Dedicated to People Flow™

KONE

Smooth flow through peaks and lows.

Our retail customers rely on us to help them create a smooth and enjoyable shopping experience. Easy access encourages browsing on all floors, which in turn ensures a quicker return on investment.

Financial Statements

KONE 2015

Information for shareholders

Annual General Meeting

KONE Corporation's Annual General Meeting will be held on March 7, 2016 at 11:00 a.m. in the Finlandia Hall, Mannerheimintie 13, Helsinki, Finland.

Shareholders wishing to attend the meeting must be registered in the KONE shareholder register at Euroclear Finland Ltd. no later than on February 24, 2016, and must register for attending the meeting over the internet (www.kone.com/en/investors/annual-general-meetings/), by fax (+358 (0)204 75 4523), by telephone (+358 (0)20 770 6873) by 3:00 p.m or by mail (KONE Corporation, Share Register, P.O. Box 7, FI-02151 Espoo, Finland). EET on March 2, 2016. The registration must be received by the end of the registration period. Any proxies must be submitted at the same time.

At general meetings each KONE class A share is assigned one vote, as is each block of 10 class B shares, with the proviso 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 2015 a dividend of EUR 1.3975 be paid for each class A share and a dividend of EUR 1.40 be paid for each class B share. All shares existing on the dividend record date, March 9, 2016 are entitled to the dividend. The dividend will be paid on March 16, 2016.

More information

The Board of Directors' proposal for the distribution of profit, page 71
Shares and shareholders, page 67

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. Stock options 2013 have been listed on the Nasdaq Helsinki Ltd. from April 1, 2015.

KONE's financial reporting schedule in 2016

Financial Statement Bulletin and Financial Statements for 2015	Thursday, January 28, 2016
Printed Financial Statements for 2015	week 8 February, 2016
Interim report for January 1–March 31, 2016	Thursday, April 21, 2016
Interim report for January 1–June 30, 2016	Tuesday, July 19, 2016
Interim report for January 1–September 30, 2016	Wednesday, October 26, 2016

In the second quarter of 2016, KONE will publish a separate Corporate Responsibility Report for the year 2015.

Publication of financial information

KONE Corporation publishes financial information in Finnish and English. All materials are available on KONE's website at www.kone.com, where requests for email distribution can also be made.

Requests for printed financial reports can be submitted on KONE's website at www.kone.com. Alternatively, financial reports can be ordered by email (investors@kone.com), by mail (KONE Corporation, Corporate Communications, P.O. Box 7, FI-02151 Espoo, Finland), or by telephone (+358 (0)204 751).

Changes of address

KONE's shareholders are kindly requested to report changes of address to the bank where they have their book-entry account. The shareholders registered at Euroclear Finland Ltd. should send a written notice to:

Euroclear Finland Ltd.
Customer Account Service,
P.O. Box 1110,
FI-00101 Helsinki
Tel. + 358 800 180 500

In the notice, shareholders should mention their name, new address, old address and book-entry account number.

More information

The comprehensive investor relations pages can be found at www.kone.com
Shares and shareholders, page 67
Corporate governance, page 60

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KONE at a glance

(p. 2 is not a part of the official financial statements)

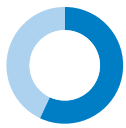
KONE is a global company in the elevator and escalator business. KONE was founded in 1910 and has operations in over 60 countries. Our vision is to offer the best People Flow™ experience in the industry with our innovative and eco-efficient solutions.

KONE provides solutions and services throughout the lifecycle of the equipment, starting with the supply and installation of new equipment and continuing with maintenance for equipment in operation. Finally, as existing equipment ages, it will need to be modernized or replaced.

8,647 MEUR
total sales in 2015.

New equipment business: We offer solutions for all types of buildings. The core of our product portfolio consists of elevators and escalators. In addition, our offering includes autowalks, automatic doors and integrated access control systems.

57 %
of total sales in 2015.

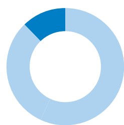


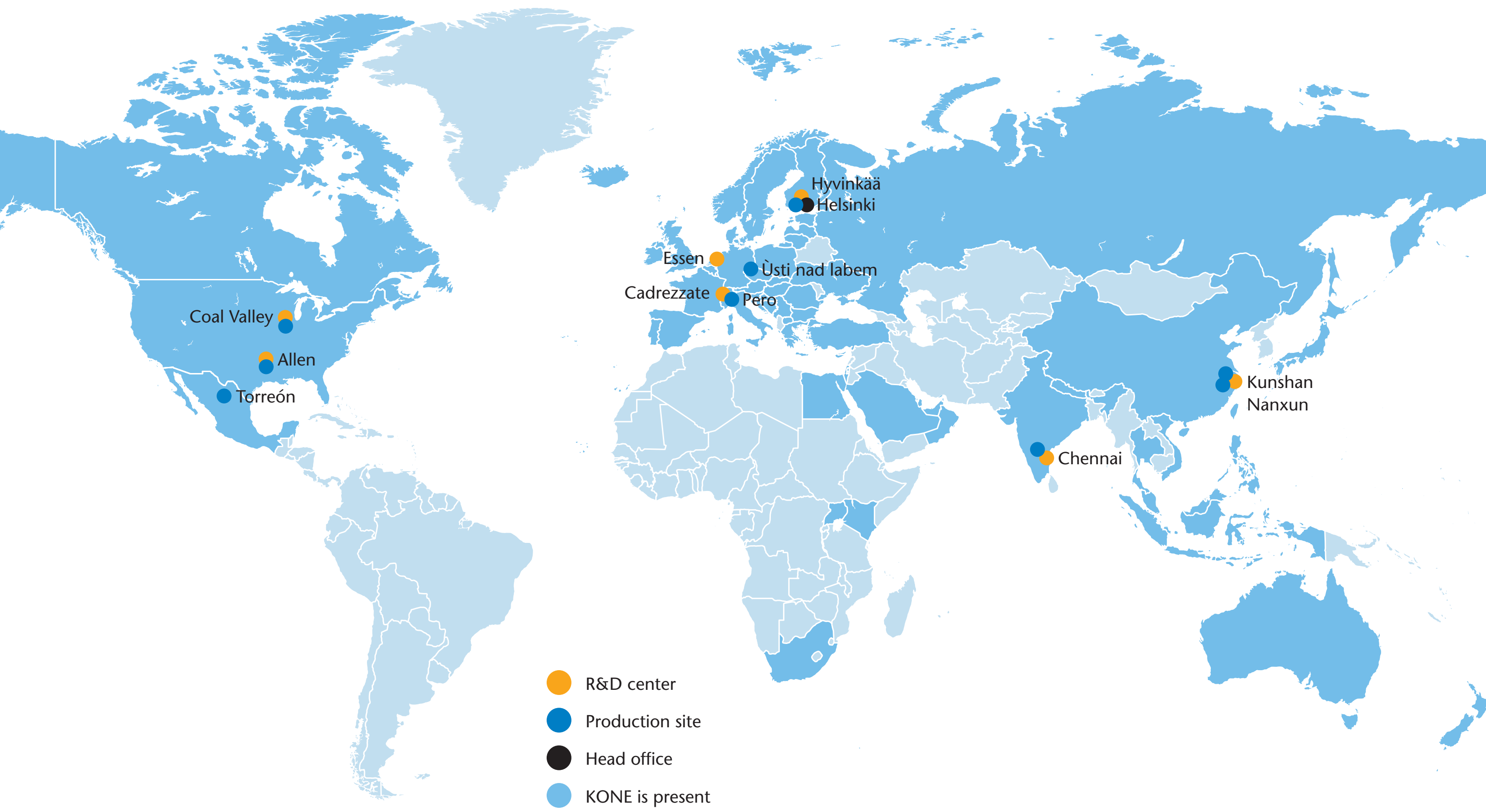
Maintenance business: We offer maintenance and equipment performance monitoring solutions that keep the people flow of the building functioning on a daily basis.

31 %
of total sales in 2015.

Modernization business: We provide modernization solutions for aging equipment, ranging from the replacement of single parts of equipment to full replacement solutions.

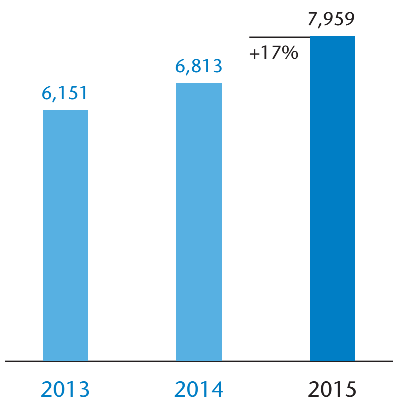
12 %
of total sales in 2015.



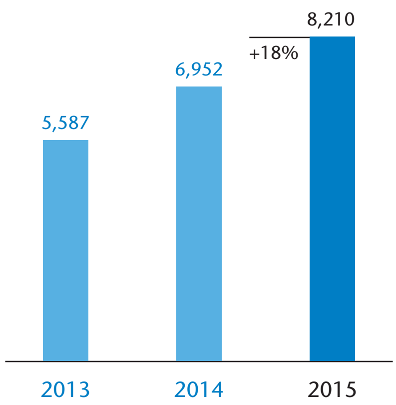


Key figures

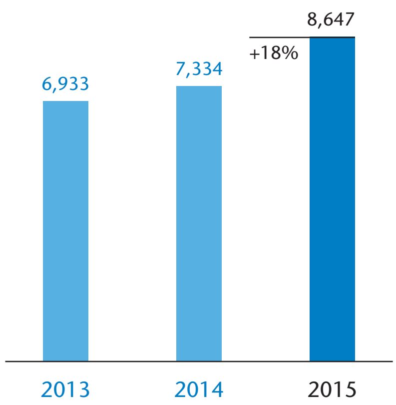
Orders received (MEUR)



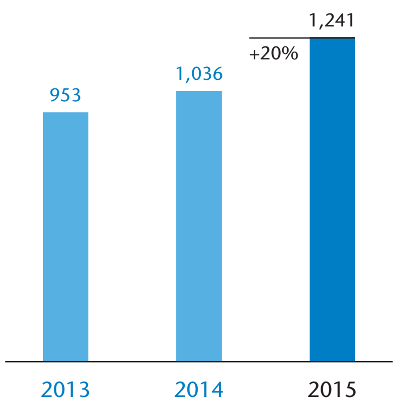
Order book (MEUR)



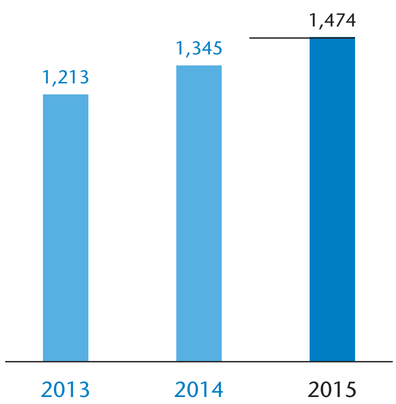
Sales (MEUR)



EBIT (MEUR)

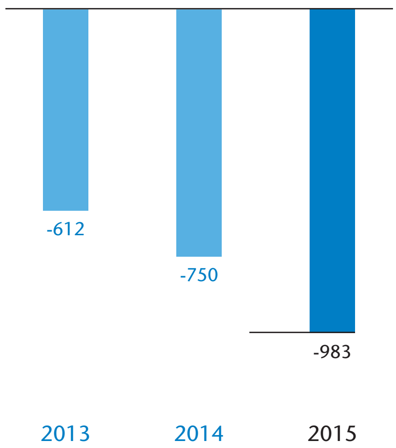


Cash flow[1] (MEUR)



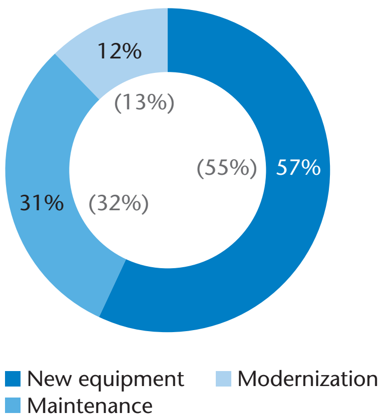
1) Cash flow from operations before financing items and taxes

Net working capital[2] (MEUR)



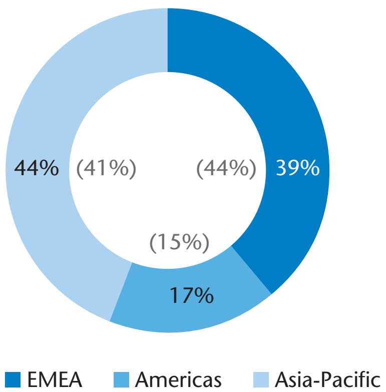
2) Including financing and tax items

Sales by business



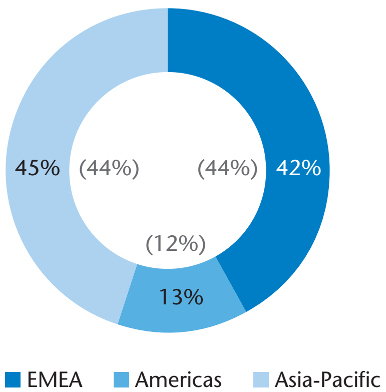
1–12/2015 (1–12/2014)

Sales by area



1–12/2015 (1–12/2014)

Personnel by area



Dec 31, 2015 (Dec 31, 2014)

Board of Directors' report

KONE's operating environment

In 2015, the global new equipment market volumes decreased slightly due to a decline in the large Chinese new equipment market. Of the other markets, new equipment demand in North America grew clearly, and markets in Europe and the Middle East also saw some growth. Globally the demand in modernization increased slightly, with positive development in North America and Asia-Pacific, and a slightly better trend overall also in Europe. The major projects segment saw some growth in the year, but the development varied from quarter to quarter. The maintenance market continued to grow globally. The fastest growth was seen in Asia-Pacific. In the more mature maintenance markets, the rate of growth was lower.

In the EMEA region, the new equipment market in Central and North Europe saw clear growth, driven by the residential segment in particular. Of the larger markets, Germany, Great Britain and Scandinavia developed positively. In South Europe, the new equipment market showed some signs of recovery, but still lacked substantial growth opportunities. The new equipment market in France and Italy remained weak, but in Spain the market continued to recover from a low level. In the Middle East, the new equipment market saw some growth. This was driven by the volume business, as the major project segment was negatively impacted by economic uncertainty in the region. The modernization market developed favorably in Central and Northern parts of the continent, in Great Britain in particular. It remained weaker in South Europe, although in Spain the recovery in demand continued also in modernization. The maintenance market grew in the EMEA region, but with variation in the competitive environment between different countries.

In North America, the new equipment demand developed strongly, driven by the United States, the largest market in the region. In the United States, the market grew clearly, with broad-based positive development across segments. In Canada, the new equipment market was rather stable. Demand for modernization grew in the region following the positive development in the United States. In maintenance, the market saw some growth, but remained rather competitive.

In the Asia-Pacific region, the new equipment market declined slightly in 2015 from the high level of the previous year. In China, the new equipment market declined somewhat, with the weakening becoming slightly more pronounced in the second half of the year. In the residential segment, affordable housing was rather stable, but demand in commercially-funded residential projects declined clearly. Other commercial segments declined slightly during the year, while the infrastructure segment grew significantly as a result of government stimulus actions. The market environment in China varied clearly between different regions. The first-tier cities and a part of second-tier cities continued to show a better level of demand, while the development in lower-tier cities was weak. Outside China, the market sentiment in India improved slightly with the new equipment market seeing some growth during the year. The Southeast Asian markets were rather stable overall, affected by the economic uncertainty in the region. In Australia, both new equipment and modernization demand developed positively. Maintenance markets in Asia-Pacific continued to grow following the positive development in new equipment installations.

KONE competes with various companies in all geographic areas. Particularly in services, the market environment is fragmented with numerous smaller and larger competitors. In 2015, the pricing environment was challenging in many regions. In China, competition for market share in the new equipment market was intense, resulting in further intensified price competition during 2015. The rest of Asia-Pacific saw no major changes in the competitive environment. In the EMEA region, the pricing environment in new equipment remained the most challenging in South European markets with persisting low volumes. The pricing of new equipment in North America continued to improve slightly, particularly in the volume business. In maintenance and modernization, the pricing environment was characterized by strong competition in the EMEA region, particularly in South Europe and also in some of the Central and North European markets. Also in North America, price competition remained rather intense in the service business.

Orders received and Order book

Orders received grew by 16.8% in 2015, and totaled EUR 7,959 (1–12/2014: 6,813) million. At comparable exchange rates, KONE's orders received increased by 5.6%. During January–December 2015, KONE's orders received grew in the volume business, and saw some growth also in the major projects business. Orders received grew somewhat in new equipment and clearly in modernization. The orders received consist predominantly of new equipment and modernization orders. Maintenance contracts are not included in orders received, but the figure includes orders related to the maintenance business, such as repairs.

The order book grew by 18.1% compared to the end of 2014, and stood at a level of EUR 8,210 (December 31, 2014: 6,952) million at the end of 2015. At comparable exchange rates, the increase was 11.9%. The margin of the order book remained at a good level. The overall margin of orders received also remained at a good level. This was achieved despite the price pressure in several markets with progress made in product and cost competitiveness. Cancellations of orders remained at a very low level.

KONE's new equipment orders received in elevator and escalator units amounted to approximately 161,000 units (2014: approximately 154,000 elevator and escalator units).

Orders received in the EMEA region grew clearly at comparable exchange rates as compared to 2014. New equipment orders grew clearly in the region. They grew significantly in Central and North Europe, with Great Britain, Germany and the Nordic countries contributing most to the growth. In South Europe, new equipment orders were stable with strong growth in Spain, a stable development in France, and significant decline in Italy. In the Middle East, new equipment orders grew somewhat against a high comparison level. KONE's modernization order intake in the EMEA region grew somewhat as compared to 2014, driven by clear growth in Central and North Europe. In South Europe, modernization orders were stable.

Orders received in the Americas region grew significantly at comparable rates as compared to 2014. New equipment orders received grew strongly, driven by the United States in particular. Also in modernization, orders received saw significant growth in the region.

Orders received in the Asia-Pacific region grew slightly at comparable rates as compared to the previous year. New equipment orders received were stable in the region with a stable development in China, the largest contributor. In the rest of Asia-Pacific, new equipment orders grew significantly in the volume business but declined in major projects due to several large projects in the comparison period. Modernization orders received grew significantly in the Asia-Pacific region.

Net sales

Net sales increased in 2015 by 17.9% as compared to the prior year, and totaled EUR 8,647 (1–12/2014: 7,334) million. At comparable exchange rates the increase was 8.3%. The sales consolidated from the companies acquired in 2015 did not have a material impact on KONE's net sales for the financial period.

New equipment sales accounted for EUR 4,935 (4,009) million and represented an increase of 23.1% over the comparison period. At comparable exchange rates, new equipment sales grew by 10.6%.

KONE delivered approximately 137,000 new elevator and escalator units in 2015 (2014: approximately 130,000 elevator and escalator units).

Service (maintenance and modernization) sales increased by 11.6%, and totaled EUR 3,713 (3,326) million. At comparable exchange rates, service sales grew by 5.4%. Maintenance sales grew by 13.0% at historical and by 6.7% at comparable exchange rates, and totaled EUR 2,642 (2,338) million. Modernization sales increased by 8.5%, and totaled EUR 1,071 (987.4) million. At comparable exchange rates, modernization sales increased by 2.2%.

KONE's elevator and escalator maintenance base continued to grow and was close to 1,100,000 units at the end of 2015 (the maintenance base exceeded 1,000,000 units at the end of 2014). The growth of the maintenance base was driven, in particular, by a continued good level of conversions of new equipment deliveries to the maintenance base. Acquisitions also somewhat contributed to the growth. During the reporting period, the balance of maintenance contracts that were won from or lost to competition was still negative, but it was at a better level than at the end of the previous year. Another factor burdening the growth of the maintenance base was the usual impact from equipment taken out of use due to building closures.

The share of new equipment sales was 57% (55%) and the share of service sales 43% (45%) of total sales, with maintenance representing 31% (32%) and modernization 12% (13%) of total sales. The geographical distribution of net sales was 39% (44%) EMEA, 17% (15%) Americas and 44% (41%) Asia-Pacific. The increase in the share of new equipment and Asia-Pacific was to a large extent due to changes in translation exchange rates. The largest individual countries in terms of net sales were China, the United States and France. China's share was close to 35% and the United States' share close to 15% of KONE's total net sales in 2015.

Sales in the EMEA region grew by 5.1%, and totaled EUR 3,370 (3,205) million. At comparable exchange rates, the growth was 3.5%. New equipment and maintenance sales grew somewhat. Modernization sales declined slightly.

Sales in the Americas region grew by 33.2%, and totaled EUR 1,466 (1,101) million. At comparable exchange rates, the growth was 15.6%. Sales grew very strongly in new equipment and significantly in modernization. Maintenance sales grew somewhat.

Sales in the Asia-Pacific region grew by 25.8%, and totaled EUR 3,812 (3,029) million. At comparable exchange rates, the growth was 10.1% with clear growth in new equipment and significant growth in maintenance. Modernization sales saw a clear decline.

Financial result

KONE's operating income (EBIT) grew in 2015 and reached EUR 1,241 (1–12/2014: 1,036) million or 14.4% (14.1%) of net sales. Operating income grew driven by a positive development in both the new equipment and service businesses. The growth was driven by a broad-based positive development across geographical regions. Favorable translation exchange rates clearly contributed to the growth in operating income with a positive impact of approximately EUR 120 million. KONE continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific and North America as well as R&D, process development and IT.

Net financing items was EUR 122.4 (-19.1) million. An extraordinary dividend received from Toshiba Elevator and Building Systems Corporation (TELC), amounting to EUR 118.2 million, had a strongly positive impact on financing income. Net financing items also included the revaluation of option liabilities from acquisitions, totaling EUR -36.9 million of which EUR 10.2 million was negative impact from exchange rates.

KONE's income before taxes was EUR 1,364 (1,016) million. Taxes totaled EUR 311.4 (242.4) million. This represents an effective tax rate of 22.8% (23.9%) for the financial year. The main one-time items affecting the total effective tax rate for the full financial year were the extraordinary dividends received from TELC and the revaluation of option liabilities from acquisitions. The effective tax rate resulting from the operations for the financial year was 23.2% (22.5%). Net income for the period under review was EUR 1,053 (773.9) million.

Basic earnings per share was EUR 2.01 (1.47). Basic earnings per share excluding the extraordinary dividend received from TELC was EUR 1.79.

Consolidated statement of financial position and Cash flow

KONE's financial position was very strong at the end of December 2015.

Cash flow from operations during January–December 2015 (before financing items and taxes) was EUR 1,474 (1–12/2014: 1,345) million. The cash flow was driven by growth in operating income and continued favorable development in net working capital.

Net working capital improved, and was at the end of December 2015 EUR -983.4 (December 31, 2014: -749.7) million, including financing items and taxes. The impact from translation exchange rates was significantly positive on the reported net working capital, but also at comparable rates, net working capital improved from a very good level. This was a result of a strong level of advances received relative to inventories and good collection of accounts receivable.

Interest-bearing net debt at the end of December 2015 was EUR -1,513 (December 31, 2014: -911.8) million. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 1,903 (1,279) million at the end of the reporting period. Interest-bearing liabilities were EUR 406.1 (373.2) million, including a net pension liability of EUR 169.2 (178.9) million and short-term loans of EUR 12.0 (12.0) million. In addition, the interest-bearing net debt includes EUR 192.4 (151.0) million of option liabilities from acquisitions. Gearing was -58.7%, compared with -44.2% at the end of 2014. KONE's total equity/total assets ratio was 45.4% at the end of December 2015 (December 31, 2014: 43.6%).

Equity per share was EUR 4.94 (3.93).

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 157.6 (1–12/2014: 154.8) million. Capital expenditure, excluding acquisitions, was mainly related to R&D, IT, business operations and production. Acquisitions accounted for EUR 64.9 (67.0) million of this figure.

During 2015, KONE's acquisitions included the service companies Janzhoff Aufzüge GmbH and Klostermann Aufzüge GmbH in Germany as well as KONE's authorized distributors in Croatia and Bosnia. In addition, KONE completed a number of smaller acquisitions in the EMEA region and in the United States during the reporting period. The acquisitions completed during the reporting period did not individually or as a whole have a material impact on the result or financial position of KONE.

Research and development

Research and development expenses totaled EUR 121.7 (1–12/2014: EUR 103.1) million, representing 1.4% (1.4%) of net sales. R&D expenses include the development of new product and service concepts and the further development of existing solutions and services. KONE's elevators and escalators are based on industry-leading energy efficient technology.

KONE's customers and users are at the center of its research and development efforts. In accordance with its vision of delivering the best People Flow® experience, KONE focuses on understanding the needs of its customers and the users of its solutions in order to make people flow in buildings smoother and to improve the user experience. The aim of one of KONE's five development programs, the Most Competitive People Flow® Solutions, is to offer industry-leading elevators, escalators and automatic building doors, and to further develop KONE's People Flow Intelligence solutions for the smart buildings of the future.

In 2015 KONE continued to enhance its offering, launching both a number of new solutions as well as enhancements to existing solutions. New solutions were released in various markets. In India, two new elevator models for the residential market were introduced, the KONE I MonoSpace® and the KONE I MiniSpace™. The new elevators are designed for low- and mid-rise apartment buildings, providing customers and users with improved ride comfort and eco-efficiency as well as inspiring design. In China, KONE extended its offering in the affordable housing segment with the launch of the KONE Z MiniSpace™ elevator. In North America, KONE's offering was complemented with the launch for sales of the Turnstile 100 and the RemoteCall™ application, which allows the elevator to be called remotely from anywhere in the building with smartphone technology. KONE's global escalator offering was improved with the launch of an updated version of the KONE TransitMaster™ 140 escalator targeted for the infrastructure segment. Other releases during the reporting period included new solutions for elevator electrification and signalization modernization in Europe and China.

KONE initiated elevator installations at the Jeddah Tower (formerly known as Kingdom Tower) construction site in Saudi Arabia during the second quarter of 2015. The world's tallest building, scheduled to be completed in 2018, will be equipped with KONE's newest innovative technology including high-speed elevators that are set to make a new record for an elevator ride's vertical distance with 660 meters. In addition, KONE further strengthened its high-rise innovation capabilities in the fourth quarter by opening one of the tallest elevator test towers in the world at its R&D facility in Kunshan, China. With a height of 236 meters, the Kunshan test tower is the tallest among KONE's testing facilities, and it complements KONE's over 300-meter-deep underground testing facility in Tytyri, Finland, allowing KONE to test elevators at various speeds.

