



## To parent company shareholders

### ANNUAL GENERAL MEETING

The Annual General Meeting of KONE Corporation will be held at the Hotel Kalastajatorppa, Helsinki, on Thursday, February 29, 1996 at 11:00 a.m.

Shareholders wishing to participate in the business of the meeting are to have their KONE shareholdings registered on the KONE shareholder list at the Central Share Registry of Finland no later than Monday, February 19, 1996 and notify the Head Office by telephone (+358 0 475 4215) or in writing (KONE Corporation, P.O. Box 8, FIN-00331 Helsinki) no later than February 26th.

A shareholder may attend and vote at the meeting in person or by proxy. However, in accordance with Finnish practice, the company does not send forms of proxy to its shareholders. Shareholders wishing to vote by proxy should submit their own forms of proxy to the company.

### PAYMENT OF DIVIDENDS

The Board of Directors' proposal for distribution of profits can be found on page 41. Only those who have been registered as share owners at the Central Share Registry by the March 5, 1996 date of record of dividend distribution are entitled to dividends. The date proposed by the Board of Directors for payment of dividends is March 8, 1996.

Those shareholders whose stock certificates have not yet been transferred to the paperless book entry securities system by March 5, 1996 will receive their dividends only after the transfer has been completed.

### ANNOUNCEMENTS TO SHAREHOLDERS

In accordance with the Articles of Association, announcements to shareholders are published in at least two daily Helsinki newspapers chosen by the Board of Directors.

### FINANCIAL REPORTING

KONE Corporation will publish the following financial reports during 1996:

- Annual Report: in Finnish, Swedish, English, German, French, Russian and Chinese.
- Interim Report (June 7) covering January-April operations: in Finnish, Swedish and English.
- Interim Report (October 10) covering January-August operations: in Finnish, Swedish and English.

These reports are mailed directly to all registered shareholders of the parent company.

**This Annual Report is available in English, French, German, Swedish, Finnish, Russian and Chinese from: KONE Corporation, Corporate Communications, P.O. Box 8, FIN-00331 Helsinki, Finland. Telephone +358 0 475 4348. Telefax +358 0 475 4496.**

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The KONE Group consists of the Finnish parent company, KONE Corporation, and those subsidiaries in which its direct or indirect interest exceeded 50% at the end of 1995. There are 160 such companies in 41 countries.

The parent company was established in 1910. Its shares have been quoted on the Helsinki Stock Exchange since 1967.

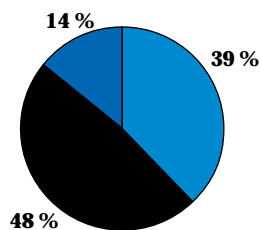
KONE's main business is the manufacture, installation, modernization and maintenance of elevators and escalators. KONE products are manufactured in several countries in Europe, North and South America and Asia. To carry out broad-based field operations, an extensive installation and aftersales service organization is maintained in key market areas around the world.

KONE offers customers in the vertical transportation field products and services designed to sustain and increase the value and usefulness of their property. Customers include planners, developers, builders and owners of public and private buildings.

KONE strives for reliability in its products and services, quality in its employees' performance, longevity in its customer relationships, and profitability in its business dealings. The business activities of local KONE units all over the world are based on these shared values.

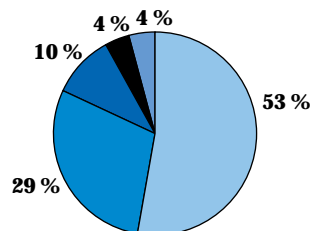
**Sales by Business Sector 1995**

	FIM million
New elevators and escalators	3,686
Modernization	1,294
Maintenance	4,543



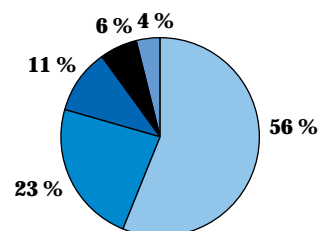
**Sales by Market 1995**

	FIM million
European Union	5,066
Rest of Europe	358
North America	2,772
Asia & Australia	954
Other countries	373



**Employees by Market 1995**

European Union	11,752
Rest of Europe	794
North America	4,836
Asia & Australia	2,241
Other countries	1,246



## Highlights

- EXCEPTIONAL EVENTS AND REORGANIZATION COSTS WEAKEN RESULT
- ELEVATOR DEMAND AND PRICE LEVELS IN EUROPE REMAIN LOW
- SLIGHT GROWTH IN DEMAND IN NORTH AMERICA
- MONTGOMERY-KONE ACHIEVES PROFIT TARGETS
- ASIAN ORDERS INCREASE BY ONE THIRD
- NO MAJOR CHANGES IN MARKET SHARE
- PRODUCT RANGE RENEWAL AND CONCENTRATION OF MANUFACTURING
- BETTER RESULT IN 1996

(Figures for 1994 in the table below have been adjusted to correspond to corrected information as explained on page 27.)

		1995	1994
Sales	Mmk*	9,523	7,638
Sales outside Finland	"	9,184	7,244
Sales in Finland	"	339	394
Exports from Finland	"	860	828
Orders received	"	6,635	5,281
Order book as of 31st Dec.	"	5,742	5,874
Income before taxes	"	186 <sup>1)</sup>	288
Net income	"	67 <sup>1)</sup>	143
Total assets	"	7,542	7,844
Number of employees as of 31st Dec.		20,869	21,553

\*Mmk = Millions of Finnish markkas; FIM 100 = US \$22.80 (as of 31st Dec 1995).

<sup>1)</sup> Includes extraordinary losses of FIM 15.7 million.

## Key Figures\*

(Figures for 1992-1994 have been adjusted to correspond to corrected information as explained on page 27.)

	1995	1994	1993	1992	1991
Return on equity %	3.5	5.8	5.0	12.0	12.3
Return on capital employed %	11.3	12.5	12.5	15.3	16.2
Total equity/total assets %	30.8	31.2	31.5	26.4	26.8
Earnings/share, FIM	13.67	23.60	20.40	45.22	41.52
Equity/share, FIM	383	403	421	395	360
Price/earnings, B share	26.6	22.9	27.9	9.5	8.7
Gearing	46	53	45	81	86

\*The principles for calculating key figures can be found on page 30.

## BOARD OF DIRECTORS



**Pekka Herlin, 63**

D.Sc. (Econ.) H.C.  
Chairman & C.E.O. 1987-  
President & C.E.O. 1964-1986  
Member of the Board 1954-



**Antti Herlin, 40**

Farmer  
Member of the Board 1991-



**Ilkka Herlin, 37**

Ph.D.  
Member of the Board 1990-



**Jaakko Lassila, 68**

Ph.D.  
Member of the Board 1978-



**Gerhard Wendt, 61**

Ph.D.  
President 1989-1994  
Member of the Board 1979-

**Auditors**

Liisa Mononen,  
Authorized Public Accountant  
SVH Coopers & Lybrand Oy,  
Authorized Public Accountants

**Deputies**

Antti Helenius,  
Authorized Public Accountant  
Tauno Haataja,  
Authorized Public Accountant

**Anssi Soila, 47**

President 1995-  
Deputy Member of the Board 1995-

## message from the President



**Anssi Soila**

The world in which we work is subject to a continuous process of change. As a consequence, we must also constantly renew both our ways of working and the focus of our business efforts in order to respond rapidly enough and in the most effective possible ways to the ever-changing requirements of the market.

In our product development, production and widespread field operations, our fundamental starting points are our customers' requirements and our ability to satisfy those requirements comprehensively on an ongoing basis. Our task is to develop the quality of our products, services and operations while constantly assuring our profitability, which is largely based on customer satisfaction.

During the year under review, our result was weakened by exceptional events. Faulty reporting, which had been going on for some time, was uncovered in Italy. Its impact on recent years' results was substantial. This situation has been corrected, and structural changes to improve profitability have been initiated in our Italian organization. In addition, KONE's internal auditing procedures have been strengthened.

Among the positive accomplishments of the past year have been our retention of market share, Montgomery KONE's achievement of its profit targets and the successful integration of Montgomery into the KONE organization, and on-schedule progress made in the development of new products. As a result of the events in Italy and more extensive structural changes than were originally planned, KONE's result for the year was poor. Despite this temporary disappointment, the Board of Directors has decided to propose to the Annual General Meeting that dividends once again be maintained at the same level as in recent years.

We begin the new year with new and powerful resources. We will be bringing to the market innovative solutions in all our operational sectors. In our largest market area, Europe, the new elevator business is undergoing a thorough reorganization. The number of existing product families is being reduced substantially as a step toward European-wide products. Manufacturing is being concentrated in fewer production centers capable of attaining higher volumes. Installation-site productivity is being improved through the implementation of consistent installation methods. The combined impact of all these efforts will be a decisive improvement in our competitiveness.

Our direction is clear. Both our product ranges and our organization are undergoing structural changes consistent with the goals set for them. The harmonization of our business processes is progressing, and the long-range project to integrate our worldwide information technology systems begun last year is continuing. Our quality improvement efforts are boring deeper into the foundations of our everyday work. Through all these efforts we are building a new and lasting basis for future strength.

We have successfully maintained our market share in a turbulent business environment, thanks to the know-how and dedication of our personnel. By continuing the market-driven development of our products and services, we assure the satisfaction of our customers. That is the path toward growth and success in the future.

A handwritten signature in black ink, consisting of a stylized 'A' followed by a horizontal line and a flourish.

Anssi Soila  
President



**Corporate management team (l-r): Pekka Kemppainen, Pekka Paalanne, Klaus Cawén, Anssi Soila, Jussi Itävuori, Eric Maziol and Aimo Rajahalme.**

**Corporate Management**

President:

ANSSI SOILA

Senior Vice Presidents:

KLAUS CAWÉN, General Counsel & Acquisitions

JUSSI ITÄVUORI, Human Resources & Quality

PEKKA KEMPPAINEN, Technology

ERIC MAZIOL, Marketing & Field Operations

PEKKA PAALANNE, Corporate Control & Information Systems

AIMO RAJAHALME, Finance & Treasury



**Chauvarie**



**Pecchioli**

**Area Directors**

SOUTHERN EUROPE &

LATIN AMERICA

J-P. Chauvarie, Paris

ITALY

Roberto Pecchioli, Milan



**Hoving**



**Mäkinen**

CENTRAL EUROPE

J-W. Hoving, Amsterdam

NORTHERN & EASTERN EUROPE

T-E. Sandelin, Helsinki

NORTH AMERICA

Heimo Mäkinen, Moline (IL), U.S.A.

ASIA-PACIFIC

Neil Padden, Hong Kong



**Padden**



**Björklund**

**Component Division**

Lauri Björklund, Brussels



### E U R O P E

The construction industry within the European Union experienced no significant growth during the year under review. There was exceptionally little housing construction, which represents about one fourth of all construction business. The main reasons for the dearth in new housing construction were the large budgetary deficits in the public sector, high real interest rates, and high unemployment levels in many EU countries. Elevator price levels remain low.

Renovation work has turned out to be the largest and fastest growing sector of the construction industry, approaching one third of the industry's total volume. In contrast to expectations, however, elevator modernization business did not surpass the previous year's totals. Overcapacity in commercial real estate continues to impede growth in many EU countries. Nevertheless, KONE was able to use its industrialized modernization products to win important orders and strengthen its position in European modernization markets.

The tight economic situation and strong pressure to reduce costs were reflected in increasing price competition in the maintenance sector. KONE has responded to this tougher competition with measures to improve the effectiveness of predictive maintenance and the productivity of maintenance efforts without compromising the quality and availability of KONE services.

The building industry's decline in northern Europe, which continued during the entire first half of the 1990s, has finally bottomed out. Investment in new housing construction remains, however, at a low level. In Sweden, for example, construction activity is at its lowest level since 1920. The modernization market showed some slight improvement at the end of 1994 but turned downward again during 1995.

In Great Britain and Central Europe, new elevator demand has been stagnant. The slight economic growth that Germany enjoyed at the beginning of 1995 weakened everywhere except in Berlin toward the end of the year. The countries of eastern Central Europe, where growth continued at an average 6% annual pace, are preparing for significant infrastructure investments which are expected to lead gradually to new housing construction and renovation of existing buildings.

As part of the reorganization of KONE's elevator production during the year under review, the Peterborough Factory in England and the Thorn Factory in the Netherlands were closed. In addition, it was decided to close the Hannover Door Factory in Germany and the Prague Factory in the Czech Republic as well as discontinue the manufacturing of electronic equipment and several mechanical components at the Liège Factory in Belgium.

