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Q3



INTERIM REPORT JANUARY-SEPTEMBER 2006

24 October, 2006

Matti Alahuhta, President

Q3 Review, 2006

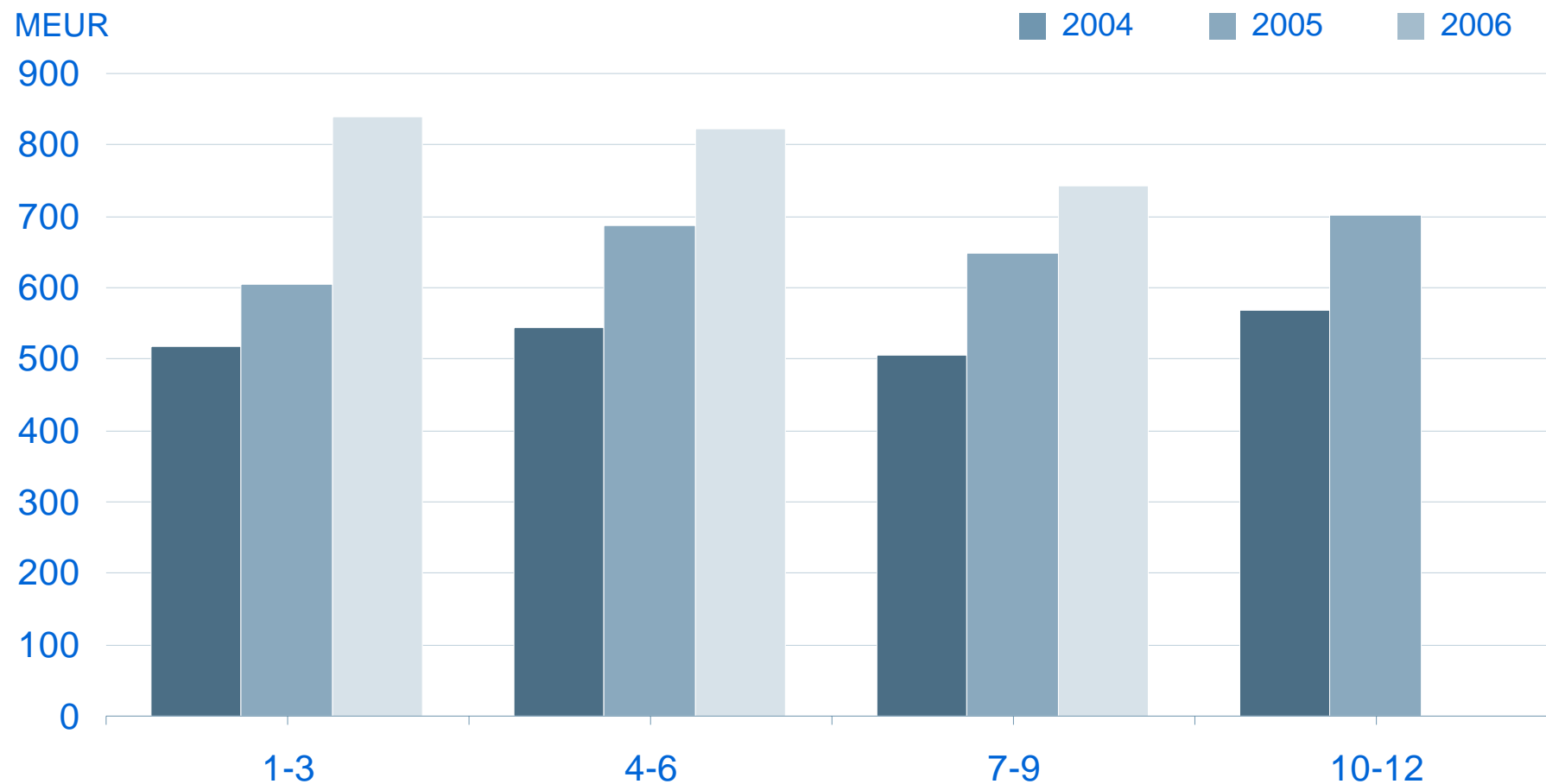
		7-9/2006	7-9/2005	change
Order intake	MEUR	742.0	649.4	14%
Order book	MEUR	2,951.0	2,371.7	24%
Sales	MEUR	879.8	804.7	9%
Operating income	MEUR	101.1	79.1	28%
Operating income	%	11.5	9.8	
Cash flow from operations (before financial items and taxes)	MEUR	127.4	90.0	

