Building Solutions orders in Europe and North America.

### Sales (MEUR)



- **In October–December 2023**, sales declined by 3.5% (grew by 0.7% at comparable exchange rates). Strong growth (at comparable exchange rates) across all regions in the Service and Modernization businesses compensated for the decline in New Building Solutions sales.
- New Building Solutions sales declined by 15.7% (declined by 11.1% at comparable exchange rates) mainly due to lower deliveries in China and Europe. Service sales grew by 5.0% (grew by 8.3% at comparable rates) and Modernization sales grew by 15.7% (grew by 19.5% at comparable rates).
- Sales in the EMEA region grew by 4.4% (grew by 6.8% at comparable rates). In the Americas region, sales grew by 3.7% (grew by 8.0% at comparable rates). In the Asia-Pacific region, sales declined by 15.3% (declined by 9.8% at comparable rates).
- **In January–December 2023**, sales grew by 0.4% (grew by 5.0% at comparable exchange rates), thanks to strong growth in Service and Modernization.

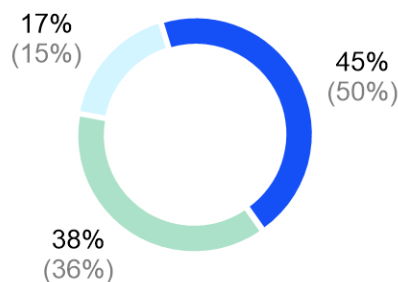
### Sales by region



■ EMEA ■ Americas ■ Asia-Pacific

1-12/2023 (1-12/2022)

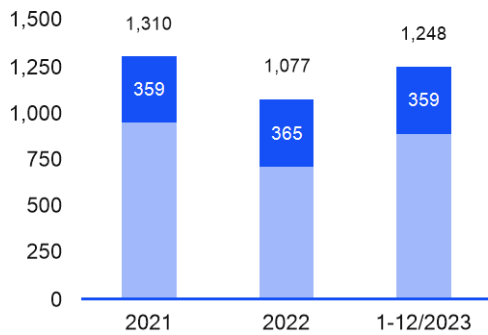
### Sales by business



■ New Building Solutions ■ Service ■ Modernization

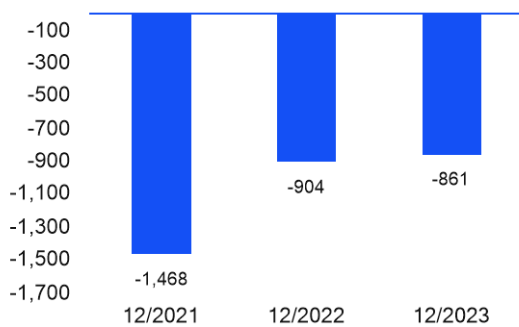
1-12/2023 (1-12/2022)

## Adjusted EBIT (MEUR)



- **In October–December 2023**, operating income was 12.9% of sales (10–12/2022: 12.6%). The adjusted EBIT margin was 12.8% (12.5%).
- With comparable exchange rates, the translation impact on operating income for the comparison period was EUR -14.4 million.
- **In January–December 2023**, operating income was 11.0% of sales (1–12/2022: 9.5%). The adjusted EBIT margin was 11.4% (9.9%).
- Profitability improved thanks to strong growth in Service and Modernization sales, better pricing on deliveries and lower material costs. Cost savings from operating model renewal contributed positively as well. Inflation was a headwind.
- Adjusted EBIT excludes costs of EUR 57.7 million recognized on restructuring measures and a positive effect of EUR 8.0 million recognized on completion of the sale of operations in Russia.

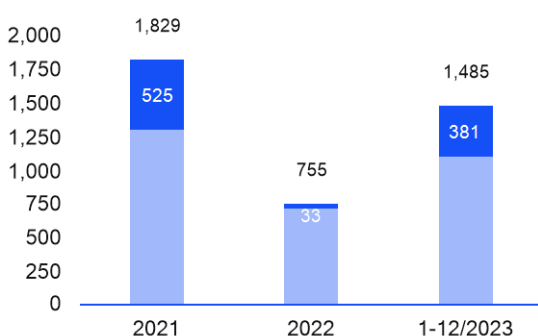
## Net working capital<sup>1</sup> (MEUR)



- **At the end of December 2023**, net working capital was broadly stable compared to the beginning of the year.
- Foreign exchange rates had an approximately EUR 37 million negative impact on the net working capital.

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

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



- **In October–December 2023** cash flow was EUR 381.1 million.
- Cash flow improved as the net working capital had only a slight negative impact.
- **In January–December 2023**, cash flow amounted to EUR 1,485.2 million.
- Cash flow was positively impacted by the increase in operating income and changes in net working capital.

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

# KONE's January–December 2023 review

## KONE's operating environment

	New Building Solutions market in units		Service market in units		Modernization market in monetary value	
	10-12/2023	1-12/2023	10-12/2023	1-12/2023	10-12/2023	1-12/2023
Total market	--	---	+	+	++	++
<b>EMEA</b>	-	---	+	+	+++	++
Europe	-	---	+	+	+++	++
Middle East and Africa	stable	+	+	+	++	+++
<b>North America</b>	---	---	+	+	+	+
<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%)

### October–December 2023

The global **New Building Solutions** market declined clearly during the fourth quarter as a result of higher interest rates and slowing economic growth in the more mature markets combined with continued challenging market dynamics in China. **In Asia-Pacific**, weak consumer sentiment weighed on demand in China. Elsewhere in the region, activity grew significantly with continued strong demand in India and Southeast Asia. Activity was mixed also in **the EMEA region**. Weakness in the residential markets drove a slight decline in Europe, while activity was stable in the Middle East and Africa. **In North America**, the market declined significantly.

Both the **Service** and **Modernization** markets developed positively with growth across all regions.

Intense competition continued to impact the **New Building Solutions pricing environment** in China, while elsewhere pricing was more stable. In the **Service** and **Modernization** markets, the pricing environment remained favorable.

### January–December 2023

Regional differences in demand trends were apparent **in the global New Building Solutions market** during 2023. In the more mature markets, sentiment was impacted by rising interest rates and slowing economic growth, while activity in many emerging markets was more favorable. **In China**, the focus on completing unfinished projects was strong throughout the year. New construction related key indicators saw some policy driven improvement in the first quarter but weakened thereafter. Property developers' access to financing remained constrained and consumer sentiment was poor. **In the rest of Asia-Pacific**, activity grew clearly, supported by strong development in India and recovery in Southeast Asia. **In the EMEA region**, activity declined significantly in Europe due to weakness in the residential segment and grew slightly in the Middle East and Africa. **In North America**, the market declined significantly.

Both the **Service** and **Modernization** markets developed positively with growth across all regions.

Competition remained intense in China, impacting the pricing environment. Outside China the **pricing environment** was more favorable.

## Orders received and order book

Orders received (MEUR)	10–12/2023	10–12/2022	Change	Comparable change <sup>1)</sup>	1–12/2023	1–12/2022	Change	Comparable change <sup>1)</sup>
Orders received	2,049.2	1,944.2	5.4%	10.5%	8,577.7	9,131.3	-6.1%	-1.4%

Order book (MEUR)	Dec 31, 2023	Dec 31, 2022	Change	Comparable change <sup>1)</sup>
Order book	8,715.7	9,026.1	-3.4%	0.1%

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

Orders received consist predominantly of New Building Solutions and Modernization orders. Service contracts are not included in orders received, but the figure includes orders related to the Service business, such as repairs.

### October–December 2023

Orders received grew by 5.4% as compared to October–December 2022 and totaled EUR 2,049.2 million. At comparable exchange rates, KONE's orders received grew by 10.5%.

At comparable rates, orders received in New Building Solutions grew clearly with significant growth in the volume business and significant decline in major projects. All regions contributed to the growth in the volume business. In Modernization, orders received grew significantly with clear growth in the volume business and significant growth in major projects.

The margin of orders received was stable year-on-year and compared to the previous quarter. In China, like-for-like new equipment prices declined clearly and mix was negative, but this was partially offset by lower product costs.

**Orders received in the EMEA region** grew clearly at comparable exchange rates as compared to October–December 2022. New Building Solutions orders were stable and Modernization orders grew significantly in the region.

**Orders received in the Americas region** grew clearly at comparable rates as compared to October–December 2022. New Building Solutions orders declined slightly and Modernization orders grew significantly.

**Orders received in the Asia-Pacific region** grew significantly at comparable rates as compared to October–December 2022. In China, New Building Solutions orders grew significantly in units and grew significantly in monetary value. In the rest of Asia-Pacific, New Building Solutions orders grew significantly. Modernization orders were stable in China and grew significantly in the rest of Asia-Pacific.

### January–December 2023

Orders received declined by 6.1% as compared to January–December 2022 and totaled EUR 8,577.7 million. At comparable exchange rates, KONE's orders received declined by 1.4%.

At comparable rates, orders received in New Building Solutions declined clearly with clear decline

in the volume business and clear decline in major projects. The decline was largely driven by the weak orders in China during the first half of the year, and the impact of increased interest rates and slowing economic growth to orders in Europe and North America. In Modernization, orders received grew significantly. Orders grew significantly in the volume business and grew significantly in major projects.

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

KONE's orders received in New Building Solutions in elevator and escalator units amounted to approximately 164,000 units (2022: approximately 172,000).

**Orders received in the EMEA region** grew clearly at comparable exchange rates as compared to January–December 2022. New Building Solutions orders declined slightly due to weaker activity in Europe. In the Middle East, New Building Solutions orders grew significantly. Modernization orders grew significantly in the region.

**Orders received in the Americas region** declined slightly at comparable rates as compared to January–December 2022. New Building Solutions orders declined significantly and Modernization orders grew significantly.

**Orders received in the Asia-Pacific region** declined clearly at comparable rates as compared to January–December 2022. In China, New Building Solutions orders declined slightly in units and declined significantly in monetary value. In the rest of Asia-Pacific, New Building Solutions orders grew significantly. Modernization orders grew significantly in China and grew clearly in the rest of Asia-Pacific.

**The order book** declined by 3.4% compared to the end of December 2022, nevertheless standing at a strong level of EUR 8,715.7 million at the end of the reporting period. At comparable rates, the order book grew by 0.1%.



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

## Sales

By region (MEUR)	10–12/2023	10–12/2022	Change	Comparable change <sup>1)</sup>	1–12/2023	1–12/2022	Change	Comparable change <sup>1)</sup>
EMEA	1,196.9	1,146.4	4.4%	6.8%	4,490.2	4,237.7	6.0%	9.0%
Americas	644.9	621.7	3.7%	8.0%	2,470.2	2,239.8	10.3%	12.6%
Asia-Pacific	968.2	1,143.4	-15.3%	-9.8%	3,991.9	4,429.2	-9.9%	-3.2%
<b>Total</b>	<b>2,809.9</b>	<b>2,911.5</b>	<b>-3.5%</b>	<b>0.7%</b>	<b>10,952.3</b>	<b>10,906.7</b>	<b>0.4%</b>	<b>5.0%</b>

By business (MEUR)	10–12/2023	10–12/2022	Change	Comparable change <sup>1)</sup>	1–12/2023	1–12/2022	Change	Comparable change <sup>1)</sup>
New Building Solutions	1,206.7	1,431.7	-15.7%	-11.1%	4,921.5	5,399.3	-8.8%	-3.1%
Service	1,069.0	1,017.9	5.0%	8.3%	4,127.0	3,890.4	6.1%	9.1%
Modernization	534.2	461.8	15.7%	19.5%	1,903.8	1,616.9	17.7%	21.2%
<b>Total</b>	<b>2,809.9</b>	<b>2,911.5</b>	<b>-3.5%</b>	<b>0.7%</b>	<b>10,952.3</b>	<b>10,906.7</b>	<b>0.4%</b>	<b>5.0%</b>

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

### October–December 2023

KONE's sales declined by 3.5% as compared to October–December 2022, and totaled EUR 2,809.9 million. At comparable exchange rates, KONE's sales grew by 0.7%. Strong growth (at comparable exchange rates) across all regions in Service and Modernization partly compensated for the decline in New Building Solutions sales.

New Building Solutions sales declined by 11.1% at comparable exchange rates mainly due to lower deliveries in China and Europe. Service sales grew by 8.3% at comparable exchange rates, thanks to service base growth, improved pricing and continued momentum in value-added services. Modernization sales grew by 19.5% at comparable exchange rates.

