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INTERIM REPORT FOR JANUARY–MARCH 2012

KONE's January–March 2012 review

January–March 2012: Strong start to the year

- In January–March 2012, orders received totaled EUR 1,366 (1–3/2011: 1,045) million. Orders received increased by 30.7% at historical exchange rates and by 27.1% at comparable exchange rates. The order book stood at EUR 4,843 (Dec 31, 2011: 4,348) million at the end of March 2012.
- Net sales grew by 17.8% to EUR 1,241 (1,054) million. At comparable exchange rates the growth was 15.1%.
- Operating income was EUR 132.7 (118.7) million or 10.7% (11.3%) of net sales.
- Cash flow from operations was EUR 248.3 (237.3) million.
- KONE upgrades its outlook slightly for 2012 due to stronger than expected orders received and sales growth in Asia-Pacific and more favorable material cost development than expected. KONE's net sales is estimated to grow by 10–15% at comparable exchange rates as compared to 2011. The operating income (EBIT) is expected to be in the range of EUR 750–800 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2012. KONE previously estimated its net sales to grow by 8–13% at comparable exchange rates as compared to 2011. The previous operating income (EBIT) outlook was EUR 730–790 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2012.

KEY FIGURES

		1–3/2012	1–3/2011	1–12/2011
Orders received	MEUR	1,365.9	1,044.7	4,465.1
Order book	MEUR	4,842.8	3,737.5	4,348.2
Sales	MEUR	1,241.3	1,053.8	5,225.2
Operating income (EBIT)	MEUR	132.7	118.7	725.1
Operating income (EBIT)	%	10.7	11.3	13.9
EBITA	MEUR	141.4	122.1	741.3
EBITA	%	11.4	11.6	14.2
Cash flow from operations (before financing items and taxes)	MEUR	248.3	237.3	819.8
Net income	MEUR	109.5	99.0	644.4
Basic earnings per share	EUR	0.43	0.39	2.52
Interest-bearing net debt	MEUR	-676.5	-693.1	-829.1
Total equity/total assets	%	48.3	45.6	54.0
Gearing	%	-38.9	-48.4	-40.8

KONE's January–March 2012 review

Matti Alahuhta, President and CEO, in conjunction with the review:

"Our operating environment developed in line with our expectations in the first quarter of the year. The new equipment market declined slightly from a relatively good level in Central and North Europe and remained at a low level in South Europe. The gradual recovery of the new equipment market in North America continued. The markets in Asia-Pacific continued to grow, but as expected, at a clearly lower rate than last year.

Our orders received growth was very strong. Our order intake grew in all geographic regions, particularly rapidly in Asia-Pacific. This resulted in a record-high order intake level of EUR 1,366 million, representing a growth rate of 30% as compared to the first quarter of 2011. The consolidation of GiantKONE in China at the end of 2011 contributed to the good development in orders received.

Sales growth was 18%. Sales grew in all businesses. Growth was very strong in the new equipment business. Also the service business had a growth of over ten percent. Following the consolidation of GiantKONE, the share of Asia-Pacific grew to 30% of our total sales.

KONE's operating income grew by 11.8% to EUR 133 million. This was the result of stronger than expected sales growth in Asia-Pacific and good development in our maintenance business. In addition, favorable translation exchange rate developments contributed to the growth in operating income. The growth of our operating income remained burdened by increased material costs, higher labor costs in Asia, intense price competition as well as intangible asset amortizations resulting from the consolidation of GiantKONE. In addition, we continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific, research and development and process development. Cash flow was very strong, EUR 248 million. I am very pleased with the development of our business, and I want to thank all of our people, who have again done an excellent job.

We have upgraded our business outlook for 2012. This is due to higher than expected growth in orders received and sales in Asia in the first quarter as well as to a more favorable than expected development of material prices. While we look forward with confidence, there is uncertainty related in particular to the development of construction markets in Asia-Pacific in the second half of the year.

The development programs, with which we improve our competitiveness, have progressed well. We are now about to start work to simplify and improve the processes of our support functions globally. In addition, we will adjust our operations in certain countries where the market has declined significantly over the past years. These plans are expected to decrease costs somewhat, but the priority is to improve our operations. The plans and their estimated impacts will be communicated in connection with our second quarter's results release."

KONE's January–March 2012 review

Accounting Principles

KONE Corporation's Interim Report for January–March 2012 has been prepared in line with IAS 34, `Interim Financial Reporting´. KONE has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2011, published on January 26, 2012. Additionally, the effective changes in IAS/IFRS standards during 2012 have been adopted. These changes have no material impact on the Interim Report. The information presented in this Interim Report has not been audited.

Operating environment in January-March

The operating environment developed in line with KONE's expectations in the first quarter of 2012. In the Europe, Middle East and Africa (EMEA) region, the new equipment market declined slightly but remained at a relatively good level in Central and North Europe, while it remained weak in South Europe. The new equipment market in the Americas region continued to gradually recover. The market in Asia-Pacific continued to grow, albeit at a clearly lower rate than in the previous year. The major projects segment remained active, in particular in Asia-Pacific and the Middle East. The global modernization market declined slightly, although with regional variations. Maintenance markets continued to develop favorably in all regions. The pricing environment continued to be challenging in particular in markets suffering from a prolonged weakness in the new equipment market.

