Dedicated to People Flow™ KONE

LONDON 2:55 P.M.

Helping Robin and his colleagues get to their meetings effortlessly and on time.

The first KONE elevators manufactured in the late 1910s gave little hint of the promise of innovations to come. 100 years later, KONE is one of the leading companies in its industry. The KONE Polaris™ Destination Control System ensures Robin reaches his destination floor with minimal waiting time.

KONE Q4

FINANCIAL STATEMENT BULLETIN 2009

KONE's January–December 2009 review

October-December 2009: Strong year-end

- In October-December 2009, orders received totaled EUR 813.5 (10–12/2008: 845.2) million. Orders received declined by 3.8% at historical exchange rates, but increased by 0.3% at comparable exchange rates.
- Net sales decreased by 0.3% to EUR 1,427 (1,432) million. At comparable exchange rates it grew by 2.3%.
- Operating income was EUR 202.7 (189.2) million or 14.2% (13.2%) of net sales.
- Cash flow was exceptionally strong at EUR 198.2 (88.5) million.

January-December 2009: Overall good performance

- In January-December 2009, orders received totaled EUR 3,432 (2008: 3,948) million. Orders received declined by 13.0%, or 12.7% at comparable exchange rates. At the end of December 2009, the order book was EUR 3,309 (3,577) million.
- Net sales increased by 3.1% to EUR 4,744 (4,603) million. At comparable exchange rates, the growth was 3.7%.
- Operating income, excluding a one-time restructuring cost, was EUR 600.3 (558.4) million or 12.7% (12.1%) of net sales. The operating income, including the one-time restructuring cost of EUR 33.6 million related to the fixed cost adjustment program, was EUR 566.7 million. Earnings per share were 1.84 (1.66).
- Cash flow was exceptionally strong at EUR 825.1 (527.4) million.
- In 2010, KONE's net sales is estimated to decline approximately 5% at comparable exchange rates. The operating income (EBIT) is expected to be in the range of EUR 560–610 million.
- The Board proposes a dividend of EUR 0.65 per class B share from the year 2009. Further the Board proposes an extra dividend of EUR 0.65 per class B share due to the centennial year 2010 of KONE and therefore the total proposed dividend is 1.30 per class B share.

KEY FIGURES

		10–12/2009	10–12/2008	change %	1–12/2009	1–12/2008	change %
Orders received	MEUR	813.5	845.2	-3.8	3,432.4	3,947.5	-13.0
Order book	MEUR	3,309.1	3,576.7	-7.5	3,309.1	3,576.7	-7.5
Sales	MEUR	1,426.8	1,431.6	-0.3	4,743.7	4,602.8	3.1
Operating income	MEUR	202.7	189.2	7.1	600.3 [1]	558.4	7.5
Operating income	%	14.2	13.2		12.7 [1]	12.1	
Cash flow from operations (before financing items and taxes)	MEUR	198.2	88.5		825.1	527.4	
Net income	MEUR	166.6	147.9		466.4	418.1	
Total comprehensive income	MEUR	165.9	156.6		449.5	436.7	
Basic earnings per share	EUR	0.66	0.59		1.84	1.66	
Interest-bearing net debt	MEUR	-504.7	-58.3		-504.7	-58.3	
Total equity/total assets	%	47.0	39.0		47.0	39.0	
Gearing	%	-37.7	-5.6		-37.7	-5.6	

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

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

"I am very pleased with our 2009 results. Our personnel has done an excellent job in a very demanding environment. I therefore want to thank every KONE employee for a work well done.

EBIT continued to grow. We made good progress in the service business. The quality and efficiency of the new equipment deliveries developed very positively as well. I am particularly delighted with the exceptionally strong cash flow during the year. The orders received development in the fourth quarter was also pleasing. This was the case particularly in China, where our market position continued to strengthen.

From this strong position, we have now started in a good spirit our efforts to continue to develop our business in order to reach a good performance again in 2010."

KONE's January–December 2009 review

Accounting Principles

The information presented in this report is based on the audited KONE 2009 Financial Statements, that has been released together with this report. KONE Corporation's financial statement bulletin has been prepared in line with IAS 34, `Interim Financial Reporting´. KONE has applied the same accounting principles in the preparation of the interim report as in its financial statements for 2009.

October-December 2009 review

Operating environment in October-December

In the fourth quarter of 2009, demand for new equipment continued to weaken in most geographical regions. Good growth was however seen in some markets in Asia-Pacific. In addition, residential segment in Northern Europe started to develop favorably. The modernization markets were competitive but continued to be stable and provided growth opportunities. Global maintenance markets, which are less cyclical by nature, continued to grow, but became increasingly competitive.

In the Europe, Middle East and Africa (EMEA) region, the business environment in new equipment markets continued to weaken, but varied from country to country. In new equipment, the residential activity improved in Sweden, Finland and Austria. The weakest markets were Russia, Italy, United Kingdom and especially Spain. The demand for modernization was stable overall with France, Sweden, Finland and Austria showing good development. The maintenance markets continued to develop well in EMEA.

