

21 April, 2004

KONE Interim Report: January–March, 2004, IFRS

Elevators & Escalators Posts Order Growth but Lower Profits, Kone Cargotec Increases Volumes and Profits

- Orders received amounted to MEUR 965.4 (Q1 2003: 1,155*). KONE Elevators & Escalators accounted for MEUR 513.6 (502.8) of the total, representing seven percent growth at comparable exchange rates. The value of Kone Cargotec's order intake was MEUR 451.8 (390.3), reflecting growth of 22 percent at comparable exchange rates.
- Net sales totaled MEUR 893.4 (1,185*). Elevators & Escalators' net sales decreased to MEUR 551.0 (591.5). At comparable exchange rates, however, sales were unchanged. Kone Cargotec's sales were MEUR 342.4 (328.0), reflecting growth of nine percent at comparable exchange rates.
- Operating income was MEUR 219.0 (72.2*). In Elevators & Escalators operating income was MEUR 30.4 (47.6), representing 5.5 (8.0) percent of net sales. Kone Cargotec's operating income was MEUR 21.8 (17.2) or 6.4 (5.2) percent of net sales. Unallocated costs totaled MEUR 2.8 (0.5). The capital gain from the sale of the Tractors business accounted for most of the remainder of 2004 consolidated operating income.
- Cash flow from operating activities before financial items and taxes increased to MEUR 92.2 (79.5*). Elevators & Escalators accounted for MEUR 69.3 (61.0) and Kone Cargotec for MEUR 25.6 (14.7).
- Net income amounted to MEUR 131.9 (47.9).
- Diluted earnings per share were EUR 2.09 (0.76).

KONE has changed over to International Financial Reporting Standards (IFRS) as of 1 January, 2004 so the comparison figures for year 2003 have also been adjusted to reflect IFRS practices. For further information regarding the impact of the transition from Finnish Accounting Standards (FAS) to IFRS, please refer to KONE's 8 April, 2004 announcement.

* The consolidated comparison figures include the Forest Machines and Tractors businesses, as well as other minor holdings, which have been divested.

Sisu Auto has been divested, and its figures have not been consolidated in 2004 totals.

CEO Antti Herlin in Conjunction with the Interim Report:

“The first quarter with KONE's new structure in place showed both positive and negative development. We are now focusing all our efforts on developing our strong divisions, which are in different stages of the economic cycle.”

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“Elevators & Escalators’ order book continues at a high level, almost EUR 2 billion. Strong demand in China and a significant pick-up of orders in Europe have contributed to this build-up but so have delays in the completion of construction projects, which had a negative impact on sales and profitability.

“During 2004 we are focusing on development. Our main initiatives involve increasing efficiency throughout our operations, harmonizing IT, and launching our new, ground-breaking KONE MaxiSpace™ technology. These efforts will strengthen our competitiveness and support our endeavor for continued growth and improving profitability.

“In Kone Cargotec we are seeing the results of the structural measures taken last year. We have a stronger market position in a business that is showing solid growth. As the restructuring of production in Kone Cargotec has progressed at least as well as planned, we are now focusing on improving profitability, strengthening the sales network and increasing our presence in Asia.

“We have continued our aggressive acquisition of elevator, escalator and door service companies. Thanks to our strong financial position, we are in good shape to act on opportunities to grow both divisions.”

Sender:

KONE Corporation

Aimo Rajahalme
Executive Vice President,
Finance and Information Services

Tapio Hakakari
Secretary to the Board of Directors

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KONE Corporation is a global service and engineering company that specializes in moving people and goods. It comprises two divisions: KONE Elevators & Escalators and Kone Cargotec. KONE Elevators & Escalators sells, manufactures, installs, maintains and modernizes elevators and escalators, and services automatic building doors. Kone Cargotec supplies products and services to facilitate moving and loading cargo. KONE's B shares are listed on the Helsinki Exchanges.

www.konecorp.com

Discontinued Operations and Changes in Group Structure

The sale of the Tractors business was finalized on 5 January, 2004.

