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KONE 2006

26 January, 2007

Matti Alahuhta, President & CEO



1. Q4 AND FY06 PERFORMANCE

Q4: STRONG PROFIT GROWTH

		10-12/2006	10-12/2005	historical change	comparable change
Order intake	MEUR	712.1	702.5	1.4%	4%
Order book	MEUR	2,762.0	2,326.8	19%	24%
Sales	MEUR	1,145.6	1,013.4	13%	16%
Operating income	MEUR	123.4	93.6	32%	
Operating income	%	10.8	9.2		

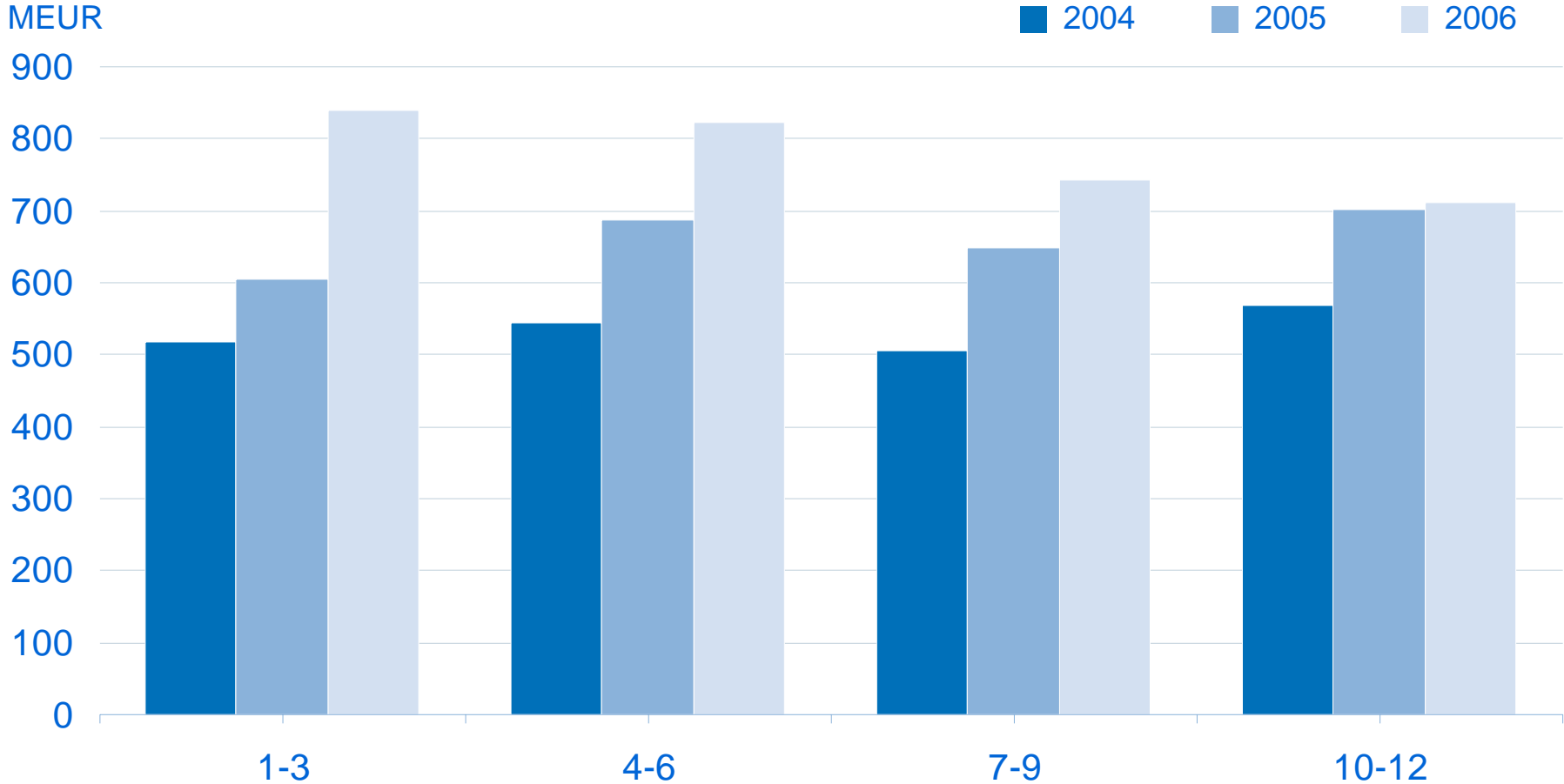
2006: STRONG PROGRESS IN GROWTH AND PROFITS



