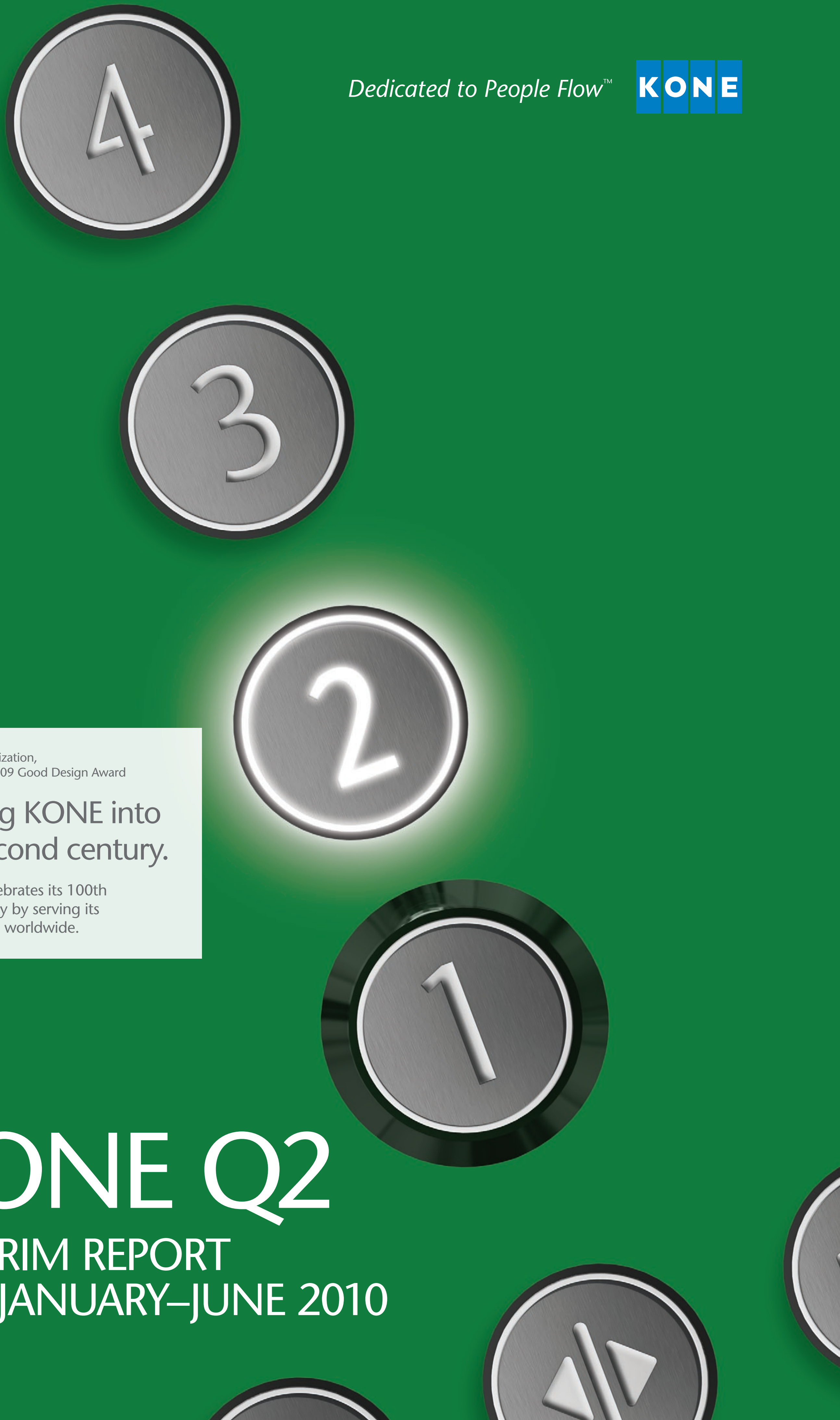
Dedicated to People Flow™

KONE



KONE signalization,
winner of 2009 Good Design Award

Taking KONE into
its second century.

KONE celebrates its 100th
anniversary by serving its
customers worldwide.

KONE Q2

INTERIM REPORT FOR JANUARY–JUNE 2010

KONE's Q2: Overall strong development

April–June 2010

- In April–June 2010, orders received totaled EUR 1,043 (4–6/2009: 953.9) million. Orders received increased by 9.3% at historical exchange rates and by 3.7% at comparable exchange rates.
- Net sales increased by 7.7% to EUR 1,259 (1,169) million. At comparable exchange rates the increase was 2.6%.
- Operating income was EUR 175.7 (146.3) million or 14.0% (12.5%) of net sales (4–6/2009 figures exclude a one-time cost of EUR 33.6 million related to the fixed cost adjustment program).
- Cash flow from operations reached EUR 201.7 (201.1) million.
- KONE upgrades its outlook for 2010 due to strong orders received in the Asia-Pacific region and favorable exchange rate movements. KONE's net sales is estimated to be at approximately the same level as in 2009. The operating income (EBIT) is expected to be in the range of EUR 630–660 million. KONE previously estimated its net sales to decline by 0–5% compared to 2009. The previous operating income (EBIT) outlook was EUR 580–620 million.

