

Q2



Interim Report for January-June 2006

KONE's Q2 Strong – Upgrades 2006 Operating Income Outlook

- At comparable exchange rates, KONE's target for 2006 is to achieve an approximate 10 percent increase in net sales compared to the 2005 pro forma figure. KONE upgrades its operating income (EBIT) target to be between EUR 335 and 355 million.
- Order intake growth remained strong at approximately 29 percent during January-June.
- Net sales grew by 10 percent and totaled EUR 1,575 (1,432) million during January-June.
- Operating income improved by 36 percent to EUR 135.6 (99.8¹⁾) million during January-June.

Key Figures

| | | pro forma | | pro forma | | pro forma | previous accounting period |
|---|------|-----------|----------|-----------|--------------------|---------------------|----------------------------------|
| | | 4-6/2006 | 4-6/2005 | 1-6/2006 | 1-6/2005 | 1-12/2005 | 6-12/2005 |
| Orders received | MEUR | 821.9 | 688.3 | 1,662.2 | 1,292.4 | 2,639.2 | 1,622.1 |
| Order book | MEUR | 2,818.0 | 2,264.7 | 2,818.0 | 2,264.7 | 2,326.8 | 2,326.8 |
| Sales | MEUR | 840.4 | 783.1 | 1,575.4 | 1,432.4 | 3,242.2 | 2,101.4 |
| Operating income | MEUR | 83.9 | 60.8 | 135.6 | 99.8 ¹⁾ | 272.0 ¹⁾ | 194.7 |
| Cash flow from operations (before financial items and taxes) | MEUR | 29.3 | 58.9 | 146.6 | 127.7 | 329.4 | 215.4 |
| Net income | MEUR | 52.1 | 39.5 | 83.9 | -0.5 | 108.8 | 124.0 |
| Net debt | MEUR | 201.9 | 106.5 | 201.9 | 106.5 | 99.3 | 99.3 |
| Total equity/total assets | % | 27.1 | 27.0 | 27.1 | 27.0 | 31.2 | 31.2 |
| Gearing | % | 34.0 | 18.0 | 34.0 | 18.0 | 14.8 | 14.8 |

¹⁾ Excluding a EUR 89.2 million provision for the development and restructuring program. Operating income, including the provision, was EUR 182.8 million in 2005 and EUR 10.6 million for the period 1-6/2005.

KONE President, Matti Alahuhta, in conjunction with the review:

"I am pleased with KONE's progress during the first half of 2006. Our development programs, our rigorous measures in cost control and actions to increase productivity start to show concrete results. The brisk order intake was clearly boosted by our product and service offering developments and increased focus on sales and customer management skills, which helped us to benefit from the favorable market developments. I am especially pleased with our good progress in Asia. All this proves that we are on the right track. I thank our personnel for their commitment and a job well done."

Review for January-June 2006 (unaudited)

The Interim Report has been prepared in accordance with International Financial Accounting Standards (IFRS) as described in the Financial Statements for the accounting period 1 June, 2005–31 December, 2005.

In order to facilitate the evaluation of the financial performance and status of the company, pro forma comparable data for 2005 have been included. The pro forma information has been compiled according to the business and corporate structure prevailing after Kone Corporation's demerger in 2005. The accounting principles have been described in KONE Corporation's listing particular, which can be found at www.kone.com. In addition, the audited June-December 2005 figures have been provided.

KONE's Operating Environment during January-June

The market environment for new equipment during the second quarter remained similar in most markets to the strong first quarter of 2006.

In Europe, the Middle East and Africa (EMEA), the business environment continued to be relatively strong during the second quarter. Commercial project development continued relatively active in the U.K., but especially the residential segment remained strong in most European countries, with Italy being the main exception. In the Middle East, strong construction growth continued. Increasing escalator imports from China continued to press down the market prices of standard equipment in the EMEA region.

In North America, the new equipment market continued strong yet competitive. Machine-room-less (MRL) solutions continued to gain ground. Markets for sport centers and hotels were especially active while the U.S. residential market, which represents a smaller share of the total market than for example in Europe, showed signs of slowing down.

In the Asia-Pacific region, markets maintained a high activity level. In China, market volumes continued to grow especially due to the strong urbanization. The active promotion of machine-room-less solutions continued by KONE and all main competitors.

The pricing environment for new elevators and escalators was competitive in all market areas.

The maintenance market also remained tough. Modernization demand continued good in both European countries with SNEL (The European Safety Norms for Existing Lifts) regulations and in North America. The rapidly growing modernization business is increasingly attracting the attention of both global and local players.

