KONE
Interim Report for January-September 2009

October 20, 2009

Matti Alahuhta, President & CEO

Q3 2009: Strong operating income and cash flow

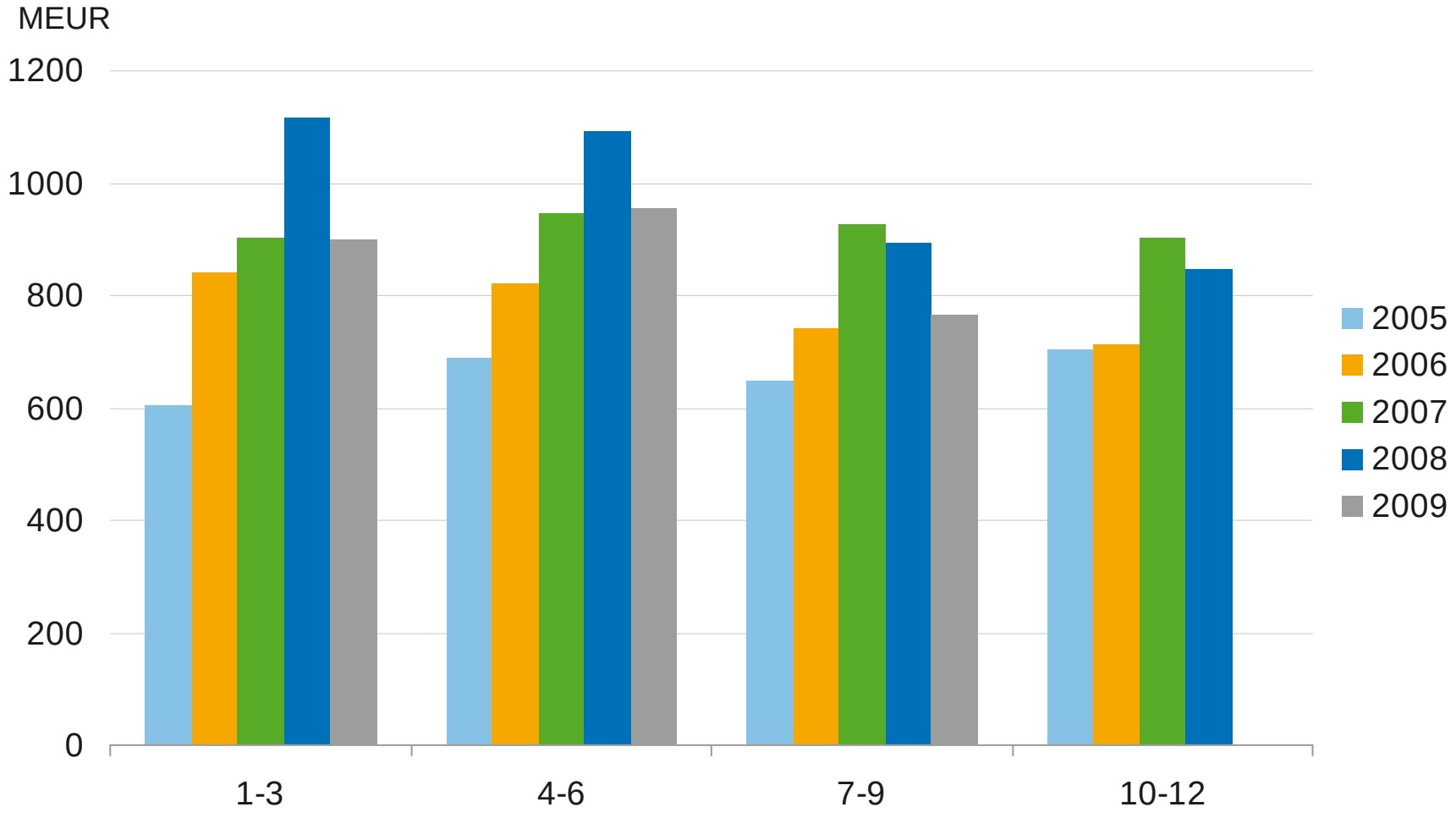
		Q3/2009	Q3/2008	Historical change	1-12/2008
Orders received	MEUR	766.5	892.4	-14.1%	3,947.5
Order book	MEUR	3,603.4	4,002.8	-10.0%	3,576.7
Sales	MEUR	1,127.3	1,123.8	0.3%	4,602.8
Operating income	MEUR	160.1	146.0	9.7%	558.4
Operating income	%	14.2	13.0		12.1
Cash flow from operations (before financial items and taxes)	MEUR	255.5	153.4		527.4