In the EMEA region, the overall new equipment market declined slightly in Central and North Europe and remained weak in South Europe. In Central and North Europe, positive development was seen in the residential and the office segments, while most other segments declined. The new equipment market in Germany continued to grow. The markets in Belgium and Sweden leveled off at a rather high level. The overall new equipment market in the United Kingdom declined despite a good activity level in the greater London area. Most other markets in Central and North Europe remained stable. In South Europe, the new equipment market grew slightly in France, but declined further from an already low level in Italy and Spain. In the Middle East, the new equipment market grew strongly in Saudi Arabia. The new equipment market in Russia continued to develop favorably. The modernization market declined slightly in Central and North Europe due to decreased activity in the residential and infrastructure segments, while other segments saw increased modernization activity. The modernization market in South Europe continued to decline. Maintenance markets continued to develop well in the EMEA region, but price competition remained intense in particular in the commercial and public segments.

In the Americas region, the new equipment market continued to gradually recover. The new equipment market in the United States remained at a very low level, but continued to gradually recover. The market situation varied across the United States. The East and West Coast as well as Texas remained the strongest markets with signs of improved activity also in other parts of the country. Growth was driven primarily by mid-sized projects in the residential and office segments. The infrastructure segment and other publicly funded projects remained at a low level. The new equipment market in Canada remained stable at a good level and continued to grow in Mexico. The modernization market grew slightly in the Americas. Maintenance markets in the Americas developed well, but price competition remained intense.

In the Asia-Pacific region, the new equipment markets continued to grow although at a clearly lower rate than in the previous year. In China, all segments except for the infrastructure segment continued to grow, albeit at a clearly lower rate than in the previous year. The growth in the residential segment was driven by the affordable housing segment in both higher- and lower-tier cities as well as other residential segments in the inland lower-tier cities. The growth of residential segments other than affordable housing further slowed down in large cities as a result of the Chinese government's continued measures aiming to manage the development of housing prices and overall inflation. The retail, office, hotel and medical segments continued to develop well and the infrastructure segment was stable. The new equipment market in India grew slightly despite continued financing constraints. The best development was seen in the residential, infrastructure and medical segments. In Australia, the new equipment market declined as a result of longer lead times in decision-making due to general economic uncertainties and financing constraints. The modernization market declined in Australia from the very high level of the first quarter of 2011. The Southeast Asian markets continued to grow with the new equipment markets in Malaysia, Indonesia, Thailand and Vietnam growing the fastest. Maintenance markets in Asia-Pacific continued to develop favorably. The pricing environment remained challenging in all markets.

Orders received and Order book

Orders received increased by 30.7% as compared to January–March 2011, and totaled EUR 1,366 (1–3/2011: 1,045) million. At comparable exchange rates, orders received increased by 27.1%. Excluding GiantKONE, which was consolidated as a subsidiary as of December 2011, orders received grew by 23.7%. Orders received grew in each geographic region and KONE was successful in both the volume and the major projects businesses. The growth in orders received was the strongest in Asia-Pacific. KONE's orders received grew very strongly in the new equipment business and was relatively stable in the modernization business. KONE does not include maintenance contracts in orders received.

The order book grew from the end of 2011 by 11.4% and stood at a record high level of EUR 4,843 (Dec 31, 2011: 4,348) million at the end of March 2012. At comparable exchange rates, the increase was 12.7%. The margin of the order book remained at a healthy level. The margin of the

KONE's January–March 2012 review

SALES BY GEOGRAPHICAL REGIONS, MEUR

	1–3/2012	%	1–3/2011	%	1–12/2011	%
EMEA [1)]	660.6	53	596.7	57	2,893.7	55
Americas	205.0	17	227.0	21	947.3	18
Asia-Pacific	375.7	30	230.1	22	1,384.2	27
Total	1,241.3		1,053.8		5,225.2	

1) EMEA = Europe, Middle East, Africa

order book declined in 2011, but stabilized during the first quarter of 2012.

In the EMEA region, orders received grew clearly as compared to January–March 2011. The new equipment order intake growth was the fastest in the Middle East, Sweden, France and Russia. New equipment orders received declined in Finland, the United Kingdom, the Netherlands and Italy. KONE's modernization order intake in the EMEA region was stable as compared to January–March 2011. The development was the best in Switzerland, Belgium and France.

KONE's largest orders in the EMEA region during the first quarter included an order in Sweden to deliver 23 elevators to the Gothia Towers hotel in Gothenburg, and an order in the United Kingdom to supply 25 elevators to 25 Churchill Place, a new high-rise office building in London.

In the Americas region, KONE's orders received increased significantly as compared to January–March 2011. New equipment orders received grew very strongly in the United States, Canada and Mexico. The modernization order intake declined slightly.

One of the most significant orders in the Americas during the reporting period was KONE being chosen in the United States to supply 18 new escalators to Washington, D.C.'s historic Union Station.

