

*Dedicated to People Flow™*



The elevator  
every home  
deserves.

With KONE's solutions for residential buildings, tenants of all ages can enjoy the ride in safety and comfort, happy in the knowledge that the carbon footprint of their building is also reduced.

# KONE Q2

INTERIM REPORT  
FOR JANUARY–JUNE 2015

# KONE's January–June 2015 review

## April–June 2015: Strong performance on a broad basis

- In April–June 2015, orders received totaled EUR 2,193 (4–6/2014: 1,802) million. Orders received grew by 21.7% at historical exchange rates and by 6.3% at comparable exchange rates.
- Net sales grew by 19.5% to EUR 2,210 (1,849) million. At comparable exchange rates the growth was 6.8%.
- Operating income was EUR 325.2 (263.2) million or 14.7% (14.2%) of net sales.
- Cash flow from operations (before financing items and taxes) was EUR 426.0 (280.2) million.
- KONE specifies its business outlook for 2015. In 2015, KONE's net sales is estimated to grow by 6–8% at comparable exchange rates as compared to 2014. Operating income (EBIT) is expected to be in the range of EUR 1,190–1,250 million, assuming that translation exchange rates would remain at approximately the average level of January–June 2015. KONE previously estimated its net sales to grow by 6–9% at comparable exchange rates as compared to 2014. KONE's previous outlook for its operating income (EBIT) was EUR 1,140–1,230 million, assuming that translation rates would have remained at approximately the average level of January–March 2015.

## January–June 2015

- In January–June 2015, orders received totaled EUR 4,247 (1–6/2014: 3,532) million. Orders received grew by 20.3% at historical exchange rates and by 5.9% at comparable exchange rates. The order book stood at EUR 8,627 (June 30, 2014: 6,537) million at the end of June 2015.
- Net sales grew by 18.6% to EUR 3,901 (3,291) million. At comparable exchange rates the growth was 6.9%.
- Operating income was EUR 537.1 (442.9) million or 13.8% (13.5%) of net sales.
- Cash flow from operations (before financing items and taxes) was EUR 638.2 (605.6) million.

## KEY FIGURES

		4–6/2015	4–6/2014	1–6/2015	1–6/2014	1–12/2014
Orders received	MEUR	2,193.5	1,801.9	4,247.3	3,531.6	6,812.6
Order book	MEUR	8,627.4	6,537.2	8,627.4	6,537.2	6,952.5
Sales	MEUR	2,210.4	1,848.9	3,901.2	3,290.7	7,334.5
Operating income (EBIT)	MEUR	325.2	263.2	537.1	442.9	1,035.7
Operating income (EBIT)	%	14.7	14.2	13.8	13.5	14.1
Cash flow from operations (before financing items and taxes)	MEUR	426.0	280.2	638.2	605.6	1,345.4
Net income	MEUR	266.0	204.7	417.1	348.0	773.9
Basic earnings per share	EUR	0.51	0.39	0.80	0.67	1.47
Interest-bearing net debt	MEUR	-955.3	-520.6	-955.3	-520.6	-911.8
Total equity/total assets	%	40.7	38.7	40.7	38.7	43.6
Gearing	%	-46.9	-33.8	-46.9	-33.8	-44.2



## KONE's January–June 2015 review

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

"Our performance in the second quarter was strong. We achieved solid growth in orders received, which totaled EUR 2,193 million, amounting to a growth of 21.7% at historical and 6.3% at comparable exchange rates. Sales was EUR 2,210 million, with a growth of 19.5% at historical and 6.8% at comparable rates. Sales growth was particularly strong in the Americas region and accelerated slightly in the service business. Our profitable growth continued and our operating income grew to EUR 325 million. The relative operating income improved from 14.2% to 14.7% of sales. Cash flow was very strong at a level of EUR 426 million. Favorable translation exchange rates continued to have a significantly positive impact on our reported figures.

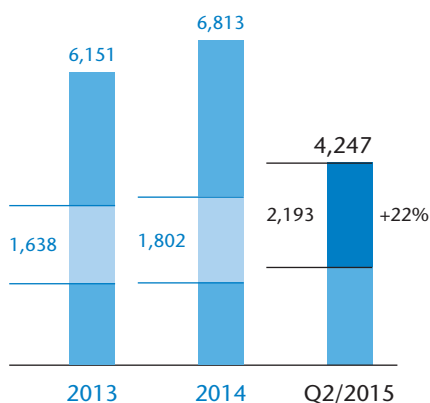
I am very pleased with our good performance, which was broad-based both geographically and across the businesses. This reflects the strong engagement of our employees and their commitment to achieve results. I want to thank everyone for their great contribution.

Trends in the global market were varied during the second quarter. In China, the new equipment market declined slightly from a high level. In North America, both new equipment and modernization markets continued to grow. In the EMEA region, sentiment in the market improved slightly. Opportunities in South Europe in particular improved compared to previous quarters. In modernization, the best development in Europe was seen in Central and North European markets. Maintenance market trends saw no major changes globally during the quarter, with the highest rates of growth seen in Asia-Pacific.

While competition remained intense in many markets, our active work to maintain the competitiveness of our offering continued to bring good results. Looking forward, we are optimistic about our opportunities to grow and improve our execution globally. The solid second quarter combined with a record-high order book supports this confidence. Having half of the year now behind us, we have specified our market and business outlook. In our market outlook for China, our base case is a stable new equipment market or a slight decline for the full year following the slight decline in the second quarter. In our business outlook for the full year, we now expect a sales growth of 6–8% at comparable rates. Operating income is expected to reach EUR 1,190–1,250 million for the full year, which also includes a favorable translation rate impact."

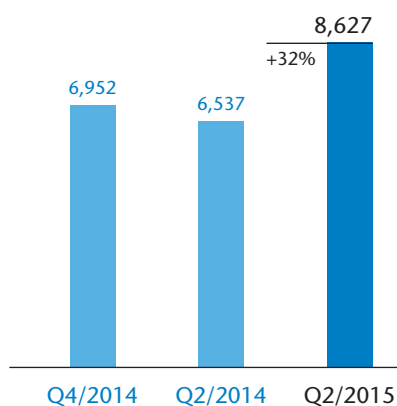
## Key Figures

### Orders received (MEUR)



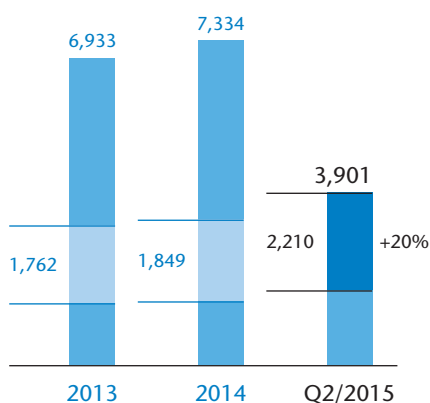
- In April–June 2015 orders received grew by 21.7% at historical exchange rates (at comparable exchange rates by 6.3%).
- New equipment orders received grew clearly in the volume business on a broad basis, but major projects growth was slower due to a strong comparison period. In modernization, orders received grew slightly. KONE does not include maintenance contracts in orders received.
- Growth in orders received was driven by strong development in North America and the EMEA region, while the rate of growth in orders was lower in Asia-Pacific.
- In January–June 2015 KONE's orders received grew clearly in the volume business and declined somewhat in the major projects business from a high comparison level. Orders received grew in both the new equipment and modernization businesses.
- Orders received grew somewhat in the EMEA region at comparable rates, strongly in the Americas and slightly in Asia-Pacific.

### Order book (MEUR)



- The order book grew by 32.0% at historical rates (at comparable exchange rates by 15.0%).
- In April–June 2015 the margins of orders received remained at a good level, despite the price competition seen in many markets. Improvements in the overall product competitiveness, including cost, helped in maintaining the healthy margins.
- In January–June 2015 the margin of the order book remained at a healthy level.

