

# Stock Exchange Release



26 January, 2007

## **KONE Corporation's Financial Statement Bulletin January–December 2006 (Comparison Figures for June–December, 2005)**

### **KONE achieved 10 percent operating income (EBIT) already in 2006**

- Order intake totaled EUR 3,116 million.
- Net sales totaled EUR 3,601 million.
- Operating income totaled EUR 360.1 million, corresponding to a 10.0 (9.3) percent operating income (EBIT) margin.
- KONE's target for 2007 is to achieve an approximate 10 percent growth in net sales, calculated at comparable exchange rates, compared to 2006. The operating income (EBIT) target is to achieve growth of approximately 20 percent from the comparable 2006 figure EUR 360 million.
- In 2008, KONE's objective is to achieve an about 12 percent operating income (EBIT) margin.
- The Board of Directors proposes a dividend of EUR 1.00 per class B share.

#### **Key Figures**

		10-12/2006	10-12/2005	1-12/2006	previous accounting period 6-12/2005
Orders	MEUR	712.1	702.5	3,116.3	1,622.1
Order book	MEUR	2,762.1	2,326.8	2,762.1	2,326.8
Sales	MEUR	1,145.6	1,013.4	3,600.8	2,101.4
Operating income	MEUR	123.4	93.6	360.1	194.7
Cash flow from operations (before financial items and taxes)	MEUR	97.7	111.3	371.7	215.4
Net income	MEUR	80.2	53.8	234.4	124.0
Net debt	MEUR	124.9	99.3	124.9	99.3
Total equity/total assets	%	30.5	31.2	30.5	31.2
Gearing	%	17.9	14.8	17.9	14.8

#### **Matti Alahuhta, President and CEO, says:**

"I am very satisfied with KONE's performance last year. In comparison with competition, we succeeded very well in increasing our orders and especially our profitability. We strengthened our market position in the Asia-Pacific region, continued to improve the profitability of our U.S. operations and also advanced strongly in many European markets. Our comprehensive development program has progressed well and produced results."



KONE Corporation's first financial reporting period was 1 June–31 December, 2005. KONE's reporting period follows the calendar year as of 2006. In order to facilitate evaluation of the financial performance and status of the company, a separate pro forma report is published, in which the company has used 1 January – 31 December 2005 data for comparison.

KONE Corporation's audited Financial Statements are available on the company's website at [www.kone.com](http://www.kone.com).

### **Analyst and Media Conferences and Conference Call**

A meeting for the press, conducted in Finnish, will be held on Friday 26 January, 2007 at 2:00 p.m. Finnish time at KONE Building, address Keilasaatama 3, 02150 Espoo.

A telephone conference and a meeting for analysts, conducted in English, will begin Friday 26 January, at 3:30 p.m. Finnish time at KONE Building, address Keilasaatama 3, 02150 Espoo. The telephone conference will also be available as webcast on the company website. Callers may access the conference directly at the following telephone numbers:

US callers: +1 334 323 6201

Non-US callers: +44 (0)20 7162 0025

Participant code: KONE

On demand version of the conference will be available on the company's website [www.kone.com](http://www.kone.com) later the same day.

KONE's Financial Statement Bulletin and Pro Forma Report for 2006, and presentation material will be available in the meetings. The presentation material and KONE's Annual Report for 2006 will be available in pdf-format on the company website as of 2:00 p.m. The printed Annual Report will be published in the week starting 5 February.

Sender:

KONE Corporation

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KONE is one of the world's leading elevator and escalator companies. It provides its customers with industry-leading elevators and escalators and innovative solutions for their maintenance and modernization. KONE also provides maintenance of automatic building doors. In 2006, KONE had annual net sales of EUR 3.6 billion and about 29,000 employees. Its class B shares are listed on the Helsinki Stock Exchange in Finland.

[www.kone.com](http://www.kone.com)

## **KONE's Operating Environment**

The operating environment remained good in most markets throughout the year. The need to modernize equipment and cater for ageing populations is driving demand in Europe and North America, while urbanization and economic growth are continuing to increase the demand for elevators and escalators and the related service in Asia.

In Europe, the Middle East and Africa (EMEA), the business environment continued to be favorable. Despite tough competition, KONE succeeded in strengthening its position even further. The residential market was the main driver of Europe's new equipment business in most countries, although commercial construction progressed at a fairly lively rate especially in the U.K. The Southern European market slowed down at the end of the year. The Middle East market was buoyant due to energetic construction growth in most segments.

In North America, the new equipment market continued to progress strongly. The market for hotel and leisure building solutions was especially active, whereas growth in the U.S. residential segment slowed down during the second half of the year.