January-September Review, 2006

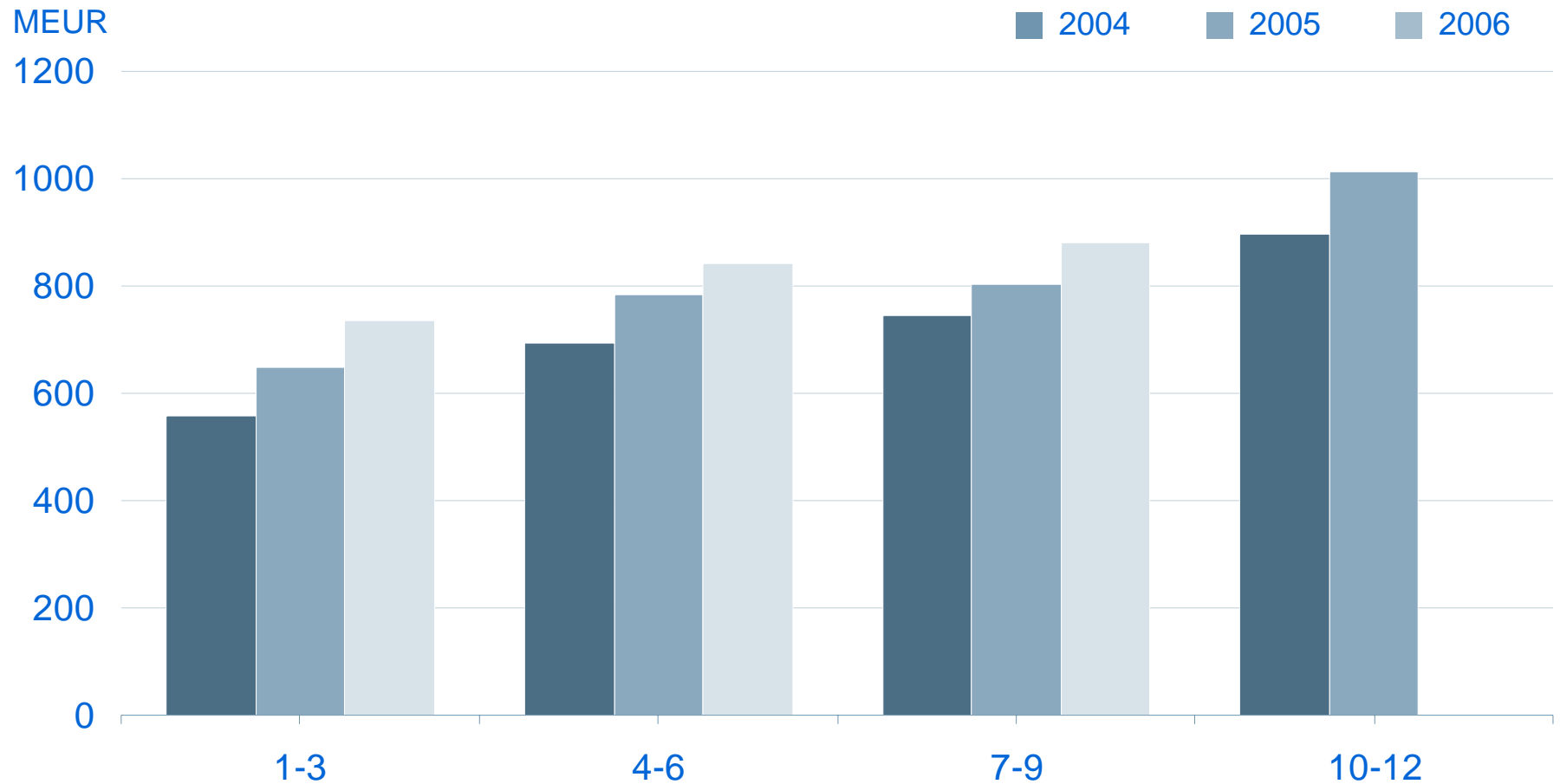
		1-9/2006	pro forma 1-9/2005	change	pro forma 2005
Order intake	MEUR	2,404.2	1,938.8	24%	2,639.2
Order book	MEUR	2,951.0	2,371.7	24%	2,326.8
Sales	MEUR	2,455.2	2,233.8	10%	3,242.2
Operating income	MEUR	236.7	177.9 ¹⁾	33%	272.0 ¹⁾
Operating income	%	9.6	8.0		8.4
Cash flow from operations (before financial items and taxes)	MEUR	274.0	218.0		329.4

