



KONE'S CAPITAL MARKETS DAY 2011

KONE Financial Review

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Agenda



- Managing costs in an inflationary environment

- Cash flow management
- GiantKONE financial impacts



Inflationary environment causes cost pressures



External pressures

- Material costs
- Wage inflation in developing world
- Fuel and energy prices
- FX translation rates?

KONE is investing in growth

- Increased R&D spend
- Further spend on Process development
- Expanding footprint for growth areas

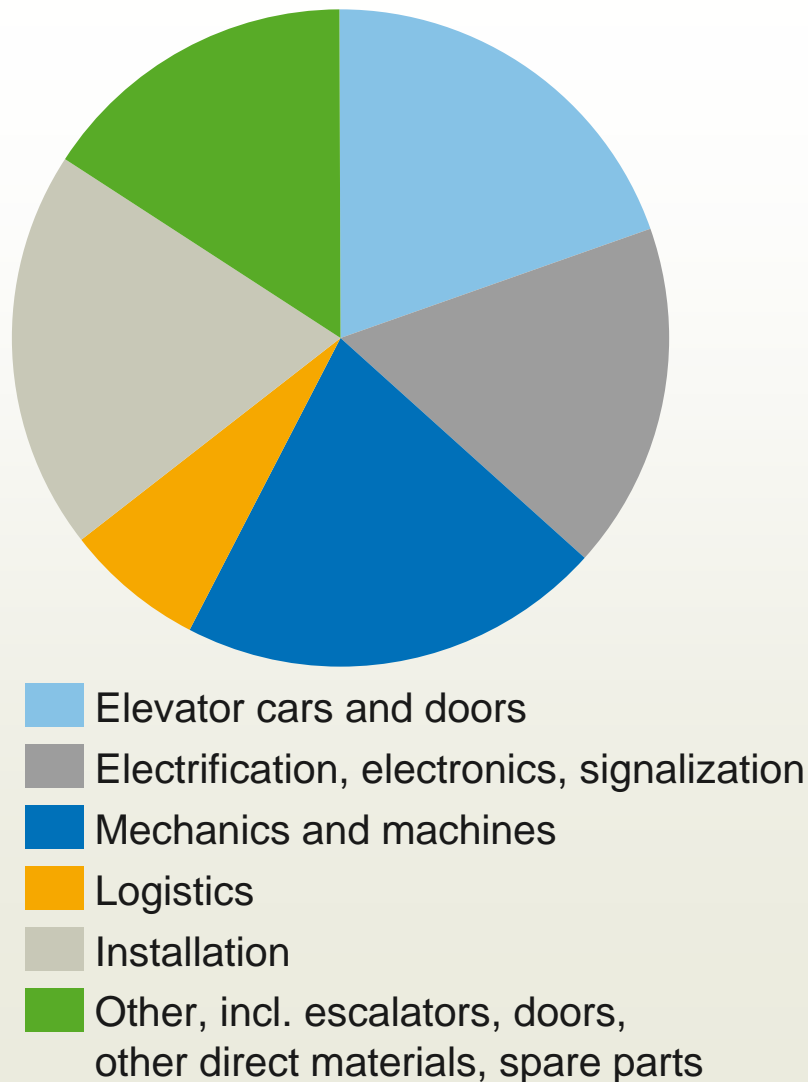
Managing costs

- Improved quality and productivity
- Growth - operational and fixed cost leverage
- Sourcing actions and fixing of prices
- Pricing excellence

