2006
ANNUAL REPORT

KYRO TECHNOLOGIES

KYRO
TECHNOLOGIES

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The photo location for Kyro's 2006 Annual Report 2006 is Dubai in the United Arab Emirates. Glass construction is a significant trend in the region, and the entire Middle East is an important market for Glaston Technologies. At the time the photographs were taken, the world's highest building, the 162-story Burj Tower, was being constructed in Dubai. A Glaston customer participated in glazing the building.

Contents

Kyro in brief

Kyro is a growing, financially sound global technology group. Its main business area, Glaston Technologies, consists of the global Glass Machinery Group, and Tamglass Glass Processing Ltd, which focuses on markets in Finland and neighbouring countries. The Energy business area consists of the gas combi power plant of Kyro Power Oy, which produces electricity and heat.

Kyro Group

GLASTON TECHNOLOGIES					ENERGY
GLASS MACHINERY GROUP				TAMGLASS GLASS PROCESSING LTD.	KYRO POWER
Tamglass Safety glass machines	**DiaPol** Tools	**Z. Bavelloni** Pre-processing machines	**Uniglass** Tempering machines	Architectural Glass Window and Furniture Glass Specialty Automotive Glass	**Gas-fired power plant**

Glaston Technologies

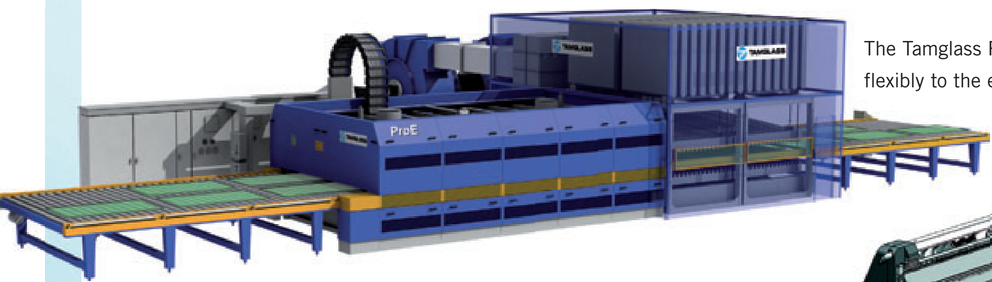
GLASS MACHINERY GROUP

Glaston Technologies is the leading supplier of glass processing machines in the world. The Glass Machinery Group consists of Tamglass, the technology and market leader in safety glass machines, Bavelloni, the leading supplier of glass pre-processing machines and tools, which also produces stone processing machines, and Uniglass Engineering, which manufactures flat tempering machines.

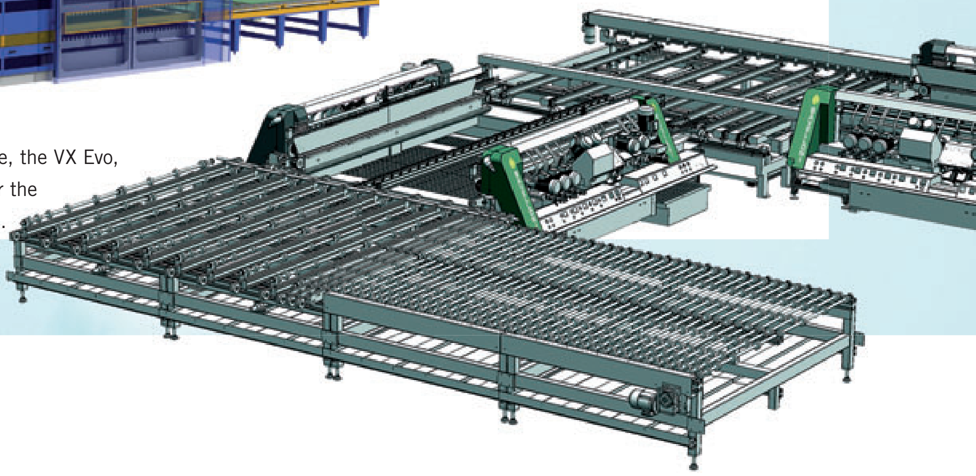
The product range of Tamglass and Bavelloni comprises machines required in glass processing, ranging from pre-processing to safety glass manufacturing. Glaston Technologies is the only supplier of such a comprehensive range of machines and services in the glass industry.

Glaston Technologies wants to be close to its customers. Its customer service network operates globally and it has sales companies at more than 30 service points worldwide. Machine manufacturing plants are located in different parts of the world. Tamglass has assembly units in Finland, the USA, Brazil and China. Bavelloni's machines are assembled in Italy, Mexico, China and Brazil. Assembly plant operations are based on subcontractor networks.

Uniglass Engineering specialises in the manufacture of high quality flat tempering machines. The company operates in Finland and the machines it manufactures are sold through a network of agents to Europe and the USA.



The Tamglass ProE flat tempering machine adapts flexibly to the efficient production of all glass types.



Bavelloni's double edging machine, the VX Evo, has been designed particularly for the pre-processing architectural glass.

The curved energy glass of the new wing of Kyro Corporation's head office was tempered and bent using Tamglass machines by a customer company in Italy.

The pictured glass stairs represent a good example of the diversity of safety glass products.

TAMGLASS GLASS PROCESSING

Tamglass Glass Processing Ltd is the leading comprehensive supplier of glass processing products, with customers in the architectural, automotive, household appliance and furniture industries. The company's business areas are Architectural Glass, Window and Furniture Glass, and Specialty Automotive Glass.

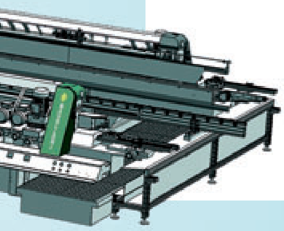
Tamglass Glass Processing uses in its production the latest Glaston Technologies technology and makes a key contribution to Glaston's product development work. The Group's own glass processing plays an important strategic role in machine manufacturing. Tamglass Glass Processing inputs new information and expertise on the needs and wishes of glass processing product customers into the product development of Tamglass and Bavelloni machines.

Energy

The Energy business area consists of Kyro Power, a modern, environmentally friendly power company. The company's gas combi power plant, which started operating in 1995, produces electricity, steam and heat, mainly for industrial needs. Sales of the energy produced are mainly based on long-term energy supply contracts. The company also has a reserve power plant, which secures energy production for the area.

The environmentally friendly power plant burns low-emission natural gas, so its carbon dioxide emissions are low compared to other energy generation processes based on fossil fuels.

Dr. Höhn GmbH uses Tamglass-manufactured back- and sidelites in its Nissan Navara hood structure.



Safety glass is around five times stronger than untempered glass. The need for safety is increasing all the time, particularly in public buildings. More than 40% of all the glass produced in the world in 2006 was processed into safety glass.

Glaston Technologies is the global market leader in safety glass machines and has manufactured approximately half of all the safety glass machines currently in use around the world.

Kyro as an investment

Since becoming a listed company in 1997, Kyro has shown its ability to grow profitably and to meet the expectations of its customers and shareholders. Glaston Technologies, the main business area, has developed into the technology and market leader in glass processing machines, and its growth prospects as clearly the largest operator in its field are excellent.

Kyro has grown through structural changes, which began in the middle of the last decade, into a technology group that generates shareholder value. The Group's competitive position, moreover, is very strong. Among the most significant structural changes were the sale of forest industry operations in 1995, the growth of Tamglass to become the market leader in safety glass machines, and the market listing of Tecnomen in 2000, followed by its demerger from the Group.

Since 2001 Kyro has focused on glass processing technology. The Glass Machinery and Glass Processing groups, which make up the main business area, have been expanded through company acquisitions, the most important of which was the acquisition in 2003 of Bavelloni, the leading manufacturer of glass pre-processing machines. In 2005 structural development continued with the Energy business area's Partner project. Within the framework of this project, Kyro Power's hydropower plant and Hämeenkyrön Lämpö Oy were sold in line with strategic objectives to energy distribution companies. In 2006 Kyro also concluded an agreement on the possible sale of the gas combi power plant and its business operations in summer 2007.

MARKET LEADER IN A GROWTH INDUSTRY

Kyro also has what it takes to increase shareholder value in future. The Group has developed through company acquisitions into an entity whose market leadership and good profitability create a strong foundation for operational development, organic growth and further acquisitions.

A growth platform has been created by the increasing use of glass, particularly safety glass, all over the world. In 2006 float glass production grew globally by an estimated 3-4 per cent and safety glass use by around 7-10 per cent.

Safety glass is used in three main areas: the building industry, the automotive industry and the furniture and appliance industry. The greatest growth potential is in the building industry, where the need for high glass-processing technology is increasing in line with demand for energy glass. Moreover, the use of glass, and the proportion of safety glass, is growing in all the other sectors, while demand for Glaston's technology is also increasing. The industry technology leader's opportunities for profitable growth faster than the market are excellent, particularly due to the fact that the One-Stop-Partner concept offered by Glaston is the only one of its kind in the glass processing sector.

Kyro's main business area operates globally; its production and sales are diversified over several continents and currency areas. Positive earnings development, financial solidity and a readiness to continue its growth strategy also ensure a good dividend-payment capacity. For the investor seeking long-term growth, Kyro represents an interesting investment.

Mission, vision and strategy

Kyro's business operations help improve people's living environment and quality of life. The Group's financial success is based on the added value generated in this way. The Group's mission is to promote the development of a safe and attractive living environment through the advanced and innovative glass technology of Glaston Technologies.

Kyro's vision is to be the world's leading technology group in glass processing technology and related services in 2010, and to be even more expert and comprehensive in its chosen fields than it is now. The Group's growth strategy is focused primarily on developing the main business area, Glaston Technologies.

THE MAIN GOALS OF KYRO'S STRATEGY ARE:

1. Good profitability based on technology and market leadership.
2. Long-term growth that is faster than the market in the main business area – both organically and through acquisitions.

Information for the shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Kyro Corporation will be held on Thursday, 13 March 2007 at 4 p.m. at the Hilton Kalastajatorppa Hotel in Helsinki.

Shareholders entered in the company's register of shareholders maintained by Finnish Central Securities Depository Ltd on 2 March 2007 are entitled to attend the Annual General Meeting.

Shareholders who wish to attend the Annual General Meeting must inform the company by 4 p.m. on 8 March 2007 either in writing to Kyro Corporation, FI–39200 Kyröskoski, Finland or by telephone to +358 3 382 3072 or by e-mail to terttu.uusitalo@kyro.fi.

DIVIDEND

The Board of Directors proposes that a dividend of EUR 0.09 per share, a total of EUR 7.1 million, be paid for the financial period 2006. The dividend will be paid to shareholders who are entered in the company's register of shareholders maintained by Finnish Central Securities Depository Ltd on the date of record, which is 16 March 2007. In accordance with the Board of Directors' proposal, the dividend will be paid on 23 March 2007.

KYRO CORPORATION'S FINANCIAL REPORTING SCHEDULE DURING 2007

The financial statements were published on 7 February 2007 and the annual report will appear in Week 10.

INTERIM REPORTS WILL BE PUBLISHED AS FOLLOWS:

- Interim report January-March 2007 on 9 May 2007
- Interim report January-June 2007 on 16 August 2007
- Interim report January-September 2007 on 7 November 2007

The annual report and interim reports are published in Finnish, Swedish and English.

Kyro's annual and interim reports can be ordered by telephone +358 9 5422 3300 or by e-mail from the address kyro.helsinki@kyro.fi.

ORDERING STOCK EXCHANGE RELEASES TO YOUR E-MAIL ADDRESS

You can order Kyro Corporation's stock exchange releases directly to your e-mail address. As soon as the releases have been published on the Helsinki Stock Exchange, they are sent automatically to those who have registered for the distribution service on the company's website www.kyro.fi.

Kyro's share and business cycles

Kyro is a sound investment, because its earnings and sales are growing steadily.

1. Three strong market areas, different kinds of customer groups.

- Europe, Asia and the Americas balance each others' cyclical fluctuations.
- The business cycles of the construction, automotive and furniture industries even each other out.
- Building renovations smooth out cyclical variations in construction.

2. Exploiting leading market position

- Significance of strong brand is emphasised – market share increases in adverse economic conditions.

3. Local production units even out the effects of foreign exchange fluctuations and protect against trade barriers.

- Tamglass' natural foreign currency hedging from manufacturing on different continents.
- Bavelloni's manufacturing also becoming more decentralised.

4. Maintenance/service and tools business

- Comprehensive after sales services and predictive maintenance even out fluctuations in machine sales.
- Significance of second-hand machine upgrades and optional extras grows in adverse economic conditions.
- Tool business evens out cyclical fluctuations.

5. Customer structure – Any single customer's share of annual sales is generally no more than a few procents.

Kyro in 2006

KYRO GROUP

- Net sales EUR 268.9 (266.7) million
- Profit before taxes EUR 22.3 (21.9) million
- Comparable operating profit EUR 22.0 (23.09) million
- Profit for the financial year EUR 12.1 (22.4) million
- Earnings per share EUR 0.15 (0.28), equity per share EUR 1.75 (1,76)
- Financial position excellent, equity ratio 62.2% (64.4%), gearing -2.2% (-17.1%)
- Group order book at year end EUR 127.5 (140.7) million
- Number of employees at year end, 1,211 (1,222)
- Board of Directors' dividend proposal: EUR 0.09 per share

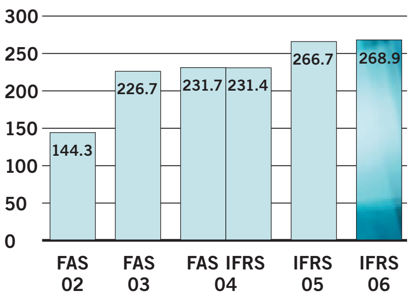
GLASTON TECHNOLOGIES

- Net sales EUR 234.7 (238.9) million
- Operating profit EUR 18.1 (18.4) million
- New machine orders EUR 175.9 (177.8) million
- Order book at year end EUR 111.2 (108.8) million
- Delivery volumes less than previous year and costs resulting from new products reduced the Glass Machinery Group's net sales and profitability.
- Tamglass Glass Processing's market situation was positive throughout the year, profitability improved but remained unsatisfactory.
- Overall, the general market situation for glass processing machines was positive in 2006.
- The maintenance agreement book for safety glass machines grew 16%, total growth of maintenance and service business for pre-processing machines was more than 19%, tool sales grew slightly.
- Sales of the One-Stop-Partner concept, i.e. joint deliveries and combinations of pre-processing and safety glass machines, reached EUR 18.8 million, exceeding targets and the previous year's total (12.0).

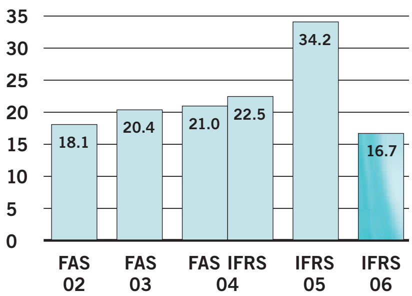
ENERGY

- Net sales EUR 34.1 (27.6) million
- Comparable operating profit EUR 6.5 (6.4) million
- Order book at year end EUR 16.3 (31.9) million; the halving of the order book is explained by the expiry in summer 2007 of significant delivery agreements that are included in the order book.
- At the end of September, Kyro signed with M-real Corporation an agreement by which Kyro has the right to sell and M-real the right to buy Kyro Power's gas-fired combi power plant and associated business operations in summer 2007.

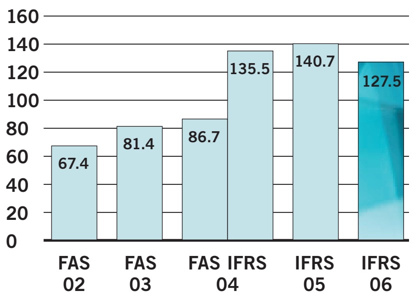
NET SALES, EUR MILLION



OPERATION PROFIT BEFORE TAXES, EUR MILLION



ORDER BOOK 31.12, EUR MILLION



Main events in 2006

JANUARY
Kyro Group founds a new tool company to complement its main business area, Glaston Technologies. DiaPol S.r.l. manufactures tools for glass and stone pre-processing.

MARCH
Tamglass Finton Oy, part of Glaston Technologies' Glass Processing Group, launches a restructuring process aimed at improving its profitability and operational efficiency. As part of measures to be undertaken during the spring, Tamglass Finton Oy initiates statutory employer-employee negotiations covering all of its personnel.

APRIL
Kyro Corporation's main business area, Glaston Technologies, organises a Glass Processing Days conference in Beijing, China, on 23-24 April.

MAY
Tamglass Finton Oy, the balcony systems supplier belonging to Glaston Technologies' Glass Processing Group, brings to a conclusion statutory employer-employee negotiations on its new operating model. The company's new operating model is product sales, as a result of which Tamglass Finton's own installation business is discontinued.

JUNE
Glaston Technologies expands its machine production in China with the start of operations at a production facility constructed in Tianjin. The assembly plant is the first Glaston Technologies production facility that will manufacture both Tamglass safety glass machines and Bavelloni pre-processing machines.

JULY
The glass pre-processing machine manufacturer Bavelloni S.p.A, part of Glaston Technologies, announces that it will initiate in September an operational efficiency programme in Italy. The objective of the programme is to improve Bavelloni's profitability as the basis for future growth in accordance with strategy.

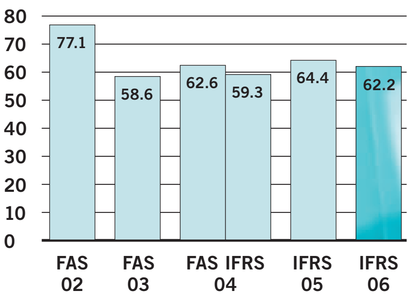
SEPTEMBER
Kyro reaches an agreement with M-real Corporation on the possible sale of its energy business operations. Under the agreement, Kyro has the right to sell its energy operations to M-real Corporation and certain properties to M-real and Metsäliitto in summer 2007.

OCTOBER
Kyro announces that its President and CEO will change at the end of the year. Mika Seitovirta M.Sc.(Econ.) is appointed as the Group's new President and CEO. Pentti Yliheljo, who has served as Kyro's President and CEO since 1996, will retire from the company in June 2007.

Glaston Technologies participates successfully in the glass industry's biggest event, the Glasstec 2006 Fair in Düsseldorf, held from 24 to 28 October. Glaston achieves record sales in connection with the event.

DECEMBER
The Glass Processing Group's three companies, Tamglass Safety Glass Ltd, Tamglass Insulating Glass Oy and Tamglass Finton Oy, will merge into a single company at the end of the year. The name of this comprehensive supplier of glass products will be Tamglass Glass Processing Ltd, the name already used by a unit of the Group.

EQUITY RATIO, %



KEY FIGURES

	1–12/2006	1–12/2005
Return on invested capital, %	12.1	26.1
Return on equity, %	8.7	17.1
Equity ratio, %	62.2	64.4
Gearing, %	–2.2	–17.7
Equity per share, EUR	1.75	1.76
Investments, EUR million	12.0	11.4
Personnel at end of year	1211	1222
Personnel (average)	1264	1218
Order book, EUR million	127.5	140.7
New machine orders	175.9	177.8

Nearly 100% of automotive glass is already safety glass. Its use is still increasing, however, due to growth in the number of cars and other vehicles. In addition, the proportion of glass in vehicles is growing and increasingly more demanding shapes are becoming more popular.

Consumers want more distinctive models of car. Using Glaston Technologies' automotive glass machines, glass processors can produce large series of glasses as well as small series required for more distinctive designs.

President's review

The Kyro Group's comparable net sales and profit rose in 2006 to the previous record year's level, even though safety glass machine business was exceptionally slow in the early part of the year. At the same time we increased our market share in glass machines and implemented Glaston's largest development programme to date: a record number of new technology products, a large new factory in China, and efficiency programmes in Bavelloni and Glass Processing Group. A financially and commercially successful final quarter indicates the future significance of these programmes.


Mika Seitovirta

GLASTON IS DEVELOPING GLOBALLY

In 2006 demand for processed glass products grew in North and South America, Asia and the Middle East. In Europe, too, there is signs of a rekindling of the market after a couple of quiet years. There has been a shift in demand to more demanding processed glass products, e.g. energy glass, and every glass processor must be able to react to this with better manufacturing technology. Glaston's machines are aimed at the quality manufacturing of these products with technology and capacity levels adjusted for each market.

Although the market for processed glass products is growing rather uniformly throughout the world, demand for machines varies both geographically and between product segments, differing also from general economic conditions. In 2006 machine sales were limited particularly by weak demand in Europe and by an exceptionally modest rate of investment worldwide for automotive glass machines.

In a changing environment, service-oriented global operations protect us from fluctuations of demand and currency. Our sales and maintenance network is the most extensive in the business and we are strengthening it year on year. In addition to Europe, Tamglass also has manufacturing in North and South America, where also Bavelloni is already established. Our position in Asia will be strengthened by our new factory, which will provide space for growth in the production of safety glass machines, pre-processing machines and tools as well as maintenance business.

INNOVATIVE TECHNOLOGY BRINGS SUCCESS

A year which began cautiously accelerated towards the end. Glaston's market share grew, which shows that there is always a need and demand for high technology. In October we made record sales at the year's biggest fair, Glasstec in Düsseldorf, where the greatest interest and demand was directed at the most recent technology. The substantial investments in our technology leadership are thus therefore paying off.

At the beginning of this year, I assumed the leadership of a fine company: a global market leader that has the will and capacity to grow. I believe that in order to be profitable and to grow, a company must create value around it.

Producing added value for the customer is vital. Our task is to sell reliability and quality – products and services that improve our customers' capacity to conduct profitable business. An excellent example of this is our One-Stop-Partner concept. Glaston creates added value for the customer, because comprehensive deliveries enhance the customer's efficiency. We will continue to invest strongly in this key area.

The product development investments made in recent years will reinforce our leadership in technology. We will reap the harvest in the coming years by developing our customer service, with which we will also create value for our customers. We will, moreover, increase both customer and company value by developing our growing

This gives positive prospects for Glaston from this point forward. The Glasstec fair success also demonstrated that Bavelloni is taking steps towards the same leadership in technology and markets that Tamglass already enjoys. This will be boosted by joint sales of the companies' One-Stop-Partner combinations, which grew by over 50 per cent in 2006.

COMPETITIVENESS FROM IMPROVED EFFICIENCY

A successful company must constantly ensure that it does the right things in the most efficient way. Improving competitiveness is the goal of Bavelloni's efficiency programme, which includes such means as the centralisation of production and warehousing operations, the streamlining of processes and product range, and the reduction of labour costs.

Our Glass Processing Group outsourced its balcony systems distribution and installation business to a partner network, focusing itself on development and manufacturing. At the same time, the entire glass processing organisation was merged into one single company. Tamglass Glass Processing is now a more competitive entity, which we continue to develop through investments during the current year.

The efficiency gains made in Glass Processing and Bavelloni will generate millions of euros in annual savings for the Group from this year on. Tamglass and Uniglass, moreover, are improving the efficiency of their delivery chains.

To improve the competitiveness of the Energy business area, we sold our hydropower operations in 2005. In September 2006 we signed with M-real Group an agreement by which M-real has the right to buy and Kyro the right to sell our gas-fired power plant in the summer 2007. If this is realised, Kyro equals more clearly its main business area, Glaston.

FACING FUTURE CHALLENGES WITH FRESH FORCES

The glass industry has started 2007 on an active note and the sector's most influential figures will again convene this June at the Glass Processing Days conference in Tampere.

Glaston is the clear market leader, with products representing the best the industry has to offer, the most extensive network and the most professional organisation. The prerequisites are good for continuing profitable growth that is faster than the industry as a whole. Our strong balance sheet provides a strong foundation from which to supplement organic growth with acquisitions.

As I now retire after 15 years' service in Kyro Group, I wish to express my heartfelt gratitude to every employee, customer, shareholder and partner for the fascinating journey we have shared in the world of glass technology.

Pentti Yliheljo

Pentti Yliheljo
President and CEO up to 31 December 2006

maintenance business and by strengthening the Glaston brand.

