Dedicated to People Flow™

KONE signalization,
winner of 2009 Good Design Award

Designed for an increasingly urbanizing world.

After 100 years in business we still have a challenger's mindset that drives our continuous improvement and innovation.

KONE Q4

FINANCIAL STATEMENT BULLETIN 2010

KONE's January–December 2010 review

October–December 2010: Strong order intake and record operating income

- In October–December 2010, orders received totaled EUR 1,006 (10–12/2009: 813.5) million. Orders received increased by 23.7% at historical exchange rates and by 16.0% at comparable exchange rates.
- Net sales increased by 4.3% to EUR 1,489 (1,427) million. At comparable exchange rates net sales decreased by 1.4%.
- Operating income was EUR 227.3 (202.7) million or 15.3% (14.2%) of net sales.
- Cash flow from operations reached EUR 195.1 (198.2) million.

January–December 2010: Strong performance throughout the year

- In January–December 2010, orders received totaled EUR 3,809 (2009: 3,432) million. Orders received increased by 11.0% at historical exchange rates and by 6.0% at comparable exchange rates. The order book stood at EUR 3,598 (3,309) million at the end of December 2010.
- Net sales increased by 5.1% to EUR 4,987 (4,744) million. At comparable exchange rates it increased by 0.6%.
- Operating income was EUR 696.4 (600.3) million or 14.0% (12.7%) of net sales (2009 figures exclude a one-time cost of EUR 33.6 million related to the fixed cost adjustment program). Earnings per share were 2.10 (1.84).
- Cash flow from operations was EUR 857.2 (825.1) million.
- In 2011, KONE's net sales is estimated to grow 0–5% at comparable exchange rates as compared to 2010. The operating income (EBIT) is expected to be in the range of EUR 700–750 million, assuming that translation exchange rates do not deviate materially from the situation of the beginning of 2011.
- The Board proposes a dividend of EUR 0.90 per class B share for the year 2010.

KEY FIGURES

		10–12/2010	10–12/2009	change %	1–12/2010	1–12/2009	change %
Orders received	MEUR	1,006.3	813.5	23.7	3,809.0	3,432.4	11.0
Order book	MEUR	3,597.8	3,309.1	8.7	3,597.8	3,309.1	8.7
Sales	MEUR	1,488.8	1,426.8	4.3	4,986.6	4,743.7	5.1
Operating income	MEUR	227.3	202.7	12.1	696.4	600.3 [1]	16.0
Operating income	%	15.3	14.2		14.0	12.7 [1]	
Cash flow from operations (before financing items and taxes)	MEUR	195.1	198.2		857.2	825.1	
Net income	MEUR	173.8	166.6		535.9	466.4	
Total comprehensive income	MEUR	190.1	165.9		577.6	449.5	
Basic earnings per share	EUR	0.68	0.66		2.10	1.84	
Interest-bearing net debt	MEUR	-749.8	-504.7		-749.8	-504.7	
Total equity/total assets	%	49.3	47.0		49.3	47.0	
Gearing	%	-46.8	-37.7		-46.8	-37.7	

[1] Excluding a MEUR 33.6 one-time restructuring cost related to the fixed costs adjustment program, which was booked in the second quarter.

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

"In 2010, our performance was strong throughout the year and I am very pleased with our results in a challenging operating environment. Our operating income and cash flow were again at a record level and the growth in orders received was encouraging towards the end of the year. I want to thank all of our people for a work well done!

Our development was good in many respects. The quality of our products and operations as well as our productivity improved and we continued to progress well in the Asia-Pacific markets. I am also pleased with us reaching our long-term operating income goal of 14%. We achieved this goal by the systematic development work in our entire business system during the last several years. In 2010, external factors, such as foreign exchange translation rates and favorable sourcing costs, also contributed to our strong improvement in operating income.

Our strong progress in 2010 lays a good foundation for the future. We have again chosen five development programs, which will help us develop KONE to become an even stronger company within our industry. Our operating environment remains mixed. Asia-Pacific continues to develop positively. There is still uncertainty in the EMEA region and the Americas, but the trend also in these regions looks somewhat more positive."

KONE's January–December 2010 review

Accounting Principles

The information presented in this report is based on the audited KONE 2010 Financial Statements which have been released together with this report. KONE Corporation's financial statement bulletin has been prepared in line with IAS 34, `Interim Financial Reporting´. KONE has applied the same accounting principles in the preparation of the interim report as in its financial statements for 2010.

October–December 2010 review

Operating environment in October–December

The trends in KONE's principal markets remained largely unchanged from the previous quarter. The markets in Asia-Pacific continued to grow rapidly, although at a somewhat lower rate than earlier in the year. In the Europe, Middle East and Africa (EMEA) region and in the Americas the situation continued to be mixed with some markets gradually recovering and other markets remaining stable at a low level. The major projects markets were rather active. The modernization markets were overall quite stable but with regional variations. The maintenance markets continued to develop favorably. The overall pricing environment remained intense in all businesses.

In the EMEA region, the business environment in the new equipment markets continued to be mixed with the residential markets developing positively in North and Central Europe, but with most South European markets remaining stable at a low level. The residential markets in the United Kingdom, Sweden and Norway grew. Market activity in Germany and Finland remained at the earlier good level. The residential markets in France and Italy remained stable at a low level. The market continued to decline in Spain. The commercial segment remained burdened by high vacancy rates in South Europe with the infrastructure, medical and hotel segments showing a modest recovery. Markets in the Middle East continued to develop positively, particularly in Abu Dhabi, Saudi Arabia and Qatar. The markets in Russia remained stable at a low level. The modernization markets were at about last year's level with most European markets developing positively but with France declining. The maintenance markets continued to develop well in the EMEA region, but price competition remained strong.

In the Americas region, the new equipment markets were mixed. The new equipment market in the United States remained stable at a low level, but showed some early signs of improved activity. The tendering activity in infrastructure and publicly funded projects declined. Modernization activity increased slightly and continued to present growth opportunities. The pricing environment in both the new equipment and the modernization markets continued to be very intense. In Canada, the new equipment market remained rather active and activity in the modernization market increased slightly. The gradual recovery of the market in Mexico continued to progress. Maintenance markets in the Americas developed rather well, but were very competitive.

In the Asia-Pacific region, the good growth in the new equipment markets continued during the fourth quarter although at a somewhat lower rate than earlier in the year. The pricing environment was intense. The most favorable development was seen in Southeast Asia and China. In China, all segments grew, with the residential segment, affordable housing in particular, being the fastest growing segment. Growth in Southeast Asia was primarily driven by the residential markets. The growth in the Indian market slowed down due to increasing interest rates and constraints in the availability of financing. Growth was driven by the affordable housing segment. Activity in the commercial segment remained stable at a low level with the office segment showing signs of gradual recovery. In Australia, although tendering activity remained at a healthy level, funding constraints continued to negatively influence the development of the new equipment market. Tendering activity in the modernization market continued to improve. Maintenance markets in Asia-Pacific continued to develop favorably.

