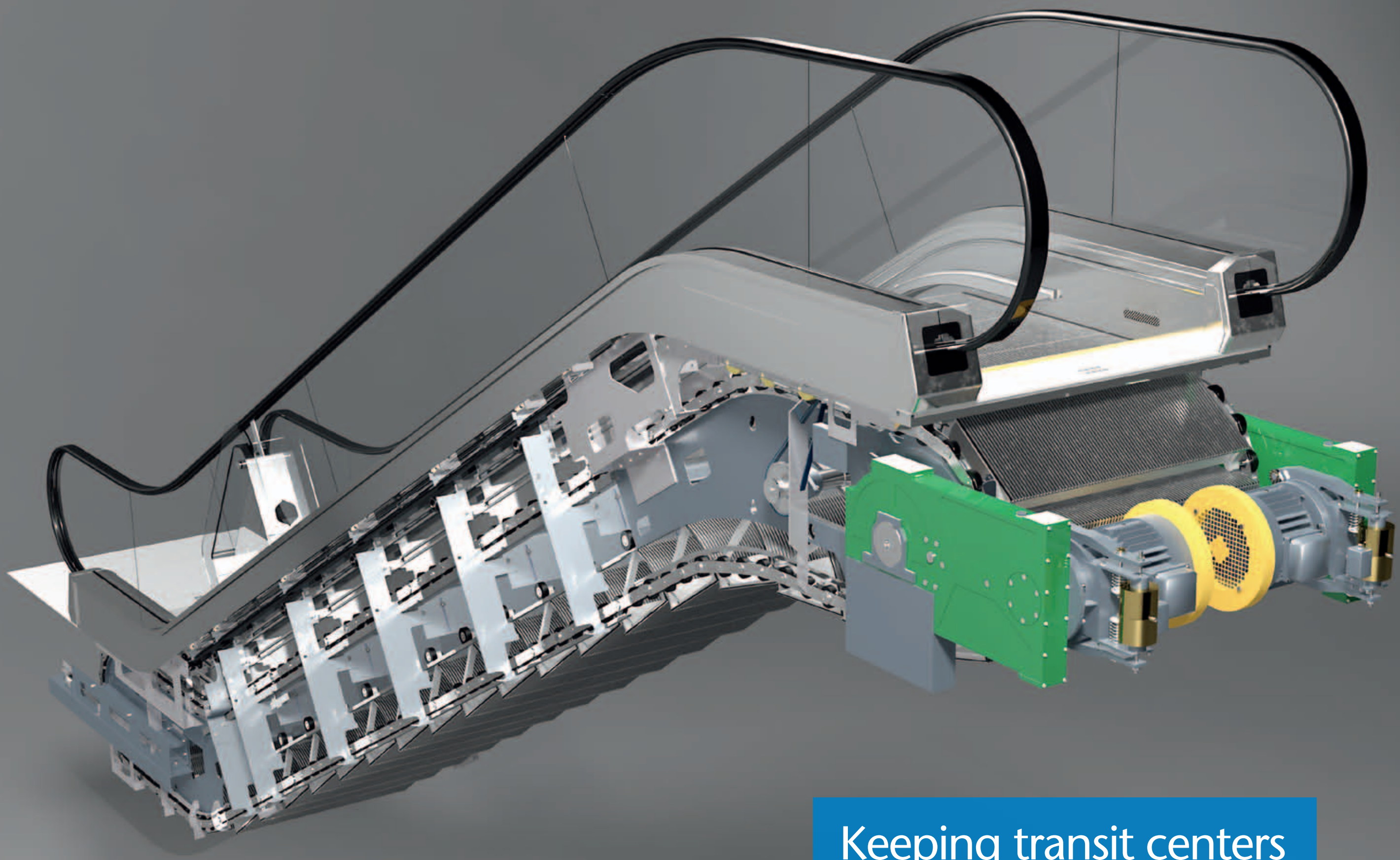
Dedicated to People Flow™



Keeping transit centers flowing with escalator innovations.

KONE's latest escalator innovation, the KONE DirectDrive, is 20% more energy efficient than conventional solutions. It is easier and safer to maintain, maximizing up-time and saving costs.

KONE Q3

INTERIM REPORT FOR JANUARY–SEPTEMBER 2013

KONE's Q3: Good development on a broad basis led to strong results

July–September 2013

- In July–September 2013, orders received totaled EUR 1,327 (7–9/2012: 1,296) million. Orders received grew by 2.4% at historical exchange rates and by 7.0% at comparable exchange rates.
- Net sales grew by 6.5% to EUR 1,739 (1,634) million. At comparable exchange rates the growth was 10.1%.
- Operating income was EUR 257.5 (226.4) million or 14.8% (13.9%) of net sales.
- Cash flow from operations was EUR 349.0 (355.8) million.
- KONE reiterates its business outlook for 2013.

January–September 2013

- In January–September 2013, orders received totaled EUR 4,678 (1–9/2012: 4,175) million. Orders received grew by 12.0% at historical exchange rates and by 13.5% at comparable exchange rates. The order book stood at EUR 5,642 (Dec 31, 2012: 5,050) million at the end of September 2013.
- Net sales grew by 10.9% to EUR 4,900 (4,419) million. At comparable exchange rates the growth was 12.4%.
- Operating income was EUR 660.7 (571.3) million or 13.5% (12.9%) of net sales (1–9/2012 figures exclude a one-time cost of EUR 37.3 million related to the support function development and cost adjustment programs).
- Cash flow from operations was EUR 972.2 (804.2) million.

KEY FIGURES

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´. For further information please see pages 21 and 22.

		7–9/2013	7–9/2012	1–9/2013	1–9/2012	1–12/2012
Orders received	MEUR	1,327.2	1,295.6	4,677.8	4,174.9	5,496.2
Order book	MEUR	5,642.1	5,283.7	5,642.1	5,283.7	5,050.1
Sales	MEUR	1,739.2	1,633.7	4,899.6	4,419.1	6,276.8
Operating income (EBIT)	MEUR	257.5	226.4	660.7	571.3 [1)]	828.7 [1)]
Operating income (EBIT)	%	14.8	13.9	13.5	12.9 [1)]	13.2 [1)]
EBITA	MEUR	262.6	235.0	675.7	597.2 [1)]	861.5 [1)]
EBITA	%	15.1	14.4	13.8	13.5 [1)]	13.7 [1)]
Cash flow from operations (before financing items and taxes)	MEUR	349.0	355.8	972.2	804.2	1,070.8
Net income	MEUR	207.8	184.5	527.3	428.0	611.0
Total comprehensive income	MEUR	186.8	171.8	536.1	421.7	591.7
Basic earnings per share	EUR	0.79	0.70	2.02	1.65	2.35
Interest-bearing net debt	MEUR	-817.7	-909.6	-817.7	-909.6	-574.0
Total equity/total assets	%	45.2	49.2	45.2	49.2	47.1
Gearing	%	-43.4	-44.6	-43.4	-44.6	-31.3

1) Excluding a MEUR 37.3 one-time cost related to the support function development and cost adjustment programs.

KONE's January–September 2013 review

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

"Our business continued to develop well in the third quarter of the year. Orders received grew by 2.4% at historical and by 7.0% at comparable exchange rates. The level of orders received was impacted by delays in many construction projects in the major projects segment in Europe. Orders received grew the strongest in Asia-Pacific, where India and Australia had the highest growth rates. Order growth continued strong also in China, where our order intake grew substantially faster than the market. Sales grew by 6.5% at historical and by 10.1% at comparable exchange rates.

