

Dedicated to People Flow™



Aiming for even greener maintenance

KONE continuously looks for new and innovative ways for reducing the environmental impact of its operations. Our maintenance technicians globally use 10,000 service vehicles to reach our customer sites.

In 2013, KONE decreased the absolute carbon footprint of its total vehicle fleet by 2.4%, and the total relative carbon footprint per unit in service was reduced by 6.9%.



KONE Q2

INTERIM REPORT
FOR JANUARY–JUNE 2014

KONE's Q2: Strong development of orders received in all geographic regions

April–June 2014

- In April–June 2014, orders received totaled EUR 1,802 (4–6/2013: 1,638) million. Orders received grew by 10.0% at historical exchange rates and by 15.3% at comparable exchange rates.
- Net sales grew by 5.0% to EUR 1,849 (1,762) million. At comparable exchange rates the growth was 9.0%.
- Operating income was EUR 263.2 (242.8) million or 14.2% (13.8%) of net sales.
- Cash flow from operations (before financing items and taxes) was EUR 280.2 (325.4) 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 1,000–1,050 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 990–1,050 million.

January–June 2014

- In January–June 2014, orders received totaled EUR 3,532 (1–6/2013: 3,351) million. Orders received grew by 5.4% at historical exchange rates and by 10.1% at comparable exchange rates. The order book stood at EUR 6,537 (Jun 30, 2013: 5,874) million at the end of June 2014.
- Net sales grew by 4.1% to EUR 3,291 (3,160) million. At comparable exchange rates the growth was 7.9%.
- Operating income was EUR 442.9 (403.2) million or 13.5% (12.8%) of net sales.
- Cash flow from operations (before financing items and taxes) was EUR 605.6 (623.2) million.

KEY FIGURES

		4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Orders received	MEUR	1,801.9	1,638.2	3,531.6	3,350.6	6,151.0
Order book	MEUR	6,537.2	5,874.4	6,537.2	5,874.4	5,587.5
Sales	MEUR	1,848.9	1,761.7	3,290.7	3,160.4	6,932.6
Operating income (EBIT)	MEUR	263.2	242.8	442.9	403.2	953.4
Operating income (EBIT)	%	14.2	13.8	13.5	12.8	13.8
Cash flow from operations (before financing items and taxes)	MEUR	280.2	325.4	605.6	623.2	1,213.1
Net income	MEUR	204.7	193.7	348.0	319.5	713.1
Basic earnings per share	EUR	0.39	0.37	0.67	0.62	1.37
Interest-bearing net debt	MEUR	-520.6	-613.3	-520.6	-613.3	-622.0
Total equity/total assets	%	38.7	41.4	38.7	41.4	43.7
Gearing	%	-33.8	-35.3	-33.8	-35.3	-36.1

KONE's January–June 2014 review

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

"I am happy with our performance in the second quarter of the year. Order intake was again at a record high level at EUR 1,802 million, with a growth of 10.0% at historical and 15.3% at comparable exchange rates.

Sales grew by 5.0% at historical and 9.0% at comparable currencies to EUR 1,849 million. I am pleased that when measured in comparable currencies, all of our geographic regions grew, with strong growth in Asia-Pacific and good growth in EMEA. Changes in translation exchange rates had a significant negative impact on our reported sales growth in all geographic regions, especially in Asia-Pacific and in the Americas.

We continued our profitable growth. Operating income grew to EUR 263.2 million, 14.2% of sales. Growth in operating income was driven by strong sales growth in Asia-Pacific, China in particular, and an overall positive development in North America. Profitable growth in the maintenance business also contributed to the growth in operating income. Additionally, the pricing actions taken during the past two years had a positive impact by offsetting some of the pressure from the intense price competition seen in many markets. We again achieved a strong cash flow from operations of EUR 280.2 million.

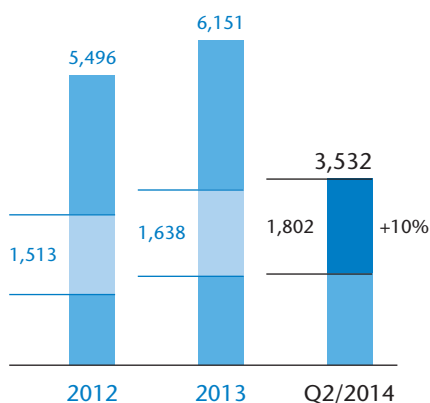
Globally, there were no major changes in the market environment during the second quarter of the year. In Europe, the new equipment market in South Europe remained weak, but demand in Central and Northern Europe showed a slightly better development compared to the previous quarter. In Asia-Pacific, North America and the Middle East, the new equipment market continued to develop positively and the outlook for each of these regions is good also for the full year. We continue to expect to see a rather good development on the maintenance market in most countries, and the global modernization market to grow slightly.

In a business like ours, with a global reach but with very local customer relationships, a consistent, solid execution in our daily work is essential in order to achieve long-term profitable growth. I want to thank all of KONE's employees for their great efforts and mindset to develop continuously. This was again reflected in our performance this quarter.

At the core of our strategy are our new Development Programs, which were launched in the first quarter of this year. We have gotten off to a good start and I am convinced that these programs will drive a continued strengthening of our competitiveness and differentiation."

