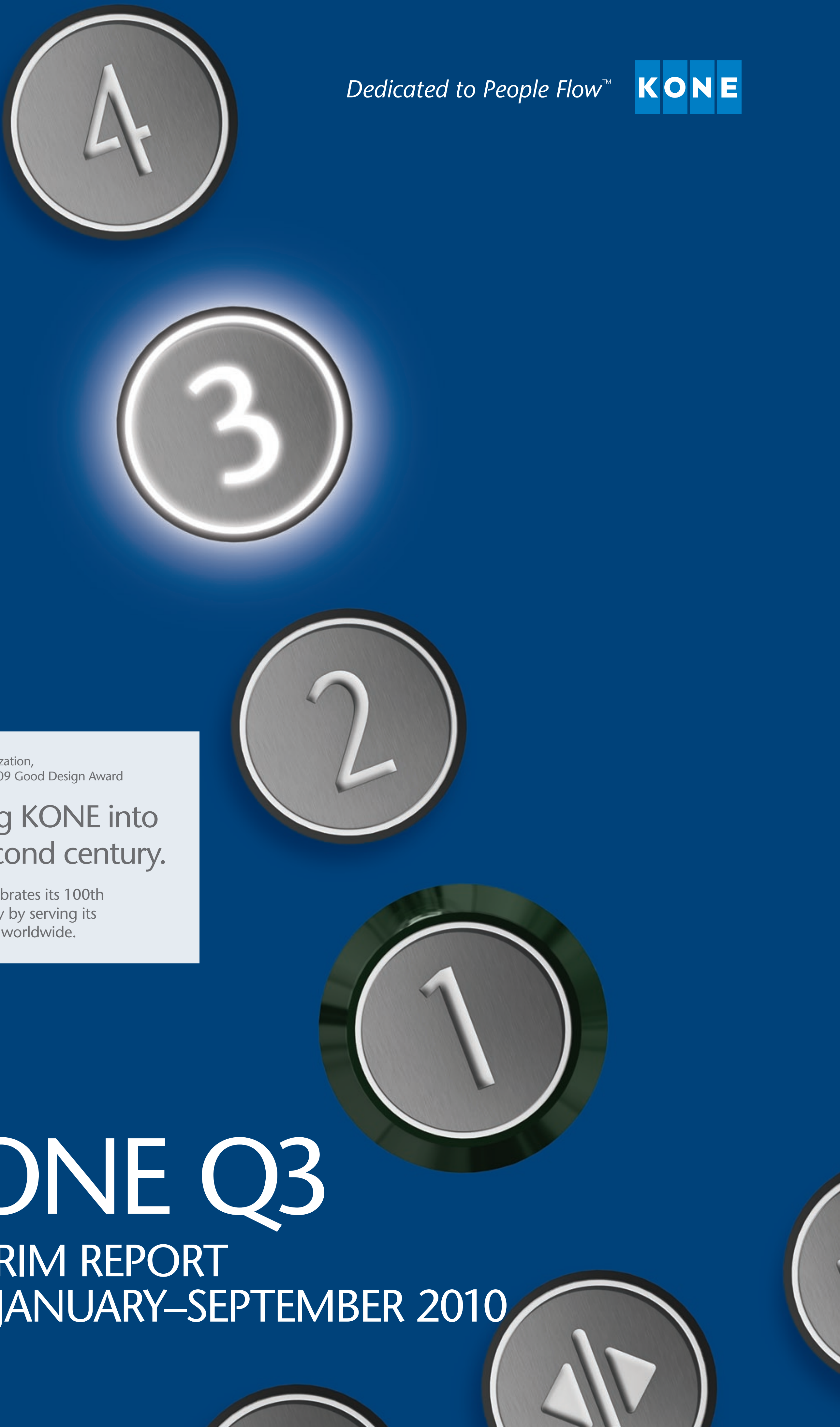
Dedicated to People Flow™



KONE signalization,
winner of 2009 Good Design Award

Taking KONE into its second century.

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

KONE Q3

INTERIM REPORT FOR JANUARY–SEPTEMBER 2010

KONE's Q3: Good progress resulted in strong operating income

July–September 2010

- In July–September 2010, orders received totaled EUR 865.2 (7–9/2009: 766.5) million. Orders received increased by 12.9% at historical exchange rates and by 5.7% at comparable exchange rates.
- Net sales increased by 9.6% to EUR 1,236 (1,127) million. At comparable exchange rates the increase was 3.9%.
- Operating income was EUR 184.8 (160.1) million or 15.0% (14.2%) of net sales.
- Cash flow from operations reached EUR 242.8 (255.5) million.
- KONE upgrades its outlook for 2010 due to strong sales growth in particular in the Asia-Pacific region as well as improved overall productivity. KONE's net sales is estimated to grow 2–6% compared to 2009. The operating income (EBIT) is expected to be in the range of EUR 660–690 million. KONE previously estimated its net sales to be at approximately the same level as in 2009. The previous operating income (EBIT) outlook was EUR 630–660 million.

