

KONE Corporation Annual Report 1996



To Parent Company Shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of KONE Corporation will be held at the Hotel Kalastajatorppa, Helsinki, on Friday, February 28, 1997 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 Suomen Arvopaperikeskus Oy no later than Tuesday, February 18, 1997 and notify the Head Office by telephone (+358 204 75 4215) or in writing (fax: +358 204 75 4309, address KONE Corporation, P.O. Box 8, FIN-00331 Helsinki) no later than Monday, February 24th.

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 Suomen Arvopaperikeskus Oy by the March 5, 1997 date of record of dividend distribution are entitled to dividends. The date proposed by the Board of Directors for payment of dividends is March 10, 1997.

Those shareholders whose stock certificates have not yet been transferred to the paperless book entry securities system by March 5, 1997 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 1997:

- Annual Report 1996 (in February-March 1997): in Finnish, Swedish, English, German, French, Russian and Chinese.
- Interim Report (June 6) covering January-April, 1997 operations: in Finnish, Swedish and English.
- Interim Report (October 10) covering January-August, 1997 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. Tel. +358 204 75 4348. Fax +358 204 75 4496.

KONE Corporation Annual Report 1996

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Company Profile

KONE is one of the three leading companies in the global elevator and escalator business. It consists of the Finnish parent company, KONE Corporation, and 165 subsidiaries in 42 countries in which the parent company's direct or indirect interest exceeded 50% at the end of 1996.

KONE Corporation was established in 1910. Its shares have been quoted on the Helsinki Stock Exchange since 1967.

Backed by strong R&D resources, KONE offers comprehensive services for the manufacture, installation, modernization and maintenance of elevators and escalators. KONE products are manufactured in Europe, North and South America and Asia. All around the world, KONE provides its customers extensive installation and aftersales services.

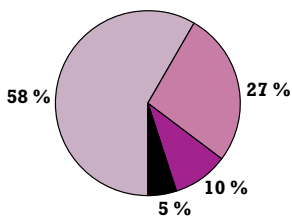
KONE's innovative products and comprehensive services are designed to enhance the value and usefulness of our customers' property. Customers include planners, developers, builders and owners of public and private facilities.

KONE's commitment to long-term customer support ensures reliability in its products and services and quality in its employees' performance. Commitment to R&D keeps KONE in the forefront of innovation in the elevator and escalator industry.

In 1996, computerized maintenance services accounted for approximately 50% of KONE's total revenues. More than 10,000 dedicated KONE service technicians are deployed daily to ensure safe and reliable operation of the nearly 440,000 elevators and escalators under KONE contractual maintenance. The full-page pictures in this Annual Report represent snapshots of this work during one day: September 12, 1996.

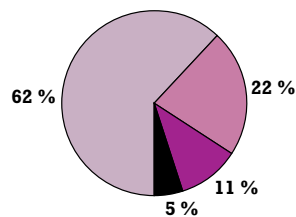
Sales by Market 1996

	FIM million
Europe	6,214
North America	2,849
Asia & Australia	1,040
Other countries	516



Employees by Market 1996

Europe	13,557
North America	4,839
Asia & Australia	2,357
Other countries	1,053



Highlights

- Disappointing Result for the Year
- Targeted Share Issue to Krupp
- Maintenance Accounts for Half of Turnover
- Elevator Innovation Introduced to Market
- World Leadership in Escalator Business
- Demand Remains Weak in Europe
- Positive Development in North America
- Operations Strengthened in Asia

		1996	1995
Sales	MFIM*	10,619	9,523
Orders received	"	7,674	6,635
Order book as of 31st Dec.	"	7,224	5,742
Operating income after depreciation	"	228	274
Income after financing items	"	124	202
Net income	"	18	67
Total assets	"	8,713	7,542
Earnings/share ¹⁾	FIM	2.79	13.67
Equity/share ¹⁾	"	436	383
Return on equity ¹⁾	%	0.7	3.5
Return on capital employed ¹⁾	"	6.8	8.3
Total equity/total assets ¹⁾	"	33.7	30.8
Gearing ¹⁾	"	56	46
Number of employees as of 31st Dec.		21,806	20,869

*MFIM = Millions of Finnish markkas; FIM 100 = US \$21.45 (as of 31st Dec., 1996).

¹⁾The principles of calculating key figures can be found on page 29.

Board of Directors and Auditors



Pekka Herlin, 64
D.Sc. (Econ.) H.C.
Chairman, July 1996-
Chairman & C.E.O.,
1987-June 1996
President & C.E.O., 1964-1986



Antti Herlin, 40
Deputy Chairman & C.E.O.,
July 1996-
Member of the Board, 1991-



Ilkka Herlin, 38
Ph.D.
Member of the Board 1990-



Gerhard Cromme, 54
Dr., Chairman of the Executive
Board,
Fried. Krupp AG Hoesch-Krupp
Member of the Board, July 1996-



Jaakko Lassila, 69
Ph.D.



Gerhard Wendt, 62
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

Aussi Soila, 48

President 1995-
Deputy Member of the Board 1995-



Anssi Soila

Message from the President

During the past decade, the focal point of elevator and escalator demand has increasingly shifted from Europe and North America to Asia. Now half the world's elevator and escalator business is in Asia, where growth continues to be strong. During the year under review our orders received in Asia increased by 50%. Nevertheless, Asia's share of our total volume is still too small. We must strengthen our presence by all possible means in this important market.

A significant step in that direction has been taken through our investment in an elevator and escalator factory in China. Construction of the factory signals our entry into China's domestic market, where the prospects for growth are very good.

In Europe, we are continuing the reorganization begun in 1995 of our production and supply systems. The goals of this restructuring are to produce pan-European products, achieve greater economies of scale, and harmonize processes.

An innovation affecting the entire elevator industry was the new gearless and machine-room-less elevator which we launched in Europe in the spring. The reception given this new elevator concept by customers has been extremely positive. In the near future this space- and energy-saving elevator solution will be made available to markets outside Europe.

Bringing under control the financial and managerial problems of recent years in our Italian subsidiaries has required more extensive corrective measures than anticipated. These efforts, coupled with the deteriorating market situation in Italy, have seriously burdened our financial result. However, improvement in Italy will not be felt until the end of 1997.

The United States economy continued to expand, which was reflected in construction starts and demand for our products. During the year under review, the integration of Montgomery Elevator Company, acquired in December, 1994, and KONE's other North American operations, was completed. The combined operations have been successful and profitable.

Our market position was strengthened by acquiring full ownership of our joint-venture company O&K Rolltreppen GmbH, making us the world's leading suppliers of escalators.

We can not be satisfied with last year's result. However, we have determined the root causes of our difficulties and have decisively set in motion the measures needed to correct them. Improvement will begin to surface this year and become even more evident in 1998.

The four cornerstones of our success are satisfied customers, a skilled workforce committed to quality performance, defect-free processes, and continuous productivity improvement. By stressing these critical issues, strengthening our presence in Asia and improving the profitability of our operations in our traditional markets, we can face increasingly tough competition with confidence.

Our employees have done good work during one of the toughest years in our company's history. Thank you. Let us all continue in this way to meet the competitive challenges of 1997.

A handwritten signature in black ink, appearing to read 'Anssi Soila', written in a cursive style.

Anssi Soila
President

Corporate Management



Corporate senior management (l-r) : Rönholm, Mäkinen, Kemppainen, Rajahalme, Körnich, Soila, Padden, Paalanne (resigned), Cawén, Joutsen, Itävuori, Chauvarie, Chartron and Björklund.

President: ANSSI SOILA

Senior Vice Presidents:

J-P. CHAUVARIE, Europe

HEIMO MÄKINEN, Americas

NEIL PADDEN, Asia-Pacific

LAURI BJÖRKLUND, Purchasing & Manufacturing

KLAUS CAWÉN, General Counsel

JUSSI ITÄVUORI, Human Resources & Quality

PEKKA KEMPPAINEN, Technology

AIMO RAJAHALME, Finance

THOMAS RÖNNHOLM, Business Development and IS

MICHEL CHARTRON, Service Business

RAINE-PETER JOUTSEN, New Elevator Business

HEIKO KÖRNICH, Escalator Business

Review by Market Area



J-P. Chauvarie
Area Director, Europe

EUROPE

Construction activity in Europe remained stagnant in 1996, in part because of continuing public sector deficits, high unemployment in a number of countries, and high vacancy rates in office space and apartments. The downward trend in interest rates is a positive sign of change, but its impact has yet to be felt.

In Germany, the market situation weakened as investment faded in the eastern states. In France and Italy as well, the decline continued. In Russia, uncertainty about the political situation has adversely affected investment in construction. Elevator demand is largely concentrated in the Moscow area. One of KONE's largest orders received during 1996 consisted of 52 elevators for Moscow University.

Spain benefited from an aggressive public housing program, and positive economic development continued in the Netherlands and Great Britain. London is practically the only European city with an active high-rise construction market.

Breathing some new life into this largely sluggish business environment, KONE introduced a significant elevator innovation, the machine-room-less MonoSpace™ concept. After the first new elevators were installed in the Netherlands, the marketing efforts were rapidly extended to all EU countries except Italy and Spain. Architects and builders have expressed great interest in this new elevator solution, and demand has accelerated briskly.

European customers' prompt acceptance of KONE's innovative elevator concept and MonoSpace™'s rapidly growing share of KONE's order book prove that there was a market segment waiting for this kind of product. In the Netherlands, for example, MonoSpace™ elevators accounted for more than 60% of new orders received. By accepting a higher price for MonoSpace™ than for conventional elevators, the market has demonstrated its appreciation for the total cost and performance benefits that this innovative system has to offer.

Demand for elevator and escalator modernizations grew somewhat in Europe. The value of modernization business activity increased to nearly 50% of the value of new equipment sales. The European Union directive for new elevators and recommendations for existing elevators, which aim to tighten and standardize elevator safety regulations, will accelerate this positive development.

General uncertainty about the direction of Europe's economy is reflected in continuing pressure on the elevator and escalator service business. KONE's response to increasingly tougher price competition has been to improve productivity and the quality of business processes.

A major reorganization of KONE's new elevator business in Europe became effective July 1, 1996. Extending to products, production and delivery processes, this

restructuring signifies a profound change in KONE's elevator supply system. Nineteen ninety-seven will be a decisive year for the implementation of these changes.

NORTH AND SOUTH AMERICA

After a long recession, the North American construction market experienced moderate expansion, which resulted in improved elevator and escalator demand. Greater access to Federal funding, reasonable interest rates and availability of investment capital, and a decline in vacancy rates contributed to increased public and private sector construction activity. The relocation of companies from downtown business districts into suburban locations, which promises to continue in the coming year, fueled the modest growth.

The transition from high-rise offices downtown to low-rise buildings in the suburbs has significantly increased demand for hydraulic elevators. Montgomery KONE Inc. aims to continue improving its hydraulic elevator market position through cost reduction projects during 1997.

During the year under review Montgomery KONE Inc. received noteworthy orders for Federal office buildings and courthouses, airport and rapid transit expansion projects, hotels, stadiums and ballparks, and private-sector office buildings.

Montgomery KONE's order book included one hundred elevators for Federal office buildings and courthouses and nearly one hundred elevators, one hundred escalators and more than 30 power walks for airports. Other significant orders during 1996 were for 47 elevators in 14 buildings on Microsoft's campus outside Seattle, 22 escalators and 10 power walks for two Las Vegas hotels, eight elevators and 18 escalators for the Ernest N. Morial Convention Center in New Orleans, 14 elevators and eight escalators for the Bank One Ballpark in Phoenix, and 17 elevators and two escalators for the Oakland State Office Building.

The largest modernization order in the company's history was obtained for 35 elevators in the high-rise Everett McKinley Dirksen Building in Chicago. Another big modernization contract was for 30 escalators at the Sea-Tac International Airport in Seattle-Tacoma. Modernization demand continued to grow with increases in Federal funding contributing to higher market volume.

