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INTERIM REPORT FOR
JANUARY–MARCH 2007



KONE'S ORDERS RECEIVED RECORD HIGH

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- Orders received growth was 7 percent, or 10 percent at comparable exchange rates. Orders received totaled EUR 902.1 (840.3) million.
- Net sales grew by 10 percent to EUR 811.2 (735.0) million; at comparable exchange rates growth was 13 percent.
- Operating income was EUR -72.7 (51.7) million. Excluding the provision of EUR 142.0 million for the European Commission's decision to impose a fine to KONE for anticompetitive practises operating income was EUR 69.3 million or 8.5 (7.0) percent of net sales.
- KONE reiterates its outlook for 2007 and 2008 excluding the provision of EUR 142.0 million.

Key Figures

		1-3/2007	1-3/2006	1-12/2006
Orders received	MEUR	902.1	840.3	3,116.3
Order book	MEUR	3,105.7	2,654.0	2,762.1
Sales	MEUR	811.2	735.0	3,600.8
Operating income	MEUR	69.3 ¹⁾	51.7	360.1
Cash flow from operations (before financing items and taxes)	MEUR	142.7	117.3	371.7
Net income	MEUR	-95.0	31.8	234.4
Net debt	MEUR	142.3	129.7	124.9
Total equity/total assets	%	20.8	26.8	30.5
Gearing	%	29.7	22.6	17.9

¹⁾ Excluding the provision of EUR 142.0 million for the European Commission's fine decision.

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

"I am very pleased with KONE's progress during the first quarter of 2007. The highest ever quarterly order intake and continued improvement in operational profitability are clear proof of the ongoing progress in our development programs. We still have significant potential to improve our customer satisfaction and productivity by developing our processes. Bringing more flexibility to our globally standardized products has expanded our accessible markets and increased our competitiveness, hence supporting the order intake growth. We have a good base from which to continue. I thank all the personnel for their dedication and a job well done."

Accounting Principles

KONE Corporation's interim report for January 1 – March 31, 2007 has been prepared in line with IAS 34, Interim Financial Reporting. KONE has applied the same accounting principles in the preparation of the interim report as in its annual financial statements for 2006. The information presented in the interim report has not been audited.

KONE's Operating Environment during January–March

Overall demand was strong in new equipment, maintenance and modernization and hence created favorable conditions for KONE's growth. The price environment was competitive in all geographical areas.

The European, Middle East and African (EMEA) markets were stable, with several high-rise projects being launched and good demand in the Northern and Central European residential segments.

The North and Central European market continued to be stable and at a good level. The East European and Russian markets continued to grow fast. In Southern Europe the residential sector continued to slow down, but the office segment continued to be at a good level.

The Middle East grew strongly, mainly driven by the high oil price. The biggest growth was experienced in the United Arab Emirates and Saudi Arabia; however, all other markets were also very active or at a stable high level.

In North America, the new equipment market remained stable, although the U.S. residential segment continued to decline. On the other hand, the commercial, office and public transportation segments were solid.

In Asia-Pacific, demand remained strong with the exception of Thailand and Korea. China continues to have very high volumes. The market in India also grew rapidly. Strong Australian activity continued, particularly in the commercial segment and especially in the major projects business.

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

The maintenance market progressed well in all geographical areas, even though tough price competition continued.

The Modernization market continued to grow both in Europe and North America, and the development in Hong Kong and Australia was also good. In Asia, modernization is still small although increasing. The growing modernization demand continued to attract the attention of both global and local players.

Orders Received and Order Book

KONE's market position continued to grow stronger in the first quarter of 2007. The value of orders received during January–March increased by approximately 7 percent and totaled EUR 902.1 (1–3/2006: 840.3) million. At comparable exchange rates, the growth was approximately 10 percent. KONE Corporation only includes new equipment orders and modernization orders in orders received.

