Dedicated to People Flow™

KONE

SAKS, SAN FRANCISCO, USA

Professional service for true peace of mind.

Our service professionals receive over 50 hours of technical, safety, customer service, and first-aid training every year to ensure our customers have total peace of mind 24/7, all year round.

KONE Q1

INTERIM REPORT FOR JANUARY–MARCH 2014

KONE's January–March 2014 review

January–March 2014: Record-high order intake and solid progress overall

- In January–March 2014, orders received totaled EUR 1,730 (1–3/2013: 1,712) million. Orders received grew by 1.0% at historical exchange rates and by 5.2% at comparable exchange rates. The order book stood at EUR 6,175 (Mar 31, 2013: 5,823) million at the end of March 2014.
- Net sales grew by 3.1% to EUR 1,442 (1,399) million. At comparable exchange rates the growth was 6.6%.
- Operating income was EUR 179.6 (160.4) million or 12.5% (11.5%) of net sales.
- Cash flow from operations was EUR 325.4 (297.8) million.
- KONE specifies its operating income outlook for 2014. KONE's net sales is estimated to grow by 6–9% at comparable exchange rates as compared to 2013. The operating income (EBIT) is expected to be in the range of EUR 990–1,050 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2014. KONE's previous outlook for its operating income (EBIT) was EUR 980–1,050 million.

KEY FIGURES

		1–3/2014	1–3/2013	1–12/2013
Orders received	MEUR	1,729.7	1,712.4	6,151.0
Order book	MEUR	6,175.4	5,823.1	5,587.5
Sales	MEUR	1,441.8	1,398.7	6,932.6
Operating income (EBIT)	MEUR	179.6	160.4	953.4
Operating income (EBIT)	%	12.5	11.5	13.8
Cash flow from operations (before financing items and taxes)	MEUR	325.4	297.8	1,213.1
Net income	MEUR	143.3	125.8	713.1
Basic earnings per share	EUR	0.28	0.24	1.37
Interest-bearing net debt	MEUR	-371.3	-406.5	-622.0
Total equity/total assets	%	35.0	37.7	43.7
Gearing	%	-28.1	-26.6	-36.1

KONE's January–March 2014 review

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

"I am very pleased with the start to this year. Our orders received grew from an exceptionally high level of the first quarter of 2013 – order intake was record high and grew by 1.0% at historical exchange rates and 5.2% at comparable rates.

Sales grew by 3.1% at historical and 6.6% at comparable rates to EUR 1,442 million. New equipment sales growth was the fastest, and maintenance sales continued to grow at the earlier good rate. Modernization sales declined.

Operating income grew to EUR 179.6 million, 12.5% of net sales. The growth in operating income was a result of continued strong new equipment sales growth in Asia-Pacific, China in particular, and positive development in the maintenance business. Cash flow from operations was very strong at EUR 325.4 million.

I want to thank KONE's employees, who have once again worked ambitiously to achieve good growth and develop our business on a broad basis. I would like to also take this opportunity to thank my predecessor Matti Alahuhta for leading the business to a good start for this year.

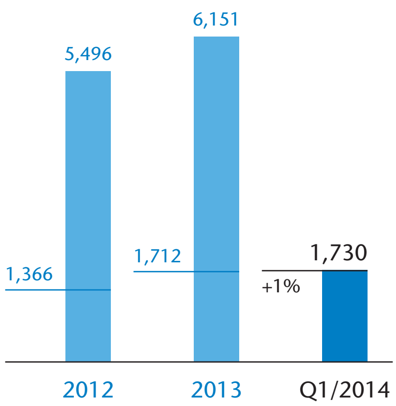
We have now started the work with our new set of five Development Programs and got to an encouraging start with them. Our objective is to have the best customer loyalty in our industry, as well as have a winning team of true professionals with a committed and competent employee in every job. Three of the new Development Programs focus on further differentiation from our competition in new equipment, modernization and maintenance. I am convinced that our work with these programs will enable us to capture the significant growth and development opportunities we have as a company.

The markets developed largely in line with our expectations in the first quarter of the year. The new equipment market in North America, United States in particular, has developed very positively, while most European markets remain challenging. In Asia-Pacific, rapid growth continued in all key markets. Price competition has continued to gradually intensify in many European markets and China, but positive new equipment pricing development has simultaneously been seen for example in the volume business in the United States.

Our market outlook is intact. While there are some short-term uncertainties in the Chinese construction market, our growth estimate for the new equipment market in China for 2014 is unchanged at approximately 10%. We are confident also about the longer-term development of the Chinese market. The new urbanization and green building targets announced recently by the Chinese government support this view."

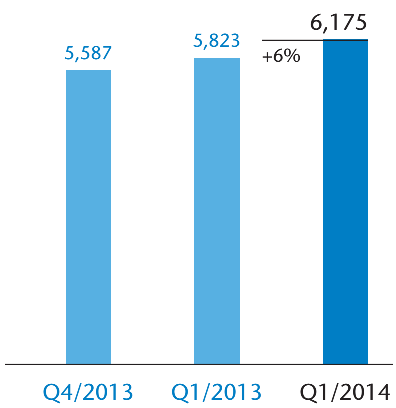
Key Figures

Orders received (MEUR)



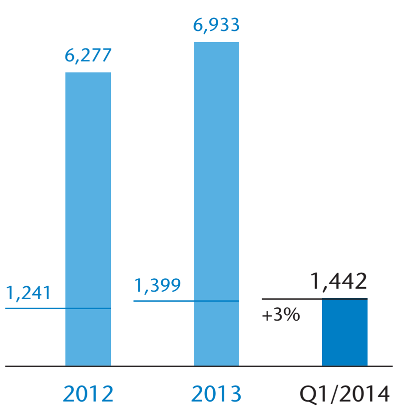
- Orders received grew by 1.0% at historical exchange rates (at comparable exchange rates by 5.2%).
- In new equipment, orders received grew significantly during the quarter. In modernization, orders received declined strongly from the exceptionally high level of the first quarter of 2013. Maintenance contracts are not included in orders received.
- Orders received in the EMEA region grew slightly. New equipment orders received grew slightly and modernization order intake declined somewhat.
- Orders received declined very strongly in the Americas region due to an exceptionally large individual modernization order in the comparison period. New equipment orders received grew clearly. In modernization, orders received declined very strongly due to the above-mentioned order.
- Orders received grew strongly in the Asia-Pacific region. New equipment orders received grew strongly. Modernization orders grew significantly.