In the Asia-Pacific region, orders received grew very strongly as compared to the first quarter of 2011. Orders received grew in China, Southeast Asia and India, and declined in Australia. Southeast Asia and China had the highest growth rates.

In Asia-Pacific, the most significant orders for KONE during the first quarter included an order in Malaysia to supply 37 elevators and 72 escalators to Hatten City, a mixed-use development project in the city of Malacca, and an order in Australia for 26 elevators and 20 escalators for the Indooroopilly Shopping Centre in Brisbane. KONE will also modernize the mechanical and electrical components of 10 escalators and four autowalks in the shopping center.

Net sales

KONE's net sales increased by 17.8% as compared to January–March 2011, and totaled EUR 1,241 (1–3/2011: 1,054) million. At comparable exchange rates the increase was 15.1%. Net sales growth excluding GiantKONE was 12.9%.

New equipment sales accounted for EUR 533.0 (417.9) million of the total and represented an increase of 27.5% over the comparison period. At comparable exchange rates, new equipment sales grew by 23.7%.

Service (maintenance and modernization) sales increased by 11.4% and totaled EUR 708.3 (635.9) million. At comparable exchange rates, the increase was 9.5%. Both maintenance and modernization sales grew at a good rate.

Sales in the EMEA region grew clearly as compared to January–March 2011. Sales grew in all businesses.

Sales in the Americas declined clearly as compared to the first quarter of 2011. New equipment sales decreased due to the weak new equipment order intake in 2010. In the American market, the time lag from order to delivery is longer than in other markets. Maintenance sales increased and modernization sales decreased.

Sales in Asia-Pacific grew very strongly as compared to January–March 2011. Sales grew in all businesses.

The geographical distribution of net sales was 53% (57%) EMEA, 17% (21%) Americas and 30% (22%) Asia-Pacific.

Financial result

KONE's operating income (EBIT) improved and reached EUR 132.7 (1–3/2011: 118.7) million or 10.7% (11.3%) of net sales. The growth in operating income was a result of continued strong sales growth in Asia-Pacific and a good development in the maintenance business as well as a favorable development of translation exchange rates as compared to the prior year. The growth of the operating income remained burdened by increased material costs, increased labor costs in Asia, intense price competition as well as intangible asset amortizations resulting from the consolidation of GiantKONE as a subsidiary. The impact of these amortizations on the relative operating income was 0.4 percentage points. In addition, KONE continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific, research and development and process development. Net financing items was EUR 8.1 (1.5) million.

KONE's income before taxes was EUR 141.1 (121.3) million. Taxes totaled EUR 31.6 (22.3) million, taking into account taxes proportionate to the amount estimated for the financial year. This represents an estimated effective tax rate of 24.0% for the full financial year. Net income for the period under review was EUR 109.5 (99.0) million.

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Earnings per share was EUR 0.43 (0.39). Equity per share was EUR 6.80 (5.61).

Consolidated statement of financial position and Cash flow

KONE's financial position was very strong and the company had a clearly positive net cash position at the end of March 2012. Cash flow generated from operations (before financing items and taxes) in January–March 2012 was EUR 248.3 (1–3/2011: 237.3) million. The primary drivers of the strong cash flow were the growth in operating income and an improvement in net working capital. The improvement in net working capital was largely due to the typical concentration of maintenance invoicing in the first quarter of the year. At the end of March 2012, net working capital was EUR -475.5 (December 31, 2011: -361.4) million, including financing items and taxes.

Interest-bearing assets exceeded interest-bearing debts and the net cash position totaled EUR 676.5 (December 31, 2011: 829.1) million. Gearing was -38.9%, compared with -40.8% at the end of 2011. KONE's total equity/total assets ratio was 48.3% (December 31, 2011: 54.0%) at the end of March.

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 14.9 (1–3/2011: 20.4) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. Acquisitions accounted for EUR 6.1 (11.0) million of this figure.

KONE completed a number of small acquisitions of European maintenance companies in January–March 2012. 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.

KONE announced in July 2010 the relocation and expansion of its manufacturing and R&D unit within Kunshan, China. KONE receives from the city of Kunshan a relocation grant, the majority of which has already been received. This grant reduces KONE's net investment. The construction works have progressed according to plan and will be completed in phases during 2012 and 2013. Most of the production will be moved to the new facility during the second quarter of 2012. The investments in this production facility will be reported as capital expenditure at the time of commencement of operations in the new facility. The office and R&D unit will move to the new facility during the second half of 2012.

Research and development

Research and development expenses totaled EUR 20.3 (1–3/2011: 18.6) million, representing 1.6% (1.8%) of net sales. R&D expenses include the development of new product and service concepts and the further development of existing solutions and services. KONE's elevators and escalators are based on energy efficient technology.

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 ease people flow in buildings and improve the user experience. One of KONE's five development programs, Innovative Solutions for People Flow™, is targeted to developing innovative products for an increasingly urbanizing world with a focus on eco-efficiency, ride comfort and visual design.