In the Americas region, the new equipment markets continued to decline. In the United States, aggressive pricing was frequently noticed in major projects. 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 new equipment market in Canada showed signs of bottoming. In Mexico, the new equipment market also continued to be weak, but was bottoming. Maintenance markets in North America developed well, but were increasingly competitive.

In the Asia-Pacific region, the new equipment market development in China was positive during the fourth quarter and the market in India started also to pick up. Other markets in the region remained weak. In China, real estate investments increased due to the improved lending environment for home buyers and land developers. The Indian new equipment market grew in the fourth quarter from a low level. In Australia, the new equipment market was weak, but the tendering activity improved somewhat. In Southeast Asia, construction markets remained weak. However, signs of a recovery were seen, but decision making remained slow. Maintenance markets in Asia-Pacific developed favorably.

Financial performance in October-December

KONE's orders received in the fourth quarter of 2009 declined by 3.8% and totaled EUR 813.5 (10-12/2008: 845.2) million. At comparable exchange rates, orders received increased by 0.3%. The Asia-Pacific region showed growth in orders received. This was achieved especially because of continued very strong development in orders received in China. Orders received grew also in India and Australia in the fourth quarter. In the EMEA region, the level of orders received in new equipment was also at the 2008 level. This is good evidence of KONE's continuously improved competitiveness and that development actions taken have been effective. In modernization, KONE's progress in orders received was good especially in France, Sweden, Finland, the Netherlands and Italy. Maintenance contracts are not included in orders received.

KONE's largest orders in October-December 2009 were an order to supply new elevators and escalators for the Erasmus Medical Centre expansion in Rotterdam, The Netherlands. KONE also received two orders in the United Arab Emirates: to supply elevators for the Elite Residence Tower in Dubai and for the Gate Towers development in Abu Dhabi. In China, KONE won an order to supply escalators and elevators for Beijing's rapidly expanding subway system and an order to supply all elevators and escalators for the Leatop Plaza building in Guangzhou, China.

In addition, KONE won a six-year contract from Storstockholms Lokaltrafik AB, Sweden, to maintain all elevator and escalator units installed in Stockholm's metro stations.

KONE's net sales declined by 0.3% as compared to October-December 2008 and totaled EUR 1,427 (1,432) million. At comparable exchange rates sales grew by 2.3%.

New equipment sales accounted for EUR 686.5 (705.5) million of the total which represented a decline of 2.7% over the comparison period. At comparable exchange rates, it grew by 0.9%.

Service sales (maintenance and modernization) increased by 2.0% and totaled EUR 740.3 (726.1) million. At comparable exchange rates, the growth was 3.6%. Maintenance continued to grow well. However, modernization deliveries were lower as compared to the strong level of the fourth quarter in 2008.

The operating income for the October-December period totaled EUR 202.7 (189.2) or 14.2% (13.2%) of net sales. The good operating income was primarily a result of the devel-

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SALES BY GEOGRAPHICAL REGIONS, MEUR

	10–12/2009	%	10–12/2008	%	1–12/2009	%	1–12/2008	%
EMEA [1]	904.0	64	934.1	65	2,953.4	62	3,001.5	65
Americas	275.4	19	278.6	20	970.2	21	888.3	19
Asia-Pacific	247.4	17	218.9	15	820.1	17	713.0	16
Total	1,426.8		1,431.6		4,743.7		4,602.8	

1) EMEA = Europe, Middle East, Africa

opment programs that have led to favorable progress in the maintenance business as well as in installation productivity and better quality. In addition, reduced sourcing costs and tight cost control contributed to the positive result. Cash flow was exceptionally strong EUR 198.2 (88.5) million, which was a result of the improved operating income and a reduced net working capital. The progress in net working capital was largely due to a constant strong focus on payment terms and a reduced level of inventories.

Review January – December 2009

KONE's operating environment

Due to the global economic and financial crisis, new equipment markets weakened during 2009. As the year progressed the market situation became increasingly mixed, with most markets continuing to weaken but with some markets already showing positive development. The modernization markets remained quite stable despite the weak environment, and the size of the market was approximately the same in monetary value as the year before. Maintenance markets, which are less cyclical by nature, continued to grow. The growth was supported by high conversions of installed equipment into the maintenance base which was due to strong new equipment deliveries in prior years. The lag between the installation of new equipment to the conversion into maintenance is typically 12 months but can be up to 30 months. The maintenance market became increasingly competitive throughout the year.

