

20 July, 2004

KONE Interim Report: January – June, 2004, IFRS

- * Consolidated order intake amounted to MEUR 2,058 (Jan.-June, 2003: 2,317^{*}). KONE Elevators & Escalators accounted for MEUR 1,048 (1,018) of the total, representing six percent growth at comparable exchange rates. The value of Kone Cargotec's order intake was MEUR 1,009 (747), reflecting growth of 40 percent at comparable exchange rates.
- * Consolidated net sales totaled MEUR 1,987 (2,561^{*}). Elevators & Escalators' net sales decreased to MEUR 1,235 (1,285), which at comparable exchange rates represents unchanged sales. Kone Cargotec's sales were MEUR 751.6 (688.2), reflecting growth of 13 percent at comparable exchange rates.
- * Consolidated operating income was MEUR 308.5 (183.7^{*}). In Elevators & Escalators operating income was MEUR 72.8 (117.7), representing 5.9 (9.2) percent of net sales. Kone Cargotec's operating income was MEUR 53.2 (43.0), equal to 7.1 (6.2) percent of net sales. Unallocated costs totaled MEUR 5.3 (7.0). In addition to the capital gain from the sale of the Tractors business reported in the first quarter, first half consolidated operating income includes capital gains from the sale of non-core assets and adjustments to the transaction prices on finalized divestment. The capital gains total EUR 188.5 million, of which EUR 19 million in the second quarter.
- * Consolidated cash flow from operating activities before financial items and taxes decreased to MEUR 153.6 (206.4^{*}). Elevators & Escalators accounted for MEUR 96.2 (129.8) and Kone Cargotec for MEUR 63.1 (53.0).
- * Net income amounted to MEUR 187.0 (118.8).
- * Diluted earnings per share were EUR 2.98 (1.89).
- * KONE Elevators & Escalators is anticipating full-year net sales approaching EUR 2.9 billion and operating income of approximately MEUR 250. Kone Cargotec's 2004 net sales are expected to rise to EUR 1.5 billion and operating income to be close to MEUR 100.

KONE changed over to the International Financial Reporting Standards (IFRS) effective 1 January, 2004. The comparison figures for year 2003 have been adjusted to reflect IFRS practices. For further information regarding the impact of the transition from Finnish Accounting Standards (FAS) to IFRS, please refer to KONE's 8 April, 2004 and 18 June, 2004 announcements.

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

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CEO and chairman of the board Antti Herlin in Conjunction with the Interim Report:

“During the second quarter of 2004 the development of KONE’s businesses did not deviate substantially from the first quarter. Kone Cargotec benefited from improved demand, while KONE Elevators & Escalators still encountered weak markets.

“The financial result in KONE Elevators & Escalators was disappointing, mainly due to the new equipment business. We were not able to make up for the poor first quarter in the second quarter. This means that the division’s full-year profits will fall short of last year. However, profits are anticipated to increase clearly in the second half of the year. We have identified the areas we need to focus on, and actions to improve profitability are underway.

“Kone Cargotec benefited from the restructuring measures and better market demand. Order intake surpassed expectations as Kalmar and Hiab won extraordinarily large and long-term orders. Kone Cargotec’s full-year profit will improve considerably compared to year 2003.

“The first half financial result does not substantially change KONE Corporation’s outlook for year 2004. Kone Cargotec’s better than expected financial result and improved full-year outlook combined with the capital gains recorded in the second quarter offset KONE Elevators & Escalators’ lower first half profit.

“Our solid balance sheet allows us to take further steps in developing the business of both divisions.”

Sender:

KONE Corporation

Aimo Rajahalme
Executive Vice President,
Finance and Information Services

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

www.konecorp.com

Discontinued Operations and Changes in Group Structure

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

- * Forest Machines business in 2003
- * Tractors business, which was finalized on 5 January, 2004
- * Oy Sisu Auto Ab and discontinued non-core businesses

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

KONE's operating income totaled EUR 308.5 (Jan.-June, 2003: 183.7) million, representing 15.5 (7.2) percent of net sales. KONE Elevators & Escalators accounted for EUR 72.8 (117.7) million and Kone Cargotec for EUR 53.2 (43.0) million. Unallocated costs were EUR 5.3 (7.0) million. In addition to the capital gain from the sale of the Tractors business reported in the first quarter, first half consolidated operating income includes capital gains from the sale of non-core assets and adjustments to the transaction prices on finalized divestment. The capital gains total EUR 188.5 million, of which EUR 19 million in the second quarter.