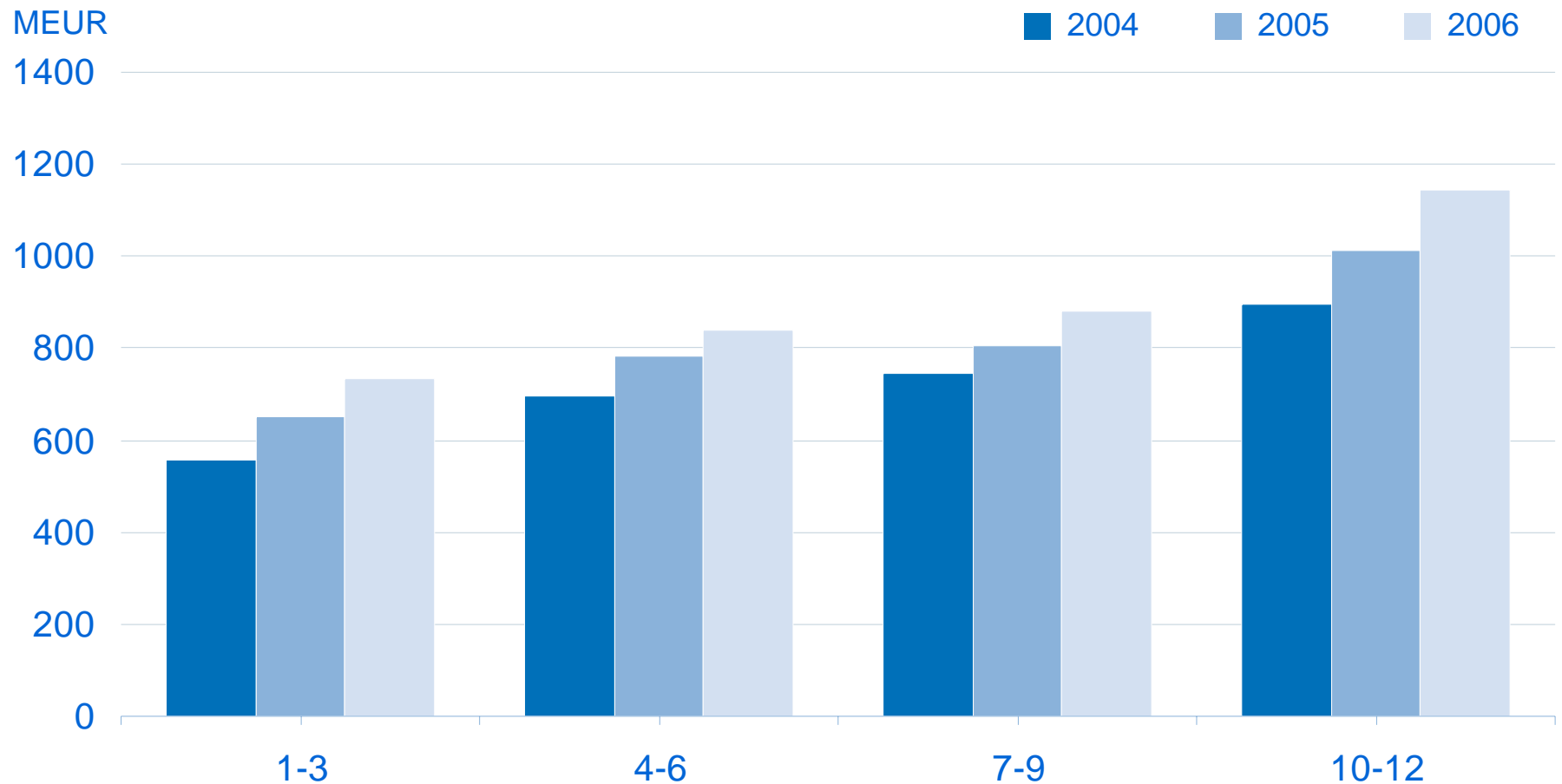
		2006	pro forma 2005	historical change	comparable change
Order intake	MEUR	3,116.3	2,639.2	18%	18%
Order book	MEUR	2,762.1	2,326.8	19%	24%
Sales	MEUR	3,600.8	3,242.2	11%	11%
Operating income	MEUR	360.1	272.0 ¹⁾	32%	
Operating income	%	10.0	8.4 ¹⁾		
Cash flow from operations (before financial items and taxes)	MEUR	371.7	329.4		

