Highlights

- Continued good growth in operating income
- Growth of the service business accelerated
- Dividend proposal: EUR 1.55 per class B share
- New strategy launched to drive differentiation
### Q4 2016 Key figures

**SOLID PROFIT DEVELOPMENT CONTINUED**

<table>
<thead>
<tr>
<th></th>
<th>Q4/2016</th>
<th>Q4/2015</th>
<th>Historical change</th>
<th>Comparable change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>MEUR</td>
<td>1,839.2</td>
<td>1,947.2</td>
<td>-5.5%</td>
</tr>
<tr>
<td>Order book</td>
<td>MEUR</td>
<td>8,591.9</td>
<td>8,209.5</td>
<td>4.7%</td>
</tr>
<tr>
<td>Sales</td>
<td>MEUR</td>
<td>2,593.2</td>
<td>2,561.8</td>
<td>1.2%</td>
</tr>
<tr>
<td>Operating income (EBIT)</td>
<td>MEUR</td>
<td>392.2</td>
<td>378.5</td>
<td>3.6%</td>
</tr>
<tr>
<td>Operating income margin (EBIT %)</td>
<td>%</td>
<td>15.1</td>
<td>14.8</td>
<td></td>
</tr>
<tr>
<td>Cash flow from operations</td>
<td>MEUR</td>
<td>409.8</td>
<td>403.5</td>
<td></td>
</tr>
<tr>
<td>(before financing items and taxes)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>EUR</td>
<td>0.58</td>
<td>0.71</td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share, adjusted*</td>
<td>EUR</td>
<td>-</td>
<td>0.49</td>
<td></td>
</tr>
</tbody>
</table>

* Excluding extraordinary dividend of MEUR 118 from TELC in 2015
## 1–12/2016 Key figures

**ALL BUSINESSES CONTRIBUTED TO THE GROWTH IN OPERATING INCOME**

<table>
<thead>
<tr>
<th></th>
<th>1–12/2016</th>
<th>1–12/2015</th>
<th>Historical change</th>
<th>Comparable change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>MEUR</td>
<td>7,621.0</td>
<td>7,958.9</td>
<td>-4.2%</td>
</tr>
<tr>
<td>Order book</td>
<td>MEUR</td>
<td>8,591.9</td>
<td>8,209.5</td>
<td>4.7%</td>
</tr>
<tr>
<td>Sales</td>
<td>MEUR</td>
<td>8,784.3</td>
<td>8,647.3</td>
<td>1.6%</td>
</tr>
<tr>
<td>Operating income (EBIT)</td>
<td>MEUR</td>
<td>1,293.3</td>
<td>1,241.5</td>
<td>4.2%</td>
</tr>
<tr>
<td>Operating income margin (EBIT %)</td>
<td>%</td>
<td>14.7</td>
<td>14.4</td>
<td></td>
</tr>
<tr>
<td>Cash flow from operations (before financing items and taxes)</td>
<td>MEUR</td>
<td>1,509.5</td>
<td>1,473.7</td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>EUR</td>
<td>2.00</td>
<td>2.01</td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share, adjusted*</td>
<td>EUR</td>
<td>-</td>
<td>1.79</td>
<td></td>
</tr>
</tbody>
</table>

* Excluding extraordinary dividend of MEUR 118 from TELC in 2015
1–12/2016 Sales split
SHARE OF MODERNIZATION AND THE AMERICAS CONTINUED TO GROW

BY BUSINESS

- Modernization: 55% (57%)
- Maintenance: 31% (31%)
- New equipment: 14% (12%)

BY AREA

- Asia-Pacific: 41% (44%)
- EMEA (Europe, Middle East and Africa): 40% (39%)
- Americas: 19% (17%)

1–12/2015 figures in brackets.
Figures in charts are rounded and at historical exchange rates.
Business highlights in 2016

NEW EQUIPMENT
- New product launches in each geographic area strengthened competitiveness
- Improved product competitiveness enabled strong result in a challenging environment
- Extensions to People Flow Intelligence solutions

SERVICE
- Solid growth in maintenance in all geographic areas
  - Strong conversions from new equipment, improved competition balance
  - Strong growth in modernization driven by proactive sales approach and improved competitiveness
- New service concepts piloted and launched with encouraging results

Orders received (units): ~158,000 (2015: ~161,000)
Units delivered: ~136,000 (2015: ~137,000)
Dividend proposal: EUR 1.55 per class B share

Split-adjusted dividend per class B share, EUR, 2006–2016

- Dividend payout:
  - ~78% of earnings per share
  - ~81% of cash flow after investing activities
- Effective dividend yield in 2016: 3.6%

