



Annual Report 1999





Warsaw's tallest building, the 42-story Warsaw Trade Tower, features 16 KONE elevators with speeds up to 7 m/s and six escalators.



The new 37-story Oxford House office tower in Hong Kong is equipped with 16 KONE elevators with speeds up to 8 m/s and four escalators.



In co-operation with Toshiba, KONE is installing a total of 57 MonoSpace® elevators at new stations in Tokyo's subway system.

KONE escalators and autowalks provide up to 40% energy savings. They are the most environmentally friendly on the market.

Demand for modernization continued to develop well in the United States. Modernization of 9 elevators in the Prudential Center, Boston is one of KONE USA's recent jobs.

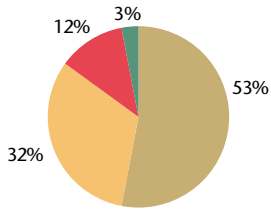


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Company Profile

Sales by Market



- Europe
- North America
- Asia-Pacific
- Other countries

KONE is one of the leading companies in the global elevator and escalator business. It consists of the Finnish parent company, KONE Corporation, and more than 150 subsidiaries worldwide in which the parent company's direct or indirect interest exceeded 50% at the end of 1999.

KONE Corporation was established in 1910. Its shares have been quoted on the Helsinki Stock Exchange since 1967.

KONE offers comprehensive services for the manufacture, installation, modernization and maintenance of elevators and escalators. KONE products are manufactured by integrated production units in Europe, North and South America and Asia. All around the world, KONE provides its customers with extensive installation and aftersales services.

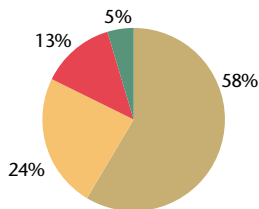
KONE's innovative products and comprehensive services are designed to increase the value and effectiveness of our customers' buildings. Customers include planners, developers, builders and owners of public and private facilities.

KONE's strength lies in powerful concentration on its core competence in elevators and escalators, the wide geographic coverage of its operations and strong presence wherever there is demand for the company's products and services. KONE's global organization combines worldwide product ranges and processes with uniform business practices that respect local conditions and requirements.

KONE's principal business values are reliability in products and services and quality in all operations. In order to increase its ability to serve customers anywhere in the world, KONE is increasingly involved in global alliances both with other companies in the same industry as well as with suppliers and business partners from other fields.

Through research and development projects currently underway, KONE is at the leading edge of development in the elevator and escalator industry. KONE has been a pioneer in introducing eco-efficient products that save energy directly or indirectly, which has gained the company worldwide recognition as an innovator and technological leader.

Employees by Market



- Europe
- North America
- Asia-Pacific
- Other countries

Highlights

- Strong improvement in sales and result
- Net debt reduced by more than EUR 100 million
- Deepening cooperation with Toshiba
- EcoDisc® success continues; orders top 20,000
- Performance-based maintenance wins market acceptance
- New era begins for escalator business
- Global harmonization becoming a reality
- Strong order book: basis for improving result in 2000

		1999	1998	Change %
Sales	mEUR*	2412	2082	16
Orders received	"	1723	1483	16
Order book as of 31 December	"	1492	1325	13
Operating income after depreciation	"	118	83	42
Income after financing items	"	111	72	54
Net income	"	58	36	61
Total assets	"	1580	1453	..
Earnings/share**	EUR	2.86	1.81 ¹⁾	58
Equity/share**	"	29.1	25.3 ¹⁾	..
Return on equity**	%	9.7	6.0	62
Return on capital employed**	"	14.9	11.5	30
Economic value added**	mEUR	39	4	..
Total equity/total assets**	"	37.4	35.7	..
Gearing**	"	8	25	..
Number of employees as of 31 December		22630	22692	..

*mEUR = millions of euros; EUR 1.00 = approx. US \$1.00 (as of 31 December, 1999).

**The principles of calculating key figures can be found on page 35.

¹⁾The share was split into three shares on 1 November, 1999; the figure for 1998 has been restated for comparison.

Board of Directors and Auditors



Pekka Herlin



Antti Herlin



Ilkka Herlin



Gerhard Wendt



Iiro Viinanen



Jean-Pierre Chauvarie

Pekka Herlin, 67

D.Sc. (Econ.) H.C.
Chairman, July 1996-
Chairman & CEO, 1987-June 1996
President & CEO, 1964-1986
Member of the Board, 1954-

Gerhard Wendt, 65

Ph.D.
President of KONE 1989-1994
Member of the Board, 1979-

Antti Herlin, 43

Deputy Chairman & CEO, July
1996-
Member of the Board, 1991-

Iiro Viinanen, 56

President, Chairman of the Boards,
Pohjola Insurance Company
Member of the Board, 1997-

Ilkka Herlin, 41

Ph.D.
Member of the Board, 1990-

Jean-Pierre Chauvarie, 64

President, 1999-
Deputy Member of the Board,
1999-

Permanent Committees

The Board of Directors has created two permanent committees. Deputy Board chairman and CEO Antti Herlin serves as chairman of both committees, and Board secretary Tapio Hakakari serves as secretary. During the year under review the committees met several times.

The Audit Committee directs and supervises KONE's internal auditing. In addition to the chairman and secretary, KONE Corporation's auditor, Liisa Mononen sits on the Audit Committee. Director of internal audit Urpo Paasovaara reports on audit results to the committee.

The Executive Resources Committee includes the chairman, secretary and consultant Urpo Kauranne. The committee's responsibilities include making decisions about senior management appointments and compensation.

Auditors

Liisa Mononen,
Authorized Public Accountant
SVH PricewaterhouseCoopers Oy,
Authorized Public Accountants

Deputies

Antti Helenius,
Authorized Public Accountant
Tauno Haataja,
Authorized Public Accountant

Corporate Executive Committee



(l-r): Cawén, Chartron, Mäkinen, Chauvarie, Herlin, Rajahalme, Kemppainen and Itävuori.

Antti Herlin

CEO

Jean-Pierre Chauvarie

President

Klaus Cawén

General Counsel & Acquisitions
Toshiba Alliance

Michel Chartron

Service Business
Area Director, Americas

Jussi Itävuori

Human Resources & Communication

Pekka Kemppainen

New Elevator Business
Technology

Heimo Mäkinen

Escalator Business
Area Director, Asia Pacific

Aimo Rajahalme

Finance

President's Message to Shareholders



Jean-Pierre Chauvarie
President

1999 was a good year for the global economy, thanks to a strong United States, an improving Europe and a recovering Asia. Global stock markets are at record-high levels. KONE, too, had a good year as reflected in nearly all year-end figures but especially in our financial result.

This is our third straight year of increasing profitability. We expect this trend to continue in 2000 because our performance is based on solid, steady improvement in many key areas.

Our turn-around in 1996 coincided with the introduction of KONE's revolutionary EcoDisc® and KONE MonoSpace® machine-room-less elevator concept in February of that year. By the end of 1999 we had sold 20,000 elevators powered by EcoDisc®, including 2500 to the demanding Japanese elevator market through our strategic alliance with Toshiba. With a four-year headstart on the competition, we are broadening the range of products so that customers with all kinds of elevating requirements can benefit from EcoDisc® energy, space efficiency, and environmental and performance advantages. Moreover, as volumes increase, we are achieving significant production cost savings.

EcoDisc® has catapulted KONE into a clear position of industry-wide leadership in innovation, and KONE MonoSpace® has set a new industry standard, but these are far from the only reasons we expect our improved performance to continue. In 2000 we will launch our first global standard escalator, which has been jointly developed by KONE and Toshiba, our alliance partner in Japan. The design, production and

service-friendly features of the KONE ECO3000™ will offer benefits to customers that are similar to those offered by MonoSpace® and MiniSpace® elevators.

Customer satisfaction surveys confirm that KONE is a reliable and dedicated service provider. We have over 450,000 elevators and escalators under maintenance contract, linked through a sophisticated network of remote monitoring, scheduling and dispatching. This network enables us to deliver service efficiently and reliably, and we are constantly developing our maintenance offerings to serve our customers even better.

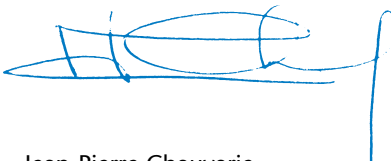
We have significantly restructured our supply lines. ECO3000™ escalators will be produced in new production facilities in Hattingen (Germany), Moline (USA) and Kunshan (China) as well as the Toshiba factory in Himeji (Japan). Our Pero (Italy) factory is turning out nearly 300 KONE MonoSpace® elevators a week. The year-old Kunshan factory is keeping pace with its ramp-up plans. The McKinney (USA) factory has been reorganized, and the role of the Hyvinkää (Finland) factory re-aligned with our core competencies in elevator design and supply and worldwide demand for special elevators.

Business process integration is proceeding with the implementation of the KONE Model in major KONE units. This tailored application of SAP R/3 software insures that local KONE companies in various parts of the world adhere to the same processes and procedures. This harmonization enables us to benefit from the combined power and resources of our global organization.

During 1999 we also launched a global effort to strengthen our KONE brand. Consistency in the use of a single KONE name and visual imagery is an outward reflection of the progress we have made in harmonizing our processes.

The cost of all these investments is heavy. An increasingly large portion of that cost is now behind us, and many of the projected benefits are coming on-line to enhance our operational and financial performance. In summary, we expect steady improvement in our financial result because of successful EcoDisc® product range extension, launch of our global ECO3000™ escalator, new maintenance offerings, restructuring and harmonization actions, and strengthening of the KONE brand.

I would like to take this opportunity to thank our dedicated KONE employees for their continued efforts to implement the changes mentioned above. The transformation is far from completed, but we have achieved a forward momentum that will support further improvements in 2000 and the years to come.



Jean-Pierre Chauvarie
President

Review by Market Area

Europe

General economic development was favorable in the European Economic Area, with growth being 3-5% in several EU countries. In Germany the rate of growth slowed slightly from 1998 to 1.5%.

Good economic development and a low level of interest rates boosted construction activity, particularly residential construction. In France residential construction was stimulated further by tax advantages, in Spain a record half a million new homes were completed in 1999, in Italy low interest rates and the easing of rent control increased residential construction, and in the United Kingdom more apartment building elevators were installed than in any other year during the 1990s.

The construction of office, hotel and commercial properties also developed favorably. In the UK the healthy trend in the construction of office buildings that began in 1997 is continuing. In France foreign investors have returned after a number of years to the growing office property market in the Paris metropolitan area. In Spain a growth in tourism is accelerating the building of new hotels and the expansion of old ones. In Italy new retail centers are rising at an increasing rate.

