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INTERIM REPORT FOR
JANUARY-SEPTEMBER 2007



KONE Q3: STRONG GROWTH IN ORDERS RECEIVED AND PROFIT

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- Orders received growth was 15 percent in January-September, or 18 percent at comparable exchange rates. Orders received totaled EUR 2,773 (2,404) million. In the third quarter, orders received growth was 25 percent, or 27 percent at comparable exchange rates. Orders received totaled EUR 926.3 (742.0) million.
- Net sales grew by 13 percent to EUR 2,785 (2,455) million in January-September; at comparable exchange rates, growth was 16 percent. In the third quarter, net sales grew by 10 percent to EUR 971.6 (879.8) million. At comparable exchange rates, the growth was 13 percent.
- Operating income was EUR 170.4 (236.7) million in January-September. Excluding the EUR 142.0 million fine for the European Commission's decision, operating income was EUR 312.4 million or 11.2 (9.6) percent of net sales. In the third quarter, operating income was EUR 126.7 (101.1) million or 13.0 (11.5) percent of net sales.
- KONE specifies 2007 outlook. KONE's target for 2007 is to achieve a growth close to 15 percent in net sales, calculated at comparable exchange rates, compared to 2006. The operating income (EBIT) target is to achieve a growth close 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 and the possible fine from Austria.

Key Figures

		7-9/2007	7-9/2006	1-9/2007	1-9/2006	1-12/2006
Orders received	MEUR	926.3	742.0	2,772.8	2,404.2	3,116.3
Order book	MEUR	3,473.6	2,951.0	3,473.6	2,951.0	2,762.1
Sales	MEUR	971.6	879.8	2,784.7	2,455.2	3,600.8
Operating income	MEUR	126.7	101.1	312.4 ¹⁾	236.7	360.1
Operating income	%	13.0	11.5	11.2 ¹⁾	9.6	10.0
Cash flow from operations (before financing items and taxes)	MEUR	158.7	127.4	264.0	274.0	371.7
Net income	MEUR	91.8	70.3	79.7	154.2	234.4
Interest-bearing net debt	MEUR	168.5	138.8	168.5	138.8	124.9
Total equity/total assets	%	27.9	29.0	27.9	29.0	30.5
Gearing	%	25.9	21.1	25.9	21.1	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:

"I am pleased with our progress in profitable growth. Our strong growth both in orders received and operating income are clear signs of our improving competitiveness. We continue to have a lot of opportunities to improve our activities and we are in a great position to do that. I want to thank all KONE employees for their energized efforts."

Accounting Principles

KONE Corporation's interim report for January 1–September 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-September

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

In the European, Middle East and African region (EMEA), the business environment was strong during the third quarter. The new equipment market continued to be strong for KONE particularly in Scandinavia, Germany, Belgium, Netherlands, the United Kingdom, Eastern Europe and the Middle East. The Southern European new equipment market activity remained rather stable on the same level as during the first half of the year – the office market was active, while the residential market showed some weakness. The Eastern European and Middle East construction markets experienced continuous strong growth. Modernization demand sustained at a good level, mainly driven by the European Safety Norms (SNEL).

The North American new equipment market remained relatively stable. The residential apartment segment remained relatively flat in the United States, while the single-family home market weakened. Demand and investments in the hotel and office segments continued at good level. In Canada, the solid market development continued both in the residential and office segments. The stable economic environment in Mexico supported strong investment in hotel and retail properties. The modernization market growth in North America continued due to aging equipment and tenant demands for improved services.

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

Orders Received and Order Book

KONE's market position continued to strengthen in the third quarter of 2007. The value of orders received during January–September increased by approximately 15 percent and totaled EUR 2,773 (1–9/2006: 2,404) million. At comparable exchange rates, the growth was approximately 18 percent. Only new equipment orders and modernization orders are included in orders received.

The order book increased from the end of 2006 by 26 percent and stood at EUR 3,474 (December 31, 2006: 2,762) million at the end of September. Compared with the order book on September 30, 2006 there was an increase of approximately 18 percent. At comparable exchange rates, the growth was about 22 percent. The margin of the order book remained at a good level.