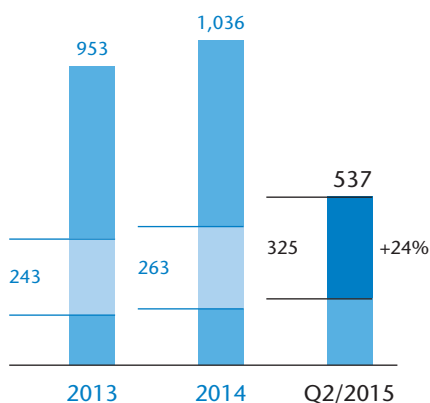
### Sales (MEUR)



- During April–June 2015 net sales grew by 19.5% at historical exchange rates (at comparable exchange rates 6.8%).
- New equipment sales grew by 22.7% (at comparable rates by 6.6%) and service (maintenance and modernization) sales by 15.3% (7.1%), with maintenance sales growing by 14.5% (6.4%) and modernization sales by 17.6% (8.8%).
- Sales in the EMEA region grew by 4.0% at comparable rates, by 13.9% in the Americas region and by 7.0% in the Asia-Pacific region at comparable rates.
- During January–June 2015, sales in the EMEA region grew by 3.8% at comparable rates, by 11.1% in the Americas region and by 8.4% in the Asia-Pacific region at comparable rates.

## Key Figures

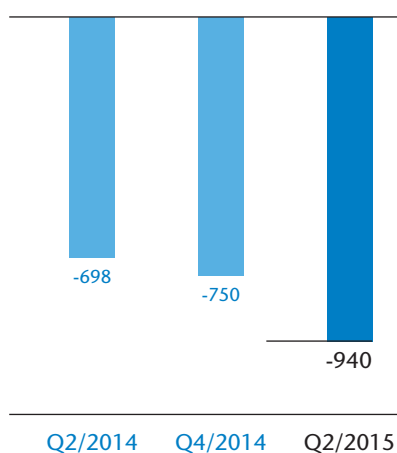
### EBIT (MEUR)



- **In April–June 2015** operating income was 14.7% of net sales (4–6/2014: 14.2%).
- Operating income grew driven by a positive development in both the new equipment and the service business.
- Favorable translation exchange rates clearly contributed to the growth in operating income. Geographically, the growth was driven by a broad-based positive development across regions.
- KONE continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific and North America as well as R&D, process development and IT.

- **In January–June 2015**, operating income was 13.8% of net sales (1–6/2014: 13.5%).

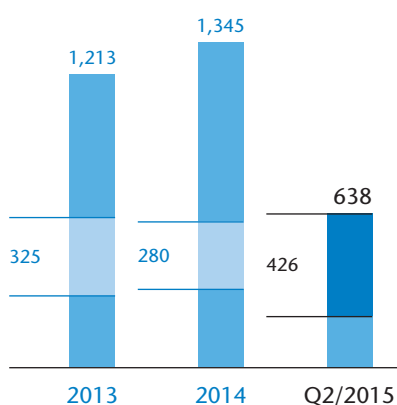
### Working capital<sup>2</sup> (MEUR)



- **In January–June 2015**, net working capital improved.
- The impact from translation exchange rates was significantly positive on the reported working capital, but also at comparable rates, net working capital improved from a very good level.
- The level of advances received relative to inventories remained at a healthy good level.

<sup>2)</sup> Including financing and tax items

### Cash flow<sup>3</sup> (MEUR)



- **In January–June 2015**, cash flow generated from operations was strong. A good development in operating income was the main contributor to the strong cash flow.

<sup>3)</sup> Cash flow from operations before financing items and taxes

## KONE's January–June 2015 review

### Accounting Principles

KONE Corporation's Interim Report for January–June 2015 has been prepared in line with IAS 34 Interim Financial Reporting and should be read in conjunction with KONE's Financial Statements for 2014, published on January 29, 2015. KONE has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2014, except for the adoption of new standards and interpretations effective during 2015 that are relevant to its operations. The changes did not have material impact on the Interim Report. The information presented in this Interim Report has not been audited.

### April–June 2015 review

#### Operating environment in April–June

In the second quarter of 2015, the global new equipment market volumes weakened marginally due to a slight decline in China. In the Europe, Middle East and Africa (EMEA) region, the market was rather stable. In North America, the market continued to grow. The major projects segment slowed down somewhat in the quarter. The modernization market saw some growth in North America, and was on a more stable trend overall in Europe. Maintenance markets grew globally, although at low rates in such countries, where new equipment activity has been weak for the past years.

**In the EMEA region,** the market sentiment improved slightly in the second quarter. In Central and North Europe, the new equipment market was rather stable. The residential segment continued to grow slightly, but other segments declined in volume. Of the larger markets, Germany remained at a good level and Great Britain continued to grow somewhat. In South Europe, new equipment demand remained weak but showed further signs of stabilization. While the new equipment market in Italy remained weak, demand in France stabilized and the gradual recovery of the Spanish market progressed. The market in the Middle East saw some growth in new equipment demand from a good level. The modernization market in Central and North Europe continued to grow driven by Germany and Great Britain, but remained weaker in South Europe with only Spain on a positive trend among the larger markets. The maintenance market grew, although with significant variation between countries.

**In North America,** the new equipment market continued to grow driven by good development in the United States, in the commercial and residential segments in particular. In Canada, the new equipment market remained rather stable. Also the modernization market grew in North America. The maintenance market continued to grow, albeit slowly as a result of low volumes in new equipment deliveries in prior years.

**In the Asia-Pacific region,** the new equipment market volumes as a whole weakened marginally in the quarter following a slight decline in the new equipment market in China. In the residential segment, affordable housing was stable, while demand in commercially-funded residential projects continued to decline slightly. Other commercial segments grew slightly. With support from stimulus measures, the infra-

structure segment saw good growth. The first-tier cities continued to show an overall solid level of demand, while the development in lower-tier cities varied significantly. Outside China, the new equipment market in India grew slightly with some further improvement seen in the market sentiment. The Southeast Asian new equipment markets were rather stable. In Australia, both new equipment and modernization demand increased during the quarter. Maintenance markets in Asia-Pacific continued to see good growth, following the positive development of new equipment demand in the region.

In the second quarter, trends in the pricing environment remained broadly unchanged. In China, competition for market share in the new equipment market remained intense, resulting in continued pressure on pricing. The rest of Asia-Pacific saw a rather stable development overall. In the EMEA region, the pricing environment in new equipment was the most challenging in South European markets with persisting low volumes. The pricing of new equipment in North America continued to improve slightly, particularly in the volume business. In maintenance and modernization, the pricing environment was characterized by strong competition in the EMEA region, particularly in South Europe and also in some of the Central and North European markets. Also in North America, price competition remained rather intense in maintenance, but continued to slightly ease in modernization.

#### Financial performance in April–June

**Orders received** grew by 21.7% as compared to April–June 2014, and totaled EUR 2,193 (4–6/2014: 1,802) million. At comparable exchange rates, KONE's orders received increased by 6.3%. Orders received grew in all geographic regions. New equipment orders received grew clearly in the volume business on a broad basis, but major projects growth was slower due to a strong comparison period. In modernization, orders received grew slightly. The margins of orders received remained at a good level, despite the price competition seen in many markets. Improvements in the overall product competitiveness, including cost, helped in maintaining the healthy margins. KONE does not include maintenance contracts in orders received.

Growth in orders received was driven by strong development in North America and the EMEA region, while the rate of growth in orders was lower in Asia-Pacific. At comparable exchange rates, orders received grew clearly in the EMEA region, with growth in all parts of the region. Orders saw solid growth in Central and North Europe as well as the Middle East, and grew clearly in South Europe. The development was strong particularly in the volume business, which grew on a broad basis. In the Americas region, KONE's order intake grew strongly driven by a continued positive development in the United States. In Asia-Pacific, orders received grew slightly with China remaining the largest growth contributor in absolute terms, but with orders in India and Australia growing at a faster rate.