January–September 2010

- In January–September 2010, orders received totaled EUR 2,803 (1–9/2009: 2,619) million. Orders received increased by 7.0% at historical exchange rates and by 2.8% at comparable exchange rates. The order book stood at EUR 3,658 (Dec 31, 2009: 3,309) million at the end of September 2010.
- Net sales increased by 5.5% to EUR 3,498 (3,317) million. At comparable exchange rates it increased by 1.5%.
- Operating income was EUR 469.1 (397.6) million or 13.4% (12.0%) of net sales (1–9/2009 figures exclude a one-time cost of EUR 33.6 million related to the fixed cost adjustment program).

KEY FIGURES

		7–9/2010	7–9/2009	1–9/2010	1–9/2009	1–12/2009
Orders received	MEUR	865.2	766.5	2,802.7	2,618.9	3,432.4
Order book	MEUR	3,657.9	3,603.4	3,657.9	3,603.4	3,309.1
Sales	MEUR	1,235.9	1,127.3	3,497.8	3,316.9	4,743.7
Operating income	MEUR	184.8	160.1	469.1	397.6 [1)]	600.3 [1)]
Operating income	%	15.0	14.2	13.4	12.0 [1)]	12.7 [1)]
Cash flow from operations (before financing items and taxes)	MEUR	242.8	255.5	662.1	626.9	825.1
Net income	MEUR	144.9	134.6	362.1	299.8	466.4
Total comprehensive income	MEUR	102.6	124.0	387.5	283.6	449.5
Basic earnings per share	EUR	0.57	0.53	1.42	1.18	1.84
Interest-bearing net debt	MEUR	-610.7	-358.8	-610.7	-358.8	-504.7
Total equity/total assets	%	45.3	42.6	45.3	42.6	47.0
Gearing	%	-43.3	-30.9	-43.3	-30.9	-37.7

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

Interim Report for January–September 2010

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

"The development of our result in the third quarter was delightful. Our operating income was strong and our orders received developed well, in particular in Asia-Pacific.

No substantial changes were seen in our operating environment during the third quarter. The markets in the Asia-Pacific region continued to develop well, the new equipment market situation in Europe differed from country to country and the North American markets have stabilized at a low level.

Our operating income grew by approximately 15 percent. The strong development was enabled by rapid sales growth in Asia-Pacific, improved quality and productivity as well as lower fixed costs. In addition to these factors, external factors such as more favorable translation exchange rates compared to 2009 and favorable sourcing prices contributed clearly to the development of our operating income. The current trends of these external factors are unfavorable from KONE's perspective. Should the current trends continue, it will be more challenging to improve the result.

As a result of the continued strong development and favorable external factors during the first three quarters of the year, we have upgraded our full-year outlook for both sales and operating income."

Interim Report for January–September 2010

Accounting Principles

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

July–September 2010 review

Operating environment in July–September

In the third quarter of 2010 no substantial changes in the development of the overall markets were seen. The overall market development in Europe, Middle East and Africa (EMEA) and the Americas remained uncertain, while the good growth in the Asia-Pacific region continued. The activity level in major projects continued to develop favorably. Modernization markets were overall quite stable. Maintenance markets continued to develop favorably. The overall pricing environment remained intense in all businesses.

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

In the Americas region, the new equipment market has stabilized at a low level. The new equipment market in the United States remained challenging and uncertain and price competition continued to be very intense. The tendering activity in infrastructure and publicly funded projects declined. Modernization activity increased slightly. In Canada, the new equipment market remained rather active and the modernization market was stable. The markets in Mexico continued to recover, albeit slowly. Maintenance markets in the Americas developed rather well, but were very competitive.

In the Asia-Pacific region, the good growth in the new equipment markets continued during the third quarter, but the pricing environment was intense. The most favorable development was seen in China, where all segments grew. The residential segment, particularly affordable housing, and the public transportation segment were the fastest growing segments. Tendering activity continued to grow in India with the residential segment, particularly affordable housing, being the main growth segment, while activity in the commercial segment remained stable at a low level. In Australia, funding constraints continued to negatively influence the new equipment market with housing construction activity being at a low level. Tendering activity, however, increased slightly. Tendering activity in the modernization market continued to improve. In Southeast Asia, market growth strengthened. Maintenance markets in Asia-Pacific continued to develop favorably.

Financial performance in July–September

KONE's orders received increased by 12.9% as compared to July–September 2009, and totaled EUR 865.2 (7–9/2009: 766.5) million. At comparable exchange rates, orders received increased by 5.7%. The growth was primarily driven by the volume business. The performance in orders received was strongest in Asia-Pacific, with Southeast Asia and China developing the most positively. Orders received grew moderately in EMEA and declined in the Americas. Maintenance contracts are not included in orders received.

The largest order received in July–September 2010 was an order to supply elevators and escalators for DC Tower 1 in Vienna, Austria. At 220 meters, DC Tower 1 will be the tallest building in Austria.

KONE's net sales increased by 9.6% as compared to July–September 2009, and totaled EUR 1,236 (1,127) million. At comparable exchange rates, the increase was 3.9%.

