KONE H1 2018

Half-year Financial Report

KONE's January–June 2018 review:

Good growth in all regions, EBIT margin continued to be burdened

April–June 2018

- Orders received grew by 3.0% to EUR 2,119 (4–6/2017: 2,056) million. At comparable exchange rates, orders grew by 6.4%.
- Sales declined by 0.3% to EUR 2,331 (2,337) million. At comparable exchange rates, sales grew by 3.2%.
- Operating income (EBIT) was EUR 280.5 (335.8) million or 12.0% (14.4%) of sales. The adjusted EBIT was EUR 300.4 million or 12.9% of sales.*
- Cash flow from operations (before financing items and taxes) was EUR 366.2 (320.4) million.

January–June 2018

- Orders received grew by 1.5% to EUR 4,027 (1–6/2017: 3,969) million. At comparable exchange rates, orders grew by 6.6%.
- Sales grew by 1.4% to EUR 4,339 (4,281) million. At comparable exchange rates, sales grew by 6.5%.
- Operating income (EBIT) was EUR 492.0 (581.6) million or 11.3% (13.6%) of sales. The adjusted EBIT was EUR 518.7 million or 12.0% of sales.*
- Cash flow from operations (before financing items and taxes) was EUR 545.2 (625.7) million.

KONE has adopted the new IFRS 15 and IFRS 9 effective January 1, 2018. In this Half-year Financial Report all 2017 financials are restated applying the standards retrospectively. More information on pages 30–35.

Business outlook

In 2018, KONE's sales is estimated to grow by 3–7% at comparable exchange rates as compared to the restated 2017 sales. The adjusted EBIT is expected to be in the range of EUR 1,100–1,200 million, assuming that foreign exchange rates would remain at the end of June 2018 level for the remainder of the year. Foreign exchange rates are estimated to impact EBIT negatively by approximately EUR 35 million. The pressure on the adjusted EBIT margin is expected to start to ease towards the end of 2018 as a result of pricing and productivity actions that have been taken.

KEY FIGURES

		4–6/2018	4–6/2017	Change	1–6/2018	1–6/2017	Change	1–12/2017
Orders received	MEUR	2,118.6	2,056.2	3.0%	4,027.2	3,969.2	1.5%	7,554.0
Order book	MEUR	7,915.3	7,749.2	2.1%	7,915.3	7,749.2	2.1%	7,357.8
Sales	MEUR	2,330.6	2,337.2	-0.3%	4,338.6	4,280.6	1.4%	8,796.7
Operating income (EBIT)	MEUR	280.5	335.8	-16.5%	492.0	581.6	-15.4%	1,192.3
Operating income margin (EBIT margin)	%	12.0	14.4		11.3	13.6		13.6
Adjusted EBIT*	MEUR	300.4	335.8	-10.5%	518.7	581.6	-10.8%	1,205.5
Adjusted EBIT margin*	%	12.9	14.4		12.0	13.6		13.7
Income before tax	MEUR	290.5	346.5	-16.2%	514.1	618.3	-16.8%	1,250.4
Net income	MEUR	223.7	266.1	-15.9%	395.9	474.8	-16.6%	960.2
Basic earnings per share	EUR	0.43	0.52	-16.0%	0.77	0.92	-16.7%	1.86
Cash flow from operations (before financing items and taxes)	MEUR	366.2	320.4		545.2	625.7		1,263.3
Interest-bearing net debt	MEUR	-1,254.8	-1,302.1		-1,254.8	-1,302.1		-1,690.2
Equity ratio	%	45.5	44.5		45.5	44.5		50.0
Return on equity	%	28.0	34.5		28.0	34.5		32.1
Net working capital (including financing items and taxes)	MEUR	-725.7	-861.7		-725.7	-861.7		-772.6
Gearing	%	-47.7	-50.8		-47.7	-50.8		-55.8

* In September 2017, KONE introduced a new alternative performance measure, adjusted EBIT, to enhance comparability of the business performance between reporting periods during the Accelerate program. Restructuring costs related to the Accelerate program are excluded from the calculation of the adjusted EBIT.

Henrik Ehrnrooth, President and CEO:

"In the second quarter, we again achieved a good level of growth in orders received, although profitability continued to be burdened by several headwinds. I'm happy that our orders received grew well in all regions and in both new equipment and in services. We have been able to find good opportunities in varying market conditions by proactively serving our customers. As anticipated, our adjusted EBIT margin continued to be burdened by the price pressure seen earlier in China combined with higher raw material prices. However, we have been able to stabilize the margin of orders received and as a result expect the pressure on the adjusted EBIT margin to ease towards the end of the year. I'm also pleased that the cash conversion was strong in the quarter.

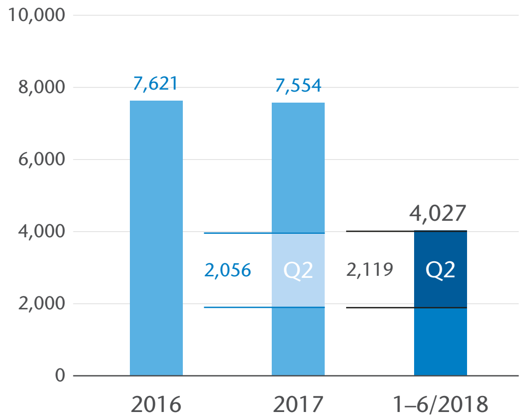
Our improved differentiation in services has resulted in continued good growth. We have consistently developed our services business to find new ways of adding value to our customers. In the quarter, we have continued to roll out and expand our new services and solutions. New KONE Care was introduced in additional countries, we are further investing in technology and capabilities of our 24/7 Connected Services, and the first Residential Flow solutions were delivered to customers. We also expanded our People Flow Planning and Consulting. I continue to be very encouraged by how positively these services and solutions have been received by our customers.

The Accelerate program is speeding up the execution of our strategy. We started our Accelerate Winning with Customers program last year. The program will enable an even better focus in customer-facing activities while leveraging our scale efficiently in back-end functions. Further harmonization in our roles and ways of working will also help us to bring new services and solutions faster to the market. In the second quarter, we initiated several organizational changes as part of the program. The program is proceeding according to plan and we expect to see clear benefits from next year onwards.

Loyal customers and motivated employees are keys to KONE's long-term profitable growth. We recently conducted our annual surveys for both customers and employees. The results were once again very positive. Customer loyalty (NPS) improved further. Employee engagement also remained on a high level reflecting the strong commitment of KONE's people to execute our strategy. I would like to thank all our employees for their hard work during this time of active transformation within KONE."

Key Figures

Orders received (MEUR)



- **In April–June 2018**, orders received grew by 3.0% (at comparable exchange rates, orders received grew by 6.4%).
- Orders received grew in all regions and all businesses.
- At comparable rates, new equipment orders received grew clearly driven by the volume business in particular. Modernization orders also grew clearly with clear growth in both volume business and major projects.
- Margin of orders received was stable.

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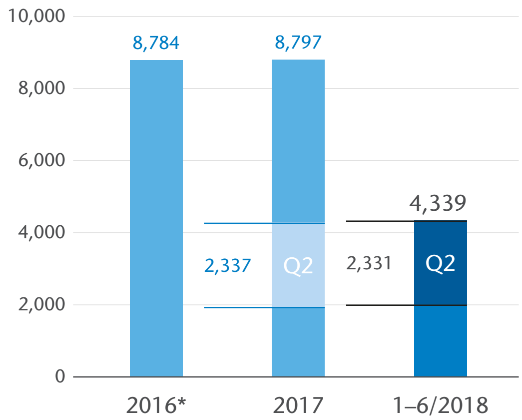
- **In January–June 2018**, orders received grew by 1.5% (at comparable exchange rates, orders received grew by 6.6%).

Sales (MEUR)



*) 2016 not restated with IFRS 15 and IFRS 9 changes

- **In April–June 2018**, sales declined by 0.3% (but grew by 3.2% at comparable exchange rates).
- New equipment sales declined by 2.1% (but grew by 1.4% at comparable exchange rates). Service (maintenance and modernization) sales grew by 1.9% (5.4% at comparable rates), with maintenance sales growing by 3.1% (6.3% at comparable rates) and modernization sales declining by 0.7% (but growing by 3.2% at comparable rates).
- Sales in the EMEA region grew by 4.1% (6.6% at comparable rates). In the Americas region, sales declined by 0.8% (but grew by 6.1% at comparable rates). In the Asia-Pacific region, sales declined by 4.1% (declined by 1.3% at comparable rates).

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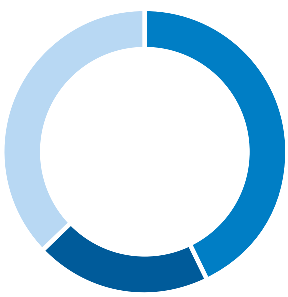
- **In January–June 2018**, sales grew by 1.4% (6.5% at comparable exchange rates).