KONE sold its shares of Oy Sisu Auto Ab to Suomen Autoteollisuus Oy, which is a company owned jointly by a Finnish investment group and the operating management of Oy Sisu Auto Ab. KONE is a minority shareholder in the company with a holding of less than 20 percent.

In 2003, KONE divested the Forest Machines business and discontinued non-core businesses.

Based on a repurchase agreement signed by Partek, KONE acquired 14.7 percent of the share capital in Consolis Group, increasing KONE's shareholding in the company to 41 percent.

KONE's Financial Result, Balance Sheet, Cash Flow and Personnel

KONE's operating income totaled EUR 219.0 (72.2) million, or 24.5 (6.1) percent of net sales. KONE Elevators & Escalators accounted for EUR 30.4 (47.6) million, and Kone Cargotec for EUR 21.8 (17.2) million. Non-allocated costs were EUR 2.8 (0.5) million and the capital gain from the sale of the Tractors business was approximately EUR 170 million.

Net income totaled EUR 131.9 (47.9) million when taxes proportionate to the amount due for the full year are taken into account. Diluted earnings per share stood at EUR 2.09 (0.76).

Cash flow from operating activities (before financial items and taxes on the corporate level) totaled EUR 92.2 (79.5) million. Consolidated cash flow from operating activities was EUR 57.6 (54.8) million. Net cash flow from investing activities, including acquisitions and divestments, totaled EUR 589.8 (271.8) million.

KONE's net debt at the end of the period was EUR 224,4 (end of 2003: 746,7) million. Year-end net debt increased by EUR 100.5 million as a result of adopting IFRS. Total equity as a share of total assets was 33.4 (end of 2003: 29.6) percent. Gearing was 20 (end of 2003: 67) percent.

KONE employed 30,357 (end of 2003: 33,305) people at the end of March. The decrease is mainly due to the divestment of the Tractors business and Sisu Auto. The average number of employees during the first quarter was 30,638.

KONE Elevators & Escalators

Markets, Orders Received and Order Book

In Europe, demand for new elevators and escalators remained sluggish during the first quarter of 2004 and intense price pressure continued. Despite the weak market situation, KONE managed to increase order intake significantly. In North America, demand and prices remained at low levels. As no comprehensive infrastructure projects or large-scale office building orders were booked, order intake decreased in the region. In Asia-Pacific, demand in China continued strong and total order intake in the region increased.

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Maintenance revenue increased in all geographical regions. Demand for modernizations continued to rise steadily.

Orders received, excluding the value of maintenance contracts, totaled EUR 513.6 (Q1 2003: 502.8) million. At comparable exchange rates, order intake growth was seven percent.

The order book at the end of March stood at EUR 1,869 (end of 2003: 1,640) million.

Sales

Net sales totaled EUR 551.0 (591.5) million. At comparable exchange rates, net sales were at the level of the first quarter of 2003. Europe accounted for 66 (65) percent, North America for 23 (25) percent and Asia-Pacific for 11 (10) percent of net sales.

Numerous new construction projects were delayed, and new equipment installations decreased. The rate of installation will accelerate in the coming quarters.

At comparable exchange rates net sales growth in maintenance and modernizations reached the five percent target set for the full year. Strong growth continued in the automatic building door business.

Sales by market area (M€)

	1-3/2004	1-3/2003	1-12/2003
Europe	364.8	382.8	1,850.1
North America	123.0	149.7	681.7
Asia Pacific	61.9	57.7	315.3
Others	1.3	1.3	8.9
Total	551.0	591.5	2,856.0

Financial Result, Assets Employed and Cash Flow

KONE Elevators and Escalators' operating income was EUR 30.4 (47.6) million or 5.5 (8.0) percent of net sales. The decrease is mainly due to the lower level of new equipment deliveries. The profitability of the service business remained stable. Several development programs have been initiated, and programs previously started have been intensified in order to secure future profitability improvement.

