

28 January, 2005

KONE Interim Report: 1 January - 31 December 2004, IFRS

Key Targets Achieved and Demerger Approved

- The plan to demerge the company into two separately listed corporations, KONE Corporation and Cargotec Corporation, and to extend the current accounting period from 12 to 15 months, ending 31 March, 2005 was approved by an extraordinary shareholders' meeting on 17 December, 2004.
- Matti Alahuhta started in the position of President of KONE Corporation on 1 January, 2005.
- The value of orders received amounted to MEUR 3,994 (2003: 4,558^{*}). KONE Elevators & Escalators accounted for MEUR 2,104 (2,021), which represents seven percent growth at comparable exchange rates. Order intake in Kone Cargotec was MEUR 1,890 (1,482), reflecting growth of 31 percent at comparable exchange rates.
- Net sales totaled MEUR 4,447 (5,410^{*}). KONE Elevators & Escalators' sales amounted to MEUR 2,866 (2,856), which represents three percent growth at comparable exchange rates. Sales in Kone Cargotec were MEUR 1,581 (1,364) reflecting growth of 19 percent at comparable exchange rates.
- Operating income (EBIT) was MEUR 547.1 (437.0^{*}), or 12.3 (8.1) percent of net sales. Disregarding non-recurring income due to a provision reversal regarding disability pensions, EBIT in Elevators & Escalators was MEUR 240.9 (289.6), or 8.4 (10.1) percent of net sales, and in Kone Cargotec MEUR 111.9 (76.7) or 7.1 (5.6) percent of net sales. The non-recurring income was EUR 15.3 million and EUR 3.1 million respectively for the divisions. Unallocated headquarter costs totaled MEUR 10.4 (13.5). Consolidated operating income includes capital gains of EUR 187.4 (24.9) million.
- Cash flow from operating activities before financial items and taxes was MEUR 412.2 (536.5^{*}).
- Interest-bearing net debt decreased to MEUR 63.8 (end of 2003: 746.7).
- Net income rose 8.5 percent to MEUR 325.6 (300.2^{*}).
- Diluted earnings per share rose to EUR 5.25 from EUR 4.77.

KONE changed over to the International Financial Reporting Standards (IFRS) effective 1 January, 2004. The comparison figures for 2003 have been adjusted to reflect IFRS practices. For further information regarding the impact of the transition from Finnish Accounting

^{*} The consolidated comparison figures include the Tractors and Forest Machines as well as minor holdings, which have since been divested.

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Standards (FAS) to IFRS, please refer to KONE's 8 April, 2004 and 18 June, 2004 announcements.

Pro forma figures for the corporations to be formed in the demerger are enclosed at the end of this report. Pro forma operating profit for Kalmar and Hiab are presented in the presentation material in regards to the 12-month Financial Statements. The presentation is available at KONE's Internet site, www.konecorp.com, as of 28 January 2005 at 2 p.m. KONE's demerger prospectus published on 9 December, 2004 includes the pro forma calculation principles.

KONE CEO and Chairman of the Board Antti Herlin in Conjunction with the 12 Month Interim Report:

The decision of KONE's board to demerge the company into two separately listed corporations was one of the key initiatives in 2004 from a shareholder perspective. During the past two years, KONE has created value for its shareholders and customers by developing both its divisions. We have now achieved most synergies between the two businesses. From now on it is in the interest of both the businesses and our shareholders to develop the divisions according to their own strategies as separate corporations.

For Elevators & Escalators, 2004 was a very challenging year. On many market areas targets were achieved, but overall profitability and growth was disappointing. The board initiated a development and restructuring program to secure the long-term competitiveness of the new equipment business in particular. The plan is being prepared and is due to be published by the end of March 2005.

Kone Cargotec benefited from strong demand both within Kalmar and Hiab, and was able to take full advantage of the good market environment and restructuring actions taken. Kone Cargotec's container and load handling businesses were supplemented by acquiring the marine cargo flow solutions business, MacGREGOR Group. In the future, the new Cargotec will grow its three globally leading businesses.

During 2004, we distributed EUR 125 million in dividends, finalized the sale of non-core assets with the sale of the Tractor business, and repurchased KONE B shares and assigned them to finance the MacGREGOR acquisition. This has created value, which has not gone unnoticed. KONE's share has maintained its position among the most traded stocks on the Helsinki Stock Exchange, with total trading volume exceeding EUR 2 billion, and the share price rising by 25.5 percent in 2004.

Corporate restructuring will be finalized by bringing two strong global companies to the Helsinki Stock Exchange in the beginning of June 2005. This provides our shareholders with increased transparency of both businesses and shares in two corporations. After the separation, both companies will focus firmly on developing their businesses to their full potential.

I wish to welcome the new President of KONE, Matti Alahuhta, who was appointed by the board to begin his mandate as of 1 January, 2005. He is taking the lead of the corporation in a challenging time, when competition has become truly global in the elevator and escalator industry. Mr. Alahuhta has extensive experience and global know-how, which coupled with the traditional strengths of KONE; technological leadership, efficient harmonized business

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models and a strong financial position, will support KONE's elevator and escalator business in achieving its long-term target of growing faster than the industry on average.

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KONE Corporation

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Discontinued Operations and Changes in Group Structure

The following divestments and discontinued businesses are included in the 2003 consolidated figures but no longer in the 2004 figures:

- Forest Machines business
- Tractors business (finalized on 5 January, 2004)
- Oy Sisu Auto Ab and discontinued non-core businesses

The sale of Velsa Inc. was finalized in the fourth quarter and it is consolidated up to the end of October, 2004.

The parent company, KONE Corporation, transferred the operative elevator and escalator business in Finland to two fully owned Finnish subsidiaries on October 1, 2004. The operative business unit and the export and major project units were transferred to KONE Elevators Ltd. The Finnish production units were transferred to KONE Industrial Ltd. Shared headquarter functions remain in the parent company, KONE Corporation.

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

KONE's consolidated operating income totaled EUR 547.1 (2003: 437.0) million, representing 12.3 (8.1) percent of net sales. Unallocated headquarter costs were EUR 10.4 (13.5) million. Capital gains totaled EUR 187.4 (24.9) million.

Net income totaled EUR 325.6 (300.2) million and diluted earnings per share equaled EUR 5.25 (4.77).

Cash flow from operating activities (before financial items and taxes at the corporate level) totaled EUR 412.2 (536.5) million. Cash flow from operating activities was EUR 255.5 (435.5) million. Net cash flow from investing activities, including acquisitions and divestments, totaled EUR 487.7 (263.5) million.

