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Q1



INTERIM REPORT JANUARY-MARCH 2006

25 April, 2006

Matti Alahuhta, President

Q1 Progressed as Planned

- Q1 results
- Update on development programs
- Outlook

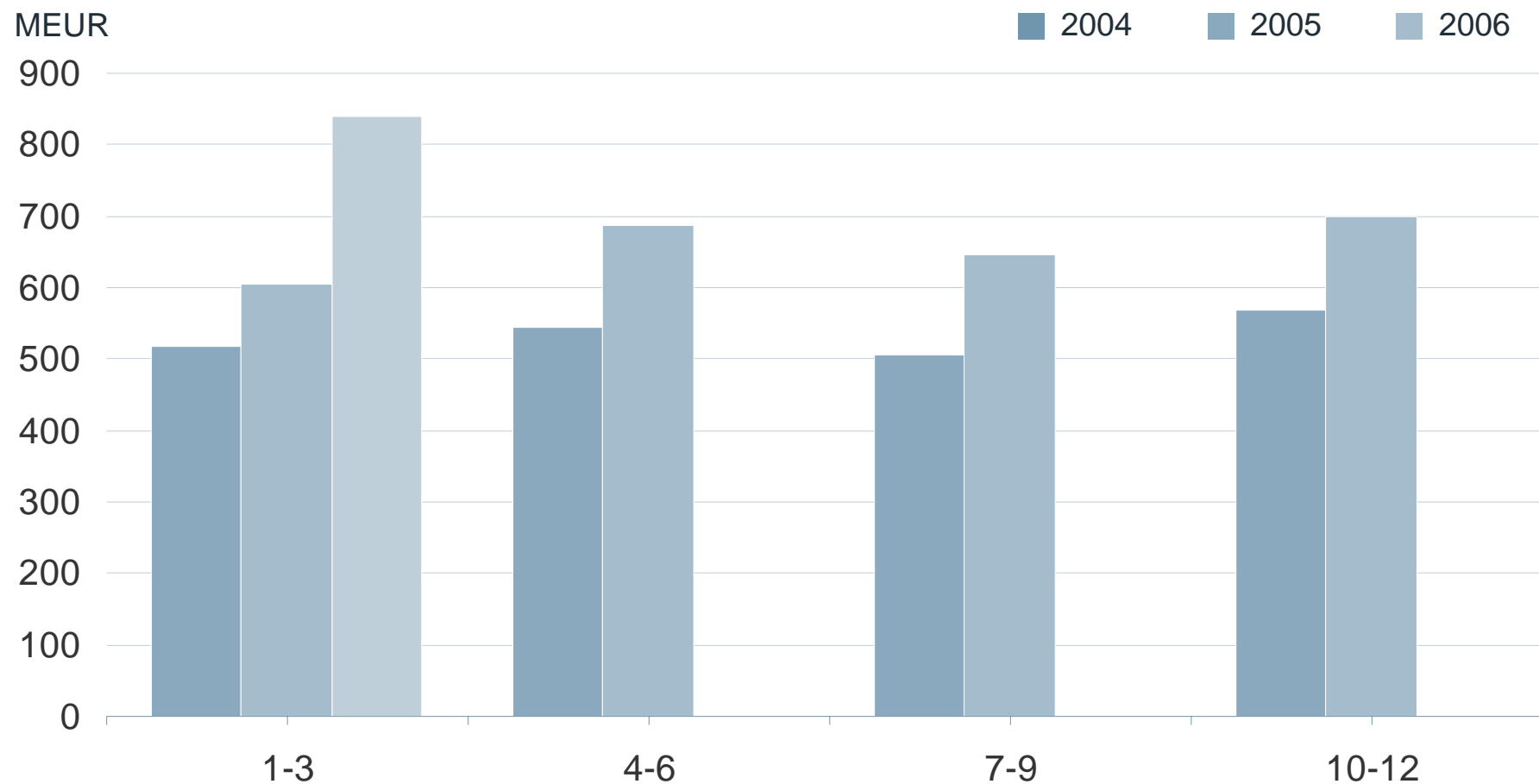


Q1 Review, 2006

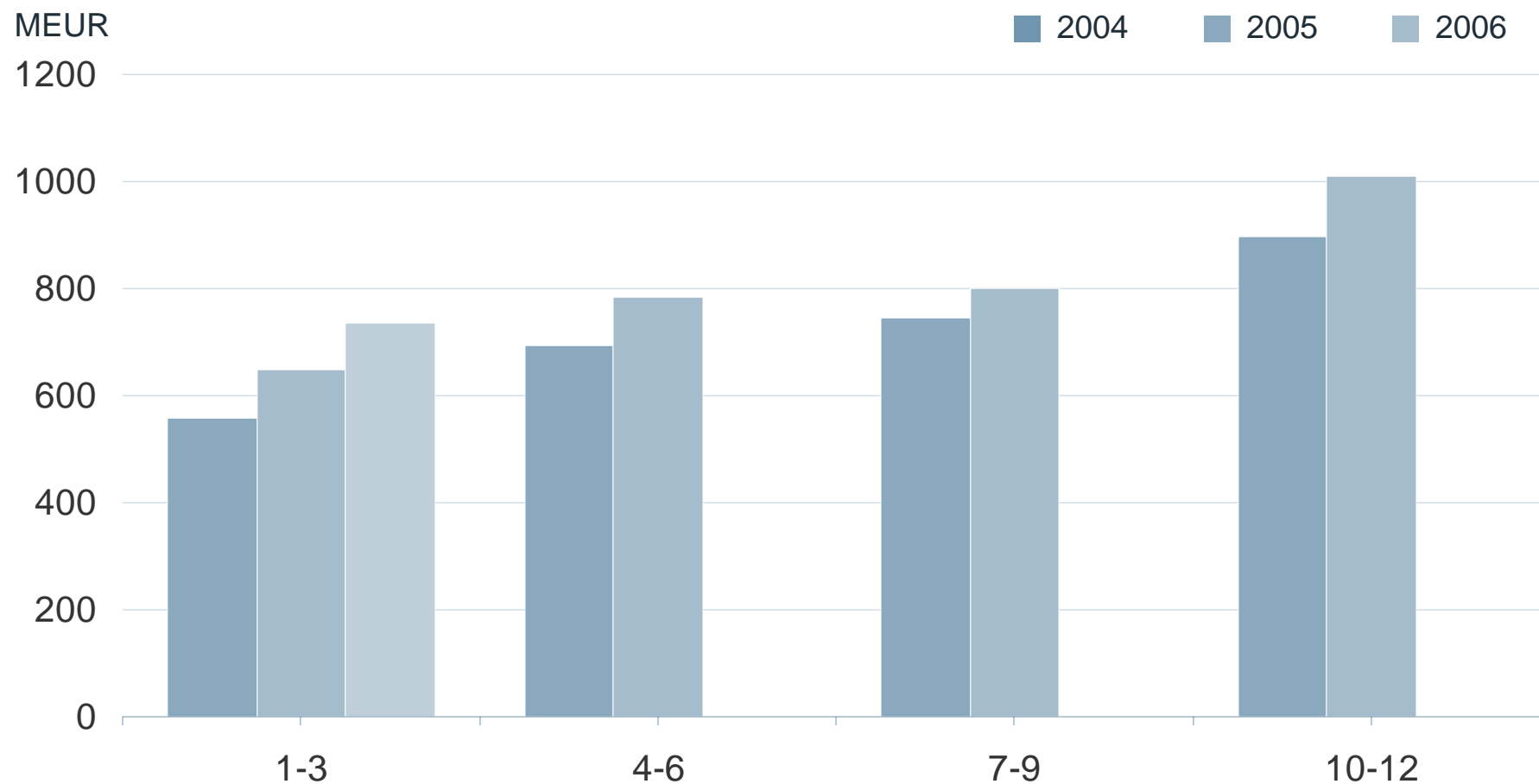
		1-3/2006	Pro forma 1-3/2005	Change	Pro forma 2005
Order intake	MEUR	840.3	604.1	39%	2,639.2
Order book	MEUR	2,654.0	2,023.1	31%	2,326.8
Sales	MEUR	735.0	649.3	13%	3,242.2
Operating income	MEUR	51.7	39.0 ¹⁾	33%	272.0 ¹⁾
Operating income	%	7.0	6.0		8.4
Cash flow from operations (before financial items and taxes)		117.3	68.8		329.4

