

The heart of your building™



KONE Development and Restructuring Program 2005

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Restructuring and Development Program



1. Discontinue escalator production in Germany.
2. Discontinue electrification component production in the U.K.
3. Close hoisting machine factory in Hämeenlinna, Finland and transfer production to Hyvinkää, Finland.

Simultaneously, we...

1. Increase significantly our production in China.
2. Increase engineering in India.
3. Open a new elevator door factory in Mexico.

Other Development Actions



1. Development of product portfolio to respond better to market requirements in Asia and the U.S.A.
2. Better alignment of global and local activities.
3. Centralization of certain key activities on global and local level.

- Planned closure of escalator manufacturing in Hattingen (Germany).
- Production for Europe concentrated to China and the UK.
 - Commercial standard escalators to Kunshan
 - Heavy-duty (public access and special) escalators to Keighley
- Affects about 300 jobs in Hattingen.
- Hattingen will continue as KONE's Global Escalator Technology and Service Business Center.

Elevators – Electrification Components



- Production concentrated from three locations to two.
- Discontinue production in Bristol (UK).
 - Slimpa (Italy): electrification components for standard elevators
 - Hyvinkää (Finland): electrification components for non-standard elevators (customized, extensive engineering)
- Impact on jobs:
 - decrease about 95 in Bristol

Elevators – KONE EcoDisc[®] Hoisting Machines



- Concentrate production to Hyvinkää and Kunshan.
- Discontinue production in Hämeenlinna (Finland).
- About 100 jobs relocate from Hämeenlinna to Hyvinkää.

- Some competencies to be transferred to India during 2005-2006.
 - From Hyvinkää (Finland) – currently subcontracted activities
 - From McKinney (TX, USA) – affects approximately 20 jobs

- Relocate standard door production to Ústí nad Labem (Czech Republic).
 - About 20,000 standard doors from Hyvinkää (Finland) to Ústí
 - Production of special heavy-duty doors, about 10,000 units, stays in Hyvinkää
- Relocation affects approximately 13 jobs in Hyvinkää.

Other Elevator Production Actions



- Expansion of capacity in Chennai (India) during 2005-2006.
- Start up production of elevator doors in Mexico in 2006.

- Total one-time operating income impact of EUR 90 million
 - Including lay-offs, canceling of long-term commitments, impairment losses, and write-offs of fixed assets
- Annual positive impact on operating income of almost EUR 30 million already in 2006.

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