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The KONE Polaris™ Destination Control System (DCS) continually helps office buildings residents travel between floors more efficiently in Germany and all over the world.

KONE Q1

INTERIM REPORT FOR JANUARY–MARCH 2011

KONE's Q1: Strong growth in orders received and in operating income

January–March 2011

- In January–March 2011, orders received totaled EUR 1,045 (1–3/2010: 894.7) million. Orders received increased by 16.8% at historical exchange rates and by 13.5% at comparable exchange rates. The order book stood at EUR 3,738 (Dec 31, 2010: 3,598) million at the end of March 2011.
- Net sales increased by 5.1% to EUR 1,054 (1,003) million. At comparable exchange rates the growth was 2.6%.
- Operating income was EUR 118.7 (108.6) million or 11.3% (10.8%) of net sales.
- Cash flow from operations was very strong and reached EUR 237.3 (217.6) million.
- KONE reiterates its outlook for 2011.

		1–3/2011	1–3/2010	1–12/2010
Orders received	MEUR	1,044.7	894.7	3,809.0
Order book	MEUR	3,737.5	3,638.5	3,597.8
Sales	MEUR	1,053.8	1,003.0	4,986.6
Operating income	MEUR	118.7	108.6	696.4
Operating income	%	11.3	10.8	14.0
Cash flow from operations (before financing items and taxes)	MEUR	237.3	217.6	857.2
Net income	MEUR	99.0	81.6	535.9
Total comprehensive income	MEUR	70.9	110.8	577.6
Basic earnings per share	EUR	0.39	0.32	2.10
Interest-bearing net debt	MEUR	-693.1	-360.0	-749.8
Total equity/total assets	%	45.6	41.2	49.3
Gearing	%	-48.4	-32.1	-46.8

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

"Our development continued to be positive during the first quarter of the year. The strong growth in orders received was particularly delightful. Orders received developed well in all geographical regions. Orders received grew in both new equipment and modernization. Cash flow also increased from the high level of the beginning of last year. The growth in operating income was a result of the sustained strong development in the Asia-Pacific region and the continued good development of our service business. Our people have again done a great job, for which I want to thank them.

The markets developed according to our expectations during the first quarter of the year. The market development in Asia-Pacific remained strong and the gradual recovery of the new equipment markets continued in other regions. Although we believe that the gradual recovery of the new equipment markets in Europe and North America will continue, significant uncertainty remains in these markets.

As we estimated already in January, increasing material costs and inflationary pressures make this year more challenging than last year. These developments have strengthened during the first months of the year. We respond to these challenges by continuously developing our competitiveness. Our active work with our new development programs has had a good start, and I am looking forward to the first results from the new programs."

Interim Report for January–March 2011

Accounting Principles

KONE Corporation's Interim Report for January–March 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.

Operating environment in January–March

The operating environment developed according to KONE's expectations in the first quarter of 2011. Markets in the Asia-Pacific region continued to develop positively. In the Europe, Middle East and Africa (EMEA) region the market environment continued to be mixed, albeit overall improving, with most markets recovering and some markets remaining stable at a low level. The gradual recovery of the new equipment markets in the Americas region continued. Activity in the major projects grew across all regions. Modernization markets were overall quite stable 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, most new equipment markets developed positively. The residential segment grew in most European markets including Germany, the United Kingdom, France, Belgium and the Nordic countries. The new equipment market in the Netherlands weakened. Activity in the residential segment remained stable at a low level in Italy and at a weak level in Spain. Development in the non-residential segments was somewhat mixed. They grew slightly in most Central and North European markets, but remained stable at a low level in many South European markets. The commercial segment remained burdened by high vacancy rates in South Europe, but indications of growing demand for more eco-efficient buildings were seen. Activity in the infrastructure, medical and hotel segments continued to gradually recover. Markets in the Middle East developed positively, particularly in Abu Dhabi, Saudi Arabia and Qatar. Market activity in Russia increased clearly. Modernization markets were at about last year's level with Central and North European markets developing positively but with France declining and many other West and South European markets remaining stable. 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 in the last quarter of 2010 continued. The gradual recovery of other than the infrastructure segment continued in the new equipment market in the United States, although with regional variations. Activity in the infrastructure segment decreased due to the impact of the public stimulus actions coming to an end. Activity in the modernization market increased. In Canada, the new equipment market was active, and activity in the modernization market continued to gradually improve. The new equipment market in Mexico continued to recover with the residential and commercial segments showing the strongest growth. 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 first quarter. The pricing environment was intense. In China, all segments grew and the growth was the fastest in the affordable housing segment. Growth in Southeast Asia was primarily driven by the residential and hotel segments. The availability of financing improved in India and Australia. This improvement combined with the strong underlying demand resulted in an improved growth rate in both new equipment markets. Growth in India was driven by the residential segment, but also the activity in the office segment increased. In Australia, tendering activity in both the new equipment and the modernization market was at a healthy level. Maintenance markets in Asia-Pacific continued to develop favorably.

