



KONE Capital Markets Day 2008

Business review

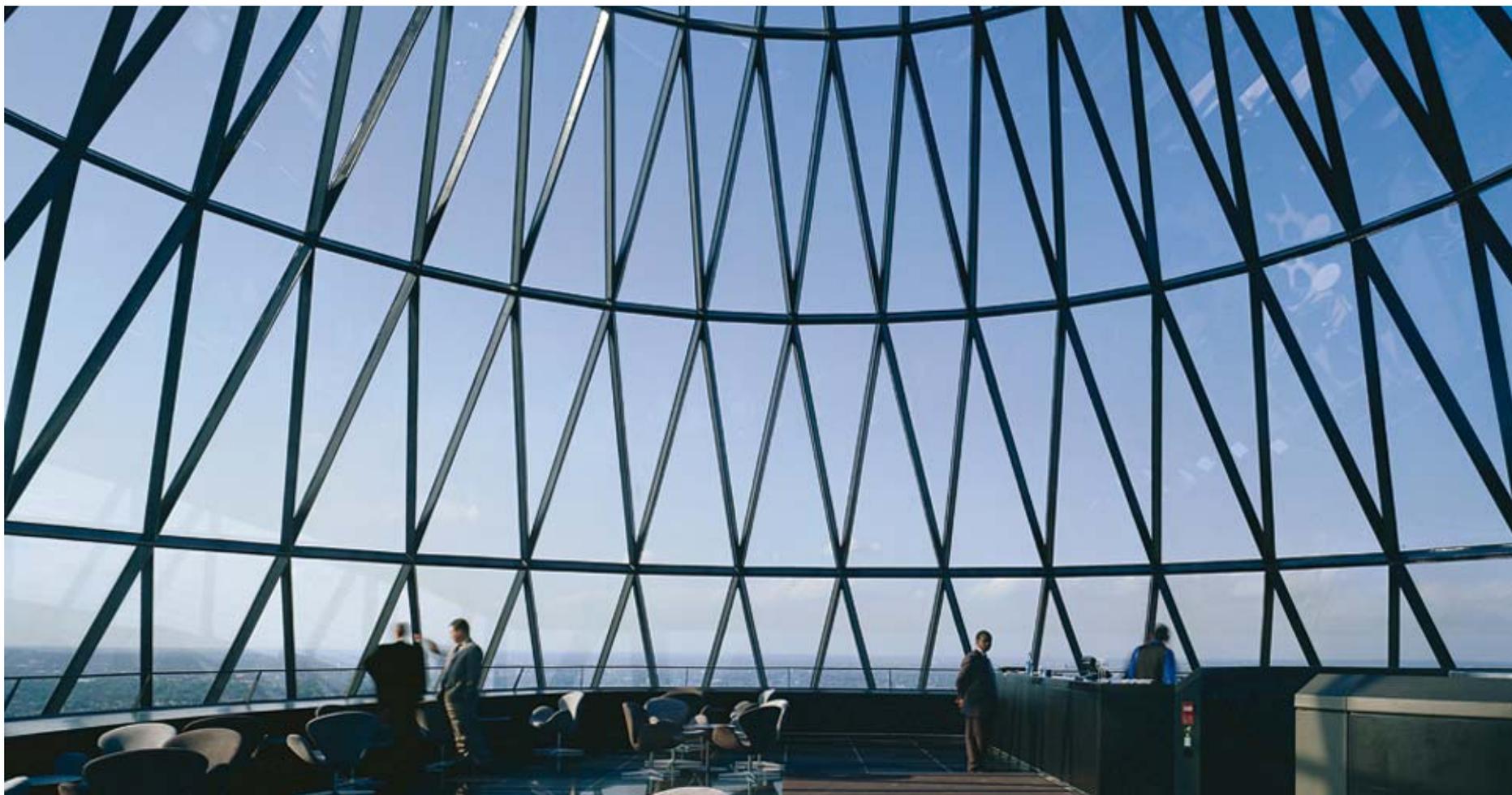
Matti Alahuhta

President & CEO, KONE Corporation



- KONE 2005–2007
- Business environment
- KONE 2008 →
- Regional view
 - Asia-Pacific
 - South Europe and Middle East
- Summary