January–June 2010

- In January–June 2010, orders received totaled EUR 1,938 (1–6/2009: 1,852) million. Orders received increased by 4.6% at historical exchange rates and by 1.5% at comparable exchange rates. The order book stood at EUR 3,934 (Dec 31, 2009: 3,309) million at the end of June 2010.
- Net sales increased by 3.3% to EUR 2,262 (2,190) million. At comparable exchange rates it increased by 0.2%.
- Operating income was EUR 284.3 (237.5) million or 12.6% (10.8%) of net sales (1–6/2009 figures exclude a one-time cost of EUR 33.6 million related to the fixed cost adjustment program).

KEY FIGURES

		4–6/2010	4–6/2009	1–6/2010	1–6/2009	1–12/2009
Orders received	MEUR	1,042.8	953.9	1,937.5	1,852.4	3,432.4
Order book	MEUR	3,933.7	3,754.1	3,933.7	3,754.1	3,309.1
Sales	MEUR	1,258.9	1,168.6	2,261.9	2,189.6	4,743.7
Operating income	MEUR	175.7	146.3 [1]	284.3	237.5 [1]	600.3 [1]
Operating income	%	14.0	12.5 [1]	12.6	10.8 [1]	12.7 [1]
Cash flow from operations (before financing items and taxes)	MEUR	201.7	201.1	419.3	371.4	825.1
Net income	MEUR	135.6	86.5	217.2	165.2	466.4
Total comprehensive income	MEUR	174.1	79.4	284.9	159.6	449.5
Basic earnings per share	EUR	0.53	0.34	0.85	0.65	1.84
Interest-bearing net debt	MEUR	-487.6	-167.1	-487.6	-167.1	-504.7
Total equity/total assets	%	43.5	38.8	43.5	38.8	47.0
Gearing	%	-37.4	-16.1	-37.4	-16.1	-37.7

[1] Excluding a EUR 33.6 million one-time restructuring cost related to the fixed costs adjustment program, which was booked in the second quarter in 2009.

KONE President & CEO, Matti Alahuhta, in conjunction with the review:

"The strong performance during the first half of the year demonstrates that our overall approach during the past two years has been successful. The strong development of our business in the Asia-Pacific region has largely compensated for the significant decline in the new equipment markets in Europe and North America. This progress in combination with the improvements in overall quality and productivity as well as the active development of our service business has resulted in a continuous growth in operating income. During the second quarter, low sourcing costs and favorable exchange rates also contributed to the good growth in operating income. I am very pleased with our business progress during the second quarter. Our personnel continued to do a great job for which I want to thank them.

As a result of the strong development during the first half of the year, we have upgraded our full year outlook for the operating income to EUR 630–660 million, even though our result this year will be less second half weighted than in prior years.

The new equipment markets started to stabilize in Europe and North America as we expected during the first half of the year. However, we believe that the overall economy and our markets in these areas will remain uncertain and that their recovery will be slow. We have good order book coverage for 2010. These uncertainties will therefore not have any material impact on our financial performance this year but they might reflect on periods thereafter.

In order to ensure that our development within our industry remains strong, we have started to increase investments in actions that will further improve our long-term competitiveness."

Interim Report for January–June 2010

Accounting Principles

KONE Corporation's Interim Report for January–June 2010 has been prepared in line with IAS 34, `Interim Financial Reporting´. KONE has applied the same accounting principles in the preparation of this interim report as in its financial statements for 2009, published on January 26, 2010. Additionally the changes according to revised IAS/IFRS standards have been adopted. Out of these relevant changes are IFRS 3 (revised) Business combinations and IAS 27 (revised) Consolidated and separate financial statements. The information presented in this Interim Report has not been audited.

April–June 2010 review

Operating environment in April–June

In the second quarter of 2010 overall market activity in the Europe, Middle East and Africa (EMEA) and Americas markets remained challenging, while the Asia-Pacific region continued to develop favorably. The activity level in major projects increased. The pricing environment in the new equipment business was intense in all regions. Modernization markets were overall quite stable. Maintenance markets continued to develop favorably, but remained very competitive.

