

The heart of your building™



Q2



INTERIM REPORT JANUARY-JUNE 2006

19 July, 2006

Matti Alahuhta, President

Q2 Review, 2006

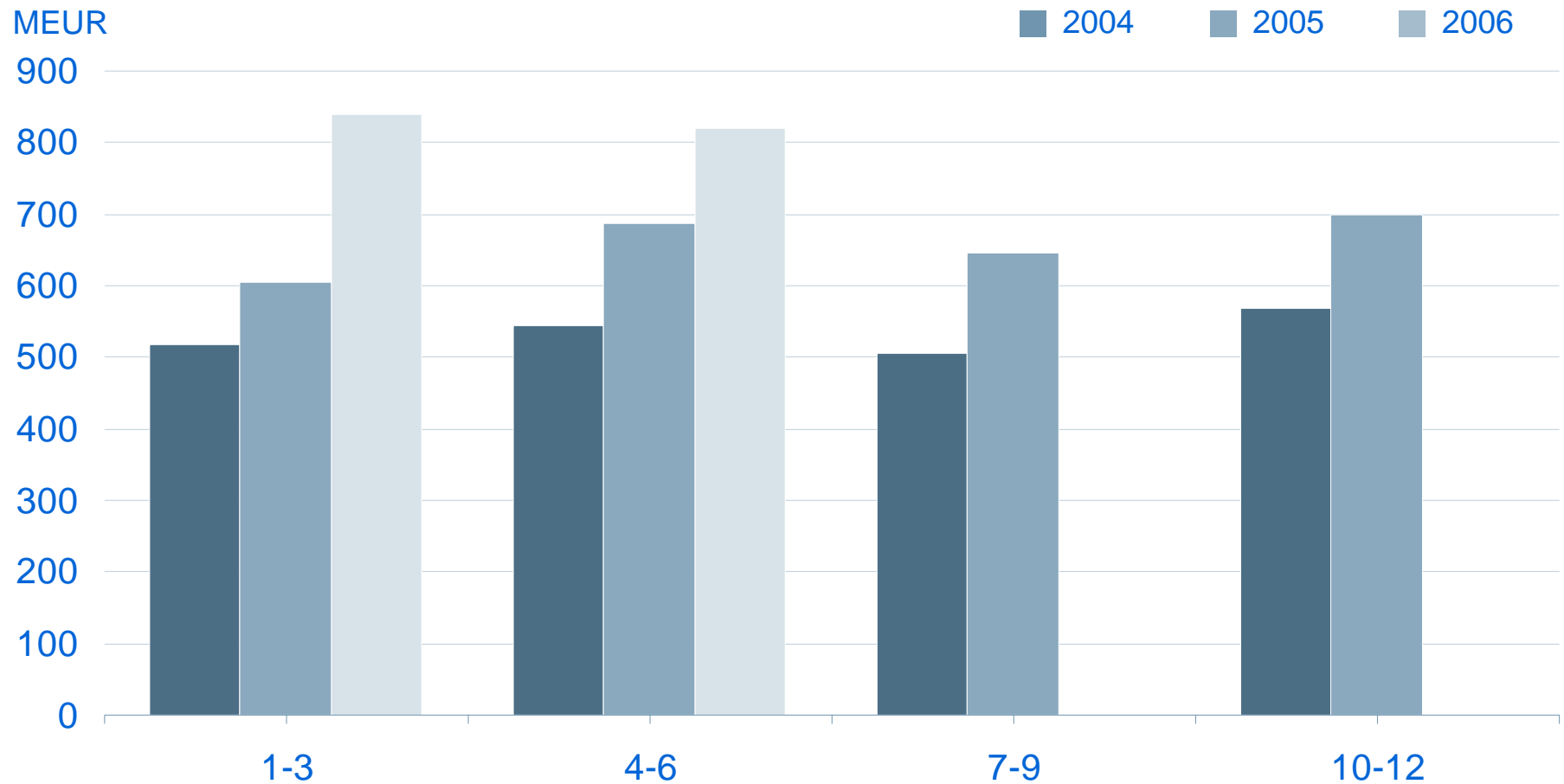
		4-6/2006	pro forma 4-6/2005	change
Order intake	MEUR	821.9	688.3	19%
Order book	MEUR	2,818.0	2,264.7	24%
Sales	MEUR	840.4	783.1	7%
Operating income	MEUR	83.9	60.8	38%
Operating income	%	10.0	7.8	
Cash flow from operations (before financial items and taxes)	MEUR	29.3	58.9	