Net income totaled EUR 187.0 (118.8) million when taxes proportionate to the amount estimated for the full year are taken into account. Diluted earnings per share equaled EUR 2.98 (1.89).

Cash flow from operating activities (before financial items and taxes at the corporate level) totaled EUR 153.6 (206.4) million. Consolidated cash flow from operating activities was EUR 73.6 (155.0) million. Net cash flow from investing activities, including acquisitions and divestments, totaled EUR 559.3 (243.8) million.

KONE's net debt at the end of the period was EUR 326.0 (end of 2003: 746.7) million. Total equity as a share of total assets was 32.9 (end of 2003: 29.6) percent. Gearing was 30 (end of 2003: 67) percent.

Total assets amounted to EUR 3,306 (end of 2003: 3,771) million, and assets employed totaled EUR 1,412 (31.12.2003: 1,862) million.

KONE had 30,985 (end of 2003: 33,305) employees at the end of June, 2004. The decrease is mainly due to the divestment of the Tractors business and Sisu Auto. The average number of employees during January-June was 30,517.

KONE Elevators & Escalators

Market Review

In Europe, demand for new elevators and escalators continued to suffer as a consequence of sluggish construction activity, resulting in further pressure on prices. Demand declined in Germany, Italy and the U.K. Demand in France, Belgium and the Scandinavian countries rebounded from the low levels of 2003. Residential and public construction activity somewhat offset weakness in the office-building sector.

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In North America, where new equipment markets have contracted for the past three years, low demand for new equipment continued to keep prices depressed.

In Asia-Pacific, demand continued to increase as a result of growth in China, where the price level remained stable. The Australian market, however, is cooling off as anticipated.

Solid growth in elevator and escalator maintenance was accompanied by somewhat increased price pressure. Demand for modernizations rose, but not quite at the pace expected after the increase in demand during the latter part of 2003.

Orders Received, Order Book and Sales

Orders received, excluding the value of maintenance contracts, totaled EUR 1,048 (Jan.-June, 2003: 1,018) million. At comparable exchange rates, order intake growth was six percent.

In Europe, KONE surpassed last year's order intake level. In North America and Asia-Pacific, order intake in the first half of the year fell somewhat short of last year's levels.

At the end of June, 2004 the order book amounted to EUR 1,935 (end of 2003: 1,640) million. The average margin for entries in the order book is approximately at last year's level.

Net sales totaled EUR 1,235 (1,285) million. At comparable exchange rates, net sales were flat. Europe accounted for 66 (67) percent, North America for 22 (23) percent and Asia-Pacific for 12 (10) percent of net sales.

Revenue from new equipment sales was EUR 413.7 (492.4) million. Service revenue totaled EUR 821.6 (792.7) million, including door service revenue of EUR 75.0 (62.8) million. The number of elevators and escalators under service contract increased to 530,000. At comparable exchange rates, service revenue growth exceeded five percent, and door service revenue growth was in line with the full-year target of 20 percent.

The value of second-quarter new equipment deliveries increased over the comparable first-quarter figure but did not reach the level achieved in the second quarter of 2003. As in 2003, the completion of deliveries is expected to accelerate towards the end of the year.

Maintenance revenue increased in all regions. Modernization sales revenues improved but not as rapidly as anticipated. Modernization sales are expected to accelerate towards the end of the year, following the same trend as in new equipment installations.

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Sales by market area, M€

	1-6/2004	1-6/2003	4-6/2004	4-6/2003	1-12/2003
Europe	805.1	853.0	440.3	470.2	1,850.1
North America	274.0	301.2	151.0	151.5	681.7
Asia Pacific	152.5	128.0	90.6	70.3	315.3
Others	3.7	2.9	2.4	1.6	8.9
Total	1,235.3	1,285.1	684.3	693.6	2,856.0

Profitability

KONE Elevators and Escalators' operating income was EUR 72.8 (117.7) million, representing 5.9 (9.2) percent of net sales. Profitability in the service business was stable but fell sharply in the new equipment business.