1-9/2009: Growth in sales and operating income and a very strong cash flow

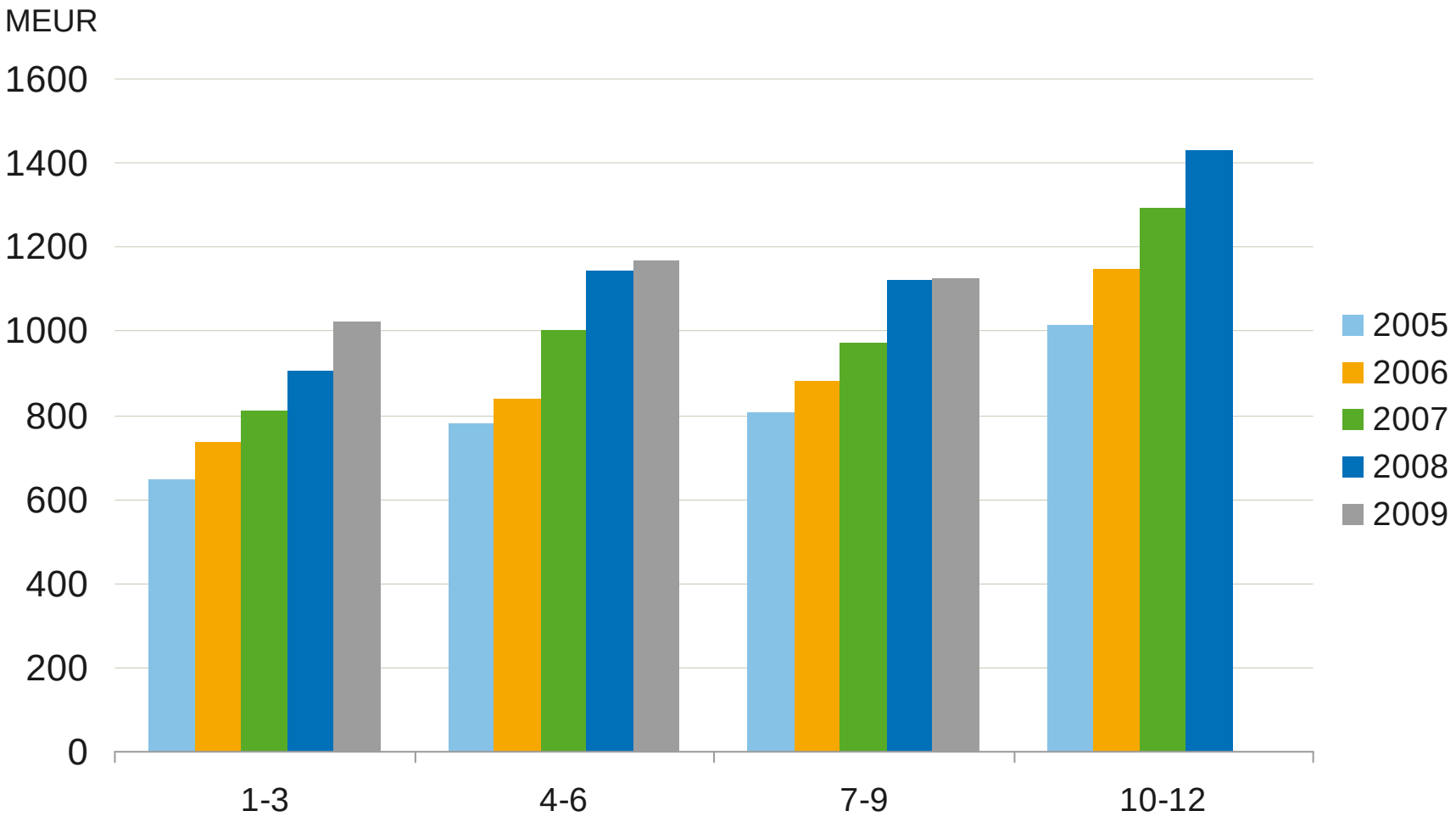
		1-9/2009		1-9/2008	Historical change	1-12/2008
Orders received	MEUR	2,618.9		3,102.3	-15.6%	3,947.5
Order book	MEUR	3,603.4		4,002.8	-10.0%	3,576.7
Sales	MEUR	3,316.9		3,171.2	4.6%	4,602.8
Operating income	MEUR	397.6	1)	369.2	7.7%	558.4
Operating income	%	12.0	1)	11.6		12.1
Cash flow from operations (before financial items and taxes)	MEUR	626.9		438.9		527.4

