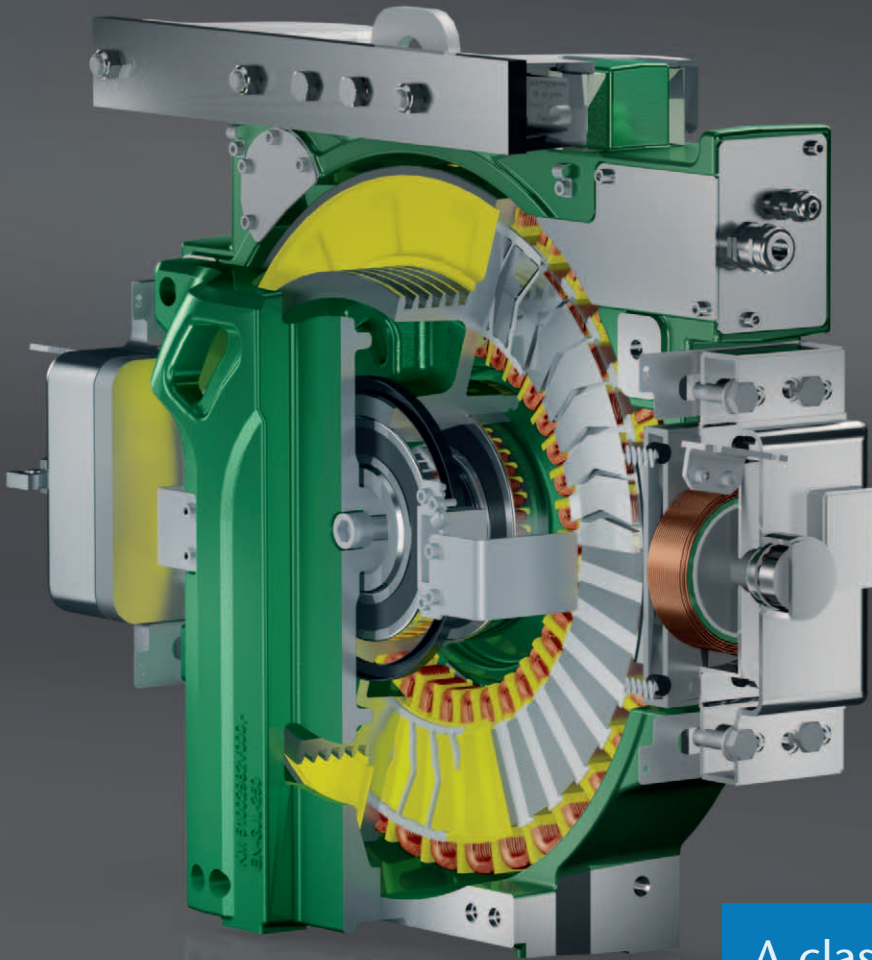


Dedicated to People Flow™



A-class energy-efficiency with the innovative KONE EcoDisc® elevator motor.

With over 50 patents and 17 years of constant development, the upgraded KONE EcoDisc® sets the new standard in ride comfort, space and energy-efficiency.

# KONE Q1

INTERIM REPORT  
FOR JANUARY–MARCH 2013

# KONE's January–March 2013 review

## January–March 2013: Very strong start to the year

- In January–March 2013, orders received totaled EUR 1,712 (1–3/2012: 1,366) million. Orders received increased by 25.4% at historical exchange rates and by 24.7% at comparable exchange rates. The order book stood at EUR 5,823 million at the end of March 2013 (Dec 31, 2012: 5,050 million).
- Net sales grew by 12.7% to EUR 1,399 (1,241) million. At comparable exchange rates the growth was 12.2%.
- Operating income was EUR 160.4 (134.6) million or 11.5% (10.8%) of net sales.
- Cash flow from operations was EUR 297.8 (252.2) million.
- KONE specifies its outlook due to the strong order intake in the first quarter. KONE's net sales is estimated to grow by 7–10% at comparable exchange rates as compared to 2012. The operating income (EBIT) is expected to be in the range of EUR 870–920 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2013. Previously KONE estimated net sales to grow by 5–9% at comparable exchange rates as compared to 2012. The operating income (EBIT) was expected to be in the range of EUR 840–920 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2013.

## 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.

		1–3/2013	1–3/2012	1–12/2012
Orders received	MEUR	1,712.4	1,365.9	5,496.2
Order book	MEUR	5,823.1	4,842.8	5,050.1
Sales	MEUR	1,398.7	1,241.3	6,276.8
Operating income (EBIT)	MEUR	160.4	134.6	828.7 <sup>1)</sup>
Operating income (EBIT)	%	11.5	10.8	13.2 <sup>1)</sup>
EBITA	MEUR	165.2	143.3	861.5 <sup>1)</sup>
EBITA	%	11.8	11.5	13.7 <sup>1)</sup>
Cash flow from operations (before financing items and taxes)	MEUR	297.8	252.2	1,070.8
Net income	MEUR	125.8	109.5	611.0
Total comprehensive income	MEUR	143.0	94.6	591.7
Basic earnings per share	EUR	0.49	0.43	2.35
Interest-bearing net debt	MEUR	-406.5	-489.8	-574.0
Total equity/total assets	%	37.7	46.3	47.1
Gearing	%	-26.6	-29.2	-31.3

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

## KONE's January–March 2013 review

### **Matti Alahuhta, President & CEO, in conjunction the review:**

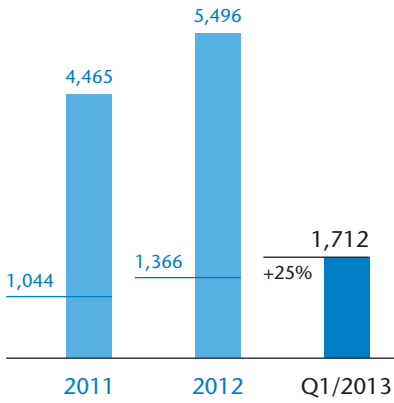
“Our start to the year was very strong. Orders received grew by 25% to EUR 1,712 million as a result of exceptionally strong growth in both Asia-Pacific and North America. Sales grew by over 12% to 1,399 million and operating income by 19% to EUR 160 million. Cash flow was at a very good level at EUR 298 million. I want to express my thanks to all KONE employees for their excellent work!

