

2 May, 2005

New KONE's Pro Forma Review: January – March, 2005, according to the Business and Corporate Structure Prevailing after KONE's Demerger

New KONE Posts Good Sales and Order Growth, Improved Profits before Restructuring Provision

- KONE's elevator and escalator business (New KONE) orders received amounted to MEUR 604.1 (Q1 2004: 518.3), representing 18% growth at comparable exchange rates. The order book at the end of March increased to MEUR 2,023 (end of 2004: 1,796).
- Net sales rose to MEUR 649.3 (557.1). At comparable exchange rates, sales rose 18%.
- Operating income excluding the MEUR 89.2 provision for the development and restructuring program was MEUR 39.0 (27.4), representing 6.0 (4.9) percent of net sales. Pro forma operating income including the MEUR 89.2 provision was MEUR –50.2.
- Cash flow from operations (before financial items and taxes) totaled MEUR 68.8 (69.1).
- Net income amounted to MEUR –39.8 (19.6).
- Net debt increased to MEUR 31.3 (end of 2004: –61.4).
- The end-March total equity/total assets ratio was 32.5% (end of 2004: 35.2%).
- Gearing was 4.6% (end of 2004: -8.4%).
- KONE reiterates its outlook for unchanged operative profitability for the calendar year 2005, disregarding the EUR 89.2 million costs of the development and restructuring program.

KONE Corporation will be demerged on 31 May, 2005 into two corporations, KONE Corporation (new KONE), comprising KONE Corporation's elevator, escalator and automatic building door service operations, and Cargotec Corporation, comprising KONE Corporation's cargo-handling business. The two corporations will be listed on the main list of the Helsinki Stock Exchange on 1 June in accordance with the disclosed demerger plan. In order to facilitate the evaluation of the financial performance and status of New KONE, this pro forma review presents New KONE's January-March 2005 financial results according to the business and corporate structure that will prevail after the demerger. It is based on KONE Corporation's Financial Statements and the elevator operations of recently acquired MacGREGOR Group.

The most significant deviation between KONE Corporation's Financial Statements and New KONE's pro forma figures is due to the allocation of corporate costs to New KONE. The pro forma information also includes the marine elevator operations of MacGREGOR Group, which will be transferred to New KONE.

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Markets, Orders Received and Order Book

In Europe, demand for elevators and escalators showed moderate growth during the first quarter of 2005 compared with the first quarter in 2004. KONE's order intake in Europe rose, with modernizations posting the strongest growth. In North America, demand for new equipment increased, and the pricing environment eased slightly as a result of better demand and the impact of higher labor and material costs. KONE's order intake in North America rose substantially both for new equipment and modernizations. In Asia-Pacific, demand in China and, in particular, India continued to be strong, and KONE's total order intake in the region rose, due mainly to favorable development in India.

Orders received, excluding the value of maintenance contracts, totaled EUR 604.1 (Q1 2004: 518.3) million. At comparable exchange rates, order intake growth was 18 percent.

The order book at the end of March stood at EUR 2,023 (end of 2004: 1,796) million. The pre-calculated margin of the order book is nearly at the same level as at the end of 2004.

In March, KONE won an order to supply all 26 elevators for the 97-floor Trump International Hotel and Tower in Chicago, which will be the second tallest building in the United States, rising to 414.5 meters. Four of the elevators to be delivered will be KONE's fastest in North America with a maximum travel speed of 8.0 m/s. The first stage of Trump Tower, which is the tallest skyscraper to be built in North America in over three decades, will be opened for occupancy in mid-2007.

Sales

Net sales totaled EUR 649.3 (557.1) million. At comparable exchange rates, net sales increased 18 percent. Europe accounted for 66 (67) percent, North America for 22 (22) percent and Asia-Pacific for 12 (11) percent of net sales.

New equipment revenue accounted for EUR 226.8 (161.8) million and service revenue for EUR 422.5 (395.3) million. New equipment sales in the first quarter of 2004 were exceptionally weak due to several project delays. Modernization revenue also showed significant growth. Maintenance revenue growth continued at a steady pace.