KONE's net debt at the end of the period was EUR 63.8 (end of 2003: 746.7) million. Total equity as a share of total assets was 42.4 (end of 2003: 29.6) percent. Gearing was 5 (end of 2003: 67) percent.

Total assets amounted to EUR 3,240 (end of 2003: 3,771) million, and assets employed totaled EUR 1,438 (end of 2003: 1,862) million.

KONE had 31,514 (end of 2003: 33,305) employees at the end of December 2004. The decrease is mainly due to the divestment of the Tractors business, Sisu Auto and Velsa. The average number of employees during January-December was 30,787.

KONE Elevators & Escalators

Market Review

In recent years, demand for new equipment has showed moderate growth, with Asia, and China in particular, recording strong growth. The more mature markets of North America and Europe remained fairly unchanged. This development was also characteristic for 2004.

In Europe, the focus of industry investment was increasingly allocated to the eastern countries. This was evident especially in Germany, which has traditionally been Europe's largest market for new equipment. Demand in Russia picked up as a result of higher oil prices, but from a low level and still mostly in low-end equipment. In general, new equipment demand in Europe was at a low level regarding the office and retail sector. The residential sector was approximately at the 2003 level in most countries, but France recorded solid growth.

The pricing environment remained tough, especially in the escalator market, where lower demand combined with increasing imports from China led to lower prices. In Germany, heavy pressure on construction prices overall given overcapacity in the market led to elevator price erosion.

The service business in Europe was characterized by tougher competition influenced by the overall bleak economic outlook. The trend of large customers to bundle maintenance contracts for their entire equipment base continued. The call for regular competitive bids by professional multi-national property investors also increased. Modernization demand continued to increase steadily, supported by growing demand for full replacements and for installations of elevators in existing buildings without elevators.

In North America, the new equipment market began to recover towards the end of the year. Acceptance of the machine-room-less elevator concept continued to gain ground in the U.S.A. as all major competitors have followed KONE's lead and begun marketing their own solutions. The requirement for shorter delivery times became a more important issue in the investment decision. As a result of the improved U.S. economy there is pent up demand for new building starts in the office, residential, hotel and public transportation sectors. Price levels were still low given tough competition and despite increased material costs.

The service business in the U.S.A suffered fierce competition from smaller elevator service companies, which kept pricing levels stagnant or in many cases drove prices down despite the industry-wide high labor inflation.

Strong growth in new equipment demand continued in Asia, in particular in China and India. The Australian market was also favorable. The strong growth of the Chinese market affected the competitive environment throughout Asia. Products made in China have achieved acceptance in other market areas as well. The pricing environment suffered slightly as overall production capacity increased in China.

In the Asia Pacific region, demand increased especially for progressive solutions such as machine-room-less elevators and double-decker solutions. In addition to product

considerations, customers also base their investment decisions on the customer relationship and strong brand.

The service market in Asia is still under-developed, but maintenance demand grew strongly as a result of the rapid growth of the installed base.

Orders Received and Order Book

Orders received, excluding the value of maintenance contracts, totaled EUR 2,104 (2003: 2,021) million. At comparable exchange rates, order intake growth was approximately seven percent.

At comparable exchange rates, orders in the Europe, Middle East, and Africa (EMEA) region rose 10 percent. Order intake increased rather uniformly across major European countries, while countries in the eastern part of Europe and in the Middle East exhibited stronger growth than in Western Europe. However, fourth quarter growth in Europe rose to 10 percent as France, Italy, Belgium and the U.K. boosted order intake.

Orders in North America remained unchanged and the price level continued to be depressed. Orders in the Asia Pacific region were also approximately at the 2003 level, but fourth quarter order intake returned to double-digit growth.

Significant orders and contracts in 2004 include both comprehensive maintenance contracts and extensive new equipment projects.

In the U.K., KONE will deliver a total of 112 elevators and escalators for the largest retail development currently under construction in Europe, whitecity™ in West London. Significant agreements were also made with the Debenhams Retail plc and Tesco retail chains. The order for 40 elevators to the Golden Terraces shopping center under construction in Warsaw, Poland is an example of the growing market in Eastern Europe. Order intake in the Middle East showed strong growth in 2004.

In North America, the largest orders were to convention centers including McCormick Place, Chicago, Boston Convention Center Hotel, as well as office buildings, such as H&R Block, Kansas City.

In China, order intake included numerous residential and office building projects that often encompassed tens of elevators. Several orders for installations for existing buildings without elevators were also won. In Australia, where KONE has captured a significant share of the high-rise market, KONE has over 50 KONE Alta™ elevators to deliver in 2005 and 2006 in different parts of the country.

At the end of 2004 the order book amounted to EUR 1,765 (end of 2003: 1,640) million, which represents an increase of over ten percent at comparable exchange rates. The average margin for order book entries is somewhat below the 2003 level with the exception of escalators and markets where decreasing construction activity in recent years has pushed margins clearly below the average.

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Net Sales

Net sales totaled EUR 2,866 (2,856) million. At comparable exchange rates, net sales rose approximately three percent. EMEA accounted for 65 (65) percent, North America for 22 (24) percent and Asia Pacific for 13 (11) percent of net sales.

Revenue from new equipment sales was EUR 1,111 (1,163) million, or 39 (41) percent of total revenue. Fourth-quarter new equipment sales increased the figure somewhat for the corresponding period at comparable exchange rates.

Service revenue totaled EUR 1,755 (1,693) million, or 61 (59) percent of total revenue, including door service revenue of slightly over EUR 160 (130) million. At comparable exchange rates, service revenue growth achieved the five percent target, and door service revenue growth exceeded the 20 percent growth target as a result of organic growth and aggressive acquisition activity.

The number of elevators and escalators under service contract increased to approximately 550,000 (520,000) units, of which approximately 420,000 are in Europe, over 90,000 in North America and approximately 35,000 in the Asia Pacific region. The number of doors in service rose to more than 240,000.

Sales by market area (MEUR)

	1-12/2004	1-12/2003	10-12/2004	10-12/2003
EMEA*	1,881.6	1,859.0	598.5	563.8
Americas	623.7	681.7	178.8	213.0
Asia Pacific	361.1	315.3	110.4	94.5
Total	2,866.4	2,856.0	887.7	871.3

* EMEA = Europe, Middle East, Africa

Profitability

KONE Elevators and Escalators' operating income was EUR 240.9 (289.6) million, disregarding a provision reversal regarding disability pensions of EUR 15.3 million, representing 8.4 (10.1) percent of net sales. The decline was mainly due to lower profitability in the new equipment business as the pricing environment remained tough, while material and labor costs increased. The profitability of the new equipment business also suffered from lower productivity in the first half of the year due to delays in installations. Cost overruns in some major projects weighed on the profitability of the new equipment business. The overall profitability in the maintenance business was stable, despite some erosion in the U.S.A. due to significant labor inflation. Fourth quarter operating income was approximately at the level of the corresponding period in 2003 despite the increasing impact of higher component and steel prices.

