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KONE 2005, FINANCIAL REVIEW

27 January, 2006

Matti Alahuhta, President

Strategy



KONE gives a performance edge to its customers with innovative services and solutions.

Simultaneously, KONE's products and services are cost-competitive and its processes characterized by globally aligned operational excellence.

Highlights of the Year 2005 (Pro Forma)

- Strong sales totaled EUR 3,242 million, growth evenly distributed by market areas
- Operating income* increased to EUR 272 million, 8,4 % of net sales
- Strong Cash Flow (before financial items and taxes) EUR 329.4 million
- Dividend proposal EUR 1.00 per class B share for the accounting period 1 June–31 December, 2005

* Excluding the MEUR 89.2 provision for the development and restructuring program

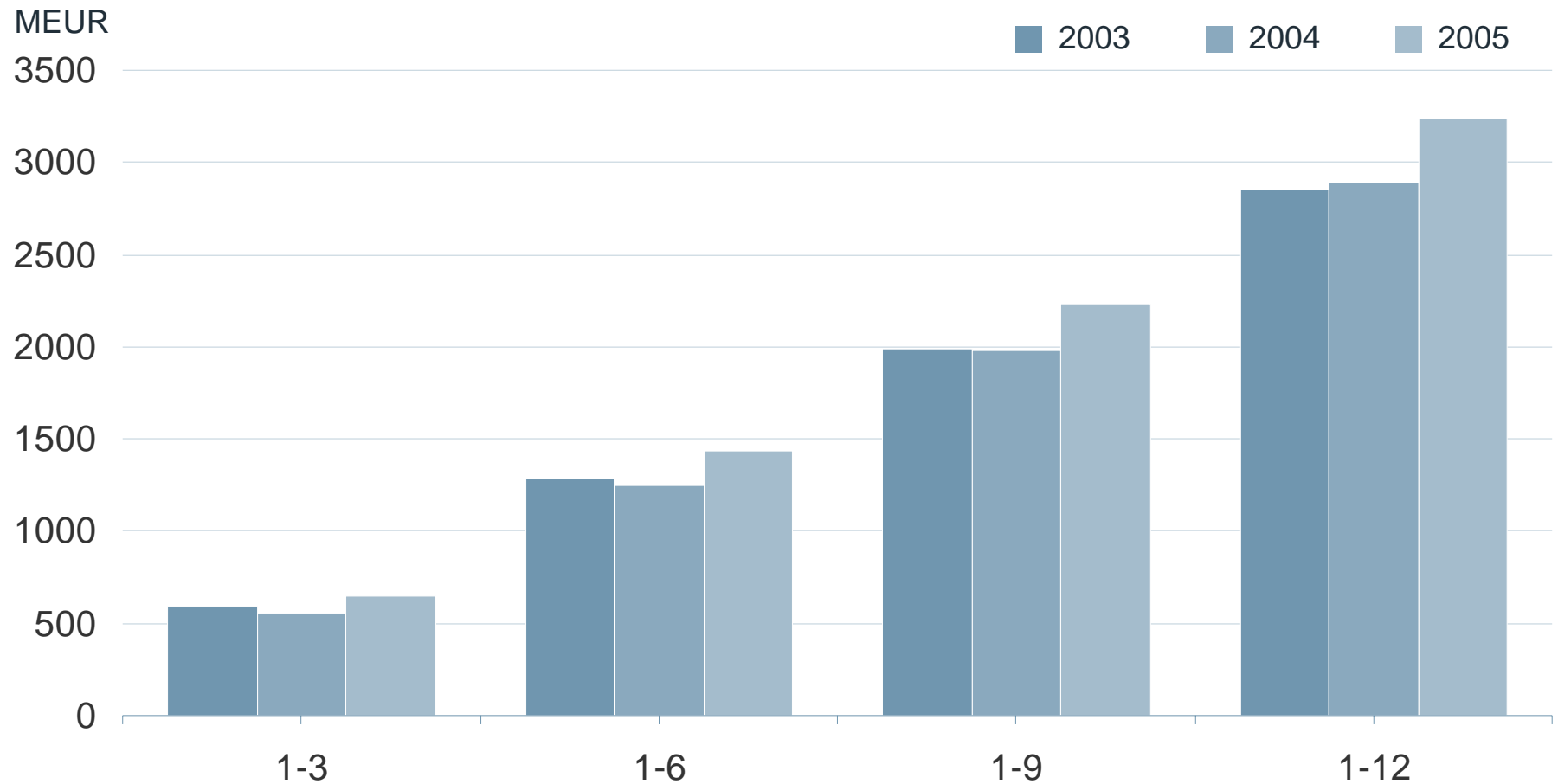
2005 Q4 Pro Forma Review

- Strong performance: order and sales growth

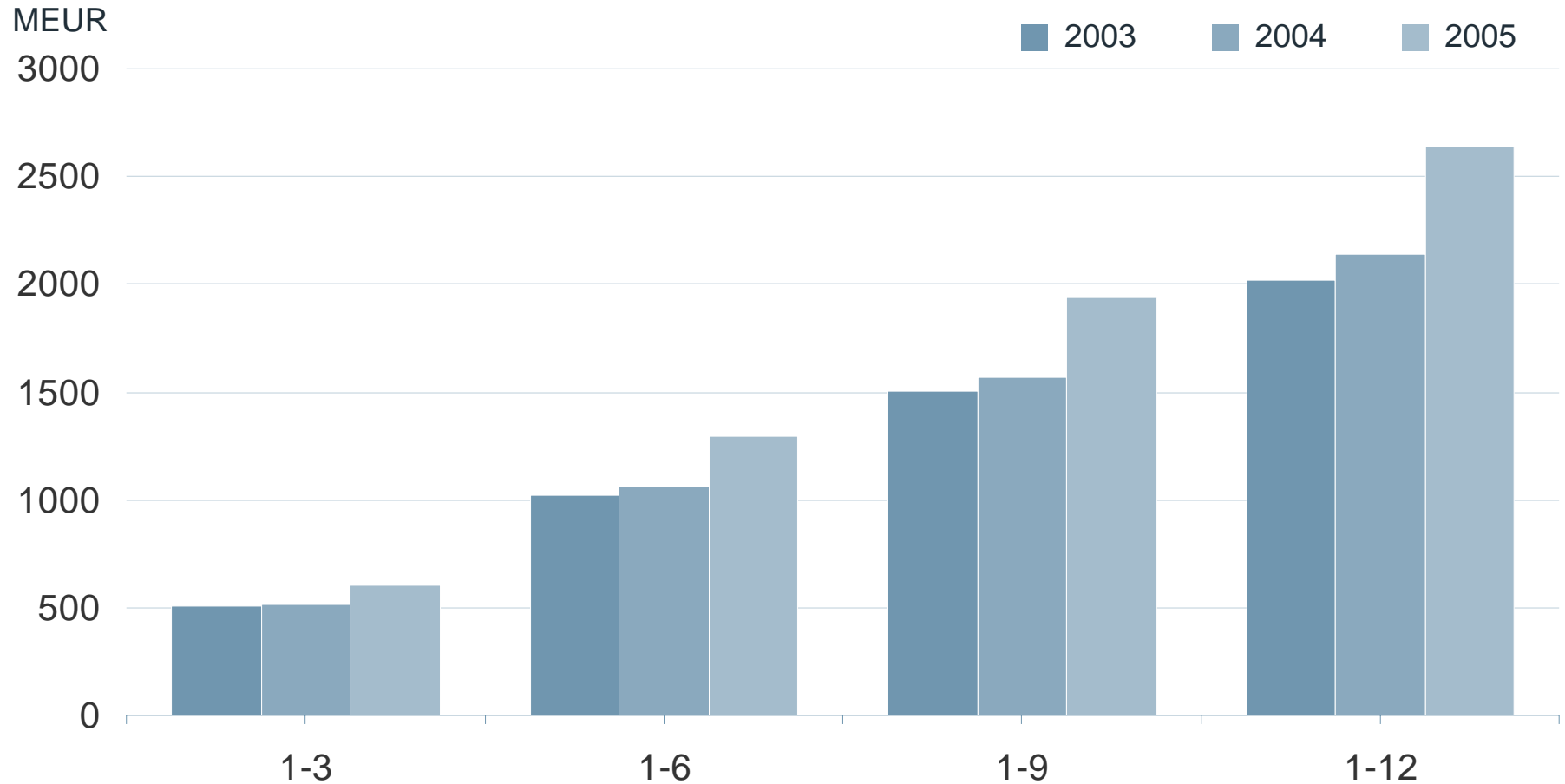
		10-12/2005	10-12/2004*	Change
Order intake	MEUR	700.4	568.5	23%
Order book	MEUR	2,326.8	1,796.1	30%
Sales	MEUR	1,008.4	896.0	13%
Operating income	MEUR	94.1	92.3	2%
Operating income	%	9.3	10.3	

* Disregarding MEUR 15.3 million non-recurring income due to a provision reversal regarding disability pensions

