KCI KONECRANES

KCI KONECRANES INTERNATIONAL ANNUAL REPORT 1996

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KCI KONECRANES IN BRIEF

(MFIM)	1996	1995
Order intake 1)	2,672.2	1,919.8
Order book	1,046.3	630.3
Sales outside Finland	2,072.2	1,930.8
Export from Finland	702.5	865.8
Net sales	2,450.9	2,182.6
Operating income	207.7	141.2
Income before taxes	208.2	135.3
Net income	139.0	95.0
Earnings per share (FIM)	9.26	6.33
Shareholders' equity	549.1	438.9
Equity per share (FIM)	36.61	29.26
Balance sheet	1,423.6	1,217.6
Personnel on average	3,351	3,042

1) excluding Service Contract Base

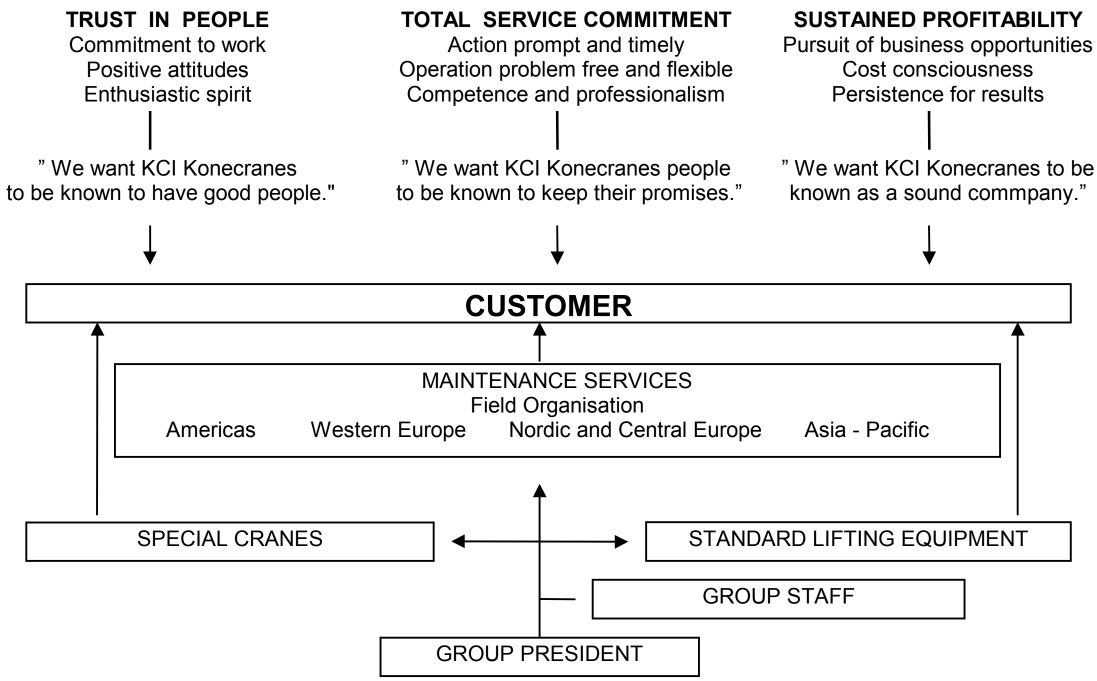
Main currency exchange rates at consolidation in FIM
1 USD = 4.6439
1 DEM = 2.9880
1 GBP = 7.8690
1 FRF = 0.8862
1 SGD = 3.3183
1 SEK = 0.6748

KCI KONECRANES COMPANY VALUES AND ORGANISATION

KCI Konecranes is a widespread group operating in a number of countries. Our personnel repre-sents a multitude of cultures, speaks a large number of different languages, and belongs to different religions.

Nevertheless, our customer has the right to expect consistent, impeccable service of high standards wherever, whenever he meets us. For underlining unity, we have written down a set of common values that link together all members in our large community.

COMPANY VALUES



KCI KONECRANES BUSINESS ORGANISATION

DEAR SHAREHOLDER

During 1996 KCI Konecranes passed an important milestone. Our shares started trading on the Helsinki Stock Exchange on March 27.

From its very start our share has outperformed index. The price increase since the Initial Public Offering at 68.00 FIM/share to year-end at FIM 145/share has been 113%, or since commencing of trade at 83.00 FIM/share 75%.

In July, after a Secondary Offering, Industri Kapital substantially exited its ownership of the company. Industri Kapital is the investment consortium which facilitated the buyout from KONE Corporation in 1994.

I take this opportunity of expressing my deep appreciation for the experts in and the decision makers behind Industri Kapital. In 1994 they realized the potential embedded in KONE Cranes, then a division of KONE Corporation. Having built cranes since 1933 the business had not had a balance sheet of its own, and was not then trading as a separate legal entity. Its business was in the midst of a thorough restructuring. In 1994, after a profound analysis, Industri Kapital made its largest ever investment into the buyout of what later became known as KCI Konecranes International Corporation. Only 23 months later the domestic and international investor community endorsed Industri Kapital's judgment, received KCI Konecranes with acclaim and included it in the group of Helsinki's blue chip companies from the very start. A new large international company continued to be based in Finland.

We in the company are deeply impressed by Industri Kapital's professionalism. We are equally thankful for their undivided support through our first years as an independent company.

In 1996 the Group's business made good progress in all sectors. The net profit after tax grew with 46.2%, Group Sales increased with 12.3%. Return on capital employed was 36.3%. Orders intake increased in Special Cranes with 88.3%. For the total Group, orders received increased with 39.2%. Also the number of Cranes under maintenance agreement exceeded 90.000.

The total number of persons employed in the Group grew with 368 persons or 11.6%. Part of the growth came through acquisitions. Growth in personnel is stronger than total sales growth in real terms (8.3%) reflecting the increasing share of the Maintenance Services business of the Group's total.

Let me extend a warm "welcome to KCI Konecranes" to all new employees who joined us.

In 1996 the Group made several acquisitions, all very much in line with its acquisition strategy. The Group acquired Matman of France, Theo-Tello- Busch of California, USA, All Crane Parts and Service of Alberta, Canada and Orley Meyer of Wisconsin, USA. Although not large in size, all those companies will add to the Group's Maintenance Services business in increasing the service base and by adding a good number of skilled service personnel. Matman and Orley Meyer will also contribute to growth in Standard Lifting Equipment.

CGP-KONÉ, now a 100% owned subsidiary and renamed CGP-Konecranes will be restructured in accordance with Group policy: its Maintenance Services operations will be transferred to Matman (in the future Matman Konecranes) and the Special Cranes activity will be integrated into the Group's global special cranes organization. The integration process will require certain restructuring, but CGP-Konecranes will undoubtedly benefit from Group joint policies in technology, components and sourcing.

In Germany the Group agreed to acquire the Standard Lifting Equipment Operations of MAN GHH Logistics GmbH, now MAN SWF Krantechnik GmbH. By introducing its manufacturing technology and design expertise under the ScaleTech policy, the Group believes it can quickly improve the profitability of the acquired company. The company will operate as an independent subsidiary, and continue the proud traditions of the famous SWF brand in the market place. Much of our commercial success is related to our innovative product design and spearhead R&D. The Group continues its R&D spending at accelerated levels.

In Maintenance Services our field technicians' personal performance is our "product". During the year we advanced training of our technicians in several ways. The Tech-Train multinational training program was fully introduced. Our industrial school, the Konecranes Institute, also started operations.

As part of our R & D efforts, higher education is supported. In co-operation with Tampere Technical University and Häme Polytechnic, we restarted our M.Sc. and B.Sc. program for our top level engineers. We have run a similar program once before, in 1991 - 1995, with a total success.

KCI Konecranes' future looks good. With the refocusing of Special Cranes now behind us, we can expect consistent good organic sales growth in all business areas.

The equipment sales growth (Special Cranes and Standard Lifting Equipment) will be particularly strong in the Asia-Pacific region. We see signs of increasing business also in Central Europe. In Western Europe and the US, equipment markets are mature. However, our Maintenance Services activities operate here in a true growth environment. Our market presence through Maintenance Services helps us achieve better-than-market growth also in equipment sales. Yet, that growth is lower than in Asia-Pacific.

In the Nordic countries we expect a slower market.

Earnings are likely to expand, however, costs relating to integrating acquired companies as well as training costs within Maintenance Services keep margin gains low.

In 1996 Special Cranes gave record margins as we successfully completed tails of many large project jobs. The margins were further boosted by high income from royalty payments. The new focus gives improved business continuity and a lower risk profile. The margins as a percentage will be lower in 1997.

In all 1996 was a remarkable year for KCI Konecranes. We achieved our target of becoming a major, globally recognized company within our business, and a respected first class public company.

Our customers showed their appreciation by sending new orders to new heights. Our earnings continued to grow rapidly. We invested in people and products, and we expanded our capacity. We are set for future growth, both in sales and earnings.

I owe a deeply felt thank-you-very-much to all the employees of KCI Konecranes who made this possible.

Stig Gustavson, President and CEO

SHARES AND SHAREHOLDERS

Shares and Voting Rights

At the Annual General Meeting on February 29, 1996, shareholders decided to reduce the par value of KCI Konecranes International Corporation's shares from FIM 40 to FIM 8 through a 5 for 1 stock split. The split was effected on March 15, 1996. Shareholders also merged shares of class A and class B into one single class of ordinary shares. After the split the number of shares has been 15,000,000.

Each share is entitled to one vote.

The minimum share capital stipulated in the Articles of Association is FIM 100 million and the authorized share capital FIM 400 million. The share capital may be increased or reduced within these limits without amending the Articles of Association. On December 31, 1996 the share capital fully paid and reported in the trade register was FIM 120 million and the number of votes totalled 15,000,000.

Dividend Policy

KCI Konecranes has no confirmed dividend policy. In Finland the company shareholders make the decisions on dividend payment. Shareholding in the company changed completely in 1996.

When proposing one third of the net profit to be paid as dividend for 1995 the Board recognized that it set guidelines for future dividend payments.

Taxable Value in Finland

For the 1996 taxation the share is valued at 100 FIM by the Finnish authorities.