**KONE's net sales** grew by 19.5% as compared to April–June 2014, and totaled EUR 2,210 (4–6/2014: 1,849) million.

# KONE's January–June 2015 review

## SALES BY AREA, MEUR

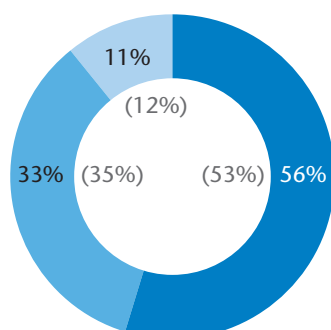
	1–6/2015	1–6/2014	Historical change	Comparable change	1–12/2014
EMEA <sup>1)</sup>	1,565.5	1,480.7	5.7%	3.8%	3,204.6
Americas	618.3	471.4	31.1%	11.1%	1,100.6
Asia-Pacific	1,717.5	1,338.6	28.3%	8.4%	3,029.3
<b>Total</b>	<b>3,901.2</b>	<b>3,290.7</b>	<b>18.6%</b>	<b>6.9%</b>	<b>7,334.5</b>

<sup>1)</sup> EMEA = Europe, Middle East, Africa

## SALES BY BUSINESS, MEUR

	1–6/2015	1–6/2014	Historical change	Comparable change	1–12/2014
New equipment	2,166.4	1,757.0	23.3%	8.2%	4,008.8
Maintenance	1,294.0	1,136.5	13.9%	6.3%	2,338.3
Modernization	440.8	397.3	11.0%	3.1%	987.4
<b>Total</b>	<b>3,901.2</b>	<b>3,290.7</b>	<b>18.6%</b>	<b>6.9%</b>	<b>7,334.5</b>

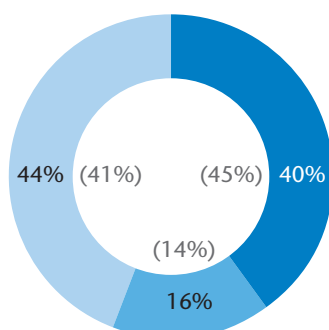
### Sales by business



■ New equipment  
■ Maintenance  
■ Modernization

1–6/2015  
(1–6/2014)

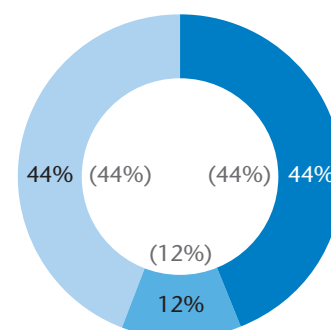
### Sales by area



■ EMEA  
■ Americas  
■ Asia-Pacific

1–6/2015  
(1–6/2014)

### Personnel by area



■ EMEA  
■ Americas  
■ Asia-Pacific

June 30, 2015: 48,485  
(December 31, 2014: 47,064)

At comparable exchange rates KONE's net sales growth was 6.8%. Net sales grew in all geographic regions.

New equipment sales accounted for EUR 1,300 (1,060) million and represented an increase of 22.7% over the comparison period. At comparable exchange rates, new equipment sales grew by 6.6%.

Service (maintenance and modernization) sales grew by 15.3% and totaled EUR 910.5 (789.4) million. At comparable exchange rates, service sales grew by 7.1%. Maintenance sales was EUR 657.1 (573.9) million and grew by 14.5% at historical and by 6.4% at comparable exchange rates. Maintenance sales include elevator and escalator maintenance

as well as KONE's automatic doors business. Modernization sales grew by 17.6% and totaled EUR 253.4 (215.5) million. At comparable exchange rates, modernization sales grew by 8.8%.

Sales in the EMEA region grew by 6.4% and totaled EUR 856.9 (805.2) million. At comparable exchange rates, the growth was 4.0%. Sales in the Americas region accounted for EUR 336.8 (249.1) million and represented an increase of 35.2% over the comparison period. At comparable exchange rates, the growth was 13.9%. Sales in the Asia-Pacific region grew by 27.9% and totaled EUR 1,017 (794.6) million. At comparable rates, the growth was 7.0%.

## KONE's January–June 2015 review

**KONE's operating income** (EBIT) for the April–June 2015 period totaled EUR 325.2 (263.2) million or 14.7% (14.2%) of net sales. Operating income grew driven by a positive development in both the new equipment and the service business. Favorable translation exchange rates clearly contributed to the growth in operating income. Geographically, the growth was driven by a broad-based positive development across regions. KONE continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific and North America as well as R&D, process development and IT.

**Cash flow from operations** in April–June 2015 (before financing items and taxes) was EUR 426.0 (280.2) million. The very strong cash flow was driven by good development in operating income and an improvement in net working capital. The positive development in net working capital was due to a continued good level of advance payments received relative to inventories and a seasonally higher level of accounts payable.

### January–June 2015 review

#### Orders received and Order book in January–June

During January–June 2015, the new equipment market volumes in Asia-Pacific were on a marginally decreasing trend, driven by a slight decline in market volumes in China. In the EMEA region, market volumes were rather stable in Central and North Europe, stabilized in South Europe from a weaker level, and saw some growth in the Middle East. In North America, good development in new equipment demand continued. In modernization, the large European market developed positively in the Central and Northern parts of the continent and remained weaker in South Europe. In North America, modernization demand grew, and markets in Asia-Pacific also showed modernization opportunities. The maintenance market continued to grow globally, with volume growth driven by Asia-Pacific following the positive development of the new equipment market in the region. The pricing environment was challenging in all businesses, in particular in countries suffering from a prolonged weakness in the new equipment market.

**Orders received** grew by 20.3% as compared to January–June 2014, and totaled EUR 4,247 (1–6/2014: 3,532) million. At comparable exchange rates, KONE's orders received increased by 5.9%. In the first half of the year, KONE's orders received grew clearly in the volume business and declined somewhat in the major projects business from a high comparison level. Orders received grew in both the new equipment and modernization businesses. KONE does not include maintenance contracts in orders received.

The order book grew by 32.0% compared to the end of June 2014, and stood at a level of EUR 8,627 (June 30, 2014: 6,537) million at the end of the reporting period. At comparable exchange rates, the increase was 15.0%. The margin of the order book remained at a healthy level. The overall margin of orders received was also stable at a good level. This was achieved due to the good progress in product competitive-

ness, including cost, despite price pressure in several markets. Cancellations of orders remained at a very low level.

**Orders received in the EMEA region** grew somewhat at comparable rates as compared to January–June 2014. New equipment orders grew in the region. They grew clearly in Central and North Europe, with growth in Great Britain and the Nordics and some decline in Germany. In South Europe, new equipment orders grew strongly, albeit from a low level, with significant growth in France and Italy and very strong growth in Spain. In the Middle East, new equipment orders received declined clearly due to a high level of major projects in the comparison period. KONE's modernization order intake in the EMEA region grew somewhat as compared to January–June 2014, with some growth in Central and North Europe and slight growth also in South Europe.

**Orders received in the Americas region** grew strongly at comparable rates as compared to January–June 2014. New equipment orders received grew very strongly, driven by the United States in particular and Canada also seeing strong growth. Also in modernization, orders received grew significantly in North America.

**Orders received in the Asia-Pacific region** grew slightly at comparable rates as compared to January–June 2014. New equipment orders received grew slightly in the region with some growth in China and clear growth in Australia. In India orders were stable, and in Southeast Asia they declined strongly due to several large projects in the comparison period. Modernization orders received grew somewhat in the region.

#### Net sales

KONE's net sales increased by 18.6% as compared to January–June 2014, and totaled EUR 3,901 (1–6/2014: 3,291) million. At comparable exchange rates the increase was 6.9%.

**New equipment sales** accounted for EUR 2,166 (1,757) million and represented an increase of 23.3% over the comparison period. At comparable exchange rates, new equipment sales grew by 8.2%.

**Service (maintenance and modernization) sales** increased by 13.1%, and totaled EUR 1,735 (1,534) million. At comparable exchange rates, service sales grew by 5.4%. Maintenance sales grew by 13.9% at historical and by 6.3% at comparable exchange rates, and totaled EUR 1,294 (1,137) million. Modernization sales increased by 11.0%, and totaled EUR 440.8 (397.3) million. At comparable exchange rates, modernization sales increased by 3.1%.

The share of new equipment sales was 56% (53%) and the share of service sales 44% (47%) of total sales, with maintenance representing 33% (35%) and modernization 11% (12%) of total sales. The geographical distribution of net sales was 40% (45%) EMEA, 16% (14%) Americas and 44% (41%) Asia-Pacific. The increase in the share of new equipment and Asia-Pacific was to a large extent due to changes in translation exchange rates.

**Sales in the EMEA region** grew by 5.7%, and totaled EUR 1,566 (1,481) million. At comparable exchange rates, the growth was 3.8%. New equipment sales grew clearly



## KONE's January–June 2015 review

and maintenance sales grew somewhat. Modernization sales declined slightly.

