

8 April, 2004

KONE IFRS Comparative Financial Statements 2003

KONE Corporation reports under the International Financial Reporting Standards (IFRS) as of 1 January, 2004. Prior to IFRS adoption KONE Corporation reported under Finnish Accounting Standards (FAS). Comparative financial statements between FAS and IFRS for 2003 are published with the purpose of providing information on the material transition impact to the consolidated balance sheet and statement of income.

The transition date to IFRS is 1 January, 2003. The statements have been prepared in accordance with the latest versions of IAS/IFRS. In the transition to IFRS, KONE has applied the First-Time Adoption Standard that allows exceptions to some of the specific standards at the time of transition. The most significant exception applied is the use of goodwill values of FAS financial statements in the opening balance sheet of IFRS transition date. The changes between FAS and IFRS balance sheet of the transition date have been reviewed by auditors in major KONE companies. The main changes in accounting principles are set forward in the Note number 23 on the Consolidated Financial Statement in the KONE Corporation Annual Report 2003.

Due to IFRS the amount of total assets and equity will increase in the future. Increase in earnings per share is mainly due to goodwill amortizations being replaced with impairment testing according to IFRS. Goodwill has been tested for impairment and no impairment losses were recognized. Financial leases and customer financing contracts are the main additions to the assets and interest bearing debt in the balance sheet. Defined benefit pension plans will also increase the amount of liabilities.

	IFRS	FAS
	31/12/2003	31/12/2003
Diluted earnings per share, €	4.77	3.10
Total equity/Total assets, %	29.6	30.3
Gearing, %	67	61
Total assets, M€	3,770.7	3,616.9

Further questions on the comparative financial statements are addressed on 21 April, 2004 in connection with the publication of January-March 2004 Interim Report.

Kone Corporation

Sender:

KONE Corporation

Tapio Hakakari
Secretary to the Board of Directors

Aimo Rajahalme
Executive Vice President,
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KONE 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

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IFRS COMPARISON 1-3/2003 AND 1-12/2003

CONSOLIDATED STATEMENT OF INCOME

M€	IFRS		FAS		IFRS		FAS	
	1-3/2003	%	1-3/2003	%	1-12/2003	%	1-12/2003	%
Sales	1,184.6		1,146.7		5,410.4		5,344.4	
Costs and expenses	(1,087.1)		(1,056.7)		(4,890.2)		(4,845.0)	
Depreciation	(27.5)		(20.7)		(108.1)		(80.9)	
Sale of businesses	2.2		0.0		24.9		0.0	
Operating income before goodwill amortization	72.2	6.1	69.3	6.0	437.0	8.1	418.5	7.8
Goodwill amortization	0.0		(20.5)		0.0		(89.1)	
Operating income	72.2	6.1	48.8	4.3	437.0	8.1	329.4	6.2
Share of associated companies' income	(0.1)		0.0		6.7		4.9	
Financing income and expenses	(8.5)		(7.1)		(27.8)		(27.3)	
Income after financing items	63.6	5.4	41.7	3.6	415.9	7.7	307.0	5.7
Extraordinary items	0.0		0.0		0.0		21.6	
Income before taxes	63.6	5.4	41.7	3.6	415.9	7.7	328.6	6.1
Taxes	(15.4)		(15.8)		(113.2)		(109.2)	
Minority share	(0.3)		(0.3)		(2.5)		(2.5)	
Net income	47.9	4.0	25.6	2.2	300.2	5.5	216.9	4.1
Basic earnings per share, €	0.76		0.41		4.79		3.12	
Diluted earnings per share, €	0.76		0.41		4.77		3.10	

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CONSOLIDATED BALANCE SHEET

Assets	IFRS	FAS	IFRS	FAS
M€	31/3/2003	31/3/2003	31/12/2003	31/12/2003
Non-current assets				
Intangible assets	1,041.6	1,023.5	1,026.7	947.0
Tangible assets	483.7	413.1	468.5	401.4
Loans receivable and other non-current assets	205.4	0.0	211.1	0.0
Investments	216.2	227.1	197.0	209.0
Total	1,946.9	1,663.7	1,903.3	1,557.4
Current assets				
Inventories	596.6	576.5	482.4	458.0
Accounts receivable and other current assets	1,012.5	1,230.8	978.0	1,184.5
Cash and cash equivalents	424.9	426.5	407.0	417.0
Total	2,034.0	2,233.8	1,867.4	2,059.5
Total assets	3,980.9	3,897.5	3,770.7	3,616.9
Shareholders' equity and liabilities				
M€	IFRS	FAS	IFRS	FAS
	31/3/2003	31/3/2003	31/12/2003	31/12/2003
Equity	883.8	934.5	1,116.0	1,090.2
Minority shares	0.0	7.6	0.0	24.1
Long-term liabilities				
Loans	890.2	840.5	723.5	683.9
Deferred tax liabilities	24.8	27.1	24.3	24.5
Pension benefit liabilities and other liabilities	177.2	0.0	180.8	0.0
Total	1,092.2	867.6	928.6	708.4
Provisions	172.3	223.9	145.6	195.5
Current liabilities				
Loans	715.6	665.0	504.8	460.8
Accounts payable and other current liabilities	1,117.0	1,198.9	1,075.7	1,137.9
Total	1,832.6	1,863.9	1,580.5	1,598.7
Total shareholders' equity and liabilities	3,980.9	3,897.5	3,770.7	3,616.9