**Sales in the EMEA region** grew by 4.4% and totaled EUR 1,196.9 million. At comparable exchange rates, sales grew by 6.8%. New Building Solutions sales declined clearly, Service sales grew clearly and Modernization sales grew significantly in the region.

**In the Americas**, sales grew by 3.7% and totaled EUR 644.9 million. At comparable exchange rates, sales grew by 8.0%. New Building Solutions sales grew clearly, Service sales grew slightly and Modernization sales grew significantly in the region.

**In Asia-Pacific**, sales declined by 15.3% and totaled EUR 968.2 million. At comparable exchange rates, sales declined by 9.8%. New Building Solutions sales declined significantly due to lower deliveries in China. Elsewhere in the region New Building Solutions sales increased slightly. Service sales grew significantly and Modernization sales grew significantly in the region.

### January–December 2023

KONE's sales grew by 0.4% as compared to January–December 2022, and totaled EUR 10,952.3 million. At comparable exchange rates, KONE's sales grew by 5.0% as a result of the strong growth in

Service and Modernization sales. The sales consolidated from the companies acquired during 2023 did not have a material impact on KONE's sales for the financial period.

New Building Solutions sales declined by 3.1% at comparable exchange rates. Service sales grew by 9.1% at comparable exchange rates, thanks to service base growth, improved pricing and continued momentum in value-added services. Modernization sales grew by 21.2% at comparable exchange rates.

KONE's elevator and escalator service base continued to grow and was well over 1.6 million units at the end of 2023 (well over 1.5 million units at the end of 2022).

The growth of the service base was driven, in particular, by a continued good level of conversions of new equipment deliveries to the service base. Bolt-on acquisitions had a positive contribution to the growth. In 2023, the balance of service contracts that were won from or lost to competition was slightly negative.

The largest individual countries in terms of sales were China (~26%), the United States (19%), Germany (7%) and France (6%).

**Sales in the EMEA region** grew by 6.0% and totaled EUR 4,490.2 million. At comparable exchange rates, sales grew by 9.0%. New Building Solutions sales were stable, Service sales grew clearly and Modernization sales grew significantly in the region.

**In the Americas**, sales grew by 10.3% and totaled EUR 2,470.2 million. At comparable exchange rates, sales grew by 12.6%. New Building Solutions sales grew significantly, Service sales grew clearly and Modernization sales grew significantly in the region.

**In Asia-Pacific**, sales declined by 9.9% and totaled EUR 3,991.9 million. At comparable exchange rates, sales declined by 3.2%. New Building Solutions sales declined clearly due to lower deliveries in China. Elsewhere in the region

New Building Solutions sales grew significantly.  
Service sales grew clearly and Modernization sales  
grew significantly in the region.

## Financial result

	10-12/2023	10-12/2022	Change	1-12/2023	1-12/2022	Change
Operating income, MEUR	362.1	367.1	-1.4%	1,200.1	1,031.2	16.4%
Operating income margin, %	12.9	12.6		11.0	9.5	
Adjusted EBIT, MEUR	358.6	365.0	-1.8%	1,248.4	1,076.6	16.0%
Adjusted EBIT margin, %	12.8	12.5		11.4	9.9	
Income before taxes, MEUR	360.6	364.1	-1.0%	1,206.1	1,028.4	17.3%
Net income, MEUR	276.3	276.3	0.0%	931.6	784.5	18.8%
Basic earnings per share, EUR	0.53	0.53	0.4%	1.79	1.50	19.7%

### October–December 2023

KONE's operating income (EBIT) was EUR 362.1 million or 12.9% of sales. The adjusted EBIT was EUR 358.6 million or 12.8% of sales. Profitability improved thanks to strong growth in Service and Modernization sales, better pricing in deliveries and lower material costs. Cost savings from operating model renewal contributed positively as well. The decline in New Building Solutions' delivery volumes impacted fixed cost absorption negatively and inflation was a headwind.

In October–December 2023, items affecting comparability included a positive effect of MEUR 5.8 million recognized on completion of the sale of operations in Russia and minor costs related to the restructuring measures.

With comparable exchange rates, the translation impact on operating income for the comparison period was EUR -14.4 million.

Basic earnings per share was EUR 0.53.

### January–December 2023

KONE's operating income (EBIT) was EUR 1,200.1 million or 11.0% of sales. The adjusted EBIT was EUR 1,248.4 million or 11.4% of sales. Profitability improved thanks to strong growth in Service and Modernization sales, better pricing on deliveries and lower material costs. Cost savings from operating model renewal contributed positively as well. Inflation was a headwind.

In January–December 2023, items affecting comparability amounted to EUR 48.3 million including EUR 57.7 million costs recognized on restructuring measures and a positive effect of EUR 8.0 million recognized on completion of the sale of operations in Russia. KONE completed the sale of its Russia operations in October 2023.

With comparable exchange rates, the translation impact on operating income for the comparison period was EUR -37.5 million.

KONE's income before taxes was EUR 1,206.1 million. Taxes totaled EUR 274.6 (244.0) million. This represents an effective tax rate of 22.8% for the full financial year. Net income for the period was EUR 931.6 million.

Basic earnings per share was EUR 1.79.

## Cash flow and financial position

	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Cash flow from operations (before financing items and taxes), MEUR	381.1	33.3	1,485.2	754.7
Net working capital (including financing items and taxes), MEUR			-861.2	-903.9
Interest-bearing net debt, MEUR			-1,013.4	-1,309.0
Gearing, %			-36.4	-45.7
Equity ratio, %			40.9	40.3
Equity per share, EUR			5.32	5.49

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

Cash flow from operations (before financing items and taxes) during January–December 2023 improved to EUR 1,485.2 million due to the increase in operating income and changes in net working capital.

Net working capital (including financing items and taxes) was EUR -861.2 million at the end of

December 2023. Compared to the beginning of the year net working capital was broadly stable. Foreign exchange rates had an approximately EUR 37 million negative impact.

Interest-bearing net debt was EUR -1,013.4 million at the end of December 2023. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 1,688.4 (Dec 31, 2022: 1,970.4) million at the end of the reporting

period. Interest-bearing liabilities were EUR 687.8 (Dec 31, 2022: 673.9) million, including a pension liability of EUR 132.9 (Dec 31, 2022: 140.0) million and a leasing liability of EUR 349.1 (Dec 31, 2022: 324.0) million. Additionally, KONE had an asset on

employee benefits, EUR 9.2 (Dec 31, 2022: 10.0) million. Gearing was -36.4% and the equity ratio was 40.9% at the end of December 2023.

Equity per share was EUR 5.32.

## Capital expenditure and acquisitions

MEUR	10-12/2023	10-12/2022	1-12/2023	1-12/2022
On fixed assets	62.2	37.3	161.2	101.7
On leasing agreements	53.6	35.0	161.1	107.5
On acquisitions	1.8	2.9	190.3	28.1
<b>Total</b>	<b>117.6</b>	<b>75.2</b>	<b>512.7</b>	<b>237.4</b>

KONE's capital expenditure and acquisitions totaled EUR 512.7 million in January–December 2023.

Capital expenditure excluding acquisitions was mainly related to manufacturing and R&D facilities, IT licenses as well as tools and equipment in R&D. Most of the investments in manufacturing related to strengthening KONE's supply chain resilience.

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

Acquisitions totaled EUR 190.3 million in January–December 2023. KONE completed several predominantly service-related acquisitions in Europe and acquired a distributor in the Middle East.

## Research and development

	10-12/2023	10-12/2022	Change	1-12/2023	1-12/2022	Change
R&D expenditure, MEUR	43.9	50.3	-12.7%	185.0	187.8	-1.5%
As percentage of sales, %	1.6	1.7		1.7	1.7	

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

Research and development expenditure totaled EUR 185.0 million, representing 1.7% of sales in January–December 2023. R&D expenditure includes the development of new products and service concepts as well as further development of existing solutions and services.

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

During the fourth quarter, a new state-of-the-art R&D facility, including an elevator test tower and labs, became operational near Chennai in India. The engineering excellence will be leveraged for escalator production, subsequently increasing the resilience of our supply chain.

During 2023, KONE was granted the ISO 27001 cybersecurity certification for its digital services which complements the IEC 62443 cybersecurity certification for KONE DX class elevators. The ISO 27001 certification covers KONE 24/7 Connected Services, KONE Online and KONE Mobile solutions, and KONE's API Ecosystem and IoT Platform. KONE was the first in the global elevator and escalator industry to be awarded both the IEC 62443 and ISO 27001 certifications. Certifications showcase KONE's continuous commitment to ensuring that all innovation on our connected products and services meet the relevant customer and regulatory cybersecurity requirements and are sustainable also going forward.

## Non-financial information

Sustainability is a source of innovation and a competitive advantage for KONE. We want to be the most trusted partner to our customers throughout the building life cycle and help them achieve their sustainability objectives, creating better urban environments. At KONE, sustainability covers our offering, operations and culture and encompasses the environmental aspect, diversity and inclusion, safety, quality and ethics and compliance. Our strategy and values reflect our commitment to sustainable practices.

KONE conducts its business in a responsible and sustainable way, and we expect the same commitment from all our partners. We are committed to complying with the laws and regulations of the countries in which we operate. KONE is a member of the UN Global Compact and dedicated to upholding its ten principles, which are aimed at promoting sustainability and fairness in the business environment. The principles are embedded in our strategy, policies and procedures, such as KONE's Code of Conduct, Human Rights Policy, Anti-Bribery and Corruption Policy, Competition Compliance Policy, and Climate and Environmental Excellence Program, as well as in related processes. In addition, KONE supports the UN Sustainable Development agenda and its goals. KONE has also signed the Paris Pledge for Action climate initiative and, in 2020, set Science Based Targets for reducing emissions in its own operations, offering and the value chain by 2030, showing climate leadership and commitment to limiting global warming to 1.5 degrees celsius in accordance with the Paris Climate Agreement. KONE applies the Task Force on Climate-related Financial Disclosure (TCFD) reporting principles in order to report about climate-related financial risks and opportunities. The table on this text maps the pages of the report where disclosures according to TCFD requirements can be found.

KONE's previous materiality assessment was conducted in 2019-2020. In 2023, we initiated the revision of the assessment with all key internal stakeholders based on the future reporting requirements such as Corporate Sustainability Reporting Directive (CSRD). Results will be published in 2025.

KONE's strategy and business model are described on pages 5–7 of KONE's Annual Review 2023. Risks and risk management related to the matters below are described in the section 'Risks and risk management related to the reporting of non-financial information.'

### KONE's Sustainability Report 2023

- Will be published during Q2 2024
- In the report, you can find more detailed information about sustainability

More information on KONE's approach to sustainability can be found in the Sustainability Report, which is prepared according to GRI Standards. KONE published its Sustainability Report for 2022 in the second quarter of 2023. KONE's Sustainability Report for 2023 will be published during the second quarter of 2024.

### Management and Board of Directors' oversight of sustainability

KONE has integrated the management of non-financial matters and sustainability into operations throughout the organization. KONE's management and supervisors work to ensure that employees are familiar with and comply with the legislation, regulations, and internal operating guidelines of their respective areas of responsibility, and that KONE's products and services are in full compliance with all codes and standards applicable to them.

Ultimately, sustainability and its management are the responsibilities of KONE's President and CEO and the Executive Board. KONE's Executive Board discusses sustainability topics, including e.g. environmental, social and compliance topics, in each meeting given the strong emphasis on sustainability in KONE's strategy 'Sustainable Success with Customers'. Furthermore, KONE has established forums where sustainability and climate-related topics are regularly discussed. At the end of 2023 these forums included the Safety, Quality, Environment and Sustainability Board and the Offering & Technology Board, both chaired by KONE President and CEO. Both committees consist of Executive Board level members. KONE also has a Sustainability Disclosure Board, which steers the development of KONE's sustainability disclosure practices. It is chaired both by the Executive Vice President of Supply Chain and Chief Financial Officer. The members of the Sustainability Disclosure Board include Vice President of Sustainability & Environment and Vice President of Compliance and Human Rights, Corporate Controller, as well as senior experts from the investor relations, assurance, environmental, communications and corporate controlling functions. KONE global business lines and functions share with area organizations a common roadmap for creating value for customers through sustainability. KONE's global business lines and areas have a regular cadence on reviewing sustainability related advancements in continuous improvement team meetings.

