

KONE Q3 2016

Interim Report for January–September

KONE's January–September 2016 review

July–September 2016: Solid development on a broad basis

- In July–September 2016, orders received totaled EUR 1,772 (7–9/2015: 1,764) million. Orders received grew by 0.4% at historical exchange rates and by 3.3% at comparable exchange rates.
- Net sales declined by 0.6% to EUR 2,170 (2,184) million. At comparable exchange rates, net sales grew by 1.9%.
- Operating income (EBIT) was EUR 331.1 (325.9) million or 15.3% (14.9%) of net sales.
- Cash flow from operations (before financing items and taxes) was EUR 400.6 (432.0) million.
- KONE specifies its business outlook for 2016. In 2016, KONE's net sales is estimated to grow by 3–5% at comparable exchange rates as compared to 2015. The operating income (EBIT) is expected to be in the range of EUR 1,260–1,320 million, assuming that translation exchange rates would remain at approximately the average level of January–September 2016. KONE previously estimated its net sales to grow by 2–6% at comparable exchange rates as compared to 2015. KONE's previous outlook for its operating income (EBIT) was EUR 1,250–1,330 million, assuming that translation exchange rates would have remained at approximately the average level of January–June 2016.

January–September 2016: Continued good operating performance

- In January–September 2016, orders received totaled EUR 5,782 (1–9/2015: 6,012) million. Orders received declined by 3.8% at historical exchange rates and by 1.2% at comparable exchange rates. The order book stood at EUR 8,699 (September 30, 2015: 8,351) at the end of September 2016.
- Net sales grew by 1.7% to EUR 6,191 (6,085) million. At comparable exchange rates the growth was 4.0%.
- Operating income was EUR 901.1 (863.0) million or 14.6% (14.2%) of net sales.
- Cash flow from operations (before financing items and taxes) was EUR 1,100 (1,070) million.

KEY FIGURES

		7–9/2016	7–9/2015	1–9/2016	1–9/2015	1–12/2015
Orders received	MEUR	1,771.7	1,764.5	5,781.8	6,011.8	7,958.9
Order book	MEUR	8,699.0	8,350.7	8,699.0	8,350.7	8,209.5
Sales	MEUR	2,170.2	2,184.2	6,191.1	6,085.5	8,647.3
Operating income (EBIT)	MEUR	331.1	325.9	901.1	863.0	1,241.5
Operating income (EBIT)	%	15.3	14.9	14.6	14.2	14.4
Cash flow from operations (before financing items and taxes)	MEUR	400.6	432.0	1,099.6	1,070.2	1,473.7
Net income	MEUR	259.9	263.3	724.6	680.4	1,053.1
Basic earnings per share	EUR	0.52	0.50	1.42	1.30	2.01
Interest-bearing net debt	MEUR	-1,368.7	-1,137.6	-1,368.7	-1,137.6	-1,512.6
Total equity/total assets	%	44.0	42.4	44.0	42.4	45.4
Gearing	%	-56.2	-52.1	-56.2	-52.1	-58.7

KONE's January–September 2016 review

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

"I am pleased with our continued solid performance in the third quarter. Orders received grew by 0.4% at historical and 3.3% at comparable rates to EUR 1,772 million thanks to strong development in many countries. Sales was EUR 2,170 million, declining by 0.6% at historical rates but growing by 1.9% at comparable rates. I am particularly satisfied with the continued positive development in profitability despite the new equipment market having remained challenging already for some time. The relative operating income increased to 15.3% of net sales, and operating income grew to EUR 331 million driven by the good development in the service business. Also our cash flow remained strong at EUR 401 million.

During the third quarter, global market trends continued to be mixed. Overall, new equipment market volumes were rather stable following a stabilization in China. We have updated our market outlook, and now expect the Chinese market to decline by around 5% in units this year. However, price pressure and the shift in customer preferences towards lower specification products continue to put pressure on the monetary value of the Chinese market. During the quarter, the global service market continued to offer growth opportunities in all regions.

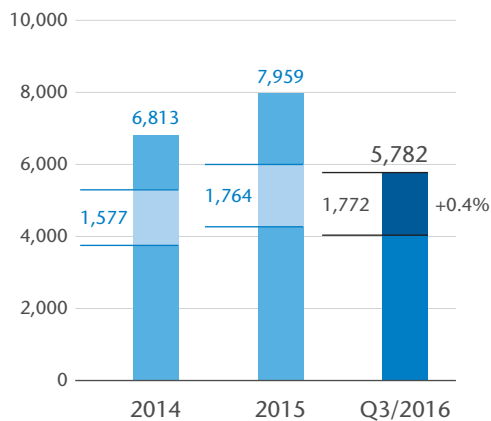
Our third quarter performance demonstrates our ability to find opportunities also in challenging markets. The clear growth in our orders received in both EMEA and the Americas is a good example of this. In China, our third quarter orders received developed slightly better than the Chinese market overall. In the service business, we have been successful in accelerating the growth and are excited about the additional potential going forward.

Over the past years, we have focused on understanding the needs of our customers even better. Based on the findings, we have piloted and introduced new service concepts to our customers with very encouraging results. We aim to accelerate the development of new services and solutions, and have therefore decided to increase our investment into R&D and IT. I would like to thank everyone at KONE for their commitment to develop our business further in order to serve our customers even better.

With three quarters of the year now behind us, we have further specified our business outlook for 2016. We now expect sales growth of 3–5% at comparable exchange rates and an operating income in the range of EUR 1,260–1,320 million, assuming that translation exchange rates would remain at the average level of January–September 2016."

