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Sanna Kaje: Good afternoon and welcome to KONE 2016 results presentation. My name is Sanna Kaje and I am the Head of Investor Relations. I have here with me today our President and CEO, Henrik Ehrnrooth, and CFO Ilkka Haran. We have changed the structure of the presentation slightly for today; so Henrik will start with the 2016 highlights and market environment, after which Ilka will go a bit deeper into the numbers and then Henrik will describe the 2017 outlook. In the end Henrik will give a bit more colour in to the new strategic phase that we are entering and that we announced earlier today. After that of course as usual we have time for questions both from the audience and from the telephone lines.

Henrik Ehrnrooth: Thank you. Also welcome on my behalf, today again we have good news to tell; also it's been an eventful day for us, we have not only announced our results, we have also announced the next phase in our development of our strategy and also we have announced two new appointments to our Executive Board – all of which I think are good in taking KONE forward. If we look at the highlights of what we are going to talk about. First we look at Q4 and full year with continued good development in our profitability, a strong performance overall. One of the key highlights for us most of our services business continued to develop very positively, with strong growth in both maintenance and in modernization. Our Board has made a proposal for paying a dividend of Euro 1.55 for each Class B share, which is 11% increase over last year. And we launched our new strategy also today. I also mentioned that we have made two new appointments to our Executive Board; I am very pleased to welcome Susanne Skippari, Executive Vice President for HR. She is succeeding Kerttu Tuomas who has been Head of HR for KONE for over 15 years. She has done – Kerttu has been a very important person for us in developing our vision, and developing our culture and in coaching and developing a lot of KONE people and after 15 years she is now taking the next stage in her development but Susanne has a broad and strong leadership development within HR within KONE. We have also announced that Hugues Delval will become Executive Vice President for our services business; he is succeeding Pekka Kemppainen who is retiring at the end of April and many of you have met Pekka; he is someone who has been for a very long time with KONE and been very instrumental with many of our breakthroughs throughout KONE's past 20 – 30 years. I would say that with both Susanne and Hugues we have two very experienced KONE leaders. Susanne has been leading many of our cultures in HR and Hugues has been leading our maintenance business very successfully and before that he was heading our French business. So with that introduction I think we can go straight into the highlights for the numbers for the fourth quarter of the year. The fourth quarter again had a solid development in our profitability. Our orders received, they were a little bit over Euro 1.8 billion; they declined at 5.5% or 2.9% in comparable currencies. Our order book remains strong at Euro 8.6 million and has grown at about 5% year over year. Also revenues developed well, close to Euro 2.6 million in the quarter an growth in comparable currencies at 3.6%. In the environment we are I think that's a good growth rate but perhaps most importantly is that we improved our profitability again. Our EBIT was Euro 392 million and the EBIT margin improved from 14.8 to 15.1%. I am also very pleased about that our cash flow remained very strong at close to Euro 410 million; a strong cash flow is again a sign that we have maintained healthy business principles despite a challenging new equipment environment that we have and that I am very pleased about. Earnings per share was Euro 0.58; if we compare it to last year when it was Euro 0.71, that Euro 0.71 included the Euro 180 million extraordinary dividend from Toshiba Elevator Company, and if we exclude that extraordinary dividend that we received then the comparison number was Euro 0.49, so also it grew growth in our EPS for the fourth quarter. But as we have always said, this new approach we have is a one-quarter is a very short period of time to measure performance and now we have a full year to look at and the good thing is that we had a strong performance in the full year. All of our businesses contributed to the growth in operating income. Orders received for the full year at about Euro 7.6 million, a decline of 1.6% in comparable currencies. Our sales at about Euro 8.8 million, a good number with growth of 3.9%, which I think is a good achievement in the environment that we have. And also our EBIT, the good growth in our EBIT, the EBIT was Euro 1,293 million and EBIT margin improved from 14.4 to 14.7%. Also if we look at the full year we can see that our cash flow was very strong at over Euro 1.5 million. And our EPS at Euro 2 per share compares to 1.79 if we exclude the Toshiba divident, so also a good growth in EPS. Now again results like this if we look at the environment that we have would not be possible without motivated, engaged people who are all working towards a common goal and as we can see the KONE people have done again and again very pleased, my heartfelt thanks to all KONE employees for a really great job done during 2016. If we look at how our business mix is slightly changing given the market environment and given our growth so we can see that the share of services is increasing; services account for 45% of our revenues in 2016 and in particular the share of modernization has increased. Also if we look by area we have a slightly more balanced mix; the share of North America growing to 19% and a pretty equal share for Europe and Eastern Africa and for Asia Pacific. So that was the highlights of our numbers. If we look at some of the highlights of our businesses for 2016 – if we look first at the new equipment business, here we continue to improve our competitiveness new equipment overall. We have new and successful product launches in each geographic area; a couple of highlights of this were the new mono-space 500 that we launched in North America and has been very well received by our customers. Also a broadening of the so-called ‘I’ range in India has also been very well received by our customers; also in Europe, the Middle East and Africa and in China, indeed we had many good additions to our product range. If we look at new equipment business last year, we all know that the global new equipment market exclusive to China was challenging last year and we are still able to perform very strongly and this is because we were constantly able to improve our competitiveness and this helped and definitely was a contributor to the strong performance last year. Also we had some good extensions to our people for diligent solutions, a next generation destination solution for the commercial segment and also a broadened connect and access where we can now integrate to virtually all commercial access providers and bring a broader offering to our customers. Our orders received number of units last year was about 158,000 units in total; and last year we delivered to our customers about 136,000 elevators and escalators. And again to remind you what that means, is that, you know, year we have about 120,000 working minutes so every working minute we deliver more than one elevator or escalator. So again while we've been here we have probably delivered another dozen or so. Services business made very good developments there last year with solid growth in maintenance in all geographic areas; that I am pleased about. It was not only about Asia Pacific, with growth in both North America and Europe as well and that was due to a continued good growth in our conversions overall and also that we have improved our competition balance clearly last year. Our modernization business has grown strongly; this has been driven by much better pro-activeness we have in our sales and how we segment our market. I believe that this has been a clear success story for us. And what we talked about in the capital markets today is that we have started to launch and pilot new service concepts to our customers and the more we do this I can tell you that the results are very encouraging and that is why we continue to expand our activities for new solutions, new services because the results we can see are positive. Our maintenance base continues to grow at over 6% last year and at the end of the year it was clearly above 1.1 million units so again good growth in the maintenance space. And then the final highlight, dividend continued solid, so in dividends a proposal for the shareholders' meeting or the Board of Directors proposed at the shareholders' meeting is to pay a dividend of Euro 0.65, that is a 78% payout ratio and again a good growth over the last year; about an 11% growth, so again a good and attractive dividend given our strong results and strong cash flow. So those were the highlights of our business, our results and our dividends for next year. If we then go into market development, how that is overall, how that has developed over the last quarter of the year. So let's start with the new equipment markets; now in Q4 the global new equipment markets were overall rather stable after having declined for the first three quarters of the year. Europe, Middle East and Africa markets were pretty stable in new equipment; a slight decline in Central and North Europe and particular countries such as UK is more uncertain at the moment but we continue to have good activity in the Nordics, in Germany and some of the other markets and