The Asia-Pacific region developed well, with most markets maintaining a high level of activity. Rapid urbanization and economic growth were the main factors affecting the new equipment and modernization markets in the region. In China, the central government made several consecutive controlling actions particularly to guide residential construction towards more affordable housing for people migrating to the cities, which temporarily slowed down growth somewhat.

The pricing environment for new elevators and escalators continued to be competitive in all market areas.

The maintenance market progressed well, under continuous tough price competition. A high level of demand continued for the modernization of elevators and escalators in both Europe and North America, and also in some markets in Asia-Pacific. The growing modernization market became an increasingly important market for KONE, even though it is attracting the attention of both global and local players.

During the fourth quarter, the market environment for new equipment remained similar to the previous quarter in North America and the Asia-Pacific region. The EMEA market exhibited contrasting trends, with many of the Central and North European markets and the Middle East growing rather well, but several South European markets continuing to weaken.

The maintenance market continued to develop favorably despite the tough price competition. The modernization market remains important for growth, especially in those countries that have adopted SNEL (Safety Norms for Existing Lifts) in Europe, but also in North America and in some markets in Asia.



## **Orders Received and Order Book**

The value of orders received during 2006, excluding the value of maintenance contracts, totaled EUR 3,116 (June-December 2005: 1,622) million. The order book was EUR 2,762 (31 December, 2005: 2,327) million at the end of December. This represents an increase of nearly 19 percent on the year-end order book. At comparable exchange rates this corresponded 24 percent.

The order intake for new equipment and modernizations in the EMEA region continued to be good the whole year. Modernization orders continued to increase particularly in countries that have adopted SNEL (European Safety Norms for Existing Lifts) in their legislation.

In North America, order intake growth was strong. The success of the KONE extended machine-room-less (MRL) elevators and encouraging escalator demand in the public sector resulted in good order intake growth. The demand for modernizations continued to grow also in the U.S.

The Asia-Pacific region continued to be characterized by high demand for new equipment. KONE's market share grew rapidly especially in China, where progress has been especially good. KONE's position has strengthened in the whole Asia-Pacific region.

KONE's largest orders of the financial year were orders to supply all elevators for the old London Stock Exchange Building, to modernize escalators and walkways in the Roman metro system and major projects for the Madrid Metro. KONE also received an order for the Vienna International Airport, a service contract for the London Underground, and a major order for the retail sector from Tesco PLC to supply ramps and elevators for stores across the U.K. In addition, KONE received orders to design, supply and install all elevators on four cruise ships. In China, KONE was able to gain ground by signing orders with the China National Stadium in Beijing, for example.

Orders received during October-December 2006 totaled EUR 712.1 (10-12/2005: 702.5) million, an increase of approximately 1.4 percent. At comparable exchange rates, the growth was approximately 4 percent. The main reason for the lower order intake during the fourth quarter was that several major project awards were postponed to the next quarter in the EMEA region. During the fourth quarter, North America recorded the highest growth in new orders.



## Sales by geographical areas MEUR

	10-12/2006 %	10-12/2005 %	1-12/2006 %	previous accounting period 6-12/2005 %
EMEA*	762.1 67	670.3 66	2,319.4 65	1,388.6 66
Americas	232.1 20	219.1 22	805.1 22	452.7 22
Asia-Pacific	151.4 13	124.0 12	476.3 13	260.1 12
<b>Total</b>	<b>1,145.6</b>	<b>1,013.4</b>	<b>3,600.8</b>	<b>2,101.4</b>

\* EMEA = Europe, Middle East, Africa

## Net Sales

KONE's net sales totaled EUR 3,601 (June-December 2005: 2,101) million. New equipment sales accounted for EUR 1,491 (883.9) million of the total and service sales totaled EUR 2,110 (1,218) million.

Net sales growth were almost totally organic and resulted from favorable market conditions and good progress in the company's development programs, i.e. programs to increase customer focus and competitiveness through a better product portfolio. In 2006, the annual sales for closed acquisitions amounted to approximately EUR 50 million. Net sales grew in all geographical areas. In 2006, growth was strongest in Asia-Pacific especially in China.

In the fourth quarter, KONE's net sales totaled EUR 1,146 (1,013) million, an approximate 13 percent improvement over the same period in 2005. At comparable exchange rates, the growth was approximately 16 percent. New equipment sales accounted for EUR 527.7 (435.0) million. Service sales continued to increase and totaled EUR 617.9 (578.4) million.

