

Q3



Interim Report for January-September 2006

KONE's Q3: Strong Improvement in Profitability

- Full year guidance reiterated.
- Order intake growth remained strong at approximately 24 percent during January-September.
- Net sales grew by 10 percent and totaled EUR 2,455 (2,234) million during January-September.
- Operating income improved by 33 percent to EUR 236.7 (177.9¹⁾ million during January-September.

Key Figures

		7-9/2006	7-9/2005	1-9/2006	pro forma 1-9/2005	pro forma 1-12/2005	previous accounting period 6-12/2005
Orders received	MEUR	742.0	649.4	2,404.2	1,938.8	2,639.2	1,622.1
Order book	MEUR	2,951.0	2,371.7	2,951.0	2,371.7	2,326.8	2,326.8
Sales	MEUR	879.8	804.7	2,455.2	2,233.8	3,242.2	2,101.4
Operating income	MEUR	101.1	79.1	236.7	177.9 ¹⁾	272.0 ¹⁾	194.7
Cash flow from operations (before financial items and taxes)	MEUR	127.4	90.0	274.0	218.0	329.4	215.4
Net income	MEUR	70.3	55.8	154.2	54.1	108.8	124.0
Net debt	MEUR	138.8	134.5	138.8	134.5	99.3	99.3
Total equity/total assets	%	29.0	29.5	29.0	29.5	31.2	31.2
Gearing	%	21.1	21.4	21.1	21.4	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 88.7 million for the period 1-9/2005.

Remarks by Matti Alahuhta, KONE President:

"I am pleased with the continuing strengthening of our market position with simultaneous positive development in profitability. Geographically, progress in Asia was especially encouraging. Order intake growth was again highest in China. Orders continued to increase strongly also in Europe.

Profitability development was a result of sales growth, healthy sales margins and improving productivity. Our development programs continued to contribute to this positive development. During the next twelve months we will put energy especially on implementing our Customer Focus and Operational Excellence programs."

Review for January-September 2006 (unaudited)

The Interim Report has been prepared in accordance with the 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 pro forma 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-September

The market environment for new equipment during the third quarter remained good in most markets although it did not quite match the strong first half-year of 2006. The residential sector remained strong in most market areas. Commercial and office construction continued to progress well, but differences in market activity could be noticed.

In Europe, the Middle East and Africa (EMEA), the business environment continued to be favorable in the third quarter. While commercial construction was still progressing at a fairly lively rate in the U.K., it was residential construction that was still the main driver of demand in most European countries. However, the Southern European market demand slowed down somewhat. The strong rising trend in construction continued in the Middle East.

In North America, the machine-room-less (MRL) solutions continued to gain ground. Markets for hotels, retail buildings and educational facilities continued to be good while the U.S. residential market continued to slow down.

The Asia-Pacific region continued to develop well, with most markets maintaining a high activity level. In China, the central government made several consecutive controlling actions particularly to guide residential construction towards more affordable housing for people moving into cities.

The pricing environment for new elevators and escalators continued to be competitive in all market areas.

The maintenance market progressed well, although tough price competition continued. A high level of

demand continued for the modernization of elevators and escalators in both Europe and North America. The 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-September 2006, excluding the value of maintenance contracts, increased by approximately 24 percent and totaled EUR 2,404 (1-9/2005: 1,939) million. At comparable exchange rates, the growth was approximately 23 percent. The order book was EUR 2,951 (31 December, 2005: 2,327) million at the end of September. This represents an increase of 24 percent on the order book of the corresponding date in 2005, and an increase of nearly 27 percent on the year-end order book.

Orders received during July-September 2006 totaled EUR 742.0 (7-9/2005: 649.4) million, an increase of approximately 14 percent. At comparable exchange rates, the growth was approximately 16 percent.

KONE's largest order during the third quarter was a contract to design, supply and install all the elevators on Celebrity Cruises' three new cruise ships. KONE will supply the ships with customized passenger elevators, service elevators and dumbwaiters. The ships will be delivered in October 2008, July 2009 and June 2010 respectively. KONE also signed a contract with Aker Yards for the design, supply and installation of all the elevators on a mega-cruiser. Delivery of these elevators is scheduled for the fall of 2009.

