KONE Corporation’s financial statement bulletin 2008

KONE Corporation, stock exchange release, January 23, 2009 at 12:30 p.m.

KONE 2008: Continued market share gains and growing profitability

October-December 2008

- In October-December 2008, orders received totaled EUR 845.2 (10–12/2007: 901.9) million, a decrease of 6.3%. At comparable exchange rates, the decrease was 5.5%.

- Net sales was EUR 1,432 (1,294) million and increased by 11%. At comparable exchange rates, the growth was 13%.

- Operating income was EUR 189.2 (160.8; Excluding the Austrian Cartel Court’s fine and the profit from the sale of the KONE Building) million or 13.2% (12.4%) of net sales.

January-December 2008

- In January-December 2008, orders received totaled EUR 3,948 (2007: 3,675) million. The growth was 7%, or 12% at comparable exchange rates. At the end of December 2008, the order book stood at EUR 3,577(Dec 31, 2007: 3,282) million.

- Net sales was EUR 4,603 (4,079) million or an increase of 13%. At comparable exchange rates, the growth was 17%.

- Operating income was EUR 558.4 (473.2) million or 12.1% (11.6%) of net sales (1–12/2007 figures exclude an expense of EUR 152.4 million related to the European Commission’s fine and the Austrian Cartel Court fine decisions and the profit from the sale of the KONE building). Earnings per share were 1.66 (0.72).

- 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 proposes a dividend of EUR 0.65 per class B share.

Key Figures

		10-12/ 2008	10-12/ 2007		Change %	1-12/ 2008	1-12/ 2007		Change %
Orders Received	MEUR	845.2	901.9		-6.3	3,947.5	3,674.7		7.4
Order book	MEUR	3,576.7	3,282.3		9.0	3,576,7	3,282.3		9.0
Sales	MEUR	1,431.6	1,294.2		10.6	4,602.8	4,078.9		12.8
Operating income	MEUR	189.2	160.8	1)	17.7	558.4	473.2	2)	18.0
Operating income	%	13.2	12.4	1)		12.1	11.6	2)	
Cash flow From Operations (before Financing items and taxes)	MEUR	88.5	116.0			527.4	380.0		
Net income	MEUR	147.9	100.6			418.1	180.3		
Interest-bearing net debt	MEUR	-58.3	91.7			-58.3	91.7		
Total equity/ total assets	%	39.0	31.7			39.0	31.7		
Gearing	%	-5.6	12.2			-5.6	12.2		
Basic earnings per share	EUR	0.59	0.40			1.66	0.72		

1) Excluding a EUR 22.5 million provision for the Austrian Cartel Court's fine decision and a EUR 12.1 million sales profit from the sale of KONE Building

2) Excluding a EUR 142.0 million fine for the European Commission´s decision, a EUR 22.5 million provision for the Austrian Cartel Court's fine decision and a EUR 12.1 million sales profit from the sale of KONE Building

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

“I am pleased with our performance development during 2008. It was a difficult year with higher than expected raw material costs, high increases in salaries and wages and declining new equipment markets. However, KONE made good progress on many fronts. I am especially pleased with good development in maintenance and modernization. We see good additional potential in these activities during 2009. I am also very pleased with our overall progress in the United States and in China. In both of these important markets we were able to increase our market share.

We are very committed to take the current challenging market situation as an opportunity. Our objective is to continue to increase our market share and simultaneously put our company to a great shape in quality, maintenance and installation productivity as well as in working capital management.”

Analyst and media meeting and telephone conference

A meeting and conference call for the press, conducted in English, will be held on Friday, January 23, 2009 at 1:45 p.m. Finnish time.

A telephone conference and a meeting for analysts, conducted in English, will begin at 3:00 p.m. Finnish time. The telephone conference will also be available as a webcast on www.kone.com.

Both meetings will take place in the KONE Building, located at Keilasatama 3, in Espoo, Finland.

Telephone conference numbers:

US callers: +1 334 323 6201
Non-US callers: +44 (0)20 7162 0025
Participant code: KONE

An on demand version of the telephone conference will be available on www.kone.com later the same day.

About KONE

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

www.kone.com

For further information please contact:
Aimo Rajahalme, Executive Vice President, Finance, tel. +358 (0) 204 75 4484

Sender:

KONE Corporation

Aimo Rajahalme
Executive Vice President,
Finance

Anne Korkiakoski
Executive Vice President,
Marketing and Communications

Financial statement bulletin 2008

Accounting Principles

KONE Corporation’s financial statement bulletin has been prepared in line with IAS 34, `Interim Financial Reporting´. The accounting principles for the financial statements have been presented in the Financial Statements 2008 published on January 23, 2009. The information presented in this report has been audited.

October-December 2008 review

Operating environment in October-December

In the fourth quarter of 2008, the new equipment market continued to decline because of the slowdown in customer decision making due to difficulties in financing and overall increasing uncertainty. However, the situation differed a great deal from market to market. The modernization demand weakened somewhat towards the end of the year, while the global maintenance market, where demand is by nature less cyclical, continued to grow steadily but remained very competitive.