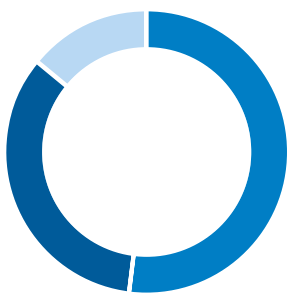
Sales by region



EMEA 43% (40%)
Americas 20% (21%)
Asia-Pacific 37% (39%)

1–6/2018 (1–6/2017)

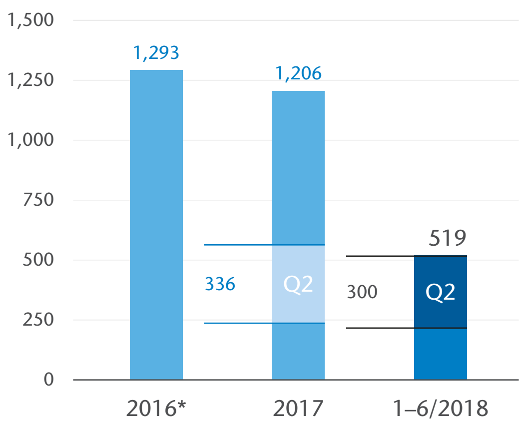
Sales by business



New equipment 52% (52%)
Maintenance 34% (34%)
Modernization 14% (14%)

1–6/2018 (1–6/2017)

Adjusted EBIT (MEUR)



*) 2016 not restated with IFRS 15 and IFRS 9 changes

- **In April–June 2018**, operating income was 12.0% of sales (4–6/2017: 14.4%). The adjusted EBIT margin was 12.9%.
- Profitability was burdened by the price pressure seen in earlier new equipment orders in China combined with higher raw material costs. The headwinds were partly compensated by productivity improvements and focused pricing actions.
- Translation exchange rates had a negative impact of EUR 11 million on the operating income.
- Restructuring costs related to the Accelerate program were EUR 19.9 million and are excluded from the calculation of the adjusted EBIT.

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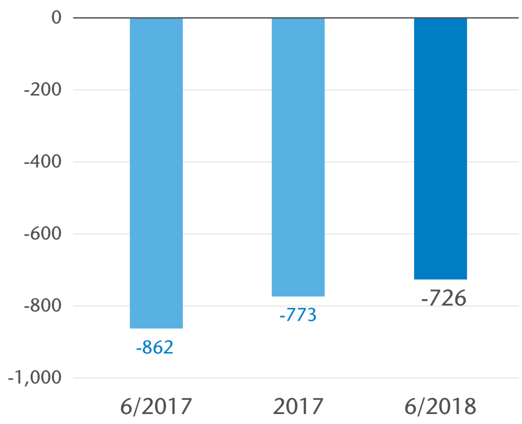
- **In January–June 2018**, operating income was 11.3% of sales (1–6/2017: 13.6%). The adjusted EBIT margin was 12.0%.

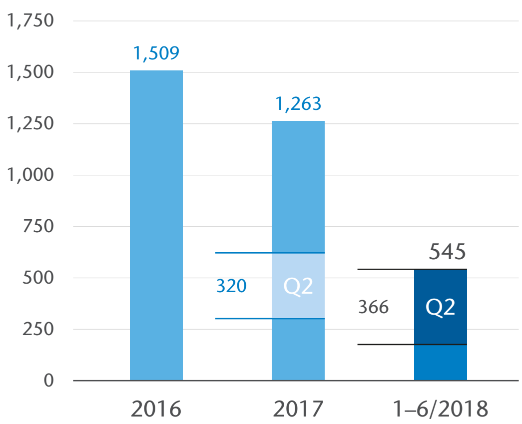
Net working capital[1] (MEUR)



- **At the end of June 2018**, net working capital was slightly less negative than at the beginning of the year.
- Around EUR 36 million of the change in net working capital compared to the end of June 2017 resulted from changes in foreign exchange rates.

1) Including financing items and taxes

Cash flow[2] (MEUR)



- **In April–June 2018**, cash flow from operations was strong driven by an improvement in working capital.

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- **In January–June 2018**, cash flow from operations declined in line with the decline in operating income.

2) Cash flow from operations before financing items and taxes

KONE's January–June 2018 review

KONE's operating environment

Operating environment by region

	New equipment market in units		Maintenance market		Modernization market	
	4–6/2018	1–6/2018	4–6/2018	1–6/2018	4–6/2018	1–6/2018
Total market	+	+	+	+	+	+
EMEA	+	+	+	+	+	+
Central and North Europe	Stable	Stable	+	+	+	+
South Europe	+	+	+	+	Stable	Stable
Middle East	+	+	+	+	++	++
North America	+	+	+	+	+	+
Asia-Pacific	+	+	+++	+++	+++	+++
China	Stable	Stable	++	++	+++	+++

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

April–June 2018

The global new equipment market grew slightly in units compared to the second quarter of 2017. **In Asia-Pacific**, the new equipment volumes grew slightly. **In China**, the new equipment market was rather stable in units with residential and infrastructure segments developing better than the commercial segment. The market decline in the higher-tier cities continued due to government housing restriction measures. The market in the lower-tier cities grew slightly. In the rest of Asia-Pacific, the new equipment markets continued to grow driven by South-East Asia and the recovering Indian market. **In the EMEA region**, the new equipment market grew slightly. The new equipment market in Central and North Europe was rather stable at a high level, while in South Europe, the market continued to see slight growth from a low level. In the Middle East, the market grew despite uncertainty in the region. **In North America**, the new equipment market continued to grow slightly from a high level.

Global service markets continued to develop positively. Both the maintenance and the modernization markets continued to see growth across the regions, with the strongest rate of growth seen in Asia-Pacific and a more moderate development in Europe and North America.

Pricing trends remained varied during the second quarter. In China, competition remained intense but pricing was rather stable in the new equipment market. In the EMEA region, the pricing environment continued to be characterized by strong competition, particularly in South Europe and the Middle East while maintenance pricing improved slightly in Central and North Europe. In North America, pricing environment continued to be more favorable than in the other regions.

January–June 2018

The global new equipment market grew slightly in units compared to the first half of 2017. **In Asia-Pacific**, the new equipment volumes grew slightly. **In China**, the new equipment market was rather stable in units. In the rest of Asia-Pacific, the new equipment markets grew slightly driven by the Indian market in particular. **In the EMEA region**, the new equipment market grew slightly. New equipment market in Central and North Europe was rather stable at a high level, while in South Europe, the market continued to see slight growth from a low level. In the Middle East, the market grew despite uncertainty in the region. **In North America**, the new equipment market continued to grow slightly from a high level.

Global service markets continued to develop positively. Both the maintenance and the modernization markets continued to see growth across the regions, with the strongest rate of growth seen in Asia-Pacific and a more moderate development in Europe and North America.

Pricing trends remained varied during the first half of the year. In China, competition remained intense but pricing was rather stable in the new equipment market. In the EMEA region, the pricing environment continued to be characterized by strong competition, particularly in South Europe and the Middle East while maintenance pricing improved slightly in Central and North Europe. In North America, pricing environment continued to be more favorable than in the other regions.

Orders received and order book

Orders received

MEUR	4–6/2018	4–6/2017	Change	Comparable change[1]	1–6/2018	1–6/2017	Change	Comparable change[1]	1–12/2017
Orders received	2,118.6	2,056.2	3.0%	6.4%	4,027.2	3,969.2	1.5%	6.6%	7,554.0

[1] Change at comparable foreign exchange rates

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.

April–June 2018

Orders received grew by 3.0% as compared to April–June 2017 and totaled EUR 2,119 million. At comparable exchange rates, KONE's orders received grew by 6.4%.

At comparable rates, new equipment orders received grew clearly driven by the volume business in particular. In modernization, orders received also grew clearly with clear growth in both volume business and major projects.

The relative margin of orders received was stable compared to the comparison period. KONE has taken focused pricing actions and continued to make progress in improving productivity to compensate for the cost pressure from higher raw material costs.

Orders received in the EMEA region grew clearly at comparable exchange rates as compared to April–June 2017. KONE's new equipment orders in the region were stable with growth across Europe but a decline in Middle East and Africa. Modernization orders grew significantly driven by positive development across the region.

In the Americas region, orders received saw clear growth at comparable rates as compared to April–June 2017. New equipment orders grew significantly in the region, while modernization orders declined slightly.

Orders received in the Asia-Pacific region grew clearly at comparable rates as compared to April–June 2017 with strongest growth in South-East Asia. New equipment orders grew slightly, and modernization orders grew significantly in the region. In China, new equipment orders grew slightly in units and clearly in monetary value. Like-for-like prices were slightly higher than in the comparison period while mix was relatively stable.

January–June 2018

Orders received grew by 1.5% as compared to January–June 2017 and totaled EUR 4,027 million. At comparable exchange rates, KONE's orders received grew by 6.6%

At comparable rates, new equipment orders grew clearly with clear growth in both the volume business and in major projects. In modernization, orders received grew clearly with clear growth in the volume business and significant growth in major projects.

The relative margin of orders received was stable compared to the comparison period. KONE has taken focused pricing actions and continued to make progress in improving productivity to compensate for the cost pressure from higher raw material costs.

Orders received in the EMEA region grew clearly at comparable exchange rates as compared to January–June 2017. The clear growth in new equipment orders was driven by positive development across the region. KONE's modernization orders in the region grew clearly.

In the Americas region, orders received saw clear growth at comparable rates as compared to January–June 2017. New equipment orders grew clearly, and modernization orders grew slightly in the region.

Orders received in the Asia-Pacific region grew clearly at comparable rates as compared to January–June 2017 with strongest growth in Australia and South-East Asia. New equipment orders grew slightly, and modernization orders grew significantly in the region. In China, new equipment orders grew slightly in both units and in monetary value. Like-for-like prices were slightly higher than in the comparison period while mix was slightly negative.

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

Order book

MEUR	Jun 30, 2018	Jun 30, 2017	Change	Comparable change[1)]	Dec 31, 2017
Order book	7,915.3	7,749.2	2.1%	4.0%	7,357.8

[1)] Change at comparable foreign exchange rates

The order book grew slightly compared to the end of June 2017 and stood at a strong level of EUR 7,915 million at the end of the reporting period.

The order book margin remained at a healthy level. Cancellations of orders remained at a very low level.