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

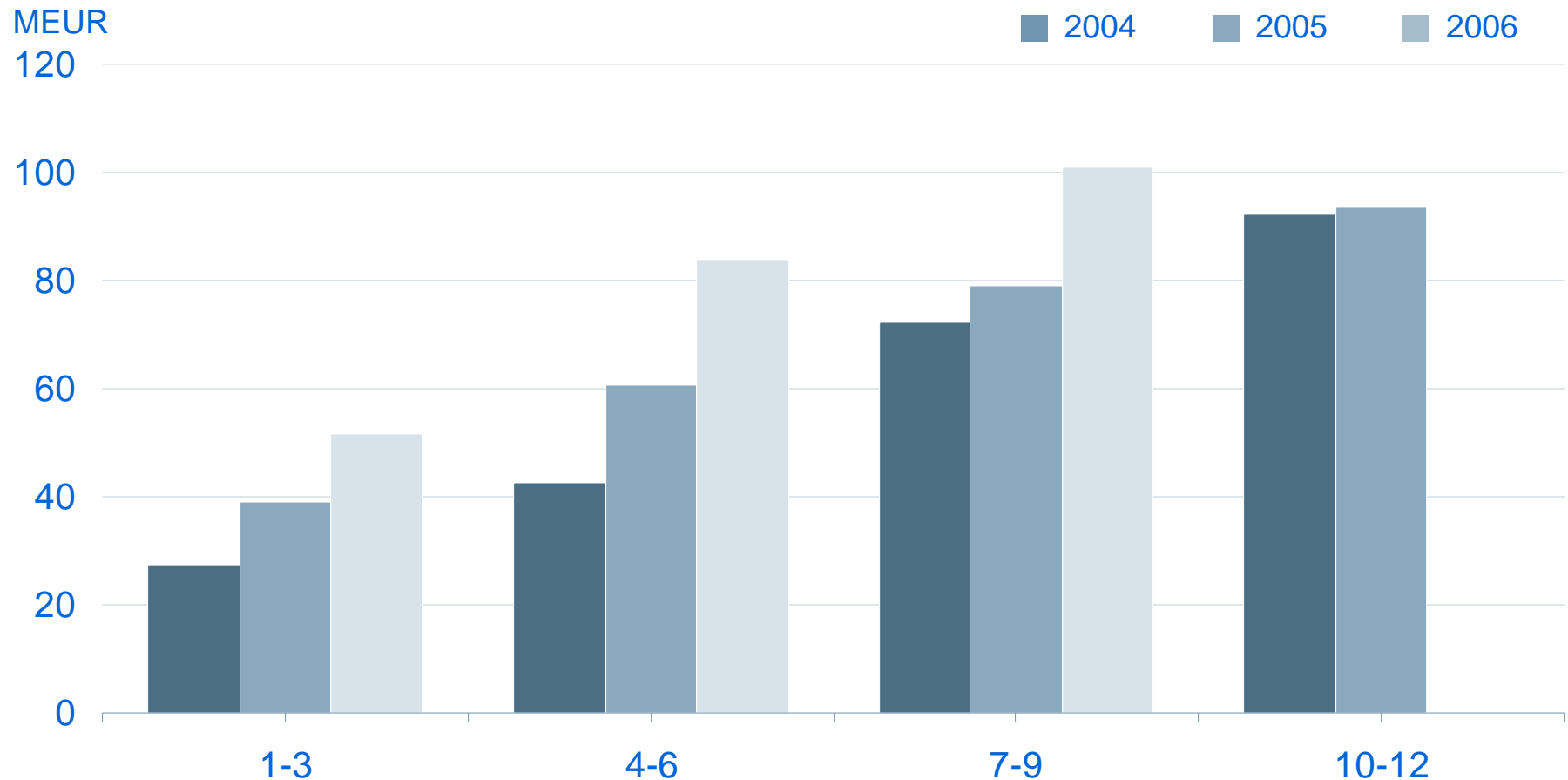
Order Intake Growth Continued to be Good