Multiple actions on-going to manage sourcing costs



Direct materials, supplies, external services and other production costs, 2010



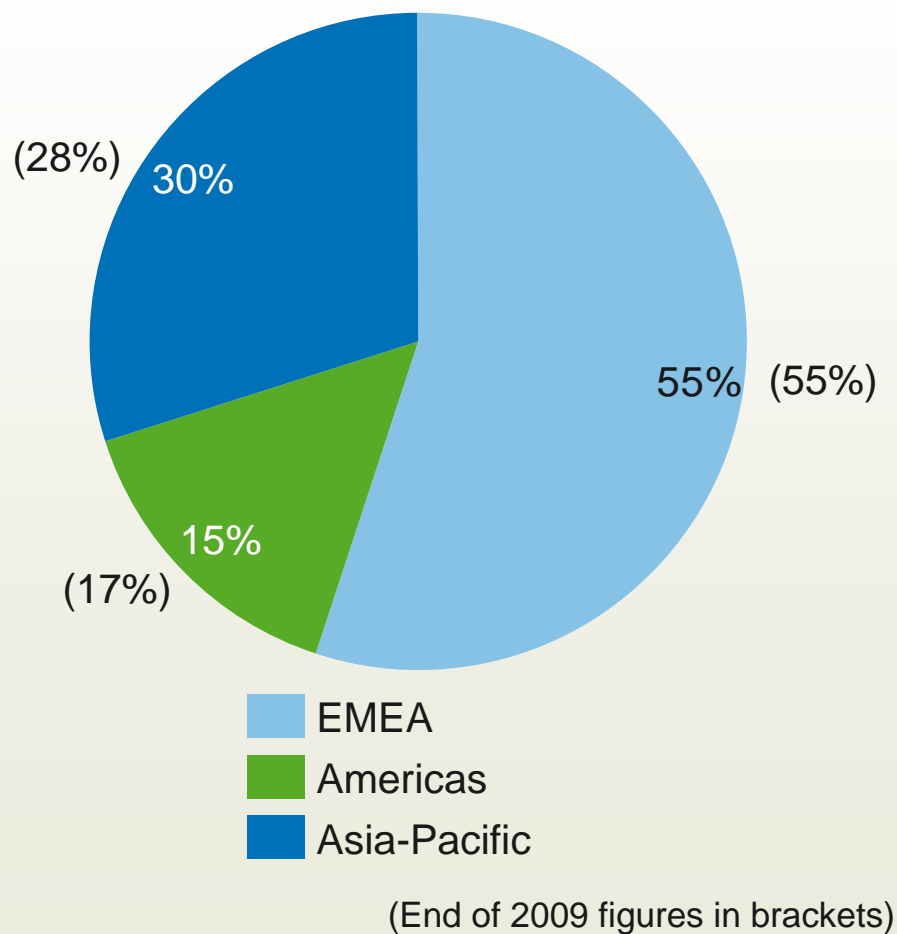
Managing raw material costs

- Fixed prices for majority of metals
- On-going transition to more fuel efficient and harmonized car fleet
- Growth in volumes provides scale advantages
- Supplier quality focus

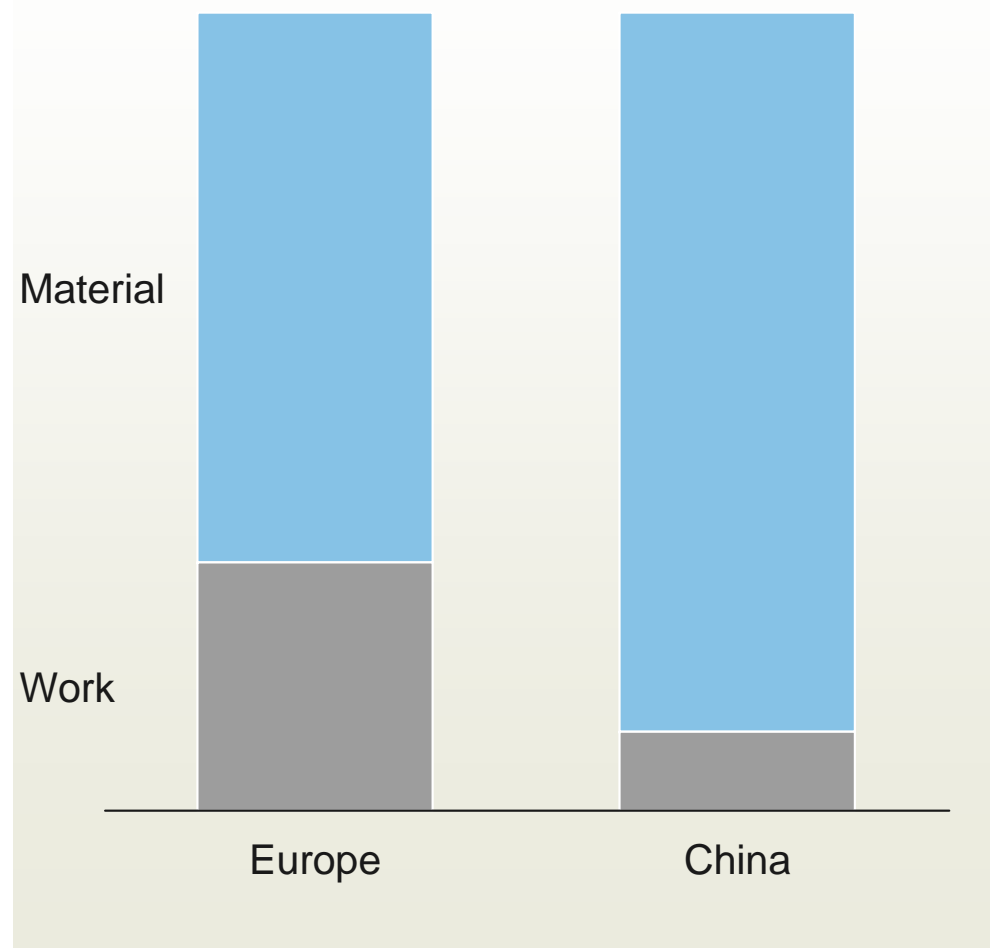
Salary/wage growth has remained moderate overall, although pressures exist in the developing world