Order book (MEUR)



- The order book grew by 6.0% at historical exchange rates (at comparable exchange rates by 14.6%).
- The margins of orders received improved slightly despite the intense price competition seen in many markets.
- The margin of the order book remained at a healthy level.

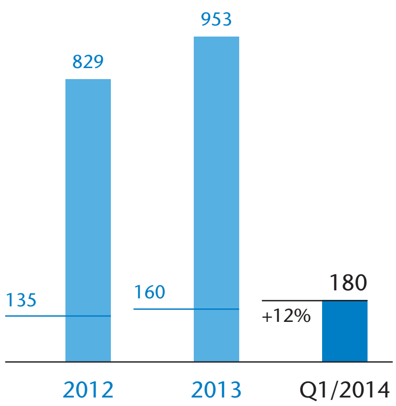
Sales (MEUR)



- Net sales grew by 3.1% at historical exchange rates (at comparable exchange rates by 6.6%).
- New equipment sales grew by 7.4% (at comparable rates by 11.2%) compared to January–March 2013. Service (maintenance and modernization) sales declined by 0.7% (grew by 2.5%), with maintenance sales growing by 2.9% (6.2%) and modernization sales declining by 10.3% (7.4%).
- Sales in the EMEA region was stable at comparable exchange rates. Maintenance sales grew somewhat and new equipment sales grew slightly, while modernization sales declined clearly.
- Sales in the Americas region declined somewhat. Maintenance sales grew slightly, but new equipment and modernization sales declined significantly.
- Sales in the Asia-Pacific region grew very strongly. New equipment sales grew strongly. In service, maintenance sales grew significantly and modernization sales very strongly.

Key Figures

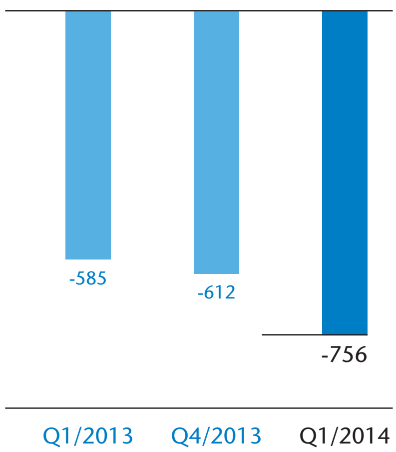
EBIT[1] (MEUR)



- The growth in operating income was a result of continued strong new equipment sales growth in Asia-Pacific, China in particular and positive development in the maintenance business.
- In addition, the pricing actions taken during the past two years contributed to the growth in operating income.
- KONE continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific as well as R&D, process development and IT.
- Operating income was 12.5% of net sales.

1) Operating profit excluding one-time items

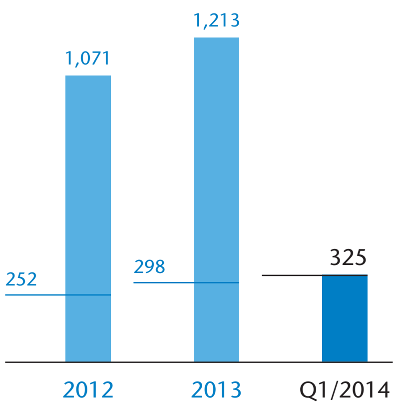
Working capital[2] (MEUR)



- The improvement in net working capital was largely due to a good level of advance payments received relative to inventories, especially in Asia-Pacific, and normal seasonal maintenance invoicing cycles.

2) Including financing and tax items

Cash flow[3] (MEUR)



- The main driver of the strong cash flow was the growth in operating income. Also net working capital continued to improve.

3) Cash flow from operations before financing items and taxes

KONE's January–March 2014 review

Accounting Principles

KONE Corporation's Interim Report for January–March 2014 has been prepared in line with IAS 34, `Interim Financial Reporting´ and should be read in conjunction with KONE's financial statements for 2013, published on January 28, 2014. KONE has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2013, except for the adoption of new standards and interpretations effective during 2014 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.

January–March 2014 review

Operating environment in January–March

In the first quarter of 2014, the new equipment markets developed largely in line with KONE's expectations, with good growth in Asia-Pacific and North America and a mixed development in the EMEA region. The major projects segment saw flat development in Europe, but grew in other regions. The modernization market was weak in Europe, but developed positively in North America and Asia-Pacific. Maintenance markets grew in most countries, although at low rates in such countries, where new equipment activity has been weak for the past years.

In the EMEA region, the new equipment market in Central and North Europe was overall rather stable, with some growth seen in all market segments except for infrastructure, which declined. New equipment demand grew in Germany, Great Britain and Sweden. The market declined in Finland and the Netherlands, and saw a rather stable development in most other countries. In Russia, the market was rather stable with increasing uncertainty towards the end of the quarter. In South Europe, new equipment demand continued to develop negatively across segments in mature markets. The new equipment market declined in France and Italy, but showed signs of a slight improvement from a very low level in Spain. In Turkey and the Middle East, new equipment demand grew. The modernization market was stable in Central and North Europe, but saw a decline in South Europe. The maintenance market grew, although with significant variation between countries.

In North America, new equipment demand grew. This was a result of strong growth in the United States where the positive development of the new equipment market was driven by the residential and office segments in particular. Demand in Canada and Mexico was rather stable. Modernization activity in North America grew. Also the maintenance market continued to grow, albeit slowly as a result of low volumes in new equipment in the prior years.