South Europe also continues its slight recovery. The Middle Eastern market, even though it is rather uncertain, I would say it was pretty stable overall. So that made the Europe, Middle East and Africa market pretty stable overall. North America continues to be a growth market for the seventh year, coming into the eighth year of growth and we can see that the market is high level and this has also continued to provide a good development in pricing. If we look at then the Asia Pacific markets, the market in China declined slightly if we measure in units but clearly if we measure in monetary value so the pricing environment remained up in China in Q4. I will come back to China a little bit more in detail. India the market now declined slightly Q4 and that was mainly a result of the demonetization in India towards the end of the year and we could see that this resulted in some uncertainty; but if we look at the underlying trends in India our belief is that it will recover rather quickly from this. South East Asia markets are growing but clear difference market-to-market due to uncertainty. I promised I would talk a little more about China. Clearly we know it is an important market for us and for our industry overall. We start with the Chinese property market last year and as you all saw transaction volumes continued to be good in 2016, almost throughout the year. At the beginning it was more about the higher density cities and in the end it spread more throughout the country. And we can see that as a result of this, particularly in tier one and tier two cities inventory levels – actually it is a very good level if you compare to history. If you look at the lower tier cities inventories continue to be high but they have clearly improved so the market is becoming more healthy. We can also see that the price level to market increased throughout the year and in some markets, some parts of the country, prices increased very significantly. And because of this Government measures towards the end of the year to restrict the markets and to cool them down. And we can see early signs that that is having an impact. We can also see that real estate investments overall grew last year. And the question is then of course, why is the elevator/escalator market not growing faster? And what we've seen in higher tier cities, there the volumes have actually been good and quite stable for some years; they have been at a good level. Lower tier cities the focus has been on reducing inventories and this has happened and that's why construction activity there hasn't substantially increased. And if we look at the real estate investments, the very big impact on the increase in real estate investment is increase in land prices; it's included there and that has had a very significant impact on overall real estate investments. So overall we continue to see a challenging market, however now when we see that raw material prices are increasing – have increased clearly, we can also see for many players that they feel that their pricing has gone probably too low, we probably are looking at a somewhat better environment in 2017, although we expect competition to remain strong but the dynamics are probably going to improve as we go into 2017, that's what we expect. That is about China and the new equipment market. If we then go into the service markets, here we have a good and positive story to tell. Maintenance all the markets are going, Europe, Middle East and Africa, and North America we had a slight growth and a strong growth in North America. Modernization a growth in all geographic regions; Europe, Middle East and Africa is particularly central and North Europe is developing very nicely; North America and Asia Pacific is also developing nicely. And, as you can see, and what you will hear from Ilkka in more detail is that we have really been capitalizing on these growth opportunities again. So with this let me hand over to Ilkka to go a little bit deeper into our Q4 2016 financials.

Ilkka Haran: Thank you Henrik and it's my pleasure to be here to walk through in more detail our financial figures for the fourth quarter. And what we will do is first orders received and look in more detail into the sales development for the quarter as well as operating income. And as it is the year end we also want to look at the key drivers for cash flow in the – in KONE. So first let's look at the orders received development for the quarter; as Henrik already highlighted, we saw a 5.5% decrease in the orders received in the quarter. However if we look at that in more detail we see that all regions outside of China actually grew, both in the fourth quarter and in 2016. Now let's look at the figures more from a comparable currencies point of view and the geographies first. Europe, Middle East and Africa we saw slight growth in orders receive for the quarter. And we look at North America or Americas, driven by North America we saw clear growth in orders received from an already good base given the environment there. And finally for Asia Pacific region, we did see a clear decline, mainly driven or driven by China, which obviously has a big impact to that area there. Outside of China Asia Pacific was slowing slightly. Let me comment a bit about the development in China for us. Well first of all from a unit perspective we saw orders declining a bit more than 5% in the quarter. Also pricing, as well as the mixture to lower specification products had a significant impact to our orders received market value or monetary value, excuse me. And if I look at then from the perspective of a business I would highlight modernisation as one of the highlights for the orders received in the quarter so clearly providing growth in our orders received. And then from an FX point of view, FX having a negative impact in the quarter by Euro 54 million into our orders received. If I then look at the profitability of our orders received in the quarter, so the relative margins of orders received declined slightly overall in second half of 2016 but remained at a good healthy level overall. Then let's shift gears to look at sales in more detail. Our sales in historical exchange rate grew 1.2% in the quarter and really as highlighted already by Henrik, services were the key driver for our sales growth for both fourth quarter as well as the total 2016. If we then look at the sales development in comparable currencies, we saw 3.6% growth in our sales and as said saw both modernization and maintenance grew in the quarter; modernization growing more than 12% and also maintenance contributing by more than 7% growth in the quarter. Overall new equipment business was roughly flat in terms of its levels. From a geographical point of view I would first highlight the strong development in Europe, Middle East and Africa, so over 9% growth in sales; that's good progress from our perspective. Here we are starting to see a positive trend there compared to the past that we've been. Also Americas continued its strong performance at over 14% growth there in the quarter. And finally Asia Pacific, decreasing by 6.9%, really driven by our performance in China and China overall having sales decreasing more than 10% in the quarter. And then finally the currencies continue to have a negative impact to our sales as well as the orders received, but on sales the impact was Euro 60 million for the quarter. And now let's look at operating income development in the quarter; so first of all overall Euro 392 million of operating income in the quarter, up 3.6% in historical currencies is good progress and really reflects the progress we're making as a business. All of the businesses contributed to this EBIT growth and the trend continues to be the same for 2016 and fourth quarter both. And if we look at the drivers for the growth, services growing on an absolute basis and contributing to the operating income as well as then the progress we're making on the side of the new equipment that increased from a profitability point of view our operating income. And that has been said, while we actually increased our investment to both R&D and IT as we've highlighted, both in our capital markets as well as in the third quarter result announcement. And FX had a Euro 14 million negative impact to our quarter and overall Euro 44 million impact for the overall year. And let's finally look at cash flow and I said earlier, so a quarter is a fairly short time to look at cash flow as it does fluctuate quarter by quarter but now that we're closing the year 2016 it's good to look at the key drivers for our cash flow. Well first of all the Euro 1.5 billion of cash flow from operations, up 2% is a good progress. Obviously the key driver for that was our good profitability from an operating income point of view. And I would also highlight the contribution our advanced receipts compared to inventories progress has made. We are reaching 144% up from 138% in the previous year is really helping us to positively drive the cash flow further. Also our receivables continued to have a stable cycle time during the year. I also want to highlight our investment in CAPEX, so up from 1.1% to now 1.5% of net sales in 2016. These were mainly investments that we're making to R&D in China, in US as well as in Finland. We will further improve our capability to improve our product competitiveness, especially in the area of high rise capabilities. Also we made investments to our manufacturing facilities and supply chain, to really further drive our capabilities to automate and use robotics there in our facilities in the US and Italy as well as in Finland. And then lastly we did close 19 acquisitions in 2016; we were really focussed in acquiring maintenance space, both in Europe and well as in the US. And as I said in UK our giant KONE acquisition is not among these as it was already consolidated. But all in all I think a good progress and really the cash flow reflects well the work and the progress we're making as a company in this year. And with that being said I will actually hand back to Henrik who is going to look more toward the future as well as our expectations for 2017. Nick please.