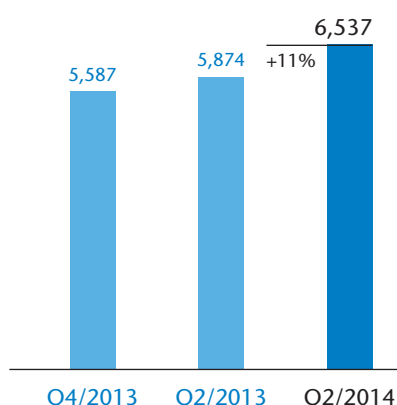
Key Figures

Orders received (MEUR)



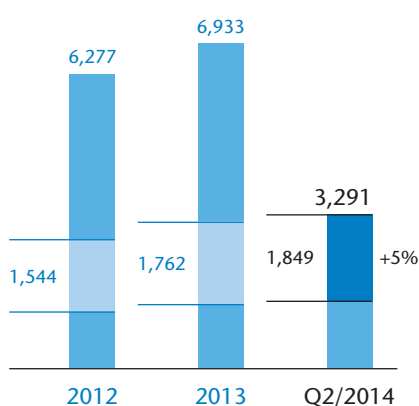
- In April–June 2014, orders received grew by 10.0% at historical exchange rates (at comparable exchange rates by 15.3%).
- New equipment orders received grew the strongest, with growth in both the volume and the major projects business. Also modernization orders received grew significantly. Maintenance contracts are not included in orders received.
- Orders received grew significantly in Asia-Pacific at comparable exchange rates, grew clearly in the EMEA region and strongly in the Americas region.
- In January–June 2014, new equipment orders grew significantly while modernization orders declined clearly from an exceptionally high comparison level.
- In the EMEA region orders received grew somewhat at comparable exchange rates. They declined clearly in the Americas region due to an exceptionally high comparison level, and grew strongly in the Asia-Pacific region.

Order book (MEUR)



- The order book grew by 11.3% at historical exchange rates compared to the end of June 2013 (at comparable exchange rates by 15.5%).
- In April–June 2014, the margins of orders received remained at good level.
- In January–June 2014, the margin of the order book remained at a healthy level.

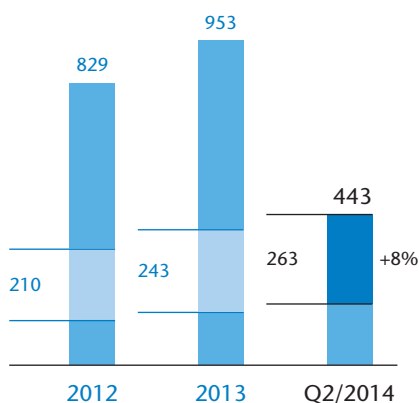
Sales (MEUR)



- During April–June 2014, net sales grew by 5.0% at historical exchange rates (at comparable exchange rates by 9.0%).
- New equipment sales grew by 8.1% (at comparable rates by 13.3%). Service (maintenance and modernization) sales grew by 1.1% (3.8%), with maintenance sales growing by 2.8% (5.5%) and modernization sales declining by 3.2% (0.4%).
- Net sales grew in all geographic regions at comparable exchange rates.
- During January–June 2014, sales in the EMEA region grew slightly at comparable exchange rates. Sales was stable in the Americas region and grew significantly in Asia-Pacific.

Key Figures

EBIT¹ (MEUR)

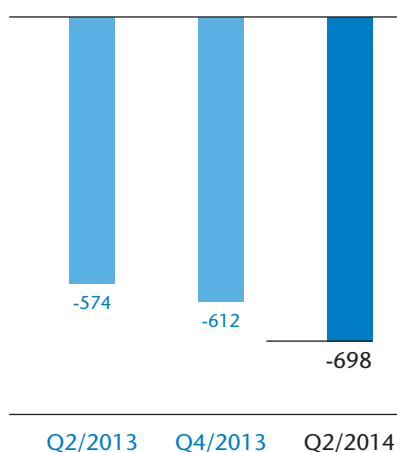


- In April–June 2014, operating income was 14.2% of net sales (4–6/2013: 13.8%).
- The growth in operating income was a result of continued strong sales growth in Asia-Pacific, China in particular, as well as an overall positive development in North America.
- Profitable growth in the maintenance business also contributed to the growth in operating income.
- Additionally, the pricing actions taken during the past two years had a positive impact on the growth in operating income by offsetting some of the pressure from the intense price competition seen in many markets.

- In January–June 2014, operating income was 13.5% of net sales (1–6/2013: 12.8%).

¹⁾ Operating profit excluding one-time items

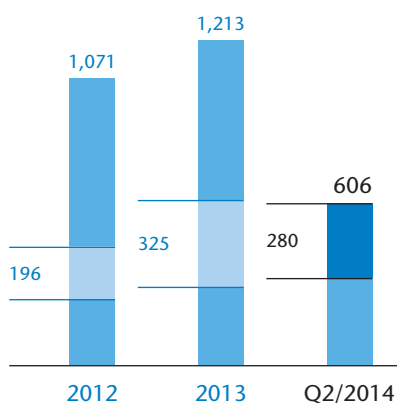
Working capital² (MEUR)



- In January–June 2014, the improvement in net working capital was largely due to a good level of advance payments received relative to inventories, especially in Asia-Pacific, as well as an increase in accounts payable and other non-interest-bearing liabilities.

²⁾ Including financing and tax items

Cash flow³ (MEUR)



- In January–June 2014, cash flow remained strong. The strong cash flow was achieved through growth in operating income and an improvement in net working capital before financing and tax items.