Financial performance in October–December

KONE's orders received increased by 23.7% as compared to October–December 2009, and totaled EUR 1,006 (10–12/2009: 813.5) million. At comparable exchange rates, orders received increased by 16.0%. Orders received grew in all regions. The development in orders received was strongest in Asia-Pacific and in the Americas. In Asia-Pacific, Southeast Asia and China developed the most positively. Orders received grew in the Americas in all countries where KONE is present. In the EMEA region, orders received development was positive with good development in the North and Central European markets but a decline in the order intake in some southern European markets. Maintenance contracts are not included in orders received.

The largest orders received in October–December 2010 included an order to supply elevators, escalators and autowalks on the West Island Line railway extension in Hong Kong, an order to supply all elevators and escalators for two luxury

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SALES BY GEOGRAPHICAL REGIONS, MEUR

	10–12/2010	%	10–12/2009	%	1–12/2010	%	1–12/2009	%
EMEA [1)]	912.3	61	904.0	64	2,911.5	58	2,953.4	62
Americas	271.7	18	275.4	19	1,018.3	21	970.2	21
Asia-Pacific	304.8	21	247.4	17	1,056.8	21	820.1	17
Total	1,488.8		1,426.8		4,986.6		4,743.7	

1) EMEA = Europe, Middle East, Africa

cruise ships to be built for Norwegian Cruise Line, an order to supply elevators for the Jaber Al Ahmad Al Jaber Al Sabah Hospital project in South Surra, Kuwait, an order to supply elevators and escalators to the new World Trade Center tower in Doha, Qatar and an order to supply escalators to the renewal project of Ghent's main railway station in Belgium.

KONE's net sales increased by 4.3% as compared to October–December 2009, and totaled EUR 1,489 (1,427) million. At comparable exchange rates, net sales decreased by 1.4%.

New equipment sales amounted to EUR 696.2 (686.5) million which represented an increase of 1.4% over the comparison period. At comparable currency rates, new equipment sales decreased by 5.2%.

Service sales (maintenance and modernization) increased by 7.1% and totaled EUR 792.6 (740.3) million. At comparable currency rates, the increase was 2.2%. Maintenance sales continued to grow at the prior good rate, whereas modernization sales declined somewhat.

The operating income for the October–December 2010 period totaled EUR 227.3 (202.7) million or 15.3% (14.2%) of net sales. The growth in operating income was primarily a result of improved operational quality and productivity, a continued good sales growth in the Asia-Pacific region as well as favorable translation exchange rates and sourcing costs as compared to the comparison period. Cash flow was very strong at EUR 195.1 (198.2) million, which was a result of the improved operating income and good working capital management.

Review January–December 2010

KONE's operating environment

In 2010, KONE's operating environment was twofold. The new equipment markets in the Asia-Pacific region developed well throughout the year, whereas the situation in the Europe, Middle East and Africa (EMEA) region as well as the Americas was mixed with some markets recovering and others having a low level of activity. The size of the modernization market was approximately at the prior year's level. Maintenance markets continued to grow supported by continued good new equipment delivery volumes. Price competition remained intense in all businesses.

In the EMEA region, the new equipment markets were mixed. Good development was seen in the residential markets in Finland, Sweden and Norway. The new equipment market in the United Kingdom showed signs of modest recovery in the second half of the year. The market in Germany remained at a good level throughout the year. The new equipment markets in southern Europe were challenging. The markets in France and Italy weakened in the beginning of the year but stabilized to a low level towards the end of the year. The market in Spain declined throughout the year. The commercial segments in southern Europe were burdened by high vacancy rates. The market in Russia was challenging and uncertain, whereas the development of the markets in the Middle East, in Abu Dhabi and Saudi Arabia in particular, was positive throughout the year. The modernization markets in Europe declined slightly as a result of the decline in France. Most North and Central European markets developed positively. Despite the implementation deadline in December 2010 for the national first phase requirements of the European Safety Norms for Existing Lifts (SNEL) in France, a considerable part of the required upgrades of the aging equipment base remains uncompleted. The modernization market developed well in Belgium supported by the national implementation of the SNEL requirements. The maintenance markets in the EMEA region continued to grow, but remained highly competitive.

In the Americas region, the new equipment market stabilized at a low level in the United States, but recovered in both Canada and Mexico. The new equipment market in the United States has been demanding since the beginning of 2008. The market decline seen in 2009 continued in the beginning of 2010, but the market started to show signs of stabilization in the second quarter of the year and stabilized at

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a low level thereafter. The infrastructure market was relatively active due to public stimulus action during the first half of the year, but price competition was aggressive in major projects in particular. Activity in the modernization market improved slightly. In Canada, market activity grew and was at a good level throughout the year. The market in Mexico recovered gradually during 2010. The maintenance markets developed quite well, but were highly competitive.

In the Asia-Pacific region, the positive market development continued throughout the year with the markets in China and Southeast Asia growing the strongest. Urbanization continued to drive growth in China, where all segments grew. The fastest growth was seen in the residential segment, affordable housing in particular, and in the infrastructure segment. The strongest growth moved increasingly from the metropoles on the east coast to other cities in the eastern parts of China and towards the central parts of the country. The government tightened reserve requirements for banks in 2010 in order to manage the development and moderate the growth of the real estate market. In India, the markets grew strongly in the first half of the year. Towards the end of the year the growth declined clearly due to increasing interest rates, which resulted in a more challenging funding environment. The affordable housing segment and the infrastructure segment were the most active ones. The new equipment market in Australia grew strongly in the beginning of the year, but slowed down due to the tightening of financial conditions towards the end of 2010. The markets in Southeast-Asia started to pick up during the first quarter of the year and grew strongly thereafter driven by growth in the residential markets. The maintenance markets in Asia-Pacific developed well.

Orders received and Order book

During 2010, KONE's orders received increased by 11.0% and totaled EUR 3,809 (2009: 3,432) million. At comparable exchange rates, the increase was 6.0%. Although the overall market situation was demanding in new equipment throughout the year, except in the Asia-Pacific region, KONE was successful in many important markets. The development in orders received was strongest in Asia-Pacific, with China and Southeast Asia developing very positively throughout the year. KONE's modernization orders received declined slightly due to the weakness of the French market in particular. Modernization orders received grew moderately in the Americas, Asia-Pacific and the northern and central parts of Europe, but declined in southern Europe. Maintenance contracts are not included in KONE's orders received.

The order book increased from the end of 2009 by 8.7% and stood at EUR 3,598 (Dec 31, 2009: 3,309) million at the end of December 2010. At comparable exchange rates, the order book increased by 0.6%. As earlier, the margin of the order book remained stable. Cancellations of orders remained at a very low level.

