Stock Exchange Release

1 February 2002 at 12.00 a.m. Finnish time

KONE Corporation

2001 Financial Statement

- Net income improved 33% and stood at EUR 141.1 million (2000: EUR 105.6 million). Earning per share was EUR 7.25 (EUR 5.31).
- The value of orders received grew by 13%, totaling EUR 2,100 million (EUR 1,854 million). Net sales totaled EUR 2,816 million (EUR 2,602 million)
- The order book rose to EUR 1,881 million (EUR 1,656 million).
- Thanks to a strong cash flow, KONE is debt-free.
- The Board of Directors proposed raising the dividend to EUR 2.20 per class B share (2000: EUR 1.50).
- The strength of service operations, a record order book, and a strong balance sheet and cash flow make it possible for KONE to continue improving its result in accordance with established targets.

Overview

KONE’s operations continued to develop successfully during 2001. The corporation’s result improved once again and approached the profit target: operating income (EBIT) at 10% of net sales.

KONE’s operating income totaled EUR 217.8 million (2000: EUR 186.3 million) or 7.7% of net sales (7.2%). Net income totaled EUR 141.1 million (EUR 105.6 million). Earnings per share grew 36% and stood at EUR 7.25 (EUR 5.31). The Board of Directors’ proposal for dividend distribution for 2001 is EUR 2.14 per class A share (EUR 1.44) and EUR 2.20 per class B share (EUR 1.50).

The value of net sales increased during the year under review by 8% to EUR 2,816 million (2000: EUR 2,602 million), and orders received grew by 13% to EUR 2,100 million (EUR 1,854 million). The value of orders in hand on the last working day of 2001 totaled

EUR 1,881 million (EUR 1,656 million), representing an increase of EUR 225 million. In addition, KONE has nearly 500,000 elevators and escalators and more than 140,000 building doors under maintenance contract.

Cash flow was strong during 2001, and KONE Corporation was debt-free at the end of the year. Total equity as a share of total assets was 36.6% (35.9%). Gearing was negative, and KONE's net cash reserves totaled nearly EUR 50 million.

The strength of service operations, a record order book, and a strong balance sheet and cash flow make it possible for KONE to continue improving its result in accordance with established targets.

Acquisitions and Changes in Group Structure

KONE has aggressively carried out its acquisitions-based growth strategy, purchasing 15 locally active service companies in Europe and the Americas. Combined sales from the acquired companies totaled approximately EUR 40 million.

At the beginning of 2001 KONE announced a strategic decision to undertake the development of its building door service business worldwide. During the year operations were fortified by the naming of building door service business managers in the largest front-line companies. The position of building door service director was also added to KONE's executive committee. Building door service operations will be expanded through efficient marketing and acquisitions.

KONE sold its operations in South America to ThyssenKrupp AG of Germany during the autumn of 2001. The operations that were divested accounted for approximately 1% of KONE's turnover. KONE had limited possibilities to grow in South America so the decision was made to channel resources into other growing markets.

Toshiba Corporation of Japan and KONE signed an agreement on 20 December, 2001 to acquire a shareholding in each other. In addition to cross-ownership, the agreement extends Toshiba's license for marketing elevators based on innovative KONE MonoSpace® machine-room-less technology in Japan to cover China.

According to the agreement, KONE has the right to acquire a shareholding of up to 20% in Toshiba Elevator and Buildings Systems Corporation (TELC), a wholly-owned subsidiary of Toshiba, through a targeted share issue. TELC, for its part, will acquire a 5% share in KONE. KONE will carry out its part of the transaction by supplying Toshiba with KONE class B shares it has repurchased.

At its next Annual General Meeting, KONE's principal shareholders will propose that Toshiba fill one seat on KONE's Board of Directors, and a comparable proposal will be made for KONE to get two seats on Toshiba Elevator and Building Systems Corporation's Board. The closing of the transaction is expected to take place in March, 2002. The broadening and deepening of the Toshiba Alliance will not have a significant impact on KONE's financial result in 2002.

Sales, Orders and Service Base

Net sales during the period under review totaled EUR 2,816 million or 8% more than the previous year's figure. The 15 countries with the largest sales figures account for 95% of KONE's entire turnover.

