KCI Konecranes Annual Report 1997

Growth!

KONECRANES

Contents, KCI Konecranes in Brief

Main currency exchange rates at consolidation in FIM

	1997	1996
1 USD	= 5.4207	4.6439
1 DEM	= 3.0275	2.9880
1 GBP	= 8.992	7.8690
1 FRF	= 0.9046	0.8862
1 SGD	= 3.2258	3.3183
1 SEK	= 0.6863	0.6748

KCI Konecranes will provide reliable services including equipment, modernization and maintenance of overhead handling applications in a way that increases the value or effectiveness of our customers' business.

MAINTENANCE SERVICES

Crane Inspections
Preventive Maintenance
Repairs and On-calls
Modernizations
Spare Part Service

STANDARD LIFTING EQUIPMENT

Standard Cranes
Modular Cranes
Wire Rope Hoists
Chain Hoists
Standard Components

SPECIAL CRANES

Harbour Cranes
Terminal Cranes
Shipyard Cranes
EOT (Electric Overhead Travelling) Process Cranes
Heavy Duty Components

(FIM million)	1997	1996
Order intake[1)]	3,132.1	2,672.2
Order book	1,293.3	1,046.3
Sales outside Finland	2,743.9	2,072.2
Export from Finland	998.5	702.5
Net sales	3,075.8	2,450.9
Operating income	231.9	207.7
Income after financial items	234.4	208.2
Net income	165.9	139.0
Earnings per share (FIM)	11.06	9.26
Shareholders' equity	669.2	549.1
Equity per share (FIM)	44.61	36.61
Balance sheet	1,728.2	1,423.6
Year-end market capitalization	2,700.0	2,175.0
Personnel on average	3,720	3,351
Personnel at year end, total	3,897	3,549
Personnel at year end in Finland	1,253	1,196

[1)] excluding service contract base

Cover: KCI Konecranes delivered RTG-Cranes to Khor Fakkan Container Terminal in the United Arab Emirate. Mr. Barry R. Coughlan, Director, Gulftainer Co. Ltd and Ilpo Hakala, Director, RTG-Cranes, Konecranes VLC (left).

This is KCI Konecranes

The KCI Konecranes Group, headquartered in Hyvinkää Finland, is the industrialized world's leading provider of Maintenance Services for electric overhead travelling ("EOT") cranes. The Group's Maintenance Services also include inspections and modernizations in addition to preventive maintenance with repair and spare part services. Service is provided for KCI Konecranes produced cranes as well as for cranes of every other make.

KCI Konecranes is the second largest standard EOT crane and component builder in the industrialized world, and the leading manufacturer of engineered and heavy duty cranes for process industries.

KCI Konecranes is a global supplier of special harbour cranes for bulk materials and containers and a leading provider of shipyard cranes.

The Group is organized in accordance with its major Business Areas: Maintenance Services, Standard Lifting Equipment and Special Cranes. Maintenance Services is organized in regions for local presence: Americas, Asia-Pacific, Nordic and Central Europe and Western Europe. The other Business Areas have uniform global management structures.

Cranes are used in a large number of industries. KCI Konecranes minimizes cyclicality in its business by having a strong market presence in all major crane user industries, in all industrialized countries of the world.

In 1997 the Group's sales totalled FIM 3,075.8 million, of which 89.2% was derived from outside Finland. The Group has a total of 3,897 employees in 31 countries throughout the world.

The shares of the ultimate holding company KCI Konecranes International Plc are listed on HEX Helsinki Exchanges.

GROUP STRATEGY

Strategic cornerstones are growth and production efficiency.

The development of the Maintenance Services Business Area is one of the principal strategic pursuits for growth. The crane maintenance market segment is still in its early stages of development. An estimated 70 percent of crane maintenance is conducted by crane users' own staff. The advantages of hiring specialized providers of this service is fuelling a trend towards outsourcing, thus creating a growth industry.

The global integration of production and maintenance services operations enables KCI Konecranes to lower costs through economy of scale.

Market presence through Maintenance Services supports market penetration for equipment sales. Equipment sales paves the road for Maintenance marketing.

Modular design concepts facilitate standardization of component parts. KCI Konecranes can achieve economies of scale in production and purchasing as well as reduction in working capital requirements.

The crane production and servicing industry is in a period of consolidation. KCI Konecranes enhances its growth and geographic market coverage through selected acquisitions.

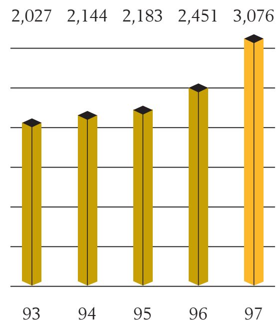
GROUP HISTORY

1910	Kone Oy started as Electrical Motors repair shop
1933	Electric Overhead Travelling Cranes, production started
1936	Wire rope hoists, production started
1947	Harbour Cranes, strong growth in postwar economy
1962	Maintenance Services, 1st preventive maintenance contract signed
1973	International expansion starts
1988	KONE Cranes formed
1994	Independent Company, separation from KONE Corporation
1996	Listed Company KCI Konecranes

KCI Konecranes in Graphs

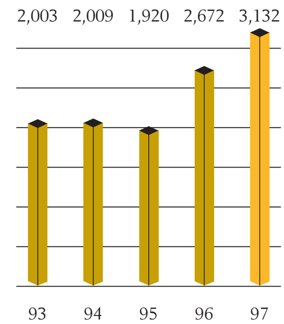
Sales

MFIM



Order intake*)

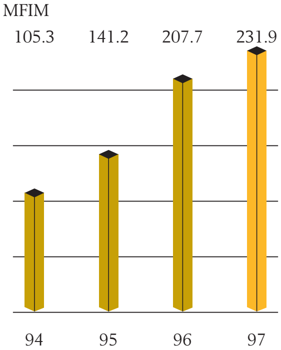
MFIM



*) excluding service contract base

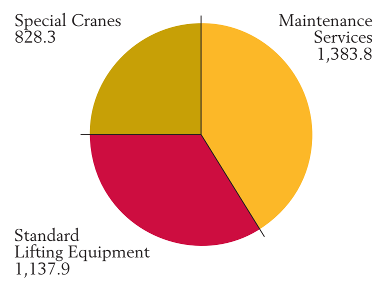
Operating income

MFIM



Sales by business area*)

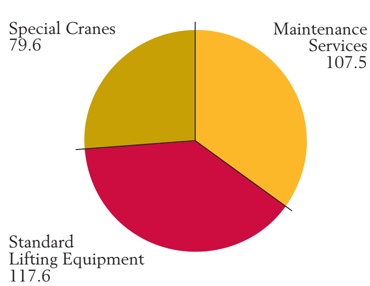
MFIM total 3,075.8



*) including internal sales

Operating income by business area*)

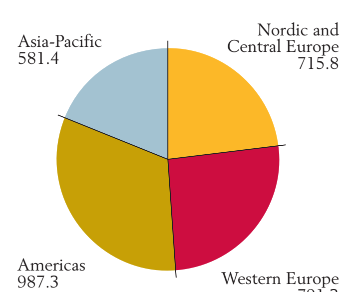
MFIM total 231.9



*) before group overheads and consolidated items

Sales by market

MFIM total 3,075.8

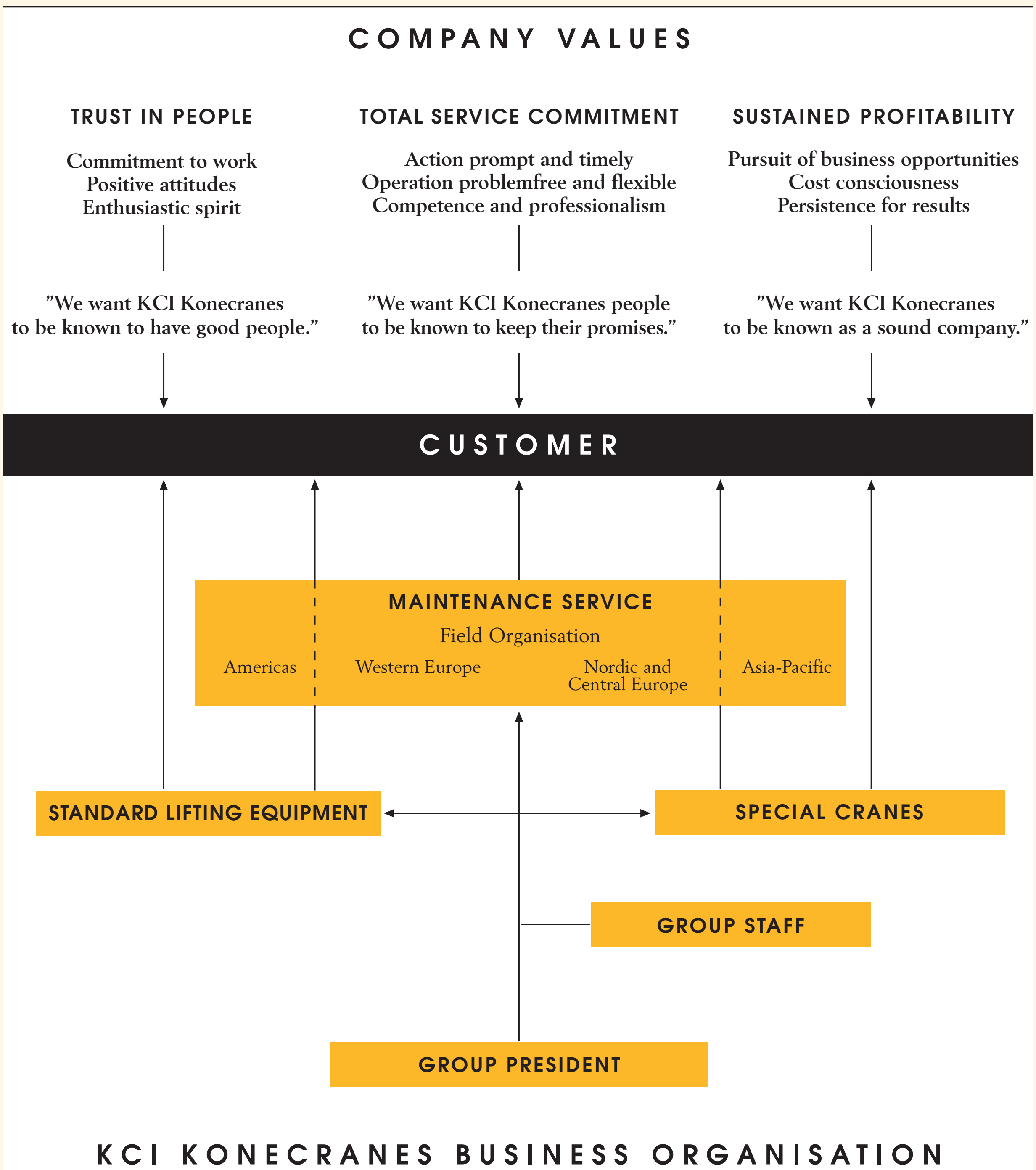


KCI Konecranes Company Values and Organisation

KCI Konecranes is a widespread group operating in a number of countries. Our personnel represents 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.



YEAR OF GROWTH

1997 was a remarkable year for KCI Konecranes. There was strong growth in all aspects of corporate activity. Sales growth was achieved mainly organically, as only two new businesses (with 2.9% of total sales) were consolidated into Group numbers during the year.

The orderbook at the year end stands substantially higher than a year ago.

The Group's net earnings and earnings per share increased by 19.4% to FIM 165.9 million and FIM 11.06 per share respectively, fully in line with Group long term goals.

The Group exceeded its Sales growth targets within all three Business Areas. Special Cranes would have grown even more but bottlenecks in production caused some delays in shipments.

In comparison with 1996 the 1997 margins were somewhat lower. In Special Cranes this was expected already a year ago, as 1997 was not likely to reproduce the high licensing income and late profit recognition of 1996. In Maintenance Services the slight margin reduction is related to bringing the new and thus low-performing French operations into the Group. In a similar way, the inclusion of MAN SWF caused a slight margin reduction in Standard Lifting.