Sales Growth Fastest in North America and in Asia-Pacific



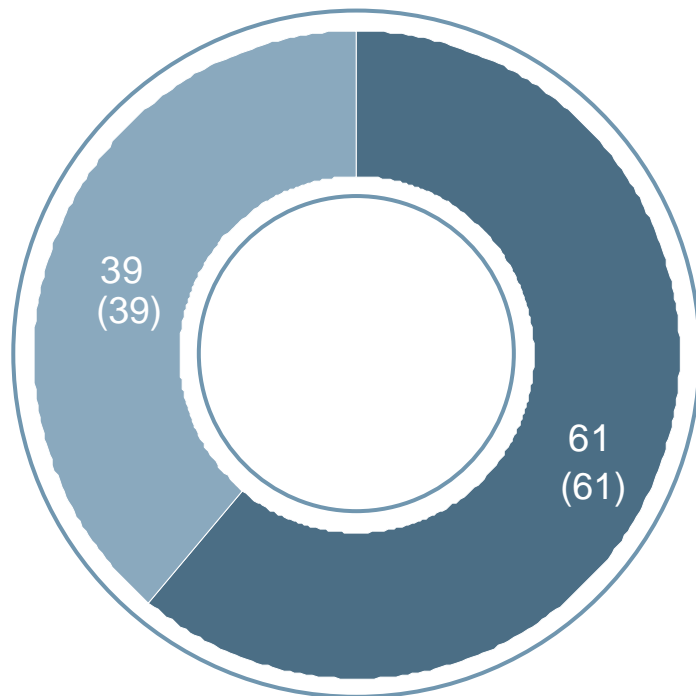
EBIT Growth Driven by Productivity Improvement



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.

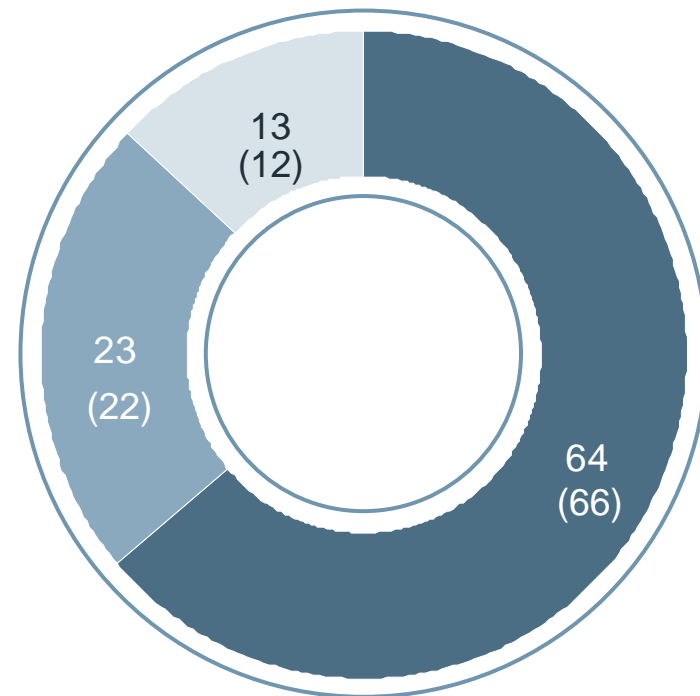
Sales Split in January-September 2006

Sales by business, %



■ Services ■ New equipment

Sales by market, %



■ EMEA ■ Americas ■ Asia-Pacific

Note: Pro forma January-September 2005 figures in brackets

Good Progress in Europe

- New equipment market continued to be strong in Central and Northern Europe
- Growth in the modernization market continued at a good level
- Maintenance market continued to develop well
- Strongest order intake for KONE in Central and Northern Europe and in France

