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KONE Q4

FINANCIAL STATEMENT BULLETIN 2011

KONE's January–December 2011 review

October-December 2011: Good development in a challenging environment

- In October-December 2011, orders received totaled EUR 1,099 (10–12/2010: 1,006) million. Orders received increased by 9.2% at historical exchange rates and by 9.3% at comparable exchange rates.
- Net sales increased by 6.7% to EUR 1,589 (1,489) million. At comparable exchange rates the increase was 6.9%
- Operating income was EUR 233.0 (227.3) million or 14.7% (15.3%) of net sales.
- Cash flow from operations was EUR 212.5 (195.1) million.

January-December 2011: Record year in orders received and good overall performance in an uncertain environment

- In January–December 2011, orders received totaled EUR 4,465 (2010: 3,809) million. Orders received increased by 17.2% at historical exchange rates and by 17.8% at comparable exchange rates. The order book stood at EUR 4,348 (Dec 31, 2010: 3,598) million at the end of 2011.
- Net sales increased by 4.8% to EUR 5,225 (4,987) million. At comparable exchange rates it increased by 5.4%.
- Operating income was EUR 725.1 (696.4) million or 13.9% (14.0%) of net sales.
- The basic earnings per share was EUR 2.52. The basic earnings per share excluding the one-time gain relating to the revaluation of the previously held 40% interest in GiantKONE was EUR 2.30.
- Cash flow from operations was EUR 819.8 (857.2) million.
- In 2012, KONE's net sales is estimated to grow by 8–13% at comparable exchange rates as compared to 2011. The operating income (EBIT) is expected to be in the range of EUR 730-790 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2012.
- The Board proposes a dividend of EUR 1.40 per class B share for the year 2011.

KEY FIGURES

		10–12/2011	10–12/2010	change %	1–12/2011	1–12/2010	change %
Orders received	MEUR	1,098.8	1,006.3	9.2	4,465.1	3,809.0	17.2
Order book	MEUR	4,348.2	3,597.8	20.9	4,348.2	3,597.8	20.9
Sales	MEUR	1,588.8	1,488.8	6.7	5,225.2	4,986.6	4.8
Operating income	MEUR	233.0	227.3	2.5	725.1	696.4	4.1
Operating income	%	14.7	15.3		13.9	14.0	
Cash flow from operations (before financing items and taxes)	MEUR	212.5	195.1		819.8	857.2	
Net income	MEUR	246.5	173.8		644.4	535.9	
Total comprehensive income	MEUR	267.7	190.1		669.5	577.6	
Basic earnings per share	EUR	0.96	0.68		2.52	2.10	
Interest-bearing net debt	MEUR	-829.1	-749.8		-829.1	-749.8	
Total equity/total assets	%	54.0	49.3		54.0	49.3	
Gearing	%	-40.8	-46.8		-40.8	-46.8	

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

“During 2011 our operating environment remained challenging outside Asia-Pacific. In South Europe and North America, construction activity was at a low level throughout the year. In Central and North Europe, the markets recovered in the first half of the year with the growth levelling off towards the end of the year.

Our objective has since the spring of 2008 been to take the prevailing difficult market environment as an opportunity. This mindset together with our active sales efforts, good product competitiveness and strong position in the key growth markets led to a strong growth in orders received during the past year. Our orders received grew by 9% in the last quarter and by 17% during the full year 2011.

During the year, we continued to grow rapidly in the key growth markets in Asia, and Asia-Pacific’s share of our sales grew to 27%. One of the highlights of the year was the increase of KONE’s ownership of GiantKONE to 80%. This move increased KONE’s market share remarkably both in China and globally.

The development of our operating income was burdened by increased raw material costs, labor costs in Asia as well as price pressures especially in the weakest geographical markets. Despite this our operating income was record high at EUR 725 million. Cash flow was strong at EUR 820 million. I want to again thank our employees for their good efforts.

The market outlook for 2012 is rather stable. The general economic uncertainty in the European and North American markets has decreased, but is still substantial. However, we look forward to 2012 with confidence thanks to our high order book, strong financial position, our continuous development drive as well as our strong positions in the key growth markets in Asia-Pacific.”

KONE's January–December 2011 review

Accounting Principles

The information presented in this report is based on the audited KONE 2011 Financial Statements which have been released together with this report. KONE Corporation's financial statement bulletin has been prepared in line with IAS 34, `Interim Financial Reporting´. KONE has applied the same accounting principles in the preparation of the financial statement bulletin as in its Financial Statements for 2011. KONE has changed the presentation of advance payments received in the statement of financial position compared to previous interim reports published during the accounting period.

October–December 2011 review

Operating environment in October–December

In the last quarter of 2011, KONE's operating environment remained divided between the rapidly growing Asia-Pacific region and the European and North American regions where new equipment markets remained at a weak level in many countries. In the Europe, Middle East and Africa (EMEA) region, the new equipment market in Central and North Europe was stable at a relatively good level, while the South European market remained weak. The new equipment market in the Americas region continued to gradually recover. In Asia-Pacific, rapid growth continued in all markets albeit at a lower rate than during the first three quarters of the year. The major projects segment remained active, in particular in Asia-Pacific and the Middle East. The modernization markets grew slightly although with regional variations. Maintenance markets continued to develop favourably in all regions. The prolonged weakness in the new equipment markets in particular in South Europe and North America has resulted in an intense price competition in all businesses.

In the EMEA region, the overall new equipment market was stable in Central and North Europe and remained weak in South Europe. The new equipment market in Germany continued to grow. The market in Sweden showed signs of the growth levelling off. The new equipment market in the United Kingdom was stable with the exception of a high activity level in the greater London area. In Belgium, the new equipment market weakened slightly. The market situation in the Netherlands remained weak. The market remained stable in Finland, Norway and Austria. Activity in the residential segment in France improved, while the rest of the new equipment market was relatively stable. New equipment markets in Italy and Spain declined further from an already low level. In many South European markets, the office segment remained burdened by high vacancy rates, while the infrastructure, hotel, medical and educational segments offered selected opportunities. In the Middle East, the new equipment market grew strongly in Saudi Arabia driven primarily by major projects. The new equipment market in Russia continued to grow. Modernization markets grew in Central and North Europe, but declined in South Europe in particular due to a further decline in France. Maintenance markets continued to develop well in the EMEA region, but price competition remained intense.

In the Americas region, the new equipment market continued to gradually recover, but the new equipment market in the United States remained at a low level despite its gradual recovery. The market situation varied significantly across the United States. The East and West Coast as well as Texas markets continued to develop the most favorably. The infrastructure segment's activity remained at a low level in most parts of the United States. The new equipment market in Canada remained stable at a good level and continued to grow in Mexico. Modernization markets were rather stable. Maintenance markets in the Americas developed well, but price competition remained intense.