Orders Received and Order Book

The value of orders received during January-June 2006, excluding the value of maintenance contracts, increased by approximately 29 percent and totaled EUR 1,662 (1-6/2005: 1,292) million. At comparable exchange rates, the growth was approximately 26 percent. The order book was EUR 2,818 (31 December, 2005: 2,327) million at the end of June. This is an increase of 24 percent compared to the order book from the corresponding time in 2005 and compared to the year-end order book, the increase was nearly 21 percent.

Orders received during April-June 2006 totaled EUR 821.9 (4-6/2005: 688.3) million, a growth of approximately 19 percent.

KONE's largest orders during the second quarter, in monetary value, were an order for the Vienna International Airport, a service contract for the London Underground and a major order in the retail sector from Tesco plc to supply ramps and elevators for stores across the U.K.

New equipment and modernization order intake in EMEA continued to be good.

In North America, KONE's order intake showed steady growth. During the second quarter, this geographical area accounted for the highest growth figure. KONE's extended machine-room-less offerings and good escalator demand in the public transportation segment boosted order growth. Order intake for modernizations was also strong.

In the Asia-Pacific region, the new equipment market continued to be at a high level. KONE's order intake was especially strong in China.

Review for January-June 2006

Sales by Geographical Areas, MEUR

| | 4-6/2006 | | pro forma 4-6/2005 | | 1-6/2006 | | pro forma 1-6/2005 | | pro forma 1-12/2005 | | previous accounting period 6-12/2005 | |
|--------------------|--------------|----|-----------------------|----|----------------|----|-----------------------|----|------------------------|----|---|----|
| | | % | | % | | % | | % | | % | | % |
| EMEA ¹⁾ | 553.7 | 66 | 526.6 | 67 | 1,018.1 | 65 | 958.1 | 67 | 2,149.4 | 66 | 1,388.6 | 66 |
| Americas | 181.0 | 22 | 163.2 | 21 | 359.7 | 23 | 306.1 | 21 | 696.8 | 22 | 452.7 | 22 |
| Asia-Pacific | 105.7 | 12 | 93.3 | 12 | 197.6 | 12 | 168.2 | 12 | 396.0 | 12 | 260.1 | 12 |
| Total | 840.4 | | 783.1 | | 1,575.4 | | 1,432.4 | | 3,242.2 | | 2,101.4 | |

¹⁾ EMEA = Europe, Middle East, Africa

Net Sales

In comparison to January-June 2005, KONE's net sales increased by 10 percent and totaled EUR 1,575 (1,432) million. Growth at comparable exchange rates was approximately eight percent. New equipment sales in January-June accounted for EUR 588.5 (540.2) million of the total and represented an approximately nine percent growth compared to the same period in 2005. Service sales increased by almost 11 percent and totaled EUR 986.9 (892.2) million.

In the second quarter, KONE's net sales totaled EUR 840.4 (783.1) million, an approximately seven percent improvement over the same period in 2005.

New equipment sales in the second quarter accounted for EUR 334.2 (313.4) million. Service sales continued to increase and totaled EUR 506.2 (469.7) million.

Due to the timing of the final handover of projects to customers, net sales will accelerate in the second half of the year.

Result

KONE's operating income improved in comparison to January-June 2005 and stood at EUR 135.6 (99.8) million or 8.6 (7.0) percent of net sales (the 2005 figure excludes the EUR 89.2 million provision made in the first quarter of 2005). Net financial expenses were EUR 3.8 (5.6) million.

Second quarter operating income was EUR 83.9 (60.8) million or 10.0 (7.8) percent of net sales. Net financial expenses in the second quarter were EUR 3.6 (3.5) million. The increase in operating income compared to the corresponding period in 2005 was driven by productivity improvements, which resulted from ongoing development programs.

KONE's profit before taxes for January-June was EUR 131.2 (5.7) million. Taxes totaled EUR 47.3 (6.2) million, which corresponds to a 36.1 percent tax rate.

Second quarter profit before taxes was EUR 79.9 (57.5) million, and taxes totaled EUR 27.8 (18.0) million.

Net income for January-June was EUR 83.9 (-0.5) million, when taxes proportionate to the amount estimated for the financial year are taken into account. Earnings per share were EUR 0.66 (0.00).

In the second quarter, net income was EUR 52.1 (39.5) million and earnings per share EUR 0.41 (0.31).

Cash Flow and Financing

Cash flow from operations (before financial items and taxes) for the period January-June 2006 was EUR 146.6 (127.7) million. At the end of June, net working capital was negative at EUR -128.5 (31 December, 2005: -158.0) million including financial items and taxes.

