

The heart of your building™



INTERIM REPORT FOR
JANUARY–JUNE 2007



KONE'S Q2: STRONG GROWTH IN SALES AND EBIT – 2007 OUTLOOK UPGRADED

Q2 | 1

- KONE upgrades its outlook for 2007. KONE's target for 2007 is to achieve a growth of 10 to 15 percent in net sales, calculated at comparable exchange rates, compared to 2006. The operating income (EBIT) target is to achieve growth of 25 to 30 percent from the comparable 2006 figure of EUR 360 million. This target excludes the EUR 142.0 million fine for the European Commission's decision.
- Orders received growth was 11 percent in January-June, or 14 percent at comparable exchange rates. Orders received totaled EUR 1,847 (1,662) million. In the second quarter, orders received growth was 15 percent, or 17 percent at comparable exchange rates. Orders received totaled EUR 944.4 (821.9) million.
- Net sales grew by 15 percent to EUR 1,813 (1,575) million in January-June; at comparable exchange rates growth was 18 percent. In the second quarter, net sales grew by 19 percent to EUR 1,002 (840.4) million; at comparable exchange rates growth was 21 percent.
- Operating income was EUR 43.7 (135.6) million in January-June. Excluding the EUR 142.0 million fine for the European Commission's decision, operating income was EUR 185.7 million or 10.2 (8.6) percent of net sales. In the second quarter, operating income was EUR 116.4 (83.9) million or 11.6 (10.0) percent of net sales.

Key Figures

		4-6/2007	4-6/2006	1-6/2007	1-6/2006	1-12/2006
Orders received	MEUR	944.4	821.9	1,846.5	1,662.2	3,116.3
Order book	MEUR	3,318.0	2,818.0	3,318.0	2,818.0	2,762.1
Sales	MEUR	1,001.9	840.4	1,813.1	1,575.4	3,600.8
Operating income	MEUR	116.4	83.9	185.7 ¹⁾	135.6	360.1
Operating income	%	11.6	10.0	10.2 ¹⁾	8.6	10.0
Cash flow from operations (before financing items and taxes)	MEUR	-37.4	29.3	105.3	146.6	371.7
Net income	MEUR	82.9	52.1	-12.1	83.9	234.4
Interest-bearing net debt	MEUR	263.4	201.9	263.4	201.9	124.9
Total equity/total assets	%	24.1	27.1	24.1	27.1	30.5
Gearing	%	46.7	34.0	46.7	34.0	17.9

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

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

"KONE's development programs are bringing results. We are gradually becoming more customer focused, more globally aligned and more productive. The rapid renewal of our product portfolio has made it possible for us to increase our market share in many key markets. Also the service operations have developed well. I want to thank all our employees for a job well done! The work in the development programs continues and simultaneously we are preparing for the next phase of change."

Accounting Principles

KONE Corporation's interim report for January 1– June 30, 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–June

Overall demand continued strong for new equipment and modernization in most markets and hence created favorable conditions for KONE's growth. The price environment for new equipment was competitive in all geographical areas. The global maintenance market continued to be good but remained tough.

In the European, Middle East and African region (EMEA), the business environment continued to be strong during the second quarter. In Scandinavia, the residential market was at a good level. In Germany, the new equipment market continued to strengthen. In the U.K., commercial construction stayed fairly active. The Southern European market activity remained on the same level as during the first quarter. The Eastern European and Middle East construction markets experienced continuous strong growth. Modernization demand continued to be good.

The North American new equipment market remained at a stable level. In the U.S., demand in the hotel, office and hospital segments increased. In Canada, the solid market development continued and the Mexican market experienced good growth. The modernization market growth continued.

In the Asia-Pacific region, most markets maintained a high activity level. The Chinese market continued to benefit from high volumes while India and Australia also experienced a growing and active market. In Australia, both the volume and the major projects market developed favorably.

Orders Received and Order Book

KONE's market position continued to strengthen in the second quarter of 2007. The value of orders received during January–June increased by approximately 11

percent and totaled EUR 1,847 (1–6/2006: 1,662) million. At comparable exchange rates, the growth was approximately 14 percent. Only new equipment orders and modernization orders are included in orders received.

The order book increased from the end of 2006 by 20 percent and stood at EUR 3,318 (December 31, 2006: 2,762) million at the end of June. Compared with the order book on June 30, 2006 there was an increase of approximately 18 percent. At comparable exchange rates, the growth was about 19 percent. The margin of the order book continued to be at the earlier good level.

