The background of the entire page is a photograph of a modern, multi-story building with a vertical garden facade. The building's facade is composed of numerous white, rectangular balconies that are staggered and cantilevered outwards. Each balcony is filled with lush green plants, including trees and shrubs, creating a dense wall of vegetation. The building is set against a clear, bright blue sky. The overall composition is a low-angle shot, looking up at the building, which emphasizes its height and the verticality of the garden.

KONE Q2 2016

Interim Report for January–June

KONE's January–June 2016 review

April–June 2016: Strong execution and profitable sales growth

- In April–June 2016, orders received totaled EUR 2,068 (4–6/2015: 2,193) million. Orders received declined by 5.7% at historical exchange rates and by 1.9% at comparable exchange rates.
- Net sales grew by 2.8% to EUR 2,273 (2,210) million. At comparable exchange rates the growth was 6.0%.
- Operating income (EBIT) was EUR 348.6 (325.2) million or 15.3% (14.7%) of net sales.
- Cash flow from operations (before financing items and taxes) was EUR 393.3 (426.0) million.
- KONE slightly upgrades its operating income (EBIT) outlook for 2016. In 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 1,250–1,330 million, assuming that translation exchange rates would remain at approximately the average level of January–June 2016. KONE's previous outlook for its operating income (EBIT) was EUR 1,220–1,320 million, assuming that translation exchange rates would have remained at approximately the average level of January–March 2016.

January–June 2016: Solid operating performance

- In January–June 2016, orders received totaled EUR 4,010 (4,247) million. Orders received declined by 5.6% at historical exchange rates and by 3.1% at comparable exchange rates. The order book stood at EUR 8,764 (June 30, 2015: 8,627) at the end of June 2016.
- Net sales grew by 3.1% to EUR 4,021 (3,901) million. At comparable exchange rates the growth was 5.2%.
- Operating income was EUR 570.0 (537.1) million or 14.2% (13.8%) of net sales.
- Cash flow from operations (before financing items and taxes) was EUR 699.0 (638.2) million.

KEY FIGURES

		4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Orders received	MEUR	2,067.8	2,193.5	4,010.1	4,247.3	7,958.9
Order book	MEUR	8,763.6	8,627.4	8,763.6	8,627.4	8,209.5
Sales	MEUR	2,272.6	2,210.4	4,020.9	3,901.2	8,647.3
Operating income (EBIT)	MEUR	348.6	325.2	570.0	537.1	1,241.5
Operating income (EBIT)	%	15.3	14.7	14.2	13.8	14.4
Cash flow from operations (before financing items and taxes)	MEUR	393.3	426.0	699.0	638.2	1,473.7
Net income	MEUR	276.6	266.0	464.7	417.1	1,053.1
Basic earnings per share	EUR	0.54	0.51	0.90	0.80	2.01
Interest-bearing net debt	MEUR	-1,145.4	-955.3	-1,145.4	-955.3	-1,512.6
Total equity/total assets	%	40.2	40.7	40.2	40.7	45.4
Gearing	%	-52.4	-46.9	-52.4	-46.9	-58.7

KONE's January–June 2016 review

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

“Our strong execution and profitable sales growth continued during the second quarter. Orders grew in all other regions apart from China, where they declined significantly. Orders received declined by 5.7% at historical and 1.9% at comparable rates, but they were at a high level of EUR 2,068 million. Sales was EUR 2,273 million with a solid growth rate of 2.8% at historical and 6.0% at comparable rates. The operating income developed very positively in the quarter, reaching EUR 348.6 million. The relative operating income improved to 15.3% of net sales. Our cash flow remained strong at EUR 393.3 million.

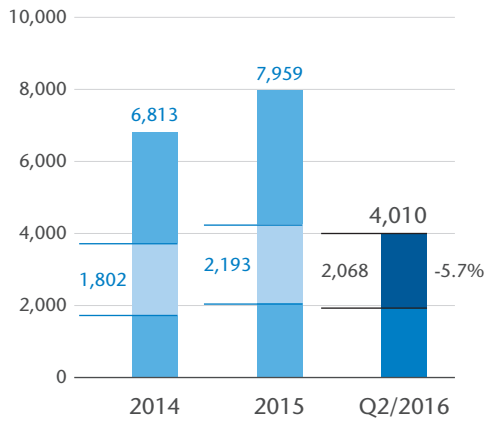
I am particularly pleased to see solid service sales as well as significant growth in our modernization orders in the quarter and in the first half of the year. This is a good basis for continuing our work towards the target of further accelerating the growth of our service businesses. In a highly competitive new equipment market environment, we have been focusing on attractive growth opportunities. Our overall performance demonstrates that our competitiveness is strong and that we can deliver results also in a more challenging environment. I would like to thank everyone at KONE for their contribution and commitment across our businesses.

During the second quarter, global market trends continued to be varied. In China, the new equipment market volumes declined less than in the first quarter, but pricing pressure in the market intensified. In this environment, we developed roughly in line with the overall market during the quarter. The market in the rest of the Asia-Pacific region grew. In Europe, the most positive development was seen in Central and North Europe and the markets in South Europe continued to stabilize. In North America, new equipment and service markets showed a sustained good level of activity. Our progress in all of these regions was good.

With two quarters now behind us, we have slightly upgraded our operating income outlook. We continue to expect sales growth of 2–6% at comparable rates in 2016. Operating income is expected to be in the range of EUR 1,250–1,330 million, assuming that translation exchange rates would remain at the average level of January–June 2016.”

