

The heart of your building™



**INTERIM REPORT FOR
JANUARY-MARCH 2008**

KONE'S Q1: STRONG GROWTH IN ORDERS RECEIVED AND OPERATING INCOME CONTINUED

Q1 | 1

- In January-March 2008, the growth in orders received was 24%, or 30% at comparable exchange rates. Orders received was strong in all geographical regions and totaled EUR 1,118 (1-3/2007: 902.1) million. At the end of March 2008, the order book was EUR 3,617 (Dec 31, 2007: 3,282) million.
- Net sales increased by 12% to EUR 905.3 (811.2) million. At comparable exchange rates, the growth was 17%.
- Operating income was EUR 86.5 (69.3) million or 9.6% (8.5%) of net sales (1-3/2007 figures exclude an expense of EUR 142.0 million related to the European Commission's fine decision).
- KONE reiterates its outlook for 2008.

Key Figures

		1-3/2008	1-3/2007	1-12/2007
Orders received	MEUR	1,117.5	902.1	3,674.7
Order book	MEUR	3,617.4	3,105.7	3,282.3
Sales	MEUR	905.3	811.2	4,078.9
Operating income	MEUR	86.5	69.3 ¹⁾	473.2 ²⁾
Operating income	%	9.6	8.5 ¹⁾	11.6 ²⁾
Cash flow from operations (before financing items and taxes)	MEUR	166.6	142.7	380.0
Net income	MEUR	63.9	-95.0	180.3
Basic earnings per share	EUR	0.25	-0.38	0.72
Interest-bearing net debt	MEUR	137.8	142.3	91.7
Total equity/total assets	%	26.4	20.8	31.7
Gearing	%	21.5	29.7	12.2

¹⁾ Excluding an expense of EUR 142.0 million related to the European Commission's fine decision

²⁾ Excluding an expense of EUR 142.0 million relating to the European Commission's fine decision, a EUR 22.5 million provision for the Austrian Cartel Court's fine decision and a EUR 12.1 million profit from the sale of the KONE Building

KONE's President & CEO, Matti Alahuhta, in conjunction with the review:

"I am very pleased with the continuing fast growth in orders received, which was 30% at comparable exchange rates. In a situation where some of the markets have weakened, this achievement is again good evidence of our improving competitiveness. Our business environment has become more challenging also because of the high raw material prices and a continuously strengthening Euro. Even in this situation our development programs have continued to bring results, the 25% growth in operating income and the good growth in orders received are a promising start for the year and we are confident of reaching our guidance in 2008."

"As of the beginning of 2008, we have progressed into a new phase of developing KONE. Based on KONE's new vision and redefined strategy, we are now working on five major development programs. These are Customer Focus, People Flow Solutions, Operational Excellence, Environmental Excellence and People Leadership. In this way, we are taking the next step in transforming KONE from a product and service company into a customer- and user-focused system business company."

Accounting Principles

KONE Corporation's Interim Report for January 1–March 31, 2008 has been prepared in line with IAS 34, 'Interim Financial Reporting'. KONE has applied the same accounting principles in the preparation of the interim report as in its financial statements for 2007. The accounting principles for the financial statements have been presented in the Annual Report 2007 published on January 25, 2008. The information presented in this Interim Report has not been audited.

KONE's operating environment in January-March 2008

In the first quarter of 2008, the overall market situation was favorable for new equipment and modernization with some markets showing signs of softening. In the maintenance markets, where the demand is by nature non-cyclical, steady growth continued while the overall market environment became increasingly competitive.

In Europe, the Middle East and Africa (EMEA), the business environment remained favorable. The new equipment market was good in most markets in Central, Northern and Eastern Europe as well as in the Middle East. The highest growth was seen in the Middle East and Russia. In the United Kingdom, the residential market weakened, but the commercial market activity continued at a good level. In Southern Europe, the new equipment market remained fairly stable due to the activity in the commercial segments, although the residential market continued to slow down in Italy and especially in Spain. Demand for modernizations continued to grow, mainly driven by the European Safety Norms (SNEL) and the need for upgrades resulting from the aging of the equipment base.

In the United States, the economic environment continued to weaken and to impact the residential market. Investments in the commercial markets continued to be good in coastal regions but showed some weakness in central markets. The other North American markets continued to be good.

In the Asia-Pacific region, market growth was strong in most markets. The new equipment market continued to grow fast, driven by strong urbanization and economic growth. Especially the Chinese and Indian markets sustained very high growth levels. Market development in Southeast Asia was also encouraging. On the other hand, the Australian market flattened after a long growth phase.