## Result

KONE's operating income improved and stood at EUR 360.1 (June-December 2005: 194.7) million or 10.0 (9.3) percent of net sales. Net financial items were EUR -3.5 (-2.1) million. The increase in operating income was driven by continued productivity improvements, which resulted from ongoing development programs.

KONE's profit before taxes was EUR 356.3 (193.5) million. Taxes totaled EUR 121.9 (69.5) million, representing a 34.2 (35.9) percent tax rate.

Net income for January-December was EUR 234.4 (124.0) million. Earnings per share were EUR 1.86 (0.98).

Fourth quarter operating income was EUR 123.4 (93.6) million, or 10.8 (9.2) percent of net sales. The negative impact of higher raw material costs increased towards the end of the year. Net financial items in the fourth quarter were EUR 0.3 (-1.4) million.

Fourth quarter profit before taxes was EUR 123.9 (92.5) million. Taxes totaled EUR 43.7 (38.7) million.

In the fourth quarter, net income was EUR 80.2 (53.8) million and earnings per share were EUR 0.64 (0.43).

### **Cash Flow and Financing**

Cash flow from operations (before financial items and taxes) for 2006 was EUR 371.7 (June-December 2005: 215.4) million. At the end of December, net working capital was negative at EUR -139.5 (31 December, 2005: -158.0) million, including financial items and taxes. Although the record net sales of the fourth quarter increased receivables, the overall cash flow was in accord with the result.

Net debt totaled EUR 124.9 (31 December, 2005: 99.3) million. Gearing was 17.9 percent compared to 14.8 percent at the end of December, 2005. KONE's total equity/total assets ratio was 30.5 (31 December, 2005: 31.2) percent at the end of December.

### **Capital Expenditure, Acquisitions and Cooperation Agreements**

In 2006, KONE's capital expenditure, including acquisitions, totaled EUR 150.5 (June-December 2005: 66.5) million. Acquisitions accounted for EUR 90.1 (37.1) million of this figure.

KONE continued its acquisition policy of buying small local elevator or door service companies. Acquisitions were made mainly in Europe and the U.S. in 2006.

In Germany, KONE increased its shareholding in Lödige Aufzugstechnik to 85 percent. The company has 5,500 units under maintenance and employs approximately 100 people.

KONE signed an agreement to acquire Evin SAS, an elevator company located in France. Evin SAS was consolidated into KONE in September 2006. The company recorded sales of EUR 14 million in 2005 and employed somewhat over 100 persons. Evin SAS installed, maintained and modernized elevators and automatic building doors in several regions in France.

In November, KONE Corporation and KMZ Karacharovo Mechanical Factory agreed to withdraw from their plans to set up a joint venture elevator company in Russia, which was announced by the parties in April 2005. KONE and KMZ will, however, continue their cooperation on the local Russian elevator market.

KONE and Marimekko signed an agreement to start cooperation under license concerning the decoration of elevator car interiors.

### **Research and Product Development**

Product development expenses totaled EUR 50.3 (June-December 2005: 29.7) million, representing 1.4 (1.4) percent of net sales. R&D expenses include development of new product concepts and further development of existing products and services. During the year the focus



was on developing KONE's product portfolio even further in order to maximize the accessible markets.

In Europe, a preferred offering for the new equipment market was released, providing better flexibility in fulfilling customer needs. It included a new set of visual outlooks for the car interiors and also improved also performance, such as the more efficient use of space.

KONE's machine-room-less (MRL) product offering for the North American market now covers most hydraulic elevator segments. Further performance improvements were also released during the year, including the possibility for bigger loads.

In the Asian market, KONE continued to increase the flexibility of its product offerings and the coverage of its visual offering. In 2006, the first escalator product from KONE's subsidiary, KONE TELC Industries Co., Ltd, was released in most Asian markets, including India, and in Australia, South Africa and some European markets.

With respect to modernizations, a solution featuring enhancements in accessibility, safety (optimized for the European Safety Norms for Existing Lifts, SNEL), visual outlook and performance was released in 2006.

KONE also announced that it has developed the world's flattest autowalk technology, which makes designing locations for and installing autowalks considerably easier. Due to the innovative pallet return mechanism and a new kind of motor solution, each KONE InnoTrack™ autowalk is so flat that, unlike conventional solutions, it can be installed entirely on the floor level.

During 2005 and 2006 product creation at KONE has been developed to become much more cross-functional. This has significantly reduced the time to market in R&D.

### **Significant Events**

KONE and Hewlett Packard (HP) signed a seven-year agreement covering IT infrastructure services. Under this agreement, HP will consolidate and maintain KONE's servers, local area networks and operating help desks, and will harmonize desk-top computing environments in KONE's global network.