Orders received and Order book

Orders received increased by 16.8% as compared to January–March 2010, and totaled EUR 1,045 (1–3/2010: 894.7) million. At comparable exchange rates, orders received increased by 13.5%. The good development was due to growth in each geographic area. The growth in orders received was strongest in Asia-Pacific and the Americas. Maintenance contracts are not included in orders received.

The order book increased from the end of 2010 by 3.9% and stood at EUR 3,738 (Dec 31, 2010: 3,598) million at the end of March 2011. At comparable exchange rates, the increase was 7.8%. The margin of the order book remained stable at a healthy level.

In the EMEA region, orders received increased as compared to January–March 2010. The new equipment order intake growth was the fastest in Russia, the United Kingdom, Germany, France, Belgium and the Nordic countries. Orders received declined in the Netherlands and the Middle East. KONE's modernization order intake in the EMEA region remained stable as compared to January–March 2010. The development was best in Sweden, Belgium, Germany, the United Kingdom and Norway.

In the EMEA region, one of KONE's largest orders during the first quarter was an order to supply the escalators to the Helsinki metropolitan region's new Ring Rail Line. The order

KONE's first quarter 2011 review

SALES BY GEOGRAPHICAL REGIONS, MEUR

	1–3/2011	%	1–3/2010	%	1–12/2010	%
EMEA [1]	596.7	57	593.4	59	2,911.5	58
Americas	227.0	21	236.9	24	1,018.3	21
Asia-Pacific	230.1	22	172.7	17	1,056.8	21
Total	1,053.8		1,003.0		4,986.6	

[1] EMEA = Europe, Middle East, Africa

included 37 escalators. KONE also signed a 10-year maintenance agreement for the equipment.

In the Americas, KONE's orders received increased significantly as compared to January–March 2010 due to a strong increase in the order intake in the United States. Orders received was stable in Canada and decreased in Mexico. KONE's modernization order intake grew strongly in the US in particular.

In the Asia-Pacific region, orders received grew significantly. Orders received growth was strong in all markets. India and Southeast Asia had the highest growth rates. Orders received in China grew significantly from an already high level in January-March 2010.

The most significant order for KONE in Asia-Pacific was an order to supply 178 elevators and 226 escalators to 46 railway stations across China. The stations are on nine lines of China's national high-speed network connecting cities in eight provinces.

Net sales

KONE's net sales increased by 5.1% as compared to January–March 2010, and totaled EUR 1,054 (1–3/2010: 1,003) million. At comparable exchange rates the increase was 2.6%.

New equipment sales accounted for EUR 417.9 (429.6) million of the total and represented a decline of 2.7% over the comparison period. At comparable exchange rates, new equipment sales declined by 5.3%.

Service (maintenance and modernization) sales increased by 10.9% and totaled EUR 635.9 (573.4) million. At comparable exchange rates, the increase was 8.6%. Both maintenance and modernization sales grew at a good rate.

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

Sales in the Americas decreased slightly as compared to the first quarter of 2010. New equipment sales decreased, while modernization and maintenance sales increased.

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

The geographical distribution of net sales was 57% (59%) EMEA, 21% (24%) Americas and 22% (17%) Asia-Pacific.

Financial result

KONE's operating income improved and reached EUR 118.7 (1–3/2010: 108.6) million or 11.3% (10.8%) of net sales. The growth in operating income was a result of the sustained strong development in Asia-Pacific and the continued good development of the service business as well as improved overall quality and productivity. Net financing items were EUR 1.5 (0.2) million.