In 2015, KONE was ranked 48th out of the 100 most innovative companies in the world by business magazine Forbes (2014: 42nd). Out of all European companies listed, KONE was ranked fifth. KONE was listed by Forbes for the fifth consecutive year and was the only elevator and escalator company included on the list in 2015. In addition, KONE received recognition for its design during 2015. KONE was awarded two design awards, the iF Design Award and the Red Dot Product Design Award, for its KONE Turnstile 100 solution. KONE was recognized in the iF Design Awards already for the third time.

Change in the Board of Directors

Kazunori Matsubara, member of the Board of Directors of KONE since February 23, 2015, tendered his resignation from the Board of Directors as of July 22, 2015. Kazunori Matsubara resigned from the Board following the sale by Toshiba Elevator and Building Systems Corporation (TELC) of their previously held 4.6% stake in KONE Corporation's share capital. Following the resignation of Kazunori Matsubara, the Board of Directors of KONE consists of eight members.

Changes in the Executive Board

In September 2015, KONE announced the establishment of a new Technology & Innovation unit bringing together KONE's Research & Development and IT functions. Tomio Pihkala was appointed KONE's Chief Technology Officer to head the new unit as of January 1, 2016. Tomio Pihkala was previously responsible for KONE's Operations Development. In his new position, he continues as a member of the Executive Board and reports to Henrik Ehrnrooth, President & CEO.

Mikko Korte was appointed Executive Vice President, Operations Development as of January 1, 2016. KONE Operations Development includes KONE's installation operations as well as the quality, safety and environment functions. Mikko Korte was previously responsible for KONE's new equipment business in the Americas region. In his new position he became a member of the Executive Board and reports to Henrik Ehrnrooth.

Personnel

The objective of KONE's personnel strategy is to help the company meet its business targets. The main goals of this strategy are to further secure the availability, engagement, motivation and continuous development of the company's personnel. All of KONE's activities are guided by ethical principles. The personnel's rights and responsibilities include the right to a safe and healthy working environment, personal well-being as well as the prohibition of any kind of discrimination.

One of the five development programs launched at the beginning of 2014 was defined as "A Winning Team of True Professionals." The implementation of various initiatives within this program continued during 2015, and targets for 2016 were defined. The initiatives target to help all employees perform at their best, to enhance the systematic development of field competences, and to ensure the attraction of the right talent to all positions.

During 2015, in line with the target of helping all employees perform at their best, conducting high-quality performance discussions was a focus area at KONE. The share of employees with documented performance reviews and development plans showed a significant increase during the year. A record number of employees also reported seeing a positive impact from the reviews on their personal development. In several countries, special focus was paid to supervisor competence evaluations and development plans. In addition to the individual development planning, job rotation continued as an important part of employee development at KONE. In 2015, a "Visit a job" concept was piloted to promote short term job rotation and the exchange of ideas across departments. In 2016, this concept will be further promoted and expanded, and actions to further improve the quality of performance evaluations will continue.

By the end of 2015, a majority of KONE's personnel had access to the company's online learning management system. With the increasing use of the system, over half of all active training registrations had been made for online modules at the end of the year. In addition, KONE continued to invest in the training of field employees, especially in the more emerging markets, and started new partnerships to enhance competence building of maintenance technicians in China. The delivery of existing leadership and general management programs also continued as throughout the year.

KONE also continued focusing on talent attraction during the reporting period. Various employer branding and school collaboration activities took place, and KONE had apprentice programs in use in more than 20 countries. In addition, KONE received over 2,000 applications for its International Trainee Program, attracting top students and recent graduates for assignments in an international working environment.

KONE carried out its tenth annual global employee survey with a record high response rate of 93% (2014: 91%). The overall results showed a further improvement, particularly in indicators measuring views on career opportunities, collaboration and the perceived quality of KONE's products and services. Following the results, actions targeting identified improvement areas continued throughout the year extending also into 2016.

During the year, efforts to improve safety at work remained a high priority area at KONE. The IIFR (Industrial Injury Frequency Rate) improved further and was 2.3 in 2015 (2014: 2.8). KONE's fourth annual Safety Week was held in all KONE units with the theme "Set an example". Various safety-related activities were held during the week, both for internal and external stakeholders. Additionally, systematic internal sharing of practices and development ideas improving safety continued throughout the year. The indicator measuring KONE's commitment to safety again received the highest single score in the annual employee survey.

KONE had 49,734 (December 31, 2014: 47,064) employees at the end of December 2015. The average number of employees was 48,469 (1–12/2014: 45,161). Employee costs for the reporting period totaled EUR 2,446 (2,100) million. The geographical distribution of KONE employees was 42% (December 31, 2014: 44%) in EMEA, 13% (12%) in the Americas and 45% (44%) in Asia-Pacific.

Environment

For KONE, environmental responsibility is a combination of offering its customers innovative solutions that are both energy- and cost-efficient, and reducing the adverse environmental impacts of its own operations. The focus in developing eco-efficient solutions is on further improving energy-saving stand-by and hoisting solutions for elevators as well as innovative energy-saving solutions for escalators. KONE aims to strengthen its position as a leader in sustainability in its industry, supporting governmental and other green building initiatives and the ongoing transformation of the built environment into smart eco-cities globally.

KONE has set ambitious environmental targets in its Environmental Excellence program for the years 2014–2016, with the focus on further improving the energy efficiency of its solutions as well as reducing the adverse environmental impacts from its own operations. Overall, the most significant environmental impact comes from the energy used by KONE equipment during their lifetime, whereas the biggest impact on KONE's carbon footprint from its own operations relates to the company's vehicle fleet, electricity consumption, and logistics. KONE also continues to focus on the environmental aspects of its supply chain network.

As targeted in its Environmental Excellence program, KONE continued developing the energy-efficiency of its solutions in 2015. KONE extended the classification coverage of its product range according to the new energy efficiency standard ISO 25745. In addition to eight elevator models classified already in the previous year, the KONE N MonoSpace® elevator also achieved the highest A-class classification according to the new standard. Additionally, the KONE TravelMaster™ 110 escalator achieved the highest A+++ classification for escalators. In addition, KONE renewed the Green Label certifications of the Singapore Green Building Council for the KONE N MiniSpace™ and KONE N MonoSpace® elevators.

In addition to its solutions, KONE's manufacturing and office facilities also received recognition for their sustainability in 2015. The manufacturing unit in Italy achieved the ISO 50001 Energy management systems certification as the second KONE unit, in addition to the previously certified unit in the Czech Republic. In addition, the building housing the new head office of KONE's subsidiary in Finland was awarded LEED Platinum green building certification.

In June 2015, KONE published its Sustainability Report 2014. The report follows the application level B of the Global Reporting Initiative guidelines. The most significant environmental achievements in 2014 included reductions in reported greenhouse gas emissions from the company's own operations. KONE's

2014 carbon footprint relative to overall operations (net sales) decreased by 1.8% compared to 2013. KONE's greenhouse gas reporting has been assured by an objective third party.

KONE's score in CDP's (formerly known as Carbon Disclosure Project) climate change program further improved to the best possible 100 A in 2015 (2014: 100 A-). The program is designed to enable the management of greenhouse gas emissions and the risks and opportunities associated with climate change. In addition to carbon disclosure, CDP evaluates companies on their performance for mitigating climate change on a scale of A to E, with scores A to B considered high performance. In 2015, KONE reached the highest A score for the first time and was included on CDP's global A List of 113 leading companies. For the fifth year running, KONE achieved a top position on CDP's Nordic Climate Disclosure Leadership Index (CDLI) featuring the best 10% of companies included in the CDP Nordic report. Additionally, KONE was ranked in 2015 as one of the world's most sustainable companies and included in the Global 100 index fund managed by investment advisory company Corporate Knights. Ranked 28th, KONE is the only elevator and escalator company in the index.

As a signatory of the United Nations Global Compact, KONE supports the new UN agenda for Sustainable Development launched in the autumn of 2015, which addresses the social, economic and environmental dimensions of sustainability. KONE's solutions help in addressing the challenges created by urbanization, climate change, demographic change and increased safety demands, all of which are covered by the new agenda. In December 2015, KONE also signed the Paris Pledge for Action supporting the objectives of the Paris Agreement on climate change.

Other events

In 2007 a decision was issued by the European Commission concerning alleged local anticompetitive practices before early 2004 in Germany, Luxembourg, Belgium and the Netherlands by leading elevator and escalator companies, including KONE's local subsidiaries. Also, the Austrian Cartel Court issued in 2007 a decision concerning anticompetitive practices that had taken place before mid-2004 in local Austrian markets by leading elevator and escalator companies, including KONE's local subsidiary. As announced by KONE earlier, a number of civil damage claims by certain companies and public entities, relating to the two 2007 decisions, are pending in related countries. The claims have been made against various companies concerned by the decisions, including certain KONE companies. All claims are independent and are progressing procedurally at different stages. The total capital amount claimed jointly and severally from all of the defendants together was EUR 262 million at the end of December 2015 (December 31, 2014: EUR 280 million). KONE's position is that the claims are without merit. No provision has been made.

Risk management

KONE is exposed to risks that may arise from its operations or changes in the business environment. The 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.

A weakening of the global economic environment or an increase in geopolitical tensions could result in a deterioration of the market environment and the competitive situation in the global new equipment, modernization and maintenance markets. In particular, a disruption in the construction market or prolonged market weakness could result in a significant decline of the market for new elevators and escalators and a more challenging market environment in services. Such a decline in the market in China, the EMEA region or other regions that form a substantial part of KONE's orders, sales or profits, could lead to a decline in orders received, cancellations or delays of agreed deliveries and projects, or further intensified price competition, which could all, as a result, have a negative impact on KONE's growth and profitability. To counteract the pressures resulting from a possible deterioration of the economic environment and its impact on the elevator and escalator markets, KONE strives to continuously develop its competitiveness.

KONE operates in an industry with various local regulatory requirements in both the new equipment and service businesses. Sudden or unanticipated changes in regulations, codes or standards may result in a need for process or technology adjustments, which could adversely affect KONE's profit development in affected countries. In order to mitigate the risk of unanticipated changes in the regulatory environment, KONE is actively involved in the development of regulations, codes and standards that aim to further improve the safety and other technological features of elevators, escalators and automatic doors.

KONE introduces new technology and continuously develops the competitiveness of its existing offering and solutions based on anticipated future developments in relevant technologies, customer needs and market requirements. The development of new technology and execution of product releases involve risks related to the functioning of the delivery chain as well as product integrity and quality. Additionally, a failure to anticipate or address changes in the external environment – including the industry and end markets, the competitive environment, relevant technology, or customer needs and behavior – could result in a deterioration of KONE's growth, competitiveness, market share or profitability. Such risks could materialize also in the case of an incident causing reputational or other damage to the company. To mitigate these risks, KONE has processes in place for product design, supply, manufacturing, installation and maintenance involving strict quality control. KONE also follows closely emerging trends in the industry and markets as well as the developments in various fields of new technology.

KONE operates in certain high growth markets, where focused management of rapid business growth is required. This applies in particular to the availability of skilled personnel, the adequate supply of components and materials, and the ability to ensure the quality of delivered products and services. Failure to adequately manage resourcing, quality of delivery, or other critical aspects in projects, could result in delays in deliveries and unplanned costs, which in turn could have an adverse impact on the profitability of the company. KONE manages these risks through proactive project and resource planning and strict quality control processes.

KONE's business activities are dependent on the uninterrupted operation, quality and reliability of its manufacturing facilities, sourcing channels, and logistics processes. A significant part of KONE's component suppliers and global supply capacity is located in China, both in the elevator and in the escalator business. The risks related to the supply chain are controlled by analyzing and improving the fault tolerance of processes, focusing on diligent forecasting, fostering close cooperation with KONE's suppliers, and by increasing the readiness for transferring the manufacturing of critical components from one production line or supplier to another. KONE actively monitors the operations and financial strength of its key suppliers. The aim is also to secure the availability of alternative sourcing channels for critical components and services. Additionally, KONE has a global property damage and business interruption insurance program in place.

KONE's operations utilize information technology extensively and its business is dependent on the quality and availability of information. This may expose KONE to information security violations, the misuse, theft or other loss of systems and/or data, viruses, malwares and to such malfunctions, which can result in system failures or disruptions in processes and therefore impact KONE's business. Clear roles and responsibilities have been defined to manage IT security risks to ensure that adequate security is inbuilt within the IT management processes according to security policies, principles and guidelines. KONE uses trusted and well known technology partners to mitigate information-related risks in all parts of its operations.

Changes in prices of raw materials and components are reflected in the production costs of elevators, escalators and automatic doors, and may therefore have a significant impact on KONE's profitability. In order to reduce the impact of material and sourcing price fluctuation, KONE aims to enter into fixed-price contracts with its major suppliers for a significant part of its raw material and component purchases whenever feasible and relevant considering the market situation.

KONE is exposed to counterparty risks related to financial institutions through the significant amounts of liquid funds deposited with financial institutions, financial investments and in derivatives. In order to diversify the financial credit risk, KONE deposits its funds into several banks and invests a part of its liquidity into highly liquid money market funds. KONE also manages its counterparty risk by accepting only counterparties with high creditworthiness. The size of each counterparty limit reflects the creditworthiness of the counterparty and KONE constantly evaluates such limits.

KONE is also exposed to risks related to the liquidity and payment schedules of its customers, which may lead to credit losses. To mitigate this risk, defined rules for tendering, levels of approval authority, and credit control have been established. The risks related to accounts receivable are minimized also through the use of advance payments, documentary credits and guarantees in KONE's payment terms. KONE's customer base consists of a large number of customers in several market areas, with no individual customer representing a material share of KONE's sales.

KONE operates internationally and is thus exposed to risks arising from foreign exchange rate fluctuations related to currency flows from revenues and expenses, as well as from the translation of income statement and statement of financial position items of foreign subsidiaries into euros. The KONE Treasury is responsible for the centralized management of financial risks in accordance with the KONE Treasury Policy approved by the Board of Directors.

For further information regarding financial risks, please refer to note 2 in the consolidated Financial Statements for 2015.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on February 23, 2015. The meeting approved the financial statements and discharged the responsible parties from liability for the financial period January 1–December 31, 2014.

The number of Members of the Board of Directors was confirmed as nine. Reelected as Members of the Board were Matti Alahuhta, Anne Brunila, Antti Herlin, Jussi Herlin, Ravi Kant, Juhani Kaskeala and Sirpa Pietikäinen. Iiris Herlin and Kazunori Matsubara were elected as new Members of the Board.

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

Jussi Herlin was elected as Chairman and Anne Brunila, Antti Herlin and Ravi Kant as members of the Audit Committee. Anne Brunila and Ravi Kant are independent of both the company and of significant shareholders. Jussi Herlin was independent of the company until January 10, 2016, after which he has become employed by the company.

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

The General Meeting confirmed an annual compensation of EUR 54,000 for the Chairman of the Board, EUR 44,000 for the Vice Chairman and EUR 33,000 for Board Members. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings, but such that an EUR 2,000 compensation for Committee meetings will be paid for members residing outside of Finland. Of the annual remuneration, 40 percent will be paid in class B shares of KONE Corporation and the rest in cash.

The General Meeting approved the authorization for the Board of Directors to repurchase KONE's own shares. Altogether no more than 52,440,000 shares may be repurchased, of which no more than 7,620,000 may be class A shares and 44,820,000 class B shares. The authorization shall remain in effect for a period of one year from the date of decision of the General Meeting.

Further, the General Meeting authorized the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act. The amount of shares to be issued based on this authorization shall not exceed 7,620,000 class A shares and 44,820,000 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 shall remain in effect for a period of five years following the date of decision of the General Meeting.

Authorized public accountants PricewaterhouseCoopers Oy and Niina Vilske were nominated as the Company's auditors.

The General Meeting approved dividends of EUR 1.1975 for each of the 76,208,712 class A shares and EUR 1.20 for each of the outstanding 437,517,818 class B shares. The date of record for dividend distribution was February 25, 2015 and dividends were paid on March 4, 2015.

Share capital and Market capitalization

In 2010, KONE granted a conditional option program. The 2010 stock options were listed on the Nasdaq Helsinki Ltd. on April 2, 2013. Each option entitled its holder to subscribe for two (2) new class B shares at the price of, from February 24, 2015, EUR 11.875 per share. As the subscription period ended on April 30, 2015, the 896,000 KONE 2010 option rights held by KONE Capital Oy, a subsidiary of KONE Corporation, and otherwise unused 105 KONE 2010 option rights expired. The rest of the remaining 2,103,895 options had been used.

In 2013, KONE granted a conditional option program. The stock options 2013 were listed on Nasdaq Helsinki Ltd. as of April 1, 2015. The total number of stock options was 750,000 and 55,000 of them are held by KONE Corporation's subsidiary. During the reporting period 126,284 new KONE class B shares were subscribed for with the 2013 option rights. On December 31, 2015 a maximum of 1,263,716 shares could be subscribed for with the remaining outstanding option rights. Each option entitles its holder to subscribe for two (2) new class B shares at the price of, from February 24, 2015, EUR 25.40 per share. The share subscription period for the stock option 2010 is April 1, 2015–April 30, 2017.

In December 2013, KONE granted a conditional option program. Stock options 2014 are granted according to the decision of the Board of Directors on December 20, 2013 to approximately 550 key employees and the decision was based on the authorization received from the Shareholders Meeting on March 1, 2010. A maximum total of 1,500,000 options are granted. The original share subscription price for the option was EUR 31.80 per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per December 31, 2015 was EUR 29.60. Each option entitles its holder to subscribe for one (1) new or existing company's own class B KONE share. The share subscription period for the stock options 2014 is April 1, 2016–April 30, 2018. The share subscription period begins April 1, 2016, since the financial performance of the KONE Group for the financial years 2014–2015, based on the total consideration of the Board of Directors, has been equal to or better than the average performance of the key competitors of KONE.

In December 2014, KONE granted a conditional option program. Stock options 2015 are granted according to the decision of the Board of Directors on December 18, 2014 to approximately 560 key employees. The decision was based on the authorization received from the shareholders' meeting on March 1, 2010. A maximum total of 1,500,000 options are granted. The original share subscription price for the option is EUR 36.20 per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per December 31, 2015 was EUR 35.00. Each stock option entitles its holder to subscribe for one (1) new or an existing company's own class B KONE share. The share subscription period for the stock options 2015 will be April 1, 2017–April 30, 2019. The share subscription period begins only if the financial performance of the KONE Group for the financial years 2015–2016 based on the total consideration of the Board of Directors is equal to or better than the average performance of the key competitors of KONE.

In December 2015, KONE's Board of Directors decided that KONE's share-based remuneration will be based on two separate plans starting from the financial year 2016. One share-based incentive plan will be targeted for the senior management of KONE, including the President and CEO, members of the Executive Board and other top management, consisting of approximately 60 individuals. A second plan will be targeted for other key personnel of KONE, totaling approximately 425 individuals. The incentive plans will be part of these individuals' remuneration starting from the financial year 2016. According to the decision, the potential reward is based on the annual growth in sales and earnings before interest and taxes (EBIT) in both plans. However, KONE's Board of Directors has the possibility to change the basis of the target setting annually. The potential reward is to be paid as a combination of KONE class B shares and a cash payment equivalent to the taxes and similar charges that are incurred from the receipt of the shares. Plans include conditions preventing participants from transferring and participants are obliged to return the shares and the cash payments if employment or service contract is terminated during a period of two years following the ending of each earning period. Following the decision, KONE does not grant new stock option plans. The current existing stock option plans 2013, 2014 and 2015 shall be carried out based on the original terms of these programs.

On December 31, 2015, KONE's share capital was EUR 65,675,789.25 comprising 449,197,602 listed class B shares and 76,208,712 unlisted class A shares. KONE's market capitalization was EUR 20,101 million on December 31, 2015, disregarding own shares in the Group's possession. 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

During January–December 2015, KONE used its authorization to repurchase own shares. In April, 354,838 class B shares in the company's possession were assigned to the share-based incentive plan and 3,210 class B shares as a part of the board members' annual remuneration. In July, 5,194 class B shares were returned to KONE Corporation by virtue of the terms of KONE Corporation's share-based incentive program for the years 2013–2015. In addition, KONE bought back in total 1,910,000 of its own class B shares in July. At the end of December, the Group had 12,240,544 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 the Nasdaq Helsinki Ltd.

The Nasdaq Helsinki Ltd. traded 259.2 million KONE Corporation's class B shares in January–December 2015, equivalent to a turnover of EUR 9,930 million. The daily average trading volume was 1,032,543 shares (1–12/2014: 945,356). The share price on December 31, 2015 was EUR 39.17. The volume weighted average share price during the period was EUR 38.29. The highest quotation during the period under review was EUR 44.35 and the lowest EUR 31.50. In addition to the Nasdaq Helsinki Stock Exchange, KONE's class B share is traded also on various alternative trading platforms. The volume of KONE's B shares traded on the Nasdaq Helsinki Stock Exchange represented approximately 31.0% of the total volume of KONE's class B shares traded in January–December 2015 (source: Fidessa Fragmentation Index, http://fragmentation.fidessa.com).

The number of registered shareholders was 51,075 at the beginning of the review period and 56,441 at its end. The number of private households holding shares totaled 52,507 at the end of the period, which corresponds to approximately 13.5% of the listed B shares.

According to the nominee registers, 49.3% of the listed class B shares were owned by foreign shareholders on December 31, 2015. Other foreign ownership at the end of the period totaled 1.3%. Thus a total of 50.6% of KONE's listed class B shares were owned by international investors, corresponding to approximately 18.8% of the total votes in the company.

Market outlook 2016

In new equipment, the market in China is expected to decline by 5–10% in units ordered and also the price competition to continue intense. In the rest of Asia-Pacific and in North America, the market is expected to see some growth. Also the market in Europe, Middle East and Africa region is expected to grow slightly with growth in Central and North Europe and a more stable development in South Europe and the Middle East.

The modernization market is expected to grow slightly in Europe, to continue to grow in North America, and to develop strongly in Asia-Pacific.

Maintenance markets are expected to see the strongest growth rate in Asia-Pacific, and to develop rather well also in other regions.

Business outlook 2016

KONE's net sales is estimated to grow by 2–6% at comparable exchange rates as compared to 2015.

The operating income (EBIT) is expected to be in the range of EUR 1,220–1,320 million, assuming that translation exchange rates would remain at approximately the average level of January 2016.

The Board's proposal for the distribution of profit

The parent company's non-restricted equity on December 31, 2015 is EUR 1,765,223,548.43 of which the net profit for the financial year is EUR 1,200,968,239.16.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.3975 be paid on the outstanding 76,208,712 class A shares and EUR 1.40 on the outstanding 436,957,058 class B shares, resulting in a total amount of proposed dividends of EUR 718,241,556.22.

The Board of Directors further proposes that the remaining non-restricted equity, EUR 1,046,981,992.21 be retained and carried forward.

The Board proposes that the dividends be payable from March 16, 2016. All the shares existing on the dividend record date are entitled to dividend for the year 2015 except for the own shares held by the parent company.

Annual General Meeting 2016

KONE Corporation's Annual General Meeting will be held at 11.00 a.m. on Monday, March 7, 2016 at the Finlandia Hall, Mannerheimintie 13, in Helsinki, Finland.

Helsinki, January 28, 2016

KONE Corporation's Board of Directors

Information required by the Companies' Act and the Decree of the Ministry of Finance on the Regular Duty of Disclosure of an Issuer of a Security, such as classes of shares, shareholders, related parties, terms of stock options and financial key figures have been presented in the notes to the Financial Statements.

