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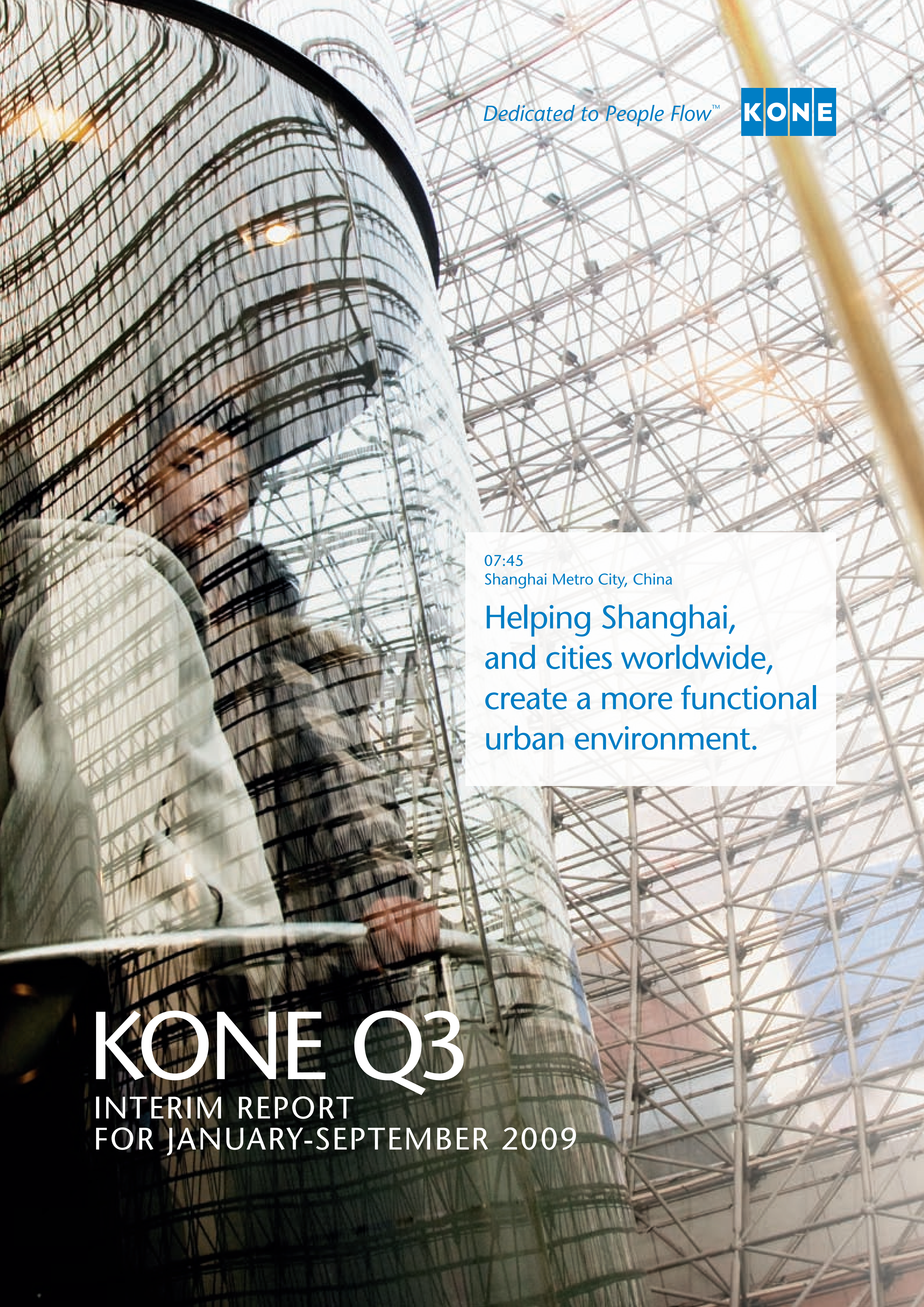

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KONE Q3

INTERIM REPORT FOR JANUARY-SEPTEMBER 2009

KONE's Q3: Strong improvement in operating income and cash flow

July-September

- In July-September 2009, orders received totaled EUR 766.5 (7–9/2008: 892.4) million. Orders received declined by 14.1%, or 13.4% at comparable exchange rates. Orders received was negatively affected by delays in customers' decision making in a few major projects.
- Net sales increased by 0.3% to EUR 1,127 (1,124) million. At comparable exchange rates, the growth was 0.5%.
- Operating income was EUR 160.1 (146.0) million or 14.2% (13.0%) of net sales.
- Cash flow was exceptionally strong and totaled EUR 255.5 (153.4) million.
- KONE further specifies its operating income outlook for 2009. In operating income (EBIT), the objective is EUR 580–595 million, excluding the one-time cost of EUR 33.6 million, which was booked in the second quarter. The previous operating income (EBIT) outlook was EUR 570–595 million excluding the one-time cost of EUR 33.6 million.

January-September

- In January-September 2009, orders received totaled EUR 2,619 (1–9/2008: 3,102) million. Orders received declined by 15.6%, or 16.1% at comparable exchange rates. At the end of September 2009, the order book was EUR 3,603 (Dec 31, 2008: 3,577) million.
- Net sales increased by 4.6% to EUR 3,317 (3,171) million. At comparable exchange rates, the growth was 4.3%.
- Operating income, excluding one-time costs, was EUR 397.6 (369.2) million or 12.0% (11.6%) of net sales. The operating income, including the one-time cost of EUR 33.6 million related to the fixed cost adjustment program, was EUR 364.0 million.