The value of new equipment delivered during the year under review was EUR 1,182 million (EUR 1,092 million) or 42% of total sales. Maintenance and modernization sales accounted for EUR 1,634 million (EUR 1,510 million) or 58% of the total. The relative shares of new equipment and service revenues have not changed since 2000. The parent company, KONE Corporation, recorded sales of EUR 353.8 million compared to EUR 320.8 million a year earlier. The value of exports from Finland totaled EUR 212.8 million (EUR 180.2 million).

The value of orders received in Europe for new elevators and escalators exceeded the previous year's figure by 22%. The corresponding figure declined by 3% in the United States but grew by 20% in the Asia-Pacific area. Altogether the value of orders received for new elevators and escalators grew nearly 13% when adjusted for changes in currency exchange rates. The value of service-related orders grew correspondingly by 9%. The total value of orders received, excluding maintenance contracts, grew nearly 12% after adjustments for fluctuations in currency exchange rates.

The number of elevators and escalators under maintenance contract grew during 2001 despite the sale of South American operations. In Europe KONE had nearly 380,000 units in its service base. In North America, the number of units under maintenance contract grew to 85,000 elevators and escalators. Recognition of the importance of elevator and escalator maintenance has grown in China and elsewhere in Asia, contributing to the steady growth of KONE's service base in the area.

New Elevators and Escalators

The market for machine-room-less elevators has grown nearly everywhere in the world despite the deteriorating economic situation and tightening competition. Thanks to a broader product range than what is offered by competitors and a larger number of machine-room-less reference installations, KONE has been able to maintain its technological head start over the competition. KONE increased its market share in several European and Asian countries.

The sale of new elevator and escalator products featuring KONE's most advanced technology began in North America during 2001. Sales of these products were in line with targets, and their share of new orders is clearly growing. KONE maintained its market position in the United States.

KONE recorded a breakthrough in the European office building market sector. Several orders for major projects were received, and almost all included high-speed KONE Alta™ elevators based on KONE EcoDisc® technology.

European escalator markets did not grow during the year under review. Germany's traditionally strong escalator markets even contracted. KONE filled out its well-received KONE ECO3000™ escalator range during the year with an autowalk based on new technology. An escalator based on the same solution but targeted at heavy-duty transit applications will be introduced during 2002.

Maintenance and Modernization

In service operations, KONE has concentrated on further development of new performance-based contracts and usage-based maintenance methods.

The growth of KONE's base of elevators and escalators under maintenance contract has been stimulated by the transfer from warranty service into KONE contractual maintenance of recently installed equipment employing the latest technology. Research indicates that KONE's new service solutions are generating increased customer satisfaction.

KONE has continued to develop packaged solutions that make it possible to offer step-by-step modernization for existing elevators. During the year escalator modernization activities were also expanded. KONE EcoDisc® technology and increasing customer environmental awareness have led to increased demand for both step-by-step and complete modernizations.

The building door service business continued to grow, especially in Europe, where KONE has nearly 140,000 different kinds of doors from different manufacturers under service contract. In France, the U.K. and Belgium, where KONE is the market leader, both revenues from the building door service business and the number of doors in KONE's service base increased by 15%. Door operations expanded into the United States and Australia, too. In general, development has been pursued through synergy with the elevator and escalator service business, by transfering know-how from countries with prior experience in the door service business, and seeking new partners and potential acquisitions. Sales from the building door service business totaled nearly EUR 100 million in 2001.

Financial Result, Balance Sheet and Finance

KONE's operating income improved during 2001 and totaled EUR 217.8 million (EUR 186.3 million) or 7.7% (7.2%) of sales revenue. Operating income plus goodwill depreciation was EUR 256.4 million (EUR 223.9 million) or 9.1% of KONE's sales (8.6%). KONE has set 10% as a goal for operating income as a percentage of sales after depreciations for goodwill.

Income before taxes grew 20% in comparison with the figure a year earlier and totaled EUR 218.7 million (EUR 182.8 million). Net income was EUR 141.1 million (EUR 105.6 million). Earnings per share continued to grow and stood at EUR 7.25 (EUR 5.31).