Orders Received and Order Book

In January-March 2008, KONE's orders received increased by approximately 24% and totaled EUR 1,118 (1–3/2007: 902.1) million. At comparable exchange rates, the growth was approximately 30%. Only new equipment and modernization orders are included in orders received. The growth in orders received was strongest in the Asia-Pacific region, but growth was also good in EMEA and the Americas. High growth in orders received is strong evidence of KONE's improving competitiveness.

The order book increased from the end of 2007 by 10% and stood at EUR 3,617 (Dec. 31/2007: 3,282) million at the end of March 2008. The margin of the order book continued to be at the earlier good level.

In the EMEA region, most markets continued to contribute positively to KONE's orders received in January-March 2008. KONE succeeded in performing particularly well in the United Kingdom, Russia and the Middle-East. In the first quarter, KONE also showed good progress in the modernization market. KONE's orders received in modernization were particularly good in France and Scandinavia.

In the EMEA region, one of KONE's largest orders during the first quarter was an order to supply and install all elevators and escalators for the Point Village project in Dublin, Ireland. In Portugal, KONE was awarded a contract to supply all elevators and escalators for the new Dolce Vita Tejo shopping center near Lisbon. Installation of the equipment is scheduled to begin in August 2008 and is estimated to be completed in April 2009. KONE also received a major order to supply all elevators and escalators for the Watermark Place project in the City of London. The installation of the equipment will start in June 2008 and is scheduled to be completed in April 2009.

In addition, KONE received a major order to supply all elevators and escalators for the CB31 Tower in Paris's La Défense district in France. The tower, originally built in 1974 and previously known as the AXA Tower, will be completely renewed.

In the Americas, KONE experienced a good order intake. KONE's advanced elevator and escalator solutions and improved competitiveness continued to gain increased customer awareness. In particular, major project business progressed well. The largest order in North America was a major order from Revel Entertainment to supply and install all high-rise elevators for Hotel Tower II at Revel, a new

Sales by geographical areas, MEUR

	1-3/2008	%	1-3/2007	%	1-12/2007	%
EMEA ¹⁾	617.7	68	535.5	66	2,675.3	65
Americas	161.7	18	177.6	22	840.8	21
Asia-Pacific	125.9	14	98.1	12	562.8	14
Total	905.3		811.2		4,078.9	

¹⁾ EMEA = Europe, Middle East, Africa

beachfront entertainment destination in Atlantic City. Installation of the equipment is scheduled to begin in August 2008 and completion is due in early 2010.

In the Asia-Pacific region, KONE's new equipment order intake was exceptionally strong and continued to progress especially well in China and India. The company further strengthened its position in major projects. The largest order in the Asia-Pacific region was a major order from the Las Vegas Sands Corporation for the Marina Bay Sands development in Singapore. This is one of the most significant high-rise deals KONE has received in this region. The value of the order is approximately EUR 30 million.

Net Sales

In January-March 2008, KONE's net sales rose by approximately 12%, compared to last year, and totaled EUR 905.3 (1-3/2007: 811.2) million. Growth at comparable currency rates was approximately 17%.

New equipment sales accounted for EUR 383.4 (307.0) million of the total and represented an approximate of 25% growth over the comparison period. At comparable currency rates, the growth was approximately 31%.

Service sales (maintenance and modernization) increased by 4% and totaled EUR 521.9 (504.2) million. At comparable currency rates, the growth was approximately 8%.

Of the sales, 68% (66%) were generated from EMEA, 18% (22%) by the Americas and 14% (12%) by Asia-Pacific. The weakened US dollar had an impact on the geographical sales mix. At comparable exchange rates, the Americas also had a clearly positive sales growth.

Financial Result

KONE's operating income was EUR 86.5 million (1-3/2007: 69.3 million, excluding an expense of EUR 142.0 million related to the European Commission's fine decision) or 9.6% (8.5% excluding an expense of EUR 142.0 million related to the European Commission's fine decision) of net sales. The strong growth was the result of sales growth, healthy sales margins and improved productivity. Net financing items were EUR 0.1 (-1.8) million.

KONE's income before taxes for January-March 2008 was EUR 87.0 (-74.7) million. Taxes totaled EUR 23.1 (20.3) million, taking into account taxes proportionate to the amount estimated for the financial year. This represents an effective tax rate of 26.6%. In January-December 2007, the effective tax rate was 27.9% excluding the result impact of EUR 164.5 million relating to the fine decisions of the European Commission and the Austrian Cartel Court. Net income for the period under review was EUR 63.9 (-95.0) million.

Earnings per share were EUR 0.25 (-0.38). Equity per share was EUR 2.55 (1.90).

