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7:35 A.M. INTERNATIONAL FINANCE CENTER,
SHANGHAI, CHINA

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KONE's DoubleDeck elevators deliver high-speed, space-efficient and customized solutions to these LEED Green Building certified additions to Shanghai's financial community and many others around the world.

KONE Q2

INTERIM REPORT
FOR JANUARY–JUNE 2011



KONE's Q2: Record high order intake and solid growth in operating income

April–June 2011

- In April–June 2011, orders received totaled EUR 1,226 (4–6/2010: 1,043) million. Orders received increased by 17.6% at historical exchange rates and by 21.0% at comparable exchange rates.
- Net sales increased by 2.2% to EUR 1,286 (1,259) million. At comparable exchange rates the increase was 4.8%.
- Operating income was EUR 184.5 (175.7) million or 14.3% (14.0%) of net sales.
- Cash flow from operations was EUR 129.9 (201.7) million.
- KONE reiterates its outlook for 2011.

January–June 2011

- In January–June 2011, orders received totaled EUR 2,271 (1–6/2010: 1,938) million. Orders received increased by 17.2% at historical exchange rates and by 17.5% at comparable exchange rates. The order book stood at EUR 3,948 (Dec 31, 2010: 3,598) million at the end of June 2011.
- Net sales increased by 3.5% to EUR 2,340 (2,262) million. At comparable exchange rates it increased by 3.8%.
- Operating income was EUR 303.2 (284.3) million or 13.0% (12.6%) of net sales.

KEY FIGURES

		4-6/2011	4-6/2010	1-6/2011	1-6/2010	1-12/2010
Orders received	MEUR	1,226.2	1,042.8	2,270.9	1,937.5	3,809.0
Order book	MEUR	3,947.7	3,933.7	3,947.7	3,933.7	3,597.8
Sales	MEUR	1,286.4	1,258.9	2,340.2	2,261.9	4,986.6
Operating income	MEUR	184.5	175.7	303.2	284.3	696.4
Operating income	%	14.3	14.0	13.0	12.6	14.0
Cash flow from operations (before financing items and taxes)	MEUR	129.9	201.7	367.2	419.3	857.2
Net income	MEUR	142.7	135.6	241.7	217.2	535.9
Total comprehensive income	MEUR	139.4	174.1	210.3	284.9	577.6
Basic earnings per share	EUR	0.56	0.53	0.94	0.85	2.10
Interest-bearing net debt	MEUR	-715.6	-487.6	-715.6	-487.6	-749.8
Total equity/total assets	%	48.5	43.5	48.5	43.5	49.3
Gearing	%	-45.4	-37.4	-45.4	-37.4	-46.8

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

"I am very pleased with the development of our business in the second quarter of the year. Particularly delightful is the good development in our order intake, which was at a record level. Orders received grew both in the new equipment and modernization businesses. Orders received grew the fastest in Asia-Pacific, but our progress was good also in Central and North Europe. The good development in our operating income continued regardless of a situation, where the new equipment markets outside of Asia are still rather weak in many markets. Our operating income, which was 14.3 percent of sales, was at a higher level than in any other previous year's second quarter. I want to thank all of our people, who have again done an excellent job!

The market situation in Asia-Pacific remained very strong, and our good progress in Asia continued during the second quarter of the year. The growth in orders received was the fastest during the second quarter in India. India is the world's second largest new equipment market. Market growth in India is expected to accelerate as a result of urbanization. Our progress was strong also in China, where market growth has increasingly moved to the mid-sized cities of the central parts of China. Asia's share of our sales increased to 29 percent during the second quarter of the year and to 26 percent during the first half of the year.

There is continued uncertainty or weakness in many markets outside of Asia-Pacific. The new equipment markets in the Central and North Europe are in most countries at a good level, but the situation is weak in most Southern European markets. There is still significant uncertainty in the North American markets despite the gradual, slight recovery of these markets.

The growth of our operating income in the past quarter is due particularly to the continued strong sales growth in Asia-Pacific. Our quarterly result was burdened to some extent by increases in material costs and an unfavorable development in translation exchange rates. Especially material costs are increasingly presenting challenges to the improvement of our result going forward. In addition, we have further increased growth expenditure in Asia-Pacific as well as R&D and process development expenditure in order to be able to take advantage of market growth opportunities in the best possible way. Entering the second half of the year, our order book is strong and I am confident that we can make this year again a good one for KONE."

Interim Report for January–June 2011

Accounting Principles

KONE Corporation's Interim Report for January–June 2011 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 2010, published on January 26, 2011. Additionally, the effective changes in IAS/IFRS standards during 2011 have been adopted. These changes have no material impact on the Interim Report. The information presented in this Interim Report has not been audited.