Convertible Bonds and Bonds with Warrants

The company has no outstanding bonds or bonds with warrants.

Authorizations

At the end of 1996, the Board of Directors had no unused authorization to issue shares, convertible bonds or bonds with warrants.

Listing and Turnover on Stock Exchange

KCI Konecranes' shares, symbol KCI1V, have been listed on the Helsinki Stock Exchange since March 27, 1996. The shares are also traded in London on SEAQ International since March 19, 1996. In an international offering preceding the listing the original shareholders, comprising of an investor consortium led by Industri Kapital 1994 Fund and the company top management, divested 8 million shares representing 53.3% of the outstanding 15 million shares. The share was priced at FIM 68 on March 18, 1996, when the offering closed. Trading on the Helsinki Stock Exchange commenced on March 27, 1996 at FIM 83.

In a second international offering in July the investor consortium sold a further 4.1 million shares priced at FIM 115 per share. This amount represented 27.3% of the outstanding shares. The consortium agreement was terminated after the offering.

The selling restriction for the consortium which sold shares in the initial offering, closed on September 18, 1996.

Since then, only the shares owned by the top management, 6.9% of the outstanding shares on December 31, 1996, have been subject to a selling restriction, which expires on March 18, 1997. The 1996 closing price of KCI Konecranes' shares was FIM 145. The highest price in 1996 was FIM 148, the average price was FIM 100,21 and the lowest price was FIM 81. The company share traded on the Helsinki Stock Exchange for a good nine months (since March 27, 1996) and the exchange totalled 9,254,646 shares with a total worth of FIM 927.4 million. In consequence of the good trading the share has been chosen to be one of the shares constituting the FOX-index for 25 most traded stocks in the Helsinki Stock Exchange.

At the end of the year the market capitalization of KCI Konecranes was FIM 2,175 million. Earnings per share was FIM 9,26 and shareholders' equity per share FIM 36,61.

Share Ownership
KCI Konecranes now has approx. 800 shareholders, including large international institutions. A good number of the shareholders are private persons. No single shareholder holds over 10% of the stock. The geographical spread covers Scandinavia, the UK and the US, with some significant holdings outside this area too.

Because of the successful international offerings the non-Finland held stake of KCI Konecranes' share capital was a high 81.89% at year end. The foreign held stake of the market cap. of FIM 2,175 million therefore had a value of FIM 1,781 million. KCI Konecranes' stock has the tenth largest foreignheld market capitalization among bookentry companies on the Helsinki Stock Exchange. In December 31, 1996 the percentage of shares registered in the name of a nominee was 80.97%. For further information about ownership see pages 31-32.

MAINTENANCE SERVICES

BUSINESS
The crane business in the Western Economies is often described as a mature industry. This is of course very true. In Europe and the US, investment in creating new industrial structure, the prime customer for new cranes, is at its best related to growth in GNP.

The crane maintenance business, however, is a relatively new business. It is still in its early stages of development. We do not argue, that cranes have not been maintained before. Our point is that crane maintenance as a professionally run expert business does not have a long history.

We have identified several driving forces for the obvious growth in this business. The number one force is the never-ending need for the crane users to lower their costs.

KCI Konecranes' approach to crane maintenance focuses on prevention and prediction, rather than on repairing when a failure has occurred. This approach gives our clients and us a great cost advantage. Our customers will experience that unexpected downtime and other surprises due to the cranes will be reduced to a minimum. Both overall maintenance costs and costs due to lost production will be reduced. For us, when we perform service work, it is normally a planned activity: the serviceman carries with him the right tools, the right spare parts, the correct technical documents. The serviceman himself is chosen based on his skills for the job and not based on whoever happens to be available. This all amounts to efficiency, and further to cost advantage.

The number two driving force is technical competence. For KCI Konecranes, as one of the bigger cranemakers in the world and the biggest in industrial process cranes, it has not been difficult to convince potential customers of our competence. And of course: a service base of over 90.000 cranes under contract provides continuous feedback on potential problems and good solutions. The number three driving force is legislation. We see many lawmakers introducing more and more rigorous rules on safety, increasing complexity but also the potential liability risk for the operator. As a professional expert organization KCI Konecranes' service organization offers a tool to handle that liability.

In 1996 we experienced good growth in this business area. Growth was limited only by our own capability of training sufficient amounts of service technicians. Because of considerations described above, KCI Konecranes cannot take the risk of sending an inadequately educated technician on to a job.

We have now established training centers in all of our regions. At headquarters we started the Konecranes Crane Institute for technical training. A Bachelor and Masters level postgraduate program was started for KCI Konecranes' engineers as well.

PERFORMANCE 1996
Both sales and orders increased consider-ably during the year 1996: The Field Services - best described by the number of cranes with annual maintenance contracts -exceeded the limit of 90.000 cranes. The business volume of modernizations of old equipment increased also. The total increase in sales of Maintenance Services, at fixed exchange rates was 22.3% and in orders 20.8% (13.8% in sales and 12.7% in orders in 1995). The order number does not include the value of renewed annual maintenance contracts. The margin stayed a little under the level of 1995 because of expenses relating to fast growth. In absolute terms the operating margin

increased to FIM 95.2 million (FIM 82.1 million 1995). The achievements of 1996 confirm that Maintenance Services, with KCI Konecranes' unique approach, will offer continuous growth opportunities in business volume and operating income in the years to come.

STANDARD LIFTING EQUIPMENT

BUSINESS
Fragmented, low-tech, no-growth, competed are some of the attributes associated with the operative environment for the Standard Lifting Equipment business. This is true, but not in all parts of the world.

There are areas, not mere pockets, where the market is buoyant with ample growth opportunities.

Our presence in SE Asia, the region we call Asia-Pacific, was established already over 10 years ago. Today, we are present with our own personnel in most of the SE Asian countries. We have a regional headquarters in Singapore run by a Group Executive Vice President. In Asia-Pacific we have cranebuilding and a component and logistics center. Our local crane sales, engineering and service centers further estab-lish our presence in the market.

In 1996, our Asia-Pacific operations continued its long track record of good growth in order intake.

In Europe and the US we also achieved growth rates greater than market growth. Our means of achieving this are old and straight forward: cost leadership and quality products. KCI Konecranes has been early to apply the modern design platform thinking, first used in the automotive industry, in the lifting gear industry.

In 1996, yet another famous brand, the German SWF joined our group of brands. We have now four major brands: Verlinde, R&M, SWF and Konecranes. Each brand enjoys full independence in its market. Also the product lines are clearly differentiated. In production and material purchases we apply a global scale thinking. Even more important is the heavy expenditure in R&D and engineering. By sharing those costs between all brands we have achieved significant cost advantages.

Sales increase has put pressure on capacity extension. In 1995, we extended the factory in Vernouillet, France. We have concentrated all chain hoist activities tothis location. In 1996, we started a similar program for our Springfield, Ohio, USA operations. The new facility will become operative during 1997. Production restructuring at SWF in Heilbronn, Germany along group principles will take some time. At completion, the Heilbronn facility will further enhance our capacity. R&D efforts are expanded. General Overhaul Packages, Modernization Kits and Upgrade Packages form a novel target area for our R&D function. Here, our wide production base in Standard Lifting Equipment together with our large presence in the Maintenance Services market constitute an interesting combination of business opportunities.

PERFORMANCE 1996
The Standard Lifting Equipment business area reached its growth and profitability targets in a mature market with tough competition. Growth in new orders indicates that expansion will continue. The growth numbers exceeded market growth. Sales was up 11.4% (17.5% in 1995) and orders correspondingly 11.1% (16.8% 1995) at fixed exchange rates.

In Standard Lifting Equipment earnings improvement is based on cost savings and improved absorption of fixed costs. The operating income of the business area increased to FIM 97.2 million (FIM 74.9 million 1995).

The savings projects are part of a groupwide longer term Strategic Initiative. Business volume increase is going to be boosted by the acquisition of MAN SWF Krantechnik GmbH. Growth and margin improvement potential together indicate a positive longer term development for the Standard Lifting Equipment Business Area.

SPECIAL CRANES

BUSINESS

KCI Konecranes Special Cranes Business Area consists of two different activities. On one hand we have the harbour and shipyard crane activity, a. k. a. Konecranes VLC (Very Large Cranes) and on the other the Industrial Cranes activity.

Konecranes VLC is a typical vendor engineering business. Emphasis is given to design and engineering. Manufacturing is contracted to suppliers. Some of them are other units within the KCI Konecranes Group.

The typical VLC jobs are large and span over several years from order to final acceptance of delivery. Earnings are stated conservatively, with enough reserves to cover for any unforeseen problems at the tail end of each project.

Konecranes VLC has been a very successful project organization. Projects invariably have finished better-than-budget, triggering unused reserves as extra earnings at completion of each project.

In 1996 projects completed outnumbered projects started. Accounting therefore triggered extra earnings. These extra earnings will not reappear in 1997 as the number of started projects increase.

The second part of Special Cranes is Industrial Cranes for process use. In this business KCI Konecranes is a true global leader. Lower value added steel fabrication plays a comparatively smaller part in this business.

One part of our strategy of decreasing our dependence on steel fabrication in VLC has been to increase the business within Industrial Cranes.

Policy implementation was successful in 1996. Margins in industrial cranes are somewhat lower. Margins are, however, sustainable and the business in its entirety is less volatile.

In Industrial Cranes KCI Konecranes has developed a strong presence in a number of customer industries. Here reference is made to the orders list included in this report on page 12 - 13.

PERFORMANCE 1996

Over a number of years, the Special Cranes Area has shown large variations in business volume. Results 1996 indicate clearly that we are able to generate margin expansion also in times of decreasing sales. In 1996, the operating income increased from FIM 73.6 million to FIM 95.7 million. As a percentage the increase was dramatic, from 10.8% to 15.7%.

This was achieved by concentrating business to high value-added products, chargeable services and engineering.

Also, in 1996 margins were supported by royalty income, the continuity of which is not under our control. In 1996 completed large jobs also invariably showed a positive variation at finish, again increasing the margin.