Henrik Ehmrooth: As you see the good performance we had last year on a broad basis and that is something I think we are quite happy about. So let's look into next year – firstly if we start with the market outlook for next year and we start with the new equipment market, how we see that. If we start with Asia Pacific and China; we expect the Chinese market to decrease slightly so between 0 and 5% in units and we expect the intense competition to continue. If we however look at the trends with increasing raw material prices and the – the impacts of the reductions in prices for the past couple of years we expect that the environment is probably somewhat more constructive in 2017 than 2016. The rest of Asia Pacific are expected to grow. Europe, Middle East and Africa, slight growth – the same thing with North America from the high levels. The maintenance market we're not expecting to see any big shifts there but the trends continue with slight growth in Europe, Middle East and Africa and North America and good growth in Asia Pacific. Modernisation markets, we have now had strong market growth for close to two years and we expect the markets to grow next year but perhaps slightly slower than this year. If we then turn to KONE's outlook, we expect our sales to grow from – 1% to + 3% at comparable exchange rates and we expect our EBIT to be in the range of Euro 1,180 million – 1.3 billion, that assumes that translation exchange rates remain about the January 2017 level; and at that level exchange rates are not expected to have a big impact based on the levels where we are now. So if we look at our guidance, where we can see that based on this we would exceed only 2016 results at the top end of the guidance and why is this given the good development we have in KONE. We have many areas that are developing positively. We are growing our services business at a good rate and developing that in a good profitable direction. Europe, Middle East and Africa, North America are developing well as well as some of the Asia Pacific areas, countries and then also our quality and productivity is developing in a good direction. However then we also have headwinds; one of our key headwinds is that our orders received in China has declined clearly in 2016 and also during the second half of the year we saw some pressure, slight pressure on the margins, so that is clearly a headwind next year. Another important headwind for us going into 2017 is raw material prices and then also a slight headwind from the fact that we are expanding our activities in R&D, IT and other development and that is also then burdening the result somewhat. However, I guess the most important point is that we expect that our competitiveness and our execution to remain strong and develop in a positive direction in 2017 and continue to make KONE an even stronger company. That is the main part with our performance, markets and our outlook. Now it's time to then look more forward; what does

KONE's new phase in our strategy mean? Before we go into that I think most of you remember that we launched three years ago our latest set of development programmes. We launched them three years ago and we could already see that the global new equipment markets, because of development in China, was getting more challenging; that has really developed largely in line with what we had expected and therefore we also saw that projected to expand our growth in other geographic regions and also to accelerate our growth in our services business. If you look at the results over that three-year period you can see that our top line has over that three-year period has grown by 8% and growth in all geographic regions, Europe, Middle East and Africa starting to grow now better towards the end of the period. And what I'm very happy about if you look at our services business is that we can see that we have been able to accelerate our growth with both maintenance and modernisation. And also what is important is that our operating income has grown by an average of 11% per annum, so exceeded that of our sales growth. So overall we can see that the objectives that we set ourselves three years ago we have largely achieved and it's been good performance over that period of time. At the heart of our development programmes, these five programmes that you see, we have talked about many times and it has helped us again improve our competitiveness and derive good growth. I will not go through all of them but I will just make a couple of highlights. In our winning team of true professionals development programme here our objective was to help every KONE employee to perform at their best. And here we made some really good achievements; one of the areas was to ensure that every KONE employee has a personal development plan and close to 100% of KONE employees has a documented development plan that will follow up how they need to develop as individuals. Also at the beginning of the period we launched a new e-learning platform and we now have very active use in that and that is incredibly important in an organisation such as ours, where we have a lot of people spread out geographically, how we can bring new training programmes, new capabilities to people in a broad distributed way. Our preferred maintenance partner devolvement programme can see to have achieved solid growth. We have continued to improve the launching and tools for our technicians to help them serve our customers even better; we are quite far with that and also we have equipped our customers with new online tools to provide them with much better transparency and understanding of what is happening. And then towards the end of the period we have started to launch new service concepts that have created very encouraging results. And our top modernisation provider, we are happy about how we accelerate the growth in modernisation and have very good momentum in that business. That is now history – now it's time to look forward, to think about our new phase, what is happening in our world around us. We can see that new technology is bringing a lot of new opportunities, how we can add value for our customers in totally new ways. We can also see that customer expectations are changing quite fast in a good direction. Our customers are expecting all the time an increased transparency, they are expecting an increased predictability and they are expecting increased up times. But we can see also that our customers are more and more starting to buy specific outcomes rather than product features. We can also see that the need for smart and sustainable urbanisation is definitely there. Cities are getting more crowded – how can we help them grow in a smart and sustainable way? All of these are important fundamentals helping us drive our change; so this objective is to continue to increase our differentiation and to increase the speed at which we can bring new service and solutions to our customers. When we look at the world, what we can see from our activities is that when we deliver great service or solutions or product to our customer and we help our customer succeed in their business then we will win. We have a lot of great examples for that – that when our customers succeed then we will also succeed. That is why we have chosen this name for our next phase of our strategy, winning with customers. Because we also believe that in a fully connected world that we are living in that the most sustainable form of growth is our customers advocating on our behalf; we have seen that already and if we can drive this even further we think that is an incredibly powerful growth driver. That is why we believe if our customers succeed, then we will succeed, that's why we call it winning with customers. And again for this phase we have again created a large holistic picture, which tells the whole story. Up to the left is the familiar theme of urbanisation, which continues to be a strong driver for our industry; 200,000 a day move into cities, that's 70 million people a year. You can see that the need for small, affordable apartments is increasing all the time as more and more people are living alone. We can see that elderly people moving back into cities to get better services; all these continue to be great growth drivers throughout the world. We can also see that technological disruption is changing our lives and is changing our business quite profoundly. We see great opportunities how we can drive change as a result of this. These are the main things that our driving our industry. At KONE we have a clear purpose for our business, something we launched in 2016, a purpose that's our mission and our mission is to improve the flow of urban life. That's why we do our business. At the top of the building you see our vision, that remains unchanged, that delivers the best people flow experience, to deliver ease, effectiveness and experiences to our customers and users throughout the life cycle. Then we have our strategic targets; that is how we measure our success. Our strategic targets as well as our financial targets, they remain unchanged. At the bottom of the building you can see a very strong foundation we have at KONE, something that really defines us as a company, that's our culture. Our culture we define by the very strong commitment we have to safety and to quality as well as the four values, which we live by, and how we conduct our daily business. About delighting our customer, in KONE we are energised by our customers' success. We save energy for renewal, it's what we've been doing throughout our history, constantly renewing ourselves and finding better ways of working and serving our customers. Pressure for performance; we set the bar high, we want to achieve and we want to stretch ourselves. And it's about winning together, it's about winning together, collaborating as a team but also winning together with our customers. So that sets the foundation for everything. Now the way we make again our strategy concrete, how we bring it alive, is to recall ways to win; and that is in the middle that I zoom into now. So we have introduced four ways to win. That is how we will win with customers and these ways to win, they provide a very clear direction of all of what we do at KONE. So the first way to win we call it collaborative innovation and new competencies; we all know that the world and technology is moving faster than ever. We want to harness this in the best way; everything is happening around us through innovating much more together with our partners and customers. And we are doing that already and we can see great results but remember the innovation strategy that we launched a little bit over a year ago falls in line with this and we can see great results when we collaborate with partners and customers to develop solutions in the best way. And we can also see that it's the KONE people that need to bring this to life and in a more technologically advanced world, a more connected world that is requiring new capabilities from all of us and we do our business technology and business models. That's what is called the second part of this way to win is new competencies. So we will continue to relentlessly focus on developing our people and what I talked about what we have in our previous development programme, it's a great foundation for this. A second way to win, we call it customer centric solutions and services; this we have chosen because we believe that customers choose partners who are the best at resolving their individual problems and meeting their individual needs. Here that is what we aim to do and what I think is the most interesting thing with new technology, it enables us to deliver specific solutions that meet the specific needs of customers. You can call it mass customisation and that is already what we are starting to do in our service business with great results; is to work even closer with our customers to be able to meet their specific and individual needs. We think this is very powerful. The third way to win, called fast and smart execution. Customers expect us to improve all the way, the way we do our business, how we serve them, how we manage projects; and with the best project managers we can help them succeed on sites. How we can be the best ones at managing maintenance operations, for example, and how KONE is the easiest company in the industry to deal with. It's also how we can make our company even more lean as we call fast and smart execution. And the fourth way to win, we call it true service mindset; it is about having the absolute best customer service in our industry; this is what we want to be known for and I think what we are known for in many cases. So with this dealing with customers programme we are taking customer centricity to a new level in our industry. We have been developing our customer service very actively over the past years; that's a good foundation. I think this is taking us to a new level, somewhere no one is in our industry at the moment in the way we serve customers and everything starts from their needs and how we develop value for them. And what I am most excited about this is when we started to communicate this within KONE it is creating a lot of, again energy, passion and drive going forward. So this is a hugely important time and a very exciting time at KONE. To wrap up the mission is to improve the flow of urban life and that's what we are doing. 2016 was another strong year, looking very much forward to our next and new strategic phase, to differentiate even stronger and to develop even stronger customer centricity. Technology is bringing a lot of opportunities to deliver more value to our customers and this we will continue to do with a challenge of mindset, one goal straightforward, working as a team at KONE. So with this I think we our time, we have time to go to questions.