Service business growth remained steady. The J.C. Penney organization showed its confidence by maintaining Montgomery KONE as a preferred vendor nationwide. Other strategic partnerships were forged with Federated Department Stores, IBM, Philip Morris, Metropolitan Life, Entergy Energy Services and Bell

1. In Hong Kong a contract was signed for the delivery of elevators to the new Convention and Exhibition Center.



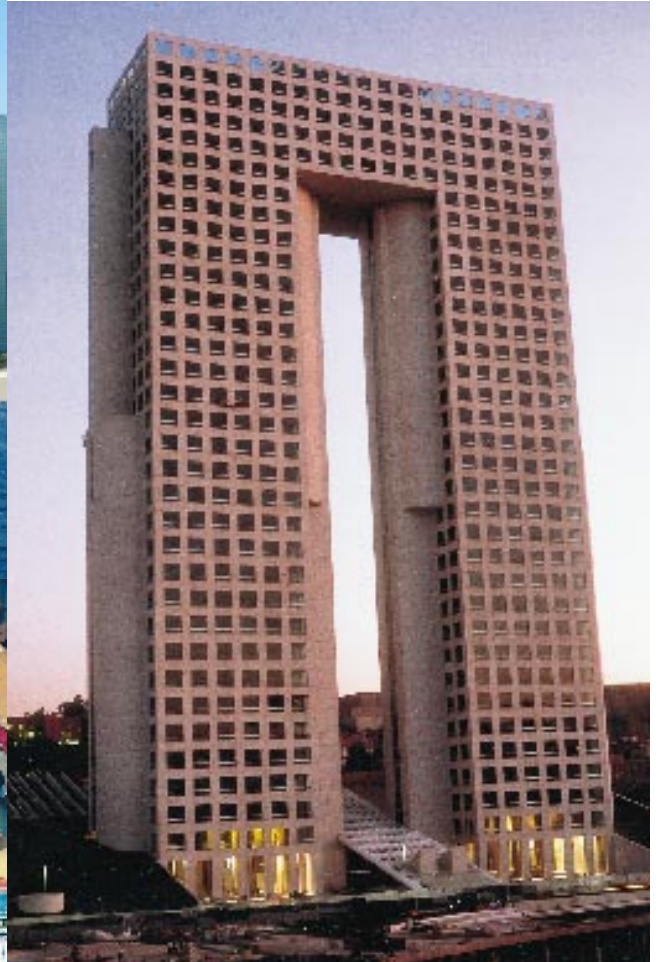
Heimo Mäkinen
Area Director, Americas

2. In Mexico City the second phase of the DINE project, to which KONE delivered 34 high-speed elevators, was completed.

3. During the year KONE became the world's leading escalator and autowalk supplier through the acquisition of the outstanding 60% shareholding in O&K Rolltreppen.



1



2



3

Atlantic. New service customers included the Philadelphia International Airport, Allen Bradley, and the Midwest Region of the General Services Administration.

In Canada, there was no break in the construction recession, and volumes remained at the 1995 level.

In South America, Brazil accounts for approximately half of the new elevator market. Brazil's economic situation remained stable and inflation declined during the year under review. KONE's market share in Brazil is still small, but the launch of a Brazilian version of MonoSpace™ is expected to strengthen the company's position.

The Argentine and Chilean economies did well in 1996 and represent growing market potential. Mexico's economy is progressing toward normalization. In Mexico City, KONE handed over the DINE project's elevators, which represent the finest quality and ride comfort in Latin America, to the customer. Venezuela continues to be plagued by severe inflation.

A S I A P A C I F I C

Market conditions in Asia during 1996 were generally similar to those prevailing a year earlier. Demand continued to be strong in Malaysia and the Philippines but was more stable in China, Hong Kong, Singapore and Indonesia. Increased competition fostered downward price pressure in China, Hong Kong, and Indonesia. Price levels in Taiwan remained low. KONE entered the Vietnamese market through a business association with a local company, Pacific Elevator.

Approval has been obtained from officials of the People's Republic of China for a new joint venture based in Kunshan near Shanghai, providing KONE with entry into China's 30,000-unit per annum domestic elevator market. A greenfield manufacturing facility for both KONE elevators and KONE-O&K escalators will begin production in 1998. Within five years, the factory's annual production capacity will rise to more than 1,000 elevators and 500 escalators. Total investment in the project is U.S. \$29 million.

The value of orders received by KONE companies in Asia increased during the year under review by nearly 50%. Record bookings were achieved in Malaysia, Singapore and the Philippines. Major orders included the Hong Kong North Point Government Office (18 elevators, four escalators); Singapore Nanyang Polytechnic (43 elevators); Taiwan Military Housing (50 elevators); the Wisma Mulia (28 elevators) and Senayan Hotel (12 elevators) skyscrapers in Jakarta; the ICEC Building (17 elevators) and Urban Bank (13 elevators) in Manila; and the Ampang Tower (18 elevators, two escalators), Westin Hotel (17 elevators, six escalators), Phileo Avenue (30 elevators), and Kiapeng (21 elevators) buildings in Kuala Lumpur.



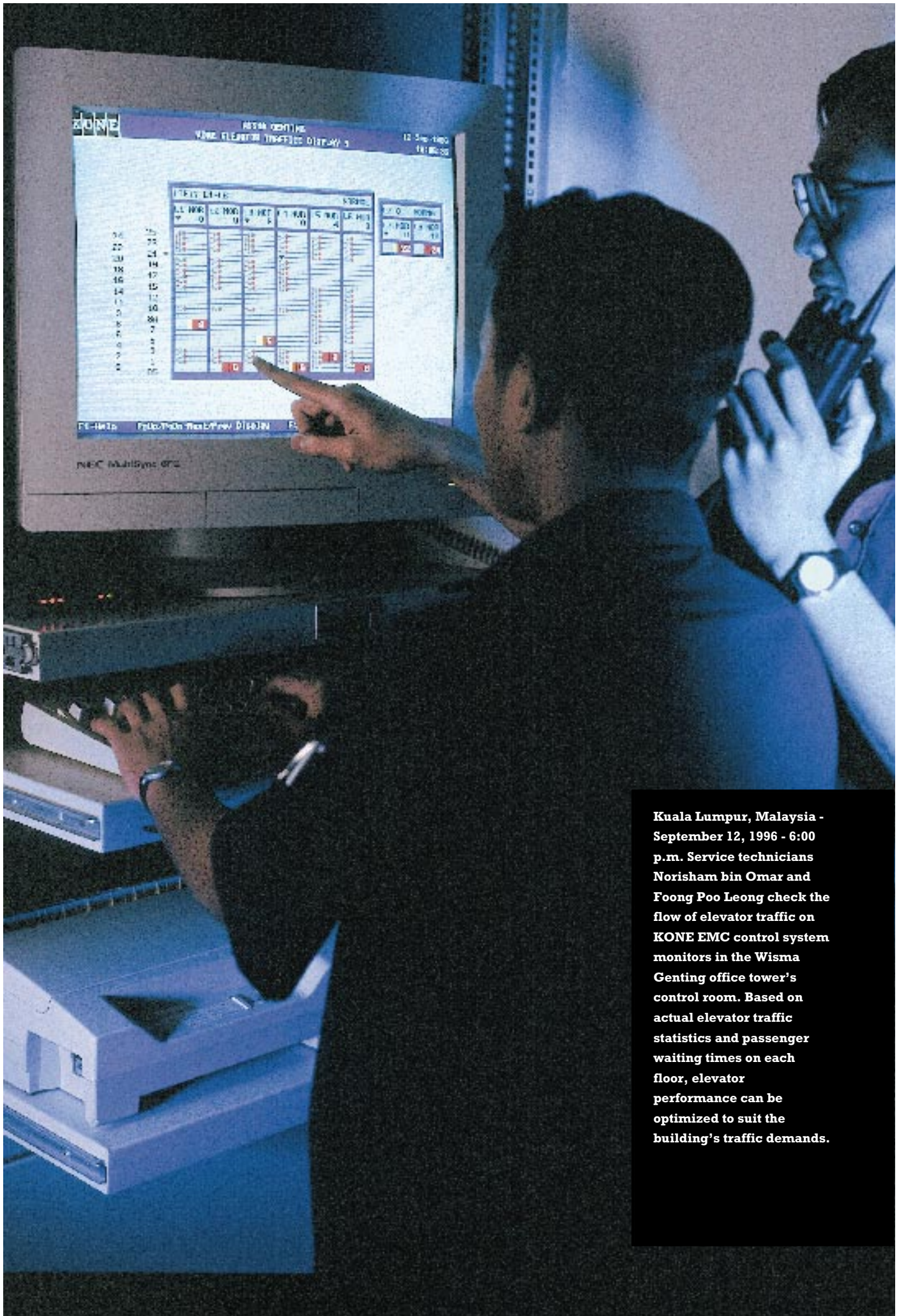
Neil Padden
Area Director, Asia-Pacific

The Chinese government appears to have succeeded in cooling the economy. Construction demand is expected to continue at the 1996 level. Business confidence remains strong in Hong Kong, and prospects for the next few years are excellent. The boom in Malaysia is expected to end, and signs of overbuilding have appeared in Manila. In Taiwan, demand should come off the bottom. Elsewhere in the region, demand will continue at about the same level as in 1996.

In India elevator demand has been climbing rapidly in recent years. During 1997 total demand will exceed 5000 units. The KONE Elevator India Ltd. production facility in Madras is currently being enlarged, after which its capacity will exceed 1,000 units per year.

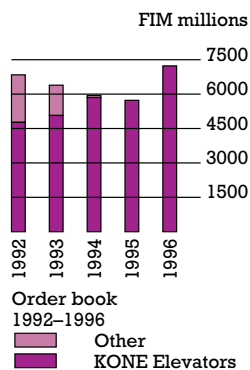
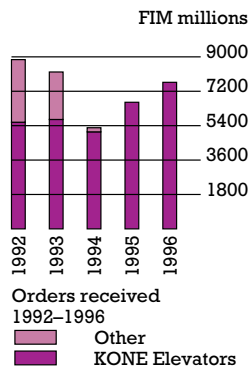
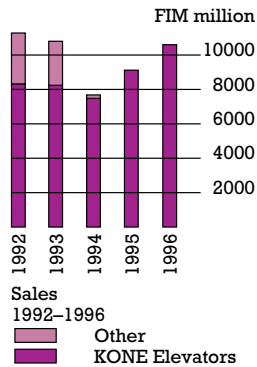
The volume of orders received in the Middle East continued to develop satisfactorily during the year under review, and KONE's market position grew stronger, especially in the United Arab Emirates and Kuwait.

In Australia and New Zealand vacancy rates fell further, and new elevator and escalator demand grew in Australia's eastern states. Major projects appeared for the first time since 1990. Modernization opportunities also increased in Australia and New Zealand; KONE Elevators Pty. Ltd. booked Nauru House in Melbourne (20 elevators) and Capita Building in Perth (nine elevators). The company had a greater volume of orders on hand at the end of 1996 than a year earlier. The 1997 outlook is for the Australian new elevator market to grow somewhat stronger, thanks in part to the approach of the Sydney Olympics.



Kuala Lumpur, Malaysia - September 12, 1996 - 6:00 p.m. Service technicians Norisham bin Omar and Foong Poo Leong check the flow of elevator traffic on KONE EMC control system monitors in the Wisma Genting office tower's control room. Based on actual elevator traffic statistics and passenger waiting times on each floor, elevator performance can be optimized to suit the building's traffic demands.

Report on Operations



KONE's net sales during the year under review totaled FIM 10,619 million, compared to FIM 9,523 million for the previous year. Nearly FIM 600 million of the increase resulted from the acquisition of the O&K Rolltreppen group, whose figures have been consolidated into KONE's accounts from July 1, 1996. Excluding acquisitions, growth amounted to approximately FIM 500 million.

The value of new orders received totaled FIM 7,674 million, compared to FIM 6,635 million in 1995, for an increase of 16%. O&K Rolltreppen contributed approximately 40% of this growth. The value of KONE's orders in hand grew by 26% and was FIM 7,224 million at the end of 1996, having stood at FIM 5,742 million on the last day of 1995. O&K Rolltreppen's contribution to this growth was FIM 700 million.

Because O&K Rolltreppen's figures have been consolidated into KONE's from the first day of July, only the second half of the year's figures for both volumes and results include the effect of the acquisition. A significant share of O&K Rolltreppen's sales and deliveries was already handled by various KONE companies so the acquisition's impact on sales, orders received and order book was smaller than might be expected.

At the beginning of June, 1996, a conditional agreement was reached between KONE Corporation and Fried. Krupp AG Hoesch-Krupp of Germany for transfer of Krupp's 60% shareholding in O&K Rolltreppen GmbH and its subsidiaries to KONE. KONE already owned the remaining 40% of O&K Rolltreppen shares.

The agreement was ratified at an extraordinary meeting of KONE shareholders on June 24th. The shareholders approved the Board of Directors' proposal to increase share capital through a FIM 33.6 million targeted share issue for subscription by Krupp. The subscription price for the new shares, consisting of 1 16,165 class A shares and 555,653 class B shares, was FIM 915/share. The new shares carry 10% of the voting power in KONE Corporation and represent a 10% shareholding in each class of stock as well as 10% of the total of outstanding shares. The subscription price of FIM 614,713,470 corresponds to the sales price for the 60% of O&K Rolltreppen shares previously owned by Krupp.