Order intake in 1996 was very strong, but, again, swings are typical for this business area. Orders totalled FIM 930.1 million, up 81.3% at fixed rates from the 1995 figure. In 1995 there was a 32.8% decrease in orders. Sales in 1996 decreased to FIM 609.4 million corresponding to 12.7%. The resulting good order backlog will transform itself into a strong sales growth in 1997.

For Special Cranes the company foresees a steady development. Orders on hand at this moment contain a certain amount of steel fabrication work. The extraordinarily high margin percentage is not expected to continue into 1997.

YEAR 1996 IN REVIEW

COMPANY RELEASES

25 January, 1996

Preliminary report on good results of 1995. Profit before taxes and allocations reached FIM 132 million and net income was FIM 95 million. Maintenance Services grew its maintenance contract base with 24%.

25 January, 1996

KCI Konecranes intends to apply for a listing of its shares on the Helsinki Stock Exchange. Prior to the listing the shareholders will divest part of their holdings in an international offering. Merrill Lynch and Enskilda Securities have been appointed joint global coordinators and Prospectus Ltd/Merita Bank Ltd as Finnish lead manager.

21 February, 1996

1995 final results. Sales totalled FIM 2,182 million, profit before taxes and allocation reached FIM 135 million. The Board of Directors propose a total dividend of FIM 30 million to be paid. Return on Investment reached 28.1 %.

29 February, 1996

In the Annual General Meeting the financial statements and the Board's proposal for the dividend payment were accepted and the members of the Board of Directors and the Managing Director were discharged from liability. The nominal value of the share was changed from FIM 40 to FIM 8, which brought the total number of shares up to 15,000,000. In addition, shares of class A and class B were merged into one single class of ordinary shares. Mr Juha Rantanen, CEO of Borealis A/S, was appointed Member of the Board of Directors; no other changes in the Board.

1 March, 1996

In the U.S. KCI Konecranes has acquired the Orley Meyer-division from Manitowoc Company Inc. Orley Meyer has operated since 1944 and it manufactures industrial standard and special cranes. Annual sales is over USD 5 million and the number of employees is 35.

4 March, 1996

The international offering of KCI Konecranes shares is launched on March 4, 1996. The main shareholders, comprising of the investor consortium led by Industri Kapital and the Management of the Company offer 7.2 million shares. In addition, the shareholders have granted the Joint Global Coordinators an over-allotment option to purchase up to 0.8 million additional shares. The indicative price range is from FIM 57 to FIM 68 per share.

19 March, 1996

The offering completed on March 18, 1996 and the demand exceed the supply several times over. The share was priced at FIM 68.

21 March, 1996

The Helsinki Stock Exchange decided to list the shares of KCI Konecranes. The trading will commence on March 27, 1996. The underwriters of the offering have exercised their over-allotment option and the number of sold shares totalled 8 million, representing 53.3% of company shares. Trading on SEAQ International commenced on March 19,1996.

3 April, 1996

KCI Konecranes has agreed on co-operation with the Von Roll Group of Switzerland, which specializes in the field of waste processing and recycling. Von Roll, which supplies waste-to-energy plants worldwide, has selected KCI Konecranes as its crane supplier.

29 May, 1996
Interim report January - April 1996. Sales was FIM 746 million and growth was 18.8% compared to the previous year. Income before taxes was FIM 36.1 million. Order intake grew 31.6%. In addition to Orley-Meyer two other companies were acquired: Theo-Tello-Busch of California, USA and Matman of France.

1 July, 1996
A group of investors led by Industri Kapital intends to sell up to 4.1 million shares in KCI Konecranes. Merrill Lynch and Enskilda Securities are joint lead-managers of this offering.

12 July, 1996
A group of investors led by Industri Kapital have placed 3,654,235 shares and granted the joint lead managers an over-allotment option of up to 450,000 shares, exercisable within 30 days. The shares are priced at FIM 115 per share.

24 July, 1996
The settlement of 3,654,235 shares took place on 19 July, 1996 and the settlement of an additional 450,000 shares is expected to take place on 26 July, 1996.

5 August, 1996
Industri Kapital announced that the consortium's total ownership in KCI Konecranes had fallen to 9.57%.

26 September, 1996
Interim report January - August 1996: Sales increased with 8.9% compared to the corresponding period in the previous year and was FIM 1,453 million. Income before taxes was FIM 91.9 million and order intake grew with 32.6% to FIM 1,727 million. In the U.S. KCI Konecranes broke ground for a new plant for component manufacturing. Konecranes Poland had become operative in June. The arrival was clearly visible in Warsaw.

16 October, 1996
KCI Konecranes signed a USD 100 million Syndicated Credit Facility arranged by Enskilda and Merita Bank.

18 October, 1996
In a joint project with Vaasa Control Ltd of Finland KCI Konecranes has developed a new inverter for demanding crane use.

23 October, 1996
KCI Konecranes has acquired 100 percent ownership in its French Joint Venture company CGP-KONÉ S.A. GEC Alsthom Group sold its 50 percent share in the company on October 22, 1996. CGP-KONÉ S.A.:s turnover exceeded FRF 100 million in 1995. The company manufactures and sells heavy industrial cranes, standard electric overhead travelling cranes and maintenance services. The number of employees is approximately 100.

23 October, 1996
KCI Konecranes agreed on an extensive post graduate training program for its employees with the Tampere University of Technology and the Häme Polytechnic.

4 November, 1996
In Canada KCI Konecranes has acquired All Crane Parts & Service Ltd. The company has sales of CAD 1 million and employs 11 people.

11 November, 1996
KCI Konecranes will acquire the standard lifting equipment business from German MAN GHH Logistics GmbH. An acquisition vehicle, MAN SWF Krantechnik GmbH created for this purpose will take over the operations. Sales for the new company will be approximately DEM 50 million/year. KCI Konecranes will take 60% ownership in the company on January 1, 1997 and the rest after three years. The company manufactures hoists under the SWF brand.

17 December, 1996
KCI Konecranes will open a representative office in Shanghai, China in the beginning of 1997. The main emphasis will be electric overhead travelling cranes for the steel and power industries and cranes for ports, terminals and shipyards.

20 December, 1996
Appointments in KCI Konecranes: Mr. Markku Leinonen was appointed Managing Director, Region Asia-Pacific, as of January 1, 1997. Mr. Harry Ollila was appointed Managing Director, Region Nordic and Central Europe, as of March 1, 1997. All Regional Managing Directors are also Group Executive Vice Presidents. Mr. Mikko Uhari was appointed Managing Director, Konecranes VLC Corp.. He will join the Group later in the spring 1997. Mr. Charles Vanarsdall was appointed into a new position as Director within the Standard Lifting Equipment Group (hoists under the brands R&M, Verlinde and SWF) as of January 1, 1997. Mr. Vanarsdall will also continue in his capacity of Managing Director, Region Americas. Mr. Tom Sothard was appointed Vice President, Region Americas, as of January 1, 1997.

IMPORTANT CONTRACTS

The major part of the group order flow in Maintenance Services and Standard Lifting Equipment consists mainly of a great number of smaller orders.

This list of important contracts relates mainly to Special Cranes.

☐ For a papermill in Indonesia (Pinto Deli) KCI Konecranes is building a large paper roll storage including handling devices and full automation.

☐ For Mitsubishi Heavy Industries, the Japanese contractor, KCI Konecranes will build a set of waste-to-energy cranes for a project in Thailand, KCI Konecranes' first of this kind to this part of the world.

☐ Gulftainer Co. from the United Arab Emirates ordered two RTG-container cranes of KCI Konecranes' new design.

☐ The Asian steel industry investments are still buoyant:

☐ The Group received two large orders for coil handling cranes, BHP Thailand and NSPM Thailand both bought ten 15-50 t process cranes.

☐ The Siam United Steel Co. ordered 31 SM and XL cranes for coil handling in their new mill in the Rayong Province in Thailand.

☐ Megasteel Sdn Bhd in Malaysia ordered 18 cranes for a new hot strip mill in Malaysia. The order includes four 280 t heavy duty cranes.

☐ In Great Britain KCI Konecranes' British maintenance services company Lloyds British achieved a breakthrough by winning its first big complete annual service contract for process duty cranes. The contract was awarded by British Steel's Shotton works.

☐ Rolls Royce Canada Ltd. ordered 17 standard cranes to be used in aircraft engine assembly and service. The cranes will be equipped with the latest lifting and travelling control technology for smooth and precise operation.

☐ Two big grab cranes for coal handling were ordered to Fuzou in China.

Important Modernization Orders

☐ For a steelmill (Rautaruukki Raahe) in Finland seven large process cranes were rebuilt including state-of-the-art control equipment.

☐ A conversion of a container handling crane into a bulk unloader in Malaysia.

☐ Completely new controls for all motions, new festoon and positioning systems for a 120 t turbine hall crane in the UK.

☐ A modernization project including capacity increase and semi-automated control on four steel mill cranes in Turkey.

☐ A conversion of the power supply system on three 50 t cranes for Hyundai Motor Co.

BOARD'S REPORT

GENERAL

In 1996 KCI Konecranes International Corporation became a listed company. In two offerings, in March and in July, a total of 12 million shares were sold to the public and international investors and, since March 27, 1996 the company has been listed on the Helsinki Stock Exchange. Even more important, the company achieved its financial targets with strong growth and profitability.

SALES

Group sales increased to FIM 2,450.9 million showing a 12.3% growth from FIM 2,182.6 million in 1995. The growth was 8.3% when consolidated at fixed exchange rates. While sales in Special Cranes decreased, other business areas grew rapidly. The fastest growth was achieved in Maintenance Services, 29.5% (22.3% at fixed rates). Sales increased steadily in all market areas except in Asia-Pacific where big new orders are not to be delivered until 1997 and 1998.

PROFITABILITY

Income after financial items was FIM 208.2 million (135.3 million 1995), up 53.9% from 1995. Net income was FIM 139.0 million, up 46.2% from FIM 95.0 million in 1995. All business areas increased their contribution to Group income. The highest margin improvement came from Special Cranes. Both return on capital employed and return on equity developed well in line with long term targets. Return on capital employed was 36.3% (28.1% 1995) and return on equity 28.1% (23.9% 1995).