Sanne Kaje: Yes indeed. Do we have any questions from the audience?

Audience: You mentioned about the conversions and if I remember right in China the conversion rate has been around 50,000 and the rest of the world around 80,000, so has direction improved in the last ten month or year?

Henrik Ehmrooth: Not a significant change in the conversion rate. If we look at the total number of units we are converting there we continue to have a strong growth again year over year.

Sanne Kaje: Any other questions here? If not let's take questions from the telephone line. So I'll hand over now to the operator.

Elaine Frost: Thank you ladies and gentlemen; to ask a question please press star one. We will take our first question today from Klas Bergelind from Citi, please go ahead, your line is open.

Klas Bergelind: Yes, his Henrik, hi Ilkka, it's Klas from Citi, a couple of questions please; firstly on the pricing their in China – one of your competitors yesterday talked about better pricing driven by higher raw materials, but you are still reporting -10% price mix and you are under-performing in the market again on volumes. Is your underlying pricing weaker quarter on quarter or is there something going on with respect to mix that we should be aware of? And if you could comment on the ASPs whether developers in tier one and tier two are still trading down to the same extent?

Henrik Ehmrooth: Yeah, first we have to look at one quarter is quite a short period of time; if we look at China overall for the last year we think we developed pretty much in line with the market. Now if we look at Q4 specifically we continue to see strong price competition in the market. As I said, when we look forward we probably are seeing a better dynamics because of the factors you mentioned such as raw material prices and the fact that prices have come down a lot. But we have to also remember that there is about a three to five month tender book that you are delivering so the orders that were booked in Q4 or something that was tendered later on, so looking forward we probably see something that is slightly better dynamics but we continue to see price pressure that was similar to the previous quarters in Q4 and also this mixed impact of – and remember it's year on year, so that trend really started kind of Q2, Q3 to be stronger so that year over year we still see a clear shift in the kind of mix of what type of solutions our customers are ordering.

Klas Bergelind: Okay, I think Otis had negative 5–6% on price, which would be similar to 16% but then you have higher raw materials, so would you say 3-4% or have you thought about this?

Henrik Ehmrooth: I think it's too early to say, you know we have to see how the market develops but based on indications that we see and where the market has gone and some price pressures we would expect that the dynamics are more favourable. You know to predict where a market price goes, I think it's too early. Remember pricing is always an individual negotiation between us and our customers.

Klas Bergelind: Then my second question is on productivity and also trying to look beyond 2017 if possible, the negative price mix is 9% for 2016 in China and this will gradually impact the backlog for delivery in '17 and China is 35% of orders, this is 3% negative price mix at group level. Raw material is one thing but let's say we have to cope with another year with similar negative price mix in '17 for delivery in 2018, what cost actions do you have to put in place there or are you happy to just let the margin drift from high level? My question is really, you have improved productivity a lot already, can you improve productivity more?

Henrik Ehmrooth: First of course we are not happy to let margins drift and as you can see, in 2016 we had a good development in productivity and quality and overall cost level so we are all the time working very actively on this. I think it is always – the more you develop something the more opportunities you see so it's clear that there continue to be opportunities in developing the competitiveness of the product. In the past two years there's been a tailwind of raw materials that has helped it, it's been only part of the story. Now that's a headwind, so that's why we have a bit more challenging situation but underlying improving quality and productivity, that's a constant gain and we are by no means at the end there, so that can continue. And we can also see that in our services business that is growing nicely and developing well in actually all parts of the world at the moment.

Klas Bergelind: Okay. My final question is on the outlook for EMEA, you still see slight growth; I appreciate that you had a tough comparative last year on equipment but looking ahead shouldn't we start to see more improvement? I mean construction PMIs are strong, we have others reporting about better activity in construction or is this just a lag of your business to construction activities that explains it or are you a little bit cautious perhaps because it's early in the year? I am just trying to understand the upside risk to Europe.

Henrik Ehmrooth: Yeah, as you know, our industry comes a little bit later than usually for standard, particularly residential constructions, you can order your elevators when you are some way down in your construction, so we come a little bit late there usually in that. And you know we see positive construction trends throughout Europe. If you look at Central and North Europe, there are actually a lot of markets at a good level; if you look at the Nordic markets they are at a good level, Germany is clearly at a very strong level; but then you have headwinds in countries such as the UK and then I would say it's mixed elsewhere. There are many other strong markets and

South Europe is starting to come up. So I would say overall we see slight growth but we don't see strong growth. Also if you look at construction activity, I think that is in line with that. You know, our comment is on the market, if you look at actually our performance and our growth in the past year, that has been very strong. If you look at our new equipment business, excluding China, we have a strong double digit growth in that – in sales last year.

Klas Bergelind: Thank you Henrik.

Elaine Frost: Thank you and we now move to our next question from Erik Karlsson from Bodenholm, please go ahead, your line is open.

Erik Karlsson: Thanks for taking my question gents; the growth in the maintenance is really impressive and we have seen an acceleration in the growth there in constant currency terms; I think it was 7.2% the last quarter; could you help us understand the reasons behind the acceleration and whether you think it's sustainable to keep it at this new higher level?

Henrik Ehmrooth: Of course there is always fluctuation quarter to quarter and for the full year we are at 6.2%; I would believe that if we have a, you know, business with a maintenance base if we are continuing to compound that at about 6% that is strong and that is our objective. We see that we have good growth opportunities there and what is driving this growth is clearly good conversions. Asia Pacific, China, it's a good growth driver here but actually we are also improving our growth in both EMEA and in North America as new equipment volumes have increased. So we see good opportunities there and if we look at what is driving growth in maintenance, clearly conversions is an important one but also activity on repairs in that has – we've been able to improve those as well. So that's clearly an area where we have – we continue to have high ambition levels and we believe is an important area for us to continue to grow.

Erik Karlsson: Very good. One more question if I may, what is the biggest factor of uncertainty for the EBIT margin for 2017 do you think?

Henrik Ehmrooth: We look at, clearly, and this is not necessarily in order of importance but clearly raw material prices are one uncertainty, those can be quite fluctuating. We clearly lock them for some period of time. But also the development of the market in China because there the order book rotation is faster. Other than that we of course have pretty good visibility into the coming year, except for if there will be any bigger impacts on the markets overall.

Erik Karlsson: If I may there, is the service margin, particularly the maintenance part, actually going up or is that more stable and you are growing the top line there?

Henrik Ehmrooth: Most markets we are improving profitability as well, then the mix effect may have some other impacts but the majority of top line growth is clearly the key driver but we also have the opportunity in our services business over all we have improved our profitability.

Erik Karlsson: Very good, thank you very much.

Elaine Frost: Thank you. We will now take a question from Guillemo Peigneux of UBS, please go ahead.

Guillemo Peigneux: Hi, good afternoon Henrik, good afternoon Ilkka; just a question on transport costs and referring to China, I think we found out that the regulations on pollution or the environmental protection policies that have been put in place have resulted in a more restricted environment for transporting goods amongst them actually elevators and I was wondering also if there is an impact, not only in the transport cost of elevators to be thinking about going forward, but also on the logistics around the service operations? Do you have any thoughts on that?