Service business profit levels remained stable despite price pressure. KONE has continuously raised the efficiency of its maintenance business by increasing the density of the location of equipment under service contract through targeted organic growth and acquisitions. By applying KONE's processes and business models in the acquired companies, synergy benefits have been achieved. Strong efforts are underway to harmonize and improve maintenance and modernization processes in order to secure future profitability improvement in the service business. A major share of the increase in R&D investment is allocated to strengthening the service offering.

In the weak market environment, the profitability of the new elevators and escalators business fell clearly as lower volumes in manufacturing and installation reduced productivity.

KONE has actively raised its market share in major projects and the infrastructure sector, and has won numerous prestigious reference projects around the world in the past two years. A few of the now completed projects experienced cost overruns. These overruns were more substantial than was expected in the first quarter and significantly impacted profitability.

Escalator business profitability decreased due to depressed prices and volumes. The expansion of the escalator plant in Kunshan, China to the serve the strong Chinese market, other Asian markets and Europe more competitively is progressing as planned, and production is scheduled to start by the end of 2004.

In the U.S.A., several projects have been underway to improve efficiency in both the new equipment and service businesses. New top management was appointed in the second quarter to accelerate the implementation of actions, which have lagged behind targets.

KONE is aggressively continuing to acquire elevator, escalator and door service companies. As planned, 2004 is a year of significant investment in marketing, R&D, information systems and two production facilities. These efforts will ensure possibilities to improve the efficiency of operations and future profitability. They are, however, temporarily causing additional costs and lower profitability.

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Net working capital and cash flow

At the end of June, 2004, net working capital allocated to KONE Elevators & Escalators was negative, standing at EUR –154.0 (end of 2003: –159.0) million. Tangible fixed assets amounted to EUR 194.2 (181.9) million.

Cash flow from operating activities before financial items and taxes totaled EUR 96.2 (129.8) million.

Capital Expenditure and Product Development

Capital expenditure, including financial leases, totaled EUR 16.9 (20.1) million. Construction of the elevator component plant in the Czech Republic started, and the expansion of the escalator plant in China is underway. The investments will amount to less than EUR 20 million. Both facilities are expected to start operations by the end of the year.

KONE Elevators & Escalators' product development expenditures totaled EUR 20.5 (19.9) million, equal to 1.7 (1.7) percent of net sales.

In June, KONE announced the launch of pocket PC-phone field terminals. KONE service personnel in 17 countries will begin using 11,000 of these units over the next two years. KONE is the first elevator and escalator company to implement a global field mobility initiative of this proportion. The field terminals will enable service personnel to send and receive information about their assignments, installations and customer requirements directly to and from the work site.

The launch of products based on KONE's new MaxiSpace? technology platform progressed according to plan, and the first orders were received during the second quarter. MaxiSpace? elevators eliminate the need for counterweights and can therefore have cabins as much as one-third larger than traditional elevators designed for the same shaft 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

During the first half of 2004, KONE acquired more than 20 companies in the elevator, escalator and automatic door service business. Most companies operate in Europe and have annual sales of EUR 1-5 million, but significant acquisitions were also made in Asia. KONE's door service business in North America and Australia expanded mainly through acquisitions, significantly improving its foothold on these two continents.

In April, 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. The agreement includes a licensing arrangement enabling KONE to supply high-speed double-deck elevators, consisting of two elevator cars in the same shaft. This enables KONE to respond to customers' space-saving and capacity requirements in high-rise markets, where double-deck elevators are expected to gain popularity during the next decade. The

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Alliance partners have also agreed to exploit, on a case-by-case basis, the potential for collaboration in competing for and carrying out mega-projects around the globe.

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. The alliance will particularly strengthen KONE's door business in the replacement and spare parts sectors and it offers an outstanding platform for the successful management of major projects such as airports. The cooperation was launched in Germany and Finland and will be successively expanded into other markets.