KONE 2005–2007



Targets



Growth

Faster than market

Profitability

Continuous improvement
Double-digit in 2007,
12 percent in 2008

Cash flow

Stronger cash-flow



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

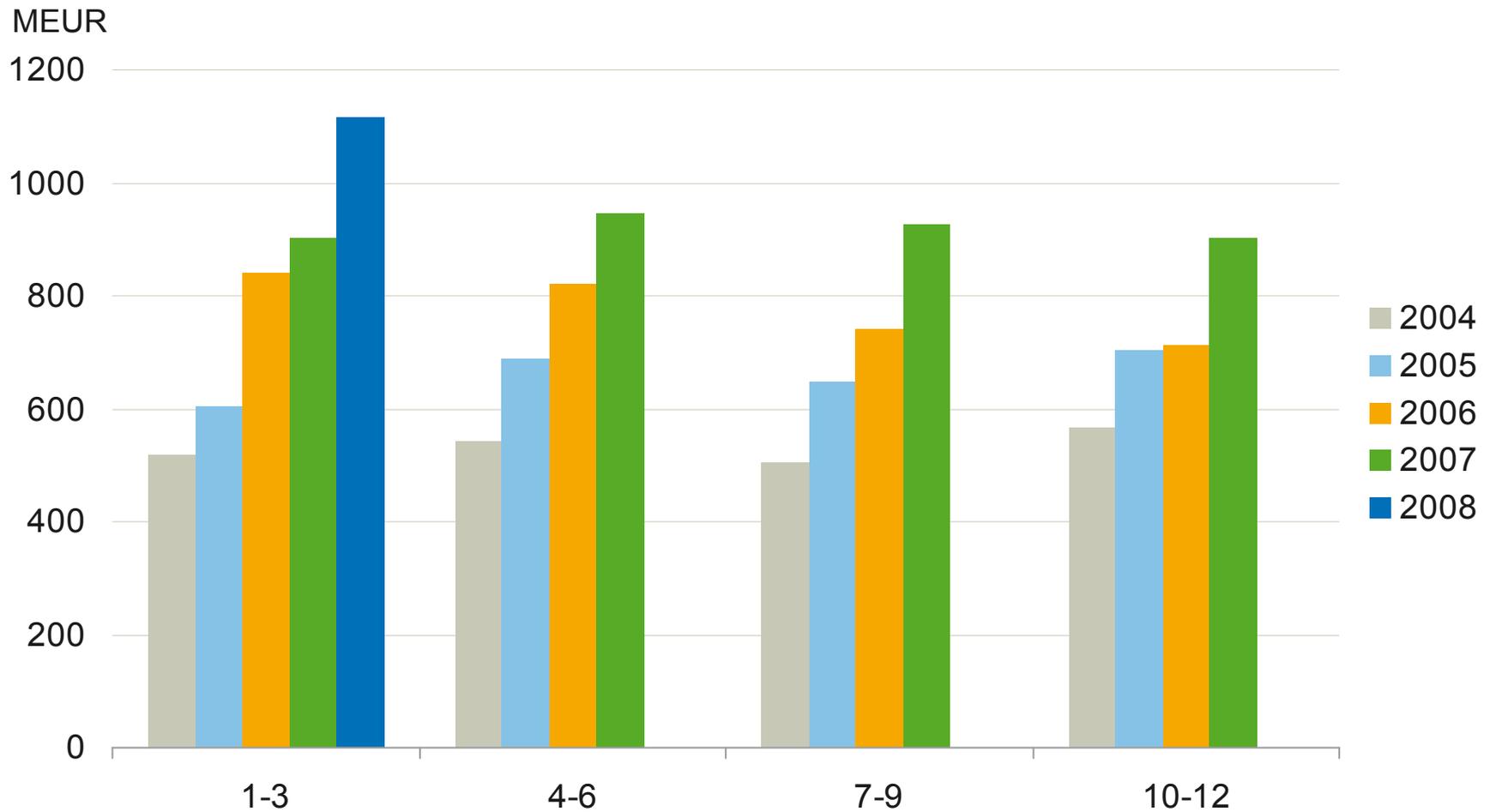
Simultaneously, KONE's products and services are cost competitive and its processes characterized by globally aligned operational excellence.