New equipment sales was EUR 585.3 (531.0) million which represented an increase of 10.2% over the comparison period. At comparable currency rates, the increase was 3.5%.

Service sales (maintenance and modernization) increased by 9.1% and totaled EUR 650.6 (596.3) million. At comparable currency rates, the increase was 4.4%. Maintenance sales continued to grow at the prior good rate, whereas modernization sales declined slightly.

The operating income for the July–September 2010 period totaled EUR 184.8 (160.1) million or 15.0% (14.2%) of net sales. The good operating income was primarily a result of strong sales growth in the Asia-Pacific region, improved operational quality and productivity, lower fixed costs as well as favorable sourcing costs and translation exchange rates compared to the comparison period.

KONE's January–September 2010 review

SALES BY GEOGRAPHICAL REGIONS, MEUR

	7–9/2010	%	7–9/2009	%	1–9/2010	%	1–9/2009	%	1–12/2009	%
EMEA [1]	674.9	55	674.5	60	1,999.3	57	2,049.4	62	2,953.4	62
Americas	259.1	21	238.4	21	746.5	21	694.8	21	970.2	21
Asia-Pacific	301.9	24	214.4	19	752.0	22	572.7	17	820.1	17
Total	1,235.9		1,127.3		3,497.8		3,316.9		4,743.7	

[1] EMEA = Europe, Middle East, Africa

January-September 2010 review

KONE's Orders received and Order book in January-September

The overall market situation was demanding in new equipment throughout the reporting period except in the Asia-Pacific region where all major markets grew. Modernization markets were stable. The global maintenance market continued to grow.

In January–September 2010, KONE's orders received increased by 7.0% and totaled EUR 2,803 (1–9/2009: 2,619) million. At comparable exchange rates, the increase was 2.8%. Maintenance contracts are not included in orders received.

The order book increased from the end of 2009 by 10.5% and stood at the end of September 2010 at EUR 3,658 (Dec 31, 2009: 3,309) million. At comparable exchange rates, the order book increased by 4.5%. The margin of the order book remained stable. Cancellations of orders have remained at a very low level.

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

Net sales

In January–September 2010, KONE's net sales increased by 5.5% as compared to last year, and totaled EUR 3,498 (1–9/2009: 3,317) million. At comparable exchange rates the increase was 1.5%.

New equipment sales was EUR 1,608 (1,525) million and represented an increase of 5.5% over the comparison period in 2009. At comparable exchange rates the increase was 0.9%.

Service (maintenance and modernization) sales increased by 5.4% and totaled EUR 1,889 (1,792) million. At comparable exchange rates, the increase was 2.0%. Maintenance sales continued to grow at its prior good rate, whereas modernization sales declined.

The geographical distribution of net sales was 57% (62%) EMEA, 21% (21%) Americas and 22% (17%) Asia-Pacific.

Financial result

In January–September 2010, KONE's operating income was very strong at EUR 469.1 (1–9/2009: 364.0) million or 13.4% (11.0%) of net sales (the operating income in January–September 2009 excluding the one-time cost of EUR 33.6 million related to the fixed cost adjustment program was EUR 397.6 million or 12.0% of net sales). The growth in operating income was the result of good business progress in Asia-Pacific, improved overall quality and productivity due to good progress in KONE's development programs, reduced fixed costs as well as favorable sourcing costs and favorable movements in translation exchange rates. Net financing items were EUR 4.7 (18.3) million.

KONE's income before taxes for January–September 2010 was EUR 482.8 (386.9) million. Taxes totaled EUR 120.7 (87.1) million, taking into account taxes proportionate to the amount estimated for the financial year. This represents an effective tax rate of 25.0%. Net income for the period under review was EUR 362.1 (299.8) million.

Earnings per share was EUR 1.42 (1.18). Equity per share was EUR 5.51 (4.59).

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 September. Cash flow generated from operations (before financing items and taxes) in January–September 2010 was EUR 662.1 (1–9/2009: 626.9) million.

Cash flow remained at a healthy level and it increased compared to January-September 2009. Net working capital improved although the improvement was not as significant as

KONE's January–September 2010 review

in January–September 2009. The improvement in net working capital was largely due to good payment terms and an improvement in the ratio of advance payments received relative to inventories. At the end of September 2010, net working capital was EUR -407.7 (December 31, 2009: -228.7) million, including financing items and taxes.

Interest-bearing assets exceeded interest-bearing debts and the net cash position totaled EUR 610.7 (December 31, 2009: 504.7) million. Gearing was -43.3%, compared with -37.7% at the end of 2009. KONE's total equity/total assets ratio was 45.3% (December 31, 2009: 47.0%) at the end of September.

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 181.8 (1–9/2009: 66.0) million, of which acquisitions accounted for EUR 149.5 (39.3) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. 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. The most important acquisitions completed during the reporting period included two acquisitions in Spain, one in the United States and one in France. These acquisitions are detailed below.

During January–September 2010, KONE completed the acquisition of ASBA Mantenimientos S.L., a Spanish elevator company based in Barcelona, to strengthen KONE's maintenance and modernization operations in the Catalonia region.