**Sales in the Americas region** grew by 31.1%, and totaled EUR 618.3 (471.4) million. At comparable exchange rates, the growth was 11.1%. New equipment sales grew significantly and also modernization sales grew strongly. Maintenance sales grew slightly.

**Sales in the Asia-Pacific region** grew by 28.3%, and totaled EUR 1,717 (1,339) million. At comparable exchange rates, the growth was 8.4% with clear growth in new equipment, significant growth in maintenance, and a significant decline in modernization sales.

### Financial result

**KONE's operating income (EBIT)** grew and reached EUR 537.1 (1–6/2014: 442.9) million or 13.8% (13.5%) of net sales. Operating income grew driven by a positive development in both the new equipment and the service business. Favorable translation exchange rates clearly contributed to the growth in operating income. Geographically, the growth was driven by a broad-based positive development across regions. KONE continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific and North America as well as R&D, process development and IT.

Net financing items was EUR 0.8 (10.7) million. The net financing items was impacted by negative foreign exchange valuation of option liabilities related to acquisitions.

KONE's income before taxes was EUR 538.2 (453.6) million. Taxes totaled EUR 121.1 (105.6) million, taking into account taxes proportionate to the amount estimated for the financial year. This represents an effective tax rate of 22.5% (23.3%) for the full financial year. Net income for the period under review was EUR 417.1 (348.0) million.

Basic earnings per share was EUR 0.80 (0.67).

### Consolidated statement of financial position and Cash flow

KONE's financial position was very strong at the end of June 2015.

**Cash flow from operations** during January–June 2015 (before financing items and taxes) was strong at EUR 638.2 (1–6/2014: 605.6) million. A good development in operating income was the main contributor to the strong cash flow.

Net working capital improved and was at the end of June 2015 EUR -940.0 (December 31, 2014: -749.7) million, including financing items and taxes. The impact from translation exchange rates was significantly positive on the reported working capital, but also at comparable rates, net working capital improved from a very good level. The level of advances received relative to inventories remained at a healthy good level.

Interest-bearing net debt at the end of June 2015 was EUR -955.3 (December 31, 2014: -911.8) million. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 1,314 (1,279) million at the end of the reporting period. Interest-bearing liabilities were EUR 365.5 (373.2) million, including a net pension liability of EUR 162.2

(178.9) million and short-term loans of EUR 12.3 (12.0) million. In addition, the interest-bearing net debt includes EUR 164.1 (151.0) million of option liabilities from acquisitions. Gearing was -46.9%, compared with -44.2% at the end of 2014. KONE's total equity/total assets ratio was 40.7% at the end of June 2015 (December 31, 2014: 43.6%).

Equity per share was EUR 3.85 (3.93).

### Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 65.9 (1–6/2014: 35.2) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT, operations and production. Acquisitions accounted for EUR 36.6 (3.6) million of this figure.

During January–June 2015, KONE's larger acquisitions included a German elevator company, Janzhoff Aufzüge GmbH. In addition, KONE completed a number of smaller acquisitions in the EMEA region and in the United States during the reporting period. The acquisitions completed during the reporting period did not individually or as a whole have a material impact on the result or financial position of KONE.

### Research and development

Research and development expenses totaled 56.3 EUR (1–6/2014: 49.5) million, representing 1.4% (1.5%) of net sales. R&D expenses include the development of new product and service concepts and the further development of existing solutions and services. KONE's elevators and escalators are based on industry-leading energy efficient technology.

KONE's customers and end-users are at the center of its research and development efforts. In accordance with its vision of delivering the best People Flow® experience, KONE focuses on understanding the needs of its customers and the users of its solutions in order to make people flow in buildings smoother and to improve the user experience. The aim of one of KONE's five development programs, the Most Competitive People Flow® Solutions, is to offer industry-leading elevators, escalators and automatic building doors, and to further develop KONE's People Flow Intelligence solutions for the smart buildings of the future.

During January–June, KONE continued to enhance its offering. In the first quarter of the year, KONE launched the I MonoSpace® elevator designed for the Indian residential market. During the second quarter, KONE launched an updated version of the TransitMaster™ 140 escalator targeted for the infrastructure market. In addition, the Turnstile 100 and updates to People Flow Intelligence solutions were released in the North American market. In Europe and North America, KONE also released other updates and enhancements to its existing elevator offering.

During the second quarter KONE also initiated elevator installations at the Kingdom Tower construction site in Jeddah, Saudi Arabia. The world's tallest building, once completed in 2018, will be equipped with KONE's newest innovative technology including high-speed elevators that are set to make a new record for an elevator ride's vertical distance with 660 meters.

## KONE's January–June 2015 review

During the reporting period, KONE received two design awards for its KONE Turnstile 100 solution, an iF Design Award and a Red Dot Product Design Award. The awarded turnstile complements KONE's offering for smart buildings as it enables the full integration of people flow from the front door through the elevators and until the final destination.

### Personnel

The objective of KONE's personnel strategy is to help the company meet its business targets. The main goals of this strategy are to further secure the availability, engagement, motivation and continuous development of the company's personnel. All of KONE's activities are guided by ethical principles. The personnel's rights and responsibilities include the right to a safe and healthy working environment, personal well-being as well as the prohibition of any kind of discrimination.

One of the five development programs launched at the beginning of 2014 was defined as "A Winning Team of True Professionals." The implementation of various initiatives continued under this program during the second quarter of 2015. The initiatives target to help all employees perform at their best, to enhance the systematic development of field competences, and to ensure the attraction of the right talent to all positions.

During January–June 2015, the delivery of existing training programs continued and new e-learning programs were launched, including a new online training program on general management capabilities. The global rollout of KONE's online learning management system continued and by the end of the reporting period, the tool was active in 30 countries featuring more than 160 internal on-line productions.

During the second quarter, the results of KONE's tenth annual employee survey were analyzed in teams and action plans were made for the identified improvement areas. As in the previous two employee surveys, the overall results showed a further improvement, particularly in indicators measuring views on career opportunities, collaboration and the perceived quality of KONE's products and services. The indicator measuring KONE's commitment to safety again received the highest single score. KONE's fourth Global Safety Week was held in all KONE units with the theme "Set an example". Various safety-related activities were held during the week, involving both internal and external stakeholders.

KONE had 48,485 (December 31, 2014: 47,064) employees at the end of June 2015. The average number of employees was 47,741 (1–6/2014: 44,034).

The geographical distribution of KONE employees was 44% (December 31, 2014: 44%) in EMEA, 12% (12%) in the Americas and 44% (44%) in Asia-Pacific.

### Environment

For KONE, environmental responsibility is a combination of offering its customers innovative solutions that are both energy- and cost-efficient, and reducing the adverse environmental impacts of its own operations. The focus in developing eco-efficient solutions is on further improving energy-saving stand-by and hoisting solutions for elevators as well as inno-

vative energy-saving solutions for escalators. KONE aims to strengthen its position as the industry leader in sustainability, supporting governmental and other green building initiatives and the ongoing transformation of the built environment into smart eco-cities globally.

The most significant environmental impact of KONE's business globally relates to the amount of electricity used by KONE products during their lifetime. This underlines the importance of energy-efficient innovations for elevators and escalators.

KONE has set ambitious environmental targets for 2014–2016 with the focus on reducing greenhouse emissions from KONE's own operations. The biggest impact on KONE's carbon footprint from its own operations relates to the company's vehicle fleet, electricity consumption, and logistics. KONE also continues to focus on the environmental aspects of its supply chain network.

During January–June 2015, KONE extended the certification coverage of its product range according to the new energy efficiency standard ISO 25745, which was published in March 2015. In addition to the elevators certified in late 2014, the KONE N MonoSpace® elevator achieved the best possible A-class certification according to the new standard.

KONE published its Sustainability Report 2014 in June 2015. The report follows the application level B of the Global Reporting Initiative guidelines. The most significant environmental achievements in 2014 included reductions in reported greenhouse gas emissions from the company's own operations. KONE's 2014 carbon footprint relative to overall operations (net sales) decreased by 1.8% compared to 2013. The carbon footprint of externally assured scope 1 and 2 greenhouse gas emissions relative to net sales decreased by 9.1% compared to 2013. In absolute terms, the scope 1 and 2 carbon footprint decreased by 4.6%. KONE's greenhouse gas reporting has been assured by an objective third party.