The concentration and outsourcing of production, savings in component cost achieved through product development, and increased installation efficiency have improved KONE's profitability in recent years. The market success of new products based on more competitive technology has also increased profitability. In the service sector, the application of new technology has made it possible to sustain profit levels despite tough competition. The efficiency of modernization operations has increased, thanks to the growing popularity of industrialized packaged solutions.

KONE sold its South American operations toward the end of 2001. The profit from this sale did not have a significant impact on the financial result because provisions for liabilities, such as the reorganization of other operations and comparable future expenses, increased significantly during the year under review.

One of KONE's goals is to achieve a negative level of working capital. Working capital employed in operations at the end of 2001 totaled nearly EUR 40 million (EUR 80 million). Cash flow from operating activities before interest and taxes was EUR 343.6 million (EUR 237.2 million) or approximately EUR 43.4 million larger than operating income before interest, taxes and depreciation (EBITDA). KONE's cash flow from operations totaled EUR 254.5 million (EUR 171.3 million). Cash flow from operations has primarily been used for acquisitions, debt reduction, dividend payments, and the repurchasing of own shares.

KONE's financial position is very good. A strong balance sheet, good profitability and a steady cash flow create excellent conditions for growth through acquisition. KONE's net cash reserves at the end of the year totaled nearly EUR 50 million (net debt at the end of 2000: EUR 100 million).

Total equity as a percentage of total assets at the end of 2001 was 36.6% (35.9%). Gearing was negative (2000: +15%).

The value of intangible assets was EUR 442.9 million (EUR 438.4 million). Depreciations were of roughly equal value to goodwill from new acquisitions. The value of other tangible assets was EUR 206.9 million (EUR 216.8 million). Total shareholders' equity was EUR 805.8 million (EUR 675.6 million), of which retained earnings and net income accounted for EUR 531.1 million (EUR 444.6 million).

In order to expand its financing options, KONE's Board of Directors decided at its meeting of 25 April, 2001 to establish a EUR 1 billion Euro Medium Term Note loan program.

With the changeover to the euro, KONE's financial risk management has been simplified. Engineering, manufacturing and logistic facilities are located mainly within the euro and dollar zones, so the vast majority of deliveries take place within a single currency. The remaining currency risks are related for the most part to export deliveries outside the euro zone. In accordance with KONE's protection policy, delivery project contracts are covered as soon as they are signed. In addition, coverage is provided for six months worth of currency required for component delivery. Loans taken by subsidiaries in different countries are in local currency. Risks related to conversion of these subsidiaries' assets and debts are covered so that fluctuations in exchange rates do not affect KONE's equity structure.

Capital Expenditure, Product Development and Development Programs

Capital expenditure in production facilities, field operations and information systems totaled EUR 45.7 million (EUR 46.0 million). The allocation of expenditures was as follows: EUR 5.5 million for buildings (EUR 7.1 million), EUR 20.2 million for machinery and equipment (EUR 20.9 million), and EUR 20.0 million for information technology (EUR 18.0 million). Investments are increasingly focused on information systems that support business processes.

The harmonization of information systems progressed during the year under review. The roll-out of the KONE information systems model during 2002 will extend coverage to additional KONE units. At the beginning of 2002 KONE launched a new Internet service in nine countries, thereby opening a new communication channel between customers and KONE's sales and service organizations.

KONE's product development expenditures totaled EUR 40.8 million (EUR 37.0 million) or 1.4% (1.4%) of sales.

At the end of the summer KONE opened a unit in Hyvinkää, Finland which specializes in testing the reliability of new products and components and is capable of testing more efficiently than ever before the reliability of products throughout their entire life cycle.

Computer software plays a central role in elevator and escalator control systems and remote monitoring. In August, KONE opened a global software development center in Chennai, India. The unit, which employs some 15 people, is a part of KONE's Global R&D organization.

In elevator research and development, the focal point has been the extension of KONE EcoDisc® technology into new product segments and geographical markets, such as North America. During the year under review, in addition to new versions of products already available on the market, KONE introduced a version of the KONE MonoSpace® elevator which is suitable for taller buildings than other machine-room-less solutions.