The markets developed largely in line with our expectations in the first quarter. The growth of the Chinese new equipment market was, however, clearly faster than we expected. We estimate the growth rate in China to decrease clearly already in the second quarter of the year, and our market growth expectation for the full year in China is approximately 10%. Also elsewhere in Asia-Pacific the new equipment market grew. Market growth continued in North America, but price competition remained intense especially in the maintenance market. The European new equipment and modernization markets continued to decline, and the maintenance pricing environment remained challenging particularly in South Europe.

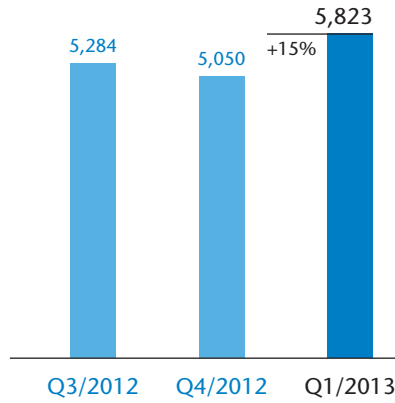
As a result of the strong order intake during the first quarter, we have specified our guidance for the full year. We now expect our sales to grow by 7–10% at comparable exchange rates and the operating income to be in the range of EUR 870–920 million, assuming there is no significant change in the translation exchange rates.”

# Key Figures

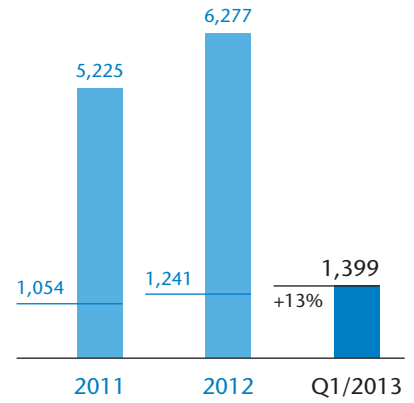
Orders received (MEUR)



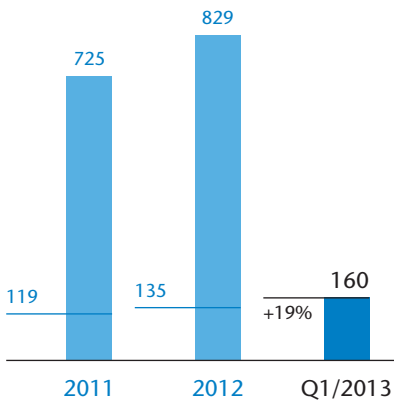
Order book (MEUR)



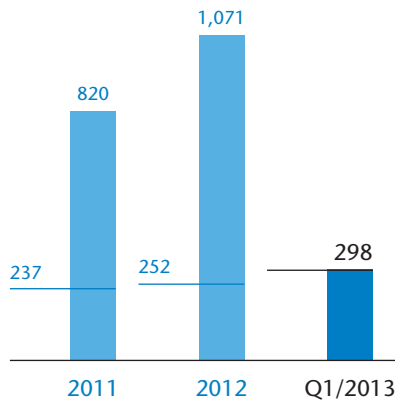
Sales (MEUR)



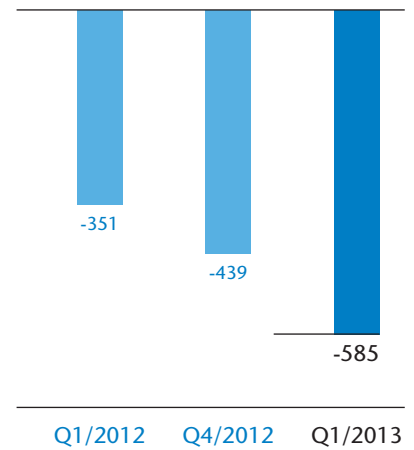
EBIT<sup>1</sup> (MEUR)



Cash flow<sup>2</sup> (MEUR)



Working capital<sup>3</sup> (MEUR)



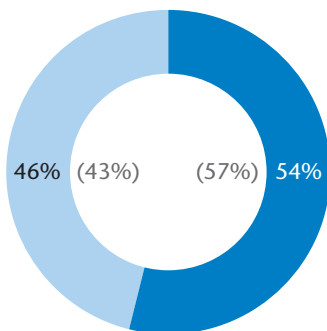
<sup>1)</sup> Operating profit excluding one-off items

<sup>2)</sup> Cash flow from operations before financing items and taxes

<sup>3)</sup> Including financing and tax items

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

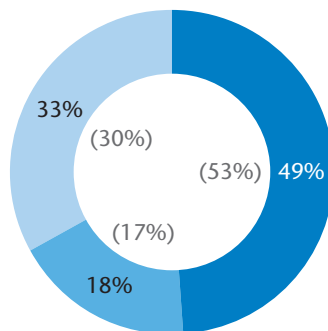
Sales by business



■ Service ■ New equipment

1-3/2013 (1-3/2012)

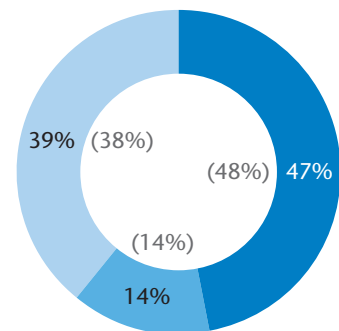
Sales by area



■ EMEA ■ Americas ■ Asia-Pacific

1-3/2013 (1-3/2012)

Personnel by area



■ EMEA ■ Americas ■ Asia-Pacific

March 31, 2013 (December 31, 2012)

## KONE's January–March 2013 review

### Accounting Principles

KONE Corporation's Interim Report for January–March 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 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. The information presented in this Interim Report has not been audited.