Market Growth Slowing Down in North America



- New equipment market growth slowing down in the U.S. residential segment
- Modernization market growth continued to be at a good level
- Maintenance market development solid
- KONE's order book margins developed well

KONE's Position Continued to Strengthen in Asia-Pacific



- New equipment market driven by
 - urbanization
 - economic growth
- Maintenance market developing
- KONE's order intake progressed well especially in China, India and Australia

Development Programs Progressed as Planned



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

Customer Focus: Strong Progress

- Global, strategic and core customer processes defined
- CRM solution global rollout in progress, to be completed in April 2007
- Several new Internet capabilities launched and under development. Our goal is to be the industry leader in eBusiness solutions.
- Global customer service training program on-going
- Global Care for Life program on-going to help our customers to identify safety, reliability and comfort improvement opportunities

Product Competitiveness: Recent Releases

- In Asia-Pacific, new MonoSpace and small-machine-room MiniSpace releases to offer more visual alternatives, space efficiency and flexibility
- In North America, extension of machine-room-less EcoSpace solution covering most of the hydro elevator segments to offer space efficiency and energy savings
- In Europe, preferred offering solutions for residential market;
 - New visuals, space efficiency, flexibility, short response time
- ReGenerate modernization solution for Europe
- New cost competitive escalator offering for retail market

Operational Excellence: Projects Progressing

- Maintenance Global module based maintenance process roll-out progressing well
- Modernization Industrialization of the business system starting to gain results
- Installation Productivity development brings results
- Logistics More advanced demand/
supply planning implemented
End-to-end logistics development on-going

Sourcing: Gradually Towards More Global Sourcing



- Phase 1
 - Merging global sourcing teams and developing category based way to operate
- Phase 2
 - Expanding common sourcing activity to local sourcing
- Developing win-win partnership

Asia-Pacific: Market Position Becoming Stronger



- China Market position strengthened significantly
- India Market leadership in new equipment, continuing good order intake growth
- Australia Market leadership in new equipment

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	7-9/2006		7-9/2005		1-9/2006		1-9/2005		1-12/2005		previous accounting period 6-12/2005	
		%		%		%		%		%		%
Sales	879.8		804.7		2,455.2		2,233.8		3,242.2		2,101.4	
Costs and expenses	-763.7		-709.8		-2,174.5		-2,100.5		-3,000.4		-1,871.9	
Depreciation	-15.0		-15.8		-44.0		-44.6		-59.0		-34.8	
Operating income	101.1	11.5	79.1	9.8	236.7	9.6	88.7	4.0	182.8	5.6	194.7	9.3
Share of associated companies' income	0.1		0.5		-0.5		1.2		1.5		0.9	
Financing income and expenses	0.0		0.8		-3.8		-4.8		-6.4		-2.1	
Income before taxes	101.2	11.5	80.4	10.0	232.4	9.5	85.1	3.8	177.9	5.5	193.5	9.2
Taxes	-30.9		-24.6		-78.2		-31.0		-69.1		-69.5	
Net income	70.3	8.0	55.8	6.9	154.2	6.3	54.1	2.4	108.8	3.4	124.0	5.9



Consolidated Balance Sheet

			previous accounting period
Assets			
MEUR	30.9.2006	30.9.2005	31.12.2005
Non-current assets			
Intangible assets	600.3	548.5	551.6
Tangible assets	226.0	221.3	217.7
Loans receivable and other interest-bearing assets	22.5	63.8	53.1
Deferred tax assets	130.4	125.7	130.1
Investments	134.4	165.4	157.2
Total	1,113.6	1,124.7	1,109.7
Current assets			
Inventories	762.7	663.2	584.9
Advance payments received	-627.5	-510.5	-464.2
Loans receivable and other interest-bearing assets	39.4	0.2	0.6
Accounts receivable and other non interest-bearing assets	767.9	725.0	706.7
Cash and bank	209.8	126.2	206.8
Total	1,152.3	1,004.1	1,034.8
Total assets	2,265.9	2,128.8	2,144.5
			previous accounting period
Equity and liabilities			
MEUR	30.9.2006	30.9.2005	31.12.2005
Equity	658.1	629.0	669.2
Non-current liabilities	277.7	311.7	317.8
Provisions	80.2	170.6	112.0
Current liabilities	1,249.9	1,017.5	1,045.5
Total equity and liabilities	2,265.9	2,128.8	2,144.5