At the end of March, net working capital allocated to Elevators & Escalators was negative at EUR -183.9 (end of 2003: -159.0) million. Tangible fixed assets amounted to EUR 193.8 (201.8) million.

Cash flow from operating activities before financial items and taxes totaled EUR 69.3 (61.0) million.

Capital Expenditure and Product Development

Capital expenditure, including financial leases, totaled EUR 10.5 (6.9) million. Construction of the elevator component plant in the Czech Republic was initiated, and the expansion of the

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escalator plant in China is underway. Both facilities are expected to start operations by the end of the year.

KONE Elevators & Escalators' product development expenditures totaled EUR 9.5 (8.9) million or 1.8 (1.7) percent of net sales.

At the end of March, KONE introduced a new technology platform, KONE MaxiSpace™ that eliminates the need for counterweights in elevators. At the heart of the new platform are the KONE PowerDisc™ hoisting machine and a roping arrangement using high-tensile-strength ropes. Elevators using this technology can have cabins as much as one-third larger than traditional elevators designed for the same hoistway space, enabling KONE to offer a 6- or even 8-passenger elevator where previously only a 4-passenger unit could have been installed.

MaxiSpace™ will supplement KONE's product line with new offerings designed especially for the existing-building market. More than two-thirds of the elevators in service in Europe are over 20 years old. The market for replacing existing elevators or adding elevators by inserting hoistways into existing stairwells is expected to increase greatly as both the population and the installed elevator base continue to age.

European Commission Investigation

On January 28, 2004 the European Commission initiated an investigation of the European elevator and escalator industry, alleging anticompetitive behavior on an EEA-wide basis. KONE immediately launched its own internal audit in its European subsidiaries in order to verify that KONE has not engaged in any such practices. As a result of this internal audit, KONE has identified certain local anticompetitive practices in Belgium, Luxemburg and Germany but has not found evidence or indications of any European-wide anticompetitive practices.

KONE has taken immediate measures to stop anything that could potentially be considered as anticompetitive behavior. KONE continues to be fully responsive to and cooperative with the European Commission's investigations.

Kone Cargotec

Markets, Orders Received and Order Book

Demand for Kalmar's products and services continued at a good level during the first quarter of the year, while the market situation for Hiab improved.

Kone Cargotec's order intake increased in both businesses, and amounted to EUR 451.8 (390.3) million. At comparable exchange rates, order intake rose 22 percent. Kalmar recorded strong order intake in all segments except in Rough Terrain Container Handlers, where the current multi-year order from the U.S. Army is coming to an end this year. Within Hiab order intake increased clearly in all product lines except in forestry cranes, where order intake continued at a good level.

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The launch of Kalmar's new medium-capacity forklift trucks, straddle carriers and reachstackers had a positive effect on orders received. Hiab's successful launch of loader cranes in the popular 20-40 ton range supported order growth, as did investments made in 2003 in its sales and distribution network.

Orders received by Kone Cargotec (M€)

	1-3/2004	1-3/2003	1-12/2003
Kalmar	251.0	213.7	834.9
Hiab	201.5	179.9	653.2
Eliminations	(0.7)	(3.3)	(6.6)
Kone Cargotec	451.8	390.3	1,481.5
Discontinued operations	0.0	262.2	1,055.9
Total	451.8	652.5	2,537.4

The order book at the end of March totaled EUR 588.0 (end-2003: 473.6) million.

Sales

Net sales amounted to EUR 342.4 (328.0) million. At comparable exchange rates, sales rose nine percent. As a result of the higher order intake, actions have been taken to ensure higher production capacity in the second quarter, especially for Hiab.