KONE's Board of Directors is responsible for overseeing and supervising the implementation of KONE's strategy, including sustainability topics and climate change issues. The Board also reviews risks and risk management, including environmental, social and anti-corruption matters. In addition, the Board and its Nomination and Compensation Committee review and approve the sustainability related key performance indicator in the share-

based long-term incentive plan and monitor KONE's progression against it.

## External recognitions

KONE has received external recognition for its efforts to conduct business in a sustainable way.

KONE was ranked among Corporate Knights' 2023 100 Most Sustainable Corporations in the World. Global 100 companies represent the top echelon in the world on sustainability performance. Moreover, KONE was again included in the FTSE4Good index as well as in CDP's Climate Change A List 2022 among the top climate change performers. CDP is an international not-for-profit organization that runs a global disclosure system that enables companies, cities, states, and regions to measure and manage their environmental

impacts. This is the tenth consecutive year that KONE has achieved a leadership score of A or A- in the Climate Change rating, which demonstrates our long-term commitment to environmental work and sustainability. KONE was also awarded A- score in CDP's 2022 Supplier Engagement Rating, recognizing companies for supplier engagement on climate topics. In addition, KONE was awarded Gold medal in the annual EcoVadis sustainability performance assessment covering environment, labor and human rights, ethics and sustainable procurement. This places KONE in the top 5% of all companies assessed in 2023.

On top of the above, KONE was once again awarded as one of the best employers in the world by Forbes business magazine on their Forbes 2023 World's Best Employers list.

## Non-financial key performance indicators

	Key performance indicator	Target	2023 results	2022 results
Environmental matters	Greenhouse gas emissions from own operations (Scope 1 and 2) <sup>1)</sup>	Long-term target (2030): 50% reduction in absolute emissions from 2018, carbon neutral operations  Carbon neutral manufacturing units (end of 2024)  2023 target: 17% reduction in Scope 1 and 2 absolute carbon footprint from 2018 and 21% reduction in Scope 1 and 2 absolute carbon footprint from 2019 (comparable reporting scope)	Will be published in the Sustainability Report during Q2 2024  Carbon neutral manufacturing units achieved 18 months ahead of schedule by the end of Q2/2023	21%
	Product-related greenhouse gas emissions (Scope 3) <sup>1)</sup>	Long-term target (2030): 40% reduction in product-related Scope 3 emissions relative to ordered products	Will be published in the Sustainability Report during Q2 2024	KONE's product and value chain emissions (Scope 3) relative to ordered products decreased by 4.7% compared to 2021 and by 4.3% compared to 2018.
	Share of renewable electricity used in our facilities, %	Long-term target (2030): 100% 2025 target: 80% 2022 target: 75%	Will be published in the Sustainability Report during Q2 2024	84%
	Share of key suppliers ISO 14001 certified, %	100%	100%	100%
	Share of landfill waste at our manufacturing units, %	0% by 2030	Will be published in the Sustainability Report during Q2 2024	0.2%
	Number of products covered by Environmental Product Declarations	20 by 2023	21	17
Personnel and social matters	Industrial Injury Frequency Rate (IIFR) <sup>2)</sup>	Zero injuries	IIFR 1.1	IIFR 1.4
	Employee engagement	Maintain employee engagement on a strong level	No employee engagement survey run in 2023	Results remained clearly above the global norm
	Personnel voluntary turnover rate, % <sup>3)</sup>	Maintain voluntary turnover below market level	7.9%	7.9%
	Share of women in director level positions, %	35% of director level positions occupied by women by 2030	25.2%	23.5%
	Average learning hours per employee	>40 hours per year	33	35
Human rights, anti-corruption & bribery	% of total employees who have completed at least one ethics & compliance training during the year	92%	85%	53%  Planned global training was delayed due to Russian sanctions work and COVID-19
	% of KONE's overall external spend that is covered by KONE Supplier Code of Conduct or equivalent accepted by KONE	85%	86%	86%
	% of distributors who have signed the Distributor Code of Conduct	100%	92%	42%  As of 2022, we track the share of distributors who have signed the 2018 or 2021 version of the Distributor Code of Conduct

<sup>1)</sup> The greenhouse gas emissions from our own operations and value chain have been calculated in accordance with ISO 14064 and the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The Scope 2 emissions have been calculated according to the dual reporting principles of the GHG Protocol Scope 2 Guidance (market- and location-based method).

<sup>2)</sup> The number of lost time injuries of one day or more, per million hours worked

<sup>3)</sup> Sum of voluntarily left employees (with permanent contract) over 12 months divided by average closing headcount over 12 months



## KONE's climate related disclosures according to TCFD

	TCFD recommended disclosures	Content in KONE's report
Governance	Board's oversight of climate-related risks and opportunities	Non-financial information / Management and Board of Directors' oversight of sustainability, p. 14
	Management's role in assessing and managing climate-related risks and opportunities	Non-financial information / Management and Board of Directors' oversight of sustainability, p. 14
Strategy	Climate-related risks and opportunities over the short, medium and long term	Non-financial information / Environmental matters, p. 18  Risks and risk management related to the reporting of non-financial information, p. 30
	Impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Strategy, KONE's Annual Review, p. 5  Risks and risk management related to the reporting of non-financial information, p. 30
	Resilience of strategy, taking into consideration different climate-related scenarios	Risks and risk management related to the reporting of non-financial information, p. 30
Risk management	Processes for identifying and assessing climate-related risks	Risks and risk management related to the reporting of non-financial information, p. 30
	Processes for managing climate-related risks	Risks and risk management related to the reporting of non-financial information, p. 30
	How processes for identifying, assessing and managing climate-related risks are integrated into the organizations overall risk management	Risks and risk management related to the reporting of non-financial information, p. 30
Metrics and targets	Metrics used to assess climate-related risks and opportunities	Non-financial information / Key performance indicators, p. 16
		Non-financial information / Environmental matters, p. 18
	Scope 1, Scope 2 and Scope 3 emissions and the related risks	Non-financial information / Key performance indicators, p. 16
		Non-financial information / Environmental matters, p. 18
Targets used to manage climate-related risks and opportunities and performance against targets	Non-financial information / Key performance indicators, p. 16	
	Non-financial information / Environmental matters, p. 18	

## Environmental matters

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

We have defined our environmental ambition and objectives as well as our commitment to environmental sustainability in all activities in our Environmental Policy, which is publicly available at [kone.com](https://www.kone.com).

In 2023, KONE became the first in the industry to achieve carbon neutral manufacturing units globally. KONE reached this major milestone 18 months ahead of schedule, when KONE's manufacturing units became carbon neutral at the end of the second quarter of 2023. This achievement showcases KONE's dedication to its climate pledge and ensuring best-in-class supply chain operations globally. KONE has ten manufacturing units in seven countries across the globe. All of them have actively worked to reduce their scope 1 & 2 greenhouse gas (GHG) emissions by 71% compared to the 2018 baseline. As part of scope 1 emission targets, KONE is constantly investing in energy efficiency and working on transitioning to electric vehicles in all its manufacturing units. KONE has invested in heating, ventilation and air condition systems to increase energy savings. Additionally, to enhance energy efficiency, investments have been made into manufacturing line robotics and automation. In eight out of ten factories, forklifts have been replaced with electric powered forklifts, and most of the remaining diesel-powered forklifts are now powered by biofuels. Additionally, KONE has installed solar panels in nine out of ten of its manufacturing units, and all units have been purchasing 100% renewable electricity since the beginning of 2023. Two manufacturing units have switched to green district heating partners. The remaining carbon emissions are compensated through a third-party partner.

In 2023, KONE participated in the first ever Finnish Pavilion in the 28th Conference of the Parties (COP28) in Dubai. Together with partners from both public and private sectors, KONE organized and participated in several events all aimed to speed up green and sustainable transformation in cities globally. As success of 'actions over words', KONE showcased its achievement with carbon neutral manufacturing units.

Our Climate and Environmental Excellence Program covers four focus areas: partner with customer, offering, operations and mindset and behavior. In line with our Environmental Policy, we develop smart and sustainable technologies for People Flow® and aim to be the preferred partner for environmentally sustainable urban environments. We drive transformation towards sustainable, circular and carbon neutral operations, and engage our employees, customers, suppliers and partners on climate and environmental action. KONE Code of Conduct, Supplier Code of Conduct, Distributor Code of Conduct and KONE Global Vehicle Fleet, Facility and Travel Policies also set out environmental

requirements relevant to the operations of KONE or our partners.

KONE has a climate pledge with science-based targets for significant greenhouse gas emissions reductions. We are committed to a 50% cut in the emissions from our own operations (scope 1 and 2 emissions) by 2030, compared to a 2018 baseline and pledged to have carbon neutral operations by 2030. This target is in line with limiting global warming to 1.5°C, which is currently the most ambitious criteria for setting science-based targets. Additionally, we target a 40% reduction in the emissions related to our products' materials and lifetime energy use (scope 3 emissions) over the same period, relative to orders received. KONE was the first to validate its science-based targets against the latest climate science in the elevator and escalator industry and KONE's targets are among the most ambitious in the industry to date. With our climate pledge, we are taking even stronger action and leading the way in our industry to create more sustainable urban environments.

We are working actively together with our suppliers to cut emissions, increase the use of sustainable materials and limit the use of hazardous substances. We screen our suppliers' performance in terms of their environmental and social responsibility with our Supplier Sustainability Assessment. In addition to more advanced criteria, the assessment includes the basic criteria that must be met in order to continue doing business with KONE.

Most of KONE's environmental figures for 2023 will be published in the Sustainability Report during the second quarter of 2024.

### KONE's sustainable offering

Requirements for smart and sustainable materials, solutions and buildings are increasing. We see these shifts in demand as a growth opportunity and want to be the preferred partner for our customers. To further understand the emerging needs and technologies in sustainable, resilient urban environments and people's behavior in them, we actively participate in large-scale research projects and consortiums.

Our innovations can have a significant role in advancing climate action. We support smart and sustainable construction through our energy efficient and innovative offering, functional and sustainable materials, as well as transparent documentation about our products' environmental impacts. Lifetime energy consumption is one of the main considerations in green buildings and it is also the single most significant environmental impact of KONE's products overall. This underlines the importance of eco-efficient solutions.

We launched the first carbon neutral elevator in the industry in 2022. In 2023, we continued to develop our sustainable offering by introducing a carbon neutral escalator. Now our customers can choose a carbon neutral option of both highly energy efficient KONE DX Class elevator and KONE escalator (TM110/TM110T) for which embodied carbon emissions until the handover (including emissions from materials,

manufacturing, logistics and installation) are compensated. We follow a three-step approach to reach carbon neutrality: measure, reduce, and compensate. We measure and communicate our product carbon footprint in our Environmental Product Declarations (EPDs). We actively reduce our carbon emissions in line with KONE's Climate Pledge, KONE's environmental guidelines and overall emission reduction targets. The remaining carbon emissions are compensated through a third party – South Pole.

In 2023, we expanded our carbon neutral service to new markets (first launched in 2021) to support our customers in reaching their ambitious climate targets throughout the building lifecycle. During the reporting year, we have made energy savings visible for customers with updated energy consumption reports in the Modernization business. We were also the first in our industry to publish the partial modernization EPD promoting circularity and life cycle understanding in existing building market.

We currently have 36 best-in-class energy efficiency references for our elevator and escalator platforms according to the international ISO 25745 standard for the energy performance of lifts, escalators and moving walks.

Several KONE solutions have received external recognition for their environmental performance. During 2023, we received Singapore Green Building Product (SGBP) certifications for elevators such as KONE N MonoSpace DX, KONE S Monospace DX, KONE 3000 MiniSpace™, KONE TranSys™, and KONE TravelMaster™ 110 escalator. KONE currently has nine SGBP certifications with the highest 'Leader' ratings. KONE was the first elevator and escalator company to achieve such top ratings in the vertical transportation category. The SGBP certified solutions are recommended for Green Mark certified buildings.

In 2023, KONE also received the Green Label certification in Malaysia from MyHIJAU (Malaysia's Green recognition scheme) for KONE N MonoSpace®, KONE N MiniSpace™, KONE MiniSpace™, KONE TranSys™ and KONE 3000 S Monospace® elevators and KONE TravelMaster™ 110 and KONE TransitMaster™ 140 escalators. MyHIJAU Mark is endorsed by the Government of Malaysia, bringing together certified products and services that meet local and international environmental standards under one single mark.