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

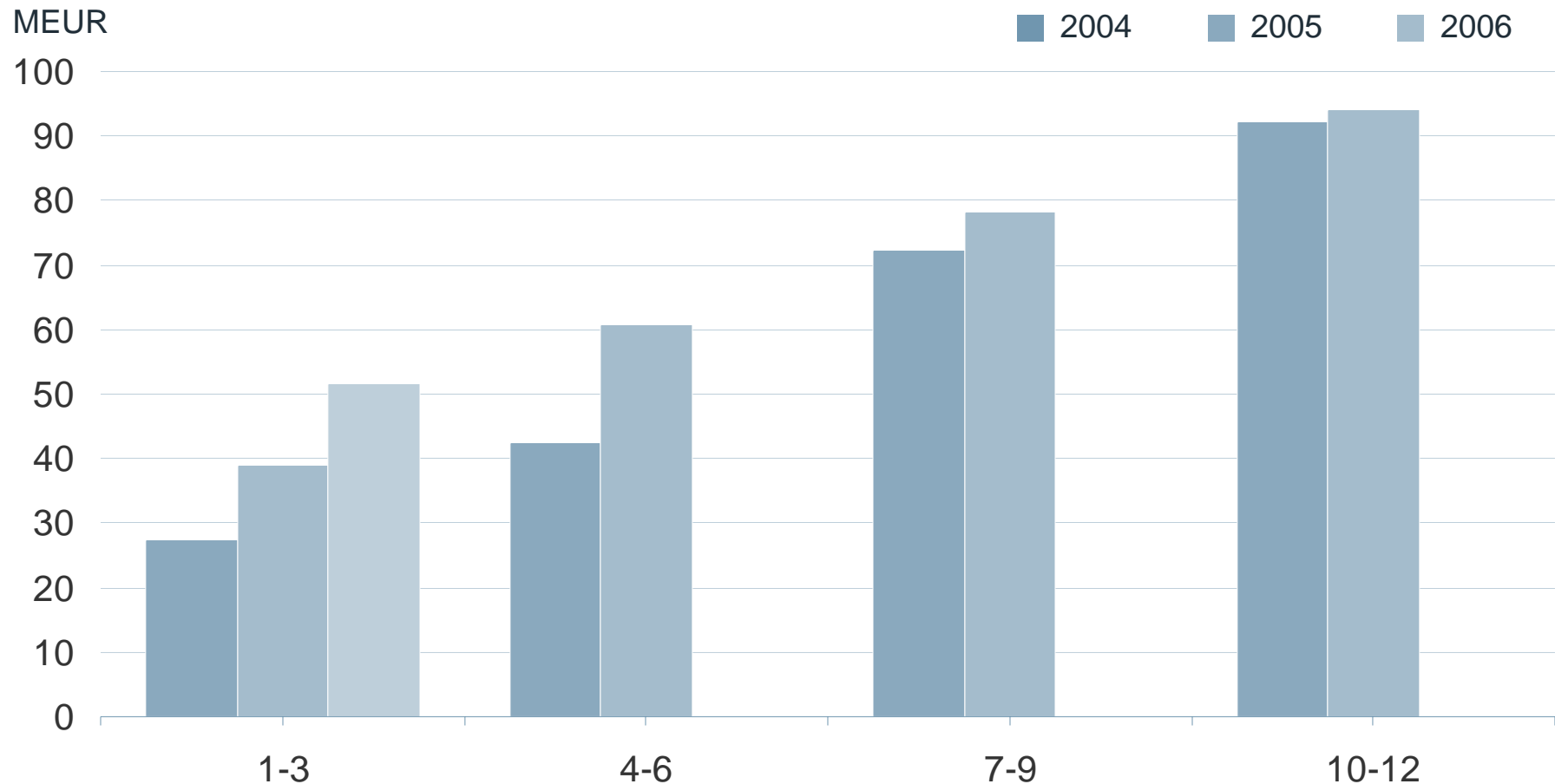
Order Intake Growth Good in All Areas



Sales Growth Fastest in North America



EBIT Growth Driven by Sales Growth and Productivity Improvements



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.