Development programs continued to bring results

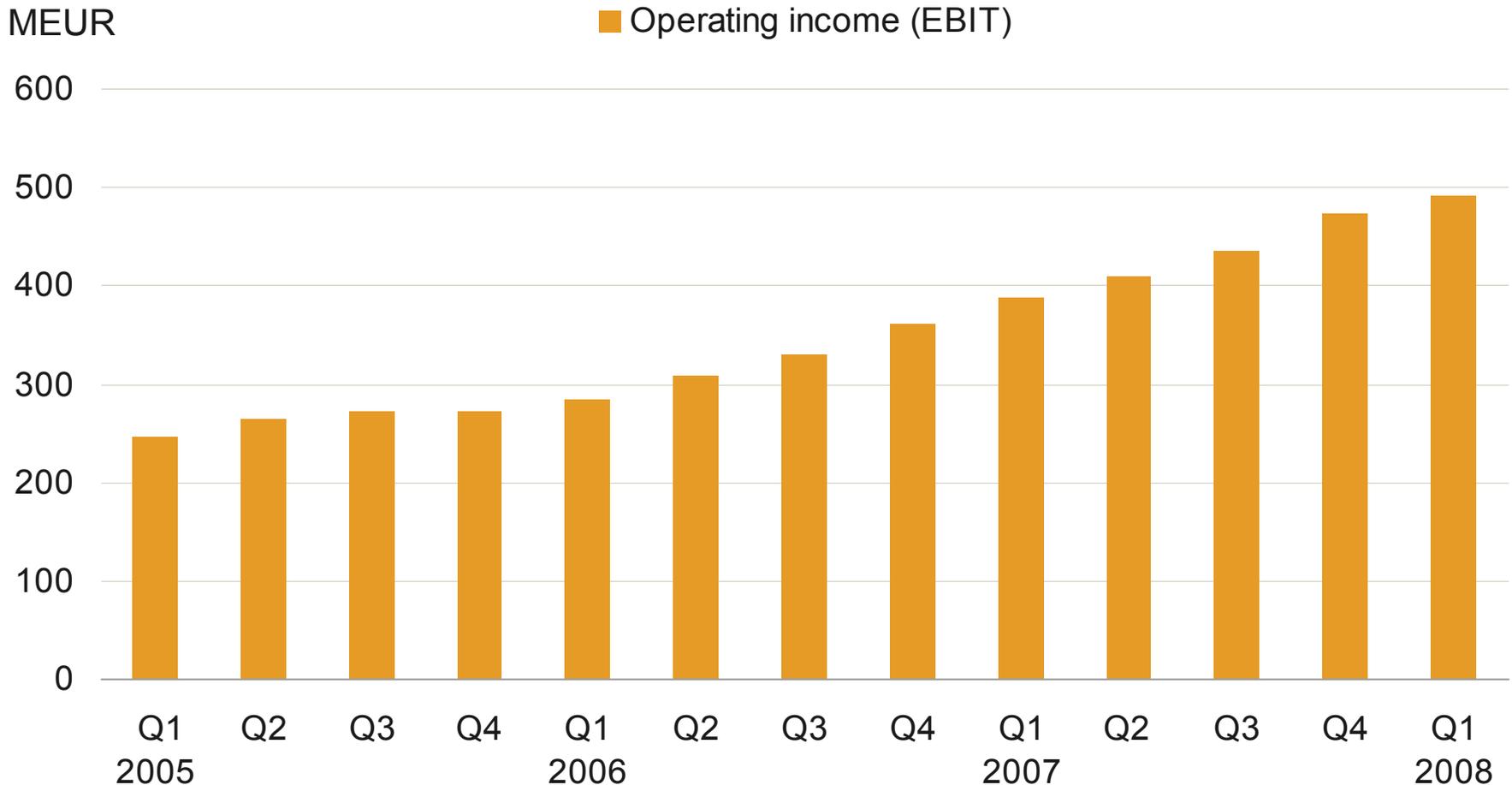


- Customer Focus
- Product and Service Competitiveness
- Operational Excellence
- Sourcing Power
- Presence in Asia

Our market share has improved every year



Rolling twelve months EBIT by quarter



Note: Q4/2004 disregarding MEUR 15.3 non-recurring income due to a provision reversal regarding disability pensions, Q1/2005 excluding MEUR 89.2 provision for the development and restructuring program. Q1/2007 excluding EUR 142 million, which includes the European Commission's fine. Q4/2007 excluding EUR 22.5 million provision for the Austrian Cartel Court's fine and the sales profit of EUR 12.1 million for the sale of the KONE Building.

Business environment



Strong megatrends backing up long-term market development



Megatrends

Changing demographics and ageing of population

Demand for elevators in existing buildings

Increasing demand for Safety, performance and sustainability

Demand for Modernization solutions

Urbanization

Demand for new construction and new elevators and escalators solutions

Elevators are increasingly being built in existing buildings



- Market is Europe-centric
- Accessibility is the key driver
- KONE targets faster than the market growth

Modernization offers attractive opportunities



Market size estimated at EUR 5 billion, two thirds of which generated in Europe

Annual growth at around 10%

Safety as primary driver – an increasing number of countries in Europe have started to comply with Safety Norms for Existing Lifts (SNEL)

Attractive also due to lower dependence on the cycles of new construction development