European Commission Investigation

On 28 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 an internal audit, KONE identified certain local anticompetitive practices in Belgium, Luxembourg and Germany but has not found evidence or indications of any European-wide anticompetitive practices.

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

Kone Cargotec

Market Review

Demand for container-handling equipment and services continued to accelerate during the second quarter of 2004, supported by strong container traffic growth. Kalmar's markets improved in all regions and product lines.

The markets for on-road cargo-handling solutions also showed strong growth. The increase in demand for Hiab's products was strongest in North America. The market improved across the entire product range.

Orders Received, Order Book and Sales

Kone Cargotec's order intake increased clearly in both Kalmar and Hiab and amounted to EUR 1,009 (747.2) million. At comparable exchange rates, order intake rose 40 percent. This extraordinarily high order intake level is not expected to continue in the second half of the year.

Kalmar achieved record-high order intake, with all segments except Rough Terrain Container Handlers - where the current multi-year order from the U.S. Army has been winding down this year - showing strong improvement. In addition to increasing order intake in its strongest product groups (reachstackers, straddle carriers and terminal tractors), Kalmar secured several extraordinarily large orders for ship-to-shore (STS) cranes, making Kalmar the European leader in this product segment too. Kalmar's order book now includes 28 STS cranes, of which six are scheduled for delivery during 2004 and 22 are to be completed in 2005.

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Order intake in Hiab increased clearly in all product lines as a result of improved demand. The order book includes large orders for demountables from the defense forces of the Netherlands and the fire brigade of the U.K., which will be delivered mainly in 2005 with some units to be handed over already towards the end of 2004.

Orders, Kone Cargotec, M€

	1-6/2004	1-6/2003	4-6/2004	4-6/2003	1-12/2003
Kalmar	594.7	406.2	343.7	192.5	834.9
Hiab	416.2	346.5	214.7	166.6	653.2
Internal orders	-1.5	-5.5	-0.8	-2.2	-6.6
Kone Cargotec	1,009.4	747.2	557.6	356.9	1,481.5
Other	0.0	551.1	0.0	288.9	1,055.9
Total	1,009.4	1,298.3	557.6	645.8	2,537.4

Kone Cargotec's order book at the end of June totaled EUR 741.9 (end of 2003: 473.6) million, of which Kalmar accounted for EUR 536.7 (end of 2003: 359.7) million and Hiab for EUR 205.5 (114.2) million. Because the current order book includes the above-mentioned orders with longer-than-average delivery times, sales growth during the second half of 2004 will not be as strong as order intake growth has been.

Net sales amounted to EUR 751.6 (688.2) million. At comparable exchange rates, sales rose 13 percent. Production capacity was increased during the second quarter to ensure targeted delivery times. In Hiab, the desired capacity was achieved towards the end of the period under review.

Sales, Kone Cargotec, M€

	1-6/2004	1-6/2003	4-6/2004	4-6/2003	1-12/2003
Kalmar	414.8	375.0	226.7	197.0	749.2
Hiab	338.3	319.4	183.3	166.3	622.4
Internal sales	-1.5	-6.2	-0.8	-3.1	-7.2
Kone Cargotec	751.6	688.2	409.2	360.2	1,364.4
Other	0.0	588.1	0.0	323.0	1,190.0
Total	751.6	1 276.3	409.2	683.2	2,554.4

Profitability

Operating income rose clearly to EUR 53.2 (43.0) million, which is 7.1 (6.2) percent of net sales. Restructuring of production in Kone Cargotec and increased volumes in 2004 were the main drivers of profitability improvement.

Kone Cargotec could benefit from improved market demand as a result of its strong market position and renewed product portfolio.

Net working capital and cash flow

At the end of June, Kone Cargotec's net working capital was EUR 205.1 (end of 2003: 199.4) million. The value of tangible fixed assets was EUR 171.0 (end of 2003: 172.6) million.

Cash flow from operating activities before financial items and taxes was EUR 63.1 (53.0) million.

