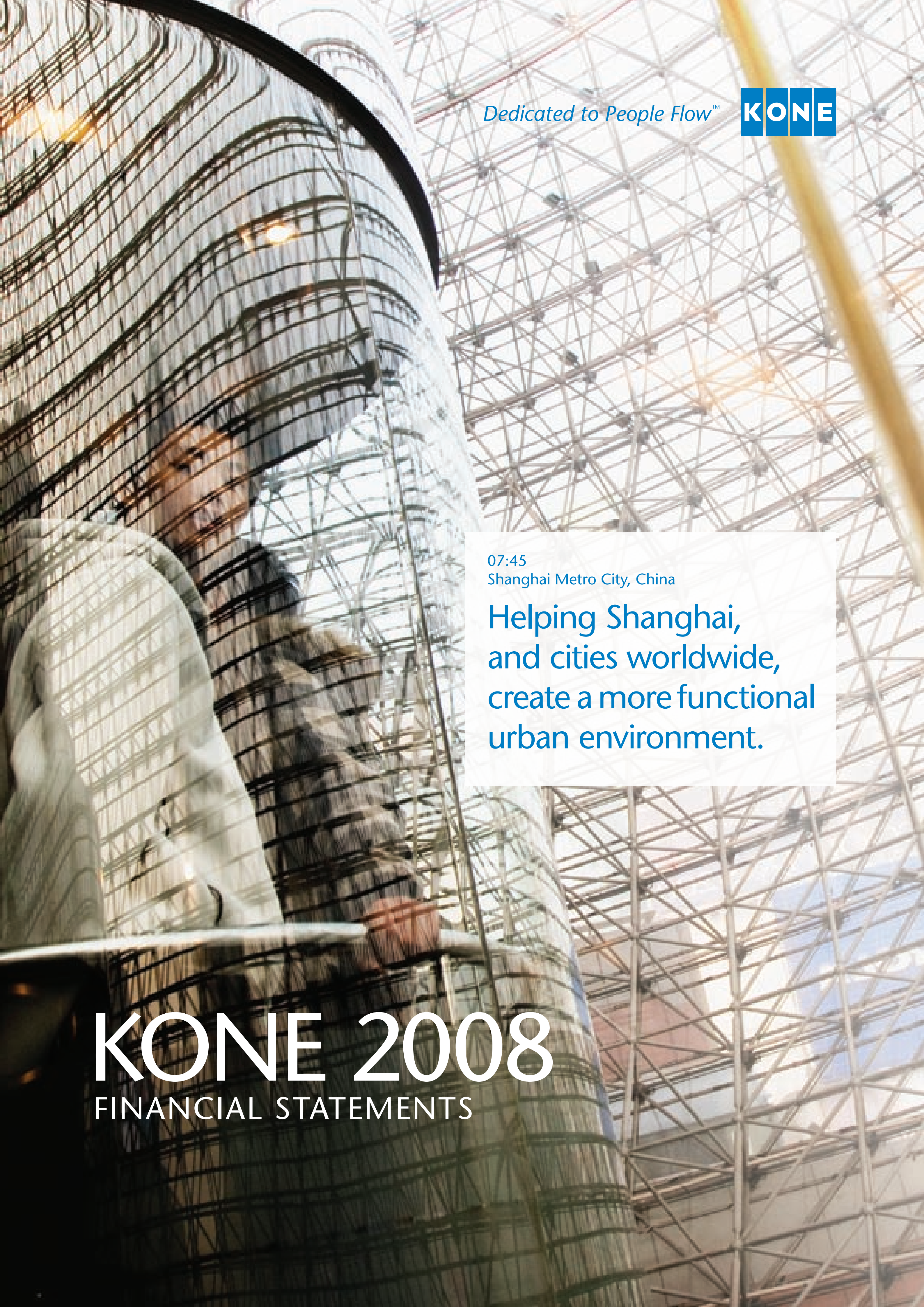

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KONE 2008
FINANCIAL STATEMENTS

Information for shareholders

Annual General Meeting

KONE Corporation's Annual General Meeting will be held on February 23, 2009 at 11:00 a.m. in Finlandia Hall, Mannerheimintie 13, Helsinki, Finland.

Shareholders wishing to attend the meeting must be registered on the KONE shareholder list at the Finnish Central Securities Depository no later than on February 13, 2009, and must register for attending the meeting by mail (KONE Corporation, Share Register, P.O. Box 7, FI-02151 Espoo), or by fax (+358 (0)204 75 4523), or by telephone (+358 (0)204 75 4336), or over the internet (www.kone.com/corporate/en/Investors/AGM2009) no later than 4:00 p.m. Finnish time on February 18, 2009. Any proxies must be submitted at the same time.

At general meetings each KONE class A share is assigned one vote, as is each block of 10 class B shares, with the proviso that each shareholder is entitled to at least one vote.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.645 per class A share and EUR 0.65 per outstanding class B share be distributed for the financial year, January-December 2008. All shares existing on the dividend record date, February 26, are entitled to the dividend. The dividend will be paid on March 5, 2009.

More information

- The Board of Directors' proposal for the distribution of profits, page 69
- Shares and shareholders, page 65

Trading codes

KONE Corporation has two classes of shares: the listed class B shares and the non-listed class A shares. The KONE class B shares, and the KONE 2005B and 2005C stock options are listed on the NASDAQ OMX Helsinki and are registered in the Finnish Central Securities Depository. The share subscription periods for the 2005B and 2005C options will end on March 31, 2009 and April 30, 2010 respectively.

KONE's financial reporting schedule in 2009

Financial statement bulletin and Financial statements for 2008	Friday January 23, 2009
Printed Financial report for 2008	Week 7, February, 2009
Interim report for January 1–March 31, 2009	Thursday, April 23, 2009
Interim report for January 1–June 30, 2009	Tuesday, July 21, 2009
Interim report for January 1–September 30, 2009	Tuesday, October 20, 2009

In 2009, KONE will publish a separate review of its operations in 2008, which will be published in March. The report will be mailed to all shareholders and to all individuals registered in the company's mailing list.

Publication of financial information

KONE Corporation publishes financial information in Finnish and English. All materials are available on KONE's website at www.kone.com, where requests for email distribution can also be made.

The printed Financial report will be mailed to all shareholders and to all individuals registered in the company's mailing list. Printed Interim reports are mailed only by request. Financial reports can be ordered by mail (KONE Corporation, Corporate Communications, P.O. Box 7, FI-02151 Espoo, Finland), or by email (corporate.communications@kone.com), or by telephone (+358 (0)204 751), or by fax (+358 (0)204 75 4515).

Changes of address

KONE's shareholders are kindly requested to report written changes of address to the bank where they have their book-entry account. Those shareholders who are registered at the Finnish Central Securities Depository should send a written notice to:

The Finnish Central
Securities Depository,
Customer Account Service,
P.O. Box 1110,
FI-00101 Helsinki
Tel. + 358 800 180 500

In the notice, shareholders should mention their name, new address, old address and book-entry account number.

More information

Investor contact, see report's back cover

Contents

Board of Directors' report

KONE's operating environment

As the year progressed, the overall market situation became increasingly difficult in the new equipment markets due to the financial environment. The new equipment demand declined in most countries at the end of the year because of financing difficulties and overall increasing uncertainty. Towards the end of the year, the negative development in the world economy somewhat delayed decision making in modernization. Maintenance markets continued to develop strongly.

In the European, Middle East and African region (EMEA), the business environment was quite favorable in most markets with the exception of Southern Europe in the beginning of 2008. The business environment became more and more demanding also in the North European market towards the end of the year. In the United Kingdom, which was a very active market in the beginning of 2008, both the residential and commercial markets weakened strongly towards the end of the year. Also in Russia, demand declined sharply during the second half of the year. The best demand in 2008 was seen in the Middle East, but at the end of the year, the situation in the United Arab Emirates changed rapidly. The overall Southern European residential market activity continued to decline in Italy, France and particularly in Spain. The commercial and hospital sectors however grew somewhat. Modernization demand continued to grow, mainly driven by the European Safety Norms for Existing Lifts (SNEL) and the need for upgrades, due to the aging of the equipment base. Demand weakened somewhat towards the end of the year due to the uncertainty in the economy.

While faced with a broad economic slowdown, the Americas market still provided growth opportunities for KONE. The new equipment market decreased year on year in the United States, nevertheless, the deterioration in the market did not prevent KONE to grow in the market. The modernization activity stayed at a relatively good level and the maintenance market also continued to develop well. In Canada, the construction market was rather resilient, while Mexico's construction market followed market trends in the United States.

In the Asia-Pacific region, good growth driven by urbanization continued, even though investment decisions were becoming slower in most markets. Also in China, the new equipment market growth weakened towards the end of the year. However, at the end of 2008 the central and local governments initiated fast supporting actions to revive the market. In India, the market activity suffered somewhat from high interest rates and cost inflation during the end of 2008. In Australia, the market shifted between residential and commercial demand, ending with some market growth compared to 2007.

Orders received and Order book

KONE's market position continued to strengthen in 2008 and the company gained market share in many important markets. KONE's orders received increased by approximately 7 percent compared to 2007 and totaled EUR 3,948 (2007: 3,675) million. At comparable exchange rates, the growth was approximately 12 percent. The growth in orders was strongest in the Asia-Pacific region. At the same time, orders received growth was good in the Americas, and developed favorably also in the EMEA region. Only new equipment and modernization orders are included in orders received.

The order book increased from the end of 2007 by 9 percent and stood at EUR 3,577 (3,282) million at the end of December 2008. At comparable exchange rates, the growth was about 13 percent. As earlier, the margin of the order book continued to be at a good level.

In the EMEA region, most markets continued to contribute positively to KONE's orders received growth in 2008. KONE performed particularly well in the Middle-East, France as well as in Central and Eastern Europe during 2008. In the second half of the year however, many markets deteriorated. The biggest negative development was seen in the United Kingdom during the second half of the year. KONE made good progress in the modernization market. KONE's orders received in modernization were particularly good in France.

In the Americas, KONE experienced a very good order intake growth during 2008. KONE's advanced elevator and escalator modernization solutions increased customer demand and awareness, which has enabled KONE to grow in new market segments. In addition, KONE's extended geographical network has enabled the company to win projects, especially in the area of major projects. In the United States, KONE continued to gain market share, exceeding market growth significantly. Simultaneously, KONE was able to continuously improve its productivity.

In the Asia-Pacific region, KONE's new equipment order intake continued to develop well in most markets. The company's success in further strengthening its position during 2008 was encouraging. During 2008, KONE was again one of the fastest growing elevator and escalator companies in orders received in China. Because of this, KONE was yet again able to increase its market share in a highly competitive market. In South-Asia, India and Australia, KONE also continued to perform well.

Net sales

KONE's net sales rose by approximately 13 percent, compared to last year, and totaled EUR 4,603 (4,079) million. Growth at comparable currency rates was approximately 17 percent. Net sales growth was almost entirely organic. The amount of sales consolidated from the companies acquired in 2008 did not have a material impact on the Group sales of the financial period.

New equipment sales accounted for EUR 2,190 (1,821) million of the total and represented an approximate 20 percent growth over the comparison period. At comparable currency rates, the growth was approximately 25 percent. New equipment sales accounted for 48 (45) percent of total sales.

Service sales increased by 7 percent and totaled EUR 2,413 (2,258) million. At comparable currency rates the growth was approximately 11 percent. KONE's maintenance base grew rapidly during 2008 fed by the company's strong order book and a high conversion rate. Urbanization, particularly in the emerging countries is also a big driver for this growth. At the end of 2008, maintenance accounted for 33 (36) percent and modernization for 19 (19) percent of total sales.

Of the sales, 65 (65) percent were generated from EMEA, 19 (21) percent by the Americas and 16 (14) percent by Asia-Pacific. The largest individual countries in terms of net sales in 2008 were the United States, France, the United Kingdom and China.

Financial result

KONE's operating income was EUR 558.4 (320.8) million or 12.1 (7.9) percent of net sales. The growth in operating income was the result of sales growth, healthy sales margins and improved productivity gained from the development programs. Business developed particularly well in maintenance and modernization. The rapid price growth in hot rolled steel and cast iron in May-June had an estimated impact of about EUR 20 million during the second half of the year. Net financing items were EUR 2.8 (-8.5) million.

KONE's income before taxes was EUR 563.8 (314.0) million. Taxes totaled EUR 145.7 (133.7) million, which represents a tax rate of 25.8 percent. Net income for the financial period was EUR 418.1 (180.3) million.

The profit attributable to shareholders was EUR 417.3 (180.1) million, corresponding to earnings per share of EUR 1.66 (0.72). Equity per share was EUR 4.10 (2.98).

Balance sheet and Cash flow

The balance sheet stayed strong and the company had a positive net cash position at the end of the year. Capital is managed 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 environment, having no debt is a major strength.

Cash flow generated from operations (before financing items and taxes) was EUR 527.4 (380.0) million. Net working capital was negative at EUR -76.4 (Dec 31, 2007: -121.8) million, including financing items and taxes.

In the end of 2008, interest-bearing assets exceeded interest-bearing debts and the net cash position totaled EUR 58.3 (Dec 31, 2007: -91.7) million. Gearing was -5.6 (12.2) percent. KONE's total equity/total assets ratio was 39.0 (31.7) percent.

Capital expenditure and acquisitions

KONE's capital expenditure, including acquisitions, totaled EUR 134.4 (116.9) million. Capital expenditure, excluding acquisitions, was mainly R&D, IT and installation devices, and production. Acquisitions accounted for EUR 60.0 (49.6) million of this figure. Acquisitions made during the accounting period had no material effect on the 2008 full year figures.

In 2008, one of the biggest acquisitions was the acquisition of the French elevator company ARA Lyon. ARA Lyon maintains and modernizes elevators in the area of Lyon. KONE also acquired the Arundel Elevator Company, a full service elevator company based in Baltimore, Maryland, USA. This acquisition increased KONE's customer base in Maryland and the neighboring Mid-Atlantic states. In Spain, KONE acquired RPG Mantenimiento S.L., in Murcia, that maintains and modernizes elevators and TECAS S.A., based in Valencia. TECAS maintains elevators, sells new equipment and is specialized in elevator installations for existing buildings. The acquisition strengthens KONE's position in the large metropolitan areas in Spain. The acquisitions also generate synergies, which enable KONE to improve its maintenance and modernization operations in the region. In addition, KONE acquired the International Elevator Company (IEC), a full service elevator company based in New Jersey, USA. The acquisition significantly increases KONE's maintenance base in northern New Jersey. IEC excels in elevator installation, maintenance, modernizations and repairs.

Research and development

Research and development expenses totaled EUR 58.3 (50.7) million, representing 1.3 (1.2) percent of net sales. R&D expenses include development of new product concepts and further developments of existing products and services.

During 2008, new solutions to expand KONE's accessible markets and to strengthen its competitiveness in both volume and high-rise markets globally were released. KONE's new offering development continued strongly in the areas of performance, space efficiency, visual design, user experience and in further improving the energy efficiency of KONE's products.

In Europe, KONE's counterweightless offering was expanded with a new release of KONE MaxiSpace™, an elevator solution especially designed for the modernization market.

In the Asia-Pacific region, a new elevator release expanded KONE's standard offering with improved ride quality, user experience, energy efficiency as well as new designs and options.

KONE also launched in early 2008 a next generation equipment monitoring system which is able, with an almost unlimited capacity, to monitor and manage large building complexes and geographically remote buildings from a single location. The system is easily integrated with a building's facility management systems.

Other events during the financial period

The Austrian Supreme Court decided to uphold the fine of EUR 22.5 million imposed on KONE's Austrian subsidiary in December 2007. The fine was imposed on KONE Austria by the Austrian Cartel Court based on anti-competitive practices before mid-2004. The fine was booked as an expense in the 2007 statement of income and paid in the last quarter of 2008.

Personnel

The objective of KONE's personnel strategy is to help the company meet its business targets. The main goals of KONE's personnel strategy are to further secure the availability, commitment and continuous development of its personnel. All 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.

In early 2008, in conjunction with the revised strategy, KONE's management decided to train 110 facilitators to help line managers communicate the key messages and goals. "People Leadership" was chosen as one of KONE's new five development programs. The purpose of the program is to improve leadership capabilities in order to inspire, engage and develop people for outstanding performance. The required leadership competences were redefined and new recruitment and assessment tools were built and taken into use. Training and development actions continued both on local and global levels. As a part of the global training offering, a new development program was built for supervisors focusing firstly on people leadership and later on process capabilities. The first three modules of the program were implemented fully in the North American organization and piloted in Europe and Asia. Development work to build a leadership program for top management was completed for roll-out in January 2009.

The work to further harmonize the key people processes continued and development projects started for common tools for recruitment and performance management. In performance management, processes to deal with both poor performance and to recognize high performance were launched.

A global employee survey was prepared for roll-out in December 2008 and January 2009.

The efforts to improve workplace safety continued with an improvement target of 20 % in IIFR (industrial injury frequency rate). Cooperation with the employees to promote safety intensified and, in connection with the annual international employee meeting, a Zero Accident Declaration was signed by the President & CEO and the Chairman of the employee representatives. Regular virtual safety meetings worldwide were held to share information on best practices and new developments concerning safety.

KONE had 34,831 (Dec 31, 2007: 32,544) employees at the end of 2008. The average number of employees was 33,935 (30,796). Most of the personnel growth was in the fastest growing markets, such as Asia-Pacific and the Middle East. Additional recruitments in other markets were carried out mainly in installation and modernization operations.

The geographical distribution of KONE employees was 56 (56) percent in EMEA, 17 (18) percent in the Americas and 27 (26) percent 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 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. Some other features of the KONE EcoDisc® include oil-free operation and the 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 in the beginning of 2008. Environmental Excellence embraces actions aiming to develop KONE's innovation leadership in the area of eco-efficiency, to minimize KONE's carbon footprint and to ensure the compliance of KONE's suppliers with the corresponding requirements and environmental targets.

In order to set carbon footprint reduction targets for its own operations, KONE had its carbon footprint assessed 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 life-time, 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 vehicle car fleet, electricity consumption and logistics. As a consequence, projects relating to KONE's global car fleet and business travel are ongoing and also electricity consumption and logistics related initiatives were started during 2008.

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 debt is a strength.

The economic turmoil has been extremely severe in the last months and weeks. KONE will focus on two major issues regarding its capital and risk management. Firstly, the capability to adapt its cost structure in 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.

Overall cost control has been tightened to avoid unnecessary cost burdens in this phase with increasing uncertainty in the market environment. 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 run is to keep the present 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 events or incidents resulting from operating activities. Most significant risks are increases in personnel costs and raw material costs, fluctuation in currency and changes in the development of the world economy.

A global slowdown in economic growth may bring about 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. An 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 and actively monitoring the liquidity of customers.

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 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, for which reason oil price fluctuations affect the cost of maintenance.

Appointment to the Executive Board

KONE appointed Anne Korkiakoski, M.Sc. (Econ) Executive Vice President, Marketing & Communications and Member of the Executive Board as of September 1, 2008. She is responsible for KONE Corporation's Marketing, External and Internal Communications as well as Investor Relations. In addition, Ari Lehtoranta, M.Sc. (Engineering) was appointed Executive Vice President, Major Projects and a Member of the Executive Board as of November 3, 2008. Ari Lehtoranta will succeed William Orchard, who has served as Executive Vice President since 2001.

Decisions of the Annual General Meeting

KONE Corporation's Annual General Meeting held in Helsinki on February

25, 2008 confirmed the number of members of the Board of Directors to be seven and the number of deputy members to be one. Re-elected as full members of the Board were Matti Alahuhta, Reino Hanhinen, Antti Herlin, Sirkka Hämäläinen-Lindfors, Sirpa Pietikäinen, Masayuki Shimono and Iiro Viinanen, and as a deputy member Jussi Herlin. The term of the Board ends at the next Annual General Meeting.

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

The Annual General Meeting decided to amend the Articles of Association due to the new Companies Act, which entered into force on September 1, 2006. The new Articles of Association can be found at www.kone.com.

In addition, the Annual General Meeting decided to increase the number of shares in the company 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 was given for each class B share. The new shares were admitted to public trading and entered into the book-entry system on February 29, 2008.

The Annual General Meeting decided that the share subscription period for the 2005C option rights would begin on April 1, 2008. In addition, it was decided that EUR 0.25 of the subscription price to be paid for the new shares issued based on the 2005A, 2005B, 2005C, and 2007 option rights will be credited to the share capital, and that the remaining part will be credited to the paid-up unrestricted equity reserve. Due to the increase in the number of shares, the Annual General Meeting decided that the number of shares to be subscribed for based on the 2005A, 2005B, 2005C and 2007 option rights will increase, and the share subscription price will decrease in the same proportion.

In addition, the Annual General Meeting authorized the Board of Directors to repurchase KONE's own shares with assets distributable as profit. The shares may be repurchased in order to develop the capital structure of the Company, finance or carry out possible acquisitions, implement the Company's share-based incentive plans, or to be transferred for other purposes or to be cancelled. 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.

The Annual General Meeting also 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.

The repurchased shares may be used as compensation in acquisitions and in other arrangements as well as to implement the Company's share-based incentive plans in the manner and to the extent decided by the Board of Directors. The Board of Directors also has the right to decide on the distribution of the shares in public trading on the NASDAQ OMX Helsinki Ltd for the purpose of financing possible acquisitions. The shares shall be distributed at least at the market price at the moment of their transfer determined on the basis of the trading price for class B shares determined in public trading on the NASDAQ OMX Helsinki Ltd.

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

PricewaterhouseCoopers Oy, Authorized Public Accountants and Heikki Lassila, APA, were re-elected as the Company's auditors.

The Annual General Meeting approved the Board's proposal for a dividend of EUR 1.29 for each class A share and EUR 1.30 for each outstanding class B share before the increase in the number of shares due to the share issue without payment. This amounted to EUR 163,619,671.52 for the financial year, which ended December 31, 2007. The date of the dividend payment was March 6, 2008.

Share capital and Market capitalization

The KONE 2005A and KONE 2005B options based on the KONE Corporation option program 2005 were listed on the main list of the NASDAQ OMX Helsinki Ltd on June 1, 2005. Each option entitles its holder to subscribe for twelve (12) class B shares at a price of EUR 4.02 per share.

In 2005, KONE also granted a conditional option program, 2005C. The 2005C stock options were listed on the NASDAQ OMX Helsinki in Finland 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 12.55 per share.

As of December 31, 2008, 2,417,902 shares have been subscribed for with the options, raising KONE's share capital to EUR 64,359,230.50. The share capital comprises 219,332,566 listed class B shares and 38,104,356 unlisted class A shares.

At the end of December 2008, the remaining number of shares that can be subscribed for was 4,199,118. The remaining 2005B options entitle their holders to subscribe for 289,968 and the remaining 2005C for 3,909,150 class B shares. The share subscription period for series A options ended on March 31, 2008. The share subscription period for series B and series C options will end on March 31, 2009, and April 30, 2010, respectively. As the 2005A options subscription period ended on March 31, 2008, all remaining series A options have been used and the shares were entered in the Finnish Trade Register in April.

In December 2007, KONE Corporation's Board of Directors decided to grant stock option rights to approximately 350 employees of the global organization of KONE based on the authorization granted by the Annual General Meeting on February 26, 2007. A maximum of 2,000,000 options in total can be granted. The share subscription period for stock option 2007 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.

The share issue without payment approved by KONE Corporation's Annual General Meeting on February 25, 2008 was entered in the Trade Register on February 28, 2008. The share issue without payment has the same effect as a share split. 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.

KONE´s market capitalization was EUR 3,922 million as of December 31, 2008, 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 7, 2008.

During the financial year, KONE Corporation did not use its authorization to purchase own shares. Relating to the share-based incentive plan, KNEBV Incentive Oy, a company included in the consolidated financial statements, granted 326,000 shares to the management during 2008. At the end of the reporting period, the group had 4,905,506 class B shares in its possession (at an average price of EUR 17.01). The shares in the group's possession represent 1.9 percent of the total number of class B shares. This corresponds to 0.8 percent of the total voting rights.