In the EMEA region, the business environment in new equipment markets was mixed with the residential market developing positively in Northern Europe but with most Southern European markets remaining weak. Growth was seen in residential markets in Germany, the United Kingdom, Sweden, Finland and Poland. The residential markets in France and Italy showed signs of stabilization at a low level. The market continued to decline in Spain. The commercial segment was still burdened by high vacancy rates in Southern Europe. Markets in the Middle East, particularly in Abu Dhabi and Saudi Arabia, continued to develop positively with emphasis on government-funded long-term planning and infrastructure development. The modernization markets were at about last year's level. The maintenance markets continued to develop well in the EMEA region, but remained very competitive.

In the Americas region, the new equipment markets stabilized at low levels. Even though the new equipment market showed signs of stabilization in the United States, it remained challenging and uncertain. The tendering activity in infrastructure and publicly funded projects improved and its share of the total construction investment activity grew. Price competition, particularly in major projects, remained intense in the United States. Modernization activity increased somewhat. In Canada, the new equipment market continued to recover and was rather active. The modernization market was stable. Mexico's recovery progressed, albeit slowly. Maintenance markets in the Americas developed rather well, but were very competitive.

In the Asia-Pacific region, activity in the new equipment markets continued to grow strongly during the second quarter, but the pricing environment continued to be intense. The Chinese public transportation and residential segments, particularly affordable housing, continued to grow strongly. The commercial segment was also quite active. Tendering activity continued to grow in India with the residential segment, particularly affordable housing, being the main growth segment, while the activity in the commercial segment was unchanged at a low level. In Australia, where the new equipment markets developed favorably during the beginning of the year, tendering activity decreased somewhat. This was primarily due to increasing interest rates and funding constraints. Tendering activity in the modernization market improved. Market activity in Southeast Asia increased with the residential segment developing particularly well. Maintenance markets in Asia-Pacific continued to develop favorably.

Financial performance in April–June

KONE's orders received increased by 9.3% as compared to April–June 2009, and totaled EUR 1,043 (4–6/2009: 953.9) million. At comparable exchange rates, orders received increased by 3.7%. KONE was particularly successful in the volume business but also secured a number of important major project orders. The performance in orders received was strongest in Asia-Pacific, with China and India developing most positively. Maintenance contracts are not included in orders received.

The largest orders received in April–June 2010 included an order to supply elevators for the new Southmead Hospital in Bristol in the United Kingdom, an order to supply elevators and escalators for phase 1 of the Centre 66 development project in Wuxi, China as well as an order to supply elevators and escalators for phase 1 of the Hualongqiao B11 high-rise project in Chongqing, China.

KONE's net sales increased by 7.7% as compared to April–June 2009, and totaled EUR 1,259 (1,169) million. At comparable exchange rates, the increase was 2.6%.

New equipment sales accounted for EUR 593.5 (548.5) million of the total which represented an increase of 8.2% over the comparison period. At comparable currency rates, the increase was 2.3%.

Service sales (maintenance and modernization) increased by 7.3% and totaled EUR 665.4 (620.1) million. At comparable currency rates, the increase was 2.8%. Maintenance

KONE's January–June 2010 review

SALES BY GEOGRAPHICAL REGIONS, MEUR

	4-6/2010	%	4-6/2009	%	1-6/2010	%	1-6/2009	%	1-12/2009	%
EMEA [1]	730.9	58	736.1	63	1 324.3	59	1,374.9	63	2,953.4	62
Americas	250.6	20	222.3	19	487.5	21	456.4	21	970.2	21
Asia-Pacific	277.4	22	210.2	18	450.1	20	358.3	16	820.1	17
Total	1,258.9		1,168.6		2,261.9		2,189.6		4,743.7	

[1] EMEA = Europe, Middle East, Africa

sales continued to grow at the prior good rate, whereas modernization sales declined slightly. The reasons for the decline were seasonal fluctuations and a change in the business mix of modernization towards larger modernizations and full replacements.

The operating income for the April–June 2010 period totaled EUR 175.7 (112.7) or 14.0% (9.6%) of net sales (the operating income in April–June 2009 excluding the one-time cost of EUR 33.6 million related to the fixed cost adjustment program was EUR 146.3 million or 12.5% of net sales). The good operating income was primarily a result of strong sales growth in the Asia-Pacific region, improved operational quality and productivity, favorable sourcing costs, lower fixed costs as well as favorable movements in translation exchange rates due to the weakening of the euro against most major currencies.

January–June 2010 review

KONE's Orders received and Order book in January–June

The overall market situation was demanding in new equipment throughout the reporting period except in the Asia-Pacific region where all major markets grew. Modernization markets grew slightly. The global maintenance market, which is by nature less cyclical, continued to grow.

In January–June 2010, KONE's orders received increased by 4.6% and totaled EUR 1,938 (1–6/2009: 1,852) million. At comparable exchange rates, the increase was 1.5%. Maintenance contracts are not included in orders received.

