KONE Q1 2016

Interim Report for January–March

KONE's January–March 2016 review

January–March 2016: Strong operating performance; orders declined from a high level

- In January–March 2016, orders received totaled EUR 1,942 (1–3/2015: 2,054) million. Orders received declined by 5.4% at historical exchange rates and by 4.3% at comparable exchange rates. The order book stood at EUR 8,530 (March 31, 2015: 8,530) million at the end of March 2016.
- Net sales grew by 3.4% to EUR 1,748 (1,691) million. At comparable exchange rates the growth was 4.2%.
- Operating income was EUR 221.4 (211.9) million or 12.7% (12.5%) of net sales.
- Cash flow from operations (before financing items and taxes) was EUR 305.7 (212.2) million.
- In 2016, KONE's net sales is estimated to grow by 2–6% at comparable exchange rates as compared to 2015. The operating income is expected to be in the range of 1,220–1,320 million, assuming that translation exchange rates would remain at approximately the average level of January–March 2016.

KEY FIGURES

		1–3/2016	1–3/2015	1–12/2015
Orders received	MEUR	1,942.3	2,053.8	7,958.9
Order book	MEUR	8,529.7	8,529.6	8,209.5
Sales	MEUR	1,748.3	1,690.9	8,647.3
Operating income (EBIT)	MEUR	221.4	211.9	1,241.5
Operating income (EBIT)	%	12.7	12.5	14.4
Cash flow from operations (before financing items and taxes)	MEUR	305.7	212.2	1,473.7
Net income	MEUR	188.1	151.1	1,053.1
Basic earnings per share	EUR	0.37	0.29	2.01
Interest-bearing net debt	MEUR	-1,037.6	-584.4	-1,512.6
Total equity/total assets	%	38.6	36.7	45.4
Gearing	%	-52.7	-33.4	-58.7

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Henrik Ehrnrooth, President and CEO, in conjunction with the review:

"We continued our strong operating performance in the first quarter of the year. Orders received declined, but they remained at the good level of EUR 1,942 million. Orders declined by 5.4% at historical and 4.3% at comparable rates. Orders declined in China, while the Europe, Middle East and Africa region as well as North America saw growth. Sales grew by 3.4% at historical and 4.2% at comparable rates, reaching EUR 1,748 million. Sales growth was the strongest in North America, whereas the development in Asia-Pacific as well as the EMEA region was more stable after a strong fourth quarter last year. Operating income grew and was EUR 221.4 million. The relative operating income improved to 12.7% of net sales. Cash flow was strong at EUR 305.7 million, highlighting the good fundamentals in our business.

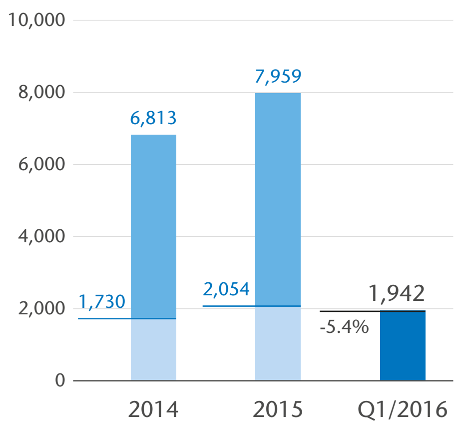
In a market situation that saw a declining new equipment market in China, we did not seek to maximize growth from our already strong position as the largest company in the market. The market decline in China was in the first quarter at the weaker end of our expected range of a 5–10% decline for the full year. In Europe and North America, we continued to see opportunities in both the new equipment and modernization markets during the quarter. The global maintenance market continued to grow, particularly strongly in the Asia-Pacific region. We have been successful in capitalizing on these opportunities. With our strong competitiveness, we are confident in our ability to continue to perform well also in a changing market environment.

I would like to extend my thanks to all our employees for their commitment and effort. We are off to a solid start into another year of improving our execution and productivity. This year will be the last one for the current development programs. With the roadmap they provide, we will continue investing into the development of our product competitiveness, our customer service and communication, and the use of new technologies in our operations and solutions. We took an important step during the quarter by beginning co-operation with IBM. With their cloud-based platform, we will bring a step change in our abilities in remote equipment monitoring and diagnostics as well as in providing added value and new services to our customers. This will enable us to further strengthen our service business in the coming years.

We have maintained our market and business outlooks intact. We continue to expect sales growth of 2–6% at comparable rates in 2016, and to reach a level of operating income in the range of EUR 1,220–1,320 million, assuming that translation exchange rates would remain at the average level of January–March 2016."

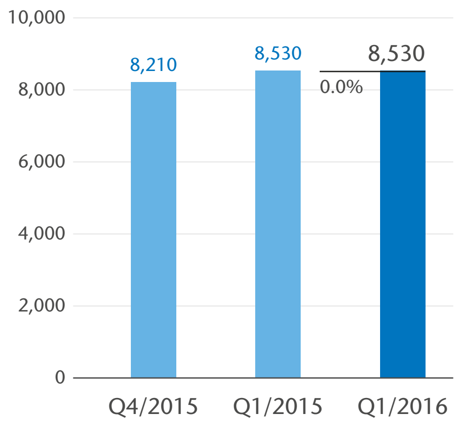
Key Figures

Orders received (MEUR)



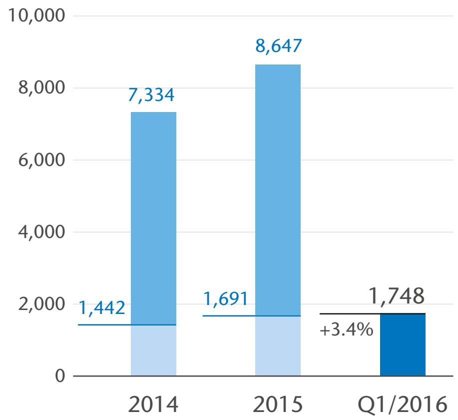
- **In January–March 2016**, orders received declined by 5.4% at historical exchange rates (at comparable exchange rates they declined by 4.3%).
- New equipment orders received declined clearly, with significant decline in the volume business but very strong growth in major projects. In modernization, orders received grew somewhat.
- Orders received grew in the EMEA region and in the Americas region. In Asia-Pacific, orders received declined significantly.