All Key Markets Developed Well

- EMEA
 - New equipment market growth continued to be relatively strong
 - Growth in modernization continues to be strong
 - KONE's order intake strong
- North America
 - New equipment market continues to be strong
 - Service market continues to be very competitive
 - KONE's order intake continued to be strong
- Asia-Pacific
 - Solid market growth continued
 - KONE's order intake growth very strong in China

Development Projects Progressed Well



- Customer Focus
- Product and Service Competitiveness
- Operational Excellence
- Sourcing Power
- Presence in Asia

Customer Focus Already Improved

- Customer management models developed for three key customer groups
 - Core
 - Strategic
 - Global
- Customer Relationship System selected: salesforce.com, roll out during this year
- Business Intelligence development
- On-line services development 2006

Product and Service Competitiveness Improved



- In North America, KONE machine-room-less solutions now cover most hydro segments
- In Asia-Pacific, product offering flexibility and visual offering improved
- New cost competitive escalator – Travel Master
- Several modernization solutions have been developed and released
- New service roll outs: e.g. Care for Life

In Operational Excellence, Productivity Improvements Step by Step



- Improvements with impact 2006
 - Modular based maintenance
 - Route capacity planning
 - Modernization installation method industrialized
- Improvements with impact 2007
 - Delivery logistics development
 - New equipment, modernization
 - Spare parts
 - Field mobility solution

In Sourcing, Savings already in 2006



- New sourcing operational model in place
- Global category teams
- Key supplier relationships
- New supplier quality management practices

In Asia-Pacific, Best Progress in China and India



- China
 - Giant-KONE had good growth 2005
 - First products delivered from KONE-Toshiba joint venture
 - Own organization strengthened
- India
 - Good organic growth continued
- Thailand
 - Thai Lift Industries integrated

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.
- 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	1-3/2006		pro forma 1-3/2005		pro forma 1-12/2005		previous accounting period 6-12/2005	
		%		%		%		%
Sales	735.0		649.3		3,242.2		2,101.4	
Costs and expenses	-668.6		-684.8		-3,000.4		-1,871.9	
Depreciation	-14.7		-14.7		-59.0		-34.8	
Operating income	51.7	7.0	-50.2	-7.7	182.8	5.6	194.7	9.3
Share of associated companies' income	-0.2		0.5		1.5		0.9	
Financing income and expenses	-0.2		-2.1		-6.4		-2.1	
Income before taxes	51.3	7.0	-51.8	-8.0	177.9	5.5	193.5	9.2
Taxes	-19.5		11.8		-69.1		-69.5	
Net income	31.8	4.3	-40.0	-6.2	108.8	3.4	124.0	5.9



Consolidated Balance Sheet

Assets MEUR	31.3.2006	pro forma 31.3.2005	previous accounting period 31.12.2005
Non-current assets			
Intangible assets	574.0	514.1	551.6
Tangible assets	217.2	213.9	217.7
Loans receivable and other interest-bearing assets	55.6	68.7	53.1
Other non interest-bearing assets	130.5	126.0	130.1
Investments	137.7	189.9	157.2
Total	1,115.0	1,112.6	1,109.7
Current assets			
Inventories	654.8	561.4	584.9
Advance payments received	-528.3	-401.7	-464.2
Loans receivable and other interest-bearing assets	0.6	0.5	0.6
Accounts receivable and other non interest-bearing assets	710.1	714.6	706.7
Cash and bank	193.3	112.2	206.8
Total	1,030.5	987.0	1,034.8
Total assets	2,145.5	2,099.6	2,144.5
Equity and liabilities MEUR			
	31.3.2006	pro forma 31.3.2005	previous accounting period 31.12.2005
Equity	574.9	681.8	669.2
Non-current liabilities	319.5	258.4	317.8
Provisions	100.8	198.0	112.0
Current liabilities	1,150.3	961.4	1,045.5
Total equity and liabilities	2,145.5	2,099.6	2,144.5