Sales

By region

MEUR	4–6/2018	4–6/2017	Change	Comparable change[1]	1–6/2018	1–6/2017	Change	Comparable change[1]	1–12/2017
EMEA	944.5	907.3	4.1%	6.6%	1,858.9	1,692.3	9.8%	12.7%	3,594.5
Americas	447.4	450.8	-0.8%	6.1%	867.8	914.3	-5.1%	4.8%	1,778.5
Asia-Pacific	938.7	979.1	-4.1%	-1.3%	1,611.8	1,674.1	-3.7%	0.9%	3,423.7
Total	2,330.6	2,337.2	-0.3%	3.2%	4,338.6	4,280.6	1.4%	6.5%	8,796.7

[1] Change at comparable foreign exchange rates

By business

MEUR	4–6/2018	4–6/2017	Change	Comparable change[1]	1–6/2018	1–6/2017	Change	Comparable change[1]	1–12/2017
New equipment	1,272.9	1,299.7	-2.1%	1.4%	2,270.6	2,238.7	1.4%	6.8%	4,653.9
Services	1,057.7	1,037.5	1.9%	5.4%	2,068.0	2,041.9	1.3%	6.1%	4,142.8
Maintenance	740.1	717.6	3.1%	6.3%	1,457.8	1,437.4	1.4%	5.9%	2,887.3
Modernization	317.5	319.9	-0.7%	3.2%	610.2	604.6	0.9%	6.5%	1,255.6
Total	2,330.6	2,337.2	-0.3%	3.2%	4,338.6	4,280.6	1.4%	6.5%	8,796.7

[1] Change at comparable foreign exchange rates

April–June 2018

KONE's sales declined by 0.3% as compared to April–June 2017, and totaled EUR 2,331 million. At comparable exchange rates, KONE's sales grew by 3.2%.

Sales in the EMEA region grew by 4.1% and totaled EUR 944.5 million. At comparable exchange rates, the growth was 6.6%. New equipment and maintenance sales grew clearly, while modernization sales declined slightly in the region.

In the Americas, sales declined by 0.8% and totaled EUR 447.4 million. At comparable exchange rates, sales grew by 6.1%. In new equipment sales grew clearly, in maintenance sales grew slightly and modernization sales grew significantly.

In Asia-Pacific, sales declined by 4.1% and totaled EUR 938.7 million. At comparable exchange rates, sales declined by 1.3%. New equipment sales declined slightly, maintenance sales grew significantly, and modernization sales grew clearly.

January–June 2018

KONE's sales grew 1.4% as compared to January–June 2017, and totaled EUR 4,339 million. At comparable exchange rates, KONE's sales grew by 6.5%.

Sales in the EMEA region grew by 9.8% and totaled EUR 1,859 million. At comparable exchange rates, the growth was 12.7%. New equipment sales grew significantly, maintenance sales grew clearly, and modernization sales grew slightly in the region.

In the Americas, sales declined by 5.1% and totaled EUR 867.8 million. At comparable exchange rates, sales grew by 4.8%. New equipment and maintenance sales grew slightly, and modernization sales grew clearly.

In Asia-Pacific, sales declined by 3.7% and totaled EUR 1,612 million. At comparable exchange rates, sales grew by 0.9%. New equipment sales declined slightly, while maintenance and modernization sales grew significantly.

Financial result

Financial result

MEUR	4–6/2018	4–6/2017	Change	1–6/2018	1–6/2017	Change	1–12/2017
Operating income, MEUR	280.5	335.8	-16.5%	492.0	581.6	-15.4%	1,192.3
Operating income margin, %	12.0	14.4		11.3	13.6		13.6
Adjusted EBIT, MEUR	300.4	335.8	-10.5%	518.7	581.6	-10.8%	1,205.5
Adjusted EBIT margin, %	12.9	14.4		12.0	13.6		13.7
Income before taxes, MEUR	290.5	346.5	-16.2%	514.1	618.3	-16.8%	1,250.4
Net income, MEUR	223.7	266.1	-15.9%	395.9	474.8	-16.6%	960.2
Basic earnings per share, EUR	0.43	0.52	-16.0%	0.77	0.92	-16.7%	1.86

April–June 2018

KONE's operating income (EBIT) declined to EUR 280.5 million or 12.0% of sales. The adjusted EBIT, which excludes restructuring costs related to the Accelerate program, was EUR 300.4 million or 12.9% of sales.

Profitability was burdened by the price pressure seen earlier in the new equipment orders in China combined with higher material costs. The headwinds were partly compensated by productivity improvements and focused pricing actions.

Translation exchange rates had a negative impact of EUR 11 million on the operating income, and the restructuring costs related to the Accelerate program were EUR 19.9 million.

Basic earnings per share was EUR 0.43.

January–June 2018

KONE's operating income (EBIT) declined to EUR 492.0 million or 11.3% of sales. The adjusted EBIT, which excludes restructuring costs related to the Accelerate program, was EUR 518.7 million or 12.0% of sales.

Profitability was burdened by the price pressure seen earlier in the new equipment orders in China combined with higher material costs. The headwinds were partly compensated by productivity improvements and focused pricing actions. Healthy sales growth contributed positively to the operating income.

Translation exchange rates had a negative impact of around EUR 32 million on the operating income, and the restructuring costs related to the Accelerate program were EUR 26.8 million.

Basic earnings per share was EUR 0.77.

Cash flow and financial position

Cash flow and financial position

	4–6/2018	4–6/2017	1–6/2018	1–6/2017	1–12/2017
Cash flow from operations (before financing items and taxes), MEUR	366.2	320.4	545.2	625.7	1,263.3
Net working capital (including financing items and taxes), MEUR			-725.7	-861.7	-772.6
Interest-bearing net debt, MEUR			-1,254.8	-1,302.1	-1,690.2
Gearing, %			-47.7	-50.8	-55.8
Equity ratio, %			45.5	44.5	50.0
Equity per share, EUR			5.07	4.94	5.85

KONE's financial position was very strong at the end of June 2018.

Cash flow from operations (before financing items and taxes) during January–June 2018 declined to EUR 545.2 million in line with the decline in operating income.

Net working capital (including financing items and taxes) was EUR -725.7 million at the end of June 2018 and was slightly less negative than in the beginning of the year.

Interest-bearing net debt was EUR -1,255 million at the end of June 2018. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 1,606 (December 31, 2017: 2,065) million at the end of the reporting period. Interest-bearing liabilities were EUR 361.9 (387.4) million, including a net pension liability of EUR 133.4 (152.2) million and short-term loans of EUR 20.8 (30.1) million. In addition, the interest-bearing net debt includes EUR 10.4 (10.3) million of option liabilities from acquisitions. Gearing was -47.7% and equity ratio was 45.5% at the end of June 2018.

Equity per share was EUR 5.07.

Capital expenditure and acquisitions

Capital expenditure & acquisitions

MEUR	4–6/2018	4–6/2017	1–6/2018	1–6/2017	1–12/2017
On fixed assets	21.3	19.8	38.1	39.1	94.6
On leasing agreements	5.7	10.9	8.4	15.4	21.7
On acquisitions	5.1	2.3	8.4	3.0	35.1
Total	32.1	33.0	54.9	57.5	151.3

KONE's capital expenditure and acquisitions totaled EUR 54.9 million in January–June 2018. Capital expenditure was mainly related to equipment and facilities in R&D, IT, operations and production.

Acquisitions totaled EUR 8.4 million in January–June 2018. KONE completed small acquisitions of maintenance businesses in Europe and North America.

Research and development

R&D expenditure

MEUR	4–6/2018	4–6/2017	Change	1–6/2018	1–6/2017	Change	1–12/2017
R&D expenditure, MEUR	43.3	41.2	5.3%	79.7	77.7	2.5%	158.4
As percentage of sales, %	1.9	1.8		1.8	1.8		1.8

KONE's vision is to deliver the Best People Flow® experience by providing ease, effectiveness and experiences to its customers and users. In line with its strategy, Winning with Customers, the objective of KONE's solution and service development is to drive differentiation further by putting the needs of customers and users at the center of all development. By closer collaboration with customers and partners, KONE will increase the speed of bringing new services and solutions to the market.

Research and development expenditures totaled EUR 79.7 million, representing 1.8% of sales in January–June 2018. R&D expenditures include the development of new product and service concepts as well as further development of existing solutions and services.

During the first quarter of 2018, KONE introduced a new digital platform, which uses state-of-the-art technologies and is open to third-party solutions. KONE's digital platform connects customers, users and employees to equipment and data transforming the people flow experience in buildings and cities. By using open application programming interfaces (APIs), KONE's approach makes it easy to manage different devices and integrate them with new and existing systems. In connection with the launch of the platform, KONE introduced a renewed products and services portfolio utilizing the platform and consisting of three layers: 1) KONE's core solutions 2) Advanced People Flow Solutions 3) People Flow Planning and Consulting Services.

In January–March 2018, KONE 24/7 Connected Services, a KONE core solution using advanced IoT technologies, was extended to escalators. The service, which was already launched for elevators in Q1 2017, is compatible with both KONE and non-KONE equipment and brings safety, transparency and intelligence to escalator service. KONE 24/7 Connected Services for escalators have been piloted in selected markets around the world and the roll-out will continue throughout 2018.

HIGHLIGHTS Q2/2018

- KONE launched a renewed version of JumpLift in China
- KONE was ranked among the world's most innovative companies in 2018 by Forbes magazine

In addition, KONE launched several updates to its existing product offering during the reporting period. During the first quarter of 2018, KONE enhanced its offering by launching new elevator models, U MonoSpace®, a machine-room-less elevator, and U MiniSpace™, a small-machineroom elevator in India. Additionally, the machine-roomless A MonoSpace® elevator was launched for the low-rise residential segment. In Europe, Middle East and Africa, the KONE EcoSpace product range was extended to cover higher residential buildings. In modernization, enhancements were made to the residential, medical and office segment. Enhancements were also made to the Destination 880 control system.