Key Figures

		7–9/2009	7–9/2008	1–9/2009	1–9/2008	1–12/2008
Orders received	MEUR	766.5	892.4	2,618.9	3,102.3	3,947.5
Order book	MEUR	3,603.4	4,002.8	3,603.4	4,002.8	3,576.7
Sales	MEUR	1,127.3	1,123.8	3,316.9	3,171.2	4,602.8
Operating income	MEUR	160.1	146.0	397.6 [1)]	369.2	558.4
Operating income	%	14.2	13.0	12.0 [1)]	11.6	12.1
Cash flow from operations (before financing items and taxes)	MEUR	255.5	153.4	626.9	438.9	527.4
Net income	MEUR	134.6	107.5	299.8	270.2	418.1
Total comprehensive income	MEUR	124.0	127.5	283.6	280.1	436.7
Basic earnings per share	EUR	0.53	0.42	1.18	1.07	1.66
Interest-bearing net debt	MEUR	-358.8	-9.3	-358.8	-9.3	-58.3
Total equity/total assets	%	42.6	34.0	42.6	34.0	39.0
Gearing	%	-30.9	-1.1	-30.9	-1.1	-5.6

1) Excluding a MEUR 33.6 one-time costs related to the fixed costs adjustment program, which was booked in the second quarter.

KONE's Q3: Strong improvement in operating income and cash flow

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

"The service business and operational excellence are key priorities for us in the current weak economic environment. I am pleased with our good development in these areas. These have contributed positively to our profitability and cash flow.

The orders received in the third quarter was a small disappointment. Customers' decisions in respect of a few major projects were delayed towards the end of the year. We estimate that orders received in the fourth quarter will be at a higher level than in the third quarter.

Our teams have again done a good job and I want to thank them for their efforts. Although the new equipment markets are weak, we are with our own actions able to influence our business performance even in this situation, and we therefore look forward with confidence."

KONE's January-September 2009 review

Accounting Principles

KONE Corporation's Interim Report for January 1–September 30, 2009 has been prepared in line with IAS 34, `Interim Financial Reporting´. KONE has applied the same accounting principles in the preparation of the interim report as in its financial statements for 2008. The accounting principles for the financial statements have been presented in the KONE 2008 Financials report published on January 23, 2009. Additionally, the changes in the presentation of statement of comprehensive income and the statement of changes in equity according to the revised IAS1 have been applied in the Interim Report. The information presented in this Interim Report has not been audited.

July-September 2009 review

Operating environment in July-September

In the third quarter of 2009, overall demand for new equipment continued to decline in most geographical regions. However, the market development in China continued to be strong. The modernization market was competitive but stable and provided selected growth opportunities. The global maintenance market, which by nature is less cyclical, continued to grow.

In the Europe, Middle East and Africa (EMEA) region, the business environment in new equipment remained very difficult. Most new equipment markets declined. The weakest markets were Russia, the Middle East, Spain, the United Kingdom and the Netherlands. In some countries such as Finland and Sweden, the residential construction market showed early signs of recovery. The demand for modernization was stable overall with France and Finland showing good development. The maintenance markets continued to develop well.

In the Americas region, the new equipment market continued to decrease. Customers' difficulties to access financing and high vacancy rates continued to be the principle reasons for the weak development. The modernization activity remained relatively stable, and some strength was seen in the public works segment as a result of federal stimulus money which is available for public housing, schools, hospitals and government facilities. The market in Canada was for the most part consistent with the United States. In Mexico, the market continued to be very weak. The maintenance market in North America developed well, but was very competitive.

In the Asia-Pacific region, the new equipment markets weakened. However, the overall market development in China was positive. Real estate investments increased due to improved lending activity for home buyers and land developers. The Indian market continued to be weak, but it has stabilized. The market activity in India varied by region because of the different funding environments for customers. In Australia, the new equipment market weakened due to high vacancy rates. In Southeast Asia, the construction market remained weak. However, clear signs of a recovery were seen. The maintenance market in Asia-Pacific developed favorably.

Financial performance in July-September

KONE's orders received in the third quarter of 2009 declined by 14.1% and totaled EUR 766.5 (7–9/2008: 892.4) million. At comparable exchange rates, the decline was 13.4%. The orders received level in the third quarter suffered from delays in customers' decision making in a few major projects. The Asia-Pacific region showed growth in orders received. This was achieved especially because of a very strong development in China, but orders received grew also in India. The level of orders received in new equipment in China is good evidence of KONE's continuously improved competitiveness and that actions taken have been effective. In modernization, KONE's progress in orders received was particularly good in France and Finland. Maintenance contracts are not included in orders received.

The largest orders received in the July-September period included an order from Met.Ro Rome, Metropolitana di Roma S.p.A., Italy, to modernize escalators and elevators. At the same time, KONE was also awarded a maintenance contract for all units installed in the Rome underground lines.

KONE's net sales grew by 0.3% as compared to July-September 2008 and totaled EUR 1,127 (1,124) million. At comparable exchange rates, the growth was 0.5%. The decision of some customers to delay the finalization of projects impacted the net sales to decline in EMEA.

New equipment sales accounted for EUR 531.0 (551.6) million of the total which represented a decline of 3.7% over the comparison period. At comparable currency rates, the decline was 3.8%.