BALANCE SHEET AND FINANCING

Cash flow from Group profit was used for dividends (FIM 30.0), acquisitions and working capital needs following growth in business volume and in order backlog. Net borrowings was still a nominal FIM 44.4 million, resulting in a gearing ratio of 8.1%. The Group negotiated a new unsecured global 5-year loan facility at the level of USD 100 million (FIM 470.0 million) with immediate draw-down and with competitive terms and standard covenants. In addition to that the Group has access to short term overdraft facilities of appr. FIM 100.0 million. The financial income net was +0.4 million (-5.8 million) due to lower average borrowings during the year. The solidity based on the FIM 1,423.6 million (FIM 1,217.6 million 1995) Balance Sheet was 41.7% (40.0% 1995).

CURRENCIES

The Group continued its policy of hedging the transactional risks in revenue and costs on a one year basis or in cases when the backlog is over a year, through the whole duration of the backlog. Equities in subsidiaries have been hedged and any remaining translational differences have been booked directly against equity.

Changes in exchange rates also have translational effects on the Group´s revenues and profits. The effects on revenues have been described above when comparing 1996 to 1995 in sales and orders. The effects of changes in exchange rates on group profits were minimal.

R&D AND TRAINING

Electronics and computer control were in focus during the year. A number of products with new generation inverter drives were launched and delivered to the market. The Group´s research and development costs totalled FIM 40.8 million on an annual basis.

Training programs were expanded and regional training centers were established. For higher level engineering skills a new university program was established. Direct and indirect training costs are substantial in KCI Konecranes' business operations, especially in Maintenance Services and in high-tech equipment development. Those costs together are at the level of the R&D costs.

INVESTMENTS

Investments in 1996 - excluding investments into fixed assets of acquired companies - were FIM 55.1 million (FIM 44.4 million 1995). The American component factory and office center project was started in 1996 and will increase the investments in 1997. Depreciations were FIM 56.3 million in 1996 (FIM 55.3 million 1995).

GROUP STRUCTURE

Several acquisitions were finalised during the year. Targeted mainly for Maintenance Services three businesses were acquired in North America, i.e. Orley Meyer and Theo-Tello-Busch in the U.S. and All Crane Parts & Service Ltd. in Canada. In France MATMAN S.A. was acquired in the beginning of the year. Together with CGP-KONÉ´s service operations it will form an adequate base for maintenance services expansion. The outstanding 50% of the shares in CGP-KONÉ, now renamed CGP-Konecranes, were acquired in late 1996. CGP-Konecranes will concentrate on industrial cranes as part of the Special Cranes Business Area.

In November the Group agreed to buy 60% of the German company MAN GHH Logistics´ hoist and crane activities, known as SWF Hoists in the market. A new company, MAN SWF Krantechnik GmbH, is to start on January 1,1997. KCI Konecranes has further agreed to buy the remaining 40% after three years. For emerging markets, new sales companies were established in Romania, Poland and the Czech Republic. The legal structure of the Group was developed in France in line with the changed operations base in that country. Certain streamlining was also implemented in the Nordic Area where the Norwegian organisation today is owned directly from Finland in accordance with the operational organisation.

RISK POLICIES

The KCI Konecranes Group further reviewed its insurance policies to ensure an adequate cover of all reasonably insurable risks resulting from operations. The Group did not have any pending legal processes or business claims with material effect.

PERSONNEL AND REMUNERATION

The highest increase in personnel was in Maintenance Services because of organic growth and acquisitions. The business concept in Special Cranes allows for wide variations in business volume without any need for recruitments or reductions. Rationalisations reduced the needs for additional personnel in Standard Lifting Equipment. The number of personnel at the end of 1996 was 3,549 (3,181 1995). The average number of personnel in the Group was 3,351 (3,042 1995) and in the parent company 55 (47). Wages and salaries in accordance with the Statement of Income:

MFIM	**1996**		**1995**	
	Group	Parent	Group	Parent
Remuneration to Board and President	14.2	1.0	13.6	1.3
Bonuses to Board and President	1.8	0.3	0.9	0.0
Other Wages and Salaries	571.6	13.7	470.8	11.6

SHAREHOLDERS
In March 1996 the Parent Company paid its first dividend of FIM 30.0 million corresponding to 2.00 FIM/share against the present nominal share value of 8.00 FIM. (N.B. There was a 1:5 split during 1996.) Before listing, the original shareholders sold 8,000,000 million shares in an Initial Public Offering by March 18 which was followed by the listing in Helsinki on March 27. In a secondary public offering to institutional shareholders 4,104,235 shares were sold on July 27. As a consequence, Industri Kapital´s shareholding decreased by August to 9.57%. In September, the investors behind Industri Kapital gained full control over their holdings when, first, Industri Kapital cancelled its consortium agreement and then the original lock-up period after the IPO was over.

FUTURE PROSPECTS
During 1996 the Group´s order intake was good in all business areas totalling FIM 2,672.2 million (FIM 1,919.8 million in 1995). Growth was especially strong in Special Cranes, the business area with the biggest impact on Group backlog. Total backlog was FIM 1,046.3 million (FIM 630.3 million in 1995). In Maintenance Services the number of cranes under annual maintenance contracts continued its growth closing at over 90,000 cranes on December 31,1996 compared to 77,000 at the end of 1995. Organic growth and acquisitions create good sales and earnings growth potentials for 1997.

KCI Konecranes Board of Directors

Björn Savén, Chairman of the Board
Chairman and Chief Executive of
Industri Kapital Limited.
Year of birth 1950.

Harald Mix
Director of Industri Kapital Limited
Year of birth 1960.

Juha Rantanen
Chief Executive Officer of Borealis A/S.
Year of birth 1952.

Christoffer Taxell
President & CEO of Partek Corporation.
Year of birth 1948.

Lennart Simonsen
Attorney-at-law
Secretary to the Board of KCI.
Year of birth1960.

Christer Dahlström
Managing Director of Skandia Investment AB.
Year of birth 1943.

Timo Poranen
Senior Executive Vice President of Metsäliitto Group.
Year of birth 1943.

Michael Rosenlew
Director of Industri Kapital Limited
Year of birth 1959.

Stig Gustavson
President & CEO of KCI Konecranes International Corporation.
Year of birth 1945.

CONSOLIDATED STATEMENT OF INCOME

(1,000 FIM)		1.1.-31.12.1996	1.1.- 31.12.1995
Sales	(Note 1)	2,450,925	2,182,627
Increase in product inventory		30,318	10,913
Production for own use		278	2,765
Other operating income		6,610	8,976
Share of result of associated companies		345	(5,898)
Expenses	(Note 2)	(2,224,500)	(2,002,928)
Depreciation	(Note 3)	(56,252)	(55,292)
Operating income after depreciation		207,724	141,163
Financial income and expenses	(Note 4)	463	(5,814)
Income after financing items		208,160	135,349
Taxes	(Note 5)	(69,138)	(40,316)
Minority interest		(53)	0
Net income		**138,969**	**95,033**

CONSOLIDATED BALANCE SHEET

ASSETS (1,000 FIM)		31.12.1996	31.12.1995
Fixed assets and other non-current investments			
INTANGIBLE ASSETS			
Formation expenses	Note 6	4,770	6,830
Intangible rights	Note 7	18,772	20,485
Goodwill	Note 8	2,684	1,275
Group goodwill	Note 9	36,704	36,227
Advance payments		100	0
		63,030	64,817
TANGIBLE ASSETS			
Land	Note 10,15	18,856	18,567
Buildings	Note 11,15	111,525	116,499
Machinery and equipment	Note 12	144,228	138,539
Advance payments		26,342	2,271
		300,951	275,876
FINANCIAL ASSETS			
Investment in associated companies	Note 13,15	1,730	569
Other shares and participating interest	Note 14,15	6,332	1,440
		8,062	2,009
Current assets			
STOCKS			
Raw materials and semi-manufactured goods		146,810	133,595
Work in progress		202,417	151,875
Advance payments		8,433	24,953
		357,660	310,423
RECEIVABLES	Note 16		
Accounts receivable		474,441	427,889
Loans receivable		2,031	1,492
Deferred assets		115,703	58,511
Bills receivable		14,815	8,013
		606,990	495,905
LIQUID ASSETS AND SHORT-TERM INVESTMENTS		86,903	68,555
Total current assets		1,051,553	874,883
TOTAL ASSETS		**1,423,596**	**1,217,585**

SHAREHOLDERS' EQUITY AND LIABILITIES (1,000 FIM)		31.12.1996	31.12.1995
Equity	Note 17		
RESTRICTED CAPITAL			
Share capital		120,000	120,000
Share premium account		180,000	180,000
		300,000	300,000
DISTRIBUTABLE EQUITY			
Equity share of untaxed reserves		35,140	32,283
Translation difference		(15,588)	(18,333)
Retained earnings		90,566	29,874
Net income for the period		138,969	95,033
		249,087	138,857
Minority share		282	18
Obligatory reserves	Note 18	58,293	52,512
Liabilities			
LONG-TERM DEBT	Note 19		
Loans from credit institutions		60,371	30,319
Pension loans		29,740	19,747
Deferred tax liability	Note 20	17,179	16,224
		107,290	66,290
CURRENT LIABILITIES	Note 21		
Loans from credit institutions		564	617
Pension loans		2,601	1,294
Advance payments received		105,961	119,491
Accounts payable		217,031	164,703
Bills payable		15,201	12,964
Accruals		327,196	322,914
Other short-term debt		40,090	37,925
		708,644	659,908
Total liabilities		815,934	726,198
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,423,596**	**1,217,585**

CONSOLIDATED CASH FLOW

(1,000 FIM)	1.1.-31.12.1996	1.1.-31.12.1995
Operating income after depreciation [1)]	207,560	152,086
Depreciation	56,252	55,292
Financing income and expenses	(6,777)	(5,814)
Taxes	(68,658)	(38,654)
Free cashflow	188,377	162,910
Increase in current assets	(113,943)	(48,562)
Increase in inventories	(36,336)	(29,819)
Increase in current liabilities	27,097	10,612
Cashflow from operations	65,195	95,141
Capital expenditure to machines	(45,154)	(42,825)
Capital expenditure to intangible and financial assets	(9,983)	(1,579)
Fixed assets of acquired companies	(10,604)	0
Disposals of fixed assets	5,478	21,086
Investments total	(60,263)	(23,318)
Cashflow before financing	4,932	71,823
Change of long-term debt increase (+), decrease (-)	40,047	(101,009)
Increase of short-term interest-bearing debt	2,590	8,407
Dividend paid	(30,000)	0
External financing	12,637	(92,602)
Correction items [2)]	779	(5,230)
Net financing	18,348	(26,009)
Cash and bank deposits at 1.1.	68,555	94,564
Cash and bank deposits at 31.12.	86,903	68,555
Change of cash	18,348	(26,009)

1) Operating income after depreciation has been corrected by the result of associated companies and the profit / loss of disposal of assets.
2) Translation difference in cash and bank deposits.

