Dedicated to People Flow™

KONE

LONDON 2:55 P.M.

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

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

Financial Statements

KONE 2009

Information for shareholders

Annual General Meeting

KONE Corporation's Annual General Meeting will be held on March 1, 2010 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 register at the Euroclear Finland Ltd. no later than on February 19, 2010, and must register for attending the meeting by mail (KONE Corporation, Share Register, P.O. Box 7, FI-02151 Espoo, Finland), 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/AGM) no later than 4:00 p.m. EET on February 24, 2010. 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

Board of Directors proposes to the Annual General Meeting that for the financial year 2009 a dividend of EUR 1.295 be paid for each class A share and a dividend of EUR 1.30 be paid for each class B share. Half of the proposed dividend is an extra dividend due to the centennial year 2010 of KONE. All shares existing on the dividend record date, March 4, are entitled to the dividend. The dividend will be paid on March 11, 2010.

More information

The Board of Directors' proposal for the distribution of profits, page 67
Shares and shareholders, page 63

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 2005C stock options are listed on the NASDAQ OMX Helsinki and are registered in the Euroclear Finland. The share subscription periods for the 2005C options will end on April 30, 2010.

KONE's financial reporting schedule in 2010

Financial statement bulletin and Financial statements for 2009	Tuesday, January 26, 2010
Printed Financial statements for 2009	Week 7, February, 2010
Interim report for January 1–March 31, 2010	Tuesday, April 20, 2010
Interim report for January 1–June 30, 2010	Tuesday, July 20, 2010
Interim report for January 1–September 30, 2010	Tuesday, October 19, 2010

In the second quarter of 2010, KONE will publish a separate Corporate Responsibility Report of its operations in 2009. 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 statements 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 (investors@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 in the shareholders' register at Euroclear Finland Ltd. should send a written notice to:

Euroclear Finland Ltd.,
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.

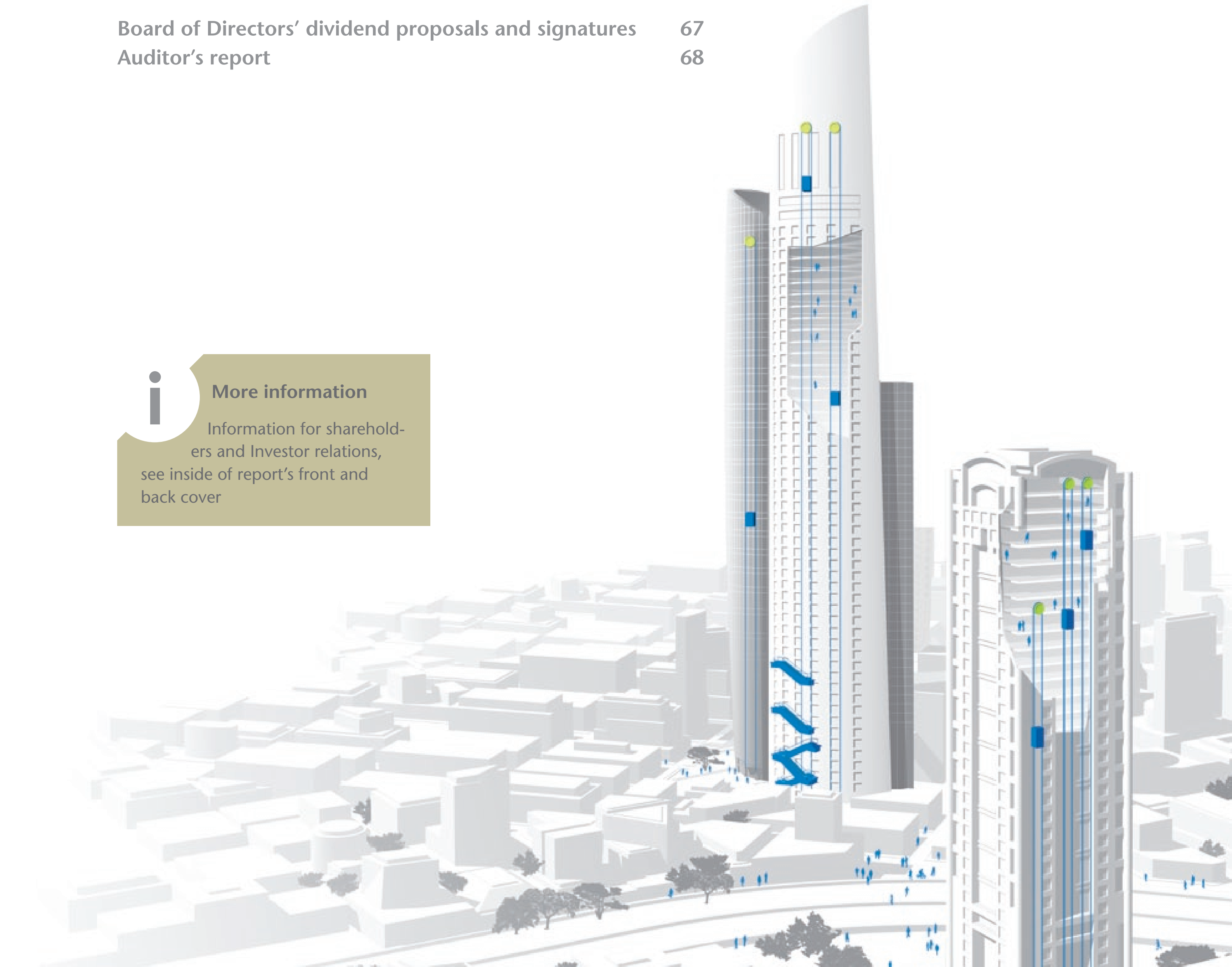
More information

Investor relations, see inside of report's back cover

Contents

More information

Information for shareholders and Investor relations, see inside of report's front and back cover



Board of Directors' report

KONE's operating environment

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

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

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

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

Orders received and Order book

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

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

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

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

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

Net sales

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

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

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

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

Financial result

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

KONE's income before taxes was EUR 594.6 (563.8) million. Taxes totaled EUR 128.2 (145.7) million. In 2009, the effective tax rate resulting from the operations for the financial year was 25.5% (25.8). However, taking into account prior year taxes and reassessment of deferred tax assets, the effective tax rate was 21.6% for the financial year. The reassessment of deferred tax assets is based on the realized and expected profit estimate of the business operations. Net income for the financial period was EUR 466.4 (418.1) million.

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

Consolidated statement of financial position and Cash flow

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

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

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

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

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

Capital expenditure and acquisitions

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

In 2009, KONE completed the acquisition of FairWay Elevator Inc, an independent elevator service company in the Philadelphia area of the United States. Through this acquisition, KONE established itself as one of the largest elevator and escalator companies in the Philadelphia region. In addition, KONE acquired Excel Elevator Inc, an independent elevator service company based in Los Angeles. Excel has a great reputation in the Southern California market for its quality work in modernizing vertical transportation systems as well as its significant maintenance base. In addition, KONE made several smaller acquisition during 2009.

Research and development

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

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

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

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

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

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

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

Other important events during the financial period

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

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

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

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

Personnel

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

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

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

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

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

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

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

Environment

KONE's aim is to be the eco-efficiency leader in its industry. The early credentials of the company's eco-efficiency relate to the KONE EcoDisc® hoisting machine, a permanent magnet gearless motor innovation. It consumes 70% less energy than a hydraulic drive and 40% less than a geared traction elevator drive, thus making it one of the most eco-efficient solutions on the market today. EcoDisc® hoisting does not need any oil. It regenerates energy back to the buildings power network and has eco-lighting and a compact design based on recyclable materials.

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

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

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

Capital and risk management

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

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

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

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

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

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

Changes in raw material prices are reflected directly in the production costs of components made by KONE, such as doors and cars, and indirectly in the prices of purchased components. In order to reduce the fluctuation of raw material prices and their impact on the price of components, KONE has for 2010 entered into fixed price contracts for a substantial part of the most significant materials. The maintenance business deploys a significant fleet of service vehicles, which explains why oil price fluctuations have an effect on the cost of maintenance.

For further information regarding financial risks, please refer to the Notes to the consolidated financial statements on page 15.

Appointment to the Executive Board

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

Decisions of the Annual General Meeting

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

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

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

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

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

The Annual General Meeting confirmed an annual compensation of EUR 54,000 for the Chairman of the Board, EUR 42,000 for the Vice Chairman, EUR 30,000 for Board Members and EUR 15,000 for the deputy Member. In addition, a compensation of EUR 500 was approved for attendance at Board and Committee meetings.

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

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

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

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

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

Share capital and Market capitalization

The KONE 2005B options based on the KONE Corporation 2005 option program were listed on the main list of the NASDAQ OMX Helsinki Ltd. on June 1, 2005. Each option entitled its holder to subscribe for twelve (12) class B shares at a price of EUR 4.02 per share. As the 2005B options subscription period ended on March 31, 2009, 4,660 remaining series B options held by the subsidiary expired. The remaining 19,504 options had been used and the shares were entered in the Finnish Trade Register in March and April 2009.

In 2005, KONE also granted a conditional option program, 2005C. The 2005C stock options were listed on the NASDAQ

OMX Helsinki Ltd. as of April 1, 2008. The total number of 2005C stock options is 2,000,000 of which 522,000 are owned by a subsidiary of KONE Corporation. Each option right entitles its owner to subscribe for two (2) KONE Corporation class B shares at a price of EUR 11.90 per share. At the end of December 2009, the remaining 2005C options entitled their holders to subscribe for 3,153,250 class B shares. The subscription period for series C options will end on April 30, 2010.

In December 2007, KONE Corporation's Board of Directors granted stock option rights to approximately 350 employees of KONE's global organization. The decision was based on the authorization received from the Annual General Meeting meeting at February 26, 2007. The maximum number of options is 2,000,000. Each option right will entitle its owner to subscribe for two (2) new class B shares. The share subscription period for 2007 stock option will be April 1, 2010–April 30, 2012. The share subscription period begins April 1, 2010, as the average turnover growth of the KONE Group for financial years 2008 and 2009 exceeded market growth and as the earnings before interest and taxes (EBIT) of the KONE Group for the financial year 2008 exceeded the EBIT for the financial year 2007, and the EBIT for the financial year 2009 exceeded the EBIT for the financial year 2008 as required in the terms of the stock options. For further information regarding stock options, please refer to note 21 on page 32.

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

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

Repurchase of KONE shares

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

During the financial year, KONE did not use its authorization to repurchase its own shares.

In April 2009, 195,264 KONE class B shares assigned to the share-based incentive plan for the company's senior management were transferred from KNEBV Incentive Oy to the participants due to achieved targets for the financial year 2008. At the end of December, the Group had 4,710,242 class B shares in its possession. The shares in the Group's possession represent 2.1% of the total number of class B shares. This corresponds to 0.8% of the total voting rights.

Shares traded on the NASDAQ OMX Helsinki Ltd.

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

Market outlook 2010

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

Outlook 2010

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

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

The Board's proposal for the distribution of profit

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

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

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

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

Annual General Meeting 2010

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

Helsinki, January 26, 2010

KONE Corporation's Board of Directors

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, 2009	%	Jan 1–Dec 31, 2008	%
Sales	4	4,743.7		4,602.8	
Costs, expenses and depreciation	5, 6	-4,143.4		-4,044.4	
One-time restructuring cost	5	-33.6			
Operating income		566.7	11.9	558.4	12.1
Share of associated companies' net income	14	8.1		2.6	
Financing income	7	28.8		24.4	
Financing expenses	7	-9.0		-21.6	
Income before taxes		594.6	12.5	563.8	12.2
Taxes	8	-128.2		-145.7	
Net income		466.4	9.8	418.1	9.1
Net income attributable to:					
Shareholders of the parent company		465.6		417.3	
Non-controlling interests		0.8		0.8	
Total		466.4		418.1	
Earnings per share for profit attributable to the shareholders of the parent company, EUR	9				
Basic earnings per share, EUR		1.84		1.66	
Diluted earnings per share, EUR		1.83		1.65	

Consolidated statement of comprehensive income

MEUR	Note	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Net income		466.4	418.1
Other comprehensive income, net of tax:	10		
Translation differences		-7.3	38.0
Hedging of foreign subsidiaries		-1.0	-22.9
Cash flow hedges		-8.6	3.5
Other comprehensive income, net of tax		-16.9	18.6
Total comprehensive income		449.5	436.7
Total comprehensive income attributable to:			
Shareholders of the parent company		448.7	435.9
Non-controlling interests		0.8	0.8
Total		449.5	436.7

Consolidated statement of financial position

Assets MEUR		Note	Dec 31, 2009	Dec 31, 2008
Non-current assets				
Goodwill		11	657.1	621.3
Other intangible assets		12	49.6	48.9
Property, plant and equipment		13	200.5	214.7
Investments in associated companies		14	19.3	13.6
Shares		15	131.2	149.9
Available-for-sale investments		16	5.5	5.6
Non-current loans receivable	I	2, 17	1.6	2.3
Deferred tax assets		18	152.8	122.1
Total non-current assets			1,217.6	1,178.4
Current assets				
Inventories		19	784.6	885.5
Advance payments received		19	-832.4	-805.4
Accounts receivable		2	837.0	789.4
Deferred assets		2, 20	173.3	216.3
Income tax receivables			45.8	40.8
Current deposits and loans receivable	I	2, 17	421.2	204.0
Cash and cash equivalents	I		204.9	147.8
Total current assets			1,634.4	1,478.4
Total assets			2,852.0	2,656.8

Equity and liabilities MEUR		Note	Dec 31, 2009	Dec 31, 2008
Capital and reserves attributable to the shareholders of the parent company				
Share capital		21	64.6	64.4
Share premium account			100.4	100.4
Paid-up unrestricted equity reserve			13.0	3.3
Fair value and other reserves			0.4	9.0
Translation differences			-24.5	-16.2
Retained earnings			1,184.5	874.1
Total shareholders' equity			1,338.4	1,035.0
Non-controlling interests			0.8	0.9
Total equity			1,339.2	1,035.9
Non-current liabilities				
Loans	I	2	27.2	172.4
Deferred tax liabilities		18	42.4	39.7
Employee benefits		23	110.6	115.8
Total non-current liabilities			180.2	327.9
Provisions		24	100.3	49.9
Current liabilities				
Current portion of long-term loans	I	2	7.3	11.5
Short-term loans and other liabilities	I	2	88.5	111.9
Accounts payable			252.5	282.2
Accruals		2, 25	761.3	725.5
Income tax payables			122.7	112.0
Total current liabilities			1,232.3	1,243.1
Total equity and liabilities			2,852.0	2,656.8

