

The heart of your building™



KONE BUSINESS REVIEW

Matti Alahuhta

President & CEO

CONTENTS

1. Key elements of KONE's change program
2. What did we achieve in 2005 and 2006
3. Current market development
4. What do we want to achieve in 2007
5. Business Outlook

THE NEW STRATEGY IDENTIFIED AREAS FOR CHANGE



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.

THE DEVELOPMENT PROGRAMS PUT OUR STRATEGY INTO ACTION!



1. Customer focus
2. Product and Service competitiveness
3. Operational Excellence
4. Sourcing
5. Presence in Asia-Pacific

WHY DID WE SELECT JUST THESE DEVELOPMENT PROGRAMS



1. Implement our strategy
2. Each has big impact
3. Go through our company
4. Not too many!

WE ARE TARGETING PROFITABLE GROWTH



Growth

- Grow faster than the market

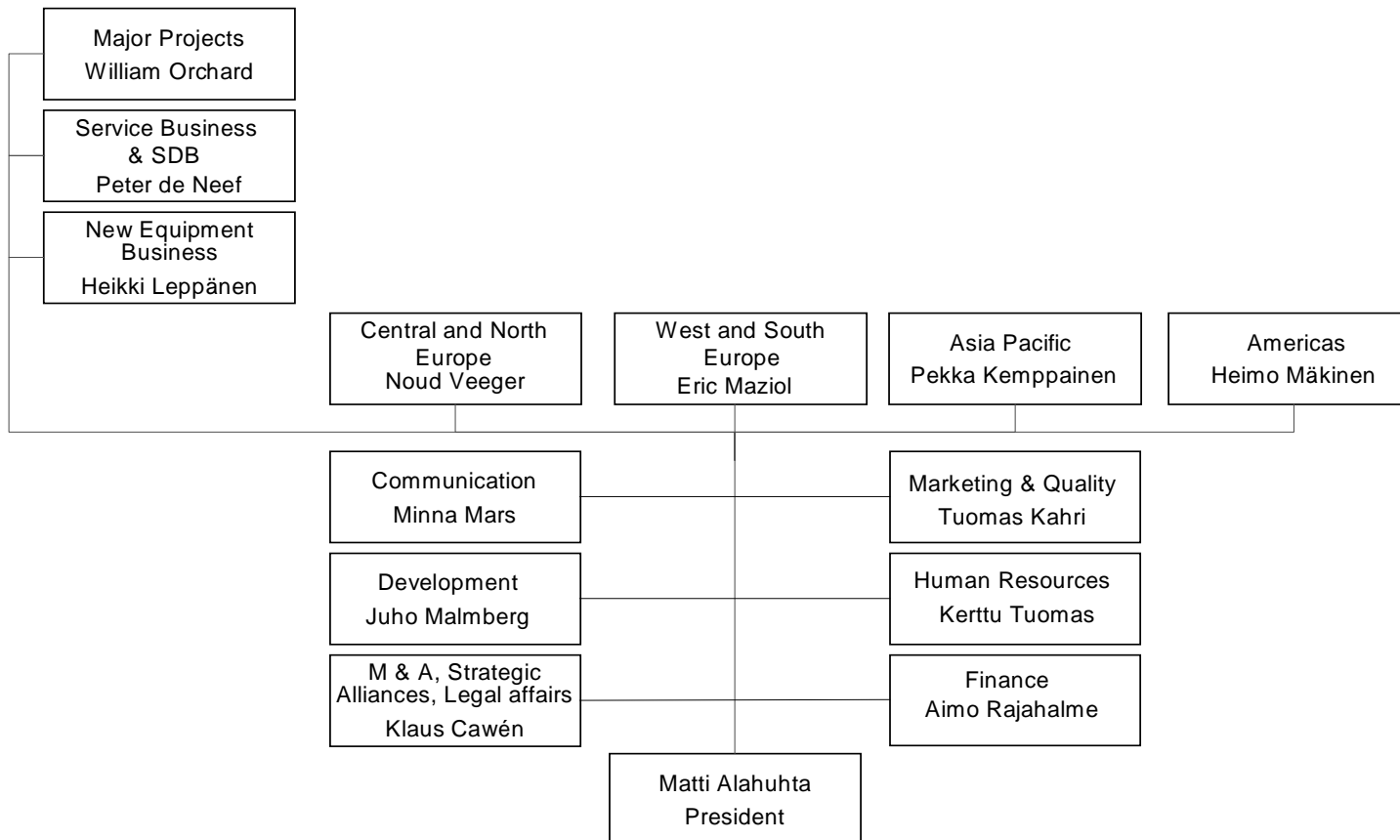
Profitability

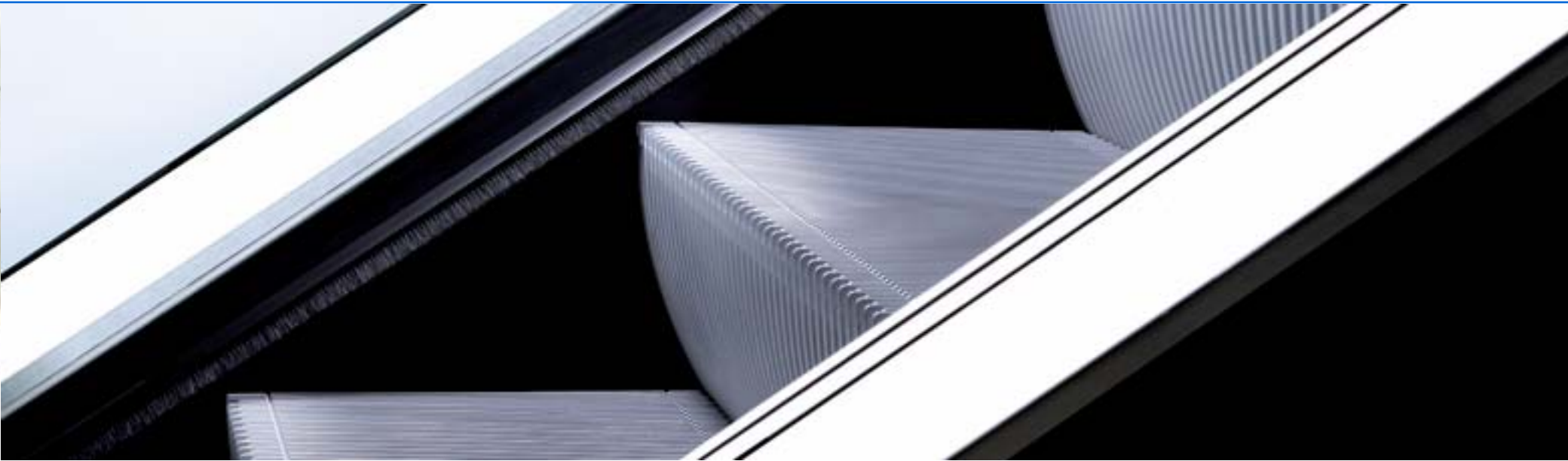
- Reach double digit in 2007, long term goal 12%

