



25 April 2001 at 12.00 Finnish time

KONE Corporation

Interim Report: January-March, 2001

- The value of KONE's orders received, exclusive of maintenance contracts, increased by 17% to EUR 607 million (EUR 518 million). Growth from Major Projects.
- The value of orders in hand at the end of the period under review grew by 12% to EUR 1,939 million (EUR 1,734 million).
- Net sales increased by 10% to EUR 591 million (EUR 535 million).
- Net income grew to EUR 15.0 million (EUR 9.4 million) and earnings per share increased to EUR 0.77 (EUR 0.47). This positive trend in the development of the financial result is expected to continue.

Net Sales and Orders

Average currency rates have been used in KONE's Interim Reports from the beginning of 2001. The figures for 2000 have been calculated based on closing currency rates.

KONE's net sales for the period under review totaled EUR 591 million (1 January-31 March, 2000: EUR 535 million), which is 10% more than during the corresponding period a year earlier. When adjusted to reflect changes in currency rates, the growth was the same.

The value of orders received, exclusive of maintenance contracts, totaled EUR 607 million (EUR 518 million) or 17% more than the corresponding figure for the first three months of 2000. When adjusted to reflect changes in currency rates, the growth was 16%. The development of order intake was positive in all KONE's market areas. The booking of major projects at the beginning of the year and the acquisition of companies during 2000 contributed substantially to the strong growth.

The value of orders in hand stood at EUR 1,939 million (EUR 1,734 million) at the conclusion of the period under review, compared with EUR 1,656 million on the last day of 2000. The value of KONE's order book grew by 12% during the first three months of 2001 or about 10%



when adjusted for changes in currency rates. In addition KONE has nearly 500,000 elevators and escalators and more than 120,000 automatic building doors under maintenance contract.

Financial Result and Financing

KONE's operating income for the period under review totaled EUR 26.8 million (EUR 19.7 million), which represents 4.5% (3.7%) of sales revenue. Income before taxes stood at EUR 25.3 million (EUR 19.5 million). The comparable figure for the whole of 2000 was EUR 182.8 million.

Net income for the first quarter of 2001 totaled EUR 15.0 million (EUR 9.4 million) and earnings per share stood at EUR 0.77 (EUR 0.47) when taxes proportionate to the amount due for the full year are taken into account.

KONE's improved result is largely attributable to long-term development programs, such as the centralization and outsourcing of production and improved efficiency of installation activities. The market success of products employing new technologies and efforts to maintain the profitability of maintenance operations have also had a salutary effect on the result.

KONE's cash flow from operating activities developed as expected and stood at EUR 59.8 million (EUR 42.1 million). Cash flow after investing activities was EUR 50.2 million (EUR 32.3 million). KONE used EUR 42.0 million (EUR 26.4 million) to repurchase its own shares and for dividend payment. Interest-bearing net debt at the conclusion of the period under review was EUR 88.7 million, having stood at EUR 100.4 million at the end of 2000. Total equity as a share of total assets on 31 March was 34% (36%) and gearing 14% (7%). Comparable figures for the last working day of 2000 were 36% and 15%.

KONE has continued to acquire companies with most of the acquisitions being fairly small locally-based elevator and escalator companies. Plans call for continued activity on the acquisition front.

In order to broaden its range of available financing options, KONE's Board of Directors decided at its 25 April, 2001 meeting to establish a Euro Medium Term Note program of EUR 1 billion. The program extends the options and maturities available to KONE beyond those of the current Euro Commercial Paper program's limits. Within the scope of the program it will be possible to issue both listed and unlisted bonds. The program will be listed on the Luxembourg Exchange.

Markets and Products

The value of new orders increased by 16% compared to the figure for the first quarter of 2000 when adjusted to reflect changes in currency exchange rates. In Europe, demand for both new equipment and modernization work increased by 23% over the figure for the comparable period a year earlier. The booking of orders for major projects early in the year plus the contribution of companies acquired during the previous year gave impetus to the growth.



The value of new equipment orders in the United States grew by nearly 7% when adjusted to reflect changes in currency exchange rates. Contributing to the increase was the order for 91 ECO3000™ escalators based on a new KONE global design, 79 elevators and 18 autowalks for the Miami International Airport. In general, signs of a slight downward trend in the construction industry in the U.S. continue to manifest themselves.