January-June Review, 2006

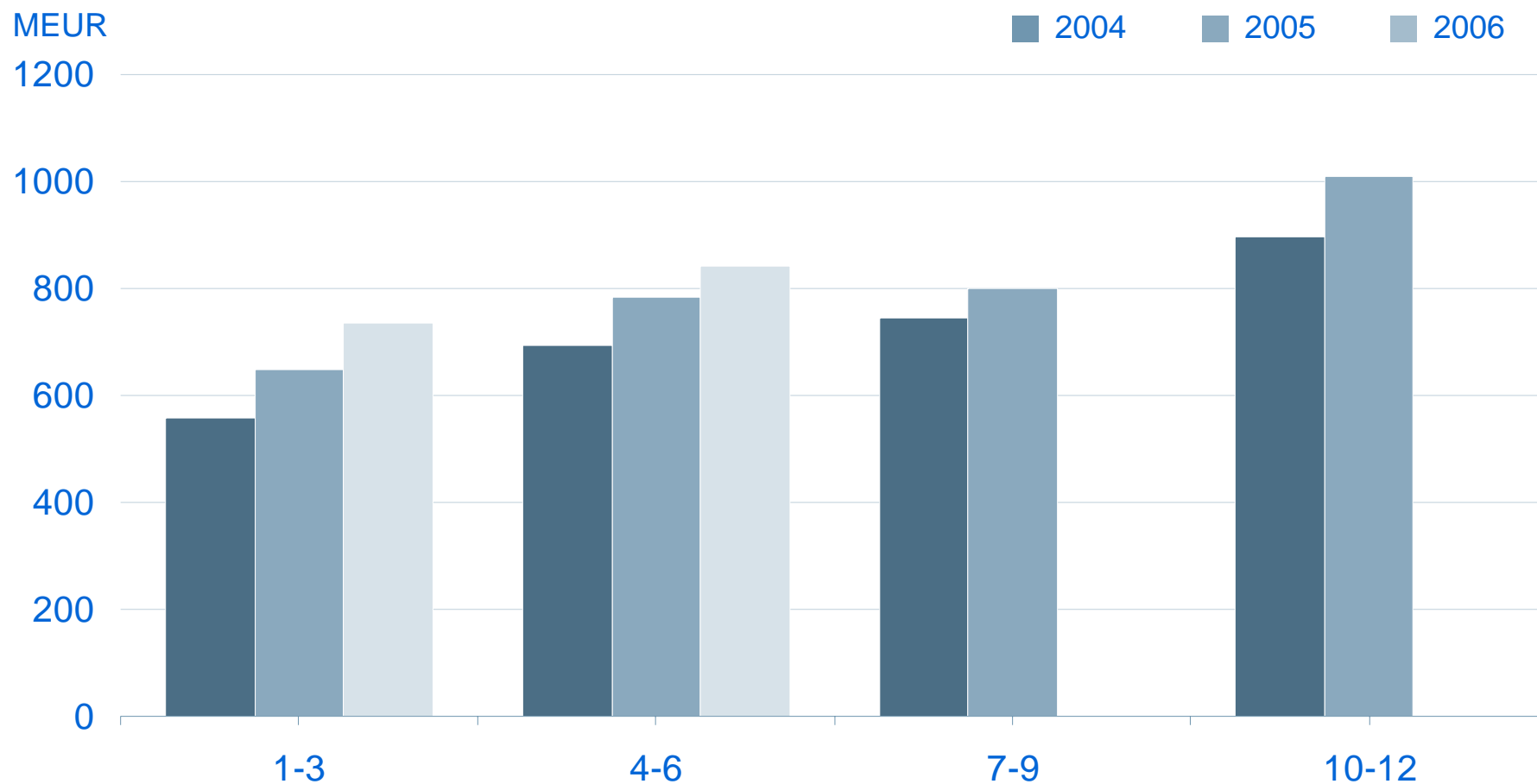
		1-6/2006	pro forma 1-6/2005	change	pro forma 2005
Order intake	MEUR	1,662.2	1,292.4	29%	2,639.2
Order book	MEUR	2,818.0	2,264.7	24%	2,326.8
Sales	MEUR	1,575.4	1,432.4	10%	3,242.2
Operating income	MEUR	135.6	99.8 ¹⁾	36%	272.0 ¹⁾
Operating income	%	8.6	7.0		8.4
Cash flow from operations (before financial items and taxes)	MEUR	146.6	127.7		329.4