1) Excluding a EUR 33.6 million one-time cost related to the EUR 40 million fixed cost adjustment program.

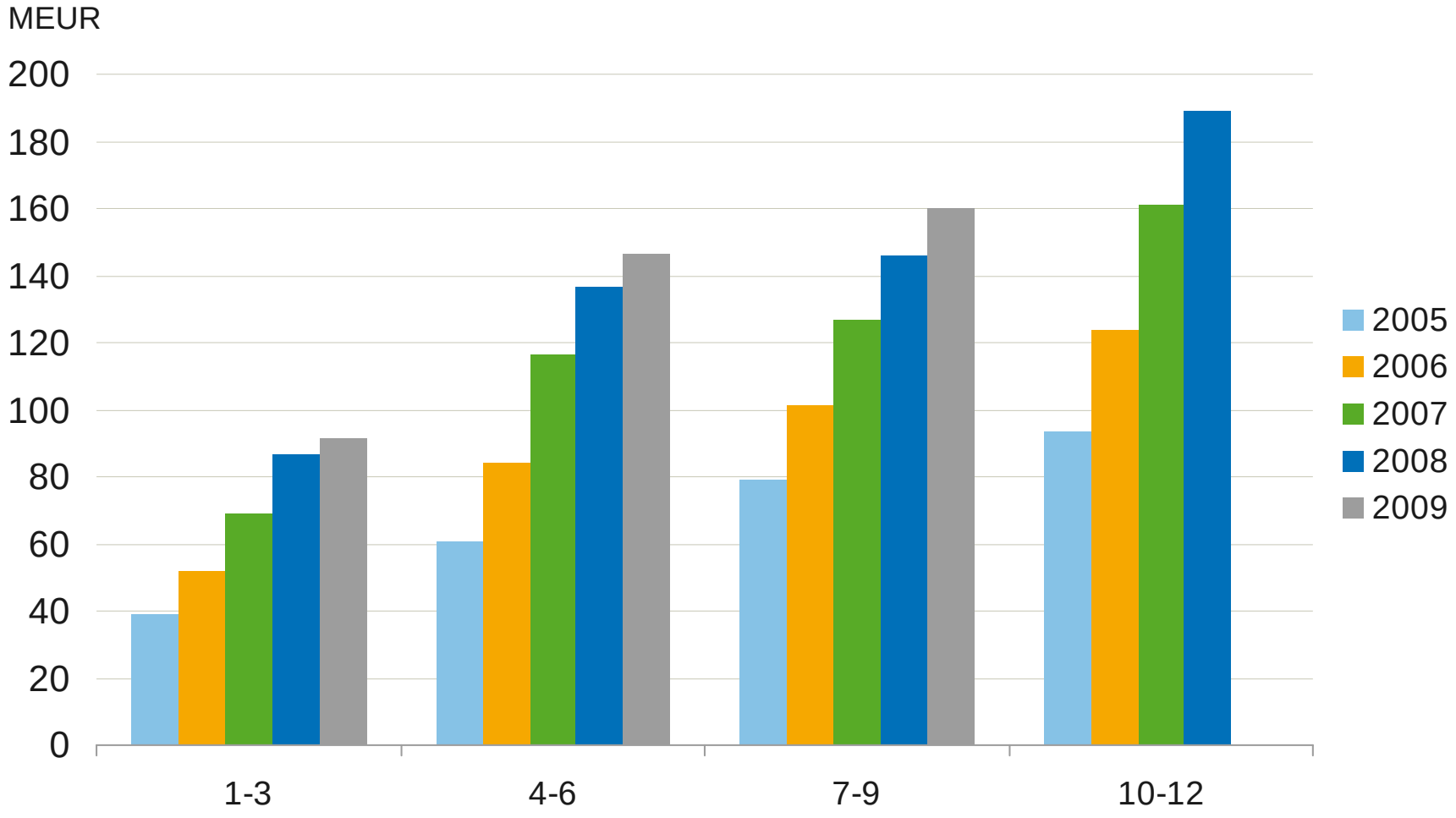
Q3 2009: Orders received impacted by delays in customers' decisions