Net debt totaled EUR 201.9 (31 December, 2005: 99.3) million. Gearing was 34.0 percent compared to 14.8 percent at the end of the accounting period 1 June–31 December, 2005. KONE's total equity/total assets ratio was 27.1 (31 December, 2005: 31.2) percent at the end of June.

Capital Expenditures

In January-June 2006, KONE's capital expenditure, including acquisitions, totaled EUR 54.2 (102.9) million. Acquisitions accounted for EUR 25.1 (77.6) million of this figure.

During the second quarter, KONE continued to acquire small elevator service companies. Acquisitions were made in France and in the U.S.A.

Review for January-June 2006

Research and Product Development

Product development expenses in January-June totaled EUR 19.8 (20.4) million, representing 1.3 (1.4) percent of net sales.

During the period under review, several initiatives were taken to develop KONE's product portfolio in order to maximize accessible markets. For example, KONE's MRL product offering for the North American market now covers most hydraulic elevator segments. In the Asian market, KONE increased the flexibility of its product offerings, the coverage of its visual offering and added some new features. Also, the first joint-venture escalator product from KONE TELC Industries was released to most Asian markets, including India, and to South Africa. It will be released to some European markets in July.

During the second quarter, the sale of KONE Maxi-Space™ was extended to most countries in Europe. This innovation strengthens KONE's portfolio of full replacement solutions.

Significant Events during the Reporting Period

In February, KONE and HP signed a seven-year agreement covering IT infrastructure services. Under this agreement, HP is consolidating and maintaining KONE's servers and local area networks, operating help desks, and harmonizing desk-top computing environments in KONE's global network.

In March 2006, KONE submitted its reply to the European Commission concerning that body's investigation of localized anticompetitive practices in the elevator and escalator industry in Belgium, Germany, Luxembourg and the Netherlands. KONE received a Statement of Objections on 10 October, 2005. Since the initiation of the investigation in January 2004, KONE has fully cooperated with the European Commission.

In the second quarter, production of elevator doors and cars for the North American market got underway in KONE's purpose-built facility in Torreón, Mexico.

Personnel

KONE had 28,261 (31 December, 2005: 27,238) employees at the end of June 2006. The average number of employees during January-June 2006 was 27,834 (25,725).

The geographical distribution of KONE employees was 59 percent in EMEA, 19 percent in the Americas and 22 percent in Asia-Pacific.

Appointment in the Executive Board

KONE Corporation appointed M.Sc. (Computer Science) Juho Malmberg as Executive Vice President, Development and a member of the Executive Board as of 1 February, 2006.

Annual General Meeting

KONE Corporation's Annual General Meeting in Helsinki on 27 February, 2006 decided to maintain the number of members of the Board of Directors at eight (8). Sirpa Pietikäinen was elected as a new member of the Board. Re-elected as full members of the Board were Matti Alahuhta, Jean-Pierre Chauvarie, Reino Hanhinen, Antti Herlin, Sirkka Hämäläinen-Lindfors, Masayuki Shimono and Iiro Viinanen. The Board's term expires at the next Annual General Meeting. At its meeting held after the Annual General Meeting, the Board of Directors elected Antti Herlin as its Chairman and Sirkka Hämäläinen-Lindfors as Vice Chairman of the Board.

In addition, the Board of Directors' proposal that the Annual General Meeting authorize it to repurchase KONE's own shares with assets distributable as profit was approved. Altogether no more than 12,785,000 shares may be repurchased, of which no more than 1,905,000 are to be class A shares and 10,880,000 class B shares, taking into consideration the provisions of the Companies Act regarding the maximum amount of own shares that the Company is allowed to possess. The proposed amount corresponds to nearly 10 percent of both the share capital of the Company and the total voting rights.

In addition, the Board of Directors was authorized, with respect to the distribution of the repurchased shares, to decide to whom and in which order the repurchased shares will be distributed. The Board of Directors may decide on the distribution of repurchased shares otherwise than in proportion to the existing pre-emptive right of shareholders to purchase the Company's own shares. The repurchased shares may be used as compensation in acquisitions and in other arrangements as well as to implement the Company's share-based incentive plans in the manner and to the extent decided by the Board of

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Directors. These authorizations shall remain in effect for a period of one (1) year from the date of decision of the Annual General Meeting.

In addition, the Annual General Meeting nominated authorized public accountants Heikki Lassila and Price-waterhouseCoopers Oy as auditors.

Dividend

The Annual General Meeting approved the Board's proposal for a dividend of EUR 0.99 per class A share and EUR 1.00 per class B share for a total of EUR 127.3 million. The date of the dividend payment was set at 9 March, 2006. The rest of the distributable equity, EUR 1,078 million, was retained and carried forward.