KONE's EcoDisc® technology solidified in Europe during 1999. Customers' awareness of the benefits of elevators powered by EcoDisc® has increased, leading to strong growth in sales of these elevators led especially by KONE MonoSpace®. In most EU countries, their share of all elevators sold by KONE companies exceeded 80%. In Europe as a whole over 8,000 elevators powered by EcoDisc® were sold during the year under review. The most significant order was for 43 elevators in the CitiGroup Tower to be built at London's Canary Wharf, where Europe's fastest (8.3 m/s) elevators will be installed. All the lifts in the building will use EcoDisc® hoisting machinery.

Orders of new equipment grew by about 7% from the previous year. The value of new elevator installations doubled in the UK. The largest project in the company's history, escalator and elevator deliveries for new underground stations on the Jubilee Line in London, was completed. Strong growth was also recorded in central European countries.

Modernization orders increased by 8% from the previous year. A boost in the demand for modernizations in France will come in 2000 from a significant reduction in the value-added tax levied on this kind of business. In Italy the government has set a time limit of one year to conduct safety inspections of existing elevators in accordance with EU Commission recommendations.

In service business, the new service concept involving automated remote monitoring of individual elevators was well received. Price competition continues to be intense.

In most European countries, construction activity is expected to continue growing in 2000 but, with the exception of southern Europe and Germany, at a slower rate than in the past couple of years. In France the ending of tax relief favoring residential construction may curtail building in this sector. Office construction is expected to continue to be robust in France, as in the UK. Good development prospects for the economy are overshadowed to some extent by inflationary pressure from rising oil prices and labor costs.

North and South America

Strong economic growth continued in the United States and construction activity increased by 9% from the 1998 figure. Growth is expected to continue at only a slightly lower level in 2000.

Demand for elevators and escalators remained strong in all business sectors. Elevators and escalators were ordered for office buildings, airport passenger terminals, sports arenas, mass transport facilities and public buildings. The value of orders received was around 10% higher than in 1998.

Growth of modernization orders was satisfactory. Most of the modernization orders in the year under review came from the private sector, including a third from service contract customers. The modernization order book will ultimately contribute over 500 units to the service business as warranties expire. The next development step for this business sector is the introduction of prefabricated modernization packages in the US market in 2000.

The mid-range EcoSystem MR (MiniSpace®) product family, based on the EcoDisc® hoisting machinery, was launched on the North American market in the year under review. In Texas the reorganization of operations at the McKinney production plant was completed. Early in 2000 a multi-shaft test tower will be completed at the plant to support product development activity. In the year under review an expansion of the Moline escalator plant was also completed. The new facilities will start production of KONE's new ECO3000™ escalator model in 2000.

Service business was affected by a strong movement to nationwide service contracts. KONE USA exploited this trend and enhanced its portfolio of national account customers in the health-care, office building and retail sectors. In the year under review, a national 24-hour call center opened at Moline.

In Canada strong economic growth continued and KONE Inc's new equipment orders sharply increased. The company has doubled its market share over an 18-month period. Positive development is also expected to continue in 2000.

Growth in the United States fueled the economic development of its southern neighbor Mexico. Construction activity was brisk, as a consequence of which deliveries and orders of both new elevators and modernizations grew strongly. Service business in Brazil developed favorably.

The United States' forecast for economic growth in 2000 is 2.5-3%, which is slightly slower growth than in 1999. However, construction may slow down if there is a rise in US interest rates. Demand for elevators and escalators is expected to continue at the same level as in 1999.

Asia-Pacific

The Asian market showed modest signs of recovery in 1999. KONE's orders increased by a third in the Asia-Pacific region. Growth was particularly strong in Taiwan, where orders more than doubled. Many new orders were also received in China. In Australia the strong growth of recent years leveled off.

The first full year of operations at the Kunshan factory, which opened in China the previous year, went according to plan. The locally-produced MonoSpace® and Minispace® elevators and the Transvario™ escalators have been well received, as repeat orders by many new customers demonstrate. Chinese construction activity is increasingly shifting to residential buildings from office buildings. KONE's local production is focused on the manufacture of space- and energy-saving MonoSpace® and MiniSpace® elevators, which are particularly suited to apartment blocks.

In the Japanese market, cooperation with Toshiba expanded according to plan. During the year under review, Toshiba sold over 2,500 Spacel™ elevators based on KONE EcoDisc® technology in Japan. Toshiba's rapid success, which represents around 10% of the Japanese elevator market, has pressured all its significant competitors to launch their own machine-room-less elevator solutions. In cooperation with Toshiba, 57 KONE MonoSpace® elevators are being installed in stations on Tokyo's new subway line, which will be completed in 2000. Cooperation was expanded to cover the development of high-speed elevators and escalator production.

A notable delivery in the Asia-Pacific region was the installation of elevators and escalators in the Oxford House office tower, developed in Hong Kong by Swire Properties. This delivery included the fastest-ever KONE elevators at 8 m/s. KONE is delivering high-speed elevators equipped with EcoDisc® hoisting-machine technology to another significant installation project that started in 1999, a 42-floor skyscraper in Sydney designed by the Italian architect Renzo Piano and developed by Lend Lease.

In India deliveries doubled but orders fell slightly from the previous year. In the year under review, KONE delivered elevators to India's highest building, Belvedere Court in Mumbai.

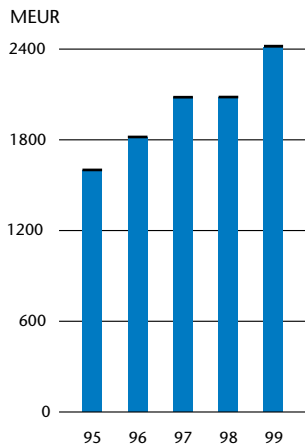
The market outlook in Asia is improving, but large differences between countries are evident. In 2000, important infrastructure projects are expected to start in India and China. In Taiwan the construction of shopping centers will remain active. In Australia the situation will normalize following strong demand created by the Sydney Olympic Games. KONE expects growth to continue in the Asia-Pacific region both in the new equipment and service business sectors.

Sales and Personnel by Country in 1999

	Sales		Number of employees	
	mEUR	%		%
USA	722	26.7	5,026	22.2
Germany	262	9.7	1,863	8.2
Italy	246	9.1	2,254	10.0
France	240	8.9	2,382	10.5
Finland	233	8.6	1,551	6.9
United Kingdom	183	6.8	1,175	5.2
Australia	98	3.6	804	3.6
Netherlands	95	3.5	722	3.2
Sweden	94	3.5	808	3.6
China	93	3.4	991	4.4
Austria	74	2.7	510	2.3
Canada	55	2.0	462	2.0
Belgium	54	2.0	599	2.6
Denmark	36	1.3	281	1.2
Taiwan	27	1.0	89	0.4
Spain	26	0.9	333	1.5
Norway	22	0.8	191	0.8
Brazil	21	0.8	393	1.7
Malaysia	18	0.7	112	0.5
Mexico	15	0.5	250	1.1
India	14	0.5	741	3.3
Singapore	11	0.4	101	0.4
Switzerland	10	0.4	36	0.2
Turkey	9	0.3	93	0.4
Japan	7	0.3	6	0.0
Czech Republic	5	0.2	140	0.6
South Africa	5	0.2	123	0.5
Venezuela	5	0.2	169	0.7
Philippines	5	0.2	89	0.4
Russia	5	0.2	216	1.0
Poland	5	0.2	35	0.2
Argentina	3	0.1	28	0.1
Hungary	1	0.0	16	0.1
Slovak Republic	1	0.0	41	0.2
Total	2,701	100.0	22,630	100.0
Intracorporate sales	(289)			
Corporate net sales	2,412			

Report on Operations

Sales

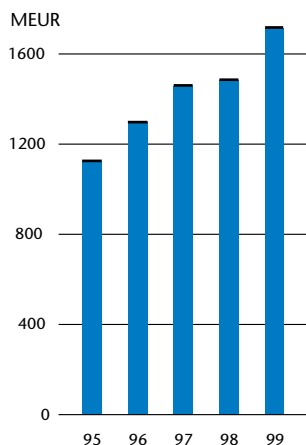


KONE's 89th year of operations was a successful one. Since the turn-around that occurred in 1997, profit development has taken a sharp upturn. Interim results for January-April and January-August 1999 improved by over 50% compared to the previous year, and development continued on the same trend in the final third of the year.

The strong profit development was influenced chiefly by new products and the reorganization of production and operations as well as by favorable market conditions in the group's main markets. The pretax result for the whole of 1999 improved by over 50% despite the fact that the group's development expenses were at a record high over the same period.

The value of net sales in the period under review was EUR 2,412 million (FIM 14,339 million) compared to EUR 2,082 million (FIM 12,381 million) a year earlier. When adjusted for changes in currency exchange rates, the increase from 1998 was 9%. Maintenance and modernization business accounted for 58% of net sales (1998: 61%) and new equipment 42% (1998: 39%).

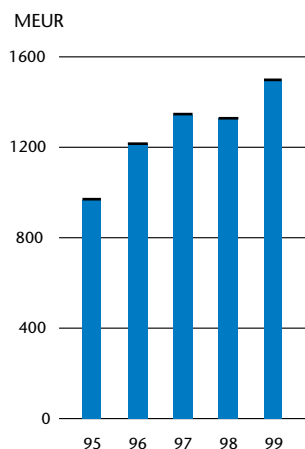
Orders received



The value of orders received, exclusive of maintenance business, totaled EUR 1,723 million (FIM 10,245 million) compared to EUR 1,483 million (FIM 8,818 million) a year earlier. When adjusted for changes in currency exchange rates, the increase from 1998 was 8%. The value of orders in hand, exclusive of maintenance business, was a record EUR 1,492 million (FIM 8.873 million) at the end of 1999, having stood at EUR 1,325 million (FIM 7,880 million) a year earlier.

KONE's operating profit for 1999 totaled EUR 117.7 million (FIM 700 million) compared to EUR 83.5 million (FIM 496 million) a year earlier. Income before extraordinary items and taxes improved 54% from the previous year, reaching EUR 111.3 million (FIM 662 million). Net income for the period under review was EUR 57.6 million (FIM 343 million) and earnings per share rose to EUR 2.86 (FIM 17.00), an improvement of 58%. KONE Corporation's Board of Directors proposes to the Annual General Meeting that a total of EUR 19.9 million (FIM 118.6 million) be made available for dividend distribution, and that a dividend of EUR 0.94 (FIM 5.59) per class A share and EUR 1.00 (FIM 5.95) per class B share be paid for 1999.

Order book



During the year under review, KONE continued with measures to increase internal and external harmonization of worldwide operations. As part of this process, a number of group company names were changed at the start of 2000. The more consistent use of the KONE name and symbols will externalize the strengthening of the group's internal cohesion. No changes were made to the group's structure itself during the year under review. Early in 2000 two service companies were acquired, in Vienna, Austria, and in Lyon, France.