The order book increased from the end of 2006 by 12 percent and stood at EUR 3,106 (December 31, 2006: 2,762) million at the end of March. Compared with the order book on March 31, 2006 there was an increase of approximately 17 percent. At comparable exchange rates, the growth was about 21 percent. The margin of the order book continued to be at the earlier good level.

In the EMEA region, KONE's largest orders during the first quarter were an order to deliver all elevators and escalators for the twin-tower project named Capital City in Moscow. The project will start in the middle of 2007 and continue through 2008. KONE also gained a major order for the Capital Plaza in Abu Dhabi. The order includes all elevators and escalators of which installation will start at the end of 2007 and is scheduled for completion during the second half of 2009. In addition, KONE signed its largest ever single contract for cruise ships. The contract signed with Aker Yards is for the supply of all elevators and escalators in two luxury passenger cruise ships.

KONE experienced strong order intake in the North American new equipment and modernization business. The largest order in the North America was an order to modernize elevators and autowalks at the McCarran International Airport in Las Vegas.

In the Asia-Pacific region, KONE's order intake in new equipment was very strong and progressed especially well in China, India and Australia.

Sales by geographical areas MEUR

	1–3/2007	%	1–3/2006	%	1–12/2006	%
EMEA ¹⁾	535.5	66	464.4	63	2,319.4	65
Americas	177.6	22	178.7	24	805.1	22
Asia-Pacific	98.1	12	91.9	13	476.3	13
Total	811.2		735.0		3,600.8	

¹⁾ EMEA = Europe, Middle East, Africa

Net Sales

In comparison to the corresponding reporting period a year earlier, KONE's net sales increased by approximately 10 percent and totaled EUR 811.2 (735.0) million. Growth at comparable currency rates was approximately 13 percent. New equipment sales in January-March accounted for EUR 307.0 (254.3) million of the total and represented an approximate 21 percent growth over the comparison period. At comparable currency rates the growth was approximately 24 percent. KONE's business logic spans the entire lifecycle of customer investments, and KONE's customer focus and lifetime strategy seeks to provide a better service capability. This also creates growth in KONE's business operations and a less cyclical stream of profits. Service sales increased by almost 5 percent and totaled EUR 504.2 (480.7) million, at comparable currency rates the growth was approximately 8 percent.

Of the sales, 66 (63) percent was generated from EMEA, 22 (24) percent by the Americas and 12 (13) percent by Asia-Pacific.

Result

The provision of EUR 142.0 million for the European Commission's fine decision is recognized in the first quarter. KONE's operating income, excluding the provision, improved 34 percent in comparison to the first three months of 2006 and was EUR 69.3 (51.7) million or 8.5 (7.0) percent of net sales. A strong profit improvement was achieved despite the high price of steel in particular. Net financing items were EUR -1.8 (-0.2) million.

KONE's profit before taxes for the January-March period was EUR -74.7 (51.3) million. Taxes totaled EUR 20.3 (19.5) million, taking into account taxes proportionate to

the amount estimated for the financial year. Net income for the period was EUR -95.0 (31.8) million.

Earnings per share were EUR -0.76 (0.25). Equity per share was EUR 3.80 (5.55).

Cash Flow and Financing

In the first quarter, KONE's cash flow from operations (before financing items and taxes) was EUR 142.7 million (117.3). At the end of March, net working capital was negative at EUR -349.3 (December 31, 2006: -139.5) million, including financing items and taxes. The net working capital at the end of March 2007 includes the EUR 142.0 million provision for the European Commission's fine decision.

Net debt totaled EUR 142.3 (December 31, 2006: 124.9) million. Gearing was 29.7 percent compared with 17.9 percent at the end of the previous accounting period. KONE's total equity/total assets ratio was 20.8 (December 31, 2006: 30.5) percent at the end of March.

Capital Expenditures

KONE's capital expenditure, including acquisitions, totaled EUR 17.1 (26.7) million. Acquisitions accounted for EUR 9.1 (15.2) million of this figure. KONE continued to acquire small elevator service companies.