³⁾ Cash flow from operations before financing items and taxes

KONE's January–June 2014 review

Accounting Principles

KONE Corporation's Interim Report for January–June 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.

April–June 2014 review

Operating environment in April–June

In the second quarter of 2014, good growth in new equipment markets continued. Markets in Asia-Pacific and North America continued to grow, while the development in the EMEA region was mixed. The major projects segment was stable compared to the previous year, but with good activity in North America and China. The modernization market was rather weak overall in Europe, developed positively in North America and saw a quite stable development in Asia-Pacific. Maintenance markets grew globally, although at low rates in such countries, where new equipment activity has been weak for the past years.

In the EMEA region, the new equipment market in Central and North Europe grew slightly compared to the previous year driven by the residential segment, and the development was also positive sequentially. New equipment demand continued to grow in Germany and remained at a good level in Great Britain. In most other parts of Central and North Europe, market development was rather stable. In Russia, the market declined. In South Europe, new equipment demand developed negatively across segments. The new equipment market further declined in France and Italy, but in Spain the slight improvement from a very low level continued. In Turkey and the Middle East, new equipment demand grew. The modernization market showed some growth in Central and North Europe, but declined further in South Europe. The maintenance market grew, although with significant variation between countries.

In North America, new equipment demand grew with the market in the United States seeing continued solid growth, driven by positive development in the residential and commercial segments. In Canada, new equipment demand was rather stable. In modernization, activity in North America remained on a growth path. Also the maintenance market continued to grow, albeit slowly as a result of low volumes in new equipment in prior years.

In the Asia-Pacific region, the new equipment market continued to grow. In China, new equipment demand again grew clearly compared to the previous year. The major driver of market growth in China 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 in both larger and smaller cities. In particular the first-tier cities saw a strong development overall. Development in lower-tier cities varied significantly. Also non-residential segments grew, with continued positive development in commercial segments. Growth in the infrastructure segment was driven by a good level of activity in metro and airport projects. In India, new equipment demand declined compared to the previous year, from a high comparison level in particular in the infrastructure segment. In Australia, new equipment demand grew and the modernization market was rather stable. The Southeast Asian new equipment markets were rather stable, with local uncertainty burdening the development in Thailand and Indonesia. Maintenance markets in Asia-Pacific saw good growth, following the positive development of new equipment demand in the region.

In the second quarter, price competition remained intense in many markets. In China, price competition in new equipment continued to be intense. In the EMEA region, the pricing environment in new equipment was the most challenging in South European markets with persisting low volumes. The pricing of new equipment in North America continued to improve slightly, particularly in the volume business. In maintenance and modernization, the pricing environment was characterized by 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, but continued to slightly ease in modernization.

Financial performance in April–June

Orders received grew by 10.0% as compared to April–June 2013, and totaled EUR 1,802 (4–6/2013: 1,638) million. At comparable exchange rates, KONE's orders received increased by 15.3%. New equipment orders received grew the strongest, with growth in both the volume and the major projects business. Also modernization orders received grew significantly. The margins of orders received were stable at a good level. KONE does not include maintenance contracts in orders received.

Orders received grew in all geographic regions. At comparable exchange rates, they grew significantly in Asia-Pacific, with China, Malaysia and Australia in particular contributing to the growth. Orders received grew clearly in the EMEA region with clear growth in Central and North Europe, some decline in South Europe and very strong growth in the Middle East and Turkey. In Europe, orders received grew very strongly in Germany and the Netherlands, while they declined significantly in France and Russia. KONE's order intake grew strongly in the Americas region driven by very strong growth in the United States.

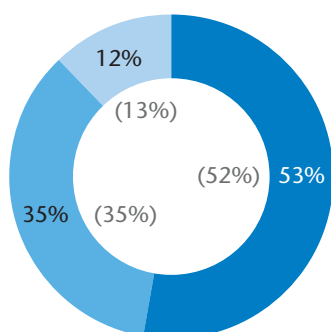
During the reporting period, KONE's largest orders received included an order for the world's tallest building, the

KONE's January–June 2014 review

SALES BY GEOGRAPHICAL REGIONS, MEUR										
	4–6/2014	%	4–6/2013	%	1–6/2014	%	1–6/2013	%	1–12/2013	%
EMEA ¹⁾	805.2	44	761.6	43	1,480.7	45	1,455.2	46	3,157.3	46
Americas	249.1	13	251.2	14	471.4	14	499.7	16	1,118.4	16
Asia-Pacific	794.6	43	748.9	43	1,338.6	41	1,205.5	38	2,656.8	38
Total	1,848.9		1,761.7		3,290.7		3,160.4		6,932.6	

¹⁾ EMEA = Europe, Middle East, Africa

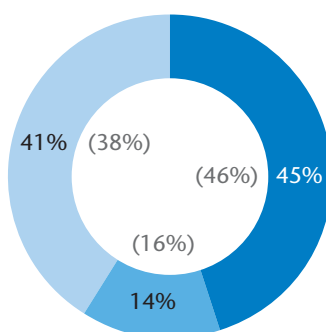
Sales by business



■ New equipment
■ Maintenance
■ Modernization

1–6/2014
(1–6/2013)

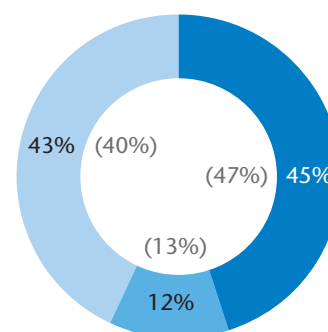
Sales by area



■ EMEA
■ Americas
■ Asia-Pacific

1–6/2014
(1–6/2013)

Personnel by area



■ EMEA
■ Americas
■ Asia-Pacific

June 30, 2014: 45,041
(December 31, 2013: 43,298)

Kingdom Tower in Jeddah, Saudi Arabia. The order includes in total 65 elevators and escalators as well as KONE UltraRope™ hoisting technology and People Flow Intelligence solutions. In Kuala Lumpur, Malaysia, KONE won an order to deliver 105 elevators and escalators, complemented by KONE People Flow Intelligence solutions to KL118 Tower, a 118-storey mixed use building.