Balance Sheet and Cash Flow

In January-March 2008, cash flow generated from operations (before financing items and taxes) was EUR 166.6 (142.7) million. At the end of March, net working capital was negative at EUR -188.5 (December 31, 2007: -121.8) million, including financing items and taxes.

Interest-bearing net debt totaled EUR 137.8 (December 31, 2007: 91.7) million. Gearing was 21.5%, compared with 12.2% at the end of 2007. KONE's total equity/total assets ratio was 26.4% (December 31, 2007: 31.7%) at the end of March.

Capital Expenditure, Acquisitions and Divestments

KONE's capital expenditure, including acquisitions, totaled EUR 33.5 (1–3/2007: 17.1) million. Capital expenditure, excluding acquisitions, was mainly related to R&D, IT and production. Acquisitions accounted for EUR 23.0 (9.1) million of this figure. Acquisitions made in January-March will have no material effect on the 2008 full year figures.

In January-March, KONE acquired the French elevator company ARA Lyon. ARA Lyon maintains and modernizes elevators in the area of Lyon. KONE also acquired the Arundel Elevator Company, a full service elevator company based in Baltimore, Maryland, USA. This acquisition significantly increased KONE's customer base in Maryland and the neighboring Mid-Atlantic states. In addition, KONE acquired RPG Mantenimiento S.L., an elevator company based in Murcia, Spain. RPG maintains and modernizes elevators in the Murcia province and in the South West of Spain.

Research and Development

Research and development expenses totaled EUR 14.7 (1–3/2007: 13.1) million, representing 1.6% (1.6%) of net sales. R&D expenses include development of new concepts and further development of existing solutions and services.

KONE's elevators and escalators are based on energy-efficient technology. During the period under review, new energy-saving solutions were launched especially in the Asian market. KONE also increased the load and travel extension of its machine-room-less (MRL) product family.

In the escalator offering, KONE has been focusing on extending the coverage of the standard offering. KONE is now able to offer higher flexibility and shorter installation and delivery times to its customers. In modernization, visual and technical offerings have been extended.

In addition, KONE launched a next generation equipment monitoring system, which is able with an almost unlimited capacity to monitor and manage large building complexes and geographically remote buildings from a single location. The system is easily integrated with other facility management systems in the building.

Personnel

The main goals of KONE's personnel strategy are to further increase the interest in KONE as an employer and to secure the availability, commitment and continuous development of its personnel. KONE's activities are also guided by ethical principles. The personnel's rights and responsibilities include the right to a safe and healthy working environment, personal wellbeing as well as the prohibition of discrimination.

KONE had 33,155 (December 31, 2007: 32,544) employees at the end of March 2008. The average number of employees was 32,975 (1–3/2007: 29,622). Also in the period under review, most of the personnel growth was in the fastest growing markets such as Asia-Pacific and the Middle East. Additional recruitment in other markets was carried out mainly in installation and modernization operations due to growing volumes.

The geographical distribution of KONE employees was 57% (57%) in EMEA, 17% (18%) in the Americas and 26% (25%) in Asia-Pacific.

People Leadership is one of KONE's five development programs. We invest increasingly in people development programs, personal coaching and change management.

Environment

The most significant environmental impact of an elevator is generated by its use. Consequently, reducing the environmental impact of equipment is most effective when the product is being developed and the optimal solution for each building is being planned. Therefore, KONE continuously strives to improve the eco-efficiency of its solutions through effective research and development.

Part of KONE's one-platform elevator solutions' eco-efficient credentials lie in the KONE EcoDisc® hoisting machine, which is a permanent magnet gearless motor. It consumes 70% less energy than a hydraulic drive and 40% less than a geared traction elevator drive, thus making it one of the most eco-efficient solutions on the market today. Some of EcoDisc®'s other features, besides the energy-efficiency advantages, include the oil-free operation and the compact design based on recyclable materials.

ISO 14000 is a series of international standards on environmental management. ISO 14001 then provides a framework for the development of an environmental management system that helps the company deal efficiently with environmentally related topics. In the end of March 2008, 90% of KONE's production operations were certified according to the ISO 14001 standard. In addition, a

number of country organizations also hold the environmental certificate. KONE is actively continuing the ISO 14001-expansion.

Environmental Excellence is one of KONE's five development programs. We have lifted the eco-efficiency targets of our solutions and operations to an even higher level.

Capital and Risk Management

The ultimate goal of capital and risk management in the KONE Group is to contribute to the creation of shareholder value.