In January, KONE signed an agreement to acquire MIRO Elevators Limited, a Canadian service company. It has about 1,200 elevators in its maintenance base. The share capital of MIRO Elevators Limited was transferred to KONE at the end of January. MIRO was the most notable acquisition made during the reporting period. None of the acquired companies had material effect on the interim period.

Research and Product Development

Product development expenses in the first quarter totaled EUR 13.1 (11.8) million, representing 1.6 (1.6) percent of net sales. R&D expenses include development of new product concepts and further developments of existing products and services.

In the first quarter, solutions to improve KONE's accessible markets were released. In the high rise market, a new flexible line of signalization was released. For volume elevators in the European market a new version to achieve better performance was introduced. In addition, a number of service products were also released; for example, an updated modernization package offering customers improved flexibility in electrification and space optimization.

European Commission Investigation

The European Commission started an investigation concerning anticompetitive practices in the elevator and escalator market in Europe in 2004. The outcome of the three-year process was announced on February 21, 2007. The Commission found KONE's subsidiaries in Belgium, Luxembourg, Germany and the Netherlands to have been involved in local anticompetitive practices prior to early 2004, and imposed a EUR 142 million fine on KONE. The fine was imposed for anticompetitive practices in Germany and the Netherlands. KONE did not receive a fine in relation to Belgium and Luxembourg, as KONE was the first company to cooperate with the Commission regarding these countries.

KONE will appeal the European Commission's decision. A provision of EUR 142,0 million for the European Commission's decision has been recognized in the first quarter result.

Other Events during the Reporting Period

In February, KONE's Austrian subsidiary was notified by the Austrian cartel court of the initiation of proceedings for the imposition of fines against companies operating in the

Austrian elevator and escalator market including KONE's Austrian subsidiary. The case relates to alleged anticompetitive practices in the local market before mid-2004.

KONE immediately initiated a thorough internal investigation.

KONE has not made a provision in this respect.

Personnel

KONE had 29,868 (31 December, 2006: 29,321) employees at the end of March 2007. The average number of employees during January-March 2007 was 29,622 (27,653).

The geographical distribution of KONE employees was 57 (59) percent in EMEA, 18 (19) percent in the Americas and 25 (22) percent in Asia-Pacific.

Operational Risks

KONE's business activities are exposed to risks, of which the most significant are fluctuations in currency rates and increases in raw material prices and personnel costs.

A rise in raw material prices is reflected directly in the production costs of components made by KONE, such as doors and cars, and indirectly in the prices of purchased components. The price of oil also affects maintenance costs.

Subsidiary investments are hedged from currency risks in accordance with the hedging policy to ensure that the total effect of foreign exchange rates on the Corporation's gearing is neutral. As the expenses and income of the elevator and escalator business occur mainly in the same currency, exchange rate movements are reflected mostly in the translation of the achieved result into euros.

Appointment to the Executive Board

KONE Corporation appointed Vance Tang as the Executive Vice President and Area Director responsible for the Americas and a member of the Executive Board as of February 19, 2007.

Annual General Meeting

KONE Corporation's Annual General Meeting in Helsinki on February 26, 2007 confirmed the number of members of the Board of Directors as seven and it was decided to elect one deputy member. Re-elected as full members of the Board were Matti Alahuhta, Reino Hanhinen, Antti Herlin, Sirkka Hämäläinen-Lindfors, Masayuki Shimono, Iiro Viinanen and Sirpa Pietikäinen. Jussi Herlin was elected as deputy member. The term of the Board ends 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 treasury shares the Company is allowed to possess. The proposed amount corresponds to nearly 10 percent of the share capital of the Company and the total voting rights.

