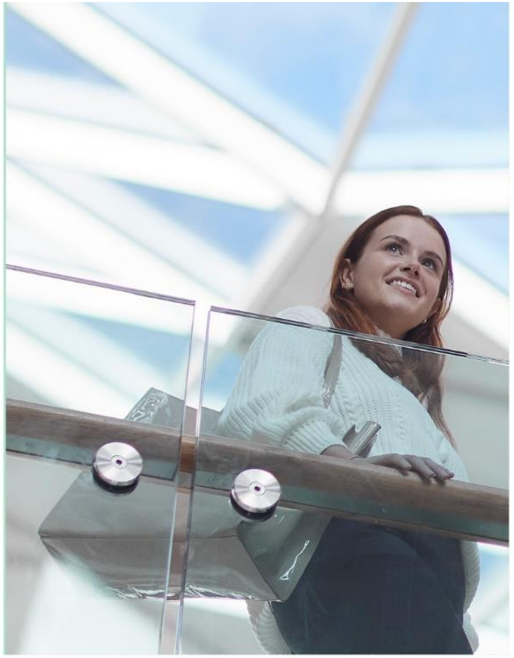

Annual Review 2023

Dedicated to
People Flow™

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Contents

KONE in brief

At KONE, our mission is to improve the flow of urban life. As a global leader in the elevator and escalator industry, KONE provides elevators, escalators and automatic building doors, as well as solutions for maintenance and modernization to add value to buildings throughout their life cycle. Through more effective People Flow®, we make people's journeys safe, convenient and reliable, in taller, smarter buildings.

Sales MEUR 10,952.3
in 2023

We move over 1 billion
people every day

More than 1,600,000
equipment in KONE's service base

More than 60,000
employees

Close to 600,000
customers

Operations in over 60
countries

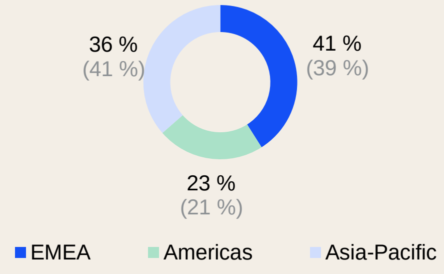
Authorized distributors and agents
in close to 100 countries

Key figures

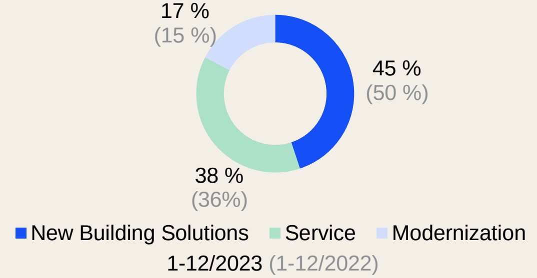
		1–12/2023	1–12/2022	Change	Change at comparable exchange rates
Orders received	MEUR	8,577.7	9,131.3	-6.1%	-1.4%
Order book	MEUR	8,715.7	9,026.1	-3.4%	0.1%
Sales	MEUR	10,952.3	10,906.7	0.4%	5.0%
Operating income	MEUR	1,200.1	1,031.2	16.4%	
Operating income margin	%	11.0	9.5		
Adjusted EBIT*	MEUR	1,248.4	1,076.6	16.0%	
Adjusted EBIT margin*	%	11.4	9.9		
Income before tax	MEUR	1,206.1	1,028.4	17.3%	
Net income	MEUR	931.6	784.5	18.8%	
Basic earnings per share	EUR	1.79	1.50	19.7%	
Cash flow from operations (before financing items and taxes)	MEUR	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		

* 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.

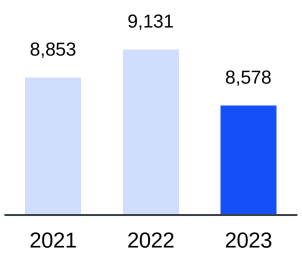
Sales by region



Sales by business

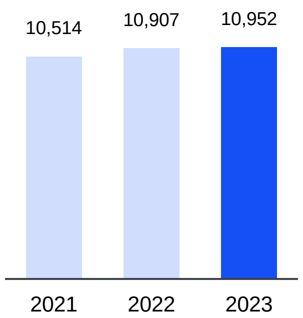


Orders received*, MEUR

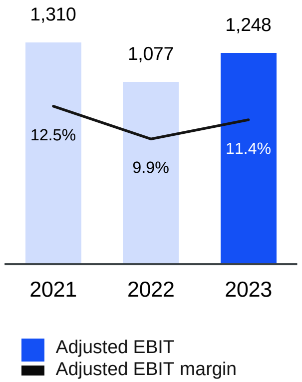


*) Orders received do not include Service contracts

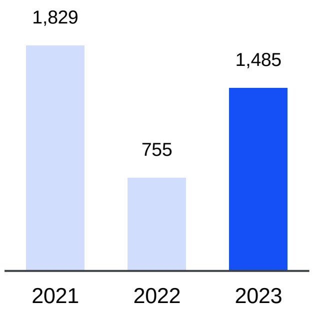
Sales, MEUR



Adjusted EBIT, MEUR and adjusted EBIT margin, %

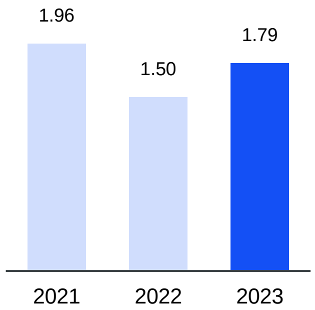


Cash flow*, MEUR

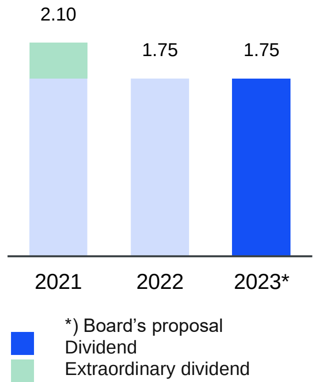


*) Cash flow from operations before financing items and taxes

Earnings per share, EUR



Dividend per class B share, EUR



KONE’s strategy

At KONE, our mission is to improve the flow of urban life. We understand urbanization and help our customers make the best of the world’s cities, buildings and public spaces. Our vision is to create the best People Flow experience. We believe our vision can be best achieved by working together with our customers and partners in every step of the process.

KONE’s strategic phase 2021–2024 ‘Sustainable success with customers’ focuses on increasing the value we create for our customers with new intelligent solutions and on embedding sustainability even deeper across all of our operations.

The global elevator and escalator industry is shaped by three major megatrends: urbanization, sustainability and technology. Against this backdrop, ‘Sustainable success with customers’ addresses the needs of a digitally enabled world, in which the ways people live, work and commute continue to change. KONE will focus on developing smart and sustainable solutions that adapt to future needs, together with its customers and partners. By doing this, KONE will enable customers’ facilities to function more effectively and deliver an improved user experience.

Focus areas for success

In order to bring clear direction to our strategy, KONE has defined four Where to Win areas, representing the biggest opportunities for profitable growth and differentiation:

- Core products and services**:** matching customer specific needs for a seamless experience through connectivity and adaptability. All products and services will be optimized for cost efficiency and sustainability.
- New solutions for customer value: developed and integrated with core products and services to create value for customers in new ways.
- Smart and sustainable cities: becoming the preferred partner for smart and sustainable city development.
- Service and Modernization business in China: becoming a clear market leader in this fast-growing and fragmented market.

In addition, the following Ways to Win are KONE-wide transformation and development initiatives which will enable us to create sustainable success with customers:

- Empowered people: having the most capable and engaged team of professionals who succeed in a changing world and are able to develop with continuous learning opportunities.
- Marketing and sales renewal: creating a seamless, unified customer experience across multiple channels.
- Lean KONE: leveraging Lean skills, practices and leadership to eliminate waste and ensure continuous improvement.
- Digital + physical enterprise: having future-proof technology infrastructure, building the capabilities to use data and analytics and further developing the efficiency and resilience of our supply chain.

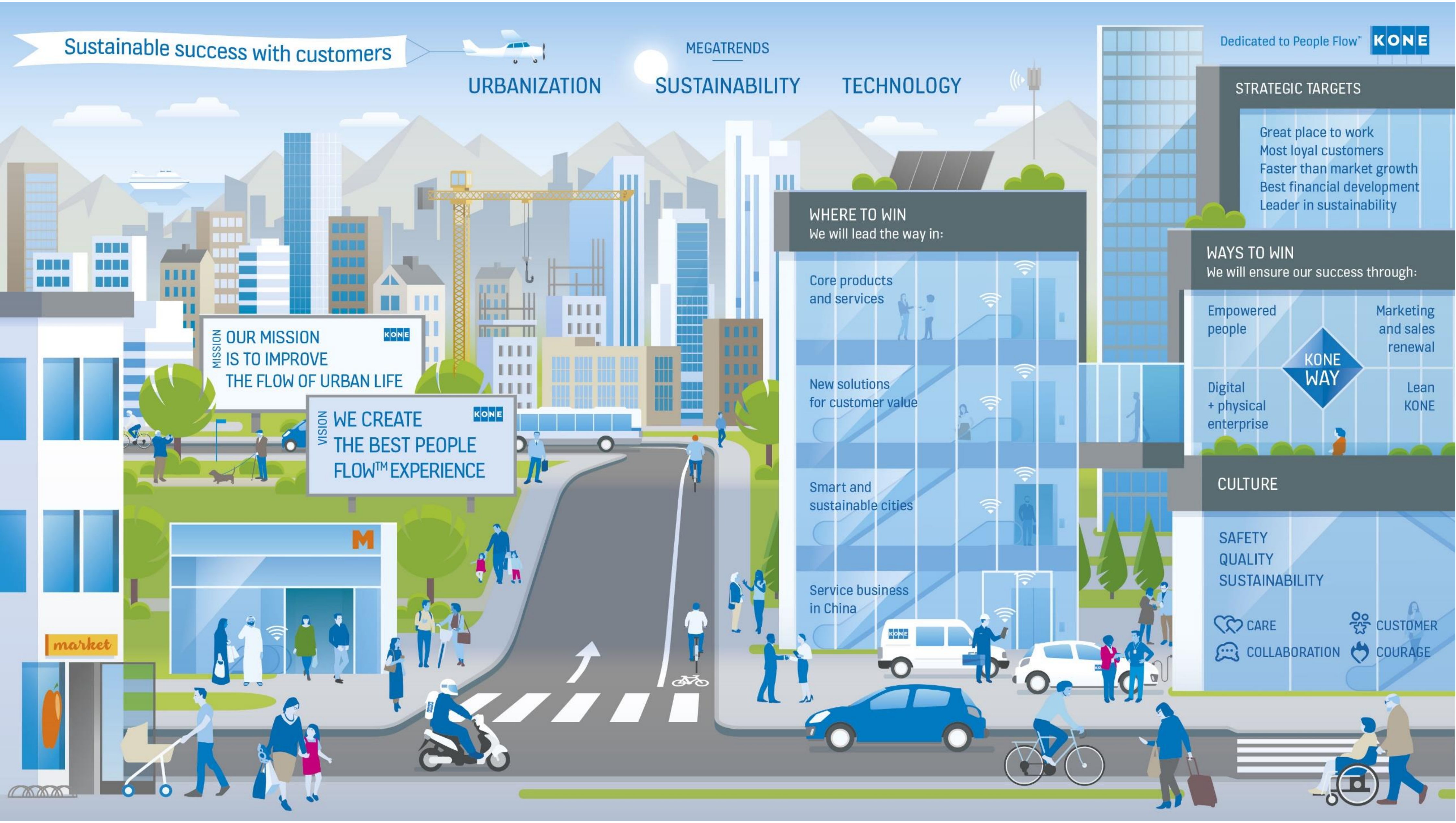
KONE’s strategic and financial targets

We measure progress against five strategic targets:

- Great place to work
- Most loyal customers
- Faster than market growth
- Best financial development
- Leader in sustainability

Our long-term financial targets are:

- Growth: Faster than the market
- Profitability: To reach an EBIT margin of 16%
- Cash flow: Improved working capital rotation



Sustainable success with customers
MEGATRENDS
URBANIZATION
SUSTAINABILITY
TECHNOLOGY
Dedicated to People Flow™
KONE
STRATEGIC TARGETS
Great place to work
Most loyal customers
Faster than market growth
Best financial development
Leader in sustainability
WHERE TO WIN
We will lead the way in:
Core products and services
New solutions for customer value
Smart and sustainable cities
Service business in China
WAYS TO WIN
We will ensure our success through:
Empowered people
Marketing and sales renewal
KONE WAY
Digital + physical enterprise
Lean KONE
CULTURE
SAFETY
QUALITY
SUSTAINABILITY
CARE
CUSTOMER
COLLABORATION
COURAGE
MISSION
OUR MISSION IS TO IMPROVE THE FLOW OF URBAN LIFE
VISION
WE CREATE THE BEST PEOPLE FLOW™ EXPERIENCE
market

Board of Directors' report

KONE's business model

KONE provides value for customers during the whole life cycle of the building. In New Building Solutions, we offer innovative, intelligent and sustainable elevators, escalators, automatic building doors and integrated access control solutions to deliver the best people flow experience. In Service, we ensure the safety and availability of the equipment in operation, and in Modernization we offer solutions for aging equipment ranging from the replacement of components to full replacements.

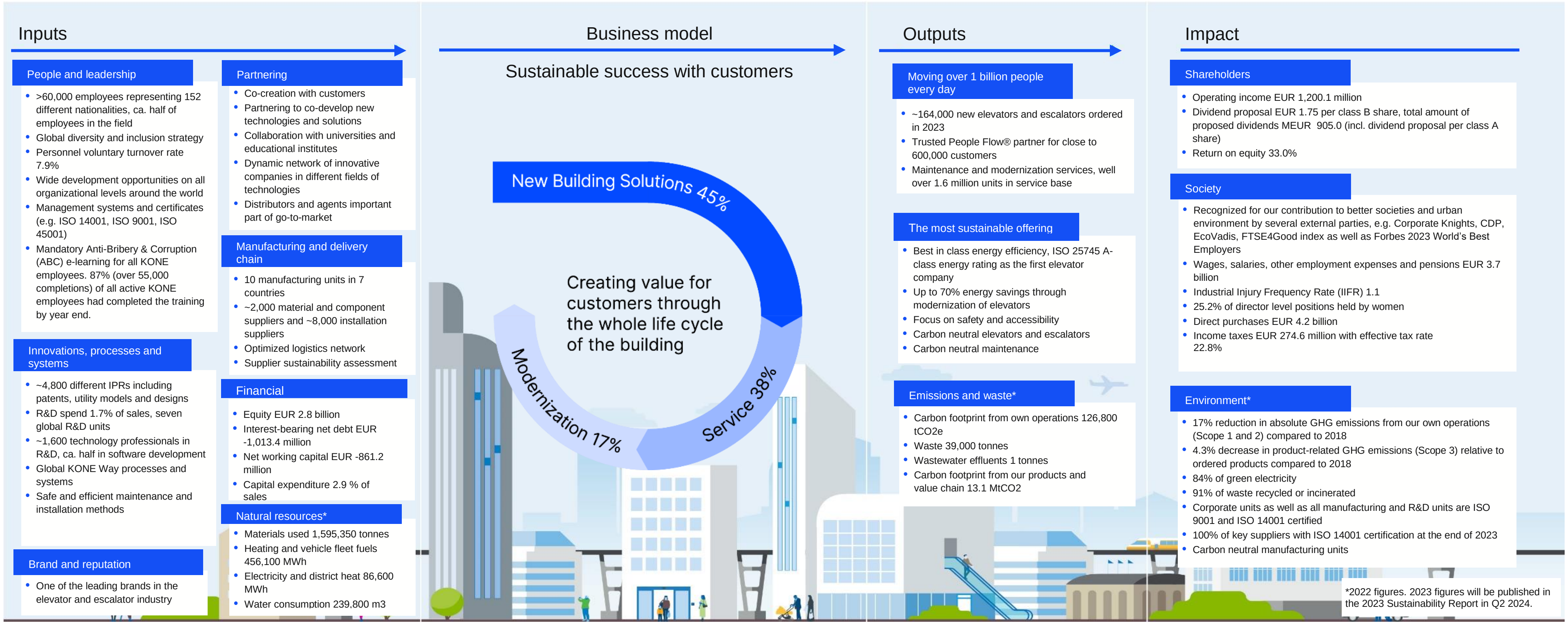
The key growth drivers of New Building Solutions are urbanization and changing demographics. New Building Solutions deliveries are the main growth driver of Service business as the majority of units delivered will end up in KONE's service base. In addition, KONE also maintains other OEMs' equipment. The main growth drivers for Modernization are the aging installed base and increased requirements for efficient people flow, safety and sustainability. Having a strong service base is crucial for the growth in Modernization. KONE also sees significant growth opportunities in increasing the value created for customers in all of its businesses with the help of new technologies and connectivity.

Business characteristics

KONE's business model is capital light as working capital is negative in all businesses and we work extensively with component suppliers to complement our own manufacturing capacity. Service business is very stable due to high requirements for safety and reliability. Customer relationships are also typically long and stable (>90% annual retention rate). New Building Solutions follows construction cycles, while Modernization needs are stable by nature but decision-making can be influenced by sentiment.

Key value drivers

KONE has identified the following strategic inputs that are crucial for creating value for customers, shareholders and the society: competent and engaged people and strong leadership; innovative, sustainable offering and global processes and systems; best partners; efficient manufacturing and delivery chain; solid financial position; environmentally sustainable operations as well as strong brand and solid reputation. In addition to these, KONE sees that the life cycle business model and the existing service base of well over 1.6 million units have a crucial role in value creation. The different businesses support the growth of each other and together provide stability for the business.



KONE's operating environment

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.

	New building solutions market in units 1–12/2023	Service market in units 1–12/2023	Modernization market in monetary value 1–12/2023
Total market	---	+	++
EMEA	---	+	++
Europe	---	+	++
Middle East and Africa	+	+	+++
North America	---	+	+
Asia-Pacific	---	++	+++
China	---	++	+++
Rest of Asia-Pacific	++	++	+++

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

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

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

Orders received and order book

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%.

MEUR	2023	2022	Change	Change at comparable exchange rates
Orders received	8,577.7	9,131.3	-6.1%	-1.4%
Order book	8,715.7	9,026.1	-3.4%	0.1%

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.

	New Building Solutions orders	Modernization orders	Total orders
EMEA	-	+++	++
Americas	---	+++	-
Asia-Pacific	--	+++	--
China	---	+++	---

In monetary value at comparable exchange rates

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

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

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

Sales

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.

MEUR	2023	2022	Change	Change at comparable exchange rates
EMEA	4,490.2	4,237.7	6.0%	9.0%
Americas	2,470.2	2,239.8	10.3%	12.6%
Asia-Pacific	3,991.9	4,429.2	-9.9%	-3.2%
Total sales	**10,952.3**	**10,906.7**	**0.4%**	**5.0%**

MEUR	2023	2022	Change	Change at comparable exchange rates
New Building Solutions	4,921.5	5,399.3	-8.8%	-3.1%
Service	4,127.0	3,890.4	6.1%	9.1%
Modernization	1,903.8	1,616.9	17.7%	21.2%
Total sales	**10,952.3**	**10,906.7**	**0.4%**	**5.0%**

	New Building Solutions sales	Service sales	Modernization sales
EMEA	stable	++	+++
Americas	+++	++	+++
Asia-Pacific	--	++	+++

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

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

Financial result

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.

	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Operating income, MEUR	1,200.1	1,031.2
Operating income margin, %	11.0	9.5
Adjusted EBIT, MEUR	1,248.4	1,076.6
Adjusted EBIT margin, %	11.4	9.9
Income before taxes, MEUR	1,206.1	1,028.4
Net income, MEUR	931.6	784.5
Basic earnings per share, EUR	1.79	1.50

Cash flow and financial position

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.

	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Cash flow from operations (before financing items and taxes), MEUR	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

Capital expenditure and acquisition

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.

MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
On fixed assets	161.2	101.7
On leasing agreements	161.1	107.5
On acquisitions	190.3	28.1
Total	**512.7**	**237.4**

Research and development

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.

MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
R&D expenditure	185.0	187.8
As percentage of sales, %	1.7	1.7

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 Sustainability Report 2023

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

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.

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) 1)	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) 1)	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) 2)	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, % 3)	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

[1] 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).
[2] The number of lost time injuries of one day or more, per million hours worked
[3] Sum of voluntarily left employees (with permanent contract) over 12 months divided by average closing headcount over 12 months

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.

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.

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. 13
	Management's role in assessing and managing climate-related risks and opportunities	Non-financial information / Management and Board of Directors' oversight of sustainability, p. 13
Strategy	Climate-related risks and opportunities over the short, medium and long term	Non-financial information / Environmental matters, p. 16 Risks and risk management related to the reporting of non-financial information, p. 34
	Impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Strategy, p. 5 Risks and risk management related to the reporting of non-financial information, p. 34
	Resilience of strategy, taking into consideration different climate-related scenarios	Risks and risk management related to the reporting of non-financial information, p. 34
Risk management	Processes for identifying and assessing climate-related risks	Risks and risk management related to the reporting of non-financial information, p. 34
	Processes for managing climate-related risks	Risks and risk management related to the reporting of non-financial information, p. 34
	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. 34
Metrics and targets	Metrics used to assess climate-related risks and opportunities	Non-financial information / Key performance indicators, p. 15 Non-financial information / Environmental matters, p. 16
	Scope 1, Scope 2 and Scope 3 emissions and the related risks	Non-financial information / Key performance indicators, p. 15 Non-financial information / Environmental matters, p. 16
	Targets used to manage climate-related risks and opportunities and performance against targets	Non-financial information / Key performance indicators, p. 15 Non-financial information / Environmental matters, p. 16

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 Byggvarubedömningen (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 Word 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'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

	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Average number of employees	63,164	63,186
Number of employees at the end of period	**63,536**	**63,277**
EMEA	23,583	23,628
Americas	7,625	7,442
Asia-Pacific	32,328	32,208

Personnel voluntary turnover rate was 7.9% (7.9%). Employee costs for the reporting period totaled EUR 3,656 (3,533) million. The geographical distribution of KONE employees was 37% (December 31,2022: 37%) in EMEA, 12% (12%) in the Americas and 51% (51%) in Asia-Pacific.

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. 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.

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 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 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.

EU Taxonomy disclosure

EU Taxonomy is a classification system for environmentally sustainable economic activities. It is a framework to redirect investments towards more sustainable activities through technical screening criteria, environmental objectives, Do no significant harm criteria (DNSH), and minimum social safeguards. KONE discloses information according to the Non-Financial Reporting Directive (NFRD) on the environmentally sustainable economic activities as defined in the EU Taxonomy.

At this stage, only economic activities with the most significant need and potential to make substantial contribution to climate change mitigation and adaptation have been included within the scope of the Climate Delegated Act. The majority of KONE's business, i.e. the manufacturing, service and modernization of elevators and escalators, does not currently fall within the scope of the Taxonomy because it is not among the most high-emitting industries. Nonetheless, KONE has identified certain taxonomy-eligible and -aligned activities within its business. We support more sustainable urban environments and buildings with our energy-efficient and innovative offering and the use of healthy, functional, and sustainable materials. Furthermore, we have set ambitious science-based targets for significant reductions in our greenhouse gas (GHG) emissions by the year 2030.

Read more about KONE's environmental sustainability in the section 'Non-financial information' of this report.

Assessment on taxonomy-eligible turnover

In 2023, EU published the new Taxonomy activities for the four remaining environmental objectives. Companies are to report only Taxonomy-eligibility for the first year, alignment is to be reported from 2024 onwards. We have identified several aspects in KONE's business that fit into the new environmental objectives.

The lifetime of elevators and escalators is typically long and can be extended through service and modernization. Our Service business supports the product usage through regular maintenance, and Modernization offers solutions for prolonging the product life cycle with upgrades in terms of energy efficiency, safety, and visual appearance. The description of the economic activity 5.1 'Repair, refurbishment and remanufacturing' entails repair and refurbishment of goods that have been used for their intended purpose before by a customer. KONE's activity to partly modernize elevators and escalators is considered to fit into the activity description and is therefore reported as Taxonomy-eligible turnover.

KONE has an obligation to sell spare parts to third party maintenance companies which are maintaining products manufactured by KONE. This activity fits into the description of the activity 5.2 'Sale of spare parts' and its turnover is reported as Taxonomy-eligible.

Activities 5.1 and 5.2 relate to products and spare parts that are used in products manufactured by economic activities classified under the NACE code C28.22 'Manufacture of lifting and handling equipment' and are therefore applicable to KONE's business.

Under 'Information and Communication' in the EU Taxonomy, the description of the economic activity 4.1 'Provision of IT/OT data-driven solutions' was found to be suitable for manufacturing of DX Class elevators, their service as well as 24/7 Connected Service, and therefore their turnover is reported as taxonomy-eligible. KONE's DX Class elevators are equipped with digital platform and API connectivity to connect elevators with a new suite of solutions and services that improve the user experience. KONE 24/7 offers intelligent predictive maintenance through a cloud connection. It helps maximize the product safety by predicting issues and act before a disruption occurs, thereby improving the availability of the equipment and helping minimize the equipment's environmental footprint.

Activity 4.1 includes the turnover from manufacturing of DX Class elevators with regenerative drive; other elevators with regenerative drive are included in activity 3.6.

In addition to elevators and escalators, KONE's offering includes automatic building doors. Certain aspects of the door business have been identified as Taxonomy-eligible. The description of the economic activity 3.5 'Manufacture of energy efficiency equipment for buildings' includes NACE code C25.12, which comprises the manufacture of metal doors, windows and their frames, shutters and gates as well as metal room partitions for floor attachment. KONE's turnover related to manufacture of sliding doors, swing doors, revolving doors, turnstiles, overhead doors, roller shutters, high speed doors, garage doors and gates falls within this scope and is considered Taxonomy-eligible.

The installation, service, and repair of these door and gate solutions is also considered Taxonomy-eligible based on the description of activity 7.3 'Installation, maintenance and repair of energy efficiency equipment'. The revenue related to activities 3.5 and 7.3 is not material; thus Taxonomy-alignment has not been pursued.

Assessment on taxonomy-aligned turnover

KONE strives to be the best partner for climate resilient and sustainable buildings throughout their life cycle. Our sustainable offering includes best-in-class energy-efficient solutions and sustainable materials. One of KONE's pioneering eco-efficient solutions is regenerative drive. When descending with a heavily loaded car or ascending with a lightly loaded car, elevators equipped with a regenerative drive can recover energy by converting the stored mechanical energy into electrical energy in the motor, which acts as a generator. Energy is pushed back into the electrical grid of the building, where it can be used by other building appliances, such as HVAC.

From EU Taxonomy, the economic activity 3.6 'Manufacture of other low carbon technologies' was found to be best suited for manufacturing elevators with regenerative drive. Below we have assessed the activity against the criteria set out in EU Taxonomy regulation Annex I 2020/852.

To avoid double counting, KONE has re-categorized the turnover from DX Class elevators manufactured with regenerative drive from economic activity 3.6 to 4.1. This has resulted in a slightly lower taxonomy-alignment for the activity 3.6. compared to 2022 disclosure.

Substantial contribution criteria

KONE has reviewed the substantial contribution criteria for economic activity 3.6 and assessed to be aligned.

While the amount of regenerated energy of the regenerative drive varies according to the building type, the saving can potentially amount to 20-40% of the elevator consumption in mid-rise buildings, thereby demonstrating substantial lifecycle GHG emission savings compared to the best performing alternative solution available on the market, such as modern elevator drive technology without the ability to feed electricity back to the building network. The best available elevator technologies have been studied by EU Commission in 2019 as part of the Ecodesign Directive review. KONE has conducted third party verified lifecycle assessments for its elevators which include carbon handprint data, as recommended in the elevator product category rules and EU Commission's general recommendations. The life cycle GHG emission savings are calculated according to ISO standards.

Do no significant harm criteria

Climate change adaptation

KONE has performed physical climate risk assessment as part of KONE's annual risk assessment process. KONE's risk and opportunity assessment includes Climate Change Scenario Analysis based on International Panel for Climate Change RCP scenarios to help to ensure that KONE's strategy is resilient to climate change in a range of possible future states. In the first phase of the analysis, KONE focused on the qualitative implications of climate-related risks and opportunities in key strategic performance areas of KONE's operations: direct material purchases, manufacturing operations, logistics and product and service design.

Conclusion from the analysis was that the physical climate risks are not considered material. KONE has taken mitigating actions to ensure continued operations globally and actively develops business continuity management capabilities to reduce the impact and likelihood of disruptions within its supply chain.

Read more about KONE's approach on climate change adaptation in the section 'Non-financial information' of this report.

Sustainable use and protection of water resources

Environmental impact assessments as part of ISO 14001 certification including water impact assessment have been performed for all of KONE's manufacturing units. Throughout KONE's global operations, water is mainly used for sanitary purposes. KONE sources water mainly from municipal water supplies, and wastewater is released into municipal wastewater treatment systems that abide by local regulations.

Some of KONE's manufacturing units use minor quantities of water in their industrial processes, for example, in painting and coating processes with closed loop water circulation, and for cooling purposes. Manufacturing units monitor their water consumption and wastewater discharge, perform the necessary sampling, and report to the local authorities according to the local regulation. Two manufacturing units have their own wastewater treatment systems, with regular third party monitoring and permits in place. Based on KONE's assessment, none of manufacturing units are located in areas experiencing high levels of water stress, and activities are continuously audited.

Pollution prevention and control

KONE has reviewed the criteria (a) to (e) for the DNSH to pollution prevention and control in Appendix C and found to be compliant. Criteria (f) requires that 'the activity does not lead to the manufacture, placing on the market or use of substances, whether on their own, or in mixtures or in an article, in a concentration above 0.1 % weight by weight (w/w), and meeting the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 and that were identified in accordance with Article 59 (1) of that Regulation for a period of at least eighteen months, except if it is assessed and documented by the operators that no other suitable alternative substances or technologies are available on the market, and that they are used under controlled conditions'.

KONE has systematic practices and code of conducts with environmental annex requiring that the substances, materials, components, parts, sub-assemblies, assemblies, products, labels affixed to products or used in the manufacturing of the products and their components comply with the regulation laid out by EU Commission. KONE is constantly striving to limit the amount of restricted substances in its products and aims to use only articles which are sustainable from environmental, technical and economical perspective.

Certain components used in KONE's products contain substances which are listed in the REACH Candidate list. As lead is the most significant substance, KONE has done an assessment by analyzing if the components containing lead have suitable alternatives on the market and whether using these alternatives is technically and economically feasible. The assessment was conducted and documented by KONE's subject matter experts from product design and R&D Sustainability teams. Based on the analysis conducted, KONE is not aware of suitable alternative technologies on the market that would be technically and/or economically feasible. The use of lead is also essential from a safety perspective, as the purpose of the elevator's safety-relevant components such as electrification and lead-acid battery is to ensure the safety of the passengers when the elevator is in use, also during possible power breaks.

Transition to a circular economy

KONE's contribution to a circular economy focuses on reducing the materials, energy and other resources used in solutions and operations. KONE strives to optimize material use, for example, through robotics and automation, product design, recycling waste wherever possible, and reusing packaging materials. KONE aims to maximize the positive environmental impacts and minimize the adverse ones throughout the life cycle of our solutions. This extends from raw material extraction to end-of-life treatment such as recycling the materials. Up to 90% of the materials in KONE's solutions can be recovered. Modernization solutions contribute to the renovation and repurposing of buildings. KONE's products are fit for disassembly and can be reused and recycled.