### Operating environment in January–March

In the first quarter of 2013, the new equipment market in Asia-Pacific grew faster than at the end of 2012, whereas the development trends of other regions were largely unchanged from the latter part of 2012. New equipment demand in the EMEA region declined slightly but remained at a relatively good level in Central and North Europe, and declined further from an already weak level in South Europe. Market growth continued in North America. The major projects segment grew driven by high activity levels in China and the Middle East. The global modernization market was relatively stable, although with regional variations. Maintenance markets grew in most countries, although at low rates in countries where new equipment activity has been weak over the past years. Price competition remained very intense, particularly in regions where the overall market activity was at a low level.

In the EMEA region, the new equipment market in Central and North Europe declined slightly in most countries. The residential segment declined slightly, while most other segments were relatively stable. The infrastructure segment grew driven by individual major projects. New equipment demand grew slightly in Great Britain, was stable at a good level in Germany and Austria, but saw a slight decline in most other markets. Demand developed favorably in Russia. In South Europe, new

equipment demand declined further with the most negative development in the residential segment. In both Spain and Italy, the market declined further from an already low level. Activity continued to decline also in France. The market grew in Turkey and in the Middle East, where demand stayed strong in Saudi Arabia and recovery continued in Qatar and in the United Arab Emirates. The modernization market declined in most countries. The maintenance market grew, although with significant variation between countries. Price competition in the maintenance markets remained very intense in many countries, particularly in South Europe.

In the Americas region, new equipment demand continued to grow. The recovery of the new equipment market in the United States remained primarily driven by small and mid-sized projects in the residential and office segments. The infrastructure segment grew as a result of a few large projects. Vacancy rates in the office segment continued to develop favorably. The new equipment market grew slightly in Canada and was rather stable 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. In China, the market grew strongly compared to the corresponding period in 2012. In the residential segment, affordable housing was the most significant source of growth, but growth was driven also by other residential construction in lower-tier cities. In large cities, the residential segments other than affordable housing continued to be adversely impacted by Chinese government measures aimed at managing the development of housing prices and inflation. The commercial segment grew, and some growth was seen also in the infrastructure segment with metro and airport activity developing favorably. In India, the market grew clearly driven by the residential segment. In Australia, the new equipment demand was on a slightly lower level than in the first quarter of 2012 and the modernization market was stable. The Southeast Asian markets developed positively, particularly in Indonesia and Malaysia. Maintenance markets in Asia-Pacific continued to grow. The pricing environment was challenging in all markets and price competition intensified further in the new equipment market in China.

### Orders received and Order book

Orders received increased by 25.4% as compared to January–March 2012, and totaled EUR 1,712 (1–3/2012: 1,366) million. At comparable exchange rates, orders received increased by 24.7%. Orders received declined slightly in the EMEA region, but grew very strongly in the Americas and Asia-Pacific. KONE was successful in both the volume and the major projects businesses. KONE's overall order intake grew strongly in both the new equipment and modernization businesses. Maintenance contracts are not included in orders received.

## KONE's January–March 2013 review

### SALES BY GEOGRAPHICAL REGIONS, MEUR

	1–3/2013	%	1–3/2012	%	1–12/2012	%
EMEA <sup>1)</sup>	693.6	49	660.6	53	3,094.0	49
Americas	248.5	18	205.0	17	999.0	16
Asia-Pacific	456.6	33	375.7	30	2,183.8	35
<b>Total</b>	<b>1,398.7</b>		<b>1,241.3</b>		<b>6,276.8</b>	

<sup>1)</sup> EMEA = Europe, Middle East, Africa

The order book grew from the end of 2012 by 15.3% and stood at a record high level of EUR 5,823 (Dec 31, 2012: 5,050) million at the end of March 2013. At comparable exchange rates, the increase was 12.9%. The margin of the order book remained at a healthy level. The margins of orders received continued to slightly improve.

In the EMEA region, orders received declined slightly as compared to January–March 2012. New equipment orders received grew in Central and North Europe while they declined in South Europe and the Middle East. KONE's modernization order intake in the EMEA region declined somewhat as compared to January–March 2012. Modernization orders grew slightly in Central and North Europe, but declined in South Europe.

In the Americas region, KONE's orders received grew very strongly as compared to January–March 2012. New equipment orders received grew somewhat, with very strong growth in Canada compensating for a decline in the United States. The modernization order intake grew very strongly in both the United States and Canada. In the United States, growth was driven primarily by very large individual projects.

In the Asia-Pacific region, orders received grew very strongly as compared to the first quarter of 2012. New equipment orders received grew the most in China. Modernization orders received grew very strongly in Australia.

KONE's largest orders during the first quarter included a modernization contract to replace 128 escalators at 34 metro stations in Washington D.C. in the United States, and the delivery of 77 elevators and escalators to the new Université de Montreal Hospital Center (CHUM) in Montreal, Canada. KONE was also awarded an order in Denmark to deliver 153 escalators, 42 elevators and four autowalks for the extension of the Copenhagen Metro, and an order to deliver in total 101 elevators, escalators and autowalks to the redeveloped Kuntsevo Center in Moscow, Russia.

#### Net sales

KONE's net sales increased by 12.7% as compared to January–March 2012, and totaled EUR 1,399 (1–3/2012: 1,241) million. At comparable exchange rates the increase was 12.2%.

New equipment sales accounted for EUR 649.3 (533.0) million of the total and represented an increase of 21.8% over

the comparison period. At comparable exchange rates, new equipment sales grew by 21.0%.

Service (maintenance and modernization) sales grew by 5.8% and totaled EUR 749.4 (708.3) million. At comparable exchange rates, the increase was 5.6%. Both maintenance and modernization sales continued to grow.