KONE's net sales grew by 5.0% as compared to April–June 2013, and totaled EUR 1,849 (4–6/2013: 1,762) million. At comparable exchange rates KONE's net sales growth was 9.0% with sales growth in all geographic regions.

New equipment sales accounted for EUR 1,060 (980.6) million and represented an increase of 8.1% over the comparison period. At comparable exchange rates, new equipment sales grew by 13.3%.

Service (maintenance and modernization) sales grew by 1.1% and totaled EUR 789.4 (781.1) million. At comparable exchange rates, service sales grew by 3.8%. Maintenance sales was EUR 573.9 (558.5) million and grew by 2.8% at historical and by 5.5% at comparable exchange rates. Maintenance sales include elevator and escalator maintenance as well as KONE's automatic doors business. Modernization sales declined by 3.2% and totaled EUR 215.5 (222.6) million. At

comparable exchange rates, modernization sales was rather stable with a decline of 0.4%.

KONE's operating income for the April–June 2014 period totaled EUR 263.2 (242.8) million or 14.2% (13.8%) of net sales. The growth in operating income was a result of continued strong sales growth in Asia-Pacific, China in particular, as well as an overall positive development in North America. Profitable growth in the maintenance business also contributed to the growth in operating income. Additionally, the pricing actions taken during the past two years had a positive impact on the growth in operating income by offsetting some of the pressure from the intense price competition seen in many markets. KONE continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific as well as process development and IT.

Cash flow from operations before financing items and taxes in April–June 2014 was EUR 280.2 (325.4) million. Cash flow remained strong against an exceptionally high level in the previous year. Net working capital before financing items and taxes was stable during the quarter.

KONE's January–June 2014 review

January–June 2014 review

Orders received and Order book in January–June

During January–June 2014, the new equipment market in Asia-Pacific continued to grow, driven by clear growth in China. In the EMEA region, the development of new equipment markets was varied. The market grew slightly in Central and North Europe and saw good growth in the Middle East, but remained on a declining trend in South Europe. In North America, strong development in new equipment demand continued. In modernization, the market in Central and North Europe saw some growth, but declined in South Europe. In North America the modernization market developed very positively, and growth was seen also in Asia-Pacific. The maintenance market continued to grow globally, driven by Asia-Pacific following the positive development of the new equipment market in the region. The pricing environment was challenging in all businesses, in particular in countries suffering from a prolonged weakness in the new equipment market.

Orders received increased by 5.4% from the very high level of January–June 2013, and reached a record-high level of EUR 3,532 (1–6/2013: 3,351) million. At comparable exchange rates, orders received increased by 10.1%. In new equipment, orders received grew significantly during January–June 2014. KONE's orders received developed positively in both the volume and major projects businesses. In modernization, orders received declined clearly from the exceptionally high level of the first half of 2013. Maintenance contracts are not included in orders received.

The order book grew by 11.3% compared to the end of June 2013, and stood at a record high level of EUR 6,537 (June 30, 2013: 5,874) million at the end of the reporting period. At comparable exchange rates, the increase was 15.5%. The margin of the order book remained at a healthy level. The margins of orders received were also stable at a good level, despite the intense price competition seen in many markets.

Orders received in the EMEA region grew somewhat at comparable exchange rates as compared to January–June 2013. New equipment orders received grew somewhat in the EMEA region. In Central and North Europe, they declined somewhat, and were stable in South Europe. In the Middle East and Turkey, orders received grew very strongly. KONE's modernization order intake in the EMEA region grew somewhat as compared to January–June 2013, with growth in Central and North Europe, but a decline in South Europe.

Orders received in the Americas region declined clearly as compared to the exceptionally high level of January–June 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 significantly. New equipment orders received developed strongly, with very strong growth in the United States. In modernization, orders received declined very strongly in North America

due to the above-mentioned order in the comparison period. Excluding the impact of this order, they grew significantly.

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

Net sales

KONE's net sales increased by 4.1% as compared to January–June 2013, and totaled EUR 3,291 (1–6/2013: 3,160) million. At comparable exchange rates the increase was 7.9%.

New equipment sales accounted for EUR 1,757 (1,630) million of the total and represented an increase of 7.8% over the comparison period. At comparable exchange rates, new equipment sales grew by 12.4%.

Service (maintenance and modernization) sales were stable, totaling EUR 1,534 (1,531) million. At comparable exchange rates, service sales grew by 3.2%. Maintenance sales grew by 2.8% at historical and by 5.9% at comparable exchange rates. Modernization sales declined by 6.6% at historical and by 3.7% at comparable exchange rates.

The share of new equipment sales was 53% (52%) and the share of service sales 47% (48%) of total sales, with maintenance representing 35% (35%) and modernization 12% (13%) of total sales.

