

Dedicated to People Flow™



Local service teams just around the corner.

Our local service teams take care of over one million pieces of equipment in close to 60 countries. On call around the clock, KONE service technicians use preventive maintenance methods to keep all types of equipment running smoothly – day in, day out.

KONE Q4

FINANCIAL STATEMENT BULLETIN 2014

KONE's January–December 2014 review

October–December 2014: Good progress in orders received and strong cash flow

- In October–December 2014, orders received totaled EUR 1,704 (10–12/2013: 1,473) million. Orders received grew by 15.6% at historical exchange rates and by 10.7% at comparable exchange rates.
- Net sales grew by 6.5% to EUR 2,166 (2,033) million. At comparable exchange rates the growth was 3.9%.
- Operating income was EUR 315.3 (292.8) million or 14.6% (14.4%) of net sales.
- Cash flow from operations (before financing items and taxes) was EUR 367.8 (240.8) million.

January–December 2014: Continued profitable growth

- In January–December 2014, orders received totaled EUR 6,813 (1–12/2013: 6,151) million. Orders received grew by 10.8% at historical exchange rates and by 11.9% at comparable exchange rates. The order book stood at EUR 6,952 (Dec 31, 2013: 5,587) million at the end of December 2014.
- Net sales grew by 5.8% to EUR 7,334 (6,933) million. At comparable exchange rates the growth was 6.7%.
- Operating income was EUR 1,036 (953.4) million or 14.1% (13.8%) of net sales.
- Basic earnings per share was EUR 1.47 (1.37).
- Cash flow from operations (before financing items and taxes) was EUR 1,345 (1,213) million.
- In 2015, KONE's net sales is estimated to grow by 6–9% at comparable exchange rates as compared to 2014. The operating income (EBIT) is expected to be in the range of EUR 1,130–1,230 million, assuming that translation exchange rates would remain at approximately the average level of January 2015.
- The Board proposes a dividend of EUR 1.20 per class B share for the year 2014.

KEY FIGURES

		10–12/2014	10–12/2013	change	1–12/2014	1–12/2013	change
Orders received	MEUR	1,703.8	1,473.2	15.6%	6,812.6	6,151.0	10.8%
Order book	MEUR	6,952.5	5,587.5	24.4%	6,952.5	5,587.5	24.4%
Sales	MEUR	2,165.8	2,033.0	6.5%	7,334.5	6,932.6	5.8%
Operating income (EBIT)	MEUR	315.3	292.8	7.7%	1,035.7	953.4	8.6%
Operating income (EBIT)	%	14.6	14.4		14.1	13.8	
Cash flow from operations (before financing items and taxes)	MEUR	367.8	240.8		1,345.4	1,213.1	
Net income	MEUR	210.7	185.8		773.9	713.1	
Basic earnings per share	EUR	0.40	0.36		1.47	1.37	
Interest-bearing net debt	MEUR	-911.8	-622.0		-911.8	-622.0	
Total equity/total assets	%	43.6	43.7		43.6	43.7	
Gearing	%	-44.2	-36.1		-44.2	-36.1	

KONE's January–December 2014 review

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

"In the fourth quarter of the year, our business developed well. We saw again very solid growth in orders received, which totaled EUR 1,704 million. Favorable translation exchange rates contributed positively to our growth in the quarter. In comparable currencies, growth in orders was 10.7%. Sales growth was slower than in previous quarters with an increase of 3.9% at comparable rates to EUR 2,166 million. Good sales growth continued in Asia-Pacific, but overall sales growth was burdened by a weaker development in the EMEA region and North America. Despite the slower sales growth, operating income developed positively and was EUR 315 million or 14.6% of sales. A particular highlight of the quarter was the very strong cash flow, EUR 368 million.

Looking at our development for the full year, our performance was strong overall. In 2014, we achieved an almost 12% growth in orders received at comparable rates, with total orders of EUR 6,813 million. Sales grew by 6.7% in comparable currencies, totaling EUR 7,334 million, with growth in both new equipment and service sales. Our growth continued to be profitable and operating income grew faster than sales. Operating income reached EUR 1,036 million or 14.1% of sales. Cash flow improved from the earlier high level and was EUR 1,345 million.

I want to express my gratitude to all of KONE's employees for the good results we have again achieved with strong collaboration.

We reached a historical milestone in 2014, as our maintenance base exceeded globally a million units. We have been focused on developing our sales capabilities and processes in maintenance and modernization, and can already start to see a positive impact from this work in a market situation that continues to see a high level of price competition. In new equipment, we continued to make good progress, with record high order and delivery volumes. We achieved this through the continued investments we have made into improving our competitiveness. Our product offering for both the volume business and major projects were strengthened during the year.

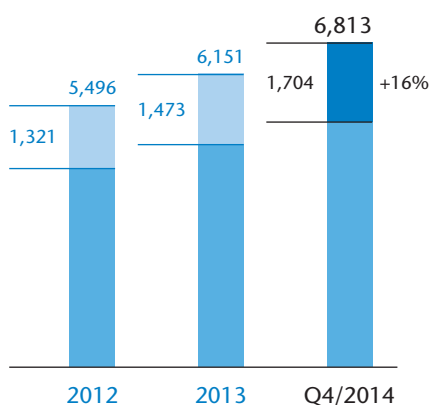
Going forward, our development programs provide the direction and framework for further improving our competitiveness. We will continue to develop our solutions to stay at the forefront of technological advancement in our industry. We will also work actively on accelerating growth in our service business. Achieving a constant improvement in customer loyalty and in our employee engagement remain in focus throughout our development actions.

In 2015, we expect to see a mixed market environment. In new equipment, we expect to see Asia-Pacific and North America providing the main growth opportunities. In line with our previous expectations, we anticipate the market growth in China to slow down from the previous year; we expect the market in China to remain at the good level of 2014 or grow slightly. In maintenance, we expect the market to develop rather well in most countries, and the global modernization market to be flat or grow slightly.

Our objective is to continue to achieve higher than market growth in a profitable way. We start 2015 with a strong order book, strong positions in many of the key growth markets, and a highly capable and committed team."

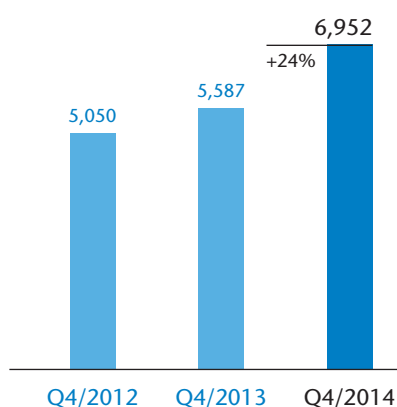
Key Figures

Orders received (MEUR)



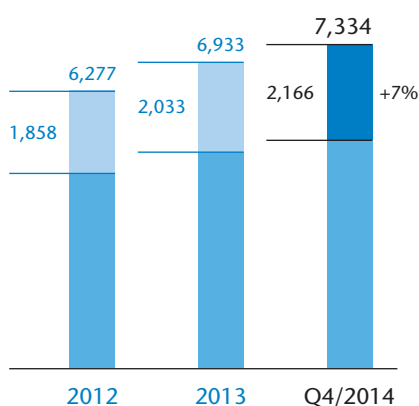
- **In October–December 2014**, orders received grew by 15.6% at historical exchange rates (at comparable exchange rates by 10.7%).
 - New equipment orders received grew significantly, while modernization orders received declined somewhat. In the volume business, orders received grew significantly. Major projects orders were stable. Maintenance contracts are not included in orders received.
 - Orders received grew significantly in Asia-Pacific at comparable exchange rates, grew slightly in the EMEA region and strongly in North America.
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- **In 2014**, new equipment orders grew significantly, and modernization orders declined somewhat from the exceptionally high comparison level.
 - Orders received grew somewhat in the EMEA region at comparable exchange rates as compared to 2013. In the Americas region orders received grew strongly when excluding a very large individual modernization order in the United States impacting the comparison period. Orders received grew significantly in the Asia-Pacific region.

