

Stock Exchange Release



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KONE Corporation

Interim Report: January-September, 2002

KONE has acquired Partek Corporation and currently owns 99.5% of Partek's shares and voting rights. The process to redeem the rest of the shares has been initiated. Partek's figures have been consolidated into KONE's interim report from 1 July, 2002. Comparative figures from the previous year do not include Partek's figures. Partek is publishing its own interim report at the same time as KONE is publishing this report.

The value of KONE's net sales for the first three quarters of 2002 totaled EUR 2,681 million, of which the elevator and escalator business accounted for EUR 2,059 (1-9/2001:2,000) million. Partek's share of the sales total (7-9/2002) was EUR 622 million.

The value of orders received in the elevator and escalator business totaled EUR 1,598 (1,629) million. Partek's orders received for the July-September, 2002 period totaled EUR 501 million.

The value of orders in hand at the end of the period under review totaled EUR 2,454 million of which the elevator and escalator business accounted for EUR 1,984 (Sept. 30, 2001:1,953, Dec. 31, 2001: 1,881) million and Partek accounted for EUR 470 million.

Net income for January-September, 2002 totaled EUR 111.4 (80.9) million, and earnings per share stood at EUR 1.85 (1.38).

Structural Changes

During the period under review, cooperation between KONE and Toshiba Elevator and Building Systems Corporation (TELC) continued. KONE participated in a targeted share issue organized by Toshiba with the outcome that KONE now owns 19.9% of TELC. KONE Corporation sold 829,580 of its previously repurchased class B shares to Toshiba. The profit from this sale has been entered directly into the balance sheet as shareholders' equity instead of into the statement of income.



In a transaction in June, KONE acquired the State of Finland's 30.2% shareholding in Partek Corporation. The deal was financed by a EUR 106 million targeted share offering to the State of Finland and a EUR 119 million cash payment. Also in June KONE launched a public offer to purchase all outstanding Partek shares. The offered price was EUR 15.30/share. More than 90% of Partek's shares were transferred to KONE ownership by August 16, 2002, when the offer expired. A redemption claim was launched for the remaining shares. The redemption period ended on October 11, 2002, after which KONE owned 99.5 % of the shares in Partek.

KONE Elevators & Escalators

Net Sales and Orders Received

The value of KONE's net elevator and escalator sales for the period under review totaled EUR 2,059.0 (2,000.1) million, or 3% more than during the corresponding period a year earlier. Growth was strongest in the new equipment business sector.

The value of orders received totaled EUR 1,598.4 (1,628.5) million, or nearly at the same level as the corresponding figure for the first three quarters of 2001. These figures do not include orders for maintenance contracts. The value of orders received during the third quarter of 2002 totaled EUR 490.6 (490.7) million.

The quarter-by-quarter order volume is portrayed in a graph at the end of this report.

In Europe, the value of orders for new equipment and modernization projects for the period under review was nearly at the same level as for the comparable period a year earlier. It is anticipated that order intake for the whole year will also approximate the previous year's figure. Differences among market areas were great: Italy and Spain recorded the strongest growth while in the Nordic countries and Germany order volume declined.

In North America, cumulative order volume for January through September totaled some 20% less than the figure for the first three quarters on 2001. On the whole, markets shrunk by more than 10%. Instead of trying to hang on to market share KONE chose to maintain its pricing policies.

In Asia and Australia KONE's orders received increased by nearly 70% during the period under review. China and Australia have continued to register strong growth.

Demand remained good for products based on KONE EcoDisc® technology that are marketed in Japan by our alliance partner, Toshiba.

At the end of the period under review, the value of orders in hand totaled EUR 1,983.9 (1,953.4) million compared to EUR 1,881.0 million at the end of 2001. In addition KONE has 500,000 elevators and escalators and more than 160,000 automatic building doors under maintenance contract.



Financial Result and Cash Flow

Operating income from KONE's elevator and escalator business for the period under review totaled EUR 194.9 (167.1) million before depreciation for goodwill, representing 9.5 (8.4) % of sales revenue.