Service sales (maintenance and modernization) increased by 4.2% and totaled EUR 596.3 (572.2) million. At comparable currency rates, the growth was 4.6%.

KONE's January-September 2009 review

Sales by geographical regions, MEUR

	7–9/2009	%	7–9/2008	%	1–9/2009	%	1–9/2008	%	1–12/2008	%
EMEA [1)]	674.5	60	702.4	62	2,049.4	62	2,067.4	65	3,001.5	65
Americas	238.4	21	234.0	21	694.8	21	609.7	19	888.3	19
Asia-Pacific	214.4	19	187.4	17	572.7	17	494.1	16	713.0	16
Total	1,127.3		1,123.8		3,316.9		3,171.2		4,602.8	

1) EMEA = Europe, Middle East, Africa

The operating income for the July-September period totaled EUR 160.1 (146.0) or 14.2% (13.0%) of net sales. The good operating income was primarily a result of the development programs that have led to a favorable progress in the maintenance business, installation productivity and better quality. In addition, reduced sourcing costs and tight cost control contributed to the positive result. Cash flow was EUR 255.5 (153.4) million. The exceptionally strong cash flow was primarily a result of an improved operating income and a reduced net working capital. The progress in net working capital was due to a reduction of accounts receivable and an improved ratio of advanced payments received relative to inventories.

January-September 2009 review

KONE's Orders Received and Order Book in January-September

In the new equipment market, activity in all geographical regions, excluding China, declined. The modernization market was rather stable, but became increasingly competitive. The global maintenance market, which by nature is less cyclical, continued to grow.

In January-September 2009, KONE's orders received declined by 15.6% and totaled EUR 2,619 (1–9/2008: 3,102) million. At comparable exchange rates, the decline was 16.1%. Maintenance contracts are not included in orders received.

KONE's development in maintenance was positive as a result of continued good conversion levels from KONE installed new equipment into our maintenance base.

The order book increased from the end of 2008 by 0.7% and stood at EUR 3,603 (Dec 31, 2008: 3,577) million at the end of September 2009. As earlier, the margin of the order book continued to be at a good level. Cancellations of orders have remained at a very low level.

In the EMEA region, orders received declined in the continuously weakening markets during January-September 2009. In new equipment, KONE's development in orders received has varied from country to country, with Germany performing most favorably. In EMEA's modernization markets KONE's performance has been good. Orders received in modernization has grown in France, Finland and Sweden.

In the Americas region, KONE also experienced a decline in orders received. In spite of the weak market, KONE has been able to strengthen its market position in many segments due to its improved customer focus, extended geographical reach, and its improved competitiveness during January-September 2009.

In the Asia-Pacific region, KONE's new equipment orders received declined year-on-year, but grew strongly in China. In India, Australia and Southeast Asia, orders received declined year-on-year.

Net Sales

In January-September 2009, KONE's net sales rose by 4.6%, compared to last year, and totaled EUR 3,317 (1–9/2008: 3,171) million. Growth at comparable currency rates was 4.3%.

New equipment sales accounted for EUR 1,525 (1,484) million of the total and represented growth of 2.7% over the comparison period. At comparable currency rates, the growth was 2.1%.

Service sales (maintenance and modernization) increased by 6.2% and totaled EUR 1,792 (1,687) million. At comparable currency rates, the growth was 6.3%, with maintenance growing faster.

Of the sales, 62% (65%) were generated from EMEA, 21% (19%) by the Americas and 17% (16%) by Asia-Pacific.

KONE's January-September 2009 review

Financial Result

KONE's operating income excluding one-time costs was EUR 397.6 million (1–9/2008: 369.2 million) or 12.0% (11.6%) of net sales. The operating income, including the one-time cost of EUR 33.6 million related to the fixed cost adjustment program, was EUR 364.0 million. The strong performance was a result of the favorable progress in the maintenance business, installation productivity and better quality. In addition, reduced sourcing costs and tight cost control contributed to the positive result especially during the second and third quarter. Net financing items were EUR 18.3 (-6.8) million and include dividends received from Toshiba Elevator and Building Systems Corporation (TELC).

KONE's income before taxes for January-September 2009 was EUR 386.9 (364.1) million. The effective tax rate resulting from the operations for the financial year is estimated to be 25.5%. However, taking into account prior year tax benefits and reassessment of deferred tax assets, taxes totaled 87.1 MEUR, representing an effective tax rate of 22.5% for the financial year. The reassessment of deferred tax assets is based on the realized and expected profit estimates of the business operations. In January-December 2008, the effective tax rate was 25.8%. Net income for the period under review was EUR 299.8 (270.2) million.

Earnings per share were EUR 1.18 (1.07). Equity per share was EUR 4.59 (3.47).

Financial Position and Cash Flow

In January-September 2009, KONE's financial position further strengthened and the company had a positive net cash position at the end of September. In January-September 2009, cash flow generated from operations (before financing items and taxes) was EUR 626.9 (1–9/2008: 438.9) million. The exceptionally strong cash flow was primarily a result of an improved operating income and a reduced net working capital. At the end of September, net working capital was negative at EUR –242.7 (Dec 31, 2008: -76.4) million, including financing items and taxes.