Order intake continued its rapid increase. Total orders outperformed Sales, underpinning continuing growth. Only Special Cranes recorded single digit orders' growth. Immediately after new year, however, Special Cranes recorded new orders of FIM 136 million. Special Cranes therefore also continues its growth alongside the other Business Areas.

The number of cranes under service contract, which is the best indicator of future Maintenance Service growth, grew by 25% ("Crane Equivalents"). From this report on, we have changed the way of reporting "Cranes under contract". Before, we just added all cranes without paying attention to size. The new reporting recognizes cranes in relation to their business potential. For comparison, on page 15 historical Service Base data have been recalculated according to the new method, alongside with old method figures.

The strong sales growth put pressure on Group production resources. Within Standard Lifting, the factory in Springfield, Ohio, USA was replaced with a new and bigger facility during the year. The acquisition

of MAN SWF Krantechnik GmbH in Heilbronn, Germany also added to Standard capacity. The Standard Lifting Equipment Business Area now possesses a production capacity which can accommodate several years of sustained growth without major capital expenditure.

In Special Cranes, Sales growth was to some extent limited because of capacity constraints. The Group embarked on an ambitious investment program which, when completed in the spring 1998, will make it possible to grow the Special Cranes output by up to 50%. During 1997 capacity constraints were handled through increased subcontracting. This naturally took its toll on Special Cranes' margins.

Business growth, increased dividend payments, increased capital expenditure and acquisitions, all were funded through cash flow. Indeed, the only indicator not to grow in 1997 was net debt.

Profitability, expressed as return on total asset, is 36.2%, and return on equity 27.2%.

The share price has also shown growth. The share closed at year end on 180 FIM/share, up from 145 FIM/share at the 1996 year end. The growth 24.1% does not give the full picture. During the year, all-time-high was 235 FIM/share. During early 1998 there has been further volatility.

The obvious reason for the volatility is the economic turmoil in the Southeast Asian markets, which has hit engineering sector companies' share prices with considerable strength.

KCI Konecranes' Asian exposure is not very large. However, I feel that general interest in the circumstances prompt a comment. We have apparently failed to convey to the markets the specific nature of KCI Konecranes business. Of Group Sales, less than 20% or FIM 581 million relate to what we call the Asia-Pacific Region.

KCI Konecranes has not seen a slowdown of business activities within the sectors Standard Lifting Equipment and Maintenance Services in the Region. On the contrary, we see signs of business picking up due to increasing opportunities for our western type Maintenance Services Business Concept. Standard Lifting Equipment traded on normal levels through the whole autumn of 1997. For Special Cranes, with Sales in the Region of approx. FIM 300 million, the picture is different. Some FIM 160 million is generated in Southeast Asia, where the prospects of winning new orders - or investment projects going ahead at all - seem uncertain in the short term. Present orders on hand have not been deemed to contain specific risks. Present orders already cover 1998 on a normal level. The rest of the regional Sales is now generated outside Southeast Asia. Here China plays a big role, the balance of business mainly come from Japan, Australia and the Middle East, which is also included in our Region Asia-Pacific figures.

Winning new orders is uncertain, not in Maintenance or Standard Lifting but in Special Cranes in the immediate future in Southeast Asia.

That uncertainty must, however, be put into perspective.

During the autumn of 1997 and early 1998 the Group has clearly demonstrated its ability of winning new business outside the Asia-Pacific Region, in numbers matching or overshadowing any conceivable present Asian exposure. We see here a clear benefit from group strategy of global presence and multi-industry customer base. Also, the large portion of Maintenance Service business contributes greatly to business stability and sustained growth.

In addition to our normal operations within Business Areas, we also pursue Group sponsored "Strategic Initiatives". Several of these, such as the "Eastern Europe" initiative and the "Parts Business" initiative are aimed at long range structural growth. Other initiatives, such as "Global Sourcing" and "Management Training" are aimed at providing the basis for that expansion with increased efficiency and human resources.

The Group has adopted an active policy in investor communications. We feel that this is necessary because the vast majority of our shareholders are beyond reach of Finnish media coverage, or have to rely on second hand translations.

On Southeast Asia, the Group was among the first in Finland to comment on its business exposure. Some interpreted our activity as a sign of anxiety, which it was not. Despite such pitfalls, we intend to continue our policy of active market communication.

Every statement on future business developments these days has to be qualified on the Asian turmoil not developing into a worldwide turmoil. That said, KCI Konecranes is well positioned for continued growth and earnings expansion. In 1997 the Group demonstrated its ability to respond to a changing world. Our Special Cranes Business Area's orders on hand indicate growth even if there would be no new orders intake from Asia. New production capacity will support that expansion from the second tertial 1998 onwards.

In Maintenance Services it is business as usual. All indicators, in particular the service contract base, point at continued growth. New markets in France and later in Germany underpin the growth scenario.

In Standard Lifting Equipment 1997 saw rapid growth. That growth also meant increased market shares on all markets. Our position for continued growth is very good.

Acquisitions will continue to be a cornerstone in Group Strategy. We are constantly reviewing various prospects presented to us.

One last point on growth: in 1997 we increased our total personnel with 348 persons. I welcome all new employees to a dynamic KCI Konecranes. I thank all my colleagues for a well done 1997.

Stig Gustavson, President and CEO

SHARES AND VOTING RIGHTS

The Company's minimum share capital is FIM 100 million and its maximum authorized share capital is FIM 400 million, within which limits the share capital may be increased or decreased without amending the Articles of Association. On December 31, 1997 the share capital fully paid and reported in the Trade Register was FIM 120 million.

The nominal value of the share is FIM 8. The number of shares is 15 million. Each share is entitled to one vote.

SHAREHOLDER REGISTER

The shares of the Company belong to the Book Entry Securities System.

Shareholders should notify the particular register holding their Book Entry Account about changes in address or account numbers for payment of dividens and other matters related to ownership of shares.

DIVIDEND POLICY

Traditionally approximately one third of net profits has been paid as dividends.

TAXABLE VALUE IN FINLAND

For Finnish taxation purposes, the Company's share was given a value of FIM 125 in 1997.

AUTHORIZATIONS

The AGM of 4 March, 1997 resolved to issue a Share Option Program consisting of bonds with warrants worth FIM 300,000 for the Company's middle management (see below). The terms of the program are available on the Internet at http://www.kcinet.com/kcinews12.htm.

After these subscriptions the Board has no unused authorization to issue shares, convertible bonds or bonds with warrants.

OPTION SCHEME FOR MIDDLE MANAGEMENT

In 1997 a Share Option Program for middle management was put in place. In all 288 managers and experts received share options, excercisable on or after 1 April, 2003. The program represents a two per cent interest in the Company's outstanding shares.

AMENDMENTS OF THE ARTICLES OF ASSOCIATION

In the AGM the Company Articles of Association were amended, prompting a shareholder reaching 33 1/3% or 50% of outstanding shares to make a call offer for all outstanding shares.

The Board Membership term was increased to three years.

The number of Board members was changed to not less than six and not more than seven.

The AGM also changed the form of incorporation to a "public limited company". On September 1, 1997 the Company changed its name to KCI Konecranes International Plc in consequence with the new Finnish Companies Act.

TRADING AND PERFORMANCE OF THE COMPANY'S SHARES

KCI Konecranes' shares, symbol KCI1V are quoted on HEX Ltd, Helsinki Securities and Derivates Exchange (previously Helsinki Stock Exchange). The shares are also traded in London on SEAQ International.

The 1997 closing price was FIM 180 (1996: FIM 145). The highest price in 1997 was FIM 235 (1996: FIM 148), the average price was FIM 196.20 (1996: FIM 100.21) and the lowest price was FIM 142 (1996: FIM 81).

The share price rose 24.1% in 1997. The general HEX index rose 32.3%.

5,992,479 KCI Konecranes' shares were traded on HEX Helsinki Exchanges during 1997. This represents 39.9% of all shares. In monetary terms trading was FIM 1,176 million and average daily trading was the 27th largest among companies listed on HEX Helsinki Exchanges.

At the end of the year the market capitalization of the outstanding shares was FIM 2,700 million (1996: FIM 2,175 million). KCI Konecranes has the 29th largest market capitalization of companies listed on HEX Helsinki Exchanges. Earnings per share was FIM 11.06 (1996: FIM 9.26).

SHARE OWNERSHIP

At the end of 1997 the non-Finland held stake of the share capital was 85.43% (1996: 81.89%). The percentage of shares registered in the name of a nominee was 81.48 (1996: 80.97).

The top management selling restriction, subsequent to the Initial Public Offering in 1996, expired on March 18, 1997. Details on individual shareholders are part of the public domain and may be obtained from Finnish Central Securities Depository Ltd. Individual manager shareholdings will not be reported separately here.

On December 31, 1997 the third largest shareholder registered by name was the Company's President and CEO, Mr. Stig Gustavson, who held 420,875 shares representing 2.8% of the share capital. For further information about ownership see page 36.

DIVIDEND

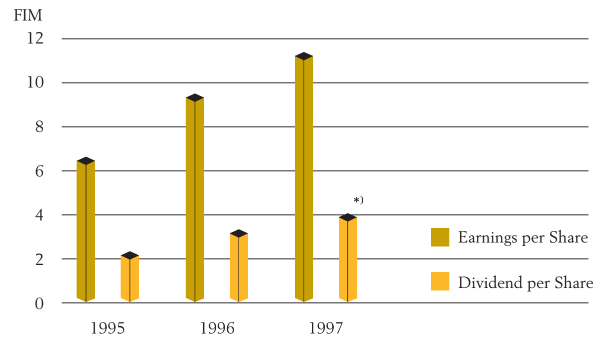
The Board of Directors proposes to the AGM that a dividend of FIM 3.75 per share will be paid. The dividend will be paid to persons, who are entered as shareholders in the share register on the record date March 9, 1998. According to the Board's proposal, dividend payment day is March 12, 1998.

INVESTOR INFORMATION

KCI Konecranes will publish all Company releases in real time on the Internet at: http://www.kcinet.com. The Financial Information calendar for 1998 is on page 47.

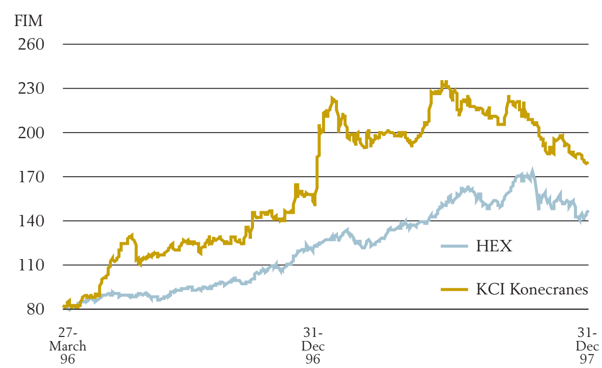
On page 47 there is a list of brokers and analysts, who have followed KCI Konecranes in 1997.

Earnings per Share and Dividend per Share

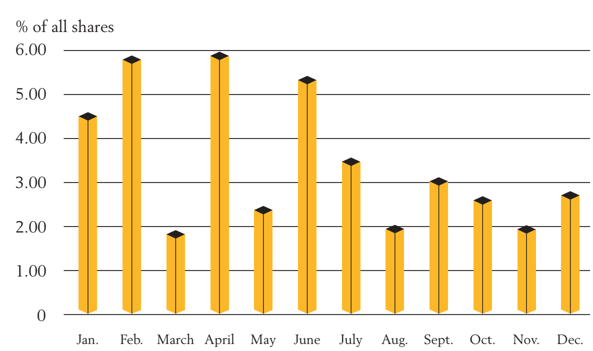


*) Board's proposal

Share Price vs. General HEX Index (Relative)



Monthly Trading in 1997



Chief Executives and Staff Directors clock-wise from left: Charles E. Vanarsdall, Markku Leinonen, Tom Sothard, Stig Gustavson, Arto Juosila, Teuvo Rintamäki, Eero Odelma, Harry Ollila, Matti Ruotsala, Antti Vanhatalo, William Maxwell, Mikko Uhari, Tapio Hakakari.