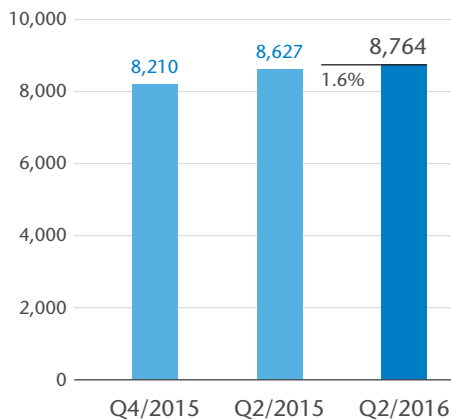
Key Figures

Orders received (MEUR)



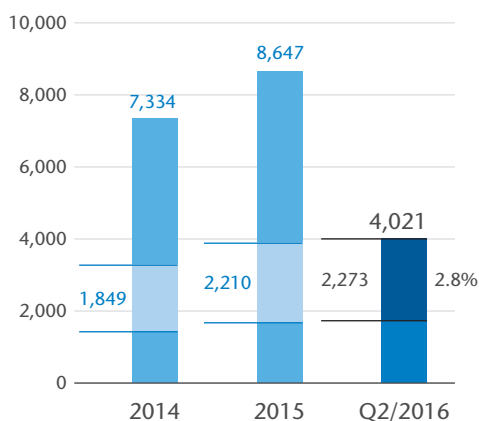
- In April–June 2016, orders received declined by 5.7% at historical exchange rates and by 1.9% at comparable exchange rates.
 - New equipment orders received declined somewhat, due to a decline in both volume and major project businesses. In modernization, orders received grew significantly.
 - Orders received saw a positive development in the EMEA region and in the Americas region. In Asia-Pacific, orders received declined.
-
- In January–June 2016, KONE's orders received declined somewhat in the new equipment business with clear decline in the volume business but growth in major projects. In modernization, orders received grew clearly.
 - Orders received grew somewhat in the EMEA and Americas regions. In Asia-Pacific, orders received declined clearly.

Order book (MEUR)



- The order book grew by 1.6% compared to the end of June 2015. At comparable exchange rates, the change was 5.5%.
- In January–June 2016, the relative margin of orders received was overall rather stable at a good level despite pressure from price competition seen in many markets.
- The margin of the order book remained at a healthy level.

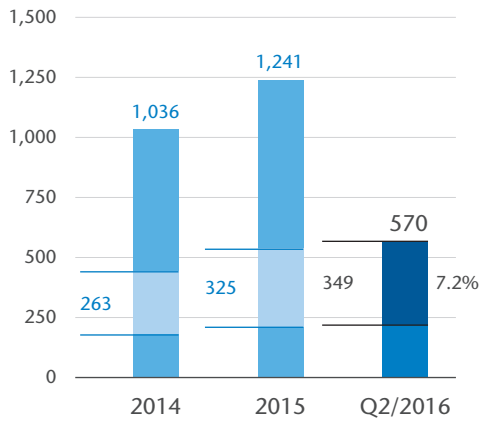
Sales (MEUR)



- In April–June 2016, net sales increased by 2.8% at historical exchange rates (at comparable exchange rates 6.0%).
 - New equipment sales declined 0.7% (at comparable exchange rates, sales grew by 3.1%). Service (maintenance and modernization) sales grew by 7.9% (10.0%), with maintenance sales growing by 4.3% (6.3%) and modernization sales by 17.2% (19.6%).
 - Sales in the EMEA region declined by 1.3% at historical exchange rates (at comparable rates, sales grew by 0.3%). Sales grew by 16.9% (18.9%) in the Americas region and 1.6% (6.6%) in the Asia-Pacific region.
-
- In January–June 2016, sales in the EMEA region declined by 0.5% (grew by 0.7% at comparable rates), grew by 15.0% (15.4%) in the Americas region and by 2.0% (5.6%) in the Asia-Pacific region.
 - New equipment sales declined by 0.7% (at comparable exchange rates, sales grew by 2.0%). Service (maintenance and modernization) sales increased by 7.8% (9.1%), with maintenance sales growing by 4.5% (5.7%) and modernization sales by 17.7% (19.1%).

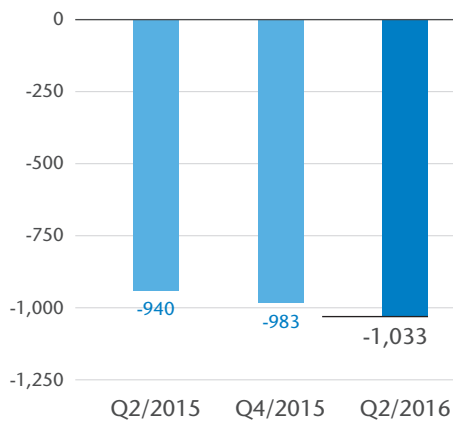
Key Figures

EBIT (MEUR)



- In April–June 2016, operating income improved to 15.3% of net sales (4–6/2015: 14.7%).
 - The growth in operating income was the result of positive development in both the new equipment and the service businesses.
 - Positive development across regions, in North America and Asia-Pacific in particular, contributed to the growth in operating income.
 - 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 somewhat burdened the development of the operating income.
-
- In January–June 2016, operating income was 14.2% of net sales (1–6/2015: 13.8%).

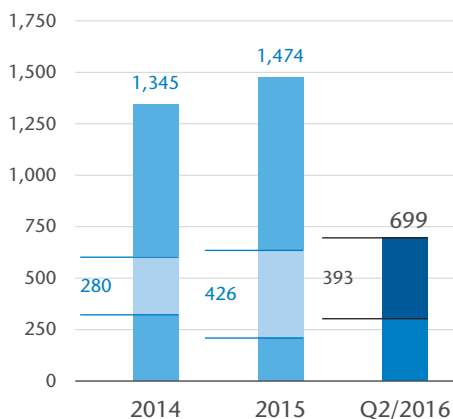
Net working capital¹⁾ (MEUR)



- In January–June 2016 net working capital improved.
- The improvement in net working capital was due to a good level of advance payments relative to inventories. Other net working capital items were rather stable.