In the EMEA region, orders received were at approximately the same level as in 2009. As compared to the previous year, orders received declined during the first quarter of 2010, but were relatively stable for the rest of the year. In new equipment, KONE's development in orders received varied from country to country. KONE performed particularly well in Sweden, Finland, Austria, Belgium and the Middle East. The most negative development during 2010 as compared to the previous year was seen in Ireland and Russia. Modernization orders received declined slightly despite a good order intake in many northern and central European markets. The decline was due to the weakness in some southern European markets, France in particular.

In the Americas, KONE's orders received declined during the first nine months, but grew strongly during the last quarter as compared to the previous year. The overall order intake was negative compared to 2009 despite Canada and Mexico growing. Order intake grew strongly also in the United States during the last quarter of 2010. Price competition in the United States was aggressive, in major projects in particular.

In the Asia-Pacific region, new equipment orders grew strongly throughout the year and KONE's orders received increased in all markets. All main markets in Asia-Pacific grew significantly with China, Southeast Asia and India showing a particularly strong performance. In China, where KONE is one of the four leading companies in the industry, KONE succeeded to further strengthen its position in the highly competed new equipment market.

Net sales

KONE's net sales increased by 5.1% as compared to the prior year, and totaled EUR 4,987 (2009: 4,744) million. At comparable exchange rates the increase was 0.6%. The amount of sales consolidated from the companies acquired in 2010 did not have a material impact on the Group sales for the financial period.

New equipment sales was EUR 2,305 (2,211) million and represented an increase of 4.2% over the comparison period. At comparable exchange rates new equipment sales decreased by 1.0%. New equipment sales accounted for 46% (47%) of total sales.

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Service (maintenance and modernization) sales increased by 5.9% and totaled EUR 2,682 (2,533) million. At comparable exchange rates, the increase was 2.1%. In 2010, maintenance accounted for 37% (34%) and modernization for 17% (19%) of total sales. Maintenance sales continued to grow at its prior good rate, whereas modernization sales declined. KONE's elevator and escalator maintenance base grew and exceeded 800,000 units at the end of 2010.

Sales in the EMEA region declined slightly due to lower new equipment and modernization deliveries. The decline in new equipment deliveries was a result of weak new equipment markets in the prior year. Modernization sales declined principally due to the decline in sales in France. Maintenance sales grew.

In the Americas, new equipment sales declined, but remained at a relatively high level due to the strength of the order book in the beginning of the year. In the American markets, the time lag from order to delivery is longer than in other markets. Modernization sales in the Americas declined somewhat, whereas maintenance sales grew.

Sales in Asia-Pacific grew strongly during the year. All business areas grew, but growth was strongest in new equipment. Sales in new equipment grew in all markets except for Australia, and growth was fastest in China. The growth in sales in China was a result of very strong order intake growth in the second half of 2009 and first half of 2010. Modernization and maintenance sales grew in all markets in Asia-Pacific.

The geographical distribution of net sales was 58% (62%) EMEA, 21% (21%) Americas and 21% (17%) Asia-Pacific. The largest individual countries in terms of net sales in 2010 were the United States, France and China.

Financial result

In 2010, KONE's operating income was very strong at EUR 696.4 (2009: 600.3) million or 14.0% (12.7%) of net sales (the operating income in 2009 including the one-time cost of EUR 33.6 million related to the fixed cost adjustment program was EUR 566.7 million or 11.9% of net sales). The growth in operating income was the result of good progress on a broad basis. The sales growth in Asia-Pacific had a significant impact on the improvement in operating income. Other significant factors were the improvement in overall quality and productivity. Quality improvements included an improved product quality, better accuracy of the total supply chain as well as better installation and maintenance quality. The productivity of KONE's maintenance and installation operations continued to improve and also contributed to the improvement in operating income. In addition to the aforementioned factors, the favorable development in translation exchange rates and favorable sourcing costs also had a clear impact on the improvement in operating income. Net financing items were EUR 5.7 (19.8) million.

KONE's income before taxes was EUR 714.4 (594.6) million. Taxes totaled EUR 178.5 (128.2) million. In 2010, the effective tax rate resulting from the operations for the financial year was 25.0% (25.5%). Net income for the financial period was EUR 535.9 (466.4) million.

The profit attributable to shareholders was EUR 535.3 (465.6) million, corresponding to earnings per share of EUR 2.10 (1.84). Equity per share was EUR 6.25 (5.28).

Consolidated statement of financial position and Cash flow

KONE's financial position was very strong and the company had a positive net cash position at the end of 2010. Cash flow from operations (before financing items and taxes) in 2010 was EUR 857.2 (2009: 825.1) million.

Cash flow remained very strong and it increased compared to 2009. Net working capital improved. The improvement in net working capital was largely due to improved inventory rotation and good payment terms, which resulted in an improvement in the ratio of advance payments received relative to inventories. At the end of 2010, net working capital was EUR -394.3 (-228.7) million, including financing items and taxes.

Interest-bearing assets exceeded interest-bearing debts and the net cash position totaled EUR 749.8 (504.7) million. Gearing was -46.8%, compared with -37.7% at the end of 2009. KONE's total equity/total assets ratio was 49.3% (47.0%) at the end of 2010.

Long-term financial targets

In May 2008, KONE defined its long-term financial targets. These financial targets replaced the previous targets set in conjunction with the demerger in May 2005. The targets set in May 2008 were:

- Growth: faster than the market
- Profitability: EBIT % 14
- Cash flow: improving working capital

KONE has since 2008 grown faster than the overall market and net working capital has improved from -122 MEUR in the beginning of 2008 to -394 at the end of 2010. The EBIT margin target of 14% was achieved in 2010. As a result of having achieved all of the financial targets, KONE has specified new long-term financial targets. The new long-term targets are:

- Growth: faster than the market
- Profitability: EBIT % 16
- Cash flow: improved working capital rotation

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To continuously improve its competitiveness and to enable continuous profitable growth, KONE has defined new development programs. The new development programs are Customer Experience, Employee Engagement, Innovative Solutions for People Flow™, Service Leadership and Delivery Chain Excellence.

Capital expenditure and acquisitions

KONE’s capital expenditure, including acquisitions, totaled EUR 210.7 (2009: 92.5) million, of which acquisitions accounted for EUR 167.2 (46.0) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. The acquisitions completed during the year do not individually or as a whole have a material impact on the result or financial position of the Group. The most important acquisitions completed during the reporting period included two acquisitions in Spain, two in the United States and one in France. These acquisitions are detailed below.

During 2010, KONE acquired two companies in Spain. ASBA Mantenimientos S.L., an elevator company based in Barcelona, was acquired to strengthen KONE’s maintenance and modernization operations in the Catalonia region. KONE also acquired Marvi Elevator group, which installs, maintains and modernizes elevators in the eastern regions of Spain and has an assembly and logistics center in Catalonia, where it is one of the leading players in the industry.

In France, KONE acquired ATPE-AMIB S.A., a Paris-based automatic door company, which provides and maintains gates, garage doors, access control and intercom installations in residential buildings.