Growing to Reach Our Customers

Stig Gustavson:
"Telecommunications cannot replace personal contacts."

Tom Sothard:
"In North America KCI Konecranes continues to enjoy growth rates exceeding 20% in Maintenance Services."

Charles E. Vanarsdall:
"Fifteen years I have been part of an extraordinary growth in sales and profitability in North America."

Harry Ollila:
"Our strong growth areas are plant maintenance and crane business in East Europe."

Eero Odelma:
"Financial operations today increasingly work in a global real time environment."

Arto Juosila:
"KCI Konecranes' investment in the development of a modern and competitive electric chain hoist family will pay nice dividends also in the future."

Bill Maxwell:
"Although France has the most fragmented market in Western Europe, in total the market is larger than the U.K.'s."

Mikko Uhari:
"Our RTG crane is an excellent example of our state-of-the-art technology."

Antti Vanhatalo:
"The new machine tools to be introduced during 1998 will not only increase production capacity but also lower the unit costs essentially."

Tapio Hakakari:
"In our business it is essential that the personnel is highly motivated."

Markku Leinonen:
"Nevertheless, there is a huge underlying business opportunity in Asia today."

Matti Ruotsala:
"1997 was a busy year for our R&D people."

Teuvo Rintamäki:
"I served the company for some eight years as Staff Director at the Headquarters. Then it was time for new challenges in line management and field operations."

Executive Comments

Stig Gustavson: President and CEO

Much of the day to day business can be handled through telecommunications, but in an organization as scattered as KCI Konecranes' it is very important to forge a common culture in personal encounters face to face. The Group Executive Board has a longstanding tradition of regular meetings, usually at group headquarters but also from time to time at regional headquarters. Staff directors also participate.

Every year in early summer there is a larger meeting for 80-100 managers from all around the world, the KCI Konecranes Conference. The Conference is part of the business planning cycle. In the Conference strategic issues are dealt with, but it also acts as homogenizing melting pot.

Arto Juosila: Standard Lifting Equipment

Lighter products, more advanced production methods and increased demand for safety and improved ergonomics at work - the demand for light and reliable lifting devices is growing. KCI Konecranes' investment in the development of a modern and competitive electric chain hoist family will pay nice dividends also in the future.

Our wide range of products (from the 125 kg electric chain hoist to the 80 ton standard crane) always guarantees the right solution for our customers' lifting needs.

More than 1,000 fully owned and independent sales outlets have brought success for our "bread and butter" products - wire rope hoists and modular cranes. This rapidly expanding sales network is ideally suited also for the distribution of our new chain hoists.

Teuvo Rintamäki: Region Western Europe

I served the company for some eight years as Staff Director at the Headquarters. Then it was time for new challenges in line management and field operations. Now, after having worked in France, the U.K. and Holland for several months, I have learned that I met much more than just another challenge.

Meeting customers, working with front line people and seeing KCI Konecranes' products in operation has not only been very interesting but for most of the time also educational - sometimes even thrilling!

All in all a very rewarding experience.

Eero Odelma: Chief Financial Officer

Financial operations today increasingly work in a global real time environment. Group Accounting and Treasury have been working on a new IT system that will be implemented in early 1998. For cash management this means that a global real time cash pool is created.

Harry Ollila: Nordic and Central Europe

Our strong growth areas are plant maintenance and crane business in East Europe.

Matti Ruotsala: Technology

1997 was a busy year for our R&D people. Much of the work is naturally related to our future products, and therefore treated as secrets. Let me only mention that the new chain hoist line is close to a complete commercial launch. The 5th generation AC frequency converter drives are in full swing and so is the upgrading and complementing of the SWF-product lines. Over 300 man weeks of training in our TechTrain program supported this development work.

Antti Vanhatalo: Special Cranes Components

The new machine tools to be introduced during 1998 will not only increase production capacity but also lower the unit costs essentially. And what's most important - they help in halving the throughput time.

We are going to group our large machining centres to an efficient unit with one common pallet changing system. This also enables unmanned operation.

All future operators have been involved in acquiring the new tools and a comprehensive training program has been started to ensure full production immediately after startup.

Not only have we increased the production efficiency but we have also widened the load range of the SM hoisting trolleys. The sales of the new trolley types has exceeded our expectations in all our market areas, also among the price-conscious customers in Southeast Asia.

Bill Maxwell: Region Western Europe

Although France has the most fragmented market in Western Europe, in total the market is larger than the U.K.'s. We have grown at a fairly rapid pace with the help of a few smaller strategic acquisitions particularly in Maintenance Services.

As we target a similar market share in Maintenance Services in France as we have in the U.K. the growth potential is about 300%. Combined with a solid market share in Special Cranes and Standard Cranes I would certainly see France as a major business expansion area.

Mikko Uhari: Konecranes VLC

Our RTG (Rubber Tyred Gantry) crane is an excellent example of our state-of-the-art technology. It gives our customer low operating costs, superior performance and high reliability. This crane can be remote monitored, even via satellite link, in order to secure good product support. It is also a prime example of our harbour and shipyard crane strategy: we develop the latest technology, we utilize KCI Konecranes' own automation products and mechanical components and we rely on our proven supplier network for steel structures. And, finally, we do not forget to arrange the after sales support.

Tapio Hakakari: Administration

In our business it is essential that the personnel is highly motivated. Almost everyone in our organization, white collar and blue collar alike, participates in an individual bonus scheme.

Last spring 288 managers received stock options. The program has been a great success. We are investigating prospects for a second option program in the near future.

Our objective is to align personal goals with corporate goals to create shareholder value.

Charles E. Vanarsdall: Region Americas

During my fifteen year tenure with KCI Konecranes I have been fortunate to be part of an extraordinary growth in sales and profitability in North America. Although KCI Konecranes had been doing some business in North America in the 1970's it wasn't until 1983 that the first significant direct investment took place. In that year R&M Materials Handling was acquired to accelerate the penetration of the U.S. hoist and component market. The following year the service business was established and in the next few years EOT crane companies were acquired. From this rather humble beginning, a combination of more acquisitions and high organic growth rates has resulted in revenues approaching USD 200 million and well over-the-average returns.

Markku Leinonen: Region Asia-Pacific

Asia is a very interesting place today. Yes, there is turbulence, and yes, growth rates are maybe not what they used to be. Nevertheless, there is a huge underlying business opportunity in Asia today. The business has to be directed differently not only geographically within the area but also within business segments.

Our first year in Shanghai has been a tremendous experience. Everything has not been going as we thought and planned. Today we are even more commited than before to pursue this stronghold in China.

Tom Sothard: Region Americas

With the strong economy and the increasing trend for outsourcing in North America, KCI Konecranes continues to enjoy growth rates exceeding 20% in Maintenance Services.

KCI Konecranes has over 50 service centers in North America. From these centers we are able to offer local customized services with the ability to draw from KCI Konecranes' global support and technologies. This allows us to offer unparallel services to our customers.

In 1997 we opened 5 new service centers in Philadelphia, Pennsylvania; Evansville, Indiana; Rochester, New York; Monroe, Louisiana and Decatur, Alabama. Even though KCI Konecranes is North America's largest overhead crane service company, there exist additional industrial markets to expand our service operations throughout this Region for many years to come.

Important Contracts

Major orders have been reported in interim reports along the year. The scope of this list is therefore orders received during the third tertial, the period September to December 1997.

Orders listed here are major orders mainly from the Special Cranes Business Area. The criteria according to which orders are chosen for this list are now more stringent than before. The list is therefore shorter.

The business within the Standard Lifting and Maintenance Services Areas are equally important as Special Cranes' business!

- Guangzhou Zhujiang Steel Co Ltd, China ordered two cranes, 190 t and 280 t capacity, for charging and hot metal handling. KCI Konecranes' scope included the complete mechanical and electrical engineering and all components. Steel girders will be made by the client. Erection and supervision are also part of KCI Konecranes' obligations.

- A paper mill in China ordered a total of 17 cranes through Voith Sulzer Paper Technology and Valmet Coaters and Reelers.

- Verson Press ordered for their Chicago, Illinois, USA plant two 500 t EOT Cranes and six 30 t semigantry cranes. Verson builds stamping presses typically used in the automotive industry.

- Manzanillo International Terminal-Panama S.A. ordered 6 RTG Cranes of 50 t capacity.

- One order for the installation work and commissioning of four Grab Unloaders already on order. Name and location of the customer withheld on customer's request.

- For a terminal in the port of Barcelona, Spain, buyers Técnicas y Mantenimiento de Almacenaje, S.A. ordered two Super Post Panamax Ship-to-Shore Container Cranes.

- For a coke handling installation adjacent to an oil refinery in Venezuela engineering-contractor Consorcio Contrina LLC, a joint venture consisting of Brown & Root, Parsons, Technip, DIT Harris and Proyecta, bought two cranes.

- For the port of Klaipeda, Lithuania, the Klaipeda Stevedoring Company bought two Panamax Ship-to-Shore Container Cranes. Crane drives on these cranes are full-A/C.

"When going gets tough, Only the tough keep going."

Toivo Rönn,
Konecranes Nordic
Corporation

Rautaruukki, the Finnish Steel Mill, and KCI Konecranes have developed a good co-operation in crane technology. Two years ago, after decades of service, Rautaruukki's process cranes in Raahe needed renewal. The cranes were still partly in good shape, but the control system in particular was outdated technology. The cranes were taken down and dismantled one by one, all moving parts were inspected and worn parts replaced. The drives were changed completely. The new drive systems are based on A/C inverter technology, and allow crane operation with two, three or four motors, 110 kW each, always utilizing full capacity with power balance in every situation. Alongside with modernization, Rautaruukki and KCI Konecranes jointly developed a maintenance system for the cranes. The system combines Rautaruukki's profound knowledge of the process with KCI Konecranes' crane know-how. The cranes work in a very harsh environment, under high load, around the clock.

Maintenance Services

KCI Konecranes Maintenance Service business, although a significant part of our total business, is not looked upon as just being a business of its own. Rather, it is the key component in our total integrated offering of products and services.

This integrated offering of products and services addresses a shift in the purchasing patterns of overhead material handling equipment users, particularly in Europe and in North America. In these industrial economies the purchasing transaction has moved from a short term equipment based transaction to more of a longer term supplier-customer relation where a value-added portfolio of products and services is preferred.

The cornerstone to build this relationship is the Preventive Maintenance contract. It provides KCI Konecranes the opportunity to demonstrate its creditability as a highly qualified total customer care provider, and it allows the customer not only an opportunity to reduce maintenance costs, but also to focus his own internal maintenance resources on the core business equipment where reliability and up time is most critical.

The increase of Preventive Maintenance contracts has supported our fast pace growth in Europe, in North America and in select areas in Asia-Pacific. In North America alone the contract base has grown thirty per cent each year and the Region now has more than 60,000 units under a maintenance contract.

Being responsive and reliable means being local. KCI Konecranes has 200 service branches world-wide. In the U.K. as an example there are 25 service branches. In Western Europe 37, in Scandinavia 67. In Asia we have a presence in 7 countries. In North America there are more than 50 branches. In an ever growing number of cases in industries such as steel processing and paper, KCI Konecranes has taken over the complete crane maintenance responsibilities for our customers by providing total, on-site, around-the-clock services.

From this report on we have changed the method of reporting the "Number of Cranes under service contract". KCI Konecranes' obligations under different service contracts vary greatly, naturally on the basis of the size of the crane, but also on the basis of how the crane is used. Also, the old method of reporting did not include the number of cranes under Inspection Contract.

Under the new reporting, every crane in the maintenance or inspection base is given a number relative to the business potential in the contract, the "Crane Equivalent". The reported number is the sum of Crane Equivalents. For comparison, we have listed historical data according to both the old and the new method.

PERFORMANCE 1997

Sales increased with 19.3% and orders received with 18.1%. The leading future growth indicator, cranes (now crane equivalents) under service contract grew with 24.7%. This year modernizations did not contain any unusually large jobs.