Order book (MEUR)



- The order book was stable compared to the end of March 2015 at historical rates. At comparable exchange rates, the order book grew by 7.6%.
- **In January–March 2016**, the relative margin of the order book remained healthy.
- The relative margin of orders received was also rather stable at a good level, despite pressure from price competition seen in many markets.

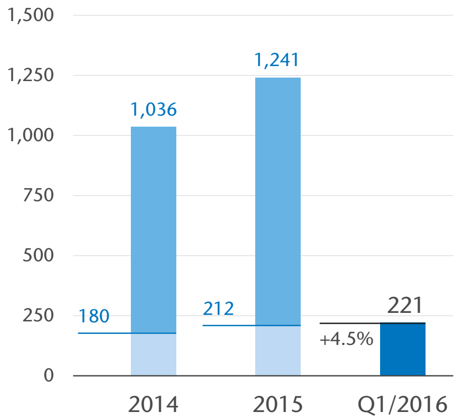
Sales (MEUR)



- **In January–March 2016**, net sales increased by 3.4% at historical exchange rates (at comparable exchange rates 4.2%).
- New equipment sales declined by 0.8% (at comparable rates they grew by 0.4%). Service (maintenance and modernization) sales grew by 7.8% (8.2%), with maintenance sales growing by 4.7% (5.1%) and modernization sales by 18.2% (18.6%).
- Sales in the EMEA region grew by 0.5% at historical exchange rates (1.3% at comparable exchange rates), 12.6% in the Americas region (11.3%), and 2.6% in the Asia-Pacific region (4.3%).

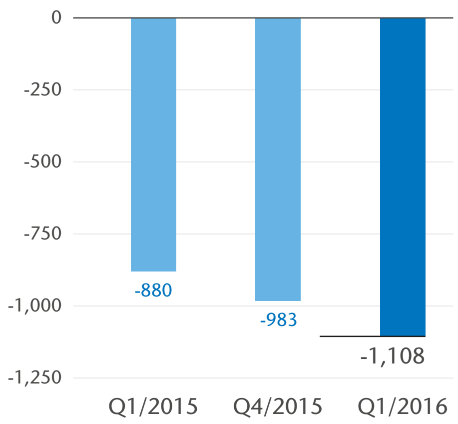
Key Figures

EBIT (MEUR)



- **In January–March 2016**, operating income was 12.7% of net sales (1–3/2015: 12.5%).
- The growth in operating income was the result of positive development in both the new equipment and the service business.
- Positive development across regions, in North America and Asia-Pacific in particular, contributed to the growth in operating income. The progress made in product and cost competitiveness helped in offsetting the intense price pressure that was seen in many markets.
- KONE continued to increase fixed costs in areas that support the growth of the business, in particular in growth markets as well as R&D, process development and IT. Translation exchange rates slightly burdened the development of the operating income.

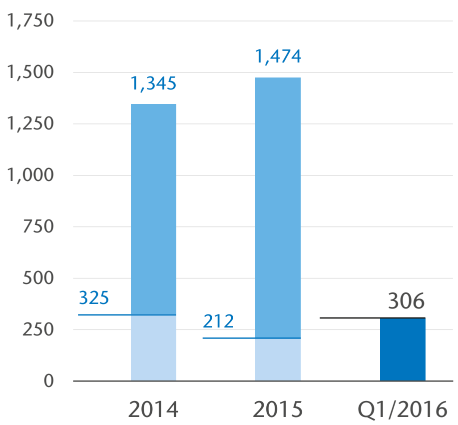
Net working capital[1] (MEUR)



- **In January–March 2016,** net working capital improved.
- The improvement in net working capital was due to a good level of advance payments relative to inventories as well as good collection of accounts receivable during the quarter.

[1] Including financing and tax items

Cash flow[2] (MEUR)



- **In January–March 2016,** cash flow from operations was strong at EUR 305.7 (1–3/2015: 212.2) million.

[2] Cash flow from operations before financing items and taxes

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Accounting Principles

KONE Corporation's Interim Report for January–March 2016 has been prepared in line with IAS 34, 'Interim Financial Reporting' and should be read in conjunction with KONE's financial statements for 2015, published on January 28, 2016. KONE has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2015, except for the adoption of new standards and interpretations effective during 2016 that are relevant to its operations. The changes did not have material impact on the Interim Report. The information presented in this Interim Report has not been audited.

January–March 2016 review

Operating environment in January–March

In the first quarter of 2016, the global new equipment market volumes weakened as compared to the previous year, following a clear market decline in China. In the Europe, Middle East and Africa (EMEA) region as well as in North America, demand in both new equipment and modernization grew somewhat. The maintenance market continued to grow globally, with a strong growth rate in Asia-Pacific and more moderate development in Europe and North America.

In the EMEA region, the new equipment market grew clearly in Central and North Europe driven by both the residential and commercial segments. Most of KONE's large markets in the region developed positively, including Germany, Great Britain, and the Nordic countries. In South Europe, new equipment demand was rather stable. The new equipment markets in Italy and France were stable at a low level, while the market in Spain continued to see some recovery. In the Middle East, the new equipment market showed growth opportunities despite the economic uncertainty in the region. The modernization market grew clearly in Central and North Europe, with Great Britain in particular contributing to the growth. In South Europe, some signs of stabilization in modernization demand were also seen. The maintenance market grew in the EMEA region, although with significant variation between countries.