Orders received during April–June totaled EUR 944.4 (821.9) million, an increase of approximately 15 percent. At comparable exchange rates, growth was approximately 17 percent. During the second quarter, the Asia-Pacific region recorded the highest growth in new orders.

In the EMEA region, KONE received several big orders. In Russia, KONE won an order to install all the elevators and escalators for two new high-rise buildings with KONE destination control systems in the Imperia Tower and an order to supply elevators to the White Square Office. Both buildings are located in Moscow. KONE also won an order to supply all the elevators for a new office building in the Canary Wharf financial district in London, U.K. In addition, KONE won four major orders in Saudi Arabia, United Arab Emirates and Qatar. One of the developments is the world's largest mosque, the Holy Haram, located in Mecca, Saudi Arabia. The other three projects represent new architectural landmarks in the Middle East.

KONE continued to experience strong order intake in the North American new equipment and modernization market. New equipment business in Canada experienced significant growth through captured new share, especially in the residential and office segments. In the U.S., the continued margin growth in the new equipment orders was particularly positive.

In the Asia-Pacific region, KONE's new equipment order intake continued to develop very strongly. The largest orders during the second quarter were an order to supply and install all the elevators in a prestige condominium development in Bangkok, Thailand, called the MET and an order to supply all elevators for the second phase of the construction process of the Delhi Metro in India.

Sales by geographical areas MEUR

	4-6/2007	%	4-6/2006	%	1-6/2007	%	1-6/2006	%	1-12/2006	%
EMEA ¹⁾	651.7	65	553.7	66	1,187.2	66	1,018.1	65	2,319.4	65
Americas	206.1	21	181.0	22	383.7	21	359.7	23	805.1	22
Asia-Pacific	144.1	14	105.7	12	242.2	13	197.6	12	476.3	13
Total	1,001.9		840.4		1,813.1		1,575.4		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 15 percent and totaled EUR 1,813 (1,575) million.

Growth at comparable currency rates was approximately 18 percent.

New equipment sales in January–June accounted for EUR 764.5 (588.5) million of the total and represented an approximate 30 percent growth over the comparison period. At comparable currency rates the growth was approximately 33 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 6 percent and totaled EUR 1,049 (986.9) million, at comparable currency rates the growth was approximately 8 percent.

Of the sales, 66 (65) percent were generated from EMEA, 21 (23) percent by the Americas and 13 (12) percent by Asia-Pacific.

In the second quarter, KONE's net sales totaled EUR 1,002 (840.4) million, an approximate 19 percent growth over the same period in 2006. At comparable exchange rates the growth was approximately 21 percent. New equipment sales grew approximately 37 percent and accounted for EUR 457.5 (334.2) million. At comparable currency rates the growth was approximately 39 percent. Service sales grew by 8 percent and totaled EUR 544.4 (506.2) million. At comparable currency rates the growth was approximately 9 percent.

Result

The fine of EUR 142.0 million for the European Commission's decision was recognized in the first quarter. KONE's operating income, excluding the fine, improved approximately 37 percent in comparison to January–June of 2006 and was EUR 185.7 (135.6) million or 10.2 (8.6) percent of net sales. Net financing items were EUR -2.9 (-3.8) million.

KONE's income before taxes for the January–June period was EUR 41.0 (131.2) million. Taxes totaled EUR 53.1 (47.3) million, taking into account taxes proportionate to the amount estimated for the financial year. This represents a tax rate of 29.0 (1–12/2006: 34.2) percent. Net income for the period was EUR -12.1 (83.9) million.

Earnings per share were EUR -0.10 (0.66). Equity per share was EUR 4.48 (4.68).

Second quarter operating income was EUR 116.4 (83.9) million, or 11.6 (10.0) percent of net sales.

Cash Flow and Financing

During the first half year of 2007, KONE's cash flow from operations (before financing items and taxes) was EUR 105.3 (146.6) million. At the end of June, net working capital was negative at EUR -143.2 (December 31, 2006: -139.5) million, including financing items and taxes. The EUR 142.0 million fine for the European Commission's decision was recognized as a provision in the first quarter and booked into interest-bearing debts in the balance sheet during the second quarter. As KONE has appealed the decision, the amount of the fine may change.