Sales by Kone Cargotec (M€)

	1-3/2004	1-3/2003	1-12/2003
Kalmar	188.1	178.0	749.2
Hiab	155.0	153.1	622.4
Eliminations	(0.7)	(3.1)	(7.2)
Kone Cargotec	342.4	328.0	1,364.4
Discontinued operations	0.0	265.1	1,190.0
Total	342.4	593.1	2,554.4

Financial Result, Assets Employed and Cash Flow

Operating income rose clearly to EUR 21.8 (17.2) million, which is 6.4 (5.2) percent of net sales. The 2003 restructuring of production in Kone Cargotec, in combination with increased volumes, supported profitability improvement.

At the end of March, net working capital allocated to Kone Cargotec was EUR 204.8 (end of 2003: 199.4) million. The value of tangible fixed assets was EUR 171.5 (end of 2003: 172.6) million.

Cash flow from operating activities before financial items and taxes was EUR 25.6 (14.7) million.

Structural changes

Kalmar will this year successfully complete the multi-year contract for Rough Terrain Container Handlers between Kalmar RT Center (San Antonio, Texas) and the U.S. Army, and

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is therefore conducting personnel negotiations with the aim of reducing personnel at the plant in Lidhult, Sweden where production of the equipment is taking place.

Kalmar, which is concentrating on marketing, sales, product development, assembly and services, has signed a letter of intent to sell the welding operations in Ljungby, Sweden as part of the reorganization of assembly operations at the plant.

Production of Bromma container spreaders is being consolidated to the two main plants located in Malaysia and Tampere, Finland. As a consequence, manufacturing will be reduced at the Vällingby, Sweden facility, which will continue as a center of excellence, including product development, and production of prototypes and special engineered projects, for Bromma spreaders.

Capital Expenditure and Product Development

Capital expenditure, including financial leases and customer financing, totaled EUR 7.3 (8.5) million.

Research and development expenditure was EUR 6.8 (6.2) million, which is 2.0 (1.9) percent of net sales.

KONE Annual General Meeting and Board of Directors

KONE's Annual General Meeting (AGM) approved the 2003 financial statements and discharged the responsible parties from liability for the financial year. The AGM approved dividends of EUR 1.98 for each of the 9,526,089 class A shares and EUR 2.00 for the 53,104,052 outstanding class B shares. The rest of the distributable equity, EUR 743.6 million, will be retained and carried forward.

The number of members of the Board of Directors was confirmed at seven. Antti Herlin was re-elected as chairman of the Board. Re-elected as full members of the Board were Matti Alahuhta, Jean-Pierre Chauvarie, Iiro Viinanen and Gerhard Wendt. Sirkka Hämäläinen and Masayuki Shimono were elected as new members of the Board.

The Board of Directors' proposal that the AGM authorize the Board of Directors to repurchase KONE's own shares with assets distributable as profit was approved. The number of shares to be repurchased shall not exceed 3,173,180 shares (maximums: 476,304 class A shares and 2,696,876 class B shares), respecting the provisions of the Companies Act regarding the maximum number of own shares held by the company.

In addition, the Board of Directors' proposal that the AGM authorize the Board to decide on the distribution of any shares repurchased by the company was approved. The authorizations are in effect for a period of one year from the date of decision of the AGM.

Option Program

The Board of Directors' proposal that the AGM confirm the option program and issue option rights to the key personnel of KONE was approved. The option program was connected to the

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development of KONE's aggregated net income (after taxes) during 2001-2003 as shown in the Consolidated Financial Statements.

The AGM confirmed that KONE's aggregated net income for 2001-2003 exceeded EUR 470 million. In accordance with the decision of the shareholder meeting, a maximum of 350,000 options rights were issued, of which a maximum of 180,000 A option rights were offered to the Group's key personnel and a maximum of 170,000 B option rights to Kone Capital Oy. 145,130 A option rights and 170,000 B option rights were subscribed, and the Board of Directors approved the subscriptions.