The production of elevator doors and cars for the North American market started in the second quarter in KONE's purpose-built facility in Torreón, Mexico. KONE also decided to build the capability to deliver all elevators for the North American markets from Torreón by the middle of 2007. In line with KONE's global manufacturing processes, the new factory in Mexico employs the same modern production technology as other KONE component plants.

### **European Commission Investigation**

In March 2006, KONE submitted its reply to the European Commission concerning that body's investigation of localized anticompetitive practices in the elevator and escalator



industry in Belgium, Germany, Luxembourg and the Netherlands. KONE received a Statement of Objections on 10 October, 2005. Since the initiation of the investigation in January 2004, KONE has fully cooperated with the European Commission. KONE has not made a provision in this respect.

### **Personnel**

KONE's personnel are professional and specialized. As an employer the company focuses on securing the availability, commitment and continuous development of its human resources. KONE had 29,321 (31 December, 2005: 27,238) employees at the end of December 2006. The average number of employees during January - December 2006 was 28,366 (June-December 2005: 27,016). Most of the personnel growth was in the fastest growing geographical markets, such as Asia-Pacific and the Middle East, with additional recruitment being carried out in service and installation operations due to growing volumes.

The geographical distribution of KONE employees was 58 (59) percent in EMEA, 18 (19) percent in the Americas and 24 (22) percent in Asia-Pacific.

### **Operational Risks**

KONE's business activities are exposed to risks, of which the most significant are fluctuations in currency rates and increases in raw material prices and personnel costs.

A rise in raw material prices is reflected directly in the production costs of components made by KONE, such as doors and cars, and indirectly in the prices of purchased components. The price of oil affects maintenance costs.

Subsidiary investments are hedged from currency risks in accordance with the hedging policy to ensure that the total effect of foreign exchange rates on the Corporation's gearing is neutral. As the expenses and income of the elevator and escalator business occur mainly in the same currency, exchange rate movements are reflected mostly in the translation of the achieved result into euros.

### **Environment**

Elevators and escalators are durable and give long-lasting service when appropriately maintained. The environmental impact of maintenance is chiefly related to the disposal of replaced components, the cleaning of equipment, and exhaust from service vehicles.

KONE takes care of the environment not only by its own proactive initiatives, but also by complying with the laws and recommendations related to its business and by continuously monitoring the changes made to them.

KONE strives to develop its products, manufacturing processes and operating procedures so that their environmental impact will remain as small as possible throughout the products' entire life cycle.

### **Title Changes within KONE Corporation**

The Board of Directors announced that, from December 18, 2006, Antti Herlin's title will be Chairman of the Board of KONE Corporation, while Matti Alahuhta's title will be President and CEO of KONE Corporation. Previously, Herlin was the CEO in addition to serving as Chairman of the Board.

### **Appointment to the Executive Board**

KONE Corporation appointed Juho Malmberg, M.Sc. (Computer Science), as Executive Vice President, Development and as a member of the Executive Board as of 1 February, 2006.

### **Annual General Meeting and Board of Directors**

KONE Corporation's Annual General Meeting held in Helsinki on 27 February, 2006 decided to maintain the number of members of the Board of Directors at eight (8). Sirpa Pietikäinen was elected as a new member of the Board. Re-elected as full members of the Board were Matti Alahuhta, Jean-Pierre Chauvarie, Reino Hanhinen, Antti Herlin, Sirkka Hämäläinen-Lindfors, Masayuki Shimono and Iiro Viinanen. The Board's term expires at the next Annual General Meeting. At its meeting held after the Annual General Meeting, the Board of Directors elected Antti Herlin as its Chairman and Sirkka Hämäläinen-Lindfors as Vice Chairman of the Board.

In addition, the Board of Directors' proposal that the Annual General Meeting authorize it to repurchase KONE's own shares with assets distributable as profit was approved. Altogether no more than 12,785,000 shares may be repurchased, of which no more than 1,905,000 are to be class A shares and 10,880,000 class B shares, taking into consideration the provisions of the Companies Act regarding the maximum amount of own shares that the Company is allowed to possess. The proposed amount corresponds to nearly 10 percent of both the share capital of the Company and the total voting rights.

In addition, the Board of Directors was authorized, with respect to the distribution of the repurchased shares, to decide to whom and in which order the repurchased shares will be distributed. The Board of Directors may decide on the distribution of repurchased shares otherwise than in proportion to the existing pre-emptive right of shareholders to purchase the Company's own shares. The repurchased shares may be used as compensation in acquisitions and in other arrangements, as well as to implement the Company's share-based incentive plans in the manner and to the extent decided by the Board of Directors. These authorizations shall remain in effect for a period of one (1) year from the date of the Annual General Meeting's decision.