KONE acquired two companies in the United States. Through the acquisition of Reliant Elevator Company, the largest independent elevator service company in Oregon, KONE strengthened its position as one of the leading elevator and escalator companies in the Portland metropolitan area and throughout Oregon. KONE also acquired Virginia Elevator Company, a long established and successful independent elevator service company doing business in the greater Richmond area. Through this acquisition KONE established itself as one of the largest elevator and escalator companies in the State of Virginia.

Research and development

Research and development expenses totaled EUR 70.9 (2009: 62.0) million, representing 1.4% (1.3%) of net sales. R&D expenses include the development of new product and service concepts and the further development of existing products and services. KONE’s elevators and escalators are based on energy-efficient technology.

With focus on key customer segments, KONE introduced many new product and service enhancements in order to meet its customers´ needs better.

KONE released new solutions for several segments, such as the affordable housing, office, infrastructure and medical segments. The key drivers for the solutions were improved energy-efficiency, superior ride comfort and appealing visual design. KONE also strengthtened its offering of complementary products and services to create further growth opportunities. An example of this extended offering is the KONE InfoScreen with a content manager for building managers to modify, update and communicate important messages for building users.

To meet the needs of the growing urban population, KONE launched a new competitive product offering specifically targeted to the affordable residential segment in China. KONE also released a new escalator dedicated especially for the Chinese retail and commercial building segments as well as a new offering for the medical segment.

In Europe, extended solutions for the residential segment were offered with a focus on energy efficiency and modernization needs. During 2010, KONE also introduced a new regenerative drive family to expand the coverage of its already wide offering of energy efficient solutions. This enabled KONE to become the first company within its industry to reach an ‘A label’ in energy efficiency performance, as defined by VDI 4707, a guideline published by the Association of German Engineers, which aims at classifying elevators based on their energy consumption.

A dedicated offering and related processes were introduced for the infrastructure segment. The new offering included heavy duty elevators for more demanding projects. KONE also introduced a more competitive goods elevator and a new horizontal autowalk for the infrastructure market.

An updated offering was released for modular elevator modernization, full replacement and solutions for existing buildings without elevators. The maintenance offering and energy efficient solutions for automatic building doors were updated as well.

In accordance with its vision, KONE focused on the users of its products and services and introduced several solutions to ease the people flow in buildings and improve the user experience. A new competitive destination control system solution, an improved scenic car shaft appearance together with an improved ride comfort for KONE’s MonoSpace products

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enabled KONE to offer a user-friendly, visually harmonized product portfolio to its customers.

Other important events during the financial period

KONE announced in 2009 a program to reduce fixed costs due to the weak new equipment markets. The plans for the program were communicated in connection with the second quarter result in 2009. The annual impact of the fixed cost reduction plan was expected to be at least EUR 40 million starting in 2010. The total one-time restructuring cost relating to this program was EUR 33.6 million, which was booked in the second quarter of 2009. The fixed cost adjustment program progressed according to plan in 2010 and was substantially completed with the exception of certain costs related to real estate and other fixed assets as well as to individual reductions of personnel. The overall targets that were set have been achieved. The remaining few implementation measures of the program are expected to be completed during the first quarter of 2011. They do not have a material impact on the overall program.

KONE announced in March 2010 that certain municipalities, public authorities and companies in Austria had filed civil damage claims against leading elevator and escalator companies. The claims have been served on KONE's Austrian subsidiary KONE AG, and they relate to the 2007 decision of the Austrian Cartel Court concerning practices prior to mid-2004. Some further claims have been served since the announcement in March 2010 and the total capital amount claimed jointly and severally from all of the defendants together amounted to EUR 148 million at the end of 2010. KONE's position is that the claims are without merit. No provision has been made.

KONE announced in July 2010 that it will relocate and expand its manufacturing and R&D unit within Kunshan, China. The new site will be located in the Kunshan New & Hi-tech Industrial Development Zone industrial park, which is located close to the Suzhou-Shanghai Expressway, thus enabling better connections to suppliers and customers. The new site will open in 2012. KONE's R&D activities in China will be expanded and a new high-rise test tower will be built to support the development of People Flow™ products and solutions.

Important events after the reporting period

KONE announced in January 2011 that certain companies and public entities had filed civil damage claims against KONE's German subsidiary KONE GmbH and certain other elevator and escalator companies operating in Germany. The claims relate to activities on the German market and are a result of the decision by the European Commission in 2007 on the respective companies concerning alleged anticompetitive practices in the local markets before early 2004. The total capital amount claimed jointly and severally from all of the defendants together amounts to 71 million euros. KONE's position is that the claims are without merit. No provision has been made.

Changes in the Executive Board

KONE announced in September 2010 changes in the KONE Executive Board and organization. All appointments related to these changes were effective as of November 1, 2010. KONE established a new Customer Experience unit to support its development into an even more customer focused company. Juho Malmberg, previously responsible for the Development unit at KONE, was appointed Executive Vice President for the new Customer Experience unit. Kati Hagros was appointed Senior Vice President, Development and CIO. Peter de Neef, Executive Vice President, Service Business, left KONE on October 31, 2010. Pekka Kemppainen, previously responsible for KONE's business in Asia-Pacific, was appointed Executive Vice President, Service Business. Noud Veeger, previously responsible for KONE's business in Central and North Europe, was appointed Executive Vice President, Asia-Pacific. Ari Lehtoranta, previously responsible for the Major Project Business, was appointed Executive Vice President, Central and North Europe. Tarek Elnaggar, previously responsible for KONE's business in the Middle East, was appointed Senior Vice President, Major Projects Business. Juho Malmberg, Pekka Kemppainen, Noud Veeger and Ari Lehtoranta continued as members of the Executive Board and report to Matti Alahuhta, President and CEO. Kati Hagros reports to Henrik Ehrnrooth, CFO, and Tarek Elnaggar reports to Heikki Leppänen, Executive Vice President, New Equipment Business.

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 high ethical principles. The personnel's rights and responsibilities include the right to a safe and healthy working environment, the right to personal wellbeing as well as the prohibition of any kind of discrimination.

In 2010, personnel development activities continued in line with the "People Leadership" development program that

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was created in early 2008. The purpose of the program has been to improve leadership capabilities in order to inspire, engage and develop people for outstanding performance. The delivery of two global leadership development programs, "Supervisor Development Program" for first level line managers and "Leadership Lift" for top management, continued. The first round of the complete six-module supervisor program was finalized for more than 2,000 supervisors globally and the refresher training was started. The last three Leadership Lift programs, with more than 120 top management participants, were completed at the International Institute for Management Development (IMD). A new leadership program for middle management, "KONE Leader", was launched and delivered for close to 800 managers and an e-learning package for new managers was taken into use. Many other training and development actions continued both on local and global levels. Global guides on coaching and mentoring were published and deployed as ways to develop people within units and across units as well as globally.