During 2023, KONE received Byggarbetsnämningen (BVB) approvals for nine products. BVB is a nonprofit organization that evaluates solutions for buildings and drives the use of sustainable building materials.

Important achievements were also made in transparent communication about the environmental impacts of our products with EPDs published for a total of four of our solutions, including two EPDs for modernization solutions. EPDs were published for KONE MiniSpace™ DX HighRise elevator with Steel Rope and KONE TransitMaster™ 120 escalator as well as for full replacement solution of KONE NanoSpace™ DX and partial modernization solution of KONE MonoSpace® Upgrade DX. At the end of 2023, KONE had 21 third party verified EPDs in line with EN15804. Our EPDs cover the most sold elevator platforms from low- to high-rise. KONE also holds a total of eight

Health Product Declarations (HPDs), of which three were published in 2023, namely for TranSsys™ DX elevator and TravelMaster™ 110 and TransitMaster™ 120 escalators.

## Own operations

During the first quarter of 2023, we finalized the calculations of our 2022 carbon footprint. KONE's total carbon footprint data (Scope 1, 2 and 3 GHG emissions) have been externally assured. In 2022, KONE's target was to reduce its operational carbon footprint (Scope 1 and 2) by 16% compared to 2018. This target was exceeded as our overall operational carbon footprint decreased by 17% compared to 2018. To reflect the expansion of our operations, we also measure comparable carbon footprint scope which decreased by 21% in 2022 compared to 2019. The largest individual factor contributing to the reduction of Scope 1 and 2 GHG emissions was the increased use of renewable electricity in our facilities. KONE is committed to reducing electricity consumption in its own operations and has set a target to increase the share of electricity from renewable sources to more than 80% by the end of 2022 and to 100% by 2030. In 2022, we exceeded our green electricity target as electricity from renewable sources accounted for 84% of all our electricity consumption, up from 80% the previous year (2021). Apart from India, all our manufacturing units use only on-site generated or purchased renewable electricity.

Furthermore, many KONE subsidiaries continued to transition their vehicle fleets. We are continuously reducing our fuel consumption by transforming our vehicle fleet with electric cars and reducing the number of driven kilometers with service plans optimization, connectivity, and remote troubleshooting. For example, in our service operations, KONE continues to use e-cargo bikes and e-scooters, while replacing old motorcycles with new, electric ones in Hong Kong. At the end of 2022, 31% of our car fleet in Norway and over 13% in the Netherlands comprised of electric vehicles. Good progress was made in 2023 towards achieving our target of reducing GHG emissions in our own operations (Scope 1 and 2).

The vast majority of emissions associated with KONE's activities are generated outside of our immediate operations in the value chain, particularly by our products' lifetime energy consumption and material use. In 2022, our product- and value chain-related Scope 3 GHG emissions decreased by 4.7% compared to 2021 and by 4.3% compared to 2018, relative to ordered products. One of the major contributing factors was our products' further improved energy efficiency. As an example, this was achieved through an increased share of energy efficient electrification systems and regenerative drives in the elevators ordered. Furthermore, in 2022 a larger share of our customers' buildings was located in countries that increased the share of renewable energy in their national electricity production, thus emitting fewer GHG emissions. We are constantly improving our product-related Scope 3 GHG emissions calculations as we work with our suppliers and partners for more transparent and efficient data collection. In 2023, we continued to invest in our

supplier sustainability, strengthening our organization but also our collaboration with our key suppliers.

We have also set a separate target of 4% annual reduction in our Scope 3 logistics carbon footprint relative to units delivered. In 2022, our logistics GHG emissions increased by 3.5% relative to units delivered as compared to the previous year. In terms of waste, our long-term target of 0% landfill waste from our manufacturing units by 2030 remains in place. In 2022, we were already at a low level of 0.2% (2021: 0.4%).

KONE has a long-term (2030) and annual biodiversity target stating that KONE manufacturing units must not be located in or near UNESCO World Heritage sites, Nature 2000 or other conservation parks or biodiversity sensitive areas. In 2023, KONE met the target. In 2023, KONE participated in UN Global Compact Science based target for Nature training program which helps companies to strengthen their biodiversity work by using science-based best practices and enhance strategies to achieve nature-related goals. Additionally, biodiversity leadership program was completed by selected KONE employees.

KONE uses the ISO 14001 environmental management system to enhance its environmental performance. It covers our corporate units, including all R&D and manufacturing units as well as 32 major country organizations. Three KONE manufacturing units have ISO 50001 energy management system certification. At the end of 2023, 100% (2022: 100%) of our key suppliers were ISO 14001 certified, our target being 100%.

An increasing trend in customer demand is the focus on wooden buildings. To accommodate this, KONE's manufacturing unit in Finland continues to hold the FSC® (Forest Stewardship Council) Chain of Custody certification, providing credible assurance that elevators manufactured in this unit come with wooden components from environmentally and socially responsible sources. KONE's subsidiaries in Great Britain and Northern Ireland continue to hold the FSC® Chain of Custody certification, meaning that customers can now be provided this assurance for the full delivery chain for elevators installed in these countries.

## Personnel and social matters

KONE employees	1-12/2023	1-12/2022
Average number of employees	63,164	63,186
<b>Number of employees at the end of period</b>	<b>63,536</b>	<b>63,277</b>
EMEA	23,583	23,628
Americas	7,625	7,442
Asia-Pacific	32,328	32,208

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

### Operating model renewal and its impact on the way we work

In January 2023, KONE announced plans to renew its operating model to strengthen its competitiveness and customer focus in a changing operating environment. The objective was to drive KONE's strategy forward with greater speed and efficiency and operate more closely with customers, through stronger geographic Areas. The changes were initially estimated to result in the reduction of approximately 1,000 jobs globally. The new organizational structure was implemented on July 1, 2023. At that time, the changes in KONE's Executive Board became effective and new governance and business performance management models were taken into use. The operating model will be further defined through continuous development after the program. Actions targeting the 100 MEUR fixed cost savings were completed by the end of 2023.

### Diversity, equity and inclusion

We actively drive diversity at KONE, and our values guide us in upholding an inclusive culture. We follow diversity globally from several perspectives, including industry background, competence and gender. As one of the Diversity, Equity and Inclusion (DEI) specific goals, we have committed to making a step-change in the share of women at director level and increase it to 35% by 2030. In 2023, the share of women in director level positions increased to 25.2 % from 23.5% in 2022. Most of our employees are men representing 88% (89%) of our people globally. We continue our efforts towards achieving a more balanced gender split in all levels of the organization. During the reporting year, KONE's

workforce included 152 (151) nationalities. To strengthen our global approach and deepen our customer and market insights, we also have goals to increase cultural diversity in our global functions.

In 2023, we continued to engage our senior leaders in a DEI learning journey to pave the way for a more inclusive culture. We also continued to strengthen DEI maturity in our countries through various actions, from transparent communication to data-driven decision-making and more inclusive talent practices and culture. We celebrated International Women's Day and Pride month, and continued collaboration with our Women's Employee Resource Group (SPARK) and our LGBTIQ+ Employee Resource Group (#fromKONEwithPride), with the aim to continuously improve our employees' inclusion experience through open discussion and positive actions. We continued our partnership with Workplace Pride to learn more about LGBTIQ+ workplace inclusion and increased our Workplace Pride Global Benchmark by 7% from 2022.

Our focus on driving DEI is visible also in KONE's share-based long-term incentive plan's sustainability metric, which includes diversity related targets.

### KONE culture & employee engagement

During 2023, we continued developing KONE's culture to ensure that it supports our strategic targets. We focused on embedding cultural development into existing processes and transformational activities, namely our employee journey, programs, and leadership development. We also continued raising awareness of the role each employee plays in contributing to the success of our strategy with their actions and behaviors and utilizing our Culture Playbook to invite everyone at KONE to take part in developing our ways of thinking and working together.

Fostering employee well-being is a key factor in making KONE a great place to work and our care for our employees is reflected in our culture and values. Well-being is steered through global well-being strategy, and well-being agenda in the countries is driven by KONE Elevate Your Health frame which includes supporting physical, emotional, financial, and social well-being.

KONE promotes flexible working arrangements and in 2023 we increased our flexible working possibilities for example by offering our employees the possibility for hybrid working, flexible working time and compressed workweek. We believe that

flexibility is about creating sustainable working practices that enable employees to have a better work-life balance and build long-term careers with us.

KONE hosts a European Employee Forum annually to bring together employee representatives and top management to discuss issues ranging from safety to business development. A smaller working group meets two to four times a year to ensure continuous discussion on important developments affecting our employees. In 2023, topics covered in the Employee Forum included regular business updates and discussions about the 'Sustainable Success with Customers' strategy. Specific focus areas included the operating model renewal and developing the work of service technicians as well as safety, sustainability and quality.

## Learning and development

In 2023, learning and development focused on ensuring that our professionals on the field, in sales and with leadership accountabilities have the needed skills and competences to best perform in their jobs. With continuous competence development we have an impact on employees' safety, well-being and retention at KONE.

Most of the training, especially for our field colleagues, is delivered by field trainers on job sites. We also offer a wide range of digital, gamified and virtual reality enabled learning solutions for self-study as well as blended learning opportunities for face-to-face training. During 2023, formal learning hours per employee were more than 30 globally.

In 2023, we also focused on leadership development especially due to the operating model renewal. Leaders and managers were provided with a wide selection of learning opportunities on a variety of topics, such as change management, handling difficult discussions, and leading in turbulent times. In addition, leaders were provided with tools and support in setting up their new teams.

Global learning dashboard was launched in 2022 and during 2023 it was complemented by field training related priority learning solutions completion data to increase transparency. Nurturing a learning culture continued, and employees were encouraged to take responsibility of their own development through regular performance discussions, by expressing their career and development aspirations, and by preparing individual development plans.

## Talent attraction

A key focus area within KONE people strategy is attracting the best talent by providing a great employee experience.

Recruitment volumes dropped during the first half of 2023 due to the operating model renewal but returned to normal levels by the end of the year. Targeting new competencies and increasing diversity through recruitment continued to be one of KONE's key focus areas. Our efforts to increase diversity through recruitment resulted in a large number of applicants and hires from outside of the

elevator and escalator industry and from our customer industries. We were also able to recruit an increasing number of people with new competencies such as digitalization and solution selling. Systematic activities around talent attraction and building talent pipelines have helped us keep our time-to-hire and quality of hires on a good level despite the increasingly challenging talent market.

In 2023 we also continued to build KONE's employer brand through active school collaboration by providing early career opportunities through more than 2,000 apprenticeships and offered local trainee positions for university students.

## Safety

Safety is our highest priority. We aim to set the benchmark for health and safety in our industry, and to continually improve our health and safety performance. To guide us in ensuring the safety of our employees, the users of our equipment and our partners alike, KONE has an integrated company-wide Safety Management System (SMS) in place that sets forth minimum company requirements. Our SMS is based on the requirements of ISO 45001 Occupational health and safety management systems and in many cases, it sets higher standards than local legislation. During 2023, we revised our safety governance model and enhanced our strategic longer-term plans for safety development, supporting the transition towards more proactive safety management practices and better integration with other functions of the company.

Our dedication to safety is reflected across the company – from design, engineering and production to installation, service, training, and customer support. We consistently apply the KONE SMS in all our activities and design our solutions and processes to enable us to conduct our business in a safe and sustainable manner. Managers perform regular audits to measure compliance with KONE's policies, processes and defined working methods. Corrective actions are taken if deviations are identified. KONE also conducts process audits to identify possible obstacles to workplace safety. If any are found, the work in question is stopped until a safe method is approved.

The management of safety risks arising from our work activities is crucial, and therefore KONE has company-wide standards to ensure that risks are identified, assessed, and controlled. To support controlling the main risks in the workplace and prevent incidents, we have nine KONE Core Safety Principles in place. The principles are expected behaviors common to all KONE employees, subcontractors, and everyone we work with.

KONE safety programs are set to drive safety performance improvement. One of the concepts, inspired by Lean methodology, is Gemba. KONE leaders carry out regular Gemba walks on different types of work environments to observe and understand the reality, uncover opportunities for continual improvement and to learn new ways to support employees with focus on workplace safety. Another concept is the Human Factors (HF)

approach in safety management. We are increasingly utilizing the HF Tool™ in incident investigations to help expand the focus beyond technical aspects and compliance also on how human factors contribute to safety both positively and negatively. In 2023, we also continued our Subcontractor Safety Development Audit (SSDA) program focusing on reviewing the safety management of subcontractor activities in KONE units. Following a more thorough assessment of the current situation, the program will proceed with an updated action plan.