The expertise and teamwork of Kyro personnel create an enduring competitive advantage that cannot be copied. Shifting our focus to customer service work means, among other things, developing a new kind of expertise. By being better in selling, marketing and service we will raise our own value. In addition, we have the internal challenge of creating an integrated operating model and culture; to be a winning team.

By attaining our twin goals of improved profitability and growth, we will produce a long-term increase in shareholder value.

I believe that we can create in future more value on all fronts – for customers, products and services, personnel and shareholders alike!

Mika Seitovirta
President and CEO as of 1 January 2007

Pentti Yliheljo

Glaston Technologies

Glass Machinery Group

Glaston Technologies' Glass Machinery Group is the global market and technology leader in safety glass machines, and it has the glass processing industry's widest product range and service network.

The Glass Machinery Group's products are glass pre-processing machines as well as safety glass machines for the architectural and automotive industries. The group consists of Tamglass, the technology and market leader in safety glass machines; Uniglass, which manufactures flat tempering machines; the leading supplier of glass pre-processing machines Bavelloni, which also produces stone processing machines; and DiaPol, which manufactures tools for glass and stone pre-processing.

Glaston Technologies operates in a growing sector that demands increasingly advanced technology; it is, moreover, that sector's leading supplier. The use of glass in buildings, vehicles, appliances and furniture is growing steadily. Glass is an environmentally friendly, recyclable material that creates a bright and pleasant living environment.

Advanced glass products with high added value increase safety and save energy.

GLASTON'S BUSINESS ENVIRONMENT

The Glass Machinery Group's customers are glass processors delivering glass products to the architectural, automotive, and furniture and appliance industries worldwide. They range from locally operating firms all the way to the sector's largest global companies.

Around 43 million tonnes of float glass was produced in the world in 2006. Of this, an estimated 70 per cent was used in the building industry, around 10 per cent in the automotive industry and around 20 per cent in furniture, appliances and other special applications.

Of all the float glass produced, around 40 per cent was processed into safety glass. Around one half of this, in turn, was tempered using Glaston's machine technology. Globally, Tamglass and Uniglass have a combined market share in glass tempering machines of more than 50 per cent. Bavelloni's global market share in glass pre-processing machines is 10-15 per cent.

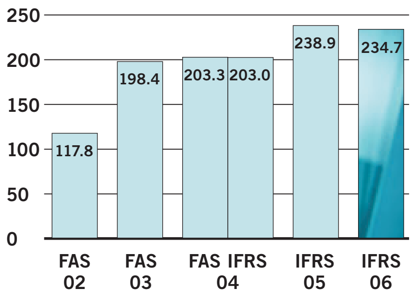
The performance and technology demands of the business environment, namely Glaston's customer sectors, are continually developing. Glass architecture and automotive glass design require an increasingly higher level of glass processing technology, i.e. safety glass and pre-processing machines.

GROWTH OPPORTUNITIES WITH HIGH TECHNOLOGY MACHINES

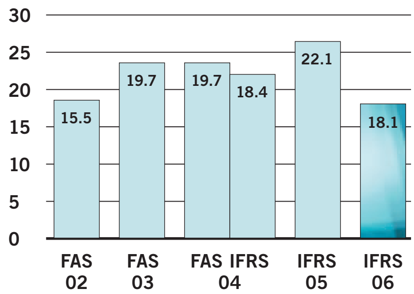
Automotive glass everywhere is, in practice, safety glass. Growth opportunities exist for safety glass technology above all in architectural glass. An estimated 30 per cent of architectural glass was processed into safe-

GLASTON TECHNOLOGIES

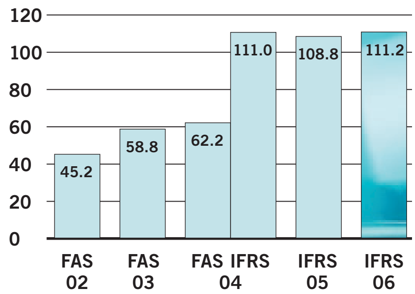
NET SALES, EUR MILLION



OPERATING PROFIT, EUR MILLION



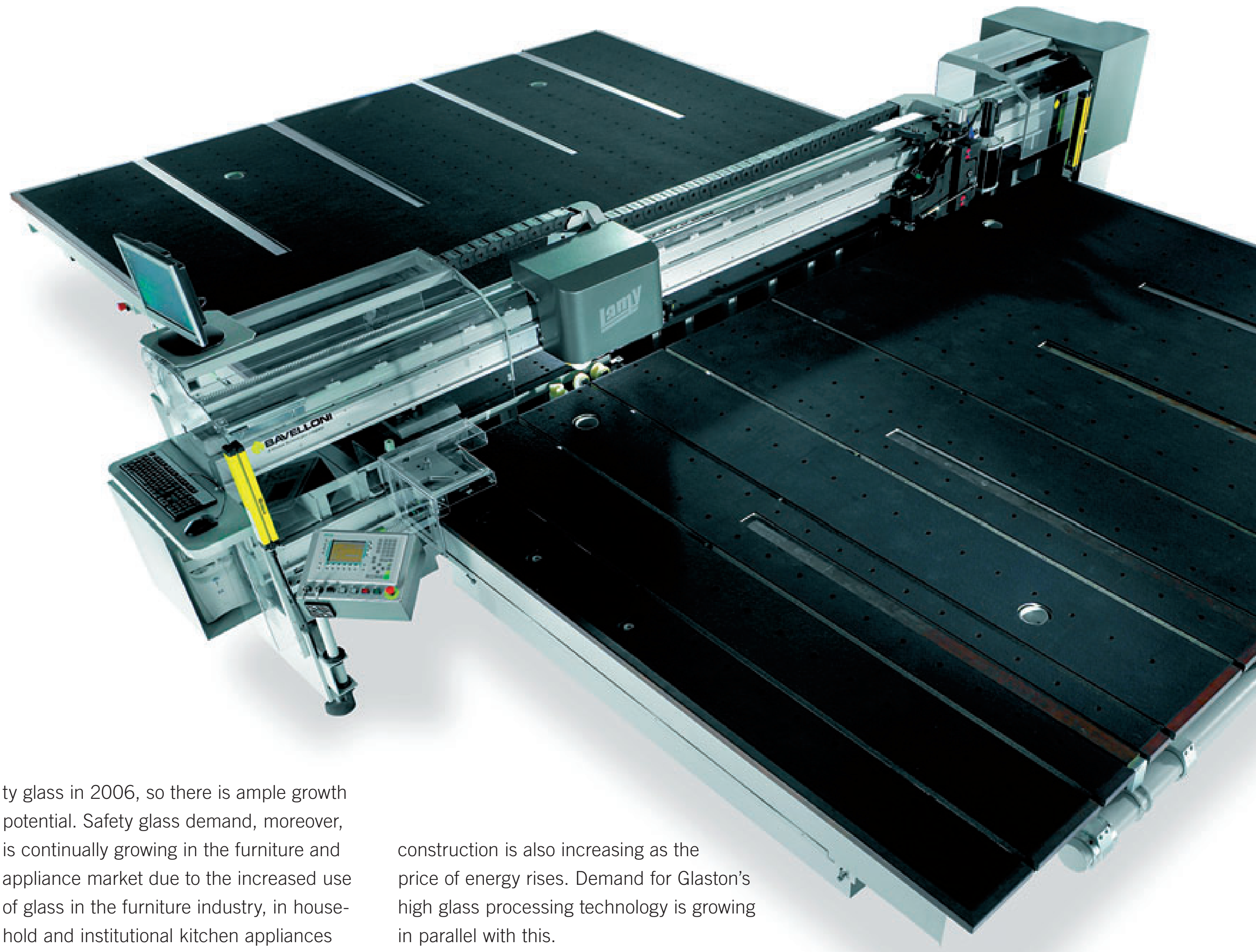
ORDER BOOK 31.12, EUR MILLION



WHAT IS SAFETY GLASS?

Float glass is processed into safety glass by tempering or laminating. In the tempering process, the glass is heated nearly to melting point and then cooled quickly, whereupon a compression stress is created in the surface of the glass that increases the durability of the glass five fold. In the event of tempered glass breaking, it disintegrates into small, harmless pieces.

In the lamination process, sheets of float or tempered glass are bonded together using PVB (polyvinyl butylene) film. Glass strengthened by lamination remains attached to the plastic film when it breaks, and it stays in its frame.



ty glass in 2006, so there is ample growth potential. Safety glass demand, moreover, is continually growing in the furniture and appliance market due to the increased use of glass in the furniture industry, in household and institutional kitchen appliances and, for example, in flat-screen televisions.

The proportion of safety glass in our built environment is increasing year on year. This is due, above all, to a greater need for security as well as tighter building regulations. The proportion of new glass types, such as coated energy-saving glass, used in construction is also increasing as the price of energy rises. Demand for Glaston's high glass processing technology is growing in parallel with this.

Energy glazing can be used to reduce buildings' carbon dioxide emissions. Glass energy-efficiency symbols are already in use, for example, in the UK, Denmark, the United States, Australia and Germany. In Finland the symbols will become compulsory within the next few years.

Bavelloni's Lamy pre-processing machine is a cutting table for laminated glass.

ENERGY GLASS REQUIRES HIGH-TECHNOLOGY MACHINES

- Energy glass is glass with an energy-saving coating that reflects thermal radiation.
- Energy glass processing on challenging, so it requires high-technology processing machines all the way from pre-processing to safety glass manufacturing.
- The energy glass coating is invisible, soft and susceptible to scratching.
- Energy glass can be processed into safety glass or bent into curved glass surfaces using special high-technology glass processing machines.
- Energy glass is used mainly in architectural glazing, but increasingly also in automotive glazing.
- In line with the energy glass trend, glass added value and the machine manufacturing market have grown in recent years.
- Energy glass construction cuts buildings' heating costs significantly and reduces carbon dioxide emissions.
- The most advanced countries in energy glass construction are the United States and the UK.

Glaston Technologies

Glass Machinery Group in 2006

In 2006 the general market situation for glass processing machines was good and demand grew, particularly towards the end of the year. Glaston Technologies brought to a growing market new technology that was immediately very well received.

Overall, the general market situation for glass processing machines was positive in 2006. The number of new pre-processing machine orders grew in the EMA, the Asia-Pacific area and in South America. The volume of safety glass machine orders was slightly lower than the previous year in all the main market areas, except for South America. In the fourth quarter, sales in the EMA area and Asia grew strongly.

Investment decisions on safety glass machines were postponed, particularly in Europe, at the beginning of the year. Although the number of new orders grew towards the end of the year, the total was less than the previous year. The volume of new orders for pre-processing machines grew slightly. The offer book, i.e. demand, for both Bavelloni pre-processing machines and Tamglass safety glass machines was high throughout the year.

Sales at Uniglass Engineering, which focuses on flat tempering machines, were at the previous year's level in 2006. Uniglass, which celebrated its 10th anniversary in June, delivered its one hundredth high quality flat tempering machine in February 2006.

ONE-STOP-PARTNER SALES EXCEED EXPECTATIONS

Safety glass machine orders in the architectural segment picked up after a lacklustre start to the year. New orders for safety glass machines in the automotive segment grew towards the end of year, but overall their sales fell clearly short of the previous year's level.

Sales of joint deliveries and combinations of pre-processing and safety glass machines (the One-Stop-Partner concept) exceeded targets by the third quarter as well as the previous year's level, and totalled EUR 12 million. The OSP order intake at the end of the year totalled EUR 18.8 million. Most OSP orders were received from the Middle East.

MANUFACTURING STRENGTHENED IN CHINA

Demand for Glaston's tools also increased in 2006. Glaston's market share grew, and it launched a number of new tool products during the year. Manufacturing that started in Brazil began in line with targets. Manufacturing will also begin in China in 2007. Measures will be taken to improve local service levels and cost-effectiveness.

A new Glaston factory, which will manufacture tools as well as pre-processing and safety glass machines, started operating in Tianjin, China in the summer.

RECORD FAIR SALES

Glaston Technologies presented its most significant new products of the past year at the

PROGRESS OF THE GLASS MACHINERY GROUP'S STRATEGY IN 2006

- Glaston Technologies' Glass Machinery Group increased its market shares in line with strategy in 2006.
- Glaston Technologies is the global technology leader in its field and it invests continually in product development to increase its technology leadership. A number of significant new products were brought to the market in 2006.
- One-Stop-Partner concept sales have exceeded targets as well as the previous year's level.
- The scope of sales and the production network expanded further. Maintenance/service and tools business are steadily growing segments.
- Bavelloni's sales have developed during 2006 towards larger pre-processing machines, the architectural segment and Tamglass/Bavelloni joint deliveries under the One-Stop-Partner concept.
- Bavelloni's position has strengthened, particularly in cutting and grinding technology, and its market share in grinding machines has increased.

industry's most important event, the Glasstec Fair in Düsseldorf. In connection with the fair, Glaston Technologies agreed a record amount of new orders, valued at EUR 27.8 million. Orders were also received for new products supporting the One-Stop-Partner concept.

NEW PRODUCTS

The first deliveries of products launched in 2005, such as Bavelloni's new pre-processing lines, were scheduled for late 2006, and Glasstec Fair sales correspondingly for 2007. Of the new products, deliveries of the Tamglass Sonic flat tempering machine and the VX-Magnum pre-processing line, among others, began on the second half of 2006.

New safety glass machine products from Tamglass:

- *Sonic flat tempering machine.* Deliveries of the world's fastest flat tempering machine began in 2006.
- *SuperT flat tempering machine.* In 2006 Tamglass expanded its product range in Asia by introducing a new flat tempering machine.
- *APC (Automatic Process Control)* – At the Glasstec 2006 Fair in October, Tamglass launched the industry's first fully automatic process control system for flat tempering machines.

New pre-processing machines from Bavelloni

- *VX grinding lines.* The new lines, which came on sale in 2005, started operating in 2006.
- *Syncro and Lamy cutting machines.* In October 2006, Bavelloni brought to the market new products for the cutting of both raw glass and laminated glass.

Other new products at Glasstec:

- *NRG – a high capacity CNC centre.*
- *The PowerSeam edge grinding line* is superfast.

MAINTENANCE AND SERVICE BUSINESS

Glaston Technologies' maintenance and service business is an important priority area, and a target for strong investment once again in 2006. The following areas of the maintenance and service business grew in 2006: maintenance agreements, modernisations and accessories, and spare parts.

During the Glasstec fair, Bavelloni introduced its first maintenance agreement model, which means that Glaston now offers maintenance agreements for both pre-processing and safety glass machines. Easy Life, a maintenance and service concept offered by Tamglass and Bavelloni, is the only one of its kind in the business and thus a significant competitive advantage. Bavelloni's sales of spare parts and other maintenance products grew during the year.

Tamglass Sonic™ cuts glass at world record speed. The Sonic is especially tailored to manufacture low emissivity (Low-E) glass products, whose market share in window and architectural applications is growing strongly.

Glaston Technologies

One-Stop-Partner concept

The significance of the One-Stop-Partner (comprehensive supplier) concept, which originated in connection with the acquisition of Bavelloni in 2003, grew further in 2006. Joint deliveries of pre-processing and safety glass machines, and combinations thereof, exceeded targets.

Glaston Technologies' One-Stop-Partner concept brings together Bavelloni's pre-processing machines and Tamglass' safety glass production lines. The concept enables customers to obtain products covering the entire glass processing chain as well as an integrated service from one supplier. The OSP concept also answers customers' increasing demands for production efficiency and flexibility.

The integration of safety glass and pre-processing technology began after the Bavelloni acquisition, because Glaston Technologies' long-term objective was not only to be a comprehensive supplier, but also to offer mutually integrated glass processing lines, which to date no-one else in the industry had been able to deliver.

In 2005 OSP product development progressed to a concrete level when Glaston launched the first integrated pre-processing and flat tempering line. In 2006 these new lines advanced to customer deliveries, and new integrated OSP products were brought to the market at the glass processing industry's biggest event, the Glasstec fair in Düsseldorf.

DEMAND FOR OSP DELIVERIES GROWING

The comprehensive supplier strategy has proved to the correct choice, because demand for OSP products has grown beyond expectations. An OSP order may typically be, for example, a joint delivery of pre-processing and safety glass machines or an integrated line consisting of pre-processing and safety glass machines.

One of the year's most demanding OSP orders was delivered to the ERTL Glas, Europe's leading processor of laminated and tempered glass. The delivery included Bavelloni's new integrated edge grinding and CNC machine tool line as well as a Tamglass flat tempering machine suitable for the latest energy glass coatings.

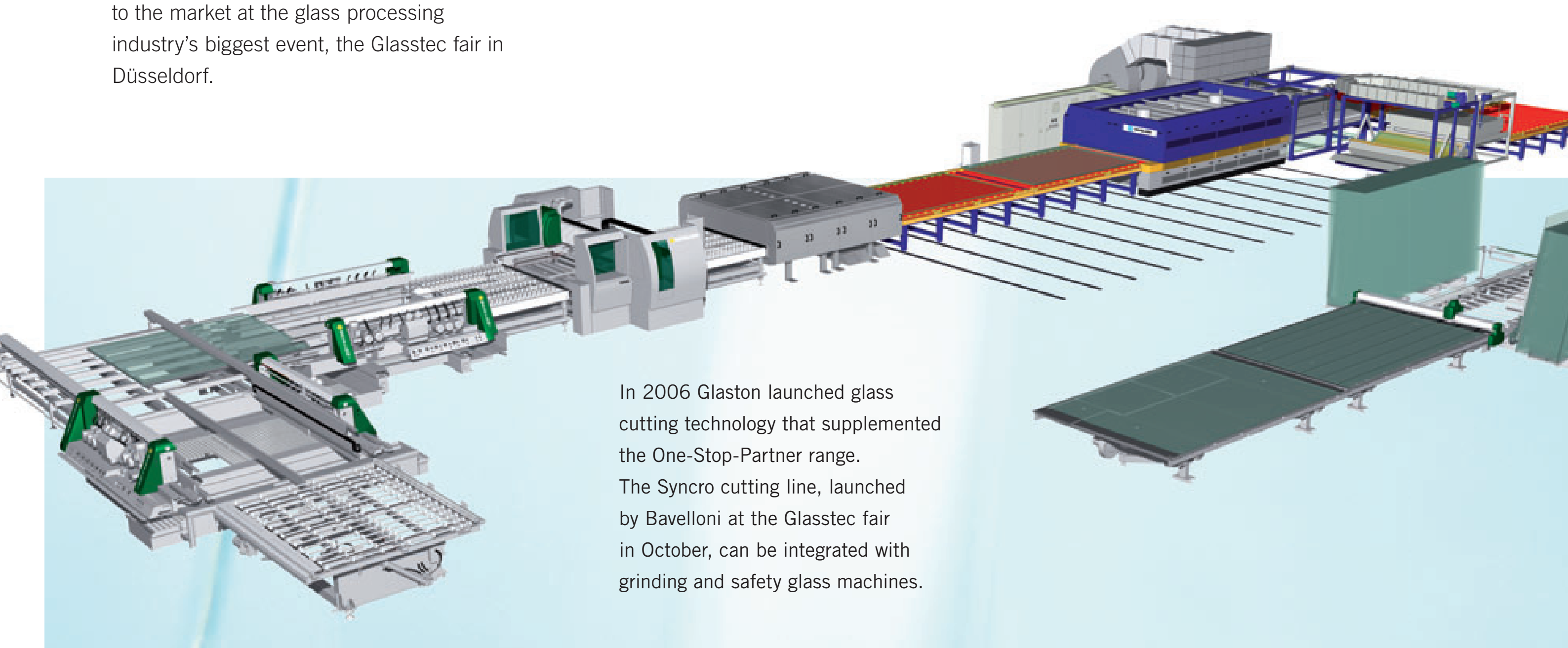
The order intake for OSP products had already exceeded the 2005 level, 12 million euros, by August 2006. Moreover, the Glaston order intake received in August, the second largest ever, included OSP orders amounting to 5.1 million euros.

FAIR SUCCESS IN OCTOBER

At the Glasstec Fair in October, Glaston agreed a record amount of new orders, valued at 27.8 million euros. The order intake included many new OSP products just launched at the fair. OSP orders were strongly weighted towards Glaston's strategic priority area, architectural industry glass processing machines.

The OSP order intake for the whole of 2006, 18.8 million euros, exceeded both the previous year's level as well as set targets. OSP sales accounted for eight per cent of Glaston's net sales in 2006.

As a consequence of long-term work, OSP or Glaston has become the world's leading comprehensive supplier of glass processing machines and lines, and targets for 2007 have been set once again at a justifiably high level.



In 2006 Glaston launched glass cutting technology that supplemented the One-Stop-Partner range. The Syncro cutting line, launched by Bavelloni at the Glasstec fair in October, can be integrated with grinding and safety glass machines.

Glaston Technologies

Maintenance and service business

Maintenance and service business, which also supports the One-Stop-Partner concept, is a significant competitive advantage for Glaston Technologies. In 2006 the business developed and again grew substantially.

The delivery time and efficiency demands of Glaston's customers, namely glass processors, are tightening and still higher quality is expected from end products. This requires glass processing machines to display good usability and operational reliability. Glaston creates long-term customer relationships by offering customers predictive maintenance services at all stages of the life cycle of its machines.

Today, the different areas of maintenance and service business account for more than 20 per cent of Glaston's net sales. The annual growth target for this business segment is more than 10 per cent.

In 2006 the following areas of Glaston Technologies' maintenance and service business grew: maintenance agreements, modernisations and accessories, and spare parts. Sales of used machines were low and, when these are included, the overall growth in maintenance and service business was less than one per cent. Excluding sales of used machines, however, overall growth was eight per cent. The maintenance contract book for safety glass machines grew by 16%. Growth in maintenance and service business for pre-processing machines was over 19%.

THE INDUSTRY'S MOST COMPREHENSIVE NETWORK AND SERVICES

It is important for a glass processing machine supplier to be close to the customer. Glaston has built the most extensive maintenance and service network in the industry. It currently has 27 operating locations, and around 250 maintenance and service staff, in all the main markets around the world.

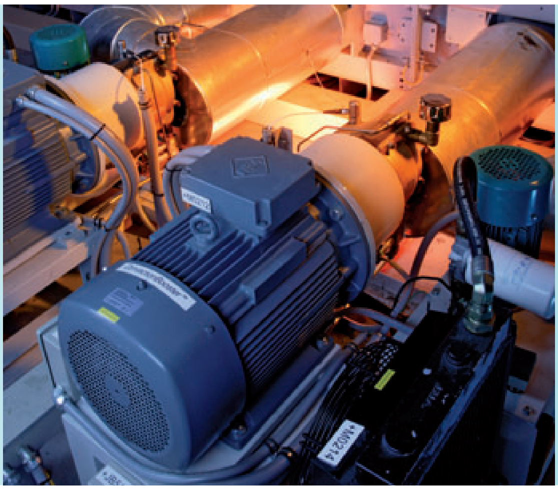
Maintenance contracts are the single most important maintenance and service product group. Tamglass currently has around 500 customers with long contracts for the regular, predictive maintenance of safety glass machines. Maintenance contracts are also offered for machines that are already installed. Other maintenance services include, for example, consulting and customer training, remote monitoring and diagnostics, and installations and spare part deliveries.

The second significant service product group comprises modernisations and accessories, which extend the economic life of machines. Modernisations may consist, for example, of control system updates, by which customers' previously installed safety glass machines can be enhanced to meet the latest demands of the market. Of the accessories, processing of coated glass, mainly energy glass, is one of the most important. Tamglass is the only safety glass machine manufacturer that can modernise its customers' machines to make them suitable for the challenging processing of energy glass.

MAINTENANCE AND SERVICE ALSO FOR PRE-PROCESSING MACHINES

Maintenance and service business has been a separate unit in Tamglass since 1990. Bavelloni, on the other hand, started to develop this area of business into a separate entity in 2005, at which time the productisation of pre-processing machine services also began. In 2006 Bavelloni introduced to the market a service product developed according to the Tamglass model, the Easy Life maintenance contract. Bavelloni now sells maintenance, consulting and spare parts contracts in connection with new machine deliveries.

The growth potential for Bavelloni's maintenance and service business is great, among other things, because in contrast with Tamglass, Bavelloni can also in future offer maintenance for its competitors' machines. Bavelloni's technological expertise is strong, and its competitors, too, have a large stock of installed machines.