In the European, Middle East and African region (EMEA), the markets were very challenging and continued to decline throughout the year. At the end of the year however, signs of recovery were seen in certain residential markets, especially in Sweden, Finland and Austria. The market in Germany was quite resilient throughout the year. The new equipment market in the United Kingdom continued to weaken towards the end of the year when it seemed to have bottomed out in some residential segments at a low level, but the commercial segment continued to weaken. The new equipment markets in the southern parts of Europe continued to become weaker and the markets in the Middle East and Russia were very weak. The modernization market was stable mainly due to the European Safety Norms for existing Lifts (SNEL) and the need for upgrades of an aging equipment base. The maintenance market continued to grow, but was increasingly competitive in EMEA.

In the Americas region, the new equipment markets weakened significantly compared to the previous year. The new equipment market in the United States has been demanding since the beginning of 2007. The infrastructure market increased partly due to stimulus activity during the second half of the year, but was very competitive because of the increasing aggressive pricing behavior. The modernization market was relatively stable as a result of federal stimulus money which was available for public housing, schools, hospitals and government facilities. The market in Canada was challenging, but stabilized towards the end of the year. In Mexico, the market was, up to the fourth quarter for the most parts consistent with those of the United States, but in the fourth quarter it showed signs of bottoming. The maintenance markets continued to grow, but was highly competitive.

In the Asia-Pacific region, the positive market development continued in China, but most other markets declined. Positive signs could however be seen in several markets towards the end of the year. Urbanization continued to drive growth in China, where the new equipment market was also weaker in the beginning of 2009 but strengthened throughout the year to show some growth compared to 2008. Real estate investments, construction areas, completed areas and sale of completed dwellings all showed growth compared to the previous year. The government eased reserve requirements for banks to increase lending activity to stimulate real estate developments and housing sale, but tightened it at the end of the year to moderate the growth in these sectors. Especially the infrastructure and affordable housing markets grew, driven by stimulus packages. The new equipment market in India declined during the first half of the year but the residential construction activity started to grow from its low level in the

KONE's January–December 2009 review

second half of the year. In Australia, the construction activity weakened due to high vacancy rates, but some improvements in tender activity were seen towards the end of the year. In Southeast-Asia, the construction market remained weak during 2009. However, the tendering activity also improved towards the end of the year, but decision making remained slow. The maintenance market, in Asia-Pacific developed favorably.

Orders received and Order book

KONE's orders received decreased by approximately 13% as compared to 2008, and totaled EUR 3,432 (2008: 3,948) million. At comparable exchange rates, orders received also decreased about 13%. KONE was successful in many markets that are important for the company. The performance in orders received was strongest in Asia-Pacific, with China developing very positively throughout the year. Maintenance contracts are not included in orders received.

The order book decreased from the end of 2008 by approximately 7% and stood at EUR 3,309 (3,577) million at the end of December 2009. At comparable exchange rates, the decrease was approximately 8%. As earlier, the margin of the order book remained at a good level.

In the EMEA region, orders received declined in the continuously weakening market during the first nine months. In the fourth quarter orders received grew. In new equipment, KONE's development in orders received varied from country to country. KONE performed particularly well in Germany, where the orders received development was positive compared to the year before. The most negative development during 2009 was seen in the Middle East, Russia, Spain, the United Kingdom and Ireland. In the modernization market KONE's orders received grew. The development was best in France, Sweden and Finland.

In the Americas, KONE experienced a good order intake during the first half of the year despite the weak market environment as KONE's advanced elevator and escalator solutions in new equipment and modernization increased customer awareness. During the second half of the year competition increased, and aggressive pricing behavior became apparent especially in major projects. KONE increased its market share in 2009 as compared to 2008. Despite the decline in orders received, KONE continued to improve its customer satisfaction and quality as well as maintaining its healthy margin in the order book.

In the Asia-Pacific region, new equipment orders declined slightly. In China, however, KONE's new equipment order intake continued to develop positively and the company succeeded to further strengthen its position in the highly competed new equipment market. In 2009, KONE was again one of the fastest growing elevator companies in China. KONE is the fourth largest company in its industry in the Chinese market. In Southeast-Asia, India and Australia orders received declined compared to 2008.

Net sales

KONE's net sales grew by approximately 3% as compared to the prior year, and totaled EUR 4,744 (4,603) million. Growth at comparable exchange rates was approximately 4%. Net sales growth was almost entirely organic. The amount of sales consolidated from the companies acquired in 2009 did not have a material impact on the Group sales for the financial period.

New equipment sales accounted for EUR 2,211 (2,190) million of the total and represented approximately 1% growth over the comparison period. At comparable exchange rates, the growth was approximately 2%. New equipment sales accounted for 47% (48) of total sales.

Service (maintenance and modernization) sales increased by 5% and totaled EUR 2,533 (2,413) million. At comparable exchange rates, the growth was approximately 6%. In 2009, maintenance accounted for 34% (33) and modernization for 19% (19) of total sales. KONE's maintenance base grew during 2009, fed by the company's strong order book and a high conversion rate.

The distribution of net sales was, 62% (65) EMEA, 21% (19), Americas and 17% (16) Asia-Pacific. The largest individual countries in terms of net sales in 2009 were the United States, France and China.