Capital is managed in order to maintain a strong financial position and to ensure that the Group's funding needs can be optimized in a cost-efficient way even in a critical funding environment. KONE's philosophy is to take an aggregated view of share price development, dividends and the possible purchase of own shares as components of the total shareholder return.

KONE's business activities are exposed to risks, of which the most significant are increases in personnel costs and raw material costs, fluctuations in currency and changes in the development of the world economy.

A rise in raw material prices is reflected directly in the production costs of components made by KONE, such as doors and cars, and indirectly in the prices of purchased components. The price of oil also affects maintenance costs.

As a global group, KONE is exposed to foreign currency fluctuations and currencies. The Group Treasury function manages currency and other financial risks centrally based on principles approved by the Board of Directors. As the expenses and income of the elevator and escalator business occur mainly in the same currency, exchange rate movements are reflected mostly in the translation of the achieved result into euros.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting in Helsinki on February 25, 2008 confirmed the number of members of the Board of Directors to be seven and the number of deputy members to be one. Re-elected as full members of the Board were Matti Alahuhta, Reino Hanhinen, Antti Herlin, Sirkka Hämäläinen-Lindfors, Sirpa Pietikäinen, Masayuki Shimono and Iiro Viinanen, and as a deputy member Jussi Herlin. The term of the Board ends at the next Annual General Meeting.

At its meeting held after the Annual General Meeting, the Board of Directors elected Antti Herlin as its Chairman

and Sirkka Hämäläinen-Lindfors as the Vice Chairman of the Board.

The Annual General Meeting decided to amend the Articles of Association due to the new Companies Act, which entered into force on September 1, 2006. The new Articles of Association can be found at www.kone.com.

In addition, the Annual General Meeting decided to increase the number of shares in the company by issuing new shares to the shareholders without payment in proportion to their holdings so that one class A share was given for each class A share and one class B share was given for each class B share. The new shares were admitted to public trading and entered into the book-entry system on February 29, 2008.

The Annual General Meeting decided that the share subscription period for the 2005C option rights will begin on April 1, 2008. In addition, it was decided that EUR 0.25 of the subscription price to be paid for the new shares issued based on the 2005A, 2005B, 2005C, and 2007 option rights will be credited to the share capital, and that the remaining part will be credited to the paid-up unrestricted equity reserve. Due to the increase in the number of shares, the Annual General Meeting decided that the number of shares to be subscribed for based on the 2005A, 2005B, 2005C and 2007 option rights will increase, and the share subscription price will decrease in the same proportion.

In addition, the Annual General Meeting authorized the Board of Directors to repurchase KONE's own shares with assets distributable as profit. The shares may be repurchased in order to develop the capital structure of the Company, finance or carry out possible acquisitions, implement the Company's share-based incentive plans, or to be transferred for other purposes or to be cancelled. Altogether no more than 25,570,000 shares may be repurchased, of which no more than 3,810,000 may be class A shares and 21,760,000 class B shares.

The Annual General Meeting also authorized the Board of Directors to decide on the distribution of any shares repurchased by the company. The authorization is limited to a maximum of 3,810,000 class A shares and 21,760,000 class B shares. The Board shall have the right to decide to whom to issue the shares, i.e. to issue shares in deviation from the pre-emptive rights of shareholders. The repurchased shares may be used as compensation in acquisitions and in other arrangements as well as to implement the Company's share-based incentive plans in the manner and to the extent decided by the Board of Directors. The Board

of Directors also has the right to decide on the distribution of the shares in public trading in the OMX Nordic Exchange Helsinki for the purpose of financing possible acquisitions. The shares shall be distributed at least at the market price at the moment of their transfer determined on the basis of the trading price for class B shares determined in public trading in the OMX Nordic Exchange Helsinki.

These authorizations shall remain in effect for a period of one year from the date of the decision of the Annual General Meeting.

PricewaterhouseCoopers Oy, Authorized Public Accountants and Heikki Lassila, APA, were re-elected as the Company's auditors.

Dividend

The Annual General Meeting approved the Board's proposal for a dividend of EUR 1.29 for each class A share and EUR 1.30 for each outstanding class B share before the increase in the number of shares due to the share issue without payment. This amounted to EUR 163,619,671.52 for the financial year, which ended December 31, 2007. The date of the dividend payment was March 6, 2008.

Share Capital and Market Capitalization

The KONE 2005A and 2005B options based on the KONE Corporation option program 2005 were listed on the main list of the OMX Nordic Exchange Helsinki on June 1, 2005. Each option entitles its holder to subscribe for twelve (12) class B shares at a price of EUR 4.02 per share.