The work to further harmonize the key people processes continued. The roll-out of the global employee master data system continued covering 25,500 employees at the end of 2010. A common online tool for documenting performance discussions was rolled out to selected countries and improvements were made in KONE's compensation processes. The completion rate of the annual performance discussions improved. The annual leadership and talent review was completed by the end of September.

A global employee survey was carried out with an all-time high response rate (78%) and the global results staying on the 2009 level. Local actions to address the identified development areas were defined by the end of June and closely followed up by the Executive Board quarterly. A global action on improving the visibility of personal and professional growth opportunities was initiated. New instructions focusing on individual development as part of the annual performance discussions were published at the end of the year. The planning of a new global employee survey to take place in 2011 began.

The efforts to improve workplace safety continued with an improvement of 17% in the IIFR (Industrial Injury Frequency Rate). Close cooperation with the employees to promote safety continued. The improved safety awareness was confirmed by "KONE's commitment to employee safety" being the highest single score in the employee survey. Regular virtual safety meetings were held worldwide to share information on best practices and new developments concerning safety. An extensive project to improve subcontractor safety performance began.

KONE had 33,755 (33,988) employees at the end of 2010. The average number of employees was 33,566 (34,276).

The geographical distribution of KONE employees was 55% (55%) in EMEA, 15% (17%) in the Americas and 30% (28%) 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 impact of its own operations.

During 2010 KONE achieved its 50% energy reduction target for new elevators. The ambitious global target was set in 2008 and the achieved energy reduction covers the clear majority of KONE elevators delivered globally.

By reducing the energy consumption of elevators, KONE seeks to reduce the environmental impact of buildings, which account for 40% of global energy consumption. KONE's new range of volume elevators that are currently offered consume 50% less energy than the typical KONE elevator configuration from 2008. Today, KONE's European volume elevators consume 60% less energy, Asian volume elevators consume 50% less and US volume elevators consume 40% less energy than in 2008.

The reduction has been achieved by new technologies developed by KONE and its suppliers, such as more efficient motors, regenerative technologies that recover the energy from ascending and descending elevators as well as more efficient lighting and standby solutions.

For example, the KONE EcoDisc hoisting machine consumes 50–70% less energy than conventional elevator motors. A vector-controlled regenerative drive is a new technology KONE has introduced that recovers braking energy and supplies it to the building's power network. Regenerative drives can recover up to 35% of an elevator's total energy consumption. Additionally, most of KONE's new elevators have LED lights that use up to 80% less energy than conventional halogen lighting solutions.

During 2010, KONE elevators received energy efficiency ratings in measurements performed by independent third parties. In Europe KONE's MonoSpace® and MiniSpace™ elevators and in Asia the 3000S MonoSpace®, 3000S MiniSpace™ and MiniSpace™ elevators received an 'A label' as defined by VDI 4707, a guideline published by the Association of German Engineers, which aims at classifying elevators based on their energy consumption (the classification ranges from A to G, from the most to the least energy efficient system).

KONE's January–December 2010 review

During the reporting period, KONE continued its work as an active member of several codes and standards committees, such as the ISO committee for ISO 25745 series of standards, where KONE focuses on developing requirements for the energy efficiency of elevators and escalators. In order to drive forward environmental sustainability, KONE is an active member of the WBCSD (World Business Council for Sustainable Development), the ERT (European Round Table of Industrialists' Energy and Climate Change Working Group) and the US Green Building Council.

KONE's environmental achievements during 2010 also included the implementation of the ISO 14001 environmental management system (EMS) at corporate level, at all production units and major country organizations.

In 2008, KONE set as a target that by end 2010 its strategic suppliers should meet the requirements of the ISO 14001 standard. By the end of 2010, 98% of KONE's strategic suppliers were implementing ISO 14001 in their daily operations. The target was reached by actively cooperating with the suppliers and by implementing the KONE Supplier Excellence Certification Program.

KONE intends to minimize its carbon footprint and to ensure the compliance of KONE's suppliers with the corresponding requirements and environmental targets. KONE has set an annual 5% carbon footprint reduction target for its own operations. In 2009, the carbon footprint reduction from KONE's operations was 6%. The reduction was achieved by implementing programs that aim to improve the eco-efficiency of KONE's car fleet, by reducing KONE's electricity consumption, by rearranging packaging and logistics practices and by increasing the use of virtual meeting tools. In 2010, KONE launched a new program aiming to further reduce the carbon footprint of its owned and leased facilities. The information on KONE's 2010 carbon footprint reduction target is not yet available.

KONE received two awards in November 2010 at the annual Fleet Europe Awards. KONE was awarded the second place for the International Fleet Green Award due to the overall progress KONE has made with reducing its global car fleet CO_2 emissions via vehicle rightsizing, route optimization, refreshed global fleet policy and an eco-safe driving program among other matters. KONE was also awarded the third place for the International Fleet Innovation Award due to its progress and implementation plans in its global eco-safe driving program and due to delivering benefits related to KONE drivers' and other road users' safety. The largest part of KONE's entire global impact relates to the amount of electricity used by the KONE equipment in their lifetime, underlining the importance of energy-efficient innovations for elevators and escalators.

Risk management

KONE is exposed to risks, which may arise from its operations or changes in the business environment. The risk factors listed below can potentially have an adverse affect on KONE's business operations and financial position and hence 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 renewed weakening of the economies in the EMEA and Americas regions after a short period of growth or a disruption in the growth in the Asia-Pacific region could result in a decrease in the new equipment and modernization orders received, cancellations of agreed deliveries, delays in the commencement of projects and as a result affect KONE's profitability.

The introduction of new custom duties, tariffs or other forms of trade barriers could impact KONE's competitiveness in cross-border deliveries. Although a significant part of component suppliers and KONE's supply capacity are located in the Asia-Pacific region, KONE has supply operations in all major continents where it operates, which increases its ability to shift production from one continent to another in order to adapt to changes in the business environment.

The continued uncertain global economic environment could affect the liquidity and payment schedules of KONE's customers and lead to credit losses. KONE has defined rules for tendering, authorizations and credit control. Advance payments, documentary credits and guarantees are used in the payment terms to minimize the risks related to accounts receivable. KONE proactively manages its accounts receivable in order to minimize the risk of customer defaults. KONE's customer base consists of a large number of customers in several market areas and no individual customer represents a material share of its sales.

A significant part of KONE's sales consists of services which are less susceptible to the effects of economic cycles, but which are very labor-intensive. The profit development of the Group could be adversely affected if its productivity improvement targets were not met or if it were not possible to adapt its resources in response to changing business opportunities and environments. These risks are managed by proactive planning and forecasting processes, by the constant development of productivity as well as by the outsourcing of certain activities.

KONE's January–December 2010 review

KONE operates internationally and is thus exposed to risks arising from foreign exchange rate fluctuations related to currency flows from revenues and expenses and from the translation of income statement and statement of financial position items of foreign subsidiaries into euros. The Group Treasury is responsible for the centralized management of financial risks in accordance with the Group Treasury Policy approved by the Board of Directors. For further information regarding financial risks, please refer to note 2 in the consolidated financial statements.