Maintenance and consulting agreement business is growing well. The pictured convection blower units, located outside the furnace, speed up and facilitate maintenance.

Around half of the world's energy is used for the heating or cooling of buildings. Coated energy glass, which depending on the conditions keeps heat inside or outside, can help restore the world's energy balance significantly and facilitate billions of euros in savings.

For Glaston Technologies, energy glass is now and will continue to be in the future an important driver of growth, because energy glass will generally be tempered. Glaston's machine technology for energy glass processing is the most advanced in the world.

Glaston Technologies

Tamglass Glass Processing

Glaston Technologies' Glass Processing Group is Finland's leading comprehensive supplier of architectural glass. The group consisted in 2006 of the safety glass manufacturer Tamglass Safety Glass, the insulating glass element producer Tamglass Insulating Glass and the balcony systems supplier Tamglass Finton.

At the end of the year, the companies of the Glass Processing Group were merged into one company, namely Tamglass Glass Processing Ltd. The company manufactures tempered and laminated safety glass, balcony glazings, and insulating glass elements for the building and specialty automotive industries. The company's business areas are Window and Furniture Glass, Architectural Glass and Specialty Automotive Glass. Tamglass Glass Processing's customers include construction and glazing firms, window and door manufacturers, and automotive, household appliance and furniture companies, mainly in Finland.

Tamglass Glass Processing Ltd plays a key role in the product development of Glaston Technologies' glass machine manufacturing. The company, among other things, trains safety glass machine customers and tests the Glass Machinery Group's new products, channelling ideas into technology development. Owing to the Glass Machinery Group's advanced technology, Tamglass Glass Processing is also able to meet, for example, the growing demand for energy glass.

"FUTURE IMPROVEMENTS IN PRODUCTIVITY will help us reach our development goals."

Claus Carlsen
Managing Director
Tamglass Glass Processing Ltd

POSITIVE MARKET SITUATION

Tamglass Glass Processing's market situation was good throughout 2006. Demand was increased mainly by the market for architectural glass, the largest business segment, which was boosted by the large volume of the building sector in Finland. Tamglass Glass Processing increased its share of the safety and insulating glass market in Finland.

At the same time, the company's specialty automotive glass exports to Europe increased, and it received, among others, two significant new customers, the agricultural machine manufacturer Case New Holland and the cabin manufacturer Fritzmeier.

A YEAR OF GREATER EFFICIENCY AND INTEGRATION

During 2006 Tamglass Glass Processing initiated measures to fulfil its development goals, which are growth, the improvement of profitability, and better competitiveness. As a result, the year was one of productional and administrative simplification.

Tamglass Finton's operations were restructured such that it discontinued its own balcony systems installation activities. The company's high quality products are now distributed through a partner and installation network.

At the same time, Tamglass Safety Glass and Tamglass Insulating Glass operations were combined, because the companies had many synergies to utilize. In addition, the efficiency of both companies' production and administration was improved, leading to a reduction in fixed costs, for example, personnel reductions. The productivity of factories and machinery was also improved. At the end of the year, all three companies were merged into a more efficient and more competitive entity.

To further improve its competitiveness, Tamglass Glass Processing decided at the end of the year on the machine investments that it will make in 2007. These investments will boost reliability and productivity in the future.

Tamglass Glass Processing supplied glass to the Ideapark business city, which has opened near Tampere.

Energy

Kyro Power

Kyro's second business area consists of Kyro Power Oy, which produces electricity and heat at its gas combi power plant, situated in Hämeenkyrö.

Sustainable development and responsibility for a clean environment are fundamental to Kyro Power's operations. The company's environmentally friendly energy production is based on the efficient cogeneration of electricity and heat at its gas combi power plant. The Kyro Power gas-fired plant's thermal capacity is more than 100 megawatts. Its overall efficiency of over 80 per cent is indicative of the efficiency and environmental friendliness of the plant's operations. The power plant has had an ISO 14001 environmental certificate since 2003.

The main fuel of the gas combi power plant is clean natural gas. When the second Kyoto period begins in 2008, the benefits of cogeneration of electricity and heat based on the combi process will be further highlighted. Because the main fuel of the gas combi plant is low-emission natural gas, its carbon dioxide emissions are low compared to other energy generation processes based on fossil fuels.

A significant part of the energy of the gas burned in the gas turbine is recovered as electricity, steam and district heat. To ensure continuous production, the company has a back-up gas-fired plant, which can also use oil as a substitute fuel.

PRICE OF EMISSIONS RIGHTS FLUCTUATES

Emissions trading had a strong impact on the predictability and pricing of the energy market in 2006, as was the case the previous year. The volatile price fluctuated from over 30 euros to six euros per tonne. At the beginning of the year and in the spring, the price reached its highest levels, with the market price of electricity fluctuating correspondingly. Later in the spring the price of emissions rights fell, when the previous year's emissions proved to be lower than the rights distributed in Europe. In the autumn, prices fell further as warm weather and higher rainfall in the latter part of the year led to savings in fuel and emissions rights.

> **"FOR THE ELECTRICITY MARKET** emissions trading is a new factor comparable to the water situation in terms of its predictability."
>
> **Esa Kujala**
> **Managing Director**
> **Kyro Power Oy**

Despite this, the weak water situation in Scandinavia at the early part of the year kept the price of electricity rather high. During the dry, hot summer the price of electricity reached a historically high level for the time of the year, but the rainy, warm autumn brought prices down again.

The rise in energy prices increased Kyro Power's net sales throughout the year. At the same time, however, a change in the gas tariff and a rise in oil prices increased the price of natural gas, the company's main fuel, which reduced relative operating profit's share of net sales.

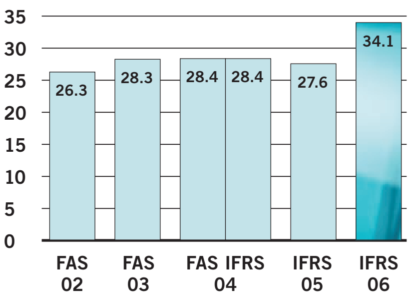
PARTNER PROJECT AGREEMENT

The Energy business area's Partner project, initiated in October 2004, made a significant advance in 2006. The project's purpose is to find for the energy business area partnership or ownership arrangements that will promote its competitiveness. In December 2005, Kyro Power sold its hydropower operations to Kyröskosken Voima Oy and its district heat distribution company to Leppäkosken Sähkö Oy.

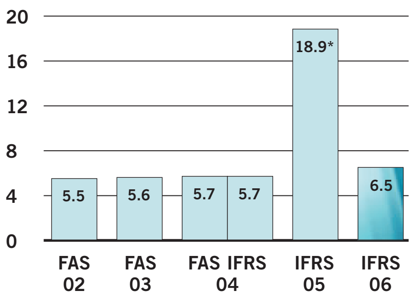
In September 2006, Kyro signed with M-real Corporation an agreement by which Kyro has the right to sell and M-real the right to buy Kyro Power's power plant and associated business operations in summer 2007. The parties concerned will provide further information on the agreement closer to its possible implementation.

Kyro Power's most important supply contracts with M-real and Finnforest expire at the same time as the business arrangement may possibly be fulfilled.

NET SALES, EUR MILLION

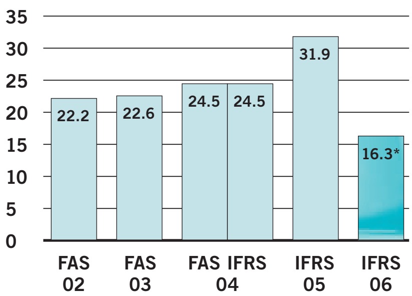


OPERATING PROFIT, EUR MILLION



* Includes sales profit of EUR 12,5 million.

ORDER BOOK 31.12, EUR MILLION



* Halving of the order book is explained by significant agreements included ending in summer 2007.

Personnel

In the Kyro Group, networking and expertise sharing are perceived to be the best ways of developing human capital. In 2006, the development and training of personnel mainly took place in the spirit of sharing skills and learning from others. Most training has been in the form of in-house courses given by Kyro's own experts.

MARKET LEADER STATUS BASED ON PERSONNEL EXPERTISE

The Kyro Group's success is based on motivated and expert personnel. The development of expertise is based on strategic skills areas and tools, which are defined in a human resources strategy. In connection with annual development and competence appraisals, current skills are surveyed and a personal development plan prepared for every employee. Systematic competence surveys and the communication of a vision and strategy ensure that competence development is precisely targeted and that it also takes into account future skills needs.

In 2006 around 3,000 days of training were recorded in the Kyro Group. Most of the training involved internal products and processes as well as orientation and sales. The Glass Processing Academy, a continuous training concept established at the end of 2005, started its first training courses in the year under review, and by the end of the year personnel in Finland and Italy had attended a total of around 400 training days. The Glass Processing Academy focuses on technical training for the industry's most extensive product range and on sales and customer management skills. Training courses serve the entire global organisation and provide an excellent forum for sharing expertise throughout the Group.

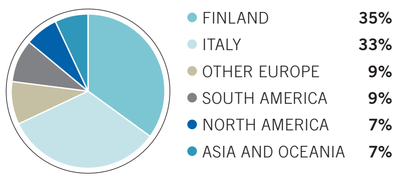
In Tampere, Kyro is actively involved in the Tampere Business Campus, a regional competence development network. The network has expanded in five years to become an active forum of over 30 companies for sharing expertise and learning from others. The priorities of the Campus development programmes are productivity, management and supervisory work, internationality and mentoring. Kyro is also participating in an intangible capital development project with the Tampere Business Campus and Tampere University of Technology, the objective of which is to create indicators and a reporting model for intangible capital.

COMMON PRACTICES FACILITATE DEVELOPMENT OF THE ENTIRE ORGANISATION

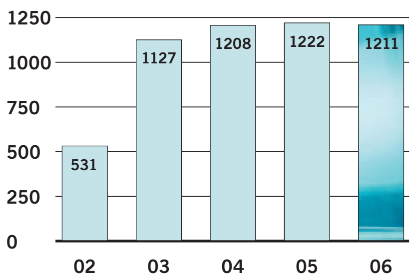
During the year under review, the Kyro Group introduced the eHR information system, which as well as managing personal data also serves as a competence management tool. During the year, all personnel were trained to use the system. The system supports the global standardisation of human resources practices. Common procedures have also been introduced, for example, into the areas of recruitment and payroll. The next step in the standardisation of practices will be the expansion of a suggestions scheme to cover the entire international organisation.

An initiative scheme is an excellent way to involve and encourage personnel to develop products and operations and to save costs. Additional joint online practices and eTools will be introduced in, among other areas, recruitment, orientation and competence development. eLearning environments covering the bending tempering, flat tempering, lamination and windscreen bending processes have been made available to all personnel on the Group's intranet. Network-assisted training and the sharing of knowledge brings speed and efficiency to the development of an international organisation.

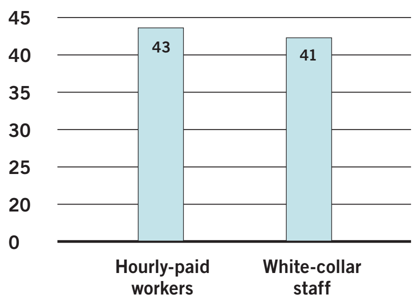
GEOGRAPHICAL DISTRIBUTION OF PERSONNEL



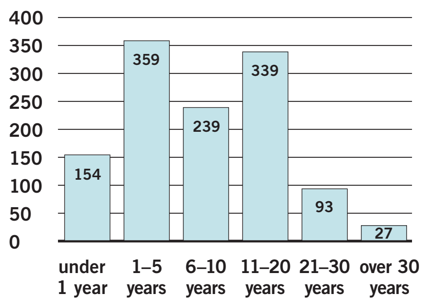
PERSONNEL DEVELOPMENT



EMPLOYEES' AGE DISTRIBUTION, AVERAGE



EMPLOYEE'S YEARS OF SERVICE



Corporate social responsibility

SOCIAL RESPONSIBILITY

Kyro Group is committed to following the principles of social responsibility, and it supports and respects the rights outlined in the United Nations Universal Declaration of Human Rights. Kyro Group companies do not use child labour or work with subcontractors or goods suppliers that use child labour.

According to the Group's principles, goods and services are acquired in compliance with valid laws, decrees and statutes, general good practice and high moral standards. The principles of honesty, equality and non-discrimination are also applied.

Products are acquired with due regard to their life cycle and environmental impact by favouring environmentally friendly products. Procurement activity must always comply with Glaston Technologies' environmental policy, and environmental, health and safety perspectives are actively emphasised in relationships with suppliers.

SUSTAINABLE GLASS PROCESSING MACHINE TECHNOLOGY

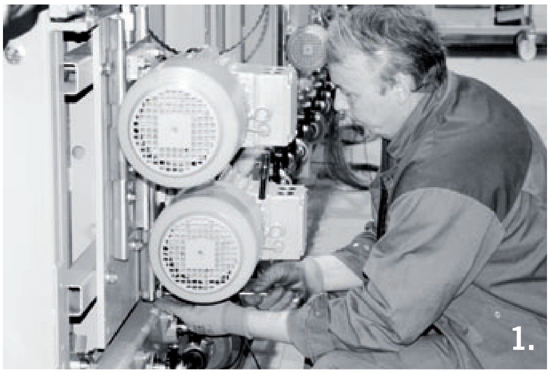
Glaston Technologies takes the entire life cycle of its machines into account. The machines are designed and manufactured to withstand high capacity and long-term production. The recycling of materials is important, particularly in connection with maintenance and components that are changed frequently.

Tamglass Glass Processing continually develops its processes taking the principles of sustainable development into account. In waste processing, the goal is to minimise the amount of waste created. Glass waste arising in production is completely recycled. The glass is mostly crushed and delivered as raw material for glass wool, while some of the glass is used as raw material for new flat glass.

ENVIRONMENTALLY FRIENDLY ENERGY PRODUCTION

Sustainable development and responsibility for a clean environment are fundamental to Kyro Power's operations. The company's environmentally friendly energy production is based on the efficient cogeneration of electricity and heat at its gas combi power plant in Hämeenkyrö.

The power plant has had an ISO 14001 environmental certificate since 2003. The main fuel of the gas combi power plant is clean natural gas, while the gas turbine's Dry Low Nox burning technology minimises emissions.



1. Safety glass machines are assembled and tested at the assembly plant before delivery to customers. Pictured is Machine mechanic Hannu Niemi at his work.

2. Product development demands active teamwork. Product Group Manager Mauri Saksala (from right), Product Development Manager Sami Kervola and Mechanical Designer Ari-Pekka Toivainen check the quality of the end product.

3. Maintenance Engineer Kimmo Kuusela monitoring glass tempering.

4. The Glasstec fair, organised every other year, is the glass industry's most important fair event. Bavelloni's Communications Assistant Elena Corengia (from right) and Sales Assistant Laura Favot enjoying the atmosphere of the fair.

Corporate governance

Kyro Corporation's principles of corporate governance follow the provisions of the Finnish Companies Act and Securities Markets Act as well as Kyro's Articles of Association and the rules of the Helsinki Stock Exchange. Kyro primarily applies the Corporate Governance Recommendation for Listed Companies issued in December 2003 by HEX Plc (OMX), the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is the company's highest decision-making body. The AGM is called by the company's Board of Directors. The AGM decides on, among other things, the adoption of the financial statements, the distribution of profits, the discharge of Board members and the President and CEO from liability, and the election and remuneration of the Board of Directors and auditor. In accordance with the Articles of Association, the AGM is held by the end of May each year. If necessary, the Board of Directors may call an Extraordinary Meeting of Shareholders.

The Annual General Meeting is called by publishing an Invitation to the Annual General Meeting as a stock exchange bulletin at the Helsinki Stock Exchange and by announcing the meeting in one Finnish- and one Swedish-language newspaper of the Board's choice.

At the Annual General Meeting, each shareholder has one vote per share. No-one, however, may vote with more than one fifth of the total number of shares represented at the meeting.

BOARD OF DIRECTORS

Duties and responsibilities

The Board of Directors' duties and responsibilities are determined primarily by the Finnish Companies Act and the company's Articles of Association. The Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations. The Board also directs and supervises the company's operational management. The main duties and operating principles of the Board of Directors and its appointed committees are defined in rules of procedure approved by the Board. The Board of Directors decides on far-reaching and fundamentally important issues affecting the Group. Such issues include the Group's strategy and objectives, the Group's budgets and operating plans, significant Group-level financial arrangements, the financial statements and annual report, the interim reports, company acquisitions and other significant investments, the Group's operational structure, management incentive schemes and principles of risk management. The Board of Directors appoints the President and CEO and decides on his salary and other conditions of employment.

The President and CEO, or another member of the company management designated by him, acts as the presiding officer at Board meetings.

Members of the Board of Directors

The Annual General Meeting elects the members of the Board of Directors. According to the Articles of Association, the Board of Directors consist of minimum of five and a maximum of nine members. The term of office of members of the Board of Directors expires at the end of the Annual General Meeting that follows their election. The present Board of Directors, therefore, was elected at the Annual General Meeting in spring 2006 for the term of office spring 2006 to spring 2007. A person who has reached 67 years of age cannot be elected a member of Board. The Board of Directors elects from among its members a Chairman and a Deputy Chairman for one year at a time.

In 2006 the Chairman of the Board of Directors was Carl-Johan Numelin and the Deputy Chairman was Christer Sumelius. The Board of Directors met 14 times in 2006 and on average 92.5 per cent of members were present. Information about the members of the Board of Directors and their shareholdings in the company can be found on page 31 of this annual report.

All nine members of the Board of Directors are independent of the company. Apart from Heikki Mairinoja, Andreas Tallberg and Jan Hasselblatt, all the members of the Board are independent of the company's most significant shareholders, as none of the other members of the Board nor anyone belonging to the close circle of a member of the Board had more than a ten per cent holding of the company's shares or total number of votes at the end of 2006.

Committees of the Board of Directors

The Board of Directors annually appoints the necessary number of committees to prepare matters that are the Board's responsibility. In November 2004, the Board of Directors appointed an Audit Committee and a Compensation Committee.

The task of the Audit Committee is to handle matters relating to financial statements, auditing, financial reports, the company's internal monitoring and other matters relating to the Group's risk management. The members of the Audit Committee are Carl-Johan Numelin (Chairman), Heikki Mairinoja and Carl-Johan Rosenbröijer. The committee met five times during 2006.

The task of the Compensation Committee is to prepare for the Board of Directors a proposal on the company's senior management appointments and remuneration principles. The members of the Compensation Committee are Carl-Johan Numelin (Chairman), Klaus Cavén, Christer Sumelius and Andreas Tallberg. The committee met eight times during 2006.

PRESIDENT AND CEO

The Board of Directors of Kyro Corporation appoints the company's President and CEO, whose key terms and conditions of employment are specified in a written contract. The President and CEO is responsible for the operational management of Kyro Group in accordance with instructions given by the Board. Pentti Yliheljo, who served as Kyro's President and CEO from 1996, retired from his duties as President and CEO of Kyro Corporation and Tamglass Ltd Oy on 31 December 2006. Mika Seitovirta succeeded Yliheljo as President and CEO of Kyro and Tamglass Ltd. Oy on 1 January 2007.

The President and CEO's personal and company shareholding information can be found on page 30 of this annual report.

OTHER MANAGEMENT

Kyro Group has two business areas: Glaston Technologies and Energy. Glaston Technologies comprises Kyro Corporation's wholly owned operational subsidiaries Tamglass Ltd. Oy and Uniglass Engineering Oy together with their own subsidiaries. The Energy business area comprises Kyro Power Oy, which is wholly owned by Kyro Corporation.

The senior management personnel of the business areas assist the President and CEO in implementing the company's strategy, operational planning and management, and in reporting the development of business operations.

The boards of directors of subsidiaries consist of management from the Kyro Group's parent company and subsidiaries as well as expert members from outside the companies.

Personal and company shareholding information of the Glaston Technologies business area's senior managers can be found on page 30 of this annual report.

REMUNERATION

The spring 2006 Annual General Meeting approved remuneration to the Chairman of the parent company's Board of Directors amounting to 40,000 euros, to the Deputy Chairman 30,000 euros and to members of the Board 20,000 euros. In addition to the annual remuneration, the members of the Board are paid a meeting remuneration for every Board and Committee meeting which a member attends. The remuneration is 800 euros for the chairman and 500 euros for a member of a meeting. Employees of the Group who serve on the boards of directors of Group companies do not receive separate remuneration.

The company's President and CEO was paid a salary of 413,609 euros and a performance bonus of 385,520 euros in 2006.

Tamglass Ltd. Oy operates a long-term management incentive scheme, the terms and conditions of which are decided by the Board of Directors of Kyro Corporation. Details of the incentive scheme are presented in the Shares and Shareholders section, on page 38, and in the Notes to the Financial Statements section, on page 61, of this annual report. In 2006, bonuses totalling 495,920 euros was paid from the Tamglass incentive scheme to three members of management.

Various units of Group companies have their own short-term incentive schemes, which follow the practices of the location country and whose terms and conditions are decided by each company's President and CEO.

Kyro Corporation's President and CEO has the right to retire on reaching 55 years of age. Deviating from statutory pension rights, the pensionable age of managers in certain Group companies is 60 or 62 years.

When notice of termination of employment is given, the President and CEO's term of notice is six months. The President and CEO receives compensation amounting to 12 months' salary in the event of the company terminating his contract of employment.

MONITORING SYSTEM

Overall responsibility for monitoring the accounting and the management of funds rests with the Board of Directors. The Board of Directors' Audit Committee examines and assesses the effectiveness of the company's internal monitoring system. The President and CEO is responsible for ensuring that the accounting complies with legal requirements and that the management of funds is arranged in a reliable manner.

The company uses a Group-wide internal reporting system for supervising business operations and monitoring the management of funds. The fulfilment of set targets is monitored monthly using the company's internal reporting system. In addition to actual figures, forecasts of the Group's financial state are reported quarterly for the current year.

Risks of property, consequential and liability losses arising to the Group's operations have been covered by appropriate insurance, and management of financial risks is the responsibility of the Finance Department in the Group's parent company.

The company has no separate internal auditing organisation. The Group's auditor assesses the effectiveness of the Group's internal monitoring system as part of its statutory monitoring of operations. In addition, the company gives, when necessary, separate assignments to external experts to carry out internal auditing.

INSIDER OBLIGATIONS

Kyro Corporation applies the Guidelines for Insiders approved by the Helsinki Stock Exchange as well as the Financial Supervision Authority's Standard 5.3, which came into force on 1 September 2005. The members of the company's Board of Directors, management and auditor are considered to be insiders with a duty to disclose. Due to their positions, Presidents and CEOs and members of the management groups of subsidiaries as well as people responsible for finance and communications in the various companies of Kyro Group are also considered to be insiders with a duty to disclose. Under the above standard, the company also maintains a company-specific register of insiders. Information about the company's insiders with a duty to disclose as well as their shareholdings is available from the SIRE system of the Finnish Central Securities Depository and from Kyro Corporation's website. Kyro Corporation does not arrange investor meetings during the three weeks preceding the publication of financial statements or interim reports.

AUDITING

Under the Articles of Association the company has one auditor, which must be an auditing firm approved by the Finnish Central Chamber of Commerce. The auditor's term of office covers the financial year during which it is elected and ends at the conclusion of the Annual General Meeting that follows its election. The 2006 Annual General Meeting elected as auditor the authorised public accounting firm KPMG Wideri Oy Ab, with the responsible auditor being Sixten Nyman APA, who is responsible for directing and coordinating auditing for the entire Group.

In 2006 the auditors of all the Group companies were paid a total of 263,000 euros for statutory auditing. A total of 165,000 euros was paid to KPMG in fees unconnected with auditing in 2006. These fees were related to tax consulting, mergers and acquisitions, and preparations for the transfer to reporting under IFRS rules.

COMMUNICATION

The objective of the company's external communications is to support the correct price formation of the company's securities by giving the market sufficient information about the company's business structure, its financial position, the development of the market, and the company's objectives and its strategy for achieving those objectives.