Cash flow before taxes and financing items continued to develop according to expectations and totaled EUR 294.9 (195.2) million. The need for net working capital was – in accordance with objectives - negative.

Capital Expenditure and Development Activities

Capital expenditure during the period under review totaled EUR 37.9 (32.8) million. For the entire year, capital expenditure is expected to total approximately EUR 50 million.

Expenditures for product development totaled EUR 28.9 (29.1) million or 1.4 (1.4) % of sales.

Partek

Partek's figures for July-September, 2002 have been consolidated into this interim report. Partek is publishing its own interim report at the same time as KONE is publishing this report.

Partek's net sales for the third quarter of 2002 totaled EUR 621.5 million. Operating income before depreciation for goodwill was EUR 29.4 million, which represents 4.7% of sales.

The value of order received for the July-September period totaled EUR 500.9 million, and the value of orders in hand stood at EUR 470.2 million on 30 September, 2002. Cash flow from operations and before taxes and financing items was EUR 48.8 million.

Capital expenditure totaled EUR 20.6 million for the period under review, and development expenditures were EUR 11.1 million.

KONE's Consolidated Financial Result and Balance Sheet

The consolidated net sales totals for January-September, 2002 were EUR 2,680.5 (2,000.1) million. Operating income before depreciation for goodwill was EUR 225.4 (167.1) million, which represents 8.4 (8.4) % of sales.

The value of goodwill depreciation for the period under review totaled EUR 42.2 million, financing expenses were EUR 10.8 million, and taxes totaled EUR 63.1 million. KONE's consolidated net income increased to EUR 111.4 (1-9/2001: 80.9) million, and earnings per share stood at EUR 1,85 (1.38).



Consolidated cash flow from business operations totaled EUR 289.7 (135.3) million and cash flow from investments EUR 879.8 (46.1) million.

The total value of assets in KONE's consolidated balance sheet after the inclusion of Partek's figures is EUR 4,246.0 (2,047.3) million, shareholders' equity is EUR 1,075.2 (731.7) million, and interest-bearing net debt is EUR 1,274.1 (40.2) million. Total assets as a share of total equity was 25 (34) %, and gearing was 119 (6) %. Equity loans totaling EUR 119.1 million are included in shareholders' equity.

Shareholder Meetings

KONE Corporation's annual general meeting in February ratified the financial statements for 2001, approved the board of director's proposal for the distribution of profit, and discharged the responsible parties for liability for the 2001 financial year. Pekka Herlin was re-elected chairman of the Board for the 2002 financial year, and Antti Herlin, Gerhard Wendt, Iiro Viinanen and Jean-Pierre Chauvarie were re-elected as full Board members. In addition Toshiba Elevator and Building Systems Corporation's president Hiroshi Nishioka was elected to the board for a term beginning 1 April, 2002.

In addition, the annual general meeting approved the board of directors' proposal to authorize the reacquisition of a maximum of 1,007,726 of KONE's own shares, consisting of a maximum of 174,247 class A shares and 833,479 class B shares, while respecting the provisions of the Companies Act regarding the maximum number of own shares to be held by the company.

An extraordinary shareholders' meeting held on 24 May, 2002 approved a three-way split in KONE shares. After the split, there were 10,454,823 class A shares and 50,008,797 class B shares.

A second extraordinary shareholders' meeting on 14 June, 2002 approved a transaction between KONE and the State of Finland involving an increase in KONE share capital by EUR 3,000,000 through the issuance of 3,000,000 new class B shares to be offered for subscription to the State of Finland at EUR 35.33 per share, representing a total price of EUR 105,990,000. The State of Finland paid the subscription price with 6,927,451 Partek Corporation shares at a value of EUR 15.30/share.

Repurchase of KONE shares

During the first nine months of 2002 KONE Corporation has purchased 833,479 of its own shares at a total cost of EUR 26,3 million, representing an average share price of EUR 31.54. Shares in the company's possession represent 1.3% of the total number of shares. The shares have been entered as investments in the corporation's balance sheet.