In the Asia-Pacific region, the new equipment market continued to grow. In China, new equipment demand grew clearly compared to the previous year. The major driver of market growth was the residential segment, excluding affordable housing. Demand in affordable housing declined, but it remained an important segment in terms of market volume. Other residential segments grew both in larger and smaller cities, with higher-tier cities seeing a more positive development than lower-tier cities. Also non-residential segments grew. Growth in the infrastructure segment was driven by a good level of activity in metro and airport projects. In India, the new equipment market grew with the residential segment as the primary driver. In Australia, both new equipment and modernization demand grew. The Southeast Asian new equipment markets grew somewhat, with markets in Singapore and Malaysia seeing growth, but Indonesia declining. Maintenance markets in Asia-Pacific grew, following the positive development of new equipment demand in the region.

In the first quarter, price competition remained intense in many markets. In China, new equipment pricing continued to gradually intensify. 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 improved slightly in the volume business, but remained challenging in larger projects. In maintenance and modernization, the pricing environment was characterized by intense 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 intense in maintenance, particularly in the non-residential segments, but improved slightly in modernization.

Orders received and Order book

Orders received increased by 1.0% from the very high level of January–March 2013, and reached a record-high level of EUR 1,730 (1–3/2013: 1,712) million. At comparable exchange rates, orders received increased by 5.2%. In new equipment, orders received grew significantly during the quarter. KONE's orders received developed positively both in the volume and major projects businesses. In modernization, orders received declined strongly from the exceptionally high level of the first quarter of 2013. Maintenance contracts are not included in orders received.

The order book grew by 6.0% compared to the end of March 2013, and stood at a record high level of EUR 6,175 (Mar 31, 2013: 5,823) million at the end of the reporting period. At comparable exchange rates, the increase was 14.6%. The margin of the order book remained at a healthy level. The margins of orders received improved slightly despite the intense price competition seen in many markets.

Orders received in the EMEA region grew slightly at comparable exchange rates as compared to January–March 2013. New equipment orders received grew slightly in the EMEA region. They declined significantly in Central and North

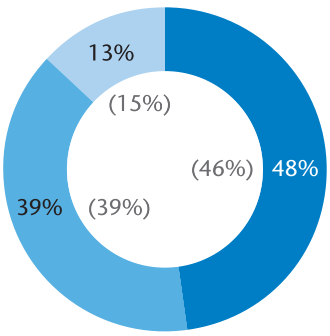
KONE's January–March 2014 review

SALES BY GEOGRAPHICAL REGIONS, MEUR

	1–3/2014	%	1–3/2013	%	1–12/2013	%
EMEA [1]	675.5	47	693.6	49	3,157.3	46
Americas	222.3	15	248.5	18	1,118.4	16
Asia-Pacific	544.0	38	456.6	33	2,656.8	38
Total	1,441.8		1,398.7		6,932.6	

[1] EMEA = Europe, Middle East, Africa

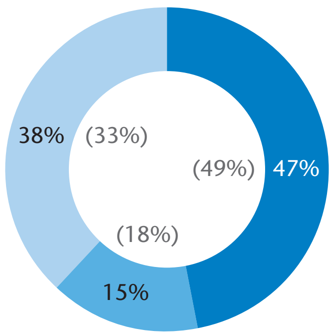
Sales by business



New equipment
Maintenance
Modernization

1–3/2014
(1–3/2013)

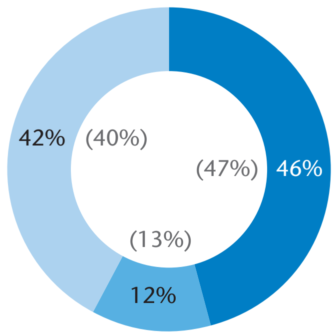
Sales by area



EMEA
Americas
Asia-Pacific

1–3/2014
(1–3/2013)

Personnel by area



EMEA
Americas
Asia-Pacific

March 31, 2014: 43,878
(December 31, 2013: 43,298)

Europe from a very high comparison point due to individual large projects in the previous year, declined somewhat in South Europe but grew very strongly in the Middle East and Turkey. KONE's modernization order intake in the EMEA region declined somewhat as compared to January–March 2013. Modernization orders declined both in Central and North Europe and in South Europe.

Orders received in the Americas region declined very strongly as compared to the exceptionally high level of January–March 2013, with a very large individual modernization order in the United States impacting the comparison period. Excluding this impact, orders received in North America grew clearly. New equipment orders received grew clearly, with very strong growth in the United States. In modernization, orders received declined very strongly in North America. Excluding the impact of the exceptionally large order in the comparison period, modernization orders received grew very strongly.

Orders received in the Asia-Pacific region grew strongly as compared to the first quarter of 2013. New equipment orders received grew strongly, with significant growth in China and very strong growth in Australia, Indonesia and Malaysia. Modernization orders received grew significantly, driven by very strong growth in Australia.

During the reporting period, KONE's largest orders received included an order in Jakarta, Indonesia of 131 elevators and escalators for District 8, a commercial and residential use development.

Net sales

KONE's net sales increased by 3.1% as compared to January-March 2013, and totaled EUR 1,442 (1–3/2013: 1,399) million. At comparable exchange rates the increase was 6.6%.

New equipment sales accounted for EUR 697.4 (649.3) million of the total and represented an increase of 7.4% over the comparison period. At comparable exchange rates, new equipment sales grew by 11.2%.

Service (maintenance and modernization) sales declined by 0.7% and totaled EUR 744.4 (749.4) million. At comparable exchange rates, service sales grew by 2.5%. Maintenance sales grew by 2.9% at historical and by 6.2% at comparable exchange rates. Maintenance sales include eleva-

KONE's January–March 2014 review

tor and escalator maintenance as well as KONE's automatic doors business. Modernization sales declined by 10.3% at historical and by 7.4% at comparable exchange rates.

The share of new equipment sales was 48% (46%) and the share of service sales 52% (54%) of total sales, with maintenance representing 39% (39%) and modernization 13% (15%) of total sales.