During the second quarter of 2018, KONE extended its offering in the residential and commercial segments and launched a renewed version of the JumpLift in China. In the Americas, KONE enhanced its offering for the commercial and residential segments. In May, KONE was ranked as one of the world's most innovative companies in 2018 by business magazine Forbes. KONE ranked 59th and was the only elevator and escalator company on the list.

Personnel

KONE employees

	1–6/2018	1–6/2017	1–12/2017
Number of employees at the end of period	55,840	53,297	55,075
Average number of employees	55,542	52,532	53,417

Geographical distribution of KONE employees

	1–6/2018	1–6/2017	1–12/2017
EMEA	22,467	21,746	22,013
Americas	7,286	7,152	7,320
Asia-Pacific	26,088	24,400	25,742
Total	55,840	53,297	55,075

HIGHLIGHTS Q2/2018

- KONE employee engagement remained on a high level
- Accelerate program progresses with organizational changes initiated in several functions
- New training center opened in Vietnam

The main goals of KONE's personnel strategy are to secure the availability, engagement, motivation and continuous development of the company's personnel. All KONE's activities are guided by ethical principles. Employee rights and responsibilities include the right to a safe and healthy working environment, personal well-being, freedom of association, collective bargaining, non-discrimination and the right to a working environment in which harassment of any kind is not tolerated. One of our strategic targets is to be a great place to work, which we measure by employee engagement. During the second quarter, we conducted our annual employee engagement survey covering all employees. The response rate was 91%, and the employee engagement remained on a high level.

We strive to have the best professionals with the right competencies in each position. We facilitate this effort as well as increase the motivation, engagement and continuous development of the personnel through regular performance discussions. During the first quarter of 2018, we concentrated on performance discussions to ensure goal setting and achievement reviews from the past year. Goals were set to more than 40,000 employees in the new Workday platform.

KONE's strategy, Winning with Customers, focuses on putting the needs of our customers and users at the center of all development at KONE. People are key to the strategy's success, which requires us to develop and obtain new competences in the fields of leadership, digitalization, partnering, understanding customers' businesses and project management. During the first quarter of 2018, we launched a Leadership Fundamentals program for all new people leaders at KONE. During the second quarter, we launched a senior leader program with IMD, an independent business school, focusing on customer centricity and agile leaderships. We continued strengthening our training capability by opening new training centers in Malaysia and India during the first quarter and in Vietnam during the second quarter, adding up to a total of 38 KONE training centers globally.

A key focus area within the KONE personnel strategy is attracting the best talent, as well as talent with new competences. During the first quarter, we received more than 2,000 applications to the KONE International Trainee Program (ITP), which offers several trainee positions across the KONE countries and is meant for university students who are at least halfway through their studies. Furthermore, KONE organized several training sessions to the talent acquisition teams on targeting new competencies and increasing diversity through recruitment.

In September 2017, we launched a program called Accelerate Winning with Customers, which aims at creating a more customer-focused way of working on a country, area and global level, across the entire KONE organization. During the second quarter of 2018, we initiated organizational changes in our finance, sourcing, technical sales support & engineering as well as in our marketing & communications function in order to create a faster-moving, customer-centric organization that leverages our scale more efficiently.

Environment

KONE's environmental targets for 2017–2021 are to be the leading provider of low-carbon People Flow® solutions and to have efficient low-carbon operations. Our Environmental Excellence program supports the transformation of the built environment into smart eco-cities, low-carbon communities, and net zero energy buildings. Improving resource efficiency is one of our top priorities.

During the reporting period, KONE published its Sustainability Report 2017, which follows the Global Reporting Initiative G4 guidelines when applicable. The main environmental achievements related to KONE's operations in 2017 were energy efficiency improvements, for example the use of green electricity (30% of all electricity consumption), and reductions in greenhouse gas emissions from business air travel. KONE's target is to reduce the carbon footprint relative to sales by 3% annually. KONE's overall carbon footprint relative to sales decreased by 0.2% compared to 2016 with sales growth calculated at comparable exchange rates. The carbon footprint of scope 1 and 2 greenhouse gas emissions relative to sales decreased by 2.6%, which equals 87% of the 3% target. KONE's 2017 absolute operational carbon footprint amounted to 319,600 tonnes of carbon dioxide equivalent (2016: 305,300; figure restated).

The most significant impact of KONE's operational carbon footprint relates to logistics, which amounted to 50% of our operational greenhouse gas emissions in 2017. Other significant areas are our vehicle fleet (30%) and electricity/district heat consumption at KONE's facilities (11%). The main reason for not meeting the 3% overall carbon footprint reduction target in 2017 is related to increased logistics emissions, for example resulting from longer transportation distances. KONE's carbon footprint data has been externally assured.

During the second quarter, KONE extended the classification coverage of its product range according to the ISO 25745 energy efficiency standard with the best possible A rating for a high rise KONE MiniSpace™ elevator, in addition to 15 elevators or escalators classified earlier. During the reporting period KONE also achieved approved BVB (Byggvarubedömningen) environmental assessments for its KONE MonoSpace® 500 and KONE MonoSpace 700 elevators in Sweden as the first elevator company. BVB is a non-profit organization consisting of Sweden's major property owners and building contractors and promoting the use of sustainable building materials.

In June KONE achieved the ISO 9001 & 14001 quality and environmental management system recertification and upgraded its certification to the 2015 version of the ISO 9001 and ISO 14001 standards.

HIGHLIGHTS Q2/2018

- High-rise KONE MiniSpace™ elevator received the best possible A energy classification according to ISO 25745

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 205 million at the end of June 2018 (March 31, 2018: EUR 205 million). KONE's position is that the claims are without merit. No provision has been made.

Most significant risks

KONE is exposed to risks that may arise from its operations or changes in the operating environment. The risk factors described below can potentially have an adverse effect on KONE's business operations and financial position and, as a result, on the value of the company. Other risks, which are currently either unknown or considered immaterial to KONE may, however, become material in the future.

Strategic risks

A weakening of the global economic environment could result in deterioration of the market environment and the competitive situation in the industry. More specifically, a material decline or prolonged weakness within the construction industry could result in a significant decline for the new equipment market and a more challenging environment for services. In particular, a sustained market decline in China, which accounts for over 25% of KONE's sales, could have an adverse effect on KONE's growth and profitability.

Digitalization, and, as a result, new customer requirements, potential new competition, ecosystems, business models and structural changes in key markets, could have a significant impact on the elevator and escalator industry. Failure to anticipate or address changes in the external market environment could result in a deterioration of KONE's growth, competitiveness, market share or profitability.

KONE operates in an industry with various local regulatory requirements. Sudden or unforeseen changes in regulations, an increase in geopolitical tensions or a rise in regulatory protectionism could result in more challenging market conditions in affected countries. Such developments could have an adverse impact on KONE's operations.

A significant portion of KONE's component suppliers and global supply capacity is located in China, for both the elevator and escalator businesses. Therefore, KONE's operations may be adversely impacted by changes in trade agreements or by the introduction of trade restrictions.

Operational risks

As one of the leading companies in the industry, KONE has a strong brand and reputation. Issues that impact the company's reputation or brand could have an effect on KONE's business and financial performance. Such reputational risks could materialize; for example, in the case of an incident, a major delivery issue or a product quality issue. Matters concerning product integrity or quality could also have an impact on KONE's financial performance.

KONE operates in certain high growth markets, where focused management of rapid business growth and transformation 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 products and services which are delivered. Failure to adequately manage resourcing, quality and the timeliness of delivery, or other critical aspects in projects, could have an adverse impact on KONE's profitability.

The majority of components used in KONE's supply chain are sourced from external suppliers, which exposes KONE to component price risk as well as raw material price risk. Therefore, stronger than anticipated increases in prices for raw materials and components may have a significant impact on KONE's profitability.

Hazard, security and incidental risks

KONE's business activities are dependent on the uninterrupted operation, quality and reliability of its manufacturing facilities, sourcing channels, operational service solutions and logistics processes. In addition, KONE's operations extensively utilize information technology and its business is dependent on the quality, integrity and availability of information. Thus, in addition to physical risks, KONE is exposed to cyber security risks, as operational information systems and products may be vulnerable to interruption, loss or manipulation of data, or malfunctions which can result in disruptions in processes and equipment availability and therefore impact KONE's business. Any breach of sensitive employee or customer data may also result in significant penalties as well as reputational damage. Such cyber incidents could be caused by, including but not limited to, cybercrime, cyber-attacks, computer malware, information theft, fraud, misappropriation, or inadvertent actions from our employees and vendors.

Financial risks

The majority of KONE's sales are denominated in currencies other than the Euro, which exposes KONE to risks arising from foreign exchange-rate fluctuations. KONE is also exposed to counterparty risks related to financial institutions, through the significant amounts of liquid funds deposited with financial institutions, in the form of financial investments and in derivatives. Additionally, KONE is exposed to risks related to the liquidity and payment schedules of its customers, which may impact cash flow or lead to credit losses. Significant changes in local financial or taxation regulation could also have an impact on KONE's financial performance. For further information on financial risks, please refer to notes 2.4 and 5.3 in KONE's Financial Statements for 2017.