Sales in the EMEA region grew slightly at comparable exchange rates as compared to January–June 2013. New equipment sales grew clearly and maintenance sales grew somewhat, while modernization sales declined.

Sales in the Americas region was stable as compared to the first half of 2013. Maintenance sales grew somewhat and new equipment sales slightly. Modernization sales declined clearly.

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

The geographical distribution of net sales was 45% (46%) EMEA, 14% (16%) Americas and 41% (38%) Asia-Pacific.

Financial result

KONE's operating income (EBIT) grew and reached EUR 442.9 (1–6/2013: 403.2) million or 13.5% (12.8%) of net sales. The growth in operating income was a result of continued strong sales growth in Asia-Pacific, China in particular, as well as an overall positive development in North America. Profitable growth in the maintenance business also contributed to the growth in operating income. Additionally, the pricing actions taken during the past two years had a positive impact on the growth in operating income by offsetting some of the pressure from the intense price competition seen in many markets. 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.

KONE's January–June 2014 review

Net financing items was EUR 10.7 (8.5) million.

KONE's income before taxes was EUR 453.6 (412.8) million. Taxes totaled EUR 105.6 (93.3) 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 348.0 (319.5) million.

Earnings per share was EUR 0.67 (0.62).

Consolidated statement of financial position and Cash flow

KONE's financial position was very strong at the end of June 2014. Cash flow generated from operations (before financing items and taxes) was EUR 605.6 (1–6/2013: 623.2) million. Cash flow remained strong. The strong cash flow was achieved through growth in operating income and an improvement in net working capital before financing items and taxes.

Net working capital improved and was at the end of June 2014 EUR -698.4 (December 31, 2013: -611.5) million, including financing items and taxes. The improvement in net working capital was largely due to a good level of advance payments received relative to inventories, especially in Asia-Pacific, as well as an increase in accounts payable and other non-interest-bearing liabilities.

Interest-bearing net debt at the end of June 2014 was EUR -520.6 (December 31, 2013: -622.0) million. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 808.8 (890.6) million at the end of the reporting period. Interest-bearing liabilities were EUR 293.6 (273.8) million, including a net pension liability of EUR 160.8 (134.7) million and short-term loans of EUR 11.9 (17.2) million. In addition, the interest-bearing net debt includes EUR 99.4 (100.8) million of option liabilities from acquisitions. Gearing was -33.8%, compared with -36.1% at the end of 2013. KONE's total equity/total assets ratio was 38.7% at the end of June (December 31, 2013: 43.7%).

Equity per share was EUR 2.95 (3.30).

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 35.2 (1–6/2013: 59.7) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. Acquisitions accounted for EUR 3.6 (22.9) million of this figure.

During January–June 2014, KONE completed a number of small acquisitions of maintenance companies in Europe. 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 49.5 (1–6/2013: 46.4) million, representing 1.5% (1.5%) of net sales. R&D expenses include the development of new product and service concepts and the further development of exist-

ing 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 smart buildings of the future.

During the reporting period, KONE continued to enhance its offering, focusing in the second quarter of the year in particular on the volume elevator offering in the Asia-Pacific region. In addition, the People Flow Intelligence solutions introduced during the fall of 2013 were released for sales globally, including KONE Access™, a personalized access control system integrated with elevators and building doors, KONE's new touchscreen destination operating panel, and KONE RemoteCall™ application allowing the elevator to be called using smartphone technology.

During the second quarter, KONE also announced the launch of a new turnstile solution, KONE Turnstile 100, which is designed to improve the security, guidance, and convenience of people flow in buildings of all kinds. This next generation turnstile complements KONE's People Flow Intelligence offering by enabling full integration of these solutions from the building lobby area to a user's final destination.

Change of President and CEO

KONE's Board of Directors appointed Henrik Ehrnrooth as 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. As President and CEO he succeeded Matti Alahuhta, who led KONE from January 1, 2005 and left this position on March 31, 2014.

Changes 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.

In May 2014, KONE announced further changes in the Executive Board.

Noud Veeger was appointed Executive Vice President responsible for Central and North Europe as of September 1, 2014. He succeeds Ari Lehtoranta, who is leaving KONE as of September 1, 2014. Previously, Noud Veeger has been responsible for KONE's business in Asia-Pacific and the Middle East. He will continue as a member of the Executive Board and report to Henrik Ehrnrooth, President and CEO of KONE Corporation.

KONE's January–June 2014 review

Neeraj Sharma was appointed Executive Vice President, Asia-Pacific and the Middle East as of September 1, 2014. He has been Managing Director for KONE India since 2009. He will become a member of the Executive Board and report to Henrik Ehrnrooth.

It was also announced that Anne Korhikoski, Executive Vice President, Global Marketing and Communications, would leave KONE as of August 1, 2014. The search for a replacement was commenced during the reporting period.

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 April–June 2014, the delivery of new management programs targeted to general managers and installation managers continued. In addition, the renewal of KONE's framework for systematic field competence development was completed, and a new escalator competence training program was started. The global roll-out of KONE's learning management system continued and the system went live in China.

During the reporting period, KONE's annual leadership and talent review round was conducted and the results were prepared for review and actions. New support material focusing on individual development planning was published, to be used by managers and their team members in upcoming mid-year reviews.

The results of KONE's ninth annual employee survey were discussed in teams and action plans made for the identified improvement areas. The overall results showed a further improvement in all survey dimensions compared to the previous year, particularly in indicators on employee commitment, personnel development practices as well as actions following from previous survey results. KONE's third Global Safety Week was held in May in all KONE units with the theme "Little things matter in safety". Various safety-related actions were implemented during the week.