Shares traded on the NASDAQ OMX Helsinki Ltd.

The NASDAQ OMX Helsinki Ltd. traded 207.8 million KONE Corporation's class B shares in 2008, equivalent to a turnover of EUR 4,247 million (number of shares has been adjusted to the increase in shares due to the share issue without payment). The share price on December 30, 2008 was EUR 15.53. The highest quotation was EUR 27.87 and the lowest 13.80.

Flagging notifications

Tweedy Brown Company LLC (Reg. no. 801/10669) announced on April 30, 2008, pursuant to the Securities Markets Act chapter 2, section 9, that its holding in KONE Corporation was below five (5) percent (1/20) of the share capital on March 9, 2007.

Market outlook

In 2009, the new equipment market will continue to decline because of the weakening global economy. Modernization will be less impacted. The maintenance market will continue to develop well.

Outlook

In 2009, KONE's objective in net sales is to reach a growth of 5 percent or at least approximately the net sales level of 2008. In operating income (EBIT), the objective is to reach a growth of 5 percent or at least approximately the operating income level of 2008.

The Board's proposal for the distribution of profit

The parent company's non-restricted equity on December 31, 2008 is EUR 1,533,733,113.48 of which net profit from the financial year is EUR 264,692,626.91.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.645 be paid on the 38,104,356 class A shares and EUR 0.65 on the outstanding 214,643,060 class B shares, excluding own shares in the company's possession.

The total amount of proposed dividends will be EUR 164,095,298.62. The Board of Directors further proposes that the rest, EUR 1,369,637,814.86 be retained and carried further.

The dividend record date for the proposed dividend is February 26, 2009 and the dividend will be paid on March 5, 2009. All the shares existing on the dividend record date are entitled to dividend for the year 2008, except for the own shares held by the parent company.

Annual General Meeting 2009

KONE Corporation's Annual General Meeting will be held at 11:00 a.m. on Monday, February 23, 2009 at Finlandia Hall, Mannerheimintie 13, in Helsinki, Finland.

Helsinki, January 23, 2009

KONE Corporation's Board of Directors

Information required by the Companies' Act and the Decree of the Ministry of Finance on the Regular Duty of Disclosure of an Issuer of a Security, such as classes of shares, shareholders, related parties, terms of stock options and financial key figures, have been presented in the notes of the financial statements.

This report contains forward-looking statements that are based on the current expectations, known factors, decisions and plans of the management of KONE. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions and fluctuations in exchange rates.

Consolidated statement of income

MEUR	Note	Jan 1–Dec 31, 2008	%	Jan 1–Dec 31, 2007	%
Sales	4	4,602.8		4,078.9	
Costs, expenses and depreciation	5, 6	-4,044.4		-3,758.1	
Operating income		558.4	12.1	320.8	7.9
Share of associated companies' net income	13	2.6		1.7	
Financing income	7	24.4		16.6	
Financing expenses	7	-21.6		-25.1	
Income before taxes		563.8	12.2	314.0	7.7
Taxes	8	-145.7		-133.7	
Net income		418.1	9.1	180.3	4.4
Net income attributable to:					
Shareholders of the parent company		417.3		180.1	
Minority interests		0.8		0.2	
Total		418.1		180.3	
Earnings per share for profit attributable to the shareholders of the parent company, EUR	9				
Basic earnings per share, EUR		1.66		0.72	
Diluted earnings per share, EUR		1.65		0.71	

Consolidated balance sheet

Assets MEUR		Note	Dec 31, 2008	Dec 31, 2007
Non-current assets				
Goodwill		10	621.3	577.2
Other intangible assets		11	48.9	53.2
Property, plant and equipment		12	214.7	201.0
Investments in associated companies		13	13.6	10.9
Shares		14	149.9	114.5
Available-for-sale investments		15	5.6	5.9
Non-current loans and receivables	I	2, 16	2.3	1.7
Deferred tax assets		17	122.1	118.6
Total non-current assets			1,178.4	1,083.0
Current assets				
Inventories		18	885.5	773.2
Advance payments received		18	-805.4	-694.6
Accounts receivable		2	789.4	706.3
Deferred assets		2, 19	216.3	174.1
Income tax receivables			40.8	44.1
Current loans and receivables	I	2, 16	204.0	118.9
Cash and cash equivalents	I		147.8	154.9
Total current assets			1,478.4	1,276.9
Total assets			2,656.8	2,359.9

Equity and liabilities MEUR		Note	Dec 31, 2008	Dec 31, 2007
Capital and reserves attributable to the shareholders of the parent company				
Share capital		20	64.4	64.2
Share premium account			100.4	100.2
Paid-up unrestricted equity reserve			3.3	-
Fair value and other reserves			9.0	5.5
Translation differences			-16.2	-31.3
Retained earnings			874.1	610.3
Total shareholders' equity			1,035.0	748.9
Minority interests			0.9	0.3
Total equity			1,035.9	749.2
Non-current liabilities				
Loans	I	2	172.4	175.8
Deferred tax liabilities		17	39.7	25.9
Employee benefits		22	115.8	131.9
Total non-current liabilities			327.9	333.6
Provisions		23	49.9	86.6
Current liabilities				
Current portion of long-term loans	I	2	11.5	62.1
Other liabilities	I	2	111.9	129.3
Accounts payable			282.2	274.6
Accruals		2, 24	725.5	632.5
Income tax payables			112.0	92.0
Total current liabilities			1,243.1	1,190.5
Total equity and liabilities			2,656.8	2,359.9

Items designated " I " comprise interest-bearing net debt

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	Minority interests	Total equity
Jan 1, 2008	64.2	100.2	-	5.5	-31.3	-87.8	698.1	0.3	749.2
Net income for the period							417.3	0.8	418.1
Items booked directly into equity:									
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
Cash flow hedge				3.5					3.5
Translation differences					38.0				38.0
Hedging of foreign subsidiaries					-30.9				-30.9
Tax impact of hedging					8.0				8.0
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	957.2	0.9	1,035.9

MEUR	Share capital	Share premium account		Fair value and other reserves	Translation differences	Own shares	Retained earnings	Minority interests	Total equity
Jan 1, 2007	64.0	98.0		-0.5	-14.0	-91.2	638.8	3.5	698.6
Net income for the period							180.1	0.2	180.3
Items booked directly into equity:									
Transactions with shareholders and minority shareholders:									
Dividends paid							-125.1		-125.1
Issue of shares (option rights)	0.2	2.2							2.4
Purchase of own shares						-0.3			-0.3
Sale of own shares									-
Change in minority interests								-3.4	-3.4
Cash flow hedge				6.0					6.0
Translation differences					-18.4				-18.4
Hedging of foreign subsidiaries					1.5				1.5
Tax impact of hedging					-0.4				-0.4
Option and share-based compensation						3.7	4.3		8.0
Dec 31, 2007	64.2	100.2		5.5	-31.3	-87.8	698.1	0.3	749.2

Consolidated statement of cash flow

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Cash receipts from customers	4,624.5	4,168.1
Cash paid to suppliers and employees	-4,097.1	-3,788.1
Cash flow from operations	**527.4**	**380.0**
Interest received	13.1	13.9
Interest paid	-6.4	-18.8
Dividends received	5.3	3.3
Other financing items	-2.3	-12.5
Income taxes paid	-109.2	-119.9
Cash flow from operating activities	**427.9**	**246.0**
Capital expenditure	-75.7	-66.0
Proceeds from sales of fixed assets	9.5	42.8
Acquisitions, net of cash	-62.4	-71.4
Proceeds from divested operations, net of cash	-	-
Cash flow from investing activities	**-128.6**	**-94.6**
Cash flow after investing activities	**299.3**	**151.4**
Change in loans receivable, net	-82.7	42.0
Change in current creditors, net	-7.9	-113.9
Proceeds from long-term borrowings	-	149.0
Repayments of long-term borrowings	-54.8	-59.1
Purchase of own shares	-	-0.3
Sale of own shares	-	-
Issue of shares	3.7	2.4
Dividends paid	-163.3	-125.1
Cash flow from financing activities	**-305.0**	**-105.0**
Change in cash and cash equivalents	**-5.7**	**46.4**
Cash and cash equivalents at end of period	147.8	154.9
Translation differences	1.4	1.0
Cash and cash equivalents at beginning of period	154.9	109.5
Change in cash and cash equivalents	**-5.7**	**46.4**

Reconciliation of net income to cash flow from operating activities		
Net income	418.1	180.3
Depreciation and impairment	64.8	70.2
Income before change in working capital	**482.9**	**250.5**
Change in receivables	-130.5	-101.2
Change in payables	70.7	58.8
Change in inventories	4.8	37.9
Cash flow from operating activities	**427.9**	**246.0**

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

Change in interest-bearing net debt

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Interest-bearing net debt at beginning of period	91.7	124.9
Interest-bearing net debt at end of period	-58.3	91.7
Change in interest-bearing net debt	**-150.0**	**-33.2**

The EUR 142.0 million fine for the European Commision's decision is included in the interest-bearing net debt. KONE has appealed the decision and therefore the amount of the fine may change.

Notes to the consolidated financial statements

1. Accounting principles

Basis of presentation

KONE Corporation is a Finnish, public limited company domiciled in Helsinki, Finland. KONE Corporation and its subsidiaries together form the consolidated KONE Corporation ("KONE" or "the Group"). KONE provides its customers with elevators and escalators and solutions for their maintenance and modernization. KONE also provides maintenance for automatic building doors.

The consolidated financial statements of KONE Corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU observing the standards and interpretations effective on December 31, 2008. The Group has not applied the following relevant IFRS/IAS standards, which has been issued, but whose application is compulsory beginning from 2009 or later: IAS 1 (revised) Presentation of Financial Statements, IFRS 2 Share based Payments, IFRS 8 Operating Segments, IFRS 3 (revised) Business combinations and IAS 27 (revised) Consolidated and separate financial statements. These changes are estimated not to have a significant effect on the financial result or position of the Group, but might have an impact on the presentation of consolidated financial statements.

The consolidated financial statements have been prepared for the accounting period of 12 months between January 1 and December 31, 2008. The financial statements have been authorized for issue by the Board of Directors of KONE Corporation on January 23, 2009.

The consolidated financial statements are presented in millions of euros and prepared under the historical cost convention except as disclosed below.

Settlement date accounting is applied to all financial assets and liabilities.

Consolidation principles

The consolidated accounts include the parent company and those companies in which the parent company held, directly or indirectly, more than 50 percent of the voting power or controls through management agreements with majority shareholders at the end of the accounting period. In addition to these holdings, the consolidated accounts include possible holdings that are of a controlling-right nature (units/companies established for a specific reason). Subsidiaries acquired during the period were included in the consolidated financial statements from the date of acquisition, and divested subsidiaries up to the date of sale. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. Acquisition costs are allocated as assets and liabilities on the basis of fair value. The excess cost of an acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (see Goodwill and Other intangible assets).

An associated company is a company in which the Group holds 20–50 percent of the voting power and has a participating interest of at least 20 percent or in which the Group has considerable influence. Investments in associated companies were accounted for in the consolidated financial statements under the equity method. KONE's share of the profit or loss of an associated company is shown in the consolidated statement of income as a separate item and its investments in the associated companies upon the date of acquisition, adjusted for changes in the associated companies' equity after the date of acquisition, are shown in the balance sheet under "Investments in associated companies".

Net income for the period is disclosed in the statement of income as an allocation to the shareholders of the parent company and minority interests. Minority interests are disclosed separately under consolidated total equity.

All intra-corporate transactions, receivables, liabilities and unrealized profits, as well as distribution of profits within the Group have been eliminated in the consolidated financial statements. Intra-corporate shareholdings have been eliminated by deducting the amount of each subsidiary's equity at the time of acquisition from the acquisition cost of its shares.

Foreign currency transactions and translations

The items included in the financial statements are initially recognized in the functional currencies, which are defined for each group entity based on their primary economic environment.

The presentation currency of financial statements is the euro, which is also the functional currency of the parent company.

The initial transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the individual transaction. Foreign-currency denominated receivables and liabilities are translated using period end exchange rates. Foreign exchange gains and losses related to business operations are treated as adjustments to sales or costs. Foreign exchange gains and losses associated with financing are included as a net amount under financial income and expenses.

The statements of income of foreign subsidiaries whose functional currency is not the euro, are translated into euros based on the average exchange rate of the accounting period. balance sheet items, with the exception of net income for the accounting period, are translated into euros at the balance sheet exchange rate. Translation differences are recorded under equity. Exchange rate differences resulting from derivatives and loans designated as hedges on assets and liabilities in foreign subsidiaries have been entered as translation differences under shareholders' equity. Exchange rate differences arising on the translation of the net investments in non-euro currency subsidiaries and associated companies are recorded in translation differences.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently measured at their fair value on each balance sheet date. Hedge accounting for qualifying hedges is required in the companies that have a considerable volume of foreign exchange forward contracts. In other companies with relatively small volumes of derivative financial instruments for the hedging of sales and purchases, no hedge accounting is applied.

When derivative contracts are entered into, the Group designates them as either cash flow hedges under IFRS hedge accounting for forecast transactions or firm commitments of sales or purchases, other hedges for forecast transactions or firm commitments, fair value hedges for loans or deposits in foreign currencies or other balance sheet items or as hedges of investments in foreign entities.

Changes in the fair value of hedges qualifying as cash flow hedges that are effective are recognized in equity under the "Fair value and other reserves". Cumulative gain or loss of derivatives deferred to equity is transferred to the statement of income and classified as revenue or expense for the accounting period when the hedged item affected the Statement of income. Changes in the fair value of cash flow hedges that no longer qualify for hedge accounting under IAS 39 are recognized as they are incurred in the statement of income.

When no hedge accounting is applied, changes in the fair value of the hedges of sales and purchases are recognized in other income or expense in the statement of income. Changes in fair value of commodity derivatives are recognized in other income and expenses.

Changes in the fair value hedges for loans and deposits in foreign currencies or other balance sheet items are recognized in financing items in the Statement of income, alongside the change in the valuation of the underlying exposure.

Changes in the fair values of hedges of investments in foreign entities have been booked under "Translation differences" in the balance sheet.

The fair values of FX forward contracts are calculated by discounting the future cash flows of the contracts with the interest rate yield curves of the currencies bought and sold, translating the discounted amounts into the reporting currency using the balance sheet date foreign exchange rate and calculating the difference between the discounted amounts. The fair values of foreign currency options are calculated with an option pricing model using exchange rates, interest rate yield curves and volatilities of foreign currencies quoted in the FX market on the balance sheet date. The fair values of interest rate swaps and cross currency swaps are determined by discounting the future cash flows of the contracts with the interest rate yield curves of the currencies concerned, translating the discounted amounts into the reporting currency using the balance sheet date foreign exchange rate and calculating the difference between the incoming and outgoing discounted amounts and by eliminating the accrued interests already booked as a net amount in deferred assets. The fair value of electricity derivatives is the period end value listed by Nord Pool (Scandinavian electricity pool).

Segment reporting

The profitability of KONE Corporation is presented as a single entity. The KONE business idea is to serve its customers by providing solutions throughout the entire lifecycle of a product, beginning from the installation of a new products until it is replaced with new equipment, including maintenance and modernizations. KONE seeks extensive customerships, including deliveries of new products with a long-term maintenance contracts. KONE's operating business structure is also globally harmonized. Due to the reasons presented above and concerning the risk-return relationships, splitting the operating income between the new equipment business and the service business or between the market areas, is not relevant.

Revenue recognition

Revenue from the sale of goods is recognized after KONE has transferred the risks and rewards of ownership of the goods to the customer, and KONE retains neither a continuing right to dispose of the goods, nor effective control of the goods.

Revenues from separately defined, long-term major projects are recorded as sales under the percentage of completion method. The percentage of completion is defined as the proportion of individual contract cost incurred to date from the total estimated contract costs.

Revenues from rendering of maintenance services and repairs are recognized when the services have been rendered or the work has been carried out.

Research and development costs

Research and development costs are expensed as they are incurred, since the future economic benefits of new products and development of existing products and services can only be proven after their successful introduction to the market.

Income tax

The Group tax expense includes taxes of Group companies based on taxable income for the period, together with tax adjustments for previous periods and changes in deferred taxes. Deferred taxes are provided using the liability method for temporary differences arising between the tax basis of assets and liabilities and their book values in financial reporting, and measured with enacted tax rates. The principal temporary differences arise from defined benefit plans, provisions, inter-company inventory profits, untaxed reserves and tax losses carried forward. Tax losses carried forward are recognized only to the extent that it is probable that future taxable profits will be available, against which unused tax losses can be used. Only deferred tax assets that seem certain to be realized are recognized. Deferred taxes are not provided for goodwill that is not deductible for tax purposes.

Goodwill and other intangible assets

Acquisitions of companies are accounted for using the purchase method of accounting. Goodwill represents the excess of purchase cost over the fair value of assets and liabilities of acquired companies in connection with major acquisitions. Goodwill represents the value of business and market share acquired. Goodwill is not amortized but impairment tested (see Impairment of assets).

In connection with minor acquisitions, typically acquisitions of small elevator and door service companies, the excess of purchase cost over the fair value of the net identifiable assets is allocated to the acquired maintenance contracts and included in intangible assets with a definite lifetime. They are amortized on a straight-line basis over the expected useful lifetime, typically five years.

Expenditure on acquired patents, trademarks and licenses, including acquired software licenses, is included in other intangible assets and capitalized and amortized using the straight-line method over their useful lives, which does not usually exceed five years. Where an indication of impairment exists, the book value of any intangible asset is impairment tested (see Impairment of assets).

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and less any impairment losses (see Impairment of assets). Depreciation is recorded on a straight-line basis over the economic useful lives of the assets as follows:

Buildings	5–40 years
Machinery and equipment	4–10 years

Land is not depreciated.

The expenditure on repairs and maintenance of property, plant and equipment are recognized as expense when incurred.

Impairment of assets

The book values of non-current tangible assets and other intangible assets are reviewed upon each balance sheet date to determine whether there is any indication of impairment, or more frequently should any indication arise. If any such indication arises, the recoverable amount is estimated as the higher of the net selling price and the value in use. An impairment loss is recognized in the statement of income whenever the book value exceeds the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, but not, however, to an extent higher than the book value that would have been determined had no impairment loss been recognized in prior years.

The Group assesses the book value of goodwill annually or more frequently if any indication of impairment exists. Goodwill is allocated to the cash generating units (CGUs) of the Group, identified according to the country of operation and business unit at the level at which goodwill is monitored for internal management purposes. The recoverable amount of a CGU is determined by value-in-use calculations. In assessing the recoverable amount, estimated future cash flows are discounted to their present value. The discount interest is the weighted average cost of capital (WACC) for the main currency area in the location of the CGU (country or business area), which reflects the market assessment for the time-value of money and the for the risk specific in KONE business. An impairment loss of goodwill is never reversed.

Leases

KONE has entered into various operating leases under which payments are treated as rentals and charged to the statement of income on a straight-line basis over the leasing term. Leases of plant and equipment where KONE fundamentally bears all the rewards and risks of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased equipment and the estimated present value of the underlying lease payments.

The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. Plant and equipment acquired under finance leasing contracts are depreciated over either the useful life of the asset or the lease period, whichever is less.

Shares

Share investments are valued at fair values. Changes in fair values and exchange gains and losses of designated hedging instruments are recognized in the statement of income. Investments in shares are measured at cost when fair values are not available.

Available-for-sale investments

Available-for-sale investments are measured at fair values and recognized directly in equity through the statement of changes in equity until the items are sold, collected, otherwise disposed or impaired, at which time the cumulative gain or loss recognized in equity is included in the profit or loss for the period. However, when fair values are not available the investments are measured at cost.

Investments in commercial papers, bonds and other comparable financial assets are included in Available-for-sale investments. The fair values are based on market quotations or on net present value calculations of future cash flows of the assets.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first in first out (FIFO) basis. Raw materials and supplies, however, are valued at standard cost. Semi-manufactures have been valued at production costs. Work in progress includes direct labor and material costs as of the balance sheet date with a proportion of indirect costs related to manufacturing and installation costs of sales orders included in work in progress. Inventories are presented in the balance sheet as a gross amount, although the advance payments received from customers for the orders in work in progress are presented in current assets. An allowance is recorded for obsolete items.

Accounts receivable

Accounts receivable are initially measured at cost. Subsequently, an estimate is made for doubtful accounts based on an analysis of potential credit loss risk. An impairment loss is recognized when identified.

Derivative assets

Derivative assets, excluding FX forward contracts under IAS 39 hedge accounting, are measured at fair values through profit or loss. The profits and losses from the fair valuations are included in the result for the period in which they arise.

Loans and receivables

Loans and receivables with a fixed maturity are measured at amortized cost using the effective interest rate method and those that do not have a fixed maturity are measured at cost. Loans and receivables are impaired if the book value is greater than the estimated recoverable amount.

Cash and cash equivalents

Cash and cash equivalents include cash balances and bank deposits with a maturity up to three months. Bank overdrafts are included in other current liabilities. Deposits at banks with a maturity longer than three months are included in current loans and receivables.

Post-employment benefits

The Group operates various employee benefit plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The pension plans are generally funded by payments from employees and by the relevant KONE companies. The assets of these plans are generally held in separate insurance companies or trustee-administered funds. Pension costs and liabilities are based on calculations by the local authorities or independent qualified actuaries. Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate. For defined benefit plans, pension cost is determined based on the advice of qualified actuaries who carry out a full valuation of the plan on a regular basis using the projected unit credit method. Under this method, the costs of providing pensions are charged to the statement of income so as to spread the regular costs over the working lives of employees.

The liability of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets together with adjustments for unrecognized actuarial gains or losses. The discount rates used in actuarial calculations of employee benefits liabilities are adjusted to market rates. Actuarial gains and losses are recognized in the statement of income for the employees' average remaining working lives to the extent that they exceed the greater of 10 percent of the defined benefit obligation or 10 percent of the fair value of plan assets. Obligations to pay long-term disability benefit, whose level is dependent on the length of service of the employee, are measured to reflect the probability that payment will be required and the length of service for which it is expected to be made.

Provisions

Provisions are recognized when KONE has a current legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions for warranties cover the estimated liability to repair or replace products still under warranty on the balance sheet date. This provision is calculated based on historical experience of levels of repair and replacements.

A provision for business restructuring is recognized only when a detailed and formal plan has been established, when there is a valid expectation that such a plan will be carried out and the plan has been communicated.

Provisions for loss contracts are recognized when it is probable that the costs will exceed the estimated total revenue. The probable loss is recognized as an expense immediately.

Other provisions include various items, such as those related to severance, unemployment and other employment expenses, and the sale of divested operations.

Derivative liabilities

Derivative liabilities, excluding FX forward contracts under IAS 39 hedge accounting, are measured at fair values through profit or loss. The profits and losses from the fair valuations are included in the result for the period in which they arise.

Loans payable

Loans payable are classified in valuation category Other financial liabilities. They are measured at amortized cost using the effective interest rate method. Costs directly attributable to the issuing of the debt are deducted from the amount of loans payable and initially recognized.

Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the parent company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held own shares. Diluted earnings per share has been computed by applying the "treasury stock" method, under which earnings per share data is computed as if the warrants and options were exercised at the beginning of the period, or if later, on issue and as if the funds obtained thereby were used to purchase common stock at the average market price during the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the warrants and options. If the criteria for options set in the terms and conditions of the option plan are not met, the options are not included in the calculated number of shares.

Equity

When the Group purchases KONE Corporation's own shares, the consideration paid and directly attributable costs are recognized as a deduction in equity. When such shares are sold, the consideration received, net of directly attributable transaction costs and income tax effect, is included in equity.

Dividend

The dividend proposed by the board is not deducted from the equity prior to acceptance by a shareholders' meeting.