Adjusted for share splits in 2008 (1:2) and 2013 (1:2).
*Board’s proposal
Market development
New equipment market development in Q4
GLOBAL MARKET VOLUMES REMAINED RATHER STABLE

<table>
<thead>
<tr>
<th>EMEA market</th>
<th>North American market</th>
<th>Asia-Pacific market</th>
</tr>
</thead>
<tbody>
<tr>
<td>+/−</td>
<td>+</td>
<td>−</td>
</tr>
<tr>
<td>~20%</td>
<td>&lt;5%</td>
<td>&gt;2/3</td>
</tr>
</tbody>
</table>

Q4 development (in units)

<table>
<thead>
<tr>
<th>Share of global market (in units)</th>
</tr>
</thead>
</table>

- Decline in Central and North Europe from a high comparison level
- Slight growth in South Europe
- Continued market uncertainty in the Middle East
- Slight growth in the United States with positive development in residential and commercial segments
- Pricing environment continued to develop positively
- Market in China declined slightly in units and clearly in monetary value. Pricing environment remained tough
- Decline in India due to market uncertainty. Also Australian market declined
- Southeast Asian market grew but situation varied from country to country
MARKET CONDITIONS IN CHINA CONTINUED TO BE CHALLENGING IN Q4

**Inventories**
- Inventories of unsold apartments low in higher-tier cities but still somewhat elevated in lower-tier cities

**Housing prices**
- Authorities have taken actions to curb the steep rise in housing prices in several higher-tier cities

**E&E market**
- Real estate investment recovered in 2016 following stimulation and rising land prices
- Slight decline in E&E units ordered in Q4 with continued price pressure (same magnitude as during the previous quarters)

Sources: China NBS, E-house, CREIS, KONE estimates
### Service market development in Q4

**CONTINUED GROWTH ACROSS REGIONS**

<table>
<thead>
<tr>
<th></th>
<th>EMEA market</th>
<th>North American market</th>
<th>Asia-Pacific market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maintenance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 development</td>
<td>+</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Share of global market (in units)</td>
<td>&lt;50%</td>
<td>&lt;10%</td>
<td>~35%</td>
</tr>
<tr>
<td></td>
<td>• Pricing environment remained tough especially in South Europe</td>
<td>• Price competition remained rather intense</td>
<td>• Continued good growth across the region</td>
</tr>
<tr>
<td><strong>Modernization</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 development</td>
<td>+</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>Share of global market (in monetary value)</td>
<td>~1/3</td>
<td>~25%</td>
<td>~15%</td>
</tr>
<tr>
<td></td>
<td>• Significant market growth in Central and North Europe; slight decline in South Europe</td>
<td>• Pricing environment continued to develop favorably</td>
<td>• Strong market growth</td>
</tr>
</tbody>
</table>
Q4 and 2016 financials
Orders received

ORDERS RECEIVED GREW IN ALL REGIONS OUTSIDE CHINA BOTH IN Q4 AND FULL YEAR 2016

- The relative margin of orders received declined slightly in H2/2016 but remained at a good level

Orders received grew in all regions outside China both in Q4 and full year 2016.
Sales

SALES GROWTH DRIVEN BY SERVICE BOTH IN Q4 AND FULL YEAR 2016

MEUR

Sales growth driven by service both in Q4 and full year 2016.

At historical exchange rates:
- EMEA: +9.4%
- Americas: +14.3%
- Asia-Pacific: -6.9%

At comparable exchange rates:
- +3.6%
- +7.2%
- +12.4%
- -0.3%

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Operating income
ALL BUSINESSES CONTRIBUTED TO EBIT GROWTH IN Q4 AND FULL YEAR 2016

At historical exchange rates

Growth
FX
Q4 2015
Q4 2016

Productivity improvements especially in new equipment

Operating income
ALL BUSINESSES CONTRIBUTED TO EBIT GROWTH IN Q4 AND FULL YEAR 2016

MEUR
500
250
0
2009
Q1
2016
Q2
Q3
Q4
+4.5%
+7.2%
+1.6%
+3.6%
349
331
392
221

January 26, 2017
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January 26, 2017
Results presentation 2016 | © KONE Corporation
Cash flow 2016

NET WORKING CAPITAL CONTINUED TO CONTRIBUTE POSITIVELY TO CASH FLOW

CASH FLOW FROM OPERATIONS*

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT + depreciation and amortization</th>
<th>Change in NWC</th>
<th>Cash flow from operations*</th>
<th>Financing items and taxes</th>
<th>Capex</th>
<th>Acquisitions</th>
<th>Other</th>
<th>Cash flow after investing activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>800</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,250</td>
</tr>
<tr>
<td>2016</td>
<td>1,400</td>
<td>110</td>
<td>1,509</td>
<td>331</td>
<td>116</td>
<td>82</td>
<td>0</td>
<td>981</td>
</tr>
</tbody>
</table>