Henrik Ehmrooth: That has not been a big focus area. I don't think it has a big impact on the service business that is so local. If we look at new equipment business, yes, we have one factory but you must remember we take a lot from our suppliers and we have several distribution centres within China, so it's not that everything is shipped from our factory Kun Shan. On the contrary, there is quite a lot of local suppliers close by so this has not been a key focal area or a big challenge at least so far.

Guillemo Peigneux: Thank you and when it comes to pricing competition, can I ask is it local competitors or is it the Western players that are putting pressure on the pricing?

Henrik Ehmrooth: Again I don't think you can – you can point the finger towards anyone specific. We have a market with many large players and many small players, you know, I think most people have ambitions in China and when the markets have been shrinking it has resulted in a tough environment, so I don't think we can point the finger towards anyone in particular.

Guillemo Peigneux: Thank you very much. And then last one actually, you mentioned raw material, IT investments and R&D investments and I know you gave an update in your capital markets there about IT and R&D, I think raw material is, if I'm not mistaken, is round about Euro 50 – 100 million impact there and I was wondering whether you could update us on the cost increases coming from IT and R&D? Thank you.

Henrik Ehmrooth: Ilkka do you want to take that?

Ilkka Haran: Yes, certainly I will try to bring more clarity to that. So you already see for fourth R&D and IT that we have started the investments as we told already earlier and see relatively speaking that both of them have a roughly 2% impact to our costs relative to sales. So that's roughly where we are and we continue to invest now 2017 as we have done already started in 2016.

Guillemo Peigneux; Thank you very much, I go back in line.

Elaine Frost: Thank you and we now move to Andrea Ricci of Bank Am Believue, please go ahead.

Andrea Ricci: Good afternoon guys, thank you for taking my questions. I would actually have three if you don't mind. The first one is the following: I would like you to comment possibly whether you see any pricing pressure, especially in maintenance, for Europe and in North America as flagged by Otis actually yesterday? So whether you still see a good pricing environment there or whether you see fierce competition there as well? And then more let's say relative to China, I would like to understand whether you feel that this pricing competition that has been going on in China has somehow contributed to put out of business some of the smaller players there and therefore driven consolidation and if so, to what extent? And then the last question, I mean, more like a confirmation, you showed inventories in tier one, two and three cities; it looks from your plot that they have actually not really improved sequentially in Q4 so I would appreciate if you could confirm on that, thank you.

Henrik Ehmrooth: If we start with the first question you had about price pressure and maintenance, particularly in Europe and North America; as we have been saying for a while price pressure in maintenance has been particularly tough in Southern parts of Europe because we have had a prolonged weakness in the new equipment market, there is very little new units coming in and a lot of small players, so that has driven – made those quite competitive. But despite that we have developed nicely in those markets. North America continues to be price competitive but not quite as bad as it was a couple of years ago; we are starting to see of course more conversions coming in now and more activity on both modernisation and new equipment so that is helping a bit. But I would say South Europe continues to be challenging, the rest of Europe I would say it's mixed and North America also mixed but raw materials, there is tough competition overall in that market.

And your second question was about China, we have seen some small – one or two, a few players maybe go out of business but very limited. You have to remember there are hundreds of new equipment suppliers in China, so consolidation has not been significant, at least as of yet. We could probably expect some but when there are so many players I don't think that has a big impact particularly yet, we are quite happy with the position we have. And then your last question was about inventories in tier one, no, tier three, tier one and two cities; I think this charge is better to focus on the longer term trends because they can fluctuate quarter to quarter but we do see that transaction volumes continue to be positive in the last quarter as well and improving year over year. So I think those are charts worthwhile always looking a little bit at a trend over a few quarters.

Andrea Ricci: Thank you, thank you very much for your answers.

Elaine Frost: Thank you. We will not take a question from James Moore of Redburn, please go ahead.

James Moore: Yes, good afternoon everyone and thanks for taking my questions. Perhaps I could go one at a time. My first question is about the slight decline in order margins for the second quarter in a row; is there any way you can define slight? And does this just reflect the China price decline or both the price decline and the Euro 5 - 100 million raw material impact?

Henrik Ehmrooth: When we talk about changes in the margin we of course look at how much our costs develop and how has our prices developed and then there is of course always margin is the difference between those two. Still cost changes weren't that big in Q4, I think we are starting now to see from this year more pressure on raw material prices, so I would say mainly a function of prices. Slight means that it is not significant and when you look at our contribution level that – but it is still slightly down.

James Moore: Okay and can you say what proportion of your full year 2017 raw material purchases are locked in by hedging or contracts and how much could fluctuate with changes in spot prices?

Ilkka Haran: That's a good question. So from our perspective we obviously continuously lock our prices and roll them forward and the normal cycle from a timing perspective is something in between 6 – 9 is probably the longest lock ups that we have for our raw materials. And roughly where we are as of today is that we have locked about 50% of the prices already and obviously we will continue following that throughout the year and roll them further.

Henrik Ehmrooth: In order to grow, increase already in the second half of the year so those have started to come through now even though we have more prices under contracts.

James Moore: Thanks. And on productivity, your slide, helpful slide, sort of suggested Euro 14 million of productivity in the fourth quarter, which I would annualise at sort of Euro 50 – 60 million; you talk about some productivity objective for 2017, how does that number compare to that annualised number, is that the same sort of magnitude or do you think you can accelerate that and what are the biggest buckets in that productivity?

Henrik Ehmrooth: That is of course the net number of many things; I think what Ilkka showed was there was one that came straight from growth and then one that part of it came from margin; so of course part of this productivity can be pricing and many things. Well clearly we want to get several percentage points of productivity in all of our operations every year and we are largely getting that, partly you need to do that all the time because of, you know, price pressures in the market. That's natural so we have clearly – in this environment we have ambitious targets for our productivity, what they exactly are, they very from business to business and you always have puts and takes as well.

Ilkka Haran: Obviously that's actually one of the areas which, as a newcomer to KONE, I've been really impressed by the capability that the company has in every day looking for efficiencies and more efficient ways to work and that's really at the heart of it. And I think I would also highlight – to step a bit backwards and highlight the fast and smart execution that Henrik talked about as one area for the next three years that we invest in and further developed. And that's really at the heart of it. It's about how do we serve our customers more efficiently and effectively and both of them actually contribute the same financial outcome in my mind.

James Moore: Thanks and just one final technical question, your cash flow from financing items and taxes was Euro 331 and quite a big swing from year on year; I couldn't think what that was? What's behind that big number?

Henrik Ehmrooth: Well firstly from a financial income point of view, last year we had the large dividend from Toshiba Elevator Company at Euro 180 million, which is the biggest swinger.

James Moore: That still leaves Euro 150-ish, is there anything behind that we should be aware of?

Henrik Ehmrooth: No, nothing major there that I would highlight.

James Moore: Thank you very much.

Elaine Frost: Thank you, we now take a question from Manu Rimpela of Nordea, please go ahead.

Manu Rimpela: Good afternoon, I would like two questions; firstly could you comment on how you see your ability to pass on the cost inflation outside of China? So I mean if you are going into

– if oil rig pricing still remains pricing outside of China and then we see raw material prices going up, so are you expecting to see margins being squeezed outside of China as well?

Henrik Ehmrooth: Actually we have to see how the oil market picture develops but clearly, you know, when we look at – as you know we don't comment on pricing going forward, that is always individual negotiation between us and our customers but in an environment like this clearly we have objectives and targets and that is, you know, one of the areas how we want to develop our margins and the other one is through productivity. So that is a focus area throughout KONE in all geographic areas.