KONE employees by geographic area, end of 2010

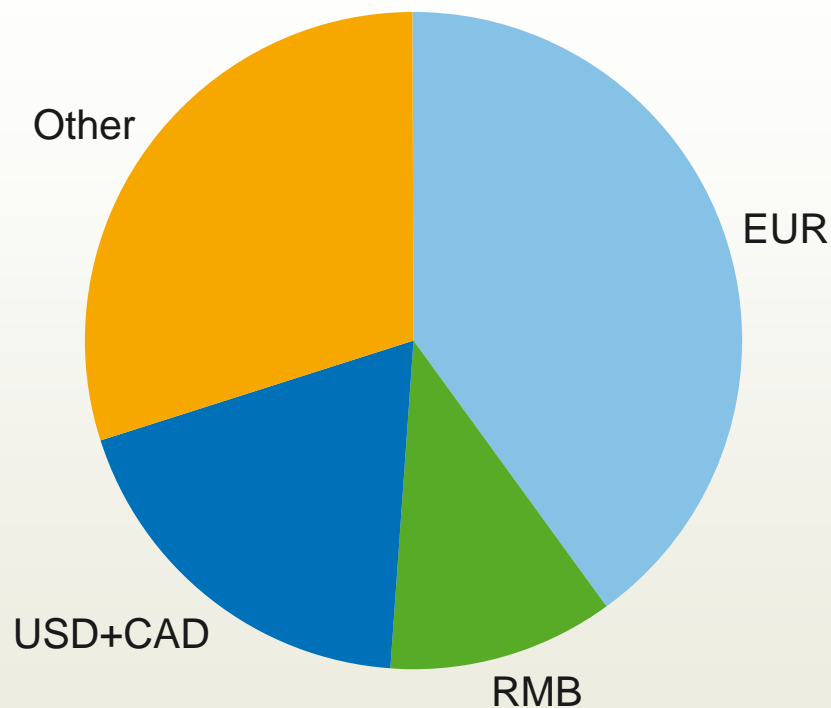


Illustrative share of work vs. material costs in the installation of an elevator in Europe and China



Diversified FX translation exposure

External sales by currency



- Slightly less than 45% of sales are in euro
- The weakening/strengthening euro does not have any substantial impact on the relative EBIT margin
- High volatility in FX rates. Current level implies moderate negative impact vs. 2010.