The current share of recycled content in KONE's products is relatively low, and we work closely with our suppliers to increase the recycled content in metals, without compromising the safety or quality of the equipment.

Protection and restoration of biodiversity

Environmental impact assessments as part of ISO 14001 certification have been performed for all of KONE's manufacturing units. All required mitigation and compensation measures for protecting the environment are implemented based on the local regulatory requirements and included in KONE's ISO 14001 certification and auditing processes.

KONE has conducted a screening on its manufacturing units in 2023 and found that none of the sites are in or near UNESCO Word Heritage sites, Nature 2000 or other conservation parks or biodiversity sensitive areas. KONE also uses this as a long-term (2030) and annual biodiversity target for its operations.

Minimum social safeguards

Based on the reviewing of the Minimum Safeguards criteria on human rights, bribery and corruption, taxation and fair competition, which are laid out by the EU Platform on Sustainable Finance, KONE has found to be aligned.

KONE's Code of Conduct, Human Rights Policy, Anti-Bribery and Corruption Policy and other related policies set out the principles and standards expected from KONE employees, KONE companies, suppliers, distributors and other business partners. KONE is committed to respecting and endorsing internationally recognized labor and human rights standards. KONE has a human rights due diligence process, consisting of impact assessments, third party due diligence, supplier screenings and internal assessments and surveys.

Read more about human rights, bribery and anti-corruption in the section 'Non-financial information' of this report.

Based on KONE's assessment, KONE fulfils the criteria set out for the economic activity 3.6. Consequently, manufacturing of elevators with a regenerative drive is reported as Taxonomy-aligned activity.

CapEx and OpEx

KONE's vehicle fleet consists of about 18,000 vehicles. Based on the description of activity 6.5 'Transport by motorbikes, passenger cars and commercial vehicles', we have concluded that the leasing costs of KONE's entire vehicle fleet are Taxonomy-eligible as related to category C 'Purchase of output from other companies' Taxonomy-eligible economic activities'. Taxonomy-alignment could not be determined due to limited information on the fulfilment of DNSH criteria. We did not identify any category A or B related capital expenditure.

We did not identify any turnover-related or standalone Taxonomy-eligible operational expenditure.

For OpEx, KONE has defined the total operational expenditure (denominator), MEUR 198, based on the methodology specified in the Taxonomy Regulation. It includes research and development costs of KONE, in addition to cost related to maintenance and repair of the facilities and buildings, as well as short-term lease expenses.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

Financial year N		2023		Substantial contribution criteria						DNSH criteria									
Economic activities	**Code**	**Turnover**	**Proportion of turnover, year N**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Proportion of taxonomy aligned (A.1) or eligible (A.2) turnover, year N-1**	**Category enabling activity**	**Category transitional activity**
		MEUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of other low carbon technologies	3.6	1,110	10.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	14.1%	E	
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		**1,110**	**10.1%**	**100.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**14.1%**		
Of which Enabling		1,110	10.1%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Y	Y	Y	Y	Y	Y	Y	14.1%	E	
Of which Transitional																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
Manufacture of energy efficiency equipment for buildings	3.5	17	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		
Provision of IT/OT data-driven solutions	4.1	2,713	24.8%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Repair, refurbishment and remanufacturing	5.1	940	8.6%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Sale of spare parts	5.2	11	0.1%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Installation, maintenance and repair of energy efficiency equipment	7.3	61	0.6%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.6%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**3,743**	**34.2%**	**2.1%**	**0.0%**	**0.0%**	**0.0%**	**97.9%**	**0.0%**								**0.8%**		
A. Turnover of Taxonomy eligible activities (A.1 + A.2)		**4,853**	**44.3%**	**24.5%**	**0.0%**	**0.0%**	**0.0%**	**75.5%**	**0.0%**								**14.9%**		
B. TAXONOMY-NON ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		6,099	55.7%																
TOTAL		**10,952**	**100.0%**																

EL = Eligible; N/EL = Non-eligible

Total turnover as per KONE group reported figures. KONE’s principles for defining turnover and capital expenditure can be found in sections 2.1., 4.3 and 4.4. in the Financial Statements.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

Financial year N	2023			Substantial contribution criteria						DNSH criteria									
Economic activities	**Code**	**CapEx**	**Proportion of CapEx, year N**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Circular economy**	**Pollution**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Circular economy**	**Pollution**	**Biodiversity**	**Minimum safeguards**	**Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year N-1**	**Category enabling activity**	**Category transitional activity**
		MEUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)																			
Of which Enabling																			
Of which Transitional																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
Transport by motorbikes, passenger cars and commercial vehicles	6.5	89	17.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								26.5%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**89**	**17.4%**	**100.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**26.5%**		
A. CapEx of Taxonomy eligible activities (A.1 + A.2)		**89**	**17.4%**	**100.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**26.5%**		
B. TAXONOMY-NON ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		424	82.6%																
TOTAL		**513**	**100.0%**																

EL = Eligible; N/EL = Non-eligible

Total CapEx as per KONE group reported figures. KONE's principles for defining turnover and capital expenditure can be found in sections 2.1., 4.3 and 4.4. in the Financial Statements.

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

Financial year N	**2023**			**Substantial contribution criteria**						**DNSH**									
Economic activities	**Code**	**OpEx**	**Proportion of OpEx, year N**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Proportion of Taxonomy aligned (A.1) or eligible (A.2) OpEx, year N-1**	**Category enabling activity**	**Category transitional activity**
		MEUR	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)																			
Of which Enabling																			
Of which Transitional																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0.0%**																
A. OpEx of Taxonomy eligible activities (A.1+ A.2)		**0**	**0.0%**																
B. TAXONOMY-NON ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		198	100.0%																
TOTAL		**198**	**100.0%**																

EL = Eligible; N/EL = Non-eligible

Taxonomy eligibility and alignment per environmental objective

	Proportion of turnover/Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	10.1%	10.8%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	33.5%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

	Proportion of CapEx/Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	17.4%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

	Proportion of OpEx/Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	0.0%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

CCM = Climate Change Mitigation
CCA = Climate Change Adaptation
WTR = Water and Marine Resources
CE = Circular Economy
PPC = Pollution Prevention and Control
BIO = Biodiversity and Ecosystems

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 (December 31, 2022: EUR 81 million). The total capital amount claimed decreased due to a settlement during the fourth quarter. 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
Total shares	**529,395,860**	**529,395,860**
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
Treasury shares at the beginning of the period	12,306,640
Changes in treasury shares during the period	-147,481
Treasury shares at the end of the period	**12,159,159**

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	48.30

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
New Building Solutions in units	-	-	++	--
Service in units	+	+	++	++
Modernization in monetary value	+	++	+++	+++

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

Market outlook 2024

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, Rautatieläisenkatu 3, in Helsinki, Finland.

Helsinki, January 25, 2024
KONE Corporation’s Board of Directors

Shares and shareholders

KONE share

KONE has two classes of shares: A and B. Only B-class shares are listed on the Nasdaq Helsinki Ltd. Trading of the KONE class B shares started on January 2, 1967.

Voting rights

Each KONE class A share is assigned one vote, as is each block of 10 class B shares, with the provision that each shareholder is entitled to at least one vote.

Closing price (EUR)

December 31, 2023	45.16
December 31, 2022	48.30
Change	-6.5%

Dividend policy

KONE has not adopted a specific dividend policy. In the case of a dividend distribution, the dividend paid on the class B share is higher than that on the class A share.
The difference between the dividends is at minimum one (1) percent and at maximum two-and-a-half (2.5) percent, calculated from the accounting par value of the share. The accounting par value of the share is EUR 0.125.

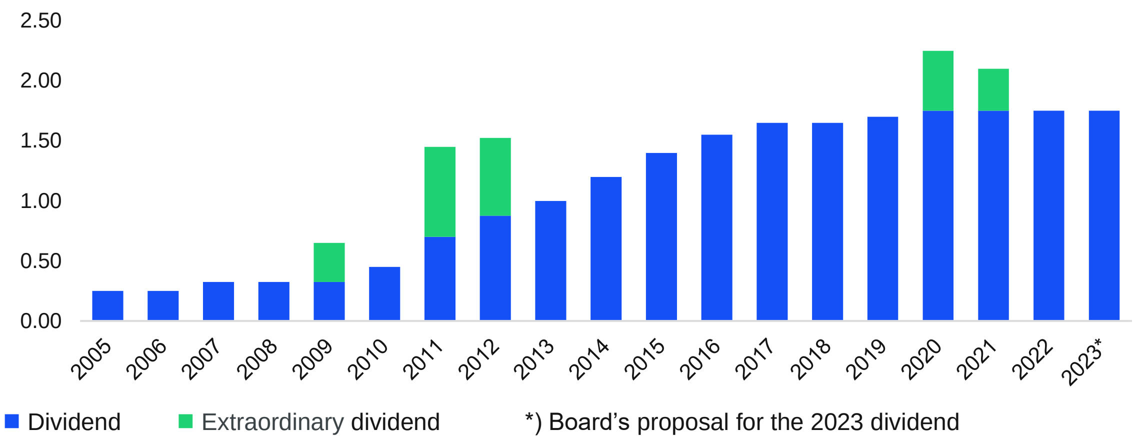
Share notations (EUR)

High	53.34
Low	37.20
Volume-weighted average price	45.79

KONE Corporation's share capital consists of the following:

	Number of shares	Par value, EUR
Class A	76,208,712	9,526,089
Class B	453,187,148	56,648,394
Total	529,395,860	66,174,483

KONE class B dividend per share, 2005–2023, EUR



*) Board's proposal for the 2023 dividend

	KONE class B shares
Trading code, Nasdaq Helsinki Ltd.	KNEBV
ISIN code	FI0009013403
Accounting par value	EUR 0.125

Market capitalization

on December 31, 2023

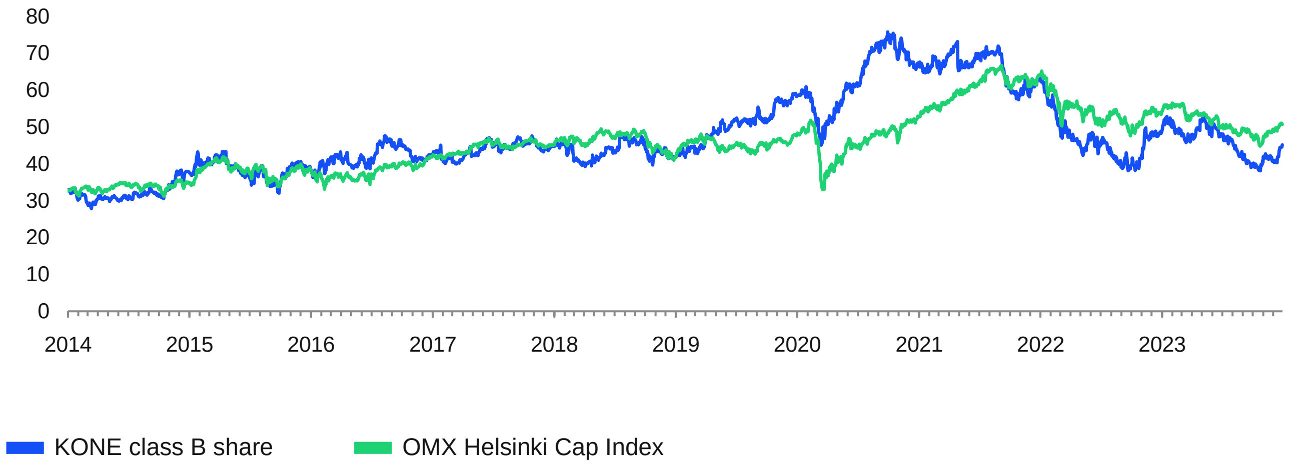
EUR 23,358 million

Dividend proposal

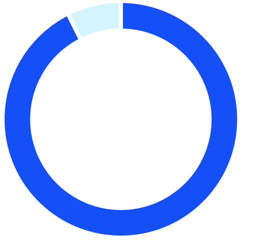
EUR 1.75

per class B share

KONE class B share price development Jan 1, 2013–Dec 31, 2023, EUR

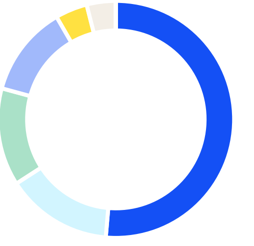


Class A shares, %



92.6% Companies
7.4% Non-profit organizations

Class B shares, %



51.4% Foreign / nominee registered shareholders *)
14.5% Companies
13.3% Financial institutions and insurance companies
12.4% Individuals
4.4% Public institutions
4.0% Non-profit organizations
*) Includes foreign-owned shares registered by Finnish nominees

Shareholders

Shareholdings on Dec 31, 2023 by number of shares

Number of shares	Number of owners	Percentage of owners	Number of shares	Percentage of shares
1 - 10	23,957	21.6 %	130,449	0.0 %
11 - 100	49,865	45.0 %	2,224,834	0.4 %
101 - 1,000	29,688	26.8 %	10,070,219	1.9 %
1,001 - 10,000	6,476	5.8 %	17,327,909	3.3 %
10,001 - 100,000	671	0.6 %	16,538,154	3.1 %
100,001 -	93	0.1 %	483,062,031	91.3 %
Total	**110,750**	**100.0 %**	**529,353,596**	**100.0 %**
Shares which have not been transferred to the paperless book entry system			42,264	0.0 %
Total			**529,395,860**	**100.0 %**

Major shareholders on Dec 31, 2023

	A-series	B-series	Total	% of shares	% of votes
1 **Herlin Antti**	70,561,608	53,060,154	123,621,762	23.4 %	62.4 %
Holding Manutas Oy [1]	54,284,592	42,805,254	97,089,846	18.3 %	48.2 %
Security Trading Oy [2]	16,277,016	8,560,303	24,837,319	4.7 %	14.1 %
Herlin Antti	0	1,694,597	1,694,597	0.3 %	0.1 %
2 **Polttina Oy**	0	17,271,928	17,271,928	3.3 %	1.4 %
3 **Wipunen Varainhallinta Oy**	0	16,350,000	16,350,000	3.1 %	1.3 %
4 **KONE Foundation**	5,647,104	9,859,632	15,506,736	2.9 %	5.5 %
5 **Heikintorppa Oy**	0	10,100,000	10,100,000	1.9 %	0.8 %
6 **Ilmarinen mutual pension insurance company**	0	7,032,192	7,032,192	1.3 %	0.6 %
7 **Varma mutual pension insurance company**	0	6,301,222	6,301,222	1.2 %	0.5 %
8 **Riikantorppa Oy**	0	5,500,000	5,500,000	1.0 %	0.5 %
9 **Blåberg Olli**	0	5,300,000	5,300,000	1.0 %	0.4 %
10 **Elo mutual pension insurance company**	0	3,647,000	3,647,000	0.7 %	0.3 %
10 largest shareholders total	**76,208,712**	**134,422,128**	**210,630,840**	**39.8 %**	**73.8 %**
Foreign / nominee registered shareholders [3]	0	232,769,759	232,769,759	44.0 %	19.2 %
Repurchased own shares	0	12,159,159	12,159,159	2.3 %	1.0 %
Others	0	73,836,102	73,836,102	13.9 %	6.1 %
Total	**76,208,712**	**453,187,148**	**529,395,860**	**100.0 %**	**100.0 %**

The list of ten major shareholders includes the major shareholders with a Finnish book-entry account.
[1] Antti Herlin's ownership of Holding Manutas represents 1.1% of the shares and 12.8% of the voting rights. Together with the ownership of Security Trading Oy in which he exercises controlling power, his ownership represents 51.0% of the shares and 62.7% of the voting rights.
[2] Antti Herlin's ownership of Security Trading Oy represents 56.4% of the shares and 57.5% of the voting rights. Together with the ownership of his children, Antti Herlin's ownership in Security Trading Oy represents 99.9% of the shares and 99.8% of the voting rights.
[3] Foreign ownership including foreign-owned shares registered by Finnish nominees.

More information on the shareholdings of KONE's Board of Directors and Executive Board on Dec 31, 2023 and changes in shareholding during Jan 1 – Dec 31, 2023 are available on page 129

Key figures per share, Jan 1–Dec 31, 2023

	2023	2022	2021	2020	2019
Basic earnings per share, EUR	1.79	1.50	1.96	1.81	1.80
Diluted earnings per share, EUR	1.79	1.49	1.96	1.81	1.80
Equity per share, EUR	5.32	5.49	6.13	6.12	6.13
Dividend per class B share, EUR [1)]	1.75	1.75	2.10	2.25	1.70
Dividend per class A share, EUR [1)]	1.7475	1.7475	2.0950	2.2450	1.6975
Dividend per earnings, class B share, %	97.8	117.0	107.3	124.0	94.2
Dividend per earnings, class A share, %	97.6	116.8	107.0	123.7	94.1
Effective dividend yield, class B share, %	3.88	3.6	3.3	3.4	2.9
Price per earnings, class B share	25.23	32.29	32.20	36.63	32.31
Market value of class B share, average, EUR	45.79	46.56	65.44	62.07	49.82
Market value of class B share at end of period, EUR	45.16	48.30	63.04	66.46	58.28
Market capitalization at the end of period, MEUR [2)]	23,358	24,975	32,652	34,452	30,180
Number of class A shares at the end of period, (1,000s)	76,209	76,209	76,209	76,209	76,209
Weighted average number of class A shares, (1,000s)	76,209	76,209	76,209	76,209	76,209
Number of class B shares at the end of period, (1,000s) [2)]	453,187	453,187	441,754	442,181	441,634
Weighted average number of class B shares, (1,000s) [3)]	441,008	441,632	441,847	442,055	440,897
Weighted average number of shares, (1,000s) [3)]	517,595	517,841	518,055	518,264	517,105

[1)] Board's proposal.
[2)] Reduced by the number of repurchased own shares. Class A shares are valued at the closing price of the class B shares.
[3)] Adjusted for share issue and share option and share-based incentive plan dilution, and reduced by the number of repurchased own shares

Key figures and financial development

Consolidated statement of income, Jan 1–Dec 31	2023	2022	2021	2020	2019
Sales, MEUR	10,952	10,907	10,514	9,939	9,982
- sales outside Finland, MEUR	10,736	10,698	10,342	9,745	9,783
Operating income, MEUR	1,200	1,031	1,295	1,213	1,192
- as percentage of sales, %	11.0	9.5	12.3	12.2	11.9
Adjusted EBIT, MEUR [1)]	1,248	1,077	1,310	1,251	1,237
- as percentage of sales, % [1)]	11.4	9.9	12.5	12.6	12.4
Income before taxes, MEUR	1,206	1,028	1,321	1,224	1,218
- as percentage of sales, %	11.0	9.4	12.6	12.3	12.2
Net income, MEUR	932	784	1,023	947	939

Consolidated statement of financial position, MEUR	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019
Non-current assets	2,967	2,781	2,798	2,666	2,811
Current assets	5,764	6,309	6,922	6,126	5,802
Total equity	2,786	2,867	3,199	3,197	3,193
Non-current liabilities	658	643	717	522	760
Provisions	197	177	152	155	127
Current liabilities	5,090	5,404	5,652	4,918	4,533
Total assets	8,731	9,090	9,720	8,792	8,613
Interest-bearing net debt	-1,013	-1,309	-2,164	-1,954	-1,553
Assets employed [2)]	1,773	1,557	1,035	1,243	1,640
Net working capital [2)]	-861	-904	-1,468	-1,160	-856

[1)] Excluding items impacting comparability such as significant restructuring costs and income and expenses incurred outside normal course of business of KONE, such as impact from sale of operations in Russia.
[2)] Items included are presented on page 43.

Alternative performance measure

KONE presents adjusted EBIT as an alternative performance measure to enhance comparability of business performance between reporting periods. In 2023, items affecting comparability included EUR 58 million costs recognized on restructuring measures and a positive effect of EUR 8 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. In 2021 and in earlier periods, items affecting comparability related to restructuring measures.

Other data, Jan 1–Dec 31	2023	2022	2021	2020	2019
Orders received, MEUR	8,578	9,131	8,853	8,185	8,400
Order book, MEUR	8,716	9,026	8,564	7,729	8,052
Cash flow from operations before financing items and taxes, MEUR	1,485	755	1,829	1,908	1,550
Capital expenditure excl. acquisitions, MEUR	322	209	217	201	200
- as percentage of sales, %	2.9	1.9	2.1	2.0	2.0
Expenditure on research and development, MEUR	185	188	189	180	171
- as percentage of sales, %	1.7	1.7	1.8	1.8	1.7
Average number of employees	63,164	63,186	61,698	60,376	58,369
Number of employees at end of reporting period	63,536	63,277	62,720	61,380	59,825
Employee costs	3,656	3,533	3,222	3,043	3,048

Key ratios, %, Jan 1–Dec 31	2023	2022	2021	2020	2019
Return on equity	33.0	25.9	32.0	29.7	30.1
Return on capital employed	27.8	22.4	26.8	25.0	25.1
Equity ratio	40.9	40.3	41.2	45.5	46.5
Gearing	-36.4	-45.7	-67.6	-61.1	-48.6

Alternative performance measure, Jan 1–Dec 31	2023	2022	2021	2020	2019
Operating income (EBIT), MEUR	1,200	1,031	1,295	1,213	1,192
Operating income margin (EBIT margin), %	11.0	9.5	12.3	12.2	11.9
Items impacting comparability, MEUR	48	45	15	38	45
Adjusted EBIT, MEUR	1,248	1,077	1,310	1,251	1,237
Adjusted EBIT margin %	11.4	9.9	12.5	12.6	12.4

Definitions and calculation of key figures

Key figure		Definition
Basic earnings/share	=	Net income attributable to the shareholders of the parent company / Share issue and conversion-adjusted weighted average number of shares - own shares
Equity/share	=	Total shareholders' equity / Number of shares (issue adjusted) - own shares
Dividend/share	=	Dividend payable for the reporting period / Share issue and conversion-adjusted weighted average number of shares - own shares
Dividend/earnings (%)	= 100 x	Dividend/share / Earnings/share
Effective dividend yield (%)	= 100 x	Dividend/share / Price of class B shares at end of reporting period
Price/earnings	=	Price of class B shares at end of reporting period / Earnings/share
Average price	=	Total EUR value of all class B shares traded / Average number of class B shares traded during the reporting period
Market value of all outstanding shares	=	The number of shares [1] (A + B) at end of reporting period x the price of class B shares at end of reporting period

[1] Excluding own shares. Class A shares are valued at the closing price of the class B shares.

Key figure		Definition
Shares traded	=	Number of class B shares traded during the reporting period
Shares traded (%)	= 100 x	Number of class B shares traded / Weighted average number of class B shares
Average number of employees	=	The average employee count at the end of each calendar month during the reporting period
Return on equity (%)	= 100 x	Net income / Total equity (average during the reporting period)
Return on capital employed (%)	= 100 x	Net income + financing expenses / Equity + interest-bearing-debt (average during the reporting period)
Equity ratio (%)	= 100 x	Total equity / Total assets - advance payments received and deferred revenue
Gearing (%)	= 100 x	Interest-bearing net debt / Total equity
Assets employed	=	Net working capital + goodwill + intangible assets + tangible assets + investments in associated companies + shares and other non-current financial assets

Consolidated financial statements

Consolidated statement of income

MEUR	Note	Jan 1–Dec 31, 2023	%	Jan 1–Dec 31, 2022	%
Sales	2.1	**10,952.3**		**10,906.7**	
Costs, expenses and depreciation	2.2, 2.3	-9,752.2		-9,875.5	
Operating income		**1,200.1**	**11.0**	**1,031.2**	**9.5**
Financing income	2.5	50.0		51.2	
Financing expenses	2.5	-43.9		-53.9	
Income before taxes		**1,206.1**	**11.0**	**1,028.4**	**9.4**
Taxes	2.6	-274.6		-244.0	
Net income		**931.6**	**8.5**	**784.5**	**7.2**
Net income attributable to:					
Shareholders of the parent company		925.8		774.5	
Non-controlling interests		5.8		10.0	
Total		**931.6**		**784.5**	
Earnings per share for profit attributable to the shareholders of the parent company, EUR	2.7				
Basic earnings per share, EUR		1.79		1.50	
Diluted earnings per share, EUR		1.79		1.49	

Consolidated statement of comprehensive income

MEUR	Note	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Net income		**931.6**	**784.5**
Other comprehensive income, net of tax:	2.8		
Translation differences		-96.2	5.1
Hedging of foreign subsidiaries		15.9	-21.2
Cash flow hedges		-18.1	2.5
Items that may be subsequently reclassified to statement of income		**-98.4**	**-13.6**
Changes in fair value		-23.8	-20.8
Remeasurements of employee benefits		-17.2	42.4
Items that will not be reclassified to statement of income		**-41.0**	**21.6**
Total other comprehensive income, net of tax		**-139.5**	**8.0**
Total comprehensive income		**792.1**	**792.5**
Total comprehensive income attributable to:			
Shareholders of the parent company		786.3	782.5
Non-controlling interests		5.8	10.0
Total		**792.1**	**792.5**

Consolidated statement of financial position

Assets, MEUR		Note	Dec 31, 2023	Dec 31, 2022
Non-current assets				
Goodwill		4.2	1,469.0	1,414.7
Other intangible assets		4.3	287.2	208.2
Tangible assets		4.4	779.7	716.8
Non-current loans receivable	I	5.3, 5.4	3.5	2.5
Shares and other non-current financial assets		5.3, 5.5	97.9	121.7
Employee benefit assets	I	5.3, 5.7	9.2	10.0
Deferred tax assets	II	3.6	320.2	307.5
Total non-current assets			**2,966.8**	**2,781.3**
Current assets				
Inventories	II	3.1	820.9	843.6
Accounts receivable	II	3.2, 5.3	2,495.1	2,668.1
Deferred assets	II	3.3, 5.3	641.0	709.3
Income tax receivables	II		118.7	117.6
Current deposits and loan receivables	I	5.3, 5.5	1,263.9	1,474.9
Cash and cash equivalents	I	5.3	424.5	495.5
Total current assets			**5,764.0**	**6,309.1**
Total assets			**8,730.8**	**9,090.4**

Equity and liabilities, MEUR		Note	Dec 31, 2023	Dec 31, 2022
Equity attributable to the equity holders of the parent				
Share capital		5.2	66.2	66.2
Share premium account			100.3	100.3
Paid-up unrestricted equity reserve			245.7	393.1
Fair value and hedge reserves			-20.0	21.9
Translation differences			69.7	150.1
Remeasurements of employee benefits			-96.5	-79.3
Retained earnings			2,386.6	2,184.2
Total shareholders' equity			**2,752.1**	**2,836.6**
Non-controlling interests			33.9	29.9
Total equity			**2,786.0**	**2,866.5**
Non-current liabilities				
Loans and other interest-bearing liabilities	I	5.3	438.7	417.9
Employee benefit liabilities	I	5.3, 5.7	132.9	140.0
Deferred tax liabilities	II	3.6	86.3	84.8
Total non-current liabilities			**657.9**	**642.7**
Provisions	II	3.5	**196.9**	**177.4**
Current liabilities				
Loans and other interest-bearing liabilities	I	5.3	116.1	116.0
Advance payments received and deferred revenue	II	3.2	1,915.7	1,973.8
Accounts payable	II	5.3	927.0	1,132.8
Accruals	II	3.4, 5.3	1,993.4	2,052.2
Income tax payables	II		137.7	129.0
Total current liabilities			**5,090.0**	**5,403.8**
Total equity and liabilities			**8,730.8**	**9,090.4**

Items designated " I " comprise interest-bearing net debt.
Items designated " II " comprise net working capital.

Consolidated statement of changes in equity

		Attributable to the equity holders of the parent									
MEUR	Note	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	Non-controlling interests	Total equity
Jan 1, 2023		**66.2**	**100.3**	**393.1**	**21.9**	**150.1**	**-79.3**	**-236.6**	**2,420.9**	**29.9**	**2,866.5**
Net income for the period									925.8	5.8	931.6
Other comprehensive income:	2.8										
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:	5.2										
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
Dec 31, 2023		**66.2**	**100.3**	**245.7**	**-20.0**	**69.7**	**-96.5**	**-230.2**	**2,616.9**	**33.9**	**2,786.0**

* 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.

		Attributable to the equity holders of the parent									
MEUR	Note	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	Non-controlling interests	Total equity
Jan 1, 2022		**66.2**	**100.3**	**374.0**	**40.2**	**166.1**	**-121.6**	**-198.6**	**2,747.6**	**25.0**	**3,199.2**
Net income for the period									774.5	10.0	784.5
Other comprehensive income:	2.8										
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:	5.2										
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
Dec 31, 2022		**66.2**	**100.3**	**393.1**	**21.9**	**150.1**	**-79.3**	**-236.6**	**2,420.9**	**29.9**	**2,866.5**

Consolidated statement of cash flows

MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Cash receipts from customers	11,087.6	10,666.7
Cash paid to suppliers and employees	-9,602.4	-9,912.0
Cash flow from operations before financing items and taxes	**1,485.2**	**754.7**
Interest received	22.5	49.4
Interest paid	-19.1	-15.5
Dividends received and capital repayments	5.4	0.0
Other financing items	-62.4	18.3
Income taxes paid	-303.7	-275.4
Cash flow from operating activities	**1,127.9**	**531.5**
Capital expenditure	-148.2	-101.2
Proceeds from sales of fixed assets	0.9	0.2
Acquisitions, net of cash	-169.2	-31.6
Proceeds from sales of subsidiary shares	-3.0	-
Cash flow from investing activities	**-319.4**	**-132.6**
Cash flow after investing activities	**808.5**	**398.9**
Purchase of own shares	-	-50.0
Profit distribution	-904.9	-1,087.8
Change in deposits and loan receivables, net	210.5	913.1
Change of current creditors	-134.2	-121.4
Change in non-current liabilities	-31.8	-36.7
Changes in non-controlling interests	-0.8	-7.7
Cash flow from financing activities	**-861.3**	**-390.5**
Change in cash and cash equivalents	**-52.8**	**8.4**
Cash and cash equivalents at beginning of period	495.5	490.4
Translation difference	-18.2	-3.3
Cash and cash equivalents at end of period	**424.5**	**495.5**

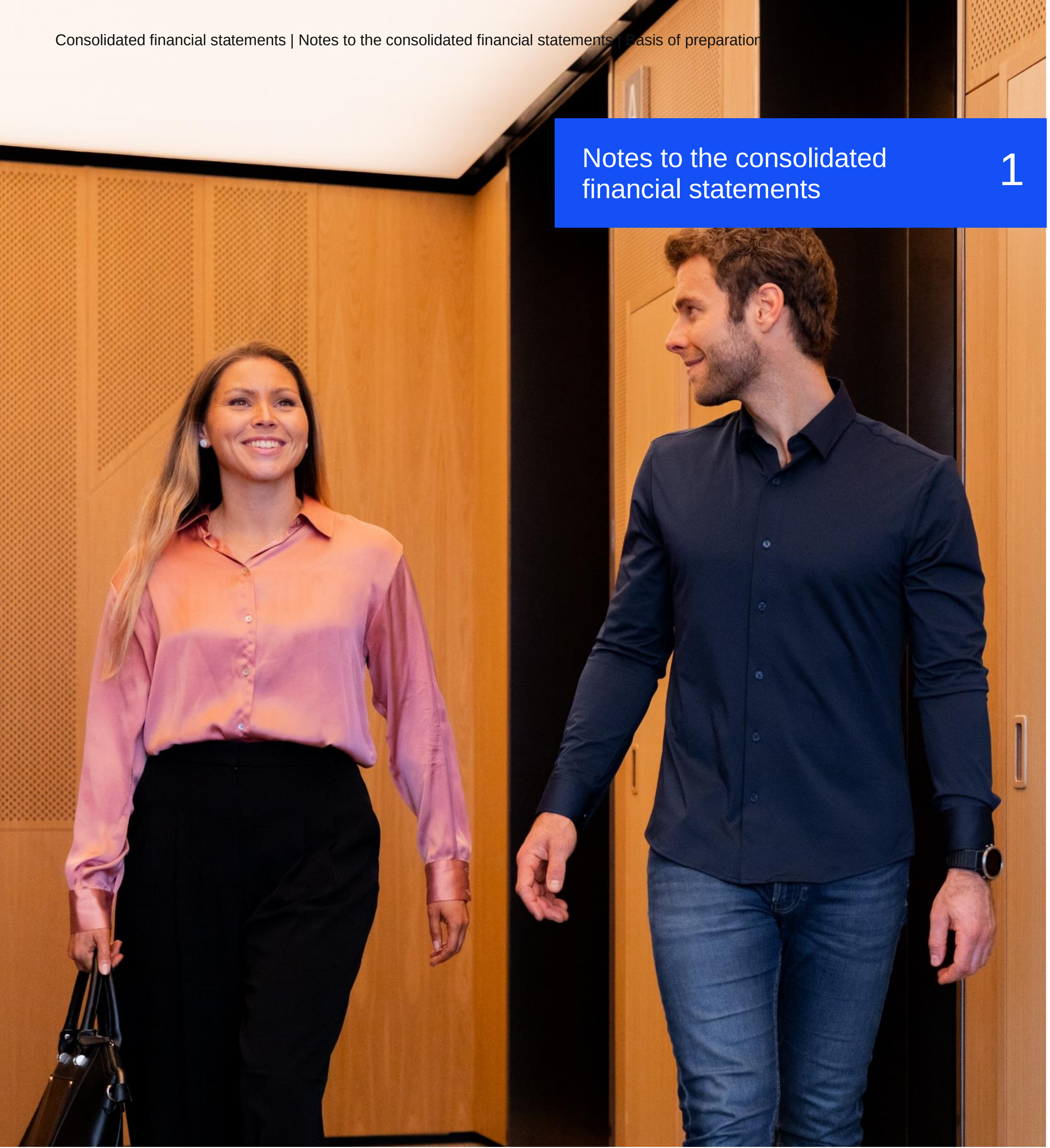
The impact of changes in exchange rates has been eliminated in the statement of cash flows by translating the opening balance sheet with the closing rates of the period.