Order book (MEUR)



- The order book grew by 24.4% at historical rates compared to the end of December 2013 (at comparable exchange rates by 15.6%).
 - **In October–December 2014**, the margins of orders received remained rather stable at the earlier good level, despite the rather intense price competition seen in many markets.
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- **In 2014**, the margin of the order book remained at a healthy level.

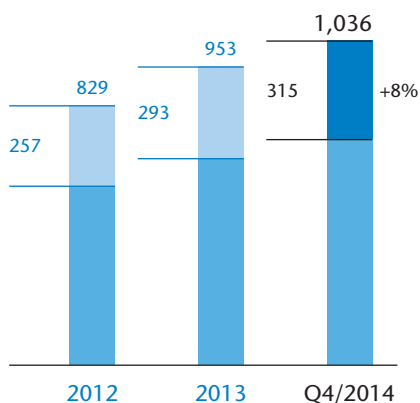
Sales (MEUR)



- **During October–December 2014**, net sales grew by 6.5% at historical exchange rates (at comparable exchange rates 3.9%).
 - New equipment sales grew by 4.0% (at comparable rates by 1.0%). Service (maintenance and modernization) sales grew by 9.8% (7.6%), with maintenance sales growing by 7.6% (5.3%) and modernization sales by 13.6% (11.9%).
 - Net sales grew clearly in Asia-Pacific at comparable exchange rates, was stable in the EMEA region, and declined slightly in the Americas region.
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- **In 2014**, sales in the EMEA region grew slightly at comparable exchange rates, was stable in the Americas region, and grew significantly in the Asia-Pacific region.

Key Figures

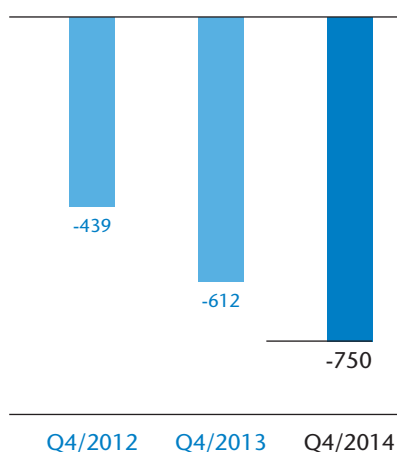
EBIT¹ (MEUR)



- In October–December 2014, operating income was 14.6% of net sales (10–12/2013: 14.4%).
- The growth in operating income was a result of continued positive development in Asia-Pacific and North America.
- 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 2014, operating income was 14.1% of net sales (1–12/2013: 13.8%).

¹⁾ Operating income excluding one-time items

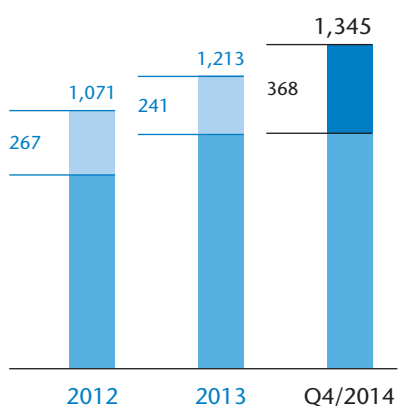
Working capital² (MEUR)



- The improvement in net working capital during 2014 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 2014, cash flow was strong. The strong cash flow was achieved through growth in operating income and an improvement in net working capital before financing items and taxes.

³⁾ Cash flow from operations before financing items and taxes

KONE's January–December 2014 review

Accounting Principles

The information presented in this report is based on the audited KONE 2014 Financial Statements. KONE Corporation's financial statement bulletin has been prepared in line with IAS 34, 'Interim Financial Reporting'. KONE has applied the same accounting principles in the preparation of the financial statement bulletin as in its Financial Statements for 2014.

October–December 2014 review

Operating environment in October–December

In the last quarter of 2014, positive development in the global new equipment market continued. Markets in Asia-Pacific and North America continued to grow, while the development in the EMEA region was mixed. The major projects segment grew compared to the previous year, driven in particular by activity in Asia. The modernization market saw growth in North America and in Asia-Pacific, but was rather weak overall in Europe. 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 declined slightly in the last quarter of the year. The residential segment was stable, but other segments declined. At the country level, Germany and Great Britain remained the strongest markets, both continuing to see growth. In most other parts of Central and North Europe, markets were stable or declining. Economic uncertainty continued to impact markets in the region. In Russia, the market declined strongly. In South Europe, new equipment demand remained weak across segments. The new equipment market declined further in France and Italy, but in Spain there was continued slight improvement from a low level. In Turkey and the Middle East, new equipment demand grew. The modernization market declined in both Central and North Europe and in South Europe. The maintenance market grew, although with significant variation between countries.

In North America, new equipment demand continued to grow clearly, with the market in the United States seeing solid growth. This was driven by positive development across segments, with residential and commercial development continuing as the major drivers of growth. 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. The Chinese new equipment demand grew clearly compared to the previous year. The residential segment, excluding affordable housing, continued to grow well. Demand in affordable housing was rather stable. Other residential segments grew in both larger and smaller cities, but with clear differences in the development between locations.

The first-tier cities continued to show a solid level of demand, while development in lower-tier cities varied significantly. Also commercial segments continued to see solid growth. The infrastructure segment grew significantly in the quarter supported by stimulus measures, with continued good activity in metro and airport projects. In India, the new equipment market turned to slight growth, with some improvement seen in customers' decision-making confidence. In Australia, new equipment demand developed strongly, and some growth was seen also in modernization. The Southeast Asian new equipment markets saw overall some growth. Maintenance markets in Asia-Pacific continued to see good growth, following the positive development of new equipment demand in the region.

In the last quarter of the year, many markets continued to see a high level of price competition. In Asia-Pacific, intense price competition continued in the Chinese new equipment market, but the rest of Asia-Pacific saw a rather stable development overall. 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 strong 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 rather intense in maintenance, but continued to slightly ease in modernization.

Financial performance in October–December

Orders received grew by 15.6% as compared to October–December 2013, and totaled EUR 1,704 (10–12/2013: 1,473) million. At comparable exchange rates, KONE's orders received increased by 10.7%. The growth was driven by new equipment orders that grew significantly, while modernization orders received declined somewhat. In the volume business, orders received grew significantly with very positive development in new equipment and a stable level of volume orders in modernization. Major projects orders were stable, with growth in new equipment orders but a strong decline in modernization. The margins of orders received remained rather stable at the earlier good level, despite the rather intense price competition seen in many markets. KONE does not include maintenance contracts in orders received.