The order intake for new equipment and modernizations in the EMEA region continued to be good in the third quarter. For example, in the Middle East, there was favorable development in orders for new equipment. Modernization orders continued to increase particularly in countries that have adopted SNEL (European Safety Norms) in their legislation, i.e. France and Italy.

In North America, order intake growth has been strong during January-September. It was, however, slowing down in the third quarter mainly because of increasing emphasis on order book margin development. The demand for modernizations continued to grow also in the U.S.

The Asia-Pacific region has continued to be characterized by high demand for new equipment in 2006. KONE's order intake during the third quarter was again strong in both China and India. Also in Australia progress was very good.

Review for January-September 2006

Sales by Geographical Areas, MEUR

	7-9/2006		7-9/2005		1-9/2006		pro forma 1-9/2005		pro forma 1-12/2005		previous accounting period 6-12/2005	
	€	%	€	%	€	%	€	%	€	%	€	%
EMEA ¹⁾	539.2	61	521.4	65	1,557.3	64	1,479.3	66	2,149.4	66	1,388.6	66
Americas	213.3	24	176.7	22	573.0	23	481.0	22	696.8	22	452.7	22
Asia-Pacific	127.3	15	106.6	13	324.9	13	273.5	12	396.0	12	260.1	12
Total	879.8		804.7		2,455.2		2,233.8		3,242.2		2,101.4	

¹⁾ EMEA = Europe, Middle East, Africa

Net Sales

In comparison to January-September 2005, KONE's net sales increased by approximately 10 percent and totaled EUR 2,455 (2,234) million. Growth at comparable exchange rates was approximately 9 percent. New equipment sales in January-September accounted for EUR 963.6 (868.6) million of the total and represented an approximate 11 percent growth compared to the same period in 2005. Service sales increased by approximately 9 percent and totaled EUR 1,492 (1,365) million.

In the third quarter, KONE's net sales totaled EUR 879.8 (804.7) million, an approximate nine percent improvement over the same period in 2005. New equipment sales accounted for EUR 375.1 (330.2) million. Service sales continued to increase and totaled EUR 504.7 (474.5) million.

Result

KONE's operating income improved in comparison to January-September 2005 and stood at EUR 236.7 (177.9) million or 9.6 (8.0) 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 (4.8) million.

Third quarter operating income was EUR 101.1 (79.1) million or 11.5 (9.8) percent of net sales. Net financial expenses in the third quarter were EUR 0.0 (-0.8) million. The increase in operating income compared to the corresponding period in 2005 was driven by continued productivity improvements, which resulted from ongoing development programs.

KONE's profit before taxes for January-September was EUR 232.4 (85.1) million. Taxes totaled EUR 78.2 (31.0) million, which corresponds to a 33.6 percent tax rate.

Third quarter profit before taxes was EUR 101.2 (80.4) million, and taxes totaled EUR 30.9 (24.6) million.

Net income for January-September was EUR 154.2 (54.1) million, when taxes proportionate to the amount estimated for the financial year are taken into account. Earnings per share were EUR 1.22 (0.43).

In the third quarter, net income was EUR 70.3 (55.8) million and earnings per share EUR 0.56 (0.44).

Cash Flow and Financing

Cash flow from operations (before financial items and taxes) for the period January-September 2006 was EUR 274.0 (218.0) million. At the end of September, net working capital was negative at EUR -163.8 (31 December, 2005: -158.0) million including financial items and taxes.

Net debt totaled EUR 138.8 (31 December, 2005: 99.3) million. Gearing was 21.1 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 29.0 (31 December, 2005: 31.2) percent at the end of September.

Review for January-September 2006

Capital Expenditure

In January-September 2006, KONE's capital expenditure, including acquisitions, totaled EUR 113.9 (160.2) million. Acquisitions accounted for EUR 69.9 (106.8) million of this figure.

During the third quarter, KONE continued its acquisition policy of buying small elevator service companies. Acquisitions were mainly made in Europe.

In July, KONE signed an agreement to acquire Evin SAS, an elevator company located in Lille, France. The company recorded sales of EUR 14 million in 2005 and employs somewhat over 100 persons.

Evin SAS installs, maintains and modernizes elevators and automatic building doors in several regions in France. Evin SAS has been consolidated into KONE since September.