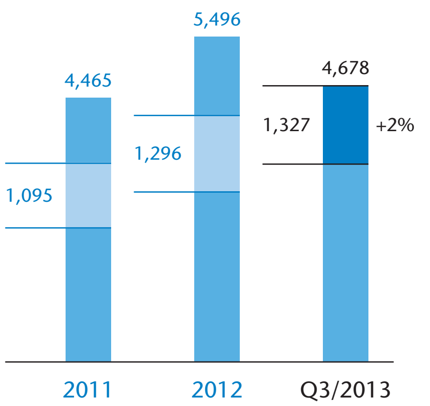
I am particularly pleased with the growth of our operating income and with the strong cash flow in the quarter. Operating income (EBIT) grew by 13.7% to EUR 258 million driven by continued strong progress in the new equipment business in Asia-Pacific and a good development in the service business globally. Also our relative operating income developed exceptionally well this quarter despite the clear increase in the share of the new equipment business of total sales. This good development was due to a strong operational performance on a broad basis as well as a positive impact from the pricing actions we have been taking during the past couple of years. In addition, the product mix within new equipment deliveries had a positive impact on the relative operating income; we had clearly more standard volume than major project deliveries in new equipment due to delays in project completions particularly in Europe. We expect to see a higher proportion of large project deliveries in the last quarter of the year, although we expect the general economic and market weakness in Europe to continue to have an impact on many projects. Cash flow was strong at EUR 349 million. I want to once again thank our people for a job well done.

Our operating environment remained mixed during the third quarter. In Asia-Pacific, new equipment market growth continued at a good level, although as expected at a lower rate than in the first half of the year. The growth of the market in North America continued both in new equipment and modernization. New equipment and modernization demand in Europe continued to decline. Maintenance markets grew in most countries, but the growth rate was low in such countries, where new equipment activity has been weak in the past years.

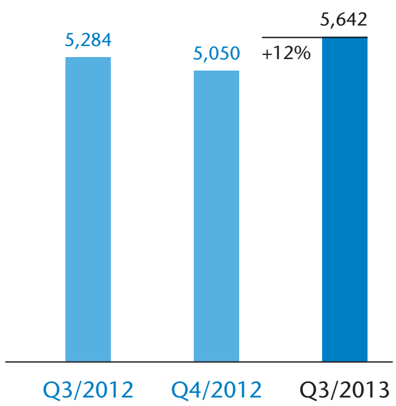
During the quarter, KONE was ranked for the third consecutive year among the top 50 most innovative companies in the world by the business magazine Forbes. Passion for innovation is an integral part of our culture – I am very excited about our new products and solutions and on-going R&D efforts, as the constant development of our offering allows us to even better respond to our customers' and end-users' needs going forward."

Key Figures

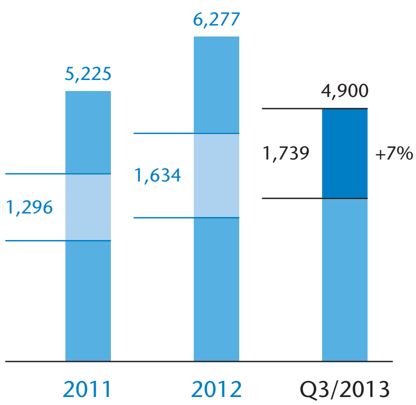
Orders received (MEUR)



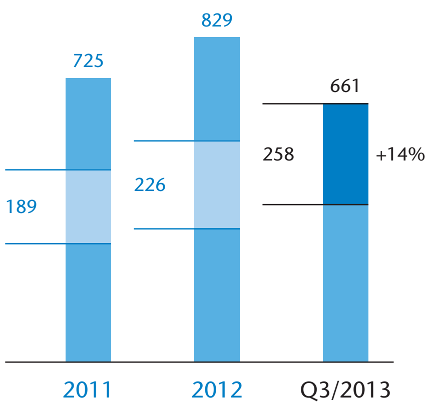
Order book (MEUR)



Sales (MEUR)

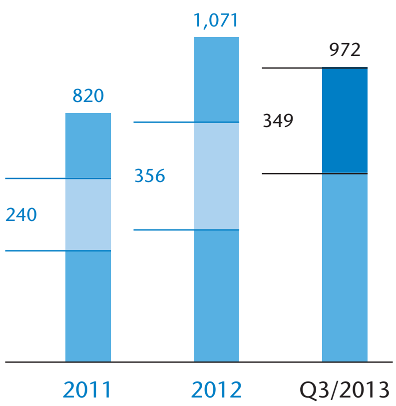


EBIT[1] (MEUR)



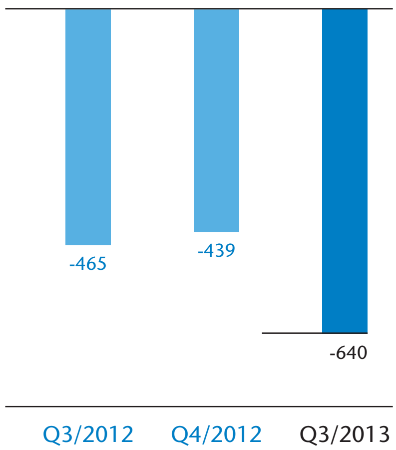
[1] Operating profit excluding one-off items

Cash flow[2] (MEUR)



[2] Cash flow from operations before financing items and taxes

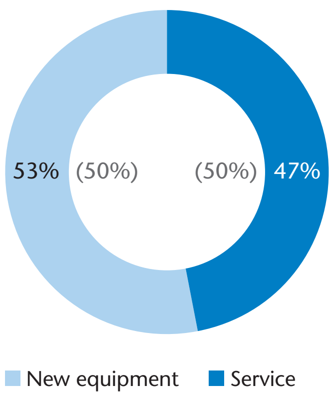
Working capital[3] (MEUR)



[3] Including financing and tax items

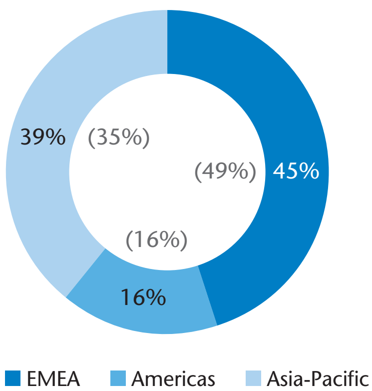
EBIT, cash flow and working capital for 2012 have been restated according to revised IAS 19.

Sales by business



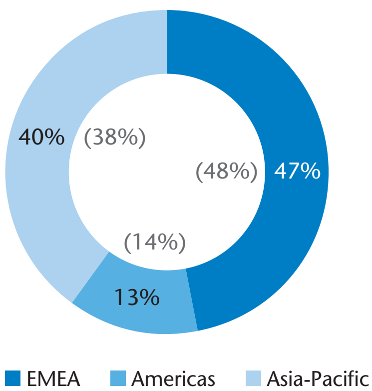
1–9/2013 (1–9/2012)

Sales by area



1–9/2013 (1–9/2012)

Personnel by area



Sep 30, 2013 (Dec 31, 2012)

KONE's January–September 2013 review

Accounting Principles

KONE Corporation's Interim Report for January–September 2013 has been prepared in line with IAS 34, `Interim Financial Reporting´. KONE has applied the same accounting principles in the preparation of this Interim Report as in its Financial Statements for 2012, published on January 24, 2013. Additionally, the effective changes in the IAS/IFRS standards during 2013 have been adopted.

KONE has applied the revised IAS 19 `Employee Benefits´ from January 1, 2013. According to the revised standard, actuarial gains and losses relating to defined benefit obligations are recognized as they occur. This has increased KONE's reported employee benefit liability. Net interest cost has replaced interest expense and expected return on plan assets. This change has had no material impact on KONE's reported net income in 2012.