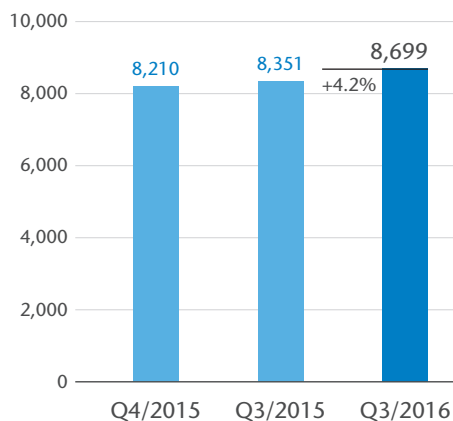
Key Figures

Orders received (MEUR)



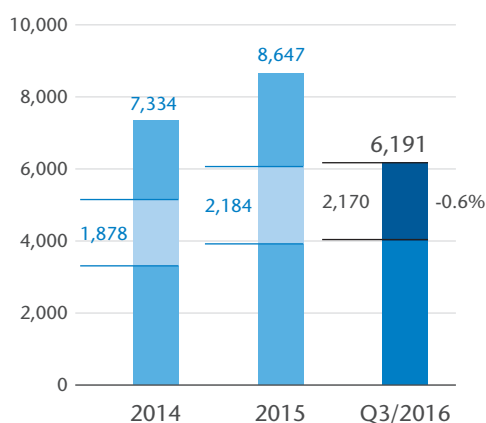
- In July–September 2016, orders received grew by 0.4% at historical exchange rates and by 3.3% at comparable exchange rates.
 - New equipment orders received were stable, with slight decline in the volume business and strong growth in the major projects business. In modernization, orders received grew clearly.
 - Orders received saw positive development in the EMEA and in the Americas regions. In Asia-Pacific, orders received declined somewhat due to a decline in China.
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- In January–September 2016, KONE's orders received declined somewhat in the new equipment business with clear decline in the volume business but significant growth in major projects. In modernization, orders received grew clearly.
 - Orders received grew clearly in the EMEA region and somewhat in the Americas region. In Asia-Pacific, orders received declined clearly due to a decline in China.

Order book (MEUR)



- The order book grew by 4.2% compared to the end of September 2015. At comparable exchange rates, the order book grew by 5.6%.
 - In July–September 2016, the relative margin of orders received declined slightly, but remained at a good level.
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- In January–September 2016, the relative margin of orders received declined slightly towards the end of the reporting period, but the order book margin remained at a healthy level.

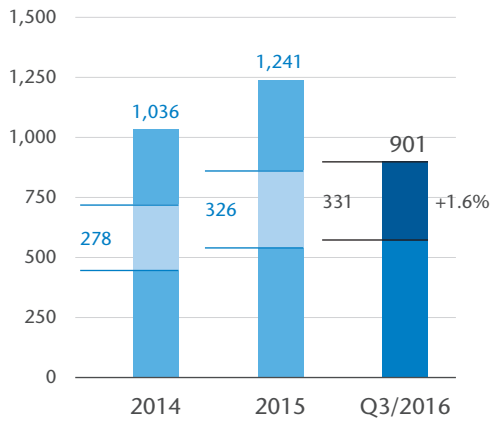
Sales (MEUR)



- In July–September 2016, net sales declined by 0.6% at historical exchange rates (grew by 1.9% at comparable exchange rates).
 - New equipment sales declined by 5.8% (-2.5% at comparable exchange rates). Service (maintenance and modernization) sales grew by 6.7% (8.1%), with maintenance sales growing by 4.9% (6.1%) and modernization sales by 11.5% (13.4%).
 - Sales grew by 5.1% at historical exchange rates in the EMEA region (7.2% at comparable exchange rates) and by 8.7% (9.4%) in the Americas region. In the Asia-Pacific region sales declined by 8.4% (-4.9%).
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- In January–September 2016, sales in the EMEA region grew by 1.4% (2.9% at comparable rates) and by 12.6% (13.1%) in the Americas region. In the Asia-Pacific region, sales declined by 1.9% (grew by 1.7% at comparable rates).
 - New equipment sales declined by 2.6% (grew by 0.4% at comparable exchange rates). Service (maintenance and modernization) sales increased by 7.4% (8.8%), with maintenance sales growing by 4.6% (5.8%) and modernization sales by 15.4% (17.1%).

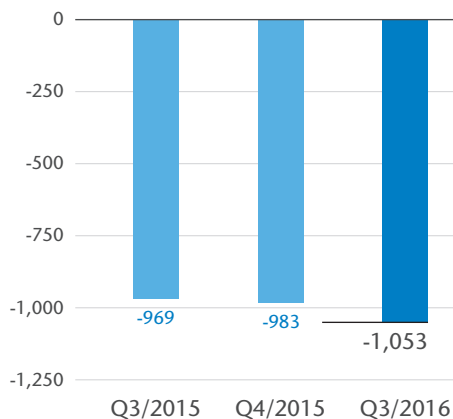
Key Figures

EBIT (MEUR)



- In July–September 2016, operating income improved to 15.3% of net sales (7–9/2015: 14.9%).
 - The growth in operating income was driven by positive development in the service business.
 - Geographically, the EMEA and Americas regions 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.
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- In January–September 2016, operating income was 14.6% of net sales (1–9/2015: 14.2%).