*before financing items and taxes

Advances received / inventories improved to 144% (2015: 138%)

Capex 1.5% of revenue (2015: 1.1%)

19 acquisitions (excluding GK)
- Focus on acquiring maintenance base in Europe and the US

EBIT + depreciation and amortization
Change in NWC
Cash flow from operations*
Financing items and taxes
Capex
Acquisitions
Other
Cash flow after investing activities
Market and business outlook for 2017
Market outlook for 2017

NEW EQUIPMENT MARKETS

▪ Asia-Pacific: The market in China is expected to decline by 0–5% in units ordered, intense competition to continue. In the rest of Asia-Pacific, the market is expected to grow.

▪ Europe, Middle East and Africa: the market is expected to grow slightly.

▪ North America: the market is expected to grow slightly.

MAINTENANCE MARKETS

▪ The maintenance markets are expected to see the strongest growth rate in Asia-Pacific and to grow slightly also in other regions.

MODERNIZATION MARKETS

▪ The modernization market is expected to grow slightly in Europe and in North America, and to develop strongly in Asia-Pacific.
Business outlook for 2017

SALES
- KONE’s net sales is estimated to grow by -1% to 3% at comparable exchange rates as compared to 2016.

OPERATING INCOME
- The operating income (EBIT) is expected to be in the range of EUR 1,180–1,300 million, assuming that translation exchange rates would remain at approximately the average level of January 2017.
A new phase in KONE’s strategy
Sales and operating income 2013–2016

SALES BY AREA
MEUR

SALES BY BUSINESS
MEUR

OPERATING INCOME
MEUR

SALES BY AREA

SALES BY BUSINESS

OPERATING INCOME

CAGR  +8%

CAGR  +11%

CAGR  3%

CAGR  9%

CAGR  11%

CAGR  8%
Achievements from Development Programs 2014-2016

COMPETITIVENESS IMPROVED AND GROWTH IN SERVICES ACCELERATED

First in Customer Loyalty
- A clear improvement in customer loyalty through actions on customer communication and interactions

A Winning Team of True Professionals
- Improved employee engagement. Close to 100% coverage of individual development plans. E-learning platform in active use

The Most Competitive People Flow Solutions
- Faster than market growth with improved profitability. Improved competitiveness of product offering. Good ramp-up of PFI sales

Preferred Maintenance Partner
- Solid growth. New online tools for customers and technicians to support new services. Encouraging results from new service concepts

Top Modernization Provider
- Accelerated growth in modernization by proactive sales approach and improved competitiveness of offering
We are entering a new phase in our strategy

- Capitalize on new technologies to add value for customers in new ways
- Cater to changing customer expectations
- Drive smart and sustainable urbanization

Increased differentiation

Higher speed of bringing new services and solutions to market
Winning with Customers
OUR MISSION IS TO IMPROVE THE FLOW OF URBAN LIFE

VISION
KONE DELIVERS THE BEST PEOPLE FLOW® EXPERIENCE

STRATEGIC TARGETS
Most loyal customers  Great place to work  Faster than market growth  Best financial development  Leader in sustainability

WAYS TO WIN

WINNING WITH CUSTOMERS

Collaborative innovation and new competencies

Customer-centric solutions and services

True service mindset

Fast and smart execution

CULTURE

SAFETY

VALUES

QUALITY

Delighting the customer  Energy for renewal  Passion for performance  Winning together
How do we bring our strategy to life?

WE INTRODUCE FOUR WAYS TO WIN WITH OUR CUSTOMERS
OUR AIM IS TO PROVIDE EASE, EFFECTIVENESS AND EXPERIENCES TO USERS AND CUSTOMERS

Collaborative innovation and new competencies

Customer-centric solutions and services

True service mindset

Fast and smart execution
We are improving the flow of urban life

- 2016 another strong year for KONE
- New strategic phase: increased differentiation and stronger customer-centricity
- Technological disruption and connectivity bring opportunities to create value to our customers in new ways
- We are in a strong position to drive the change with a challenger mindset
NEW EQUIPMENT MARKET

New equipment orders received in units vs. market development

CHINA’S SHARE OF KONE’S ORDERS AND SALES

In monetary value

- Share of orders received
  - Q4 2016: >25%
  - FY 2016: ~30%
- Share of sales
  - Q4 2016: >25%
  - FY 2016: <35%