Changes in raw material prices are reflected directly in the production costs of components made by KONE, such as doors and cars, and indirectly in the prices of purchased components. In order to reduce the fluctuation of raw material prices and their impact on the price of components, KONE has entered into fixed price contracts for a substantial part of the most significant materials. The maintenance business deploys a significant fleet of service vehicles, and oil price fluctuations therefore have an effect on the cost of maintenance.

KONE's business activities are dependent on the uninterrupted operation and reliability of sourcing channels, production plants, logistics processes and the IT systems used. These risks are controlled by analyzing and improving the fault tolerance of processes, accurate 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 services. Additionally, KONE has a global property damage and business interruption insurance program in place.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on March 1, 2010. The meeting approved the financial statements and discharged the responsible parties from liability for the January 1–December 31, 2009 financial period.

The number of Members of the Board of Directors was confirmed as eight and it was decided to elect one deputy Member. Re-elected as Members of the Board were Matti Alahuhta, Anne Brunila, Reino Hanhinen, Antti Herlin, Sirkka Hämäläinen-Lindfors, Juhani Kaskeala, Shunichi Kimura and Sirpa Pietikäinen and as deputy Member Jussi Herlin.

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

Antti Herlin was elected as Chairman of the Audit Committee. Sirkka Hämäläinen-Lindfors and Anne Brunila were elected as independent Members of the Audit Committee.

Antti Herlin was elected as Chairman of the Nomination and Compensation Committee. Reino Hanhinen and Juhani Kaskeala were elected as independent Members of the Nomination and Compensation Committee.

The Annual General Meeting confirmed an annual compensation of EUR 54,000 for the Chairman of the Board, EUR 42,000 for the Vice Chairman, EUR 30,000 for Board Members and EUR 15,000 for the deputy Member. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings.

The Annual General Meeting authorized 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, taking into consideration the provisions of the Companies Act regarding the maximum amount of own shares that the Company is allowed to possess. 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 the decision of the General Meeting.

In addition, the Annual General Meeting authorized the Board of Directors to decide on the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act. The authorization is limited to a maximum of 3,810,000 class A shares and 21,760,000 class B shares. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to 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. The authorization shall remain in effect for a period of five years from the date of the decision of the General Meeting.

The General Meeting decided to establish the KONE Corporation Centennial Foundation. The purpose of the foundation is to advance and support developmental, educational and cultural activities for children and youth around the world. The General Meeting decided to distribute 100,000 treasury class B shares of KONE Corporation without compensation to the KONE Corporation Centennial Foundation to be established, and authorized the Board to later grant no more

KONE's January–December 2010 review

than EUR 100,000 to the foundation. The General Meeting also decided to authorize the Board to grant during 2010 no more than EUR 3,500,000 to support the activities of universities and colleges.

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

For the January 1–December 31, 2009 financial period the Annual General Meeting approved the Board's proposal for dividends of EUR 1.295 for each of the 38,104,356 class A shares and EUR 1.30 for the 215,633,008 outstanding class B shares. Half of the dividend is an extra dividend due to KONE's centennial year 2010. The date of record for dividend distribution was March 4, 2010, and dividends were paid on March 11, 2010. Based on the authorization by the Annual General Meeting, the Board of Directors decided to grant EUR 100,000 to the KONE Corporation Centennial Foundation and a total of EUR 3,400,000 to support the activities of universities and colleges.

Share capital and Market capitalization

In 2005, KONE granted a conditional option program, 2005C. The 2005C stock options were listed on the NASDAQ OMX Helsinki Ltd. as of April 1, 2008. Each option right entitled its owner to subscribe for two (2) KONE Corporation class B shares at a price of EUR 10.60 per share. As the 2005C options subscription period ended on April 30, 2010, the remaining 522,000 series of C options held by the subsidiary expired. The rest of the remaining 1,054,625 options had been used and the shares were entered in the Finnish Trade Register in May 2010.

In 2007, KONE granted a conditional option program, 2007. The 2007 stock options were listed on the NASDAQ OMX Helsinki Ltd. as of April 1, 2010. The total number of 2007 stock options is 2,000,000 of which 888,000 are owned by a subsidiary of KONE Corporation. Each option right entitles its owner to subscribe for two (2) class B shares at a price of EUR 22.845 per share. At the end of 2010, the outstanding 2007 options entitled their holders to subscribe 2,219,600 class B shares. The subscription period for 2007 options will end on April 30, 2012.

In July 2010, KONE Corporation's Board of Directors decided to grant stock option rights to approximately 430 employees of KONE's global organization based on the authorization by the Annual General Meeting on March 1, 2010. The total number of 2010 stock options is 3,000,000 of which 858,500 are owned by a subsidiary of KONE Corporation. Each option right entitles its owner to subscribe for one (1) class B share at a price of EUR 35.00 per share. The subscription price is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. The share subscription period for the 2010 stock options will be from April 1, 2013 to April 30, 2015. The share subscription period begins only if the financial performance of the KONE Group for the financial years 2010–2012 based on the total consideration of the Board of Directors is equal to or better than the average performance of KONE's key competitors.

For further information regarding stock options, please refer to note 21 in the consolidated financial statements.

On December 31, 2010, 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 10,637 million on December 31, 2010, 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.

Repurchase of KONE shares

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 9, 2010.

In March 2010, 100,000 treasury class B shares of KONE Corporation were distributed without compensation to the KONE Corporation Centennial Foundation. In April 2010, 311,375 KONE class B shares assigned to the share-based incentive plan for the company's senior management were transferred due to achieved targets for the financial year 2009. 290,639 of the shares were transferred by KONE Corporation and 20,736 were transferred by KNEBV Incentive Oy, subsidiary of KONE Corporation. In May 2010, KONE used its authorization to repurchase own shares and bought back 550,000 of its own class B shares. In October 2010, a total of 4,568 KONE class B shares were returned free of consideration to KONE Corporation by virtue of the terms of KONE Corporation´s share-based incentive program for the years 2008–2009. In December 2010, 4,400 KONE class B shares held by KONE Corporation were assigned for the subscriptions with 2007 option rights.

At the end of 2010, the Group had 4,849,035 class B shares in its possession. The shares in the Group's possession represent 2.2% of the total number of class B shares. This corresponds to 0.8% of the total voting rights.

KONE's January–December 2010 review

Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki Ltd. traded 134.6 million KONE Corporation's class B shares in 2010, equivalent to a turnover of EUR 4,533 million. The share price on December 30, 2010 was EUR 41.60. The highest quotation was EUR 43.20 and the lowest 27.72.

Market outlook 2011

The new equipment markets in Asia-Pacific are expected to continue to develop positively, although with certain regional differences. The recovery of the new equipment markets in Central and North Europe is expected to continue in most countries, whereas most markets in South Europe are expected to be relatively stable at the current low level. The new equipment markets in the North America are expected to recover modestly. The modernization markets are expected to be at about last year's level. The maintenance markets are expected to continue to develop well.