Share-based compensation

The realization of the option plan 2007 requires the fulfillment of the criteria set in the terms and conditions for the option plan. The fair value of the options granted to the key employees was determined at the grant date and will be recognized as an expense over the vesting period. The total amount to be expensed over the vesting period is determined based on the Group's estimate of the number of the options that are expected to be vested by the end of the vesting period. The fair value of the options granted is determined by the Black-Scholes pricing model. The impact of any non-market vesting conditions (sales growth and EBIT development) has been excluded, but they are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable.

It recognizes the impact of the revision of original estimates in the statement of income. When the options are exercised, the proceeds received (net of any transaction costs) are credited to equity.

The Board has granted a share ownership plan to the Group's management. Pursuant to the share ownership plan, the reward to the management will be settled as a combination of KONE class B shares and cash when the criteria set in the terms and conditions for the plan are met. The fair value of the share-based payments settled with KONE class B shares was determined at the grant date and will be recognized as an expense over the vesting period. The total amount to be expensed over the vesting period is determined based on the Group's estimate of the number of the shares that are expected to be vested by the end of the vesting period. The impact of any non-market vesting conditions (sales and EBIT development) has been excluded, but they are included in assumptions about the number of shares that are expected to be distributed. At each balance sheet date, the entity revises its estimates of the number of shares that are expected to be distributed. It recognizes the impact of the revision of original estimates in the statement of income. The fair value of the share-based payments settled with cash has been determined so that it covers taxes and taxable benefit costs that are incurred. The liability shall be measured, initially and at each reporting date until settled, at the fair value of the shares expected to be distributed, by applying the option pricing model and the extent to which the employees have rendered service to date. It recognizes the impact of the revision of original estimates, if any, in the statement of income, with a corresponding adjustment to the liability.

2. Financial risks and instruments

KONE business activities are exposed to financial risks such as currency risks, interest rate risks, refinancing and liquidity risks, commodity risks, counterparty risks and credit risks. These financial risks are managed as part of the total KONE risk portfolio (see "Capital and risk management", page 62). KONE Group Treasury function manages financial risks centrally according to limits set in the Group Treasury Policy approved by the Board, which are based on the main principles for risk management determined by the Board.

Currency risks

KONE operates internationally and is, thus, exposed to currency risks arising from exchange rate fluctuations related to currency flows from sales and purchases (transaction risk) and from translation of balance sheet items of foreign subsidiaries into euros (translation risk). During the latter half of the year the currency markets have not functioned as normal, which has made the hedging of certain currencies more expensive or even practically impossible.

The policy of the Group is to fully hedge the initial transaction exposure. This means that the effect of foreign exchange rate changes on the margin of already contracted and highly probable business deals is eliminated while also giving the business time to react and adapt to changes in the exchange rate levels.

The initial exposure is managed in the business units by taking into account the foreign exchange risk considerations when deciding on the currencies used in export/import pricing and invoicing and by using currency clauses in tenders. The Group companies hedge their firm contracts and estimated quarterly cash flows of highly probable purchases or sales with internal forward contracts and report monthly their transaction risk position to the Group Treasury. Binding contracts are hedged for the whole contract period and estimated sales or purchases for the period of 6 to 9 months. Large tenders are hedged on basis of option strategies. The Group Treasury is responsible for managing the Group's currency risks externally.

Hedge accounting is applied in subsidiaries having large volume of foreign currency transactions. Other companies do not apply hedge accounting.

The instruments used for cash flow hedging are FX forward contracts. The majority of the hedged cash flows are denominated in USD, GBP, AUD, CNY, RUB, SGD and SEK and they are expected to be realized within one year. A few longer-term projects are estimated to be realized within two years.

The policy regarding translation risks is to hedge the balance sheet structure in such a way that changes in exchange rates have a neutral impact on KONE's gearing. Balance sheet structure in foreign entities is hedged by using cross-currency swaps, FX forward contracts and loans and deposits denominated in foreign currencies.

Financial instruments' foreign exchange risk sensitivity analysis according to IFRS 7

The foreign exchange rate sensitivity analysis is based on foreign currency nominated items, other than each Group company's own functional currencies, in the balance sheet at the closing. However the USD/EUR positions from different countries have been collected to row USD/EUR. The analysis includes only risks arising from financial instruments.

Foreign exchange exposures that are not financial instruments like the forecasted highly probable foreign currency denominated purchases or sales are not included, whereas the financial instruments, like FX forwards used to hedge these exposures, are included in the sensitivity analysis. The reasonable possible change in exchange rates has been estimated to +/- 10 percentage points in the value of the currency against EUR. The largest positions are disclosed in the table below. The table does not include positions between non EUR currencies like SGD/USD, AUD/USD, CNY/USD.

The nominal and fair values of different types of derivative instruments are represented in the section Derivatives.

	Dec 31, 2008					Dec 31, 2007				
		Change in exchange rate -10%		Change in exchange rate +10%			Change in exchange rate -10%		Change in exchange rate +10%	
MEUR	Position	Impact on result	Impact on equity	Impact on result	Impact on equity	Position	Impact on result	Impact on equity	Impact on result	Impact on equity
USD/EUR	-130	5.5	6.4	-6.7	-7.8	-136	4.7	6.4	-4.9	-7.3
GBP/EUR	-42	-0.4	4.2	0.5	-5.1	-36	-0.3	3.1	0.2	-3.8
AUD/EUR	-30	-0.7	3.5	0.9	-4.3	-49	2.5	2.7	-2.9	-2.7
SEK/EUR	200	4.2	-22.4	-5.1	27.3	15	-1.0	0.0	1.0	0.0
CNY/EUR	21	2.1	-	-2.6	-	-48	3.1	1.7	-3.1	-1.7
HKD/EUR	-29	0.4	2.2	-0.5	-2.7	-1	0.0	-	0.0	-
SGD/EUR	-19	0.9	0.8	-1.1	-0.9	-9	0.6	0.4	-0.7	-0.4
RUB/EUR	-15	1.4	-	-1.7	-	5	-0.5	-	0.5	-
	-44	13.4	-5.3	-16.3	6.5	-259	9.1	14.3	-9.9	-15.9

Interest rate risks

Changes in interest rates on interest-bearing receivables and debts in different currencies create interest rate risks. These risks are managed by adjusting the duration of debt to the targeted level through different combinations of fixed and floating interest in the debt portfolio. No interest rate derivatives were in use at the end of December 2008.

Financial instruments' interest rate risk sensitivity analysis according to IFRS 7

The following assumptions have been used in the preparation of the sensitivity analysis. The sensitivity analysis for the interest rate risk represents the impact of a reasonably possible change in the interest rates (+/- 1 percentage point) to the net income before taxes. The impact of the change in the interest rate is calculated for the year end closing balance of the interest-bearing floating rate net debt, ie. the level of interest-bearing net debt is assumed to be on the same year end level during the whole financial year. The net floating rate debt would amount to EUR -222.4 million at the end of December 2008 (Dec 31, 2007: -51.6). At the end of 2008, the 1 percent interest rate sensitivity amounted to +/-2.2 million EUR (Dec 31, 2007: +/-0.5). There is no effect on the balance sheet.

Commodity price risks

The Group does not use commodity derivatives except small volumes of electricity derivatives to electricity price risk exposure.

Refinancing and liquidity risks

The effective use of advance and progress payments is the most important means of managing the liquidity risk. In addition, in order to minimize funding and liquidity risks and to cover estimated financing needs, KONE has committed mainly 5 years bilateral credit facilities.

Maturity analysis of financial liabilities

		Maturity Dec 31, 2008				Maturity Dec 31, 2007			
MEUR		< 1 year	1–5 years	> 5 years	Total	< 1 year	1–5 years	> 5 years	Total
Loans	Repayments outflow	11.5	160.2	12.2	183.9	61.8	162.5	13.3	237.6
	Interest outflow	1.0	25.3	0.6	26.9	2.3	25.5	1.1	28.9
Derivative liabilities/assets	Capital outflow	681.8	168.0	-	849.8	468.7	195.5	-	664.2
	Capital inflow	-707.4	-142.7	-	-850.1	-471.9	-208.9	-	-680.8
	Interest outflow	2.3	0.7	-	3.0	2.2	2.7	-	4.9
	Interest inflow	-5.5	-2.2	-	-7.7	-5.5	-7.7	-	-13.2
Other liabilities	Repayments outflow	111.9	-	-	111.9	130.0	-	-	130.0
	Interest outflow	2.4	-	-	2.4	1.7	-	-	1.7
Accounts payable	Outflow	282.2	-	-	282.2	274.6	-	-	274.6
Accruals	Outflow	412.7	-	-	412.7	362.9	-	-	362.9
Total	Total outflow	1,505.8	354.2	12.8	1,872.8	1,304.2	386.2	14.4	1,704.8
	Total inflow	-712.9	-144.9	-	-857.8	-477.4	-216.6	-	-694.0
	Net outflow	**792.9**	**209.3**	**12.8**	**1,015.0**	**826.8**	**169.6**	**14.4**	**1,010.8**

Interest-bearing liabilities and debt structure

MEUR	Dec 31, 2008			Facility maturity						Dec 31, 2007		
Loan type	Drawn amount	Undrawn amount	Total	2009	2010	2011	2012	2013	Later	Drawn amount	Undrawn amount	Total
Committed lines	48.0	302.0	350.0	-	180.0	50.0	120.0	-	-	48.0	302.0	350.0
				Loan maturity								
				2009	2010	2011	2012	2013	Later			
Long-term loans	164.1	-	164.1	4.6	143.8	1.3	1.1	1.1	12.2	220.1	-	220.1
Finance lease liabilities	19.8	-	19.8	6.9	5.9	4.0	2.3	0.7	0.0	17.8	-	17.8
Short-term loans	48.0	-	48.0	48.0	-	-	-	-	-	49.4	-	49.4
Overdrafts used	63.9	-	63.9	63.9	-	-	-	-	-	79.9	-	79.9
Total interest-bearing liabilities	295.8	-	295.8	123.4	149.7	5.3	3.4	1.8	12.2	367.2	-	367.2
Total loans and undrawn facilities	295.8	302.0	597.8							367.2	302.0	669.2

Counterparty risks

KONE only approves counterparties with high creditworthiness when investing liquid assets. Due to the unstable market situation the counterparty limits have been reviewed and decreased in many cases during 2008. Derivative contracts are made exclusively with leading banks and credit institutions. KONE's Board of Directors has accepted the revised credit limits for the counterparties used.

Credit risk management

The credit risk related to payments from customers consists of the risk related to accounts receivable. The credit risk is managed by following KONE's tender to cash process. This 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. The customer base of KONE consists of a large number of customers in all market areas. Management considers that no significant concentration of credit risk with any individual customer, counterparty or geographical region exists. The maximum exposure to the credit risk is the book value of the accounts receivable.

The credit quality of advance payments receivable and accounts receivable is evaluated according to KONE's credit policy. According to this policy the rules for credit quality evaluation are set separately for new equipment business and service business. The credit quality is evaluated both on the basis of the aging in general as the credit risk increases when receivables become older and also on the basis of individual case by case customer analysis in order to identify customers with a potential to lower credit worthiness due to individual customer specific reasons. The impairment loss for the accounts receivable is recognized on the basis of the credit quality evaluations.[1)] The impairment loss recognized for the accounts receivable at the end of the financial period was EUR 69.2 (Dec 31, 2007: 61.8) million.

Aging structure of the accounts receivable after recognition of impairment, MEUR	Dec 31, 2008	Dec 31, 2007
Not past due and less than one month due receivables [1)]	511.8	488.8
Past due 1–3 months [1)]	126.4	106.4
Past due 3–6 months	92.0	65.7
Past due > 6 months	59.2	45.4
Accounts receivable in the balance sheet	789.4	706.3

1) There is no material impairment loss recognized related to these receivables.

Values of financial assets and liabilities by categories

2008 Balance sheet item, MEUR		Note	Financial assets and liabilites at fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities	Total book value
Non-current assets							
Shares		14	149.9				149.9
Available-for-sale investments		15			5.6		5.6
Non-current loans and receivables	I	16		2.3			2.3
Current assets							
Accounts receivable				789.4			789.4
Derivative assets			29.0 [1]				29.0
Deferred interests				2.2			2.2
Deferred income from service contracts				25.1			25.1
Unbilled contract revenue				54.4			54.4
Current loans and receivables	I	16		204.0			204.0
Cash and cash equivalents	I			147.8			147.8
Total financial assets			**178.9**	**1,225.2**	**5.6**	**-**	**1,409.7**
Non-current liabilities							
Loans	I	2				172.4	172.4
Current liabilities							
Current portion of long-term loans	I	2				11.5	11.5
Other liabilities	I	2				111.9	111.9
Accounts payable						282.2	282.2
Derivative liabilities			39.6 [2]				39.6
Accrued interests						12.3	12.3
Late costs accruals						180.6	180.6
Accrued salaries, wages and employment costs						232.1	232.1
Total financial liabilities			**39.6**	**-**	**-**	**1,003.0**	**1,042.6**

The fair values of the financial assets and liabilities are not materially different from their book values.
Items designated "I" comprise interest-bearing net debt.

[1] Including FX forward contracts EUR 15.9 million under IAS 39 hedge accounting.
[2] Including FX forward contracts EUR 3.8 million under IAS 39 hedge accounting.

2007 Balance sheet item, MEUR		Note	Financial assets and liabilites at fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities	Total book value
Non-current assets							
Shares		14	114.5				114.5
Available-for-sale investments		15			5.9		5.9
Non-current loans and receivables	I	16		1.7			1.7
Current assets							
Accounts receivable				706.3			706.3
Derivative assets			24.8 [1)]				24.8
Deferred interests				1.5			1.5
Deferred income from service contracts				11.3			11.3
Unbilled contract revenue				39.7			39.7
Current loans and receivables	I	16		118.9			118.9
Cash and cash equivalents	I			154.9			154.9
Total financial assets			**139.3**	**1,034.3**	**5.9**	**-**	**1,179.5**
Non-current liabilities							
Loans	I	2				175.8	175.8
Current liabilities							
Current portion of long-term loans	I	2				62.1	62.1
Other liabilities	I	2				129.3	129.3
Accounts payable						274.6	274.6
Derivative liabilities			6.1 [2)]				6.1
Accrued interests						4.7	4.7
Late costs accruals						127.8	127.8
Accrued salaries, wages and employment costs						235.1	235.1
Total financial liabilities			**6.1**	**-**	**-**	**1,009.4**	**1,015.5**

The fair values of the financial assets and liabilities are not materially different from their book values.
Items designated "I" comprise interest-bearing net debt.

1) Including cross-currency swaps EUR 5.5 million and FX forward contracts EUR 8.0 million under IAS 39 hedge accounting.
2) Including FX forward contracts EUR 0.9 million under IAS 39 hedge accounting.

Derivatives

Fair values of derivative financial instruments, MEUR	Derivative assets Dec 31, 2008	Derivative liabilities Dec 31, 2008	Net fair value Dec 31, 2008	Net fair value Dec 31, 2007
FX Forward contracts				
Cash flow hedges under IAS 39 hedge accounting	14.3	3.8	10.5	6.7
Net investment hedges under IAS 39 hedge accounting	1.6	-	1.6	0.4
Other hedges	9.4	10.6	-1.2	-1.1
Currency options	1.9	1.5	0.4	0.0
Cross-currency swaps, due under one year				
Net investment hedges under IAS 39 hedge accounting	-	-	-	2.9
Other hedges	1.8	-	1.8	-
Cross-currency swaps, due in 1–3 years				
Net investment hedges under IAS 39 hedge accounting	-	-	-	2.6
Other net investment hedges	-	22.7	-22.7	6.3
Electricity derivatives	0.0	1.0	-1.0	0.9
Total	29.0	39.6	-10.6	18.7

Nominal values of derivative financial instruments, MEUR	Dec 31, 2008	Dec 31, 2007
FX Forward contracts		
Cash flow hedges under IAS 39 hedge accounting	204.0	159.4
Net investment hedges under IAS 39 hedge accounting	26.8	47.4
Other hedges	384.9	320.5
Currency options	90.4	15.6
Cross-currency swaps, due under one year		
Net investment hedges under IAS 39 hedge accounting	-	20.0
Other hedges	23.6	-
Cross-currency swaps, due in 1–3 years		
Net investment hedges under IAS 39 hedge accounting	-	23.6
Other net investment hedges	113.1	113.1
Electricity derivatives	4.7	2.5
Total	847.5	702.1

IAS 39 hedge accounting is not applied to currency options and electricity derivatives.

Derivatives are hedging transactions in line with KONE hedging policy.

In the balance sheet, derivative assets and liabilities are included in current assets' deferred assets and current liabilities' accruals according to their principal nature.

3. Acquisitions

KONE continued to pursue an aggressive acquisition policy during the financial period. Most of the acquisitions were companies specializing in elevator, escalator and automatic building door service. The acquisitions made during 2008 are immaterial to KONE's financial statements. The amount of sales consolidated from the companies acquired in 2008 did not have a material impact on the Group sales of the financial period. The fair values of the asset and liability items booked on the acquisitions did not differ materially from the book values prior to the business combinations.

3.1 Major acquisitions

During the accounting period KONE made major acquisitions for a total consideration of EUR 53.2 (37.5) million and an increase in goodwill totaling EUR 51.8 (34.7) million. These major acquisitions were paid for in cash. Among the major acquisitions were ARA Lyon (France), Arundel Elevator (USA), International Elevator Company (USA) and acquisitions in Spain and UK. The above mentioned acquisitions have been summarized in the following table. The amount of sales consolidated from these acquisitions was EUR 27.0 (16.5) million. See note 10 for more details about goodwill.

Assets and liabilities of the acquired companies, MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Intangible assets	0.0	0.7
Tangible assets	0.6	0.7
Inventories	3.0	3.3
Accounts receivable	4.5	7.4
Cash and cash equivalents	1.7	2.1
Total assets	9.8	14.2
Pension liabilities	0.0	0.0
Interest-bearing loans	0.1	0.0
Provisions	0.0	0.1
Other liabilities	8.3	11.3
Total liabilities	8.4	11.4
Net assets	1.4	2.8
Cumulative acquisition cost	53.2	37.5
Goodwill	51.8	34.7
Minority interests	0.0	0.0

3.2 Minor acquisitions

During the accounting period KONE made minor acquisitions for a total consideration of EUR 6.8 (12.1) million, of which EUR 6.5 (10.0) million was allocated to maintenance contracts in other intangible assets. Maintenance contracts are amortized in five years. See note 11 for more details about other intangible assets.

4. Percentage of completion method

The amount of sales recognized in the income statement for long-term projects under the percentage of completion method was EUR 206.7 (150.5) million. The effect of the percentage of completion method on the amount of sales was EUR 38.2 (36.2) million for the period. The balance sheet includes EUR 54.4 (39.7) million in unbilled contract revenue due to the percentage of completion method for long-term contracts in progress on the balance sheet date.

5. Costs and expenses

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Change of work in progress	-88.3	-119.4
Direct materials, supplies and external services	1,783.9	1,543.4
Other direct product costs	193.6	154.4
Wages and other salaries	1,076.4	1,002.9
Other statutory employer expenses	376.8	349.1
Pension costs	84.5	86.4
Operating lease expenses	73.0	69.1
Other expenses [1]	544.1	488.9
European Commission's and Austrian Cartel Court's fines	0.0	164.5
Total costs and expenses	4,044.0	3,739.3
Other income	64.4	51.4
Depreciation and amortization (note 6)	64.8	58.3
Impairment charges (note 10)	-	11.9
Total costs, expenses and depreciation	4,044.4	3,758.1

[1] Includes other variable costs, consulting and external services, IT and other miscellaneous costs.

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
R&D costs included in total costs	58.3	50.7
as percentage of sales, %	1.3	1.2

Auditors' fees, MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
To member firms of PricewaterhouseCoopers network		
Audit	2.1	2.0
Auditors' statements	0.0	0.0
Tax services	1.3	1.4
Other services	0.5	0.4
Total	3.9	3.8

6. Depreciation and amortization

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Other intangible assets		
Maintenance contracts	13.6	13.1
Other	7.7	7.5
Buildings	5.8	6.6
Machinery and equipment	37.7	31.1
Total	64.8	58.3

7. Financing income and expenses

MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Dividend income	4.5	3.3
Interest income		
Change in fair value of cross-currency swaps (interest rate related portion)	3.8	-
Net interest income on financial assets at fair value through profit or loss (cross-currency swaps)	3.2	4.5
On loans and receivables	10.5	8.3
Other financing income	0.8	0.1
Net exchange rate gains [1]	1.6	0.4
Financing income	**24.4**	**16.6**
Interest expenses		
Change in fair value of cross-currency swaps (interest rate related portion)	-	-2.1
Net interest expense on financial liabilities at fair value through profit or loss (cross-currency swaps)	0.0	-0.2
On other financial liabilities [2]	-18.4	-19.9
Other financing expenses [3]	-3.2	-2.9
Financing expenses	**-21.6**	**-25.1**
Financing income and expenses	**2.8**	**-8.5**

Exchange rate differences arising from the effective hedging of material purchases by FX derivatives are recognized in operating income as a correction to sales and material purchases. The net exchange rate difference from effective hedging of material purchases amounted to EUR -0.4 (0.8) million.

[1] Net exchange rate gains include exchange rate differences from loans and other receivables EUR -5.3 (7.8) million and exchange rate differences from derivative instruments EUR 9.2 (-7.4) million.
[2] Includes accrued interest EUR 7.1 (4.2) million on the European Commission's fine of EUR 142.0 million.
[3] Includes provisions on undrawn revolving credit facilities EUR 0.2 (0.3) million and banking charges EUR 3.0 (2.5) million.

8. Income taxes

Taxes in statement of income, MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Tax expense for current year	143.8	138.6
Change in deferred tax assets and liabilities	10.4	5.0
Tax expense for previous years	-8.5	-9.9
Total	**145.7**	**133.7**

Reconciliation of income before taxes with total income taxes in the statement of income, MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Income before taxes	563.8	314.0
Tax calculated at the domestic corporation tax rate	146.6	81.6
Effect of different tax rates in foreign subsidiaries	1.7	16.4
Permanent differences	5.9	2.9
Taxes from previous years	-8.5	-9.9
Impact of the European Commission's and the Austrian Cartel Court's fine	-	42.7
Total	**145.7**	**133.7**
Effective tax rate, %	25.8	42.6
Effective tax rate, % [1]		27.9
Tax rate of parent company	26.0	26.0

[1] 2007 effective tax rate excluding the European Commission's fine and the Austrian Cartel Court's fine of EUR 164.5 million.

9. Earnings per share

The basic earnings per share figure is calculated by dividing the net income attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of shares for the effect of all potential diluting shares. The Group has only one category of potential diluting shares, i.e. share options.

	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Net income attributable to the shareholders of the parent company, MEUR	417.3	180.1
Weighted average number of shares (1,000 shares)	251,892	250,981
Basic earnings per share, EUR	1.66	0.72
Dilution effect of share options issued (1,000 shares)	1,783	3,580
Weighted average number of shares, dilution adjusted (1,000 shares)	253,675	254,560
Diluted earnings per share, EUR	1.65	0.71

10. Goodwill

10.1 Goodwill allocation

Goodwill is allocated to the Group's cash-generating units (CGUs) according to the country of operation at the level at which goodwill is monitored for internal management purposes. A market area summary of goodwill allocation is presented below (carrying amounts):

MEUR	Dec 31, 2008	Dec 31, 2007
EMEA	440.5	416.7
Americas	144.6	121.0
Asia-Pacific	36.2	39.5
Total	621.3	577.2

10.2 Impairment testing

The value-in-use calculations for CGU specific cash flow projections are based on financial estimates approved by the management. Considering the prevailing instability in the economical environment, the value-in-use calculations are based on the detailed estimates/economic plans for next reporting year, and the cash flows for subsequent periods are assumed prudently without growth. On average, group turnover and EBIT is estimated to grow between approximately zero and five percentage.

The most significant external factors (market demand and environment, cost development) behind the CGU specific cash-flow projection are examined against external information sources. Management has also evaluated the past cash flow projections and the actual performance.