In addition, the Board of Directors was authorized to decide on the distribution of any shares repurchased by the company. The authorization is limited to a maximum of 1,905,000 class A shares and 10,880,000 class B shares. The Board of Directors is authorized to decide to whom and in which order the repurchased shares are 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. The Board of Directors also has the right to decide on the distribution of the shares in public trading on the Helsinki Stock Exchange for the purpose of financing possible acquisitions. The shares shall be distributed at least at the market price at the moment of their transfer determined on the basis of the trading price for class B shares determined in public trading in the Helsinki Stock Exchange.

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

In addition, The Board of Directors was authorized to grant options. On the basis of this authorization, the Board of Directors may decide to grant to key personnel of the group or to the company's wholly owned subsidiary, Kone Capital Oy, options which entitle them to subscribe for a maximum of 2,000,000 new class B shares. The company has a valid financial reason to grant options, because the options are intended to form a part of the group's incentive and commitment plan for key personnel.

This authorization will remain in force for one year following the decision of the Annual General Meeting.

In addition, the Annual General Meeting nominated PricewaterhouseCoopers Oy, Authorized Public Accountants, as the Company's auditor, with Heikki Lassila, APA, as the principally responsible auditor.

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 or in total EUR 125.5 million. The date of the dividend payment was set for March 8, 2007. The rest of the distributable equity, EUR 1,146 million, was retained and carried forward.

Share Capital and Shares

Option Subscription and Share Capital

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

As of March 31, 2007, 609,084 shares have been subscribed for with the options, raising KONE's share capital to EUR 64,059,297.00, comprising 109,066,416 listed class B shares and 19,052,178 unlisted class A shares.

The remaining 2005A options entitle their holders to subscribe for 197,766 class B shares, while the remaining 2005B options entitle their holders to subscribe for 501,660 class B shares. The share subscription period for series A options and series B options ends on March 31, 2008 and March 31, 2009 respectively. The remaining number of shares that can be subscribed for is 699,426. The subscription price is EUR 8.04 per share.

In 2005, KONE also granted a conditional option program, 2005C, and a conditional share-based incentive plan. The share subscription period of the 2005C option program will begin April 1, 2008, only if the average net sales growth of the group for the 2006 and 2007 financial years exceeds market growth, the operating income (EBIT) of the 2006 financial year exceeds EBIT for the 2005 financial year, and EBIT for the 2007 financial year exceeds EBIT for the 2006 financial year.

Shares and trading volume

The volatility in the stock markets was reflected in KONE's share price during the reporting period. The period high was EUR 47.73 and period low EUR 39.52.

KONE's share closed at EUR 42.77. The volume weighted average share price during the period was EUR 43.80.

Share turnover during the period amounted to EUR 1,242.3 (706.9) million, with 28,389,501 (20,930,001) shares being traded. This represents 26 percent of the company's listed class B shares. The daily average trading volume was 443,586 (327,031) shares, representing a daily

average turnover of approximately EUR 19 million. KONE corporation's market capitalization at the end of the period was EUR 5,362.2 (4,319.7) million, disregarding the group's treasury shares.

The number of registered shareholders at the beginning of the review period was 13,673 and 13,068 at its end. The number of private households totaled 11,771.

According to the nominee registers, approximately 44.8 percent of the listed class B shares were owned by foreigners at the beginning of the period and approximately 45.5 at the end. Other foreign ownership at the end of the period totaled approximately 5.9 percent; thus a total of approximately 51.5 percent of the company's listed class B shares were owned by international investors, corresponding to approximately 19 percent of the total votes in the company.

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 March 8, 2007. The repurchasing of shares will continue until otherwise announced.

During the first quarter, KONE used its authorization and bought back 6,000 of its own shares. At the end of March, the group had 2,744,753 class B shares in its possession. The shares in the group's possession represent 0.7 percent of the total number of class B shares. This corresponds to 0.3 percent of the total voting rights.

At the end of the reporting period March 31, 2007, KONE's Board of Directors had no current authorization to raise the share capital or to issue convertible or warrant loans.