As a part of the application of the revised IAS 19, KONE has changed the presentation of expenses relating to defined benefit obligations; service cost is presented in employment expenses while net interest is presented in financing expenses. Previously all expenses relating to employee benefits were reported in employment expenses. KONE has also reclassified its employee benefit liability as part of interest-bearing net debt. Previously it was presented as part of working capital.

The comparative figures for 2012 have been restated accordingly. For more information on the IAS 19 restatement impact, please see pages 21 and 22. Other changes in IAS/IFRS standards have no material impact on the Interim Report.

Figures presented in this interim report have been rounded from exact figures and therefore the sum of figures presented individually can deviate from the presented sum figure. Key figures have been calculated using exact figures.

The information presented in this Interim Report has not been audited.

July–September 2013 review

Operating environment in July–September

In the third quarter of 2013, the new equipment market in Asia-Pacific continued to grow, but as expected, growth slowed down clearly from the high level seen in the first half of the year. In other regions, market development was largely unchanged. New equipment demand in the Europe, Middle East and Africa (EMEA) region declined in both Central and North Europe and South Europe. In North America, market growth continued. The major projects segment remained active in Asia-Pacific, whereas in Europe the weak economic environment resulted in delays in decision-making and the progress of projects. The modernization market developed positively in North America and Asia-Pacific, but declined in the EMEA region. Maintenance markets grew in most countries, although at low rates in such countries, where new equipment activity has been weak for the past years. Price competition remained very intense, particularly in regions where the overall market was at a low level.

In the EMEA region, the decline of the new equipment market in Central and North Europe continued. While the residential segment grew slightly, other segments were at a clearly lower level than in the previous year. New equipment demand grew in Germany and in Russia, was rather stable in Switzerland, Austria and Scandinavia, and declined in most other markets. In South Europe, new equipment demand continued to decline, with the most negative development in the residential segment. The market declined further in both Italy and France. Demand continued to decline also in Spain, although there were signs of the market decline leveling off. New equipment demand grew in Turkey and the Middle East. The modernization market declined in both Central and North Europe and South Europe. The maintenance market grew, although with significant variation between countries. Maintenance markets in many countries remained characterized by very intense price competition, particularly in South Europe and also in some markets in Central and North Europe.

In the Americas region, new equipment demand continued to grow. In the United States, the growth of the new equipment market continued, driven by both smaller and larger projects in the residential and office segments. Demand was stable in Canada and declined in Mexico. Modernization activity in North America grew. The maintenance market grew, but price competition remained intense, particularly in the non-residential segments.

In the Asia-Pacific region, the new equipment market continued to grow. Demand grew in China, although the market growth rate decelerated, as expected, from the higher level of the first half of the year. The affordable housing segment was stable. Other residential segments grew in lower-tier cities. In large cities, these segments continued to be adversely impacted by Chinese government measures aimed at managing the development of housing prices. However, the market showed some signs of a possible return to growth also in these segments with positive development in related indicators such as properties sold, land sales and construction starts. The commercial segments continued to grow. The infrastructure segment was stable with a good level of activity in metro and airport projects. In India, market growth continued driven mainly by the residential segment despite general economic uncertainties. In Australia, new equipment demand continued to grow, with the residential and major projects segments developing the most favorably. Some growth was seen also in the modernization market in Australia. The Southeast Asian markets continued to grow with the fastest growth in Indonesia. Maintenance markets in Asia-Pacific continued to grow. The pricing environment remained challenging in all markets.

Financial performance in July–September

Orders received grew by 2.4% as compared to July–September 2012, and totaled EUR 1,327 (7–9/2012: 1,296) million. At comparable exchange rates, KONE's orders received increased by 7.0%. The margins of orders received remained largely unchanged at the good level of the first half of the year.

New equipment orders received grew clearly. The growth rate was at a good level in the volume business, while orders received in major projects were at a lower level than in the third quarter of 2012 due to delays in the awards of several major projects. Modernization orders received grew some-

KONE's January–September 2013 review

SALES BY GEOGRAPHICAL REGIONS, MEUR

	7–9/2013	%	7–9/2012	%	1–9/2013	%	1–9/2012	%	1–12/2012	%
EMEA [1]	742.6	43	767.7	47	2,197.8	45	2,186.4	49	3,094.0	49
Americas	280.3	16	267.7	16	779.9	16	706.3	16	999.0	16
Asia-Pacific	716.3	41	598.3	37	1,921.8	39	1,526.4	35	2,183.8	35
Total	1,739.2		1,633.7		4,899.6		4,419.1		6,276.8	

[1] EMEA = Europe, Middle East, Africa

what. KONE does not include maintenance contracts in orders received.

Orders received grew significantly in Asia-Pacific, with the highest growth rates in India, Australia, Malaysia, Indonesia and China. In China, orders received growth was substantially higher than the market growth. Orders received declined somewhat in the EMEA region, where orders declined in Central and North Europe as well as South Europe, but grew in the Middle East. The most positive development was seen in Germany and Italy. KONE's order intake grew clearly in North America driven by strong growth in the United States.

During the reporting period, KONE's largest orders received included an order to supply 21 escalators and 13 elevators in two phases for the Texas A&M Kyle Field Stadium renovation in the United States.

KONE's net sales grew by 6.5% as compared to July–September 2012, and totaled EUR 1,739 (7–9/2012: 1,634) million. At comparable exchange rates, KONE's net sales growth was 10.1%. Net sales grew strongly in Asia-Pacific and clearly in the Americas, and declined slightly in the EMEA region.

New equipment sales accounted for EUR 962.0 (870.5) million and represented an increase of 10.5% over the comparison period. At comparable exchange rates, new equipment sales grew by 14.0%.

Service (maintenance and modernization) sales grew by 1.8% and totaled EUR 777.3 (763.2) million. At comparable exchange rates, the increase was 5.7%. Maintenance sales grew at a clearly higher rate than overall service sales, whereas modernization sales grew at a lower rate.

KONE's operating income for the July–September 2013 period totaled EUR 257.5 (226.4) million or 14.8% (13.9%) of net sales. The growth in operating income was a result of continued strong new equipment sales growth in Asia-Pacific, China in particular, as well as a positive development in the service business globally. A good development in the productivity of the global production network also contributed to the growth in operating income. The relative operating income developed exceptionally well despite the clear increase in the share of the new equipment business as a percentage of total sales. This good development was due to a very strong operational performance on a broad basis as well as a positive impact of pricing actions taken in the past two years. In addition, the product mix within new equipment deliveries had a positive impact on the relative operating income; there were clearly more standard volume than major project deliveries in new equipment due to delays in project completions particularly in Europe. This was due to general economic and market weakness. KONE continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific as well as process development and IT.

Cash flow from operations before financing items and taxes in July–September 2013 was EUR 349.0 (355.8) million. Cash flow was strong as a result of an improvement in operating income and a continued positive development of the net working capital. Net working capital improved as a result of normal seasonal maintenance invoicing cycles, an improvement in the ratio of advance payments received relative to inventories as well as a decrease in accounts receivable.

January–September 2013 review

Orders received and Order book in January–September

During January–September 2013, the new equipment market declined somewhat in Central and North Europe and weakened further in South Europe. In North America, market growth continued. In Asia-Pacific, demand continued to grow. The Chinese market grew rapidly, but in line with expectations, the growth rate decelerated gradually during the reporting period. The development of modernization markets varied between regions, with growth in North America and Asia-Pacific and a decline in the EMEA region. The maintenance market continued to grow. The pricing environment was challenging in all businesses, in particular in markets suffering from a prolonged weakness in the new equipment market.