The strategic alliance entered into with Toshiba of Japan in May 1998 was expanded during the year under review to include escalators and high-speed elevators. Moreover, by the end of 1999, Toshiba had sold over 2,500 elevators - 10% of Japan's total elevator market - based on KONE's MonoSpace® and EcoDisc® technology introduced to Japan in the latter part of 1998.

In October an Extraordinary Shareholders' Meeting of the parent company decided on amendments to the Articles of Association relating to share capital and shares, a capitalization issue relating to the change to the euro, and the splitting of each outstanding share into three shares. In January 2000, the Board of Directors of KONE Corporation proposed to the Annual General Meeting that convenes on 25

February 2000 that the Annual General Meeting grant to the Board of Directors the authority to repurchase the company's own shares with funds available for profit distribution.

The decisions of the Extraordinary Shareholders' Meeting and the Board of Directors' proposal to the Annual General Meeting 2000 are explained in greater detail on page 15.

Products and Markets

In early 1990s construction activity declined or stagnated both in North America and in Europe. The situation turned around in North America in 1996. The following year the decline halted in Europe, but this coincided with an economic crisis in Asia. During the last two years, construction activity has revived and started to grow in all of the group's main markets, and in 1999 even in Asia to some extent.

Concurrently with the improving market climate in Europe, KONE introduced in 1996-97 a new elevator family, at whose heart is the EcoDisc® hoisting machine, which has been described as the "elevator invention of the century". This hoisting machine solution introduced unbeatable energy-saving and environment-friendly features and led to the machine-room-less elevator. By the end of the year under review over 20,000 EcoDisc® elevators had been sold. Other elevator companies were still developing their own respective solutions.

Demand for elevators and escalators grew in nearly all of KONE's main markets. The exceptions to this general trend were northern Europe, the Middle East and Southeast Asia. Increased demand in central and southern Europe was particularly gratifying. Strong growth also continued in the United Kingdom and North America.

During the year under review, construction work began on three noteworthy skyscraper projects. The first high-speed elevators equipped with EcoDisc® hoisting machine technology will be installed in two of these projects: London's Citypoint Tower and Sydney's 88 Phillips Street Towers. The third important project under construction is Sydney's largest building, the 50-floor 2 Park Street Towers, in which KONE will install 50 elevators and escalators.

The largest elevator order during the year was received from Canary Wharf Developments in London for 43 high-speed elevators powered by EcoDisc® for the 43-floor CitiGroup Tower. The order includes Europe's fastest elevators, which travel at speeds of up to 8.3 m/s. An order for 22 elevators powered by EcoDisc® was also received for Merrill Lynch's new European headquarters in London.

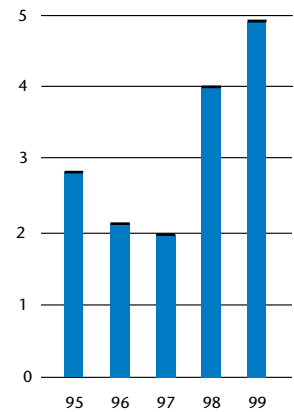
In Europe, and to an increasing extent in China, the majority of customers consists of builders of apartment blocks, while in other markets the focus is on commercial and leisure-time facilities as well as infrastructure construction. These deliveries often include both elevators and escalators. The complete integration of KONE's elevator and escalator organizations from the beginning of 2000 will enhance customer services in these projects.

There was a slight growth in demand for escalators and autowalks in Europe and North America, while in Asia growth was strong and demand returned to the level that preceded the economic crisis. In 2000 KONE will launch the new ECO3000™ escalator, which has been developed jointly by O&K Rolltreppen (now KONE GmbH), Montgomery KONE (now KONE Inc.) and Toshiba. This global product combines the best technical characteristics of escalators and the requirements of different market areas.

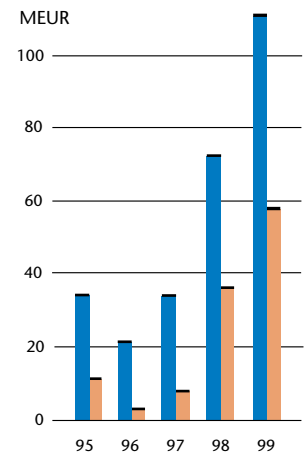
Demand for modernizations continued to develop favorably in Europe and Australia. Also in the United States the value of orders in 1999 exceeded the previous year's

Operating income after depreciation

(as % of turnover)



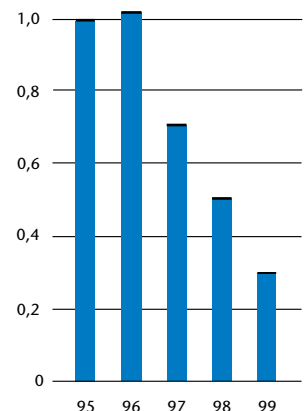
Financial result

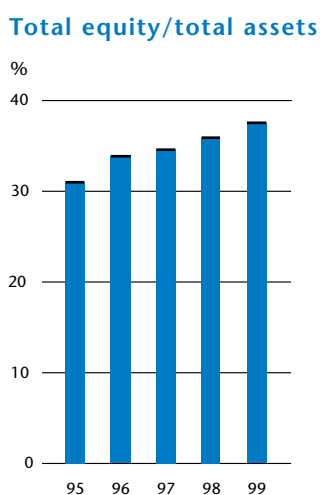
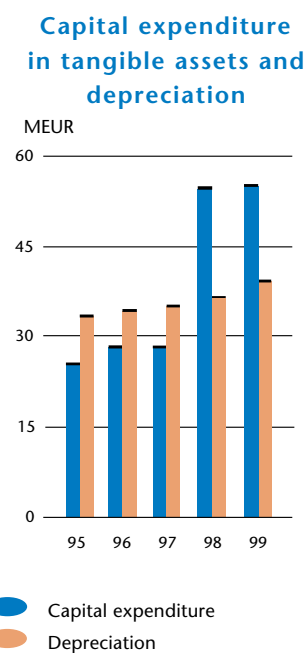
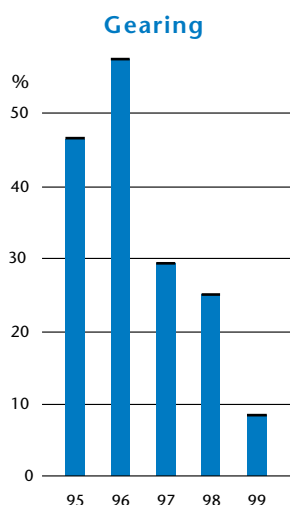


● Income after financing items
● Net income

Net interest paid

(as % of turnover)





level. The popularity of prefabricated packaged solutions is growing, impacting positively on the productivity of modernization operations. The steady increase in the value of service-book continued.

The situation and prospects in different markets are outlined in the "Review by Market Area" section, on pages 8-10 of this Annual Report.

Net Sales and Financial Result

Net sales for 1999 totaled EUR 2,412 million, a real increase of 9% from the previous year. The distribution of net sales by market area is shown in the table below and by country in the table on page 11. The latter table indicates that the net sales of the 15 largest countries account for more than 90% of the net sales of the entire group. Compared to the previous year, North America's and the Asia-Pacific region's shares of net sales increased.

Sales by Market Area

	1999		1998	
	mEUR	%	mEUR	%
Europe	1,293	53	1,186	57
North America	768	32	614	30
Asia-Pacific	284	12	194	9
Other	67	3	88	4
Total	2,412	100	2,082	100

The value of deliveries of new elevators and escalators in 1999 totaled EUR 1,009 million (FIM 5,997 million), representing an increase of 13% over 1998 when adjusted for changes in currency rates. There was growth in all market areas, with the highest relative increase occurring in the Asia-Pacific region, where sales rose by a third.

Sales from maintenance and modernization business totaled EUR 1,403 million (FIM 8,342 million), an improvement of 6% over 1998 when adjusted for changes in currency rates. Modernization activity expanded most in Germany, France and Canada. A new service concept launched during the year under review was well received among customers. Based on automated remote monitoring of the condition of individual elevators, the service improves customer care in maintenance operations as well as competitiveness and productivity.

The parent company, KONE Corporation, recorded net sales totaling EUR 277 million (FIM 1,645 million), in comparison with EUR 278 million (FIM 1,651 million) in 1998. The value of exports from Finland was EUR 150 million, compared to EUR 171 million the previous year.

KONE's 1999 pretax profit improved by 54% over the previous year. Operating profit totaled EUR 117.7 million (FIM 700 million) and income before extraordinary items and taxes stood at EUR 111.3 million (FIM 662 million). Net income was EUR 57.6 million (FIM 343 million). In 1999 earnings per share improved 58% to stand at EUR 2.86 (FIM 17.00), following a five-fold increase in 1998.

Besides a favorable market climate, the result improvement was influenced by good sales of EcoDisc® elevators and their growing share of new elevator installations. The fundamental reorganization of new elevator and escalator production and delivery processes, which was initiated in 1996 and mostly concluded in the year under review, was especially important. The increasing popularity of industrialized modernization packages has improved the profitability of modernization operations. The profitability of service business has been maintained through new service concepts despite price competition and rising labor costs.

Finance

Cash flow from operating activities developed very positively during the year under review. When adjusted for changes in currency exchange rates, net debt decreased by more than EUR 100 million (more than FIM 600 million) to end the year at EUR 48 million (FIM 284 million). The equity ratio further improved to 37% and gearing to 8%.

The introduction of the euro has simplified currency risk management. Production plants are situated within the euro and dollar zones, so the majority of deliveries are transacted in each plant's domestic currency. Currency exchange rate risks are mainly connected with export deliveries directed outside the euro zone. In accordance with the company's treasury policy, delivery agreements are hedged immediately when signed and covered by six-month currency needs for component deliveries. Loans taken by foreign subsidiaries are in each subsidiary's domestic currency. Risk related to the translation of foreign subsidiaries' assets and debts has been hedged so that changes in currency exchange rates do not affect the company's equity structure.

Shares and Profit Distribution

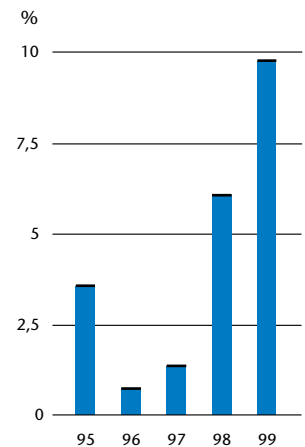
An Extraordinary Shareholders' Meeting of the parent company was held on 25 October 1999. At the meeting, amendments were made to paragraphs 3, 4 and 5 of the Articles of Association. The share capital was converted into euros and the par value of each share was set at three euros based on splitting each share into three. Each class B share was authorized a dividend of at least two percent and at most five percent higher than for a class A share, as calculated from the par value of the share. Approval was granted for owners of class A shares to make an unconditional claim for the conversion of their class A shares to class B shares at the ratio of 1:1. In accordance with the Articles of Association, the minimum share capital was set at EUR 54 million and the maximum share capital at EUR 216 million.