¹⁾ Including financing and tax items

Cash flow²⁾ (MEUR)



- In January–June 2016, cash flow from operations was strong at EUR 699.0 million.

²⁾ Cash flow from operations before financing items and taxes

KONE's January–June 2016 review

Accounting Principles

KONE Corporation's Interim Report for January–June 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.

April–June 2016 review

Operating environment in April–June

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

In the EMEA region, the new equipment market volumes continued to grow in Central and North Europe driven mainly by the residential segment. Of the markets in the area, Germany and Great Britain saw strong growth in the quarter. In South Europe, the new equipment markets were rather stable, as Italy and France continued to stabilize and the market in Spain grew slightly. In the Middle East, the new equipment markets continued to show growth opportunities despite uncertainty in the region. The modernization market grew strongly in Central and North Europe driven by Germany, Great Britain and many of the smaller markets. In South Europe, modernization demand also showed further signs of stabilization. The maintenance market continued to grow in the EMEA region, although with significant variation between countries.

In North America, the new equipment market, measured in units, continued to grow slightly. This was driven by the United States, which saw slight growth from an already good level, as a result of positive development in the residential and commercial segments. Also the modernization market 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 volumes weakened slightly in the second quarter. The new equipment market in China declined somewhat measured in units. In monetary value, the market declined more. Both residential construction and the commercial segments declined. The

smaller infrastructure segment, on the other hand, continued to grow with support from stimulus measures. The first-tier cities and many of the second-tier cities continued to see a rather strong level of demand, while the development in lower-tier cities was weaker. Outside China, the new equipment market in India grew somewhat, but the development in the South-east Asian new equipment markets remained slow. In Australia, both new equipment and modernization markets grew. The maintenance market in Asia-Pacific continued to develop positively, following the growth in new equipment installations in the region.

In the second quarter, trends in the pricing environment remained varied. In China, pricing competition in new equipment further intensified in the quarter. In other regions, the pricing environment remained broadly unchanged. In the EMEA region, pricing in new equipment remained rather challenging in the South European markets. The pricing of new equipment in North America continued to develop positively, 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.

Financial performance in April–June

Orders received declined by 5.7% as compared to April–June 2015, and totaled EUR 2,068 (4–6/2015: 2,193) million. At comparable exchange rates, KONE's orders received decreased by 1.9%. New equipment orders received declined somewhat, due to a decline in both the volume and major projects businesses. In modernization, orders received grew significantly. The relative margin of orders received was overall rather stable at a good level, despite the price competition seen in many markets. This was achieved due to a good progress in overall product competitiveness, including cost, as well as a focused pricing strategy. 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 decline in orders in the second quarter was driven by the Asia-Pacific region, where orders declined significantly in China. The EMEA region and the Americas region saw a positive development in orders during the quarter. At comparable exchange rates, orders received grew somewhat in EMEA with growth across the region. Orders grew in particular in Central and North Europe, but saw growth also in South Europe and the Middle East. In the Americas region, KONE's order intake grew clearly driven by a continued positive development in the United States.

KONE's January–June 2016 review

SALES BY AREA, MEUR

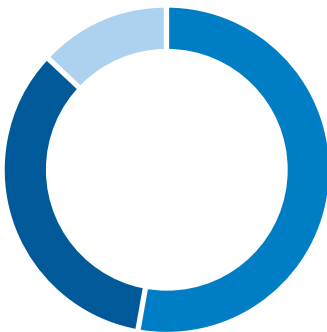
	1–6/2016	1–6/2015	Historical change	Comparable change	1–12/2015
EMEA ¹⁾	1,558.3	1,565.5	-0.5%	0.7%	3,369.6
Americas	710.7	618.3	15.0%	15.4%	1,466.0
Asia-Pacific	1,751.9	1,717.5	2.0%	5.6%	3,811.8
Total	4,020.9	3,901.2	3.1%	5.2%	8,647.3

¹⁾ EMEA = Europe, Middle East, Africa

SALES BY BUSINESS, MEUR

	1–6/2016	1–6/2015	Historical change	Comparable change	1–12/2015
New equipment	2,150.2	2,166.4	-0.7%	2.0%	4,934.8
Maintenance	1,352.0	1,294.0	4.5%	5.7%	2,641.5
Modernization	518.7	440.8	17.7%	19.1%	1,071.0
Total	4,020.9	3,901.2	3.1%	5.2%	8,647.3

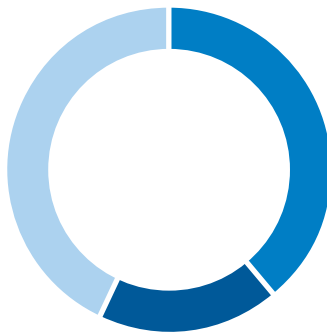
Sales by business



■ New equipment 53% (56%)
 ■ Maintenance 34% (33%)
 ■ Modernization 13% (11%)

1–6/2016 (1–6/2015)

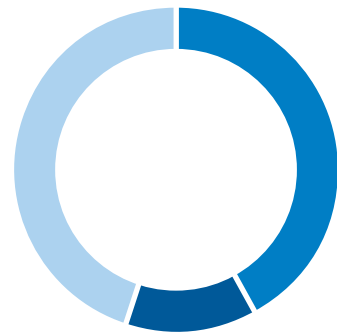
Sales by area



■ EMEA 39% (40%)
 ■ Americas 18% (16%)
 ■ Asia-Pacific 43% (44%)

1–6/2016 (1–6/2015)

Personnel by area



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

June 30, 2016: 50,917
 (December 31, 2015: 49,734)

KONE's net sales grew by 2.8% as compared to April–June 2015, and totaled EUR 2,273 (4–6/2015: 2,210) million. At comparable exchange rates KONE's net sales growth was 6.0%.