KONE had 45,041 (December 31, 2013: 43,298) employees at the end of June 2014. The average number of employees was 44,034 (1–6/2013: 40,363).

The geographical distribution of KONE employees was 45% (December 31, 2013: 47%) in EMEA 12% (13%) in the Americas and 43% (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, supporting governmental and other green building initiatives and the ongoing transformation of the built environment into smart eco-cities globally.

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

KONE published its Corporate Responsibility Report 2013 in June 2014. The report follows the application level B of the Global Reporting Initiative guidelines. One of the most important achievements in sustainability in 2013 was a reduction in reported greenhouse gas emissions (Scope 1, 2 and 3) by 3.5% relative to net sales, with the reporting assured by an objective third party.

In June, KONE was ranked the world's 12th greenest company by the American magazine Newsweek. The 2014 Newsweek Green Ranking, conducted by Newsweek and its research partner Corporate Knights Capital, evaluates the world's largest publicly traded companies using eight metrics that provide a transparent measurement of their overall environmental performance. KONE was the highest ranked company in its industry.

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 June (Mar

KONE's January–June 2014 review

31, 2014: 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 func-

tioning 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 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.

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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 Hämmäläinen-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 Hämmäläinen-Lindfors as members of the Audit Committee. Sirkka Hämmäläinen-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 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.

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. During the reporting period 231,800 new KONE class B shares were subscribed with the 2010 option rights. On June 30, 2014 a maximum of 2,306,820 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 June 30, 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

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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 June 30, 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 June 30, 2014, KONE's share capital was EUR 65,371,677.50, comprising 446,764,708 listed class B shares and 76,208,712 unlisted class A shares. KONE's market capitalization was EUR 15,646 million on June 30, 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–June 2014, KONE did not use its authorization to repurchase own shares. In April, 395,040 class B shares in the company's possession were assigned to the share-based incentive plan and 4,460 class B shares as a part of the board members' annual remuneration. At the end of June, the Group had 9,659,398 class B shares in its possession. The shares in the Group's possession represent 2.2% 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 131.5 million KONE Corporation's class B shares in January–June 2014, equivalent to a turnover of EUR 4,033 million. The daily average trading volume was 1,077,916 shares (1–6/2013: 799,958, the number of shares has been adjusted to the increase in shares due

to the share issue without payment). The share price on June 30, 2014 was EUR 30.48. The volume weighted average share price during the period was EUR 30.66. The highest 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 36% of the total volume of KONE's class B shares traded in January–June 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 52,893 at its end. The number of private households holding shares totaled 48,817 at the end of the period, which corresponds to approximately 14.1% of the listed B shares.

According to the nominee registers, 41.7% of the listed class B shares were owned by foreign shareholders on June 30, 2014. Other foreign ownership at the end of the period totaled 6.6%. Thus a total of 48.3% of KONE's listed class B shares were owned by international investors, corresponding to approximately 17.9% 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 slight growth 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 1,000–1,050 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2014.

Previous business outlook 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.

Helsinki, July 18, 2014

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	4-6/2014	%	4-6/2013	%	1-6/2014	%	1-6/2013	%	1-12/2013	%
Sales	1,848.9		1,761.7		3,290.7		3,160.4		6,932.6	
Costs and expenses	-1,565.5		-1,499.5		-2,807.2		-2,718.8		-5,900.6	
Depreciation and amortization	-20.2		-19.4		-40.7		-38.4		-78.5	
Operating income	263.2	14.2	242.8	13.8	442.9	13.5	403.2	12.8	953.4	13.8
Share of associated companies' net income	0.2		0.9		0.1		1.1		1.1	
Financing income	6.5		7.9		15.4		14.5		42.7	
Financing expenses	-3.0		-3.2		-4.7		-6.0		-36.8	
Income before taxes	266.9	14.4	248.4	14.1	453.6	13.8	412.8	13.1	960.5	13.9
Taxes	-62.2		-54.7		-105.6		-93.3		-247.3	
Net income	204.7	11.1	193.7	11.0	348.0	10.6	319.5	10.1	713.1	10.3
Net income attributable to:										
Shareholders of the parent company	199.8		191.3		341.5		315.7		701.8	
Non-controlling interests	4.9		2.4		6.5		3.8		11.3	
Total	204.7		193.7		348.0		319.5		713.1	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share, EUR	0.39		0.37		0.67		0.62		1.37	
Diluted earnings per share, EUR	0.39		0.37		0.66		0.61		1.36	

Consolidated statement of comprehensive income

MEUR	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Net income	204.7	193.7	348.0	319.5	713.1
Other comprehensive income, net of tax:					
Translation differences	25.9	-19.8	6.9	3.3	-53.2
Hedging of foreign subsidiaries	-0.6	2.3	-0.6	-0.2	6.2
Cash flow hedges	-3.2	9.7	-8.0	10.1	11.4
Items that may be subsequently reclassified to statement of income	22.1	-7.8	-1.7	13.2	-35.6
Remeasurements of employee benefits	-8.3	20.5	-20.2	16.7	18.8
Items that will not be reclassified to statement of income	-8.3	20.5	-20.2	16.7	18.8
Total other comprehensive income, net of tax	13.8	12.7	-21.9	29.9	-16.9
Total comprehensive income	218.5	206.4	326.1	349.4	696.3
Total comprehensive income attributable to:					
Shareholders of the parent company	213.6	204.0	319.5	345.6	685.0
Non-controlling interests	4.9	2.4	6.5	3.8	11.3
Total	218.5	206.4	326.1	349.4	696.3