Interest-bearing assets exceeded interest-bearing net debt and the net cash position totaled EUR 358.8 (Dec 31, 2008: 58.3) million. Gearing was -30.9% (Dec 31, 2008: -5.6%) and total equity/total assets ratio was 42.6% (Dec 31, 2008: 39.0%).

Capital expenditure, acquisitions and divestments

KONE's capital expenditure, including acquisitions, totaled EUR 66.0 (1–9/2008: 96.9) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. Acquisitions accounted for EUR 39.3 (49.6) million of this figure. Acquisitions made in January-September will have no material effect on the 2009 full-year figures.

In January-September, KONE completed the acquisition of FairWay Elevator Inc, an independent elevator service company in the Philadelphia area of the United States. Through this acquisition, KONE establishes itself as one of the largest elevator and escalator companies in the Philadelphia region. In addition, KONE acquired Excel Elevator Inc, an independent elevator service company based in Los Angeles. Excel has a great reputation in the Southern California market for its quality work in modernizing vertical transportation systems as well as its significant maintenance base.

Research and development

Research and development expenses totaled EUR 44.1 (1–9/2008: 42.9) million, representing 1.3% (1.4%) of net sales. R&D expenses include the development of new concepts and further development of existing solutions and services. KONE's elevators and escalators are based on energy-efficient technology.

During the reporting period, KONE strengthened its offering to better meet the requirements of the challenging market.

KONE continued to release new elevator solutions for the infrastructure, modernization and affordable housing segments. New solutions for the 2–3 landing machine-room-less segment in the United States were introduced. KONE's focus has mainly been on solutions that deliver improved performance, fresh visual options and improved energy-efficiency. The KONE JumpLift is one example of the expanded elevator offering. This innovative offering puts the elevator into operation already as the building is in its construction phase, enabling a more efficient flow of workers. KONE JumpLift also delivers improved safety and productivity to the job site.

In addition, KONE launched a new escalator release in response to the demand of the growing infrastructure segment. The cost structure has been improved and the application scope has been enlarged by adding a full out-

KONE's January-September 2009 review

door solution package and higher vertical rise alternatives to the offering.

In January 2009, KONE Corporation was awarded a 2008 GOOD DESIGN award for its innovative elevator design concept. KONE is the first elevator and escalator company to ever receive such a prestigious award. Founded in 1950, GOOD DESIGN is renowned as one of the most recognized design awards program in the world. The awards are given by The Chicago Athenaeum and The European Centre for Architecture Art Design and Urban Studies to highlight the best new designs and design innovations for products and graphics made between 2006 and 2008.

Other events during the reporting period – The 2010 fixed cost adjustment program

The fixed cost adjustment program has progressed according to plan during the reporting period.

In connection with the first quarter result, KONE announced that it intends to reduce the 2010 run-rate of fixed costs by EUR 40 million due to the weak new equipment market. The plans for the program were defined in connection with the second quarter result. The annual impact of this fixed cost reduction plan is expected to be at least EUR 40 million starting in 2010. The total one-time cost relating to this program is EUR 33.6 million, which was booked in the second quarter 2009.

The majority of the fixed cost savings will be achieved through organizational development. This development will flatten the organizational structures to bring management closer to customers, broaden the span of control for managers to ensure better hands-on management and uniform structures globally to improve internal collaboration. The program, which will be implemented by the beginning of 2010, will improve the efficiency and speed of KONE. Selective actions will also be taken in the supply chain and outsourcing. In addition to these actions, an overall tighter cost control is targeted throughout the company.

The program is estimated to decrease jobs globally by approximately 500. Simultaneously, KONE continues to recruit in certain markets that are providing growth opportunities, such as China.

Personnel

The main goals of KONE's personnel strategy are to further increase the interest in KONE as an employer and to secure the availability, commitment and continuous development of its personnel. KONE's activities are also guided by ethical principles. The personnel's rights and responsibilities include the right to a safe and healthy working environment, personal wellbeing as well as the prohibition of any kind of discrimination.

KONE had 34,136 (Dec 31, 2008: 34,831) employees at the end of September 2009. The average number of employees was 34,365 (1–9/2008: 33,658).

The geographical distribution of KONE employees was 56% (56%) in EMEA, 17% (17%) in the Americas and 27% (27%) in Asia-Pacific.

People Leadership is one of KONE's five development programs. KONE is increasingly investing in people development programs, personal coaching and change management.

Environment

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

The development of eco-efficient solutions focused on stand-by energy saving solutions and regenerative units for elevators. As a result of these improvement actions, a reduction of 30 percent in the newest release was accomplished. By next year, an additional 20 percent reduction will be achieved.

In the service business, eco-efficiency aspects have been included in the analysis, which provides customers with a comprehensive recommendation on how to maintain and modernize their equipment in a cost-effective way.

The most significant Green House Gas emission (CO_2) impact of KONE's own operations relate to the company's vehicle car fleet, electricity consumption and logistics. As a consequence, projects relating to KONE's global car fleet and business travel are ongoing. KONE aims to reduce its operational carbon footprint by 5 percent per unit by 2010.

Capital and Risk Management

The ultimate goal of capital and risk management in the KONE Group is to contribute to the creation of shareholder value.

Capital is managed in order to maintain a strong financial position and to ensure that the Group's funding needs can be optimized in a cost-efficient way even in a critical funding environment. In the present weak economic situation, having no net debt is a strength.