KONE has developed new service models to take advantage of the opportunities presented by new technology. In May KONE and Nokia agreed to cooperate on the development of a wireless voice and data transmission system, based on GSM technology, to support elevator remote monitoring and emergency voice communication systems. New modernization packages based on KONE's advanced technology shorten the time during which equipment must be taken out of service. They also improve KONE's efficiency and competitiveness.

In the future, KONE will increase research activities that support product development in an effort to improve the development of both new elevator and escalator equipment and better service and modernization solutions.

KONE's Kunshan Factory in China, which manufactures global products, continued its positive development. In the future, the factory will be able to supply products to markets all over Asia. As such, it holds a key position in KONE's expansion plans.

As a consequence of the concentration and outsourcing of production, KONE now manufactures only strategic core components. As a result, it is easier to adjust to changes in volume requirements. Harmonization efforts over several years have resulted in the standardization of KONE's product ranges and processes. In addition, development projects focused on streamlining deliveries and material flows have continued. Another target is to concentrate engineering, purchasing and logistics services in fewer, centralized units serving the entire global organization.

Management and Organization

KONE's Mid-European Group's managing director, Manfred Eiden, was named president of KONE Corporation on 23 August, 2001. The previous president, Jean-Pierre Chauvarie, continued to carry out special assignments as a member of the Board of directors until his retirement at the end of January, 2002.

KONE added an eighth permanent member to its executive committee from 7 January, 2002 in recognition of the increased strategic importance of the building door service business. Michel Chartron was named director of building door service. William Orchard, previously managing director of KONE's subsidiary in Great Britain, replaced Chartron as director of elevator and escalator maintenance and modernization.

Ms. Kerttu Tuomas was named director of human resources and a member of the executive committee as of 16 January, 2002. Executive committee members Pekka Kemppainen and Heimo Mäkinen had their areas of responsibility realigned so that Kemppainen is responsible for new escalator business in addition to new elevators and Mäkinen oversees technology and purchasing. Aimo Rajahalme is in charge of information systems in addition to finance and treasury. Klaus Cawén continues to be responsible for the legal department, acquisitions and the Toshiba Alliance.

Personnel

The number of KONE employees at the end of 2001 was 22,949, compared to 22,978 a year earlier. Of the total, 62% worked in Europe, 23% in North America, 13% in the Asia-Pacific area, and 2% elsewhere.

KONE's personnel were distributed by assignments as follows: 56% (55%) in maintenance and modernization, 23% (23%) in new equipment sales and installation, 12% (14%) in order engineering and manufacturing, and 9% (8%) in administration and R&D activities.

The country with the most employees, 4,710, was the United States. The average number of employees during 2001 was 22,964 (2000: 22,804).

Shares

Chairman of the Board of directors of KONE Corporation Pekka Herlin informed KONE in September, in accordance with the tenth paragraph of the second chapter of the Securities Market Act, that he and companies or foundations in which he holds a controlling interest had increased their holding of unlisted KONE Corporation class A shares by 348,495 and subsequent to that transaction held 38.96% of all KONE shares and 76.13% of voting rights in the company.

ThyssenKrupp AG's ownership in KONE Corporation fell correspondingly by 348,495 class A shares, which represented 1.7% of all shares and 6.7% of the voting rights.

At the end of the financial year, KONE's Board of directors had no authority to increase the share capital or issue convertible or warrant loans.

Own Shares

KONE has continued to repurchase its own shares during the final quarter of 2001. Between 1 September, 2001 and 31 December, 2001 KONE bought 145,710 of its own shares.

During the period 1 January-31 December, 2001 KONE Corporation purchased 350,810 of its class B shares at an average price of EUR 72.93 per share on the Helsinki Exchanges. The total purchase price of the repurchased shares was EUR 25.6 million and the total nominal value was EUR 1,052,430. Shares repurchased by KONE Corporation during 2001 represent 1.74% of the share capital and 0.68% of the voting rights attached to all shares. At the end of December, 2001 KONE Corporation was in possession of total of 829,580 class B shares, including those shares repurchased during 2000. The total price of all the repurchased shares was EUR 57.3 million, the average share price was EUR 69.07, and the total nominal value of repurchased shares was EUR 2,488,740. The total number of shares in KONE's possession at the end of 2001 represented 4.12% of the share capital and 1.61% of the total voting rights in the corporation. The shares are entered as assets in the company's balance sheet.