Capital Expenditure and Product Development

Capital expenditure, including financial leases, amounted to EUR 8.4 (7.7) million, and customer financing totaled EUR 8.1 (5.7) million.

Research and development expenditure was EUR 13.4 (13.7) million, which is 1.8 (2.0) percent of net sales.

KONE Annual General Meeting 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 and Masayuki Shimono were elected as new members of the Board.

The Board of Directors' proposal that the AGM authorize the Board of Directors to repurchase KONE's own shares with assets distributable as profit was approved. The number of shares to be repurchased shall not exceed 3,173,180 shares (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.

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.

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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 lasts from 2 January to 30 November.

The A option rights were listed on the Helsinki Stock Exchange on 1 April, 2004. As of 30 June, 2004, 124,050 class B shares have been subscribed to with the option rights, raising KONE's share capital to EUR 63,587,670.00, and the number of class B shares to 54,061,581.

Repurchase 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. At the end of the first quarter, KONE had 2,696,876 class B shares in its possession, which equals the maximum number of shares that can be held by the company according to the Companies Act.

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

Outlook For 2004

KONE Elevators & Escalators anticipates 2004 net sales to approach EUR 2.9 billion and order intake to total EUR 2 billion. Operating income is expected to total approximately EUR 250 million.

Kone Cargotec's 2004 net sales are expected to rise to EUR 1.5 billion and order intake to EUR 1.7 billion. Operating income is expected to be close to EUR 100 million.

Net debt will total approximately EUR 300 million at the end of year 2004, disregarding any major acquisition. Gearing will decrease to nearly 25 percent. The total equity/total assets ratio will reach 35 percent.

Helsinki, 20 July, 2004

KONE Corporation, Board of Directors

Unaudited

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KONE INTERIM REPORT: JANUARY – JUNE, 2004, IFRS

CONSOLIDATED STATEMENT OF INCOME

M€	1-6/2004	%	1-6/2003	%	1-12/2003	%
Sales	1,986.9		2,561.4		5,410.4	
Costs and expenses	-1,822.5		-2,324.6		-4,890.2	
Depreciation	-44.4		-55.3		-108.1	
Sale of businesses	188.5		2.2		24.9	
Operating income	308.5	15.5	183.7	7.2	437.0	8.1
Share of associated companies' income	1.9		1.9		6.7	
Financing income and expenses	-4.5		-18.4		-27.8	
Income before taxes	305.9	15.4	167.2	6.5	415.9	7.7
Taxes	-118.2		-47.4		-113.2	
Minority share	-0.7		-1.0		-2.5	
Net income	187.0	9.4	118.8	4.6	300.2	5.5

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

Basic earnings per share	€	3.07	1.90	4.79
Diluted earnings per share	€	2.98	1.89	4.77

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CONSOLIDATED BALANCE SHEET

Assets			
M€	30/6/2004	30/6/2003	31/12/2003
Non-current assets			
Intangible assets	835.0	1,041.0	1,026.7
Tangible assets	367.4	470.8	468.5
Loans receivable and other non-current assets	176.6	213.0	211.1
Investments	201.0	199.8	197.0
Total	1,580.0	1,924.6	1,903.3
Current assets			
Inventories	390.7	576.9	482.4
Accounts receivable and other current assets	982.9	1,054.7	978.0
Cash and cash equivalents	352.3	435.1	407.0
Total	1,725.9	2,066.7	1,867.4
Total assets	3,305.9	3,991.3	3,770.7
Shareholders' equity and liabilities			
M€	30/6/2004	30/6/2003	31/12/2003
Equity	1,086.5	940.9	1,114.8
Long-term liabilities			
Loans	406.0	913.5	723.5
Deferred tax liabilities	13.0	30.5	25.5
Pension benefit liabilities and other liabilities	190.0	179.3	180.8
Total	609.0	1,123.3	929.8
Provisions	169.9	177.8	167.3
Current liabilities			
Loans	346.9	643.5	504.8
Accounts payable and other current liabilities	1,093.6	1,105.8	1,054.0
Total	1,440.5	1,749.3	1,558.8
Total shareholders' equity and liabilities	3,305.9	3,991.3	3,770.7