Interest-bearing net debt comprise of items marked " I "

Consolidated statement of changes in equity

MEUR	Note	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2009		64.4	100.4	3.3	9.0	-16.2	-83.1	957.2		0.9	1,035.9
Total comprehensive income for the period	10				-8.6	-8.3			465.6	0.8	449.5
Transactions with shareholders and non-controlling interests:	21										
Dividends paid								-164.1			-164.1
Issue of shares (option rights)		0.2		9.7							9.9
Purchase of own shares											-
Sale of own shares											-
Change in non-controlling interests										-0.9	-0.9
Option and share-based compensation							3.0	5.9			8.9
Dec 31, 2009		64.6	100.4	13.0	0.4	-24.5	-80.1	799.0	465.6	0.8	1,339.2

MEUR	Note	Share capital	Share premium account	Paid-up unrestricted equity reserve	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Net income for the period	Non-controlling interests	Total equity
Jan 1, 2008		64.2	100.2	-	5.5	-31.3	-87.8	698.1		0.3	749.2
Total comprehensive income for the period	10				3.5	15.1			417.3	0.8	436.7
Transactions with shareholders and non-controlling interests:	21										
Dividends paid								-163.6			-163.6
Issue of shares (option rights)		0.2	0.2	3.3							3.7
Purchase of own shares											-
Sale of own shares											-
Change in non-controlling interests										-0.2	-0.2
Option and share-based compensation							4.7	5.4			10.1
Dec 31, 2008		64.4	100.4	3.3	9.0	-16.2	-83.1	539.9	417.3	0.9	1,035.9

Consolidated statement of cash flows

MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Cash receipts from customers	4,768.0	4,624.5
Cash paid to suppliers and employees	-3,942.9	-4,097.1
Cash flow from operations	**825.1**	**527.4**
Interest received	10.8	13.1
Interest paid	-19.3	-6.4
Dividends received and capital repayments	27.7	5.3
Other financing items	8.3	-2.3
Income taxes paid	-151.2	-109.2
Cash flow from operating activities	**701.4**	**427.9**
Capital expenditure	-43.0	-75.7
Proceeds from sales of fixed assets	0.8	9.5
Acquisitions, net of cash	-48.4	-62.4
Proceeds from divested operations, net of cash	-	-
Cash flow from investing activities	**-90.6**	**-128.6**
Cash flow after investing activities	**610.8**	**299.3**
Change in deposits and loans receivable, net	-220.9	-82.7
Change in current creditors, net	-36.3	-7.9
Proceeds from long-term borrowings	-	-
Repayments of long-term borrowings	-145.1	-54.8
Purchase of own shares	-	-
Sale of own shares	-	-
Issue of shares	9.9	3.7
Dividends paid	-164.0	-163.3
Cash flow from financing activities	**-556.4**	**-305.0**
Change in cash and cash equivalents	**54.4**	**-5.7**
Cash and cash equivalents at end of period	204.9	147.8
Translation differences	-2.7	1.4
Cash and cash equivalents at beginning of period	147.8	154.9
Change in cash and cash equivalents	**54.4**	**-5.7**

Reconciliation of net income to cash flow from operating activities

MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Net income	466.4	418.1
Depreciation and impairment	64.2	64.8
Income before change in working capital	**530.6**	**482.9**
Change in receivables	10.7	-130.5
Change in payables	32.7	70.7
Change in inventories	127.4	4.8
Cash flow from operating activities	**701.4**	**427.9**

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, 2009	Jan 1–Dec 31, 2008
Interest-bearing net debt at beginning of period	-58.3	91.7
Interest-bearing net debt at end of period	-504.7	-58.3
Change in interest-bearing net debt	**-446.4**	**-150.0**

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, 2009 The Group has not applied the following relevant IFRS/IAS standards, which have been issued, but whose application is compulsory beginning from 2010 or later: IFRS 3 (revised) Business combinations and IAS 27 (revised) Consolidated and separate financial statements.

The consolidated financial statements have been prepared for the accounting period of 12 months from January 1 to December 31, 2009. The financial statements have been authorized for issue by the Board of Directors of KONE Corporation on January 26, 2010. According to the Finnish Corporate Act the Annual General Meeting has the right to approve, reject or make changes to the financial statements after the publication.

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 the company through management agreements with shareholders holding majority of the voting power 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 consolidated statement of financial position 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 non-controlling interests. Non-controlling 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 financing 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. Statement of financial position items, with the exception of net income for the accounting period, are translated into euros at the statement of financial position exchange rate. Exchange rate differences arising from net investments and associated companies in non-euro currency subsidiaries, as well as the exchange rate differences resulting from translating income and expenses at the average rates and assets and liabilities at the closing rate, are recorded in translation differences in other comprehensive income. Exchange rate differences resulting from derivatives and loans designated as hedges on net assets in foreign subsidiaries have been entered as translation differences in other comprehensive income. The cumulative translation differences related to foreign operations are reclassified from equity to statement of income upon the disposal of the foreign operation.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognized in the statement of financial position at cost and subsequently measured at their fair value on each statement of financial position 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, hedge accounting is not 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 statement of financial position 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. The ineffective part is recognized in 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 statement of financial position 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 consolidated statement of financial position.

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 statement of financial position 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 statement of financial position 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 statement of financial position 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).

Operating segments

The profitability of KONE is presented as a single entity. The KONE business idea is to serve its customers by providing solutions throughout the entire lifecycle of the equipment, beginning from the installation of new equipment to the maintenance and modernization during their lifecycle and the full replacement of the equipment. Most of the equipment that are delivered are converted into long-term KONE maintenance contracts. KONE's operating business structure is globally harmonized based on defined business processes. Material operative decisions are made by the Board of Directors of KONE. Such decisions are prepared and presented by full-time Chairman of the Board and President and Chief Executive Officer. Due to the business model of KONE, the nature of its operations and its governance structure, the corporation is the relevant reportable operating segment.

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. The amount of project revenue and cost is based on latest project estimates, and adjusted by the typical estimation error for similar type of projects.

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 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 statement of financial position 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, which are 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. Cash flow estimates are based on operative managerial estimates. The discount rate 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 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. Lease payments are apportioned between the finance charge and the reduction of outstanding liability. 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 through the statement of comprehensive income until the items are sold, collected, otherwise disposed or impaired, at which time the cumulative gain or loss recognized in other comprehensive income 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 consolidated statement of financial position 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 statement of financial position 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. An impairment loss is recognized for doubtful accounts receivable, based on the aging profile of overdue receivables and a case-by-case analysis of individual receivables.

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.

Deposits and loans receivable

Deposits and loans receivable 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.

Deposits and loans receivable 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. Used bank overdrafts are included in other current liabilities. Deposits at banks with a maturity longer than three months are included in current deposits and loans receivable.

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. Recognition and measurement of a provision generally employes managerial estimates of the probability and the amount of the liability.

Provisions for warranties cover the estimated liability to repair or replace products still under warranty on the statement of financial position 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 KONE purchases KONE'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, is included in equity.

Dividend

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

Share-based compensation

The fair value of the 2007 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 consolidated statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates is recognized 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 consolidated statement of financial position 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, counterparty risks and credit risks. These financial risks are managed as part of the total KONE risk portfolio. KONE's Group Treasury function manages financial risks centrally according to 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 income statement and statement of financial position items of foreign subsidiaries into euros (translation risk).

In a substantial part of KONE operations, especially in the service business, both revenues and expenses are in local currency. In these operations currency transaction risk is not significant. In operations, where revenues and materaial costs are in different currencies, 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. 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 12 months. 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 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.

Additional info

Most significant risks and uncertainties related to KONE's business are described in the Board of Directors' Report, risk management on page 57 and Capital management page 62.

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 statement of financial position at the closing. However the USD/EUR positions from different countries have been collected in the row USD/EUR. The analysis includes only risks arising from financial instruments.

Foreign exchange exposures that are not financial instruments such as the forecasted highly probable foreign currency denominated purchases or sales are not included, whereas the financial instruments, such as 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. The largest positions are disclosed in the table below. The table does not include positions between non EUR currencies except CNY/USD. Foreign exchange risk sensitivity has been calculated before taxes.

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

	Dec 31, 2009					Dec 31, 2008				
		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	-32	-0.5	3.7	0.5	-3.7	-130	5.5	6.4	-6.7	-7.8
GBP/EUR	-39	-0.3	4.2	0.3	-4.2	-42	-0.4	4.2	0.5	-5.1
AUD/EUR	-11	0.0	1.1	0.0	-1.1	-30	-0.7	3.5	0.9	-4.3
SEK/EUR	-13	1.3	0.0	-1.3	0.0	200	4.2	-22.4	-5.1	27.3
PLN/EUR	-38	3.8	0.0	-3.8	0.0					
CNY/EUR	-27	2.6	0.0	-2.6	0.0	21	2.1	-	-2.6	-
HKD/EUR	-13	1.3	0.0	-1.3	0.0	-29	0.4	2.2	-0.5	-2.7
SGD/EUR	-4	0.3	0.1	-0.3	-0.1	-19	0.9	0.8	-1.1	-0.9
RUB/EUR	0	0.0	0.0	0.0	0.0	-15	1.4	-	-1.7	-
EUR-positions	-177	8.5	9.1	-8.5	-9.1	-44	13.4	-5.3	-16.3	6.5
CNY/USD	56	1.6	-7.2	-1.6	7.2					
USD-positions	56	1.6	-7.2	-1.6	7.2					

Interest rate risks

Changes in interest rates on interest-bearing receivables and debts in different currencies create interest rate risks. The interest rate risk of the debt portfolio and financial investment portfolio are managed by adjusting the interest rate periods and durations of the portfolios. At Dec 31, 2009 KONE had interest-bearing net debt of -504.7 (-58.3) million euros. The financial investment portfolio is deposited in maturities below one year. No interest rate derivatives were in use at the end of December 2009.

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 net debt tied to interest periods less than one year, i.e. the level of interest-bearing net debt is assumed to be on the same year end level during the whole financial year. Net debt tied to interest periods less than one year was EUR -530.0 million at the end of December 2009 (-222.4). At the end of 2009, the 1 percent interest rate sensitivity amounted to +/-5.3 million EUR (+/-2.2).

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 a 500 million euros commercial paper program and committed bilateral credit facilities of 350 million euros as of Dec 31, 2009.

Maturity analysis of financial liabilities

		Maturity Dec 31, 2009				Maturity Dec 31, 2008			
MEUR		**< 1 year**	**1–5 years**	**> 5 years**	**Total**	**< 1 year**	**1–5 years**	**> 5 years**	**Total**
Loans	Repayments outflow	7.3	16.1	11.1	34.5	11.5	160.2	12.2	183.9
	Interest outflow	0.8	3.3	0.2	4.3	1.0	25.3	0.6	26.9
Derivative liabilities/assets	Capital outflow	603.0	18.6	-	621.6	681.8	168.0	-	849.8
	Capital inflow	-583.2	-18.1	-	-601.3	-707.4	-142.7	-	-850.1
	Interest outflow	0.7	-	-	0.7	2.3	0.7	-	3.0
	Interest inflow	-2.2	-	-	-2.2	-5.5	-2.2	-	-7.7
Short-term loans and other liabilities	Repayments outflow	88.5	-	-	88.5	111.9	-	-	111.9
	Interest outflow	0.2	-	-	0.2	2.4	-	-	2.4
Accounts payable	Outflow	252.5	-	-	252.5	282.2	-	-	282.2
Accruals	Outflow	447.1	-	-	447.1	412.7	-	-	412.7
Total	Total outflow	1,400.1	38.0	11.3	1,449.4	1,505.8	354.2	12.8	1,872.8
	Total inflow	-585.4	-18.1	-	-603.5	-712.9	-144.9	-	-857.8
	Net outflow	**814.7**	**19.9**	**11.3**	**845.9**	**792.9**	**209.3**	**12.8**	**1,015.0**

Interest-bearing liabilities and debt structure

MEUR	Dec 31, 2009			Facility maturity						Dec 31, 2008		
Loan type	Drawn amount	Undrawn amount	Total	2010	2011	2012	2013	2014	Later	Drawn amount	Undrawn amount	Total
Committed lines	0.0	350.0	350.0	180.0	50.0	120.0	-	-	-	48.0	302.0	350.0
				Loan maturity								
				2010	2011	2012	2013	2014	Later			
Long-term loans	17.0	-	17.0	1.0	1.4	1.3	1.1	1.1	11.1	164.1	-	164.1
Finance lease liabilities	17.5	-	17.5	6.3	5.6	3.6	1.7	0.3	-	19.8	-	19.8
Short-term loans	0.0	-	0.0	0.0	-	-	-	-	-	48.0	-	48.0
Overdrafts used	88.5	-	88.5	88.5	-	-	-	-	-	63.9	-	63.9
Total interest-bearing liabilities	123.0	-	123.0	95.8	7.0	4.9	2.8	1.4	11.1	295.8	-	295.8
Total loans and undrawn facilities	123.0	350.0	473.0							295.8	302.0	597.8

Counterparty risks

KONE holds substantial amounts of cash and short term deposits at the end of December 2009. Cash and cash equivalents amounted to EUR 204.9 million at the end of December 2009 (147.8) and current short term deposits amounted to EUR 414.8 million at the end of December 2009 (192.3). KONE only approves counterparties with high creditworthiness when selecting counterparty banks and investing liquid assets. The counterparty limits are reviewed regularly by KONE's Board of Directors. Derivative contracts are made exclusively with leading banks and credit institutions.

Customer credit risk management

The credit risk related to payments from customers consists of the risk related to customers defaulting on their 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 customer credit risks. KONE proactively manages its accounts receivable in order to minimize the risk of customer defaults.The customer base of KONE consists of a large number of customers in several market areas. Management considers that no significant concentration of credit risk with any individual customer or geographical region exists. The maximum customer credit risk exposure is the book value of 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 the new equipment business and the service business. The credit quality is evaluated both on the basis of the aging of the receivables as well as on the basis of individual case by case customer analysis in order to identify customers with a potential higher credit risk due to individual customer specific reasons. The impairment loss for the accounts receivable is recognized on the basis of this credit quality evaluation. The impairment loss recognized for the accounts receivable at the end of the financial period was EUR 74.8 (69.2) million. The increase as compared to 2008 is principally due to the general increase in customer credit risks as a result of the weak economic environment.

