

23 July, 2002 at 4:30 p.m. Finnish time

KONE Corporation

Interim Report: January-June, 2002

- The value of KONE's orders received for the period under review, exclusive of maintenance contracts, totaled EUR 1,108 million or 2.6% less than during the first half of 2001. Order volume during the second quartile figure was 21% above the corresponding figure for the first three months of 2002.
- Net sales increased by 7.7% to EUR 1,378 million (EUR 1,280 million).
- The value of orders in hand at the end of the period under review was EUR 1,957 million (EUR 2,038 million).
- Net income for the period under review totaled EUR 60.8 million (EUR 44.9 million) and earnings per share stood at EUR 1.04 (EUR 0.77). Operating income increased to EUR 96.6 million (EUR 80.7 million).
- KONE acquired shareholdings in Toshiba and Partek.

Noteworthy Events

During the period under review cooperation between KONE and Toshiba Elevator and Building Systems Corporation continued. KONE participated in a targeted share offering organized by Toshiba. The result is that KONE now owns 19.9% of that company. KONE Corporation has sold 829,580 KONE class B shares that were repurchased on the open market to Toshiba Corporation. The profit from this sale has been entered directly into the balance sheet as shareholders' equity instead of into the statement of income.

In a transaction in June, KONE acquired the State of Finland's 30.2% shareholding in Partek Corporation. The deal was financed by a EUR 106 million targeted share offering to the State of Finland and a EUR 119 million cash payment. Also in June KONE launched a public offer to purchase all outstanding Partek shares. The offer price is EUR 15.30/share, and the offer ends on 16 August, 2002. Partek's figures will be consolidated into KONE's from 1 July, 2002.

Net Sales and Orders

The value of KONE's net sales during the period under review totaled EUR 1,378 million (1 January-30 June, 2001: EUR 1,280 million), which is 7.7% more than during the corresponding period a year earlier. We are aiming for comparable growth during the remainder of the year, which would result in total sales of more than EUR 3,000 million.



The value of orders received during the first six months of 2002 totaled EUR 1,108 million (EUR 1,138 million) or 2.6% less than the figure for the first half of 2001. The total does not include the value of maintenance contracts. During the second quarter of 2002 the value of orders received totaled EUR 608 million while the corresponding figure for the first quarter was EUR 500 million, representing an increase of 21%. Markets in Asia continued to register strong growth during the second quarter of 2002, North American markets revived, and European markets gained in strength. There were no significant changes in price levels.

At the end of the period under review, the value of orders in hand totaled EUR 1,957 million (EUR 2,038 million) compared to EUR 1,881 million at the beginning of 2002. In addition KONE has 500,000 elevators and escalators and 150,000 automatic building doors under maintenance contract.

Financial Result and Financing

KONE's operating income for the period under review totaled EUR 96.6 million (EUR 80.7 million), which represents 7.0% (6.3%) of sales revenue. Income before taxes stood at EUR 98.3 million (EUR 78.2 million).

Net income for the first half of 2002 totaled EUR 60.8 million (EUR 44.9 million), and earnings per share stood at EUR 1.04 (EUR 0.77) when taxes proportional to the amount due for the full year are taken into account. Earnings per share for the whole of 2001 equaled EUR 2.42.

In this report, the impact of KONE's investment in Toshiba Elevator and Building Systems Corporation and Partek Corporation is only apparent in financing expenses in the consolidated statement of income. The acquired shares have been entered into the balance sheet under "other long-term investments".

The company's cash flow from business operations developed according to expectations and totaled EUR 152.8 million (EUR 79.9 million). KONE's interest-bearing net debt at the end of the period under review totaled EUR 113,8 million, compared to the company's positive cash balance of EUR 47.6 million at the end of 2001. Total equity as a share of total assets on 30 June was 39% (32%) and gearing 13% (14%).

Markets and Products

The total value of orders received for the period under review was nearly equal to the figure for the first six months of 2001. Order intake was strong during the second quarter of 2002, increasing by 21% over the comparable figure for the first quarter of the year.

In Europe, orders for new equipment and modernizations grew by approximately 9% during the second trimester of 2002 in comparison with the first. The cumulative value of orders received during the entire six month from January to June fell 5% short of the figure registered during the first half of 2001. Order intake increased in Spain and Italy but experienced a similar decline in Germany and the U.K.