April–June 2011 review

Operating environment in April–June

The development of the operating environment was in line with KONE's expectations and no substantial changes in the overall market trends were seen in the second quarter of 2011. In the new equipment markets, rapid growth in the Asia-Pacific region continued. In the Europe, Middle East and Africa (EMEA) region, activity in Central and North Europe improved and was at a good level, while South European markets were stable at a low level. The slight recovery of the new equipment markets in the Americas region continued. Activity in major projects grew in particular in Asia-Pacific, Central and North Europe and the Middle East. Modernization markets grew slightly but with regional variations. Maintenance markets continued to develop favourably in all regions. The overall pricing environment remained intense in all businesses.

In the EMEA region, the development in the new equipment markets was good in many Central and North European countries, in particular due to growth in the residential segments and good major project activity. Markets grew in Germany, the United Kingdom, Belgium and the Nordic countries. The market in the Netherlands stabilized during the second quarter. The new equipment markets in South Europe remained stable at a low level. The office segment remained burdened by high vacancy rates, while the infrastructure, hotel and medical segments developed more positively in some southern European markets. Markets in the Middle East were mixed with high activity level in Saudi Arabia and Qatar. Market activity in Russia continued to increase. Modernization markets developed positively in Central and North Europe. The modernization markets in South Europe were stable except for the market in France, which continued to weaken. Maintenance markets continued to develop well in the EMEA region, but price competition remained strong.

In the Americas region, the slight recovery seen in the new equipment markets since the end of 2010 continued. The gradual recovery of other than the infrastructure segment continued in the new equipment market in the United States, but uncertainty in the market increased. Tendering activity

in the office segment was growing in select markets within the United States. The decrease of activity in the infrastructure segment continued. Activity in the modernization market increased. In Canada, the new equipment market remained active, and the modernization market continued to develop well. The growth of the new equipment market in Mexico continued to be driven by the residential and commercial segments. Maintenance markets in the Americas developed well. The pricing environment remained challenging.

In the Asia-Pacific region, the rapid growth in the new equipment markets continued during the second quarter. In China, all segments continued to grow. The residential segment grew rapidly with the affordable housing segment growing the fastest despite a partial delay in the government's affordable housing construction plan. The overall new equipment market growth in India remained strong, in the residential segment in particular. In Australia, the new equipment market continued to develop well and the modernization market grew strongly. The Southeast Asian markets remained strong with the Malaysian and Indonesian new equipment markets growing the fastest. Maintenance markets in Asia-Pacific continued to develop favorably. The pricing environment remained intense in all markets.

Financial performance in April–June

KONE's orders received increased by 17.6% as compared to April–June 2010, and totaled EUR 1,226 (4–6/2010: 1,043) million. At comparable exchange rates, orders received increased by 21.0%. Orders received grew in both the new equipment and modernization businesses. Growth was particularly strong in Asia-Pacific and the major projects business. In Asia-Pacific, orders received grew the most in India, Southeast Asia and China. Orders received grew clearly in the EMEA region with the best performance in Sweden, the United Kingdom, the Netherlands, Belgium and the Middle East. KONE's order intake declined slightly in the Americas, where orders received grew in the United States. Maintenance contracts are not included in orders received.

The largest orders received in April–June 2011 included an order to supply 21 elevators to the Helsinki metropolitan region's new Ring Rail Line in Finland and an order to supply 62 elevators to the Ordos Guotai Commercial Plaza project in the Inner Mongolian city of Ordos in China.

KONE's net sales increased by 2.2% as compared to April–June 2010, and totaled EUR 1,286 (1,259) million. At comparable exchange rates, the increase was 4.8%.

New equipment sales accounted for EUR 610.4 (593.5) million of the total which represented an increase of 2.8% over the comparison period. At comparable currency rates, the increase was 5.8%.

KONE's January–June 2011 review

SALES BY GEOGRAPHICAL REGIONS, MEUR

	4-6/2011	%	4-6/2010	%	1-6/2011	%	1-6/2010	%	1-12/2010	%
EMEA ¹⁾	709.9	55	730.9	58	1,306.6	56	1,324.3	59	2,911.5	58
Americas	202.8	16	250.6	20	429.8	18	487.5	21	1,018.3	21
Asia-Pacific	373.7	29	277.4	22	603.8	26	450.1	20	1,056.8	21
Total	1,286.4		1,258.9		2,340.2		2,261.9		4,986.6	

¹⁾ EMEA = Europe, Middle East, Africa

Service sales (maintenance and modernization) increased by 1.6% and totaled EUR 676.0 (665.4) million. At comparable currency rates, the increase was 3.9%. Maintenance sales continued to grow at the prior good rate, whereas modernization sales declined slightly. This was due to delays in completions in certain southern European markets because of customers' financing constraints.

The operating income for the April–June 2011 period totaled EUR 184.5 (175.7) million or 14.3% (14.0%) of net sales. The growth in the operating income was a result of strong sales growth in the Asia-Pacific region and an improvement in quality and productivity.