KONE's Board of Directors decided in its meeting on 19 October, 2004 to initiate preparations for a development and restructuring program in order to secure the long-term competitiveness and profitability of its elevator and escalator business. The aim of the program is, in particular, to improve the profitability of the new equipment business. The development and restructuring program plan is expected to be complete by the end of March. The total one-time after-tax cost of the program, including possible impairment losses on fixed assets and goodwill, is

estimated to be approximately EUR 70 million. According to IFRS, a provision for the program expenses has not been made in the financial statements for the period.

Net working capital and cash flow

At the end of December, 2004 net working capital allocated to KONE Elevators & Escalators was negative, at EUR –128.4 (end of 2003: –159.0) million, with the change in booking disability pension liabilities accounting for the major difference. Tangible fixed assets amounted to EUR 198.0 (181.9) million.

Cash flow from operating activities before financial items and taxes totaled EUR 290.8 (331.3) million.

Capital Expenditure and Product Development

Capital expenditure, including financial leases, totaled EUR 46.6 (40.5) million. The elevator component plant in the Czech Republic started operations in December, 2004. The expansion of the escalator plant in China is in its final stages and production is planned to start in the first quarter of 2005.

KONE Elevators & Escalators' product development expenditures totaled EUR 41.0 (40.5) million, representing 1.4 (1.4) percent of net sales. Incremental research and development investment and resources are increasingly being allocated to develop the maintenance and modernization offering. One key area of development is KONE Proximity, a real time customer service concept that encompasses remote equipment monitoring, field terminals for service personnel, extranet-based maintenance service and customer care centers.

In 2004, KONE also introduced a new technology platform, KONE MaxiSpace™ that eliminates the need for counterweights. 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.

Acquisitions and cooperation agreements

KONE continued its aggressive acquisition activity in order to strengthen its position on growth markets and to increase the density of its maintenance base. KONE substantially increased its market share in India with the acquisition of Bharat Biljee Limited. It also began own operations in Korea by acquiring the majority in Soolim Elevator. The following distributors became fully owned subsidiaries during the year: Estonia (Kandur), Greece (Liftco Hellas), Iceland (I-Select), Ireland (Industrial Logistics) and Latvia (SIA KONE Lifti). The door service operations were strengthened with the addition of Door Systems, Inc. in the United States and Overhead Doors in Australia. Acquisition activity was highest in Spain with six acquisitions, followed by France, Germany and the United States. Most of the acquired units were local elevator or door service companies.

KONE and Toshiba Elevator and Building Systems Corporation agreed to strengthen their Alliance through long-term collaboration in the advancement of high-rise elevator technology.

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KONE and the international door systems supplier DORMA established a strategic global alliance with the goal of accelerating the growth of both companies' automatic building doors business. Cooperation with both alliance partners continued successfully throughout the year.

European Commission Investigation

In January 2004 the European Commission initiated an investigation of the European elevator and escalator industry, alleging anticompetitive behavior on an EEA-wide basis. As a result of an internal audit, KONE identified certain local anti-competitive practices in Belgium, Luxembourg and Germany but has not found evidence or indications of any European-wide anti-competitive practices.

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

Outlook for 2005

KONE's three key focus areas in 2005 are improving operative activities, implementing the comprehensive development and restructuring program, and creating better prerequisites for revenue growth.

The stable profitability of our service business, positive results from ongoing actions to improve our operations in the U.S.A. and enhanced management of major projects will support profitability in our elevator and escalator business. Starting up production in the expanded escalator plant in Kunshan, China and in the new elevator component plant in the Czech Republic will also increase our competitiveness and profits when processes are streamlined, but the positive impact will mainly take effect from 2006 onwards.

There are evident sources of uncertainty in the near future that will affect the development in 2005. These are mainly higher steel and oil prices, as well as the development of exchange rates. Price competition was fierce in 2004 and we have consented to somewhat lower margins in new equipment orders. We do not foresee any major change in this environment in 2005.

We are currently placing great efforts on initiating the comprehensive development and restructuring program to restore the competitiveness of the new equipment business. Our first forecast of the after-tax cost is EUR 70 million. The plan will be communicated by the end of March 2005.

In 2005, KONE will increasingly focus on developing its activities in order to better exploit growth opportunities in Asia, particularly in China and India, as well as in Russia. Other areas of growth include the machine-room-less elevator market, the high-rise market and modernizations. Increased focus on growth ensures that KONE can fully utilize future growth opportunities and resume profitability development measures to meet long-term targets.

Our expectations for the financial result in 2005 are based on the interaction of all the above-mentioned issues. In 2005, our target is to maintain the operative profitability level of 2004, disregarding the costs of the development and restructuring program.

Kone Corporation

The pro forma figures for the new corporation to be formed in the demerger are annexed to this report.

Kone Cargotec

Market Review

The investment cycle for container-handling equipment and services was at an exceptionally high level in 2004. Investments in new ports and port expansions were underway in most markets. Maintenance and replacement investment continued to be strong, due to high activity in ports. This was the result of continued double-digit growth in container traffic. Container traffic is estimated to have increased by over 14 percent in 2004, as it did in 2003.

Demand continued at a high level during the fourth quarter of 2004 in all market areas. Kalmar benefited from high demand for all product lines including ship-to-shore (STS) cranes, straddle carriers, reachstackers and heavy forklift trucks. In the Americas, the general strengthening of the U.S. economy led to clearly higher demand, in particular for terminal tractors in distribution centers.

Heavy truck sales, which is a key demand driver for on-road load handling solutions offered by Hiab, grew by approximately 10 percent in Europe and by over 30 percent in North America after several years of flat or decreasing sales. The global market for load-handling solutions continued to be strong in the last quarter of 2004.

In Europe, which is the largest market for equipment and services provided by Hiab, demand improved for all key products. The North American market continued to show the greatest growth, buoyed by the robust retail and building material markets. As demand in Asia also continued to be strong, the market for on-road load handling solutions improved clearly in 2004.