Government indebtedness, high unemployment, and shaken public confidence in the ability of politicians to change the direction of the economy kept investment at low levels in France, Spain and Italy. Air and rail infrastructure development projects are responsible for the largest orders received in France (Paris Metro) and Italy (Milan Metro and Malpensa Airport expansion). No growth is expected in the short run in either new elevator or modernization demand.

KONE is the leading supplier of elevators imported into the former Soviet Union with over 350 units installed in 1995. Among the most significant references were Gasprom (61 elevators), the Russian Parliament (22 elevators) and the Kremlin

(12 elevators) in Moscow and the Hotel Pribaltiskaya in St. Petersburg. Maintenance business also continued its steady growth with KONE assuming 100% ownership of service companies in Moscow and St. Petersburg.

KONE has a recognized position in Europe as a quality elevator supplier. Representative examples of superior European installations completed during the year include the Rembrandt Tower in Amsterdam, 99 Bishopsgate in London and the Finntower in Warsaw.

No growth is expected in either the new elevator or modernization markets in Europe in 1996. This stagnation will lead to increasing price competition. KONE's response is to introduce more cost-effective products to the market, decrease the number of product families, and streamline production processes.

#### NORTH AND SOUTH AMERICA

During 1995, the elevator business in North America was characterized by a relative paucity of construction activity compared to earlier periods of economic growth and the tightening of competition in all business sectors. Economic growth in the United States stood at 3%, which was the same figure recorded for growth in construction industry activity. The greatest increase occurred in public sector renovation work while easy access to funding and low interest rates maintained investment readiness in the private sector.

In the United States the focus in commercial construction shifted from urban centers to the suburbs, where buildings tend to be lower. This development fed increased demand for hydraulic elevators. Thanks to the introduction of a new, more cost-effective hydraulic elevator range to the U.S. market at the same time, Montgomery KONE increased its volume of hydraulic elevator orders over the previous year's figures.

The most important delivery of 1995 consisted of 249 elevators, escalators and autowalks for the new Denver International Airport. Other significant orders included those for the Olympic Stadium in Atlanta (10 elevators, 5 escalators), the Universal City Parking Complex in Orlando (13 elevators, 38 escalators), the Silver Legacy Casino in Reno (32 elevators, 10 escalators), the United Airlines Terminal Extension in Los Angeles (5 elevators, 6 escalators, 1 autowalk) and the Ronald Reagan Federal Building and U.S. Courthouse in Santa Ana (14 elevators, two escalators).

Demand for elevator and escalator modernizations increased somewhat during 1995, but price levels remained low. The integration of KONE and Montgomery resources strengthened the company's position as a leader in the U.S. market. Among the many important orders received, it is worth mentioning the Lurie Companies complex in Chicago (29 high-rise elevators), the A.S. Celebrezze Federal Office Building in Cleveland (27 elevators, 2 escalators), Maxus Energy in Dallas (18 high-rise elevators) and the U.S. Post Office in Philadelphia (12 elevators).

The growth in service business was slow, affected by the low level of deliveries in recent years and increased price competition. Montgomery KONE has an excellent name as a service provider. For example, it was the first elevator

**1 The Netherlands' tallest building, the 35-story Rembrandt Tower in Amsterdam, to which KONE supplied 12 elevators and two escalators, was completed in July. The elevators have a top speed of 5.0 m/s.**

**2 Eighteen employee representatives from KONE companies in twelve European countries and five representatives of KONE management signed an agreement on employee consultation and communication in June. Shown signing the document are president Anssi Soila (right) and employee representative Giovanni Vitali of Italy.**

**3 Denver International Airport opened to the public in February, but preparations for the delivery of its elevators and escalators began back in 1992. Montgomery KONE supplied a total of 249 elevators, escalators and autowalks to the new facility.**

1



2



3

1



2



company to win a Sears "Partners in Progress" award for quality service. This strong reputation, along with the introduction to the market of new service methods such as those based on remote monitoring, strengthens the company's position in an increasingly tough competitive environment. Significant new maintenance agreements include those for the new Denver International Airport's 263 units, 190 units at Ohio State University in Columbus, 97 units at the Johns Hopkins Medical Center in Baltimore and 41 units at Queens Medical Center in Honolulu.

Armor KONE and Montgomery Elevator were integrated during the year under review into an organization with branches (56) and sub-branches in 160 locations throughout the United States. Thanks to the new products introduced to the market and measures taken to strengthen profitability, this organization will maintain its market position as both a provider of maintenance and modernization services and a supplier of new vertical transportation equipment. Demand for new elevators is expected to grow by 3% during 1996 as Federal budget cuts reduce government spending for construction but stimulate building in the private sector.

In Canada, building activity remained at a low level in 1995, and developments are expected to continue along the same lines in 1996.

The most significant KONE delivery to Latin America in 1995 was the installation of 34 high-rise elevators in Phase II of the DINE project in Mexico City. Central and South American economies continued to suffer from market perturbation created by massive devaluations at the end of 1994. An especially negative impact

**1 Special elevators destined for Moscow's Kremlin, with splendid interiors designed to blend in with their luxurious surroundings, were readied for delivery at the end of the year from the Hyvinkää Factory. The unit pictured here will serve the Russian president's administrative offices.**

**2 KONE's annual management meeting, held in Montreal in June, drew 250 participants from subsidiaries and associated companies in 28 countries. The heads of winning units in the Ride Comfort Competition were rewarded with colorful Native American headdresses.**

was felt by the elevator markets of Mexico and Venezuela. Brazil, which represents approximately one half of South America's total markets, is implementing its own program of economic stabilization. During 1996, the whole area's demand for new elevators is expected to remain at the same level as during the previous couple of years. The trend in price levels is toward a slight decline except in Brazil.

#### ASIA AND AUSTRALIA

There were significant differences in elevator demand from country to country in Southeast Asia compared with the previous year. A breakthrough occurred in Japan with the opening of the market to KONE hydraulic elevators and escalators.

In China, demand was dampened by governmental efforts to cool off an overheated economy. Markets in Hong Kong and Singapore remained stable although price developments in Hong Kong exhibited a slight decline. In Taiwan, both demand and price dropped sharply.

The growth in construction activity predicted for Indonesia in 1995 did not materialize. In 1996, as well, growth is expected to remain low as both office and housing sector construction demand is declining. On the other hand, strong growth continues in Malaysia, where KONE obtained a record volume of new orders. Demand is also expected to continue growing in the Philippines, especially in the Manila region.

Toward the end of the year several important orders for deliveries to Kuala Lumpur in Malaysia were received: Twin Towers (30 elevators), Matrade (23 elevators, 6 escalators) and Phileo Damansara (72 elevators). Other significant orders from Asian customers included 53 elevators for the Taiwan National Defense Medical Center and 26 elevators and four escalators for the U Chu Liang Tower office complex in Bangkok.

In India, the market situation has already been improving for two years even though the approaching 1996 elections slowed the development of real estate markets, especially in the western part of the country. During 1996, the elevator market is expected to pick up again.

Competition in Asia continues to become tougher as customers demand the highest possible quality. KONE is meeting this challenge by strengthening its quality improvement processes, introducing new mid-range elevators to the market, and investing in personnel training. The prospects for growth and profitability in the service sector are particularly good.

In Australia and New Zealand, the growth in elevator and escalator demand continued and price levels improved, especially in the shopping and recreation center and residential construction sectors. Although office construction remained weak, it is expected to pick up during 1996. The Olympic Games, to be held in Sydney in the year 2000, are expected to stimulate increased demand in the hotel sector.

In the Middle East, demand remained at the 1994 level. The focal point in construction shifted from the public to the private sector as competition in the region increased.



**MLC Centre, Sydney. This 67-story tower's 25 elevators were completely modernized during 1989-1993. Elevator speeds range from 3.0 to 7.0 m/s. Existing drive and control systems were replaced with KONE TMS 900 controls and SCD static converter drives.**

KONE's sales during the year under review totaled FIM 9,523 million, compared to FIM 7,638 million for the previous year. The entire sales figure for 1995 was generated by the elevator and escalator business (elevator and escalator sales for 1994 totaled FIM 7,440 million); the last remaining units not involved in vertical transportation - KONE Instruments Corporation and the KONE Steel Foundry Corporation - were sold during the year. The increase in sales totals for 1995 is attributable to the integration of figures from Montgomery KONE Inc. of the United States, which added approximately FIM 2,000 million to KONE's total turnover.

The value of new orders received totaled FIM 6,635 million, compared to FIM 5,281 million in 1994 (elevator and escalator orders in 1994: FIM 5,060 million). New orders increased by more than 30% with the inclusion of Montgomery KONE Inc.'s figures accounting for more than 85% of the increase.

KONE's order book at the end of the year under review stood at FIM 5,742 million. The order book figure for the end of 1994 was FIM 5,874 million (elevator and escalator orders: FIM 5,851 million). Both the 1994 and 1995 figures include Montgomery KONE Inc.'s orders in hand.

At the end of 1995, it became clear that fundamental errors had been made for several years in the reporting of KONE's Italian companies' operations. As a result, it was necessary to correct over- and undervaluations in certain items in the Balance Sheet. Rectified results for the previous years are shown in the Notes on the Consolidated Financial Statements on page 27. Overstated assets and understated liabilities from the previous years have been deducted from retained earnings.

KONE's 1995 income after taxes was FIM 67 million. Contributing to this result were costs related to the reorganization of production and administration, 1995 provisions made for continuation of this program during 1996, and the additional provisions necessitated by the corrective actions program undertaken in Italy at the end of 1995.

Operating income before depreciation totaled FIM 693 million (corrected figure for 1994: FIM 671 million) and operating income FIM 274 million (corrected 1994: FIM 326 million). Income after financing items was FIM 202 million. Net income was FIM 67 million (corrected 1994: FIM 143 million). Earnings per share stood at FIM 13.67 (corrected 1994: FIM 23.60).

KONE Corporation's Board of Directors proposes to the Annual General Meeting that, despite the temporarily weakened result, dividends of FIM 9 per A-series share and FIM 10 per B-series share be declared for 1995.

#### PRODUCTS AND MARKETS

Elevator, escalator and modernization orders exclusive of maintenance business totaled FIM 6,635 million in 1995, which was more than 30% higher than the FIM 5,060 million figure for the previous year. The inclusion of Montgomery KONE Inc.'s figures accounted for nearly 85% of this growth.

Practically speaking, the volume of modernization orders did not grow during the year under review. New elevator and escalator orders produced what real growth there was.

## Sales and Personnel by Country

	Sales 1995 FIM million	Number of employees
USA	2,672	4,365
France	1,218	2,331
Finland	1,206	1,704
Italy	1,079	2,604
Germany	785	972
Sweden	534	888
Belgium	448	780
Netherlands	421	638
United Kingdom	378	837
Austria	334	476
Australia	333	680
Hong Kong	294	534
Canada	220	471
Denmark	150	260
Brazil	146	615
Norway	130	193
Spain	100	262
Taiwan	53	121
Singapore	50	76
Czech Republic	48	344
Malaysia	41	88
Mexico	39	319
India	31	668
Turkey	19	122
Venezuela	17	168
Japan	13	2
Others	29	351
<b>Total</b>	<b>10,788</b>	<b>20,869</b>
Intracorporate sales	(1,265)	
<b>THE KONE GROUP</b>	<b>9,523</b>	

In Northern Europe, new orders remained at a low level. Only special industrial projects and an increase in market share in Norway produced a little growth.

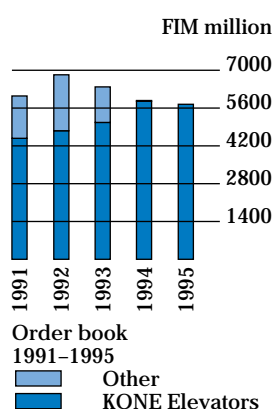
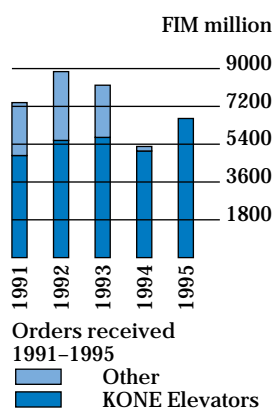
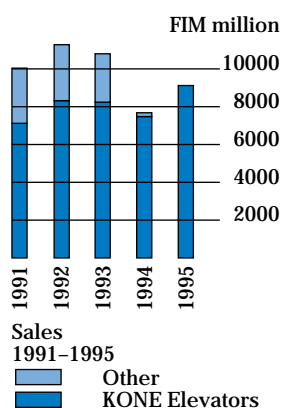
In Central and Southern Europe, new elevator and modernization demand either declined or, at best, remained at the previous year's level. Anticipated growth in eastern Central European markets has not yet begun to materialize.

Sales targets were surpassed in North America. Montgomery KONE's market share in the United States is approximately 20%.