Cash flow from operations in April–June 2011 was EUR 129.9 (4–6/2010: 201.7) million. The reason for the weakening of the cash flow from operations as compared to April–June 2010 was an increase in net working capital (before financing items and taxes) during the quarter. Net working capital (before financing items and taxes) increased primarily as a result of seasonal fluctuation in maintenance invoicing. In the comparison period of April–June 2010, this seasonal fluctuation was compensated for by an improvement in the ratio of advance payments received relative to inventories, whereas this ratio declined slightly during April–June 2011 but remained at a good level.

January–June 2011 review

Orders received and Order book in January–June

The overall new equipment market situation continued to gradually improve in Central and North Europe, whereas the market situation in South Europe was weak. The development in the Americas was slightly positive. Asia-Pacific continued to grow rapidly throughout the reporting period. Modernization markets grew slightly. The global maintenance markets continued to grow.

In January–June 2011, KONE's orders received increased by 17.2% and totaled EUR 2,271 (1–6/2010: 1,938) million. At

comparable exchange rates, the increase was 17.5%. Maintenance contracts are not included in orders received.

The order book increased from the end of 2010 by 9.7% and stood at EUR 3,948 (Dec 31, 2010: 3,598) million at the end of June 2011. At comparable exchange rates, the increase was 14.7%. The margin of the order book remained at a healthy level, although it declined slightly due to increasing material costs and wage inflation. Cancellations of orders have remained at a very low level.

In the EMEA region, orders received grew clearly as compared to January–June 2010. KONE's order intake grew in Central and North Europe and was stable in South Europe. The new equipment order intake growth was the fastest in Russia, the United Kingdom and the Nordic countries. Orders received declined in some European markets such as Spain and Switzerland. KONE's modernization order intake in the EMEA region grew as compared to January–June 2010. The development was the best in Sweden, Belgium and Germany, whereas orders received declined in France.

In the Americas, KONE's orders received increased clearly as compared to January–June 2010 due to a strong increase in the order intake in the United States. New equipment orders received decreased in Canada and Mexico. KONE's modernization order intake grew clearly.

In the Asia-Pacific region, orders received grew strongly in all markets. In new equipment orders received, India and Southeast Asia had the highest growth rates. Orders received in China grew significantly from an already high level in January–June 2010. Orders received grew also in modernization in Asia-Pacific.

Net sales

In January–June 2011, KONE's net sales increased by 3.5% as compared to last year, and totaled EUR 2,340 (1–6/2010: 2,262) million. At comparable exchange rates the increase was 3.8%.

New equipment sales accounted for EUR 1,028 (1,023) million of the total and represented an increase of 0.5% over the comparison period in 2010. At comparable exchange rates, new equipment sales increased by 1.0%.

KONE's January–June 2011 review

Service (maintenance and modernization) sales increased by 5.9% and totaled EUR 1,312 (1,239) million. At comparable exchange rates, the increase was 6.1%. Maintenance sales continued to grow at its prior good rate and modernization sales grew slightly.

Sales in the EMEA region was stable as compared to January–June 2010. New equipment sales declined, whereas modernization sales was stable and maintenance sales increased.

Sales in the Americas decreased clearly as compared to the first half of 2010 due to a decline in the new equipment sales. Modernization and maintenance sales grew.

Sales in Asia-Pacific grew strongly in January–June 2011. Sales grew in all businesses.

The geographical distribution of net sales was 56% (59%) EMEA, 18% (21%) Americas and 26% (20%) Asia-Pacific.

Financial result

In January–June 2011, KONE's operating income was strong at EUR 303.2 (1–6/2010: 284.3) million or 13.0% (12.6%) of net sales. The growth in operating income was the result of good business progress in Asia-Pacific as well as an overall improvement in the maintenance business. Fixed costs grew somewhat due to increasing expenditure in Asia-Pacific as well as on R&D and process development. KONE's operating income was also somewhat adversely impacted by increasing material and fuel costs. Net financing items were EUR 4.5 (1.6) million.

KONE's income before taxes for January–June 2011 was EUR 312.0 (290.4) million. Taxes totaled EUR 70.3 (73.2) million. This represents an effective tax rate of 24.0% for the full financial year including certain prior year tax benefits, which were recorded during the reporting period. Excluding these benefits the estimated full-year effective tax rate from operations would be 25.1%. Net income for the period under review was EUR 241.7 (217.2) million.

Earnings per share was EUR 0.94 (0.85). Equity per share was EUR 6.16 (5.10).

Consolidated statement of financial position and Cash flow

KONE's financial position remained 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 2011 was EUR 367.2 (1–6/2010: 419.3) million.