Regarding the change to the euro, the Annual General Meeting approved an increase of FIM 23,591,359.34 in the share capital by transferring a corresponding sum from the share premium account to share capital. The company's new euro-denominated share capital stands at EUR 60,463,620 after the increase. Because the Extraordinary Shareholders' Meeting approved the splitting of each share into three shares - each with a par value of 3 euros - there are now 20,154,540 shares outstanding, of which 3,484,941 are class A shares and 16,669,599 are class B shares. The split B shares began trading on the Helsinki Exchanges (HEX) on 1 November 1999.

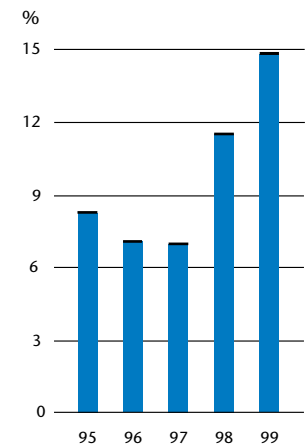
KONE's distributable equity stands at EUR 409.1 million. The parent company's non-restricted equity from previous years equals EUR 546.5 million and net income from 1999 EUR 208.5 million. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.94 (FIM 5.59) be paid for each class A share and EUR 1.00 (FIM 5.95) for each class B share from retained earnings. The date of record for dividend distribution is 1 March 2000 and dividends are proposed to be paid on 8 March 2000. If the Annual General Meeting on 25 February 2000 approves the Board of Directors' proposal on profit distribution, the dividends will total EUR 19.9 million (1998: EUR 12.2 million).

In January 2000, the Board of Directors of KONE Corporation proposed to the Annual General Meeting convening on 25 February 2000 that the Annual General Meeting grant to the Board of Directors the authority to repurchase the company's own shares with funds available for profit distribution. The total amount of shares to be repurchased is less than five percent of the company's total shares and votes. The Board of Directors also asked the Annual General Meeting for the authority to

Return on equity



Return on capital employed



decide to whom and in what order the company's own shares be transferred. Under the proposal, shares may be transferred as remuneration in company acquisitions or other transactions. Shares will be transferred at their market value at the moment of transfer, as determined by public trading at the Helsinki Exchanges (HEX).

Key figures pertaining to the Report on Operations as well as share and shareholder information can be found on pages 26 and 38.

Personnel

Jean-Pierre Chauvarie, formerly regional director, Europe, was elected president of KONE Corporation as of 2 February 1999. He has held numerous management positions in KONE since 1975.

The number of KONE employees at the end of 1999 was 22,630. A year earlier the comparable figure was 22,692. By geographical region, 58% worked in Europe, 24% in North America, 13% in the Asia-Pacific region and 5% in other countries.

By job category, 57% of KONE's employees worked in maintenance and modernization, 23% in new equipment sales and installation, 13% in manufacturing and 7% in administration or R&D.

The largest geographical concentration of staff was in the United States, with 5,026. The average number of employees during 1999 was 22,661 (1998: 22,596).

The training of personnel in connection with the streamlining of KONE's worldwide organization and the harmonization of business practices continued throughout the year under review. The commissioning of new products and working methods in different countries was supported by diverse technology training programs.

KONE's safety performance, as measured by the frequency rate of injuries, has improved by 44% since 1994. Five years ago the company set a target to reduce industrial injuries by half by the end of 1999. Since then accidents have been monitored with consistent indicators in all of the group's units. The ultimate goal is an accident-free working environment.

Capital Expenditure, Product Development and Development Programs

Capital expenditure in production facilities, field operations, information technology and data transmission totaled EUR 55 million (FIM 326 million). The distribution of capital expenditure was as follows: buildings EUR 9 million, machinery and equipment EUR 24 million, and information technology EUR 22 million. Capital expenditure in factory production decreased from the previous year, when a new elevator and escalator factory was built in China.

During 1999 the most noteworthy investment in production supported the reorganization of escalator manufacturing and the launch of a new escalator model. Completely new production lines were built at escalator factories in the United States and Germany. The new ECO3000™ escalator model, designed for department stores and other indoor premises, will be launched in the first half of 2000 as KONE's first global product. The same design will be manufactured in KONE escalator factories in the United States, Germany and China and in Toshiba's factory in Japan.

Product-development costs for the year rose to EUR 36 million (FIM 217 million). Elevator product-development activity continued to focus on large EcoDisc® hoisting machines. During 1998 KONE opened an underground test shaft that descends to a depth of 333 meters in Lohja, Finland. The shaft has provided an excellent setting for skyscraper elevator simulations and the development of high-speed elevator

equipment. The product-development achievements at Lohja during the year under review led to numerous orders for high-speed elevators powered by EcoDisc® exceeding 8 m/s. The capacity of the Hämeenlinna production unit that makes EcoDisc® hoisting machines was increased to meet anticipated greater demand.

During the year under review a large proportion of KONE's units adopted the company-wide SAP R/3 information systems and the KONE Model for operations. The harmonization of business practices and the information management system network that supports them will cover almost all of the company. This development project will continue for several years.

Outlook

Globalization and general trends of development will continue KONE's transformation into a more compact and coherent organization. This process will also be accelerated by globalization taking place among customers. Large real-estate investors, building designers and construction companies are operating across continental boundaries to an ever-increasing extent.

Cooperation with Toshiba of Japan, which began with the EcoDisc® elevator marketing agreement signed in 1998, has rewarded both parties. EcoDisc® elevators have met with exceptional success in Japan, achieving a 10% market share within a short space of time. Toshiba's position as a supplier of machine-room-less elevators is strengthening further.

During the year under review the company set up a number of working groups to discuss the broadening of cooperation between Toshiba and KONE. The manufacturing of an escalator product common to both companies will begin in 2000 at Toshiba's escalator factory in Japan as well as in KONE's escalator factories. Cooperation on high-speed elevators is expected to yield concrete results in 2000.

In Europe demand is expected to remain at roughly the same level as in the two previous years. Strong economic growth is also expected to continue in the United States, albeit at a slightly slower rate than in 1999. The Asian markets should recover with certain exceptions, while demand in Australia should stabilize. The Asia-Pacific region as a whole is expected to grow compared to the previous year.

During the last couple of years KONE has markedly improved its position in all major markets as a result of new, more competitive products and streamlined production, logistics and installation methods. In both the elevator and the escalator sectors, the company offers superior energy-saving and environment-friendly products on the world market. These features have been appreciated by the company's customers, as underscored by the growing order volumes for the company's new products. The value of the order book at the end of the year was a record EUR 1,492 million.

The prevailing trend on the world market is for economic development to continue on its positive path. As a result, market conditions in 2000 are expected to remain at least as good as in 1999. The perceived uncertainties are connected with changes in currency exchange rates, the price of oil, and the rise in interest rates and labor costs.

If there are no major changes in these uncertainty factors, demand of the company's products and profit development are expected to continue favorably in 2000. Given the size and quality of KONE's order book and the impact of operational development measures, the company is aiming for a significantly better result in 2000 than in the previous year.

Principles of consolidation

The consolidated accounts include the parent company and those companies in which the parent company held directly or indirectly more than 50 % of the voting power at the end of the year. Subsidiaries acquired during the financial year have been included in the consolidated financial statements from the date of acquisition. Holdings in housing and real estate companies whose consolidation is not relevant to providing a true and fair view of KONE's net income and financial position have not been included in the consolidated financial statements.

Investments in associated companies have been accounted for in the consolidated financial statements under the equity method. An associated company is a company in which the group holds 20-50 % of the voting power and has a participating interest of at least 20%.

Investments in other companies are stated at cost. The book value of investments has been reduced, where necessary, to estimated net realizable value.

Intracorporate transactions have been eliminated in the consolidated financial statements.

Intracorporate 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. The difference between a subsidiary's acquisition cost and its equity at the time of acquisition has been entered as goodwill. The value of elevator and escalator maintenance contracts acquired is also included as goodwill.

The KONE group's share of the profit or loss of an associated company is shown in the Consolidated Statement of Income as a separate item. The KONE group's share of the associated companies' shareholders' equity at the date of acquisition, adjusted by changes in the associated companies' equity after the date of acquisition, is shown in the Balance Sheet under "shares and participating interests".

In certain countries, tax legislation allows allocations to be made to untaxed reserves. These allocations are not subject to taxation on condition that the corresponding deductions have also been made in the accounts.

In the consolidated financial statements, the yearly allocations - reserves as well as the difference between the depreciation according to plan and depreciation accepted by tax laws - have been added to net income, excluding the change in the calculative deferred tax liability. The deferred tax liability is determined from the accumulation of untaxed reserves. The accumulation of untaxed reserves, excluding the calculative deferred tax liability, is included in the shareholders' equity in the Consolidated Balance Sheet.

Minority shares are shown as a separate item in the Consolidated Statement of Income and Balance Sheet. The minority share in the Statement of Income is calculated from the income before allocation to untaxed reserves but after taxes adjusted by the change in the calculative deferred tax liability. The minority share in the Balance Sheet is calculated from the sum of shareholders' equity and accumulation of untaxed reserves, of which the calculative deferred tax liability has been deducted.

The financial statements of foreign subsidiaries have been converted into Finnish markkas at the rates current on the last day of the year. Translation differences resulting from translation of assets and liabilities in the financial statements of foreign subsidiaries have been included as a separate item under shareholders' equity.

Foreign currency items

Foreign exchange items and derivatives made to cover foreign exchange and interest rate risks have been valued at the December 31st rates. The changes in value of foreign currency items have been included in the Statement of Income as interest or exchange rate differences according to the periodizing of the hedged item. Exchange rate differences resulting from derivatives and loans intended as hedges on assets and liabilities in foreign subsidiaries have been entered as translation differences under shareholders' equity.

Debiting principle

The sale of products is debited at the time when they have been handed over to the customer and the sale of services when they have been carried out.

Research and development costs

Research and development costs are charged to income during the year in which they are incurred.

Pension settlements and costs

Pensions are generally handled for KONE companies by outside pension insurance companies. Pension costs and changes in pension obligations are charged to the Statement of Income.

Leasing

Leasing charges are entered as rental costs in the Statement of Income. Remaining leasing contract charges are entered in section 18 of Notes on the Consolidated Financial Statements under "Contingent liabilities and pledged assets". Leasing contract conditions do not differ from normal conditions.

Extraordinary items

One-time items of significance that arise from other than ordinary activities are shown under "Extraordinary items".