Interest-bearing net debt totaled EUR 263.4 (December 31, 2006: 124.9) million. Gearing was 46.7 percent compared with 17.9 percent at the end of the previous accounting period. KONE's total equity/total assets ratio was 24.1 (December 31, 2006: 30.5) percent at the end of June.

Capital Expenditures

KONE's capital expenditure, including acquisitions, totaled EUR 40.5 (54.2) million. Acquisitions accounted for EUR 16.5 (25.1) million of this figure. Acquisitions made during the reporting period have no material effect on January–June or full year 2007 figures.

During the reporting period the most notable acquisition was the acquisition of MIRO Elevators Limited, a Canadian service company. The share capital of MIRO Elevators Limited has been transferred to KONE in January.

During the second quarter, KONE continued to acquire small elevator service companies from Italy, Austria and France.

During the second quarter, capital expenditure totaled EUR 23.4 (27.5) million of which acquisitions accounted for EUR 7.4 (9.9) million.

Organizational Development

In the spring of 2007, KONE initiated an organizational change project in the U.S. The objective is to improve customer focus, increase cross-functional synergies and raise productivity. As part of the development, KONE will move its North American headquarters to Chicago in the beginning of 2008.

Research and Product Development

Product development expenses in January–June totaled EUR 25.4 (24.7) million, representing 1.4 (1.6) percent of net sales. R&D expenses include development of new product concepts and further developments of existing products and services.

In Europe, a new release of the KONE MonoSpace® elevator was launched. This release added further flexibility to the product. The solution now complies with new regulations on fire fighting elevators and also renewed accessibility features have been added. A radical visual restyling of the car's finishing, design, ceiling and accessories were undertaken. In addition, a better space efficiency (pit reduction) for freight elevators was achieved.

In the North American market, product enhancements and installation improvements have made KONE products even more attractive for its customers.

In the Asia-Pacific region, new functional and cost effective solutions especially for the residential market were introduced. In addition, a collection of different designs and feature options which increases the flexibility in visual offerings was released.

To support customer service, new eBusiness tools were launched; for example a KONE Architect Toolbox on Internet and an electronic on-line and off-line 3D Car Designer.

And finally, KONE's modernization offering was improved by a new parallel signalization family and a new version of a hoisting modernization package.

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.

In May, KONE appealed the European Commission's decision. A provision of EUR 142.0 million for the European Commission's decision was recognized in the first quarter results and booked into interest-bearing debts in the balance sheet during the second quarter. As KONE has appealed the decision, the amount of the fine may change.

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 30,665 (31 December, 2006: 29,321) employees at the end of June 2007. The average number of employees during January–June 2007 was 29,987 (27,834).

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 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, Sirpa Pietikäinen, Masayuki Shimono and Iiro Viinanen. 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 OMX Nordic Exchange in Helsinki, Finland 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 OMX Nordic Exchange (Helsinki).

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 OMX Nordic Exchange in Helsinki, Finland 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 June 30, 2007, 632,664 shares have been subscribed for with the options, raising KONE's share capital to EUR 64,071,087.00, comprising 109,089,996 listed class B shares and 19,052,178 unlisted class A shares.

During January–June 30,756 shares were subscribed for with the 2005A options and 44,790 with the 2005B options.

The remaining 2005A options entitle their holders to subscribe for 195,816 class B shares, while the remaining 2005B options entitle their holders to subscribe for 480,030 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 675,846. 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.

In April 2007, 129,000 B-shares assigned to the share-based incentive plan for the company's senior management were transferred from KNEBV Incentive Ky to the participants due to achieved targets for the financial year 2006.

Shares and trading volume

At the end of the reporting period, KONE's share closed at EUR 46.76. The volume weighted average share price during the period was EUR 44.21. The period high was EUR 47.55 and period low EUR 39.52.

Share turnover during the period amounted to EUR 2,302 (1,508) million, with 52,086,002 (44,267,234) shares being traded. This represents approximately 48 percent of the company's listed class B shares. The daily average trading volume was 420,048 (356,994) shares, representing a daily average turnover of approximately EUR 19 million. KONE Corporation's market capitalization at the end of the period was EUR 5,870 (4,104) million, disregarding the group's treasury shares.

The number of registered shareholders at the beginning of the review period was 13,673 and 13,242 at its end. The number of private households totaled at the end of the period 11,889.