Cash flow from operations in the January–June 2011 period remained at a healthy level, although it was lower than in the comparison period in 2010. The reason for the weakening of the cash flow from operations was a smaller improvement in the net working capital (before financing items and taxes) relative to the comparison period. Net working capital (before

financing items and taxes) was at a record level at the beginning of the reporting period. Net working capital, including financing items and taxes, weakened during the reporting period but remained at a good level and was EUR -345.5 million (December 31, 2010: -394.3).

Interest-bearing assets exceeded interest-bearing debts and the net cash position totaled EUR 715.6 (31.12.2010: 749.8) million at the end of June. Gearing was -45.4%, compared to -46.8% at the end of 2010. KONE's total equity/total assets ratio was 48.5% (December 31, 2010: 49.3%) at the end of June.

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 39.7 (1–6/2010: 55.8) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. Acquisitions accounted for EUR 18.3 (32.9) million of this figure.

During January–June 2011, KONE acquired the assets related to the elevator and escalator service business of CNIM Canada Inc. including all of their maintenance contracts in Canada. This acquisition, as well as smaller acquisitions completed during the reporting period, do not individually or as a whole have a material impact on the result or financial position of the Group.

During the reporting period, KONE also agreed to acquire a further 40% stake in its Chinese joint venture Giant KONE Elevators Co., Ltd, increasing its shareholding in Giant KONE from 40% to 80%. Through this acquisition KONE further strengthens its position in the Chinese market. The completion of the transaction is subject to approval by relevant Chinese authorities and is expected to be completed during the third quarter of 2011.

Research and development

Research and development expenses totaled EUR 39.4 (1–6/2010: 32.6) million, representing 1.7% (1.4%) of net sales. R&D expenses include the development of new product and service concepts and further development of existing products and services. KONE's elevators and escalators are based on energy efficient technology.

In accordance with its vision of delivering the best People Flow™ experience, KONE focuses on understanding the needs of the users of its products and services in order to ease people flow in buildings and improve the user experience. One of KONE's five new development programs introduced in the beginning of 2011, Innovative Solutions for People Flow™, is targeted to developing innovative products for an increasingly urbanizing world with a focus on eco-efficiency, ride comfort and visual design.

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During January–June 2011, in order to further improve KONE's industry-leading offering in the field of energy efficiency, solutions improving the energy efficiency of escalators and autowalks were compiled into easy-to-adopt product packages. The key benefits that KONE's customers derive from the product packages are major savings in energy costs, an extended equipment lifetime, less carbon emissions and an improved adherence to the requirements of green building certificates. In the Americas, KONE further extended its regenerative drive offering, making regenerative drives a standard feature in mid- and high-rise elevator applications. KONE's regenerative drives enable recovery of up to 30% of the total energy consumption of the elevator system and they also improve ride comfort.

During the first half of the year, KONE also released a wide range of other offering enhancements for both the new equipment and the modernization markets. These enhancements included signalization upgrades and extensions to elevator offering, and they contributed to space efficiency. The launch of KONE's new offering specifically targeted to the affordable residential segment in China was also finalized during the first half of the year. In the Americas, KONE released a new escalator solution for demanding commercial environments such as supermarkets, hypermarkets, department stores and shopping centers.

Other important events during the financial period

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, including KONE's Austrian subsidiary KONE AG. The claims 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 and the total capital amount claimed jointly and severally from all of the defendants together amounted to EUR 171 million at the end of June 2011. KONE's position is that the claims are without merit. No provision has been made.

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 amounted to EUR 71 million at the end of June 2011. KONE's position is that the claims are without merit. No provision has been made.

Other important events after the financial period

KONE announced in July 2011 that the General Court of the European Union had rendered its judgment concerning KONE's appeal against the European Commission's 2007 decision to impose fines on the major elevator and escalator companies, including KONE, for local anticompetitive practices in Belgium, Luxemburg, Germany and the Netherlands prior to mid-2004. KONE's appeal was rejected by the court. KONE will study the judgement and decide on potential further action. The EUR 142 million fines imposed on KONE were recognized as a cost in the first quarter of 2007 and paid in 2009.

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 well-being as well as the prohibition of any kind of discrimination.

KONE identified Employee Engagement as one of its five new development programs in the beginning of 2011. The Employee Engagement development program builds on the earlier People Leadership program, focusing on the further improvement of leadership capabilities, on providing growth and development opportunities for KONE employees, and on ensuring well-being and safety at work. During the reporting period KONE continued to implement its action plan for the Employee Engagement program by conducting a well-being inventory in KONE's 14 largest countries, launching a project on flexible working practices, delivering training on mentoring, and by taking several measures targeted to facilitate job rotation.

During January–June 2011, the sixth annual employee survey was conducted with an all-time high response rate of 87% (2010: 78%), the results of the survey were communicated to the personnel and action plans were created to address improvement areas. The overall results showed an upward trend with strengthening engagement and satisfaction levels among KONE personnel. The delivery of learning programs such as the Supervisor Development Program and KONE Leader continued as planned during the reporting period. Annual leadership and talent review workshops were run in various areas and functions and preparation work for a new top management development program and recruitment training package was started.