KONE's income before taxes was EUR 121.3 (109.5) million. Taxes totaled EUR 22.3 (27.9) million. This represents an estimated 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 the operations would be 25.1%. Net income for the period under review was EUR 99.0 (81.6) million.

Earnings per share was EUR 0.39 (0.32). Equity per share was EUR 5.61 (4.42).

Consolidated statement of financial position and Cash flow

KONE's financial position was strong and the company had a positive net cash position at the end of March 2011. Cash flow generated from operations (before financing items and taxes) in January–March was EUR 237.3 (1–3/2010: 217.6) million.

The primary drivers of the strong cash flow were the growth in the operating income and a substantial improvement in net working capital. The progress in net working capital was largely due to a constant strong focus on payment terms and a reduction in inventories. At the end of March 2011, net working capital was EUR -470.4 (December 31, 2010: -394.3) million, including financing items and taxes.

Interest-bearing assets exceeded interest-bearing debts and the net cash position totaled EUR 693.1 (December 31, 2010: 749.8) million. Gearing was -48.4%, compared with

KONE's first quarter 2011 review

-46.8% at the end of 2010. KONE's total equity/total assets ratio was 45.6% (December 31, 2010: 49.3%) at the end of March.

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 20.4 (1–3/2010: 10.5) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. Acquisitions accounted for EUR 11.0 (1.2) million of this figure.

The most significant acquisition completed during January–March 2011 was the acquisition of the assets related to the elevator and escalator service business of CNIM Canada Inc. including all of their maintenance contracts in Canada. The 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.

Research and development

Research and development expenses totaled EUR 18.6 (1–3/2010: 15.0) million, representing 1.8% (1.5%) of net sales. R&D expenses include the development of new product and service concepts and the further development of existing solutions 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.

During January–March 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.

During the first quarter of the year, KONE also released a wide range of offering enhancements for both the new equipment and the modernization markets. These enhancements included signalization upgrades and extensions to the elevator car and door offering, and they contributed to leadtime reductions in modernization deliveries.

Other important events during the reporting 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 151 million at the end of March 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 have 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 March 2011. 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 well-being as well as the prohibition of any kind of discrimination.

KONE identified Employee Engagement as one of its five new development programs as of 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. An action plan for the Employee Engagement program was finalized and its implementation started during the reporting period.

During January–March 2011, the sixth annual employee survey was conducted with an all-time high response rate of 87% (2010: 78%), with results to be reported for action point identification during the second quarter. The delivery of learning programs such as the Supervisor Development Program and KONE Leader continued as planned.

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KONE had 33,983 (December 31, 2010: 33,755) employees at the end of March. The average number of employees was 34,012 (1–3/2010: 33,697).

The geographical distribution of KONE employees was 55% (December 31, 2010: 55%) in EMEA, 15% (15%) in the Americas and 30% (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 the reporting period, KONE continued to work on further decreasing the energy consumption of its products.

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. KONE's 2010 absolute operational carbon footprint amounted to 230,500 tCO_2e (tonnes of carbon dioxide equivalent), representing a 3% increase compared to the 2009 level.

During January–March 2011, KONE's work to renew its global car fleet and to reduce air travel progressed. KONE also progressed with the program launched in 2010 aiming to further reduce the carbon footprint of its owned and leased facilities.

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 the EMEA and Americas regions 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.

Certain critical electronic components have been in short supply due to high growth rates in the economies in Asia-Pacific. This situation has been further exacerbated by the natural catastrophe that occurred in Japan in the first quarter of 2011. KONE's operations have not been materially impacted by these shortages and events 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.

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 the Group 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 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 cur-

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rency 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 has entered into fixed price contracts for many of its significant materials purchases. The maintenance business deploys a significant fleet of service vehicles, and oil price fluctuations therefore have an effect on the cost of maintenance.