Based on the impairment test, no impaiment losses have been recognized. According to the sensitivity analysis, no impairment losses are foreseen, even if the CGU specific cash-flow estimates were reduced by 20% and the discount interests were increased by 20%.

Discount interest rates used (pre tax):

	EMEA	Americas	Asia-Pacific
2008	9.09%	7.44%	10.43%
2007	10.48%	10.24%	12.86%

10.3 Goodwill reconciliation

Goodwill, MEUR	Dec 31, 2008	Dec 31, 2007
Opening net book value	577.2	557.3
Translation differences	-9.7	-14.6
Increase	2.0	8.7
Decrease	-	-0.3
Reclassifications	-	3.3
Companies acquired	51.8	34.7
Companies sold	-	-
Impairment charges	-	-11.9
Closing net book value	621.3	577.2

11. Other intangible assets

Jan 1–Dec 31, 2008, MEUR	Maintenance contracts	Other	Total
Jan 1, 2008:			
Acquisition cost	122.5	112.1	234.6
Accumulated amortization and impairment	-86.0	-95.4	-181.4
Net book value	36.5	16.7	53.2
Opening net book value	36.5	16.7	53.2
Translation differences	-0.5	0.2	-0.3
Increase	0.2	10.0	10.2
Decrease	-0.2	0.0	-0.2
Reclassifications	-	0.8	0.8
Companies acquired	6.5	0.0	6.5
Companies sold	-	-	-
Amortization	-13.6	-7.7	-21.3
Impairment charges	-	-	-
Closing net book value	28.9	20.0	48.9
Dec 31, 2008:			
Acquisition cost	128.5	123.1	251.6
Accumulated amortization and impairment	-99.6	-103.1	-202.7
Net book value	28.9	20.0	48.9

Jan 1–Dec 31, 2007, MEUR	Maintenance contracts	Other	Total
Jan 1, 2007:			
Acquisition cost	110.3	108.9	219.2
Accumulated amortization and impairment	-72.9	-87.9	-160.8
Net book value	37.4	21.0	58.4
Opening net book value	37.4	21.0	58.4
Translation differences	-0.4	-0.2	-0.6
Increase	3.3	6.2	9.5
Decrease	-0.7	-0.1	-0.8
Reclassifications	-	-2.7	-2.7
Companies acquired	10.0	-	10.0
Companies sold	-	-	-
Amortization	-13.1	-7.5	-20.6
Impairment charges	-	-	-
Closing net book value	36.5	16.7	53.2
Dec 31, 2007:			
Acquisition cost	122.5	112.1	234.6
Accumulated amortization and impairment	-86.0	-95.4	-181.4
Net book value	36.5	16.7	53.2

Maintenance contracts

Most of the minor acquisitions in KONE are small elevator, escalator and door service businesses. These businesses consist of firm contractual commitments with customers to service and maintain the said equipment. The value of these contracts is usually not included in the balance sheet of the acquired business prior to the acquisition. The maintenance contracts in other intangible assets represents the excess of purchase cost over the fair value of the net identifiable assets of the acquired companies in connection with these minor acquisitions.

12. Property, plant and equipment

Jan 1–Dec 31, 2008, MEUR	Land	Buildings	Machinery & equipment	Machinery & equipment, leased for own use	Fixed assets under construction	Advance payments	Total
Jan 1, 2008:							
Acquisition cost	12.9	203.5	609.8	52.5	5.0	0.8	884.5
Accumulated depreciation	-1.0	-131.1	-516.7	-34.7	-	-	-683.5
Net book value	11.9	72.4	93.1	17.8	5.0	0.8	201.0
Opening net book value	11.9	72.4	93.1	17.8	5.0	0.8	201.0
Translation differences	-0.1	0.0	-1.1	0.2	-0.2	0.0	-1.2
Increase	0.0	6.7	42.3	9.3	7.2	2.0	67.5
Decrease	-1.5	-1.6	-2.6	-1.8	-0.1	-1.8	-9.4
Reclassifications	-	2.1	3.7	-	-5.6	-0.5	-0.3
Companies acquired	-	0.1	0.5	-	-	-	0.6
Companies sold	-	-	-	-	-	-	-
Depreciation	0.0	-5.8	-31.6	-6.1	-	-	-43.5
Impairment charges	-	-	-	-	-	-	-
Closing net book value	10.3	73.9	104.3	19.4	6.3	0.5	214.7
Dec 31, 2008:							
Acquisition cost	11.3	210.8	652.6	60.2	6.3	0.5	941.7
Accumulated depreciation	-1.0	-136.9	-548.3	-40.8	-	-	-727.0
Net book value	10.3	73.9	104.3	19.4	6.3	0.5	214.7

Jan 1–Dec 31, 2007, MEUR	Land	Buildings	Machinery & equipment	Machinery & equipment, leased for own use	Fixed assets under construction	Advance payments	Total
Jan 1, 2007:							
Acquisition cost	19.2	222.7	569.3	44.9	4.9	2.5	863.5
Accumulated depreciation	-1.0	-124.5	-492.2	-28.1	0.0	0.0	-645.8
Net book value	18.2	98.2	77.1	16.8	4.9	2.5	217.7
Opening net book value	18.2	98.2	77.1	16.8	4.9	2.5	217.7
Translation differences	-0.2	-2.5	-2.2	-1.1	-0.2	0.0	-6.2
Increase	0.2	1.8	27.2	9.2	19.9	1.5	59.8
Decrease	-6.3	-24.4	-1.4	-0.5	0.0	-0.1	-32.7
Reclassifications	0.0	5.9	16.2	-	-19.6	-3.1	-0.6
Companies acquired	0.0	0.0	0.7	-	0.0	0.0	0.7
Companies sold	-	-	-	-	-	-	-
Depreciation	0.0	-6.6	-24.5	-6.6	-	-	-37.7
Impairment charges	-	-	-	-	-	-	-
Closing net book value	11.9	72.4	93.1	17.8	5.0	0.8	201.0
Dec 31, 2007:							
Acquisition cost	12.9	203.5	609.8	52.5	5.0	0.8	884.5
Accumulated depreciation	-1.0	-131.1	-516.7	-34.7	-	-	-683.5
Net book value	11.9	72.4	93.1	17.8	5.0	0.8	201.0

During the period of Jan 1-Dec 31, 2008, capital expenditure on production facilities, customer service of sales and maintenance operations and information systems including new finance leases, totaled EUR 74.4 (67.3) million.

13. Associated companies and related party transactions

Investments in associated companies, MEUR	Dec 31, 2008	Dec 31, 2007
Total at beginning of period	10.9	7.7
Translation differences	0.7	-0.4
Share of associated companies result after taxes	2.6	1.7
Dividends received	-0.7	-0.2
Acquisitions	0.1	2.1
Disposals	-	0.0
Total at end of period	13.6	10.9

Investments in associated companies at the end of the period include goodwill of EUR 4.6 (4.6) million.

The balance sheets of KONE's associated companies showed total assets of EUR 60.9 million and total equity of EUR 20.4 million. The associated companies recorded total sales of EUR 78.6 million and net income of EUR 4.8 million.

The associated companies' financial information presented here is based on the latest official financial statements available. The calculation of the share of net income recognized in the KONE financial statements was based on the information those companies compiled for KONE.

Transactions with associated companies, MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Sales of goods and services	22.5	8.4
Purchases of goods and services	10.3	10.5

Balances with associated companies

Receivables from associated companies, MEUR	Dec 31, 2008	Dec 31, 2007
Long-term loans	1.8	1.6
Short-term loans	-	-
Accounts receivables	4.6	5.1
Deferred assets	0.0	0.0
Total	6.4	6.7

Liabilities to associated companies, MEUR	Dec 31, 2008	Dec 31, 2007
Long-term loans	-	-
Short-term loans	-	-
Accounts payables	1.1	0.6
Accruals	0.2	0.0
Total	1.3	0.6

Transactions with key management

The key management of KONE consists of the Board of Directors and the Executive Board.

Compensation paid to the key management, MEUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Salaries and other remunerations	6.5	6.2
Share-based payments	7.6	4.1
Total	14.1	10.3

Compensation recognized as an expense for members of the Board of Directors and the President & CEO, (EUR thousand)	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Herlin Antti, Chairman of the Board 1)	528.0	523.5
Alahuhta Matti, President & CEO, member of the Board 1)	754.7	749.7
Chauvarie Jean-Pierre	-	4.5
Hanhinen Reino	33.5	29.5
Herlin Jussi	18.0	13.0
Hämäläinen-Lindfors Sirkka	47.5	43.0
Pietikäinen Sirpa	32.5	27.5
Shimono Masayuki	31.0	26.0
Viinanen Iiro	34.0	29.0
Total	1,479.2	1,445.7

1) For the financial year 2008 in addition Antti Herlin's accrued bonus is EUR 229,559 and Matti Alahuhta's accrued bonus is EUR 594,371. These will be paid during 2009. In addition, to Matti Alahuhta in April 2008 paid share-based payments for financial year 2007 was EUR 1,803,946.

The compensation for the Chairman, Antti Herlin, consists of a basic salary and a yearly bonus, which is defined by the Board and based on the Corporation's financial result. This bonus may not exceed 100 percent of his annual salary. In 2008, Antti Herlin's basic salary was EUR 468,488. In addition, his accrued bonus for the accounting period January 1-December 31, 2008 was EUR 229,559. He was also paid EUR 59,500 as remuneration for serving as Chairman of the Board. Herlin's holdings of shares and options are presented on page 59. The Chairman of the Board's pension and retirement age are determined in accordance with the retirement age legislation in force. No separate agreement has been made regarding early retirement.

The compensation for the President & CEO, Matti Alahuhta, consists of a basic salary and yearly bonus, defined by the Board on the basis of the Corporation's annual result and other key targets. This bonus may not exceed 100 percent of his annual salary. Matti Alahuhta's basic salary for 2008 was EUR 722,200. In addition, his accrued bonus for the accounting period January 1-December 31, 2008 totaled EUR 594,371. He was also paid EUR 32,500 as remuneration for serving on the Board. Alahuhta's holdings of shares and options are presented on page 59. He is also included in the share-based incentive plan for the company's senior management. The potential reward is based on the annual growth in KONE's sales and operating profit. In April 2008, on the basis of the incentive plan, he received a bonus of total value of EUR 1,803,946 including 36,000 KONE class B shares together with a cash bonus to cover the taxes and similar charges arising from the receipt of the shares.

The corresponding bonus accrued from 2008 and to be paid in April 2009 is 21,600 KONE class B shares and a cash bonus to cover the taxes and similar charges arising from the receipt of the shares. As part of his service contract he has possibility to retire at the age of 60 with a retirement pension of 60 percent of his average monthly salary during the past seven earning years. Should his employment contract be terminated before retirement, he has the right to the equivalent of 18 months' salary, which includes the salary for a 6-month term of notice.

Compensation for members of Executive Board comprises a fixed basic salary and bonus, based on the annual result of the Group and the achievement of personal targets. The bonus amount is determined by the Nomination and Compensation Committee and may not exceed 50 percent of the annual salary. The Executive Board members' holdings of shares and options are presented on page 59. The Executive Board members are included in the share-based incentive plan. In April 2008, on the basis of the incentive plan, the members of the Executive Board received a bonus of total 158,400 KONE class B shares together with a cash bonus equal to the amount required to cover taxes and similar charges arising from the receipt of shares.

The corresponding bonus accrued from 2008 is 103,680 KONE class B shares and a cash bonus equal to the amount of taxes and similar charges. No separate agreement has been made regarding early retirement for members of the Executive Board. Compensation for termination of the employment contract prior to retirement is a maximum of 15 months' salary, which includes the salary for a 6-month term of notice.

14. Shares

The shares held include a 19.9 percent holding in Toshiba Elevator and Building Systems Corporation (TELC) together with the advance payments made by the end of 2008 for acquisitions that were not finalized on the balance sheet date. The fair value of TELC shares is based on realized and expected future earnings of the company. In value appraisement, the business is excpected to grow profitably and generally used return requirements of the industry have been used.

15. Available-for-sale investments

Available-for-sale investments include smaller holdings in other companies without public quotation. They are measured at cost since the fair values cannot be reliably measured.

16. Loans and receivables

MEUR	Dec 31, 2008	Dec 31, 2007
Non-current loans receivable	2.3	1.7
Current loans receivable	11.7	0.3
Current short-term deposits	192.3	118.6
Total	206.3	120.6

The fair values of loans and receivables are not materially different from their carrying amounts.

Loans and receivables consist mainly of short-term deposits in Finland and China as well as commercial papers in Finland. All derivative assets including cross-currency swaps are included in current assets´ deferred assets.

17. Deferred tax assets and liabilities

Deferred tax assets, MEUR	Dec 31, 2008	Dec 31, 2007
Tax losses carried forward	9.6	19.7
Provisions and accruals	51.1	48.4
Pensions	20.3	23.4
Consolidation entries	3.4	9.4
Other temporary differences for assets	37.7	17.7
Total	122.1	118.6
Total at beginning of period	118.6	134.1
Translation differences	0.7	-6.3
Change in statement of income	2.8	-9.2
Acquisitions, divestments and other	-	-
Total at end of period	122.1	118.6

Deferred tax liabilities, MEUR	Dec 31, 2008	Dec 31, 2007
Depreciation difference	4.5	1.8
Goodwill depreciation	19.6	8.8
Other temporary differences for liabilities	15.6	15.3
Total	39.7	25.9
Total at beginning of period	25.9	30.3
Translation differences	0.5	-0.2
Change in statement of income	13.3	-4.2
Acquisitions, divestments and other	-	-
Total at end of period	39.7	25.9
Net deferred tax assets and liabilities	82.4	92.7

As stated in the accounting principles, the deferred tax asset has not been recognized for all temporary differences.

18. Inventories

MEUR	Dec 31, 2008	Dec 31, 2007
Raw materials, supplies and finished goods	183.8	162.0
Work in progress	688.9	602.4
Advance payments made	12.8	8.8
Inventories	**885.5**	**773.2**
Advance payments received	-805.4	-694.6
Total	**80.1**	**78.6**

Work in progress includes direct labour and material costs as of the balance sheet date with a proportion of indirect costs related to manufacturing and installation of firm customer orders. Firm customer orders are mainly fixed price contracts with customers for the sale of new equipment or for the modernization of old equipment. Advance payments received include customer payments for orders included in work in progress, according to the contractual payment terms.

19. Deferred assets

MEUR	Dec 31, 2008	Dec 31, 2007
Deferred interests	2.2	1.5
Deferred income from service contracts	25.1	11.3
Unbilled contract revenue (note 4)	54.4	39.7
Derivative assets	29.0	24.8
Pension surplus from defined benefit plans	2.6	1.9
Prepaid expenses and other receivables	103.0	94.9
Total	**216.3**	**174.1**

20. Shareholders equity

Total shareholders' equity consists of the share capital, the share premium account, the fair value and other reserves, translation differences, the paid-up unrestricted equity reserve and retained earnings. When the options are exercised, the impacts of changes in the share capital, which exceeds the accounting par value of the shares, are included in the paid-up unrestricted equity reserve. The fair value and other reserves include changes in the fair value of cash flow hedges. Translation differences arising from the application of the purchase method on the translation of the net investment in foreign subsidiaries and associated companies are recorded under translation differences. Exchange rate differences resulting from derivatives and loans intended as hedges on assets and liabilities in foreign subsidiaries are also entered in translation differences. The purchase price of own shares purchased by KONE Group companies is deducted from retained earnings. The net income for the accounting period is booked directly in retained earnings.

Shares and share capital

At the end of the 2008 financial year the number of shares outstanding was 257,436,922. The share capital was EUR 64,4 million and the total number of votes was 60,037,613. Each class A share is assigned one vote, as is each block of 10 class B shares, with the provision that each shareholder is entitled to at least one vote. At the end of the financial year, the Board of Directors of the company had no valid authorization to increase the share capital or to issue stock options.

In accordance with the Articles of Association, class B shares are preferred for a dividend, which is at least 1 percent and no more than 2.5 percent higher than the dividend paid to the holders of class A shares, calculated based on the amount obtained by dividing the share capital entered into the Trade Register by the number of shares entered into the Trade Register.

Changes in share capital	Class A	Class B	Total
Number of shares as of Jan 1, 2008	19,052,178	109,300,416	128,352,594
Increasing without payment Feb 28, 2008	19,052,178	109,300,416	128,352,594
Share subscription with 2005A, 2005B and 2005C options, Mar 7, 2008		40,944	40,944
Share subscription with 2005B and 2005C options, Apr 30, 2008		188,992	188,992
Share subscription with 2005B and 2005C options, Aug 8, 2008		53,256	53,256
Share subscription with 2005B and 2005C options, Oct 31, 2008		90,370	90,370
Share subscription with 2005A and 2005B options, Dec 31, 2008		358,172	358,172
Number of shares, Dec 31, 2008	38,104,356	219,332,566	257,436,922
Number of votes, Dec 31, 2008	38,104,356	21,933,257	60,037,613
Share capital, Dec 31, 2008, MEUR	9.5	54.9	64.4

	Class A	Class B	Total
Number of shares as of Jan 1, 2007	19,052,178	109,014,450	128,066,628
Share subscription with 2005A and 2005B options, Mar 9, 2007		51,966	51,966
Share subscription with 2005A and 2005B options, May 11, 2007		23,580	23,580
Share subscription with 2005A and 2005B options, Aug 10, 2007		32,136	32,136
Share subscription with 2005A and 2005B options, Nov 2, 2007		52,440	52,440
Share subscription with 2005A and 2005B options, Dec 31, 2007		125,844	125,844
Number of shares, Dec 31, 2007	19,052,178	109,300,416	128,352,594
Number of votes, Dec 31, 2007	19,052,178	10,930,042	29,982,220
Share capital, Dec 31, 2007, MEUR	9.5	54.7	64.2

Options

KONE Corporation had during financial period 2008 four stock option programmes. The purpose of the stock options is to encourage long-term efforts by key personnel to increase shareholder value and their commitment to the company by offering them an internationally competitive incentive program. The company's Board Members, President & CEO and members of the executive board are not included in the stock option programs 2005C and 2007.

Stock options 2005A and 2005B were granted according to the decision of the Extraordinary Shareholders' Meeting of the demerged Kone Corporation on November 17, 2000 to approximately 250 key employees. A total of 145,130 A options and 165,340 B options were subscribed. Each stock option entitles its owner to subscribe for twelve (12) new class B shares of the company. The share subscription price is EUR 4.02. The annual subscription period during which the shares can be subscribed with the options lasts from January 2 to November 30. The shares acquired shall first qualify for dividend payment for the financial year during which the subscription has taken place. Other rights related to the shares shall commence on the date when the increase in the share capital is entered in the Trade Register.

Stock options 2005C were granted according to the decision of the Extraordinary Shareholders' Meeting on November 21, 2005 to approximately 300 key employees. A maximum total of 2,000,000 options were offered for subscription. Each option entitles its owner to subscribe for two (2) class B share. The share subscription price for the option was originally EUR 14.20. The amount of KONE Corporation's dividend paid after the determination of the subscription price shall be deducted from the subscription price up until the time of share subscription, as per the dividend record date. Therefore the effective subscription price as per December 31, 2008 was EUR 12.55. The share subscription period for options 2005C is April 1, 2008–April 30, 2010.

Stock options 2007 were granted according to the decision of the Board of Directors meeting on December 5, 2007 to approximately 350 key employees and decision was based on the authorization received from the Shareholders Meeting at February 26, 2007. A maximum total of 2,000,000 options will be granted. The original share subscription price for the option was 25.445 euros per share and it is further reduced in situations mentioned in the terms, for example with dividends distributed before the subscription of the shares. Therefore the effective subscription price as per December 31, 2008 was EUR 24,795. Each option entitles its holder to subscribe for two (2) new class B KONE share. The share subscription period for option 2007 will be April 1, 2010–April 30, 2012. The share subscription period begins only if the average turnover growth of the KONE Group for financial years 2008 and 2009 exceeds 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 financial year 2007, and the EBIT for the financial year 2009 exceeds the EBIT for the financial year 2008. If the above-mentioned criteria have not been attained, stock options expire based on the consideration and in the manner and extent decided by the Board of Directors and the terms of the stock options.

Options	Options granted to employees	Unexcercised options	Options held by the subsidiary Dec 31, 2008	Number of class B shares that can be subscribed for with the options	Share subscription price, EUR	Share subscription period
2005B	165,340	19,504	4,660	12	4.02	Jun 13, 2005–Mar 31, 2009
2005C	1,478,000	1,432,575	522,000	2	12.55	Apr 1, 2008–Apr 30, 2010
2007	1,175,500	1,175,500	824,500	2	24.795	Apr 1, 2010–Apr 30, 2012
Totally	2,818,840	2,627,579	1,351,160			

Changes in the number of options outstanding	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Number of options outstanding at Jan 1	1,588,911	1,674,572
Granted options	1,211,000	12,000
Returned options	73,500	50,000
Exercised options	98,832	47,661
Number of options outstanding at Dec 31	2,627,579	1,588,911
Exercisable options at Dec 31	1,978,739	77,571

Share-based incentive plan

KONE has share-based incentive plan for the company's senior management, consisting of approximately 40 individuals. The potential reward is based on the annual growth in both sales and earnings before interest and taxes (EBIT). The reward is to be paid as a combination of class B shares and the cash equivalent of the tax and taxable benefit costs that are incurred. The plan prevents participants from transferring the shares during the fifteen-month period following the termination of each earning period. In April 2008 totally 326,000 class B shares were granted to the management as reward due to achievement of the targets for year 2007. Respectively totally 200,448 class B shares will be granted in April 2009 due to achievement of the targets for year 2008.

Authority to purchase own shares

The Shareholders' Meeting held on February 2008 authorized the Board of Directors to repurchase and redistribute the company's own shares.

The shares may be repurchased in order to develop the capital structure of the Company, finance or carry out possible acquisitions, implement the Company's share-based incentive plans, or to be transferred for other purposes or to be cancelled. 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 its own shares that the Company is allowed to possess.

The class B shares can be purchased at public trading in the NASDAQ OMX Helsinki Ltd at the market price. The class A shares shall be purchased outside public trading at the price equivalent to the average price of class B shares paid in the NASDAQ OMX Helsinki Ltd at the time of purchase.

During the 2008 and 2007 financial years the following KONE shares were repurchased:

Repurchased own shares

	Number of shares	Cost in MEUR
Jan 1, 2007	2,338,753	79.4
Feb 2007	6,000	0.3
Dec 31, 2007	**2,344,753**	**79.7**
Increasing without payment, Feb 2008	2,344,753	0.0
Dec 31, 2008	**4,689,506**	**79.7**

In addition, relating to the share-based incentive plan, a company included in the consolidated financial statements owned 216,000 KONE class B shares in December 2008 after shares granted to the management during year 2008 were totally 326,000. Purchase price of the owned shares is EUR 3.3 million.

Share-based payments

	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Share-based payments recognized as an expense in the statement of income, MEUR		
To be paid in shares	8.6	8.6
To be paid in cash	6.3	4.5

The share price at the date of issuing the share-based incentive plan 2008–2009 was EUR 22.5. During the financial year 2008 the possibility for a total of 463,680 (6,000) more KONE class B shares was granted and the possibility for a total of 48,192 (8,000) class B shares was returned to the company. The outstanding amount of KONE class B shares included in the incentive plan was therefore 415,488 (330,800) class B shares at the end of the financial year.

The value of the option program is calculated using the Black-Scholes option pricing model. The parameters used in defining the fair value of the option program are:

	2007	2005C
Share price at the date of issue, EUR	22.90	15.95
Original subscription price, EUR	25.45	14.20
Duration (years)	2.1	2.3
Expected volatility, %	27	25
Risk-free interest rate, %	4.0	3.5
Expected redundancy, %	0.0	0.0
Fair value of option at the date of issue, EUR	6.55	7.75

The share subscription price is reduced by the amount of dividends decided before the share subscription at the record date of each dividend distribution.