The company publishes a printed annual report and three interim reports. Key information on Kyro Corporation's administration as well as information that must be declared under listed companies' duty to disclose is published on the company's website, at the address www.kyro.fi. In addition, key management presentation material can be viewed on the company's website after publication.

Glaston Technologies is the only comprehensive supplier in its field – a One-Stop-Partner that offers integrated safety glass and pre-processing machine deliveries. For the first time in the world the different work stages of a pre-processing line can now be combined with a safety glass machine.

Added value of glass is increasing globally at 4-7% per year. Grinding, CNC and, for example, printing are increasingly part of a glass processor's everyday work. Moreover, the proportion of safety glass in furniture and appliance glass is growing quickly. Glass processors also have an increasing need for both safety glass and pre-processing technology.

Glaston Technologies Management

President & CEO,
Kyro Group
PENTTI YLIHELJO
b. 1945
M.Sc.(Eng.)
since 1992
Share ownership at 31.12.2006
43,400 shares

President, Sales,
Glaston Technologies,
Managing Director (acting), Bavelloni
KAJ APPELBERG
b. 1953
M.Sc.(Econ.)
since 2004
No shares

Chief Financial Officer,
Kyro Group
VESA HOPIA
b. 1955
M.Sc.(Econ.)
since 2004
No shares

Director of Technology,
Glaston Technologies
JUHA LIETTYÄ
b. 1958
Engineer
since 1986
No shares

Business Area Director,
Glaston Technologies
Architectural
MAURI LEPONEN
b. 1962
M.Sc.(Eng.)
since 1989
Share ownership at 31.12.2006
4,000 shares

OTHER MANAGEMENT

KYRO GROUP

Chief Information Officer
HARRI KARJALAINEN

SVP Corporate Planning
ESKO RANTALA

IR & Communications Manager
EMMI WATKINS

GLASTON TECHNOLOGIES

Business Area Director
Glaston Automotive
TOMMI SALENIUS

Business Area Director
Glaston After Sales Services
TAPIO RAUHALA

MANAGEMENT OF SUBSIDIARIES

Tamglass Ltd. Oy
President and CEO
MIKA SEITOVIRTA

Bavelloni S.p.A.
Managing Director (acting)
KAJ APPELBERG

DiaPol S.r.l.
Managing Director
COSIMO GABRIELE

Uniglass Oy
Managing Director
PETRI MÖLSÄ

Tamglass Glass Processing Ltd.
Managing Director
CLAUS CARLSEN

Kyro Power Oy
Managing Director
ESA KUJALA

Kyro Board of Directors

Chairman
CARL-JOHAN NUMELIN
b. 1937, M.Sc.(Eng.)
Since 1990
Chairman since 1996
Term of office 2006–2007
Share ownership on 31 Dec 2006: 126,200 shares

Deputy Chairman
CHRISTER SUMELIUS
b. 1946, M.Sc.(Econ.)
Since 1995
Term of office 2006–2007
Share ownership on 31 Dec 2006: 803,800 shares

LARS HAMMARÉN
b. 1942, B.Sc.(Eng.)
Since 1982
Term of office 2006–2007
No shares

HEIKKI MAIRINOJA
b. 1947, M.Sc.(Eng.), B.Sc.(Econ.)
Since 2003
Term of office 2006-2007
Share ownership on 31 Dec 2006: 4,000 shares

KLAUS CAWÉN
b. 1957, LL.M.
Since 2004
Term of office 2006-2007
Share ownership on 31 Dec 2006: 6,000 shares

CARL-JOHAN ROSENBRÖIJER
b. 1964, Dr.Sc.(Econ.)
Since 1996
Term of office 2006-2007
Share ownership on 31 Dec 2006: 12,600 shares

ANDREAS TALLBERG
b. 1962, M.Sc.(Econ.)
Since 2006
Term of office 2006–2007
No shares

JAN HASSELBLATT
b. 1964, M.Sc.(Econ.)
Since 2006
Term of office 2006–2007
No shares

CLAUS VON BONSDORFF
b. 1967, M.Sc.(Eng.), M.Sc.(Econ.)
Since 2006
Term of office 2006–2007
Share ownership on 31 Dec 2006: 122,600 shares

Design and layout
Incognito Oy

Photos / Dubai
Potkastudios Oy / Katri Pyynönen

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Hämeen Kirjapaino Oy

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KYRO TECHNOLOGIES

2006
FINANCIAL STATEMENTS

KYRO
TECHNOLOGIES

Report of the board of directors

KYRO GROUP STRUCTURE

Kyro's business areas are Glaston Technologies and Energy. The main business area, Glaston Technologies, consists of the Glass Machinery Group and Tamglass Glass Processing Ltd.

The Glass Machinery Group is the world market leader in glass processing machines. The Glass Machinery Group's products are glass pre-processing machines as well as safety glass machines for the architectural and automotive industries. The group consists of Tamglass, the technology and market leader in safety glass machines; Uniglass, which manufactures flat tempering machines; the leading supplier of glass pre-processing machines Bavelloni, which also produces stone processing machines; and DiaPol, which manufactures tools for glass and stone pre-processing.

Tamglass Glass Processing focuses on markets in Finland and neighbouring countries and is the leading comprehensive supplier of glass processing products in Finland. Its safety and insulating glass products sold under the Tamglass brand as well as its balcony systems are supplied to the building, window and door industries, specialty vehicle manufacturers and construction projects.

Kyro's second business area is Energy, which consists of the electricity and heat generating gas-fired combi power plant of Kyro Power Oy.

THE GROUP'S EFFICIENCY PROGRAMMES

In 2006 the Group initiated efficiency programmes which Kyro now estimates will have a positive impact on profits of EUR 4.5 million in the current year. To support future growth, it was decided to increase Bavelloni's maintenance and service personnel at the end of the year, as a result of which the net personnel reductions of Bavelloni's efficiency programme are smaller than anticipated. The estimated six million euros in savings, therefore, have been adjusted downward. The costs of the measures, EUR 5.3 million, were recognised in full during 2006. The related provisions were 1.6 EUR million.

In September, Bavelloni began a programme to boost the efficiency of its Italian operations, which led, among other things, to the closure of the Bergamo assembly plant. The programme also includes other productivity-raising operational and process changes, with arrangements affecting personnel. The outcome of negotiations relating to these measures was a reduction of 59 jobs, mainly in connection with the factory closure. As part of the programme, the distribution logistics in Europe of Bavelloni's tools and spare parts were enhanced. The area's three tool and spare parts warehouses were centralised in Italy, from where they can be delivered to European customers more quickly than before.

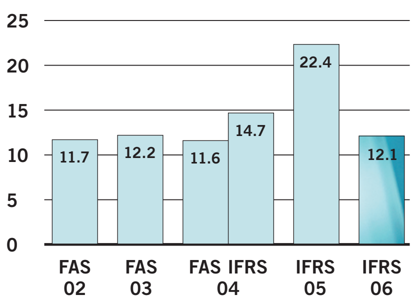
Measures taken in the Glass Processing Group included the restructuring of Tamglass Finton, the merger of three Glass Processing Group companies into one company, and the personnel reductions, a total of 36 employees, that followed from these.

NET SALES AND PROFIT

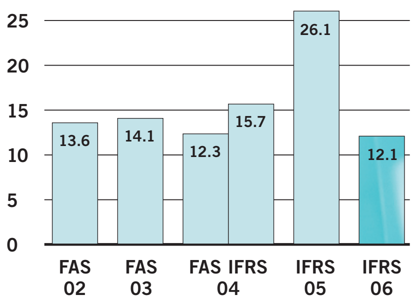
The Kyro Group's net sales were EUR 268.9 (266.7) million in 2006. The Group's comparable operating profit was EUR 22.0 (23.0) million, representing 8.2% (8.6%) of net sales.

Comparable operating profit does not include non-recurring items totalling EUR 5.6 million recognised in 2006 for the above-mentioned efficiency programmes. They consist

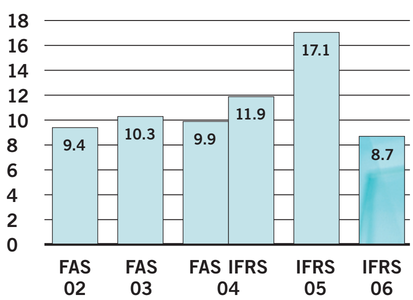
PROFIT OF THE YEAR, EUR MILLION



RETURN ON INVESTED CAPITAL, %



RETURN ON EQUITY, %



of EUR 1.3 million for the Glass Processing Group restructuring and EUR 4.0 million for the Bavelloni efficiency programme. In addition, a non-recurring item of EUR 0.3 million was recognised for the Energy business area's Partner project.

Comparable profit before taxes was EUR 22.3 (21.9) million, representing 8.3% (8.2%) of net sales.

Taking into account the recognised non-recurring items, profit before taxes was EUR 16.7 (34.2) million. Profit for the financial period was EUR 12.1 (22.4) million. This includes a EUR 1.8 million tax refund from previous years. Return on invested capital was 12.1% (26.1%). Earnings per share were EUR 0.15 (0.28) and equity per share was EUR 1.75 (1.76).

Net financial items totalled EUR 0.3 (–1.2) million. This includes interest, dividend and other financial income of EUR 2.2 (2,4) million, and interest and other financial expenses of EUR –1.9 (–3.7) million.

The Group's order book on 31 December 2006 was EUR 127.5 (140.7) million.

In 2006 Kyro, commenting on its future prospects, stated that both the previous year's net sales and comparable operating profit were expected to grow. After the third quarter, the estimate was adjusted by mentioning that certain significant delivery projects had been postponed to 2007 and that realising the target level would be substantially decided by other orders in the latter part of the year. Kyro increased its net sales, but comparable operating profit fell slightly from the previous year, as the profitability of the above-mentioned other orders at the end of the year proved to be weaker than expected.

FINANCING

The Group's financial standing is good. Equity ratio on 31 December 2006 was 62.2% (64.4%). Cash flow from business operations was EUR –0.4 (22.6) million. Cash flow from investments was EUR 8.0 million. The most significant item of cash flow from financing was a total of EUR 13.4 (5.6) million in dividends paid in the spring. Cash flow also includes EUR 7.3 million in taxes for 2005 paid in 2006, including e.g. EUR 2.9 million taxes on capital gains from the sale of hydropower operations in December 2005.

The Group's liquid funds on 31 December 2006 totalled EUR 10.5 (26.3) million. Interest-bearing net liabilities amounted to EUR –3.0 (–24.7) million (assets greater than interest-bearing liabilities). Gearing stood at –2.2% (–17.7%).

MANAGEMENT OF BUSINESS RISKS

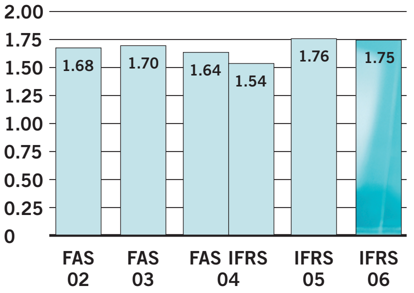
World economy and customer structure

Cyclical fluctuations in the world economy have a rather minor impact on the machine sales of Kyro's main business area, because the geographical diversification of operations means that economic conditions in Europe, Asia and America even each other out. In addition, cyclical economic conditions for different end-customers, such as the building, automotive and furniture industries, balance each other. Growing building renovation business evens out cyclical variations in the construction sector.

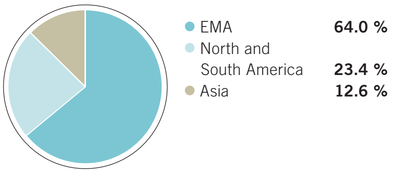
Maintenance business of the main business area Glaston is growing and this helps smooth out fluctuations in machine sales.

Owing to the above factors, customer structure is strongly diversified and no single customer contributes more than a few per cents to Glaston's total annual turnover.

EQUITY PER SHARE, EUR



GEOGRAPHICAL DISTRIBUTION OF NET SALES 2006



Report of the board of directors

MARKETS SITUATION AND COMPETITION

Glaston is a leading supplier in a sector that is expanding globally. The proportion of safety glass used in construction is continually growing. Tightening official regulations are driving growth in safety glass sales still further. Environmental questions such as the energy efficiency of buildings and the high added value glass products associated with it also represent a development trend that supports growth in Glaston's high technology machines.

Glaston's machine manufacturing units are located in Finland, Italy, the United States, China and Brazil. In terms of Finland, Italy and United States the political risk is low, while China and Brazil are clearly countries where the political risk is higher. At the end of 2006, Kyro was not aware of any political risk that could have a substantial impact on its operations.

As the technology and market leader in safety glass machines, the Group is in a strong competitive position in all of its main market areas. Glaston continually develops its operations and products in order to remain competitive also in the more inexpensively priced segment of the machine market.

In terms of pre-processing machines, the competitive situation is noticeably more uniform, because the market is highly fragmented.

PRODUCTION

The Group's production is structured so as to be flexible. Machine manufacturing is based on own product development, assembly and a strong subcontracting network, which can adjust capacity flexibly. In production, materials and components that have several suppliers are used in order to minimise availability risks. A common model has also been introduced through company acquisitions into other units e.g. in Italy.

FINANCING

The Group's strong financial position represents a good foundation for the management of financial risks. To ensure the availability of funding, the Group has adequate credit facilities for its business operations, which can be called upon if necessary. Most of the Group's net sales and costs are euro-denominated, so the direct foreign exchange risk is small relative to total net sales. The proportion of net sales and costs in US dollars has fallen significantly in recent years, which in turn has reduced the Group's foreign exchange risk.

The Group hedges all operational foreign exchange risks as they arise. In addition, significant foreign currency equity items of subsidiaries are hedged. The main objectives of foreign currency hedging are safeguarding earnings and cash flow as well as ensuring predictability. Indirect foreign exchange risks may arise as the euro strengthens against other currencies, such as the US dollar. Price competition in markets outside the eurozone is growing and might impact negatively on the profitability of products being offered for sale. Some of the risks have been covered through the diversification of production over different foreign exchange areas.

In long-term contracts concluded by the Energy business area, deliveries have been hedged by linking them to fuel costs. In electricity hedging, the Group's main principle has been to hedge each open position for a period of 12 months.

RISK OF LOSS OR DAMAGE

The Group's parent company is responsible for

BUSINESS AREAS´NET SALES, OPERATING PROFIT AND ORDER BOOK, EUR MILLION

	Net sales	Net sales	Operating profit	Operating profit	Order book	Order book
	2006	2005	2006	2005	2006	2005
Glaston Technologies	234.7	238.9	18.1	22.1	111.2	108.8
Energy	34.1	27.6	6.5	6.4	16.3	31.9
Non-recurring items			–5.6	12.5		
Parent company, other operations and eliminations	0.1	0.2	–2.5	–5.5		
Group total	**268.9**	**266.7**	**16.5**	**35.5**	**127.5**	**140.7**

the insurance cover of Group units. Insurance is used to eliminate potential losses resulting from the realisation of disruption, fire and similar risks. Risks relating to transport and installation have been insured like the other product liabilities of products sold. To minimise risks, the Group has comprehensive insurance cover, which is re-examined annually.

CAPITAL EXPENDITURE

The Kyro Group's capital expenditure totalled 12.0 (11.4) million in 2006. This includes the construction costs of a factory in China and the extension of the head office in Finland (totalling c. EUR 4.0 million), obligatory product development capitalisations under IFRS (EUR 3.4 million) as well as normal repair and maintenance investments.

ORGANISATION AND PERSONNEL

In October 2006 Kyro announced that Kyro's President and CEO Pentti Yliheljo was to retire. Mika Seitovirta succeeded Yliheljo as President and CEO of Kyro and Tamglass on 1 January 2007. Pentti Yliheljo's expertise will be continue to available to the Group until 30 June 2007.

The Kyro Group had 1,211 (1,222) employees on 31 December 2006. The number of Group employees working in Finland was 427 (441), while the number working abroad was 784 (781). The average number of employees was 1,264 (1,218), with the growth in personnel being due mainly to recruitment of maintenance and installation staff in the early part of the year.

SHARES AND SHARE PRICES

A total of 6,978,316 (18,054,297) Kyro Corporation (KRO1V) shares were traded in the period January-December, representing 8.8% (22.8%) of the total number of shares. The lowest price paid for a share on the Helsinki Stock Exchange was EUR 3.75 and the highest price EUR 4.84. The average price during the period was EUR 4.33.

ACQUISITION AND DISPOSAL OF OWN SHARES

The Annual General Meeting on 16 March 2006 authorised the Board of Directors to acquire the company's own shares for the purpose of using them as consideration in possible acquisitions, to finance investments or other industrial arrangements or to be disposed of in other ways or to be invalidated.

According to the authorisation the Board of Directors may acquire the company's own shares using assets available for distribution of profits, provided that the combined nominal value of the acquired shares together with any shares already in the possession of the company corresponds to a maximum of 10 per cent of the company's total share capital at the moment of acquisition. Shares can be acquired or sold in public trading on the Helsinki Stock Exchange at the market value of the shares at the time in question.

Authorisations to acquire and dispose of the company's own shares are valid for a period of one year from the decision of the Annual General Meeting on 16 March 2006. On 31 December 2006, Kyro Corporation held a total of 329,904 (329,904) of its own shares, acquired on the basis of earlier authorisations. The company did not exercise the authorisation in 2006.

GLASTON TECHNOLOGIES – NET SALES, OPERATING PROFIT AND ORDER BOOK

Glaston Technologies' net sales totalled EUR

PERSONNEL

	31.12.2006	31.12.2005	31.12.2004
Glaston Technologies	1 180	1 191	1 175
Energy	22	24	23
Kyro Corporation	9	7	10
Kyro Group	1 211	1 222	1 208
Salaries and bonuses, EUR million	44.6	43.3	41.7

Report of the board of directors

234.7 (238.9) million in January-December. Comparable operating profit was EUR 18.1 (22.1) million, representing 7.7% (9.3%) of net sales. Comparable operating profit does not include the non-recurring items totalling EUR 5.3 million recognised in the period under review for the business area.

Glaston received new machine orders totalling EUR 175.9 (177.8) million. The order book was EUR 111.2 (108.8) million at the end of the year. The order book for pre-processing machines grew slightly compared to the previous year, and the order book for safety glass machines correspondingly fell slightly.

Sales of safety glass machines, as expected, were strongest in the final quarter. However, the volume of safety glass machines delivered was lower than the previous year, which reduced the Glass Machinery Group's net sales and profitability. In safety glass machines, unanticipated costs arising from new products and product series contributed to weakening the profitability of deliveries made. In the final quarter, Tamglass initiated a programme of measures, which continues still, to improve the efficiency of delivery processes and to minimise their cost in future.

Tamglass Glass Processing's net sales grew slightly from the previous year. Its profitability improved, but remained unsatisfactory. This was due in particular to European-wide delivery difficulties with raw glass at the end of the year. A rise in the price of raw glass and uneven availability caused a rise in Tamglass Glass Processing's costs.

GLASTON TECHNOLOGIES - GLASS MACHINERY GROUP

Market and sales

Overall, the general market situation for glass processing machines was positive in 2006. The number of new pre-processing machine orders grew in the EMA, the Asia-Pacific area and in South America. The volume of safety glass machine orders was slightly lower than the previous year in all the main market areas, except for South America. In the fourth quarter, sales in the EMA area and Asia grew strongly.

Investment decisions on safety glass machines were postponed, particularly in Europe at the beginning of the year. Although the number of new orders grew towards the end of the year, the total was less than the previous year. The volume of new orders for pre-processing machines grew slightly. The offer book, i.e. demand, for both pre-processing machines and safety glass machines was high throughout the year.

Safety glass machine orders in the architectural segment picked up after a lacklustre start to the year. New orders for safety glass machines in the automotive segment grew towards the end of year, but overall their sales fell clearly short of the previous year's level.

Sales of joint deliveries and combinations of pre-processing and safety glass machines (the One-Stop-Partner concept) exceeded targets by the third quarter as well as the previous year's level, and totalled EUR 12 million. The OSP order intake at the end of the year totalled EUR 18.8 million. Most OSP orders were received from the Middle East.

The volume of new orders received by Uniglass, which focuses on flat tempering machines, was on the previous year's level in 2006.

New products

The first deliveries of products launched in 2005, such as Bavelloni's new pre-processing lines, were scheduled for late 2006.

The most significant new products of the year were presented at Düsseldorf's Glasstec Fair in October. Tamglass launched a new Sonic flat tempering machine as well as APC, the industry's first fully automatic process control system for flat tempering machines. Bavelloni launched a series of modular cutting lines, a high-capacity CNC centre called NRG, and the super-fast PowerSeam edge grinding machine. All products were very well received, and the EUR 27.8 million sales at the fair were a Glaston record.

Maintenance and service business, and tools

In 2006 the following areas of Glaston Technologies' maintenance and service business grew: maintenance agreements, modernisations and accessories, and spare parts. Sales of used machines were low and, when these are included, the overall growth in maintenance and service business was less than one per cent. Excluding sales of used machines, however, overall growth was eight per cent. The maintenance contract book for safety glass machines grew by 16%. Growth in maintenance and service business for pre-processing machines was over 19%.

During the Glasstec fair, Bavelloni introduced its first maintenance agreement model, which means that Glaston now offers maintenance agreements for both pre-processing and safety glass machines. Easy Life, a maintenance and service concept offered by Tamglass and Bavelloni, is the only one of its kind in the business and thus a significant competitive advantage. Bavelloni's sales of spare parts and other maintenance products grew during the year.

Glaston's tool sales grew slightly. Glaston's market share grew, and it launched a number of new tool products during the year. Manufacturing in Brazil began in line with targets. Manufacturing will also begin in China in 2007. Measures will be taken to improve local service levels and cost-effectiveness.

GLASTON TECHNOLOGIES - TAMGLASS GLASS PROCESSING LTD

Market and sales

Tamglass Glass Processing's market situation was positive throughout the year mainly due to an active construction sector in Finland. Volumes remained good and grew towards the end of the year.

Project sale references in the final quarter included the Prisma shopping centre in Lohja, the apartment block company Villa Aquarius in Tampere and the real-estate company Airport in Vantaa.

RESTRUCTURING AND DEVELOPMENT PROJECTS

Tamglass Finton's balcony systems sales and installation business was transferred to partners, after which Tamglass Safety Glass Ltd, Tamglass Insulating Glass Ltd and Tamglass Finton Oy were merged into a single, legally distinct company at the turn of the year. At the same time the Glass Processing Group changed its name to Tamglass Glass Processing Ltd. The company's new business areas are Architectural Glass, Window and Furniture Glass, and Special Automotive Glass.

Tamglass Glass Processing will continue developing its operations, for example, by refining its production processes and supplementing its machine stock during 2007. The measures will boost the group's efficiency and improve its reference value as a Glass Machinery Group customer.

ENERGY

Net sales, operating profit and order book

The net sales of the Energy business area totalled EUR 34.1 (27.6) million in 2006. Comparable operating profit was EUR 6.5 (6.4) million, representing 18.9% (23.2%) of net sales. Both net sales and operating profit were again boosted mainly by a rise in energy prices.

Kyro Power's order book was EUR 16.3 (31.9) million on 31 December 2006. The halving of the order book is explained by the expiry in summer 2007 of significant delivery agreements that are included in the order book.

Development of the energy market

The year under review was, due to weather conditions – a dry summer and a warm rainy autumn and winter – very volatile in the energy market. Prices of electricity and emissions rights fluctuated from record highs to very low levels.

Energy production

Kyro Power's gas-fired combi power plant operated without interruption throughout the entire year.

Development of operations

At the end of September, Kyro signed with M-real Corporation an agreement by which Kyro has the right to sell and M-real the right to buy Kyro Power's gas-fired combi power plant and associated business operations in summer 2007 when the current deliver contract ends. If the deal is implemented, it will not, despite a positive non-recurring cash flow, have any direct financial impact.

EVENTS AFTER THE REVIEW PERIOD

Bavelloni's Managing Director Paolo Sandri resigned for personal reasons in January. Sandri's duties will be handled for the time being by Kaj Appelberg, who is Glaston's President of Sales.

Kyro has decided to establish in China two joint ventures with a local company, NST, to manufacture glass pre-processing machine tools.

Kyro appointed Ari Himma as its Vice President, Human Resources.

All events after the review period have been communicated in January.