In North America, the new equipment market grew slightly. This was driven in particular by the United States, which saw slight growth from a good level, following positive development in the residential and commercial segments. The modernization market also grew slightly in North America. The maintenance market continued to grow in the region, albeit slowly as a result of the low volumes in new equipment deliveries in prior years.

In the Asia-Pacific region, the new equipment market weakened in the first quarter due to a clear decline in China. The steepest decline in China was seen in residential construction, where both affordable housing and commercially-funded residential segments declined. Other commercial segments declined slightly. With support from stimulus measures, the infrastructure segment continued to grow. First-tier cities and many of the second-tier cities continued to see rather strong demand, while the development in lower-tier cities was clearly weaker. Outside China, the new equipment market in India grew somewhat, but the Southeast Asian new equipment markets remained varied. In Australia, both new equipment and modernization demand saw growth. The maintenance market in Asia-Pacific developed positively, following the growth in new equipment installations in the region.

In the first quarter, trends in the pricing environment remained broadly unchanged compared to the previous year. In Asia-Pacific, pricing competition was the most pronounced in the new equipment market in China. In the EMEA region, the pricing environment in new equipment remained rather challenging in the South European markets. The pricing of new equipment in North America continued to improve slightly, particularly in the volume business. In maintenance and modernization, the pricing environment continued to be 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 maintenance, but slightly eased in modernization.

Orders received and Order book

Orders received declined by 5.4% as compared to January–March 2015, but remained at a good level totaling EUR 1,942 (1–3/2015: 2,054) million. At comparable exchange rates, KONE's orders received decreased by 4.3%. New equipment orders received declined clearly, with significant decline in the volume business but very strong growth in major projects. In modernization, orders received grew somewhat. 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 was stable compared to the end of March 2015, and stood at a level of EUR 8,530 (March 31, 2015: 8,530) million at the end of the reporting period. At comparable exchange rates, the order book grew by 7.6%. The relative margin of the order book remained healthy. The relative margin of orders received was also rather stable at a good level, despite pressure from price competition seen in many markets. Cancellations of orders remained at a very low level.

Orders received in the EMEA region grew clearly at comparable rates as compared to January–March 2015. In Central and North Europe, total orders received grew somewhat with growth in almost all markets. In South Europe, orders declined slightly. In the Middle East, on the other hand, orders received grew strongly. In the EMEA region, modernization orders grew significantly, and new equipment orders also saw some growth.

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SALES BY AREA, MEUR

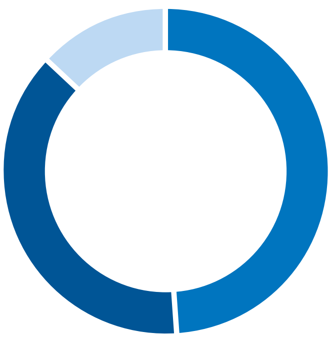
	1–3/2016	1–3/2015	Historical change	Comparable change	1–12/2015
EMEA [1]	712.4	708.7	0.5%	1.3%	3,369.6
Americas	317.0	281.5	12.6%	11.3%	1,466.0
Asia-Pacific	718.9	700.8	2.6%	4.3%	3,811.8
Total	1,748.3	1,690.9	3.4%	4.2%	8,647.3

[1] EMEA = Europe, Middle East, Africa

SALES BY BUSINESS, MEUR

	1–3/2016	1–3/2015	Historical change	Comparable change	1–12/2015
New equipment	859.8	866.5	-0.8%	0.4%	4,934.8
Maintenance	666.9	636.9	4.7%	5.1%	2,641.5
Modernization	221.7	187.4	18.2%	18.6%	1,071.0
Total	1,748.3	1,690.9	3.4%	4.2%	8,647.3

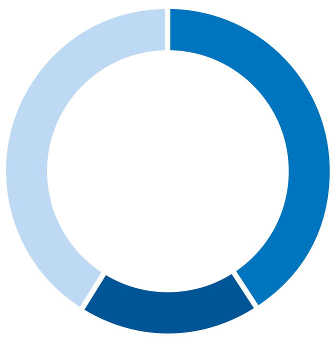
Sales by business



- New equipment 49% (51%)
- Maintenance 38% (38%)
- Modernization 13% (11%)

1–3/2016 (1–3/2015)

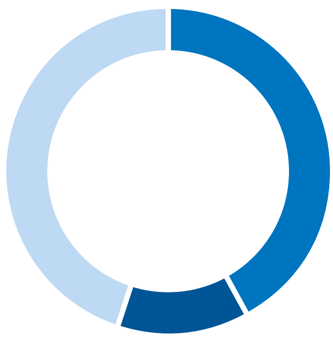
Sales by area



- EMEA 41% (42%)
- Americas 18% (17%)
- Asia-Pacific 41% (41%)

1–3/2016 (1–3/2015)

Personnel by area



- EMEA 42% (42%)
- Americas 13% (13%)
- Asia-Pacific 45% (45%)

March 31, 2016: 50,107
(December 31, 2015: 49,734)

Orders received in the Americas region grew slightly as compared to January–March 2015, with slight growth in the United States from a strong level. The order growth in the Americas region was driven by new equipment orders. Modernization orders were stable.

Orders received in the Asia-Pacific region declined significantly as compared to January–March 2015, driven by a significant decline in China. Of the other markets in the region, Australia saw a decline in orders, whereas both India and Southeast Asia saw growth. New equipment orders in the region declined significantly due to a decline in China. Modernization orders also declined in the region.

Net sales

Net sales increased by 3.4% as compared to January–March 2015, and totaled EUR 1,748 (1–3/2015: 1,691) million. At comparable exchange rates, the increase was 4.2%.