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RECONCILIATION OF EQUITY

M€	Share capital	Share premium account	Fair value and other reserves	Translation difference	Retained earnings	Minority shares	Net income for the period	Total
01/01/2004	63.5	219.6	15.4	-37.7	829.9	24.1		1,114.8
Increase of share capital	0.1	2.9						3.0
Dividends paid					-125.1			-125.1
Cash flow hedge			-7.6					-7.6
Change of translation difference				5.0				5.0
Change of minority shares						-0.5		-0.5
Purchase of own shares					-90.1			-90.1
Net income for the period							187.0	187.0
30/6/2004	63.6	222.5	7.8	-32.7	614.7	23.6	187.0	1,086.5

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			3.2					3.2
Change of translation difference				-15.3				-15.3
Change of minority shares						-11.9		-11.9
Net income for the period							118.8	118.8
30/6/2003	63.5	219.6	16.4	-15.3	529.7	8.2	118.8	940.9

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RECONCILIATION OF NET INCOME

M€	1-6/2003	1-12/2003
Net income according to FAS	72.1	216.9
Effects of adopting IFRS:		
Goodwill amortization	38.0	80.9
Long-term contracts according to the percentage completion method	8.1	3.5
Deferred tax	0.0	-4.1
Finance leases	-0.1	-0.1
Customer finance arrangements	-0.5	-0.9
Cash flow hedge	-0.7	0.7
Employee benefits	0.4	-1.1
Other IFRS adjustments	1.5	4.4
Total IFRS restatement	46.7	83.3
Net income according to IFRS	118.8	300.2

RECONCILIATION OF EQUITY

M€	31/12/2002	30/6/2003	31/12/2003
Equity according to FAS	1,109.3	973.0	1,090.2
Effects of adopting IFRS:			
Capital loans	-102.1	-2.1	0.0
Reserve for own shares	-26.3	-26.3	-26.3
Minority shares	20.1	8.2	24.1
Goodwill amortization		38.0	80.9
Long-term contracts according to the percentage completion method	-1.2	7.0	2.4
Deferred tax	36.4	36.1	31.8
Finance leases	-1.5	-1.5	-1.4
Customer finance arrangements	-9.2	-9.6	-8.8
Cash flow hedge	8.1	10.6	12.1
Employee benefits	-74.4	-72.0	-71.5
Cancellation of revaluations	-13.9	-13.9	-13.9
Other IFRS adjustments	-5.5	-6.6	-4.8
Total IFRS restatement	-169.5	-32.1	24.6
Equity according to IFRS	939.8	940.9	1,114.8

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CONSOLIDATED CASH FLOW

M€	1-6/2004	1-6/2003	1-12/2003
Operating income			
KONE Elevators & Escalators	72.8	117.7	289.6
Kone Cargotec	53.2	43.0	76.7
Others	-6.0	20.8	45.8
Sale of businesses	188.5	2.2	24.9
Total	308.5	183.7	437.0
Change in working capital			
KONE Elevators & Escalators	-5.0	-16.3	-14.9
Kone Cargotec	-5.8	-8.2	24.9
Others	0.0	-5.9	6.3
Sale of businesses	-188.5	-2.2	-24.9
Total	-199.3	-32.6	-8.6
Depreciation			
KONE Elevators & Escalators	28.4	28.4	56.6
Kone Cargotec	15.7	18.2	34.4
Others	0.3	8.7	17.1
Total	44.4	55.3	108.1
Cash flow from operating activities before financial items and taxes			
KONE Elevators & Escalators	96.2	129.8	331.3
Kone Cargotec	63.1	53.0	136.0
Others	-5.7	23.6	69.2
Total	153.6	206.4	536.5
Cash flow from financial items and taxes	-80.0	-51.4	-101.0
Cash flow from operating activities	73.6	155.0	435.5
Cash flow from investing activities			
Fixed assets ¹⁾	567.0	256.2	283.7
Leasing agreements	-2.9	-1.8	-6.0
Customer financing	-4.8	-10.6	-14.2
Total	559.3	243.8	263.5
Purchase of own shares	-90.1	0.0	0.0
Increase of share capital	3.0	0.0	0.0
Dividends paid	-125.1	-93.7	-93.7
Change in net debt	420.7	305.1	605.3
Net debt in the beginning of period	746.7	1,352.0	1,352.0
Net debt in the end of period	326.0	1,046.9	746.7
Change in net debt	420.7	305.1	605.3