We constantly monitor our safety performance using several indicators. As proactive indicators, we have set targets for instance for the number of management workplace visits and the number of customer and user safety promotion events. In 2023, our Industrial Injury Frequency Rate (IIFR) was 1.1 (1.4). Our target is to reach IIFR 0.6 by 2030 and have zero fatalities. We are determined to continue reducing the number of incidents and injuries and expect our years of favorable safety progress to continue with strong efforts on building a culture supportive of psychological and physical safety.

To support learning from the past and avoid accidents in the future, all employees at KONE are encouraged to actively report safety occurrences and have access to our global safety incident reporting tool, KONE Safety Solution (KSS). In 2023, the number of near misses recorded in KSS increased by 4% (17%) compared to 2022. As the quantity of the reported near misses is steadily on a good level, we continued driving the quality, investigation and analysis of our near miss and incident reports, as well as improving data utilization, transparency, and sharing lessons learned. Monthly safety performance follow-up was carried out in every area, in global safety meetings, and by the Executive Board.

Dedicated communication campaigns and training support health and safety awareness at KONE. In May 2023, all KONE units participated in the global KONE Safety Week with the theme of Speak up and act for safety, which stressed the importance of empowering everyone to voice their safety issues and report near misses, as well as to follow methods and safe practices. During the week, various activities related to safety were organized for both internal and external stakeholders. A global year-end safety campaign was also held to increase safety commitment and risk awareness. The theme of the campaign, last-minute risk assessment (Stop and Go), was a continuation of the Safety Week and urged everyone to evaluate risks and stop working in unsafe conditions. Everyone at KONE is required to assess the safety of the tasks at hand and has the duty and authority to stop work if it is unsafe, to ask for support, or take the necessary actions to continue the job safely. We will continue to promote a culture where authority to stop work can be exercised without fear of punishment.

All KONE employees are required to complete a general safety training course covering our safety management framework and KONE's Health and Safety Policy. In 2023, we organized a campaign

where the training was assigned as a refresher to every employee, and we achieved our goal of 80% completion rate in eight weeks. At the end of 2023 the completion rate was 90%. Our employees also receive additional health and safety training relevant to their work. In addition, regular global toolbox talks were provided to ensure consistent practices and help local safety units with materials available for all KONE employees.

The safety of the people using elevators, escalators and automatic building doors involves everyone from technology and service providers to building owners and equipment users. Therefore, we work closely with our customers to help them operate our equipment safely, identify potential safety hazards, and to deal with situations that could lead to safety risks. We communicate actively about safety, organize safety-related activities, and provide training and educational resources to our customers and the public to help them use the equipment in a safe way.

## Human rights, anti-corruption and bribery

KONE has a Global Compliance team responsible for developing, implementing, and maintaining an effective compliance and ethics program for KONE. KONE's Global Compliance Committee, comprising four Executive Board members, the Corporate Controller and VP, Global Compliance oversees and advises on the program and meets quarterly to discuss it. In addition, dedicated compliance officers in China, the Americas and Middle East, Türkiye and Africa region help implement KONE's compliance program regionally by supporting local management and regional compliance committees, conducting risk assessments, providing compliance training and conducting investigations into allegations of employee misconduct as well as human rights and corruption violations.

KONE's Code of Conduct forms an integral part of our company culture and is the foundation of our ethical business practices. The Code sets out the responsible and ethical conduct expected of KONE employees and companies and is available in 33 languages on [kone.com](https://www.kone.com). The topics covered in the Code of Conduct include conflicts of interest, corruption, competition compliance, trade compliance, workplace well-being, health and safety, environmental compliance, human rights, privacy, fraud and theft, cybersecurity, intellectual property and confidentiality, external communications, insider trading and how to report violations of the Code. The Code also emphasizes KONE's non-retaliation policy: we do not tolerate any form of retaliation against anyone who has made a compliance report in good faith.

Regular online, video and face-to-face compliance training is provided to employees and all employees are required to complete at least one compliance training each year. In 2023, we launched mandatory Anti-Bribery & Corruption (ABC) e-learning for all KONE employees. 85% (over 53,000 completions) of all active KONE employees had completed the training by year end. GiantKONE operatives will be trained in 2024 when they have access to the new Learning Management System in China.

All KONE employees are expected to understand and abide by the Code of Conduct and to report any violations using the channels available for this purpose. Our internal reporting channels include reporting to management, HR, Legal or Compliance. We also have a confidential reporting channel for raising concerns, the Compliance Line, available for our employees, suppliers, distributors and the public at all times. It is operated by an independent third party and is accessible (anonymously, where permitted by local law) via phone and/or web in over 30 languages. Reports can be submitted on a range of topics including fraud and theft, fraudulent reporting, corruption, competition law, human rights, harassment and discrimination, data protection and confidentiality, environment and safety, trade compliance and conflicts of interest.

All reports are handled by a dedicated impartial KONE Compliance team. Where required by local law, we have also implemented entity-specific reporting channels.

In 2023, we received a total of 190 (2022: 178) compliance reports, of which 29% (2022: 32%) were received through the Compliance Line. Of the total number of reports received in 2023, 27% (2022: 30%) were fraud/corruption related, 42% (2022: 34%) were HR related (including harassment, discrimination and bullying), 15% (2022: 14%) related to conflicts of interest, and the remaining 16% (2022: 22%) fell under various other categories. 195 cases were closed in 2023, some of which were reported in previous years. Of these closed cases, 36% were either substantiated or partially substantiated, and disciplinary actions in those cases ranged from coaching discussions to termination of employment. 35 (2022: 26) employees were dismissed or resigned as a result of compliance investigations.

KONE's general Code of Conduct is complemented by our Supplier and Distributor Codes of Conduct. Our Supplier Code of Conduct is available in 30 languages and sets out the ethical business practice requirements that we expect from our suppliers. It covers areas such as legal compliance, ethical conduct, our zero tolerance for bribery and corruption, and the standards we require from our suppliers in terms of labor and human rights, health and safety, and environmental issues. KONE may terminate its contracts with suppliers for failure to adhere to the Code.

KONE expects its suppliers to comply with the requirements of the Supplier Code of Conduct in all their dealings with KONE, as well as with their own employees and suppliers, and third parties including government officials. All our suppliers are expected to sign KONE's Supplier Code of Conduct. By the end of 2023, 86% (2022: 86%) of KONE's total spend with regular trade suppliers and installation subcontractors was with parties who had signed KONE's Supplier Code of Conduct or equivalent. Our target for 2023 was 85%. Our 2024 target is 87%.

KONE's Distributor Code of Conduct covers similar topics as the Supplier Code of Conduct. It is available in seven languages. As business partners, our distributors are expected to comply with the requirements of the Code in all their dealings with KONE, as well as in respect of their own employees, customers and suppliers, and third parties including government officials. We require all our distributors to sign the Code. Starting from 2022, we track the share of distributors who have signed the 2018 or 2021 version of the Distributor Code of Conduct. By the end of 2023, 92% (42%) of our distributors had signed either the 2021 (89%) or the 2018 (3%) version of the Distributor Code of Conduct.

All the above Codes of Conduct are available on [kone.com](https://www.kone.com).



## Anti-corruption and bribery

As a part of our anti-bribery program, we published a new Anti-Bribery and Corruption (ABC) policy in 2023. The ABC policy builds on the Code of Conduct to provide guidance to employees on how to deal with risky ABC situations. It is available both internally and externally on [kone.com](https://www.kone.com) in over 30 languages. The policy states KONE's zero tolerance towards bribery and corruption, explains prohibited arrangements (including direct and indirect bribery, facilitation payments, excessive gifts and hospitality, and inappropriate donations and sponsorships), outlines third party risks, describes KONE's risk-based approach towards the prevention of bribery and corruption, gives examples of practical risk situations that employees should look out for, and provides guidance on how to report any suspected violations.

The policy was accompanied by mandatory ABC e-learning for all employees. Two versions were issued comprising different risk scenarios for staff and operatives, respectively. Separate targeted training on gifts and corporate hospitality continued during 2023. All new staff at KONE are also required to complete the competition compliance policy e-learning, which was updated in 2022.

## Respect for human rights

We are committed to respecting and endorsing human rights including those set out in the International Bill of Human Rights, United Nations Guiding Principles on Business and Human Rights, basic labor rights as defined by the International Labour Organization including the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. We expect the same level of commitment from our business partners throughout the value chain. Our commitment and expectations are laid out in KONE's Human Rights Policy and other related policies, including KONE's Supplier and Distributor Codes of Conduct. Our Human Rights Policy is available on [kone.com](https://www.kone.com) and is reviewed annually.

KONE's Global Compliance Committee is accountable for human rights at KONE. Our human rights working group, reporting to the Global Compliance Committee, continued its work during 2023 to drive the human rights program forward across KONE. The human rights program is discussed and reviewed on a regular basis in the Global Compliance Committee and the Sustainability Disclosure Board.

In 2023 the human rights working group focused on four key areas of work:

- 1) Identifying and driving actions to meet regulatory requirements
- 2) Updating KONE's global human rights impact assessment and initiating follow-up actions

- 3) Increasing human rights awareness for employees and other stakeholders, and
- 4) Revising KONE's supplier human rights assessment program.

We review the working group's focus areas annually to ensure effective alignment with the objectives of our human rights program.

## Embedding human rights in KONE strategy, policies and processes

We identify, assess and prioritize human rights impacts throughout our business and aim to prevent and mitigate those impacts on an on-going basis by embedding human rights in our strategy, policies and processes. Our human rights due diligence process consists of impact assessments, third party due diligence, supplier screenings and internal assessments and surveys. We continuously develop our human rights due diligence program in order to identify and address potential risks in our own operations and in our supply and delivery chain.

We updated our global human rights impact assessment in 2023, with the help of an external consultancy, to reflect our current operations and business environment and to detect possible changes in our salient human rights. The assessment found that our salient human rights remain the same as in 2019: the health and safety of employees and workers throughout the value chain, and respect for individuals' labor rights (prohibiting forced or child labor, discrimination, harassment or bullying, and ensuring freedom of association, collective bargaining, and appropriate working conditions). Based on the findings of the assessment we created a follow-up action plan with relevant internal stakeholders to mitigate the human rights risks across our own operations and value chain. In 2023 the follow-up action plan focused on the high-risk areas; medium risk areas will be addressed in 2024.

In order to identify and address potential risks in our supply chain, we continued to carry out online and on-site supplier human rights assessments. We also developed a new process which will take effect from 2024, led by a dedicated supplier sustainability team, in which on-site supplier human rights assessments will be conducted by an external third party.

In 2023 we extended the volume of third parties in our compliance screening solution. The screening solution continuously screens and monitors our relevant suppliers, customers, and other relevant business partners and third parties against international adverse media, sanctions and watchlists.

We regularly communicate our human rights activities and developments both internally within KONE and externally on [kone.com](https://www.kone.com).

## Changes in the Executive Board

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

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

On October 25, 2023, KONE announced that Philippe Delorme had been appointed President and CEO as of January 1, 2024, following a release published on October 2, 2023, about Henrik Ehrnrooth's intention to step down from the role of President and CEO. Henrik Ehrnrooth will continue as Executive Advisor until the end of March 2024 to support the transition and induction of the new CEO.

On October 11, 2023, KONE announced that Axel Berkling had been appointed Executive Vice President, Commercial & Operations. In the role, Axel succeeded Hugues Delval, who decided to leave KONE on October 12, 2023, to pursue other opportunities. Axel continued to also lead the

Strategy & Transformation organization until the appointment of a successor. On December 19, 2023, KONE announced that Nicolas Alchal, Managing Director for KONE Middle East, Türkiye, and Africa, had been appointed Executive Vice President, Strategy & Transformation as of Jan 1, 2025. Before starting in this role in the beginning of 2025, Nicolas will act as an interim Executive Vice President for Europe Area, from March 1, 2024, onwards, when the current position holder, Karla Lindahl, starts her maternity leave. Karla will return to the position of Executive Vice President, Europe in early 2025. On the same date, Kaori Uehigashi was named interim Executive Vice President for Strategy & Transformation organization as of January 4, 2024, and she will act in this position until the end of 2024. Kaori is currently Managing Director and Partner at Boston Consulting Group (BCG) and has most recently acted as the Managing Partner for BCG in Finland. Both Nicolas and Kaori will report to Philippe Delorme, President and CEO of KONE as of January 1, 2024.