Risk management

Risk	Mitigation actions
Weakening of the economic environment, particularly in China	KONE strives to continuously develop its competitiveness in all regions and businesses. KONE has a wide geographic presence and a balanced business portfolio.
Failure to anticipate changes in the market environment, including new customer requirements, competition, ecosystems and business models enabled by digitalization	KONE aims to be the industry leader by investing in research and development and by taking an open innovation approach. KONE also closely follows emerging industry and market trends.
Sudden changes in regulation, or a rise in protectionism	In order to mitigate the risk of unforeseen changes in the regulatory environment, KONE actively monitors the development of regulations and evaluates its global footprint.
Disruption in the global supply chain, particularly in China	KONE actively develops business continuity management capabilities, in order to reduce the impact and likelihood of disruptions within its supply chain. Furthermore, KONE monitors the operations, business continuity management capabilities and financial strength of its key suppliers. In addition, KONE aims to secure the availability of alternative sourcing channels for critical components and services. KONE also has a global property damage and business interruption insurance program in place.
Product integrity and quality issues as well as issues with reputation	To mitigate product risks, KONE has processes in place for product design, supply, manufacturing, installation and maintenance, involving strict quality control. In addition, KONE aims for transparent and reliable communication, to prevent reputational risks and to manage potential incidents. KONE also has stringent corporate governance principles in place.
Availability of adequate operational resources	KONE manages these risks through proactive project and resource planning as well as strict quality control processes.
Changes in raw material prices	In order to reduce the impact of material and sourcing price fluctuations, KONE aims for fixed-price contracts with its major suppliers, for a significant portion of raw material and component purchases.
Quality and reliability of IT systems and cybersecurity risks	KONE's security policies define controls to safeguard information and information systems which are both in development and in operation, in order to detect cybersecurity incidents and to respond and recover in a timely manner. KONE works with third-party security service providers and trusted, well-known technology partners to manage the risks through the control framework. KONE conducts tests, reviews and exercises to identify areas of risk and to ensure the appropriate preparedness. The company continues to invest in its cyber security capabilities based on these findings.
Financial risks	Centralized risk management in accordance with the KONE Treasury Policy. More information in notes 2.4 and 5.3 of KONE's Financial Statements 2017.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on February 26, 2018. The meeting approved the financial statements and discharged the responsible parties from liability for the financial period January 1–December 31, 2017.

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. Matti Alahuhta and Juhani Kaskeala are independent of both the company and of significant shareholders.

The General Meeting confirmed an annual compensation of EUR 55,000 (previously 54,000) for the Chairman of the Board, EUR 45,000 (44,000) for the Vice Chairman and EUR 40,000 (37,000) 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 Heikki Lassila were nominated as auditors.

Share-based incentives

KONE has two separate share-based incentive plans. One plan is targeted for the senior management of KONE including the President & CEO, members of the Executive Board and other top management, consisting of approximately 60 individuals. A second plan is targeted for other key personnel of KONE, totaling approximately 450 individuals. The potential reward in both plans is based on annual targets that are decided by the Board. These annual targets are set with the aim to take KONE towards the long-term financial targets. 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 shares. Plans include conditions preventing participants from transferring the shares received and participants are obliged to return the shares and the cash payments if employment or service contract is terminated during a period of two years following the ending of each earning period. As part of the plan for the senior management, a long-term target for their ownership has been set.

In December 2013, KONE granted a conditional 2014 option program. The stock options 2014 were listed on the Nasdaq Helsinki Ltd. as of April 1, 2016. The total number of stock options was 1,500,000 and 133,000 of them were held by KONE Corporation's subsidiary. Each option entitled its holder to subscribe for one (1) new class B shares at the price of, from February 27, 2018, EUR 25.00 per share. During the reporting period, 865,638 class B shares were subscribed for with 2014 option rights. The subscription period for the KONE 2014 option ended on April 30, 2018. The 133,000 KONE 2014 option rights in possession of KONE Corporation's subsidiary, and the 4,060 KONE 2014 option rights not exercised during the subscription period expired upon the end of the subscription period.

In December 2014, KONE granted a conditional 2015 option program. The stock options 2015 were listed on the Nasdaq Helsinki Ltd. as of April 1, 2017. The total number of stock options was 1,500,000 and 131,000 of them are held by KONE Corporation's subsidiary. During the reporting period, 19,224 class B shares were subscribed for with 2015 option rights. On June 30, 2018, a maximum of 1,336,701 shares could be subscribed for with the remaining outstanding option rights. Each stock option entitles its holder to subscribe for one (1) new class B KONE share at the price of, from February 27, 2018, EUR 30.40 per share. The share subscription period for the stock options 2015 is April 1, 2017–April 30, 2019.

Share capital and market capitalization

Share capital and market capitalization*

	June 30, 2018	Dec 31, 2017
Number of class B shares	451,856,557	450,971,695
Number of class A shares	76,208,712	76,208,712
Total shares	528,065,269	527,180,407
Share capital, EUR	66,008,159	65,897,551
Market capitalization, MEUR*	22,530	23,052

* 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

Shares in KONE's possession

	1–6/2018
Shares in KONE's possession at the beginning of the period	12,402,796
Changes in own shares during the period	– 375,910
Shares in KONE's possession at the end of the period	12,026,886

At the end of June 2018, the Group had 12,026,886 class B shares in its possession. The shares in the Group's possession represent 2.7% of the total number of class B shares. This corresponds to 1.0% of the total voting rights.

Shares traded on the Nasdaq Helsinki Ltd.

Trading on the KONE share

		1–6/2018	1–6/2017	1–12/2017
Shares traded on the Nasdaq Helsinki Ltd., million		87.7	97.1	175.3
Average daily trading volume		707,516	783,210	698,221
Volume-weighted average share price	EUR	42.93	42.67	43.73
Highest share notation	EUR	47.07	47.29	47.70
Lowest share notation	EUR	39.15	39.77	39.77
Share notation at the end of period	EUR	43.66	44.54	44.78

In addition to the Nasdaq Helsinki Ltd., 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 27.2% of the total volume of KONE's class B shares traded in January–June 2018 (source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com).

The number of registered shareholders was 61,139 at the beginning of the review period and 63,236 at its end. The number of private households holding shares totaled 59,445 at the end of the period, which corresponds to approximately 13.0% of the listed B shares. At the end of June, 2018 a total of 52.2% of the B shares were owned by nominee-registered and non-Finnish investors.

Flagging notifications

During January–June 2018, BlackRock, Inc. announced several notices in accordance with the Finnish Securities Market Act Chapter 9, Section 5. The notices were announced on March 29, June 13 and June 26. The 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 June 27, 2018, the total number of KONE Corporation shares owned by BlackRock, Inc. and its funds excluding financial instruments increased above five (5) per cent of the total number of shares of KONE Corporation on June 25, 2018. The total number of shares including financial instruments owned by BlackRock, Inc. and its funds remained above five (5) per cent of the total number of shares of KONE Corporation on June 25, 2018.

Outlook

Market outlook 2018

Region	New equipment	Services
North America	Slight growth	Maintenance: Slight growth Modernization: Slight growth
EMEA	Slight growth	Maintenance: Slight growth Modernization: Slight growth
Asia-Pacific	China: To be stable or to decline slightly in units and competition to remain intense Outside China: Growth	Maintenance: Strong growth Modernization: Strong growth

Market outlook 2018

In new equipment, the market in China is expected to be stable or to decline slightly in units ordered and competition to remain intense. In the rest of Asia-Pacific, the market is expected to grow. The markets in both North America as well as in the Europe, Middle East and Africa region are expected to grow slightly.

Maintenance markets are expected to see the strongest growth rate in Asia-Pacific, and to grow slightly in other regions.

The modernization market is expected to grow slightly in the Europe, Middle East and Africa region and in North America, and to develop strongly in Asia-Pacific.

Business outlook for 2018

In 2018, KONE's sales is estimated to grow by 3–7% at comparable exchange rates as compared to the restated 2017 sales. The adjusted EBIT is expected to be in the range of EUR 1,100–1,200 million, assuming that foreign exchange rates would remain at the end of June 2018 level for the remainder of the year. Foreign exchange rates are estimated to impact EBIT negatively by approximately EUR 35 million. The pressure on the adjusted EBIT margin is expected to start to ease towards the end of 2018 as a result of pricing and productivity actions that have been taken.

The outlook is based on KONE's maintenance base and order book as well as the market outlook. The main factors continuing to pressure the adjusted EBIT margin in 2018 are the decrease in the margin of orders received witnessed in 2017, in China in particular, and the higher raw material prices. Higher raw material prices are estimated to impact KONE's 2018 EBIT negatively by approximately EUR 100 million. The margin pressure is expected to start to ease towards the end of 2018 as a result of pricing actions taken and general productivity improvements as well as the first savings from the Accelerate program. New equipment business outside China and the service business are expected to continue to develop positively.

Helsinki, July 19, 2018

KONE Corporation's Board of Directors

Accounting Principles

KONE Corporation's Half-year Financial Report for January–June 2018 has been prepared in line with IAS 34, 'Interim Financial Reporting' and should be read in conjunction with KONE's financial statements for 2017, published on January 25, 2018. KONE has applied the same accounting principles in the preparation of this Half-year Financial Report as in its Financial Statements for 2017, except for the adoption of new standards and interpretations effective during 2018 that are relevant to its operations. In this Half-year Financial Report all 2017 financials are restated applying IFRS 15 and IFRS 9 retrospectively. More information for adoption of IFRS 15 and IFRS 9 is presented in pages 30–35. Changes of other standards or interpretations did not have a material impact on the Half-year Financial Report. The information presented in this Half-year Report has not been audited.