Market performance:
- Q4 2016: ~5%
- FY 2016: ~8%
Currencies

SALES BY CURRENCY 1–12/2016

CURRENCY IMPACT

<table>
<thead>
<tr>
<th></th>
<th>Q4</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>-60</td>
<td>-195</td>
</tr>
<tr>
<td>EBIT</td>
<td>-14</td>
<td>-44</td>
</tr>
<tr>
<td>Orders received</td>
<td>-54</td>
<td>-211</td>
</tr>
</tbody>
</table>

MAIN CURRENCIES, AVERAGE RATES

![Graph showing the comparison of currency rates over years](image-url)
# Q4 2016 Balance sheet – assets employed

<table>
<thead>
<tr>
<th>MEUR</th>
<th>Dec 31, 2016</th>
<th>Dec 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets employed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>1,371.8</td>
<td>1,306.7</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>292.9</td>
<td>271.5</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>368.3</td>
<td>345.4</td>
</tr>
<tr>
<td>Investments</td>
<td>129.9</td>
<td>122.7</td>
</tr>
<tr>
<td>Net working capital</td>
<td>-1,054.8</td>
<td>-983.4</td>
</tr>
<tr>
<td><strong>Assets employed total</strong></td>
<td><strong>1,108.0</strong></td>
<td><strong>1,062.9</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Financed by</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>2,795.6</td>
<td>2,575.5</td>
</tr>
<tr>
<td>Net debt</td>
<td>-1,687.6</td>
<td>-1,512.6</td>
</tr>
<tr>
<td><strong>Equity and net debt total</strong></td>
<td><strong>1,108.0</strong></td>
<td><strong>1,062.9</strong></td>
</tr>
<tr>
<td></td>
<td>Dec 31, 2016</td>
<td>Dec 31, 2015</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,373.5</td>
<td>1,326.7</td>
</tr>
<tr>
<td>Advance payments received</td>
<td>-1,976.9</td>
<td>-1,829.4</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,573.7</td>
<td>1,480.2</td>
</tr>
<tr>
<td>Other non-interest-bearing assets</td>
<td>429.8</td>
<td>434.0</td>
</tr>
<tr>
<td>Net deferred tax assets / liabilities</td>
<td>-1,692.5</td>
<td>158.8</td>
</tr>
<tr>
<td>Provisions</td>
<td>-183.2</td>
<td>-173.6</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>-743.3</td>
<td>-728.9</td>
</tr>
<tr>
<td>Other non-interest-bearing liabilities</td>
<td>164.1</td>
<td>-1,651.3</td>
</tr>
<tr>
<td><strong>Net working capital total</strong></td>
<td><strong>-1,054.8</strong></td>
<td><strong>-983.4</strong></td>
</tr>
</tbody>
</table>
# Q4 2016 Consolidated cash flow

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating income</strong></td>
<td>392.2</td>
<td>378.5</td>
<td>1,293.3</td>
<td>1,241.5</td>
</tr>
<tr>
<td>Change in working capital before financing items and taxes</td>
<td>-10.9</td>
<td>-0.6</td>
<td>109.7</td>
<td>132.3</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>28.6</td>
<td>25.6</td>
<td>106.5</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Cash flow from operations before financing items and taxes</strong></td>
<td>409.8</td>
<td>403.5</td>
<td>1,509.5</td>
<td>1,473.7</td>
</tr>
<tr>
<td>Financing items and taxes</td>
<td>-92.7</td>
<td>32.2</td>
<td>-331.0</td>
<td>-27.0</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>317.1</td>
<td>435.7</td>
<td>1,178.4</td>
<td>1,446.7</td>
</tr>
<tr>
<td>Investing activities</td>
<td>-37.5</td>
<td>-41.3</td>
<td>-197.6</td>
<td>-155.0</td>
</tr>
<tr>
<td>Purchase of own shares</td>
<td>0.0</td>
<td>-</td>
<td>-39.3</td>
<td>-71.2</td>
</tr>
<tr>
<td>Increase in equity (option rights)</td>
<td>6.9</td>
<td>0.2</td>
<td>18.4</td>
<td>13.5</td>
</tr>
<tr>
<td>Profit distribution</td>
<td>0.0</td>
<td>-</td>
<td>-718.2</td>
<td>-616.3</td>
</tr>
<tr>
<td>Changes in non-controlling interest</td>
<td>-0.2</td>
<td>-</td>
<td>-26.7</td>
<td>-18.4</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>286.3</td>
<td>394.6</td>
<td>214.9</td>
<td>599.5</td>
</tr>
</tbody>
</table>