Consolidated Cash Flow

MEUR	1-3/2006	pro forma 1-3/2005	pro forma 1-12/2005	previous accounting period 6-12/2005
Operating income	51.7	-50.2	182.8	194.7
Change in working capital	50.9	104.3	87.6	-14.1
Depreciation	14.7	14.7	59.0	34.8
Cash flow from operations	117.3	68.8	329.4	215.4
Cash flow from financial items and taxes	-11.1	-62.5	-163.4	-140.7
Cash flow from operating activities	106.2	6.3	166.0	74.7
Cash flow from investing activities	-22.7	-99.4	-182.5	-65.6
Purchase and sales of own shares	-	-	-21.9	-22.0
Share issue	0.7	0.4	5.0	2.7
Dividends paid	-114.6	-	-127.3	-
Change in net debt	-30.4	-92.7	-160.7	-10.2
Net debt in the beginning of period	99.3	-61.4	-61.4	89.1
Net debt in the end of period	129.7	31.3	99.3	99.3
Change in net debt	-30.4	-92.7	-160.7	-10.2

Key Figures

Key Figures		1-3/2006	pro forma	pro forma	previous
			1-3/2005	1-12/2005	accounting period 6-12/2005
Basic earnings per share	EUR	0.25	-0.31	0.87	0.98
Diluted earnings per share	EUR	0.25	-	-	0.97
Equity per share	EUR	4.50	5.18	5.24	5.24
Interest bearing net debt	MEUR	129.7	31.3	99.3	99.3
Total equity/total assets	%	26.8	32.5	31.2	31.2
Gearing	%	22.6	4.6	14.8	14.8
Return on equity	%	20.4	negat.	15.6	34.1
Return on capital employed	%	21.2	negat.	18.3	36.4
Total assets	MEUR	2,145.5	2,099.6	2,144.5	2,144.5
Assets employed	MEUR	704.6	713.1	768.5	768.5
Working capital (including financing and tax items)	MEUR	-224.3	-204.8	-158.0	-158.0

Key Figures

		pro forma	pro forma	previous accounting period
Orders received MEUR	1-3/2006	1-3/2005	1-12/2005	6-12/2005
	840.3	604.1	2,639.2	1,622.1
		pro forma	previous accounting period	
Order book MEUR	31.3.2006	31.3.2005	31.12.2005	
	2,654.0	2,023.1	2,326.8	
		pro forma	pro forma	previous accounting period
Capital expenditure MEUR	1-3/2006	1-3/2005	1-12/2005	6-12/2005
In fixed assets	10.2	9.7	47.5	26.4
In leasing agreements	1.3	3.6	10.0	3.0
Total	11.5	13.3	57.5	29.4

Key Figures

		pro forma	pro forma	previous accounting period
Expenditure for R&D	1-3/2006	1-3/2005	1-12/2005	6-12/2005
	9.6	9.9	41.4	24.7
Expenditure for R&D as percentage of sales	1.3	1.5	1.3	1.2
		pro forma	pro forma	previous accounting period
Number of employees	1-3/2006	1-3/2005	1-12/2005	6-12/2005
Average	27,638	25,418	26,405	27,016
At the end of the period	27,737	25,672	27,238	27,238

Quarterly Figures

pro forma

Quarterly figures		Q1/2006	Q4/2005	Q3/2005	Q2/2005	Q1/2005	Q4/2004	Q3/2004	Q2/2004	Q1/2004
Orders received	MEUR	840.3	700.4	646.4	688.3	604.1	568.5	505.3	543.7	518.3
Order book	MEUR	2,654.0	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	735.0	1 008.4	801.4	783.1	649.3	896.0	746.3	695.1	557.1
Operating income	MEUR	51.7	94.1	78.1	60.8	39.0 ¹⁾	92.3 ²⁾	72.4	42.5	27.4
Operating income	%	7.0	9.3	9.7	7.8	6.0 ¹⁾	10.3 ²⁾	9.7	6.1	4.9

¹⁾ Excluding 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 pensions.

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