As of March 31, 2008, 1,727,112 shares have been subscribed for with the options, raising KONE's share capital to EUR 64,186,533.00, comprising 218,641,776 listed class B shares and 38,104,356 unlisted class A shares.

At the end of March 2008, the remaining number of shares that can be subscribed for was 889,908. The remaining 2005A options entitle their holders to subscribe for 138,480 class B shares, while the remaining 2005B options entitle their holders to subscribe for 751,428 class B shares. The share subscription period for series A options ended on March 31, 2008 and the subscription period for series B options will end on March 31, 2009. As the 2005A options subscription period ended on March 31, 2008, all remaining series A options have been used and the shares will be entered in the Finnish Trade Register in April.

In 2005, KONE also granted a conditional option program, 2005C. It was decided that the share subscription period of the 2005C option program would begin on April 1, 2008. The 2005C stock options were listed on the OMX Nordic Exchange Helsinki in Finland as of April 1, 2008. The total number of 2005C stock options is 2,000,000 of which 522,000 are owned by a subsidiary of KONE Corporation. Each option right entitles its owner to subscribe for two (2) KONE Corporation class B shares at a price of EUR 12.55 per share.

In December 2007, KONE Corporation's Board of Directors decided to grant stock option rights to approximately 350 employees of the global organization of KONE. A maximum of 2,000,000 options in total can be granted. The share subscription period for stock option 2007 will be April 1, 2010–April 30, 2012. The share subscription period begins only if the average turnover growth of the KONE Group for the 2008 and 2009 financial years exceeds the market growth and if the earnings before interest and taxes (EBIT) of the KONE Group for the financial year 2008 exceeds the EBIT for the 2007 financial year, and the EBIT for the 2009 financial year exceeds the EBIT for the 2008 financial year.

The share issue without payment approved by KONE Corporation's Annual General Meeting on February 25, 2008 was entered in the Trade Register on February 28, 2008. The share issue without payment has the same effect as a share split. The number of shares in the company was increased by issuing new shares to the shareholders without payment in proportion to their holdings so that one class A share was given for each class A share and one class B share for each class B share.

KONE's market capitalization was EUR 6,537 million on March 31, 2008, disregarding own shares in the Group's possession.

Repurchase of KONE Shares

On the basis of the Annual General Meeting's authorization, KONE Corporation's Board of Directors decided to commence repurchasing shares at the earliest on March 7, 2008.

During January 1–March 31, 2008 KONE did not use its authorization to repurchase its own shares. At the end of March, the group had 5,231,506 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 OMX Nordic Exchange Helsinki

The OMX Nordic Exchange Helsinki traded 57.7 million (the number of shares has been adjusted to the increase in the number of shares due to the share issue without payment) KONE Corporation's class B shares in January-March, equivalent to a turnover of EUR 1,239 million. The daily average trading volume was 929,603 (1-3/2007: 887,172) (the numbers of shares have been adjusted to the increase in the number of shares due to the share issue without payment). The share price on March 31, 2008 was EUR 25.99. The volume weighted average share price during the period was EUR 22.72. The highest quotation during the first quarter was EUR 26.08 and the lowest 18.77.

The number of registered shareholders at the beginning of the review period was 13,650 and 13,787 at its end. The number of private households holding shares totaled 12,393 at the end of the period.

According to the nominee registers, approximately 44.6% of the listed class B shares were owned by foreigners at March 31, 2008. Other foreign ownership at the end of the period totaled approximately 7%; thus a total of approximately 51.6% of the company's listed class B shares were owned by international investors, corresponding to approximately 19% of the total votes in the company.

Outlook

We estimate that the market will continue to create favorable opportunities for KONE to grow in 2008 although market growth will not be equally strong in all markets this year as in 2007, due to the weakened economic outlook.

KONE's target for 2008 is to achieve, at comparable exchange rates, a growth of about 10% in net sales, compared to 2007. The operating income (EBIT) target is to achieve a growth close to 20% compared to the 2007 figure of EUR 473 million. This corresponds to an operating income (EBIT) margin of at least 12.0%.