Orders Received and Order Book

Kone Cargotec's order intake increased clearly in both Kalmar and Hiab and amounted to EUR 1,890 (1,482) million. At comparable exchange rates, order intake rose 31 percent.

Fourth quarter order intake continued at an exceptionally high level as a result of high demand for Kalmar's entire product range, and improving U.S.-driven order intake for Hiab's truck-mounted forklifts and tail lifts.

Kalmar's fourth quarter orders included one for five additional post-panamax STS cranes to MSC Home Terminal in Antwerp, bringing the total number of STS cranes ordered for the terminal to 15.

Kalmar's deliveries of rough terrain container handlers (RTCH) ordered within the frame agreement signed in 2000 with Tank Automotive & Armaments Command (TACOM) was successfully completed in 2004. Kalmar, however, booked a new RTCH order from TACOM and the U.S. Marine Corp valued at approximately EUR 10 million in the fourth quarter. Kalmar RT Center also received a refurbishment order from TACOM valued at approximately EUR 14 million.

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Kalmar's service business orders also exhibited solid growth.

In Hiab, growth was strongest in North America due to both strong retail and building materials supply markets. Hiab's actions to penetrate new load-handling applications led to an improved market position. Both in Asia and Europe, Hiab's order intake grew in-line with market growth, and was supported by the success of new XS cranes and XR hooklifts. Hiab's fourth quarter order intake continued at record-high levels, as U.S. demand continued to boost growth. The European and Asian markets also remained at a high level. In the fourth quarter, Hiab succeeded to book some exceptionally large orders both for tail lifts and truck-mounted forklifts.

Production capacity was increased in both Kalmar and Hiab, which facilitated the necessary increase in delivery volumes, especially during the second half of 2004.

Orders by Kone Cargotec and other material handling businesses (MEUR)

	1-12/2004	1-12/2003	10-12/2004	10-12/2003
Kalmar	1,087.1	834.9	242.8	238.7
Hiab	805.1	653.2	228.4	177.3
Internal orders	-2.7	-6.6	-0.5	-0.4
Kone Cargotec	1,889.5	1,481.5	470.7	415.6
Other	0.0	1,055.9	0.0	271.3
Total	1,889.5	2,537.4	470.7	686.9

Kone Cargotec's order book at the end of 2004 totaled EUR 763.5 (end of 2003: 473.6) million, of which Kalmar accounted for EUR 548.7 (end of 2003: 359.7) million and Hiab for EUR 215.0 (end of 2003: 114.2) million.

Kalmar's order intake continued to be strong in the fourth quarter, resulting in a record high year-end order book. Kalmar's year-end order book included STS crane orders at a value of approximately EUR 120 million.

Hiab's year-end order book is also at a very good level and covers approximately 3 months of deliveries for most product lines.

Net Sales

Net sales amounted to EUR 1,581 (1,364) million. At comparable exchange rates, sales rose 19 percent.

Hiab delivered a record-high number of load-handling units, over 55,000, to customers in 2004.

Sales by Kone Cargotec and other material handling businesses (MEUR)

	1-12/2004	1-12/2003	10-12/2004	10-12/2003
Kalmar	886.6	749.2	265.5	207.0
Hiab	697.0	622.4	192.2	159.1
Internal sales	-2.6	-7.2	-0.4	-0.7
Kone Cargotec	1,581.0	1,364.4	457.3	365.4
Other	0.0	1,190.0	0.0	327.1
Total	1,581.0	2,554.4	457.3	692.5

Kone Cargotec's service revenue grew by 22 percent to nearly EUR 320 million, accounting for 20 (19) percent of net sales. Of total revenue, Kalmar's service product business accounted for 25 (23) percent and Hiab for 14 (14) percent.

Profitability

Kone Cargotec's operating income rose to EUR 111.9 (76.7) million, disregarding the non-recurring pension liability reversal of EUR 3.1 million, or 7.1 (5.6) percent of net sales. Fourth quarter operating income amounted to EUR 32.2 (20.9) million, disregarding the non-recurring pension liability reversal. Both Kalmar's and Hiab's operating income rose clearly as profitability continued to benefit from the restructuring of production done over the past three years, in addition to higher sales.

Profitability was negatively affected by the weaker dollar and, especially in the fourth quarter, by higher steel prices.

Net working capital and cash flow

At the end of 2004, Kone Cargotec's net working capital was EUR 211.9 (end of 2003: 199.4) million. The value of tangible fixed assets was EUR 167.4 (end of 2003: 172.6) million.

Kalmar's working capital decreased from the end of 2003 level despite substantially higher sales, while Hiab's working capital increased due to higher volumes and work in progress.

Cash flow from operating activities before financial items and taxes was EUR 132.6 (136.0) million. Kalmar's cash flow improved further due to the improvements achieved in capital turnover and operating profit.

Capital Expenditure and Product Development

Capital expenditure, including financial leases, amounted to EUR 22.2 (23.6) million and customer financing totaled EUR 18.3 (6.9) million.

One of Kone Cargotec's key goals is to strengthen its position in the Asia Pacific region. To achieve this, Kalmar is investing in a new assembly plant in the Shanghai area. The value of the investment will amount to approximately USD 10 million. The assembly plant will primarily serve the Asian container-handling equipment market, which is the fastest growing area for most Kalmar products.

Assembly is planned to start by the end of 2005 initially with terminal tractors. Currently terminal tractors are produced in the smaller scale operation in Wai Gao Qiao, Shanghai, which will be the base for Kalmar's service and support operations in this important region after the new plant is in operation. will be the base for Kalmar's service and support operations in this important region.

The new plant will also be an important step in Kalmar's aim to penetrate the Asian Rubber Tired Gantry Crane (RTG) market with its state-of-the-art products. In Europe, where Kalmar's RTG's are currently produced, Kalmar has gained a strong market position with its GPS-positioning equipped RTG's.

Hiab is also expanding its operations in Asia by starting-up a demountables assembly plant in China. Assembly will begin in the new plant in Shanghai during 2005. This project will strengthen Hiab's position as a manufacturer of demountables and it will prepare for future growth in the Asia Pacific region. The target is to supply this region with all demountable products from the new plant in the future. The expansion will have only minor impact on Hiab's other demountable production and assembly operations.

Hiab launched its new corporate name in 2004, including name changes in most sales companies and a new unified visual identity for all product lines. This supports Hiab's integration of sales outlets with the aim of offering customers the most productive load-handling solutions and services for their requirements from under one roof.

Cabin manufacturer Velsa was divested from Kalmar in October as a further step in implementing Kalmar's strategy to concentrate on marketing, development, assembly and servicing of container and heavy materials handling equipment.