Operating income increased with 12.9%. Income increase percentage was lower than sales growth percentage, suggesting a slight margins reduction. This is a result of including into figures the recently acquired, and thus low performing, French Maintenance Services operations. All other Maintenance Services operations retained their operating income percentages.

During 1997 three crane companies acquired in 1996 were successfully developed into Maintenance Service companies and integrated into the Group's business without any margin erosion. The French acquisitions Matman and CGP have proven somewhat more time consuming. Both are now showing an improved development.

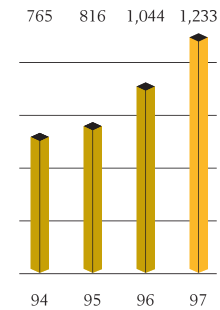
MAINTENANCE SERVICES CONTRACT BASE DEVELOPMENT

Cranes under Contract (old method) and Crane Equivalents under Contract (new method)

METHOD	1994	1995	1996	1997
Old	66,000	77,000	90,000	
Growth y-o-y		16.6%	16.8%	
New	68,550	77,470	97,464	121,530
Growth y-o-y		13.0%	25.8%	24.7%

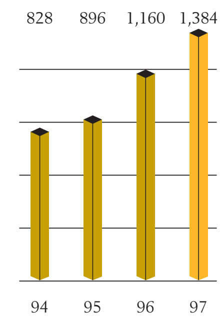
Orders[1,2]

MFIM



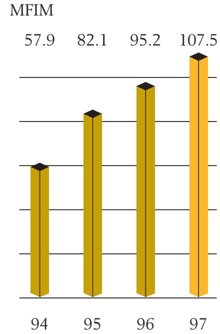
Sales[1]

MFIM

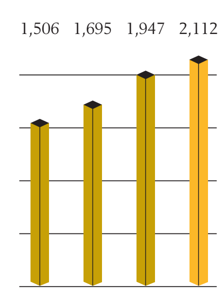


Operating income[3]

MFIM



Personnel



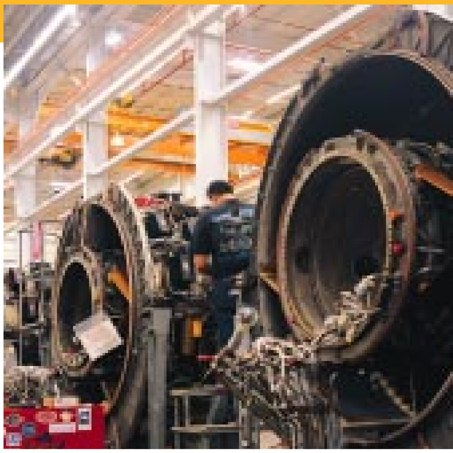
1) 94, 95, 96 at historical exchange rates
2) excluding service contract base
3) before group costs and consolidation items

Quality requirements: stringent.

Performance requirements: sky high.

We deliver.

Rolls-Royce Canada Ltd. took delivery of 17 standard cranes to be used in aircraft engine assembly and service. The moving of jet engines requires utmost precision and reliability. The cranes were equipped with state-of-the-art lifting and travelling control technology. KCI Konecranes was in a position of meeting all Rolls-Royce's stringent requirements with components from its normal standard crane range.



Joseph Botros and Don Wagner,
Konecranes Canada Inc.

Standard Lifting Equipment

The Standard Lifting Equipment business consists of an extensive range of electric chain and wire rope hoists and components for light crane systems and standard cranes with capacities from 125 kg to 50 tons and above. In addition, the KCI Konecranes service network sells an increasing amount of spare parts and other service products such as modernization kits and up-grade packages.

The Standard Lifting Equipment Business Area continued its steady growth. Both standard crane and hoist companies in all parts of the world have increased their market shares. In technology centers (in-house component supply companies) the production volumes were higher than ever.

Companies within the Standard Lifting Equipment Business Area deliver their products both to KCI Konecranes companies and independent OEM customers.

Each of our four main brands - Konecranes, SWF, R&M and Verlinde - increased their market shares. In 1997, the North American market posted the strongest growth. In this highly competitive market KCI Konecranes' combined market share makes us the market leader. Our sales and service network now covers the whole continent.

In the turbulent Asia-Pacific market our long time presence in the Region and closeness to distributors and customers now pays dividends. We have clearly been able to respond to rapid changes in the markets and to increase our competitiveness.

In Europe our expanding service network has proven to be an excellent outlet for Standard Lifting Equipment products. MAN SWF Krantechnik GmbH, acquired in July, has further strengthened our market position in Germany and other Central European countries. Verlinde has its stronghold in the western parts of Europe.

Also in the Middle East and in Latin America our brands have improved their market position. KCI Konecranes' presence in all these markets is the source for steady and continuous growth of this Business Area.

Sustained growth translates into a challenge for our manufacturing capacity. The new facility opened in June in Springfield, Ohio and the MAN SWF plant in Germany both are key elements in our drive for short and reliable deliveries and top level customer service. On the market KCI Konecranes is already known for fastest deliveries with lowest level of delinquencies.

The ScaleTech production strategy with modular product structures is our key to continuous improvements in efficiency and margins. Under this concept we have developed universal product platforms. Common components are produced in dedicated high volume production plants, a.k.a. technology centers. These centers for motors, brakes, gears, end trucks and controls all improved their efficiency and profits. Also the product quality levels have improved. External and internal quality costs have decreased year after year. We are building a reputation of being a world-class business partner.

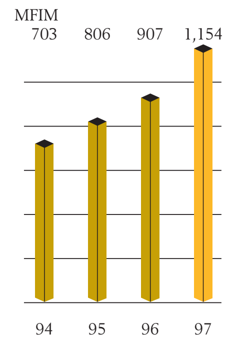
Additional production volume from the SWF family together with completion and full scale launching of our new electric chain hoist generation will add to our economy of scale in our global sourcing program.

PERFORMANCE 1997

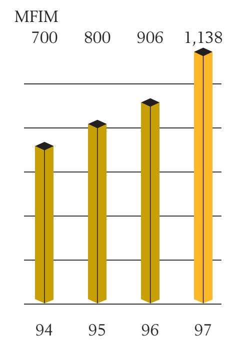
The Standard Lifting Equipment had a year of steady growth. Over two thirds of the sales growth was organic, the balance came through the acquisition of MAN SWF Krantechnik GmbH. Sales growth was 25.6% and orders growth was 27.2%. Orders growth in all Group Standard Lifting Equipment companies, including MAN SWF suggest a continuation of overall 1997 growth rates in spite of lower growth rates in Southeast Asia.

Operating income grew 21.0%. MAN SWF did not contribute to the operative income during 1997, but will do so from 1998 on.

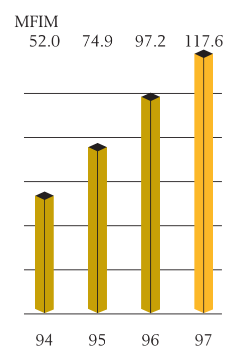
Orders[1]



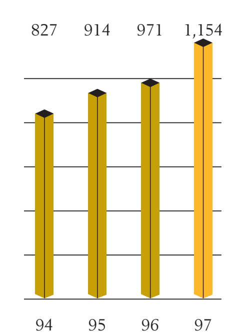
Sales[1]



Operating income[2]



Personnel



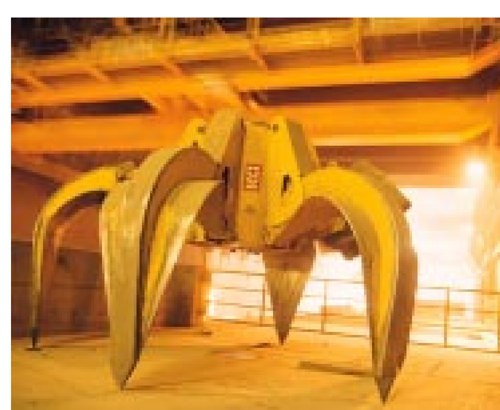
[1] 94, 95, 96 at historical exchange rates
[2] before group costs and consolidation items

“Waste handling, a job for experts.”

Thomas Jungmann,
KCI Konecranes

Fritz Rohr
Von Roll Environmental
Technologies Ltd.

KCI Konecranes and Swiss Von Roll Environmental Technologies Ltd. from Switzerland are partners in waste-to-energy station construction. Von Roll is one of Europe's biggest suppliers of waste handling equipment and waste-to-energy installations. Von Roll contacted KCI Konecranes and, together, we developed a crane specially designed for waste-to-energy plants. On a large number of points this crane is more efficient and more reliable than traditional solutions. Further, the crane is very cost-efficient. The design mainly uses standard components from KCI Konecranes' industrial crane range, but for some parts - the grapple and the cable reel - new solutions were developed. These are now patented. The co-operation has become a commercial success.



Special Cranes

KCI Konecranes Special Cranes Business Area addresses two global markets: harbours, terminals and shipyards as well as heavy industry.

For both markets our approach is uniform: key high value-added machinery and electronic components are manufactured in the Group's own production facility. Technically, cranes for harbours and shipyards differ considerably from industrial cranes, yet, load requirements, reliability requirements, control equipment requirements etc. are identical for both types. This has enabled the Group to build rational state-of-the-art production lines with considerable scale effects for component manufacture for both types of cranes.

Crane structures, which for a harbour crane may be worth up to 50 % of the total value of the crane, are usually built at a location closer to the customers' site. Harbour and shipyard crane structures are always subcontracted.

For structural work of industrial cranes KCI Konecranes has facilities in Houston, Texas; Glasgow, Scotland; Orleans, France and Hyvinkää, Finland. In 1997 approx. 70% of heavy industrial cranes were built in those facilities. The balance was subcontracted. We have since long established good working relationships with subcontractors in China, Indonesia, Thailand and Malaysia, as well as in some Eastern European countries.

Industrial cranes and harbour and shipyard cranes have their own engineering resources.

Our harbour, terminal and shipyard crane operation (a.k.a. the Konecranes VLC) is a niche producer. During recent years KCI Konecranes has brought to market several innovative products: the dustfree Continuous Ship Unloader, the high reliability non-hydraulic Rubber Tyred Gantry Crane and, during 1997, the Konecranes Munckloader - a vessel mounted container crane.

Our Industrial Crane operation is the world market leader in its field of heavy process cranes. We have been able to include all types of industries, from paper mills to power stations, from steel mills to waste handling plants, from automotive manufacturers to steel merchants into our global customer list.

In 1997 Special Cranes had a thorough market success. Orders on hand increased with over 20%. Order intake could have been even stronger but we were limited by capacity constraints in component manufacture. The Group therefore embarked on an ambitious investment program for increased component capacity and improved productivity.

The first installation for runwheel production, already started production. Targets were met, including the goal of cutting throughput time in half. Next lines will be a CNC automatic welding line and a large CNC milling line to commence production during the spring of 1998. After the summer, rope drum manufacture will be improved.

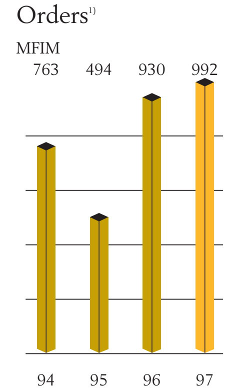
PERFORMANCE 1997

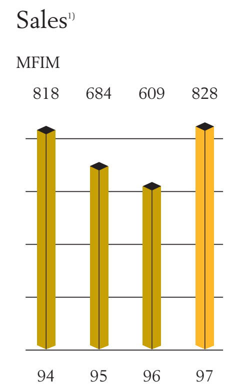
Following the good orders intake during 1996, sales grew with 35.9% in 1997 compared to 1996. Orders continued on the high level set in 1996, and grew with a further 6.6%. The Group is confident it will receive some significant new orders in the beginning of 1998 after which Special Cranes will show an orders growth in line with the other Business Areas.