FUTURE PROSPECTS

The industry's most extensive customer service network, widest product range and the One-Stop-Partner concept create for Glaston Technologies good opportunities to fulfil customers' needs better than before. Glaston Technologies is the world technology and market leader in a growing sector.

At the beginning of 2007, the level of Glaston's order book is good. Based on positive market prospects and savings generated by the previous year's efficiency measures, Kyro is again aiming to increase the net sales and comparable operating profit of Glaston, its main business area.

Helsinki, 7 February 2007

Kyro Corporation

Board of Directors

Shares and shareholders

SHARE CAPITAL

The total number of Kyro Corporation shares in circulation is 79,350,000. The nominal value of each share is EUR 0.16. The company's share capital is EUR 12,696,000. The company's minimum share capital is EUR 4 million and the maximum share capital is EUR 16 million, within which limits the share capital can be increased and decreased without amending the company's Articles of Association.

VOTING RESTRICTIONS

Shareholders are entitled to one vote per share in votes and elections held at the Annual General Meeting. No individual shareholder is entitled to vote at the Annual General Meeting using more than one fifth of the combined votes of the shares represented at the meeting (Articles of Association, Article 13).

TRADING ON THE HELSINKI STOCK EXCHANGE

Kyro Corporation's shares are listed on the Helsinki Stock Exchange (Helsinki Pörssi Oy/ Helsinki Stock Exchange Ltd). The quotation of the shares began on 2 April 2001.

During the period 1 January 2006 to 31 December 2006, a total of 6,978,316 Kyro Corporation shares were traded on the Helsinki Stock Exchange, equivalent to 8.8 per cent of the total number of shares.

At the end of the year, the market value of the company's shares was EUR 329,302,500. On the same date, the company had 3,603 shareholders listed in the book-entry system.

SHARE PRICE DEVELOPMENT

The highest price paid for a Kyro Corporation share on the Helsinki Stock Exchange was EUR 4.84 and the lowest price EUR 3.75. The average price during the period under review was EUR 4.33.

MANAGEMENT OWNERSHIP OF SHARES

The members of the Board of Directors and the President and CEO owned a total of 1,118,600 shares on 31 December 2006. These shares account for 1.4% of the company's shares.

MANAGEMENT INCENTIVE SCHEMES

The Group operates a management incentive scheme, approved in 2002, which covers key individuals of the Tamglass Group and Kyro's management. By the end of 2005, 23,250 A share options, with an exercise period of 1 May 2005 to 31 May 2009, had been awarded and 21,750 B share options, with an exercise period of 1 May 2007 to 31 May 2009.

In accordance with a restriction in the incentive scheme, share subscription by exercising the options is possible only with the permission of Kyro Corporation, but the options may be sold to Kyro Corporation during their exercise period at a price which is defined as the difference between the imputed value of the share and the subscription price. Two thirds of the imputed value of the share is based on the results of the Tamglass and Kyro Groups and one third on the development of the Kyro share price. The total value of share options at the time of realisation cannot exceed 15% of the Kyro Group's net result, starting from the financial year 2002.

The incentive scheme is treated as a synthetic option scheme, because the Group can choose whether to make the payment in cash or in the form of equity instruments, and payment in cash has been the practice of the Group.

The incentive scheme will have no impact on expenses in the current year. An obligation for the incentive scheme amounted to EUR 6.1 million in Kyro's balance sheet on 31 December 2006.

Kyro Corporation's Chief Executive Officer Pentti Yliheljo has been granted 8,000 A options and 8,000 B options.

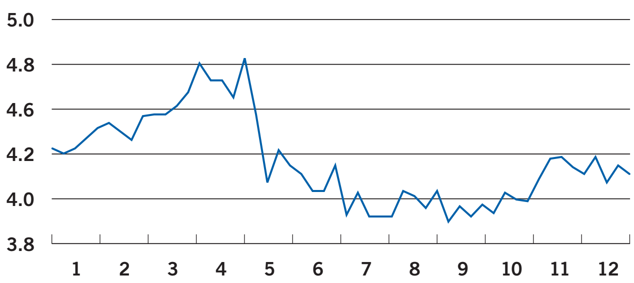
SHAREHOLDER AGREEMENTS

The company is unaware of any shareholder agreements which would substantially affect the ownership of Kyro Corporation's shares or the exercise of votes within the company.

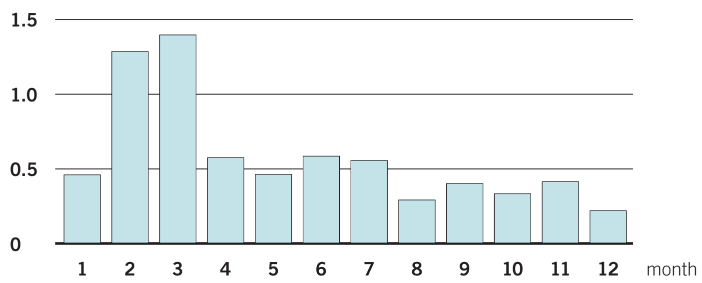
BOOK-ENTRY SYSTEM

On 31 December 2006 a total of 77,373,178 of the company's shares were registered in the book-entry system maintained by the Finnish Central Securities Depository (APK).

KYRO´S AVERAGE SHARE PRICE 1.1.2006–31.12.2006, EUR



MONTHLY KYRO SHARE TRADING VOLUME 2006, 1 000 000 PCS



BOARD AUTHORISATIONS

The Board of Directors has no authorisations to change the share capital.

On 16 March 2006, the Annual General Meeting of Kyro Corporation authorised the Board of Directors to acquire the company's own shares, provided that the combined nominal value of the acquired shares together with any shares already in the possession of the company corresponds to a maximum of 10% of the company's total share capital at the time of acquisition. The company's own shares may be used as consideration in possible future business acquisitions, to finance investments and in other industrial arrangements in a way and scope determined by the Board of Directors.

The Annual General Meeting authorised the Board of Directors to decide on the transfer of own shares acquired for the company. The company's own shares may be transferred for use as consideration in possible business acquisitions, to finance investments and in other industrial arrangements or otherwise transferred or cancelled.

During the financial year, the company did not exercise the authorisations it has received.

On 31 December 2006, Kyro Corporation possessed a total of 329,904 of its own shares, acquired at a price of EUR 950,240.69. The shares constitute 0.4% of all votes and shares.

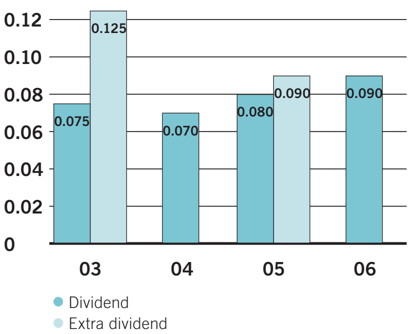
DISTRIBUTION OF SHARE OWNERSHIP

The ownership of Kyro Corporation shares was distributed on 31 December 2006 as follows:

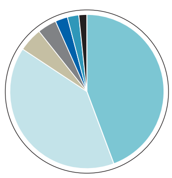
Number of shares	Number of owners	% of shares	Number of shares	% of shares
1–100	178	4.94	10 748	0.01
101–1000	1 989	55.20	1 078 310	1.36
1 001–10 000	1 144	31.75	3 504 388	4.42
10 001–100 000	201	5.58	7 653 560	9.65
100 0001–1 000 000	80	2.22	24 384 895	30.73
Over 1 000 001	11	0.31	42 642 899	53.74
Total	3 603	100.00	79 274 800	99.91
Nominee-registered, total			75 200	0.09
Total number of issued shares			**79 350 000**	**100.00**

LARGEST SHAREHOLDERS ON 31 DECEMBER 2006	Shares	%
GWS Trade Oy	13 466 700	16.9
G.W.Sohlberg Corporation	12 819 400	16.2
Henning Sumelius	3 642 600	4.6
Svenska Litteratursällskapet i Finland	2 205 000	2.8
Oy Investsum Ab	1 820 000	2.3
The estate of Helena Suutarinen	1 802 400	2.3
Charlie von Christierson	1 600 000	2.0
Maria Sumelius	1 569 400	2.0
Bjarne Sumelius	1 430 000	1.8
Nordea Life Assurance Finland Ltd	1 193 399	1.5
Birgitta Sumelius-Fogelholm	1 114 000	1.4
Marianne Storhannus	934 195	1.2
Svenska Handelsbanken Ab	868 308	1.1
Christer Sumelius	803 800	1.0
Huber Karin	800 800	1.0
Sumelius-Koljonen Barbro	785 600	1.0
Nominee-registered shares	1 901 622	2.4
Other	30 262 872	38.1
Own shares in the company's possession	329 904	0.4
Total	**79 350 000**	**100.0**

DIVIDEND, EUR



OWNERSHIP BY SECTOR, %



Private households and individuals	44.3 %
Private companies	40.0 %
Non-profit organisations	5.0 %
Foreign owned	4.0 %
Financial and insurance institutions	2.6 %
On joint account	2.4 %
Public organisations	1.7 %

Key indicators per share

	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003*	FAS 2002*
Earnings per share, EUR	**0.15**	0.28	0.18	0.15	0.155	0.150
Equity per share, EUR	**1.75**	1.76	1.54	1.64	1.700	1.680
Dividend per earnings, %	**60.0** **	60.7	38.9	46.7	129.0	96.8
Dividend per shares, EUR	**0.09** **	0.08	0.07	0.07	0.075	0.075
Extra dividend per share, EUR		0.09			0.125	0.075
Effective dividend yield, %	**2.2** **	4.2	1.7	1.7	5.1	4.7
P/E ratio	**27.7**	14.5	22.8	27.3	25.5	20.5
Number of shares, 1 000 pcs						
average	**79 020**	79 020	79 020	79 020	78 776	76 321
at the end of year	**79 020**	79 020	79 020	79 020	79 020	76 382
**) Board´s proposal						
Share price trend						
average price	**4.33**	4.25	3.92	3.92	3.580	3.125
lowest price	**3.75**	3.79	3.40	3.40	2.700	2.500
highest price	**4.84**	4.60	4.16	4.16	4.100	3.675
Share price at the end of the year, EUR	**4.15**	4.06	4.10	4.10	3.950	3.170
Market capitalisation of all shares at the end of the year, EUR million	**329.3**	322.16	325.30	325.30	313.40	251.5
Turnover, number of shares	**6 978 316**	18 054 297	15 424 328	15 424 328	6 232 942	6 168 378
Turnover, % of the total number	**8.8**	22.8	19.4	19.4	7.9	7.8
Turnover, EUR million	**30.2**	79.0	60.5	60.5	22.3	19.3

*) The number of the Group's shares and share capital was raised by a capitalisation issue in December 2004. The number of shares doubled from 39 675 000 shares to 79 350 000 shares. The prior years' key indicators have been adjusted correspondingly.

Financial performance indicators

Eur million	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002
Consolidated income statement						
Net sales	**268.9**	266.7	231.4	231.7	226.7	144.3
change, %	**0.8**	15.2		2.2	57.1	-1.8
Exports and international operations	**216.5**	220.1	187.3	187.0	181.4	112.1
as % of net sales, %	**80.5**	82.6	80.9	80.7	80.0	77.7
Depreciation	**7.3**	8.7	8.4	6.9	6.8	5.2
Operating profit	**16.5**	35.5	20.5	21.8	22.9	18.9
as % of net sales, %	**6.1**	13.3	8.8	9.4	10.1	13.1
Goodwill amortisation (FAS)				2.9	3.1	0.2
Operating profit	**16.5**	35.5	20.5	18.8	19.8	18.7
as % of net sales, %	**6.1**	13.3	8.8	8.1	8.7	13.0
Net financial items	**0.3**	-1.3	2.1	2.1	0.6	-0.6
Profit before taxes	**16.7**	34.2	22.5	21.0	20.4	18.1
as % of net sales, %	**6.2**	12.8	9.7	9.1	9.0	12.5
Income tax	**-4.6**	-11.9	-7.9	-7.5	-6.7	-5.7
Profit for the period	**12.1**	22.4	14.7	11.6	12.2	11.7
Attributable to:						
Equity holders to the parent	**12.1**	22.4	14.5	9.7	10.7	11.1
Minority interest	**0.0**	0.0	0.2	1.9	1.5	0.6
	12.1	22.4	14.7	11.6	12.2	11.7
Balance sheet						
Non-current assets	**115.5**	112.8	122.9	111.4	118.6	73.6
Current assets						
Inventories	**54.7**	59.6	63.3	34.7	32.2	15.7
Deferred tax assets	**7.7**	8.5	10.2	5.7	8.3	6.1
Receivables	**67.7**	75.7	51.5	73.7	86.9	91.7
Equity attributable to equity holders of the parent	**138.0**	139.0	121.6	130.5	135.9	137.1
Minority interest	**0.0**	0.0	0.5	4.1	2.2	0.7
Total equity	**138.0**	139.0	122.2	134.6	138.1	137.9
Provisions						
Liabilities	**13.7**	9.8	7.6	5.9	5.6	
Interest-bearing liabilities	**8.0**	2.9	20.3	19.8	33.4	3.7
Non-interest-bearing liabilities	**78.6**	97.2	90.0	58.1	60.6	38.7
Deferred tax liability	**7.3**	7.6	7.8	7.2	8.4	6.9
Balance sheet total	**245.6**	256.5	248.0	225.6	246.1	187.0
Return on capital invested, %	**12.1**	26.1	15.7	12.3	14.1	13.6
Return on equity, %	**8.7**	17.1	11.9	9.9	10.3	9.4
Equity ratio, %	**62.2**	64.4	59.3	62.6	58.6	77.1
Gearing, %	**-2.2**	-17.7	7.1	6.1	3.2	-40.5
Interest-bearing net liabilities, EUR million	**-3.0**	-24.7	8.7	8.2	4.4	-52.2
as % of net sales, %	**-1.1**	-9.3	3.8	3.5	1.9	-36.2
Gross investments	**12.0**	11.4	6.8	4.6	62.7	6.8
as % of net sales, %	**4.8**	4.3	2.9	2.0	27.7	4.7
Research and development	**5.5**	7.3	7.1	9.4	9.8	6.6
as % of net sales, %	**2.0**	2.7	3.1	4.0	4.3	4.6
Order book	**127.5**	140.7	135.5	86.7	81.4	67.4
Personnel, average	**1264**	1 218	1 175	1 175	1 150	536
Personnel at year end	**1211**	1 222	1 208	1 208	1 127	531
in Finland	**427**	441	433	433	421	370

Consolidated income statement

1000 EUR IFRS	Note	1.1.–31.12.2006	%	1.1.–31.12.2005	%
Net sales	**1**	**268 888**	**100.0**	**266 656**	**100.0**
Other operating income	2	6 994		14 916	
Change in inventories of finished products and work in progress		5 962		–7 705	
Production for own use		1 114		1 777	
Raw materials and consumables used		102 565		89 017	
Employee benefit expense	3,21	57 581		56 731	
Depreciation and amortisation	4	7 318		8 696	
Other operating expenses	5	87 092		85 697	
Operating profit		**16 480**	**6,1**	**35 502**	**13,3**
Financial income	6	2 167		2 428	
Financial expense	**7**	**–1 912**		**–3 698**	
		255		–1 271	
Profit before taxes		**16 735**	**6,2**	**34 231**	**12,8**
Income taxes	8	–4 639		–11 867	
Profit for the period		**12 096**	**4,5**	**22 365**	**8,4**
Attributable to:					
Equity holders of the parent		12 091		22 361	
Minority interest		6		4	
		12 096		22 365	
Earnings per share calculated from the profit attributable to equity holders of the parent (EUR)	9	0.15		0.28	

Consolidated balance sheet

1000 EUR IFRS	Assets	Note	31.12.2006	31.12.2005
	Non-current assets			
	Tangible assets	10	43 270	42 811
	Goodwill	11	53 179	53 121
	Other intangible assets	11	15 849	10 294
	Available-for-sale financial assets	16	512	3 365
	Deferred tax assets	12	7 703	8 475
	Other receivables	13	2 683	3 201
	Total non-current assets		**123 197**	**121 269**
	Current assets			
	Inventories	14	54 729	59 553
	Trade and other receivables	15	57 057	49 288
	Financial assets at fair value through profit of loss	16	80	135
	Cash and cash equivalents	17	10 528	26 276
	Total current assets		**122 394**	**135 253**
	TOTAL ASSETS		**245 591**	**256 521**
	Equity and liabilities			
	Equity attributable to equity holders of the parent	18		
	Share capital		12 696	12 696
	Share premium fund		25 270	25 270
	Treasury shares		–950	–950
	Translation reserve		424	1 531
	Fair value and other reserves		–169	–1 556
	Retained earnings		100 684	102 027
			137 955	139 018
	Minority interest		21	16
	Total equity		**137 976**	**139 034**
	Non-current liabilities			
	Deferred tax liabilities	12	7 319	7 592
	Employee benefit obligations	19	6 422	6 567
	Provisions	20	1 381	1 186
	Non-current interest-bearing liabilities	21	858	1 222
	Other non-current liabilities		50	225
			16 031	16 793
	Current liabilities			
	Trade and other payables	22	75 720	90 120
	Provisions	20	6 149	2 043
	Current tax liabilities	22	2 564	6 851
	Interest-bearing current liabilities	21	7 151	1 681
			91 584	100 695
	Total liabilities		**107 615**	**117 487**
	TOTAL EQUITY AND LIABILITIES		**245 591**	**256 521**

Group sources and application of funds

CASH FLOW FROM BUSINESS OPERATIONS (IFRS), EUR 1,000	2006	2005
Profit for the period	**12 096**	**22 365**
Adjustments:		
Depreciations and amortisations	7 318	8 696
Financial income and expenses	84	–951
Non-cash transactions	–5 738	9 881
Cash flow before change in working capital	13 759	39 990
Change in working capital		
Change in inventories	4 845	3 780
Change in current non-interest-bearing receivables	–3 651	–11 404
Change in current non-interest-bearing liabilities	–11 907	–10 294
Change in provisions	3 869	2 146
Cash flow from business operations before financial items and taxes	6 915	24 217
Interest and payments paid for other financing of business operations		
Interest paid	–1 021	–1 255
Dividends received from business operations	1	369
Interest received from business operations	849	1 205
Direct taxes paid	–7 182	–1 986
Cash flow from business operations	–439	22 551

CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	–10 998	–10 296
Proceeds from disposal of tangible and intangible assets	2 753	25 733
Proceeds from sale of other investments	3 201	
Taxes relating in proceeds from disposal of energy business in 2005	–2 932	
Cash flow from investing activities	**–7 977**	**15 437**

CASH FLOW FROM FINANCING ACTIVITIES		
Change in receivables	1 050	
Withdrawals of current loans	5 638	
Repayments of current loans		–16 788
Repayments of non-current loans	–600	–985
Dividends paid	–13 421	–5 653
Other financing activities		5 531
Cash flow from financing activities	**–7 333**	**–17 894**
Change in cash and cash equivalents	–15 748	20 094
Cash and cash equivalents at the beginning of the period	26 276	6 183
Cash and cash equivalents at the end of the period	10 528	26 276
	–15 748	**20 094**

There are no substantial difference between the cash flow statement according to IFRS standards and that according to Finnish accounting standards.

Statement of changes in the group's equity

EUR 1,000	Share capital	Share premium fund	Fair value and other reserves	Translation reserve	Treasury shares	Retained earnings	Total	Minority interest	Total equity
	Equity attributable to equity holders of the parent								
Equity at 31 Dec 2004	**12 696**	**25 270**		**–109**	**–950**	**84 733**	**121 639**	**550**	**122 189**
The impact of adopting IAS 32 and 39			473			465	939	–538	401
Adjusted equity at 1 Jan 2005	**12 696**	**25 270**	**473**	**–109**	**–950**	**85 198**	**122 578**	**12**	**122 590**
Cash flow hedges, net of tax:									
Gains and losses taken to equity			–2 029				–2 029		–2 029
Translation differences				1 640			1 640		1 640
Profit for the period						22 361	22 361	4	22 365
Total recognised income and expense for the period			**–2 029**	**1640**		**22 361**	**21 971**	**4**	**21 971**
Dividends						–5 531	–5 531		–5 531
Equity at 31 Dec 2005	**12 696**	**25 270**	**–1 556**	**1 531**	**–950**	**102 027**	**139 018**	**16**	**139 034**
Cash flow hedges, net of tax:									
Gains and losses taken to equity			1 387				1 387		1 387
Translation differences				–1 433			–1 433	–1	–1 433
Gains and losses from hedge of net investments in foreign operations, net of tax				326			326		326
Profit for the period						12 091	12 091	6	12 096
Total recognised income and expense for the period			1 387	–1 107		12 091	12 371	6	12 376
Dividends						–13 433	–13 433		–13 433
Equity at 31 Dec 2006	**12 696**	**25 270**	**–169**	**424**	**–950**	**100 684**	**137 955**	**21**	**137 976**

Accounting principles of group financial statements

SIGNIFICANT ACCOUNTING POLICIES

Kyro Group is organised in two business areas. The main business area, Glaston Technologies, consists of the Glass Machinery Group, which operates worldwide, and the Glass Processing Group, which focuses on markets in Finland and neighbouring countries. The Glass Machinery Group's products are glass pre-processing machines as well as safety glass machines for automotive, architectural and furnishing industries. The Glass Processing Group's products are safety and insulating glasses as well as railings and balconies and their installations. Energy business area includes a gas-fired power plant producing heat and electricity. Energy business area disposed of a hydropower plant and a district heating distribution company in December 2005. The two business areas constitute the business segments of the Group.

The parent company of the Group is Kyro Oyj Abp. The parent company is domiciled in Hämeenkyrö, Finland, and its registered address is Vehmaistenkatu 5, 33730 Tampere.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IAS- and IFRS-standards as well as the SIC- and IFRIC-interpretations effective at 31 December 2006. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRSs refer to the standards and to their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the European parliament and of the Council. Also the notes to the consolidated financial statements are in accordance with the requirements of the Finnish Accounting and Companies Acts.

The consolidated financial statements are prepared on the historical cost convention except that the following items are stated at their fair value: investments classified as available-for-sale, financial assets at fair value through profit or loss and derivative financial instruments. Also the liability arising from cash-settled share-based payments and the liability arising from the obligation to redeem the minority shares with cash are both stated at fair value.

The Group has applied the following amended standard from 1 January 2006:

Amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures. The amendment has increased the amount of disclosures. The adoption of amendment to standard affects only the notes to the consolidated financial statements, for the Group has not changed the recognition principle of actuarial gains and losses. The amendment has not had an effect on the earnings per share -figure.

The amortisation periods of development expenditure have been specified during the annual period 2006, which has been reported in more detail in the accounting policies for intangible assets. As distinct from what has been announced earlier, the Group applies the IFRS 7 Financial Instruments: Disclosures -standard as of 1 January 2007.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting principles, the reported amounts of assets and liabilities in the balance sheet, the disclosure of contingent assets and liabilities as well as income and expenses. In addition, management's judgments are required in applying the accounting policies. The estimates are based on the management's best present estimates and therefore actual results may differ from these estimates.

Management's estimations have been used in determining the amounts reported in the consolidated financial statements, among others in determining the realisability of certain assets and the useful lives of both tangible and intangible assets. Measurement of the pension obligation and the plan assets is based on several actuarial assumptions made by the management. These include the discount rate used in calculating the present value of the obligation, future salary and pension levels, the expected rate of return on plan assets and rates of employee turnover concerning the employees participating in the plan, among others. The Group management also assesses in preparing the financial statement whether there is any indication of impairment of tangible assets, goodwill or other intangible assets. Goodwill is tested every year for impairment regardless of there being indication of impairment or not. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is based on management's estimations on future sales and selling prices, production costs and discount rate, among others. The amounts of the provisions are estimated in compliance with the applicable legislation or interpretations of the authorities.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company Kyro Oyj Abp and all subsidiaries in which over 50 % of the voting rights are hold directly or indirectly by the parent company, or the parent company has otherwise the power to govern their financial and operating policies so as to obtain benefits from their activities. The subsidiaries are listed in Note 26.