KONE is very active in Modernization markets

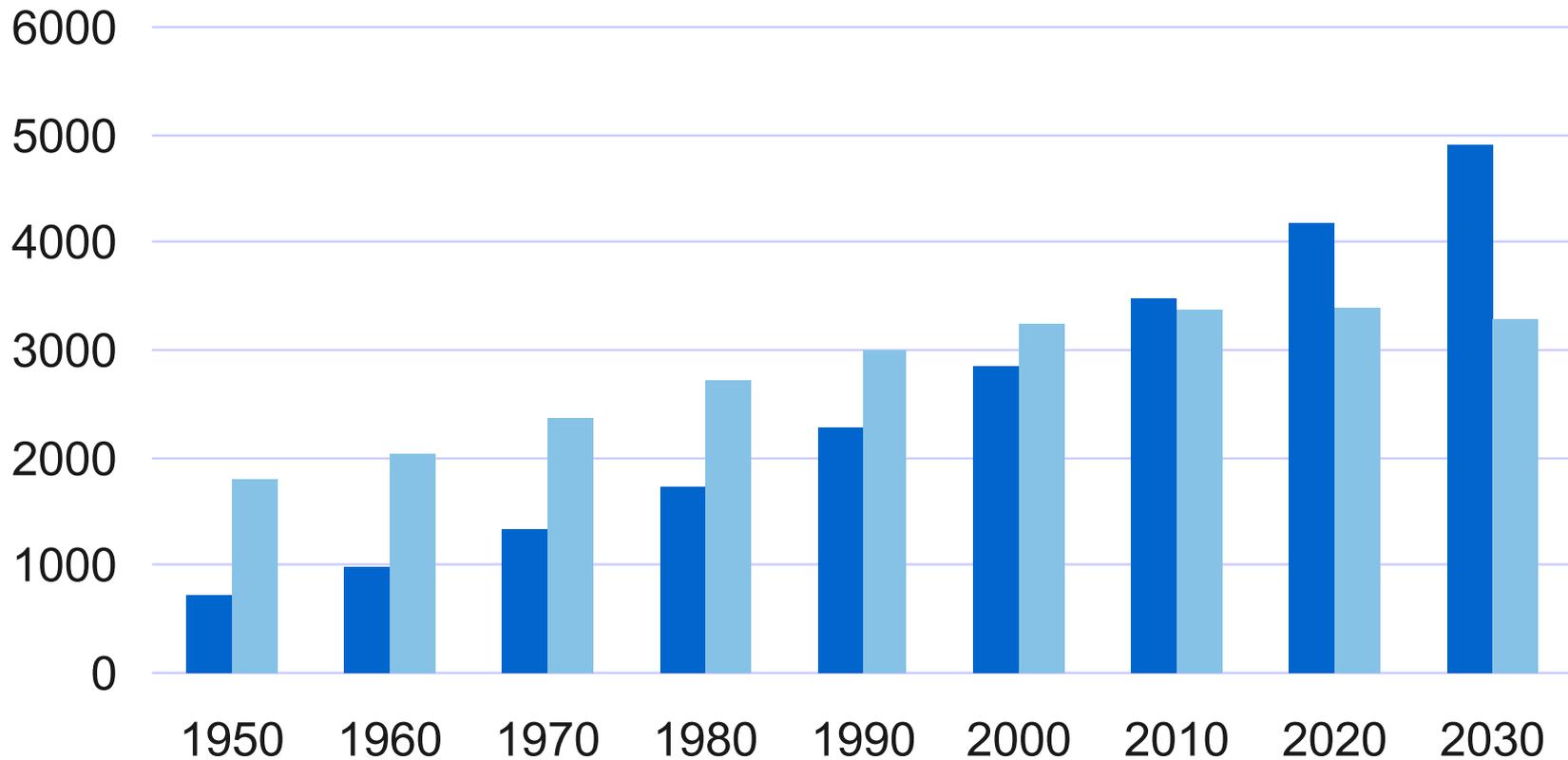


- Faster than market growth in 2007
- Market share in Modernization is higher than in New Equipment
- Industrialization of the whole business system