Reconciliation of operating income to cash flow from operations before financing items and taxes

MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Operating income	1,200.1	1,031.2
Change in working capital before financing items and taxes	15.7	-535.8
Depreciation and amortization	269.4	259.3
Cash flow from operations before financing items and taxes	**1,485.2**	**754.7**

Change in interest-bearing net debt

MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Interest-bearing net debt at beginning of period	-1,309.0	-2,164.1
Interest-bearing net debt at end of period	-1,013.4	-1,309.0
Change in interest-bearing net debt	**295.7**	**855.1**



Notes to the consolidated financial statements 1

Basis of preparation

In this section

- Basis of preparation
- Consolidation principles
- Segment information
- Accounting estimates and management judgements

Accounting principles are presented in connection with notes in sections 2–6

Basis of preparation

KONE Corporation is a Finnish, public limited company domiciled in Helsinki, Finland. KONE Corporation and its subsidiaries together form the KONE Group ("KONE" or "the Group"). KONE is global leader in the elevator and escalator industry with a mission to improve the flow of urban life. KONE provides elevators, escalators and automatic building doors, as well as solutions for maintenance and modernization to add value to buildings throughout their life cycle. Through more effective People Flow®, KONE's ambition is to make people's journeys safe, convenient and reliable, in taller, smarter buildings. KONE operates in more than 60 countries around the world, serving close to 600,000 customers. Headquartered in Helsinki, Finland, we have seven global R&D units and 10 manufacturing units in seven countries, as well as a worldwide network of agents and authorized distributors.

The consolidated financial statements of KONE Corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, observing the standards and interpretations effective on December 31, 2023.

KONE has adopted the new standards and interpretations that took effect during the accounting period and are relevant to its operations, including amendments to IAS 12 – Income taxes. The IFRS standards and amendments thereto that took effect in 2023 did not have a material impact on the Group’s consolidated financial statements.

The consolidated financial statements have been prepared for the reporting period of 12 months from January 1 to December 31, 2023 and the basis that the Group will continue to operate as going concern. The financial statements have been authorized for issue by the Board of Directors of KONE Corporation on January 25, 2024. According to the Finnish Companies’ Act the Annual General Meeting has the right to approve, reject or make changes to the financial statements after the publication.

The consolidated financial statements are presented in millions of euros and prepared under the historical cost convention except as disclosed in the accounting principles. Further, trade date accounting has been applied to all financial assets and liabilities. Amounts presented in these financial statements have been rounded from exact values and therefore the sum of amounts presented individually can deviate from the presented sum amount calculated based on the exact values. Key figures have been calculated using exact values.

Effects of climate-related matters in financial statements

Climate-related matters have a direct impact to KONE's Consolidated Financial Statements only in a couple of areas. KONE has a sustainability-linked undrawn revolving credit facility of EUR 850 (850) million (Note 5.3 Financial risks and instruments). Additionally, KONE's long-term incentive programs also include KPI targets linked with improvements in sustainability (Note 6.2 Share-based payments).

Consolidation principles

The consolidated accounts include the parent company and those companies in which the parent company held, directly or indirectly, more than 50 percent of the voting power or had control through management agreements with shareholders holding the majority of the voting power at the end of the reporting period. In addition to these holdings, the consolidated accounts include possible holdings that are of a controlling-right nature (units/companies established for a specific reason).

Subsidiaries acquired during the period were included in the consolidated financial statements from the date of acquiring the control, and divested subsidiaries up to the date of loss of control. The acquisition consideration, including deferred and contingent consideration, as well as the identifiable assets acquired and liabilities assumed, are measured at the acquisition date fair values. The acquisition-related costs are recognized as expenses in the period in which they are incurred.

At the acquisition date, the non-controlling interests are valued either at the acquisition date fair values or at non-controlling interests’ proportionate share in the recognized amounts of the identifiable net assets. Consolidated statement of income includes an allocation of net income between the shareholders of the parent company and the non-controlling interest. The allocation of the comprehensive income to the shareholders of the parent company and non-controlling interests is presented in the statement of comprehensive income. Non-controlling interests’ share of total equity is presented separately under total consolidated equity.

All inter-corporate transactions, receivables, liabilities and unrealized profits, as well as the distribution of profits within the Group have been eliminated in the consolidated financial statements. Inter-corporate shareholdings have been eliminated using the acquisition method.

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the Group, have been translated into the presentation currency as follows: assets and liabilities at the statement of financial position date closing rate, and income and expenses at average exchange rates of the reporting period. The resulting exchange rate differences have been recognized in other comprehensive income.

Hyperinflation

Following continued growth in inflation rate, the accounting firms and regulatory authorities have based on criteria set-out in IAS 29 classified Türkiye as a hyperinflationary economy for reporting periods ending on or after June 30, 2022. KONE is active in both new building solutions as well as service business in Türkiye through its local subsidiary. KONE has assessed the impact of application of hyperinflationary accounting for the Group concluding that this would be immaterial. Consequently, the consolidated statement of income or statement of financial position does not reflect the impact arising from remeasurement of operations in Türkiye for hyperinflation.

Segment reporting

The profitability of KONE is presented as a single entity. KONE’s business concept is to serve its customers by providing solutions throughout the entire life cycle of the equipment, beginning from the installation of new building solutions to the maintenance and modernization during their life cycle and the full replacement of the equipment. Most of the equipment that are delivered are converted into long-term KONE maintenance contracts. Material operative decisions are made by the Board of Directors of KONE. Such decisions are prepared and presented by the Chairman of the Board and the President and Chief Executive Officer. Due to the business model of KONE, the nature of its operations and its governance structure, the Group as a whole is considered the relevant operating segment to be reported. In 2023 KONE has renewed its operating model to strengthen its competitiveness and customer focus. New organizational structure was implemented as of July 1, 2023. Development of financial reporting and financial governance model to reflect changes in organization continues into 2024.

Accounting estimates and management judgements

The preparation of the financial statements in accordance with the IFRS requires management to make judgements, estimates and assumptions that affect the measurement of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in the consolidated statement of income. Although these estimates and assumptions are based on the management's best knowledge of current events, actual results may differ from the estimates.

For KONE the most significant judgements, estimates and assumptions made by the management relate to revenue recognition, especially to defining and determining principles for revenue recognition in project business, to project estimates for long-term major projects, assumptions used in impairment testing, valuation of accounts receivables and inventories, determining the lease term applied in the lease accounting and recognition of provisions and evaluation of uncertain tax positions.

Sales
10,952 MEUR

EBIT
1,200 MEUR

2

Financial performance

In this section

This section comprises the following notes providing insights into KONE's financial performance:

2.1 Sales
2.2 Costs and expenses
2.3 Depreciation and amortization
2.4 Foreign exchange sensitivity
2.5 Financing income and expenses
2.6 Income taxes
2.7 Earnings per share
2.8 Other comprehensive income

Financial targets

KONE has defined long-term financial targets for its financial performance as follows:

Growth:
Faster than market growth

Profitability:
To reach an EBIT margin of 16%

Cash flow:
Improved working capital rotation

- KONE has not defined a time frame for the achievement of these financial targets.
- Given the capital and asset structure of KONE, the aim is not to maximize the EBIT margin in the short term, but rather to grow the absolute EBIT in an optimal way over the long term and as a result maintain a strong return on capital employed.
- The relative EBIT margin target is relevant in ensuring that growth is profitable and that pricing, quality and productivity improve continuously.

2.1 Sales

Due to KONE's business model, the nature of its operations and its governance structure, KONE has one operating segment.

Sales by customer

KONE's customer base consists of a large number of customers in several market areas with no significant customer concentration. In 2023, the single biggest customer, residing in China, generated 0.6% of total revenue.

Sales by business

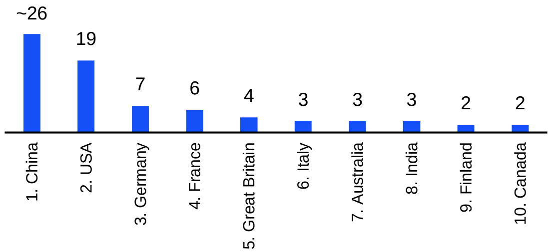
MEUR	Jan 1–Dec 31, 2023	%	Jan 1–Dec 31, 2022	%
New Building Solutions	4,921.5	45	5,399.3	50
Service	4,127.0	38	3,890.4	36
Modernization	1,903.8	17	1,616.9	15
Total	**10,952.3**		**10,906.7**	

Sales by geographical area

MEUR	Jan 1–Dec 31, 2023	%	Jan 1–Dec 31, 2022	%
EMEA [1)]	4,490.2	41	4,237.7	39
Americas	2,470.2	23	2,239.8	21
Asia-Pacific	3,991.9	36	4,429.2	41
Total	**10,952.3**		**10,906.7**	

1) EMEA = Europe, Middle East, Africa

Top 10 countries by sales, %



Accounting principles

Revenue recognition

Revenue from contracts with KONE's customers is recognized at an amount that reflects the consideration to which KONE expects to be entitled to in exchange for delivering promised goods or services to a customer.

KONE recognizes revenue when or as it satisfies a performance obligation by transferring control on the promised goods or services (performance obligation) to a customer.

A performance obligation is a distinct good or service within a contract that a customer can benefit from on a stand-alone basis. For KONE's new building solutions and modernization contracts, a performance obligation typically means delivery and installation of a single unit, i.e. an elevator, an escalator or other People Flow™ solution. For KONE's maintenance contracts, maintenance of a single unit is considered as a distinct performance obligation and for repairs business, typically a service order is a performance obligation for KONE.

In new building solutions and modernization contracts, KONE transfers the control of a single unit to a customer over time and, therefore, satisfies the performance obligation and recognizes revenue over time.

The transfer of control is initiated when ordered equipment is delivered to a customer site as then the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, a unit constructed by KONE. Upon this milestone and onwards up to the project handover, revenue is recognized under the percentage of completion method using a cost-to-cost input method. Based on KONE's assessment it best depicts the transfer of control on the deliverable to the customer. Percentage of completion is defined as the proportion of an individual performance obligation's cost incurred to date from the total estimated costs for that particular performance obligation.

The percentage of completion method requires accurate estimates of future revenues and costs over the full term of the contracts. These significant estimates form the basis for the amount of revenue to be recognized and include the latest updated estimate of total revenue and costs, adjusted with risks based on historical experience on typical estimation revisions for similar types of contracts. These estimates may materially change due to the stage of completion of the contract, changes in the contract scope, cost estimates and customer's plans and other factors. Revenues from the rendering of maintenance services and repairs are recognized when the services have been rendered or over the contract term when the work is being carried out.

For maintenance contracts the performance obligation is satisfied over time because the customer simultaneously receives and consumes the benefits provided as KONE performs the services.

Most of KONE's revenue is derived from fixed-price contracts and, therefore, the amount of revenue to be earned from each contract is determined by reference to those fixed prices. KONE's customer contracts do not typically contain any significant financing components. In new building solutions and modernization contracts payment terms are typically based on either specific contractual milestones or progress of work performed. In maintenance contracts customers generally pay based on fixed payment schedules.

When customer contracts contain multiple performance obligations, the transaction price is allocated to each performance obligation based on the standalone selling prices. Where these are not directly observable, they are estimated based on estimated costs plus margin approach.

2.2 Costs and Expenses

Costs and expenses, MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Direct materials, supplies and subcontracting	4,168.4	4,458.2
Wages, salaries, and other employment expenses including pensions (note 5.7)	3,656.1	3,533.4
Other production costs	885.9	874.1
Selling, administrative and other expenses	774.0	750.1
Items impacting comparability	48.3	45.4
Depreciation and amortization (note 2.3)	269.4	259.3
Costs, expenses, depreciation and amortization	**9,802.2**	**9,920.5**
Other income [1]	50.0	45.0
Total costs, expenses, depreciation and amortization	**9,752.2**	**9,875.5**

[1] in 2023, other income includes e.g. penalties from order cancellations, late payment fees and received insurance compensation.

Expense arising from leases of low-value assets and short-term leases amounted to EUR 12.8 (12.6) million in 2023.

Research and development costs, MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
R&D costs included in total costs	185.0	187.8
As percentage of sales, %	1.7	1.7

Auditors´ fees, MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
To member firms of Ernst & Young network	3.9	3.8
Auditors´ statements	-	-
Tax services	0.6	0.1
Other services	0.7	0.2
Total	**5.2**	**4.1**

The majority of expenses of operations arise from direct materials and supplies, as well as cost of subcontracting. Other production costs comprise of logistics, tools and consumables, operative car fleet and traveling as well as other miscellaneous items of direct costs. Selling, administrative and other expenses include costs related to premises, consulting and external services, IT and traveling as well as other miscellaneous administrative costs.

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. 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.

Other income comprises of rental income, received grants, interest on late payments including cancellation penalties, gains on sale of fixed assets and scrap as well as other miscellaneous income.

Accounting principles

Research and development costs

Research and development costs are typically expensed as they incur, because the future economic benefits of new products and development of existing products and services can only be proven after their successful introduction to the market. In 2023, development costs specific to two programs have been capitalized.

2.3 Depreciation and Amortization

Depreciation and amortization, MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Intangible assets		
Customer related intangibles	47.0	39.5
Other	10.3	10.0
Buildings	80.7	78.8
Machinery and equipment	131.4	131.0
Total	**269.4**	**259.3**

Accounting principles

Depreciation and amortization

Depreciation and amortization are recorded on a straight-line basis over the economic useful lives of the assets, or over the lease contract periods, when applicable, if shorter.

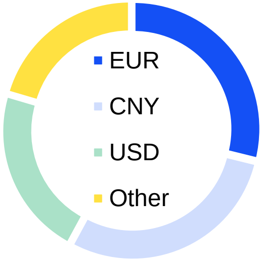
Economic useful lives:

Customer related intangibles	10-15 years
Other intangible assets	3-10 years
Buildings	5-40 years
Machinery and equipment	4-15 years

Land is not depreciated.

2.4 Foreign Exchange Sensitivity

Sales by currency 1–12/2023



Foreign exchange risks

KONE operates internationally and is thus exposed to risks arising from fluctuations in foreign exchange rates related to currency flows of revenues and expenses (transaction risk) and from the translation of statement of income and statement of financial position of the foreign subsidiaries from respective functional currencies into euros (translation risk).

Transaction risks

A substantial part of KONE's operations are denominated in local functional currencies of the subsidiaries and do not therefore give rise to transaction risk. The sales of new building solutions and modernizations, including installation, typically take place in the local currency of the customer. Component and material expenses may occur in other currencies than the sales currency, which exposes KONE to transaction risks. KONE policy is to substantially hedge the foreign exchange exposure of firm commitments and other highly probable future sales and purchases with foreign exchange forward contracts. The business units are responsible for evaluating and hedging the transaction risks in their operations according to the KONE treasury policy. The most significant transaction risk exposures arising from business operations are in the Chinese yuan, Canadian dollar, British pound, Australian dollar and Swedish krona. The majority of the currency forward contracts expire within one year.

Hedge accounting is applied in business units, where there are significant revenues or expenses in foreign currency. When hedge accounting is applied, the gains and losses from the hedges are recognized in the statement of income at the same time as the exchange rate gains and losses for the hedged items are recognized.

The financial assets and liabilities of KONE subsidiaries are in the local currencies of the subsidiaries whenever possible. In case a subsidiary company has a financial asset or liability in other than its local currency, these assets and liabilities are hedged with foreign exchange forward contracts whenever possible and required by the KONE Treasury Policy.

KONE's internal loans and deposits are primarily initiated in the local currencies of the subsidiaries in which case the possible foreign exchange risks are hedged, by the parent company, using foreign exchange swap contracts.

A change of 10% in the annual average foreign exchange rates

Impact on sales	Impact on operating income (EBIT)
7.4% change in consolidated sales in euros	Higher impact on operating income as compared to sales and some impact on relative operating income

Translation risks

Changes in consolidation exchange rates affect KONE's statement of income, statement of cash flows and statement of financial position, which are presented in euros. As approximately 74% of KONE's revenues occur in functional currencies other than euro, the translation risk is significant for KONE. A change of 10% in the annual average foreign exchange rates would have caused a 7.4% (6.9%) change in 2023 consolidated sales in euros. Such a change would have had a higher impact on KONE's operating income and therefore also some impact on KONE's relative operating income. The translation of the subsidiaries' balance sheets into euros caused translation differences of EUR -96.2 (5.1)

Accounting principles

Foreign currency transactions and translation

The items included in the financial statements are initially recognized in the functional currencies, which are defined for each group subsidiary based on their primary economic environment.

The presentation currency of the financial statements is the euro, which is also the functional currency of the parent company.

The initial recognition of transactions denominated in foreign currencies in the functional currency takes place at the rate of exchange prevailing at the date of the individual transaction. Foreign currency denominated receivables and liabilities are translated using period end exchange rates.

Foreign exchange gains and losses related to business transactions are treated as adjustments within operating income. Foreign exchange gains and losses associated with financing transactions are included in financing income and expenses.

The statements of income of foreign subsidiaries, whose functional currency is not the euro, are translated into euros based on the average exchange rate of the accounting period. Items in the statement of financial position, with the exception of net income for the accounting period, are translated into euros at the closing date exchange rates. Exchange rate differences arising from net investments and associated companies in non-euro currency subsidiaries, as well as the exchange rate differences resulting from translating income and expenses at the average rates and assets and liabilities at the closing rate, are recorded in translation differences within equity.

Respective changes during the period are presented in other comprehensive income. Exchange rate gains and losses resulting from financial instruments designated as hedges of net assets in foreign subsidiaries have been recognized as translation differences in other comprehensive income. The cumulative translation differences related to foreign operations are reclassified from equity to statement of income upon the disposal of the foreign operation.

million in 2023. The translation risk is not hedged as a rule as KONE's business consists of continuous operations in various currency areas. However, in individual cases, KONE can also hedge translation risk related to net assets of subsidiaries. The most significant transaction risk exposures arising from business operations are in the Chinese yuan, Canadian dollar, British pound, Australian dollar and Swedish krona.

Foreign exchange risk sensitivity analysis of financial assets and liabilities

The foreign exchange risk sensitivity analysis for the most important currency pairs has been calculated for the KONE companies' foreign currency denominated financial assets and liabilities, including foreign exchange forward contracts outstanding at the statement of financial position date. The order book or forecasted cash flows are not included. The exposures in the most important currency pairs are disclosed in the table below. The foreign exchange risk sensitivity analysis presents the impact of a change in the foreign exchange rates of 10 percent on net income and on equity at the statement of financial position date. Changes in the equity are mainly caused by foreign exchange forwards designated in cash flow hedge accounting. The sensitivity analysis is calculated before taxes. A 10% change in the foreign exchange rates (strengthening of the euro, Chinese yuan and US dollar) at the statement of financial position date would have resulted in an impact of EUR -31.7 (-9.6) million on the net income and an impact of EUR 103.4 (50.9) million on equity.

	Exposure against EUR								Exposure against USD				Exposure against CNY		
MEUR	HKD	USD	GBP	SEK	CNY	JPY	Others	**Total**	CNY	CAD	Others	**Total**	SGD	Others	**Total**
Exposure Dec 31, 2023	-441	-72	-90	-79	73	95	-10	**-523**	88	-94	-10	**-17**	-55	-123	**-178**
Exposure Dec 31, 2022	-221	-102	-68	-60	60	119	23	**-249**	108	-96	-29	**-17**	-44	-104	**-148**

Key exchange rates in euros

		Dec 31, 2023		Dec 31, 2022	
		Average rate	End rate	Average rate	End rate
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

2.5 Financing income and expenses

Financing income and expenses, MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Dividend income [1]	5.4	-
Interest income		
Change in fair value of interest [2]	19.4	2.9
Interest income on foreign exchange rate derivatives	2.2	26.1
Interest income on loan receivables and financial assets	17.9	17.4
Other financing income	0.2	0.2
Exchange rate gains [3]	4.8	4.6
Financing income	**50.0**	**51.2**
Interest expenses		
Change in fair value of interest [2]	-	-6.0
Interest expenses on other financial liabilities [4]	-25.3	-16.8
Other financing expenses [5]	-5.5	-6.5
Exchange rate losses [3]	-13.1	-24.6
Financing expenses	**-43.9**	**-53.9**
Total	**6.1**	**-2.7**

[1] Primarily consists of dividend received from TELC.
[2] Change in fair value of interest includes EUR 20.8 (-2.7) million relating to interest rate funds measured at fair value through the statement of income.
[3] Exchange rate gains and losses include exchange rate differences on loans and other receivables of EUR 55.7 (-47.4) million and fair value changes of foreign exchange derivatives of EUR -64.0 (27.4) million.
[4] Includes interest expenses on the lease liabilities amounting to EUR -15.8 (-10.2) million.
[5] Includes commitment fees for undrawn revolving credit facilities EUR -0.7 (-0.8) million and banking charges and other expenses EUR -4.8 (-5.7) million.

2.6 Income taxes

Taxes in the statement of income, MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Tax expense for current year	314.3	272.2
Change in deferred tax assets and liabilities	-45.4	-33.8
Tax expense for previous years	5.7	5.5
Total	**274.6**	**244.0**

Reconciliation of income before taxes with total income taxes in the statement of income, MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Income before taxes	1,206.1	1,028.4
Tax calculated at the domestic corporation tax rate (20%)	241.2	205.7
Effect of different tax rates in foreign subsidiaries	6.5	6.9
Permanent differences	3.9	6.5
Taxes from previous years and reassessment of deferred tax assets	-3.5	6.4
Remeasurement of deferred taxes - changes in corporate tax rates	-	0.6
Deferred tax liability on undistributed earnings	23.6	18.3
Other	2.9	-0.4
Total	**274.6**	**244.0**
Effective tax rate, % [1)]	22.8	23.7
Tax rate of parent company, %	20.0	20.0

[1)] The effective tax rate from the operations for the financial year 2022 was 22.6% excluding prior year taxes and one-time items on Russia.

KONE has assessed the impacts of Pillar 2 regulation on the taxation of its Group companies. The Group has applied the mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. Furthermore, the Group has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in various jurisdictions. In most of the jurisdictions the effective tax rate is well above 15% and therefore, the Group has assessed there is no material exposure to paying Pillar Two “top-up” taxes.

Accounting principles

Income tax

The Group tax expense includes taxes of subsidiaries based on taxable income for the period, together with tax adjustments for previous periods and changes in deferred taxes. Deferred taxes are provided for temporary differences arising from difference between the tax bases of assets and liabilities and their carrying amounts in financial reporting and measured with enacted tax rates. Typical temporary differences arise from provisions, depreciation and amortization, inter-company inventory margins, defined benefit type post-retirement plans and tax losses carried forward. Deferred tax assets on unused tax losses and other temporary differences are recognized to the extent it is probable that taxable profit is available to offset losses in the future.

A deferred tax liability is recognized on the undistributed profits of subsidiaries where such tax is applicable and it is expected to realize in the foreseeable future.

The positions taken in tax returns are evaluated periodically by the management to identify situations in which applicable tax regulation is subject to interpretation. Based on the evaluation, adjustments for the uncertain tax positions are recognized when it is considered more likely than not that certain tax positions will be challenged by the tax authorities. The amounts recorded are based upon the estimated final taxes to be paid to the tax authorities.

2.7 Earnings per share

	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Net income attributable to the shareholders of the parent company, MEUR	925.8	774.5
Weighted average number of shares (1,000 shares)	517,217	517,841
Basic earnings per share, EUR	**1.79**	**1.50**
Dilution effect of share-based incentive plans (1,000 shares)	378	323
Weighted average number of shares, dilution adjusted (1,000 shares)	517,595	518,164
Diluted earnings per share, EUR	**1.79**	**1.49**

Accounting principles

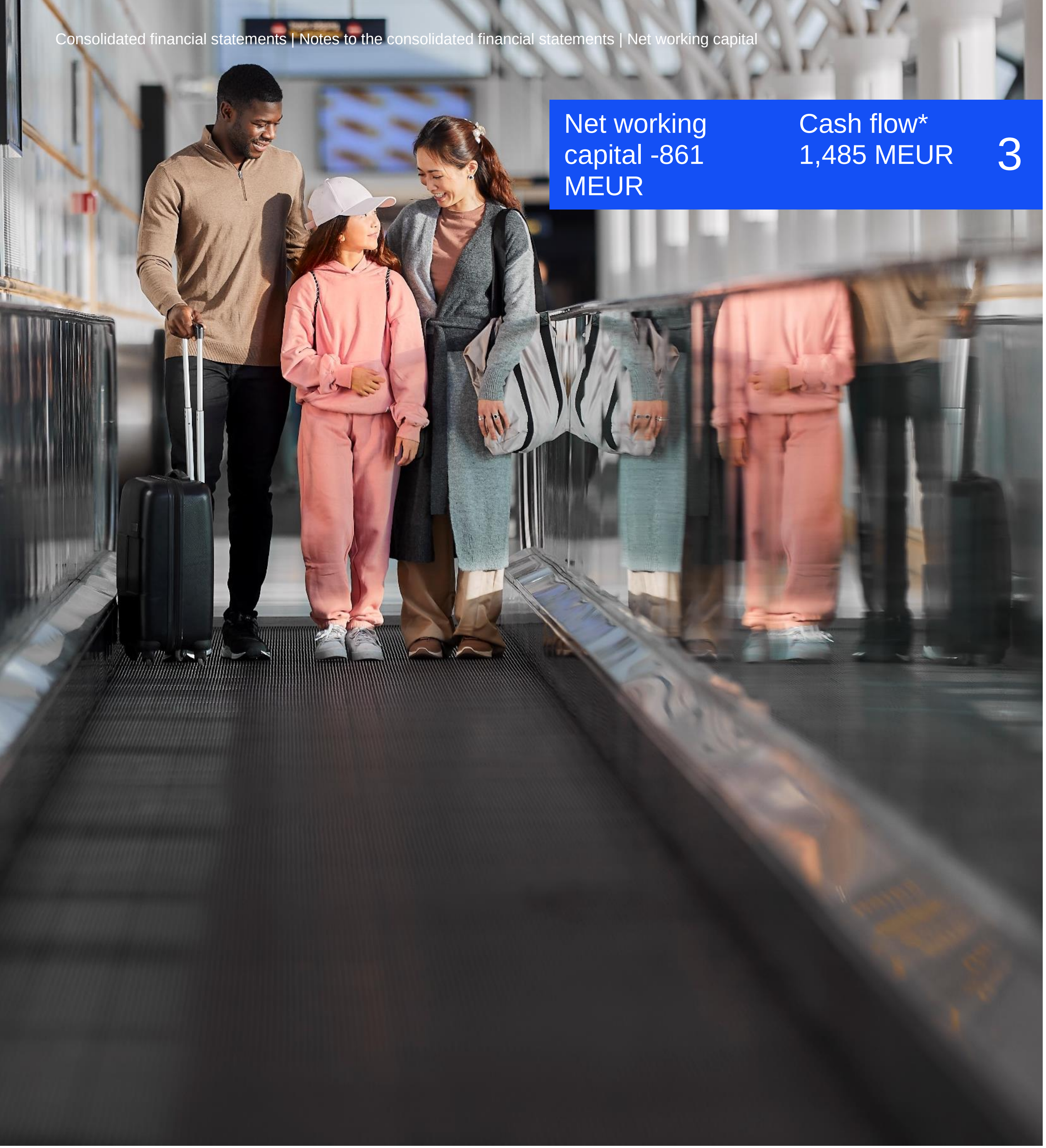
Earnings per share

The basic earnings per share figure is calculated by dividing the net income attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of shares by the effect of potential diluting shares due to share-based incentive plans of the Group. KONE has two classes of shares that are both included in the calculation of earnings per share.