As of January 1, 2024 KONE's Executive Board consisted of the following members: Philippe Delorme (the President and CEO), Joe Bao (EVP, Greater China), Axel Berkling (EVP, Commercial & Operations), Johannes Frände (Legal Counsel), Samer Halabi (EVP, Asia-Pacific, Middle East and Africa), Ilkka Hara (Chief Financial Officer), Mikko Korte (EVP, Supply Chain), Karla Lindahl (EVP, Europe), Tomio Pihkala (EVP, Chief Technology Officer), Ken Schmid (EVP, Americas), Susanne Skippari (EVP, People & Communications) and Kaori Uehigashi (interim EVP, Strategy & Transformation).

## Other events

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

by certain companies and public entities relating to the two 2007 decisions, are pending in related countries. The claims have been made against various companies concerned by the decisions, including certain KONE companies. All claims are independent and are progressing procedurally at different stages. The total capital amount claimed jointly and severally from all of the defendants together was EUR 64 million at the end of December 2023 (September 30, 2023: EUR 69 million). KONE's position is that the claims are without merit. No provision has been made.

## Most significant risks

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

### Strategic risks

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

As China accounts for approximately a quarter of KONE's sales, a sustained market decline in the Chinese construction sector represents a risk for KONE's financial performance. Low consumer confidence and continued liquidity constraints among Chinese property developers were holding back the recovery of the construction industry during 2023. KONE's customer portfolio is well diversified, which limits individual customer risks.

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

### Operational risks

Empowered employees with relevant competencies and skills are key to the successful execution of our strategy. With business models and ways of working changing in the elevator and escalator industry, KONE needs new organizational capabilities, as well as new competencies and talent on the individual employee level in the field of, for example, digitalization. At the same time, the competition over talent, such as skilled field workforce, is increasing. Securing the needed resources and their competence management is

critical. A failure to develop and retain the required capabilities or obtain them through recruitment could have an adverse impact on KONE's growth and profitability.

The majority of components used in KONE's supply chain are sourced from external suppliers, a significant number of which are located in China. KONE also subcontracts a significant amount of installation activity, outsources certain business support processes and works with partners in e.g. digital services and logistics. This exposes KONE to supply chain and logistics constraints, risks related to component and subcontracted labor availability and cost as well as to continuity risk in partnerships. A failure to secure the needed materials, components or resources, or quality issues within these, could cause business disruptions, rescheduling of orders and cost increases. Labor availability constraints may also impact progress at construction sites. In 2023, KONE continued to use its global supply network to manage supply chain disruptions as well as uncertainties in the global material markets and logistics.

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

### Hazard, security and incidental risks

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

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

Physical damage caused by fire, extreme weather conditions, natural catastrophes or

terrorism, among other things, could also cause business interruption for KONE or its suppliers.

## Financial risks

The majority of KONE's sales and result are denominated in currencies other than the euro, which exposes KONE to risks arising from foreign exchange rate fluctuations. KONE is also exposed to counterparty risks related to financial institutions, through the significant amounts of liquid funds deposited with financial institutions, in the form of financial investments and in derivatives.

Additionally, KONE is exposed to risks related to liquidity and payment discipline of its customers, which may impact cash flow or lead to credit losses, especially in China. In 2023, the bad debt provisions increased somewhat, mainly in China. Significant changes in local financial or taxation regulation could also have an impact on KONE's financial performance, liquidity, and cash flow. For further information on financial risks, please refer to notes 2.4, 3.2 and 5.3 in the Financial Statements for 2023.

## Risk management

Risks	Mitigation actions
Weakening of the global economic environment	KONE strives to continuously develop its competitiveness in all regions and businesses. KONE has a wide geographic presence, global manufacturing capabilities and supply network, as well as a balanced business portfolio with a high share of Service business.
Geopolitical tensions impacting the competitiveness of KONE's supply chain, leading to increased costs or causing potential disruptions	KONE actively monitors the development of the applicable and relevant regulations, policies and trade rules, prepares for alternative scenarios and evaluates the competitiveness and viability of KONE's supply chain and sourcing channels. KONE is taking actions to mitigate the impact of tariffs, for example by applying for tariff exemptions when applicable. KONE also applies increased scrutiny over business operations that may be affected by international trade restrictions or other geopolitical actions.
Changes in the competitive or customer landscape, customer requirements or competitors' offerings impacting KONE's competitiveness	KONE aims to be the industry leader with its competitive offering by investing in research and development and by taking an open innovation approach. KONE also closely follows emerging industry and market trends and actively monitors opportunities for industry consolidation.
Increasing material, fuel and/or logistics costs weakening KONE's profitability	KONE aims to offset cost increases by improving the margin of orders received and adopting dynamic pricing and contract models which allow KONE to pass on increased supply costs. Improving pricing, securing productivity gains and lowering product costs remains high on KONE's agenda.
A failure to secure and develop the needed organizational capabilities and competencies	KONE continuously evaluates the skills and competences required for the execution of the selected strategy and develops and/or acquires these from internal talent pools or externally. KONE also has extensive training programs in place to develop and retain critical talents.
Risks related to component and subcontracted labor availability	KONE's sourcing processes aim to identify critical suppliers and supply categories and implement alternative sources, long-term agreements, last-buy options and other measures to ensure the availability of the supply. KONE has also developed multinational subcontractor pools to ensure subcontractor capacity on a regional level. Subcontractors' competences and capabilities are monitored and developed continuously, similarly as with own employees. The semiconductor market is monitored and the risk of shortages managed with dual sourcing and active involvement of supply chain partners among other actions.
Product integrity, safety or quality issues as well as issues with reputation	To mitigate product risks, KONE has strict quality control processes for product design, supply, manufacturing, installation and service. In addition, KONE aims for transparent and reliable communication, to prevent reputational risks and to manage potential incidents. KONE also has stringent corporate governance principles in place.
Interruptions to KONE's or its suppliers' operations	KONE actively develops business continuity management capabilities to reduce the impact and likelihood of disruptions within its supply chain. Furthermore, KONE monitors the operations, business continuity management capabilities, financial strength and cybersecurity of its key suppliers. In addition, KONE aims to secure the availability of alternative sourcing channels for critical components and services. KONE also has a global property damage and business interruption insurance program in place. KONE's global supply chain helps mitigate the risk of interruptions. KONE has 10 manufacturing facilities in 7 countries, multiple distribution centers and a large supplier network across the globe, which helps to mitigate the impacts from potential disruptions in individual locations or countries.
IT system interruptions and cybersecurity risks	KONE's cybersecurity management system is certified according to ISO 27001. KONE's security policies define controls to safeguard premises, information and information systems which are both in development and in operation. The controls apply to both KONE's internal IT systems and customer-facing digital services. KONE works with third-party security service providers and trusted technology partners to manage the risks and to detect cybersecurity incidents and to respond and recover in a timely manner. KONE conducts tests, reviews and exercises to identify areas of risk and to ensure the appropriate preparedness. The company continues to invest in its cybersecurity capabilities based on these findings. KONE also has a global cyber insurance program in place.
Financial risks	KONE applies centralized risk management in accordance with the KONE Treasury Policy. More information on financial risk management can be found in notes 2.4, 3.2 and 5.3 of KONE's Financial Statements 2023.

## Risks and risk management related to the reporting of non-financial information

The assessment and analysis of KONE's most significant risks also covers non-financial risks. In line with the requirements of the Finnish Accounting Act, KONE has identified the most significant non-financial risks regardless of their materiality for KONE. In addition, KONE applies the guidelines of the Task Force on Climate-Related Financial Disclosures (TCFD) on the reporting of climate-related risks.

The typical effect of the non-financial risks materializing would be reputational damage to KONE or a negative impact on the surrounding society, the environment or individuals. In addition to the risk mitigation actions described below, KONE aims for transparent and reliable communication to prevent reputational risks and enable proactive management and learning from incidents, should they occur.

### Climate and environmental risks

We see that climate and environmental risks may have a negative impact on our business in the short to medium term. While the impact is not necessarily significant in the near term, we expect climate risks, in particular, to increase in relevance and potential impact. Overall, we identify, assess and manage climate and environmental risks as an integral part of our company-wide business risk management process and ISO 14001 environmental management system. Certain KONE functions and locations, e.g. the Supply Chain function or selected operational sites, conduct detailed climate and environmental risk assessments according to relevant business requirements.

Climate and environmental risks are classified as transition risks and physical risks to KONE, as well as risks of KONE's business activities having negative impacts on the climate. Among the most relevant climate-related risks for KONE are acute physical risks, extreme weather events such as tornadoes, hurricanes, hailstorms and thunderstorms, which may cause disruptions in the delivery chain or interruptions in our own manufacturing, installation or maintenance activities. Similarly, chronic physical risks, such as heavy rain and floods, or extreme heat waves and droughts, may disrupt these activities or logistics routes. KONE's products are also exposed to physical risks and possible damages due to changing climate conditions and extreme weather events.

To mitigate physical risks, KONE needs to be able to transfer procurement from its own or its supplier's manufacturing unit or distribution center to another location in order to back up supply chain and logistics routes in case of disruptive events. We actively develop our business continuity with regards to component availability and interruptions to our own or suppliers' operations. We use, for example, dedicated location-based software tools to regularly monitor our supply chain locations for risks related to extreme weather events such as

fires, floods or hurricanes. In terms of our product development, we apply design specifications and specific procedures that aim to ensure product resilience even in harsh and changing environmental conditions. Rigorous environmental testing is a part of KONE's product development to ensure that our products sustain exceptional and changing weather conditions, such as temperature variations and moisture.

Among KONE's most relevant transition risks are potential shifts in the supply and demand for low carbon materials, electricity and fuel, which may increase operating costs in the short to medium term. KONE's solutions are designed for long life-cycle use and our Service and Modernization solutions enable low lifetime energy consumption and greenhouse gas emissions. However, the risk of not being able to provide competitive technological improvements or innovations that support the transition to a low-carbon, energy-efficient economy may impact customers' demand for KONE's solutions and services and thereby KONE's business detrimentally. On the other hand, moving to more expensive low carbon technology may negatively impact profitability in the short to medium term, should a significant number of customers prefer low-cost solutions. Emerging climate-related regulation may also impact our operations. For example, the need to transition towards more sustainable mobility solutions is evident for KONE's current service and benefit vehicle fleet. The majority of KONE's energy consumption in our own operations comes from fuel consumption from fleet activities.

To mitigate market transition risks, KONE evaluates plausible scenarios for market supply and demand, as well as the impact of emerging regulation in our high-level business plans. KONE is an active member in relevant industry forums and research consortiums and proactively monitors the regulatory landscape. To mitigate technology transition risk, KONE bases its innovation work on the needs of our customers and equipment users. All in all, KONE sees the transition towards sustainable solutions as a source of innovation and competitive edge rather than a threat. As part of KONE's climate pledge, we have set ambitious greenhouse gas reduction targets for our offering and operations and aim to have carbon neutral operations by 2030. The pledge will guide our work for more climate-friendly products, services and ways of working, and we actively collaborate with our suppliers and partners to achieve our targets.

### Climate change scenario analysis

In 2022, KONE expanded its risk and opportunity assessment to include Climate Change Scenario Analysis, as recommended by TCFD, to help ensure that our strategy is resilient to climate change in a range of possible future states. In the first phase of the analysis, we focused on the qualitative implications of climate-related risks and

opportunities in key strategic performance areas of our operations: direct material purchases, manufacturing operations, logistics and product and service design.

The scenarios used in KONE's Climate Change Scenario Analysis are Shared Socio-economic Pathways (SSPs) SSP1, SSP2 and SSP3. The SSPs have been created by an international team of climate scientists, economists and energy system modelers. SSP scenarios characterize possible future development pathways, making assumptions on changes in socio-economic factors, together with assumptions about the ambition level for mitigating climate change. These are translated into respective scenarios of greenhouse gas emissions by the International Panel for Climate Change (RCP scenarios). The resulting climate change projections describe a range of plausible future climates and mean temperatures, from a pessimistic high-carbon scenario (4 °C warming pathway) to a middle of the road scenario (2.7 °C warming pathway), further to a low-carbon scenario (1.5 °C warming pathway) that meets the ambitions of the 2015 Paris Agreement.