21. Finance lease liabilities

KONE has non-cancelable finance leases for machinery & equipment and buildings with varying terms and renewal rights.

MEUR	Dec 31, 2008	Dec 31, 2007
Minimum lease payments		
Less than 1 year	7.1	6.8
1–5 years	13.9	12.9
Over 5 years	-	-
	21.0	19.7
Future finance charges	-1.2	-1.9
Present value of finance lease liabilities	19.8	17.8

MEUR	Dec 31, 2008	Dec 31, 2007
Present value of finance lease liabilities		
Less than 1 year	6.9	6.5
1–5 years	12.9	11.3
Over 5 years	-	-
Total	19.8	17.8

22. Employee benefits

The Group operates various employee benefit plans throughout the world. Pension arrangements are made in accordance with local regulations and practice, in line with the defined contribution or defined benefit pension plans. Under defined contribution plans the Group's contributions are recorded as an expense in the accounting period to which they relate. For defined benefit pension plans retirement, disability, death and termination income benefits are determined, with retirement benefits generally being a function of years worked and final salary.

In Finland, pension cover has been arranged through local insurance companies in accordance with defined contribution plans (Finnish Statutory Employment Pension Scheme " TyEL "). In Sweden, pension cover is arranged through both insurance companies and book reserves in accordance with the Swedish "FPG/PRI System". The same type of book reserves for unfunded defined benefit pension plans are also used in Germany and Italy, for example. Other post-employment unfunded obligations include book reserves for termination income benefits, which are made in some countries in accordance with local practice.

The main countries to have funded defined benefit plans are the United Kingdom, the United States, Canada and Australia. Defined benefit pension plans are funded by the relevant KONE companies to satisfy local statutory funding requirements. The discount rates used in actuarial calculations of employee benefit liabilities are adjusted to market rates. The Group funds also include certain other post- employment benefits in the United States relating to retirement, medical and life insurance programs.

Employee benefit liabilities recognized in the balance sheet, MEUR

	Dec 31, 2008	Dec 31, 2007
Employee benefits		
Defined benefit plans	97.2	112.3
Other post-employment benefits	18.6	19.6
Total	115.8	131.9

	Dec 31, 2008		Dec 31, 2007	
	Defined benefit plans	Other post-employment benefits	Defined benefit plans	Other post-employment benefits
Present value of unfunded obligations	54.2	8.4	56.8	10.9
Present value of funded obligations	194.3	15.4	239.2	14.4
Fair value of benefit plans' assets	-123.4	-0.3	-177.8	-1.1
Unrecognized actuarial gains (+)/losses (-)	-27.9	-4.9	-5.9	-4.6
Total	97.2	18.6	112.3	19.6

	Jan 1–Dec 31, 2008		Jan 1–Dec 31, 2007	
Net liability reconciliation	Defined benefit plans	Other post-employment benefits	Defined benefit plans	Other post-employment benefits
Net liability at beginning of period	112.3	19.6	122.2	22.8
Translation differences	-9.3	-1.2	-5.3	-1.1
Acquisitions of new companies	-	-	-	-
Disposals of companies	-	-	-	-
Costs recognized in statement of income	6.8	2.6	8.6	2.1
Paid contributions	-12.6	-2.4	-13.2	-4.2
Net liability at end of period	97.2	18.6	112.3	19.6

Amounts recognized in the statement of income, MEUR

Total pensions	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Defined contribution pension plans	74.9	75.3
Defined benefit pension plans	7.0	9.0
Other post-employment benefits	2.6	2.1
Total	84.5	86.4

	Jan 1–Dec 31, 2008		Jan 1–Dec 31, 2007	
	Defined benefit plans	Other post-employment benefits	Defined benefit plans	Other post-employment benefits
Current service costs	7.0	1.5	11.0	1.1
Interest costs	15.9	0.8	16.1	0.9
Expected return on plans' assets	-14.8	0.0	-14.8	-0.2
Net actuarial gains (-)/losses (+) recognized	1.6	0.3	-1.1	0.3
Past-service costs	0.0	-	0.0	-
Settlements	-2.7	-	-2.4	-
Loss curtailments	0.0	-	0.2	-
Total	7.0	2.6	9.0	2.1

The actual return on defined benefit plans' assets was EUR -34.6 (15.9) million.

Defined benefit plans: assumptions used in calculating benefit obligations

	Jan 1–Dec 31, 2008		Jan 1–Dec 31, 2007	
	Europe	USA	Europe	USA
Discount rate, %	4.20–6.25	6.00	4.25–6.00	5.70
Expected return on plans' assets, %	4.00–6.25	8.50	4.00–7.28	8.50–9.00
Future salary increase, %	3.0–4.5	4.0	2.5–4.8	4.0
Future pension increase, %	2.0–2.8	4.0	1.5–3.4	4.0
Expected average remaining working years	12–16	15	10–18	15

23. Provisions

Jan 1–Dec 31, 2008, MEUR	Provision for warranty	Provision for claims	Provision for business restructuring	Provision for loss contracts	Other provisions [1]	Total
Total provisions at beginning of period	10.2	4.6	8.8	20.9	42.1	86.6
Translation differences	-0.1	-0.2	0.1	0.8	-0.3	0.3
Increase	9.5	2.7	1.7	16.3	4.8	35.0
Provisions used	-10.4	-1.4	-5.4	-12.8	-24.4	-54.4
Reversal of provisions	-3.0	-1.5	-1.5	-6.5	-5.1	-17.6
Companies acquired	-	-	-	-	-	-
Companies sold	-	-	-	-	-	-
Total provisions at end of period	6.2	4.2	3.7	18.7	17.1	49.9

	Non-current liabilities	Current liabilities	Total
Distribution of provisions as of Dec 31, 2008	6.6	43.3	49.9

Jan 1–Dec 31, 2007, MEUR	Provision for warranty	Provision for claims	Provision for business restructuring	Provision for loss contracts	Other provisions [1]	Total
Total provisions at beginning of period	16.2	4.8	9.7	22.1	19.0	71.8
Translation differences	0.0	0.0	0.4	0.5	-0.4	0.5
Increase	5.6	1.7	5.9	9.0	29.8	52.0
Provisions used	-9.4	-1.5	-4.2	-8.5	-2.4	-26.0
Reversal of provisions	-2.2	-0.4	-3.0	-2.2	-4.0	-11.8
Companies acquired	-	-	-	-	0.1	0.1
Companies sold	-	-	-	-	-	-
Total provisions at end of period	10.2	4.6	8.8	20.9	42.1	86.6

	Non-current liabilities	Current liabilities	Total
Distribution of provisions as of Dec 31, 2007	11.7	74.9	86.6

[1] A provision of EUR 22.5 million was recognized in other provisions for the Austrian Cartel Court's fine during the accounting period 2007. The fine was paid in the last quarter of 2008.

24. Accruals

MEUR	Dec 31, 2008	Dec 31, 2007
Accrued interests	12.3	4.7
Accrued income of service contracts	42.9	33.1
Late costs accruals	180.6	127.8
Accrued salaries, wages and employment costs	232.1	235.1
Derivative liabilities	39.6	6.1
Other accrued expenses	218.0	225.7
Total	725.5	632.5

25. Commitments

MEUR	Dec 31, 2008	Dec 31, 2007
Mortages		
Group and parent company	0.7	0.7
Pledged assets		
Group and parent company	2.0	4.8
Guarantees		
Associated companies	4.1	5.3
Others	7.2	6.3
Operating leases	171.7	148.9
Total	185.7	166.0

Possible unidentified debts and liabilities of the demerged Kone Corporation were transferred to the new KONE Corporation according to the demerger plan.

KONE leases cars, machinery & equipment and buildings under non-cancelable operating leases. The leases have varying terms and renewal rights.

The future minimum lease payments under non-cancellable operating leases, MEUR	Dec 31, 2008	Dec 31, 2007
Less than 1 year	43.3	39.0
1–5 years	96.9	91.2
Over 5 years	31.5	18.7
Total	171.7	148.9

The aggregate operating lease expenses totaled EUR 73.0 (69.1) million.

26. Principal subsidiaries

		Shareholding (%)	
Company	Country	Parent company	Group
KONE Inc.	United States		100
KONÉ S.A.	France		99.97
KONE plc	United Kingdom	100	100
KONE Elevators Co. Ltd	China		95
KONE S.p.A.	Italy		100
KONE GmbH	Germany		100
KONE Hissit Oy	Finland	100	100
KONE Elevators Pty Ltd	Australia		100
KONE B.V.	Netherlands		100
KONE Elevadores S.A.	Spain	0.02	100

Total number of subsidiaries is 179. A complete list of subsidiaries is on page 52.

Market area information

Jan 1–Dec 31, 2008, MEUR	Sales	Assets employed	Investments	Personnel at end of period
EMEA [1]	3,001.5	778.5	46.5	19,461
Americas	888.3	154.9	14.3	6,003
Asia-Pacific	713.0	115.0	13.6	9,367
Non-allocated		-70.8		
Total	4,602.8	977.6	74.4	34,831

Jan 1–Dec 31, 2007, MEUR	Sales	Assets employed	Investments	Personnel at end of period
EMEA [1]	2,675.3	625.1	39.1	18,359
Americas	840.8	104.3	15.6	5,713
Asia-Pacific	562.8	122.4	12.6	8,472
Non-allocated		-10.9		
Total	4,078.9	840.9	67.3	32,544

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

Calculation of key figures

Average number of employees	=		the average number of employees at the end of each calendar month during the accounting period
Return on equity (%)	=	100 x	$\frac{\text{net income}}{\text{total equity (average of the figures for the accounting period)}}$
Return on capital employed (%)	=	100 x	$\frac{\text{Net Income + Financing Expenses}}{\text{Equity + Interest-bearing-debt (average of the figures for the accounting period)}}$
Total equity/total assets (%)	=	100 x	$\frac{\text{total equity}}{\text{total assets}}$
Gearing (%)	=	100 x	$\frac{\text{interest-bearing-debt - liquid assets - loans receivable}}{\text{total equity}}$
Basic earnings/share	=		$\frac{\text{net income attributable to the shareholders of the parent company}}{\text{issue and conversion-adjusted weighted average number of shares - repurchased own shares}}$
Equity/share	=		$\frac{\text{total shareholders' equity}}{\text{number of shares (issue adjusted) - repurchased own shares}}$
Dividend/share	=		$\frac{\text{dividend payable for the accounting period}}{\text{issue and conversion-adjusted weighted average number of shares - repurchased own shares}}$
Dividend/earnings (%)	=	100 x	$\frac{\text{dividend/share}}{\text{earnings/share}}$
Effective dividend yield (%)	=	100 x	$\frac{\text{dividend/share}}{\text{price of class B shares at end of accounting period}}$
Price/earnings	=		$\frac{\text{price of class B shares at end of accounting period}}{\text{earnings/share}}$
Average price	=		$\frac{\text{total EUR value of all class B shares traded}}{\text{average number of class B shares traded during the accounting period}}$
Market value of all outstanding shares	=		the number of shares (A + B) at end of accounting period times the price of class B shares at end of accounting period [1)]
Shares traded	=		number of class B shares traded during the accounting period
Shares traded (%)	=	100 x	$\frac{\text{number of class B shares traded}}{\text{average weighted number of class B shares}}$

[1)] Excluding repurchased own shares.

Summary in figures

Consolidated statement of income	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Sales, MEUR	4,603	4,079	3,601
- sales outside Finland, MEUR	4,461	3,959	3,502
Operating income, MEUR	558	321	360
- as percentage of sales, %	12.1	7.9	10.0
Income before taxes, MEUR	564	314	356
- as percentage of sales, %	12.2	7.7	9.9
Net income, MEUR	418	180	234

Consolidated balance sheet, MEUR	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Non-current assets	1,178	1,083	1,102
Inventories, net	80	79	117
Other current assets	1,398	1,198	1,074
Total equity	1,036	749	699
Non-current liabilities	328	334	276
Provisions	50	87	72
Current liabilities	1,243	1,191	1,247
Total assets	2,657	2,360	2,292
Interest-bearing net debt	-58	92	125
Assets employed [1]	978	841	824
Net working capital [1]	-76	-122	-140

Other data	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Orders received, MEUR	3,948	3,675	3,116
Order book, MEUR	3,577	3,282	2,762
Capital expenditure , MEUR	74	67	60
- as percentage of sales, %	1.6	1.6	1.7
Expenditure for research and development, MEUR	58	51	50
- as percentage of sales, %	1.3	1.2	1.4
Average number of employees	33,935	30,796	28,366
Number of employees at end of period	34,831	32,544	29,321

Key ratios, %	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Return on equity	46.8	24.9	34.3
Return on capital employed	35.9	18.6	25.2
Total equity/total assets	39.0	31.7	30.5
Gearing	-5.6	12.2	17.9

Key figures per share [2]	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Basic earnings per share, EUR	1.66	0.72	0.93
Diluted earnings per share, EUR	1.65	0.71	0.92
Equity per share, EUR	4.10	2.98	2.77
Dividend per class B share, EUR	0.65 [3]	0.65	0.50
Dividend per class A share, EUR	0.645 [3]	0.645	0.495
Dividend per earnings, class B share, %	39.2 [3]	90.3	53.8
Dividend per earnings, class A share, %	38.9 [3]	89.6	53.2
Effective dividend yield, class B share, %	4.2 [3]	2.7	2.3
Price per earnings, class B share	9	33	23
Market value of class B share, average, EUR	21	23	18
- high, EUR	28	30	22
- low, EUR	14	20	14
- at end of period, EUR	16	24	21
Market capitalization at end of period, MEUR [4]	3,922	6,027	5,382
Number of class B shares traded (1,000s)	207,778	191,764	151,028
Class B shares traded, %	91	87	69
Weighted average number of class A shares, (1000s)	38,104	38,104	38,104
Number of class A shares at end of period, (1000s)	38,104	38,104	38,104
Weighted average number of class B shares, (1000s) [5]	215,570	216,456	216,090
Number of class B shares at end of period, (1000s) [4]	214,427	213,369	212,551
Weighted average number of shares, (1000s) [5]	253,675	254,560	254,194

1) Including tax receivables and liabilities, accrued interest and derivative items.
2) On February 28, 2008 the share issue without payment was registered and the shares were "split" at a ratio of one to two.
3) Board's proposal.
4) Reduced by the number of repurchased own shares.
5) Adjusted for share issue and option dilution, and reduced by the number of repurchased own shares.

Parent company statement of income

EUR	Note	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Sales	1	154,846,665.97	105,458,042.55
Other operating income	2	15,118,223.90	233,218,313.42
Materials and services		165,563.11	-1,045,405.28
Personnel expenses	3	-36,439,488.54	-34,147,494.66
Depreciation and amortization	4	-2,600,580.22	-2,136,506.70
Other operating expenses	5	-89,221,525.37	-142,412,612.61
Operating profit		41,868,858.85	158,934,336.72
Financing income and expenses	6	187,701,995.86	106,339,274.91
Profit before extraordinary items		229,570,854.71	265,273,611.63
Extraordinary items	7	38,671,736.18	33,262,768.98
Profit before appropriations and taxes		268,242,590.89	298,536,380.61
Income taxes		-2,805,790.98	-14,341,790.23
Deferred taxes		-744,173.00	-523,691.55
Profit for the financial year		264,692,626.91	283,670,898.83

Parent company balance sheet

Assets, EUR	Note	Dec 31, 2008	Dec 31, 2007
Non-current assets			
Intangible assets			
Intangible rights	8	558,300.00	533,989.00
Other long-term expenditure	9	4,385,771.00	2,512,738.00
		4,944,071.00	3,046,727.00
Tangible assets			
Land	10	182,328.26	367,077.32
Buildings	11	6,295,751.78	4,667,012.00
Machinery and equipment	12	3,297,058.39	3,211,081.03
		9,775,138.43	8,245,170.35
Investments			
Subsidiary shares	13	2,235,995,270.66	1,796,638,950.41
Other shares	14	9,608,899.69	9,374,221.59
		2,245,604,170.35	1,806,013,172.00
Total non-current assets		2,260,323,379.78	1,817,305,069.35
Current assets			
Long-term receivables	15	676,452,063.38	678,350,326.04
Short-term receivables	16	382,017,203.63	412,787,276.80
Deferred tax assets		1,612,339.49	2,356,512.49
Cash and cash equivalents		23,424,034.63	17,365,872.04
Total current assets		1,083,505,641.13	1,110,859,987.37
Total assets		3,343,829,020.91	2,928,165,056.72

Equity and liabilities, EUR	Note	Dec 31, 2008	Dec 31, 2007
Equity			
Share capital		64,359,230.50	64,176,297.00
Share in premium account		100,328,064.58	100,173,705.70
Other reserves			
Paid-up unrestricted equity reserve		3,379,228.80	0.00
Retained earnings		1,265,661,257.77	1,145,610,030.46
Profit for the financial year		264,692,626.91	283,670,898.83
Total equity	17	1,698,420,408.56	1,593,630,931.99
Provisions			
Provisions	18	2,422,452.00	1,720,411.17
Liabilities			
Non-current liabilities	19	513,630,275.51	77,262,208.51
Current liabilities	20	1,129,355,884.84	1,255,551,505.05
Total liabilities		1,642,986,160.35	1,332,813,713.56
Total equity and liabilities		3,343,829,020.91	2,928,165,056.72

Parent company cash flow statement

EUR	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007
Cash receipts from customers	137,134,680.95	121,782,633.40
Cash receipts from other oparative income	13,621,775.86	12,739,078.17
Cash paid to suppliers and employees	-118,112,111.64	-159,948,260.39
Financial items	254,907,386.99	99,515,166.27
Taxes and other items	11,507,462.17	-47,981,922.57
Cash flow from operating activities	299,059,194.33	26,106,694.88
Capital expenditure	-6,520,960.00	-2,047,831.70
Proceeds from sales of fixed assets	1,753,311.64	4,956.07
Subsidiary investments	-440,534,420.25	-701,891,961.64
Proceeds from sales of subsidiary shares		186,149,485.74
Cash flow from investing activities	-445,302,068.61	-517,785,351.53
Purchase of own shares		-282,447.24
Increase of share capital	3,716,521.18	2,299,166.64
Net change in short-term debt	-147,418,091.98	505,840,804.79
Net change in long-term debt	385,310,383.61	34,290,300.57
Dividends paid	-163,619,671.52	-125,531,353.22
Group contributions received	55,451,041.24	48,247,730.67
Group contributions paid	-20,421,488.67	-22,619,423.55
Other financing items	102,610,853.92	65,687,926.00
Cash flow from financing activities	215,629,547.78	507,932,704.66
Change in cash and cash equivalents	69,386,673.50	16,254,048.01
Cash and cash equivalents, Jan 1	17,365,872.04	1,111,824.03
Cash and cash equivalents, Dec 31	86,752,545.54	17,365,872.04
Change in cash and cash equivalents	69,386,673.50	16,254,048.01
Reconciliation of net income to the cash flow from operating activities		
Profit for the financial year	264,692,626.91	283,670,898.83
Depreciations	2,600,580.22	2,136,506.70
Other adjustments	-40,166,658.22	-239,782,244.73
Income before change in working capital	227,126,548.91	46,025,160.80
Change in receivables	-1,049,550.57	-15,772,798.10
Change in payables	72,982,195.99	-4,145,667.82
Cash flow from operating activities	299,059,194.33	26,106,694.88

Accounting principles of the parent company financial statements

The parent company financial statements have been prepared according to the Finnish Accounting Standards. Financial statements have been prepared for the period of 12 months between January 1 and December 31, 2008.

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the individual transaction. Foreign-currency denominated receivables and payables are translated using the period end exchange rates. Exchange rate differencies on the loans, deposits and other balance sheet items are recognized in the financing income and expenses in the statement of income.

Derivative instruments

Derivate contracts that are used to hedge the currency and the interest rate risks as well as the derivative contracts used to hedge the commodity risk related to the electricity price risk are valued at fair value. The fair values of interest rate swaps and cross-currency swaps are presented in the note 22, Derivatives.

The fair values of FX forward contracts are calculated by discounting the future cash flows of the contracts with the interest rate yield curves of the currencies bought and sold, translating the discounted amounts into the reporting currency using the balance sheet date foreign exchange rate and calculating the difference between the discounted amounts. The fair values of foreign currency options are calculated with an option pricing model using exchange rates, interest rate yield curves and volatilities of foreign currencies quoted in the FX market on the balance sheet date. The fair values of interest rate swaps and cross currency swaps are determined by discounting the future cash flows of the contracts with the interest rate yield curves of the currencies concerned, translating the discounted amounts into the reporting currency using the balance sheet date foreign exchange rate and calculating the difference between the incoming and outgoing discounted amounts and by eliminating the accrued interests already booked as a net amount in deferred assets. The fair value of electricity derivatives is the period end value listed by Nord Pool (Scandinavian electricity pool).

Changes in the fair values of the instruments used in hedging the foreign currency loans, deposits and other receivavables and liabilities are recognized in the financing income and expenses in the statement of income.

Revenue recognition

Revenue is recognized, when the services have been rendered or when the work has been carried out.

Research and development cost

Research and development costs are expensed in the period they are incurred.

Pensions

An external pension insurance company manages the parent company pension plan. Contributions to the pension plan are expensed to the statement of income in the period to which these contributions relate.

Leases

Leasing charges are recognized in the leasing costs in the statement of the income. Remaining future leasing liabilities from existing contracts are presented in the Commitments in the notes to the financial statements. The leasing terms of exsisting contacts do not deviate from the conventional leasing terms.

Extraordinary income and expenses

Extraordinary income and expenses include the group contributions.

Taxes

Tax expense includes taxes based on the taxable income and the change in deferred tax assets and liabilities. Deferred taxes are recognized for temporary differences arising between the tax basis of assets and liabilities and their book values in financial reporting, and measured with enacted the tax rates prevailing at the balance sheet date. The deferred tax liabilities arising from temporary differencies are fully recognized with prudency, whereas the deferred tax assets are recognized only to the extent of the probable future tax benefit. Taxes from previous years are included in the current year tax expense.

Fixed assets and depreciation and amortization

Tangible and intangible fixed assets are stated at the cost less accumulated depreciation and amortization. Depreciation and amortization is recorded on a straight-line basis over the economic useful lives of the assets as follows:

Buildings	5–40 years
Machinery and equipment	4–10 years
Other long-term expenditure	4–5 years

Land is not depreciated

Investments in subsidiaries and other companies are measured at cost, or fair value in case the fair value is less than cost.

Provisions

Future costs in which the parent company has committed to and which probably will not contribute in future revenues are recognized in provisions.

Financial risk management

KONE Group Treasury of the parent company centrally manages the group financial risk. The financial risk management principles are presented in the note 2 Financial risks and instruments, in the Notes to the consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, demand deposits and other current, highly liquid investments. Assets classified as cash and cash equivalents have a maturity of three months or less from the date of acquisition.

Notes to the parent company financial statements

Notes to the statement of income

1. Sales

Sales to subsidiaries was EUR 154,750.9 thousand, which consists mainly of internal service fees.

2. Other operating income

EUR 1,000	Jan 1–Dec 31,2008	Jan1–Dec 31, 2007
Rent income	1,380.5	1,517.4
Guarantee provisions	1,403.5	1,160.2
Subsidies received	1,244.8	1,796.9
Gains from the sales of fixed assets	1,496.4	206,950.5
Others	9,593.0	21,793.3
Total	15,118.2	233,218.3

3. Personnel expenses

EUR 1,000	Jan 1–Dec 31,2008	Jan1–Dec 31, 2007
Salaries for members of the Board of Directors and the President & CEO	4,440.0	3,167.4
Other wages and salaries	25,826.2	25,174.8
Pension costs	5,056.1	4,514.8
Other employment expenses	1,117.2	1,290.5
Total	36,439.5	34,147.5

Average number of staff employed by the Parent company was 428 during the period.