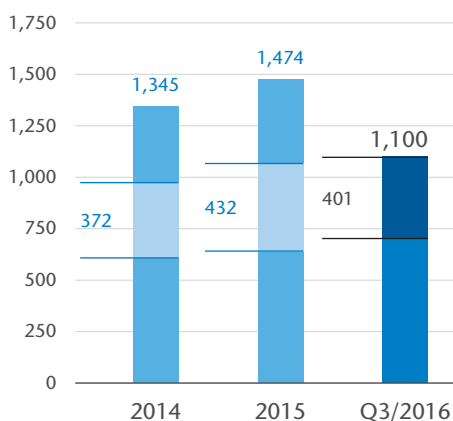
Net working capital¹⁾ (MEUR)



- In January–September 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 items and taxes

Cash flow²⁾ (MEUR)



- In January–September 2016, cash flow from operations was strong at EUR 1,100 million.

²⁾ Cash flow from operations before financing items and taxes

KONE's January–September 2016 review

Accounting Principles

KONE Corporation's Interim Report for January–September 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 a material impact on the Interim Report. The information presented in this Interim Report has not been audited.

July–September 2016 review

Operating environment in July–September

In the third quarter of 2016, the global new equipment market volumes were rather stable compared to the previous year's corresponding period. The new equipment market in China declined slightly in units. The market in the Europe, Middle East and Africa (EMEA) region was rather stable, while the market continued to grow in North America. Modernization demand continued to see growth across all regions. Also the maintenance market continued to grow globally, with the strongest rate of growth seen in the Asia-Pacific region and more moderate development in Europe and North America.

In the EMEA region, the new equipment market volumes declined slightly in Central and North Europe against a strong comparison period. The residential segment saw the most positive development. Of the larger markets in the region, Germany saw slight growth, while the market in Great Britain declined. In South Europe, the new equipment market grew slightly and was rather stable in the Middle East despite uncertainty in the region. The modernization market grew somewhat in Central and North Europe, although with clear variation between countries. In South Europe, modernization demand continued to show early signs of recovery. The maintenance market continued to grow in the EMEA region, although the rate of growth varied between countries.

In North America, the new equipment market continued to grow slightly. The United States saw slight growth from a high level driven by positive development in both 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 were rather stable in the third quarter. The new equipment market in China declined slightly in units. In monetary value, the market in China declined clearly. The residential construction segment declined, while the commercial segment was rather stable. The infrastructure segment continued to grow clearly with support from stimulus measures. Higher

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 grew slightly in India, and the Southeast Asian new equipment markets showed opportunities. In Australia, new equipment market volumes weakened slightly from previous year's high level, while the modernization market continued to grow. The maintenance market in Asia-Pacific continued to develop positively, following the growth in new equipment installations in the region.

In the third quarter, trends in the pricing environment remained varied. In China, pricing competition in new equipment remained intense. In the EMEA region, pricing in new equipment remained rather challenging in the South European markets. New equipment pricing continued to develop positively in North America, 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 eased slightly in modernization.

Financial performance in July–September

Orders received grew by 0.4% as compared to July–September 2015, and totaled EUR 1,772 (7–9/2015: 1,764) million. At comparable exchange rates, KONE's orders received grew by 3.3%. New equipment orders received were stable, with slight decline in the volume business and strong growth in the major projects business. In modernization, orders received grew clearly. The relative margin of orders received declined slightly, but remained at a good level. 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.

Orders received grew significantly at comparable exchange rates in the EMEA region with growth across the region. In the Americas region, KONE's orders received grew somewhat driven by a continued positive development in the United States. Orders received saw some decline in the Asia-Pacific region, where orders declined somewhat in China.

KONE's net sales declined by 0.6% as compared to July–September 2015, and totaled EUR 2,170 (7–9/2015: 2,184) million. At comparable exchange rates KONE's net sales grew by 1.9%.

New equipment sales accounted for EUR 1,205 (1,280) million and represented a decrease of 5.8% over the comparison period. At comparable exchange rates, new equipment sales decreased by 2.5%.

Service (maintenance and modernization) sales grew by 6.7% and totaled EUR 964.8 (904.2) million. At comparable exchange rates, service sales grew by 8.1%. Maintenance sales was EUR 687.0 (655.1) million and grew by 4.9% at histori-

KONE's January–September 2016 review

SALES BY AREA, MEUR

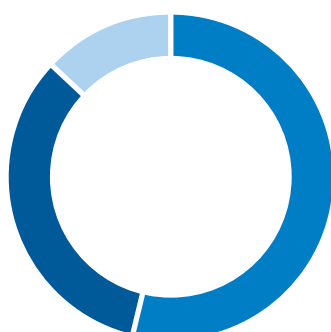
	1-9/2016	1-9/2015	Historical change	Comparable change	1-12/2015
EMEA ¹⁾	2,371.5	2,339.2	1.4%	2.9%	3,369.6
Americas	1,122.9	997.4	12.6%	13.1%	1,466.0
Asia-Pacific	2,696.7	2,748.9	-1.9%	1.7%	3,811.8
Total	6,191.1	6,085.5	1.7%	4.0%	8,647.3

¹⁾ EMEA = Europe, Middle East, Africa

SALES BY BUSINESS, MEUR

	1-9/2016	1-9/2015	Historical change	Comparable change	1-12/2015
New equipment	3,355.7	3,446.4	-2.6%	0.4%	4,934.8
Maintenance	2,038.9	1,949.1	4.6%	5.8%	2,641.5
Modernization	796.5	689.9	15.4%	17.1%	1,071.0
Total	6,191.1	6,085.5	1.7%	4.0%	8,647.3