Aging structure of the accounts receivable after recognition of impairment, MEUR	Dec 31, 2009	Dec 31, 2008
Not past due and less than one month due receivables [1)]	590.7	511.8
Past due 1–3 months [1)]	112.4	126.4
Past due 3–6 months [1)]	79.8	92.0
Past due > 6 months	54.1	59.2
Accounts receivable in the consolidated statement of financial position	837.0	789.4

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

Values of financial assets and liabilities by categories

2009 Consolidated statement of financial position item, MEUR		Note	Financial assets and liabilites at fair value through profit or loss	Loans and recei-vables	Available-for-sale	Other financial liabilities	Total book value
Non-current assets							
Shares		15	131.2 [1]				131.2
Available-for-sale investments		16			5.5		5.5
Non-current loans receivable	I	17		1.6			1.6
Current assets							
Accounts receivable				837.0			837.0
Derivative assets			4.6 [2]				4.6
Deferred interests				2.0			2.0
Deferred income from service contracts				18.0			18.0
Unbilled contract revenue				43.6			43.6
Current deposits and loans receivable	I	17		421.2			421.2
Cash and cash equivalents	I			204.9			204.9
Total financial assets			**135.8**	**1,528.3**	**5.5**	**-**	**1,669.6**
Non-current liabilities							
Loans	I	2				27.2	27.2
Current liabilities							
Current portion of long-term loans	I	2				7.3	7.3
Short-term loans and other liabilities	I	2				88.5	88.5
Accounts payable						252.5	252.5
Derivative liabilities			24.6 [3]				24.6
Accrued interests						0.1	0.1
Late costs accruals						206.5	206.5
Accrued salaries, wages and employment costs						240.6	240.6
Total financial liabilities			**24.6**	**-**	**-**	**822.7**	**847.3**

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

[1] IFRS 7 fair value hierachy level 3; assets whose fair values are based on assumptions, that are not supported by prices from observable current market data.
[2] Including FX forward contracts EUR 1.8 million under IAS 39 hedge accounting.
[3] Including FX forward contracts EUR 3.0 million under IAS 39 hedge accounting.

2008 Consolidated statement of financial position 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		15	149.9 [1]				149.9
Available-for-sale investments		16			5.6		5.6
Non-current loans receivable	I	17		2.3			2.3
Current assets							
Accounts receivable				789.4			789.4
Derivative assets			29.0 [2]				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 deposits and loans receivable	I	17		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
Short-term loans and other liabilities	I	2				111.9	111.9
Accounts payable						282.2	282.2
Derivative liabilities			39.6 [3]				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.
Interest-bearing net debt comprise of items marked " I ".

[1] IFRS 7 fair value hierachy level 3; assets whose fair values are based on assumptions, that are not supported by prices from observable current market data.
[2] Including FX forward contracts EUR 15.9 million under IAS 39 hedge accounting.
[3] Including FX forward contracts EUR 3.8 million under IAS 39 hedge accounting.

Derivatives

Fair values of derivative financial instruments, MEUR	Derivative assets Dec 31, 2009	Derivative liabilities Dec 31, 2009	Net fair value Dec 31, 2009	Net fair value Dec 31, 2008
FX Forward contracts [1]				
Cash flow hedges under IAS 39 hedge accounting	1.8	3.0	-1.2	10.5
Net investment hedges under IAS 39 hedge accounting	-	-	-	1.6
Other hedges	2.4	3.8	-1.4	-1.2
Currency options	-	-	-	0.4
Cross-currency swaps, due under one year [1]				
Net investment hedges under IAS 39 hedge accounting	-	-	-	-
Other hedges	-	17.0	-17.0	1.8
Cross-currency swaps, due in 1–3 years				
Net investment hedges under IAS 39 hedge accounting	-	-	-	-
Other hedges	-	-	-	-22.7
Electricity derivatives [2]	0.4	0.8	-0.4	-1.0
Total	4.6	24.6	-20.0	-10.6

Nominal values of derivative financial instruments, MEUR	Dec 31, 2009	Dec 31, 2008
FX Forward contracts		
Cash flow hedges under IAS 39 hedge accounting	143.4	204.0
Net investment hedges under IAS 39 hedge accounting	-	26.8
Other hedges	345.0	384.9
Currency options	-	90.4
Cross-currency swaps, due under one year		
Net investment hedges under IAS 39 hedge accounting	-	-
Other hedges	113.1	23.6
Cross-currency swaps, due in 1–3 years		
Net investment hedges under IAS 39 hedge accounting	-	-
Other hedges	-	113.1
Electricity derivatives	5.3	4.7
Total	606.8	847.5

IAS 39 hedge accounting is not applied to currency options and electricity derivatives.
Derivatives are hedging transactions in line with KONE's hedging policy.

In the consolidated statement of financial position, derivative assets and liabilities are included in current assets' deferred assets and current liabilities' accruals according to their principal nature.

[1] IFRS 7 fair value hierarchy level 2; instruments whose fair value is observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
[2] IFRS 7 fair value hierarchy level 1; quoted prices (unadjusted) in active markets for identical assets or liabilities.

3. ACQUISITIONS

KONE continued to pursue a pro-active 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 2009 are immaterial to KONE's financial statements. The amount of sales consolidated from the companies acquired in 2009 did not have a material impact on the Group sales for the financial period. 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 32.8 (53.2) million and an increase in goodwill totaling EUR 31.7 (51.8) million. KONE acquired 100% in these companies. Acquisitions are paid for in cash, and usually involve contingent consideration. Among the major acquisitions were FairWay Elevator (USA) and Excel Elevator (USA). The major acquisitions have been summarized in the following table. The amount of sales consolidated from these acquisitions was EUR 13.2 (27.0) million. See note 11 for more details about goodwill.

Assets and liabilities of the acquired companies, MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Intangible assets	-	0.0
Tangible assets	0.2	0.6
Inventories	0.7	3.0
Accounts receivable	2.0	4.5
Cash and cash equivalents	1.0	1.7
Total assets	3.9	9.8
Pension liabilities	-	0.0
Interest-bearing loans	-	0.1
Provisions	0.0	0.0
Other liabilities	2.8	8.3
Total liabilities	2.8	8.4
Net assets	1.1	1.4
Cumulative acquisition cost	32.8	53.2
Goodwill	31.7	51.8
Non-controlling interests	-	0.0

3.2 Minor acquisitions

During the accounting period KONE made minor acquisitions for a total consideration of EUR 13.2 (6.8) million, of which EUR 12.8 (6.5) million was allocated to maintenance contracts in other intangible assets. Maintenance contracts are amortized in five years. See note 12 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 274.4 (206.7) million. The effect of the percentage of completion method on the amount of sales as compared to the completed contract method, was EUR 25.0 (38.2) million for the period. The consolidated statement of financial position includes EUR 43.6 (54.4) million in unbilled contract revenue and EUR 28.6 (34.7) million in advances received for long-term contracts in progress on the consolidated statement of financial position date.

5. COSTS AND EXPENSES

MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Change of work in progress	40.7	-88.3
Direct materials, supplies and external services	1,736.2	1,783.9
Other production costs	361.3	380.1
Wages and other salaries	1,095.8	1,076.4
Other statutory employer expenses	374.8	376.8
Pension costs	100.0	84.5
Operating lease expenses	75.4	73.0
Other expenses [1]	319.6	357.6
One-time restucturing cost [2]	33.6	
Total costs and expenses	4,137.4	4,044.0
Other income [3]	24.6	64.4
Depreciation and amortization (note 6)	62.2	64.8
Impairment charges (note 11)	2.0	-
Total costs, expenses and depreciation	4,177.0	4,044.4

[1] Includes rents and premises related costs, consulting and external services, IT and other miscellaneous costs.
[2] Includes principally redundancy costs and salaries for notice periods as well as costs related to the early termination of rental agreements both in relation to the fixed cost adjustment program.
[3] Includes rent income, received grants, interest on late payments, gains on sales of fixed assets, sale of scrap and other miscellaneous income and the fair value changes of the hedges related to share investment in Toshiba Elevator and Building Systems Corporation (TELC). Respective changes in the fair value appraisal of TELC have been recorded in other expenses.

MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
R&D costs included in total costs	62.0	58.3
as percentage of sales, %	1.3	1.3

Auditors' fees, MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
To member firms of PricewaterhouseCoopers network		
Audit	2.0	2.1
Auditors' statements	0.0	0.0
Tax services	1.3	1.3
Other services	0.5	0.5
Total	3.8	3.9

6. DEPRECIATION AND AMORTIZATION

MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Other intangible assets		
Maintenance contracts	13.1	13.6
Other	8.0	7.7
Buildings	5.7	5.8
Machinery and equipment	35.4	37.7
Total	62.2	64.8

7. FINANCING INCOME AND EXPENSES

MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Dividend income	15.7	4.5
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)	3.0	3.2
On loans receivable	7.4	10.5
Other financing income	0.5	0.8
Net exchange rate gains [1]	2.2	1.6
Financing income	28.8	24.4
Interest expenses		
Change in fair value of cross-currency swaps (interest rate related portion)	-1.2	-
Net interest expense on financial liabilities at fair value through profit or loss (cross-currency swaps)	0.0	0.0
On other financial liabilities	-5.1	-18.4
Other financing expenses [2]	-2.7	-3.2
Financing expenses	-9.0	-21.6
Financing income and expenses	19.8	2.8

1) Net exchange rate gains include exchange rate differences from loans and other receivables EUR 5.1 (-5.3) million and exchange rate differences from derivative instruments EUR -2.9 (9.2) million.
2) Includes provisions on undrawn revolving credit facilities EUR 0.3 (0.2) million banking and bank guarantee charges EUR 2.4 (3.0) million.

8. INCOME TAXES

Taxes in statement of income, MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Tax expense for current year	152.2	143.8
Change in deferred tax assets and liabilities	-27.2	10.4
Tax expense for previous years	3.2	-8.5
Total	128.2	145.7

Reconciliation of income before taxes with total income taxes in the statement of income, MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Income before taxes	594.6	563.8
Tax calculated at the domestic corporation tax rate	154.6	146.6
Effect of different tax rates in foreign subsidiaries	-2.6	1.7
Permanent differences	-4.7	5.9
Taxes from previous years and reassessment of deferred tax assets	-23.4	-8.5
Other	4.3	-
Total	128.2	145.7
Effective tax rate, % [1]	21.6	25.8
Tax rate of parent company	26.0	26.0

1) 2009 effective tax rate resulting from the operations for the financial year was 25.5%. However, taking into account prior year taxes and reassessment of deferred tax assets, the effective tax rate was 21.6%.

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 share options are the only category of potential diluting shares in the Group.

	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Net income attributable to the shareholders of the parent company, MEUR	465.6	417.3
Weighted average number of shares (1,000 shares)	252,837	251,892
Basic earnings per share, EUR	1.84	1.66
Dilution effect of share options issued (1,000 shares)	1,306	1,721
Weighted average number of shares, dilution adjusted (1,000 shares)	254,143	253,613
Diluted earnings per share, EUR	1.83	1.65

10. OTHER COMPREHENSIVE INCOME

10.1 Disclosure of components of other comprehensive income

MEUR	Dec 31, 2009	Dec 31, 2008
Other comprehensive income:		
Translations difference	-7.3	38.0
Hedging of foreign subsidiaries	-1.4	-30.9
Cash flow hedges:		
Gains (losses) arising during the year	-9.7	2.6
Reclassifications included in profit or loss	1.1	0.9
Cash flow hedges, net	-8.6	3.5
Income tax relating to components of other comprehensive income	0.4	8.0
Other comprehensive income	-16.9	18.6

10.2 Disclosure of tax effects relating to components of other comprehensive income

	Dec 31, 2009			Dec 31, 2008		
MEUR	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Translation differences	-7.3	0.0	-7.3	38.0	0.0	38.0
Hedging of foreign subsidiaries	-1.4	0.4	-1.0	-30.9	8.0	-22.9
Cash flow hedges	-8.6	0.0	-8.6	3.5	0.0	3.5
Other comprehensive income	-17.3	0.4	-16.9	10.6	8.0	18.6

11. GOODWILL

11.1 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. More than 75 percent of goowill is allocated to the five largest CGUs. For more than half of the CGUs (19 all together) allocated goodwill is below EUR 10 million. Goodwill allocation of CGUs is presented below (carrying amounts):

Goodwill/CGU, MEUR	Dec 31, 2009	%	Dec 31, 2008	%
Five largest CGUs	503.8	77	473.5	76
Five smallest CGUs	20.9	3	18.4	3
Others	132.4	20	129.4	21
Total	657.1		621.3	
Mean	34.6		32.7	
Median	9.0		9.0	

11.2 Impairment testing

The value-in-use calculations for CGU specific cash flow projections are based on financial estimates approved by the management. The value-in-use calculations are based on the detailed estimates/economic plans for next two reporting years. The cash flows for subsequent periods in the impairment test are assumed prudently without growth. The used discount rates are the weighted average cost of capital (WACC), which reflects the market assesment for the time-value of money and for the risk specific in KONE business.

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. When analysing that the assumptions and discount rates used in the impairment test are fair and accurate, the external factors have been utilized. Such external factors are market capitalization, beta, risk-free interests and risk premiums.

Based on the impairment test, an impairment loss of EUR 2.0 million were recognized in the statement of income during the accounting period. This was allocated to one of the smallest CGUs. The impairment test process included the sensitivity analysis, in which the CGU specific cash flow estimates were reduced by 10–40 percent and the discount interests were increased by 1–4 percentage units. Based on the sensitivity analysis, no potential future impairment losses have been foreseen. Especially, each of the five largest CGU's recoverable amount exceed multiple times the book value of goodwill.

Discount interest rates used (pre tax):	EMEA	Americas	Asia-Pacific
2009	9.36%	7.79%	11.80%
2008	9.09%	7.44%	10.43%

11.3 Goodwill reconciliation

Goodwill, MEUR	Dec 31, 2009	Dec 31, 2008
Opening net book value	621.3	577.2
Translation differences	4.7	-9.7
Increase	1.8	2.0
Decrease	-0.4	-
Reclassifications	-	-
Companies acquired	31.7	51.8
Companies sold	-	-
Impairment charges	-2.0	-
Closing net book value	657.1	621.3

12. OTHER INTANGIBLE ASSETS

Jan 1–Dec 31, 2009, MEUR	Maintenance contracts	Other	Total
Jan 1, 2009:			
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
Opening net book value	28.9	20.0	48.9
Translation differences	0.2	-0.1	0.1
Increase	0.1	9.7	9.8
Decrease	-0.7	-0.5	-1.2
Reclassifications	-	0.1	0.1
Companies acquired	12.8	0.2	13.0
Companies sold	-	-	-
Amortization	-13.1	-8.0	-21.1
Impairment charges	-	-	-
Closing net book value	28.2	21.4	49.6
Dec 31, 2009:			
Acquisition cost	140.9	132.5	273.4
Accumulated amortization and impairment	-112.7	-111.1	-223.8
Net book value	28.2	21.4	49.6

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

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 consolidated statement of financial position of the acquired business prior to the acquisition. The maintenance contracts in other intangible assets represent the excess of purchase cost over the fair value of the net identifiable assets of the acquired companies in connection with these minor acquisitions.