In the Far East, new orders in 1995 exceeded the previous year's volume by almost one third, but fluctuations from country to country were strong.

Various market conditions and future prospects are explored in greater detail in the Review by Market Area on pages 7-11.





## S A L E S

KONE's net sales for 1995 totaled FIM 9,523 million, compared to FIM 7,638 million (elevator business: FIM 7,440 million) for the previous year. The growth in business volume was 28%, which is the same size as the contribution made by the addition of Montgomery KONE Inc.'s figures to KONE's totals. Montgomery KONE Inc.'s sales figures for December, 1994 (the company was acquired November 30, 1994) are also included in KONE's 1995 sales figures.

New elevator and escalator deliveries worth FIM 3,686 million were completed in 1995, compared with FIM 2,829 million in 1994, representing growth of more than 30%. New elevator and escalator sales accounted for 39% of KONE's total turnover.

Maintenance and modernization business sales development was also positive. Sales for 1995 totaled FIM 5,837 million, compared to FIM 4,611 million for the previous year, representing growth of approximately 26%. The total number of elevators and escalators under maintenance contract increased by about 10,000 from the end of 1994, when it was 415,000 (including Montgomery KONE Inc.'s service base), to approximately 425,000 at the end of 1995. Maintenance and modernization business was responsible for 61% of KONE's turnover.

The distribution by market area of KONE's consolidated sales figures in FIM millions was as follows (to maintain comparability, 1994 figures for business units sold during 1995 have not been included):

	1995	1994
European Union*	5,066	4,321
Rest of Europe	358	1,245
North America	2,772	775
Asia and Australia	954	786
Other Areas	373	313
Total	9,523	7,440

\*New member countries in 1995: Austria, Finland and Sweden.

Sales figures and personnel by country are detailed on page 14 of this Annual Report.

Europe accounted for 57% of the sales total, North America for 29%, and Asia, Australia and other areas for 14%.

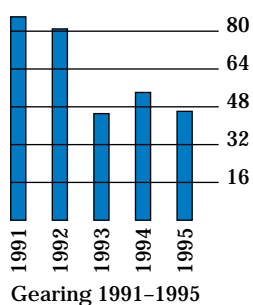
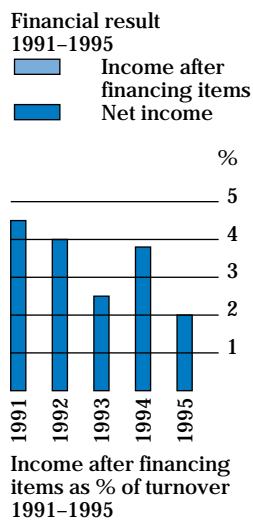
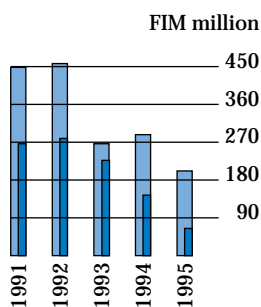
Sales recorded by the parent company, KONE Corporation, totaled FIM 1,204 million. Its exports from Finland were valued at FIM 860 million.

## FINANCE, FINANCIAL RESULT, AND CONSOLIDATED BALANCE SHEET

KONE's financial result is derived exclusively from its elevator and escalator business. The non-elevator business units sold during 1995 do not appear in KONE's figures except as extraordinary expenses. Montgomery KONE Inc.'s figures in the Consolidated Statement of Income cover the 13-month period beginning December 1, 1994.



**Two Peachtree Tower, Atlanta, Georgia. Montgomery KONE modernized the 23 elevators in this 41-story office tower during 1994-96. Elevator speeds range from 2.5 to 5.0 m/s. The upgrade included new control systems, doors and door operators.**



A special audit conducted during the autumn in Italy confirmed that fundamental errors had been made over a period of years in KONE's Italian subsidiaries' accounts. Non-existent work had been added to the reports of the value of work in progress and receivables that did not exist had been added to the accounts receivable. In addition, accounts payable and accruals were not fully reported. As a consequence, the shareholders' equity figure in the 1994 Consolidated Balance Sheet at the end of the year was approximately FIM 170 million too high. Because these errors concern past years, they have been entered as deductions from retained earnings. The corrected Consolidated Statements of Income from 1992-94 are presented in the Notes on the Consolidated Financial Statement as is the impact on shareholders' equity. KONE's key figures have also been adjusted to correspond to the rectified Consolidated Financial Statement.

Even though the previous years' reporting errors by the Italian subsidiaries have been entered as deductions from shareholders' equity, KONE's income after taxes for 1995 remained poor.

During the year under review, the Thorn Factory in the Netherlands and the Peterborough Factory in England were closed. Component production in Kista, Sweden was discontinued altogether as was the manufacture of certain components in Liège, Belgium; Hannover, Germany; and Moline, Illinois, in the United States. The decision was also made to end production at the Prague Factory in the Czech Republic. Costs already created by the rationalization of production and administration as well as provisions made for the continuation of these programs weakened the 1995 result.

Exceptional measures were designed to clean up KONE's Italian operations. These operations are currently producing losses, but the possibility exists for rapid improvement of profitability. Costs resulting from rationalization plans have been deducted from the 1995 result.

The figures for 1994 in the Consolidated Statement of Income, shown for purposes of comparison, have not been corrected. In the paragraphs below, several key figures for 1995 are shown with comparable 1994 figures that have been corrected (as reported in greater detail in the Notes on the Consolidated Financial Statements) in parentheses.

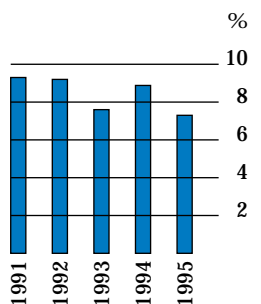
Operating income before depreciation was FIM 693 million (FIM 671 million), which was 7.3% of turnover. Operating income totaled FIM 274 million (FIM 326 million). Net income was FIM 67 million (FIM 143 million) and earnings per share FIM 13.67 (FIM 23.60).

Consolidated total assets on December 31, 1995 were FIM 7,542 million. KONE's assets employed totaled FIM 3,317 million, consisting of FIM 166 million in net working capital and FIM 3,214 million in fixed assets. Shareholders' equity was FIM 2,313 million and interest-bearing net debt was FIM 1,067 million (1,288 million).

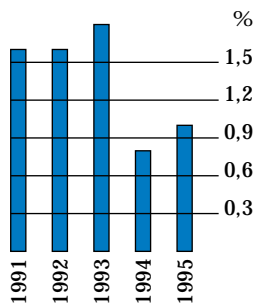
In accordance with KONE's financial policy, loans by subsidiaries are made in each country's own currency. Equities in foreign subsidiaries have been partially hedged according to equity-hedging policy through long-term swaps, forward contracts and option strategies. All sales contracts are hedged, and estimated currency requirements are selectively covered for the next 6-12 month period. The major share of KONE's loans have floating interest rates. Interest risks are reduced



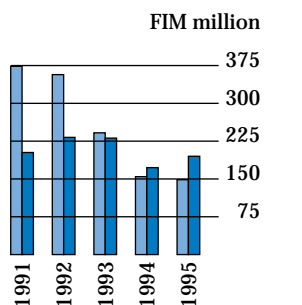
**Tour Europe, Paris la Defense. Modernization work began on the eight elevators in this 30-story tower in September, 1995 and will be completed in the summer of 1997. The elevators will be equipped with new KONE TMS 9000 control and SCD static converter drive systems.**



Operating income before depreciation as % of turnover 1991-1995



Net interest paid as % of turnover 1991-1995



Capital expenditure in tangible assets and depreciation 1991-1995

Legend: Capital expenditure (light blue), Depreciation (dark blue)

through hedging and options for the next 12-24 months.

KONE's distributable equity is FIM 1,863 million. The parent company's distributable equity from the previous year stands at FIM 1,640 million and profit from 1995 at FIM 741 million for a total of FIM 2,381 million. The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 9 be paid on each A-series share and FIM 10 on each B-series share. If the Annual General Meeting of February 29, 1996 approves the proposal, the dividends will total FIM 59.4 million (1994: FIM 59.4 million).

#### PERSONNEL

The number of employees at the end of 1995 was 20,869. The distribution of personnel by geographic area (to preserve comparability, the 1994 figures for companies sold during 1995 have been excluded) was as follows:

	1995	1994
European Union*	11,752	8,926
Rest of Europe	794	3,937
North America	4,836	5,044
Asia and Australia	2,241	2,183
Other Areas	1,246	1,118
Total	20,869	21,208

\*New member countries in 1995: Austria, Finland and Sweden.

Personnel in Finland numbered 1,704 (1994: 1,942). The reduction is attributable to the sale of KONE Instruments and the KONE Steel Foundry.

#### CAPITAL EXPENDITURE AND PRODUCT DEVELOPMENT

Capital expenditure in production facilities, field operations, computerization and data communication totaled FIM 148 million (1994: FIM 155 million). The distribution of capital expenditures was as follows: buildings, FIM 39 million; machinery, equipment and tools, FIM 58 million; computerization and data communication, FIM 51 million.

KONE's investment in product development during the year under review totaled FIM 141 million (1994: FIM 137 million).

The focus of product development during 1995 was on elevators for residential buildings, which make up the volume elevator market. During the year under review, less expensive components and more cost-effective installation methods were developed. In addition, new industrialized modernization concepts for residential building elevators were introduced to the market.

The core development projects for 1995 included the continuation of the quality improvement process, steps to integrate business process information technology systems, harmonization of business processes, and development of employee consultation and communication.

The focus of the quality improvement process has been on ISO 9000



**99 Bishopsgate, London.**  
**This office tower located in the City of London was completely renovated in 1995 following a 1993 bombing. KONE supplied a total of 17 elevators of which 10 represent KONE 9000 technology at speeds of 3.0 - 6.0 m/s.**

certification, which provides a solid basis for continued development of work processes. Upgrading KONE's information technology systems will, over the long run, standardize the organization's worldwide data handling and communication processes. Development of KONE's business processes is directed toward improving cost-effectiveness and increasing customer satisfaction.

An agreement on employee consultation and communication consistent with EU directives in this area was signed early in the summer by KONE management and employee representatives from KONE companies within the European Union.

#### O U T L O O K

No significant growth is expected in our main market area, Europe. Obstacles to the revival of the housing construction market are government budget deficits, high real interest rates and high unemployment rates. Prices remain stagnant, and tough competition is forcing us to raise our own cost efficiency through more competitive products and business processes. KONE is responding to this challenge with numerous development projects.

KONE's current activities in North America are proving to be competitive. Former KONE business units have been integrated into Montgomery KONE Inc., market share has been retained, and profitability corresponds to the goals that have been set.

The various national markets in the Far East are going through powerful changes. KONE has been able to expand in Asia, where approximately half of all new elevators and escalators in the world are being installed. The value of new orders received in 1995 in this part of the world surpassed the previous year's figure by 30%. KONE's market shares in the Far East still remain small, but efforts continue to increase them. Gaining a foothold in very competitive markets takes years and requires continuous investment.

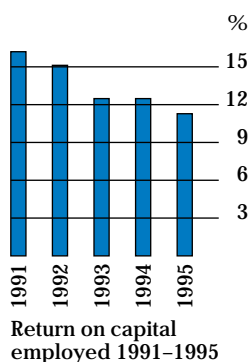
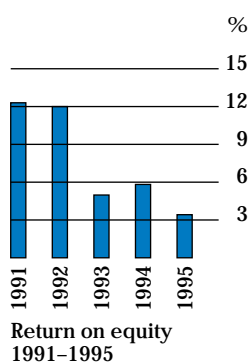
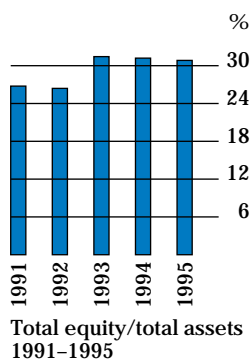
The order book for new equipment and modernizations (excluding service business) at the end of 1995 stood at FIM 5,742 million (1994, including only elevator business: FIM 5,851 million). This represents more than a year's worth of deliveries.

The number of elevators and escalators under service contract has grown steadily. At the end of 1995 KONE had 425,000 units in service, representing a growth of approximately 10,000 units from the previous year.

Competition in maintenance markets continued to tighten. Nevertheless, KONE has been able to keep its maintenance profitability at a steady level by improving internal productivity.

Both the one-time disappointment from KONE's Italian operations and the ongoing recession in many markets, which called for intensifying cost-cutting measures, weighed heavily on business activities in 1995. The Italian operation can rapidly be made profitable again, but the general market situation will require us to make continued efforts to maintain competitiveness.