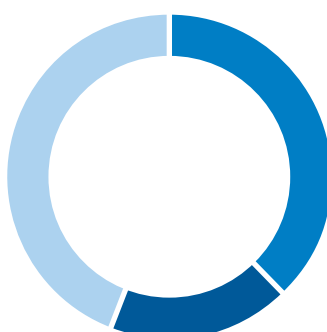
Sales by business



■ New equipment 54% (57%)
 ■ Maintenance 33% (32%)
 ■ Modernization 13% (11%)

1-9/2016 (1-9/2015)

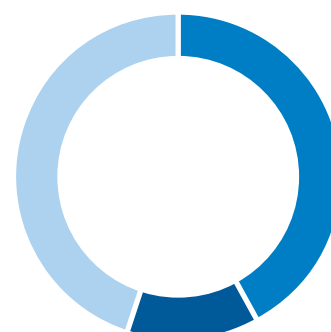
Sales by area



■ EMEA 38% (38%)
 ■ Americas 18% (16%)
 ■ Asia-Pacific 44% (45%)

1-9/2016 (1-9/2015)

Personnel by area



■ EMEA 41% (42%)
 ■ Americas 13% (13%)
 ■ Asia-Pacific 46% (45%)

Sep 30, 2016: 51,639
 (December 31, 2015: 49,734)

cal and by 6.1% at comparable exchange rates. Maintenance sales include elevator and escalator maintenance as well as KONE's automatic doors business. Modernization sales grew by 11.5% and totaled EUR 277.8 (249.1) million. At comparable exchange rates, modernization sales grew by 13.4%.

Sales in the EMEA region grew by 5.1% and totaled EUR 813.2 (773.6) million. At comparable exchange rates, sales grew by 7.2%. Sales in the Americas region accounted for EUR 412.2 (379.1) million and represented an increase of 8.7%

over the comparison period. At comparable exchange rates, the growth was 9.4%. Sales in the Asia-Pacific region declined by 8.4% and totaled EUR 944.8 (1,031) million. At comparable exchange rates, the decline was 4.9%.

KONE's operating income (EBIT) for the July–September 2016 period totaled EUR 331.1 (325.9) million or 15.3% (14.9%) of net sales. The growth in operating income was driven by positive development in the service business, and geographically, the EMEA and Americas regions contributed

KONE's January–September 2016 review

to the growth. 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 July–September 2016 (before financing items and taxes) was EUR 400.6 (432.0) million. The cash flow remained strong, driven mainly by the positive development in operating income. Net working capital was stable at a good level as a result of advance payments received that remained favorable relative to inventories as well as good collection of accounts receivable.

January–September 2016 review

Operating environment in January–September

During January–September 2016, the new equipment market volumes in the Asia-Pacific region weakened compared to the previous year's corresponding period due to a decline in the significant China market. In the EMEA region, market volumes saw slight growth in Central and North Europe. In South Europe, the new equipment market was rather stable and continued to show positive signs in demand. The market in the Middle East was stable. 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 early signs of recovery in South Europe. In North America, the modernization market continued to grow slightly, and also the markets in the Asia-Pacific region continued to offer 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 pricing competition.

Orders received and order book in January–September

Orders received declined by 3.8% as compared to January–September 2015, and totaled EUR 5,782 (1–9/2015: 6,012) million. At comparable exchange rates, KONE's orders received declined by 1.2%. During the reporting period, KONE's orders received declined somewhat in the new equipment business with clear decline in the volume business but significant growth in major projects. In modernization, orders received grew clearly.

The order book grew by 4.2% compared to the end of September 2015, and stood at a level of EUR 8,699 (September 30, 2015: 8,351) million at the end of the reporting period. At comparable exchange rates, the increase was 5.6%. The relative margin of orders received declined slightly towards

the end of the reporting period, but the order book margin remained at a healthy level. A focused pricing strategy as well as good progress in overall product competitiveness, including cost have helped in sustaining healthy relative margins. Cancellations of orders remained at a very low level.

Orders received in the EMEA region grew clearly at comparable rates as compared to January–September 2015, with growth in both Central and North Europe as well as South Europe. In the Middle East, orders received grew significantly. Both new equipment and modernization orders saw clear growth in the EMEA region.

Orders received in the Americas region also grew somewhat due to the 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 grew slightly.

Orders received in the Asia-Pacific region weakened clearly driven by a significant decline of orders in China. Of the other markets in the region, orders received grew significantly in India and somewhat in Southeast Asia. In Australia, orders declined slightly. In the Asia-Pacific region, new equipment orders declined clearly, but modernization orders saw some growth.

Net sales

KONE's net sales increased by 1.7% as compared to January–September 2015, and totaled EUR 6,191 (1–9/2015: 6,085) million. At comparable exchange rates the increase was 4.0%.

New equipment sales accounted for EUR 3,356 (3,446) million and represented a decrease of 2.6% over the comparison period. At comparable exchange rates, new equipment sales grew by 0.4%.

Service (maintenance and modernization) sales increased by 7.4%, and totaled EUR 2,835 (2,639) million. At comparable exchange rates, service sales grew by 8.8%. Maintenance sales grew by 4.6% at historical and by 5.8% at comparable exchange rates, and totaled EUR 2,039 (1,949) million. Modernization sales increased by 15.4%, and totaled EUR 796.5 (689.9) million. At comparable exchange rates, modernization sales increased by 17.1%.