Orders received grew by 12.0% as compared to January–September 2012, and totaled EUR 4,678 (1–9/2012: 4,175) million. At comparable exchange rates, KONE's orders received grew by 13.5%. KONE does not include maintenance contracts in orders received.

The order book grew from the end of 2012 by 11.7% and stood at EUR 5,642 (Dec 31, 2012: 5,050) million at the end of September 2013. At comparable exchange rates, the increase was 15.4%. The margin of the order book remained at a healthy level. The orders received margin improved slightly.

In the EMEA region, orders received declined somewhat as compared to January–September 2012. New equipment orders received declined, with negative development seen in most large markets except for Germany, Belgium, Russia and the Middle East, where new equipment orders grew clearly.

KONE's January–September 2013 review

KONE's modernization order intake in the EMEA region declined somewhat as compared to January–September 2012. Modernization orders received grew in Germany, Great Britain, Italy and the Middle East, but declined in most other markets.

In the Americas, KONE's orders received grew strongly compared to January–September 2012. New equipment orders grew clearly in North America, driven by growth in Canada and the United States. The modernization order intake grew very strongly, driven largely by major projects.

In Asia-Pacific, orders received grew strongly as compared to January–September 2012. New equipment orders received grew in China, India, Australia and Southeast Asia.The growth was the strongest in China and India. Modernization orders received grew very strongly.

Net sales

KONE's net sales grew by 10.9% as compared to January–September 2012, and totaled EUR 4,900 (1–9/2012: 4,419) million. At comparable exchange rates, KONE's net sales grew by 12.4%.

New equipment sales accounted for EUR 2,592 (2,188) million and represented an increase of 18.4% over the comparison period. At comparable exchange rates, new equipment sales grew by 19.8%.

Service (maintenance and modernization) sales increased by 3.5% and totaled EUR 2,308 (2,231) million. At comparable exchange rates, the increase was 5.1%. Both maintenance and modernization sales grew, maintenance sales at a clearly higher rate than modernization sales.

The share of new equipment sales was 53% (50%) and the share of service sales 47% (50%) of total sales.

Sales in the EMEA region grew slightly as compared to January–September 2012. New equipment and modernization sales declined, while maintenance sales grew.

Sales in the Americas grew significantly as compared to January–September 2012. Sales grew in all businesses.

Sales in Asia-Pacific grew strongly as compared to January–September 2012. Sales grew in all businesses.

The geographical distribution of net sales was 45% (49%) EMEA, 16% (16%) Americas and 39% (35%) Asia-Pacific.

Financial result

KONE's operating income (EBIT) grew and reached EUR 660.7 (1–9/2012: 571.3) million or 13.5% (12.9%) of net sales (1-9/2012 figures exclude a one-time cost of EUR 37.3 million related to the support function development and cost adjustment programs). The growth in operating income was a result of continued strong sales growth in Asia-Pacific, China in particular, and positive development in the service business globally. The relative operating income was in the first half of the year burdened by the significant growth of the share of new equipment sales of total sales, a high level of deliveries of projects that were booked as orders received with lower margins in 2010 and 2011, particularly in North America, and intense price competition. In the third quarter of the year the impact of these factors continued. Despite this, the relative operating income developed exceptionally well due to a strong operational performance on a broad basis as well as a positive impact of pricing actions taken during the past two years. In addition, the product mix within new equipment deliveries had a positive impact on the relative operating income. KONE continued to increase fixed costs in areas that support the growth of the business, in particular in Asia-Pacific as well as process development and IT.

Net financing items was EUR 23.0 (18.7) million. KONE's income before taxes was EUR 685.1 (556.1) million. Taxes totaled EUR 157.8 (128.1) million, taking into account taxes proportionate to the amount estimated for the financial year. This represents an estimated effective tax rate of 23.5% for the full financial year. Net income for the period under review was EUR 527.3 (428.0) million.

Earnings per share was EUR 2.02 (1.65).

Consolidated statement of financial position and Cash flow

KONE's financial position was very strong during the reporting period. Cash flow generated from operations (before financing items and taxes) in January–September 2013 was EUR 972.2 (1–9/2012: 804.2) million. The drivers of the strong cash flow were the growth in operating income and an improvement in net working capital. The improvement in net working capital was largely due to an improved ratio of advance payments received relative to inventories as well as a slight improvement in the rotation of accounts receivable and inventories. At the end of September 2013, net working capital was EUR -639.5 (December 31, 2012: -439.3) million, including financing items and taxes.

Interest-bearing net debt at the end of September 2013 was EUR -817.7 (December 31, 2012: -574.0) million. KONE's cash and cash equivalents together with current deposits exceeded EUR 1 billion at the end of the reporting period. Interest-bearing liabilities were EUR 359.2 (304.7) million, including a net pension liability of EUR 149.5 (192.7) million and short-term loans of EUR 109.4 (12.8) million. Gearing was -43.4%, compared with -31.3% at the end of 2012. KONE's total equity/total assets ratio was 45.2% at the end of September (December 31, 2012: 47.1%).

Equity per share was EUR 7.26 (7.07).

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 101.0 (1–9/2012: 97.9) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. Acquisitions accounted for EUR 49.3 (25.5) million of this figure.

During January–September 2013, KONE acquired the San Francisco-based business of Empire Elevator Corporation, an elevator maintenance company, in the United States. In addition, KONE completed a number of small acquisitions of maintenance companies in Europe and the United States during the reporting period. The acquisitions completed during the reporting period do not individually or as a whole have a material impact on the result or financial position of KONE.

KONE's January–September 2013 review

Research and development

Research and development expenses totaled EUR 68.7 (1–9/2012: 62.7) 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, Innovative Solutions for People Flow, is to develop innovative solutions for an increasingly urbanizing world with a focus on eco-efficiency, ride comfort, and visual design.

In September 2013, for the third consecutive year, KONE was ranked among the top 50 most innovative companies in the world by the business magazine Forbes. KONE's ranking rose to 37 (2012: 42).

During the reporting period, KONE completed the first customer installation of its new, super-light and durable KONE UltraRope™ elevator hoisting technology in a passenger elevator in Singapore, travelling 195 meters from the ground floor. KONE UltraRope™ has been designed to deliver significant savings in high-rise building energy consumption, and the technology also has the potential to enable significantly higher elevator travel distances in the future than previously possible.

KONE also continued to enhance and extend other parts of its equipment and service offering during the reporting period, particularly the volume elevator offering in India, where among other developments a new, more competitive elevator platform with updated visual design for the residential segment was released.

Personnel

The objective of KONE's personnel strategy is to help the company meet its business targets. The main goals of the strategy are to further secure the availability, engagement, motivation and continuous development of its personnel. All of KONE's activities are guided by ethical principles. The personnel's rights and responsibilities include the right to a safe and healthy working environment, personal well-being as well as the prohibition of any kind of discrimination.

KONE defined Employee Engagement as one of its five development programs at the beginning of 2011, and launched action plans focusing on the further development of leadership capabilities, on providing growth and development opportunities for KONE employees, and on ensuring well-being and safety at work.

During the reporting period, KONE continued the roll-out of the new "Managing KONE Business" program targeted for branch managers and other general managers of the business. The delivery of other existing training programs continued as planned. A new maintenance technician qualifications model was piloted and learning paths were created for some other key roles. As a part of the performance management process, mid-year reviews were conducted with an emphasis on individual development plans.

Action plans based on the results of KONE's eighth annual employee survey were completed by the end of June. During the third quarter, these were communicated in all units, and the implementation of planned actions began. Various wellness programs continued according to country-specific plans.

KONE had 41,669 (December 31, 2012: 39,851) employees at the end of September 2013. The average number of employees was 40,723 (1–9/2012: 38,164).