The mutual shareholding has been eliminated by the purchase method of accounting. The acquired subsidiaries are includ¬ed in the consolidated financial statements from the date that the Group's control commences until the date that control ceases. Intragroup transactions, receivables, liabilities and unrealised gains, as well as intragroup distribution of profits, are eliminated. Unrealised losses are eliminated only to the extent that there is no evidence of impairment. The allocation of profit to the parent company equity holders and minority interest is presented on the face of the income statement. In the balance sheet, the minority interest is presented as a separate item in total equity. In case the Group has a contractual obligation to redeem the minority shareholding with cash or cash equivalents, minority interest is classified as a financial liability.

ITEMS DENOMINATED IN FOREIGN CURRENCIES

The consolidated financial statements are presented in euro, which is the functional currency of the parent company. Functional currencies of other Group companies are determined by the primary economic environment in which they operate.

Transactions in foreign currencies are translated at the average rate which approximates the foreign exchange rate ruling at the date of the transaction. Monetary items denominated in foreign currencies are translated at the balance sheet date exchange rate. Non-monetary items are translated at the average rate which approximates the exchange rate ruling at the date of transaction. Foreign exchange differences arising on translation are recognised in the income statement. Foreign exchange gains and losses related to sales, purchases and other operating expenses are treated as adjustments to respective items and included in the operating profit. Exchange rate differences related to financing are included in the financial income and expenses.

In the consolidated financial statements, the income statements of foreign subsidiaries have been translated to euro using the average exchange rates for the accounting period. The balance sheets of foreign subsidiaries have been translated to euro using the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of the income statements and balance sheets with different exchange rates are entered in translation reserve, a separate component of shareholders' equity. Exchange differences arising from the trans¬lation of the net investment in foreign subsidiaries are also taken to translation reserve. When a subsidiary is disposed of, the accumulated translation differences are recognised in the income statement as a part of the gain or loss on the sale.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated in the balance sheet at historical cost less accumulated depreciation and impairment losses.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. When an asset consists of major components with different useful lives, they are accounted for as separate items. The major inspection and maintenance costs of Energy segment are capitalised as a part of the power plant machinery and equipment, and depreciated over their useful lives. Ordinary repairs and maintenance costs are recognised in the income statement as an expense as incurred. Other subsequent expenditure is capitalised only when it increases the future economic benefits in excess of the originally assessed standard of performance of the existing asset and the cost can be measured reliably.

Depreciation on property, plant and equipment is calculated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are:

- Buildings and structures 25–40 years
- Heavy machinery 10–40 years
- Other machinery and equipment 3–5 years
- IT equipment 3–10 years
- Other tangible assets 5–40 years

Land is not depreciated. The tunnel and dam structures of the hydropower plant for which the estimated useful life is 40 years, are included in the other tangible assets until December 2005.

Residual values and expected useful lives of property, plant and equipment are reassessed at each balance sheet date and where they differ from previous estimates, depreciation periods are changed accordingly. Non-current assets classified as held for sale are no longer depreciated according to the IFRS 5 standard.

Capital gains and losses arising from disposals of property, plant and equipment are recognised in other operating income or expenses.

BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

INTANGIBLE ASSETS

Intangible asset is recognised in the balance sheet if its cost can be measured reliably and it is probable that the expected future economic benefits attributable to the asset will flow to the Group. Intangible assets are stated at cost and amortised on a straight line basis over their estimated useful lives. Intangible assets with indefinite useful life are not amortised, but tested annually for impairment.

The estimated useful lives for intangible assets are as follows:

- Computer software, patents, licences, trademarks 3–10 years
- Development expenditure 5–7 years
- Other intangible assets 5–10 years

The amortisation period of development expenditure is redefined to better correspond their useful life. The amortisation period has been extended from 3-5 years to 5-7 years depending on the asset item. The new convention has been applied as of the year 2006.

Goodwill

After 1 January 2004, goodwill represents the difference between the acquisition cost and the Group's share of the fair value of the net identifiable assets acquired. In respect of acquisitions prior the IFRS transition, goodwill is included in the financial statements on the basis of its deemed cost, which represents the amount recorded under previous GAAP, in accordance with the exemption defined in IFRS 1.

Goodwill is an intangible asset with indefinite useful life and it is not amortised but tested annually for impairment. For this purpose, goodwill has been allocated to cash-generating units or groups of them. Goodwill is measured at cost less any accumulated impairment losses.

Research and development expenditure

Research expenditure is recognised in the income statement as an expense as incurred. Expenditure on development activities is capitalised in the balance sheet if the product is technically and commercially feasible, and it is expected to generate economic benefits. Amortisation of the capitalised expenditure starts when the asset is available for use. The intangible assets not yet available for use are tested for impairment. Research expenditure and development expenditure not qualifying for IAS 38 are recognised in other operating expenses.

Emission allowances

Emission allowances are initially recorded in the balance sheet at fair value. Subsequently the allowances are recorded at historical cost. No amortisation is made for allowances as their residual value is equal to their initially recorded value. Allowances are derecognised when the actual emission obligation is settled. Potential gains on sales of excess emission allowances are presented in other operating income.

IMPAIRMENT

At each balance sheet date, the carrying amounts of the Group's assets are reviewed to determine whether there is any indication of impairment.

Accounting principles of group financial statements

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an assets' fair value less costs to sell and its value in use. The value in use represents the discounted future net cash flows expected to be derived from an asset or a cash-generating unit. Kyro Group's calculations are mainly based on value in use.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if a positive change in circumstances leads to a revised estimate of the asset's or cash-generating unit's recoverable amount. An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net depreciation and amortisation, if no impairment loss had been recognised.

LEASES

Leases in terms of which the Group assumes substantially all risks and rewards incidental to the ownership are classified as finance leases. At the inception of the lease term, a finance lease is recognised as an asset at the amount equal to the lower of its fair value and the present value of the minimum lease payments. Asset acquired under finance lease is depreciated over the shorter of the useful life and the lease period. The Group has acquired a production plant, and machinery and equipment under finance lease.

Leases where the lessor retains the risks and rewards of the ownership are classified as operating leases. Payments made under operating leases are expensed on a straight-line basis over the lease periods.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle. In the case of manufactured inventories and work in progress, cost includes materials, direct labour, other direct costs and a systematically allocated appropriate share of variable and fixed production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses..

EMPLOYEE BENEFITS

The Group attends to both defined contribution and defined contribution pension plans. Contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

The Group's net obligation in respect of each defined benefit pension plan is calculated separately and using the projected unit credit method. Pension expenses are recognised to periods of service according to actuarial calculations prepared by authorised actuaries. The amount recognised as a defined benefit liability or receivable comprises the net total of the following: the present value of the defined benefit obligation, the fair value of the plan assets, past service cost, and actuarial gains and losses. The discount rate for the defined benefit obligation is the yield on the highest credit quality or the interest rate on government bonds that have maturity dates approximating to the terms of the Group's obligations.

Actuarial gains and losses arising in calculating the Group's obligation in respect of a plan, to the extent that they exceed 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. All actuarial gains and losses as at 1 January 2004, the date of transition to IFRSs, were recognised in the opening balance sheet according to the IFRS 1 exemption.

The Group also recognises a liability for a post-employment defined benefit plan in foreign Group companies.

SHARE-BASED PAYMENT TRANSACTIONS

The Group applies IFRS 2 to a share-based payment program granted after 7 November 2002. The applicable share-based payment program grants key management share appreciation rights which the Group will settle in cash. The fair value of the amount payable is recognised as an employee benefit expense and spread over the period during which the persons become entitled to the payment. The corresponding liability is recognised initially at the fair value of the share appreciation rights and remeasured at each reporting date until settled. Any changes in the fair value are recognised as an employee benefit expense.

The fair value measurement for the profit related component is based on the terms and conditions of the program. For the share value related component an applicable valuation technique is used.

The redemption of 18 % interest in Diapol S.r.l. which was incorporated form Z. Bavelloni S.p.a in Italy in the beginning of 2006 includes a cash-settled share-based put option based on the financial statements for the years 2006, 2008 and 2010 as well as on a condition concerning the person's employment. The arrangement has been interpreted as a share-based transaction and the liability arising from this arrangement is measured at fair value at each balance sheet date and expensed during the vesting period.

PROVISIONS

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the future the expected future cash flows, when appropriate.

A provision for warranties is recognised when the underlying products are sold. The provision is estimated on the basis of historical warranty data. A provision for carbon dioxide emissions is recognised as they are released.

A restructuring provision is recognised when a detailed plan for restructuring is prepared by the Group and the implementation of the plan has either commenced or the plan has been announced to the persons it concerns. A restructuring plan includes at least the following information: the business which the restructuring concerns, the principal locations affected, the location, function and approximate number of employees who will be compensated for terminating their services, the expenditure which will be undertaken and when the plan will be implemented. No provision is recognised for the expenditure arising from the Group's continuing operations.

INCOME TAXES

Income taxes in the consolidated income statement include current tax based on taxable income for the financial period, adjustments to prior periods' taxes and changes in deferred taxes. Current income tax based on taxable income is calculated according to the local tax regulations. The deferred tax effects related to the items recognised directly in shareholders' equity are recognised in the same way.

Deferred tax assets and liabilities are recognised using the balance sheet liability method for all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The most significant temporary differences arise from share-based payment transactions, tax losses carried forward and depreciations and amortisations of tangible and intangible assets. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred taxes are not provided for undistributed profits of subsidiaries if it is probable that the temporary difference will not reverse in the foreseeable future.

The enacted tax rates of the balance sheet date are used as the tax rate.

REVENUE RECOGNITION

Revenue is recognised after the risks and rewards of owner¬ship of the goods have been transferred to the buyer. Normally, revenue recognition takes place at the date of delivery in accordance with the delivery terms. Construction contracts are recognised after buyer has accepted the delivery of goods and installation. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction. Sales are presented net of indirect taxes, discounts and annual rebates.

OPERATING PROFIT

The Group has defined operating profit as follows: operating profit is the net amount of net sales and other operating income less costs of finished goods and work in process adjusted with the change in inventories, employee benefits, depreciation, amortisation and impairment losses, and other operating expenses. Exchange rate differences related to normal business operations are included in operating profit; otherwise they are taken to financial income and expenses.

GOVERNMENT GRANTS

Government or other grants are recognised in the income statement in the same periods in which the corresponding expenses are incurred. The deferred income from the government grant is amortised over the period for which emission allowances were allocated.

FINANCIAL INSTRUMENTS

Financial assets and liabilities

The Group has classified the financial assets according to IAS 39 as financial assets at fair value through profit or loss, available-for-sale investments and loans and receivables. Classification is made on initial recognition and is based on the nature of the item. The purchases and sales of financial assets are accounted for at trade date. A financial asset is derecognised when the Group has lost its contractual rights to the cash flows from the financial asset or when it has transferred substantially all the significant risks and rewards of ownership of the financial asset to an external party. Transaction costs are included in the initial measurement of financial assets that are not measured at fair value through profit or loss.

Financial assets at fair value through profit or loss

The category includes the financial assets held for trading and financial assets designated by the Group at the initial recognition as measured at fair value through profit or loss. Financial assets held for trading are mainly held to generate profits from short-term market price changes. The category also includes derivative instruments not qualifying for IAS 39 hedge accounting. The assets belonging to the category are measured at fair value on the balance sheet date which is based on their current market bid price. The assets held for trading and the assets due within 12 months are included in the balance sheet current assets. Unrealised and realised gains and losses due to fair value adjustments are recognised in profit or loss in the period they occur.

Available-for-sale investments

Available-for-sale investments category includes unlisted securities. They are measured at fair value. If their fair value cannot be measured reliably, they are stated at lower of cost and probable value. Unrealised gains and losses on remeasurement are recognised directly in equity deducted with the associated tax effect. Amounts recognised in equity are transferred to profit or loss when the asset is sold. Significant impairment losses of available-for-sale assets for which there is objective evidence, are immediately recognised in the income statement. Normally, available-for-sale investments are included in non-current assets unless the Group has the intention to hold them for less than 12 months after the balance sheet date.

Loans and receivables

Loans and receivables arise when money, goods or services are delivered to a debtor. They are not quoted in an active market and payments related to them are either fixed or determinable. Loans and receivables granted by the Group are measured at amortised cost. They are included in current or non-current assets in accordance with their maturity.

Financial liabilities

Financial liabilities include loans from financial institutions, trade payables and other financial liabilities. On initial recognition a loan is measured at its fair value that is based on the consideration received, transaction costs included. Subsequent to initial recognition, these liabilities are stated at amortised cost calculated using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents constitute cash, bank accounts and other short-term highly liquid investments.

Derivative instruments and hedge accounting

Derivative instruments are recognised on the trade date at cost which equals to their fair value, and subsequently measured at fair value at each balance sheet date. Gains and losses arising from remeasurement

Accounting principles of group financial statements

are accounted for based on the purpose of the instrument. The Group uses derivative instruments to hedge the exposure to changes of fair value of recognised asset or liability, the exposure to variability in foreign currency cash inflows attributable to unrecognised firm commitments, and the exposure to changes of electricity prices.

For IAS 39 hedge accounting purposes the Group documents the relationship between the hedged item and the hedging instrument, the risk management objectives and strategy. The effectiveness of a hedging instrument is tested both prospectively and retrospectively. A hedge is effective, if hedging instrument offsets the changes in the fair value or cash flows of the hedged item.

A derivative instrument effectively hedging the fair value of assets and receivables is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss adjusting the gain or loss on the hedged item attributable to the hedged risk. The ineffective part of the hedging instrument measurement is recognised in financial income or expenses.

When a derivative financial instrument is designated as hedging the variability in the cash flows of firm commitments, the effective portion of change in instrument's fair value is recognised directly in equity. The cumulative unrealised gain or loss recognised in equity is taken to the income statement in the same period which the hedged transaction affects profit or loss. When a hedging instrument expires or is sold or no longer qualifies for hedge accounting, the cumulative gain or loss at that point remains in equity and is recognised when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

The Group hedges the net investment in the USA from currency risk with forward contracts. The fair value of the forward contracts is entirely included in the hedge relationship (the spot exchange rate and the effect of interest points of the forward contract). Fair value changes of the effective portion are recognised directly in the hedging reserve in equity and the ineffective portion is recognised in the income statement. The associated cumulative gains and losses are removed from equity and recognised in the income statement as an adjustment of the profit or loss from the disposal in the same period with the disposal of the net investment.

Some derivative instruments do not meet the criteria for IAS 39 hedge accounting, even if they are economical hedges according to the Group risk management policy. Changes in fair values of these derivatives are recognised in the income statement.

The fair values of derivative instruments have been determined on the basis of market prices or balance sheet date rates.

TREASURY SHARES

When share capital recognised as equity is repurchased, the consideration paid including directly attributable transaction costs is recognised as a deduction from equity.

DIVIDENDS

The dividends proposed by the Board of Directors are recognised as a deduction from retained earnings after they have been approved by the shareholders at the Annual General Meeting.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The below described standards, interpretations and their amendments have been published but they are not yet effective and the Group does not apply them before they are mandatory. The Group will apply in the financial year 2007 the following new or amended standards and interpretations published by the IASB in 2005 and 2006:

- IFRS 7 Financial Instruments: Disclosures (effective on annual periods beginning on 1 January 2007). The standard requires more extensive disclosures on the effects of financial instruments on the Group's financial position and performance as well as the Group's exposure on risks arising from financial instruments. The standard requires qualitative and quantitative disclosures on the nature and extent of risks and it includes the minimum requirements for disclosures on credit, liquidity and market risks. According to the Group's estimate the adoption of IFRS 7 will mainly affect the notes to the financial statements, such as disclosures on the sensitivity of market risks.
- Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective on annual periods beginning on 1 January 2007). The amended standard includes requirements for quantitative disclosures about the amount of entity's capital and capital management during the financial period. The Group estimates the amended standard will mainly affect on the notes to the financial statements.
- IFRIC 8 Scope of IFRS 2 (effective on annual periods beginning on 1 May 2006). IFRIC 8 is applied to such transactions which embody granting equity instruments and the received identified consideration is lower than the fair value of the granted equity instruments. In such situations it should be considered whether the arrangement is in the scope of IFRS 2. The Group assesses the interpretation will have no effect on the consolidated financial statements.
- IFRIC 9 Reassessment of Embedded Derivatives (effective on annual periods beginning on 1 June 2006). IFRIC 9 requires that the entity assesses whether embedded derivative should be separated from the underlying host contract and treat as a derivative, as the entity becomes a contracting party. The reassessment cannot be made later unless the terms of contract are changed in such way that the original cash flows of the contract are significantly changed. According to the Group's current estimate the adoption of the new interpretation will have no effect on the consolidated financial statements.
- IFRIC 10 Interim Financial Reporting and Impairment (effective on annual periods beginning on 1 November 2006). IFRIC 10 prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. The Group assesses the interpretation will have no effect on the consolidated financial statements.

Notes to the consolidated financial statements

1. SEGMENT INFORMATION

In segment reporting, the business segment is defined as primary segment and the geographical segment as secondary segment.

The segments presented correspond to the company's internal reporting structure.

The assets and liabilities of segments include items directly attributable to the segment as well as those that can be allocated to the segments on a reasonable basis.

Unallocated income statement items include expenses of the parent company and the Group. Unallocated assets and liabilities include receivables, shares, loans and tax liabilities relating to the Group's administration.

No inter–segment transactions exists.

Business segments

Glaston Technologies: The segment's income comprise of the Glass Machinery and Glass Processing Groups. The Glass Machinery Group's products are glass pre–processing machines plus safety glass machines for architectural and automotive industries. The Glass Processing Group's products are tempered and laminated safety glasses, balcony glazing and insulating glass elements.

Energy: This segment consists of the heat– and energy–producing power plant of Kyro Power Oy.

BUSINESS SEGMENTS 2006	Glaston Technologies	Energy	Unallocated and eliminations	Total
External net sales of goods	228 830	34 082	116	263 028
External net sales of services	5 860			5 860
Total net sales	234 690	34 082	116	268 888
Operating profit [1]	12 829	6 446	–2 795	16 480
Unallocated items			–4 390	–4 390
Profit for the period				12 090
Assets	132 380	31 757	81 454	245 591
Liabilities	126 390	6 717	–25 492	107 615
Investments	11 762	50	181	11 994
Depreciation and amortisation	5 182	1 954	181	7 318

Business segments 2005	Glaston Technologies	Energy	Unallocated and eliminations	Total
External net sales of goods	232 353	27 555	222	260 129
External net sales of services	6 527			6 527
Intragroup sales	9	0	–10	0
Total net sales	238 889	27 555	212	266 656
Operating profit [1]	22 130	18 893	–5 521	35 502
Unallocated items			–13 137	–13 137
Profit for the period				22 365
Assets	210 088	32 543	13 890	256 521
Liabilities	88 972	8 961	19 555	117 487
Investments	11 162	41	248	11 452
Depreciation and amortisation	5 763	2 677	256	8 696

[1] Group contributions granted by Energy for Glaston Technologies and Kyro have been reversed into Energy's operating profit.

Notes to the consolidated financial statements

Geographical segments

EMA (including Europe, the Middle East and Africa)
North and South America
Asia (including Japan, Australia and New Zealand)
Segment income is based on customers' geographical location. Segment assets are divided according to the geographical location of the assets.

Geographical segments 2006	EMA	North and South America	Asia	Total
Net sales	172 006	63 033	33 849	268 888
Assets	198 120	36 652	10 818	245 591
Investments	9 570	174	2 250	11 994

Geographical segments 2005	EMA	North and South America	Asia	Total
Net sales	158 461	63 039	45 156	266 656
Assets	233 451	25 466	7 604	265 521
Investments	9 109	555	1 788	11 452

2. DISPOSAL OF SUBSIDIARIES AND BUSINESS OPERATIONS

	2005
	Carrying amounts of sold balance sheet itemst
Tangible assets	12 799
Intangible assets	1 037
Inventories	17
Trade and other receivables	156
Cash and cash equivalents	78
Total assets	**14 087**
Interest–bearing liabilities	1 050
Trade and other payables	162
Total liabilities	**1 212**
Net assets	12 876
Consideration received in cash	25 811
Cash disposed of	–78
Net cash inflow	**25 733**

2. OTHER OPERATING INCOME

	2006	2005
Gains from disposal of tangible and intangible assets	938	12 650
Gains on sale of available–for–sale investments	364	
Income from emission allowances	4 379	2 013
Other income	1 313	254
Total	**6 994**	**14 916**

3. EMPLOYEE BENEFIT EXPENSES

	2006	2005
Wages, salaries and bonuses	44 649	40 991
Cash–settled share–based transactions		2 285
Pensions		
Defined benefit plans	113	60
Defined contribution plans	3 890	3 804
Other personnel expenses	8 180	8 594
Other post–employment benefits	748	996
Total	**57 581**	**56 731**

Management employee benefits and loans are presented in Note 26 Related party transactions.