Taxes

The provision for income taxes includes current income taxes payable according to local tax regulations as well as changes in deferred taxes using current tax rates in accordance with the new accounting legislation. All potential deferred tax liabilities are reported, but as a prudent measure only those deferred tax assets which seem certain to be realized are stated. Taxes also include dividend-related taxes and taxes from previous years.

Valuation and depreciation of fixed assets

Fixed assets are stated at cost. In addition, certain land and buildings can be stated at revalued amounts. These values are regularly reviewed. A predetermined plan is used in carrying out depreciation of fixed assets. Depreciation is based on the estimated useful economic life of various assets as follows:

- Buildings	5-40 years
- Machinery and equipment	4-10 years
- Goodwill	5-20 years
- Other long-term expenses	4- 5 years

Depreciation of goodwill is generally carried out over five years. When considerable goodwill is created by the acquisition of a subsidiary or creation of an associated company which results in KONE's acquiring significant market share, the depreciation period can be greater than five but no more than twenty years.

Inventories

Inventories are valued at no more than the likely sales price according to FIFO principles. Raw materials and supplies, however, are valued at standard costs. Semi-manufactures have been valued at variable production costs. Work in progress includes direct labor and material costs as of 31st December, as well as a proportion of indirect costs related to production and installation of orders included in work in progress.

Provision for liabilities and charges

Future expenses to which companies have committed themselves and which will produce no future income are charged against income as a provision for liabilities and charges. The same concerns those future losses which seem certain to be realized.

Consolidated Statement of Income

EUR '000		1999	%	1998	%
Sales		2,411,654		2,082,343	
Costs and expenses	Note 1	(2,215,756)		(1,920,586)	
Depreciation	Note 2	(78,208)		(78,278)	
Operating Income		117,690	4.9	83,479	4.0
Share of associated companies' net income		1,706		775	
Financing income and expenses	Note 3	(8,127)		(11,759)	
Income after Financing Items		111,269	4.6	72,495	3.5
Extraordinary items		-		-	
Income before Taxes		111,269	4.6	72,495	3.5
Taxes	Note 4	(57,356)		(41,290)	
Minority share		3,695		5,268	
Net Income		57,608	2.4	36,473	1.8

Consolidated Balance Sheet

Assets EUR '000		31/12/1999	31/12/1998
Fixed Assets and Other Long-term Investments			
Intangible assets			
Goodwill	Note 5	335,328	341,725
Other long-term expenditures	Note 6	16,477	16,633
		351,805	358,358
Tangible assets			
Land	Note 7	19,290	25,271
Buildings	Note 8	118,340	117,501
Machinery and equipment	Note 9	94,057	79,809
Advance payments		3,934	2,974
		235,621	225,555
Investments			
Shares and participating interests	Notes 10, 21	12,373	12,178
Total Fixed Assets and Other Long-term Investments	599,798	596,091	
Current Assets			
Inventories			
Raw materials, supplies and semi-manufactured goods		75,977	72,700
Work in progress		417,031	408,544
Advance payments		3,138	5,454
Advance payments received		(335,778)	(330,865)
		160,368	155,833
Receivables			
Accounts receivable		481,881	440,673
Loans receivable		7,008	5,116
Other receivables		5,711	8,250
Deferred assets		183,132	145,923
	Note 11	677,732	599,962
Short-term investments	Note 12	85,910	77,312
Cash and bank		56,333	24,035
		142,243	101,347
Total Current Assets		980,343	857,142
Total Assets		1,580,141	1,453,233

Shareholders' Equity and Liabilities EUR '000		31/12/1999	31/12/1998
Shareholders' Equity			
Share capital		60,464	56,496
Share premium account		95,966	99,934
Legal reserves		4,459	4,459
Translation differences		(9,377)	(40,066)
Retained earnings		379,811	355,571
Net income		57,608	36,473
	Note 13	588,931	512,867
Minority Shares			
		2,385	6,151
Provision for Liabilities and Charges	Note 14	190,865	171,386
Debt			
Deferred Tax Liability	Note 15	27,131	19,151
Long-term debt			
Loans from financial institutions	Note 16	102,086	78,356
Current liabilities			
Loans from financial institutions		26,779	26,269
Accounts payable		127,059	129,476
Accruals		446,886	378,524
Other current liabilities		68,019	131,053
		668,743	665,322
Total Debt		797,960	762,829
Total Shareholders' Equity and Liabilities		1,580,141	1,453,233

Consolidated Statement of Cash Flows

EUR million	1999	1998
Cash receipt from customers	2,370.3	2,115.8
Cash paid to suppliers and employees	(2,135.5)	(1,974.2)
Cash flow from financial items	(11.3)	(10.4)
Cash flow from taxes and other items	(60.0)	(48.4)
Cash Flow from Operating Activities	163.4	82.8
Capital expenditure	(54.2)	(63.9)
Proceeds from sale of fixed assets	3.4	5.4
Fixed assets of new subsidiaries	0.0	(0.3)
Cash Flow from Investing Activities	(50.8)	(58.8)
Cash Flow after Investing Activities	112.6	24.0
Change in current creditors, net	(85.1)	(14.3)
Change in long-term debt, net	17.5	(30.6)
Dividends paid	(12.3)	(11.1)
Other financing activities	(2.4)	6.9
Cash Flow from Financing Activities	(82.3)	(49.1)
Change in Net Cash	30.3	(25.1)
Cash and bank as of 31 December	56.3	24.1
Exchange difference	(1.9)	(1.6)
Cash and bank as of 1 January	24.1	50.8
Change in Net Cash	30.3	(25.1)
Reconciliation of Net Income to Cash Flow from Operating Activities		
Net Income	57.6	36.5
Depreciation	78.2	78.3
Minority interest	(3.7)	(5.2)
Income before Change in Working Capital	132.1	109.6
Change in receivables	(33.6)	(40.7)
Change in payables	56.2	61.0
Change in inventories	8.8	(47.1)
Cash Flow from Operating Activities	163.4	82.8

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

Consolidated Statement of Income

CONSOLIDATED STATEMENT OF INCOME (EUR million)

1. Cost and expenses

	1999	1998
Change of work in progress	36.8	(57.5)
Materials and supplies	607.7	588.0
External services	105.6	91.2
Salaries of boards of directors and managing directors	10.0	9.4
Wages and other salaries	674.9	598.3
Pension costs	104.2	99.2
Other personnel expenses	259.7	202.6
Other expenses	423.0	394.0
Other business income	(6.1)	(4.6)
Total	2,215.8	1,920.6

2. Depreciation

	1999	1998
Goodwill	34.6	37.4
Other long-term expenditures	4.4	5.3
Buildings	7.5	5.9
Machinery and equipment	31.7	29.6
Total	78.2	78.2

3. Financing income and expenses

	1999	1998
Dividends received	0.7	0.5
Interest received	8.1	7.0
Other financing income	0.0	0.0
Interest paid	(16.2)	(17.4)
Other financing expenses	(0.7)	(1.9)
Total	(8.1)	(11.8)

4. Taxes

	1999	1998
Revenue-based taxes	53.5	55.1
Change in deferred tax liabilities and assets	4.9	(13.8)
Tax credit on dividends	(1.1)	0.0
Total	57.3	41.3

CONSOLIDATED BALANCE SHEET (EUR million)

5. Goodwill

	1999	1998
Acquisition cost as of 1 January	624.5	585.3
Increase	0.1	11.0
Decrease	-	-
Accumulated depreciation	(289.2)	(254.6)
Total as of 31 December	335.4	341.7

6. Other long-term expenditures

	1999	1998
Acquisition cost as of 1 January	51.7	48.0
Increase	4.7	4.1
Decrease	(0.1)	0.0
Accumulated depreciation	(39.9)	(35.5)
Total as of 31 December	16.4	16.6

7. Land

	1999	1998
Acquisition cost as of 1 January	22.4	25.8
Accumulated revaluation	0.8	0.8
Increase	0.0	0.0
Decrease	(4.0)	(1.3)
Total as of 31 December	19.2	25.3

8. Buildings

	1999	1998
Acquisition cost as of 1 January	181.0	162.0
Accumulated revaluation	12.7	12.7
Increase	9.2	19.3
Decrease	(5.3)	(4.7)
Accumulated depreciation	(79.3)	(71.8)
Total as of 31 December	118.3	117.5

9. Machinery and equipment

	1999	1998
Acquisition cost as of 1 January	349.6	299.7
Increase	40.8	34.5
Decrease	(4.5)	(1.6)
Accumulated depreciation	(291.8)	(252.8)
Total as of 31 December	94.1	79.8

10. Shares and participating interests

	1999	1998
Total as of 1 January	10.2	10.5
Change in the share in associated companies	1.7	0.8
Increase	0.5	1.5
Decrease	0.0	(0.6)
Total as of 31 December	12.4	12.2

11. Receivables

Receivables falling due after one year:	1999	1998
Accounts receivable	2.9	1.2
Loans receivable	2.1	3.3
Total	5.0	4.5

Receivables from associated companies:	1999	1998
Accounts receivable	2.8	3.2
Loans receivable	4.1	1.7
Total	6.9	4.9

Deferred assets:	1999	1998
Income taxes and VAT	48.4	34.8
Deferred tax assets	73.0	64.0
Other	61.8	47.1
Total	183.2	145.9

12. Short-term investments

	1999	1998
Short-term deposits	46.0	53.5
Bonds	39.6	21.7
Other	0.3	2.1
Total	85.9	77.3

14. Provision for liabilities and charges

	1999	1998
Provision for guarantees	15.0	11.9
Provision for general and product liability claims	75.1	73.2
Provision for business reorganizing	11.1	14.7
Provision for loss contracts	20.0	20.4
Other provisions	69.5	51.2
Total	190.7	171.4

15. Deferred tax assets and liabilities

	1999	1998
Deferred tax assets		
Consolidation adjustments	14.3	12.4
Timing differences	58.7	51.6
Deferred tax assets, total	73.0	64.0
Deferred tax liabilities		
Consolidation adjustments	7.8	9.9
Timing differences	19.3	9.2
Total deferred tax liabilities	27.1	19.1

In the Consolidated Balance Sheet deferred tax liabilities have been presented as a separate category and deferred tax assets included in deferred assets.

13. Shareholders' equity and its changes

	Share capital	Share premium account	Legal reserves	Transl. diff.	Retained earnings	Net income for the year	Total equity
As of 1 January	56.5	99.9	4.5	(40.1)	392.0		512.9
Capitalization issue	4.0	(4.0)					0.0
Translation differences				30.7			30.7
Dividend					(12.2)		(12.2)
Net income for the year						57.6	57.6
As of 31 December	60.5	95.9	4.5	(9.4)	379.8	57.6	589.0

The accumulation of untaxed reserves, excluding the calculative deferred tax liability, is included in retained earnings and totaled EUR 18.9 million (1998: 22.8). Accumulated untaxed reserves are not distributable equity.