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

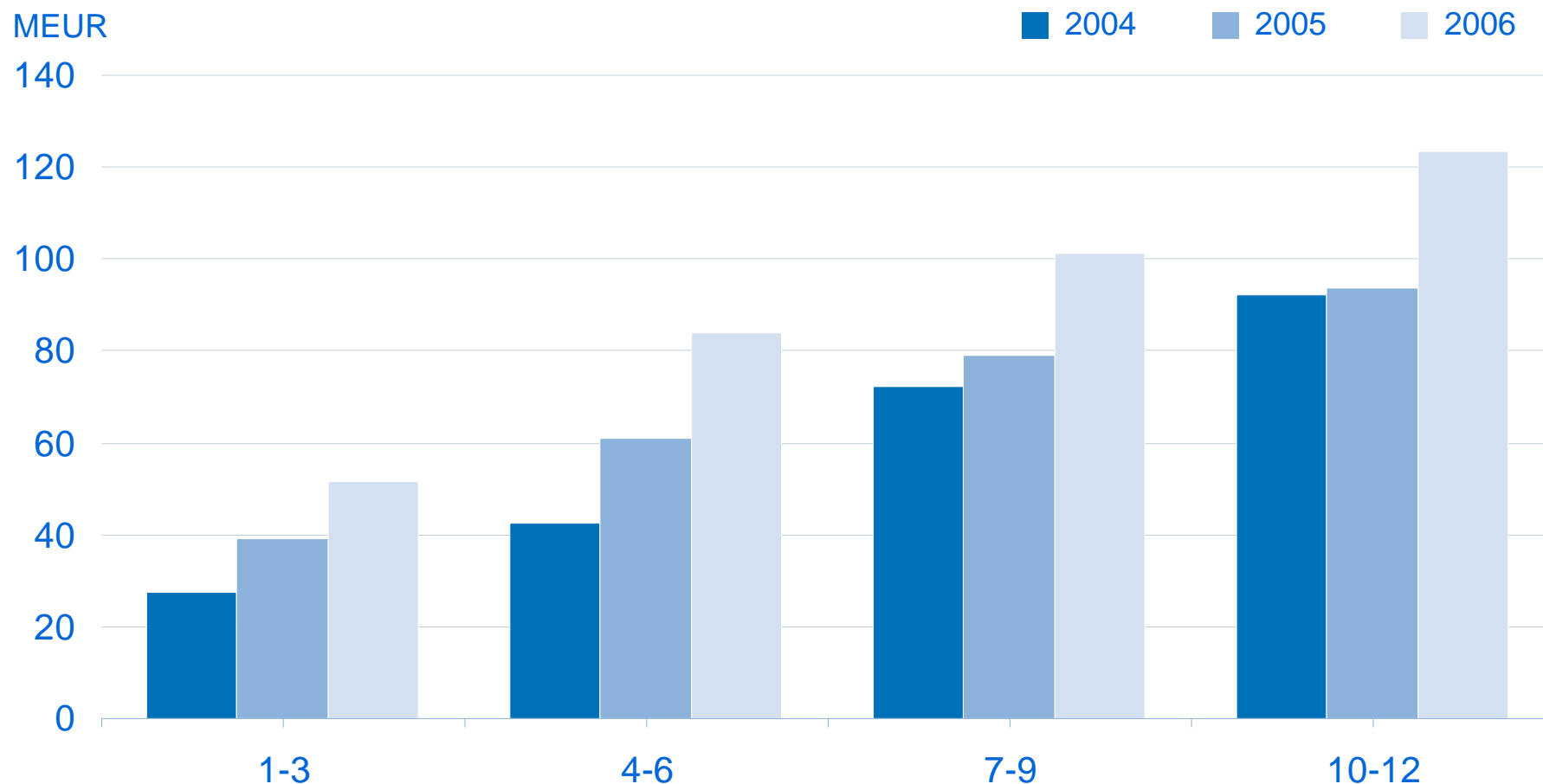
ORDER INTAKE IN 2006 WAS HIGHEST IN ASIA-PACIFIC