Cash flow

- Strengthen cash flow

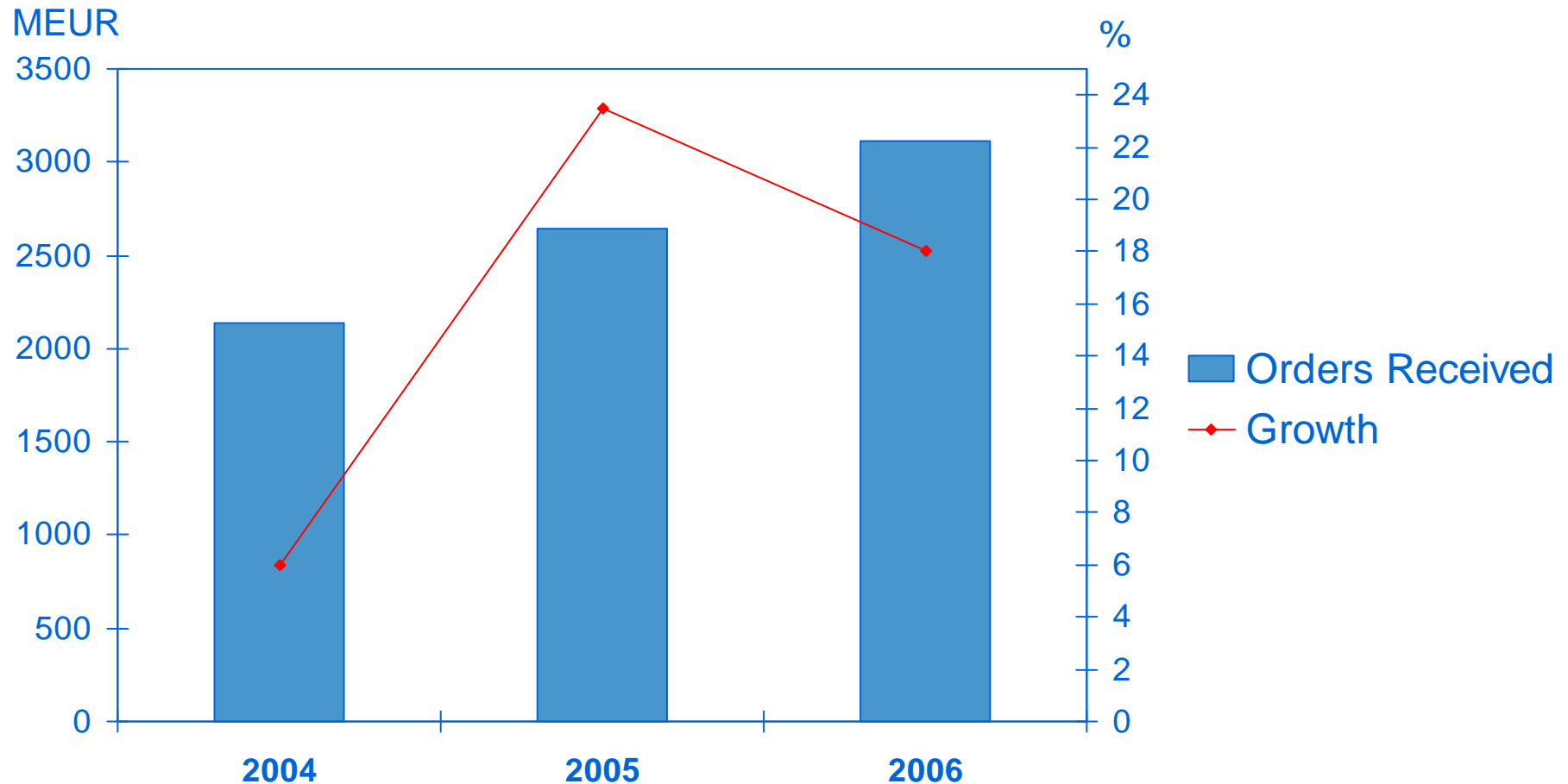
IN OUR NEW OPERATIVE MODE, WE BROUGHT GLOBAL AND LOCAL VALUE ADD TO CONTINUOUS INTERACTION