13. PROPERTY, PLANT AND EQUIPMENT

Jan 1–Dec 31, 2009, MEUR	Land	Buildings	Machinery & equipment	Machinery & equipment, leased for own use	Fixed assets under construction	Advance payments	Total
Jan 1, 2009:							
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
Opening net book value	10.3	73.9	104.3	19.4	6.3	0.5	214.7
Translation differences	0.0	-0.3	-0.1	-0.1	-0.1	-0.1	-0.7
Increase	0.0	4.0	20.7	5.6	2.4	0.5	33.2
Decrease	-0.3	-0.9	-3.5	-1.1	-1.1	-	-6.9
Reclassifications	0.1	5.3	2.1	-	-5.9	-0.5	1.1
Companies acquired	-	-	0.2	-	-	-	0.2
Companies sold	-	-	-	-	-	-	-
Depreciation	-	-5.7	-29.0	-6.4	-	-	-41.1
Impairment charges	-	-	-	-	-	-	-
Closing net book value	10.1	76.3	94.7	17.4	1.6	0.4	200.5
Dec 31, 2009:							
Acquisition cost	11.1	218.9	672.0	64.6	1.6	0.4	968.6
Accumulated depreciation	-1.0	-142.6	-577.3	-47.2	-	-	-768.1
Net book value	10.1	76.3	94.7	17.4	1.6	0.4	200.5

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	-	-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

During the period of Jan 1–Dec 31, 2009, capital expenditure on production facilities, customer service of sales and maintenance operations and information systems including new finance leases, totaled EUR 46.5 (74.4) million.

14. ASSOCIATED COMPANIES AND RELATED PARTY TRANSACTIONS

Investments in associated companies, MEUR	Dec 31, 2009	Dec 31, 2008
Total at beginning of period	13.6	10.9
Translation differences	-0.3	0.7
Share of associated companies result after taxes	8.1	2.6
Dividends received	-2.1	-0.7
Acquisitions	-	0.1
Disposals	-	-
Total at end of period	19.3	13.6

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

The associated companies' financial information presented here is based on the latest official statements available and estimates for year 2009.

KONE's associated companies net income for year 2009 was EUR 19.7 million based on estimates available. Based on the official 2008 financial statements, KONE's associated companies showed total assets of EUR 70.6 million and total equity of EUR 25.7 million. In 2008, the associated companies recorded total sales of EUR 115.6 million and net income of EUR 8.6 million.

Transactions with associated companies, MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Sales of goods and services	19.8	22.5
Purchases of goods and services	11.6	10.3

Balances with associated companies

Receivables from associated companies, MEUR	Dec 31, 2009	Dec 31, 2008
Long-term loans	1.8	1.8
Short-term loans	-	-
Accounts receivables	9.0	4.6
Deferred assets	0.1	0.0
Total	10.9	6.4

Liabilities to associated companies, MEUR	Dec 31, 2009	Dec 31, 2008
Long-term loans	-	-
Short-term loans	-	-
Accounts payables	0.6	1.1
Accruals	-	0.2
Total	0.6	1.3

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, 2009	Jan 1–Dec 31, 2008
Salaries and other remunerations	5.8	6.5
Share-based payments	5.4	7.6
Total	11.2	14.1

Compensation recognized as an expense for members of the Board of Directors and the President & CEO, (EUR thousand)	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Herlin Antti, Chairman of the Board [1)]	528.5	528.0
Alahuhta Matti, President & CEO, member of the Board [1)]	755.7	754.7
Brunila Anne	28.5	-
Hanhinen Reino	33.5	33.5
Herlin Jussi	18.0	18.0
Hämäläinen-Lindfors Sirkka	48.0	47.5
Kaskeala Juhani	28.0	-
Kimura Shunichi	26.0	-
Pietikäinen Sirpa	33.5	32.5
Shimono Masayuki	5.5	31.0
Viinanen Iiro	6.0	34.0
Total	1,511.2	1,479.2

[1)] For the financial year 2009 in addition Antti Herlin's accrued bonus is EUR 453,847 and Matti Alahuhta's accrued bonus is EUR 649,980. These will be paid during 2010. In April 2009, the share-based payments for the financial year 2008 received by Matti Alahuhta was EUR 888,708.

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 2009, Antti Herlin's basic salary was EUR 468,488. In addition, his accrued bonus for the accounting period January 1-December 31, 2009 was EUR 453,847. He was also paid EUR 60,000 as remuneration for serving as Chairman of the Board. Antti 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% of his annual salary. Matti Alahuhta's basic salary for 2009 was EUR 722,200. In addition, his accrued bonus for the accounting period January 1-December 31, 2009 totaled EUR 649,980. He was also paid EUR 33,500 as remuneration for serving on the Board. Matti 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 of KONE's sales and operating profit. In April 2009, on the basis of the incentive plan, he received a bonus of a total value of EUR 888,708 comprising of 21,600 KONE class B shares and a cash bonus to cover the taxes and similar charges arising from the receipt of the shares.

The corresponding bonus accrued for 2009 and to be paid in April 2010 is 33,920 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% 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 of a fixed basic salary and a bonus, which is 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% 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 2009, on the basis of the incentive plan, the members of the Executive Board received a bonus of total 103,680 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 2009 is 162,816 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.

15. 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 2009 for acquisitions that were not finalized on the consolidated statement of financial position date. The fair value of TELC shares is based on realized and expected future earnings of the company. In the value appraisement, the business is excpected to grow profitably and generally used return requirements of the industry have been applied.

16. 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.

17. DEPOSITS AND LOANS RECEIVABLE

MEUR	Dec 31, 2009	Dec 31, 2008
Non-current loans receivable	1.6	2.3
Current loans receivable	6.4	11.7
Current short-term deposits	414.8	192.3
Total	422.8	206.3

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

Current short-term deposits consist mainly of short-term bank deposits in Finland and in China as well as commercial papers and certificates of deposit in Finland. All derivative assets including cross-currency swaps are included in current assets' deferred assets.

18. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets, MEUR	Dec 31, 2009	Dec 31, 2008
Tax losses carried forward	15.9	9.6
Provisions and accruals	66.0	51.1
Pensions	19.3	20.3
Consolidation entries	18.3	3.4
Other temporary differences for assets	33.3	37.7
Total	152.8	122.1
Total at beginning of period	122.1	118.6
Translation differences	-0.4	0.7
Change in statement of income	31.1	2.8
Acquisitions, divestments and other	-	-
Total at end of period	152.8	122.1

Deferred tax liabilities, MEUR	Dec 31, 2009	Dec 31, 2008
Depreciation difference	6.2	4.5
Goodwill depreciation	20.9	19.6
Other temporary differences for liabilities	15.3	15.6
Total	42.4	39.7
Total at beginning of period	39.7	25.9
Translation differences	-1.2	0.5
Change in statement of income	3.9	13.3
Acquisitions, divestments and other	-	-
Total at end of period	42.4	39.7
Net deferred tax assets and liabilities	110.4	82.4

19. INVENTORIES

MEUR	Dec 31, 2009	Dec 31, 2008
Raw materials, supplies and finished goods	153.7	183.8
Work in progress	623.4	688.9
Advance payments made	7.5	12.8
Inventories	784.6	885.5
Advance payments received	-832.4	-805.4
Total	-47.8	80.1

Work in progress includes direct labour and material costs as of the consolidated statement of financial position 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.

20. DEFERRED ASSETS

MEUR	Dec 31, 2009	Dec 31, 2008
Deferred interests	2.0	2.2
Deferred income from service contracts	18.0	25.1
Unbilled contract revenue (note 4)	43.6	54.4
Derivative assets	4.6	29.0
Pension surplus from defined benefit plans	3.4	2.6
Prepaid expenses and other receivables	101.7	103.0
Total	173.3	216.3

21. 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 2009 financial year the number of shares outstanding was 258,426,870. The share capital was EUR 64.6 million and the total number of votes was 60,136,607. 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, 2009	38,104,356	219,332,566	257,436,922
Share subscription with 2005B options, Mar 6, 2009		89,640	89,640
Share subscription with 2005B options, Mar 30, 2009		144,408	144,408
Share subscription with 2005C options, Mar 30, 2009		2,000	2,000
Share subscription with 2005C options, Mar 31, 2009		753,900	753,900
Number of shares, Dec 31, 2009	38,104,356	220,322,514	258,426,870
Number of votes, Dec 31, 2009	38,104,356	22,032,251	60,136,607
Share capital, Dec 31, 2009, MEUR	9.5	55.1	64.6

	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

Options

KONE Corporation had during financial period 2009 three 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 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 165,340 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 was EUR 4.02. The share subscription period for options 2005B was June 13, 2005–March 31, 2009.

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, 2009 was EUR 11.90. 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 the decision was based on the authorization received from the Annual Shareholders Meeting on 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, 2009 was EUR 24.145. 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 April 1, 2010, as the average turnover growth of the KONE Group for financial years 2008 and 2009 exceeded market growth and as the earnings before interest and taxes (EBIT) of the KONE Group for the financial year 2008 exceeded the EBIT for the financial year 2007, and the EBIT for the financial year 2009 exceeded the EBIT for the financial year 2008 as required in the terms of the stock options.

Options	Options granted to employees	Unexcercised options	Options held by the subsidiary Dec 31, 2009	Number of class B shares that can be subscribed for with the options	Share subscription price, EUR	Share subscription period
2005C	1,478,000	1,054,625	522,000	2	11.90	1.4.2008–30.4.2010
2007	1,164,000	1,164,000	836,000	2	24.145	1.4.2010–30.4.2012
Total	2,642,000	2,218,625	1,358,000			

Changes in the number of options outstanding	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Number of options outstanding at Jan 1	2,627,579	1,588,911
Granted options	15,500	1,211,000
Returned options	27,000	73,500
Exercised options	397,454	98,832
Number of options outstanding at Dec 31	2,218,625	2,627,579
Exercisable options at Dec 31	1,576,625	1,978,739

Share-based incentive plan

KONE has a share-based incentive plan for the company's senior management, comprising 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 2009 totally 195,264 class B shares were granted to the management as reward due to achievement of the targets for year 2008. Respectively totally 311,386 class B shares will be granted in April 2010 due to achievement of the targets for year 2009.

Authority to purchase own shares

The Shareholders' Meeting held on February 2009 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 Oy 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 Oy at the time of purchase.

During the 2009 and 2008 financial years KONE did not repurchase own shares.

Repurchased own shares

	Number of shares	Cost in MEUR
Jan 1, 2008	2,344,753	79.7
Increasing without payment, Feb 2008	2,344,753	0.0
Dec 31, 2008	4,689,506	79.7
Dec 31, 2009	4,689,506	79.7

In addition, relating to the share-based incentive plan, a company included in the consolidated financial statements owned 20,736 KONE class B shares in December 2009 after shares granted to the management during year 2009 were totally 195,264. Purchase price of the owned shares is EUR 0.3 million.

Share-based payments

	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Share-based payments recognized as an expense in the statement of income, MEUR		
To be paid in shares	8.8	8.6
To be paid in cash	8.3	6.3

The share price at the date of issuing the share-based incentive plan 2008–2009 was EUR 22.5. During the financial year 2009 the possibility for a total of 154,176 (436,680) more KONE class B shares was granted and the possibility for a total of 17,280 (48,192) class B shares was returned to the company. The outstanding amount of KONE class B shares included in the incentive plan was therefore 311,386 (415,488) 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
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.

22. FINANCE LEASE LIABILITIES

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

MEUR	Dec 31, 2009	Dec 31, 2008
Minimum lease payments		
Less than 1 year	6.5	7.1
1–5 years	12.5	13.9
Over 5 years	-	-
	19.0	21.0
Future finance charges	-1.5	-1.2
Present value of finance lease liabilities	17.5	19.8

MEUR	Dec 31, 2009	Dec 31, 2008
Present value of finance lease liabilities		
Less than 1 year	6.3	6.9
1–5 years	11.2	12.9
Over 5 years	-	-
Total	17.5	19.8

23. 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 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 consolidated statement of financial position, MEUR	Dec 31, 2009	Dec 31, 2008
Employee benefits		
Defined benefit plans	94.3	97.2
Other post-employment benefits	16.3	18.6
Total	110.6	115.8

	Dec 31, 2009		Dec 31, 2008	
	Defined benefit plans	Other post-employment benefits	Defined benefit plans	Other post-employment benefits
Present value of unfunded obligations	57.6	5.1	54.2	8.4
Present value of funded obligations	231.4	14.1	194.3	15.4
Fair value of benefit plans' assets	-161.1	-0.4	-123.4	-0.3
Unrecognized actuarial gains (+)/losses (-)	-33.6	-2.5	-27.9	-4.9
Total	94.3	16.3	97.2	18.6

	Jan 1–Dec 31, 2009		Jan 1–Dec 31, 2008	
Net liability reconciliation	Defined benefit plans	Other post-employment benefits	Defined benefit plans	Other post-employment benefits
Net liability at beginning of period	97.2	18.6	112.3	19.6
Translation differences	0.9	0.4	-9.3	-1.2
Acquisitions of new companies	-	-	-	-
Disposals of companies	-	-	-	-
Costs recognized in statement of income	10.6	0.9	6.8	2.6
Paid contributions	-14.4	-3.6	-12.6	-2.4
Net liability at end of period	94.3	16.3	97.2	18.6

Amounts recognized in the statement of income, MEUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Defined contribution pension plans	86.5	74.9
Defined benefit pension plans	12.6	7.0
Other post-employment benefits	0.9	2.6
Total	**100.0**	**84.5**

	Jan 1–Dec 31, 2009		Jan 1–Dec 31, 2008	
	Defined benefit plans	Other post-employment benefits	Defined benefit plans	Other post-employment benefits
Current service costs	7.7	0.1	7.0	1.5
Interest costs	14.4	0.7	15.9	0.8
Expected return on plans' assets	-10.1	-	-14.8	0.0
Net actuarial gains (-)/losses (+) recognized	0.7	0.1	1.6	0.3
Past-service costs	-	-	0.0	-
Settlements	-0.1	-	-2.7	-
Loss curtailments	-	-	0.0	-
Total	**12.6**	**0.9**	**7.0**	**2.6**

The actual return on defined benefit plans' assets was EUR 27.5 (-34.6) million.