The share issue has been subscribed and paid for in total, and the increased capitalization has been duly registered in the Finnish Trade Register. Following the share issue, KONE Corporation has a total of 6,718,180 shares outstanding, of which 1,161,647 are class A shares and 5,556,533 are class B shares. The latter are traded publicly on the Helsinki Stock Exchange. The new class B shares have been listed on the Helsinki Stock Exchange since July 9, 1996. The new shares entitle shareholders to half dividends for the 1996 accounting period.

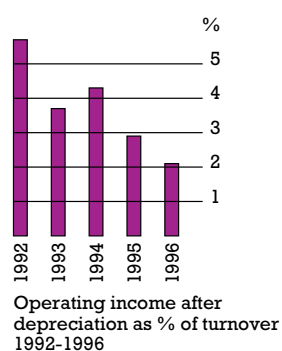
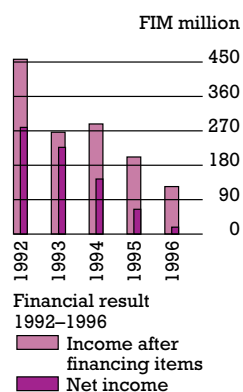
KONE Corporation's Board of Directors named Board member Antti Herlin deputy chairman at its June 7, 1996 meeting. Within the KONE organization, his title became deputy chairman of the Board and chief executive officer. Dr. Gerhard Cromme, chairman of Krupp's Board of Directors, was named to KONE Corporation's Board of Directors for the remainder of the current term at the June 24, 1996 extraordinary shareholders' meeting.

As it became apparent during the second half of the year under review that the financial result would be weaker than anticipated, KONE informed the Helsinki Stock Exchange on September 19th that the 1996 result would be close to zero. Income after taxes was FIM 18 million. The unprofitability of KONE's Italian operations and depressed price levels for new elevators in Europe, especially Italy, continued to have a negative impact on the financial result.

KONE's operating income was FIM 228 million (1995: FIM 274 million).

Sales and Personnel by Country 1996

	Sales FIM mill.	%	Number of employees	%
USA	2,670	22.0	4,417	20.3
Italy	1,375	11.4	2,361	10.8
France	1,326	10.9	2,468	11.3
Finland	1,181	9.7	1,673	7.7
Germany	1,102	9.1	1,608	7.4
United Kingdom	694	5.7	1,112	5.1
Sweden	567	4.7	882	4.0
Netherlands	448	3.7	646	3.0
Australia	393	3.2	715	3.3
Austria	378	3.1	478	2.2
Belgium	375	3.1	703	3.2
Hong Kong	358	3.0	560	2.6
Canada	227	1.9	422	1.9
Brazil	183	1.5	614	2.8
Denmark	145	1.2	255	1.2
Norway	109	0.9	189	0.9
Spain	107	0.9	259	1.2
Singapore	74	0.6	94	0.4
Taiwan	69	0.6	92	0.4
Czech Republic	58	0.5	358	1.6
Malaysia	54	0.4	164	0.8
Mexico	52	0.4	241	1.1
India	47	0.4	742	3.4
Switzerland	35	0.3	22	0.1
Venezuela	23	0.2	157	0.7
Russia	16	0.1	245	1.1
Turkey	14	0.1	119	0.5
Poland	7	0.1	18	0.1
Hungary	6	0.0	38	0.2
Argentina	5	0.0	29	0.1
Philippines	4	0.0	84	0.4
Others	8	0.1	41	0.2
Total	12,110	100.0	21,806	100.0
Intracorporate sales	(1,491)			
Corporate net sales	10,619			



Income after financing items totaled FIM 124 million (1995: FIM 202 million). Net income totaled FIM 18 million. Earnings per share were FIM 2.79 (1995: FIM 13.67).

KONE Corporation's Board of Directors proposes to the Annual General Meeting that, despite the weakened result, a dividend of FIM 9 per old class A share, FIM 4.50 per new class A share, FIM 10 per old class B share and FIM 5 per new class B share be declared for 1995.

PRODUCTS AND MARKETS

Elevator, escalator and modernization orders exclusive of maintenance business totaled FIM 7,674 million, which was 16% higher than the FIM 6,635 million figure for the previous year. Real growth was recorded mostly in Asia and North America.

In Europe the value of new orders declined a bit from the previous year's level. The greatest drop was in Italy. Great Britain and the Netherlands, on the other hand, registered increases in the value of orders received. Modernization orders also grew somewhat.

In North America, the expanding U.S. economy finally began to breathe some life into construction markets. As a result of the revival in new construction starts, demand for elevators and escalators began to rise, and Montgomery KONE registered a growing volume of new orders.

In Asia, elevator markets continued to expand although somewhat slower than in the past. An upturn in demand was recorded in Australia. In Asia and Australia combined, the growth in orders received was nearly 50%.

KONE introduced a radically new technological solution to European elevator markets early in the year under review: the gearless, machine-room-less MonoSpace™ concept. Its flat, disk-shaped hoisting machinery is located at the top of the elevator shaft. The control and drive cabinet is situated on the top floor landing near the elevator entrance. Buildings save on space and energy costs with MonoSpace™ while reducing the environmental impact of their elevator systems. The MonoSpace™ concept has been very well received by the market. Over 800 units were ordered in 1996, clearly exceeding the targets set at the time of release.

The value of orders for new escalators and autowalks for 1996 was approximately one billion Finnish markka. Germany and the United States recorded the highest order intake. More than half of escalator sales today are in Asia, but growing production capacity in that part of the world has led to increasing price competition.

The "Review by Market Area" on pages 7-11 of this Annual Report gives a detailed account of the situation and prospects for different markets.

S A L E S

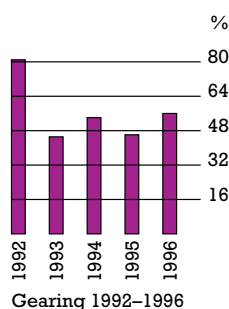
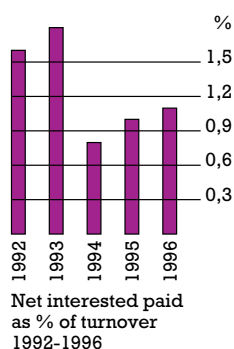
KONE's net sales for 1996 totaled FIM 10,619 million, compared to FIM 9,523 million for the previous year. Sales figures grew by nearly 12%, about half of which is attributable to the addition of O&K Rolltreppen's figures.

Deliveries of new elevators and escalators worth FIM 4,336 million were completed in 1996 (1995: 3,686 million), accounting for 41% of total sales. The new machine-room-less elevator did not have time to impact on sales figures.

Maintenance and modernization business produced FIM 6,283 million in



Voorburg, the Netherlands
- September 12, 1996 - 11:00
a.m. Elevator mechanic
Roelof Pierik is checking
the energy- and space-
saving EcoDisc™ hoisting
machinery of a machine-
room-less MonoSpace™
elevator in an apartment
building's elevator shaft.
Easy and direct service
access to the hoisting
machinery and control
panel contributes to the
reliability of this
innovative KONE product,
which was launched
during 1996.



sales (1995: FIM 5,837 million). The number of elevators and escalators under maintenance contract increased during the year under review by 13,000 and stood at nearly 440,000 units by the end of December, 1996.

The distribution of sales figures by market area was as follows:

	1996 FIM millions	1996 %	1995 FIM millions	1995 %
Europe	6,214	58	5,424	57
North America	2,849	27	2,772	29
Asia and Australia	1,040	10	954	10
Other	516	5	373	4
Total	10,619	100	9,523	100

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

Sales reported by the parent company, KONE Corporation, totaled FIM 1,272 million (1995: FIM 1,204 million). Exports from Finland were valued at FIM 828 million (1995: FIM 860 million).

FINANCE, FINANCIAL RESULT AND CONSOLIDATED BALANCE SHEET

KONE's financial result for 1996 was poor due to larger than anticipated problems in the Italian subsidiaries and continuing low price levels for new elevators. Profitability in the new elevator business sector remained poor due to extremely tough price and market-share competition. Reorganization aimed at streamlining production and delivery processes continued. Price competition tightened in the maintenance sector as well, but KONE has been able to keep pace by improving productivity.

Operating income for the year under review fell to FIM 228 million (1995: FIM 274 million), and income after financing items declined to FIM 124 million (1995: FIM 202 million). Net income totaled FIM 18 million (1995: FIM 67 million), and earnings per share were FIM 2.79 (1995: FIM 13.67).

Consolidated total assets as of December 31, 1996 were FIM 8,713 million. The increase over the previous year's figure of FIM 7,542 million was largely the result of acquisitions. Shareholders' equity increased from FIM 2,313 million to FIM 2,927 million mainly because of the targeted share issue. Interest-bearing net debt totaled FIM 1,648 million (1995: FIM 1,067 million). Acquisitions increased KONE's indebtedness by approximately FIM 400 million.

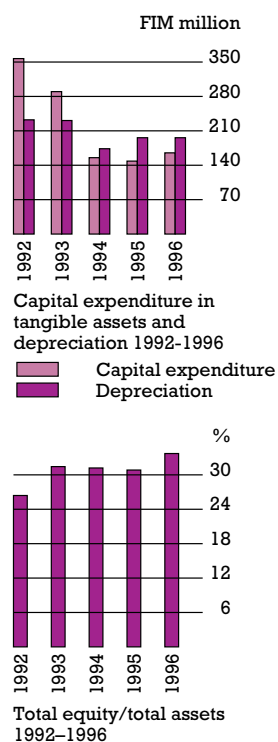
All sales contracts are hedged, and estimated currency requirements are selectively covered on a rolling 6-12 month basis.

By the autumn of 1996, KONE had terminated all its existing syndicated revolving credit lines, replacing them with bilateral loan agreements. The total amount borrowed was also increased. Most of these agreements are five-year loans with floating interest rates. Loans by subsidiaries are primarily taken in each country's own currency. Equities in subsidiaries outside Finland have been partially hedged through long-term swaps and forward contracts.

KONE's distributable equity is FIM 1,910 million. The parent company's distributable equity from the previous year stands at FIM 2,321 million and profit from 1996 at FIM 481 million. The Board of Directors proposes to the Annual General



**Chicago, U.S.A. -
September 12, 1996 - 12:00
noon. Service mechanic
Bill Allen uses the
Montgomery Service Tool
to change an elevator's
parameters at 77 West
Wacker, a 50-story office
building. The tool serves
as an interface to the
elevator, making it
possible to adapt operating
features rapidly to changes
in occupancy or building
usage.**



Meeting that a dividend of FIM 9 be paid on each old class A share (1,045,482 shares outstanding), FIM 4.50 on each new class A shares (116,165 shares), FIM 10 on each old class B shares (5,000,880 shares) and FIM 5 on each new class B shares (555,653 shares). The day by which all shares must be entered in the paperless book entry system is March 5, 1997, and March 10, 1997 is recommended as the date of record for dividend distribution. If the Annual General Meeting of February 28, 1997 approves the proposal, dividends will total FIM 62.7 million (1995: FIM 59.4 million).

Key figures as well as shareholder information pertaining to the Report on Operations can be found on pages 30 and 42.