Option Subscription and Share Capital

KONE 2005A and 2005B option rights based on the KONE Corporation option program 2005 were listed on the main list of the Helsinki Stock Exchange on 1 June, 2005. Each option right entitles to subscription for six (6) class B shares at a price of EUR 8.04 per share.

As of 30 June 2006, 437,610 shares have been subscribed for with the option rights, raising KONE's share capital to EUR 63,973,560.00, comprising 108,894,942 listed class B shares and 19,052,178 unlisted class A shares.

The remaining 2005A option rights entitle the holders to subscribe for 282,240 class B shares, and the remaining 2005B option rights for 588,660 class B shares. The series A option rights share subscription period ends on 31 March, 2008 and the series B option rights subscription period on 31 March, 2009.

The maximum number of shares that can be subscribed for is 1,308,510. The subscription price is EUR 8.04 per share.

Repurchase of KONE Shares

On the basis of the Annual General Meeting's authorization, KONE Corporation's Board of Directors decided to commence repurchasing shares at the earliest on 7 March, 2006. The repurchasing of shares will continue until otherwise announced.

During the second quarter, KONE Corporation repurchased 895,160 own class B shares. At the end of June, the group had 1,670,000 class B shares in its possession. The shares in the group's possession represent 1.3 percent of

the total number of class B shares. This corresponds to 0.5 percent of the total voting rights.

At the end of the reporting period, KONE's Board of Directors had no current authorization to raise the share capital or to issue convertible or warrant loans.

Outlook for 2006

At comparable exchange rates, KONE's target for 2006 is to achieve an approximate 10 percent increase in net sales compared to the 2005 pro forma figure. KONE's operating income (EBIT) target is between EUR 335 million and EUR 355 million.

Previous Outlook Statement

January-March Review 2006:

At comparable exchange rates, KONE's target is to achieve an approximate 10 percent increase in 2006 net sales, compared to the 2005 pro forma figure. The operating income (EBIT) target is to achieve growth of approximately 20 percent from the comparable 2005 pro forma figure of EUR 272 million.

Helsinki, 19 July, 2006

KONE Corporation

Board of Directors

Enclosures

- 1 Consolidated Statement of Income
- 2 Consolidated Balance Sheet and Consolidated Statement of Changes in Equity
- 3 Consolidated Cash Flow
- 4 Notes on the Consolidated Financial Statements

The Company's auditors have not audited the review.

KONE Corporation's first financial reporting period was 1 June–31 December, 2005. KONE's reporting period follows the calendar year from 2006.

KONE Corporation will release its third quarter report 2006 on Tuesday, 24 October, 2006.

The presentation used in the Analyst and Media Conference is available on the company web site www.kone.com.

Consolidated Statement of Income

| MEUR | 4-6/2006 | | pro forma 4-6/2005 | | 1-6/2006 | | pro forma 1-6/2005 | | pro forma 1-12/2005 | | previous accounting period 6-12/2005 | |
|--|----------|------|-----------------------|-----|----------|-----|-----------------------|-----|------------------------|-----|---|-----|
| | | % | | % | | % | | % | | % | | % |
| Sales | 840.4 | | 783.1 | | 1,575.4 | | 1,432.4 | | 3,242.2 | | 2,101.4 | |
| Costs and expenses | -742.2 | | -708.2 | | -1,410.8 | | -1,393.0 | | -3,000.4 | | -1,871.9 | |
| Depreciation | -14.3 | | -14.1 | | -29.0 | | -28.8 | | -59.0 | | -34.8 | |
| Operating income | 83.9 | 10.0 | 60.8 | 7.8 | 135.6 | 8.6 | 10.6 | 0.7 | 182.8 | 5.6 | 194.7 | 9.3 |
| Share of associated companies' income | -0.4 | | 0.2 | | -0.6 | | 0.7 | | 1.5 | | 0.9 | |
| Financing income and expenses | -3.6 | | -3.5 | | -3.8 | | -5.6 | | -6.4 | | -2.1 | |
| Income before taxes | 79.9 | 9.5 | 57.5 | 7.3 | 131.2 | 8.3 | 5.7 | 0.4 | 177.9 | 5.5 | 193.5 | 9.2 |
| Taxes | -27.8 | | -18.0 | | -47.3 | | -6.2 | | -69.1 | | -69.5 | |
| Net income | 52.1 | 6.2 | 39.5 | 5.0 | 83.9 | 5.3 | -0.5 | 0.0 | 108.8 | 3.4 | 124.0 | 5.9 |
| Net income attributable to: | | | | | | | | | | | | |
| Shareholders of the parent company | 52.3 | | 39.9 | | 84.4 | | 0.1 | | 110.2 | | 124.8 | |
| Minority interests | -0.2 | | -0.4 | | -0.5 | | -0.6 | | -1.4 | | -0.8 | |
| Total | 52.1 | | 39.5 | | 83.9 | | -0.5 | | 108.8 | | 124.0 | |
| Earnings per share for profit attributable to the shareholders of the parent company, EUR | | | | | | | | | | | | |
| Basic earnings per share | 0.41 | | 0.31 | | 0.66 | | 0.00 | | 0.87 | | 0.98 | |
| Diluted earnings per share | 0.41 | | - | | 0.66 | | - | | - | | 0.97 | |