Sales in the EMEA region was stable at comparable exchange rates as compared to January–March 2013. Maintenance sales grew somewhat and new equipment sales grew slightly, while modernization sales declined clearly.

Sales in the Americas region declined somewhat as compared to the first quarter of 2013. Maintenance sales grew slightly, but new equipment and modernization sales declined significantly.

Sales in the Asia-Pacific region grew very strongly as compared to January-March 2013. New equipment sales grew strongly. In service, maintenance sales grew significantly and modernization sales very strongly.

The geographical distribution of net sales was 47% (49%) EMEA, 15% (18%) Americas and 38% (33%) Asia-Pacific.

Financial result

KONE's operating income (EBIT) grew and reached EUR 179.6 (1–3/2013: 160.4) million or 12.5% (11.5%) of net sales. The growth in operating income was a result of continued strong new equipment sales growth in Asia-Pacific, China in particular, and positive development in the maintenance business. In addition, the pricing actions taken during the past two years contributed to the growth in operating income. KONE continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific as well as R&D, process development and IT.

Net financing items was EUR 7.1 (3.8) million.

KONE's income before taxes was EUR 186.7 (164.4) million. Taxes totaled EUR 43.4 (38.6) million, taking into account taxes proportionate to the amount estimated for the financial year. This represents an estimated effective tax rate of 23.3% for the full financial year. Net income for the period under review was EUR 143.3 (125.8) million.

Earnings per share was EUR 0.28 (0.24).

Consolidated statement of financial position and Cash flow

KONE's financial position was very strong at the end of March 2014. Cash flow generated from operations (before financing items and taxes) was EUR 325.4 (1–3/2013: 297.8) million. The main driver of the strong cash flow was the growth in operating income. Also net working capital continued to improve. The improvement in net working capital was largely due to a good level of advance payments received relative to inventories, especially in Asia-Pacific, and normal seasonal maintenance invoicing cycles. At the end of March 2014, net working capital was EUR -756.0 (December 31, 2013: -611.5) million, including financing items and taxes.

Interest-bearing net debt at the end of March 2014 was EUR -371.3 (December 31, 2013: -622.0) million. KONE's cash and cash equivalents together with current deposits were EUR 700.7 (890.6) million at the end of the reporting period. Interest-bearing liabilities were EUR 334.7 (273.8) million, including a net pension liability of EUR 150.3 (134.7) million and short-term loans of EUR 65.5 (17.2) million. In addition, the interest-bearing net debt includes EUR 98.2 (100.8) million of option liabilities from acquisitions. Gearing was -28.1%, compared with -36.1% at the end of 2013. KONE's total equity/total assets ratio was 35.0% at the end of March (December 31, 2013: 43.7%).

Equity per share was EUR 2.52 (3.30).

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 19.4 (1–3/2013: 25.6) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. Acquisitions accounted for EUR 3.4 (9.6) million of this figure. The acquisitions completed during the reporting period do 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 EUR 24.2 (1–3/2013: 21.6) million, representing 1.7% (1.5%) of net sales. R&D expenses include the development of new product and service concepts as well as 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 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 and escalators and further develop KONE's People Flow Intelligence solutions for the smart buildings of the future.

During January–March 2014, KONE launched KONE NanoSpace™, a revolutionary full replacement solution for elevators with the quickest replacement process on the market as well as excellent space efficiency, ride comfort and eco-efficiency. While a typical full replacement project takes six weeks, the new KONE NanoSpace elevator can be both installed and made operational in as little as two weeks. KONE NanoSpace uses highly compact components and innovative technology to deliver an elevator car that has up to 50%

KONE's January–March 2014 review

more space inside with no changes to the existing shaft. In addition to improved space efficiency and accessibility, KONE NanoSpace also provides a smooth ride for maximum comfort. With the eco-efficient KONE HybridHoisting™ system, it also helps to reduce energy consumption and running costs. KONE NanoSpace will be available in the European markets during 2014.

KONE also released updates to the elevator signalization and electrification solutions in the North American market. In Asia-Pacific, KONE started the deliveries of the new KONE E MonoSpace® elevators for the residential segment.

Change of President and CEO

In January 2014, KONE announced that President and Chief Executive Officer Matti Alahuhta, who had been leading KONE since January 1, 2005, would leave his position on March 31, 2014. KONE's Board of Directors appointed Henrik Ehrnrooth President and Chief Executive Officer as of April 1, 2014. Previously, he had been Executive Vice President, Chief Financial Officer of KONE since May 1, 2009.

Change in the Executive Board

Eriikka Söderström was appointed Executive Vice President, Chief Financial Officer and a member of the KONE Executive Board as of April 1, 2014. Previously, she had been Senior Vice President, Corporate Controller of KONE since February 11, 2013.

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 its 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." As part of this program, KONE launched several initiatives in January to help all employees perform at their best, to enhance the systematic development of field competences, and to ensure attracting the right talent to all positions.

During January-March 2014, the delivery of new management programs targeted to general managers and installation managers began. In addition, the planning of new training programs following the targets of the development program commenced, while the delivery of existing training programs continued. The global roll-out of KONE's web-based learning management system continued, with a steady increase in usage rates in countries having adopted the system.

In 2014, KONE's units will be given increased support for collaboration with educational institutions. In the first quarter, a school collaboration survey was completed for identification of key actions in this area. Additionally, existing KONE apprentice programs were analyzed in order to share best practices with all units and to promote the launch of new local apprentice programs.

During the reporting period, KONE's annual performance management round was completed with a strong focus on individual development planning and encouragement of the use of job rotation opportunities. In addition, KONE's annual employee survey was conducted with a high response rate of 91% (2013: 92%). The results are to be reported for action point identification during the second quarter of the year.

KONE had 43,878 (December 31, 2013: 43,298) employees at the end of March 2014. The average number of employees was 43,512 (1–3/2013: 40,067).