ACCOUNTING PRINCIPLES

PRINCIPLES OF CONSOLIDATION

Scope of Consolidation
The consolidated accounts include the parent company and those companies in which the parent company held directly or indirectly more than 50 % of the voting power at the end of the year.

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

Consolidation method
Intracorporate transactions have been eliminated in the consolidated financial statements.

Intracorporate shareholdings have been eliminated by deducting the amount of each subsidiary's equity at the time of acquisition from the acquisition cost of its shares. The difference between the acquisition cost and the subsidiary's equity at the time of acquisition has been shown as goodwill.

The KCI group's share of the profit or loss of an associated company is shown in the Consolidated Statement of Income as a separate item. Depreciation of goodwill originating from acquisition of shares of associated companies is included in the share of the result of associated companies. The KCI group's share of the shareholders' equity of the associated companies at the date of acquisition, adjusted by changes in the associated companies' equity after the date of acquisition, is shown in the Balance Sheet under "investments in associated companies". The loss in an associated company which exceeds the value of the shares is primarily deducted from loans receivable from that company and any remaining loss is shown as a provision for liabilities and charges.

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

Taxes shown in the Consolidated Statement of Income include income taxes to be paid on the basis of local tax legislations as well as the effect of the yearly change in the deferred tax liability, determined from the untaxed reserves by using the current tax rate.

Conversion of Foreign Subsidiary Financial Statements
The financial statements of foreign subsidiaries have been converted into Finnish markkas at the rates current on the last day of the year. A translation using average rates would not have had any material effect on the result. Translation differences resulting from converting the shareholders’ equity of foreign subsidiaries have been included in equity.

FOREIGN CURRENCY ITEMS AND EXCHANGE RATE DIFFERENCES
Receivables and liabilities in foreign currencies have been valued at the rates current on the last day of the year. Receivables and liabilities covered by forward exchange contracts have been valued at contract rates. Realized exchange rate differences, as well as exchange rate gains or losses resulting from the valuation of receivables and liabilities, have been included in the Statement of Income. The exchange rate differences resulting from forward contracts which are designated as hedges on equity in foreign subsidiaries have been matched against the translation difference booked into equity.

REVENUE RECOGNITION
Revenue from goods sold and services rendered is recognized at completion of the delivery. In Konecranes VLC Oy’s long-term projects the percentage of completion method is used.

RESEARCH AND DEVELOPMENT COSTS
Research and development costs are charged as expenses during the year in which they are incurred.

PENSION SETTLEMENTS AND COSTS
Pensions are generally handled for KCI companies by outside pension insurance companies or by similar arrangements. Any other pension liabilities are directly charged in the annual accounts.

VALUATION OF INVENTORIES
Raw materials and supplies are valued at standard price based on purchase costs or, if lower, at replacement value. This approximates the fifo principle. Semimanufactured goods have been valued at variable production costs. Work in progress of uncompleted orders include direct labour and material costs as of 31 December, as well as a proportion of overhead costs related to production and installation.

VALUATION AND DEPRECIATION OF FIXED ASSETS
Fixed assets are stated at cost. Certain land and buildings can include immaterial amounts as revaluation. A predetermined plan is used in carrying out depreciation of fixed assets. Depreciation is based on the estimated useful economic life of various assets as follows:

- Buildings	5-40 years
- Machinery and equipment	4-10 years
- Goodwill	5-20 years
- Other intangible assets	4-10 years

No depreciation is made for land.

PROVISION FOR LIABILITIES AND CHARGES
Future expenses to which group companies have committed themselves and which will produce no future income are charged against income as a provision for liabilities and charges. The same principle is applied for those future losses, if any, which seem certain to be realized.

STATEMENT OF CASH FLOW

Changes in financial position are presented as cash flows classified by operating, investing and financing activities. The effect of changes in exchange rates has been eliminated by converting the opening balance at the rates current on the last day of the year, except cash and bank deposits which are valued according to the rates as per 31.12.1995 and 31.12.1994.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

All figures are in millions of Finnish markkas.

STATEMENT OF INCOME

1. Sales	**1996**	**1995**
Sales by market-area		
Finland	380.5	251.8
Rest of Nordic countries	207.0	228.7
Rest of EU	665.1	492.8
Rest of Europe	64.5	88.8
Americas	690.1	552.8
Asia and Australia	356.0	443.3
Middle-East	72.6	115.4
Others	15.1	9.0
Total	2,450.9	2,182.6

Percentage of completion method
(see accounting principles)

The booked revenues of non-delivered projects	28.3	92.3
The booked revenues of non-delivered projects during the period	28.3	82.5
The amount of long-term projects in the order book		
- percentage of completion method used	231.4	108.9
- cost of completion method used	814.9	521.4

2. Cost and expenses	**1996**	**1995**
Material and supplies	783.8	724.2
Subcontracting	260.6	251.5
Rents	29.8	23.9
Wages and salaries	587.6	485.2
Pension costs	50.2	53.7
Other personnel expenses	109.2	96.8
Other expenses	403.3	367.6
Total	2,224.5	2,002.9
Monetary value of fringe benefits	7.5	5.5

Taxable values have been used as a base to monetary values of fringe benefits

3. Depreciation	**1996**	**1995**
Formation expenses	2.1	2.1
Intagible rights	3.4	3.2
Goodwill	1.1	0.5
Group Goodwill	0.4	2.0
Buildings	9.8	9.8
Machinery and equipment	39.5	37.7
Total	56.3	55.3

4. Financial income and expenses	1996	1995
Dividend income	0.1	0.0
Interest income	10.4	7.9
Other financial income	0.1	0.3
Currency differences	1.6	1.3
Interest expenses	(7.9)	(13.1)
Other financial expenses	(3.9)	(2.2)
Total	0.4	(5.8)

5. Taxes	1996	1995
Local income taxes of group companies	97.0	49.3
Taxes from previous years	4.3	0.0
Avoir Fiscal	(32.7)	(10.6)
Change in the calculative deferred tax liability	0.5	1.7
Total	69.1	40.3

BALANCE SHEET

Fixed assets and other non-current investments

6. Formation expenses	1996	1995
Acquisition costs as of 1 January	10.3	10.3
Increase	0.0	0.0
Decrease	(0.0)	(0.0)
Acquisition costs as of 31 December	10.3	10.3
Accumulated depreciation	(5.5)	(3.5)
Total as of 31 December	4.8	6.8

7. Intangible rights	1996	1995
Acquisition costs as of 1 January	27.1	25.8
Increase	1.7	1.5
Decrease	(0.1)	(0.3)
Acquisition costs as of 31 December	28.7	27.0
Accumulated depreciation	(9.9)	(6.5)
Total as of 31 December	18.8	20.5

8. Goodwill	1996	1995
Acquisition costs as of 1 January	2.9	2.6
Increase	2.3	0.0
Decrease	(0.0)	(0.0)
Acquisition costs as of 31 December	5.2	2.6
Accumulated depreciation	(2.5)	(1.3)
Total as of 31 December	2.7	1.3

9. Group goodwill	1996	1995
Acquisition costs as of 1 January	36.2	46.5
Increase	2.6	0.0
Decrease	(1.7)	(8.2)
Acquisition costs as of 31 December	37.1	38.3
Depreciation due to currency differences	(0.1)	(2.1)
Accumulated depreciation	(0.3)	0.0
Total as of 31 December	36.7	36.2

The acquisition costs of group goodwill originated from accelerated depreciation and untaxed reserves amounted MFIM 34.4 at 31 December (MFIM 36.2 in 1995). This goodwill will decrease at the same time the companies reverse their depreciation difference and untaxed reserves.

10. Land	1996	1995
Acquisition costs as of 1 January	19.5	22.4
Increase	0.2	0.0
Decrease	(0.8)	(3.8)
Total as of 31 December	18.9	18.6

11. Buildings	**1996**	**1995**
Acquisition costs as of 1 January	135.9	141.3
Increase	3.1	2.2
Decrease	(0.5)	(10.1)
Acquisition costs as of 31 December	138.5	133.4
Accumulated depreciation	(27.0)	(16.9)
Total as of 31 December	111.5	116.5

12. Machinery and equipment	**1996**	**1995**
Acquisition costs as of 1 January	207.0	174.1
Increase	47.4	40.6
Decrease	(5.2)	(12.1)
Acquisition costs as of 31 December	249.2	202.6
Accumulated depreciation	(105.0)	(64.1)
Total as of 31 December	144.2	138.5

13. Investments in associated companies	**1996**	**1995**
Acquisition costs as of 1 January	0.7	1.3
Change in the share in associated companies	3.9	(0.7)
Increase	3.5	0.0
Decrease	(6.4)	(0.0)
Total as of 31 December	1.7	0.6

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

14. Shares and participating interests	**1996**	**1995**
Acquisition costs as of 1 January	1.4	1.3
Increase	4.9	0.1
Decrease	(0.0)	(0.0)
Total as of 31 December	6.3	1.4

15. Taxable Values	**1996**	**1995**
Land	14.2	15.7
Buildings	91.0	92.2
Investments in associated companies	0.9	3.8
Shares and participating interests	6.3	1.4

If taxable values are not available, book values have been used.