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

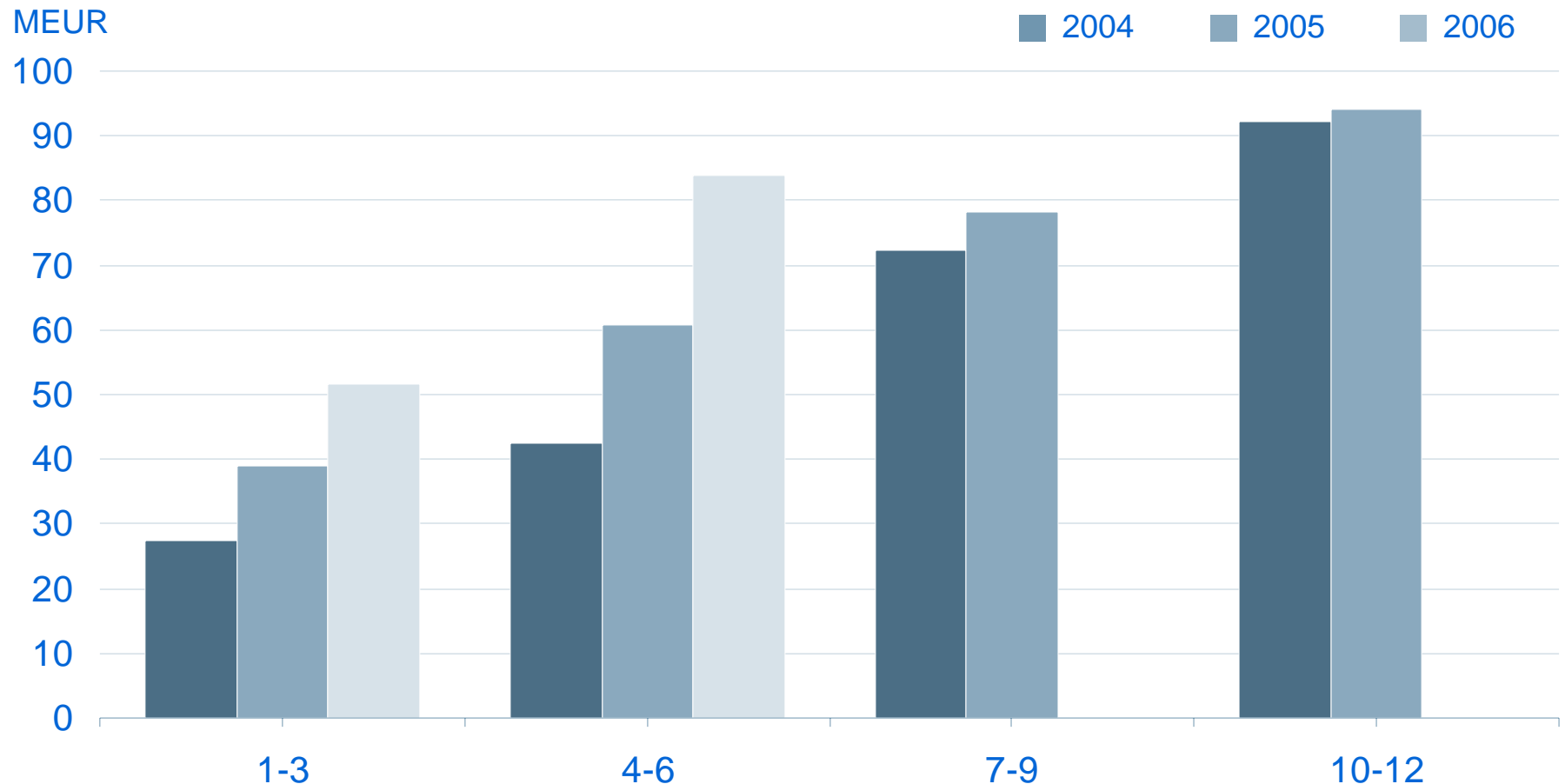
Order Intake Growth Good in All Areas



Sales Growth Fastest in Asia-Pacific



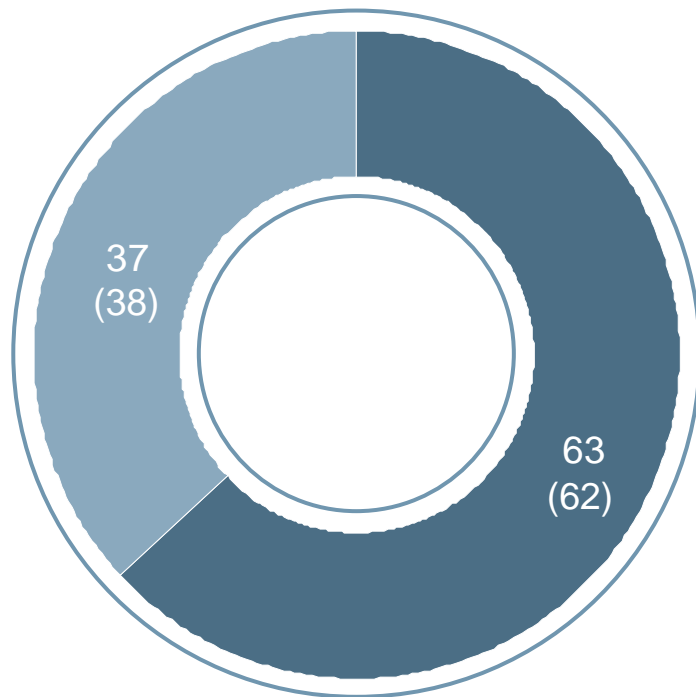
EBIT Growth Driven by Productivity Improvement



Note: 10-12/2004 disregarding MEUR 15.3 non-recurring income due to a provision reversal regarding disability pensions, 1-3/2005 excluding MEUR 89.2 provision for the development and restructuring program.