### Other events

In 2007 a decision was issued by the European Commission concerning alleged local anticompetitive practices before early 2004 in Germany, Luxembourg, Belgium and the Netherlands by leading elevator and escalator companies, including KONE's local subsidiaries. Also, the Austrian Cartel Court issued in 2007 a decision concerning anticompetitive practices that had taken place before mid-2004 in local Austrian markets by leading elevator and escalator companies, including KONE's local subsidiary. As announced by KONE earlier, a number of civil damage claims by certain companies and public entities, relating to the two 2007 decisions, are pending in related countries. The claims have been made against various companies concerned by the decisions, including certain KONE companies. All claims are independent and are progressing procedurally at different stages, with some processes having ended favorably for KONE. The total capital amount claimed jointly and severally from all of the defendants together was EUR 272 million at the end of June 2015 (March 31, 2015: EUR 279 million). KONE's position is that the claims are without merit. No provision has been made.

## KONE's January–June 2015 review

### Risk management

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

A weakening of the global economic environment or an increase in geopolitical tensions could result in a deterioration of the market environment and the competitive situation in the global new equipment and service markets. In particular, a disruption of the growth or prolonged weakness in the construction market, in China or in other growing regions globally, could result in a decline of the global market for new elevators and escalators. A weakening market environment could lead to a decrease in orders received, cancellations of agreed deliveries, delays in the commencement of projects or further intensified price competition, and, as a result, have a negative effect on KONE's growth and profitability. To counteract the pressures resulting from a possible deterioration of the economic environment and its impact on the elevator and escalator markets, KONE strives to continuously develop its competitiveness.

KONE operates in an industry with various local regulatory requirements in both the new equipment and service businesses. Sudden or unanticipated changes in regulations, codes or standards may result in a need for process or technology adjustments, which could adversely affect KONE's profit development in affected countries. In order to mitigate the risk of unanticipated changes in the regulatory environment, KONE is actively involved in the development of regulations, codes and standards that aim to further improve the safety and other technological features of elevators, escalators and automatic doors.

KONE operates in certain high growth markets, where focused management of rapid business growth is required. This applies in particular to the availability of skilled personnel and the adequate supply of components and materials, as well as ensuring the quality of delivered products and services. Failure to adequately manage resourcing, quality of delivery, or other aspects in projects could result in delays in deliveries and increases in costs, which in turn could have an adverse impact on the profitability of the company. KONE manages these risks through proactive project and resource planning and strict quality control processes.

KONE introduces new technology and continuously develops the competitiveness of its existing offering and solutions based on anticipated future developments in relevant technologies, customer needs and market requirements. The development of new technology and execution of product releases involve risks related to the uninterrupted functioning of the delivery chain, including component supply from KONE's large supplier base, as well as product integrity and quality. Additionally, a failure to anticipate or address changes either in the industry, market and competitive environment or in customer needs and behavior, or an incident causing

reputational or other damage to the company could result in a deterioration of KONE's competitiveness, market share or profitability. To mitigate these risks, KONE follows closely market and customer trends and has defined processes for product design, supply, manufacturing, installation and maintenance involving strict quality control.

KONE's business activities are dependent on the uninterrupted operation, quality and reliability of sourcing channels, production plants, and logistics processes. A significant part of KONE's component suppliers and supply capacity is located in China. The risks related to the supply chain are controlled by analyzing and improving the fault tolerance of processes, diligent forecasting, by close cooperation with KONE's suppliers and by increasing the readiness for transferring the manufacturing of critical components from one production line or supplier to another. KONE actively monitors the operations and financial strength of its key suppliers. The aim is also to secure the availability of alternative sourcing channels for critical components and services. Additionally, KONE has a global property damage and business interruption insurance program in place.

KONE's operations utilize information technology extensively. This may expose KONE to information security violations, misuse of systems and/or data, viruses, malwares and to such malfunctions, which can result in system failures or disruptions in processes and therefore impact KONE's business. Clear roles and responsibilities have been defined to manage IT security risks to ensure that adequate security is inbuilt within the IT management processes according to security policies, principles and guidelines.

Changes in raw material and component prices are reflected directly in the production costs of elevators, escalators and automatic doors, and may therefore have an impact on KONE's profitability. In order to reduce the impact of material and sourcing price fluctuation, KONE aims to enter into fixed-price contracts with its major suppliers for a significant part of its raw material and component purchases.

KONE is exposed to counterparty risks related to financial institutions through the significant amounts of liquid funds deposited into financial institutions, financial investments and in derivatives. In order to diversify the financial credit risk, KONE deposits its funds into several banks and invests a part of its liquidity into highly liquid money market funds. KONE also manages its counterparty risk by accepting only counterparties with high creditworthiness. The size of each counterparty limit reflects the creditworthiness of the counterparty and KONE constantly evaluates such limits.

KONE is also exposed to risks related to the liquidity and payment schedules of its customers, which may lead to credit losses. To mitigate this risk, defined rules for tendering, levels of approval authority, and credit control have been established. The risks related to accounts receivable are minimized also through the use of advance payments, documentary credits and guarantees in KONE's payment terms. KONE's customer base consists of a large number of customers in several market areas, with no individual customer representing a material share of KONE's sales.

## KONE's January–June 2015 review

KONE operates internationally and is thus exposed to risks arising from foreign exchange rate fluctuations related to currency flows from revenues and expenses, as well as from the translation of income statement and statement of financial position items of foreign subsidiaries into euros. The KONE Treasury is responsible for the centralized management of financial risks in accordance with the KONE Treasury Policy approved by the Board of Directors.

For further information regarding financial risks, please refer to note 2 in the consolidated Financial Statements for 2014.

### Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on February 23, 2015. The meeting approved the financial statements and discharged the responsible parties from liability for the financial period January 1–December 31, 2014.

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

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 and Jussi Herlin is independent of the company.

Antti Herlin was elected as Chairman and Matti Alahuhta, Jussi Herlin and Juhani Kaskeala as members of the Nomination and Compensation Committee. Juhani Kaskeala is independent of both the company and of significant shareholders and Matti Alahuhta is independent of significant shareholders.

The General Meeting confirmed an annual compensation of EUR 54,000 for the Chairman of the Board, EUR 44,000 for the Vice Chairman and EUR 33,000 for Board Members. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings, but such that an EUR 2,000 compensation for Committee meetings will be paid for members residing outside of Finland. 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.

Further, the General Meeting authorized the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act. The amount of shares to be issued based on this

authorization shall not exceed 7,620,000 class A shares and 44,820,000 class B shares. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization shall remain in effect for a period of five years following the date of decision of the General Meeting.

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

The General Meeting approved dividends of EUR 1.1975 for each of the 76,208,712 class A shares and EUR 1.20 for each of the outstanding 437,517,818 class B shares. The date of record for dividend distribution was February 25, 2015 and dividends were paid on March 4, 2015.

### Share capital and Market capitalization

In 2010, KONE granted a conditional option program. The 2010 stock options were listed on the NASDAQ OMX Helsinki Ltd. on April 2, 2013. Each option entitled its holder to subscribe for two (2) new class B shares at the price of, from February 24, 2015, EUR 11.875 per share. As the subscription period ended on April 30, 2015, the 896,000 KONE 2010 option rights held by KONE Capital Oy, a subsidiary of KONE Corporation, and otherwise unused 105 KONE 2010 option rights expired. The rest of the remaining 2,103,895 options had been used.

In 2013, KONE granted a conditional option program. The stock options 2013 were listed on NASDAQ OMX Helsinki Ltd. as of April 1, 2015. The total number of stock options was 750,000 and 55,000 of them are held by KONE Corporation's subsidiary. During the reporting period 115,682 new KONE class B shares were subscribed for with the 2013 option rights. On June 30, 2015 a maximum of 1,274,318 shares could be subscribed for with the remaining outstanding option rights. Each option entitles its holder to subscribe for two (2) new class B shares at the price of, from February 24, 2015, EUR 25.40 per share. The share subscription period for the stock option 2010 is April 1, 2015–April 30, 2017.