The share of new equipment sales was 54% (57%) and the share of service sales 46% (43%) of total sales, with maintenance representing 33% (32%) and modernization 13% (11%) of total sales. The geographical distribution of net sales was 38% (38%) EMEA, 18% (16%) Americas and 44% (45%) Asia-Pacific.

Sales in the EMEA region grew by 1.4%, and totaled EUR 2,371 (2,339) million. At comparable exchange rates, sales grew by 2.9%. New equipment sales declined slightly, maintenance sales grew slightly and modernization sales saw clear growth.

KONE's January–September 2016 review

Sales in the Americas region grew by 12.6%, and totaled EUR 1,123 (997.4) million. At comparable exchange rates, the growth was 13.1%. New equipment and modernization sales grew significantly and maintenance sales saw some growth.

Sales in the Asia-Pacific region declined by 1.9%, and totaled EUR 2,697 (2,749) million. At comparable exchange rates, the sales grew by 1.7% with slight decline 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 901.1 (1–9/2015: 863.0) million or 14.6% (14.2%) of net sales. The growth in operating income was the result of positive development in both the new equipment and service businesses. All geographic regions 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 profitable 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 38.8 (25.8) million.

KONE's income before taxes was EUR 941.0 (889.4) million. Taxes totaled EUR 216.4 (209.0) million, taking into account taxes proportionate to the amount estimated for the financial year. This represents an effective tax rate of 23.0% (23.5%) for the full financial year. Net income for the period under review was EUR 724.6 (680.4) million.

Basic earnings per share was EUR 1.42 (1.30).

Consolidated statement of financial position and Cash flow

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

Cash flow from operations during January–September 2016 (before financing items and taxes) was strong at EUR 1,100 (1–9/2015: 1,070) million.

Net working capital improved and was EUR -1,053 (December 31, 2015: -983.4) million at the end of September 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 September 2016 was EUR -1,369 (December 31, 2015: -1,513) million. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 1,648 (1,903) million at the end of the reporting period.

Interest-bearing liabilities were EUR 297.0 (406.1) million, including a net pension liability of EUR 228.5 (169.2) million and short-term loans of EUR 14.2 (12.0) million. In addition, the interest-bearing net debt includes EUR 10.4 (192.4) mil-

lion of option liabilities from acquisitions. Gearing was -56.2%, compared with -58.7% at the end of 2015. KONE's total equity/total assets ratio was 44.0% at the end of September 2016 (December 31, 2015: 45.4%).

Equity per share was EUR 4.72 (4.94).

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 174.0 (1–9/2015: 109.4) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT, operations and production. Acquisitions accounted for EUR 82.9 (60.9) million of this figure.

During January–September 2016, KONE's larger acquisitions included a majority stake in Citylift in Spain, City Elevator Company in the United States, thyssenkrupp Hissit Oy, the Finnish subsidiary of thyssenkrupp, and 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.

During the reporting period, KONE completed the acquisition of the remaining 20% stake in its Chinese subsidiary GiantKONE for approximately EUR 180 million. KONE has fully consolidated GiantKONE in its consolidated financial statements since December 2011, and therefore the acquisition will not have an impact on KONE's sales or operating income.

Research and development

Research and development expenses totaled 98.4 EUR (1–9/2015: 84.5) 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 that provide the best value for customers over the life-cycle through latest technologies and strong partnerships.

During January–September 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 the KONE MonoSpace® 500 volume elevator offering in the United States and Canada and released several updates and enhancements to its existing elevators in China and the rest of the Asia-Pacific region. In

KONE's January–September 2016 review

modernization, KONE extended its offering in Europe with the launch of the KONE HydroMod™ 200 modernization solution for hydraulic elevators. During the third quarter of the year, updates were made to the KONE MonoSpace® full replacement residential offering in China and in the rest of the Asia-Pacific region in order to increase KONE's coverage of the growing modernization market in the region.

During the reporting period, KONE started co-operation 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.

During the third quarter, KONE was ranked 56th out of the 100 most innovative companies in the world by business magazine Forbes (2015: 48th). KONE was included in the Forbes' list for the sixth consecutive year and was the only elevator and escalator company featured on the list in 2016.

Changes in the organization and the Executive Board

During January–September 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 joined KONE on September 1, 2016 as Executive Vice President for Central and North Europe and member of the Executive board. He reports to Henrik Ehrnrooth, President and CEO. Thomas Hinnerskov succeeds Noud Veeger, who left KONE as of April 2, 2016.

Ilkka Hara joined KONE as CFO and member of the Executive Board on August 8, 2016. He reports to Henrik Ehrnrooth, President and CEO. Ilkka Hara succeeds Eriikka Söderström, who left KONE at the end of July 2016.

Axel Berkling was appointed as Executive Vice President for the Asia-Pacific region and member of the Executive Board as of October 1, 2016. He reports to Henrik Ehrnrooth, President and CEO. The Asia-Pacific region covers KONE's business in this geography excluding China. Axel Berkling succeeds Neeraj Sharma who has decided to pursue other interests outside KONE.

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 third quarter of 2016.

Annual mid-year performance reviews were held during the third quarter in all KONE countries. A continued focus area at KONE was to ensure that all employees have a high-quality individual development plan in place. To support the mid-year reviews, KONE provides structured competence assessments and learning path recommendations covering key functions like sales, project management and maintenance. In several countries, in the mid-year performance reviews special focus was given to the systematic onboarding of sales personnel.