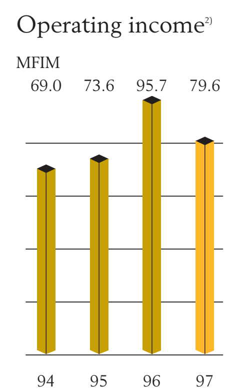
Special Cranes operating income was FIM 79.6 million which is FIM 16.1 million lower than it was one year ago. The 1996 number contained some FIM 15 million in licensing income and late margin recognition, which did not repeat themselves in 1997. Now with rapidly increasing sales, also reserves are increasing fast.

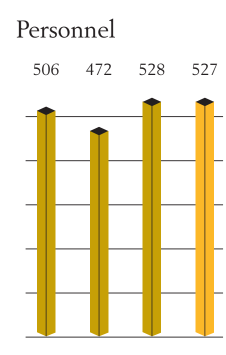
During recent years Special Cranes have changed the focus of its business towards high value-added products, chargeable services and engineering. Now sales is increasing. The operative income will grow in line with sales with some timelag as full income recognition requires fully completed projects.

The Southeastasian markets for new projects will remain low for the immediate future. Corresponding engineering and sales resources have been redeployed for other areas in the region and other regions, without staff relocation. The Group is not giving up its Southeastasian market position.









[1)] 94, 95, 96 at historical exchange rates
[2)] before group costs and consolidation items

Board's Report

GENERAL

1997 was a good year for KCI Konecranes with strong growth and continued earnings increase.

SALES

Group sales increased to FIM 3,075.8 million showing a 25.5% growth from FIM 2,450.9 million in 1996. The growth was supported by acquisitions and exchange rate changes. All the Business Areas increased their sales. The highest growth rate was now recorded in Special Cranes, 35.9%. By region the fastest sales increase occured in Regions Americas and Western Europe while growth in Region Nordic and Central Europe was more modest. Also Asia-Pacific posted a good growth as an unusually large amount of project deliveries occured during the year.

ORDER INTAKE AND BACKLOG

Again orders (excluding the value of Service Contracts) exceeded sales and was FIM 3,132.1 million, a growth of 17.2%. In Special Cranes the orders were above the 1996 level although the Southeastasian industrial crane market slowed towards the year-end. Global growth rate in Maintenance Services and Standard Lifting Equipment continued on a high level. The backlog at year-end is FIM 1,293.3 million, which is 23.6% above the level one year ago.

PROFITABILITY

Income after financial items was FIM 234.4 million (1996: FIM 208.2 million), up 12.6% from 1996. Net income was FIM 165.9 million, up 19.4% from FIM 139.0 million in 1996. Total taxes were FIM 68.4 million, representing a tax burden of 29.2%. In 1996 the burden was 33.2%.

Maintenance Services and Standard Lifting Equipment increased their Operating Income in line with increased sales. Special Cranes margin came back to a normal operational level as licensing income and late margin recognition, which were exceptionally high in 1996, did not reoccur on that level.

Both return on capital employed and return on equity stayed on levels well in line with long term targets. Return on capital employed was 36.2% (1996: 36.3%) and return on equity 27.2% (1996: 28.1%).

BALANCE SHEET AND FINANCING

Free cashflow from Group profit was used for dividends (FIM 45.0 million), net investments and acquisitions (FIM 112.3 million) and working capital needs following the growth in business volume and order backlog. Group net borrowings stayed nominal, FIM 8.9 million, resulting in a gearing ratio of 1.3%. The Group had at year-end not drawn on its USD 100 million long term credit facility. The solidity based on the FIM 1,728.2 million (1996: FIM 1,423.6 million) Balance Sheet was 43.9% (1996: 41.7%).

CURRENCIES

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

Because of the above mentioned policies and the use of hard currencies in export businesses the turbulence in local currencies in Asia-Pacific had only minimal effects on Group level revenue and profits.

R&D AND TRAINING

For Special Cranes, development of A/C controls continued. The basic technology was originally developed for the RTG crane and after a successful launch that technology is now implemented for other VLC type cranes including container cranes and grab unloaders.

For Standard Lifting Equipment the development work on Verlinde, R&M and MAN SWF product ranges continued.

The group continued its intensive training of front end technicians. A new program for middle management and experts development was started. R&D and Training costs, the latter being slightly higher, together were approx. FIM 100 million in 1997.

INVESTMENTS

Investments in 1997 - excluding investments into fixed assets of acquired companies - increased to FIM 98.9 million (FIM 55.1 million 1996). The American component factory and regional headquarters building was finished in 1997. In Special Cranes several investments to remove bottlenecks were made. Part of these will start production in 1998.

RISK POLICIES

The KCI Konecranes Group has continuously been reviewing its insurance policies to ensure an adequate cover of all reasonable and insurable risks resulting from operations. The Group did not have any pending legal processes or business claims with material effect.

The Board has reviewed the Group's ongoing Asian business. The Board will repeat its reviews at regular intervals.

GROUP STRUCTURE

The French company Copas ALM was acquired in 1997. Numbers have been consolidated into Group numbers from 1.5.1997 onwards. The German company MAN SWF Krantechnik GmbH, the acquisition agreement of which was signed already in 1996, was finally taken over to 100% at closing in July 1997. Financials have been consolidated from 1.7.1997 on.

The Group continues its efforts of pursuing selected acquisitions.

PERSONNEL

The highest organic increase in personnel occured in Maintenance Services. The business concept in Special Cranes allows wide variations in business volume without a need for recruitments or reductions. Standard Lifting Equipment increased its personnel because of the acquisition of MAN SWF Krantechnik GmbH and because of its organic growth. The number of personnel at the end of 1997 was 3,897 (1996: 3,549). The average number of personnel in the Group was 3,720 (1996: 3,351) and in the parent company 53 (1996: 55).

In May the Group established a European Works Council (EWC) in accordance with EU Council Directive 94/95/EC. KCI Konecranes' Works Council consists of personnel representatives from seven European countries including the U.K.

SHAREHOLDERS

In March 1997 the Parent Company paid dividends 45.0 million corresponding to 3.00 FIM/share against the present nominal share value of 8.00 FIM. On 1.4.1997 the company issued an Option Program of 300,000 shares for middle management and experts. The length of the program is six years.

The share price at the Stock Exchange varied between FIM 142 and FIM 235, closing at FIM 180 on December 31, 1997.

FUTURE PROSPECTS

Orders on hand in the equipment businesses and the service contract base both support a continuation of the 1997 growth into 1998. Strong orders intake for Special Cranes in Europe and America has compensated for the slowdown of Southeastasian project markets. With the exception of the increased uncertainty in global markets, few threats for a continued good development can be seen. KCI Konecranes´ strategic position enables the Group to thrive also in a less favourable economy.

Board

From left: Juha Rantanen, Timo Poranen, Christoffer Taxell, Michael Rosenlew, Björn Savén, Lennart Simonsen and Stig Gustavson.

Chairman of the Board

Björn Savén
Year of birth 1950
Occupation Chief Executive, Industri Kapital
Education M.Sc. (Econ.), MBA
Other responsibilities:
Chairman of the Supervisory Board, i-Center Ab
Chairman of the Board, MSC Metsa Specialty Chemicals Oy
Chairman of the Board, Nobia AB
Member of the Board, Orkla ASA
Member of the Board, Sweden Sewing Machines AB
Present term closes year 1999

Other members of the Board

Stig Gustavson
Year of birth 1945
Occupation President & CEO, KCI Konecranes International Plc
Education M.Sc. (Eng.)
Other responsibilities:
Chairman of the Board, Oy Hackman Ab
Chairman of the Board, Addtek International Oy Ab
Member of the Board, Oy Helvar Merca Group Ab
Member of the Board, Federation of Finnish Metal, Engineering and Electrotechnical Industries FIMET
Present term closes year 2000

Timo Poranen
Year of birth 1943
Occupation President, Finnish Forest Industries Federation
Education M.Sc. (Eng.)
Other responsibilities:
Member of the Supervisory Board, OKO Bank Ltd
Member of the Supervisory Board,
Pension Varma Mutual Insurance Company
Member of the Board, The Finnish Foreign Trade Association
Member of the Board, Industrial Insurance Company Ltd
Present term closes year 2000

Juha Rantanen
Year of birth 1952
Occupation President & CEO, A. Ahlstrom Corporation
Education M.Sc.(Econ.), MBA
Present term closes year 1999

Michael Rosenlew
Year of birth 1959
Occupation Director, Industri Kapital
Education M. Sc. (Econ.)
Other responsibilities:
Member of the Board, Addtek International Oy Ab
Member of the Board, Industri Kapital Limited
Member of the Board, MSC Metsa Specialty Chemicals Oy
Member of the Board, Nobia AB
Member of the Board, Nyge Aero AB
Member of the Board, Addum AB
Member of the Board, Elektrokoppar AB
Present term closes year 1998

Christoffer Taxell
Year of birth 1948
Education L.L.M.
Occupation President & CEO, Partek Corporation
Other responsibilities:
Member of the Board, ABB Oy
Member of the Board, Pension Varma Mutual Insurance Company
Member of the Board, Oy Stockmann Ab
Member of the Board, Sampo Insurance Company Ltd
Member of the Board, Metra Oy Ab
Member of the Board, Kalmar Industries AB
Present term closes year 1998

Secretary of the Board, not member

Lennart Simonsen
Year of birth 1960
Education L.L.M.
Occupation Managing Partner, Castrén & Snellman, Attorneys at Law

Consolidated Statement of Income

(1,000 FIM)		1.1.-31.12.1997	1.1.-31.12.1996
Sales	Note 1	**3,075,817**	**2,450,925**
Increase in product inventory		73,461	30,318
Production for own use		1,636	278
Other operating income		9,046	6,610
Share of result of associated companies		251	345
Costs	Note 2	(2,859,964)	(2,224,500)
Depreciation	Note 3	(68,351)	(56,252)
Operating income after depreciation		**231,896**	**207,724**
Financial income and expenses	Note 4	2,476	436
Income after financing items		**234,372**	**208,160**
Taxes	Note 5	(68,372)	(69,138)
Minority interest		(95)	(53)
Net income		**165,905**	**138,969**

Consolidated Balance Sheet

ASSETS (1,000 FIM)		31.12.1997	31.12.1996
Fixed assets and other non-current investments			
INTANGIBLE ASSETS			
Formation expenses	Note 6	2,710	4,770
Intangible rights	Note 7	16,621	18,772
Goodwill	Note 8	4,230	2,684
Group goodwill	Note 9	42,897	36,704
Advance payments		512	100
		66,970	63,030
TANGIBLE ASSETS			
Land	Note 10,15	21,648	18,856
Buildings	Note 11,15	136,704	111,525
Machinery and equipment	Note 12	159,372	144,228
Advance payments		5,357	26,342
		323,081	300,951
FINANCIAL ASSETS			
Investment in associated companies	Note 13,15	1,649	1,730
Other shares and participating interest	Note 14,15	7,621	6,332
		9,270	8,062
Current assets			
INVENTORIES			
Raw materials and semi-manufactured goods		174,407	146,810
Work in progress		300,855	202,417
Advance payments		31,199	8,433
		506,461	357,660
RECEIVABLES	Note 16		
Accounts receivable		587,022	474,441
Loans receivable		1,534	2,031
Deferred assets		167,733	115,703
Bills receivable		15,160	14,815
		771,449	606,990
LIQUID ASSETS AND SHORT-TERM INVESTMENTS		50,947	86,903
Total current assets		1,328,857	1,051,553
TOTAL ASSETS		1,728,178	1,423,596

SHAREHOLDERS' EQUITY AND LIABILITIES		31.12.1997	31.12.1996
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		33,272	35,140
Translation difference		(13,416)	(15,588)
Retained earnings		183,447	90,566
Net income for the period		165,905	138,969
		369,208	249,087
Minority share		495	282
Obligatory reserves	Note 18	50,465	58,293
Liabilities			
LONG-TERM DEBT	Note 19		
Loans from credit institutions		0	60,371
Pension loans		26,601	29,740
Bonds with warrants	Note 20	300	0
Deferred tax liability	Note 21	14,652	17,179
		41,553	107,290
CURRENT LIABILITIES	Note 22		
Loans from credit institutions		0	564
Pension loans		2,956	2,601
Advance payments received		201,327	105,961
Accounts payable		282,810	217,031
Bills payable		19,296	15,201
Accruals		428,254	327,196
Other short-term debt		31,814	40,090
		966,457	708,644
Total liabilities		1,008,010	815,934
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,728,178	1,423,596

Consolidated Cashflow

(1000 FIM)	1.1.-31.12.1997	1.1.-31.12.1996
Operating income after depreciation [1]	230,402	207,560
Depreciation	68,351	56,252
Financing income and expenses	(13,152)	(6,777)
Taxes	(69,332)	(68,658)
Free cashflow	216,269	188,377
Increase in current assets	(103,382)	(113,943)
Increase in inventories	(131,382)	(36,336)
Increase in current liabilities	215,151	27,097
Cashflow from operations	196,656	65,195
Capital expenditure to machines	(96,225)	(45,154)
Capital expenditure to intangible and financial assets	(2,670)	(9,983)
Fixed assets of acquired companies	(22,688)	(10,604)
Disposals of fixed assets	9,305	5,478
Investments total	(112,278)	(60,263)
Cashflow before financing	84,378	4,932
Change in long-term debt, increase (+), decrease (-)	(63,210)	40,047
Change in short-term interest-bearing debt, increase (+), decrease (-)	(10,006)	2,590
Dividend paid	(45,000)	(30,000)
External financing	(118,216)	12,637
Correction items [2]	(2,118)	779
Net financing	(35,956)	18,348
Cash and bank deposits at 1.1.	86,903	68,555
Cash and bank deposits at 31.12.	50,947	86,903
Change in cash	(35,956)	18,348

[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 and internal margins in inventories have been eliminated in the consolidated financial statements. The margin percentages in elimination are defined on yearly basis.