At the end of the reporting period, KONE Corporation's Board of Directors had no current authorization to raise the share capital or to issue convertible or warrant loans.

Prospects



Elevators & Escalators

KONE's elevator and escalator operations are continuing to follow the long-range development program that was initiated earlier. It remains possible to achieve further savings in material costs and installation costs as well as through internal process improvements. In addition the division-wide project to improve service operations profitability is continuing.

We have maintained our head start over the competition through products based on new technology. Our service offerings have continued to retain the confidence of our customers.

Worldwide total markets are not growing at this moment. The volume of orders received for 2002 will exceed the previous year's total.

Additional growth is sought through acquisitions in elevator and escalator markets and building door service.

The aim for the entire year is to achieve net sales of more than EUR 3 billion and operating income at 8% of sales. In that case, operating income before depreciation for goodwill would represent 9.5% of sales.

Partek

Partek's net sales for the second half of 2002 are expected to total EUR 1.3 billion and operating income before depreciation for goodwill nearly 5% of sales.

KONE's Prospects

KONE's consolidated sales total is expected to reach approximately EUR 4.3 billion, assuming that the number of companies whose figures are being consolidated remains the same. The sale of Partek's non-core businesses is, however, already underway.

Operating income before depreciation for goodwill is expected to be approximately EUR 350 million, which represents 8% of sales.

Net debt will decrease somewhat from the current level but remain, without equity loans, at the EUR 1.2 billion level. After the sale of Partek's non-core businesses, net debt will fall below the billion euro level, and gearing will also fall rapidly below 100%.

Helsinki, 22 October, 2002
KONE Corporation
Board of Directors



KONE Corporation
CONSOLIDATED STATEMENT OF INCOME
 (The interim report is unaudited)

MEUR	1-9/2002	%	1-9/2001	%	1-12/2001	%
SALES	2 680.5		2 000.1		2 816.3	
Cost and expenses	(2 405.4)		(1 800.2)		(2 516.1)	
Depreciation	(91.9)		(60.6)		(82.4)	
OPERATING INCOME	183.2	6.8	139.3	7.0	217.8	7.7
Share of associated companies' net income	4.3		1.1		1.3	
Net interest	(9.4)		(3.8)		(2.8)	
Financing income and expenses	(1.4)		1.3		2.4	
INCOME AFTER FINANCING ITEMS	176.7	6.6	137.9	6.9	218.7	7.8
Extraordinary items	0.0		0.0		0.0	
INCOME BEFORE TAXES	176.7	6.6	137.9	6.9	218.7	7.8
Taxes	(63.1)		(56.4)		(76.5)	
Minority share	(2.2)		(0.6)		(1.1)	
NET INCOME	111.4	4.2	80.9	4.0	141.1	5.0

	1-9/2002	1-9/2001	1-12/2001
Orders received, MEUR			
Elevators and escalators	1 598.4	1 628.5	2 099.6
Partek*	500.9		
Order book, MEUR			
Elevators and escalators	1 983.9	1 953.4	1 881.0
Partek*	470.2		
Average number of			



employees			
Elevators and escalators	23 214	23 537	22 949
Partek*	12 607		
Capital expenditure, MEUR			
Elevators and escalators	37.9	32.8	45.7
Partek*	20.6		

*) July-September 2002

CONSOLIDATED BALANCE SHEET

MEUR	30.9.2002	30.9.2001	31.12.2001
ASSETS			
FIXED ASSETS AND OTHER			
LONG-TERM INVESTMENTS			
Intangible assets	1 130.0	439.8	442.9
Tangible assets	648.7	211.8	206.9
Investments	239.8	59.1	71.3
TOTAL	2 018.5	710.7	721.1
CURRENT ASSETS			
Inventories	524.1	151.5	112.0
Receivables	1 314.8	798.1	821.0
Deposits and cash	388.6	387.0	453.2
TOTAL	2 227.5	1 336.6	1 386.2
ASSETS, TOTAL	4 246.0	2 047.3	2 107.3