Defined benefit plans: assumptions used in calculating benefit obligations

	Jan 1–Dec 31, 2009		Jan 1–Dec 31, 2008	
	Europe	USA	Europe	USA
Discount rate, %	3.10–6.00	6.00	4.20–6.25	6.00
Expected return on plans' assets, %	4.00–6.40	8.50	4.00–6.25	8.50
Future salary increase, %	3.0–4.5	4.0	3.0–4.5	4.0
Future pension increase, %	1.3–2.8	4.0	2.0–2.8	4.0
Expected average remaining working years	12–16	15	12–16	15

24. PROVISIONS

Jan 1–Dec 31, 2009, MEUR	Provision for warranty	Provision for claims	Provision for business restructuring	Provision for loss contracts	Other provisions	Total
Total provisions at beginning of period	6.2	4.2	3.7	18.7	17.1	49.9
Adjustment [1]	28.5	-	-	-	-	28.5
Translation differences	0.1	0.0	0.0	-0.2	-0.1	-0.2
Increase	15.8	4.1	30.7	10.6	3.8	65.0
Provisions used	-3.3	-1.6	-11.4	-14.8	-5.5	-36.6
Reversal of provisions	-0.4	-0.3	-1.4	-3.3	-1.7	-7.1
Companies acquired	-	-	-	-	-	-
Companies sold	-	-	-	-	-	-
Total provisions at end of period	47.7	6.4	21.6	11.0	13.6	100.3

	Non-current liabilities	Current liabilities	Total
Distribution of provisions as of Dec 31, 2009	**11.4**	**88.9**	**100.3**

Jan 1–Dec 31, 2008, MEUR	Provision for warranty	Provision for claims	Provision for business restructuring	Provision for loss contracts	Other provisions [2]	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

[1] Adjusted from accruals to warranty provisions.
[2] 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.

25. ACCRUALS

MEUR	Dec 31, 2009	Dec 31, 2008
Accrued interests	0.1	12.3
Accrued income of service contracts	58.8	42.9
Late costs accruals	206.5	180.6
Accrued salaries, wages and employment costs	240.6	232.1
Derivative liabilities	24.6	39.6
Accrued value added tax	69.7	42.0
Other accruals [1]	161.0	176.0
Total	761.3	725.5

[1] 2008 closing balance includes EUR 28.5 million of warranty provisions that have been reclassified to provisions in the statement of financial position in 2009 (see note 24).

26. COMMITMENTS

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

Possible unidentified debts and liabilities of the in 2005 demerged Kone Corporation were transferred to the new KONE Corporation according to the demerger plan.

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

The future minimum lease payments under non-cancellable operating leases, MEUR	Dec 31, 2009	Dec 31, 2008
Less than 1 year	41.0	43.3
1–5 years	91.6	96.9
Over 5 years	29.4	31.5
Total	162.0	171.7

The aggregate operating lease expenses totaled EUR 75.4 (73.0) million.

27. PRINCIPAL SUBSIDIARIES

		Shareholding (%)	
Company	**Country**	**Parent company**	**Group**
KONE Inc. [1)]	United States		100
KONÉ S.A. [1)]	France		99.97
KONE Elevators Co. Ltd	China		95
KONE plc	United Kingdom	100	100
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

[1)] Net sales of the company is more than 10% of the Group's total net sales.

KONE has no customers with net sales over 10% of the Group's total net sales.

Total number of subsidiaries is 176. A complete list of subsidiaries is on page 52.

Calculation of key figures

Average number of employees = the average number of employees at the end of each calendar month during the accounting period

$$\text{Return on equity (\%)} = 100 \times \frac{\text{net income}}{\text{total equity (average of the figures for the accounting period)}}$$

$$\text{Return on capital employed (\%)} = 100 \times \frac{\text{Net Income + Financing Expenses}}{\begin{array}{l}\text{Equity + Interest-bearing-debt}\\ \text{(average of the figures for the accounting period)}\end{array}}$$

$$\text{Total equity/total assets (\%)} = 100 \times \frac{\text{total equity}}{\text{total assets}}$$

$$\text{Gearing (\%)} = 100 \times \frac{\text{interest-bearing-debt - liquid assets - loans receivable}}{\text{total equity}}$$

$$\text{Basic earnings/share} = \frac{\text{net income attributable to the shareholders of the parent company}}{\begin{array}{l}\text{issue and conversion-adjusted weighted average}\\ \text{number of shares - repurchased own shares}\end{array}}$$

$$\text{Equity/share} = \frac{\text{total shareholders' equity}}{\text{number of shares (issue adjusted) - repurchased own shares}}$$

$$\text{Dividend/share} = \frac{\text{dividend payable for the accounting period}}{\begin{array}{l}\text{issue and conversion-adjusted weighted average}\\ \text{number of shares - repurchased own shares}\end{array}}$$

$$\text{Dividend/earnings (\%)} = 100 \times \frac{\text{dividend/share}}{\text{earnings/share}}$$

$$\text{Effective dividend yield (\%)} = 100 \times \frac{\text{dividend/share}}{\text{price of class B shares at end of accounting period}}$$

$$\text{Price/earnings} = \frac{\text{price of class B shares at end of accounting period}}{\text{earnings/share}}$$

$$\text{Average price} = \frac{\text{total EUR value of all class B shares traded}}{\text{average number of class B shares traded during the accounting period}}$$

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

$$\text{Shares traded (\%)} = 100 \times \frac{\text{number of class B shares traded}}{\text{average weighted number of class B shares}}$$

[1)] Excluding repurchased own shares. Class A shares are valued at the closing price of the class B shares.

Summary in figures

Consolidated statement of income	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Sales, MEUR	4,744	4,603	4,079	3,601
- sales outside Finland, MEUR	4,597	4,461	3,959	3,502
Operating income, MEUR	567	558	321	360
- as percentage of sales, %	11.9	12.1	7.9	10.0
Operating income excl. non-recurring one-time items, MEUR [1]	600	558	473	360
- as percentage of sales, % [1]	12.7	12.1	11.6	10.0
Income before taxes, MEUR	595	564	314	356
- as percentage of sales, %	12.5	12.2	7.7	9.9
Net income, MEUR	466	418	180	234

Consolidated statement of financial position, MEUR	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Non-current assets	1,218	1,178	1,083	1,102
Inventories, net	-48	80	79	117
Other current assets	1,682	1,398	1,198	1,074
Total equity	1,339	1,036	749	699
Non-current liabilities	180	328	334	276
Provisions	100	50	87	72
Current liabilities	1,232	1,243	1,191	1,247
Total assets	2,852	2,657	2,360	2,292
Interest-bearing net debt	-505	-58	92	125
Assets employed [2]	835	978	841	824
Net working capital [2]	-229	-76	-122	-140

Other data	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Orders received, MEUR	3,432	3,948	3,675	3,116
Order book, MEUR	3,309	3,577	3,282	2,762
Capital expenditure , MEUR	47	74	67	60
- as percentage of sales, %	1.0	1.6	1.6	1.7
Expenditure for research and development, MEUR	62	58	51	50
- as percentage of sales, %	1.3	1.3	1.2	1.4
Average number of employees	34,276	33,935	30,796	28,366
Number of employees at end of period	33,988	34,831	32,544	29,321

Key ratios, %	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Return on equity	39.3	46.8	24.9	34.3
Return on capital employed	34.0	35.9	18.6	23.9
Total equity/total assets	47.0	39.0	31.7	30.5
Gearing	-37.7	-5.6	12.2	17.9

Key figures per share	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Basic earnings per share, EUR	1.84	1.66	0.72	0.93
Diluted earnings per share, EUR	1.83	1.65	0.71	0.92
Equity per share, EUR	5.28	4.10	2.98	2.77
Dividend per class B share, EUR	1.30 [3]	0.65	0.65	0.50
Dividend per class A share, EUR	1.295 [3]	0.645	0.645	0.495
Dividend per earnings, class B share, %	70.7 [3]	39.2	90.3	53.8
Dividend per earnings, class A share, %	70.4 [3]	38.9	89.6	53.2
Effective dividend yield, class B share, %	4.3 [3]	4.2	2.7	2.3
Price per earnings, class B share	16	9	33	23
Market value of class B share, average, EUR	21	21	23	18
- high, EUR	30	28	30	22
- low, EUR	14	14	20	14
- at end of period, EUR	30	16	24	21
Market capitalization at end of period, MEUR [4]	7,601	3,922	6,027	5,382
Number of class B shares traded (1,000s)	160,855	207,778	191,764	151,028
Class B shares traded, %	70	91	87	69
Weighted average number of class A shares, (1000s)	38,104	38,104	38,104	38,104
Number of class A shares at end of period, (1000s)	38,104	38,104	38,104	38,104
Weighted average number of class B shares, (1000s) [5]	216,039	215,509	216,456	216,090
Number of class B shares at end of period, (1000s) [4]	215,612	214,427	213,369	212,551
Weighted average number of shares, (1000s) [5]	254,143	253,613	254,560	254,194

[1] 2009; Excluding a one-time restructuring cost related to the fixed cost adjustment program. 2007; Exluding the fines imposed on KONE by the European Commission and the Austrian cartel court, and the sales profit for the sale of the KONE Building.

[2] Including tax receivables and liabilities, accrued interest and derivative items.

[3] Board's proposal.

[4] Reduced by the number of repurchased own shares. Class A shares are valued at the closing price of the class B 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, 2009	Jan 1–Dec 31, 2008
Sales	1	305,328,650.33	154,846,665.97
Other operating income	2	36,147,162.99	15,118,223.90
Materials and services		-3,123,631.79	165,563.11
Personnel expenses	3	-37,471,739.44	-36,439,488.54
Depreciation and amortization	4	-4,326,237.20	-2,600,580.22
Other operating expenses	5	-165,434,013.43	-89,221,525.37
Operating profit		131,120,191.46	41,868,858.85
Financing income and expenses	6	73,640,661.27	187,701,995.86
Profit before extraordinary items		204,760,852.73	229,570,854.71
Extraordinary items	7	2,997,889.74	38,671,736.18
Profit before appropriations and taxes		207,758,742.47	268,242,590.89
Appropriations		-449,396.32	-
Income taxes		-25,153,069.25	-2,805,790.98
Deferred taxes		-268,028.98	-744,173.00
Profit for the financial year		181,888,247.92	264,692,626.91

Parent company balance sheet

Assets, EUR	Note	Dec 31, 2009	Dec 31, 2008
Non-current assets			
Intangible assets			
Intangible rights	8	446,738.00	558,300.00
Other long-term expenditure	9	15,803,311.00	4,385,771.00
		16,250,049.00	4,944,071.00
Tangible assets			
Land	10	182,328.26	182,328.26
Buildings	11	5,948,578.00	6,295,751.78
Machinery and equipment	12	4,538,348.53	3,297,058.39
Advance payments		19,374.86	-
		10,688,629.65	9,775,138.43
Investments			
Subsidiary shares	13	2,385,539,142.55	2,235,995,270.66
Other shares	14	9,580,552.67	9,608,899.69
		2,395,119,695.22	2,245,604,170.35
Total non-current assets		2,422,058,373.87	2,260,323,379.78
Current assets			
Long-term receivables	15	11,335,787.65	676,452,063.38
Short-term receivables	16	713,400,800.95	382,017,203.63
Deferred tax assets		1,344,310.51	1,612,339.49
Cash and cash equivalents		47,982,457.87	23,424,034.63
Total current assets		774,063,356.98	1,083,505,641.13
Total assets		3,196,121,730.85	3,343,829,020.91

Equity and liabilities, EUR	Note	Dec 31, 2009	Dec 31, 2008
Equity			
Share capital		64,606,717.50	64,359,230.50
Share in premium account		100,328,064.58	100,328,064.58
Other reserves			
Paid-up unrestricted equity reserve		13,067,824.76	3,379,228.80
Retained earnings		1,366,258,586.06	1,265,661,257.77
Profit for the financial year		181,888,247.92	264,692,626.91
Total equity	17	1,726,149,440.82	1,698,420,408.56
Appropriations			
Cumulative accelerated depreciation		1,674,225.67	
Provisions			
Provisions	18	5,100,797.00	2,422,452.00
Liabilities			
Non-current liabilities	19	455,721,275.51	513,630,275.51
Current liabilities	20	1,007,475,991.85	1,129,355,884.84
Total liabilities		1,463,197,267.36	1,642,986,160.35
Total equity and liabilities		3,196,121,730.85	3,343,829,020.91

Parent company cash flow statement

EUR	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Cash receipts from customers	234,969,440.65	137,134,680.95
Cash receipts from other operative income	7,597,826.87	13,621,775.86
Cash paid to suppliers and employees	-196,216,724.76	-118,112,111.64
Financial items	59,988,317.28	254,907,386.99
Taxes and other items	-25,890,326.96	11,507,462.17
Cash flow from operating activities	80,448,533.08	299,059,194.33
Capital expenditure	-7,755,967.71	-6,520,960.00
Proceeds from sales of fixed assets	69,651.80	1,753,311.64
Subsidiary investments	-126,750,177.95	-440,534,420.25
Proceeds from sales of subsidiary shares	333,000.00	
Cash flow from investing activities	-134,103,493.86	-445,302,068.61
Purchase of own shares		
Increase of share capital	9,936,082.96	3,716,521.18
Net change in short-term debt	-95,162,696.32	-147,418,091.98
Net change in long-term debt	-61,429,768.69	385,310,383.61
Dividends paid	-164,095,298.62	-163,619,671.52
Group contributions received	59,073,000.00	55,451,041.24
Group contributions paid	-20,340,429.72	-20,421,488.67
Other financing items	472,638,157.30	102,610,853.92
Cash flow from financing activities	200,619,046.91	215,629,547.78
Change in cash and cash equivalents	146,964,086.13	69,386,673.50
Cash and cash equivalents, Jan 1	86,752,545.54	17,365,872.04
Cash and cash equivalents, Dec 31	233,716,631.67	86,752,545.54
Change in cash and cash equivalents	146,964,086.13	69,386,673.50
Reconciliation of net income to the cash flow from operating activities		
Profit for the financial year	181,888,247.92	264,692,626.91
Depreciations	4,326,237.20	2,600,580.22
Other adjustments	-31,004,469.18	-40,166,658.22
Income before change in working capital	155,210,015.94	227,126,548.91
Change in receivables	-38,425,671.71	-1,049,550.57
Change in payables	-36,335,811.15	72,982,195.99
Cash flow from operating activities	80,448,533.08	299,059,194.33

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, 2009. During the accounting period, a subsidiary (Advanced Management Consulting Oy) was merged into the parent company.