Consolidated statement of income

MEUR	Note	Jan 1–Dec 31, 2015	%	Jan 1–Dec 31, 2014	%
Sales	4, 26	8,647.3		7,334.5	
Costs, expenses, depreciation and amortization	5, 6	-7,405.8		-6,298.8	
Operating income		1,241.5	14.4	1,035.7	14.1
Share of associated companies' net income	14	0.6		-0.3	
Financing income	7	198.9		43.5	
Financing expenses	7	-76.5		-62.6	
Income before taxes		1,364.4	15.8	1,016.4	13.9
Taxes	8	-311.4		-242.4	
Net income		1,053.1	12.2	773.9	10.6
Net income attributable to:					
Shareholders of the parent company		1,032.3		755.6	
Non-controlling interests		20.7		18.4	
Total		1,053.1		773.9	
Earnings per share for profit attributable to the shareholders of the parent company, EUR	9				
Basic earnings per share, EUR		2.01		1.47	
Diluted earnings per share, EUR		2.00		1.47	

Consolidated statement of comprehensive income

MEUR	Note	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Net income		1,053.1	773.9
Other comprehensive income, net of tax:	10		
Translation differences		177.4	152.7
Hedging of foreign subsidiaries		-23.5	-27.5
Cash flow hedges		-10.7	-12.9
Items that may be subsequently reclassified to statement of income		143.2	112.4
Remeasurements of employee benefits		-11.6	-41.5
Items that will not be reclassified to statement of income		-11.6	-41.5
Total other comprehensive income, net of tax		131.6	70.9
Total comprehensive income		1,184.6	844.8
Total comprehensive income attributable to:			
Shareholders of the parent company		1,163.9	826.5
Non-controlling interests		20.7	18.4
Total		1,184.6	844.8

Consolidated statement of financial position

Assets MEUR		Note	Dec 31, 2015	Dec 31, 2014
Non-current assets				
Goodwill		11	1,306.7	1,208.9
Other intangible assets		12	271.5	261.8
Property, plant and equipment		13	345.4	317.1
Investments in associated companies		14	4.4	4.5
Shares and other non-current financial assets		2, 15	118.3	108.0
Non-current loans receivable	I	2, 16	7.0	6.3
Employee benefits	I	2, 22	8.4	-
Deferred tax assets	II	17	299.7	262.8
Total non-current assets			2,361.4	2,169.4
Current assets				
Inventories	II	18	1,326.7	1,211.8
Accounts receivable	II	2	1,480.2	1,368.3
Deferred assets	II	2, 19	391.6	284.7
Income tax receivables	II		42.4	47.2
Current deposits and loans receivable	I	2, 16	1,350.6	942.7
Cash and cash equivalents	I	2	552.7	336.1
Total current assets			5,144.2	4,190.6
Total assets			7,505.6	6,360.0

Equity and liabilities MEUR		Note	Dec 31, 2015	Dec 31, 2014
Capital and reserves attributable to the shareholders of the parent company				
Share capital		20	65.7	65.6
Share premium account			100.3	100.3
Paid-up unrestricted equity reserve			140.7	127.0
Fair value and other reserves			-16.2	-5.5
Translation differences			272.1	118.3
Remeasurements of employee benefits			-103.6	-92.0
Retained earnings			2,068.5	1,704.2
Total shareholders' equity			2,527.5	2,017.8
Non-controlling interests			48.0	44.5
Total equity			2,575.5	2,062.4
Non-current liabilities				
Loans	I	2	32.5	31.2
Employee benefits	I	2, 22	169.2	178.9
Deferred tax liabilities	II	17	140.9	110.6
Total non-current liabilities			342.6	320.8
Provisions	II	23	173.6	137.4
Current liabilities				
Current portion of long-term loans	I	2	10.9	9.3
Short-term loans and other liabilities	I	2	193.5	153.8
Advance payments received	II	24	1,829.4	1,628.7
Accounts payable	II	2	728.9	597.1
Accruals	II	2, 24	1,575.2	1,371.0
Income tax payables	II		76.0	79.6
Total current liabilities			4,414.0	3,839.4
Total equity and liabilities			7,505.6	6,360.0

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

Consolidated statement of changes in equity

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	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2015		65.6	100.3	127.0	-5.5	118.3	-92.0	-150.8	1,855.0		44.5	2,062.4
Net income for the period										1,032.3	20.7	1,053.1
Other comprehensive income:	10											
Translation differences						177.4						177.4
Hedging of foreign subsidiaries						-23.5						-23.5
Cash flow hedges					-10.7							-10.7
Remeasurements of employee benefits							-11.6					-11.6
Transactions with shareholders and non-controlling interests:	20											
Profit distribution									-616.3			-616.3
Increase in equity (option rights)		0.1		13.7								13.8
Purchase of own shares								-71.2				-71.2
Change in non-controlling interests											-17.3	-17.3
Option and share-based compensation								11.4	8.0			19.4
Dec 31, 2015		65.7	100.3	140.7	-16.2	272.1	-103.6	-210.6	1,246.7	1,032.3	48.0	2,575.5

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	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2014		65.3	100.3	105.4	7.3	-7.0	-50.6	-128.8	1,602.2		30.4	1,724.6
Net income for the period										755.6	18.4	773.9
Other comprehensive income:	10											
Translation differences						152.7						152.7
Hedging of foreign subsidiaries						-27.5						-27.5
Cash flow hedges					-12.9							-12.9
Remeasurements of employee benefits							-41.5					-41.5
Transactions with shareholders and non-controlling interests:	20											
Profit distribution									-512.5			-512.5
Increase in equity (option rights)		0.2		21.6								21.8
Purchase of own shares								-32.8				-32.8
Change in non-controlling interests									-0.7		-4.2	-4.9
Option and share-based compensation								10.8	10.5			21.3
Dec 31, 2014		65.6	100.3	127.0	-5.5	118.3	-92.0	-150.8	1,099.4	755.6	44.5	2,062.4

Consolidated statement of cash flows

MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Cash receipts from customers	8,586.1	7,423.0
Cash paid to suppliers and employees	-7,112.3	-6,077.6
Cash flow from operations before financing items and taxes	1,473.7	1,345.4
Interest received	33.0	30.3
Interest paid	-2.1	-2.4
Dividends received and capital repayments	136.8	10.1
Other financing items	123.1	-6.9
Income taxes paid	-317.8	-252.3
Cash flow from operating activities	1,446.7	1,124.3
Capital expenditure	-92.7	-98.0
Proceeds from sales of fixed assets	4.2	3.9
Acquisitions, net of cash	-66.5	-51.9
Cash flow from investing activities	-155.0	-145.9
Cash flow after investing activities	1,291.8	978.4
Change in deposits and loans receivable, net	-373.3	-359.3
Proceeds from current creditors	-	50.0
Repayments of current creditors	-1.4	-101.2
Payments of long-term liabilities	-14.5	-18.5
Purchase of own shares	-71.2	-32.8
Increase in equity (option rights)	13.5	21.8
Profit distribution	-616.3	-537.5
Changes in non-controlling interests	-18.4	-12.3
Cash flow from financing activities	-1,081.4	-989.8
Change in cash and cash equivalents	210.3	-11.4
Cash and cash equivalents at beginning of period	336.1	339.1
Translation differences	6.2	8.4
Cash and cash equivalents at end of period	552.7	336.1

In drawing up the consolidated statement of cash flow, the impact of variations in exchange rates has been eliminated by adjusting the beginning balance to reflect the exchange rate prevailing at the time of the closing of the books for the period under review.

Reconciliation of operating income to cash flow from operating activities

MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Operating income	1,241.5	1,035.7
Change in working capital before financing items and taxes	132.3	225.5
Depreciation and amortization	100.0	84.2
Cash flow from operations before financing items and taxes	1,473.7	1,345.4

Change in interest-bearing net debt

MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Interest-bearing net debt at beginning of period	-911.8	-622.0
Interest-bearing net debt at end of period	-1,512.6	-911.8
Change in interest-bearing net debt	-600.8	-289.9

Notes to the consolidated financial statements

1. ACCOUNTING PRINCIPLES

Basis of presentation

KONE Corporation is a Finnish, public limited company domiciled in Helsinki, Finland. KONE Corporation and its subsidiaries together form the consolidated KONE Group ("KONE" or "the Group"). KONE's objective is to offer the best People Flow experience by developing and delivering solutions that enable people to move smoothly, safely, comfortably and without waiting in buildings in an increasingly urbanizing environment. KONE provides its customers with industry-leading elevators, escalators, automatic doors and integrated solutions to improve the customer experience in and between buildings. In addition, KONE offers maintenance and modernization services for existing equipment.

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, 2015.

KONE has adopted the new standards and interpretations that took effect during the accounting period and are relevant to its operations. The changes did not have a material impact on the result or the financial position of the Group or on the presentation of the financial statements.

The IFRS standards that take effect in 2016 are not expected to have a material impact on the result or the financial position of the Group or on the presentation of the financial statements.

The International Accounting Standards Board has issued three new standards, IFRS 15, Revenue from Contracts with Customers, IFRS 9, Financial Instruments and IFRS 16, Leases which are relevant to KONE. IFRS 15 and IFRS 9 are effective starting on January 1, 2018 and IFRS 16 on January 1, 2019. The European Union has not yet endorsed the standards. IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue is recognized when, or as, the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, IFRS 15 requires a set of quantitative and qualitative disclosures. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use' asset for virtually all lease contracts. KONE is currently assessing the potential impacts of the standards.

The consolidated financial statements have been prepared for the accounting period of 12 months from January 1 to December 31, 2015. The financial statements have been authorized for issue by the Board of Directors of KONE Corporation on January 28, 2016. 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 below. Figures presented in these financial statements have been rounded from exact figures and therefore the sum of figures presented individually can deviate from the presented sum figure. Key figures have been calculated using exact figures.

Trade date accounting is applied to all financial assets and liabilities.

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 accounting 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 acquisition, and divested subsidiaries up to the date of sale. Intra-corporate shareholdings have been eliminated using the acquisition method. The acquisition consideration, including deferred and contingent consideration, as well as the identifiable assets acquired and liabilities assumed, is measured at the acquisition date fair values. The acquisition-related costs are accounted as expenses for 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. Net income for the period is disclosed in the statement of income as an allocation to the shareholders of the parent company and non-controlling interests. 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 are disclosed separately under consolidated total equity.

An associated company is a company in which the Group holds 20–50 percent of the voting power and has a participating interest of at least 20 percent or in which the Group has considerable influence. Investments in associated companies are accounted for in the consolidated financial statements under the equity method. KONE's share of the profit or loss of an associated company is shown in the consolidated statement of income as a separate item, and its investments in the associated companies upon the date of acquisition, adjusted for changes in the associated companies' equity after the date of acquisition, are shown in the consolidated statement of financial position under "Investments in associated companies". The share of associated companies' net income includes also the revaluations of the previously held interest in connection with step acquisitions.

All intra-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.

Foreign currency transactions and translations

The items included in the financial statements are initially recognized in the functional currencies, which are defined for each group entity 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 transactions in foreign currencies are recorded in the functional currency 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 to sales or costs. 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 rate. 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 under equity. Respective changes during the period are presented in other comprehensive income. Exchange rate differences resulting from derivatives and loans designated as hedges on net assets in foreign subsidiaries have been entered 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.

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 in euros. The fair values of cross currency swaps are determined by discounting the expected future cash flows of the contracts with the market interest rate yield curves of the currencies concerned. The fair value of electricity price forwards is based on electricity stock exchange prices on the valuation date.

At the contract date the derivatives are classified as hedging instruments of a business transaction of firm or highly probable purchase or sales contract of which 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.

When cash flow hedge accounting is applied and the hedging relationship meets the effectiveness criteria then the effective portion of changes in the fair values of the foreign exchange derivatives initiated for hedging firm or highly probable future purchase or sales contracts is recognized through the statement of comprehensive income to the hedge reserve. The gain or loss relating to the ineffective portion is recognized immediately in the adjustment items to sales and purchases. The cumulative changes of fair values are transferred into the statement of income in adjustment items to sales or purchases simultaneously when the hedged sale or purchase realizes. 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 adjustment items to sales or purchases immediately if the hedged cash flow is no longer expected to occur. When cash flow hedge accounting is applied, the hedged risk and the hedging relationship are documented in accordance with the principles of hedge accounting. Hedge effectiveness is assessed before hedge accounting is applied and at least on a quarterly basis thereafter.

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 costs or as financial income or expenses: if the hedged item is an operative transaction, the fair values of the hedging instruments are recognized in operative costs and expenses, and if the hedged item is a monetary transaction, 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. Fair value changes of electricity price forwards designated as hedges against future electricity purchases are recognized in the income statement as adjustment items to purchases.

The effective portion of the changes in the fair values of foreign currency hedges against the translation differences arising from consolidating net investments in foreign entities are recognized through the statement of comprehensive income to the translation differences and would be transferred to the income statement in case the net investment were disposed of partially or in its entirety.

Accrued interest on cross currency swaps during the accounting period is recognized in financing income and expenses.

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

Operating segments

The profitability of KONE is presented as a single entity. The KONE business idea is to serve its customers by providing solutions throughout the entire lifecycle of the equipment, beginning from the installation of new equipment to the maintenance and modernization during their lifecycle and the full replacement of the equipment. Most of the equipment that are delivered are converted into long-term KONE maintenance contracts. KONE's operating business structure is globally harmonized based on defined business processes. Material operative decisions are made by the Board of Directors of KONE. Such decisions are prepared and presented by the full-time 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 the relevant operating segment to be reported.

Revenue recognition

Revenue from the sale of goods is recognized after KONE has transferred the risks and rewards of ownership of the goods to the customer and retains neither a continuing right to dispose of the goods nor effective control over the goods.

Revenues from separately defined, long-term major projects are recorded as sales under the percentage of completion method. The percentage of completion is defined as the proportion of individual contract cost incurred to date from the total estimated contract costs. The percentage of completion method requires accurate estimates of future revenues and costs over the full term of the major project. These significant estimates form the basis for the amount of project revenue to be recognized and include the latest updated total project revenue, cost and contract risks adjusted by the typical estimation revisions for similar types of projects. These estimates may materially change due to the stage of completion of the projects, changes in the project scope, costs 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.

Research and development costs

Research and development costs are 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.

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 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, depreciations and amortizations, inter-company inventory margins, defined benefit 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.

Goodwill and other intangible assets

Acquisitions are accounted for using the acquisition method. Goodwill represents the excess of acquisition cost over the fair values of identified acquired assets and liabilities of acquired companies.

Goodwill arises typically in connection with major acquisition, and 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 tested for impairment (see Impairment of assets).

In connection with acquisitions, other intangible assets are identified and presented in other intangible assets in the statement of financial position. These assets are amortized on a straight-line basis over their expected useful lifetime. KONE often acquires small elevator and door service companies, where the net identified assets are typically allocated to the acquired maintenance contracts. The acquired maintenance contracts are typically amortized over ten years.

Other intangible assets also include expenditure on acquired patents, trademarks and licenses, including acquired software licenses. These assets are amortized on a straight-line basis over their expected useful lifetime, which does not usually exceed five years. The carrying amount of any intangible asset is impairment tested (see Impairment of assets) when an indication of impairment exists and at the end of each accounting period.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses (see Impairment of assets). Depreciation is 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

Land is not depreciated.

Expenditure on repairs and maintenance of property, plant and equipment is recognized as expense when incurred.

Impairment of assets

The carrying amounts of non-current tangible assets and other intangible assets are reviewed upon each statement of financial position date to determine whether there is any indication of impairment, or more frequently should any indication arise. If any such indication arises, the recoverable amount is estimated as 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 extent higher than the carrying amount that would have been determined without impairment loss been recognized in prior years, deducted by the cumulative depreciations.

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 unit 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 operative managerial 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 for the time-value of money and for the risk specific in KONE's business.

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

Leases

KONE has entered into various operating leases under which payments are treated as rentals and charged to the statement of income on a straight-line basis over the leasing term. Leases of plant and equipment where KONE fundamentally bears all the rewards and risks of ownership are classified as finance leases.

Finance leases are recognized as assets at the inception of the lease at the lower of the fair value of the leased equipment and the estimated present value of the underlying lease payments. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. Lease payments are apportioned between the finance charge and the reduction of outstanding liability.

Plant and equipment acquired under finance leasing contracts are depreciated over either the useful life of the asset or the lease period, whichever is less.

Shares and other non-current financial assets

Shares and other non-current financial assets are classified as available-for-sale investments.

Shares include long-term strategic investments, which are investments in equity instruments that do not have a quoted price in an active market. The fair value of these shares cannot be reliably measured because the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed. These shares are classified as available-for-sale investments and measured at cost.

Other available-for-sale investments are measured at fair value and recognized through the statement of comprehensive income until the items are sold, collected, otherwise disposed or impaired, at which time the cumulative gain or loss recognized in other comprehensive income is included in the profit or loss for the period. However, when fair values are not available, the investments are measured at cost adjusted by any impairment losses.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in-first-out (FIFO) basis. Raw materials and supplies, however, are valued based on weighted average cost method or at standard cost. Semi-manufactures have been 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 the manufacturing and installation costs of sales orders included in work in progress.

An allowance is recorded for obsolete items.

Accounts receivable

Accounts receivable are initially measured at cost. An impairment loss is recognized for doubtful accounts receivable, based on the aging profile of overdue receivables and a case-by-case analysis of individual receivables.

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. Only substantial transaction costs are counted for when measuring the acquisition cost. Deposits and loan receivables are impaired if the carrying amount is greater than the estimated recoverable amount.

Investments in commercial papers, short-term bank deposits, money-market 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.

Post-employment 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 of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets. The discount rates used in actuarial calculations of employee benefits liabilities are adjusted to market rates. Remeasurements of employee benefits are recognized in the other comprehensive income. 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. Employee benefit liability is presented as part of interest-bearing net debt.

Provisions

Provisions are recognized when KONE has a current legal or constructive obligation as a result of past events, 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 of 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 repair 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, when there is a valid expectation that such a plan will be carried out and the plan has been communicated.

Provisions for loss contracts are recognized when it is probable that the costs will exceed the estimated total revenue. The probable loss is recognized as an expense immediately.

Advance payments received

Advance payments received include customer payments for the orders included in work in progress.

Loans payable

Loans payable are classified in the valuation category 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.

Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the parent company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held own shares. Diluted earnings per share reflect the possible impact of the share-based incentive plans and option rights.

Equity

When KONE purchases its own shares, the consideration paid and directly attributable costs 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

Profit distribution includes dividends and donations decided by the Shareholders' Meeting. The dividend and distribution of profits proposed by the Board is not deducted from the equity prior to acceptance by a shareholders' meeting.

Share-based compensation

The fair value of the options granted to the key employees 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 options that are expected to be vested by the end of the vesting period. The fair value of the options granted is determined by the Black-Scholes pricing model. The impact of any non-market vesting conditions (sales growth and EBIT development) has been excluded, but they are included in the assumptions about the number of options that are expected to become exercisable. At each consolidated statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates is recognized in the statement of income. When options are exercised and new shares given, the impacts of changes in the share capital which exceed the accounting par value of the shares are included in the paid-up unrestricted equity reserve. If treasury shares are used in subscriptions with option rights, the subscription price is included in the paid-up unrestricted equity reserve.

The Board has granted a share ownership plan to the Group's management. Pursuant to the share ownership plan, the reward to the management will be settled as a combination of KONE class B shares and cash when the criteria set in the terms and conditions for the plan are met. 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 (sales and EBIT development) has been excluded, but they are included in assumptions about the number of shares that are expected to be distributed. At each consolidated statement of financial position date, the entity 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 share-based payments settled with cash 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.

Accounting estimates

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 statement of income. Although these estimates and assumptions are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

2. 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 Board of Directors. KONE business units manage their financial risks locally in accordance with the KONE Treasury Policy.

Foreign exchange risks

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

Transaction risks

A substantial part of KONE operations are denominated in local functional currencies and do not therefore give rise to transaction risk. The sales and installations of new equipment and modernizations 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. The KONE policy is to hedge the foreign exchange exposure of the order book 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 foreign exchange policy. The most significant transaction risk exposures arising from business operations are in the Chinese renminbi, US dollar, Saudi Arabian riyal, Malaysian ringgit and British pound. 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.

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 using foreign exchange swap contracts.

Translation risks

Changes in consolidation exchange rates affect KONE's statement of income, cash flow statement and statement of financial position, which are presented in euros. As approximately 75% 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 7.7% (7.2%) change in 2015 in the 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 177.4 (152.7) million in 2015. The translation risk is not hedged as a rule with financial instruments as KONE's business consists of continuous operations in various currency areas. The most significant translation risk exposures are in the Chinese renminbi, Hong Kong dollar and US dollar.

Additional info

The most significant risks and uncertainties related to KONE's business are described in the Board of Directors' Report, risk management on page 8 and in the Corporate governance statement, in risk management on page 61.

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 nominated financial assets and liabilities including foreign exchange forward contracts outstanding on the balance sheet 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 represents the impact of a change in the foreign exchange rates of 10 percent to the statement of income and to the equity on the balance sheet date. Changes in the equity are 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 and US dollar) on the balance sheet date would have resulted in an impact of EUR 0.2 (15.8) million to the statement of income and an impact of EUR 1.0 (-16.8) million to the equity.

	Exposure against EUR					Exposure against USD				
MEUR	HKD	USD	GBP	Others	**Total**	CNY	MYR	CAD	Others	**Total**
Exposure Dec 31, 2015	-300	-228	-70	-78	**-676**	203	-82	-44	-82	**-5**
Exposure Dec 31, 2014	-272	-209	-63	-64	**-608**	190	-56	-42	-61	**31**

Interest rate risks

KONE's cash and short-term investments were EUR 1,902.3 (1,276.4) million at the balance sheet date. KONE's interest-bearing debt was EUR 406.1 (373.2) million at the balance sheet date and consisted of EUR 44.5 (43.3) million of financial debt, EUR 192.4 (151.0) million of option liabilities from acquisitions, and EUR 169.2 (178.9) million of employee benefits.

As KONE's excess liquidity is invested in tenors of less than one year, the changes in the interest rates do not have any significant impact on their market values. The changes in the interest rates may however impact future interest income.

When calculating the interest rate sensitivity analysis the interest-bearing net financial debt is assumed to remain on the level of the closing balance of 2015 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, -1,886.7 (-1,265.1) million euros. For 2016 a 1 percentage point change in the interest rate level would mean a change of EUR 18.9 (12.7) 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 or option liabilities from acquisitions.

Refinancing and liquidity risks

KONE's cash and cash equivalents was EUR 552.7 (336.1) million and money market investments including short-term deposits EUR 1,349.6 (940.3) million on December 31, 2015. Most of the cash and short-term investments are managed centrally by Corporate Treasury, but some are located on decentralized bank accounts and local investments in a number of KONE countries. KONE also has a commercial paper program of EUR 500 million and existing committed bilateral credit facilities of EUR 540.3 million to ensure sufficient liquidity.

Additional info

The principles and objectives of KONE's capital management are presented on page 66 of the financial statements.

Maturity analysis of financial liabilities and interest payments

	Dec 31, 2015				Dec 31, 2014			
MEUR	**< 1 year**	**1–5 years**	**> 5 years**	**Total**	**< 1 year**	**1–5 years**	**> 5 years**	**Total**
Interest-bearing debt								
Long-term loans	-	-0.8	-	**-0.8**	-	-5.1	-	**-5.1**
Finance lease liabilities	-10.9	-24.5	-	**-35.3**	-9.3	-19.9	-	**-29.2**
Short-term loans	-0.1	-	-	**-0.1**	-0.9	-	-	**-0.9**
Used bank overdraft limits	-1.0	-	-	**-1.0**	-1.8	-	-	**-1.8**
Interest payments	-0.0	-	-	**-0.0**	-0.0	-0.1	-	**-0.1**
Option liabilities from acquisitions	-192.4	-	-	**-192.4**	-151.0	-	-	**-151.0**
Employee benefits	-	-	-169.2	**-169.2**	-	-	-178.9	**-178.9**
Non-interest bearing debt								
Accounts payables	-728.9	-	-	**-728.9**	-597.1	-	-	**-597.1**
Derivatives								
Capital inflow	2,697.4	158.1	-	**2,855.4**	1,802.4	216.1	-	**2,018.5**
Capital outflow	-2,669.7	-153.1	-	**-2,822.8**	-1,771.6	-196.2	-	**-1,967.8**
Net interest	0.3	-	-	**0.3**	0.7	0.3	-	**1.0**
Net outflow	-905.2	-20.4	-169.2	**-1,094.8**	-728.6	-4.9	-178.9	**-912.4**

Maturity structure of committed credit facilities

MEUR	Dec 31, 2015			Facility maturity						Dec 31, 2014		
	Used amount	Unused amount	Total	2016	2017	2018	2019	2020	Later	Used amount	Unused amount	Total
Committed facilities	-	540.3	540.3	50.0	50.0	110.3	70.0	100.0	160.0	-	484.1	484.1

Financial credit risks

KONE has substantial amounts of cash and short-term investments. In order to diversify the financial credit risk, KONE deposits its funds into several banks and invests a part of its liquidity into highly liquid money market funds. Global counterparty limits are approved by the Board of Directors. All open exposures such as cash on bank accounts, investments, deposits and other financial transactions, 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.

Customer credit risk management

Customer credit risks relate to advance payments receivable from customers or to accounts receivable related to equipment handed over 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. The management considers that there are no significant concentrations of credit risk with any individual customer or geographical region.

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 potential 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. The amount of bad debt provision recorded to cover doubtful accounts was EUR 146.5 (127.1) million at the end of the financial period.

Aging structure of the accounts receivable after recognition of impairment, MEUR	Dec 31, 2015	Dec 31, 2014
Not past due and less than one month due receivables [1)]	1,099.3	1,006.0
Past due 1–3 months [1)]	207.6	180.6
Past due 3–6 months [1)]	129.7	118.9
Past due > 6 months	43.6	62.8
Accounts receivable in the consolidated statement of financial position	1,480.2	1,368.3

1) There is no material impairment loss recognized related to these receivables.

Derivatives

Fair values of derivative financial instruments, MEUR	Derivative assets Dec 31, 2015	Derivative liabilities Dec 31, 2015	Fair value, net Dec 31, 2015	Fair value, net Dec 31, 2014
Foreign exchange forward contracts and swaps				
In cash flow hedge accounting	23.6	-17.6	5.9	0.7
Other hedges	16.7	-17.7	-1.0	27.1
Cross-currency swaps	6.7	-0.3	6.5	19.7
Electricity price forward contracts	-	-1.2	-1.2	-1.1
Total	47.1	-36.8	10.3	46.4

Nominal values of derivative financial instruments, MEUR	Dec 31, 2015	Dec 31, 2014
Foreign exchange forward contracts and swaps		
In cash flow hedge accounting	1,074.4	821.0
Other hedges	1,642.7	1,058.7
Cross-currency swaps	138.9	138.9
Electricity price forward contracts	2.6	5.5
Total	2,858.5	2,024.1

All derivative contracts have been made according to the KONE Treasury policy for hedging purposes.

The majority of the foreign exchange forward contracts, swaps and cross-currency swaps mature within a year. Electricity price forward contracts mature within 3 years' time.

The fair values of foreign exchange forward contracts and swaps as well as the fair values of cross-currency swaps are measured based on price information derived from active markets and commonly used valuation methods (fair value hierarchy level 2). For electricity price forward contracts, the fair value can be measured reliably (fair value hierarchy level 1) based on the stock exchange price. Financial contracts are executed only with counterparties that have high credit ratings. The credit risk of these counterparties, as well as that of KONE, is considered when calculating 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 20.2 (52.3) million and payables EUR 9.9 (5.8) million.

Values of financial assets and liabilities by categories

2015 Consolidated statement of financial position item, MEUR		Notes	Financial assets & liabilites at fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial assets & liabilities	Total book value
Non-current assets							
Shares and other non-current financial assets		15			118.3		118.3
Non-current loans receivable	I	16		7.0			7.0
Employee benefits		22				8.4	8.4
Current assets							
Accounts receivable				1,480.2			1,480.2
Derivative assets			47.1				47.1
Current deposits and loans receivable	I	16		1,350.6			1,350.6
Cash and cash equivalents	I			552.7			552.7
Total financial assets			47.1	3,390.4	118.3	8.4	3,564.2
Non-current liabilities							
Loans	I					32.5	32.5
Employee benefits	I	22				169.2	169.2
Current liabilities							
Current portion of long-term loans	I					10.9	10.9
Short-term loans and other liabilities	I					1.1	1.1
Option liabilities from acquisitions	I		192.4				192.4
Accounts payable						728.9	728.9
Derivative liabilities			36.8				36.8
Unpaid acquisition consideration						22.6	22.6
Total financial liabilities			229.2	-	-	965.2	1,194.4

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 ".