During the third quarter, talent attraction activities continued with increased focus on school collaboration. The number of partner schools increased and the co-operation was strengthened with KONE taking a more active role in teaching engineering topics in selected schools. In addition, KONE's online learning management system was migrated to a new, fully cloud-based version to enable better mobile learning and analytics. The development of online learning solutions continued at KONE, with close to 800 online training programs in 29 languages available for KONE employees at the end of the third quarter.

In January–September 2016, employee development remained 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 300 KONE employees engaged in short-term job rotation. Short-term job rotation has been welcomed as an efficient learning and development tool at KONE.

KONE had 51,639 (December 31, 2015: 49,734) employees at the end of September 2016. The average number of employees was 50,563 (1–9/2015: 48,127). The geographical distribution of KONE employees was 41% (December 31, 2015: 42%) in EMEA, 13% (13%) in the Americas and 46% (45%) in Asia-Pacific.

Environment

For KONE, environmental responsibility is a combination of offering 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

KONE's January–September 2016 review

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–September 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. In July 2016, KONE was confirmed as a constituent of the FTSE4Good Index, a global sustainability index measuring the performance of companies that demonstrate strong environmental, social and governance practices. KONE performed particularly well in environmental themes, reaching top marks in both climate change and pollution and resource related issues.

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 260 million at the end of September 2016 (June 30, 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 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 develop-

KONE's January–September 2016 review

ment 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.

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.

KONE's January–September 2016 review

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, 474,982 new KONE class B shares were subscribed for with the 2013 option rights. On September 30, 2016 a maximum of 788,734 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, 3,757 class B shares were subscribed for with the 2014 option rights. On September 30, 2016, a maximum of 1,363,243 shares can 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 2015 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 September 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 option plans 2013, 2014 and 2015 shall be carried out based on the original terms of these programs.

On September 30, 2016, KONE's share capital was EUR 65,735,631.63 comprising 449,676,341 listed class B shares and 76,208,712 unlisted class A shares. KONE's market capitalization was EUR 23,173 million on September 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

KONE's January–September 2016 review

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–September 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. In August, 21,752 class B shares were returned to KONE Corporation by virtue of the term of KONE Corporation's share-based incentive program for the years 2013–2015. At the end of September 2016, the Group had 12,867,711 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 150.7 million KONE Corporation's class B shares in January–September 2016, equivalent to a turnover of EUR 6,218 million. The daily average trading volume was 792,996 shares (1–9/2015: 1,097,398). The share price on September 30, 2016 was EUR 45.17. The volume weighted average share price during the period was EUR 41.26. The highest quotation during the period under review was EUR 47.89 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 27.7% of the total volume of KONE's class B shares traded in January–September 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 55,221 at its end. The number of private households holding shares totaled 51,560 at the end of the period, which corresponds to approximately 13.1% of the listed B shares.

According to the nominee registers 50.4% of the listed class B shares were owned by foreign shareholders on September 30, 2016. Other foreign ownership at the end of the period totaled 1.4%. Thus a total of 51.8% of KONE's listed class B shares were owned by international investors, corresponding to approximately 19.2% of the total votes in the company.

Flagging notifications

During January–September 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, April 29 and September 1. 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 Septem-

ber 2, 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 August 31, 2016.

Market outlook 2016

In new equipment, the market in China is expected to decline by approximately 5% in units ordered. Competition is expected 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 slight growth in Europe and a more stable development in 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 specifies its business outlook for 2016.

KONE's net sales is estimated to grow by 3–5% at comparable exchange rates as compared to 2015.

The operating income (EBIT) is expected to be in the range of EUR 1,260–1,320 million, assuming that translation exchange rates would remain at approximately the average level of January–September 2016.

Previous business outlook

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.

Helsinki, October 26, 2016

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	7-9/2016	%	7-9/2015	%	1-9/2016	%	1-9/2015	%	1-12/2015	%
Sales	2,170.2		2,184.2		6,191.1		6,085.5		8,647.3	
Costs and expenses	-1,812.5		-1,833.3		-5,212.1		-5,148.2		-7,305.9	
Depreciation and amortization	-26.6		-25.0		-77.9		-74.4		-100.0	
Operating income	331.1	15.3	325.9	14.9	901.1	14.6	863.0	14.2	1,241.5	14.4
Share of associated companies' net income	0.6		0.2		1.0		0.6		0.6	
Financing income	17.2		35.9		56.2		68.6		198.9	
Financing expenses	-11.4		-10.9		-17.3		-42.8		-76.5	
Income before taxes	337.5	15.6	351.2	16.1	941.0	15.2	889.4	14.6	1,364.4	15.8
Taxes	-77.6		-87.9		-216.4		-209.0		-311.4	
Net income	259.9	12.0	263.3	12.1	724.6	11.7	680.4	11.2	1,053.1	12.2
Net income attributable to:										
Shareholders of the parent company	264.2		256.8		726.3		667.8		1,032.3	
Non-controlling interests	-4.3		6.5		-1.7		12.6		20.7	
Total	259.9		263.3		724.6		680.4		1,053.1	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share, EUR	0.52		0.50		1.42		1.30		2.01	
Diluted earnings per share, EUR	0.51		0.50		1.41		1.30		2.00	