In December 2013, KONE granted a conditional option program. Stock options 2014 are granted according to the decision of the Board of Directors on December 20, 2013 to approximately 550 key employees and the decision was based on the authorization received from the Shareholders Meeting on March 1, 2010. A maximum total of 1,500,000 options are granted. The original share subscription price for the option was EUR 31.80 per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per June 30, 2015 was EUR 29.60. Each option entitles its holder to subscribe for one (1) new or existing company's own class B KONE share. The share subscription period for the stock options 2014 will be April 1, 2016–April 30, 2018. The share subscription period begins



## KONE's January–June 2015 review

only if the financial performance of the KONE Group for the financial years 2014–2015, based on the total consideration of the Board of Directors, is equal to or better than the average performance of the key competitors of KONE.

In December 2014, KONE granted a conditional option program. Stock options 2015 are granted according to the decision of the Board of Directors on December 18, 2014 to approximately 560 key employees. The decision was based on the authorization received from the shareholders' meeting on March 1, 2010. A maximum total of 1,500,000 options are granted. The original share subscription price for the option is EUR 36.20 per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The effective subscription price as per June 30, 2015 was EUR 35.00. Each stock option entitles its holder to subscribe for one (1) new or an existing company's own class B KONE share. The share subscription period for the stock options 2015 will be April 1, 2017–April 30, 2019. The share subscription period begins only if the financial performance of the KONE Group for the financial years 2015–2016 based on the total consideration of the Board of Directors is equal to or better than the average performance of the key competitors of KONE.

On June 30, 2015, KONE's share capital was EUR 65,674,464.00, comprising 449,187,000 listed class B shares and 76,208,712 unlisted class A shares. KONE's market capitalization was EUR 18,749 million on June 30, 2015, disregarding own shares in the Group's possession. Market capitalization is calculated on the basis of both the listed B shares and the unlisted A shares excluding treasury shares. Class A shares are valued at the closing price of the class B shares at the end of the reporting period.

### Shares in KONE's possession

During January–June 2015, KONE did not use its authorization to repurchase own shares. In April, 354,838 class B shares in the company's possession were assigned to the share-based incentive plan and 3,210 class B shares as a part of the board members' annual remuneration. At the end of June, the Group had 10,325,350 class B shares in its possession. The shares in the Group's possession represent 2.3% of the total number of class B shares. This corresponds to 0.9% of the total voting rights.

### Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki Ltd. traded 119.7 million KONE Corporation's class B shares in January–June 2015, equivalent to a turnover of EUR 4,778 million. The daily average trading volume was 980,965 shares (1–6/2014: 1,077,916). The share price on June 30, 2015 was EUR 36.40. The volume weighted average share price during the period was EUR 39.92. The highest quotation during the period under review was EUR 44.35 and the lowest EUR 35.90. In addition to the NASDAQ OMX Helsinki Stock Exchange, KONE's class B share is traded also on various alternative trading platforms. The volume of KONE's B shares traded on the NASDAQ OMX Helsinki Stock

Exchange represented approximately 33.4% of the total volume of KONE's class B shares traded in January–June 2015 (source: Fidessa Fragmentation Index, <http://fragmentation.fidessa.com>).

The number of registered shareholders was 51,075 at the beginning of the review period and 53,036 at its end. The number of private households holding shares totaled 49,285 at the end of the period, which corresponds to approximately 13.5% of the listed B shares.

According to the nominee registers 44.9% of the listed class B shares were owned by foreign shareholders on June 30, 2015. Other foreign ownership at the end of the period totaled 6.6%. Thus a total of 51.5% of KONE's listed class B shares were owned by international investors, corresponding to approximately 19.1% of the total votes in the company.

### Market outlook 2015

In new equipment, the market in Asia-Pacific is expected to be rather stable in 2015. The market in China is expected to remain at the good level of 2014 or slightly decline. In the Europe, Middle East and Africa region, the market is expected to grow slightly. In Central and North Europe, the market is expected to be stable or grow slightly, and the market in South Europe to start recovering. In the Middle East, the market is expected to see some growth. The market in North America is expected to continue to grow.

The modernization market is expected to remain rather stable in Europe, but to continue to grow in North America and Asia-Pacific. This is expected to result in a rather stable or slightly growing market globally.

The maintenance markets are expected to develop rather well in most countries.

### Business outlook 2015

KONE specifies its business outlook for 2015.

KONE's net sales is estimated to grow by 6–8% at comparable exchange rates as compared to 2014.

The operating income (EBIT) is expected to be in the range of EUR 1,190–1,250 million, assuming that translation exchange rates would remain at approximately the average level of January–June 2015.

### Previous business outlook

*KONE's net sales is estimated to grow by 6–9% at comparable exchange rates as compared to 2014.*

*The operating income (EBIT) is expected to be in the range of EUR 1,140–1,230 million, assuming that translation exchange rates would remain at approximately the average level of January–March 2015.*

Helsinki, July 17, 2015

KONE Corporation's Board of Directors

# Consolidated statement of income

MEUR	4-6/2015	%	4-6/2014	%	1-6/2015	%	1-6/2014	%	1-12/2014	%
<b>Sales</b>	2,210.4		1,848.9		3,901.2		3,290.7		7,334.5	
Costs and expenses	-1,860.3		-1,565.5		-3,314.8		-2,807.2		-6,214.6	
Depreciation and amortization	-24.9		-20.2		-49.3		-40.7		-84.2	
<b>Operating income</b>	325.2	14.7	263.2	14.2	537.1	13.8	442.9	13.5	1,035.7	14.1
Share of associated companies' net income	-0.0		0.2		0.4		0.1		-0.3	
Financing income	20.3		6.5		32.7		15.4		43.5	
Financing expenses	-2.2		-3.0		-31.9		-4.7		-62.6	
<b>Income before taxes</b>	343.2	15.5	266.9	14.4	538.2	13.8	453.6	13.8	1,016.4	13.9
Taxes	-77.2		-62.2		-121.1		-105.6		-242.4	
<b>Net income</b>	266.0	12.0	204.7	11.1	417.1	10.7	348.0	10.6	773.9	10.6
<b>Net income attributable to:</b>										
Shareholders of the parent company	261.0		199.8		411.0		341.5		755.6	
Non-controlling interests	5.0		4.9		6.2		6.5		18.4	
<b>Total</b>	266.0		204.7		417.1		348.0		773.9	
<b>Earnings per share for profit attributable to the shareholders of the parent company, EUR</b>										
Basic earnings per share, EUR	0.51		0.39		0.80		0.67		1.47	
Diluted earnings per share, EUR	0.51		0.39		0.80		0.66		1.47	

## Consolidated statement of comprehensive income

MEUR	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014
<b>Net income</b>	266.0	204.7	417.1	348.0	773.9
<b>Other comprehensive income, net of tax:</b>					
Translation differences	-65.7	25.9	179.4	6.9	152.7
Hedging of foreign subsidiaries	16.3	-0.6	-15.9	-0.6	-27.5
Cash flow hedges	9.3	-3.2	-13.6	-8.0	-12.9
<b>Items that may be subsequently reclassified to statement of income</b>	-40.0	22.1	149.9	-1.7	112.4
Remeasurements of employee benefits	42.2	-8.3	-2.1	-20.2	-41.5
<b>Items that will not be reclassified to statement of income</b>	42.2	-8.3	-2.1	-20.2	-41.5
<b>Total other comprehensive income, net of tax</b>	2.1	13.8	147.8	-21.9	70.9
<b>Total comprehensive income</b>	268.2	218.5	564.9	326.1	844.8
<b>Total comprehensive income attributable to:</b>					
Shareholders of the parent company	263.2	213.6	558.8	319.5	826.5
Non-controlling interests	5.0	4.9	6.2	6.5	18.4
<b>Total</b>	268.2	218.5	564.9	326.1	844.8

# Condensed consolidated statement of financial position

## Assets

MEUR	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
<b>Non-current assets</b>			
Goodwill	1,297.8	1,105.0	1,208.9
Other intangible assets	275.9	220.7	261.8
Tangible assets	328.4	275.4	317.1
Loans receivable and other interest-bearing assets	6.7	5.4	6.3
Investments	118.7	117.0	112.5
Deferred tax assets	267.8	226.0	262.8
<b>Total non-current assets</b>	<b>2,295.4</b>	<b>1,949.5</b>	<b>2,169.4</b>
<b>Current assets</b>			
Inventories	1,428.4	1,198.4	1,211.8
Accounts receivable	1,500.1	1,287.0	1,368.3
Deferred assets and income tax receivables	467.3	339.8	331.9
Current deposits and loan receivables	806.4	466.9	942.7
Cash and cash equivalents	507.7	341.9	336.1
<b>Total current assets</b>	<b>4,709.8</b>	<b>3,633.9</b>	<b>4,190.6</b>
<b>Total assets</b>	<b>7,005.2</b>	<b>5,583.4</b>	<b>6,360.0</b>