PERSONNEL

The number of employees at the end of 1996 was 21,806 compared with 20,869 at the end of 1995. Acquisitions contributed approximately 1,200 to the personnel total. The distribution of personnel by geographical area was as follows:

	1996	%	1995	%
Europe	13,557	62	12,546	60
North America	4,839	22	4,836	23
Asia & Australia	2,357	11	2,241	11
Other	1,053	5	1,246	6
Total	21,806	100	20,869	100

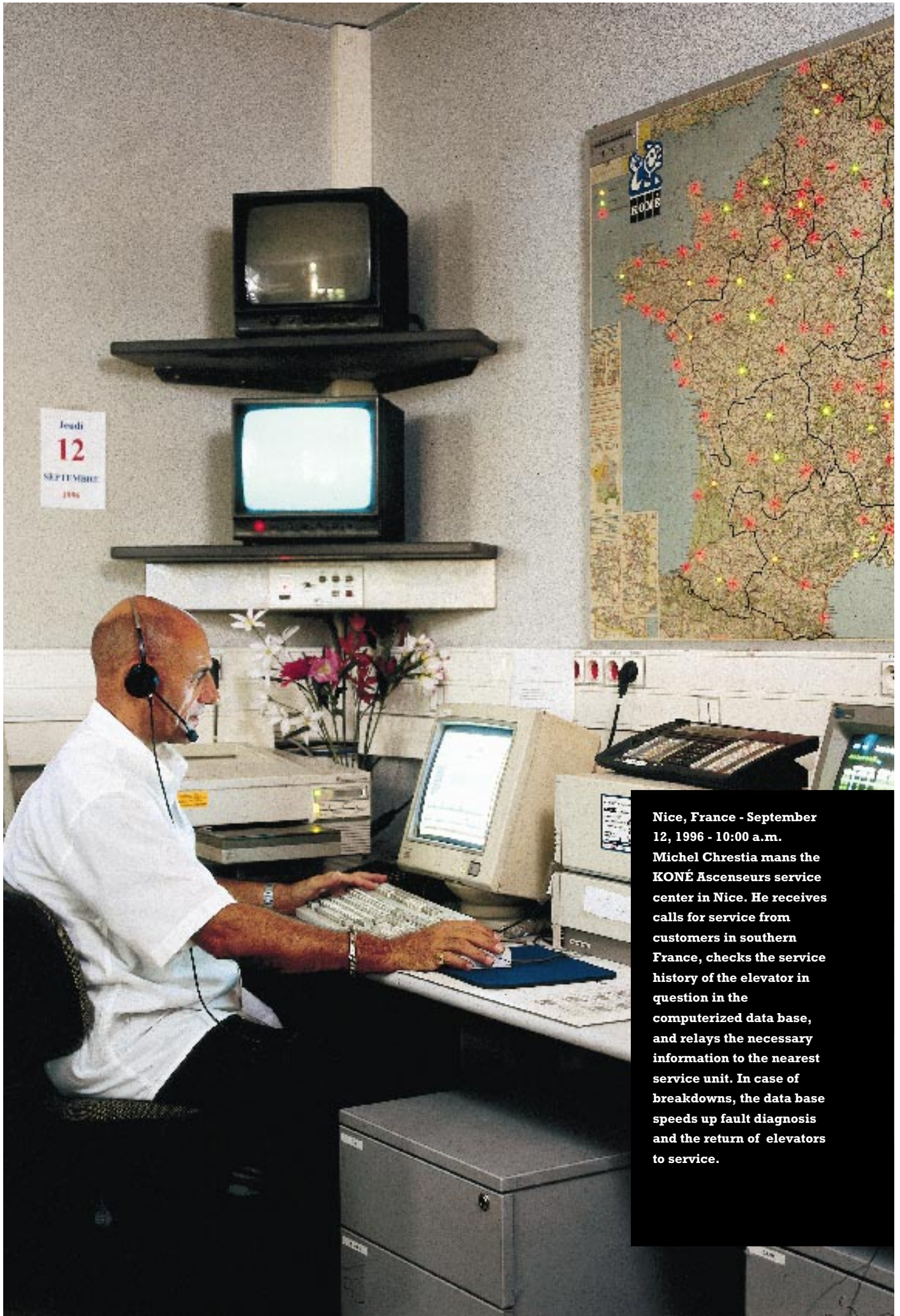
Personnel in Finland numbered 1,673 (1995:1,704) or 7.7% (1995: 8.2%) of KONE's worldwide total.

CAPITAL EXPENDITURE AND PRODUCT DEVELOPMENT

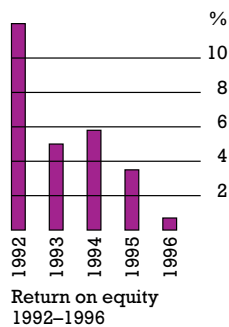
Capital expenditure in production facilities, field operations, computerization and data communication totaled FIM 165 million (1995: FIM 148 million) during the year under review. The distribution of capital expenditures was as follows: buildings, FIM 27 million; machinery, equipment and tools, FIM 88 million; data processing and communication, FIM 50 million.

KONE's investment in research and development during 1996 totaled FIM 146 million (1995: FIM 141 million). The most significant elevator technology development in decades was the launching in March of KONE's machine-room-less MonoSpace™ concept. This new elevating solution saves space and energy while providing excellent ride comfort. During the year under review, R&D efforts were focused on further development of the MonoSpace™ concept and the expansion of applications for its innovative EcoDisc™ hoisting machinery. In addition, a new KONE 3000 elevator range and a specially adapted version of the KONE 7000 elevator range were introduced for Asian markets.

Packaged modernization solutions for apartment house elevators were introduced to European markets during the spring of 1996, signaling an important advance in the industrialization of the most common elevator modernization processes. KoneXion™, a remote monitoring and data communication system that satisfies European Union requirements for direct contact between elevator cars and 24-hour service centers, offers passengers an increasing sense of security.



Nice, France - September 12, 1996 - 10:00 a.m.
Michel Chrestia mans the KONÉ Ascenseurs service center in Nice. He receives calls for service from customers in southern France, checks the service history of the elevator in question in the computerized data base, and relays the necessary information to the nearest service unit. In case of breakdowns, the data base speeds up fault diagnosis and the return of elevators to service.



Central to development efforts during the year under review were the progress made in developing worldwide data systems for operations control and the continuation of quality improvement work on business processes. The goal of these programs is to improve cost-effectiveness and increase customer satisfaction.

O U T L O O K

The general situation in European construction markets remained unchanged from 1995: demand for new elevators was weak and price levels poor. No changes in these circumstances are in sight. EU commission recommendations will provide a boost for modernization business in member countries.

Initiatives begun in recent years to improve profitability in KONE's production organization have seriously depressed the financial result at this point. These efforts focusing on products, production and operational processes will continue, but their profitability-improving impact will not be seen during 1997 to any significant extent. The profitability level of elevators in KONE's order book remains poor. Innovative products have been introduced to the market, and demand for them has gotten off to a good start. Their effect on the financial result, however, will only be seen after some time.

In North America the intake of new orders took a positive turn at the beginning of 1996 but leveled off towards the end of the year. For the year as a whole, the volume of orders received was slightly better than in 1995. The flight of companies from downtown locations to the suburbs continues, fueling demand for hydraulic elevators.

The profitability of operations improved in the United States and is expected to continue improving in the future. Even after goodwill amortization and financing costs associated with the acquisition are taken into account, Montgomery KONE Inc.'s overall financial result contributes to KONE's profitability.

Growth continued in Asia with new orders received topping the previous year's figure by nearly 50%. Investment in a new factory in China has been undertaken, and the first KONE elevators will be delivered from it in 1998. In the growing markets of India and Thailand, KONE is also increasing its capacity to deliver products.

Correcting the Italian situation has taken considerably longer than was anticipated and again has dragged down the financial result for the entire KONE organization significantly. The operations in Italy continue to be unprofitable at the beginning of 1997, but the break-even point is expected to be reached during the latter part of the year.

At the end of 1996, the order book for new equipment and modernizations, exclusive of maintenance business, stood at FIM 7,224 million (1995: FIM 5,742 million). O&K Rolltreppen contributed FIM 700 million to the order book. Growth in the order book, when adjusted for the effect of acquisitions, was approximately 14%. The number of elevators and escalators under maintenance contract at the end of 1996 was nearly 440,000, representing an increase of 13,000 units during the preceding 12 month-period. Greater productivity in maintenance operations is being achieved through the application of new computerized tools and working methods. Because of the factors mentioned above, KONE's financial result for 1997 is only expected to improve somewhat over that of 1996.

Accounting principles

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.

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 31st 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".

TAXES

The provision for income taxes includes current income taxes payable according to local tax regulations as well as changes in deferred taxes using current tax rates. All potential deferred tax liabilities are reported, but as a prudent measure only those deferred tax assets which seem certain to be realized are stated. Taxes also include dividend-related taxes and taxes from previous years.

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)

	1996	%	1995	%
SALES	10,618,604		9,523,242	
Cost and expenses	Note 1	(9,964,627)	(8,830,024)	
Depreciation	Note 2	(426,332)	(419,076)	
OPERATING INCOME	227,645	2.1	274,142	2.9
Share of associated companies' net income		1,965	15,759	
Financing income and expenses	Note 3	(105,617)	(87,773)	
INCOME AFTER FINANCING ITEMS	123,993	1.2	202,128	2.1
Extraordinary items	0		(15,719)	
INCOME BEFORE TAXES	123,993	1.2	186,409	2.0
Taxes	Note 4	(105,395)	(118,272)	
Minority share		(812)	(1,223)	
NET INCOME	17,786	0.2	66,914	0.7

Consolidated Balance Sheet (FIM '000)

ASSETS		31.12.1996	31.12.1995
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS			
Intangible assets			
Goodwill	Note 5	2,382,314	1,717,382
Other long-term expenditures	Note 6	130,695	102,190
		2,513,009	1,819,572
Tangible assets			
Land	Note 7	149,555	147,757
Buildings	Note 8	656,101	615,133
Machinery and equipment	Note 9	525,585	517,928
Shares and participating interests	Note 10	71,979	95,518
Advance payments		14,523	18,322
		1,417,743	1,394,658
TOTAL FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS		3,930,752	3,214,230
CURRENT ASSETS			
Inventories			
Raw materials, supplies and semi-manufactured goods		505,385	402,464
Work in progress		1,891,701	1,571,912
Advance payments		29,538	24,753
Advance payments received		(1,506,697)	(1,244,356)
		919,927	754,773
Receivables			
Accounts receivable		2,583,487	2,092,358
Loans receivable		25,468	22,954
Deferred assets		680,435	602,067
Other receivables		77,554	68,285
	Note 11	3,366,944	2,785,664
Short-term investments	Note 12	287,441	432,089
Cash and deposits		207,742	355,148
TOTAL CURRENT ASSETS		4,782,054	4,327,674
TOTAL ASSETS		8,712,806	7,541,904

SHAREHOLDERS' EQUITY AND LIABILITIES		31.12.1996	31.12.1995
SHAREHOLDERS' EQUITY			
Share capital		336,021	302,431
Legal reserves		620,577	45,739
Translation differences		(226,058)	(273,478)
Retained earnings		2,178,893	2,171,397
Net income		17,786	66,914
	Note 13	2,927,219	2,313,003
MINORITY SHARES		6,827	10,242
PROVISION FOR LIABILITIES AND CHARGES	Note 14	733,221	716,038
DEFERRED TAX LIABILITY	Note 15	141,071	173,897
DEBT			
Long-term debt			
Loans from financial institutions	Note 16	1,041,035	1,031,267
Current liabilities			
Long-term debt due within one year		188,646	58,698
Accounts payable		715,519	716,118
Accruals		2,019,797	1,735,164
Other current liabilities		939,471	787,477
		3,863,433	3,297,457
TOTAL DEBT		5,778,760	5,218,659
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		8,712,806	7,541,904

Consolidated Statement of Cash Flows (FIM million)

	1996	1995
Cash receipt from customers	10,612	9,455
Cash paid to suppliers and employees	(10,135)	(8,823)
Cash flow from financial items	(96)	(85)
Cash flow from taxes and other items	(249)	(196)
CASH FLOW FROM OPERATING ACTIVITIES	132	351
Capital expenditure	(212)	(207)
Proceeds from sale of fixed assets	27	36
Fixed assets of new subsidiaries	(822)	(2)
Fixed assets of sold subsidiaries	0	27
CASH FLOW FROM INVESTING ACTIVITIES	(1007)	(146)
CASH FLOW AFTER INVESTING ACTIVITIES	(875)	205
Change in current creditors, net	38	47
Change in long-term debt, net	(15)	(262)
Share issue	615	0
Dividends paid	(59)	(59)
Other financing activities	139	237
CASH FLOW FROM FINANCING ACTIVITIES	718	(37)
CHANGE IN NET CASH	(157)	168
Cash and bank as of 31st December	208	355
Exchange difference	(10)	9
Cash and bank as of 1st January	355	196
CHANGE IN NET CASH	(157)	168
RECONCILIATION OF NET INCOME TO CASH FLOW FROM OPERATING ACTIVITIES		
NET INCOME	18	67
Depreciation	426	419
Other adjustments	1	2
INCOME BEFORE CHANGE IN WORKING CAPITAL	445	488
Change in receivables	(249)	(266)
Change in payables	300	75
Change in inventories	(364)	54
CASH FLOW FROM OPERATING ACTIVITIES	132	351

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.

Notes on the Consolidated Financial Statement

CONSOLIDATED STATEMENT OF INCOME

All figures are in millions of Finnish markkas.