KONE's 1996 result will be clearly better than that achieved during the year under review. However, the targets set for improved profitability will not be achieved by the projects and restructuring efforts already underway until 1997 and 1998.



## PRINCIPLES OF CONSOLIDATION

The consolidated accounts include the parent company and those companies in which the parent company held directly or indirectly more than 50 % of the voting power at the end of the year. Subsidiaries acquired during the financial year have been included in the consolidated financial statements from the date of acquisition. Holdings in housing and real estate companies whose consolidation is not relevant to providing a true and fair view of KONE's net income and financial position have not been included in the consolidated financial statements.

Investments in associated companies have been accounted for in the consolidated financial statements under the equity method. An associated company is a company in which the group holds 20-50 % of the voting power and has a participating interest of at least 20%.

Investments in other companies are stated at cost. The book value of investments has been reduced, where necessary, to estimated net realizable value.

Intracorporate transactions have been eliminated in the consolidated financial statements.

Intracorporate shareholdings have been eliminated by deducting the amount of each subsidiary's equity at the time of acquisition from the acquisition cost of its shares. The difference between a subsidiary's acquisition cost and its equity at the time of acquisition has been entered as goodwill. The value of elevator and escalator maintenance contracts acquired is also included as goodwill.

The KONE group's share of the profit or loss of an associated company is shown in the Consolidated Statement of Income as a separate item. The depreciation of goodwill from the acquisition of the shares of associated companies is included in KONE's goodwill depreciation. The dividends received from the associated companies are not included in the Consolidated Statement of Income. The KONE group's share of the associated companies' shareholders' equity at the date of acquisition, adjusted by changes in the associated companies' equity after the date of acquisition, is shown in the Balance Sheet under "shares and participating interests". Goodwill from the acquisition of the shares of associated companies is shown under goodwill.

In certain countries, tax legislation allows allocations to be made to untaxed reserves. These allocations are not subject to taxation on condition that the corresponding deductions have also been made in the accounts. In the consolidated financial statements, the yearly allocations - reserves as well as the difference between the depreciation according to plan and depreciation accepted by tax laws - have been added to net income, excluding the change in the calculative deferred tax liability. The deferred tax liability is determined from the accumulation of untaxed reserves. The accumulation of untaxed reserves, excluding the calculative deferred tax liability, is included in the shareholders' equity in the Consolidated Balance Sheet. Accumulated deferred tax liability is shown as a separate liability item in the Consolidated Balance Sheet.

The taxes shown in the Consolidated Statement of Income include revenue-based taxes to be paid on the basis of local tax legislation as well as the effect of the yearly change in the deferred tax liability, determined from the untaxed reserves by using the current tax rate. Tax credits related to intracorporate dividends or dividends from the associated companies have been deducted from taxes in the Consolidated Statement of Income.

Minority shares are shown as a separate item in the Consolidated Statement of Income and Balance Sheet. The minority share in the Statement of Income is calculated from the income before allocation to untaxed reserves but after taxes adjusted by the change in the calculative deferred tax liability. The minority share in the Balance Sheet is calculated from the sum of shareholders' equity and accumulation of untaxed reserves, of which the calculative deferred tax liability has been deducted.

The financial statements of foreign subsidiaries have been converted into Finnish markkas at the rates current on the last day of the year. Translation differences resulting from converting the shareholders' equity of foreign subsidiaries have been included as a separate item in shareholders' equity.

## FOREIGN CURRENCY ITEMS

Foreign exchange items and derivatives made to cover foreign exchange and interest rate risks have been valued at the December 31 rates. The changes in value of foreign currency items have been included in the Statement of Income as interest or exchange rate differences according to the periodizing of the hedged item. The exchange rate differences resulting from derivatives and foreign currency loans which are designated as hedges on net investments in foreign subsidiaries have been matched against the translation differences and entered under shareholders' equity in the Balance Sheet.

## DEBITING PRINCIPLE

The sale of products is debited at the time when they have been handed over to the customer and the sale of services when they have been carried out.

## RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to income during the year in which they are incurred.

## PENSION SETTLEMENTS AND COSTS

Pensions are generally handled for KONE companies by outside pension insurance companies. Pension costs and changes in pension obligations are charged to the Statement of Income.

## LEASING

Leasing charges are entered as rental costs in the Statement of Income. Remaining leasing contract charges are entered in section 17 of Notes on the Consolidated Financial Statements under "Contingent liabilities and pledged assets".

## EXTRAORDINARY ITEMS

One-time items of significance that arise from other than ordinary activities are shown under "Extraordinary items".

## VALUATION AND DEPRECIATION OF FIXED ASSETS

Fixed assets are stated at cost. In addition, certain land and buildings can be stated at revalued amounts. A predetermined plan is used in carrying out depreciation of fixed assets. Depreciation is based on the estimated useful economic life of various assets as follows:

- Buildings	5-40 years
- Machinery and equipment	4-10 years
- Goodwill	5-20 years
- Other long-term expenses	4-5 years

Depreciation of goodwill is generally carried out over five years. When considerable goodwill is created by the acquisition of a subsidiary or creation of an associated company which results in KONE's acquiring significant market share, the depreciation period can be greater than five but no more than twenty years.

## INVENTORIES

Inventories are valued at no more than the likely sales price according to FIFO principles. Raw materials and supplies, however, are valued at standard costs. Semi-manufactures have been valued at variable production costs. Work in progress includes direct labor and material costs as of 31st December, as well as a proportion of indirect costs related to production and installation of orders included in work in progress.

## PROVISION FOR LIABILITIES AND CHARGES

Future expenses to which companies have committed themselves and which will produce no future income are charged against income as a provision for liabilities and charges. The same concerns those future losses which seem certain to be realized.



Consolidated Statement of Income (FIM 000)

		1995	%	1994	%
SALES		9,523,242		7,661,665	
Cost and expenses	Note 1	(8,830,024)		(6,875,755)	
Depreciation	Note 2	(419,076)		(345,149)	
OPERATING INCOME		274,142	2.9	440,761	5.8
Share of associated companies' net income		15,759		24,582	
Financing income and expenses	Note 3	(87,773)		(62,612)	
INCOME AFTER FINANCING ITEMS		202,128	2.1	402,731	5.3
Extraordinary items		(15,719)		—	
INCOME BEFORE TAXES		186,409	2.0	402,731	5.3
Taxes	Note 4	(118,272)		(142,079)	
Minority share		(1,223)		(3,125)	
NET INCOME		66,914	0.7	257,527	3.4

Rectified Statements of Income for 1992, 1993 and 1994 are shown in the Notes on the Consolidated Financial Statements.

Consolidated Balance Sheet (FIM 000)

ASSETS		31.12.1995	31.12.1994
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS			
Intangible assets			
Goodwill	Note 5	1,717,382	1,879,847
Other long-term expenditures	Note 6	102,190	122,800
		1,819,572	2,002,647
Tangible assets			
Land	Note 7	147,757	161,560
Buildings	Note 8	615,133	622,152
Machinery and equipment	Note 9	517,928	665,965
Shares and participating interests	Note 10	95,518	94,458
Advance payments		18,322	9,260
		1,394,658	1,553,395
TOTAL FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS			
		3,214,230	3,556,042
CURRENT ASSETS			
Inventories			
Raw materials, supplies and semi-manufactured goods		402,464	495,211
Work in progress		1,571,912	1,744,836
Advance payments		24,753	22,783
Advance payments received		(1,244,356)	(1,477,163)
		754,773	785,667
Receivables			
Accounts receivable		2,092,358	2,082,521
Loans receivable		22,954	127,567
Deferred assets		602,067	538,512
Other receivables		68,285	59,364
	Note 11	2,785,664	2,807,964
Short-term investments	Note 12	432,089	599,452
Cash and deposits		355,148	195,989
		787,237	795,441
TOTAL CURRENT ASSETS			
		4,327,674	4,389,072
		7,541,904	7,945,114

SHAREHOLDERS' EQUITY AND LIABILITIES		31.12.1995	31.12.1994
SHAREHOLDERS' EQUITY			
Share capital		302,431	302,431
Legal reserves		45,739	48,370
Translation differences		(273,478)	(154,014)
Retained earnings		2,171,397	2,155,344
Net income		66,914	257,527
	Note 13	2,313,003	2,609,658
MINORITY SHARES		10,242	9,476
PROVISION FOR LIABILITIES AND CHARGES	Note 14	716,038	663,875
DEFERRED TAX LIABILITY		173,897	199,863
DEBT			
Long-term debt			
Loans from financial institutions		792,011	1,032,804
Pension loans		239,256	262,390
	Note 15	1,031,267	1,295,194
Current liabilities			
Long-term debt due within one year		58,698	115,172
Accounts payable		716,118	662,052
Accruals		1,735,164	1,588,697
Other current liabilities		787,477	801,127
		3,297,457	3,167,048
TOTAL LIABILITIES	Note 16	5,218,659	5,325,980
		7,541,904	7,945,114

Consolidated Statement of Cash Flows (R1M million)

	1995	1994
Cash receipt from customers	9,455	7,529
Cash paid to suppliers and employees	(8,823)	(6,595)
Cash flow from financial items	(85)	(80)
Cash flow from taxes and other items	(196)	(178)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>351</b>	<b>676</b>
Capital expenditure	(207)	(183)
Proceeds from sale of fixed assets	36	41
Fixed assets of new subsidiaries	(2)	(1169)
Fixed assets of sold subsidiaries	27	384
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(146)</b>	<b>(927)</b>
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>205</b>	<b>(251)</b>
Change in current creditors (net)	47	(92)
Change in long-term debt (net)	(262)	133
Dividends paid	(59)	(59)
Other financing activities	237	186
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(37)</b>	<b>168</b>
<b>CHANGE IN NET CASH</b>	<b>168</b>	<b>(83)</b>
Cash and bank as of 31st December	355	196
Exchange difference	9	32
Cash and bank as of 1st January	196	311
<b>CHANGE IN NET CASH</b>	<b>168</b>	<b>(83)</b>
<b>RECONCILIATION OF NET INCOME TO CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET INCOME	67	257
Depreciation	419	345
Other adjustments	1	3
<b>INCOME BEFORE CHANGE IN WORKING CAPITAL</b>	<b>487</b>	<b>605</b>
Change in receivables	(266)	11
Change in payables	75	46
Change in inventories	55	14
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>351</b>	<b>676</b>

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

Late in the year, it was confirmed that fundamental errors were contained in the past several years' Consolidated Financial Statements of KONE's Italian companies. For the most part, the errors arose from the inclusion of non-existent receivables in the sales figures and imaginary work in progress. In addition, accounts payable and accruals were not fully reported in the Balance Sheets. Consequently, shareholders' equity in KONE's 1994 Consolidated Balance Sheet was overstated by FIM 172.7 million.

Errors brought forward from 1994 or previous years have been corrected in the 1995 Consolidated Balance Sheet by reducing the shareholders' equity. Had the period 1992-1994 been reported accurately all along, KONE's Statement of Income and shareholders' equity in the Consolidated Balance Sheet for those years would have been as follows (FIM millions):

**Consolidated Statement of Income:**

	Corrected figures			Original figures		
	1994	1993	1992	1994	1993	1992
SALES	7,638	10,801	11,277	7,662	10,813	11,279
Cost & expenses	(6,967)	(9,985)	(10,238)	(6,876)	(9,935)	(10,235)
Depreciation	(345)	(414)	(401)	(345)	(414)	(401)
OPERATING INCOME	326	402	638	441	464	643
Other items	(183)	(177)	(364)	(183)	(177)	(364)
NET INCOME	143	225	274	258	287	279
Correction	115	62	5	total: FIM 182 million		

**Shareholders' equity:**

	Corrected figures			Original figures		
	1994	1993	1992	1994	1993	1992
Legal reserves	351	405	405	351	405	405
Translation differences	(145)	(41)	(32)	(154)	(41)	(32)
Retained earnings	2,088	1,957	1,743	2,155	1,963	1,743
Net income	143	225	274	258	287	279
	2,437	2,546	2,390	2,610	2,613	2,395
Correction in shareholders' equity	173	67	5			

Key figures and figures portraying economic development have been changed to correspond to the corrected figures.

## CONSOLIDATED STATEMENT OF INCOME

All figures are in millions of Finnish markkas.