Urbanization is the most important megatrend in elevator and escalator industry

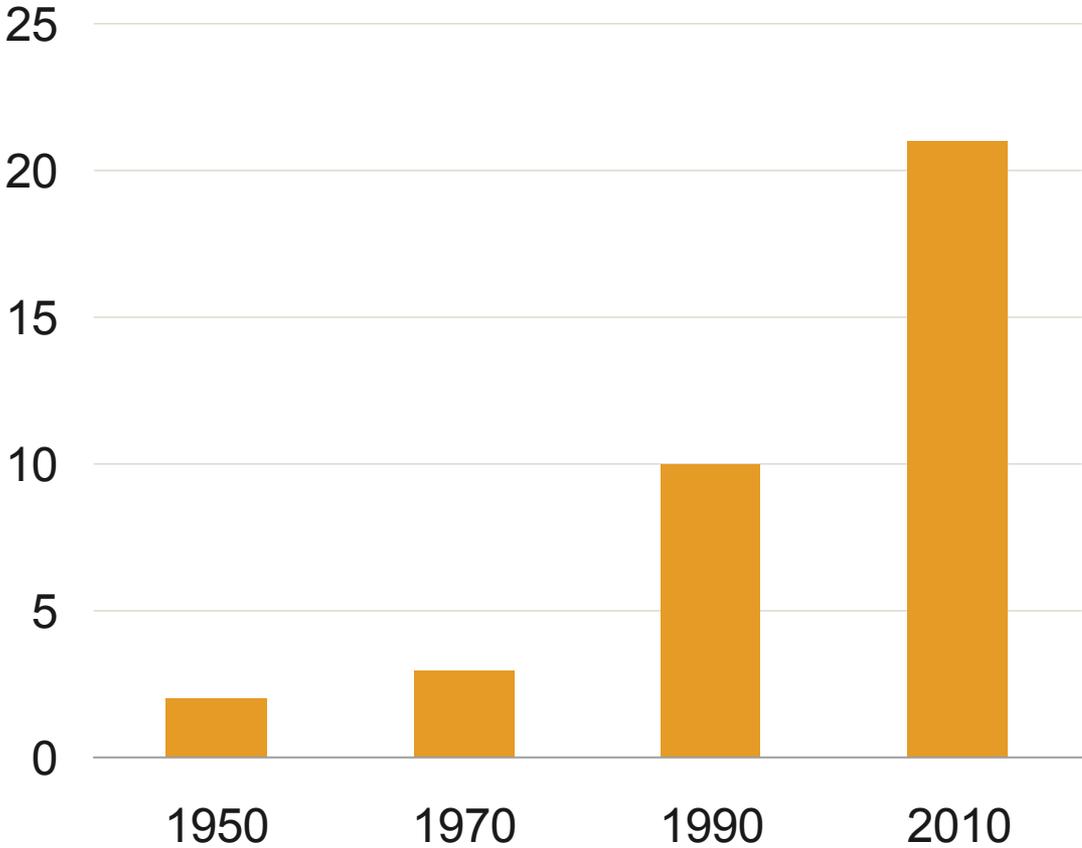


■ Urban ■ Rural



Source: U.N. World Urbanisation Prospects 2007

Number of megacities (> 10 million people) is increasing



Source: U.N. World Urbanization Prospects 2007

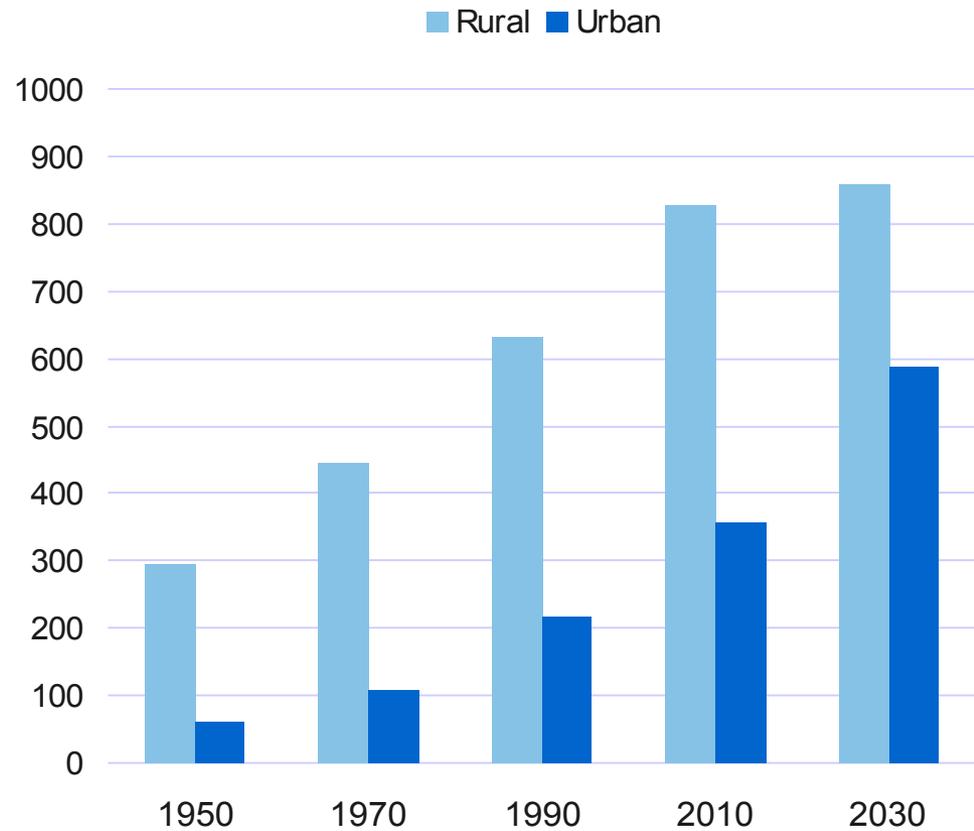
China – concentrated growth



- 1 billion urban population 2030
- 40 billion m² / 5 million buildings will be built by 2025
- 50,000 new skyscrapers by 2025