Consolidated Balance Sheet

| Assets MEUR | 30.6.2006 | pro forma 30.6.2005 | previous accounting period 31.12.2005 |
|---|----------------|------------------------|--|
| Non-current assets | | | |
| Intangible assets | 570.4 | 540.4 | 551.6 |
| Tangible assets | 217.8 | 222.9 | 217.7 |
| Loans receivable and other interest-bearing assets | 22.4 | 63.6 | 53.1 |
| Deferred tax assets | 127.6 | 126.5 | 130.1 |
| Investments | 136.1 | 176.7 | 157.2 |
| Total | 1,074.3 | 1,130.1 | 1,109.7 |
| Current assets | | | |
| Inventories | 705.8 | 644.5 | 584.9 |
| Advance payments received | -571.6 | -475.5 | -464.2 |
| Loans receivable and other interest-bearing assets | 36.3 | 8.8 | 0.6 |
| Accounts receivable and other non interest-bearing assets | 745.0 | 719.4 | 706.7 |
| Cash and bank | 200.7 | 169.7 | 206.8 |
| Total | 1,116.2 | 1,066.9 | 1,034.8 |
| Total assets | 2,190.5 | 2,197.0 | 2,144.5 |
| | | | |
| Equity and liabilities MEUR | 30.6.2006 | pro forma 30.6.2005 | previous accounting period 31.12.2005 |
| Equity | 593.9 | 592.7 | 669.2 |
| Non-current liabilities | | | |
| Loans | 105.8 | 137.7 | 144.2 |
| Deferred tax liabilities | 26.9 | 20.4 | 24.7 |
| Employee benefits and other liabilities | 148.7 | 152.2 | 148.9 |
| Total | 281.4 | 310.3 | 317.8 |
| Provisions | 82.6 | 181.8 | 112.0 |
| Current liabilities | | | |
| Loans | 355.5 | 210.9 | 215.6 |
| Accounts payable and other liabilities | 877.1 | 901.3 | 829.9 |
| Total | 1,232.6 | 1,112.2 | 1,045.5 |
| Total equity and liabilities | 2,190.5 | 2,197.0 | 2,144.5 |

Consolidated Statement of Changes in Equity

| MEUR | Share capital | Share premium account | Fair value and other reserves | Translation differences | Retained earnings | Minority interests | Total equity |
|--|------------------|-----------------------------|-------------------------------------|----------------------------|----------------------|-----------------------|-----------------|
| 1 Jan, 2006 | 63.9 | 96.4 | -5.1 | 9.9 | 501.3 | 2.8 | 669.2 |
| Net income for the period | | | | | 84.4 | -0.5 | 83.9 |
| Items booked directly into equity: | | | | | | | |
| Transactions with shareholders and minority shareholders: | | | | | | | |
| Dividends paid | | | | | -126.9 | | -126.9 |
| Issue of shares (option rights) | 0.1 | 0.7 | | | | | 0.8 |
| Purchase of own shares | | | | | -29.7 | | -29.7 |
| Sales of own shares | | | | | | | - |
| Change in minority interests | | | | | | 0.4 | 0.4 |
| Cash flow hedge | | | 4.0 | | | | 4.0 |
| Translation differences | | | | -14.2 | | | -14.2 |
| Hedging of foreign subsidiaries | | | | 3.2 | | | 3.2 |
| Tax impact of hedging | | | | -0.8 | | | -0.8 |
| Option and share based compensation | | | | | 4.0 | | 4.0 |
| 30 Jun, 2006 | 64.0 | 97.1 | -1.1 | -1.9 | 433.1 | 2.7 | 593.9 |
| pro forma MEUR | | | | | | | |
| | | | | | | | |
| 1 Jan, 2005 | 63.7 | 91.6 | 11.0 | -1.7 | 539.6 | 22.6 | 726.8 |
| Dividends paid | | | | | -127.3 | | -127.3 |
| Issue of shares (option rights) | 0.2 | 4.8 | | | | | 5.0 |
| Purchase of own shares | | | | | -21.9 | | -21.9 |
| Sales of own shares | | | | | | | - |
| Cash flow hedge | | | -16.1 | | | | -16.1 |
| Change in translation differences | | | | 11.8 | | | 11.8 |
| Change in minority interests | | | | | | -18.4 | -18.4 |
| Option and share based compensation | | | | | 0.5 | | 0.5 |
| Net income for the period | | | | | 110.2 | -1.4 | 108.8 |
| 31 Dec, 2005 | 63.9 | 96.4 | -5.1 | 10.1 | 501.1 | 2.8 | 669.2 |