The share of new equipment sales was 46% and the share of service sales 54% of total sales.

Sales in the EMEA region grew somewhat as compared to January–March 2012. Maintenance and modernization sales grew, while new equipment sales was stable.

Sales in the Americas grew strongly as compared to the first quarter of 2012. Sales grew in all businesses with the highest growth rates in new equipment and modernization.

Sales in Asia-Pacific grew strongly as compared to January–March 2012. New equipment and maintenance sales grew, while modernization sales declined.

The geographical distribution of net sales was 49% (53%) EMEA, 18% (17%) Americas and 33% (30%) Asia-Pacific.

#### Financial result

KONE's operating income (EBIT) grew and reached EUR 160.4 (1–3/2012: 134.6) million or 11.5% (10.8%) of net sales. The growth in operating income was a result of continued strong sales growth in Asia-Pacific, China in particular, and positive development in the maintenance business. The growth of the operating income was burdened by deliveries of projects that were booked as orders received in 2010 and 2011 with lower margins, particularly in North America, and intense price competition. KONE also continued to increase fixed costs in areas that support growth, in particular in Asia-Pacific as well as process development and IT. In addition, the continued growth of the share of new equipment sales of total sales burdens the relative operating income in 2013. Net financing items was EUR 3.8 (6.2) million.

KONE's income before taxes was EUR 164.4 (141.1) million. Taxes totaled EUR 38.6 (31.6) 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 125.8 (109.5) million.

Earnings per share was EUR 0.49 (0.43).



## KONE's January–March 2013 review

### 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–March 2013 was EUR 297.8 (1–3/2012: 252.2) million. The primary 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 mainly due to a good level of advance payments received, particularly in Asia-Pacific, and normal seasonal maintenance invoicing cycles. At the end of March 2013, net working capital was EUR -585.1 (December 31, 2012: -439.3) million, including financing items and taxes.

Interest-bearing net debt at the end of March 2013 was EUR -406.5 (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 617.4 (304.7) million, including a net pension liability of EUR 196.9 (192.7) million and short-term loans of EUR 316.6 (12.8) million. Gearing was -26.6%, compared to -31.3% at the end of 2012. KONE's total equity/total assets ratio was 37.7% at the end of March (December 31, 2012: 47.1%).

Equity per share was EUR 5.87 (31.3.2012: 6.56).

### Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 25.6 (1–3/2012: 14.9) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. Acquisitions accounted for EUR 9.6 (6.1) million of this figure.

KONE completed a number of small acquisitions of European maintenance companies in January–March 2013. 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 the Group.

### Research and development

Research and development expenses totaled EUR 21.6 (1–3/2012: 20.3) million, representing 1.5% (1.6%) of net sales. R&D expenses include the development of new product and service concepts and the further development of existing solutions and services. KONE's elevators and escalators are based on energy-efficient technology.

According to its vision of delivering the best People Flow™ experience, KONE focuses on understanding the needs of its customers and of the users of its solutions in order to enhance people flow in buildings and improve the user experience. One of KONE's five development programs, Innovative Solutions for People Flow™, aims to develop innovative products for an increasingly urbanizing world with a focus on eco-efficiency, ride comfort, and visual design.

During January–March 2013, KONE launched modernization solutions for elevator electrification in Europe enabling improved energy efficiency (VDI 4707 A-class level) of the

modernized equipment as well as improved ride comfort. In China, KONE launched an extension to the KONE E MiniSpace™ elevator for the affordable housing segment to serve a wider market. In Asia-Pacific, a solution for optimized space efficiency was launched for KONE N MiniSpace™ for the residential and commercial segments, and the standard offering of KONE N MonoSpace®, KONE S MonoSpace®, and KONE N MiniSpace™ elevators was extended with the inclusion of the KONE Polaris™ 500 Destination Control System in it.

### Personnel

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

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 launched a new project management training portfolio. The delivery of existing training programs continued as planned and new modules were piloted for the Supervisor Development Program. KONE also continued the development of sales management training globally and piloted several in-depth sales skills programs for KONE's sales personnel.

During January–March 2013, KONE's eighth annual employee survey was conducted with an all-time high response rate of 92% (2012: 91%), with results to be reported for action point identification during the second quarter of the year. Various wellness programs continued and a strong focus on individual development planning was promoted in connection with the annual performance management round.

KONE had 40,189 (December 31, 2012: 39,851) employees at the end of March 2013. The average number of employees was 40,067 (1–3/2012: 37,668).

The geographical distribution of KONE employees was 47% (December 31, 2012: 48%) in EMEA, 14% (14%) in the Americas and 39% (38%) in Asia-Pacific.

### Environment

For KONE, environmental responsibility is a combination of offering its customers innovative solutions that are both energy- and cost-efficient, while reducing the environmental impacts of its own operations. The focus in the development of eco-efficient solutions is on further improving energy-saving stand-by and hoisting solutions for elevators as well as innovative energy-saving solutions for escalators. KONE aims

## KONE's January–March 2013 review

to strengthen its position as the eco-efficiency leader in its industry.

During the reporting period, customer installations of the new KONE MonoSpace® 500 elevator began in Europe. The achievement of VDI 4707 A-class energy efficiency was verified in addition to earlier measurements by an independent certification body on KONE's test sites, also on a customer site.

The most significant environmental impact of KONE's business globally relates to the amount of electricity used by KONE equipment in their lifetime. This underlines the importance of energy-efficient innovations for elevators and escalators. The most significant impact on KONE's operational carbon footprint relates to logistics, the company's vehicle fleet, and electricity consumption.