16. Receivables

Receivables falling due after one year	**1996**	**1995**
Accounts receivable	7.6	2.5
Loans receivable	1.0	0.0
Bills receivable	0.2	0.0
Total	8.8	2.5

Receivables from associated companies:

	1996	**1995**
Accounts receivable	0.9	21.2
Deferred assets	0.0	0.2
Bills receivable	1.0	0.0
Total	1.9	21.4

The items, which have been netted, due to the percentage of completion method

	1996	**1995**
Receivable arising from percentage of completion method	9.9	92.3
Advances received	9.9	92.3

Group companies had loans to the members of Boards of Directors or Managing Directors MFIM 0.7 (MFIM 0.1 in 1995). Loans have sufficient security.

17. Shareholders' equity	**1996**	**1995**
Share capital as of 1 January	120.0	120.0
Change	0.0	0.0
Share capital as of 31 December	120.0	120.0
Share premium account 1 January	180.0	180.0
Change	0.0	0.0
Share premium account as of 31 December	180.0	180.0
Equity share of untaxed reserves (opening balance)	32.3	28.8
Equity share of untaxed reserves as of 1 January	4.3	10.6
Change of equity share of untaxed reserves	(1.5)	(7.2)
Total as of 31 December	35.1	32.3
Translation difference as of 1 January	(18.3)	(11.8)
Change	2.7	(6.6)
Translation difference as of 31 December	(15.6)	(18.3)
Retained earnings as of 1 January	124.9	40.5
Equity share of untaxed reserves as of 1 January	(4.3)	(10.6)
Dividend paid	(30.0)	0.0
Retained earnings as of 31 December	90.6	29.9
Net income for the period	139.0	95.0
Shareholders' equity as of 31 December	549.1	438.9
Distributable equity	212.9	102.2

Retained earnings and net income for the period include untaxed reserves, which total MFIM 36.2 without the calculative deferred tax liability (MFIM 36.6 in 1995), of which MFIM 1.1 belongs to the year 1996. This (MFIM 36.2) is not distributable equity.

18. Obligatory reserves	**1996**	**1995**
Provision for guarantees	24.2	22.8
Provision for claims	6.0	6.8
Provision for restructuring	8.5	2.4
Provision for pension commitments	11.8	11.0
Other provisions	7.8	9.5
Total	58.3	52.5

19. Long-term debt

Pension loans consist of loans from insurance companies against pension insurance payments to them.

Long-term debt which fall due after five years:	**1996**	**1995**
Pension loans	20.3	13.8
Total	20.3	13.8

20. Deferred tax liability

Tax liabilities relating to untaxed reserves were as follows:	**1996**	**1995**
Guarantee reserves	0.3	0.2
Transition reserves	2.2	2.2
Other reserves	0.2	0.3
Depreciation difference	14.1	13.4
Inventory difference	0.4	0.1
Total	17.2	16.2

The changes in untaxed reserves were as follows:	**1996**	**1995**
Bad debt reserves	0.0	0.5
Guarantee reserves	(0.2)	0.2
Transition reserves	0.3	(1.8)
Other reserves	0.2	0.4
Depreciation difference	0.5	1.2
Inventory difference	(0.7)	1.8
Total	0.1	2.2

21. Short-term debt

Accruals:	**1996**	**1995**
Value added taxes	31.5	25.9
Income taxes	54.5	37.0
Wages, salaries and personnel expenses	83.1	74.0
Pension costs	6.4	14.8
Interests	1.7	1.2
Other items	150.0	170.0
Total	327.2	322.9

Other current liabilities:	**1996**	**1995**
Bank overdrafts	38.9	36.5
Other short-term interest-bearing debt	1.2	1.4
Total	40.1	37.9

Liabilities owed to associated companies:	**1996**	**1995**
Accounts payable	1.7	0.7
Other current liablities	1.2	1.1
Bills payable	0.1	0.0
Total	3.0	1.8

22. Contingent liabilities and pledged assets	**1996**	**1995**
For own debts		
Mortgages on land and buildings	92.3	167.3
Floating charges	0.0	250.0
Pledged government bonds	10.0	10.0
Liabilities for own commercial obligations		
Guarantees	288.8	517.7
For associated companies' debts		
Guarantees	12.4	11.1
For commercial obligations of associated companies		
Guarantees	0.0	0.4
For others Mortgages on land and buildings	5.0	5.0
Other liabilities		
Leasing liabilites	37.5	29.5
Other liabilites	1.7	1.5
Total	447.7	992.5

Total by category		
Mortgages on land and buildings	97.3	172.3
Floating charges	0.0	250.0
Pledged assets	10.0	10.0
Guarantees	301.2	529.2
Other liabilities	39.2	31.0
Total	447.7	992.5

23. Notional amounts of derivative financial instruments

Foreign exhange forward contracts	2 840.6	3 081.8
Options and other derivative instruments	400.0	831.5
Total	3 240.6	3 913.3

Derivatives are used for currency and interest rate hedging only. The notional amounts do not represent amounts exchanged by the parties and are thus not a measure of the exposure. A clear majority of the transactions relates to closed positions, and these contracts set off each other. The hedged orderbook and equity represent approximately one quarter of the total notional amounts.

PARENT COMPANY STATEMENT OF INCOME

(1,000 FIM)		1.1.-31.12.1996	1.1.- 31.12.1995
Sales	(Note 1)	59,564	51,740
Other operating income		75	56
Expenses	(Note 2)	(46,306)	(36,320)
Depreciation	(Note 3)	(6,035)	(5,923)
Operating income after depreciation		7,298	9,553
Financial income and expenses	(Note 4)	36,692	17,804
Income after financing items		43,990	27,357
Extraordinary income	(Note 5)	116,965	12,700
Income before reserves and taxes		160,955	40,057
Increase (-) in accelerated depreciation	(Note 6)	(131)	89
Taxes		(45,061)	(10,040)
Net income		115,763	30,106

PARENT COMPANY CASHFLOW

(1,000 FIM)	1.1.-31.12.1996	1.1.- 31.12.1995
Operating income after depreciation [1)]	7,298	9,553
Depreciation	6,035	5,923
Financing income and expenses	36,692	17,804
Extraordinary income	116,965	12,700
Taxes	(45,061)	(10,040)
Free cashflow	121,929	35,940
Change in current assets, increase (-), decrease (+)	(107,847)	10,181
Change in current liabilities, increase (+), decrease (-)	35,123	(4,618)
Cashflow from operations	49,205	41,503
Capital expenditure to machines	(2,610)	(1,171)
Capital expenditure to intangible assets	(2,231)	(285)
Disposals of fixed assets	238	80
Investments total	(4,603)	(1,376)
Cashflow before financing	44,602	40,127
Decrease of long-term debt	(14,602)	(40,127)
Dividend paid	(30,000)	0
External financing	(44,602)	(40,127)
Net financing	0	0
Cash and bank deposits at 1.1.	0	0
Cash and bank deposits at 31.12.	0	0
Change of cash	0	0

1) Operating income after depreciation has been corrected by the profit / loss of disposal of assets.

PARENT COMPANY BALANCE SHEET

ASSETS (1,000 FIM)		31.12.1996	31.12.1995
Fixed assets and other non-current investments			
INTANGIBLE ASSETS			
Formation expenses	Note 7	4,770	6,830
Intangible rights	Note 8	16,209	18,397
Advance payments		10	0
		20,989	25,227
TANGIBLE ASSETS			
Buildings	Note 9,12	400	455
Machinery and equipment	Note 10	4,436	3,516
		4,836	3,971
FINANCIAL ASSETS			
Shares and participating interest	Note 11,12	301,896	299,955
		301,896	299,955
Current assets			
RECEIVABLES	Note 13		
Accounts receivable		39,455	31,836
Loans receivable		0	14,243
Deferred assets		128,565	14,094
		168,020	60,173
Total current assets		168,020	60,173
TOTAL ASSETS		495,741	389,326

SHAREHOLDERS' EQUITY AND LIABILITIES (1,000 FIM)		31.12.1996	31.12.1995
Equity	Note 14		
RESTRICTED CAPITAL			
Share capital		120,000	120,000
Legal reserves		180,000	180,000
		300,000	300,000
DISTRIBUTABLE EQUITY			
Retained earnings		142	35
Net income for the period		115,763	30,107
		115,905	30,142
Accelerated depreciation		819	688
Liabilities	Note 15		
LONG-TERM DEBT			
Pension loans		3,700	2,367
Other long - term debt		23,896	39,831
		27,596	42,198
CURRENT LIABILITIES			
Pension loans		279	178
Advance payments received		1,956	819
Accounts payable		4,949	2,885
Accruals		44,237	12,416
		51,421	16,298
Total liabilities	Note 16	79,017	58,496
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		495,741	389,326

NOTES ON THE PARENT COMPANY'S FINANCIAL STATEMENT

STATEMENT OF INCOME

1. Sales
In the parent company the sales to subsidiaries totalled MFIM 59.6 (MFIM 51.4 in 1995) corresponding to a share of 100.0 % (99.3% in 1995) of net sales.