- Managing costs in an inflationary environment



- Cash flow management

- GiantKONE financial impacts

Balance Sheet – Overall assets employed have continued to improve



MEUR	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
Assets employed			
Intangible assets	851.9	717.3	859.6
Tangible assets	196.4	205.2	204.9
Investments	162.0	169.9	180.6
Net working capital	-470.4	-330.0	-394.3
Assets employed total	739.9	762.4	850.8
Financed by			
Equity	1,433.0	1,122.4	1,600.6
Net debt	-693.1	-360.0	-749.8
Equity and net debt total	739.9	762.4	850.8

Net working capital – strong development, but areas for improvement remain

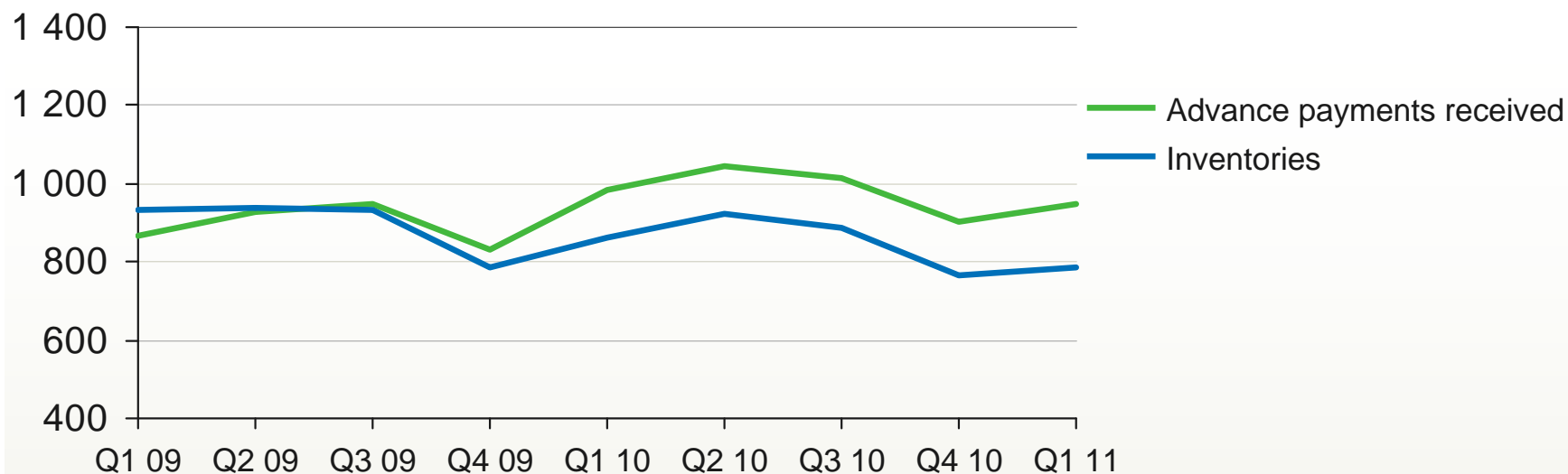


MEUR	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
Net working capital			
Inventories	785.6	860.2	765.9
Advance payments received	-950.2	-948.9	-902.7
AR and other non IB assets	1,167.0	1,105.7	1,141.2
Net deferred tax assets / liabilities	109.6	125.0	115.7
Employee benefits	-111.3	-112.9	-113.4
Provisions	-93.4	-103.6	-99.4
AP and other non IB liabilities	-1,377.7	-1,255.5	-1,301.6
Net working capital total	-470.4	-330.0	-394.3