Research and development expenditure was EUR 25.9 (25.1) million, which is 1.6 (1.6) percent of net sales. Kalmar's R&D expenses increased to EUR 11.2 million and in addition, several product development projects were implemented jointly with customers. Hiab's R&D expenses of EUR 14.7 million were approximately at the 2003 level and a large portion of the product development resources were allocated to customer-specific projects.

New Products

In 2004, Kalmar launched its 7th generation straddle carrier, a new 6-9 ton forklift range and a new RoRo terminal tractor. Kalmar's focus on increasing the automation and intelligence in its equipment offering was enhanced by launching a simulation tool to assist customers in terminal design.

Hiab launched several new products during 2004; complementary products to the successful HIAB XS loader crane range, the MULTILIFT XR demountable system, six LOGLIFT and JONSERED forestry cranes, the PRINCETON P40 truck-mounted forklift for the U.S. market and ZEPRO's new generation of medium to heavy standard tail lifts. Some major launches will be made in the beginning of 2005, with the new MOFFETT truck-mounted forklift in the high-volume product category for the North American markets being one of the most significant.

MacGREGOR acquisition

Kone Cargotec agreed on 2 December, 2004 to purchase the entire share capital in global marine cargo-flow solution and service provider MacGREGOR International AB from Sweden's Industri Kapital and Gambro AB. The debt-free transaction price is approximately EUR 186 million. KONE is financing the acquisition primarily with proceeds from the sale of own shares held by the company on the Helsinki Stock Exchange, which was executed on 10 December. The acquisition is subject to competition authority approval. MacGREGOR will be included in Cargotec in accordance with the demerger plan that KONE's board of directors signed on 1 November 2004.

MacGREGOR is the global market leader in providing marine cargo flow solutions and service for ship owners, ship operators and shipyards. Its products include hatch covers, cranes, cargo-securing systems, RoRo equipment, shipboard elevators and escalators, and galleys. MacGREGOR's 2004 net sales are expected to total EUR 370 million, and operating income before goodwill amortization and non-recurring costs is expected to amount to EUR 22 million, or 5.9 percent of net sales. MacGREGOR employed 935 people at the end of September, 2004.

The acquisition is expected to have a positive impact on Kone Cargotec's financial result in 2005.

Outlook for 2005

The market for Kalmar's and Hiab's products and services is expected to remain at a good level during the first half of the year. However, this strong underlying market will not likely raise order intake to the record level of 2004, which included several unusually large orders. Order intake is expected to grow considerably in 2005 however, when including the acquisition of MacGREGOR.

The strong year-end order book combined with the business of MacGREGOR will lead to increased net sales and operating income in 2005. Revenue is expected to exceed EUR 2 billion provided that MacGREGOR is consolidated from January 1, 2005.

Operating income (EBIT) is expected to grow mainly as a result of consolidating MacGREGOR. Higher steel prices, the weaker dollar and changes in the product mix will have a negative effect on the EBIT margin, and will make reaching the 2004 EBIT margin challenging.

The pro forma figures for the new corporation to be formed in the demerger are annexed to this report.

KONE Shareholders' Meetings and Board of Directors

During KONE's Annual General Meeting (AGM) in February, 2004, shareholders approved the 2003 financial statements and discharged the responsible parties from liability for the financial year. 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 were approved. 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 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-Lindfors 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 (maximum 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 proposal to authorize the Board of Directors 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 the AGM.

KONE's Extraordinary Shareholders' Meeting on 17 December, 2004 approved the demerger plan that the Board of Directors signed on 1 November, 2004, according to which KONE will split into two separate companies, KONE Corporation and Cargotec Corporation. The demerger will enter into force when the execution of the demerger is registered in the Trade Register. The planned date of registration is 31 May, 2005. The recipient corporations will apply for the listing of their class B shares and option rights on the main list of the Helsinki Stock Exchange as of June 1, 2005.

In addition, the Board of Directors' proposals that the financial period of the corporation be extended until 31 March, 2005, and that the first paragraph of Section 12 and the entire Section 13 of the Articles of Association be amended to read as follows, were approved:

"12 § Shareholders' Meeting

The ordinary Shareholders' Meeting shall be held annually within three months from the end of the financial period on a day decided by the Board of Directors." The remainder of the Section is unchanged.

"13 § Financial Period

The financial period of the corporation is 1 April - 31 March. The exceptional financial period is 1 January, 2004 - 31 March, 2005."

Changes in Corporate Management

KONE's Board of Directors decided on 11 November, 2004 to appoint Matti Alahuhta, D.Sc (Eng) as President, effective 1 January, 2005. Before joining KONE, Alahuhta was Executive Vice President, Chief Strategy Officer of Nokia. Matti Alahuhta has been a member of KONE's Board of Directors since February, 2003.

Option Program and Increase in Share Capital

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 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. The Board of Directors approved the 145,130 A option rights and 170,000 B option rights that have been subscribed.

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 after 27 February, 2004, when the AGM confirmed the amount of option rights to be offered.

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

The A option rights were listed on the Helsinki Stock Exchange on 1 April, 2004. As of 31 December, 2004, 194,970 class B shares have been subscribed to with the option rights, raising KONE's share capital to EUR 63,658,590.00, and the number of class B shares to 54,132,501. Based on KONE 2004 A option rights, 1,440 new KONE class B shares were subscribed in December 2004, but this increase in KONE's share capital has not been entered into the Trade Register.

Repurchase and Assignment of KONE shares

During the first half of 2004, KONE repurchased 1,863,397 of its class B shares at the average price of EUR 48.35. KONE's board of directors decided on 1 December, 2004 to assign class B shares held by the company and to use the proceeds in financing the acquisition of MacGREGOR Group. On 10 December, 2004, KONE sold all of its 2,696,876 class B shares as a contractual trade on the Helsinki Stock Exchange. The price was EUR 56.00 per share and the total transaction value was approximately EUR 151 million. The sold shares represent 4.24 percent of KONE's share capital. The shares were acquired at the average price of EUR 43.18 per share.

At the end of December, 2004 KONE's Board of Directors had no authorization to raise the share capital or to issue convertible or warrant loans.

Significant dates in 2005

The Extraordinary Shareholders' Meeting approved the board's proposal that the accounting period be extended from 12 to 15 months and end on 31 March, 2005. Therefore the financial statements for the extended period 1 January, 2004 - 31 March, 2005 will be published on 2 May, 2005. The annual report will be published during week beginning 9 May, 2005.