Condensed consolidated statement of financial position

Assets MEUR	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
Non-current assets			
Intangible assets	1,325.7	1,292.3	1,332.4
Tangible assets	275.4	268.2	269.6
Loans receivable and other interest-bearing assets	5.4	5.6	5.3
Deferred tax assets	226.0	228.3	218.9
Investments	117.0	136.2	112.2
Total non-current assets	1,949.5	1,930.6	1,938.3
Current assets			
Inventories	1,198.4	1,100.4	1,103.9
Accounts receivable and other non interest-bearing assets	1,626.7	1,490.3	1,410.6
Current deposits and loan receivables	466.9	914.2	551.4
Cash and cash equivalents	341.9	214.5	339.1
Total current assets	3,633.9	3,719.4	3,405.0
Total assets	5,583.4	5,650.0	5,343.3

Equity and liabilities MEUR	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
Equity	1,540.4	1,736.0	1,724.6
Non-current liabilities			
Loans	21.5	24.5	21.1
Deferred tax liabilities	104.1	93.8	106.1
Employee benefits	160.8	168.6	134.7
Total non-current liabilities	286.4	286.9	261.9
Provisions	134.5	141.4	139.4
Current liabilities			
Loans	111.2	327.9	118.0
Advance payments received	1,598.8	1,452.5	1,397.5
Accounts payable and other liabilities	1,912.1	1,705.3	1,701.9
Total current liabilities	3,622.1	3,485.7	3,217.4
Total equity and liabilities	5,583.4	5,650.0	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									341.5	6.5	348.0
Other comprehensive income:											
Translation differences					6.9						6.9
Hedging of foreign subsidiaries					-0.6						-0.6
Cash flow hedges				-8.0							-8.0
Remeasurements of employee benefits						-20.2					-20.2
Transactions with shareholders and non-controlling interests:											
Profit distribution								-512.5			-512.5
Increase in equity (option rights)	0.0		3.0								3.0
Purchase of own shares											-
Change in non-controlling interests								-0.7		-10.8	-11.5
Option and share-based compensation							11.5	-0.9			10.7
Jun 30, 2014	65.4	100.3	108.4	-0.7	-0.7	-70.7	-117.3	1,088.1	341.5	26.1	1,540.4

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									315.7	3.8	319.5
Other comprehensive income:											
Translation differences					3.2						3.2
Hedging of foreign subsidiaries					-0.2						-0.2
Cash flow hedges				10.1							10.1
Remeasurements of employee benefits						16.7					16.7
Transactions with shareholders and non-controlling interests:											
Profit distribution								-448.3			-448.3
Increase in equity (option rights)	0.1		3.8								3.9
Purchase of own shares							-4.8				-4.8
Change in non-controlling interests										-6.3	-6.3
Option and share-based compensation							7.0	1.5			8.5
Jun 30, 2013	65.2	100.3	85.0	6.1	43.1	-52.6	-70.7	1,225.1	315.7	18.8	1,736.0

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	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Operating income	263.2	242.8	442.9	403.2	953.4
Change in working capital before financing items and taxes	-3.3	63.2	122.0	181.6	181.1
Depreciation and amortization	20.2	19.4	40.7	38.4	78.5
Cash flow from operations before financing items and taxes	280.2	325.4	605.6	623.2	1,213.1
Cash flow from financing items and taxes	-56.0	-52.6	-86.9	-85.3	-190.7
Cash flow from operating activities	224.2	272.8	518.6	537.9	1,022.4
Cash flow from investing activities	-20.7	-32.4	-45.3	-64.7	-148.9
Cash flow after investing activities	203.6	240.4	473.4	473.2	873.4
Purchase of own shares	-	-	-	-4.8	-62.9
Increase in equity (option rights)	3.0	3.8	3.0	3.8	24.4
Profit distribution	-41.8	-31.5	-537.5	-448.3	-755.7
Change in deposits and loans receivable, net	-83.4	-102.5	79.9	-279.3	57.9
Change in loans payable and other interest-bearing debt	-52.7	-80.2	-4.8	229.2	-31.6
Changes in non-controlling interests	-11.9	-6.6	-12.2	-6.6	-6.8
Cash flow from financing activities	-186.8	-217.0	-471.5	-506.0	-774.6
Change in cash and cash equivalents	16.8	23.4	1.9	-32.8	98.8
Cash and cash equivalents at beginning of period	322.6	197.4	339.1	249.6	249.6
Translation difference	2.5	-6.3	0.9	-2.3	-9.3
Cash and cash equivalents at end of period	341.9	214.5	341.9	214.5	339.1

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Interest-bearing net debt at beginning of period	-371.3	-406.5	-622.0	-574.0	-574.0
Interest-bearing net debt at end of period	-520.6	-613.3	-520.6	-613.3	-622.0
Change in interest-bearing net debt	-149.3	-206.8	101.4	-39.3	-48.0