1. Cost and expenses

	1996	1995
Materials and supplies	3,023.7	2,322.6
External services	457.2	439.2
Salaries of boards of directors and managing directors	49.6	48.7
Wages and other salaries	3,021.4	2,741.5
Pension costs	534.1	484.1
Other personnel expenses	1,189.7	1,213.1
Change of work in progress	(115.5)	(1.9)
Other expenses	1,852.4	1,633.6
Other business income	(48.0)	(50.9)
Total	9,964.6	8,830.0

2. Depreciation

	1996	1995
Goodwill	185.4	184.0
Other long-term expenditures	39.4	39.4
Buildings	32.4	29.8
Machinery and equipment	169.1	165.8
Total	426.3	419.0

3. Financing income and expenses

	1996	1995
Dividends received	1.6	2.9
Interest received	83.5	79.5
Interest paid	(200.3)	(178.9)
Other financing income and expenses	9.6	8.8
Total	(105.6)	(87.7)

4. Taxes

	1996	1995
Revenue-based taxes	215.5	164.8
Change in deferred tax liabilities and assets	(109.8)	(36.3)
Tax credit on dividends	(0.3)	(10.2)
Total	105.4	118.3

CONSOLIDATED BALANCE SHEET

5. Goodwill

	1996	1995
Acquisition cost as of 1 January	2,621.5	2,654.5
Increase	788.6	3.9
Decrease	-	(8.5)
Accumulated depreciation	(1,027.8)	(932.5)
Total as of 31 December	2,382.3	1,717.4

6. Other long-term expenditures

	1996	1995
Acquisition cost as of 1 January	219.6	216.5
Increase	62.7	23.8
Decrease	(9.0)	(0.6)
Accumulated depreciation	(142.6)	(137.5)
Total as of 31 December	130.7	102.2

7. Land

	1996	1995
Acquisition cost as of 1 January	150.2	144.7
Accumulated revaluation	4.9	4.9
Increase	3.3	0.4
Decrease	(8.8)	(2.2)
Total as of 31 December	149.6	147.8

8. Buildings

	1996	1995
Acquisition cost as of 1 January	892.2	845.4
Accumulated revaluation	75.4	75.4
Increase	50.9	36.6
Decrease	(4.8)	(6.0)
Accumulated depreciation	(357.6)	(336.3)
Total as of 31 December	656.1	615.1

9. Machinery and equipment

	1996	1995
Acquisition cost as of 1 January	1,527.7	1,572.8
Increase	180.1	111.2
Decrease	(20.3)	(41.1)
Accumulated depreciation	(1,161.9)	(1,124.9)
Total as of 31 December	525.6	518.0

10. Shares and participating interests

	1996	1995
Total as of 1 January	95.5	94.5
Change in the share in associated companies	(12.9)	5.9
Increase	7.1	13.5
Decrease	(17.7)	(18.4)
Total as of 31 December	72.0	95.5

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:	1996	1995
Accounts receivable	25.5	1.7
Loans receivable	17.3	21.9
Deferred assets	-	11.7
Other receivables	0.4	62.3
Total	43.2	97.6

Receivables from associated companies:	1996	1995
Accounts receivable	5.5	10.1
Loans receivable	4.7	1.0
Deferred assets	-	13.5
Total	10.2	24.6

12. Short-term investments

	1996	1995
Short-term deposits	22.5	68.9
Bonds	229.0	286.8
Other	35.9	76.4
Total	287.4	432.1

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	45.7	(273.4)	2,238.3		2,313.0
Share issue	33.6	581.1				614.7
Revaluations		(6.2)				(6.2)
Translation differences			47.4			47.4
Dividend				(59.4)		(59.4)
Net income for the year					17.8	17.8
As of 31 Dec	336.0	620.6	(226.0)	2,178.9	17.8	2,927.3

The accumulation of untaxed reserves, excluding the calculative deferred tax liability, is included in retained earnings and totaled FIM 286.5 million (375.0). Accumulated untaxed reserves are not distributable equity.

14. Provision for liabilities and charges

	1996	1995
Provision for guarantees	81.5	54.6
Provision for general and product liability claims	355.0	261.2
Provision for business reorganizing	27.5	126.2
Provision for loss contracts	51.5	60.0
Other provisions	217.7	214.0
Total	733.2	716.0

15. Deferred tax liabilities and assets

	1996	1995
Deferred tax assets		
Provision for expenses	77.0	0
Deferred tax liabilities		
Depreciation difference	62.2	83.3
Untaxed reserves	72.9	82.6
Valuation of inventories	6.0	8.0
Total deferred tax liabilities	141.1	173.9

The principles for calculating taxes have been changed to take deferred tax assets into account when calculating 1996 taxes. In the Consolidated Balance Sheet deferred tax liabilities have been presented as a separate category and deferred tax assets included in deferred assets.

16. Long-term debt

Long-term debt fall due as follows:

	FIM mill.	%
1998	133.3	12.8
1999	13.4	1.3
2000	7.4	0.7
2001	675.6	64.9
Later	211.3	20.3

17. Liabilities owed to associated companies

	1996	1995
Accounts payable	1.0	9.2
Other current liabilities	8.5	5.1
Total	9.5	14.3

18. Contingent liabilities and pledged assets

	Group		Parent company	
	1996	1995	1996	1995
Assets pledged to secure loans				
Group and parent company	10.9	129.8	3.6	106.0
Subsidiaries	-	-	-	13.0
Others	-	0.8	-	0.8
Pledged assets	88.6	353.2	13.0	235.0
Guarantees				
Subsidiaries	-	-	3,432.7	2,008.2
Associated companies	23.5	22.8	23.5	22.8
Others	40.6	40.3	11.5	22.7
Leasing liabilities				
Falling due in the next year	102.4	81.3	5.9	3.7
Falling due after 1 year	251.1	155.0	8.4	5.7
Total	517.1	783.2	3,498.6	2,417.9

19. Derivatives

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

	1996	1995
Forward contracts	1,652	2,952
Interest rate agreements	177	445
Currency options	681	718
Interest options	-	654
Currency swaps	842	1,010
Interest rate swaps	52	49
Total	3,404	5,828

Calculation of Key Figures

Average Number of Employees =	$\frac{\text{the average number of employees from the beginning to the end of the period under review}}{\text{the average number of employees from the beginning to the end of the period under review}}$
Return on Equity (%) = 100 x	$\frac{\text{income after financing items - taxes}}{\text{equity + minority shares (average of the figures for the financial year)}}$
Return on Capital Employed (%) = 100 x	$\frac{\text{income after financing items + interest + other financing costs}}{\text{total assets - non-interest-bearing-debt (average of the figures for the financial year)}}$
Total Equity/Total Assets (%) = 100 x	$\frac{\text{shareholders' equity + minority shares}}{\text{total assets}}$
Gearing (%) = 100x	$\frac{\text{interest-bearing-debt - liquid assets - loans receivable}}{\text{shareholders' equity + minority shares}}$
Earnings/Share =	$\frac{\text{income after financing items - taxes - minority share}}{\text{average number of shares (issue adjusted)}}$
Dividend/Share =	$\frac{\text{payable dividend for the accounting period}}{\text{number of shares (issue adjusted)}}$

Effective Dividend Yield (%) = 100 x	$\frac{\text{dividend/share}}{\text{price of class B shares as of 31/12}}$
Dividend/Earnings (%) = 100 x	$\frac{\text{dividend/share}}{\text{earnings/share}}$
Price/Earnings =	$\frac{\text{price of class B shares as of 31/12}}{\text{earnings/share}}$
Average Price =	$\frac{\text{total FIM value of all class B shares traded}}{\text{average number of class B shares traded during the accounting period}}$
Market Value of All Outstanding Shares =	$\frac{\text{the number of shares at the end of the accounting period} \times \text{times the price of class B shares as of 31/12}}{\text{the number of shares at the end of the accounting period} \times \text{times the price of class B shares as of 31/12}}$
Shares Traded (%) =	$\frac{\text{number of class B shares traded}}{\text{average weighted number of class B shares}}$
Shares Traded =	$\frac{\text{number of class B shares traded during the accounting period}}{\text{average weighted number of class B shares}}$

Five-year Summary In Figures 1992-1996

	1996	1995	1994	1993	1992
CONSOLIDATED STATEMENT OF INCOME					
Revenues, MFIM (= FIM million)	10,619	9,523	7,638	10,801	11,277
Sales outside Finland, MFIM	10,275	9,184	7,244	10,308	10,583
Depreciation, MFIM	426	419	345	414	401
Operating income after depreciation, MFIM	228	274	326	402	638
as percentage of sales, %	2.1	2.9	4.3	3.7	5.7
Income after financing items, MFIM	124	202	288	266	451
as percentage of sales, %	1.2	2.1	3.8	2.5	4.0
Income before taxes, MFIM	124	186	288	368	451
as percentage of sales, %	1.2	2.0	3.8	3.4	4.0
Net income, MFIM	17.8	66.9	143.0	225.0	273.0
CONSOLIDATED BALANCE SHEET					
Fixed assets, MFIM	3,931	3,214	3,556	3,339	3,548
Inventories, MFIM	920	755	720	606	829
Receivables, cash and cash equivalents, MFIM	3,862	3,573	3,568	4,227	4,745
Shareholders' equity + minority shares, MFIM	2,934	2,323	2,446	2,576	2,410
Long-term debt, MFIM	1,041	1,031	1,295	1,238	1,381
Provisions and tax liability, MFIM	874	890	864	697	657
Current liabilities, MFIM	3,863	3,298	3,239	3,661	4,674
Total assets, MFIM	8,713	7,542	7,844	8,172	9,122
OTHER DATA					
Orders received, MFIM	7,674	6,635	5,281	8,182	8,835
Order book, MFIM	7,223	5,742	5,874	6,384	6,822
Capital expenditure, MFIM	165	148	155	281	357
as percentage of sales, %	1.55	1.55	2.03	2.60	3.17
Expenditure for research and development, MFIM	146	141	137	145	156
as percentage of sales, %	1.37	1.48	1.79	1.34	1.38
Average number of employees	21,338	21,211	21,132	21,068	21,855
KEY RATIOS					
Return on equity, %	0.7	3.5	5.8	5.0	12.0
Return on capital employed, %	6.8	8.3	10.5	10.8	15.5
Total equity/total assets, %	33.7	30.8	31.2	31.5	26.4
Gearing, %	56	46	53	45	81
KEY FIGURES PER SHARE					
Earnings per share, FIM	2.79	13.67	23.65	20.34	45.15
Equity per share, FIM	436	383	403	421	395
Dividend per class B share, FIM	10*	10	10	10	10
new issue, B uudet, FIM	5*	-	-	-	-
Dividend per class A share, FIM	9*	9	9	9	9
new issue, A uudet, FIM	4.5*	-	-	-	-
Dividend per earnings, class B share, %	358.82*	73.17	42.28	49.15	22.15
Dividend per earnings, class A share, %	322.94*	65.85	38.05	44.24	19.93
Effective dividend yield, class B share, %	1.97	2.75	1.85	1.75	2.33
Price per earnings, class B share, %	182.28	26.56	22.83	28.02	9.52
Market value of class B share, average, FIM	448	480	593	498	416
high, FIM	600	560	705	591	455
low, FIM	320	295	502	432	340
as of 31/12, FIM	508	363	540	570	430
Market capitalization as of 31/12, MFIM	3,413	2,195	3,265	3,446	2,600
Number of class B shares traded	1,666,715	1,509,093	1,339,592	1,699,729	1,160,105
Class B share traded, %	31.57	30.18	26.79	33.99	23.20
Average number of class A shares, '000	1,103	1,045	1,045	1,045	1,045
Number of class A shares as of 31/12, '000	1,161	1,045	1,045	1,045	1,045
Average number of class B shares, '000	5,279	5,001	5,001	5,001	5,001
Number of class B shares as of 31/12, '000	5,557	5,001	5,001	5,001	5,001

* Board's proposal

Parent Company: Statement of Income (FIM '000)

		1996	%	1995	%
SALES	Note 1	1,272,276		1,203,895	
Cost and expenses	Note 2	(1,221,934)		(1,172,673)	
Change in inventories		22,894		(44,809)	
Depreciation	Note 3	(48,951)		(32,601)	
OPERATING INCOME/LOSS		24,285	1.9	(46,188)	(3.8)
Financing income and expenses	Note 4	455,308		693,333	
INCOME AFTER FINANCING ITEMS		479,593	37.7	647,145	53.8
Extraordinary items	Note 5	(62,651)		25,196	
INCOME BEFORE TAXES AND ALLOCATIONS		416,942	32.8	672,341	55.8
Depreciation difference	Note 6	49,382		20,344	
Allocation to untaxed reserves	Note 7	31,564		68,758	
Taxes		(17,355)	-	20,686	
NET INCOME		480,533	37.8	740,757	61.5

Parent Company: Balance Sheet (FIM '000)