The geographical distribution of KONE employees was 47% (December 31, 2012: 48%) in EMEA, 13% (14%) in the Americas and 40% (38%) in Asia-Pacific.

Environment

KONE's aim is to be the industry leader in eco-efficiency. The focus in developing eco-efficient elevator and escalator solutions is on further improving the energy saving in standby and operation modes. The most significant environmental impact of KONE's business globally relates to the amount of electricity used by KONE equipment over their lifetime. This underlines the importance of continuously developing and improving energy-efficient innovations for elevators and escalators. The most significant impact on KONE's carbon footprint from its own operations relates to the company's logistics operations, vehicle fleet, and electricity consumption.

KONE published its Corporate Responsibility Report 2012 in June 2013. The report follows the B application level of the Global Reporting Initiative guidelines. The reported greenhouse gas emissions for 2012 have been assured by an objective third party.

KONE's score in CDP's (formerly known as Carbon Disclosure Project) climate change program further improved to 98/100 in 2013 (2012: 90/100). The program is designed to enable the management of greenhouse gas emissions and the risks and opportunities associated with climate change. For the third year running, KONE achieved a top position in CDP's Nordic Climate Disclosure Leadership Index (CDLI) featuring the best 10% of organizations included in the CDP Nordic report. The CDLI companies have displayed the most professional approach to climate change information disclosure practices, and the minimum score in the CDLI has constantly risen. 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. With a score of A- in 2013, KONE's results improved also in carbon performance from a B score in 2012. CDP is a leading global environmental reporting system, representing over 700 investors and requesting information from thousands of the world's largest companies.

Other important events during the reporting period

On September 11, 2013, KONE upgraded its sales and operating income (EBIT) outlook for the full year 2013. KONE estimates its net sales to grow by 11–14% at comparable

KONE's January–September 2013 review

exchange rates as compared to 2012. The operating income is expected to be in the range of EUR 920–955 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of September 2013. Previously KONE expected its net sales to grow by 9–11% at comparable exchange rates as compared to 2012. The operating income was expected to be in the range of EUR 890–920 million, assuming no material deviation in translation exchange rates from the situation of the beginning of 2013.

The primary reason for the upgrades was the business impact of the improved liquidity situation in the Chinese economy, as a result of which KONE's new equipment deliveries in China had during the third quarter been stronger than expected and were expected to continue to be strong during the remainder of 2013. In addition, a better than expected productivity development in KONE's production network improved KONE's operating income outlook.

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 283 million at the end of September (June 30, 2013: EUR 267 million). KONE's position 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 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 could result in a deterioration of the global new equipment markets. A disruption in the growth of the construction market in Asia, in China in particular, could result in a decline of the elevator and escalator market. A sharper than expected decrease in the new equipment market in Europe or a disruption in the recovery of the new equipment market in North America could lead to increasingly intensified price competition in both the new equipment and service businesses. All of the above-mentioned factors could lead to a decrease in orders received, cancellations of agreed deliveries, delays in the commencement of projects, further intensified price competition, and, as a result, a negative effect on KONE's profitability. To counteract the pressures resulting from a weakening of the overall economic environment and its impact on the elevator and escalator markets, KONE strives to continuously develop its overall competitiveness.

The continued uncertain global economic environment also exposes KONE to counterparty risks in respect of financial institutions and customers. Exposure to the counterparty risks related to financial institutions arises through the significant amounts of liquid funds deposited into financial institutions. In order to diversify the financial credit risk KONE deposits its funds into several banks and invests a part of its liquidity into highly liquid money market funds. KONE also manages its counterparty risk by accepting only counterparties with high creditworthiness. The size of each counterparty limit reflects the creditworthiness of the counterparty and KONE constantly evaluates such limits.

KONE is also exposed to risks related to the liquidity and payment schedules of its customers, which may lead to credit losses. To mitigate this risk, defined rules for tendering, levels of approval authority, and credit control have been established. The risks related to accounts receivable are minimized also through the use of advance payments, documentary credits and guarantees in KONE's payment terms. KONE's customer base consists of a large number of customers in several market areas, 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 2012.

KONE's business activities are dependent on the uninterrupted operation, quality and reliability of sourcing channels, production plants, logistics processes, and IT systems. 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, 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 dis-

KONE's January–September 2013 review

ruptions 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. Because the maintenance business deploys a significant fleet of service vehicles, fuel price fluctuations have an effect on maintenance costs.

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

A significant part of KONE's costs relate to field operations such as maintenance and installation, which are highly labor-intensive. KONE's profit development could be adversely affected if its productivity improvement targets were not met. These risks are managed through proactive planning and forecasting processes, the constant development of pricing processes and productivity as well as through the outsourcing of certain activities.

KONE introduces new technology and further develops its existing products on a regular basis. The execution of new technology or product releases and the large supplier base involves risks related to the uninterrupted functioning of the delivery chain, product liability and quality. To mitigate such risks, KONE follows defined design, manufacturing and installation processes. Strict quality control processes are also in place in the product and solution development and delivery chain.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on February 25, 2013. The meeting approved the financial statements and discharged the responsible parties from liability for the January 1–December 31, 2012 financial period.

The number of Members of the Board of Directors was confirmed as eight. 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 and as new Deputy Member of the Board was elected Iiris Herlin.

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

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

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

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

The General Meeting approved dividends of EUR 1.745 for each of the 38,104,356 class A shares and EUR 1.75 for the 218,191,425 outstanding class B shares. The date of record for dividend distribution was February 28, 2013, and the dividends were paid on March 7, 2013.

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 a total of 636,971 new KONE class B shares were subscribed with the 2010 option rights. On September 30, 2013 the number of options outstanding was 1,467,029. Each option entitles its holder to subscribe for one (1) new class B share at the price of, from February 26, 2013, EUR 29.45 per share. The share subscription period for the stock option 2010 is April 1, 2013 - April 30, 2015.

In 2013, KONE granted a conditional option program. Stock options 2013 are granted according to the decision of

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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 58.25 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 September 30, 2013 was EUR 56.50. Each 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 2013 will be April 1, 2015 - April 30, 2017. The share subscription period begins only if the financial performance of the KONE Group for the financial years 2013-2014, 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 September 30, 2013, KONE's share capital was EUR 65,293,272.75, comprising 223,068,735 listed class B shares and 38,104,356 unlisted class A shares. KONE's market capitalization was EUR 16,893 million on September 30, 2013, disregarding own shares in the Group's possession. Market capitalization is calculated on the basis of both the listed B shares and the unlisted A shares excluding treasury shares. Class A shares are valued at the closing price of the class B shares at the end of the reporting period.

Shares in KONE's possession

On the basis of the Annual General Meeting's authorization, KONE Corporation's Board of Directors decided to commence the possible repurchasing of shares at the earliest on March 5, 2013.

During January–September 2013, KONE used its previous authorization to repurchase own shares in January, and bought back in total 80,000 of its own class B shares. In April, 210,890 class B shares in the company's possession were assigned to the share-based incentive plan. In July and August, KONE bought back in total 1,000,000 of its own class B shares. At the end of September, the Group had 5,029,449 class B shares in its possession. The shares in the Group's possession represent 2.3% of the total number of class B shares. This corresponds to 0.8% of the total voting rights.

Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki Ltd. traded 85.8 million KONE Corporation's class B shares in January–September 2013, equivalent to a turnover of EUR 5,358 million. The daily average trading volume was 453,874 shares (1–9/2012: 473,251). The share price on September 30, 2013 was EUR 65.95. The volume weighted average share price during the period was EUR 62.52. The highest quotation during the period under review was EUR 72.70 and the lowest EUR 55.70. 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 31% of the total volume of KONE's class B shares traded in January–September 2013 (source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com).