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New equipment sales accounted for EUR 859.8 (866.5) million of the total and represented a decrease of 0.8% over the comparison period. At comparable exchange rates, new equipment sales grew by 0.4%.

Service (maintenance and modernization) sales increased by 7.8%, and totaled EUR 888.5 (824.4) million. At comparable exchange rates, service sales grew by 8.2%. Maintenance sales grew by 4.7% at historical and by 5.1% at comparable exchange rates, and totaled EUR 666.9 (636.9) million. Modernization sales increased by 18.2%, and totaled EUR 221.7 (187.4) million. At comparable exchange rates, modernization sales increased by 18.6%.

The share of new equipment sales was 49% (51%) and the share of service sales 51% (49%) of total sales, with maintenance representing 38% (38%) and modernization 13% (11%) of total sales.

Sales in the EMEA region grew by 0.5%, and totaled EUR 712.4 (708.7) million. At comparable exchange rates, the growth was 1.3%. Modernization sales grew significantly while new equipment sales declined significantly. Maintenance sales increased slightly.

Sales in the Americas region grew by 12.6%, and totaled EUR 317.0 (281.5) million. At comparable exchange rates, the growth was 11.3%. Sales grew across the business, with strong growth in new equipment, clear growth in modernization and some growth also in maintenance.

Sales in the Asia-Pacific region grew by 2.6%, and totaled EUR 718.9 (700.8) million. At comparable exchange rates, the growth was 4.3% with slight growth in new equipment, very strong growth in modernization, and significant growth in maintenance.

The geographical distribution of net sales was 41% (42%) EMEA, 18% (17%) Americas and 41% (41%) Asia-Pacific.

Financial result

Operating income (EBIT) grew and reached EUR 221.4 (1–3/2015: 211.9) million or 12.7% (12.5%) of net sales. The growth in operating income was the result of positive development in both the new equipment and the service business. Positive development across regions, in North America and Asia-Pacific in particular, contributed to the growth in operating income. The progress made in product and cost competitiveness helped in offsetting the intense price pressure that was seen in many markets. KONE continued to increase fixed costs in areas that support the growth of the business, particularly in growth markets as well as R&D, process development and IT. Translation exchange rates slightly burdened the development of the operating income.

Net financing items was EUR 21.0 (-17.4) million. Net financing items include a positive foreign exchange impact arising from the valuation of option liabilities related to acquisitions. In the comparison period, this impact was clearly negative.

Income before taxes was EUR 242.7 (195.0) million. Taxes totaled EUR 54.6 (43.9) million, taking into account taxes proportionate to the amount estimated for the financial year. This represents an effective tax rate of 22.5% (22.5%) for the full financial year. Net income for the period under review was EUR 188.1 (151.1) million.

Basic earnings per share was EUR 0.37 (0.29).

Consolidated statement of financial position and Cash flow

KONE's financial position was very strong at the end of March 2016.

Cash flow from operations during January–March 2016 (before financing items and taxes) was strong at EUR 305.7 (1–3/2015: 212.2) million.

Net working capital improved and was EUR -1,108 (December 31, 2015: -983.4) million at the end of March 2016, including financing items and taxes. The improvement in net working capital was due to a good level of advance payments relative to inventories as well as good collection of accounts receivable during the quarter.

Interest-bearing net debt at the end of March 2016 was EUR -1,038 (December 31, 2015: -1,513) million. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 1,446 (1,903) million at the end of the reporting period. Interest-bearing liabilities were EUR 423.9 (406.1) million, including a net pension liability of EUR 190.9 (169.2) million and short-term loans of EUR 13.8 (12.0) million. In addition, the interest-bearing net debt includes EUR 184.9 (192.4) million of option liabilities from acquisitions. Gearing was -52.7%, compared with -58.7% at the end of 2015. KONE's total equity/total assets ratio was 38.6% at the end of March 2016 (December 31, 2015: 45.4%).

Equity per share was EUR 3.75 (4.94).

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 55.2 (1–3/2015: 30.0) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT, operations and production. Acquisitions accounted for EUR 22.2 (17.9) million of this figure.

During January–March 2016, KONE's larger acquisitions included thyssenkrupp Hissit Oy, the Finnish subsidiary of thyssenkrupp, and American Capital Elevator Services in the United States. In addition, KONE completed other smaller acquisitions of maintenance businesses in Europe 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.

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Research and development

Research and development expenses totaled EUR 30.2 (1–3/2015: 26.3) million, representing 1.7% (1.6%) of net sales. R&D expenses include the development of new product and service concepts as well as 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 the company's research and development efforts. KONE's vision is to deliver the best People Flow® experience by providing ease, effectiveness and experiences to its customers and thus improving the flow of urban life. In accordance with one of its development programs, 'The Most Competitive People Flow Solutions®', KONE aims to offer industry-leading solutions and harness the potential provided by digitalization through process development and strong technology partnerships.

During January–March 2016, KONE released several updates and enhancements to its existing elevator offering. In India, the range and the selection of the I MonoSpace® and I MiniSpace™ solutions were further extended. In Europe, KONE launched an updated offering in accordance with the new safety code (EN81–20/50). The new code will come into force in August 2017 and bring significant benefits in terms of accessibility and safety for both passengers and service technicians.

In February 2016, KONE signed a co-operation agreement with IBM. KONE will use IBM's Watson IoT Cloud Platform to collect and store equipment data, build applications and develop new solutions. KONE's aim over the next few years is to create new added value to its customers with cloud-based services. Effective use of equipment data in maintenance makes it possible to minimize elevator downtime and increase the speed of problem resolution. In addition, the information stored in the Watson IoT Cloud platform will enable new services and solutions for KONE's customers that KONE will be developing in co-operation with IBM and its partners from various industries.

Changes in the organization and the Executive Board

In March 2016, KONE announced changes in the organization and Executive Board.