**1. Cost and expenses**

	1995	1994
Materials and supplies	2,322.6	1,660.1
External services	439.2	365.4
Salaries of boards of directors and managing directors	48.7	42.6
Wages and other salaries	2,741.5	2,102.3
Pension costs	484.1	383.5
Other personnel expenses	1,213.1	1,051.7
Change of work in progress	(1.9)	53.9
Other expenses	1,633.6	1,290.4
Other business income	(50.9)	(74.2)
Total	8,830.0	6,875.7

**2. Depreciation**

	1995	1994
Goodwill	184.0	136.7
Other long-term expenditures	39.4	35.4
Buildings	29.8	27.0
Machinery and equipment	165.8	146.1
Total	419.1	345.2

**3. Financing income and expenses**

	1995	1994
Dividends received	2.9	3.6
Interest received	215.8	251.9
Interest paid	(315.2)	(313.5)
Other financing income and expenses	8.8	(4.6)
Total	(87.8)	(62.6)

**4. Taxes**

	1995	1994
Revenue-based taxes	164.8	164.0
Change in the calculative deferred tax liability	(36.3)	(7.9)
Tax credits related to dividends	(10.2)	(14.0)
Total	118.3	142.1

## CONSOLIDATED BALANCE SHEET

**5. Goodwill**

	1995	1994
Acquisition cost as of 1 January	2,654.5	1,841.5
Increase	3.9	891.4
Decrease	(8.5)	(4.6)
Accumulated depreciation	(932.5)	(848.5)
Total as of 31 December	1,717.4	1,879.8

## 6. Other long-term expenditures

	1995	1994
Acquisition cost as of 1 January	216.5	183.9
Increase	23.8	60.6
Decrease	(0.6)	(4.8)
Accumulated depreciation	(137.5)	(116.9)
Total as of 31 December	102.2	122.8

## 7. Land

	1995	1994
Acquisition cost as of 1 January	144.7	133.9
Accumulated revaluation	4.9	4.9
Increase	0.4	38.2
Decrease	(2.2)	(15.4)
Total as of 31 December	147.8	161.6

## 8. Buildings

	1995	1994
Acquisition cost as of 1 January	845.4	803.0
Accumulated revaluation	75.4	93.7
Increase	36.6	143.3
Decrease	(6.0)	(27.4)
Accumulated depreciation	(336.3)	(390.5)
Total as of 31 December	615.1	622.1

## 9. Machinery and equipment

	1995	1994
Acquisition cost as of 1 January	1,572.8	1,718.8
Increase	111.2	191.1
Decrease	(41.1)	(113.5)
Accumulated depreciation	(1,124.9)	(1,130.4)
Total as of 31 December	517.9	666.0

## 13. Shareholders' equity and its changes

	Share capital	Legal reserves	Transl. diff.	Retained earnings	Net income for the year	Total equity
As of 1 January	302.4	48.4	(154.0)	2,412.8		2,609.7
Translation differences			(128.9)			(128.9)
Dividend				(59.4)		(59.4)
Revaluations		(2.7)				(2.7)
Previous years' rectification			9.4	(182.1)		(172.7)
Net income for the year					66.9	66.9
As of 31 December	302.4	45.7	(273.5)	2,171.3	66.9	2,313.0

The previous years' rectification stems from errors in the accounts of KONE's Italian companies leading up to and including 1994.

The accumulation of untaxed reserves,

## 10. Shares and participating interests

	1995	1994
Total as of 1 January	94.5	96.0
Change in the share in associated companies	5.9	(1.5)
Increase	13.5	13.0
Decrease	(18.4)	(13.0)
Total as of 31 December	95.5	94.5

The asset value of the shares in associated companies consists of the Group's proportion of the associated companies' shareholders' equity at the acquisition date, adjusted by any variation in the associated companies' shareholders' equity after the acquisition.

## 11. Receivables

Receivables falling due after one year:

	1995	1994
Accounts receivable	1.7	2.8
Loans receivable	21.9	98.9
Deferred assets	11.7	11.7
Other receivables	62.3	59.4
Total	97.6	172.8

Receivables from associated companies:

	1995	1994
Advance payments	-	2.7
Accounts receivable	10.1	12.0
Loans receivable	1.0	104.4
Deferred assets	13.5	33.2
Total	24.6	152.3

## 12. Short-term investments

	1995	1994
Short-term deposits	68.9	206.7
Bonds	286.8	309.6
Commercial papers	-	9.5
Other	76.4	73.7
Total	432.1	599.5

excluding the calculative deferred tax liability, is included in retained earnings and totaled FIM 375.0 million (443.3). Accumulated untaxed reserves are not distributable equity.

#### 14. Provision for liabilities and charges

	1995	1994
Provision for guarantees	54.6	56.6
Provision for general and product liability claims	261.2	230.2
Provision for business reorganizing	126.2	85.0
Provision for loss contracts	60.0	68.4
Other provisions	214.0	223.7
Total	716.0	663.9

#### 15. Long-term debt

Long-term debt falls due as follows:

	FIM mill.	%
1997	309.8	30.0
1998	120.5	11.7
1999	395.4	38.3
2000	18.2	1.8
Later	187.4	18.2

#### 16. Liabilities owed to associated companies

	1995	1994
Accounts payable	9.2	20.4
Other current liabilities	5.1	7.6
Total	14.3	28.0

#### 17. Contingent liabilities and pledged assets

	Group		Parent company	
	1995	1994	1995	1994
Assets pledged to secure loans				
Group and parent company	129.8	159.3	106.0	119.6
Subsidiaries	-	-	13.0	1.0
Others	0.8	-	0.8	-
Pledged assets	353.2	347.4	235.0	241.0
Guarantees				
Subsidiaries	-	-	2,008.2	2,061.0
Associated companies	22.8	27.2	22.8	27.2
Others	40.3	357.9	22.7	283.9
Leasing liabilities				
Falling due in the next year	81.3	65.1	3.7	1.8
Falling due after 1 year	155.0	100.1	5.7	2.5
Other liabilities	-	7.9	-	-
Total	783.2	1,064.9	2,417.9	2,738.0

#### 18. Derivatives

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

	1995	1994
Forward contracts	2,952.2	2,096.8
Interest rate agreements	445.3	180.0
Currency options	717.7	496.5
Interest options	653.8	871.7
Currency swaps	1,009.9	908.7
Interest rate swaps	49.0	200.0
Total	5,827.9	4,753.7

		1995	1994	1993	1992	1991
Net sales	FIM mill.	9523	7638	10801	11277	10045
Depreciation	"	419	345	414	401	359
Extraordinary items	"	(16)	-	102	-	15
Net income	"	67	143	225	273	266
Fixed assets	"	3214	3556	3339	3548	3114
Inventories	"	1999	2197	2514	2433	2095
Advance payments	"	1244	1477	1908	1604	1409
Liquid assets	"	3573	3568	4227	4739	4382
Capital expenditure	"	148	155	281	429	458
Share capital	"	302	302	302	302	302
Other shareholders' equity	"	2011	2135	2244	2087	1869
Minority shares	"	10	9	30	20	17
Provision for liability and charges	"	716	664	448	395	350
Deferred tax liability	"	174	200	249	262	241
Long-term debt	"	1031	1295	1238	1381	1180
Current liabilities	"	3297	3238	3662	4674	4223
Total assets	"	7542	7844	8172	9122	8182
Order book as of 31st Dec.	"	5742	5874	6384	6822	6038
Number of employees as of 31st Dec.		20869	21553	20710	21426	22284

Figures for 1992-1994 have been adjusted to correspond to corrected information as explained on page 27.

## Calculation of Key Figures

Return on equity (%)	= 100 x	$\frac{\text{net income - extraordinary items} + \text{minority share}}{\text{equity + minority share}} \text{ (average of figures for the financial year)}$
Return on capital employed %	= 100 x	$\frac{\text{income after financing items} + \text{interest} + \text{other financing costs}}{\text{total assets - non-interest-bearing debt}} \text{ (average of figures for the financial year)}$
Total equity/total assets %	= 100 x	$\frac{\text{shareholders' equity} + \text{minority shares}}{\text{total assets}}$

Earnings/share	=	$\frac{\text{net income - extraordinary items}}{\text{number of shares (issue adjusted)}}$
Equity/share	=	$\frac{\text{shareholders' equity}}{\text{number of shares (issue adjusted)}}$
Price/earnings	=	$\frac{\text{market value of parent company share 31/12}}{\text{earnings/share}}$
Gearing	= 100 x	$\frac{\text{interest-bearing debt - liquid assets - loans receivable}}{\text{shareholders' equity} + \text{minority shares}}$
Market value of all outstanding shares	=	$\text{number of shares multiplied by market value of B shares as of 31/12.}$



Parent Company: Statement of Income (FIM 000)

		1995	%	1994	%
SALES	Note 1	1,203,895		1,303,851	
Cost and expenses	Note 2	(1,172,673)		(1,170,407)	
Change in inventories		(44,809)		(183,716)	
Depreciation	Note 3	(32,601)		(35,405)	
OPERATING LOSS		(46,188)	(3.8)	(85,677)	(6.6)
Financing income and expenses	Note 4	693,333		204,927	
INCOME AFTER FINANCING ITEMS		647,145	53.8	119,250	9.1
Extraordinary items	Note 5	25,196		81,848	
INCOME BEFORE TAXES AND ALLOCATIONS		672,341	55.8	201,098	15.4
Depreciation difference	Note 6	20,344		(1,270)	
Allocations to untaxed reserves	Note 7	68,758		19,666	
Taxes		(20,686)		(24,018)	
NET INCOME		740,757	61.5	195,476	15.0

Parent Company: Balance Sheet (FIM 000)

ASSETS		31.12.1995	31.12.1994
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS			
Intangible assets			
Intangibles	Note 8	151,250	0
Other long-term expenditures	Note 9	4,079	3,952
		155,329	3,952
Tangible assets			
Land	Note 10	9,181	9,252
Buildings	Note 11	84,344	79,617
Machinery and equipment	Note 12	98,684	105,653
Shares in subsidiaries	Note 13	2,222,098	2,081,052
Other stocks and shares	Note 14	34,526	42,791
		2,448,833	2,318,365
TOTAL FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS		2,604,162	2,322,317
CURRENT ASSETS			
Inventories			
Raw materials, supplies and semi-manufactured goods		36,301	31,253
Work in progress		139,219	189,076
Advance payments		1,046	659
		176,566	220,988
Receivables			
	Note 15		
Accounts receivable		241,951	248,578
Loans receivable		950,577	792,968
Deferred assets		100,357	109,460
		1,292,885	1,151,006
Short-term investments			
	Note 16	296,678	277,586
Cash and deposits			
		32,634	6,718
		329,312	284,304
TOTAL CURRENT ASSETS		1,798,763	1,656,298
		4,402,925	3,978,615

SHAREHOLDERS' EQUITY AND LIABILITIES		31.12.1995	31.12.1994
SHAREHOLDERS' EQUITY			
Share capital		302,431	302,431
Legal reserves		12,945	12,945
Retained earnings		1,640,006	1,503,947
Net income		740,757	195,476
	Note 17	2,696,139	2,014,799
UNTAXED RESERVES	Note 18	207,809	296,911
PROVISION FOR LIABILITIES AND CHARGES	Note 19	17,276	13,862
DEBT	Note 20		
Long-term debt	Note 21		
Loans from financial institutions		18,272	334,000
Pension loans		237,997	255,912
Other long-term debt		631,770	205,493
		888,039	795,405
Current liabilities			
Loans from financial institutions		8,309	58,232
Pension loans		17,914	19,824
Advances received		112,648	203,847
Accounts payable		302,546	127,266
Accruals		106,046	143,755
Other current liabilities		46,199	304,714
		593,662	857,638
TOTAL DEBT		1,481,701	1,653,043
		4,402,925	3,978,615

Parent Company: Statement of Cash Flows (€1M million)

	1995	1994
Cash receipt from customers	1,122	1,361
Cash paid to suppliers and employees	(1,021)	(1,079)
Cash flow from financial items	697	201
Cash flow from taxes and other items	-	(41)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>798</b>	<b>442</b>
Capital expenditure	(338)	(1,677)
Proceeds from sale of fixed assets	23	1,046
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(315)</b>	<b>(631)</b>
<b>CASH FLOW AFTER INVESTING ACTIVITIES</b>	<b>483</b>	<b>(189)</b>
Change in current creditors (net)	(311)	207
Change in long-term debt (net)	93	189
Dividends paid	(59)	(59)
Other financing activities	(180)	(169)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(457)</b>	<b>168</b>
<b>CHANGE IN NET CASH</b>	<b>26</b>	<b>(21)</b>
Cash and bank as of 31st December	32	6
Cash and bank as of 1st January	6	27
<b>CHANGE IN NET CASH</b>	<b>26</b>	<b>(21)</b>
<b>RECONCILIATION OF NET INCOME TO CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET INCOME	741	195
Depreciation	33	36
Other adjustments	(89)	(104)
<b>INCOME BEFORE CHANGE IN WORKING CAPITAL</b>	<b>685</b>	<b>127</b>
Change in receivables	18	38
Change in payables	50	93
Change in inventories	45	184
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>798</b>	<b>442</b>

All figures are in millions of Finnish markkas. Figures in parentheses in the text refer to the preceding year.