Manu Rimpela: Okay, and maybe a follow up question on that; do you have an historical example? I mean we had previous times when raw material prices have been volatile, so what do you see as the lag when raw material prices stabilise that you are able to kind of recover that in pricing?

Henrik Ehmrooth: If I – well 2012 is one comparison point, you can see how it developed there; but of course there were many other factors but that was one factor if we go back to that period. But you can say that if you think that if today we book an order on average we are going to deliver it in one year, that's one way of looking at from a sales perspective the delay; but of course that's, you know, you have a little bit longer delay because if you tender something today you can probably book it as an order in 3 – 5 months and from that it's then a year. There is a clear lag but that's part of this business; sometimes it's a positive and sometimes it's a negative for you.

Manu Rimpela: Okay. And then on the new measures you are taking in terms of these R&D investments and all of the step up in effort and in service and maintenance, so could you just help us to understand when do you expect to see some tangible benefits from these? So we've obviously seen the costs coming in this year but do you expect to see also the benefits already in '17 or is that more later?

Henrik Ehmrooth: In the services business what we are doing we can see some benefits already and that is something you need to do all the time. In the service business you have to remember that before you roll out the new service concept too broadly your customer takes a while because – it takes many years because you have so many individual customers and many small customers, but I think that when we start with them we can start to see on a small scale we constantly see that we are moving forward. Some of them of course takes longer and are longer term in nature. You always have a portfolio of some long term measures and some short term measures and it's a combination of both of these.

Manu Rimpela: Okay and final question, is this something that you are seeing also that you just have to do in order to stay competitive because we know that your main competitors are also investing or do you feel that you actually have been able to invent something new into the industry?

Henrik Ehmrooth: Of course our objective is to differentiate and, you know, everyone always in market have slightly different approaches but I think what we've seen is that opportunities for us to deliver totally new value to our customers in a better way, it is there and that's why we are investing in them. And, you know, obviously we are not the only ones that are seeing that but again all of us have slightly different approaches and we believe strongly that with our approach we are going to continue to differentiate and develop well compared to our markets overall.

Manu Rimpela: Okay, thank you. No further questions.

Elaine Frost: Thank you, we will now move to Andre Kukhnin of Credit Suisse, please go ahead.

Andre Kukhnin: Yes, good afternoon, thanks very much for taking my questions. I'll go one at a time. Firstly, just a clarification on pricing in China and what you were saying there in terms of seeing more positive dynamics or dynamics improving; what are you doing with your pricing in China this year in tendering or in the orders that you're booking?

Henrik Ehmrooth: There again pricing is always something between us and our customers, but I would say our approach in this type of environment it's clear the approach needs to be more that you are focussed on value rather than just volume. So – but what we do on pricing is again between us and our customers.

Andre Kukhnin: Okay, but just to understand a bit better, are you – when you talk about dynamics improving, is this improvement in terms of a lower rate of decline in prices or is this improvement in prices absolute year on year that you are seeing?

Henrik Ehmrooth: We have not seen that yet and we – what we are saying is that we expect the market to remain competitive and, you know, I don't – we can't predict where the market is going to be in 2017. What we are saying – I think what we can say is for us focus is really more on the value rather than just volume of what we sell, that's one point. And secondly if we look at the environment we can say that that is more supportive and perhaps better dynamics than we've seen before because of what we have talked about the market. But where exactly it will go I think we have to see.

Andre Kukhnin: Got it, thank you. And can I just check, in terms of your China margin in 2016, has it turned out to be much different to where you were in 2015?

Henrik Ehmrooth: I think as I said from our performance we had good margins and good performance in China; yes, we could see pressures on prices and volumes however, you know, the way we continued to develop our competitiveness we actually had good development in China.

Andre Kukhnin: Got it and just to follow up on the productivity, what you said about several percentage points that you target to achieve every year, thinking about the base for that, would it be right to think about kind of total cost base excluding the materials and components purchasing?

Henrik Ehmrooth: There are different types of productivity; clearly in our type of industry a lot of it is field operations, both in maintenance, modernisation and installation – well installation both in new equipment and modernisation and clearly you want to constantly improve your quality and when you improve your quality you improve your productivity having better operations. And those are, of course a lot of those are labour costs. But then you have, of course, on the product you want to also constantly find improvements on the product costs in having either better productivity in your supply chain or new designs and so forth. So it comes from many different streams and all of them, you know, need to work in order for you to develop well over long term and that's what we've done.

Andre Kukhnin: Okay, so it sounds like it's broader than sort of involving some of the purchasing - component purchasing lines as well?

Henrik Ehmrooth: You need to constantly have activities in all fronts because you have to remember also in most countries unless you have productivity you are going to have increased costs all the time by labour cost increases. So our objective is to clearly more than cover those.

Andre Kukhnin: Great and then just a final question, on the extra investment on R&D and IT, I know we went through it in some detail at the capital markets day but there has been more time passed since then and could you share with us whether your return on investment in these step ups in investment is kind of comparable to KONE's return on investment; KONE group's, or is it higher and where are we in that phase of investment versus payback? Is this sort of investing this year, payback in 2018/19 or are there some quick opportunities or maybe in fact some of this acceleration in growth and service that we're seeing is already in effect some of that? Just to understand that component a bit better.

Henrik Ehmrooth: I think over the past three years we have constantly increased our activity how to develop our service business and both maintenance and modernisation – the growth we have had would clearly not have been possible without those extra efforts that we've put in and therefore that is clearly what we are looking at going forward. Return investment tends to be good and as you can see – well you've seen that from our track record. Sales when they go up also boost your margin but it's not a big area and we have to remember that for last year we talk about in R&D in total 1.6% of sales, so we are not talking about any massive numbers here.

Andre Ricci: Okay, got it. Thanks very much Henrik.

Elaine Frost: Thank you. We now take a question from Martin Flueckiger of Kepier Cheuvreux, please go ahead.

Martin Flueckiger: Yeah, good afternoon, Henrik; it's Martin from Kepier Cheuvreux, thanks for taking my questions. Actually I've got three questions as well and I'll take them one at a time. Just coming back to your market outlook for the Chinese new equipment business, you are looking at a decline of between 0 and -5% in units and at the same time you are talking about an improved environment so I'm kind of wondering, you know, 0 to – 5% still looks pretty grim if you ask me. I was just wondering, what are the key assumptions for your forecast of a decline of between 0 and 5% in China?

Henrik Ehmrooth: So last year we saw a decline in the market of close to 5% overall so you know, I think the worst in the range it could be similar. Now in Q3 and Q4 we saw a slight moderation in decline and you know, we are somewhere in that range going forward. But I agree with you, the market is expected to remain challenging next year. But as I said we have had the improvement in property markets last year; however that has led to lower inventories, which is good, healthy for the market and now we see that the Government is actually putting in a few restrictions to cool down the market and we can see the first indications coming out of that is that that is having an impact and with that overall when we look at it, we expect that markets overall will be in the range of 0 to – 5% and we say that, again we have said before that the pricing environment, we believe that the dynamics are better, but of course we have to see where it goes so we can continue to see very high competition for the market share in China.

Martin Flueckiger: Okay, thanks, got it. But, you know, just looking at new construction area and I suppose you would agree that new construction area is some sort of maybe loose leading indicator for your business in the new equipment space. Now based on the data I've seen it was up around 7% in 2016; is that not a contradiction to your outlook for the new equipment market?

Henrik Ehmrooth: If we look at new construction area it started to grow in 2016 but that came after two years of declining and it was, if you look at the longer term and uptake on average, you can see a link but over the short-term it is usually, there is not a strong correlation. But, you know, this is based on the outlook we see based on feedback from many of our large customers and, particularly with the big developers, we have a strong market share there and feedback from them – what we see from markets and what are expectations, you know put it all together and this is the best view we have at the moment.