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CONSOLIDATED CASH FLOW

M€	IFRS 1-3/2003	FAS 1-3/2003	IFRS 1-12/2003	FAS 1-12/2003
Operating income before goodwill amortization				
KONE Elevators & Escalators	47.6	47.6	289.6	298.6
Kone Cargotec	17.2	15.4	76.7	74.9
Others	5.2	6.3	45.8	45.0
Sale of businesses	2.2	0.0	24.9	0.0
Total	72.2	69.3	437.0	418.5
Change in working capital				
KONE Elevators & Escalators	(0.3)	2.4	(14.9)	(15.7)
Kone Cargotec	(11.9)	(12.6)	24.9	15.4
Others	(5.8)	(10.9)	6.3	(0.4)
Sale of businesses	(2.2)	0.0	(24.9)	0.0
Total	(20.2)	(21.1)	(8.6)	(0.7)
Depreciation				
KONE Elevators & Escalators	13.7	10.3	56.6	41.6
Kone Cargotec	9.4	6.4	34.4	24.0
Others	4.4	4.0	17.1	15.3
Total	27.5	20.7	108.1	80.9
Cash flow from operating activities before financial items and taxes				
KONE Elevators & Escalators	61.0	60.3	331.3	324.5
Kone Cargotec	14.7	9.2	136.0	114.3
Others	3.8	(0.6)	69.2	59.9
Total	79.5	68.9	536.5	498.7
Cash flow from financial items and taxes	(24.7)	(23.0)	(101.0)	(99.1)
Cash flow from investing activities				
Fixed assets ¹⁾	279.6	279.6	283.7	283.7
Leasing agreements	0.0	0.0	(6.0)	0.0
Customer financing	(7.8)	0.0	(14.2)	0.0
Total	271.8	279.6	263.5	283.7
Dividends paid	(93.7)	(93.7)	(93.7)	(93.7)
Change in net debt	232.9	231.8	605.3	589.6
Net debt in the beginning of period	1,251.5	1,251.5	1,251.5	1,251.5
Increase of net debt due to adopting IFRS	100.5		100.5	
Net debt in the end of period	1,119.1	1,019.7	746.7	661.9
Change in net debt	232.9	231.8	605.3	589.6

¹⁾ Includes sale of businesses

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KEY FIGURES

	IFRS 1-3/2003	FAS 1-3/2003	IFRS 1-12/2003	FAS 1-12/2003
Basic earnings per share, €	0.76	0.41	4.79	3.12
Diluted earnings per share, €	0.76	0.41	4.77	3.10
Equity per share, €	14.1	14.5	17.8	17.0
Interest bearing net debt, M€	1,119	1,020	747	662
Total equity/total assets, %	22.0	23.4	29.6	30.3
Gearing, %	127	112	67	61

SEGMENT REPORTING

1. BUSINESS SEGMENTS

M€	IFRS		FAS		IFRS		FAS	
	1-3/2003	%	1-3/2003	%	1-12/2003	%	1-12/2003	%
Sales								
KONE Elevators & Escalators	591.5		563.1		2,856.0		2,814.1	
Kone Cargotec	328.0		315.5		1,364.4		1,334.8	
Others	265.1		268.1		1,190.0		1,195.5	
Total	1,184.6		1,146.7		5,410.4		5,344.4	

Operating income before goodwill amortization

KONE Elevators & Escalators	47.6	8.0	47.6	8.5	289.6	10.1	298.6	10.6
Kone Cargotec	17.2	5.2	15.4	4.9	76.7	5.6	74.9	5.6
Others	5.2		6.3		45.8		45.0	
Sale of businesses	2.2		0.0		24.9		0.0	
Total	72.2	6.1	69.3	6.0	437.0	8.1	418.5	7.8

M€	IFRS		FAS		IFRS		FAS	
	31/3/2003		31/3/2003		31/12/2003		31/12/2003	
Order book								
KONE Elevators & Escalators	1,797.1		1,890.2		1,639.6		1,746.1	
Kone Cargotec	437.5		367.9		473.6		424.7	
Others	158.3		158.4		145.9		83.0	
Total	2,392.9		2,416.5		2,259.1		2,253.8	

2. GEOGRAPHICAL SEGMENTS

SALES

KONE Corporation M€	IFRS		FAS		IFRS		FAS	
	1-3/2003	%	1-3/2003	%	1-12/2003	%	1-12/2003	%
Europe	762.7	64	761.8	66	3,432.1	64	3,426.0	64
North America	259.0	22	225.1	20	1,147.4	21	1,108.2	21
Asia Pacific	100.3	9	97.2	9	509.2	9	488.5	9
Others	62.6	5	62.6	5	321.7	6	321.7	6
Total	1,184.6		1,146.7		5,410.4		5,344.4	