SHAREHOLDERS' EQUITY AND LIABILITIES

Equity*)	1 075.2	731.7	805.8
Minority shares	20.6	1.7	1.4
Provision for liabilities and charges	231.9	180.6	220.5
Long term debt	1 043.1	342.4	350.3
Short term debt	1 875.2	790.9	729.3

SHAREHOLDERS' EQUITY

AND LIABILITIES TOTAL	4 246.0	2 047.3	2 107.3
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*) Equity loans MEUR 119.1 are included

CASHFLOW

MEUR	ACT 1-9/02	ACT 1-9/01	ACT 01
Cashflow from operations before taxes and financing items			
Elevators and escalators	294.9	195.2	329.9

Partek	48.8	-	-
	<u>343.7</u>	<u>195.2</u>	<u>329.9</u>
Cashflow from taxes and financing items	(54.0)	(59.9)	(88.8)
Cashflow from investments (879.8)	(46.1)	(64.1)	
Dividends paid	(42.5)	(29.0)	(29.0)
Change in Net debt	(632.6)	60.2	148.0
Partek Net debt 1.7.2002	689.1		
Net debt in the beginning of period	(47.6)	100.4	100.4
Net debt in the end of period	1 274.1	40.2	(47.6)

KEY FIGURES	30.9.2002	30.9.2001	31.12.2001
Net debt *, MEUR	1 274.1	40.2	(47.6)
Solidity*, %	25	34	37
Gearing*, %	119	6	Neg.
Earnings/share, EUR	1.85	1.38	2.42
Equity/share*, EUR	17	12	13

* Equity loans 119.1 MEUR included into Equity

CONTINGENT LIABILITIES AND PLEDGED ASSETS

MEUR	30.9.2002	30.9.2001	31.12.2001
Assets pledged to secure loans	42.3	0.9	1.4
Pledget assets	43.2	20.1	21.6
Guarantees			
- associated companies	3.0	2.8	2.9
- others	13.6	2.3	2.4
Leasing liabilities	180.9	109.4	117.3
Other contingent liabilities 97.2			
TOTAL, MEUR	380.2	135.5	145.6

DERIVATIVES

MEUR	30.9.2002	30.9.2001	31.12.2001
Forward contracts	1 182.0	278.1	225.4
Currency options	126.2	127.3	192.8
Currency swaps	153.8	7.7	0.0
Interest rate swaps	279.3		
TOTAL, MEUR	1 741.3	413.1	418.2



SALES BY MARKET AREA

*) Elevators and escalators

***) Partek

	1-6/2002		1-9/2001		1-12/2001	
	MEUR	%	MEUR	%	MEUR	%
Europe*	1 224.2	59	1 100.4	56	1 608.6	57
Europe**	397.4	64				
North America*	614.6	30	642.6	31	866.1	31
North America**	97.3	16				
Asia-Pacific* 199.9	10	203.1	10	290.7	10	
Asia-Pacific**	49.8	8				
Other*	20.3	1	54.0	3	50.9	2
Other**	77.0	12				
TOTAL	2 680.5		2 000.1	100	2 816.3	100

QUARTERLY FIGURES

*) Elevators and escalators

***) Partek

EUR Million	Q1	%	Q2	%	Q3	%	Q4	%	Total	%
Orders received										
2001	606.7		531.2		490.7		471.0		2 099.6	
2002*)	500.2		607.6		490.6		-		1 598.4	
2002**)	-		-		500.9		-		500.9	
Sales										
2001	591.5		688.6		720.0		816.2		2 816.3	
2002*)	631.0		746.6		681.4		-		2 059.0	
2002**)	-		-		621.5		-		621.5	
EBITA										
2001	35.7	6.0%	63.5	9.2%	68.0	9.4%	89.3	10.9%	256.4	9.1%
2002*)	45.0	7.1%	72.3	9.7%	77.7	11.4%	-	-	194.9	9.5%
2002**)	-		-		29.4	4.7%	-	-	29.4	4.7%



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