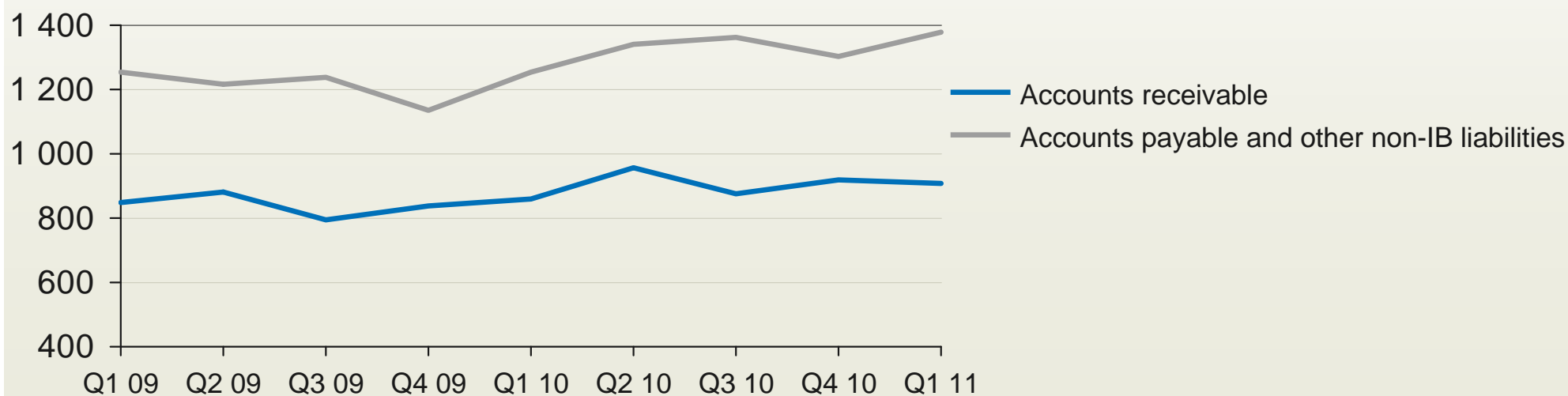
Focus on receivables and inventories



MEUR **Managing inventories and payment terms**



MEUR **Accounts receivable and Accounts payable and other non-IB liabilities**



Cash flow – continued strong cash conversion

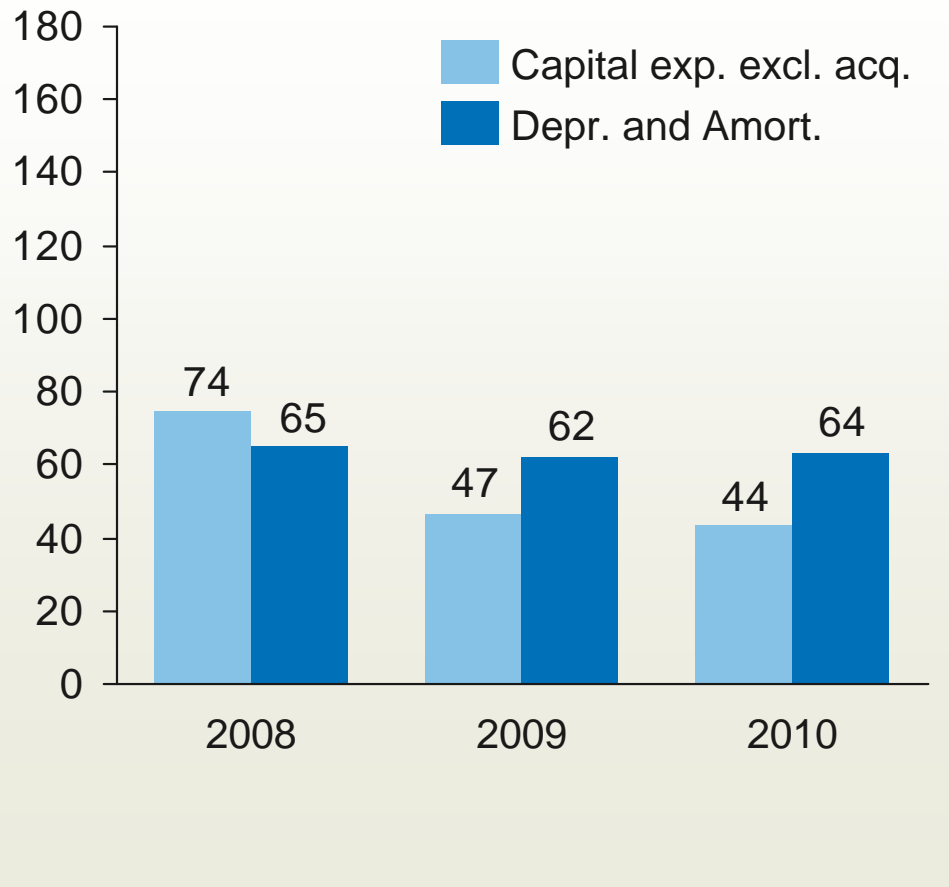


MEUR	1-3/2011	1-3/2010	1-12/2010
Operating income	118.7	108.6	696.4
Change in working capital before financing items and taxes	102.6	93.4	95.3
Depreciation and amortization	16.0	15.6	65.5
Cash flow from operations	237.3	217.6	857.2
Cash flow from financing items and taxes	-27.9	-64.7	-174.2
Cash flow from operating activities	209.4	152.9	683.0
Cash flow from investing activities	-17.0	-16.3	-142.2
Issue of shares	-	-	22.3
Purchase, sale and distribution of own shares	-11.8	-	-16.8
Profit distribution	-214.8	-307.1	-333.2
Change in net debt	-34.2	-170.5	213.1