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 45.7 at the end. Other foreign ownership at the end of the period totaled approximately 5.9 percent; thus a total of approximately 51.6 percent of the company's listed class B shares were owned by international investors, corresponding to approximately 18.8 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 January 1 – June 30, 2007, KONE used its authorization and bought back 6,000 of its own shares in February. In April 2007, 129,000 B-shares assigned to the share-based incentive plan for the company's senior management were transferred from KNEBV Incentive Ky to the participants due to achieved targets for the financial year 2006. At the end of June, the group had 2,615,753 class B shares in its possession.

The shares in the group's possession represent 2.4 percent of the total number of class B shares. This corresponds to 0.8 percent of the total voting rights.

At the end of the reporting period June 30, 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

KONE's target for 2007 is to achieve a growth of 10 to 15 percent in net sales, calculated at comparable exchange rates, compared to 2006. The operating income (EBIT) target is to achieve growth of 25 to 30 percent from the comparable 2006 figure of EUR 360 million. This target excludes the EUR 142.0 million fine for the European Commission's decision.

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

Previous Outlook Statement

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, July 20, 2007

KONE Corporation

Board of Directors

Enclosures

- 1 Consolidated Statement of Income
- 2 Consolidated Balance Sheet
- 3 Consolidated Statement of Changes in Equity
- 4 Consolidated Statement of Cash Flow
- 5 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–September 30 on October 23, 2007.

CONSOLIDATED STATEMENT OF INCOME

Q2 | 8

MEUR	4-6/2007	%	4-6/2006	%	1-6/2007	%	1-6/2006	%	1-12/2006	%
Sales	1,001.9		840.4		1,813.1		1,575.4		3,600.8	
Costs and expenses	-871.4		-742.2		-1,599.1		-1,410.8		-3,182.4	
Depreciation	-14.1		-14.3		-28.3		-29.0		-58.3	
Fine for the European Commission's decision	-		-		-142.0		-		-	
Operating income	116.4	11.6	83.9	10.0	43.7	2.4	135.6	8.6	360.1	10.0
Share of associated companies' net income	0.4		-0.4		0.2		-0.6		-0.3	
Financing income	5.7		2.7		9.1		6.6		16.1	
Financing expenses	-6.8		-6.3		-12.0		-10.4		-19.6	
Income before taxes	115.7	11.5	79.9	9.5	41.0	2.3	131.2	8.3	356.3	9.9
Taxes	-32.8		-27.8		-53.1		-47.3		-121.9	
Net income	82.9	8.3	52.1	6.2	-12.1	-0.7	83.9	5.3	234.4	6.5
Net income attributable to:										
Shareholders of the parent company	82.9		52.3		-12.0		84.4		234.8	
Minority interests	0.0		-0.2		-0.1		-0.5		-0.4	
Total	82.9		52.1		-12.1		83.9		234.4	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share	0.66		0.41		-0.10		0.66		1.86	
Diluted earnings per share	0.66		0.41		-0.10		0.66		1.85	

CONSOLIDATED BALANCE SHEET

Q2 | 9

Assets MEUR	30.6.2007	30.6.2006	31.12.2006
Non-current assets			
Intangible assets	619.9	570.4	615.7
Tangible assets	225.6	217.8	217.7
Loans receivable and other interest-bearing assets	2.9	22.4	5.1
Deferred tax assets	138.1	127.6	134.1
Investments	125.5	136.1	129.6
Total	1,112.0	1,074.3	1,102.2
Current assets			
Inventories	825.9	705.8	668.8
Advance payments received	-730.7	-571.6	-552.1
Loans receivable and other interest-bearing assets	1.5	36.3	44.6
Accounts receivable and other non interest-bearing assets	910.7	745.0	805.1
Cash, cash equivalents and financial assets	223.6	200.7	223.8
Total	1,231.0	1,116.2	1,190.2
Total assets	2,343.0	2,190.5	2,292.4
Equity and liabilities			
MEUR	30.6.2007	30.6.2006	31.12.2006
Equity	564.4	593.9	698.6
Non-current liabilities			
Loans	180.9	105.8	100.2
Deferred tax liabilities	32.4	26.9	30.3
Employee benefits	145.4	148.7	145.0
Total	358.7	281.4	275.5
Provisions	65.9	82.6	71.8
Current liabilities			
Loans	310.5	355.5	298.2
Accounts payable and other liabilities	1,043.5	877.1	948.3
Total	1,354.0	1,232.6	1,246.5
Total equity and liabilities	2,343.0	2,190.5	2,292.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Q2 | 10