Helsinki, April 22, 2008

KONE Corporation

Board of Directors

CONSOLIDATED STATEMENT OF INCOME

Q1 | 8

MEUR	1-3/2008	%	1-3/2007	%	1-12/2007	%
Sales	905.3		811.2		4,078.9	
Costs and expenses	-804.1		-869.7		-3,699.8	
Depreciation	-14.7		-14.2		-58.3	
Operating income	86.5	9.6	-72.7	-9.0	320.8	7.9
Share of associated companies' net income	0.4		-0.2		1.7	
Financing income	5.6		3.4		16.6	
Financing expenses	-5.5		-5.2		-25.1	
Income before taxes	87.0	9.6	-74.7	-9.2	314.0	7.7
Taxes	-23.1		-20.3		-133.7	
Net income	63.9	7.1	-95.0	-11.7	180.3	4.4
Net income attributable to:						
Shareholders of the parent company	63.6		-94.9		180.1	
Minority interests	0.3		-0.1		0.2	
Total	63.9		-95.0		180.3	

Earnings per share for profit attributable to the shareholders of the parent company, EUR

Basic earnings per share	0.25	-0.38	0.72
Diluted earnings per share	0.25	-0.38	0.71

The result for the comparison period of 1-3/2007 includes an expense of MEUR 142.0 related to the European Commission's fine decision. In addition to this, the result for the comparison period of 1-12/2007 includes a MEUR 22.5 provision for the Austrian Cartel Court's fine decision and a MEUR 12.1 profit from the sale of the KONE Building.

CONDENSED CONSOLIDATED BALANCE SHEET

Q1 | 9

Assets MEUR	Mar 31, 2008	Mar 31, 2007	Dec 31, 2007
Non-current assets			
Intangible assets	625.8	624.2	630.4
Tangible assets	198.0	217.2	201.0
Loans receivable and other interest-bearing assets	1.7	3.0	1.7
Deferred tax assets	108.8	135.0	118.6
Investments	143.4	130.1	131.3
Total non-current assets	1,077.7	1,109.5	1,083.0
Current assets			
Inventories	859.1	774.8	773.2
Advance payments received	-789.0	-665.8	-694.6
Accounts receivable and other non interest-bearing assets	965.0	833.3	924.5
Current loans and receivables	110.0	147.7	118.9
Cash and cash equivalents	200.4	106.0	154.9
Total current assets	1,345.5	1,196.0	1,276.9
Total assets	2,423.2	2,305.5	2,359.9

Equity and liabilities MEUR	Mar 31, 2008	Mar 31, 2007	Dec 31, 2007
Equity	640.9	479.9	749.2
Non-current liabilities			
Loans	220.2	76.8	175.8
Deferred tax liabilities	26.1	30.5	25.9
Employee benefits	125.3	144.6	131.9
Total non-current liabilities	371.6	251.9	333.6
Provisions	79.2	210.0	86.6
Current liabilities			
Loans	229.7	322.2	191.4
Accounts payable and other liabilities	1,101.8	1,041.5	999.1
Total current liabilities	1,331.5	1,363.7	1,190.5
Total equity and liabilities	2,423.2	2,305.5	2,359.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Q1 | 10

MEUR	Share capital	Share premium account	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Minority interests	Total equity
Jan 1, 2008	64.2	100.2	5.5	-31.3	-87.8	698.1	0.3	749.2
Net income for the period						63.6	0.3	63.9
Items booked directly into equity:								
Transactions with shareholders and minority shareholders:								
Dividends paid						-163.6		-163.6
Issue of shares (option rights)	0.0	0.2						0.2
Purchase of own shares								-
Sale of own shares								-
Change in minority interests							-0.1	-0.1
Cash flow hedge			5.6					5.6
Translation differences				-20.9				-20.9
Hedging of foreign subsidiaries				5.5				5.5
Tax impact of hedging				-1.4				-1.4
Option and share based compensation						2.5		2.5
Mar 31, 2008	64.2	100.4	11.1	-48.1	-87.8	600.6	0.5	640.9

MEUR	Share capital	Share premium account	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Minority interests	Total equity
Jan 1, 2007	64.0	98.0	-0.5	-14.0	-91.2	638.8	3.5	698.6
Net income for the period						-94.9	-0.1	-95.0
Items booked directly into equity:								
Transactions with shareholders and minority shareholders:								
Dividends paid						-125.1		-125.1
Issue of shares (option rights)	0.0	0.4						0.4
Purchase of own shares					-0.3			-0.3
Sale of own shares								-
Change in minority interests							-0.4	-0.4
Cash flow hedge			0.9					0.9
Translation differences				0.8				0.8
Hedging of foreign subsidiaries				-2.8				-2.8
Tax impact of hedging				0.7				0.7
Option and share based compensation						2.1		2.1
Mar 31, 2007	64.0	98.4	0.4	-15.3	-91.5	420.9	3.0	479.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Q1 | 11