Martin Flueckiger: Okay, thank. So my next question would be on – yeah, I think you just touched upon it in your last answer but maybe we could dive into that subject a little bit more. We've heard some news about the China Central Bank are now to curb excess leverage in the financial system, i.e. to strictly control new mortgage lending. What is the feedback you are getting there? What are your views on the impact on the property market and new equipment growth going forward – just from that leverage development?

Henrik Ehmrooth: As I mentioned there is only early signals because end of last year still was quite positive but the early signals are that it is starting to have an impact on transaction volumes and prices. It is still early days but it's clear that you have restriction on mortgages, particularly for second and third apartments; and then also you have restrictions for developers in how they can finance purchase of land. So we think that this will have an impact but again it's early days so I think we have to follow how that develops.

Martin Flueckiger: Okay thanks, then coming to the US, I think if I remember correctly you were guiding for slight growth in new equipment in the US; now I'm a little bit surprised at that because if I understand correctly the multi-family housing also has an important impact on your growth or on the market growth in new equipment in the US and that – here we've seen building permits weaken considerably over the last few months, even to a negative in the second half. Why do you still think the North American market in new equipment can grow slightly in 2017?

Henrik Ehmrooth: We always look at new permits, those can be volatile and are a very leading indicator but you have other leading indicators such as architectural building index, which in most parts of the US continue to be in positive territory. This is again what we see from our customers, what we see from the backlog, what we have in the market. It is clear that after a growth period that we have had that the growth is slower than it's been before but we still expect the market to move a little bit further in a positive direction. And you have to also remember that from a building permit to when it impacts us can – there can be a clear difference between that.

Martin Flueckiger Okay thanks. And yeah, just a final one on financials maybe; CAPEX could you provide us with the latest update on CAPEX and networking capital guidance for the foreseeable future? Many thanks.

Henrik Ehmrooth: Yeah, thank you. So from a CAPEX point of view, as I said, so although we made investments last year that didn't really fluctuate that much as a percentage of the sales. So we continue to be in the same range going forward as we saw in 2016. And then from a working capital point of view I think it's – we made good progress this year and plan to continue making progress but I think it's a good level already.

Martin Flueckiger: Okay, thank you very much.

Elaine Frost: Thank you. We will now take a question from Rizk Maidi from Berenberg Bank, please go ahead.

Rizk Maidi: Yes, hi, thank you very much for taking my questions. I have three and I'll take them one at a time. So firstly just on the backlog, you started the year with a 5.4% increase in the backlog and yet you are guided for a -1 to +3% organic growth for this year. Can you just give us a sense for maybe the conversion or the duration of the backlog and how you see that flowing into sales this year?

Ilkka Haran: Yes, so what I think I would highlight there are a few things; so first of all geographically; so we have seen good progress geographically in the Americas and North America, which has a somewhat slower circulation time from order to then fulfilment. As well we have seen good progress in our major project business, which also has a longer cycle time. So those are influencing our guidance for 2017. In addition to that we did see some – some slow down in China in our order book, but I would highlight maybe the two first ones first in terms of importance.

Rizk Maidi: Okay, secondly on the guidance for 2017 for EBIT can you share with us the assumptions for raw materials and FX impacts?

Henrik Ehmrooth: As I mentioned FX very negligible and raw materials Ilkka.

Ilkka Haran: Raw materials, we must look at the market price there and where we are in terms of having contract on raw materials, which I already commented, so I think that's our best understanding as of today and then we'll see how the year develops on both of those items.

Rizk Maidi: Okay thank you. And then lastly just on the maintenance business in China, can you share with us the level of growth you've seen then in Q4 and how big the maintenance now is in – as a percentage of the overall Chinese business? Thank you.

Ilkka Haran: Now if we look at maintenance it starts to be over 10% to our revenues, which has continued to grow at good rate at over 20% last year; it's a good growth throughout the year and it's clear that the growth percentage comes a little bit down as the base underneath it has grown a lot but continued good development in our maintenance base in China and our maintenance base is that now we have passed the 10% mark of its share of revenues.

Rizk Maidi: Thank you.

Elaine Frost: Thank you. Our next question comes from Glen Liddy of JP Morgan, please go ahead.

Glen Liddy: [pause]

Elaine Frost: Mr Liddy, your line is open if you'd like to ask your question.

Glen Liddy: Hi, it's a question on the after market in Europe; is the pricing pressure spreading North in Europe?

Henrik Ehmrooth: If we look at the pricing environment overall in Europe we haven't seen any major changes in the trends. I would suggest the markets – you know, when you have more conversions, where you have had stronger new equipment markets for a while, that tends to be a more supportive factor because there are more new units coming in. In the markets where you have had a prolonged weakness in new equipment, those tend to be the most challenging ones, such as the South European markets.

Glen Liddy: And in the US you've had volume growth for some time but you flagged that the after market pricing is tough; is there any particular factor behind that? Are you getting more independent service agents appearing in the market?

Henrik Ehmrooth: There hasn't been a big shift and there continues to be – the US market is more consolidated perhaps than the others but we still have a lot of independents there. I think we are probably going slightly in a better direction given that many of these units that have been installed have now come to the market so usually there is a clear lag but we are probably going to be looking at a slightly more – a slightly better environment.

Glen Liddy: And a question on the after market, are customers trading down in terms of the value added nature of their service contract; if you entered into a long-term service contract a couple of years ago, are they entering into the same quality of contract on your new service contracts today?

Henrik Ehmrooth: There is not a huge difference and again it's not necessarily a big difference in the business. If you have a fully comprehensive contract for example, then you have everything included, if not then you pay separately for the repairs; so one is more like an insurance contract and the other one you more pay as you go. So for us clearly it has some impact but there's no – no big changes in the difference there.

Glen Liddy: Okay then, thank you very much.

Elaine Frost Thank you. Lars Borson of Barclays has our next question, please go ahead.

Lars Brorson: Hi, and thanks and happy New Year. A couple of things from me, just first of all on market share in China, I presume we will get market share data as you often provide with your Q1 results, but it looks like, based on what we've seen in '16 you didn't gain and perhaps you lost a bit of share this year or last year, that's the first time in the 10 – 12 years you've been providing market share data there, we've been able to track it. Why do you think that is? Where are you now as far as product portfolio is concerned and what do you see competitively? And maybe just linked to that, I'm still a little bit puzzled with your commentary around an improving pricing outlook for '17; I don't want to belabour it but I appreciate we see raw material price inflation, perhaps we see volume declines a bit less than we saw in '16, but why would you imply, if that's what you are doing, that we're seeing an underlying improvement to the pricing environment? Sorry that was two different questions but I guess they are both related.

Henrik Ehmrooth: If we start from your second question, what I was very clear is that we have to see where prices go. I said if we look at the environment and you look at the impact it's had on many companies and the raw materials, as I said, we are probably seeing somewhat better dynamics. But of course we have to see how it goes. That is how we see the situation and I think we are not the only ones who want to focus more on the value than on the unit volume in the market. When you look at market share, you know, if you look at over last year, we believe based on that we developed roughly in line with the markets, no big changes. If you look at 2015, our market share increased by – it was a little bit over 1.5% point, so sometimes you take more; now in this challenging market we have not – we have not sought to maximise our market share and we have – this is very much based on the approach that we've taken. Now if you looked at our competitors in the China market we have and continue to have a broad and strong forward portfolio, so I feel actually pretty good about that.