Orders received during July–September totaled EUR 926.3 (742.0) million, an increase of approximately 25 percent. At comparable exchange rates, growth was approximately 27 percent. During the third quarter, Asia-Pacific and the Americas recorded the highest growth in new orders.

In the EMEA region, most markets contributed positively to orders received. KONE received several major orders during the third quarter. In the United Kingdom, KONE signed a contract with Land Securities for the delivery and installation of all elevators and escalators for the One New Change multi-purpose development in London's Square Mile district. KONE also signed a contract with British Land for the design, delivery and installation of all elevators and escalators for The Leadenhall Building, also situated in London. In Germany, KONE was awarded an order to supply 24 elevator and escalator units for Opern Turm, a multi-purpose high-rise building in Frankfurt. In addition, KONE signed a contract with Arabian Construction Company (ACC) for the delivery of all elevators and escalators for the Etihad Towers development in Abu Dhabi, United Arab Emirates. The building complex will feature a five-star hotel, a boutique shopping mall, a hypermarket, an office tower and luxury residential apartments and is set to be one of the most prestigious projects in Abu Dhabi. In the marine business, KONE received a major order from Aker Yards for the design, supply and installation of all elevators in Royal Caribbean International's Genesis 2 luxury passenger cruise ship.

In the Americas, and especially in the United States, KONE experienced a very strong order intake in the new equipment and modernization market. New equipment orders received for KONE in Canada and Mexico also

Sales by geographical areas MEUR

	7-9/2007	%	7-9/2006	%	1-9/2007	%	1-9/2006	%	1-12/2006	%
EMEA ¹⁾	621.0	64	539.2	61	1,808.2	65	1,557.3	64	2,319.4	65
Americas	211.9	22	213.3	24	595.6	21	573.0	23	805.1	22
Asia-Pacific	138.7	14	127.3	15	380.9	14	324.9	13	476.3	13
Total	971.6		879.8		2,784.7		2,455.2		3,600.8	

¹⁾ EMEA = Europe, Middle East, Africa

continued to develop well. The biggest order KONE received in the Americas was a contract for the design, delivery and installation of all elevators for the new Mandarin Oriental Tower, a multi-purpose building in Chicago.

In the Asia-Pacific region, KONE's new equipment order intake continued to develop very strongly. KONE is the market leader in the machine-room-less (MRL) segment in China. Among the largest orders during the third quarter was an order to supply and install elevators for the new Shanghai International Finance Centre (IFC) in the heart of the Lujiazui financial centre in Pudong. In addition, KONE received an order to supply and install all the elevators for a project located in the Brisbane Central Business District as well as an order to supply and install all elevators in the Southern Cross West Tower project in Melbourne, Australia.

Net Sales

In comparison to January-September 2006, KONE's net sales increased by approximately 13 percent and totaled EUR 2,785 (2,455) million. Growth at comparable currency rates was approximately 16 percent.

New equipment sales in January-September accounted for EUR 1,195 (963.6) million of the total and represented an approximate 24 percent growth over the comparison period. At comparable currency rates the growth was approximately 27 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 7 percent and totaled EUR 1,590 (1,492) million. At comparable currency rates the growth was approximately 9 percent.

Of the sales, 65 (64) percent were generated from EMEA, 21 (23) percent by the Americas and 14 (13) percent by Asia-Pacific.

In the third quarter, KONE's net sales totaled EUR 971.6 (879.8) million, an approximate 10 percent growth over the same period in 2006. At comparable exchange rates, the growth was approximately 13 percent. New equipment sales grew approximately 15 percent and accounted for EUR 430.1 (375.1) million. At comparable currency rates, the growth was approximately 17 percent. Service sales grew by 7 percent and totaled EUR 541.5 (504.7) million. At comparable currency rates, the growth was approximately 10 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 by approximately 32 percent in comparison to January-September of 2006 and was EUR 312.4 (236.7) million or 11.2 (9.6) percent of net sales. Net financing items were EUR -7.1 (-3.8) million.

KONE's income before taxes for the January-September period was EUR 164.2 (232.4) million. Taxes totaled EUR 84.5 (78.2) million, taking into account taxes proportionate to the amount estimated for the financial year. Excluding the result impact of the EUR 142.0 million fine this represents a tax rate of 27.6 (1-12/2006: 34.2) percent. Net income for the period was EUR 79.7 (154.2) million.