New equipment sales accounted for EUR 1,290 (1,300) million and represented a decrease of 0.7% over the comparison period. At comparable exchange rates, new equipment sales grew by 3.1%.

Service (maintenance and modernization) sales grew by 7.9% and totaled EUR 982.1 (910.5) million. At comparable exchange rates, service sales grew by 10.0%. Maintenance sales was EUR 685.1 (657.1) million and grew by 4.3% at historical and by 6.3% at comparable exchange rates. Maintenance sales include elevator and escalator maintenance as well as KONE's automatic doors business. Modernization sales grew by 17.2% and totaled EUR 297.0 (253.4) million. At comparable exchange rates, modernization sales grew by 19.6%.

KONE's January–June 2016 review

Sales in the EMEA region declined by 1.3% and totaled EUR 845.9 (856.9) million. At comparable exchange rates, sales grew by 0.3%. Sales in the Americas region accounted for EUR 393.7 (336.8) million and represented an increase of 16.9% over the comparison period. At comparable exchange rates, the growth was 18.9%. Sales in the Asia-Pacific region grew by 1.6% and totaled EUR 1,033 (1,017) million. At comparable exchange rates, the growth was 6.6%.

KONE's operating income (EBIT) for the April–June 2016 period totaled EUR 348.6 (325.2) million or 15.3% (14.7%) 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 somewhat burdened the development of the operating income in the quarter.

Cash flow from operations in April–June 2016 (before financing items and taxes) was EUR 393.3 (426.0) million. The strong cash flow was driven by good development in operating income. Net working capital was stable at a good level mainly as a result of advance payments received that remained favorable relative to inventories.

January–June 2016 review

Operating environment in January–June

During January–June 2016, the new equipment market volumes in Asia-Pacific weakened driven by a decline in the significant China market. In the EMEA region, market volumes saw clear growth in Central and North Europe compared to the previous year. In South Europe, the new equipment market was rather stable and the Middle East saw a marginally positive trend despite uncertainty in the region. In North America, the new equipment market continued to grow slightly from a high level. The large European modernization market grew clearly in Central and North Europe and showed signs of stabilization in South Europe. In North America, the modernization market continued to grow slightly, and also the markets in the Asia-Pacific region continued to present increasing modernization opportunities. The maintenance markets continued to grow globally, with the fastest rate of growth seen in the Asia-Pacific region. The pricing environment remained challenging in many markets, with the new equipment market in China seeing the most intense competition in pricing.

Orders received and order book in January–June

Orders received declined by 5.6% as compared to January–June 2015, and totaled EUR 4,010 (1–6/2015: 4,247) million. At comparable exchange rates, KONE's orders received decreased by 3.1%. In the first half of the year, KONE's orders received declined somewhat in the new equipment business with clear decline in the volume business but growth in major projects. In modernization, orders received grew clearly.

The order book grew by 1.6% compared to the end of June 2015, and stood at a level of EUR 8,764 (June 30, 2015: 8,627) million at the end of the reporting period. At comparable exchange rates, the increase was 5.5%. The margin of the order book remained at a healthy level. Also the relative margin of orders received was overall rather stable at a good level, despite pressure from price competition seen in many markets. This was achieved due to a good progress in overall product competitiveness, including cost, as well as a focused pricing strategy. Cancellations of orders remained at a very low level.

Orders received in the EMEA region grew somewhat at comparable rates as compared to January–June 2015, with growth in both Central and North Europe as well as South Europe. In the Middle East, orders received grew significantly. Modernization orders grew significantly and new equipment orders saw some growth in the EMEA region.

Orders received in the Americas region also grew somewhat due to positive development in the United States from a high level. The order growth in the Americas region was driven by modernization orders in particular. New equipment orders also saw some growth.

Orders received in the Asia-Pacific region declined clearly driven by a significant weakening of orders in China. Of the other markets, orders received grew in India and in Australia, but declined in Southeast Asia. In the Asia-Pacific region, new equipment orders saw a significant decrease, but modernization orders increased slightly.

Net sales

KONE's net sales increased by 3.1% as compared to January–June 2015, and totaled EUR 4,021 (1–6/2015: 3,901) million. At comparable exchange rates the increase was 5.2%.

New equipment sales accounted for EUR 2,150 (2,166) million and represented a decrease of 0.7% over the comparison period. At comparable exchange rates, new equipment sales grew by 2.0%.

Service (maintenance and modernization) sales increased by 7.8%, and totaled EUR 1,871 (1,735) million. At comparable exchange rates, service sales grew by 9.1%. Maintenance sales grew by 4.5% at historical and by 5.7% at comparable exchange rates, and totaled EUR 1,352 (1,294) million. Modernization sales increased by 17.7%, and totaled EUR 518.7 (440.8) million. At comparable exchange rates, modernization sales increased by 19.1%.

KONE's January–June 2016 review

The share of new equipment sales was 53% (56%) and the share of service sales 47% (44%) of total sales, with maintenance representing 34% (33%) and modernization 13% (11%) of total sales. The geographical distribution of net sales was 39% (40%) EMEA, 18% (16%) Americas and 43% (44%) Asia-Pacific.