KONE also acquired Reliant Elevator Company, the largest independent elevator service company in Oregon, USA. Through this acquisition KONE strengthened its position as one of the leading elevator and escalator companies in the Portland metropolitan area and throughout Oregon.

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

In Spain, KONE also acquired Marvi Elevator group, which installs, maintains and modernizes elevators in the eastern regions of Spain and has an assembly and logistics center in Catalonia, where it is one of the leading players in the industry.

Research and development

Research and development expenses totaled EUR 46.6 (1–9/2009: 44.1) million, representing 1.3% (1.3%) of net sales. R&D expenses include the development of new concepts and further development of existing products and services. KONE's elevators and escalators are based on energy-efficient technology.

In January–September 2010, KONE released new offerings in all regions. The new elevator offering for the Asia-Pacific markets included a wide range of updated products such as machines and drives, a further improvement in the eco-efficiency offering and option extensions as well as a new design collection. In Europe, KONE introduced an enhanced offering for the medical segment. In addition, extended solutions for the residential and office segments were offered with a focus on energy efficiency. KONE also released an updated offering for modular elevator modernization, full replacement and solutions for existing buildings without elevators. The maintenance offering and energy efficient solutions for automatic building doors were updated as well. In the Americas, KONE launched updated car and signalization design solutions for its mid- and high-rise elevators, along with energy efficient lighting and improved functionality offerings. In January 2010, KONE released a new escalator dedicated especially for the Chinese retail and commercial building segments. In January–September 2010, KONE also initiated the introduction of a new regenerative drive family to expand the coverage of its already wide offering of energy efficient solutions.

Other important events during the financial period

KONE announced in 2009 a program to reduce fixed costs due to the weak new equipment markets. The plans for the program were communicated in connection with the second quarter result in 2009. The annual impact of the fixed cost reduction plan was expected to be at least EUR 40 million starting in 2010. The total one-time restructuring cost relating to this program was EUR 33.6 million, which was booked in the second quarter of 2009. The fixed cost adjustment program continued to progress according to plan and has been largely finalized with the exception of certain costs related to real estate and other fixed assets as well as to individual reductions of personnel.

KONE announced in March 2010 that certain municipalities, public authorities and companies in Austria had filed civil damage claims against leading elevator and escalator companies. The claims have been served on KONE's Austrian subsidiary KONE AG, and they relate to the 2007 decision of the Austrian Cartel Court concerning practices prior to mid-2004. Some further claims have been served since the announcement in March and the total capital amount claimed jointly and severally from all of the defendants together amounted to EUR 146 million at the end of the reporting period. KONE's position is that the claims are without merit. No provision has been made.

KONE's January–September 2010 review

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

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

Personnel

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

During January–September 2010, KONE continued to invest in and run leadership training programs with a special focus on middle management and supervisors. KONE's annual employee survey was conducted and the results were published with actions being implemented during the second half of the year. The planning of the next survey was initiated. Work on human resources systems and tools continued.

KONE had 33,626 (December 31, 2009: 33,988) employees at the end of September. The average number of employees was 33,594 (1–9/2009: 34,365).

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

Environment

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

KONE's aim is to be the eco-efficiency leader in its industry. The development of eco-efficient solutions focuses on stand-by energy saving solutions and regenerative units for elevators. KONE set an ambitious target for 2010 with the aim of reducing the electricity consumption of its volume elevators by 50% by the end of 2010, compared to the 2008 base value. This target has been achieved.

KONE intends to minimize its carbon footprint and to ensure the compliance of KONE's suppliers with the corresponding requirements and environmental targets. KONE has set an annual 5% carbon footprint reduction target for its own operations. The largest part of KONE's entire global impact relates to the amount of electricity used by KONE equipment in their lifetime, underlining the importance of energy-efficient innovations for elevators and escalators.

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

Capital and risk management

KONE's business activities are exposed to risks, which may arise from its operations or changes in the business environment. The risk factors listed below can potentially have an adverse effect on KONE's business operations and financial position and hence the value of the company. Other risks, which are currently either unknown or considered immaterial to KONE, may, however, become material in the future.

A renewed weakening of the economies in the EMEA and Americas regions after a short period of growth or a disruption in the growth in the Asia-Pacific region may bring about a decrease in the new equipment and modernization orders

KONE's January–September 2010 review

received, cancellation of agreed deliveries, or delays in the commencement of projects. A significant part of KONE's sales consists of services which are less susceptible to the effects of economic cycles, but which are very labor-intensive. The profit development of the Group could be adversely affected if the productivity targets are not met or if it is not possible to efficiently reallocate personnel resources in response to changing business opportunities and environments.

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

KONE's business activities are dependent on the uninterrupted operation and reliability of sourcing channels, production plants, logistics processes and the IT systems used. As a result of the recovery of trade in many countries especially in Asia-Pacific, certain electronic components have been in short supply, which could have an impact on KONE's deliveries. These risks are controlled by accurate forecasting and close cooperation with KONE's suppliers. 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 components and services. Additionally, KONE has a global property damage and business interruption insurance program in place.