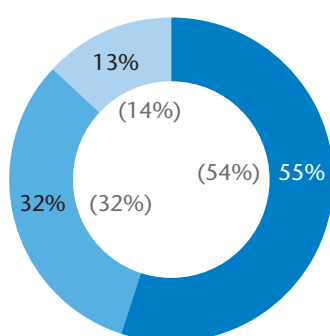
Orders received grew in all geographic regions. At comparable exchange rates, they grew significantly in Asia-Pacific, with China in particular contributing to the growth along with Australia and Singapore. In the EMEA region, orders received grew slightly. Orders declined clearly in Central and North Europe, grew somewhat in South Europe and developed strongly in the Middle East. Of the larger European markets, orders received grew in Germany, Sweden and Italy, but declined very strongly in Great Britain against a strong com-

KONE's January–December 2014 review

SALES BY AREA, MEUR								
	10–12/2014	%	10–12/2013	%	1–12/2014	%	1–12/2013	%
EMEA ¹⁾	952.5	44	959.4	47	3,204.6	44	3,157.3	46
Americas	351.4	16	338.5	17	1,100.6	15	1,118.4	16
Asia-Pacific	862.0	40	735.0	36	3,029.3	41	2,656.8	38
Total	2,165.8		2,033.0		7,334.5		6,932.6	

¹⁾ EMEA = Europe, Middle East, Africa

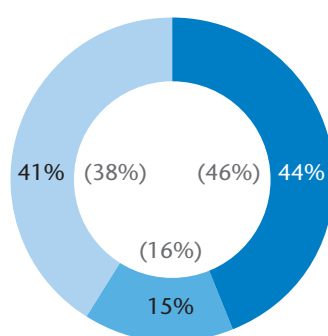
Sales by business



■ New equipment
■ Maintenance
■ Modernization

1–12/2014
(1–12/2013)

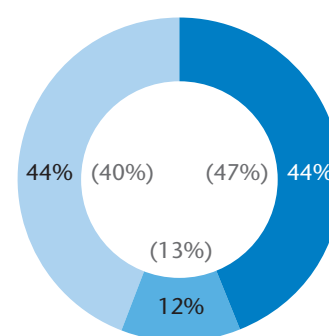
Sales by area



■ EMEA
■ Americas
■ Asia-Pacific

1–12/2014
(1–12/2013)

Personnel by area



■ EMEA
■ Americas
■ Asia-Pacific

December 31, 2014: 47,064
(December 31, 2013: 43,298)

parison. KONE's order intake grew strongly in North America driven by growth in the United States and Canada.

KONE's net sales grew by 6.5% as compared to October–December 2013, and totaled EUR 2,166 (10–12/2013: 2,033) million. At comparable exchange rates, KONE's net sales growth was 3.9%. Sales grew clearly in Asia-Pacific, was stable in the EMEA region, and declined slightly in the Americas region.

New equipment sales accounted for EUR 1,194 (1,147) million and represented an increase of 4.0% over the comparison period. At comparable exchange rates, new equipment sales grew by 1.0%.

Service (maintenance and modernization) sales grew by 9.8% and totaled EUR 971.9 (885.5) million. At comparable exchange rates, service sales grew by 7.6%. Maintenance sales was EUR 616.0 (572.3) million and grew by 7.6% at historical and by 5.3% at comparable exchange rates. Maintenance sales include elevator and escalator maintenance as well as KONE's automatic doors business. Modernization sales

saw a good growth of 13.6% and totaled EUR 355.9 (313.2) million. At comparable exchange rates, modernization sales increased by 11.9%.

KONE's operating income for the October–December 2014 period totaled EUR 315.3 (292.8) million or 14.6% (14.4%) of net sales. The growth in operating income was a result of continued positive development in Asia-Pacific and North America. 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.

Cash flow from operations before financing items and taxes in October–December 2014 was very strong at EUR 367.8 (240.8) million. Growth in operating income and an improvement in net working capital before financing items and taxes were the main contributors to the strong cash flow.

KONE's January–December 2014 review

The improvement in net working capital was largely due to growth in advance payments received relative to inventories, especially in Asia-Pacific, as well as an increase in accounts payable and other non-interest-bearing liabilities.

January–December 2014 review

KONE's operating environment

In 2014, good growth in the global new equipment market continued. Markets in Asia-Pacific, North America and the Middle East developed positively, while development in Europe was rather stable. The modernization market was on a slightly declining trend overall, with positive development in North America and Asia-Pacific, but a decline in the large European modernization market. The major projects segment grew globally, driven by strong activity in Asia-Pacific, the Middle East and North America. Maintenance market growth was the fastest in Asia-Pacific, driven by growth in new equipment installations. In the more mature maintenance markets, the growth rate was lower, with intense price competition seen in many countries.

In the EMEA region, the new equipment market in Central and North Europe grew slightly from the previous year's relatively good level, driven by the residential segment. However, the second half of the year saw an increase in economic uncertainty in the market. Of the major markets, Germany and Great Britain developed rather strongly. Markets in the Nordic countries were more mixed, with demand in Sweden developing the most positively. Demand in the Netherlands remained weak. In Russia, the market declined. In South Europe, new equipment demand remained depressed, with low levels of activity in all main segments. The new equipment market declined in France and Italy, but started to slightly recover from a low level in Spain. The new equipment market grew in Turkey and in the Middle East, where the increase in demand was driven by both Saudi Arabia as well as many other markets in the region. The modernization market declined in both Central and North Europe and in South Europe. However, the development between countries was varied, with Germany showing a strong development and the recovery in Spain being visible also in modernization. The maintenance market continued to grow in the EMEA region, but with clear variation in market conditions between countries.

In North America, the new equipment market saw a strong development, driven by the United States, the largest market in the region. In the United States, the market grew clearly, with broad-based positive development across segments. The new equipment market in Canada was rather stable at a good level. Also modernization demand grew in North America. 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 good growth from the high level of 2013, with the

China market accounting for a large part of new equipment volumes both regionally and globally. The new equipment market in China continued to grow clearly despite a slowdown in the real estate market, albeit at slightly lower rate than in the previous year. Growth was driven by the residential segment, excluding affordable housing. As affordable housing was rather stable, its share out of the total market declined, but it remained an important segment in volume. Commercial segments saw good growth throughout the year. In infrastructure, the activity level was good in metro and airport projects. The market environment in China became increasingly divergent during the year, with a good level of demand in the first-tier cities and a very varied development between lower-tier cities. In India, the new equipment market saw some decline compared to the previous year due to economic uncertainty, but sentiment on the market improved towards the end of the year. In Australia, both new equipment and modernization demand developed well. The Southeast Asian markets grew overall somewhat, but with uncertainty burdening some of the markets, particularly Thailand and Indonesia. Maintenance markets in Asia-Pacific continued to grow following the positive development of the new equipment market in the region.