Consolidated Statement of Changes in Equity

| MEUR | Share capital | Share premium account | Fair value and other reserves | Translation differences | Retained earnings | Minority interests | Total equity |
|--|------------------|-----------------------------|-------------------------------------|----------------------------|----------------------|-----------------------|-----------------|
| 1 Jun, 2005 | 63.8 | 93.8 | -2.2 | 0.0 | 397.9 | 22.9 | 576.2 |
| Net income for the period | | | | | 124.8 | -0.8 | 124.0 |
| Items booked directly into equity: | | | | | | | |
| Transactions with shareholders and minority shareholders: | | | | | | | |
| Dividends paid | | | | | | | - |
| Issue of shares (option rights) | 0.1 | 2.6 | | | | | 2.7 |
| Purchase of own shares | | | | | -21.9 | | -21.9 |
| Sales of own shares | | | | | | | - |
| Change in minority interests | | | | | | -19.3 | -19.3 |
| Cash flow hedge | | | -2.9 | | | | -2.9 |
| Translation differences | | | | 15.2 | | | 15.2 |
| Hedging of foreign subsidiaries | | | | -7.1 | | | -7.1 |
| Tax impact of hedging | | | | 1.8 | | | 1.8 |
| Option and share based compensation | | | | | 0.5 | | 0.5 |
| 31 Dec, 2005 | 63.9 | 96.4 | -5.1 | 9.9 | 501.3 | 2.8 | 669.2 |

Consolidated Cash Flow

| MEUR | 1-6/2006 | pro forma 1-6/2005 | pro forma 1-12/2005 | previous accounting period 6-12/2005 |
|--|---------------|-----------------------|------------------------|---|
| Operating income | 135.6 | 10.6 | 182.8 | 194.7 |
| Change in working capital | -18.0 | 88.3 | 87.6 | -14.1 |
| Depreciation | 29.0 | 28.8 | 59.0 | 34.8 |
| Cash flow from operations | 146.6 | 127.7 | 329.4 | 215.4 |
| Cash flow from financial items and taxes | -46.4 | -49.2 | -163.4 | -140.7 |
| Cash flow from operating activities | 100.2 | 78.5 | 166.0 | 74.7 |
| Cash flow from investing activities | -47.0 | -121.4 | -182.5 | -65.6 |
| Purchase and sales of own shares | -29.7 | 0.0 | -21.9 | -22.0 |
| Share issue | 0.7 | 2.3 | 5.0 | 2.7 |
| Dividends paid | -126.8 | -127.3 | -127.3 | - |
| Change in net debt | -102.6 | -167.9 | -160.7 | -10.2 |
| Net debt in the beginning of period | 99.3 | -61.4 | -61.4 | 89.1 |
| Net debt in the end of period | 201.9 | 106.5 | 99.3 | 99.3 |
| Change in net debt | -102.6 | -167.9 | -160.7 | -10.2 |

| Key figures | | 1-6/2006 | pro forma | | previous accounting period | |
|---|------|----------|-----------|-----------|----------------------------|--|
| | | | 1-6/2005 | 1-12/2005 | 6-12/2005 | |
| Basic earnings per share | EUR | 0.66 | 0.00 | 0.87 | 0.98 | |
| Diluted earnings per share | EUR | 0.66 | - | - | 0.97 | |
| Equity per share | EUR | 4.68 | 4.47 | 5.24 | 5.24 | |
| Interest bearing net debt | MEUR | 201.9 | 106.5 | 99.3 | 99.3 | |
| Total equity/total assets | % | 27.1 | 27.0 | 31.2 | 31.2 | |
| Gearing | % | 34.0 | 18.0 | 14.8 | 14.8 | |
| Return on equity | % | 26.6 | neg. | 15.6 | 34.1 | |
| Return on capital employed | % | 26.7 | 2.3 | 18.3 | 36.4 | |
| Total assets | MEUR | 2,190.5 | 2,197.0 | 2,144.5 | 2,144.5 | |
| Assets employed | MEUR | 795.8 | 699.2 | 768.5 | 768.5 | |
| Working capital (including financing and tax items) | MEUR | -128.5 | -240.8 | -158.0 | -158.0 | |