The number of registered shareholders was 31,690 at the beginning of the review period and 40,539 at its end. The number of private households holding shares totaled 37,079 at the end of the period, corresponding to approximately 13.2% of the listed B shares.

According to the nominee registers, 44.2% of the listed class B shares were owned by foreign shareholders on September 30, 2013. Other foreign ownership at the end of the period totaled 6.4%. Thus a total of 50.6% of KONE's listed class B shares were owned by international investors, corresponding to approximately 18.7% of the total votes in the company.

Market outlook 2013

In new equipment, the market in Asia-Pacific is expected to grow clearly in 2013. The new equipment market in China is expected to grow by 10–15% in 2013. The market in Central and North Europe is expected to decline, and the market in South Europe to further decline from an already weak level. The market in North America is expected to continue to grow.

The modernization market is expected to be at about the same level as in 2012 or decline slightly.

The maintenance market is expected to continue to develop rather well in most countries.

Business outlook 2013

KONE reiterates its business outlook, which was upgraded on September 11, 2013.

KONE's net sales is estimated to grow by 11–14% at comparable exchange rates as compared to 2012.

The operating income (EBIT) is expected to be in the range of EUR 920–955 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of September 2013.

Helsinki, October 22, 2013

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	7–9/2013	%	7–9/2012	%	1–9/2013	%	1–9/2012	%	1–12/2012	%
Sales	1,739.2		1,633.7		4,899.6		4,419.1		6,276.8	
Costs and expenses	-1,461.8		-1,385.0		-4,180.6		-3,782.5		-5,362.1	
Depreciation and amortization	-19.9		-22.3		-58.3		-65.3		-86.0	
One-time cost	-		-		-		-37.3		-37.3	
Operating income	257.5	14.8	226.4	13.9	660.7	13.5	534.0	12.1	791.4	12.6
Share of associated companies' net income	0.3		1.0		1.4		3.4		4.3	
Financing income	17.2		14.8		31.7		30.2		42.9	
Financing expenses	-2.7		-2.8		-8.7		-11.5		-34.3	
Income before taxes	272.3	15.7	239.4	14.7	685.1	14.0	556.1	12.6	804.3	12.8
Taxes	-64.5		-54.9		-157.8		-128.1		-193.3	
Net income	207.8	12.0	184.5	11.3	527.3	10.8	428.0	9.7	611.0	9.7
Net income attributable to:										
Shareholders of the parent company	203.2		180.6		518.8		421.2		601.1	
Non-controlling interests	4.7		3.9		8.5		6.8		9.9	
Total	207.8		184.5		527.3		428.0		611.0	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share, EUR	0.79		0.70		2.02		1.65		2.35	
Diluted earnings per share, EUR	0.79		0.70		2.02		1.64		2.34	

Consolidated statement of comprehensive income

MEUR	7–9/2013	7–9/2012	1–9/2013	1–9/2012	1–12/2012
Net income	207.8	184.5	527.3	428.0	611.0
Other comprehensive income, net of tax:					
Translation differences	-30.0	-14.2	-26.7	8.8	-9.4
Hedging of foreign subsidiaries	4.0	4.3	3.8	-0.5	1.3
Cash flow hedges	-1.2	0.4	8.9	-5.0	1.5
Remeasurements of employee benefits	6.2	-3.2	22.9	-9.6	-12.7
Other comprehensive income, net of tax	-21.1	-12.7	8.8	-6.3	-19.3
Total comprehensive income	186.8	171.8	536.1	421.7	591.7
Total comprehensive income attributable to:					
Shareholders of the parent company	182.1	167.9	527.6	414.9	581.8
Non-controlling interests	4.7	3.9	8.5	6.8	9.9
Total	186.8	171.8	536.1	421.7	591.7

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´, for more information please see pages 21 and 22.

Condensed consolidated statement of financial position

Assets MEUR	Sep 30, 2013	Sep 30, 2012	Dec 31, 2012
Non-current assets			
Intangible assets	1,306.7	1,176.4	1,283.8
Tangible assets	263.6	246.3	261.7
Loans receivable and other interest-bearing assets	5.3	5.5	5.5
Deferred tax assets	220.7	216.4	232.5
Investments	134.1	172.9	153.5
Total non-current assets	1,930.5	1,817.5	1,937.0
Current assets			
Inventories	1,131.3	1,087.1	980.8
Accounts receivable and other non interest-bearing assets	1,435.6	1,371.0	1,342.7
Current deposits and loan receivables	864.2	1,010.3	623.6
Cash and cash equivalents	307.4	185.7	249.6
Total current assets	3,738.4	3,654.1	3,196.7
Total assets	5,668.9	5,471.6	5,133.7

Equity and liabilities MEUR	Sep 30, 2013	Sep 30, 2012	Dec 31, 2012
Equity	1,882.7	2,040.6	1,833.7
Non-current liabilities			
Loans	22.4	22.6	20.9
Deferred tax liabilities	87.2	74.6	88.4
Employee benefits	149.5	196.3	192.7
Total non-current liabilities	259.1	293.5	302.0
Provisions	131.6	120.6	136.2
Current liabilities			
Loans	187.3	73.0	91.1
Advance payments received	1,504.6	1,323.7	1,242.0
Accounts payable and other liabilities	1,703.7	1,620.2	1,528.7
Total current liabilities	3,395.6	3,016.9	2,861.8
Total equity and liabilities	5,668.9	5,471.6	5,133.7

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´, for more information please see pages 21 and 22.

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, 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									518.8	8.5	527.3
Other comprehensive income:											
Translation differences					-26.7						-26.7
Hedging of foreign subsidiaries					3.8						3.8
Cash flow hedges				8.9							8.9
Remeasurements of employee benefits						22.9					22.9
Transactions with shareholders and non-controlling interests:											
Profit distribution								-448.3			-448.3
Increase in equity (option rights)	0.2		18.6								18.8
Purchase of own shares							-62.9				-62.9
Change in non-controlling interests								-0.1		-7.0	-7.1
Option and share-based compensation							7.0	5.4			12.4
Sep 30, 2013	65.3	100.3	99.8	4.8	17.1	-46.5	-128.8	1,228.9	518.8	22.9	1,882.7

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, 2012	65.1	100.3	51.5	-5.5	48.2		-98.8	1,865.9		7.3	2,034.0
IAS 19 restatement impact						-56.6		-2.1			-58.7
Jan 1, 2012, restated	65.1	100.3	51.5	-5.5	48.2	-56.6	-98.8	1,863.8		7.3	1,975.3
Net income for the period, restated									421.2	6.8	428.0
Other comprehensive income, restated:											
Translation differences					8.8						8.8
Hedging of foreign subsidiaries					-0.5						-0.5
Cash flow hedges				-5.0							-5.0
Remeasurements of employee benefits						-9.6					-9.6
Transactions with shareholders and non-controlling interests:											
Profit distribution								-356.4			-356.4
Increase in equity (option rights)			29.7								29.7
Purchase of own shares							-36.9				-36.9
Change in non-controlling interests										0.5	0.5
Option and share-based compensation							62.8	-56.1			6.7
Sep 30, 2012, restated	65.1	100.3	81.2	-10.5	56.5	-66.2	-72.9	1,451.3	421.2	14.6	2,040.6

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, 2012	65.1	100.3	51.5	-5.5	48.2		-98.8	1,865.9		7.3	2,034.0
IAS 19 restatement impact						-56.6		-2.1			-58.7
Jan 1, 2012, restated	65.1	100.3	51.5	-5.5	48.2	-56.6	-98.8	1,863.8		7.3	1,975.3
Net income for the period, restated									601.1	9.9	611.0
Other comprehensive income, restated:											
Translation differences					-9.4						-9.4
Hedging of foreign subsidiaries					1.3						1.3
Cash flow hedges				1.5							1.5
Remeasurements of employee benefits						-12.7					-12.7
Transactions with shareholders and non-controlling interests:											
Profit distribution								-740.8			-740.8
Increase in equity (option rights)			29.7								29.7
Purchase of own shares							-36.9				-36.9
Change in non-controlling interests								1.8		4.1	5.9
Option and share-based compensation							62.8	-54.0			8.8
Dec 31, 2012, restated	65.1	100.3	81.2	-4.0	40.1	-69.3	-72.9	1,070.8	601.1	21.3	1,833.7

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´, for more information please see pages 21 and 22.