MEUR	Share capital	Share premium account	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Minority interests	Total equity
Jan 1, 2007	64.0	98.0	-0.5	-14.0	-91.2	638.8	3.5	698.6
Net income for the period						180.1	0.2	180.3
Items booked directly into equity:								
Transactions with shareholders and minority shareholders:								
Dividends paid						-125.1		-125.1
Issue of shares (option rights)	0.2	2.2						2.4
Purchase of own shares					-0.3			-0.3
Sale of own shares								-
Change in minority interests							-3.4	-3.4
Cash flow hedge			6.0					6.0
Translation differences				-18.4				-18.4
Hedging of foreign subsidiaries				1.5				1.5
Tax impact of hedging				-0.4				-0.4
Option and share based compensation					3.7	4.3		8.0
Dec 31, 2007	64.2	100.2	5.5	-31.3	-87.8	698.1	0.3	749.2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

Q1 | 12

MEUR	1-3/2008	1-3/2007	1-12/2007
Operating income	86.5	-72.7	320.8
Change in working capital	65.4	201.2	0.9
Depreciation	14.7	14.2	58.3
Cash flow from operations	166.6	142.7	380.0
Cash flow from financing items and taxes	-15.4	-2.4	-134.0
Cash flow from operating activities	151.2	140.3	246.0
Cash flow from investing activities	-35.8	-43.9	-94.6
Cash flow after investing activities	115.4	96.4	151.4
Purchase and sale of own shares	-	-0.3	-0.3
Issue of shares	0.2	0.4	2.4
Dividends paid	-151.1	-116.0	-125.1
Change in loans receivable	4.8	13.4	42.0
Change in loans payable	77.1	2.7	-24.0
Cash flow from financing activities	-69.0	-99.8	-105.0
Change in cash and cash equivalents	46.4	-3.4	46.4
Cash and cash equivalents at end of period	200.4	106.0	154.9
Translation difference	0.9	0.1	1.0
Cash and cash equivalents at beginning of period	154.9	109.5	109.5
Change in cash and cash equivalents	46.4	-3.4	46.4

Change in interest-bearing net debt

MEUR	1-3/2008	1-3/2007	1-12/2007
Interest-bearing net debt at beginning of period	91.7	124.9	124.9
Interest-bearing net debt at end of period	137.8	142.3	91.7
Change in interest-bearing net debt	46.1	17.4	-33.2

The EUR 142.0 million fine for the European Commission's decision is included in the interest-bearing net debt of March 31, 2008 and December 31, 2007.

Key figures

		1-3/2008	1-3/2007	1-12/2007
Basic earnings per share	EUR	0.25	-0.38	0.72
Diluted earnings per share	EUR	0.25	-0.38	0.71
Equity per share	EUR	2.55	1.90	2.98
Interest-bearing net debt	MEUR	137.8	142.3	91.7
Total equity/total assets	%	26.4	20.8	31.7
Gearing	%	21.5	29.7	12.2
Return on equity	%	36.8	neg.	24.9
Return on capital employed	%	33.8	neg.	30.4
Total assets	MEUR	2,423.2	2,305.5	2,359.9
Assets employed	MEUR	778.7	622.2	840.9
Working capital (including financing and tax items)	MEUR	-188.5	-349.3	-121.8

Sales by geographical areas

MEUR	1-3/2008	%	1-3/2007	%	1-12/2007	%
EMEA ¹⁾	617.7	68	535.5	66	2,675.3	65
Americas	161.7	18	177.6	22	840.8	21
Asia-Pacific	125.9	14	98.1	12	562.8	14
Total	905.3		811.2		4,078.9	

¹⁾ EMEA = Europe, Middle East, Africa

Quarterly figures

		Q1/2008	Q4/2007	Q3/2007	Q2/2007	Q1/2007
Orders received	MEUR	1,117.5	901.9	926.3	944.4	902.1
Order book	MEUR	3,617.4	3,282.3	3,473.6	3,318.0	3,105.7
Sales	MEUR	905.3	1,294.2	971.6	1,001.9	811.2
Operating income	MEUR	86.5	160.8 ¹⁾	126.7	116.4	69.3 ²⁾
Operating income	%	9.6	12.4 ¹⁾	13.0	11.6	8.5 ²⁾

		Q4/2006	Q3/2006	Q2/2006	Q1/2006
Orders received	MEUR	712.1	742.0	821.9	840.3
Order book	MEUR	2,762.1	2,951.0	2,818.0	2,654.0
Sales	MEUR	1,145.6	879.8	840.4	735.0
Operating income	MEUR	123.4	101.1	83.9	51.7
Operating income	%	10.8	11.5	10.0	7.0

¹⁾ Excluding a MEUR 22.5 provision for the Austrian Cartel Court's fine decision and a MEUR 12.1 profit from the sale of the KONE Building.

²⁾ Excluding an expense of MEUR 142.0 related to the European Commission's fine decision.