The order book increased from the end of 2009 by 18.9% and stood at EUR 3,934 (Dec 31, 2009: 3,309) million at the end of June 2010. At comparable exchange rates, the increase was 6.4%. The margin of the order book remained stable. Cancellations of orders have remained at a very low level.

In the EMEA region, total orders received were at the same level as during January–June 2009. KONE's orders received grew in the northern parts of Europe and in the Middle East but declined in Southern Europe. In the Americas region, orders received declined. In the Asia-Pacific region, orders received grew in all of KONE's major countries and the growth was very strong in China and India.

Net sales

In January–June 2010, KONE's net sales increased by 3.3% as compared to last year, and totaled EUR 2,262 (1–6/2009: 2,190) million. At comparable exchange rates the increase was 0.2%.

New equipment sales accounted for EUR 1,023 (993.6) million of the total and represented an increase of 3.0% over the comparison period in 2009. At comparable exchange rates, however, new equipment sales declined by 0.5%.

Service (maintenance and modernization) sales increased by 3.6% and totaled EUR 1,239 (1,196) million. At comparable exchange rates, the increase was 0.8%. Maintenance sales continued to grow at its prior good rate, whereas modernization sales declined due to seasonal and business mix factors.

The geographical distribution of net sales was 59% (63%) EMEA, 21% (21%) Americas and 20% (16%) Asia-Pacific.

Financial result

In January–June 2010, KONE's operating income was very strong at EUR 284.3 (1–6/2009: 203.9) or 12.6% (9.3%) of net sales (the operating income in January–June 2009 excluding the one-time cost of EUR 33.6 million related to the fixed cost adjustment program was EUR 237.5 million or 10.8% of net sales). The growth in operating income was the result of good business progress in Asia-Pacific, improved overall quality and productivity due to good progress in KONE's development programs, favorable sourcing costs and reduced fixed

KONE's January–June 2010 review

costs as well as favorable movements in translation exchange rates. Net financing items were EUR 1.6 (15.6) million.

KONE's income before taxes for January–June 2010 was EUR 290.4 (221.1) million. Taxes totaled EUR 73.2 (55.9) million, taking into account taxes proportionate to the amount estimated for the financial year. This represents an effective tax rate of 25.2%. Net income for the period under review was EUR 217.2 (165.2) million.

Earnings per share was EUR 0.85 (0.65). Equity per share was EUR 5.10 (4.09).

Consolidated statement of financial position and Cash flow

KONE's financial position was strong and the company had a clearly positive net cash position at the end of June. Cash flow generated from operations (before financing items and taxes) in January–June 2010 was EUR 419.3 (1–6/2009: 371.4) million.

The primary drivers of the strong cash flow were the growth in the operating income and a substantial improvement in the net working capital. The progress in net working capital was largely due to good payment terms and an improvement in the ratio of advance payments received relative to inventories. At the end of June 2010, net working capital was EUR -338.4 (December 31, 2009: -228.7) million, including financing items and taxes.

Interest-bearing assets exceeded interest-bearing debts and the net cash position totaled EUR 487.6 (December 31, 2009: 504.7) million. Gearing was -37.4%, compared with -37.7% at the end of 2009. KONE's total equity/total assets ratio was 43.5% (December 31, 2009: 47.0%) at the end of June.

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 55.8 (1–6/2009: 48.4) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. Acquisitions accounted for EUR 32.9 (29.0) million of this figure.

During January–June 2010, KONE completed the acquisition of ASBA Mantenimientos S.L., a Spanish elevator company based in Barcelona, to strenghten KONE's maintenance and modernization operations in the Catalonia region. KONE also acquired Reliant Elevator Company, the largest independent elevator service company in Oregon, USA. Through this acquisition KONE strengthened its position as one of the leading elevator and escalator companies in the Portland metropolitan area and throughout Oregon. During the reporting period, KONE also acquired ATPE-AMIB S.A., a French automatic door company. The Paris-based company provides and maintains gates, garage doors, access control and intercom installations in residential buildings.

Research and development

Research and development expenses totaled EUR 32.6 (1–6/2009: 30.9) million, representing 1.4% (1.4%) of net sales. R&D expenses include the development of new concepts and further development of existing products and services. KONE's elevators and escalators are based on energy-efficient technology.