The option program also includes a cash bonus totaling EUR 5.8 million. The cash bonus related to each A option right has been separated from the option rights since 27 February, 2004, when the AGM confirmed the amount of option rights to be offered.

Each option right confers the right to subscribe for three KONE class B shares with a par value of 1.00 euro. The subscription price is 24.67 euro/share. The A option rights confer entitlement to subscription for 435,390 KONE B shares between 1 April, 2004 and 31 March, 2008, and the B option rights to subscription for 510,000 KONE B shares between 1 April, 2005 and 31, March 2009. The annual window during which the shares can be subscribed with these option rights lasts from 2 January to 30 November.

The A option rights were listed on the Helsinki Stock Exchange from 1 April, 2004.

Repurchase of KONE shares

During the first three months of 2004, KONE repurchased 150,980 of its own shares. At the end of the first quarter, KONE had 984,459 shares in its possession.

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

Outlook

In new elevators and escalators the target is to reach at least the 2003 sales and order intake levels at comparable exchange rates. Service revenue in Elevators & Escalators is anticipated to increase by five percent, including an increase in the door service business of 20 percent. Taking the weaker-than-expected first quarter financial result into consideration, it will be very difficult to achieve the 2003 record operating income margin of 10.1 percent.

In Kone Cargotec sales will increase, and order intake is anticipated to reach the 2003 level despite the translation impact of the weaker dollar. Kone Cargotec is expected to improve somewhat on the operating income margin of 5.6 percent achieved in 2003.

Helsinki, 21 April, 2004

KONE Corporation, Board of Directors

Unaudited

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CONSOLIDATED STATEMENT OF INCOME

M€	1-3/2004	%	1-3/2003	%	1-12/2003	%
Sales	893.4		1,184.6		5,410.4	
Costs and expenses	(821.8)		(1,087.1)		(4,890.2)	
Depreciation	(22.2)		(27.5)		(108.1)	
Sale of businesses	169.6		2.2		24.9	
Operating income	219.0	24.5	72.2	6.1	437.0	8.1
Share of associated companies' income	0.3		(0.1)		6.7	
Financing income and expenses	(5.2)		(8.5)		(27.8)	
Income before taxes	214.1	24.0	63.6	5.4	415.9	7.7
Taxes	(81.9)		(15.4)		(113.2)	
Minority share	(0.3)		(0.3)		(2.5)	
Net income	131.9	14.8	47.9	4.0	300.2	5.5

Taxes proportionate to the amount due for the full year are taken into account.

Basic earnings per share, €	2.11	0.76	4.79
Diluted earnings per share, €	2.09	0.76	4.77

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CONSOLIDATED BALANCE SHEET

Assets

M€	31/3/2004	31/3/2003	31/12/2003
Non-current assets			
Intangible assets	829.0	1,041.6	1,026.7
Tangible assets	367.6	483.7	468.5
Loans receivable and other non-current assets	193.4	205.4	211.1
Investments	201.3	216.2	197.0
Total	1,591.3	1,946.9	1,903.3
Current assets			
Inventories	368.6	596.6	482.4
Accounts receivable and other current assets	936.5	1,012.5	978.0
Cash and cash equivalents	390.0	424.9	407.0
Total	1,695.1	2,034.0	1,867.4
Total assets	3,286.4	3,980.9	3,770.7

Shareholders' equity and liabilities

M€	31/3/2004	31/3/2003	31/12/2003
Equity	1,098.4	883.8	1,116.0
Long-term liabilities			
Loans	482.1	890.2	723.5
Deferred tax liabilities	15.1	24.8	24.3
Pension benefit liabilities and other liabilities	191.6	177.2	180.8
Total	688.8	1,092.2	928.6
Provisions	191.2	172.3	145.6
Current liabilities			
Loans	195.9	715.6	504.8
Accounts payable and other current liabilities	1,112.1	1,117.0	1,075.7
Total	1,308.0	1,832.6	1,580.5
Total shareholders' equity and liabilities	3,286.4	3,980.9	3,770.7