ASSETS		31.12.1996	31.12.1995
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS			
Intangible assets			
Intangibles	Note 8	150,609	151,250
Other long-term expenditures	Note 9	4,973	4,079
		155,582	155,329
Tangible assets			
Land	Note 10	9,085	9,181
Buildings	Note 11	82,117	84,344
Machinery and equipment	Note 12	87,323	98,684
Shares in subsidiaries	Note 13	2,174,887	2,222,098
Other stocks and shares	Note 14	28,167	34,526
		2,381,579	2,448,833
TOTAL FIXED ASSETS AN OTHER LONG-TERM INVESTMENTS		2,537,161	2,604,162
CURRENT ASSETS			
Inventories			
Raw materials, supplies, semimanufactured goods		37,653	36,301
Work in progress		160,761	139,219
Advance payments		372	1,046
		198,786	176,566
Receivables	Note 15		
Accounts receivable		403,791	241,951
Loans receivable		1,919,286	950,577
Deferred assets		334,323	100,357
		2,657,400	1,292,885
Short-term investments	Note 16	225,436	296,678
Cash and deposits		15,512	32,634
		240,948	329,312
TOTAL CURRENT ASSETS		3,097,134	1,798,763
		5,634,295	4,402,925

SHAREHOLDERS' EQUITY AND LIABILITIES		31.12.1996	31.12.1995
SHAREHOLDERS' EQUITY			
	Note 17		
Share capital		336,021	302,431
Legal reserves		594,067	12,945
Retained earnings		2,321,345	1,640,006
Net income		480,533	740,757
		3,731,966	2,696,139
UNTAXED RESERVES	Note 18	126,863	207,809
LIABILITIES	Note 19		17,276
Provision for liabilities and charges	Note 20	29,800	
DEBT			
Long-term debt	Note 21		
Loans from financial institutions		196,702	18,272
Pension loans		-	237,997
Other long-term debt		860,241	631,770
		1,056,943	888,039
Current liabilities			
Loans from financial institutions		5,887	8,309
Pension loans		-	17,914
Advances received		114,762	112,648
Accounts payable		102,829	302,546
Accruals		128,790	106,046
Other current liabilities		336,455	46,199
		688,723	593,662
TOTAL DEBT		1,775,466	1,498,977
		5,634,295	4,402,925

Parent Company: Statement of Cash Flows (FIM million)

	1996	1995
Cash receipt from customers	1112	1122
Cash paid to suppliers and employees	(1381)	(1021)
Cash flow from financial items	226	697
Cash flow from taxes and other items	(15)	(-)
CASH FLOW FROM OPERATING ACTIVITIES	(58)	798
Capital expenditure	(843)	(338)
Proceeds from sale of fixed assets	787	23
CASH FLOW FROM INVESTING ACTIVITIES	(56)	(315)
CASH FLOW AFTER INVESTING ACTIVITIES	(114)	483
Change in current creditors (net)	270	(311)
Change in long-term debt (net)	169	93
Dividends paid	(59)	(59)
Share issue	615	
Other financing activities	(898)	(180)
CASH FLOW FROM FINANCING ACTIVITIES	97	(457)
CHANGE IN NET CASH	(17)	26
Cash and bank as of 31st December	15	32
Cash and bank as of 1st January	32	6
CHANGE IN NET CASH	(17)	26
RECONCILIATION OF NET INCOME TO CASH FLOW FROM OPERATING ACTIVITIES		
NET INCOME	480	741
Depreciation	49	33
Other adjustments	(7)	(89)
INCOME BEFORE CHANGE IN WORKING CAPITAL	522	685
Change in receivables	(395)	18
Change in payables	(162)	50
Change in inventories	(23)	45
CASH FLOW FROM OPERATING ACTIVITIES	(58)	798

Notes on the Parent Company Financial Statements

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 604.4 million (611.3) corresponding to a share of 47.5 % (51%) of net sales.

2. Cost and Expenses

Cost and expenses were spread as follows:

	1996	1995
Materials and supplies	605.6	495.3
External services	74.8	61.0
Salaries of board of directors and managing director	4.0	3.3
Wages and other salaries	215.6	212.5
Pension expenses	49.8	44.5
Other personnel expenses including vacation pay	79.0	86.3
Other expenses	224.7	280.3
Other business income	(31.6)	(10.5)
Total	1,221.9	1,172.7

Fringe benefits amounted to FIM 4.3 million (4.5).

3. Depreciation

	1996	1995
Intangible assets	16.0	-
Other long-term expenditures	1.8	1.4
Buildings	3.4	3.0
Machinery and equipment	27.3	27.7
Shares and partnerships	0.4	0.5
Total	48.9	32.6

4. Financing Income and Expenses

	1996	1995
Dividends received from subsidiaries	454.8	684.4
Other dividends received	1.0	1.0
Interest received from subsidiaries	67.1	55.7
Other interest received	25.9	43.1
Interest paid to subsidiaries	(56.5)	(41.3)
Other interest paid	(56.9)	(43.7)
Other financing income and expenses	19.9	(5.9)
Total	455.3	693.3

5. Extraordinary Items

	1996	1995
Capital gains	18.9	3.7
Loss from fusion of subsidiaries	(67.6)	-
Refunded subsidiaries' share capital	(25.3)	-
Group contributions received	14.7	22.8
Group contributions granted	(3.3)	(0.6)
Other expenses	-	(0.7)
Total	(62.6)	25.2

6. Depreciation Difference

	1996	1995
Intangible assets	16.0	-
Other long-term expenditures	2.1	-
Buildings	3.3	0.8
Machinery and equipment	28.0	19.5
Total	49.4	20.3

7. Allocations to Untaxed Reserves

	1996	1995
Allocation to reserve for transition period	26.5	63.1
Allocation to reserve for guarantees	5.1	2.3
Allocation to reserve for change in acquisition costs	-	3.3
Total	31.6	68.7

BALANCE SHEET

8. Intangible Assets

	1996	1995
Acquisition cost as of 1 January	151.2	-
Intracorporate increase	15.4	151.2
Accumulated depreciation	(16.0)	-
Total as of 31 December	150.6	151.2

9. Other Long-term Expenditures

	1996	1995
Acquisition cost as of 1 January	10.5	8.9
Increase	2.8	1.5
Decrease	(0.1)	-
Accumulated depreciation	(8.2)	(6.3)
Total as of 31 December	5.0	4.1

10. Land

	1996	1995
Acquisition cost as of 1 January	4.3	4.3
Accumulated revaluation	4.9	4.9
Decrease	(0.1)	-
Total as of 31 December	9.1	9.2

11. Buildings

	1996	1995
Acquisition cost as of 1 January	90.5	86.1
Accumulated revaluation	69.6	69.6
Increase	1.2	8.6
Decrease	(0.1)	(0.8)
Accumulated depreciation	(79.1)	(79.2)
Total as of 31 December	82.1	84.3

12. Machinery and Equipment

	1996	1995
Acquisition cost as of 1 January	319.9	299.3
Increase	19.5	24.2
Decrease	(3.5)	(3.5)
Accumulated depreciation	(248.6)	(221.3)
Total as of 31 December	87.3	98.7

13. Shares in Subsidiaries

	1996	1995
Total as of 1 January	2,222.1	2,081.0
Increase	789.1	147.7
Decrease	(836.3)	(6.6)
Total as of 31 December	2,174.9	2,222.1

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	2,380.7		2,696.1
Share issue	33.6	581.1			614.7
Dividend			(59.4)		(59.4)
Net income for the year				480.5	480.5
As of 31 December	336.0	594.1	2,321.3	480.5	3,731.9

Legal reserves are held as reserve funds. The total number of outstanding shares is 6,718,180 with a par value of FIM 50 each. Capitalization consists of 1,161,647 class A shares and 555,653 class B shares. A total of 2,250 shares at a par value of FIM 112,500 was previously redeemed and retired by the company without reducing share capital.

14. Other Stocks and Shares

	1996	1995
Total as of 1 January	34.5	42.8
Increase	16.1	4.6
Decrease	(22.5)	(12.4)
Depreciation	-	(0.5)
Total as of 31 December	28.1	34.5

15. Receivables

Receivables falling due after one year:

	1996	1995
Loans receivable	15.9	19.6
Deferred assets	-	11.7
Total	15.9	31.3

Loans receivable include a FIM 10.0 million subordinated loan.

Receivables from group companies:

	1996	1995
Accounts receivable	302.9	177.2
Loans receivable	1,883.5	929.7
Deferred assets	224.2	23.7
Total	2,410.6	1,130.6

Receivables from associated companies:

	1996	1995
Accounts receivable	2.9	4.9
Loans receivable	0.9	1.0
Total	3.8	5.9

16. Short-term Investments

	1996	1995
Bonds	213.9	286.8
Other investments	11.5	9.9
Total	225.4	296.7

18. Untaxed Reserves

18.1. Cumulative depreciation differences

	1996	1995
Intangible assets	(16.0)	-
Other long-term expenditures	0.8	2.8
Buildings	(22.7)	(19.4)
Machinery and equipment	57.3	85.3
Total	19.4	68.7

18.2. Other untaxed reserves

	1996	1995
Reserve for transition period	107.5	134.0
Reserve for guarantees	-	5.1
Total	107.5	139.1

19. Liabilities Owed to Group and Associated Companies

Liabilities owed to group companies:

	1996	1995
Other long-term debt	860.2	631.8
Advances received	5.6	16.1
Accounts payable	43.0	227.8
Accruals	32.6	2.4
Total	941.4	878.1

Liabilities owed to associated companies:

	1996	1995
Advances received	2.2	0.4
Accounts payable	0.3	1.1
Total	2.5	1.5

20. Provision for Liabilities and Charges

	1996	1995
Provision for guarantees	8.7	7.9
Other provisions	21.1	9.4
Total	29.8	17.3

21. Long-term debt

Long-term debt falling due after five years:

	1996	1995
Loans from financial institutions	186.1	3.9
Pension loans	-	178.0
Total	186.1	181.9

22. Group Subsidiaries and Associated Companies as of December 31, 1996

		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.	925,638	53.2	100.0	157,938
NL	KoMont Investment B.V.	424,646	31.5	100.0	47,359
AU	KONE Elevators Pty Ltd.	393,591	30.0	100.0	10,950
BE	KONE Belgium S.A.	43,024	99.9	99.9	9,759
BE	KONE Elevators (Europe) S.A.	182	0.8	100.0	136
BR	KONE Participacoes e Importacoes Ltda	41,254	100.0	100.0	0
HK	KONE Far East Limited	2,617	100.0	100.0	38,585
IN	KONE Elevator India Ltd.	14,226	70.0	70.0	1,982
GB	KONE (UK) Ltd.	140,114	100.0	100.0	1,708
JP	KONE Japan Co. Ltd	313	100.0	100.0	105
AT	KONE Sowitsch AG	6,793	90.0	100.0	29,722
CA	KONE Holdings (Canada) Inc.	59,918	100.0	100.0	-34
NO	KONE Aksjeselskap	15,502	100.0	100.0	4,622
FR	KONE France S.A.	742,397	35.5	100.0	-3,733
SE	KONE AB	108,614	100.0	100.0	18,178
SE	Måsbo AB	52,792	100.0	100.0	630
FI	Antinkoski Oy	11,176	100.0	100.0	0
FI	Elebon Oy	15	100.0	100.0	0
FI	Hissi-Ala Oy	4,726	100.0	100.0	0
FI	Kone Elevators Oy	15	100.0	100.0	2,209
FI	Kone Finance Oy	285,993	100.0	100.0	0
FI	Ruukintien Instrumentti- ja Anturiteknikka Oy	15,000	100.0	100.0	62
FI	KOy Natus	9,021	100.0	100.0	19
FI	KOy Heves	400	100.0	100.0	86
FI	KOy Sturenkatu 21	16,228	100.0	100.0	1
TR	KONE Asansor Sanayi ve Ticaret A.S.	25,464	83.9	91.7	-8,064
VE	Kone Ascensores C.A.	7,076	100.0	100.0	-2,279
		Book value	Group shareholding (%)		
Other subsidiary shares		(FIM '000)			
NL	Compressor Schippers B.V.	3142		100.0	
NL	Kone Liften B.V.	162,682		100.0	
NL	KONE Nederland N.V.	38,192		100.0	
NL	KONE Starlift B.V.	309,187		100.0	
AR	Kone Ascensores S.A.	2,179		100.0	
AU	KONE Elevators (A/NZ) Pty Ltd.	3,698		100.0	
AU	KONE Holdings (Australia) Limited	80,418		100.0	
BE	ARW Liften. N.V.	5,072		100.0	
BE	KONE Elevators Enterprises S.A.	1,521		100.0	
BE	KONE International S.A.	54,338		100.0	
BE	Marelli Technical Service S.A.	608		100.0	
BE	Technical Services S.A.	2,898		100.0	
BE	Legros-Mons S.A.	449		100.0	
BM	Finsurance Ltd	17,099		100.0	
ES	KONE Elevadore, S.A.	218,131		100.0	
PH	KPI Elevators Inc.	2,082		100.0	
HK	KONE Elevator (HK) Limited	47,417		100.0	
GB	Bennie Lifts Ltd.	59,789		100.0	
GB	Elecomp Ltd	94		100.0	
GB	Ellis & McDougall Lifts Ltd.	10,104		100.0	
GB	Escalator Holding Ltd	0		100.0	
GB	Kone Lifts Ltd	33,050		100.0	
GB	Leonard Lifts Ltd.	41,297		100.0	
GB	O & K Escalators Ltd	150,817		100.0	
IT	Aster S.r.l.	301		100.0	
IT	Elecomp S.r.l.	362		100.0	
IT	Kone Ascensori S.p.A.	23,964		100.0	
IT	Kone Elevators Overseas S.r.l.	3,040		100.0	
IT	KONE Italia S.p.A.	1,221,390		100.0	
IT	Kone Universal S.r.l.	15,200		100.0	
IT	Sabim S.p.A.	66,880		100.0	
IT	Slimpa S.p.A.	304		100.0	