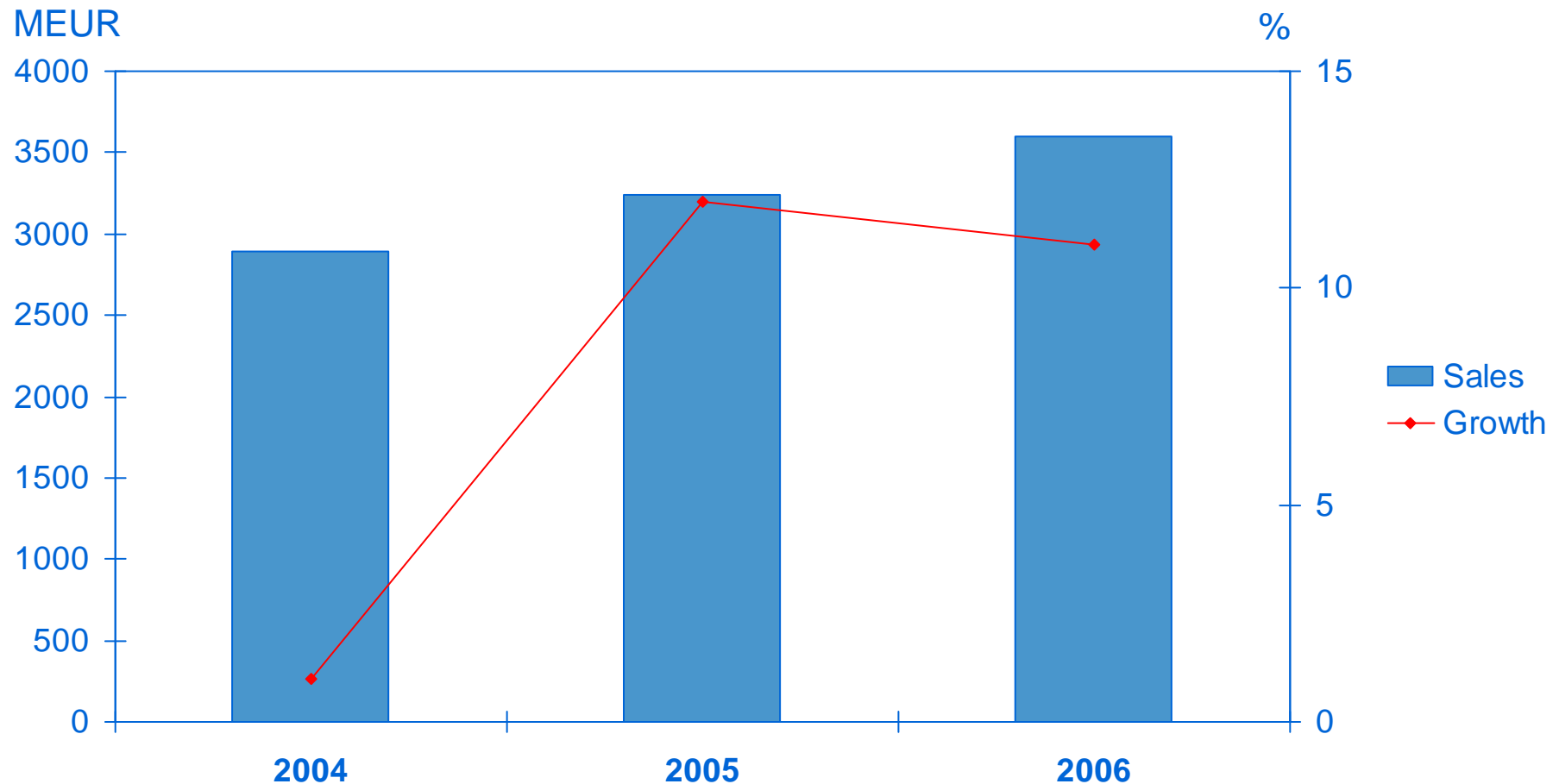


2. WHAT DID WE ACHIEVE IN 2005 AND 2006

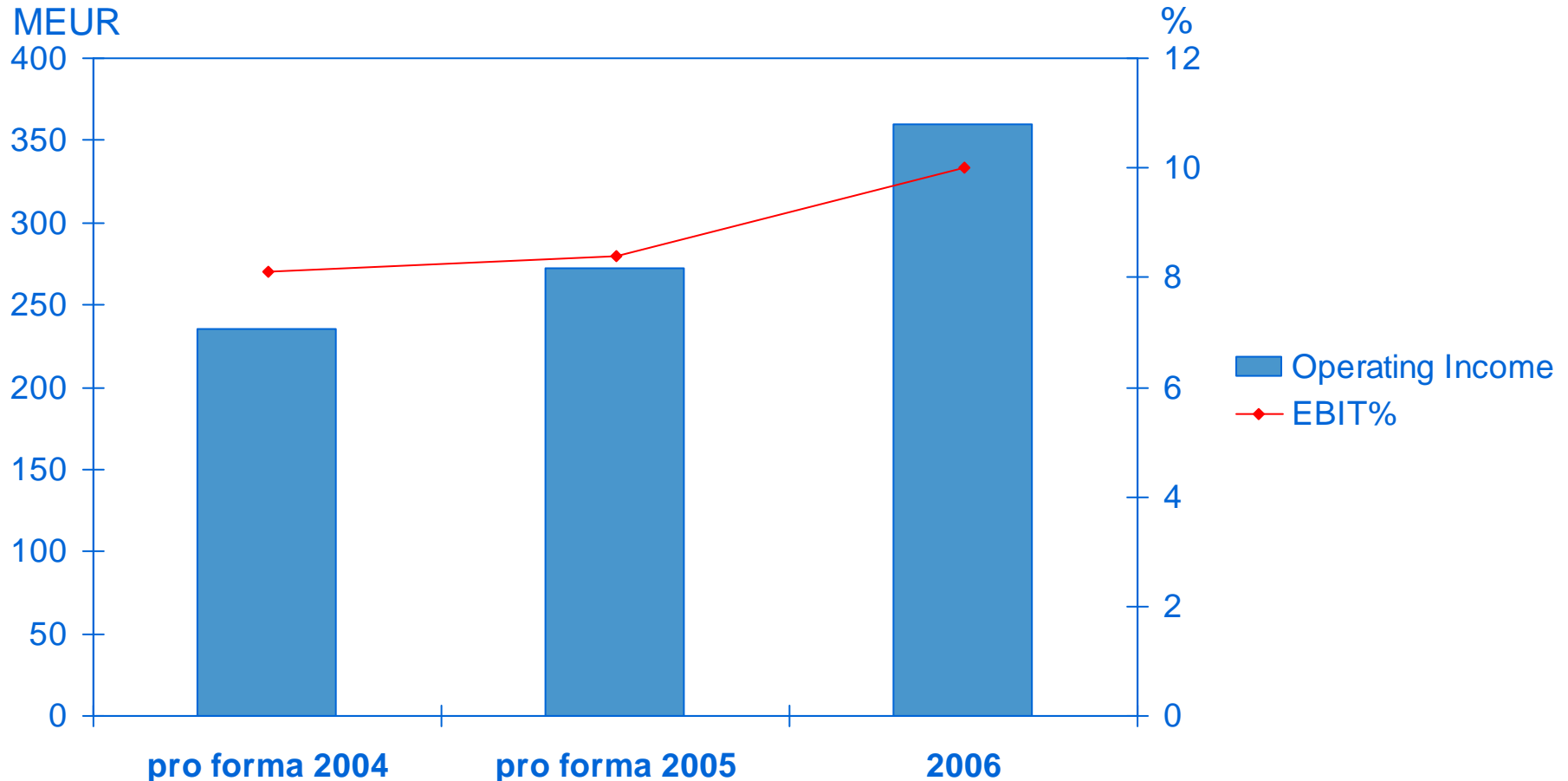
THE AVERAGE ANNUAL GROWTH IN ORDER INTAKE HAS BEEN 21% SINCE 2004



THE AVERAGE ANNUAL GROWTH IN SALES HAS BEEN 11.5% SINCE 2004



THE PROFIT GROWTH WAS 16% IN 2005¹⁾ AND 32% IN 2006 AND WE REACHED 10.0 % EBIT IN 2006



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

IN ASIA-PACIFIC, WE HAVE ALREADY BECOME MUCH STRONGER



- In China, we have taken a major step up
- In India, we are the leader in the new equipment business
- In Australia, we are the leader in the new equipment business

KEY ACTIONS IN ASIA-PACIFIC

- We have expanded our accessible market through product portfolio development
- In China we have:
 - Strengthened the management team
 - Developed/expanded sales/distribution network
 - Increased R&D personnel and production capacity
- In South-East Asia, we have made acquisitions in Thailand and Malaysia
- Also other development programs have increased our competitiveness

OUR TURNAROUND HAS STARTED WELL IN NORTH AMERICA



- Our product portfolio coverage is now better
- We have regained market share in the U.S.
- Our order book margins have improved
- Service business productivity has improved