In the European, Middle East and African region (EMEA), the business environment continued to develop well in maintenance. The financial crisis caused some hesitation in the modernization market. The new equipment market in the United Kingdom and Russia weakened strongly and the North European market experienced increasing hesitation. Germany was still resilient. The overall Southern European residential market continued to decline in Italy, France, Belgium and particularly in Spain. The office sector slowed down somewhat with postponements in decisions, while the commercial and hospital sectors still grew. In the Middle East, the situation continued to be mixed. Construction markets slowed down towards the end of the year especially in Dubai.

The economic slowdown in the Americas market still continued to provide growth opportunities for KONE even though the new equipment market continued to clearly decrease in the United States. The modernization market was less impacted and the maintenance market continued to develop well. In Canada, the construction market was still rather resilient, while Mexico’s construction market followed market trends in the United States.

In the Asia-Pacific region, growth continued in most markets, even though investment decisions were becoming slower in most markets towards the end of the year. In China, the growth in the new equipment market became slower towards the end of the quarter. In India, market growth continued, however market activity continued to suffer from high interest rates and cost inflation. In Australia, the commercial segment activity cooled down somewhat while the residential segment continued to slow down. Maintenance and modernization markets developed well in the Asia-Pacific region.

Financial performance in October-December

KONE´s orders received in the fourth quarter of 2008 declined by 6 % and totaled EUR 845.2 (10–12/2007: 901.9) million. At comparable exchange rates, the decline was also 6 %. The development was most negative in the United Kingdom, Russia and the Middle East. The growth in orders was strongest in Asia-Pacific. In the United States, KONE gained market share in a further declining market. In the Asia-Pacific region, orders received growth was best in China and South Asia.

KONE´s net sales grew by 11% compared with October-December 2007 and totaled EUR 1,432 (1,294) million. At comparable exchange rates, the growth was 13%. Sales growth was strongest in Asia-Pacific.

New equipment sales accounted for 705.5 (626.7) million of the total net sales and represented an approximate growth of 13% over the comparison period. At comparable exchange rates, the growth was approximately 15%.

Service sales (maintenance and modernization) increased by approximately 9% and totaled EUR 726.1 (667.5) million. At comparable exchange rates, the growth was approximately 11%.

Operating income for the October-December period totaled EUR 189.2 (10-12/ 2007: 160.8 - Excluding the Austrian Cartel Court’s fine and the profit from the sale of the KONE Building) or 13.2% (12.4%) of net sales. The cost increase in hot rolled steel and cast iron, earlier in the summer, still had a negative impact on the profit level. The intensive implementation of KONE’s development programs continued to increase the company’s competitiveness.

Sales by geographical areas, MEUR

	10-12/ 2008	%	10-12/ 2007	%	1-12/ 2008	%	1-12/ 2007	%
EMEA [1)]	934.1	65	867.1	67	3,001.5	65	2,675.3	65
Americas	278.6	20	245.2	19	888.3	19	840.8	21
Asia-Pacific	218.9	15	181.9	14	713.0	16	562.8	14
Total	1,431.6		1,294.2		4,602.8		4,078.9	

1) EMEA = Europe, Middle East, Africa

Review January – December 2008

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. 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 counterweight-less 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 anticompetitive 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 (CO2) 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 Corpo ration’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

This bulletin 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	Oct 1-Dec 31, 2008	%	Oct 1-Dec 31, 2007	%	Jan 1-Dec 31, 2008	%	Jan 1-Dec 31, 2007	%
Sales	1,431.6		1,294.2		4,602.8		4,078.9	
Costs, expenses and depreciation	-1,242.4		-1,143.8		-4,044.4		-3,758.1	
Operating Income	189.2	13.2	150.4	11.6	558.4	12.1	320.8	7.9
Share of associated companies' net income	0.9		0.8		2.6		1.7	
Financing income	11.6		4.8		24.4		16.6	
Financing expenses	-2.0		-6.2		-21.6		-25.1	
Income before Taxes	199.7	13.9	149.8	11.6	563.8	12.2	314.0	7.7
Taxes	-51.8		-49.2		-145.7		-133.7	
Net Income	147.9	10.3	100.6	7.8	418.1	9.1	180.3	4.4
Net Income attributable to:								
Shareholders of the parent company	147.5		100.7		417.3		180.1	
Minority interests	0.4		-0.1		0.8		0.2	
Total	147.9		100.6		418.1		180.3	
Earnings per share for profit attributable to the share-holders of the parent company, EUR								
Basic earnings per share, EUR	0.59		0.40		1.66		0.72	
Diluted earnings per share, EUR	0.58		0.39		1.65		0.71	

The result for the comparison period of 1-12/2007 icludes an expense of MEUR 142.0 related to the European Commission’s fine decision. In addition to this, the result for the comparison period of 10-12/2007 and 1-12/2007 includes a MEUR 22.5 provision for the Austrian Cartel Court’s fine decision and a MEUR 12.1 profit from the sale of the KONE Building.