KONE's January-September 2009 review

The financial turmoil has been extremely severe since mid-2008. KONE is focusing on two major issues regarding its capital and risk management. Firstly, the capability to adapt its cost structure to changing volumes in order to stay competitive, and secondly, to ensure that the Group's liquidity is guaranteed to cover both short-term and long-term funding needs.

To avoid an unnecessary cost burden in this market environment, overall cost control has been tightened and a program to decrease the run-rate of fixed costs has been initiated. In addition, the Group's cost structure is flexible because of outsourcing in different areas of the business.

The key area in guaranteeing good liquidity in the short-term is to keep the present good working capital position. In a difficult economic situation, it is increasingly important to maintain a healthy order book without deterioration in payment terms, and to improve credit control and collection activities. Long-term funding is guaranteed by existing committed lines.

KONE's business activities are exposed to risks, which may arise from changes in KONE's business environment or incidents resulting from operating activities. The most significant risks are increases in personnel costs and raw material costs, fluctuation in currency and changes in the development of the world economy.

The global economic slowdown and financial turmoil may bring a decrease in the number of new equipment orders received by KONE, cancellations of agreed-on deliveries, or delays in the commencement of projects. A significant part of KONE's sales consist of services which are less susceptible to the effects of an economic recession. The economic recession may affect the liquidity and payment schedules of KONE's customers and lead to credit losses. Credit risks are managed by applying advance payments, actively monitoring the liquidity of customers and active receivable collection efforts.

As a global group, KONE is exposed to foreign exchange fluctuations. The Group Treasury function manages exchange rates and other financial risks centrally on the basis of principles approved by the Board of Directors. The main effect of exchange rate fluctuations is seen in the consolidated financial statements of the KONE Group resulting from the translation of financial statements of foreign subsidiaries into euros.

A significant part of KONE's sales consist of services which are very labor-intensive. If the increases in labor costs cannot be transferred to prices or the productivity targets are not met, the profit development of the Group will be adversely affected. A failure to efficiently reallocate personnel resources in response to reduced or changed business opportunities may also have a negative effect on the profit development.

Changes in raw material prices are reflected directly in the production costs of components made by KONE, such as doors and cars, and indirectly in the prices of purchased components. The maintenance business deploys a significant fleet of service vehicles, and oil price fluctuations can affect the cost of maintenance.

Appointment to the Executive Board

KONE appointed Henrik Ehrnrooth M.Sc. (Econ) Executive Vice President, Finance (Chief Financial Officer) and a Member of the Executive Board as of May 1, 2009. Henrik Ehrnrooth succeeded Aimo Rajahalme, who served as CFO since 1991.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting was held in Helsinki on February 23, 2009. The meeting approved the financial statements and discharged the responsible parties from liability for the January 1–December 31, 2008 financial period.

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

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

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

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

The Annual General Meeting confirmed an annual compensation of EUR 54,000 for the Chairman of the Board, EUR 42,000 for the Vice Chairman, EUR 30,000 for

KONE's January-September 2009 review

Board Members and EUR 15,000 for the deputy Member. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings.

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

In addition, the Annual General Meeting authorized the Board of Directors to decide on the distribution of any shares repurchased by the company. The authorization is limited to a maximum of 3,810,000 class A shares and 21,760,000 class B shares. The Board shall have the right to decide to whom to issue the shares, i.e. to issue shares in deviation from the pre-emptive rights of shareholders.

These authorizations shall remain in effect for a period of one year from the date of the decision of the Annual General Meeting.

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

Dividend for 2008

The Annual General Meeting approved the Board's proposal for dividends of EUR 0.645 for each of the 38,104,356 class A shares and EUR 0.65 for the 214,643,060 outstanding class B shares. The date of record for dividend distribution was February 26, 2009, and dividends were paid on March 5, 2009.

Share Capital and Market Capitalization

The KONE 2005B options based on the KONE Corporation 2005 option program were listed on the main list of the NASDAQ OMX Helsinki Ltd. on June 1, 2005. Each option entitled its holder to subscribe for twelve (12) class B shares at a price of EUR 4.02 per share. As the 2005B options subscription period ended on March 31, 2009, 4,660 remaining series B options held by the subsidiary expired. The remaining 12,034 options had been used and the shares were entered in the Finnish Trade Register in April.

In 2005, KONE also granted a conditional option program, 2005C. The 2005C stock options were listed on the NASDAQ OMX Helsinki Ltd. as of April 1, 2008. The total number of 2005C stock options is 2,000,000 of which 522,000 are owned by a subsidiary of KONE Corporation. Each option right entitles its owner to subscribe for two (2) KONE Corporation class B shares at a price of EUR 11.90 per share. At the end of September 2009, the remaining 2005C options entitled their holders to subscribe for 3,909,150 class B shares. The subscription period for series C options will end on April 30, 2010.

In December 2007, KONE Corporation's Board of Directors decided to grant stock option rights to approximately 350 employees of KONE's global organization. The share subscription period for 2007 stock option will be April 1, 2010–April 30, 2012. The share subscription period begins only if the average turnover growth of the KONE Group for the 2008 and 2009 financial years exceeds the market growth and if the earnings before interest and taxes (EBIT) of the KONE Group for the financial year 2008 exceeds the EBIT for the 2007 financial year, and the EBIT for the 2009 financial year exceeds the EBIT for the 2008 financial year.

As of September 30, 2009, KONE's share capital was EUR 64,417,742.50, comprising 219,566,614 listed class B shares and 38,104,356 unlisted class A shares.