The Annual General Meeting elected PricewaterhouseCoopers Oy and Heikki Lassila, Authorized Public Accountant, as the auditors of the company.

The Annual General Meeting approved the Board's proposal for a dividend for the reporting period, 1 June – 31 December, 2005, of EUR 0.99 per class A share and EUR 1.00 per class B

share, making a total of EUR 127.3 million. The date of the dividend payment was set at 9 March, 2006. The rest of the distributable equity, EUR 1,078 million, was retained and carried forward.

### **Incentive Programs, Share Capital and Market Capitalization**

KONE Corporation has two classes of shares: the un-listed class A share and the listed class B share. KONE Corporation's Articles of Association state that the minimum share capital is EUR 60 million and the maximum share capital is EUR 260 million. The share capital can be raised or reduced within these limits without an amendment to the Articles of Association. At the end of December 2006, the share capital was EUR 64,033,314. The share capital was increased by EUR 105,594 due to subscriptions of shares with KONE 2005A and 2005B options during the financial year.

KONE 2005A and 2005B options rights based on the KONE Corporation option program 2005 were listed on the main list of the Helsinki Stock Exchange on 1 June, 2005. Each option right entitles its holder to subscribe for six (6) class B shares at a price of EUR 8.04 per share.

As of 31 December 2006, 557,118 shares have been subscribed for with the option rights, raising KONE's share capital to EUR 64,033,314, comprising 109,014,450 listed class B shares and 19,052,178 unlisted class A shares.

The remaining 2005A option rights entitle their holders to subscribe for 226,572 class B shares, while the remaining 2005B option rights entitle their holders to subscribe for 524,820 class B shares. The share subscription period for series A option rights share subscription period ends on 31 March, 2008 and for series B option rights on 31 March, 2009.

The remaining number of shares that can be subscribed for is 751,392. The subscription price is EUR 8.04 per share. In addition, KONE has granted in 2005 a conditional option program, 2005C, and a conditional share based incentive plan.

KONE's market capitalization grew by approximately 28 percent during 2006 and was EUR 5,382 million on 31 December, 2006, disregarding own shares in the group's possession.

### **Repurchase of KONE Shares**

On the basis of the Annual General Meeting's authorization, KONE Corporation's Board of Directors decided to commence repurchasing shares on 7 March, 2006 at the earliest.

During the financial year, KONE Corporation repurchased 1,963,913 class B shares at an average price of EUR 35.29. At the end of December, the group possessed 2,738,753 of its own class B shares, representing 2.5 percent of the total number of class B shares. This corresponds to 0.9 percent of the total voting rights.

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.



## **The Board's proposal of distributable equity**

The parent company's non-restricted equity on 31 December 2006 is EUR 1,271,423,830.92 of which net profit from the financial year is EUR 262,326,865.64.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0,99 be paid on the 19,052,178 class A shares and EUR 1,00 on the outstanding 106,675,697 class B shares. The total amount of proposed dividends will be EUR 125,537,353.22. The Board of Directors further proposes that the rest, EUR 1,145,886,477.70 be retained and carried forward.

The Board proposes that the dividends be payable from 8 March, 2007.

## **Outlook**

We estimate that market growth will not be equally strong in all markets this year as in 2006. This will be the case especially in North America and Southern Europe. However, market development in e.g. Asia-Pacific will continue to be strong.

KONE's target for 2007 is to achieve an approximate 10 percent increase in net sales, calculated at comparable exchange rates, compared to 2006. The operating income (EBIT) target is to achieve growth of approximately 20 percent from the comparable 2006 figure of EUR 360 million.

In 2008, KONE's objective is to achieve an about 12 percent operating income (EBIT) margin.

Helsinki, 26 January, 2007

KONE Corporation

Board of Directors

## **Enclosures**

- 1 Consolidated Statement of Income
- 2 Consolidated Balance Sheet and Consolidated Statement of Changes in Equity
- 3 Consolidated Cash Flow
- 4 Notes on the Consolidated Financial Statements

KONE Corporation's audited Financial Statements are available on the company web site at [www.kone.com](http://www.kone.com).

KONE Corporation will release its Interim Report for 1 January–31 March on Tuesday, 24 April 2007.



The presentation used in the Analyst and Media Conference is available on the company web site at [www.kone.com](http://www.kone.com).

This bulletin contains forward-looking statements that are based on the current expectations, known factors, decisions and plans of the management of KONE. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions and fluctuations in exchange rates.