Earnings per share were EUR 0.63 (1.22). Equity per share was EUR 5.16 (5.19).

Third quarter operating income was EUR 126.7 (101.1) million, or 13.0 (11.5) percent of net sales.

Cash Flow and Financing

Cash flow from operations (before financing items and taxes) for the period January-September was EUR 264.0 (274.0) million. At the end of September, net working capital was negative at EUR -163.8 (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 168.5 (December 31, 2006: 124.9) million. Gearing was 25.9 percent compared with 17.9 percent at the end of the previous accounting period. KONE's total equity/total assets ratio was 27.9 (December 31, 2006: 30.5) percent at the end of September.

Capital Expenditures

KONE's capital expenditure, including acquisitions, totaled EUR 78.9 (113.9) million. Acquisitions accounted for EUR 40.6 (69.9) million of this figure. Acquisitions made during the reporting period have no material effect on January-September or full year 2007 figures.

During the third quarter, capital expenditure totaled EUR 38.4 (59.7) million of which acquisitions accounted for EUR 24.1 (44.8) million. During the third quarter, KONE continued to acquire small elevator service companies from i.e. Russia, the Baltic region and France.

During January-September, one of the most notable acquisitions was the acquisition of MIRO Elevators Limited, a Canadian service company. The share capital of MIRO Elevators Limited was transferred to KONE in January.

During the third quarter, KONE signed an agreement to acquire UAB Elektros Pavara ir Ko, a Lithuanian elevator company. The ownership of the shares of Elektros Pavara was transferred to KONE immediately. The company installs, maintains and modernizes elevators and escalators. Elektros Pavara has about 1,350 elevators and escalators in its maintenance base. KONE also acquired Cierma, a French service company. The ownership of the shares was also transferred in July. Cierma has approximately 2,000 elevators and doors in its maintenance base and is active mainly in the area of Nice and Cannes. In addition, KONE acquired the remaining 90 percent of a St. Petersburg based elevator service company called RSU5. Since 2006, KONE has had a holding of 10 percent in the company. KONE now has full ownership. RSU5 has 5,600 elevators in its maintenance base in the City of St. Petersburg.

Organizational Development

In the spring of 2007, KONE initiated an organizational change project in the United States. 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-September totaled EUR 36.2 (36.9) million, representing 1.3 (1.5) 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 to improve the offering. This release added further flexibility to the product. KONE's competitiveness in Russia's residential segment was improved by a new product release in July. This further supports the unit growth KONE is experiencing in the Russian market.

In the North American market, product enhancements and installation improvements have made KONE products even more attractive for its customers. The KONE EcoSpace® elevator continues to experience strong growth and opens a good market opportunity for the machine-room-less technology (MRL) in the modernization of hydraulic elevators.

In the Asia-Pacific region, new functional and cost effective solutions especially for the residential market were introduced, as well as designed solutions for the hotel and high-end commercial segments. In addition, a collection of different designs and feature options were released to increase the flexibility in visual offerings and product enhancements.

European Commission Investigation

In 2004, the European Commission started an investigation concerning anticompetitive practices in the elevator and escalator market in Europe. 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 September, KONE announced that it is looking to sell its KONE Building in the Keilaniemi business district in Espoo, Finland. In the case of a sale, the current operations would continue under the new tenancy.

Events after 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.

In October, the legal process progressed to a phase where the Austrian competition authority submitted to the cartel court its proposal for fines. The authority proposed that the cartel court would impose a fine of EUR 26 million on KONE's Austrian subsidiary. The cartel court cannot impose a fine higher than the amount proposed by the authority. KONE has not recognized a provision in this respect into the result of the period under review.

Personnel

KONE had 31,383 (31 December, 2006: 29,321) employees at the end of September 2007. The average number of employees during January–September 2007 was 30,365 (28,081).

The geographical distribution of KONE employees was 56 (58) percent in EMEA, 18 (18) percent in the Americas and 26 (24) 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 September 30, 2007, 664,800 shares have been subscribed for with the options, raising KONE's share

capital to EUR 64,087,155.00, comprising 109,122,132 listed class B shares and 19,052,178 unlisted class A shares.