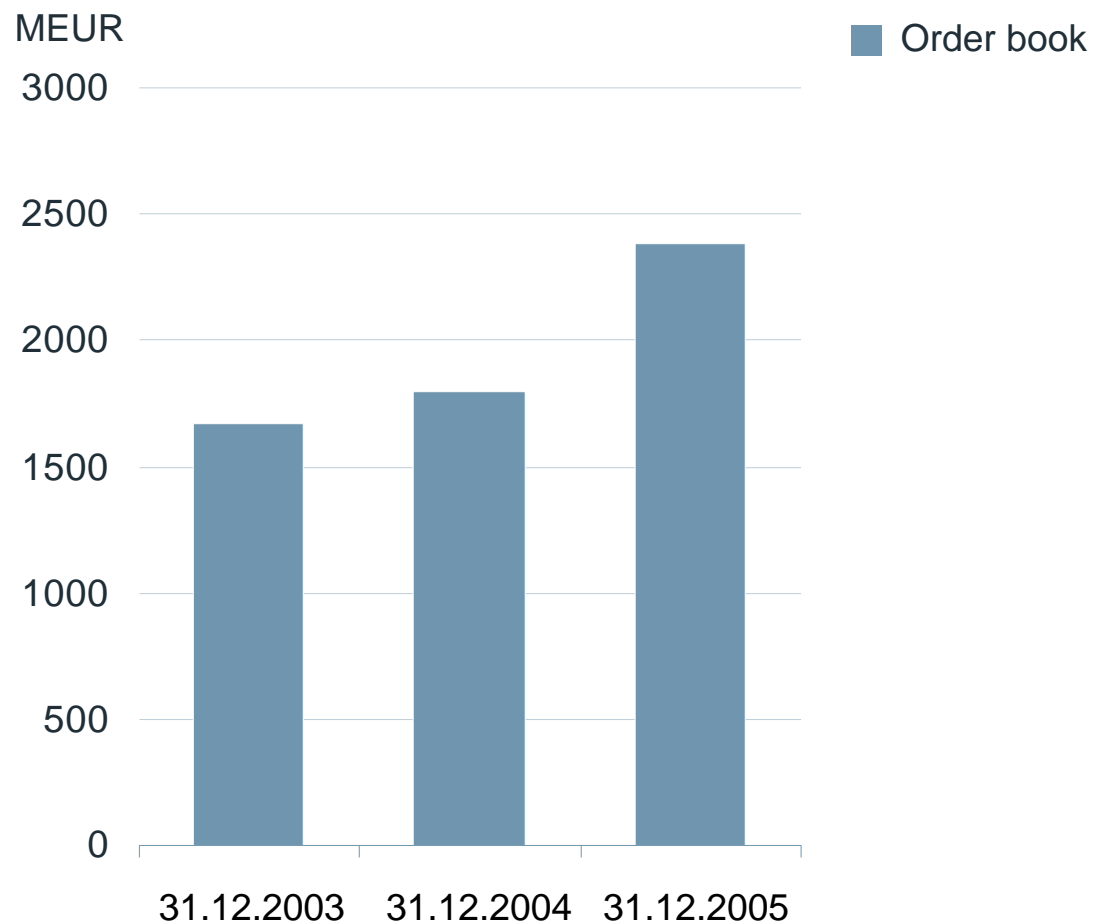
Sales Development 2003-2005



Order Intake Development 2003-2005



Order Book Development 2003-2005



2005 Pro Forma Review

- Strong performance; negative trend broken

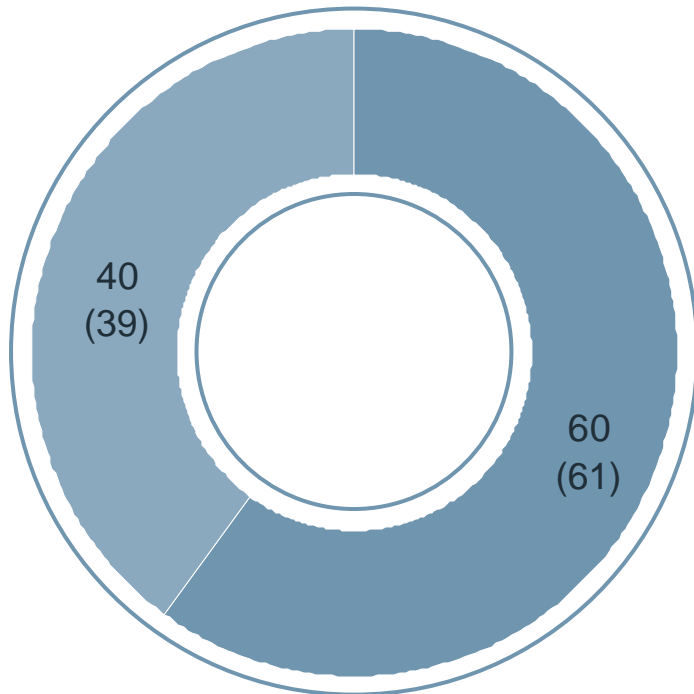
		2005	2004	Change
Order intake	MEUR	2,639.2	2,135.8	24%
Order book	MEUR	2,326.8	1,796.1	30%
Sales	MEUR	3,242.2	2,894.5	12%
Operating income	MEUR	272.0*	234.6**	16%
Operating income	%	8.4*	8.1**	
EPS	EUR	0.87	1.33	