The value of orders booked in North America grew by 30% during April-June, 2002 in comparison with the first three months of the year. For the January-June, 2002 period cumulative order volume still remained 25% below the comparable figure from a year earlier.

Order volume in Asia and Australia increased by 60% during the second quarter. The value of orders received from January through June was 90% higher than during the first half of 2001. Strong growth has been maintained in China and Australia, and a significant project was also booked in Singapore. Demand for elevators based on KONE EcoDisc® technology and marketed by KONE's alliance partner, Toshiba, remained strong in Japan.

Investments and Development Projects

During the period under review, capital expenditure totaled EUR 29.9 million (EUR 23.7 million). The comparable figure for the entire year will be about EUR 50 million.

Capital expenditure in product development totaled EUR 20.0 million (EUR 21.1 million) or 1.5% (1.6%) of sales.

Annual General Meeting and Board of Directors

KONE Corporation's annual general meeting in February ratified the financial statements for 2001, approved the board of director's proposal for the distribution of profit, and discharged the responsible parties for liability for the 2001 financial year. Pekka Herlin was re-elected chairman of the Board for the 2002 financial year, and Antti Herlin, Gerhard Wendt, Iiro Viinanen and Jean-Pierre Chauvarie were re-elected as full Board members. In addition Toshiba Elevator and Building Systems Corporation's president Hiroshi Nishioka was elected to the board for a term beginning 1 April, 2002.

In addition, the annual general meeting approved the board of directors' proposal to authorize the reacquisition of a maximum of 1,007,726 of KONE's own shares, consisting of a maximum of 174,247 class A shares and 833,479 class B shares, while respecting the provisions of the Companies Act regarding the maximum number of own shares to be held by the company.

An extraordinary shareholders' meeting held on 24 May, 2002 approved a three-way split in KONE shares. After the split, there were 10,454,823 class A shares and 50,008,797 class B shares.

A second extraordinary shareholders' meeting on 14 June, 2002 approved a transaction between KONE and the State of Finland involving an increase in KONE share capital by EUR 3,000,000 through the issuance of 3,000,000 new class B shares to be offered for subscription to the State of Finland at EUR 35.33 per share, representing a total price of EUR 105,990,000. The State of Finland paid the subscription price with 6,927,451 Partek Corporation shares at a value of EUR 15.30/share.



Repurchase of KONE shares

During the first six months of 2001 KONE Corporation has purchased 833,479 of its own shares at a total cost of EUR 26,3 million, representing an average share price of EUR 31.54. Shares in the company's possession represent 1.31% of the total number of shares. The shares have been entered as investments in the corporation's balance sheet.

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

Partek

One of KONE's targets is double-digit annual growth. Part of this growth normally comes from acquisitions and part from improved or expanded operations.

When the economy is weak, as it has been for some time now, it is difficult to achieve organic growth. Achieving significant growth through acquisitions has also become harder. Advanced consolidation in the elevator and escalator industry has eliminated most mid-sized equipment suppliers. KONE's acquisitions in recent times have been limited to small, local service companies. We have been acquiring them at a brisk pace, but even at that speed the impact on our company's bottom line is too small.

KONE's financial result has grown significantly in recent years. Our cash flow has been strong and our company became debt free. These two trends motivated KONE to begin looking for opportunities in industries related to our core business.

For us to consider purchasing a company, we decided it had to have sufficient size and market share and supply products that are known around the world. The most important criterion, however, was the possibility to develop the new acquisition through organic growth and acquisitions. From these beginnings was born the decision to acquire Partek. "The acquisition of Partek constitutes a major step for KONE, offering unique opportunities to pursue profitable growth. The combined entity will be a truly global industrial engineering and services company in terms of size and technological leadership," CEO Antti Herlin explained in conjunction with the acquisition.

We believe that KONE and Partek together will form one of the largest Nordic industrial engineering companies. KONE's intention is to acquire Partek's entire shareholding, delist it from the Helsinki Exchanges, and develop its operations separately from KONE's current businesses. Partek will publish its interim report Friday, 26 July, 2002.

Prospects

KONE is continuing to carry out the previously initiated long-term elevator and escalator business development plan. It is still possible to achieve savings in material costs and



installation operations as well as by improving internal processes. Organization-wide efforts to improve maintenance profitability are also continuing.

We have maintained our lead over the competition in products based on new technology, and customer confidence in our service products has been preserved.

Worldwide markets as a whole are not growing at this time, with China being the most significant major-market exception. Nevertheless, KONE strengthened its position during the second quarter of the year. The value of orders received for the whole of 2002 will exceed last year's level.