16. Long-term debt

Long-term debt falls due as follows:

	EUR million	%
2001	155.6	25.6
2002	34.9	5.8
2003	182.8	30.1
2004	34.0	5.6
Later	199.6	32.9

17. Current liabilities

Liabilities owed to associated companies

	1999	1998
Accounts payable	1.0	0.4
Other current liabilities	2.1	1.1
Total	3.1	1.5

Deferred liabilities	1999	1998
Accrued income taxes and VAT	89.8	75.7
Accrued salaries, wages and employment costs	117.0	126.5
Other deferred liabilities	240.1	176.3
Total	446.9	378.5

19. Derivatives

The value of contingent liability derivatives made to cover currency and interest risks was as follows:

	1999	1998
Forward contracts	213.6	234.0
Interest rate agreements	-	-
Currency options	68.2	93.9
Interest options	-	-
Currency swaps	32.4	49.3
Interest rate swaps	-	-
Total	314.2	377.2

18. Contingent liabilities and pledged assets

	Group		Parent company	
	1999	1998	1999	1998
Assets pledged to secure loans				
Group and parent company	2.3	5.2	1.7	2.0
Others	-	-	-	-
Pledged assets				
Group and parent company	50.2	36.6	-	-
Subsidiaries	-	-	30.5	30.5
Guarantees				
Subsidiaries	-	-	559.5	635.6
Associated companies	4.3	3.4	4.3	3.5
Others	7.7	6.7	1.4	2.0
Leasing liabilities				
Falling due in the next year	27.1	24.9	1.6	1.7
Falling due after one year	62.0	54.5	1.8	2.2
Total	153.6	131.3	600.8	677.5
Value of guaranteed debt	224.8	217.6	55.9	0.6
Book value of assets pledged	52.1	42.4	32.2	32.6

Five-year Summary in Figures 1995-1999

Consolidated Statement of Income	1999	1998	1997	1996	1995
Revenues, mEUR	2412	2082	2082	1818	1622
Sales outside Finland, mEUR	2324	2019	2021	1752	1560
Depreciation, mEUR	78	78	79	72	70
Operating income after depreciation, mEUR	118	83	42	38	46
as percentage of sales, %	4.9	4.0	2.0	2.1	2.8
Income after financing items, mEUR	111	72	34	21	34
as percentage of sales, %	4.6	3.5	1.6	1.1	2.1
Income before taxes, mEUR	111	72	34	21	31
as percentage of sales, %	4.6	3.5	1.6	1.1	1.9
Net income, mEUR	58	36	8	3	11
Consolidated Balance Sheet	1999	1998	1997	1996	1995
Fixed assets, mEUR	600	596	647	661	541
Inventories, mEUR	160	156	140	155	127
Receivables, cash and cash equivalents, mEUR	820	701	709	650	601
Shareholders' equity + minority shares, mEUR	591	519	517	493	391
Long-term debt, mEUR	102	78	113	175	173
Provisions and tax liability, mEUR	218	191	190	147	150
Current liabilities, mEUR	669	665	676	650	555
Total assets, mEUR	1580	1453	1496	1465	1268
Other Data	1999	1998	1997	1996	1995
Orders received, mEUR	1723	1483	1449	1291	1116
Order book, mEUR	1492	1325	1340	1215	966
Capital expenditure, mEUR	55	54	28	28	25
as percentage of sales, %	2.3	2.6	1.3	1.5	1.5
Expenditure for research and development, mEUR	36	30	29	25	24
as percentage of sales, %	1.5	1.5	1.4	1.4	1.5
Average number of employees	22661	22596	22153	21338	21211
Number of employees as of 31 December	22630	22692	22499	21806	20869
Key Ratios	1999	1998	1997	1996	1995
Return on equity, %	9.7	6.0	1.3	0.7	3.5
Return on capital employed, %	14.9	11.5	7.0	7.1	8.3
Total equity/total assets, %	37.4	35.7	34.6	33.7	30.8
Gearing, %	8	25	29	56	46
Key Figures per Share*	1999	1998	1997	1996	1995
Earnings per share, EUR	2.86	1.81	0.39	0.16	0.77
Equity per share, EUR	29.22	25.45	24.80	24.43	21.45
Dividend per class B share, EUR	1.00 ¹⁾	0.62	0.56	0.56	0.56
Dividend per class A share, EUR	0.94 ¹⁾	0.56	0.50	0.50	0.50
Dividend per earnings, class B share, %	35.0 ¹⁾	34.1	145.4	358.8	73.2
Dividend per earnings, class A share, %	32.9 ¹⁾	31.0	130.9	322.9	65.9
Effective dividend yield, class B share, %	2.0 ¹⁾	1.9	1.5	2.0	2.8
Price per earnings, class B share	17	18	96	182	27
Market value of class B share, average, EUR	38	40	33	25	27
high, EUR	49	49	40	34	31
low, EUR	31	27	28	18	17
as of 31/12, EUR	49	33	37	28	20
Market capitalization as of 31/12, mEUR	986	667	746	574	369
Number of class B shares traded, '000	3291	3337	3285	5000	4527
Class B share traded, %	19.7	20.0	19.7	31.6	30.2
Average number of class A shares, '000	3485	3485	3485	3309	3135
Number of class A shares as of 31/12, '000	3485	3485	3485	3485	3135
Average number of class B shares, '000	16670	16670	16670	15837	15003
Number of class B shares as of 31/12, '000	16670	16670	16670	16670	15003

*The share was split into three shares on 1 November, 1999.

¹⁾ Board's proposal

The principles of calculating key figures can be found on page 35.

Parent Company: Statement of Income

EUR '000		1999	%	1998	%
Sales	Note 1	276,745		277,705	
Change of work in progress		(2,621)		399	
Cost and expenses	Note 2	(265,672)		(259,227)	
Depreciation	Note 3	(7,646)		(7,821)	
Operating income		806	0.3	11,056	4.0
Financing income and expenses	Note 4	210,933		22,974	
Income after financing items		211,739	76.5	34,030	12.3
Extraordinary items	Note 5	1,705		2,197	
Income before taxes and allocations		213,444	77.1	36,227	13.0
Depreciation difference	Note 6	1,379		(3,571)	
Taxes		(6,302)		(11,454)	
Net income		208,521	75.3	21,202	7.6

Parent Company: Balance Sheet

Assets EUR '000		31/12/1999	31/12/1998
Fixed assets and other long-term investments			
Intangible assets			
Intangibles	Note 7	16,923	19,726
Other long-term expenditures	Note 8	1,484	986
		18,407	20,712
Tangible assets			
Land	Note 9	1,526	1,528
Buildings	Note 10	18,275	18,870
Machinery and equipment	Note 11	12,518	10,716
		32,319	31,114
Investments			
Shares in subsidiaries	Note 12	524,092	523,847
Other stocks and shares	Notes 13, 21	4,098	5,295
		528,190	529,142
Total fixed assets and other long-term investments		578,916	580,968
Current assets			
Inventories			
Raw materials and supplies		6,881	6,235
Work in progress		32,328	34,949
Advance payments		36	1,364
		39,245	42,548
Receivables			
	Note 14		
Accounts receivable		64,651	66,832
Loans receivable		398,287	318,255
Deferred assets		21,995	8,284
		484,933	393,371
Short-term investments			
	Note 15	54,780	33,902
Cash and bank		1,912	1,478
		56,692	35,380
Total current assets		580,870	471,299
Total assets		1,159,786	1,052,267

Shareholders' equity and liabilities EUR '000		31/12/1999	31/12/1998
Shareholders' equity			
Share capital		60,464	56,496
Share premium account		95,966	99,934
Retained earnings		546,480	537,511
Net income		208,521	21,202
	Note 16	911,431	715,143
Untaxed reserves	Note 17	5,239	6,618
Provision for liabilities and charges	Note 18	9,846	5,322
Liabilities			
Long-term debt	Note 19		
Loans from financial institutions	Note 20	52,344	875
Current liabilities			
Loans from financial institutions		8,237	2,039
Advances received		24,523	20,147
Accounts payable		26,431	29,375
Other current liabilities		91,212	46,738
Accruals		30,523	226,010
		180,926	324,309
Total debt		233,270	325,184
Total shareholders' equity and liabilities		1,159,786	1,052,267

Parent Company: Statement of Cash Flows

EUR million	1999	1998
Cash receipt from customers	282.7	262.9
Cash paid to suppliers and employees	(268.6)	(247.6)
Cash flow from financial items	205.2	21.5
Cash flow from taxes and other items	(14.3)	7.4
Cash flow from operating activities	205.0	44.2
Capital expenditure	(199.6)	(8.1)
Proceeds from sale of fixed assets	6.1	29.3
Cash flow from investing activities	(193.5)	21.2
Cash flow after investing activities	11.5	65.4
Change in current creditors (net)	50.6	0.8
Change in long-term debt (net)	51.5	(43.7)
Dividends paid	(12.3)	(11.1)
Other financing activities	(100.9)	(11.6)
Cash flow from financing activities	(11.1)	(65.6)
Change in net cash	0.4	(0.2)
Cash and bank as of 31 December	1.9	1.5
Cash and bank as of 1 January	1.5	1.7
Change in net cash	0.4	(0.2)
Reconciliation of net income to cash flow from operating activities		
Net income	208.5	21.2
Depreciation	7.6	7.8
Other adjustments	(4.5)	(3.0)
Income before change in working capital	211.6	26.0
Change in receivables	(10.8)	17.7
Change in payables	2.2	1.0
Change in inventories	2.0	(0.5)
Cash flow from operating activities	205.0	44.2

Notes on the Parent Company Financial Statement

STATEMENT OF INCOME (EUR million)

1. Sales

Sales to subsidiaries totaled EUR 152.3 million (1998: 147.9) corresponding to a share of 55% (1998: 53.3%) of net sales.

2. Cost and Expenses

Cost and expenses were spread as follows:

	1999	1998
Materials and supplies	97.8	96.7
External services	37.6	32.2
Salaries of board of directors and managing director	1.0	0.7
Wages and other salaries	45.3	41.9
Pension expenses	7.9	7.0
Other personnel expenses including vacation pay	16.1	15.2
Other expenses	67.6	71.9
Other business income	(7.5)	(6.3)
Total	265.8	259.3

The average number of employees was 1612 (1998: 1664).