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 receivables 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 existing contracts 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 consist 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 305,233.3 thousand, which consists mainly of internal fees.

2. OTHER OPERATING INCOME

EUR 1,000	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Rent income	1,305.3	1,380.5
Guarantee provisions	1,448.2	1,403.5
Subsidies received	1,155.6	1,244.8
Gains from the sales of fixed assets	335.7	1,496.4
Others	31,902.4	9,593.0
Total	36,147.2	15,118.2

3. PERSONNEL EXPENSES

EUR 1,000	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Salaries for members of the Board of Directors and the President & CEO	3,223.3	4,440.0
Other wages and salaries	27,988.6	25,826.2
Pension costs	5,169.9	5,056.1
Other employment expenses	1,089.9	1,117.2
Total	37,471.7	36,439.5

Average number of staff employed by the Parent company was 437 during the period.

4. DEPRECIATION AND AMORTIZATION

EUR 1,000	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Intangible rights	237.6	202.5
Other long term expenditure	2,734.9	1,108.3
Buildings	379.6	333.2
Machinery and equipment	974.1	956.6
Total	4,326.2	2,600.6

5. AUDITORS' FEES

EUR 1,000	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Audit	162.5	147.5
Auditors' statements	4.3	5.7
Tax services	184.2	107.8
Other services	207.0	195.3
Total	558.0	456.3

6. FINANCING INCOME AND EXPENSES

EUR 1,000	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Dividend income from subsidiaries	68,241.3	252,865.9
Dividend income from associated companies	1,645.6	640.0
Other dividends received	31.2	1.7
Interest income from subsidiaries	25,734.6	43,081.4
Interest income from others	4,308.7	8,039.5
Interest expenses to subsidiaries	-36,399.6	-55,723.7
Interest expenses to others	-3,108.9	-2,625.2
Other financing income and expenses	13,187.8	-58,577.6
Total	73,640.7	187,702.0

7. EXTRAORDINARY INCOME AND EXPENSES

EUR 1,000	Jan 1–Dec 31, 2009	Jan 1–Dec 31, 2008
Group contributions received	23,338.3	59,093.2
Group contributions paid	-20,340.4	-20,421.5
Total	2,997.9	38,671.7

Notes to the Balance sheet

8. INTANGIBLE RIGHTS

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Acquisition cost, Jan 1	1,129.0	902.2
Increase	126.0	226.8
Accumulated depreciation and amortization	-808.3	-570.7
Net book value, Dec 31	446.7	558.3

9. OTHER LONG-TERM EXPENDITURE

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Acquisition cost, Jan 1	8,253.4	5,283.2
Increase	6,273.8	2,981.3
Increase/merger	30,635.1	0.0
Decrease	-5.3	-11.1
Accumulated depreciation and amortization	-6,597.2	-3,867.6
Accumulated depreciation and amortization/merger	-22,756.5	0.0
Net book value, Dec 31	15,803.3	4,385.8

10. LAND

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Acquisition cost, Jan 1	182.3	367.1
Decrease	0.0	-184.8
Net book value, Dec 31	182.3	182.3

11. BUILDINGS

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Acquisition cost, Jan 1	9,241.8	7,459.9
Increase	32.5	1,961.9
Accumulated depreciation	-3,505.7	-3,126.1
Net book value, Dec 31	5,948.6	6,295.7

12. MACHINERY AND EQUIPMENT

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Acquisition cost, Jan 1	17,917.9	17,523.4
Increase	1,251.5	1,045.9
Increase/merger	3,878.2	0.0
Decrease	-61.1	-651.4
Accumulated depreciation	-15,533.8	-14,620.8
Accumulated depreciation/merger	-2,914.4	0.0
Net book value, Dec 31	4,538.3	3,297.1

13. SUBSIDIARY SHARES

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Acquisition cost, Jan 1	2,235,995.3	1,796,639.0
Increase	182,810.6	440,534.4
Decrease	-33,266.8	-1,178.1
Net book value, Dec 31	2,385,539.1	2,235,995.3

14. OTHER SHARES

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Acquisition cost, Jan 1	9,608.9	9,374.2
Increase	72.1	305.0
Decrease	-100.4	-70.3
Net book value, Dec 31	9,580.6	9,608.9

15. LONG-TERM RECEIVABLES

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Loans receivable from subsidiaries	11,266.4	676,197.8
Loans receivable from associated companies	0.0	182.4
Loans receivable from others	69.4	71.9
Long-term receivables	11,335.8	676,452.1

16. SHORT-TERM RECEIVABLES

Receivables from subsidiaries

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Accounts receivable	94,180.3	27,248.8
Loans receivable	373,445.8	180,982.0
Deferred assets	49,702.2	79,426.1
Total	517,328.3	287,656.9

Receivables from associated companies

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Accounts receivable	579.9	7.5
Deferred assets	0.0	1.4
Total	579.9	8.9

Receivables from externals

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Accounts receivable	599.2	583.8
Loans receivable	86.2	71.8
Others	185,734.2	63,328.5
Deferred assets	9,073.1	30,367.3
Total	195,492.7	94,351.4

Deferred assets

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Deferred interest	1,004.1	1,185.9
Derivate assets	4,531.1	26,816.3
Deferred income taxes	22.5	0.0
Deferred assets from subsidiaries	49,702.2	79,426.1
Others	3,515.3	2,366.4
Total	58,775.2	109,794.7
Total short-term receivables	713,400.9	382,017.2

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, 2009	64,359.2	100,328.1	3,379.2	1,530,353.9		1,698,420.4
Dividends				-164,095.3		-164,095.3
Option plan	247.5		9,688.6			9,936.1
Profit for the financial year					181,888.2	181,888.2
Net book value Dec 31, 2009	64,606.7	100,328.1	13,067.8	1,366,258.6	181,888.2	1,726,149.4

18. PROVISIONS

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Other provisions	5,100.8	2,422.5
Total	5,100.8	2,422.5

19. NON-CURRENT LIABILITIES

Parent Company has a total amount of EUR 11,143 thousand euros of pension loans due after five years.

20. CURRENT LIABILITIES

Liabilities to subsidiaries, EUR 1,000	Dec 31, 2009	Dec 31, 2008
Other liabilities	848,698.3	985,881.3
Accounts payable	21,521.9	14,284.4
Accruals	10,012.9	41,791.9
Total	880,233.1	1,041,957.6

Liabilities to externals, EUR 1,000	Dec 31, 2009	Dec 31, 2008
Others	62,897.7	26,036.6
Accounts payables	13,940.8	5,634.2
Accruals	50,404.3	55,727.5
Total	127,242.8	87,398.3

Accruals, EUR 1,000	Dec 31, 2009	Dec 31, 2008
Accrued wages, salaries and employment costs	10,365.4	8,871.4
Accrued taxes	11,170.0	2,969.9
Derivative liabilities	23,258.1	35,297.4
Accrued interest	74.0	4,685.5
Accruals to subsidiaries	10,012.9	41,791.9
Other accrued expenses	5,536.8	3,903.2
Total	60,417.2	97,519.3
Total current liabilities	1,007,475.9	1,129,355.9

21. COMMITMENTS

EUR 1,000	Dec 31, 2009	Dec 31, 2008
Mortages		
For own debt	0.0	700.0
Pledged assets		
For subsidiaries	69.4	71.9
Guarantees		
For subsidiaries	904,851.6	1,000,324.5
For associated companies	3,481.5	4,140.9
For others	6,353.2	6,932.0
Leasing commitments		
Due next year	2,667.8	2,390.5
Due over a year	14,909.1	14,767.2
VAT liability from real estates	500.1	824.1
Total	932,832.7	1,030,151.0

22. DERIVATIVE INSTRUMENTS

Fair values of derivative instruments, EUR 1,000	Derivative assets Dec 31, 2009	Derivative liabilities Dec 31, 2009	Net fair value Dec 31, 2009	Positive fair value Dec 31, 2008	Negative fair value Dec 31, 2008	Net fair value Dec 31, 2008
FX forward contract with external parties	4,142.7	5,453.6	-1,310,9	23,155.5	10,107.7	13,047.8
FX forward contract with subsidiaries	4,919.0	2,340.0	2,579.0	7,646.3	37,324.9	-29,678.6
Currency options	0.0	0.0	0.0	1,871.8	1,521.4	350.4
Cross currency and interest rate swaps, due under one year	0.0	16,968.0	-16,968.0	1,782.2	0.0	1,782.2
Cross currency and interest rate swaps, due in 1–3 years	0.0	0.0	0.0	0.0	22,723.0	-22,723.0
Electricity derivatives	388.3	836.6	-448.3	6.8	945.2	-938.4
Total	9,450.0	25,598.2	-16,148.2	34,462.6	72,622.2	-38,159.6

Nominal values of derivative instruments, EUR 1,000	Dec 31, 2009	Dec 31, 2008
FX forward contract with external parties	392,778.1	467,300.9
FX forward contract with subsidiaries	284,961.3	741,061.2
Currency options	0.0	90,433.1
Cross currency and interest rate swaps, due under one year	113,097.3	23,631.6
Cross currency and interest rate swaps, due in 1–3 years	0.0	113,097.3
Electricity derivatives	5,251.6	4,679.8
Total	796,088.3	1,440,203.9

Derivatives are hedging transactions in line with KONE hedging policy.
More information of financial risks management is described in the notes to the consolidated statements (note 2).

Subsidiaries and shareholding companies

SUBSIDIARIES, DEC 31, 2009

		Shareholding %	
Country	**Company**	**Group**	**Parent company**
Australia	KONE Elevators Pty Limited	100	
	KONE Elevators Employee Benefits Pty Limited	100	
	KONE Holdings (Australia) Limited	100	0.00
Austria	KONE AG	100	
	KONE Investition GmbH	100	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 Professionnels d'Ascenseurs	100	
	Service Professionnel d'Ascenseurs Inc.	100	
	Central Elevator Services Ltd.	100	
China/Hong Kong/Macau	Ben Fung Machineries & Engineering LTD	100	0.00
	KONE Elevators Co., Ltd.	95	
	KONE Elevator (HK) LTD	100	0.00
	KONE Elevators International (China) Limited	100	
	KONE Elevator (Macau) Ltd.	100	
	KONE TELC Industries Co., Ltd.	70	
	Nanjing Lian Ao Elevator Engineering Co., Ltd.	66.50	
Cyprus	KONE Elevators Cyprus Limited	100	100
Czech Republic	KONE A.S.	99.90	
	KONE Industrial Koncern s.r.o.	100	100
Denmark	KONE A/S	100	
Estonia	A/S Kandur	100	
Finland	Finescal Oy	100	100
	Kiinteistö Oy Heves	100	100
	KNEBV Incentive Oy	99	99
	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 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
	Prokodis S.N.C.	100	
	Société en Participation KONE ATS	100	
	STM	100	
Germany	Engler & Haring GmbH	100	
	GIS KONE Deutschland GmbH	100	
	Hages-Aufzuge GmbH&Co. KG Duren	75	
	Hages Verwaltungs GmbH	75	
	KONE Garant Aufzug GmbH	100	
	KONE GmbH	100	
	KONE Holding GmbH	100	

		Shareholding %	
Country	Company	Group	Parent company
	KONE Köln Verwaltung GMBH	100	
	KONE Montage GMBH	100	
	KONE Servicezentrale GmbH	100	
	KONE Verwaltungsgesellschaft M.B.H	100	
	Konematic GmbH	100	
	KSM GmbH	100	
	Lödige Aufzuge GmbH	85	
	Lödige Aufzugstechnik GmbH	85	
Greece	KONE S.A.	100	
Hungary	KONE Felvono Kft	100	
Iceland	KONE ehf	100	100
India	KONE Elevator India Private Ltd.	100	100
	Olympus Elevator Private Ltd.	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	
	Elevators S.r.l	60	
	Iriti S.r.l.	100	
	KONE Industrial S.p.A.	100	
	KONE S.p.A.	100	
	L.A.M. Lombarda Ascensori Montacarichi S.r.l.	70	
	Neulift S.r.l.	100	
	Neulift Service Sardegna S.r.l.	100	
	Sabiem S.P.A.	100	
	Slimpa S.R.L.	100	
	Tecnocram S.r.l	80	
	Tosca Ascensori S.r.l	66.66	
	RUMAN Srl	75	
Japan	KONE Japan Co. Ltd.	100	100
Latvia	SIA KONE Lifti Latvija	100	0.05
Lithuania	UAB elektros Pavara ir Ko	100	
	UAB Unikali ideja	100	
Luxembourg	KONE Luxembourg SARL	100	
	Lumico S.a.r.l.	100	100
Malaysia	KONE Sdn. Bhd.	100	
	Fein Blanking Sdn Bhd	100	
	Fuji Lift & Escalator Manufacturing Sdn	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 BV	100	
	Hopmann Liftservice 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 BV	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

		Shareholding %	
Country	Company	Group	Parent company
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	
Portugal	KONE Funchalift, Lda.	100	
	KONE Portugal- Elevadores LDA.	100	1
	VTP-Tractores S.A.	99.28	0.71
Romania	KONE Ascensorul S.A.	100	
Russia	OOO "EKOLIFT"	100	
	OOO KONE Lift	100	100
	OOO Lift RSU-5	100	
	OAO RSU-6	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.	100	
	Serviparking S.L.	100	
	Ascensores Mover	100	
	Ascensores Tecas	100	
Sweden	Cajax AB	100	
	Hissjuoren Ekmans AB	100	
	KONE AB	100	
	KONE Door AB	100	
	KONE Metro AB	100	
	KONE Rulltrappor AB	100	
	KONE Scandinavia AB	100	
	Motala Hissar 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	73.99	
	KONE Thai Lift Public Company Limited	83.90	
Turkey	KONE Asansör Sanayi ve Ticaret A.S.	100	
Ukraine	KONE Lifts LLC	100	
UK	Bennie Lifts Ltd.	100	
	Biddle Holdings Ltd.	100	
	Cable Lift Installations Ltd.	100	
	Crown Lifts Ltd	100	
	KONE Bolton Brady Limited	100	
	KONE Escalators Ltd	100	
	KONE Lifts Ltd	100	
	KONE (NI) Ltd.	100	
	KONE Pension Trustees Ltd	100	
	KONE Plc.	100	100
	Konematic Holding Ltd	100	
	Konematic Ltd.	100	
	Konepart Ltd	100	
	O&K Escalators Ltd.	100	
	The UK Lift Company Ltd	100	
	UK Lift (Holdings) Ltd	100	
USA	ENOK Electrical Company, LLC	100	
	KONE Holdings, Inc.	100	
	KONE Inc.	100	
	KREM, Inc.	100	
	Konematic Inc.	100	
	Marine Elevators LLC	100	
Vietnam	KONE Vietnam Limited Liability Company	100	

ASSOCIATED COMPANIES, DEC 31, 2009

		Shareholding %	
Country	**Company**	**Group**	**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 statement

(p. 56–61 are not a part of the official financial statements)

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 2008 published by the Securities Market Association, with the exception of recommendations 26 (Independence of Audit Committee members), 29 (Nomination Committee members and their appointment) and 32 (Compensation Committee members). The entire Code is available on the Internet at www.cgfinland.fi. 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:

- drawing up of the Board of Directors' report, interim reports and financial statements
- ensuring the proper organization and surveillance of the accounting and asset management
- the preparation of proposals for the General Meeting and the convocation of the General Meetings
- 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
- decisions on other matters falling under the Board's responsibility by law

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 monitors and assesses the adequacy and appropriateness of KONE's internal control and risk management, as well as the adherence to rules and regulations. The Audit Committee monitors and oversees the financial statement and financial reporting process, and processes the description of the main features of the internal control and risk management systems pertaining to the financial reporting process included in the company's corporate governance statement. 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 the 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 which 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 objective of risk management at KONE is to coordinate and develop a systematic assessment of risks and opportunities within core business planning and decision making processes.