Consolidated Cash Flow

MEUR	1-9/2006	pro forma 1-9/2005	pro forma 1-12/2005	previous accounting period 6-12/2005
Operating income	236.7	88.7	182.8	194.7
Change in working capital	-6.7	84.7	87.6	-14.1
Depreciation	44.0	44.6	59.0	34.8
Cash flow from operations	274.0	218.0	329.4	215.4
Cash flow from financial items and taxes	-69.2	-121.2	-163.4	-140.7
Cash flow from operating activities	204.8	96.8	166.0	74.7
Cash flow from investing activities	-81.7	-160.2	-182.5	-65.6
Purchase and sales of own shares	-36.6	-8.7	-21.9	-22.0
Share issue	0.8	3.5	5.0	2.7
Dividends paid	-126.8	-127.3	-127.3	-
Change in net debt	-39.5	-195.9	-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	138.8	134.5	99.3	99.3
Change in net debt	-39.5	-195.9	-160.7	-10.2

Key Figures

Key figures		1-9/2006	pro forma 1-9/2005	pro forma 1-12/2005	previous accounting period
					6-12/2005
Basic earnings per share	EUR	1.22	0.43	0.87	0.98
Diluted earnings per share	EUR	1.21	-	-	0.97
Equity per share	EUR	5.19	4.91	5.24	5.24
Interest bearing net debt	MEUR	138.8	134.5	99.3	99.3
Total equity/total assets	%	29.0	29.5	31.2	31.2
Gearing	%	21.1	21.4	14.8	14.8
Return on equity	%	31.0	10.6	15.6	34.1
Return on capital employed	%	31.1	12.3	18.3	36.4
Total assets	MEUR	2,265.9	2,128.8	2,144.5	2,144.5
Assets employed	MEUR	796.9	763.5	768.5	768.5
Working capital (including financing and tax items)	MEUR	-163.8	-171.7	-158.0	-158.0

Key Figures

Orders received MEUR	1-9/2006	pro forma 1-9/2005	pro forma 1-12/2005	previous accounting period 6-12/2005
	2,404.2	1,938.8	2,639.2	1,622.1
Order book MEUR	30.9.2006	30.9.2005	previous accounting period 31.12.2005	
	2,951.0	2,371.7	2,326.8	
Capital expenditure MEUR	1-9/2006	pro forma 1-9/2005	pro forma 1-12/2005	previous accounting period 6-12/2005
In fixed assets	35.8	23.0	47.5	26.4
In leasing agreements	8.2	9.0	10.0	3.0
Total	44.0	32.0	57.5	29.4

Key Figures

Expenditure for R&D MEUR	1-9/2006	pro forma 1-9/2005	pro forma 1-12/2005	previous accounting period 6-12/2005
	27.9	29.9	41.4	24.7
Expenditure for R&D as percentage of sales	1.1	1.3	1.3	1.2

Number of employees	1-9/2006	pro forma 1-9/2005	pro forma 1-12/2005	previous accounting period 6-12/2005
Average	28,081	26,175	26,405	27,016
At the end of the period	28,896	27,190	27,238	27,238

Quarterly Figures

		Q3/2006	Q2/2006	Q1/2006	Q4/2005	Q3/2005	pro forma Q2/2005	pro forma Q1/2005
Orders received	MEUR	742.0	821.9	840.3	702.5	649.4	688.3	604.1
Order book	MEUR	2,951.0	2,818.0	2,654.0	2,326.8	2,371.7	2,264.7	2,023.1
Sales	MEUR	879.8	840.4	735.0	1,013.4	804.7	783.1	649.3
Operating income	MEUR	101.1	83.9	51.7	93.6	79.1	60.8	39.0 ¹⁾
Operating income	%	11.5	10.0	7.0	9.2	9.8	7.8	6.0 ¹⁾

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

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