SALES GROWTH IN 2006 WAS FASTEST IN ASIA-PACIFIC



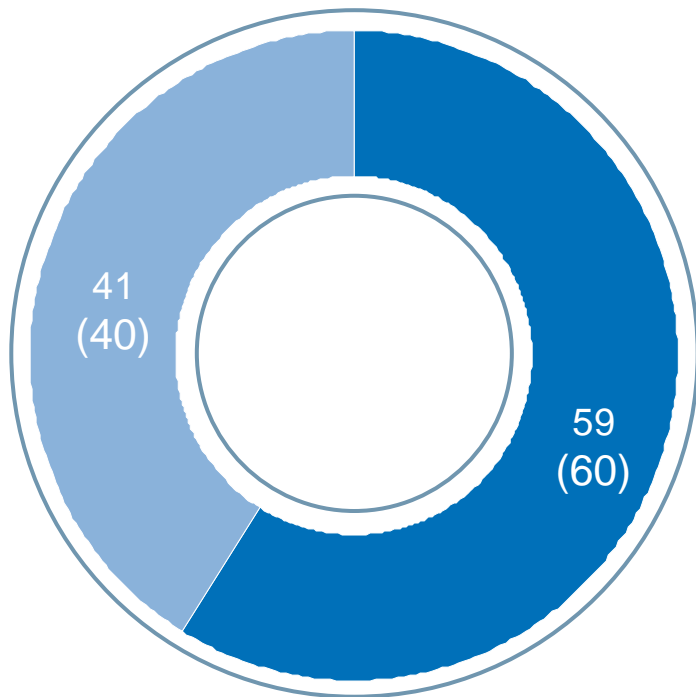
EBIT GROWTH WAS DRIVEN BY SALES GROWTH AND IMPROVED PRODUCTIVITY



Note: 10-12/2004 disregarding MEUR 15.3 non-recurring income due to a provision reversal regarding disability pensions, 1-3/2005 excluding MEUR 89.2 provision for the development and restructuring program.

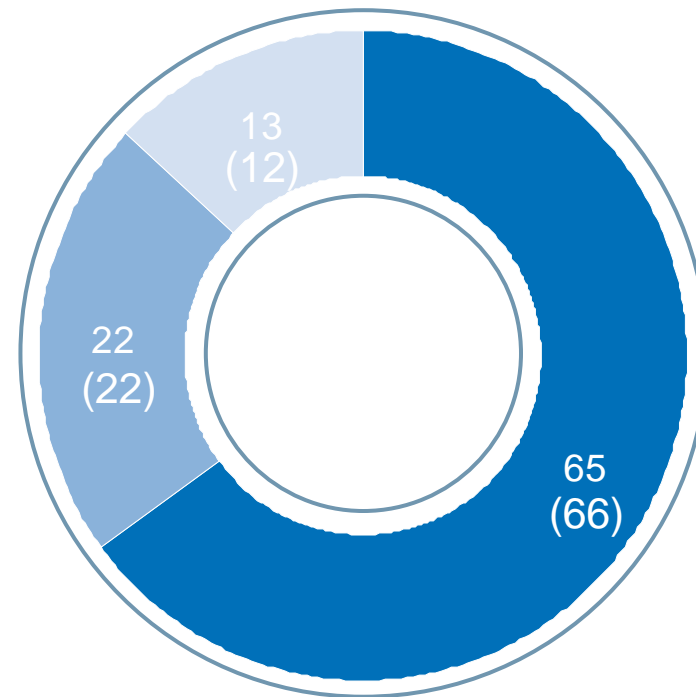
SALES SPLIT IN 2006

SALES BY BUSINESS, %



■ Services ■ New equipment

SALES BY MARKET, %



■ EMEA ■ Americas ■ Asia-Pacific

Note: Pro forma 2005 figures in brackets



2. DEVELOPMENT IN KEY MARKETS IN 2006

GOOD PROGRESS IN EMEA

- New equipment market was strong; towards the end of the year market weakened in Southern Europe
- Modernization market continued to be strong
- Maintenance market continued to develop well
- KONE had a strong order intake in EMEA, even though several major project awards were postponed during Q4