		Book value	Group shareholding (%)
Other subsidiary shares		(FIM '000)	
CA	Drolet Kone Elevators Inc.	3,390	100.0
CA	Montgomery KONE Elevator Co. Ltd.	22,885	100.0
CN	KONE Elevator (Shenzhen) Co. Ltd.	841	100.0
LV	SIA Kone Lifti Latvija	17	100.0
LT	UAB KONE Lifts	11	100.0
LU	KONE Finance S.A.	4,926	100.0
LU	KONE Investissements S.A.	945	100.0
LU	KONE Luxembourg S.A.R.L.	580	99.7
MY	KONE Elevator (M) Sdn. Bhd.	2,242	70.0
MX	Elevadores KONE-Sabim S.A. de C.V.	16,259	100.0
PA	Indusmar S.A.	1,000	100.0
PA	International Maritime Industries Inc	1,050	100.0
PL	KONE Elevators. Poland S.p.z.o.o.	455	100.0
FR	Ascier S.A.R.L	3,766	99.9
FR	Demma Ascenseurs S.A.	222	99.7
FR	ETRA S.N.C.	2,722	99.8
FR	Konematic S.A.	5,899	99.9
FR	O & K Escalators S.A.	46,198	100.0
FR	Riviera Electro Service S.N.C.	5,324	99.9
FR	S.A. Hydromatic	7,576	99.9
FR	S.A. Sotoma	6,646	99.9
FR	S.N.C. Ascensud	1,298	99.8
FR	S.A.R.L. Ascenseurs Ringuelet	1,950	99.5
FR	S.N.C. KONE International	310,169	99.9
FR	S.N.C. Prokodis	222	99.9
FR	Société de Materiel Industriel et Technique S.N.C.	1,367	100.0
FR	Société Française des Ascenseurs KONE	1,114,953	99.9
FR	SARL Sorelec	3,429	99.9
FR	S.A.R.L. Spemi	7,097	99.9
FR	S.N.C. Stigler Sabiem	6,469	99.9
SE	Bauer Hiss AB	135	100.0
SE	Ekman Hiss AB	1,889	100.0
SE	EleComp AB	412	100.0
SE	Galantus AB	2,107	100.0
SE	G K Hiss AB	722	100.0
SE	Hissbyrån Mellansvenska AB	34	100.0
SE	Hissjouren Unilift AB	1,620	100.0
SE	Inliftor AB	1,201	100.0
SE	KONE Hissar AB	49,309	100.0
SE	KONE Rulltrappor AB	2,220	100.0
SE	Leif Nylander Hissmekano AB	578	100.0
SE	Motala Hissar AB	3,023	100.0
SE	AB Stanleys Hisservice	634	100.0
SE	Södertälje Hisservice Ab	1,161	100.0
SE	TNV-Portar AB	88	100.0
DE	Aupperle Aufzüge GmbH	149	100.0
DE	Dipl.Ing. Selzer Aufzüge GmbH	2,241	75.0
DE	Friedheim Kunze Rolltreppen Service GmbH	896	100.0
DE	KONE GmbH	122,404	100.0
DE	KONE Aufzug GmbH Berlin	149	100.0
DE	KONE Aufzug GmbH & Co KG	51,633	100.0
DE	KONE Aufzug Verwaltungs GmbH	149	100.0
DE	KONE Sander Aufzug GmbH	359	60.0
DE	KONE Holding Deutschland GmbH	30,029	100.0
DE	O & K Rolltreppen GmbH & Co. KG	706,671	100.0
DE	O & K Rolltreppen Beteiligung GmbH	149	100.0
SG	KONE Elevator Pte. Ltd.	22,452	100.0
SK	KONE Lifts s.r.o	314	100.0
FI	Elecomp Oy	15	100.0
FI	Fole-Service Oy	15	100.0
FI	Hissi-ja Automaattiorakennus Trimatic Oy	605	100.0
FI	Kehähissi Oy	2,320	100.0
FI	Koneovet Oy Suomi	51	100.0
FI	Insinööratoimisto Geijer-Hissi Oy	15,768	100.0
FI	Koneportaati Oy	15	100.0
FI	Tampereen Hissityö Oy	2	100.0
FI	Teknoset OY	4,120	97.0
FI	Turun Hissihuolto Oy	2,160	100.0
CH	KONE Elevator GmbH	112	100

	Book value	Group shareholding (%)
Other subsidiary shares (FIM '000)		
CH MBA-Kone AG	21,751	100.0
TW C & N Products Corporation	55,833	100.0
DK KONE Elevator A/S	68,799	100.0
CZ Druzstvo Konekta	1,020	93.5
CZ KONE Lifts a.s.	14,149	93.5
CZ Kolda & Krömer Vytahy s.r.o.	1,071	93.5
CZ Kovopodnik Vytahy s.r.o.	2,862	93.5
US C.E.Elevators Corp.	0	100.0
US FHE Services, Inc.	30,185	100.0
US KONE Holdings Inc	530,273	100.0
US Montgomery KONE Inc.	568,692	100.0
US O & K Escalators Inc.	76,116	100.0
HU KONE Felnovo KFT	431	100.0
HU KONE M-Lift RT	1,600	76.0
RU ZAO Kone Lifts	3,949	100.0
RU ZAO Kone Lifts St.Petersburg	2,415	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	84
CL Fabrimetal S.A.	3,621	40.0	40.00	148
PH Amorsolo Machineries Inc.	295	40.0	40.00	-1,036
EG Marryat & Scott Egypt-SAE	3,478	49.0	49.00	505

	Book value	Group shareholding
Other associated companies (FIM '000)		
AD KONE Ascensores I Escalas S.A.	0	33.0
AT Ternitz Druckguss Ges.mbH	9,917	20.0
EE A/S Kandur	464	34.2
DE Kone Garant Aufzug GmbH	1,978	49.0
ID PT KONE Indo Elevator	18,397	46.0
HK Shan on Engineering Company Ltd	2,074	30.0
MY United Elevator Co. (M) Sdn. Bhd.	1,084	30.0
PH Elevators Philippines Construction Inc.	7	40.0
ZA Sabiem Elevators Pty Ltd	4,406	25.0

23. Other Stocks and Shares as of December 31, 1996

	Book value (FIM '000)	Shareholding (%) Parent company	Group
SA Arabian Elevator & Escalator Co. Ltd	759	10.0	
FI Kone Instruments Oy	2,735	19.6	
FI Keskus-Sato Oy	7,654	1.7	
TH Thai Lift Industries	10,325		10.0
Housing and real estate companies held by the parent company, 27 companies	5,954		
Others	18,629		

Board of Directors' Proposal to the Annual General Meeting

KONE's distributable equity as of December 31, 1996 is FIM 1,910.2 million. The parent company's distributable equity on December 31, 1996 is FIM 2,801,877,786.16 of which profit from the accounting period under review is FIM 480,532,638.03.

The Board of Directors proposes to the Annual General Meeting that a dividend of:

- FIM 9,409,338.00 be paid on the 1,045,482 old class A shares at FIM 9/share
 - FIM 522,742.50 be paid on the 116,165 new class A shares at FIM 4.50/share
 - FIM 50,008,800.00 be paid on the 5,000,880 old class B shares at FIM 10/share
 - FIM 2,778,265.00 be paid on the 555,653 new class B shares at FIM 5/share
 - FIM 2,739,158,640.66 be retained and carried forward.
- FIM 2,801,877,786.16

The Board proposes that the dividends be payable from March 10, 1997. Those shareholders who have not transferred their stock certificates to the paperless book entry security system by March 5, 1997 will only receive their dividends after the transfer has been completed.

Helsinki, February 7, 1997

Pekka Herlin
Gerhard Cromme
Jaakko Lassila

Antti Herlin
Ilkka Herlin
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 1996. 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.

Helsinki, 7th February 1997

SVH Coopers & Lybrand Oy
Authorised Public Accountants

Liisa Mononen
Authorised Public
Accountant

Jukka Ala-Mello
Authorised Public
Accountant

Shares and Shareholders

SHARES AND SHAREHOLDERS' RIGHTS

At the extraordinary meeting of KONE shareholders on June 24, 1996 a decision was made to increase share capital by FIM 33.6 million through a targeted share issue for subscription by Germany's Fried. Krupp AG Hoesch-Krupp. Krupp subscribed for and purchased all 116,165 class A shares and all 555,653 class B shares from this issue. The new shares entitle the owner to a half dividend for 1996.

Following the increase, KONE's capitalization stood at FIM 336,021,500 and shareholders held a total of 6,718,180 shares at a par value of FIM 50, consisting of 1,161,647 class A shares and 5,556,533 class B shares. A total of 2,250 shares was previously redeemed and retired by the company without reducing capitalization.

Each class A share is assigned one vote as is each block of 10 class 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 class 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 class A shares.

KONE Corporation's shares are part of a paperless book entry securities system. Change in share ownership is registered as soon as the stock market transaction takes place. Foreign-owned shares can be registered under the name of a Finnish nominee, but only shares registered in the owner's name entitle the owner to vote in shareholders' meetings.

BOARD AUTHORITY, STOCK OPTIONS AND CONVERTIBLE BONDS

At the closing of the books for 1996, KONE's Board of Directors had no existing authority to raise share capital or to issue convertible bonds or stock options.

KONE Corporation had issued no stock options or convertible bonds before the closing of the 1996 books.

STOCK EXCHANGE

KONE Corporation B shares are quoted on the Helsinki Stock Exchange. During the year under review, 1,666,715 shares were traded, compared with 1,509,093 the previous year. Turnover from the trading totaled FIM 747 million in 1996 and FIM 725 million in 1995. The highest share price during the year was FIM 600, the lowest was FIM 320, and the price on the last trading day was FIM 508.

LARGEST SHAREHOLDERS AS OF DECEMBER 31, 1996

	Number of shares	% of shares	% of votes
Security Trading Oy	1,409,039	21.0	14.6
Holding Manutas Oy	766,496	11.4	43.8
Fried. Krupp AG Hoesch-Krupp	671,818	10.0	10.0
Pohjola Insurance Company	500,715	7.5	2.9
The KONE Foundation	181,598	2.7	5.2
Ilmarinen Pension Insurance	172,000	2.6	1.0
Suomi Life Insurance Company	170,300	2.5	1.0
Pekka Herlin	119,579	1.8	5.7
Arsenal-SSP Oy	90,023	1.3	0.5
Municipal Pension Insurance	84,950	1.2	0.5

FOREIGN-OWNED SHARES HELD IN THE NAME OF FINNISH NOMINEES

There were 1,120,417 foreign-owned shares (representing 16.7% of shares and 6.5% of votes) registered in the name of Finnish nominees.

SHAREHOLDING BY PRESIDENT AND MEMBERS OF THE BOARD OF DIRECTORS

KONE Corporation's president and members of the Board of Directors owned a total of 95,526 class A and 44,813 class B shares as of December 31, 1996, representing 5.8% of outstanding shares.