Outlook 2011

KONE's net sales is estimated to grow 0–5% at comparable exchange rates as compared to 2010.

The operating income (EBIT) is expected to be in the range of EUR 700–750 million, assuming that translation exchange rates do not deviate materially from the situation of the beginning of 2011.

The Board's proposal for the distribution of profit

The parent company's non-restricted equity on December 31, 2010 is EUR 1,797,898,068.97 of which the net profit for the financial year is EUR 564,813,127.90.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.895 be paid on the outstanding 38,104,356 class A shares and EUR 0.90 on the outstanding 217,582,729 class B shares. Under the proposal, the total amount of dividends will be EUR 229,927,854.72. The Board of Directors further proposes that the remaining non-restricted equity, EUR 1,567,970,214.25 be retained and carried forward.

The dividend is proposed to be paid on March 10, 2011. All the shares existing on the dividend record date are entitled to dividend for the year 2010, except for the own shares held by the parent company.

Annual General Meeting 2011

KONE Corporation's Annual General Meeting will be held at 11:00 a.m. on Monday, February 28, 2011 in the Finlandia Hall, Mannerheimintie 13, in Helsinki, Finland.

Helsinki, January 26, 2011

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	10–12/2010	%	10–12/2009	%	1–12/2010	%	1–12/2009	%
Sales	1,488.8		1,426.8		4,986.6		4,743.7	
Costs and expenses	-1,245.4		-1,208.2		-4,226.7		-4,081.2	
Depreciation	-16.1		-15.9		-63.5		-62.2	
One-time restructuring cost	-		-		-		-33.6	
Operating income	227.3	15.3	202.7	14.2	696.4	14.0	566.7	11.9
Share of associated companies' net income	3.3		3.5		12.3		8.1	
Financing income	3.2		3.0		14.7		28.8	
Financing expenses	-2.2		-1.5		-9.0		-9.0	
Income before taxes	231.6	15.6	207.7	14.6	714.4	14.3	594.6	12.5
Taxes	-57.8		-41.1		-178.5		-128.2	
Net income	173.8	11.7	166.6	11.7	535.9	10.7	466.4	9.8
Net income attributable to:								
Shareholders of the parent company	173.9		166.5		535.3		465.6	
Non-controlling interests	-0.1		0.1		0.6		0.8	
Total	173.8		166.6		535.9		466.4	
Earnings per share for profit attributable to the shareholders of the parent company, EUR								
Basic earnings per share, EUR	0.68		0.66		2.10		1.84	
Diluted earnings per share, EUR	0.68		0.65		2.09		1.83	

Consolidated statement of comprehensive income

MEUR	10–12/2010	10–12/2009	1–12/2010	1–12/2009
Net income	173.8	166.6	535.9	466.4
Other comprehensive income, net of tax:				
Translation differences	16.1	4.7	45.5	-7.3
Hedging of foreign subsidiaries	1.7	0.0	0.5	-1.0
Cash flow hedges	-1.5	-5.4	-4.3	-8.6
Other comprehensive income, net of tax	16.3	-0.7	41.7	-16.9
Total comprehensive income	190.1	165.9	577.6	449.5
Total comprehensive income attributable to:				
Shareholders of the parent company	190.2	165.8	577.0	448.7
Non-controlling interests	-0.1	0.1	0.6	0.8
Total	190.1	165.9	577.6	449.5

Condensed consolidated statement of financial position

Assets MEUR	Dec 31, 2010	Dec 31, 2009
Non-current assets		
Intangible assets	859.6	706.7
Tangible assets	204.9	200.5
Loans receivable and other interest-bearing assets	1.8	1.6
Deferred tax assets	176.5	152.8
Investments	180.6	156.0
Total non-current assets	1,423.4	1,217.6
Current assets		
Inventories	765.9	784.6
Advance payments received	-902.7	-832.4
Accounts receivable and other non interest-bearing assets	1,141.2	1,056.1
Current deposits and loan receivables	624.9	421.2
Cash and cash equivalents	192.5	204.9
Total current assets	1,821.8	1,634.4
Total assets	3,245.2	2,852.0

Equity and liabilities MEUR	Dec 31, 2010	Dec 31, 2009
Equity	1,600.6	1,339.2
Non-current liabilities		
Loans	28.7	27.2
Deferred tax liabilities	60.8	42.4
Employee benefits	113.4	110.6
Total non-current liabilities	202.9	180.2
Provisions	99.4	100.3
Current liabilities		
Loans	40.7	95.8
Accounts payable and other liabilities	1,301.6	1,136.5
Total current liabilities	1,342.3	1,232.3
Total equity and liabilities	3,245.2	2,852.0

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2010	64.6	100.3	13.1	0.4	-24.5	-80.1	1,264.6		0.8	1,339.2
Net income for the period								535.3	0.6	535.9
Other comprehensive income:										
Translation differences					45.5					45.5
Hedging of foreign subsidiaries					0.5					0.5
Cash flow hedges				-4.3						-4.3
Transactions with shareholders and non-controlling interests:										
Profit distribution						1.3	-334.5			-333.2
Issue of shares (option rights)	0.5		21.8							22.3
Purchase of own shares						-16.9				-16.9
Sale of own shares										-
Change in non-controlling interests							-1.1		-0.1	-1.2
Option and share-based compensation			0.1			4.3	8.4			12.8
Dec 31, 2010	65.1	100.3	35.0	-3.9	21.5	-91.4	937.4	535.3	1.3	1,600.6

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2009	64.4	100.3	3.4	9.0	-16.2	-83.1	957.2		0.9	1,035.9
Net income for the period								465.6	0.8	466.4
Other comprehensive income:										
Translation differences					-7.3					-7.3
Hedging of foreign subsidiaries					-1.0					-1.0
Cash flow hedges				-8.6						-8.6
Transactions with shareholders and non-controlling interests:										
Profit distribution							-164.1			-164.1
Issue of shares (option rights)	0.2		9.7							9.9
Purchase of own shares										-
Sale of own shares										-
Change in non-controlling interests									-0.9	-0.9
Option and share-based compensation						3.0	5.9			8.9
Dec 31, 2009	64.6	100.3	13.1	0.4	-24.5	-80.1	799.0	465.6	0.8	1,339.2