## STATEMENT OF INCOME

### 1. Sales

Sales to subsidiaries totaled FIM 611.3 million (518.9) corresponding to a share of 51 % (40%) of net sales.

### 2. Cost and Expenses

Cost and expenses were spread as follows:

	1995	1994
Materials and supplies	495.3	503.5
External services	61.0	81.7
Salaries of board of directors and managing director	3.3	2.0
Wages and other salaries	212.5	209.4
Pension expenses	44.5	52.7
Other personnel expenses including vacation pay	86.3	86.0
Other expenses	280.3	263.6
Other business income	(10.5)	(28.5)
Total	1,172.7	1,170.4

Fringe benefits amounted to FIM 4.5 million (4.7). The Statement of Income includes a FIM 3.4 million increase in the provision for liabilities and charges in 1995. The average number of employees during the year was 1,574 (1,603).

### 3. Depreciation

	1995	1994
Other long-term expenditures	1.4	1.7
Buildings	3.0	3.0
Machinery and equipment	27.7	29.7
Shares and partnerships	0.5	1.0
Total	32.6	35.4

### 4. Financing Income and Expenses

	1995	1994
Dividends received from subsidiaries	684.4	145.1
Other dividends received	1.0	38.3
Interest received from subsidiaries	55.7	27.4
Other interest received	43.1	54.3
Interest paid to subsidiaries	(41.3)	(16.2)
Other interest paid	(43.7)	(42.9)
Other financing income and expenses	(5.9)	(1.1)
Total	693.3	204.9

### 5. Extraordinary Items

	1995	1994
Capital gains	3.7	65.9
Group contributions received	22.8	16.7
Group contributions granted	(0.6)	(0.8)
Other expenses	(0.7)	-
Total	25.2	81.8

### 6. Depreciation Difference

	1995	1994
Buildings	0.8	(24.0)
Machinery and equipment	19.5	25.4
Other intangible assets	-	(2.7)
Total	20.3	(1.3)

### 7. Allocations to Untaxed Reserves

	1995	1994
Allocation to reserve for transition period	63.1	10.0
Allocation to reserve for guarantees	2.3	6.3
Allocation to reserve for change in acquisition costs	3.3	3.4
Total	68.7	19.7

## BALANCE SHEET

### 8. Intangible Assets

	1995	1994
Acquisition cost as of 1 January	-	-
Intracorporate increase	151.2	-
Decrease	-	-
Accumulated depreciation	-	-
Total as of 31 December	151.2	-

## 9. Other Long-term Expenditures

	1995	1994
Acquisition cost as of 1 January	8.9	16.6
Increase	1.5	4.0
Decrease	-	(2.8)
Accumulated depreciation	(6.3)	(13.8)
Total as of 31 December	4.1	4.0

## 10. Land

	1995	1994
Acquisition cost as of 1 January	4.3	11.9
Accumulated revaluation	4.9	10.0
Increase	-	-
Decrease	-	(12.7)
Total as of 31 December	9.2	9.2

## 11. Buildings

	1995	1994
Acquisition cost as of 1 January	86.1	198.8
Accumulated revaluation	69.6	154.0
Increase	8.6	0.3
Decrease	(0.8)	(86.6)
Accumulated depreciation	(79.2)	(186.9)
Total as of 31 December	84.3	79.6

## 12. Machinery and Equipment

	1995	1994
Acquisition cost as of 1 January	299.3	619.1
Increase	24.2	21.1
Decrease	(3.5)	(71.5)
Accumulated depreciation	(221.3)	(463.0)
Total as of 31 December	98.7	105.7

## 13. Shares in Subsidiaries

	1995	1994
Total as of 1 January	2,081.0	1,647.5
Increase	147.7	1,650.2
Decrease	(6.6)	(1,228.7)
Transfer from other shares	-	12.0
Total as of 31 December	2,222.1	2,081.0

## 14. Other Stocks and Shares

	1995	1994
Total as of 1 January	42.8	56.8
Increase	4.6	1.2
Decrease	(12.4)	(2.2)
Transfer to shares in subsidiaries	-	(12.0)
Depreciation	(0.5)	(1.0)
Total as of 31 December	34.5	42.8

## 15. Receivables

Receivables falling due after one year:

	1995	1994
Accounts receivable	-	0.7
Loans receivable	19.6	6.8
Deferred assets	11.7	11.7
Total	31.3	19.2

Receivables from group companies:

	1995	1994
Accounts receivable	177.2	190.7
Loans receivable	929.7	782.0
Deferred assets	23.7	22.8
Total	1,130.6	995.5

Receivables from associated companies:

	1995	1994
Accounts receivable	4.9	0.7
Loans receivable	1.0	0.4
Total	5.9	1.1

## 16. Short-term Investments

	1995	1994
Bonds	286.8	256.2
Other investments	9.9	21.4
Total	296.7	277.6

## 17. Shareholders' Equity and Its Changes

	Share capital	Legal reserves	Retained earnings	Net income for the year	Total equity
As of 1 January	302.4	13.0	1,699.4		2,014.8
Dividend			(59.4)		(59.4)
Net income for the year				740.7	740.7
As of 31 December	302.4	13.0	1,640.0	740.7	2,696.1

Legal reserves are held as reserve funds. The total number of shares is 6,048,612 with a nominal value of FIM 50 each. A total of 2,250 shares with a nominal value of FIM 112,500 has been redeemed for the company, leaving the shareholders 6,046,362 shares of which 1,045,482 are "A" shares and 5,000,880 are "B" shares.

## 18. Untaxed Reserves

### 18.1 Cumulative depreciation differences

	1995	1994
Other long-term expenditures	2.8	2.7
Buildings	(19.4)	(18.7)
Machinery and equipment	85.3	105.1
Total	68.7	89.1

### 18.2. Other untaxed reserves

	1995	1994
Reserve for transition period	134.0	197.1
Reserve for guarantees	5.1	7.4
Reserve for change in acquisition costs	-	3.3
Total	139.1	207.8

## 19. Provision for Liabilities and Charges

	1995	1994
Provision for guarantees	7.9	5.8
Other provisions	9.4	8.0
Total	17.3	13.8

## 20. Liabilities Owed to Group and Associated Companies

Liabilities owed to group companies:

	1995	1994
Other long-term debt	631.8	205.5
Advances received	16.1	23.9
Accounts payable	227.8	67.4
Accruals	2.4	13.1
Other short-term liabilities	-	286.0
Total	878.1	595.9

Liabilities owed to associated companies:

	1995	1994
Advances received	0.4	0.8
Accounts payable	1.1	6.6
Accruals	-	0.8
Total	1.5	8.2

## 21. Long-term debt

Long-term debt falling due after five years:

	1995	1994
Loans from financial institutions	3.9	5.4
Pension loans	178.0	191.4
Total	181.9	196.8

## 22. Group subsidiaries and Associated Companies as of December 31, 1995

		Book value (FIM '000)	Parent company	Shareholding (%) Group	Net income for the year (FIM '000)
22.1. SUBSIDIARIES					
Shares in subsidiaries held by the parent company					
NL	KONE B.V.	901,856	47.5	100.0	227,087
NL	Komont Investment B.V.	421,261	31.6	100.0	21,351
AU	KONE Elevators Pty Ltd.	355,243	30.0	100.0	26,453
BE	KONE Belgium S.A.	43,023	99.9	99.9	5,497
BE	KONE International S.A.	796,026	90.9	100.0	78,694
BR	KONE Participacoes e Importacoes Ltda	41,254	99.9	100.0	0
HK	KONE Far East Limited	2,617	99.9	100.0	2,804
IN	KONE Elevator India Ltd.	14,226	70.0	70.0	1,525
GB	KONE (UK) Ltd.	33,634	100.0	100.0	-5,251
IT	KONE Italia S.p.A.	589,990	0.5	100.0	5,891
AT	KONE Sowitsch AG	6,793	90.0	100.0	22,031
CA	KONE Holdings (Canada) Inc.	59,918	100.0	100.0	1,259
NO	KONE Aksjeselskap	15,502	100.0	100.0	666
FR	Société Francaise des Ascenseurs KONE	39,129	95.0	99.9	112,803
FR	KONE France S.A.	214	99.8	99.8	0
SE	KONE AB	108,614	100.0	100.0	24,773
SE	Másbo AB	52,792	100.0	100.0	425
FI	Antinkoski Oy	11,176	100.0	100.0	775
FI	Hissi-Ala Oy	4,726	100.0	100.0	120
FI	Kone Elevators Oy	15	100.0	100.0	1,643
FI	Kone Finance Oy	285,993	100.0	100.0	0
FI	Ruukintien Instrumentti- ja Anturiteknikka Oy	15,000	100.0	100.0	-23,564
FI	KOy Natus	14,021	100.0	100.0	54
FI	KOy Heves	400	100.0	100.0	0
FI	Laumek Oy	65,000	100.0	100.0	-83
TR	KONE Asansor Sanayi ve Ticaret A.S.	12,602	55.4	85.4	-688
VE	Kone Ascensores C.A.	2,442	100.0	100.0	-3,886
JP	KONE Japan Co. Ltd	313	100.0	100.0	-34
		Book value		Group shareholding (%)	
Other subsidiary shares					
NL	Compressor Schippers B.V.	3,208		100.0	
NL	Kone Liften B.V.	189,083		100.0	
NL	KONE Nederland N.V.	21,587		100.0	
NL	KONE Starlift B.V.	315,705		100.0	
AU	KONE Elevators (A/NZ) Pty Ltd.	3,247		100.0	
AU	KONE Holdings (Australia) Limited	82,112		100.0	
BE	ARW Liften, n.v.	5,187		100.0	
BE	KONE Elevators Enterprises S.A.	1,555		100.0	
BE	KONE Elevators (Europe) S.A.	186		100.0	
BE	Marelli Technical Service S.A.	622		99.6	
BE	Technical Services S.A.	2,964		99.9	
BE	Legros-Mons S.A.	2,816		100.0	
ES	KONE Elevadores, S.A.	222,264		100.0	
HK	KONE Elevator (HK) Limited	8,320		100.0	
GB	Bennie Lifts Ltd.	51,218		100.0	
GB	Elecomp Ltd	81		100.0	
GB	Ellis & McDougall Lifts Ltd.	8,655		100.0	
GB	Leonard Lifts Ltd.	35,377		100.0	
IT	Aster S.r.l.	2,486		100.0	
IT	Bassetti Elevatori S.p.A	11,000		100.0	
IT	Elecomp S.r.l.	55		100.0	
IT	Fiam S.p.A.	86,708		100.0	
IT	Kone Elevators Overseas S.r.l.	3,097		100.0	
IT	Kone Italia Servizi S.r.l.	59,986		100.0	
IT	Kone Universal S.r.l.	14,108		100.0	
IT	Sabim S.p.A.	60,500		100.0	
IT	Sime S.r.l.	272		100.0	
IT	Slimpa S.p.A.	2,877		100.0	
CA	Drolet Kone Elevators Inc.	3,196		100.0	
CA	Montgomery KONE Elevator Co. Ltd.	46,097		100.0	
MX	Elevadores KONE-Sabim S.A. de C.V.	16,602		100.0	