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KONE had 34,457 (December 31, 2010: 33,755) employees at the end of June. The average number of employees was 34,122 (1–6/2010: 33,626).

The geographical distribution of KONE employees was 54% (December 31, 2010: 55%) in EMEA, 15% (15%) in the Americas and 31% (30%) in Asia-Pacific.

Environment

KONE's aim is to be the eco-efficiency leader in its industry. The focus in the development of eco-efficient solutions is on further improving energy-saving stand-by and hoisting solutions for elevators.

The most significant environmental impact of KONE's business globally relates to the amount of electricity used by KONE equipment in their lifetime. This underlines the importance of energy-efficient innovations for elevators and escalators. The most significant impact on KONE's carbon footprint from its own operations relates to the company's car fleet, electricity consumption and logistics.

KONE announced in late 2010 that it had reached its ambitious target set in 2008 of reducing the electricity consumption of its volume elevators by 50%. During January–June 2011, KONE continued to work on further decreasing the energy consumption of its solutions and further increasing energy efficient references globally.

KONE continuously works on minimizing its carbon footprint and on ensuring that its suppliers comply with corresponding requirements and environmental targets. During the reporting period, KONE finalized the calculations of its 2010 carbon footprint. KONE's 2010 carbon footprint relative to overall operations (net sales) decreased by 2% compared to 2009.

During the reporting period, KONE published its Corporate Responsibility Report 2010 which follows the B application level of the Global Reporting Initiative guidelines. KONE has identified new environmental targets to further improve the energy efficiency of the next generation KONE elevators and escalators. The other ambitious targets in the Environmental Excellence program for 2011–2013 focus on reducing carbon dioxide emissions from KONE's operations. KONE also continues to focus on the environmental aspects of its supply chain.

Capital and risk management

KONE is exposed to risks, which may arise from its operations or changes in the business environment. The risk factors described 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 Europe and the United States after a 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.

There have been challenges in the availability of certain critical electronic components and rare earths. Rare earths are required in the manufacturing of permanent magnets for KONE's hoisting machines. KONE's operations have not been materially impacted by these shortages and it has been able to secure the availability of critical components. KONE's operations could, however, be adversely affected should the situation further deteriorate. The sharp increase in the cost of rare earths and certain electronic components have had and are expected to continue to have a slight adverse impact on KONE's operating income.

KONE operates in certain markets with high growth rates in the overall construction industry. A shortage of skilled technicians could lead to delays in deliveries and increases in costs, which could have an adverse impact on the profitability of the Group. KONE manages this risk by proactive project and resource planning in order to ensure that required resources are available.

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 KONE could be adversely affected if its productivity improvement targets were not met, in particular if salaries and costs increased more than KONE would be able to increase its prices or if it were not possible to adapt its resources in response to changing business opportunities and environments. These

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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 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 2010 published on January 26, 2011.

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 aims to enter into fixed price contracts for its significant materials purchases. The maintenance business deploys a significant fleet of service vehicles, and fuel 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 February 28, 2011. The meeting approved the financial statements and discharged the responsible parties from liability for the January 1–December 31, 2010 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 44,000 for the Vice Chairman, EUR 33,000 for Board Members and EUR 16,500 for the deputy Member. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings.

The General Meeting approved the authorization for 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 will remain in effect for a period of one year from the date of decision of the General Meeting.

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

The Annual General Meeting approved the Board's proposal for dividends of EUR 0.895 for each of the 38,104,356 class A shares and EUR 0.90 for the 217,283,894 outstanding class B shares. The date of record for dividend distribution was March 3, 2011, and the dividends were paid on March 10, 2011.

Share capital and market capitalization

The Annual General Meeting in 2010 authorized the Board of Directors to decide on the issuance of options and other special rights entitling to shares. The authorization is limited to a maximum of 3,810,000 class A shares and 21,760,000 class B 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 will remain in effect for a period of five years from the date of the decision of the General Meeting.

In 2007, KONE granted a conditional option program. The 2007 stock options were listed on the NASDAQ OMX Helsinki Ltd. as of April 1, 2010. The total number of stock options was

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2,000,000 of which 888,000 are owned by a subsidiary of KONE Corporation. On June 30, 2011, the number of options outstanding was 1,109,800. Each option right entitles its owner to subscribe for two (2) existing class B shares held by the company at a price of, as per March 1, 2011, EUR 21.945 per share. The subscription period for the 2007 stock options is April 1, 2010–April 30, 2012.

In 2010, KONE granted a conditional option program. A maximum total of 3,000,000 options can be granted. Each option entitles its holder to subscribe for one (1) new or existing class B KONE share held by the company. The share subscription period for the stock options 2010 will be April 1, 2013–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 key competitors of KONE. If the above-mentioned prerequisite is not fulfilled, stock options expire based on the consideration and in the extent and manner decided by the Board of Directors and the terms of the stock options.