Notes for the interim report

KEY FIGURES

		1-6/2014	1-6/2013	1-12/2013
Basic earnings per share	EUR	0.67	0.62	1.37
Diluted earnings per share	EUR	0.66	0.61	1.36
Equity per share	EUR	2.95	3.35	3.30
Interest-bearing net debt	MEUR	-520.6	-613.3	-622.0
Total equity/total assets	%	38.7	41.4	43.7
Gearing	%	-33.8	-35.3	-36.1
Return on equity	%	42.6	35.8	40.1
Return on capital employed	%	36.8	29.6	36.3
Total assets	MEUR	5,583.4	5,650.0	5,343.3
Assets employed	MEUR	1,019.8	1,122.7	1,102.7
Working capital (including financing and tax items)	MEUR	-698.4	-574.0	-611.5

QUARTERLY FIGURES

		Q2/2014	Q1/2014
Orders received	MEUR	1,801.9	1,729.7
Order book	MEUR	6,537.2	6,175.4
Sales	MEUR	1,848.9	1,441.8
Operating income	MEUR	263.2	179.6
Operating income	%	14.2	12.5

		Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Orders received	MEUR	1,473.2	1,327.2	1,638.2	1,712.4	1,321.3	1,295.6	1,513.4	1,365.9
Order book	MEUR	5,587.5	5,642.1	5,874.4	5,823.1	5,050.1	5,283.7	5,305.3	4,842.8
Sales	MEUR	2,033.0	1,739.2	1,761.7	1,398.7	1,857.7	1,633.7	1,544.1	1,241.3
Operating income	MEUR	292.8	257.5	242.8	160.4	257.4	226.4	210.3 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	1-6/2014	%	1-6/2013	%	1-12/2013	%
EMEA ¹⁾	1,480.7	45	1,455.2	46	3,157.3	46
Americas	471.4	14	499.7	16	1,118.4	16
Asia-Pacific	1,338.6	41	1,205.5	38	2,656.8	38
Total	3,290.7		3,160.4		6,932.6	

¹⁾ EMEA = Europe, Middle East, Africa

ORDERS RECEIVED

MEUR	1-6/2014	1-6/2013	1-12/2013
	3,531.6	3,350.6	6,151.0

ORDER BOOK

MEUR	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
	6,537.2	5,874.4	5,587.5

CAPITAL EXPENDITURE

MEUR	1-6/2014	1-6/2013	1-12/2013
In fixed assets	26.1	27.5	61.9
In leasing agreements	5.5	9.3	12.2
In acquisitions	3.6	22.9	82.9
Total	35.2	59.7	157.0

DEPRECIATION AND AMORTIZATION

MEUR	1-6/2014	1-6/2013	1-12/2013
Depreciation	29.8	28.5	58.4
Amortization of acquisition-related intangible assets	10.9	9.9	20.1
Total	40.7	38.4	78.5

R&D EXPENDITURE

MEUR	1-6/2014	1-6/2013	1-12/2013
	49.5	46.4	96.5
R&D Expenditure as percentage of sales	1.5	1.5	1.4

NUMBER OF EMPLOYEES

	1-6/2014	1-6/2013	1-12/2013
Average	44,034	40,363	41,139
At the end of the period	45,041	40,910	43,298

Notes for the interim report

COMMITMENTS

MEUR	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
Mortgages			
Group and parent company	-	-	-
Pledged assets			
Group and parent company	-	0.1	-
Guarantees			
Associated companies	1.7	9.9	1.7
Others	4.5	4.9	4.7
Operating leases	240.5	241.4	250.9
Total	246.6	256.3	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 989.6 (997.0) million as of June 30, 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	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
Less than 1 year	63.9	62.1	66.2
1–5 years	139.8	136.0	147.8
Over 5 years	36.8	43.3	36.9
Total	240.5	241.4	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 appraisal, 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	Derivative assets	Derivative liabilities	Fair value, net	Fair value, net	Fair value, net
MEUR	Jun 30, 2014	Jun 30, 2014	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
Foreign exchange forward contracts and swaps	10.9	-8.4	2.6	6.5	2.3
Cross-currency swaps	14.6	-0.5	14.1	4.1	19.4
Electricity price forward contracts	0.1	-1.1	-1.0	-0.8	-1.0
Total	25.6	-10.0	15.6	9.8	20.8

Nominal values of derivative financial instruments

MEUR	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
Foreign exchange forward contracts and swaps	1,697.2	1,248.1	1,366.3
Cross-currency swaps	138.9	138.9	138.9
Electricity price forward contracts	5.0	6.3	5.8
Total	1,841.1	1,393.3	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

Jun 30, 2014	Class A shares	Class B shares	Total
Number of shares	76,208,712	446,764,708	522,973,420
Own shares in possession ¹⁾		9,659,398	
Share capital, EUR			65,371,678
Market capitalization, MEUR			15,646
Number of B shares traded (millions), 1–6/2014		131.5	
Value of B shares traded, MEUR, 1–6/2014		4,033	
Number of shareholders	3	52,893	52,893

	Close	High	Low
Class B share price, EUR, Jan–Jun 2014	30.48	33.98	27.35

¹⁾ During January–June 2014, KONE did not use its authorization to repurchase own shares. In April, 395,040 class B shares in the company's possession were assigned to the share-based incentive plan and 4,460 class B shares as a part of the board members' annual remuneration.

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KONE is one of the global leaders in the elevator and escalator industry. KONE's objective is to offer the best People Flow® experience by developing and delivering solutions that enable people to move smoothly, safely, comfortably and without waiting in buildings in an increasingly urbanizing environment. KONE provides industry-leading elevators, escalators, automatic building doors and integrated solutions to enhance the People Flow in and between buildings. KONE's services cover the entire lifetime of a building, from the design phase to maintenance, repairs and modernization solutions. In 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

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