KONE continuously assesses the risks and opportunities of its business decisions in order to limit unnecessary or excessive risks. In addition, KONE's units and functions systematically identify and assess as part of the strategic planning and budgeting processes the risks that can threaten the achievement of their business objectives. Key risks are reported to the KONE risk management function, which facilitates the risk management process and consolidates the risk information to the KONE Executive Board. The Executive Board assigns the ownership of globally identified risk exposures to specific functions or units. The KONE Board of Directors reviews the KONE risk portfolio regularly on the basis of the Executive Board's assessment.

The KONE Risk Management function is also responsible for administering the global insurance programs. The KONE Treasury function manages financial risks centrally according to the KONE Treasury Policy.

Additional info

Most significant risks and uncertainties related to KONE's business are described in the Board of Directors' Report. Financial risk management is described in note 2, page 15.

Main features of internal control and risk management related to financial reporting

Correct financial reporting in KONE's internal control and compliance framework means that its financial statements give a true and correct view of the operations and the financial position of the group and that such statements don't include intentional or unintentional misstatements or omissions both in respect of amounts and level of disclosure. The compliance control framework is built and based on reporting processes and frameworks as described below, as well as company values, a culture of honesty and high ethical standards. Such framework is promoted by proper training, a positive and a disciplined work attitude and by hiring and promoting of suitable employees.

Corporate-wide financial management and control of operations is coordinated by the Global Finance and Control function and implemented by a network of subsidiary and business entity Controllers within KONE. Internal control processes and procedures are regularly controlled and steered by the Board of Directors, the Audit Committee, Business and Finance management and internal and external auditors.

KONE's monthly management planning and financial reporting process represents a key control procedure within KONE in ensuring the effectiveness and efficiency of operations. KONE's financial statements are based on the monthly management reporting process. This process includes in-depth analyses of deviations between actual performance, budgets, prior year performance and latest forecasts for the business. The process covers financial information as well as key performance indicators that measure the operational performance on a business unit and corporate level. The process is designed to ensure that any deviations from plans, in terms of financial or operating performance and financial management policies are identified, communicated and reacted to efficiently, in a harmonized and timely manner.

Financial control tasks are built into the business processes of KONE as well as into the ongoing business supervision and monitoring of the management. KONE has established Financial Control Models for orderbound projects and service activities. The models have been defined in order to ensure that the financial control covers the relevant tasks in an efficient and timely manner. Financial Control Models are designed to support the efficiency and effectiveness of operations through well defined and productive monitoring process. The correctness of the financial reporting is supported and monitored through the Financial Control Models. The models include Key Control Tasks for Finance Directors and controllers of KONE's subsidiaries and entities. Key Control Indicators are defined and linked to 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 and indicators are assessed in all units annually and audited by the Global Finance and Control function.

The internal control procedures applied to KONE's financial reporting process are laid down in carefully defined principles and instructions. A unified and globally harmonized framework provides processes, tools and instructions to cover managerial and external financial reporting. 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. The Global Finance and Control function monitors the compliance of the KONE Accounting Standards in the various entities of the group. Budgeting and reporting processes and contents are defined in the KONE Accounting and Reporting Instructions. These standards and instructions are maintained and updated centrally by the Global Finance and Control function and applied uniformly throughout KONE.

KONE has a global ERP system which is built to reflect the KONE Accounting Standards and KONE Accounting and Reporting Instructions. 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 and Control. Automatic interfaces between different systems are principally applied in the period end financial reporting process of KONE. Transactional processing is increasingly centralized in dedicated internal shared service centers.

Effective internal control over record to report processes starting from business processes and systems into financial statements are important ensuring the correctness of financial reporting. This is driven by identifying key data elements of the business and the quality of the data to ensure correct financial reporting and forecasting ability.

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.

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 Euroclear Finland Ltd'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.

Additional info

This statement is available on the company's web pages at www.kone.com and it has been given separately of the Board of Directors' report

Corporate governance in 2009

General Meeting of shareholders

The Annual General Meeting was held in Helsinki on February 23, 2009.

Board of Directors and committees

The Annual General Meeting elected eight 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, Anne Brunila (from February 23, 2009), Reino Hanhinen, Juhani Kaskeala (from February 23, 2009), Shunichi Kimura (from February 23, 2009) and Sirpa Pietikäinen. The deputy member of the Board is Jussi Herlin.

Of the Board members, Sirkka Hämäläinen-Lindfors, Anne Brunila, Reino Hanhinen, Juhani Kaskeala and Sirpa Pietikäinen 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 2009, the Board of Directors convened seven times, with an average attendance rate of 87 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 Anne Brunila (independent members). The Audit Committee held three meetings in 2009, 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 Juhani Kaskeala (independent members). The Nomination and Compensation Committee held two meetings in 2009, 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 2009 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 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 2009, Antti Herlin's basic salary was EUR 468,488. In addition, his bonus accrued for 2009 totaled EUR 453,847. He was also paid EUR 60,000 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 2009, Matti Alahuhta's basic salary was EUR 722,200. In addition, his bonus accrued for 2009 totaled EUR 649,980. He was also paid EUR 33,500 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 2009, on the basis of the incentive plan, Matti Alahuhta received a bonus of EUR 888,708, which consisted of 21,600 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 2009 and due for payment in April 2010 is 33,920 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, Henrik Ehrnrooth (from May 1, 2009), Pekka Kemppainen, Anne Korkiakoski, Ari Lehtoranta, Heikki Leppänen, Juho Malmberg, Eric Maziol, Peter de Neef, Aimo Rajahalme (until May 1, 2009), 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 below.

The members of the Executive Board are included in the share-based incentive plan for senior management. In April 2009, on the basis of the incentive plan, the members of the Executive Board received a bonus of 103,680 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 2009 and due for payment in April 2010 is 162,816 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 2009 were EUR 2.0 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, 2009 and the changes occurring in them during the financial year are presented in the table below.

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
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Shareholdings and options of KONE Corporation's public insiders on Dec 31, 2009 and changes in shareholding during the period Jan 1–Dec 31, 2009

	Class A shares	Change	Class B shares	Change	Series 2005B option rights	Change
Alahuhta Matti			247,600	21,600		
Cawén Klaus			82,040	11,400		
De Neef Peter			55,000	2,600		-1,000
Hanhinen Reino			2,000			
Herlin Antti	35,280,804		18,420,920			
Herlin Jussi			53,180			
Hämäläinen-Lindfors Sirkka			1,200	200		
Kemppainen Pekka			101,720	8,640		
Korkiakoski Anne			8,640	6,640		
Lehtoranta Ari			700			
Leppänen Heikki			37,440	-3,360		
Malmberg Juho			40,880	8,640		
Maziol Eric			125,840	20,640		-1,000
Pietikäinen Sirpa			3,000			
Tang Vance			23,040	8,640		
Tuomas Kerttu			59,240	5,640		-350
Veeger Noud			60,750	8,640		

No other public insiders had share or option holdings in KONE on December 31, 2009. On May 1, 2009 Aimo Rajahalme had 27,040 class B shares. The shares owned by companies in which the public insider exercises controlling power and minor children are also included in these shareholdings.

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, and member of the Board of UPM Kymmene Corporation and of the Foundation Board of the International Institute for Management Development (IMD, Switzerland).

Anne Brunila
b. 1957, D.Sc. (Econ.)
Member of the Board since 2009.
Served as Executive Vice President, Corporate Relations and Sustainability and Member of the Management Team of Fortum since 2009. Previously served as President and CEO of the Finnish Forest Industries Federation 2006–2009, in the Finnish Ministry of Finance (including General Director) 2002–2006 and in several advisory and executive positions in the Bank of Finland and the European Commission 1992–2002. Current key positions of trust: Member of the Board of Sampo plc, Member of the Board of Aalto University Foundation, Member of the Board of The Research Institute of the Finnish Economy ETLA, Member of the Board of the Finnish Business and Policy Forum EVA, Member of State ownership steering group, Prime Minister's office and Member of Finnish Delegation of International Chamber of Commerce.

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 Rautaruukki Corporation and Member of the Board of YIT Corporation.

Juhani Kaskeala
b. 1946, Admiral.
Member of the Board since 2009.
Previously served in the Finnish Defence Forces in several positions during years 1965–2009, as Commander of the Finnish Defence Forces 2001–2009 and earlier for instance as Military Assistant to the President of the Republic of Finland and as a Defence Attaché in London, the Hague and Brussels. Current key positions of trust: Member of the Board of John Nurminen Foundation, Member of the Board of East Office of Finnish Industries Oy and Member of the Trilateral Commission.

Shunichi Kimura
b. 1951.
Member of the Board since 2009.
Served as President and CEO of Toshiba Elevator and Building Systems Corporation, alliance partner of KONE, since June 2008. Previously served in several positions in Toshiba Group since 1975 including Toshiba Corporation's Executive Officer, Corporate Vice President, and as the President and CEO of Social Infrastructure Systems Company of Toshiba.

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 GLOBE EU, Deputy Chairman of the Association Promoting Fair Trade in Finland, and Member of the Board of the World Federation of United Nations Associations (WFUNA).

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 Director of KONE Corporation and Managing Director and Member of the Board of Security Trading Oy and Holding Manutas Oy since 2006. Previously served as a Partner and APA Auditor in PricewaterhouseCoopers Oy 1993–2006 and Financial Manager of Panostaja Corporation 1990–1993. Current key positions of trust: Member of the Board of Panostaja Corporation and Member of the Board of OWH-Yhtiöt Corporation.

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, and member of the Board 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).

Henrik Ehrnrooth
CFO
b. 1969, M.Sc. (Econ)
Member of the Executive Board since May 1, 2009. Employed by KONE since 2009. Previously served at Goldman Sachs from 1998–2009, most recently as a Managing Director in the Investment Banking Division and at UBS in various positions from 1994–1998.

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 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 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, M.Sc (Telecommunications)
Member of the Executive Board and employed by KONE Corporation since 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. Current key position of trust: Member of the Board of Elisa Corporation.

Heikki Leppänen
New Equipment Business
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: Member of the Board of FIMECC Oy.

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.

Aimo Rajahalme
CFO (previous)
b. 1949, M.Sc. (Econ.)
Member of the Executive Board and CFO from 1991 until the end of April 2009. Employed by KONE Corporation since 1973. 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 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 positions of trust: Board Member and Vice President of the National Elevator Industry, Inc. (NEII), and Member of the Board of American Woodmark Corporation.

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 management

(not a part of the official financial statements)

The goal of capital management in the KONE Group is to secure an adequate liquidity and capitalization of the group at all times and to contribute to the creation of shareholder value. The aim is to maintain a strong financial position in order to ensure that the Group's funding can be optimized at all times in a cost effective way.

The assets employed in KONE's business consist of net working capital and fixed assets which are funded by equity and net debt, as shown in the table below. Due to the business model and the business processes of KONE, the level of total assets employed is relatively low. KONE aims to maintain a negative net working capital to ensure a healthy cash flow even when the business is growing. The negative net working capital has been achieved through a strong focus on the relationship between work in progress and advance payments received.

Accounts receivable form a significant part of the net working capital. KONE puts significant efforts in collecting its receivables, with an aim to reduce current and overdue receivables. In the current economic environment, receivables collection has become more challenging and requires constant strong efforts.

Cash flow from operations is 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. Liquid assets are invested only in counterparties with high creditworthiness and primarily in short term instruments and deposits to ensure the availability of the excess liquidity.

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

KONE's philosophy is to take an aggregated view of shareholder value creation, which includes the development of its share price as well as dividends. KONE has not defined a specific target for dividends or share buy-backs. The dividend proposal by the Board of Directors is determined on the basis of the overall business outlook, business opportunities, as well as the present capital structure and the anticipated changes in it.*).

KONE has not defined a specific target for its capital structure. The level of net debt and financial gearing can be very low, even negative, as is the case at present, over a given period of time. In the present weak economic situation, having no debt is considered a strength and allows KONE to capture potential value-creating business opportunities, should they emerge. In the event that significant investment or acquisition opportunities that could allow for the creation of additional shareholder value would be available, KONE can also utilize its borrowing capacity. In such cases the level of debt and financial gearing could be higher for a period of time. At present, the funding of KONE is guaranteed by existing committed credit lines and an excess liquidity.

To ensure an efficient allocation and utilization of its capital resources, KONE measures the financial results of its business activities after a capital allocation charge. The capital allocation charge is based on the assets employed in the business activity and the weighted average cost of capital (WACC). The 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, discounted cash flow and profitability and cash flow multiples.

More information

Financial risks, note 2, page 15

MEUR	2009	2008	2007	2006
Assets employed:				
Goodwill and shares	813.1	790.4	708.5	686.9
Other fixed assets [1)]	250.1	263.6	254.2	276.1
Net working capital	-228.7	-76.4	-121.8	-139.5
Total assets employed	834.5	977.6	840.9	823.5
Capital:				
Equity	1,339.2	1,035.9	749.2	698.6
Net debt	-504.7	-58.3	91.7	124.9
Total capital	834.5	977.6	840.9	823.5
Gearing	-37.7	-5.6	12.2	17.9
Equity ratio	47.0	39.0	31.7	30.5

1) Property, plant and equipment, acquired maintenance contracts and other intangible assets.
*) In 2006–2009, the dividend payout ratio has been 39.2%–90.3% for class B shares (Board's proposal 2009).

