

Stock Exchange Release



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KONE Corporation

Interim Report: January-March, 2002

- The value of KONE's orders received for the period under review, exclusive of maintenance contracts, totaled EUR 500 million or 6% more than during the final quarter of 2001. The first quartile figure was 18% below that for the first three months of 2001 (EUR 607 million) when KONE booked an exceptionally large number of major project orders.
- The value of orders in hand at the end of the period under review was EUR 1,995 million (EUR 1,939 million).
- Net sales increased by 6.8% to EUR 631 million (EUR 591 million).
- Operating income grew to EUR 35.3 million (EUR 26.8 million).
- Net income for the period under review totaled EUR 21.3 million (EUR 15.0 million) and earnings per share stood at EUR 1.09 (EUR 0.77). The financial result is expected to continue its positive development.

Net Sales and Orders

KONE's net sales for the period under review totaled EUR 631 million (1 January-31 March, 2000: EUR 591 million), which is 6.8% more than during the corresponding period a year earlier. Total growth in sales for 2002 is expected to be of the same magnitude.

The value of orders received totaled EUR 500 million (EUR 607 million) or 18% less than the figure for the same period a year earlier, when KONE booked an exceptionally large number of orders for major projects. The total does not include the value of maintenance contracts. Compared to the final quarter of 2001, the value of orders received increased by 6%. Development from market area to market area has been uneven, however, and exerted regional pressure on price levels.

At the end of the period under review, the value of orders in hand totaled EUR 1,995 million (EUR 1,939 million) compared to EUR 1,881 million on the last working day of 2001. In addition KONE has 500,000 elevators and escalators and 150,000 automatic building doors under maintenance contract.

Financial Result and Financing



KONE's operating income for the period under review totaled EUR 35.3 million (EUR 26.8 million), which represents 5.6% (4.5%) of sales revenue. Income before taxes stood at EUR 36.6 million (EUR 25.3 million). The comparable figure for the whole of 2001 was EUR 218.7 million.

Net income for the first quarter of 2002 totaled EUR 21.3 million (EUR 15.0 million), and earnings per share stood at EUR 1.09 (EUR 0.77) when taxes proportionate to the amount due for the full year are taken into account.

Long-term development programs and increased volumes have once again produced an improved financial result. The success of products based on new technology and the stable profit margins of service operations have supported the positive development of KONE's financial result.

The company's cash flow from business operations developed according to expectations and totaled EUR 92.9 million (EUR 59.8 million). Cash flow after investments, excluding the impact of cross-ownership of KONE and Toshiba shares, came to EUR 67.9 million (EUR 50.2 million). EUR 42.3 million was used for dividend payments (EUR 42.0 million, which includes funds used to repurchase KONE's own shares). Interest-bearing net debt at the conclusion of the period under review was EUR 0.3 million, compared to a positive cash balance of EUR 47.6 million at the end of 2001. Total equity as a share of total assets on 31 March was 37% (34%) and gearing 0% (14%).

KONE has continued to acquire locally-based elevator and escalator services companies. We will actively pursue acquisitions in the future as well.

The plan for KONE and Toshiba to invest in each, announced at the end of 2001, has been carried out. KONE subscribed to 19.9% of the shares of Toshiba Elevator and Building Systems Corporation through a targeted stock offering. The shares have been entered in KONE's books under "other long-term investments". At the same time, KONE sold 829,580 of its own repurchased shares to Toshiba Corporation. The profit from this sale was entered not in the consolidated statement of income but directly into the balance sheet as shareholders' equity.

Markets and Products

The value of new orders for the first quarter of 2002 remained smaller than the figure for the comparable period a year earlier, when KONE booked an exceptionally large number of major projects.

In Europe, the value of new equipment and modernization orders declined by 10% compared to January-March, 2001. Compared to October-December, 2001, however, there was an increase of 2%.



In the United States, order volume decreased by 44% over the first quarter of 2001, when the order for the large Miami International Airport project was booked. Compared to the final quarter of 2001, the value of orders declined during the period under review by 8%.

Order intake in Asia and Australia increased by 40% in comparison with both the first and final quarters of 2001. Thanks to the success of products based on new technology, the value of orders in China and Australia increased dramatically. Demand for elevators based on KONE EcoDisc® technology and marketed by KONE's alliance partner, Toshiba remained strong in Japan.

Noteworthy Events

During the period under review KONE and Toshiba strengthened and deepened their cooperation. KONE participated in a targeted share offering organized by Toshiba Elevator and Building Systems Corporation. The result is that KONE now owns 19.9% of that company. The acquired shares have been entered into the consolidated balance sheet under "other long-term investments". Therefore, no goodwill depreciation will be taken for this investment and dividends to be paid by Toshiba Elevator and Building Systems Corporation will be entered into the consolidated statement of income. KONE Corporation has sold KONE class B shares that were repurchased on the open market to Toshiba Corporation. The profit from this sale has been entered directly into the balance sheet as shareholders' equity instead of into the statement of income.

The annual general meeting approved the board of directors' proposal authoring the repurchase and redistribution of the company's own shares. By the end of March, 2002, KONE Corporation had not exercised this authority.

Investments and Development Projects

During the first quarter of 2002 capital expenditure totaled EUR 20.4 million (EUR 10.3 million). A high proportion of investment in information technology took place during the first three months of the year. Capital expenditure in product development totaled EUR 9.8 million (EUR 11.5 million) or 1.6% (1.9%) of net sales.