KONE's internal management structure changed as of April 1, 2016. Pierre Liautaud, who has previously served as Executive Vice President for West and South Europe as well as Africa since 2011, also assumed responsibility for the Middle East area. This change will enable synergies between the Middle East and Africa, and thus support KONE's growth strategy in both regions. Neeraj Sharma, Executive Vice President since 2014, continues to lead the renewed Asia-Pacific area, which includes other markets in the Asia-Pacific region except for the Greater China area. KONE's external reporting structure remains unchanged.

Noud Veeger, Vice President responsible for Central and North Europe since September 2014, left KONE as of April, 2, 2016. The search for Noud Veeger's successor is in progress. In the interim, Klaus Cawén, Executive Vice President for M&A and Strategic Alliances, Legal Affairs, and Russia is heading KONE's Central and North Europe area.

Personnel

The objective of KONE's personnel strategy is to help the company meet its business targets. The main goals of the 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 KONE's five development programs launched at the beginning of 2014, 'A Winning Team of True Professionals', is focused on personnel. The target of the various initiatives under the program is 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. The implementation of the initiatives continued during January–March 2016.

During the first quarter of 2016, employee development continued as a focus area at KONE. Internal job rotation opportunities were extended with a global 'Visit a job' concept, which was rolled out in first selected countries. The concept received positive feedback and it will be further promoted during 2016. It further strengthens the role of job rotation as a part of developing and engaging employees at KONE. Additionally, in order to extend and improve training opportunities, new mobile learning solutions were piloted during the quarter. Mobile learning provides an effective learning method and is especially well suited for the working environment of field employees.

During the reporting period, KONE's annual performance management round was carried out with a record number of employee performance discussions completed. In order to help all employees perform at their best, training and support was provided to both managers and employees in order to ensure mutually beneficial performance discussions.

KONE had 50,107 (December 31, 2015: 49,734) employees at the end of March 2016. The average number of employees was 49,889 (1–3/2015: 47,314). The geographical distribution of KONE employees was 42% (December 31, 2015: 42%) in EMEA, 13% (13%) in the Americas and 45% (45%) 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 environ-

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mental impacts of its own operations. In KONE's long-term environmental targets, the company aims to be a leading provider of low-carbon People Flow® solutions and to have efficient low-carbon operations. KONE aims to further strengthen its position as the industry leader in sustainability by supporting green building initiatives and the ongoing transformation of the urban environment into smart eco-cities globally.

The most significant environmental impact of KONE's business globally relates to the amount of electricity used by KONE's solutions during their lifetime. This underlines the importance of eco-efficient innovations. Accordingly, KONE focuses on further improving the energy efficiency of its elevators, escalators, and building doors.

KONE also continuously works to minimize its operational carbon footprint and to ensure that its suppliers comply with corresponding requirements and environmental targets. The most significant impact of KONE's operational carbon footprint relates to logistics, the company's vehicle fleet, and the electricity consumption of KONE's facilities.

In March 2016, KONE finalized the calculations of its carbon footprint in 2015. KONE's carbon footprint relative to net sales decreased in 2015 by 4.4% compared to 2014, with sales growth calculated at comparable exchange rates. The carbon footprint of scope 1 and 2 greenhouse gas emissions relative to net sales decreased by 6.7%. In absolute terms, the scope 1 and 2 carbon footprint increased by 1.0%. The major achievements in reducing the total relative carbon footprint were related to the company's vehicle fleet, electricity consumption, and business air travel. KONE's 2015 absolute operational carbon footprint amounted to 307,000 tons of carbon dioxide equivalent (2014: 296,400; figure restated). The 3.6% increase in the absolute carbon footprint was largely due to the increase in KONE's headcount and net sales. KONE's data for scope 1, 2, and 3 greenhouse gas emissions, excluding waste, has been externally assured.

During the reporting period, KONE was recognized as a leading supplier for action on climate change by CDP (formerly known as Carbon Disclosure Project). In addition to achieving a top position on CDP's global A List of climate change disclosure and performance in late 2015, KONE was now awarded a position on the new global Supplier A List. The Supplier A List includes the best 2% of companies responding to CDP's supplier program at the request of 75 multinational purchasers, including KONE's customers.

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 March 2016 (December 31, 2015: EUR 262 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 technol-

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ogies, 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 March 7, 2016. The meeting approved the financial statements and discharged the responsible parties from liability for the financial period January 1–December 31, 2015.

The number of Members of the Board of Directors was confirmed as eight. Re-elected as Members of the Board were Matti Alahuhta, Anne Brunila, Antti Herlin, Iiris Herlin, Jussi Herlin, Ravi Kant, Juhani Kaskeala and Sirpa Pietikäinen.

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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.

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. For Committee Members residing outside of Finland, a compensation of EUR 2,000 for attendance at Committee meetings was approved. 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.

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

Dividend 2015

The General Meeting approved dividends of EUR 1.3975 for each of the 76,208,712 class A shares and EUR 1.40 for each of the outstanding 436,957,058 class B shares. The date of record for dividend distribution was March 9, 2016 and dividends were paid on March 16, 2016.

Share-based incentives, Share capital and Market capitalization

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. On March 31, 2016 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 March 8, 2016, EUR 24.00 per share. The share subscription period for the stock option 2013 is April 1, 2015–April 30, 2017.

In December 2013, KONE granted a conditional 2014 option program. The share subscription period began on 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, was equal to or better than the average performance of the key competitors of KONE. The stock options 2014 were listed on Nasdaq Helsinki Ltd. as of April 1, 2016. The total number of stock options was 1,500,000 and 133,000 of them are held by KONE Corporation's subsidiary. 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 March 31, 2016 was EUR 28.20. Each option entitles its holder to subscribe for one (1) new class B KONE share. The share subscription period for the stock options 2014 is April 1, 2016–April 30, 2018.