WE HAVE STRENGTHENED OUR POSITION IN EMEA

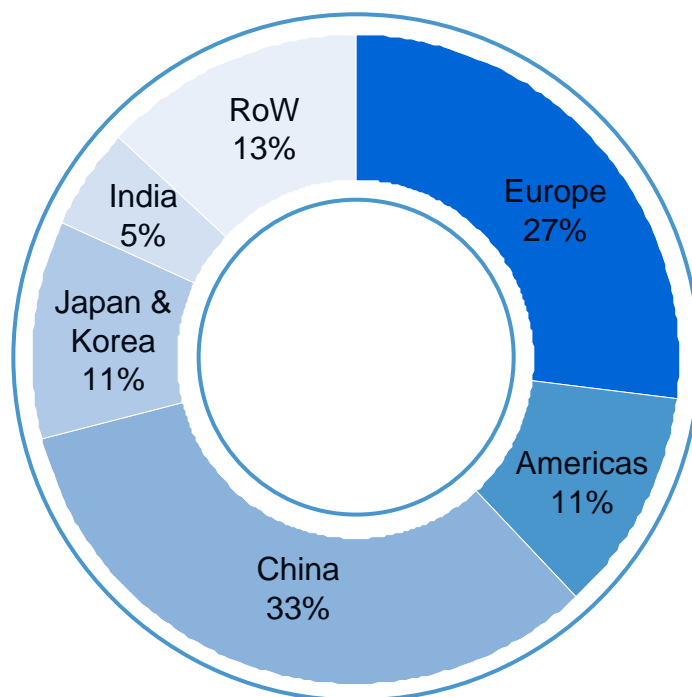


- Good growth in modernization for example in France, Germany and the Nordic countries
- Positive development in the new equipment business in most European countries
- Sales in the Middle East growing well

GLOBAL NEW EQUIPMENT MARKET 2006

New Elevator and Escalator Market 2006

Total: 440,000 units



KONE OR (2006): 49,000 units

KONE Market Share: 11%



3. CURRENT MARKET DEVELOPMENT

ELEVATOR AND ESCALATOR MARKETS ARE DRIVEN BY SEVERAL MEGATRENDS



- Market growth will continue, but growth will in some countries be slower in 2007 than 2005 and 2006
- Main drivers for growth are
 - New equipment market in Asia-Pacific
 - Driven by urbanization
 - Modernization in Europe and North America
 - Driven by safety and ageing equipment
 - Maintenance
- In Europe, North-European market will be stronger than South European market
- Commercial market in the U.S. will continue to be at a good level.



4. WHAT DO WE WANT TO ACHIEVE IN 2007

*IN CUSTOMER FOCUS OUR PLAN IS TO HAVE
GLOBALLY BETTER SALES SKILLS AND
NEW PROCESSES AND TOOLS IN PLACE*



Tools

- CRM
- Customer performance analysis
- KONE Compass
- eBusiness, SMT, Care4Life

Skills

- Customer service training
- Process and tools training
- Sales skills training (locally)