2. Cost and expenses	1996	1995
Rents	0.6	0.7
Wages and salaries	15.0	12.9
Pension costs	3.1	3.1
Other personnel expenses	1.8	2.0
Other expenses	25.8	17.6
Total	46.3	36.3
Monetary values of fringe benefits		
- taxable values	0.5	0.4

3. Depreciation	1996	1995
Formation expenses	2.1	2.1
Intagible rights	2.4	2.4
Buildings	0.1	0.1
Machinery and equipment	1.4	1.4
Total	6.0	6. 0

4. Financial income and expenses	1996	1995
Dividend income from group companies	29.1	16.4
Interest income from group companies	0.4	0.6
Currency differences	0.1	0.1
Interest expenses	(0.2)	(0.1)
Interest expenses to group companies	(2.3)	(4.6)
Other financing expenses	(0.1)	0.0
Other financial income , Avoir Fiscal	9.7	5.4
Total	36.7	17.8

5. Extraordinary income and expenses	1996	1995
Group contributions received from subsidiaries	126.8	12.7
Group contributions paid to subsidiaries	(9.8)	0.0
Total	117.0	12.7

6. Accelerated depreciation
The accelerated depreciation in the parent company is divided into asset categories as follows (increases in depreciations are indicated by parentheses)

	1996	1995
Buildings	0.0	(0.1)
Machinery and equipment	(0.1)	0.2
Total	(0.1)	0.1

BALANCE SHEET

Fixed assets and other non-current investments

7. Formation expenses	1996	1995
Acquisition costs as of 1 January	10.3	10.3
Increase	0.0	0.0
Decrease	(0.0)	(0.0)
Acquisition costs as of 31 December	10.3	10.3
Accumulated depreciation	(5.5)	(3.5)
Total as of 31 December	4.8	6.8

8. Intangible rights	1996	1995
Acquisition costs as of 1 January	23.1	22.9
Increase	0.3	0.3
Decrease	(0.0)	(0.0)
Acquisition costs as of 31 December	23.4	23.2
Accumulated depreciation	(7.2)	(4.8)
Total as of 31 December	16.2	18.4

9. Buildings	**1996**	**1995**
Acquisition costs as of 1 January	0.5	0.5
Increase	0.0	0.0
Decrease	(0.0)	(0.0)
Acquisition costs as of 31 December	0.5	0.5
Accumulated depreciation	(0.1)	(0.1)
Total as of 31 December	0.4	0.4

10. Machinery and equipment	**1996**	**1995**
Acquisition costs as of 1 January	5.6	4.5
Increase	2.6	1.2
Decrease	(0.2)	(0.1)
Acquisition costs as of 31 December	8.0	5.6
Accumulated depreciation	(3.6)	(2.1)
Total as of 31 December	4.4	3.5

11. Shares and participating interest	**1996**	**1995**
Acquisition costs as of 1 January	300.0	300.0
Increase	1.9	0.0
Decrease	(0.0)	(0.0)
Total as of 31 December	301.9	300.0

Investment in group companies

	Nominal value	Book value	% of shares	number
Konecranes Finance Oy	110.0	275.0	100	11,000
Konecranes VLC Oy	10.0	25.0	100	100
Total	120.0	300.0		11,100

Investment in other companies

Vierumäen Kuntorinne Oy	0.0	1.9	3.3	165

12. Taxable values	**1996**	**1995**
Buildings	0.2	0.3
Shares	227.9	151.0

If taxable values are not available, book values have been used.

13. Receivables from group and associated companies

Receivables from group companies:	**1996**	**1995**
Accounts receivable	38.8	30.5
Loans receivable, cash pool	0.0	14.2
Deferred assets	127.7	13.8
Total	166.5	58.5
Receivables from associated companies:		
Accounts receivable	0.0	0.9
Total	0.0	0.9

14. Shareholders' equity	**1996**	**1995**
Share capital as of 1 January	120.0	120.0
Change	0.0	0.0
Share capital as of 31 December	120.0	120.0
Share premium account 1 January	180.0	180.0
Change	0.0	0.0
Share premium account as of 31 December	180.0	180.0
Retained earnings as of 1 January	30.1	0.0
Dividend paid	-30.0	0.0
Net income for the period	115.8	30.1
Retained earnings as of 31 December	115.9	30.1
Shareholders' equity as of 31 December	415.9	330.1

15. Long term debt

Long term debt which fall due after five years:		
Pension loans	2.6	1.7
Total	2.6	1.7

16. Liabilities owed to group companies	**1996**	**1995**
Advance payments received	1.9	0.8
Accounts payable	0.8	0.8
Accruals	10.5	2.9
Other long-term debts	19.8	39.8
Cash pool	4.1	0.0
Total	37.1	44.3

17. Contingent liabilities and pledged assets	**1996**	**1995**
For subsidiaries' debts		
Pledged assets	0.0	300.0
Floating charges	0.0	30.0
Guarantees	60.4	15.0
Group guarantees for commercial obligations of subsidiaries	46.0	64.1
Other own liabilities		
Leasing liabilities	0.2	0.1
Total	106.6	409.2
Total		
Pledged assets	0.0	300.0
Floating charges	0.0	30.0
Guarantees	106.4	79.1
Other liabilities	0.2	0.1
Total	106.6	409.2

OTHER INFORMATION

	10. Biggest shareholders according to shareregister	Shares	Percentage of shares	Percentage of votes
	Gustavson Stig	525,875	3.51	3.51
	Group executive board and staff directors	512,600	3.42	3.42
1.	Top management total *)	1,038,475	6.92	6.92
2.	The Local Government Pensions Institution	354,000	2.36	2.36
3.	Insurance Company Sampo Pensions Ltd	320,126	2.13	2.13
	Pension Varma Mutual Insurance Company	213,333	1.42	1.42
	Nova Life Insurance Company Ltd	55,000	0.37	0.37
4.	Pension Varma Group total	268,333	1.79	1.79
	Industrial Insurance Company Ltd	69,000	0.46	0.46
	Kaleva Mutual Insurance Company	50,000	0.33	0.33
	Sampo Insurance Company Ltd	50,000	0.33	0.33
	Sampo Enterprise Insurance Company Ltd	45,000	0.30	0.30
	Otso Loss of Profits Insurance Company Ltd	40,000	0.27	0.27
5.	Sampo Insurance Group total	254,000	1.69	1.69
	The Pension Insurance Company Ilmarinen Ltd	65,000	0.43	0.43
	Salama Life Assurance Company Ltd Suomi	35,000	0.23	0.23
	Mutual Life Assurance Company	32,300	0.22	0.22
6.	Pohjola Insurance Group total	132,300	0.88	0.88
7.	Partita Ltd	80,000	0.53	0.53
8.	Coleman Michael	40,000	0.27	0.27
9.	Unit Trust Merita Fennia	30,000	0.20	0.20
10.	Optiomi Oy	12,000	0.08	0.08

Shares registered in the name of a nominee			
Merita Bank Ltd	11,948,553	79.66	79.66
Postipankki Ltd	119,400	0.80	0.80
OKOBANK	74,580	0.50	0.50

Shareholders of KCI Konecranes International Oy according to the amount of shares owned as per 31.12.1996

Shares	Amount of shareholders	Amount of shares	Percentage of shareholders	Percentage of shares
1 - 1000	285	81,493	70.19	0.54
1001 - 5000	81	214,440	19.95	1.43
5001 - 10000	9	64,300	2.22	0.43
10001 - 50000	14	510,900	3.45	3.41
50001 -	17	14,128,867	4.19	94.19
Total	406	15,000,000	100.00	100.00

Amount of shares owned by the members of Board of Directors or CEO 31.12.1996

Amount of shares *)	525,875
Percentage of shares	3.5%
Percentage of votes	3.5%

*) including their immediate family

Share register	Percentage of shares	Percentage of votes
Companies	0.87	0.87
Financial institutions	2.80	2.80
Public institutions	6.44	6.44
Non-profit institutions	0.26	0.26
Individuals	7.75	7.75
Foreign	81.88	81.88
Total	100.00	100.00

COMPANY LIST

Subsidiaries owned by the parent company		Book value	Parent company's share	Group's share	Shareholder's equity (1,000 FIM)	1.1.-1.12.1996 Net income (1,000 FIM)
Finland:	Konecranes Finance Oy	274,977	100	100	341,063	66,040
	Konecranes VLC Oy	24,978	100	100	25,020	38
Subsidiaries owned by the group						
Australia:	Konecranes Pty. Ltd.	939		100		
	Hoisting Services Pty. Ltd.	0		100		
	Lloyds British Pty. Ltd.	0		100		
Austria:	Konecranes GesmbH	1,273		100		
	Konecranes Training GesmbH	212		100		
Belgium:	Kone Ponts Roulants SA (B)	184		100		
Canada:	Konecranes Canada Inc.	18,127		100		
	All Crane Parts & Service Ltd	170		100		
Czech Republic:	Konecranes (CZ), spol s.r.o	17		100		
Denmark:	Konecranes A/S	456		100		
Estonia:	A/S Kone Kraanad	0		100		
Finland:	Finox-Nosturit Oy	15		100		
	Konecranes Komponentit Oy	38,448		100		
	Konecranes Nordic Oy	15,240		100		
	KCI Erikoisnosturit Oy	400		100		
	KCI Hoists Oy	14,224		100		
	KCI Motors Oy	8,128		100		
	KTP Tehdaspalvelu Oy	500		100		
	Nosturiexpertit Oy	15		100		
	Permeco Oy	671		100		
	Notepa Oy	82		82		
	Pirkanmaan Tehdaspalvelu Oy	15		100		
	Suomen Nosturitarkastus Oy	15		100		
France:	Verlinde S.A.	15,952		99.6		
	Unepal S.A.R.L.	0		100		
	KCI Holding France S.A.	4,398		100		
	KCI Matman S.A.	1,772		100		
	CGP-KONÉ S.A.	2,561		100		
	Kone Ponts Roulants S.A.	0		100		
Germany:	Verlinde Hebetechnik GmbH (D)	149		100		
	Konecranes GmbH	149		100		
Hungary:	Konecranes Kft.	4,709		100		
Latvia:	SIA Konecranes Latvija	13		100		
Malaysia:	Konecranes Sdn.Bhd.	3,982		100		
Mexico:	Kone Cranes Mexico SA de CV	8,620		99.5		
The Netherlands:	Konecranes Holding B.V.	22,895		100		
	Konecranes Schipper B.V.	106		100		
	Verlinde Nederland B.V.	618		100		

		Bookvalue	Parent company's share	Group's share	Shareholder's equity (1,000 FIM)	1.1.-1.12.1996 Net income (1,000 FIM)
Norway:	Konecranes A/S (N)	5,393		100		
Poland:	Konecranes Poland Sp. z.o.o.	149		100		
Romania:	Konecranes Romania Srl	128		100		
	S.C. Prodmoreco S.A.	204		70		
Russia:	ZAO Konecranes (RUS)	38		100		
Singapore:	KCI Cranes Holding (Singapore) Pte. Ltd.	3,536		100		
	Konecranes Pte. Ltd.	2,336		100		
	KCI Components Pte. Ltd.	0		100		
Sweden::	KVRM Holding Sverige AB	10,001		100		
	KCI Special Cranes AB	0		100		
	Konecranes AB	9,224		100		
Thailand:	Konecranes Service Co Ltd	199		49		
Ukraine:	A/O Kone Krany (UKR)	528		100		
United Kingdom:	KCI Holding U.K. Ltd.	40,556		100		
	Lloyds British Testing Co Ltd.	20,239		100		
	KCI Carruthers Ltd.	7,790		100		
	Verlinde Hoists Ltd.	0		100		
U.S.A.:	KCI Holding USA Inc.	71,844		100		
	Konecranes Landel Inc.	20,944		100		
	Konecranes Inc.	1,347		100		
	R&M Materials Handling Inc.	38,080		100		
	Kranco Browning Inc	0		100		
Venezuela	Gruas Konecranes C.A.	1,132		100		