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 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 March 31, 2016 was EUR 33.60. 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 the shares. Participants are obliged to return the shares and the cash payments if employment or service contract is

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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 March 31, 2016, 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 21,738 million on March 31, 2016, 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–March 2016, KONE did not use its authorization to repurchase own shares. At the end of March 2016, 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 59.8 million KONE Corporation's class B shares in January–March 2016, equivalent to a turnover of EUR 2,366 million. The daily average trading volume was 980,008 shares (1–3/2015: 1,023,186). The share price on March 31, 2016 was EUR 42.36. The volume weighted average share price during the period was EUR 39.57. The highest quotation during the period under review was EUR 43.35 and the lowest EUR 35.50. 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 25.1% of the total volume of KONE's class B shares traded in January–March 2016 (source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com).

The number of registered shareholders was 56,441 at the beginning of the review period and 55,836 at its end. The number of private households holding shares totaled 51,978 at the end of the period, which corresponds to approximately 13.3% of the listed B shares.

According to the nominee registers 49.9% of the listed class B shares were owned by foreign shareholders on March 31, 2016. Other foreign ownership at the end of the period totaled 1.3%. Thus a total of 51.2% of KONE's listed class B shares were owned by international investors, corresponding to approximately 19.0% of the total votes in the company.

Flagging notifications

During January–March 2016, BlackRock, Inc. announced several notices to KONE Corporation in accordance with the Finnish Securities Market Act, Chapter 9, Section 10. The notices were announced on January 6, January 7, January 8, March 17, March 18 and March 21. All notices have been released as stock exchange releases and are available on KONE Corporation's internet pages at www.kone.com. According to the latest notification, released on March 21, 2016, the total number of KONE Corporation shares owned by BlackRock, Inc. and its funds decreased below five (5) per cent of the share capital of KONE Corporation on March 18, 2016.

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, but 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–March 2016.

Helsinki, April 21, 2016

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	1–3/2016	%	1–3/2015	%	1–12/2015	%
Sales	1,748.3		1,690.9		8,647.3	
Costs and expenses	-1,501.4		-1,454.5		-7,305.9	
Depreciation and amortization	-25.5		-24.4		-100.0	
Operating income	221.4	12.7	211.9	12.5	1,241.5	14.4
Share of associated companies' net income	0.3		0.4		0.6	
Financing income	23.3		12.3		198.9	
Financing expenses	-2.3		-29.7		-76.5	
Income before taxes	242.7	13.9	195.0	11.5	1,364.4	15.8
Taxes	-54.6		-43.9		-311.4	
Net income	188.1	10.8	151.1	8.9	1,053.1	12.2
Net income attributable to:						
Shareholders of the parent company	187.8		149.9		1,032.3	
Non-controlling interests	0.3		1.2		20.7	
Total	188.1		151.1		1,053.1	
Earnings per share for profit attributable to the shareholders of the parent company, EUR						
Basic earnings per share, EUR	0.37		0.29		2.01	
Diluted earnings per share, EUR	0.37		0.29		2.00	

Consolidated statement of comprehensive income

MEUR	1–3/2016	1–3/2015	1–12/2015
Net income	188.1	151.1	1,053.1
Other comprehensive income, net of tax:			
Translation differences	-79.0	245.0	177.4
Hedging of foreign subsidiaries	11.8	-32.2	-23.5
Cash flow hedges	-1.0	-22.9	-10.7
Items that may be subsequently reclassified to statement of income	-68.2	189.9	143.2
Remeasurements of employee benefits	-15.1	-44.3	-11.6
Items that will not be reclassified to statement of income	-15.1	-44.3	-11.6
Total other comprehensive income, net of tax	-83.3	145.7	131.6
Total comprehensive income	104.8	296.8	1,184.6
Total comprehensive income attributable to:			
Shareholders of the parent company	104.5	295.6	1,163.9
Non-controlling interests	0.3	1.2	20.7
Total	104.8	296.8	1,184.6

Condensed consolidated statement of financial position

Assets

MEUR		Mar 31, 2016	Mar 31, 2015	Dec 31, 2015
Non-current assets				
Goodwill		1,300.0	1,306.8	1,306.7
Other intangible assets		266.8	274.7	271.5
Tangible assets		347.4	339.2	345.4
Loan receivables and other interest-bearing assets	I	6.7	7.1	7.0
Investments		125.4	126.2	122.7
Employee benefits	I	9.1	-	8.4
Deferred tax assets	II	299.2	286.6	299.7
Total non-current assets		2,354.6	2,340.7	2,361.4
Current assets				
Inventories	II	1,428.6	1,438.7	1,326.7
Accounts receivable	II	1,421.6	1,472.1	1,480.2
Deferred assets and income tax receivables	II	493.6	469.5	434.0
Current deposits and loan receivables	I	962.3	651.7	1,350.6
Cash and cash equivalents	I	483.4	352.1	552.7
Total current assets		4,789.3	4,384.2	5,144.2
Total assets		7,143.9	6,724.8	7,505.6

Equity and liabilities

MEUR		Mar 31, 2016	Mar 31, 2015	Dec 31, 2015
Equity		1,969.2	1,751.2	2,575.5
Non-current liabilities				
Loans	I	34.2	29.6	32.5
Employee benefits	I	190.9	205.6	169.2
Deferred tax liabilities	II	137.6	121.5	140.9
Total non-current liabilities		362.7	356.7	342.6
Provisions	II	161.5	141.3	173.6
Current liabilities				
Loans	I	198.8	191.2	204.4
Advance payments received	II	2,044.7	1,955.5	1,829.4
Accounts payable	II	586.7	610.3	728.9
Accruals and income tax payables	II	1,820.3	1,718.6	1,651.3
Total current liabilities		4,650.5	4,475.6	4,414.0
Total equity and liabilities		7,143.9	6,724.8	7,505.6