Shares and shareholders

Market capitalization

During the 2009 financial year the price of the KONE Corporation class B share rose 87 percent, from EUR 16.03 to EUR 29.96 on the NASDAQ OMX Helsinki Ltd. in Finland. During the same period, the OMX Helsinki Cap Index increased by approximately 31 percent and the OMX Helsinki Industrials Index approximately 75 percent. During the financial year the price of the KONE Corporation class B share peaked at EUR 30.40 and was EUR 13.80 at its lowest. At the end of 2009, 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 7,601 million. At the end of December 2009, the company held 4,710,242 class B shares as treasury shares.

During the financial year, 160.9 million KONE Corporation class B shares were traded on the NASDAQ OMX Helsinki Ltd. The value of the shares traded was EUR 3,399 million. The average daily turnover of class B shares was 640,860, representing EUR 13,540,346. The relative turnover was 70 percent.

More information

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

Shares and share capital

At the end of December 2009, the share capital was EUR 64,606,717.50. During the financial year the share capital was increased by EUR 247,487.00 due to subscriptions of shares with KONE 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 2009, the total number of shares was 258,426,870, comprising 220,322,514 class B shares and 38,104,356 class A shares. The total number of votes was 60,136,607.

More information

Changes in the share capital, note 21, page 32

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 to the Annual General Meeting that a dividend of EUR 0.6475 be paid per class A shares and EUR 0.65 per class B shares. Further the Board proposes an extra dividend of EUR 0.6475 to be paid on the outstanding class A shares and EUR 0.65 on the outstanding class B shares due to the centennial year 2010 of KONE, resulting in a total proposed dividend of 1.295 per class A share and 1.30 per class B share.

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.

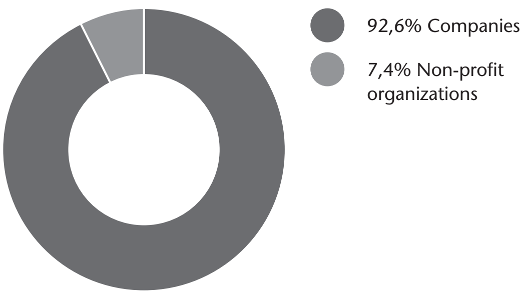
Authorization to purchase and surrender own shares

KONE Corporation's Annual General Meeting held on February 23, 2009 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 3, 2009 at the earliest. The purchase of shares will continue until otherwise announced.

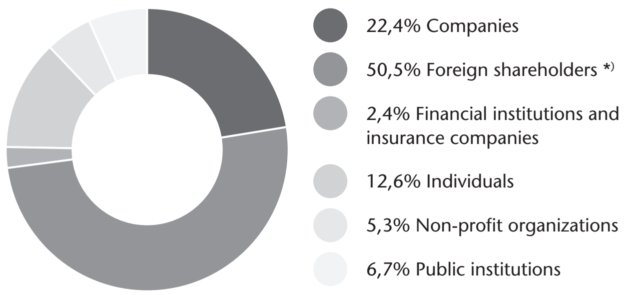
The maximum amount of the shares to be purchased is less than 10 percent of the company's share capital and total voting rights of the shares. Altogether no more than 25,570,000 shares may be purchased, of which no more than 3,810,000 may be class A shares and no more than 21,760,000 may be class B shares.

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 A shares, %



Class B shares, %



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

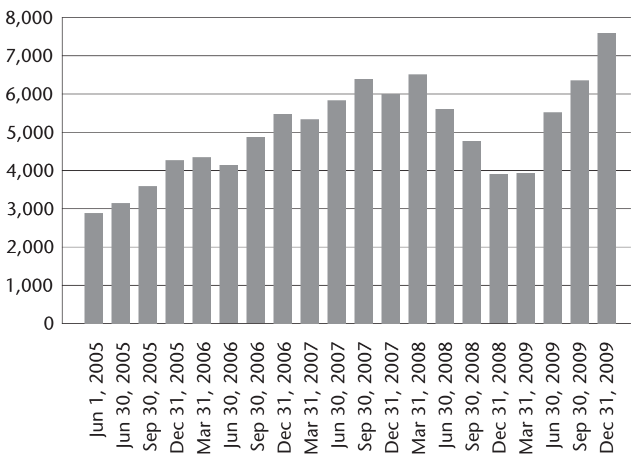
KONE CORPORATION'S SHARE CAPITAL CONSISTS OF THE FOLLOWING:

		Number of shares	Par value, EUR
Class A		38,104,356	9,526,089
Class B		220,322,514	55,080,629
Total		**258,426,870**	**64,606,718**

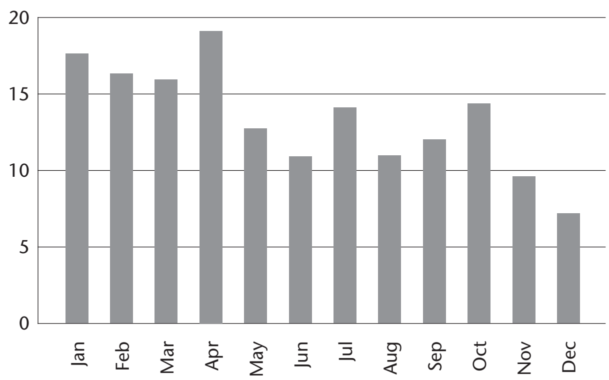
	KONE class B share	KONE 2005B option rights	KONE 2005C option rights
Trading code, NASDAQ OMX Helsinki Ltd in Finland	KNEBV	KNEBVEW205	KNEBVEW305
ISIN code	FI0009013403	FI0009618342	FI0009647820
Accounting par value	EUR 0.25		
Conversion rate		1:12	1:2

The share subscription period for KONE2005B option rights ended on March 31, 2009.

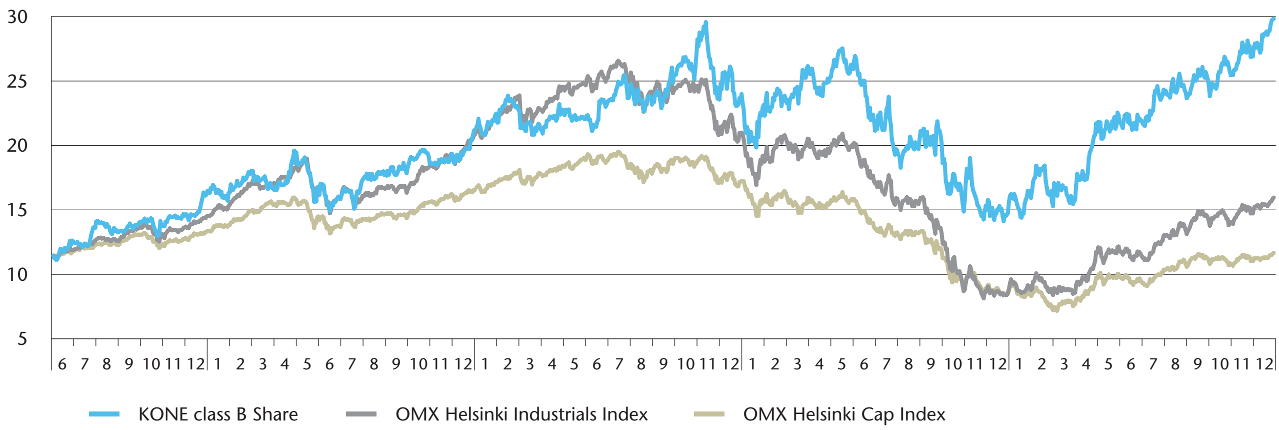
Market capitalization, MEUR



KONE class B shares traded Jan 1–Dec 31, 2009, million shares



KONE class B share price development Jun 1, 2005–Dec 31, 2009, EUR



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 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 20,736 KONE class B shares in December 2009 as a result of 195,264 shares being granted to the management during 2009. The number of class B shares held by Group companies at the end of the year was 4,710,242.

Options

KONE Corporation had during financial period 2009 three 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 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 165,340 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 was EUR 4.02. The share subscription period for options 2005B was June 13, 2005–March 31, 2009.

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, 2009 was EUR 11.90. 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 the decision was based on the authorization received from the Annual Shareholders Meeting on 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, 2009 was EUR 24.145. 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 April 1, 2010, as the average turnover growth of the KONE Group for financial years 2008 and 2009 exceeded market growth and as the earnings before interest and taxes (EBIT) of the KONE Group for the financial year 2008 exceeded the EBIT for the financial year 2007, and the EBIT for the financial year 2009 exceeded the EBIT for the financial year 2008 as required in the terms of the stock options.

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 2009, 195,264 class B shares were granted to the management as the reward for achieving the targets set for 2008. Correspondingly, 311,386 class B shares will be granted in April 2010 for achieving the targets set for 2009.

Shareholders

At the end of December 2009, KONE Corporation had 22,304 shareholders. A breakdown of shareholders is shown on page 66.

At the end of December 2009, non-Finnish shareholders held approximately 43.0 percent of KONE Corporation's shares, corresponding to around 18.5 percent of the votes. Of these foreign-owned shares, 16,055,853 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 95,195,035 nominee-registered shares, representing approximately 36.8 percent of all shares, at the end of December 2009.

Shareholdings of the Chairman and Members of the Board of Directors

On December 31, 2009, KONE Corporation's Chairman and Members of the Board of Directors owned 35,280,804 class A shares and 18,674,720 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 inside of report's back cover

More information

Option programs, note 21, page 32

RECONCILIATION OF OWN SHARES, DEC 31, 2009

	KONE Corporation			Subsidiaries			Group total		
	pcs	Acquisition cost	Average price	pcs	Acquisition cost	Average price	pcs	Acquisition cost	Average price
Jan 1, 2009	4,689,506	79,781,170	17.01	216,000	3,300,450	15.28	4,905,506	83,081,620	16.94
Changes 2009:									
Apr 29, 2009				-195,264	2,962,739	15.17			
Dec 31, 2009	4,689,506	79,781,170	17.01	20,736	337,711	16.29	4,710,242	80,118,881	17.01

SHAREHOLDINGS ON DEC 31, 2009 BY NUMBER OF SHARES

Number of shares	Number of owners	Percentage of owners	Number of shares	Percentage of shares
1 – 10	438	1.96	3,249	0.00
11 – 100	5,809	26.05	368,130	0.14
101 – 1,000	11,671	52.33	4,637,414	1.79
1,001 – 10,000	3,817	17.11	10,905,766	4.22
10,001 – 100,000	487	2.18	12,270,950	4.75
100,001 –	82	0.37	230,219,617	89.09
Total	**22,304**	**100.00**	**258,405,126**	**99.99**
Shares which have not been transferred to the paperless book entry system			21,744	0.01
Total			**258,426,870**	**100.00**

LARGEST SHAREHOLDERS ON DEC 31, 2009

		A-series	B-series	Total	% of shares	% of votes
1	**Herlin Antti**	35,280,804	16,532,588	51,813,392	20.05	61.42
	Holding Manutas Oy [1)]	27,142,296	13,248,972	40,391,268	15.63	47.34
	Security Trading Oy [2)]	8,138,508	2,445,640	10,584,148	4.10	13.94
	Herlin Antti	0	837,976	837,976	0.32	0.14
2	**Toshiba Elevator And Building Systems Corporation**	0	12,093,360	12,093,360	4.68	2.01
3	**D-sijoitus Oy**	0	8,735,964	8,735,964	3.38	1.45
4	**Mariatorp Oy**	0	8,500,000	8,500,000	3.29	1.41
5	**Wipunen varainhallinta Oy**	0	8,400,000	8,400,000	3.25	1.40
6	**KONE Foundation**	2,823,552	4,929,816	7,753,368	3.00	5.52
7	**Ilmarinen Mutual Pension Insurance Company**	0	6,965,143	6,965,143	2.70	1.16
8	**Finnish State Pension Fund**	0	1,889,256	1,889,256	0.73	0.31
9	**Varma Mutual Pension Insurance Company**	0	1,746,560	1,746,560	0.68	0.29
10	**Skagen Global Verdipapirfond**	0	1,401,315	1,401,315	0.54	0.23
	10 largest shareholders total	38,104,356	71,212,002	109,316,358	42.30	75.20
	Foreigners [3)]	0	111,250,888	111,250,888	43.00	18.50
	Repurchased own shares	0	4,710,242	4,710,242	1.80	0.78
	Others	0	33,149,382	33,149,382	12.90	5.52
Total		38,104,356	220,322,514	258,426,870	100.00	100.00

[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. Security Trading Oy totally owns 4,333,972 KONE Corporation's class B-shares, when taking into account 1,888,332 shares that were lent out in December 31, 2009.

[3)] Foreign ownership including foreign-owned shares registered by Finnish nominees.

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, 2009 is EUR 1,561,214,658.74 of which net profit from the financial year is EUR 181,888,247.92.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.6475 be paid on the outstanding 38,104,356 class A shares and EUR 0.65 on the outstanding 215,633,008 class B shares. Further the Board proposes an extra dividend of EUR 0.6475 to be paid on the outstanding 38,104,356 class A shares and EUR 0.65 on the outstanding 215,633,008 class B shares due to the centennial year 2010 of KONE, resulting in a total proposed dividend of 1.295 per class A share and 1.30 per class B share. The total amount of proposed dividends will be EUR 329,668,051.42. The dividend is proposed to paid on March 11, 2010.

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

Signatures for the financial statements

Helsinki, January 26, 2010

Antti Herlin

Sirkka Hämäläinen-Lindfors

Matti Alahuhta

Anne Brunila

Reino Hanhinen

Juhani Kaskeala

Sirpa Pietikäinen

Jussi Herlin

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, January 26, 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Niina Vilske
Authorised
Public Accountant

Heikki Lassila
Authorised
Public Accountant

Auditor's 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 2009. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows 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 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 and of the report of the Board of Directors, 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 and the report of the Board of Directors 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, 26 January 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Niina Vilske Authorised Public Accountant	Heikki Lassila 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, a corporate responsibility report, 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

Contact information

Ms Sophie Jolly
Vice President, Investor Relations
Tel. +358 (0)204 75 4534
Email: sophie.jolly@kone.com
Investors@kone.com

More information

The comprehensive investor relations pages can be found at www.kone.com

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Corporate governance, page 56
Information for shareholders, on report's front cover

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