During January–March 2012, in order to further improve KONE's industry-leading offering in the field of energy efficiency, KONE launched Direct Drive, an innovative and energy-efficient escalator drive system designed for escalators and autowalks for the infrastructure and commercial segments. The new solution contributes to the reduction of the energy consumption of a typical escalator configuration by 19% from the 2010 base value. KONE also continued to work in other fields to continuously improve the competitiveness of its offering.

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.

KONE identified Employee Engagement as one of its five development programs as of the beginning of 2011, and launched an action plan focusing on the further development of leadership capabilities, on providing growth and development opportunities for KONE employees, and on ensuring well-being and safety at work. During the reporting period, KONE created a new learning package on change management, completed an education material package on well-being and resilience as well as rolled out several wellness programs in various countries.

During January–March 2012, KONE's seventh annual employee survey was conducted with an all-time high response rate of 91% (2011: 87%), with results to be reported for action point identification during the second quarter of the year. The delivery of learning programs such as the Supervisor Development Program and KONE Leader continued as planned.

KONE had 37,770 (December 31, 2011: 37,542) employees at the end of March 2012. The average number of employees was 37,668 (1–3/2011: 34,012).

The geographical distribution of KONE employees was 50% (December 31, 2011: 50%) in EMEA, 14% (14%) in the Americas and 36% (36%) in Asia-Pacific.

Environment

KONE's aim is to be the eco-efficiency leader in its industry. The focus in the development of eco-efficient solutions is on

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further improving energy-saving stand-by and hoisting solutions for elevators as well as innovative energy-saving solutions for escalators.

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

KONE announced in 2010 that it had reached its target of reducing the electricity consumption of its volume elevators by 50%. During the reporting period, KONE continued to work on further decreasing the energy consumption of its products.

KONE continuously works on minimizing its carbon footprint and on ensuring that its suppliers comply with corresponding requirements and environmental targets. During the reporting period, KONE finalized the calculations of its 2011 carbon footprint. KONE's 2011 carbon footprint relative to overall operations (net sales) increased by 0.9% as compared to 2010 due to an increase in electricity consumption and in business air travel. The major achievements were a 10.6% decrease in the logistics carbon footprint relative to units delivered and a 3.9% decrease in the service vehicle fleet carbon footprint relative to units in service. KONE's 2011 absolute operational carbon footprint amounted to 249,000 tonnes of carbon dioxide equivalent.

Other events

KONE announced in March 2010 that certain municipalities, public authorities and companies in Austria had filed civil damage claims against leading elevator and escalator companies, including KONE 's Austrian subsidiary KONE AG. The claims relate to the 2007 decision of the Austrian Cartel Court concerning practices prior to mid-2004. Some further claims have been served since the announcement and the total capital amount claimed jointly and severally from all of the defendants together amounted to EUR 169 million at the end of March 2012. KONE's position is that the claims are without merit. No provision has been made.

KONE announced in January 2011 that certain companies and public entities had filed civil damage claims against KONE's German subsidiary KONE GmbH and certain other elevator and escalator companies operating in Germany. The claims relate to activities on the German market and are a result of the decision by the European Commission in 2007 on the respective companies concerning alleged anticompetitive practices in the local markets before early 2004. Some further claims have been served since the announcement and the total capital amount claimed jointly and severally from all of the defendants together amounted to EUR 79 million at the end of March 2012. KONE's position is that the claims are without merit. No provision has been made.

Risk management

KONE is exposed to risks, which 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 hence 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 disruption in the growth of the new equipment markets in Asia-Pacific, in China in particular, or a significant weakening of the new equipment markets in Europe or in North America could result in a decrease in orders received, cancellations of agreed deliveries, delays in the commencement of projects, further intensified price competition and as a result negatively affect KONE's profitability.

The continued uncertain global economic environment also exposes KONE to counterparty risks in respect of financial institutions and customers. The exposure to the counterparty risks related to financial institutions arises through the significant amounts of liquid funds deposited into financial institutions in Europe and in China. 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 and no individual customer represents 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 and 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.

KONE's business activities are dependent on the uninterrupted operation, quality and reliability of sourcing channels, production plants, logistics processes and the IT systems used. A significant part of KONE's component suppliers and supply capacity is located in China. These risks are controlled by analyzing and improving the fault tolerance of processes, accurate forecasting, close cooperation with KONE's suppliers and by increasing the readiness for transferring the manufacturing

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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.

Changes in raw material and component prices are reflected directly in the production costs of elevators, escalators and automatic doors. The increases in raw material and component prices have had and may continue to have a negative impact on KONE's profitability. In order to reduce material and sourcing price fluctuation KONE aims to enter into fixed price contracts with its major suppliers for a part of its raw material and component purchases. The maintenance business deploys a significant fleet of service vehicles, and fuel price fluctuations therefore have an effect on the cost of maintenance.

KONE operates in certain markets with high growth rates, where there are challenges in the availability of skilled technicians. This can lead to delays in deliveries and increases in costs, which can have an adverse impact on the profitability of the company. KONE manages this risk by proactive project and resource planning in order to ensure that required resources are available.