Due to the extended accounting period, KONE's Annual General Meeting is planned to take place on 18, May 2005. Distribution of dividends will occur by the end of May, 2005.

Trading in class B shares and new option rights of new KONE and Cargotec is planned to begin on the main list of Helsinki Stock Exchange on 1 June, 2005.

Helsinki, 28 January, 2004

KONE Corporation, Board of Directors

Unaudited

Kone Corporation

CONSOLIDATED STATEMENT OF INCOME

M€	1-12/2004	%	1-12/2003	%
Sales	4,447.4		5,410.4	
Costs and expenses	-3,998.3		-4,890.2	
Depreciation	-89.4		-108.1	
Sale of businesses	187.4		24.9	
Operating income	547.1	12.3	437.0	8.1
Share of associated companies' income	4.6		6.7	
Financing income and expenses	-10.2		-27.8	
Income before taxes	541.5	12.2	415.9	7.7
Taxes	-214.4		-113.2	
Minority share	-1.5		-2.5	
Net income	325.6	7.3	300.2	5.5
Basic earnings per share	€	5.29	4.79	
Diluted earnings per share	€	5.25	4.77	

Kone Corporation

CONSOLIDATED BALANCE SHEET

Assets		
M€	31/12/2004	31/12/2003
Non-current assets		
Intangible assets	830.0	1,026.7
Tangible assets	368.3	468.5
Loans receivable and other interest-bearing assets	36.4	35.1
Other non interest-bearing assets	122.2	136.5
Investments	202.8	197.0
Total	1,559.7	1,863.8
Current assets		
Inventories	400.8	482.4
Loans receivable and other interest-bearing assets	41.4	39.5
Accounts receivable and other current assets	964.1	978.0
Cash and cash equivalents	273.9	407.0
Total	1,680.2	1,906.9
Total assets	3,239.9	3,770.7
Shareholders' equity and liabilities		
M€	31/12/2004	31/12/2003
Equity	1,373.9	1,114.8
Long-term liabilities		
Loans	225.5	723.5
Deferred tax liabilities	22.5	25.5
Pension benefit liabilities and other liabilities	172.7	180.8
Total	420.7	929.8
Provisions	162.5	167.3
Current liabilities		
Loans	190.0	504.8
Accounts payable and other current liabilities	1,092.8	1,054.0
Total	1,282.8	1,558.8
Total shareholders' equity and liabilities	3,239.9	3,770.7

Kone Corporation

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	15.4	-37.7	829.9	24.1		1,114.8
Increase of share capital	0.2	4.6						4.8
Dividends paid					-125.1			-125.1
Cash flow hedge			5.7					5.7
Change of translation difference				-5.9				-5.9
Change of minority shares						2.8		2.8
Sales profit from own shares		24.9						24.9
Purchase of own shares					-90.1			-90.1
Sales of own shares					116.4			116.4
Net income for the period							325.6	325.6
31/12/2004	63.7	249.1	21.1	-43.6	731.1	26.9	325.6	1,373.9

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			2.2					2.2
Change of translation difference				-37.7				-37.7
Change of minority shares						4.0		4.0
Net income for the period							300.2	300.2
31/12/2003	63.5	219.6	15.4	-37.7	529.7	24.1	300.2	1,114.8

RECONCILIATION OF NET INCOME

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

RECONCILIATION OF EQUITY

M€	31/12/2002	31/12/2003
Equity according to FAS	1,109.3	1,090.2
Effects of adopting IFRS:		
Capital loans	-102.1	0.0
Reserve for own shares	-26.3	-26.3
Minority shares	20.1	24.1
Goodwill amortization	0.0	80.9
Long-term contracts according to the percentage completion method	-1.2	2.4
Deferred tax	36.4	31.8
Finance leases	-1.5	-1.4
Customer finance arrangements	-9.2	-8.8
Cash flow hedge	8.1	12.1
Employee benefits	-74.4	-71.5
Cancellation of revaluations	-13.9	-13.9
Other IFRS adjustments	-5.5	-4.8
Total IFRS restatement	-169.5	24.6
Equity according to IFRS	939.8	1,114.8

Kone Corporation

CONSOLIDATED CASH FLOW

M€	1-12/2004	1-12/2003
Operating income		
KONE Elevators & Escalators	256.2	289.6
Kone Cargotec	115.0	76.7
Others	-11.5	45.8
Sale of businesses	187.4	24.9
Total	547.1	437.0
Change in working capital		
KONE Elevators & Escalators	-23.5	-14.9
Kone Cargotec	-13.4	24.9
Others	0.0	6.3
Sale of businesses	-187.4	-24.9
Total	-224.3	-8.6
Depreciation		
KONE Elevators & Escalators	58.1	56.6
Kone Cargotec	31.0	34.4
Others	0.3	17.1
Total	89.4	108.1
Cash flow from operating activities before financial items and taxes		
KONE Elevators & Escalators	290.8	331.3
Kone Cargotec	132.6	136.0
Others	-11.2	69.2
Total	412.2	536.5
Cash flow from financial items and taxes	-156.7	-101.0
Cash flow from operating activities	255.5	435.5
Cash flow from investing activities		
Fixed assets ¹⁾	504.3	283.7
Leasing agreements	-5.2	-6.0
Customer financing	-11.4	-14.2
Total	487.7	263.5
Purchase of own shares	-90.1	0.0
Sale of own shares	150.1	0.0
Increase of share capital	4.8	0.0
Dividends paid	-125.1	-93.7
Change in net debt	682.9	605.3
Net debt in the beginning of period	746.7	1,352.0
Net debt in the end of period	63.8	746.7
Change in net debt	682.9	605.3

¹⁾ Includes sale of businesses

Kone Corporation

KEY FIGURES

		1-12/2004	1-12/2003
Basic earnings per share	€	5.29	4.79
Diluted earnings per share	€	5.25	4.77
Equity per share	€	21.2	17.8
Interest bearing net debt	M€	64	747
Total equity/total assets	%	42.4	29.6
Gearing	%	5	67
Total assets	M€	3,239.9	3,770.7
Assets employed	M€	1,437.7	1,861.5
Return on equity	%	20.3*	27.0
Return on capital employed	%	19.3*	18.3

* excluding sales of businesses

SEGMENT REPORTING

1. BUSINESS SEGMENTS

Sales

M€	1-12/2004	1-12/2003
KONE Elevators & Escalators	2,866.4	2,856.0
Kone Cargotec	1,581.0	1,364.4
Others	0.0	1,190.0
Total	4,447.4	5,410.4