SHAREHOLDINGS IN KONE CORPORATION AS OF DECEMBER 31, 1996

By number of shares

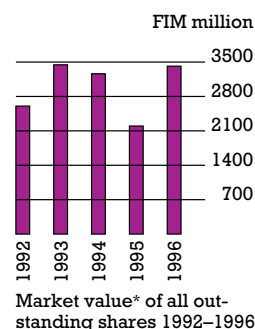
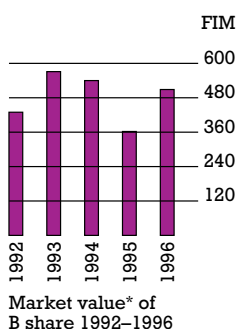
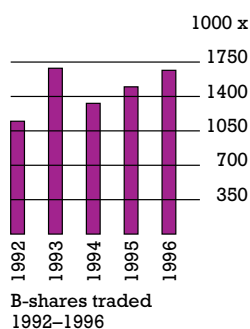
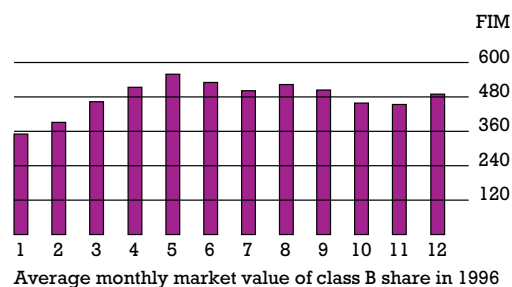
Shares	Number of owners	Percentage of owners	Number of shares	Percentage of shares
1-10	969	19.3	6,580	0.1
11-100	2,907	58.0	131,226	2.0
101-1000	993	19.8	309,491	4.6
1001-10,000	103	2.1	318,374	4.7
10,001-100,000	27	0.6	839,928	12.5
100,001-	8	0.2	3,991,545	59.4
Total	5,007	100.0	5,597,144	83.3

Foreign-owned shares registered by Finnish nominees	1,120,417	16.7
Shares which have not been transferred to the paperless book entry system	157	0
Total	6,717,718	100.00

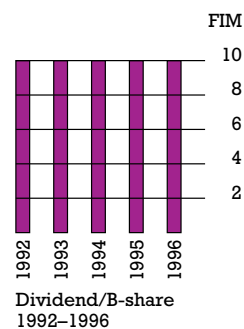
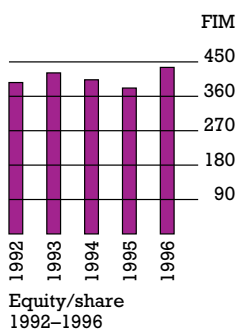
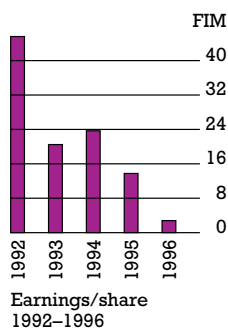
Shareholders by group

	Class A shares	Class B shares	Total
1. Companies	75.0	26.9	35.2
2. Foreign shareholders*	10.0	30.2	26.7
3. Financial institutions and insurance companies	0.0	19.1	15.8
4. Individuals	8.2	10.2	9.8
5. Public institutions	0.0	9.7	8.1
6. Non-profit organizations	6.8	3.9	4.4
	100.0	100.0	100.0

*Includes foreign-owned shares registered by Finnish nominees



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





**Berlin, Germany -
September 12, 1996 - 3:00
p.m. Service technician
Falk Krebs uses his KONE
EleCard™ to access the
controller of a KONE 7000
SerTrans™ elevator
system in the Metropol
Hotel on Friedrichstrasse.
The distributed
intelligence of KONE 7000
SerTrans elevators makes
it possible to adapt the
elevators to customer
requirements easily and
flexibly through this
interface.**

Addresses

KONE Corporation, subsidiary and joint venture companies:
(The number following the country name is the country code for use in dialing international telephone calls.)

■ Subsidiary ▼ Joint Venture ● Other

HEAD OFFICE

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Tfx +358 204 75 4309

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Mustamäe tee 18A
EE 0006 Tallinn
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Tfx (2)6 200 702
Arvo Kost

■ KONE Finance Corporation
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Helga Lavonen-Ronkainen

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Harald Lyon

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Tfx (0)42 39 92 22
Laurent Gielis

■ KONE International S.A.
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Tfx (0)2 67 69 391

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Veikko Sainio

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Tfx 35 87 80 01
Bjarne Lynge Pedersen

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Kari Malmström

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Teppo Raitis

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Tfx (0)2 5422 2112
José Auclerc

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☎ (0)1 41 32 12 50
Tfx (0)1 47 93 51 81
Eric Maziol

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Südfeldstrasse 20
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Manfred Eiden

■ O&K Rolltreppen GmbH & Co. KG
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D-45506 Hattingen)
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Tfx (0)2324 205 215
Tx (41) 8229971 okh d
Horst Marks

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Ferenc Dobos

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Roberto Pecchioli

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Franco Lercari

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Tfx (0)51 311 645
Roberto Pecchioli

■ Sabiem S.r.l.
Via Emilia Ponente 129
I-40133 Bologna
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Tfx (0)51 388 782
Tx (43) 510046 sabiem i
Gino Farina

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Andrejs Livanovičs

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Tfx (0)70 317 1400
Jan-Willem Hoving

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Tfx 22 18 12 94
Knut Hovind

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Esko Kilpinen

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Tfx 095 208 32 88
Jukka Kylmäla

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Veikko Holmström

● KONE Representative Office
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Georgi Shonov

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Tfx (9)1 314 99 25
Sergio Neira

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Sten Alfredsson

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Ernst A. Brandenberg

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Heinz Büttler

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Tfx (0)216 339 31 79
Aybars Ertun

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Tfx 044 477 6788
Erkki Mäkelä

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Tfx (0)141 554 6762
Kenneth McDougall

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William H. Orchard

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Tfx (0)1535 680 498
Robert P. Chapman

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☎ 418 877 2183
Tfx 418 877 1493
Pierre Laforte

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80 Horner Avenue
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☎ 416 252 6151
Tfx 416 252 3624
David McFadden

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☎ 718 361 7200
Tfx 718 361 0074
Jay Arntzen

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One Montgomery Court
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☎ 309 764 6771
Tfx 309 757 5623
Heimo Mäkinen

■ Moline Accessories Company
325 19th Street
Moline, IL 61265-1395
☎ 309 762 6888
Tfx 309 762 7475
John Mann

■ O&K Escalators, Inc.
182 Enterprise Drive
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☎ 804 888 6666
Tfx 804 888 2540
Bernd Dengs

LATIN AMERICA

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Antonio Luis Pettine

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Jardim Colônia Paraiso
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Campos - SP
☎ (0)12 331 29 66
Tfx (0)12 331 48 59
Wagner Barbosa

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Recoleta, Santiago
☎ (0)2 621 6052
Tfx (0)2 621 8935
Rodolfo Schaub

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de C.V.
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Cuauhtémoc
06450 México, D.F.
☎ (0)5 547 02 78
Tfx (0)5 541 51 28
Roberto Demaria

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4ta. Transversal de Horizonte
Avenida Romulo Gallegos
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☎ (0)2 238 45 61
Tfx (0)2 238 37 85
Orlando Alcantara

ASIA

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☎ 755 229 5251
Tfx 755 229 9097
Guo Jin Zhi James

HONG KONG (852-):

■ KONE Elevator (H.K.) Ltd.
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☎ 2 786 6500
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Mats Norin

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■ 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-):

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Waru-Sidoarjo 61256,
East Java
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Tfx 31 849 1950
Rahardjo Budialim

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■ KONE Japan Co. Ltd.
Yz Building 7F
4-4-12 Iidabashi, Chiyoda-ku,
Tokyo 102
☎ (0)3 3237 9500
Tfx (0)3 3237 9355
Stefan Björkman

MALAYSIA (60-):

■ KONE Elevator (M) Sdn. Bhd.
122-124, 3/F
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
Building
2129 Pasong Tamo corner De
La Rosa Streets
1275 Makati City
(P.O. Box 3558,
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 District,
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
298135 Singapore
☎ 258 56 22
Tfx 258 87 34
Johnson See

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

■ C&N Products Corporation
3/F No. 7 Sec.
2 Nanking East Rd.
Taipei
☎ (0)2 523 3882
Tfx (0)2 563 77 01
Randall Leu

THAILAND (66-):

- ▼ Thai Lift Industries
Public Co. Ltd.
Thai Lift Building
239 Rimklongprapa Road
Bangsue, Bangkok 10800
☎ (0)2 913 3370...86
Tfx (0)2 913 3391...93
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 Sedik Street
Mohandessien/Dokki, Giza
☎ (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 L. Ligeti

OCEANIA

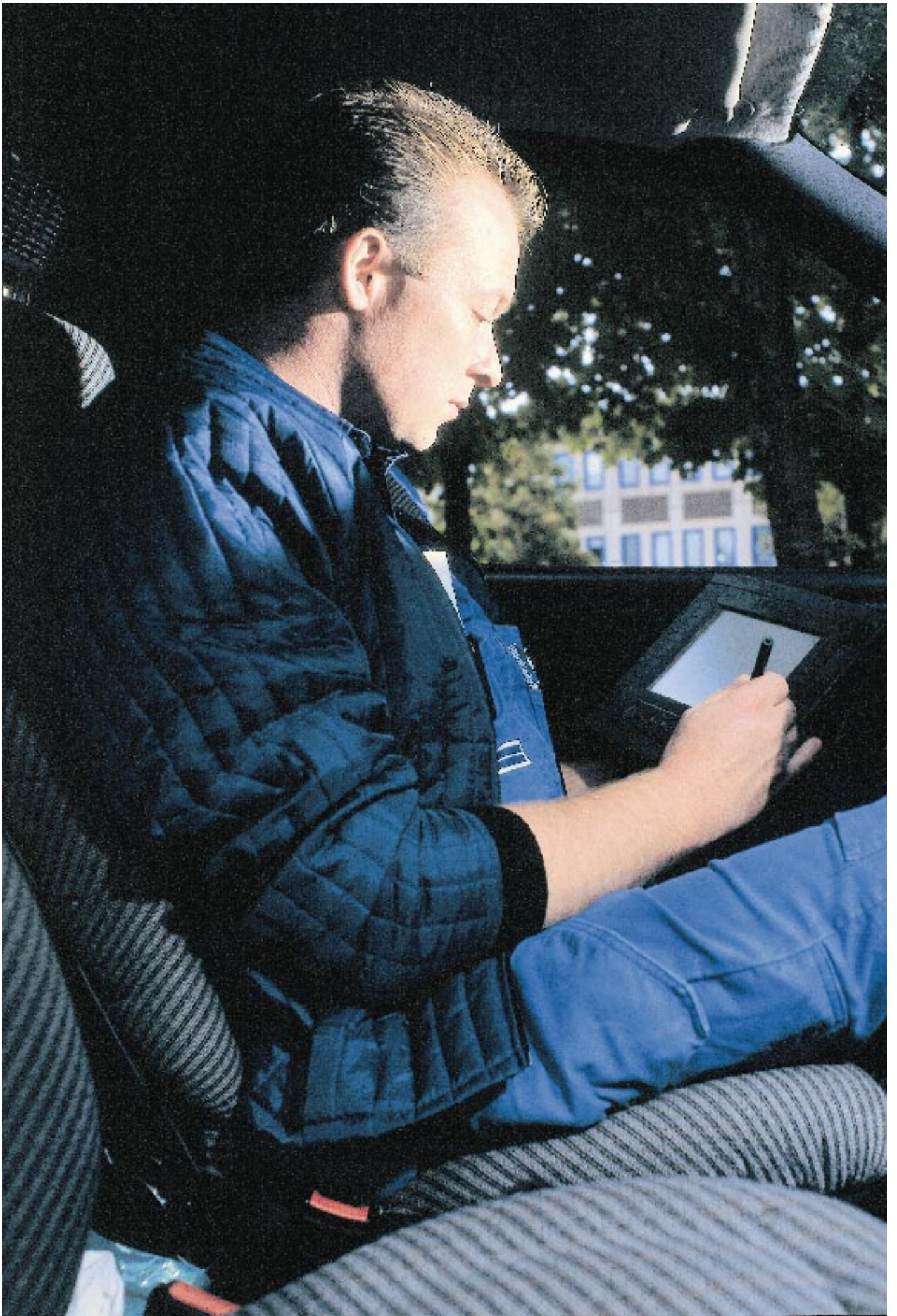
AUSTRALIA (61-):

- 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

**Copenhagen, Denmark -
September 12, 1996 - 4:00
p.m. Service mechanic
Sören Grandt Jakobsen
prepares a site visit report
on his field terminal. The
touch-sensitive screen
makes it easy to use by a
service mechanic who is
always on the move.
Reports can be handed over
to the customer on request.**





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