KONE competes with various companies in all geographic areas. Particularly in services, the market environment is fragmented with numerous smaller and larger competitors. In 2014, many markets continued to see a high level of price competition. In China, price competition in new equipment intensified during the year. The rest of Asia-Pacific saw a rather stable development. In the EMEA region, the pricing environment in new equipment remained the most challenging in South European markets with persisting low volumes. In North America, the pricing environment in new equipment continued to improve in the volume business. In maintenance and modernization, the pricing environment was characterized by very intense competition in the EMEA region, particularly in South Europe and also in some of the Central and North European markets. In North America, price competition remained intense in the service business.

Orders received and Order book

In 2014, KONE's orders received increased by 10.8% and reached a level of EUR 6,813 (1–12/2013: 6,151) million. At comparable exchange rates, orders received increased by 11.9%. In new equipment, orders received grew significantly in 2014. KONE's orders received developed positively in both the volume and major projects businesses. In modernization, orders received declined somewhat from the exceptionally high level of 2013. Maintenance contracts are not included in orders received.

The order book grew by 24.4% compared to the end of 2013, and stood at a level of EUR 6,952 (Dec 31, 2013: 5,587) million at the end of 2014. At comparable exchange rates, the increase was 15.6%. The margin of the order book remained

KONE's January–December 2014 review

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. Cancellations of orders remained at a very low level.

KONE's new equipment orders received in elevator and escalator units amounted to approximately 154,000 units (2013: approximately 137,000 elevator and escalator units).

Orders received in the EMEA region grew somewhat at comparable exchange rates as compared to 2013. New equipment orders received grew somewhat in the region. In Central and North Europe, they declined clearly, with growth in Germany but a decline in Sweden and Great Britain. In South Europe, new equipment orders were stable, with Italy seeing good growth but France declining. In the Middle East, new equipment orders received grew very strongly. KONE's modernization order intake in the EMEA region was rather stable as compared to 2013. Modernization orders declined slightly both in Central and North Europe and in South Europe, but grew in the Middle East.

Orders received in the Americas region grew strongly compared to 2013 when excluding a very large individual modernization order in the United States impacting the comparison period. Including this order, orders received in North America grew somewhat as compared to the exceptionally high level of 2013. New equipment orders received developed very positively, with very strong growth in the United States. In modernization, orders received grew significantly in North America on a comparable basis. Including the impact of the above-mentioned order, they declined significantly.

Orders received in the Asia-Pacific region grew significantly as compared to 2013. New equipment orders received grew significantly, with a strong development in China, Australia as well as Southeast Asia. Modernization orders received were rather stable overall, but they grew in India and in Southeast Asian markets.

Net sales

In 2014, KONE's net sales increased by 5.8% as compared to prior year, and totaled EUR 7,334 (1–12/2013: 6,933) million. At comparable exchange rates the increase was 6.7%. The sales consolidated from the companies acquired in 2014 did not have a material impact on KONE's net sales for the financial period.

New equipment sales accounted for EUR 4,009 (3,739) million of the total and represented an increase of 7.2% over the comparison period. At comparable exchange rates, new equipment sales grew by 8.2%.

KONE delivered approximately 130,000 new elevator and escalator units in 2014 (2013: approximately 120,000 elevator and escalator units).

Service (maintenance and modernization) sales increased by 4.1%, and totaled EUR 3,326 (3,193) million. At comparable exchange rates, service sales grew by 5.0%. Maintenance sales grew by 5.0% at historical and by 5.8% at comparable

exchange rates, and totaled EUR 2,338 (2,227) million. Modernization sales increased by 2.1%, and totaled EUR 987.4 (966.8) million. At comparable exchange rates the increase was 3.0%.

KONE's elevator and escalator maintenance base continued to grow and exceeded 1,000,000 units at the end of 2014 (the maintenance base exceeded 950,000 units at the end of 2013). The growth of the maintenance base was the result of a continued good level of conversions of new equipment deliveries to the maintenance base as well as acquisitions. During the reporting period, the balance between renegotiated existing maintenance contracts won and lost by KONE was still negative. This burdened the growth of the maintenance base, but clear improvement in this trend was achieved during the year.

The share of new equipment sales was 55% (54%) and the share of service sales 45% (46%) of total sales, with maintenance representing 32% (32%) and modernization 13% (14%) of total sales.

Sales in the EMEA region grew slightly at comparable exchange rates as compared to 2013. New equipment and modernization sales were rather stable and maintenance sales grew somewhat.

Sales in the Americas region was stable as compared to the previous year. Maintenance sales grew slightly and modernization sales grew somewhat, but new equipment sales declined clearly.

Sales in the Asia-Pacific region grew significantly as compared to 2013, with significant growth in new equipment, maintenance and modernization sales.

The geographical distribution of net sales was 44% (46%) EMEA, 15% (16%) Americas and 41% (38%) Asia-Pacific. The largest individual countries in terms of net sales were China, the United States and France. China's share exceeded 30% and the United States' share exceeded 10% of KONE's total net sales in 2014.

Financial result

KONE's operating income (EBIT) grew and reached EUR 1,036 (1–12/2013: 953.4) million or 14.1% (13.8%) of net sales in 2014. The growth in operating income was a result of positive development in both the new equipment and the service business. All businesses developed positively in Asia-Pacific and North America, and Europe saw good development in the maintenance business. 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.

Net financing items was EUR -19.1 (5.9) million. Net financing items was impacted by the revaluation of option liabilities related to acquisitions totaling EUR 50.2 million, which

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includes a negative impact from exchange rates of EUR 10.9 million.

KONE's income before taxes was EUR 1,016 (960.5) million. Taxes totaled EUR 242.4 (247.3) million. This represents an effective tax rate 23.9% (25.8%) for the financial year. The main one-time item impacting the effective tax rate for the full financial year was the revaluation of option liabilities from acquisitions. The effective tax rate resulting from the operations for the financial year was 22.5% (23.6%). Net income for the period under review was EUR 773.9 (713.1) million.

Basic earnings per share was EUR 1.47 (1.37).

Consolidated statement of financial position and Cash flow

KONE's financial position was very strong at the end of December 2014. Cash flow generated from operations during January–December 2014 (before financing items and taxes) was strong at EUR 1,345 (1–12/2013: 1,213) million. 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 December 2014 EUR -749.7 (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 December 2014 was EUR -911.8 (December 31, 2013: -622.0) million. KONE's cash and cash equivalents together with current deposits and loan receivables were EUR 1,279 (890.6) million at the end of the reporting period. Interest-bearing liabilities were EUR 373.2 (273.8) million, including a net pension liability of EUR 178.9 (134.7) million and short-term loans of EUR 12.0 (17.2) million. In addition, the interest-bearing net debt includes EUR 151.0 (100.8) million of option liabilities from acquisitions. Gearing was -44.2%, compared with -36.1% at the end of 2013. KONE's total equity/total assets ratio was 43.6% at the end of December (December 31, 2013: 43.7%).

Equity per share was EUR 3.93 (3.30).

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 154.8 (1–12/2013: 157.0) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT, operations and production. Acquisitions accounted for EUR 67.0 (82.9) million of this figure.