Consolidated statement of comprehensive income

MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Net income	259.9	263.3	724.6	680.4	1,053.1
Other comprehensive income, net of tax:					
Translation differences	-15.0	-34.1	-75.5	145.2	177.4
Hedging of foreign subsidiaries	1.9	-0.2	7.1	-16.1	-23.5
Cash flow hedges	5.1	15.0	2.3	1.4	-10.7
Items that may be subsequently reclassified to statement of income	-8.1	-19.3	-66.1	130.6	143.2
Remeasurements of employee benefits	-5.1	-11.5	-41.2	-13.6	-11.6
Items that will not be reclassified to statement of income	-5.1	-11.5	-41.2	-13.6	-11.6
Total other comprehensive income, net of tax	-13.1	-30.9	-107.3	116.9	131.6
Total comprehensive income	246.7	232.4	617.3	797.3	1,184.6
Total comprehensive income attributable to:					
Shareholders of the parent company	251.0	226.0	619.0	784.7	1,163.9
Non-controlling interests	-4.3	6.5	-1.7	12.6	20.7
Total	246.7	232.4	617.3	797.3	1,184.6

Condensed consolidated statement of financial position

Assets MEUR		Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Non-current assets				
Goodwill		1,346.7	1,293.3	1,306.7
Other intangible assets		266.7	271.9	271.5
Tangible assets		362.9	328.3	345.4
Loan receivables and other interest-bearing assets	I	6.9	6.7	7.0
Investments		143.1	120.2	122.7
Employee benefits	I	10.8	-	8.4
Deferred tax assets	II	311.0	274.7	299.7
Total non-current assets		2,448.1	2,295.1	2,361.4
Current assets				
Inventories	II	1,531.8	1,444.3	1,326.7
Accounts receivable	II	1,470.7	1,421.2	1,480.2
Deferred assets and income tax receivables	II	564.8	498.3	434.0
Current deposits and loan receivables	I	1,183.7	986.4	1,350.6
Cash and cash equivalents	I	464.2	518.8	552.7
Total current assets		5,215.3	4,869.0	5,144.2
Total assets		7,663.3	7,164.1	7,505.6
Equity and liabilities				
MEUR		Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Equity		2,435.2	2,182.6	2,575.5
Non-current liabilities				
Loans	I	43.9	29.9	32.5
Employee benefits	I	228.5	175.1	169.2
Deferred tax liabilities	II	146.0	120.8	140.9
Total non-current liabilities		418.4	325.8	342.6
Provisions	II	167.5	142.2	173.6
Current liabilities				
Loans	I	24.6	169.3	204.4
Advance payments received	II	2,134.7	2,022.2	1,829.4
Accounts payable	II	676.7	663.9	728.9
Accruals and income tax payables	II	1,806.2	1,658.1	1,651.3
Total current liabilities		4,642.2	4,513.5	4,414.0
Total equity and liabilities		7,663.3	7,164.1	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									726.3	-1.7	724.6
Other comprehensive income:											
Translation differences					-75.5						-75.5
Hedging of foreign subsidiaries					7.1						7.1
Cash flow hedges				2.3							2.3
Remeasurements of employee benefits						-41.2					-41.2
Transactions with shareholders and non-controlling interests:											
Profit distribution								-718.2			-718.2
Increase in equity (option rights)	0.1		11.4								11.5
Purchase of own shares							-39.3				-39.3
Change in non-controlling interests								9.7		-34.7	-25.0
Option and share-based compensation			0.1				13.7	-0.4			13.5
Sep 30, 2016	65.7	100.3	152.3	-13.9	203.7	-144.7	-236.1	1,570.1	726.3	11.5	2,435.2

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									667.7	12.6	680.4
Other comprehensive income:											
Translation differences					145.2						145.2
Hedging of foreign subsidiaries					-16.1						-16.1
Cash flow hedges				1.4							1.4
Remeasurements of employee benefits						-13.6					-13.6
Transactions with shareholders and non-controlling interests:											
Profit distribution								-616.3			-616.3
Increase in equity (option rights)	0.1		13.3								13.4
Purchase of own shares							-71.2				-71.2
Change in non-controlling interests										-17.7	-17.7
Option and share-based compensation							11.4	3.4			14.8
Sep 30, 2015	65.7	100.3	140.3	-4.1	247.4	-105.7	-210.6	1,242.1	667.7	39.4	2,182.6

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	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Operating income	331.1	325.9	901.1	863.0	1,241.5
Change in working capital before financing items and taxes	42.9	81.1	120.6	132.9	132.3
Depreciation and amortization	26.6	25.0	77.9	74.4	100.0
Cash flow from operations before financing items and taxes	400.6	432.0	1,099.6	1,070.2	1,473.7
Cash flow from financing items and taxes	-100.0	-74.6	-238.4	-59.2	-27.0
Cash flow from operating activities	300.7	357.4	861.3	1,011.0	1,446.7
Cash flow from investing activities	-64.8	-54.2	-160.1	-113.6	-155.0
Cash flow after investing activities	235.8	303.3	701.2	897.4	1,291.8
Purchase of own shares	-	-71.2	-39.3	-71.2	-71.2
Increase in equity (option rights)	5.1	0.1	11.5	13.4	13.5
Profit distribution	-	-	-718.2	-616.3	-616.3
Change in deposits and loans receivable, net	-50.9	-190.7	153.0	-13.3	-373.3
Change in loans payable and other interest-bearing debt	-173.6	-3.0	-164.6	-11.8	-15.9
Changes in non-controlling interests	-6.7	-18.3	-26.6	-18.3	-18.4
Cash flow from financing activities	-226.1	-283.1	-784.2	-717.5	-1,081.4
Change in cash and cash equivalents	9.7	20.1	-83.0	179.9	210.3
Cash and cash equivalents at beginning of period	455.9	507.7	552.7	336.1	336.1
Translation difference	-1.4	-9.1	-5.4	2.8	6.2
Cash and cash equivalents at end of period	464.2	518.8	464.2	518.8	552.7