2.8 Other comprehensive income

Disclosure of components of other comprehensive income (MEUR)	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Translation differences	-96.2	5.1
Hedging of foreign subsidiaries	15.9	-21.2
Changes in fair value	-23.8	-20.8
Remeasurements of employee benefits	-17.2	27.4
Cash flow hedges:		
Gains/losses incurred during the year	-12.7	6.4
Reclassifications included in profit or loss	-7.4	-5.8
Cash flow hedges, net	**-20.1**	**0.6**
Income tax relating to components of other comprehensive income	2.0	16.9
Total other comprehensive income, net of tax	**-139.5**	**8.0**

Disclosure of tax effects relating to components of other comprehensive income (MEUR)	Jan 1–Dec 31, 2023			Jan 1–Dec 31, 2022		
	Gross amount	Tax expense/ benefit	Net-of-tax amount	Gross amount	Tax expense/ benefit	Net-of-tax amount
Translation differences	-96.2	-	-96.2	5.1	-	5.1
Hedging of foreign subsidiaries	15.9	-	15.9	-21.2	-	-21.2
Cash flow hedges	-20.1	2.0	-18.1	0.6	1.9	2.5
Items that may be subsequently reclassified to statement of income	**-100.5**	**2.0**	**-98.4**	**-15.5**	**1.9**	**-13.6**
Changes in fair value	-23.8	-	-23.8	-20.8	-	-20.8
Remeasurements of employee benefits	-17.2	0.0	-17.2	27.4	15.0	42.4
Items that will not be reclassified to statement of income	**-41.0**	**0.0**	**-41.0**	**6.6**	**15.0**	**21.6**
Total other comprehensive income, net of tax	**-141.5**	**2.0**	**-139.5**	**-8.9**	**16.9**	**8.0**



Net working capital -861 MEUR

Cash flow* 1,485 MEUR

3

Net working capital

In this section

This section comprises the following notes, describing components of KONE's net working capital:

KONE's net working capital

- Our business model enables us to operate with negative net working capital
- KONE operates with advance payments across businesses and geographies

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
Total	**-861.2**	**-903.9**

*) Cash flow from operations before financing items and taxes

3.1 Inventories

Inventories, MEUR	Dec 31, 2023	Dec 31, 2022
Raw materials, supplies and finished goods	360.7	409.9
Work in progress	441.5	411.1
Advance payments	18.7	22.6
Total	**820.9**	**843.6**

Accounting principles

Inventories

Inventories are valued at the lower of cost or net realizable value. Raw materials and supplies are valued based on weighted average cost method or at standard cost. Semi-manufactures are valued at production costs.

Work in progress includes direct labor and material costs as of the consolidated statement of financial position date with a proportion of indirect costs related to manufacturing and installation allocated to the firm customer order when control has not yet transferred to the customer. Firm customer orders are mainly fixed price contracts with customers for the sale of new equipment or for the modernization of old equipment.

An allowance is recorded for obsolete items based on management's estimate of expected net realizable value.

3.2 Accounts receivable and contract assets and liabilities

Changes in contract assets and liabilities

The order book representing the unsatisfied performance obligations with respect to new equipment and modernization contracts stood at EUR 8,715.7 (9,026.1) million as at Dec 31, 2023. The vast majority of the order book is expected to be recognized as revenue within the next 12 months from the end of the reporting period. However, lead-times especially in the long-term major projects are somewhat longer depending on the size and complexity of the projects.

The changes in unbilled contract revenue, advance payments received and deferred revenue follow the developments in business but are also impacted by the normal fluctuation in project progress when applying percentage of completion method for recognition of revenue. Deferred income on maintenance contracts represents the unsatisfied part of transaction price invoiced for maintenance contracts. Typically this will be recognized as revenue within the next 12 months from the end of the reporting period.

No material amounts of revenue were recognized during the reporting period due to changes in transaction prices or changes in estimates for performance obligations partially or fully satisfied in previous years. There were no significant impairment charges recognized during the reporting period for the contract assets.

Customer credit risk management

Customer credit risks relate to advance payments receivable from customers or to unbilled revenue and accounts receivable related to equipment deliveries or to services rendered. This risk is managed by defining the rules for tendering, payment terms, authorizations and credit control as well as project management controls. Advance payments, documentary credits and guarantees are used in payment terms to minimize customer credit risks. KONE proactively manages its accounts receivable in order to minimize the risk of customer defaults. KONE's customer base consists of a large number of customers in several market areas and geographic split of receivables and contract assets well mirrors distribution of sales. During the reporting period KONE

Accounting principles

Accounts receivable

Accounts receivable are recognized when the right to consideration becomes unconditional and are measured at amortized cost. For KONE's new equipment and modernization contracts, a receivable is typically recognized upon invoicing when the goods are delivered and for KONE maintenance contracts upon invoicing according to customer contract terms and conditions.

KONE applies the expected credit loss model to assess impairment loss for the doubtful accounts receivable since the accounts receivable do not contain a significant financing component. To measure the lifetime expected credit losses trade receivables have been grouped based on shared credit risk characteristics and aging category and measured based on historical loss rates adjusted by forward looking estimates and individual assessment. A final impairment loss is recognized when receivership or bankruptcy is confirmed or when it is otherwise obvious that the customer will be unable to meet its payment obligations. Changes in impairment loss for doubtful accounts receivable and final impairment losses are recognized under cost and expenses in the consolidated statement of income.

Unbilled contract revenue

Unbilled contract revenue relates to consideration for performance obligations satisfied over time in KONE's new equipment and modernization contracts. It is recognized when the revenue recognized exceeds the amounts billed to the customer and receipt of transaction price is considered to be conditional upon factors other than the passage of time.

Unbilled contract revenue is valued at net realizable value and is classified as contract asset and presented under deferred assets in the consolidated statement of financial position.

An impairment loss for contract assets is estimated based on lifetime expected credit loss model and individual analysis.

Deferred and accrued income on maintenance contracts

When revenue recognized exceeds the amounts billed to the customer an accrued income on maintenance contracts is recognized. It is stated at net realizable value and classified as contract assets and presented under deferred assets in the consolidated statement of financial position. When the amounts billed to the customer exceed the recognized revenue deferred income on maintenance contracts is recognized. These balances are classified as contract liabilities and are presented under accruals in the consolidated statement of financial position.

Advance payments received and deferred revenue

Advance payments received and deferred revenue relates to payments received in advance of performance or billing in excess of revenue recognized under KONE's new equipment and modernization contracts. Advance payments received and deferred revenue are recognized as revenue as (or when) KONE performs under the contracts and are classified as contract liabilities.

MEUR	Dec 31, 2023	Dec 31, 2022
Accounts receivable	2,495.1	2,668.1
Accrued income on maintenance contracts (note 3.3)	35.1	36.6
Unbilled contract revenue (note 3.3)	337.7	365.1
Assets related to contracts with customers	**2,867.9**	**3,069.8**
Deferred income on maintenance contracts (note 3.4)	433.3	452.2
Advance payments received and deferred revenue	1,915.7	1,973.8
Liabilities related to contracts with customers	**2,349.0**	**2,426.0**

management has followed particularly closely the credit risks related to Chinese developers.

The credit quality of advance payments receivable and accounts receivable is evaluated according to KONE's credit policy. According to this policy, the rules for credit quality evaluation are set separately for the new equipment business and the service business. The credit quality is evaluated both on the basis of the aging of the receivables as well as on the basis of individual case by case customer analysis in order to identify customers with a potentially higher credit risk due to individual customer specific reasons. The bad debt provision for the accounts receivable is recognized on the basis of this credit quality evaluation using the expected credit loss model.

The amount of bad debt provision recorded to cover doubtful accounts was EUR 363.1 (310.8) million at the end of the financial period. Increase to comparison period is mainly reflecting increased uncertainties in the Chinese markets.

Aging of accounts receivable

Aging structure of the accounts receivable after recognition of impairment, MEUR *)	Dec 31, 2023	Dec 31, 2022
Not past due and less than one month due receivables	1,796.5	2,018.3
Past due 1–3 months	303.6	314.4
Past due 3–6 months	176.0	161.1
Past due > 6 months	219.0	174.3
Accounts receivable in the consolidated statement of financial position	**2,495.1**	**2,668.1**

*) As at December 31, 2023, the gross amount of accounts receivable totaled to EUR 2.858,2 (2,978.9) million and bad debt provision EUR 363.1 (310.8) million. Most of the bad debt provision relate to the oldest receivable aging category.

3.3 Deferred assets

Deferred assets, MEUR	Dec 31, 2023	Dec 31, 2022
Deferred interests	2.4	3.0
Accrued income on maintenance contracts (note 3.2)	35.1	36.6
Unbilled contract revenue (note 3.2)	337.7	365.1
Derivative assets (note 5.3)	11.5	27.2
Value added tax assets	72.5	84.9
Prepaid expenses and other receivables	181.8	192.5
Total	**641.0**	**709.3**

3.4 Accruals

Accruals, MEUR	Dec 31, 2023	Dec 31, 2022
Accrued interests	1.7	1.0
Deferred income on maintenance contracts (note 3.2)	433.3	452.2
Late cost accruals [1)]	261.3	302.3
Accrued salaries, wages and employment costs	583.8	570.0
Share-based payments	-	9.9
Derivative liabilities (note 5.3)	28.5	32.6
Value added tax liabilities	100.5	86.1
Accruals on acquisitions	29.1	17.0
Other accruals	555.3	581.2
Total	**1,993.4**	**2,052.2**

[1)] Includes accrual for invoices still pending to be received on completed new building and modernization contracts.

3.5 Provisions

Jan 1–Dec 31, 2023, MEUR	Provision for warranty	Provision for claims	Provision for business restructuring	Provision for loss contracts	Other provisions	Total
Total provisions at beginning of period	64.8	8.4	14.9	46.2	43.0	177.4
Translation differences	-2.1	-0.4	-0.2	-1.9	-1.0	-5.6
Increase	27.9	2.5	30.8	41.1	21.1	123.3
Provisions used	-15.8	-1.5	-15.9	-28.0	-5.5	-66.6
Reversal of provisions	-1.5	-1.2	-3.3	-9.3	-17.7	-33.0
Companies acquired	0.6	0.4	-	0.2	0.2	1.4
Total provisions at end of period	**74.0**	**8.2**	**26.4**	**48.3**	**40.0**	**196.9**

	Non-current liabilities	Current liabilities	Total
Distribution of provisions as of Dec 31, 2023	**46.5**	**150.4**	**196.9**

Jan 1–Dec 31, 2022, MEUR	Provision for warranty	Provision for claims	Provision for business restructuring	Provision for loss contracts	Other provisions	Total
Total provisions at beginning of period	58.8	7.4	16.0	31.4	38.6	152.3
Translation differences	-0.6	0.0	0.2	-0.3	0.1	-0.7
Increase	19.9	4.2	10.9	32.7	38.0	105.7
Provisions used	-11.8	-1.3	-10.7	-13.9	-8.5	-46.1
Reversal of provisions	-1.5	-2.0	-1.5	-3.7	-25.8	-34.4
Companies acquired	-	-	-	-	0.6	0.6
Total provisions at end of period	**64.8**	**8.4**	**14.9**	**46.2**	**43.0**	**177.4**

	Non-current liabilities	Current liabilities	Total
Distribution of provisions as of Dec 31, 2022	**44.8**	**132.6**	**177.4**

Accounting principles

Provisions

Provisions are recognized when KONE has a current legal or constructive obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Recognition and measurement of a provision generally employs managerial estimates on the probability and the amount of the liability.

Provisions for warranties cover the estimated liability to repair or replace products still under warranty at the statement of financial position date. This provision is calculated based on historical experience of levels of repairs and replacements.

Provision for claims is recognized when the claim has been received and it is probable that it will be settled and the settlement amount can be estimated reliably.

A provision for business restructuring is recognized only when a detailed and formal plan has been established, there is a valid expectation that such a plan will be carried out and the plan has been communicated.

Provisions for onerous (loss) contracts are recognized when it is probable that the costs will exceed the estimated total revenue or other income arising from the contract. The probable loss is recognized as an expense immediately.

Other provisions include for example provisions for contractual and other obligations arising from disputes, labor relations or other regulatory matters.

3.6 Deferred tax assets and liabilities

Deferred tax assets, MEUR	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021
Tax losses carried forward	1.2	1.1	1.7
Provisions and accruals	297.3	270.2	267.8
Post retirement obligations	9.2	15.9	28.6
Inventory	30.0	23.9	23.5
Property, plant and equipment	13.3	13.2	16.0
Other temporary differences	87.3	90.0	42.8
Offset against deferred tax liabilities	-118.1	-106.7	-111.3
Total	**320.2**	**307.5**	**269.1**
Total at beginning of period	307.5	269.1	
Translation differences	-16.7	-4.4	
Change in statement of income	21.2	25.9	
Charged or credited to equity	2.0	16.9	
Acquisitions, divestments and other	6.1	0.1	
Total at end of period	**320.2**	**307.5**	

Deferred tax liabilities, MEUR	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021
Property, plant and equipment	22.7	21.5	29.3
Goodwill and intangible assets	88.1	85.3	72.2
Other temporary differences	93.6	84.7	96.7
Offset against deferred tax assets	-118.1	-106.7	-111.3
Total	**86.3**	**84.8**	**86.9**
Total at beginning of period	84.8	86.9	
Translation difference	5.0	2.5	
Change in statement of income	-24.2	-7.9	
Acquisitions, divestments and other	20.8	3.3	
Total at end of period	**86.3**	**84.8**	
Net deferred tax assets and liabilities	**233.9**	**222.7**	

Accounting principles

Deferred taxes

Deferred taxes are provided for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in financial reporting, and measured with enacted tax rates. Typical temporary differences arise from revenue recognition, provisions, depreciation and amortization, inter-company inventory margins, defined benefit type post retirement plans, lease contracts and tax losses carried forward. Deferred tax assets on unused tax losses and other temporary differences are recognized to the extent it is probable that taxable profit is available to take advantage of the asset in the future.

A deferred tax liability is recognized on the undistributed profits of subsidiaries where such tax is applicable and it is expected to realize in the foreseeable future. Deferred tax assets and liabilities are offset for presentation purposes when there is a legally enforceable right to offset income tax receivables against income tax payables and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

KONE has assessed the impacts of Pillar 2 regulation on the taxation of its Group companies. The Group has applied the mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. Furthermore, the Group has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in various jurisdictions. In most of the jurisdictions the effective tax rate is well above 15% and therefore, the Group has assessed there is no material exposure to paying Pillar Two “top-up” taxes.

Acquisitions and capex
513 MEUR

Number of acquisitions
25

4

Acquisitions and capital expenditure

In this section

This section comprises the following notes, which describe acquisitions and capital expenditure at KONE:

Acquisitions and capital expenditure

- KONE’s business is capital light and labor-intensive in nature, particularly in Service. On the New Building Solutions side, we cooperate with many component suppliers. As a result, the level of tangible and intangible assets is relatively low in the business.
- Capital expenditure on leases consists mainly of maintenance vehicles and office and warehouse facilities.
- Capital expenditure is mainly related to R&D, IT, manufacturing, and service operations.
- KONE’s acquisitions in 2023 predominantly consisted of service-related acquisitions in Europe. Additionally, KONE acquired a distributor in the Middle East.

KONE´s capital expenditure 2.9% of sales in 2023

4.1 Acquisitions and divestments

Acquisitions

KONE completed 25 (17) acquisitions during 2023 for a total consideration of EUR 190.3 (28.1) million. The acquired businesses are specialized in the elevator, escalator and automatic building door businesses and are all located in the EMEA region. The acquisitions completed during the financial period were not material individually or as a whole to KONE's 2023 financial statements. The sales consolidated from the companies acquired during 2023 did not have a material impact on KONE's sales for the financial period. Of the total consideration, based on provisional assessments, EUR 109.0 million was allocated to customer related intangibles in other intangible assets. Acquired customer related intangibles are typically amortized over ten years. Note 4.3 provides more detail on other intangible assets.

The fair values of the acquired net assets, based on a provisional assessment, as well as the acquisition costs, are summarized in the adjacent table. The considerations were paid for in cash, except for certain deferred considerations, expected to be paid later. For most of the completed acquisitions, the acquisition cost includes a contingent consideration, which is typically determined by the financial performance of the acquired business after the date of the acquisition. Changes in the fair value of the contingent consideration after the acquisition date are recognized in the profit or loss. However, contingent considerations are typically realized in the amount initially recognized. KONE acquired a 100% interest in all businesses acquired in 2023, except for one acquisition.

Divestments and non-current assets held for sale and discontinued operations

KONE completed the sale of its Russia operations to Russia-based S8 Capital diversified Holding on October 23, 2023. As of December 31, 2022, the operations in Russia were classified as held for sale. The assets and liabilities of the business were nevertheless not presented separately from other assets and liabilities of the Group in the statement of financial position nor were results related to the business presented as a separate component in the income statement as the impact would have been immaterial. A loss of EUR 12.5 million was recognized in 2022 on measurement of the assets and liabilities of the business at fair value less cost to sell. On completion of the sale in 2023, an income of EUR 8.5 million was recognized following reclassification of cumulative translation differences from other comprehensive income to statement of income and reversal of remaining liabilities related to sold operations.

Accounting principles

Acquisitions

Businesses acquired during the period have been combined in the consolidated financial statements from the date when Group has obtained control of the business and divested businesses up to the date when control has ceased. The acquisition consideration, including deferred and contingent consideration, as well as the identifiable assets acquired, and liabilities assumed, are measured at the acquisition date fair values. The acquisition related costs are recognized as expenses for the period in which they are incurred.

At the acquisition date, any non-controlling interest is measured either at the acquisition date fair value or at non-controlling interest's proportionate share in the recognized amounts of the identifiable net assets.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell

Assets and liabilities of the acquired businesses, MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Customer related intangibles	109.0	26.2
Other intangible assets	0.1	0.0
Tangible assets	7.7	0.4
Deferred tax assets	6.1	0.1
Inventories	7.9	1.5
Accounts receivables and other assets	20.2	2.6
Cash and cash equivalents	8.7	2.4
Total assets	**159.7**	**33.1**
Employee benefit liabilities	0.7	0.2
Interest-bearing loans	4.9	2.5
Provisions	1.4	0.6
Deferred tax liabilities	20.8	3.3
Other liabilities	23.6	2.2
Total liabilities	**51.3**	**8.9**
Net assets	**108.4**	**24.2**
Acquisition cost paid in cash	168.5	19.1
Contingent and deferred consideration	21.8	9.1
Acquisition cost at date of acquisitions	**190.3**	**28.1**
Goodwill	82.0	4.0

Changes in the acquisition cost occurring after the acquisition date and recognized in the statement of income totaled EUR 0.6 (0.7) million.

4.2 Goodwill

Goodwill allocation

Goodwill is allocated to cash-generating units (CGUs). A cash generating unit is typically defined as the country unit in which the acquired business operates in accordance with KONE's business model and organization structure. As at Dec 31, 2023 the carrying amount of goodwill tested for impairment is allocated to 19 different CGUs. The number of CGUs reduced compared to previous year following operating model renewal. The five largest CGUs carry 78% of the goodwill. The carrying amount of goodwill is below EUR 10 million for 6 CGUs. The geographical allocation of goodwill and the weighted average discount rates are presented in the adjacent table.

Impairment testing

The value-in-use calculations have been prepared utilizing cash flow projections that are based on CGU specific financial estimates approved by the Group management. The explicit forecast period covers the following three years for each CGU.

Key parameters underlying the cash flow projections include assumptions on business growth, sales price and cost development. These assumptions embedded in the CGU specific cash flow projections are based on management assessment of the market demand and environment, which are examined against external information sources. The productivity and efficiency assumptions are based on internal targets, which are evaluated against actual performance. The cash flows for subsequent terminal year are assumed prudently without growth, except as stated below.

The discount rates are based on the risk-free interest rates, risk factors (beta coefficient) and market risk premiums available on financial markets. The value-in-use calculations are validated against KONE's market capitalization.

As a result of the annual impairment test, no goodwill impairment losses were recognized during the accounting period.

The impairment testing process includes a sensitivity analysis in which the CGU specific cash flow estimates were reduced by 10–40 percent and the discount rates were increased by 1–4 percentage points. With the terminal growth set at zero, the results are most sensitive for changes in the cash flows. Based on the sensitivity analysis, the probability for material impairment losses was very low in all CGUs. First immaterial impairment loss would take place in one CGU if the

Accounting principles

Goodwill

Acquisitions are accounted for using the acquisition method. Goodwill is calculated as the excess of acquisition cost over the fair values of identified assets and liabilities acquired. Goodwill typically represents the value of the acquired market share, business knowledge and the synergies obtained in connection with the acquisition. The carrying amount of goodwill is not amortized, but is tested for impairment.

Impairment testing

The Group assesses the carrying amount of goodwill annually or more frequently if any indication of impairment exists. Goodwill is allocated to the cash generating units (CGUs) of the Group, which are identified according to the country of operation and business area at the level at which goodwill is monitored for internal management purposes. The recoverable amount of a CGU is determined by value-in-use calculations. In assessing the recoverable amount, estimated future cash flows are discounted to their present value. Cash flow estimates are based on management's estimates. The discount rate is the weighted average cost of capital (WACC) for the main currency area in the location of the CGU (country or business area), which reflects the market assessment of the time value of money and the risks specific in KONE's business.

Any impairment loss of goodwill is recognized immediately as an expense and is not subsequently reversed.

Goodwill, MEUR	Dec 31, 2023	%	Discount rates used (pre-tax), %	Dec 31, 2022	%	Discount rates used (pre-tax), %
EMEA	888.7	60	8.17	809.5	57	8.23
Americas	356.3	24	10.22	368.1	26	10.05
Asia-Pacific	224.0	15	9.81	237.1	17	10.17
Total	**1,469.0**			**1,414.7**		

Goodwill reconciliation

Goodwill, MEUR	Dec 31, 2023	Dec 31, 2022
Opening net book value	1,414.7	1,405.2
Translation differences	-27.6	8.2
Increase	-	3.5
Decrease	-	-6.1
Companies acquired (note 4.1)	82.0	4.0
Closing net book value	**1,469.0**	**1,414.7**

CGU specific cash flow estimates would be reduced by 20% or discount rates increased by +2 percentage points. Additionally, for the same CGU, the combination of decrease of 10 % in cash flow and simultaneous +1 percentage point increase in discount rates would lead to immaterial impairment. Base scenario discount rate for this CGU is 7,82%. Assumptions specific to China local second brand CGU have been kept on a revised level as per last year with the operating environment largely remaining the same. In the base scenario, the terminal growth for China local second brand CGU is determined as 2% and discount rate as 9,72%. Headroom between value in use and assets employed with the base scenario has increased in this CGU and there is no reasonable scenario that would lead to recognition of impairment. Immaterial impairment would be recognized in the most conservative sensitivity scenario. Fair value less cost to sell analysis has been prepared for the CGU to validate the outcome from value in use analysis. This analysis supports the recoverable value provided by the base scenario. On December 31, 2023 goodwill carried by respective CGU amounts to EUR 179.0 million.

Under the basic scenario for other CGUs, the value-in-use calculations were on average 7.4 times higher than the value of CGUs' assets employed. The respective ratio for the five largest CGUs was 6.9; for the five smallest 13.5 and respectively for the other CGUs 8.2.

4.3 Intangible assets

Intangible assets, MEUR	Jan 1–Dec 31, 2023 Customer related intangibles	Other	Total
Opening gross acquisition cost	501.6	256.2	757.8
Opening accumulated amortization and impairment	-325.4	-224.2	-549.6
Opening net book value	**176.3**	**31.9**	**208.2**
Opening net book value	176.3	31.9	208.2
Translation differences	-1.2	-1.2	-2.4
Increase	3.8	26.5	30.3
Decrease	-0.4	-0.4	-0.8
Reclassifications	-	0.1	0.1
Companies acquired (note 4.1)	109.0	0.1	109.1
Amortization	-47.0	-10.3	-57.3
Closing net book value	**240.6**	**46.6**	**287.2**
Closing gross acquisition cost	612.9	279.1	892.0
Closing accumulated amortization and impairment	-372.3	-232.5	-604.8
Closing net book value	**240.6**	**46.6**	**287.2**

Intangible assets, MEUR	Jan 1–Dec 31, 2022 Maintenance contracts	Other	Total
Opening gross acquisition cost	471.6	260.1	731.7
Opening accumulated amortization and impairment	-285.9	-229.0	-514.9
Opening net book value	**185.8**	**31.1**	**216.9**
Opening net book value	185.8	31.1	216.9
Translation differences	0.3	-0.5	-0.2
Increase	3.7	10.9	14.6
Decrease	-0.2	0.0	-0.2
Reclassifications	-	0.4	0.4
Companies acquired (note 4.1)	26.2	0.0	26.2
Amortization	-39.5	-10.0	-49.5
Closing net book value	**176.3**	**31.9**	**208.2**
Closing gross acquisition cost	501.6	256.2	757.8
Closing accumulated amortization and impairment	-325.4	-224.2	-549.6
Closing net book value	**176.3**	**31.9**	**208.2**

Accounting principles

Intangible assets

Intangible assets that are acquired separately are initially measured at cost. These assets are amortized on a straight-line basis over their expected useful lifetime, which does not usually exceed five years. The customer related intangibles are recognized at acquisition date fair values and are amortized over their useful economic lives, typically ten years.

Impairment of assets

The carrying amounts of non-current intangible assets and tangible assets are reviewed for impairment at each reporting date or whenever there is indication of that the carrying value of the asset may not be recoverable. Impairment test involves estimating the recoverable amount of the asset, subject to testing. The recoverable amount is the higher of the asset’s fair value less cost of disposal and the value in use. An impairment loss is recognized in the statement of income whenever the carrying amount exceeds the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, but not, however, to an amount higher than the carrying amount that would have been determined without the impairment loss recognized in prior years, deducted by accumulated depreciation.

KONE often acquires elevator, escalator, and door service companies, where the excess of consideration transferred over the net assets of the acquiree as at closing is allocated to the acquired customer related intangibles, and consequently majority of intangible assets carried consist of these customer contract assets. Intangible assets also include expenditure on acquired patents, trademarks and licenses, development expenditure related to certain software as well as acquired software licenses.

4.4 Tangible assets

Tangible assets, MEUR	Jan 1–Dec 31, 2023							
	Land	Buildings	Buildings, leased for own use	Machinery & equipment	Machinery & equipment, leased for own use	Fixed assets under construction	Advance payments	Total
Opening gross acquisition cost	5.9	336.7	403.6	714.2	249.5	25.3	1.6	1,736.9
Opening accumulated depreciation	-	-164.6	-212.8	-515.9	-126.7	-	-	-1,020.0
Opening net book value	**5.9**	**172.1**	**190.8**	**198.3**	**122.8**	**25.3**	**1.6**	**716.8**
Opening net book value	5.9	172.1	190.8	198.3	122.8	25.3	1.6	716.8
Translation differences	0.0	-5.7	-4.7	-5.9	-2.1	-0.6	-0.3	-19.2
Increase	-	16.7	72.0	68.6	89.1	45.4	4.0	295.9
Decrease	0.0	-0.8	-4.0	-1.6	0.0	-2.7	-0.2	-9.2
Reclassifications	-	10.3	0.0	8.6	0.0	-16.9	-2.0	0.0
Companies acquired (note 4.1)	-	0.0	4.0	2.3	0.9	-	0.4	7.7
Depreciation	-	-15.0	-65.7	-66.7	-64.7	-	-	-212.1
Closing net book value	**5.9**	**177.8**	**192.3**	**203.5**	**146.0**	**50.5**	**3.6**	**779.7**
Closing gross acquisition cost	5.9	350.9	435.6	750.8	280.4	50.5	3.6	1,877.8
Closing accumulated depreciation	-	-173.1	-243.3	-547.3	-134.3	-	-	-1,098.1
Closing net book value	**5.9**	**177.8**	**192.3**	**203.5**	**146.0**	**50.5**	**3.6**	**779.7**

During the period of Jan 1–Dec 31, 2023, capital expenditure totaled to EUR 322.4 (209.2) million, consisting of investments into production facilities, installation equipment, R&D tools, patents and licenses and development expenditure on certain projects, as well as new assets recognized for lease agreements. Capital expenditure on leases consists mainly of maintenance vehicles and office facilities.

Lease payments in cash flow totaled to EUR -124.5 (-124.3) million.

Accounting principles

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses, when applicable. Depreciation is recognized on a straight-line basis over the economic useful lives of the assets or over the lease contract period, if shorter. Economic useful lives are as follows:

Buildings	5-40 years
Machinery and equipment	4-15 years

Land is not depreciated.

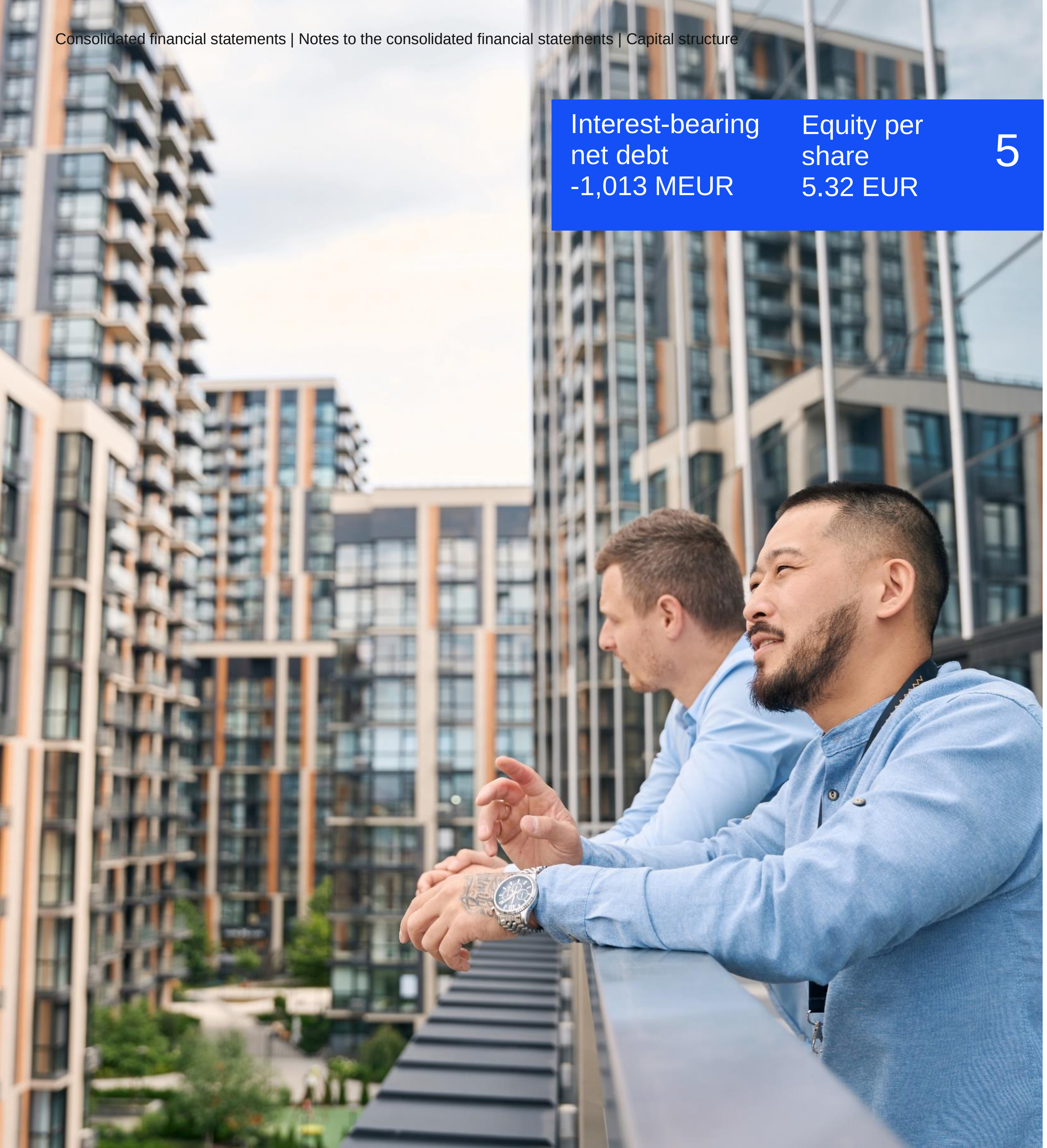
Expenditure on repairs and maintenance of property, plant and equipment is recognized as expense when incurred. The carrying amount of any tangible asset is impairment tested (see impairment of assets accounting principles) when an indication of impairment exists.