The uncertain economic climate, a continued high level of bankruptcies in the EMEA and Americas regions and the challenging lending environment may affect the liquidity and payment schedules of KONE's customers and lead to credit losses. KONE's 'tender to cash' process defines the rules for tendering, authorizations and credit control. Advance payments, documentary credits and guarantees are used in the payment terms to minimize the risks related to accounts receivable. KONE proactively manages its accounts receivable in order to minimize the risk of customer defaults. The customer base of KONE consists of a large number of customers in several market areas.

KONE operates internationally and is thus exposed to currency risks arising from exchange rate fluctuations related to currency flows from sales and purchases and from translation of statement of financial position items of foreign subsidiaries into euros. The translation exchange rates developed favorably during January–September 2010 from KONE's perspective. The current trends in translation exchange rates are unfavorable from KONE's perspective, which could have an impact on KONE's result and financial position. KONE operates in certain countries with currency controls, as a result of which KONE may be unable to repatriate funds from these countries, which can result in inefficient capital allocation. KONE's Treasury function manages exchange rates and other financial risks centrally on the basis of principles approved by the Board of Directors.

Changes in raw material prices are reflected directly in the production costs of components made by KONE, such as doors and cars, and indirectly in the prices of purchased components. In order to reduce the fluctuation of raw material prices and their impact on the price of components, KONE has for 2010 entered into fixed price contracts for a substantial part of the most significant materials. Material costs have increased during 2010, which may have an impact on KONE's sourcing costs going forward. The maintenance business deploys a significant fleet of service vehicles, and oil price fluctuations therefore have an effect on the cost of maintenance.

Decisions of the Annual General Meeting

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

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

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

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

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

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

The Annual General Meeting authorized the Board of Directors to repurchase KONE's own shares. Altogether, no more than 25,570,000 shares may be repurchased, of

KONE's January–September 2010 review

which no more than 3,810,000 may be class A shares and 21,760,000 class B shares, taking into consideration the provisions of the Companies Act regarding the maximum amount of own shares that the Company is allowed to possess. The minimum and maximum consideration for the shares to be purchased is determined for both class A and class B shares on the basis of the trading price for class B shares determined on the NASDAQ OMX Helsinki Ltd. on the time of purchase. The authorization shall remain in effect for a period of one year from the date of the decision of the General Meeting.

In addition, the Annual General Meeting authorized the Board of Directors to decide on the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Companies Act. The authorization is limited to a maximum of 3,810,000 class A shares and 21,760,000 class B shares. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares, and the issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights. The authorization shall remain in effect for a period of five years from the date of the decision of the General Meeting.

The General Meeting decided to establish the KONE Corporation Centennial Foundation. The purpose of the foundation is to advance and support developmental, educational and cultural activities for children and youth around the world. The General Meeting decided to distribute 100,000 treasury class B shares of KONE Corporation without compensation to the KONE Corporation Centennial Foundation to be established, and authorized the Board to later grant no more than EUR 100,000 to the foundation. The General Meeting also decided to authorize the Board to grant during 2010 no more than EUR 3,500,000 to support the activities of universities and colleges.

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

Dividend for 2009

The Annual General Meeting approved the Board's proposal for dividends of EUR 1.295 for each of the 38,104,356 class A shares and EUR 1.30 for the 215,633,008 outstanding class B shares. Half of the dividend is an extra dividend due to KONE's centennial year 2010. The date of record for dividend distribution was March 4, 2010, and dividends were paid on March 11, 2010.

Share capital and Market capitalization

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

In 2007, KONE granted a conditional option program, 2007. The 2007 stock options were listed on the NASDAQ OMX Helsinki Ltd. as of April 1, 2010. The total number of 2007 stock options is 2,000,000 of which 888,000 are owned by a subsidiary of KONE Corporation. Each option right entitles its owner to subscribe for two (2) class B shares at a price of EUR 22.845 per share. At the end of September 2010, the outstanding 2007 options entitled their holders to subscribe 2,224,000 class B shares as no shares have been subscribed by the end of September 2010. The subscription period for 2007 options will end on April 30, 2012.

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

On September 30, 2010, KONE's share capital was EUR 65,134,030.00, comprising 222,431,764 listed class B shares and 38,104,356 unlisted class A shares.

KONE´s market capitalization was EUR 9,691 million on September 30, 2010, disregarding own shares in the Group's possession. Market capitalization is calculated on the basis of both the listed B shares and the unlisted A shares excluding treasury shares. Class A shares are valued at the closing price of the class B shares at the end of the reporting period.

KONE's January–September 2010 review

Shares in KONE's possession

On the basis of the Annual General Meeting's authorization, KONE Corporation's Board of Directors decided to commence the possible repurchasing of shares at the earliest on March 9, 2010.

In March 2010, 100,000 treasury class B shares of KONE Corporation were distributed without compensation to the KONE Corporation Centennial Foundation. In April 2010, 311,375 KONE class B shares assigned to the share-based incentive plan for the company's senior management were transferred due to achieved targets for the financial year 2009. 290,639 of the shares were transferred by KONE Corporation and 20,736 were transferred by KNEBV Incentive Oy, subsidiary of KONE Corporation. In May 2010, KONE used its authorization to repurchase own shares and bought back 550,000 of its own class B shares.