Operating income

M€	1-12/2004	%	1-12/2003	%
KONE Elevators & Escalators	256.2	8.9	289.6	10.1
Kone Cargotec	115.0	7.3	76.7	5.6
Others	-11.5		45.8	
Sale of businesses	187.4		24.9	
Total	547.1	12.3	437.0	8.1

Orders received

M€	1-12/2004	1-12/2003
KONE Elevators & Escalators	2,104.4	2,021.0
Kone Cargotec	1,889.5	1,481.5
Others	0.0	1,055.9
Total	3,993.9	4,558.4

Order book

M€	31/12/2004	31/12/2003
KONE Elevators & Escalators	1,765.1	1,639.6
Kone Cargotec	763.5	473.6
Others	0.0	83.0
Total	2,528.6	2,196.2

Kone Corporation

Capital expenditure in fixed assets

M€	1-12/2004	1-12/2003
KONE Elevators & Escalators	41.9	36.2
Kone Cargotec	21.2	21.9
Others	0.0	24.1
Total	63.1	82.2
as percentage of sales	1.4	1.5

Capital expenditure in leasing agreements

M€	1-12/2004	1-12/2003
KONE Elevators & Escalators	4.7	4.3
Kone Cargotec	1.0	1.7
Others	0.0	0.0
Total	5.7	6.0

Capital expenditure in customer financing

M€	1-12/2004	1-12/2003
KONE Elevators & Escalators	0.0	0.0
Kone Cargotec	18.3	6.9
Others	0.0	7.3
Total	18.3	14.2

Expenditure for R&D

M€	1-12/2004	1-12/2003
KONE Elevators & Escalators	41.0	40.5
Kone Cargotec	25.9	25.1
Others	0.0	22.8
Total	66.9	88.4
as percentage of sales	1.5	1.6

Average number of employees

	1-12/2004	1-12/2003
KONE Corporation	30,787	34,489

Number of employees

	31/12/2004	31/12/2003
KONE Elevators & Escalators	25,154	23,751
Kone Cargotec	6,272	6,377
Others*	88	3,177
Total	31,514	33,305

* The 2004 figure includes KONE Corporation group administration personnel. The figure for 2003 includes personnel from the divested businesses.

2. GEOGRAPHICAL SEGMENTS

SALES

KONE Elevators & Escalators

M€	1-12/2004	%	1-12/2003	%
EMEA*	1,881.6	65	1,859.0	65
Americas	623.7	22	681.7	24
Asia Pacific	361.1	13	315.3	11
Total	2,866.4		2,856.0	

*EMEA=Europe, Middle East, Africa

Kone Cargotec

M€	1-12/2004	%	1-12/2003	%
Europe	851.5	54	732.4	54
North America	428.7	27	394.4	29
Asia Pacific	197.2	12	146.3	11
Others	103.6	7	91.3	6
Total	1,581.0		1,364.4	

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENT

Contingent Liabilities and Pledged Assets

M€	31/12/2004	31/12/2003
Assets pledged to secure loans	1.5	18.6
Pledged assets	11.4	14.7
Guarantees		
Associated companies	18.4	10.1
Others*	35.1	47.7
Leasing liabilities	98.2	112.8
Other contingent liabilities*	0.3	18.5
Total	164.9	222.4

* Guarantees for others include M€7.9 (Dec. 31, 2003 M€11.0) in customer financing arrangements, where the sold machines are 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€	31/12/2004		31/12/2003	
	Nominal value	Fair value	Nominal value	Fair value
Forward contracts	1,070.5	37.5	958.3	41.3
Currency options	86.3	0.2	94.1	0.5
Currency swaps	173.8	6.2	173.8	6.0
Interest rate swaps	120.0	-2.4	140.0	-4.6
Commodity derivatives	2.6	0.0	2.8	0.1
Total	1,453.2	41.5	1,369.0	43.3

Kone Corporation

QUARTERLY FIGURES

KONE Corporation

		Q4/2004	Q3/2004	Q2/2004	Q1/2004	Q4/2003	Q3/2003	Q2/2003	Q1/2003
Orders received	M€	1,030.6	905.8	1,092.1	965.4	1,203.2	1,038.6	1,161.3	1,155.3
Order book	M€	2,528.6	2,669.8	2,677.2	2,456.6	2,196.2	2,405.5	2,432.5	2,392.9
Sales	M€	1,344.9	1,115.6	1,093.5	893.4	1,563.8	1,285.2	1,376.8	1,184.6
Operating income	M€	137.9	100.7	89.5	219.0	150.4	102.9	111.5	72.2
Operating income	%	10.3	9.0	8.2	24.5	9.6	8.0	8.1	6.1
Earnings per share									
basic	€	1.35	0.94	0.89	2.11	1.73	1.16	1.14	0.76
diluted	€	1.34	0.93	0.89	2.09	1.73	1.15	1.13	0.76

KONE Elevators & Escalators

		Q4/2004	Q3/2004	Q2/2004	Q1/2004	Q4/2003	Q3/2003	Q2/2003	Q1/2003
Orders received	M€	559.9	496.4	534.5	513.6	516.3	486.4	515.5	502.8
Order book	M€	1,765.1	1,908.0	1,935.3	1,868.6	1,639.6	1,821.5	1,839.0	1,797.1
Sales	M€	887.6	743.5	684.3	551.0	871.3	699.6	693.6	591.5
Operating income	M€	93.3*	74.8	42.4	30.4	96.3	75.6	70.1	47.6
Operating income	%	10.5*	10.1	6.2	5.5	11.1	10.8	10.1	8.0

* Disregarding 15.3 M€ non-recurring income due to a provision reversal regarding disability pensions

Kone Cargotec

		Q4/2004	Q3/2004	Q2/2004	Q1/2004	Q4/2003	Q3/2003	Q2/2003	Q1/2003
Orders received	M€	470.7	409.4	557.6	451.8	415.6	318.7	356.9	390.3
Order book	M€	763.5	761.8	741.9	588.0	473.6	438.0	431.8	437.5
Sales	M€	457.3	372.1	409.2	342.4	365.4	310.8	360.2	328.0
Operating income	M€	32.2**	26.5	31.4	21.8	20.9	12.8	25.8	17.2
Operating income	%	7.0**	7.1	7.7	6.4	5.7	4.1	7.2	5.2

** Disregarding 3.1 M€ non-recurring income due to a provision reversal regarding disability pensions

SHARES AND SHAREHOLDERS

31 December, 2004	A shares	B shares	Total
Number of shares	9,526,089	54,132,501	63,658,590
Own shares in possession	-	-	-
Share capital, €			63,658,590
Market capitalization, M€			3,634
Number of shares traded, 1-12/2004			46,911,043
Value of shares traded, M€ 1-12/2004			2,340
Number of shareholders	3	11,937	11,937
	Close	High	Low
Class B share price, € 1-12/2004	57.09	59.50	45.01

During the period under review, the price of the KONE class B share rose 25.5 percent.