Q3 2009: Good development in maintenance sales offsets weakness in new equipment

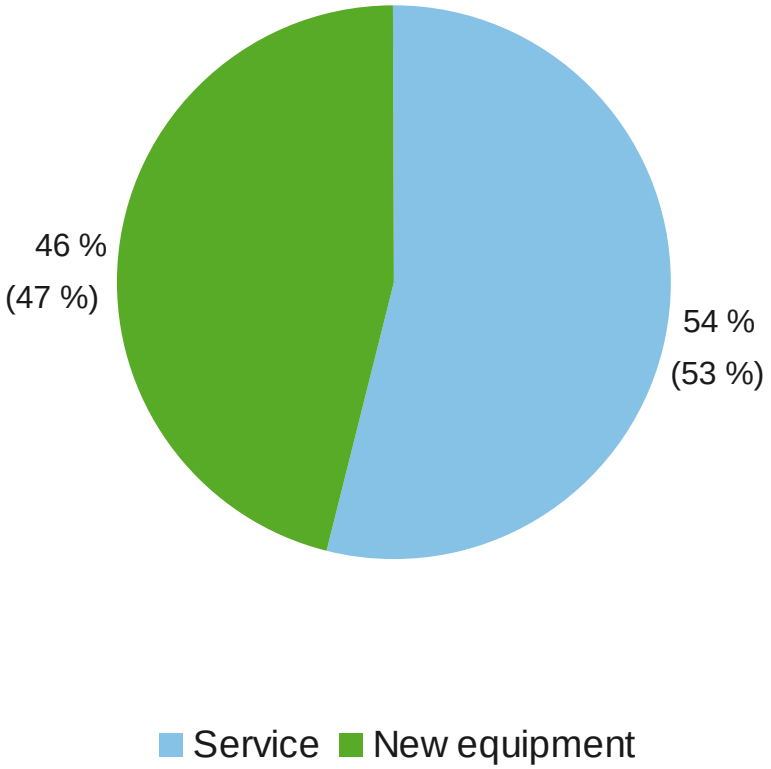


Q3 2009: Operating income continued to improve because of better productivity, improved sourcing costs and tighter cost control