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 Konecranes 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 Konecranes 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". Any 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 Corporation'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 Konecranes 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 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 31.12.1996 and 31.12.1995.

Notes on the Consolidated Financial Statements

All figures are in millions of Finnish markkas.

STATEMENT OF INCOME

1. Sales

Sales by market-area	1997	1996
Finland	333.5	380.5
Rest of Nordic countries	199.2	207.0
Rest of EU	791.3	665.1
Rest of Europe	183.1	64.5
Americas	987.4	690.1
Asia and Australia	514.7	356.0
Middle-East	56.1	72.6
Others	10.5	15.1
Total	3,075.8	2,450.9

Percentage of completion method (see accounting principles)

The booked revenues of non-delivered projects	217.0	28.3
The booked revenues of non-delivered projects during the period	202.8	28.3
The amount of long-term projects in the order book		
- percentage of completion method used	411.9	231.4
- completed contract method used	881.5	814.9

2. Costs and expenses and personnel	1997	1996
Material and supplies	1,093.8	783.8
Subcontracting	345.4	260.6
Rents	50.1	29.8
Wages and salaries	714.2	587.6
Pension costs	64.3	50.2
Other personnel expenses	135.0	109.2
Other expenses	457.1	403.3
Total	2,860.0	2,224.5

Wages and salaries in accordance with the Statement of Income:

Remuneration to Board and Presidents	17.2	14.2
Bonuses to Board and Presidents	2.4	1.8
Other wages and salaries	694.6	571.6
Total	714.2	587.6

Monetary value of fringe benefits	11.7	7.5

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

The average number of personnel	3,720	3,351

The retirement age of the CEO has been agreed to be 60 years.

3. Depreciation	1997	1996
Formation expenses	2.1	2.1
Intangible rights	3.7	3.4
Goodwill	0.9	1.1
Group Goodwill	4.1	0.4
Buildings	10.8	9.8
Machinery and equipment	46.8	39.5
Total	68.4	56.3

4. Financial income and expenses	1997	1996
Dividend income	0.1	0.1
Interest income	18.6	10.4
Other financial income	0.1	0.1
Currency differences	5.3	1.6
Interest expenses	(19.8)	(7.9)
Other financial expenses	(1.8)	(3.9)
Total	2.5	0.4

5. Taxes	1997	1996
Local income taxes of group companies	95.7	97.0
Taxes from previous years	0.0	4.3
Avoir Fiscal	(26.4)	(32.7)
Change in the calculative deferred tax liability	(1.0)	0.5
Total	68.4	69.1

BALANCE SHEET

Fixed assets and other non-current investments

6. Formation expenses	1997	1996
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	(7.6)	(5.5)
Total as of 31 December	2.7	4.8

7. Intangible rights	1997	1996
Acquisition costs as of 1 January	28.9	27.1
Increase	1.4	1.7
Decrease	(0.0)	(0.1)
Acquisition costs as of 31 December	30.3	28.7
Accumulated depreciation	(13.6)	(9.9)
Total as of 31 December	16.6	18.8

8. Goodwill	1997	1996
Acquisition costs as of 1 January	6.2	2.9
Increase	2.0	2.3
Decrease	(0.0)	(0.0)
Acquisition costs as of 31 December	8.2	5.2
Accumulated depreciation	(4.0)	(2.5)
Total as of 31 December	4.2	2.7

9. Group goodwill	1997	1996
Acquisition costs as of 1 January	37.0	36.2
Increase	16.8	2.6
Decrease	(6.5)	(1.7)
Acquisition costs as of 31 December	47.3	37.1
Depreciation due to currency differences	(0.1)	(0.1)
Accumulated depreciation	(4.2)	(0.3)
Total as of 31 December	42.9	36.7

Acquisition costs included in Group goodwill, originating from accelerated depreciation and untaxed reserves, was MFIM 27.7 on December 31 (MFIM 34.4 in 1996). This part of Group goodwill will decrease as the companies reverse their depreciation difference and untaxed reserves. Goodwill increase contain MFIM 10.6 originating from applying Group's accounting principles for companies acquired in France 1996 from the time of acquisition. Accumulated depreciation contain MFIM 2.8 related to this goodwill charged against 1997 result.

10. Land

	1997	1996
Acquisition costs as of 1 January	20.2	19.5
Increase	2.2	0.2
Decrease	(0.8)	(0.8)
Total as of 31 December	21.6	18.9

11. Buildings

	1997	1996
Acquisition costs as of 1 January	141.4	135.9
Increase	35.6	3.1
Decrease	(1.9)	(0.5)
Acquisition costs as of 31 December	175.0	138.5
Accumulated depreciation	(38.3)	(27.0)
Total as of 31 December	136.7	111.5

12. Machinery and equipment

	1997	1996
Acquisition costs as of 1 January	257.1	207.0
Increase	62.0	47.4
Decrease	(4.7)	(5.2)
Acquisition costs as of 31 December	314.4	249.2
Accumulated depreciation	(155.0)	(105.0)
Total as of 31 December	159.4	144.2

13. Investments in associated companies

	1997	1996
Acquisition costs as of 1 January	1.7	0.7
Change in the share in associated companies	(0.1)	3.9
Increase	0.0	3.5
Decrease	(0.0)	(6.4)
Total as of 31 December	1.6	1.7

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

	1997	1996
Acquisition costs as of 1 January	6.3	1.4
Increase	1.3	4.9
Decrease	(0.0)	(0.0)
Total as of 31 December	7.6	6.3

15. Taxable Values

	1997	1996
Land	16.9	14.2
Buildings	99.3	91.0
Investments in associated companies	0.5	0.9
Shares and participating interests	7.6	6.3

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

16. Receivables

Receivables falling due after one year	1997	1996
Accounts receivable	3.0	7.6
Loans receivable	0.2	1.0
Bills receivable	0.0	0.2
Total	3.2	8.8

Receivables from associated companies:	1997	1996
Accounts receivable	2.0	0.9
Deferred assets	0.0	0.0
Bills receivable	0.3	1.0
Total	2.3	1.9

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

	1997	1996
Receivable arising from percentage of completion method	142.6	9.9
Advances received	142.6	9.9

Group companies had loans to the members of Boards of Directors or Managing Directors MFIM 0.6 (MFIM 0.7 in 1996). Loans have sufficient security.

17. Shareholders' equity

	1997	1996
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)	35.1	32.3
Equity share of untaxed reserves as of 1 January	1.1	4.3
Change of equity share of untaxed reserves	(2.9)	(1.5)
Total as of 31 December	33.3	35.1
Translation difference as of 1 January	(15.6)	(18.3)
Change	2.2	2.7
Translation difference as of 31 December	(13.4)	(15.6)
Retained earnings as of 1 January	229.5	124.9
Equity share of untaxed reserves as of 1 January	(1.1)	(4.3)
Dividend paid	(45.0)	(30.0)
Retained earnings as of 31 December	183.4	90.6
Net income for the period	165.9	139.0
Shareholders' equity as of 31 December	669.2	549.1
Distributable equity	335.3	212.9

Retained earnings and net income for the period include untaxed reserves, which total MFIM 31.2 without the calculative deferred tax liability (MFIM 36.2 in 1996), of which MFIM -2.1 belongs to the year 1997. This (MFIM 31.2) is not distributable equity.

18. Obligatory reserves

	1997	1996
Provision for guarantees	19.9	24.2
Provision for claims	6.0	6.0
Provision for restructuring	3.2	8.5
Provision for pension commitments	12.6	11.8
Other provisions	8.7	7.8
Total	50.5	58.3

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:	1997	1996
Pension loans	14.8	20.3
Bond with warrants	0.3	0.0
Total	15.1	20.3

20. Bonds with warrants

The Annual General Meeting 1997 of KCI Konecranes International Plc resolved to issue bonds with warrants of FIM 300,000 to the management of KCI Konecranes International Group. The term of the bond is six years and and the bond does not yield interest. Each bond with a nominal value of FIM 100 shall have 100 warrants attached. Each warrant entitles the holders to subscribe for one KCI Konecranes International Plc's share with a nominal value of FIM 8 at a subscription price of FIM 155. The annual period of subscription shall be 2 January through 30 November. Shares can be subscribed for starting on or after 1 April 2003 but no later than 31 October 2008.

21. Deferred tax liability

Tax liabilities relating to untaxed reserves were as follows:	1997	1996
Guarantee reserves	0.3	0.3
Transition reserves	0.0	2.2
Other reserves	1.7	0.2
Depreciation difference	12.5	14.1
Inventory difference	0.2	0.4
Total	14.7	17.2

The changes in untaxed reserves were as follows:	1997	1996
Bad debt reserves	0.1	0.0
Guarantee reserves	0.0	(0.2)
Transition reserves	2.2	0.3
Other reserves	0.5	0.2
Depreciation difference	6.5	0.5
Inventory difference	0.3	(0.7)
Total	9.6	0.1

22. Short-term debt

Accruals:	1997	1996
Value added taxes	28.9	31.5
Income taxes	42.6	54.5
Wages, salaries and personnel expenses	108.4	83.1
Pension costs	15.9	6.4
Interest	1.7	1.7
Other items	230.8	150.0
Total	428.3	327.2

Other current liabilities:	1997	1996
Bank overdrafts	28.1	38.9
Other short-term interest-bearing debt	3.7	1.2
Total	31.8	40.1

Liabilities owed to associated companies:	1997	1996
Accounts payable	3.0	1.7
Other current liabilities	3.6	1.2
Bills payable	0.0	0.1
Total	6.6	3.0

23. Contingent liabilities and pledged assets

	1997	1996
For own debts		
Mortgages on land and buildings	106.3	92.3
Pledged government bonds	0.0	10.0
Liabilities for own commercial obligations		
Pledged assets	4.8	4.6
Guarantees	424.2	167.2
For associated companies' debts		
Guarantees	14.6	12.4
For others		
Mortgages on land and buildings	5.0	5.0
Other liabilities		
Leasing liabilites	30.1	37.5
Other liabilites	4.2	1.7
Total	589.3	330.7
Total by category		
Mortgages on land and buildings	111.3	97.3
Pledged assets	4.8	14.6
Guarantees	438.9	179.6
Other liabilities	34.3	39.2
Total	589.3	330.7

The figures of the comparison year have been changed to meet the new principles according to which the guarantees for advance payments in the balance sheet are no longer reported as contingent liabilities. The figure reported in 1996 annual report, MFIM 447.7, is therefore now reported as MFIM 330.7.