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						-12.0	-0.1	-12.1
Items booked directly into equity:								
Transactions with shareholders and minority shareholders:								
Dividends paid						-125.1		-125.1
Issue of shares (option rights)	0.0	0.6						0.6
Purchase of own shares					-0.3			-0.3
Sale of own shares								-
Change in minority interests							-1.1	-1.1
Cash flow hedge			0.6					0.6
Translation differences				2.4				2.4
Hedging of foreign subsidiaries				-4.2				-4.2
Tax impact of hedging				1.0				1.0
Option and share based compensation					3.7	0.3		4.0
30 Jun, 2007	64.0	98.6	0.1	-14.8	-87.8	502.0	2.3	564.4

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						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
Sale 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	-51.6	484.7	2.7	593.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Q2 | 11

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
Sale 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

Q2 | 12

MEUR	1-6/2007	1-6/2006	1-12/2006
Operating income	43.7	135.6	360.1
Change in working capital	33.3	-18.0	-46.7
Depreciation	28.3	29.0	58.3
Cash flow from operations	105.3	146.6	371.7
Cash flow from financing items and taxes	-57.9	-46.4	-105.9
Cash flow from operating activities	47.4	100.2	265.8
Cash flow from investing activities	-67.0	-47.0	-96.4
Cash flow after investing activities	-19.6	53.2	169.4
Purchase and sale of own shares	-0.3	-29.7	-69.3
Share issue	0.6	0.7	1.7
Dividends paid	-125.1	-126.8	-126.8
Change in loans receivable	47.3	-22.4	-14.3
Change in loans payable	94.9	106.6	38.2
Cash flow from financing activities	17.4	-71.6	-170.5
Change in cash and cash equivalents	-2.2	-18.4	-1.1
Cash and cash equivalents at the beginning of the period	109.5	113.5	113.5
Translation difference	0.9	-2.5	-2.9
Cash and cash equivalents at the end of the period	108.2	92.6	109.5
Change in cash and cash equivalents	-2.2	-18.4	-1.1

Change in interest-bearing net debt

MEUR	1-6/2007	1-6/2006	1-12/2006
Interest-bearing net debt at the beginning of the period	124.9	99.3	99.3
Interest-bearing net debt at the end of the period	263.4	201.9	124.9
Change in interest-bearing net debt	-138.5	-102.6	-25.6

The EUR 142.0 million fine for the European Commission's decision is included in the interest-bearing net debt of June 30, 2007. KONE has appealed the decision and therefore the amount of the fine may change.

Key figures

		1-6/2007	1-6/2006	1-12/2006
Basic earnings per share	EUR	-0.10	0.66	1.86
Diluted earnings per share	EUR	-0.10	0.66	1.85
Equity per share	EUR	4.48	4.68	5.55
Interest-bearing net debt	MEUR	263.4	201.9	124.9
Total equity/total assets	%	24.1	27.1	30.5
Gearing	%	46.7	34.0	17.9
Return on equity	%	neg.	26.6	34.3
Return on capital employed	%	9.4	26.7	35.4
Total assets	MEUR	2,343.0	2,190.5	2,292.4
Assets employed	MEUR	827.8	795.8	823.5
Working capital (including financing and tax items)	MEUR	-143.2	-128.5	-139.5

Sales by geographical areas

MEUR	1-6/2007	%	1-6/2006	%	1-12/2006	%
EMEA ¹⁾	1,187.2	66	1,018.1	65	2,319.4	65
Americas	383.7	21	359.7	23	805.1	22
Asia-Pacific	242.2	13	197.6	12	476.3	13
Total	1,813.1		1,575.4		3,600.8	

¹⁾ EMEA = Europe, Middle East, Africa

Quarterly figures

		Q2/2007	Q1/2007	Q4/2006	Q3/2006	Q2/2006	Q1/2006
Orders received	MEUR	944.4	902.1	712.1	742.0	821.9	840.3
Order book	MEUR	3,318.0	3,105.7	2,762.1	2,951.0	2,818.0	2,654.0
Sales	MEUR	1,001.9	811.2	1,145.6	879.8	840.4	735.0
Operating income	MEUR	116.4	69.3 ¹⁾	123.4	101.1	83.9	51.7
Operating income	%	11.6	8.5 ¹⁾	10.8	11.5	10.0	7.0
				Q4/2005	Q3/2005	Q2/2005	Q1/2005
Orders received	MEUR			702.5	649.4	688.3	604.1
Order book	MEUR			2,326.8	2,371.7	2,264.7	2,023.1
Sales	MEUR			1,013.4	804.7	783.1	649.3
Operating income	MEUR			93.6	79.1	60.8	39.0 ²⁾
Operating income	%			9.2	9.8	7.8	6.0 ²⁾