| Sales by geographical areas | | | pro forma | | pro forma | | previous accounting period | |
|-----------------------------|----------------|----------|----------------|----------|----------------|-----------|----------------------------|-----------|
| | MEUR | 1-6/2006 | % | 1-6/2005 | % | 1-12/2005 | % | 6-12/2005 |
| EMEA ¹⁾ | 1,018.1 | 65 | 958.1 | 67 | 2,149.4 | 66 | 1,388.6 | 66 |
| Americas | 359.7 | 23 | 306.1 | 21 | 696.8 | 22 | 452.7 | 22 |
| Asia-Pacific | 197.6 | 12 | 168.2 | 12 | 396.0 | 12 | 260.1 | 12 |
| Total | 1,575.4 | | 1,432.4 | | 3,242.2 | | 2,101.4 | |

¹⁾ EMEA = Europe, Middle East, Africa

| | | pro forma | pro forma | previous accounting period |
|-------------------------|----------|-----------|-----------|----------------------------------|
| Orders received MEUR | 1-6/2006 | 1-6/2005 | 1-12/2005 | 6-12/2005 |
| | 1,662.2 | 1,292.4 | 2,639.2 | 1,622.1 |

| | | pro forma | previous accounting period |
|--------------------|-----------|-----------|----------------------------------|
| Order book MEUR | 30.6.2006 | 30.6.2005 | 31.12.2005 |
| | 2,818.0 | 2,264.7 | 2,326.8 |

| | | pro forma | pro forma | previous accounting period |
|-----------------------------|-------------|-------------|-------------|----------------------------------|
| Capital expenditure MEUR | 1-6/2006 | 1-6/2005 | 1-12/2005 | 6-12/2005 |
| In fixed assets | 22.3 | 17.6 | 47.5 | 26.4 |
| In leasing agreements | 6.8 | 7.7 | 10.0 | 3.0 |
| Total | 29.1 | 25.3 | 57.5 | 29.4 |

| | | pro forma | pro forma | previous accounting period |
|--|----------|-----------|-----------|----------------------------------|
| Expenditure for R&D MEUR | 1-6/2006 | 1-6/2005 | 1-12/2005 | 6-12/2005 |
| | 19.8 | 20.4 | 41.4 | 24.7 |
| Expenditure for R&D as percentage of sales | 1.3 | 1.4 | 1.3 | 1.2 |

| | | pro forma | pro forma | previous accounting period |
|--------------------------|----------|-----------|-----------|----------------------------------|
| Number of employees | 1-6/2006 | 1-6/2005 | 1-12/2005 | 6-12/2005 |
| Average | 27,834 | 25,725 | 26,405 | 27,016 |
| At the end of the period | 28,261 | 26,668 | 27,238 | 27,238 |

Notes on the Consolidated Financial Statements

| Commitments MEUR | 30.6.2006 | pro forma 30.6.2005 | previous accounting period |
|--------------------------|--------------|------------------------|----------------------------------|
| | | | 31.12.2005 |
| Mortgages | | | |
| Group and parent company | 30.7 | 30.7 | 30.7 |
| Pledged assets | | | |
| Group and parent company | 5.5 | 5.6 | 5.8 |
| Guarantees | | | |
| Associated companies | 1.9 | 5.5 | 2.0 |
| Others | 5.5 | 109.0 | 23.6 |
| Operating leases | 114.4 | 100.1 | 118.9 |
| Total | 158.0 | 250.9 | 181.0 |

| The future minimum lease payments under non-cancellable operating leases | 30.6.2006 | pro forma 30.6.2005 | previous accounting period |
|---|--------------|------------------------|----------------------------------|
| | | | 31.12.2005 |
| Less than 1 year | 31.4 | 26.7 | 31.2 |
| 1-5 years | 72.1 | 60.9 | 72.2 |
| Over 5 years | 10.9 | 12.5 | 15.5 |
| Total | 114.4 | 100.1 | 118.9 |