In January–June 2010, KONE released new offerings in all regions. The new and improved elevator offering for the Asia-Pacific markets included a wide range of updated products, a further improvement in the eco-efficiency offering and option extensions as well as a new design collection. In Europe, KONE introduced an enhanced offering for the medical segment. In addition, extended solutions for the residential and office segments were offered with a focus on energy efficiency. KONE also released an updated offering for modular elevator modernization and full replacement. In the Americas, KONE launched updated car and signalization design solutions for its mid- and high-rise elevators, along with energy efficient lighting and improved functionality offerings. In January 2010, KONE released a new escalator dedicated especially to the Chinese retail and commercial building segment. In January–June 2010, KONE also initiated the introduction of a new regenerative drive family to expand the coverage of its already wide offering of energy efficient solutions.

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 this fixed cost reduction plan is 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 during the first half of 2010.

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 announce-

KONE's January–June 2010 review

ment in March and the total capital amount claimed jointly and severally from all of the defendants together amounted to EUR 145 million at the end of the reporting period. KONE's position is that the claims are without merit. No provision has been made.

Personnel

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

During January–June 2010, KONE continued to invest in and run leadership training programs and launched a new leadership program for middle management as well as a virtual induction program for new managers. KONE's annual employee survey was conducted and the results were published with actions being implemented during the second half of the year. Work on human resources systems and tools continued.

KONE had 33,621 (December 31, 2009: 33,988) employees at the end of June. The average number of employees was 33,626 (1–6/2009: 34,461).

The geographical distribution of KONE employees was 55% (December 31, 2009: 55%) in EMEA, 16% (17%) in the Americas and 29% (28%) in Asia-Pacific.

Environment

KONE published its second Corporate Responsibility Report during the reporting period.

KONE's aim is to be the eco-efficiency leader in its industry. The development of eco-efficient solutions focuses on stand-by energy saving solutions and regenerative units for elevators. KONE set an ambitious target for 2010 with the aim of reducing the electricity consumption of its volume elevators by 50% by the end of 2010, compared to the 2008 base value. During 2010, the energy consumption of KONE's new volume elevators will be reduced by a further 20% in addition to the 30% reduction achieved in 2009.

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. The largest part of KONE's entire global impact relates to the amount of electricity used by KONE equipment in their lifetime, underlining the importance of energy-efficient innovations for elevators and escalators.

During January–June 2010, KONE elevators received energy efficiency ratings in measurements performed by independent third parties. In Europe KONE's MonoSpace® 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).

Capital and risk management

KONE's business activities are 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 shareholder value of the company. Other risks, which are currently either unknown or considered immaterial to KONE, may, however, become material in the future.

A continuing global economic slowdown or a renewed weakening of the global economy after a short period of growth may bring about a further decrease in the number of new equipment and modernization orders received, cancellation of agreed deliveries, or delays in the commencement of projects. 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 the productivity targets in the service business are not met or if it is not possible to efficiently reallocate personnel resources in response to changing business opportunities and environments.

A big proportion of KONE's new equipment sales take place in the form of major construction projects in which KONE is a subcontractor. In these projects, KONE's project management organization cooperates with the main contractors' project organization. Supply chains, the high technology featured in components and technologically demanding installation processes may make it more difficult to achieve the quality, cost or schedule objectives set for the project. Common project management methodology and tools together with related global training programs are used for managing project risks.

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 and by increasing the readiness for transferring the manufacturing of critical components from one production line to another. KONE actively monitors the oper-

KONE's January–June 2010 review

ations and financial strength of its key suppliers. The aim is also to secure the availability of alternative sourcing channels for critical components and services. Additionally, KONE has a global property damage and business interruption insurance program in place.

A renewed economic downturn may affect the liquidity and payment schedules of KONE's customers and lead to credit losses. KONE's 'tender to cash' process defines the 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. The customer base of KONE consists of a large number of customers in several market areas.

KONE operates internationally and is thus exposed to currency risks arising from exchange rate fluctuations related to currency flows from sales and purchases and from translation of statement of financial position items of foreign subsidiaries into euros. The KONE Treasury function manages exchange rates and other financial risks centrally on the basis of principles approved by the Board of Directors.

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 for 2010 entered into fixed price contracts for a substantial part of the most significant materials. The maintenance business deploys a significant fleet of service vehicles, which explains why oil price fluctuations have an effect on the cost of maintenance.

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 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–June 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.

Dividend for 2009

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.

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 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 June 2010, the remaining 2007 options entitled their holders to subscribe 4,000,000 class B shares as no shares were subscribed during January–June. The subscription period for 2007 options will end on April 30, 2012.

On June 30, 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 8,376 million on June 30, 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 and bought back 550,000 of its own class B shares.

At the end of June 2010, the Group had 4,848,867 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.

Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki Ltd. traded 79.0 million KONE Corporation's class B shares in January–June 2010, equivalent to a turnover of EUR 2,449 million. The daily average trading volume was 642,047 (1–6/2009: 759,261). The share price on June 30, 2010 was EUR 32.76. The volume weighted average share price during the period was EUR 31.03. The highest quotation during the period under review was EUR 35.18 and the lowest EUR 27.72.