A significant part of KONE's sales consists of services which are less susceptible to the effects of economic cycles, but which are very labor-intensive. The profit development of KONE could be adversely affected if its productivity improvement targets were not met, in particular if salaries and costs increased more than KONE would be able to increase its prices or if it were not possible to adapt its resources in response to changing business opportunities and environments. These risks are managed by proactive planning and forecasting processes, by the constant development of pricing processes and productivity as well as by the outsourcing of certain activities.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on March 5, 2012. The meeting approved the financial statements and discharged the responsible parties from liability for the January 1–December 31, 2011 financial period.

The General Meeting approved to amend paragraphs 4 and 8 of the Articles of Association concerning the number of the members of the Board of Directors and the publishing of the summons to Shareholders' General Meeting, respectively.

The number of Members of the Board of Directors was confirmed as nine. Re-elected as Members of the Board were Matti Alahuhta, Anne Brunila, Reino Hanhinen, Antti Herlin, Sirkka Hämäläinen-Lindfors, Juhani Kaskeala and Sirpa Pietikäinen and as new Members of the Board were elected Shinichiro Akiba and Jussi Herlin.

At its meeting held after the General Meeting, the Board of Directors elected from among its members Antti Herlin as its Chair and Sirkka Hämäläinen-Lindfors as Vice Chair.

Antti Herlin was elected as Chairman and Sirkka Hämäläinen-Lindfors, Anne Brunila and Jussi Herlin as members of the Audit Committee. Sirkka Hämäläinen-Lindfors and Anne Brunila are independent of both the company and of significant shareholders.

Antti Herlin was elected as Chairman and Reino Hanhinen, Juhani Kaskeala and Jussi Herlin as members of the Nomination and Compensation Committee. Reino Hanhinen and Juhani Kaskeala are 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 and EUR 33,000 for Board Members. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings.

The General Meeting approved the authorization for the Board of Directors to repurchase KONE's own shares. Altogether no more than 25,570,000 shares may be repurchased, of which no more than 3,810,000 may be class A shares and 21,760,000 class B shares. The minimum and maximum consideration for the shares to be purchased is determined for both class A and class B shares on the basis of the trading price for class B shares determined on the NASDAQ OMX Helsinki Ltd. on the time of purchase. The authorization shall remain in effect for a period of one year from the date of decision of the General Meeting.

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

Dividend for 2011

The Annual General Meeting approved the Board's proposal for dividends of EUR 1.395 for each of the 38,104,356 class A shares and EUR 1.40 for the 216,635,414 outstanding class B shares. The date of record for dividend distribution was March 8, 2012, and the dividends were paid on March 15, 2012.

Share capital and Market capitalization

In 2007, KONE granted a conditional option program. The 2007 stock options were listed on the NASDAQ OMX Helsinki Ltd. as of April 1, 2010. The total number of stock options was 2,000,000 of which 888,000 are owned by a subsidiary of KONE Corporation. On March 31, 2012, the number of options outstanding was 725,328. Each option right entitles its owner to subscribe for two (2) existing class B shares held by the company at a price of, from March 6, 2012, EUR 20.545 per share. The subscription period for the 2007 stock options is April 1, 2010–April 30, 2012.

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

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may be carried out in deviation from the shareholders' pre-emptive rights. 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 to approximately 430 key employees. A maximum total of 3,000,000 options can be granted. Each option entitles its holder to subscribe for one (1) new or existing class B KONE share held by the company. The share subscription period for the stock options 2010 will be April 1, 2013–April 30, 2015. The share subscription period begins only if the financial performance of the KONE Group for the financial years 2010–2012 based on the total consideration of the Board of Directors is equal to or better than the average performance of key competitors of KONE. If the above-mentioned prerequisite is not fulfilled, stock options expire based on the consideration and in the extent and manner decided by the Board of Directors and the terms of the stock options.

On March 31, 2012, KONE's share capital was EUR 65,134,030.00, comprising 222,431,764 listed class B shares and 38,104,356 unlisted class A shares.

KONE's market capitalization was EUR 10,640 million on March 31, 2012, 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, the Board of Directors decided to commence the possible repurchasing of shares at the earliest on March 13, 2012.

During January–March 2012, KONE used its previous authorization to repurchase own shares in February, and bought back in total 834,174 of its own class B shares. At the end of March 2012, the Group had 5,796,350 class B shares in its possession. The shares in the Group's possession represent 2.6% of the total number of class B shares. This corresponds to 1.0% of the total voting rights.

Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki Ltd. traded 32.1 million KONE Corporation's class B shares in January–March 2012, equivalent to a turnover of EUR 1,369 million. The daily average trading volume was 501,060 shares (1–3/2011: 626,303). The share price on March 31, 2012 was EUR 41.77. The volume weighted average share price during the period was EUR 42.68. The highest quotation during the period under review was EUR 45.91 and the lowest EUR 39.19. 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 39% of the total volume of KONE's class B shares traded in January–March 2012 (source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com).

The number of registered shareholders was 30,402 at the beginning of the review period and 30,888 at its end. The number of private households holding shares totaled 28,369 at the end of the period, which corresponds to approximately 13% of the listed B shares.