Financial result

KONE's operating income excluding a one-time restructuring cost was EUR 600.3 (558.4) million or 12.7% (12.1) of net sales. The operating income including the one-time restructuring cost of EUR 33.6 million related to the fixed cost adjustment program, was EUR 566.7 million or 11.9% of net sales. The growth in operating income was the result of improved competitiveness in the new equipment business, 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 development already during the second quarter but especially during the latter part of the year. Net financing items were EUR 19.8 (2.8) million and included dividends received from Toshiba Elevator and Building Systems Corporation (TELC).

KONE's income before taxes was EUR 594.6 (563.8) million. Taxes totaled EUR 128.2 (145.7) million. In 2009, the effective tax rate resulting from the operations for the financial year was 25.5% (25.8).However, taking into account prior year taxes and reassessment of deferred tax assets, the effec-

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tive tax rate was 21.6% for the financial year. The reassessment of deferred tax assets is based on the realized and expected profit estimate of the business operations. Net income for the financial period was EUR 466.4 (418.1) million.

The profit attributable to shareholders was EUR 465.6 (417.3) million, corresponding to earnings per share of EUR 1.84 (1.66). Equity per share was EUR 5.28 (4.10).

Consolidated statement of financial position and Cash flow

In 2009 KONE's financial position strengthened further and the company had a positive net cash position at the end of the year.

Cash flow generated from operations (before financing items and taxes) was EUR 825.1 (527.4) million.

The cash flow was exceptionally strong in 2009. The primary drivers of the strong cash flow were the growth in the operating income and a substantial improvement in net working capital. The progress in net working capital was largely due to a constant strong focus on payment terms and a reduced level of inventories.

Net working capital was EUR -228.7 (-76.4) million, including financing items and taxes.

At the end of 2009, interest-bearing assets exceeded interest-bearing debts and the net cash position totaled EUR 504.7 (58.3) million. Gearing was -37.7% (-5.6). KONE's total equity/total assets ratio was 47.0% (39.0).

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 92.5 (134.4) million. Capital expenditure, excluding acquisitions, was mainly related to facilities and equipment in R&D, IT and production. Acquisitions accounted for EUR 46.0 (60.0) million of this figure. Acquisitions made during the accounting period had no material effect on the 2009 figures.

In 2009, 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 established 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. In addition, KONE made several smaller acquisition during 2009.

Research and development

Research and development expenses totaled EUR 62.0 (58.3) million, representing 1.3% (1.3) of net sales. R&D expenses include development of new product concepts and further developments of existing products and services. KONE's elevators and escalators are based on energy-efficient technology.

With focus on key customer segments and emerging people flow requirements, KONE introduced in the elevator and escalator business many new product and service enhancements that fulfill its customers´ needs better and make it easier to do business with KONE.

KONE released new solutions for the infrastructure, modernization and affordable housing segments. In addition, new solutions for the 2–3 landing machine-room-less segment in the United States were introduced. The focus has mainly been on solutions that deliver improved performance, fresh visual options and improved energy-efficiency. The KONE JumpLift™ solution is an example of the expanded elevator offering. This innovative offering puts the elevator into operation already as the building is under construction, enabling more efficient flow of workers, delivering improved safety and productivity to the job site.

With priority on energy efficiency and industry-leading standard design, KONE launched both in North America and Asia-Pacific award-winning car and signalization designs, along with energy-efficient lighting and improved operating functionality.

In Europe, KONE introduced an innovative control system solution providing seamless integration between building door access, elevator performance, and lighting control. This innovation has been recognized by building owners and their tenants as an attractive People Flow™ solution that creates real differentiation in the residential segment.

In addition, KONE launched new escalator releases to further gain market share in the retail and infrastructure segments. The cost structure has been improved and the application scope has been enlarged by adding a full outdoor solution package to the offering as well as several new visual design components. In addition, an optimized motor was taken into use to reduce power consumtion. To further differentiate the escalator offering from that of the competition, an innovative solution to display commercial or safety related information on the escalator step was added to the offering.

KONE Corporation was awarded GOOD DESIGN awards in 2008 and 2009 for its innovative designs for new elevator design concepts and for its new design signalization series. 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

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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 important events during the financial 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 communicated 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 restructuring cost relating to this program is EUR 33.6 million, which was booked in the second quarter of 2009. The fixed cost adjustment program has progressed according to plan during 2009.

The majority of the fixed cost savings are being achieved through organizational development. The organizational structures are, as a result of this development flatter, and bring management closer to customers, broaden the span of control for managers to ensure better hands-on management and ensure uniforms structures globally to improve internal collaboration. The program improves the efficiency and speed of KONE. Selective actions are also taken in the supply chain and outsourcing. In addition to these actions, an overall tighter cost control continues throughout the company.

The program is estimated to decrease approximately 500 jobs globally. A majority of this decrease has already been completed. Simultaneously, KONE continues to recruit in certain markets that are providing growth opportunities, such as China.