Average number of group employees during the financial period		
Management and administrative personnel	668	665
Workers	596	553
Total	**1 264**	**1 218**

4. DEPRECIATION AND AMORTISATION

Depreciation by asset class		
Intangible assets		
Capitalised development expenditure	1 248	1 822
Other intangible assets	606	952
Tangible assets		
Buildings and structures	1 128	1 355
Machinery and equipment	4 153	4 127
Other tangible assets	182	440
Total	**7 318**	**8 696**

5.OTHER OPERATING EXPENSES

Research and development expenses	4 325	6 073
Rentals	3 559	4 332
Subcontracting, service and maintenance	33 874	36 887
Other operating expenses	45 334	38 405
Total	**87 092**	**85 697**

6. FINANCIAL INCOME

Dividend income	5	369
Interest income	685	662
Foreign exchange gains	1 469	311
Gains from sale of assets recognised at fair value through profit and loss	8	1 043
Other financial income		42
Total	**2 167**	**2 428**

7. FINANCIAL EXPENSES

	2006	2005
Interest expenses	–436	–665
Foreign exchange losses	–1 252	–1 697
Losses from sale of assets recognised at fair value through profit or loss	0	–1 188
Other financial expenses	–224	–148
Total	**–1 912**	**–3 698**

FOREIGN EXCHANGE GAINS AND LOSSES INCLUDED IN THE FINANCIAL STATEMENTS

Net sales	–360	–924
Expenses	57	1 023
Financial items	217	–1 386
	–86	**–1 286**

8. INCOME TAXES

Current tax	4 768	9 813
Deferred tax	–129	2 053
Total income taxes	**4 639**	**11 867**

The current tax differs from the income tax calculated using the tax rate for Finnish companies (26%) as follows:

	2006	2005
Profit before taxes	16 735	34 231
Income tax according to the Finnish tax rate on the Group's profit before taxes	4 351	8 900
Effect of different tax rates of foreign subsidiaries	1 059	2 305
Tax–free income	–528	–585
Non–deductible expenses in taxation	1 057	1 020
Deferred tax asset on previous years' losses	–147	
Taxes for previous financial periods	–1 124	–70
Other items	–29	297
Tax in income statement	**4 639**	**11 867**

9. EARNINGS PER SHARE

Profit for the period attributable to the equity holders of the parent	12 090 576	22 360 777
Weighted average number of shares outstanding	79 020 096	79 020 096
Earnings per share, euros	0.15	0.28

10. TANGIBLE ASSETS

	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Capital investments in progress	Total
Acquisition cost 1 Jan 2006	1 875	24 591	54 093	2 320	2 589	85 468
Exchange rate difference	19	–21	–57	–27	–80	–165
Additions	322	1 724	3 080	63	2 860	8 049
Disposals	–154	–2 270	–336	–43		–2 803
Transfers between items	0	1 439	–24	70	–1 485	0
Acquisition cost 31 Dec 2006	2 062	25 463	56 756	2 384	3 884	90 461
Accumulated depreciations 1 Jan 2006		–11 456	–29 451	–1 750		–42 657
Exchange rate difference		–11	23	12		24
Accumulated depreciations of disposals and transfers		458	237			695
Depreciation for the period		–1 069	–4 001	–182		–5 253
Accumulated depreciations 31 Dec 2006		–12 078	–33 193	–1 921		–47 191
Carrying amount 31 Dec 2006	**2 062**	**13 385**	**23 564**	**464**	**3 884**	**43 270**

	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Capital investments in progress	Total
Acquisition cost 1 Jan 2005	3 402	27 994	55 354	7 573	669	94 993
Exchange rate difference	11	0	262	28	0	302
Additions	192	64	2 849	142	3 717	6 965
Disposals	–1 731	–3 508	–6 017	–5 424		–16 679
Transfers between items		40	1 645	113	–1 798	0
Acquisition cost 31 Dec 2005	1 875	24 591	54 094	2 320	2 589	85 468
Accumulated depreciations 1 Jan 2005		–10 918	–27 089	–2 476		–40 482
Exchange rate difference		–52	–254	–10		–316
Accumulated depreciations of disposals and transfers		870	2 019	1 175		4 064
Depreciation for the period		–1 355	–4 127	–440		–5 922
Accumulated depreciations 31 Dec 2005		–11 456	–29 451	–1 750		–42 657
Carrying amount 31 Dec 2005	**1 875**	**13 135**	**24 642**	**570**	**2 589**	**42 811**

Notes to the consolidated financial statements

	2006	2 005
Carrying amount of Group's production machinery and equipment	20 806	24 293

Finance lease agreements

Tangible fixed assets include the following assets leased by finance lease agreements:

	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan 2006	427	957	1 384
Additions		340	340
Acquisition cost 31 Dec 2006	427	1 297	1 723
Accumulated depreciations 1 Jan 2006	–118	–376	–494
Depreciation for the period	–59	–151	–210
Accumulated depreciations 31 Dec 2006	–177	–527	–704
Carrying amount 31 Dec 2006	**250**	**769**	**1 020**

	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan 2005	427	957	1 384
Additions		40	40
Disposals		–39	–39
Acquisition cost 31 Dec 2005	427	957	1 384
Accumulated depreciations 1 Jan 2005	–59	–169	–227
Depreciation for the period	–59	–174	–233
Accumulated depreciations of disposals and transfers		–33	–33
Accumulated depreciations 31 Dec 2005	–118	–376	–494
Carrying amount 31 Dec 2005	**309**	**581**	**890**

11. INTANGIBLE ASSETS

	Capitalised development expenditure	Intangible rights	Goodwill	Group goodwill	Other intangible assets	Capital investments in progress	Total
Acquisition cost 1 Jan 2006	9 599	7 819	0	53 121	4 539	2 338	77 415
Exchange rate difference		–40				334	294
Additions	1 302	5 501		58	30	1 705	8 596
Disposals		–1 427	0		–15		–1 442
Transfers between items	91				19	–110	0
Acquisition cost 31 Dec 2006	10 992	11 853	0	53 179	4 573	4 267	84 864
Accumulated amortisations 1 Jan 2006	–5 170	–4 758	0	0	–4 071		–14 000
Exchange rate difference	0	11			0		11
Amortisation for the period	–1 248	–558			–41		–1 847
Accumulated amortisations 31 Dec 2006	–6 418	–5 305		0	–4 112		–15 836
Carrying amount 31 Dec 2006	**4 573**	**6 548**	**0**	**53 179**	**461**	**4 267**	**69 028**

	Capitalised development expenditure	Intangible rights	Goodwill	Group goodwill	Other intangible assets	Capital investments in progress	Total
Acquisition cost 1 Jan 2005	5 382	5 659	1 152	52 481	5 020	2 710	77 815
Exchange rate difference		107			89		196
Additions	3 319	2 063		641	70	527	6 618
Disposals		–10	–1 152		–640		–1 935
Transfers between items	899					–899	0
Acquisition cost 31 Dec 2005	9 599	7 819	0	53 121	4 539	2 338	77 415
Accumulated amortisations 1 Jan 2005	–3 348	–4 104			–4 376		–11 829
Exchange rate difference		–48			–52		–100
Accumulated amortisations of disposals and transfers		8			712		719
Amortisation for the period	–1 822	–614			–355		–2 791
Accumulated amortisations 31 Dec 2005	–5 170	–4 758			–4 071		–14 000
Carrying amount 31 Dec 2005	**4 429**	**3 060**	**0**	**53 121**	**467**	**2 338**	**63 415**

The increase in goodwill results from redemption of minority interest as well as classification of minority interest as a financial asset, which has been valued at fair value.

Emission allowances of Kyro Power Oy

The intangible rights include 194.848 emission allowances received as a grant. The allowances have been measured to their fair value at the acquisition date, the fair value being EUR 22,35 per allowance and in total EUR 4.4 million. The corresponding grant of EUR 4.4 million is included in the other operating expenses. The prior year's unused emission allowances totalled 1.021 their acquisition cost being EUR 0.009 million.

During the year 2006 the company has used 193.335 emission allowances and based on this it has recognised a provision of EUR 4.3 million which has been presented as the use of material and supplies in the income statement. In addition, the company has sold 3.000 emission allowances during the accounting period and purchased 5.000 emission allowances. The gain of EUR 0,08 million on the sales of emission allowances has been presented in the other operating income.

At the balance sheet date the company has 4.525 unused emission allowances, whose market value at 31 December 2006 is EUR 0.03 million.

Capitalised development expenditure

The amortisation period for the capitalised development expenditure has been redefined to better correspond their useful life. The amortisation period has been extended from 3–5 years to 5–7 years depending on the asset item.

The change in the amortisation period had an effect of EUR 0.7 million in the annual period 2006

Impairment testing

The goodwill is tested annually for impairment in accordance with the IFRSs. The goodwill is monitored for impairment at business segment level in the Group.

The impairment test is performed by comparing the recoverable amount of the cash–generating unit to its carrying amount. The recoverable amount of the cash–generating unit has been determined based on discounted future cash flows. The cash flows are based on the management's five–year estimates which take into account only the unit's organic growth. An annual growth rate of two per cent has been used as a long–term growth.

The goodwill has been allocated to Glaston Technologies –segment. Based on the impairment tests the recoverable amount of the segment exceeds the corresponding carrying amounts and therefore the Group has not recognised an impairment loss in respect of goodwill.

The key assumptions used in the impairment test, Glaston Technologies

Net sales growth	ca. 10 %
Change in profitability	improves significantly
Discount rate after tax	8,8 %
Discount rate before tax	11,7 %
Long–term growth	2 %
Allocated goodwill, millions of euro	54,2
Carrying amount, millions of euro	198,9
Result of the impairment test (exceeding the carrying amount)	Exceeds clearly

The changes in the Group's markets, international economy and interest rates reflect to the business units' growth and profitability estimates, as well as the related risk and return requirement.

The assumptions used in the impairment tests are based on the management's view at the balance sheet date for the future periods. The estimates and other assumptions are reviewed constantly and they may change.

Sensitivity analysis regarding the operating margin (2007–2011) and cost of capital:

Change in operating margin (2007–2011)

	Cost of capital				
	–2 %	–1 %	8,76 %	+ 1 %	+2 %
50 %	Exceeding	Exceeding	Exceeding	Exceeding	Exceeding
40 %	Exceeding	Exceeding	Exceeding	Exceeding	Exceeding
30 %	Exceeding	Exceeding	Exceeding	Exceeding	Exceeding
10 %	Exceeding	Exceeding	Exceeding	Exceeding	Exceeding
0 %	Exceeding	Exceeding	Exceeding	Exceeding	Exceeding
–10 %	Exceeding	Exceeding	Exceeding	Exceeding	Exceeding
–20 %	Exceeding	Exceeding	Exceeding	Exceeding	Impairment loss
–30 %	Exceeding	Exceeding	Impairment loss	Impairment loss	Impairment loss
–40 %	Impairment loss	Impairment loss	Impairment loss	Impairment loss	Impairment loss
–50 %	Impairment loss	Impairment loss	Impairment loss	Impairment loss	Impairment loss

Also the unfinished intangible assets have been tested and no demand for an impairment loss has arisen.

Notes to the consolidated financial statements

12. DEFERRED TAXES

	2006	2005
Deferred tax assets		
Tangible assets	327	299
Inventories	794	922
Share–based payments	1 650	1 650
Change in principle of revenue recognition		333
Tax losses carried forward	4 822	4 613
Changes in fair value	56	534
Other temporary differences	53	124
Total	**7 703**	**8 475**
Deferred tax liabilities		
Depreciation differences and other optional provisions	4 088	3 876
Fair value changes	8	6
Other temporary differences	3 222	3 710
Total	**7 319**	**7 592**

An amount of –0.1 million euros has been booked in the income statement and –0.4 million euros directly into equity regarding the change of the deferred taxes.

No tax liability is recognised for the undistributed retained earnings of foreign subsidiaries, because the assets are considered to be invested permanently in these countries or no tax receivables arises from asset transfers to the parent company. The most substantial tax at source liability, EUR 0.8 million (2005 EUR 0.5 million), which has not been recognised on the basis of the above, relates to undistributed retained earnings of US subsidiaries.

The Group has recognised a tax refund of approximately EUR 2 million after having received an affirmative decision according to which the expenses arising from the management incentive scheme of the Group are deductible in taxation. The tax authorities of the Tax Office for Major Corporations have appealed against the decision to the Administrative Court of Helsinki. It is considered in the Group that the earlier decision on the expenditure arising from the incentive arrangement is valid.

13. NON–CURRENT RECEIVABLES

	2006	2005
Trade receivables	2 340	2 103
Loan receivables		750
Other receivables	343	348
Total	**2 683**	**3 201**

Non–current receivables are discounted and interest income recognised by the effective interest rate method.

14. INVENTORIES

	2006	2005
Materials and supplies	11 356	13 463
Work in progress	30 151	32 163
Finished products/goods	13 221	13 927
Total inventories	**54 729**	**59 553**

In the period an expense of EUR 0.4 million was recognised by which the carrying amount of inventories was impaired to correspond with its net realisable value (EUR 0.8 in 2005).

15. CURRENT RECEIVABLES

	2006	2005
Trade receivables	48 667	40 931
Loan receivables	85	384
Other receivables	2 305	1 499
Prepaid expenses and accrued income, income taxes	908	2 561
Other prepaid expenses and accrued income	5 092	3 914
Total	**57 057**	**49 288**

During the period the Group has recognised credit losses EUR 0.5 million (2005 EUR 0.4 million) on its trade receivables.

There are no significant concentrations of credit risk relating to receivables.

The most substantial items of other prepaid expenses and accrued income relate to indirect taxes of EUR 2.0 million (2005 EUR 2.5 million).

16. OTHER FINANCIAL ASSETS

Non–current Available–for–sale financial assets

	2006	2005
Investments in unlisted shares	512	3 365

Kyro Oyj Abp sold all its shares of Pohjolan Voima Oy during the accounting period. The gain on the sales of the shares has been recognised in the other operating income.

Current Financial assets measured at fair value through profit or loss

	2006	2005
Investments in listed shares	80	135

17. CASH AND CASH EQUIVALENTS

	2006	2005
Cash and bank deposits	10 528	11 303
Commercial papers		14 973
	10 528	**26 276**

Cash flow statement cash and cash equivalents correspond to balance sheet cash and cash equivalents.

18. EQUITY

Reconciliation of the number of shares

	Number of shares (1000)	Share capital 1000 EUR	Share premium fund 1000 EUR	Treasury shares 1000 EUR	Total 1000 EUR
1.1.2005	79 350	12 696	25 270		37 966
Held by Group	–330			–950	
31.12.2005	79 020	12 696	25 270	–950	37 966
31.12.2006	79 020	12 696	25 270	–950	37 966

The nominal value of shares is EUR 0.16 per share and the Group's maximum share capital is EUR 16 million. All shares issued have been fully paid.

Treasury shares include the EUR 950.241 acquisition cost of treasury shares held by the Group. The shares were acquired in 2001. The acquisition cost of treasury shares is presented as a reduction in equity.

The translation reserve includes translation differences arising from the translation of foreign entities' financial statements. Also the gains and losses arising from the net investment hedges are included in the translation reserve when the criteria for hedge accounting are met.

The fair value and other reserves include two sub–reserves: fair value reserve for the available–for–sale financial assets and hedging reserve for the changes in fair values of derivative instruments used for cash flow hedges.

Distributable assets totaled 64.746.666 euros.

After the closing date, the Board of Directors has proposed a dividend of EUR 0.09 per share to be distributed.

19. OBLIGATIONS ARISING FROM EMPLOYEE BENEFITS

The Group has statutory defined benefit severance pay schemes in Italy and in Mexico and voluntary defined benefit pension plans in Finland in certain Group companies. Pension expenses are recognised as an expense on the basis of actuarial calculations.

In calculations the amount of employee benefits is determined on the basis of certain factors e.g. salary and years of service.

Finnish voluntary pension plans

	2006	2005
Employee benefit obligation		
Present value of unfunded obligations	201	214
Present value of funded obligations	335	290
Fair value of plan assets	–269	–254
Deficit/surplus	267	250
Unrecognised actuarial gains (+) and losses (–)	–37	–29
Net liability	230	220
Amounts in the balance sheet		
Liabilities	230	220
Receivable		
Net liability	**230**	**220**
Current service cost	109	97
Interest cost	27	26
Expected return on plan assets	–14	–8
Past service cost		–55
Total	122	60
Actual return on plan assets	**7**	**23**

	2006	2005
Changes in the present value of the obligation:		
Defined benefit obligation at 1 Jan	504	420
Current service cost	109	97
Interest cost	27	26
Actuarial gains (–) and losses (+)	1	44
Benefits paid	–28	–28
Past service cost		–55
Settlement	–76	0
Defined benefit obligation at the end	536	504
Movements in fair value of the plan assets		
Fair value of plan assets at 1 Jan	254	105
Expected return on plan assets	14	8
Actuarial gains (–) and losses (+)	–7	15
Contributions by employer	36	153
Benefits paid	–28	–28
Fair value of plan assets at the end of	269	254
The amount the company expects to contribute into its defined pension plans during 2007	**89**	

Information on asset categories is not available

	2006	2005
Principal actuarial assumptions:		
Discount rate	4,50 %	4,50 %
Expected return on plan assets	4,50 %	4,50 %
Expected rate of future salary	3,30 %	3,30 %
Expected rate of future pension	2,10 %	2,10 %
Inflation rate	2,00 %	2,00 %
Five–year overview (as of 1 Jan 2005)		
Present value of the obligation	–536	–504
Fair value of plan assets	269	254
Deficit/surplus	–267	–250
Experience adjustments to plan assets	7	–15
Experience adjustments to plan liabilities		

Italian and Mexican statutory severance pay scheme

	2006	2005
Employee benefit obligation		
Present value of unfunded obligations	6 193	6 346
Losses (–)	–1	
Net liability	6 192	6 346
Amounts in the balance sheet		
Liabilities	6 192	6 346
Receivable		
Net liability	6 192	6 346

Notes to the consolidated financial statements

	2006	2005
The amount recognised in profit or loss		
Current service cost	526	538
Interest cost	222	236
Actuarial gains and losses	0	
Losses/gains on curtailments		223
Past service cost	50	
	798	996

Actual return on plan assets

Changes in the present value of the obligation:		
Defined benefit obligation at 1 Jan	6 346	5 686
Current service cost	649	538
Interest cost	250	236
Actuarial gains (–) and losses (+)	–365	
Past service cost	48	
Gains (–) and losses (+) on curtailments		223
Benefits paid	–736	–336
Obligation at the end of the period	6 193	6 346

The amount the company expects to contribute into its defined pension plans during 2007	**409**	
Discount rate	4,60 %	4,00 %
Assumed future pension increases	3,00 %	3,00 %
Inflation rate	1,90 %	1,90 %

Five–year overview (as of 1 Jan 2005)		
Present value of the obligation	–6 193	–6 346
Fair value of plan assets		
Deficit/surplus	–6 193	–6 346

20. PROVISIONS

	Environmental provision	Guarantee provision	Restructuring	Other provisions
1 Jan 2006	1 418	1 485		326
Increase in provisions	4 321	1 749	1 504	
Used provisions	–1 418	–1 855		
31 Dec 2006	4 321	1 378	1 504	326

Environmental provision

Environmental provision comprise of carbon dioxide emissions for the financial period and it is settled by 30 April annually by reversing a corresponding amount of emission allowances presented in the intangible rights into emission trade register.

Guarantee provision

The Group admits for its machine deliveries a guarantee period of 1 to 2 years. The Group defrays expenses from repairing the defects in the products noticed during the guarantee period. The guarantee provisions are expected to be used during the two next years.

Restructuring programs

During 2006 Kyro started a rationalisation program relating to Glaston Technologies industry.

In July Bavelloni started a program for rationalisation of Italian activities and European network of maintenance and sales offices. Assembly plant in Bergamo, Italy was shut and the program comprised also other changes of processes and activities for increasing the productivity, including personnel arrangements. The amount of personnel decreased by 59 employees.

In the program of Glass Processing Group, the glass processing companies merged into one company and the activities were rationalised. The amount of personnel decreased by 36 employees.

The provisions relating to the restructuring comprise of notice and pension costs EUR 1.3 millions and other costs EUR 0.2 millions.

21. INTEREST–BEARING LIABILITIES

	2006	2005
Non–current		
Other loans	319	747
Finance lease liabilities	539	476
Total	**858**	**1 222**
Current		
Current portion of repayments of loans from financial institutions	**6 990**	**1 535**
Current portion of finance lease liability repayments	**161**	**146**
Other current loans		
Total	**7 151**	**1 681**

Increase in the interest–bearing liabilities is due to financing of working capital of foreign subsidiaries.

Repayments	Loans from financial institutions	Finance lease liabilities	Other loans
2007	6 990	161	
2008		169	288
2009		167	31
2010		147	
2011		54	
2012		2	

Finance lease liabilities		
Total amount of minimum lease payments		
Up to 1 year	212	193
1–5 years	625	571
More than 5 years	2	27
Total	**839**	**791**

	2006	2005
Present value of minimum lease payments		
Up to 1 year	161	146
1–5 years	538	444
More than 5 years	2	31
Total	**700**	**621**
Unaccrued financial expenses	139	170

22. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables	21 882	18 421
Other current liabilities	30 372	46 105
Interest expenses and other financial liabilities	55	207
Salary and social cost allocations	10 338	8 982
Accrued expenses and deferred income, income taxes	2 564	6 851
Other accrued expenses and deferred income	13 074	16 404
Total	**78 284**	**96 971**

Cost provisions for machine deliveries EUR 6.4 million (2005 EUR 5.0 million) are the most substantial items of other accrued expenses and deferred income.

23. RISK MANAGEMENT

Financial risk

The Group's financial risks consist of currency, interest rate and liquidity risks. The principle of the Group is to hedge against the negative impact of risks on the result and balance sheet. The management of currency and counterparty risks relating to transactions is part of Group companies' operational activity. In other respects the Group's financial functions have been centralised in the parent company, which is responsible for bank relations, long-term financing of schemes, investment of assets and the allocation of the Group's internal financing according to the liquidity needs of Group companies.

The Group has no foreign currency loans in Finland. The working capital credit limits of foreign subsidiaries are in the currency of the country in question. Foreign currency positions consist of receivables and liabilities in each currency as well as foreign currency income and expenses based on binding orders. Net positions are hedged mainly with forward contracts up to a maximum of 12 months. Currency rate risk is mainly due to fluctuations between dollar and euro. Net positions by currency vary considerably by company. The position for 2006 has been hedged on average for 4–6 months forward.

In the Group the equity of foreign subsidiaries has not been hedged except for equity hedge of USD 12 million in an US subsidiary.

Liquid assets are invested avoiding risk so that readiness for investment and acquisitions is maintained. The investments are money market deposits and long–term convertible bonds. The parent company's Board of Directors has approved the investment principles and risk limits.

Electricity price risk

The Group company Kyro Power Oy operates in the free electricity market as an independent party and with its power plants it produces electricity, process steam and district heat. Uncertainty relating to the sale and production cost of electricity is managed by the management of Kyro Power Oy according to operating principles approved by Kyro Power's Board of Directors with the aim of ensuring the good profitability of operations. The selling price risk of electricity is managed with long–term electricity supply contracts and electricity derivative contracts. On 31 December 2006 Kyro Power Oy had electricity finance contracts for 80.2 GWh (2005: 239.7 GWh). Kyro Power Oy's sales of electricity in 2006 were 411 GWh (2005: 379 GWh).

24. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Nominal values and fair values of derivate contracts

	2006	2005
Currency derivatives		
Forward contracts		
Nominal value	17 281	14 127
Positive fair value	304	9
Negative fair value	–90	–262
Electricity forwards		
Nominal value	2 987	9 619
Positive fair value	0	4
Negative fair value	–217	–2 060

The fair values of currency forwards are based on the difference between the contract price and the closing date price.

The fair values of electricity forwards are based on the market prices on the closing date.

Other financial assets and liabilities are mainly current. Their balance sheet value is considered essentially to correspond to their fair value.

25. GUARANTEES AND CONTINGENT LIABILITIES ON OWN BEHALF

Mortgages as security for loans		
Loans from financial institutions	17	26
Company mortgages	168	168
Contingent liabilities and liabilities not included in the balance sheet		
Pledges		
On own behalf	2 034	2 308
Repurchase obligations		1 591
Other liabilities	3 539	3 212

A customer of US subsidiary Tamglass Tempering Systems has made a claim of USD 10 millions due to a sale of machine over two years ago. Regarding the Group's opinion, the claim is unfounded.

Notes to the consolidated financial statements

26. RELATED PARTY TRANSACTIONS

GROUP'S PARENT COMPANY AND SUBSIDIARY RELATIONSHIPS	Company's domicile	Group ownership%	Group share of votes %
Parent company Kyro Corporation	Hämeenkyrö		
Kyro Power Oy	Hämeenkyrö	100,0%	100,0%
Uniglass Engineering Oy	Tampere	100,0%	100,0%
Glaston Estonia Oü	Tallinn, Estonia	100,0%	100,0%
Tamglass Ltd. Oy	Tampere	100,0%	100,0%
Tamglass Engineering Ltd. Oy	Tampere	100,0%	100,0%
Tamglass Glass Processing Ltd.	Tampere	100,0%	100,0%
Tamglass EMA Sales Ltd. Oy	Tampere	100,0%	100,0%
Tamglass America, Inc.	Pittsburgh, PA, USA	100,0%	100,0%
Tamglass Tempering Systems, Inc.	Cinnaminson, N.J., USA	100,0%	100,0%
Tamglass-Bavelloni North America (USA) Inc.	Greensboro NC, USA	100,0%	100,0%
Tamglass-Bavelloni Europe (UK) Ltd.	Nottinghamshire, United Kingdom	100,0%	100,0%
Tamglass-Bavelloni Europé (FR) S.A.R.L.	Chassieu, France	99,8%	99,8%
Tamglass-Bavelloni Europe (GE) GmbH	Nürnberg, Germany	100,0%	100,0%
Tamglass Japan, Inc.	Osaka, Japan	100,0%	100,0%
Tamglass Project Development Oy	Tampere	100,0%	100,0%
Tamglass-Bavelloni Singapore Pte. Ltd.	Singapore	100,0%	100,0%
Cattin Machines, S.A.	La Chaux–de–Fonds, Switzerland	100,0%	100,0%
Tamglass South America Ltda.	São Paulo , Brazil	99,0%	100,0%
Tamglass Middle East	Dubai, United Arab Emirates	100,0%	100,0%
Tamglass-Bavelloni (Tianjin) Co. Ltd	Tianjin, China	100,0%	100,0%
Tamglass–Bavelloni (Shanghai) Machinery Trading Co. Ltd.	Shanghai, China	100,0%	100,0%
Tamglass–Bavelloni China	Tianjin, China	100,0%	100,0%
OOO "Tamglass–Bavelloni", Russia	Moscow, Russia	100,0%	100,0%
Glaston Australia Pty Ltd.	Queensland, Australia	100,0%	100,0%
Z. Bavelloni Mexico S.A. de C.V.	Jalisco, Mexico	100,0%	100,0%
Z. Bavelloni Servicios S.A. de C.V.	Jalisco, Mexico	100,0%	100,0%
Z. Bavelloni South América	São Paulo , Brazil	100,0%	100,0%
Glasto Holding BV	Sittard, Netherlands	100,0%	100,0%
Tamglass–Bavelloni Europe (NL) BV	Hoensbroek, Netherlands	100,0%	100,0%
Z. Bavelloni S.p.A.	Bregnano, Italy	100,0%	100,0%
DiaPol S.r.l	Bregnano, Italy	100,0%	100,0%
Kiint. Oy Kauppilaisenkatu 2	Tampere	100,0%	100,0%
Kiint. Oy Alhonmetsä	Tampere	100,0%	100,0%

Management employee benefits	2006	2005
Salaries and employee benefits	3 206	2 849
Share–based payments		2 285
	3 206	5 134
Management salaries and bonuses		
President and CEO Pentti Yliheljo,		
salary	414	386
bonus	386	381
Board of Directors, Total bonuses		
Carl–Johan Numelin	66	51
Christer Sumelius	42	35
Lars Hammarén	27	25
Barbro Koljonen	8	23
Carl–Johan Rosenbröijer	30	23
Heikki Mairinoja	32	26
Klaus Cawén	33	25
Claus von Bonsdorff	19	
Jan Hasselblatt	19	
Andreas Tallberg	24	
Other Group management		
salary	2 031	1 728
bonus	77	147

The option scheme for Tamglass Ltd. Oy's key personnel and Kyro management is a share–based incentive scheme according to the IFRS 2 standard, and will be paid in cash. Share options have been recognised in personnel expenses and in accrued liabilities and deferred income for performance period of the option scheme.