At the end of September 2010, the Group had 4,848,867 class B shares in its possession. The shares in the Group's possession represent 2.2% of the total number of class B shares. This corresponds to 0.8% of the total voting rights.

Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki Ltd. traded 108.8 million KONE Corporation's class B shares in January–September 2010, equivalent to a turnover of EUR 3,512 million. The daily average trading volume was 575,628 (1–9/2009: 690,028). The share price on September 30, 2010 was EUR 37.90. The volume weighted average share price during the period was EUR 32.32. The highest quotation during the period under review was EUR 38.49 and the lowest EUR 27.72.

The number of registered shareholders was 22,304 at the beginning of the review period and 28,797 at its end. The number of private households holding shares totaled 26,194 at the end of the period, which corresponds to approximately 13% of the listed B shares.

According to the nominee registers, 43.0% of the listed class B shares were owned by foreigners as per September 30, 2010. Other foreign ownership at the end of the period totaled 6.6%. Thus a total of 49.6% 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 2010

KONE specifies its market outlook for 2010. The new equipment markets in Asia-Pacific are expected to continue to grow, albeit at a lower rate than during the first half of the year. In Central and North Europe, the positive development in residential construction is expected to continue in most countries, while the markets in South Europe are stabilizing at a low level. The new equipment market in North America has stabilized at a low level. The development of the markets in South Europe and North America remains uncertain and their recovery is expected to be slow. The modernization markets are expected to be at about last year's level. The maintenance markets are expected to continue to develop well, but remain very competitive.

Outlook 2010

KONE upgrades its outlook for 2010 due to strong sales growth in particular in the Asia-Pacific region as well as improved overall productivity.

KONE's net sales is estimated to grow 2–6% compared to 2009.

The operating income (EBIT) is expected to be in the range of EUR 660–690 million.

Previous outlook

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

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

Helsinki, October 19, 2010

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	7–9/2010	%	7–9/2009	%	1–9/2010	%	1–9/2009	%	1–12/2009	%
Sales	1,235.9		1,127.3		3,497.8		3,316.9		4,743.7	
Costs and expenses	-1,035.3		-951.9		-2,981.3		-2,873.0		-4,081.2	
Depreciation	-15.8		-15.3		-47.4		-46.3		-62.2	
One-time restructuring cost	-		-		-		-33.6		-33.6	
Operating income	184.8	15.0	160.1	14.2	469.1	13.4	364.0	11.0	566.7	11.9
Share of associated companies' net income	4.5		3.0		9.0		4.6		8.1	
Financing income	4.3		4.1		11.5		25.8		28.8	
Financing expenses	-1.2		-1.4		-6.8		-7.5		-9.0	
Income before taxes	192.4	15.6	165.8	14.7	482.8	13.8	386.9	11.7	594.6	12.5
Taxes	-47.5		-31.2		-120.7		-87.1		-128.2	
Net income	144.9	11.7	134.6	11.9	362.1	10.4	299.8	9.0	466.4	9.8
Net income attributable to:										
Shareholders of the parent company	144.8		134.4		361.4		299.1		465.6	
Non-controlling interests	0.1		0.2		0.7		0.7		0.8	
Total	144.9		134.6		362.1		299.8		466.4	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share, EUR	0.57		0.53		1.42		1.18		1.84	
Diluted earnings per share, EUR	0.56		0.53		1.41		1.18		1.83	

Consolidated statement of comprehensive income

MEUR	7–9/2010	7–9/2009	1–9/2010	1–9/2009	1–12/2009
Net income	144.9	134.6	362.1	299.8	466.4
Other comprehensive income, net of tax:					
Translation differences	-48.0	-13.5	29.4	-12.0	-7.3
Hedging of foreign subsidiaries	-1.2	0.0	-1.2	-1.0	-1.0
Cash flow hedges	6.9	2.9	-2.8	-3.2	-8.6
Other comprehensive income, net of tax	-42.3	-10.6	25.4	-16.2	-16.9
Total comprehensive income	102.6	124.0	387.5	283.6	449.5
Total comprehensive income attributable to:					
Shareholders of the parent company	102.5	123.8	386.8	282.9	448.7
Non-controlling interests	0.1	0.2	0.7	0.7	0.8
Total	102.6	124.0	387.5	283.6	449.5

Condensed consolidated statement of financial position

Assets MEUR	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
Non-current assets			
Intangible assets	838.7	697.0	706.7
Tangible assets	203.8	199.1	200.5
Loans receivable and other interest-bearing assets	1.7	1.6	1.6
Deferred tax assets	177.9	135.0	152.8
Investments	163.5	150.1	156.0
Total non-current assets	1,385.6	1,182.8	1,217.6
Current assets			
Inventories	889.2	931.8	784.6
Advance payments received	-1,012.0	-945.8	-832.4
Accounts receivable and other non interest-bearing assets	1,160.4	1,087.3	1,056.1
Current deposits and loan receivables	481.8	279.1	421.2
Cash and cash equivalents	208.2	192.5	204.9
Total current assets	1,727.6	1,544.9	1,634.4
Total assets	3,113.2	2,727.7	2,852.0