The geographical distribution of KONE employees was 46% (December 31, 2013: 47%) in EMEA, 12% (13%) in the Americas and 42% (40%) 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 innovative energy-saving solutions for escalators. KONE aims to strengthen its position as a leader in sustainability in its industry.

The most significant environmental impact of KONE's business globally relates to the amount of electricity used by KONE equipment during their lifetime. This underlines the importance of energy-efficient innovations for elevators and escalators. The most significant impact of KONE's operational carbon footprint relates to logistics, the company's vehicle fleet, and electricity consumption at KONE facilities.

During January-March 2014, KONE launched the KONE NanoSpace™ elevator full replacement solution. KONE NanoSpace provides excellent eco-efficiency and can be up to 70% more energy-efficient compared to old hydraulic elevators.

KONE continuously works on minimizing its operational carbon footprint and ensuring that its suppliers comply with corresponding requirements and environmental targets. During the reporting period, KONE finalized the calculations of its 2013 carbon footprint. KONE's 2013 carbon footprint relative to overall operations (net sales) decreased by 3.5% compared to 2012. The carbon footprint of externally assured scope 1 and 2 greenhouse gas emissions relative to net sales decreased by 9.1% compared to 2012. In absolute terms, the scope 1 and 2 carbon footprint decreased by 0.2%. The major achievements in reducing the total carbon footprint,

KONE's January–March 2014 review

including scope 1, 2 and 3 emissions, were a 6.9% decrease in the vehicle fleet carbon footprint relative to units in service, a 4.5% decrease in the logistics carbon footprint relative to units delivered, and a 2.7% decrease in electricity carbon footprint relative to KONE's headcount. KONE's 2013 absolute operational carbon footprint amounted to 305,200 tonnes of carbon dioxide equivalent (2012: 287,800). The 6% increase in the absolute carbon footprint is largely due to the increase in KONE's headcount and net sales which increased by 8.6% and 10.4% in 2013, respectively. Scope 1 and 2 emissions comprising direct energy use and electricity consumption as well as logistics and business air travel emissions from scope 3 have been externally assured.

During the reporting period, the KONE People Flow Center in Hyvinkää, Finland received a LEED Gold certification under the US Green Building Council's New Construction & Major Renovations rating system. Green building principles and accessibility directed the facility's design and construction. The facility's LEED Gold certification includes Innovation in Design credits thanks to the two energy-efficient KONE MonoSpace® 700 elevators used in the building.

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 283 million at the end of March (Dec 2013: EUR 283 million). KONE's position is that the claims are without merit. No provision has been made.

Risk management

KONE is exposed to risks that may arise from its operations or changes in the business environment. The risk factors described below can potentially have an adverse effect on KONE's business operations and financial position, and as a result 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 could result in a deterioration of the global new equipment markets. A disruption in the growth of the construction market in Asia, in China in particular, could result in a decline of the elevator and escalator market. A further weakening of the new equipment market in Europe or a slower than expected growth of the new equipment market in North America could lead to increasingly intensified price competition in both the new equipment and service businesses. All of the abovementioned factors could lead to a decrease in orders received, cancellations of agreed deliveries, delays in the commencement of projects, further intensified price competition, and, as a result, have a negative effect on KONE's profitability. To counteract the pressures resulting from a possible deterioration of the overall economic environment and its impact on the elevator and escalator markets, KONE strives to continuously develop its overall 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 of elevators, escalators and automatic doors.

KONE operates in certain markets with high growth rates, where focused management of rapid business growth is required. This applies in particular to the availability of skilled personnel as well as the adequate supply of components and materials, as well as ensuring the quality of delivered products and services. Failure to adequately manage resourcing and quality 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 its existing products and its product competitiveness based on anticipated future developments in relevant technologies, customer needs and market requirements. The execution of new technology or product releases and the large supplier base involves risks related to the uninterrupted functioning of the delivery chain, product integrity and quality. To mitigate such risks, KONE follows defined design, supply, manufacturing and installation processes. Strict quality control processes are also in place in the product and solution development and delivery chain.

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

KONE's January–March 2014 review

China. The risks related to the supply chain are controlled by analyzing and improving the fault tolerance of processes, diligent forecasting, 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.

KONE's profit development could be adversely affected if its productivity improvement targets were not met. These risks are managed through proactive planning and forecasting processes and constant process development, through the introduction of new technologies, as well as through the outsourcing of certain activities.

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. Because the maintenance business deploys a significant fleet of service vehicles, fuel price fluctuations have an effect on maintenance costs.

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 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 2013.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on February 24, 2014. The meeting approved the financial statements and discharged the responsible parties from liability for the financial period January 1–December 31, 2013.

The number of Members of the Board of Directors was confirmed as nine. Re-elected as Members of the Board were Shinichiro Akiba, Matti Alahuhta, Anne Brunila, Antti Herlin, Jussi Herlin, Sirkka Hämäläinen-Lindfors, Juhani Kaskeala and Sirpa Pietikäinen. Ravi Kant was elected as new Member of the Board. Iiris Herlin was re-elected as Deputy Member 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 Sirkka Hämäläinen-Lindfors as members of the Audit Committee. Sirkka Hämäläinen-Lindfors and Anne Brunila 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 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.

The General Meeting confirmed an annual compensation of EUR 54,000 for the Chairman of the Board, EUR 44,000 for the Vice Chairman, EUR 33,000 for Board Members and EUR 16,500 for Deputy Board Member. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings. 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 51,140,000 shares may be repurchased, of which no more than 7,620,000 may be class A shares and 43,520,000 class B shares. The authorization shall remain in

KONE's January–March 2014 review

effect for a period of one year from the date of decision of the General Meeting.

Authorized public accountants PricewaterhouseCoopers Oy and Heikki Lassila were re-nominated as the Company's auditors.

Dividend for 2013

The General Meeting approved dividends of EUR 0.9975 for each of the 76,208,712 class A shares and EUR 1.00 for each of the outstanding 436,474,010 class B shares. The date of record for dividend distribution was February 27, 2014 and dividends were paid on March 6, 2014.