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

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

Orders received			
MEUR	1-6/2007	1-6/2006	1-12/2006
	1,846.5	1,662.2	3,116.3

Order book			
MEUR	30.6.2007	30.6.2006	31.12.2006
	3,318.0	2,818.0	2,762.1

Capital expenditure			
MEUR	1-6/2007	1-6/2006	1-12/2006
In fixed assets	17.2	22.3	51.3
In leasing agreements	6.8	6.8	9.1
In acquisitions	16.5	25.1	90.1
Total	40.5	54.2	150.5

R&D Expenditure			
MEUR	1-6/2007	1-6/2006	1-12/2006
	25.4	24.7	50.3
R&D expenditure as percentage of sales	1.4	1.6	1.4

Number of employees			
	1-6/2007	1-6/2006	1-12/2006
Average	29,987	27,834	28,366
At the end of the period	30,665	28,261	29,321

Commitments			
MEUR	30.6.2007	30.6.2006	31.12.2006
Mortgages			
Group and parent company	30.7	30.7	30.7
Pledged assets			
Group and parent company	5.4	5.5	5.4
Guarantees			
Associated companies	1.8	1.9	1.8
Others	0.9	5.5	3.4
Operating leases	119.6	114.4	115.8
Total	158.4	158.0	157.1

The future minimum lease payments under non-cancellable operating leases

MEUR	30.6.2007	30.6.2006	31.12.2006
Less than 1 year	34.5	31.4	34.6
1–5 years	75.0	72.1	72.5
Over 5 years	10.1	10.9	8.7
Total	119.6	114.4	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					
Fair values of derivative financial instruments MEUR	positive	negative	net	net	net
	fair value	fair value	fair value	fair value	fair value
	30.6.2007	30.6.2007	30.6.2007	30.6.2006	31.12.2006
FX Forward contracts	3.6	5.9	-2.3	4.0	1.2
Currency options	0.0	0.0	0.0	0.1	0.0
Cross-currency swaps, due under one year	2.0	-	2.0	36.0	43.2
Cross-currency swaps, due in 1–3 years	8.6	-	8.6	2.0	2.8
Electricity derivatives	0.5	0.1	0.4	1.2	0.3
Total	14.7	6.0	8.7	43.3	47.5

Nominal values of derivative financial instruments

MEUR	30.6.2007	30.6.2006	31.12.2006
FX Forward contracts	525.7	546.2	392.8
Currency options	11.1	71.8	32.3
Cross-currency swaps, due under one year	20.0	153.8	153.8
Cross-currency swaps, due under 1–3 years	136.7	20.0	43.6
Electricity derivatives	2.9	2.0	2.9
Total	696.4	793.8	625.4

SHARES AND SHAREHOLDERS

Q2 | 16

30 June, 2007	Class A shares	Class B shares	Total
Number of shares	19,052,178	109,089,996	128,142,174
Own shares in possession ¹⁾		2,615,753	
Share capital, EUR			64,071,087
Market capitalization, MEUR			5,870
Number of shares traded, 1–6/2007		52,086,002	
Value of shares traded, MEUR, 1–6/2007		2,302	
Number of shareholders	3	13,242	13,242
	Close	High	Low
Class B share price, EUR, 1–6/2007	46.76	47.55	39.52

¹⁾ During the second quarter of 2007, 129,000 shares were assigned to the share-based incentive plan. During the first quarter of 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

Corporate Offices

Keilasaatama 3

P.O. Box 7

FI-02151 Espoo, Finland

Tel. +358 (0)204 751

Fax +358 (0)204 75 4496

www.kone.com

For further information please contact:

Aimo Rajahalme

Executive Vice President, Finance

Tel. +358 (0)204 75 4484

Sophie Jolly

Vice President, Investor Relations

Tel. +358 (0)204 75 4534

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 OMX Nordic Exchange in Helsinki, 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.