A fine for the European Commission's decision of EUR 142 million, was recognized as a provision in the first quarter of 2007 and booked into interest-bearing debts in the consolidated statement of financial position during the second quarter of 2007. In June 2009, KONE re-paid the long term loan to the European commision. As KONE has appealed the decision, the size of the fine might however still change.

Personnel

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

In 2009, personnel development activities continued in line with the "People Leadership" program that was created in early 2008. The purpose of the program is to improve leadership capabilities in order to inspire, engage and develop people for outstanding performance. Two new leadership programs were rolled out: the Supervisor Development Program for first level line managers and Leadership Lift for top management. Over 2500 supervisors globally were trained in people leadership and the roll-out for further modules in operational excellence and process capabilities were started. Five leadership programs, with more than 200 top management participants, were completed at International Institute for Management Development (IMD). A new leadership program for middle management was created and piloted for roll-out in 2010. Many other training and development actions continued both on local and global levels.

The work to further harmonize the key people processes continued. A global resourcing system and a harmonized recruitment policy were taken into use across KONE while development work for a common tool for performance and compensation management was finalized. A global employee master data system was rolled out in pilot countries and the plan for 2010 roll-outs was completed. Harmonized role descriptions along with a global grading system were launched and implemented across KONE.The Agile KONE program, which intends to increase speed and take management closer to the customer through flatter organizations and wider spans of control, was implemented in Europe.

A global employee survey was carried out with all-time high responses and engagement rates. Actions to address the identified development areas were taken in various countries. Planning for the new survey in 2010 was started.

The efforts to improve workplace safety continued with an improvement target of 15% in IIFR (industrial injury frequency rate). Close cooperation with the employees to promote safety continued. The improved safety awareness was confirmed by "KONE's commitment to employee safety" being the highest single score in the employee survey. Regular virtual safety meetings worldwide were held to share information on best practices and new developments concerning safety.

KONE had 33,988 (34,831) employees at the end of 2009. The average number of employees was 34,276 (33,935).

The geographical distribution of KONE employees was 55% (56) in EMEA, 17% (17) in the Americas and 28% (27) in Asia-Pacific.

Environment

KONE's aim is to be the eco-efficiency leader in its industry. The early credentials of the company's eco-efficiency relate to the KONE EcoDisc® hoisting machine, a permanent magnet

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gearless motor innovation. It consumes 70% less energy than a hydraulic drive and 40% less than a geared traction elevator drive, thus making it one of the most eco-efficient solutions on the market today. EcoDisc® hoisting does not need any oil. It regenerates energy back to the buildings power network and has eco-lighting and a compact design based on recyclable materials.

In order to enhance eco-efficiency leadership, "Environmental Excellence" was selected as one of KONE's five development programs. Environmental Excellence embraces actions aiming to develop KONE's innovation leadership in the area of eco-efficiency. It also intends to minimize KONE's carbon footprint and to ensure the compliance of KONE's suppliers with the corresponding requirements and environmental targets.

KONE set an ambitious target for 2010, which aimed to continue reducing the electricity consumption of its volume elevators by 50% by the end of 2010, compared to the 2008 base value. During 2009, KONE's new volume elevators' energy consumption was reduced about 30% compared to the base level of 2008.

KONE has also set an annual 5% carbon footprint reduction target for its own operations. KONE had its carbon footprint assessed in 2008 by a third party in accordance with the Greenhouse Gas Protocol guidelines (GHG Protocol). The largest part of KONE's entire global impact relates to the amount of electricity used by KONE equipment in their lifetime, underlining the importance of energy-efficient innovations for elevators and escalators. The most significant Carbon dioxide (CO_2) impact of KONE's own operations relate to the company's vehicle car fleet, electricity consumption and logistics. As a consequence, projects to renew KONE's global car fleet and to reduce needs for air travel are ongoing. Electricity consumption and logistics related eco-efficiency initiatives have also been implemented in 2009.

Capital and risk management

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

A continuing global economic slowdown or a renewed weakening of the global economy may bring about a further decrease in the number of new equipment and modernization orders received, cancellation of agreed deliveries, or delays in the commencement of projects. A significant part of KONE's sales consists of services which are less susceptible to the effects of economic cycles, but which are very labor-intensive. The profit development of the Group could be adversely affected if the productivity targets in the service business are not met or if it is not possible to efficiently reallocate personnel resources in response to reduced business opportunities.

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

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

A renewed economic downturn may affect the liquidity and payment schedules of KONE's customers and lead to credit losses. KONE's `tender to cash´ process defines the rules for tendering, authorizations and credit control. Advance payments, documentary credits and guarantees are used in the payment terms to minimize the risks related to accounts receivable. KONE proactively manages its account receivable in order to minimize the risk of customer defaults. The customer base of KONE consists of a large number of customers in several market areas.