Condensed consolidated statement of cash flows

MEUR	7–9/2013	7–9/2012	1–9/2013	1–9/2012	1–12/2012
Operating income	257.5	226.4	660.7	534.0	791.4
Change in working capital before financing items and taxes	71.7	107.1	253.3	204.9	193.4
Depreciation and amortization	19.9	22.3	58.3	65.3	86.0
Cash flow from operations before financing items and taxes	349.0	355.8	972.2	804.2	1,070.8
Cash flow from financing items and taxes	-53.8	-26.2	-139.1	-77.2	-128.7
Cash flow from operating activities	295.2	329.6	833.1	727.0	942.1
Cash flow from investing activities	-43.5	-20.9	-108.2	-85.9	-220.2
Cash flow after investing activities	251.7	308.7	724.9	641.1	721.9
Purchase of own shares	-58.1	-	-62.9	-36.9	-36.9
Increase in equity (option rights)	15.0	-	18.8	29.7	29.7
Profit distribution	-	-	-448.3	-356.4	-740.8
Change in deposits and loans receivable, net	29.9	-287.9	-249.4	-321.8	59.3
Change in loans payable and other interest-bearing debt	-141.7	-14.1	87.5	-7.5	-16.8
Changes in non-controlling interests	-0.1	-	-6.8	-	-1.5
Cash flow from financing activities	-155.1	-302.0	-661.1	-692.9	-707.0
Change in cash and cash equivalents	96.6	6.7	63.8	-51.8	14.9
Cash and cash equivalents at end of period	307.4	185.7	307.4	185.7	249.6
Translation difference	3.7	1.0	6.0	-3.5	-0.7
Cash and cash equivalents at beginning of period	214.5	180.0	249.6	234.0	234.0
Change in cash and cash equivalents	96.6	6.7	63.8	-51.8	14.9

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	7–9/2013	7–9/2012	1–9/2013	1–9/2012	1–12/2012
Interest-bearing net debt at beginning of period	-613.3	-612.4	-574.0	-646.0	-646.0
Interest-bearing net debt at end of period	-817.7	-909.6	-817.7	-909.6	-574.0
Change in interest-bearing net debt	-204.4	-297.2	-243.7	-263.6	72.0

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´, for more information please see pages 21 and 22.

Notes for the interim report

KEY FIGURES

		1–9/2013	1–9/2012	1–12/2012
Basic earnings per share	EUR	2.02	1.65	2.35
Diluted earnings per share	EUR	2.02	1.64	2.34
Equity per share	EUR	7.26	7.90	7.07
Interest-bearing net debt	MEUR	-817.7	-909.6	-574.0
Total equity/total assets	%	45.2	49.2	47.1
Gearing	%	-43.4	-44.6	-31.3
Return on equity	%	37.8	28.4	32.1
Return on capital employed	%	32.6	25.5	29.4
Total assets	MEUR	5,668.9	5,471.6	5,133.7
Assets employed	MEUR	1,065.0	1,131.0	1,259.7
Working capital (including financing and tax items)	MEUR	-639.5	-464.6	-439.3

Comparative figures for 2012 have been restated according to the revised IAS 19 `Employee Benefits´.

QUARTERLY FIGURES

		Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Orders received	MEUR	1,327.2	1,638.2	1,712.4	1,321.3	1,295.6	1,513.4	1,365.9
Order book	MEUR	5,642.1	5,874.4	5,823.1	5,050.1	5,283.7	5,305.3	4,842.8
Sales	MEUR	1,739.2	1,761.7	1,398.7	1,857.7	1,633.7	1,544.1	1,241.3
Operating income	MEUR	257.5	242.8	160.4	257.4	226.4	210.3 [1]	134.6
Operating income	%	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

		Q4/2007	Q3/2007	Q2/2007	Q1/2007	Q4/2006	Q3/2006	Q2/2006	Q1/2006
Orders received	MEUR	901.9	926.3	944.4	902.1	712.1	742.0	821.9	840.3
Order book	MEUR	3,282.3	3,473.6	3,318.0	3,105.7	2,762.1	2,951.0	2,818.0	2,654.0
Sales	MEUR	1,294.2	971.6	1,001.9	811.2	1,145.6	879.8	840.4	735.0
Operating income	MEUR	160.8 [3]	126.7	116.4	69.3 [4]	123.4	101.1	83.9	51.7
Operating income	%	12.4 [3]	13.0	11.6	8.5 [4]	10.8	11.5	10.0	7.0

[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.
[3] Excluding a MEUR 22.5 provision for the Austrian cartel court's fine decision and a MEUR 12.1 sales profit from the sale of KONE Building.
[4] Excluding a MEUR 142.0 fine for the European Commission´s decision.

Q1/2012 – Q4/2012 Operating income restated according to revised IAS 19 `Employee Benefits´.

Notes for the interim report

SALES BY GEOGRAPHICAL REGIONS

MEUR	1–9/2013	%	1–9/2012	%	1–12/2012	%
EMEA[1]	2,197.8	45	2,186.4	49	3,094.0	49
Americas	779.9	16	706.3	16	999.0	16
Asia-Pacific	1,921.8	39	1,526.4	35	2,183.8	35
Total	4,899.6		4,419.1		6,276.8	

1) EMEA = Europe, Middle East, Africa

ORDERS RECEIVED

MEUR	1–9/2013	1–9/2012	1–12/2012
	4,677.8	4,174.9	5,496.2

ORDER BOOK

MEUR	Sep 30, 2013	Sep 30, 2012	Dec 31, 2012
	5,642.1	5,283.7	5,050.1

CAPITAL EXPENDITURE

MEUR	1–9/2013	1–9/2012	1–12/2012
In fixed assets	40.6	62.3	107.8
In leasing agreements	11.1	10.1	10.9
In acquisitions	49.3	25.5	169.2
Total	101.0	97.9	287.9

DEPRECIATION AND AMORTIZATION

MEUR	1–9/2013	1–9/2012	1–12/2012
Depreciation	43.2	39.4	53.2
Amortization of acquisition-related intangible assets	15.0	25.9	32.8
Total	58.3	65.3	86.0

R&D EXPENDITURE

MEUR	1–9/2013	1–9/2012	1–12/2012
	68.7	62.7	86.1
R&D Expenditure as percentage of sales	1.4	1.4	1.4

NUMBER OF EMPLOYEES

	1–9/2013	1–9/2012	1–12/2012
Average	40,723	38,164	38,477
At the end of the period	41,669	38,902	39,851

Notes for the interim report

COMMITMENTS

MEUR	Sep 30, 2013	Sep 30, 2012	Dec 31, 2012
Mortgages			
Group and parent company	-	-	-
Pledged assets			
Group and parent company	0.1	0.1	0.1
Guarantees			
Associated companies	12.1	8.6	9.8
Others	4.8	5.3	5.1
Operating leases	234.3	246.3	257.2
Total	251.3	260.3	272.2

Banks and financial institutions have guaranteed obligations arising in the ordinary course of business of KONE companies up to a maximum of EUR 970.8 (859.2) million as of September 30, 2013.