During January-September 45,492 shares were subscribed for with the 2005A options and 62,190 with the 2005B options.

The remaining 2005A options entitle their holders to subscribe for 181,080 class B shares, while the remaining 2005B options entitle their holders to subscribe for 462,630 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 643,710. 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 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 51.15. The volume weighted average share price during the period was EUR 45.51. The period high was EUR 53.30 and period low EUR 39.52.

Share turnover during the period amounted to EUR 3,437 (1,995) million, with 75,641,767 (58,140,096) shares being traded. This represents approximately 69 percent of the company's listed class B shares. The daily average trading volume was 400,221 (307,620) shares, representing a daily average turnover of approximately EUR 18 million. KONE Corporation's market capitalization at the end of the period was EUR 6,422 (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 13,544 at its end. The number of private households totaled at the end of the period 12,130.

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 45.3 at the end. Other foreign ownership at the end of the

period totaled approximately 6.0 percent; thus a total of approximately 51.3 percent of the company's listed class B shares were owned by international investors, corresponding to approximately 18.7 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–September 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 to the participants due to achieved targets for the financial year 2006. At the end of September, 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 September 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.

On September 13, 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 was less than five (5) percent of the share capital. The date of change in the holdings was September 11, 2007.

Outlook

KONE's target for 2007 is to achieve a growth close to 15 percent in net sales, calculated at comparable exchange rates, compared to 2006. The operating income (EBIT) target is to achieve a growth close 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 and the possible fine from Austria.

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

Helsinki, October 23, 2007

KONE Corporation

Board of Directors

Enclosures

- 1 Consolidated Statement of Income
- 2 Condensed Consolidated Balance Sheet
- 3 Consolidated Statement of Changes in Equity
- 4 Condensed 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.

CONSOLIDATED STATEMENT OF INCOME

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MEUR	7-9/2007	%	7-9/2006	%	1-9/2007	%	1-9/2006	%	1-12/2006	%
Sales	971.6		879.8		2,784.7		2,455.2		3,600.8	
Costs and expenses	-830.4		-763.7		-2,429.5		-2,174.5		-3,182.4	
Depreciation	-14.5		-15.0		-42.8		-44.0		-58.3	
Fine for the European Commission's decision	-		-		-142.0		-		-	
Operating income	126.7	13.0	101.1	11.5	170.4	6.1	236.7	9.6	360.1	10.0
Share of associated companies' net income	0.7		0.1		0.9		-0.5		-0.3	
Financing income	2.7		4.7		11.8		11.3		16.1	
Financing expenses	-6.9		-4.7		-18.9		-15.1		-19.6	
Income before taxes	123.2	12.7	101.2	11.5	164.2	5.9	232.4	9.5	356.3	9.9
Taxes	-31.4		-30.9		-84.5		-78.2		-121.9	
Net income	91.8	9.4	70.3	8.0	79.7	2.9	154.2	6.3	234.4	6.5
Net income attributable to:										
Shareholders of the parent company	91.4		70.3		79.4		154.7		234.8	
Minority interests	0.4		0.0		0.3		-0.5		-0.4	
Total	91.8		70.3		79.7		154.2		234.4	
Earnings per share for profit attributable to the shareholders of the parent company, EUR										
Basic earnings per share	0.73		0.56		0.63		1.22		1.86	
Diluted earnings per share	0.73		0.55		0.63		1.21		1.85	