TURNAROUND CONTINUED FOR KONE IN NORTH AMERICA



- New equipment market was strong in 2006; residential market weakened in 2H
- Modernization market developed well
- Maintenance market increasingly competitive, but solid
- KONE's order intake was strong and order book margin developed well

KONE'S MARKET POSITION CONTINUED TO STRENGTHEN IN ASIA-PACIFIC



- New equipment market growth continued to be at a good level especially in China and in India
- Maintenance and modernization markets continued to develop
- KONE made major progress especially in China and India, position in Australia continued to be at a very strong level.

An abstract, high-contrast image occupies the upper half of the slide. It features a dark, almost black background with a bright green, glowing circular shape on the left side. To the right, there are several curved, metallic-looking lines that appear to be part of a mechanical structure, possibly a cable or a track, with a gradient from dark to light grey. The overall effect is one of dynamic movement and industrial precision.

3. WHAT DID WE ACHIEVE IN 2006

THESE HAVE BEEN OUR OBJECTIVES

Growth

- Grow faster than the market

Profitability

- Reach double digit EBIT-% profits in 2007, long term goal 12%

Cash flow

- Continue to strengthen cash flow

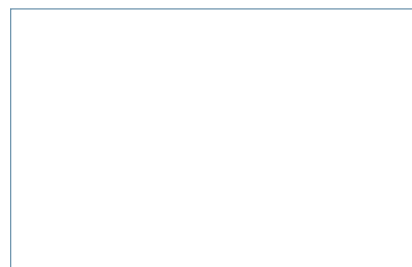
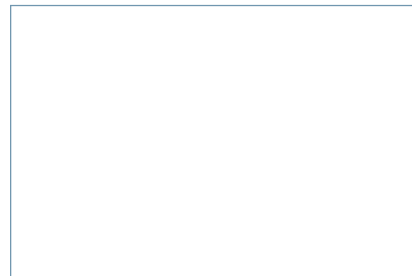
KONE IS BECOMING MORE CUSTOMER ORIENTED



Growth

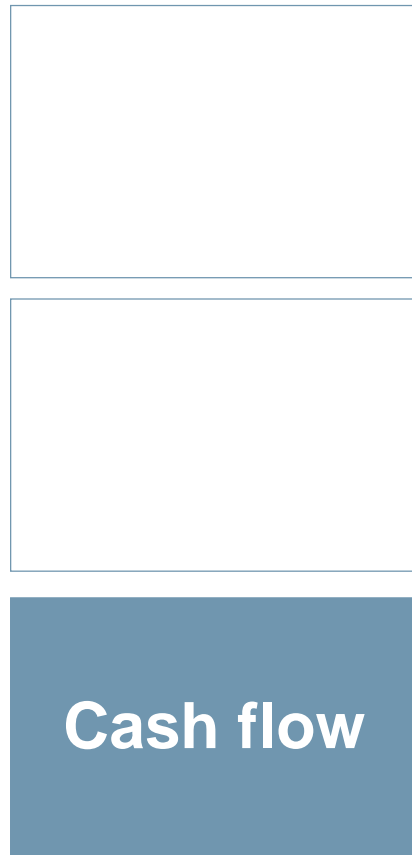
- Order intake growth 18%
- Sales growth 11%
- ✓ Increasing focus on strategic customers
- ✓ Global CRM roll-out; completed spring 2007
- ✓ Strong progress in e-business applications
- ✓ Product competitiveness and portfolio coverage developed well
- ✓ Stronger presence in Asia-Pacific