The number of registered shareholders was 22,304 at the beginning of the review period and 27,740 at its end. The number of private households holding shares totaled 25,201 at the end of the period, which corresponds to approximately 13% of the listed B shares.

According to the nominee registers, 42.8% of the listed class B shares were owned by foreigners as per June 30, 2010. Other foreign ownership at the end of the period totaled 6.6%. Thus a total of 49.4% of KONE's listed class B shares were owned by international investors, corresponding to approximately 18% of the total votes in the company.

KONE's January–June 2010 review

Market outlook 2010

KONE specifies its market outlook for 2010. The new equipment markets in Asia-Pacific are expected to continue to grow, albeit at a lower rate than during the first half of the year. In EMEA and North America, the markets have started to stabilize, but the market environment remains uncertain and recovery is expected to be slow. The modernization markets are expected to be at about last year's level. The maintenance markets are expected to continue to develop well, but remain very competitive.

Outlook 2010

KONE upgrades its outlook for 2010 due to strong orders received in the Asia-Pacific region and favorable movements in translation exchange rates.

KONE's net sales is estimated to be at approximately the same level as in 2009.

The operating income (EBIT) is estimated to be in the range of EUR 630–660 million.

Previous outlook

KONE's net sales is estimated to decline by 0–5% compared to 2009.

The operating income (EBIT) is expected to be in the range of EUR 580–620 million.

Helsinki, July 20, 2010

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	4–6/2010	%	4–6/2009	%	1–6/2010	%	1–6/2009	%	1–12/2009	%
Sales	1,258.9		1,168.6		2,261.9		2,189.6		4,743.7	
Costs and expenses	-1,067.2		-1,006.8		-1,946.0		-1,921.1		-4,081.2	
Depreciation	-16.0		-15.5		-31.6		-31.0		-62.2	
One-time restructuring cost	-		-33.6		-		-33.6		-33.6	
Operating income	175.7	14.0	112.7	9.6	284.3	12.6	203.9	9.3	566.7	11.9
Share of associated companies' net income	3.8		1.5		4.5		1.6		8.1	
Financing income	2.2		3.0		7.2		21.7		28.8	
Financing expenses	-0.8		-1.7		-5.6		-6.1		-9.0	
Income before taxes	180.9	14.4	115.5	9.9	290.4	12.8	221.1	10.1	594.6	12.5
Taxes	-45.3		-29.0		-73.2		-55.9		-128.2	
Net income	135.6	10.8	86.5	7.4	217.2	9.6	165.2	7.5	466.4	9.8
Net income attributable to:										
Shareholders of the parent company	135.3		86.1		216.6		164.7		465.6	
Non-controlling interests	0.3		0.4		0.6		0.5		0.8	
Total	135.6		86.5		217.2		165.2		466.4	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share, EUR	0.53		0.34		0.85		0.65		1.84	
Diluted earnings per share, EUR	0.53		0.34		0.85		0.65		1.83	

Consolidated statement of comprehensive income

MEUR	4–6/2010	4–6/2009	1–6/2010	1–6/2009	1–12/2009
Net income	135.6	86.5	217.2	165.2	466.4
Other comprehensive income, net of tax:					
Translation differences	43.7	-7.1	77.4	1.5	-7.3
Hedging of foreign subsidiaries	-	0.9	-	-1.0	-1.0
Cash flow hedges	-5.2	-0.9	-9.7	-6.1	-8.6
Other comprehensive income, net of tax	38.5	-7.1	67.7	-5.6	-16.9
Total comprehensive income	174.1	79.4	284.9	159.6	449.5
Total comprehensive income attributable to:					
Shareholders of the parent company	173.8	79.0	284.3	159.1	448.7
Non-controlling interests	0.3	0.4	0.6	0.5	0.8
Total	174.1	79.4	284.9	159.6	449.5

Condensed consolidated statement of financial position

Assets

MEUR	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
Non-current assets			
Intangible assets	762.3	699.0	706.7
Tangible assets	212.1	209.5	200.5
Loans receivable and other interest-bearing assets	1.9	1.8	1.6
Deferred tax assets	179.6	126.7	152.8
Investments	180.8	142.8	156.0
Total non-current assets	1,336.7	1,179.8	1,217.6
Current assets			
Inventories	920.6	936.9	784.6
Advance payments received	-1,046.5	-926.9	-832.4
Accounts receivable and other non interest-bearing assets	1,215.0	1,134.6	1,056.1
Current deposits and loan receivables	405.7	177.0	421.2
Cash and cash equivalents	166.8	170.3	204.9
Total current assets	1,661.6	1,491.9	1,634.4
Total assets	2,998.3	2,671.7	2,852.0