Share capital and Market capitalization

The Annual General Meeting in 2010 authorized the Board of Directors to decide on the issuance of options and other special rights entitling to shares. The authorization is limited to a maximum of 3,810,000 class A shares and 21,760,000 class B shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares, and the issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed share issue). The authorization will remain in effect for a period of five years from the date of the decision of the General Meeting.

In 2010, KONE granted a conditional option program. The 2010 stock options were listed on the NASDAQ OMX Helsinki Ltd on April 2, 2013. The total number of stock options was 3,000,000 and 896,000 of them are held by KONE Corporation's subsidiary. On March 31, 2014 a maximum of 2,538,620 shares can be subscribed 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 25, 2014, EUR 13.075 per share. The share subscription period for the stock option 2010 is April 1, 2013–April 30, 2015.

In January 2013, KONE granted a conditional option program. Stock options 2013 are granted according to the decision of the Board of Directors on January 24, 2013 to approximately 480 key employees and the decision was based on the authorization received from the Shareholders Meeting on March 1, 2010. A maximum total of 750,000 options are granted. The original share subscription price for the option was EUR 29.125 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 March 31, 2014 is EUR 26.60. Each option entitles its holder to subscribe for two (2) new or existing company's own class B KONE shares. The share subscription period for the stock options 2013 will be April 1, 2015–April 30, 2017. The share subscription period begins only if the financial performance of the KONE Group for the financial years 2013–2014, 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 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 March 31, 2014 is EUR 30.80. 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 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.

On March 31, 2014, KONE's share capital was EUR 65,342,702.50, comprising 446,532,908 listed class B shares and 76,208,712 unlisted class A shares. KONE's market capitalization was EUR 15,606 million on March 31, 2014, 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

On the basis of the Annual General Meeting's authorization, KONE Corporation's Board of Directors decided to commence the possible repurchasing of shares at the earliest on March 4, 2014.

During January–March 2014, KONE did not use its authorization to repurchase own shares. At the end of March, the Group had 10,058,898 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 0.8% of the total voting rights.

Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki Ltd. traded 75.6 million KONE Corporation's class B shares in January–March 2014, equivalent to a turnover of EUR 2,318 million. The daily average trading volume was 1,219,895 shares (1–3/2013: 847,600, the number of shares has been adjusted to the increase in shares due to the share issue without payment). The share price on March 31, 2014 was EUR 30.44. The volume weighted average share price during the period was EUR 30.63. The highest

KONE's January–March 2014 review

quotation during the period under review was EUR 33.98 and the lowest EUR 27.35. 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 35% of the total volume of KONE's class B shares traded in January–March 2014 (source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com).

The number of registered shareholders was 45,764 at the beginning of the review period and 51,721 at its end. The number of private households holding shares totaled 47,653 at the end of the period, which corresponds to approximately 14.1% of the listed B shares.

According to the nominee registers, 41.6% of the listed class B shares were owned by foreign shareholders on March 31, 2014. Other foreign ownership at the end of the period totaled 6.4%. Thus a total of 48.1% of KONE's listed class B shares were owned by international investors, corresponding to approximately 17.8% of the total votes in the company.

Market outlook 2014

In new equipment, the market in Asia-Pacific is expected to grow clearly in 2014. The market in China is expected to grow by approximately 10%. The market in the EMEA region is expected to grow slightly, with a relatively stable demand in Central and North Europe, a further slight decline in South Europe, and a growing demand in the Middle East. The market in North America is expected to continue to grow.

The modernization market is expected to grow slightly.

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

Business outlook 2014

KONE specifies its operating income outlook for 2014.

KONE's net sales is estimated to grow by 6–9% at comparable exchange rates as compared to 2013.

The operating income (EBIT) is expected to be in the range of EUR 990–1,050 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2014.

Previous business outlook

KONE's net sales is estimated to grow by 6–9% at comparable exchange rates as compared to 2013.

The operating income (EBIT) is expected to be in the range of EUR 980–1,050 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2014.

Helsinki, April 23, 2014

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	1–3/2014	%	1–3/2013	%	1–12/2013	%
Sales	1,441.8		1,398.7		6,932.6	
Costs and expenses	-1,241.7		-1,219.3		-5,900.6	
Depreciation and amortization	-20.4		-19.0		-78.5	
Operating income	179.6	12.5	160.4	11.5	953.4	13.8
Share of associated companies' net income	-0.1		0.2		1.1	
Financing income	8.9		6.6		42.7	
Financing expenses	-1.8		-2.8		-36.8	
Income before taxes	186.7	12.9	164.4	11.8	960.5	13.9
Taxes	-43.4		-38.6		-247.3	
Net income	143.3	9.9	125.8	9.0	713.1	10.3
Net income attributable to:						
Shareholders of the parent company	141.7		124.4		701.8	
Non-controlling interests	1.6		1.4		11.3	
Total	143.3		125.8		713.1	
Earnings per share for profit attributable to the shareholders of the parent company, EUR						
Basic earnings per share, EUR	0.28		0.24		1.37	
Diluted earnings per share, EUR	0.28		0.24		1.36	

Consolidated statement of comprehensive income

MEUR	1–3/2014	1–3/2013	1–12/2013
Net income	143.3	125.8	713.1
Other comprehensive income, net of tax:			
Translation differences	-19.1	23.1	-53.2
Hedging of foreign subsidiaries	0.0	-2.5	6.2
Cash flow hedges	-4.8	0.4	11.4
Items that may be subsequently reclassified to statement of income	-23.8	21.0	-35.6
Remeasurements of employee benefits	-11.9	-3.8	18.8
Items that will not be reclassified to statement of income	-11.9	-3.8	18.8
Total other comprehensive income, net of tax	-35.8	17.2	-16.9
Total comprehensive income	107.5	143.0	696.3
Total comprehensive income attributable to:			
Shareholders of the parent company	105.9	141.6	685.0
Non-controlling interests	1.6	1.4	11.3
Total	107.5	143.0	696.3