2014 Consolidated statement of financial position item, MEUR		Notes	Financial assets and liabilites at fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities	Total book value
Non-current assets							
Shares and other non-current financial assets		15			108.0		108.0
Non-current loans receivable	I	16		6.3			6.3
Current assets							
Accounts receivable				1,368.3			1,368.3
Derivative assets			69.3				69.3
Current deposits and loans receivable	I	16		942.7			942.7
Cash and cash equivalents	I			336.1			336.1
Total financial assets			69.3	2,653.4	108.0		2,830.7
Non-current liabilities							
Loans	I					31.2	31.2
Employee benefits	I					178.9	178.9
Current liabilities							
Current portion of long-term loans	I					9.3	9.3
Short-term loans and other liabilities	I					2.8	2.8
Option liabilities from acquisitions	I		151.0				151.0
Accounts payable						597.1	597.1
Derivative liabilities			22.8				22.8
Unpaid acquisition consideration						26.8	26.8
Total financial liabilities			173.8	-	-	846.1	1,019.9

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 ".

3. ACQUISITIONS

KONE completed 23 (17) acquisitions during 2015 for a total consideration of EUR 64.9 million. The acquired businesses are specialized in the elevator, escalator and automatic building door business. The acquisitions completed during the financial period were not material individually or as a whole to KONE's 2015 financial statements. The sales consolidated from the companies acquired during 2015 did not have a material impact on the Group sales for the financial period.

The fair values of the acquired net assets, based on a provisional assessment, as well as the acquisition costs, are summarized in the table on page 25. The considerations were paid for in cash, except for certain deferred considerations, which will 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 as a profit or loss. KONE acquired a 100% interest in all businesses acquired in 2015.

The most significant acquisitions during 2015 were the acquisitions of elevator companies Janzhoff Aufzüge GmbH and Klostermann Aufzüge GmbH in Germany and the acquisitions of KONE's authorized distributors Lift Modus d.o.o. (Croatia) and Lift Modus d.o.o. Sarajevo (Bosnia).

The combined acquisition consideration of Janzhoff Aufzüge GmbH, Klostermann Aufzüge GmbH, Lift Modus d.o.o. and Lift Modus d.o.o. Sarajevo was EUR 33.3 million. Based on provisional assessments, the fair value of the identified net assets of these acquisitions was EUR 8.9 million, including EUR 7.3 million of maintenance contracts. The increase in goodwill totaled EUR 24.4 million. Goodwill represents the value of the acquired market share, business knowledge and expected synergies. Note 11 provides more detail on goodwill.

During 2015, KONE completed other acquisitions for a total consideration of EUR 31.6 (33.3) million, of which, based on provisional assessments, EUR 17.4 (24.4) million was allocated to maintenance contracts included in other intangible assets. Acquired maintenance contracts are typically amortized over ten years. Note 12 provides more detail on other intangible assets.

Assets and liabilities of the acquired businesses, MEUR	**Jan 1–Dec 31, 2015**	**Jan 1–Dec 31, 2014**
Maintenance contracts	24.7	47.0
Other intangible assets	0.1	1.7
Tangible assets	1.5	1.3
Deferred tax assets	-	1.0
Inventories	15.6	1.6
Accounts receivables and other assets	6.7	20.0
Cash and cash equivalents and other interest bearing receivables	3.0	9.2
Total assets	51.7	81.8
Pension liabilities	-	2.3
Interest-bearing loans	0.8	49.4
Provisions	1.0	1.2
Deferred tax liabilities	1.5	0.2
Other liabilities	20.7	12.9
Total liabilities	24.0	65.9
Non-controlling interest	-	1.6
Net assets	27.6	14.3
Acquisition cost paid in cash	59.5	46.7
Contingent and deferred consideration	5.4	20.3
Acquisition cost at date of acquisitions	64.9	67.0
Goodwill	37.3	52.7

Contingent considerations are typically realized in the amount initially recognized.

Changes in the acquisition cost occurred after the acquisition date and recognized in the statement of income totaled EUR 0.3 (0.3) million.

4. PERCENTAGE OF COMPLETION METHOD

The amount of sales recognized in the income statement for long-term projects under the percentage of completion method was EUR 508.6 (326.5) million. The consolidated statement of financial position includes EUR 134.7 (72.3) million of unbilled contract revenue and EUR 129.3 (82.2) million of advances received for long-term contracts in progress.

5. COSTS AND EXPENSES

MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Change in work in progress	-75.9	-40.0
Direct materials, supplies and subcontracting	3,612.2	2,994.4
Wages, salaries, other employment expenses and pensions (note 22)	2,445.9	2,100.4
Other production costs [1]	665.9	598.9
Selling, administrative and other expenses [2]	674.5	577.5
Depreciation and amortization (note 6)	100.0	84.2
Costs, expenses, depreciation and amortization	7,422.5	6,315.5
Other income [3]	16.7	16.7
Total costs, expenses, depreciation and amortization	7,405.8	6,298.8

1) Includes costs of logistics, tools and consumables, operative car fleet and traveling as well as other miscellaneous operative costs.
2) Includes costs related to premises, consulting and external services, IT and traveling as well as other miscellaneous administrative costs.
3) Includes rental income, received grants, interest on late payments, gains on sales of fixed assets and scrap as well as other miscellaneous income.

MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
R&D costs included in total costs	121.7	103.1
as percentage of sales, %	1.4	1.4

Auditors’ fees, MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
To member firms of PricewaterhouseCoopers network		
Audit	3.0	2.6
Auditors’ statements	0.0	0.0
Tax services	0.6	0.6
Other services	0.5	0.6
Total	4.1	3.8

6. DEPRECIATION AND AMORTIZATION

MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Other intangible assets		
Maintenance contracts and other intangible assets identified in connection with acquisitions	27.9	22.3
Other	13.6	12.7
Buildings	9.0	7.9
Machinery and equipment	49.5	41.4
Total	100.0	84.2

7. FINANCING INCOME AND EXPENSES

MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Dividend income [1]	136.8	10.0
Interest income		
Interest and foreign exchange rate derivatives		
Change in fair value of interest	1.9	0.9
Interest income	32.7	12.7
Interest income on loan receivables and financial assets	14.1	17.1
Other financing income	0.0	0.1
Exchange rate gains [2]	13.4	2.7
Financing income	198.9	43.5
Interest expenses		
Interest and foreign exchange rate derivatives		
Change in fair value of interest	-8.9	-1.0
Interest expenses	-0.5	-0.5
Interest expenses on other financial liabilities	-5.5	-5.9
Other financing expenses [3]	-33.4	-43.0
Exchange rate losses [2]	-28.1	-12.2
Financing expenses	-76.5	-62.6
Financing income and expenses	122.4	-19.1

1) Dividend income includes an EUR 118.2 million extraordinary dividend from Toshiba Elevator and Building Systems Corporation (TELC).
2) Exchange rate gains and losses include exchange rate differences on loans and other receivables of EUR -45.1 (-53.0) million, fair value changes of foreign exchange derivatives of EUR 36.5 (50.6) million and exchange rate differences of EUR -10.2 (-10.9) million on option liabilities related to acquisitions.
3) Includes commitment for fees undrawn revolving credit facilities EUR -0.6 (-0.5) million, fair value changes of option liabilities related to acquisitions EUR -26.7 (-39.3) million, as well as banking charges and other expenses EUR -6.1 (-3.2) million.

8. INCOME TAXES

Taxes in statement of income, MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Tax expense for current year	317.6	246.9
Change in deferred tax assets and liabilities	-8.7	-7.3
Tax expense for previous years	2.5	2.9
Total	311.4	242.4

Reconciliation of income before taxes with total income taxes in the statement of income, MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Income before taxes	1,364.4	1,016.4
Tax calculated at the domestic corporation tax rate (20%)	272.9	203.3
Effect of different tax rates in foreign subsidiaries	9.5	9.7
Permanent differences	-12.9	3.4
Results of associated companies	0.0	0.0
Taxes from previous years and reassessment of deferred tax assets	4.1	2.9
Deferred tax liability on undistributed earnings	34.2	21.2
Other	3.6	1.9
Total	311.4	242.4
Effective tax rate, %	22.8 [1]	23.9 [2]
Tax rate of parent company, %	20.0	20.0

1) The effective tax rate resulting from the operations for the financial year 2015 was 23.2%. However, taking into account prior year taxes and the effect of one-time items, the effective tax rate was 22.8%.
2) The effective tax rate resulting from the operations for the financial year 2014 was 22.5%. However, taking into account prior year taxes and the effect of one-time items, the effective tax rate was 23.9%.

9. 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 options and share-based incentive plan in the Group.

	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Net income attributable to the shareholders of the parent company, MEUR	1,032.3	755.6
Weighted average number of shares (1,000 shares)	513,792	513,090
Basic earnings per share, EUR	2.01	1.47
Dilution effect of share options and share-based incentive plans (1,000 shares)	1,374	1,913
Weighted average number of shares, dilution adjusted (1,000 shares)	515,167	515,002
Diluted earnings per share, EUR	2.00	1.47

Basic earnings per share excluding the extraordinary dividend from Toshiba Elevator and Building Systems Corporation (TELC) was EUR 1.79.

10. OTHER COMPREHENSIVE INCOME

Disclosure of components of other comprehensive income

MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Translation differences	177.4	152.7
Hedging of foreign subsidiaries	-29.4	-34.3
Remeasurements of employee benefits	-12.7	-56.1
Cash flow hedges:		
Gains (losses) arising during the year	-16.9	-11.5
Reclassifications included in profit or loss	3.6	-3.8
Cash flow hedges, net	-13.4	-15.3
Income tax relating to components of other comprehensive income	9.7	24.0
Other comprehensive income	131.6	70.9

Disclosure of tax effects relating to components of other comprehensive income

	Jan 1–Dec 31, 2015			Jan 1–Dec 31, 2014		
MEUR	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Translation differences	177.4	-	177.4	152.7	-	152.7
Hedging of foreign subsidiaries	-29.4	5.9	-23.5	-34.3	6.9	-27.5
Cash flow hedges	-13.4	2.7	-10.7	-15.3	2.4	-12.9
Items that may be subsequently reclassified to statement of income	134.6	8.6	143.2	103.1	9.3	112.4
Remeasurements of employee benefits	-12.7	1.2	-11.6	-56.1	14.7	-41.5
Items that will not be reclassified to statement of income	-12.7	1.2	-11.6	-56.1	14.7	-41.5
Total other comprehensive income	121.9	9.7	131.6	46.9	24.0	70.9

11. GOODWILL

Goodwill allocation

Goodwill is allocated to cash-generating units (CGUs). Cash generating unit is typically the country unit in which the aquired business is operating, in accordance with KONE's management system and structures. The carrying amount of goodwill is allocated to 23 different CGU's. Five largest CGU's carries 74% of the goodwill. The carrying amount of goodwill is below EUR 10 million for eleven CGUs. The goodwill allocation to the CGUs is presented in the table below:

Goodwill/CGU, MEUR	Dec 31, 2015	%	Dec 31, 2014	%
Five largest CGUs	973.5	74	843.8	70
Five smallest CGUs	19.7	2	24.8	2
Other CGUs	313.4	24	340.3	28
Total	1,306.7		1,208.9	
Mean	56.8		54.9	
Median	13.2		22.3	

Impairment testing

The value-in-use calculations for the CGU specific cash flow projections are based on financial estimates prepared by the management. The financial estimates are prepared for the following two years for each CGU. The cash flows for subsequent years are assumed prudently without growth. The used discount rates are based on the weighted average cost of capital (WACC), which reflects the market assessment for the time-value of money and for the risk specific in KONE's business.

The assumptions on business growth, price and cost development assumptions embedded in the CGU specific cash flow projections are based on assessments by management of the market demand and environment, which are examined against external information sources. The assumptions on productivity and efficiency are based on internal targets, which are evaluated against actual performance. 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.

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 interests were increased by 1–4 percentage points. Based on the sensitivity analysis, the probability for impairment losses was very low. Under the basic scenario, the value-in-use calculations were on average 7.1 times higher than the CGUs assets employed. The respective ratio was for the five largest CGUs was 5.4; for the five smallest 12.8 and respectively for the other CGUs 10.9.

Discount interest rates used (pre-tax):	EMEA	Americas	Asia-Pacific
2015	7.03%	8.21%	9.47%
2014	6.45%	8.17%	10.10%

Goodwill reconciliation

Goodwill, MEUR	Dec 31, 2015	Dec 31, 2014
Opening net book value	1,208.9	1,103.6
Translation differences	55.4	56.4
Increase	5.7	0.4
Decrease	-0.6	-4.2
Companies acquired (note 3)	37.3	52.7
Closing net book value	1,306.7	1,208.9

12. OTHER INTANGIBLE ASSETS

Jan 1–Dec 31, 2015, MEUR	Maintenance contracts	Other	Total
Jan 1, 2015:			
Acquisition cost	290.2	129.3	419.5
Accumulated amortization and impairment	-65.8	-92.0	-157.8
Net book value	224.5	37.3	261.8
Opening net book value	224.5	37.3	261.8
Translation differences	10.6	1.4	12.0
Increase	2.8	11.9	14.7
Decrease	-	-0.9	-0.9
Reclassifications	-	0.6	0.6
Companies acquired (note 3)	24.7	0.1	24.8
Amortization	-27.9	-13.6	-41.5
Closing net book value	234.6	36.9	271.5
Dec 31, 2015:			
Acquisition cost	322.4	212.6	535.0
Accumulated amortization and impairment	-87.8	-175.7	-263.5
Net book value	234.6	36.9	271.5

Jan 1–Dec 31, 2014, MEUR	Maintenance contracts	Other	Total
Jan 1, 2014:			
Acquisition cost	266.7	112.7	379.4
Accumulated amortization and impairment	-71.2	-79.3	-150.5
Net book value	195.5	33.4	228.9
Opening net book value	195.5	33.4	228.9
Translation differences	3.5	3.1	6.6
Increase	2.4	11.4	13.8
Decrease	-1.6	-0.1	-1.7
Reclassifications	-	0.5	0.5
Companies acquired (note 3)	47.0	1.7	48.6
Amortization	-22.3	-12.7	-35.0
Closing net book value	224.5	37.3	261.8
Dec 31, 2014:			
Acquisition cost	290.2	129.3	419.5
Accumulated amortization and impairment	-65.8	-92.0	-157.8
Net book value	224.5	37.3	261.8

13. PROPERTY, PLANT AND EQUIPMENT

Jan 1–Dec 31, 2015, MEUR	Land	Buildings	Machinery & equipment	Machinery & equipment, leased for own use	Fixed assets under construction	Advance payments	Total
Jan 1, 2015:							
Acquisition cost	7.5	208.0	398.8	57.0	26.4	6.3	701.4
Accumulated depreciation	-	-76.6	-282.6	-27.7	-	-	-384.2
Net book value	7.5	131.4	116.2	29.4	26.4	6.3	317.1
Opening net book value	7.5	131.4	116.2	29.4	26.4	6.3	317.1
Translation differences	0.1	4.9	4.0	2.5	1.3	0.1	12.8
Increase	0.2	15.1	40.5	16.4	10.9	3.5	86.5
Decrease	-0.5	-0.5	-3.5	-2.6	-0.4	-2.8	-10.2
Reclassifications	-0.1	19.8	6.1	-0.1	-26.0	-3.5	-3.8
Companies acquired (note 3)	-	0.0	1.4	-	-	-	1.5
Depreciation	-	-9.0	-39.4	-10.1	-	-	-58.5
Closing net book value	7.2	161.6	125.1	35.5	12.3	3.7	345.4
Dec 31, 2015:							
Acquisition cost	7.2	247.2	447.1	41.1	12.3	3.7	758.6
Accumulated depreciation	-	-85.6	-322.0	-5.6	-	-	-413.2
Net book value	7.2	161.6	125.1	35.5	12.3	3.7	345.4

Jan 1–Dec 31, 2014, MEUR	Land	Buildings	Machinery & equipment	Machinery & equipment, leased for own use	Fixed assets under construction	Advance payments	Total
Jan 1, 2014:							
Acquisition cost	7.7	189.7	347.9	44.1	16.4	1.4	604.6
Accumulated depreciation	-	-68.8	-248.8	-20.1	-	-	-335.0
Net book value	7.7	120.9	99.1	24.0	16.4	1.4	269.6
Opening net book value	7.7	120.9	99.1	24.0	16.4	1.4	269.6
Translation differences	0.1	6.3	3.8	1.7	2.2	0.2	14.3
Increase	0.1	6.1	41.9	14.6	21.7	6.0	90.3
Decrease	-0.4	-1.1	-1.5	-3.4	-0.1	-1.3	-7.9
Reclassifications	-	7.1	5.5	0.1	-13.8	-	-1.2
Companies acquired (note 3)	-	0.0	1.2	0.1	0.0	-	1.3
Depreciation	-	-7.9	-33.8	-7.6	-	-	-49.2
Closing net book value	7.5	131.4	116.2	29.4	26.4	6.3	317.1
Dec 31, 2014:							
Acquisition cost	7.5	208.0	398.8	57.0	26.4	6.3	701.4
Accumulated depreciation	-	-76.6	-282.6	-27.7	-	-	-384.2
Net book value	7.5	131.4	116.2	29.4	26.4	6.3	317.1

During the period of Jan 1-Dec 31, 2015, capital expenditure on production facilities, customer service in the sales and maintenance operations, as well as on information systems, including new finance leases, totaled EUR 92.7 (87.8) million.

14. ASSOCIATED COMPANIES AND RELATED PARTY TRANSACTIONS

Investments in associated companies, MEUR	Dec 31, 2015	Dec 31, 2014
Total at beginning of period	4.5	4.3
Translation differences	0.3	0.4
Share of associated companies' result after taxes	0.3	-0.1
Dividends received	-0.9	-0.2
Increase	0.2	-
Total at end of period	4.4	4.5

The associated companies' financial information presented here is based on the latest official financial statements available and estimates for the year 2015.

The net income of KONE's associated companies for the year 2015 was EUR 1.2 million based on estimates available. Based on the official financial statements, the assets of KONE's associated companies totaled EUR 30.9 million and equity EUR 11.7 million. In the year 2014, the associated companies recognized total sales of EUR 37.8 million and a total net income of EUR 3.2 million.

Transactions with associated companies, MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Sales of goods and services	0.0	1.7
Purchases of goods and services	28.6	23.9

Balances with associated companies

Receivables from associated companies, MEUR	Dec 31, 2015	Dec 31, 2014
Short-term loans	-	0.2
Accounts receivable	-	0.9
Total	-	1.1

Liabilities to associated companies, MEUR	Dec 31, 2015	Dec 31, 2014
Accounts payable	6.7	4.5
Total	6.7	4.5

Transactions with key management

The key management of KONE consists of the Board of Directors and the Executive Board.

Compensation paid to the key management, MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Salaries and other remunerations	7.5	7.3
Share-based payments	13.8	10.5
Total	21.3	17.8

Compensation recognized as an expense for members of the Board of Directors and the President & CEO, (EUR thousand) [2]	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Herlin Antti, Chairman of the Board [1]	529.0	529.4
Ehrnrooth Henrik, President and CEO as from April 1, 2014 [1]	750.0	562.5
Alahuhta Matti, President and CEO until March 31, 2014; Member of the Board	38.0	209.0
Brunila Anne	38.0	36.5
Herlin Jussi	51.5	51.0
Kant Ravi	40.0	36.0
Kaskeala Juhani	39.0	38.5
Pietikäinen Sirpa	36.5	36.5
Herlin Iiris	36.5	20.0
Matsubara Kazunori	33.5	-
Akiba Shinichiro	0.0	34.5
Hämäläinen-Lindfors Sirkka	0.5	36.5
Total	1,592.5	1,590.4

1) For the financial year 2015 in addition Antti Herlin's accrued bonus is EUR 452,090 and Henrik Ehrnrooth's accrued bonus is EUR 675,000. These will be paid during 2016. In April 2015, the share-based payments for the financial year 2014 received by Henrik Ehrnrooth was EUR 3,213,501.

2) Includes also the annual compensation of the Board which was performed by using shares of KONE Corporation decided by the Annual General Meeting February 23, 2015.

The compensation for Antti Herlin, full-time Chairman of the Board, consists of a basic salary and a yearly bonus decided by the Board on the basis of the Group's financial result. The yearly bonus may not exceed 100 percent of his annual salary. In 2015, Antti Herlin's basic salary was EUR 468,488. In addition, his accrued bonus for 2015 totaled EUR 452,090 He was also paid EUR 60,500 as compensation for serving as Chairman of the Board. Antti Herlin's holdings of shares are presented in the table on page 63. The full-time Chairman's retirement age and pension are determined in accordance with Finland's Pensions Act. Statutory pension cost for the year 2015 was EUR 163,200. No separate agreement regarding early retirement has been made.

The compensation for the President and CEO Henrik Ehrnrooth consists of a basic salary and a yearly bonus decided annually by the Board on the basis of the Corporation's key targets. The yearly bonus may not exceed 100 percent of his annual salary. In 2015, Henrik Ehrnrooth's basic salary was EUR 750,000. In addition, his accrued bonus for 2015 totaled EUR 675,000. Henrik Ehrnrooth's holdings of shares are presented in the table on page 63. Henrik Ehrnrooth is included in the share-based incentive plan for the Group's senior management. The potential bonus is based on the growth in KONE's net sales and operating profit. In April 2015, on the basis of the incentive plan for year 2014, Henrik Ehrnrooth received a bonus of EUR 3,213,501, which consisted of 37,870 KONE class B shares together with a cash bonus to cover taxes and similar charges arising from the receipt of shares. The corresponding bonus accrued from 2015 and due for payment in April 2016 is 40,495 KONE class B shares together with a cash bonus to cover taxes and similar charges arising from the receipt of shares. Henrik Ehrnrooth's retirement age and pension are determined in accordance with Finland's Pensions Act. Statutory pension cost for the year 2015 was EUR 256,878. No separate agreement regarding early retirement has been made. Should his employment contract be terminated before retirement, he has the right to the equivalent of 18 months' salary, which includes the salary for a six-month term of notice.

The compensation for the members of the Executive Board comprises a base salary and a yearly bonus, based on the Group's annual result and the achievement of personal targets. The bonus amount is determined by the Nomination and Compensation Committee and may not exceed 50 percent of the annual salary. The Executive Board members' holdings of shares are presented in the table on page 63.

The members of the Executive Board are included in the share-based incentive plan for senior management. In April 2015, on the basis of the incentive plan, the members of the Executive Board received a bonus of 159,675 KONE class B shares together with a cash bonus equal to the amount required to cover taxes and similar charges arising from the receipt of shares. The corresponding bonus accrued from 2015 and due for payment in April 2016 is 194,376 KONE class B shares together with a cash bonus equal to the amount of taxes and similar charges. 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 amount of the pension liability for Board Member Matti Alahuhta (served as President & CEO until March 31, 2014) included in the balance sheet is EUR 6.8 million at the end of the year 2015 and the monthly pension paid by KONE to him is EUR 21,594 (December 2015).

15. SHARES AND OTHER NON-CURRENT FINANCIAL ASSETS

Shares and other non-current financial assets were EUR 114.7 and 3.6 million respectively (EUR 103.6 and 4.4 million) and are classified as available-for-sale investments.

The shares held include a 19.9% holding in Toshiba Elevator and Building Systems Corporation (TELC). TELC is an investment in equity instruments that does not have a quoted price in an active market. The fair value of TELC shares cannot be reliably measured because the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed. TELC is classified as available-for-sale investments and measured at cost.

Other available-for-sale investments include smaller holdings in other companies without public quotation. They are measured at cost since the fair values cannot be reliably measured.

16. DEPOSITS AND LOANS RECEIVABLE

MEUR	Dec 31, 2015	Dec 31, 2014
Non-current loans receivable	7.0	6.3
Current loans receivable	1.0	2.4
Current short-term deposits	1,349.6	940.3
Total	1,357.5	949.0

The fair values of deposits and loans receivable are not materially different from their carrying amounts.

Current short-term deposits mature within one year and consist mainly of short-term bank deposits and money-market funds.

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets, MEUR	Dec 31, 2015	Dec 31, 2014
Tax losses carried forward	7.0	5.4
Provisions and accruals	197.8	158.1
Pensions	33.3	42.2
Inventory	14.4	12.7
Property, plant and equipment	9.9	9.3
Other temporary differences for assets	37.3	35.0
Total	299.7	262.8
Total at beginning of period	262.8	218.9
Translation differences	-4.0	8.5
Change in statement of income	31.2	10.4
Charged or credited to other comprehensive income	9.7	24.0
Acquisitions, divestments and other	0.0	1.0
Total at end of period	299.7	262.8

Deferred tax liabilities, MEUR	Dec 31, 2015	Dec 31, 2014
Property, plant and equipment	13.5	10.8
Goodwill	71.7	46.0
Other temporary differences for liabilities	55.7	53.8
Total	140.9	110.6
Total at beginning of period	110.6	106.1
Translation differences	6.4	1.3
Change in statement of income	22.4	3.1
Acquisitions, divestments and other	1.5	0.2
Total at end of period	140.9	110.6
Net deferred tax assets and liabilities	158.8	152.2

18. INVENTORIES

MEUR	Dec 31, 2015	Dec 31, 2014
Raw materials, supplies and finished goods	230.6	221.7
Work in progress	1,081.4	980.4
Advance payments made	14.7	9.7
Total	1,326.7	1,211.8

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 of firm customer orders. Firm customer orders are mainly fixed price contracts with customers for the sale of new equipment or for the modernization of old equipment.

19. DEFERRED ASSETS

MEUR	Dec 31, 2015	Dec 31, 2014
Deferred interests	1.1	1.3
Deferred income from maintenance contracts	22.2	20.8
Unbilled contract revenue (note 4)	134.7	72.3
Derivative assets (note 2)	47.1	69.3
Value added tax assets	102.1	39.6
Prepaid expenses and other receivables	84.4	81.4
Total	391.6	284.7

20. SHAREHOLDERS EQUITY

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. When options are exercised and if new shares are issued, the impacts of changes in the share capital, which exceed the accounting par value of the shares, are included in the paid-up unrestricted equity reserve. If treasury shares are used in subscriptions with option rights the subscription price is included in the paid-up unrestricted equity reserve. The fair value and other reserves include changes in the fair value of cash flow hedges. Translation differences arising from the application of the acquisition method on the translation of the net investment in foreign subsidiaries and associated companies are recorded under translation differences. Exchange rate differences resulting from derivatives and loans intended as hedges on assets and liabilities in foreign subsidiaries are also entered in translation differences. Actuarial gains and losses arising from employee benefits are recorded under 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 booked directly in retained earnings.