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	Sep 30, 2013	Sep 30, 2012	Dec 31, 2012
Less than 1 year	59.6	56.0	61.1
1–5 years	133.9	141.2	146.7
Over 5 years	40.8	49.1	49.4
Total	234.3	246.3	257.2

INVESTMENTS

The shares held include a 19.9% holding in Toshiba Elevator and Building Systems Corporation (TELC). The fair value of TELC shares is based on realized and expected future earnings of the company (IFRS 7 Fair value hierarchy level 3; assets whose fair values are based on assumptions, that are not supported by prices from observable current market data). In the value appraisement, the business is expected to grow profitably and generally used return requirements of the industry have been applied. The changes in the fair value appraisal related to share investment in Toshiba Elevator and Building Systems Corporation (TELC) as well as the fair value changes of the hedges related to the TELC have been recorded in the costs and expenses.

Investments include also smaller available-for-sale investments 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 MEUR	Positive fair value Sep 30, 2013	Negative fair value Sep 30, 2013	Net fair value Sep 30, 2013	Net fair value Sep 30, 2012	Net fair value Dec 31, 2012
Foreign exchange forward contracts and swaps	12.2	-5.2	7.0	-11.2	-4.5
Cross-currency swaps	6.6	-	6.6	-33.3	-13.5
Electricity price forward contracts	0.1	-0.5	-0.4	-0.4	-0.4
Total	18.9	-5.7	13.2	-44.9	-18.4

Nominal values of derivative financial instruments MEUR	Sep 30, 2013	Sep 30, 2012	Dec 31, 2012
Foreign exchange forward contracts and swaps	1,224.2	1,034.4	1,094.9
Cross-currency swaps	138.9	139.3	139.3
Electricity price forward contracts	4.5	4.1	4.1
Total	1,367.6	1,177.8	1,238.3

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 sheet 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.

Impact of the application of revised IAS 19

The revised IAS 19 `Employee Benefits´ standard was published in 2011 and became effective as of January 1, 2013. KONE has restated its comparative figures for 2012 according to the amended standard.

According to the revised standard, actuarial gains and losses relating to defined benefit obligations are recognized as they occur. This has increased KONE's reported employee benefit liability. Net interest cost has replaced interest expense and expected return on plan assets. This change has had no material impact on KONE's reported net income in 2012.

As a part of the application of the revised IAS 19, KONE has changed the presentation of expenses relating to defined benefit obligations; cost relating to work performed during the period (service cost) is presented in employment expenses, while net interest is presented in financing expenses. Previously all expenses relating to employee benefits were reported in employment expenses. KONE has also reclassified its employee benefit liability as part of interest-bearing net debt. Previously it was presented as part of working capital.

The tables on pages 21–22 show the impact of the restatement on KONE's financial figures 7–9/2012 and 1–12/2012.

Restatement impact in statement of income	7–9/2012			1–12/2012		
MEUR	Published 2012	Restatement effect	Restated 2012	Published 2012	Restatement effect	Restated 2012
Sales	1,633.7		1,633.7	6,276.8		6,276.8
Costs and expenses	-1,386.9	1.9	-1,385.0	-5,369.5	7.4	-5,362.1
Depreciation and amortization	-22.3		-22.3	-86.0		-86.0
One-time cost	-		-	-37.3		-37.3
Operating income	224.5	1.9	226.4	784.0	7.4	791.4
Share of associated companies' net income	1.0		1.0	4.3		4.3
Financing income	14.8		14.8	42.9		42.9
Financing expenses	-0.9	-1.9	-2.8	-26.8	-7.5	-34.3
Income before taxes	239.4	0.0	239.4	804.4	-0.1	804.3
Taxes	-54.9		-54.9	-193.3		-193.3
Net income	184.5	0.0	184.5	611.1	-0.1	611.0
Net income attributable to:						
Shareholders of the parent company	180.6	0.0	180.6	601.2	-0.1	601.1
Non-controlling interests	3.9		3.9	9.9		9.9
Total	184.5	0.0	184.5	611.1	-0.1	611.0
Earnings per share for profit attributable to the shareholders of the parent company, EUR						
Basic earnings per share, EUR	0.70		0.70	2.35		2.35
Diluted earnings per share, EUR	0.70		0.70	2.34		2.34

Impact of the application of revised IAS 19

Restatement impact in statement of financial position MEUR	7–9/2012 Published 2012	7–9/2012 Restatement effect	7–9/2012 Restated 2012	1–12/2012 Published 2012	1–12/2012 Restatement effect	1–12/2012 Restated 2012
Assets	5,448.9	22.7	5,471.6	5,109.3	24.4	5,133.7
Deferred tax assets		30.9			32.1	
Pension surplus from defined benefit plans		-8.2			-7.7	
Equity	2,108.9	-68.3	2,040.6	1,905.2	-71.5	1,833.7
Retained earnings		-2.1			-2.2	
Remeasurements of employee benefits		-66.2			-69.3	
Liabilities	3,340.0	91.0	3,431.0	3,204.1	95.9	3,300.0
Employee benefits		91.0			95.9	
Interest-bearing net debt	-1,105.9	196.3	-909.6	-766.7	192.7	-574.0
Working capital (including financing and tax items)	-592.6	128.0	-464.6	-560.5	121.2	-439.3

Restatement impact in statement of cash flows MEUR	7–9/2012 Published 2012	7–9/2012 Restatement effect	7–9/2012 Restated 2012	1–12/2012 Published 2012	1–12/2012 Restatement effect	1–12/2012 Restated 2012
Cash flow from operations before financing items and taxes	351.9	3.9	355.8	1,055.3	15.5	1,070.8
Operating income		1.9			7.4	
Change in working capital before financing items and taxes		2.0			8.1	
Cash flow from operating activities	325.7	3.9	329.6	926.6	15.5	942.1
Cash flow after investing activities	304.8	3.9	308.7	706.4	15.5	721.9
Cash flow from financing activities	-298.1	-3.9	-302.0	-691.5	-15.5	-707.0
Change in loans payable and other interest-bearing debt		-3.9			-15.5	
Change in cash and cash equivalents	6.7	-	6.7	14.9	-	14.9

Shares and shareholders

Sep 30, 2013	Class A shares	Class B shares	Total
Number of shares	38,104,356	223,068,735	261,173,091
Own shares in possession [1]		5,029,449	
Share capital, EUR			65,293,273
Market capitalization, MEUR			16,893
Number of B shares traded (millions), 1–9/2013		85.8	
Value of B shares traded, MEUR, 1–9/2013		5,358	
Number of shareholders	3	40,539	40,539

	Close	High	Low
Class B share price, EUR, Jan–Sep 2013	65.95	72.70	55.70

[1] During January–September 2013, KONE used its authorization to repurchase own shares in January, and bought back in total 80,000 of its own class B shares. In April, 210,890 class B shares in the company's possession were assigned to the share-based incentive plan. In July and August, KONE bought back in total 1,000,000 of its own class B shares.

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:
Henrik Ehrnrooth
CFO
Tel. +358 (0)204 75 4260

Karla Lindahl
Director, Investor Relations
Tel. +358 (0)204 75 4441

KONE is one of the global leaders in the elevator and escalator industry. The company has been committed to understanding the needs of its customers for the past century, providing industry-leading elevators, escalators and automatic building doors as well as innovative solutions for modernization and maintenance. The company's objective is to offer the best People Flow™ experience by developing and delivering solutions that enable people to move smoothly, safely, comfortably and without waiting in buildings in an increasingly urbanizing environment. In 2012, KONE had annual net sales of EUR 6.3 billion and approximately 40,000 employees. KONE class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland. www.kone.com