KONE's business activities are dependent on the uninterrupted operation and reliability of sourcing channels, production plants, logistics processes and the IT systems used. These risks are controlled by analyzing and improving the fault tolerance of processes, accurate forecasting, close cooperation with KONE's suppliers and by increasing the readiness for transferring the manufacturing of critical components from one production line or supplier to another. KONE actively monitors the operations and financial strength of its key suppliers. The aim is also to secure the availability of alternative sourcing channels for critical services. Additionally, KONE has a global property damage and business interruption insurance program in place.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on 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.

Dividend for 2010

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 2,000,000 of which 888,000 are owned by a subsidiary of KONE Corporation. On March 31, 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

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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 to approximately 430 key employees. 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 March 31, 2011, KONE's share capital was EUR 65,134,030.00, comprising 222,431,764 listed class B shares and 38,104,356 unlisted class A shares.

KONE´s market capitalization was EUR 10,369 million on March 31, 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–March 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. At the end of March, the Group had 5,147,870 class B shares in its possession. The shares in the Group's possession represent 2.3% 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 39.5 million KONE Corporation's class B shares in January–March, equivalent to a turnover of EUR 1,570 million. The daily average trading volume was 626,303 shares (1–3/2010: 670,549). The share price on March 31, 2011 was EUR 40.60. The volume weighted average share price during the period was EUR 39.83. The highest quotation during the first quarter was EUR 43.06 and the lowest EUR 37.30.

The number of registered shareholders was 29,772 at the beginning of the review period and 31,801 at its end. The number of private households holding shares totaled 29,024 at the end of the period, which corresponds to approximately 13% of the listed B shares.

According to the nominee registers, approximately 42.3% of the listed class B shares were owned by foreigners as per March 31, 2011. Other foreign ownership at the end of the period totaled approximately 6.4%. Thus a total of 48.7% of KONE's listed class B shares were owned by international investors, corresponding to approximately 18% of the total votes in the company.

Market outlook 2011

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

Outlook 2011

KONE's net sales is estimated to grow 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, April 20, 2011

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	1–3/2011	%	1–3/2010	%	1–12/2010	%
Sales	1,053.8		1,003.0		4,986.6	
Costs and expenses	-919.1		-878.8		-4,226.7	
Depreciation and amortization	-16.0		-15.6		-63.5	
Operating income	118.7	11.3	108.6	10.8	696.4	14.0
Share of associated companies' net income	1.1		0.7		12.3	
Financing income	3.7		5.0		14.7	
Financing expenses	-2.2		-4.8		-9.0	
Income before taxes	121.3	11.5	109.5	10.9	714.4	14.3
Taxes	-22.3		-27.9		-178.5	
Net income	99.0	9.4	81.6	8.1	535.9	10.7
Net income attributable to:						
Shareholders of the parent company	98.8		81.3		535.3	
Non-controlling interests	0.2		0.3		0.6	
Total	99.0		81.6		535.9	
Earnings per share for profit attributable to the shareholders of the parent company, EUR						
Basic earnings per share, EUR	0.39		0.32		2.10	
Diluted earnings per share, EUR	0.38		0.32		2.09	

Consolidated statement of comprehensive income

MEUR	1–3/2011	1–3/2010	1–12/2010
Net income	99.0	81.6	535.9
Other comprehensive income, net of tax:			
Translation differences	-33.4	33.7	45.5
Hedging of foreign subsidiaries	2.2	-	0.5
Cash flow hedges	3.1	-4.5	-4.3
Other comprehensive income, net of tax	-28.1	29.2	41.7
Total comprehensive income	70.9	110.8	577.6
Total comprehensive income attributable to:			
Shareholders of the parent company	70.7	110.5	577.0
Non-controlling interests	0.2	0.3	0.6
Total	70.9	110.8	577.6

Condensed consolidated statement of financial position

Assets MEUR	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
Non-current assets			
Intangible assets	851.9	717.3	859.6
Tangible assets	196.4	205.2	204.9
Loans receivable and other interest-bearing assets	1.7	1.7	1.8
Deferred tax assets	169.5	168.0	176.5
Investments	162.0	169.9	180.6
Total non-current assets	1,381.5	1,262.1	1,423.4
Current assets			
Inventories	785.6	860.2	765.9
Advance payments received	-950.2	-948.9	-902.7
Accounts receivable and other non interest-bearing assets	1,167.0	1,105.7	1,141.2
Current deposits and loans receivable	562.3	288.8	624.9
Cash and cash equivalents	196.9	157.2	192.5
Total current assets	1,761.6	1,463.0	1,821.8
Total assets	3,143.1	2,725.1	3,245.2