In the Asia-Pacific region, the rapid growth in the new equipment markets continued during the fourth quarter although at a lower rate than earlier in the year. In China, all segments except for the infrastructure segment continued to grow, albeit at a lower rate than during the first three quarters of the year. The growth in the residential segment was driven by the affordable housing segment in both higher- and lower-tier cities as well as other residential segments in the inland lower-tier cities. The growth of other residential segments than affordable housing slowed down in large cities during the fourth quarter as a result of the Chinese government's actions aiming to reduce the increases of housing prices and overall inflation. The retail, office, hotel and medical segments continued to develop well, while the public transport segment continued to be negatively impacted by the re-evaluation of high-speed rail investments. The new equipment market in India grew slightly, in particular in the residential and hotel segments. The growth rate was clearly lower than during the first half of the year due to financing constraints. In Australia, the new equipment market declined as a result of longer lead times in decision-making due to a weakened general economic sentiment. The modernization market continued to grow in Australia. The Southeast Asian markets remained strong with the new equipment markets in Malaysia, Singapore and Indonesia growing the fastest. The growth was primarily driven by the residential, multiuse building and office segments as well as high major projects activity. Maintenance markets in Asia-Pacific continued to develop favorably. The pricing environment remained challenging in all markets.

KONE's January–December 2011 review

SALES BY GEOGRAPHICAL REGIONS, MEUR

	10–12/2011	%	10–12/2010	%	1–12/2011	%	1–12/2010	%
EMEA [1)]	889.2	56	912.3	61	2,893.7	55	2,911.5	58
Americas	285.9	18	271.7	18	947.3	18	1,018.3	21
Asia-Pacific	413.7	26	304.8	21	1,384.2	27	1,056.8	21
Total	1,588.8		1,488.8		5,225.2		4,986.6	

[1)] EMEA = Europe, Middle East, Africa

Financial performance in October–December

KONE's orders received increased by 9.2% as compared to October–December 2010, and totaled EUR 1,099 (10–12/2010: 1,006) million. At comparable exchange rates, orders received increased by 9.3%. KONE was successful in particular in the new equipment volume business. Modernization orders received was stable. Maintenance contracts are not included in orders received.

Orders received grew in Asia-Pacific, the Americas and Central and North Europe, and declined in South Europe. Growth was the strongest in Asia-Pacific, where orders received grew the most in China and India. Orders received was stable in the EMEA region with the best performance in Switzerland, Sweden, Germany and Russia. Orders received grew clearly in the Americas in all markets where KONE is present.

The largest orders received in October-December 2011 included an order to modernize three high vertical rise escalators at Ruoholahti metro station in Helsinki, Finland. The order included a five-year maintenance contract for the escalators. In China, KONE was awarded an order to deliver 62 elevators and 94 escalators and autowalks to the Lishui Wandi Plaza multi-use building complex in Zhejiang Province, an order to supply 79 elevators to two high-rise office buildings of the Yu Jia Pu Financial District in Tianjin Binhai New Area in northern China, as well as an order to deliver 71 escalators and 40 elevators to Beijing's first magnetic levitation train line. KONE was also selected to deliver 49 elevators, 79 heavy-duty escalators and four autowalks for the new South Island Line (East) and the Kwun Tong Line Extension projects in Hong Kong. In Russia, KONE won an order to supply 40 elevators and four escalators to the Kutuzovsky Business Center in Moscow.

KONE's net sales increased by 6.7% as compared to October–December 2010, and totaled EUR 1,589 (1,489) million. At comparable exchange rates, the increase was 6.9%.

New equipment sales was EUR 767.7 (696.2) million which represented an increase of 10.3% over the comparison period. At comparable currency rates, the increase was 10.7.

Service sales (maintenance and modernization) increased by 3.6% and totaled EUR 821.1 (792.6) million. At comparable currency rates, the increase was 3.5%. Maintenance sales grew, while modernization sales was stable.

The operating income for the October–December 2011 period totaled EUR 233.0 (227.3) million or 14.7% (15.3%) of net sales. While operating income grew, the growth was burdened by increased material costs and labor costs in Asia as well as intense price competition. In addition, KONE continued to increase fixed costs in areas that support growth, in particular in Asia-Pacific, research and development and process development. Furthermore, the relative operating income was negatively impacted by intangible asset amortizations as a result of the consolidation of GiantKONE as of December 1, 2011.

Cash flow from operations (before financing items and taxes) in October-December 2011 was strong at EUR 212.5 (10–12/2010: 195.1) million. Cash flow from operations (before financing items and taxes) was strong due to an improvement in the inventory rotation, a continued strong level of advance payments received as well as an increase in accounts payable.

Review January–December 2011

KONE's operating environment

In 2011, KONE's operating environment remained mixed throughout the year. The markets in Asia-Pacific grew strongly, while new equipment markets remained at a weak level in many countries in Europe and North America. In the Europe, Middle East and Africa (EMEA) region, activity in most new equipment markets in Central and North Europe grew, while South European markets remained stable at a weak level. The new equipment market in the Americas region recovered gradually but was still at a low level at the end of the year. The new equipment markets in Asia-Pacific grew rapidly. Activity in major projects was at a high level, in Asia-Pacific and the Middle East in particular. Modernization markets grew slightly

KONE's January–December 2011 review

but with regional variations. Maintenance markets continued to develop favourably in all regions. The prolonged weakness in the new equipment markets in particular in South Europe and North America has further intensified price competition in all businesses during the year.

In the EMEA region, the new equipment market in Central and North Europe grew during the first half and levelled off during the second half of the year. The new equipment market in Germany grew throughout the year driven by the residential segment. The markets in the Nordic countries, excluding Denmark, grew during the first half of the year with the growth levelling off towards the end of the year. The new equipment market in the United Kingdom was twofold with the greater London area developing positively throughout the year but with the rest of the market being clearly weaker. The markets in the Netherlands and Denmark were weak. In Belgium, the new equipment market grew in the first three quarters and showed signs of a slight decline in the last quarter of the year. Activity in France grew driven by the residential segment. The new equipment markets in Italy and Spain were weak throughout the year and declined further towards the end of the year. In many South European countries, the office segment was burdened by high vacancy rates, while the infrastructure, hotel, medical and educational segments offered selected opportunities. In the Middle East, the new equipment market grew strongly in Saudi Arabia. Market activity in Russia increased throughout the year. The modernization markets developed positively in Central and North Europe, but declined in South Europe due in particular to a decline in the market in France. Maintenance markets continued to develop well in the EMEA region, but price competition became increasingly intense.

In the Americas region, the new equipment market recovered gradually from a low level. The gradual recovery of the new equipment market in the United States continued throughout the year, but the market remained at a low level. There were significant regional variations in the market situation across the United States. The East and West Coast and Texas markets developed the most favorably. Activity in the infrastructure segment was at a low level in the United States. Activity in the new equipment market in Canada was at a good level and the recovery of the new equipment market in Mexico progressed throughout the year. Modernization markets grew slightly. Maintenance markets in the Americas developed well, but price competition remained intense.

In the Asia-Pacific region, the new equipment markets grew rapidly in 2011, although the growth rate declined towards the end of the year. The new equipment market in China grew strongly in particular during the first three quarters of the year. The growth rate declined towards the end of the year as a result of the Chinese government's measures to reduce the real estate market's growth rate and overall inflation, but activity remained at a high level. The fastest growing segment in China was the affordable housing segment. All other segments except for the infrastructure segment also grew rapidly, in the inland lower-tier cities in particular. The retail, office, hotel and medical segments developed well, while the public transport segment was negatively impacted in the second half of the year by the re-evaluation of high-speed rail investments. In India, the new equipment market grew strongly in the first half followed by a lower growth rate in the second half of the year due to financing constraints. In Australia, the new equipment market developed positively in the first three quarters of the year, but declined in the last quarter of the year as a result of longer lead times in decision-making due to a weakened general economic sentiment. The modernization market in Australia grew throughout the year. The Southeast Asian new equipment markets were strong throughout the year, in Malaysia, Singapore and Indonesia in particular. The growth was primarily driven by the residential, multiuse building and office segments. Maintenance markets in Asia-Pacific developed favorably. The pricing environment remained challenging in all markets.

Orders received and Order book

In 2011, KONE's orders received increased by 17.2% and totaled 4,465 EUR (2010: 3,809) million. At comparable exchange rates, the increase was 17.8%. Maintenance contracts are not included in orders received.

Although many new equipment markets outside Asia-Pacific were challenging, KONE's orders received grew in all geographic regions. The growth in orders received was the strongest in Asia-Pacific, where order intake grew in all markets. KONE's overall orders received grew strongly in the new equipment business and somewhat in the modernization business. New equipment orders received grew in all regions. Modernization orders received grew in Asia-Pacific, the Americas and Central and North Europe, but declined in South Europe.

The order book grew from the end of 2010 by 20.9% and stood at a record high level of EUR 4,348 (Dec 31, 2010: 3,598) million at the end of 2011. At comparable exchange rates, the increase was 19.3%. The margin of the order book declined, but remained at a healthy level. The decline was due to increasing material costs and labor costs in Asia as well as growing price pressures. Cancellations of orders remained at a very low level.

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In the EMEA region, orders received grew clearly as compared to 2010. Orders received grew in all quarters of the year. In new equipment, orders received grew clearly, and the growth was the fastest in the United Kingdom, Russia, the Middle East, Sweden and Finland. New equipment orders received declined in Spain, Italy, Austria, the Netherlands and Ireland. KONE's orders received was stable in the modernization business as compared to the previous year. The development in modernization orders received was the best in Sweden, whereas modernization orders received declined significantly in France following the first SNEL (Safety Norm for Existing Lifts) related deadline for elevator modernizations at the end of 2010.

In the Americas, orders received grew clearly as compared to the previous year due to a strong increase in the order intake in the United States. In new equipment, orders received grew strongly in the United States and Canada, and declined slightly in Mexico. The modernization order intake grew slightly.

In the Asia-Pacific region, orders received grew very strongly in all markets. Strong growth in orders received continued throughout the year, but the growth rate was at a lower level in the last quarter of the year due to the new equipment market growth rate declining in China as a result of the Chinese government's measures to reduce increases in housing prices and general inflation. In new equipment orders received, India and China had the highest growth rates. Orders received grew very strongly also in modernization in Asia-Pacific, where Australia's share of the overall modernization market is large.

Net sales

KONE's net sales increased by 4.8% as compared to the prior year, and totaled EUR 5,225 (2010: 4,987) million. At comparable exchange rates the increase was 5.4%. The sales consolidated from the companies acquired in 2011 did not have a material impact on KONE's net sales for the financial period.

New equipment sales was EUR 2,395 (2,305) million and represented an increase of 3.9% compared to 2010. At comparable exchange rates the increase was 4.8%. New equipment sales accounted for 46% (46%) of total sales.

Service (maintenance and modernization) sales increased by 5.5% and totaled EUR 2,830 (2,682) million. At comparable exchange rates, the increase was 5.9%. Both maintenance and modernization sales grew, maintenance sales at a higher rate than modernization sales. Maintenance accounted for 37% (37%) and modernization for 17% (17%) of total sales in 2011. KONE's elevator and escalator maintenance base continued to grow and exceeded 850,000 units at the end of 2011 (the maintenance base exceeded 800,000 units at the end of 2010). The growth of the maintenance base was the result of continued good conversions of new equipment deliveries to the maintenance base as well as acquisitions.

Sales in the EMEA region was stable. New equipment and modernization sales declined, whereas maintenance sales grew. The decline in new equipment deliveries was the result of weak new equipment markets in the prior years. Modernization sales declined principally due to the decline in sales in France.

Sales in the Americas declined somewhat as compared to the previous year. New equipment sales declined due to the weak new equipment order intake in the second half of 2009 and the first three quarters of 2010. In the American markets, the time lag from order to delivery is longer than in other markets. Maintenance and modernizations sales grew.

Sales in Asia-Pacific grew very strongly as compared to 2010. Sales grew in all businesses. Growth was the strongest in China. The growth in sales in China was the result of very strong order intake growth in the second half of 2010 and the first half of 2011. Modernization and maintenance sales grew in all markets in Asia-Pacific.

The geographical distribution of net sales in 2011 was 55 (58%) EMEA, 18% (21%) Americas and 27% (21%) Asia-Pacific. The largest individual countries in terms of net sales were China, the United States and France, the sales of which each exceeded 10% of KONE's total net sales in 2011.

Financial result

In 2011, KONE's operating income was good at EUR 725.1 (2010: 696.4) million or 13.9% (14.0%) of net sales. The growth in operating income was strong in the first half of the year and somewhat lower in the second half of the year. The growth in operating income was primarily a result of good business progress in Asia-Pacific and Central and North Europe as well as of improved overall quality and productivity and growth in the maintenance business. In the second half of the year, the growth in operating income was increasingly burdened by higher material costs and labor costs in Asia as well as intensified price competition. In addition, KONE continued to increase fixed costs throughout the year in areas that support growth, in particular in Asia-Pacific, research and development and process development. Net financing items was EUR 18.2 (5.7) million.

KONE's income before taxes was EUR 816.6 (714.4) million. The income before taxes includes a one-time gain of EUR 63.0 million relating to the revaluation of the previously held 40% interest in GiantKONE (prior to the acquisition of a further 40% interest). Taxes totaled EUR 172.2 (178.5) mil-

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lion. This represents an effective tax rate of 21.1% for the full financial year including certain prior year tax benefits and the impact of the one-time gain relating to GiantKONE, which were recorded during 2011. Excluding these impacts the full-year effective tax rate from operations was 24.8%. Net income for the financial period was EUR 644.4 (535.9) million.

The profit attributable to shareholders was EUR 643.6 (535.3) million, corresponding to earnings per share of EUR 2.52 (2.10). Earnings per share excluding the one-time gain relating to GiantKONE was EUR 2.30. Equity per share was EUR 7.93 (6.25).

Consolidated statement of financial position and Cash flow

KONE's financial position remained very strong and the company had a significantly positive net cash position at the end of 2011. Cash flow generated from operations (before financing items and taxes) in 2011 was EUR 819.8 (2010: 857.2) million.

Cash flow from operations (before financing items and taxes) remained at a very good level, although it was lower than in the prior year due in particular to a smaller improvement in the net working capital (before financing items and taxes) than in 2010. Net working capital, including financing items and taxes, was EUR -361.4 million (-394.3).

Interest-bearing assets exceeded interest-bearing debts and the net cash position totaled EUR 829.1 (749.8) million at the end of 2011. Gearing was -40.8%, compared with -46.8% at the end of 2010. KONE's total equity/total assets ratio was 54.0% (49.3%) at the end of 2011.

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totalled EUR 237.1 (2010: 210.7) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. Acquisitions accounted for EUR 185.3 (167.2) million of this figure.

The most important acquisition completed during 2011 was the acquisition of a further 40% stake in KONE's Chinese joint venture GiantKONE Elevators Co., Ltd, increasing KONE's shareholding in GiantKONE from the previously held 40% to 80%. Through this acquisition KONE further strengthened its position as one of the leading elevator and escalator companies in the Chinese market. China is the largest single market for new elevators and escalators in the world. GiantKONE has grown rapidly to become one of the largest national elevator and escalator companies present in both the new equipment and service market in China. In 2011, GiantKONE employed approximately 2,000 people in over 40 locations around the country. GiantKONE's orders received in 2011 amounted to EUR 342 million. Its sales in 2011 amounted to EUR 247 million. GiantKONE's relative operating income was approximately 11% of sales in 2011. The operating income was significantly burdened by increased material and labor costs.

The purchase price for the further 40% stake, RMB 950 million (approximately EUR 101 million), was paid in full upon the closing of the acquisition to the seller, Giant Holdings. Giant Holdings continues as a shareholder of GiantKONE with a 20% stake. The transaction includes an option for KONE to buy and a respective option for Giant Holdings to sell the remaining 20% stake in GiantKONE to KONE. GiantKONE will continue doing business under the GiantKONE brand.

KONE has consolidated GiantKONE as a subsidiary as of December 1, 2011. In accordance with IFRS 3, KONE booked a one-time gain of EUR 63 million related to the revaluation of the 40% stake held by KONE prior to the transaction. This revaluation was recorded under the share of associated companies' net income. The consolidation of the transaction did not have a material impact on KONE's sales in 2011. Taking into consideration the impacts of IFRS 3, such as intangible asset amortizations, the consolidation of GiantKONE had a marginal negative impact on KONE's operating income in 2011 and is expected to have a marginal positive impact on KONE's operating income in 2012.

The most important other acquisitions completed during 2011 included two acquisitions in the United States, an acquisition in Canada and an acquisition in Scotland in the United Kingdom. In Canada, KONE acquired the assets related to the elevator and escalator service business of CNIM Canada Inc. including all of their maintenance contracts in Canada. In the United States, KONE acquired Long Elevator & Machine Co., Inc., an independent elevator company with operations in Missouri, Indiana and Illinois, as well as Quality Elevator Sales and Service Inc. operating in Pennsylvania. KONE also acquired Lift Maintenance Limited, an independent elevator service company based in Scotland, the United Kingdom.

These acquisitions, as well as smaller acquisitions completed during the reporting period, did not individually or as a whole have a material impact on the result or financial position of the Group.

KONE announced in July 2010 the relocation and expansion of its manufacturing and R&D unit within Kunshan, China. KONE receives a relocation grant from the city of Kunshan as installments starting from 2010 and continuing in 2011 and 2012, which reduces KONE's net investment. The construction works at the site progressed well during 2011. Production in the new site will begin as planned in 2012 and the investment will be reported as capital expenditure in 2012.

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Research and development

Research and development expenses totaled EUR 82.5 (2010: 70.9) million, representing 1.6% (1.4%) 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 the people flow in buildings and improve the user experience. One of KONE's five 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 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. KONE further extended its regenerative drive offering in elevators, making regenerative drives a standard feature in all mid- and high-rise elevator applications. KONE's regenerative drives enable recovery of up to 30% of the total energy consumption of the elevator system and they also improve ride comfort. In addition, KONE further extended its offering of elevators with class A energy efficiency according to the VDI standards (for further information, please refer to Environment). The offering extension included a set of innovative new features to decrease the stand-by mode and hoisting energy consumption.

KONE also released a wide range of other product offering extensions and quality improvements for both the new equipment and the modernization markets. These enhancements included extensions to the elevator and escalator offering and improvements for the installation and delivery processes. In order to further strengthen its positioning in the rapidly growing markets in Asia, KONE introduced offering extensions specifically targeted to the Indian market and further extended its offering for the affordable residential segment in China.

Other important events during the financial period

KONE announced in March 2010 that certain municipalities, public authorities and companies in Austria had filed civil damage claims against leading elevator and escalator companies, including KONE 's Austrian subsidiary KONE AG. The claims relate to the 2007 decision of the Austrian Cartel Court concerning practices prior to mid-2004. Some further claims have been served since the announcement and the total capital amount claimed jointly and severally from all of the defendants together amounted to EUR 169 million at the end of 2011. KONE's position is that the claims are without merit. No provision has been made.

KONE announced in January 2011 that certain companies and public entities had filed civil damage claims against KONE's German subsidiary KONE GmbH and certain other elevator and escalator companies operating in Germany. The claims relate to activities on the German market and are a result of the decision by the European Commission in 2007 on the respective companies concerning alleged anticompetitive practices in the local markets before early 2004. 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 79 million at the end of 2011. KONE's position is that the claims are without merit. No provision has been made.

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

KONE announced in December 2011 that Matti Alahuhta, President and CEO, will continue as KONE Corporation's President and CEO also after June 2012, when he would have had the possibility to retire at the age of 60 according to his agreement with the company.

Changes in the Executive Board

KONE announced in March 2011 the appointment of Pierre Liautaud as Executive Vice President responsible for the West and South Europe, Middle-East and Africa region as of April 1, 2011, following Eric Maziol's retirement. Pierre Liautaud became a member of the Executive Board and reports to Matti Alahuhta, President and CEO.

Personnel

The objective of KONE's personnel strategy is to help the company meet its business targets. The main goals of this

KONE's January–December 2011 review

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 defined Employee Engagement as one of its five new development programs in the beginning of 2011. The Employee Engagement development program builds on the earlier People Leadership program, focusing on the further improvement of leadership capabilities, on providing growth and development opportunities for KONE employees, and on ensuring well-being and safety at work. During 2011, KONE actively implemented its action plan for the Employee Engagement program by building an integrated framework for employee well-being, by completing a feasibility study on flexible working practices and an employee benefit audit, by completing a re-design of the global leadership development programs, by delivering training on mentoring, and by taking several measures targeted to facilitate job rotation.

KONE carried out its annual global employee survey with an all-time high response rate. Global and local actions to address the identified development areas were defined by the end of June and closely followed up by the Executive Board quarterly. The delivery of learning programs such as the Supervisor Development Program and the KONE Leader program continued as planned. KONE's annual leadership and talent review round was completed and reviewed by the Executive Board. A new top management development program was piloted for full implementation in 2012, and a recruitment training package was globally launched.

The efforts to improve workplace safety continued with a further improvement in the IIFR (Industrial Injury Frequency Rate). The improved safety awareness was confirmed by "KONE's commitment to employee safety" being also in 2011 the highest single score in the annual employee survey. Regular virtual safety meetings were held worldwide to share information on best practices and new developments concerning safety. KONE's extensive project to improve subcontractor safety performance continued.

KONE had 37,542 (December 31, 2010: 33,755) employees at the end of December 2011. The average number of employees was 34,769 (2010: 33,566).

The geographical distribution of KONE employees was 50% (December 31, 2010: 55%) in EMEA , 14% (15%) in the Americas and 36% (30%) in Asia-Pacific.

Environment

KONE aims to be the eco-efficiency leader in its industry. The development focus of eco-efficient elevator and escalator solutions is on further improving the energy-saving in stand-by and operation modes.

The most significant environmental impact of KONE's business globally relates to the amount of electricity used by KONE solutions during 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 2011, KONE continued to work on further decreasing the energy consumption of its products and on further increasing energy efficient references globally. In 2010 it was announced that several of KONE's existing solutions – ranging from low- and mid-rise to high-rise elevators – were awarded in Europe and Asia the energy-efficiency label 'A' as defined by VDI 4707. In 2011 this A-label was also awarded in Europe to the KONE MonoSpace® Special elevator. VDI 4707 is 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).

In 2011, KONE's MonoSpace® and MiniSpace™ elevators achieved a Mexican FIDE Energy Efficiency Certification, which covers both Mexico and South America. KONE is the first elevator and escalator company to achieve this. The specification used by FIDE is based on the VDI 4707 classification guideline.

During the reporting period, KONE continued its work as an active member of several codes and standards committees, such as the ISO committee for ISO 25745 series of standards, where KONE focuses on developing requirements for the energy efficiency of elevators and escalators. KONE also participates in the development of parts two and three of the VDI 4707 guidelines (German Elevator Energy Efficiency Performance Guideline).

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 continued to work on further reducing the energy consumption of its manufacturing and logistics operations as well as that of its facilities and vehicle fleet. The information on KONE's 2011 carbon performance is not yet available.

KONE's January–December 2011 review

In 2011, KONE continued to manage its vehicle fleet in compliance with the global vehicle fleet policy defining the maximum CO_2 emission limits scheme. All vehicles replaced in 2011 were carefully selected to ensure that the new models were equipped with fuel efficient engines. KONE introduced several fully electric models to its fleet in Europe in 2011. KONE also focused on right-sizing its vehicles and grew the proportion of small and medium-sized vans to 83% of its vehicle fleet by the end of 2011. Additionally, KONE monitored the driving performance of its 3,000 employees in Europe.

In logistics, KONE continued to focus on optimizing transportation networks and routing, improving space utilization and using more environmentally benign methods of transportation. KONE improved logistics efficiency and thus decreased its emissions relative to units delivered by selecting suppliers with optimal locations relative to distribution centers. Loading efficiency was improved through load planning improvements and by combining and consolidating packages as well as by using more eco-efficient transportation equipment.

During 2011, KONE also continued its work with the implementation of the ISO 14001 environmental management system (EMS). By the end of 2011, KONE Corporation, all of KONE's technology centers and production units (excluding GiantKONE's production unit in China) as well as 16 major country organizations were ISO 14001 certified.

KONE's score in the Carbon Disclosure Project (CDP) improved to 83/100 in 2011. For the first time, KONE was included in the Carbon Disclosure Leadership Index (CDLI) comprising of the best 10% of the companies included in the CDP Nordic report. CDLI companies have displayed the most professional approach to corporate governance regarding climate change information disclosure practices. In 2011, the focus was on measuring the quality and status of a company's short- and long-term actions to mitigate climate change. The Carbon Disclosure Project is a global non-profit climate change reporting system representing some 550 institutional investors.

In the spring of 2011, KONE published a Corporate Responsibility Report on its operations in 2010. The report followed the application level B of the Global Reporting Initiative. KONE has defined new environmental targets to further improve the energy efficiency of the next generation KONE elevators and escalators. The other ambitious targets in the Environmental Excellence program for 2011–2013 focus on reducing carbon dioxide emissions from KONE's operations. KONE has set an annual 3% carbon footprint reduction target for 2011–2013 relative to net sales for its own operations. KONE also continues to focus on the environmental aspects of its supply chain. KONE will publish its Corporate Responsibility Report 2011 during the first half of 2012.

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 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 disruption in the growth of the new equipment markets in Asia-Pacific, in China in particular, or a significant weakening of the new equipment markets in Europe or in North America could result in a decrease in orders received, cancellations of agreed deliveries, delays in the commencement of projects, further intensified price competition and as a result negatively affect KONE's profitability.

The continued uncertain global economic environment also exposes KONE to counterparty risks in respect of financial institutions and customers. The exposure to the counterparty risks related to financial institutions arises through the significant amounts of liquid funds deposited into financial institutions in Europe and in China. In order to diversify the financial credit risk KONE deposits its funds into several banks and invests a part of its liquidity into highly liquid money market funds. KONE also manages its counterparty risk by accepting only counterparties with high creditworthiness. The size of each counterparty limit reflects the creditworthiness of the counterparty and KONE constantly evaluates such limits.

KONE is also exposed to risks related to the liquidity and payment schedules of its customers, which may lead to credit losses. To mitigate this risk, defined rules for tendering, levels of approval authority and credit control have been established. The risks related to accounts receivable are minimized also through the use of advance payments, documentary credits and guarantees in KONE's payment terms. KONE's customer base consists of a large number of customers in several market areas and no individual customer represents a material share of KONE's sales,

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

KONE's January–December 2011 review

risks, please refer to note 2 in the consolidated Financial Statements.

KONE's business activities are dependent on the uninterrupted operation, quality and reliability of sourcing channels, production plants, logistics processes and the IT systems used. A significant part of KONE's component suppliers and supply capacity is located in China. 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 components and services. Additionally, KONE has a global property damage and business interruption insurance program in place.

Changes in raw material and component prices are reflected directly in the production costs of elevators, escalators and automatic doors. The increases in raw material and component prices have had and may continue to have a negative impact on KONE's profitability. In order to reduce material and sourcing price fluctuation KONE aims to enter into fixed price contracts with its major suppliers for a part of its raw material and component purchases. The maintenance business deploys a significant fleet of service vehicles, and fuel price fluctuations therefore have an effect on the cost of maintenance.

KONE operates in certain markets with high growth rates, where there are challenges in the availability of skilled technicians. This can lead to delays in deliveries and increases in costs, which can have an adverse impact on the profitability of the company. KONE manages this risk by proactive project and resource planning in order to ensure that required resources are available.

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

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on February 28, 2011. The meeting approved the financial statements and discharged the responsible parties from liability for the January 1–December 31, 2010 financial period.

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

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

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

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

The Annual General Meeting confirmed an annual compensation of EUR 54,000 for the Chairman of the Board, EUR 44,000 for the Vice Chairman, EUR 33,000 for Board Members and EUR 16,500 for the deputy Member. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings.

The General Meeting approved the authorization for the Board of Directors to repurchase KONE's own shares. Altogether no more than 25,570,000 shares may be repurchased, of which no more than 3,810,000 may be class A shares and 21,760,000 class B shares, taking into consideration the provisions of the Companies Act regarding the maximum amount of own shares that the Company is allowed to possess. The minimum and maximum consideration for the shares to be purchased is determined for both class A and class B shares on the basis of the trading price for class B shares determined on the NASDAQ OMX Helsinki Ltd. on the time of purchase. The authorization will remain in effect for a period of one year from the date of decision of the General Meeting.

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

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

KONE's January–December 2011 review

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 December 30, 2011, the number of options outstanding was 725,328. Each option right entitles its owner to subscribe for two (2) existing class B shares held by the company at a price of, as per March 1, 2011, EUR 21.945 per share. The subscription period for the 2007 stock options is April 1, 2010–April 30, 2012.

In 2010, KONE granted a conditional option program. A maximum total of 3,000,000 options can be granted. Each option entitles its holder to subscribe for one (1) new or existing class B KONE share held by the company at a price of, as per March 1, 2011, EUR 34.10 per share. 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 December 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 10,249 million on December 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.

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 8, 2011.

During 2011, KONE used its previous authorization to repurchase own shares in February, and bought back in total 298,835 of its class B shares. In April KONE assigned 219,000 of its own class B shares to a share-based incentive plan. In July, 200,000 class B shares owned by KONE were subscribed with 2007 option rights. During August, KONE used its current authorization to repurchase own shares and bought back in total 799,250 of its class B shares. In October, 300,000 class B shares owned by KONE were subscribed with 2007 option rights. In December, in total 268,944 class B shares owned by KONE were subscribed with 2007 option rights, and 3,000 class B shares were returned free of consideration by virtue of the terms of KONE Corporation´s share-based incentive program for the years 2010–2012.

At the end of 2011, the Group had 4,962,176 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 151.7 million KONE Corporation's class B shares in January–December 2011, equivalent to a turnover of EUR 6,036 million. The daily average trading volume was 599,449 shares (1–12/2010: 534,297). The share price on December 30, 2011 was EUR 40.10. The volume weighted average share price during the period was EUR 39.80. The highest quotation during the period under review was EUR 44.37 and the lowest EUR 33.78. In addition to the NASDAQ OMX Helsinki Stock Exchange, KONE's class B share is traded also on various alternative trading platforms. The volume of KONE's B shares traded on the NASDAQ OMX Helsinki Stock Exchange represented approximately 49% of the total volume of KONE's class B shares traded in 2011 (source: Fidessa Fragmentation Index, www.fragmentation.fidessa.com).

The number of registered shareholders was 29,772 at the beginning of the review period and 30,402 at its end. The number of private households holding shares totaled 27,858 at the end of the period, which corresponds to approximately 13% of the listed B shares.

According to the nominee registers, 45.7% of the listed class B shares were owned by foreigners on December 30, 2011. Other foreign ownership at the end of the period totaled 6.3%. Thus a total of 52.0% of KONE's listed class B shares were owned by international investors, corresponding to approximately 19% of the total votes in the company.

KONE's January–December 2011 review

Market outlook 2012

The new equipment markets in Asia-Pacific are expected to continue to grow, but at a clearly lower rate than in 2011. In new equipment, the markets in Central and North Europe are expected to remain relatively stable or decline slightly, and the markets in South Europe are expected to decline from an already weak level. The new equipment market in North America is expected to gradually recover from a low level. The modernization markets are expected to be at about the same level as in 2011 or grow slightly. The maintenance markets are expected to continue to develop well.

Business outlook 2012

KONE's net sales is estimated to grow by 8–13% at comparable exchange rates as compared to 2011.

The operating income (EBIT) is expected to be in the range of EUR 730–790 million, assuming that translation exchange rates do not materially deviate from the situation of the beginning of 2012.

The Board's proposal for the distribution of profit

The parent company's non-restricted equity on December 31, 2011 is EUR 2,036,713,931.63 of which the net profit for the financial year is EUR 492,628,306.08.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.395 be paid on the outstanding 38,104,356 class A shares and EUR 1.40 on the outstanding 217,469,588 class B shares. Under the proposal, the total amount of dividends will be EUR 357,612,999.82. The Board of Directors further proposes that the remaining non-restricted equity, EUR 1,679,100,931.81 be retained and carried forward.

The dividend is proposed to be paid on March 15, 2012. All the shares existing on the dividend record date are entitled to dividend for the year 2011, except for the own shares held by the parent company.

Annual General Meeting 2012

KONE Corporation's Annual General Meeting will be held at 11:00 a.m. on Monday, March 5, 2012 in the Finlandia Hall, Mannerheimintie 13, in Helsinki, Finland.

Helsinki, January 26, 2012

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	10–12/2011	%	10–12/2010	%	1–12/2011	%	1–12/2010	%
Sales	1,588.8		1,488.8		5,225.2		4,986.6	
Costs and expenses	-1,337.5		-1,245.4		-4,434.2		-4,226.7	
Depreciation and amortization	-18.3		-16.1		-65.9		-63.5	
Operating income	233.0	14.7	227.3	15.3	725.1	13.9	696.4	14.0
Share of associated companies' net income	65.8		3.3		73.3		12.3	
Financing income	4.1		3.2		26.4		14.7	
Financing expenses	-3.5		-2.2		-8.2		-9.0	
Income before taxes	299.4	18.8	231.6	15.6	816.6	15.6	714.4	14.3
Taxes	-52.9		-57.8		-172.2		-178.5	
Net income	246.5	15.5	173.8	11.7	644.4	12.3	535.9	10.7
Net income attributable to:								
Shareholders of the parent company	246.3		173.9		643.6		535.3	
Non-controlling interests	0.2		-0.1		0.8		0.6	
Total	246.5		173.8		644.4		535.9	
Earnings per share for profit attributable to the shareholders of the parent company, EUR								
Basic earnings per share, EUR	0.96		0.68		2.52		2.10	
Diluted earnings per share, EUR	0.96		0.68		2.51		2.09	

Consolidated statement of comprehensive income

MEUR	10–12/2011	10–12/2010	1–12/2011	1–12/2010
Net income	246.5	173.8	644.4	535.9
Other comprehensive income, net of tax:				
Translation differences	35.8	16.1	29.0	45.5
Hedging of foreign subsidiaries	-7.6	1.7	-2.3	0.5
Cash flow hedges	-7.0	-1.5	-1.6	-4.3
Other comprehensive income, net of tax	21.2	16.3	25.1	41.7
Total comprehensive income	267.7	190.1	669.5	577.6
Total comprehensive income attributable to:				
Shareholders of the parent company	267.5	190.2	668.7	577.0
Non-controlling interests	0.2	-0.1	0.8	0.6
Total	267.7	190.1	669.5	577.6

Condensed consolidated statement of financial position

Assets MEUR	Dec 31, 2011	Dec 31, 2010
Non-current assets		
Intangible assets	1,165.3	859.6
Tangible assets	231.6	204.9
Loans receivable and other interest-bearing assets	5.5	1.8
Deferred tax assets	178.3	176.5
Investments	169.4	180.6
Total non-current assets	1,750.1	1,423.4
Current assets		
Inventories	794.7	765.9
Accounts receivable and other non interest-bearing assets	1,262.1	1,141.2
Current deposits and loan receivables	686.3	624.9
Cash and cash equivalents	234.0	192.5
Total current assets	2,977.1	2,724.5
Total assets	4,727.2	4,147.9

Equity and liabilities MEUR	Dec 31, 2011	Dec 31, 2010
Equity	2,034.0	1,600.6
Non-current liabilities		
Loans	21.1	28.7
Deferred tax liabilities	81.6	60.8
Employee benefits	105.2	113.4
Total non-current liabilities	207.9	202.9
Provisions	88.7	99.4
Current liabilities		
Loans	75.6	40.7
Advance payments received	962.1	902.7
Accounts payable and other liabilities	1,358.9	1,301.6
Total current liabilities	2,396.6	2,245.0
Total equity and liabilities	4,727.2	4,147.9

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								643.6	0.8	644.4
Other comprehensive income:										
Translation differences					29.0					29.0
Hedging of foreign subsidiaries					-2.3					-2.3
Cash flow hedges				-1.6						-1.6
Transactions with shareholders and non-controlling interests:										
Profit distribution							-229.7			-229.7
Increase in equity (option rights)			16.5							16.5
Purchase of own shares						-40.7				-40.7
Change in non-controlling interests							-0.3		5.2	4.9
Option and share-based compensation						33.3	-20.4			12.9
Dec 31, 2011	65.1	100.3	51.5	-5.5	48.2	-98.8	1,222.3	643.6	7.3	2,034.0

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								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
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	10–12/2011	10–12/2010	1–12/2011	1–12/2010
Operating income	233.0	227.3	725.1	696.4
Change in working capital before financial items and taxes	-38.8	-50.3	28.8	95.3
Depreciation and impairment	18.3	18.1	65.9	65.5
Cash flow from operations before financial items and taxes	212.5	195.1	819.8	857.2
Cash flow from financing items and taxes	-75.5	-49.5	-216.8	-174.2
Cash flow from operating activities	137.0	145.6	603.0	683.0
Cash flow from investing activities	-106.0	-11.1	-225.6	-142.2
Cash flow after investing activities	31.0	134.5	377.4	540.8
Purchase, sale and distribution of own shares	-	0.1	-40.7	-16.8
Increase in equity (option rights)	12.3	-	16.7	22.3
Profit distribution	-	-0.5	-229.7	-333.2
Change in deposits and loans receivable, net	41.0	-137.0	-42.0	-182.7
Change in loans payable	-1.1	-15.8	-38.3	-54.1
Cash flow from financing activities	52.2	-153.2	-334.0	-564.5
Change in cash and cash equivalents	83.2	-18.7	43.4	-23.7
Cash and cash equivalents at end of period	234.0	192.5	234.0	192.5
Translation difference	-3.3	-3.0	1.9	-11.3
Cash and cash equivalents at beginning of period	147.5	208.2	192.5	204.9
Change in cash and cash equivalents	83.2	-18.7	43.4	-23.7

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	10–12/2011	10–12/2010	1–12/2011	1–12/2010
Interest-bearing net debt at beginning of period	-823.2	-610.7	-749.8	-504.7
Interest-bearing net debt at end of period	-829.1	-749.8	-829.1	-749.8
Change in interest-bearing net debt	-5.9	-139.1	-79.3	-245.1

Notes for the interim report

KEY FIGURES

		1–12/2011	1–12/2010
Basic earnings per share	EUR	2.52	2.10
Diluted earnings per share	EUR	2.51	2.09
Equity per share	EUR	7.93	6.25
Interest-bearing net debt	MEUR	-829.1	-749.8
Total equity/total assets	%	54.0	49.3
Gearing	%	-40.8	-46.8
Return on equity	%	35.5	36.5
Return on capital employed	%	34.3	34.8
Total assets	MEUR	4,727.2	4,147.9
Assets employed	MEUR	1,204.9	850.8
Working capital (including financing and tax items)	MEUR	-361.4	-394.3

SALES BY GEOGRAPHICAL REGIONS

MEUR	1–12/2011	%	1–12/2010	%
EMEA[1]	2,893.7	55	2,911.5	58
Americas	947.3	18	1,018.3	21
Asia-Pacific	1,384.2	27	1,056.8	21
Total	5,225.2		4,986.6	

[1] EMEA = Europe, Middle East, Africa

QUARTERLY FIGURES

		Q4/2011	Q3/2011	Q2/2011	Q1/2011	Q4/2010	Q3/2010	Q2/2010	Q1/2010
Orders received	MEUR	1,098.8	1,095.4	1,226.2	1,044.7	1,006.3	865.2	1,042.8	894.7
Order book	MEUR	4,348.2	4,143.2	3,947.7	3,737.5	3,597.8	3,657.9	3,933.7	3,638.5
Sales	MEUR	1,588.8	1,296.2	1,286.4	1,053.8	1,488.8	1,235.9	1,258.9	1,003.0
Operating income	MEUR	233.0	188.9	184.5	118.7	227.3	184.8	175.7	108.6
Operating income	%	14.7	14.6	14.3	11.3	15.3	15.0	14.0	10.8

		Q4/2009	Q3/2009	Q2/2009	Q1/2009	Q4/2008	Q3/2008	Q2/2008	Q1/2008
Orders received	MEUR	813.5	766.5	953.9	898.5	845.2	892.4	1,092.4	1,117.5
Order book	MEUR	3,309.1	3,603.4	3,754.1	3,753.1	3,576.7	4,002.8	3,838.7	3,617.4
Sales	MEUR	1,426.8	1,127.3	1,168.6	1,021.0	1,431.6	1,123.8	1,142.1	905.3
Operating income	MEUR	202.7	160.1	146.3 [1]	91.2	189.2	146.0	136.7	86.5
Operating income	%	14.2	14.2	12.5 [1]	8.9	13.2	13.0	12.0	9.6

		Q4/2007	Q3/2007	Q2/2007	Q1/2007	Q4/2006	Q3/2006	Q2/2006	Q1/2006
Orders received	MEUR	901.9	926.3	944.4	902.1	712.1	742.0	821.9	840.3
Order book	MEUR	3,282.3	3,473.6	3,318.0	3,105.7	2,762.1	2,951.0	2,818.0	2,654.0
Sales	MEUR	1,294.2	971.6	1,001.9	811.2	1,145.6	879.8	840.4	735.0
Operating income	MEUR	160.8 [2]	126.7	116.4	69.3 [3]	123.4	101.1	83.9	51.7
Operating income	%	12.4 [2]	13.0	11.6	8.5 [3]	10.8	11.5	10.0	7.0

[1] Excluding a MEUR 33.6 one-time restructuring cost related to the fixed cost adjustment program.
[2] Excluding a MEUR 22.5 provision for the Austrian cartel court's fine decision and a MEUR 12.1 sales profit from the sale of KONE Building.
[3] Excluding a MEUR 142.0 fine for the European Commission's decision.

Notes for the interim report

ORDERS RECEIVED

MEUR	1–12/2011	1–12/2010
	4,465.1	3,809.0

ORDER BOOK

MEUR	Dec 31, 2011	Dec 31, 2010
	4,348.2	3,597.8

CAPITAL EXPENDITURE

MEUR	1–12/2011	1–12/2010
In fixed assets	39.5	32.0
In leasing agreements	12.3	11.5
In acquisitions	185.3	167.2
Total	237.1	210.7

R&D EXPENDITURE

MEUR	1–12/2011	1–12/2010
	82.5	70.9
R&D Expenditure as percentage of sales	1.6	1.4

NUMBER OF EMPLOYEES

	1–12/2011	1–12/2010
Average	34,769	33,566
At the end of the period	37,542	33,755

Notes for the interim report

COMMITMENTS

MEUR	Dec 31, 2011	Dec 31, 2010
Mortgages		
Group and parent company	-	-
Pledged assets		
Group and parent company	0.1	2.0
Guarantees		
Associated companies	6.5	3.5
Others	5.6	6.0
Operating leases	202.8	179.0
Total	215.0	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 701.7 (699.3) million as of December 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	Dec 31, 2011	Dec 31, 2010
Less than 1 year	53.1	44.5
1–5 years	124.3	100.7
Over 5 years	25.4	33.8
Total	202.8	179.0

DERIVATIVES

Fair values of derivative financial instruments

MEUR	positive fair value Dec 31, 2011	negative fair value Dec 31, 2011	net fair value Dec 31, 2011	net fair value Dec 31, 2010
Foreign exchange forward contracts and swaps	10.6	14.4	-3.8	-2.9
Cross-currency swaps	-	33.2	-33.2	-20.2
Electricity price forward contracts	0.1	0.5	-0.4	0.9
Total	10.7	48.1	-37.4	-22.2

Nominal values of derivative financial instruments

MEUR	Dec 31, 2011	Dec 31, 2010
Foreign exchange forward contracts and swaps	814.8	534.7
Cross-currency swaps	139.3	139.3
Electricity price forward contracts	4.0	5.6
Total	958.1	679.6

Shares and shareholders

Dec 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]		4,962,176	
Share capital, EUR			65,134,030
Market capitalization, MEUR			10,249
Number of B shares traded (millions), 1–12/2011		151.7	
Value of B shares traded, MEUR, 1–12/2011		6,036	
Number of shareholders	3	30,402	30,402

	Close	High	Low
Class B share price, EUR, Jan–Dec 2011	40.10	44.37	33.78

[1] During 2011, KONE used its previous authorization to repurchase own shares in February, and bought back in total 298,835 of its class B shares. In April KONE assigned 219,000 of its own class B shares to a share-based incentive plan. In July, 200,000 class B shares owned by KONE were subscribed with 2007 option rights. During August, KONE used its current authorization to repurchase own shares and bought back in total 799,250 of its class B shares. In October, 300,000 class B shares owned by KONE were subscribed with 2007 option rights. In December, in total 268,944 class B shares owned by KONE were subscribed with 2007 option rights, and 3,000 class B shares were returned free of consideration by virtue of the terms of KONE Corporation´s share-based incentive program for the years 2010–2012.

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 2011, KONE had annual net sales of EUR 5.2 billion and on average 35,000 employees. KONE class B shares are listed on the NASDAQ OMX Helsinki Ltd in Finland. www.kone.com