According to the nominee registers, 45.6% of the listed class B shares were owned by foreigners on March 31, 2012. Other foreign ownership at the end of the period totaled 6.3%. Thus a total of 51.9% of KONE's listed class B shares were owned by international investors, corresponding to approximately 19% of the total votes in the company.

Market outlook 2012

The new equipment markets are expected to continue to grow in Asia-Pacific, but at a significantly lower rate than in 2011, and there is uncertainty related to the development in the second half of the year. The markets in Central and North Europe are expected to remain relatively stable or decline slightly, and the markets in South Europe are expected to decline from an already weak level. The market in North America is expected to continue to gradually recover from a low level. The modernization markets are expected to be at about the same level as in 2011 or grow slightly. The maintenance markets are expected to continue to develop well.

Business outlook 2012

KONE upgrades its outlook slightly for 2012 due to stronger than expected orders received and sales growth in Asia-Pacific and more favorable material cost development than expected.

KONE's net sales is estimated to grow by 10–15% at comparable exchange rates as compared to 2011.

The operating income (EBIT) is expected to be in the range of EUR 750–800 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2012.

Previous business outlook

KONE's net sales is estimated to grow by 8–13% at comparable exchange rates as compared to 2011.

The operating income (EBIT) is expected to be in the range of EUR 730–790 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2012.

Helsinki, April 24, 2012

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	1–3/2012	%	1–3/2011	%	1–12/2011	%
Sales	1,241.3		1,053.8		5,225.2	
Costs and expenses	-1,087.0		-919.1		-4,434.2	
Depreciation and amortization	-21.6		-16.0		-65.9	
Operating income	132.7	10.7	118.7	11.3	725.1	13.9
Share of associated companies' net income	0.3		1.1		73.3	
Financing income	9.9		3.7		26.4	
Financing expenses	-1.8		-2.2		-8.2	
Income before taxes	141.1	11.4	121.3	11.5	816.6	15.6
Taxes	-31.6		-22.3		-172.2	
Net income	109.5	8.8	99.0	9.4	644.4	12.3
Net income attributable to:						
Shareholders of the parent company	108.6		98.8		643.6	
Non-controlling interests	0.9		0.2		0.8	
Total	109.5		99.0		644.4	
Earnings per share for profit attributable to the shareholders of the parent company, EUR						
Basic earnings per share, EUR	0.43		0.39		2.52	
Diluted earnings per share, EUR	0.42		0.38		2.51	

Consolidated statement of comprehensive income

MEUR	1–3/2012	%	1–3/2011	%	1–12/2011	%
Net income	109.5		99.0		644.4	
Other comprehensive income, net of tax:						
Translation differences	-14.8		-33.4		29.0	
Hedging of foreign subsidiaries	1.7		2.2		-2.3	
Cash flow hedges	1.4		3.1		-1.6	
Other comprehensive income, net of tax	-11.7		-28.1		25.1	
Total comprehensive income	97.8		70.9		669.5	
Total comprehensive income attributable to:						
Shareholders of the parent company	96.9		70.7		668.7	
Non-controlling interests	0.9		0.2		0.8	
Total	97.8		70.9		669.5	

Condensed consolidated statement of financial position

Assets MEUR	Mar 31, 2012	Mar 31, 2011	Dec 31, 2011
Non-current assets			
Intangible assets	1,158.3	851.9	1,165.3
Tangible assets	226.8	196.4	231.6
Loans receivable and other interest-bearing assets	5.4	1.7	5.5
Deferred tax assets	177.4	169.5	178.3
Investments	154.7	162.0	169.4
Total non-current assets	1,722.6	1,381.5	1,750.1
Current assets			
Inventories	900.4	785.6	794.7
Accounts receivable and other non interest-bearing assets	1,312.4	1,167.0	1,262.1
Current deposits and loan receivables	570.3	562.3	686.3
Cash and cash equivalents	195.4	196.9	234.0
Total current assets	2,978.5	2,711.8	2,977.1
Total assets	4,701.1	4,093.3	4,727.2

Equity and liabilities MEUR	Mar 31, 2012	Mar 31, 2011	Dec 31, 2011
Equity	1,740.8	1,433.0	2,034.0
Non-current liabilities			
Loans	20.1	28.7	21.1
Deferred tax liabilities	82.0	59.9	81.6
Employee benefits	104.3	111.3	105.2
Total non-current liabilities	206.4	199.9	207.9
Provisions	85.6	93.4	88.7
Current liabilities			
Loans	74.5	39.1	75.6
Advance payments received	1,093.8	950.2	962.1
Accounts payable and other liabilities	1,500.0	1,377.7	1,358.9
Total current liabilities	2,668.3	2,367.0	2,396.6
Total equity and liabilities	4,701.1	4,093.3	4,727.2

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2012	65.1	100.3	51.5	-5.5	48.2	-98.8	1,865.9		7.3	2,034.0
Net income for the period								108.6	0.9	109.5
Other comprehensive income:										
Translation differences					-14.8					-14.8
Hedging of foreign subsidiaries					1.7					1.7
Cash flow hedges				1.4						1.4
Transactions with shareholders and non-controlling interests:										
Profit distribution							-356.4			-356.4
Increase in equity (option rights)										-
Purchase of own shares						-36.9				-36.9
Change in non-controlling interests									-0.2	-0.2
Option and share-based compensation							2.5			2.5
Mar 31, 2012	65.1	100.3	51.5	-4.1	35.1	-135.7	1,512.0	108.6	8.0	1,740.8