PRODUCTIVITY DEVELOPMENT PROGRAMS STARTED TO BRING RESULTS

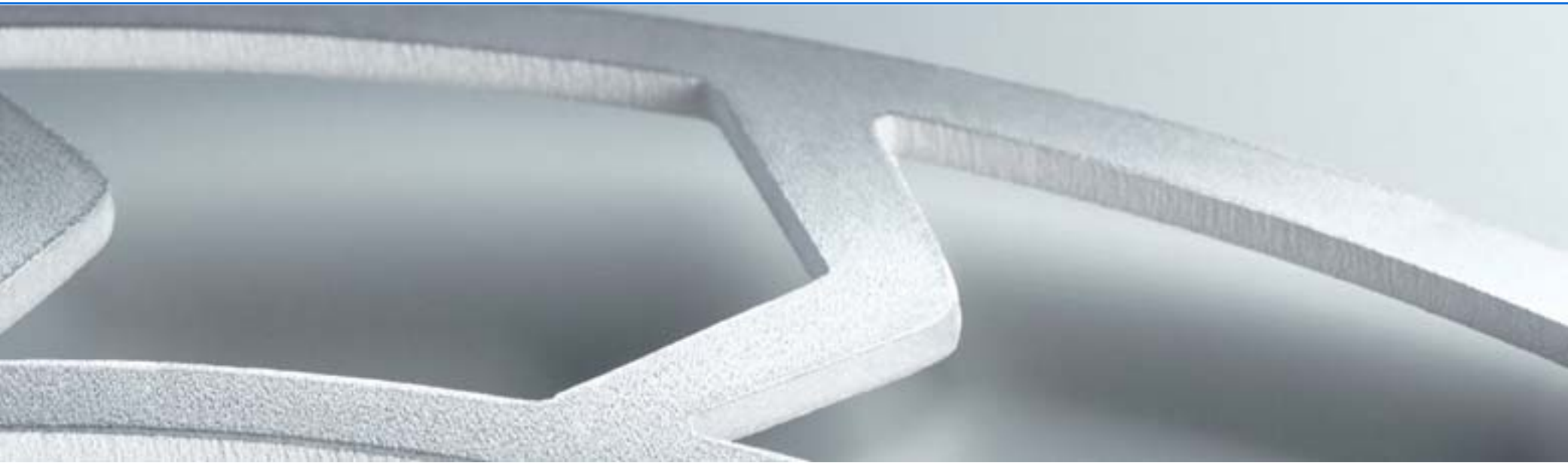


- Operating income growth 32%
- EBIT 10%
- ✓ Product competitiveness improved
- ✓ Installation efficiency improved
- ✓ Modular based maintenance roll-out done in most countries
- ✓ Industrialization of the whole modernization business system proceeding well

LOGISTICS HAS BEEN IMPROVED



- Cash flow 372 MEUR
- ✓ New demand/supply –planning system in use
- ✓ Good progress in end-to-end logistics development
- ✓ Sourcing process and competence upgraded



4. WHAT DO WE WANT TO ACHIEVE 2007

BY THE END OF 2007, KONE WILL BE

- More customer/market driven
- More global aligned – to increase productivity
- Increase activity level towards customers
- Become faster to respond to customer needs
- Start to get higher productivity improvement from new maintenance methods
- Get the benefits from industrializing the modernization business system
- Get the benefits from logistics development

MARKET OUTLOOK 2007

- We estimate that market growth will not be equally strong in all markets this year as in 2006. This will be the case especially in North America and Southern Europe. However, the market development e.g. in Asia-Pacific will continue to be strong.

OUTLOOK 2007

- At comparable exchange rates, KONE's target is to achieve an approximately 10 percent increase in 2007 net sales, compared to the 2006 figure.
- The operating income (EBIT) target is to achieve growth of approximately 20 percent from the comparable 2006 figure of EUR 360 million.

OUTLOOK 2008

- In 2008, KONE's objective is to achieve an about 12 percent operating income (EBIT) margin.