Lars Brorson: Okay, and just to the first point that you don't think it could get much worse; I mean, if you are running at margins in China in the high teens, Otis is in the low 20s, the industry probably, at least amongst the global OEMs in the mid teens I just don't understand why it can't get much worse, but perhaps we can leave that for a separate discussion? Secondly, I just wanted to ask you about balance sheet; I was a bit surprised not to see any commentary around that. Obviously you last paid out a special dividend in 2012; you have been very clear about your appetite to do a larger deal, it is also quite clear that there aren't any willing sellers. Well perhaps we'll get a forced seller in 2017, it looks like we might, but I guess my question is how much patience do you have here? How much patience do you think shareholders have to continue to wait for that larger opportunity to materialise and at what point do you think it's time to deal with what seems to be a rather over-capitalised balance sheet?

Henrik Ehmrooth: Well I must say we feel pretty good about that balance sheet and you know, with this dividend we are going to pay out another – about Euro 800 million, so I think it's a pretty good pay out. But clearly on balance sheet we remain very strong after that as well and, you know, as we have said, there are a lot of situations happening in the world, uncertainty in the world, if there are opportunities we are very keen to capitalise on them, so therefore we still think it makes sense to maintain a strong balance sheet but it is, of course, always up to our board to decide how we think about pay outs. But what we've been doing is we've been increasing our dividends. If you look at the compound annual growth rate over the past years it is rather high and good and that we feel good about and that we've also done some buy backs on top of that. So overall we have to see what opportunities come and then our Board of Directors have to make decisions in accordance.

Lars Brorson: Thirdly and finally, if I could just ask to India, I thought it was interesting to hear the comment around that; can you give us a sense of how much India declined in Q4 versus perhaps where you were running earlier in '16 and that impact of demonetisation; it sounds like you see that as more of a temporary phenomenon, what is your view on 2017 for your new equipment business in India?

Henrik Ehmrooth: Let me address the markets overall; so the markets were growing, they were not growing strongly but they were growing slightly throughout 2016 until the demonetisation occurred and that clearly had an impact as I am sure many of you have read on the property markets overall and of course some cautiousness among developers. Over time it's probably going to be a good thing and – but it had a temporary effect and we expect overall the markets in 2017 to grow, let's see when they recover, but we still see positive underlying demand and dynamics in that market but this – there was still a little bit of a hiccough there in the short term.

Lars Brorson: And just how big was that in Q4 if I can just ask?

Henrik Ehmrooth: It was some single digit percentage of the market decline. It wasn't a strong decline in the market, it was just some more uncertainty from a growth.

Lars Brorson: That's clear, thanks Henrik.

Elaine Frost: Thank you. We will now go into Morgan Stanley.

[female]; … to take two really quick questions.

Ben Masien: Hi, I think that was me, sorry. Hi Henrik, hi Ilkka; on the backlog, you said the relative margins of orders received in the second half of the year declined slightly; do all of those deliveries flow into 2017 and are caught in your guidance for this year or does some of that kind of weaker margin flow into '18 as well? That's the first one, thanks.

Henrik Ehmrooth: If you look at China then most of it will be in '17 because of the faster rotation from order to delivery.

Ben Masien: Thank you and then you mentioned the competition balance in the presentation; if I look at your chart it looks like if it grew by 6% the maintenance base, that's maybe 70-80,000 units; it's still a long way below the 130-140,000 that you've delivered both in '15 and'16, so I know there's a lag and I know that some buildings get demolished but it still seems to me like the competition balance is quite negative, so maybe can you give us a figure on where that is and just more colour around how much it's improved this year? Thanks.

Henrik Ehmrooth: It was only slightly negative; we're not talking about big numbers. So if we look at the percentage takes; you have to remember it's quite many years delay from delivering a unit until it comes to service base, particularly in China where first service periods can be two to three years long so when something has been installed until it comes there. But therefore our conversions continue to grow and they grew again in a good rate – at a good rate last year. So competition rates improve but only slightly negative, so it was a clear improvement year over year. Perhaps last year we had even slightly more demolitions and buildings taken out of use than normal but that's a little bit over a percentage point impact, so those are the main impacts to them and as I say it grew clearly over 6% again.

Ben Masien: Thanks and then just very quickly, so you out-performed the market very clearly in Q3 and then under-performed it again in Q4; why are there such big swings in market share? Is it you push harder in some quarters; there are some very large orders that come in and out of the order book, or is this kind of your kind of tactical approach to the market and pricing and the need to build a backlog? Why do we get these big swings? Thanks.

Henrik Ehmrooth: First of all I don't think they are big the swings and we have to remember one quarter is quite a short period of time and these are natural swings in the market and we may have a slightly different approach but mainly I wouldn't read – I mean again one quarter in our industry is a very short period of time. So it is always worthwhile looking at it – as we said also in during our fastest growth periods, hey, let's not look at only one quarter, let's look at a little bit more over a few quarters, that's what makes sense.

Ben Masien: Got it, thank you.

Elaine Frost: Thank you. Our next question comes from Bernard Horn of Polaris Capital Management, please go ahead.

Bernard Horn: Yes, I have two questions; one is a little bit more detail on the service development in China and the second is export competition from China. So let me ask the first one and then we can ask the second later. On the development of service, historically you've had a situation where the new equipment sales are often accompanied by service contracts, which may or may not be fully charged for and it's the conversion of those at the end. I know you talked a little bit about conversion but I'm wondering if you might just give us more detail on how that development is working and the competition from some of the local service providers because it seems like you have made progress there?

Henrik Ehmrooth: Okay, so what you are referring to is when we deliver a new unit the KONE brand 100% of those units will come with a first service period that is included in the new equipment price; and that can be anywhere from one year to three years. So we will be servicing those units after their first installation, all of them that we sell and install, over the first one to three years. Then the conversion rate is how many of those we then get into a paid maintenance contract at the end of that period and an important part of our maintenance revenues in China come from this so-called first service period, because of course that's where we recognise the revenue for the work we do there. The conversion rates at the end of this, they have remained pretty stable;

so we are at roughly 60% for KONE brand and clearly lower for which brings the overall to around 50%, which was discussed here in the beginning.

Bernard Horn: Okay, thanks. The second question is on competition that we seem to be seeing from China into the traditional Western elevator manufacturers market. So for instance in Southern Africa we've heard of situations where wholesalers who have been very traditionally loyal to let's say Western elevator brand customers – have switched to Chinese exports. And then a couple of weeks ago I was in Sweden and unfortunately I had to walk up six flights of stairs with my luggage but when I got to the top I asked the service techs what kind of elevator it was and they said it was a Chinese elevator. I was kind of surprised that in a Nordic market that we would start to see actual Chinese competition in a relatively new building. So I was just wondering if you might – I know you can handle the competition as it's exported but on the other hand I'm just curious if you can maybe give us some factual details on where you are seeing kind of export competition from China? Which markets and how big has it been up to this point?

Ilkka Haran: Well thank you. Maybe the local manufacturing is not the global OEMs you talk about because of course the globals also export some from China, but if you look at these local Chinese brands who want to penetrate other markets it's – their volumes are very small. We see this sporadically coming in and out the market and we have to remember that there's a segment that has been long-term served by component manufacturers, for example in Italy or Spain that have put together entire elevator packages and then sold them. Then many of them have then been replaced by these Chinese importers; we talk about very small volumes. Then in some new markets they may have some distributor who imports their products, but again we are not seeing any significant volumes or progress from them. What we have to make sure that if we can be very competitive in China then there's no reason we can't compete against them abroad; but again we are talking about a very small phenomenon at least until now.

Bernard Horn: Okay, thanks very much, that handles my questions so I appreciate it.

Sanna Kaje: Thank you very much for your questions and your time, we wish you a very good rest of the week, thanks.

Elaine Frost: Thank you ladies and gentlemen that concludes today's conference call. Thank you for your participation, you may now disconnect.