Shares and share capital

At the end of the 2015 financial year the number of shares outstanding was 525,406,314. The share capital was EUR 65.7 million and the total number of votes was 121,128,472. 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. At the end of the financial year, the Board of Directors of the company had a valid authorization granted by the Annual General Meeting in February 2015 to increase the share capital and to issue stock options. The authorization shall remain in effect until February 23, 2020.

In accordance with the Articles of Association, class B shares are preferred for a dividend which is at least 1 percent 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.

Changes in share capital	Class A	Class B	Total
Number of shares, Jan 1, 2015	76,208,712	448,201,216	524,409,928
Share subscription with 2010 and 2013 options, April 30, 2015		853,462	853,462
Share subscription with 2010 options, May 19, 2015		132,322	132,322
Share subscription with 2013 options, Aug 4, 2015		3,560	3,560
Share subscription with 2013 options, Nov 3, 2015		6,802	6,802
Share subscription with 2013 options, Dec 31, 2015		240	240
Number of shares, Dec 31, 2015	76,208,712	449,197,602	525,406,314
Number of votes, Dec 31, 2015	76,208,712	44,919,760	121,128,472
Share capital, Dec 31, 2015, MEUR	9.5	56.2	65.7

Changes in share capital	Class A	Class B	Total
Number of shares, Jan 1, 2014	76,208,712	446,532,908	522,741,620
Share subscription with 2010 options, May 2, 2014		231,800	231,800
Share subscription with 2010 options, Aug 5, 2014		143,610	143,610
Share subscription with 2010 options, Nov 4, 2014		726,080	726,080
Share subscription with 2010 options, Dec 31, 2014		566,818	566,818
Number of shares, Dec 31, 2014	76,208,712	448,201,216	524,409,928
Number of votes, Dec 31, 2014	76,208,712	44,820,122	121,028,834
Share capital, Dec 31, 2014, MEUR	9.5	56.1	65.6

Options

KONE Corporation had four option programs during the financial period 2015. The purpose of the stock options is to encourage long-term efforts by key personnel to increase shareholder value and their commitment to the company by offering them an internationally competitive incentive program. The company's Board Members, President & CEO and members of the Executive Board were not included in the stock option plan 2010. The company´s Board Members, President & CEO, members of the Executive Board and other key personnel covered by KONE's other share-based incentive programs are not included in the option plans 2013, 2014 and 2015.

Stock options 2010 were granted according to the decision of the Board of Directors on July 20, 2010 to approximately 430 key employees. The decision was based on the authorization received from the Shareholders Meeting on March 1, 2010. The total number of stock options was 3,000,000 and 896,000 of them were held by KONE Corporation's subsidiary. The original share subscription price for the option was 17.50 euros per share and it was further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per April 30, 2015 when the subscription period ended was EUR 11.875. Each option entitled its holder to subscribe for two (2) new class B shares. The share subscription period for the stock option 2010 was April 1, 2013–April 30, 2015. The share subscription period began on April 1, 2013 and the 2010 option stock options were listed on the Nasdaq Helsinki stock exchange on April 2, 2013, as the financial performance of the KONE Group for the financial years 2010–2012 based on the total consideration of the Board of Directors was equal to or better than the average performance of key competitors of KONE. The amount of KONE class B shares subscribed with the 2010 option rights during 2015 was 870,102. The subscription price paid totaled EUR 10.3 million during year 2015.

Stock options 2013 were granted according to the decision of the Board of Directors on January 24, 2013 to approximately 480 key employees. The decision was based on the authorization received from the shareholders' meeting on March 1, 2010. A maximum total of 750,000 options were granted. Each stock option entitles its holder to subscribe for two (2) new class B KONE shares. The share subscription period for the stock options 2013 is April 1, 2015–April 30, 2017. The share subscription period began on April 1, 2015 and the 2013 option stock options were listed on the Nasdaq Helsinki stock exchange on April 1, 2015, as the financial performance of the KONE Group for the financial years 2013–2014 based on the total consideration of the Board of Directors was equal to or better than the average performance of key competitors of KONE. The amount of KONE class B shares subscribed with the 2013 option rights during 2015 was 126,284. The subscription price paid totaled EUR 3.2 million during year 2015. The original share subscription price for the stock option was EUR 29.125 per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per December 31, 2015 is EUR 25.40.

Stock options 2014 are granted according to the decision of the Board of Directors on December 20, 2013 to approximately 550 key employees and the decision was based on the authorization received from the Shareholders Meeting on March 1, 2010. A maximum total of 1,500,000 options are granted. The original share subscription price for the stock option was EUR 31.80 per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per December 31, 2015 is EUR 29.60. Each option entitles its holder to subscribe for one (1) new or existing company's own class B KONE share. The share subscription period for the stock options 2014 is April 1, 2016–April 30, 2018. The share subscription period begins accordingly on April 1, 2016 as the financial performance of the KONE Group for the financial years 2014–2015, based on the total consideration of the Board of Directors, was equal to or better than the average performance of the key competitors of KONE.

Stock options 2015 are granted according to the decision of the Board of Directors on December 18, 2014 to approximately 560 key employees and the decision was based on the authorization received from the Shareholders Meeting on March 1, 2010. A maximum total of 1,500,000 options are granted. Each option entitles its holder to subscribe for one (1) new or existing company's own class B KONE share. The share subscription period for the stock options 2015 will be April 1, 2017–April 30, 2019. The share subscription period begins only if the financial performance of the KONE Group for the financial years 2015–2016, based on the total consideration of the Board of Directors, is equal to or better than the average performance of the key competitors of KONE. If the above-mentioned prerequisite does not fulfill, the stock options expire based on the consideration and in the extent and manner decided by the Board of Directors and the terms of the stock options. The original share subscription price for the stock option was EUR 36.20 per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per December 31, 2015 is EUR 35.00.

Options	Options granted to employees	Unexcercised options	Options held by the subsidiary Dec 31, 2015	Number of class B shares that can be subscribed for with the option	Share subscription price, EUR	Share subscription period
2010	2,104,000	0	0	2	11.875	1 April, 2013–30 April, 2015
2013	695,000	631,858	55,000	2	25.40	1 April, 2015–30 April, 2017
2014	1,468,000	1,468,000	32,000	1	29.60	1 April, 2016–30 April, 2018
2015	1,478,000	1,478,000	22,000	1	35.00	1 April, 2017–30 April, 2019
Total	5,745,000	3,577,858	109,000			

Changes in the number of options outstanding	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Number of options outstanding, Jan 1	2,623,156	1,989,310
Granted options	1,488,000	1,483,000
Returned options	35,000	15,000
Expired options	105	0
Exercised options	498,193	834,154
Number of options outstanding, Dec 31	3,577,858	2,623,156
Exercisable options, Dec 31	631,858	435,156

Share-based incentive plan

KONE has a share-based incentive plan for the company's senior management (President & CEO, members of the Executive Board and other top management), consisting of approximately 40 individuals. The potential reward is based on the annual growth in both sales and earnings before interest and taxes (EBIT). The reward is to be paid as a combination of class B shares and cash equivalent of the taxes and similar charges that are incurred. The plan prevents participants from transferring the shares during the fifteen-month period following the termination of each fiscal year. As part of the share-based incentive plan, a long term target for the management's ownership has been set. In April 2015, a total of 354,838 class B shares were granted to the management as a reward due to the achievement of the targets for the year 2014. In July 2015, a total of 5,194 KONE class B shares were returned to KONE Corporation. In April 2016, a total of 391,662 class B shares will be granted to the management as a reward due to the achievement of the targets for the year 2015.

In December 2015, KONE's Board of Directors decided that KONE's share based remuneration will be based on two separate plans starting from the financial year 2016. One share-based incentive plan will be targeted for the senior management of KONE, including the President and CEO, members of the Executive Board and other top management, consisting of approximately 60 individuals. A second plan will be targeted for other key personnel of KONE, totaling approximately 425 individuals. The incentive plans will be part of these individuals' remuneration starting from the financial year 2016. According to the decision, the potential reward is based on the annual growth in sales and earnings before interest and taxes (EBIT) in both plans. However, KONE's Board of Directors has the possibility to change the basis of the target setting annually. The potential reward is to be paid as a combination of KONE class B shares and a cash payment equivalent to the taxes and similar charges that are incurred from the receipt of the shares. Plans include conditions preventing participants from transferring and participants are obliged to return the shares and the cash payments if employment or service contract is terminated during a period of two years following the ending of each earning period. Following the decision, KONE does not grant new stock option plans. The current existing stock option plans 2013, 2014 and 2015 shall be carried out based on the original terms of these programs.

Authority to purchase own shares

The Shareholders' Meeting held in February 2015 authorized the Board of Directors to repurchase the company's own shares. The shares may be repurchased among others in order to develop the capital structure of the Company, finance or carry out possible acquisitions, implement the Company's share-based incentive plans, or to be transferred for other purposes or to be cancelled. Altogether no more than 52,440,000 shares may be repurchased, of which no more than 7,620,000 may be class A shares and 44,820,000 class B shares, taking into consideration the provisions of the Companies Act regarding the maximum amount of own shares that the Company is allowed to possess.

Class B shares can be purchased at public trading in the Nasdaq Helsinki Ltd. at market price. The class A shares shall be purchased outside public trading at the price equivalent to the average price of class B shares paid in the Nasdaq Helsinki Ltd. at the time of purchase.

During the financial year 2015 KONE repurchased 1,910,000 own shares.

Own shares

	Number of shares	Cost, MEUR
Jan 1, 2015	10,683,398	150.8
Distributed to the annual compensation of the Board, April	-3,210	-0.1
Distributed to the share based incentive plan, April	-354,838	-11.5
Returned from the share-based incentive plan, July	5,194	0.2
Purchase, July	1,910,000	71.2
Dec 31, 2015	12,240,544	210.6
Jan 1, 2014	10,058,898	128.8
Distributed to the annual compensation of the Board, April	-4,460	-0.1
Distributed to the share based incentive plan, April	-395,040	-11.4
Returned from the share-based incentive plan, August	24,000	0.7
Purchase, October	1,000,000	32.8
Dec 31, 2014	10,683,398	150.8

Share-based payments

	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Share-based payments recognized as an expense in the statement of income, MEUR		
To be paid in shares	19.5	21.2
To be paid in cash	14.4	18.2

The share price at the date of issuing the share-based incentive plan 2013–2015 was EUR 29.25. During the financial year 2015 the possibility for a total of 62,920 (249,840) more KONE class B shares was granted and the possibility for a total of 50,142 (155,600) class B shares was returned to the company. The outstanding amount of KONE class B shares included in the incentive plan was therefore 523,840 (884,320) class B shares at the end of the financial year.

The value of the option program is calculated using the Black-Scholes option pricing model. The parameters used in defining the fair value of the option program are:

	2015	2014	2013 *)	2010 *)
Share price at the date of issue, EUR *)	37.37	32.40	58.50	32.19
Original subscription price, EUR *)	36.20	31.80	58.25	35.00
Duration (years)	4.4	4.4	4.3	4.8
Expected volatility, %	24	24	24	27
Risk-free interest rate, %	0.6	1.9	1.6	1.6
Fair value of option at the date of issue, EUR	8.44	7.83	13.13	7.40

*) Not adjusted for the share split (1:2) of December 2013 for stock option programs 2010 and 2013.

The share subscription price is reduced by the amount of dividends decided before the share subscription at the record date of each dividend distribution.

21. FINANCE LEASE LIABILITIES

KONE has non-cancellable finance leases for machinery & equipment and buildings with varying terms and renewal rights.

MEUR	Dec 31, 2015	Dec 31, 2014
Minimum lease payments		
Less than 1 year	11.4	9.7
1–5 years	24.9	19.7
Over 5 years	-	-
	36.3	29.4
Future finance charges	-0.9	-0.3
Present value of finance lease liabilities	35.3	29.1

MEUR	Dec 31, 2015	Dec 31, 2014
Present value of finance lease liabilities		
Less than 1 year	10.9	9.3
1–5 years	24.5	19.9
Over 5 years	-	-
Total	35.3	29.1

22. EMPLOYEE BENEFITS

KONE operates various employee benefit plans throughout the world. These plans include both defined contribution and defined benefit schemes. The pension benefits provided by KONE 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 invested in equities, fixed income instruments and other alternative asset classes to diversify the risk and the yield of the investments. 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 Great Britain, 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 2015 this plan was curtailed which resulted in a curtailment gain which decreases costs of defined benefit plans recognized in the statement of income.

In the United States, a part of KONE's employees are members in 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. 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 and 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 for new entrants. In Sweden, the pension cover is organized through defined contribution as well as unfunded defined benefit plans (ITP system, Industrins och handels 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 defined benefit obligations. A decrease in corporate bond yields 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 the development of salary levels. Higher general inflation and increases in salary levels will increase the present value of the benefit obligation

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

Employee benefit liabilities recognized in the consolidated statement of financial position, MEUR	Dec 31, 2015	Dec 31, 2014
Employee benefits		
Defined benefit plans	142.6	161.3
Other post-employment benefits	18.2	17.7
Total	160.8	178.9

Employee benefit liabilities recognized in the consolidated statement of financial position, MEUR	Dec 31, 2015		Dec 31, 2014	
	Defined benefit plans	Other post-employment benefits	Defined benefit plans	Other post-employment benefits
Present value of unfunded obligations	84.0	0.7	112.9	0.7
Present value of funded obligations	453.7	18.4	409.1	17.8
Fair value of benefit plans' assets	-395.1	-0.9	-360.7	-0.8
Total	142.6	18.2	161.3	17.7

Net liability reconciliation	Dec 31, 2015		Dec 31, 2014	
	Defined benefit plans	Other post-employment benefits	Defined benefit plans	Other post-employment benefits
Employee benefit liability at beginning of period	161.3	17.7	120.8	14.0
Employee benefit assets at beginning of period	-	-	-	-
Net liability at beginning of period	161.3	17.7	120.8	14.0
Translation differences	5.1	2.0	1.3	1.9
Acquisitions of new companies	-	-	2.3	-
Costs recognized in statement of income	-0.4	0.9	3.3	0.7
Remeasurements	4.2	-1.7	54.1	2.0
Paid contributions and benefits	-27.6	-0.7	-20.5	-0.9
Reclassifications	-	-	-	-
Net liability at end of period	142.6	18.2	161.3	17.7
Employee benefit liability at end of period	151.1	18.2	161.3	17.7
Employee benefit assets at end of period	-8.4	-	-	-
Net liability at end of period	142.6	18.2	161.3	17.7

Amounts recognized in the statement of income, MEUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Defined contribution pension plans	161.9	126.2
Defined benefit pension plans	-0.4	3.3
Other post-employment benefits	0.9	0.7
Total	162.3	130.1

Amounts recognized in the statement of income, MEUR	Jan 1–Dec 31, 2015		Jan 1–Dec 31, 2014	
	Defined benefit plans	Other post-employment benefits	Defined benefit plans	Other post-employment benefits
Current service costs	13.6	0.3	10.4	0.1
Net interest	4.2	0.6	4.2	0.6
Past-service costs	-0.2	-	-0.1	-
Settlements	-	-	-	-
Curtailments	-18.1	-	-11.2	-
Total	-0.4	0.9	3.3	0.7

The actual return on the assets of defined benefit plans was EUR -0.5 (34.0) million.

Defined benefit plans: assumptions used in calculating benefit obligations	Jan 1–Dec 31, 2015 Europe	Jan 1–Dec 31, 2015 USA	Jan 1–Dec 31, 2014 Europe	Jan 1–Dec 31, 2014 USA
Discount rate, %	3.43	3.89	3.56	3.78
Future salary increase, %	2.9	4.0	3.8	4.0
Future pension increase, %	2.8	4.0	2.8	4.0

Sensitivity of the defined benefit obligation to changes in actuarial assumptions	Impact on defined benefit obligation Dec 31, 2015	Impact on defined benefit obligation Dec 31, 2014
Discount rate, +0.25 percentage points	-3.8%	-4.0%
Discount rate, -0.25 percentage points	4.3%	4.5%
Future salary increase, +0.25 percentage points	-	0.4%
Future salary increase, -0.25 percentage points	-	-0.4%
Future pension increase, +0.25 percentage points	0.2%	2.8%
Future pension increase, -0.25 percentage points	-0.2%	-2.2%

The above sensitivity analyses cover 79 (79) percent of KONE's defined benefit obligation. Sensitivities are calculated by changing one assumption at a time while keeping other variables constant.

23. PROVISIONS

Jan 1–Dec 31, 2015, MEUR	Provision for warranty	Provision for claims	Provision for business restructuring	Provision for loss contracts	Other provisions	Total
Total provisions at beginning of period	53.9	3.3	19.4	23.0	37.8	137.4
Translation differences	1.6	0.0	0.1	1.2	-0.7	2.1
Increase	46.6	7.4	15.5	16.9	29.9	116.3
Provisions used	-27.3	-0.9	-15.6	-14.4	-4.9	-63.1
Reversal of provisions	-4.8	-	-0.8	-2.2	-12.2	-20.1
Companies acquired	-	-	-	0.4	0.6	1.0
Total provisions at end of period	69.9	9.8	18.6	24.9	50.4	173.6

	Non-current liabilities	Current liabilities	Total
Distribution of provisions as of Dec 31, 2015	74.8	98.8	173.6

Jan 1–Dec 31, 2014, MEUR	Provision for warranty	Provision for claims	Provision for business restructuring	Provision for loss contracts	Other provisions	Total
Total provisions at beginning of period	68.0	4.2	16.3	19.8	31.1	139.4
Translation differences	2.7	-0.1	0.2	1.5	0.6	4.9
Increase	24.2	1.0	13.6	11.4	13.0	63.2
Provisions used	-27.0	-1.1	-9.2	-8.7	-4.2	-50.2
Reversal of provisions	-14.1	-0.7	-1.5	-1.0	-2.7	-19.9
Companies acquired	-	-	-	-	-	-
Total provisions at end of period	53.9	3.3	19.4	23.0	37.8	137.4

	Non-current liabilities	Current liabilities	Total
Distribution of provisions as of Dec 31, 2014	44.0	93.5	137.4

24. ACCRUALS AND ADVANCE PAYMENTS RECEIVED

Accruals, MEUR	Dec 31, 2015	Dec 31, 2014
Accrued interests	0.2	0.1
Accrued income of maintenance contracts	309.7	284.6
Late costs accruals [1)]	379.2	299.6
Accrued salaries, wages and employment costs	406.1	371.5
Share-based payments	31.0	29.0
Derivative liabilities (note 2)	36.8	22.8
Accrued value added tax	124.1	65.8
Accruals from acquisitions	22.6	26.8
Other accruals	265.6	270.8
Total	1,575.2	1,371.0

[1)] Includes expected costs still to be incurred on new equipment and modernization contracts which have been completed.

Advance payments received, MEUR	Dec 31, 2015	Dec 31, 2014
Advance payments received	1,829.4	1,628.7

Advance payments received include customer payments for orders included in work in progress according to the contractual payment terms.

25. COMMITMENTS

MEUR	Dec 31, 2015	Dec 31, 2014
Guarantees		
Associated companies	-	1.9
Others	6.9	4.2
Operating leases	277.7	277.8
Total	284.6	283.9

Banks and financial institutions have guaranteed obligations arising in the ordinary course of business of KONE companies up to a maximum of EUR 1,322.7 (1,064.3) million as of December 31, 2015.

KONE leases cars, machinery & equipment and buildings under operating leases with varying terms.

The future minimum lease payments under non-cancellable operating leases, MEUR	Dec 31, 2015	Dec 31, 2014
Less than 1 year	73.6	72.0
1–5 years	153.8	151.7
Over 5 years	50.3	54.1
Total	277.7	277.8

The aggregate operating lease expenses totaled EUR 92.7 (96.3) million.

26. DISTRIBUTION OF NET SALES

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

Sales by geographical area

MEUR	Jan 1–Dec 31, 2015	%	Jan 1–Dec 31, 2014	%
EMEA [1]	3,369.6	39	3,204.6	44
Americas	1,466.0	17	1,100.6	15
Asia-Pacific	3,811.8	44	3,029.3	41
Total	8,647.3		7,334.5	

[1] EMEA = Europe, Middle East, Africa.

EUR 160.9 (152.0) million of net sales was in Finland.

In 2015, net sales in China was close to 35% and in the United States close to 15% of the Group's total net sales (2014: net sales exceeded 30% in China and 10% the United States). KONE's ten biggest geographical market areas in terms of net sales included (in addition to the aforementioned) France, Germany, Great Britain, Australia, Italy, Finland, Sweden and India (2014: France, Germany, Great Britain, Australia, Sweden, Italy, Finland and the Netherlands).

Sales by business

MEUR	Jan 1–Dec 31, 2015	%	Jan 1–Dec 31, 2014	%
New equipment	4,934.8	57	4,008.8	55
Services	3,712.5	43	3,325.7	45
Total	8,647.3		7,334.5	

In 2015, new equipment sales accounted for 57% (55%) of total sales. Services include the maintenance and modernization businesses. In 2015, maintenance accounted for 31% (32%) and modernization for 12% (13%) of total sales.

Sales by customer

KONE's customer base consists of a large number of customers in several market areas and no individual customer represents a material share of its sales.

Calculation of key figures

Average number of employees	=		the average number of employees at the end of each calendar month during the accounting period
Return on equity (%)	=	100 x	net income / total equity (average of the figures for the accounting period)
Return on capital employed (%)	=	100 x	net income + financing expenses / equity + interest-bearing-debt (average of the figures for the accounting period)
Total equity/total assets (%)	=	100 x	total equity / total assets - advance payments received
Gearing (%)	=	100 x	interest-bearing-debt - liquid assets - loans receivable / total equity
Basic earnings/share	=		net income attributable to the shareholders of the parent company / issue and conversion-adjusted weighted average number of shares - repurchased own shares
Equity/share	=		total shareholders’ equity / number of shares (issue adjusted) - repurchased own shares
Dividend/share	=		dividend payable for the accounting period / issue and conversion-adjusted weighted average number of shares - repurchased 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 accounting period
Price/earnings	=		price of class B shares at end of accounting period / earnings/share
Average price	=		total EUR value of all class B shares traded / average number of class B shares traded during the accounting period
Market value of all outstanding shares	=		the number of shares (A + B) at end of accounting period times the price of class B shares at end of accounting period [1]
Shares traded	=		number of class B shares traded during the accounting period
Shares traded (%)	=	100 x	number of class B shares traded / average weighted number of class B shares

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

Key figures and financial development

Consolidated statement of income, Jan 1–Dec 31	2015	2014	2013	2012	2011
Sales, MEUR	8,647	7,334	6,933	6,277	5,225
- sales outside Finland, MEUR	8,486	7,183	6,807	6,114	5,080
Operating income, MEUR	1,241	1,036	953	791	725
- as percentage of sales, %	14.4	14.1	13.8	12.6	13.9
Operating income excluding one-time items, MEUR [1]	1,241	1,036	953	829	725
- as percentage of sales, % [1]	14.4	14.1	13.8	13.2	13.9
Income before taxes, MEUR	1,364	1,016	960	804	817
- as percentage of sales, %	15.8	13.9	13.9	12.8	15.6
Net income, MEUR	1,053	774	713	611	644

Consolidated statement of financial position, MEUR	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Non-current assets	2,361	2,169	1,938	1,937	1,750
Current assets	5,144	4,191	3,405	3,197	2,977
Total equity	2,575	2,062	1,725	1,834	2,034
Non-current liabilities	343	321	262	302	208
Provisions	174	137	139	136	89
Current liabilities	4,414	3,839	3,217	2,862	2,397
Total assets	7,506	6,360	5,343	5,134	4,727
Interest-bearing net debt	-1,513	-912	-622	-574	-829
Assets employed [2]	1,063	1,151	1,103	1,260	1,205
Net working capital [2]	-983	-750	-612	-439	-361
Inventories, net of advance payments received	-503	-417	-294	-261	-167

Other data, Jan 1–Dec 31	2015	2014	2013	2012	2011
Orders received, MEUR	7,959	6,813	6,151	5,496	4,465
Order book, MEUR	8,210	6,952	5,587	5,050	4,348
Cash flow from operations before financing items and taxes, MEUR	1,474	1,345	1,213	1,071	820
Capital expenditure, MEUR	93	88	74	119	52
- as percentage of sales, %	1.1	1.2	1.1	1.9	1.0
Expenditure for research and development, MEUR	122	103	96	86	83
- as percentage of sales, %	1.4	1.4	1.4	1.4	1.6
Average number of employees	48,469	45,161	41,139	38,477	34,769
Number of employees at end of period	49,734	47,064	43,298	39,851	37,542
Employee costs	2,446	2,100	1,984	1,875	1,676

Key ratios, %, Jan 1–Dec 31	2015	2014	2013	2012	2011
Return on equity	45.4	40.9	40.1	32.1	35.5
Return on capital employed	41.7	37.7	36.3	29.4	34.3
Total equity/total assets	45.4	43.6	43.7	47.1	54.0
Gearing	-58.7	-44.2	-36.1	-31.3	-40.8

Key figures per share, Jan 1–Dec 31	2015		2014	2013	2012	2011
Basic earnings per share, EUR	2.01		1.47	1.37	1.17	1.26
Diluted earnings per share, EUR	2.00		1.47	1.36	1.17	1.25
Basic earnings per share, EUR, excluding one-time items [3]	1.79		-	-	1.23	1.15
Equity per share, EUR	4.94		3.93	3.30	3.53	3.97
Dividend per class B share, EUR [5]	1.40	[4]	1.20	1.00	1.525	1.45
Dividend per class A share, EUR [5]	1.3975	[4]	1.1975	0.9975	1.52	1.445
Dividend per earnings, class B share, %	69.7	[4]	81.5	73.0	129.8	115.1
Dividend per earnings, class A share, %	69.6	[4]	81.3	72,8	129.4	114.7
Effective dividend yield, class B share, %	3.6	[4]	3.2	3.0	5.5	7.2
Price per earnings, class B share	19.49		25.68	23.96	23.74	15.91
Market value of class B share, average, EUR	38.29		31.83	31.60	23.69	19.91
- at end of period, EUR	39.17		37.82	32.80	27.90	20.05
Market capitalization at end of period, MEUR [6]	20,101		19,429	16,816	14,306	10,249
Number of class A shares at 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 end of period, (1,000s) [6]	449,198		437,518	436,474	436,543	434,939
Weighted average number of class B shares, (1,000s) [7]	438,958		438,794	438,831	438,104	436,889
Weighted average number of shares, (1,000s) [7]	515,167		515,002	515,040	514,313	513,098

All share-related figures adjusted for the share split (1:2) done in December 2013. Comparative figures for 2012 have been restated according to the revised IAS 19 Employee Benefits.