Equity and liabilities MEUR	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
Equity	1,409.0	1,162.3	1,339.2
Non-current liabilities			
Loans	30.0	28.5	27.2
Deferred tax liabilities	51.3	35.6	42.4
Employee benefits	113.3	108.2	110.6
Total non-current liabilities	194.6	172.3	180.2
Provisions	94.0	69.5	100.3
Current liabilities			
Loans	51.0	85.9	95.8
Accounts payable and other liabilities	1,364.6	1,237.7	1,136.5
Total current liabilities	1,415.6	1,323.6	1,232.3
Total equity and liabilities	3,113.2	2,727.7	2,852.0

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2010	64.6	100.4	13.0	0.4	-24.5	-80.1	1,264.6		0.8	1,339.2
Net income for the period								361.4	0.7	362.1
Other comprehensive income:										
Translation differences					29.4					29.4
Hedging of foreign subsidiaries					-1.2					-1.2
Cash flow hedges				-2.8						-2.8
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									-0.1	-0.1
Option and share-based compensation						4.3	5.4			9.7
Sep 30, 2010	65.1	100.4	34.8	-2.4	3.7	-91.4	936.0	361.4	1.4	1,409.0

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, 2009	64.4	100.4	3.3	9.0	-16.2	-83.1	957.2		0.9	1,035.9
Net income for the period								299.1	0.7	299.8
Other comprehensive income:										
Translation differences					-12.0					-12.0
Hedging of foreign subsidiaries					-1.0					-1.0
Cash flow hedges				-3.2						-3.2
Transactions with shareholders and non-controlling interests:										
Profit distribution							-164.1			-164.1
Issue of shares (option rights)	0.0		0.9							0.9
Purchase of own shares										-
Sale of own shares										-
Change in non-controlling interests									-0.5	-0.5
Option and share-based compensation						3.0	3.5			6.5
Sep 30, 2009	64.4	100.4	4.2	5.8	-29.2	-80.1	796.6	299.1	1.1	1,162.3

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2009	64.4	100.4	3.3	9.0	-16.2	-83.1	957.2		0.9	1,035.9
Net income for the period								465.6	0.8	466.4
Other comprehensive income:										
Translation differences					-7.3					-7.3
Hedging of foreign subsidiaries					-1.0					-1.0
Cash flow hedges				-8.6						-8.6
Transactions with shareholders and non-controlling interests:										
Profit distribution							-164.1			-164.1
Issue of shares (option rights)	0.2		9.7							9.9
Purchase of own shares										-
Sale of own shares										-
Change in non-controlling interests									-0.9	-0.9
Option and share-based compensation						3.0	5.9			8.9
Dec 31, 2009	64.6	100.4	13.0	0.4	-24.5	-80.1	799.0	465.6	0.8	1,339.2

Condensed consolidated statement of cash flows

MEUR	7–9/2010	7–9/2009	1–9/2010	1–9/2009	1–12/2009
Operating income	184.8	160.1	469.1	364.0	566.7
Change in working capital before financial items and taxes	42.2	80.1	145.6	216.6	194.2
Depreciation and impairment	15.8	15.3	47.4	46.3	64.2
Cash flow from operations	242.8	255.5	662.1	626.9	825.1
Cash flow from financing items and taxes	-11.4	-34.1	-124.7	-99.7	-123.7
Cash flow from operating activities	231.4	221.4	537.4	527.2	701.4
Cash flow from investing activities	-80.9	-16.1	-131.1	-48.6	-90.6
Cash flow after investing activities	150.5	205.3	406.3	478.6	610.8
Purchase and sale of own shares	-	-	-16.9	-	-
Issue of shares	-	-	22.3	0.9	9.9
Profit distribution	-	-	-332.7	-164.0	-164.0
Change in deposits and loans receivable, net	-94.1	-105.6	-45.7	-79.4	-220.9
Change in loans payable	-9.7	-77.6	-38.3	-191.8	-181.4
Cash flow from financing activities	-103.8	-183.2	-411.3	-434.3	-556.4
Change in cash and cash equivalents	46.7	22.1	-5.0	44.3	54.4
Cash and cash equivalents at end of period	208.2	192.5	208.2	192.5	204.9
Translation difference	5.3	-0.1	-8.3	-0.4	-2.7
Cash and cash equivalents at beginning of period	166.8	170.3	204.9	147.8	147.8
Change in cash and cash equivalents	46.7	22.1	-5.0	44.3	54.4

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	7–9/2010	7–9/2009	1–9/2010	1–9/2009	1–12/2009
Interest-bearing net debt at beginning of period	-487.6	-167.1	-504.7	-58.3	-58.3
Interest-bearing net debt at end of period	-610.7	-358.8	-610.7	-358.8	-504.7
Change in interest-bearing net debt	-123.1	-191.7	-106.0	-300.5	-446.4