### Consolidated Statement of Income

<b>MEUR</b>	10-12/2006	% 10-12/2005	% 1-12/2006	% 6-12/2005	%
<b>Sales</b>	1,145.6	1,013.4	3,600.8	2,101.4	
<b>Costs, expenses and depreciation</b>	-1,022.2	-919.8	-3,240.7	-1,906.7	
<b>Operating Income</b>	123.4	10.8	93.6	9.2	360.1 10.0 194.7 9.3
Share of associated companies' net income	0.2	0.3	-0.3	0.9	
Financing income	5.2	4.1	16.1	9.4	
Financing expenses	-4.9	-5.5	-19.6	-11.5	
<b>Income before Taxes</b>	123.9	10.8	92.5	9.1	356.3 9.9 193.5 9.2
Taxes	-43.7	-38.7	-121.9	-69.5	
<b>Net Income</b>	80.2	7.0	53.8	5.3	234.4 6.5 124.0 5.9
<b>Net Income attributable to:</b>					
Shareholders of the parent company	80.1	54.3	234.8	124.8	
Minority interests	0.1	-0.5	-0.4	-0.8	
<b>Total</b>	80.2	53.8	234.4	124.0	
<b>Earnings per share for profit attributable to the shareholders of the parent company, EUR</b>					
Basic earnings per share, EUR	0.64	0.43	1.86	0.98	
Diluted earnings per share, EUR	0.63	0.42	1.85	0.97	



## Consolidated Balance Sheet

<b>Assets MEUR</b>		31 Dec, 2006	31 Dec, 2005
<b>Non-Current Assets</b>			
Goodwill		557.3	497.9
Other intangible assets		58.4	53.7
Property, plant and equipment		217.7	217.7
Investments in associated companies		7.7	22.2
Shares		116.5	129.8
Available-for-sale investments		5.4	5.2
Non-current financial receivables	I	5.1	53.1
Deferred tax assets		134.1	130.1
<b>Total Non-Current Assets</b>		<b>1,102.2</b>	<b>1,109.7</b>
<b>Current Assets</b>			
Inventories		668.8	584.9
Advance payments received		-552.1	-464.2
Accounts receivable		622.0	524.3
Deferred assets		126.0	148.6
Income tax receivables		57.1	33.8
Current financial receivables	I	44.6	0.6
Financial assets	I	114.3	93.3
Cash and cash equivalents	I	109.5	113.5
<b>Total Current Assets</b>		<b>1,190.2</b>	<b>1,034.8</b>
<b>Total Assets</b>		<b>2,292.4</b>	<b>2,144.5</b>



<b>Equity and Liabilities MEUR</b>	31 Dec, 2006	31 Dec, 2005
<b>Capital and reserves attributable to the shareholders of the parent company</b>		
Share capital	64.0	63.9
Share premium account	98.0	96.4
Fair value and other reserves	-0.5	-5.1
Translation differences	-14.0	9.9
Retained earnings	547.6	501.3
<b>Total Shareholders' Equity</b>	<b>695.1</b>	<b>666.4</b>
Minority interests	3.5	2.8
<b>Total Equity</b>	<b>698.6</b>	<b>669.2</b>
<b>Non-Current Liabilities</b>		
Loans	I 100.2	144.2
Deferred tax liabilities	30.3	24.7
Employee benefits	145.0	148.9
<b>Total Non-Current Liabilities</b>	<b>275.5</b>	<b>317.8</b>
<b>Provisions</b>	<b>71.8</b>	<b>112.0</b>
<b>Current Liabilities</b>		
Current portion of long-term loans	I 48.6	12.8
Other liabilities	I 249.6	202.8
Accounts payable	231.5	214.2
Accruals	619.2	557.0
Income tax payables	97.6	58.7
<b>Total Current Liabilities</b>	<b>1,246.5</b>	<b>1,045.5</b>
<b>Total Equity and Liabilities</b>	<b>2,292.4</b>	<b>2,144.5</b>

Items designated " I " comprise interest-bearing net debt



### Consolidated Statement of Changes in Equity

MEUR	Share capital	Share premium account	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Minority interests	Total equity
1 Jan, 2006	63.9	96.4	-5.1	9.9	-21.9	523.2	2.8	669.2
Net income for the period						234.8	-0.4	234.4
Items booked directly into equity:								
Transactions with shareholders and minority shareholders:								
Dividends paid						-126.9		-126.9
Issue of shares (option rights)	0.1	1.6						1.7
Purchase of own shares					-69.3			-69.3
Sales of own shares								-
Change in minority interests							1.1	1.1
Cash flow hedge			4.6					4.6
Translation differences				-30.4				-30.4
Hedging of foreign subsidiaries				8.8				8.8
Tax impact of hedging				-2.3				-2.3
Option and share based compensation						7.7		7.7
31 Dec, 2006	64.0	98.0	-0.5	-14.0	-91.2	638.8	3.5	698.6