* Excluding the MEUR 89.2 provision for the development and restructuring program

** Disregarding MEUR 15.3 million non-recurring income due to a provision reversal regarding disability pensions

Pro Forma Sales Split in 2005

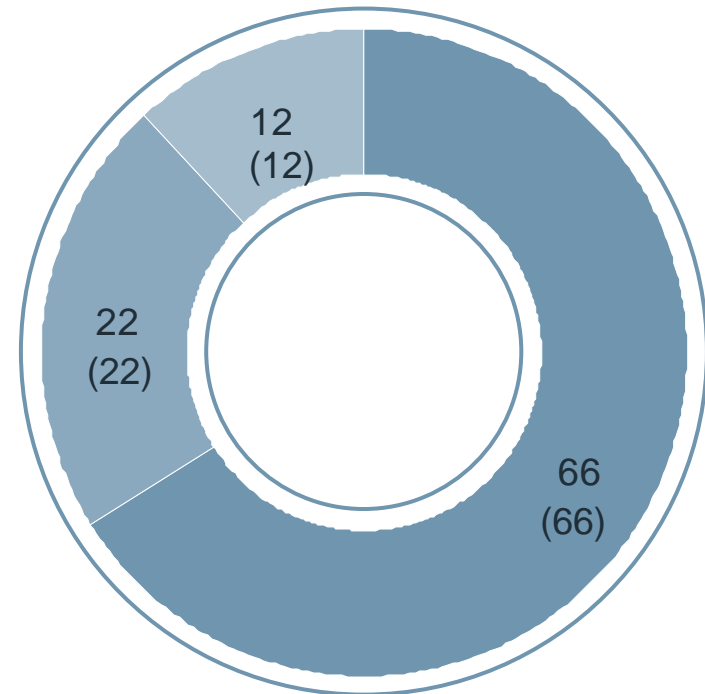
Sales, %



■ Services ■ New equipment

Note: 2004 figures in brackets

Sales by market area, %



■ EMEA ■ Americas ■ Asia-Pacific

Development by Market Area in 2005

EMEA

- New equipment market grew moderately
- Modernization order intake showing strong growth

North America

- New equipment market picked up
- Service market continued competitive
- Order intake development was successful

Asia-Pacific

- Market for new equipment continued to be at a good level
- Extrordinarely strong new equipment order intake
- Acquisitions contributed to growth



Update on Development Actions in 2005

New Strategy

- Good progress in strategic initiatives

New people

- New expertise to support change

Development and Restructuring Program

- The main actions were completed



Asia Summary 1/2

China; biggest new elevator market; escalator market totals half of global market

- New management team
- Development of sales network
- Improvement of product portfolio
- Joint ventures; Toshiba and Giant
- Expansion of production capacity
- Strengthening of R&D

 Strong order intake growth

Asia Summary 2/2

India

- Strengthening of R&D
- One of the two market leaders

Thailand

- Acquisition of Thai Lift made KONE one of the market leaders.

Malaysia

- KONE signed an agreement to acquire an 80% holding in Fuji Lift & Escalator.

Market Outlook for 2006

EMEA

- Market growth continues on the same level as 2005

North America

- Solid market expected but with some uncertainty

Asia-Pacific

- Strong market continues; growth rate expected to slow down somewhat

Financial Outlook for 2006

- At comparable exchange rates, KONE's target is to achieve an approximately 10 percent increase in 2006 net sales, compared to the 2005 pro forma figure. This is supported by the strong order intake in 2005.
- Order intake growth, however, is not expected to achieve the 2005 level.
- The operating income (EBIT) target is to achieve growth of approximately 20 percent from the comparable 2005 pro forma figure of EUR 272 million.