Annual General Meeting and Distribution of Profits

In January, 2002 KONE Corporation's Board of directors proposed that the Annual General Meeting to be convened on 22 February extend the Board of directors' authority to use funds available for profit distribution to repurchase KONE shares with the provision that repurchased shares shall not exceed 5% of the corporation's total number of shares and votes. According to the proposal, the acquired shares are to be used as compensation in possible company acquisitions and/or other arrangements as well as to improve KONE's capital structure. This authorization is valid for one year, including the day of the annual general meeting's decision.

KONE's distributable equity stands at EUR 515.5 million. The parent company's non-restricted equity from previous years totaled EUR 747.7 million, and net income from the year under review was EUR 82.6 million. The Board of Directors proposes to the Annual General

Meeting that a dividend of EUR 2.14 be paid for each class A share and EUR 2.20 for each outstanding class B share from retained earnings. The date of record for dividend distribution is 27 February, 2002 and it is proposed that dividends be paid on 6 March, 2002. If the annual general meeting of 22 February, 2002 approves the Board of Directors' proposal on profit distribution, the dividends will total EUR 42.3 million (2000: EUR 30.0 million).

Outlook

The largest portion of KONE's sales, approximately 60%, comes from maintenance and modernization operations. Economic conditions are not reflected as strongly in this profitable segment, which is growing and developing steadily despite strong competition. During 2001 growth in the service sector was 8%. At least as large an increase is targeted for the year that has gotten underway. KONE is striving to improve the profitability of its maintenance and modernization operations while improving quality and customer service.

New elevator and escalator business accounts for approximately 40% of sales revenues. The outlook for this sector, which typically follows behind the cycle of new construction investment, has worsened in some areas. Increasing demand for KONE products based on leading technology and strong growth in markets such as China, however, have a positive impact on KONE's business operations. KONE's order book is at a record high level and represents over a year's worth of deliveries.

The profit level of our industry is modest, but KONE still has an opportunity to improve its own profitability. Price levels have remained stable for some time. Flexibility to adjust volumes and control cost levels has been improved through the concentration and outsourcing of production. KONE's own focus is increasingly on leading-edge know-how in systems, design and logistics processes.

KONE is in a better position at the start of the current year than it has ever been before: our customers trust in our services, and we have the most technologically advanced products for both new and old buildings as well as a strong balance sheet and cash flow.

Because of weakened economic prospects, the volume of new orders will not grow during the current year as it did during the previous one. KONE is targeting at least equal volumes, however. We will continue to do everything we can to achieve our economic goals, which are operating income at 10% of sales and negative working capital.

1 February, 2002

KONE Corporation
Board of Directors

KONE CORPORATION

CONSOLIDATED STATEMENT OF INCOME

MEUR	2001	%	2000	%
SALES	**2,816.3**		2,602.4	
Cost and expenses	**(2,516.1)**		(2,335.5)	
Depreciation	**(82.4)**		(80.6)	
OPERATING INCOME	**217.8**	**7.7**	186.3	7.2
Share of associated companies' net income	**1.3**		1.4	
Financing income and expenses	**(0.4)**		(4.9)	
INCOME AFTER FINANCING ITEMS	**218.7**	**7.8**	182.8	7.0
Extraordinary items	**0.0**		-	
INCOME BEFORE TAXES	**218.7**	**7.8**	182.8	7.0
Taxes	**(76.5)**		(77.1)	
Minority share	**(1.1)**		(0.1)	
NET INCOME	**141.1**	**5.0**	105.6	4.1

	2001	2000
Orders received	**2,100**	1,854
Order book	**1,881**	1,656
Capital expenditure, MEUR	**45.7**	46.0
- as percentage of sales, %	**1.6**	1.8
Average number of employees	**22,964**	22,804