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

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2016	65.7	100.3	140.7	-16.2	272.1	-103.6	-210.6	2,279.1		48.0	2,575.5
Net income for the period									187.8	0.3	188.1
Other comprehensive income:											
Translation differences					-79.0						-79.0
Hedging of foreign subsidiaries					11.8						11.8
Cash flow hedges				-1.0							-1.0
Remeasurements of employee benefits						-15.1					-15.1
Transactions with shareholders and non-controlling interests:											
Profit distribution								-718.2			-718.2
Increase in equity (option rights)											-
Purchase of own shares											-
Change in non-controlling interests										1.7	1.7
Option and share-based compensation								5.5			5.5
Mar 31, 2016	65.7	100.3	140.7	-17.2	204.9	-118.7	-210.6	1,566.3	187.8	50.0	1,969.2

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 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									149.9	1.2	151.1
Other comprehensive income:											
Translation differences					245.0						245.0
Hedging of foreign subsidiaries					-32.2						-32.2
Cash flow hedges				-22.9							-22.9
Remeasurements of employee benefits						-44.3					-44.3
Transactions with shareholders and non-controlling interests:											
Profit distribution								-616.3			-616.3
Increase in equity (option rights)											-
Purchase of own shares											-
Change in non-controlling interests										3.5	3.5
Option and share-based compensation								4.8			4.8
Mar 31, 2015	65.6	100.3	127.0	-28.5	331.1	-136.3	-150.8	1,243.6	149.9	49.3	1,751.2

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 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:											
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:											
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

Condensed consolidated statement of cash flows

MEUR	1–3/2016	1–3/2015	1–12/2015
Operating income	221.4	211.9	1,241.5
Change in working capital before financing items and taxes	58.8	-24.2	132.3
Depreciation and amortization	25.5	24.4	100.0
Cash flow from operations before financing items and taxes	305.7	212.2	1,473.7
Cash flow from financing items and taxes	-38.7	35.2	-27.0
Cash flow from operating activities	267.0	247.4	1,446.7
Cash flow from investing activities	-53.6	-31.8	-155.0
Cash flow after investing activities	213.4	215.6	1,291.8
Purchase of own shares	-	-	-71.2
Increase in equity (option rights)	-	-	13.5
Profit distribution	-658.4	-563.7	-616.3
Change in deposits and loans receivable, net	375.8	346.0	-373.3
Change in loans payable and other interest-bearing debt	4.4	1.2	-15.9
Changes in non-controlling interests	-	-	-18.4
Cash flow from financing activities	-278.1	-216.4	-1,081.4
Change in cash and cash equivalents	-64.8	-0.8	210.3
Cash and cash equivalents at beginning of period	552.7	336.1	336.1
Translation difference	-4.5	16.9	6.2
Cash and cash equivalents at end of period	483.4	352.1	552.7

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	1–3/2016	1–3/2015	1–12/2015
Interest-bearing net debt at beginning of period	-1,512.6	-911.8	-911.8
Interest-bearing net debt at end of period	-1,037.6	-584.4	-1,512.6
Change in interest-bearing net debt	475.0	327.4	-600.8

Notes for the interim report

KEY FIGURES

		1–3/2016	1–3/2015	1–12/2015
Basic earnings per share	EUR	0.37	0.29	2.01
Diluted earnings per share	EUR	0.37	0.29	2.00
Equity per share	EUR	3.75	3.31	4.94
Interest-bearing net debt	MEUR	-1,037.6	-584.4	-1,512.6
Total equity/total assets	%	38.6	36.7	45.4
Gearing	%	-52.7	-33.4	-58.7
Return on equity	%	33.1	31.7	45.4
Return on capital employed	%	28.3	31.4	41.7
Total assets	MEUR	7,143.9	6,724.8	7,505.6
Assets employed	MEUR	931.6	1,166.8	1,062.9
Net working capital (including financing and tax items)	MEUR	-1,107.9	-880.2	-983.4

The calculation formulas of key figures are presented in KONE's Financial Statements for 2015.

QUARTERLY FIGURES

		Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Orders received	MEUR	1,942.3	1,947.2	1,764.5	2,193.5	2,053.8
Order book	MEUR	8,529.7	8,209.5	8,350.7	8,627.4	8,529.6
Sales	MEUR	1,748.3	2,561.8	2,184.2	2,210.4	1,690.9
Operating income	MEUR	221.4	378.5	325.9	325.2	211.9
Operating income	%	12.7	14.8	14.9	14.7	12.5

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

		Q4/2012	Q3/2012	Q2/2012	Q1/2012	Q4/2011	Q3/2011	Q2/2011	Q1/2011
Orders received	MEUR	1,321.3	1,295.6	1,513.4	1,365.9	1,098.8	1,095.4	1,226.2	1,044.7
Order book	MEUR	5,050.1	5,283.7	5,305.3	4,842.8	4,348.2	4,143.2	3,947.7	3,737.5
Sales	MEUR	1,857.7	1,633.7	1,544.1	1,241.3	1,588.8	1,296.2	1,286.4	1,053.8
Operating income	MEUR	257.4	226.4	210.3 [1]	134.6	233.0	188.9	184.5	118.7
Operating income	%	13.9	13.9	13.6 [1]	10.8	14.7	14.6	14.3	11.3

		Q4/2010	Q3/2010	Q2/2010	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
Orders received	MEUR	1,006.3	865.2	1,042.8	894.7	813.5	766.5	953.9	898.5
Order book	MEUR	3,597.8	3,657.9	3,933.7	3,638.5	3,309.1	3,603.4	3,754.1	3,753.1
Sales	MEUR	1,488.8	1,235.9	1,258.9	1,003.0	1,426.8	1,127.3	1,168.6	1,021.0
Operating income	MEUR	227.3	184.8	175.7	108.6	202.7	160.1	146.3 [2]	91.2
Operating income	%	15.3	15.0	14.0	10.8	14.2	14.2	12.5 [2]	8.9

[1] Excluding a MEUR 37.3 one-time cost related to the support function development and cost adjustment programs.
[2] Excluding a MEUR 33.6 one-time restructuring cost related to the fixed cost adjustment program.