KONE is committed to the 1.5 °C pathway. In this scenario, climate change mitigating actions are strong, and the Paris Climate Agreement goals are met. Regulations are ambitious, globally consistent, and aiming at a low-carbon economy. The demand for sustainable and climate resilient solutions, a full transformation to renewable energy and electrification as well as the focus on energy efficiency create opportunities for KONE. Even in the 1.5°C scenario, physical changes may cause occasional disruptions to KONE factories and supply chain.

In the 2.7 °C scenario, insufficient actions to stop climate change will, in the longer term, lead to major changes globally, causing disruptions in the availability of certain raw materials and increased price volatility. Global supply chains and logistic routes may face notable disruptions, affecting KONE's business.

In the 4°C scenario emissions continue to rise, transition to low-carbon economy is disorganized, economic growth is preferred over climate action and overconsumption of resources continues. Climate policies are fragmented, carbon markets non-integrated, and carbon leakage increases due to large differences in carbon regulations between countries. The demand for sustainable and climate resilient solutions grows in advanced economies, whereas in developing markets customers may not be willing to pay for such solutions. Extreme weather conditions increase disruptions in supply chains and logistic routes, which may lead to significant logistic cost increases.

Differences between the three scenarios are expected to emerge more towards 2050 as extreme weather events and chronic changes become more intense, especially in the 4°C scenario. In the 1.5°C scenario, transitional impacts, such as regulations, are more notable, and in the 4°C scenario physical impacts, such as storms, floods and drought, dominate.

In 2023, we continued the dialogue by and between KONE's internal stakeholders regarding, among others, the resilience of our supply chain and logistics, energy-efficient choices in the full scope of our business activities, R&D investment into low-carbon life cycle products, and the offering of services to support our customers in the changing climate conditions. We will further integrate these deliverables into our strategic planning in 2024.

### **Social and employee related risks**

Safety is a top priority at KONE, and potential safety incidents are among the most significant social and employee related risks. Unhealthy working conditions or compromises on workplace safety, exposing KONE's own or our sub-contractors' employees, could damage KONE's reputation and employee relations. Incidents are mitigated through, for example, extensive training and safety awareness increasing activities, consistent safety management practices, standardized maintenance and installation methods and regular process audits. We also identify and assess risks related to any type of bullying, harassment, equal employment practices, working conditions and any form of discrimination. We address such risks by having adequate policies and processes in place and by training our managers and employees. We offer our employees and third parties channels for reporting misconduct and there is zero tolerance for this type of behavior. Overall, we see a safe workplace with an inclusive and caring culture as an opportunity to improve employee wellbeing, engagement, and productivity, and at the same time increase KONE's attractiveness as an employer and business partner.

Both safety and quality are a priority in product design, supply, manufacturing, installation and service and they involve strict quality controls. We also acknowledge that our activities, such as major repairs in public infrastructure may affect the daily life of many people. We follow globally implemented principles in how to manage potential incidents and implement improvements.

### **Human rights related risks**

KONE's human rights program is reviewed on a regular basis by our Global Compliance Committee and a cross-functional human rights working group drives forward the program, focusing in 2023 on regulatory requirements, updating our global human rights impact assessment, increasing awareness about human rights among employees and other stakeholders, and revising our supplier human rights assessment program.

Our updated human rights impact assessment found that KONE's salient human rights continue to be the health and safety of employees and workers throughout the value chain, and respect for individuals' labor rights (prohibiting forced or child labor, discrimination, harassment or bullying, and ensuring freedom of association, collective bargaining, and appropriate working conditions). A follow-up action plan was developed in 2023 to mitigate the highest risks; medium risk areas will be addressed in 2024.

All our suppliers and installation subcontractors are expected to sign KONE's Supplier Code of Conduct, which sets out our ethical business practice requirements, including the standards we require in terms of labor and human rights. We carry out online and on-site supplier human rights assessments in order to identify and address potential risks in our supply chain. KONE introduced a Human Rights Policy in 2022, which sets out our commitment to respect human rights and explains how we identify, assess, prioritize and mitigate human rights impacts throughout our business operations.

### **Anti-corruption and bribery related risks**

KONE requires its employees and partners to adhere to high ethical standards and to comply with its Code of Conduct, Distributor Code of Conduct and Supplier Code of Conduct. These codes cover numerous compliance topics, including competition law, trade sanctions compliance, labor and human rights issues, as well as prohibiting corruption and bribery. In 2023 we also launched a new Anti-Bribery&Corruption policy and e-learning for all employees.

Unethical business practices among KONE's employees or various stakeholders could cause reputational damage for KONE as well as a possible financial impact. The risks of such behaviors and practices materializing are included in the scope of KONE's regular audit programs. KONE utilizes a screening solution, which monitors third party entities against sanctions, watch lists and adverse media attention, including corruption and human rights issues. Processes under our Global Delegation of Authority policy help to mitigate the risk of unauthorized payments, donations and sponsorships. The most important action for internal mitigation continues to be the development of KONE's corporate culture through training and awareness building. Ethics & Compliance KPIs and actions have been integrated into our Sustainability strategy. All employees are required to complete at least one annual training on ethics & compliance, and supplier and distributor Code of Conduct sign-up rates are tracked annually. We see that ethical business practices provide a competitive edge, protect business relationships with stakeholders and help to build a strong reputation.



## Decisions of the Annual General Meeting

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

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

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

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

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

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

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

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

Furthermore, the General Meeting authorized the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act. The number of shares to be issued based on this authorization shall not exceed

7,620,000 class A shares and 45,310,000 class B shares. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization will be valid until the conclusion of the following annual general meeting, however, at the latest until 30 June 2024.

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

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

## Share-based incentive plans

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

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

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

The 2023 long-term incentive plan is targeted to approximately 570 top leaders, including the President and CEO, members of the Executive Board and selected key personnel of KONE Group.

The performance criteria applied to the 2023 performance plan are based on annual growth in sales and adjusted EBIT margin (jointly 80%), and improvements in sustainability (20%). The sustainability performance condition is a combination of reductions in carbon footprint, diversity and inclusion as well as safety related targets.

The restricted share plan serves as a complementary long-term share plan to be used as

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

## Shares and share capital

Share capital and market capitalization*	Dec 31, 2023	Dec 31, 2022
Number of class B shares	453,187,148	453,187,148
Number of class A shares	76,208,712	76,208,712
<b>Total shares</b>	<b>529,395,860</b>	<b>529,395,860</b>
Treasury shares	12,159,159	12,306,640
Share capital, EUR	66,174,483	66,174,483
Market capitalization, MEUR*	23,358	24,975

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

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

At the end of December 2023, the Group had 12,159,159 class B shares in its possession. The shares in the Group's possession represent 2.7% of

the total number of class B shares. This corresponds to 1.0% of the total voting rights.

Shares traded on Nasdaq Helsinki	1-12/2023	1-12/2022
Shares traded on the Nasdaq Helsinki Ltd., million	145.3	236.7
Average daily trading volume	579,003	935,595
Volume-weighted average share price	EUR 45.79	46.56
Highest share notation	EUR 53.34	64.12
Lowest share notation	EUR 37.20	36.72
Share notation at the end of the period	EUR 45.16	48.3

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

The number of registered shareholders was 110,592 at the beginning of the review period and 110,750 at its end. The number of private

households holding shares totaled 105,553 at the end of the period, which corresponds to approximately 12.4% of the listed B shares. At the end of December 2023, a total of 51.4% of the B shares were owned by nominee-registered and non-Finnish investors.

## Market outlook 2024

	North America	Europe	Asia-Pacific, Middle East and Africa	China
<b>New Building Solutions</b> in units	-	-	++	--
<b>Service</b> in units	+	+	++	++
<b>Modernization</b> in monetary value	+	++	+++	+++

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

We have a positive market outlook for nine of our twelve end-markets.

Activity is expected to decline slightly both in North America and in Europe. In China, the New Building Solutions market is expected to decline clearly. In Asia-Pacific, Middle East and Africa activity is expected to grow clearly.

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

Service markets are expected to grow slightly in the more mature markets and grow clearly in Asia-Pacific, Middle East and Africa and in China.

### Business outlook 2024

KONE expects its sales to be stable or to grow slightly at comparable exchange rates in 2024. The improvement in adjusted EBIT margin is expected to continue in 2024, albeit with less tailwinds than in 2023.

Key drivers for sales growth are positive outlook for Service and Modernization and the strong order book. Declining New Building Solutions market in

China, and continued uncertainty in Europe and North America are headwinds.

The key profitability drivers are sales growth in Service and Modernization, better pricing coming through in deliveries and savings from the operating model renewal. Persistent cost inflation and decision to slightly increase investments in R&D and IT are expected to impact profitability negatively.

### The Board's proposal for the distribution of profit

The parent company's distributable profits on December 31, 2023 is EUR 3,006,869,325.52 of which the net income for the financial year is EUR 1,996,263,298.83.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.7475 be paid on the outstanding 76,208,712 class A shares and EUR 1.75 on the outstanding 441,027,989 class B shares, resulting in a total amount of proposed

dividend of EUR 904,973,704.97. The Board of Directors further proposes that the remaining distributable profits, EUR 2,101,895,620.55 be retained and carried forward.

The Board proposes that the dividends be payable from March 11, 2024. All the shares existing on the dividend record date are entitled to dividend for the year 2023 except for the own shares held by the parent company.

### Annual General Meeting 2024

KONE Corporation's Annual General Meeting will be held on Thursday February 29, 2024 at 11.00 a.m. at Messukeskus Siipi, Rautatieäisenkatu 3, in Helsinki, Finland.

Helsinki, January 25, 2024

KONE Corporation's Board of Directors

# Consolidated statement of income

MEUR	10-12/2023	%	10-12/2022	%	1-12/2023	%	1-12/2022	%
<b>Sales</b>	<b>2,809.9</b>		<b>2,911.5</b>		<b>10,952.3</b>		<b>10,906.7</b>	
Costs and expenses	-2,375.4		-2,478.5		-9,482.8		-9,616.2	
Depreciation and amortization	-72.3		-65.9		-269.4		-259.3	
<b>Operating income</b>	<b>362.1</b>	<b>12.9</b>	<b>367.1</b>	<b>12.6</b>	<b>1,200.1</b>	<b>11.0</b>	<b>1,031.2</b>	<b>9.5</b>
Financing income	12.6		12.4		50.0		51.2	
Financing expenses	-14.1		-15.4		-43.9		-53.9	
<b>Income before taxes</b>	<b>360.6</b>	<b>12.8</b>	<b>364.1</b>	<b>12.5</b>	<b>1,206.1</b>	<b>11.0</b>	<b>1,028.4</b>	<b>9.4</b>
Taxes	-84.3		-87.8		-274.6		-244.0	
<b>Net income</b>	<b>276.3</b>	<b>9.8</b>	<b>276.3</b>	<b>9.5</b>	<b>931.6</b>	<b>8.5</b>	<b>784.5</b>	<b>7.2</b>
<b>Net income attributable to:</b>								
Shareholders of the parent company	273.4		272.6		925.8		774.5	
Non-controlling interests	2.9		3.6		5.8		10.0	
<b>Total</b>	<b>276.3</b>		<b>276.3</b>		<b>931.6</b>		<b>784.5</b>	
<b>Earnings per share for profit attributable to the shareholders of the parent company, EUR</b>								
Basic earnings per share, EUR	0.53		0.53		1.79		1.50	
Diluted earnings per share, EUR	0.53		0.53		1.79		1.49	

## Consolidated statement of comprehensive income

MEUR	10-12/2023	10-12/2022	1-12/2023	1-12/2022
<b>Net income</b>	<b>276.3</b>	<b>276.3</b>	<b>931.6</b>	<b>784.5</b>
<b>Other comprehensive income, net of tax:</b>				
Translation differences	-43.0	-149.8	-96.2	5.1
Hedging of foreign subsidiaries	14.2	15.8	15.9	-21.2
Cash flow hedges	-2.2	7.1	-18.1	2.5
<b>Items that may be subsequently reclassified to statement of income</b>	<b>-31.0</b>	<b>-126.8</b>	<b>-98.4</b>	<b>-13.6</b>
Changes in fair value	2.7	-10.3	-23.8	-20.8
Remeasurements of employee benefits	-13.1	-14.7	-17.2	42.4
<b>Items that will not be reclassified to statement of income</b>	<b>-10.3</b>	<b>-25.0</b>	<b>-41.0</b>	<b>21.6</b>
<b>Total other comprehensive income, net of tax</b>	<b>-41.3</b>	<b>-151.8</b>	<b>-139.5</b>	<b>8.0</b>
<b>Total comprehensive income</b>	<b>235.0</b>	<b>124.5</b>	<b>792.1</b>	<b>792.5</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the parent company	232.1	120.9	786.3	782.5
Non-controlling interests	2.9	3.6	5.8	10.0
<b>Total</b>	<b>235.0</b>	<b>124.5</b>	<b>792.1</b>	<b>792.5</b>