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KONE Elevators & Escalators M€	IFRS		FAS		IFRS		FAS	
	1-3/2003	%	1-3/2003	%	1-12/2003	%	1-12/2003	%
Europe	382.8	65	376.7	67	1,850.1	65	1,833.6	65
North America	149.7	25	130.5	23	681.7	24	677.1	24
Asia Pasific	57.7	10	54.6	10	315.3	11	294.6	11
Others	1.3	0	1.3	0	8.9	0	8.9	0
Total	591.5		563.1		2,856.0		2,814.2	

Kone Cargotec M€	IFRS		FAS		IFRS		FAS	
	1-3/2003	%	1-3/2003	%	1-12/2003	%	1-12/2003	%
Europe	179.2	55	181.4	57	732.4	54	737.4	55
North America	91.1	28	76.4	24	394.4	29	359.8	27
Asia Pasific	32.8	10	32.8	10	146.3	11	146.3	11
Others	24.9	7	24.9	9	91.3	6	91.3	7
Total	328.0		315.5		1,364.4		1,334.8	

CONTINGENT LIABILITIES AND PLEDGED ASSETS

M€	IFRS	FAS	IFRS	FAS
	31/3/2003	31/3/2003	31/12/2003	31/12/2003
Assets pledged to secure loans				
Group and parent company	24.7	24.7	18.6	18.6
Pledged assets				
Group and parent company	13.9	13.9	14.7	14.7
Guarantees				
Associated companies	4.0	4.0	10.1	10.1
Others ¹⁾	56.9	56.9	47.7	47.7
Leasing liabilities				
Falling due in the next year	28.1	38.5	37.5	45.7
Falling due after one year	61.1	93.2	75.3	105.2
Other contingent liabilities ¹⁾	64.3	110.1	48.4	88.7
Total	253.0	341.3	252.3	330.7

¹⁾ Guarantees for others 31.12.2003 include M€11.0 (Q1 2003: M€13.4) 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€14.0 (Q1 2003: M€28.7). The main change in other contingent liabilities consists of the recognition of repurchase liability of 14.7 % of the shares of associated company Consolis Oy Ab into the balance sheet.

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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 (4)	18.7	80.9
Long-term contracts according to the percentage completion method (5)	3.7	3.5
Deferred tax (6)	(0.8)	(4.1)
Finance leases (7)	(0.1)	(0.1)
Customer finance arrangements (8)	(0.2)	(0.9)
Cash flow hedge (9)	(0.6)	0.7
Employee benefits (10)	0.8	(1.1)
Other IFRS adjustments (12)	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 (1)	(102.1)	(2.1)	0.0
Reserve for own shares (2)	(26.3)	(26.3)	(26.3)
Minority shares (3)	20.1	7.6	24.1
Goodwill amortization (4)		18.7	80.9
Long-term contracts according to the percentage completion method (5)	(1.2)	2.5	2.4
Deferred tax (6)	36.4	36.1	31.8
Finance leases (7)	(1.5)	(1.2)	(1.4)
Customer finance arrangements (8)	(9.2)	(9.3)	(8.8)
Cash flow hedge (9)	8.1	14.3	13.3
Employee benefits (10)	(74.4)	(71.2)	(71.5)
Cancellation of revaluations (11)	(13.9)	(13.9)	(13.9)
Other IFRS adjustments (12)	(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

Additional information

- 1) Capital loans are classified as liabilities in IFRS balance sheet.
- 2) Own shares held by the parent company are not included in assets or in equity.
- 3) Minority shares are included in equity.
- 4) Goodwill is not amortized but impairment tested. The amount of goodwill amortizations in reconciliation calculations is different from the amount of goodwill amortizations in FAS consolidated statement of income due to the reclassification of items previously included in goodwill as intangible assets in IFRS balance sheet.
- 5) Percentage of completion revenue recognition method is applied to long term projects.
- 6) Deferred tax includes the impact from several IFRS-adjustments. Deferred tax assets are included in the balance sheet in loans receivable and other non-current assets.
- 7) Leasing agreements have been classified as financial leases.
- 8) Customer finance arrangements, e.g. sale and lease-back agreements, and customer finance commitments have been classified in compliance with IAS 17 (Leases), IAS 18 (Revenue) and IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).
- 9) The fair value of cash flow hedging derivatives is included in the balance sheet and the changes in the fair values in cash flow hedge reserve in equity.
- 10) Defined benefit plans in various KONE companies. The disability element of Finnish pension scheme (TEL) is calculated as a defined benefit plan in Finnish Group companies. All cumulative actuarial gains and losses are recognized in the balance sheet of the IFRS transition date.
- 11) Revaluations on land and buildings according to FAS have been cancelled.
- 12) The main item in other IFRS-adjustments consists of share repurchase commitment of associated company Consolis Oy Ab. This commitment has been transferred from contingent liabilities to balance sheet.

Other additional information

Research and development cost and development cost on information technology are expensed as incurred. Extraordinary items according to FAS are presented in IFRS statement of income above Operating income.