On June 30, 2011, KONE's share capital was EUR 65,134,030, comprising 222,431,764 listed class B shares and 38,104,356 unlisted class A shares. KONE's market capitalization was EUR 11,075 million on June 30, 2011, 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 8, 2011.

During January–June 2011, KONE used its previous authorization to repurchase own shares in February, and bought back in total 298,835 of its own class B shares. In April KONE assigned 219,000 of its own class B shares to a share-based incentive plan.

At the end of June, the Group had 4,928,870 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 70.2 million KONE Corporation's class B shares in January–June 2011, equivalent to a turnover of EUR 2,863 million. The daily average trading volume was 566,480 (1–6/2010: 642,047). The share price

on June 30, 2011 was EUR 43.33. The volume weighted average share price during the period was EUR 40.80. The highest quotation during the period under review was EUR 44.00 and the lowest EUR 37.30.

The number of registered shareholders was 29,772 at the beginning of the review period and 30,651 at its end. The number of private households holding shares totaled 28,032 at the end of the period, which corresponds to approximately 13% of the listed B shares.

According to the nominee registers, 44.2% of the listed class B shares were owned by foreigners as per June 30, 2011. Other foreign ownership at the end of the period totaled 6.3%. Thus a total of 50.5% of KONE's listed class B shares were owned by international investors, corresponding to approximately 18.6% of the total votes in the company.

Market outlook 2011

The new equipment markets in Asia-Pacific are expected to continue to develop positively, albeit at a lower rate than during the first half of the year. The good activity level in 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 North America are expected to recover modestly, although the outlook has become more uncertain as compared to the first half of the year. The modernization markets are expected to grow slightly. The maintenance markets are expected to continue to develop well.

Outlook 2011

KONE's net sales is estimated to grow by 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.

Helsinki, July 19, 2011

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	4-6/2011	%	4-6/2010	%	1-6/2011	%	1-6/2010	%	1-12/2010	%
Sales	1,286.4		1,258.9		2,340.2		2,261.9		4,986.6	
Costs and expenses	-1,086.2		-1,067.2		-2,005.3		-1,946.0		-4,226.7	
Depreciation and amortization	-15.7		-16.0		-31.7		-31.6		-63.5	
Operating income	184.5	14.3	175.7	14.0	303.2	13.0	284.3	12.6	696.4	14.0
Share of associated companies' net income	3.2		3.8		4.3		4.5		12.3	
Financing income	4.5		2.2		8.2		7.2		14.7	
Financing expenses	-1.5		-0.8		-3.7		-5.6		-9.0	
Income before taxes	190.7	14.8	180.9	14.4	312.0	13.3	290.4	12.8	714.4	14.3
Taxes	-48.0		-45.3		-70.3		-73.2		-178.5	
Net income	142.7	11.1	135.6	10.8	241.7	10.3	217.2	9.6	535.9	10.7
Net income attributable to:										
Shareholders of the parent company	142.5		135.3		241.3		216.6		535.3	
Non-controlling interests	0.2		0.3		0.4		0.6		0.6	
Total	142.7		135.6		241.7		217.2		535.9	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share, EUR	0.56		0.53		0.94		0.85		2.10	
Diluted earnings per share, EUR	0.56		0.53		0.94		0.85		2.09	

Consolidated statement of comprehensive income

MEUR	4-6/2011	4-6/2010	1-6/2011	1-6/2010	1-12/2010
Net income	142.7	135.6	241.7	217.2	535.9
Other comprehensive income, net of tax:					
Translation differences	-5.6	43.7	-39.0	77.4	45.5
Hedging of foreign subsidiaries	-0.7	-	1.5	-	0.5
Cash flow hedges	3.0	-5.2	6.1	-9.7	-4.3
Other comprehensive income, net of tax	-3.3	38.5	-31.4	67.7	41.7
Total comprehensive income	139.4	174.1	210.3	284.9	577.6
Total comprehensive income attributable to:					
Shareholders of the parent company	139.2	173.8	209.9	284.3	577.0
Non-controlling interests	0.2	0.3	0.4	0.6	0.6
Total	139.4	174.1	210.3	284.9	577.6

Condensed consolidated statement of financial position

Assets MEUR	Jun 30, 2011	Jun 30, 2010	Dec 31, 2010
Non-current assets			
Intangible assets	851.2	762.3	859.6
Tangible assets	195.8	212.1	204.9
Loans receivable and other interest-bearing assets	1.7	1.9	1.8
Deferred tax assets	173.4	179.6	176.5
Investments	158.3	180.8	180.6
Total non-current assets	1,380.4	1,336.7	1,423.4
Current assets			
Inventories	805.8	920.6	765.9
Advance payments received	-934.5	-1,046.5	-902.7
Accounts receivable and other non interest-bearing assets	1,214.0	1,215.0	1,141.2
Current deposits and loan receivables	574.0	405.7	624.9
Cash and cash equivalents	206.7	166.8	192.5
Total current assets	1,866.0	1,661.6	1,821.8
Total assets	3,246.4	2,998.3	3,245.2