Associated companies

Finland:	Tepa-Mestarit Oy	50	50
France:	Levelec S.A.	64	20
	Munch Maintenance S.A.R.L.	40	30
	Sorm Maintenance S.A.R.L.	27	30
	Vesta S.A.R.L.	756	50
Total:		937	

Other shares 31.12.1996

Finland:	Levator Oy	197	10
	Vaasa Control Oy	2,931	12
	Vierumäen Kuntorinne Oy	1,941	3.3
Malaysia:	Kone Products & Engineering Sdn. Bhd.	86	10
Mexico:	Gruas Mexico S.A. de C.V.	3	10
Others:		1,174	
Total:		6,332	

DEVELOPMENT BY BUSINESS AREAS

SALES AND OPERATING INCOME

	1996	1995
Maintenance Services		
Sales	1,160.4	896.1
Operating income	95.2	82.1
Standard Lifting Equipment		
Sales	905.7	800.2
Operating income	97.2	74.9
Special Cranes		
Sales	609.4	683.5
Operating income	95.7	73.6
Internal sales	(224.6)	(197.2)
Group sales	2,450.9	2,182.6
Operating income before group overheads	288.1	230.6
Group costs	(70.4)	(76.1)
Non business area items	(10.0)	(13.3)
Group operating income	207.7	141.2

PERSONNEL 31.12.

Maintenance Services	1,947	1,695
Standard Lifting Equipment	971	914
Special Cranes	528	472
Group staff	103	100
Total	3,549	3,181

KCI KONECRANES GROUP 1994-1996

				12 months Proforma 1)	8,5 months
Business development		1996	1995	1994	1994
Order intake	MFIM	2672.2	1919.8	2009.4	1463.8
Order book	MFIM	1046.3	630.3	821.3	821.3
Net sales	MFIM	2450.9	2182.6	2143.7	1626.0
of which outside Finland	MFIM	2072.2	1930.8	1930.7	1459.0
Export from Finland	MFIM	702.5	865.8	914.1	748.8
Personnel on average		3,351	3,042	2,892	2,890
Capital expenditure	MFIM	55.1	44.4	60.5	33.7
as a percentage of net sales	%	2.2	2.0	2.8	2.1
Research and development costs	MFIM	40.8	36.0		
as % of Standard Lifting Equipment [2)]	%	4.5	4.5		
as % of Group net sales	%	1.7	1.6		
Profitability					
Net sales	MFIM	2450.9	2182.6	2143.7	1626.0
Operating income	MFIM	207.7	141.2	105.3	115.7
as percentage of net sales	%	8.5	6.5	4.9	7.1
Income after financing items	MFIM	208.2	135.3	86.4	93.2
as percentage of net sales	%	8.5	6.2	4.0	5.7
Income before taxes	MFIM	208.2	135.3	86.4	62.2
as percentage of net sales	%	8.5	6.2	4.0	3.8
Net income	MFIM	139.0	95.0	56.5	40.5
as percentage of net sales	%	5.7	4.4	2.6	2.5
Key figures and balance sheet					
Shareholders' equity	MFIM	549.1	438.9	357.5	357.5
Balance Sheet	MFIM	1423.6	1217.6	1247.7	1247.7
Return on equity	%	28.1	23.9	17.2	21.8
Return on capital employed	%	36.3	28.1	18.6	20.3
Current ratio		1.4	1.3	1.2	1.2
Solidity	%	41.7	40.0	33.5	33.5
Gearing	%	8.1	4.5	24.7	24.7
Shares in figures					
Earnings per share	FIM	9.26	6.33	3.77	4.77
Equity per share	FIM	36.61	29.26	23.83	23.83
Dividend per share	FIM	3.0	2.0		
Dividend / earnings	%	32.4	31.6		
Effective dividend yield	%	2.1			
Price / earnings		15.7			
Trading high / low	FIM	81/148			
Average share price	FIM	100.21			
Year-end market capitalization	MFIM	2,175			
Number traded	(1000)	9,254			
Stock turnover	%	61.7			

CALCULATION OF KEY FIGURES

Return on equity:	Income after financing items - taxes / Equity (average during the period)	x 100
Return on capital employed:	Income after financing items + interest paid + other financing cost / Total amount of equity and liabilities - non-interest bearing debts (average during the period)	x 100
Current ratio:	Current assets / Short-term liabilities	
Solidity:	Shareholders' equity / Total amount of equity and liabilities - advance payment received	x 100
Gearing:	Interest-bearing liablilities - liquid assets - loans receivable / Shareholders equity + minority share	x 100
Earnings per share:	Net income +/- extraordinary items / Number of shares	
Equity per share:	Shareholders' equity in balance sheet / Number of shares	
Effective dividend yield:	Dividend per share / Share price at the end of financial year	x 100
Price per earnings:	Share price at the end of financial year / Earnings per share	
Year-end market capitalization:	Number of shares multiplied by the share price at the end of year	
Average number of personnel:	Calculated as average of tertial averages	

1) The 1994 Proforma statement of income has been prepared by the management of KCI in order to illustrate the underlying financial result of the business had it been operating as a stand alone group for the whole year. The proforma is unaudited.

2) R&D serves mainly Standard Lifting Equipment

BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING

The Group's distributable equity according to the consolidated balance sheet is FIM 212,859,000. The parent company's distributable equity is FIM 115,904,648.05.

The Board of Directors proposes that a dividend of FIM 3.00 be paid on each of the 15,000,000 shares for a total of FIM 45,000,000.00 and that the rest FIM 70,904,648.05 will be retained and carried forward.

Hyvinkää, 21st February 1997

Björn Savén Chairman of Board of Directors	*Christer Dahlström* Member of the Board	*Harald Mix* Member of the Board	*Timo Poranen* Member of the Board
Juha Rantanen Member of the Board	*Michael Rosenlew* Member of the Board	*Christoffer Taxell* Member of the Board	*Stig Gustavson* Member of the Board President and CEO

TO THE SHAREHOLDERS OF KCI KONECRANES INTERNATIONAL CORPORATION

We have audited the financial statements and administration of KCI Konecranes International Corporation for the financial year 1.1. -31.12.1996. The financial statements, which have been prepared by the Board of Directors and the Managing Director, include the Annual Report of the Board of Directors and the Income Statement, Balance Sheet and Notes to the Accounts of the group and the parent company. Based on our audit we express an opinion on the financial statements and administration.

The audit has been conducted in accordance with generally accepted auditing standards. In our audit we have examined the bookkeeping and accounting principles, contents and presentation sufficiently enough in order to evaluate that the financial statements are free of material misstatements of deficiencies. In our audit of the administration we have evaluated whether the actions taken by the Board of Directors and the Managing Director have been legitimate according to the Company Act.

In our opinion we state, that the financial statements are prepared in accordance with the Accounting Act and other regulations regarding the preparation of financial statements. The financial statements give a true and fair view of the results of the group and the parent company and their financial position in accordance with Accounting Act. The financial statements, including the consolidated financial statements, can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the financial period audited by us. The Board of Directors´ proposal concerning the use of distributable equity is in accordance with the Company Act.

We have reviewed the interim reports published during the financial year. The interim reports have been prepared in accordance with applicable regulations.

Hyvinkää, February 21st, 1997

Tuokko Deloitte & Touche Oy
Authorized Public Audit firm

Mikael Paul
Authorized Public Accountant

CHIEF EXECUTIVES

Stig Gustavson
President & CEO.
Year of birth 1945.

Arto Juosila
Chief Executive, Standard Lifting Equipment.
Year of birth 1955.

Antti Vanhatalo
Chief Executive, Heavy Components; Managing Director, Konecranes Components Corp.
Year of birth 1945.

Markku Leinonen
Chief Executive, Harbour and Shipyard Cranes and Managing Director of Konecranes VLC Corp. until December 31, 1996. As of January 1, 1997 Chief Executive, Region Asia-Pacific.
Year of birth 1949.

Tom Sothard
Deputy Chief Executive, Region Americas as of January 1, 1997.
Year of birth 1957.

William Maxwell
Chief Executive, Region Western Europe.
Year of birth 1949.

Markku Nyberg
Chief Executive, Region Nordic and Central Europe until February 28, 1997.
Year of birth 1945.

Charles E. Vanarsdall
Chief Executive, Region Americas and also as of January 1, 1997
Director of Standard Lifting Equipment: R&M, Verlinde and SWH hoists.
Year of birth 1937.

STAFF DIRECTORS

Harry Ollila
Director, Technology until February 28, 1997.
As of March 1,1997 Chief Executive, Region Nordic and Central Europe.
Year of birth 1950.

Teuvo Rintamäki
Director, Group Controller.
Year of birth 1955.

Tapio Hakakari
Director, Administration.
Year of birth 1953.

Eero Odelma
Director, Group Treasurer.
Year of birth 1951.

ADDRESSES

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INFORMATION TO SHAREHOLDERS

KCI´s Annual General Meeting will be held on Tuesday, March 4, 1997, at 10.30 a.m. at KCI Headquarters in Hyvinkää, Finland. A press release on the decisions made at the AGM will be published upon the conclusion of the Meeting.

In 1997 financial information will be published as follows:

Interim report January - April 1997	May 29, 1997 I
Interim report January - August 1997	September 25,1997

Reports will be published at 10.00 a.m. Finnish time and are immediately available on the Internet at: http://www.kcinet.com/

We will also arrange an international teleconference on each day of publication at 16.00 Finnish time. The dial-in numbers will be mentioned in the releases.

Financial Reports are also available from:

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