Orders received

MEUR	1-3/2008	1-3/2007	1-12/2007
	1,117.5	902.1	3,674.7

Order book

MEUR	Mar 31, 2008	Mar 31, 2007	Dec 31, 2007
	3,617.4	3,105.7	3,282.3

Capital expenditure

MEUR	1-3/2008	1-3/2007	1-12/2007
In fixed assets	9.2	6.6	58.1
In leasing agreements	1.3	1.4	9.2
In acquisitions	23.0	9.1	49.6
Total	33.5	17.1	116.9

R&D Expenditure

MEUR	1-3/2008	1-3/2007	1-12/2007
	14.7	13.1	50.7
R&D expenditure as percentage of sales	1.6	1.6	1.2

Number of employees

	1-3/2008	1-3/2007	1-12/2007
Average	32,975	29,622	30,796
At the end of the period	33,155	29,868	32,544

Commitments

MEUR	Mar 31, 2008	Mar 31, 2007	Dec 31, 2007
Mortgages			
Group and parent company	0.7	30.7	0.7
Pledged assets			
Group and parent company	4.7	5.4	4.8
Guarantees			
Associated companies	4.3	1.8	5.3
Others	6.4	3.6	6.3
Operating leases	149.9	116.8	148.9
Total	166.0	158.3	166.0

The future minimum lease payments under non-cancellable operating leases

MEUR	Mar 31, 2008	Mar 31, 2007	Dec 31, 2007
Less than 1 year	39.8	34.0	39.0
1–5 years	89.4	72.5	91.2
Over 5 years	20.7	10.3	18.7
Total	149.9	116.8	148.9

Derivatives

Fair values of derivative financial instruments	positive	negative	net	net	net
	fair value	fair value	fair value	fair value	fair value
MEUR	Mar 31, 2008	Mar 31, 2008	Mar 31, 2008	Mar 31, 2007	Dec 31, 2007
FX Forward contracts	25.4	9.4	16.0	-0.2	6.0
Currency options	0.4	0.1	0.3	0.0	0.0
Cross-currency swaps, due under one year	3.4	0.0	3.4	-	2.9
Cross-currency swaps, due in 1–3 years	5.9	0.0	5.9	5.4	8.9
Electricity derivatives	0.5	0.0	0.5	0.1	0.9
Total	35.6	9.5	26.1	5.3	18.7

Nominal values of derivative financial instruments

MEUR	Mar 31, 2008	Mar 31, 2007	Dec 31, 2007
FX Forward contracts	632.5	478.5	527.3
Currency options	43.0	11.4	15.6
Cross-currency swaps, due under one year	20.0	-	20.0
Cross-currency swaps, due under 1–3 years	136.7	156.7	136.7
Electricity derivatives	3.1	3.3	2.5
Total	835.3	649.9	702.1

SHARES AND SHAREHOLDERS

Q1 | 16

Mar 31, 2008	Class A shares	Class B shares	Total
Number of shares	38,104,356	218,641,776	256,746,132
Own shares in possession ¹⁾		5,231,506	
Share capital, EUR			64,186,533
Market capitalization, MEUR			6,537
Number of shares traded (millions), 1–3/2008		57.7	
Value of shares traded, MEUR, 1–3/2008		1,239	
Number of shareholders	3	13,787	13,787
	Close	High	Low
Class B share price, EUR, 1–3/2008	25.99	26.08	18.77

¹⁾ During the first quarter of 2008, the authorization to repurchase shares was not used. Due to the share issue without payment (registered on February 28, 2008) the number of shares in the company was increased by issuing new shares to the shareholders without payment in proportion to their holdings so that one class A share was given for each class A share and one class B share for each class B share.

KONE Corporation

Corporate Offices

Keilasatama 3
P.O. Box 7
FI-02151 Espoo, Finland
Tel. +358 (0)204 751
Fax +358 (0)204 75 4496

www.kone.com

For further information please contact:

Aimo Rajahalme
Executive Vice President, Finance
Tel. +358 (0)204 75 4484

Sophie Jolly
Vice President, Investor Relations
Tel. +358 (0)204 75 4534

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 its customers with industry-leading elevators, escalators and innovative solutions for modernization and maintenance, and is one of the global leaders in its industry. In 2007, KONE had annual net sales of EUR 4.1 billion and over 32,500 employees. KONE class B shares are listed on the OMX Nordic Exchange Helsinki in Finland.

This Interim Report contains forward-looking statements that are based on the current expectations, known factors, decisions and plans of the management of KONE. Although 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 and fluctuations in exchange rates.