The value of orders received in Asia and Australia increased by nearly 15% during the period under review. Thanks to the success of products featuring new technologies, orders grew strongly in both China and Australia. Demand for EcoDisc®-based elevators marketed in Japan by KONE's alliance partner, Toshiba, continued at a good level.

KONE received several major project orders during the first trimester of 2001, nearly all of which include KONE Alta™ high-speed elevators based on EcoDisc® technology.

In London, KONE will supply 24 elevators featuring EcoDisc® technology for the 42-story Swiss Re Tower. The top floors will be served by 6.0 m/s KONE Alta™ elevators. In the Canary Wharf section of the same city, the 37-story building known as HQ5 will feature 38 KONE Alta™ elevators and five KONE escalators.

In Sweden, KONE booked an order for 27 elevators for the Kista Science Tower, which will be located between Arlanda Airport and Stockholm. KONE Alta™ elevators will serve the top six floors of the building.

In Germany, Dresdner Bank has ordered 14 elevators for its new 36-story head office, Gallileo Tor, in Frankfurt. Six of the elevators will be KONE Alta™ units with a new control system known as KONE TMS9900 Destination Consultation System. In the United Arab Emirates, KONE will supply 10 elevators, including eight KONE Alta™ units, for the new headquarters of the Abu Dhabi National Bank.

The number of elevators and escalators under maintenance contract grew steadily during the first three months of the year as new installations were taken into service. The marketing and sale of new types of maintenance contracts progressed favorably. The number of automatic building doors under maintenance contract and the building door service business in general have grown according to plan.

Noteworthy Events

On 7 February, 2001 an administrative court in Rome, Italy overturned a May, 2000 decision by the Italian Anti-Trust Authority which imposed a collective fine on 14 members of the Italian Elevator Association. Based on 1998 sales, KONE's share of the fine would have been EUR 3.6 million. The administrative court's decision becomes final 120 days after it is handed down, which will be 21 June, 2001. The reserves set aside to cover the fine have not been freed up as of the date of publication of this Interim Report.



Investments and Development Projects

During the first quarter of 2001 capital expenditure in manufacturing facilities, field operations and information technology totaled EUR 10.3 million (EUR 9.0 million). Capital expenditure in product development totaled EUR 11.5 million (EUR 8.5 million) or 1.9% (1.6%) of net sales.

Annual General Meeting and Board of Directors

KONE Corporation's Annual General Meeting in February ratified the financial statements for 2000, approved the Board of Director's proposal for the distribution of profit, and discharged the responsible parties for liability for the 2000 financial year. Pekka Herlin was re-elected chairman of the Board for the 2001 financial year, and Antti Herlin, Gerhard Wendt, Iiro Viinanen and KONE president Jean-Pierre Chauvarie were re-elected as full Board members. In addition, the Annual General Meeting approved the Board's proposal authoring the repurchase and redistribution of the company's own shares.

Repurchase of KONE shares

At its 7 March, 2001 meeting, KONE Corporation's Board of Directors decided to continue repurchasing the company's own shares from a date no earlier than 14 March, 2001. During the period between 1 January and 31 March, 2001 KONE repurchased 184,280 of its class B shares on the Helsinki Exchanges at an average price of EUR 70.84. The total purchase price of the shares was EUR 13 million, and the total nominal value of the repurchased shares was EUR 552,840. The shares acquired during 2001 represent 0.91% of share capital and 0.36% of the voting rights attached to the shares. At the end of March 2001 the company owned a total of 663,050 KONE class B shares, including those repurchased during 2000. The shares represent 3.29% of share capital and 1.29% of the voting rights attached to the shares. The shares are entered as assets in the company's balance sheet.

At the end of the reporting period, KONE Corporation's Board of Directors had no current authorization to raise the share capital or to issue convertible or warrant loans.



Prospects

KONE is continuing to carry out initiatives aimed at improving profitability. Savings can still be achieved in materials costs, manufacturing and installation work as well as through the improvement of internal processes. Projects to improve the profitability of KONE's service operations are also ongoing. In addition to organic growth, KONE will seek growth through the acquisition of companies and the development of its automatic building door service business. Profitability is expected to continue developing favorably.