KONE´s market capitalization was EUR 6,354 million on September 30, 2009, disregarding own shares in the Group's possession.

Repurchase of KONE shares

On the basis of the Annual General Meeting's authorization, KONE Corporation's Board of Directors decided to commence repurchasing shares at the earliest on March 3, 2009.

During January 1–September 30, 2009, KONE did not use its authorization to repurchase its own shares. In April 2009, 195,264 KONE class B shares assigned to the share-based incentive plan for the company's senior management were transferred from KNEBV Incentive Oy to the participants due to achieved targets for the financial year 2008. At the end of September, the Group had 4,710,242 class B shares in its possession. The shares in the Group's possession represent 2.1% of the total number of class B shares. This corresponds to 0.8% of the total voting rights.

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Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki traded 129.7 million of KONE Corporation's class B shares in January-September, equivalent to a turnover of EUR 2,569 million. The daily average trading volume was 690,028 (1–9/2008: 805,448; the numbers of shares have been adjusted to the increase in the number of shares due to the share issue without payment). The share price on September 30, 2009 was EUR 25.12. The volume weighted average share price during the period was EUR 19.85. The highest quotation during the period under review was EUR 26.31 and the lowest 13.80.

The number of registered shareholders at the beginning of the review period was 16,354 and 21,264 at its end. The number of private households holding shares totaled 19,223 at the end of the period, which corresponds to approximately 13% of the listed B-shares.

According to the nominee registers, 43.3% of the listed class B shares were owned by foreigners as of September 30, 2009. Other foreign ownership at the end of the period totaled 7.6%; thus a total of 50.8% of the company's listed class B shares were owned by international investors, corresponding to approximately 19% of the total votes in the company.

Market outlook

During the last quarter of 2009, the maintenance market will continue to develop well. The modernization market will be at about last year's level. The new equipment market will remain weak but the rate of decline will decrease.

Outlook

KONE further specifies its operating income outlook for 2009.

KONE's objective in net sales is to grow 2–5% as compared to net sales in 2008.

In operating income (EBIT), the objective is EUR 580–595 million, excluding the one-time cost of EUR 33.6 million.

Previous outlook

KONE's objective in net sales is to grow 2–5% as compared to net sales in 2008.

In operating income (EBIT), the objective is EUR 570–595 million excluding the one-time cost of EUR 33.6 million.

Helsinki, October 20, 2009

KONE Corporation

Board of Directors

Consolidated statement of income

MEUR	7–9/2009	%	7–9/2008	%	1–9/2009	%	1–9/2008	%	1–12/2008	%
Sales	1,127.3		1,123.8		3,316.9		3,171.2		4,602.8	
Costs and expenses	-951.9		-958.0		-2,906.6		-2,752.5		-3,979.6	
Depreciation	-15.3		-19.8		-46.3		-49.5		-64.8	
Operating income	160.1	14.2	146.0	13.0	364.0	11.0	369.2	11.6	558.4	12.1
Share of associated companies' net income	3.0		0.9		4.6		1.7		2.6	
Financing income	4.1		5.3		25.8		12.8		24.4	
Financing expenses	-1.4		-8.8		-7.5		-19.6		-21.6	
Income before taxes	165.8	14.7	143.4	12.8	386.9	11.7	364.1	11.5	563.8	12.2
Taxes	-31.2		-35.9		-87.1		-93.9		-145.7	
Net income	134.6	11.9	107.5	9.6	299.8	9.0	270.2	8.5	418.1	9.1
Net income attributable to:										
Shareholders of the parent company	134.4		107.5		299.1		269.8		417.3	
Minority interests	0.2		0.0		0.7		0.4		0.8	
Total	134.6		107.5		299.8		270.2		418.1	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share	0.53		0.42		1.18		1.07		1.66	
Diluted earnings per share	0.53		0.42		1.18		1.06		1.65	

Consolidated statement of comprehensive income

MEUR	7–9/2009	7–9/2008	1–9/2009	1–9/2008	1–12/2008
Net income	134.6	107.5	299.8	270.2	418.1
Other comprehensive income, net of tax:					
Translation differences	-13.5	34.7	-12.0	20.4	38.0
Hedging of foreing subsidiaries	0.0	-9.9	-1.0	-7.4	-22.9
Cash flow hedges	2.9	-4.8	-3.2	-3.1	3.5
Other comprehensive income, net of tax	-10.6	20.0	-16.2	9.9	18.6
Total comprehensive income	124.0	127.5	283.6	280.1	436.7
Total comprehensive income attributable to:					
Shareholders of the parent company	123.8	127.5	282.9	279.7	435.9
Minority interests	0.2	0.0	0.7	0.4	0.8
Total	124.0	127.5	283.6	280.1	436.7

Condensed consolidated statement of financial position

Assets MEUR	Sep 30, 2009	Sep 30, 2008	Dec 31, 2008
Non-current assets			
Intangible assets	697.0	663.6	670.2
Tangible assets	199.1	210.1	214.7
Loans receivable and other interest-bearing assets	1.6	1.8	2.3
Deferred tax assets	135.0	112.7	122.1
Investments	150.1	148.2	169.1
Total non-current assets	1,182.8	1,136.4	1,178.4
Current assets			
Inventories	931.8	986.4	885.5
Advance payments received	-945.8	-919.2	-805.4
Accounts receivable and other non interest-bearing assets	1,087.3	1,037.3	1,046.5
Current loans and receivables	279.1	150.6	204.0
Cash and cash equivalents	192.5	183.5	147.8
Total current assets	1,544.9	1,438.6	1,478.4
Total assets	2,727.7	2,575.0	2,656.8