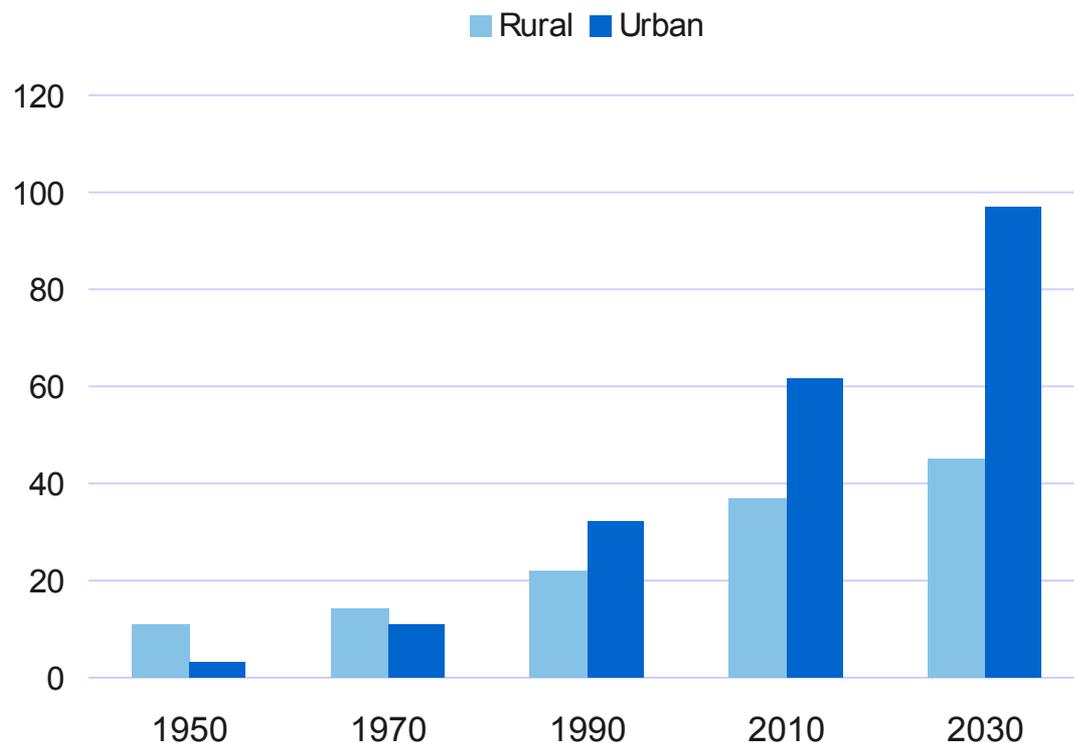
Source: McKinsey

India – urbanization accelerates



Source: U.N. World Urbanisation Prospects 2007

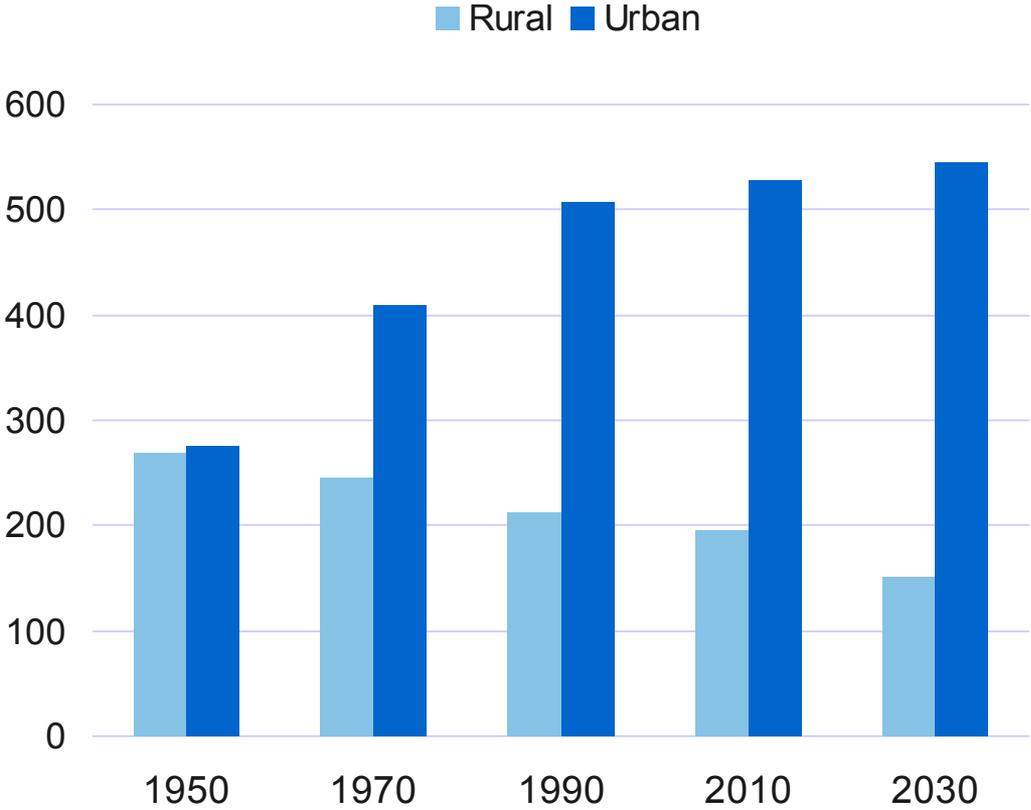
Middle East* – strong urbanization



**Includes Bahrain, Israel, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen.*

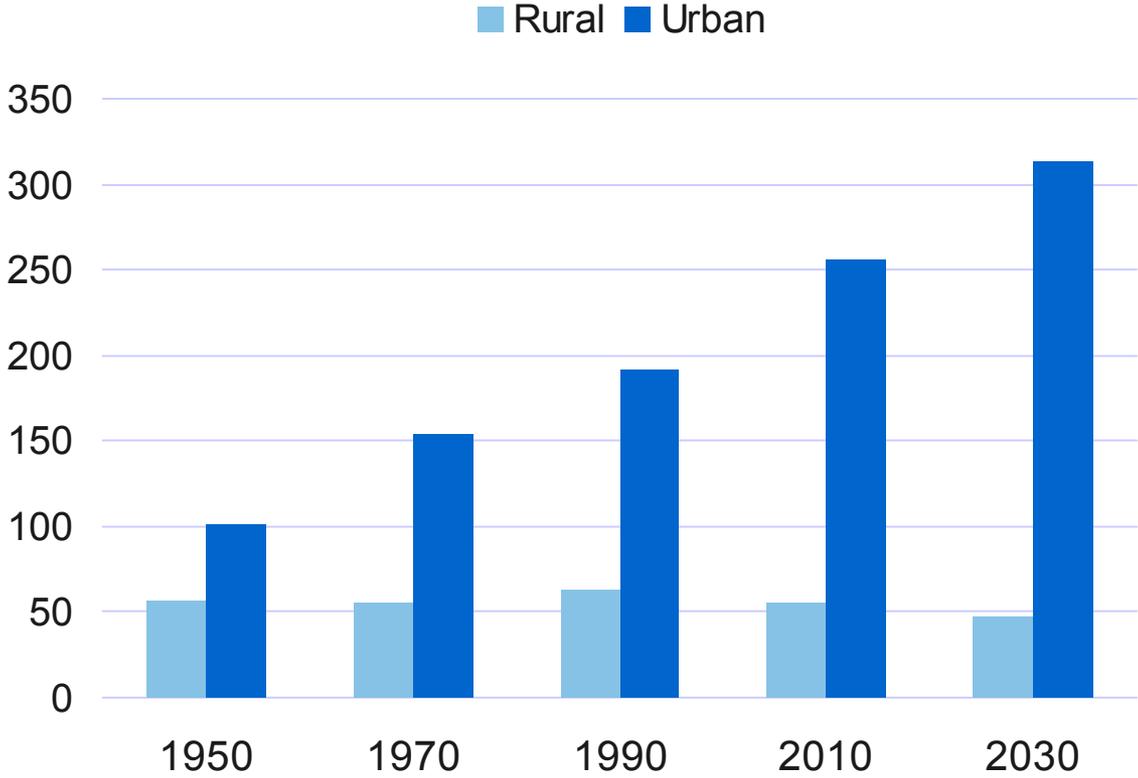
Source: U.N. World Urbanisation Prospects 2007