The parent company's President and CEO until 31 Dec 2006 has the right to retire on 55 years of age.

The pensionable age of managers of certain Group companies is 60 or 62 years.

Voluntary pension insurance accruing from Board remuneration has been taken for the members of the Board of Directors of the parent company.

Business transactions and open balances with related parties		
Rental expenses		
Interest expenses	1 402	1 342
Loan receivables	84	84
Deposit	366	
Liabilities to related parties	750	808

The parent company's President and CEO until 31 Dec 2006 has been granted a loan of EUR 84,093.96. The interest rate on the loan is the base rate confirmed by the Ministry of Finance. The liability to the company's management has arisen as a consequence of a company acquisition. The interest rate is on market terms.

In addition, the Group has rented premises as a consequence of an acquisition from companies owned by individuals belonging to the company's management. The rent payable for these premises corresponds with the local level of rents.

27. SHARE–BASED PAYMENTS

Management incentive scheme

The Group operates a management incentive scheme, approved in 2002, which covers key Tamglass personnel and Kyro's management. By the end of 2006, 23,250 A options, with an exercise period of 1 May 2006 to 31 May 2009, and 21,750 B options with an exercise period of 1 May 2007 to 31 May 2009, had been awarded. During the financial period 4.000 A options, totaled EUR 0.5 millions, were paid to three persons. 375 B options expired.

In accordance with a restriction in the incentive scheme, share subscription by exercising the options is possible only with the permission of Kyro Corporation, but the options may be sold to Kyro Corporation during their exercise period at a price which is defined as the difference between the imputed value of the share and the subscription price. Two thirds of the imputed value of the share is based on the results of the Tamglass and Kyro Groups and one third on the development of the Kyro share price. The total value of the options at the time of realisation must not exceed 15% of the Kyro Group's net result starting from 2002.

The incentive scheme is treated as a synthetic option scheme, because the Group can choose whether to make the payment in cash or as instruments on equity terms and the Group's practice has been cash payments.

The the incentive scheme had no impact on expenses of in the current financial year.

The obligation from the incentive scheme in Kyro's balance sheet on 31 December 2006 is a total of EUR 6.1 million.

Kyro Corporation's President and CEO until 31 Dec 2006, Pentti Yliheljo, has been granted 8,000 A series options and 8,000 B series options.

28. ADJUSTMENT TO CASH FLOWS FROM BUSINESS OPERATIONS

	2006	2005
Depreciation	7 318	8 696
Financial items	84	–951
Taxes	–5 475	6 851
Others	–257	3 030
Total	**1 669**	**17 626**

29. OPERATING LEASES

Up to 1 year	2 391	2 439
1 – 5 years	3 382	5 153
More than 5 years	41	12

The 2006 income statement includes rental expenses of EUR 3.6 million (2005: EUR 4.3 million) paid on the basis of operating leases.

Parent company income statement

EUR 1,000	Note	1.1.–31.12.06	1.1.–31.12.05
Net sales		**794**	**967**
Other operating income	1	544	5
Personnel expenses	2	2 068	1 997
Depreciation	3	271	384
Other operating expenses	4	2 641	2 653
Operating profit		**–3 641**	**–4 063**
Net financial income	5	3 162	4 265
Profit before extraordinary items		**–479**	**202**
Extraordinary items	6	11 450	22 500
Profit before appropriations and taxes		**10 971**	**22 702**
Appropriations	7	65	72
Income tax	8	–2 828	–5 773
PROFIT FOR THE FINANCIAL YEAR		**8 209**	**17 000**

Parent company balance sheet

EUR 1,000		Viite	31.12.2006	31.12.2005
Assets	**Fixed assets**			
	Intangible assets	9	294	240
	Tangible assets	9	2 489	4 509
	Investments	10,11	61 571	70 851
	Fixed assets, total		**64 354**	**75 600**
	Current assets			
	Long-term receivables	12	18 915	29 712
	Short-term receivables	12	40 801	19 815
	Cash at bank and in hand		2 890	16 438
	Current assets, total		**62 607**	**65 965**
			126 960	**141 565**
Equity and liabilities	**Shareholders' equity**			
	Share capital	13	12 696	12 696
	Share premium fund	13	25 270	25 270
	Retained earnings	13	56 538	52 943
	Profit for the financial year	13	8 209	17 000
	Shareholders' equity, total		**102 712**	**107 909**
	Accumulated appropriations	14	**13**	**78**
	Liabilities			
	Short-term liabilities	15	24 235	33 578
	Liabilities, total		**24 235**	**33 578**
			126 960	**141 565**

Parent company sources and application of funds

EUR 1,000		2006	2005
Cash flow from business operations	Profit of the financial year	8 209	17 000
	Adjustments:		
	Depreciation according to plan	271	384
	Financial income and expenses	–224	674
	Other adjustments	–6 942	–16 799
	Cash flow before change in working capital	1 314	1 259
	Change in working capital		
	Change in short-term interest-free receivables	2 005	–2 317
	Change in short-term interest-free liabilities	–6 315	–3 525
	Cash flow from business operations before financial items and taxes	–2 996	–4 582
	Interests and payments paid for other financing of business operations		
	Interest paid	–326	–1 056
	Dividends received from business operations	1 235	2 029
	Interest received from business operations	2 477	2 618
	Direct taxes paid	–7 915	–29
	Cash flow from business operations before extraordinary items	–7 525	–1 021
	Cash flow from business operations resulting from extraordinary items	1 000	32 600
	Cash flow from business operations	**–6 525**	**31 579**
Cash flow from investments	Investments in tangible and intangible assets	–382	–196
	Proceeds from the disposal of tangible and intangible assets	2 235	
	Capital refunds received	6 444	
	Profit from sales of other investments	3 201	3
	Cash flow from investments	**11 497**	**–193**
Cash flow from financing	Change in loan receivables	1 050	
	Change in short-term Group receivables	–1 914	–5 985
	Withdrawals of short-term Group loans	–4 234	5 131
	Withdrawals of short-term loans		
	Repayments of short-term loans	0	–15 000
	Dividends paid	–13 421	–5 585
	Other financing activity items		4 600
	Cash flow from financing	**–18 520**	**–16 840**
	Change in cash and equivalents	**–13 548**	**14 546**
	Cash and equivalents at beginning of financial year	16 438	1 891
	Cash and equivalents at end of financial year	2 890	16 438
		–13 548	**14 546**

Accounting principles of parent company

The parent company's financial statements have been prepared according to the Finnish Accounting Act (1997/1336), Accounting Ordinance (1997/1339) and other laws and regulations relating to financial statements.

FOREIGN CURRENCY ITEMS

Receivables and liabilities denominated in foreign currency have been translated into euros at currency rates quoted on the closing date. Translation differences arising from financial activity have been recognised in financial income and expenses.

NET SALES

Net sales includes the Group's income from administration services and rental income.

LEASING

Leasing payments have been treated as rental expenses. Outstanding leasing payments have been presented in the financial statements as liabilities.

VALUATION OF FIXED ASSETS

Fixed assets have been valued in the balance sheet at original acquisition cost less accrued depreciation according to plan. Planned depreciation has been calculated on a straight-line basis over the economic life of the fixed asset items.

Planned depreciation periods for various fixed asset items::

• Intangible rights	5 years
• Other capitalised expenses	5–10 years
• Buildings and structures	10–25 years
• Light machinery and equipment	3–5 years
• IT equipment and systems	3–5 years
• Other tangible assets	5–10 years

OWN SHARES

In consequence of an amendment of the Companies Act, the own shares held by the company are no longer presented in balance sheet fixed assets and in the own shares reserve. The comparison year has been changed accordingly.

List of accounting books used

Day ledger CD
General ledger CD
Cost accounting, as computer lists
Fixed asset accounting, as computer lists
Balance sheet book, as bound book

List of voucher types used

Cash vouchers, as paper receipts
Accounts payable ledger vouchers, as paper receipts/electronic records
Accounts receivable ledger vouchers, as paper receipts
Memo vouchers, as paper receipts

Notes to parent company financial statements

INCOME STATEMENT

1. OTHER OPERATING INCOME

EUR 1.000	2006	2005
Sales revenue from selling fixed	135	
Myyntituotot muista sijoituksista	364	
Other income	46	5
Other operating income, total	**544**	**5**

2. PERSONNEL EXPENSES

Salaries and fees	1 683	1 590
Pension expenses	251	326
Other personnel expenses	134	82
Total	**2 068**	**1 997**
Salaries and remuneration paid to members of the Board and Managing Director	1 098	974

The pension liability of Pentti Yliheljo, who served as the parent company's President & CEO until the end of 2006, has been covered.

The retirement age of the managers of certain Group companies is set at 60–62 years.

The members of the Board are covered by voluntary pension insurance accrued from board membership fees.

The president of the Parent Company has been granted a loan of EUR 84,093. The interest rate charged on the loan is the basic rate confirmed by the Ministery of Finance.

Parent Company employees during financial year, average

Management and administrative personnel	9	7
Total	**9**	**7**

3. DEPRECIATION AND AMORTISATION

Depreciation according to plan		
Intangible assets		
Intangible rights	76	32
Other capitalised expenditures	0	2
Tangible assets		
Buildings and structures	129	298
Machinery and equipment	46	34
Other tangible assets	19	19
Depreciation according to plan, total	**271**	**384**

4. OTHER OPERATING EXPENSES

Fixed assets sales loss		
Rents	144	139
Other expenses	2 497	2 514
Other operating expenses, total	**2 641**	**2 653**

5. NET FINANCIAL ITEMS

	2006	2005
Dividend income		
from Group companies	1 235	1 792
from others	2	271
Dividend income, total	**1 236**	**2 062**
Interest income from long-term investments from Group companies		
Other interest and financial income from		
Group companies	2 138	1 854
from others	336	1 147
Interest income, total	**2 474**	**3 001**
Interest income from long-term investments and other interest and financial income, total	**3 710**	**3 001**
Investment depreciation write downs		
Depreciation on securities carried as current assets		–243
Depreciations total		**–243**
Interest and other financial expenses		
to group companies	–279	–218
to others	–269	–337
Interest expenses, total	**–548**	**–556**
Interest and other financial expenses, total	**–548**	**–798**
Net financial items, total	**3 162**	**4 265**
Other financial income and expenses include foreign exchange gains (net)	–174	53

6. EXTRAORDINARY INCOME

Received Group contributions	11 450	22 500
Extraordinary income and expenses, total	**11 450**	**22 500**

7. FINANCIAL STATEMENT TRANSFERS

Difference between depreciation according to plan and actual depreciation in taxation	–65	–72
Total	**–65**	**–72**

Notes to parent company financial statements

8. INCOME TAXES

	2006	2005
Income tax for extraordianary items	2 977	5 850
Income taxes for actual business operations	–149	–77
Total	**2 828**	**5 773**

9. FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

	Intangible rights	Other capitalised long-term expenses	Total
Intangible assets			
Cost basis 1 January 2006	414	180	594
Increase	130		130
Acquisition cost 31 December 2006	545	180	724
Accrued depreciation 1 January 2005	–175	–179	–354
Depreciation during the fiscal year	–76	0	–76
Accrued depreciation 31December 2005	–250	–180	–430
Book value 31 December 2006	**294**	**0**	**294**
Book value 31 December 2005	240	0	240

	Land and water areas	Buildings	Machinary and equipment	Other tangible assets	Total
Tangible assets					
Acquisition cost 1 January 2006	1 639	3 313	450	425	5 828
Increase		200	51	1	252
Decrease	–106	–2 247	–46		–2 398
Acquisition cost 31 December 2006	1 533	1 266	455	426	3 681
Accumulated depreciation 1 January 2006		–654	–325	–339	–1 319
Accumulated depreciation from deductions and transfers		298	23		321
Depreciation during the fiscal year		–129	–46	–19	–194
Accumulated depreciation 31 December 2006		–485	–349	–358	–1 192
Book value 31 December 2006	**1 533**	**781**	**106**	**68**	**2 489**
Book value 31 December 2005	1 639	2 659	125	86	4 509

10. INVESTMENTS

	Shares, Group companies	Shares, others	Total
Acquisition cost 1 January 2006	67 547	3 303	70 851
Decrease	–6 444	–2 836	–9 280
Acquisition cost 31 December 2006	61 104	467	
Book value 31 December 2006	**61 104**	**467**	**61 571**
Book value 31 December 2005	67 547	3 303	70 851

11. OTHER SHARES AND HOLDINGS OWNED BY THE PARENT COMPANY

	Ownership-%	Number	Nominal value, 1000 EUR	Book value, 1000 EUR
Kyro Power Oy	100.0%	1 505 500	3 011	3 026
Uniglass Engineering Oy	100.0%	20 000	400	6 351
Tamglass Ltd Oy	100.0%	1 800 000	3 600	51 726
				61 104
Other shares and holdings				
Kiinteistö Oy Torikyrö	63.4%	804	0,084	240
Other housing companies				194
Other shares and holdings				33
Total				**467**

12. RECEIVABLES

	2006	2005
Loan receivables		750
		750
Receivables from Group companies		
Loan receivables	18 915	28 962
Long-term receivables, total	**18 915**	**29 712**

Division of accounts receivable into short- and long-term receivables has been adopted by the Group. The corresponding data has been changed accordingly.

	2006	2005
Short-term receivables		
Accounts receivable	3	3
Loan receivables	84	384
Prepaid expenses and accrued income	1 091	1 527
	1 178	1 914
Receivables from Group companies		
Accounts receivable	129	237
Loan receivables	26 653	14 379
Prepaid expenses and accrued income	12 841	3 285
	39 623	17 901
Short-term receivables, total	**40 801**	**19 815**
Prepaid expenses and accrued income		
Personnel expenses	156	5
Interest income	1 385	1 572
Income taxes	528	1 041
Indirect taxes	392	431
Group contribution	11 450	1 000
Others	20	763
Prepaid expenses and accrued income, total	**13 931**	**4 812**

13. SHAREHOLDERS´ EQUITY

	2006	2005
Share capital 1 January	12 696	12 696
Share capital 31 December	12 696	12 696
Share premium account 1 January	25 270	25 270
Share premium account 31 December	25 270	25 270
Retained earnings 1 January	69 943	58 474
Dividends	–13 433	–5 531
Dividends not drawn	28	
Retained earnings 31 December	56 538	52 943
Profit for the financial year	8 209	17 000
Shareholders equity on 31 December	102 712	108 869
Account of distributable funds, 31 December		
Retained earnings	56 538	52 943
Profit for the financial year	8 209	17 000
Distributable funds	64 747	69 943

14. ACCUMULATED APPROPRIATIONS

	2006	2005
Accumulated depreciation difference 1 January	78	150
Increase (+). Decrease (–)		–72
Accumulated depreciation difference 31 December	13	78

Accumulated appropriations in the Parent Company consist of accumulated depreciation difference.

15. SHORT-TERM LIABILITIES

	2006	2005
Loans from financial institutions		
Other liabilities	169	160
Accrued liabilities and deferred income	1 060	7 011
Accounts payable	352	160
Short-term liabilities, total	**1 582**	**7 330**
Liabilities to Group companies		
Accounts payable	97	9
Other liabilities	22 501	26 203
Accrued liabilities and deferred income	55	35
Liabilities to Group companies, total	**22 653**	**26 247**
Short-term liabilities, total	**24 235**	**33 578**
Accrued liabilities and deferred income		
Salary and other periodised personnel	940	922
Interest	19	20
Direct taxes		5 769
Other	156	335
Accrued liabilities and deferred income, total	**1 115**	**7 046**

16. CONTINGENT LIABILITIES

	2006	2005
Contingent liabilities and liabilities not included in the balance sheet		
Leasing liabilities		
With due date in the current financial year	28	7
With a later due date	27	
Total	**55**	**7**

Normal conditions apply to the leasing agreements.

Pledges		
On behalf of Group companies	4 137	4 852
Repurchase obligations		1 591
Other liabilities	10	23

17. VALUES OF THE UNDERLYING INSTRUMENTS OF DERIVATIVE CONTRACTS

Currency derivatives		
Forward agreements		
Market value	7 082	5 001
Positive fair value	94	
Negaitive fair value	–26	–162

Calculation of key ratios

$$\textbf{Equity ratio, \%} = \frac{\text{Equity}}{\text{Balance sheet total – advances received}} \times 100$$

$$\textbf{Gearing, \%} = \frac{\text{Net interest-bearing liabilities}}{\text{Equity}} \times 100$$

Net interest-bearing liabilities = Interest-bearing liabilities – interest-bearing receivables – cash and other liquid financial assets

$$\textbf{Return on equity (ROE)} = \frac{\text{Profit of the period}}{\text{Equity}} \times 100$$

$$\textbf{Return on invested capital (ROI)} = \frac{\text{Profit of the period + interest and other financial expenses}}{\text{Balance sheet total – non-interest bearing liabilities (average)}} \times 100$$

$$\textbf{Earnings per share (EPS)} = \frac{\text{Profit of the period attributable to parent company´s shareholders}}{\text{Average number of shares for period excluding treasury shares}}$$

$$\textbf{Equity per share} = \frac{\text{Equity}}{\text{Number of shares outstanding at the end of period}}$$

$$\textbf{Dividend per share} = \frac{\text{Dividend distribution for the period}}{\text{Number of shares outstanding at the end of period}}$$

$$\textbf{Dividend-to-earnings ratio, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

$$\textbf{Effective dividend yield} = \frac{\text{Dividend per share}}{\text{Share price at the end of period}} \times 100$$

$$\textbf{Price/earning (P/E) ratio} = \frac{\text{Share price at the end of period}}{\text{Earnings per share}}$$

Market capitalisation = Total number of shares x share price at the end of period.

Board's proposal to the annual general meeting

According to the consolidated balance sheet on 31 Dec 2006, equity amounts to EUR 64,746,666 of which distributable assets amount to EUR 64,746,666.

On 6 February 2007, dividend-entitling shares numbered 79,020,096.

The Board proposed to the Annual General Meeting a dividend of EUR 0.09 per share, that is, a total of EUR 7,111,809.32. This leaves EUR 57,634,857 of unused profit funds at the Parent Company

No substantial changes in the company's financial position have taken place after the closing date. The company's liquidity is good, and in the view of the Board of Directors the proposed dividend distribution does not threaten the company's solvency.

Helsinki 6 February 2007

Carl-Johan Numelin	Christer Sumelius
Lars Hammarén	Carl-Johan Rosenbröijer
Heikki Mairinoja	Klaus Cawén
Claus von Bonsdorff	Jan Hasselblatt
Andreas Tallberg	

Mika Seitovirta, President

The preceding financial statements have been prepared in accordance with Finnish Standards of Auditing. A separate Auditor´s Report concerning the performed auditing has been submitted today.

Helsinki, 6 February 2007

KPMG Oy Ab
Sixten Nyman, APA

Auditors' report

TO THE SHAREHOLDERS OF KYRO CORPORATION

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Kyro Corporation for the period 1.1. – 31.12.2006. The Board of Directors and the President and Chief Executive Officer have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the President and Chief Executive Officer of the parent company have complied with the rules of the Companies Act.

CONSOLIDATED FINANCIAL STATEMENTS

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

PARENT COMPANY'S FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and Chief Executive Officer of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki 6 February 2007

KPMG Oy Ab
Sixten Nyman
Authorized Public Accountant

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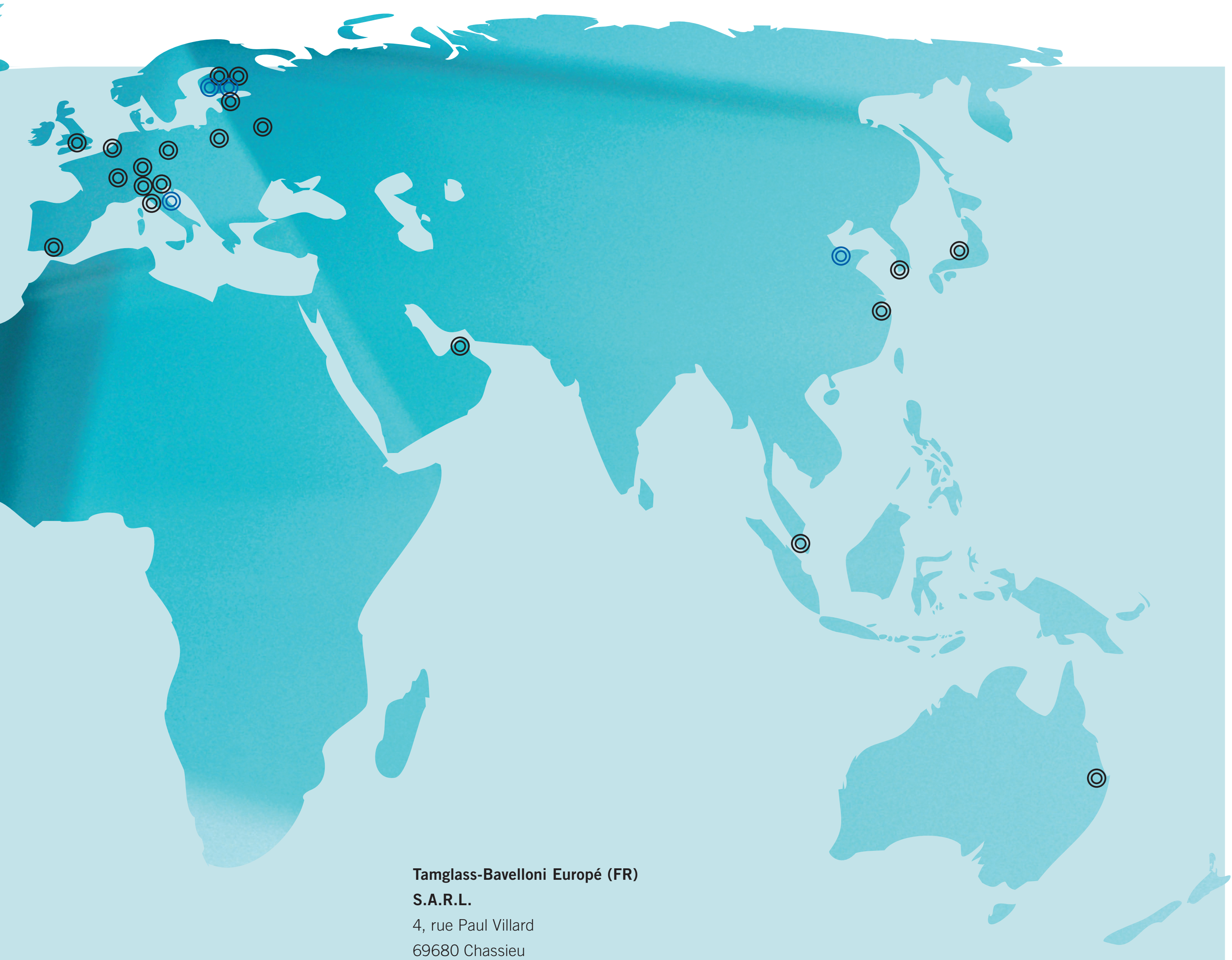

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