Equity and liabilities MEUR	Sep 30, 2009	Sep 30, 2008	Dec 31, 2008
Equity	1,162.3	875.0	1,035.9
Non-current liabilities			
Loans	28.5	222.5	172.4
Deferred tax liabilities	35.6	30.2	39.7
Employee benefits	108.2	126.1	115.8
Total non-current liabilities	172.3	378.8	327.9
Provisions	69.5	68.6	49.9
Current liabilities			
Loans	85.9	104.1	123.4
Accounts payable and other liabilities	1,237.7	1,148.5	1,119.7
Total current liabilities	1,323.6	1,252.6	1,243.1
Total equity and liabilities	2,727.7	2,575.0	2,656.8

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Minority interests	Total equity
Jan 1, 2009	64.4	100.4	3.3	9.0	-16.2	-83.1	957.2		0.9	1,035.9
Total comprehensive income for the period				-3.2	-13.0			299.1	0.7	283.6
Transactions with shareholders and minority shareholders:										
Dividends paid							-164.1			-164.1
Issue of shares (option rights)	0.0		0.9							0.9
Purchase of own shares										-
Sale of own shares										-
Change in minority interests									-0.5	-0.5
Option and share-based compensation						3.0	3.5			6.5
Sep 30, 2009	64.4	100.4	4.2	5.8	-29.2	-80.1	796.6	299.1	1.1	1,162.3

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Minority interests	Total equity
Jan 1, 2008	64.2	100.2	-	5.5	-31.3	-87.8	698.1		0.3	749.2
Total comprehensive income for the period				-3.1	13.0			269.8	0.4	280.1
Transactions with shareholders and minority shareholders:										
Dividends paid							-163.6			-163.6
Issue of shares (option rights)	0.0	0.2	1.0							1.2
Purchase of own shares										-
Sale of own shares										-
Change in minority interests									0.3	0.3
Option and share-based compensation						4.7	3.1			7.8
Sep 30, 2008	64.2	100.4	1.0	2.4	-18.3	-83.1	537.6	269.8	1.0	875.0

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Minority interests	Total equity
Jan 1, 2008	64.2	100.2	-	5.5	-31.3	-87.8	698.1		0.3	749.2
Total comprehensive income for the period				3.5	15.1			417.3	0.8	436.7
Transactions with shareholders and minority shareholders:										
Dividends paid							-163.6			-163.6
Issue of shares (option rights)	0.2	0.2	3.3							3.7
Purchase of own shares										-
Sale of own shares										-
Change in minority interests									-0.2	-0.2
Option and share-based compensation						4.7	5.4			10.1
Dec 31, 2008	64.4	100.4	3.3	9.0	-16.2	-83.1	539.9	417.3	0.9	1,035.9

Condensed consolidated statement of cash flows

MEUR	7–9/2009	7–9/2008	1–9/2009	1–9/2008	1–12/2008
Operating income	160.1	146.0	364.0	369.2	558.4
Change in working capital	80.1	-12.4	216.6	20.2	-95.8
Depreciation	15.3	19.8	46.3	49.5	64.8
Cash flow from operations	255.5	153.4	626.9	438.9	527.4
Cash flow from financing items and taxes	-34.1	-36.1	-99.7	-86.7	-99.5
Cash flow from operating activities	221.4	117.3	527.2	352.2	427.9
Cash flow from investing activities	-16.1	-35.6	-48.6	-96.9	-128.6
Cash flow after investing activities	205.3	81.7	478.6	255.3	299.3
Purchase and sale of own shares	-	-	-	-	-
Issue of shares	-	0.3	0.9	1.2	3.7
Dividends paid	-	-	-164.0	-163.3	-163.3
Change in loans receivable	-105.6	-22.1	-79.4	-27.7	-82.7
Change in loans payable	-77.6	-41.5	-191.8	-40.0	-62.7
Cash flow from financing activities	-183.2	-63.3	-434.3	-229.8	-305.0
Change in cash and cash equivalents	22.1	18.4	44.3	25.5	-5.7
Cash and cash equivalents at end of period	192.5	183.5	192.5	183.5	147.8
Translation difference	-0.1	-3.1	-0.4	-3.1	1.4
Cash and cash equivalents at beginning of period	170.3	162.0	147.8	154.9	154.9
Change in cash and cash equivalents	22.1	18.4	44.3	25.5	-5.7

Change in interest-bearing net debt

MEUR	7–9/2009	7–9/2008	1–9/2009	1–9/2008	1–12/2008
Interest-bearing net debt at beginning of period	-167.1	87.0	-58.3	91.7	91.7
Interest-bearing net debt at end of period	-358.8	-9.3	-358.8	-9.3	-58.3
Change in interest-bearing net debt	-191.7	-96.3	-300.5	-101.0	-150.0