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RECONCILIATION OF EQUITY

M€	Share capital	Share premium account	Fair value and other reserves	Translation difference	Retained earnings	Minority shares	Net income for the period	Total
01.01.2004	63.5	219.6	16.6	(37.7)	829.9	24.1		1,116.0
Dividends paid					(125.1)			(125.1)
Cash flow hedge			(11.6)					(11.6)
Change of translation difference				(4.7)				(4.7)
Change of minority shares						(0.8)		(0.8)
Purchase of own shares					(7.3)			(7.3)
Net income for the period							131.9	131.9
31.3.2004	63.5	219.6	5.0	(42.4)	697.5	23.3	131.9	1,098.4

M€	Share capital	Share premium account	Fair value and other reserves	Translation difference	Retained earnings	Minority shares	Net income for the period	Total
01.01.2003	63.5	219.6	13.2	0.0	623.4	20.1		939.8
Dividends paid					(93.7)			(93.7)
Cash flow hedge			6.8					6.8
Change of translation difference				(4.5)				(4.5)
Change of minority shares						(12.5)		(12.5)
Net income for the period							47.9	47.9
31.3.2003	63.5	219.6	20.0	(4.5)	529.7	7.6	47.9	883.8

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RECONCILIATION OF NET INCOME

M€	1-3/2003	1-12/2003
Net income according to FAS	25.6	216.9
Effects of adopting IFRS:		
Goodwill amortization	18.7	80.9
Long-term contracts according to the percentage completion method	3.7	3.5
Deferred tax	(0.8)	(4.1)
Finance leases	(0.1)	(0.1)
Customer finance arrangements	(0.2)	(0.9)
Cash flow hedge	(0.6)	0.7
Employee benefits	0.8	(1.1)
Other IFRS adjustments	0.8	4.4
Total IFRS restatement	22.3	83.3
Net income according to IFRS	47.9	300.2

RECONCILIATION OF EQUITY

M€	31/12/2002	31/3/2003	31/12/2003
Equity according to FAS	1,109.3	934.5	1,090.2
Effects of adopting IFRS:			
Capital loans	(102.1)	(2.1)	0.0
Reserve for own shares	(26.3)	(26.3)	(26.3)
Minority shares	20.1	7.6	24.1
Goodwill amortization		18.7	80.9
Long-term contracts according to the percentage completion method	(1.2)	2.5	2.4
Deferred tax	36.4	36.1	31.8
Finance leases	(1.5)	(1.2)	(1.4)
Customer finance arrangements	(9.2)	(9.3)	(8.8)
Cash flow hedge	8.1	14.3	13.3
Employee benefits	(74.4)	(71.2)	(71.5)
Cancellation of revaluations	(13.9)	(13.9)	(13.9)
Other IFRS adjustments	(5.5)	(5.9)	(4.8)
Total IFRS restatement	(169.5)	(50.7)	25.8
Equity according to IFRS	939.8	883.8	1,116.0

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CONSOLIDATED CASH FLOW

M€	1-3/2004	1-3/2003	1-12/2003
Operating income			
KONE Elevators & Escalators	30.4	47.6	289.6
Kone Cargotec	21.8	17.2	76.7
Others	(2.8)	5.2	45.8
Sale of businesses	169.6	2.2	24.9
Total	219.0	72.2	437.0
Change in working capital			
KONE Elevators & Escalators	24.9	(0.3)	(14.9)
Kone Cargotec	(4.3)	(11.9)	24.9
Others	0.0	(5.8)	6.3
Sale of businesses	(169.6)	(2.2)	(24.9)
Total	(149.0)	(20.2)	(8.6)
Depreciation			
KONE Elevators & Escalators	14.0	13.7	56.6
Kone Cargotec	8.1	9.4	34.4
Others	0.1	4.4	17.1
Total	22.2	27.5	108.1
Cash flow from operating activities before financial items and taxes			
KONE Elevators & Escalators	69.3	61.0	331.3
Kone Cargotec	25.6	14.7	136.0
Others	(2.7)	3.8	69.2
Total	92.2	79.5	536.5
Cash flow from financial items and taxes	(34.6)	(24.7)	(101.0)
Cash flow from investing activities			
Fixed assets ¹⁾	596.6	279.6	283.7
Leasing agreements	(2.9)	0.0	(6.0)
Customer financing	(3.9)	(7.8)	(14.2)
Total	589.8	271.8	263.5
Dividends paid	(125.1)	(93.7)	(93.7)
Change in net debt	522.3	232.9	605.3
Net debt in the beginning of period	746.7	1,352.0	1,352.0
Net debt in the end of period	224.4	1,119.1	746.7
Change in net debt	522.3	232.9	605.3