3. Depreciation

	1999	1998
Intangible assets	2.7	2.8
Other long-term expenditures	0.4	0.3
Buildings	0.5	0.6
Machinery and equipment	3.9	4.1
Total	7.6	7.8

4. Financing Income and Expenses

	1999	1998
Dividends received from subsidiaries	196.5	13.5
Other dividends received	3.9	0.3
Interest received from subsidiaries	15.3	13.1
Other interest received	2.2	2.3
Interest paid to subsidiaries	(3.0)	(2.5)
Other interest paid	(4.9)	(4.5)
Other financing income and expenses	0.8	0.7
Total	210.8	22.9

5. Extraordinary Items

	1999	1998
Gains/losses from sale of shares in subsidiaries	-	0.6
Group contributions received	2.2	1.6
Group contributions granted	(0.5)	0.0
Total	1.7	2.2

6. Depreciation Difference

	1999	1998
Other long-term expenditures	(0.1)	0.0
Buildings	0.2	(5.8)
Machinery and equipment	1.3	2.3
Total	1.4	(3.5)

BALANCE SHEET (EUR million)

7. Intangible Assets

	1999	1998
Acquisition cost as of 1 January	28.0	28.0
Accumulated depreciation	(11.1)	(8.3)
Total as of 31 December	16.9	19.7

8. Other Long-term Expenditures

	1999	1998
Acquisition cost as of 1 January	2.3	1.9
Increase	0.9	0.6
Accumulated depreciation	(1.7)	(1.5)
Total as of 31 December	1.5	1.0

9. Land

	1999	1998
Acquisition cost as of 1 January	0.7	0.7
Accumulated revaluation	0.8	0.8
Total as of 31 December	1.5	1.5

10. Buildings

	1999	1998
Acquisition cost as of 1 January	14.2	15.6
Accumulated revaluation	11.7	11.7
Increase	0.1	0.0
Decrease	(0.2)	0.0
Accumulated depreciation	(7.5)	(8.4)
Total as of 31 December	18.3	18.9

11. Machinery and Equipment

	1999	1998
Acquisition cost as of 1 January	43.1	55.1
Increase	6.0	3.1
Decrease	(0.3)	(0.6)
Accumulated depreciation	(36.3)	(46.9)
Total as of 31 December	12.5	10.7

12. Shares in Subsidiaries

	1999	1998
Total as of 1 January	523.8	353.3
Increase	0.7	195.7
Decrease	(0.4)	(25.1)
Total as of 31 December	524.1	523.9

13. Other Stocks and Shares

	1999	1998
Total as of 1 January	5.3	4.7
Increase	0.1	1.2
Decrease	(1.3)	(0.6)
Total as of 31 December	4.1	5.3

14. Receivables

Receivables falling due after one year:	1999	1998
Loans receivable	1.7	1.9

Receivables from group companies:	1999	1998
Accounts receivable	45.1	47.3
Loans receivable	368.0	315.1
Advance payments	-	0.1
Deferred assets	7.7	3.8
Total	420.8	366.2

Receivables from associated companies:

	1999	1998
Accounts receivable	2.7	2.7
Loans receivable	3.6	1.1
Total	6.3	3.8

Deferred assets:	1999	1998
Corporate income taxes	0.3	1.1
Interest receivable	1.0	0.1
Receivables from subsidiaries	7.7	3.8
Other deferred assets	13.0	3.3
Total	22.0	8.2

15. Short-term Investments

	1999	1998
Short-term deposits	34.9	33.9
Other investments	19.9	0.0
Total	54.8	33.9

16. Shareholders' Equity and Its Changes

	Share capital	Share premium account	Retained earnings	Net income for the year	Total equity
As of 1 January	56.5	99.9	558.7		715.1
Capitalization issue	4.0	(4.0)			0.0
Dividend			(12.2)		(12.2)
Net income for the year				208.5	208.5
As of 31 December	60.5	95.9	546.5	208.5	911.4

17. Untaxed Reserves

	1999	1998
Cumulative depreciation differences	1999	1998
Intangible assets	(2.7)	(2.7)
Other long-term expenditures	0.4	0.3
Buildings	1.9	2.0
Machinery and equipment	5.7	7.0
Total	5.3	6.6

18. Provision for Liabilities and Charges

	1999	1998
Provision for guarantees	0.8	1.0
Other provisions	9.0	4.3
Total	9.8	5.3

19. Liabilities Owed to Group and Associated Companies

Liabilities owed to group companies:	1999	1998
Other long-term debt	88.4	44.3
Advances received	5.9	0.2
Accounts payable	10.1	14.3
Accruals	0.7	192.2
Total	105.1	251.0

Liabilities owed to associated companies:

	1999	1998
Advances received	0.2	0.5
Accounts payable	0.5	0.1
Total	0.7	0.6

Accruals:	1999	1998
Accrued income taxes	5.6	7.8
Accrued salaries, wages and employment costs	9.8	11.5
Accruals to subsidiaries	0.7	192.2
Other accruals	14.5	14.5
Total	30.6	226.0

20. Long-term debt

Long-term debt falling due after five years:

	1999	1998
Loans from financial institutions	29.1	-

21. Group Shares and Participations as of 31 December, 1999 (EUR '000)

SUBSIDIARIES

Company	Country	Book value	Shareholding (%)	
			Parent company	Group
KONÉ France S.A.	France	295,231	100.0	100.0
KONE Italia S.p.A.	Italy	230,850		100.0
Société Française des Ascenseurs KONÉ S.A.	France	191,635		99.9
KONE Holland B.V.	Netherlands	156,689	53.2	100.0
KONE GmbH	Germany	129,757		100.0
KONE Inc.	USA	121,899		100.0
KONE Holdings, Inc.	USA	90,380		100.0
KoMont Investment B.V.	Netherlands	72,437		100.0
KONE Elevators Pty Ltd.	Australia	68,448	30.0	100.0
KONE B.V.	Netherlands	52,698		100.0
Kone Finance Oy	Finland	51,464	100.0	100.0
KONE Elevadores S.A.	Spain	37,224	0.7	100.0
O & K Escalators Ltd	United Kingdom	30,828		100.0
Kone Liften B.V.	Netherlands	27,985		100.0
KONE Inc.	Canada	23,599		100.0
KONE (UK) Ltd.	United Kingdom	23,565	100.0	100.0
KONE Holding GmbH	Germany	20,892		100.0
KONE Elevator A/S	Denmark	20,885		100.0
KONE AB	Sweden	18,268	100.0	100.0
FHE Services, Inc.	USA	15,119		100.0
KONE Holdings (Australia) Limited	Australia	13,706		100.0
Bennie Lifts Ltd.	United Kingdom	12,221		100.0
KONE Holdings (Canada) Inc.	Canada	10,077	99.9	100.0
KONE Elevators Taiwan Co., Ltd	Taiwan	9,516		100.0
KONE Elevators Co. Ltd.	China	9,436		54.0
Other subsidiaries, 150 companies		172,045		

ASSOCIATED COMPANIES

Company	Country	Book value	Shareholding (%)	
			Parent company	Group
KONE Indo Elevator	Indonesia	3,136		46.0
Ternitz Druckguss Ges.mbH	Austria	1,725		20.0
Fabrimetal S.A.	Chile	609	40.0	40.00
Marryat & Scott Egypt-SAE	Egypt	585	49.0	49.00
Shan on Engineering Company Ltd	China	354		30.0
Kone Garant Aufzug GmbH	Germany	338		49.0
Other associated companies, 10 companies		740		

OTHER STOCK AND SHARES

Company	Country	Book value	Shareholding (%)	
			Parent company	Group
Arabian Elevator & Escalator Co. Ltd	Saudi-Arabia	64	10.0	
Thai Lift Industries Public Co. Limited	Thailand	1,760		8.0
Housing and real estate companies held by the parent company, 22 companies		0		
Others		925		
		4,643		

A complete list of shares and participations as of 31 December, 1999, can be found in the KONE Corporation balance sheet book.

Calculation of Key Figures

Average Number of Employees	=	the average number of employees from the beginning to the end of the period under review
Return on Equity (%)	= 100 x	$\frac{\text{income after financing items - taxes}}{\text{equity + minority shares (average of the figures for the financial year)}}$
Return on Capital Employed (%)	= 100 x	$\frac{\text{income after financing items + interest + other financing costs}}{\text{total assets - non-interest-bearing-debt (average of the figures for the financial year)}}$
Total Equity/Total Assets (%)	= 100 x	$\frac{\text{shareholders' equity + minority shares}}{\text{total assets}}$
Gearing (%)	= 100x	$\frac{\text{interest-bearing-debt - liquid assets - loans receivable}}{\text{shareholders' equity + minority shares}}$
Earnings/Share	=	$\frac{\text{income after financing items - taxes - minority share}}{\text{average number of shares (issue adjusted)}}$
Dividend/Share	=	$\frac{\text{payable dividend for the accounting period}}{\text{number of shares (issue adjusted)}}$
Effective Dividend Yield (%)	= 100 x	$\frac{\text{dividend/share}}{\text{price of class B shares as of 31/12}}$
Dividend/Earnings (%)	= 100 x	$\frac{\text{dividend/share}}{\text{earnings/share}}$
Price/Earnings	=	$\frac{\text{price of class B shares as of 31/12}}{\text{earnings/share}}$
Average Price	=	$\frac{\text{total FIM value of all class B shares traded}}{\text{average number of class B shares traded during the accounting period}}$
Market Value of All Outstanding Shares	=	the number of shares at the end of the accounting period times the price of class B shares as of 31/12
Shares Traded (%)	=	$\frac{\text{number of class B shares traded}}{\text{average weighted number of class B shares}}$
Shares Traded	=	number of class B shares traded during the accounting period
Economic Value Added	=	operating income + goodwill depreciation - revenue-based taxes - WACC* x capital employed

*WACC=weighted average cost of capital

Board of Directors' Proposal to the Annual General Meeting

KONE's distributable equity as of 31 December, 1999 is EUR 409.1 million (FIM 2,432.6 million). The parent company's distributable equity on 31 December, 1999 is EUR 755,001,496.96 (FIM 4,489,035,050.46) of which net profit from the accounting period under review is EUR 208,521,452.49 (FIM 1,239,812,255.70).

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.94 be paid on the 3,484,941 class A shares and EUR 1.00 on the 16,669,599 class B shares, for a total of EUR 19,945,443.54 (FIM 118,590,222.02). The Board of Directors further proposes that the rest, EUR 735,056,053.41, (FIM 4,370,444,828.44) be retained and carried forward.

The Board proposes that the dividends be payable from 8 March, 2000.

Helsinki, 4 February, 2000

Pekka Herlin Antti Herlin
Ilkka Herlin Gerhard Wendt
Iiro Viinanen
Jean-Pierre Chauvarie
President

Auditors' Report

To the shareholders of Kone Corporation

We have audited the accounting, the financial statements and the corporate governance of Kone Corporation for the financial year 1999. The financial statements prepared by the Board of Directors and the Managing Director include, both for the group and the parent company, a report on operations, an income statement, a balance sheet and notes to the financial statements. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations relevant to the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and the parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial year audited by us. The proposal by the Board of Directors regarding the distributable profits is in compliance with the Companies' Act.