Notes for the interim report

Key figures

		1–9/2009	1–9/2008	1–12/2008
Basic earnings per share	EUR	1.18	1.07	1.66
Diluted earnings per share	EUR	1.18	1.06	1.65
Equity per share	EUR	4.59	3.47	4.10
Interest-bearing net debt	MEUR	-358.8	-9.3	-58.3
Total equity/total assets	%	42.6	34.0	39.0
Gearing	%	-30.9	-1.1	-5.6
Return on equity	%	36.4	44.4	46.8
Return on capital employed	%	31.4	33.3	35.9
Total assets	MEUR	2,727.7	2,575.0	2,656.8
Assets employed	MEUR	803.5	865.7	977.6
Working capital (including financing and tax items)	MEUR	-242.7	-156.2	-76.4

Sales by geographical regions

MEUR	1–9/2009	%	1–9/2008	%	1–12/2008	%
EMEA[1]	2,049.4	62	2,067.4	65	3,001.5	65
Americas	694.8	21	609.7	19	888.3	19
Asia-Pacific	572.7	17	494.1	16	713.0	16
Total	3,316.9		3,171.2		4,602.8	

[1] EMEA = Europe, Middle East, Africa

Quarterly figures

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

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

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

Notes for the interim report

Orders received

MEUR	1–9/2009	1–9/2008	1–12/2008
	2,618.9	3,102.3	3,947.5

Order book

MEUR	Sep 30, 2009	Sep 30, 2008	Dec 31, 2008
	3,603.4	4,002.8	3,576.7

Capital expenditure

MEUR	1–9/2009	1–9/2008	1–12/2008
In fixed assets	22.1	38.8	65.1
In leasing agreements	4.6	8.5	9.3
In acquisitions	39.3	49.6	60.0
Total	66.0	96.9	134.4

R&D Expenditure

MEUR	1–9/2009	1–9/2008	1–12/2008
	44.1	42.9	58.3
R&D expenditure as percentage of sales	1.3	1.4	1.3

Number of employees

	1–9/2009	1–9/2008	1–12/2008
Average	34,365	33,658	33,935
At the end of the period	34,136	34,548	34,831

Notes for the interim report

Commitments

MEUR	Sep 30, 2009	Sep 30, 2008	Dec 31, 2008
Mortgages			
Group and parent company	0.7	0.7	0.7
Pledged assets			
Group and parent company	1.9	5.1	2.0
Guarantees			
Associated companies	3.4	4.0	4.1
Others	6.6	6.2	7.2
Operating leases	162.3	157.4	171.7
Total	174.9	173.4	185.7

The future minimum lease payments under non-cancellable operating leases

MEUR	Sep 30, 2009	Sep 30, 2008	Dec 31, 2008
Less than 1 year	40.7	41.9	43.3
1–5 years	92.8	99.8	96.9
Over 5 years	28.8	15.7	31.5
Total	162.3	157.4	171.7

Derivatives

Fair values of derivative financial instruments MEUR	positive fair value Sep 30, 2009	negative fair value Sep 30, 2009	net fair value Sep 30, 2009	net fair value Sep 30, 2008	net fair value Dec 31, 2008
FX Forward contracts	8.9	6.0	2.9	2.2	10.9
Currency options	-	-	-	0.0	0.4
Cross-currency swaps, due under one year	3.1	18.3	-15.2	-	1.8
Cross-currency swaps, due in 1–3 years	-	-	-	-1.6	-22.7
Electricity derivatives	0.1	1.2	-1.1	0.8	-1.0
Total	12.1	25.5	-13.4	1.4	-10.6

Nominal values of derivative financial instruments

MEUR	Sep 30, 2009	Sep 30, 2008	Dec 31, 2008
FX Forward contracts	472.6	588.7	615.7
Currency options	-	125.7	90.4
Cross-currency swaps, due under one year	136.7	-	23.6
Cross-currency swaps, due under 1–3 years	-	136.7	113.1
Electricity derivatives	4.7	4.5	4.7
Total	614.0	855.6	847.5

Shares and shareholders

Sep 30, 2009	Class A shares	Class B shares	Total
Number of shares	38,104,356	219,566,614	257,670,970
Own shares in possession [1)]		4,710,242	
Share capital, EUR			64,417,743
Market capitalization, MEUR			6,354
Number of shares traded (millions), 1–9/2009		129.7	
Value of shares traded, MEUR, 1–9/2009		2,569	
Number of shareholders	3	21,264	21,264

	Close	High	Low
Class B share price, EUR, Jan-Sep 2009	25.12	26.31	13.80

[1)] During January-September 2009, the authorization to repurchase shares was not used. In April 2009, 195,264 KONE class B shares assigned to the share-based incentive plan for the company's senior management were transferred from KNEBV Incentive Oy to the participants due to achieved targets for the financial year 2008. During 2008, the authorization to repurchase shares was not used. In April 2008, 326,000 class B shares assigned to the share-based incentive plan for the company's senior management were transferred from KNEBV Incentive Ky to the participants due to achieved targets for the financial year 2007. Due to the share issue without payment (registered on February 28, 2008) the number of shares in the company was increased by issuing new shares to the shareholders without payment in proportion to their holdings so that one class A share was given for each class A share and one class B share for each class B share.

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KONE's objective is to offer the best people flow experience by developing and delivering solutions that enable people to move smoothly, safely, comfortably and without waiting in buildings in an increasingly urbanizing environment. KONE provides its customers with industry-leading elevators, escalators and innovative solutions for modernization and maintenance, and is one of the global leaders in its industry. In 2008, KONE had annual net sales of EUR 4.6 billion and over 34,800 employees. KONE class B shares are listed on the NASDAQ OMX Helsinki in Finland.