Sales by geographical segments MEUR	1-3/2005	%	1-3/2004	%	1-12/2004	%	1-12/2003	%
EMEA*	431.5	66	370.9	67	1,904.0	66	1,880.7	65
Americas	142.9	22	124.3	22	628.9	22	689.3	24
Asia Pacific	74.9	12	61.9	11	361.6	12	320.5	11
Total	649.3		557.1		2,894.5		2,890.5	

* EMEA = Europe, Middle East, Africa

Income, Balance Sheet and Cash Flow

KONE's operating income, excluding the EUR 89.2 million provision for the development and restructuring program described below, was EUR 39.0 (27.4) million, representing 6.0 (4.9) percent of net sales. The increase is mainly due to higher installation volumes in the new equipment business and improvements in the US operations. The profitability of the service

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business remained stable. Operating income, including the EUR 89.2 million provision, was EUR –50.2 million. Net income amounted to EUR –39.8 (19.6) million.

At the end of March, net working capital was negative at EUR –138.8 (end of 2004: –180.0) million. The EUR 89.2 million provision and the related deferred tax assets are not included in net working capital. Net debt amounted to EUR 31.3 (–61.4) million. The total equity/total assets ratio was 32.5 (35.2) percent and gearing was 4.6 (–8.4) percent.

Cash flow from operations (before financial items and taxes) totaled EUR 68.8 (69.1) million.

According to the demerger plan, New KONE will pay KONE Corporation's dividend for the accounting period 1 January, 2004–31 March, 2005. KONE Corporation's board of directors proposes a dividend totaling EUR 127.3 million.

Development and Restructuring Program

In order to improve the productivity of its production lines and the cost-competitiveness of its products, KONE is planning to relocate certain supply functions and concentrate production volumes in cost-effective locations. In addition, KONE will continue concentrating certain competencies globally in order to achieve benefits of scale.

The initiatives in this plan will be implemented in the new equipment business during 2005-2006 and are aimed at returning KONE to double-digit operating profit margin by 2007. In total, the plans affect almost 450 jobs globally in KONE's elevator and escalator business. Some 300 of these positions - located in Hattingen, Germany - are affected by the plan to discontinue escalator manufacturing in Germany. The plan to concentrate production of electrification components in two locations will affect about 95 jobs in Bristol in the UK. The rest of the positions are located in production units in the U.S.A. and Finland and in global KONE functions that are indirectly affected by the initiatives to be taken in the manufacturing functions.

The measures presented in this program target an annual positive impact on operating income of almost EUR 30 million, with much of this effect already being felt in 2006.

The total one-time operating income impact of the program, including lay-offs, canceling of long-term commitments, and write-offs of assets will be close to EUR 90 million.

Capital Expenditure and Product Development

Capital expenditure including new finance lease agreements totaled EUR 13.3 (10.5) million. The expansion of the escalator plant in China came on stream, and then increase in production volumes in the elevator component plant in the Czech Republic, which was inaugurated at the end of 2004, have been carried out according to plan.

Product development expenditures totaled EUR 9.9 (9.5) million or 1.5 (1.7) percent of net sales.

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In 2004, KONE MaxiSpace™ received pan-European approval, and low-volume deliveries for the full replacement market have started. KONE MaxiSpace™, which eliminates the need for counterweights and enables installations of 6- or even 8-passenger elevator where previously only a 4-passenger unit could have been installed, has been well received on the market. Currently KONE is building up the supply chain to enable increased order and installation volumes across Europe in 2006.

Acquisitions

In February 2005, KONE and Giant Elevator Co. Ltd of China agreed to form an independent joint venture: Giant Kone Elevator Company Ltd. KONE will own 40 percent of Giant-Kone, and Giant Elevator will own 60 percent. KONE has an option to increase its shareholding to more than 50 percent. Giant Elevator, with annual sales of EUR 18 million and 1,100 units, a service base of 2,500 elevators, and 620 employees, is one of the largest national elevator companies in China.

In February 2005, KONE also acquired UK Lift Company Ltd., with annual sales of approximately EUR 40 million and 200 employees. The sale of new elevators represents approximately one third, and maintenance and modernization two thirds, of UK Lift's operations. The acquisition particularly strengthens KONE's position in the U.K. retail sector, which accounts for 70 percent of UK Lift's revenue.