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2011	65.1	100.3	35.0	-3.9	21.5	-91.4	1,472.7		1.3	1,600.6
Net income for the period								98.8	0.2	99.0
Other comprehensive income:										
Translation differences					-33.4					-33.4
Hedging of foreign subsidiaries					2.2					2.2
Cash flow hedges				3.1						3.1
Transactions with shareholders and non-controlling interests:										
Profit distribution							-229.7			-229.7
Increase in equity (option rights)										-
Purchase of own shares						-11.8				-11.8
Change in non-controlling interests									0.0	0.0
Option and share-based compensation							3.0			3.0
Mar 31, 2011	65.1	100.3	35.0	-0.8	-9.7	-103.2	1,246.0	98.8	1.5	1,433.0

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2011	65.1	100.3	35.0	-3.9	21.5	-91.4	1,472.7		1.3	1,600.6
Net income for the period								643.6	0.8	644.4
Other comprehensive income:										
Translation differences					29.0					29.0
Hedging of foreign subsidiaries					-2.3					-2.3
Cash flow hedges				-1.6						-1.6
Transactions with shareholders and non-controlling interests:										
Profit distribution							-229.7			-229.7
Increase in equity (option rights)			16.5							16.5
Purchase of own shares						-40.7				-40.7
Change in non-controlling interests							-0.3		5.2	4.9
Option and share-based compensation						33.3	-20.4			12.9
Dec 31, 2011	65.1	100.3	51.5	-5.5	48.2	-98.8	1,222.3	643.6	7.3	2,034.0

Condensed consolidated statement of cash flows

MEUR	1–3/2012	1–3/2011	1–12/2011
Operating income	132.7	118.7	725.1
Change in working capital before financial items and taxes	94.0	102.6	28.8
Depreciation and amortization	21.6	16.0	65.9
Cash flow from operations before financial items and taxes	248.3	237.3	819.8
Cash flow from financing items and taxes	-1.2	-27.9	-216.8
Cash flow from operating activities	247.1	209.4	603.0
Cash flow from investing activities	-20.5	-17.0	-225.6
Cash flow after investing activities	226.6	192.4	377.4
Purchase of own shares	-36.9	-11.8	-40.7
Increase in equity (option rights)	-	-	16.7
Profit distribution	-331.8	-214.8	-229.7
Change in deposits and loans receivable, net	106.3	48.0	-42.0
Change in loans payable	-1.4	-6.0	-38.3
Cash flow from financing activities	-263.8	-184.6	-334.0
Change in cash and cash equivalents	-37.2	7.8	43.4
Cash and cash equivalents at end of period	195.4	196.9	234.0
Translation difference	1.4	3.4	1.9
Cash and cash equivalents at beginning of period	234.0	192.5	192.5
Change in cash and cash equivalents	-37.2	7.8	43.4

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	1–3/2012	1–3/2011	1–12/2011
Interest-bearing net debt at beginning of period	-829.1	-749.8	-749.8
Interest-bearing net debt at end of period	-676.5	-693.1	-829.1
Change in interest-bearing net debt	152.6	56.7	-79.3

Notes for the interim report

KEY FIGURES

		1–3/2012	1–3/2011	1–12/2011
Basic earnings per share	EUR	0.43	0.39	2.52
Diluted earnings per share	EUR	0.42	0.38	2.51
Equity per share	EUR	6.80	5.61	7.93
Interest-bearing net debt	MEUR	-676.5	-693.1	-829.1
Total equity/total assets	%	48.3	45.6	54.0
Gearing	%	-38.9	-48.4	-40.8
Return on equity	%	23.2	26.1	35.5
Return on capital employed	%	22.5	25.5	34.3
Total assets	MEUR	4,701.1	4,093.3	4,727.2
Assets employed	MEUR	1,064.3	739.9	1,204.9
Working capital (including financing and tax items)	MEUR	-475.5	-470.4	-361.4

QUARTERLY FIGURES

		Q1/2012
Orders received	MEUR	1,365.9
Order book	MEUR	4,842.8
Sales	MEUR	1,241.3
Operating income	MEUR	132.7
Operating income	%	10.7

		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 [1]	91.2	189.2	146.0	136.7	86.5
Operating income	%	14.2	14.2	12.5 [1]	8.9	13.2	13.0	12.0	9.6

		Q4/2007	Q3/2007	Q2/2007	Q1/2007	Q4/2006	Q3/2006	Q2/2006	Q1/2006
Orders received	MEUR	901.9	926.3	944.4	902.1	712.1	742.0	821.9	840.3
Order book	MEUR	3,282.3	3,473.6	3,318.0	3,105.7	2,762.1	2,951.0	2,818.0	2,654.0
Sales	MEUR	1,294.2	971.6	1,001.9	811.2	1,145.6	879.8	840.4	735.0
Operating income	MEUR	160.8 [2]	126.7	116.4	69.3 [3]	123.4	101.1	83.9	51.7
Operating income	%	12.4 [2]	13.0	11.6	8.5 [3]	10.8	11.5	10.0	7.0

[1] Excluding a MEUR 33.6 one-time restructuring cost related to the fixed cost adjustment program.
[2] Excluding a MEUR 22.5 provision for the Austrian cartel court's fine decision and a MEUR 12.1 sales profit from the sale of KONE Building.
[3] Excluding a MEUR 142.0 fine for the European Commission's decision.