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SUMMARY IN FIGURES

CONSOLIDATED STATEMENT OF INCOME



MEUR	1-12/2006	%	pro forma 1-12/2005	%
Sales	3,600.8		3,242.2	
Costs and expenses	-3,182.4		-3,000.4	
Depreciation	-58.3		-59.0	
Operating income	360.1	10.0	182.8	5.6
Share of associated companies' income	-0.3		1.5	
Financing income and expenses	-3.5		-6.4	
Income before taxes	356.3	9.9	177.9	5.5
Taxes	-121.9		-69.1	
Net income	234.4	6.5	108.8	3.4

CONSOLIDATED BALANCE SHEET

Assets MEUR	31 Dec, 2006	31 Dec, 2005
Non-current assets		
Intangible assets	615.7	551.6
Tangible assets	217.7	217.7
Loans receivable and other interest-bearing assets	5.1	53.1
Deferred tax assets	134.1	130.1
Investments	129.6	157.2
Total	1,102.2	1,109.7
Current assets		
Inventories	668.8	584.9
Advance payments received	-552.1	-464.2
Loans receivable and other interest-bearing assets	44.6	0.6
Accounts receivable and other non interest-bearing assets	805.1	706.7
Cash, cash equivalents and financial assets	223.8	206.8
Total	1,190.2	1,034.8
Total assets	2,292.4	2,144.5

Equity and liabilities MEUR	31 Dec, 2006	31 Dec, 2005
Equity	698.6	669.2
Non-current liabilities	275.5	317.8
Provisions	71.8	112.0
Current liabilities	1,246.5	1,045.5
Total equity and liabilities	2,292.4	2,144.5

CONSOLIDATED CASH FLOW

MEUR	1-12/2006	pro forma 1-12/2005
Operating income	360.1	182.8
Change in working capital	-46.7	87.6
Depreciation	58.3	59.0
Cash flow from operations	371.7	329.4
Cash flow from financial items and taxes	-105.9	-163.4
Cash flow from operating activities	265.8	166.0
Cash flow from investing activities	-97.0	-182.5
Purchase and sales of own shares	-69.3	-21.9
Share issue	1.7	5.0
Dividends paid	-126.8	-127.3
Change in net debt	-25.6	-160.7
Net debt in the beginning of period	99.3	-61.4
Net debt in the end of period	124.9	99.3
Change in net debt	-25.6	-160.7

KEY FIGURES

Key figures		1-12/2006	pro forma 1-12/2005
Basic earnings per share	EUR	1.86	0.87
Equity per share	EUR	5.55	5.24
Interest bearing net debt	MEUR	124.9	99.3
Total equity/total assets	%	30.5	31.2
Gearing	%	17.9	14.8
Return on equity	%	34.3	15.6
Return on capital employed	%	35.4	18.3
Total assets	MEUR	2,292.4	2,144.5
Assets employed	MEUR	823.5	768.5
Working capital (including financing and tax items)	MEUR	-139.5	-158.0

KEY FIGURES

		pro forma
Orders received MEUR	1-12/2006	1-12/2005
	3,116.3	2,639.2

Order book MEUR	31.12.2006	31.12.2005
	2,762.1	2,326.8

		pro forma
Capital expenditure MEUR	1-12/2006	1-12/2005
In fixed assets	51.3	47.5
In leasing agreements	9.1	10.0
Total	60.4	57.5

		pro forma
Expenditure for R&D MEUR	1-12/2006	1-12/2005
	50.3	50.8
Expenditure for R&D as percentage of sales	1.4	1.6

		pro forma
Number of employees	1-12/2006	1-12/2005
Average	28,366	26,405
In the end of the period	29,321	27,238

QUARTERLY FIGURES

		Q4/2006	Q3/2006	Q2/2006	Q1/2006	Q4/2005	Q3/2005	pro forma Q2/2005	pro forma Q1/2005
Orders received	MEUR	712.1	742.0	821.9	840.3	702.5	649.4	688.3	604.1
Order book	MEUR	2,762.1	2,951.0	2,818.0	2,654.0	2,326.8	2,371.7	2,264.7	2,023.1
Sales	MEUR	1,145.6	879.8	840.4	735.0	1,013.4	804.7	783.1	649.3
Operating income	MEUR	123.4	101.1	83.9	51.7	93.6	79.1	60.8	39.0 ¹⁾
Operating income	%	10.8	11.5	10.0	7.0	9.2	9.8	7.8	6.0 ¹⁾

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

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