¹⁾ Includes sale of businesses

Kone Corporation

KEY FIGURES

		1-6/2004	1-6/2003	1-12/2003
Basic earnings per share	€	3.07	1.90	4.79
Diluted earnings per share	€	2.98	1.89	4.77
Equity per share	€	17.5	14.9	17.8
Interest bearing net debt	M€	326	1,047	747
Total equity/total assets	%	32.9	23.6	29.6
Gearing	%	30	111	67
Total assets	M€	3,305.9	3,991.3	3,770.7
Assets employed	M€	1,412.4	1,987.9	1,861.5

SEGMENT REPORTING

1. BUSINESS SEGMENTS

Sales

M€	1-6/2004	1-6/2003	1-12/2003
KONE Elevators & Escalators	1,235.3	1,285.1	2,856.0
Kone Cargotec	751.6	688.2	1,364.4
Others	0.0	588.1	1,190.0
Total	1,986.9	2,561.4	5,410.4

Operating income

M€	1-6/2004	%	1-6/2003	%	1-12/2003	%
KONE Elevators & Escalators	72.8	5.9	117.7	9.2	289.6	10.1
Kone Cargotec	53.2	7.1	43.0	6.2	76.7	5.6
Others	-6.0		20.8		45.8	
Sale of businesses	188.5		2.2		24.9	
Total	308.5	15.5	183.7	7.2	437.0	8.1

Orders received

M€	1-6/2004	1-6/2003	1-12/2003
KONE Elevators & Escalators	1,048.1	1,018.3	2,021.0
Kone Cargotec	1,009.4	747.2	1,481.5
Others	0.0	551.1	1,055.9
Total	2,057.5	2,316.6	4,558.4

Order book

M€	30/6/2004	30/6/2003	31/12/2003
KONE Elevators & Escalators	1,935.3	1,839.0	1,639.6
Kone Cargotec	741.9	431.8	473.6
Others	0.0	161.7	83.0
Total	2,677.2	2,432.5	2,196.2

Kone Corporation

Capital expenditure in fixed assets

M€	1-6/2004	1-6/2003	1-12/2003
KONE Elevators & Escalators	14.2	18.3	36.2
Kone Cargotec	7.8	7.7	21.9
Others	0.0	5.5	24.1
Total	22.0	31.5	82.2
as percentage of sales	1.1	1.2	1.5

Capital expenditure in leasing agreements

M€	1-6/2004	1-6/2003	1-12/2003
KONE Elevators & Escalators	2.7	1.8	4.3
Kone Cargotec	0.6	0.0	1.7
Others	0.0	0.0	0.0
Total	3.3	1.8	6.0

Capital expenditure in customer financing

M€	1-6/2004	1-6/2003	1-12/2003
KONE Elevators & Escalators	0.0	0.0	0.0
Kone Cargotec	8.1	5.7	6.9
Others	0.0	4.9	7.3
Total	8.1	10.6	14.2

Expenditure for R&D

M€	1-6/2004	1-6/2003	1-12/2003
KONE Elevators & Escalators	20.5	19.9	40.5
Kone Cargotec	13.4	13.7	25.1
Others	0.0	11.2	22.8
Total	33.9	44.8	88.4
as percentage of sales	1.7	1.7	1.6

Average number of employees

	1-6/2004	1-6/2003	1-12/2003
KONE Corporation	30,517	34,495	34,489

Number of employees

	30/6/2004	30/6/2003	31/12/2003
KONE Elevators & Escalators	24,339	23,613	23,751
Kone Cargotec	6,646	6,803	6,377
Others	0	4,319	3,177
Total	30,985	34,735	33,305