1) 2012: Excluding a one-time cost related to the support function development and cost adjustment programs.
2) Including tax receivables and liabilities, accrued interest and derivative items.
3) 2015: Excluding the extraordinary dividend from TELC. 2012: Excluding a one-time cost related to the support function development and cost adjustment programs. 2011: Excluding a one-time gain from revaluation of previously held interest in GiantKONE.
4) Board's proposal.
5) 2012: Including an extra dividend of EUR 0.65 per class B-share and EUR 0.6475 per class A-share. 2011: Including an extra dividend of EUR 0.75 per class B-share and EUR 0.7475 per class A-share.
6) Reduced by the number of repurchased own shares. Class A shares are valued at the closing price of the class B shares.
7) Adjusted for share issue and share option and share-based incentive plan dilution, and reduced by the number of repurchased own shares.

Parent company statement of income

EUR	Note	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Sales	1	543,447,039.93	454,088,006.86
Other operating income	2	7,995,425.19	9,594,794.10
Materials and services		-2,865,216.19	-538,678.28
Personnel expenses	3	-78,872,864.25	-66,476,807.18
Depreciation and amortization	4	-13,072,140.30	-12,138,877.93
Other operating expenses	5	-298,001,215.18	-260,126,561.64
Operating income		158,631,029.20	124,401,875.93
Financing income and expenses	6	1,032,117,087.91	273,386,220.88
Income before extraordinary items		1,190,748,117.11	397,788,096.81
Extraordinary items +/-	7	44,000,000.00	30,600,000.00
Income before appropriations and taxes		1,234,748,117.11	428,388,096.81
Appropriations		-1,684,645.71	-1,092,513.12
Income taxes		-32,005,093.71	-31,613,166.86
Deferred taxes		-90,138.53	8,382,611.39
Net income		1,200,968,239.16	404,065,028.22

Parent company statement of financial position

Assets, EUR	Note	Dec 31, 2015	Dec 31, 2014
Non-current assets			
Intangible assets	8	26,973,598.00	28,178,470.00
Property, plant and equipment	9	28,120,403.91	18,842,969.94
Investments			
Subsidiary shares	10	3,088,037,403.28	3,196,747,917.57
Other shares	11	2,374,307.53	3,114,631.47
		3,090,411,710.81	3,199,862,549.04
Total non-current assets		3,145,505,712.72	3,246,883,988.98
Current assets			
Long-term receivables	12		
Loans receivable		28,017,318.31	25,898,816.92
		28,017,318.31	25,898,816.92
Short-term receivables	13		
Accounts receivable		53,967,795.45	50,385,346.67
Loans receivable		376,592,637.89	172,728,792.19
Deferred tax assets		8,571,965.50	8,662,104.03
Other receivables		4,595,641.39	4,461,397.82
Deferred assets		182,902,357.88	216,577,733.14
		626,630,398.11	452,815,373.85
Financial investments		1,036,624,826.92	438,225,293.21
Cash and cash equivalents		315,985,202.73	112,847,839.29
Total current assets		2,007,257,746.07	1,029,787,323.27
Total assets		5,152,763,458.79	4,276,671,312.25

Equity and liabilities, EUR	Note	Dec 31, 2015	Dec 31, 2014
Equity			
Share capital		65,675,789.25	65,551,241.00
Share premium account		100,328,064.58	100,328,064.58
Other reserves			
Paid-up unrestricted equity reserve		140,702,748.16	127,026,774.86
Retained earnings		423,552,561.11	707,056,121.78
Net income		1,200,968,239.16	404,065,028.22
Total equity	14	1,931,227,402.26	1,404,027,230.44
Cumulative accelerated depreciation		7,300,024.40	5,615,378.69
Appropriations		7,300,024.40	5,615,378.69
Provisions	15	4,745,756.94	4,624,451.56
Liabilities			
Non-current liabilities	16		
Loans		1,333,527,173.54	1,012,643,547.61
		1,333,527,173.54	1,012,643,547.61
Current liabilities	17		
Accounts payable		56,413,885.24	52,701,197.41
Loans		1,702,631,049.64	1,678,351,897.44
Other liabilities		1,776,731.92	1,516,762.37
Accruals		115,141,434.85	117,190,846.73
		1,875,963,101.65	1,849,760,703.95
Total liabilities		3,209,490,275.19	2,862,404,251.56
Total equity and liabilities		5,152,763,458.79	4,276,671,312.25

Parent company cash flow statement

EUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Cash receipts from customers	520,535,189.07	513,185,208.67
Cash receipts from other operative income	7,848,265.20	7,017,593.89
Cash paid to suppliers and employees	-376,229,094.68	-312,175,746.68
Financing items	1,100,822,352.25	277,797,551.37
Taxes and other items	-31,750,603.49	-98,509,204.77
Cash flow from operating activities	1,221,226,108.35	387,315,402.48
Capital expenditure	-21,380,942.48	-23,072,376.93
Proceeds from sales of fixed assets	409,247.16	3,308,127.64
Subsidiary investments	-95,376,569.00	-423,764,494.62
Proceeds from sales of subsidiary shares	200,214,510.42	210,000,000.00
Cash flow from investing activities	83,866,246.10	-233,528,743.91
Purchase of own shares	-71,156,511.97	-32,802,268.73
Increase in equity (option rights)	13,540,074.85	21,813,127.10
Net change in short-term debt	24,843,578.82	314,104,283.67
Net change in long-term debt	320,883,625.93	303,585,900.31
Profit distribution	-616,281,314.22	-537,483,743.78
Group contributions received	30,600,000.00	41,584,500.00
Other financing items	-804,384,444.42	-303,789,541.05
Cash flow from financing activities	-1,101,954,991.01	-192,987,742.48
Change in cash and cash equivalents	203,137,363.44	-39,201,083.91
Cash and cash equivalents, Jan 1	112,847,839.29	152,048,923.20
Cash and cash equivalents, Dec 31	315,985,202.73	112,847,839.29
Change in cash and cash equivalents	203,137,363.44	-39,201,083.91
Reconciliation of net income to the cash flow from operating activities		
Net income	1,200,968,239.16	404,065,028.22
Depreciation and amortization	13,072,140.30	12,138,877.93
Other adjustments	-38,297,671.28	-31,941,877.49
Income before change in working capital	1,175,742,708.18	384,262,028.66
Change in receivables	43,461,285.67	-28,285,717.66
Change in liabilities	2,022,114.50	31,339,091.48
Cash flow from operating activities	1,221,226,108.35	387,315,402.48

Accounting principles of the parent company financial statements

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, 2015.

Foreign currency transactions

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.

Derivative instruments

Derivate financial instruments that are used to hedge the currency and the interest rate risks as well as to hedge the commodity risk related to the electricity price risk 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 in euros. The fair values of cross currency swaps are determined by discounting the expected future cash flows of the contracts with the market interest rate yield curves of the currencies concerned. The fair value of electricity price forwards is based on electricity stock exchange prices on the valuation date. The fair values of derivative financial instruments are presented in note 19.

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. Fair value changes of electricity price forwards designated as hedges against future electricity purchases are recognized in the income statement as adjustment items to purchases.

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 is being carried out.

Research and development cost

Research and development costs are expensed as they incur.

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 18.

Extraordinary items

Extraordinary items include received and charged group contributions.

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 is 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	4–5 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 costs in which the parent company has committed to and which probably will not contribute in future revenues are recognized in provisions.

Financial risk management

KONE Group Treasury of the parent company centrally manages the group financial risk. The financial risk management principles are presented in note 2 of the consolidated financial statements.

Cash and cash equivalents

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

Notes to the parent company financial statements

Notes to the statement of income

1. SALES

Sales to subsidiaries was 543,447.0 (454,088.0) thousand, which relates to revenues for the utilization of intellectual property rights.

2. OTHER OPERATING INCOME

EUR 1,000	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Subsidies received	1,538.6	1,146.9
Recharged energy	1,968.9	2,058.9
Service charges	2,452.8	2,076.6
Others	2,035.2	4,312.4
Total	7,995.4	9,594.8

3. PERSONNEL EXPENSES

EUR 1,000	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Wages and salaries	65,527.8	53,082.3
Pension costs	10,067.2	10,591.6
Other employment expenses	3,277.9	2,802.9
Total	78,872.9	66,476.8

In 2015, the salaries and fees paid to the President & CEO and to the Board of Directors were together EUR 5,830.2 (5,037.7) thousand. Average number of staff employed by the parent company was 785 during the financial year (733).

4. DEPRECIATION AND AMORTIZATION

EUR 1,000	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Intangible rights	473.1	382.1
Other long term expenditure	9,745.2	9,253.0
Buildings	530.0	434.0
Machinery and equipment	2,323.8	2,069.7
Total	13,072.1	12,138.9

5. AUDITORS' FEES

EUR 1,000	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Audit	386.5	370.0
Auditors' statements	6.8	7.5
Tax advise	2.0	14.0
Other services	293.0	346.8
Total	688.3	738.3

6. FINANCING INCOME AND EXPENSES

EUR 1,000	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Dividend income from subsidiaries	1,074,413.2	319,293.1
Other dividends received	0.5	36.5
Interest income from subsidiaries	1,761.2	2,214.2
Interest income from others	32,298.2	13,937.7
Interest expenses to subsidiaries	-31,803.5	-27,829.9
Interest expenses to others	-6,589.7	-108.3
Other financing income and expenses	-37,962.8	-34,157.1
Total	1,032,117.1	273,386.2

7. EXTRAORDINARY INCOME AND EXPENSES

EUR 1,000	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Group contributions received	44,000.0	30,600.0
Total	44,000.0	30,600.0

Notes to the statement of financial position

8. INTANGIBLE ASSETS

Jan 1–Dec 31, 2015, EUR 1,000	Intangible rights	Other long-term expenditure	Advance payments	Total
Jan 1, 2015				
Acquisition cost	3,025.1	90,226.3	5,132.6	98,383.9
Accumulated amortization and impairment	-1,854.5	-68,351.0	-	-70,205.5
Net book value	1,170.6	21,875.3	5,132.6	28,178.5
Opening net book value	1,170.6	21,875.3	5,132.6	28,178.5
Increase	195.5	8,957.8	-	9,153.3
Decrease	-	-920.7	-	-920.7
Reclassifications	760.3	2,684.1	-2,663.5	781.0
Amortization	-473.1	-9,745.2	-	-10,218.3
Closing net book value	1,653.2	22,851.3	2,469.1	26,973.6
Dec 31, 2015				
Acquisition cost	3,980.8	98,812.0	2,469.1	105,261.9
Accumulated amortization and impairment	-2,327.6	-75,960.7	-	-78,288.3
Net book value	1,653.2	22,851.3	2,469.1	26,973.6

Jan 1–Dec 31, 2014, EUR 1,000	Intangible rights	Other long-term expenditure	Advance payments	Total
Jan 1, 2014				
Acquisition cost	2,724.3	81,107.0	-	83,831.3
Accumulated amortization and impairment	-1,472.4	-59,104.8	-	-60,577.2
Net book value	1,251.9	22,002.2	-	23,254.1
Opening net book value	1,251.9	22,002.2	-	23,254.1
Increase	300.8	9,128.3	5,132.6	14,561.7
Decrease	-	-2.2	-	-2.2
Amortization	-382.1	-9,253.0	-	-9,635.1
Closing net book value	1,170.6	21,875.3	5,132.6	28,178.5
Dec 31, 2014				
Acquisition cost	3,025.1	90,226.3	5,132.6	98,383.9
Accumulated amortization and impairment	-1,854.5	-68,351.0	-	-70,205.5
Net book value	1,170.6	21,875.3	5,132.6	28,178.5

9. PROPERTY, PLANT AND EQUIPMENT

Jan 1–Dec 31, 2015, EUR 1,000	Land	Buildings	Machinery and equipment	Fixed assets under construction	Total
Jan 1, 2015					
Acquisition cost	182.3	10,491.2	33,015.0	5,622.4	49,310.9
Accumulated depreciation	-	-5,506.2	-24,961.8	-	-30,467.9
Net book value	182.3	4,985.0	8,053.2	5,622.4	18,843.0
Opening net book value	182.3	4,985.0	8,053.2	5,622.4	18,843.0
Increase	-	2,977.6	4,332.0	4,908.2	12,217.7
Decrease	-	-4.1	-61.8	-	-65.8
Reclassifications	-	3,371.3	99.6	-3,491.5	-20.6
Depreciation	-	-530.0	-2,323.8	-	-2,853.8
Closing net book value	182.3	10,799.8	10,099.2	7,039.1	28,120.4
Dec 31, 2015					
Acquisition cost	182.3	16,835.9	37,061.4	7,039.1	61,118.7
Accumulated depreciation	-	-6,036.1	-26,962.2	-	-32,998.3
Net book value	182.3	10,799.8	10,099.2	7,039.1	28,120.4

Jan 1–Dec 31, 2014, EUR 1,000	Land	Buildings	Machinery and equipment	Fixed assets under construction	Total
Jan 1, 2014					
Acquisition cost	182.3	10,169.7	30,121.5	210.9	40,684.4
Accumulated depreciation	-	-5,072.1	-22,757.7	-	-27,829.8
Net book value	182.3	5,097.5	7,363.9	210.9	12,854.6
Opening net book value	182.3	5,097.5	7,363.9	210.9	12,854.6
Increase	-	191.3	2,755.9	5,563.6	8,510.7
Decrease	-	-	-18.6	-	-18.6
Reclassifications	-	130.2	21.8	-152.0	0.0
Depreciation	-	-434.0	-2,069.7	-	-2,503.8
Closing net book value	182.3	4,985.0	8,053.2	5,622.4	18,843.0
Dec 31, 2014					
Acquisition cost	182.3	10,491.2	33,015.0	5,622.4	49,310.9
Accumulated depreciation	-	-5,506.2	-24,961.8	-	-30,467.9
Net book value	182.3	4,985.0	8,053.2	5,622.4	18,843.0

10. SUBSIDIARY SHARES

EUR 1,000	Dec 31, 2015	Dec 31, 2014
Acquisition cost, Jan 1	3,196,747.9	2,981,571.8
Increase	95,376.6	423,779.3
Decrease	-203,326.8	-210,000.0
Reclassifications	-760.3	1,396.8
Net book value, Dec 31	3,088,037.4	3,196,747.9

11. OTHER SHARES

EUR 1,000	Dec 31, 2015	Dec 31, 2014
Acquisition cost, Jan 1	3,114.6	5,227.2
Increase	10.0	-
Decrease	-750.3	-715.7
Reclassifications	-	-1,396.8
Net book value, Dec 31	2,374.3	3,114.6

12. LONG-TERM RECEIVABLES

EUR 1,000	Dec 31, 2015	Dec 31, 2014
Loans receivable from subsidiaries	28,017.3	25,898.8
Long-term receivables	28,017.3	25,898.8

13. SHORT-TERM RECEIVABLES

Receivables from subsidiaries, EUR 1,000	Dec 31, 2015	Dec 31, 2014
Accounts receivable	53,658.9	49,826.8
Loans receivable	376,592.6	172,728.8
Deferred assets	125,932.0	130,418.6
Total	556,183.5	352,974.2

Receivables from externals, EUR 1,000	Dec 31, 2015	Dec 31, 2014
Accounts receivable	308.9	558.5
Others	4,595.6	4,461.4
Deferred assets	56,970.4	86,159.1
Total	61,874.9	91,179.1
Deferred tax assets	8,572.0	8,662.1
Total short-term receivables	626,630.4	452,815.4

Deferred assets, EUR 1,000	Dec 31, 2015	Dec 31, 2014
Derivative assets	50,977.2	77,579.9
Deferred income taxes	7,048.1	11,535.4
Unbilled contract revenue	67,835.9	54,766.7
Group contributions	44,000.0	30,600.0
Others	13,041.1	42,095.8
Total	182,902.4	216,577.7

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, 2015	65,551.2	100,328.1	127,026.8	-150,793.6	1,261,914.8		1,404,027.2
Profit distribution					-616,281.3		-616,281.3
Purchase of own shares				-71,156.5			-71,156.5
Option and share-based compensation	124.5		13,676.0	11,396.7	-11,527.5		13,669.8
Net income for the period						1,200,968.2	1,200,968.2
Net book value Dec 31, 2015	65,675.8	100,328.1	140,702.7	-210,553.4	634,106.0	1,200,968.2	1,931,227.4

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 1,765,223,548.43 (1,238,147,924.86) at the end of the period.

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, 2014	65,342.7	100,328.1	105,415.8	-128,814.0	1,381,033.8		1,523,306.4
Profit distribution					-512,492.2		-512,492.2
Purchase of own shares				-32,802.3			-32,802.3
Option and share-based compensation	208.5		21,611.0	10,822.7	-10,691.9		21,950.3
Net income for the period						404,065.0	404,065.0
Net book value Dec 31, 2014	65,551.2	100,328.1	127,026.8	-150,793.6	857,849.7	404,065.0	1,404,027.2

15. PROVISIONS

EUR 1,000	Dec 31, 2015	Dec 31, 2014
Warranty provisions	4,363.9	4,342.6
Other provisions	381.9	281.9
Total	4,745.8	4,624.5

16. NON-CURRENT LIABILITIES

Liabilities to subsidiaries EUR 1,000	Dec 31, 2015	Dec 31, 2014
Liabilites falling due in 1-5 years	1,333,527.2	1,012,643.5
Liabilities falling due later than five years	-	-
Total	1,333,527.2	1,012,643.5

17. CURRENT LIABILITIES

Liabilities to subsidiaries, EUR 1,000	Dec 31, 2015	Dec 31, 2014
Accounts payable	21,244.2	23,178.1
Loans	1,702,631.0	1,678,351.9
Accruals	39,387.1	36,355.7
Total	1,763,262.3	1,737,885.8

Liabilities to externals, EUR 1,000	Dec 31, 2015	Dec 31, 2014
Accounts payable	35,169.7	29,523.0
Other liabilities	1,776.7	1,516.8
Accruals	75,754.4	80,835.1
Total	112,700.8	111,874.9
Total current liabilities	1,875,963.1	1,849,760.7

Accruals, EUR 1,000	Dec 31, 2015	Dec 31, 2014
Accrued wages, salaries and employment costs	19,386.8	18,451.8
Accrued taxes	-	6,501.5
Derivative liabilities	47,060.5	32,648.1
Others	48,694.1	59,589.5
Total	115,141.4	117,190.8

18. COMMITMENTS

EUR 1,000	Dec 31, 2015	Dec 31, 2014
Guarantees		
For subsidiaries	1,820,580.5	1,557,679.0
For associated companies	-	1,894.4
For others	5,831.5	4,222.1
Leasing commitments		
Due next year	5,131.2	5,568.5
Due over a year	17,082.1	10,091.5
Other commitments	3,275.1	1,556.6
Total	1,851,900.4	1,581,012.2

19. DERIVATIVES

Fair values of derivative instruments, EUR 1,000	Dec 31, 2015	Dec 31, 2014
FX forward contract with external parties	800.5	23,507.5
FX forward contract with subsidiaries	-2,209.9	2,811.1
Cross currency and interest rate swaps, due under one year	6,490.5	-
Cross currency and interest rate swaps, due in 1–3 years	-	19,723.0
Electricity derivatives	-1,164.3	-1,109.7
Total	3,916.7	44,931.8

Nominal values of derivative instruments, EUR 1,000	Dec 31, 2015	Dec 31, 2014
FX forward contract with external parties	2,256,016.6	1,543,139.5
FX forward contract with subsidiaries	737,929.3	556,514.9
Cross currency and interest rate swaps, due under one year	138,894.5	-
Cross currency and interest rate swaps, due in 1–3 years	-	138,894.5
Electricity derivatives	2,595.2	5,453.0
Total	3,135,435.5	2,244,001.8

Derivatives are hedging transactions in line with KONE hedging policy. More information about financial risks management is described in the notes to the consolidated statements (note 2).

List of the Parent company accounting journals, common document types and means of storaging

Balance sheet book		In paper
Journal and general ledger		In electrical format
Accounts payable and accounts receivable		In electrical format and in paper
Loan and deposit register		In electrical format and in paper
Sales invoices	document type RV	In electrical format
Purchase invoices	document type RE	In electrical format
Memo vouchers	document type Y3	In electrical format and in paper
Fixed asset register	document type AA	In electrical format and in paper
Periodisation entries	document type SA	In electrical format and in paper
Bank entries	document type SB	In electrical format and in paper
Travel expense entries	document type ZH	In electrical format and in paper
Salary entries	document type Z9	In electrical format
Financing entries	document type TI	In electrical format and in paper
Adjustments and cancellations	document type AB	In electrical format

A complete list of the document types is included in the balance sheet binder.

Subsidiaries and associated companies

SUBSIDIARIES, DEC 31, 2015

		Shareholding %	
Country	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	
	KONE Investition GmbH	100	100
	Vonbank Services GmbH	100	
Belgium	KONE Belgium S.A.	100	99.99
	KONE International N.V.	100	99.99
Bosnia	Lift Modus d.o.o. (Sarajevo)	100	
Bulgaria	KONE EOOD	100	100
Canada	KONE Holdings (Canada) Inc.	100	
	KONE Inc.	100	
China	Giant Kone Elevator Co., Ltd.	80	40
	KONE Elevator (Shanghai) Co., Ltd.	100	
	KONE Elevators Co., Ltd.	100	
	Kunshan KONE Industrial Machinery Co., Ltd.	100	100
China/Hong Kong	Ben Fung Machineries & Engineering Ltd.	100	
	KONE Elevator (HK) Ltd.	100	
	KONE Elevators International (China) Limited	100	
China/Macau	KONE Elevator (Macau) Ltd.	100	
Croatia	Lift Modus d.o.o.	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 Capital Oy	100	100
	KONE Hissit Oy	100	100
	KONE Industrial Oy	100	100
	Gigalock Oy	100	
France	Ascenseurs Soulier S.N.C.	100	
	Ascenseurs Technologie Serrurerie (S.A.S.)	99.8	
	ATPE-AMIB S.A.S.	100	
	KONÉ Développement S.N.C.	100	
	KONÉ Holding France S.A.S.	100	100
	KONÉ S.A.	99.97	
	Prokodis S.A.S.	100	
	Société en Participation KONE ATS	100	
Germany	Janzhoff Aufzüge GmbH	100	
	Klostermann Aufzüge GmbH	100	

		Shareholding %	
Country	Company	Group	Parent company
Germany	KONE Automatiktüren GmbH	100	
	KONE Escalator Supply Line Krefeld GmbH	100	
	KONE Garant Aufzug GmbH	100	
	KONE GmbH	100	
	KONE Holding GmbH	100	
	KONE Montage GmbH	100	
	KONE Servicezentrale GmbH	100	
	Lödige Aufzugstechnik GmbH	100	
	SK-Fördertechnik GmbH	100	
	WBM Ostfalen-Aufzüge GmbH	100	
	WM Wahl Menzel Aufzugsdienst GmbH	100	
Greece	KONE S.A.	100	
Hungary	KONE Felvonó Kft	100	100
Iceland	KONE ehf	100	100
India	KONE Elevator India Private Ltd.	100	99.99
Indonesia	PT. Kone Indo Elevator	100	1
Ireland	Bleasdale Limited	100	
	Ennis Lifts Limited	100	
	Industrial Logistics Limited	100	
	KONE (Ireland) Limited	100	
Israel	Isralift Industries 1972 Ltd.	100	100
Italy	Cofam S.r.l.	60	
	Elevant Servizi S.r.l.	70	
	Elevatori Bari S.r.l.	80	
	Elevators S.r.l.	60	
	EP Servizi S.r.l.	70	
	Ferrara Ascensori S.r.l.	60	
	KONE Industrial S.p.A.	100	100
	KONE S.p.A.	100	26.12
	L.A.M. Lombarda Ascensori Montacarichi S.r.l.	70	
	Manutenzione Installazione Ascensori S.p.A.	100	
	Mingot S.r.l.	99	
	Nettuno S.r.l.	75	
	Neulift S.r.l.	100	
	Neulift Service Molise S.r.l.	51	
	Neulift Service Reggio Calabria S.r.l.	70	
	Neulift Service Triveneto S.r.l.	75	
	Sabiem S.p.A.	100	
	Slimpa S.p.A.	100	
	Tecnocram S.r.l.	80	
	Tosca Ascensori S.r.l.	66.66	
	Unilift S.r.l.	78.54	
Japan	KONE Japan Co. Ltd.	100	100
Kenya	KONE Kenya Limited	100	
Latvia	SIA KONE Lifti Latvija	100	0.5
Lithuania	UAB KONE	100	100
Luxembourg	KONE Luxembourg S.a.r.l.	100	
	Lumico S.a.r.l.	100	100
	Luxlift S.a.r.l.	100	
Macedonia	KONE Makedonija Dooel Skopje	100	

		Shareholding %	
Country	Company	Group	Parent company
Malaysia	Fuji Lift & Escalator Manufacturing Sdn. Bhd.	100	
	KONE Elevator (M) Sdn. Bhd.	49	49
	Premier Elevators Sdn. Bhd.	100	100
Mexico	KONE Industrial S.A. de C.V.	100	
	KONE Industrial Servicios S.A. de C.V.	100	
	KONE Mexico S.A. de C.V.	100	0.1
Monaco	S.A.M. KONÉ	100	
Montenegro	KONE d.o.o. Podgorica	100	
Netherlands	Hissi B.V.	100	
	Hopmann Liftservice B.V.	100	
	KONE B.V.	100	
	KONE Deursystemen B.V.	100	
	Kone Finance Holding B.V.	100	
	Kone Holland B.V.	100	53.2
	KONE Markus B.V.	100	
	KONE Nederland Holding B.V.	100	
	Waldoor B.V.	100	
Norway	KONE Aksjeselskap	100	100
	KONE Rulletrapper AS	100	100
Oman	KONE Assarain LLC	70	
Philippines	Elevators Philippines Construction, Inc.	49	
	KPI Elevators Inc.	100	
Poland	KONE Sp.z o.o.	100	100
Portugal	KONE Portugal-Elevadores Lda.	100	1
	VTP-Tractores S.A.	99.28	0.71
Qatar	KONE Elevators LLC	49	49
Romania	KONE Ascensorul S.A.	100	99.99
Russia	CJSC KONE Lifts	100	100
Saudi-Arabia	KONE Areeco Limited	50	10
Serbia	KONE d.o.o. Beograd-Voždovac	100	
Singapore	KONE Pte Ltd.	100	
Slovak Republic	KONE s.r.o.	100	99.91
	KONE SSC s.r.o.	100	100
Slovenia	KONE d.o.o.	100	100
South Africa	KONE Elevators South Africa (Pty) Ltd.	100	
Spain	KONE Elevadores, S.A.	100	99.99
	MARVI Ascensores S.L.	100	
Sweden	KONE AB	100	
	KONE Door AB	100	
	KONE Metro AB	100	
	Motala Hissar AB	100	
	Uppsala Hiss Montage och El AB	100	
Switzerland	KONE (Schweiz) AG	100	
	Recolift SA	100	100
Taiwan	Ben Fung Elevators Taiwan Ltd.	100	
	KONE Elevators Taiwan Co. Ltd.	100	
Thailand	KONE Public Company Limited	83.9	
	Thai Elevators & Escalators Ltd.	73.99	
	Thai Elevators Holding Ltd.	49	
Turkey	KONE Asansör Sanayi ve Ticaret A.S.	100	

Country	Company	Shareholding % Group	Shareholding % Parent company
Uganda	KONE Uganda Limited	100	
UK	21st Century Lifts Limited	100	
	Acre Lifts Limited	100	
	CrownAcre Lifts Limited	100	
	Express Elevators Ltd.	100	
	KONE (NI) Ltd.	100	
	KONE Bolton Brady Limited	100	
	KONE Pension Trustees Ltd.	100	
	KONE Plc	100	100
	Lift Maintenance Limited	100	
	Rob Willder Lifts Limited	100	
Ukraine	KONE Lifts LLC	100	
United Arab Emirates	KONE (Middle East) LLC	49	49
USA	ENOK Electrical Company, LLC	100	
	KONE Holdings, Inc.	100	
	KONE Inc.	100	
	Konematic Inc.	100	
	Marine Elevators LLC	100	
Vietnam	KONE Vietnam Limited Liability Company	100	

ASSOCIATED COMPANIES, DEC 31, 2015

Country	Company	Shareholding % Group	Shareholding % Parent company
China	Shan On Engineering Company Limited	35.294	
	Kunshan Vataple-Kone Escalator Equipment Co., Ltd.	49	
Estonia	Koiko Kinnisvara OÜ	25.70	25.70

Corporate governance statement

(p. 60–65 are not a part of the official financial statements)

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 2010 published by the Securities Market Association, with the exception of recommendations 26 (Independence of the members of the audit committee), 29 (Members of the nomination committee) and 32 (Members of the remuneration committee). The entire Code is available on the Internet at www.cgfinland.fi. 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 22 percent of its shares. The significant entrepreneurial risk associated with ownership justifies the main shareholder serving as Chairman or Member of the Board of Directors and of its Committees and, in this capacity, overseeing the shareholders' interests.