24. Notional amounts of derivative financial instruments

	1997	1996
Foreign exhange forward contracts	1,831.0	2,840.6
Options and other derivative instruments	2,561.7	400.0
Total	4,392.7	3,240.6

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 relate to closed positions, and these contracts set off each other. The hedged orderbook and equity represent approximately one third of the total notional amounts.

Parent Company Statement of Income

(1000 FIM)		1.1.-31.12.1997	1.1.-31.12.1996
Sales	Note 1	66,229	59,564
Other operating income		372	75
Expenses	Note 2	(44,352)	(46,306)
Depreciation	Note 3	(6,291)	(6,035)
Operating income after depreciation		15,958	7,298
Financial income and expenses	Note 4	92,851	36,692
Income after financing items		108,809	43,990
Extraordinary income	Note 5	122,667	116,965
Income before reserves and taxes		231,476	160,955
Increase (-) in accelerated depreciation	Note 6	(22)	(131)
Taxes		(64,831)	(45,061)
Net income		166,623	115,763

Parent Company Cashflow

(1000 FIM)	1.1.-31.12.1997	1.1.-31.12.1996
Operating income after depreciation [1)]	15,873	7,298
Depreciation	6,291	6,035
Financing income and expenses	92,851	36,692
Extraordinary income	122,667	116,965
Taxes	(64,831)	(45,061)
Free cashflow	172,851	121,929
Change in current assets, increase (-), decrease (+)	(85,093)	(107,847)
Change in current liabilities, increase (+), decrease (-)	(16,967)	35,123
Cashflow from operations	70,791	49,205
Capital expenditure to machines	(2,030)	(2,610)
Capital expenditure to intangible assets	(274)	(2,231)
Disposals of fixed assets	598	238
Investments total	(1,706)	(4,603)
Cashflow before financing	69,085	44,602
Decrease of long-term debt	(24,085)	(14,602)
Dividend paid	(45,000)	(30,000)
External financing	(69,085)	(44,602)
Net financing	0	0
Cash and bank deposits at 1.1.	0	0
Cash and bank deposits at 31.12.	0	0
Change in 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)		31.12.1997	31.12.1996
Fixed assets and other non-current investments			
INTANGIBLE ASSETS			
Formation expenses	Note 7	2,710	4,770
Intangible rights	Note 8	13,896	16,209
Advance payments		64	10
		16,670	20,989
TANGIBLE ASSETS			
Buildings	Note 9,12	345	400
Machinery and equipment	Note 10	4,311	4,436
		4,656	4,836
FINANCIAL ASSETS			
Shares and participating interest	Note 11,12	301,896	301,896
		301,896	301,896
Current assets			
RECEIVABLES	Note 13		
Accounts receivable		24,369	39,455
Loans receivable		93,774	0
Deferred assets		134,970	128,565
		253,113	168,020
Total current assets		253,113	168,020
TOTAL ASSETS		576,335	495,741

SHAREHOLDERS' EQUITY AND LIABILITIES (1,000 FIM)		31.12.1997	31.12.1996
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		70,905	142
Net income for the period		166,623	115,763
		237,528	115,905
Accelerated depreciation		841	819
Liabilities	Note 15		
LONG-TERM DEBT			
Pension loans		3,211	3,700
Other long - term debt		300	23,896
		3,511	27,596
CURRENT LIABILITIES			
Pension loans		357	279
Advance payments received		1,956	1,956
Accounts payable		5,154	4,949
Accruals		26,987	44,237
		34,454	51,421
Total liabilities	Note 16	37,966	79,017
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		576,335	495,741

Notes on the Parent Company's Financial Statements

STATEMENT OF INCOME

1. Sales

In the parent company the sales to subsidiaries totalled MFIM 66.2 (MFIM 59.6 in 1996) corresponding to a share of 100% (100% in 1996) of net sales.

2. Cost and expenses and personnel	1997	1996
Rents	0.8	0.6
Wages and salaries	14.7	15.0
Pension costs	3.3	3.1
Other personnel expenses	3.7	1.8
Other expenses	21.9	25.8
Total	44.4	46.3

Wages and salaries in accordance with the Statement of Income:		
Remuneration to Board and President	1.1	1.0
Bonuses to Board and President	0.0	0.3
Other wages and salaries	13.6	13.7
Total	14.7	15.0
Monetary values of fringe benefits - taxable values	0.4	0.5
The average number of personnel	53	55

3. Depreciation	1997	1996
Formation expenses	2.1	2.1
Intangible rights	2.5	2.4
Buildings	0.1	0.1
Machinery and equipment	1.6	1.4
Total	6.3	6.0

4. Financial income and expenses	1997	1996
Dividend income from group companies	66.0	29.1
Interest income from group companies	1.8	0.4
Currency differences	0.2	0.1
Interest expenses	(0.2)	(0.2)
Interest expenses to group companies	(0.5)	(2.3)
Other financing expenses	(0.1)	(0.1)
Other financial income , Avoir Fiscal	25.7	9.7
Total	92.9	36.7

5. Extraordinary income and expenses	1997	1996
Group contributions received from subsidiaries	124.0	126.8
Group contributions paid to subsidiaries	(1.3)	(9.8)
Total	122.7	117.0

6. Accelerated depreciation

The accelerated depreciation in the parent company was is split between into asset categories as follows (increases in depreciations are indicated by parentheses)

	1997	1996
Buildings	0.0	0.0
Machinery and equipment	(0.0)	(0.1)
Total	(0.0)	(0.1)

BALANCE SHEET

Fixed assets and other non-current investments

7. Formation expenses	1997	1996
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	(7.6)	(5.5)
Total as of 31 December	2.7	4.8

8. Intangible rights	1997	1996
Acquisition costs as of 1 January	23.4	23.1
Increase	0.2	0.3
Decrease	(0.0)	(0.0)
Acquisition costs as of 31 December	23.6	23.4
Accumulated depreciation	(9.7)	(7.2)
Total as of 31 December	13.9	16.2

9. Buildings	1997	1996
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	(0.2)	(0.1)
Total as of 31 December	0.3	0.4

10. Machinery and equipment	1997	1996
Acquisition costs as of 1 January	8.0	5.6
Increase	2.0	2.6
Decrease	(0.5)	(0.2)
Acquisition costs as of 31 December	9.5	8.0
Accumulated depreciation	(5.2)	(3.6)
Total as of 31 December	4.3	4.4

11. Shares and participating interest	1997	1996
Acquisition costs as of 1 January	301.9	300.0
Increase	0.0	1.9
Decrease	(0.0)	(0.0)
Total as of 31 December	301.9	301.9

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	1997	1996
Buildings	0.1	0.2
Shares	320.4	227.9

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

13. Receivables from group and associated companies

Receivables from group companies:	1997	1996
Accounts receivable	23.2	38.8
Loans receivable and cash pool	93.8	0.0
Deferred assets	127.0	127.7
Total	244.0	166.5

14. Shareholders' equity	1997	1996
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	115.9	30.1
Dividend paid	(45.0)	(30.0)
Net income for the period	166.6	115.8
Retained earnings as of 31 December	237.5	115.9
Shareholders' equity as of 31 December	537.5	415.9

15. Long term debt

Long term debt which fall due after five years:	1997	1996
Pension loans	1.8	2.6
Bonds with warrants	0.3	0.0
Total	2.1	2.6

16. Liabilities owed to group companies	1997	1996
Advance payments received	1.9	1.9
Accounts payable	0.6	0.8
Accruals	1.4	10.5
Other long-term debts	0.0	19.8
Cash pool	0.0	4.1
Total	3.9	37.1

17. Contingent liabilities and pledged assets	1997	1996
For subsidiaries' debts		
Guarantees	0.0	60.4
Group guarantees for commercial obligations of subsidiaries	296.9	46.0
Other own liabilities		
Leasing liabilites	0.1	0.2
Total	297.0	106.6
Total by gategory		
Guarantees	296.9	106.4
Other liabilities	0.1	0.2
Total	297.0	106.6

Other Information

10 Biggest shareholders according to shareregister

	Shares of shares	Percentage of votes	Percentage
1. Orkla A.S.	463,403	3.09	3.09
The Pension Insurance Company Ilmarinen Ltd	300,000	2.00	2.00
Pohjola Life Assurance Company Ltd	98,000	0.65	0.65
Suomi Mutual Life Assurance Company	49,300	0.33	0.33
2. Pohjola Insurance Group total	447,300	2.98	2.98
3. Gustavson Stig	420,875	2.81	2.81
Pension Varma Mutual Insurance Company	205,933	1.37	1.37
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
Industrial Insurance Company Ltd	40,000	0.27	0.27
Kaleva Mutual Insurance Company	25,000	0.17	0.17
Nova Life Insurance Company Ltd	10,500	0.07	0.07
Sampo Life Insurance Company Ltd	4,000	0.03	0.03
4. Sampo Insurance Group total	420,433	2.80	2.80
5. The Local Government Pension Institution	364,000	2.43	2.43
6. United Nations / UN Joint Staff MAM	77,500	0.52	0.52
7. Ollila Harry	54,000	0.36	0.36
8. Rintamäki Teuvo	34,000	0.23	0.23
9. Unit Trust Merita Fennia	28,100	0.19	0.19
10. Optiomi Oy	27,000	0.18	0.18

Shares registered in the name of a nominee

Merita Bank Ltd	11,890,471	79.27	79.27
Postipankki Plc	268,822	1.79	1.79
OKOBANK	62,303	0.42	0.42

The Capital Group Companies, Inc's ownership in October, 1997 exceeded one-tenth of the company shares.
The ownership split between Group companies:

Capital Research and Management Company	6.50%
Capital Guardian Trust Company	3.95%
Capital International, Inc.	0.09%
Total	10.54%

The Capital Group's shares are registered as nominee held.

Shareholders of KCI Konecranes International Plc according to the amount of shares owned as per 31.12.1997

Shares	Amount of s'holders	Amount of shares	Percentage of s'holders	Percentage of share
1 - 1,000	384	99,814	80.84	0.67
1,001 - 5,000	53	149,789	11.16	1.00
5,001 - 10,000	10	73,300	2.11	0.49
10,001- 50,000	17	471,790	3.58	3.15
50,001-	11	14,205,307	2.31	94.69
Total	475	15,000,000	100.00	100.00

Amount of shares owned by the members of the Board of Directors or CEO 31.12.1997

Amount of shares	420,875
Percentage of shares	2.8%
Percentage of votes	2.8%

Share register	Percentage of shares	Percentage of votes
Companies	0.52	0.52
Financial institutions	6.18	6.18
Public institutions	2.59	2.59
Non-profit institutions	0.22	0.22
Individuals	5.07	5.07
Foreign	85.42	85.42
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 (1000 FIM)	Net income (1000 FIM)
Finland:	Konecranes Finance Corporation	274,977	100	100	275,760	738
	Konecranes VLC Corporation	24,978	100	100	28,987	3,967

Subsidiaries owned by the group

		Book-value	Group's share
Australia:	Konecranes Pty Ltd	913	100
Austria:	Konecranes Ges.m.b.H	1,284	100
	Konecranes Training Ges.m.b.H	215	100
Belgium:	KONE Ponts Roulants S.A. (B)	188	100
Canada:	Konecranes Canada Inc.	18,127	100
	All Crane Parts and Service Ltd	189	100
Czech Republic:	Konecranes CZ s.r.o.	323	100
Denmark:	Konecranes A/S	464	100
Estonia:	Konecranes Oü	0	100
Finland:	Finox Nosturit Oy	15	100
	Konecranes Components Corporation	38,448	100
	Konecranes Nordic Corporation	15,240	100
	KCI Special Cranes Corporation	400	100
	KCI Hoists Corporation	14,224	100
	KCI Motors Corporation	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 SA	16,283	99.6
	Unepal S.a.r.l.	0	100
	KCI Holding France SA	4,437	100
	Matman Konecranes SA	9,045	100
	CGP-Konecranes SA	15,523	100
	COPAS Konecranes SA	3,817	100
	KONE Ponts Roulants SA	0	100
Germany:	Verlinde Hebetechnik GmbH	151	100
	Konecranes GmbH	150	100
	MAN SWF Krantechnik GmbH	18,165	100
Hungary:	Konecranes Kft.	4,709	100
Latvia:	Sia Konecranes Latvija	13	100
Malaysia:	Konecranes Sdn. Bhd.	3,871	100
Mexico:	Kone Cranes Mexico SA de CV	8,620	99.5
The Netherlands:	Konecranes Holding BV	22,895	100
	Konecranes Schipper BV	107	100
	Verlinde Nederland BV	631	100