4. Depreciation and amortization

EUR 1,000	Jan 1–Dec 31,2008	Jan1–Dec 31, 2007
Intangible rights	202.5	174.7
Other long term expenditure	1,108.3	591.9
Buildings	333.2	308.9
Machinery and equipment	956.6	1,061.0
Total	2,600.6	2,136.5

5. Auditors' fees

EUR 1,000	Jan 1–Dec 31,2008	Jan1–Dec 31, 2007
Audit	147.5	147.5
Auditors' statements	5.7	8.9
Tax services	107.8	165.1
Other services	195.3	102.9
Total	456.3	424.4

6. Financing income and expenses

EUR 1,000	Jan 1–Dec 31,2008	Jan1–Dec 31, 2007
Dividend income from subsidiaries	252,865.9	89,043.5
Dividend income from associated companies	640.0	25.1
Other dividends received	1.7	2.9
Interest income from subsidiaries	43,081.4	42,622.6
Interest income from others	8,039.5	5,397.1
Interest expenses to subsidiaries	-55,723.7	-26,978.1
Interest expenses to others	-2,625.2	-12,323.0
Other financing income and expenses	-58,577.6	8,549.2
Total	187,702.0	106,339.3

7. Extraordinary income and expenses

EUR 1,000	Jan 1–Dec 31,2008	Jan1–Dec 31, 2007
Group contributions received	59,093.2	55,451.0
Other extraordinary income		431.2
Group contributions paid	-20,421.5	-22,619.4
Total	38,671.7	33,262.8

Notes to the Balance sheet

8. Intangible rights

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Acquisition cost, Jan 1	902.2	834.2
Increase	226.8	68.0
Accumulated depreciation and amortization	-570.7	-368.2
Net book value, Dec 31	558.3	534.0

9. Other long-term expenditure

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Acquisition cost, Jan 1	5,283.2	3,809.7
Increase	2,981.3	1,473.5
Decrease	-11.1	
Accumulated depreciation and amortization	-3,867.6	-2,770.5
Net book value, Dec 31	4,385.8	2,512.7

10. Land

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Acquisition cost, Jan 1	367.1	367.1
Decrease	-184.8	
Net book value, Dec 31	182.3	367.1

11. Buildings

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Acquisition cost, Jan 1	7,459.9	7,460.0
Increase	1,961.9	
Accumulated depreciation	-3,126.1	-2,793.0
Net book value, Dec 31	6,295.7	4,667.0

12. Machinery and equipment

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Acquisition cost, Jan 1	17,523.4	17,017.0
Increase	1,045.9	506.4
Decrease	-651.4	
Accumulated depreciation	-14,620.8	-14,312.3
Net book value, Dec 31	3,297.1	3,211.1

13. Subsidiary shares

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Acquisition cost, Jan 1	1,796,639.0	1,073,945.8
Increase	440,534.4	1,317,188.7
Decrease	-1,178.1	-594,495.5
Net book value, Dec 31	2,235,995.3	1,796,639.0

14. Other shares

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Acquisition cost, Jan 1	9,374.2	9,379.1
Increase	305.0	
Decrease	-70.3	-4.9
Net book value, Dec 31	9,608.9	9,374.2

15. Long-term receivables

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Loans receivable from subsidiaries	676,197.8	678,048.0
Loans receivable from associated companies	182.4	234.4
Loans receivable from others	71.9	67.9
Long-term receivables	676,452.1	678,350.3

16. Short-term receivables

Receivables from subsidiaries

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Accounts receivable	27,248.8	14,071.1
Loans receivable	180,982.0	280,481.3
Deferred assets	79,426.1	73,044.5
Total	287,656.9	367,596.9

Receivables from associated companies

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Accounts receivable	7.5	0.0
Deferred assets	1.4	0.0
Total	8.9	0.0

Receivables from externals

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Accounts receivable	583.8	510.7
Loans receivable	71.8	107.1
Others	63,328.5	
Deferred assets	30,367.3	44,572.6
Total	94,351.4	45,190.4

Deferred assets

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Deferred interest	1,185.9	1,026.6
Derivate assets	26,816.3	22,393.2
Deferred income taxes	0.0	1,662.1
Deferred assets from subsidiaries	79,426.1	73,044.5
Others	2,366.4	19,490.7
Total	109,794.7	117,617.1
Total short-term receivables	382,017.2	412,787.3

17. Equity and changes in equity

EUR 1,000	Share capital	Share premium account	Paid-up unrestricted equity reserve	Retained earnings	Profit for the financial year	Total
Book value Jan 1, 2008	64,176.3	100,173.7		1,429,280.9		1,593,630.9
Dividends				-163,619.6		-163,619.6
Option plan	182.9	154.4	3,379.2			3,716.5
Profit for the financial year					264,692.6	264,692.6
Net book value Dec 31, 2008	64,359.2	100,328.1	3,379.2	1,265,661.3	264,692.6	1,698,420.4

18. Provisions

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Restructuring provision		485.0
Other provisions	2,422.5	1,235.4
Total	2,422.5	1,720.4

19. Non-current liabilities

Parent Company has a total amount of EUR 12,204 thousand euros of pension loans due after five years.

20. Current liabilities

Liabilities to subsidiaries, EUR 1,000	Dec 31, 2008	Dec 31, 2007
Other liabilities	985,881.3	1,134,968.8
Accounts payable	14,284.4	10,034.1
Accruals	41,791.9	12,017.0
Total	1,041,957.6	1,157,019.9

Liabilities to externals, EUR 1,000	Dec 31, 2008	Dec 31, 2007
Down payments		100.0
Others	26,036.6	75,424.9
Accounts payables	5,634.2	6,094.1
Accruals	55,727.5	16,912.6
Total	87,398.3	98,531.6

Accruals, EUR 1,000	Dec 31, 2008	Dec 31, 2007
Accrued wages, salaries and employment costs	8,871.4	8,779.9
Accrued taxes	2,969.9	
Derivative liabilities	35,297.4	3,914.6
Accrued interest	4,685.5	2,018.3
Accruals to subsidiaries	41,791.9	12,017.0
Other accrued expenses	3,903.3	2,199.8
Total	97,519.3	28,929.6
Total current liabilities	1,129,355.9	1,255,551.5

21. Commitments

EUR 1,000	Dec 31, 2008	Dec 31, 2007
Mortages		
For own debt	700.0	700.0
Pledged assets		
For subsidiaries	71.9	67.9
Guarantees		
For subsidiaries	1,000,324.5	938,802.3
For associated companies	4,140.9	5,338.5
For others	6,932.0	6,339.5
Leasing commitments		
Due next year	2,390.5	2,186.6
Due over a year	14,767.2	13,970.8
VAT liability from real estates	824.1	432.0
Total	1,030,151.0	967,837.6

22. Derivative instruments

Fair values of derivative instruments, EUR 1,000	Derivative assets Dec 31, 2008	Derivative liabilities Dec 31, 2008	Net fair value Dec 31, 2008	Derivative assets Dec 31, 2007	Derivative liabilities Dec 31, 2007	Net fair value Dec 31, 2007
FX forward contract with external parties	23,155.5	10,107.7	13,047.8	9,661.5	3,876.5	5,785.0
FX forward contract with subsidiaries	7,646.3	37,324.9	-29,678.6	2,462.3	8,955.3	-6,493.0
Currency options	1,871.8	1,521.4	350.4	35.4	38.1	-2.7
Cross currency and interest rate swaps, due under one year	1,782.2		1,782.2	2,906.6		2,906.6
Cross currency and interest rate swaps, due in 1–3 years		22,723.0	-22,723.0	8,879.1		8,879.1
Electricity derivatives	6.8	945.2	-938.4	910.6		910.6
Total	34,462.6	72,622.2	-38,159.6	24,855.5	12,869.9	11,985.6

Nominal values of derivative instruments, EUR 1,000	Dec 31, 2008	Dec 31, 2007
Fx forward contract with external parties	467,300.9	369,891.1
Fx forward contract with subsidiaries	741,061.2	619,585.6
Currency options	90,433.1	15,600.0
Cross currency and interest rate swaps, due under one year	23,631.6	20,000.0
Cross currency and interest rate swaps, due in 1–3 years	113,097.3	136,728.9
Electricity derivatives	4,679.8	2,454.3
Total	1,440,203.9	1,164,259.9

Derivatives are hedging transactions in line with KONE hedging policy. More information of finanacial risks can be found in the notes to the consolidated statements (note 2).

Subsidiaries and shareholding companies

Subsidiaries, Dec 31, 2008

Country	Company	Shareholding % Group	Shareholding % Parent company
Australia	KONE Elevators Pty Ltd	100	0.00
	KONE Elevators Empl. Benefits Pty Limited	100	
	KONE Holdings (Australia) Limited	100	0.00
Austria	KONE AG	100	
	Konematic GmbH	100	
	KONE Investition GmbH	100	
Belgium	KONE Belgium S.A.	100	99.99
	KONE International N.V.	100	99.99
	Liften E. Thiery N.V.	100	
Canada	KONE Holdings (Canada) Inc.	100	
	KONE Inc.	100	
	Miro Elevators Limited	100	
	Service Professionnels d’Ascenseurs (SPA) Inc.	100	
	Central Elevator Services Ltd.	100	
China/Hong Kong/Macau	Ben Fung Machineries & Engineering Limited	100	0.00
	KONE Elevators Co. Ltd	95	
	KONE Elevator (HK) Ltd	100	0.00
	KONE Elevators International (China) Limited	100	
	KONE Elevator (Macau) Limited	100	
	KONE TELC Industries Co., Ltd.	70	
	Nanjing Lian Ao Elevator Engineering Co., Ltd.	70	
Cyprus	KONE Elevators Cyprus Limited	100	100
Czech Republic	KONE a.s.	99.90	
	KONE Industrial – koncern s.r.o.	100	
	VÝTAHY - Slavík spol. s.r.o.	100	
	Waldoor s.r.o	100	
Denmark	KONE A/S	100	
Estonia	AS Kandur	100	
	OÜ Pärnu Lift	51.9	
Finland	AMC Advanced Management Consulting Oy	100	100
	Finescal Oy	100	100
	Kiinteistö Oy Heves	100	100
	KNEBV Incentive Oy	100	100
	KONE Capital Oy	100	100
	KONE Elevator Holding Oy	100	
	KONE Hissit Oy	100	100
	KONE Industrial Oy	100	100
	Oy Tuote-Leasing Ltd.	100	100
	Suur-Helsingin Hissihuolto Oy	100	
France	ARA Lyon	100	
	Ascenseurs Technologie Serrurerie (S.A)	99.80	
	Ascenseurs Soulier S.N.C	100	
	Evin Ascenseurs S.A.S.	100	
	FG Management	100	
	KONÉ S.A.	99.97	
	KONÉ Développement S.N.C.	100	
	KONÉ Holding France S.A.S.	100	100
	Konématic S.A.S.	99.98	
	Prokodis S.N.C.	100	
	Société en Participation KONE ATS	100	
	STM	100	
Germany	GIS KONE Deutschland GmbH	100	
	Hages-Aufzüge GmbH & Co. KG. Düren	75	

Country	Company	Shareholding % Group	Parent company
	Hages Verwaltungs - GmbH	75	
	Herbert Acker Aufzugbau GmbH	100	
	KONE Garant Aufzug GmbH	100	
	KONE GmbH	100	
	KONE Holding GmbH	100	
	KONE Köln GmbH	100	
	KONE Montage GmbH	100	
	KONE Servicezentrale GmbH	100	
	KONE Verwaltungsgesellschaft mbH	100	
	Konematic GmbH	100	
	KSM GmbH	100	
	Lödige Aufzüge GmbH	100	
	Lödige Aufzugstechnik GmbH	85	
Greece	KONE S.A.	100	
Hungary	KONE Felvonó Kft	100	
Iceland	KONE ehf	60	60
India	KONE Elevator India Private Limited	100	100
	Olympus Elevator Private Limited	100	
Indonesia	PT. KONE Indo Elevator	100	1
Ireland	Bleasdale Ltd.	100	
	Industrial Logistics Limited	100	
	KONE (Ireland) Limited	100	
Italy	Elecomp S.r.l.	100	
	KONE Industrial S.p.A.	100	
	KONE S.p.A.	100	
	Neulift S.r.l.	100	
	Sabiem S.p.A.	100	
	Slimpa S.p.A	100	
	Tosca Ascensori S.r.l.	66.66	
	RUMAN Srl	75	
Japan	KONE Japan Co. Ltd.	100	100
Latvia	SIA KONE Lifti Latvija	100	19
Lithuania	UAB Elektros Pavara ir Ko	100	
	UAB Unikali ideja	100	
Luxembourg	KONE Luxembourg S.a.r.l.	100	
	Lumico S.a.r.l.	100	
Malaysia	KONE Sdn. Bhd.	100	
	Fein Blanking Sdn. Bhd.	100	
	Fuji Lift & Escalator Manufacturing Sdn. Bhd.	100	
	Fuji Lift & Escalator Sdn. Bhd.	100	
	Premier Elevators Sdn. Bhd.	100	100
Mexico	KONE Industrial S.A de C.V.	100	
	KONE Industrial Servicios S.A de C.V.	100	
	KONE Mexico S.A. de C.V.	100	0.00
Netherlands	Borga Bijstede Gevelonderhoudinstallaties B.V.	100	
	Hissi B.V.	100	
	Hopmann Liften Nederland B.V.	100	
	KoMont Investment B.V.	100	
	KONE B.V.	100	
	KONE Nederland Holding B.V.	100	
	KONE Deursystemen B.V.	100	
	Kone Finance Holding B.V.	100	
	KONE Holland B.V.	100	53.20
	KONE Liften B.V.	100	
	Kone Shared Services Centre B.V.	100	
	KONE TELC Industries B.V.	70	
	LTF Liften B.V.	100	
	Waldoor B.V.	100	
Norway	KONE Aksjeselskap	100	
	KONE Rulletrapper AS	100	
Panama	Indusmar S.A.	100	100
Philippines	KPI Elevators, Inc.	100	
Poland	KONE Sp.z o.o.	100	
	KONE Zachod Sp. z o.o.	100	
	KONE Dzwigi I Chodniki Ruchome Sp. z.o.o	100	
	Waldoor Polska Sp.z.o.o	100	

		Shareholding %	
Country	Company	Group	Parent company
Portugal	KONE Funchalift, Lda.	100	
	KONE Portugal- Elevadores Lda.	100	1
	VTP-Tractores S.A.	99.28	0.71
Romania	KONE Ascensorul	100	
Russia	OOO "EKOLIFT"	100	
	OOO KONE Lifts	100	100
	OOO Lift RSU-5	100	
	OOO KONE Lift St. Petersburg	100	
	ZAO KONE Lifts St. Petersburg	100	100
	ZAO KONE Lifts Moscow	100	100
Singapore	KONE Pte Ltd.	100	
Slovak Republic	KONE s.r.o.	100	
	KONE SSC s.r.o.	100	100
Slovenia	KONE d.o.o.	100	
South Africa	KONE Elevators South Africa (Pty) Ltd.	100	
South-Korea	KONE Elevators Korea Co., Ltd	100	
Spain	KONE Elevadores, S.A.	100	0.02
	Rigonza S.A.	75	
	Serviparking S.L.	100	
	Ascensores Mover	100	
	Ascensores Tecas	100	
Sweden	Cajax AB	100	
	Hissjouren Ekmans AB	100	
	KONE AB	100	
	KONE Door AB	100	
	KONE Invest AB	100	100
	KONE Rulltrappor AB	100	
	Motala Hissar AB	100	
	Wasa Hissvård AB	100	
	KONE Scandinavia AB	100	
Switzerland	KONE (Schweiz) AG	100	
Taiwan	Ben Fung Elevators Taiwan Ltd.	100	
	KONE Elevators Taiwan Co., Ltd	100	
Thailand	Thai Elevators & Escalators Ltd	100	
	KONE Thai Lift Public Company Limited	91.46	
Turkey	KONE Asansör Sanayi ve Ticaret A.S.	100	
Ukraine	KONE Lfts LLC	100	
United Kingdom	Bennie Lifts Limited	100	
	Biddle Holdings Ltd.	100	
	Cable Lift Installations Ltd.	100	
	Crown LIfts Ltd.	100	
	KONE Bolton Brady Limited	100	
	KONE Escalators Limited	100	
	KONE Lifts Limited	100	
	KONE (NI) Limited	100	
	KONE Pension Trustees Ltd.	100	
	KONE plc	100	100
	Konematic Holdings Ltd.	100	
	Konematic Limited	100	
	Konepart Ltd.	100	
	O & K Escalators Ltd.	100	
	The UK Lift Company Ltd	100	
	UK Lift Ltd	100	
	Waldoor (UK) Ltd.	100	
United States	ENOK Electrical Company, LLC	100	
	KONE Holdings, Inc.	100	
	KONE Inc.	100	
	KREM Inc.	100	
	Konematic Inc.	100	
	Marine Elevators LLC	100	

Associated companies, Dec 31, 2008

Country	Company	Shareholding % Group	Shareholding % Parent company
Andorra	KONE Ascensors i Escales, S.A.	33	
China	Giant Kone Elevator Co., Ltd	40	40
	Shan On Engineering Company Limited	30	
	Kunshan Vataple-Kone Escalator Equipment Co., Ltd.	49	
Egypt	Marryat & Scott Egypt - S.A.E.	49	49
Estonia	Koiko Kinnisvara OÜ	25.70	25.70
Malaysia	KONE Elevator (M) Sdn. Bhd.	49	49
Philippines	Elevators Philippines Construction, Inc.	40	
Qatar	KONE Elevators Qatar LLC	49	49
Saudi-Arabia	KONE Areeco Limited	40	10
Thailand	Thai Elevators Holding Ltd	49	
United Arab Emirates	KONE (Middle East) LLC	49	49

List of the Parent company accounting journals, common document types and means of storaging

Balance sheet book		In paper
Journal		In electrical format
General ledger		In electrical format
Accounts payable and accounts receivable		In electrical format and in paper
Loan and deposit register		In electrical format and in paper
Sales invoices	document type RV	In electrical format
Purchase invoices	document type RE	In CD and in electrical format
Memo vouchers	document type Y3	In paper and in electrical format
Fixed asset register	document type AA	In paper and in electrical format
Periodisation entries	document type SA	In paper and in electrical format
Bank entries	document type SB	In paper and in electrical format
Cash entries	document type SK	In paper and in electrical format
Travelling expense entries	document type ZH	In paper and in electrical format
Salary entries	document type Z9	In electrical format
Financing entries	document type TR	In paper and in electrical format
Adjustments and cancellations	document type AB	In electrical format

A complete list of the document types is included in the balance sheet binder.

Corporate governance

KONE's general governance principles

The duties and responsibilities of KONE Corporation's various governing bodies are determined by Finnish law and KONE's corporate governance principles. KONE complies with the Finnish Corporate Governance Code published by the Securities Market Association on October 22, 2008, with the exception of recommendations 26 (Independence of Audit Committee members), 29 (Nomination Committee members and their appointment) and 32 (Compensation Committee members). These exceptions are due to the company's ownership structure. The company's largest shareholder, Antti Herlin, controls 62 percent of the company's voting rights and 21 percent of its shares. The significant entrepreneurial risk associated with ownership justifies the main shareholder serving as Chairman of the Board of Directors and of its Committees and, in this capacity, overseeing the shareholders' interests.

KONE's administrative bodies and officers with the greatest decision-making power are the General Meeting of Shareholders, the Board of Directors of KONE Corporation, the Chairman of the Board and the President & CEO. At the Annual General Meeting of Shareholders, the shareholders approve the consolidated financial statements, decide on the distribution of profits, and select the members of the Board of Directors and the auditors and determine their compensation.

KONE Corporation's Annual General Meeting is convened by the Board of Directors. According to the Articles of Association, the Annual General Meeting of Shareholders shall be held within three months of the closing of the financial year on a date decided by the Board of Directors.

Board of Directors

Duties and responsibilities

The Board of Directors' duties and responsibilities are defined primarily by the Articles of Association and the Finnish Limited Liability Companies' Act. The Board's duties include:

- the approval and confirmation of strategic guidelines and the principles of risk management
- the ratification of annual budgets and plans
- the appointment of a full-time Chairman of the Board and a President & CEO, and decisions on the terms and conditions of their employment
- decisions on the company's corporate structure
- decisions on major acquisitions and investments

The Board has created rules of procedure stipulating the duties of the Board, its Chairman and its Committees. The Board of Directors holds six regular meetings a year and additional meetings as required. The Board of Directors reviews its own performance and procedures once a year.

Members of the Board

The Annual General Meeting elects five to eight members and no more than three deputy members to the Board of Directors for one year at a time in accordance with KONE Corporation's Articles of Association. The Board of Directors elects a Chairman and Vice Chairman among its members. In electing the members of the Board, attention is paid to the candidates' broad and mutually complementary experience, expertise and views of both KONE's business and other businesses.

Committees

The Board of Directors has appointed two committees consisting of its members: the Audit Committee and the Nomination and Compensation Committee. The Board has confirmed rules of procedure for both Committees. The Secretary to the Board acts as the Secretary of both Committees.

The Audit Committee monitors the Group's financial situation and supervises reporting related to the financial statements and interim reports.

The Committee assesses the adequacy and appropriateness of KONE's internal control and risk management, as well as the adherence to rules and regulations. It also deals with the Corporation's internal audit plans and reports. The Director of Internal Auditing reports the internal audit results to the Committee. The Audit Committee evaluates the auditing of the Group's companies and the appropriateness of the related arrangements and auditing services, and considers the auditors' reports. Furthermore, the Committee formulates a proposal to the Annual General Meeting regarding the auditors to be selected for the Corporation.

The Nomination and Compensation Committee prepares proposals to be made to the Annual General Meeting regarding the nomination of Board members and their compensation and makes decisions regarding senior management appointments and compensation. The Committee also decides on the compensation systems to be used.

Operational management

Full-time Chairman of the Board and the President & CEO

KONE Corporation's Board of Directors appoints the full-time Chairman of the Board and the President & CEO. The Board determines the terms and conditions of employment of the full-time Chairman of the Board and the President & CEO, and these are defined in their respective written contracts. The Chairman of the Board prepares matters to be considered by the Board together with the President & CEO and corporate staff. The Chairman of the Board and the President & CEO are responsible for the execution of the targets, plans, strategies and goals set by the Board of Directors within the KONE Group. The President & CEO is also responsible for operational leadership within the scope of the strategic plans, budgets, operational plans, guidelines and orders approved by KONE Corporation's Board of Directors. The President & CEO presents operational issues to the Board, and is responsible for implementing the decisions of the Board.

Executive Board

The Executive Board supports the President & CEO in executing the corporate strategy. The Executive Board follows business developments, initiates actions and defines operating principles and methods in accordance with guidelines handed down by the Board of Directors and the President & CEO. The Executive Board holds regular monthly meetings and additional meetings as required.

Control systems

KONE Corporation's Board of Directors has ratified the principles of internal control, risk management and internal auditing to be followed within the Group.

Internal control

The goal of KONE's internal control system is to ensure that the Group's operations are efficient and profitable, that its business risk management is adequate and appropriate, and that the information created is reliable. The control system also makes it possible to oversee that the operating principles determined and instructions given are followed.

The Board's Audit Committee monitors the functioning of the internal control process. The Corporation has an Internal Auditing Department, which is separated from the operational management and whose head reports to the Chairman of the Board. The Internal Audit Department is responsible for auditing internal control and the management of business risks. It reports its findings to the Audit Committee.

Risk management

The purpose of risk management is to recognize, analyze and control potential risks and threats to KONE's operations. With respect to certain risks, the principles and main content of risk management are defined by KONE's policies and guidelines. While the monitoring, coordination and management of certain risks take place at the Group level, each unit is responsible for carrying out risk management related to its own operations. Senior management regularly identifies and evaluates strategic and operational risks. As part of its efforts to manage risks of damage or loss, KONE has extensive insurance coverage.

Auditing

The task of statutory auditing is to verify that the financial statements and Board of Directors' report provide accurate and adequate information on KONE's result and financial position. In addition, auditing includes an audit of the Corporation's accounting and administration.