Helsinki
25 April, 2001

KONE Corporation
Board of Directors



KONE Corporation
CONSOLIDATED STATEMENT OF INCOME
(The interim report is unaudited)

MEUR	1-3/2001	%	1-3/2000	%	1-12/2000	%
SALES	591.5		534.8		2 602.4	
Cost and expenses	(545.4)		(497.1)		(2 335.5)	
Depreciation	(19.3)		(18.0)		(80.6)	
OPERATING INCOME	26.8	4.5	19.7	3.7	186.3	7.2
Share of associated companies' net income	0.3		0.3		1.4	
Net interest	(1.3)		(1.3)		(4.9)	
Financing income and expenses	(0.5)		0.8		0.0	
INCOME AFTER FINANCING ITEMS	25.3	4.3	19.5	3.6	182.8	7.0
Extraordinary items	0.0		0.0		0.0	
INCOME BEFORE TAXES	25.3	4.3	19.5	3.6	182.8	7.0
Taxes	(10.2)		(10.6)		(77.1)	
Minority share	(0.1)		0.5		(0.1)	
NET INCOME	15.0	2.5	9.4	1.8	105.6	4.1

	1-3/2001	1-3/2000	1-12/2000
Orders received, MEUR	606.6	517.9	1 854.1
Order book, MEUR	1 939.4	1 734.4	1 656.2
Average number of employees	22 927	22 613	22 978
Capital expenditure, MEUR	10.3	8.9	46.0

CONSOLIDATED BALANCE SHEET

MEUR	31.3.2001	31.3.2000	31.12.2000
ASSETS			
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS			
Intangible assets	438.2	359.4	438.4
Tangible assets	219.6	229.2	216.8
Investments	58.6	12.6	43.5
TOTAL	716.4	601.2	698.7
CURRENT ASSETS			
Inventories	178.2	189.2	153.7
Receivables	773.5	693.4	795.0
Deposits and cash	221.2	129.0	181.9
TOTAL	1 172.9	1 011.6	1 130.6
ASSETS, TOTAL	1 889.3	1 612.8	1 829.3
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity	668.6	584.4	675.6
Minority shares	1.2	1.2	1.1
Provision for liabilities and charges	196.1	197.3	195.4
Long term debt	68.7	80.9	70.2
Short term debt	954.7	749.0	887.0
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	1 889.3	1 612.8	1 829.3
KEY FIGURES			
Net debt, MEUR	88.7	40.2	100.4
Solidity, %	34	36	36
Gearing, %	14	7	15
Earnings/share, EUR	0.77	0.47	5.39
Equity/share, EUR	33	29	33

**CONTINGENT LIABILITIES AND PLEDGED ASSETS**

MEUR	31.3.2001	31.3.2000	31.12.2000
Assets pledged to secure loans	1.4	2.3	1.4
Pledged assets	20.8	47.3	20.1
Guarantees			
- associated companies	3.1	3.1	2.6
- others	2.0	7.3	1.4
Leasing liabilities	87.3	86.2	105.9
TOTAL, MEUR	114.6	146.2	131,4

DERIVATIVES

MEUR	31.3.2001	31.3.2000	31.12.2000
Forward contracts	231.8	233.8	211.2
Interest rate agreements	0.0	0.0	0.0
Currency options	177.9	74.2	150.2
Currency swaps	7.7	32.4	32.4
Interest rate swaps	0.0	0.0	0.0
TOTAL, MEUR	417.4	340.4	393.8



SALES BY MARKET AREA

	1-3/2001		1-3/2000		1-12/2000	
	MEUR	%	MEUR	%	MEUR	%
Europe	339.1	57	303.2	56	1 427.7	55
North America	185.3	31	170.4	32	772.9	30
Asia-Pacific	50.4	9	46.1	9	319.9	12
Other	16.7	3	15.1	3	81.8	3
TOTAL	591.5	100	534.8	100	2 602.4	100

KONE Corporation

Aimo Rajahalme
Senior Vice President,
Finance

Pekka Sihvola
Vice President,
Corporate Controller

Further information:
Mr. Aimo Rajahalme, phone +358 204 75 4484

www.kone.com

KONE's Interim Report for January-June 2001 will be published on Wednesday 25 July 2001.