| Derivatives Fair values of derivative financial instruments MEUR | positive fair value | negative fair value | net fair value | net fair value pro forma | net previous accounting period |
|--|------------------------|------------------------|-------------------|--------------------------------|---|
| | 30.6.2006 | 30.6.2006 | 30.6.2006 | 30.6.2005 | 31.12.2005 |
| FX Forward contracts | 6.7 | 2.7 | 4.0 | -21.1 | -6.1 |
| Currency options | 0.3 | 0.2 | 0.1 | -0.3 | 0.0 |
| Cross-currency swaps, due under one year | 36.0 | - | 36.0 | - | - |
| Cross-currency swaps, due in 1-3 years | 2.0 | - | 2.0 | 32.6 | 32.6 |
| Interest rate swaps | - | - | - | -0.1 | - |
| Electricity derivatives | 1.2 | - | 1.2 | 0.8 | 0.7 |
| Total | 46.2 | 2.9 | 43.3 | 11.9 | 27.2 |

| Nominal values of derivative financial instruments MEUR | 30.6.2006 | pro forma 30.6.2005 | previous |
|--|--------------|------------------------|------------------------------------|
| | | | accounting period 31.12.2005 |
| FX Forward contracts | 546.2 | 1,347.1 | 859.3 |
| Currency options | 71.8 | 73.6 | 7.4 |
| Cross-currency swaps, due under one year | 153.8 | - | - |
| Cross-currency swaps, due in 1-3 years | 20.0 | 173.8 | 173.8 |
| Interest rate swaps | - | 75.0 | - |
| Electricity derivatives | 2.0 | 2.7 | 2.4 |
| Total | 793.8 | 1,672.2 | 1,042.9 |

| pro forma Quarterly figures | | Q2/2006 | Q1/2006 | Q4/2005 | Q3/2005 | Q2/2005 | Q1/2005 |
|--------------------------------|------|---------|---------|---------|---------|---------|--------------------|
| Orders received | MEUR | 821.9 | 840.3 | 700.4 | 646.4 | 688.3 | 604.1 |
| Order book | MEUR | 2,818.0 | 2,654.0 | 2,326.8 | 2,371.7 | 2,264.7 | 2,023.1 |
| Sales | MEUR | 840.4 | 735.0 | 1,008.4 | 801.4 | 783.1 | 649.3 |
| Operating income | MEUR | 83.9 | 51.7 | 94.1 | 78.1 | 60.8 | 39.0 ¹⁾ |
| Operating income | % | 10.0 | 7.0 | 9.3 | 9.7 | 7.8 | 6.0 ¹⁾ |

| pro forma Quarterly figures | | Q4/2004 | Q3/2004 | Q2/2004 | Q1/2004 |
|--------------------------------|------|--------------------|---------|---------|---------|
| Orders received | MEUR | 568.5 | 505.3 | 543.7 | 518.3 |
| Order book | MEUR | 1,796.1 | 1,938.6 | 1,959.5 | 1,907.5 |
| Sales | MEUR | 896.0 | 746.3 | 695.1 | 557.1 |
| Operating income | MEUR | 92.3 ²⁾ | 72.4 | 42.5 | 27.4 |
| Operating income | % | 10.3 ²⁾ | 9.7 | 6.1 | 4.9 |

¹⁾ Excluding MEUR 89.2 provision for the development and restructuring program.

²⁾ Disregarding MEUR 15.3 non-recurring income due to a provision reversal regarding disability pensions.

Shares and shareholders

| 30 June, 2006 | Class A shares | Class B shares | Total |
|--|-----------------------|-----------------------|--------------|
| Number of shares | 19,052,178 | 108,894,942 | 127,947,120 |
| Own shares in possession ¹⁾ | | 1,670,000 | |
| Share capital, EUR | | | 63,973,560 |
| Market capitalization, MEUR | | | 4,158 |
| Number of shares traded, million, 1-6/2006 | | 44.3 | |
| Value of shares traded, MEUR, 1-6/2006 | | 1,507 | |
| Number of shareholders | 3 | 13,992 | 13,992 |
| | Close | High | Low |
| Class B share price, EUR, 1-6/2006 | 32.50 | 40.10 | 27.80 |

¹⁾ During the reporting period 1 January–30 June, 2006, KONE Corporation repurchased a total of 895,160 own class B shares. During the accounting period 1 June–31 December, 2005, KONE Corporation repurchased a total of 374,840 own class B shares. In addition, relating to the shares-based incentive plan, a company included in the consolidated financial statements acquired 400,000 KONE class B shares in December 2005.

KONE Corporation

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KONE is one of the world's leading elevator and escalator companies. It provides its customers with industry-leading elevators and escalators and innovative solutions for their maintenance and modernization. KONE also provides maintenance of automatic building doors. In 2005, KONE had annual net sales of EUR 3.2 billion and about 27,000 employees. Its class B shares are listed on the Helsinki Stock Exchange.