Kone Corporation

PRO FORMA FIGURES , NEW KONE

Consolidated statement of income (pro forma)

M€	1-12/2004	%	1-12/2003	%
Sales	2,866.4		2,856.0	
Costs and expenses	-2,575.0		-2,519.0	
Depreciation	-58.4		-57.2	
Operating income ¹⁾	233.0	8.1	279.8	9.8
Share of associated companies' income	1.3		1.6	
Financing income and expenses	-2.3		-0.9	
Income before taxes	232.0	8.1	280.5	9.8
Taxes	-68.9		-75.7	
Minority share	-0.1		-1.1	
Net income	163.0	5.7	203.7	7.1

¹⁾ Disregarding 15.3 M€ non-recurring income due to a provision reversal regarding disability pensions.

Kone Corporation

Consolidated balance sheet (pro forma)

Assets		
M€	31.12.2004	31.12.2003
Non-current assets		
Intangible assets	500.1	444.5
Tangible assets	200.6	206.4
Loans receivable and other interest-bearing assets	36.1	35.5
Other non interest-bearing assets	97.7	103.4
Investments	138.6	139.9
Total	973.1	929.7
Current assets		
Inventories	128.6	113.8
Loans receivable and other interest-bearing assets	41.8	40.6
Accounts receivable and other non interest-bearing assets	655.0	587.5
Cash and cash equivalents	255.1	383.1
Total	1,080.5	1,125.0
Total assets	2,053.6	2,054.7
Shareholders' equity and liabilities		
M€	31.12.2004	31.12.2003
Equity	726.5	621.9
Long-term liabilities		
Loans	132.1	213.8
Deferred tax liabilities	10.6	14.6
Pension benefit liabilities and other liabilities	147.2	133.1
Total	289.9	361.5
Provisions	153.5	164.3
Current liabilities		
Loans	132.5	220.8
Accounts payable and other liabilities	751.2	686.2
Total	883.7	907.0
Total shareholders' equity and liabilities	2,053.6	2,054.7

Kone Corporation

Consolidated cash flow (pro forma)

M€	1-12/2004	1-12/2003
Operating income	233.0	279.8
Change in working capital	-7.2	-10.7
Depreciation	58.4	57.2
Cash flow from operating activities before financial items and taxes	284.2	326.3
Cash flow from financial items and taxes	-54.6	-56.1
Cash flow from operating activities	229.6	270.2
Cash flow from investing activities	-125.5	-83.4
Purchase and sales of own shares	60.0	0.0
Share issue	4.8	0.0
Dividends paid	-125.1	-93.7
Change in net debt	43.8	93.1
Net debt in the beginning of period	-24.6	68.5
Net debt in the end of period	-68.4	-24.6
Change in net debt	43.8	93.1

Key figures (pro forma)

		1-12/2004	1-12/2003
Basic earnings per share	€	2.65	3.25
Equity per share	€	11.06	9.60
Interest bearing net debt	M€	-68.4	-24.6
Total equity/total assets	%	35.4	30.3
Gearing	%	-9.4	-4.0
Return on equity	%	24.2	
Return on capital employed	%	22.9	

Kone Corporation

PRO FORMA FIGURES , CARGOTEC

Consolidated statement of income (pro forma)

M€	1-12/2004	%	1-12/2003	%
Sales	1,561.0		1,344.1	
Costs and expenses	-1,427.4		-1,238.7	
Depreciation	-30.6		-33.0	
Operating income ¹⁾	103.0	6.6	72.4	5.4
Share of associated companies' income	3.3		5.2	
Financing income and expenses	-6.7		-9.3	
Income before taxes	99.6	6.4	68.3	5.1
Taxes	-28.6		-18.5	
Minority share	-1.4		-0.9	
Net income	69.6	4.5	48.9	3.6

¹⁾ Disregarding 3.1 M€ non-recurring income due to a provision reversal regarding disability pensions.

Kone Corporation

Consolidated balance sheet (pro forma)

Assets		
M€	31.12.2004	31.12.2003
Non-current assets		
Intangible assets	329.9	330.0
Tangible assets	167.7	170.8
Loans receivable and other interest-bearing assets	0.3	7.6
Other non interest-bearing assets	24.5	22.2
Investments	64.2	52.0
Total	586.6	582.6
Current assets		
Inventories	272.2	225.2
Loans receivable and other interest-bearing assets	0.6	0.6
Accounts receivable and other non interest-bearing assets	345.1	296.5
Cash and cash equivalents	19.7	17.7
Total	637.6	540.0
Total assets	1,224.2	1,122.6
Shareholders' equity and liabilities		
M€	31.12.2004	31.12.2003
Equity	647.4	585.9
Long-term liabilities		
Loans	93.4	184.0
Deferred tax liabilities	11.9	9.9
Pension benefit liabilities and other liabilities	25.5	21.4
Total	130.8	215.3
Provisions	9.0	12.0
Current liabilities		
Loans	59.4	32.7
Accounts payable and other liabilities	377.6	276.7
Total	437.0	309.4
Total shareholders' equity and liabilities	1,224.2	1,122.6

Kone Corporation

Consolidated cash flow (pro forma)		
M€	1-12/2004	1-12/2003
Operating income	103.0	72.4
Change in working capital	-6.5	29.4
Depreciation	30.6	33.0
Cash flow from operating activities before financial items and taxes	127.1	134.8
Cash flow from financial items and taxes	-27.7	-19.4
Cash flow from operating activities	99.4	115.4
Cash flow from investing activities	-40.8	-30.5
Change in net debt	58.6	84.9
Net debt in the beginning of period	190.8	275.7
Net debt in the end of period	132.2	190.8
Change in net debt	58.6	84.9
Key figures (pro forma)		
	1-12/2004	1-12/2003
Basic earnings per share	€ 1.09	0.77
Equity per share	€ 10.10	9.15
Interest bearing net debt	M€ 132.2	190.8
Total equity/total assets	% 52.9	52.2
Gearing	% 20.4	32.6
Return on equity	% 11.5	
Return on capital employed	% 13.4	