In March 2005, KONE acquired a controlling interest in Thai Lift Industries Public Company Limited, which is listed on the Stock Exchange of Thailand, and made a public offer to acquire all its outstanding shares. Thai Lift has represented KONE in Thailand for more than ten years and is a leading elevator company in the Thai market with 2004 net sales of approximately EUR 9.2 million, 2,500 units under maintenance contract and annual installations of more than 400 elevators, a majority of which are KONE products.

Significant Events After the Period Under Review

In April 2005, KONE and Toshiba Elevator and Building Systems Corporation (TELC) agreed to strengthen their alliance by establishing an independent joint-venture company for escalator production in China. KONE will own 70 percent of the new company, and TELC will own 30 percent. The joint venture will be the main source of escalators for both parties and will offer a full range of escalator products based on KONE and TELC designs.

The joint venture will operate two manufacturing facilities, consisting of the current KONE and TELC manufacturing lines in China. Operations are expected to start during the second half of 2005 and reach full-scale operations in the second half of 2006.

Finalization of the agreement will follow approval by the appropriate authorities.

KONE also signed a joint-venture agreement with Russia's premier elevator company, Karacharovo Mechanical Factory (KMZ), which will significantly increase KONE's participation in the rapidly growing Russian elevator and escalator market. KONE will own 40 percent of the new company, KMZ-Kone, and KMZ's current beneficial owner will own 60 percent, with KONE holding an option to increase its shareholding to a majority stake.

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KONE and KMZ have a combined share of more than 35 percent in the Russian new elevator market totaling about 15,000 units per year. KONE is strongly positioned in the high end of the market. KMZ is Russia's largest elevator company and the market leader in the low end of the market with over 5,000 units produced in 2004. Initially, KMZ-Kone's annual sales are expected to exceed EUR 70 million.

KMZ-Kone aims to take advantage of significant maintenance and modernization growth opportunities by combining KONE's worldwide expertise with KMZ's market knowledge and engineering strengths. In addition, immediate plans include identifying and implementing a new production site for a new elevator product line. Execution of the joint-venture agreement will follow approval by the appropriate authorities.

Outlook

KONE reiterates its outlook for unchanged operative profitability for the calendar year 2005, disregarding the EUR 89.2 million costs of the development and restructuring program. No major changes have been made to our expectations in regard to factors that will affect the operating environment during 2005: higher steel and oil prices, price competition and currency rates.

KONE Elevators & Escalators' focus in 2005 is on implementing the necessary changes to enable faster-than-market growth and improving profitability from 2006 onward. One key action is the implementation of the comprehensive development and restructuring program aimed at strengthening the competitiveness of our new equipment business. We have raised our ambition for growth. The key opportunity here is to exploit growth opportunities better in Asia, particularly in China and India, as well as in Russia. Other areas of growth include the machine-room-less elevator, high-rise segments and the market for modernizations.

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NEW KONE PRO FORMA FIGURES JANUARY - MARCH. 2005

Consolidated statement of income

MEUR	1-3/2005	%	1-3/2004	%	1-12/2004*	%	1-12/2003	%
Sales	649.3		557.1		2,894.5		2,890.5	
Costs and expenses	-684.8		-515.6		-2,601.5		-2,550.5	
Depreciation	-14.7		-14.1		-58.4		-57.2	
Operating income	-50.2	-7.7	27.4	4.9	234.6	8.1	282.8	9.8
Share of associated companies' income	0.5		0.5		1.3		1.6	
Financing income and expenses	-2.1		-0.3		-2.7		-1.3	
Income before taxes	-51.8	-8.0	27.6	5.0	233.2	8.1	283.1	9.8
Taxes	11.8		-8.0		-69.2		-76.4	
Minority share	0.2		0.0		-0.1		-1.1	
Net income	-39.8	-6.1	19.6	3.5	163.9	5.7	205.6	7.1

*) Disregarding EUR 15.3 million non-recurring income due to a provision reversal regarding disability pensions.