Equity and liabilities MEUR	Jun 30, 2011	Jun 30, 2010	Dec 31, 2010
Equity	1,575.4	1,304.4	1,600.6
Non-current liabilities			
Loans	14.6	30.8	28.7
Deferred tax liabilities	58.8	46.6	60.8
Employee benefits	109.8	117.2	113.4
Total non-current liabilities	183.2	194.6	202.9
Provisions	86.2	102.2	99.4
Current liabilities			
Loans	52.2	56.0	40.7
Accounts payable and other liabilities	1,349.4	1,341.1	1,301.6
Total current liabilities	1,401.6	1,397.1	1,342.3
Total equity and liabilities	3,246.4	2,998.3	3,245.2

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, 2011	65.1	100.3	35.0	-3.9	21.5	-91.4	1,472.7		1.3	1,600.6
Net income for the period								241.3	0.4	241.7
Other comprehensive income:										
Translation differences					-39.0					-39.0
Hedging of foreign subsidiaries				-0.9	2.4					1.5
Cash flow hedges				6.1						6.1
Transactions with shareholders and non-controlling interests:										
Profit distribution							-229.7			-229.7
Issue of shares (option rights)										-
Purchase of own shares						-11.8				-11.8
Sale of own shares										-
Change in non-controlling interests							-0.3		0.0	-0.3
Option and share-based compensation						6.3	0.0			6.3
Jun 30, 2011	65.1	100.3	35.0	1.3	-15.1	-96.9	1,242.7	241.3	1.7	1,575.4

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, 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								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	100.3	34.9	-9.3	52.9	-91.4	933.9	216.6	1.4	1,304.4

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

Condensed consolidated statement of cash flows

MEUR	4-6/2011	4-6/2010	1-6/2011	1-6/2010	1-12/2010
Operating income	184.5	175.7	303.2	284.3	696.4
Change in working capital before financial items and taxes	-70.3	10.0	32.3	103.4	95.3
Depreciation, amortization and impairment	15.7	16.0	31.7	31.6	65.5
Cash flow from operations	129.9	201.7	367.2	419.3	857.2
Cash flow from financing items and taxes	-70.9	-48.6	-98.8	-113.3	-174.2
Cash flow from operating activities	59.0	153.1	268.4	306.0	683.0
Cash flow from investing activities	-21.4	-33.9	-38.4	-50.2	-142.2
Cash flow after investing activities	37.6	119.2	230.0	255.8	540.8
Purchase, sale and distribution of own shares	-	-16.9	-11.8	-16.9	-16.8
Issue of shares	-	22.3	-	22.3	22.3
Profit distribution	-14.9	-25.6	-229.7	-332.7	-333.2
Change in deposits and loans receivable, net	-13.3	-97.3	34.7	48.4	-182.7
Change in loans payable	1.2	3.2	-4.8	-28.6	-54.1
Cash flow from financing activities	-27.0	-114.3	-211.6	-307.5	-564.5
Change in cash and cash equivalents	10.6	4.9	18.4	-51.7	-23.7
Cash and cash equivalents at end of period	206.7	166.8	206.7	166.8	192.5
Translation difference	0.8	-4.7	4.2	-13.6	-11.3
Cash and cash equivalents at beginning of period	196.9	157.2	192.5	204.9	204.9
Change in cash and cash equivalents	10.6	4.9	18.4	-51.7	-23.7

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	4-6/2011	4-6/2010	1-6/2011	1-6/2010	1-12/2010
Interest-bearing net debt at beginning of period	-693.1	-360.0	-749.8	-504.7	-504.7
Interest-bearing net debt at end of period	-715.6	-487.6	-715.6	-487.6	-749.8
Change in interest-bearing net debt	-22.5	-127.6	34.2	17.1	-245.1

Notes for the interim report

KEY FIGURES

		1-6/2011	1-6/2010	1-12/2010
Basic earnings per share	EUR	0.94	0.85	2.10
Diluted earnings per share	EUR	0.94	0.85	2.09
Equity per share	EUR	6.16	5.10	6.25
Interest-bearing net debt	MEUR	-715.6	-487.6	-749.8
Total equity/total assets	%	48.5	43.5	49.3
Gearing	%	-45.4	-37.4	-46.8
Return on equity	%	30.4	32.9	36.5
Return on capital employed	%	29.6	31.2	34.8
Total assets	MEUR	3,246.4	2,998.3	3,245.2
Assets employed	MEUR	859.8	816.8	850.8
Working capital (including financing and tax items)	MEUR	-345.5	-338.4	-394.3