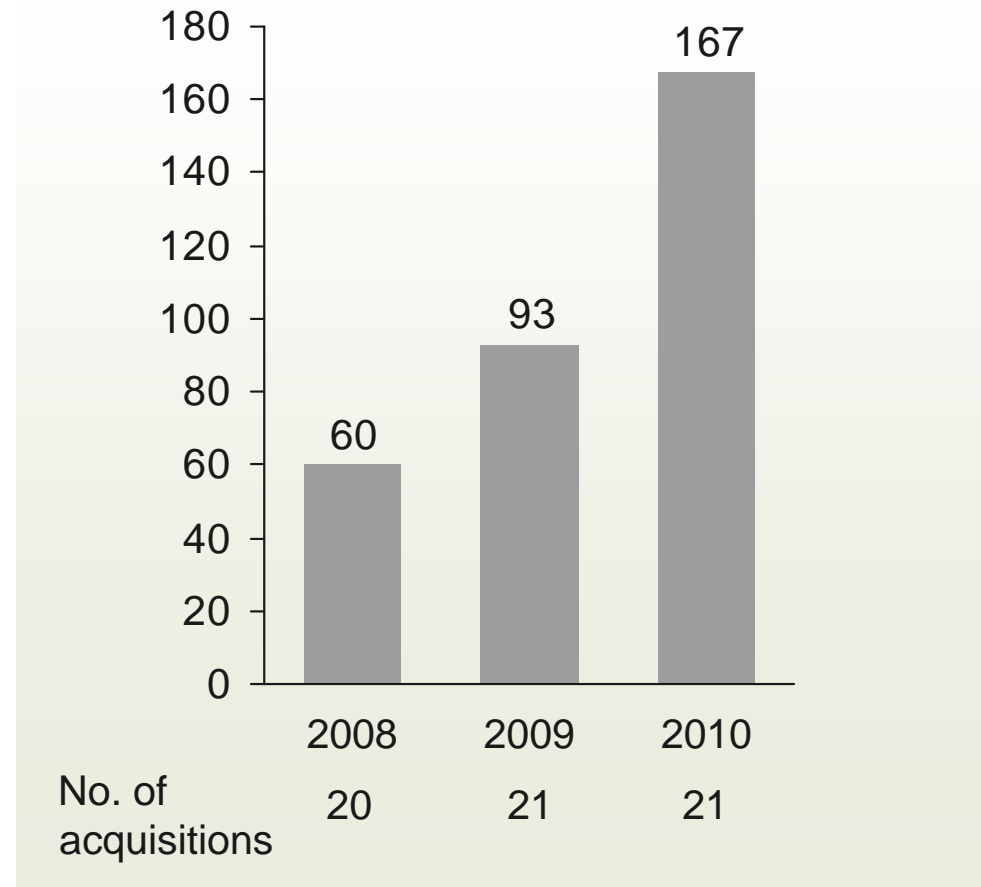
Increased acquisition activity and investments in a new production facility in China



Capital expenditure and depreciation MEUR



Acquisitions capital expenditure MEUR





- Managing costs in an inflationary environment
- Cash flow management



- GiantKONE financial impacts

GiantKONE has performed strongly



Standalone financial performance

- Sales in 2010: RMB 1,600M (EUR 170M)
- IFRS adjusted EBIT margin approx. 14% (before IFRS 3 adjustments)
- Units delivered in 2010: Over 10,000
- Orders received in 2010: RMB 2,100M (EUR 215M)
- Maintenance base: 6,000 units

Personnel: approx. 1,800

- Over 40 locations around China, headquartered in Nanxun, Huzhou City, Zhejiang Province

Transaction terms

- RMB 950 million for 40%
 - KONE has an option to buy and Giant a respective option to sell the remaining 20% stake at any point in time