This acquisition, executed in accordance with KONE's strategy, further strengthens KONE's position in the service market.

Research and Product Development

Product development expenses in January-September totaled EUR 27.9 (29.9) million, representing 1.1 (1.3) percent of net sales.

During the first half year and continuing during the third quarter, the focus has been on developing KONE's product portfolio even further in order to maximize the accessible markets.

In Europe, a preferred offering for the new equipment market was released, providing better flexibility to fulfill customers needs, e.g. a new set of visual outlook for the car interiors and also improved performance such as a more efficient use of space.

KONE's MRL product offering for the North American market now covers most hydraulic elevator segments. Further performance improvements were released during the third quarter, including the possibility for bigger loads.

In the Asian market, KONE continued to increase the flexibility of its product offerings and the coverage of its visual offering. The first joint-venture escalator product from KONE and Toshiba has now been released in most Asian markets, including India, Australia, South Africa and in some European markets.

With respect to modernizations, a solution featuring enhancements in accessibility, safety (optimized for the European Standard Safety Norm for Existing Lifts, SNEL), visual outlook and performance was released.

Significant Events during the Reporting Period

In February, KONE and HP signed a seven-year agreement covering IT infrastructure services. Under this agreement, HP consolidates and maintains KONE's servers, local area networks and operating help desks, and harmonizes desktop 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 third quarter, the production of elevator doors and cars for the North American market that had started in the second quarter continued in KONE's purpose-built facility in Torreón, Mexico.

Personnel

KONE had 28,896 (31 December, 2005: 27,238) employees at the end of September 2006. The average number of employees during January-September 2006 was 28,081 (26,175).

The geographical distribution of KONE employees was 58 percent in EMEA, 18 percent in the Americas and 24 percent in Asia-Pacific.

Appointment to the Executive Board

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

Review for January-September 2006

Annual General Meeting

KONE Corporation's Annual General Meeting held 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 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 the authorized public accountants, Heikki Lassila and PricewaterhouseCoopers 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.

Incentive Programs 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 September 2006, 448,350 shares have been subscribed for with the option rights, raising KONE's share capital to EUR 63,978,930.00, comprising 108,905,682 listed class B shares and 19,052,178 unlisted class A shares.

The remaining 2005A option rights entitle the holders to subscribe for 280,500 class B shares, and the remaining 2005B option rights for 579,660 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.

In addition, KONE has granted in 2005 a conditional option program, 2005C, and a conditional share based incentive plan.

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 third quarter, KONE Corporation repurchased 194,760 own class B shares. At the end of September, the group had 1,864,760 class B shares in its possession. The shares in the group's possession represent 1.7 percent of the total number of class B shares. This corresponds to 0.6 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.

Review for January-September 2006

Events after the reporting period

In October, KONE decided to broaden its scope in Torreón, Mexico to cover all the manufacturing-related functions currently located in McKinney, U.S., by the middle of 2007. This will ensure the long-term competitiveness of its offerings in the North American markets.

In line with KONE's global manufacturing processes, the new factory employs the same modern production technology as other KONE component plants.

Outlook for 2006

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

Helsinki, 24 October, 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 financial statements for 2006 on Friday, 26 January, 2007.

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

Consolidated Statement of Income

MEUR	7-9/2006		7-9/2005		1-9/2006		pro forma 1-9/2005		pro forma 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
Net income attributable to:												
Shareholders of the parent company	70.3		56.1		154.7		55.0		110.2		124.8	
Minority interests	0.0		-0.3		-0.5		-0.9		-1.4		-0.8	
Total	70.3		55.8		154.2		54.1		108.8		124.0	
Earnings per share for profit attributable to the shareholders of the parent company, EUR												
Basic earnings per share	0.56		0.44		1.22		0.43		0.87		0.98	
Diluted earnings per share	0.55		0.44		1.21		-		-		0.97	

Consolidated Balance Sheet

Assets	previous accounting period		
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