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
- the preparation of proposals for the General Meeting and the convocation of the General Meetings
- the approval and confirmation of strategic guidelines and the principles of risk management
- the ratification of annual budgets and plans
- the appointment of a full-time Chairman 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 six 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 Chairman among its members. In electing the members of the Board, attention is paid to the candidates' broad and mutually complementary experience, expertise and views of both KONE's business and other businesses.

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 monitors and oversees the financial statement and financial reporting process, and 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. In addition, it deals with the Corporation's internal audit plans and reports. The Director of Internal Audit reports the internal audit results to the Committee. 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 and makes decisions regarding senior management appointments and compensation. The Committee also decides on the compensation systems to be used.

Operational management

Full-time Chairman of the Board and the President and CEO

KONE Corporation's Board of Directors appoints the full-time Chairman of the Board and the President and CEO. The Board determines the terms and conditions of employment of the full-time Chairman of the Board and the President and CEO, and these are defined in their respective written contracts. The Chairman of the Board prepares matters to be considered by the Board together with the President and CEO and the corporate staff. The Chairman 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 also 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 issues 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.

Control systems

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

Internal control

The goal of KONE's internal control system is to ensure that the Group's operations are efficient and profitable, that its business risk management is adequate and appropriate, and that the information created is reliable. The control system also makes it possible to oversee that the determined operating principles and given instructions are followed.

The Board's Audit Committee monitors the functioning of the internal control process. The Corporation has an Internal Audit Department, which is separate from the operational management. The Head of Internal Audit reports to the Chairman of the Board. The Internal Audit Department is responsible for auditing both the internal control system and the management of business risks. It reports its findings to the Audit Committee.

Risk management

KONE's Risk Management and Strategy Development functions jointly coordinate and develop a systematic assessment of risks and opportunities within core business planning and decision-making processes.

KONE continuously assesses the risks and opportunities related to its business environment, operations and financial performance in order to limit unnecessary or excessive risks. In addition, KONE's units and functions systematically identify and assess, as part of the strategic planning and budgeting processes, the risks that can threaten the achievement of their business objectives. Key risks are reported to the Risk Management function, which facilitates the risk management process and consolidates the risk information to the Executive Board. The Executive Board assigns the ownership of identified significant risk exposures to specific functions or units. The Board of Directors reviews the KONE risk portfolio regularly on the basis of the Executive Board's assessment.

The Risk Management function is also responsible for administering the company's global insurance programs. The Treasury function manages financial risks centrally according to the KONE Treasury Policy.

More information

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, page 20.

Main features of internal control and risk management related to financial reporting

Correct financial reporting in KONE's internal control framework means that its financial statements give a true and fair view of the operations and the financial position of the group and that such statements do not include intentional or unintentional misstatements or omissions either in respect of the figures or level of disclosure. The internal control framework is built and based on reporting processes and frameworks as described below, as well as on the company values, a company culture with emphasis on honesty and high standards for ethical behavior. The framework is promoted by adequate training, by fostering a positive and a disciplined work attitude and by hiring and promoting suitable employees.

The financial management and control of KONE's operations is coordinated by the Global Finance and Control function and implemented by a network of subsidiary and business entity Controllers within KONE. Internal control processes and procedures are regularly evaluated and steered by the Board of Directors, the Audit Committee, Business and Finance management and internal and external auditors.

KONE's monthly management planning and financial reporting process represents a key control procedure within KONE in ensuring the effectiveness and efficiency of operations. KONE's financial statements are based on the monthly management reporting process. This process includes in-depth analyses of deviations between actual performance, budgets, prior year performance and latest forecasts for the business. The process covers financial information as well as 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.

Financial control tasks are built into the business processes of KONE as well as into the ongoing business supervision and monitoring by management. KONE has established Financial Control Models for order-based activities, service activities as well as for treasury and tax matters. The models have been defined in order to ensure that the financial control covers the relevant tasks in an efficient and timely manner. Financial Control Models are designed to support the efficiency and effectiveness of operations through well-defined and productive monitoring process. The correctness of the financial reporting is supported and monitored through the Financial Control Models. The models include Key Control Tasks for Finance Directors and controllers of KONE's subsidiaries and entities. Key Control Indicators are defined and linked to the tasks in the Financial Control Models. The aim of these indicators is to measure and support the effectiveness and harmonization of operations. The effectiveness of the Financial Control Models and indicators is assessed in all units regularly and audited by the Global Finance and Control Function.

The internal control procedures applied to KONE's financial reporting process are laid down in carefully defined principles and instructions. A unified and globally harmonized framework provides processes, tools and instructions to cover managerial and external financial reporting. The interpretation and application of accounting standards is centralized in the Global Finance and Control function, which maintains, under supervision of the Audit Committee, the KONE Accounting Standards. The Global Finance and Control function monitors the compliance of the KONE Accounting Standards in the various entities of the group. Budgeting and reporting processes and contents are defined in the KONE Accounting and Reporting Instructions. These standards and instructions are maintained and updated centrally by the Global Finance and Control 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 KONE Accounting and Reporting Instructions. KONE applies a controlled change management process ensuring that no changes to the financial posting logic of the ERP system can be made without approval from the Global Finance and Control function. Automatic interfaces between different systems are principally applied in the period-end financial reporting process of KONE. Transactional processing is increasingly centralized in dedicated internal 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.

Auditing

The task of statutory auditing is to verify that the financial statements and Board of Directors' report provide accurate and adequate information on KONE's result and financial position. In addition, auditing includes an audit of the Corporation's accounting and administration.

According to the Articles of Association, the company must have a minimum of one and a maximum of three Auditors. The Auditors must be public accountants or public accounting firms authorized by Finland's Central Chamber of Commerce. The Auditor is elected at the Annual General Meeting for a term which expires at the end of the following Annual General Meeting.

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. The company maintains its public and company-specific insider registers in the Euroclear Finland Ltd's SIRE system. In compliance with the Finnish Securities Markets Act, KONE's public insiders include the members and deputy members of the Board of Directors, the President and CEO and the Auditors. In addition to these individuals, KONE's public insiders include the members of the Executive Board of the company. In addition to the public insiders, KONE's permanent insiders include company-specific insiders defined by the company who regularly receive or have access to inside information due to their position or tasks. Permanent insiders are permitted to trade in KONE shares and securities entitling to KONE shares during a six-week period after the release of interim reports and financial statements releases. The company also maintains a project-specific insider register when necessary. Project-specific insiders are prohibited from trading KONE securities until the termination of the project.

The person in charge of KONE's insider issues is the Secretary to the Board of Directors.

Corporate governance in 2015

The Annual General Meeting was held in Helsinki, Finland on February 23, 2015.

Board of Directors and committees

The Annual General Meeting elected nine members to KONE's Board of Directors. The full-time Chairman of the Board of Directors of KONE Corporation is Antti Herlin. Jussi Herlin is the Vice Chairman of the Board. The other members of the Board are Matti Alahuhta, Anne Brunila, Iiris Herlin, Ravi Kant, Juhani Kaskeala and Sirpa Pietikäinen. Kazunori Matsubara stepped down from KONE's Board of Directors on July 22, 2015.

Of the Board members, Anne Brunila, Iiris Herlin, Ravi Kant, Juhani Kaskeala and Sirpa Pietikäinen are independent of the Corporation. Jussi Herlin was independent of the Corporation until January 10, 2016, after which he became employed by the Corporation. With the exception of Antti Herlin, Jussi Herlin and Iiris Herlin, the other Board members are independent of the Corporation's significant shareholders.

In 2015, the Board of Directors convened 7 times, with an average attendance rate of 93%. Jukka Ala-Mello serves as Secretary to the Board and to its Committees.

Audit committee

The Board of Directors' Audit Committee comprises Jussi Herlin (Chairman of the Corporation, independent of KONE Corporation in 2015), Anne Brunila (independent member), Antti Herlin and Ravi Kant (independent member). The Audit Committee held 3 meetings in 2015, with an average attendance rate of 92%.

Caj Lövegren serves as the Head of Internal Audit.

Nomination and compensation committee

The Nomination and Compensation Committee comprises Antti Herlin (Chairman), Matti Alahuhta (independent of significant shareholders), Jussi Herlin (independent of KONE Corporation in 2015) and Juhani Kaskeala (independent member).

The Nomination and Compensation Committee held 5 meetings in 2015, with an average attendance rate of 100%.

Compensation and other benefits of the Board of Directors

The Annual General Meeting of KONE Corporation in February 2015 confirmed the fees of the members of the Board as follows (annual fees in EUR):

Chairman of the Board	54,000
Vice chairman	44,000
Member	33,000

Of the annual remuneration, 40 percent was paid in class B shares of KONE Corporation and the rest in cash. It was also confirmed that a meeting fee of EUR 500 is paid for each meeting of the Board and its committees, however such that for committee members residing outside of Finland a fee of EUR 2,000 is paid. Board members' travel expenses and daily allowances are compensated in accordance with the company's travel expense policy.

Compensation and other benefits of the Chairman

The compensation for Antti Herlin, full-time Chairman of the Board, consists of a basic salary and a yearly bonus decided by the Board on the basis of the Group's financial result. The yearly bonus may not exceed 100 percent of the recipient's annual salary. In 2015, Antti Herlin's basic salary was EUR 468,488. In addition, his accrued bonus for 2015 totaled EUR 452,090 He was also paid EUR 60,500 as compensation for serving as Chairman of the Board. Antti Herlin's holdings of shares are presented in the table on page 63.

The full-time Chairman'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 serves as KONE Corporation's President and CEO.

Compensation and other benefits of the President and CEO

The President and CEO's compensation consists of a basic salary and a yearly bonus determined annually by the Board on the basis of the Corporation's key targets. The yearly bonus may not exceed 100 percent of the recipient's annual salary.

Henrik Ehrnrooth's annual base salary is EUR 750,000. In addition, his accrued bonus for 2015 totaled EUR 675,000. Henrik Ehrnrooth's holdings of shares are presented in the table on page 63.

Henrik Ehrnrooth is included in the share-based incentive plan for the Group's senior management. The potential bonus is based on the growth in KONE's net sales and operating profit. In April 2015, on the basis of the incentive plan for the year 2014, Henrik Ehrnrooth received a bonus of EUR 3,213,501 which consisted of 37,870 KONE class B shares together with a cash bonus to cover taxes and similar charges arising from the receipt of shares. The corresponding bonus accrued from 2015 and due for payment in April 2016 is 40,495 KONE class B shares together with a cash bonus to cover taxes and similar charges arising from the receipt of shares.

Henrik Ehrnrooth's retirement age and pension are determined in accordance with Finland's Pensions Act. No separate agreement regarding early retirement has been made. Should his employment contract be terminated before retirement, he has the right to the equivalent of 18 months' salary, which includes the salary for a six-month term of notice.

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

Executive Board

In 2015, KONE's Executive Board consisted of President and CEO and 12 Members. Henrik Ehrnrooth serves as President and CEO. The other members of Executive Board are Max Alfthan, Klaus Cawén, William Johnson, Pekka Kemppainen, Heikki Leppänen, Pierre Liautaud, Tomio Pihkala, Neeraj Sharma, Eriikka Söderström, Kerttu Tuomas, Noud Veeger and Larry Wash. Mikko Korte was appointed Executive Vice President, Operations Development as of January 1, 2016 and in his new position he became a member of the Executive Board.

Compensation and other benefits of the Executive Board

The compensation for the members of the Executive Board comprises a base salary and a yearly bonus, based on the Group's annual result and the achievement of personal targets. The bonus amount is determined by the Nomination and Compensation Committee and may not exceed 50 percent of the annual salary.

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

The members of the Executive Board are included in the share-based incentive plan for senior management. In April 2015, on the basis of the incentive plan, the members of the Executive Board received a bonus of 159,675 KONE class B shares together with a cash bonus equal to the amount required to cover taxes and similar charges arising from the receipt of shares. A total of 5,194 KONE class B shares were returned to KONE Corporation in July 2015 by virtue of the terms of the share-based incentive program. The corresponding bonus accrued from 2015 and due for payment in April 2016 is 194,376 KONE class B shares together with a cash bonus equal to the amount of taxes and similar charges. 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.

Auditing

KONE Corporation's Auditors are Niina Vilske, Authorized Public Accountant, and PricewaterhouseCoopers Oy, Authorized Public Accountants. The fees paid to companies in the PricewaterhouseCoopers chain for 2015 were EUR 3.0 million for auditing and EUR 1.1 million for other consulting services.

Insiders

The holdings of persons belonging to KONE's public insiders on December 31, 2015 and the changes occurring in them during the financial year are presented in the table below.

More information

A regularly updated table reporting the holdings of public insiders is available on www.kone.com

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Shareholdings and options of KONE Corporation's public insiders on Dec 31, 2015 and changes in shareholding during the period Jan 1–Dec 31, 2015

	Class A shares	Change	Class B shares	Change
Alahuhta Matti			752,547	+ 321
Alfthan Max			3,840	+ 3,000
Brunila Anne			1,587	+ 321
Cawén Klaus			289,264	+ 17,348
Ehrnrooth Henrik			157,506	+ 67,870
Herlin Antti	70,561,608	0	43,849,444	+ 1,600,525
Herlin Iiris			133,294	+ 321
Herlin Jussi			107,366	+ 438
Johnson William			87,272	+ 15,148
Kant Ravi			747	+ 321
Kaskeala Juhani			1,821	+ 321
Kemppainen Pekka			175,864	+ 15,148
Leppänen Heikki			137,064	- 5,852
Liautaud Pierre			15,148	+ 748
Pietikäinen Sirpa			6,747	+ 321
Pihkala Tomio			29,560	+ 8,830
Sharma Neeraj			29,403	+ 8,513
Söderström Eriikka			22,208	+ 15,148
Tuomas Kerttu			163,264	+ 15,148
Veeger Noud			73,884	- 8,852
Wash Larry			39,148	+ 15,148

No other public insiders had share or option holdings in KONE on December 31, 2015. The shares owned by companies in which the public insider exercises controlling power and minor children are also included in these shareholdings.

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 CEO of KONE Corporation 1996–2006 and as Deputy Chairman 1996–2003.
Current key positions of trust are Chairman of the Board of Security Trading Oy, Holding Manutas Oy and Sanoma Corporation, Deputy Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company, Member of the Board of the Confederation of Finnish Industries and Member of the Board of Technology Industries of Finland.

Jussi Herlin

Vice Chairman of the Board
b. 1984, M. Sc. (Econ.)
Member of the Board since 2012.
Consultant at Accenture between 2012–2014. Previously served as Deputy Member of the Board of KONE Corporation during the years 2007–2012.
Current key positions of trust are Member of the Board of Security Trading Oy, Member of the Board of the Tiina and Antti Herlin Foundation, Member of the Board of the Finnish Family Firms Association and Member of the Supervisory Board of the Finnish Fair Corporation.

Matti Alahuhta

b. 1952, D. Sc. (Tech.), D.Sc. (Tech.) h.c.
Member of the Board since 2003.
Previously served as President of KONE Corporation since 2005, and President & CEO from 2006 to 2014, 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, Chairman of the Board of Outotec Corporation, Chairman of the Board of the Confederation of Finnish Industries, and Member of the Board of AB Volvo and Member of the Board of ABB Ltd.

Anne Brunila

b. 1957, D.Sc. (Econ.), D.Sc. (Econ.) h.c.
Member of the Board since 2009.
Professor of Practice, Hanken School of Economics since 2014. Previously served as Executive Vice President, Corporate Relations and Strategy and Member of the Management Team of Fortum 2009–2012, as President and CEO of the Finnish Forest Industries Federation 2006–2009, in the Finnish Ministry of Finance as Director General 2003–2006 and in several advisory and executive positions in the Bank of Finland 1992–2000 and in the European Commission 2000–2002.
Current key positions of trust are Member of the Board of Stora Enso, Member of the Board of Sampo Plc, Member of the Board of Sanoma Corporation, Chairman of the Board of Aalto University Foundation, Member of the Board of The Research Institute of the Finnish Economy ETLA and Member of the Board of the Finnish Business and Policy Forum EVA.

Iiris Herlin

b. 1989, B.A. candidate in Social Sciences
Member of the Board since 2015. 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 in Tata Motors since 1999, and as Managing Director and CEO from 2005 to 2009 and after that as the Vice Chairman of the Board of Directors until 2014. Prior to that, he was Director, Consumer Electronics, Philips India; Director (Marketing) LML Ltd. and Vice President (Marketing) Titan Watches Ltd.
Current key positions of trust are Chairman of the Board of Indian Institute of Management Rohtak and Member of the Board of Sesa Sterlite Ltd, Member of the Board of the National Institute of Design (India), Member of the Board of Enactus (USA) and Member of the Board of WonderWork (USA).

Juhani Kaskeala

b. 1946, Admiral
Member of the Board since 2009.
Managing director of Admiral Consulting Oy since 2011. Previously served in the Finnish Defence Forces in several positions 1965–2009, last as Commander of the Finnish Defence Forces 2001–2009.
Current key positions of trust are Member of the Board of Forcit Ab, Member of the Board of Nixu Oyj, Member of the Board of John Nurminen Foundation, Vice chairman of the Delegation of the Finnish Olympic Committee and Member of the European Leadership Network.

Sirpa Pietikäinen

b. 1959, M.Sc. (Econ.)
Member of the Board since 2006.
Served as Member of the European Parliament since 2008 and as a negotiation theory lecturer and consultant since 1999. Previously served as a Member of Finland's Parliament 1983–2003 and as Finland's Minister of the Environment 1991–1995.
Current key positions of trust are Chairman of GLOBE EU, Chairman of the Finnish Association of Landscape Industries, Member of the Board of Alzheimer Europe, Member of the Finn Church EU Advisory Board, Member of the Board of Lammi Savings Bank and Member of the KVS Foundation Advisory Board.

Jukka Ala-Mello

b. 1963, M.Sc. (Econ.), Authorized Public Accountant
Secretary to the Board of Directors since 2006.
Has served as Director of KONE Corporation and Managing Director and Member of the Board of Security Trading Oy and Holding Manutas Oy since 2006. Previously served as a Partner and APA Auditor in PricewaterhouseCoopers Oy 1993–2006 and Financial Manager of Panostaja Corporation 1990–1993.
Current key positions of trust are Chairman of the Board of Panostaja Corporation and Chairman of the Board of OWH-Yhtiöt Corporation.

More information

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More information

A regularly updated table reporting the holdings of public insiders is available at www.kone.com.

Executive Board

Henrik Ehrnrooth
President and CEO
b. 1969, M.Sc. (Econ)
President & CEO of KONE Corporation since April 2014. Member of the Executive Board. Previously served as Chief Financial Officer of KONE Corporation 2009–2014. Earlier worked at Goldman Sachs from 1998–2009, most recently as a Managing Director in the Investment Banking Division and at UBS in various positions from 1994–1998.
Current key positions of trust are Member of the Board of UPM Kymmene Corporation and Member of the Foundation Board of the International Institute for Management Development (IMD, Switzerland).

Max Alfthan
Marketing and Communications
b. 1961, M.Sc. (Econ.)
Member of the Executive Board and employed by KONE Corporation since 2014. Previously served as Chief Strategy Officer of Fiskars 2008–2014, Senior Vice President for Communications of Amer Sports Corporation 2001–2008,
Managing Director of Lowe Lintas & Partners Oy 1998–2001 and Marketing Director of Sinebrychoff 1989–1998.

Klaus Cawén
M&A and Strategic Alliances, Russia, Legal Affairs
b. 1957, LL.M.
Member of the Executive Board since 1991. Employed by KONE Corporation since 1983. Previously served as General Counsel of KONE Corporation 1991–2001.
Current key positions of trust are Member of the Board of Oy Karl Fazer Ab, Member of the Board of East Office of Finnish Industries Ltd, Member of the Board of Outotec Oyj and Member of the Board of Toshiba Elevator and Building Systems Corporation (Japan).

William B. Johnson
Greater China
b. 1958, MBA
Member of the Executive Board since 2012, and employed by KONE Corporation since 2004. Previously served as Managing Director of KONE China since 2004, Service Vice President of Asia-Pacific, Carrier International Corporation (United Technologies) 2002–2004, as Managing Director Australia, Carrier Air Conditioning Ltd. (United Technologies) 2001–2002, and in various leadership roles with Otis Elevator Company and Trammell Crow Company.

Pekka Kemppainen
Service Business
b. 1954, Licentiate in Technology
Member of the Executive Board since 2005. Employed by KONE Corporation since 1984. Previously served in KONE Corporation as Executive Vice President, Asia-Pacific 2004–2010, as Executive Vice President, New Equipment Business, Elevators and Escalators 2001–2004, as Senior Vice President, New Equipment Business and Technology 1995–2001 and as Director of the Research Center 1990–1994.

Heikki Leppänen
New Equipment Business
b. 1957, Licentiate in Technology
Member of the Executive Board since 2005. Employed by KONE Corporation since 1982. Previously served in KONE Corporation as Senior Vice President, Technology 2004–2005 and as Head of Global Research and Development 2000–2004.

Pierre Liautaud
West & South Europe, Africa
Customer Experience
b. 1958, M.Sc (Ecole Polytechnique, Ecole Nationale Supérieure des Télécommunications)
Member of the Executive Board and employed by KONE Corporation since 2011. Previously served in Microsoft EMEA as Vice President, Enterprise & Partner Group 2003–2006, then Area Vice President Western Europe 2006–2009. Was CEO at @viso (Vivendi-Softbank, 1999–2001) and Activia Networks (2001–2003). Also served in IBM Corporation 1982–1999, most recently as Vice-President Marketing, Internet Division (1998) and General Manager, Global Electronics Industry (1999).

Tomio Pihkala
Operations Development
b. 1975, M. Sc. (Mechanical Engineering)
Member of the Executive Board since 2013. Employed by KONE Corporation since 2001. Previously served in KONE Corporation as Executive Vice President, Safety, Quality and Installation 2013–2014, as Vice President, Technology Finland 2011–2013, as Director, Service Business, in KONE China 2009–2010, as Director, Product Strategy and Marketing, in KONE China 2007–2008.

Neeraj Sharma
Asia-Pacific, Middle East
b. 1960, B.E (Marine)
Member of the Executive Board since 2014. Employed by KONE Corporation since 2009. Previously served in KONE Corporation as Managing Director for KONE India 2009–2014, prior to which he served in various leadership roles at General Electric.

Eriikka Söderström
CFO
b. 1968, M.Sc. (Econ)
Member of the Executive Board since 2014. Employed by KONE Corporation since 2013. Previously served at Vacon as CFO from 2009–2012, at Nautor as CFO in 2008 and in Nokia Siemens Networks / Nokia Networks in several finance leadership positions between 1994–2007.
Current key position of trust is Member of the Board of Comptel Corporation.

Kerttu Tuomas
Human Resources
b. 1957, B. Sc. (Econ.)
Member of the Executive Board and employed by KONE Corporation since 2002. Previously served as Group Vice President, Human Resources of Elcoteq Network Corporation 2000–2002, as Personnel & Organization Manager of Masterfoods Oy (Mars) 1994–1999 and as Consultant at Mercuri Urval 1987–1993.
Current key positions of trust are Vice Chairman of the Board of Kemira Corporation, and member of the Strategic Board of CEMS, the Global Alliance In Management Education.