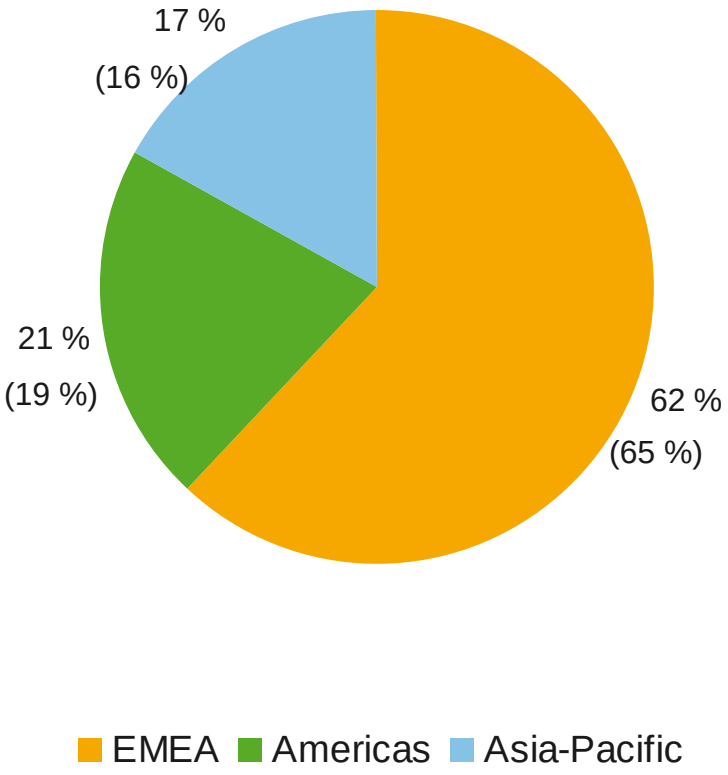


1-9 2009: Good development continued in the service business

Sales by business



Sales by market



2008 figures in brackets

Q3 2009: In EMEA, the business environment in new equipment remained very challenging

- The difficult new equipment market environment continued. Some positive signs in the residential segment in some countries.
- Modernization markets were stable and provided good opportunities.
- Maintenance markets continued to develop well, but were very competitive.

Q3 2009: In the Americas, customers' access to financing and high vacancy rates are main obstacles

- The new equipment markets continued to decline.
- Modernization market relatively stable – somewhat positively impacted by stimulus activity.
- Maintenance markets continued to develop well, but were very competitive.

Q3 2009: Positive development in Asia-Pacific

- In the new equipment market
  - Good development in China; Q3 market was at last year's level.
  - In India, the market has stabilized.
  - In Australia, markets weakened.
  - In Southeast Asia markets were weak, but some positive signs.
- Modernization and maintenance markets continued to develop favorably.

The development programs continued to bring further good short-term results

- Customer Focus
- People Flow Solutions
- Operational Excellence
- Environmental Excellence
- People Leadership

Performing in a challenging environment

NEW EQUIPMENT	Market still declines in most countries – very competitive landscape. Improved market share especially in China and US partly compensates.	- +
MAINTENANCE	New equipment conversion feeds the maintenance base. Improved maintenance productivity.	+
MODERNIZATION	Total market size rather stable in 2009 – opportunity to increase market share and productivity.	+
QUALITY	Positive development in product and operational quality.	+
FIXED COSTS	Decrease fixed costs.	+

Maintenance continues to grow

- Drivers
  - High growth of new equipment orders received in the past years
    - The maintenance base grows with a lag of 12 to 30 months compared to new equipment installations.
  - 3rd party equipment competence development.

- Maintenance productivity
  - Service excellence program.
  - KONE Modular Based Maintenance™
  - Call-out reduction program.

2009 Market outlook

- The maintenance market will continue to develop well.
- Modernization will be at about last year's level.
- The new equipment market will remain weak but the rate of decline will decrease.

2009 Outlook

- In net sales, KONE's objective is to grow 2–5 percent as compared to net sales in 2008.
- In operating income (EBIT), the objective is EUR 580–595 million, excluding the one-time cost of EUR 33.6 million.

Dedicated to People Flow™

KONE