SALES BY GEOGRAPHICAL REGIONS

MEUR	1-6/2011	%	1-6/2010	%	1-12/2010	%
EMEA ¹⁾	1,306.6	56	1,324.3	59	2,911.5	58
Americas	429.8	18	487.5	21	1,018.3	21
Asia-Pacific	603.8	26	450.1	20	1,056.8	21
Total	2,340.2		2,261.9		4,986.6	

¹⁾ EMEA = Europe, Middle East, Africa

QUARTERLY FIGURES

		Q2/2011	Q1/2011	Q4/2010	Q3/2010	Q2/2010	Q1/2010
Orders received	MEUR	1,226.2	1,044.7	1,006.3	865.2	1,042.8	894.7
Order book	MEUR	3,947.7	3,737.5	3,597.8	3,657.9	3,933.7	3,638.5
Sales	MEUR	1,286.4	1,053.8	1,488.8	1,235.9	1,258.9	1,003.0
Operating income	MEUR	184.5	118.7	227.3	184.8	175.7	108.6
Operating income	%	14.3	11.3	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 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	1-6/2011	1-6/2010	1-12/2010
	2,270.9	1,937.5	3,809.0

ORDER BOOK

MEUR	Jun 30, 2011	Jun 30, 2010	Dec 31, 2010
	3,947.7	3,933.7	3,597.8

CAPITAL EXPENDITURE

MEUR	1-6/2011	1-6/2010	1-12/2010
In fixed assets	14.1	15.1	32.0
In leasing agreements	7.3	7.8	11.5
In acquisitions	18.3	32.9	167.2
Total	39.7	55.8	210.7

R&D EXPENDITURE

MEUR	1-6/2011	1-6/2010	1-12/2010
	39.4	32.6	70.9
R&D Expenditure as percentage of sales	1.7	1.4	1.4

NUMBER OF EMPLOYEES

	1-6/2011	1-6/2010	1-12/2010
Average	34,122	33,626	33,566
At the end of the period	34,457	33,621	33,755

Notes for the interim report

COMMITMENTS

MEUR	Jun 30, 2011	Jun 30, 2010	Dec 31, 2010
Mortgages			
Group and parent company	-	-	-
Pledged assets			
Group and parent company	0.1	2.0	2.0
Guarantees			
Associated companies	3.2	4.2	3.5
Others	8.4	6.4	6.0
Operating leases	173.5	170.3	179.0
Total	185.2	182.9	190.5

Banks and financial institutions have guaranteed obligations arising in the ordinary course of business of KONE companies up to a maximum of EUR 609.5 (June 30, 2010: 711.0) million as of June 30, 2011.

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	Jun 30, 2011	Jun 30, 2010	Dec 31, 2010
Less than 1 year	45.5	45.8	44.5
1–5 years	100.5	94.2	100.7
Over 5 years	27.5	30.3	33.8
Total	173.5	170.3	179.0

DERIVATIVES

Fair values of derivative financial instruments	positive fair value	negative fair value	net fair value	net fair value	net fair value
MEUR	Jun 30, 2011	Jun 30, 2011	Jun 30, 2011	Jun 30, 2010	Dec 31, 2010
Foreign exchange forward contracts and swaps	9.7	6.7	3.0	-11.1	-2.9
Cross-currency swaps	-	10.8	-10.8	-20.2	-20.2
Electricity price forward contracts	0.5	0.3	0.2	-0.1	0.9
Total	10.2	17.8	-7.6	-31.4	-22.2

Nominal values of derivative financial instruments

Me	Jun 30, 2011	Jun 30, 2010	Dec 31, 2010
Foreign exchange forward contracts and swaps	829.6	669.6	534.7
Cross-currency swaps	139.3	139.3	139.3
Electricity price forward contracts	4.8	4.9	5.6
Total	973.7	813.8	679.6

Shares and shareholders

Jun 30, 2011	Class A shares	Class B shares	Total
Number of shares	38,104,356	222,431,764	260,536,120
Own shares in possession ¹⁾		4,928,870	
Share capital, EUR			65,134,030
Market capitalization, MEUR			11,075
Number of B-shares traded (millions), 1–6/2011		70.2	
Value of B-shares traded, MEUR, 1–6/2011		2,863	
Number of shareholders	3	30,651	30,651

	Close	High	Low
Class B share price, EUR, Jan–Jun 2011	43.33	44.00	37.30

¹⁾ During January–June 2011, KONE used its authorization to repurchase own shares in February, and bought back in total 298,835 of its own class B shares. In April 2011, KONE assigned 219,000 of its own class B shares to a share-based incentive plan.

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.

This Interim Report contains forward-looking statements that are based on the current expectations, known factors, decisions and plans of the management of KONE. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions and fluctuations in exchange rates.