¹⁾ Includes sale of businesses

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KEY FIGURES

		1-3/2004	1-3/2003	1-12/2003
Basic earnings per share	€	2.11	0.76	4.79
Diluted earnings per share	€	2.09	0.76	4.77
Equity per share	€	17.2	14.1	17.8
Interest bearing net debt	M€	224	1,119	747
Total equity/total assets	%	33.4	22.0	29.6
Gearing	%	20	127	67

SEGMENT REPORTING

1. BUSINESS SEGMENTS

Sales

M€	1-3/2004	1-3/2003	1-12/2003
KONE Elevators & Escalators	551.0	591.5	2,856.0
Kone Cargotec	342.4	328.0	1,364.4
Others	0.0	265.1	1,190.0
Total	893.4	1,184.6	5,410.4

Operating income

M€	1-3/2004	%	1-3/2003	%	1-12/2003	%
KONE Elevators & Escalators	30.4	5.5	47.6	8.0	289.6	10.1
Kone Cargotec	21.8	6.4	17.2	5.2	76.7	5.6
Others	(2.8)		5.2		45.8	
Sale of businesses	169.6		2.2		24.9	
Total	219.0	24.5	72.2	6.1	437.0	8.1

Orders received

M€	1-3/2004	1-3/2003	1-12/2003
KONE Elevators & Escalators	513.6	502.8	2,021.0
Kone Cargotec	451.8	390.3	1,481.5
Others	0.0	262.2	1,055.9
Total	965.4	1,155.3	4,558.4

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Order book

M€	31/3/2004	31/3/2003	31/12/2003
KONE Elevators & Escalators	1,868.6	1,797.1	1,639.6
Kone Cargotec	588.0	437.5	473.6
Others	0.0	161.9	83.0
Total	2,456.6	2,396.5	2,196.2

Capital expenditure in fixed assets

M€	1-3/2004	1-3/2003	1-12/2003
KONE Elevators & Escalators	7.8	6.9	36.2
Kone Cargotec	3.2	4.0	21.9
Others	0.0	1.9	24.1
Total	11.0	12.8	82.2
as percentage of sales	1.2	1.1	1.5

Capital expenditure in leasing agreements

M€	1-3/2004	1-3/2003	1-12/2003
KONE Elevators & Escalators	2.7	0.0	4.3
Kone Cargotec	0.2	0.0	1.7
Others	0.0	0.0	0.0
Total	2.9	0.0	6.0

Capital expenditure in customer financing

M€	1-3/2004	1-3/2003	1-12/2003
KONE Elevators & Escalators	0.0	0.0	0.0
Kone Cargotec	3.9	4.5	6.9
Others	0.0	3.3	7.3
Total	3.9	7.8	14.2

Expenditure for R&D

M€	1-3/2004	1-3/2003	1-12/2003
KONE Elevators & Escalators	9.5	8.9	40.5
Kone Cargotec	6.8	6.2	25.1
Others	0.0	5.3	22.8
Total	16.3	20.4	88.4
as percentage of sales	1.8	1.7	1.6