KONE operates internationally and is, thus, exposed to currency risks arising from exchange rate fluctuations related to currency flows from sales and purchases and from translation of statement of financial position items of foreign subsidiaries into euros. The KONE Treasury function manages exchange rates and other financial risks centrally on the basis of principles approved by the Board of Directors.

Changes in raw material prices are reflected directly in the production costs of components made by KONE, such as doors and cars, and indirectly in the prices of purchased components. In order to reduce the fluctuation of raw material prices and their impact on the price of components, KONE has for 2010 entered into fixed price contracts for a substan-

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tial part of the most significant materials. The maintenance business deploys a significant fleet of service vehicles, which explains why oil price fluctuations have an effect on the cost of maintenance.

For further information regarding financial risks, please refer to note 2 in the consolidated financial statements.

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 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 preemptive 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.

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 19,504 options had been used and the shares were entered in the Finnish Trade Register in March and April 2009.

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 December 2009, the remaining 2005C options entitled their holders to subscribe for 3,153,250 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 granted stock option rights to approximately 350 employees of KONE's global organization. The decision was based on the authorization received from the Annual General Meeting meeting at February 26, 2007. The maximum number of

KONE's January–December 2009 review

options is 2,000,000. Each option right will entitle its owner to subscribe for two (2) new class B shares. The share subscription period for 2007 stock option will be April 1, 2010–April 30, 2012. The share subscription period begins April 1, 2010, as the average turnover growth of the KONE Group for financial years 2008 and 2009 exceeded market growth and as the earnings before interest and taxes (EBIT) of the KONE Group for the financial year 2008 exceeded the EBIT for the financial year 2007, and the EBIT for the financial year 2009 exceeded the EBIT for the financial year 2008 as required in the terms of the stock options. For further information regarding stock options, please refer to note 21 in the consolidated financial statements.

As of December 31, 2009, KONE's share capital was EUR 64,606,717.50, comprising 220,322,514 listed class B shares and 38,104,356 unlisted class A shares.

KONE´s market capitalization was EUR 7,601 million on December 31, 2009, disregarding own shares in the Group's possession. Market capitalization is calculated on the basis of both the listed B shares and the unlisted A shares excluding treasury shares. Class A shares are valued at the closing price of the class B shares.

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 the financial year, 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 December, 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.

Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki Ltd. traded 160.9 million KONE Corporation's class B shares in 2009, equivalent to a turnover of EUR 3,399 million. The share price on December 30, 2009 was EUR 29.96. The highest quotation was EUR 30.40 and the lowest 13.80.

Market outlook 2010

The good development is expected to expand in the new equipment market in the Asia-Pacific region. In EMEA and North America, the market will continue to decline in most countries, however stabilization is expected towards the end of the year. The modernization market will be at about last year's level. The maintenance market will continue to develop well, but remain very competitive.

Outlook 2010

KONE's net sales is estimated to decline approximately 5% at comparable exchange rates.

The operating income (EBIT) is expected to be in the range of EUR 560–610 million.

The Board's proposal for the distribution of profit

The parent company's non-restricted equity on December 31, 2009 is EUR 1,561,214,658.74 of which net profit from the financial year is EUR 181,888,247.92.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.6475 be paid on the outstanding 38,104,356 class A shares and EUR 0.65 on the outstanding 215,633,008 class B shares. Further the Board proposes an extra dividend of EUR 0.6475 to be paid on the outstanding 38,104,356 class A shares and EUR 0.65 on the outstanding 215,633,008 class B shares due to the centennial year 2010 of KONE, resulting in a total proposed dividend of 1.295 per class A share and 1.30 per class B share. The total amount of proposed dividends will be EUR 329,668,051.42.

The dividend is proposed to be paid on March 11, 2010. All the shares existing on the dividend record date are entitled to dividend for the year 2009, except for the own shares held by the parent company.

Further the Board of Directors proposes to the General Meeting that Board is authorized to grant during year 2010 no more than EUR 3,500,000 to support activities of universities and colleges and that 100,000 treasury class B shares of KONE Corporation is distributed without compensation to the KONE Corporation Centennial Foundation to be established and that Board is authorized to grant later no more than EUR 100,000 to the KONE Corporation Centennial Foundation.

Annual General Meeting 2010

KONE Corporation's Annual General Meeting will be held at 11:00 a.m. on Monday, March 1, 2010 at Finlandia Hall, Mannerheimintie 13, in Helsinki, Finland.