MEUR	Share capital	Share premium account	Fair value and other reserves	Translation differences	Own shares	Retained earnings	Minority interests	Total equity
1 Jun, 2005	63.8	93.8	-2.2	0.0	0.0	397.9	22.9	576.2
Net income for the period						124.8	-0.8	124.0
Items booked directly into equity:								
Transactions with shareholders and minority shareholders:								
Dividends paid								-
Issue of shares (option rights)	0.1	2.6						2.7
Purchase of own shares					-21.9			-21.9
Sales of own shares								-
Change in minority interests							-19.3	-19.3
Cash flow hedge			-2.9					-2.9
Translation differences				15.2				15.2
Hedging of foreign subsidiaries				-7.1				-7.1
Tax impact of hedging				1.8				1.8
Option and share based compensation						0.5		0.5
31 Dec, 2005	63.9	96.4	-5.1	9.9	-21.9	523.2	2.8	669.2

## Consolidated Statement of Cash Flow

MEUR	1 Jan - 31 Dec, 2006	1 Jun - 31 Dec, 2005
Cash receipts from customers	3,656.1	1,983.0
Cash paid to suppliers and employees	-3,284.4	-1,767.6
<b>Cash Flow from Operations</b>	<b>371.7</b>	<b>215.4</b>
Interest received	12.5	5.8
Interest paid	-15.6	-8.5
Dividends received	2.2	2.4
Other financial items	-4.7	-3.0
Income taxes paid	-100.3	-137.4
<b>Cash Flow from Operating Activities</b>	<b>265.8</b>	<b>74.7</b>
Capital expenditure	-62.2	-29.4
Proceeds from sales of fixed assets	0.6	0.9
Acquisitions, net of cash	-44.1	-37.1
Proceeds from divested operations, net of cash	9.3	0.0
<b>Cash Flow from Investing Activities</b>	<b>-96.4</b>	<b>-65.6</b>
<b>Cash Flow after Investing Activities</b>	<b>169.4</b>	<b>9.1</b>
Change in loans receivable	-14.3	-17.8
Change in current creditors, net	47.7	55.5
Proceeds from long-term borrowings	-	9.1
Repayments of long-term borrowings	-9.5	-16.8
Purchases of own shares	-69.3	-22.0
Sales of own shares	-	-
Share issue	1.7	2.8
Dividends paid	-126.8	-
<b>Cash Flow from Financing Activities</b>	<b>-170.5</b>	<b>10.8</b>
<b>Change in Net Cash</b>	<b>-1.1</b>	<b>19.9</b>
Cash and cash equivalents at the end of period	109.5	113.5
Translation difference	2.9	-1.0
Cash and cash equivalents in the beginning of period	113.5	92.6
<b>Change in Net Cash</b>	<b>-1.1</b>	<b>19.9</b>




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**Reconciliation of Net Income to Cash Flow from Operating Activities**


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Net Income	234.4	124.0
Depreciation and impairment	61.3	34.8
<b>Income before Change in Working Capital</b>	<b>295.7</b>	<b>158.8</b>
Change in receivables	-102.4	-127.5
Change in payables	70.5	-21.1
Change in inventories	2.0	64.5
<b>Cash Flow from Operating Activities</b>	<b>265.8</b>	<b>74.7</b>

In drawing up the Statement of Cash Flow, the impact of variations in exchange rates has been eliminated by adjusting the beginning balance to reflect the exchange rate prevailing at the time of the closing of the books for the period under review.

<b>Key figures</b>		previous accounting period	
		1-12/2006	6-12/2005
Basic earnings per share	EUR	1.86	0.98
Diluted earnings per share	EUR	1.85	0.97
Equity per share	EUR	5.55	5.24
Interest bearing net debt	MEUR	124.9	99.3
Total equity/total assets	%	30.5	31.2
Gearing	%	17.9	14.8
Return on equity	%	34.3	34.1 <sup>1)</sup>
Return on capital employed	%	35.4	36.4 <sup>1)</sup>
Total assets	MEUR	2,292.4	2,144.5
Assets employed <sup>2)</sup>	MEUR	823.5	768.5
Net working capital <sup>2)</sup>	MEUR	-139.5	-158.0

<sup>1)</sup> Annualized

<sup>2)</sup> Including tax receivables and liabilities, accrued interest and derivative items