Company List

		Book-value	Group's share
Norway:	Konecranes A/S	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	38	100
Singapore:	KCI Cranes Holding (Singapore) Pte Ltd	3,567	100
	Konecranes Pte Ltd	2,271	100
	KCI Components Pte Ltd	0	100
Sweden:	KVRM Holding Sverige AB	10,001	100
	KCI Special Cranes AB	0	100
	Konecranes AB	9,381	100
Thailand:	Konecranes Service Co. Ltd.	545	49
Ukraine:	AO Konecranes Ukraine	528	100
United Kingdom:	KCI Holding U.K. Ltd.	40,555	100
	Lloyds British Testing Co Ltd.	23,127	100
	KCI Carruthers Ltd.	8,902	100
	Verlinde Hoists Ltd.	0	100
U.S.A.	KCI Holding USA, Inc.	71,844	100
	Konecranes Landel, Inc.	24,447	100
	Konecranes, Inc.	1,572	100
	R&M Materials Handling, Inc.	44,450	100
Venezuela:	Gruas Konecranes, C.A.	1,142	100

Associated companies

Finland:	Tepa-Mestarit Oy	50	50
France:	Levelec SA	65	20
	MUNCH Service S.a.r.l.	41	30
	Sorm Maintenance S.a.r.l.	27	30
	Vesta S.a.r.l.	271	50
Total:		454	

Other shares 31.12.1997

Finland:	Levator Oy	197	10
	Vaasa Control Oy	4,254	12
	Vierumäen Kuntorinne Oy	1,941	3.3
Malaysia:	Kone Products & Engineering Sdn. Bhd.	84	10
Mexico:	Gruas Mexico S.A. de C.V.	4	10
Others:		1,141	
Total:		7,621	

Development by Business Areas

SALES AND OPERATING INCOME	1997	1996
Maintenance Services		
Sales	1,383.8	1,160.4
Operating income	107.5	95.2
Standard Lifting Equipment		
Sales	1,137.9	905.7
Operating income	117.6	97.2
Special Cranes		
Sales	828.3	609.4
Operating income	79.6	95.7
Internal sales	(274.2)	(224.6)
Group sales	3,075.8	2,450.9
Operating income before group overheads	304.7	288.1
Group costs	(75.7)	(70.4)
Non business area items	2.9	(10.0)
Group operating income	231.9	207.7

PERSONNEL 31.12.

Maintenance Services	2,112	1,947
Standard Lifting Equipment	1,154	971
Special Cranes	527	528
Group staff	104	103
Total	3,897	3,549

KCI Konecranes Group 1994-1997

BUSINESS DEVELOPMENT		1997	1996	1995	12 months Proforma[1] 1994	8,5 months 1994
Order intake	MFIM	3,132.1	2,672.2	1,919.8	2,009.4	1,463.8
Order book	MFIM	1,293.3	1,046.3	630.3	821.3	821.3
Net sales	MFIM	3,075.8	2,450.9	2,182.6	2,143.7	1,626.0
of which outside Finland	MFIM	2,743.9	2,072.2	1,930.8	1,930.7	1,459.0
Export from Finland	MFIM	998.5	702.5	865.8	914.1	748.8
Personnel on average		3,720	3,351	3,042	2,892	2,890
Capital expenditure	MFIM	98.9	55.1	44.4	60.5	33.7
as a percentage of net sales	%	3.2	2.2	2.0	2.8	2.1
Research and development costs	MFIM	42.2	40.8	36.0		
as % of Standard Lifting Equipment[2]	%	3.7	4.5	4.5		
as % of Group net sales	%	1.4	1.7	1.6		
PROFITABILITY						
Net sales	MFIM	3,075.8	2,450.9	2,182.6	2,143.7	1,626.0
Operating income	MFIM	231.9	207.7	141.2	105.3	115.7
as percentage of net sales	%	7.5	8.5	6.5	4.9	7.1
Income after financing items	MFIM	234.4	208.2	135.3	86.4	93.2
as percentage of net sales	%	7.6	8.5	6.2	4.0	5.7
Income before taxes	MFIM	234.4	208.2	135.3	86.4	62.2
as percentage of net sales	%	7.6	8.5	6.2	4.0	3.8
Net income	MFIM	165.9	139.0	95.0	56.5	40.5
as percentage of net sales	%	5.4	5.7	4.4	2.6	2.5
KEY FIGURES AND BALANCE SHEET						
Shareholders' equity	MFIM	669.2	549.1	438.9	357.5	357.5
Balance Sheet	MFIM	1,728.2	1,423.6	1,217.6	1,247.7	1,247.7
Return on equity	%	27.2	28.1	23.9	17.2	21.8
Return on capital employed	%	36.2	36.3	28.1	18.6	20.3
Current ratio		1.3	1.4	1.3	1.2	1.2
Solidity	%	43.9	41.7	40.0	33.5	33.5
Gearing	%	1.3	8.1	4.5	24.7	24.7
SHARES IN FIGURES						
Earnings per share	FIM	11.06	9.26	6.33	3.77	4.77
Equity per share	FIM	44.61	36.61	29.26	23.83	23.83
Dividend per share	FIM	3.75*	3.0	2.0		
Dividend / earnings	%	33.9	32.4	31.6		
Effective dividend yield	%	2.1	2.1			
Price / earnings		16.3	15.7			
Trading high / low	FIM	142/235	81/148			
Average share price	FIM	196.20	100.21			
Year-end market capitalization	MFIM	2,700	2,175			
Number traded	(1000)	5,992	9,254			
Stock turnover	%	39.9	61.7			

* The Board's proposal to the AGM

Calculation of Key Figures

Return on equity:

$$\frac{\text{Income after financing items - taxes}}{\text{Equity (average during the period)}} \times 100$$

Return on capital employed:

$$\frac{\text{Income after financing items + interest paid + other financing cost}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}} \times 100$$

Current ratio:

$$\frac{\text{Current assets}}{\text{Short-term liabilities}}$$

Solidity:

$$\frac{\text{Shareholders' equity}}{\text{Total amount of equity and liabilities - advance payment received}} \times 100$$

Gearing:

$$\frac{\text{Interest-bearing liabililities - liquid assets - loans receivable}}{\text{Shareholders equity + minority share}} \times 100$$

Earnings per share:

$$\frac{\text{Net income +/- extraordinary items}}{\text{Number of shares}}$$

Equity per share:

$$\frac{\text{Shareholders' equity in balance sheet}}{\text{Number of shares}}$$

Effective dividend yield:

$$\frac{\text{Dividend per share}}{\text{Share price at the end of financial year}} \times 100$$

Price per earnings:

$$\frac{\text{Share price at the end of financial year}}{\text{Earnings per share}}$$

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 Konecranes 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 335,301,000.

The parent company's distributable equity is FIM 237,527,616.14.

The Board of Directors proposes that a dividend of FIM 3.75 be paid on each of the 15,000,000 shares for a total of FIM 56,250,000.00 and that the rest FIM 181,277,616.14 will be retained and carried forward.

Hyvinkää, 10th February 1998

Björn Savén
Chairman of Board of Directors

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

Auditors' Report

TO THE SHAREHOLDERS OF KCI KONECRANES INTERNATIONAL PLC

We have audited the financial statements and administration of KCI Konecranes International Plc for the financial year 1.1. - 31.12.1997. 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 or 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 the 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 10th 1998

Tuokko Deloitte & Touche Oy
Authorized Public Audit firm

Mikael Paul
Authorized Public Accountant

Chief Executives

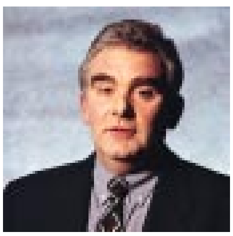

Stig Gustavson


Charles E. Vanarsdall


Tom Sothard


Markku Leinonen


Harry Ollila


William Maxwell


Teuvo Rintamäki


Antti Vanhatalo


Mikko Uhari


Arto Juosila

Stig Gustavson
President & CEO
M. Sc. (Eng.)
Year of birth 1945.

Charles E. Vanarsdall
Chief Executive, Region Americas;
Director of Standard Lifting Equipment:
R&M, Verlinde and MAN SWF
MBA
Year of birth 1937.

Tom Sothard
Deputy Chief Executive, Region Americas
B. Sc. (Eng.)
Year of birth 1957.

Markku Leinonen
Chief Executive, Region Asia-Pacific
M. Sc. (Eng.)
Year of birth 1949.

Harry Ollila
Chief Executive, Region Nordic and
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M. Sc. (Eng.)
Year of birth 1950.

William Maxwell
Chief Executive, Region Western Europe
B. Sc. (Eng.)
Year of birth 1949.

Teuvo Rintamäki
Deputy Chief Executive, Region Western
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M. Sc. (Econ.)
Year of birth 1955.

Antti Vanhatalo
Chief Executive, Industrial Cranes;
Managing Director
Konecranes Components Corp.
M. Sc. (Eng.)
Year of birth 1945.

Mikko Uhari
Chief Executive, Harbour and Shipyard
Cranes
Managing Director of Konecranes VLC
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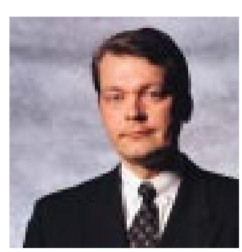
Lic. Sc. (Eng.)
Year of birth 1957.

Arto Juosila
Chief Executive
Stardard Lifting Equipment
M. Sc. (Econ.)
Year of birth 1955.

Staff Directors


Tapio Hakakari


Eero Odelma


Matti Ruotsala

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Director, Administration
L.L.M.
Year of birth 1953.

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Chief Financial Officer
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Year of birth 1951.

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Information for Shareholders

KCI Konecranes International Plc's Annual General Meeting will be held on 4 March, 1998 at 10.30 a.m. at Company headquarters, address Koneenkatu 8, 05830 Hyvinkää, Finland. Official invitation to the AGM was published in the press (and on the Internet) on 12 February, 1998. Full documentation on AGM proceedings is kept available at Company headquarters during one week prior to the meeting. A press release on the decisions made at the AGM will be published upon conclusion of the meeting.

A shareholder who's name has been entered in the shareholder register no later than 27 February, 1998, will have the right to participate in the AGM. The register is maintained by the Finnish Central Securities Depository Ltd. A shareholder who wishes to participate in the AGM must notify the Company of his intention to do so not later than 27 February, 1998 before 4.45 p.m. Finnish time under address: Ms. Maija Jokinen, by mail: P.O.Box 661, FIN-05801 HYVINKÄÄ, by telefax: (+358-20-427 2099), by e-mail: maija.jokinen@kcinet.com or by the Internet: http://www.kcinet.com/agm98/.

In 1998 financial information will be published as follows:
Interim report Jan - Apr 1998 on Thursday, 28 May
Interim report Jan - Aug 1998 on Thursday, 1 October

The reports will be published at 10.00 a.m. Finnish time and are immediately available on the Internet at: **http://www.kcinet.com.** Also an international teleconference will be arranged on each day of publication at 4.00 p.m. Finnish time. The dial-in no. is +44-181-781 0563. (Please call in at 3.50 p.m.). Also the graphics of the presentations will be attached to the corresponding report on the Internet. A replay of each teleconference will be available for the next 24 hours at +44-181-2884459, code 628442.

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INVESTMENT ANALYSTS

According to our information the analysts listed below have followed KCI Konecranes during 1997. Analysts do so on their own initiative. The list might not be complete. An updated list is available on the Internet. (KCI Konecranes takes no responsibility for the opinions expressed by analysts)

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