CONSOLIDATED BALANCE SHEET

ASSETS, MEUR	**31/12/2001**	**31/12/2000**
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS		
Intangible assets		
Goodwill	**417.3**	414.5
Other long-term expenditures	**25.6**	23.9
	442.9	438.4
Tangible assets		
Land	**12.2**	15.4
Buildings	**107.4**	113.9
Machinery and equipment	**83.6**	85.2
Advance payments	**3.7**	2.3
	206.9	216.8
Investments		
Shares and participating interests	**14.0**	11.8
Own shares	**57.3**	31.7
	71.3	43.5
TOTAL FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS	**721.1**	698.7
CURRENT ASSETS		
Inventories		
Raw materials and supplies	**85.7**	86.7
Work in progress	**498.9**	447.7
Advance payments	**3.8**	2.9
Advance payments received	**(476.4)**	(383.6)
	112.0	153.7
Receivables		
Accounts receivable	**611.9**	545.5
Loans receivable	**4.1**	7.2
Other receivables	**10.6**	8.7
Deferred assets	**194.4**	233.6
	821.0	795.0
Short-term investments	**384.3**	134.5
Cash and bank	**68.9**	47.4
	453.2	181.9
TOTAL CURRENT ASSETS	**1,386.2**	1,130.6
TOTAL ASSETS	**2,107.3**	1,829.3

SHAREHOLDERS' EQUITY AND LIABILITIES, MEUR	**31/12/2001**	31/12/2000
SHAREHOLDERS' EQUITY		
Share capital	**60.5**	60.5
Share premium account	**95.9**	95.9
Reserve for own shares	**57.3**	31.7
Translation differences	**61.0**	42.9
Retained earnings	**390.0**	339.0
Net income	**141.1**	105.6
TOTAL SHAREHOLDERS' EQUITY	**805.8**	675.6
MINORITY SHARES	**1.4**	1.1
PROVISION FOR LIABILITIES AND CHARGES	**220.5**	195.4
DEBT		
Deferred tax liability	**25.9**	16.9
Long-term debt		
Loans from financial institutions	**350.3**	70.2
Current liabilities		
Loans from financial institutions	**7.3**	26.7
Accounts payable	**151.8**	149.6
Accruals	**492.2**	501.2
Other current liabilities	**52.1**	192.6
	703.4	870.1
TOTAL DEBT	**1,079.6**	957.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,107.3**	1,829.3

KEY FIGURES	**2001**	2000
Interest bearing assets, (net debt) MEUR	**47.6**	(100.4)
Total equity/total assets, %	**36.6**	35.9
Gearing, %	**neg.**	15.0
Earnings per share, EUR	**7.25**	5.31
Equity per share, EUR	**38.73**	32.73

CONTINGENT LIABILITIES AND PLEDGED ASSETS (MEUR)

	Group		Parent company	
	2001	2000	**2001**	2000
Assets pledged to secure loans				
Group and parent company	**1.4**	1.4	**0.8**	0.9
Pledged assets				
Group and parent company	**21.6**	20.1	-	-
Subsidiaries	-	-	**0.0**	-
Guarantees				
Subsidiaries	-	-	**1,203.5**	648.7
Associated companies	**2.9**	2.6	**2.9**	2.6
Others	**2.4**	1.4	**1.5**	1.2
Leasing liabilities				
Falling due in the next year	**34.1**	31.3	**2.4**	1.8
Falling due after one year	**83.2**	74.6	**2.8**	1.9
TOTAL	**145.6**	131.4	**1,213.9**	657.1
Value of guaranteed debt	**46.3**	122.3	**43.5**	49.3
Book value of assets pledged	**15.5**	14.7	**0.8**	0.9

SALES BY MARKET AREA

	2001		2000	
	MEUR	%	MEUR	%
Europe	1,608	57	1,428	55
North America	866	31	773	30
Asia-Pacific	291	10	320	12
Others	51	2	81	3
Total	2,816	100	2,602	100

KONE Corporation

Aimo Rajahalme
Executive Vice President, Finance

Pekka Sihvola
Vice President, Corporate Controller

Further Information:
Aimo Rajahalme, Executive Vice President, Finance
tel +358-204 75 4484

www.kone.com