CONDENSED CONSOLIDATED BALANCE SHEET

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Assets MEUR	30.9.2007	30.9.2006	31.12.2006
Non-current assets			
Intangible assets	626.1	600.3	615.7
Tangible assets	223.6	226.0	217.7
Loans receivable and other interest-bearing assets	2.8	22.5	5.1
Deferred tax assets	133.7	130.4	134.1
Investments	133.4	134.4	129.6
Total	1,119.6	1,113.6	1,102.2
Current assets			
Inventories	867.5	762.7	668.8
Advance payments received	-801.1	-627.5	-552.1
Loans receivable and other interest-bearing assets	1.4	39.4	44.6
Accounts receivable and other non interest-bearing assets	878.7	767.9	805.1
Cash, cash equivalents and financial assets	263.5	209.8	223.8
Total	1,210.0	1,152.3	1,190.2
Total assets	2,329.6	2,265.9	2,292.4
Equity and liabilities MEUR	30.9.2007	30.9.2006	31.12.2006
Equity	650.8	658.1	698.6
Non-current liabilities			
Loans	177.2	102.5	100.2
Deferred tax liabilities	33.8	28.0	30.3
Employee benefits	142.8	147.2	145.0
Total	353.8	277.7	275.5
Provisions	63.2	80.2	71.8
Current liabilities			
Loans	259.0	308.0	298.2
Accounts payable and other liabilities	1,002.8	941.9	948.3
Total	1,261.8	1,249.9	1,246.5
Total equity and liabilities	2,329.6	2,265.9	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						79.4	0.3	79.7
Items booked directly into equity:								
Transactions with shareholders and minority shareholders:								
Dividends paid						-125.1		-125.1
Issue of shares (option rights)	0.1	0.8						0.9
Purchase of own shares					-0.3			-0.3
Sale of own shares								-
Change in minority interests							-1.4	-1.4
Cash flow hedge			3.8					3.8
Translation differences				-10.7				-10.7
Hedging of foreign subsidiaries				-1.0				-1.0
Tax impact of hedging				0.3				0.3
Option and share based compensation					3.7	2.3		6.0
30 Sept, 2007	64.1	98.8	3.3	-25.4	-87.8	595.4	2.4	650.8

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						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
Sale 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	-58.5	556.2	3.7	658.1

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
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

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MEUR	1-9/2007	1-9/2006	1-12/2006
Operating income	170.4	236.7	360.1
Change in working capital	50.8	-6.7	-46.7
Depreciation	42.8	44.0	58.3
Cash flow from operations	264.0	274.0	371.7
Cash flow from financing items and taxes	-77.5	-69.2	-105.9
Cash flow from operating activities	186.5	204.8	265.8
Cash flow from investing activities	-108.4	-81.7	-96.4
Cash flow after investing activities	78.1	123.1	169.4
Purchase and sale of own shares	-0.3	-36.6	-69.3
Share issue	0.9	0.8	1.7
Dividends paid	-125.1	-126.8	-126.8
Change in loans receivable	27.0	-30.9	-14.3
Change in loans payable	38.9	54.9	38.2
Cash flow from financing activities	-58.6	-138.6	-170.5
Change in cash and cash equivalents	19.5	-15.5	-1.1
Cash and cash equivalents at the beginning of the period	109.5	113.5	113.5
Translation difference	0.0	-2.2	-2.9
Cash and cash equivalents at the end of the period	129.0	95.8	109.5
Change in cash and cash equivalents	19.5	-15.5	-1.1

Change in interest-bearing net debt

MEUR	1-9/2007	1-9/2006	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	168.5	138.8	124.9
Change in interest-bearing net debt	-43.6	-39.5	-25.6

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

NOTES FOR THE INTERIM REPORT

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Key figures

		1-9/2007	1-9/2006	1-12/2006
Basic earnings per share	EUR	0.63	1.22	1.86
Diluted earnings per share	EUR	0.63	1.21	1.85
Equity per share	EUR	5.16	5.19	5.55
Interest-bearing net debt	MEUR	168.5	138.8	124.9
Total equity/total assets	%	27.9	29.0	30.5
Gearing	%	25.9	21.1	17.9
Return on equity	%	15.8	31.0	34.3
Return on capital employed	%	21.9	31.1	35.4
Total assets	MEUR	2,329.6	2,265.9	2,292.4
Assets employed	MEUR	819.3	796.9	823.5
Working capital (including financing and tax items)	MEUR	-163.8	-163.8	-139.5

Sales by geographical areas

MEUR	1-9/2007	%	1-9/2006	%	1-12/2006	%
EMEA ¹⁾	1,808.2	65	1,557.3	64	2,319.4	65
Americas	595.6	21	573.0	23	805.1	22
Asia-Pacific	380.9	14	324.9	13	476.3	13
Total	2,784.7		2,455.2		3,600.8	