Leases

As a lessee, KONE recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments, amounting to the present value of the future lease payments. The value of right-of-use asset corresponds the value of future lease payments at the inception of the lease, discounted with the incremental borrowing rate.

Right-of-use assets are depreciated over the contract period or over the useful life of the asset, which is the shorter. An option to extend or terminate the lease contract is included to the lease period when exercising such option is considered highly probable. The cost arising from short-term leases and leases of low value assets are recognized as an expense on a straight-line basis over the contract period.

	Jan 1–Dec 31, 2022							
Tangible assets, MEUR	Land	Buildings	Buildings, leased for own use	Machinery & equipment	Machinery & equipment, leased for own use	Fixed assets under construction	Advance payments	Total
Opening gross acquisition cost	6.7	333.3	365.5	664.4	232.2	11.5	3.5	1,617.1
Opening accumulated depreciation	-	-152.2	-154.1	-464.5	-109.6	-	-	-880.4
Opening net book value	**6.7**	**181.1**	**211.4**	**199.9**	**122.6**	**11.5**	**3.5**	**736.7**
Opening net book value	6.7	181.1	211.4	199.9	122.6	11.5	3.5	736.7
Translation differences	0.0	-1.6	1.9	-0.5	0.8	-0.4	0.0	0.2
Increase	-	7.0	44.5	58.9	62.9	23.3	1.6	198.4
Decrease	-0.8	-2.1	-3.4	-1.5	-0.8	-0.1	-	-8.7
Reclassifications	-	2.7	0.0	9.3	0.0	-8.9	-3.6	-0.4
Companies acquired (note 4.1)	-	-	-	0.2	0.2	-	-	0.4
Depreciation	0.0	-15.0	-63.8	-68.1	-62.9	-	-	-209.8
Closing net book value	**5.9**	**172.1**	**190.8**	**198.3**	**122.8**	**25.3**	**1.6**	**716.8**
Closing gross acquisition cost	5.9	336.7	403.6	714.2	249.5	25.3	1.6	1,736.9
Closing accumulated depreciation	-	-164.6	-212.8	-515.9	-126.7	-	-	-1,020.0
Closing net book value	**5.9**	**172.1**	**190.8**	**198.3**	**122.8**	**25.3**	**1.6**	**716.8**



Interest-bearing net debt
-1,013 MEUR

Equity per share
5.32 EUR

5

Capital structure

In this section

This section comprises the following notes, which describe the capital structure of KONE:

KONE's capital structure

- KONE's cash position is strong due to the cash-generative operating model including collection of significant advance payments in the New Building Solutions business
- KONE has not defined a specific target for its capital structure, but the aim is to ensure strong credit quality to provide for ample access to external funding sources to support the growth ambitions of the business

5.1 Capital Management

KONE aims to manage its capital in a way that supports the profitable growth of operations by securing an adequate liquidity and capitalization of the Group at all times. The target is to maintain a capital structure that contributes to the creation of shareholder value.

The assets employed in KONE's business consist principally of net working capital, fixed assets, and financial investments which are funded by equity and net debt, as shown in the adjacent table. Due to the business model and the business processes of KONE, the level of total assets employed is relatively low. KONE aims to maintain a negative net working capital to ensure a healthy cash flow even when the business is growing and to maintain a high return on assets employed.

Cash flow from operations is the principal source of KONE's financing. External funding, as well as cash and financial investments, are managed centrally by KONE Treasury according to the KONE Treasury Policy. Financial investments are made only with counterparties with high creditworthiness and mainly in short term instruments to ensure continuous liquidity.

KONE has not defined a specific target for its capital structure, but the aim is to ensure strong credit quality to provide for ample access to external funding sources and to support the growth ambitions of the business. KONE considers its current capital structure to be a strength, as it allows for capturing potential value creating business opportunities, should such opportunities arise. If deemed necessary, KONE could also utilize its borrowing capacity.

In such cases, the level of debt and financial gearing could be higher for a period of time. At the end of 2023, the funding of KONE was guaranteed by existing committed credit facilities, cash and financial investments.

KONE has not defined a specific target for dividends or share buy-backs. The dividend proposal by the Board of Directors is determined on the basis of the overall business outlook, business opportunities, as well as the present capital structure and the anticipated changes in it. In 2019–2023, the dividend payout ratio has been 94.2–124.0% for class B shares (2023 proposal by the Board of Directors of KONE Corporation). At the end of December 2023, KONE had 12,159,159 class B shares in its possession.

To ensure an efficient internal allocation and utilization of its capital resources, KONE measures the financial results of its business activities after a capital allocation charge. The capital allocation charge is based on the assets employed in the business activity and the weighted average cost of capital (WACC).

The WACC is also used as a hurdle rate when evaluating the shareholder value creation potential of new acquisitions, major capital expenditure and other investments. The valuation methods used are payback time, discounted cash flow as well as earnings and cash flow multipliers.

Capital management, MEUR	2023	2022	2021	2020	2019
Assets employed					
Goodwill and shares	1,567	1,536	1,550	1,470	1,506
Other non-current assets [1)]	1,067	925	954	933	990
Net working capital	-861	-904	-1,468	-1,160	-856
Total assets employed	**1,773**	**1,557**	**1,035**	**1,243**	**1,640**
Capital					
Equity	2,786	2,867	3,199	3,197	3,193
Interest-bearing net debt	-1,013	-1,309	-2,164	-1,954	-1,553
Total capital	**1,773**	**1,557**	**1,035**	**1,243**	**1,640**
Gearing	-36.4%	-45.7%	-67.6%	-61.1%	-48.6%
Equity ratio	40.9%	40.3%	41.2%	45.5%	46.5%

1) Tangible assets, acquired customer related intangibles and other intangible assets.

Non-current assets by country

MEUR	Dec 31, 2023	Dec 31, 2022
USA	501.2	477.0
China	434.7	466.4
Germany	329.3	212.8
Spain	258.9	244.1
France	198.0	201.5
Finland	194.6	167.2
Other	1,050.1	1,012.4
Total	**2,966.8**	**2,781.3**

5.2 Shareholders' equity

Shares and share capital

At the end of the 2023 financial year, the number of shares outstanding was 529,395,860. The share capital was EUR 66.2 million and the total number of votes was 121,527,427. Each class A share is assigned one vote, as is each block of 10 class B shares, with the provision that each shareholder is entitled to at least one vote. The accounting par value of both classes of shares is EUR 0.125.

At the end of the financial year, the Board of Directors of KONE Corporation had a valid authorization granted by the Annual General Meeting in February 2023 to increase the share capital and to issue stock options. The authorization remains in effect until the conclusion of the following annual general meeting, however at the latest until 30 June 2024.

In accordance with the Articles of Association, class B shares are preferred for a dividend which is at least 1% and no more than 2.5% higher than the dividend paid to the holders of class A shares, calculated based on the amount obtained by dividing the share capital entered into the Trade Register by the number of shares entered into the Trade Register.

In 2023 or 2022 there were no changes in the share capital of KONE Corporation.

For more information on share-based incentive plans, please refer to section 6.2.

Authority to buy own shares

KONE Corporation's Annual General Meeting held on February 28, 2023 authorized the Board of Directors to repurchase the company'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 minimum and maximum consideration for the shares to be purchased is determined for both class A and class B shares on the basis of the trading price for class B shares determined on the Nasdaq Helsinki Ltd. on the time of purchase.

All shares held by KONE at the end of the reporting period consisted of B class shares.

Accounting principles

Equity and profit distribution

The total shareholders' equity consists of the share capital, the share premium account, the fair value and other reserves, translation differences, the paid-up unrestricted equity reserve, remeasurements of employee benefits and retained earnings. The fair value and other reserves include changes in the fair value of cash flow hedges. Differences arising from the application of the acquisition method on the translation of the net investment in foreign subsidiaries and associated companies are recognized as translation differences. Exchange rate differences resulting from financial instruments intended as hedges of the net assets in foreign subsidiaries are also recognized as translation differences. Actuarial gains and losses arising from revaluation of employee benefits are recognized as remeasurements of employee benefits. The purchase price of own shares purchased by KONE Corporation is deducted from retained earnings. The net income for the accounting period is recognized directly in retained earnings.

When KONE Corporation purchases its own shares, the consideration paid and costs directly attributable to the purchase transaction are recognized as a deduction in equity. When such shares are sold, the consideration received, net of directly attributable transaction costs, is included in equity.

Profit distribution includes dividends and donations decided by the Shareholders' Meeting. The dividend and distribution of profits proposed by the Board of Directors of KONE Corporation for the financial year ended, is not deducted from the equity prior to acceptance by a Shareholders' Meeting.

Own shares

	Number of shares	Acquisition cost, MEUR
Jan 1, 2023	12,306,640	236.6
Distributed to the share-based incentive plan, January	-121,084	-5.3
Distributed to the share-based incentive plan, April	-7,912	-0.3
Distributed to the share-based incentive plan, June	-18,485	-0.8
Dec 31, 2023	**12,159,159**	**230.2**
Jan 1, 2022	11,433,525	198.6
Distributed to the share-based incentive plan, February	-218,091	-12.1
Returned from the share-based incentive plan, February	9,518	0.4
Distributed as the annual compensation of the Board, April	-7,664	-0.5
Returned from the share-based incentive plan, April	1,269	0.0
Returned from the share-based incentive plan, July	2,468	0.1
Purchase, November	150,000	6.3
Purchase, November	120,000	5.3
Purchase, November	100,000	4.4
Purchase, November	50,000	2.2
Purchase, November	130,000	5.9
Purchase, November	130,000	6.0
Purchase, November	150,000	7.4
Purchase, November	150,000	7.5
Purchase, November	103,500	5.0
Returned from the share-based incentive plan, December	2,115	0.1
Dec 31, 2022	**12,306,640**	**236.6**

Reconciliation of own shares, Dec 31, 2023

KONE Corporation and Group total	Quantity	Acquisition cost	Average price
Dec 31, 2022	12,306,640	236,636,393.03	19.23
January 27, 2023	-121,084	-5,300,177.74	43.77
April 27, 2023	-7,912	-330,947.48	41.83
June 19, 2023	-18,485	-773,200.73	41.83
Dec 31, 2023	**12,159,159**	**230,232,067.08**	**18.93**

5.3 Financial risks and instruments

KONE's business activities are exposed to financial risks such as foreign exchange risks, interest rate risks, liquidity risks and credit risks. These financial risks are managed as part of the total KONE risk portfolio. KONE Treasury is responsible for the centralized management of financial risks in accordance with the KONE Treasury Policy approved by the Executive Board. KONE business units manage their financial risks locally in accordance with the KONE Treasury Policy.

Financial credit risk

KONE has substantial amounts of cash and financial investments. In order to diversify the financial credit risk and manage liquidity risk, funds are invested into highly liquid interest rate funds and deposits with several banks. All open exposures such as cash on bank accounts, investments, deposits and other financial assets, for example derivatives contracts, are included when measuring the financial credit risk exposure. When selecting counterparty banks and other investment targets, only counterparties with high creditworthiness are approved. The size of each limit reflects the creditworthiness of the counterparty. Counterparty creditworthiness is evaluated constantly and the required actions are considered case by case if significant changes in the creditworthiness of a counterparty occur. The fair values of interest rate funds are measured based on market information (fair value hierarchy level 2).

Refinancing and liquidity risks

KONE's cash and cash equivalents was EUR 424.5 (495.5) million and financial investments EUR 1,263.2 (1,470.1) million on December 31, 2023.

Cash and financial investments are managed centrally by KONE Treasury. Due to local regulations, part of the funds reside in local investments and on decentralized bank accounts in a number of KONE countries. A substantial part of the funds is nevertheless accessible to KONE Treasury. Changes in the local regulations can also in the future have an impact on the location of the cash and financial investments.

Accounting principles

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially and subsequently recognized at fair value in the statement of financial position. The fair values of foreign exchange forward contracts are calculated by discounting the future cash flows of the contracts with the relevant market interest rate yield curves on the valuation date and by calculating the difference between the discounted values as at the forward contract date and balance sheet date in euros. Currency options are valued as of each reporting date by using the Garman & Kohlhagen option valuation model.

At the contract date the derivatives are classified according to the foreign exchange policy as hedging instruments of a business transaction arising from a firm or highly probable purchase or sales contract. These are partly included in cash flow hedge accounting, hedges against fair value changes of assets or liabilities or hedges of net investments in foreign entities.

In cash flow hedge accounting KONE uses foreign currency forward contracts and options to hedge its exposure in foreign currency dominated cash flows which ensures economic relationship between the hedged item and the hedging instrument and full effectiveness as the value of the hedging instrument and the value of the hedged item move in the opposite direction because of the common underlying denominator. The full fair value of derivatives, including transaction related forward points, is designated in the hedging relationship.

The effective portion of changes in the fair values of the foreign exchange, where hedge accounting is applied, is recognized through the statement of comprehensive income to the hedge reserve within equity. The cumulative changes of fair values are transferred into the statement of income as adjustment items to costs and expenses simultaneously when the hedged sale or purchase realizes. When cash flow hedge accounting is applied, at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items is documented including whether the hedging instrument is expected to offset changes in cash flows of hedged items. Also, the risk management objective and strategy for undertaking various hedge transactions is documented at the inception of each hedge relationship. Hedge effectiveness is assessed before hedge accounting is applied and at least on a quarterly basis thereafter.

The gain or loss relating to the ineffective portion is recognized immediately as an adjustment to cost and expenses. In hedges of foreign currency transaction, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated. If a foreign exchange derivative included in the cash flow hedge accounting expires or is sold or when a hedge no longer meets the criteria for hedge accounting, the cumulative change in the fair value of the hedging instrument will remain in the hedge reserve and is recognized in the income statement at the same time with the hedged sale or purchase. The cumulative fair values of the hedging instruments are transferred from the hedge reserve to adjust cost and expenses immediately if the hedged cash flow is no longer expected to occur.

The changes in the fair values of derivatives that are designated as hedging instruments but are not accounted for according to the principles of cash flow hedge accounting are recognized based on their nature either in the operative income or costs, or as financial income or expenses: if the hedged risk arises from an operative transaction, the fair values of the hedging instruments are recognized in costs and expenses, and if the hedged item is a monetary item, the fair values are recognized in financing items.

Changes in the fair values of foreign exchange derivatives are recognized in financing income and expenses if the hedged item is a loan receivable, deposit or a financial asset or liability denominated in a foreign currency.

The effective portion of the change in the fair values of currency forward contracts hedging translation differences arising from net investments in foreign subsidiaries, are recognized through the statement of comprehensive income to the translation differences within equity and would be transferred to the income statement in case the net investment were disposed of partially or in its entirety. The hedged risk is designated as movements in the spot rate (excluding changes due to interest rates i.e. forward points). Changes in fair value of the hedging instrument due to the forward points (cost of hedging) are immediately recognized in the consolidated statement of income.

Fair values of derivative instruments are recognized under current assets and liabilities in the balance sheet.

KONE has a credit facility of EUR 200 (200) million and a loan of EUR 200 (200) million from the European Investment Bank (EIB) for R&D purposes. The fixed interest rate loan will mature in 2026. The fair value of the loan is estimated based on discounted cash flow method using a current borrowing rate (level 2 fair value hierarchy) as the discount rate. KONE has also an uncommitted commercial paper program of EUR 500 (500) million and a sustainability-linked revolving credit facility of EUR 850 (850) million to ensure sufficient liquidity. The sustainability targets included in the facility relate to KONE's decarbonization and gender diversity commitments.

Interest rate risks

KONE's cash and short-term investments were EUR 1,687.7 (1,965.6) million at the statement of financial position date. At the same time, KONE's interest-bearing debt was EUR 687.8 (673.9) million and consisted of EUR 550.4 (532.6) million of financial debt including lease liabilities, EUR 2.3 (1.3) million of option liabilities from acquisitions, and EUR 132.9 (140.0) million of employee benefit liabilities. Additionally, KONE had an asset on employee benefits of EUR 9.2 (10.0) million.

As KONE's financial investments are mainly invested in tenors of less than one year, changes in the interest rates do not have any significant impact on their market values.

Changes in the interest rates may however impact future interest income.

When calculating the interest rate sensitivity analysis, the interest-bearing net financial debt, excluding foreign exchange forward contracts, is assumed to remain on the level of the closing balance of 2023 during the following financial period. The sensitivity analysis presents the impact of a 1 percentage point change in the interest rate level on the net interest income for the financial period by taking into account the net financial debt tied to interest periods of less than one year, EUR -1,572.1 (-1,854.5) million. For 2023 a 1 percentage point change in the interest rate level would mean a change of EUR -15.7 (-18.5) million in net interest income. The interest rate sensitivity is calculated before taxes.

A change in interest rates does not have a material impact on the net interest on employee benefits, on financial debt or option liabilities from acquisition.

Accounting principles

Loans

Loans payable are in the consolidated statement of financial position presented as part of other financial liabilities. They are measured initially at fair value net of directly attributable transaction costs incurred and are subsequently carried at amortized cost using the effective interest rate method. Lease liabilities are measured to the present value of future lease payments discounted with the incremental borrowing rate.

Lease liabilities

Lease liabilities are measured to the present value of future lease payments discounted with the incremental borrowing rate.

Financial assets

Financial assets are classified into three categories: measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss.

The classification is made at the time of the original acquisition based on the objective of the business model and the characteristics of contractual cash flows of the investment.

KONE assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

All of these financial assets are considered to have low credit risk, and thus the impairment provision assessment is based on 12 months expected losses.

Current deposits and loans receivable

Current deposits and loans receivable are initially recognized at fair value and thereafter at amortized cost using the effective interest rate method except for interest rate funds which are classified and measured as investments at fair value through profit or loss. Only substantial transaction costs are considered for when measuring the acquisition cost.

Investments in commercial papers, short-term bank deposits, interest rate funds and other money market instruments are included in deposits and loans receivable.

Cash and cash equivalents

Cash and cash equivalents include cash-in-hand and bank account balances. Bank overdrafts are included in other current liabilities.

Derivatives

Treasury policy for hedging purposes is applied to all derivative contracts.

The majority of the foreign exchange derivatives and swaps mature within a year.

The fair values of foreign exchange derivatives and swaps are measured based on price information derived from active markets and commonly used valuation methods (fair value hierarchy level 2). Financial contracts are executed only with counterparties that have high credit ratings. The credit risk of the counterparties and KONE is considered when assessing the fair values of outstanding financial assets and liabilities.

The fair values of the derivatives are represented in the balance on a gross basis and can be set off on conditional terms such as breach of contract or bankruptcy. Derivative financial receivables from counterparties after set off would be EUR 1.3 (4.0) million and payables EUR 18.3 (9.4) million.

Loans and other interest-bearing liabilities

Loans and other interest-bearing liabilities in the consolidated statement of financial position consist of loans, lease liabilities, option liabilities from acquisitions and other liabilities. KONE's non-current lease liabilities were EUR 238.3 (217.9) million and current lease liabilities were EUR 110.9 (EUR 106.1) million at the statement of financial position date.

Maturity analysis of financial liabilities and interest payments

	Dec 31, 2023				Dec 31, 2022			
MEUR	< 1 year	1-5 years	> 5 years	Total	< 1 year	1-5 years	> 5 years	Total
Interest-bearing debt								
Loans	-	-200.0	-0.4	-200.4	-	-200.0	-	-200.0
Lease liabilities	-110.9	-206.1	-32.2	-349.1	-106.1	-186.3	-31.6	-324.0
Current loans and other liabilities	-2.2	-	-	-2.2	-	-	-	-
Used bank overdraft limits	-0.8	-	-	-0.8	-8.6	-	-	-8.6
Option liabilities from acquisitions	-	-2.3	-	-2.3	-	-1.3	-	-1.3
Employee benefit liabilities	-	-	-132.9	-132.9	-	-	-140.0	-140.0
Non-interest-bearing debt								
Accounts payable	-927.0	-	-	-927.0	-1,132.8	-	-	-1,132.8
Derivatives								
Capital inflow	3,118.0	164.3	-	3,282.3	2,856.0	118.4	0.4	2,974.8
Capital outflow	-3,135.0	-168.8	-	-3,303.8	-2,866.6	-117.6	-0.4	-2,984.6
Interest payments	**-12.1**	**-17.5**	**-3.2**	**-32.8**	**-7.8**	**-11.9**	**-0.5**	**-20.2**
Net outflow	**-1,070.0**	**-430.4**	**-168.7**	**-1,669.1**	**-1,265.8**	**-398.7**	**-172.1**	**-1,836.6**

	Dec 31, 2023			Dec 31, 2022
Fair values of derivative financial instruments, MEUR	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net
Foreign exchange derivatives				
In cash flow hedge accounting	5.2	-18.4	-13.2	6.2
In net investment hedge accounting	0.6	-0.5	0.0	-0.8
Other foreign exchange hedges	5.8	-9.6	-3.9	-11.0
Total	**11.5**	**-28.5**	**-17.0**	**-5.4**

Nominal values of derivative financial instruments, MEUR	Dec 31, 2023	Dec 31, 2022
Foreign exchange derivatives		
In cash flow hedge accounting	1,114.3	1,009.7
In net investment hedge accounting	437.9	224.0
Other foreign exchange hedges	1,730.2	1,741.2
Total	**3,282.3**	**2,974.8**

Values of financial assets and liabilities by categories

Dec 31, 2023		Notes	Measured at fair value through profit or loss	Measured at amortized cost	Measured at fair value through other comprehensive income	Total book value
Non-current assets						
Shares and other non-current financial assets		5.4			97.9	97.9
Non-current loans receivable	I	5.5		3.5		3.5
Current assets						
Accounts receivable				2,495.1		2,495.1
Derivative assets			5.7		5.8	11.5
Current deposits and loans receivable	I	5.5	972.0	291.9		1,263.9
Cash and cash equivalents	I			424.5		424.5
Total financial assets			**977.7**	**3,215.0**	**103.7**	**4,296.4**
Non-current liabilities [1)]						
Loans	I			200.4		200.4
Current liabilities						
Other interest-bearing liabilities [2)]	I			3.0		3.0
Option liabilities from acquisitions	I		2.3			2.3
Accounts payable				927.0		927.0
Derivative liabilities			9.6		19.0	28.6
Total financial liabilities			**11.9**	**1,130.5**	**19.0**	**1,161.3**

[1)] Excluding non-current lease liabilities of EUR 238.3 million.
[2)] Excluding current lease liabilities of EUR 110.9 million.

The fair values of the financial assets and liabilities are not materially different from their book values.
Interest-bearing net debt comprises items marked with “ I “.

Dec 31, 2022		Notes	Measured at fair value through profit or loss	Measured at amortized cost	Measured at fair value through other comprehensive income	Total book value
Non-current assets						
Shares and other non-current financial assets	I	5.4			121.7	121.7
Non-current loans receivable	I	5.5		2.5		2.5
Current assets						
Accounts receivable				2,668.1		2,668.1
Derivative assets			6.4		20.8	27.2
Current deposits and loans receivable	I	5.5	820.8	654.1		1,474.9
Cash and cash equivalents	I			495.5		495.5
Total financial assets			**827.2**	**3,820.2**	**142.5**	**4,790.0**
Non-current liabilities [1]						
Loans	I			200.0		200.0
Current liabilities						
Other interest-bearing liabilities [2]	I			8.6		8.6
Option liabilities from acquisitions	I		1.3			1.3
Accounts payable				1,132.8		1,132.8
Derivative liabilities			17.3		15.4	32.7
Total financial liabilities			**18.7**	**1,341.4**	**15.4**	**1,375.4**

[1] Excluding non-current lease liabilities of EUR 217.9 million.
[2] Excluding current liabilities of EUR 106.1 million.

The fair values of the financial assets and liabilities are not materially different from their book values. Interest-bearing net debt comprises items marked with “ I “.

5.4 Shareholdings and other non-current financial assets

On the date of the statement of financial position, shares and other non-current financial assets were EUR 95.0 (118.8) million and EUR 2.9 (2.9) million, respectively.

The shares held include a 19.9% holding in Toshiba Elevator and Building Systems Corporation (TELC). TELC consists of an investment in equity instruments that does not have a quoted price in an active market. The fair value of TELC shares is estimated using a dividend discount model with the key inputs to the model including forecasted dividend and the discount rate. While the fair value of the investment is sensitive to changes in these two assumptions, there is no reasonably possible change that would result in significant impact on total assets or equity of KONE.

Investment also includes other non-current financial assets which are investments in smaller holdings in other companies without public quotation.

Accounting principles

Shares and other non-current financial assets

Shares include long-term strategic investments, which are investments in equity instruments that do not have a quoted price in an active market. Other non-current financial assets include investments in 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. The fair value is measured using income or market approach valuation techniques under fair value hierarchy level 3. Upon disposal of these investments, any balance within the fair value and other reserves for these investments is reclassified to retained earnings and is not reclassified to the statement of income.

5.5 Deposits and loan receivable

The fair values of deposits and loans receivable are not materially different from their carrying amounts. Current deposits mature within one year and consist of EUR 972.0 (820.8) million and EUR 291.2 (649.3) million of interest rate funds and short-term bank deposits, respectively.

Deposits and loans receivable, MEUR	Dec 31, 2023	Dec 31, 2022
Non-current loans receivable	3.5	2.5
Current loans receivable	0.6	4.8
Current short-term deposits	1,263.2	1,470.1
Total	**1,267.4**	**1,477.4**

5.6 Commitments

Banks and financial institutions have guaranteed obligations arising in the ordinary course of business of KONE companies up to a maximum of EUR 1,983.7 (1,802.9) million as of December 31, 2023.

5.7 Employee benefits

KONE operates various employee benefit plans throughout its locations. These plans include both defined contribution and defined benefit schemes. The pension benefits provided by KONE to its employees are primarily organized through defined contribution plans.

KONE's most significant funded defined benefit plans are in the United Kingdom and in the United States. Defined benefit pension plans are funded by KONE to satisfy local statutory funding requirements. The assets are managed by external fund managers. The funds are allocated between equities and fixed income instruments in order to provide return at target level and limited risk profile. The valuations of the obligations are carried out by independent qualified actuaries. The discount rates used in actuarial calculations of the employee benefit liabilities are adjusted to market rates.

In the United Kingdom, the pension scheme is designed according to the Definitive Trust Deed and Rules and complies with the guidelines of the UK Pension Regulator. The pension scheme has been closed for new members as of March 2002 and is managed through KONE Pension Trustees Ltd.

In the United States, a part of KONE's employees are members of the Employees' Retirement Plan, which is a funded defined benefit plan. The plan is managed by KONE Inc.'s Pension Committee. In addition to this pension plan, KONE also provides post-employment medical and life insurance benefits. These predominantly unfunded other post-employment benefit plans qualify as defined benefit plans under IFRS. KONE is also a participant in a multi-employer employee benefit plan in the United States. In this defined contribution plan KONE pays a contribution based on the hours worked by participating employees, KONE's obligation is limited to this payment.

KONE's main unfunded defined benefit plans are in Germany, Italy (TFR Trattamento di Fine Rapporto, termination indemnity plan) and in Sweden. The pension schemes in Germany and the TFR plan in Italy are closed from new entrants. In Sweden, the pension cover is organized through defined contribution as well as unfunded defined benefit plans (ITP system, Industrins och handelns tilläggspension).

KONE has defined contribution plans for pensions and other post-employment benefits in most countries. Under defined contribution plans KONE's contributions are recorded as an expense in the accounting period to which they relate. Recognition of a liability is not required because KONE's obligation is limited to the payment of the contributions into these plans or funds.

The defined contribution pension plan in Finland is the statutory Finnish employee pension scheme (Finnish Statutory Employment Pension Scheme "TyEL"), according to which the benefits are directly linked to the beneficiary's earnings. TyEL is arranged through pension insurance companies.

Defined benefit obligations expose KONE to various risks. Corporate bond yields are used as a reference in determining the discount rates used for calculation of defined benefit plan related obligations. A decrease in corporate bond yields hence will increase the present value of the defined benefit obligation. A plan deficit can occur if the performance of the plan assets is below the above-mentioned yield. These potential deficits may require further contributions to the plan assets by the Group.

Some of the Group's defined benefit obligations are linked to general inflation and salary level development. Higher level of inflation and salary level will result in a higher present value of the benefit obligation.

Some of the defined benefit plans obligate KONE to provide benefits to plan members for their lifetime. Therefore, any increase in life expectancy will increase defined benefit liability of these plans.

Accounting principles

Employee benefits

The Group operates various employee benefit plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The pension plans are generally funded by payments from employees and by the relevant KONE companies. The assets of these plans are generally held in separate insurance companies or trustee-administered funds. Pension costs and liabilities are based on calculations by the local authorities or independent qualified actuaries. Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate. For defined benefit plans, pension cost is determined based on the advice of qualified actuaries who carry out a full valuation of the plan on a regular basis using the projected unit credit method. Under this method, the costs of providing pensions are charged to the statement of income so as to spread the regular costs over the working lives of employees. KONE presents the service cost relating to defined benefit obligations in employment expenses while the net interest is presented in financing expenses.

The liability arising from the defined benefit post-employment plans is the present value of the defined benefit obligation less the fair value of plan assets. The discount rates used in the actuarial calculations of employee benefits liabilities are adjusted to market rates. Obligations to pay long-term disability benefit, the level of which is dependent on the length of service of the employee, are measured to reflect the probability that payments will be required and the length of service for which it is expected to be made.

MEUR	Defined benefit plan liability Dec 31, 2023	Defined benefit plan liability Dec 31, 2022	Other post-employment benefit liability Dec 31, 2023	Other post-employment benefit liability Dec 31, 2022	Fair value of plan assets Dec 31, 2023	Fair value of plan assets Dec 31, 2022	Net defined benefit balance Dec 31, 2023	Net defined benefit balance Dec 31, 2022
Balance at beginning of period	**519.2**	**714.5**	**8.9**	**7.1**	**398.2**	**550.2**	**130.0**	**171.4**
Current service costs	17.3	20.5	0.2	0.2	-	-	17.4	20.7
Interest expense	23.3	14.3	0.4	0.2	-	-	23.6	14.5
Interest income	-	-	-	-	18.7	11.6	-18.7	-11.6
Other	-3.8	-1.5	-	-	-3.0	-2.9	-0.8	1.5
Components of defined benefit costs recognized in the consolidated statements of income	**36.8**	**33.4**	**0.5**	**0.4**	**15.7**	**8.7**	**21.6**	**25.1**
Return on plan assets, excluding interest income	-	-	-	-	5.0	-151.4	-5.0	151.4
Remeasurements	12.2	-184.0	-1.1	1.6	-	-	11.1	-182.4
Remeasurements recognized in the consolidated statements of comprehensive income	**12.2**	**-184.0**	**-1.1**	**1.6**	**5.0**	**-151.4**	**6.1**	**-31.1**
Employer contributions	-	-	-	-	26.0	29.0	-26.0	-29.0
Plan participants’ contributions	2.0	1.9	0.2	0.2	2.2	2.2	-	-
Benefits paid	-35.0	-46.7	-0.8	-0.8	-28.9	-39.1	-6.9	-8.4
Settlement payments	-0.3	-	-	-	-	-	-0.3	-
Business combinations, disposals and other	0.7	0.2	-	-	-	-	0.7	0.2
Foreign currency translation effects	-0.7	0.0	-0.3	0.4	0.4	-1.4	-1.3	1.8
Other reconciling items	**-33.2**	**-44.6**	**-0.9**	**-0.1**	**-0.2**	**-9.3**	**-33.9**	**-35.4**
Balance at end of period	**535.1**	**519.2**	**7.5**	**8.9**	**418.7**	**398.2**	**123.9**	**130.0**
Present value of unfunded obligations	86.1	84.2	7.5	8.9	-	-	93.6	93.2
Present value of funded obligations	449.0	435.0	-	-	-	-	449.0	435.0
Fair value of benefit plans' assets	-	-	-	-	418.7	398.2	-418.7	-398.2
Total	**535.1**	**519.2**	**7.5**	**8.9**	**418.7**	**398.2**	**123.9**	**130.0**

The expected contributions to defined benefit type arrangements in 2024 are EUR 25.9 million.