Sales in the EMEA region declined by 0.5%, and totaled EUR 1,558 (1,566) million. At comparable exchange rates, sales grew by 0.7%. New equipment sales declined clearly, maintenance sales grew slightly and modernization sales saw clear growth.

Sales in the Americas region grew by 15.0%, and totaled EUR 710.7 (618.3) million. At comparable exchange rates, the growth was 15.4%. New equipment sales grew very strongly and also modernization sales grew significantly. Maintenance sales grew somewhat.

Sales in the Asia-Pacific region grew by 2.0%, and totaled EUR 1,752 (1,717) million. At comparable exchange rates, the growth was 5.6% with slight growth in new equipment, significant growth in maintenance, and very strong growth in modernization sales.

Financial result

KONE's operating income (EBIT) grew and reached EUR 570.0 (1–6/2015: 537.1) million or 14.2% (13.8%) 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 burdened the development of the operating income compared to the previous year.

Net financing items was EUR 33.0 (0.8) 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.

KONE's income before taxes was EUR 603.5 (538.2) million. Taxes totaled EUR 138.8 (121.1) million, taking into account taxes proportionate to the amount estimated for the financial year. This represents an effective tax rate of 23.0% (22.5%) for the full financial year. Net income for the period under review was EUR 464.7 (417.1) million.

Basic earnings per share was EUR 0.90 (0.80).

Consolidated statement of financial position and Cash flow

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

Cash flow from operations during January–June 2016 (before financing items and taxes) was strong at EUR 699.0 (1–6/2015: 638.2) million.

Net working capital improved and was EUR -1,033 (December 31, 2015: -983.4) million at the end of June 2016, including financing items and taxes. The improvement in net working capital was due to a good level of advance payments relative to inventories. Other net working capital items were rather stable. Interest-bearing net debt at the end of June 2016 was EUR -1,145 (December 31, 2015: -1,513) million. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 1,588 (1,903) million at the end of the reporting period.

Interest-bearing liabilities were EUR 459.2 (406.1) million, including a net pension liability of EUR 221.9 (169.2) million and short-term loans of EUR 12.5 (12.0) million. In addition, the interest-bearing net debt includes EUR 184.3 (192.4) million of option liabilities from acquisitions. Gearing was -52.4%, compared with -58.7% at the end of 2015. KONE's total equity/total assets ratio was 40.2% at the end of June 2016 (December 31, 2015: 45.4%).

Equity per share was EUR 4.10 (4.94).

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 95.1 (1–6/2015: 65.9) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT, operations and production. Acquisitions accounted for EUR 32.5 (36.6) million of this figure.

During January–June 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 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 65.6 EUR (1–6/2015: 56.3) million, representing 1.6% (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 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

KONE's January–June 2016 review

harness the potential provided by digitalization through process development and strong technology partnerships.

During January–June 2016, various enhancements to KONE's offering were introduced. During the first quarter of the year, KONE further extended its elevator range in India and launched an updated offering in Europe in accordance with the new safety standard (EN81–20/50). During the second quarter, KONE introduced in the United States and Canada the KONE MonoSpace® 500 volume elevator offering, which provides greater eco-efficiency, better ride comfort and innovative design options. In addition, KONE released several updates and enhancements to its existing elevators in China and the rest of the Asia-Pacific region. In modernization, KONE extended its offering in Europe with the launch of the KONE HydroMod™ 200 modernization solution for hydraulic elevators. The new solution provides improved performance in terms of passenger safety, ride comfort and reduced energy consumption, combined with less elevator downtime achieved by significantly faster installation.

During the reporting period, 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 in order to create added value to its customers with cloud-based services.

KONE also opened its newest U.S. manufacturing facility in Allen, Texas in June 2016. The new facility houses the supply operations of the KONE Americas region as well as a research and development department. The facility features a 40-meter tall test tower to evaluate new elevator prototypes and components.

Changes in the organization and the Executive Board

During January–June 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. This change will enable synergies between the Middle East and Africa, and thus support KONE's growth strategy in both regions.

Thomas Hinnerskov was appointed as Executive Vice President for Central and North Europe and Member of the Executive board. He will join KONE from September 1, 2016 and will report to Henrik Ehrnrooth, President and CEO. Thomas Hinnerskov succeeds Noud Veeger, who left KONE as of April 2, 2016. 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.

Ilkka Hara was appointed as CFO and member of the Executive Board as of August 8, 2016. He will report to Henrik Ehrnrooth, President and CEO. Ilkka Hara succeeds Eriikka

Söderström, who has decided to leave KONE at the end of July 2016.

After the reporting period, KONE also announced on July 15, 2016 that Axel Berkling had been appointed Executive Vice President for the Asia-Pacific region and member of the Executive Board at KONE as of October 1, 2016. He will report to Henrik Ehrnrooth, President and CEO. The Asia-Pacific region covers KONE's business in this geography excluding China. Axel Berkling will succeed Neeraj Sharma who will continue in his role until the end of September 2016.

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 the second quarter of 2016.

In January–June 2016, employee development continued as a focus area at KONE. Internal job rotation opportunities were increased globally as the rollout of the 'Visit a job' concept continued. During the reporting period, around 200 KONE employees engaged in short-term job rotation with several more job visits planned for the rest of 2016. Job rotation has been welcomed as an efficient learning and development tool at KONE.

In addition, during the second quarter of 2016, training and support was provided to both managers and employees to ensure a high quality round of mid-year performance reviews with concrete individual development actions in the third quarter of 2016. The development of online learning solutions continued, and at the end of the second quarter, close to 700 online training programs in 29 languages were available for KONE employees. The best internal solutions were recognized in order to promote online learning as a part of individual development plans. Furthermore, a global initiative to further increase employee wellbeing was launched.