Equity and liabilities	previous accounting period		
MEUR	30.9.2006	30.9.2005	31.12.2005
Equity	658.1	629.0	669.2
Non-current liabilities			
Loans	102.5	133.9	144.2
Deferred tax liabilities	28.0	23.9	24.7
Employee benefits and other liabilities	147.2	153.9	148.9
Total	277.7	311.7	317.8
Provisions	80.2	170.6	112.0
Current liabilities			
Loans	308.0	190.8	215.6
Accounts payable and other liabilities	941.9	826.7	829.9
Total	1,249.9	1,017.5	1,045.5
Total equity and liabilities	2,265.9	2,128.8	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					154.7	-0.5	154.2
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					-36.6		-36.6
Sales of own shares							-
Change in minority interests						1.4	1.4
Cash flow hedge			2.9				2.9
Translation differences				-13.4			-13.4
Hedging of foreign subsidiaries				1.7			1.7
Tax impact of hedging				-0.4			-0.4
Option and share based compensation					5.2		5.2
30 Sept, 2006	64.0	97.1	-2.2	-2.2	497.7	3.7	658.1
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	1-9/2006	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		1-9/2006	pro forma		previous accounting period	
			1-9/2005	1-12/2005	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	

Sales by geographical areas	MEUR	1-9/2006		pro forma 1-9/2005		pro forma 1-12/2005		previous accounting period 6-12/2005	
			%		%		%		%
EMEA ¹⁾	1,557.3	64	1,479.3	66	2,149.4	66	1,388.6	66	
Americas	573.0	23	481.0	22	696.8	22	452.7	22	
Asia-Pacific	324.9	13	273.5	12	396.0	12	260.1	12	
Total	2,455.2		2,233.8		3,242.2		2,101.4		

¹⁾ EMEA = Europe, Middle East, Africa

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	31.12.2005	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

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

Notes on the Consolidated Financial Statements

Commitments			previous accounting period
MEUR	30.9.2006	30.9.2005	31.12.2005
Mortgages			
Group and parent company	30.7	30.7	30.7
Pledged assets			
Group and parent company	5.5	5.7	5.8
Guarantees			
Associated companies	1.9	5.8	2.0
Others	3.6	50.6	23.6
Operating leases	115.7	102.6	118.9
Total	157.4	195.4	181.0

The future minimum lease payments under non-cancellable operating leases			previous accounting period
	30.9.2006	30.9.2005	31.12.2005
Less than 1 year	30.8	26.1	31.2
1-5 years	74.8	63.1	72.2
Over 5 years	10.1	13.4	15.5
Total	115.7	102.6	118.9

Derivatives					net fair value previous accounting period
Fair values of derivative financial instruments	positive fair value	negative fair value	net fair value	net fair value	net accounting period
MEUR	30.9.2006	30.9.2006	30.9.2006	30.9.2005	31.12.2005
FX Forward contracts	3.2	3.1	0.1	-5.4	-6.1
Currency options	0.1	0.1	0.0	-0.2	0.0
Cross-currency swaps, due under one year	38.1	-	38.1	-	-
Cross-currency swaps, due in 1-3 years	1.9	-	1.9	32.7	32.6
Interest rate swaps	-	-	-	0.0	-
Electricity derivatives	1.3	-	1.3	0.7	0.7
Total	44.6	3.2	41.4	27.8	27.2

Nominal values of derivative financial instruments MEUR	30.9.2006	30.9.2005	previous accounting period
			31.12.2005
FX Forward contracts	493.9	1,219.4	859.3
Currency options	38.2	65.7	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	-	0.0	-
Electricity derivatives	2.6	2.7	2.4
Total	708.5	1,461.6	1,042.9

Quarterly figures		Q3/2006	Q2/2006	Q1/2006	Q4/2005	Q3/2005	pro forma	pro forma
							Q2/2005	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.

Shares and shareholders

30 Sept, 2006	Class A shares	Class B shares	Total
Number of shares	19,052,178	108,905,682	127,957,860
Own shares in possession ¹⁾		1,864,760	
Share capital, EUR			63,978,930
Market capitalization, MEUR			4,166
Number of shares traded, million, 1-9/2006		58.1	
Value of shares traded, MEUR, 1-9/2006		1,995	
Number of shareholders	3	13,818	13,818
	Close	High	Low
Class B share price, EUR, 1-9/2006	38.25	40.10	27.80

¹⁾ During the reporting period 1 January–30 September, 2006, KONE Corporation repurchased a total of 1,089,920 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.