Consolidated statement of income

MEUR	4–6/2018	%	4–6/2017	%	1–6/2018	%	1–6/2017	%	1–12/2017	%
Sales	2,330.6		2,337.2		4,338.6		4,280.6		8,796.7	
Costs and expenses	-2,020.6		-1,973.3		-3,788.1		-3,642.5		-7,490.1	
Depreciation and amortization	-29.5		-28.2		-58.5		-56.6		-114.3	
Operating income	280.5	12.0	335.8	14.4	492.0	11.3	581.6	13.6	1,192.3	13.6
Share of associated companies' net income	-1.0		0.0		-1.2		0.3		-0.2	
Financing income	14.1		14.8		29.4		43.3		72.2	
Financing expenses	-3.1		-4.1		-6.1		-6.9		-13.9	
Income before taxes	290.5	12.5	346.5	14.8	514.1	11.9	618.3	14.4	1,250.4	14.2
Taxes	-66.8		-80.4		-118.2		-143.5		-290.2	
Net income	223.7	9.6	266.1	11.4	395.9	9.1	474.8	11.1	960.2	10.9
Net income attributable to:										
Shareholders of the parent company	223.3		265.1		394.1		471.6		955.8	
Non-controlling interests	0.3		0.9		1.8		3.2		4.4	
Total	223.7		266.1		395.9		474.8		960.2	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share, EUR	0.43		0.52		0.77		0.92		1.86	
Diluted earnings per share, EUR	0.43		0.52		0.76		0.92		1.86	

Consolidated statement of comprehensive income

MEUR	4–6/2018	4–6/2017	1–6/2018	1–6/2017	1–12/2017
Net income	223.7	266.1	395.9	474.8	960.2
Other comprehensive income, net of tax:					
Translation differences	42.7	-128.2	21.7	-133.8	-204.9
Hedging of foreign subsidiaries	-14.0	26.1	-4.7	31.7	52.8
Cash flow hedges	-19.1	17.1	-12.1	21.5	39.6
Items that may be subsequently reclassified to statement of income	9.6	-84.9	4.9	-80.6	-112.5
Changes in fair value	-3.1	-9.4	0.8	-4.8	-12.2
Remeasurements of employee benefits	13.7	3.9	12.8	0.7	8.3
Items that will not be reclassified to statement of income	10.6	-5.5	13.6	-4.1	-3.9
Total other comprehensive income, net of tax	20.2	-90.4	18.5	-84.7	-116.4
Total comprehensive income	243.9	175.6	414.4	390.1	843.8
Total comprehensive income attributable to:					
Shareholders of the parent company	243.5	174.7	412.6	386.9	839.4
Non-controlling interests	0.3	0.9	1.8	3.2	4.4
Total	243.9	175.6	414.4	390.1	843.8

Condensed consolidated statement of financial position

Assets

MEUR		Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Non-current assets				
Goodwill		1,324.1	1,333.2	1,325.5
Other intangible assets		266.7	276.8	274.5
Tangible assets		378.0	365.8	377.0
Loan receivables and other interest-bearing assets	I	1.0	7.3	0.7
Investments		134.7	145.4	134.3
Employee benefits	I	9.6	-	11.5
Deferred tax assets	II	249.6	283.8	263.3
Total non-current assets		2,363.5	2,412.3	2,386.9
Current assets				
Inventories	II	634.5	611.8	626.8
Accounts receivable	II	1,953.3	1,866.1	1,910.8
Deferred assets	II	620.3	452.3	404.5
Income tax receivables	II	70.3	79.5	67.5
Current deposits and loan receivables	I	1,094.4	1,098.8	1,568.8
Cash and cash equivalents	I	511.7	607.9	496.5
Total current assets		4,884.6	4,716.4	5,075.0
Total assets		7,248.1	7,128.8	7,461.9

Equity and liabilities

MEUR		Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Equity		2,632.6	2,561.6	3,028.9
Non-current liabilities				
Loans	I	197.4	208.3	194.7
Employee benefits	I	133.4	175.7	152.2
Deferred tax liabilities	II	143.8	164.1	143.8
Total non-current liabilities		474.5	548.1	490.7
Provisions	II	134.4	141.1	137.9
Current liabilities				
Loans	I	31.2	27.9	40.5
Advance payments received and deferred revenue	II	1,465.1	1,376.8	1,404.6
Accounts payable	II	782.0	735.1	705.1
Accruals	II	1,660.8	1,653.4	1,569.2
Income tax payables	II	67.6	84.8	85.1
Total current liabilities		4,006.7	3,878.0	3,804.4
Total equity and liabilities		7,248.1	7,128.8	7,461.9

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, 2018	65.9	100.3	205.8	36.2	65.9	-105.2	-217.8	2,862.7		15.0	3,028.9
Net income for the period									394.1	1.8	395.9
Other comprehensive income:											
Translation differences					21.7						21.7
Hedging of foreign subsidiaries					-4.7						-4.7
Cash flow hedges				-12.1							-12.1
Changes in fair value				0.8							0.8
Remeasurements of employee benefits						12.8					12.8
Transactions with shareholders and non-controlling interests:											
Profit distribution								-849.2			-849.2
Increase in equity (option rights)	0.1		22.1								22.2
Purchase of own shares											-
Change in non-controlling interests										-0.5	-0.5
Option and share-based compensation			16.6				14.7	-14.5			16.8
Jun 30, 2018	66.0	100.3	244.5	24.9	83.0	-92.4	-203.1	1,999.0	394.1	16.3	2,632.6

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, 2017	65.8	100.3	166.1	8.9	218.0	-113.5	-236.7	2,718.9		17.6	2,945.4
Net income for the period									471.6	3.2	474.8
Other comprehensive income:											
Translation differences					-133.8						-133.8
Hedging of foreign subsidiaries					31.7						31.7
Cash flow hedges				21.5							21.5
Changes in fair value				-4.8							-4.8
Remeasurements of employee benefits						0.7					0.7
Transactions with shareholders and non-controlling interests:											
Profit distribution								-795.4			-795.4
Increase in equity (option rights)	0.1		14.4								14.5
Purchase of own shares											-
Change in non-controlling interests										-1.9	-1.9
Option and share-based compensation			6.7				19.1	-17.0			8.8
Jun 30, 2017	65.9	100.3	187.2	25.5	115.9	-112.7	-217.6	1,906.6	471.6	18.9	2,561.6

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, 2017	65.8	100.3	166.1	8.9	218.0	-113.5	-236.7	2,718.9		17.6	2,945.4
Net income for the period									955.8	4.4	960.2
Other comprehensive income:											
Translation differences					-204.9						-204.9
Hedging of foreign subsidiaries					52.8						52.8
Cash flow hedges				39.6							39.6
Changes in fair value				-12.2							-12.2
Remeasurements of employee benefits						8.3					8.3
Transactions with shareholders and non-controlling interests:											
Profit distribution								-795.4			-795.4
Increase in equity (option rights)	0.1		24.7								24.9
Purchase of own shares											-
Change in non-controlling interests										-7.0	-7.0
Option and share-based compensation			15.0				18.9	-16.6			17.2
Dec 31, 2017	65.9	100.3	205.8	36.2	65.9	-105.2	-217.8	1,906.9	955.8	15.0	3,028.9

Condensed consolidated statement of cash flows

MEUR	4–6/2018	4–6/2017	1–6/2018	1–6/2017	1–12/2017
Operating income	280.5	335.8	492.0	581.6	1,192.3
Change in working capital before financing items and taxes	56.2	-43.6	-5.2	-12.5	-43.3
Depreciation and amortization	29.5	28.2	58.5	56.6	114.3
Cash flow from operations before financing items and taxes	366.2	320.4	545.2	625.7	1,263.3
Cash flow from financing items and taxes	-60.9	-84.5	-119.8	-134.4	-299.6
Cash flow from operating activities	305.3	235.9	425.4	491.3	963.7
Cash flow from investing activities	-26.9	-30.1	-54.1	-57.1	-143.5
Cash flow after investing activities	278.4	205.8	371.3	434.2	820.2
Purchase of own shares	-	-	-	-	-
Increase in equity (option rights)	22.2	14.5	22.2	14.5	24.9
Profit distribution	-63.0	-65.6	-849.2	-795.4	-795.4
Change in deposits and loans receivable, net	-212.0	-66.8	475.6	376.3	-82.4
Change in loans payable and other interest-bearing debt	-0.3	-1.1	-4.5	3.6	-33.2
Changes in non-controlling interests	-0.5	-0.4	-0.6	-0.4	-5.5
Cash flow from financing activities	-253.6	-119.5	-356.4	-401.5	-891.7
Change in cash and cash equivalents	24.8	86.4	14.9	32.7	-71.5
Cash and cash equivalents at beginning of period	485.5	536.6	496.5	589.2	589.2
Translation difference	1.5	-15.0	0.3	-14.0	-21.1
Cash and cash equivalents at end of period	511.7	607.9	511.7	607.9	496.5

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	4–6/2018	4–6/2017	1–6/2018	1–6/2017	1–12/2017
Interest-bearing net debt at beginning of period	-1,001.3	-1,182.8	-1,690.2	-1,687.6	-1,687.6
Interest-bearing net debt at end of period	-1,254.8	-1,302.1	-1,254.8	-1,302.1	-1,690.2
Change in interest-bearing net debt	-253.5	-119.3	435.4	385.5	-2.6

Notes for the Half-year Financial Report

KEY FIGURES

		1–6/2018	1–6/2017	1–12/2017
Basic earnings per share	EUR	0.77	0.92	1.86
Diluted earnings per share	EUR	0.76	0.92	1.86
Equity per share	EUR	5.07	4.94	5.85
Interest-bearing net debt	MEUR	-1,254.8	-1,302.1	-1,690.2
Equity ratio	%	45.5	44.5	50.0
Gearing	%	-47.7	-50.8	-55.8
Return on equity	%	28.0	34.5	32.1
Return on capital employed	%	25.1	30.5	28.8
Total assets	MEUR	7,248.1	7,128.8	7,461.9
Assets employed	MEUR	1,377.8	1,259.4	1,338.7
Net working capital (including financing and tax items)	MEUR	-725.7	-861.7	-772.6

The calculation formulas of key figures are presented in KONE's Financial Statements for 2017.

ALTERNATIVE PERFORMANCE MEASURE

KONE reports an alternative performance measure, adjusted EBIT, to enhance comparability of the business performance between reporting periods during the Accelerate program. The adjusted EBIT is calculated by excluding significant items impacting comparability such as significant restructuring costs arising from redundancy and other costs directly associated to the Accelerate program.