KONE's fifth Global Safety Week was held during the second quarter in all KONE units with the theme 'Safety is our business'. A number of safety-related activities were held during the week, involving both internal and external stakeholders.

KONE's January–June 2016 review

KONE had 50,917 (December 31, 2015: 49,734) employees at the end of June 2016. The average number of employees was 50,175 (1–6/2015: 47,741). 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 environmental 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.

During January–June 2016, 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.

KONE published its Sustainability Report 2015 in June 2016. The report follows the Global Reporting Initiative G4 reporting guidelines when applicable. The most significant environmental achievements in 2015 included reductions in reported greenhouse gas emissions from the company's own operations. KONE's 2015 carbon footprint relative to overall operations (net sales) decreased by 4.4% compared to 2014, with sales growth calculated at comparable exchange rates. KONE's absolute carbon footprint increased by 3.6% due to increases in the company's headcount, production volumes, and net sales. 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%. KONE's greenhouse gas reporting has been assured by an objective third party.

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 June 2016 (March 31, 2016: 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

KONE's January–June 2016 review

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 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.

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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.

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.

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. During the reporting period, 268,598 new KONE class B shares were subscribed for with the 2013 option rights. On June 30, 2016 a maximum of 995,118 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 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. During the reporting period, no class B shares were subscribed for with the 2014 option rights. On June 30, 2016, a maximum of 1,367,000 shares could be subscribed for with the remaining outstanding option rights. Each option entitles its holder to subscribe for one (1) new class B KONE share at the price of, from March 8, 2016, EUR 28.20 per 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 June 30, 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 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

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option plans 2013, 2014 and 2015 shall be carried out based on the original terms of these programs.

On June 30, 2016, KONE's share capital was EUR 65,709,364.00 comprising 449,466,200 listed class B shares and 76,208,712 unlisted class A shares. KONE's market capitalization was EUR 21,154 million on June 30, 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–June 2016, KONE used its authorization to repurchase own shares. In April, 391,662 class B shares in the company's possession were assigned to the share-based incentive plan and 2,923 class B shares as a part of the board members' annual remuneration. In May, KONE bought back in total 1,000,000 of its own class B shares. At the end of June 2016, the Group had 12,845,959 class B shares in its possession. The shares in the Group's possession represent 2.9% of the total number of class B shares. This corresponds to 1.1% of the total voting rights.

Shares traded on the Nasdaq Helsinki Ltd.

The Nasdaq Helsinki Ltd. traded 110.5 million KONE Corporation's class B shares in January–June 2016, equivalent to a turnover of EUR 4,418 million. The daily average trading volume was 891,208 shares (1–6/2015: 980,965). The share price on June 30, 2016 was EUR 41.25. The volume weighted average share price during the period was EUR 39.97. The highest quotation during the period under review was EUR 43.49 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 26.6% of the total volume of KONE's class B shares traded in January–June 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 55,411 at its end. The number of private households holding shares totaled 51,711 at the end of the period, which corresponds to approximately 13.3% of the listed B shares.

According to the nominee registers 49.8% of the listed class B shares were owned by foreign shareholders on June 30, 2016. Other foreign ownership at the end of the period totaled 1.3%. Thus a total of 51.1% 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–June 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, March 21 and April 29. 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 April 29, 2016, the total number of KONE Corporation shares owned by BlackRock, Inc. and its funds increased above five (5) per cent of the share capital of KONE Corporation on April 27, 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 slightly upgrades its operating income (EBIT) outlook for 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 1,250–1,330 million, assuming that translation exchange rates would remain at approximately the average level of January–June 2016.

Previous operating income (EBIT) outlook

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, July 19, 2016

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	4-6/2016	%	4-6/2015	%	1-6/2016	%	1-6/2015	%	1-12/2015	%
Sales	2,272.6		2,210.4		4,020.9		3,901.2		8,647.3	
Costs and expenses	-1,898.1		-1,860.3		-3,399.6		-3,314.8		-7,305.9	
Depreciation and amortization	-25.8		-24.9		-51.3		-49.3		-100.0	
Operating income	348.6	15.3	325.2	14.7	570.0	14.2	537.1	13.8	1,241.5	14.4
Share of associated companies' net income	0.2		-0.0		0.5		0.4		0.6	
Financing income	15.7		20.3		39.0		32.7		198.9	
Financing expenses	-3.7		-2.2		-6.0		-31.9		-76.5	
Income before taxes	360.8	15.9	343.2	15.5	603.5	15.0	538.2	13.8	1,364.4	15.8
Taxes	-84.2		-77.2		-138.8		-121.1		-311.4	
Net income	276.6	12.2	266.0	12.0	464.7	11.6	417.1	10.7	1,053.1	12.2
Net income attributable to:										
Shareholders of the parent company	274.3		261.0		462.1		411.0		1,032.3	
Non-controlling interests	2.3		5.0		2.6		6.2		20.7	
Total	276.6		266.0		464.7		417.1		1,053.1	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share, EUR	0.54		0.51		0.90		0.80		2.01	
Diluted earnings per share, EUR	0.53		0.51		0.90		0.80		2.00	