Noud Veeger
Central and North Europe
b. 1961, M.Sc. (Econ.)
Member of the Executive Board since 2004. Employed by KONE Corporation since 1999. Previously served in KONE Corporation as Executive Vice President, Asia-Pacific and Middle East 2010–2014, as Executive Vice President, Central and North Europe 2004–2010, as Managing Director of KONE Plc (UK) 2002–2004, as Director, New Elevator & Escalator Business, KONE Netherlands 1999–2002, as Director of OTRA Netherlands 1996–1998 and as Managing Director of HCI Central America 1993–1996.

Larry Wash
Americas
b. 1961, B. Sc. (Electrical Engineering), MBA
Member of the Executive Board and employed by KONE Corporation since 2012. Previously served as President of Global Services for the Climate Solutions sector of Ingersoll Rand, as Vice President of service and contracting business for Trane within North and Latin America, and in various leadership roles with Xerox and Eastman Kodak.

Changes as of January 1, 2016
Tomio Pihkala was appointed KONE's Chief Technology Officer to head the new Technology & Innovation unit. In his new position, he continues as a member of the Executive Board. Mikko Korte was appointed Executive Vice President, Operations Development. In his new position he became a member of the Executive Board.

Financial targets and capital management

Financial targets

KONE has defined long-term financial targets for its financial performance. These targets are:

- Growth: faster than the market
- Profitability: EBIT 16%
- Cash flow: improved working capital rotation

KONE has not however defined a time frame for the achievement of these financial targets. The target is to continuously grow faster than the market and to improve working capital rotation. The target over the long term is to achieve an EBIT margin of 16%. However, 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.

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 investments which are funded by equity and net debt, as shown in the table below. 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 cash equivalents, are managed centrally by the Group Treasury according to the Group Treasury Policy. Liquid assets are invested only in counterparties with high creditworthiness and deposits to ensure continuous access to the funds.

KONE has not defined a specific target for its capital structure, but the aim is to ensure a 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. In the event that significant attractive investment or acquisition opportunities were available, 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 2015, the funding of KONE was guaranteed by existing committed credit lines and excess liquidity.

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.*) At the end of December 2015, KONE had 12,240,544 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 and profitability and cash flow multiples.

More information

Financial risks, note 2, page 20

MEUR	2015	2014	2013	2012 [2]	2011
Assets employed:					
Goodwill and shares	1,429.4	1,321.3	1,215.7	1,239.2	1,174.0
Other fixed assets [1]	616.9	578.9	498,4	459.8	392.3
Net working capital	-983.4	-749.7	-611.5	-439.3	-361.4
Total assets employed	1,062.9	1,105.5	1,102.6	1,259.7	1,204.9
Capital:					
Equity	2,575.5	2,062.4	1,724.6	1,833.7	2,034.0
Interest-bearing net debt	-1,512.6	-911.8	-622.0	-574.0	-829.1
Total capital	1,062.9	1,150.5	1,102.6	1,259.7	1,204.9
Gearing	-58.7	-44.2	-36.1	-31.3	-40.8
Total equity/total assets	45.4	43.6	43.7	47.1	54.0

1) Property, plant and equipment, acquired maintenance contracts and other intangible assets.
2) Figures for 2012 have been restated according to the revised IAS 19 'Employee Benefits'.
*) In 2011–2015, the dividend payout ratio has been 69.7–129.8% for class B shares (Board's proposal 2015).

Shares and shareholders

Market capitalization

During the financial year 2015 the price of the KONE Corporation class B share rose by 3.6%, from EUR 37.82 to EUR 39.17, on the Nasdaq Helsinki Ltd. in Finland. During the same period, the OMX Helsinki Cap Index rose by approximately 11.7% and the Euro Stoxx 600 Index by approximately 7.8%. During the financial year the price of the KONE Corporation class B share peaked at EUR 44.35 and was EUR 31.50 at its lowest. At the end of 2015, the company's market capitalization, in which the unlisted class A shares are valued at the closing price of the class B shares on the last trading day of the financial year, was EUR 20,101 million. At the end of December 2015, the company held 12,240,544 class B shares as treasury shares.

During the financial year, 259.2 million KONE Corporation class B shares were traded on the Nasdaq Helsinki Ltd. The value of the shares traded was EUR 9,930 million. The average daily turnover of class B shares was 1,032,543, representing a value of EUR 39.5 million. The relative turnover of KONE's class B shares (excluding class B shares held by KONE Corporation) was 59%. In addition to the Nasdaq Helsinki Stock Exchange, KONE's class B share is traded also on various alternative trading platforms. The volume of KONE's B shares traded on the Nasdaq Helsinki Stock Exchange represented approximately 31% of the total volume of KONE's class B shares traded in 2015 (Source: Fidessa Fragmentation Index).

More information

Market capitalization is calculated on the basis of both the listed class B shares and the unlisted class A shares excluding treasury shares.

Shares and share capital

At the end of December 2015, the share capital was EUR 65,675,789.25. During the financial year the share capital increased by EUR 124,548.25 due to the subscription of shares with the KONE 2010 and KONE 2013 option rights.

Each class A share is assigned one vote, as is each block of 10 class B shares, with the proviso that each shareholder is entitled to at least one vote. At the end of December 2015, the total number of shares was 525,406,314, comprising 449,197,602 class B shares and 76,208,712 class A shares. The total number of votes was 121,128,472.

Dividends

In accordance with the Articles of Association, class B shares are preferred for a dividend, which is at least one percent and no more than 2.5 percent higher than the dividend paid to the holders of class A shares, calculated from the accounting par value of the share. The accounting par value of the share is EUR 0.125. The Board of Directors proposes to the Annual General Meeting that for the financial year 2015 a dividend of EUR 1.3975 be paid for each class A share and a dividend of EUR 1.40 be paid for each class B share.

Authorization to raise the share capital

At the end of the financial year, the Board of Directors of the company had a valid authorization granted by the Shareholders' Meeting in February 2015 to increase the share capital and to issue stock options. The authorization is effective until February 23, 2020.

Authorization to purchase and surrender own shares

KONE Corporation's Annual General Meeting held on February 23, 2015 authorized the Board of Directors to repurchase the company's own shares. The authorization will remain in effect for a period of one year from the date of the decision of the General Meeting.

Altogether no more than 52,440,000 shares may be repurchased, of which no more than 7,620,000 may be class A shares and 44,820,000 class B shares, taking into consideration the provisions of the Companies Act regarding the maximum amount of its own shares that the Company is allowed to possess.

The shares may be repurchased, among other reasons, to develop the capital structure of the Company, finance or carry out possible acquisitions, implement the Company's share-based incentive plans, or to be transferred for other purposes or to be cancelled.

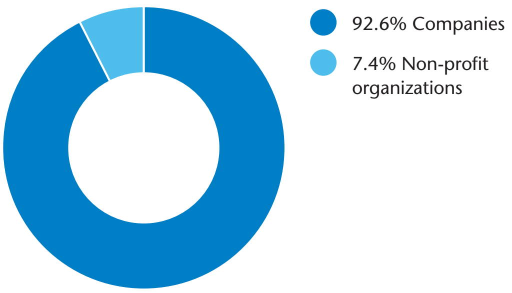
The minimum and maximum consideration for the shares to be purchased is determined for both class A and class B shares on the basis of the trading price for class B shares determined on the Nasdaq Helsinki Ltd. on the time of purchase.

During January–December 2015, KONE used its authorization to repurchase own shares. In April, 354,838 class B shares in the company's possession were assigned to the share-based incentive plan and 3,210 class B shares as a part of the board members' annual remuneration. In July, 5,194 class B shares were returned to KONE Corporation by virtue of the terms of KONE Corporation's share-based incentive program for the years 2013–2015. In addition, KONE bought back in total 1,910,000 of its own class B shares in July. At the end of December, the Group had 12,240,544 class B shares in its possession.

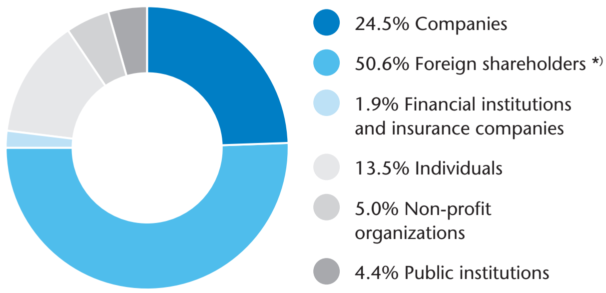
Options

KONE Corporation had four option programs during the financial period 2015. The purpose of the stock options is to encourage long-term efforts by key personnel to increase shareholder value and their commitment to the company by offering them an internationally competitive incentive program. The company's Board Members, President & CEO and members of the

Class A shares, %



Class B shares, %



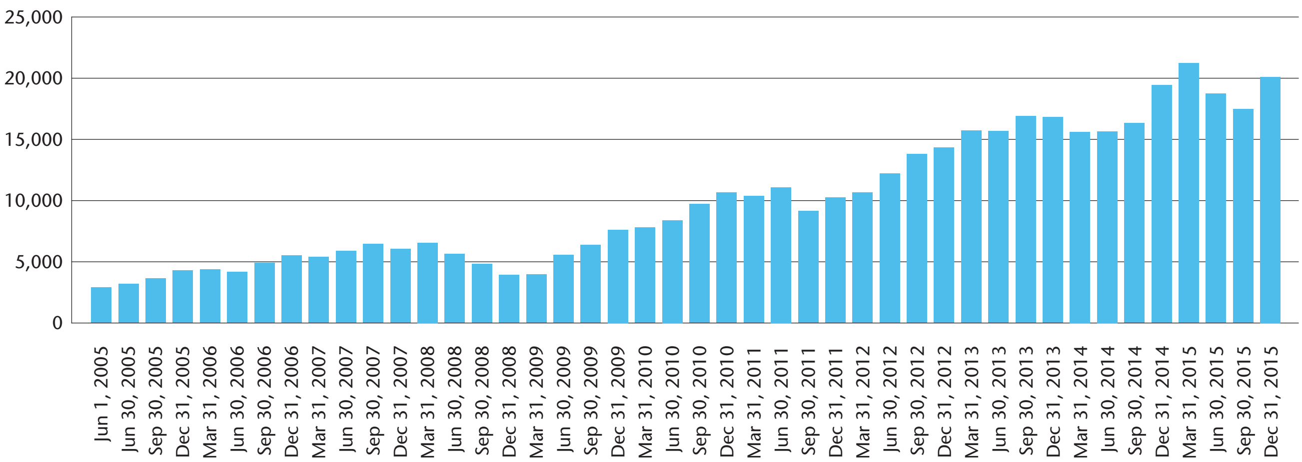
*) Includes foreign-owned shares registered by Finnish nominees.

KONE CORPORATION'S SHARE CAPITAL CONSISTS OF THE FOLLOWING:

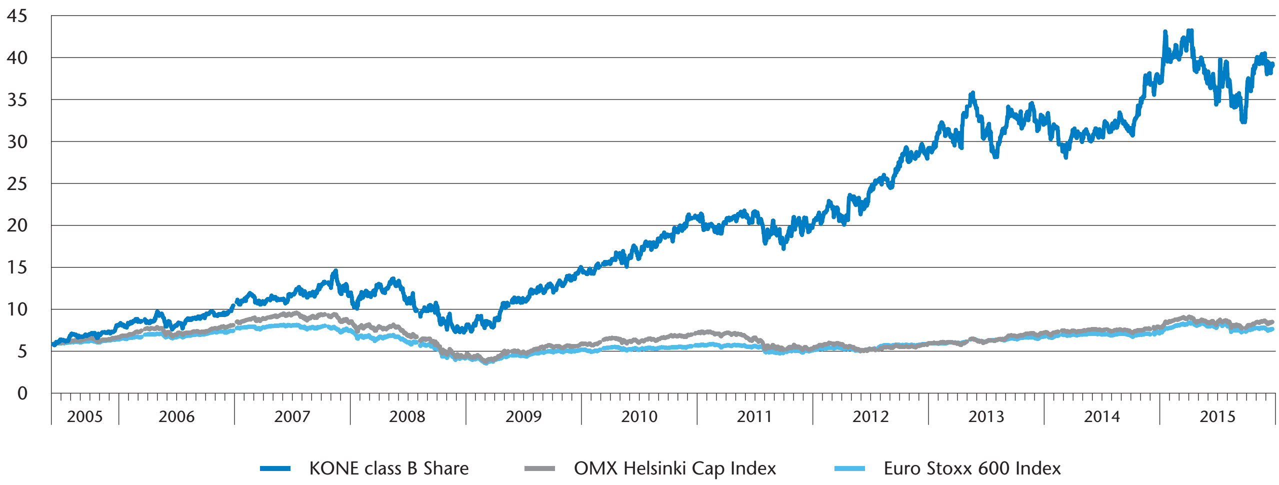
	Number of shares	Par value, EUR
Class A	76,208,712	9,526,089
Class B	449,197,602	56,149,700
Total	525,406,314	65,675,789

	KONE class B share	KONE 2013 option rights
Trading code, Nasdaq Helsinki Ltd. in Finland	KNEBV	KNEBVEW113
ISIN code	FI0009013403	FI4000146832
Accounting par value	EUR 0.125	
Conversion rate		1:2

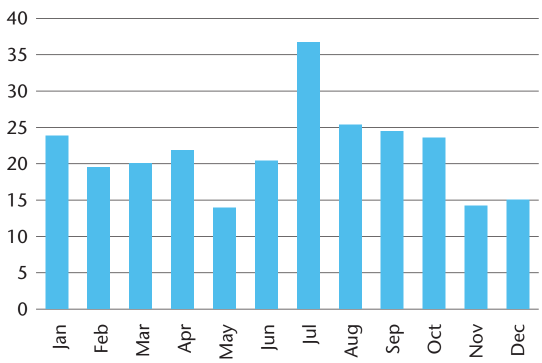
Market capitalization, MEUR



KONE class B share price development Jun 1, 2005–Dec 31, 2015, EUR



KONE class B shares traded Jan 1–Dec 31, 2015, million shares



More information

Information for share-holders, see inside of report's front cover

More information

IR contact details, see inside of report's back cover

More information

Option programs, note 20, page 36

Executive Board were not included in the stock option plan 2010. The company´s Board Mem-bers, President & CEO, members of the Executive Board and other key personnel covered by KONE's share-based incentive programs other than option programs are not included in the option plans 2013, 2014 and 2015.

Stock options 2010 were granted according to the decision of the Board of Directors on July 20, 2010 to approximately 430 key employees. The decision was based on the authorization received from the Shareholders Meeting on March 1, 2010. The total number of stock options was 3,000,000 and 896,000 of them were held by KONE Corporation's subsidiary. The original share subscription price for the option was 17.50 euros per share and it was further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per April 30, 2015 when the subscription period ended was EUR 11.875. Each option entitled its holder to subscribe for two (2) new class B shares. The share subscription period for the stock option 2010 was April 1, 2013–April 30, 2015. The share subscription period began on April 1, 2013 and the 2010 option stock options were listed on the Nasdaq Helsinki stock exchange on April 2, 2013, as the financial performance of the KONE Group for the financial years 2010–2012 based on the total consideration of the Board of Directors was equal to or better than the average performance of key competitors of KONE. The amount of KONE class B shares subscribed with the 2010 option rights during 2015 was 870,102. The subscription price paid totaled EUR 10.3 million during year 2015.

Stock options 2013 were granted according to the decision of the Board of Directors on January 24, 2013 to approximately 480 key employees. The decision was based on the authorization received from the shareholders' meeting on March 1, 2010. A maximum total of 750,000 options were granted. Each stock option entitles its holder to subscribe for two (2) new class B KONE shares. The share subscription period for the stock options 2013 is April 1, 2015–April 30, 2017. The share subscription period began on April 1, 2015 and the 2013 option stock options were listed on the Nasdaq Helsinki stock exchange on April 1, 2015, as the financial performance of the KONE Group for the financial years 2013–2014 based on the total consideration of the Board of Directors was equal to or better than the average performance of key competitors of KONE. The amount of KONE class B shares subscribed with the 2013 option rights during 2015 was 126,284. The subscription price paid totaled EUR 3.2 million during year 2015. The original share subscription price for the stock option was EUR 29.125 per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per December 31, 2015 is EUR 25.40.

Stock options 2014 are granted according to the decision of the Board of Directors on December 20, 2013 to approximately 550 key employees and the decision was based on the authorization received from the Shareholders Meeting on March 1, 2010. A maximum total of 1,500,000 options are granted. The original share subscription price for the stock option was EUR 31.80 per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per December 31, 2015 is EUR 29.60. Each option entitles its holder to subscribe for one (1) new or existing company's own class B KONE share. The share subscription period for the stock options 2014 is April 1, 2016–April 30, 2018. The share subscription period begins April 1, 2016 as the financial performance of the KONE Group for the financial years 2014–2015, based on the total consideration of the Board of Directors, was equal to or better than the average performance of the key competitors of KONE.

Stock options 2015 are granted according to the decision of the Board of Directors on December 18, 2014 to approximately 560 key employees and the decision was based on the authorization received from the Shareholders Meeting on March 1, 2010. A maximum total of 1,500,000 options are granted. Each option entitles its holder to subscribe for one (1) new or existing company's own class B KONE share. The share subscription period for the stock options 2015 will be April 1, 2017–April 30, 2019. The share subscription period begins only if the financial performance of the KONE Group for the financial years 2015–2016, based on the total consideration of the Board of Directors, is equal to or better than the average performance of the key competitors of KONE. If the above-mentioned prerequisite does not fulfill, the stock options expire based on the consideration and in the extent and manner decided by the Board of Directors and the terms of the stock options. The original share subscription price for the stock option was EUR 36.20 per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per December 31, 2015 is EUR 35.00.

Share-based incentive plan

KONE has a share-based incentive plan for the company's senior management (President & CEO, members of the Executive Board and other top management), consisting of approximately 40 individuals. The potential reward is based on the annual growth in both sales and earnings before interest and taxes (EBIT). The reward is to be paid as a combination of class B shares and cash equivalent of the taxes and similar charges that are incurred. The plan prevents participants from transferring the shares during the fifteen-month period following the termi-nation of each fiscal year. As part of the share-based incentive plan, a long term target for the management's ownership has been set. In April 2015, a total of 354,838 class B shares were granted to the management as a reward due to the achievement of the targets for the year 2014. In July 2015 a total of 5,194 KONE class B shares were returned to KONE Corporation. In April 2016, a total of 391,662 class B shares will be granted to the management as a reward due to the achievement of the targets for the year 2015.

In December 2015, KONE's Board of Directors decided that KONE's share based remuneration will be based on two separate plans starting from the financial year 2016. One share-based incentive plan will be targeted for the senior management of KONE, including the President and CEO, members of the Executive Board and other top management, consisting of approximately 60 individuals. A second plan will be targeted for other key personnel of KONE, totaling approximately 425 individuals. The incentive plans will be part of these individuals' remuneration starting from the financial year 2016. According to the decision, the potential reward is based on the annual growth in sales and earnings before interest and taxes (EBIT) in both plans. However, KONE's Board of Directors has the possibility to change the basis of the target setting annually. The potential reward is to be paid as a combination of KONE class B shares and a cash payment equivalent to the taxes and similar charges that are incurred from the receipt of the shares. Plans include conditions preventing participants from transferring and participants are obliged to return the shares and the cash payments if employment or service contract is terminated during a period of two years following the ending of each earning period. Following the decision, KONE does not grant new stock option plans. The current existing stock option plans 2013, 2014 and 2015 shall be carried out based on the original terms of these programs.

Shareholders

At the end of December 2015, KONE Corporation had 56,441 shareholders. A breakdown of the shareholders is shown on page 67 and 70.

At the end of December 2015, non-Finnish shareholders held approximately 50.6% of KONE Corporation's class B shares, corresponding to around 18.8% percent of the votes. Of these foreign-owned shares, 5,853,322 were registered in the shareholders' own names. Foreign-owned shares may also be nominee-registered. Only shares registered in the shareholders' own name entitle their holders to vote at Shareholders' Meetings. There were 221,544,463 nominee-registered shares, representing approximately 42.2% percent of all shares, at the end of December 2015.

Shareholdings of the Chairman and Members of the Board of Directors

On December 31, 2015, KONE Corporation's Chairman and Members of the Board of Directors owned 70,561,608 class A shares and 44,853,553 class B shares, representing approximately 22.0% of the total number of shares and 62.0% of the total votes.

RECONCILIATION OF OWN SHARES, DEC 31, 2015

KONE Corporation and Group total	pcs	Acquisition cost	Average price
31.12.2014	10,683,398	150,793,600.58	14.11
April 29, 2015	-354,838	-11,444,162.71	32.25
April 29, 2015	-3,210	-104,833.43	32.66
July 17, 2015	5,194	152,282.83	29.32
July 22, 2015	500,000	18,543,911.51	37.09
July 23, 2015	320,000	11,968,677.53	37.40
July 24, 2015	214,000	8,072,938.96	37.72
July 27, 2015	266,000	9,802,007.32	36.85
July 28, 2015	184,000	6,771,703.70	36.80
July 29, 2015	160,000	5,919,695.38	37.00
July 30, 2015	156,000	5,902,969.56	37.84
July 31, 2015	110,000	4,174,608.01	37.95
31.12.2015	12,240,544	210,553,399.24	17.20

SHAREHOLDINGS ON DEC 31, 2015 BY NUMBER OF SHARES

Number of shares	Number of owners	Percentage of owners	Number of shares	Percentage of shares
1 – 10	2,825	5.00	18,374	0.00
11 – 100	20,264	35.89	1,115,597	0.21
101 – 1,000	25,090	44.44	9,460,300	1.80
1,001 – 10,000	7,253	12.85	20,524,525	3.91
10,001 – 100,000	893	1.58	23,530,211	4.48
100,001 –	116	0.21	470,714,179	89.59
Total	**56,441**	**99.98**	**525,363,186**	**99.99**
Shares which have not been transferred to the paperless book entry system	14	0.02	43,128	0.01
Total			**525,406,314**	**100.00**

MAJOR SHAREHOLDERS ON DEC 31, 2015

		A-series	B-series	Total	% of shares	% of votes
1	**Herlin Antti**	70,561,608	43,849,444	114,211,052	21.74	61.87
	Holding Manutas Oy [1)]	54,284,592	33,754,254	88,038,846	16.76	47.60
	Security Trading Oy [2)]	16,277,016	8,208,016	24,485,032	4.66	14.12
	Herlin Antti	0	1,687,174	1,687,174	0.32	0.14
2	**Polttina Oy**	0	17,471,928	17,471,928	3.33	1.44
3	**Wipunen varainhallinta Oy**	0	16,350,000	16,350,000	3.11	1.35
4	**Riikantorppa Oy**	0	16,000,000	16,000,000	3.05	1.32
5	**Kone Foundation**	5,647,104	9,859,632	15,506,736	2.95	5.48
6	**Varma Mutual Pension Insurance Company**	0	6,070,076	6,070,076	1.16	0.50
7	**Ilmarinen Mutual Pension Insurance Company**	0	4,820,860	4,820,860	0.92	0.40
8	**Blåberg Olli**	0	4,040,000	4,040,000	0.77	0.33
9	**The State Pension Fund**	0	3,700,000	3,700,000	0.70	0.31
10	**Blåberg Karolina**	0	2,411,960	2,411,960	0.46	0.20
	10 largest shareholders total	76,208,712	124,373,900	200,582,612	38.18	73.18
	Foreign shareholders [3)]	0	227,397,785	227,397,785	43.28	18.77
	Repurchased own shares	0	12,240,544	12,240,544	2.33	1.01
	Others	0	85,185,373	85,185,373	16.21	7.03
Total		76,208,712	449,197,602	525,406,314	100.00	100.00

The list of ten major shareholders includes the major shareholders with a Finnish book-entry account.

1) Antti Herlin's ownership in Holding Manutas represents 1.1 percent of the shares and 12.8 percent of the voting rights and together with the ownership of Security Trading, company in which he exercises controlling power, his ownership represents 51.0 percent of the shares and 62.7 percent of the voting rights.

2) Antti Herlin's ownership in Security Trading Oy represents 99.9 percent of the shares and 99.8 percent of the voting rights. The shareholding of Security Trading Oy amounts to 8,408,016 KONE Corporation's class B shares, when taking into account 200,000 shares that were lent out on December 31, 2015.

3) Foreign ownership including foreign-owned shares registered by Finnish nominees.

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

Dividend proposal

The parent company's non-restricted equity on December 31, 2015 is EUR 1,765,223,548.43 of which the net profit for the financial year is EUR 1,200,968,239.16.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.3975 be paid on the outstanding 76,208,712 class A shares and EUR 1.40 on the outstanding 436,957,058 class B shares, resulting in a total amount of proposed dividends of EUR 718,241,556.22. The Board of Directors further proposes that the remaining non-restricted equity, EUR 1,046,981,992.21 be retained and carried forward.

The Board proposes that the dividends be payable from March 16, 2016.

Signatures for the Financial statements and Board of Directors' report

Helsinki, January 28, 2016

Antti Herlin

Jussi Herlin

Matti Alahuhta

Anne Brunila

Iiris Herlin

Ravi Kant

Juhani Kaskeala

Sirpa Pietikäinen

Henrik Ehrnrooth,
President & CEO

The Auditor's Note

Our auditors' report has been issued today.

Helsinki, January 28, 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen
Authorised
Public Accountant

Niina Vilske
Authorised
Public Accountant

Auditor's report

To the Annual General Meeting of KONE Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of KONE Corporation for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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 International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Directors are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 28 January, 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen Authorised Public Accountant	Niina Vilske Authorised Public Accountant

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. This task is being performed in KONE's written communications, such as the financial statements and interim reports, the corporate responsibility report, stock exchange and press releases, the internet pages as well as in all other communication with investors and analysts.

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

Investor Relations activities

All of KONE's Investor Relations activities are coordinated by the Investor Relations function. This ensures fair and equal access to company information and to its spokespersons. Investor Relations also gathers and analyses capital market information for KONE's Executive Board. In all of its activities, KONE's Investor Relations strives for prompt, transparent and high-quality service.

Silent period

KONE observes a period of silence prior to releasing financial results. This means that there will be 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 or other means of communication.

Analysts

A list of brokers and financial analysts that actively follow KONE's development is available in the Investors section on the company's website at www.kone.com.

Contact information

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Director, Investor Relations
Tel. +358 (0)204 75 4705
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More information

The comprehensive investor relations pages can be found at www.kone.com
Shares and shareholders, page 67
Corporate governance, page 60
Information for shareholders
on report's front cover

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