Equity and liabilities

MEUR	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
Equity	1,304.4	1,036.6	1,339.2
Non-current liabilities			
Loans	30.8	28.9	27.2
Deferred tax liabilities	46.6	39.5	42.4
Employee benefits	117.2	119.0	110.6
Total non-current liabilities	194.6	187.4	180.2
Provisions	102.2	79.4	100.3
Current liabilities			
Loans	56.0	153.1	95.8
Accounts payable and other liabilities	1,341.1	1,215.2	1,136.5
Total current liabilities	1,397.1	1,368.3	1,232.3
Total equity and liabilities	2,998.3	2,671.7	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	100.4	13.0	0.4	-24.5	-80.1	1,264.6		0.8	1,339.2
Net income for the period								216.6	0.6	217.2
Other comprehensive income:										
Translation differences					77.4					77.4
Hedging of foreign subsidiaries										-
Cash flow hedges				-9.7						-9.7
Transactions with shareholders and non-controlling interests:										
Profit distribution						1.3	-334.0			-332.7
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									0.0	0.0
Option and share-based compensation						4.3	3.3			7.6
Jun 30, 2010	65.1	100.4	34.8	-9.3	52.9	-91.4	933.9	216.6	1.4	1,304.4

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	100.4	3.3	9.0	-16.2	-83.1	957.2		0.9	1,035.9
Net income for the period								164.7	0.5	165.2
Other comprehensive income:										
Translation differences					1.5					1.5
Hedging of foreign subsidiaries					-1.0					-1.0
Cash flow hedges				-6.1						-6.1
Transactions with shareholders and non-controlling interests:										
Profit distribution							-164.1			-164.1
Issue of shares (option rights)	0.0		0.9							0.9
Purchase of own shares										-
Sale of own shares										-
Change in non-controlling interests										-
Option and share-based compensation						3.0	1.3			4.3
Jun 30, 2009	64.4	100.4	4.2	2.9	-15.7	-80.1	794.4	164.7	1.4	1,036.6

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, 2009	64.4	100.4	3.3	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	100.4	13.0	0.4	-24.5	-80.1	799.0	465.6	0.8	1,339.2

Condensed consolidated statement of cash flows

MEUR	4–6/2010	4–6/2009	1–6/2010	1–6/2009	1–12/2009
Operating income	175.7	112.7	284.3	203.9	566.7
Change in working capital before financial items and taxes	10.0	72.9	103.4	136.5	194.2
Depreciation and impairment	16.0	15.5	31.6	31.0	64.2
Cash flow from operations	201.7	201.1	419.3	371.4	825.1
Cash flow from financing items and taxes	-48.6	-49.9	-113.3	-65.6	-123.7
Cash flow from operating activities	153.1	151.2	306.0	305.8	701.4
Cash flow from investing activities	-33.9	-10.2	-50.2	-32.5	-90.6
Cash flow after investing activities	119.2	141.0	255.8	273.3	610.8
Purchase and sale of own shares	-16.9	-	-16.9	-	-
Issue of shares	22.3	0.6	22.3	0.9	9.9
Profit distribution	-25.6	-12.1	-332.7	-164.0	-164.0
Change in deposits and loans receivable, net	-97.3	-1.5	48.4	26.2	-220.9
Change in loans payable	3.2	-133.1	-28.6	-114.2	-181.4
Cash flow from financing activities	-114.3	-146.1	-307.5	-251.1	-556.4
Change in cash and cash equivalents	4.9	-5.1	-51.7	22.2	54.4
Cash and cash equivalents at end of period	166.8	170.3	166.8	170.3	204.9
Translation difference	-4.7	-2.1	-13.6	-0.3	-2.7
Cash and cash equivalents at beginning of period	157.2	173.3	204.9	147.8	147.8
Change in cash and cash equivalents	4.9	-5.1	-51.7	22.2	54.4

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	4–6/2010	4–6/2009	1–6/2010	1–6/2009	1–12/2009
Interest-bearing net debt at beginning of period	-360.0	-40.3	-504.7	-58.3	-58.3
Interest-bearing net debt at end of period	-487.6	-167.1	-487.6	-167.1	-504.7
Change in interest-bearing net debt	-127.6	-126.8	17.1	-108.8	-446.4

Notes for the interim report

KEY FIGURES

		1–6/2010	1–6/2009	1–12/2009
Basic earnings per share	EUR	0.85	0.65	1.84
Diluted earnings per share	EUR	0.85	0.65	1.83
Equity per share	EUR	5.10	4.09	5.28
Interest-bearing net debt	MEUR	-487.6	-167.1	-504.7
Total equity/total assets	%	43.5	38.8	47.0
Gearing	%	-37.4	-16.1	-37.7
Return on equity	%	32.9	31.9	39.3
Return on capital employed	%	31.2	26.9	34.0
Total assets	MEUR	2,998.3	2,671.7	2,852.0
Assets employed	MEUR	816.8	869.5	834.5
Working capital (including financing and tax items)	MEUR	-338.4	-181.8	-228.7