Consolidated statement of comprehensive income

MEUR	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Net income	276.6	266.0	464.7	417.1	1,053.1
Other comprehensive income, net of tax:					
Translation differences	18.5	-65.7	-60.5	179.4	177.4
Hedging of foreign subsidiaries	-6.6	16.3	5.2	-15.9	-23.5
Cash flow hedges	-1.8	9.3	-2.7	-13.6	-10.7
Items that may be subsequently reclassified to statement of income	10.2	-40.0	-58.0	149.9	143.2
Remeasurements of employee benefits	-21.0	42.2	-36.1	-2.1	-11.6
Items that will not be reclassified to statement of income	-21.0	42.2	-36.1	-2.1	-11.6
Total other comprehensive income, net of tax	-10.8	2.1	-94.1	147.8	131.6
Total comprehensive income	265.8	268.2	370.6	564.9	1,184.6
Total comprehensive income attributable to:					
Shareholders of the parent company	263.5	263.2	368.0	558.8	1,163.9
Non-controlling interests	2.3	5.0	2.6	6.2	20.7
Total	265.8	268.2	370.6	564.9	1,184.6

Condensed consolidated statement of financial position

Assets MEUR		Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Non-current assets				
Goodwill		1,305.4	1,297.8	1,306.7
Other intangible assets		271.2	275.9	271.5
Tangible assets		357.6	328.4	345.4
Loan receivables and other interest-bearing assets	I	6.9	6.7	7.0
Investments		139.9	118.7	122.7
Employee benefits	I	10.0	-	8.4
Deferred tax assets	II	307.7	267.8	299.7
Total non-current assets		2,398.7	2,295.4	2,361.4
Current assets				
Inventories	II	1,457.1	1,428.4	1,326.7
Accounts receivable	II	1,512.4	1,500.1	1,480.2
Deferred assets and income tax receivables	II	532.8	467.3	434.0
Current deposits and loan receivables	I	1,131.7	806.4	1,350.6
Cash and cash equivalents	I	455.9	507.7	552.7
Total current assets		5,090.0	4,709.8	5,144.2
Total assets		7,488.8	7,005.2	7,505.6
Equity and liabilities				
MEUR		Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Equity		2,186.1	2,036.1	2,575.5
Non-current liabilities				
Loans	I	40.4	26.9	32.5
Employee benefits	I	221.9	162.2	169.2
Deferred tax liabilities	II	145.7	121.3	140.9
Total non-current liabilities		408.0	310.4	342.6
Provisions	II	174.0	132.7	173.6
Current liabilities				
Loans	I	196.9	176.4	204.4
Advance payments received	II	2,055.3	2,002.3	1,829.4
Accounts payable	II	676.2	692.6	728.9
Accruals and income tax payables	II	1,792.1	1,654.8	1,651.3
Total current liabilities		4,720.6	4,526.0	4,414.0
Total equity and liabilities		7,488.8	7,005.2	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									462.1	2.6	464.7
Other comprehensive income:											
Translation differences					-60.5						-60.5
Hedging of foreign subsidiaries					5.2						5.2
Cash flow hedges				-2.7							-2.7
Remeasurements of employee benefits						-36.1					-36.1
Transactions with shareholders and non-controlling interests:											
Profit distribution								-718.2			-718.2
Increase in equity (option rights)	0.0		6.4								6.4
Purchase of own shares							-39.3				-39.3
Change in non-controlling interests										-18.5	-18.5
Option and share-based compensation			0.1				14.5	-5.0			9.7
Jun 30, 2016	65.7	100.3	147.2	-19.0	216.8	-139.7	-235.3	1,555.8	462.1	32.1	2,186.1

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									411.0	6.2	417.1
Other comprehensive income:											
Translation differences					179.4						179.4
Hedging of foreign subsidiaries					-15.9						-15.9
Cash flow hedges				-13.6							-13.6
Remeasurements of employee benefits						-2.1					-2.1
Transactions with shareholders and non-controlling interests:											
Profit distribution								-616.3			-616.3
Increase in equity (option rights)	0.1		13.2								13.3
Purchase of own shares											-
Change in non-controlling interests										1.8	1.8
Option and share-based compensation							11.5	-1.5			10.0
Jun 30, 2015	65.7	100.3	140.2	-19.1	281.7	-94.1	-139.2	1,237.2	411.0	52.5	2,036.1

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
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	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Operating income	348.6	325.2	570.0	537.1	1,241.5
Change in working capital before financing items and taxes	18.9	75.9	77.7	51.7	132.3
Depreciation and amortization	25.8	24.9	51.3	49.3	100.0
Cash flow from operations before financing items and taxes	393.3	426.0	699.0	638.2	1,473.7
Cash flow from financing items and taxes	-99.7	-19.8	-138.4	15.4	-27.0
Cash flow from operating activities	293.6	406.2	560.6	653.6	1,446.7
Cash flow from investing activities	-41.6	-27.7	-95.2	-59.5	-155.0
Cash flow after investing activities	252.0	378.5	465.4	594.1	1,291.8
Purchase of own shares	-39.3	-	-39.3	-	-71.2
Increase in equity (option rights)	6.4	13.3	6.4	13.3	13.5
Profit distribution	-59.9	-52.6	-718.2	-616.3	-616.3
Change in deposits and loans receivable, net	-172.0	-168.6	203.8	177.4	-373.3
Change in loans payable and other interest-bearing debt	4.6	-10.0	9.1	-8.8	-15.9
Changes in non-controlling interests	-19.9	-	-19.9	-	-18.4
Cash flow from financing activities	-279.9	-218.0	-558.1	-434.4	-1,081.4
Change in cash and cash equivalents	-27.9	160.6	-92.7	159.7	210.3
Cash and cash equivalents at beginning of period	483.4	352.1	552.7	336.1	336.1
Translation difference	0.5	-5.0	-4.0	11.9	6.2
Cash and cash equivalents at end of period	455.9	507.7	455.9	507.7	552.7

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Interest-bearing net debt at beginning of period	-1,037.6	-584.4	-1,512.6	-911.8	-911.8
Interest-bearing net debt at end of period	-1,145.4	-955.3	-1,145.4	-955.3	-1,512.6
Change in interest-bearing net debt	-107.8	-370.9	367.3	-43.4	-600.8