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Interest-bearing net debt at beginning of period	-1,145.4	-955.3	-1,512.6	-911.8	-911.8
Interest-bearing net debt at end of period	-1,368.7	-1,137.6	-1,368.7	-1,137.6	-1,512.6
Change in interest-bearing net debt	-223.3	-182.3	143.9	-225.7	-600.8

Notes for the interim report

KEY FIGURES

		1-9/2016	1-9/2015	1-12/2015
Basic earnings per share	EUR	1.42	1.30	2.01
Diluted earnings per share	EUR	1.41	1.30	2.00
Equity per share	EUR	4.72	4.18	4.94
Interest-bearing net debt	MEUR	-1,368.7	-1,137.6	-1,512.6
Total equity/total assets	%	44.0	42.4	45.4
Gearing	%	-56.2	-52.1	-58.7
Return on equity	%	38.6	42.7	45.4
Return on capital employed	%	34.6	38.6	41.7
Total assets	MEUR	7,663.3	7,164.1	7,505.6
Assets employed	MEUR	1,066.5	1,045.1	1,062.9
Net working capital (including financing and tax items)	MEUR	-1,052.8	-968.7	-983.4

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

QUARTERLY FIGURES

		Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Orders received	MEUR	1,771.7	2,067.8	1,942.3	1,947.2	1,764.5	2,193.5	2,053.8
Order book	MEUR	8,699.0	8,763.6	8,529.7	8,209.5	8,350.7	8,627.4	8,529.6
Sales	MEUR	2,170.2	2,272.6	1,748.3	2,561.8	2,184.2	2,210.4	1,690.9
Operating income	MEUR	331.1	348.6	221.4	378.5	325.9	325.2	211.9
Operating income	%	15.3	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	1-9/2016	%	1-9/2015	%	1-12/2015	%
EMEA ¹⁾	2,371.5	38	2,339.2	38	3,369.6	39
Americas	1,122.9	18	997.4	16	1,466.0	17
Asia-Pacific	2,696.7	44	2,748.9	45	3,811.8	44
Total	6,191.1		6,085.5		8,647.3	

¹⁾ EMEA = Europe, Middle East, Africa

ORDERS RECEIVED

MEUR	1-9/2016	1-9/2015	1-12/2015
	5,781.8	6,011.8	7,958.9

ORDER BOOK

MEUR	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
	8,699.0	8,350.7	8,209.5

CAPITAL EXPENDITURE

MEUR	1-9/2016	1-9/2015	1-12/2015
In fixed assets	70.3	39.4	76.4
In leasing agreements	20.8	9.1	16.3
In acquisitions	82.9	60.9	64.9
Total	174.0	109.4	157.6

DEPRECIATION AND AMORTIZATION

MEUR	1-9/2016	1-9/2015	1-12/2015
Depreciation and amortization of fixed assets	56.1	53.5	72.1
Amortization of acquisition-related intangible assets	21.8	20.9	27.9
Total	77.9	74.4	100.0

R&D EXPENDITURE

MEUR	1-9/2016	1-9/2015	1-12/2015
	98.4	84.5	121.7
R&D Expenditure as percentage of sales	1.6	1.4	1.4

NUMBER OF EMPLOYEES

	1-9/2016	1-9/2015	1-12/2015
Average	50,563	48,127	48,469
At the end of the period	51,639	49,139	49,734

Notes for the interim report

COMMITMENTS

MEUR	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Guarantees			
Others	7.3	4.2	6.9
Operating leases	298.6	263.3	277.7
Total	306.0	267.5	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 1,396 (1,318) million as of September 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	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Less than 1 year	73.1	70.7	73.6
1–5 years	156.3	143.3	153.8
Over 5 years	69.2	49.4	50.3
Total	298.6	263.3	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	Sep 30, 2016	Sep 30, 2016	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Foreign exchange forward contracts and swaps	22.1	-23.9	-1.8	5.5	5.0
Cross-currency swaps	-	-	-	10.0	6.5
Electricity price forward contracts	-	-0.6	-0.6	-1.2	-1.2
Total	22.1	-24.5	-2.4	14.3	10.3

Nominal values of derivative financial instruments	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
MEUR	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Foreign exchange forward contracts and swaps	2,700.8	2,236.3	2,717.0
Cross-currency swaps	-	138.9	138.9
Electricity price forward contracts	1.9	3.0	2.6
Total	2,702.7	2,378.2	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

Sep 30, 2016	Class A shares	Class B shares	Total
Number of shares	76,208,712	449,676,341	525,885,053
Own shares in possession ¹⁾		12,867,711	
Share capital, EUR			65,735,632
Market capitalization, MEUR			23,173
Number of B shares traded (millions), 1–9/2016		150.7	
Value of B shares traded, MEUR, 1–9/2016		6,218	
Number of shareholders	3	55,221	55,221
	Close	High	Low
Class B share price, EUR, Jan–Sep 2016	45.17	47.89	35.50

¹⁾ During January–September 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. In August, 21,752 class B shares were returned to KONE Corporation by virtue of the term of the KONE Corporation's share-based incentive program for the years 2013–2015.

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.
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