¹⁾ EMEA = Europe, Middle East, Africa

Quarterly figures

		Q3/2007	Q2/2007	Q1/2007	Q4/2006	Q3/2006	Q2/2006	Q1/2006
Orders received	MEUR	926.3	944.4	902.1	712.1	742.0	821.9	840.3
Order book	MEUR	3,473.6	3,318.0	3,105.7	2,762.1	2,951.0	2,818.0	2,654.0
Sales	MEUR	971.6	1,001.9	811.2	1,145.6	879.8	840.4	735.0
Operating income	MEUR	126.7	116.4	69.3 ¹⁾	123.4	101.1	83.9	51.7
Operating income	%	13.0	11.6	8.5 ¹⁾	10.8	11.5	10.0	7.0

		Q4/2005	Q3/2005
Orders received	MEUR	702.5	649.4
Order book	MEUR	2,326.8	2,371.7
Sales	MEUR	1,013.4	804.7
Operating income	MEUR	93.6	79.1
Operating income	%	9.2	9.8

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

Orders received			
MEUR	1-9/2007	1-9/2006	1-12/2006
	2,772.8	2,404.2	3,116.3

Order book			
MEUR	30.9.2007	30.9.2006	31.12.2006
	3,473.6	2,951.0	2,762.1

Capital expenditure			
MEUR	1-9/2007	1-9/2006	1-12/2006
In fixed assets	30.2	35.8	51.3
In leasing agreements	8.1	8.2	9.1
In acquisitions	40.6	69.9	90.1
Total	78.9	113.9	150.5

R&D Expenditure			
MEUR	1-9/2007	1-9/2006	1-12/2006
	36.2	36.9	50.3
R&D expenditure as percentage of sales	1.3	1.5	1.4

Number of employees			
	1-9/2007	1-9/2006	1-12/2006
Average	30,365	28,081	28,366
At the end of the period	31,383	28,896	29,321

Commitments			
MEUR	30.9.2007	30.9.2006	31.12.2006
Mortgages			
Group and parent company	30.7	30.7	30.7
Pledged assets			
Group and parent company	4.8	5.5	5.4
Guarantees			
Associated companies	1.7	1.9	1.8
Others	1.0	3.6	3.4
Operating leases	119.3	115.7	115.8
Total	157.5	157.4	157.1

The future minimum lease payments under non-cancellable operating leases

MEUR	30.9.2007	30.9.2006	31.12.2006
Less than 1 year	33.5	30.8	34.6
1–5 years	76.3	74.8	72.5
Over 5 years	9.5	10.1	8.7
Total	119.3	115.7	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.

In October, the legal process progressed to a phase where the Austrian competition authority submitted to the cartel court its proposal for fines. The authority proposed that the cartel court would impose a fine of EUR 26 million on KONE's Austrian subsidiary. KONE has not recognized a provision in this respect into the result of the period under review.

Derivatives					
Fair values of derivative financial instruments	positive fair value	negative fair value	net fair value	net fair value	net fair value
MEUR	30.9.2007	30.9.2007	30.9.2007	30.9.2006	31.12.2006
FX Forward contracts	8.0	4.9	3.1	0.1	1.2
Currency options	0.1	0.1	0.0	0.0	0.0
Cross-currency swaps, due under one year	2.7	-	2.7	38.1	43.2
Cross-currency swaps, due in 1–3 years	7.8	-	7.8	1.9	2.8
Electricity derivatives	0.7	0.0	0.7	1.3	0.3
Total	19.3	5.0	14.3	41.4	47.5

Nominal values of derivative financial instruments

MEUR	30.9.2007	30.9.2006	31.12.2006
FX Forward contracts	553.2	493.9	392.8
Currency options	30.8	38.2	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	3.9	2.6	2.9
Total	744.6	708.5	625.4

SHARES AND SHAREHOLDERS

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30 Sept, 2007	Class A shares	Class B shares	Total
Number of shares	19,052,178	109,122,132	128,174,310
Own shares in possession ¹⁾		2,615,753	
Share capital, EUR			64,087,155
Market capitalization, MEUR			6,422
Number of shares traded, 1–9/2007		75,641,767	
Value of shares traded, MEUR, 1–9/2007		3,437	
Number of shareholders	3	13,673	13,673
	Close	High	Low
Class B share price, EUR, 1–9/2007	51.15	53.30	39.52

¹⁾ During the third quarter of 2007, the authorization to repurchase shares was not used. 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

Keilasatama 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.