Kone Corporation

2. GEOGRAPHICAL SEGMENTS

SALES

KONE Corporation

M€	1-6/2004	%	1-6/2003	%	1-12/2003	%
Europe	1,203.5	61	1,670.2	65	3,432.1	64
North America	488.7	25	531.3	21	1,147.4	21
Asia Pacific	245.0	12	220.9	9	509.2	9
Others	49.7	2	139.0	5	321.7	6
Total	1,986.9		2,561.4		5,410.4	

KONE Elevators & Escalators

M€	1-6/2004	%	1-6/2003	%	1-12/2003	%
Europe	805.1	66	853.0	67	1,850.1	65
North America	274.0	22	301.2	23	681.7	24
Asia Pacific	152.5	12	128.0	10	315.3	11
Others	3.7	0	2.9	0	8.9	0
Total	1,235.3		1,285.1		2,856.0	

Kone Cargotec

M€	1-6/2004	%	1-6/2003	%	1-12/2003	%
Europe	398.4	53	381.1	55	732.4	54
North America	214.7	29	193.6	28	394.4	29
Asia Pacific	92.5	12	72.4	11	146.3	11
Others	46.0	6	41.1	6	91.3	6
Total	751.6		688.2		1,364.4	

Kone Corporation

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENT

Contingent Liabilities and Pledged Assets

M€	30/6/2004	30/6/2003	31/12/2003
Assets pledged to secure loans	1.5	20.4	18.6
Pledged assets	15.1	14.7	14.7
Guarantees			
Associated companies	16.6	4.7	10.1
Others ¹⁾	65.1	68.0	47.7
Leasing liabilities	102.1	93.1	112.8
Other contingent liabilities ¹⁾	0.8	21.8	18.5
Total	201.2	222.7	222.4

¹⁾ Guarantees for others include M€8.2 (Dec. 31, 2003 M€11.0) customer finance arrangements in which the sold machines are a collateral, and other contingent liabilities include repurchase commitments for sold products with a value of M€0.0 (Dec. 31, 2003 M€14.0).

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

Derivatives	Nominal		Nominal		Nominal	
	value	Fair value	value	Fair value	value	Fair value
M€	30/6/2004	30/6/2004	30/6/2003	30/6/2003	31/12/2003	31/12/2003
Forward contracts	961.9	4.7	1,005.2	32.1	958.3	41.3
Currency options	107.6	0.1	119.3	0.3	94.1	0.5
Currency swaps	173.8	5.2	173.8	9.8	173.8	6.0
Interest rate swaps	140.0	-3.3	272.6	-6.3	140.0	-4.6
Commodity derivatives	2.3	0.5	1.1	0.0	2.8	0.1
Total	1,385.6	7.2	1,572.0	35.9	1,369.0	43.3

Kone Corporation

QUARTERLY FIGURES

KONE Corporation

		Q2/2004	Q1/2004	Q4/2003	Q3/2003	Q2/2003	Q1/2003
Orders received	M€	1,092.1	965.4	1,203.2	1,038.6	1,161.3	1,155.3
Order book	M€	2,677.2	2,456.6	2,196.2	2,405.5	2,432.5	2,392.9
Sales	M€	1,093.5	893.4	1,563.8	1,285.2	1,376.8	1,184.6
Operating income	M€	89.5	219.0	150.4	102.9	111.5	72.2
Operating income	%	8.2	24.5	9.6	8.0	8.1	6.1

KONE Elevators & Escalators

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

Kone Cargotec

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

SHARES AND SHAREHOLDERS

30 June, 2004	A shares	B shares	Total
Number of shares	9,526,089	54,061,581	63,587,670
Own shares in possession		2,696,876	
Share capital, €			63,587,670
Market capitalization, M €	473	2,686	3,159
Number of shares traded, 1-6/2004		30,564,773	
Value of shares traded, M€ 1-6/2004		1,476.1	
Number of shareholders	3	11,728	11,728
	Close	High	Low
Share price, € 1-6/2004	49.68	51.85	45.01

During the period under review, the price of the KONE class B share rose 9.2 percent. The 2003 dividend of 2.00 euro per B-share and 1.98 euro per A-share was distributed during the period.