During 2014, KONE's larger acquisitions included an Italian elevator company, Manutenzione Installazione Ascensori SpA (MIA), and the elevator and escalator businesses of KONE's authorized distributors in East and Central Africa, Marrayatt & Scott (Kenya) Ltd. and Marrayats East Africa Limited. In addition, KONE completed a number of smaller acquisitions of

maintenance businesses in Europe and the United States during the reporting period. The acquisitions completed during the reporting period did 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 103.1 (1–12/2013: 96.5) million, representing 1.4% (1.4%) of net sales. R&D expenses include the development of new product and service concepts as well as the further development of existing solutions and services. KONE's elevators and escalators are based on industry-leading energy efficient technology.

KONE's customers and end-users are at the center of its research and development efforts. In accordance with its vision of delivering the best People Flow® experience, KONE focuses on understanding the needs of its customers and the users of its solutions in order to make people flow in buildings smoother and improve the user experience. The aim of one of KONE's five development programs, the Most Competitive People Flow Solutions, is to offer industry-leading elevators and escalators and further develop KONE's People Flow Intelligence solutions for smart buildings of the future.

During 2014, KONE launched a number of new solutions. Among the major product introductions was KONE NanoSpace™, a revolutionary elevator full replacement solution with the quickest replacement process on the market. While a typical full replacement project takes six weeks, the new KONE NanoSpace elevator can be installed and made operational in two weeks. In addition, it has excellent space efficiency, user experience and eco-efficiency.

During the reporting period, KONE's People Flow Intelligence solutions were released for sales globally, including KONE Access™, a personalized access control system integrated with elevators and building doors, KONE's touchscreen destination operating panel, and the KONE RemoteCall™ application allowing the elevator to be called using smartphone technology. KONE also announced the launch of a new turnstile solution, KONE Turnstile 100, which is designed to improve security, guidance, and convenience in buildings of all kinds. This next generation turnstile enables full integration of the KONE People Flow Intelligence solutions from the building lobby area to a user's final destination.

In 2014, various extensions and new introductions to KONE's volume elevator offering in North America and Asia-Pacific were made. KONE started the deliveries of the new KONE E MonoSpace® elevator for the residential segment in Asia-Pacific. In India, KONE released enhancements to its elevator offering for the mid- and high-rise residential, office and hotel segments. KONE also released updates to its elevator offering for high-rise buildings and enhanced its elevator offering in North America, in particular for the high-end residential and commercial segments. In addition, KONE updated

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and extended its modernization solutions for elevator electrification in the European market.

In 2014, for the fourth consecutive year, KONE was ranked as the only elevator and escalator company among the 50 most innovative companies by the business magazine *Forbes*. KONE's ranking was 42nd (2013: 37th). In addition, KONE received a number of awards for its innovative high-rise technology KONE UltraRope™, launched in 2013, as well as for KONE's design solutions for elevator car interiors.

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 until March 31, 2014.

Changes in the Executive Board

Eriikka Söderström was appointed Executive Vice President, Chief Financial Officer and a member of KONE's Executive Board as of April 1, 2014. Previously, she had been Senior Vice President, Corporate Controller of KONE since February 11, 2013. She reports to Henrik Ehrnrooth, President and CEO of KONE Corporation.

Noud Veeger was appointed Executive Vice President responsible for Central and North Europe as of September 1, 2014. He succeeded Ari Lehtoranta, who left KONE as of September 1, 2014. Previously, Noud Veeger had been responsible for KONE's business in Asia-Pacific and the Middle East. He continues as a member of the Executive Board and reports to Henrik Ehrnrooth.

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

As of September 1, 2014, Tomio Pihkala assumed the responsibility for KONE's Global Development function in addition to his previous role as Executive Vice President responsible for Safety, Quality and Installation. With the combination of these functions into one global organization, Tomio Pihkala continues as a member of the Executive Board reporting to Henrik Ehrnrooth in the position of Executive Vice President, Operations Development.

Max Alftan was appointed Executive Vice President responsible for Marketing and Communications and a member of the Executive Board as of November 17, 2014. He reports to Henrik Ehrnrooth. Max Alftan succeeds Anne Korhiamoski, who left KONE as of August 1, 2014.

Personnel

The objective of KONE's personnel strategy is to support the company in meeting 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. The delivery of the actions continued throughout the year and further plans for 2015 were made.

During 2014, new management programs for general managers and installation managers, as well as a program for enhancing technicians' escalator competences were introduced. In addition, KONE piloted a learning program for senior management. Competence development surveys for key field roles to support systematic competence evaluation and development planning were also piloted. The global roll-out of KONE's online learning management system continued. At the end of the year, over half of KONE's personnel globally had access to the system. The roll-out will continue in 2015.

KONE carried out its annual global employee survey with a response rate of 91% (2013: 92%). The overall results showed further improvement in all survey dimensions compared to the previous year, particularly in indicators measuring employee commitment, personnel development practices and actions addressing development areas identified in previous survey results. Most of these actions were completed during the year, and the progress was closely followed up by the Executive Board on a quarterly basis.

KONE's annual performance management round and the mid-year reviews were conducted with a strong focus on individual development planning and promoting the use of job rotation opportunities. The share of employees with documented development plans showed a significant increase.

In line with the targets of the development program "A Winning Team of True Professionals", work on employer branding was intensified especially in growth markets. KONE trained a group of employees in its country units to present the company in schools and recruitment events. Support material for building local apprentice programs was launched, targeted for growth markets in particular, in order to help secure the availability of skilled personnel.

During the year, efforts to improve safety at work remained a high-priority area. The IIFR (Industrial Injury Frequency Rate) improved further and was 2.8 in 2014 (2013: 3.0). KONE's third global Safety Week was held with the same theme as in the previous year, "Little things matter in safety". The systematic internal sharing of practices and development ideas improving safety continued.

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KONE had 47,064 (December 31, 2013: 43,298) employees at the end of December 2014. The average number of employees was 45,161 (1–12/2013: 41,139). Employee costs for the reporting period totaled EUR 2,100 (1,984) million.

The geographical distribution of KONE employees was 44% (December 31, 2013: 47%) in EMEA, 12% (13%) in the Americas and 44% (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 the industry leader in sustainability, supporting governmental and other green building initiatives and the ongoing transformation of the built environment into smart eco-cities globally.

In 2014, KONE continued developing the energy-efficiency of its solutions. In January, KONE launched the KONE NanoSpace™ elevator full replacement solution. KONE NanoSpace™ provides excellent eco-efficiency and can be up to 70% more energy-efficient compared to old hydraulic elevators. In September, KONE received the Green Label certifications of the Singapore Green Building Council for the KONE N MiniSpace™ and KONE N MonoSpace® elevators. In December, KONE announced as the first company the achievement of the best possible A-class energy efficiency rating for its volume elevators according to a new global energy efficiency standard ISO 25745-2, expected to be published in early 2015. The measurements were conducted in customer reference locations, and the certifications have been granted by an external third party. During 2014, KONE continued to further increase its energy efficient customer references globally, for example by installing elevators in green buildings with LEED, BREEAM, and other green building certificates. KONE has set the target of further improving the energy efficiency of its solutions in its Environmental Excellence program for 2014–2016.