Equity and liabilities MEUR	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
Equity	1,433.0	1,122.4	1,600.6
Non-current liabilities			
Loans	28.7	28.6	28.7
Deferred tax liabilities	59.9	43.0	60.8
Employee benefits	111.3	112.9	113.4
Total non-current liabilities	199.9	184.5	202.9
Provisions	93.4	103.6	99.4
Current liabilities			
Loans	39.1	59.1	40.7
Accounts payable and other liabilities	1,377.7	1,255.5	1,301.6
Total current liabilities	1,416.8	1,314.6	1,342.3
Total equity and liabilities	3,143.1	2,725.1	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								98.8	0.2	99.0
Other comprehensive income:										
Translation differences					-33.4					-33.4
Hedging of foreign subsidiaries					2.2					2.2
Cash flow hedges				3.1						3.1
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									0.0	0.0
Option and share-based compensation							3.0			3.0
Mar 31, 2011	65.1	100.3	35.0	-0.8	-9.7	-103.2	1,246.0	98.8	1.5	1,433.0

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								81.3	0.3	81.6
Other comprehensive income:										
Translation differences					33.7					33.7
Hedging of foreign subsidiaries										-
Cash flow hedges				-4.5						-4.5
Transactions with shareholders and non-controlling interests:										
Profit distribution						1.3	-331.0			-329.7
Issue of shares (option rights)										-
Purchase of own shares										-
Sale of own shares										-
Change in non-controlling interests									0.0	0.0
Option and share-based compensation							2.1			2.1
Mar 31, 2010	64.6	100.3	13.1	-4.1	9.2	-78.8	935.7	81.3	1.1	1,122.4

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	1–3/2011	1–3/2010	1–12/2010
Operating income	118.7	108.6	696.4
Change in working capital before financial items and taxes	102.6	93.4	95.3
Depreciation, amortization and impairment	16.0	15.6	65.5
Cash flow from operations	237.3	217.6	857.2
Cash flow from financing items and taxes	-27.9	-64.7	-174.2
Cash flow from operating activities	209.4	152.9	683.0
Cash flow from investing activities	-17.0	-16.3	-142.2
Cash flow after investing activities	192.4	136.6	540.8
Purchase, sale and distribution of own shares	-11.8	-	-16.8
Issue of shares	-	-	22.3
Profit distribution	-214.8	-307.1	-333.2
Change in deposits and loans receivable, net	48.0	145.7	-182.7
Change in loans payable	-6.0	-31.8	-54.1
Cash flow from financing activities	-184.6	-193.2	-564.5
Change in cash and cash equivalents	7.8	-56.6	-23.7
Cash and cash equivalents at end of period	196.9	157.2	192.5
Translation difference	3.4	-8.9	-11.3
Cash and cash equivalents at beginning of period	192.5	204.9	204.9
Change in cash and cash equivalents	7.8	-56.6	-23.7

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	1–3/2011	1–3/2010	1–12/2010
Interest-bearing net debt at beginning of period	-749.8	-504.7	-504.7
Interest-bearing net debt at end of period	-693.1	-360.0	-749.8
Change in interest-bearing net debt	56.7	144.7	-245.1

Notes for the interim report

KEY FIGURES

		1–3/2011	1–3/2010	1–12/2010
Basic earnings per share	EUR	0.39	0.32	2.10
Diluted earnings per share	EUR	0.38	0.32	2.09
Equity per share	EUR	5.61	4.42	6.25
Interest-bearing net debt	MEUR	-693.1	-360.0	-749.8
Total equity/total assets	%	45.6	41.2	49.3
Gearing	%	-48.4	-32.1	-46.8
Return on equity	%	26.1	26.5	36.5
Return on capital employed	%	25.5	25.9	34.8
Total assets	MEUR	3,143.1	2,725.1	3,245.2
Assets employed	MEUR	739.9	762.4	850.8
Working capital (including financing and tax items)	MEUR	-470.4	-330.0	-394.3