# Condensed consolidated statement of financial position

## Assets

MEUR		Dec 31, 2023	Dec 31, 2022
<b>Non-current assets</b>			
Goodwill		1,469.0	1,414.7
Other intangible assets		287.2	208.2
Tangible assets		779.7	716.8
Non-current loans receivable	I	3.5	2.5
Shares and other non-current financial assets		97.9	121.7
Employee benefit assets	I	9.2	10.0
Deferred tax assets	II	320.2	307.5
<b>Total non-current assets</b>		<b>2,966.8</b>	<b>2,781.3</b>
<b>Current assets</b>			
Inventories	II	820.9	843.6
Accounts receivable	II	2,495.1	2,668.1
Deferred assets	II	641.0	709.3
Income tax receivables	II	118.7	117.6
Current deposits and loan receivables	I	1,263.9	1,474.9
Cash and cash equivalents	I	424.5	495.5
<b>Total current assets</b>		<b>5,764.0</b>	<b>6,309.1</b>
<b>Total assets</b>		<b>8,730.8</b>	<b>9,090.4</b>

## Equity and liabilities

MEUR		Dec 31, 2023	Dec 31, 2022
<b>Equity</b>		<b>2,786.0</b>	<b>2,866.5</b>
<b>Non-current liabilities</b>			
Loans	I	438.7	417.9
Employee benefit liabilities	I	132.9	140.0
Deferred tax liabilities	II	86.3	84.8
<b>Total non-current liabilities</b>		<b>657.9</b>	<b>642.7</b>
<b>Provisions</b>	II	<b>196.9</b>	<b>177.4</b>
<b>Current liabilities</b>			
Loans	I	116.1	116.0
Advance payments received and deferred revenue	II	1,915.7	1,973.8
Accounts payable	II	927.0	1,132.8
Accruals	II	1,993.4	2,052.2
Income tax payables	II	137.7	129.0
<b>Total current liabilities</b>		<b>5,090.0</b>	<b>5,403.8</b>
<b>Total equity and liabilities</b>		<b>8,730.8</b>	<b>9,090.4</b>

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

Items designated " II " comprise net working capital.

# Consolidated statement of changes in equity

MEUR	Attributable to the equity holders of the parent									Non-controlling interests	Total equity
	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings			
<b>Jan 1, 2023</b>	<b>66.2</b>	<b>100.3</b>	<b>393.1</b>	<b>21.9</b>	<b>150.1</b>	<b>-79.3</b>	<b>-236.6</b>	<b>2,420.9</b>	<b>29.9</b>	<b>2,866.5</b>	
Net income for the period								925.8	5.8	931.6	
Other comprehensive income:										-	
Translation differences					-96.2					-96.2	
Hedging of foreign subsidiaries					15.9					15.9	
Cash flow hedges				-18.1						-18.1	
Changes in fair value				-23.8						-23.8	
Remeasurements of employee benefits						-17.2		-0.6		-17.8	
Transactions with shareholders and non-controlling interests:										-	
Profit distribution								-904.9		-904.9	
Purchase of own shares										-	
Change in non-controlling interests									-1.8	-1.8	
Share-based compensation*			-147.4				6.4	175.7		34.7	
<b>Dec 31, 2023</b>	<b>66.2</b>	<b>100.3</b>	<b>245.7</b>	<b>-20.0</b>	<b>69.7</b>	<b>-96.5</b>	<b>-230.2</b>	<b>2,616.9</b>	<b>33.9</b>	<b>2,786.0</b>	

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

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

# Condensed consolidated statement of cash flows

MEUR	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Operating income	362.1	367.1	1,200.1	1,031.2
Change in net working capital	-53.4	-399.7	15.7	-535.8
Depreciation and amortization	72.3	65.9	269.4	259.3
<b>Cash flow from operations before financing items and taxes</b>	<b>381.1</b>	<b>33.3</b>	<b>1,485.2</b>	<b>754.7</b>
Cash flow from financing items and taxes	-33.2	-76.2	-357.3	-223.2
<b>Cash flow from operating activities</b>	<b>347.9</b>	<b>-42.9</b>	<b>1,127.9</b>	<b>531.5</b>
Cash flow from investing activities	-58.2	-39.0	-319.4	-132.6
<b>Cash flow after investing activities</b>	<b>289.6</b>	<b>-81.8</b>	<b>808.5</b>	<b>398.9</b>
Purchase of own shares	-	-50.0	-	-50.0
Profit distribution	-	-	-904.9	-1,087.8
Change in deposits and loans receivable, net	-249.2	69.0	210.5	913.1
Change in loans payable and other interest-bearing debt	-55.9	-43.2	-166.0	-158.0
Changes in non-controlling interests	-0.2	-0.4	-0.8	-7.7
<b>Cash flow from financing activities</b>	<b>-305.3</b>	<b>-24.7</b>	<b>-861.3</b>	<b>-390.5</b>
<b>Change in cash and cash equivalents</b>	<b>-15.6</b>	<b>-106.5</b>	<b>-52.8</b>	<b>8.4</b>
Cash and cash equivalents at beginning of period	445.0	616.6	495.5	490.4
Translation difference	-4.9	-14.7	-18.2	-3.3
<b>Cash and cash equivalents at end of period</b>	<b>424.5</b>	<b>495.5</b>	<b>424.5</b>	<b>495.5</b>

## Change in interest-bearing net debt

MEUR	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Interest-bearing net debt at beginning of period	-794.4	-1,552.8	-1,309.0	-2,164.1
Interest-bearing net debt at end of period	-1,013.4	-1,309.0	-1,013.4	-1,309.0
<b>Change in interest-bearing net debt</b>	<b>-219.0</b>	<b>243.8</b>	<b>295.7</b>	<b>855.1</b>

Payments of lease liabilities included in financing activities were EUR 124.5 (January–December 2022: 124.3) million and interest expense paid included in cash flow from financing items and taxes were EUR 15.8 (January–December 2022: 10.2) million.

# Notes to the interim report

## Accounting principles

The information presented in this report is based on the audited KONE 2023 Financial Statements. This unaudited KONE Corporation's Financial Statement Bulletin has been prepared in line with IAS 34, 'Interim Financial Reporting'. KONE has applied the same accounting principles in the preparation of the Financial Statement Bulletin as in the Financial Statements for 2023.

## Key figures

		1-12/2023	1-12/2022
Basic earnings per share	EUR	1.79	1.50
Diluted earnings per share	EUR	1.79	1.49
Equity per share	EUR	5.32	5.49
Interest-bearing net debt	MEUR	-1,013.4	-1,309.0
Equity ratio	%	40.9	40.3
Gearing	%	-36.4	-45.7
Return on equity	%	33.0	25.9
Return on capital employed	%	27.8	22.4
Total assets	MEUR	8,730.8	9,090.4
Assets employed	MEUR	1,772.6	1,557.5
Net working capital (including financing and tax items)	MEUR	-861.2	-903.9

The calculation formulas of key figures are presented in KONE's Financial Statements for 2023.

## Alternative performance measure

KONE reports an alternative performance measure, adjusted EBIT, to enhance the comparability of the business performance between reporting periods. The adjusted EBIT is calculated by excluding from EBIT significant items impacting comparability such as significant restructuring costs and starting 2022 also significant income and expenses incurred outside normal course of business of KONE. In 2023, items affecting comparability amounted to EUR 48.3 million including EUR 57.7 million costs recognized on restructuring measures and a positive effect of EUR 8.0 million recognized on completion of the sale of operations in Russia. Small movements in provisions set a side for commitments in Ukraine were further recognized. KONE completed the sale of its Russia operations to Russia-based S8 Capital diversified Holding on October 23, 2023.

Alternative performance measure		10-12/2023	10-12/2022	1-12/2023	1-12/2022
Operating income	MEUR	362.1	367.1	1,200.1	1,031.2
Operating income margin	%	12.9	12.6	11.0	9.5
Items impacting comparability	MEUR	-3.6	-2.1	48.3	45.4
Adjusted EBIT	MEUR	358.6	365.0	1,248.4	1,076.6
Adjusted EBIT margin	%	12.8	12.5	11.4	9.9



## Quarterly figures

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

		Q4/2023	Q3/2023	Q2/2023	Q1/2023	Q4/2022	Q3/2022	Q2/2022	Q1/2022
Orders received	MEUR	2,049.2	1,989.9	2,275.5	2,263.1	1,944.2	2,155.5	2,609.0	2,422.6
Order book	MEUR	8,715.7	8,839.5	9,041.9	9,176.2	9,026.1	9,890.5	10,000.4	9,255.4
Sales	MEUR	2,809.9	2,749.9	2,835.9	2,556.6	2,911.5	2,998.2	2,555.1	2,441.9
Operating income	MEUR	362.1	316.5	283.2	238.3	367.1	303.9	189.0	171.1
Operating income margin	%	12.9	11.5	10.0	9.3	12.6	10.1	7.4	7.0
Adjusted EBIT <sup>1)</sup>	MEUR	358.6	315.9	332.0	241.9	365.0	305.8	209.3	196.5
Adjusted EBIT margin <sup>1)</sup>	%	12.8	11.5	11.7	9.5	12.5	10.2	8.2	8.0
Items impacting comparability	MEUR	-3.6	-0.5	48.8	3.6	-2.1	1.9	20.3	25.4

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

		Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Orders received	MEUR	1,988.3	2,007.3	2,310.1	2,094.1	1,937.9	1,831.9	2,118.6	1,908.7
Order book	MEUR	8,051.5	8,399.8	8,407.1	8,454.7	7,950.7	7,791.6	7,915.3	7,786.6
Sales	MEUR	2,684.6	2,557.6	2,540.8	2,198.8	2,443.4	2,288.7	2,330.6	2,008.0
Operating income	MEUR	356.4	314.2	306.5	215.4	292.5	258.0	280.5	211.5
Operating income margin	%	13.3	12.3	12.1	9.8	12.0	11.3	12.0	10.5
Adjusted EBIT <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	-	-	-	-	-	-

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

Net working capital (MEUR)	Dec 31, 2023	Dec 31, 2022
Inventories	820.9	843.6
Advance payments received and deferred revenue	-1,915.7	-1,973.8
Accounts receivable	2,495.1	2,668.1
Deferred assets and income tax receivables	759.7	826.9
Accruals and income tax payables	-2,131.1	-2,181.2
Provisions	-196.9	-177.4
Accounts payable	-927.0	-1,132.8
Net deferred tax assets/liabilities	233.9	222.7
<b>Total net working capital</b>	<b>-861.2</b>	<b>-903.9</b>

Depreciation and amortization (MEUR)	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Depreciation and amortization of fixed assets	59.7	56.1	222.4	219.8
Amortization of acquisition-related intangible assets	12.6	9.8	47.0	39.5
<b>Total</b>	<b>72.3</b>	<b>65.9</b>	<b>269.4</b>	<b>259.3</b>

Key exchange rates in Euros		Dec 31, 2023		Dec 31, 2022	
		Income statement	Statement of financial position	Income statement	Statement of financial position
Chinese Yuan	CNY	7.6589	7.8509	7.0836	7.3582
US Dollar	USD	1.0816	1.1050	1.0563	1.0666
British Pound	GBP	0.8702	0.8691	0.8537	0.8869
Indian Rupee	INR	89.3371	91.9045	82.8319	88.1710
Australian Dollar	AUD	1.6297	1.6263	1.5189	1.5693

## Derivatives

Fair values of derivative financial instruments (MEUR)	Dec 31, 2023			Dec 31, 2022
	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net
Foreign exchange forward contracts and swaps	11.5	-28.5	-17.0	-5.4

Nominal values of derivative financial instruments (MEUR)	Dec 31, 2023	Dec 31, 2022
Foreign exchange forward contracts and swaps	3,282.3	2,974.8

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

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

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

## Investments

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

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

## Commitments

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

a maximum of 1,983.7 (December 31, 2022: 1,802.9) million as of December 31, 2023.



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

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