Consolidated Statement of Income

MEUR	10-12/2005	%	10-12/2004**	%	1-12/2005*	%	1-12/2004**	%
Sales	1,008.4		896.0		3,242.2		2,894.5	
Costs and expenses	-899.9		-788.5		-3,000.4		-2,601.5	
Depreciation	-14.4		-15.2		-59.0		-58.4	
Operating income	94.1	9.3	92.3	10.3	182.8	5.6	234.6	8.1
Share of associated companies' income	0.3		0.6		1.5		1.3	
Financing income and expenses	-1.6		-1.1		-6.4		-2.7	
Income before taxes	92.8	9.2	91.8	10.2	177.9	5.5	233.2	8.1
Taxes	-38.1		-28.3		-69.1		-69.2	
Net income	54.7	5.4	63.5	7.1	108.8	3.4	164.0	5.7

*) Including a MEUR 89.2 provision for the development and restructuring program. Operating income excluding the provision was MEUR 272.0.

***) Disregarding MEUR 15.3 non-recurring income due to a provision reversal regarding disability pensions.

Consolidated Balance Sheet

Assets		
MEUR	31 Dec, 2005	31 Dec, 2004
Non-current assets		
Intangible assets	551.6	500.2
Tangible assets	217.7	186.8
Loans receivable and other interest-bearing assets	53.1	77.1
Other non interest-bearing assets	130.1	97.7
Investments	157.2	158.4
Total	1,109.7	1,020.2
Current assets		
Inventories	120.7	130.3
Loans receivable and other interest-bearing assets	0.6	0.8
Accounts receivable and other non interest-bearing assets	706.7	658.4
Cash and bank	206.8	255.1
Total	1,034.8	1,044.6
Total assets	2,144.5	2,064.8
Equity and liabilities		
MEUR	31 Dec, 2005	31 Dec, 2004
Equity	669.2	726.8
Non-current liabilities	317.8	291.1
Provisions	112.0	124.8
Current liabilities	1,045.5	922.1
Total equity and liabilities	2,144.5	2,064.8

Consolidated Cash Flow

MEUR	2005	2004
Operating income	182.8	234.6
Change in working capital	87.6	-4.0
Depreciation	59.0	58.4
Cash flow from operations	329.4	289.0
Cash flow from financial items and taxes	-163.4	-55.3
Cash flow from operating activities	166.0	233.7
Cash flow from investing activities	-182.5	-125.6
Purchase and sales of own shares	-21.9	60.0
Share issue	5.0	4.8
Dividends paid	-127.3	-125.1
Change in net debt	-160.7	47.8
Net debt in the beginning of period	-61.4	-13.6
Net debt in the end of period	99.3	61.4
Change in net debt	-160.7	47.8

Key Figures

Key figures		1-12/2005	1-12/2004
Basic earnings per share	EUR	0.87	1.33
Equity per share	EUR	5.24	5.53
Interest bearing net debt	MEUR	99.3	-61.4
Total equity/total assets	%	31.2	35.2
Gearing	%	14.8	-8.4
Return on equity	%	15.6	24.3
Return on capital employed	%	18.3	23.1
Total assets	MEUR	2,144.5	2,064.8
Assets employed	MEUR	768.5	665.4
Working capital (including financing and tax items)	MEUR	-158.0	-180.0

Key Figures

Orders received MEUR	1-12/2005	1-12/2004
	2,639.2	2,135.8

Order book MEUR	31.12.2005	31.12.2004
	2,326.8	1,796.1

Capital expenditure MEUR	1-12/2005	1-12/2004
In fixed assets	47.5	41.9
In leasing agreements	10.0	4.7
Total	57.5	46.6

Expenditure for R&D MEUR	1-12/2005	1-12/2004
	41.4	41.0
Expenditure for R&D as percentage of sales	1.3	1.4

Number of employees	1-12/2005	1-12/2004
Average	26,405	24,315
In the end of the period	27,238	25,262

Quarterly Figures

		Q4/2005	Q3/2005	Q2/2005	Q1/2005	Q4/2004	Q3/2004	Q2/2004	Q1/2004
Orders received	MEUR	700.4	646.4	688.3	604.1	568.5	505.3	543.7	518.3
Order book	MEUR	2,326.8	2,371.7	2,264.7	2,023.1	1,796.1	1,938.6	1,959.5	1,907.5
Sales	MEUR	1,008.4	801.4	783.1	649.3	896.0	746.3	695.1	557.1
Operating income	MEUR	94.1	78.1	60.8	39.0 ¹⁾	92.3 ²⁾	72.4	42.5	27.4
Operating income	%	9.3	9.7	7.8	6.0 ¹⁾	10.3 ²⁾	9.7	6.1	4.9

¹⁾ Excluding the MEUR 89.2 provision for the development and restructuring program.

²⁾ Disregarding MEUR 15.3 non-recurring income due to a provision reversal regarding disability

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