Flagging notifications

On March 8, 2007 Morgan Stanley Investment Management Limited disclosed to KONE Corporation pursuant to the Securities Markets Act, chapter 2, section 9, that its holding in KONE Corporation had exceeded five (5) percent of the share capital. The date of change in the holdings was November 29, 2005.

Outlook

We estimate that market growth will not be as strong in all markets this year as in 2006. This will be the case especially in North America and Southern Europe. However, the market development in e.g. Asia-Pacific will continue to be strong.

KONE's target for 2007 is to achieve an approximate 10 percent growth in net sales, calculated at comparable exchange rates, compared to 2006. The operating income (EBIT) target is to achieve growth of approximately 20 percent from the comparable 2006 figure of EUR 360 million excluding the EUR 142.0 million provision for the European Commission's fine decision.

In 2008, KONE's objective is to achieve an operating income (EBIT) margin of about 12 percent.

Helsinki, 24 April, 2007

KONE Corporation

Board of Directors

Enclosures

- 1 Consolidated Statement of Income
- 2 Consolidated Balance Sheet and Consolidated Statement of Changes in Equity
- 3 Consolidated Statement of Cash Flow
- 4 Notes for the Interim Report

This Interim report and the presentation used in the Analyst and Media Conference will be available on the company web site at www.kone.com.

KONE Corporation will release its Interim Result for January 1–June 30 on July 20, 2007.

CONSOLIDATED STATEMENT OF INCOME

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MEUR	1-3/2007	%	1-3/2006	%	1-12/2006	%
Sales	811.2		735.0		3,600.8	
Costs and expenses	-727.7		-668.6		-3,182.4	
Depreciation	-14.2		-14.7		-58.3	
Provision for the European Commission's fine decision	-142.0		-		-	
Operating income	-72.7	-9.0	51.7	7.0	360.1	10.0
Share of associated companies' net income	-0.2		-0.2		-0.3	
Financing income	3.4		3.9		16.1	
Financing expenses	-5.2		-4.1		-19.6	
Income before taxes	-74.7	-9.2	51.3	7.0	356.3	9.9
Taxes	-20.3		-19.5		-121.9	
Net income	-95.0	-11.7	31.8	4.3	234.4	6.5
Net income attributable to:						
Shareholders of the parent company	-94.9		32.1		234.8	
Minority interests	-0.1		-0.3		-0.4	
Total	-95.0		31.8		234.4	
Earnings per share for profit attributable to the shareholders of the parent company, EUR						
Basic earnings per share	-0.76		0.25		1.86	
Diluted earnings per share	-0.75		0.25		1.85	

CONSOLIDATED BALANCE SHEET

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Assets MEUR	31.3.2007	31.3.2006	31.12.2006
Non-current assets			
Intangible assets	624.2	574.0	615.7
Tangible assets	217.2	217.2	217.7
Loans receivable and other interest-bearing assets	3.0	55.6	5.1
Deferred tax assets	135.0	130.5	134.1
Investments	130.1	137.7	129.6
Total	1,109.5	1,115.0	1,102.2
Current assets			
Inventories	774.8	654.8	668.8
Advance payments received	-665.8	-528.3	-552.1
Loans receivable and other interest-bearing assets	1.4	0.6	44.6
Accounts receivable and other non interest-bearing assets	833.3	710.1	805.1
Cash, cash equivalents and financial assets	252.3	193.3	223.8
Total	1,196.0	1,030.5	1,190.2
Total assets	2,305.5	2,145.5	2,292.4
Equity and liabilities MEUR	31.3.2007	31.3.2006	31.12.2006
Equity	479.9	574.9	698.6
Non-current liabilities			
Loans	76.8	140.0	100.2
Deferred tax liabilities	30.5	27.6	30.3
Employee benefits	144.6	151.9	145.0
Total	251.9	319.5	275.5
Provisions	210.0	100.8	71.8
Current liabilities			
Loans	322.2	239.2	298.2
Accounts payable and other liabilities	1,041.5	911.1	948.3
Total	1,363.7	1,150.3	1,246.5
Total equity and liabilities	2,305.5	2,145.5	2,292.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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MEUR	Share capital	Share premium account	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Minority interests	Total equity
1 Jan, 2007	64.0	98.0	-0.5	-14.0	-91.2	638.8	3.5	698.6
Net income for the period						-94.9	-0.1	-95.0
Items booked directly into equity:								
Transactions with shareholders and minority shareholders:								
Dividends paid						-125.1		-125.1
Issue of shares (option rights)	0.0	0.4						0.4
Purchase of own shares					-0.3			-0.3
Sales of own shares								-
Change in minority interests							-0.4	-0.4
Cash flow hedge			0.9					0.9
Translation differences				0.8				0.8
Hedging of foreign subsidiaries				-2.8				-2.8
Tax impact of hedging				0.7				0.7
Option and share based compensation						2.1		2.1
31 Mar, 2007	64.0	98.4	0.4	-15.3	-91.5	420.9	3.0	479.9