Annual General Meeting and Board of Directors

KONE Corporation's annual general meeting in February ratified the financial statements for 2001, approved the board of director's proposal for the distribution of profit, and discharged the responsible parties for liability for the 2001 financial year. Pekka Herlin was re-elected chairman of the Board for the 2002 financial year, and Antti Herlin, Gerhard Wendt, Iiro Viinanen and Jean-Pierre Chauvarie were re-elected as full Board members. Toshiba Elevator and Building Systems Corporation's president Hiroshi Nishioka was elected to the board for a term beginning 1 April, 2002.



In addition, the annual general meeting approved the board's proposal authorizing the repurchase and redistribution of the company's own shares.

Repurchase of KONE shares

During the first three months of 2001 KONE Corporation did not repurchase any of its own shares.

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 its long-range development program. Savings can still be achieved in material costs, manufacturing and installation work as well as through improvement of internal processes.

Projects to improve the profitability of KONE's service operations are also ongoing.

We have maintained our head start over our competitors in products based on new technology. Our service offerings have continued to retain the confidence of our customers.

Although the order intake for the first quartile of 2002 was modest in comparison with the corresponding figure for the first quarter of the previous year, that is not a sign of market collapse. It does, however, reflect the difference in the volume of major project orders booked by KONE during those two periods. The value of orders received for the whole of 2002 may remain below the total achieved in 2001 although our goal is still to reach the same level.

Growth is being sought through the automatic building door service business as well as acquisitions in elevator and escalator markets.

The financial result is expected to continue its positive development.

Helsinki, 23 April, 2002
KONE Corporation
Board of Directors



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

MEUR	1-3/2002	%	1-3/2001	%	1-12/2001	%
SALES	631.0		591.5		2 816.3	
Cost and expenses	(575.0)		(545.4)		(2 516.1)	
Depreciation	(20.7)		(19.3)		(82.4)	
OPERATING INCOME	35.3	5.6	26.8	4.5	217.8	7.7
Share of associated companies' net income	0.9		0.3		1.3	
Net interest	1.2		(1.3)		(2.8)	
Financing income and expenses	(0.8)		(0.5)		2.4	
INCOME AFTER FINANCING ITEMS	36.6	5.8	25.3	4.3	218.7	7.8
Extraordinary items	0.0		0.0		0.0	
INCOME BEFORE TAXES	36.6	5.8	25.3	4.3	218.7	7.8
Taxes	(15.1)		(10.2)		(76.5)	
Minority share	(0.2)		(0.1)		(1.1)	
NET INCOME	21.3	3.4	15.0	2.5	141.1	5.0

	1-3/2002	1-3/2001	1-12/2001
Orders received, MEUR	500.2	606.6	2 099.6
Order book, MEUR	1 994.8	1 939.4	1 881.0
Average number of employees	23 031	22 927	22 949
Capital expenditure, MEUR	20.4	10.3	45.7

CONSOLIDATED BALANCE SHEET

MEUR	31.3.2002	31.3.2001	31.12.2001
ASSETS			
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS			
Intangible assets	444.4	438.2	442.9
Tangible assets	204.1	219.6	206.9
Investments	167.4	58.6	71.3
TOTAL	815.9	716.4	721.1
CURRENT ASSETS			
Inventories	102.3	178.2	112.0
Receivables	856.1	773.5	821.0
Deposits and cash	415.9	221.2	453.3
ASSETS, TOTAL	2 190.2	1 889.3	2 107.3
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity	810.0	668.6	805.8
Minority shares	0.7	1.2	1.4
Provision for liabilities and charges	201.6	196.1	220.5
Long term debt	350.8	68.7	350.3
Short term debt	827.1	954.7	729.3
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	2 190.2	1 889.3	2 107.3
KEY FIGURES			
Net debt, MEUR	0.3	88.7	(47.6)
Solidity, %	37	34	37
Gearing, %	0	14	Neg.
Earnings/share, EUR	1.09	0.77	7.25
Equity/share, EUR	40	33	39

CONTINGENT LIABILITIES AND PLEDGED ASSETS

MEUR	31.3.2002	31.3.2001	31.12.2001
Assets pledged to secure loans	1.4	1.4	1.4
Pledged assets	23.3	20.8	21.6
Guarantees			
- associated companies	3.2	3.1	2.9
- others	2.2	2.0	2.4
Leasing liabilities	118.0	87.3	117.3
TOTAL, MEUR	148.1	114.6	145.6

DERIVATIVES

MEUR	31.3.2002	31.3.2001	31.12.2001
Forward contracts	326.2	231.8	225.4
Currency options	355.5	177.9	192.8
Currency swaps	153.8	7.7	0.0
TOTAL, MEUR	835.5	417.4	418.2



SALES BY MARKET AREA

	1-3/2002		1-3/2001		1-12/2001	
	MEUR	%	MEUR	%	MEUR	%
Europe	372.4	59	339.1	57	1 608.6	57
North America	197.5	31	185.3	31	866.1	31
Asia-Pacific	53.0	8	50.4	9	290.7	10
Other	8.1	2	16.7	3	50.9	2
TOTAL	631.0	100	591.5	100	2 816.3	100

KONE Corporation

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