Average number of employees

	1-3/2004	1-3/2003	1-12/2003
KONE Corporation	30,638	35,126	34,489

Number of employees

	31/3/2004	31/3/2003	31/12/2003
KONE Elevators & Escalators	23,847	23,310	23,751
Kone Cargotec	6,510	6,921	6,377
Others	0	4,157	3,177
Total	30,357	34,388	33,305

Kone Corporation

2. GEOGRAPHICAL SEGMENTS

SALES

KONE Corporation

M€	1-3/2004	%	1-3/2003	%	1-12/2003	%
Europe	546.8	61	762.7	64	3,432.1	64
North America	219.2	25	259.0	22	1,147.4	21
Asia Pasific	102.7	11	100.3	9	509.2	9
Others	24.7	3	62.6	5	321.7	6
Total	893.4		1,184.6		5,410.4	

KONE Elevators & Escalators

M€	1-3/2004	%	1-3/2003	%	1-12/2003	%
Europe	364.8	66	382.8	65	1,850.1	65
North America	123.0	23	149.7	25	681.7	24
Asia Pasific	61.9	11	57.7	10	315.3	11
Others	1.3	0	1.3	0	8.9	0
Total	551.0		591.5		2,856.0	

Kone Cargotec

M€	1-3/2004	%	1-3/2003	%	1-12/2003	%
Europe	182.0	53	179.2	55	732.4	54
North America	96.2	28	91.1	28	394.4	29
Asia Pasific	40.8	12	32.8	10	146.3	11
Others	23.4	7	24.9	7	91.3	6
Total	342.4		328.0		1,364.4	

Kone Corporation

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENT

Contingent Liabilities and Pledged Assets

M€	31/3/2004	31/3/2003	31/12/2003
Assets pledged to secure loans	16.7	24.7	18.6
Pledged assets	17.1	13.9	14.7
Guarantees			
Associated companies	9.6	4.0	10.1
Others ¹⁾	64.3	56.9	47.7
Leasing liabilities	104.1	89.2	112.8
Other contingent liabilities ¹⁾	2.2	34.4	18.5
Total	214.0	223.1	222.4

¹⁾ Guarantees for others include M€8.8 (Dec. 31, 2003 M€11.0) customer finance arrangements in which the sold machines are a collateral, and other contingent liabilities include repurchase commitments for sold products with a value of M€0.0 (Dec. 31, 2003 M€14.0).

The value of derivatives made to cover currency and interest rate risks was as follows:

Derivatives M€	Nominal value		Fair value		Nominal value		Fair value	
	31/3/2004	31/3/2004	31/3/2003	31/3/2003	31/12/2003	31/12/2003	31/12/2003	
Forward contracts	980.0	(3.6)	903.3	22.1	958.3	41.3		
Currency options	128.9	(0.3)	144.9	0.1	94.1	0.5		
Currency swaps	173.8	8.0	153.8	7.6	173.8	6.0		
Interest rate swaps	140.0	(4.9)	274.5	(7.9)	140.0	(4.6)		
Commodity derivatives	2.7	0.2	0.0	0.0	2.8	0.1		
Total	1,425.4	(0.6)	1,476.4	21.9	1,369.0	43.3		

SHARES AND SHAREHOLDERS

31 March, 2004	A shares	B shares	Total
Number of shares	9,526,089	53,937,531	63,463,620
Own shares in possession		984,459	
Share capital, M€			63.5
Market capitalization, M€	467	2,596	3,063
Number of shares traded, 1-3/2004		17,877,879	
Value of shares traded, M€ 1-3/2004		857.5	
Number of shareholders	3	11,655	11,655
	Close	High	Low
Share price, € 1-3/2004	49.00	51.85	45.01

During the period under review, the price of the KONE class B share rose 7.7 percent. The 2003 dividend of 2.00 euro per B-share and 1.98 euro per A-share was distributed during the period.