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Consolidated balance sheet

Assets

MEUR	31.3.2005	31.3.2004	31.12.2004	31.12.2003
Non-current assets				
Intangible assets	514.1	477.5	500.2	442.6
Tangible assets	213.9	195.4	186.8	182.7
Loans receivable and other interest-bearing assets	68.7	50.7	77.1	60.0
Other non interest-bearing assets	126.0	101.9	97.7	103.1
Investments	189.9	149.0	158.4	171.5
Total	1,112.6	974.5	1,020.2	959.9
Current assets				
Inventories	159.7	129.6	130.3	114.3
Loans receivable and other interest-bearing assets	0.5	0.7	0.8	0.5
Accounts receivable and other non interest-bearing assets	714.6	639.5	658.4	652.1
Cash and cash equivalents	112.2	375.8	255.1	388.3
Total	987.0	1,145.6	1,044.6	1,155.2
Total assets	2,099.6	2,120.1	2,064.8	2,115.1

Shareholders' equity and liabilities

MEUR	31.3.2005	31.3.2004	31.12.2004	31.12.2003
Equity	681.8	504.9	726.8	621.3
Non-current assets				
Loans	91.7	328.9	139.1	225.1
Deferred tax liabilities	19.4	7.7	10.6	14.6
Pension benefit liabilities and other liabilities	147.3	132.8	147.2	138.1
Total	258.4	469.4	296.9	377.8
Provisions	216.0	161.1	143.3	148.9
Current liabilities				
Loans	121.0	165.3	132.5	210.1
Accounts payable and other liabilities	822.4	819.4	765.3	757.0
Total	943.4	984.7	897.8	967.1
Total shareholders' equity and liabilities	2,099.6	2,120.1	2,064.8	2,115.1

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Consolidated cash flow

MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003
Operating income	-50.2	27.4	234.6	282.8
Change in working capital	104.3	27.6	-4.0	-14.9
Depreciation	14.7	14.1	58.4	57.2
Cash flow from operations	68.8	69.1	289.0	325.1
Cash flow from financial items and taxes	-62.5	-6.7	-55.3	-56.9
Cash flow from operating activities	6.3	62.4	233.7	268.2
Cash flow from investing activities	-99.4	-10.6	-125.6	-83.4
Purchase and sales of own shares	0.0	-7.3	60.0	0.0
Share issue	0.4	0.0	4.8	0.0
Dividends paid	0.0	-125.1	-125.1	-93.7
Change in net debt	-92.7	-80.6	47.8	91.1
Net debt in the beginning of period	-61.4	-13.6	-13.6	77.5
Net debt in the end of period	31.3	67.0	-61.4	-13.6
Change in net debt	-92.7	-80.6	47.8	91.1

Key figures		1-3/2005	1-3/2004	1-12/2004	1-12/2003
Basic earnings per share	EUR	-0.63	0.31	2.66	3.28
Equity per share	EUR	10.35	7.77	11.06	9.59
Interest bearing net debt	MEUR	31.3	67.0	-61.4	-13.6
Total equity/total assets	%	32.5	23.8	35.2	29.4
Gearing	%	4.6	13.3	-8.4	-2.2
Return on equity	%	neg.	13.9	24.3	-
Return on capital employed	%	neg.	10.8	23.1	-

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Orders received MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003
	604.1	518.3	2,135.8	2,052.3
Order book MEUR	31.3.2005	31.3.2004	31.12.2004	31.12.2003
	2,023.1	1,907.5	1,796.1	1,667.0
Capital expenditure MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003
In fixed assets	9.7	7.8	41.9	36.2
In leasing agreements	3.6	2.7	4.7	4.3
Total	13.3	10.5	46.6	40.5
Expenditure for R&D MEUR	1-3/2005	1-3/2004	1-12/2004	1-12/2003
	9.9	9.5	41.0	40.5
Expenditure for R&D as percentage of sales	1.5	1.7	1.4	1.4
Number of employees	1-3/2005	1-3/2004	1-12/2004	1-12/2003
Average	25,418	23,843	24,315	23,596
In the end of the period	25,672	23,867	25,262	23,771