Helsinki, February 4, 2000

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Liisa Mononen
Authorised Public Accountant

Jukka Ala-Mello
Authorised Public Accountant

To Parent Company Shareholders

Annual General Meeting

The Annual General Meeting of KONE Corporation will be held at the Hotel Kalastajatorppa, Helsinki, on Friday, February 25, 2000 at 11:00 a.m.

Shareholders wishing to participate in the business of the meeting are to have their KONE shareholdings registered on the KONE shareholder list at Suomen Arvopaperikeskus Oy no later than 18 February, 2000 and notify the Head Office by telephone (+358 204 75 4215) or in writing (fax: +358 204 75 4309, address KONE Corporation, P.O. Box 8, FIN-00331 Helsinki) no later than 21 February, 2000.

A shareholder may attend and vote at the meeting in person or by proxy. However, in accordance with Finnish practice, the company does not send forms of proxy to its shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the company.

Payment of Dividends

The Board of Directors' proposal for distribution of profits can be found on page 36. Only those who have been registered as share owners at Suomen Arvopaperikeskus Oy by 1 March, 2000 date of record of dividend distribution are entitled to dividends. The date proposed by the Board of Directors for payment of dividends is 8 March, 2000.

Announcements to Shareholders

In accordance with the Articles of Association, announcements to shareholders are published in at least two daily Helsinki newspapers chosen by the Board of Directors.

Financial Reporting

KONE Corporation will publish the following financial reports during 2000:

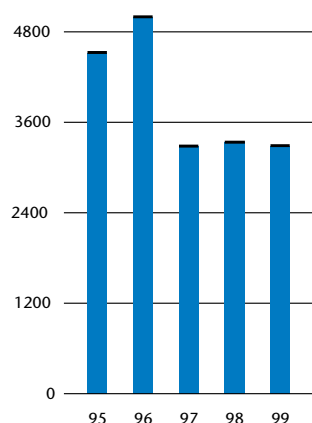
- Annual Report 1999 (in February-March 2000): in Finnish, Swedish, English, German and French.
- Interim Report (28 April) covering January-March, 2000 operations: in Finnish, Swedish and English.
- Interim Report (28 July) covering January-June, 2000 operations: in Finnish, Swedish and English.
- Interim Report (27 October) covering January-September, 2000 operations: in Finnish, Swedish and English.

These reports are mailed directly to all registered shareholders of the parent company.

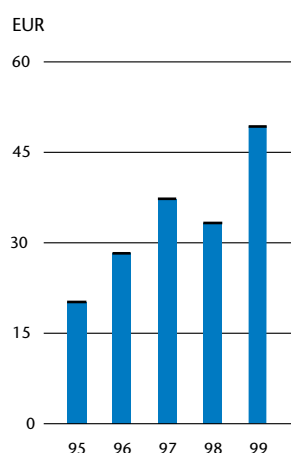
Parent Company Shares and Shareholders

Class B shares traded*

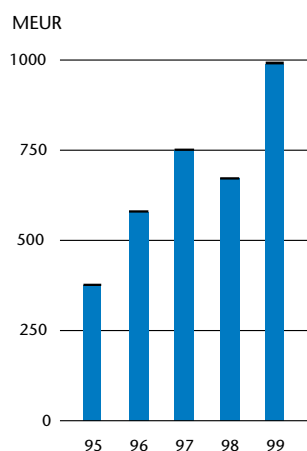
(in thousands)



Market value** of class B share



Market value** of all outstanding shares



Shares and Shareholders' Rights

As of 1 November, 1999, KONE's share was split into three shares, each with a par value of 3.00 euros. After the split and a capitalization issue of FIM 23,591,359.34, KONE's new share capital is EUR 60,463,620.-, consisting of 20,154,540 shares outstanding. Of those 3,484,941 are class A shares and 16,669,599 are publicly-quoted class B shares. Class A shares are not publicly quoted. Class A shares may be exchanged for class B shares at a ratio of one to one.

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. In accordance with the Articles of Association, class B shares are preferred for a dividend which is at least two percent and no more than five percent higher than the dividend paid to the holders of class A shares, calculated from the par value of the share.

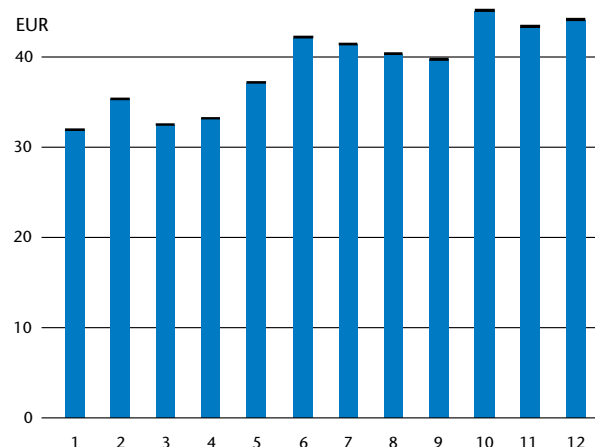
KONE Corporation's shares are part of a paperless book entry securities system. Change in share ownership is registered as soon as the stock market transaction takes place. Foreign-owned shares can be registered under the name of a Finnish nominee, but only shares registered in the owner's name entitle the owner to vote in shareholders' meetings.

Board Authority, Stock Options and Convertible Bonds and Repurchase of Own Shares

At the closing of the books for 1999, KONE's Board of Directors had no existing authority to raise share capital or to issue convertible bonds or stock options or to repurchase the company's own shares.

KONE Corporation had issued no stock options or convertible bonds before the closing of the 1999 books.

Average monthly market value of class B share*



* The share was split into three shares on 1 November, 1999

** At the Helsinki Stock Exchange market rate on 31 December.

Stock Exchange

KONE Corporation B shares are listed at the Helsinki Exchanges (HEX). During the year under review, 3,290,961 shares were traded, compared with 3,337,329 the previous year. Turnover from the trading totaled EUR 126 million in 1999 and EUR 134 million in 1998. The highest share price during the year, taking into account the three-way split of shares, was EUR 49.00, the lowest EUR 30.67 and the closing price on the last trading day was EUR 48.90.

KONE Corporation's insider guidelines have been renewed to correspond to the HEX Helsinki Exchanges new insider guidelines, which relate to listed companies' handling of insider affairs and insider trading.

Largest Shareholders as of 31 December, 1999

	Number of shares	% of shares	% of votes
Security Trading Oy	4,214,517	20.9	14.5
Holding Manutas Oy	2,299,488	11.4	43.8
Thyssen-Krupp AG	2,015,454	10.0	10.0
Pohjola Accident Insurance Company	658,530	3.3	1.3
The KONE Foundation	652,794	3.2	5.4
Pohjola Insurance Company	632,370	3.1	1.2
Ilmarinen Pension Insurance	608,160	3.0	1.2
Suomi Mutual Life Insurance Company	510,900	2.5	1.0
Pekka Herlin	364,737	1.8	5.7
Fed. of Finnish Metal, Engineering & Electro- technical Industries	221,700	1.1	0.4

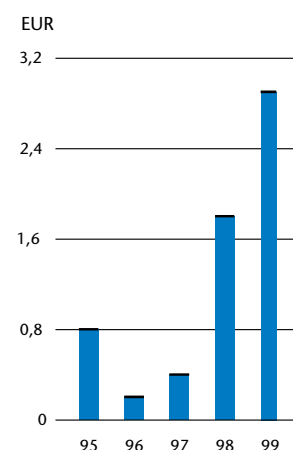
Foreign-owned Shares Held in the Name of Finnish Nominees

There were 4,435,126 foreign-owned shares (representing 22.0% of shares and 8.6% of votes) registered in the name of Finnish nominees.

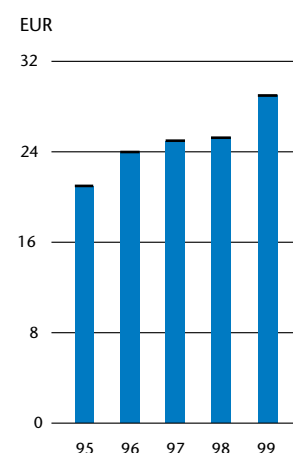
Shareholding by President and Members of the Board of Directors

KONE Corporation's president and members of the Board of Directors owned a total of 286,578 class A and 103,697 class B shares as of 31 December, 1999, representing 5.8% of votes.

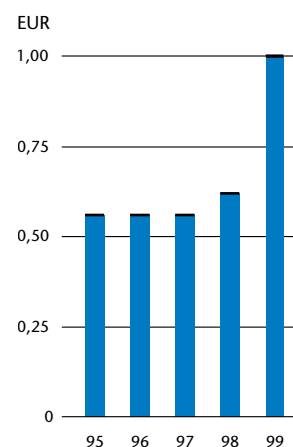
Earnings/share*



Equity/share*



Dividend/class B share*



* The share was split into three shares on 1 November, 1999.

Shareholdings in KONE Corporation as of 31 December, 1999

By number of shares

Shares	Number of owners	Percentage of owners	Number of shares	Percentage of shares
1-10	174	4.2	973	0.0
11-100	1,701	40.9	86,813	0.4
101-1000	1,890	45.5	614,689	3.0
1001-10,000	333	8.0	845,214	4.2
10,001-100,000	43	1.0	1,347,382	6.7
100,001-	16	0.4	12,822,096	63.6
Total	4,157	100.0	15,717,167	77.9

Foreign-owned shares registered by Finnish nominees

Shares which have not been transferred to the paperless book entry system			4,435,126	22.0
			2,247	0.1
Total			20,154,540	100.0

Shareholders by group

	Class A shares	Class B shares	Total
1. Companies	75.0	34.9	41.8
2. Foreign shareholders*	10.0	36.8	32.2
3. Financial institutions and insurance companies	0.0	9.3	7.7
4. Individuals	8.2	9.3	9.1
5. Public institutions	0.0	5.1	4.2
6. Non-profit organizations	6.8	4.6	5.0
	100.0	100.0	100.0

*Includes foreign-owned shares registered by Finnish nominees.

This Annual Report is available in English, French, German, Swedish and Finnish from: KONE Corporation, Corporate Communications, P.O. Box 8, FIN-00331 Helsinki, Finland. Tel. +358 204 75 4348. Fax +358 204 75 4515. E-mail: irma.laitinen@kone.com

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Citibank's new European Headquarters in the Canary Wharf section of London features 12 scenic KONE elevators.

Vertical traffic is served efficiently with 14 KONE elevators in the American Express Building in Frankfurt, Germany.



A development project worth nearly one billion dollars, Mandalay Bay Resort & Casino, was opened in Las Vegas, USA. KONE provided the 3700-room resort with 15 escalators.



KONE is pioneering a maintenance concept that is based on equipment usage and performance guarantees rather than on the number of service visits.



The new office building of the French electricity company, Electricité de France, is equipped with a total of 50 KONE elevators.