		4–6/2018	4–6/2017	1–6/2018	1–6/2017	1–12/2017
Operating income	MEUR	280.5	335.8	492.0	581.6	1,192.3
Operating income margin	%	12.0	14.4	11.3	13.6	13.6
Items impacting comparability	MEUR	19.9	-	26.8	-	13.2
Adjusted EBIT	MEUR	300.4	335.8	518.7	581.6	1,205.5
Adjusted EBIT margin	%	12.9	14.4	12.0	13.6	13.7

Net working capital

MEUR	June 30, 2018	June 30, 2017	Dec 31, 2017
Net working capital			
Inventories	634.5	611.8	626.8
Advance payments received and deferred revenue	-1,465.1	-1,376.8	-1,404.6
Accounts receivable	1,953.3	1,866.1	1,910.8
Deferred assets and income tax receivables	690.6	531.8	472.0
Accruals and income tax payables	-1,728.5	-1,738.2	-1,654.3
Provisions	-134.4	-141.1	-137.9
Accounts payable	-782.0	-735.1	-705.1
Net deferred tax assets/liabilities	105.8	119.7	119.5
Total net working capital	-725.7	-861.7	-772.6

QUARTERLY FIGURES

KONE has applied new IFRS 15 and IFRS 9 standards from January 1, 2018 onwards and 2017 financials are restated retrospectively. Figures for 2011–2016 are not restated and thus not fully comparable.

		Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Orders received	MEUR	2,118.6	1,908.7	1,845.8	1,739.0	2,056.2	1,913.0
Order book	MEUR	7,915.3	7,786.6	7,357.8	7,473.5	7,749.2	7,960.5
Sales	MEUR	2,330.6	2,008.0	2,306.3	2,209.7	2,337.2	1,943.4
Operating income	MEUR	280.5	211.5	292.8	317.9	335.8	245.8
Operating income margin	%	12.0	10.5	12.7	14.4	14.4	12.6
Adjusted EBIT [1]	MEUR	300.4	218.3	302.6	321.3	335.8	245.8
Adjusted EBIT margin [1]	%	12.9	10.9	13.1	14.5	14.4	12.6
Items impacting comparability	MEUR	19.9	6.9	9.9	3.3		

		Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015	Q1/2015
Orders received	MEUR	1,839.2	1,771.7	2,067.8	1,942.3	1,947.2	1,764.5	2,193.5	2,053.8
Order book	MEUR	8,591.9	8,699.0	8,763.6	8,529.7	8,209.5	8,350.7	8,627.4	8,529.6
Sales	MEUR	2,593.2	2,170.2	2,272.6	1,748.3	2,561.8	2,184.2	2,210.4	1,690.9
Operating income	MEUR	392.2	331.1	348.6	221.4	378.5	325.9	325.2	211.9
Operating income margin	%	15.1	15.3	15.3	12.7	14.8	14.9	14.7	12.5
Adjusted EBIT [1]	MEUR	392.2	331.1	348.6	221.4	378.5	325.9	325.2	211.9
Adjusted EBIT margin [1]	%	15.1	15.3	15.3	12.7	14.8	14.9	14.7	12.5
Items impacting comparability	MEUR								

		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 margin	%	14.6	14.8	14.2	12.5	14.4	14.8	13.8	11.5
Adjusted EBIT [1]	MEUR	315.3	277.5	263.2	179.6	292.8	257.5	242.8	160.4
Adjusted EBIT margin [1]	%	14.6	14.8	14.2	12.5	14.4	14.8	13.8	11.5
Items impacting comparability	MEUR								

		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	173.0	134.6	233.0	188.9	184.5	118.7
Operating income margin	%	13.9	13.9	11.2	10.8	14.7	14.6	14.3	11.3
Adjusted EBIT [1]	MEUR	257.4	226.4	210.3	134.6	233.0	188.9	184.5	118.7
Adjusted EBIT margin [1]	%	13.9	13.9	13.6	10.8	14.7	14.6	14.3	11.3
Items impacting comparability	MEUR			37.3					

1) Operating income excluding items impacting comparability.

Depreciation and amortization

MEUR	4–6/2018	4–6/2017	1–6/2018	1–6/2017	1–12/2017
Depreciation and amortization of fixed assets	21.3	20.3	42.3	40.6	82.7
Amortization of acquisition-related intangible assets	8.2	7.9	16.2	15.9	31.7
Total	29.5	28.2	58.5	56.6	114.3

Key exchange rates in euros

		Jun 30, 2018		Jun 30, 2017	
		Income statement	Statement of financial position	Income statement	Statement of financial position
Chinese Renminbi	RMB	7.7119	7.7170	7.4685	7.7385
US Dollar	USD	1.2060	1.1658	1.0878	1.1412
British Pound	GBP	0.8811	0.8861	0.8605	0.8793
Australian Dollar	AUD	1.5656	1.5787	1.4445	1.4851

Derivatives

Fair values of derivative financial instruments MEUR	Derivative assets Jun 30, 2018	Derivative liabilities Jun 30, 2018	Fair value, net Jun 30, 2018	Fair value, net Jun 30, 2017	Fair value, net Dec 31, 2017
Foreign exchange forward contracts and swaps	64.1	-44.9	19.2	-11.5	23.5
Electricity price forward contracts	0.2	-	0.2	-0.4	-0.3
Total	64.3	-44.9	19.4	-11.9	23.2

Nominal values of derivative financial instruments

MEUR	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Foreign exchange forward contracts and swaps	3,214.4	2,598.0	2,389.6
Electricity price forward contracts	0.5	1.3	1.0
Total	3,214.9	2,599.3	2,390.6

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.

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.

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

Shares and other non-current financial assets are classified as investments measured at fair value through other comprehensive income and the fair value is measured using income or market approach valuation techniques under fair value hierarchy level 3.

Commitments

MEUR	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Guarantees			
Others	3.4	9.5	5.0
Operating leases	313.5	299.6	294.5
Total	316.9	309.1	299.5

Banks and financial institutions have guaranteed obligations arising in the ordinary course of business of KONE companies up to a maximum of EUR 1,494 (1,423) million as of June 30, 2018.

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

The future minimum lease payments under non-cancellable operating leases

Me	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Less than 1 year	76.5	69.4	73.0
1–5 years	173.4	155.9	161.3
Over 5 years	63.6	74.4	60.2
Total	313.5	299.6	294.5

Restated information on 2017 financials as a result of adoption of new IFRS 15 and IFRS 9 accounting standards

KONE has adapted new accounting standards issued by the International Accounting Standards Board, IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments, effective on January 1, 2018.

The most significant impact from the implementation of the IFRS 15 is the application of percentage of completion revenue recognition method also in the volume new equipment and modernization businesses. In these businesses revenue was previously recognized upon the handover of the project to the customer while long-term major projects were already recognized under percentage of completion method. With the new IFRS 15 principles revenue is recognized gradually for all construction contracts at KONE based on the progress from the point when materials arrive at customer site until the handover of the project. Implementation of IFRS 9 did not have a material impact in KONE's consolidated financial statements.

IFRS 15

IFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Revenue is recognized when, or as, the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. KONE has adopted the new standard by using the full retrospective method.

The impact of the implementation of IFRS 15 is limited to revenue recognition of new equipment and modernization contracts where the revenue recognition will occur over time, measured based on the percentage of completion method as the customer obtains control of each asset, i.e. separately identifiable performance obligation. A performance obligation is a distinct good or service within a contract that customer can benefit on stand-alone basis. For KONE's new equipment and modernization contracts, a performance obligation typically means delivery and installation of a single unit, i.e. an elevator, escalator or other People Flow™ solution. Percentage of completion is defined as the proportion of an individual performance obligation's cost incurred to date from the total estimated costs for that particular performance obligation. The percentage of completion method requires accurate estimates of future revenues and costs over the full term of the contracts. These significant estimates form the basis for the amount of revenue to be recognized and include the latest updated total revenue, cost and risks adjusted by the typical estimation revisions for similar types of contracts. These estimates may materially change due to the stage of completion of the contract, changes in the contract scope, costs estimates and customer's plans and other factors.

Application of new revenue recognition principles under IFRS 15 has a material impact on KONE's consolidated financial statements. In practice, revenue is recognized earlier based on the progress also for those new equipment and modernization contracts which were not previously defined as long-term major projects already recognized under the percentage of completion method. From a balance sheet perspective, the application of new principles decreased inventories and related advances received and deferred revenue, while receivables were somewhat increased. Deferred tax assets and liabilities changed slightly. As a result of the restated timing of revenue recognition, retained earnings were increased. Also, reported new equipment and modernization order book decreased due to application of percentage of completion method also for other new equipment and modernization contracts than long-term major projects. These changes do not impact cash flow.

IFRS 9

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. Additionally, IFRS 9 introduces expanded disclosure requirements and changes in presentation. KONE has adopted the new standard by using the full retrospective method.

The main impact of the IFRS 9 application for KONE is coming from the new expected credit loss model applied to assess impairment loss for the doubtful accounts receivable. KONE applies the simplified approach allowed by IFRS 9 as the accounts receivable does not contain significant financing component. To measure the lifetime expected credit losses trade receivables have been grouped based on shared credit risk characteristics and aging category and measured based on historical loss rates adjusted by forward looking estimates and individual assessment. The adaptation of the new principles slightly increased the accumulated impairment loss.

IFRS 9 contains a new classification and measurement guidance for financial assets and liabilities that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets and accordingly KONE has classified financial assets as measured at amortized cost, at fair value through other comprehensive income and at fair value through statement of income. The standard eliminated previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale. Under IFRS 9, all shares and non-current financial assets which were previously classified as available-for-sale investments and measured at cost are classified as investments measured at fair value through other comprehensive income. Investments in interest rate funds which were previously classified as loans and receivables and measured at amortized cost are classified at fair value through statement of income.