<b>Sales by geographical areas MEUR</b>	1-12/2006	%	previous accounting period	
			6-12/2005	%
EMEA*	2,319.4	65	1,388.6	66
Americas	805.1	22	452.7	22
Asia-Pacific	476.3	13	260.1	12
<b>Total</b>	<b>3,600.8</b>		<b>2,101.4</b>	

\* EMEA = Europe, Middle East, Africa

		previous accounting period
<b>Orders received MEUR</b>	1-12/2006	6-12/2005
	3,116.3	1,622.1

		previous accounting period
<b>Order book MEUR</b>	31.12.2006	31.12.2005
	2,762.1	2,326.8

		previous accounting period
<b>Capital expenditure MEUR</b>	1-12/2006	6-12/2005
In fixed assets	51.3	26.4
In leasing agreements	9.1	3.0
<b>Total</b>	60.4	29.4

		previous accounting period
<b>Expenditure for R&amp;D MEUR</b>	1-12/2006	6-12/2005
	50.3	29.7
Expenditure for R&D as percentage of sales	1.4	1.4

		previous accounting period
<b>Number of employees</b>	1-12/2006	6-12/2005
Average	28,366	27,016
In the end of the period	29,321	27,238

## Notes on the Consolidated Financial Statements

<b>Commitments</b>	previous accounting period	
	31.12.2006	31.12.2005
<b>MEUR</b>		
Mortgages		
Group and parent company	30.7	30.7
Pledged assets		
Group and parent company	5.4	5.8
Guarantees		
Associated companies	1.8	2.0
Others	3.4	23.6
Operating leases	115.8	118.9
<b>Total</b>	<b>157.1</b>	<b>181.0</b>

<b>The future minimum lease payments under non-cancellable operating leases</b>	previous accounting period	
	31.12.2006	31.12.2005
Less than 1 year	34.6	31.2
1-5 years	72.5	72.2
Over 5 years	8.7	15.5
<b>Total</b>	<b>115.8</b>	<b>118.9</b>

The European Commission initiated an investigation In January 2004 concerning alleged anticompetitive practices in the elevator and escalator market in Europe. As a result of the Commission's investigations, KONE received at the end of 2005 a Statement of the Objections from the Commission concerning localized anticompetitive practices in Belgium, Germany, Luxemburg and the Netherlands. KONE submitted its reply to the Statement of Objections to the Commission in 2006. Since the initiation of the investigation, KONE has fully cooperated with the European Commission. The European Commission has not issued a decision nor decided on possible fines yet. KONE has not made a provision in this respect.

<b>Derivatives</b>	Net fair value previous accounting period			
	Positive fair value 31.12.2006	Negative fair value 31.12.2006	Net fair value 31.12.2006	Net fair value 31.12.2005
<b>Fair values of derivative financial instruments MEUR</b>				
FX Forward contracts	3.9	2.7	1.2	-6.1
Currency options	0.1	0.1	0.0	0.0
Cross-currency swaps, due under one year	43.2	-	43.2	-
Cross-currency swaps, due in 1-3 years	2.8	-	2.8	32.6
Electricity derivatives	0.5	0.2	0.3	0.7
<b>Total</b>	<b>50.5</b>	<b>3.0</b>	<b>47.5</b>	<b>27.2</b>

		previous accounting period
<b>Nominal values of derivative financial instruments MEUR</b>	31.12.2006	31.12.2005
FX Forward contracts	392.8	859.3
Currency options	32.3	7.4
Cross-currency swaps, due under one year	153.8	-
Cross-currency swaps, due in 1-3 years	43.6	173.8
Electricity derivatives	2.9	2.4
<b>Total</b>	<b>625.4</b>	<b>1,042.9</b>

### Share and shareholders

<b>31 December 2006</b>	<b>Class A shares</b>	<b>Class B shares</b>	<b>Total</b>
Number of shares	19,052,178	109,014,450	128,066,628
Own shares in possession 1)		2,738,753	
Share capital, EUR			64,033,314
Market capitalization, MEUR			5,382
Number of shares traded, million 2006		75.5	
Value of shares traded MEUR, 2006		2,662	
Number of shareholders	3	13,673	13,673
	Close	High	Low
Class B share price, EUR, Jan-Dec, 2006	42.94	43.41	27.80

1) During the reporting period 1 January–31 December, 2006, KONE Corporation repurchased a total of 1,963,913 own class B shares. During the accounting period 1 June–31 December, 2005, KONE Corporation repurchased a total of 374,840 own class B shares. In addition, relating to the shares-based incentive plan, a company included in the consolidated financial statements acquired 400,000 KONE class B shares in December 2005.