In addition, KONE set ambitious environmental targets for 2014–2016 with the focus on reducing annual greenhouse gas emissions from KONE's own operations by 3% relative to net sales. The information on KONE's 2014 carbon performance will be available by the end of the first quarter of 2015. The most significant impact on KONE's carbon footprint from its own operations relates to logistics, the company's vehicle fleet, and electricity consumption.

During the reporting period, KONE's manufacturing units received recognition for their sustainability. KONE's largest manufacturing and R&D unit in Kunshan, China was granted a LEED Gold certification under the U.S. Green Building Council's rating system. KONE's manufacturing unit in Hyvinkää,

Finland was awarded by the City of Hyvinkää for long-term efforts in improving its energy efficiency. This work has included the renovation of the existing manufacturing facilities and the construction of a new LEED Gold certified visitor center next to KONE's factory. KONE also continued to focus on the environmental aspects of its supply chain network, the target being that all KONE's strategic suppliers would meet the ISO 14001 requirements.

KONE published its Corporate Responsibility Report 2013 in June 2014. The report follows the application level B of the Global Reporting Initiative guidelines. KONE's greenhouse gas emission data for direct energy use, electricity consumption, logistics and business air travel has been externally assured. Additionally, in June 2014 KONE was ranked the world's 12th greenest company by the American magazine Newsweek. KONE is the only top 50 company representing the elevator and escalator industry in this ranking. KONE is a signatory of the United Nations Global Compact.

KONE's score in CDP's (formerly known as Carbon Disclosure Project) climate change program further improved to 100/100 in 2014 (2013: 98/100). The program is designed to enable the management of greenhouse gas emissions and the risks and opportunities associated with climate change. For the fourth year running, KONE achieved a top position in CDP's Nordic Climate Disclosure Leadership Index (CDLI) featuring the best 10% of companies included in the CDP Nordic report. In addition to carbon disclosure, CDP evaluates companies on their performance for mitigating climate change on a scale of A to E, with scores from A to B considered high performance. In 2014, KONE reached a score of A- for the second year running. CDP is a leading global environmental reporting system, representing almost 800 investors and requesting information from thousands of the world's largest companies.

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 280 million at the end of December (December 31, 2013: EUR 283 million). KONE's position

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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, on 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 or an increase in geopolitical tensions could result in deterioration of the market environment and the competitive situation in the global new equipment and service markets. In particular, a disruption of the growth of the construction market, in China or in other growing regions globally, could result in a decline of the global market for new elevators and escalators. A weakening market environment could lead to a decrease in orders received, cancellations of agreed deliveries, delays in the commencement of projects or further intensified price competition, and, as a result, have a negative effect on KONE's growth and profitability. To counteract the pressures resulting from a possible deterioration of the economic environment and its impact on the elevator and escalator markets, KONE strives to continuously develop its 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 and other technological features of elevators, escalators and automatic doors.

KONE operates in certain high growth markets, where focused management of rapid business growth is required. This applies in particular to the availability of skilled personnel and the adequate supply of components and materials, as well as ensuring the quality of delivered products and services. Failure to adequately manage resourcing, quality of delivery, or other aspects in projects 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 the competitiveness of its existing offering and solutions based on anticipated future developments in relevant technologies, customer needs and market requirements. The development of new technology and execution of product releases involve risks related to the uninterrupted function-

ing of the delivery chain, including component supply from KONE's large supplier base, as well as product integrity and quality. Additionally, a failure to anticipate or address changes either in the industry, market and competitive environment or in customer needs and behavior, or an incident causing reputational or other damage to the company could result in a deterioration of KONE's competitiveness, market share or profitability. To mitigate these risks, KONE follows closely market and customer trends and has defined processes for product design, supply, manufacturing, installation and maintenance involving strict quality control.

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, by 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.

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.

KONE is exposed to counterparty risks related to financial institutions through the significant amounts of liquid funds deposited into financial institutions, financial investments and in derivatives. In order to diversify the financial credit risk, KONE deposits its funds into several banks and invests a part of its liquidity into highly liquid money market funds. KONE also manages its counterparty risk by accepting only counterparties with high creditworthiness. The size of each counterparty limit reflects the creditworthiness of the counterparty and KONE constantly evaluates such limits.

KONE is also exposed to risks related to the liquidity and payment schedules of its customers, which may lead to credit

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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 2014.

Decisions of the Annual General Meeting

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

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

At its meeting held after the General Meeting, the Board of Directors elected from among its members Antti Herlin as its Chairman and Jussi Herlin as Vice Chairman.

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

Antti Herlin was elected as Chairman and Jussi Herlin and Juhani Kaskeala as members of the Nomination and Compensation Committee. Juhani Kaskeala is independent of both the company and of significant shareholders.

The General Meeting confirmed an annual compensation of EUR 54,000 for the Chairman of the Board, EUR 44,000 for the Vice Chairman, EUR 33,000 for Board Members and EUR 16,500 for Deputy Board Member. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings. Of the annual remuneration, 40 percent will be paid in class B shares of KONE Corporation and the rest in cash.

The General Meeting approved the authorization for the Board of Directors to repurchase KONE's own shares. Alto-

gether 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 1,668,308 new KONE class B shares were subscribed with the 2010 option rights. On December 31, 2014 a maximum of 870,312 shares could 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 December 31, 2014 was 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 is April 1, 2015–April 30, 2017. The share subscription period begins on April 1, 2015, since the financial performance of the KONE Group for the financial years 2013–2014, based on the total

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consideration of the Board of Directors, has been 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 530 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 December 31, 2014 was 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.

In December 2014, KONE granted a conditional option program. Stock options 2015 are granted according to the decision of the Board of Directors on December 18, 2014 to approximately 560 key employees. 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 is EUR 36.20 per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. Each stock option entitles its holder to subscribe for one (1) new or an existing company's own class B KONE share. The share subscription period for the stock options 2015 will be April 1, 2017–April 30, 2019. The share subscription period begins only if the financial performance of the KONE Group for the financial years 2015–2016 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 December 31, 2014, KONE's share capital was EUR 65,551,241.00, comprising 448,201,216 listed class B shares and 76,208,712 unlisted class A shares. KONE's market capitalization was EUR 19,429 million on December 31, 2014, disregarding own shares in the Group's possession. Market capitalization is calculated on the basis of both the listed B shares and the unlisted A shares excluding treasury shares. Class A shares are valued at the closing price of the class B shares at the end of the reporting period.

Shares in KONE's possession

During January–December 2014, KONE used 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. In August, 24,000 class B shares were returned to KONE Corporation by virtue of the terms of KONE Corporation's share-based incentive program for the years 2013–2015. In October KONE bought back in total 1,000,000 of its own class B shares. At the end of December, the Group had 10,683,398 class B shares in its possession. The shares in the Group's possession represent 2.4% of the total number of class B shares. This corresponds to 0.9% of the total voting rights.

Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki Ltd. traded 236 million KONE Corporation's class B shares in January–December 2014, equivalent to a turnover of EUR 7,522 million. The daily average trading volume was 945,356 shares (1–12/2013: 883,577, the number of shares has been adjusted to the increase in shares due to the share issue without payment). The share price on December 31, 2014 was EUR 37.82. The volume weighted average share price during the period was EUR 31.83. The highest quotation during the period under review was EUR 38.48 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 37.4% of the total volume of KONE's class B shares traded in January–December 2014 (source: Fidessa Fragmentation Index).