Notes for the interim report

KEY FIGURES

		1–9/2010	1–9/2009	1–12/2009
Basic earnings per share	EUR	1.42	1.18	1.84
Diluted earnings per share	EUR	1.41	1.18	1.83
Equity per share	EUR	5.51	4.59	5.28
Interest-bearing net debt	MEUR	-610.7	-358.8	-504.7
Total equity/total assets	%	45.3	42.6	47.0
Gearing	%	-43.3	-30.9	-37.7
Return on equity	%	35.1	36.4	39.3
Return on capital employed	%	33.3	31.4	34.0
Total assets	MEUR	3,113.2	2,727.7	2,852.0
Assets employed	MEUR	798.3	803.5	834.5
Working capital (including financing and tax items)	MEUR	-407.7	-242.7	-228.7

SALES BY GEOGRAPHICAL REGIONS

MEUR	1–9/2010	%	1–9/2009	%	1–12/2009	%
EMEA[1]	1,999.3	57	2,049.4	62	2,953.4	62
Americas	746.5	21	694.8	21	970.2	21
Asia-Pacific	752.0	22	572.7	17	820.1	17
Total	3,497.8		3,316.9		4,743.7	

[1] EMEA = Europe, Middle East, Africa

QUARTERLY FIGURES

		Q3/2010	Q2/2010	Q1/2010
Orders received	MEUR	865.2	1,042.8	894.7
Order book	MEUR	3,657.9	3,933.7	3,638.5
Sales	MEUR	1,235.9	1,258.9	1,003.0
Operating income	MEUR	184.8	175.7	108.6
Operating income	%	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	1–9/2010	1–9/2009	1–12/2009
	2,802.7	2,618.9	3,432.4

ORDER BOOK

MEUR	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
	3,657.9	3,603.4	3,309.1

CAPITAL EXPENDITURE

MEUR	1–9/2010	1–9/2009	1–12/2009
In fixed assets	22.4	22.1	40.9
In leasing agreements	9.9	4.6	5.6
In acquisitions	149.5	39.3	46.0
Total	181.8	66.0	92.5

R&D EXPENDITURE

MEUR	1–9/2010	1–9/2009	1–12/2009
	46.6	44.1	62.0
R&D Expenditure as percentage of sales	1.3	1.3	1.3

NUMBER OF EMPLOYEES

	1–9/2010	1–9/2009	1–12/2009
Average	33,594	34,365	34,276
At the end of the period	33,626	34,136	33,988

Notes for the interim report

COMMITMENTS

MEUR	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
Mortgages			
Group and parent company	-	0.7	-
Pledged assets			
Group and parent company	2.0	1.9	1.9
Guarantees			
Associated companies	3.8	3.4	3.5
Others	10.1	6.6	6.4
Operating leases	175.6	162.3	162.0
Total	191.5	174.9	173.8

The future minimum lease payments under non-cancellable operating leases

MEUR	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
Less than 1 year	45.4	40.7	41.0
1–5 years	101.3	92.8	91.6
Over 5 years	28.9	28.8	29.4
Total	175.6	162.3	162.0

DERIVATIVES

Fair values of derivative financial instruments MEUR	positive fair value Sep 30, 2010	negative fair value Sep 30, 2010	net fair value Sep 30, 2010	net fair value Sep 30, 2009	net fair value Dec 31, 2009
FX Forward contracts	5.8	11.6	-5.8	2.9	-2.6
Cross-currency swaps, due under one year	-	-	-	-15.2	-17.0
Cross-currency swaps, due in 1–3 years	-	13.4	-13.4	-	-
Electricity derivatives	0.5	0.6	-0.1	-1.1	-0.4
Total	6.3	25.6	-19.3	-13.4	-20.0

Nominal values of derivative financial instruments Me	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
FX Forward contracts	583.8	472.6	488.4
Cross-currency swaps, due under one year	-	136.7	113.1
Cross-currency swaps, due in 1–3 years	139.3	-	-
Electricity derivatives	4.5	4.7	5.3
Total	727.6	614.0	606.8

Shares and shareholders

Sep 30, 2010	Class A shares	Class B shares	Total
Number of shares	38,104,356	222,431,764	260,536,120
Own shares in possession [1)]		4,848,867	
Share capital, EUR			65,134,030
Market capitalization, MEUR			9,691
Number of shares traded (millions), 1–9/2010		108.8	
Value of shares traded, MEUR, 1–9/2010		3,512	
Number of shareholders	3	28,797	28,797

	Close	High	Low
Class B share price, EUR, Jan–Sep 2010	37.90	38.49	27.72

1) During January–September 2010, KONE used its authorization and bought back 550,000 of its own class B shares in May. In April 2010, 311,375 KONE class B shares assigned to the share-based incentive plan for the company's senior management were transferred due to achieved targets for the financial year 2009. 290,639 of the shares were transferred by KONE Corporation and 20,736 were transferred by KNEBV Incentive Oy, subsidiary of KONE Corporation. In March 2010, 100,000 treasury class B shares of KONE Corporation were distributed without compensation to the KONE Corporation Centennial Foundation.

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