Customer Management Models

- Core customer management model
- Strategic customer management model

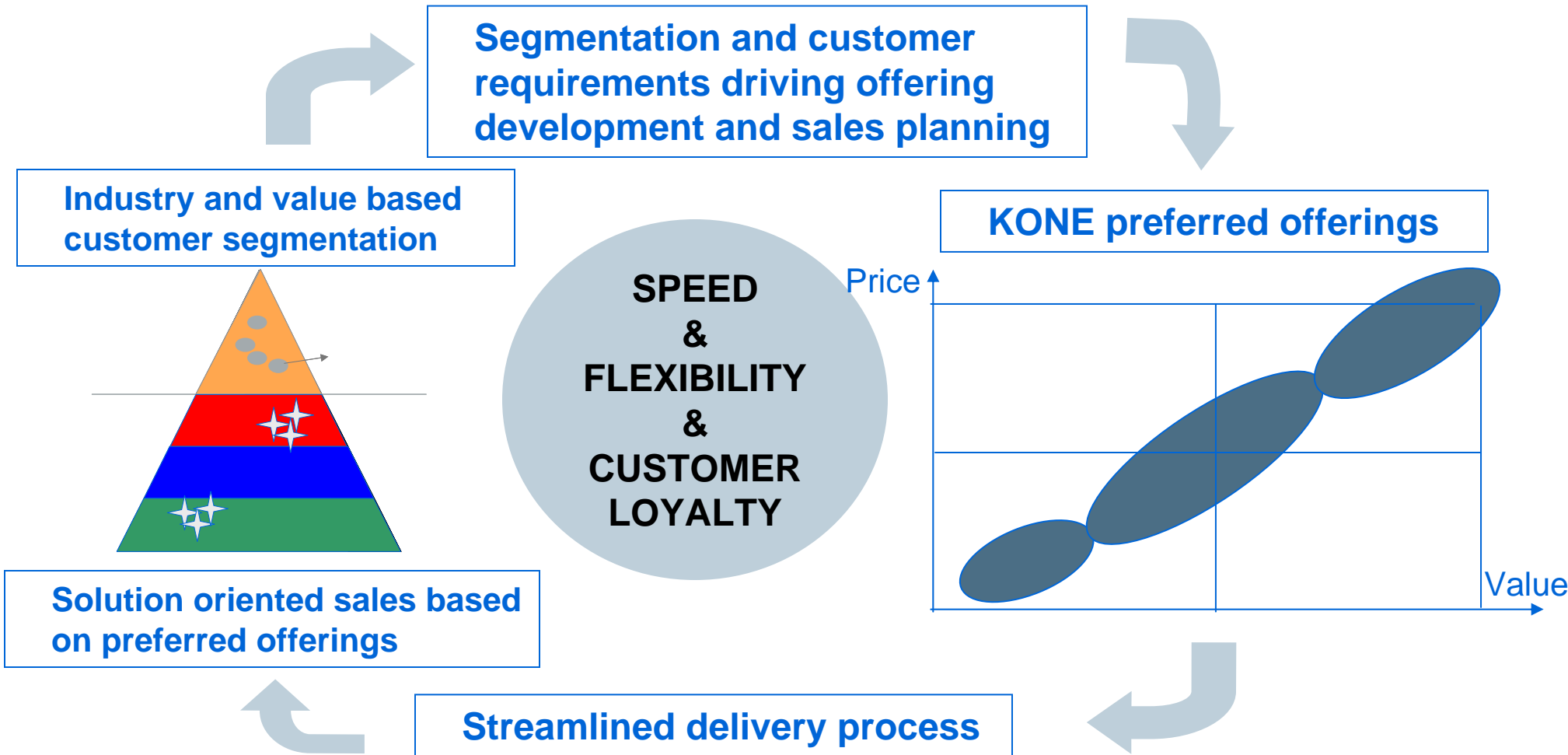
Customer Process

**Manage Customer
Relationships**

Create Demand

Sell

BY THE END OF 2007 OUR OBJECTIVE IS TO BE IN ALL KEY MARKETS MORE COST COMPETITIVE, FASTER AND MORE RESPONSIVE TO MARKET NEEDS



IN OPERATIONAL EXCELLENCE, WE CONTINUE TO BENEFIT FROM MANY INITIATIVES IN 2007



- New demand/supply planning in use
- More optimized logistics network in place
- Further delivery time reductions in place
- Further installation productivity improvements achieved
- Improving customer satisfaction and productivity achieved by the use of the modular based maintenance method

IN SOURCING, WE CONTINUE OUR LONG TERM WORK FOR BETTER COMPETITIVENESS



- Category based sourcing teams
- Benefits from combining local sourcing teams to the global team
- Economies of scale

CONTINUE STRONG PROGRESS IN ASIA-PACIFIC

- Continue to strengthen position in China
 - ✓ New branches
 - ✓ New products
- Continue organic growth in India
- Develop Fuji in Malaysia
- Continue good development in Australia



5. BUSINESS OUTLOOK

SOURCES FOR PROFIT GROWTH FOR KONE



- Sales growth – economies of scale
- Productivity improvement in the field activities
- Development of sourcing activity
- Development of logistics
- U.S. turnaround

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.

www.kone.com