Condensed consolidated statement of cash flows

MEUR	10–12/2010	10–12/2009	1–12/2010	1–12/2009
Operating income	227.3	202.7	696.4	566.7
Change in working capital before financial items and taxes	-50.3	-22.4	95.3	194.2
Depreciation and impairment	18.1	17.9	65.5	64.2
Cash flow from operations	195.1	198.2	857.2	825.1
Cash flow from financing items and taxes	-49.5	-24.0	-174.2	-123.7
Cash flow from operating activities	145.6	174.2	683.0	701.4
Cash flow from investing activities	-11.1	-42.0	-142.2	-90.6
Cash flow after investing activities	134.5	132.2	540.8	610.8
Purchase, sale and distribution of own shares	0.1	-	-16.8	-
Issue of shares	-	9.0	22.3	9.9
Profit distribution	-0.5	-	-333.2	-164.0
Change in deposits and loans receivable, net	-137.0	-141.5	-182.7	-220.9
Change in loans payable	-15.8	10.4	-54.1	-181.4
Cash flow from financing activities	-153.2	-122.1	-564.5	-556.4
Change in cash and cash equivalents	-18.7	10.1	-23.7	54.4
Cash and cash equivalents at end of period	192.5	204.9	192.5	204.9
Translation difference	-3.0	-2.3	-11.3	-2.7
Cash and cash equivalents at beginning of period	208.2	192.5	204.9	147.8
Change in cash and cash equivalents	-18.7	10.1	-23.7	54.4

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	10–12/2010	10–12/2009	1–12/2010	1–12/2009
Interest-bearing net debt at beginning of period	-610.7	-358.8	-504.7	-58.3
Interest-bearing net debt at end of period	-749.8	-504.7	-749.8	-504.7
Change in interest-bearing net debt	-139.1	-145.9	-245.1	-446.4

Notes for the interim report

KEY FIGURES

		1–12/2010	1–12/2009
Basic earnings per share	EUR	2.10	1.84
Diluted earnings per share	EUR	2.09	1.83
Equity per share	EUR	6.25	5.28
Interest-bearing net debt	MEUR	-749.8	-504.7
Total equity/total assets	%	49.3	47.0
Gearing	%	-46.8	-37.7
Return on equity	%	36.5	39.3
Return on capital employed	%	34.8	34.0
Total assets	MEUR	3,245.2	2,852.0
Assets employed	MEUR	850.8	834.5
Working capital (including financing and tax items)	MEUR	-394.3	-228.7

SALES BY GEOGRAPHICAL REGIONS

MEUR	1–12/2010	%	1–12/2009	%
EMEA[1]	2,911.5	58	2,953.4	62
Americas	1,018.3	21	970.2	21
Asia-Pacific	1,056.8	21	820.1	17
Total	4,986.6		4,743.7	

[1] EMEA = Europe, Middle East, Africa

QUARTERLY FIGURES

		Q4/2010	Q3/2010	Q2/2010	Q1/2010
Orders received	MEUR	1,006.3	865.2	1,042.8	894.7
Order book	MEUR	3,597.8	3,657.9	3,933.7	3,638.5
Sales	MEUR	1,488.8	1,235.9	1,258.9	1,003.0
Operating income	MEUR	227.3	184.8	175.7	108.6
Operating income	%	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 [1]	91.2	189.2	146.0	136.7	86.5
Operating income	%	14.2	14.2	12.5 [1]	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 [2]	126.7	116.4	69.3 [3]	123.4	101.1	83.9	51.7
Operating income	%	12.4 [2]	13.0	11.6	8.5 [3]	10.8	11.5	10.0	7.0

[1] Excluding a MEUR 33.6 one-time restructuring cost related to the fixed cost adjustment program.
[2] 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.
[3] Excluding a MEUR 142.0 fine for the European Commission's decision.

Notes for the interim report

ORDERS RECEIVED

MEUR	1–12/2010	1–12/2009
	3,809.0	3,432.4

ORDER BOOK

MEUR	Dec 31, 2010	Dec 31, 2009
	3,597.8	3,309.1

CAPITAL EXPENDITURE

MEUR	1–12/2010	1–12/2009
In fixed assets	32.0	40.9
In leasing agreements	11.5	5.6
In acquisitions	167.2	46.0
Total	210.7	92.5

R&D EXPENDITURE

MEUR	1–12/2010	1–12/2009
	70.9	62.0
R&D Expenditure as percentage of sales	1.4	1.3

NUMBER OF EMPLOYEES

	1–12/2010	1–12/2009
Average	33,566	34,276
At the end of the period	33,755	33,988

Notes for the interim report

COMMITMENTS

MEUR	Dec 31, 2010	Dec 31, 2009
Mortgages		
Group and parent company	-	-
Pledged assets		
Group and parent company	2.0	1.9
Guarantees		
Associated companies	3.5	3.5
Others	6.0	6.4
Operating leases	179.0	162.0
Total	190.5	173.8

Banks and financial institutions have guaranteed obligations arising in the ordinary course of business of KONE companies up to a maximum of EUR 699.3 (638.3) million as of December 31, 2010.

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	Dec 31, 2010	Dec 31, 2009
Less than 1 year	44.5	41.0
1–5 years	100.7	91.6
Over 5 years	33.8	29.4
Total	179.0	162.0

DERIVATIVES

Fair values of derivative financial instruments

MEUR	positive fair value Dec 31, 2010	negative fair value Dec 31, 2010	net fair value Dec 31, 2010	net fair value Dec 31, 2009
Foreign exchange forward contracts and swaps	6.1	9.0	-2.9	-2.6
Cross-currency swaps	-	20.2	-20.2	-17.0
Electricity price forward contracts	2.2	1.3	0.9	-0.4
Total	8.3	30.5	-22.2	-20.0

Nominal values of derivative financial instruments

MEUR	Dec 31, 2010	Dec 31, 2009
Foreign exchange forward contracts and swaps	534.7	488.4
Cross-currency swaps	139.3	113.1
Electricity price forward contracts	5.6	5.3
Total	679.6	606.8

Shares and shareholders

Dec 31, 2010	Class A shares	Class B shares	Total
Number of shares	38,104,356	222,431,764	260,536,120
Own shares in possession [1]		4,849,035	
Share capital, EUR			65,134,030
Market capitalization, MEUR			10,637
Number of B shares traded (millions), 1–12/2010		134.6	
Value of B shares traded, MEUR, 1–12/2010		4,533	
Number of shareholders	3	29,772	29,772

	Close	High	Low
Class B share price, EUR, Jan-Dec 2010	41.60	43.20	27.72

[1] During 2010, KONE used its authorization to repurchase own shares and bought back 550,000 of its own class B shares in May. In March 2010, 100,000 treasury class B shares of KONE Corporation were distributed without compensation to the KONE Corporation Centennial Foundation. In April 2010, 311,375 KONE class B shares assigned to the share-based incentive plan for the company's senior management were transferred due to achieved targets for the financial year 2009. 290,639 of the shares were transferred by KONE Corporation and 20,736 were transferred by KNEBV Incentive Oy, subsidiary of KONE Corporation. In October 2010, a total of 4,568 KONE class B shares were returned free of consideration to KONE Corporation by virtue of the terms of KONE Corporation´s share-based incentive program for the years 2008–2009. In December 2010, 4,400 KONE class B shares held by KONE Corporation were assigned for the subscriptions with 2007 option rights.

KONE Corporation

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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 2010, KONE had annual net sales of EUR 5.0 billion and approximately 33,800 employees. KONE class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland.