



# *Annual Report 2001*



KONE promotes sustainable urban living by moving people in a safe, reliable and environmentally responsible way. We provide our customers, partners and the public with dedicated, professional and innovative services.



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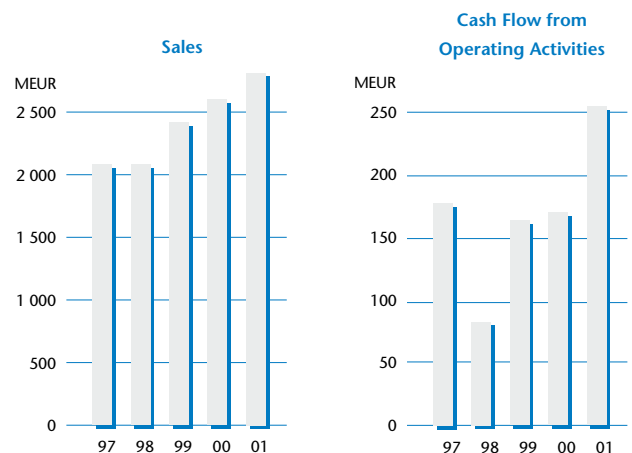
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## KONE in 2001

- Net income improved 33% and stood at EUR 141 million.
- Thanks to a strong cash flow, the financial position improved and KONE is debt-free.
- The value of orders received grew by 13%, totaling EUR 2,100 million.
- The Board of Directors proposed raising the dividend to EUR 2.20 per class B share (2000: EUR 1.50).
- The value of KONE shares on the Helsinki Exchanges increased by 11% despite a 32% decline in the HEX Index.
- KONE achieved a breakthrough in European office-building markets with KONE Alta™ high-speed elevators based on KONE EcoDisc® technology.
- KONE's growth in the service sector was based on the exploitation of new technology and the expansion of building door service operations.
- A new agreement with Toshiba strengthens the strategic alliance between the two companies and extends Toshiba's license for KONE MonoSpace® technology to the rapidly growing Chinese market.





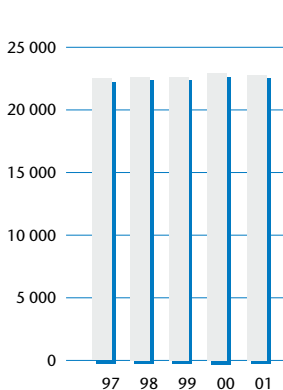
## Highlights

		2001	2000	Change %
Sales	MEUR	2,816	2,602	8
Orders received	"	2,100	1,854	13
Order book as of 31 December	"	1,881	1,656	14
Operating income after depreciation	"	218	186	17
Income after financing items	"	219	183	20
Net income	"	141	106	33
Total assets	"	2,107	1,829	
Earnings/share*	EUR	7.25	5.31	36
Dividends per class B share**	"	2.20	1.50	47
Equity/share*	"	39	33	
Return on equity*	%	20.4	17.2	
Return on capital employed*	"	23.4	23.5	
Total equity/total assets*	"	36.6	35.9	
Gearing*	"	neg.	15	
Number of employees as of 31 December.		22,949	22,978	

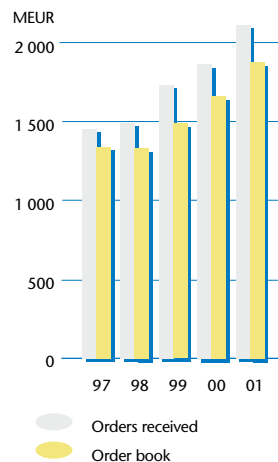
\*The principles for calculating key figures can be found on page 37.

\*\*Board's proposal

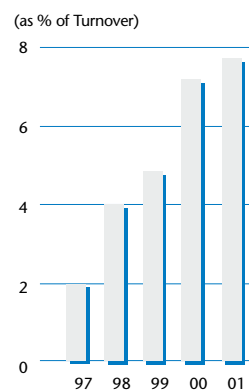
Employees as of 31/12



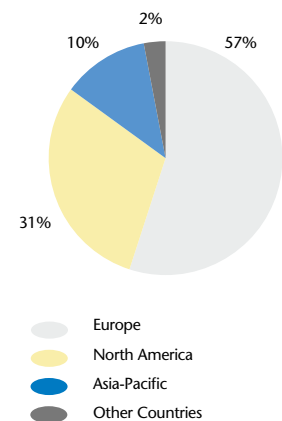
Orders Received and Order Book



Operating Income after Depreciation



Sales by Market



# Message to Stakeholders

**Antti Herlin, Deputy Board Chairman:**

The past year was a successful and significant year for KONE. In this message I am going to deal with just two events from 2001.

Manfred Eiden was named president of KONE at the Board of Directors' meeting held on 22 August. He succeeded Jean-Pierre Chauvarie, who continued carrying out special assignments for the Board from the same date. Jean-Pierre Chauvarie's period as president was quite short, lasting only 2.5 years, but all the more intensive for its brevity. Under his leadership, operations were streamlined and efforts were focused, from a profit perspective, on the essentials. KONE's goals were defined with a clarity which ensured that the importance of each individual's contribution was understood throughout our organization. Thanks to the actions that were implemented, the corporation's financial result more than tripled. It was a great pleasure for me to work with Jean-Pierre, who was always energetic and well-informed about matters. For my own part and on behalf of the entire corporation, I want to thank Jean-Pierre for his long and successful career in KONE, spanning over 25 years in assignments from the front line to the highest ranks of management.

For a long time we have said that one of our main strategic goals was to achieve



better geographical balance. An especially significant step toward accomplishing this objective was taken December 20th when KONE and Toshiba announced their intention to deepen their existing alliance through cross-ownership. Toshiba intends to acquire a 5% shareholding in KONE and KONE to get up to 20% of Toshiba Elevator and Building Systems Corporation. This

cross-ownership arrangement creates the opportunity to extend Toshiba's license for the use of KONE MonoSpace® technology in Japan to cover the huge Chinese market as well. Cooperation in R&D, manufacturing and the joint marketing of products had a promising start. The agreement signed in December will demonstrate the significance of this

collaboration in the context of a much longer time frame.

Our corporation has three crucial groups of stakeholders: our customers, shareholders and employees. In conclusion, I would like to thank our employees for the good work done for our customers and shareholders during 2001.

**Manfred Eiden, President:**

By remaining focused on customer satisfaction and value innovation in 2001, KONE improved profitability for the fifth consecutive year. Both sales and orders received increased. Our ongoing success can be attributed to the innovative way we match our products and services to customer requirements on a sustainable basis.

KONE set a new industry standard when we introduced the KONE MonoSpace® machine-room-less concept in 1996. World markets have reacted with enthusiasm, ordering more than 50,000 KONE MonoSpace® units to date. Now KONE EcoDisc®, the machine that powers KONE MonoSpace® elevators, has been applied to the entire range of elevator requirements, reinforcing KONE's leadership in elevator technology and business innovation.

KONE's leading role in the escalator industry has been reinforced by the positive market response to the KONE ECO3000™ escalator. This global product is supplied from KONE factories in the U.S.A., Germany and China. During 2002 the KONE ECO3000™ escalator range will be extended to include a heavy-duty version and a KONE ECO3000™ autowalk.

The harmonization of technological platforms for our global elevator and

escalator product lines has enabled us to streamline our global supply capability and make giant strides in improving our installation process. These improvements have generated substantial benefits for our customers and improved the profitability of our new equipment business.

In order to provide more efficient and transparent services, we have pioneered a major transformation in elevator and escalator maintenance culture. Instead of basing our service contracts on a fixed number of visits by KONE personnel, we are guaranteeing optimum performance, availability and reliability consistent with the age, operating condition and usage of each installation. These KONE Optimum™ contracts - supported by 24-hour call centers, open 365 days a year, and real-time remote monitoring services - provide building owners and tenants with unparalleled safety and peace of mind.

We have been pursuing growth through efforts to expand our existing operations, an aggressive approach to acquiring other companies, and diversification into the building door service business. KONE has been providing building door service in France and Belgium for many years, but the strategic decision was taken

in 2001 to spread this focus throughout the global KONE organization. Among the many acquisitions we made in 2000-2001, seven were door service companies in six different countries.

With the elevation of building door service to a global priority, we can now offer our customers the equivalent of one-stop shopping for all their building access and internal transportation needs. We provide our customers, partners and the public with professional service in a dedicated and innovative manner and are committed to promoting sustainable urban living through moving people in a safe, reliable and environmentally responsible way. Our round-the-clock call centers; sophisticated communication, data-collection and -analysis systems; dedicated professionals in nearby service depots; and nearly a century of maintenance experience make us a reliable partner wherever we operate. These services, even more than our excellent products, are the backbone of our strong global KONE brand.

We enter 2002 with half a million elevators and escalators and more than 140,000 building doors under maintenance contract, an innovative product range based on industry-leading technology, and an increasingly strong alliance

with Toshiba. The combination of KONE's 9% global market share and Toshiba's 3% makes our alliance one of the dominant forces in the elevator and escalator industry.

I would like to take this opportunity to thank KONE personnel for their initiatives and hard work in realizing these accomplishments and ask them to rededicate themselves to meeting the challenges that lie ahead.

We can be proud of what we achieved in 2001. I firmly believe that the keys to our continued success are in our own hands. We must remain keenly focused on what have been the foundations of our success so far. With a strong balance sheet and order book in hand, we can look ahead to 2002 with confidence in our ability to grow and reach our profit targets.

# Business Environment

## Global Elevator Markets

Demand for new elevators and escalators follows, with some delay, general economic trends and developments in the construction industry. It is typical in recessionary times for public investment to compensate somewhat for the decline in private construction projects. During 2001, the slowdown in the construction industry growth was especially pronounced in North America. On the other hand, the market for machine-room-less elevators continues to grow throughout the world. KONE, with a 9% market share, is the world's fourth largest elevator company.

Of a global elevator market worth some EUR 30 billion a year, 40% consists

elevators in service throughout the world, 60% are in Europe, 10% in North America, and 20% in the Asia-Pacific area. Nearly half of the 240,000 new elevators each year are installed in Europe, some 35% in the Asia-Pacific area, and about 10% in North America.

## Strong Escalator Market Position

The global escalator market is valued at about EUR 1 billion per year. Robust transit escalators are designed for metro, railway station and airport applications. They account for 45% of the total market. Commercial escalators, typically of a lighter construction and standard design, account for about 40% of the global market and are suitable for use in department stores, shopping centers and building lobbies. Autowalks account for the remaining 15% market share. KONE, with a 20% market share, is a leading supplier of escalators and autowalks.

## Innovation Generates Growth

The world's installed base of elevators and escalators is aging. Over one third of all existing units are already more than 20 years old. Requirements for building performance and safety are increasing, and technological innovations are creating additional demand. Elevators and escalators require regular maintenance and timely upgrading to provide safe



Regular maintenance and modernization of aging equipment to comply with current requirements ensures the reliable performance of elevators, escalators and automatic building doors.

and efficient performance throughout the entire lifetime of a building. Modernization demand is expected to grow at an annual 5-10% rate.

It is becoming increasingly important for elevator and escalator service companies to be able to guarantee the availability and safety of the equipment they are maintaining as well as the ability of their organization to react quickly and effectively when a problem arises. Competition in the service business is toughest where the equipment being maintained is old and represents outdated technology. It is important for new equipment suppliers to retain the service contract for most of the elevators and escalators they install. The service business is growing at an annual rate of 4%.

The automatic building door service market consists of 10 million doors and is worth some EUR 5 billion.

The relatively short working life of building doors, the importance of automation, and customers' desire to concentrate service functions for their buildings in the hands of fewer maintenance partners are creating new opportunities for growth.

## Future Sustainable Construction

Sustainable urban development favors optimal use of land through dense, high-rise construction. In such an environment, elevators and escalators provide the link between public transportation to buildings and the traffic flow within them. Increases in environmentally damaging emissions, population growth and urbanization are influencing customer expectations and forcing the entire construction industry to invest in sustainable, environmentally friendly solutions.



KONE is a global service company and technological leader in its field. Innovative products and maintenance services based on the latest technology guarantee efficiency and create added value for KONE customers.

of the sale of new equipment and 60% of elevator maintenance and modernization business. Of the more than six million



# KONE - A Global Service Company and Technology Leader in Its Industry

KONE is a service company that is known worldwide as a technology leader with the most innovative products and services in the elevator and escalator industry. KONE installs, maintains and modernizes elevators and escalators and services automatic building doors.

More than half of KONE's income is generated by service activities such as elevator and escalator maintenance and modernization. Our large base of elevators, escalators and building doors under maintenance contract provides a firm foundation for profitable operation in a changing economic environment. Local service organizations and more than 13,000 field operatives ensure the safe and reliable performance of our customers' equipment. Our 24-hour service centers are open 365 days a year, ready to provide rapid solutions to any problems that might arise.

KONE was founded in 1910. Its class B shares have been listed on the Helsinki Exchanges since 1967. KONE began its international expansion in the 1960s by pursuing an aggressive acquisition strategy. Currently KONE operates some 800 service centers in more than 40 countries and employs approximately 23,000 people. KONE supplies customers with more than 20,000 elevators and escalators per year. Our service base consists of nearly 500,000 elevators and

escalators and more than 140,000 automatic building doors under maintenance contract.

## Functional City

Urbanization and the aging of the population in contemporary society are creating increasingly tough challenges for transportation systems serving cities and buildings. KONE's elevators, escalators and autowalks make it possible for buildings to function and be connected seamlessly to the surrounding urban environment.

KONE's task is to enable the efficient flow of people and goods in metros, tall buildings and other places where access would be difficult or even impossible for many people without reliable internal transportation systems. For example, at London Heathrow airport, elevators and escalators maintained by KONE transport tens of millions of travelers each year.

In designing vertical transportation systems for buildings, KONE planners use expert systems to determine the optimal solution for the flow of traffic. Effective traffic planning can improve the efficiency of a building, minimize the environmental impact from unnecessary operation of transportation equipment, and reduce passenger waiting times.

KONE services and products enable designers, architects, builders, developers and building owners to increase the value



of their buildings over time. We work in close cooperation with our customers from the beginning of the planning stages of a project and remain dedicated to close cooperation with them.

## A Culture of Innovative Product Development

One of KONE's greatest strengths is our commitment to aggressive and imaginative research and development and our pioneering role in delivering value innovation.

KONE R&D centers located in Finland, Germany, India, Italy and the United States are responsible for the development of maintenance and modernization solutions as well as the introduction of new elevator and escalator products. Global R&D teamwork is based on shared processes and strategic planning. Projects are carried out in close cooperation with

*Elevators, escalators and autowalks unite urban elements into functional cities. Efficient transportation equipment and knowledgeable transportation planners are prerequisites for a successful urban lifestyle.*

customers, suppliers, strategic allies, research centers and KONE units. One example of successful cooperation is KONE's and MacGregor's long partnership in design of shipboard elevators that are suitable for use in demanding maritime conditions.

KONE has been awarded thousands of patents



*KONE equipment is part of daily life. KONE provides product and service solutions that make urban environments livable and facilitate travel for people of all ages.*

worldwide for its inventions, and we actively monitor developments to make sure our patents are respected. About a fourth of all our patents are based on industry-leading KONE EcoDisc® technology.

Elevator and escalator production is concentrated in modern factories in Europe, Asia and North

America. During recent years, KONE has focused on manufacturing the most strategically important products and components. The rest are outsourced to expert partners.

#### **Machine-Room-Less Elevators: True Benefits for Our Customers**

KONE's development of the first marketable machine-room-less elevator, based on KONE EcoDisc® technology, gave us a clear lead over the competition. Today, we are still the only company capable of offering a complete range of elevator solutions based on a single, industry-leading technology for all buildings, regardless of size or traffic requirements. The first machine-room-less elevator, KONE MonoSpace®, was designed for low-rise residential buildings. Other elevators based on KONE EcoDisc® technology are KONE Alta™, created for tomorrow's super-skyscrapers; KONE MiniSpace™, intended for mid-rise office buildings; and KONE TranSys™, the world's first machine-room-less freight elevator.

In a parallel development, KONE has developed the KONE ECO3000™ range of escalator and autowalk products. KONE ECO3000™ is based on a drive unit which offers improved performance and environmental advantages throughout the entire product range. Both KONE EcoDisc® and KONE ECO3000™ products

consume significantly less space and energy than traditional elevators and escalators.

#### **Preventive Maintenance**

KONE has developed new types of maintenance contracts, which shift the focus from repairing breakdowns to guaranteeing the reliability of the equipment. By applying the latest technology and working closely with customers, we can improve our performance and the availability of elevators and escalators and guarantee the reliability of these installations.

The innovative KONE Optimum™ maintenance contract is based on the actual usage of equipment and continuous monitoring. Information about the use of the equipment and its performance is transmitted by the KoneXion™ remote monitoring system. KONE's local service organization collects and analyzes the data to determine the need for, and timing of, optimal service intervention.

Automatic building door service is KONE's newest growth sector. By offering this service to our current elevator and escalator customers, we can exploit synergies with our existing service operations, make use of related know-how, and offer a wider range of services to improve our competitiveness.

KONE has developed pre-engineered, step-by-step

solutions for elevator and escalator modernization. Thanks to these standardized packages, the entire modernization process, from production through installation, has been made more efficient and profitable. Customers benefit from easier planning, faster installation, and reduced disruption to tenants.

#### **People Are Our Most Important Resource**

The foundation for KONE's success is the know-how of our personnel and their enthusiasm for their work. We give our people the opportunity to study and improve themselves through their daily work and training. KONE's Technical Training Center is responsible for technical training for those involved in customer service, and we have our own school for training elevator installers. Management training is developed and delivered in cooperation with top universities and academic institutions such as the London Business School.

#### **Forerunner in Sustainable Building**

KONE is committed to the concept of sustainable building. Our goal is to increase the value of our customers' buildings by offering environmentally friendly products and services. Many of our units have already been awarded ISO 14000 environmental management system certification. KONE's

environmentally friendly technology has strengthened our position in China's rapidly growing elevator and escalator market.

#### Safety and Quality

KONE is equally concerned about the safety of its employees and the end-users of its transportation systems. Thanks to determined efforts, the number of accidents requiring KONE employees to miss time from work has been halved over the last six

years. We have also created procedures, an organization, and tools for the continuous improvement of the safety of our equipment and the quality of our processes and products.



*Automatic building door service is a new growth sector for KONE. Increased automation stimulates demand for services to maintain and repair the equipment.*

## Deepening Our Alliance with Toshiba

KONE signed a strategic alliance with Toshiba of Japan in 1998. The agreement accorded Toshiba the right to manufacture and market elevators based on KONE MonoSpace® machine-room-less technology in Japan.

In December, 2001 the two companies agreed to an exchange of shares and an extension of Toshiba's license to include the manufacture and marketing of elevators based on KONE MonoSpace® technology in China for the Chinese market. Through this agreement, which will be finalized in March, 2002, Toshiba and KONE aim to improve customer service and fortify their position in global elevator and escalator markets.

According to the agreement, KONE has the right to obtain a 20%

shareholding in Toshiba's wholly owned subsidiary, Toshiba Elevator and Building Systems Corporations (TELC), through a targeted share issue. TELC, for its part, will acquire a 5% share in KONE Corporation.

At its 2002 Annual General Meeting, KONE's principal shareholders will propose that Toshiba fill one seat on KONE's Board of Directors, and a comparable proposal will be made for KONE to get two seats on TELC's board. A Global Alliance Committee will be established to promote ways of strengthening and deepening the alliance.

#### Advantages of the Alliance

The necessary conditions for furthering the alliance have been established. A window of opportunity into Japan has

been opened for KONE, and the extension of Toshiba's license to China paves the way for increasing the volume of KONE EcoDisc® machines supplied to that market.

Strengthening the alliance will also speed up the harmonization of product families. The standardization of products, components and materials will lead to savings in purchasing, manufacturing, product life-cycle management, logistics and marketing.

KONE and Toshiba can also benefit from cooperation in research and development. They have already participated in the joint creation of an escalator for global markets. Toshiba's inverters are used in KONE Alta™ high-speed elevators for skyscrapers, and Toshiba

is using KONE EcoDisc® machines in elevators being installed in the 101-floor Taipei Financial Tower, which will be the world's tallest building.

TELC, which is Japan's third largest elevator and escalator company, has a 3% global market share and a significant share of Japan's machine-room-less elevator market. When the partners' market shares are combined, the alliance is the global leader in escalator sales and service and is poised to compete for the second spot in the elevator industry worldwide.

## Growth Prospects for KONE

KONE's strategic goals are to increase the harmonization, growth, and profitability of the company. KONE's strong balance sheet, cash flow and profitability create prerequisites for acquisitions as well as organic expansion of our operations.

### Growth Markets

Both the elevator and escalator business and the building door service sector are characterized by the presence of a great number of small, primarily service-oriented local companies. KONE has consistently followed a growth strategy based on acquisitions, purchasing more than 30 companies during the last two years. We will continue to carry out acquisitions, especially in those countries where we already have substantial business operations.



*KONE provides innovative elevator solutions for buildings of all sizes, from low-rise housing to the world's tallest skyscrapers. The patented machine-room-less KONE MonoSpace® elevator and other products based on KONE's EcoDisc® technology have made KONE the industry's technological leader.*

In much of the industrialized world, elevator and escalator markets are mature. The delivery of new equipment over the long run will not be sufficient to enable KONE to meet its targets. In addition, the level of consolidation of our industry and KONE's already sizable market share limit our ability to expand in certain markets. On the other hand, exploiting the benefits of scale achievable in a rapidly growing market such as China offers outstanding growth possibilities for KONE.

### Growth through Innovation

Although demand for traditional elevator products may be slowing, KONE's innovative products and services provide a firm platform for potential growth through an increase in the demand for machine-room-less elevators. We have also extended the application of KONE EcoDisc® technology to our full product range and can now offer customers more advanced products for all their elevator needs than our competitors can. Products based on new technology were introduced during 2001 to North American markets, where environmental values and the machine-room-less elevator concept are gathering momentum.

Growth in the service and modernization sectors is based on the 500,000 elevators and escalators already under KONE maintenance contract plus

the 20,000 or so new units installed each year, the vast majority of which are also taken into our service base after the warranty period expires. The performance of existing equipment is improved with the help of technological innovations such as KoneXion™ Voice and Data Link. Multi-year partnership agreements signed with customers and the KONE Optimum™ performance-based contracts produce added value for both the customer and KONE. In addition, the aging of equipment in the service base and the installation of elevators in existing elevatorless buildings increase the demand for modernization.

KONE has also significantly strengthened its position in escalator modernization. By enabling customers to upgrade the performance of their escalator systems through the application of new technology, KONE is laying the foundation for profitable growth in this emerging business sector.

At the beginning of 2001 KONE announced a strategic decision to expand globally its building door service business. KONE's goal is to offer a professional service similar to that which we currently offer for elevators and escalators. The growth in door business will take place through organic expansion carried out by our existing sales and service organization as well as through acquisitions.



*Urbanization, the aging of populations and an increase in the number of large building complexes using people-moving equipment have increased the demand for efficient and safe escalators and autowalks.*

### Growth from Major Projects

The implementation of new elevator and escalator technology for the most demanding kinds of installations has improved KONE's position as an elevator and escalator supplier of choice for high-rise buildings, infrastructure investments and other major construction industry projects. In particular, KONE Alta™ elevator systems, with such options as KONE TMS9900™ Destination Consultation System advanced controls, have helped KONE book a significant share of orders in the demanding high-rise building sector during the year under review. KONE's long-time leadership in the transit escalator sector has also been confirmed by a number of important airport, metro and railway projects.

## Review by Market Area

### Europe

There were clear differences in the economic situation from country to country in Europe during the year under review. In general, growth slowed despite intervention by the European Central Bank, which lowered interest rates on several occasions. Uncertainty in the global economy affected Europe, impacting especially hard on travel. Construction industry volumes remained steady but a slight decline in certain areas was also detectable. Housing construction, in particular, suffered somewhat of a slowdown. On the other hand, public investment and lack of rental office space in some countries have stimulated construction of infrastructure projects and office buildings.

Customer interest in the environmental impact of construction and the life cycle of buildings has stimulated demand for KONE's innovative products and services. The market for machine-room-less elevators has grown in all European countries, regardless of economic conditions and increasing competition. KONE's technological lead over the competition has been maintained, and we have increased our market share in several European countries. The extension of KONE MonoSpace® machine-room-less technology to office-building solutions further strengthened our position. The value of orders received in Europe for elevators and

escalators grew by 22% in 2001 over the comparable figure for the previous year.

Escalator markets did not grow in Europe. The KONE ECO3000™ escalator range, which has been well received by markets, expanded through the introduction of an autowalk based on the same innovative technology. Heavy-duty escalators for transit applications will be added to the KONE ECO3000™ family during 2002.

In France, the value of new orders increased dramatically. Office construction volumes decreased, nevertheless, as foreign banks and insurance companies cut back on investment toward the end of the year. Construction activity in Italy experienced a downturn during the period under review as a consequence of poor economic conditions. In Spain, construction volumes continued to grow, thanks to public-sector investment. In Madrid, KONE received an order for 43 escalators, 18 elevators and 2 autowalks for the metro.

KONE scored a breakthrough in London's office tower market with products based on KONE EcoDisc® technology. KONE is supplying 24 elevators for the 42-story elliptical Swiss Re office tower, which will redefine the City of London's skyline. In addition, KONE received its third consecutive major order from Canary Wharf Ltd.: 38 elevators powered by KONE EcoDisc®

and 5 escalators for the 37-story building to be known as HQ5.

In Germany, KONE has booked an order for 14 elevators for Dresdner Bank's new headquarters in Frankfurt, located in the 36-story Gallileo Tower.

In Sweden, KONE will supply 27 elevators for the Kista Science Tower, located in the Swedish equivalent of Silicon Valley between the Arlanda Airport and Stockholm. In Denmark, KONE will deliver 24 elevators, 16 escalators and eight autowalks to Fields Copenhagen Shopping Center, located near Kastrup Airport and the bridge between Sweden and Denmark.

Modernization orders increased somewhat over the previous year's figure. KONE EcoDisc® technology and increased customer awareness of environmental issues have increased demand for both step-by-step modernization and full replacement of existing installations. Our escalator modernization business has also expanded.

KONE's service base in Europe of elevators and escalators under maintenance contract increased and totaled nearly 380,000 units. New KONE Optimum™ maintenance contracts and related services have led to increased customer satisfaction in numerous European countries.

KONE's automatic building door service business continued to grow in Europe with the number of units

under service contract reaching nearly 140,000. This expansion will continue in 2002.

Europe's economy is expected to grow slightly during 2002. Potential growth will not be visible in construction industry's volumes or KONE's order figures during 2002. Demand in the residential construction sector is likely to weaken even further during 2002. The number of office, hotel and infrastructure projects, on the other hand, is expected to develop steadily. KONE's technological lead provides a strong base for retaining our market position.

### North and South America

After several years of continued strong growth, the U.S. experienced a downturn during 2001. The events of 11 September reinforced this recessionary trend. Commercial building and retail investment lost momentum, and rental markets became sluggish. Air travel and hotel sectors were hit the hardest. Demand for new equipment and modernizations fell, and some projects were delayed. Service business also suffered somewhat from these circumstances.

KONE in North America successfully reacted to these conditions during 2001, maintaining its market share. KONE launched new elevator and escalator products for North American markets. Their sales have been consistent with projections, and new KONE technology's share of

our total order volume is clearly growing. Although the value of orders for new elevators and escalators decreased in the United States by 3% compared to 2000.

Among the most important bookings in the United States were Miami International Airport's order for 91 KONE ECO3000™ escalators, 79 elevators and 18 autowalks and the Port of New York Authority's order for 16 elevators, nine heavy-duty escalators and two autowalks for the Air-Trans monorail link to JFK Airport.

Demand for modernizations in the U.S. slightly exceeded the previous year's level. Modernization packages based on KONE's advanced technology - such as KONE Renova™ for elevator door modernizations, Resolve 20™ for elevator controllers, and new modernization and upgrade products and services for escalators - have improved KONE's competitiveness. The most noteworthy modernization order of the year in the U.S. was for the refurbishment of 14 elevators for the Henry Ford Hospital in Detroit.

KONE had 85,000 elevators and escalators under maintenance contract in North America at the end of 2001. KONE entered the automatic building door service business in the United States during the fourth quarter of the year.

In Canada, order intake progressed well until the last part of the year, at which time Canada followed the U.S. into recession.

KONE sold its South American operations to ThyssenKrupp AG during the final quarter of 2001. Subsidiaries in Brazil, Argentina and Venezuela and a joint venture in Chile accounted for about 1% of KONE's total revenue.

Economic conditions in the United States are expected to remain challenging during 2002. Thanks to the introduction of new elevator, escalator and service products, KONE is expected to maintain its strong position in new equipment markets and increase its share in modernization and maintenance markets in North America. Additional growth will also be sought through acquisitions.

#### Asia-Pacific

The Asia-Pacific area's economy grew during 2001, and the value of KONE's order intake in the area exceeded our company's total for the best year prior to the collapse of key Asian economies. China has been the locomotive for growth, but KONE has even increased its market share in those Asian countries whose markets have shrunk. Australia enjoyed a record year for new equipment sales. The value of orders received for new elevators and escalators increased by 20% in the Asia-Pacific area compared with the previous year's figures.

During the year under review, KONE supplied Toshiba with more than 3500 KONE EcoDisc® hoisting machines for Toshiba machine-

room-less elevators to be sold in Japan. In December, the two companies announced they would expand and deepen their strategic alliance. According to the new agreement, Toshiba's license to manufacture and sell elevators based on KONE MonoSpace® technology will be extended to cover manufacture in China for the Chinese market as well.

China's domestic market continued its strong growth during the year under review. In particular the construction of housing, airports, railways and metros provided a boost for the construction industry, which is one of the most important growth industries in China. China's membership in the World Trade Organization (WTO) and hosting of the 2008 Olympics will stimulate construction in the coming years. Environmental awareness has become a central theme in Chinese politics as well as among the general population and KONE customers.

KONE's orders received in China grew by about 30% in comparison with the 2000 figure, and KONE's market share continued to climb. During the year under review, KONE signed a frame agreement to supply Oriental Sun City Real Estate Development Company Ltd. with the most elevators ever ordered from us at one time: 334 KONE MonoSpace® units to be delivered between 2002 and 2004. Oriental Sun City, located in eastern Beijing, is a model high-class residential

development. The customer chose KONE MonoSpace® elevators for their energy-saving features, advanced technology and environmental friendliness.

Operations at KONE's Kunshan Factory, which manufactures global KONE products, continue to develop positively. The factory has the potential to supply products in the future to all Asian markets and, therefore, holds an important place in KONE's expansion plans.

Hong Kong's economy and KONE's volume of orders received experienced a rapid decline during 2001 as a consequence of a local budget deficit. Customers value KONE Hong Kong's environmentally friendly products and ISO 14001 environmental certification.

Australia's economy was buoyant, and the value of KONE's orders received grew during the year under review. Demand for maintenance services grew despite tough competition and the actions of our competitors. One stimulus of growth was the intake from warranty to contractual maintenance of equipment, featuring new KONE technology, that has been installed in recent years. For example, KONE signed a long-term maintenance agreement for the 21 elevators in Aurora Place.

KONE has entered the automatic building door service business in Australia and received a positive reaction to this new service concept from current elevator

and escalator service customers.

KONE's business in India has developed well, and the value of orders received has risen. KONE opened a Software Development Center in Chennai in August.

KONE has a broader product range and larger reference base of machine-

room-less elevators than our competitors in South Asia, which strengthens our undisputed position as machine-room-less elevator market leader. Service business has increased in this part of the world.

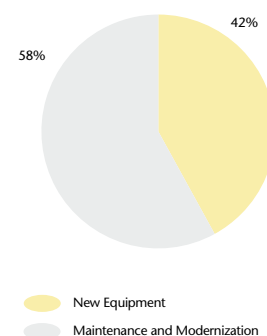
During 2001 KONE has expanded the scope and improved the productivity of

its operations in Asia. China's rapidly developing markets, an increase in maintenance and modernization activity, and the head start created by KONE's innovative products and services provide a good basis for continued growth during 2002.

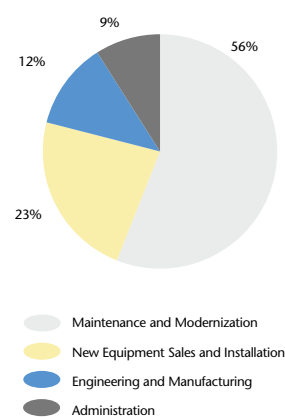
## Sales and Personnel by Country 2001

	Sales MEUR	%	Employees as of 31 December, 2001	%
United States	811	26.0	4,710	20.5
France	313	10.1	2,984	13.0
Italy	309	9.9	1,977	8.6
Finland	303	9.6	1,515	6.6
United Kingdom	283	9.0	1,872	8.2
Germany	261	8.3	1,779	7.7
China	147	4.7	1,281	5.6
Netherlands	117	3.7	784	3.4
Sweden	92	2.9	691	3.0
Australia	78	2.6	749	3.3
Belgium	76	2.4	813	3.5
Canada	64	2.0	498	2.2
Austria	53	1.7	323	1.4
Spain	46	1.5	438	1.9
Denmark	34	1.1	267	1.2
Norway	29	0.9	204	0.9
Mexico	21	0.7	260	1.1
India	17	0.5	616	2.7
Switzerland	14	0.4	117	0.5
Singapore	14	0.4	93	0.4
Taiwan	9	0.3	95	0.4
Turkey	6	0.2	85	0.4
South Africa	6	0.2	114	0.5
Malaysia	6	0.2	94	0.4
Czech Republic	6	0.2	137	0.6
Poland	6	0.2	51	0.2
Japan	2	0.1	6	0.0
Phillippines	2	0.1	64	0.3
Slovakia	2	0.1	40	0.2
Hungary	1	0.0	19	0.1
Indonesia	1	0.0	62	0.3
Russia	1	0.0	202	0.9
Slovenia	1	0.0	9	0.0
<b>Total</b>	<b>3,131</b>	<b>100.0</b>	<b>22,949</b>	<b>100.0</b>
Intracorporate sales	315			
Corporate net sales	2,816			

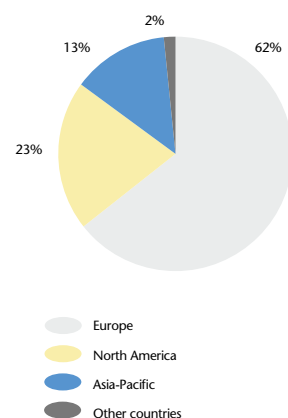
Division of Sales



Employees by Job Category 31/12

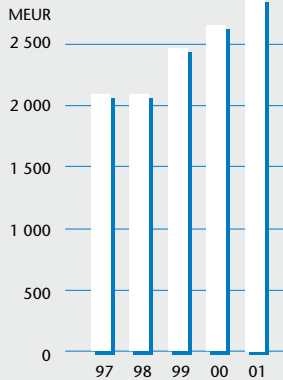


Employees by Market 31/12



# Report on Operations

Sales



KONE's operations continued to develop successfully during 2001. The corporation's result improved once again and approached the profit target: operating income (EBIT) at 10% of net sales.

KONE's operating income totaled EUR 217.8 million (2000: EUR 186.3 million) or 7.7% of net sales (7.2%). Net income totaled EUR 141.1 million (EUR 105.6 million). Earnings per share grew 36% and stood at EUR 7.25 (EUR 5.31). The Board of Directors' proposal for dividend distribution for 2001 is EUR 2.14 per class A share (EUR 1.44) and EUR 2.20 per class B share (EUR 1.50).

The value of net sales increased during the year under review by 8% to EUR 2,816 million (2000: EUR 2,602 million), and orders received grew by 13% to EUR 2,100 million (EUR 1,854 million). The value of orders in hand on the last working day of 2001 totaled EUR 1,881 million (EUR 1,656 million), representing an increase of EUR 225 million. In addition, KONE has nearly 500,000 elevators and escalators and more than 140,000 building doors under maintenance contract.

Cash flow was strong during 2001, and KONE Corporation was debt-free at the end of the year. Total equity as a share of total assets was 36.6% (35.9%). Gearing was negative, and KONE's net cash reserves totaled nearly EUR 50 million.

The strength of service operations, a record order

book, and a strong balance sheet and cash flow make it possible for KONE to continue improving its result in accordance with established targets.

## Acquisitions and Changes in Group Structure

KONE has aggressively carried out its acquisitions-based growth strategy, purchasing 15 locally active service companies in Europe and the Americas. Combined sales from the acquired companies totaled approximately EUR 40 million.

At the beginning of 2001 KONE announced a strategic decision to undertake the development of its building door service business worldwide. During the year operations were fortified by the naming of building door service business managers in the largest front-line companies. The position of building door service director was also added to KONE's executive committee. Building door service operations will be expanded through efficient marketing and acquisitions.

KONE sold its operations in South America to ThyssenKrupp AG of Germany during the autumn of 2001. The operations that were divested accounted for approximately 1% of KONE's turnover. KONE had limited possibilities to grow in South America so the decision was made to channel resources into other growing markets.

Toshiba Corporation of Japan and KONE signed an agreement on 20 December,

2001 to acquire a shareholding in each other. In addition to cross-ownership, the agreement extends Toshiba's license for marketing elevators based on innovative KONE MonoSpace® machine-room-less technology in Japan to cover China.

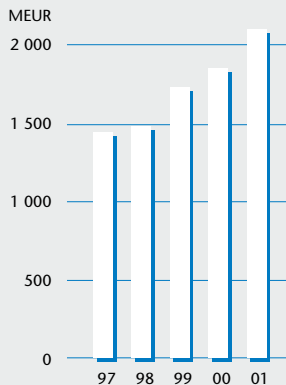
According to the agreement, KONE has the right to acquire a shareholding of up to 20% in Toshiba Elevator and Buildings Systems Corporation (TELC), a wholly-owned subsidiary of Toshiba, through a targeted share issue. TELC, for its part, intends to acquire a 5% share in KONE.

At its next Annual General Meeting, KONE's principal shareholders will propose that Toshiba fill one seat on KONE's Board of Directors, and a comparable proposal will be made for KONE to get two seats on Toshiba Elevator and Building Systems Corporation's board. The closing of the transaction is expected to take place in March, 2002. The broadening and deepening of the Toshiba Alliance will not have a significant impact on KONE's financial result in 2002.

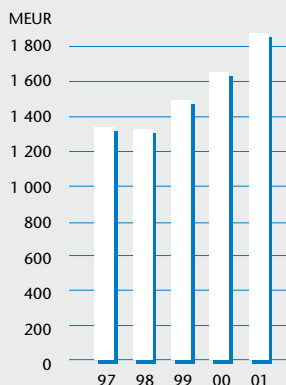
## Sales, Orders and Service Base

Net sales during the period under review totaled EUR 2,816 million or 8% more than the previous year's figure. Sales were distributed geographically as indicated in the chart on the following page and by country in the chart on page 13. The 15 countries with the largest sales

Orders Received



Order Book





figures account for 95% of KONE's entire turnover.

The value of new equipment delivered during the year under review was EUR 1,182 million (EUR 1,092 million) or 42% of total sales. Maintenance and modernization sales accounted for EUR 1,634 million (EUR 1,510 million) or 58% of the total. The relative shares of new equipment and service revenues have not changed since 2000. The parent company, KONE Corporation, recorded sales of EUR 353.8 million compared to EUR 320.8 million a year earlier. The value of exports from Finland totaled EUR 212.8 million (EUR 180.2 million).

The value of orders received in Europe for new elevators and escalators

units under maintenance contract grew to 85,000 elevators and escalators. Recognition of the importance of elevator and escalator maintenance has grown in China and elsewhere in Asia, contributing to the steady growth of KONE's service base in the area.

The situation and outlook for different market areas can be found in the "Review by Market Area" section on pages 11-13.

### New Elevators and Escalators

The market for machine-room-less elevators has grown nearly everywhere in the world despite the deteriorating economic situation and tightening competition.

KONE recorded a breakthrough in the European office building market sector. Several orders for major projects were received, and almost all included high-speed KONE Alta™ elevators based on KONE EcoDisc® technology.

European escalator markets did not grow during the year under review. Germany's traditionally strong escalator markets even contracted. KONE filled out its well-received KONE ECO3000™ escalator range during the year with an autowalk based on new technology. An escalator based on the same solution but targeted at heavy-duty transit applications will be introduced during 2002.

### Maintenance and Modernization

In service operations, KONE has concentrated on further development of new performance-based contracts and usage-based maintenance methods.

The growth of KONE's base of elevators and escalators under maintenance contract has been stimulated by the transfer from warranty service into KONE contractual maintenance of recently installed equipment employing the latest technology. Research indicates that KONE's new service solutions are generating increased customer satisfaction.

KONE has continued to develop packaged solutions that make it possible to offer step-by-step modernization for existing elevators. During the year escalator modernization activities were also expanded. KONE EcoDisc® technology and increasing customer environmental awareness have led to increased demand for both step-by-step and complete modernizations.

The building door service business continued to grow, especially in Europe, where KONE has nearly 140,000 different kinds of doors from different manufacturers under service contract. In France, the U.K. and Belgium, where KONE is the market leader, both revenues from the building door service business and the number of doors in KONE's service base increased by 15%. Door operations expanded into the United States and Australia, too. In general, development has been pursued through synergy with the elevator and escalator service business, by transferring know-how from countries with prior experience in the door service business, and seeking new partners and potential acquisitions. Sales from the building door service business totaled nearly EUR 100 million in 2001.

### Financial Result, Balance Sheet and Finance

KONE's operating income improved during 2001 and totaled EUR 217.8 million (EUR 186.3 million) or 7.7% (7.2%) of net sales. Operating income plus goodwill depreciation was EUR 256.4 million (EUR 223.9 million) or 9.1% of KONE's sales (8.6%). KONE has set 10% as a goal for operating income as a percentage of sales after depreciation for goodwill.

Income before taxes grew 20% in comparison with the figure a year earlier and totaled EUR 218.7 million (EUR 182.8 million). Net income was EUR 141.1 million (EUR 105.6 million). Earnings per share continued to grow and stood at EUR 7.25 (EUR 5.31).

The concentration and outsourcing of production, savings in component cost achieved through product development, and increased

### Sales by market area

	2001		2000	
	MEUR	%	MEUR	%
Europe	1,608	57	1,428	55
North America	866	31	773	30
Asia-Pacific	291	10	320	12
Others	51	2	81	3
<b>Total</b>	<b>2,816</b>	<b>100</b>	<b>2,602</b>	<b>100</b>

exceeded the previous year's figure by 22%. The corresponding figure declined by 3% in the United States but grew by 20% in the Asia-Pacific area. Altogether the value of orders received for new elevators and escalators grew nearly 13% when adjusted for changes in currency exchange rates. The value of service-related orders grew correspondingly by 9%.

The number of elevators and escalators under maintenance contract grew during 2001 despite the sale of South American operations. In Europe KONE had nearly 380,000 units in its service base. In North America, the number of

Thanks to a broader product range than what is offered by competitors and a larger number of machine-room-less reference installations, KONE has been able to maintain its technological head start over the competition. KONE increased its market share in several European and Asian countries.

The sale of new elevator and escalator products featuring KONE's most advanced technology began in North America during 2001. Sales of these products were in line with targets, and their share of new orders is clearly growing. KONE maintained its market position in the United States.

installation efficiency have improved KONE's profitability in recent years. The market success of new products based on more competitive technology has also increased profitability. In the service sector, the application of new technology has made it possible to sustain profit levels despite tough competition. The efficiency of modernization operations has increased, thanks to the growing popularity of industrialized packaged solutions.

KONE sold its South American operations toward the end of 2001. The profit from this sale did not have a significant impact on the financial result because provisions for liabilities, such as the reorganization of other operations and comparable future expenses, increased significantly during the year under review.

One of KONE's goals is to achieve a negative level of working capital. Working capital employed in operations at the end of 2001 totaled nearly EUR 40 million (EUR 80 million). Cash flow from operating activities before interest and taxes was EUR 343.6 million (EUR 237.2 million) or approximately EUR 43.4 million larger than operating income before interest, taxes and depreciation (EBITDA). KONE's cash flow from operations totaled EUR 254.5 million (EUR 171.3 million). Cash flow from operations has primarily been used for acquisitions, debt reduction, dividend payments, and the repurchasing of own shares.

KONE's financial position is very good. A strong balance sheet, good profitability and a steady cash flow create excellent conditions for growth through acquisition.

KONE's net cash reserves at the end of the year totaled nearly EUR 50 million (net debt at the end of 2000: EUR 100 million).

Total equity as a percentage of total assets at the end of 2001 was 36.6% (35.9%). Gearing was negative (2000: +15%).

The value of intangible assets was EUR 442.9 million (EUR 438.4 million). Depreciations were of roughly equal value to goodwill from new acquisitions. The value of other tangible assets was EUR 206.9 million (EUR 216.8 million). Total shareholders' equity was EUR 805.8 million (EUR 675.6 million), of which retained earnings and net income accounted for EUR 531.1 million (EUR 444.6 million).

In order to expand its financing options, KONE's Board of Directors decided at its meeting of 25 April, 2001 to establish a EUR 1 billion Euro Medium Term Note program.

With the changeover to the euro, KONE's financial risk management has been simplified. Engineering, manufacturing and logistic facilities are located mainly within the euro and dollar zones, so the vast majority of deliveries take place within a single currency. The remaining currency risks are related for the most part to export deliveries outside the euro zone. In accordance with KONE's protection policy, delivery project contracts are covered as soon as they are signed. In addition, coverage is provided for six months worth of currency required for component delivery. Loans taken by subsidiaries in different countries are in local currency. Risks related to conversion of these subsidiaries' assets and debts

are covered so that fluctuations in exchange rates do not affect KONE's equity structure.

### Capital Expenditure, Product Development and Development Programs

Capital expenditure in production facilities, field operations and information systems totaled EUR 45.7 million (EUR 46.0 million). The allocation of expenditures was as follows: EUR 5.5 million for buildings (EUR 7.1 million), EUR 20.2 million for machinery and equipment (EUR 20.9 million), and EUR 20.0 million for information technology (EUR 18.0 million). Investments are increasingly focused on information systems that support business processes.

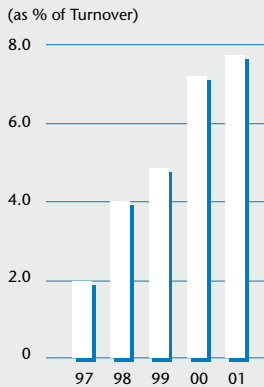
The harmonization of information systems progressed during the year under review. The roll-out of the KONE information systems model during 2002 will extend coverage to additional KONE units. At the beginning of 2002 KONE launched a new Internet service in nine countries, thereby opening a new communication channel between customers and KONE's sales and service organizations.

KONE's product development expenditures totaled EUR 40.8 million (EUR 37.0 million) or 1.4% (1.4%) of sales.

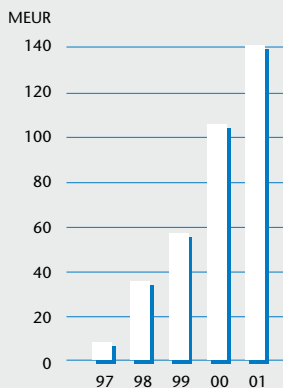
At the end of the summer KONE opened a unit in Hyvinkää, Finland which specializes in testing the reliability of new products and components and is capable of testing more efficiently than ever before the reliability of products throughout their entire life cycle.

Computer software plays a central role in elevator

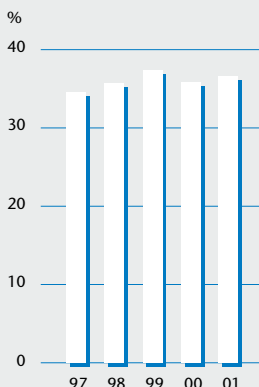
Operating Income after Depreciation



Net Income



Total Equity/Total Assets



and escalator control systems and remote monitoring. In August, KONE opened a global software development center in Chennai, India. The unit, which employs some 15 people, is a part of KONE's Global R&D organization.

In elevator research and development, the focal point has been the extension of KONE EcoDisc® technology into new product segments and geographical markets, such as North America. During the year under review, in addition to new versions of products already available on the market, KONE introduced a version of the KONE MonoSpace® elevator which is suitable for taller buildings than other machine-room-less solutions.

KONE has developed new service models to take advantage of the opportunities presented by new technology. In May KONE and Nokia agreed to cooperate on the development of a wireless voice and data transmission system, based on GSM technology, to support elevator remote monitoring and emergency voice communication systems. New modernization packages based on KONE's advanced technology shorten the time during which equipment must be taken out of service. They also improve KONE's efficiency and competitiveness.

In the future, KONE will increase research activities that support product development in an effort to improve the development of both new elevator and escalator equipment and better service and modernization solutions.

KONE's Kunshan Factory in China, which manufactures global products, continued its positive development. In the future, the factory will be able to supply products to markets

all over Asia. As such, it holds a key position in KONE's expansion plans.

As a consequence of the concentration and outsourcing of production, KONE now manufactures only strategic core components. As a result, it is easier to adjust to changes in volume requirements. Harmonization efforts over several years have resulted in the standardization of KONE's product ranges and processes. In addition, development projects focused on streamlining deliveries and material flows have continued. Another target is to concentrate engineering, purchasing and logistics services in fewer, centralized units serving the entire global organization.

### Management and Organization

KONE's Mid-European Group's managing director, Manfred Eiden, was named president of KONE Corporation on 23 August, 2001. The previous president, Jean-Pierre Chauvarie, continued to carry out special assignments as a member of the Board of Directors until his retirement at the end of January, 2002.

KONE added an eighth permanent member to its executive committee from 7 January, 2002 in recognition of the increased strategic importance of the building door service business. Michel Chartron was named Director of Building door service. William Orchard, previously managing director of KONE's subsidiary in Great Britain, replaced Chartron as director of elevator and escalator maintenance and modernization.

Ms. Kerttu Tuomas was named director of human resources and a member of the executive committee as of

16 January, 2002. Executive committee members Pekka Kemppainen and Heimo Mäkinen had their areas of responsibility realigned so that Kemppainen is responsible for new escalator business in addition to new elevators technology and purchasing. Aimo Rajahalme is in charge of information systems in addition to finance and treasury. Klaus Cawén continues to be responsible for the legal department, acquisitions and the Toshiba Alliance.

### Personnel

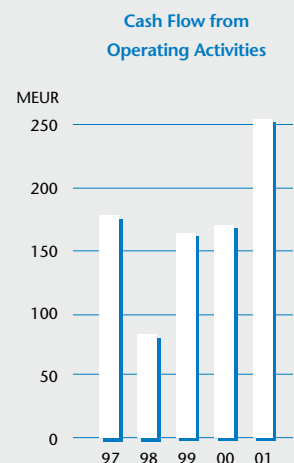
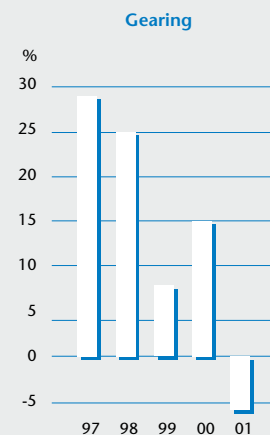
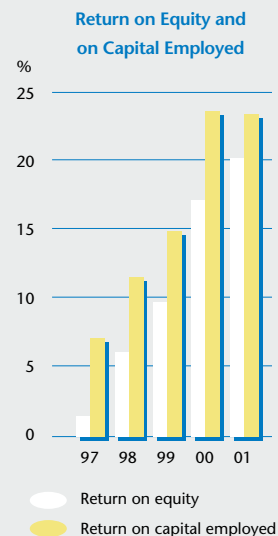
The number of KONE employees at the end of 2001 was 22,949, compared to 22,978 a year earlier. Of the total, 62% worked in Europe, 23% in North America, 13% in the Asia-Pacific area, and 2% elsewhere.

KONE's personnel were distributed by assignments as follows: 56% (55%) in maintenance and modernization, 23% (23%) in new equipment sales and installation, 12% (14%) in order engineering and manufacturing, and 9% (8%) in administration and R&D activities.

The country with the most employees, 4,710, was the United States. The average number of employees during 2001 was 22,964 (2000: 22,804).

### Shares

Chairman of the Board of Directors of KONE Corporation Pekka Herlin informed KONE in September, in accordance with the tenth paragraph of the second chapter of the Securities Market Act, that he and companies or foundations in which he holds a controlling interest had increased their holding of unlisted



KONE Corporation class A shares by 348,495 and subsequent to that transaction held 38.96% of all KONE shares and 76.13% of voting rights in the company.

ThyssenKrupp AG's ownership in KONE Corporation fell correspondingly by 348,495 class A shares, which represented 1.7% of all shares and 6.7% of the voting rights.

At the end of the financial year, KONE's Board of Directors had no authority to increase the share capital or issue convertible or warrant loans.

Share and shareholder information as well as key figures can be found in this Annual Report on pages 19 and 37.

#### Own Shares

KONE has continued to repurchase its own shares during the final quarter of 2001. Between 1 September, 2001 and 31 December, 2001 KONE bought 145,710 of its own shares.

During the period 1 January-31 December, 2001 KONE Corporation purchased 350,810 of its class B shares at an average price of EUR 72.93 per share on the Helsinki Exchanges. The total purchase price of the repurchased shares was EUR 25.6 million and the total nominal value was EUR 1,052,430. Shares repurchased by KONE Corporation during 2001 represent 1.74% of the share capital and 0.68% of the voting rights attached to all shares. At the end of December, 2001 KONE Corporation was in possession of total of 829,580 class B shares, including those shares repurchased during 2000. The total price of all the repurchased shares was EUR 57.3 million, the average

share price was EUR 69.07, and the total nominal value of repurchased shares was EUR 2,488,740. The total number of shares in KONE's possession at the end of 2001 represented 4.12% of the share capital and 1.61% of the total voting rights in the corporation. The shares are entered as assets in the company's balance sheet.

#### Annual General Meeting and Distribution of Profits

In January, 2002 KONE Corporation's Board of Directors proposed that the Annual General Meeting to be convened on 22 February extend the Board of Directors' authority to use funds available for profit distribution to repurchase KONE shares with the provision that repurchased shares shall not exceed 5% of the corporation's total number of shares and votes. According to the proposal, the acquired shares are to be used as compensation in possible company acquisitions and/or other arrangements as well as to improve KONE's capital structure. This authorization is valid for one year, including the day of the Annual General Meeting's decision.

KONE's distributable equity stands at EUR 515.5 million. The parent company's non-restricted equity from previous years totaled EUR 747.7 million, and net income from the year under review was EUR 82.6 million. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 2.14 be paid for each class A share and EUR 2.20 for each outstanding class B share from retained earnings. The date of record for dividend distribution is 27 February, 2002 and it is proposed that dividends be paid on 6 March, 2002. If the Annual General Meeting of 22

February, 2002 approves the board of directors' proposal on profit distribution, the dividends will total EUR 42.3 million (2000: EUR 30.0 million).

#### Outlook

The largest portion of KONE's sales, approximately 60%, comes from maintenance and modernization operations. Economic conditions are not reflected as strongly in this profitable segment, which is growing and developing steadily despite strong competition. During 2001 growth in the service sector was 8%. At least as large an increase is targeted for the year that has gotten underway. KONE is striving to improve the profitability of its maintenance and modernization operations while improving quality and customer service.

New elevator and escalator business accounts for approximately 40% of sales revenues. The outlook for this sector, which typically follows behind the cycle of new construction investment, has worsened in some areas. Increasing demand for KONE products based on leading technology and strong growth in markets such as China, however, have a positive impact on KONE's business operations. KONE's order book is at a record high level and represents over a year's worth of deliveries.

The profit level of our industry is reasonable, but KONE still has an opportunity to improve its own profitability. Price levels have remained stable for some time. Flexibility to adjust volumes and control cost levels has been improved through the concentration and outsourcing of production. KONE's own focus is increasingly on

leading-edge know-how in systems, design and logistics processes.

KONE is in a better position at the start of the current year than it has ever been before: our customers trust in our services, and we have the most technologically advanced products for both new and old buildings as well as a strong balance sheet and cash flow.

Because of weakened economic prospects, the volume of new orders will not grow during the current year as it did during the previous one. KONE is targeting at least equal volumes, however. We will continue to do everything we can to achieve our economic goals, which are operating income at 10% of sales and negative working capital.

# Shares and Shareholders

## Market Value

The price of a KONE class B share rose 11% during 2001 from EUR 74.5 to EUR 83.0. During the same period the Helsinki Exchanges HEX Index fell 32% and the HEX Portfolio Index 22%. The Metal and Engineering Sector Index rose by 10%. The highest KONE class B share price during the year was EUR 93.0 and the lowest EUR 65.0. The company's market value, in which the unlisted class A shares are valued at the closing price of the class B shares on the last trading day of the year, was EUR 1,604 million (EUR 1,466 million). KONE shares held by the company are not included in this figure.

During the year under review 4,279,775 KONE Corporation class B shares were traded on the Helsinki Exchanges, or 7% more than in 2000 (3,996,899 shares). The value of shares traded was EUR 327 million (EUR 247 million). The average daily turnover was 17,188 shares and the relative turnover 21%.

### Trading codes:

Helsinki Exchanges KONBS  
Reuters KONBS.HE  
Bloomberg KONSB  
ISIN code FI0009000566

Trading lot 20  
Par value, EUR 3  
Taxation value  
(in Finland), EUR 56.7

## Shares and Share Capital

KONE Corporation's Articles of Association state that

### KONE Corporation's share capital consists of the following:

	Number of shares	Par Value (EUR)
Class A	3,484,941	10,454,823
Class B	16,669,599	50,008,797
Total	20,154,540	60,463,620

the minimum share capital is EUR 54 million and the maximum share capital EUR 216 million. At the end of 2001 the share capital was EUR 60.5 million. The share capital can be raised or reduced within these limits without an amendment to the Articles of Association.

Each class A share is assigned one vote, as is each block of 10 class B shares, with the proviso that each shareholder is entitled to at least one vote. At the end of 2000 the total number of votes was 5,151,300.

In accordance with a decision made by the Board of Directors on 22 December, 2000, holders of class A shares have the right to exchange the class A shares they own into class B shares at a ratio of one to one. This offer is valid until 31 December, 2003.

## Dividend

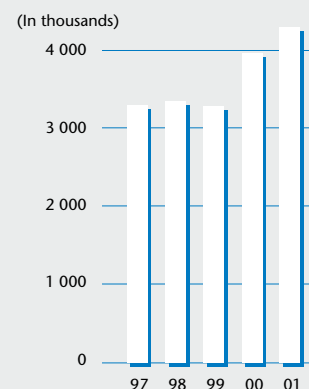
In accordance with the Articles of Association, class B shares are preferred for a dividend, which is at least two percent and no more than five percent higher than the dividend paid to the holders of class A shares, calculated from the par value of the share. The Board of Directors proposes that dividends for 2001 be EUR 2.14 (EUR 1.44) per each class A share and

EUR 2.20 (EUR 1.50) per each class B share.

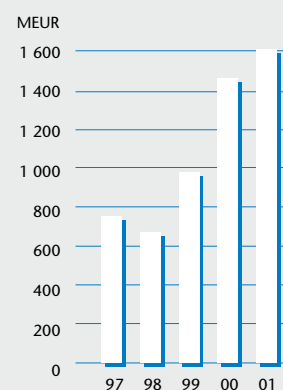
### Authority to Raise Share Capital and Stock Option Program

At the end of the financial year, the Board of Directors of KONE Corporation had no valid authority to increase the share capital or to issue convertible or warrant loans, nor were any convertible or warrant loans issued during 2001. An Extraordinary Shareholders' Meeting on 17 November, 2000 approved a stock option program directed at the company's

### Class B Shares Trading

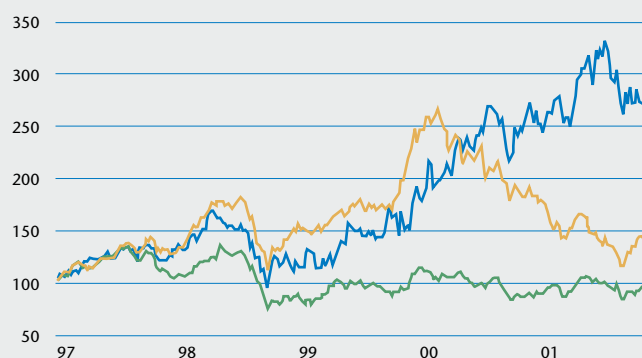


### Market Capitalization\*



\*At the Helsinki Exchanges market rate at the last trading day of each year.

### KONE Share Price Development 1997-2001



● KONE Class B share  
● HEX Metal & Engineering index  
● HEX Portfolio index

key personnel. The stock option program is explained in greater detail on page 35 of this Annual Report.

### Authority to Purchase and Surrender Own Shares

In February, 2001 the Annual General Meeting authorized the Board of Directors to purchase the company's own shares, using funds available for profit distribution. The shares were to be acquired for use as compensation in possible company acquisitions or other arrangements as well as for the development of the company's capital structure. In addition, the Annual General Meeting authorized the Board of Directors to decide to whom and in what order the shares were to be surrendered.

The total amount of the KONE shares to be acquired

were to be at most five percent of the company's total number of shares and votes, namely 174,247 class A shares and 833,479 class B shares. Up to 31 December, 2001 the company had purchased 833,479 class B shares. The shares in the company's possession represent 4.12% of the total number of shares and 1.61% of the total number of votes attached to the shares. The Board of Directors has proposed to the Annual General Meeting that the authorization be extended.

### Shareholders

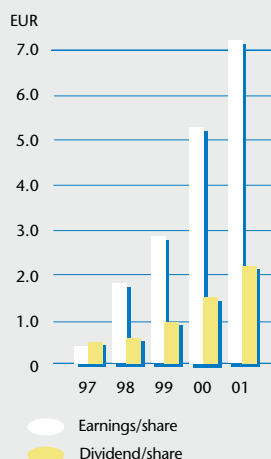
At the end of 2001 KONE had 4,570 shareholders. A breakdown of shareholders is given in the enclosed table.

Pekka Herlin announced to KONE on 27 September, 2001 that he and companies

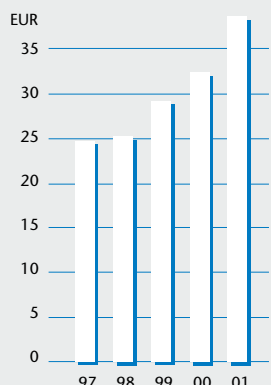
or foundations in which he holds a controlling interest had increased their holding of unlisted KONE Corporation's class A shares by 348,495. Subsequent to that transaction, the voting power attaches to KONE shares under Pekka Herlin's control rose from 69.4% to 76.13% of all voting rights in the company. At the same time, ThyssenKrupp AG's shareholding in KONE Corporation decreased by 348,495 class A shares, which represented 1.7% of shares and 6.7% of voting rights.

At the end of 2001 the ownership of approximately 39% of KONE shares was in non-Finnish hands, corresponding to around 13% of the votes in the company. Foreign-owned shares can be registered in the name of Finnish

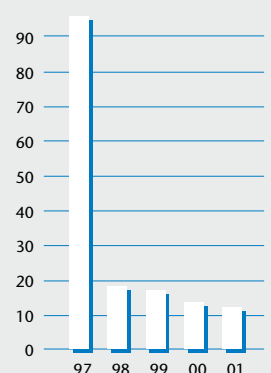
Earnings and Dividend/Share



Equity/Share



Price/Earnings



### Shareholders in KONE Corporation as of 28 December, 2001 by number of shares

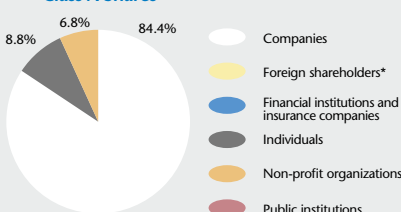
Shares	Number of owners	Percentage of owners	Number of shares	Percentage of shares
1 - 10	236	5.2	1,408	0.0
11 - 100	2,138	46.8	107,131	0.5
101 - 1,000	1,842	40.3	590,139	2.9
1,001 - 10,000	293	6.4	776,190	3.9
10,001 - 100,000	46	1.0	1,416,565	7.0
100,001 -	15	0.3	17,261,004	85.6
<b>Total</b>	<b>4,570</b>	<b>100.0</b>	<b>20,152,437</b>	<b>100.0</b>
Shares which have not been transferred to the paperless book entry system			2,103	0.0
<b>Total</b>			<b>20,154,540</b>	<b>100.0</b>

### Foreign-owned shares registered by Finnish nominees

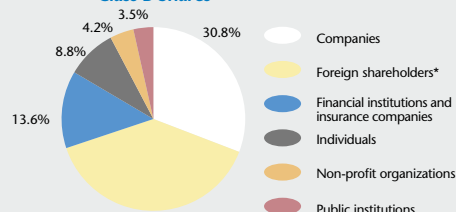
9	0.2	5,454,012	27.1
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### Shareholders by Group, %

#### Class A Shares



#### Class B Shares



\*Includes foreign-owned shares registered by Finnish nominees.

nominees. Only shares registered in shareholders' own names entitle the holder to a vote in shareholders' meetings. There were 5,454,012 foreign-owned shares (4,108,567) - representing 32% of the shares - registered in the name of Finnish nominees at the end of 2001.

### Shareholdings of the President and Members of the Board of Directors

KONE Corporation's president and members of the Board of Directors directly owned a total of 309,578 class A and 106,937 class B shares on 31 December, 2001, representing 2.1% of shares and 6.2% of votes.

### Largest Shareholders as of December 28, 2001

	Number of Class A shares	Number of Class B shares	Total number of share	% of shares	% of votes
<b>1. Ownership by Antti and Pekka Herlin</b>					
Holding Manutas Oy*	2,261,858	48,630	2,310,488	11.46	44.0
Security Trading Oy**	678,209	3,810,683	4,488,892	22.27	20.56
Pekka Herlin	309,578	80,459	390,037	1.94	6.17
The Kone Foundation	235,296	410,818	646,114	3.21	5.37
Antti Herlin		15,978	15,978	0.08	0.03
<b>Total</b>	<b>3,484,941</b>	<b>4,366,568</b>	<b>7,851,509</b>	<b>38.96</b>	<b>76.13</b>
<b>2. Pohjola Group</b>					
Pohjola Group Insurance Corporation		658,530	658,530	3.27	1.28
Pohjola Non-Life Insurance Company Ltd		580,000	580,000	2.88	1.13
<b>Total</b>		<b>1,238,530</b>	<b>1,238,530</b>	<b>6.15</b>	<b>2.40</b>
<b>3. ThyssenKrupp AG</b>					
		<b>1,016,959</b>	<b>1,016,959</b>	<b>5.05</b>	<b>1.97</b>
<b>4. KONE Corporation***</b>					
		<b>829,580</b>	<b>829,580</b>	<b>4.12</b>	<b>1.61</b>
<b>5. Suomi Mutual</b>					
Suomi Mutual Life Assurance Company		535,000	535,000	2.65	1.04
Insurance Company Suomi		140,000	140,000	0.69	0.27
<b>Total</b>		<b>675,000</b>	<b>675,000</b>	<b>3.35</b>	<b>1.31</b>
<b>6. MET, Federation of Finnish Metal, Engineering and Electrotechnical Industries</b>					
		<b>221,700</b>	<b>221,700</b>	<b>1.10</b>	<b>0.43</b>
<b>7. TAPIOLA insurance Group</b>					
Tapiola General Mutual Insurance Company		85,426	85,426	0.42	0.17
Tapiola Mutual Pension Insurance Company		67,470	67,470	0.33	0.13
Tapiola Mutual Life Assurance Company		50,220	50,220	0.25	0.10
Tapiola Corporate Life Insurance Company		21,100	21,100	0.10	0.04
<b>Total</b>		<b>203,116</b>	<b>203,116</b>	<b>1.01</b>	<b>0.39</b>
<b>8. Ilmarinen Mutual Pension Insurance Company</b>					
		<b>192,820</b>	<b>192,820</b>	<b>0.96</b>	<b>0.37</b>
<b>9. Aktia</b>					
Mutual Fund Aktia Capital		67,500	67,500	0.33	0.13
Mutual Fund Aktia Secura		11,000	11,000	0.05	0.02
<b>Total</b>		<b>78,500</b>	<b>78,500</b>	<b>0.39</b>	<b>0.15</b>
<b>10. The pension fund Polaris</b>					
		<b>72,840</b>	<b>72,840</b>	<b>0.36</b>	<b>0.14</b>
<b>Nominee registered****</b>		<b>5,452,646</b>	<b>5 452 646</b>	<b>27.05</b>	<b>10.59</b>
<b>Other shareholders</b>		<b>2,321,340</b>	<b>2,321,340</b>	<b>11.52</b>	<b>4.51</b>
<b>TOTAL</b>	<b>3,484,941</b>	<b>16,669,599</b>	<b>20,154,540</b>	<b>100.00</b>	<b>100.00</b>

\*Antti and Pekka Herlin's ownership in Holding Manutas Oy represents 56% of shares and 91% of voting rights.

\*\*Antti ja Pekka Herlin's ownership in Security Trading Oy represents 21% of shares and 54% of voting rights.

\*\*\*According to the Companies Act of Finland, shares owned by KONE Corporation do not carry voting rights.

\*\*\*\*The American investment fund company Tweedy Browne Company LLC has notified KONE Corporation that its holdings of KONE Corporation as of 1 April, 1999 were 1,285,629 publicly-quoted class B shares representing 6.38% of shares and 2.5% of voting rights.

# Principles of Consolidation

The consolidated accounts include the parent company and those companies in which the parent company held directly or indirectly more than 50% of the voting power at the end of the year. Subsidiaries acquired during the financial year have been included in the consolidated financial statements from the date of acquisition. Holdings in housing and real estate companies whose consolidation is not relevant to providing a true and fair view of KONE's net income and financial position have not been included in the consolidated financial statements.

Investments in associated companies have been accounted for in the consolidated financial statements under the equity method. An associated company is a company in which the group holds 20-50% of the voting power and has a participating interest of at least 20%.

Investments in other companies are stated at cost. The book value of investments has been reduced, where necessary, to estimated net realizable value.

Intracorporate transactions have been eliminated in the consolidated financial statements.

Intracorporate shareholdings have been eliminated by deducting the amount of each subsidiary's equity at the time of acquisition from the acquisition cost of its shares. The difference between a subsidiary's acquisition cost and its equity at the time of acquisition has been entered as goodwill. The value of elevator and escalator maintenance contracts acquired is also included as goodwill.

KONE's share of the profit or loss of an associated company is shown in the Consolidated Statement of Income as a separate item. KONE's share of the associated companies' shareholders' equity at the date of acquisition, adjusted by changes in the associated companies' equity after the date of acquisition, is shown in the Balance Sheet under "Shares and Participating Interests".

In certain countries, tax legislation allows allocations to be made to untaxed reserves. These allocations are not subject to taxation on condition that the

corresponding deductions have also been made in the accounts.

In the consolidated financial statements, the yearly allocations - reserves as well as the difference between the depreciation according to plan and depreciation accepted by tax laws - have been added to net income, excluding the change in the calculative deferred tax liability. The deferred tax liability is determined from the accumulation of untaxed reserves. The accumulation of untaxed reserves, excluding the calculative deferred tax liability, is included in the shareholders' equity in the Consolidated Balance Sheet.

Minority shares are shown as a separate item in the Consolidated Statement of Income and Balance Sheet. The minority share in the Statement of Income is calculated from the income before allocation to untaxed reserves but after taxes, adjusted by the change in the calculative deferred tax liability. The minority share in the Balance Sheet is calculated from the sum of shareholders' equity and accumulation of untaxed reserves, of which the calculative deferred tax liability has been deducted.

The income statements of foreign subsidiaries are translated at the average exchange rate for the accounting period and the balance sheets at the closing rate on the balance sheet date.

## Foreign currency items

Foreign exchange items and derivatives made to cover foreign exchange and interest rate risks have been valued at the 31 December rates. The changes in value of foreign currency items have been included in the Statement of Income as interest or exchange rate differences according to the periodizing of the hedged item. Exchange rate differences resulting from derivatives and loans intended as hedges on assets and liabilities in foreign subsidiaries have been entered as translation differences under shareholders' equity.

## Debiting principle

The sale of products is debited at the time they have been handed over to the customer and the sale of services when they have been carried out.

## Research and development costs

Research and development costs are charged to income during the year in which they are incurred.

## Pension settlements and costs

Pensions are generally handled for KONE companies by outside pension insurance companies. Pension costs and changes in pension obligations are charged to the Statement of Income.

## Leasing

Leasing charges are entered as rental costs in the Statement of Income. Remaining leasing contract charges are entered in section 18 of Notes on the Consolidated Financial Statements under "Contingent Liabilities and Pledged Assets". Leasing contract conditions do not differ from normal conditions.

## Extraordinary items

One-time items of significance that arise from other than ordinary activities are shown under "Extraordinary Items".

## Taxes

The provision for income taxes includes current income taxes payable according to local tax regulations as well as changes in deferred taxes using current tax rates. All potential deferred tax liabilities are reported, but as a prudent measure only those deferred tax assets which seem certain to be realized are stated. Taxes also include dividend-related taxes and taxes from previous years.

## Valuation and depreciation of fixed assets

Fixed assets are stated at cost. In addition, certain land and buildings can be stated at revalued amounts. These values are regularly reviewed. A predetermined plan is used in carrying out depreciation of fixed assets. Depreciation is based on the estimated useful economic life of various assets as follows:

- Buildings	5-40	years
- Machinery and equipment	4-10	years
- Goodwill	5-20	years
- Other long-term expenses	4-5	years

Depreciation of goodwill is generally carried out over five years. When considerable goodwill is created by the acquisition of a subsidiary or creation of an associated company which results in KONE's acquiring significant market share, the depreciation period can be greater than five but no more than twenty years.

## Inventories

Inventories are valued at no more than the likely sales price according to FIFO principles. Raw materials and supplies, however, are valued at standard costs. Semi-manufactures have been valued at variable production costs. Work in progress includes direct labor and material costs as of 31 December, as well as a proportion of indirect costs related to production and installation of orders included in work in progress.

## Provision for liabilities and charges

Future expenses to which companies have committed themselves and which will produce no future income are charged against income as a provision for liabilities and charges. The same concerns those future losses which seem certain to be realized.



## Consolidated Statement of Income

MEUR		2001	%	2000	%
<b>Sales</b>		2,816.3		2,602.4	
Costs and expenses	Note 1	(2,516.1)		(2,335.5)	
Depreciation	Note 2	(82.4)		(80.6)	
<b>Operating Income</b>		217.8	7.7	186.3	7.2
Share of associated companies' net income		1.3		1.4	
Financing income and expenses	Note 3	(0.4)		(4.9)	
<b>Income after Financing Items</b>		218.7	7.8	182.8	7.0
Extraordinary items		0.0		0.0	
<b>Income before Taxes</b>		218.7	7.8	182.8	7.0
Taxes	Note 4	(76.5)		(77.1)	
Minority share		(1.1)		(0.1)	
<b>Net Income</b>		141.1	5.0	105.6	4.1

## Consolidated Balance Sheet

Assets MEUR		31/12/2001	31/12/2000
<b>Fixed Assets and Other Long-term Investments</b>			
Intangible assets			
Goodwill	Note 5	417.3	414.5
Other long-term expenditures	Note 6	25.6	23.9
		442.9	438.4
Tangible assets			
Land	Note 7	12.2	15.4
Buildings	Note 8	107.4	113.9
Machinery and equipment	Note 9	83.6	85.2
Advance payments		3.7	2.3
		206.9	216.8
Investments			
Shares and participating interests	Note 10	14.0	11.8
Own shares		57.3	31.7
		71.3	43.5
<b>Total Fixed Assets and Other Long-term Investments</b>		<b>721.1</b>	<b>698.7</b>
<b>Current Assets</b>			
Inventories			
Raw materials, supplies and semi-manufactured goods		85.7	86.7
Work in progress		498.9	447.7
Advance payments		3.8	2.9
Advance payments received		(476.4)	(383.6)
		112.0	153.7
Receivables			
Accounts receivable		611.9	545.5
Loans receivable		4.1	7.2
Other receivables		10.6	8.7
Deferred assets		194.4	233.6
	Note 11	821.0	795.0
Current investments			
Cash and bank	Note 12	384.3	134.5
		68.9	47.4
		453.2	181.9
<b>Total Current Assets</b>		<b>1,386.2</b>	<b>1,130.6</b>
<b>Total Assets</b>		<b>2,107.3</b>	<b>1,829.3</b>

<b>Shareholders' Equity and Liabilities</b> MEUR		31/12/2001	31/12/2000
<b>Shareholders' Equity</b>			
Share capital		60.5	60.5
Share premium account		95.9	95.9
Reserve for own shares		57.3	31.7
Translation differences		61.0	42.9
Retained earnings		390.0	339.0
Net income		141.1	105.6
<b>Total Shareholders' Equity</b>	Note 13	805.8	675.6
<b>Minority Shares</b>			
		1.4	1.1
<b>Provision for Liabilities and Charges</b>	Note 14	220.5	195.4
<b>Debt</b>			
Deferred tax liability	Note 15	25.9	16.9
Long-term debt			
Loans	Note 16	350.3	70.2
Current liabilities			
Loans		7.3	26.7
Accounts payable		151.8	149.6
Accruals		492.2	501.2
Other current liabilities		52.1	192.6
		703.4	870.1
<b>Total Debt</b>		1,079.6	957.2
<b>Total Shareholders' Equity and Liabilities</b>		2,107.3	1,829.3

## Consolidated Statement of Cash Flows

MEUR	2001	2000
Cash receipt from customers	2,892.2	2,604.0
Cash paid to suppliers and employees	(2,548.6)	(2,366.8)
Cash flow from financial items	1.3	(5.6)
Cash flow from taxes and other items	(90.4)	(60.3)
<b>Cash Flow from Operating Activities</b>	<b>254.5</b>	<b>171.3</b>
Capital expenditure	(46.7)	(46.0)
Proceeds from sale of fixed assets	41.9	13.1
Fixed assets of new subsidiaries	(37.0)	(125.4)
Fixed assets of sold subsidiaries	3.3	5.1
Purchase of own shares	(25.6)	(31.7)
<b>Cash Flow from Investing Activities</b>	<b>(64.1)</b>	<b>(184.9)</b>
<b>Cash Flow after Investing Activities</b>	<b>190.4</b>	<b>(13.6)</b>
Change in current creditors, net	(170.4)	108.3
Change in long-term debt, net	278.6	(38.5)
Dividends paid	(29.0)	(19.9)
Other financing activities	(248.3)	(49.7)
<b>Cash Flow from Financing Activities</b>	<b>(169.1)</b>	<b>0.2</b>
<b>Change in Net Cash</b>	<b>21.3</b>	<b>(13.4)</b>
Cash and bank as of 31 December	68.9	47.4
Exchange difference	(0.2)	(4.5)
Cash and bank as of 1 January	47.4	56.3
<b>Change in Net Cash</b>	<b>21.3</b>	<b>(13.4)</b>
<b>Reconciliation of Net Income to Cash Flow from Operating Activities</b>		
<b>Net Income</b>	<b>141.1</b>	<b>105.6</b>
Depreciation	82.4	80.6
Minority interest	1.1	0.1
<b>Income before Change in Working Capital</b>	<b>224.6</b>	<b>186.3</b>
Change in receivables	(30.7)	(74.0)
Change in payables	15.7	68.2
Change in inventories	44.9	(9.2)
<b>Cash Flow from Operating Activities</b>	<b>254.5</b>	<b>171.3</b>

In drawing up the Cash Flow Statement, the impact of variations in exchange rates has been eliminated by adjusting the beginning balance to reflect the exchange rates prevailing at the time of the closing of the books for the period under review.

# Notes to the Consolidated Financial Statement

## Consolidated Statement of Income (MEUR)

### 1. Cost and Expenses

	2001	2000
Change of work in progress	(44.2)	(25.8)
Materials and supplies	824.1	713.0
External services	107.4	110.9
Salaries of boards of directors and managing directors	11.5	10.6
Wages and other salaries	792.0	728.5
Pension costs	118.5	110.3
Other personnel expenses	241.5	232.0
Other expenses	503.9	485.7
Other business income	(38.6)	(29.7)
<b>Total</b>	<b>2,516.1</b>	<b>2,335.5</b>

### 2. Depreciation

	2001	2000
Goodwill	38.6	37.6
Other long-term expenditures	5.4	4.6
Buildings	6.8	7.6
Machinery and equipment	31.6	30.8
<b>Total</b>	<b>82.4</b>	<b>80.6</b>

### 3. Financing Income and Expenses

	2001	2000
Dividends received	0.4	0.4
Interest received	25.5	13.9
Other financing income	4.1	0.8
Interest paid	(28.3)	(18.8)
Other financing expenses	(2.1)	(1.2)
<b>Total</b>	<b>(0.4)</b>	<b>(4.9)</b>

### 4. Taxes

	2001	2000
Revenue-based taxes	82.2	84.3
Change in deferred tax liabilities and assets	(2.6)	(2.4)
Tax credit on dividends and previous year taxes	(3.1)	(4.8)
<b>Total</b>	<b>76.5</b>	<b>77.1</b>

## Consolidated Balance Sheet (MEUR)

### 5. Goodwill

	2001	2000
Acquisition cost as of 1 January	748.8	630.1
Increase	33.8	111.1
Accumulated depreciation	(365.3)	(326.7)
<b>Total as of 31 December</b>	<b>417.3</b>	<b>414.5</b>

### 6. Other Long-term Expenditures

	2001	2000
Acquisition cost as of 1 January	68.5	59.0
Increase	7.0	9.5
Decrease	0.0	(0.1)
Accumulated depreciation	(49.9)	(44.5)
<b>Total as of 31 December</b>	<b>25.6</b>	<b>23.9</b>

### 7. Land

	2001	2000
Acquisition cost as of 1 January	14.6	23.0
Accumulated revaluation	0.8	0.8
Increase	0.3	-
Decrease	(3.5)	(8.4)
<b>Total as of 31 December</b>	<b>12.2</b>	<b>15.4</b>

### 8. Buildings

	2001	2000
Acquisition cost as of 1 January	187.0	188.3
Accumulated revaluation	12.7	12.7
Increase	5.3	6.9
Decrease	(3.9)	(7.1)
Accumulated depreciation	(93.7)	(86.9)
<b>Total as of 31 December</b>	<b>107.4</b>	<b>113.9</b>

### 9. Machinery and Equipment

	2001	2000
Acquisition cost as of 1 January	406.4	391.5
Increase	33.1	29.6
Decrease	(1.7)	(13.3)
Accumulated depreciation	(354.2)	(322.6)
<b>Total as of 31 December</b>	<b>83.6</b>	<b>85.2</b>

## 10. Shares and Participating Interests

	2001	2000
Total as of 1 January	11.7	12.3
Change in the share in associated companies	2.3	1.4
Increase		
Decrease	0.0	(1.9)
Total as of 31 December	14.0	11.8

## 11. Receivables

Receivables falling due after one year:	2001	2000
Accounts receivable	3.2	2.3
Loans receivable	2.2	0.5
Total	5.4	2.8

Receivables from associated companies:	2001	2000
Accounts receivable	0.6	0.5
Loans receivable	2.0	3.1
Total	2.6	3.6

Deferred assets:	2001	2000
Income taxes and VAT	27.6	37.8
Deferred tax assets	85.7	78.9
Other	81.1	116.9
Total	194.4	233.6

## 12. Current Investments

	2001	2000
Deposits*	296.6	8.6
Bonds	26.3	26.3
Other	61.4	99.6
Total	384.3	134.5

\*Including deposits which are financed by Euro Medium Term Note program.

Market value of Bonds were EUR 26.6 million (EUR 26.5 million).

## 13. Shareholders' Equity and Its Changes

	Share capital	Share premium account	Reserve for own shares	Translation differences	Retained earnings	Net income for the year	Total equity
As of 1 January	60.5	95.9	31.7	42.9	444.6		675.6
Purchase of own shares			25.6		(25.6)		0.0
Translation differences				18.1			18.1
Dividend					(29.0)		(29.0)
Net income for the year						141.1	141.1
As of 31 December	60.5	95.9	57.3	61.0	390.0	141.1	805.8

The accumulation of untaxed reserves, excluding the calculative deferred tax liability, is included in retained earnings and totaled EUR 15.6 million (EUR 16.1 million). Accumulated untaxed reserves are not distributable equity.

## 14. Provision for Liabilities and Charges

	2001	2000
Provision for guarantees	23.7	17.2
Provision for general and product liability claims	69.1	76.3
Provision for business reorganizing	15.4	7.5
Provision for loss contracts	21.2	23.4
Other provisions	91.1	71.0
Total	220.5	195.4

## 15. Deferred Tax Assets and Liabilities

	2001	2000
Deferred tax assets		
Consolidation adjustments	15.9	15.2
Timing differences	69.8	63.7
Deferred tax assets, total	85.7	78.9

Deferred tax liabilities	2001	2000
Consolidation adjustments	6.2	4.4
Timing differences	19.7	12.5
Total deferred tax liabilities	25.9	16.9

In the Consolidated Balance Sheet deferred tax liabilities have been presented as a separate category and deferred tax assets included in deferred assets.

## 16. Long-term Debt

Long-term debt falls due as follows:	MEUR	%
2003	34.3	9.8
2004	6.1	1.7
2005	5.7	1.6
2006	289.9	82.8
Later	14.3	4.1
Total	350.3	100.0

Long term debt includes Euro Medium Term Note program loans.

### 17. Current Liabilities

Liabilities owed to associated companies:	2001	2000
Accounts payable	2.2	1.5
Other current liabilities	1.2	1.1
Total	3.4	2.6

Deferred liabilities:	2001	2000
Accrued income taxes and VAT	81.1	108.2
Accrued salaries, wages and employment costs	204.0	187.5
Other deferred liabilities	207.1	205.5
Total	492.2	501.2

### 18. Contingent Liabilities and Pledged Assets

	Group		Parent company	
	2001	2000	2001	2000
Assets pledged to secure loans				
Group and parent company	1.4	1.4	0.8	0.9
Others	-	-	-	-
Pledged assets				
Group and parent company	21.6	20.1	-	-
Subsidiaries	-	-	0.0	-
Guarantees				
Subsidiaries	-	-	1,203.5	648.7
Associated companies	2.9	2.6	2.9	2.6
Others	2.4	1.4	1.5	1.2
Leasing liabilities				
Falling due in the next year	34.1	31.3	2.4	1.8
Falling due after one year	83.2	74.6	2.8	1.9
Total	145.6	131.4	1,213.9	657.1
Value of guaranteed debt	46.3	122.3	43.5	49.3
Book value of assets pledged	15.5	14.7	0.8	0.9

### 19. Derivatives

The book and market values of contingent liability derivatives made to cover currency and interest risks were as follows:

	Book value	Market value	Book value	Market value
	2001	2001	2000	2000
Forward contracts	225.4	(1.2)	211.2	9.9
Currency options	192.8	0.9	150.2	2.2
Currency swaps	0.0	0.0	32.4	(0.1)
Total	418.2	(0.3)	393.8	12.0

## Parent Company: Statement of Income

MEUR		2001	%	2000	%
<b>Sales</b>	Note 1	353.8		320.8	
Change of work in progress		(0.8)		7.5	
Cost and expenses	Note 2	(315.4)		(287.1)	
Depreciation	Note 3	(7.4)		(7.6)	
<b>Operating Income</b>		30.2	8.5	33.6	10.5
Financing income and expenses	Note 4	65.3		83.8	
<b>Income After Financing Items</b>		95.5	27.0	117.4	36.6
Extraordinary items	Note 5	13.7		1.9	
<b>Income Before Taxes and Allocations</b>		109.2	30.9	119.3	37.2
Depreciation difference	Note 6	0.7		1.9	
Taxes		(27.3)		(22.2)	
<b>Net Income</b>		82.6	23.3	99.0	30.9

## Parent Company: Balance Sheet

Assets	MEUR	31/12/2001	31/12/2000
<b>Fixed Assets and Other Long-term Investments</b>			
Intangible assets			
Intangibles	Note 7	-	14.1
Other long-term expenditures	Note 8	1.7	1.3
Advances paid		0.4	-
		2.1	15.4
Tangible assets			
Land	Note 9	1.5	1.5
Buildings	Note 10	18.2	17.9
Machinery and equipment	Note 11	9.4	9.7
		29.1	29.1
Investments			
Shares in subsidiaries	Note 12	421.2	424.5
Other stocks and shares	Notes 13, 22	3.4	4.1
Own shares	Note 14	57.3	31.7
		481.9	460.3
<b>Total Fixed Assets and Other Long-term Investments</b>		513.1	504.8
<b>Current Assets</b>			
Inventories			
Raw materials and supplies		15.9	12.5
Work in progress		36.4	39.8
		52.3	52.3
Receivables			
Accounts receivable	Note 15	49.6	63.4
Loans receivable		565.6	623.9
Deferred assets		70.2	49.5
		685.4	736.8
Current investments			
Cash and bank	Note 16	370.8	26.3
		6.5	0.7
		377.3	27.0
<b>Total Current Assets</b>		1,115.0	816.1
<b>Total Assets</b>		1,628.1	1,320.9



## Parent Company: Statement of Cash Flows

<b>Shareholders' Equity and Liabilities</b> MEUR		31/12/2001	31/12/2000
<b>Shareholders' Equity</b>			
Share capital		60.5	60.5
Share premium account		95.9	95.9
Reserve for own shares		57.3	31.7
Retained earnings		747.7	703.4
Net income		82.6	99.0
<b>Total Shareholders' Equity</b>	Note 17	1,044.0	990.5
<b>Untaxed Reserves</b>	Note 18	2.7	3.3
<b>Provision for Liabilities and Charges</b>	Note 19	11.8	10.2
<b>Liabilities</b>	Note 20		
Long-term debt	Note 21		
Loans from financial institutions		37.6	43.2
Current liabilities			
Loans from financial institutions		5.9	11.6
Advances received		26.0	29.1
Accounts payable		26.5	22.9
Other current liabilities		433.2	171.8
Accruals		40.4	38.3
		532.0	273.7
<b>Total Debt</b>		569.6	316.9
<b>Total Shareholders' Equity and Liabilities</b>		1,628.1	1,320.9

MEUR	2001	2000
Cash receipt from customers	354.1	329.0
Cash paid to suppliers and employees	(301.1)	(307.7)
Cash flow from financial items	48.9	80.9
Cash flow from taxes and other items	(23.1)	(28.4)
<b>Cash Flow from Operating Activities</b>	78.8	73.8
Capital expenditure	(31.6)	(52.2)
Proceeds from sale of fixed assets	21.4	3.0
Repayment of equities of subsidiaries	-	116.6
<b>Cash Flow from Investing Activities</b>	(10.2)	67.3
<b>Cash Flow After Investing Activities</b>	68.6	141.1
Change in current creditors (net)	255.7	83.9
Change in long-term debt (net)	(5.5)	(9.1)
Dividends paid	(29.0)	(19.9)
Other financing activities	(284.0)	(197.2)
<b>Cash Flow from Financing Activities</b>	(62.8)	(142.3)
<b>Change in Net Cash</b>	5.8	(1.2)
Cash and bank as of 31 December	6.5	0.7
Cash and bank as of 1 January	0.7	1.9
<b>Change in Net Cash</b>	5.9	(1.2)
<b>Reconciliation of Net Income to Cash Flow from Operating Activities</b>		
<b>Net Income</b>	82.6	99.0
Depreciation	7.4	7.6
Other adjustments	2.8	(10.8)
<b>Income Before Change in Working Capital</b>	92.8	95.8
Change in receivables	(13.7)	(16.8)
Change in payables	(0.3)	7.8
Change in inventories	0.0	(13.0)
<b>Cash Flow from Operating Activities</b>	78.8	73.8

# Notes to the Parent Company Financial Statement

## Statement of Income (MEUR)

### 1. Sales

Sales to subsidiaries totaled EUR 195.4 million (2000: EUR 180.2 million) corresponding to a share of 55% (2000: 56%) of net sales.

### 2. Cost and Expenses

Cost and expenses were spread as follows:	2001	2000
Materials and supplies	116.1	117.8
External services	51.1	46.4
Salaries of board of directors and managing directors	1.3	1.0
Wages and other salaries	46.8	42.9
Pension expenses	8.9	5.9
Other personnel expenses including vacation pay	15.5	14.9
Other expenses	82.2	75.9
Other business income	(6.5)	(17.7)
<b>Total</b>	<b>315.4</b>	<b>287.1</b>

The average number of employees was 1,494 (2000: 1,475).

### 3. Depreciation

	2001	2000
Intangible assets	2.6	2.8
Other long-term expenditures	0.6	0.5
Buildings	0.5	0.5
Machinery and equipment	3.7	3.8
<b>Total</b>	<b>7.4</b>	<b>7.6</b>

### 4. Financing Income and Expenses

	2001	2000
Dividends received from subsidiaries	27.4	58.5
Other dividends received	5.0	5.3
Interest received from subsidiaries	29.8	26.9
Other interest received	16.9	3.8
Interest paid to subsidiaries	(12.8)	(5.4)
Other interest paid	(4.9)	(6.7)
Other financing income and expenses	3.9	1.4
<b>Total</b>	<b>65.3</b>	<b>83.8</b>

### 5. Extraordinary Items

	2001	2000
Group contributions received	13.7	1.9
<b>Total</b>	<b>13.7</b>	<b>1.9</b>

### 6. Depreciation Difference

	2001	2000
Intangible assets	(2.7)	-
Other long-term expenditures	(0.1)	-
Buildings	0.2	0.1
Machinery and equipment	3.3	1.8
<b>Total</b>	<b>0.7</b>	<b>1.9</b>

## Balance Sheet (MEUR)

### 7. Intangible Assets

	2001	2000
Acquisition cost as of 1 January	28.0	28.0
Decrease	(11.5)	-
Accumulated depreciation	(16.5)	(13.9)
<b>Total as of 31 December</b>	<b>0.0</b>	<b>14.1</b>

### 8. Other Long-term Expenditures

	2001	2000
Acquisition cost as of 1 January	3.5	3.2
Increase	1.0	0.3
Accumulated depreciation	(2.8)	(2.2)
<b>Total as of 31 December</b>	<b>1.7</b>	<b>1.3</b>

### 9. Land

	2001	2000
Acquisition cost as of 1 January	0.7	0.7
Accumulated revaluation	0.8	0.8
<b>Total as of 31 December</b>	<b>1.5</b>	<b>1.5</b>

### 10. Buildings

	2001	2000
Acquisition cost as of 1 January	14.2	14.1
Accumulated revaluation	11.7	11.7
Increase	0.8	0.2
Decrease	-	(0.1)
Accumulated depreciation	(8.5)	(8.0)
<b>Total as of 31 December</b>	<b>18.2</b>	<b>17.9</b>

### 11. Machinery and Equipment

	2001	2000
Acquisition cost as of 1 January	50.5	49.5
Increase	3.7	2.3
Decrease	(0.3)	(1.3)
Accumulated depreciation	(44.5)	(40.8)
<b>Total as of 31 December</b>	<b>9.4</b>	<b>9.7</b>

### 12. Shares in Subsidiaries

	2001	2000
Total as of 1 January	424.5	524.1
Increase	-	343.6
Decrease	(3.3)	(443.2)
<b>Total as of 31 December</b>	<b>421.2</b>	<b>424.5</b>

### 13. Other Stocks and Shares

	2001	2000
Total as of 1 January	4.1	4.1
Decrease	(0.7)	0.0
<b>Total as of 31 December</b>	<b>3.4</b>	<b>4.1</b>

#### 14. Own Shares

During 2001, KONE repurchased 350,810 class B shares for EUR 25.6 million (average price per share of EUR 72.93). A complete list of daily acquisitions can be found in the KONE Corporation balance sheet book as of 31 December, 2001.

#### 15. Receivables

Receivables falling due after one year:	2001	2000
Loans receivable	1.7	0.4
Deferred assets	-	0.3
Total	1.7	0.7

Receivables from group companies:	2001	2000
Accounts receivable	29.5	36.7
Loans receivable	562.7	618.4
Deferred assets	25.8	8.0
Total	618.0	663.1

Receivables from associated companies:	2001	2000
Accounts receivable	2.2	0.4
Loans receivable	1.6	2.6
Total	3.8	3.0

Deferred assets:	2001	2000
Interest receivable	13.3	1.0
Receivables from subsidiaries	25.8	8.0
Exchange rate gains	13.3	16.3
Other deferred assets	17.8	24.3
Total	70.2	49.6

#### 16. Current Investments

	2001	2000
Deposits	284.7	-
Other investments	86.1	26.3
Total	370.8	26.3

Including deposits, which are financed by Euro Medium Term Note program.

#### 18. Untaxed Reserves

Cumulative depreciation differences:	2001	2000
Intangible assets	-	(2.7)
Other long-term expenditures	0.5	0.3
Buildings	1.5	1.8
Machinery and equipment	0.7	3.9
Total	2.7	3.3

#### 19. Provision for Liabilities and Charges

	2001	2000
Provision for guarantees	2.0	1.7
Other provisions	9.8	8.5
Total	11.8	10.2

#### 20. Liabilities Owed to Group and Associated Companies

Liabilities owed to group companies:	2001	2000
Other long-term debt	424.5	125.6
Advances received	0.8	2.9
Accounts payable	7.8	7.1
Accruals	0.6	2.9
Total	433.7	138.5

Liabilities owed to associated companies:	2001	2000
Advances received	0.1	0.6
Accounts payable	3.3	1.0
Total	3.4	1.6

Accruals:	2001	2000
Accrued income taxes	6.0	9.6
Accrued salaries, wages and employment costs	15.6	11.0
Accruals to subsidiaries	0.6	2.9
Other accruals	18.2	14.8
Total	40.4	38.3

#### 21. Long-term Debt

Long-term debt falling due after five years:	2001	2000
Loans from financial institutions	14.3	20.0

#### 17. Shareholders' Equity and Its Changes

	Share capital	Share premium account	Reserve for own shares	Retained earnings	Net income for the year	Total equity
As of 1 January	60.5	95.9	31.7	802.3		990.4
Dividend				(29.0)		(29.0)
Acquisition of own shares			25.6	(25.6)		0.0
Net income for the year					82.6	82.6
As of 31 December	60.5	95.9	57.3	747.7	82.6	1,044.0

## 22. Group Shares and Participations as of 31 December, 2001

### Subsidiaries

Company	Country	Shareholding (%)	
		Parent company	Group
KONE Finance Oy	Finland	100	100
KONE Inc.	United States		100
Société Française des Ascenseurs KONÉ S.A.	France		99.97
KONE S.p.A.	Italy		100
KONE plc	United Kingdom		100
KONE GmbH	Germany		100
KONE B.V.	Netherlands		100
KONE Elevators Pty Ltd	Australia	30	100
KONE Hissar AB	Sweden		100
KONE Elevators Co. Ltd	China		90
KONE Elevator (HK) Ltd	China		100
KONE Escalators Ltd	United Kingdom		100
KONE Belgium S.A.	Belgium		99.95
KONE AG	Austria		100
Ascenseurs Soulier S.A.	France		100
KONE Inc.	Canada		100
KONE Elevadores S.A.	Spain		100
KONE Elevator A/S	Denmark		100
KONE Aksjeselskap	Norway	100	100
Konematic Ltd	United Kingdom		100
Konématic S.A.	France		99.98
KONE Mexico S.A. de C.V.	Mexico		100
Other subsidiaries (128 companies)			

### Associated Companies

Company	Country	Shareholding (%)	
		Parent company	Group
Industrial Logistics Limited	Ireland		20
Ternitz Druckguss GmbH	Austria		20
Marryat & Scott Egypt - S.A.E.	Egypt	49	49
Shan On Engineering Company Limited	China		30
KONE Garant Aufzug GmbH	Germany		49
Other associated companies (9 companies)			

### Other Stock and Shares

Company	Country	Shareholding (%)	
		Parent company	Group
Arabian Elevator & Escalator Co. Ltd	Saudi-Arabia	10	10
Thai Lift Industries Public Co. Limited	Thailand		8
Housing and real estate companies held by the parent company (18 companies)			
Others			

A complete list of shares and participations can be found in the KONE Corporation balance sheet book as of 31 December, 2001.

## Option Program

The Extraordinary General Meeting of Shareholders of KONE Corporation on 17 November, 2000 approved the Board of Directors' proposal for creation of an option incentive program tied to the achievement of global earnings targets. This option plan is part of a long-range incentive system, which motivates key employees to commit themselves to attaining KONE's global growth and profitability goals.

The main contents of the proposal are as follows:

1. KONE Corporation will issue a maximum of 350,000 option rights, entitling the holders to subscribe for a maximum of 350,000 KONE class B shares. The shares available for subscription on the basis of the option rights will represent 1.7 percent of the shares of the company and 0.7 percent of the votes carried by all the shares of the company.
2. Each option right shall give its holder the right to subscribe for one (1) class B share in KONE Corporation with a nominal value of three (3) euros. The maximum increase in the share capital of the company as a result of subscriptions shall be EUR 1,050,000 corresponding to 350,000 new shares.
3. The option rights have been marked either A or B. The number of A option rights is 180,000, and the number of B option rights is 170,000. A and B options are further divided into 5 categories. Each category of A options has 36,000 option rights and each category of B options has 34,000 option rights.

Option rights entitle the holders to subscribe for shares subject to the development of the Corporation's cumulative net income (after taxes) as shown in the Consolidated Statement of Income over the three-year (3-year) period 2001-2003 :

Minimum accumulated net income level for exercising the option rights and bonuses	Cumulative number of option rights in use
EUR 330 million	70,000
EUR 350 million	140,000
EUR 380 million	210,000
EUR 420 million	280,000
EUR 470 million	350,000

Where income targets are not achieved, the option rights shall expire without value.

4. Each A option right entitles the holder to a separate cash bonus of 40 euros when the income targets have been reached. The cash bonus will be paid during April, 2004.
5. Holders of A option rights can subscribe for KONE B shares starting on 1 April, 2004 and ending on 31 March, 2008. Holders of B option rights can subscribe for KONE B shares starting on 1 April, 2005 and ending on 31 March, 2009. The annual subscription period will fall between 2 January and 30 November on dates to be determined by the company.
6. The subscription price of a share shall be the trade volume weighted average price of class B shares on the Helsinki Exchanges between 1 August, 2000 and 23 October, 2000 increased by 10 percent and rounded off to the nearest euro. Therefore, the subscription price is EUR 74.

Should a subscriber's employment by KONE be terminated prior to the commencement of the share subscription period, he or she shall lose the right to subscribe for shares.

## Five-year Summary in Figures 1997-2001

<b>Consolidated Statement of Income</b>	2001	2000	1999	1998	1997
Sales, MEUR	2,816	2,602	2,412	2,082	2,082
- sales outside Finland, MEUR	2,725	2,509	2,324	2,019	2,021
Depreciation, MEUR	82	81	78	78	79
Operating income after depreciation, MEUR	218	186	118	83	42
- as percentage of sales, %	7.7	7.2	4.9	4.0	2.0
Income after financing items, MEUR	219	183	111	72	34
- as percentage of sales, %	7.8	7.0	4.6	3.5	1.6
Income before taxes, MEUR	219	183	111	72	34
- as percentage of sales, %	7.8	7.0	4.6	3.5	1.6
Net income, MEUR	141	106	58	36	8
<b>Consolidated Balance Sheet</b>	2001	2000	1999	1998	1997
Fixed assets, MEUR	721	699	600	596	647
Inventories, MEUR	112	154	160	156	140
Receivables, cash and cash equivalents, MEUR	1,274	976	820	701	709
Shareholders' equity + minority shares, MEUR	807	677	591	519	517
Long-term debt, MEUR	350	70	102	78	113
Provisions and tax liability, MEUR	246	212	218	191	190
Current liabilities, MEUR	703	870	669	665	676
Total assets, MEUR	2,107	1,829	1,580	1,453	1,496
<b>Other Data</b>	2001	2000	1999	1998	1997
Orders received, MEUR	2,100	1,854	1,723	1,483	1,449
Order book, MEUR	1,881	1,656	1,492	1,325	1,340
Capital expenditure, MEUR	46	46	55	54	28
- as percentage of sales, %	1.6	1.8	2.3	2.6	1.3
Expenditure for research and development, MEUR	41	37	36	30	29
- as percentage of sales, %	1.4	1.4	1.5	1.5	1.4
Average number of employees	22,964	22,804	22,661	22,596	22,153
Number of employees as of 31 December	22,949	22,978	22,630	22,692	22,499
<b>Key Ratios</b>	2001	2000	1999	1998	1997
Return on equity, %	20.4	17.2	9.7	6.0	1.3
Return on capital employed, %	23.4	23.5	14.9	11.5	7.0
Total equity/total assets, %	36.6	35.9	37.4	35.7	34.6
Gearing, %	neg.	15	8	25	29
<b>Key Figures per Share**</b>	2001	2000	1999	1998	1997
Earnings per share, EUR	7.25	5.31	2.86	1.81	0.39
Equity per share, EUR	38.73	32.73	29.22	25.45	24.80
Dividend per class B share, EUR	2.20*	1.50	1.00	0.62	0.56
Dividend per class A share, EUR	2.14*	1.44	0.94	0.56	0.50
Dividend per earnings, class B share, %	30.4*	28.2	35.0	34.1	145.4
Dividend per earnings, class A share, %	29.5*	27.1	32.9	31.0	130.9
Effective dividend yield, class B share, %	2.7*	2.0	2.0	1.9	1.5
Price per earnings, class B share	11	14	17	18	96
Market value of class B share, average, EUR	76	62	38	40	33
- high, EUR	93	77	49	49	40
- low, EUR	65	48	31	27	28
- as of 31/12, EUR	83	75	49	33	37
Market capitalization as of 31/12, MEUR	1,604	1,466	986	667	746
Number of class B shares traded, '000	4,280	3,997	3,291	3,337	3,285
Class B share traded, %	26.4	24.0	19.7	20.0	19.7
Average number of class A shares, '000	3,485	3,485	3,485	3,485	3,485
Number of class A shares as of 31/12, '000	3,485	3,485	3,485	3,485	3,485
Average number of class B shares, '000	16,670	16,670	16,670	16,670	16,670
Number of class B shares as of 31/12, '000	16,670	16,670	16,670	16,670	16,670

\*Board's proposal

\*\*On 1 November, 1999 the shares were split at a ratio of one to three.

## Calculation of Key Figures

Average Number of Employees	=		the average number of employees from the beginning to the end of the period under review
Return on Capital Employed (%)	=	100 x	$\frac{\text{income after financing items + interest + other financing costs}}{\text{total assets - non-interest-bearing-debt (average of the figures for the financial year)}}$
Gearing (%)	=	100 x	$\frac{\text{interest-bearing-debt - liquid assets - loans receivable}}{\text{shareholders' equity + minority shares}}$
Equity/Share	=		$\frac{\text{shareholders' equity}}{\text{number of shares (issue adjusted)}}$
Dividend/Earnings (%)	=	100 x	$\frac{\text{dividend/share}}{\text{earnings/share}}$
Price/Earnings	=		$\frac{\text{price of class B shares as of 31/12}}{\text{earnings/share}}$
Market Value of All Outstanding Shares	=		the number of shares (A + B) at the end of the accounting period times the price of class B shares as of 31/12
Shares Traded (%)	=	100 x	$\frac{\text{number of class B shares traded}}{\text{average weighted number of class B shares}}$
Return on Equity (%)	=	100 x	$\frac{\text{income after financing items - taxes}}{\text{equity + minority shares - repurchased own shares (average of the figures for the financial year)}}$
Total Equity/Total Assets (%)	=	100 x	$\frac{\text{shareholders' equity + minority shares - repurchased own shares}}{\text{total assets}}$
Earnings/Share	=		$\frac{\text{income after financing items - taxes - minority share}}{\text{average number of shares (issue adjusted) - repurchased own shares}}$
Because the number of shares subscribed under the option plan is unknown, no diluted earnings/share figure is available.			
Dividend/Share	=		$\frac{\text{payable dividend for the accounting period}}{\text{number of shares (issue adjusted)}}$
Effective Dividend Yield (%)	=	100 x	$\frac{\text{dividend/share}}{\text{price of class B shares as of 31/12}}$
Average Price	=		$\frac{\text{total EUR value of all class B shares traded}}{\text{average number of class B shares traded during the accounting period}}$
Shares Traded	=		number of class B shares traded during the accounting period

## *Board of Directors' Proposal to the Annual General Meeting*

KONE's distributable equity as of 31 December, 2001 is EUR 515.5 million. The parent company's distributable equity on 31 December, 2001 is EUR 830,314,563.57 of which net profit from the accounting period under review is EUR 82,568,399.82.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 2.14 be paid on the 3,484,941 class A shares and EUR 2.20 on the outstanding 15,840,019 class B shares, for a total of EUR 42,305,815.54. The Board of Directors further proposes that the rest, EUR 788,008,748.03 be retained and carried forward.

The Board proposes that the dividends be payable from 6 March, 2002.

Helsinki, 1 February, 2002

Pekka Herlin

Antti Herlin

Gerhard Wendt

Iiro Viinanen

Jean-Pierre Chauvarie

Manfred Eiden  
President



# Auditor's Report

## To the shareholders of KONE Corporation

We have audited the accounting, the financial statements and the corporate governance of KONE Corporation for the financial year 2001. The financial statements prepared by the Board of Directors and the Managing Director include, both for the group and the parent company, a report on operations, an income statement, a balance sheet and notes to the financial statements. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations relevant to the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and the parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial year audited by us. The proposal by the Board of Directors regarding the distributable profits is in compliance with the Companies' Act.

Helsinki, February 1, 2002

SVH Pricewaterhouse Coopers Oy  
Authorised Public Accountants

Jukka Ala-Mello  
Authorised Public Accountant

Mauno Tervo  
Authorised Public Accountant

# Corporate Governance

## Duties and Responsibilities of the Board of Directors

The Board of Directors' duties and responsibilities are laid down in accordance with the company's Articles of Association and the Companies Act of Finland. All matters of far-reaching importance in terms of the group's operations are handled by the company's Board of Directors. These include, among other things, the approval and confirmation of strategic guidelines, ratification of budgets and action plans, decisions about the corporate structure, and significant company acquisitions and investments. The Board of Directors held nine meetings during 2001.

## Election of Members of the Board of Directors

The Annual General Meeting elects 4-7 members of KONE Corporation's Board of Directors for one year at

a time. The Annual General Meeting also elects the Chairman of the Board of Directors. Of the Board of Directors' current five members, Antti Herlin and until 31 January, 2002 Jean-Pierre Chauvarie are employed by the group.

## Remuneration of Members of the Board

Membership remuneration is paid to those members of the Board of Directors who are not employed by the group, such that the chairman receives EUR 30,274 and other members EUR 14,128 per year.

## Permanent Committees

The Board of Directors has created two permanent committees to assist its work, the Audit Committee and Executive Resources Committee.

The Audit Committee directs and supervises KONE's internal auditing. Director of

Internal Auditing Urpo Paasovaara reports on audit results to the committee. The members of the committee are Committee Chairman Antti Herlin, Committee Secretary Tapio Hakakari and KONE Corporation's auditor, Mauno Tervo.

The Executive Resources Committee's responsibilities include making decisions about senior management appointments and remuneration. The members of the committee are Committee Chairman Antti Herlin, Committee Secretary Tapio Hakakari and consultant Urpo Kauranne.

## Insider Rules

KONE Corporation has enforced the insider guidelines approved by the Helsinki Exchanges as of 1 January, 2000. The members of the Board of Directors, the President and the auditors belong to KONE's permanent insiders. In addition to these

individuals, KONE's extended list of permanent insiders includes the Board Secretary, the members of the Corporate Executive Committee, the Finance Director, the Communications Director and the Communications Officer. The shareholdings of the permanent insiders are disclosed in the enclosed table. The company maintains its insider register in the Sire system of the Finnish Central Securities Depository.

## Shareholdings of KONE Corporation's Permanent Insiders as of 28 December, 2001

Insider	Position in KONE Corporation	A shares	B shares
Herlin Pekka*	Chairman of the Board	309,578	80,459
Herlin Antti*	Deputy Chairman of the Board		15,978
Chauvarie Jean-Pierre	Member of the Board		10,500
Hakakari Tapio	Secretary to the Board		20,500
Kempainen Pekka	Member of the Executive Committee		390
Mäkinen Heimo	Member of the Executive Committee		3,360

\*The other holdings of Pekka and Antti Herlin can be found on page 21 in the table Largest Shareholders. The other insiders do not own shares in KONE Corporation.

## Board of Directors



### **Pekka Herlin, 69**

*D.Sc. (Econ.) H.C.  
Chairman, July 1996-  
Chairman & CEO of KONE,  
1987-June 1996  
President & CEO of KONE,  
1964-1986  
Member of the Board, 1954-*

### **Antti Herlin, 45**

*Deputy Chairman & CEO of  
KONE, July 1996-  
Member of the Board, 1991-*

### **Gerhard Wendt, 67**

*Ph.D.  
President of KONE, 1989-1994  
Member of the Board, 1979-*

### **Iiro Viinanen, 58**

*M.Sc. (Tech.)  
Member of the Board, 1997-*

### **Jean-Pierre Chauvarie, 66**

*President of KONE, 1999-2001  
Member of the Board, 2000-  
Deputy Member of the Board,  
1999-2000*

### **Tapio Hakakari, 48**

*LLM  
Secretary to the Board of  
Directors, 1998-*

## Auditors

*Mauno Tervo,  
Authorized Public Accountant  
SVH Pricewaterhouse Coopers Oy,  
Authorized Public Accountants*

### **Deputies**

*Tauno Haataja,  
Authorized Public Accountant  
Barbro Löfqvist,  
Authorized Public Accountant*

## Corporate Executive Committee



**Manfred Eiden**  
President



**Klaus Cawén**  
General Counsel and Acquisitions  
Toshiba Alliance



**Heimo Mäkinen**  
Technology and Purchasing



**William Orchard**  
Service Business

### Area Directors

North Europe,  
Tor-Erik Sandelin



Central Europe,  
Heiko Körnich



South Europe,  
Eric Maziol



**Michel Chartron**  
Building Door Business



**Pekka Kempainen**  
New Elevator and Escalator Business



**Aimo Rajahalme**  
Finance  
Information Systems



**Kerttu Tuomas**  
Human Resources  
(as of 16 January, 2002)



North America,  
Trevor Nink



Asia-Pacific,  
Heimo Mäkinen



# Information to Shareholders

## Annual General Meeting

The Annual General Meeting of KONE Corporation will be held at the Finnish Institute of Public Management (HAUS): Hollantilaisentie 11, 00330 Helsinki, on Friday, 22 February, 2002 at 11:00 a.m. Shareholders wishing to attend the meeting must have their KONE shareholdings registered on the KONE shareholder list at the Finnish Central Securities Depository no later than Tuesday, 12 February, 2002, and must notify the company's head office by mail (KONE Corporation, P.O. Box 8, FIN-00331 Helsinki), by telefax (+358 204 75 4309), by e-mail (kirsti.merimaki@kone.com) or by telephone (+358 204 75 4215) no later than Monday, 18 February, 2002.

A shareholder may attend and vote at the meeting in person or by proxy. However, in accordance with Finnish practice, the company does not send proxy forms to its shareholders. Shareholders wishing to vote by proxy should submit their own proxy forms to the company.

## Payment of Dividends

The Board of Directors' proposal for distribution of profits can be found on page 38. Only those who have been registered as shareholders at the Finnish Central Securities Depository by Wednesday, 27 March, 2002, the date of record of dividend distribution, are entitled to dividends. The date proposed by the Board of Directors for payment of dividends is Wednesday, 6 March, 2002.

## Announcements to Shareholders

In accordance with the decision of the Board of Directors, announcements to shareholders are published in the following daily Helsinki newspapers: Helsingin Sanomat, Kauppalehti and Hufvudstadsbladet.

## Financial Reporting

KONE Corporation will publish the following financial reports during 2002:

- Financial Statement 2001 on Friday, 1 February, 2002
- Annual Report 2001 in February, 2002
- Interim Report, covering the period January-March, 2002, on Tuesday, 23 April, 2002
- Interim Report, covering the period January-June, 2002, on Tuesday, 23 July, 2002
- Interim Report, covering the period January-September, 2002, on Tuesday, 22 October, 2002

KONE Corporation publishes financial reports and Stock Exchange releases in Finnish and English. All material is available on the Internet at [www.kone.com](http://www.kone.com) from the date of publication.

Annual reports are mailed to all shareholders and those who are on the company's mailing list. The company sends interim reports in paper form only to those who have requested them. Shareholders are requested to inform the bank that holds their book-entry account of any change of address. Changes of address relating to the company's mailing list should be sent to the company.

Financial reports may be ordered from KONE Corporation, Corporate Communications:

Address: P.O. Box 7, FIN-02151 Espoo, Finland  
Internet: [www.kone.com](http://www.kone.com)  
e-mail: [corporate.communications@kone.com](mailto:corporate.communications@kone.com)  
Fax: +358 204 75 4515  
Telephone: +358 204 751

### **Elevators**

KONE provides innovative and environmentally friendly elevator solutions for buildings of all sizes, from low-rise housing to the world's tallest skyscrapers. The patented machine-room-less KONE MonoSpace® elevator and other products based on KONE's EcoDisc® technology have made KONE the industry's technological leader.



### **Escalators and Autowalks**

KONE's escalators and autowalks transport hundreds of millions of people on a daily basis through shopping centers, airports and metros. Urbanization, the aging of populations and large construction projects stimulate the demand for escalators and autowalks. The KONE ECO3000™ escalator product family is based on the industry's most efficient and environmentally friendly technology.



### **Building Doors**

KONE has extended its service know-how, based on new technology and innovative service products, to cover building doors. KONE's strong position on the elevator, escalator and autowalk service markets, its existing service organization and long-term customer relationships create the foundation for expanding its building door service worldwide.



### **Maintenance and Modernization**

Innovative KONE Optimum™ maintenance contracts, Usage Based Maintenance Methods, KONE Remote Monitoring Services, 24-hour service centers and modular modernization solutions that make step-by-step modernization feasible, all utilize advanced technology to create added value for KONE customers.



## **KONE**

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KONE