The actual return on defined benefit plans’ assets was EUR 23.7 (-139.8) million.

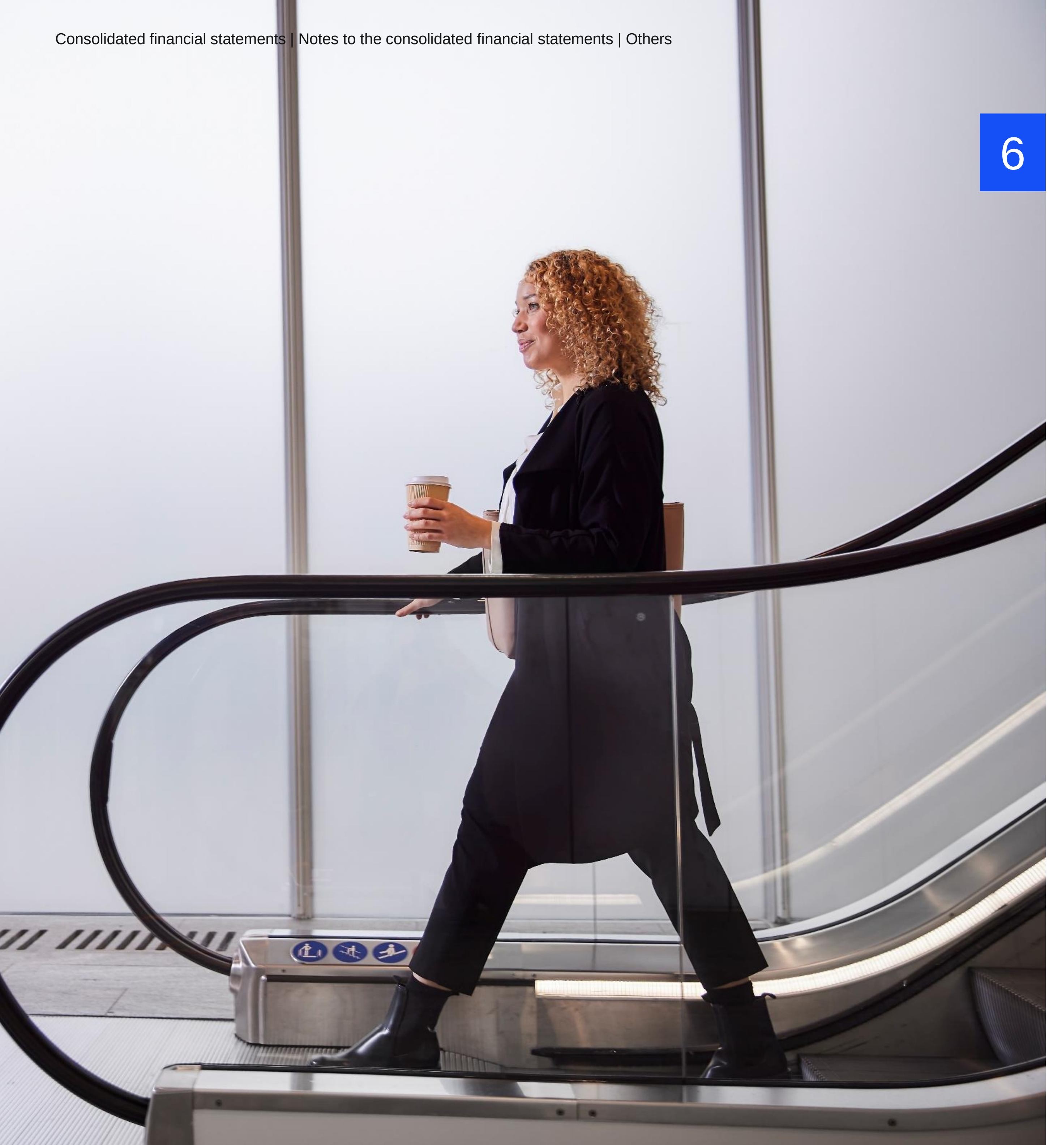
Fair values of major classes of plan assets, MEUR	Dec 31, 2023	Dec 31, 2022
Fair value of plan assets with a quoted market price	388.6	369.3
Other	30.1	28.9
Total	**418.7**	**398.2**

Amounts recognized in the statement of income, MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Defined contribution pension plans	323.5	313.0
Defined benefit pension plans	21.1	24.7
Other post-employment benefits	0.5	0.4
Total	**345.0**	**338.1**

Defined benefit plans: assumptions used in calculating benefit obligations	Dec 31, 2023		Dec 31, 2022	
	Europe	USA	Europe	USA
Discount rate, %	3.20	4.85	4.33	5.03
Future salary increase, %	2.4	4.0	2.6	4.0
Future pension increase, %	0.6	-	1.4	0.0

Sensitivity of the defined benefit obligation to changes in actuarial assumptions	Impact on defined benefit obligation	
	Dec 31, 2023	Dec 31, 2022
Discount rate, +0.25 percentage points	-2.5%	-2.5%
Discount rate, -0.25 percentage points	2.7%	2.7%
Future pension increase, +0.25 percentage points	1.0%	1.2%
Future pension increase, -0.25 percentage points	-1.0%	-1.2%

Sensitivities are calculated by changing one assumption at a time while keeping other variables constant.



6 Others

In this section

This section comprises the following notes concerning rewards and related parties to KONE:

6.1 Management remuneration

The compensation for the President and CEO Henrik Ehrnrooth consists of a base salary, benefits and an annual bonus determined by the Board based on the Corporation's key targets. The annual bonus may not exceed 150 percent of his annual salary. In 2023, Henrik Ehrnrooth's base salary and benefits totaled to EUR 762,741. He also received a bonus of EUR 465,675, which was earned in 2022. The performance criteria applied to this annual short-term incentive was based on KONE's financial and strategic performance as well as individual performance. In addition, Henrik Ehrnrooth is included in the long-term share-based incentive plan (LTI) for the Group's top management. Additional information concerning long-term share-based incentive plan of the President and CEO is disclosed in note 6.2 Share-based payments. Henrik Ehrnrooth's retirement age and pension are determined in accordance with Finland's Pensions Act. Statutory pension cost for the year 2023 was EUR 200,109. There has not been any separate agreement regarding early retirement. His employment contract includes an entitlement to an equivalent of 18 months' salary, which includes the salary for a six-month term of notice in case of termination before retirement. Henrik Ehrnrooth decided to step down from his role as the President and CEO of KONE as of December 31, 2023. A separate exit agreement replaces the contractual notice of termination and severance payments.

The compensation for the members of the Executive Board (excl. President and CEO) comprises a base salary, benefits and an annual bonus, based on KONE's financial targets and strategic performance, as well as individual performance. The bonus amount is determined by the Nomination and Compensation Committee and may not exceed 75 percent of the annual salary. The members of the Executive Board are included in the long-term share-based incentive plan for the top management. Additional information concerning long-term share-based incentive plan of the Executive Board is disclosed in note 6.2 Share-based payments. No separate agreement regarding early retirement has been made for the members of the Executive Board. The compensation for the termination of the employment contract prior to retirement is a maximum of 15 months' salary, which includes the salary for a six-month term of notice.

The Vice Chair of the Board, Jussi Herlin has a separate employment contract for his role as Executive Vice Chair of the Board at KONE. The employment-based compensation for Jussi Herlin consists of a base salary, benefits and an annual bonus decided by the Board on the basis of the Group's financial result. The annual bonus may not exceed 100 percent of the recipient's annual base salary. In 2023, Jussi Herlin's base salary and benefits were EUR 126,457. There was no bonus payout in 2023 as the performance criteria for 2022, tied to the Group's financial performance, were not met. The Executive Vice Chair's retirement age and pension are determined in accordance with Finland's Pensions Act. Statutory pension cost for the year 2023 was EUR 20,600. No separate agreement regarding early retirement has been made.

The carrying value of the pension liability for Board Member Matti Alahuhta (served as President & CEO until March 31, 2014) included in the balance sheet is EUR 4.6 million at the end of 2023 and the yearly pension paid to him by KONE in 2023 was EUR 295,651.

Compensation paid to the Board of Directors (EUR, thousand) [1] [2]	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Herlin Antti, Chairman of the Board	230.0	240.0
Herlin Jussi, Vice Chair of the Board [3]	126.5	125.6
Alahuhta Matti	130.0	130.0
Duinhoven Susan	130.0	120.0
Herlin Iiris	110.0	110.0
Kant Ravi	120.0	130.0
Mikkilineni Krishna	110.0	110.0
Xin-Zhe Li Jennifer [4]	-	120.0
Fredriksson Marika [5]	120.0	-
Manubens Marcela [5]	110.0	-
Total	**1,186.5**	**1,085.6**

[1] Holdings of the shares are presented in the table on page 129.
[2] Includes also the annual compensation of the Board which was performed by using shares of KONE Corporation decided by the Annual General Meeting held on February 28, 2023
[3] Compensation paid based on employment. Jussi Herlin was paid EUR 126,457 in base salary and benefits. There was no bonus payout in 2023 as the performance criteria for 2022, tied to the Group's financial performance, were not met.
[4] Board member until February 28, 2023.
[5] Board member since February 28, 2023

Compensation paid to the President and CEO and to the members of the Executive Board

EUR, thousand	Jan 1–Dec 31, 2023 The President & CEO [1]	Jan 1–Dec 31, 2023 The members of the Executive Board [1]	Jan 1–Dec 31, 2022 The President & CEO	Jan 1–Dec 31, 2022 The members of the Executive Board
Base salary and benefits	762.7	6,382.8	763.9	5,106.3
Annual short-term incentive [2]	465.7	1,987.8	835.4	2,248.8
Long-term incentive plan [3]	-	2,076.2	-	36.0
Total compensation	**1,228.4**	**10,446.7**	**1,599.3**	**7,391.2**

Performance based long-term incentive plan for the President and CEO and the Executive Board as of December 31, 2023

Performance based long-term incentive plan	Performance Period	Vesting date pursuant to the plan rules	Performance Criteria	The President and CEO - Maximum earning opportunity (number of shares) [4]	The Executive Board - Maximum earning opportunity (number of shares) [4] [5]
LTI 2021 [6]	January 2021 - December 2023	January 2024	Adjusted EBIT Margin % and Sales Growth Sustainability	53,541	235,578
LTI 2022 [7]	January 2022 - December 2024	January 2025	Adjusted EBIT Margin % and Sales Growth Sustainability	58,243	250,445
LTI 2023 [8]	January 2023 - December 2025	January 2026	Adjusted EBIT Margin % and Sales Growth Sustainability	74,642	296,081

[1] Holdings of the shares are presented in the table on page 129.
[2] Short-term incentive paid in 2023 (2022) was earned in 2022 (2021).
[3] Henrik Ehrnrooth, the President and CEO, did not receive a share payment in 2022 and 2023 due to the long-term incentive structure changing to a three-year performance period in 2021. Based on the exit agreement, the reward from LTI 2021, LTI 2022 and LTI 2023 will be paid in January 2024 to Henrik Ehrnrooth based on a separate Board of Directors' decision. Additionally, the Board of Directors has granted Henrik Ehrnrooth an additional incentive of up to 50,000 KONE class B shares, payable by the end of 2024 based on the achievement of specific performance metrics. The early payment of LTI 2022 and LTI 2023 together with the additional share-based incentive replaces the contractual notice of termination and severance payments.
[4] The maximum number of KONE class B shares available for earning (gross before deduction for applicable taxes).
[5] KONE has delivered a total of 18,485 KONE class B shares to the two members of the Executive Board included in KONE's share-based incentive program.
[6] The final outcome and any potential share awards under the long-term incentive plan for the year 2021 will be confirmed in January 2024, depending on the performance during the years 2021, 2022 and 2023.
[7] The final outcome and any potential share awards under the long-term incentive plan for the year 2022 will be confirmed in January 2025, depending on the performance during the years 2022, 2023 and 2024.
[8] The final outcome and any potential share awards under the long-term incentive plan for the year 2023 will be confirmed in January 2026, depending on the performance during the years 2023, 2024 and 2025.

6.2 Share-based payments

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. No shares were delivered in 2022 and 2023 under the new performance share plan structure that commenced in 2021, excluding the share delivery of 18,485 KONE class B shares to two key employees as part of 2021 and 2022 long-term incentive plans in 2023. 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 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 performance share plan is targeted to approximately 570 top leaders, including the President and CEO, members of the Executive Board and selected key employees of KONE Group. The performance criteria applied to the 2021, 2022, and 2023 performance plan are based on annual growth in sales, adjusted EBIT margin (jointly 80%) and improvements in sustainability. The sustainability performance condition is a combination of reductions in carbon footprint, diversity and inclusion as well as safety related targets.

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

The maximum number of shares to be delivered in the first quarter of 2026 as part of the 2023 performance share plan is 1,025,056 KONE class B shares based on the performance period 2023–2025, reduced by an amount of shares equivalent to the taxes and similar charges that are incurred by the receipt of shares.

As part of the restricted share plan, the maximum number of shares granted in 2023 and to be delivered in 2024 is 1,500 KONE class B shares (gross before deduction for applicable taxes) and 31,000 KONE class B shares (gross before deduction for applicable taxes) to be delivered in 2025, 42 000 KONE class B shares (gross before deduction for applicable taxes) to be delivered in 2026 and 88 929 KONE class B shares (gross before deduction for applicable taxes) to be delivered in 2027.

As part of the previous long-term incentive plan a total of 121,084 KONE class B shares were delivered in January 2023 to KONE key employees as a reward due to the achieved targets of the 2020 long-term incentive plan.

Accounting principles

Share-based payments

KONE share-based incentive plans are targeted to the top management of KONE and other key employees. Pursuant to the plan rules, the potential rewards are settled as a combination of KONE class B shares and/or cash when the criteria set in the terms and conditions for the plan are met. 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 2020 or earlier included both cash and equity settled arrangements. Current arrangements are equity settled only. The fair value of the share-based payments settled with KONE class B shares has been determined at the grant date and will be recognized as an expense over the vesting period. The total amount to be expensed over the vesting period is determined based on the Group's estimate of the number of the shares that are expected to be vested by the end of the vesting period. The impact of any non-market vesting conditions have been excluded, but they are included in assumptions about the number of shares that are expected to be distributed. At each statement of financial position date, the Group revises its estimates of the number of shares that are expected to be distributed. It recognizes the impact of the revision of original estimates in the statement of income. The fair value of the cash settled part of share-based payments reward has been determined so that it covers taxes and taxable benefit costs that are incurred. The liability shall be measured, initially and at each reporting date until settled, based on the fair value of the shares expected to be distributed and expensed based on the extent to which the employees have rendered service to date. KONE recognizes the impact of the revision of original estimates, if any, in the statement of income.

Share-based payments recognized as an expense in the statements of income, MEUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
To be paid in shares	34.3	18.8
To be paid in cash	-	3.8

6.3 Related party transactions

KONE's related parties comprise its subsidiaries as well as the Board of Directors, the President & CEO, and the Executive Board including any companies controlled or significantly influenced by them. The Corporate Controlling function evaluates and monitors transactions between the Group and its related parties to ensure that any conflicts of interest are taken into account appropriately in KONE's decision making process.

Except for management remuneration there have not been any material transactions between KONE and its members of the Board of Directors, the President & CEO, the Executive Board including any companies controlled or significantly influenced by them. Information concerning management remuneration is disclosed in note 6.1 and shares held by the members of the Board of Directors, the President & CEO, the Executive Board is disclosed on page 129. KONE's subsidiaries are disclosed on pages 114-116.

Parent company statement of income

EUR	Note	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Sales	1	**709,021,837.20**	**593,741,411.36**
Other operating income	2	36,889,574.39	26,965,034.76
Materials and services		-488,951.11	-1,093,910.93
Personnel expenses	3	-134,907,238.89	-143,337,927.51
Depreciation and amortization	4	-14,846,087.30	-14,532,852.67
Other operating expenses		-395,792,547.08	-367,618,687.27
Operating income		**199,876,587.21**	**94,123,067.74**
Financing income and expenses	6	1,843,565,052.71	1,614,683,110.85
Income before appropriations and taxes		**2,043,441,639.92**	**1,708,806,178.59**
Appropriations	7	264,380.90	2,569,592.64
Income taxes		-35,573,529.68	-24,043,190.36
Deferred taxes		-11,869,192.31	19,620,138.38
Net income		**1,996,263,298.83**	**1,706,952,719.25**

Parent company statement of financial position

Assets, EUR	Note	Dec 31, 2023	Dec 31, 2022
Non-current assets			
Intangible assets	8	33,370,511.66	17,741,097.62
Tangible assets	9	40,972,570.21	39,297,950.85
Investments			
Subsidiary shares	10	3,749,867,304.70	2,049,869,305.70
Other shares	11	2,001,818.47	2,002,366.43
		3,751,869,123.17	2,051,871,672.13
Total non-current assets		**3,826,212,205.04**	**2,108,910,720.60**
Current assets			
Non-current receivables	12		
Loans receivable		208,208,242.27	309,099,768.53
		208,208,242.27	309,099,768.53
Current receivables	13		
Accounts receivable		36,217,979.44	82,812,950.27
Loans receivable		502,522,143.43	1,026,181,242.70
Deferred tax assets		7,767,344.20	19,636,536.51
Other receivables		4,506,623.92	6,908,396.93
Deferred assets		209,037,676.32	173,782,768.28
		760,051,767.31	1,309,321,894.69
Financial investments		970,155,522.23	1,113,727,135.66
Cash and cash equivalents		113,183,568.81	116,926,521.92
Total current assets		**2,051,599,100.62**	**2,849,075,320.80**
Total assets		**5,877,811,305.66**	**4,957,986,041.40**

Equity and liabilities, EUR	Note	Dec 31, 2023	Dec 31, 2022
Equity			
Share capital		66,174,482.53	66,174,482.53
Share premium account		100,328,064.58	100,328,064.58
Other reserves			
Paid-up unrestricted equity reserve		220,089,095.16	219,679,615.94
Retained earnings		802,025,209.03	-
Net income		1,996,263,298.83	1,706,952,719.25
Total equity	14	**3,184,880,150.13**	**2,093,134,882.30**
Cumulative accelerated depreciation		8,168,062.66	8,432,443.56
Appropriations		**8,168,062.66**	**8,432,443.56**
Provisions		**2,374,945.72**	**3,071,522.75**
Liabilities			
Non-current liabilities	15		
Loans		244,116,651.99	299,390,065.18
		244,116,651.99	299,390,065.18
Current liabilities	16		
Accounts payable		97,317,018.02	86,155,463.23
Loans		2,197,980,076.36	2,244,490,091.12
Other liabilities		3,671,303.56	7,653,093.31
Accruals		139,303,097.22	215,658,479.95
		2,438,271,495.16	2,553,957,127.61
Total liabilities		**2,682,388,147.15**	**2,853,347,192.79**
Total equity and liabilities		**5,877,811,305.66**	**4,957,986,041.40**

Parent company cash flow statement

EUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Cash receipts from customers	691,025,848.66	660,646,667.42
Cash receipts from other operative income	36,889,574.39	26,965,034.76
Cash paid to suppliers and employees	-568,075,393.54	-461,773,746.53
Financing items	1,822,386,551.96	1,657,079,116.06
Taxes paid	-28,405,593.63	-4,944,806.24
Other financing items	11,186,054.53	12,208,165.03
Cash flow from operating activities	**1,965,007,042.37**	**1,890,180,430.50**
Capital expenditure	-32,141,448.70	-16,490,271.01
Proceeds from sales of fixed assets	-	270,000.00
Subsidiary investments	-1,200,000,000.00	-3,000.00
Proceeds from sales and decreases of subsidiary shares	-	655,696.91
Cash flow from investing activities	**-1,232,141,448.70**	**-15,567,574.10**
Purchase of own shares	-	-50,029,847.58
Net change in short-term debt	-46,510,014.76	-886,305,024.17
Net change in long-term debt	-55,273,413.19	-207,668,793.22
Profit distribution	-904,927,510.22	-1,087,777,863.24
Group contributions received	1,500,000.00	31,500,000.00
Other financing items	268,602,391.39	260,142,090.78
Cash flow from financing activities	**-736,608,546.78**	**-1,940,139,437.43**
Change in cash and cash equivalents	**-3,742,953.11**	**-65,526,581.03**
Cash and cash equivalents, Jan 1	116,926,521.92	182,453,102.95
Cash and cash equivalents, Dec 31	113,183,568.81	116,926,521.92
Change in cash and cash equivalents	**-3,742,953.11**	**-65,526,581.03**

Reconciliation of net income to the cash flow from operating activities, EUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Net income	**1,996,263,298.83**	**1,706,952,719.25**
Depreciation and amortization	14,846,087.30	14,532,852.67
Other adjustments	-4,368,680.74	3,201,068.28
Income before change in working capital	**2,006,740,705.39**	**1,724,686,640.20**
Change in receivables	24,113,028.11	132,071,008.77
Change in liabilities	-65,846,691.13	33,422,781.53
Cash flow from operating activities	**1,965,007,042.37**	**1,890,180,430.50**

Notes to the parent company financial statements

Accounting principles

The parent company financial statements have been prepared according to the Finnish Accounting Standards. Financial statements have been prepared for the period of 12 months between January 1 and December 31, 2023.

Foreign currency transactions and translation

Transactions in foreign currencies are recorded at the rate of exchange prevailing on the date of the individual transaction. Foreign currency denominated receivables and liabilities are translated using the period end exchange rates.

Foreign exchange gains and losses associated with loans, deposits and other statement of financial position items are included under financing income and expenses.

Loan receivables and financial investments

Loan receivables are initially recognized at nominal values and subsequently measured at amortized cost. Management estimates that the fair values of the loan receivables do not materially differ from the carrying values at the statement of financial position dates.

Financial investments in commercial papers, short-term bank deposits, interest rate funds and other money market instruments are initially recognized at fair value and thereafter at amortized cost using the effective interest rate method except for interest rate funds which are classified and measured as investments at fair value through profit or loss.

Derivative instruments

Derivative financial instruments are used to hedge currency and the interest rate risks. Derivatives are measured at fair value in accordance with Accounting Act 5:2a §. The fair values of foreign exchange forward contracts are estimated by discounting the future cash flows of the contracts with the relevant market interest rate yield curves on the valuation date and by calculating the difference between the discounted values as at the forward contract date and balance sheet date in euros. Currency options are valued as of each reporting date by using the Garman & Kohlhagen option valuation model. The fair values of derivative financial instruments are presented in note 18.

Changes in the fair values of foreign exchange derivatives are recognized in financing income and expenses if the hedged item is a loan receivable, deposit or a financial asset or liability denominated in a foreign currency.

Revenue recognition

Revenues related to the utilization of intangible property rights are recognized as sales on an accrual basis, according to the existing contracts. The sales of services are recognized as sales when the services have been rendered or when the work has been completed.

Research and development cost

Research and development costs are typically expensed as they incur, because the future economic benefits of new products and development of existing products and services can only be proven after their successful introduction to the market. In 2023 development costs specific to two programs have been capitalized.

Pensions

An external pension insurance company manages the parent company statutory pension plan. Contributions to the pension plan are charged directly to the statement of income in the year to which these contributions relate.

Leases

Leasing payments are charged to the statement of income on a straight-line basis over the leasing term. Remaining future leasing liabilities from existing contracts are presented in note 17.

Taxes

Tax expense includes taxes based on taxable income for the period, together with tax adjustments for previous periods and changes in deferred taxes. Deferred taxes are provided for temporary differences arising between the tax basis of assets and liabilities and their book values in financial reporting and measured with enacted tax rates.

Deferred tax liabilities arising from temporary differences are fully recognized with prudency, whereas the deferred tax assets are recognized only to the extent of the probable future tax benefit.

Non-current assets

Intangible assets and property, plant and equipment are stated at the cost less accumulated depreciation and amortization. Depreciation and amortization are recorded on a straight-line basis over the economic useful lives of the assets as follows:

Buildings	5–40 years
Machinery and equipment	4–10 years
Other long-term expenditure	4–10 years

Land is not depreciated.

Investments in subsidiaries and other companies are measured at cost, or fair value in case the fair value is less than cost.

Provisions

Future outflows of cash, which the parent company has committed to that are not expected to contribute future revenues and unavoidable losses, which are probable, are recognized in provisions. Parent company provisions consist of warranty provisions.

Financial risk management

Parent company business activities are exposed to financial risks such as foreign exchange risks, interest rate risks, liquidity risks and credit risks. These financial risks are managed in accordance with the KONE Treasury Policy. Parent company financials risks are not significantly different from the Group's financials risks, see notes 2.4 and 5.3 to the Group level financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash-in-hand and bank account balances. Used bank overdrafts are included in other current liabilities.

Share-based payments

Share-based incentive plans of KONE consist of a performance share plan and restricted share plan. The performance share plan is targeted to the President and CEO, members of the Executive Board and other top management as well as other selected key personnel of KONE Group. The restricted share plan serves as a complementary long-term share plan to be used as a commitment instrument for retention and recruitment purposes for top management (excluding the President and CEO) and other selected key persons. Pursuant to the share ownership plans, the reward to the management is either settled with KONE class B shares, or as a combination of KONE class B shares and cash when the criteria set in the terms and conditions of the plan are met.

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 shares to be transferred as part of the plans are obtained in public trading. The acquisition of shares is recognized as an increase of own shares, reducing equity, and transfer of shares as decrease in own shares and retained earnings within equity.

The fair value of the share-based payments settled with cash has been determined so that it covers taxes and social security costs that are incurred. The cost arising from cash settled part of share-based payment rewards is recognized as an expense.

Notes to the statement of income

1. Sales

Sales primarily comprises of sales to subsidiaries, amounting to 709,021.8 (593,741.4) thousand euros, which relates to revenues for the utilization of intellectual property rights.