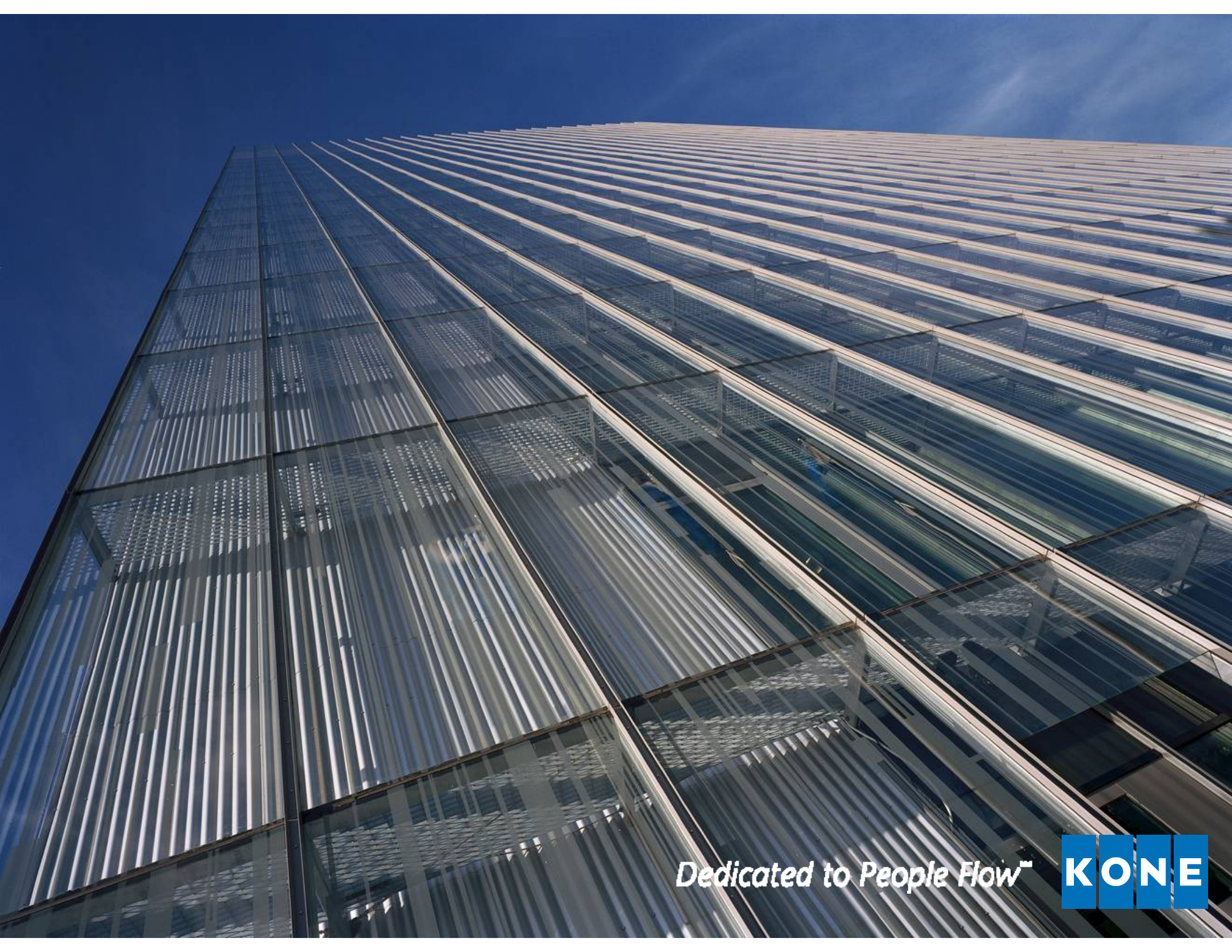


Financial impact for KONE

- Neutral EBIT impact in 2011 and not material in 2012 due to IFRS 3 adjustments
- Underlying margin contribution expected to be strong
- GiantKONE is debt free

IFRS 3 consolidation impacts

- Intangible asset amortizations high in the first 12 months after consolidation
 - Value of the order book at closing will need to be amortized over its life (approx. 12 months)
 - Ongoing amortization of other intangible assets
- One-off gain of EUR 60M relating to the revaluation of current 40% stake in GiantKONE (recorded in income from associated companies)



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