

The heart of your building™



Review for January–September 2005 (Pro forma)

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Highlights of the third quarter



- Order intake continued strong both in new equipment and modernization
- The change programs for improving customer focus, product portfolio, productivity and cost competitiveness progressing as planned
- The main actions of the development and restructuring program will be completed by the end of 2005

- Strong performance continues: good order and sales growth

		Q3/2005	Q3/2004	Change
Order intake	MEUR	646	505	28%
Sales	MEUR	801	746	7%
Operating income	MEUR	78.1	72.4	8%
Operating income	%	9.7	9.7	

		1-9/2005	1-9/2004	Change	1-12/2004
Order intake	MEUR	1,939	1,567	24%	2,136
Order book	MEUR	2,372	1,939	22%	1,796
Sales	MEUR	2,234	1,999	12%	2,895
Operating income	MEUR	177.9*	142.3	25%	234.6
Operating income	%	8.0*	7.1		8.1**
Cash flow from operations	MEUR	218.0	165.8	31%	289,0

* Excluding a MEUR 89.2 provision for the development and restructuring program. Operating income in January-September 2005 including the provision was MEUR 88.7.

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

Development by market area



- EMEA, moderate market continues, price pressures remained
 - Residential demand good, office market good in the U.K. and the Middle East, high-rise market strong in the Middle East
 - EU safety norms continue boosting demand in modernizations
 - KONE's order intake showed strong growth
- North America, new equipment demand was strong
 - Residential and Public Transportation demand good
 - New equipment prices stable, maintenance and modernization markets under price pressure
 - KONE's order intake strong in the new equipment and modernization businesses
- Asia-Pacific, market growth continued
 - China showed moderate growth in both residential and office market; India continued strong growth; Australia stable
 - Price pressure continues
 - KONE's order intake very strong in the whole region, especially in China and India

- New equipment
 - Significant orders in all regions
 - MiniMini successful in Asia, MRL market continues to grow in the U.S.
- Service business
 - Modernization sales grew in both Europe and the Americas
 - Maintenance , including automatic building door service, continued steady overall growth

Long-term business goals



Growth

To grow faster than the industry average

EBIT

$\geq 12\%$

Cash flow

Strong, positive cash flow

How do we enable faster than market growth



Growth

Faster than
industry
average

- Stronger presence in FAST growing geographically important markets
- Improve competitiveness in modernization segment
- Develop product competitiveness in North America and Asia
- Develop solutions specific for customer segments
- Develop dedicated operational approach for different customer categories
- Develop sales management skills

How do we improve profitability



EBIT

≥12%

- Increase cost competitiveness of products
- Streamline
 - Logistics
 - Sourcing
- Improve productivity
 - Installation
 - Maintenance

How do we enable strong positive cash flow



Cash flow

- Develop logistic
- Improve profitability

Strong
positive

Financial outlook for 2005



- KONE maintains its outlook achieving at least last year's approximate 8 percent pro forma operating income margin for the calendar year 2005, disregarding the EUR 89.2 million costs of the development and restructuring program. Net sales for the calendar year are expected to reach EUR 3.1 billion.
- KONE will continue implementing the initiated change programs to enable faster-than-market growth and improving profitability from 2006 onwards.

Board of Directors proposes two-for-one share split



Proposal of a two-for-one split of shares to the Extraordinary General Meeting of Shareholders on the 21 November, 2005, to increase share liquidity

- Doubling the number of shares to 127,734,930
- Number of class A shares will increase to 19,052,178 and number of class B shares to 108,682,752
- The proposed accounting par value is EUR 0.50

Consolidated statement of income



MEUR	1-9/2005	%	1-9/2004	%	1-12/2004*	%
Sales	2,233.8		1,998.5		2,894.5	
Costs and expenses	-2,100.5		-1,813.0		-2,601.5	
Depreciation	-44.6		-43.2		-58.4	
Operating income	88.7	4.0	142.3	7.1	234.6	8.1
Share of associated companies' income	1.2		0.7		1.3	
Financing income and expenses	-4.8		-1.5		-2.7	
Income before taxes	85.1	3.8	141.5	7.1	233.2	8.1
Taxes	-31.0		-41.0		-69.2	
Net income	54.1	2.4	100.5	5.0	164.0	5.7
Net income attributable to:						
Shareholders of the parent company	55.0		100.4		163.9	
Minority interests	-0.9		0.1		0.1	
Total	54.1		100.5		164.0	

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

Consolidated balance sheet



Assets			
MEUR	30.9.2005	30.9.2004	31.12.2004
Non-current assets			
Intangible assets	548.5	483.2	500.2
Tangible assets	221.3	197.6	186.8
Loans receivable and other interest-bearing assets	63.8	76.9	77.1
Other non interest-bearing assets	125.7	99.7	97.7
Investments	165.4	143.0	158.4
Total	1,124.7	1,000.4	1,020.2
Current assets			
Inventories	152.7	126.7	130.3
Loans receivable and other interest-bearing assets	0.2	0.7	0.8
Accounts receivable and other non interest-bearing assets	725.0	686.8	658.4
Cash and bank	126.2	397.1	255.1
Total	1,004.1	1,211.3	1,044.6
Total assets	2,128.8	2,211.7	2,064.8
Equity and liabilities			
MEUR	30.9.2005	30.9.2004	31.12.2004
Equity	629.0	522.7	726.8
Non-current liabilities	311.7	386.5	296.9
Provisions	190.3	159.8	143.3
Current liabilities	997.8	1,142.7	897.8
Total equity and liabilities	2,128.8	2,211.7	2,064.8

Consolidated cash flow



MEUR	1-9/2005	1-9/2004	1-12/2004
Operating income	88.7	142.3	234.6
Change in working capital	84.7	-19.7	-4.0
Depreciation	44.6	43.2	58.4
Cash flow from operations	218.0	165.8	289.0
Cash flow from financial items and taxes	-121.2	-41.3	-55.3
Cash flow from operating activities	96.8	124.5	233.7
Cash flow from investing activities	-160.2	-60.6	-125.6
Purchase and sales of own shares	-8.7	-90.1	60.0
Share issue	3.5	3.5	4.8
Dividends paid	-127.3	-125.1	-125.1
Change in net debt	-195.9	-147.8	47.8
Net debt in the beginning of period	-61.4	-13.6	-13.6
Net debt in the end of period	134.5	134.2	-61.4
Change in net debt	-195.9	-147.8	47.8

Key figures



		1-9/2005	1-9/2004	1-12/2004
Basic earnings per share	EUR	0.86	1.63	2.66
Equity per share	EUR	9.82	8.26	11.06
Interest bearing net debt	MEUR	134.5	134.2	-61.4
Total equity/total assets	%	29.5	23.6	35.2
Gearing	%	21.4	25.7	-8.4
Return on equity	%	10.6	23.4	24.3
Return on capital employed	%	12.3	17.6	23.1

Quarterly figures



		Q3/2005	Q2/2005	Q1/2005	Q4/2004	Q3/2004	Q2/2004	Q1/2004
Order intake	MEUR	646.4	688.3	604.1	568.5	505.3	543.7	518.3
Order book	MEUR	2,371.7	2,264.7	2,023.1	1,796.1	1,938.6	1,959.5	1,907.5
Sales	MEUR	801.4	783.1	649.3	896.0	746.3	695.1	557.1
Operating income	MEUR	78.1	60.8	39,0*	92.3	72.4	42.5	27.4
Operating income	%	9.7	7.8	6.0*	10.3	9.7	6.1	4.9

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



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