Helsinki, January 26, 2010

KONE Corporation's Board of Directors

Consolidated statement of income

MEUR	10–12/2009	%	10–12/2008	%	1–12/2009	%	1–12/2008	%
Sales	1,426.8		1,431.6		4,743.7		4,602.8	
Costs and expenses	-1,208.2		-1,227.1		-4,081.2		-3,979.6	
Depreciation	-15.9		-15.3		-62.2		-64.8	
One-time restructuring cost	-				-33.6			
Operating income	202.7	14.2	189.2	13.2	566.7	11.9	558.4	12.1
Share of associated companies' net income	3.5		0.9		8.1		2.6	
Financing income	3.0		11.6		28.8		24.4	
Financing expenses	-1.5		-2.0		-9.0		-21.6	
Income before taxes	207.7	14.6	199.7	13.9	594.6	12.5	563.8	12.2
Taxes	-41.1		-51.8		-128.2		-145.7	
Net income	166.6	11.7	147.9	10.3	466.4	9.8	418.1	9.1
Net income attributable to:								
Shareholders of the parent company	166.5		147.5		465.6		417.3	
Non-controlling interests	0.1		0.4		0.8		0.8	
Total	166.6		147.9		466.4		418.1	
Earnings per share for profit attributable to the shareholders of the parent company, EUR								
Basic earnings per share, EUR	0.66		0.59		1.84		1.66	
Diluted earnings per share, EUR	0.65		0.59		1.83		1.65	

Consolidated statement of comprehensive income

MEUR	10–12/2009	10–12/2008	1–12/2009	1–12/2008
Net income	166.6	147.9	466.4	418.1
Other comprehensive income, net of tax:				
Translation differences	4.7	17.6	-7.3	38.0
Hedging of foreign subsidiaries	0.0	-15.5	-1.0	-22.9
Cash flow hedges	-5.4	6.6	-8.6	3.5
Other comprehensive income, net of tax	-0.7	8.7	-16.9	18.6
Total comprehensive income	165.9	156.6	449.5	436.7
Total comprehensive income attributable to:				
Shareholders of the parent company	165.8	156.2	448.7	435.9
Non-controlling interests	0.1	0.4	0.8	0.8
Total	165.9	156.6	449.5	436.7

Condensed consolidated statement of financial position

Assets

MEUR	Dec 31, 2009	Dec 31, 2008
Non-current assets		
Intangible assets	706.7	670.2
Tangible assets	200.5	214.7
Loans receivable and other interest-bearing assets	1.6	2.3
Deferred tax assets	152.8	122.1
Investments	156.0	169.1
Total non-current assets	1,217.6	1,178.4
Current assets		
Inventories	784.6	885.5
Advance payments received	-832.4	-805.4
Accounts receivable and other non interest-bearing assets	1,056.1	1,046.5
Current deposits and loan receivables	421.2	204.0
Cash and cash equivalents	204.9	147.8
Total current assets	1,634.4	1,478.4
Total assets	2,852.0	2,656.8

Equity and liabilities

MEUR	Dec 31, 2009	Dec 31, 2008
Equity	1,339.2	1,035.9
Non-current liabilities		
Loans	27.2	172.4
Deferred tax liabilities	42.4	39.7
Employee benefits	110.6	115.8
Total non-current liabilities	180.2	327.9
Provisions	100.3	49.9
Current liabilities		
Loans	95.8	123.4
Accounts payable and other liabilities	1,136.5	1,119.7
Total current liabilities	1,232.3	1,243.1
Total equity and liabilities	2,852.0	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	Non-controlling interests	Total equity
Jan 1, 2009	64.4	100.4	3.3	9.0	-16.2	-83.1	957.2		0.9	1,035.9
Total comprehensive income for the period				-8.6	-8.3			465.6	0.8	449.5
Transactions with shareholders and non-controlling interests:										
Dividends paid							-164.1			-164.1
Issue of shares (option rights)	0.2		9.7							9.9
Purchase of own shares										-
Sale of own shares										-
Change in non-controlling interests									-0.9	-0.9
Option and share-based compensation						3.0	5.9			8.9
Dec 31, 2009	64.6	100.4	13.0	0.4	-24.5	-80.1	799.0	465.6	0.8	1,339.2

MEUR	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 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 non-controlling interests:										
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 non-controlling 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	10–12/2009	10–12/2008	1–12/2009	1–12/2008
Operating income	202.7	189.2	566.7	558.4
Change in working capital before financial items and taxes	-22.4	-116.0	194.2	-95.8
Depreciation and impairment	17.9	15.3	64.2	64.8
Cash flow from operations	198.2	88.5	825.1	527.4
Cash flow from financing items and taxes	-24.0	-12.8	-123.7	-99.5
Cash flow from operating activities	174.2	75.7	701.4	427.9
Cash flow from investing activities	-42.0	-31.7	-90.6	-128.6
Cash flow after investing activities	132.2	44.0	610.8	299.3
Purchase and sale of own shares	-	-	-	-
Issue of shares	9.0	2.5	9.9	3.7
Dividends paid	-	-	-164.0	-163.3
Change in deposits and loans receivable, net	-141.5	-55.0	-220.9	-82.7
Change in loans payable	10.4	-22.7	-181.4	-62.7
Cash flow from financing activities	-122.1	-75.2	-556.4	-305.0
Change in cash and cash equivalents	10.1	-31.2	54.4	-5.7
Cash and cash equivalents at end of period	204.9	147.8	204.9	147.8
Translation difference	-2.3	4.5	-2.7	1.4
Cash and cash equivalents at beginning of period	192.5	183.5	147.8	154.9
Change in cash and cash equivalents	10.1	-31.2	54.4	-5.7