Condensed consolidated statement of financial position

Assets MEUR	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
Non-current assets			
Intangible assets	1,322.6	1,291.4	1,332.4
Tangible assets	271.4	267.8	269.6
Loans receivable and other interest-bearing assets	5.3	5.6	5.3
Deferred tax assets	221.8	241.1	218.9
Investments	114.2	147.9	112.2
Total non-current assets	1,935.3	1,953.8	1,938.3
Current assets			
Inventories	1,203.8	1,077.0	1,103.9
Accounts receivable and other non interest-bearing assets	1,518.8	1,445.9	1,410.6
Current deposits and loan receivables	378.1	820.9	551.4
Cash and cash equivalents	322.6	197.4	339.1
Total current assets	3,423.3	3,541.2	3,405.0
Total assets	5,358.6	5,495.0	5,343.3

Equity and liabilities MEUR	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
Equity	1,323.6	1,528.5	1,724.6
Non-current liabilities			
Loans	20.7	23.0	21.1
Deferred tax liabilities	104.8	96.6	106.1
Employee benefits	150.3	196.9	134.7
Total non-current liabilities	275.8	316.5	261.9
Provisions	135.7	132.2	139.4
Current liabilities			
Loans	163.7	397.5	118.0
Advance payments received	1,578.1	1,441.8	1,397.5
Accounts payable and other liabilities	1,881.8	1,678.5	1,701.9
Total current liabilities	3,623.5	3,517.8	3,217.4
Total equity and liabilities	5,358.6	5,495.0	5,343.3

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2014	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									141.7	1.6	143.3
Other comprehensive income:											
Translation differences					-19.1						-19.1
Hedging of foreign subsidiaries					0.0						0.0
Cash flow hedges				-4.8							-4.8
Remeasurements of employee benefits						-11.9					-11.9
Transactions with shareholders and non-controlling interests:											
Profit distribution								-512.5			-512.5
Increase in equity (option rights)											-
Purchase of own shares											-
Change in non-controlling interests								-0.7		-0.7	-1.4
Option and share-based compensation								5.3			5.3
Mar 31, 2014	65.3	100.3	105.4	2.5	-26.0	-62.5	-128.8	1,094.2	141.7	31.3	1,323.6

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2013	65.1	100.3	81.2	-4.0	40.1	-69.3	-72.9	1,671.9		21.3	1,833.7
Net income for the period									124.4	1.4	125.8
Other comprehensive income:											
Translation differences					23.1						23.1
Hedging of foreign subsidiaries					-2.5						-2.5
Cash flow hedges				0.4							0.4
Remeasurements of employee benefits						-3.8					-3.8
Transactions with shareholders and non-controlling interests:											
Profit distribution								-448.3			-448.3
Increase in equity (option rights)											-
Purchase of own shares							-4.8				-4.8
Change in non-controlling interests										0.6	0.6
Option and share-based compensation								4.3			4.3
Mar 31, 2013	65.1	100.3	81.2	-3.6	60.7	-73.1	-77.7	1,227.9	124.4	23.3	1,528.5

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Remeasurements of employee benefits	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2013	65.1	100.3	81.2	-4.0	40.1	-69.3	-72.9	1,671.9		21.3	1,833.7
Net income for the period									701.8	11.3	713.1
Other comprehensive income											
Translation differences					-53.2						-53.2
Hedging of foreign subsidiaries					6.2						6.2
Cash flow hedges				11.4							11.4
Remeasurements of employee benefits						18.8					18.8
Transactions with shareholders and non-controlling interests:											
Profit distribution								-781.2			-781.2
Increase in equity (option rights)	0.2		24.2								24.4
Purchase of own shares							-62.9				-62.9
Change in non-controlling interests								-0.1		-2.2	-2.4
Option and share-based compensation							7.0	9.7			16.7
Dec 31, 2013	65.3	100.3	105.4	7.3	-7.0	-50.6	-128.8	900.3	701.8	30.4	1,724.6

Condensed consolidated statement of cash flows

MEUR	1–3/2014	1–3/2013	1–12/2013
Operating income	179.6	160.4	953.4
Change in working capital before financing items and taxes	125.3	118.4	181.1
Depreciation and amortization	20.4	19.0	78.5
Cash flow from operations before financing items and taxes	325.4	297.8	1 213.1
Cash flow from financing items and taxes	-31.0	-32.7	-190.7
Cash flow from operating activities	294.4	265.1	1 022.4
Cash flow from investing activities	-24.6	-32.3	-148.9
Cash flow after investing activities	269.8	232.8	873.4
Purchase of own shares	-	-4.8	-62.9
Increase in equity (option rights)	-	-	24.4
Profit distribution	-495.7	-416.8	-755.7
Change in deposits and loans receivable, net	163.4	-176.8	57.9
Change in loans payable and other interest-bearing debt	48.0	309.4	-31.6
Changes in non-controlling interests	-0.4	-	-6.8
Cash flow from financing activities	-284.7	-289.0	-774.6
Change in cash and cash equivalents	-14.9	-56.2	98.8
Cash and cash equivalents at beginning of period	339.1	249.6	249.6
Translation difference	-1.6	4.0	-9.3
Cash and cash equivalents at end of period	322.6	197.4	339.1

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	1–3/2014	1–3/2013	1–12/2013
Interest-bearing net debt at beginning of period	-622.0	-574.0	-574.0
Interest-bearing net debt at end of period	-371.3	-406.5	-622.0
Change in interest-bearing net debt	250.7	167.5	-48.0