## Equity and liabilities

MEUR	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
<b>Equity</b>	<b>2,036.1</b>	<b>1,540.4</b>	<b>2,062.4</b>
<b>Non-current liabilities</b>			
Loans	26.9	21.5	31.2
Employee benefits	162.2	160.8	178.9
Deferred tax liabilities	121.3	104.1	110.6
<b>Total non-current liabilities</b>	<b>310.4</b>	<b>286.4</b>	<b>320.8</b>
<b>Provisions</b>	<b>132.7</b>	<b>134.5</b>	<b>137.4</b>
<b>Current liabilities</b>			
Loans	176.4	111.2	163.0
Advance payments received	2,002.3	1,598.8	1,628.7
Accounts payable	692.6	550.6	597.1
Accruals and income tax payables	1,654.8	1,361.6	1,450.6
<b>Total current liabilities</b>	<b>4,526.0</b>	<b>3,622.1</b>	<b>3,839.4</b>
<b>Total equity and liabilities</b>	<b>7,005.2</b>	<b>5,583.4</b>	<b>6,360.0</b>

# 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
<b>Jan 1, 2015</b>	65.6	100.3	127.0	-5.5	118.3	-92.0	-150.8	1,855.0		44.5	2,062.4
Net income for the period									411.0	6.2	417.1
Other comprehensive income:											
Translation differences					179.4						179.4
Hedging of foreign subsidiaries					-15.9						-15.9
Cash flow hedges				-13.6							-13.6
Remeasurements of employee benefits						-2.1					-2.1
Transactions with shareholders and non-controlling interests:											
Profit distribution								-616.3			-616.3
Increase in equity (option rights)	0.1		13.2								13.3
Purchase of own shares											-
Change in non-controlling interests										1.8	1.8
Option and share-based compensation							11.5	-1.5			10.0
<b>Jun 30, 2015</b>	65.7	100.3	140.2	-19.1	281.7	-94.1	-139.2	1,237.2	411.0	52.5	2,036.1

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
<b>Jan 1, 2014</b>	65.3	100.3	105.4	7.3	-7.0	-50.6	-128.8	1,602.2		30.4	1,724.6
Net income for the period									341.5	6.5	348.0
Other comprehensive income:											
Translation differences					6.9						6.9
Hedging of foreign subsidiaries					-0.6						-0.6
Cash flow hedges				-8.0							-8.0
Remeasurements of employee benefits						-20.2					-20.2
Transactions with shareholders and non-controlling interests:											
Profit distribution								-512.5			-512.5
Increase in equity (option rights)	0.0		3.0								3.0
Purchase of own shares											-
Change in non-controlling interests								-0.7		-10.8	-11.5
Option and share-based compensation							11.5	-0.9			10.7
<b>Jun 30, 2014</b>	65.4	100.3	108.4	-0.7	-0.7	-70.7	-117.3	1,088.1	341.5	26.1	1,540.4



## 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
<b>Jan 1, 2014</b>	65.3	100.3	105.4	7.3	-7.0	-50.6	-128.8	1,602.2		30.4	1,724.6
Net income for the period									755.6	18.4	773.9
Other comprehensive income:											
Translation differences					152.7						152.7
Hedging of foreign subsidiaries					-27.5						-27.5
Cash flow hedges				-12.9							-12.9
Remeasurements of employee benefits						-41.5					-41.5
Transactions with shareholders and non-controlling interests:											
Profit distribution								-512.5			-512.5
Increase in equity (option rights)	0.2		21.6								21.8
Purchase of own shares							-32.8				-32.8
Change in non-controlling interests								-0.7		-4.2	-4.9
Option and share-based compensation							10.8	10.5			21.3
<b>Dec 31, 2014</b>	65.6	100.3	127.0	-5.5	118.3	-92.0	-150.8	1,099.4	755.6	44.5	2,062.4

# Condensed consolidated statement of cash flows

MEUR	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014
Operating income	325.2	263.2	537.1	442.9	1,035.7
Change in working capital before financing items and taxes	75.9	-3.3	51.7	122.0	225.5
Depreciation and amortization	24.9	20.2	49.3	40.7	84.2
<b>Cash flow from operations before financing items and taxes</b>	<b>426.0</b>	<b>280.2</b>	<b>638.2</b>	<b>605.6</b>	<b>1,345.4</b>
Cash flow from financing items and taxes	-19.8	-56.0	15.4	-86.9	-221.1
<b>Cash flow from operating activities</b>	<b>406.2</b>	<b>224.2</b>	<b>653.6</b>	<b>518.6</b>	<b>1,124.3</b>
Cash flow from investing activities	-27.7	-20.7	-59.5	-45.3	-145.9
<b>Cash flow after investing activities</b>	<b>378.5</b>	<b>203.6</b>	<b>594.1</b>	<b>473.4</b>	<b>978.4</b>
Purchase of own shares	-	-	-	-	-32.8
Increase in equity (option rights)	13.3	3.0	13.3	3.0	21.8
Profit distribution	-52.6	-41.8	-616.3	-537.5	-537.5
Change in deposits and loans receivable, net	-168.6	-83.4	177.4	79.9	-359.3
Change in loans payable and other interest-bearing debt	-10.0	-52.7	-8.8	-4.8	-69.7
Changes in non-controlling interests	-	-11.9	-	-12.2	-12.3
<b>Cash flow from financing activities</b>	<b>-218.0</b>	<b>-186.8</b>	<b>-434.4</b>	<b>-471.5</b>	<b>-989.8</b>
<b>Change in cash and cash equivalents</b>	<b>160.6</b>	<b>16.8</b>	<b>159.7</b>	<b>1.9</b>	<b>-11.4</b>
Cash and cash equivalents at beginning of period	352.1	322.6	336.1	339.1	339.1
Translation difference	-5.0	2.5	11.9	0.9	8.4
<b>Cash and cash equivalents at end of period</b>	<b>507.7</b>	<b>341.9</b>	<b>507.7</b>	<b>341.9</b>	<b>336.1</b>

## CHANGE IN INTEREST-BEARING NET DEBT

MEUR	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014
Interest-bearing net debt at beginning of period	-584.4	-371.3	-911.8	-622.0	-622.0
Interest-bearing net debt at end of period	-955.3	-520.6	-955.3	-520.6	-911.8
<b>Change in interest-bearing net debt</b>	<b>-370.9</b>	<b>-149.3</b>	<b>-43.4</b>	<b>101.4</b>	<b>-289.9</b>

# Notes for the interim report

## KEY FIGURES

		1-6/2015	1-6/2014	1-12/2014
Basic earnings per share	EUR	0.80	0.67	1.47
Diluted earnings per share	EUR	0.80	0.66	1.47
Equity per share	EUR	3.85	2.95	3.93
Interest-bearing net debt	MEUR	-955.3	-520.6	-911.8
Total equity/total assets	%	40.7	38.7	43.6
Gearing	%	-46.9	-33.8	-44.2
Return on equity	%	40.7	42.6	40.9
Return on capital employed	%	37.1	36.8	37.7
Total assets	MEUR	7,005.2	5,583.4	6,360.0
Assets employed	MEUR	1,080.8	1,019.8	1,150.5
Working capital (including financing and tax items)	MEUR	-940.0	-698.4	-749.7

## QUARTERLY FIGURES

		Q2/2015	Q1/2015	Q4/2014	Q3/2014	Q2/2014	Q1/2014
Orders received	MEUR	2,193.5	2,053.8	1,703.8	1,577.2	1,801.9	1,729.7
Order book	MEUR	8,627.4	8,529.6	6,952.5	6,995.8	6,537.2	6,175.4
Sales	MEUR	2,210.4	1,690.9	2,165.8	1,877.9	1,848.9	1,441.8
Operating income	MEUR	325.2	211.9	315.3	277.5	263.2	179.6
Operating income	%	14.7	12.5	14.6	14.8	14.2	12.5

		Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Orders received	MEUR	1,473.2	1,327.2	1,638.2	1,712.4	1,321.3	1,295.6	1,513.4	1,365.9
Order book	MEUR	5,587.5	5,642.1	5,874.4	5,823.1	5,050.1	5,283.7	5,305.3	4,842.8
Sales	MEUR	2,033.0	1,739.2	1,761.7	1,398.7	1,857.7	1,633.7	1,544.1	1,241.3
Operating income	MEUR	292.8	257.5	242.8	160.4	257.4	226.4	210.3 <sup>1)</sup>	134.6
Operating income	%	14.4	14.8	13.8	11.5	13.9	13.9	13.6 <sup>1)</sup>	10.8

		Q4/2011	Q3/2011	Q2/2011	Q1/2011	Q4/2010	Q3/2010	Q2/2010	Q1/2010
Orders received	MEUR	1,098.8	1,095.4	1,226.2	1,044.7	1,006.3	865.2	1,042.8	894.7
Order book	MEUR	4,348.2	4,143.2	3,947.7	3,737.5	3,597.8	3,657.9	3,933.7	3,638.5
Sales	MEUR	1,588.8	1,296.2	1,286.4	1,053.8	1,488.8	1,235.9	1,258.9	1,003.0
Operating income	MEUR	233.0	188.9	184.5	118.7	227.3	184.8	175.7	108.6
Operating income	%	14.7	14.6	14.3	11.3	15.3	15.0	14.0	10.8

		Q4/2009	Q3/2009	Q2/2009	Q1/2009	Q4/2008	Q3/2008	Q2/2008	Q1/2008
Orders received	MEUR	813.5	766.5	953.9	898.5	845.2	892.4	1,092.4	1,117.5
Order book	MEUR	3,309.1	3,603.4	3,754.1	3,753.1	3,576.7	4,002.8	3,838.7	3,617.4
Sales	MEUR	1,426.8	1,127.3	1,168.6	1,021.0	1,431.6	1,123.8	1,142.1	905.3
Operating income	MEUR	202.7	160.1	146.3 <sup>2)</sup>	91.2	189.2	146.0	136.7	86.5
Operating income	%	14.2	14.2	12.5 <sup>2)</sup>	8.9	13.2	13.0	12.0	9.6

<sup>1)</sup> Excluding a MEUR 37.3 one-time cost related to the support function development and cost adjustment programs.

<sup>2)</sup> Excluding a MEUR 33.6 one-time restructuring cost related to the fixed cost adjustment program.

## Notes for the interim report

### SALES BY GEOGRAPHICAL REGIONS

MEUR	1-6/2015	%	1-6/2014	%	1-12/2014	%
EMEA <sup>1)</sup>	1,565.5	40	1,480.7	45	3,204.6	44
Americas	618.3	16	471.4	14	1,100.6	15
Asia-Pacific	1,717.5	44	1,338.6	41	3,029.3	41
<b>Total</b>	<b>3,901.2</b>		<b>3,290.7</b>		<b>7,334.5</b>	

<sup>1)</sup> EMEA = Europe, Middle East, Africa

### ORDERS RECEIVED

MEUR	1-6/2015	1-6/2014	1-12/2014
	4,247.3	3,531.6	6,812.6

### ORDER BOOK

MEUR	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
	8,627.4	6,537.2	6,952.5

### CAPITAL EXPENDITURE

MEUR	1-6/2015	1-6/2014	1-12/2014
In fixed assets	26.3	26.1	73.3
In leasing agreements	2.9	5.5	14.6
In acquisitions	36.6	3.6	67.0
<b>Total</b>	<b>65.9</b>	<b>35.2</b>	<b>154.8</b>

### DEPRECIATION AND AMORTIZATION

MEUR	1-6/2015	1-6/2014	1-12/2014
Depreciation	35.8	29.8	61.9
Amortization of acquisition-related intangible assets	13.5	10.9	22.3
<b>Total</b>	<b>49.3</b>	<b>40.7</b>	<b>84.2</b>

### R&D EXPENDITURE

MEUR	1-6/2015	1-6/2014	1-12/2014
	56.3	49.5	103.1
R&D Expenditure as percentage of sales	1.4	1.5	1.4

### NUMBER OF EMPLOYEES

	1-6/2015	1-6/2014	1-12/2014
Average	47,741	44,034	45,161
At the end of the period	48,485	45,041	47,064



## Notes for the interim report

### COMMITMENTS

MEUR	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
Mortgages			
Group and parent company	-	-	-
Pledged assets			
Group and parent company	-	-	-
Guarantees			
Associated companies	2.1	1.7	1.9
Others	4.3	4.5	4.2
Operating leases	285.1	240.5	277.8
<b>Total</b>	<b>291.6</b>	<b>246.6</b>	<b>283.9</b>

Banks and financial institutions have guaranteed obligations arising in the ordinary course of business of KONE companies up to a maximum of EUR 1,268 (989.6) million as of June 30, 2015.

Possible unidentified debts and liabilities of the in 2005 demerged Kone Corporation were transferred to the new KONE Corporation according to the demerger plan.

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

#### The future minimum lease payments under non-cancellable operating leases

MEUR	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
Less than 1 year	74.1	63.9	72.0
1–5 years	155.5	139.8	151.7
Over 5 years	55.5	36.8	54.1
<b>Total</b>	<b>285.1</b>	<b>240.5</b>	<b>277.8</b>

### INVESTMENTS

The shares held include a 19.9% holding in Toshiba Elevator and Building Systems Corporation (TELC). TELC is an investment in equity instruments that does not have a quoted price in an active market. The fair value of TELC shares cannot be reliably measured because the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed. TELC is classified as available-for-sale investments and measured at cost.

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

## Notes for the interim report

### DERIVATIVES

Fair values of derivative financial instruments	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net	Fair value, net
MEUR	Jun 30, 2015	Jun 30, 2015	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
Foreign exchange forward contracts and swaps	33.7	-32.6	1.2	2.6	27.8
Cross-currency swaps	12.9	-0.4	12.5	14.1	19.7
Electricity price forward contracts	1.1	-2.1	-1.0	-1.0	-1.1
<b>Total</b>	<b>47.7</b>	<b>-35.1</b>	<b>12.7</b>	<b>15.6</b>	<b>46.4</b>

### Nominal values of derivative financial instruments

MEUR	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
Foreign exchange forward contracts and swaps	2,594.6	1,697.2	1,879.7
Cross-currency swaps	138.9	138.9	138.9
Electricity price forward contracts	3.4	5.0	5.5
<b>Total</b>	<b>2,736.9</b>	<b>1,841.1</b>	<b>2,024.1</b>

The fair values of foreign exchange forward contracts and swaps as well as the fair values of cross-currency swaps are measured based on price information derived from active markets and commonly used valuation methods (fair value hierarchy level 2). For electricity price forward contracts there exists a stock exchange price, based on which the fair value can be measured reliably (fair value hierarchy level 1).

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

# Shares and shareholders

Jun 30, 2015	Class A shares	Class B shares	Total
Number of shares	76,208,712	449,187,000	525,395,712
Own shares in possession <sup>1)</sup>		10,325,350	
Share capital, EUR			65,674,464
Market capitalization, MEUR			18,749
Number of B shares traded (millions), 1–6/2015		119.7	
Value of B shares traded, MEUR, 1–6/2015		4,778	
Number of shareholders	3	53,036	53,036

	Close	High	Low
Class B share price, EUR, Jan–Jun 2015	36.40	44.35	35.90

<sup>1)</sup> During January–June 2015, KONE did not use its authorization to repurchase own shares. In April, 354,838 class B shares in the company's possession were assigned to the share-based incentive plan and 3,210 class B shares as a part of the board members' annual remuneration.

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*KONE is one of the global leaders in the elevator and escalator industry. KONE's objective is to offer the best People Flow® experience by developing and delivering solutions that enable people to move smoothly, safely, comfortably and without waiting in buildings in an increasingly urbanizing environment. KONE provides industry-leading elevators, escalators, automatic building doors and integrated solutions to enhance the People Flow in and between buildings. KONE's services cover the entire lifetime of a building, from the design phase to maintenance, repairs and modernization solutions. In 2014, KONE had annual net sales of EUR 7.3 billion, and at the end of the year over 47,000 employees. KONE class B shares are listed on the NASDAQ OMX Helsinki Ltd. in Finland. [www.kone.com](http://www.kone.com)*

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