2. Other operating income

EUR 1,000	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Subsidies received	5,393.3	6,271.8
Recharged energy	1,298.3	1,281.8
Service charges	808.6	840.8
Others	29,389.4	18,570.6
Total	**36,889.6**	**26,965.0**

3. Personnel expenses

EUR 1,000	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Wages and salaries	111,299.2	118,711.9
Pension costs	20,338.6	21,169.8
Other employment expenses	3,269.4	3,456.2
Total	**134,907.2**	**143,337.9**

In 2023, the salaries and fees paid to the President & CEO and to the Board of Directors were together 2,414.9 (2,697.1) thousand euros. Average number of staff employed by the parent company was 1,239 during the financial year (1,279)

4. Depreciation and amortization

EUR 1,000	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Intangible rights	344.8	292.4
Other long-term expenditure	6,583.7	5,965.8
Buildings	1,374.6	1,357.7
Machinery and equipment	6,543.1	6,916.9
Total	**14,846.1**	**14,532.9**

5. Auditors' fees

EUR 1,000	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Audit	953.6	833.4
Tax advisory services	49.4	-
Other services	390.8	58.7
Total	**1,393.8**	**892.1**

6. Financing income and expenses

EUR 1,000	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Dividend income from subsidiaries	1,852,180.9	1,672,908.6
Other dividends received	1.1	0.9
Interest income from subsidiaries	46,414.3	11,759.6
Interest income from others	27,414.0	29,475.3
Interest expenses to subsidiaries	-99,661.5	-53,789.9
Interest expenses to others	-1,533.7	-5,518.8
Other financing income and expenses	18,749.9	-40,152.6
Total	**1,843,565.1**	**1,614,683.1**

7. Appropriations

EUR 1,000	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Cumulative accelerated depreciation charge	264.4	1,069.6
Group contributions received	-	1,500.0
Total	**264.4**	**2,569.6**

Notes to the statement of financial position

8. Intangible assets

Jan 1–Dec 31, 2023, EUR 1, 000	Intangible rights	Other long-term expenditure	Advance payments	Total
Opening gross acquisition cost	5,468.1	120,118.9	1,747.1	127,334.1
Opening accumulated amortization and impairment	-4,691.1	-104,689.8	-212.1	-109,593.0
Opening net book value	**777.0**	**15,429.2**	**1,534.9**	**17,741.1**
Opening net book value	**777.0**	**15,429.2**	**1,534.9**	**17,741.1**
Increase	549.7	8,123.9	13,884.2	22,557.9
Decrease	-	-	-	-
Reclassifications	-	1,052.3	-1,052.3	-
Amortization	-344.8	-6,583.7	-	-6,928.5
Closing net book value	**981.9**	**18,021.7**	**14,366.9**	**33,370.5**
Closing gross acquisition cost	6,017.8	129,017.6	14,579.1	149,614.4
Closing accumulated amortization and impairment	-5,035.9	-110,995.9	-212.1	-116,243.9
Closing net book value	**981.9**	**18,021.7**	**14,366.9**	**33,370.5**

Jan 1–Dec 31, 2022, EUR 1, 000	Intangible rights	Other long-term expenditure	Advance payments	Total
Opening gross acquisition cost	5,216.9	126,282.0	-	131,498.9
Opening accumulated amortization and impairment	-4,398.7	-110,983.7	-	-115,382.4
Opening net book value	**818.2**	**15,298.4**	**-**	**16,116.5**
Opening net book value	**818.2**	**15,298.4**	**-**	**16,116.5**
Increase	251.2	6,106.1	1,747.1	8,104.4
Decrease	-	-9.5	-212.1	-221.6
Reclassifications	-	-	-	-
Amortization	-292.4	-5,965.8	-	-6,258.2
Closing net book value	**777.0**	**15,429.2**	**1,534.9**	**17,741.1**
Closing gross acquisition cost	5,468.1	120,118.9	1,747.1	127,334.1
Closing accumulated amortization and impairment	-4,691.1	-104,689.8	-212.1	-109,593.0
Closing net book value	**777.0**	**15,429.2**	**1,534.9**	**17,741.1**

9. Tangible assets

Jan 1–Dec 31, 2023, EUR 1, 000	Land	Buildings	Machinery & equipment	Fixed assets under construction	Total
Opening gross acquisition cost	182.3	31,741.1	60,853.4	3,636.1	96,412.9
Opening accumulated amortization and impairment	-	-13,715.8	-42,741.7	-656.4	-57,113.9
Opening net book value	**182.3**	**18,025.3**	**18,111.7**	**2,979.7**	**39,299.0**
Opening net book value	182.3	18,025.3	18,111.7	2,979.7	39,299.0
Increase	-	868.8	3,369.0	5,370.5	9,608.3
Decrease	-	-	-16.0	-16.9	-32.9
Reclassifications	-	54.4	1,203.6	-1,258.0	-
Depreciation	-	-1,374.6	-6,526.2	-	-7,900.8
Closing net book value	**182.3**	**17,574.0**	**16,142.0**	**7,075.3**	**40,973.6**
Closing gross acquisition cost	182.3	32,664.3	64,687.4	7,731.7	105,265.7
Closing accumulated amortization and impairment	-	-15,090.3	-48,545.3	-656.4	-64,292.0
Closing net book value	**182.3**	**17,574.0**	**16,142.0**	**7,075.3**	**40,973.6**

Jan 1–Dec 31, 2022, EUR 1, 000	Land	Buildings	Machinery & equipment	Fixed assets under construction	Total
Opening gross acquisition cost	182.3	31,472.5	57,689.5	237.9	89,582.2
Opening accumulated amortization and impairment	-	-12,358.1	-37,045.4	-	-49,403.5
Opening net book value	**182.3**	**19,114.3**	**20,644.1**	**237.9**	**40,178.7**
Opening net book value	182.3	19,114.3	20,644.1	237.9	40,178.7
Increase	-	85.5	4,722.1	3,581.4	8,388.9
Decrease	-	-	-338.7	-656.4	-995.0
Reclassifications	-	183.2	-	-183.2	-
Depreciation	-	-1,357.7	-6,915.8	-	-8,273.5
Closing net book value	**182.3**	**18,025.3**	**18,111.7**	**2,979.7**	**39,299.0**
Closing gross acquisition cost	182.3	31,741.1	60,853.4	3,636.1	96,412.9
Closing accumulated amortization and impairment	-	-13,715.8	-42,741.7	-656.4	-57,113.9
Closing net book value	**182.3**	**18,025.3**	**18,111.7**	**2,979.7**	**39,299.0**

10. Subsidiary shares

EUR 1,000	Dec 31, 2023	Dec 31, 2022
Acquisition cost, Jan 1	2,049,869.3	2,050,333.5
Increase	1,700,000.0	2.0
Decrease	-2.0	-466.2
Net book value, Dec 31	**3,749,867.3**	**2,049,869.3**

11. Other shares

EUR 1,000	Dec 31, 2023	Dec 31, 2022
Acquisition cost, Jan 1	2,002.4	2,460.8
Increase	-	1.0
Decrease	-0.5	-459.5
Net book value, Dec 31	**2,001.8**	**2,002.4**

12. Non-current receivables

EUR 1,000	Dec 31, 2023	Dec 31, 2022
Loans receivable from subsidiaries	206,014.3	307,009.4
Loans receivable from externals	2,193.9	2,090.3
Long-term receivables	**208,208.2**	**309,099.8**

13. Current receivables

Receivables from subsidiaries, EUR 1,000	Dec 31, 2023	Dec 31, 2022
Accounts receivables	31,197.4	81,366.4
Loans receivable	502,522.1	1,026,181.2
Deferred assets	145,629.9	91,257.5
Total	**679,349.4**	**1,198,805.1**

Receivables from externals, EUR 1,000	Dec 31, 2023	Dec 31, 2022
Accounts receivables	5,020.6	1,446.6
Others	4,506.6	6,908.4
Deferred assets	63,407.8	82,525.3
Total	**72,935.0**	**90,880.3**
Deferred tax assets	**7,767.3**	**19,636.5**
Total short-term receivables	**760,051.8**	**1,309,321.9**

Deferred assets, EUR 1,000	Dec 31, 2023	Dec 31, 2022
Derivative assets	24,423.8	31,468.8
Deferred income taxes	15,903.8	23,038.8
Unbilled revenue	129,468.5	79,630.6
Group contributions	-	1,500.0
Others	39,241.6	38,144.6
Total	**209,037.7**	**173,782.8**

14. Equity and changes in equity

EUR 1,000	Share capital	Share premium account	Paid-up unrestricted equity reserve	Own shares	Retained earnings	Net income for the period	Total
Book value Jan 1, 2023	66,174.5	100,328.1	219,679.6	-210,983.3	1,917,936.0		2,093,134.9
Profit distribution					-904,927.5		-904,927.5
Purchase of own shares							-
Share-based compensation			409.5				409.5
Net income for the period						1,996,263.3	1,996,263.3
Net book value Dec 31, 2023	**66,174.5**	**100,328.1**	**220,089.1**	**-210,983.3**	**1,013,008.5**	**1,996,263.3**	**3,184,880.2**

Non-restricted equity includes the paid-up unrestricted equity reserve, retained earnings deducted by own shares and the profit for the financial year. The non-restricted equity was EUR 3,018,377,603.02 (1,926,632,335.19) at the end of the period. Distributable profit deducted by activated development costs was EUR 3,006,869,325.51.

EUR 1,000	Share capital	Share premium account	Paid-up unrestricted equity reserve	Own shares	Retained earnings	Net income for the period	Total
Book value Jan 1, 2022	66,174.5	100,328.1	244,987.6	-198,574.5	1,310,729.1		1,523,644.8
Profit distribution					-1,087,777.9		-1,087,777.9
Purchase of own shares			-25,653.1	-24,376.8			-50,029.8
Share-based compensation			345.1	11,968.0	-11,968.0		345.1
Net income for the period						1,706,952.7	1,706,952.7
Net book value Dec 31, 2022	**66,174.5**	**100,328.1**	**219,679.6**	**-210,983.3**	**210,983.3**	**1,706,952.7**	**2,093,134.9**

15. Non-current liabilities

Liabilities to subsidiaries, EUR 1,000	Dec 31, 2023	Dec 31, 2022
Liabilities falling due in 1–5 years	44,116.7	99,390.1
Total	**44,116.7**	**99,390.1**

Liabilities to externals, EUR 1,000	Dec 31, 2023	Dec 31, 2022
Liabilities falling due in 1–5 years	200,000.0	200,000.0
Total	**200,000.0**	**200,000.0**
Total non-current liabilities	**244,116.7**	**299,390.1**

16. Current liabilities

Liabilities to subsidiaries, EUR 1,000	Dec 31, 2023	Dec 31, 2022
Accounts payable	31,662.5	30,097.2
Loans	2,197,980.1	2,244,490.1
Accruals	50,604.7	123,306.5
Total	**2,280,247.3**	**2,397,893.8**

Liabilities to externals, EUR 1,000	Dec 31, 2023	Dec 31, 2022
Accounts payable	65,654.6	56,058.2
Other liabilities	3,671.3	7,653.1
Accruals	88,698.3	92,352.0
Total	**158,024.2**	**156,063.3**
Total current liabilities	**2,438,271.5**	**2,553,957.1**

Accruals, EUR 1,000	Dec 31, 2023	Dec 31, 2022
Accrued wages, salaries and employment costs	38,413.4	37,638.9
Derivative liabilities	28,673.5	43,282.5
Others	72,216.2	134,737.2
Total	**139,303.1**	**215,658.5**

17. Commitments

EUR 1,000	Dec 31, 2023	Dec 31, 2022
Guarantees		
For subsidiaries	3,474,182.0	2,884,500.6
For others	63.1	77.5
Leasing commitments		
Due next year	7,324.7	6,327.6
Due over a year	13,631.2	12,366.8
Other commitments	966.0	1,222.9
Total	**3,496,167.0**	**2,904,495.5**

18. Derivatives

Fair values of derivative instruments, EUR 1,000	Dec 31, 2023	Dec 31, 2022
Foreign exchange forward contracts with external parties	-14,333.8	-4,219.3
Foreign exchange forward contracts with subsidiaries	10,084.0	-7,594.3
Total	**-4,249.7**	**-11,813.6**

Nominal values of derivative instruments, EUR 1,000	Dec 31, 2023	Dec 31, 2022
Foreign exchange forward contracts with external parties	2,976,926.6	2,623,189.9
Foreign exchange forward contracts with subsidiaries	840,595.2	672,433.3
Total	**3,817,521.8**	**3,295,623.2**

Derivative contracts are entered for hedging purposes in line with KONE Treasury policy and are recognized at fair value. Derivatives are classified as financial assets at fair value through profit or loss. The majority of the foreign exchange derivatives mature within a year. The fair values of the foreign exchange derivatives are measured based on the price information derived from the active markets and commonly used valuation methods.

More information about financial risks management is described in the notes 2.4 and 5.3 to the consolidated financial statements.

Subsidiaries

Subsidiaries, Dec 31,2023 [1)]

		Shareholding %	
Country/Region	Company	Group	Parent company
Andorra	KONE Ascensors i Escales, S.A.	100	
Australia	KONE Elevators Employee Benefits Pty Limited	100	
	KONE Elevators Pty Limited	100	
	KONE Holdings (Australia) Limited	100	
Austria	KONE AG	100	100
Bahrain	KONE Bahrain W.L.L.	0	
	KONE Elevators W.L.L.	49	
Belgium	KONE Belgium S.A.	100	100
Bosnia and Herzegovina	KONE d.o.o. Sarajevo	100	
Bulgaria	KONE EOOD	100	100
Canada	KONE Inc.	100	49
China mainland	Giant Kone Elevator Co., Ltd.	100	40
	KONE Elevator (Shanghai) Co., Ltd.	100	
	KONE Elevators Co., Ltd.	100	
	Kunshan KONE Industrial Machinery Co., Ltd.	100	100
Croatia	KONE d.o.o.	100	100
Cyprus	KONE Elevators Cyprus Limited	100	100
Czech Republic	KONE, a.s.	100	100
	KONE Industrial – koncern s.r.o.	100	100
Denmark	KONE A/S	100	100
Egypt	KONE LLC	100	
Estonia	AS KONE	100	100
Finland	Finescal Oy	100	100
	KONE Digital Services Oy	100	100
	KONE Export Oy	100	
	KONE Hissit Oy	100	100
	KONE Industrial Oy	100	100
France	2STP S.A.S.	100	

		Shareholding %	
Country/Region	Company	Group	Parent company
	Ascenseurs Portes Automatiques Arnaud S.A.S.	100	
	Ascenseurs Soulier S.N.C.	100	
	ATS-ATPE S.A.S.	100	
	Automatismes du Mont Blanc S.A.S.	100	
	Delta Ascenseurs S.A.S.	100	
	KONE ATS S.A.S.	100	
	KONE Développement S.N.C.	100	
	KONE Holding France S.A.S.	100	100
	KONE S.A.	100	
	Liftman S.A.S.	100	
	Prokodis S.A.S.	100	
	R.M.D. S.A.S.	100	
	Technique & Mecanique des Elevateurs S.A.S.	100	
Germany	Alois Kasper GmbH	100	
	Aufzugstechnik Rhein Ruhr GmbH	100	
	KONE Automatiktüren GmbH	100	
	KONE Escalator Supply Service Center Europe GmbH	100	
	KONE Garant Aufzug GmbH	100	
	KONE GmbH	100	100
	KONE Montage GmbH	100	
	KONE Servicezentrale GmbH	100	
	SK-Fördertechnik GmbH	100	
	Dresdner Aufzugsdienst GmbH	100	
	ATB Aufzugtechnik Berlin GmbH	100	
	ATH Beteiligungs-GmbH	100	
	ATH Aufzugstechnik Heilbronn GmbH & Co. KG	100	
	Matthias Schernikau GmbH	100	
Greece	KONE S.A.	100	

		Shareholding %	
Country/Region	Company	Group	Parent company
Hong Kong SAR	KONE Elevator (HK) Limited	100	
	Shan On Engineering Company Limited	100	
Hungary	KONE Felvonó Kft.	100	100
Iceland	KONE ehf	100	100
India	KONE Elevator India Private Limited	100	100
Indonesia	PT KONE Indo Elevator	100	1
	PT. Mitra Indo Utama	0	
Ireland	Ennis Lifts Limited	100	
	KONE (Ireland) Limited	100	
Israel	KONE LTD	100	100
Italy	Ascensori & Ascensori S.r.l.	64	
	Cerqueti Servizi S.r.l.	100	
	Cofam S.r.l.	100	
	CRON.UP S.r.l.	80	
	Elevant Servizi S.r.l.	70	
	Elevatori Bari S.r.l.	89	
	Elevators S.r.l.	60	
	Euroservice Merano S.r.l.	90	
	Ferrara Ascensori S.r.l.	60	
	Gianfranceschi Ascensori S.r.l.	97	
	GSB Ascensori S.r.l.	65	
	KONE Industrial S.p.A.	100	100
	KONE S.p.A.	100	27
	L.A.M. Lombarda Ascensori Montacarichi S.r.l.	70	
	Mingot S.r.l.	100	
	Nettuno S.r.l.	75	
	Neulift S.p.A.	100	
	Neulift Service Molise S.r.l.	51	
	Neulift Service Triveneto S.r.l.	100	
	Rimma S.r.l.	60	
	Slimpa S.p.A.	100	
	Tecnocram S.r.l.	84	
	Tosca Ascensori S.r.l.	67	

		Shareholding %	
Country/Region	Company	Group	Parent company
	Unilift S.r.l.	79	
	VITALI Ascensori srl	100	
Kazakhstan	KONE Kazakhstan LLP	100	
Kenya	KONE Kenya Limited	49	
Kuwait	Al Sabriyah Elevators & Escalators Company W.L.L	49	
Latvia	SIA KONE Lifti Latvija	100	1
Lithuania	UAB KONE	100	100
Luxembourg	KONE Luxembourg Sàrl	100	
Macedonia	KONE Makedonija Dooel Skopje	100	
Malaysia	KONE Elevator (M) Sdn. Bhd.	30	30
Mexico	KONE Industrial, S.A. de C.V.	100	
	KONE Mexico, S.A. de C.V.	100	0
Monaco	S.A.M. KONE	100	
Montenegro	KONE d.o.o. Podgorica	100	
Morocco	KONE Elevators and Escalators Sàrl AU	100	100
Netherlands	Hissi B.V.	100	
	KONE B.V.	100	
	KONE Deursystemen B.V.	100	
	KONE Finance Holding B.V.	100	
	KONE Holland B.V.	100	100
	KONE Nederland Holding B.V.	100	
New Zealand	KONE Elevators (NZ) Limited	100	100
Norway	KONE Aksjeselskap	100	100
	KONE Rulletrapper AS	100	100
Oman	KONE Assarain LLC	70	
Philippines	Elevators Philippines Construction, Inc.	40	
	KPI Elevators, Inc.	100	
Poland	KONE Sp.z o.o.	100	100
Portugal	KONE Portugal - Elevadores, Lda.	100	1
	AMVUP-Elevadores Unipessoal Lda	100	
	DIGILEVA,Ascensores Unipessoal LDA	100	
Qatar	KONE Elevators W.L.L.	49	49
Romania	KONE Ascensorul S.A.	100	100

		Shareholding %	
Country/Region	Company	Group	Parent company
Saudi Arabia	KONE Areeco Limited	50	10
	KONE Regional Headquarters LLC	100	
Serbia	KONE d.o.o. Beograd-Novi Beograd	100	
Singapore	KONE Pte Ltd	100	
Slovak Republic	KONE Business Services, s.r.o.	100	100
	KONE s.r.o.	100	100
Slovenia	KONE d.o.o.	100	100
South Africa	Addo Private Equity Fund 2 (Pty) Ltd	100	
	KONE Elevators South Africa (Pty) Ltd	100	
	United Elevators (Pty) Ltd	100	
Spain	Ascensores Muguerza, S.A.U.	100	
	KONE Elevadores, S.A.	100	100
	Técnicas Autocontrol, S.L.U.	100	
	Movilidad, Puertas y Servicios postventa S.L.	100	
	ABI ELEVADORES BIMENES S.L.	100	
	Ascensores Bidasoa S.L.	100	
	Inmape Ascensores, S.L.	100	
Sweden	KONE AB	100	
Switzerland	KONE (Schweiz) AG	100	100
Taiwan, China	Kang-En Taiwan Elevator Technology Service Co., Ltd	100	
	KONE Elevators Taiwan Co., Ltd	100	

		Shareholding %	
Country/Region	Company	Group	Parent company
Thailand	KONE Public Company Limited	84	
	Thai Elevators and Escalators Company Limited	74	
	Thai Elevators Holding Company Limited	49	
Tunisia	KONE Elevators & Escalators Assembly	100	
	KONE Elevators & Escalators Sarl	100	
Türkiye	KONE Asansör Sanayi ve Ticaret A.S.	100	
Uganda	KONE Uganda Limited	100	
Ukraine	KONE Lifts LLC	100	
United Arab Emirates	KONE (Middle East) LLC	49	49
United Kingdom	Consult Lift Services Ltd	100	
	KONE Pension Trustees Ltd.	100	
	KONE Plc	100	100
	KONE (NI) Limited	100	
USA	ENOK Electrical Company, LLC	100	
	KONE Holdings, Inc.	100	
	KONE Inc.	100	
	Marine Elevators LLC	100	
Vietnam	KONE Vietnam Limited Liability Company	100	

1) Includes all companies where parent company KONE Oyj has control. Additional information included in note 1 of the consolidated financial statements.

Dividend proposal, signatures for the Board of Directors´ report and Financial statements and Auditor´s note

Dividend proposal

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 dividend payment date is March 11, 2024.

Signatures for the Financial statements and Board of Directors’ report

Helsinki, January 25, 2024

Antti Herlin

Marika Fredriksson

Jussi Herlin

Iiris Herlin

Matti Alahuhta

Ravi Kant

Susan Duinhoven

Marcela Manubens

Philippe Delorme,
President & CEO

Krishna Mikkilineni

The Auditor’s Note

Our auditor´s report has been issued today.

Helsinki, January 25, 2024

Ernst & Young Oy
Authorized Public Accountants

Heikki Ilkka
Authorized Public Accountant

Auditors’s report

To the Annual General Meeting of KONE Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KONE Oyj (business identity code 1927400-1) for the year ended 31 December, 2023. The financial statements comprise the consolidated statement of financial position, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company’s statement of financial position, statement of income, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU.
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor’s Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.2 to the consolidated financial statements and note 5 to the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.
We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>
Revenue recognition of new equipment and modernization sales and related accruals
The accounting principles and disclosures about revenue recognition of new equipment and modernization sales and related accruals are included in notes 1 and 2.1.

In accordance with its accounting principles KONE applies the percentage of completion (PoC) method for recognizing revenue over time from new equipment and modernization contracts. The percentage of completion is based on the cost-to-cost method. In year 2023, approximately 62 percent of the KONE´s sales of 11,0 billion euro were recognized under the PoC method.

The recognition of revenue by applying PoC method and the estimation of the outcome of projects require significant management judgement in estimating the cost-to-complete. We assessed the risk to mainly relate to the stage of completion of projects, which were incomplete at 31 December 2023.

The Group makes several types of accruals related to risks associated with revenue recognition by applying PoC method. These accruals require high level of management judgment.

Based on above, revenue recognition based on PoC method, including related accruals, was a key audit matter. Revenue recognition based on PoC method was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).
</td><td>
Our audit procedures to address the risk of material misstatement in respect of the revenue recognition from new equipment and modernization projects, included, among others:

• Assessment of the Group's accounting policies over revenue recognition over time and recognition of project related accruals;
• Gaining an understanding of the revenue recognition process including related accruals;
• Inspecting on a sample basis the project documentation such as contracts and other written communication;
• Testing on a sample basis the percentage of completion and accrual calculations and the inputs of estimates in the calculations, as well as comparing the estimates to actuals;
• Analytical procedures;
• Evaluation of financial development and current status by
    ○ analyzing the changes in assumptions relating to estimated revenues, costs, and related accruals and receipts of project payments, and
    ○ discussions with different levels of the organization including project level and financial organization; and
• Performing inquiries with management with regards to any significant events or legal matters that could affect the project estimates and provisions;
• Assessing the Group's disclosures in respect of revenue recognition and related accruals.
</td></tr>
<tr><td>
Valuation of accounts receivable
The accounting principles and disclosures relating to accounts receivable are included in notes 1 and 3.2.

Valuation of accounts receivable was a key audit matter due to the significance of the account balance and because valuation requires management to make significant judgments especially due to uncertainties related to Chinese real estate market. Valuation of accounts receivable requires management to evaluate the probability of the recoverability of receivables and to record an impairment loss for doubtful accounts over the portion for which payment is unlikely.

As of balance sheet date 31 December 2023, the carrying value of accounts receivable amounted to 2,495.1 million euros.

The carrying value of account receivable shown in the balance sheet as of 31 December 2023 is a result of gross receivables deducted by reserve of expected credit losses which is based on management's judgment and amounting to 363.1 million euros as of 31 December 2023.
</td><td>
We performed, among others, the following audit procedures:
• we evaluated the valuation methods applied on valuation of accounts receivable as well as performed quarterly analyses of overdue and undue gross receivable balance development and corresponding movement in expected credit loss reserve during the year.
• we sent receivable balance confirmation requests to counterparties and compared trade receivable balances to subsequent cash receipts.
• we analysed management's estimates of expected credit losses of the most significant aged and overdue receivables considering historical payment patterns as well as recent communications with the counterparties and dunning procedures.
• we considered the appropriateness of the Group's disclosures in respect of trade receivables.
</td></tr>
</table>

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accoounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting with effect from 2 March 2021, and our appointment represents a total period of uninterrupted engagement of 3 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor’s report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 25 January, 2024

Ernst & Young Oy
Authorized Public Accountant Firm

Heikki Ilkka
Authorized Public Accountant

Independent Auditor's Report on KONE Oyj's ESEF Consolidated Financial Statements

To the Board of Directors of KONE Oyj

We have performed a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files KONE-2023-12-31-fi.zip of KONE Oyj (business identity code 1927400-1) for the financial year 1.1.-31.12.2023 to ensure that the financial statements are marked/tagged with iXBRL in accordance with the requirements of Article 4 of EU Commission Delegated Regulation (EU) 2018/815 (ESEF RTS).

Responsibilities of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the Report of Board of Directors and financial statements (ESEF financial statements) that comply with the ESEF RTS. This responsibility includes:

- preparation of ESEF financial statements in accordance with Article 3 of ESEF RTS
- tagging the consolidated financial statements included within the ESEF financial statements by using the iXBRL mark ups in accordance with Article 4 of ESEF RTS
- ensuring consistency between ESEF financial statements and audited financial statements

The Board of Directors and Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance the requirements of ESEF RTS.

Auditor's Independence and Quality Control

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to the engagement we have performed, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The auditor applies International Standard on Quality Control (ISQC) 1 and therefore maintains a comprehensive quality control system including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

In accordance with the Engagement Letter we will express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the Article 4 of ESEF RTS. We have conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000.

The engagement includes procedures to obtain evidence on:

- whether the tagging of the primary financial statements in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the tagging of the notes to the financial statements and the entity identifier information in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the ESEF-financial statements are consistent with the audited financial statements

The nature, timing and extent of the procedures selected depend on the auditor's judgement including the assessment of risk of material departures from requirements sets out in the ESEF RTS, whether due to fraud or error.
We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our statement.

Opinion

In our opinion the tagging of the consolidated financial statement included in the ESEF financial statements of KONE Oyj for the year ended 31.12.2023 complies in all material respects with the requirements of ESEF RTS.

Our audit opinion on the consolidated financial statements of KONE Oyj for the year ended 31.12.2023 is included in our Independent Auditor’s Report 25.1.2024. In this report, we do not express an audit opinion or any other assurance on the consolidated financial statements.

Helsinki, 25 January, 2024

Ernst & Young Oy
Authorized Public Accountant Firm

Heikki Ilkka
Authorized Public Accountant

Corporate governance statement

KONE's general governance principles

The duties and responsibilities of KONE Corporation's various governing bodies are determined by Finnish law and KONE's corporate governance principles. KONE complies with the Finnish Corporate Governance Code 2020 published by the Securities Market Association, with the exception of recommendations 17 (Independence of the company of the members of the remuneration committee) and 18 (Independence of the company of the members of the nomination committee). These exceptions are due to the company's ownership structure. The company's largest shareholder, Antti Herlin, controls 62 percent of the company's voting rights and 23 percent of its shares. The significant entrepreneurial risk associated with ownership is considered to justify the main shareholder serving as the Chairman of the Board of Directors and a member of the Board's Nomination and Compensation Committee and, in this capacity, overseeing shareholders' interests. The Code in its entirety is available on the Internet at www.cgfinland.fi.

KONE's administrative bodies and officers with the greatest decision-making power are the General Meeting of Shareholders, the Board of Directors of KONE Corporation, the Chairman of the Board and the President and CEO. At the Annual General Meeting of Shareholders, the shareholders approve the consolidated financial statements, decide on the distribution of profits, select the members of the Board of Directors and the auditors and determine their compensation.

KONE Corporation's Annual General Meeting is convened by the Board of Directors. According to the Articles of Association, the Annual General Meeting of Shareholders shall be held within three months of the closing of the financial year on a date decided by the Board of Directors.

Board of Directors

Duties and responsibilities

The Board of Directors' duties and responsibilities are defined primarily by the Articles of Association and the Finnish Limited Liability Companies' Act. The Board's duties include:

- compiling of the Board of Directors' report, interim reports and financial statements
- ensuring the proper organization and surveillance of the accounting and asset management
- preparation of proposals for the General Meeting and the convocation of the General Meetings
- approval and confirmation of strategic guidelines and the principles of risk management
- ratification of annual budget and plans
- possible appointment of a full-time Chairman of the Board, executive Vice Chair of the Board and a President and CEO, and decisions on the terms and conditions of their employment
- decisions on the company's corporate structure
- decisions on major acquisitions and investments
- decisions on other matters falling under the Board's responsibility by law

The Board has created rules of procedure stipulating the duties of the Board, its Chairman and its Committees. The Board of Directors holds seven regular meetings a year and additional meetings as required. The Board of Directors reviews its own performance and procedures once a year.

Members of the Board

The Annual General Meeting elects five to ten members and no more than three deputy members to the Board of Directors for one year at a time in accordance with KONE Corporation's Articles of Association. The Board of Directors elects a Chairman and Vice Chair among its members. The proposals for Board members are prepared by the Nomination and Compensation Committee under the steering of the Chairman of the Board. During the preparation and in the proposal to the General Meeting of Shareholders, attention is paid to the board candidates' broad and mutually complementary background, experience, expertise, age, gender and views of both KONE's business and other businesses so that the diversity of the board supports KONE's business and its future in the best available way. The independence of the members of the Board is assessed in line with the independence criteria of the Finnish Corporate Governance Code.

Committees

The Board of Directors has appointed two committees consisting of its members: the Audit Committee and the Nomination and Compensation Committee. The Board has confirmed rules of procedure for both Committees. The Secretary to the Board acts as the Secretary of both Committees.

The Audit Committee monitors the Group's financial situation and supervises reporting related to the financial statements and interim reports. The Audit Committee monitors and assesses the adequacy and appropriateness of KONE's internal control and risk management, as well as the adherence to rules and regulations. It also deals with the Corporation's internal audit plans and reports. The Head of Assurance reports the internal audit results to the Committee. The Audit Committee also monitors and evaluates how agreements and other transactions between the company and its related parties meet the requirements relating to ordinary business operations and general market terms and monitors and oversees the financial statement and financial reporting process. In addition, the Audit Committee processes the description of the main features of the internal control and risk management systems pertaining to the financial reporting process included in the company's corporate governance statement.

The Audit Committee evaluates the auditing of the Group's companies and the appropriateness of the related arrangements and auditing services and considers the auditors' reports. Furthermore, the Committee formulates a proposal to the Annual General Meeting regarding the auditors to be selected for the Corporation.

The Nomination and Compensation Committee prepares proposals to be made to the Annual General Meeting regarding the nomination of Board members and their compensation, makes decisions regarding senior management appointments and compensation and oversees the succession planning of senior management, including the President and CEO. The Committee also decides on the compensation systems to be used, and prepares the remuneration policy and remuneration report for the company's governing bodies.

Management

Chairman of the Board, Executive Vice Chair of the Board and the President and CEO

KONE Corporation's Board of Directors appoints the Chairman of the Board, the possible executive Vice Chair of the Board and the President and CEO. The Board determines the terms and conditions of employment of the executive Vice Chair of the Board and the President and CEO, and these are defined in their respective written contracts. The Chairman of the Board and the Vice Chair of the Board prepare matters to be considered by the Board together with the President and CEO and the corporate staff. The Chairman of the Board, the Vice Chair of the Board and the President and CEO are responsible for the execution of the targets, plans, strategies and goals set by the Board of Directors within the KONE Group. The President and CEO is responsible for operational leadership within the scope of the strategic plans, budgets, operational plans, guidelines and orders approved by KONE Corporation's Board of Directors. The President and CEO presents operational matters to the Board and is responsible for implementing the decisions of the Board.

Executive Board

The Executive Board supports the President and CEO in executing the corporate strategy. The Executive Board follows business developments, initiates actions and defines operating principles and methods in accordance with guidelines handed down by the Board of Directors and the President and CEO. The Executive Board holds regular monthly meetings and additional meetings as required.

Risk management, internal control, related party transactions and audit

KONE Corporation's Board of Directors has ratified the principles of risk management, internal control and internal auditing to be followed within the Group.

Risk management

The aim of risk management at KONE is to identify the risks and uncertainties related to the achievement of KONE's objectives, assess the likelihood and magnitude of the risks and opportunities and to identify necessary actions to mitigate the negative impacts of identified risks.

KONE's Global Risk Management function develops, coordinates and facilitates systematic risk management integrated into KONE's core business processes and decision-making. KONE's business units are responsible for identifying, assessing and managing risks that can threaten the achievement of their business objectives as part of KONE's strategic planning and budgeting processes.

Key risks are reported to the Global Risk Management function, which consolidates the risk information to the Executive Board. Executive Board members for Areas and global functions are owners of the key risks and opportunities relevant to the objectives of their organization. The Executive Board reviews and approves the Risk Management Policy and approves KONE's risk tolerance. KONE's Board of Directors approves the risk management principles of KONE and is responsible for monitoring and evaluating the effectiveness of KONE's risk management systems. The Board of Directors also reviews key risks and risk treatment action plans and acts, when necessary, on key risks reported to the Board.

Internal control

The aim of KONE's internal control environment is to ensure that the Group's operations are efficient and profitable, risks and opportunities are managed to an acceptable level and that the financial and operational reporting is reliable and in compliance with the applicable regulations, policies and practices.

The Board's Audit Committee monitors the efficiency and functioning of the internal control environment. The management is responsible for establishing and maintaining adequate internal controls and for monitoring their effectiveness as part of operative management. The management is supported by a dedicated Internal Controls function, responsible for facilitating and coordinating the internal control design, implementation and monitoring across the organization.

KONE's internal control framework is built and based on corporate values, the KONE Code of Conduct, a culture of honesty and high ethical standards. The framework is supported by a dedicated leadership, training programs, a positive and diligent corporate culture and working environment as well as by attracting and promoting dedicated and competent employees. Global and local policies and principles are key part of the internal control framework.

KONE's internal controls are designed to manage relevant operational, financial, and compliance risks as part of KONE's processes and employee job roles. Internal controls are supported by global and local policies and principles that are continuously maintained by incorporating changes and developments from the business operations and information systems.

KONE's business units are responsible for implementing the control framework and for monitoring adherence to the globally and locally agreed policies and principles. KONE's Global Finance has the oversight responsibility of the overall framework.