MEUR	Share capital	Share premium account	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Minority interests	Total equity
1 Jan, 2006	63.9	96.4	-5.1	9.9	-21.9	523.2	2.8	669.2
Net income for the period						32.1	-0.3	31.8
Items booked directly into equity:								
Transactions with shareholders and minority shareholders:								
Dividends paid						-126.9		-126.9
Issue of shares (option rights)	0.1	0.6						0.7
Purchase of own shares								-
Sales of own shares								-
Change in minority interests							0.0	0.0
Cash flow hedge			1.6					1.6
Translation differences				-3.2				-3.2
Hedging of foreign subsidiaries				-0.4				-0.4
Tax impact of hedging				0.1				0.1
Option and share based compensation						2.0		2.0
31 Mar, 2006	64.0	97.0	-3.5	6.4	-21.9	430.4	2.5	574.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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MEUR	Share capital	Share premium account	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Minority interests	Total equity
1 Jan, 2006	63.9	96.4	-5.1	9.9	-21.9	523.2	2.8	669.2
Net income for the period						234.8	-0.4	234.4
Items booked directly into equity:								
Transactions with shareholders and minority shareholders:								
Dividends paid						-126.9		-126.9
Issue of shares (option rights)	0.1	1.6						1.7
Purchase of own shares					-69.3			-69.3
Sales of own shares								-
Change in minority interests							1.1	1.1
Cash flow hedge			4.6					4.6
Translation differences				-30.4				-30.4
Hedging of foreign subsidiaries				8.8				8.8
Tax impact of hedging				-2.3				-2.3
Option and share based compensation						7.7		7.7
31 Dec, 2006	64.0	98.0	-0.5	-14.0	-91.2	638.8	3.5	698.6

CONSOLIDATED STATEMENT OF CASH FLOW

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MEUR	1-3/2007	1-3/2006	1-12/2006
Operating income	-72.7	51.7	360.1
Change in working capital	201.2	50.9	-46.7
Depreciation	14.2	14.7	58.3
Cash flow from operations	142.7	117.3	371.7
Cash flow from financing items and taxes	-2.4	-11.1	-105.9
Cash flow from operating activities	140.3	106.2	265.8
Cash flow from investing activities	-43.9	-22.7	-96.4
Cash flow after investing activities	96.4	83.5	169.4
Purchases and sales of own shares	-0.3	-	-69.3
Share issue	0.4	0.7	1.7
Dividends paid	-116.0	-114.6	-126.8
Change in loans receivable	13.4	-2.9	-14.3
Change in loans payable	2.7	21.4	38.2
Cash flow from financing activities	-99.8	-95.4	-170.5
Change in cash and cash equivalents	-3.4	-11.9	-1.1
Cash and cash equivalents at the beginning of the period	109.5	113.5	113.5
Translation difference	-0.1	-0.8	-2.9
Cash and cash equivalents at the end of the period	106.0	100.8	109.5
Change in cash and cash equivalents	-3.4	-11.9	-1.1