Application of IFRS 9 did not have any material impact on KONE's Accounting Principles for financial liabilities or to hedge accounting. Thus, the implementation of IFRS 9 did not have a material impact on the transactions and balances recognized in KONE's consolidated financial statements.

KEY FIGURES, RESTATED

		Q1	Q2	Q3	Q4	1–12/2017
Orders received	MEUR	1,913.0	2,056.2	1,739.0	1,845.8	7,554.0
Order book	MEUR	7,960.5	7,749.2	7,473.5	7,357.8	7,357.8
Sales	MEUR	1,943.4	2,337.2	2,209.7	2,306.3	8,796.7
Operating income	MEUR	245.8	335.8	317.9	292.8	1,192.3
Operating income margin	%	12.6	14.4	14.4	12.7	13.6
Adjusted EBIT [1]	MEUR	245.8	335.8	321.3	302.6	1,205.5
Adjusted EBIT margin [1]	%	12.6	14.4	14.5	13.1	13.7
Income before tax	MEUR	271.8	346.5	330.2	301.9	1,250.4
Net income	MEUR	208.7	266.1	253.6	231.8	960.2
Basic earnings per share	EUR	0.40	0.52	0.49	0.45	1.86
Equity per share	EUR	4.58	4.94	5.38	5.85[2]	5.85[2]
Cash flow from operations (before financing items and taxes)	MEUR	305.3	320.4	302.7	335.0	1,263.3
Interest-bearing net debt	MEUR	-1,182.8	-1,302.1	-1,464.9	-1,690.2	-1,690.2
Equity ratio	%	42.5	44.5	47.7	50.0	50.0
Return on equity	%	31.4	34.5[2]	33.9[2]	32.1	32.1
Return on capital employed	%	27.6	30.5	30.2	28.8	28.8
Net working capital (including financing items and taxes)	MEUR	-995.3	-861.7	-782.2	-772.6	-772.6
Gearing	%	-49.9	-50.8	-52.5	-55.8	-55.8

1) Operating income excluding items impacting comparability.
2) Corrected in H1 2018.

SALES BY REGION, RESTATED

MEUR	Q1	%	Q2	%	Q3	%	Q4	%	1–12/2017	%
EMEA	785.0	40%	907.3	39%	896.7	41%	1,005.6	44%	3,594.5	41%
Americas	463.4	24%	450.8	19%	431.3	20%	432.9	19%	1,778.5	20%
Asia-Pacific	695.0	36%	979.1	42%	881.8	40%	867.8	38%	3,423.7	39%
Total	1,943.4		2,337.2		2,209.7		2,306.3		8,796.7	

SALES BY BUSINESS, RESTATED

MEUR	Q1	%	Q2	%	Q3	%	Q4	%	1–12/2017	%
New equipment	939.0	48%	1,299.7	56%	1,207.6	55%	1,207.5	52%	4,653.9	53%
Services	1,004.4	52%	1,037.5	44%	1,002.1	45%	1,098.8	48%	4,142.8	47%
Maintenance	719.7	37%	717.6	31%	705.9	32%	744.0	32%	2,887.3	33%
Modernization	284.7	15%	319.9	14%	296.2	13%	354.9	15%	1,255.6	14%
Total	1,943.4		2,337.2		2,209.7		2,306.3		8,796.7	

CONSOLIDATED STATEMENT OF INCOME, RESTATED

MEUR	Q1	%	Q2	%	Q3	%	Q4	%	1–12/2017	%
Sales	1,943.4		2,337.2		2,209.7		2,306.3		8,796.7	
Costs and expenses	-1,669.2		-1,973.3		-1,863.5		-1,984.1		-7,490.1	
Depreciation and amortization	-28.4		-28.2		-28.3		-29.5		-114.3	
Operating income	245.8	12.6	335.8	14.4	317.9	14.4	292.8	12.7	1,192.3	13.6
Share of associated companies' net income	0.3		0.0		-0.2		-0.3		-0.2	
Financing income	28.5		14.8		16.2		12.7		72.2	
Financing expenses	-2.8		-4.1		-3.7		-3.3		-13.9	
Income before taxes	271.8	14.0	346.5	14.8	330.2	14.9	301.9	13.1	1,250.4	14.2
Taxes	-63.1		-80.4		-76.6		-70.1		-290.2	
Net income	208.7	10.7	266.1	11.4	253.6	11.5	231.8	10.0	960.2	10.9
Net income attributable to:										
Shareholders of the parent company	206.5		265.1		252.9		231.2		955.8	
Non-controlling interests	2.3		0.9		0.7		0.5		4.4	
Total	208.7		266.1		253.6		231.8		960.2	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share, EUR	0.40		0.52		0.49		0.45		1.86	
Diluted earnings per share, EUR	0.40		0.52		0.49		0.45		1.86	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION, RESTATED

Assets

MEUR		Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
Non-current assets						
Goodwill		1,371.8	1,369.9	1,333.2	1,324.1	1,325.5
Other intangible assets		292.9	287.2	276.8	272.4	274.5
Tangible assets		368.3	369.7	365.8	368.5	377.0
Loan receivables and other interest-bearing assets	I	7.4	7.3	7.3	0.5	0.7
Investments		150.1	155.1	145.4	140.0	134.3
Employee benefits	I	-	-	-	-	11.5
Deferred tax assets	II	302.7	295.5	283.8	276.9	263.3
Total non-current assets		2,493.1	2,484.7	2,412.3	2,382.3	2,386.9
Current assets						
Inventories	II	558.0	617.7	611.8	638.5	626.8
Accounts receivable	II	1,901.9	1,813.0	1,866.1	1,779.5	1,910.8
Deferred assets	II	454.7	485.1	452.3	483.7	404.5
Income tax receivables	II	61.4	60.5	79.5	95.3	67.5
Current deposits and loan receivables	I	1,496.6	1,053.3	1,098.8	1,284.0	1,568.8
Cash and cash equivalents	I	589.2	536.6	607.9	558.7	496.5
Total current assets		5,061.7	4,566.1	4,716.4	4,839.7	5,075.0
Total assets		7,554.8	7,050.8	7,128.8	7,222.0	7,461.9

Equity and liabilities

MEUR		Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
Equity		2,945.4	2,369.4	2,561.6	2,787.7	3,028.9
Non-current liabilities						
Loans	I	203.1	203.9	208.3	204.2	194.7
Employee benefits	I	176.7	179.9	175.7	153.3	152.2
Deferred tax liabilities	II	160.1	160.4	164.1	161.9	143.8
Total non-current liabilities		539.9	544.2	548.1	519.5	490.7
Provisions	II	179.6	158.7	141.1	129.9	137.9
Current liabilities						
Loans	I	25.8	30.6	27.9	20.7	40.5
Advance payments received and deferred revenue	II	1,428.6	1,474.4	1,376.8	1,376.7	1,404.6
Accounts payable	II	743.3	644.2	735.1	690.2	705.1
Accruals	II	1,609.7	1,756.8	1,653.4	1,610.9	1,569.2
Income tax payables	II	82.5	72.5	84.8	86.4	85.1
Total current liabilities		3,890.0	3,978.5	3,878.0	3,784.9	3,804.4
Total equity and liabilities		7,554.8	7,050.8	7,128.8	7,222.0	7,461.9

Items designated " I " comprise interest-bearing net debt.

Items designated " II " comprise net working capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS, RESTATED

MEUR	Q1	Q2	Q3	Q4	1–12/2017
Operating income	245.8	335.8	317.9	292.8	1,192.3
Change in working capital before financing items and taxes	31.1	-43.6	-43.5	12.7	-43.3
Depreciation and amortization	28.4	28.2	28.3	29.5	114.3
Cash flow from operations before financing items and taxes	305.3	320.4	302.7	335.0	1,263.3
Cash flow from financing items and taxes	-50.0	-84.5	-107.7	-57.5	-299.6
Cash flow from operating activities	255.3	235.9	195.0	277.5	963.7
Cash flow from investing activities	-27.0	-30.1	-39.2	-47.2	-143.5
Cash flow after investing activities	228.4	205.8	155.8	230.2	820.2
Purchase of own shares	-	-	-	-	-
Increase in equity (option rights)	-	14.5	7.1	3.3	24.9
Profit distribution	-729.8	-65.6	-	-	-795.4
Change in deposits and loans receivable, net	443.1	-66.8	-174.5	-284.2	-82.4
Change in loans payable and other interest-bearing debt	4.7	-1.1	-27.7	-9.1	-33.2
Changes in non-controlling interests	-	-0.4	-2.7	-2.4	-5.5
Cash flow from financing activities	-282.0	-119.5	-197.8	-292.4	-891.7
Change in cash and cash equivalents	-53.6	86.4	-42.0	-62.2	-71.5
Cash and cash equivalents at beginning of period	589.2	536.6	607.9	558.7	589.2
Translation difference	1.0	-15.0	-7.1	-0.0	-21.1
Cash and cash equivalents at end of period	536.6	607.9	558.7	496.5	496.5

Change in interest-bearing net debt

MEUR	Q1	Q2	Q3	Q4	1–12/2017
Interest-bearing net debt at beginning of period	-1,687.6	-1,182.8	-1,302.1	-1,464.9	-1,687.6
Interest-bearing net debt at end of period	-1,182.8	-1,302.1	-1,464.9	-1,690.2	-1,690.2
Change in interest-bearing net debt	504.8	-119.3	-162.8	-225.3	-2.6

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KONE's financial reporting schedules 2018

Interim Report January 1–September 30, 2018	Thursday, October 25, 2018
KONE Capital Markets Day	Tuesday, September 25, 2018

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 2017, KONE had annual sales of EUR 8.9 billion, and at the end of the year over 55,000 employees. KONE class B shares are listed on the Nasdaq Helsinki Ltd. in Finland. www.kone.com