Internal control procedures over financial reporting

Correct financial reporting in KONE's internal control framework means that its financial statements give a true and fair view of the financial performance of the operations and the financial position of the Group and that such statements do not include intentional or unintentional misstatements or omissions both in respect of the figures and level of disclosure.

Corporate-wide financial management and control of operations is coordinated by the Global Finance function and implemented by a network of subsidiary and business entity Controllers within KONE.

KONE's monthly business planning and financial reporting process represents a key control procedure within KONE in ensuring the effectiveness and efficiency of operations. This

More information

The most significant risks and uncertainties related to KONE's business are described in the Board of Directors' Report. Financial risk management is described in note 2.4 and 5.3.

process includes in-depth analyses of deviations between actual performance, budgets, prior year performance and latest forecasts for the business on multiple levels of the organization. The process covers financial information as well as other key performance indicators that measure the operational performance on a business unit and corporate level. The process is designed to ensure that any deviations from plans in terms of financial or operating performance and financial management policies are identified, communicated and reacted upon efficiently, in a harmonized and timely manner. KONE's financial statements are based on this management reporting process.

Financial control tasks are built into the business processes of KONE as well as into the management's ongoing business supervision and monitoring. KONE has established Financial Control Models for the New Building Solutions, Service and Modernization as well as for treasury and tax matters. The models have been defined to ensure that the financial control covers the relevant tasks in an efficient and timely manner.

The interpretation, application and monitoring of the compliance of accounting standards is centralized in the Global Finance function, which maintains, under the supervision of the Audit Committee, the KONE Accounting Standards. Reporting and forecasting contents are defined in the KONE Accounting and Reporting Instructions. These standards and instructions are maintained and updated centrally by the Global Finance function and applied uniformly throughout KONE.

KONE has a global enterprise resource planning (ERP) system which is built to reflect the KONE Accounting Standards and the KONE Accounting and Reporting Instructions. KONE applies a controlled change management process ensuring that no changes to the financial reporting logic of the ERP system can be made without approval from the Global Finance function. Automatic interfaces between different systems are principally applied in the period-end financial reporting process of KONE. Transactional processing is increasingly automated and centralized in dedicated shared service centers.

Effective internal control over record to report processes, from business processes and systems to the financial statements, is important in ensuring the correctness of financial reporting. This is driven by the identification of key data elements of the business and the quality of the data to ensure correct financial reporting and forecasting ability.

Internal audit

The Corporation has an internal audit function, which is separate from the management. The KONE Assurance function is responsible for auditing both the internal control system and the management of business risks. It reports its findings to the Audit Committee. The Head of Assurance reports to the Vice Chair of the Board.

Kristian Snäll serves as the Head of Assurance.

Related party transactions

KONE evaluates and monitors related party transactions between the company and its related parties. KONE maintains a list of related parties. KONE's related parties comprise its subsidiaries as well as the Board of Directors, the President and CEO, the Executive Board including any companies controlled or significantly influenced by them. KONE's Board of Directors has approved guidelines for how to recognize, handle, approve, monitor and report related party transactions. According to the guidelines, the Corporate Controlling function follows and monitors related party transactions as part of KONE's normal reporting and control procedures and reports related party transactions to the Audit Committee annually.

KONE's Board of Directors decides on any related party transactions which are not considered normal business activities or differ from market terms. KONE reports relevant and material related party transactions annually in the notes of consolidated financial statements.

External audit

The objective of a statutory audit is to express an opinion on whether the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group, as well as whether the parent company's financial statements give a true and fair view of the parent company's financial performance and financial position. Statutory audit also encompasses the audit of the accounting and governance in the company. The auditor considers whether the information in the Board of Directors' report is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable legal requirements.

According to the Articles of Association, the company must have a minimum of one and a maximum of three Auditors. The Auditors must be authorized public accountants or authorized public accounting firms. The Auditor is elected at the Annual General Meeting for a term that ends at the conclusion of the Annual General Meeting following the start of the term of the Auditor.

Insiders

KONE Corporation adheres to the insider guidelines of the Nasdaq Helsinki Ltd, which have been supplemented with internal insider guidelines approved by the Board of Directors. In compliance with the Market Abuse Regulation, the person discharging managerial responsibilities in KONE Corporation (managers) include the members and deputy members of the Board of Directors, the President and CEO and the members of the Executive Board. Managers are permitted to trade in KONE shares and other financial instruments of KONE during a six-week period after the release of interim reports and financial statements releases. KONE does not maintain a list of permanent insiders. KONE has resolved to maintain an insider list with respect to each quarter and year-end financial reporting. The company also maintains other project-specific insider lists when necessary. Project-specific insiders are prohibited from trading with financial instruments of KONE until the termination of the project. The person in charge of KONE's insider matters is the Secretary to the Board of Directors.

Corporate governance in 2023

Annual General Meeting

The Annual General Meeting was held in Helsinki, Finland on February 28, 2023.

Board of Directors and committees

The Annual General Meeting elected nine members to KONE's Board of Directors: Antti Herlin (Chairman), Jussi Herlin (Executive Vice Chair), Matti Alahuhta, Susan Duinhoven, Marika Fredriksson, Iiris Herlin, Ravi Kant, Marcela Manubens and Krishna Mikkilineni. Of the Board members, five are male and four are female.

Of the Board members, Matti Alahuhta, Susan Duinhoven, Marika Fredriksson, Iiris Herlin, Ravi Kant, Marcela Manubens and Krishna Mikkilineni are independent of the Corporation. With the exception of Antti Herlin, Iiris Herlin and Jussi Herlin, the other Board members are independent of the Corporation's significant shareholders.

The Board of Directors convened eight times in 2023 in addition to which one Board decision was made without holding a meeting (per capsulam). The average participation rate of the Board members in the meetings was 99%. Johannes Frände, Executive Vice President, General Counsel, serves as Secretary to the Board and to its Committees.

Audit committee

The Board of Directors' Audit Committee comprises Susan Duinhoven (Chair, independent member), Matti Alahuhta (independent member), Marika Fredriksson (independent member) and Jussi Herlin.

The Audit Committee held three meetings in 2023. The average participation rate of the Audit Committee members in the meetings was 100%.

Nomination and compensation committee

The Nomination and Compensation Committee comprises Jussi Herlin (Chair), Matti Alahuhta (independent member), Antti Herlin and Ravi Kant (independent member).

The Nomination and Compensation Committee held six meetings in 2023. The average participation rate of the Nomination and Compensation Committee members in the meetings was 100%.

Compensation and other benefits of the Board of Directors

The Annual General Meeting of KONE Corporation in February 2023 confirmed the fees of the members of the Board as follows (annual fees):

- Chairman of the Board: EUR 220,000
- Vice Chair: EUR 125,000
- Member: EUR 110,000

Of the remuneration, 40 percent was paid in class B shares of KONE Corporation and the rest in cash.

In addition, the Annual General Meeting in February 2023 confirmed a separate annual compensation to the members of the board committees:

- Chairman of the Audit Committee: EUR 20,000
- Members of the Audit Committee: EUR 10,000

Number of Board and Committee meetings in 2023 and participant attendance:

	Board	Audit Committee	Nomination and Compensation Committee
Antti Herlin	8/8		6/6
Jussi Herlin	8/8	3/3	6/6
Matti Alahuhta	8/8	3/3	6/6
Susan Duinhoven	7/8	3/3	
Marika Fredriksson*	7/7	2/2	
Iiris Herlin	8/8		
Ravi Kant	8/8	1/1	3/3
Marcela Manubens*	7/7		
Krishna Mikkilineni	8/8		
Jennifer Xin-Zhe Li*	1/1		3/3

*Jennifer Xin-Zhe Li served as Board member until February 28, 2023. Marika Fredriksson and Marcela Manubens were elected to the Board on February 28, 2023.

- Chairman of the Nomination and Compensation Committee: EUR 20,000
- Members of the Nomination and Compensation Committee: EUR 10,000

The annual compensation of the members of the Board Committees is paid in cash. Annual board fees and annual compensation to the members of the Board committees are not paid to a board member who is employed by the company with a separate employment contract. Board members' travel expenses are reimbursed in accordance with the company's travel expense policy.

Compensation and other benefits of the Vice Chair

The Vice Chair of the Board, Jussi Herlin has a separate employment contract for his role as Executive Vice Chair of the Board at KONE. The employment-based compensation for Jussi Herlin consists of a base salary and an annual bonus decided by the Board on the basis of the Group's financial result. The annual bonus may not exceed 100 percent of the recipient's annual base salary. In 2023, Jussi Herlin's base salary and benefits were EUR 126,457. There was no bonus payout in 2023 as the performance criteria for 2022, tied to the Group's financial performance, were not met. Jussi Herlin's holdings of shares are presented in the table on page 129. The Executive Vice Chair's retirement age and pension are determined in accordance with Finland's Pensions Act. No separate agreement regarding early retirement has been made.

President and CEO

Henrik Ehrnrooth served as KONE Corporation's President and CEO until December 31, 2023. On October 25, 2023, KONE announced that Philippe Delorme had been appointed President and CEO of KONE Corporation as of January 1, 2024. Henrik Ehrnrooth will continue as Executive Advisor of KONE until the end of March 2024 to support the transition and induction of the new President and CEO.

More information

This statement is available on the company's web pages at www.kone.com and it has been given separately of the Board of Directors' report.

Compensation and other benefits of the President and CEO

The compensation for President and CEO Henrik Ehrnrooth consists of a base salary, benefits and an annual bonus determined by the Board on the basis of the Corporation's key targets. The annual bonus may not exceed 150 percent of the recipient's annual salary.

In 2023 Henrik Ehrnrooth's annual base salary and benefits were EUR 762,741. He also received a bonus of EUR 465,675, which was earned in 2022. The performance criteria applied to this annual-short term incentive was based on financial, strategic and individual performance.

Henrik Ehrnrooth is included in the long-term share-based incentive plan (LTI) for the Group's top management. Additional information concerning long-term share-based incentive plan for the President and CEO is disclosed in the adjacent table.

The performance criteria applied to the 2021, 2022 and 2023 long-term incentive plans are based on annual sales growth, adjusted EBIT margin (jointly 80%) and improvements in sustainability (20%). The sustainability performance condition is a combination of reductions in carbon footprint, as well as diversity and inclusion and safety related targets.

Henrik Ehrnrooth's holdings of shares are presented in the table on the next page.

Henrik Ehrnrooth's retirement age and pension are determined in accordance with Finland's Pensions Act. There has not been any separate agreement regarding early retirement. His employment contract includes an entitlement to an equivalent of 18 months' salary, which includes the salary for a six-month term of notice in case of termination before retirement. Henrik Ehrnrooth decided to step down from his role as the President and CEO of KONE as of December 31, 2023. A separate exit agreement replaces the contractual notice of termination and severance payments.

Executive Board

At the end of 2023, KONE's Executive Board consisted of the President and CEO and ten members. Henrik Ehrnrooth served as President and CEO until December 31, 2023. The other members of the Executive Board are Joe Bao, Axel Berkling, Johannes Frände, Samer Halabi, Ilkka Hara, Mikko Korte, Karla Lindahl, Tomio Pihkala, Ken Schmid and Susanne Skippari. Hugues Delval served as an executive board member until October 12, 2023. Maciej Kranz and

Compensation paid to the President and CEO and to the members of the Executive Board

	Jan 1–Dec 31, 2023		Jan 1–Dec 31, 2022	
EUR, thousand	The President & CEO [1]	The members of the Executive Board [1]	The President & CEO	The members of the Executive Board
Base salary and benefits	762.7	6,382.8	763.9	5,106.3
Annual short-term incentive [2]	465.7	1,987.8	835.4	2,248.8
Long-term incentive plan [3]	-	2,076.2	-	36.0
Total compensation	**1,228.4**	**10,446.7**	**1,599.3**	**7,391.2**

Performance based long-term incentive plan for the President and CEO and the Executive Board as of December 31, 2023

Performance based long-term incentive plan	Performance Period	Vesting date pursuant to the plan rules	Performance Criteria	The President and CEO - Maximum earning opportunity (number of shares) [4]	The Executive Board - Maximum earning opportunity (number of shares) [4) 5)]
LTI 2021 [6]	January 2021 - December 2023	January 2024	Adjusted EBIT Margin % and Sales Growth Sustainability	53,541	235,578
LTI 2022 [7]	January 2022 - December 2024	January 2025	Adjusted EBIT Margin % and Sales Growth Sustainability	58,243	250,445
LTI 2023 [8]	January 2023 - December 2025	January 2026	Adjusted EBIT Margin % and Sales Growth Sustainability	74,642	296,081

1) Holdings of the shares are presented in the table on page 129.
2) Short-term incentive paid in 2023 (2022) was earned in 2022 (2021).
3) Henrik Ehrnrooth, the President and CEO, did not receive a share payment in 2022 and 2023 due to the long-term incentive structure changing to a three-year performance period in 2021. Based on the exit agreement, the reward from LTI 2021, LTI 2022 and LTI 2023 will be paid in January 2024 to Henrik Ehrnrooth based on a separate Board of Directors' decision. Additionally, the Board of Directors has granted Henrik Ehrnrooth an additional incentive of up to 50,000 KONE class B shares, payable by the end of 2024 based on the achievement of specific performance metrics. The early payment of LTI 2022 and LTI 2023 together with the additional share-based incentive replaces the contractual notice of termination and severance payments.
4) The maximum number of KONE class B shares available for earning (gross before deduction for applicable taxes).
5) KONE has delivered a total of 18,485 KONE class B shares to the two members of the Executive Board included in KONE's share-based incentive program.
6) The final outcome and any potential share awards under the long-term incentive plan for the year 2021 will be confirmed in January 2024, depending on the performance during the years 2021, 2022 and 2023.
7) The final outcome and any potential share awards under the long-term incentive plan for the year 2022 will be confirmed in January 2025, depending on the performance during the years 2022, 2023 and 2024.
8) The final outcome and any potential share awards under the long-term incentive plan for the year 2023 will be confirmed in January 2026, depending on the performance during the years 2023, 2024 and 2025.

Tricia Weener served as Executive Board members until June 30, 2023.

Compensation and other benefits of the Executive Board (excl. President and CEO)

The compensation for the members of the Executive Board comprises a base salary, benefits and an annual bonus, based on KONE's financial targets and strategic performance, as well as individual performance. The bonus amount is determined by the Nomination and Compensation Committee and may not exceed 75 percent of the annual salary.

The members of the Executive Board are included in the long-term share-based incentive plan (LTI) for top management. Additional information concerning long-term share-based incentive plan of the Executive Board is disclosed in the table on the previous page. No separate agreement regarding early retirement has been made for the members of the Executive Board. The compensation for the termination of the employment contract prior to retirement is a maximum of 15 months' salary, which includes the salary for a six-month term of notice.

The Executive Board members' holdings of shares are presented in the table on the adjacent table.

Auditing

KONE Corporation's Auditor is audit firm Ernst & Young Oy. The auditor-in-charge is Heikki Ilkka. The fees paid to Ernst & Young Oy during 2023 were EUR 1.0 million for auditing and EUR 0.4 million for tax and other services.

Insiders

The shareholding of the members of the Board of Directors, the Management of KONE and the corporations under their control amounted to 125,412,101 shares on December 31, 2023, which represents 23.7 % of total shares and 62.6 % of voting rights. Antti Herlin's ownership is 123,621,762 shares and 75,867,624 votes. The individual holdings of the members of the Board of Directors and Management of KONE, and the changes occurred in them during the financial year, are presented on the adjacent table.

Shareholdings of KONE Board and Management on Dec 31, 2023 and changes in shareholding during the period Jan 1–Dec 31, 2023

	Class A shares	Change	Class B shares	Change
Alahuhta Matti			756,754	+879
Bao Joe			0	0
Berkling Axel			68,974	0
Duinhoven Susan			3,641	+879
Ehrnrooth Henrik			385,014	0
Fredriksson Marika			879	+879
Frände Johannes			1,479	+176
Halabi Samer			32,111	0
Hara Ilkka			55,289	-40
Herlin Antti	70,561,608	-	53,060,154	+1,879,546
Herlin Iiris			137,801	+879
Herlin Jussi			105,467	-4,200
Kant Ravi			4,954	+879
Korte Mikko			60,756	-6,500
Lindahl Karla			9,939	0
Manubens Marcela			879	+879
Mikkilineni Krishna			1,837	+879
Pihkala Tomio			113,658	0
Schmid Ken			24,516	0
Skippari Susanne			26,391	0

The shares owned by companies in which a Board or Management member exercises controlling power are also included in these shareholdings.

Related party transactions

Except for management remuneration, there have not been any material transactions between KONE and its members of the Board of Directors, the President & CEO or the members of the Executive Board including any companies controlled or significantly influenced by them.

Board of Directors

Antti Herlin
Chairman of the Board
b. 1956, D.Sc. (Econ.) h.c., D.Arts h.c., D.Sc. (Tech) h.c.
Member of the Board since 1991.
Has served as Chairman of the Board since 2003. Previously served as Executive Chairman of the Board of KONE 2006–2021, as CEO of KONE 1996–2006, and as Deputy Chairman 1996–2003.
Current key positions of trust are Chairman of the Board of Security Trading Oy, Chairman of the Board of Holding Manutas Oy, and Chairman of the Board of the Tiina and Antti Herlin Foundation.

Jussi Herlin
Vice Chair of the Board
b. 1984, M.Sc. (Econ)
Member of the Board since 2012.
Serves as Executive Vice Chair of the Board of KONE since 2021 and Vice Chair of the Board since 2014. Previously served as Senior Business Analyst and Strategy Development Manager at KONE 2016–2020, as Consultant at Accenture 2012–2014, and as Deputy Member of the Board of KONE Corporation 2007–2012.
Current key positions of trust are Member of the Board of Security Trading Oy, Member of the Board of Holding Manutas Oy, Member of the Board of Technology Industries of Finland, Member of the Board of the Finnish Foundation for Share Promotion and Member of the Board of the KONE Centennial Foundation.

Matti Alahuhta
b. 1952, D. Sc. (Tech.), D.Sc. (Tech.) h.c.
Member of the Board since 2003.
Previously served as President and CEO of KONE 2006–2014, as President of KONE 2005–2006, as Executive Vice President of Nokia Corporation 2004, as President of Nokia Mobile Phones 1998–2003, and as President of Nokia Telecommunications 1993–1998.
Current key positions of trust are Chairman of the Board of DevCo Partners Corporation and Member of the Board of Volvo Group (publicly listed company).

Susan Duinhoven
b. 1965, Ph.D. (Physical Chemistry), B. Sc. (Physical Chemistry)
Member of the Board since 2020.
Served as President and CEO of Sanoma Corporation (publicly listed company) from 2015 till January 1, 2024. Previously served as CEO of Koninklijke Wegener N.V. 2013–2015, as CEO of Western Europe / CEO Netherlands at Thomas Cook Group Plc 2010–2013, as Managing Director of Benelux & New Acquisitions Europe at Reader's Digest 2008–2010, and as CEO at De Gule Sider A/S 2005–2007. Started her career at Unilever in 1988.

Marika Fredriksson
b. 1963, M.Sc. (Econ.)
Member of the Board since 2023.
Previously served as CFO and Group Executive Vice President of Vestas Wind Systems A/S 2013–2022, CFO of Gambro AB 2009–2012, CFO of Autoliv Inc. 2008–2009, and has held various positions, including CFO and Senior Vice President Finance and Strategy at Volvo Construction Equipment Corporation 1996–2008.
Current key positions of trust are member of the board of A.P. Møller - Maersk A/S (publicly listed company), member of the board of AB Industrivärden (publicly listed company), member of the board of Sandvik AB (publicly listed company), member of the board of Ecolean AB, chairman of the board of emagine Consulting, and advisory board member of Axcel.

Iiris Herlin
b. 1989, M.Soc.Sc., Bachelor of Natural Resources
Member of the Board since 2015.
Previously served as Deputy Member of the Board 2013–2014.
Current key positions of trust are Member of the Board of Security Trading Oy and Member of the Board of the Tiina and Antti Herlin Foundation.

Ravi Kant
b. 1944, B.Tech. (Hons.), M.Sc., D.Sc. (Hon)
Member of the Board since 2014.
Previously served in different positions at Tata Motors 1999–2014 (as Managing Director and CEO 2005–2009 and after that as the Vice Chairman of the Board of Directors until 2014). Prior to that, he served as Director, Consumer Electronics at Philips India, as Director (Marketing) at LML Ltd., and as Vice President (Marketing) at Titan Watches Ltd.
Current key positions of trust are Member of the Board of Hawkins Cookers Ltd (publicly listed company), Chairman of the Board of Karkinos Healthcare and Chairman of the Advisory Board of both MedTherapy India and Akhandjyoti Eye Hospital.

Marcela Manubens
b. 1958, MBA, Masters on Business Administration, Certified Public Accountant
Member of the Board since 2023.
Founder and principal of Roxbury Global LLC, Executive Advisory on Sustainable Business. Previously served as Global Vice President for Integrated Social Sustainability 2016–2021 and Global Vice President for Social Impact 2013–2016 at Unilever PLC, United Kingdom and as Corporate Social Responsibility Officer and different positions at PVH Corp., USA 1991–2012.
Current key positions of trust are Member of the Responsible Investment and Business Advisory Board at Sierra Global Management, Member of the Advisory Board at Geneva Center for Business and Human Rights, Geneva School of Economics and Management, Adjunct Professor at Glasgow Caledonian New York College - Master of Science on Business for Social Impact and Sustainability and faculty member of The Competent Boards.

Krishna Mikkilineni

b. 1959, Ph.D. (Electrical and Computer Engineering), B.Tech. (Electronics and Communications Engineering).
Member of the Board since 2022.
Previously served in different positions at Honeywell International Inc. both in the U.S.A. and India 1985–2019 (latest positions were Chief Technology Officer, Chief Information Officer, Chief of Integrated Supply Chain & Customer Service globally across the Honeywell Corporation). Prior to that, he was President of Honeywell Technology Solutions.
Current key positions of trust are Senior Advisor for various start-ups, General Partner in a Venture Capital fund, and Member of the Board of a Private Equity firm. He actively manages a private philanthropic foundation focused on education and elderly care.

Jennifer Xin-Zhe Li served as a Board member until February 28, 2023. Marika Fredriksson and Marcela Manubens were elected to the Board on February 28, 2023.

More information

As of July 3, 2016, the trades of KONE Board and Management are published as stock exchange releases.

Executive Board

Henrik Ehrnrooth

President and CEO (until Dec 31, 2023)

b. 1969, M.Sc. (Econ.)
President and CEO of KONE since 2014. Member of the Executive Board and employed by KONE since 2009.
Previously served at KONE as Chief Financial Officer 2009–2014. Prior to joining KONE, he worked at Goldman Sachs 1998–2009 (most recently as Managing Director in the Investment Banking Division) and at UBS in various roles 1994–1998.
Current key positions of trust: Board Chair of UPM-Kymmene Corporation, Member of the Foundation Board of the International Institute of Management Development (IMD, Switzerland), and Member of the European Round Table for Industry (ERT).

Joe Bao

Greater China

b. 1982, B.A. (Management Information Systems)
Member of the Executive Board and employed by KONE as of October 2022.
Previously served as President of Microsoft China 2021-2022, as well as in various leadership roles in the areas of sales, marketing, and strategy at both Microsoft Corporate headquarters and the Greater China Region 2004-2021.
Current key positions of trust: member of the Board of Governors of the American Chamber of Commerce in China and Chairman of FinnCham Shanghai.

Axel Berkling

Commercial & Operations

Strategy & Transformation (interim)

b. 1967, M.Sc. (Econ.)
Member of the Executive Board since 2016. Employed by KONE since 1998.
Previously served at KONE as Executive Vice President, Central and North Europe 2021-2023, as Executive Vice President, Asia-Pacific 2016–2021, as Managing Director, KONE Germany 2012–2016, and in various regional commercial roles (including Service Director in Germany) 2007–2012. Prior to joining KONE, he served at Nass Magnet GmbH as Managing Director 1996–1998 and at Arthur Andersen in different roles 1992–1995.

Johannes Frände

General Counsel

b. 1979, LL.M., M.Sc. (Computer Science)
Member of the Executive Board since 2021. Secretary to the KONE Board of Directors since 2022. Employed by KONE since 2012.
Previously served as Head of Legal for KONE's Service Business and KONE's Technology and Innovation unit 2017–2021 and as Senior Legal Counsel 2012–2016. Prior to joining KONE, he worked as an attorney at Roschier Attorneys Ltd. 2005–2007 and 2009–2012 and at Debevoise & Plimpton LLP 2008–2009.

Samer Halabi

Asia-Pacific, Middle East and Africa

b. 1970, M.Sc. (Mechanical Engineering)
Member of the Executive Board since 2021. Employed by KONE since 2001.
Previously served at KONE as Regional Managing Director, KONE Middle East and Africa 2010–2021, as Managing Director, KONE Qatar 2007–2010, as Managing Director, KONE Distributor Business 2004–2007, and in various other leadership roles in the Middle East and Africa region 2001–2004.

Ilkka Hara

Chief Financial Officer

b. 1975, M.Sc. (Econ.)
Member of the Executive Board and employed by KONE since 2016.
Previously served at Microsoft Phones as General Manager and Chief Financial Officer 2014–2016, and at Nokia in various leadership roles 2004–2014. Prior to this, he worked at ABN AMRO 2003–2004 and at Morgan Stanley 2001–2003.
Current key positions of trust: Member of the Board of Directors at Hartili Oy.

Mikko Korte

Supply Chain

b. 1968. M.Sc. (Eng)
Member of the Executive Board since 2016. Employed by KONE since 1995.
Previously served at KONE as Executive Vice President, Operations Development 2016–2023, Head of New Equipment Business, KONE Americas 2013–2015, as Managing Director, KONE Finland and Baltics 2011–2013, as Service Director, KONE Central and North Europe 2007–2011, as Service Business Director, KONE Scandinavia 2004–2007, and as Service Operations Manager, KONE Finland 1999–2004.

Karla Lindahl

Europe

b. 1981, LL.M., M.A. (EC Competition Law)
Member of the Executive Board since April 2022. Employed by KONE since 2004.
Previously served at KONE as Executive Vice President, South Europe and Mediterranean 2022-2023, as Managing Director, KONE Finland and Baltics 2017-2022, as Vice President, Strategy Development and Market Intelligence 2016-2017, as Vice President, Strategy Development and Investor Relations 2014-2016, as Director, Investor Relations 2010-2014, as Legal Counsel 2005-2010, and as Assistant Legal Counsel 2004-2005.
Current key position of trust: Member of the Board of NKT A/S.

Tomio Pihkala

Chief Technology Officer

b. 1975, M.Sc. (Mechanical Engineering)
Member of the Executive Board since 2013. Employed by KONE since 2001.
Previously served at KONE as Executive Vice President, New Equipment Business 2019-2023, as Executive Vice President,

Chief Technology Officer 2015–2019, as Executive Vice President, Operations Development 2013–2015, as Vice President, Technology Finland 2011–2013, as Director, Service Equipment Business, KONE China 2009–2010, and as Director, Product Strategy and Marketing, KONE China 2007–2008.
Current key positions of trust: Member of the Board of Toshiba Elevator and Building Systems Corporation, and Member of the Board of Vexve Armatury Group.

Ken Schmid

Americas

b. 1963, B.A. (History), MBA (Business Administration)
Member of the Executive Board since 2020. Employed by KONE since 1986 (Montgomery Elevator Company until 1994).
Previously served at KONE as Senior Vice President, Finance, KONE Americas 2005–2020, as Senior Vice President, Global Information Services 2003–2005, as Senior Vice President, Chief Information Officer, KONE Americas 1998–2003, as Vice President, Quality 1995–1998, and in various new equipment sales roles in multiple branch offices.
Current key positions of trust: Member of the Board of National Elevator Industry, Inc. (NEII), and Member of the Board of Advisory Board to Invest in Finland, USA.

Susanne Skippari

People & Communications

b. 1974, M.Sc. (Econ.)
Member of the Executive Board since 2017. Employed by KONE since 2007.
Previously served at KONE as Executive Vice President, Human Resources 2017-2023, Head of Human Resources, New Equipment Business 2015–2017, as Head of Talent Management 2007–2008 and 2011–2015, and as Area Human Resources Director, Europe, Middle East and Africa 2009–2011. Prior to joining KONE, she served at Nokia in various Human Resources roles in Finland and in Argentina 1999–2006.
Key position of trust: Member of the Board of Uponor Corporation 2022-2023.

Maciej Kranz served as Executive Vice President, Chief Technology Officer and Tricia Weener as Executive Vice President, Marketing and Communications until June 30, 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.

Axel Berkling was appointed Executive Vice President, Commercial & Operations as of October 12, 2023, succeeding Hugues Delval who served as Executive Vice President, Commercial & Operations until October 12, 2023. Axel continued to also lead the Strategy & Transformation organization until the end of 2023. Kaori Uehigashi was appointed 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. Nicolas Alchal, Managing Director for KONE Middle East, Türkiye, and Africa, was 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.

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).

More information

Shareholdings of KONE Corporation's public insiders are available on page 129

Information for shareholders

Annual General Meeting

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

Further instructions and schedules for shareholders can be found on KONE's website at kone.com and in the Notice to the General meeting.

At general meetings, each KONE class A share is assigned one vote, as is each block of 10 class B shares, with the provision that each shareholder is entitled to at least one vote.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that for the financial year 2023 a dividend of EUR 1.7475 be paid for each class A share and a dividend of EUR 1.75 be paid for each class B share. All shares existing on the dividend record date, March 4, 2024 are entitled to the dividend. The dividend is proposed to be paid on March 11, 2024.

Listing of KONE securities

KONE Corporation has two classes of shares: the listed class B shares and the non-listed class A shares. The KONE class B shares are listed on the Nasdaq Helsinki Ltd. and are registered at Euroclear Finland Ltd.

More information

The Board of Directors' proposal for the distribution of profit, page 117

Shares and shareholders, page 40

Investor relations

Investor relations policy

KONE strives to offer liquid shares that present an attractive investment alternative to domestic and foreign investors. The primary task of KONE's Investor Relations is to ensure that the market has correct and sufficient information at its disposal in order to determine the value of the KONE share at all times. The aim of KONE's written communications, such as the financial statements and interim reports, the sustainability report, stock exchange and press releases, the internet pages as well as that of all other communication with investors and analysts is to accomplish this task.

In all of its communications, KONE complies with the requirements for listed companies as defined by EU legislation, the Finnish Securities Markets Act, the rules of the Nasdaq Helsinki Ltd. and any other applicable regulation concerning prompt and simultaneous disclosure of information.

Silent period

KONE observes a period of silence prior to releasing its financial results. This means that there are no discussions regarding financial issues with the capital markets or the financial media during the three-week period preceding the publication of interim results and the four-week period preceding the publication of the annual financial statements. This applies to meetings, telephone conversations and other means of communication.

Contact information

Sanna Kaje
Vice President, Investor Relations
Tel. +358 (0)204 75 4705
investors@kone.com

KONE's financial reporting schedule 2024

Financial Statement Bulletin and Financial Statements for 2023	Friday, January 26, 2024
Interim Report for January 1–March 31, 2024	Wednesday, April 24, 2024
Half-year Financial Report for January 1–June 30, 2024	Friday, July 19, 2024
Interim Report for January 1–September 30, 2024	Thursday, October 24, 2024

KONE will publish its Sustainability Report for the year 2023 during the second quarter of 2024.

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.

KONE Corporation

Corporate Offices

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