Change in net debt

MEUR	1-3/2007	1-3/2006	1-12/2006
Net debt at the beginning of the period	124.9	99.3	99.3
Net debt at the end of the period	142.3	129.7	124.9
Change in net debt	-17.4	-30.4	-25.6

NOTES FOR THE INTERIM REPORT

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Key figures

		1-3/2007	1-3/2006	1-12/2006
Basic earnings per share	EUR	-0.76	0.25	1.86
Diluted earnings per share	EUR	-0.75	0.25	1.85
Equity per share	EUR	3.80	4.50	5.55
Interest bearing net debt	MEUR	142.3	129.7	124.9
Total equity/total assets	%	20.8	26.8	30.5
Gearing	%	29.7	22.6	17.9
Return on equity	%	neg.	20.4	34.3
Return on capital employed	%	neg.	21.2	35.4
Total assets	MEUR	2,305.5	2,145.5	2,292.4
Assets employed	MEUR	622.2	704.6	823.5
Working capital (including financing and tax items)	MEUR	-349.3	-224.3	-139.5

Sales by geographical areas

MEUR	1-3/2007	%	1-3/2006	%	1-12/2006	%
EMEA ¹⁾	535.5	66	464.4	63	2,319.4	65
Americas	177.6	22	178.7	24	805.1	22
Asia-Pacific	98.1	12	91.9	13	476.3	13
Total	811.2		735.0		3,600.8	

¹⁾ EMEA = Europe, Middle East, Africa

Quarterly figures

		Q1/2007	Q4/2006	Q3/2006	Q2/2006	Q1/2006	Q4/2005	Q3/2005	Q2/2005	Q1/2005
									pro forma	pro forma
Orders received	MEUR	902.1	712.1	742.0	821.9	840.3	702.5	649.4	688.3	604.1
Order book	MEUR	3,105.7	2,762.1	2,951.0	2,818.0	2,654.0	2,326.8	2,371.7	2,264.7	2,023.1
Sales	MEUR	811.2	1,145.6	879.8	840.4	735.0	1,013.4	804.7	783.1	649.3
Operating income	MEUR	69.3 ¹⁾	123.4	101.1	83.9	51.7	93.6	79.1	60.8	39.0 ²⁾
Operating income	%	8.5 ¹⁾	10.8	11.5	10.0	7.0	9.2	9.8	7.8	6.0 ²⁾

¹⁾ Excluding the MEUR 142.0 provision for the European Commission's fine decision.

²⁾ Excluding the MEUR 89.2 provision for the development and restructuring program.

Orders received

MEUR	1-3/2007	1-3/2006	1-12/2006
	902.1	840.3	3,116.3

Order book

MEUR	31.3.2007	31.3.2006	31.12.2006
	3,105.7	2,654.0	2,762.1

Capital expenditure

MEUR	1-3/2007	1-3/2006	1-12/2006
In fixed assets	6.6	10.2	51.3
In leasing agreements	1.4	1.3	9.1
In acquisitions	9.1	15.2	90.1
Total	17.1	26.7	150.5

R&D Expenditure

MEUR	1-3/2007	1-3/2006	1-12/2006
	13.1	11.8	50.3
R&D expenditure as percentage of sales	1.6	1.6	1.4

Number of employees

	1-3/2007	1-3/2006	1-12/2006
Average	29,622	27,653	28,366
At the end of the period	29,868	27,783	29,321

Provisions

MEUR	1-3/2007	1-3/2006	1-12/2006
Total provisions at the beginning of the period	71.8	112.0	112.0
Translation difference	-0.1	-1.3	-5.8
Changes during the period:			
The provision for the European Commission's fine decision 1)	142.0	-	-
The provisions for the development and restructuring program 2)	-0.4	-4.1	-23.9
Other changes	-3.3	-5.8	-10.5
Total provisions at the end of the period	210.0	100.8	71.8

¹⁾ The provision of EUR 142.0 million recognized in the first quarter of 2007 related to the European Commission's decision to impose a fine to KONE for anticompetitive practices in Germany and the Netherlands. KONE will appeal the decision.