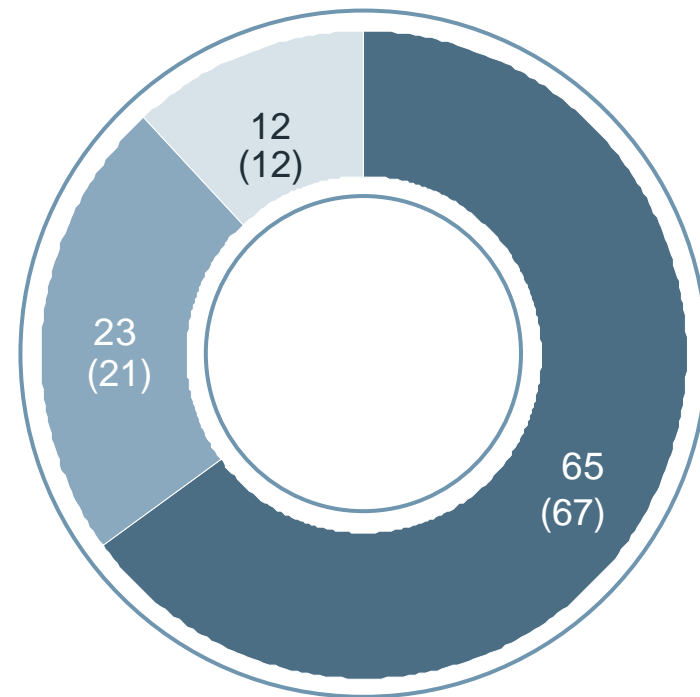
Sales Split in January-June 2006

Sales by business, %



■ Services ■ New equipment

Sales by market, %



■ EMEA ■ Americas ■ Asia-Pacific

Note: Pro forma January-June 2005 figures in brackets

Good Progress in Europe

- EMEA
 - New equipment market growth continued. The important residential market was especially strong.
 - Maintenance market continued to show solid growth.
 - Growth in modernization continues to be strong.
 - KONE's order intake good

Good Order Intake Growth Continued in North America



- North America
 - New equipment market continues to be strong. Development was good, especially in the sports-facilities and hotel markets.
 - The U.S. residential market, which represents a smaller share of the total market than for example in Europe, showed signs of slowing down.
 - Maintenance market continues to be competitive.
 - Modernization market is growing well.
 - KONE's order intake continues to be strong.

KONE's Position Continued to Strengthen in Asia-Pacific



- Asia-Pacific
 - New equipment market continued to be solid.
 - urbanization
 - economic growth
 - Maintenance market is small, but developing.
 - KONE's order intake growth very strong in China.

Development Projects Progressed as Planned



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

Financial 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.
- The operating income (EBIT) target is between EUR 335 million and EUR 355 million.

Consolidated Statement of Income

MEUR	4-6/2006	pro forma		pro forma		pro forma		previous accounting period				
		%	4-6/2005	%	1-6/2006	%	1-6/2005	%	1-12/2005	%	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



Consolidated Balance Sheet

			previous accounting period
Assets		pro forma	
MEUR	30.6.2006	30.6.2005	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
			previous accounting period
Equity and liabilities		pro forma	
MEUR	30.6.2006	30.6.2005	31.12.2005
Equity	593.9	592.7	669.2
Non-current liabilities	281.4	310.3	317.8
Provisions	82.6	181.8	112.0
Current liabilities	1,232.6	1,112.2	1,045.5
Total equity and liabilities	2,190.5	2,197.0	2,144.5

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

Key figures		1-6/2006	pro forma 1-6/2005	pro forma 1-12/2005	previous accounting
					period 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

Key Figures

Orders received MEUR	1-6/2006	pro forma 1-6/2005	pro forma 1-12/2005	previous accounting period 6-12/2005
	1,662.2	1,292.4	2,639.2	1,622.1
Order book MEUR	30.6.2006	pro forma 30.6.2005	previous accounting period 31.12.2005	
	2,818.0	2,264.7	2,326.8	
Capital expenditure MEUR	1-6/2006	pro forma 1-6/2005	pro forma 1-12/2005	previous accounting period 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

Key Figures

Expenditure for R&D MEUR	1-6/2006	pro forma 1-6/2005	pro forma 1-12/2005	previous accounting period 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

Number of employees	1-6/2006	pro forma 1-6/2005	pro forma 1-12/2005	previous accounting period 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

Quarterly Figures

pro forma		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		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.

www.kone.com