Europe – growing dynamics between cities



Source: U.N. World Urbanisation Prospects 2007

USA – all growth is seen in urban areas



Source: U.N. World Urbanisation Prospects 2007

KONE 2008 →



A challenge and an opportunity



Challenge

- More buildings and more people in them
- Congestion and crowding
- Environmental issues
- Successful urbanization is a prerequisite for economic growth

Opportunity

- Market volume growth
- Creating the best solutions for smooth people flow

The best people flow experience



We want to deliver solutions that enable people to move smoothly, safely, comfortably and without waiting from one place to another.

Vision



KONE delivers the best
People Flow™ experience.

Strategy



KONE delivers a performance edge to its customers by creating the best user experience with innovative People Flow™ solutions.

Simultaneously, KONE's people leadership and processes enable operational excellence and cost competitiveness.

New development programs



- Customer Focus
- People Flow Solutions
- Operational Excellence
- Environmental Excellence
- People Leadership



Q1 was an encouraging start for 2008



		1-3/2008	1-3/ 2007	Historical change	2007
Orders received	MEUR	1,117.5	902.1	24%	3,674.7
Order book	MEUR	3,617.4	3,105.7	16%	3,282.3
Sales	MEUR	905.3	811.2	12%	4,078.9
Operating income	MEUR	86.5	69.3 ¹⁾	25%	473.2 ²⁾
Operating income	%	9.6	8.5 ¹⁾		11.6 ²⁾
Cash flow from operations (before financial items and taxes)		166.6	142.7		380.0 ³⁾

1) Excluding an expense of EUR 142.0 million related to the European Commission's fine decision

2) Excluding an expense of EUR 142.0 million relating to the European Commission's fine decision, a EUR 22.5 million provision for the Austrian Cartel Court's fine decision and a EUR 12.1 million profit from the sale of the KONE Building

3) Including the European Commission's fine



- KONE's target for 2008 is to achieve, at comparable exchange rates, a growth of about 10 percent in net sales compared to 2007
- The operating income (EBIT) target is to achieve a growth close to 20 percent compared to the 2007 figure of EUR 473 million
- This corresponds to an operating income (EBIT) margin of at least 12.0 percent

Long-term targets

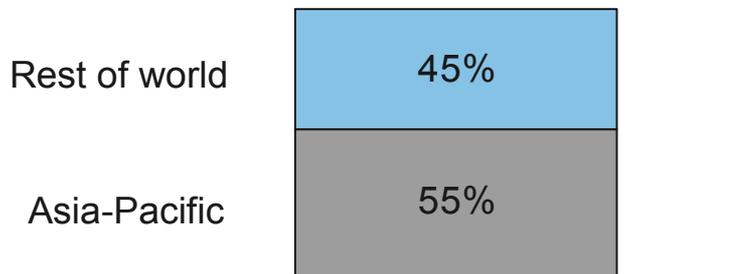


Growth	Faster than market
Profitability	EBIT 14%
Cash flow	Improving Working Capital