The number of registered shareholders was 45,764 at the beginning of the review period and 51,075 at its end. The number of private households holding shares totaled 47,389 at the end of the period, which corresponds to approximately 13.6% of the listed B shares.

According to the nominee registers 44.1% of the listed class B shares were owned by foreign shareholders on December 31, 2014. Other foreign ownership at the end of the period totaled 6.6%. Thus a total of 50.7% of KONE's listed class B shares were owned by international investors, corresponding to approximately 18.8% of the total votes in the company.

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Market outlook 2015

In new equipment, the market in Asia-Pacific is expected to grow slightly in 2015, with the expectation that the market in China will remain at the good level of 2014 or grow slightly. In the Europe, Middle East and Africa region, the market is expected to be rather stable. In Central and North Europe, the market is expected to be stable or grow slightly, while in South Europe it is expected to remain at a weak level. In the Middle East, the market is expected to be stable at the previous year's level. The market in North America is expected to continue to grow.

The modernization market is expected to remain rather stable in Europe, but to continue to grow in North America and Asia-Pacific. This is expected to result in a rather stable or slightly growing market globally.

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

Business outlook 2015

In 2015, KONE's net sales is estimated to grow by 6–9% at comparable exchange rates as compared to 2014.

The operating income (EBIT) is expected to be in the range of EUR 1,130–1,230 million, assuming that translation exchange rates would remain at approximately the average level of January 2015.

The Board's proposal for the distribution of profit

The parent company's non-restricted equity on December 31, 2014 is EUR 1,238,147,924.86 of which the net profit for the financial year is EUR 404,065,028.22.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.1975 be paid on the outstanding 76,208,712 class A shares and EUR 1.20 on the outstanding 437,517,818 class B shares, resulting in a total amount of proposed dividends of EUR 616,281,314.22. The Board of Directors further proposes that the remaining non-restricted equity, EUR 621,866,610.64 be retained and carried forward.

The Board proposes that the dividends be payable from March 4, 2015. All the shares existing on the dividend record date are entitled to dividend for the year 2014 except for the own shares held by the parent company.

Annual General Meeting 2015

KONE Corporation's Annual General Meeting will be held at 11.00 a.m. on Monday, February 23, 2015 at the Finlandia Hall, Mannerheimintie 13, in Helsinki, Finland.

Espoo, January 29, 2015

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	10-12/2014	%	10-12/2013	%	1-12/2014	%	1-12/2013	%
Sales	2,165.8		2,033.0		7,334.5		6,932.6	
Costs and expenses	-1,828.0		-1,719.9		-6,214.6		-5,900.6	
Depreciation and amortization	-22.5		-20.3		-84.2		-78.5	
Operating income	315.3	14.6	292.8	14.4	1,035.7	14.1	953.4	13.8
Share of associated companies' net income	-0.7		-0.3		-0.3		1.1	
Financing income	13.4		11.0		43.5		42.7	
Financing expenses	-46.0		-28.1		-62.6		-36.8	
Income before taxes	282.1	13.0	275.4	13.5	1,016.4	13.9	960.5	13.9
Taxes	-71.3		-89.6		-242.4		-247.3	
Net income	210.7	9.7	185.8	9.1	773.9	10.6	713.1	10.3
Net income attributable to:								
Shareholders of the parent company	204.9		183.0		755.6		701.8	
Non-controlling interests	5.8		2.8		18.4		11.3	
Total	210.7		185.8		773.9		713.1	
Earnings per share for profit attributable to the shareholders of the parent company, EUR								
Basic earnings per share, EUR	0.40		0.36		1.47		1.37	
Diluted earnings per share, EUR	0.40		0.36		1.47		1.36	

Consolidated statement of comprehensive income

MEUR	10-12/2014	10-12/2013	1-12/2014	1-12/2013
Net income	210.7	185.8	773.9	713.1
Other comprehensive income, net of tax:				
Translation differences	39.6	-26.5	152.7	-53.2
Hedging of foreign subsidiaries	-8.4	2.4	-27.5	6.2
Cash flow hedges	2.9	2.5	-12.9	11.4
Items that may be subsequently reclassified to statement of income	34.1	-21.6	112.4	-35.6
Remeasurements of employee benefits	-4.2	-4.1	-41.5	18.8
Items that will not be reclassified to statement of income	-4.2	-4.1	-41.5	18.8
Total other comprehensive income, net of tax	29.9	-25.7	70.9	-16.9
Total comprehensive income	240.6	160.1	844.8	696.3
Total comprehensive income attributable to:				
Shareholders of the parent company	234.8	157.3	826.5	685.0
Non-controlling interests	5.8	2.8	18.4	11.3
Total	240.6	160.1	844.8	696.3

Condensed consolidated statement of financial position

Assets MEUR	Dec 31, 2014	Dec 31, 2013
Non-current assets		
Intangible assets	1,470.7	1,332.4
Tangible assets	317.1	269.6
Loans receivable and other interest-bearing assets	6.3	5.3
Deferred tax assets	262.8	218.9
Investments	112.5	112.2
Total non-current assets	2,169.4	1,938.3
Current assets		
Inventories	1,211.8	1,103.9
Accounts receivable and other non interest-bearing assets	1,700.1	1,410.6
Current deposits and loan receivables	942.7	551.4
Cash and cash equivalents	336.1	339.1
Total current assets	4,190.6	3,405.0
Total assets	6,360.0	5,343.3

Equity and liabilities MEUR	Dec 31, 2014	Dec 31, 2013
Equity	2,062.4	1,724.6
Non-current liabilities		
Loans	31.2	21.1
Deferred tax liabilities	110.6	106.1
Employee benefits	178.9	134.7
Total non-current liabilities	320.8	261.9
Provisions	137.4	139.4
Current liabilities		
Loans	163.0	118.0
Advance payments received	1,628.7	1,397.5
Accounts payable and other liabilities	2,047.7	1,701.9
Total current liabilities	3,839.4	3,217.4
Total equity and liabilities	6,360.0	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									755.6	18.4	773.9
Other comprehensive income:											
Translation differences					152.7						152.7
Hedging of foreign subsidiaries					-27.5						-27.5
Cash flow hedges				-12.9							-12.9
Remeasurements of employee benefits						-41.5					-41.5
Transactions with shareholders and non-controlling interests:											
Profit distribution								-512.5			-512.5
Increase in equity (option rights)	0.2		21.6								21.8
Purchase of own shares							-32.8				-32.8
Change in non-controlling interests								-0.7		-4.2	-4.9
Option and share-based compensation							10.8	10.5			21.3
Dec 31, 2014	65.6	100.3	127.0	-5.5	118.3	-92.0	-150.8	1,099.4	755.6	44.5	2,062.4