NO	Ameco Heis A/S	3,450	100.0
NO	KONE Heis A/S	1,449	100.0
FR	ASAL France Diffusion S.A.R.L.	438	99.5
FR	Ascier S.N.C.	3,785	99.9
FR	ETRA S.N.C.	2,735	99.8
FR	Konematic S.A.	223	99.8
FR	Riviera Electro Service S.N.C.	5,351	100.0
FR	S.A. Hydromatic	7,614	99.9
FR	S.N.C. Ascensud	1,305	99.8
FR	S.N.C. Ascenseurs Ringuelet	1,959	99.5
FR	S.N.C. KONE International	311,709	99.9
FR	S.N.C. Prokodis	223	100.0
FR	Société de Materiel Industriel et Technique S.N.C	1,372	100.0
FR	SARL Sorelec	3,446	99.9
FR	S.A.R.L. Spemi	7,132	100.0
FR	S.N.C. Stigler Sabiem	6,501	100.0
SE	Bauer Hiss AB	131	100.0
SE	Ekmans Hiss AB	1,833	100.0
SE	Galantus AB	2,044	100.0
SE	G K Hiss AB	700	100.0
SE	Graham Hiss AB	786	100.0
SE	Hissbyrån Mellansvenska AB	33	100.0
SE	Hissjouren Unilift AB	1,571	100.0
SE	Inliftor AB	1,165	100.0
SE	KONE Hissar AB	47,833	100.0
SE	KONE Rulltrappor AB	2,154	100.0
SE	Leif Nylander Hissmekano AB	570	100.0
SE	Motala Hissar AB	2,933	100.0
SE	Rulltrappstjänst i Nynäshamn AB	157	100.0
SE	AB Stanleys Hisservice	615	100.0
SE	Södertälje Hisservice Ab	1,126	100.0
SE	TNV-Portar AB	85	100.0
SE	Västernorrlands Hiss- och Elservice AB	33	100.0
DE	Aupperle Aufzüge GmbH	152	100.0
DE	Dipl.Ing. Selzer Aufzüge GmbH	2,283	75.0
DE	KONE GmbH	124,983	100.0
DE	KONE Aufzug GmbH Berlin	152	100.0
DE	KONE Aufzug GmbH & Co KG	52,592	100.0
DE	KONE Aufzug Verwaltungs GmbH	152	100.0
DE	KONE Sander Aufzug GmbH	365	60.0
DE	KONE Holding Deutschland GmbH	30,587	100.0
SG	KONE Elevator Pte. Ltd.	22,925	100.0
FI	Elecomp Oy	15	100.0
FI	Hissi-ja Automaattorakennus Trimatic Oy	605	100.0
FI	Hissi-ja Liukuporraspalvelu Oy JLP	610	100.0
FI	IWH-Service Oy	51	100.0
FI	Insinööritoimisto Geijer-Hissi Oy	15,768	100.0
FI	Koneportaat Oy	15	100.0
FI	KOy Sturenkatu 21	83,965	100.0
FI	Tampereen Hissityö Oy	2	100.0
FI	Teknoset OY	4,120	97.0
FI	Turun Hissihuolto Oy	2,160	100.0
TW	C & N Products Corporation	57,010	100.0
DK	KONE Elevator A/S	70,249	100.0
CZ	KONE Lifts a.s.	13,256	71.9
CZ	Kolda & Krömer Vytahy	493	71.9
US	Armor Kone New York, Inc.	7,410	100.0
US	C.E.Elevators Corp.	2,681	100.0
US	FHE Services, Inc.	28,331	100.0
US	KONE Holdings Inc	541,446	100.0
US	KONE New York, Inc.	35,749	100.0
US	Montgomery KONE Inc.	535,707	100.0
BM	Finsurance Ltd.	17,099	100.0
PA	International Maritime Industries Inc	1,050	100.0
AR	KONE Condor Service S.A.	1,182	51.0
CH	KONE Elevator GmbH	114	100.0
MY	KONE Elevator (M) Sdn. Bhd.	2,289	100.0
HU	KONE Elevators KFT	440	100.0
HU	KONE M-Lift RT	1,634	76.0
PL	KONE Elevators, Poland S.p.z.o.o.	465	100.0
LU	KONE Finance S.A.	5,030	100.0

LU	KONE Investissements S.A.	916		100.0
LU	KONE Luxembourg S.A.R.L.	593		99.7
LV	Kone Lifti Latvia Ltd	17		100.0
RU	Kone Lifts A/O	3,023		100.0
RU	Kone Lifts St.Petersburg A/O	2,415		100.0
LT	KONE Lifts Ltd	11		100.0
SK	KONE Lifts s.r.o	321		100.0
PH	KPI Elevators, Inc.	2,126		100.0
CN	KONE Elevator (Shenzhen) Co. Ltd.	789		100.0

	Book value (FIM '000)	Shareholding (%) Parent company	Group	Net income for the year (FIM '000)
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## 22.2 ASSOCIATED COMPANIES

### Shares in associated companies held by the parent company

FI	ARD-Technology Oy	72	25.7	25.7	82
CL	Fabrimetal S.A.	3,621	40.0	40.0	105
PH	Amorsolo Machineries Inc.	295	40.0	40.0	-1,220
EG	Marryat & Scott Egypt-SAE	3,478	49.0	49.0	490

	Book value	Group shareholding
--	------------	--------------------

### Other associated companies

AD	KONE Ascensores I Escales S.A.	0	33.0
EE	A/S Kandur	464	34.2
DE	Kone Garant Aufzug GmbH	1,976	49.0
ID	PT KONE Indo Elevator	15,438	46.0
CH	MBA-KONE AG	10,593	50.0
DE	O&K Rolltreppen GmbH	217,051	40.0
HK	Shan on Engineering Company Ltd	1,983	30.0
MY	United Elevator Co. (M) Sdn. Bhd.	1,106	30.0
PH	Elevators Philippines Construction Inc.	7	40.0
ZA	Sabiem Elevators Pty Ltd	3,311	25.0

## 23. Other Stocks and Shares as of December 31, 1995

	Book value (FIM '000)	Shareholding (%) Parent company	Group
SA	Arabian Elevator & Escalator Co. Ltd	759	10.0
FI	Helsingin Arvopaperipörssi Oy	160	1.1
FI	Kone Instruments Oy	2,735	19.6
FI	Oy Palace Hotel Ab	272	2.2
FI	RA-Shipping Ltd Oy	512	5.0
FI	Scandinavia Link Finska Oy	100	7.7
FI	Suomen Osakekeskusrekisteri Osuuskunta	420	1.4
FI	Sampo Insurance Company	888	
TH	Thai Lift Industries	10,542	10.0
	Housing and real estate companies held by the parent company, 46 companies	19,832	
	Others	20,731	

## Board of Directors' proposal to the Annual General Meeting

The KONE group of companies' distributable equity is FIM 1,863.3 million. The parent company's distributable equity from the previous year is FIM 1,640,006,002.89 and profit from 1995 is FIM 740,757,283.24 for a total of FIM 2,380,763,286.13.

The Board of Directors proposes to the Meeting that a dividend of FIM 9 be paid on each of the 1,045,482 A shares, and FIM 10 on each of the 5,000,880 B shares, for a total of FIM 59,418,138. The Board of Directors further proposes that the rest (FIM 2,321,345,148.13) be retained and carried forward.

It is also proposed that the dividends for 1995 be payable as from 8 March, 1996.

Those shareholders whose stock certificates have not yet been transferred to the paperless book entry securities system by March 5, 1996 will receive their dividends only after the transfer has been completed.

Helsinki, 9th February, 1996

Pekka Herlin	Antti Herlin	Ilkka Herlin
Jaakko Lassila	Gerhard Wendt	
	Anssi Soila President	

## Report of the Auditors

To the shareholders of Kone Corporation

We have audited the accounts, the financial statements and the corporate governance of Kone Corporation for the financial year 1995. The financial statements prepared by the Board of Directors and the Managing Director include, both for the group and the parent company, a report on operations, an income statement, a balance sheet and notes to the accounts. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used as well as evaluating the overall financial statement presentation.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations relevant to the preparation of financial statements, and give a true and fair view of Kone Corporation's and the Group of Companies' results and financial position. The financial statements can be approved and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial year audited by us. The proposal of the Board of Directors concerning the disposal of the profit for the year is in compliance with the Companies' Act.

We have reviewed the interim reports published during the financial year. In our opinion they have been properly prepared.

As stated in the Group accounts, the losses of the Italian subsidiaries relating to errors made in prior years have been reported by adjusting the opening balance of retained earnings. Additional pro forma information has been presented in the notes to the Group accounts.

Helsinki, 9th February 1996

	SVH Coopers & Lybrand Oy Authorised Public Accountants
Liisa Mononen Authorised Public Accountant	Jukka Ala-Mello Authorised Public Accountant

SHARES AND THEIR RIGHTS

The authorized and issued share capital of KONE Corporation is FIM 302,430,600 representing 6,048,612 shares with a nominal value of FIM 50 each.

Each A share is assigned one vote, as is each block of 10 B shares, with the proviso that each shareholder is entitled to at least one vote.

In accordance with the Articles of Association, the holders of B shares are entitled to a dividend which is a minimum FIM 1.00 and a maximum FIM 2.50 higher than the dividend paid to the holders of A shares.

BOARD OF DIRECTORS' AUTHORITY CONCERNING SHARE CAPITAL, CONVERTIBLE BONDS AND STOCK OPTIONS

Prior to the closing of the books for 1995, KONE Corporation's Board of Directors had no existing authority to raise share capital or issue convertible bonds or stock options, nor had the Corporation issued stock options or convertible bonds prior to the closing of the books.

SHARE REGISTER

A list of the Corporation's shares and their owners is maintained in the Central Share Registry. Registered shareholders by category as of December 31, 1995 were as follows:

	% of Ownership	% of Votes
100 Companies	16.90	50.31
200 Financial institutions	46.13	25.11
300 Public institutions	3.48	1.36
400 Non-profit institutions	4.78	6.44
500 Individuals	11.37	10.01
600 Foreign	17.34	6.77
Total	100.00	100.00

Foreign owned shares registered in the name of a Finnish nominee are included under the category "Foreign". Such shares totaled 1,044,119 as of December 31, 1995 (17.3% of shares and 6.8% of votes).

The figures in the chart do not include the shares which had not been transferred to the paperless book entry securities system as of December 31, 1995 (2,408 or 0.04% of shares and 0.02% of votes).

The share list can be examined at the Central Share Registry, Piispanportti 12 A, FIN-02240 Espoo. Copies of the list can be obtained for a fee from KONE Corporation's Head Office by calling +358 0 475 4215, fax +358 0 475 4309.

STOCK EXCHANGE

KONE Corporation B shares are quoted on the Helsinki Stock Exchange. During the year under review, 1,509,093 shares were traded, compared with 1,339,592 the previous year. Turnover from the trading totaled FIM 725 million in 1995 and FIM 795 million in 1994. The highest share price during the year was FIM 560, the lowest was FIM 295, and the price on the last trading day was FIM 363.

LARGEST SHAREHOLDERS AS OF DECEMBER 31, 1995

	Number of shares	% of shares	% of votes
Security Trading Oy	1,408,039	23.3	16.2
Holding Manutas Oy	766,496	12.7	48.7
Pohjola Insurance Company	518,875	8.6	3.4
The KONE Foundation	181,598	3.0	5.7
Life Insurance Company Suomi	170,300	2.8	1.1
Ilmarinen Pension Insurance	170,000	2.8	1.1
Herlin, Pekka	124,579	2.1	6.4
Municipal Pension Insurance	114,950	1.9	0.7
National Deposit Insurance Fund	90,023	1.5	0.6
The KONE Pension Fund	85,273	1.4	0.6

SHAREHOLDINGS IN KONE CORPORATION AS OF DECEMBER 31, 1995

Shares	Number of owners	Number of shares	Percentage of owners	Percentage of shares
1-10	1,039	7,042	20.0%	0.1%
11-100	3,069	137,721	59.1%	2.3%
101-1000	954	295,246	18.4%	4.9%
1001-10000	91	265,337	1.8%	4.4%
10001-100000	28	846,325	0.5%	14.0%
100001-	10	4,492,283	0.2%	74.3%
Total	5,191	6,043,954	100.0%	100.0%

Shares which had not been transferred to the paperless book entry securities system 2,408 0.04 %

The figures for number of owners in this table include those Finnish nominees who have registered foreign-owned shares in their names.