CHANGE IN INTEREST-BEARING NET DEBT

MEUR	10–12/2009	10–12/2008	1–12/2009	1–12/2008
Interest-bearing net debt at beginning of period	-358.8	-9.3	-58.3	91.7
Interest-bearing net debt at end of period	-504.7	-58.3	-504.7	-58.3
Change in interest-bearing net debt	-145.9	-49.0	-446.4	-150.0

Notes for the interim report

KEY FIGURES

		1–12/2009	1–12/2008
Basic earnings per share	EUR	1.84	1.66
Diluted earnings per share	EUR	1.83	1.65
Equity per share	EUR	5.28	4.10
Interest-bearing net debt	MEUR	-504.7	-58.3
Total equity/total assets	%	47.0	39.0
Gearing	%	-37.7	-5.6
Return on equity	%	39.3	46.8
Return on capital employed	%	34.0	35.9
Total assets	MEUR	2,852.0	2,656.8
Assets employed	MEUR	834.5	977.6
Working capital (including financing and tax items)	MEUR	-228.7	-76.4

SALES BY GEOGRAPHICAL REGIONS

MEUR	1–12/2009	%	1–12/2008	%
EMEA[1]	2,953.4	62	3,001.5	65
Americas	970.2	21	888.3	19
Asia-Pacific	820.1	17	713.0	16
Total	4,743.7		4,602.8	

1) EMEA = Europe, Middle East, Africa

QUARTERLY FIGURES

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

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

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

Notes for the interim report

ORDERS RECEIVED

MEUR	1–12/2009	1–12/2008
	3,432.4	3,947.5

ORDER BOOK

MEUR	Dec 31, 2009	Dec 31, 2008
	3,309.1	3,576.7

CAPITAL EXPENDITURE

MEUR	1–12/2009	1–12/2008
In fixed assets	40.9	65.1
In leasing agreements	5.6	9.3
In acquisitions	46.0	60.0
Total	92.5	134.4

R&D EXPENDITURE

MEUR	1–12/2009	1–12/2008
	62.0	58.3
R&D Expenditure as percentage of sales	1.3	1.3

NUMBER OF EMPLOYEES

	1–12/2009	1–12/2008
Average	34,276	33,935
At the end of the period	33,988	34,831

Notes for the interim report

COMMITMENTS

MEUR	Dec 31, 2009	Dec 31, 2008
Mortgages		
Group and parent company	-	0.7
Pledged assets		
Group and parent company	1.9	2.0
Guarantees		
Associated companies	3.5	4.1
Others	6.4	7.2
Operating leases	162.0	171.7
Total	173.8	185.7

The future minimum lease payments under non-cancellable operating leases

MEUR	Dec 31, 2009	Dec 31, 2008
Less than 1 year	41.0	43.3
1-5 years	91.6	96.9
Over 5 years	29.4	31.5
Total	162.0	171.7

DERIVATIVES

Fair values of derivative financial instruments

MEUR	positive fair value Dec 31, 2009	negative fair value Dec 31, 2009	net fair value Dec 31, 2009	net fair value Dec 31, 2008
FX Forward contracts	4.2	6.8	-2.6	10.9
Currency options	-	-	-	0.4
Cross-currency swaps, due under one year	-	17.0	-17.0	1.8
Cross-currency swaps, due in 1–3 years	-	-	-	-22.7
Electricity derivatives	0.4	0.8	-0.4	-1.0
Total	4.6	24.6	-20.0	-10.6

Nominal values of derivative financial instruments

Me	Dec 31, 2009	Dec 31, 2008
FX Forward contracts	488.4	615.7
Currency options	-	90.4
Cross-currency swaps, due under one year	113.1	23.6
Cross-currency swaps, due in 1–3 years	-	113.1
Electricity derivatives	5.3	4.7
Total	606.8	847.5

Shares and shareholders

Dec 31, 2009	Class A shares	Class B shares	Total
Number of shares	38,104,356	220,322,514	258,426,870
Own shares in possession [1]		4,710,242	
Share capital, EUR			64,606,718
Market capitalization, MEUR			7,601
Number of shares traded (millions), 1–12/2009		160.9	
Value of shares traded, MEUR, 1–12/2009		3,399	
Number of shareholders	3	22,304	22,304

	Close	High	Low
Class B share price, EUR, Jan-Dec 2009	29.96	30.40	13.80

[1] During 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 2009, KONE had annual net sales of EUR 4.7 billion and almost 34,000 employees. KONE class B shares are listed on the NASDAQ OMX Helsinki in Finland.