SALES BY GEOGRAPHICAL REGIONS

MEUR	1–3/2011	%	1–3/2010	%	1–12/2010	%
EMEA[1]	596.7	57	593.4	59	2,911.5	58
Americas	227.0	21	236.9	24	1,018.3	21
Asia-Pacific	230.1	22	172.7	17	1,056.8	21
Total	1,053.8		1,003.0		4,986.6	

[1] EMEA = Europe, Middle East, Africa

QUARTERLY FIGURES

		Q1/2011	Q4/2010	Q3/2010	Q2/2010	Q1/2010
Orders received	MEUR	1,044.7	1,006.3	865.2	1,042.8	894.7
Order book	MEUR	3,737.5	3,597.8	3,657.9	3,933.7	3,638.5
Sales	MEUR	1,053.8	1,488.8	1,235.9	1,258.9	1,003.0
Operating income	MEUR	118.7	227.3	184.8	175.7	108.6
Operating income	%	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 MEUR 33.6 one-time restructuring cost related to the fixed cost adjustment program.
[2] Excluding a MEUR 22.5 provision for the Austrian cartel court's fine decision and a MEUR 12.1 sales profit from the sale of KONE Building.
[3] Excluding a MEUR 142.0 fine for the European Commission's decision.

Notes for the interim report

ORDERS RECEIVED

MEUR	1–3/2011	1–3/2010	1–12/2010
	1,044.7	894.7	3,809.0

ORDER BOOK

MEUR	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
	3,737.5	3,638.5	3,597.8

CAPITAL EXPENDITURE

MEUR	1–3/2011	1–3/2010	1–12/2010
In fixed assets	5.2	6.2	32.0
In leasing agreements	4.2	3.1	11.5
In acquisitions	11.0	1.2	167.2
Total	20.4	10.5	210.7

R&D EXPENDITURE

MEUR	1–3/2011	1–3/2010	1–12/2010
	18.6	15.0	70.9
R&D Expenditure as percentage of sales	1.8	1.5	1.4

NUMBER OF EMPLOYEES

	1–3/2011	1–3/2010	1–12/2010
Average	34,012	33,697	33,566
At the end of the period	33,983	33,642	33,755

Notes for the interim report

COMMITMENTS

MEUR	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
Mortgages			
Group and parent company	-	-	-
Pledged assets			
Group and parent company	1.5	2.0	2.0
Guarantees			
Associated companies	3.3	3.9	3.5
Others	6.0	10.7	6.0
Operating leases	174.7	166.2	179.0
Total	185.5	182.8	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 678.8 (March 31, 2010: 608.5) million as of March 31, 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	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
Less than 1 year	45.6	43.9	44.5
1–5 years	99.2	91.5	100.7
Over 5 years	29.9	30.8	33.8
Total	174.7	166.2	179.0

DERIVATIVES

Fair values of derivative financial instruments MEUR	positive fair value Mar 31, 2011	negative fair value Mar 31, 2011	net fair value Mar 31, 2011	net fair value Mar 31, 2010	net fair value Dec 31, 2010
Foreign exchange forward contracts and swaps	5.3	9.0	-3.7	-5.3	-2.9
Cross-currency swaps	-	9.3	-9.3	0.9	-20.2
Electricity price forward contracts	1.2	0.6	0.6	-0.6	0.9
Total	6.5	18.9	-12.4	-5.0	-22.2

Nominal values of derivative financial instruments MEUR	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
Foreign exchange forward contracts and swaps	641.9	622.4	534.7
Cross-currency swaps	139.3	139.3	139.3
Electricity price forward contracts	5.3	5.2	5.6
Total	786.5	766.9	679.6

Shares and shareholders

Mar 31, 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]		5,147,870	
Share capital, EUR			65,134,030
Market capitalization, MEUR			10,369
Number of shares traded (millions), 1–3/2011		39.5	
Value of shares traded, MEUR, 1–3/2011		1,570	
Number of shareholders	3	31,801	31,801

	Close	High	Low
Class B share price, EUR, Jan–Mar 2011	40.60	43.06	37.30

1) During January–March 2011, KONE used its authorization to repurchase own shares, and bought back in total 298,835 of its own class B shares in February 2011.

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.