Targets for the entire year include EUR 3 billion in sales and a profit margin of 8%.

KONE's future business development will be influenced, in addition to elevator, escalator and building door service operations, by the acquisition of Partek. As a consequence of changes in KONE's financial position, financing costs will increase.

Helsinki, 23 July, 2002

KONE Corporation
Board of Directors



KONE Corporation
CONSOLIDATED STATEMENT OF INCOME
(The interim report is unaudited)

MEUR	1-6/2002	%	1-6/2001	%	1-12/2001	%
SALES	1 377.6		1 280.1		2 816.3	
Cost and expenses	(1 238.2)		(1 159.0)		(2 516.1)	
Depreciation	(42.8)		(40.4)		(82.4)	
OPERATING INCOME	96.6	7.0	80.7	6.3	217.8	7.7
Share of associated companies' net income	0.6		0.9		1.3	
Net interest	1.9		(2.9)		(2.8)	
Financing income and expenses	(0.8)		(0.5)		2.4	
INCOME AFTER FINANCING ITEMS	98.3	7.1	78.2	6.1	218.7	7.8
Extraordinary items	0.0		0.0		0.0	
INCOME BEFORE TAXES	98.3	7.1	78.2	6.1	218.7	7.8
Taxes	(37.0)		(33.0)		(76.5)	
Minority share	(0.5)		(0.3)		(1.1)	
NET INCOME	60.8	4.4	44.9	3.5	141.1	5.0

	1-6/2002	1-6/2001	1-12/2001
Orders received, MEUR	1 107.8	1 137.8	2 099.6
Order book, MEUR	1 956.5	2 038.4	1 881.0
Average number of employees	23 290	23 214	22 949
Capital expenditure, MEUR	29.9	23.7	45.7

CONSOLIDATED BALANCE SHEET

MEUR	30.6.2002	30.6.2001	31.12.2001
ASSETS			
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS			
Intangible assets	429.6	442.4	442.9
Tangible assets	192.0	223.5	206.9
Investments	426.3	75.9	71.3
TOTAL	1 047.9	741.8	721.1
CURRENT ASSETS			
Inventories	86.9	157.9	112.0
Receivables	824.0	823.8	821.0
Deposits and cash	403.8	416.8	453.3
ASSETS, TOTAL	2 362.6	2 140.3	2 107.3
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity	924.8	719.4	805.8
Minority shares	1.0	1.4	1.4
Provision for liabilities and charges	177.8	185.6	220.5
Long term debt	373.6	379.3	350.3
Short term debt	885.4	854.6	729.3
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	2 362.6	2 140.3	2 107.3
KEY FIGURES			
Net debt, MEUR	113.8	92.7	(47.6)
Solidity, %	39	32	37
Gearing, %	13	14	Neg.
Earnings/share, EUR	1.04	0.77	2.42
Equity/share, EUR	15	12	13



CONTINGENT LIABILITIES AND PLEDGED ASSETS

MEUR	30.6.2002	30.6.2001	31.12.2001
Assets pledged to secure loans	7.6	1.4	1.4
Pledged assets	20.4	21.4	21.6
Guarantees			
- associated companies	2.1	2.9	2.9
- others	2.3	2.2	2.4
Leasing liabilities	109.9	90.4	117.3
TOTAL, MEUR	142.3	118.3	145.6

DERIVATIVES

MEUR	30.6.2002	30.6.2001	31.12.2001
Forward contracts	351.0	255.0	225.4
Currency options	256.5	57.0	192.8
Currency swaps	153.8	7.7	0.0
TOTAL, MEUR	761.3	319.7	418.2

SALES BY MARKET AREA

	1-6/2002		1-6/2001		1-12/2001	
	MEUR	%	MEUR	%	MEUR	%
Europe	821.8	60	712.8	56	1 608.6	57
North America	416.0	30	397.8	31	866.1	31
Asia-Pacific	125.0	9	132.1	10	290.7	10
Other	14.8	1	37.4	3	50.9	2
TOTAL	1 377.6	100	1 280.1	100	2 816.3	100

ORDERS RECEIVED BY QUARTER

	2002	2001
	MEUR	MEUR
January-March	500.2	606.7
April-June	607.6	531.2
July-September	-	490.7
October-December	-	471.0
TOTAL, MEUR	-	2 099.6



KONE Corporation

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