Notes for the interim report

SALES BY GEOGRAPHICAL REGIONS

MEUR	1–3/2016	%	1–3/2015	%	1–12/2015	%
EMEA[1]	712.4	41	708.7	42	3,369.6	39
Americas	317.0	18	281.5	17	1,466.0	17
Asia-Pacific	718.9	41	700.8	41	3,811.8	44
Total	1,748.3		1,690.9		8,647.3	

[1] EMEA = Europe, Middle East, Africa

ORDERS RECEIVED

MEUR	1–3/2016	1–3/2015	1–12/2015
	1,942.3	2,053.8	7,958.9

ORDER BOOK

MEUR	Mar 31, 2016	Mar 31, 2015	Dec 31, 2015
	8,529.7	8,529.6	8,209.5

CAPITAL EXPENDITURE

MEUR	1–3/2016	1–3/2015	1–12/2015
In fixed assets	26.6	10.6	76.4
In leasing agreements	6.4	1.5	16.3
In acquisitions	22.2	17.9	64.9
Total	55.2	30.0	157.6

DEPRECIATION AND AMORTIZATION

MEUR	1–3/2016	1–3/2015	1–12/2015
Depreciation	18.3	17.9	72.1
Amortization of acquisition-related intangible assets	7.2	3.9	27.9
Total	25.5	21.7	100.0

R&D EXPENDITURE

MEUR	1–3/2016	1–3/2015	1–12/2015
	30.2	26.3	121.7
R&D Expenditure as percentage of sales	1.7	1.6	1.4

NUMBER OF EMPLOYEES

	1–3/2016	1–3/2015	1–12/2015
Average	49,889	47,314	48,469
At the end of the period	50,107	47,700	49,734

Notes for the interim report

COMMITMENTS

MEUR	Mar 31, 2016	Mar 31, 2015	Dec 31, 2015
Guarantees			
Associated companies	-	2.1	-
Others	2.6	4.1	6.9
Operating leases	261.2	289.7	277.7
Total	263.8	296.0	284.6

Banks and financial institutions have guaranteed obligations arising in the ordinary course of business of KONE companies up to a maximum of EUR 1,333 (1,253) million as of March 31, 2016.

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

The future minimum lease payments under non-cancellable operating leases

MEUR	Mar 31, 2016	Mar 31, 2015	Dec 31, 2015
Less than 1 year	71.8	74.3	73.6
1–5 years	144.5	157.7	153.8
Over 5 years	45.0	57.7	50.3
Total	261.2	289.7	277.7

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 an available-for-sale investment and measured at cost.

Investments include also non-current loans receivable and smaller available-for-sale investments in other companies without public quotation. These investments are measured at cost since the fair values cannot be reliably measured.

Notes for the interim report

DERIVATIVES

Fair values of derivative financial instruments MEUR	Derivative assets Mar 31, 2016	Derivative liabilities Mar 31, 2016	Fair value, net Mar 31, 2016	Fair value, net Mar 31, 2015	Fair value, net Dec 31, 2015
Foreign exchange forward contracts and swaps	27.3	-46.3	-19.0	59.0	5.0
Cross-currency swaps	-	-	-	4.5	6.5
Electricity price forward contracts	-	-1.1	-1.1	-1.0	-1.2
Total	27.3	-47.5	-20.2	62.5	10.3

Nominal values of derivative financial instruments MEUR	Mar 31, 2016	Mar 31, 2015	Dec 31, 2015
Foreign exchange forward contracts and swaps	2,532.8	2,697.7	2,717.0
Cross-currency swaps	-	138.9	138.9
Electricity price forward contracts	2.3	3.8	2.6
Total	2,535.1	2,840.5	2,858.5

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 there exists a stock exchange price, based on which the fair value can be measured reliably (fair value hierarchy level 1).

The fair values are represented in the balance on a cross basis and can be set off on conditional terms. No collaterals or pledges have been given as security against any liabilities or received against any assets arising from derivatives or other financial instruments. Financial contracts are executed only with counterparties that have high credit ratings. The credit risk of these counterparties as well as the present creditworthiness of KONE are considered when calculating the fair values of outstanding financial assets and liabilities.

Shares and shareholders

Mar 31, 2016	Class A shares	Class B shares	Total
Number of shares	76,208,712	449,197,602	525,406,314
Own shares in possession [1]		12,240,544	
Share capital, EUR			65,675,789
Market capitalization, MEUR			21,738
Number of B shares traded (millions), 1–3/2016		59.8	
Value of B shares traded, MEUR, 1–3/2016		2,366	
Number of shareholders	3	55,836	55,836

	Close	High	Low
Class B share price, EUR, Jan–Mar 2016	42.36	43.35	35.50

[1] During January–March 2016, KONE did not use its authorization to repurchase own shares.

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KONE as a company

At KONE, our mission is to improve the flow of urban life. As a global leader in the elevator and escalator industry, KONE provides elevators, escalators and automatic building doors, as well as solutions for maintenance and modernization to add value to buildings throughout their life cycle. Through more effective People Flow®, we make people's journeys safe, convenient and reliable, in taller, smarter buildings. In 2015, KONE had annual net sales of EUR 8.6 billion, and at the end of the year close to 50,000 employees. KONE class B shares are listed on the Nasdaq Helsinki Ltd. in Finland. www.kone.com