SALES BY GEOGRAPHICAL REGIONS

MEUR	1–6/2010	%	1–6/2009	%	1–12/2009	%
EMEA[1]	1,324.3	59	1,374.9	63	2,953.4	62
Americas	487.5	21	456.4	21	970.2	21
Asia-Pacific	450.1	20	358.3	16	820.1	17
Total	**2,261.9**		**2,189.6**		**4,743.7**	

1) EMEA = Europe, Middle East, Africa

QUARTERLY FIGURES

		Q2/2010	Q1/2010
Orders received	MEUR	1,042.8	894.7
Order book	MEUR	3,933.7	3,638.5
Sales	MEUR	1,258.9	1,003.0
Operating income	MEUR	175.7	108.6
Operating income	%	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 EUR 33.6 million one-time restructuring cost related to the fixed cost adjustment program.
2) Excluding a EUR 22.5 million 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 EUR 142.0 million fine for the European Commission's decision.

Notes for the interim report

ORDERS RECEIVED

MEUR	1–6/2010	1–6/2009	1–12/2009
	1,937.5	1,852.4	3,432.4

ORDER BOOK

MEUR	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
	3,933.7	3,754.1	3,309.1

CAPITAL EXPENDITURE

MEUR	1–6/2010	1–6/2009	1–12/2009
In fixed assets	15.1	16.3	40.9
In leasing agreements	7.8	3.1	5.6
In acquisitions	32.9	29.0	46.0
Total	55.8	48.4	92.5

R&D EXPENDITURE

MEUR	1–6/2010	1–6/2009	1–12/2009
	32.6	30.9	62.0
R&D Expenditure as percentage of sales	1.4	1.4	1.3

NUMBER OF EMPLOYEES

	1–6/2010	1–6/2009	1–12/2009
Average	33,626	34,461	34,276
At the end of the period	33,621	34,285	33,988

Notes for the interim report

COMMITMENTS

MEUR	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
Mortgages			
Group and parent company	-	0.7	-
Pledged assets			
Group and parent company	2.0	1.9	1.9
Guarantees			
Associated companies	4.2	3.6	3.5
Others	6.4	6.7	6.4
Operating leases	170.3	172.7	162.0
Total	182.9	185.6	173.8

The future minimum lease payments under non-cancellable operating leases

MEUR	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
Less than 1 year	45.8	41.6	41.0
1–5 years	94.2	98.7	91.6
Over 5 years	30.3	32.4	29.4
Total	170.3	172.7	162.0

DERIVATIVES

Fair values of derivative financial instruments MEUR	positive fair value Jun 30, 2010	negative fair value Jun 30, 2010	net fair value Jun 30, 2010	net fair value Jun 30, 2009	net fair value Dec 31, 2009
FX Forward contracts	5.2	16.3	-11.1	-1.5	-2.6
Currency options	-	-	-	0.6	-
Cross-currency swaps, due under one year	-	-	-	-11.2	-17.0
Cross-currency swaps, due in 1–3 years	-	20.2	-20.2	-	-
Electricity derivatives	0.6	0.7	-0.1	-0.8	-0.4
Total	5.8	37.2	-31.4	-12.9	-20.0

Nominal values of derivative financial instruments Me	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009
FX Forward contracts	669.6	472.8	488.4
Currency options	-	99.8	-
Cross-currency swaps, due under one year	-	136.7	113.1
Cross-currency swaps, due in 1–3 years	139.3	-	-
Electricity derivatives	4.9	4.3	5.3
Total	813.8	713.6	606.8

Shares and shareholders

Jun 30, 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]		4,848,867	
Share capital, EUR			65,134,030
Market capitalization, MEUR			8,376
Number of shares traded (millions), 1–6/2010		79.0	
Value of shares traded, MEUR, 1–6/2010		2,449	
Number of shareholders	3	27,740	27,740

	Close	High	Low
Class B share price, EUR, Jan–Jun 2010	32.76	35.18	27.72

[1] During January–June 2010, KONE used its authorization and bought back 550,000 of its own class B shares in May. 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 March 2010, 100,000 treasury class B shares of KONE Corporation were distributed without compensation to the KONE Corporation Centennial Foundation.

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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 2009, KONE had annual net sales of EUR 4.7 billion and approximately 34,000 employees. KONE class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland. Founded in 1910, KONE celebrates its centennial anniversary in 2010.