KONE continuously works on minimizing its carbon footprint and on ensuring that its suppliers comply with corresponding requirements and environmental targets. During the reporting period, KONE finalized the calculations of its 2012 carbon footprint. KONE's 2012 carbon footprint relative to overall operations (net sales) decreased by 2.5% compared to 2011. The carbon footprint of externally assured scope 1 and 2 greenhouse gas emissions relative to net sales decreased by 7.5% compared to 2011. The major achievements were a 9.1% decrease in the logistics carbon footprint relative to units delivered, a 19.5% decrease in the business air travel carbon footprint relative to KONE's headcount, and a 0.4% decrease in the service vehicle fleet carbon footprint relative to units in service. KONE's 2012 absolute operational carbon footprint amounted to 290,100 tonnes of carbon dioxide equivalent. The 16% increase in the absolute carbon footprint is largely due to the inclusion of GiantKONE in China to the carbon footprint reporting scope and the increase of sales volumes.

### 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 288 million at the end of March (December

31, 2012: EUR 254 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 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. 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. 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



## KONE's January–March 2013 review

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.

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 disruptions in processes and therefore impact KONE's business. Clear roles and responsibilities have been defined to manage IT security risks to ensure that adequate security is inbuilt within the IT management processes according to security policies, principles and guidelines.

Changes in raw material and component prices are reflected directly in the production costs of elevators, escalators and automatic doors, and may therefore have an impact on KONE's profitability. In order to reduce the impact of material and sourcing price fluctuation KONE aims to enter into fixed-price contracts with its major suppliers for a significant part of its raw material and component purchases. 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.

## KONE's January–March 2013 review

### Dividend for 2012

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. Stock options 2010 were granted according to the decision of the Board of Directors on July 20 based on the authorization received from the Shareholders Meeting on March 1, 2010. A total of 3,000,000 options exist and 896,000 of them are held by KONE Corporation's subsidiary. The original share subscription price for the option was EUR 35.00 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 March 31, 2013 was EUR 29.45. Each option entitles its holder to subscribe for one (1) new class B share. The share subscription period for the stock option 2010 will be April 1, 2013–April 30, 2015. The share subscription period begun on April 1, 2013, as the financial performance of the KONE Group for the financial years 2010–2012, based on the total consideration of the Board of Directors, was equal to or better than the average performance of key competitors of KONE. The 2010 stock options were listed on the NASDAQ OMX Helsinki Ltd on April 2, 2013.

In 2013, KONE granted a conditional option program. Stock options 2013 are granted according to the decision of the Board of Directors on January 24, 2013 to approximately 480 key employees and the decision was based on the authorization received from the Shareholders Meeting on March 1, 2010. A maximum total of 750,000 options are granted. The original share subscription price for the option was EUR 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 March 31, 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 option 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 March 31, 2013, KONE's share capital was EUR 65,134,030.00, comprising 222,431,764 listed class B shares and 38,104,356 unlisted class A shares.

KONE's market capitalization was EUR 15,724 million on March 31, 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–March 2013, KONE used its previous authorization to repurchase own shares in February, and bought back in total 80,000 of its own class B shares. At the end of March, the Group had 4,240,339 class B shares in its possession. The shares in the Group's possession represent 1.9% of the total number of class B shares. This corresponds to 0.7% of the total voting rights.

### Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki Ltd. traded 26 million KONE Corporation's class B shares in January–March 2013, equivalent to a turnover of EUR 1,610 million. The daily average trading volume was 423,800 shares (1–3/2012: 501,060). The share price on March 31, 2013 was EUR 61.35. The volume weighted average share price during the period was EUR 61.24. The highest quotation during the period under review was EUR 65.40 and the lowest EUR 56.25.

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 27% of the total volume of KONE's class B shares traded in January–March 2013 (source: Fidessa Fragmentation Index, [www.fragmentation.fidessa.com](http://www.fragmentation.fidessa.com)).

The number of registered shareholders was 31,690 at the beginning of the review period and 34,105 at its end. The number of private households holding shares totaled 31,371 at the end of the period, which corresponds to approximately 12.6% of the listed B shares.

According to the nominee registers, 46.6% of the listed class B shares were owned by foreigners on March 31, 2013. Other foreign ownership at the end of the period totaled 6.5%. Thus a total of 53.1% of KONE's listed class B shares were owned by international investors, corresponding to approximately 19.6% of the total votes in the company.

## KONE's January–March 2013 review

### 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 approximately 10% in 2013. The market in Central and North Europe is expected to decline slightly, 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 specifies its outlook due to the strong order intake in the first quarter.

KONE's net sales is estimated to grow by 7–10% at comparable exchange rates as compared to 2012.

The operating income (EBIT) is expected to be in the range of EUR 870–920 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2013.

### Previous business outlook

*KONE's net sales is estimated to grow by 5–9% at comparable exchange rates as compared to 2012.*

*The operating income (EBIT) is expected to be in the range of EUR 840–920 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2013.*

Helsinki, April 23, 2013

KONE Corporation's Board of Directors

# Consolidated statement of income

MEUR	1-3/2013	%	1-3/2012	%	1-12/2012	%
<b>Sales</b>	1,398.7		1,241.3		6,276.8	
Costs and expenses	-1,219.3		-1,085.1		-5,362.1	
Depreciation and amortization	-19.0		-21.6		-86.0	
One-time cost	-		-		-37.3	
<b>Operating income</b>	160.4	11.5	134.6	10.8	791.4	12.6
Share of associated companies' net income	0.2		0.3		4.3	
Financing income	6.6		9.9		42.9	
Financing expenses	-2.8		-3.7		-34.3	
<b>Income before taxes</b>	164.4	11.8	141.1	11.4	804.3	12.8
Taxes	-38.6		-31.6		-193.3	
<b>Net income</b>	125.8	9.0	109.5	8.8	611.0	9.7
<b>Net income attributable to:</b>						
Shareholders of the parent company	124.4		108.6		601.1	
Non-controlling interests	1.4		0.9		9.9	
<b>Total</b>	125.8		109.5		611.0	
<b>Earnings per share for profit attributable to the shareholders of the parent company, EUR</b>						
Basic earnings per share, EUR	0.49		0.43		2.35	
Diluted earnings per share, EUR	0.48		0.42		2.34	

## Consolidated statement of comprehensive income

MEUR	1-3/2013	%	1-3/2012	%	1-12/2012	%
<b>Net income</b>	125.8		109.5		611.0	
<b>Other comprehensive income, net of tax:</b>						
Translation differences	23.1		-14.8		-9.4	
Hedging of foreign subsidiaries	-2.5		1.7		1.3	
Cash flow hedges	0.4		1.4		1.5	
Remeasurements of employee benefits	-3.8		-3.2		-12.7	
<b>Other comprehensive income, net of tax</b>	17.2		-14.9		-19.3	
<b>Total comprehensive income</b>	143.0		94.6		591.7	
<b>Total comprehensive income attributable to:</b>						
Shareholders of the parent company	141.6		93.7		581.8	
Non-controlling interests	1.4		0.9		9.9	
<b>Total</b>	143.0		94.6		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	Mar 31, 2013	Mar 31, 2012	Dec 31, 2012
<b>Non-current assets</b>			
Intangible assets	1,291.4	1,158.3	1,283.8
Tangible assets	267.8	226.8	261.7
Loans receivable and other interest-bearing assets	5.6	5.4	5.5
Deferred tax assets	241.1	205.8	232.5
Investments	147.9	154.7	153.5
<b>Total non-current assets</b>	<b>1,953.8</b>	<b>1,751.0</b>	<b>1,937.0</b>
<b>Current assets</b>			
Inventories	1,077.0	900.4	980.8
Accounts receivable and other non interest-bearing assets	1,445.9	1,304.5	1,342.7
Current deposits and loan receivables	820.9	570.3	623.6
Cash and cash equivalents	197.4	195.4	249.6
<b>Total current assets</b>	<b>3,541.2</b>	<b>2,970.6</b>	<b>3,196.7</b>
<b>Total assets</b>	<b>5,495.0</b>	<b>4,721.6</b>	<b>5,133.7</b>

Equity and liabilities MEUR	Mar 31, 2013	Mar 31, 2012	Dec 31, 2012
<b>Equity</b>	<b>1,528.5</b>	<b>1,678.9</b>	<b>1,833.7</b>
<b>Non-current liabilities</b>			
Loans	23.0	20.1	20.9
Deferred tax liabilities	96.6	82.0	88.4
Employee benefits	196.9	186.7	192.7
<b>Total non-current liabilities</b>	<b>316.5</b>	<b>288.8</b>	<b>302.0</b>
<b>Provisions</b>	<b>132.2</b>	<b>85.6</b>	<b>136.2</b>
<b>Current liabilities</b>			
Loans	397.5	74.5	91.1
Advance payments received	1,441.8	1,093.8	1,242.0
Accounts payable and other liabilities	1,678.5	1,500.0	1,528.7
<b>Total current liabilities</b>	<b>3,517.8</b>	<b>2,668.3</b>	<b>2,861.8</b>
<b>Total equity and liabilities</b>	<b>5,495.0</b>	<b>4,721.6</b>	<b>5,133.7</b>

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
<b>Jan 1, 2013</b>	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									124.4	1.4	125.8
Other comprehensive income:											
Translation differences					23.1						23.1
Hedging of foreign subsidiaries					-2.5						-2.5
Cash flow hedges				0.4							0.4
Remeasurements of employee benefits						-3.8					-3.8
Transactions with shareholders and non-controlling interests:											
Profit distribution								-448.3			-448.3
Increase in equity (option rights)											-
Purchase of own shares							-4.8				-4.8
Change in non-controlling interests										0.6	0.6
Option and share-based compensation								4.3			4.3
<b>Mar 31, 2013</b>	65.1	100.3	81.2	-3.6	60.7	-73.1	-77.7	1,227.9	124.4	23.3	1,528.5

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
<b>Jan 1, 2012</b>	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
<b>Jan 1, 2012, restated</b>	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									108.6	0.9	109.5
Other comprehensive income, restated:											
Translation differences					-14.8						-14.8
Hedging of foreign subsidiaries					1.7						1.7
Cash flow hedges				1.4							1.4
Remeasurements of employee benefits						-3.2					-3.2
Transactions with shareholders and non-controlling interests:											
Profit distribution								-356.4			-356.4
Increase in equity (option rights)											-
Purchase of own shares							-36.9				-36.9
Change in non-controlling interests										-0.2	-0.2
Option and share-based compensation								2.5			2.5
<b>Mar 31, 2012, restated</b>	65.1	100.3	51.5	-4.1	35.1	-59.8	-135.7	1,509.9	108.6	8.0	1,678.9



## 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
<b>Jan 1, 2012</b>	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
<b>Jan 1, 2012, restated</b>	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
<b>Dec 31, 2012, restated</b>	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	1-3/2013	1-3/2012	1-12/2012
Operating income	160.4	134.6	791.4
Change in working capital before financial items and taxes	118.4	96.0	193.4
Depreciation and amortization	19.0	21.6	86.0
<b>Cash flow from operations before financial items and taxes</b>	<b>297.8</b>	<b>252.2</b>	<b>1,070.8</b>
Cash flow from financing items and taxes	-32.7	-1.2	-128.7
<b>Cash flow from operating activities</b>	<b>265.1</b>	<b>251.0</b>	<b>942.1</b>
Cash flow from investing activities	-32.3	-20.5	-220.2
<b>Cash flow after investing activities</b>	<b>232.8</b>	<b>230.5</b>	<b>721.9</b>
Purchase of own shares	-4.8	-36.9	-36.9
Increase in equity (option rights)	-	-	29.7
Profit distribution	-416.8	-331.8	-740.8
Change in deposits and loans receivable, net	-176.8	106.3	59.3
Change in loans payable and other interest-bearing debt	309.4	-5.3	-16.8
Changes in non-controlling interests	-	-	-1.5
<b>Cash flow from financing activities</b>	<b>-289.0</b>	<b>-267.7</b>	<b>-707.0</b>
<b>Change in cash and cash equivalents</b>	<b>-56.2</b>	<b>-37.2</b>	<b>14.9</b>
Cash and cash equivalents at end of period	197.4	195.4	249.6
Translation difference	-4.0	1.4	-0.7
Cash and cash equivalents at beginning of period	249.6	234.0	234.0
<b>Change in cash and cash equivalents</b>	<b>-56.2</b>	<b>-37.2</b>	<b>14.9</b>

## CHANGE IN INTEREST-BEARING NET DEBT

MEUR	1-3/2013	1-3/2012	1-12/2012
Interest-bearing net debt at beginning of period	-574.0	-646.0	-646.0
Interest-bearing net debt at end of period	-406.5	-489.8	-574.0
<b>Change in interest-bearing net debt</b>	<b>167.5</b>	<b>156.2</b>	<b>72.0</b>

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

		1–3/2013	1–3/2012	1–12/2012
Basic earnings per share	EUR	0.49	0.43	2.35
Diluted earnings per share	EUR	0.48	0.42	2.34
Equity per share	EUR	5.87	6.56	7.07
Interest-bearing net debt	MEUR	-406.5	-489.8	-574.0
Total equity/total assets	%	37.7	46.3	47.1
Gearing	%	-26.6	-29.2	-31.3
Return on equity	%	29.9	24.0	32.1
Return on capital employed	%	24.0	21.5	29.4
Total assets	MEUR	5,495.0	4,721.6	5,133.7
Assets employed	MEUR	1,122.0	1,189.1	1,259.7
Working capital (including financing and tax items)	MEUR	-585.1	-350.7	-439.3

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

## QUARTERLY FIGURES

		Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Orders received	MEUR	1,712.4	1,321.3	1,295.6	1,513.4	1,365.9
Order book	MEUR	5,823.1	5,050.1	5,283.7	5,305.3	4,842.8
Sales	MEUR	1,398.7	1,857.7	1,633.7	1,544.1	1,241.3
Operating income	MEUR	160.4	257.4	226.4	210.3 <sup>1)</sup>	134.6
Operating income	%	11.5	13.9	13.9	13.6 <sup>1)</sup>	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 <sup>2)</sup>	91.2	189.2	146.0	136.7	86.5
Operating income	%	14.2	14.2	12.5 <sup>2)</sup>	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 <sup>3)</sup>	126.7	116.4	69.3 <sup>4)</sup>	123.4	101.1	83.9	51.7
Operating income	%	12.4 <sup>3)</sup>	13.0	11.6	8.5 <sup>4)</sup>	10.8	11.5	10.0	7.0

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

<sup>2)</sup> Excluding a MEUR 33.6 one-time restructuring cost related to the fixed cost adjustment program.

<sup>3)</sup> 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.

<sup>4)</sup> 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	1-3/2013	%	1-3/2012	%	1-12/2012	%
EMEA <sup>1)</sup>	693.6	49	660.6	53	3,094.0	49
Americas	248.5	18	205.0	17	999.0	16
Asia-Pacific	456.6	33	375.7	30	2,183.8	35
<b>Total</b>	<b>1,398.7</b>		<b>1,241.3</b>		<b>6,276.8</b>	

<sup>1)</sup> EMEA = Europe, Middle East, Africa

### ORDERS RECEIVED

MEUR	1-3/2013	1-3/2012	1-12/2012
	1,712.4	1,365.9	5,496.2

### ORDER BOOK

MEUR	Mar 31, 2013	Mar 31, 2012	Dec 31, 2012
	5,823.1	4,842.8	5,050.1

### CAPITAL EXPENDITURE

MEUR	1-3/2013	1-3/2012	1-12/2012
In fixed assets	11.0	6.8	107.8
In leasing agreements	5.0	2.0	10.9
In acquisitions	9.6	6.1	169.2
<b>Total</b>	<b>25.6</b>	<b>14.9</b>	<b>287.9</b>

### DEPRECIATION AND AMORTIZATION

MEUR	1-3/2013	1-3/2012	1-12/2012
Depreciation	14.2	12.9	53.2
Amortization of acquisition-related intangible assets	4.8	8.7	32.8
<b>Total</b>	<b>19.0</b>	<b>21.6</b>	<b>86.0</b>

### R&D EXPENDITURE

MEUR	1-3/2013	1-3/2012	1-12/2012
	21.6	20.3	86.1
R&D Expenditure as percentage of sales	1.5	1.6	1.4

### NUMBER OF EMPLOYEES

	1-3/2013	1-3/2012	1-12/2012
Average	40,067	37,668	38,477
At the end of the period	40,189	37,770	39,851

## Notes for the interim report

COMMITMENTS			
MEUR	Mar 31, 2013	Mar 31, 2012	Dec 31, 2012
Mortgages			
Group and parent company	-	-	-
Pledged assets			
Group and parent company	0.1	0.1	0.1
Guarantees			
Associated companies	10.1	6.6	9.8
Others	5.0	5.5	5.1
Operating leases	251.6	203.3	257.2
<b>Total</b>	<b>266.8</b>	<b>215.5</b>	<b>272.2</b>

Banks and financial institutions have guaranteed obligations arising in the ordinary course of business of KONE companies up to a maximum of EUR 976.0 (771.5) million as of March 31, 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	Mar 31, 2013	Mar 31, 2012	Dec 31, 2012
Less than 1 year	58.3	53.7	61.1
1–5 years	145.8	126.4	146.7
Over 5 years	47.5	23.2	49.4
<b>Total</b>	<b>251.6</b>	<b>203.3</b>	<b>257.2</b>

## 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 appraisal, 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	negative	net	net	net
	fair value	fair value	fair value	fair value	fair value
	Mar 31, 2013	Mar 31, 2013	Mar 31, 2013	Mar 31, 2012	Dec 31, 2012
Foreign exchange forward contracts and swaps	10.1	-11.8	-1.7	-7.4	-4.5
Cross-currency swaps	-	-5.4	-5.4	-19.1	-13.5
Electricity price forward contracts	0.1	-0.5	-0.4	-0.3	-0.4
<b>Total</b>	<b>10.2</b>	<b>-17.7</b>	<b>-7.5</b>	<b>-26.8</b>	<b>-18.4</b>

Nominal values of derivative financial instruments MEUR	Mar 31, 2013	Mar 31, 2012	Dec 31, 2012
	Foreign exchange forward contracts and swaps	1,090.2	898.1
Cross-currency swaps	138.9	139.4	139.3
Electricity price forward contracts	5.9	4.7	4.1
<b>Total</b>	<b>1,235.0</b>	<b>1,042.2</b>	<b>1,238.3</b>

The fair values of foreign exchange forward contracts and swaps as well as the fair values of cross-currency swaps are measured based on price information derived from active markets and commonly used valuation methods (fair value hierarchy level 2). For electricity price forward contracts there exists a stock exchange price, based on which the fair value can be measured reliably (fair value hierarchy level 1).

The fair values are represented in the balance on a cross basis and can be set off on conditional terms. No collaterals or pledges have been given as security against any liabilities or received against any assets arising from derivatives or other financial instruments. Financial contracts are executed only with counterparties that have high credit ratings. The credit risk of these counterparties as well as the present creditworthiness of KONE are considered when calculating the fair values of outstanding financial assets and liabilities.



## 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 1–3/2012 and 1–12/2012.

Restatement impact in statement of income	1–3/2012			1–12/2012		
	Published 2012	Restate- ment effect	Restated 2012	Published 2012	Restate- ment effect	Restated 2012
<b>MEUR</b>						
<b>Sales</b>	1,241.3		1,241.3	6,276.8		6,276.8
Costs and expenses	-1,087.0	1.9	-1,085.1	-5,369.5	7.4	-5,362.1
Depreciation and amortization	-21.6		-21.6	-86.0		-86.0
One-time cost	-		-	-37.3		-37.3
<b>Operating income</b>	132.7	1.9	134.6	784.0	7.4	791.4
Share of associated companies' net income	0.3		0.3	4.3		4.3
Financing income	9.9		9.9	42.9		42.9
Financing expenses	-1.8	-1.9	-3.7	-26.8	-7.5	-34.3
<b>Income before taxes</b>	141.1	0.0	141.1	804.4	-0.1	804.3
Taxes	-31.6		-31.6	-193.3		-193.3
<b>Net income</b>	109.5	0.0	109.5	611.1	-0.1	611.0
<b>Net income attributable to:</b>						
Shareholders of the parent company	108.6	0.0	108.6	601.2	-0.1	601.1
Non-controlling interests	0.9		0.9	9.9		9.9
<b>Total</b>	109.5	0.0	109.5	611.1	-0.1	611.0
<b>Earnings per share for profit attributable to the shareholders of the parent company, EUR</b>						
Basic earnings per share, EUR	0.43		0.43	2.35		2.35
Diluted earnings per share, EUR	0.42		0.42	2.34		2.34

## Impact of the application of revised IAS 19

Restatement impact in statement of financial position	1-3/2012			1-12/2012		
	Published 2012	Restate- ment effect	Restated 2012	Published 2012	Restate- ment effect	Restated 2012
<b>MEUR</b>						
<b>Assets</b>	4,701.1	20.5	4,721.6	5,109.3	24.4	5,133.7
Deferred tax assets		28.4			32.1	
Pension surplus from defined benefit plans		-7.9			-7.7	
<b>Equity</b>	1,740.8	-61.9	1,678.9	1,905.2	-71.5	1,833.7
Retained earnings		-2.1			-2.2	
Remeasurements of employee benefits		-59.8			-69.3	
<b>Liabilities</b>	2,960.3	82.4	3,042.7	3,204.1	95.9	3,300.0
Employee benefits		82.4			95.9	
<b>Interest-bearing net debt</b>	-676.5	186.7	-489.8	-766.7	192.7	-574.0
<b>Working capital (including financing and tax items)</b>	-475.5	124.8	-350.7	-560.5	121.2	-439.3

Restatement impact in statement of cash flows	1-3/2012			1-12/2012		
	Published 2012	Restate- ment effect	Restated 2012	Published 2012	Restate- ment effect	Restated 2012
<b>MEUR</b>						
<b>Cash flow from operations before financing items and taxes</b>	248.3	3.9	252.2	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	
<b>Cash flow from operating activities</b>	247.1	3.9	251.0	926.6	15.5	942.1
<b>Cash flow after investing activities</b>	226.6	3.9	230.5	706.4	15.5	721.9
<b>Cash flow from financing activities</b>	-263.8	-3.9	-267.7	-691.5	-15.5	-707.0
Change in loans payable and other interest-bearing debt		-3.9			-15.5	
<b>Change in cash and cash equivalents</b>	-37.2	-	-37.2	14.9	-	14.9

# Shares and shareholders

Mar 31, 2013	Class A shares	Class B shares	Total
Number of shares	38,104,356	222,431,764	260,536,120
Own shares in possession <sup>1)</sup>		4,240,339	
Share capital, EUR			65,134,030
Market capitalization, MEUR			15,724
Number of B shares traded (millions), 1–3/2013		26.3	
Value of B shares traded, MEUR, 1–3/2013		1,610	
Number of shareholders	3	34,105	34,105

	Close	High	Low
Class B share price, EUR, Jan–Mar 2013	61.35	65.40	56.25

<sup>1)</sup> During January–March 2013, KONE used its authorization to repurchase own shares in January, and bought back in total 80,000 of its own class B shares.

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*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](http://www.kone.com)*

This bulletin contains forward-looking statements that are based on the current expectations, known factors, decisions and plans of the management of KONE. Although the management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions as well as fluctuations in exchange rates.