Consolidated Balance Sheet

Assets MEUR		Dec 31, 2008	Dec 31, 2007
Non-Current Assets			
Goodwill		621.3	577.2
Other intangible assets		48.9	53.2
Property, plant and equipment		214.7	201.0
Investments in associated companies		13.6	10.9
Shares		149.9	114.5
Available-for-sale investments		5.6	5.9
Non-current loans and receivables	I	2.3	1.7
Deferred tax assets		122.1	118.6
Total Non-Current Assets		1,178.4	1,083.0
Current Assets			
Inventories		885.5	773.2
Advance payments received		-805.4	-694.6
Accounts receivable		789.4	706.3
Deferred assets		216.3	174.1
Income tax receivables		40.8	44.1
Current loans and receivables	I	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		Dec 31, 2008	Dec 31, 2007
Capital and reserves attributable to the shareholders of the parent company			
Share capital		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	172.4	175.8
Deferred tax liabilities		39.7	25.9

Employee benefits		115.8	131.9
Total Non-Current Liabilities		327.9	333.6
Provisions		49.9	86.6
Current Liabilities			
Current portion of long-term loans	I	11.5	62.1
Other liabilities	I	111.9	129.3
Accounts payable		282.2	274.6
Accruals		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

1) Share capital
2) Share premium account
3) paid-up unrestricted equity reserve
4) Fair value and other reserves
5) Translation differences
6) Own shares
7) Retained earnings
8) Minority interests
9) Total equity

MEUR	1)	2)	3)	4)	5)	6)	7)	8)	9)
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 share-holders 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	1)	2)	4)	5)	6)	7)	8)	9)
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 sharebased 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	-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.

Key Figures

		1-12/2008	1-12/2007
Basic earnings per share	EUR	1.66	0.72
Diluted earnings per share	EUR	1.65	0.71
Equity per share	EUR	4.10	2.98
Interest bearing net debt	MEUR	-58.3	91.7
Total equity/total assets	%	39.0	31.7
Gearing	%	-5.6	12.2
Return on equity	%	46.8	24.9
Return on capital employed	%	35.9	18.6
Total assets	MEUR	2,656.8	2,359.9
Assets employed	MEUR	977.6	840.9
Working capital (including financing and tax items)	MEUR	-76.4	-121.8

Quarterly Key Figures

		Q4/2008	Q3/2008	Q2/2008	Q1/2008	Q4/2007	Q3/2007	Q2/2007	Q1/2007	Q4/2006	Q3/2006	Q2/2006	Q1/2006
Orders received	MEUR	845.2	892.4	1,092.4	1,117.5	901.9	926.3	944.4	902.1	712.1	742.0	821.9	840.3
Order book	MEUR	3,576.7	4,002.8	3,838.7	3,617.4	3,282.3	3,473.6	3,318.0	3,105.7	2,762.1	2,951.0	2,818.0	2,654.0
Sales	MEUR	1,431.6	1,123.8	1,142.1	905.3	1,294.2	971.6	1,001.9	811.2	1,145.6	879.8	840.4	735.0
Operating income	MEUR	189.2	146.0	136.7	86.5	160.8 1)	126.7	116.4	69.3 2)	123.4	101.1	83.9	51.7
Operating income	%	13.2	13.0	12.0	9.6	12.4 1)	13.0	11.6	8.5 2)	10.8	11.5	10.0	7.0

1) Excluding a MEUR 22.5 provision for the Austrian cartel court's fine decision and a MEUR 12.1 sales profit from the sale of KONE Building

2) Excluding a MEUR 142.0 fine for the European Commission´s decision

Orders Received

MEUR	1-12/2008	1-12/2007
	3,947.5	3,674.7

Order Book

MEUR	31.12.2008	31.12.2007
	3,576.7	3,282.3

Capital Expenditure

MEUR	1-12/2008	1-12/2007
In fixed assets	65.1	58.1
In leasing agreements	9.3	9.2
In acquisitions	60.0	49.6
Total	134.4	116.9

Expenditure for R&D

MEUR	1-12/2008	1-12/2007
	58.3	50.7
Expenditure for R&D as percentage of sales	1.3	1.2

Number of employees

	1-12/2008	1-12/2007
Average	33,935	30,796
In the end of the period	34,831	32,544

Commitments

MEUR	Dec 31, 2008	Dec 31, 2007
Mortgages		
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

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

Derivatives

Fair values of derivative financial instruments, MEUR	Derivative assets 31 Dec, 2008	Derivative liabilities 31 Dec, 2008	Net fair value 31 Dec, 2008	Net fair value 31 Dec, 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	31 Dec, 2008	31 Dec, 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	156
Cross-currency swaps, due under one year		
Net investment hedges under	-	20.0

IAS 39 hedge accounting		
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

Shares and shareholders

	Class A shares	**Class B shares**	**Total**
Number of shares	38,104,356	219,332,566	257,436,922
Own shares in possession 1)		4,905,506	
Share capital, EUR			64,359,231
Market capitalization, MEUR			3,922
Number of shares traded, million, 2008		207.8	
Value of shares traded MEUR, 2008		4,247	
Number of shareholders	3	16,354	16,354

	Close	**High**	**Low**
Class B share price, EUR, 2008	15.53	27.87	13.80

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