Notes for the interim report

KEY FIGURES

		1-6/2016	1-6/2015	1-12/2015
Basic earnings per share	EUR	0.90	0.80	2.01
Diluted earnings per share	EUR	0.90	0.80	2.00
Equity per share	EUR	4.10	3.85	4.94
Interest-bearing net debt	MEUR	-1,145.4	-955.3	-1,512.6
Total equity/total assets	%	40.2	40.7	45.4
Gearing	%	-52.4	-46.9	-58.7
Return on equity	%	39.0	40.7	45.4
Return on capital employed	%	33.5	37.1	41.7
Total assets	MEUR	7,488.8	7,005.2	7,505.6
Assets employed	MEUR	1,040.8	1,080.8	1,062.9
Net working capital (including financing and tax items)	MEUR	-1,033.4	-940.0	-983.4

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

QUARTERLY FIGURES

		Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Orders received	MEUR	2,067.8	1,942.3	1,947.2	1,764.5	2,193.5	2,053.8
Order book	MEUR	8,763.6	8,529.7	8,209.5	8,350.7	8,627.4	8,529.6
Sales	MEUR	2,272.6	1,748.3	2,561.8	2,184.2	2,210.4	1,690.9
Operating income	MEUR	348.6	221.4	378.5	325.9	325.2	211.9
Operating income	%	15.3	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 cost related to the support function development and cost adjustment programs.

²⁾ Excluding a MEUR 33.6 restructuring cost related to the fixed cost adjustment program.

Notes for the interim report

SALES BY GEOGRAPHICAL REGIONS

MEUR	1-6/2016	%	1-6/2015	%	1-12/2015	%
EMEA ¹⁾	1,558.3	39	1,565.5	40	3,369.6	39
Americas	710.7	18	618.3	16	1,466.0	17
Asia-Pacific	1,751.9	43	1,717.5	44	3,811.8	44
Total	4,020.9		3,901.2		8,647.3	

¹⁾ EMEA = Europe, Middle East, Africa

ORDERS RECEIVED

MEUR	1-6/2016	1-6/2015	1-12/2015
	4,010.1	4,247.3	7,958.9

ORDER BOOK

MEUR	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
	8,763.6	8,627.4	8,209.5

CAPITAL EXPENDITURE

MEUR	1-6/2016	1-6/2015	1-12/2015
In fixed assets	47.8	26.3	76.4
In leasing agreements	14.7	2.9	16.3
In acquisitions	32.5	36.6	64.9
Total	95.1	65.9	157.6

DEPRECIATION AND AMORTIZATION

MEUR	1-6/2016	1-6/2015	1-12/2015
Depreciation and amortization of fixed assets	36.8	35.8	72.1
Amortization of acquisition-related intangible assets	14.5	13.5	27.9
Total	51.3	49.3	100.0

R&D EXPENDITURE

MEUR	1-6/2016	1-6/2015	1-12/2015
	65.6	56.3	121.7
R&D Expenditure as percentage of sales	1.6	1.4	1.4

NUMBER OF EMPLOYEES

	1-6/2016	1-6/2015	1-12/2015
Average	50,175	47,741	48,469
At the end of the period	50,917	48,485	49,734

Notes for the interim report

COMMITMENTS

MEUR	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Guarantees			
Associated companies	-	2.1	-
Others	6.6	4.3	6.9
Operating leases	286.8	285.1	277.7
Total	293.4	291.6	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 1,364 (1,268) million as of June 30, 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	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Less than 1 year	73.0	74.1	73.6
1–5 years	155.8	155.5	153.8
Over 5 years	58.0	55.5	50.3
Total	286.8	285.1	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	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net	Fair value, net
MEUR	Jun 30, 2016	Jun 30, 2016	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Foreign exchange forward contracts and swaps	27.5	-34.7	-7.1	1.2	5.0
Cross-currency swaps	-	-	-	12.5	6.5
Electricity price forward contracts	-	-0.9	-0.9	-1.0	-1.2
Total	27.5	-35.6	-8.0	12.7	10.3

Nominal values of derivative financial instruments

MEUR	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Foreign exchange forward contracts and swaps	2,675.3	2,594.6	2,717.0
Cross-currency swaps	-	138.9	138.9
Electricity price forward contracts	2.1	3.4	2.6
Total	2,677.4	2,736.9	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 on the balance sheet on a gross basis and can be set off on conditional terms. No collaterals or pledges have been given as a security against any liabilities or received against any assets arising from derivatives or other financial instruments. Financial contracts are executed only with counterparties that have high credit ratings. The credit risk of these counterparties as well as the present creditworthiness of KONE are considered when calculating the fair values of outstanding financial assets and liabilities.

Shares and shareholders

Jun 30, 2016	Class A shares	Class B shares	Total
Number of shares	76,208,712	449,466,200	525,674,912
Own shares in possession ¹⁾		12,845,959	
Share capital, EUR			65,709,364
Market capitalization, MEUR			21,154
Number of B shares traded (millions), 1–6/2016		110.5	
Value of B shares traded, MEUR, 1–6/2016		4,418	
Number of shareholders	3	55,411	55,411
	Close	High	Low
Class B share price, EUR, Jan–Jun 2016	41.25	43.49	35.50

¹⁾ During January–June 2016, KONE used its authorization to repurchase own shares. In April, 391,662 class B shares in the company's possession were assigned to the share-based incentive plan and 2,923 class B shares as a part of the board members' annual remuneration. In May, KONE bought back in total 1,000,000 of its own class B 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

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