Notes for the interim report

KEY FIGURES

		1–3/2014	1–3/2013	1–12/2013
Basic earnings per share	EUR	0.28	0.24	1.37
Diluted earnings per share	EUR	0.28	0.24	1.36
Equity per share	EUR	2.52	2.94	3.30
Interest-bearing net debt	MEUR	-371.3	-406.5	-622.0
Total equity/total assets	%	35.0	37.7	43.7
Gearing	%	-28.1	-26.6	-36.1
Return on equity	%	37.6	29.9	40.1
Return on capital employed	%	31.7	24.0	36.3
Total assets	MEUR	5,358.6	5,495.0	5,343.3
Assets employed	MEUR	952.3	1,122.0	1,102.7
Working capital (including financing and tax items)	MEUR	-756.0	-585.1	-611.5

QUARTERLY FIGURES

		Q1/2014
Orders received	MEUR	1,729.7
Order book	MEUR	6,175.4
Sales	MEUR	1,441.8
Operating income	MEUR	179.6
Operating income	%	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 [1]	134.6
Operating income	%	14.4	14.8	13.8	11.5	13.9	13.9	13.6 [1]	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 [2]	91.2	189.2	146.0	136.7	86.5
Operating income	%	14.2	14.2	12.5 [2]	8.9	13.2	13.0	12.0	9.6

[1] Excluding a MEUR 37.3 one-time cost related to the support function development and cost adjustment programs.
[2] 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	1–3/2014	%	1–3/2013	%	1–12/2013	%
EMEA[1]	675.5	47	693.6	49	3,157.3	46
Americas	222.3	15	248.5	18	1,118.4	16
Asia-Pacific	544.0	38	456.6	33	2,656.8	38
Total	1,441.8		1,398.7		6,932.6	

[1] EMEA = Europe, Middle East, Africa

ORDERS RECEIVED

MEUR	1–3/2014	1–3/2013	1–12/2013
	1,729.7	1,712.4	6,151.0

ORDER BOOK

MEUR	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
	6,175.4	5,823.1	5,587.5

CAPITAL EXPENDITURE

MEUR	1–3/2014	1–3/2013	1–12/2013
In fixed assets	13.9	11.0	61.9
In leasing agreements	2.1	5.0	12.2
In acquisitions	3.4	9.6	82.9
Total	19.4	25.6	157.0

DEPRECIATION AND AMORTIZATION

MEUR	1–3/2014	1–3/2013	1–12/2013
Depreciation	15.0	14.2	58.4
Amortization of acquisition-related intangible assets	5.4	4.8	20.1
Total	20.4	19.0	78.5

R&D EXPENDITURE

MEUR	1–3/2014	1–3/2013	1–12/2013
	24.2	21.6	96.5
R&D Expenditure as percentage of sales	1.7	1.5	1.4

NUMBER OF EMPLOYEES

	1–3/2014	1–3/2013	1–12/2013
Average	43,512	40,067	41,139
At the end of the period	43,878	40,189	43,298

Notes for the interim report

COMMITMENTS

MEUR	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
Mortgages			
Group and parent company	-	-	-
Pledged assets			
Group and parent company	-	0.1	-
Guarantees			
Associated companies	1.7	10.1	1.7
Others	4.6	5.0	4.7
Operating leases	245.2	251.6	250.9
Total	251.4	266.8	257.3

Banks and financial institutions have guaranteed obligations arising in the ordinary course of business of KONE companies up to a maximum of EUR 932.2 (976.0) million as of March 31, 2014.

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	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
Less than 1 year	65.9	58.3	66.2
1–5 years	140.4	145.8	147.8
Over 5 years	39.0	47.5	36.9
Total	245.2	251.6	250.9

INVESTMENTS

The shares held include a 19.9% holding in Toshiba Elevator and Building Systems Corporation (TELC). The fair value of TELC shares is based on realized and expected future earnings of the company (IFRS 7 Fair value hierarchy level 3; assets whose fair values are based on assumptions, that are not supported by prices from observable current market data). In the value appraisement, the business is expected to grow profitably and generally used return requirements of the industry have been applied.

Investments include also smaller available-for-sale investments in other companies without public quotation. They are measured at cost since the fair values cannot be reliably measured.

Notes for the interim report

DERIVATIVES

Fair values of derivative financial instruments MEUR	Derivative assets Mar 31, 2014	Derivative liabilities Mar 31, 2014	Fair value, net Mar 31, 2014	Fair value, net Mar 31, 2013	Fair value, net Dec 31, 2013
Foreign exchange forward contracts and swaps	9.1	-17.8	-8.7	-1.7	2.3
Cross-currency swaps	17.6	-0.5	17.1	-5.4	19.4
Electricity price forward contracts	0.2	-1.5	-1.3	-0.4	-1.0
Total	26.9	-19.8	7.1	-7.5	20.8

Nominal values of derivative financial instruments MEUR	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
Foreign exchange forward contracts and swaps	1,557.5	1,090.2	1,366.3
Cross-currency swaps	138.9	138.9	138.9
Electricity price forward contracts	5.4	5.9	5.8
Total	1,701.7	1,235.0	1,511.0

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 on a cross 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

Mar 31, 2014	Class A shares	Class B shares	Total
Number of shares	76,208,712	446,532,908	522,741,620
Own shares in possession [1]		10,058,898	
Share capital, EUR			65,342,703
Market capitalization, MEUR			15,606
Number of B shares traded (millions), 1–3/2014		75.6	
Value of B shares traded, MEUR, 1–3/2014		2,318	
Number of shareholders	3	51,721	51,721

	Close	High	Low
Class B share price, EUR, Jan–Mar 2014	30.44	33.98	27.35

[1] During January–March 2014, KONE did not use its authorization to repurchase own shares.

KONE Corporation

Corporate Offices
Keilasatama 3
P.O. Box 7
FI-02151 Espoo, Finland
Tel. +358 (0)204 751
Fax +358 (0)204 75 4496

www.kone.com

For further information please contact:
Eriikka Söderström
CFO
Tel. +358 (0)204 75 4251

Karla Lindahl
Director, Investor Relations
Tel. +358 (0)204 75 4441

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 2013, KONE had annual net sales of EUR 6.9 billion, and at the end of the year over 43,000 employees. KONE class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland. www.kone.com