Regional review – Asia-Pacific



Asia-Pacific contributes over 50% of the global market for New Equipment

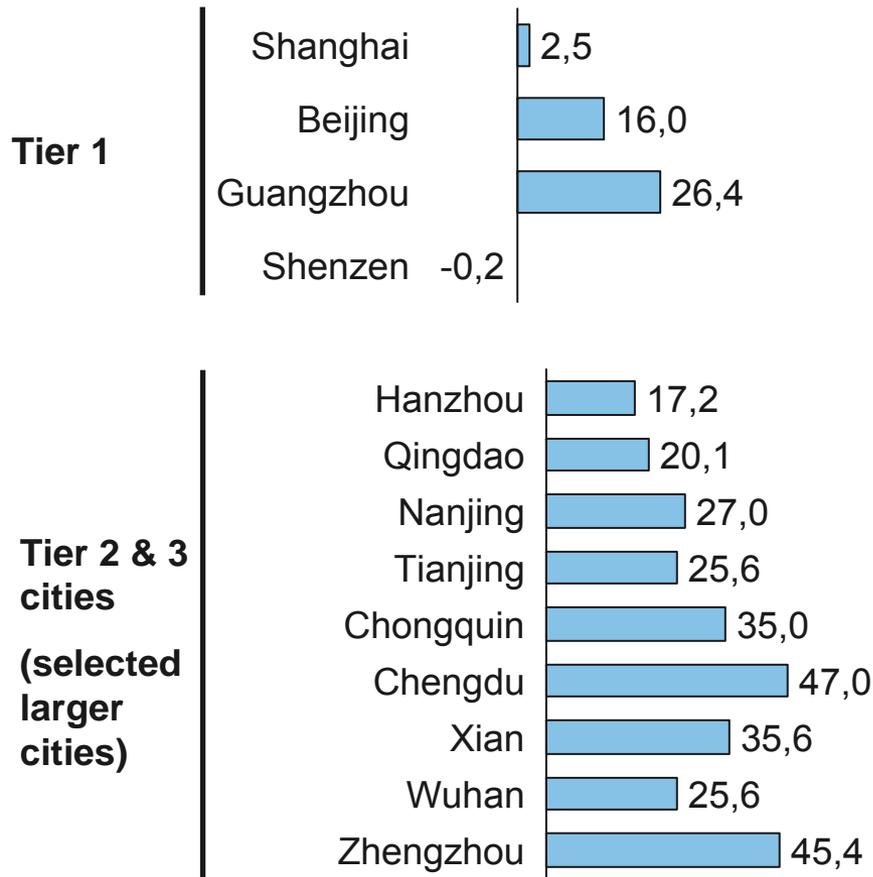


- Strong growth in new equipment market expected to continue
- Growth lead by
 - China (over 50% of Asia-Pacific market)
 - India (~10% of Asia-Pacific market)
- Market converting quickly to gearless hoisting technology particularly in China. KONE has long experience with EcoDisc technology and rather good coverage in all main segments

Growth in New Equipment market in China particularly focused on the 2nd and 3rd tier cities



Annual construction growth (2007), %



Dynamics in China market development

Major 1st tier cities:

- Continue to have significant volumes, but lower growth rates

2nd and 3rd tier cities:

- Fastest growth rates, driven by strong urbanization development
- Plenty of activity also in infrastructure projects

KONE has actively developed operations in China to tap into the large opportunities



KONE presence in China



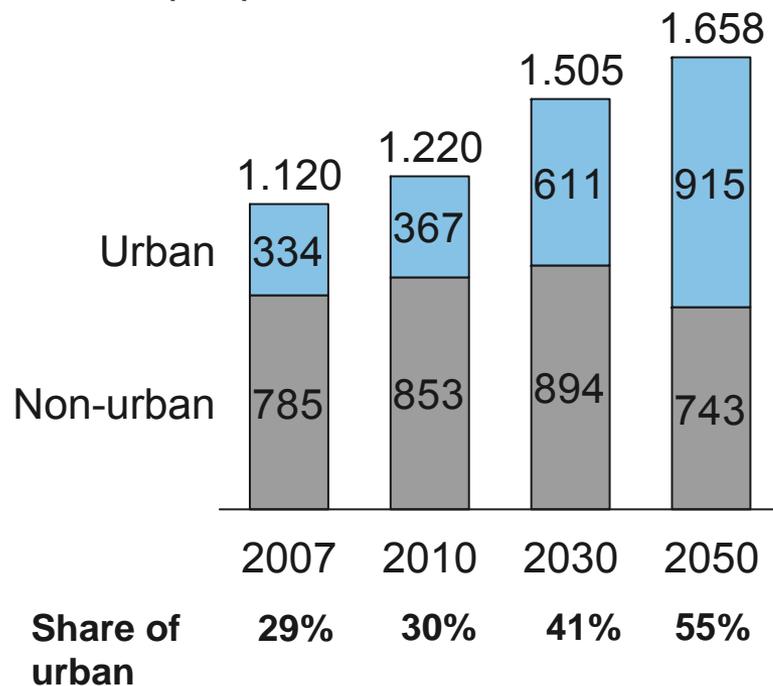
- Strong geographical expansion
- Offering portfolio extended to address the lower-end segments of the market, too
- Strengthened KONE team in China
 - Management
 - Competencies for sales and management of large projects
 - R&D

New Equipment market in India expected to continue to grow fast



Population in India*

Million people



- GDP growth expected to continue at 8–9% p.a, construction industry growth above 10% p.a.
- Urbanization development will drive construction growth in the 2nd and 3rd tier cities
- Plenty of infrastructure projects (airports and metros) expected

KONE is well positioned to utilize the market opportunity in India



- #1 in New Equipment business, with target to continue to grow above the market average rate
- #2 in Maintenance business, with rapidly growing maintenance base
- Strong operations, including manufacturing in India, close to the customers to meet their demands

Australia

- New equipment market has started to flatten after a long growth period
- KONE is #1 in New equipment business and #2 in Maintenance, with strong operations

Southeast Asia

- Southeast Asian markets showing improving growth opportunities
- KONE well positioned

Regional Review – West and South Europe and the Middle East



West and South European markets have a more challenging market outlook

New Equipment:

- Residential market declining in Italy and especially in Spain, new office and commercial markets continue to be active
- KONE targets to continue above market average growth through further improving sales and delivery performance

Maintenance:

- Very competitive maintenance market
- KONE focus to further improve maintenance efficiency and customer service

Modernization:

- Significant, growing market in France
- Italy and Belgium still holding back in development



New Equipment:

- Overall strong market growth (8–12% p.a. expected)
- Very strong Major Projects market

Maintenance:

- Major projects offer attractive maintenance business development



- Attractive market opportunities:
 - changing demographics
 - increasing demand for safety, performance and sustainability
 - urbanization

- Strong business development drive
 - customer and user focus
 - People Flow™ understanding
 - Operational Excellence
 - Environmental Excellence

- Clear business performance objectives

www.kone.com