Notes for the interim report

SALES BY GEOGRAPHICAL REGIONS

MEUR	1–3/2012	%	1–3/2011	%	1–12/2011	%
EMEA[1]	660.6	53	596.7	57	2,893.7	55
Americas	205.0	17	227.0	21	947.3	18
Asia-Pacific	375.7	30	230.1	22	1,384.2	27
Total	1,241.3		1,053.8		5,225.2	

[1] EMEA = Europe, Middle East, Africa

ORDERS RECEIVED

MEUR	1–3/2012	1–3/2011	1–12/2011
	1,365.9	1,044.7	4,465.1

ORDER BOOK

MEUR	Mar 31, 2012	Mar 31, 2011	Dec 31, 2011
	4,842.8	3,737.5	4,348.2

CAPITAL EXPENDITURE

MEUR	1–3/2012	1–3/2011	1–12/2011
In fixed assets	6.8	5.2	39.5
In leasing agreements	2.0	4.2	12.3
In acquisitions	6.1	11.0	185.3
Total	14.9	20.4	237.1

DEPRECIATION AND AMORTIZATION

MEUR	1–3/2012	1–3/2011	1–12/2011
Depreciation	-12.9	-12.6	-49.7
Amortization of acquisition-related intangible assets	-8.7	-3.4	-16.2
Total	-21.6	-16.0	-65.9

R&D EXPENDITURE

MEUR	1–3/2012	1–3/2011	1–12/2011
	20.3	18.6	82.5
R&D Expenditure as percentage of sales	1.6	1.8	1.6

NUMBER OF EMPLOYEES

	1–3/2012	1–3/2011	1–12/2011
Average	37,668	34,012	34,769
At the end of the period	37,770	33,983	37,542

Notes for the interim report

COMMITMENTS

MEUR	Mar 31, 2012	Mar 31, 2011	Dec 31, 2011
Mortgages			
Group and parent company	-	-	-
Pledged assets			
Group and parent company	0.1	1.5	0.1
Guarantees			
Associated companies	6.6	3.3	6.5
Others	5.5	6.0	5.6
Operating leases	203.3	174.7	202.8
Total	215.5	185.5	215.0

Banks and financial institutions have guaranteed obligations arising in the ordinary course of business of KONE companies up to a maximum of EUR 771.5 (678.8) million as of March 31, 2012.

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, 2012	Mar 31, 2011	Dec 31, 2011
Less than 1 year	53.7	45.6	53.1
1–5 years	126.4	99.2	124.3
Over 5 years	23.2	29.9	25.4
Total	203.3	174.7	202.8

DERIVATIVES

Fair values of derivative financial instruments MEUR	positive fair value Mar 31, 2012	negative fair value Mar 31, 2012	net fair value Mar 31, 2012	net fair value Mar 31, 2011	net fair value Dec 31, 2011
Foreign exchange forward contracts and swaps	4.8	12.2	-7.4	-3.7	-3.8
Cross-currency swaps	-	19.1	-19.1	-9.3	-33.2
Electricity price forward contracts	0.3	0.6	-0.3	0.6	-0.4
Total	5.1	31.9	-26.8	-12.4	-37.4

Nominal values of derivative financial instruments

MEUR	Mar 31, 2012	Mar 31, 2011	Dec 31, 2011
Foreign exchange forward contracts and swaps	898.1	641.9	814.8
Cross-currency swaps	139.4	139.3	139.3
Electricity price forward contracts	4.7	5.3	4.0
Total	1,042.2	786.5	958.1

Shares and shareholders

Mar 31, 2012	Class A shares	Class B shares	Total
Number of shares	38,104,356	222,431,764	260,536,120
Own shares in possession [1]		5,796,350	
Share capital, EUR			65,134,030
Market capitalization, MEUR			10,640
Number of B shares traded (millions), 1–3/2012		32.1	
Value of B shares traded, MEUR, 1–3/2012		1,369	
Number of shareholders	3	30,888	30,888

	Close	High	Low
Class B share price, EUR, Jan–Mar 2012	41.77	45.91	39.19

[1] During January–March 2012, KONE used its previous authorization to repurchase own shares in February, and bought back in total 834,174 of its own class B shares.

KONE Corporation

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KONE is one of the global leaders in the elevator and escalator industry. The company has been committed to understanding the needs of its customers for the past century, providing industry-leading elevators, escalators and automatic building doors as well as innovative solutions for modernization and maintenance. The company'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. In 2011, KONE had annual net sales of EUR 5.2 billion and on average 35,000 employees. KONE class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland. www.kone.com