According to the Articles of Association, the company must have a minimum of one and a maximum of three Auditors. The Auditors must be public accountants or public accounting firms authorized by Finland's Central Chamber of Commerce. The Auditor is elected at the Annual General meeting for a term which expires at the end of the following Annual General Meeting.

Additional information

- Major risks and uncertainties, Board of Director's review, page 4
- Capital and risk management principles, page 62
- Financial risk management, note 2, page 15

Insiders

KONE Corporation adheres to the insider guidelines of the NASDAQ OMX Helsinki Ltd, which have been supplemented with internal insider guidelines approved by the Board of Directors. The company maintains its public and company-specific insider registers in the Finnish Central Securities Depository's SIRE system. In compliance with the Finnish Securities Markets Act, KONE's public insiders include the members and deputy member of the Board of Directors, the President & CEO and the Auditors. In addition to these individuals, KONE's public insiders include members of the Executive Board defined by the company. In addition to the public insiders, KONE's permanent insiders include company-specific insiders defined by the company who regularly receive insider information due to their jobs. Permanent insiders are permitted to trade in KONE shares and securities entitling to KONE shares during a six-week period after the release of interim reports and financial statements releases. The company also maintains a project-specific insider register when necessary. Project-specific insiders are prohibited from trading in KONE securities until termination of the project.

The person in charge of KONE's insider issues is the Secretary to the Board of Directors.

Corporate governance in 2008

General Meeting of shareholders

The Annual General Meeting was held in Helsinki on February 25, 2008.

Board of Directors and committees

The Annual General Meeting elected seven members and one deputy member to KONE's Board of Directors. The full-time Chairman of the Board of Directors of KONE Corporation is Antti Herlin. Sirkka Hämäläinen-Lindfors is the Vice Chairman of the Board. The other members of the Board are Matti Alahuhta, Reino Hanhinen, Sirpa Pietikäinen, Masayuki Shimono and Iiro Viinanen. The deputy member of the Board is Jussi Herlin.

Of the Board members, Sirkka Hämäläinen-Lindfors, Reino Hanhinen, Sirpa Pietikäinen and Iiro Viinanen are independent of the Corporation. With the exception of Antti Herlin and Jussi Herlin, the other Board members are independent of the Corporation's significant shareholders.

In 2008, the Board of Directors convened seven times, with an average attendance rate of 93 percent. Jukka Ala-Mello serves as Secretary to the Board.

Audit committee

The Board of Directors' Audit Committee comprises Antti Herlin (Chairman), Sirkka Hämäläinen-Lindfors and Iiro Viinanen (independent members). The Audit Committee held three meetings in 2008, with an average attendance rate of 100 percent.

Urpo Paasovaara serves as Head of Internal Control.

Nomination and compensation committee

The Nomination and Compensation Committee comprises Antti Herlin (Chairman), Reino Hanhinen and Sirkka Hämäläinen-Lindfors (independent members). The Nomination and Compensation Committee held three meetings in 2008, with an average attendance rate of 100 percent.

Compensation and other benefits of the Board of Directors

The Annual General Meeting of KONE Corporation in February 2008 confirmed the fees of the members of the Board as follows:

Annual fees	EUR
Chairman of the Board	54,000
Vice chairman	42,000
Member	30,000
Deputy member	15,000

It was also confirmed that the Board members would receive a meeting fee of EUR 500 for each meeting of the Board and its committees. Board members' travel expenses and daily allowances are compensated in accordance with the company's travel expense policy.

Compensation and other benefits of the Chairman

The compensation for Antti Herlin, full-time Chairman of the Board, consists of a basic salary and a yearly bonus decided by the Board on the basis of the Corporation's financial result. The yearly bonus may not exceed 100 percent of the recipient's annual salary. In 2008, Antti Herlin's basic salary was EUR 468,488. In addition, his bonus accrued for 2008 totaled EUR 229,559. He was also paid EUR 59,500 as compensation for serving as Chairman of the Board. Antti Herlin's holdings of shares and options are presented in the table on page 59.

The full-time Chairman's retirement age and pension are determined in accordance with Finland's Pensions Act. No separate agreement has been made regarding early retirement.

President & CEO

Matti Alahuhta serves as KONE Corporation's President & CEO.

Compensation and other benefits of the President & CEO

The President & CEO's compensation consists of a basic salary and a yearly bonus decided annually by the Board on the basis of the Corporation's financial result and other key targets. The yearly bonus may not exceed 100 percent of the recipient's annual salary.

In 2008, Matti Alahuhta's basic salary was EUR 722,200. In addition, his bonus accrued for 2008 totaled EUR 594,371. He was also paid EUR 32,500 as compensation for serving on the Board. Matti Alahuhta's holdings of shares and options are presented in the table on page 59.

Matti Alahuhta is included in the share-based incentive plan for the Corporation's senior management. The potential bonus is based on the growth in KONE's net sales and operating profit. In April 2008, on the basis of the incentive plan, Matti Alahuhta received a bonus of EUR 1,803,946, which consisted of 36,000 KONE class B shares together with a cash bonus to cover taxes and similar charges arising from the receipt of shares. The corresponding bonus accrued from 2008 and due for payment in April 2009 is 21,600 KONE class B shares together with an estimated cash bonus to cover taxes and similar charges arising from the receipt of shares.

As part of Matti Alahuhta's contract, he has the possibility to retire at the age of 60 with a pension of 60 percent of his average monthly salary during his last seven years of earnings. Should his employment contract be terminated before retirement, he has the right to the equivalent of 18 months' salary, which includes the salary for a six-month term of notice.

Executive Board

KONE's Executive Board consists of Matti Alahuhta, President & CEO, Klaus Cawén, Pekka Kemppainen, Anne Korkiakoski (from September 1, 2008), Ari Lehtoranta (from November 3, 2008), Heikki Leppänen, Juho Malmberg, Eric Maziol, Peter de Neef, William Orchard (until November 3, 2008), Aimo Rajahalme, Vance Tang, Kerttu Tuomas and Noud Veeger.

Compensation and other benefits of the Executive Board

Compensation for members of the Executive Board comprises a basic salary and a yearly bonus, based on the Group's annual result and the achievement of personal targets. The bonus amount is determined by the Nomination and Compensation Committee and may not exceed 50 percent of the annual salary.

The Executive Board members' holdings of shares and options are presented in the table on page 59.

The members of the Executive Board are included in the share-based incentive plan for senior management. In April 2008, on the basis of the incentive plan, the members of the Executive Board received a bonus of 158,400 KONE class B shares together with a cash bonus equal to the amount required to cover taxes and similar charges arising from the receipt of shares. The corresponding bonus accrued from 2008 and due for payment in April 2009 is 103,680 KONE class B shares together with an estimated cash bonus equal to the amount of taxes and similar charges. No separate agreement has been made regarding early retirement for members of the Executive Board. Compensation for termination of the employment contract prior to retirement is a maximum of 15 months' salary, which includes the salary for a six-month term of notice.

Auditing

KONE Corporation's Auditors are Heikki Lassila, Authorized Public Accountant, and PricewaterhouseCoopers Oy, Authorized Public Accountants. The fees paid to companies in the PricewaterhouseCoopers chain for 2008 were EUR 2.1 million for auditing and EUR 1.8 million for other consulting services.

Insiders

The holdings of persons belonging to KONE's public insiders on December 31, 2008 and the changes occurring in them during the financial year are presented in the table on page 59.

Shareholdings and options of KONE Corporation's public insiders on Dec 31, 2008 and changes in shareholding during the period Jan 1–Dec 31, 2008

	Class A shares	Change	Class B shares	Change	Series 2005B option rights	Change
Alahuhta Matti			226,000	96,000		-5,000
Cawén Klaus			70,100	30,100		-2,200
De Neef Peter			52,400	18,400	1,000	-1,200
Hanhinen Reino			2,000			
Herlin Antti	35,280,804		18,420,920	84,000		-7,000
Herlin Jussi			53,180			
Hämäläinen-Lindfors Sirkka			1,000	200		
Kemppainen Pekka			93,080	50,400		-5,800
Korkiakoski Anne			2,000	2,000		
Lehtoranta Ari			700	700		
Leppänen Heikki			40,800	16,800		-200
Malmberg Juho			32,240	14,400		
Maziol Eric			105,200	14,400	1,000	
Pietikäinen Sirpa			3,000	3,000		
Rajahalme Aimo			18,400	4,400		
Tang Vance			14,400	14,400		
Tuomas Kerttu			53,600	21,600	350	-900
Veeger Noud			52,110	14,400		

No other public insiders had share or option holdings in KONE on December 31, 2008. On November 3, 2008 William Orchard had 40,358 class B shares. The shares owned by companies in which the public insider exercises controlling power are also included in these shareholdings.

More information

A regularly updated table reporting the holdings of public insiders is available on www.kone.com

More information

- Board of Directors, page 60
- Executive Board, page 61

Board of Directors

Antti Herlin
Chairman of the Board
b. 1956, D.Sc. (Econ.) h.c., D.Arts h.c.
Member of the Board since 1991.
Has served as Chairman of the Board since 2003. Previously served as CEO of KONE Corporation 1996–2006 and as Deputy Chairman 1996–2003. Current key positions of trust: Chairman of the Board of Security Trading Oy and Holding Manutas Oy, Deputy Chairman of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company, Member of the Board of Technology Industries of Finland, Member of the Board of YIT Corporation and Member of the Board of Solidium Oy.

Sirkka Hämäläinen-Lindfors
Vice Chairman of the Board
b. 1939, D.Sc. (Econ.), D.Sc. (Econ.) h.c.
Member of the Board since 2004.
Previously served as Member of the Executive Board of the European Central Bank 1998–2003, as Governor and Chairman of the Board of the Bank of Finland 1992–1998 and as Member of the Board of the Bank of Finland 1991–1992. Current key positions of trust: Chairman of the Board of the Finnish National Opera, Member of the Board of Sanoma Corporation and Member of the Board of Investor AB.

Matti Alahuhta
President & CEO
b. 1952, D. Sc. (Tech.), D.Sc. (Tech.) h.c.
Member of the Board since 2003.
Employed by KONE Corporation since 2005. President of KONE Corporation since 2005, and President & CEO since 2006. Previously served as Executive Vice President of Nokia Corporation 2004, as President of Nokia Mobile Phones 1998–2003 and as President of Nokia Telecommunications 1993–1998.
Current key positions of trust: Chairman of the Board of the Aalto University Foundation, Member of the Board of BT Group (British Telecom), of UPM Kymmene Corporation and of the Foundation Board of the International Institute for Management Development (IMD, Switzerland).

Reino Hanhinen
b. 1943, M.Sc. (Eng.), D.Sc. (Tech.) h.c., vuorineuvos
Member of the Board since 2005.
Previously served as President and CEO 1987–2005 and as Group CEO 2000–2005 in YIT Corporation, as Managing Director of Perusyhtymä Oy 1986–1987, as Managing Director of YIT Oy Yleinen Insinööritoimisto 1985–1986, and as Managing Director of Oy PPTH-Norden Ab 1976–1985. Current key positions of trust: Chairman of the Board of YIT Corporation, and Deputy Chairman of the Board of Rautaruukki Corporation.

Sirpa Pietikäinen
b. 1959, M.Sc. (Econ.)
Member of the Board since 2006.
Served as Member of the European Parliament since 2008 and as a negotiation theory lecturer and consultant since 1999. Previously served as a Member of Finland's Parliament 1983–2003 and as Finland's Minister of the Environment 1991–1995. Current key positions of trust: Chairman of Finland's United Nations Association, Deputy Chairman of the Association Promoting Fair Trade in Finland, and Member of the Board of the World Federation of United Nations Associations (WFUNA).

Masayuki Shimono
b. 1947
Member of the Board since 2004.
Has served as Adviser to Toshiba Corporation and to the Board of Toshiba Elevator and Building Systems Corporation since 2008. Previously served as President and CEO 2004–2008 and as Executive Vice President 2003–2004 of Toshiba Elevator and Building Systems Corporation, as President and CEO of Toshiba International Corporation (USA) 1999–2003, as Deputy General Manager of Toshiba Corporation, International Operations Division 1996–1999, as Vice President of Toshiba International Corporation (USA) 1991–1996 and as General Manager of Industrial and Instrumentation Division of Toshiba International (UK) 1980–1984.

Iiro Viinanen
b. 1944, M.Sc. (Tech.), minister
Member of the Board since 1997.
Previously served as President and CEO of Pohjola Group 1996–2000, as Finland's Minister of Finance 1991–1996 and as a Member of Finland's Parliament 1983–1996. Current key positions of trust: Member of the Board of Polttimo Companies Ltd and Member of the Board of Kumera Ltd.

Jussi Herlin
b. 1984, student at the Helsinki School of Economics
Deputy Member of the Board since 2007.
Current key position of trust: Member of the Board of Security Trading Oy.

Jukka Ala-Mello
b. 1963, M.Sc. (Econ.), Authorized Public Accountant
Secretary to the Board of Directors since 2006. Has served as Managing Director of Security Trading Oy and Holding Manutas Oy since 2006.
Previously served as a Partner 1995–2006, APA Auditor 1993–2006 and Auditor 1987–1990 in PricewaterhouseCoopers Oy and Financial Manager of Panostaja Corporation 1990–1993. Current key positions of trust: Member of the Board of Security Trading Oy, Holding Manutas Oy, Panostaja Corporation and OWH-Yhtiöt Oy.

More information
A regularly updated table reporting the holdings of public insiders is available at www.kone.com.

More information
Corporate governance, page 56

Executive Board

Matti Alahuhta

President & CEO
b. 1952, D. Sc. (Tech.), D.Sc. (Tech.) h.c.
Member of the Board since 2003. Employed by KONE Corporation since 2005. President of KONE Corporation since 2005, and President & CEO since 2006. Previously served as Executive Vice President of Nokia Corporation 2004, as President of Nokia Mobile Phones 1998–2003 and as President of Nokia Telecommunications 1993–1998. Current key positions of trust: Chairman of the Board of the Aalto University Foundation, Member of the Board of BT Group (British Telecom), of UPM Kymmene Corporation and of the Foundation Board of the International Institute for Management Development (IMD, Switzerland).

Klaus Cawén

M&A and Strategic Alliances, Russia, Legal Affairs
b. 1957, LL.M.
Member of the Executive Board since 1991. Employed by KONE Corporation since 1983. Previously served as General Counsel of KONE Corporation 1991–2001. Current key positions of trust: Member of the Board of Oy Karl Fazer Ab, Member of the Board of Sponda Plc, Member of the Board of Glaston Corporation, and Member of the Board of Toshiba Elevator and Building Systems Corporation (Japan).

Pekka Kemppainen

Asia-Pacific
b. 1954, Licentiate in Technology
Member of the Executive Board since 2005. Employed by KONE Corporation since 1984. Previously served as Executive Vice President, New Equipment Business, Elevators and Escalators 2001–2004, as Senior Vice President, New Equipment Business and Technology 1995–2001 and as Director of the Research Center 1990–1994. Current key positions of trust are: Board Member of Etteplan Design Center and Toshiba Elevator and Building Systems Corporation (Japan).

Anne Korkiakoski

Marketing and Communications
b. 1964, M.Sc. (Econ.)
Member of the Executive Board and employed by KONE Corporation since September 1, 2008. Previously served as Director of Communications of Elisa Corporation 2007–2008, as Nordic CEO of Euro RSCG Worldwide 2003–2006, as CEO of Euro RSCG Corporation 1992–2006 and as Marketing Consultant of Rubinstein Consulting 1989–1992.

Ari Lehtoranta

Major Projects
b.1963, MSc in Telecommunications.
Member of the Executive Board and employed by KONE Corporation since November 3, 2008. Previously served in Nokia Siemens Networks/Nokia Networks as Head of Radio Access (Senior Vice President) 2005–2008, in Nokia Corporation as Vice President of Operational Human Resources 2003–2005, in Nokia Networks as Head of Broadband Division, Head of Systems Integration, Vice President for Customer Services for Europe and Managing Director of Nokia Telecommunications in Italy as well as in various other positions 1985–2003.

Heikki Leppänen

New Elevators and Escalators
b. 1957, Licentiate in Technology
Member of the Executive Board since 2005. Employed by KONE Corporation since 1982. Previously served in KONE Corporation as Senior Vice President, Technology 2004–2005 and as Head of Global Research and Development 2000–2004. Current key position of trust: Chairman of FIMECC Oy, Chairman of KONE TELC Industries Co., Ltd

Juho Malmberg

Development
b. 1962, M.Sc. (Computer Science)
Member of the Executive Board since 2006. Employed by KONE Corporation since 2006. Previously served in Accenture Finland as Managing Director 2002–2005, as Director, Nordic Outsourcing 2005, as Deputy Managing Director 1999–2002 and as Technology Director 1992–1999. Current key position of trust: Member of the Board of F-Secure Corporation.

Eric Maziol

West and South Europe
b. 1949, M.Sc. (Econ.)
Member of the Executive Board since 2005. Employed by KONE Corporation since 1974. Previously served in KONE Corporation as Area Director in West and South Europe 2000–2005, as Managing Director of KONE France 1996–2000 and as Vice President, Marketing & Field Operations 1991–1996.

Peter de Neef

Services
b. 1960, M.Sc (Organization Psychology)
Member of the Executive Board since 2005. Employed by KONE Corporation since 1997. Previously served as Managing Director of KONE Netherlands 2003–2005, as Director, Service and Modernization 1999–2003 and as Manager, IT and Logistics 1997–1999.

William Orchard

Major Projects
b. 1947, B.Sc. (Production Engineering)
Member of the Executive Board from 2001 until November 2008. Employed by KONE Corporation since 1988. Previously served in KONE Corporation as Executive Vice President, Service Business 2001–2004 and as Managing Director of KONE Plc (UK) 1991–2001. Current key positions of trust: Member of the Board of the European Elevator Association (EEA) and President of the European Lift Association (ELA).

Aimo Rajahalme

CFO
b. 1949, M.Sc. (Econ.)
Member of the Executive Board since 1991. Employed by KONE Corporation since 1973. Has served as CFO of KONE Corporation since 1991. Current key position of trust: Deputy Chairman of the Board of Uponor Corporation.

Vance Tang

Americas
b. 1967, MBA (Business)
Member of the Executive Board since February 19, 2007. Employed by KONE Corporation since 2007. Previously served as Vice President and General Manager, Honeywell Building Control Systems 2004–2006, as Global Business Leader, Vice President, Trane Global Controls and Contracting 2002–2004, as Vice President, General Manager, Trane Asset Management Services 1999–2002, and as Business Leader and Manager in different divisions of the Trane Company 1990–1998. Current key position of trust: Member of the Board of the National Elevator Industry, Inc. (NEII).

Kerttu Tuomas

Human Resources
b. 1957, B. Sc. (Econ.)
Member of the Executive Board since 2002. Employed by KONE Corporation since 2002. Previously served as Group Vice President, Human Resources of Elcoteq Network Corporation 2000–2002 and as Personnel & Organization Manager of Masterfoods Oy (Mars) 1994–1999. Current key position of trust: Member of the Board of JTO School of Management.

Noud Veeger

Central and North Europe
b. 1961, M.Sc. (Econ.)
Member of the Executive Board since 2004. Employed by KONE Corporation since 1999. Previously served as Managing Director of KONE Plc (UK) 2002–2004, as Director, New Elevator & Escalator Business, KONE Netherlands 1999–2002, as Director of OTRA Netherlands 1996–1998 and as Managing Director of HCI Central America 1993–1996.

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 and secure the continuance of operations. In order to achieve this goal, KONE applies the following principles in managing its capital resources and position, as well as in managing its risks.

Management of capital

Capital is managed in order to maintain a strong financial position and ensure that the Group's funding needs can be optimized at all times in a cost-efficient way. KONE wants to be able to take advantage of opportunities to create major shareholder value when they are available.

Cash inflows from operating activities are the principal source of KONE's financing. External funding, as well as cash and cash equivalents, are managed centrally by the Group Treasury according to the Group Treasury Policy approved by the Board of Directors.

The assets employed in KONE's business consist of net working capital and fixed assets funded by equity and net debt, as shown in the following table. Thanks to KONE's business model and processes, net working capital does not tie up capital and the level of fixed assets is relatively low.

In order to ensure good credit quality, KONE monitors and estimates its financial position through key indicators such as the equity ratio, gearing and their components. KONE has not acquired a credit rating.

KONE's philosophy is to take an aggregated view of share price trends and dividends as components of total shareholder return. The growth in share value can also be influenced by the purchase of own shares. Consequently, KONE does not define a separate dividend policy. Furthermore, no definite capital structure target has been defined.

This means that the level of net debt and financial gearing can be very low, even negative, over a given period of time. In the present weak economic situation, having no debt is a strength. Liquid assets are invested only in counterparties with high creditworthiness. The new limited list of counterparties is approved by the Group Treasury committee. When value-creating business opportunities result in major investments, the borrowing capacity is used and the level of financial gearing will be higher for a period of time. Long term funding is guaranteed by existing committed lines of credit.

These principles also mean that annual dividends will be determined on the basis of overall business outlook and business opportunities, as well as the present capital structure and the anticipated changes in it.*)

KONE ensures efficient allocation of its capital resources in its management system by measuring and monitoring financial results after the cost of capital tied up in assets employed by business activities. The weighted average cost of capital (WACC) is the weighted average of the cost of debt and equity. KONE estimates its WACC annually on the basis of the estimated return requirement based on its equity capital and on the estimated cost of its debt capital and the budgeted gearing. Local interest rates are taken into account.

The cost of capital is also used as a hurdle rate when evaluating the shareholder value creation potential of new acquisitions, major capital expenditure and other investments. The valuation methods used are payback time and discounted cash flow.

Risk management

KONE's business activities are exposed to risks, which may arise from changes in KONE's business environment or events or incidents resulting from operating activities. In its business planning process, KONE continuously assesses the risks and opportunities of its business decisions in order to limit unnecessary or excessive risks. In KONE's risk management process, the risks that can threaten the achievement of KONE's business objectives are identified and assessed on the basis of their probability and impact. The KONE Board of Directors reviews the KONE risk portfolio regularly on the basis of the KONE Executive Board's assessment. The KONE Risk Management function is responsible for developing and steering the risk management process and administering the global insurance programs.

MEUR	2008	2007	2006
Assets employed:			
Goodwill and shares	790.4	708.5	686.9
Other fixed assets [1)]	263.6	254.2	276.1
Net working capital	-76.4	-121.8	-139.5
Total assets employed	977.6	840.9	823.5
Capital:			
Equity	1,035.9	749.2	698.6
Net debt	-58.3	91.7	124.9
Total capital	977.6	840.9	823.5
Gearing	-5.6	12.2	17.9
Equity ratio	39.0	31.7	30.5

1) Property, plant and equipment, acquired maintenance contracts and other intangible assets.
*) In 2006–2008, the dividend payout ratio has been 39.2%–90.3% for class B shares (Board's proposal 2008).

Operational risks

A global slowdown in economic growth may bring about 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 consists of services which are less susceptible to the effects of economic downturn. Economic downturn may affect the liquidity and payment schedules of KONE's customers and lead to credit losses. Credit risks are managed by requiring advance payments and actively monitoring the liquidity of customers.

As a global group, KONE is exposed to foreign exchange rate fluctuations. The Group Treasury function manages exchange rates and other financial risks centrally on the basis of principles approved by the Board of Directors. KONE's subsidiaries are assessed and managed in their local currencies. 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, the reporting currency of the KONE Group.

A significant proportion of KONE's new equipment sales take place in the context of major construction projects utilizing innovative technologies in which KONE is a subcontractor. In these projects, KONE's project management organization cooperates with the main contractors' project organization. Long supply chains, the high technology featured in components and technologically demanding installation and service processes may make it more difficult to achieve the quality, cost or schedule objectives set for the project. Common project management tools are used for managing project risks.

As malfunctions or other disturbances may appear in all technical equipment, any such occurrences in the case of equipment made by KONE may have an effect on the company's reputation as a provider of high-quality elevators, escalators and automatic doors. The company's aim is to ensure high quality products by the application of standardized and controlled manufacturing, installation and service processes.