²⁾ The provision of EUR 89.2 million recognized in the first quarter of 2005 related to the development and restructuring program.

Commitments

MEUR	31.3.2007	31.3.2006	31.12.2006
Mortgages			
Group and parent company	30.7	30.7	30.7
Pledged assets			
Group and parent company	5.4	5.7	5.4
Guarantees			
Associated companies	1.8	2.0	1.8
Others	3.6	9.4	3.4
Operating leases	116.8	113.8	115.8
Total	158.3	161.6	157.1

The future minimum lease payments under non-cancellable operating leases

MEUR	31.3.2007	31.3.2006	31.12.2006
Less than 1 year	34.0	30.5	34.6
1–5 years	72.5	70.2	72.5
Over 5 years	10.3	13.1	8.7
Total	116.8	113.8	115.8

In February 2007, KONE's Austrian subsidiary was notified by the Austrian cartel court of the initiation of proceedings for the imposition of fines against companies operating in the Austrian elevator and escalator market including KONE's Austrian subsidiary. The case relates to alleged anticompetitive practices in the local market before mid-2004. KONE immediately initiated a thorough internal investigation. KONE has not made a provision in this respect.

Derivatives

	positive fair value 31.3.2007	negative fair value 31.3.2007	net fair value 31.3.2007	net fair value 31.3.2006	net fair value 31.12.2006
Fair values of derivative financial instruments					
MEUR					
FX Forward contracts	3.5	3.7	-0.2	-1.0	1.2
Currency options	0.0	0.0	0.0	0.1	0.0
Cross-currency swaps, due under one year	-	-	-	-	43.2
Cross-currency swaps, due in 1–3 years	5.4	-	5.4	35.1	2.8
Electricity derivatives	0.4	0.3	0.1	1.3	0.3
Total	9.3	4.0	5.3	35.5	47.5

Nominal values of derivative financial instruments

MEUR	31.3.2007	31.3.2006	31.12.2006
FX Forward contracts	478.5	596.7	392.8
Currency options	11.4	48.5	32.3
Cross-currency swaps, due under one year	-	-	153.8
Cross-currency swaps, due under 1–3 years	156.7	173.8	43.6
Electricity derivatives	3.3	2.0	2.9
Total	649.9	821.0	625.4

SHARES AND SHAREHOLDERS

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31 March, 2007	Class A shares	Class B shares	Total
Number of shares	19,052,178	109,066,416	128,118,594
Own shares in possession ¹⁾		2,744,753	
Share capital, EUR			64,059,297
Market capitalization, MEUR			5,480
Number of shares traded, million, 1–3/2007		28.4	
Value of shares traded, MEUR, 1–3/2007		1,242	
Number of shareholders	3	13,068	13,068
	Close	High	Low
Class B share price, EUR, 1–3/2007	42.77	47.73	39.52

¹⁾ During the first quarter 2007, KONE Corporation repurchased 6,000 own class B shares. During the reporting period 1 January–31 December, 2006, KONE Corporation repurchased a total of 1,963,913 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 share-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, with innovative solutions for their maintenance and modernization. KONE also provides maintenance of automatic building doors. In 2006, KONE had annual net sales of EUR 3.6 billion and approximately 29,000 employees. Its class B shares are listed on the Helsinki Stock Exchange in Finland.

This Interim Report contains forward-looking statements that are based on the current expectations, known factors, decisions and plans of the management of KONE. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions and fluctuations in exchange rates.