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									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	10-12/2014	10-12/2013	1-12/2014	1-12/2013
Operating income	315.3	292.7	1,035.7	953.4
Change in working capital before financing items and taxes	30.0	-72.2	225.5	181.1
Depreciation and amortization	22.5	20.2	84.2	78.5
Cash flow from operations before financing items and taxes	367.8	240.8	1,345.4	1,213.1
Cash flow from financing items and taxes	-65.7	-51.6	-221.1	-190.7
Cash flow from operating activities	302.1	189.2	1,124.3	1,022.4
Cash flow from investing activities	-56.5	-40.7	-145.9	-148.9
Cash flow after investing activities	245.6	148.5	978.4	873.4
Purchase of own shares	-32.8	-	-32.8	-62.9
Increase in equity (option rights)	16.9	5.6	21.8	24.4
Profit distribution	-	-307.4	-537.5	-755.7
Change in deposits and loans receivable, net	-172.1	307.3	-359.3	57.9
Change in loans payable and other interest-bearing debt	-65.5	-119.0	-69.7	-31.6
Changes in non-controlling interests	-	-	-12.3	-6.8
Cash flow from financing activities	-253.5	-113.4	-989.8	-774.6
Change in cash and cash equivalents	-7.9	35.0	-11.4	98.8
Cash and cash equivalents at beginning of period	344.5	307.4	339.1	249.6
Translation difference	-0.5	-3.3	8.4	-9.3
Cash and cash equivalents at end of period	336.1	339.1	336.1	339.1

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	10-12/2014	10-12/2013	1-12/2014	1-12/2013
Interest-bearing net debt at beginning of period	-767.3	-817.7	-622.0	-574.0
Interest-bearing net debt at end of period	-911.8	-622.0	-911.8	-622.0
Change in interest-bearing net debt	-144.6	195.7	-289.9	-48.0

Notes for the interim report

KEY FIGURES

		1-12/2014	1-12/2013
Basic earnings per share	EUR	1.47	1.37
Diluted earnings per share	EUR	1.47	1.36
Equity per share	EUR	3.93	3.30
Interest-bearing net debt	MEUR	-911.8	-622.0
Total equity/total assets	%	43.6	43.7
Gearing	%	-44.2	-36.1
Return on equity	%	40.9	40.1
Return on capital employed	%	37.7	36.3
Total assets	MEUR	6,360.0	5,343.3
Assets employed	MEUR	1,150.5	1,102.7
Working capital (including financing and tax items)	MEUR	-749.7	-611.5

QUARTERLY FIGURES

		Q4/2014	Q3/2014	Q2/2014	Q1/2014
Orders received	MEUR	1,703.8	1,577.2	1,801.9	1,729.7
Order book	MEUR	6,952.5	6,995.8	6,537.2	6,175.4
Sales	MEUR	2,165.8	1,877.9	1,848.9	1,441.8
Operating income	MEUR	315.3	277.5	263.2	179.6
Operating income	%	14.6	14.8	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	1-12/2014	%	1-12/2013	%
EMEA ¹⁾	3,204.6	44	3,157.3	46
Americas	1,100.6	15	1,118.4	16
Asia-Pacific	3,029.3	41	2,656.8	38
Total	7,334.5		6,932.6	

¹⁾ EMEA = Europe, Middle East, Africa

ORDERS RECEIVED

MEUR	1-12/2014	1-12/2013
	6,812.6	6,151.0

ORDER BOOK

MEUR	Dec 31, 2014	Dec 31, 2013
	6,952.5	5,587.5

CAPITAL EXPENDITURE

MEUR	1-12/2014	1-12/2013
In fixed assets	73.3	61.9
In leasing agreements	14.6	12.2
In acquisitions	67.0	82.9
Total	154.8	157.0

DEPRECIATION AND AMORTIZATION

MEUR	1-12/2014	1-12/2013
Depreciation	61.9	58.4
Amortization of acquisition-related intangible assets	22.3	20.1
Total	84.2	78.5

R&D EXPENDITURE

MEUR	1-12/2014	1-12/2013
	103.1	96.5
R&D Expenditure as percentage of sales	1.4	1.4

NUMBER OF EMPLOYEES

	1-12/2014	1-12/2013
Average	45,161	41,139
At the end of the period	47,064	43,298

Notes for the interim report

COMMITMENTS		
MEUR	Dec 31, 2014	Dec 31, 2013
Mortgages		
Group and parent company	-	-
Pledged assets		
Group and parent company	-	-
Guarantees		
Associated companies	1.9	1.7
Others	4.2	4.7
Operating leases	277.8	250.9
Total	283.9	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 1,064.3 (910.7) million as of December 31, 2014.

Possible unidentified debts and liabilities of the in 2005 demerged Kone Corporation were transferred to the new KONE Corporation according to the demerger plan.

KONE leases cars, machinery & equipment and buildings under operating leases with varying terms.

The future minimum lease payments under non-cancellable operating leases

MEUR	Dec 31, 2014	Dec 31, 2013
Less than 1 year	72.0	66.2
1–5 years	151.7	147.8
Over 5 years	54.1	36.9
Total	277.8	250.9

SHARES AND OTHER NON-CURRENT FINANCIAL ASSETS

Shares and other non-current financial assets were EUR 103.6 and 4.4 million respectively (EUR 103.4 and 4.5 million) and are classified as available-for-sale investments.

The shares held include a 19.9% holding in Toshiba Elevator and Building Systems Corporation (TELC). KONE has reassessed the accounting principle of TELC, which is an investment in equity instruments that does not have a quoted price in an active market. The fair value of TELC shares cannot be reliably measured because the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed. Based on reassessment TELC is classified as available-for-sale investments and measured at cost, rather than at fair value through profit and loss. The change in accounting principle is not material to KONE's consolidated financial statements and it has not been applied retrospectively. The presentation of TELC in the financial statements is prepared in accordance with the revised accounting principle.

Other available-for-sale investments include smaller holdings 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
MEUR	Dec 31, 2014	Dec 31, 2014	Dec 31, 2014	Dec 31, 2013
Foreign exchange forward contracts and swaps	49.0	-21.3	27.8	2.3
Cross-currency swaps	20.2	-0.5	19.7	19.4
Electricity price forward contracts	0.0	-1.1	-1.1	-1.0
Total	69.3	-22.8	46.4	20.8

Nominal values of derivative financial instruments	Dec 31, 2014	Dec 31, 2013
MEUR	Dec 31, 2014	Dec 31, 2013
Foreign exchange forward contracts and swaps	1,879.7	1,366.3
Cross-currency swaps	138.9	138.9
Electricity price forward contracts	5.5	5.8
Total	2024.1	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

Dec 31, 2014	Class A shares	Class B shares	Total
Number of shares	76,208,712	448,201,216	524,409,928
Own shares in possession ¹⁾		10,683,398	
Share capital, EUR			65,551,241
Market capitalization, MEUR			19,429
Number of B shares traded (millions), 1–12/2014		236.3	
Value of B shares traded, MEUR, 1–12/2014		7,522	
Number of shareholders	3	51,075	51,075

	Close	High	Low
Class B share price, EUR, Jan–Dec 2014	37.82	38.48	27.35

¹⁾ During January–December 2014, KONE used 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. In August, 24,000 class B shares were returned free of consideration to KONE Corporation by virtue of the terms of KONE Corporation's share-based incentive program. In October, KONE bought back in total 1,000,000 of its own class B shares.

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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 2014, KONE had annual net sales of EUR 7.3 billion, and at the end of the year over 47,000 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.