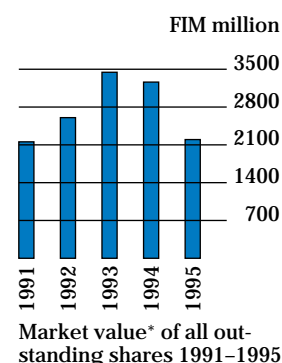
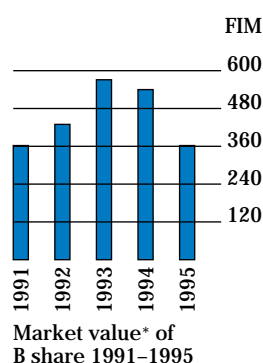
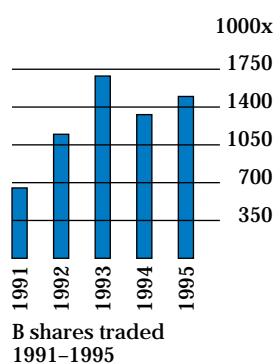
TOTAL SHAREHOLDING BY THE PRESIDENT AND THE MEMBERS OF THE BOARD OF DIRECTORS AS OF DECEMBER 31, 1995:

	1995	1994
Number of shares	139,426	139,426
Percentage of shares	2.3	2.3
Percentage of votes	6.5	6.5

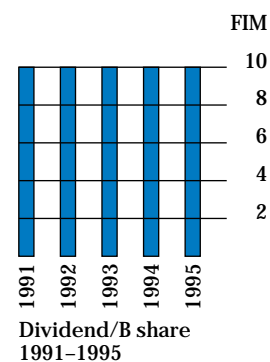
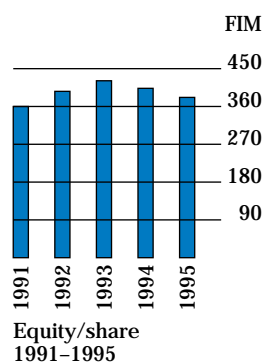
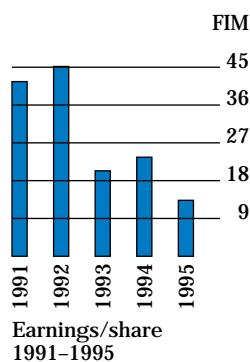
REVIEW 1991-1995

	1995	1994	1993	1992	1991
Share capital, FIM million	302.4	302.4	302.4	302.4	302.4
Number of shares as of 31/12, 1000 pcs, issue adjusted					
A share	1,045	1,045	1,045	1,045	1,045
B share	5,001	5,001	5,001	5,001	5,001
Total	6,046	6,046	6,046	6,046	6,046
Market value of all outstanding shares, FIM million	2,195	3,265	3,446	2,610	2,164
Earnings/share, FIM	13.67	23.60	20.40	45.22	41.52
Equity/share, FIM	383	403	421	395	360
Price/earnings, B share	26.6	22.9	27.9	9.5	8.7
Market value/share, B share, FIM					
Highest	560	705	591	455	545
Lowest	295	502	432	340	351
As of 31/12	363	540	570	430	362
Dividend					
A share, FIM	9.00*	9.00	9.00	9.00	9.00
B share, FIM	10.00*	10.00	10.00	10.00	10.00

\*Board's proposal



\*At the Helsinki Stock Exchange market rate on December 31 st.





## Addresses

**Place Ville-Marie, Montreal. This 46-story office building's 32 elevators plus eight more in a lower-rise building in the same complex were modernized between 1988 and 1991. Elevator speeds range from 2.5 to 6.0 m/s. KONE installed TMS 9000 controls and Dynaglide SCD drive systems.**

KONE Corporation, subsidiary and joint venture companies and regional offices:

(The number following the country name is the country code for use in dialing international telephone calls.)

■ Subsidiary ▼ Joint Venture ▲ Regional Office ● Other

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*Harald Lyon*

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*Jean-Pierre Chauvarie*

- Société Française des  
Ascenseurs KONÉ  
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Tfx 1 47 93 51 81  
*Michel Chartron*

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(PF 111137, D-60046 Frank-  
furt/Main)  
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*Horst Marks*

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*Gabor Vashegyi*

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*Giovanni Varisco*

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Tfx (0)2 339 0752  
Tx (43) 33 00 89 fiam p i  
*Ettore Bianciardi*

● KONE Elevators  
Component Division M3S  
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*Paolo Mazza*

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Tfx (0)51 311 645  
Tx (43) 510046 sabiem i  
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Voorburg)  
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Tfx (0)70 386 76 72  
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Tfx (0)22 43 78 96  
*Juha Mennander*

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Tfx 095 208 32 88  
*Jukka Kylmä*

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*Jonas Åberg*

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*Lubos Lopatka*

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Tfx (9)1 57 12 480  
*Sergio Neira*

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Tfx (0)8 751 23 80  
*Mats Norin*

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Tfx (0)42 31 71 53  
Tx (45) 865415 elev ch  
*Ernst A. Brandenberg*

▼ MBA-KONE AG  
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CH-8600 Dübendorf  
☎ (0)1 802 32 32  
Tfx (0)1 820 00 73  
*Heinz Büttler*

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ve Ticaret A.S.  
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81190 Kisikli, Üsküdar  
Istanbul  
☎ (0)216 326 18 48  
Tfx (0)216 339 31 79  
*Aybars Ertun*

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*Erkki Mäkelä*



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Tfx (0)141 554 6762  
*Kenneth McDougall*
  - KONE Lifts Ltd.  
168-170 Wellington Road South  
Hounslow, Middlesex TW4 5JN  
☎ (0)181 572 8000  
Tfx (0)181 572 8389  
*William H. Orchard*
- NORTH AMERICA
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Tfx 418 877 1493  
*Pierre Laforte*
  - Montgomery KONE Elevator Co. Ltd.  
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☎ 416 252 6151  
Tfx 416 252 3624  
*David McFadden*
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Tfx 718 361 0074  
*John M. Kijak*
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Tfx 309 757 5623  
*Heimo Mäkinen*
  - Montgomery KONE Inc.  
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☎ 309 764 6771  
Tfx 309 757 1469/1474/5623  
*Heimo Mäkinen*
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Moline, IL 61265-1395  
☎ 309 762 6888  
Tfx 309 762 7475  
*John Mann*
- LATIN AMERICA
- ARGENTINA (54-):
- KONE Condor Service S.A.  
Ciudad de la Paz 123  
1426 Capital Federal  
Buenos Aires  
☎ 1 771 67 88  
Tfx 1 777 90 40  
*Antonio Luiz Pettine*
- BRAZIL (55-):
- KONE Elevadores Ltda  
Av. Dr. Joao Batista de Souza  
Soares, 4009  
Jardim Colonia Paraiso  
12236-660 Sao José dos  
Campos - SP  
☎ (0)123 31 29 66  
Tfx (0)123 31 94 95  
*Wagner Barbosa*
- CHILE (562-):
- ▼ Fabrimetal S.A.  
San Gerardo, 1125  
Recoleta, Santiago  
☎ 621 6052  
Tfx 621 8935  
*Rodolfo Schaub*
- MEXICO (52-):
- Elevadores KONE-Sabim S.A. de C.V.  
Calle Clavel No. 227  
Col. Atlampa, Delegación  
Cuauhtémoc  
06450 México, D.F.  
☎ (0)5 541 16 70  
Tfx (0)5 541 51 28  
*Roberto Demaria*
- VENEZUELA (58-):
- KONE Ascensores C.A.  
4ta. Transversal de Horizonte  
Avenida Romulo Gallegos  
Caracas 1060 A  
(Apartado de Correos 60093,  
Chacao, Caracas)  
☎ (0)2 238 45 61  
Tfx (0)2 238 37 85  
*Orlando Alcantara*
- ASIA
- CHINA (86-):
- KONE Elevator (Shenzhen) Co. Ltd.  
Room 1608-C  
Shenzhen Tian An  
International Building  
South Renmin Road  
518005 Shenzhen  
☎ 755 229 5251  
Tfx 755 229 9097  
*Guo Jin Zhi James*
- HONG KONG (852-):
- ▲ KONE Elevators Asia Pacific  
9/F Tower II,  
Cheung Sha Wan Plaza  
833 Cheung Sha Wan Road  
Kowloon  
☎ 2 786 6699  
Tfx 2 786 3293  
*Neil J. Padden*
  - KONE Elevator (H.K.) Ltd.  
9/F Tower II,  
Cheung Sha Wan Plaza  
833 Cheung Sha Wan Road  
Kowloon  
☎ 2 786 6500  
Tfx 2 786 3125  
Tx (802) 36274 kone hx  
*David Fryers*
- INDIA (91-):
- KONE Elevator India Ltd.  
50 Vanagaram Road,  
Ayanambakkam  
Madras 602 102  
☎ (0)44 625 7419  
Tfx (0)44 625 7235  
Tx (81) 4122023 beko in  
*A. Sankarakrishnan*
- INDONESIA (62-):
- ▼ PT. KONE Indo Elevator  
Jl. Berbek Industri I/23  
Waru-Sidoarjo 61256,  
East Java  
☎ 31 849 1946  
Tfx 31 849 1950  
*Matti Hyytiäinen*
- JAPAN (81-):
- KONE Japan Co. Ltd.  
Yz Building 7F  
4-4-12 Iidabashi, Chiyoda-ku,  
Tokyo 102  
☎ (0)3 3237 9500  
Tfx (0)3 3237 9355  
*Yasuyuki Oda*
- MALAYSIA (60-):
- KONE Elevator (M) Sdn. Bhd.  
122-124, 3rd Floor,  
Taman Sri Setapak  
Jalan Gombak  
53000 Kuala Lumpur  
☎ (0)3 42 42 855  
Tfx (0)3 42 48 842  
*A.K. Tan*
- PHILIPPINES (63-):
- KPI Elevators, Inc.  
Suite 903, King's Court 1  
2129 Pasong Tamo corner dela  
Rosa Street  
Makati City 1231  
(P.O. Box 3555,  
Makati Central Post  
Office, Metro Manila)  
☎ (0)2 811 29 29  
Tfx (0)2 811 24 66  
*Steve Ponman*
- SAUDI ARABIA (966-):
- ▼ Arabian Elevator &  
Escalator Co. Ltd.  
(P.O. Box 14326, Jeddah 21424)  
Villa No.36, Near Sands Hotel  
Al-Andalus Street  
Jeddah  
☎ (0)2 660 88 06  
Tfx (0)2 661 03 73  
Tx (495) 607431 areeco sj  
*Fahad I. Mira*

SINGAPORE (65-):

- KONE Elevator Pte. Ltd.  
510, Thomson Road  
#09-02 SLF Building  
Singapore 1129  
☎ 258 56 22  
Tfx 258 87 34  
*Johnson See*

TAIWAN R.O.C. (886-):

- KONE Elevators  
C&N Products Corporation  
3rd Floor  
No. 7 Sec. 2 Nanking East Rd.  
Taipei  
☎ (0)2 563 11 30  
Tfx (0)2 563 77 01  
*Randall Leu*

THAILAND (66-):

- ▼ Thai Lift Industries  
Public Co. Ltd.  
254 Klomprapa Road  
Khweang Bangsue,  
Khet Bangsue  
Bangkok 10800  
☎ (0)2 585 4600  
Tfx (0)2 587 4795  
*Yuth Tuangtong*

UNITED ARAB EMIRATES (971-):

- ▲ KONE Middle East  
GIBCA Ltd., KONE Lift Division  
(P.O. Box 21474, Dubai)  
B.M.T.C. Bldg, 1st Floor  
Murraqabat Road, Port Said  
Dubai  
☎ (0)4 69 31 98  
Tfx (0)4 68 17 87  
*Paavo Pelkonen*

AFRICA

EGYPT (20-):

- ▼ Marrayat & Scott Egypt S.A.E.  
(P.O. Box 104 Dokki, Cairo 2)  
20 Abu Bakr El Seddki St/Dokki  
Mohandessin, Cairo 2  
☎ (0)2 337 32 26  
Tfx (0)2 335 56 34  
Tx (91) 92198 ramse un  
*Mostafa El Nahas*

SOUTH AFRICA (27-):

- ▼ Sabiem Elevators (Pty) Ltd.  
Cor Hilliard & Earp Streets,  
Ophirton  
Johannesburg 2091  
☎ 11-493 75 39  
Tfx 11-493 77 08  
*Jack Ligeti*

OCEANIA

AUSTRALIA (61-):

- KONE Elevators Pty. Ltd.  
Level 2, 60 Pacific Highway  
St. Leonards, NSW 2065  
☎ (0)2 99 06 98 00  
Tfx (0)2 99 06 42 29  
*Trevor Nink*

NEW ZEALAND (64-):

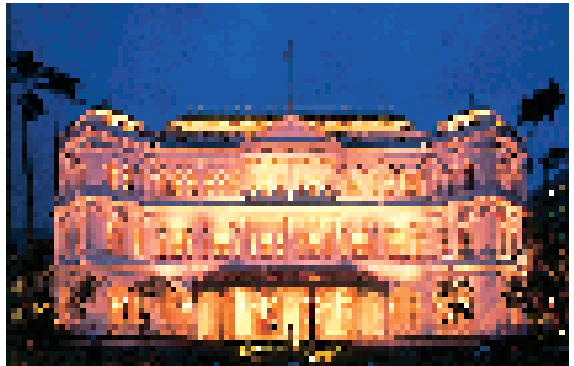
- KONE Elevators Pty. Ltd.,  
N.Z. Region  
81 Union Street  
Auckland  
☎ (0)9 303 9600  
Tfx (0)9 309 3882  
*Martin Shepherd*

**City Hall, Kuala Lumpur.**

**This 31-story building's six passenger elevators were completely modernized during 1994. The elevators have speeds of 5.0 m/s. Included in the modernization were the installation of TMS 9000 controls and V<sup>3</sup>F variable frequency drives.**

**Back cover: Raffles Hotel, Singapore. This legendary hotel was thoroughly refurbished between 1989 and 1991. KONE supplied 13 elevators and four escalators to the restoration project.**





KONE CORPORATION P.O. BOX 8 FIN-00331 HELSINKI FINLAND