KONE systematically analyzes risks related to products, their installation and service as part of the product development process and product change management. The quality of KONE's own installation and service processes is actively controlled and inspected, as is that of the components and services supplied by KONE's subcontractors. The main production, installation and maintenance processes are ISO 9001 certified. Some of the products made and installed by KONE are serviced by third parties.

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. The aim is also to secure the availability of alternative sourcing channels for critical components and services. Additionally, KONE has a global property and business interruption insurance program in place.

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 human resources in response to reduced 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 Group consumes commodity metals such as stainless steel, copper and aluminum, most of which are purchased indirectly via supplied components. Risks related to the prices of commodities and components are minimized by 3 to 12-month fixed price supply agreements with preferred partners. Although such agreements protect KONE's deliveries from increases in commodity prices, they may adversely affect KONE's profit performance if raw material prices drop for an extended period and the decreases in prices cannot be utilized to their full extent. These agreements have been made for the above-mentioned metals and for services. The maintenance business deploys a significant fleet of service vehicles, for which reason oil price fluctuations affect the cost of maintenance.

KONE takes active steps to reduce the direct and indirect environmental impacts and risks related to its operations. The environmental risks are mainly related to the consumption of raw materials and energy, carbon dioxide emissions and waste handling. KONE's own production does not employ environmentally hazardous manufacturing methods or chemicals to any material extent. Maintenance activity requires transport by service vehicles, which generates carbon dioxide emissions.

More information

Financial risks, note 2, page 15

Internal control principles

To ensure its profitable operations KONE regularly controls its activities. The purpose of internal control is to ensure the effective and profitable operations of the company, correct financial reporting and compliance with laws and regulations. The system of internal control cannot, however, provide absolute assurance that risks will be prevented.

KONE has defined corporate-wide policies, such as its values and ethical guidelines, for key areas of its operations, and for example policies for acquisitions and major projects. These policies constitute the foundation of the internal control system.

Financial control of operations

The internal control procedures applied to business operations are implemented and monitored by the country and business unit management and controlling function, on the basis of the KONE Corporate policies and instructions. Corporate-wide business development responsibilities are directed and led by the Global Development function on the basis of harmonized business processes.

In ensuring the effectiveness and efficiency of operations, a key control procedure is the monthly management financial reporting process with in-depth analyses of deviations between actual measures, budgets and updated forecasts of the business performance.

Corporate-wide financial management and control of operations is supported and coordinated by the Global Finance and Control function and the network of subsidiary / business entity Controllers within KONE. KONE has established group-wide Financial Control Models for orderbound projects, service activities, treasury and tax functions. In the models the key financial monitoring tasks have been defined in order to ensure that financial control covers all the relevant areas. This ensures that any deviations from plans and financial management policies are identified, communicated and reacted to efficiently, in a harmonized and timely manner.

Financial control tasks are built into both the business processes of KONE and the ongoing business supervision and monitoring of the management. Key Control Indicators are defined for the tasks in the Financial Control Models. The aim of these indicators is to measure and support the effectiveness and harmonization of operations. The effectiveness of the Financial Control Models is assessed in all units annually and monitored by the Global Finance and Control function.

Correct financial reporting

The internal control procedures applied to KONE's financial reporting process are laid down in carefully defined principles and instructions.

The interpretation and application of accounting standards is centralized in the Global Finance and Control function, which maintains, under supervision of the Audit Committee, the KONE Accounting Standards. These standards form part of the KONE Controller's Manual and are communicated through formal communication procedures throughout KONE. The Global Finance and Control function monitors compliance with the KONE Accounting Standards.

Budgeting and reporting processes and contents are controlled in line with the KONE Accounting and Reporting Instructions defined and updated centrally by the Global Finance and Control function and applied uniformly throughout KONE. A unified reporting system is used.

KONE has defined and documented its global processes with internal controls built into a global ERP system. The ERP system reflects the KONE Accounting Standards and KONE Accounting and Reporting Instructions and their interpretation by the global Finance and Control function. KONE applies a controlled change management process ensuring that no changes to the financial posting logic of the ERP system can be made without approval from global Finance & Control.

Automatic interfaces between different systems are applied in the period end financial reporting process of KONE. Transactional processing is increasingly centralized in dedicated internal shared service centers of KONE. The correctness of financial reporting is also supported and monitored through the Financial Control Models.

Compliance with laws and regulations

KONE's legal affairs are coordinated through global, regional and country-level legal functions, which are led centrally to ensure conformity of practices. The units prepare monthly reports on the most significant legal and contractual risks in their respective areas to ensure that the Group Management is aware of them.

KONE's Legal function has prepared KONE's Code of Conduct defining the manner in which KONE's employees, subsidiaries and business partners must conduct themselves in business contexts. The KONE Code of Conduct sets forth acceptable and unacceptable courses of action and conduct. With respect to competition law compliance, more detailed instructions have been provided in the form of a separate policy. KONE's employees are expected to follow these global policies in all interaction with customers, distributors, goods and service suppliers, competitors, and all other stakeholders.

KONE manages it contractual liabilities through global policies and guidelines providing guidance with respect to contractual issues and establishing review procedures and approval thresholds for certain kinds of contracts.

KONE's Legal function provides training for Group companies in legal and contractual matters and actively supports the KONE Group's various units and functions in their business undertakings. Additionally, KONE's Legal function supports other KONE units and functions in creating their own policies and guidelines in order to ensure that these comply with applicable legal requirements and KONE's legal and contractual policies and guidelines.

Shares and shareholders

Market capitalization

During the 2008 financial year the price of the KONE Corporation class B share declined by approximately 35 percent, from EUR 23.97 to EUR 15.53, on the NASDAQ OMX Helsinki Ltd. in Finland. During the same period, the OMX Helsinki Cap Index declined by approximately 50 percent and the OMX Helsinki Industrials Index approximately 58 percent. During the financial year the price of the KONE Corporation class B share peaked at EUR 27.87 and was EUR 13.80 at its lowest. At the end of 2008, the company's market capitalization, in which the unlisted class A shares are valued at the closing price of the class B shares on the last trading day of the financial year, was EUR 3,922 million. At the end of December 2008, the company held 4,905,506 class B shares as treasury shares.

During the financial year, 207.8 million KONE Corporation class B shares were traded on the NASDAQ OMX Helsinki Ltd. The value of the shares traded was EUR 4,247 million. The average daily turnover of class B shares was 736,358, representing EUR 16,785,202. The relative turnover was 91 percent.

More information

Market capitalization is calculated on the basis of both the listed class B shares and the unlisted class A shares excluding repurchased own shares.

Shares and share capital

At the end of December 2008, the share capital was EUR 64,359,230.50. During the financial year the share capital was increased by EUR 182,933.50 due to subscriptions of shares with KONE 2005A, 2005B and 2005C options.

Each class A share is assigned one vote, as is each block of 10 class B shares, with the proviso that each shareholder is entitled to at least one vote. At the end of December 2008, the total number of shares was 257,436,922, comprising 219,332,566 class B shares and 38,104,356 class A shares. The total number of votes was 60,037,613.

More information

Changes in the share capital, note 20, page 31

Dividends

In accordance with the Articles of Association, class B shares have the right to a dividend that is at least one percent, but no more than 2.5 percent, higher than the dividend paid to the holders of class A shares, which is obtained by dividing the share capital entered in the Finnish Trade Register by number of shares entered in the same Register. The Board of Directors proposes that the dividend for the financial year, January 1–December 31, 2008, be EUR 0.645 per class A share and EUR 0.65 per class B share.

Authorization to raise the share capital

At the end of the financial year, KONE Corporation's Board of Directors had no valid authorization to increase the share capital.

Authorization to purchase and surrender own shares

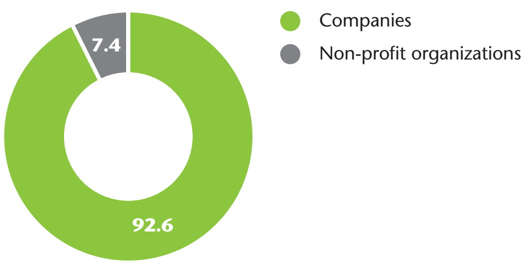
KONE Corporation's Annual General Meeting held on February 25, 2008 authorized the Board of Directors to purchase and surrender the company's own shares. On the basis of this authorization, the Board decided to commence the purchase of shares on March 7, 2008 at the earliest. The purchase of shares will continue until otherwise announced.

The maximum amount of the shares to be purchased is less than 10 percent of the company's share capital and total voting rights of the shares. Altogether no more than 25,570,000 shares may be purchased, of which no more than 3,810,000 may be class A shares and no more than 21,760,000 may be class B shares.

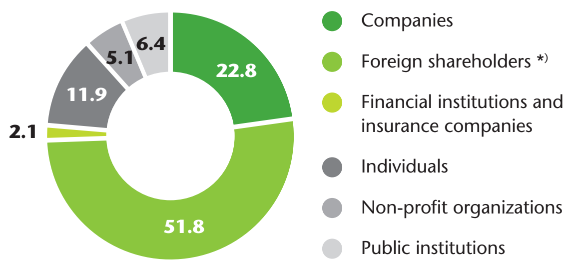
The company's own shares purchased shall be used as compensation in possible acquisitions or other restructuring, to develop the company's capital structure, to execute the share-based incentive plan or otherwise to surrender or cancel said shares.

Class B shares shall be purchased at the market price in public trading on the NASDAQ OMX Helsinki Ltd. Class A shares shall be purchased outside the stock exchange at a price equivalent to

Class A shares, %



Class B shares, %



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

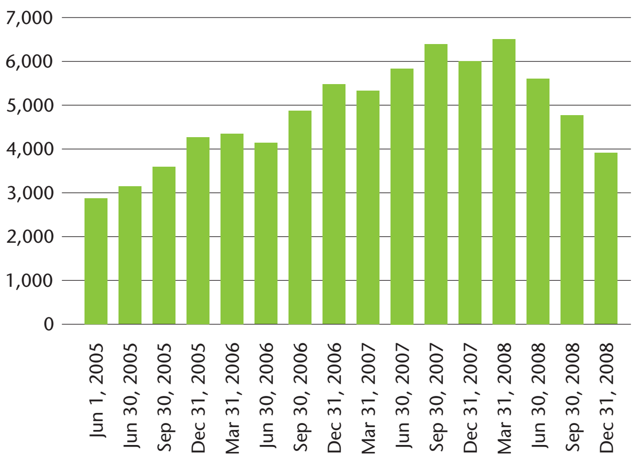
KONE corporation's share capital consists of the following:

	Number of shares	Par value, EUR
Class A	38,104,356	9,526,089
Class B	219,332,566	54,833,142
Total	**257,436,922**	**64,359,231**

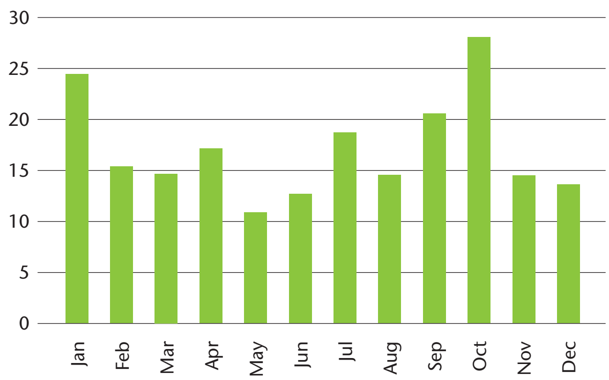
	KONE class B share	KONE 2005A option rights	KONE 2005B option rights	KONE 2005C option rights
Trading code, NASDAQ OMX Helsinki Ltd in Finland	KNEBV	KNEBVEW105	KNEBVEW205	KNEBVEW305
ISIN code	FI0009013403	FI0009618334	FI0009618342	FI0009647820
Accounting par value	EUR 0.25			
Conversion rate		1:12	1:12	1:2

The share subscription period for KONE2005A option rights ended on March 31, 2008.

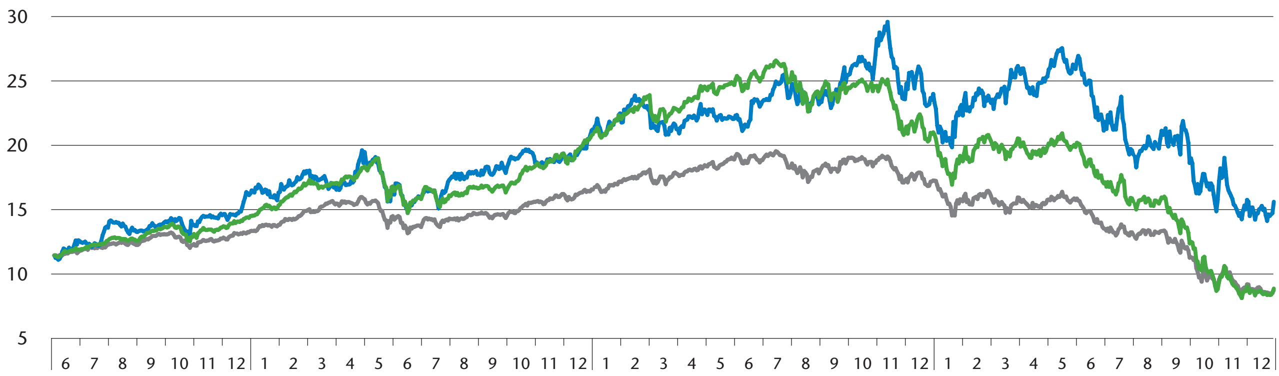
Market capitalization, MEUR



KONE class B shares traded Jan 1–Dec 31, 2008, million shares



KONE class B share price development Jun 1, 2005–Dec 31, 2008, EUR



the average paid for class B shares on the NASDAQ OMX Helsinki Ltd at the time of purchase.

During the financial year, KONE Corporation did not use its authorization to purchase own shares. Relating to the share-based incentive plan, a company included in the consolidated financial statements owned 216,000 KONE class B shares in December 2008 as a result of 326,000 shares being granted to the management during 2008. The number of class B shares held by Group companies at the end of the year was 4,905,506.

Options

KONE Corporation had four stock option programs in operation in the beginning of the 2008 financial year. The purpose of the programs is to encourage long-term efforts by key personnel to increase shareholder value, and to strengthen their commitment to the company by offering them an internationally competitive incentive program. The 2005C and 2007 stock option programs do not include the company's Board Members, President & CEO and members of the Executive Board.

The 2005A and 2005B stock options were granted by a decision of the Extraordinary Shareholders' Meeting of the demerged Kone Corporation on November 17, 2000, to approximately 250 key employees. A total of 145,130 A options and 165,340 B options were granted. Each stock option entitles its owner to subscribe for twelve (12) new class B shares of the company at a price of EUR 4.02 per share. According to the terms of the programs, the annual subscription period lasts from January 2 to November 30. The shares subscribed entitle their owners to a dividend for the financial year during which the subscription has taken place. Other rights related to the shares commence on the date when the increase in the share capital is entered in the Trade Register. The share subscription period for the 2005A options ended on March 31, 2008. The share subscription period for the 2005B options will end on March 31, 2009.

The 2005C stock options were granted by a decision of the Extraordinary Shareholders' Meeting of November 21, 2005, to approximately 350 key employees. The maximum total of options was 2,000,000. Each stock option entitles its owner to subscribe for two (2) new class B shares of the company at the original subscription price of EUR 14.20 per share, reduced by the dividends paid, as per the dividend record date, up to the date of share subscription. The share subscription price on December 31, 2008, was EUR 12.55. The share subscription period is April 1, 2008–April 30, 2010.

The 2007 stock options were granted, by a decision of the company's Board of Directors on December 5, 2007, to approximately 350 key employees. The maximum total of options was 2,000,000. Each stock option entitles its owner to subscribe for two (2) new class B shares of the company at the original subscription price of EUR 25.445 per share, reduced as specified in the terms by, for example, the dividends paid, as per the dividend record date, up to the date of share subscription. The share subscription price on December 31, 2008 was EUR 24.795. The share subscription period is April 1, 2010–April 30, 2012. The share subscription period will begin only if the average net sales 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 each of the 2008 and 2009 financial years exceeds that of the respective preceding financial year. If the above-mentioned criteria are not attained, the stock options will expire based on the consideration and in the manner and extent decided by the Board of Directors and the terms of the stock options.

Share-based incentive plan

KONE has applied a share-based incentive plan to the approximately 40 individuals that make up the company's senior management. The reward, if any, is determined by the annual growth in sales and in earnings before interest and taxes (EBIT). It is paid in class B shares plus cash equivalent to the tax and taxable benefit costs incurred. The plan prevents participants from transferring the shares during the 15-month period following the termination of each earnings period. In April 2008, 326,000 class B shares were granted to the management as the reward for achieving the targets set for 2007. Correspondingly, 200,448 class B shares will be granted in April 2009 for achieving the targets set for 2008.

Shareholders

At the end of December 2008, KONE Corporation had 16,354 shareholders. A breakdown of shareholders is shown on page 65.

At the end of December 2008, non-Finnish shareholders held approximately 44.1 percent of KONE Corporation's shares, corresponding to around 18.9 percent of the votes. Of these foreign-owned shares, 17,095,772 were registered in the shareholders' own names. Foreign-owned shares may also be nominee-registered. Only shares registered in the shareholders' own names entitle their holders to vote at Shareholders' Meetings. There were 96,478,348 nominee-registered shares, representing approximately 37.5 percent of all shares, at the end of December 2008.

Shareholdings of the Chairman and Members of the Board of Directors

On December 31, 2008, KONE Corporation's Chairman and Members of the Board of Directors owned 35,280,804 class A shares and 18,652,920 class B shares, representing approximately 21 percent of the total number of shares and 62 percent of the total votes.

More information
Information for shareholders, see report's front cover

More information
IR contact, see report's back cover

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Reconciliation of own shares, Dec 31, 2008

	KONE Corporation			Subsidiaries			Group total		
	pcs	Acquisition cost	Average price	pcs	Acquisition cost	Average price	pcs	Acquisition cost	Average price
Jan 1, 2008	2,344,753	79,781,170	34.03	271,000	8,054,321	29.72	2,615,753	87,835,491	33.58
Changes 2008:									
Feb 2, 2008	2,344,753			271,000			2,615,753		
Apr 29, 2008				-326,000	-4,753,871		-326,000	-4,753,871	14.58
Dec 31, 2008	4,689,506	79,781,170	17.01	216,000	3,300,450	15.28	4,905,506	83,081,620	16.94

Shareholdings on Dec 31, 2008 by number of shares

Number of shares	Number of owners	Percentage of owners	Number of shares	Percentage of shares
1 – 10	216	1.32	1,536	0.00
11 – 100	3,381	20.67	217	0.08
101 – 1,000	8,651	52.9	3,577,572	0.39
1,001 – 10,000	3,568	21.82	10,337,881	4.02
10,001 – 100,000	460	2.81	11,858,981	4.61
100,001 –	78	0.48	231,422,343	89.9
Total	**16,354**	**100**	**257,415,178**	**99.99**
Shares which have not been transferred to the paperless book entry system			21,744	0.01
Total			**257,436,922**	**100**

Largest shareholders on Dec 31, 2008

		A-series	B-series	Total	% of shares	% of votes
1	**Herlin Antti**	35,280,804	17,550,920	52,831,724	20.5	61.69
	Holding Manutas Oy [1)]	27,142,296	13,248,972	40,391,268	15.7	47.4
	Security Trading Oy [2)]	8,138,508	3,463,972	11,602,480	4.51	14.13
	Herlin Antti	0	837,976	837,976	0.3	0.14
2	**Toshiba Elevator And Building Systems Corporation**	0	12,093,360	12,093,360	4.70	2.01
3	**D-sijoitus Oy**	0	8,735,964	8,735,964	3.39	1.46
4	**Mariatorp Oy**	0	8,500,000	8,500,000	3.30	1.42
5	**Wipunen varainhallinta Oy**	0	8,400,000	8,400,000	3.26	1.40
6	**KONE Foundation**	2,823,552	4,929,816	7,753,368	3.01	5.52
7	**Ilmarinen Mutual Pension Insurance Company**	0	6,252,943	6,252,943	2.43	1.04
8	**Skagen Global Verdipapirfond**	0	2,380,349	2,380,349	0.92	0.40
9	**Finnish State Pension Fund**	0	1,850,000	1,850,000	0.72	0.31
10	**Varma Mutual Pension Company**	0	1,746,560	1,746,560	0.68	0.29
	10 largest shareholders total	38,104,356	72,439,912	110,544,268	43.0	75.5
	Nominee registered [3)]		113,574,120	113,574,120	44.1	18.9
	Repurchased own shares		4,905,506	4,905,506	1.9	0.8
	Others		28,413,028	28,413,028	11.0	4.8
Total		38,104,356	219,332,566	257,436,922	100	100

1) Antti Herlin's ownership in Holding Manutas represents 1.1 percent of the shares and 12.8 percent of the voting rights and together with the ownership of Security Trading, company in which he exercises controlling power, his ownership represents 51.0 percent of the shares and 62.7 percent of the voting rights.

2) Antti Herlin's ownership in Security Trading Oy represents 93.8 percent of the shares and 97.7 percent of the voting rights.

3) The American investment fund company Tweedy Browne Company LLC notified KONE Corporation on April 30, 2008 that its holdings of KONE Corporation was below 5 percent of the shares.

Dividend proposal, signatures for the Board of Directors' report and Financial statements and Auditors note.

Dividend proposal

The parent company's non-restricted equity on December 31, 2008 is EUR 1,533,733,113.48 of which the net profit for the financial year is EUR 264,692,626.91.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.645 be paid on the 38,104,356 class A shares and EUR 0.65 on the outstanding 214,643,060 class B shares. Under the proposal, the total amount of dividends will be EUR 164,095,298.62. The Board of Directors further proposes that the remaining non-restricted equity, EUR 1,369,637,814.86 be retained and carried forward.

The Board proposes that the dividends be payable from March 5, 2009.

Signatures for the financial statements

Helsinki, January 23, 2009

Antti Herlin

Sirkka Hämäläinen-Lindfors

Matti Alahuhta

Reino Hanhinen

Sirpa Pietikäinen

Masayuki Shimono

Iiro Viinanen

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, January 23, 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Niina Vilske
Authorised
Public Accountant

Heikki Lassila
Authorised
Public Accountant

Auditors' report

To the Annual General Meeting of KONE Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of KONE Corporation for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 23 January 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Niina Vilske	Heikki Lassila
Authorised Public Accountant	Authorised Public Accountant

Investor Relations

Investor relations policy

KONE strives to offer liquid shares that present an attractive investment alternative to domestic and foreign investors. The primary task of Investor Relations is to ensure that the market has correct and sufficient information at its disposal in order to determine the value of the KONE share at all times. This task is fulfilled in all written communications, such as financial statements and interim reports, press releases and Internet pages, as well as in communications with investors and analysts.

In all of its communications, KONE complies with the requirements for listed companies as defined by the Securities Markets Act and the rules of the NASDAQ OMX Helsinki Ltd regarding prompt and simultaneous disclosure of information.

Investor relations activities

All of KONE's Investor Relations activities are coordinated by the Investor Relations Department. This ensures fair and equal access to company information and to its spokespersons. Investor Relations also gathers and analyses capital market information for KONE's Executive Board. In all of its activities, KONE's Investor Relations department strives for prompt, transparent and high-quality service.

Silent period

KONE observes a period of silence prior to releasing financial results. This means that no discussions regarding financial issues will be held with the capital markets or the financial media during the three-week period preceding the publication of interim results and the four-week period preceding the publication of the annual financial statements. There will be no meetings, telephone conversations or other means of communication.

Analysts

A complete list of all brokers and financial analysts that actively follow KONE's development can be found at the investor relations pages at www.kone.com

Investor contact

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More information

- The comprehensive investor relations pages can be found at www.kone.com
- Shares and shareholders, page 65
- Corporate governance, page 56
- Information for shareholders, on report's front cover

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