

Reshaping the Crane Industry



This is **KCI KONECRANES**

KCI Konecranes is the leading provider of Maintenance Services for electric overhead travelling (“EOT”) cranes in the industrialised world. Maintenance Services cover the full range of crane maintenance from repair and spare part services to preventive maintenance, inspections and modernisations. Service is provided for all crane makes.

KCI Konecranes is the leading manufacturer of engineered and heavy-duty cranes for process industries. In standard EOT crane and component building KCI Konecranes is currently one of the largest companies in the industrialised world.

KCI Konecranes is the worlds leading supplier of shipyard cranes and has a strong global presence in harbour cranes for bulk materials and containers.

The parent company of the KCI Konecranes Group, KCI Konecranes International Plc, is listed on the Helsinki stock exchange (HEX Helsinki Exchanges), Finland. Group headquarters is located in Hyvinkää, Finland.

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

KCI Konecranes minimises cyclicity in its new crane business by having a strong market presence in all major crane using industries and in almost all industrialised countries of the world. The effects of the fluctuations are further reduced with growth in maintenance business which is, to some extent, counter-cyclical to new crane business.

In 1998 the Group’s sales grew to a total of FIM 3,549.8 million, of which 90.8 % was derived from outside Finland. The Group has a total of 4,052 employees in 34 countries throughout the world.

Group **Strategy**

Strategic cornerstones are **growth and efficiency.**

Principal pursuits for growth are the development of the **Maintenance Services Business and acquisitions.**

Crane user’s own staff carries out an estimated 70 per cent of all crane maintenance. However, using specialists provides clear advantages, which fuels the transition towards outsourcing, thus, creating a growing business. The crane maintenance market is still in the early stages of its development and consolidation.

The global synergies achieved by sales and maintenance service organisations pave the way for the KCI Konecranes brand. Market presence through Maintenance Services supports market penetration for equipment sales, and equipment sales enhances maintenance marketing.

Globally integrated production provides lower costs through economy of scale. Modular design concepts facilitate standardisation of components. Economy of scale also applies in production and purchasing and is a driver for reduction in working capital requirements.

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



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
- Shipyards Cranes
- EOT (Electric Overhead Travelling) Process Cranes
- Heavy Duty Components

Formal statement

Certain statements in this report are forward-looking and are based on management's expectation at the time they are made. Therefore they involve risks and uncertainties and are subject to change due to changes in general economic conditions or industry conditions.

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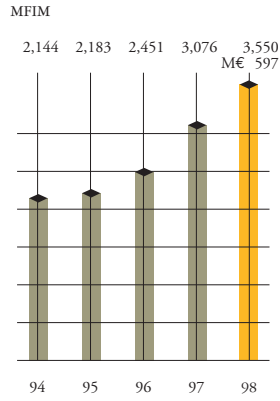
Main Currency Exchange Rates at Consolidation in FIM

	1998 average rate	1998 closing date rate	1997
1 USD =	5.3429	5.096	5.4207
1 DEM =	3.0381	3.040003	3.0275
1 GBP =	8.8479	8.428	8.992
1 FRF =	0.9062	0.906421	0.9046
1 SGD =	3.1958	3.0847	3.2258
1 SEK =	0.6722	0.6267	0.6863

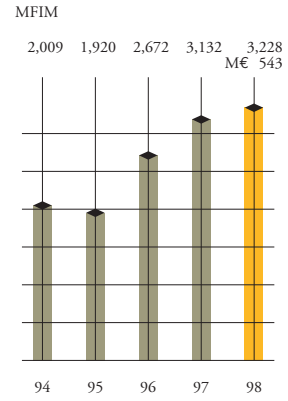
Translation rate into euro:
1 EUR 5,945730 FIM

KCI Konecranes in Graphs

Sales

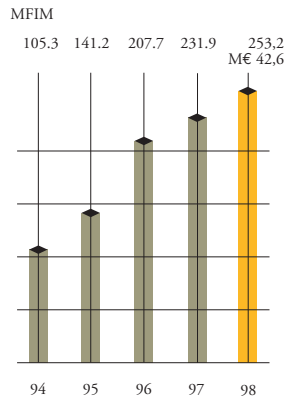


Order intake^{*)}

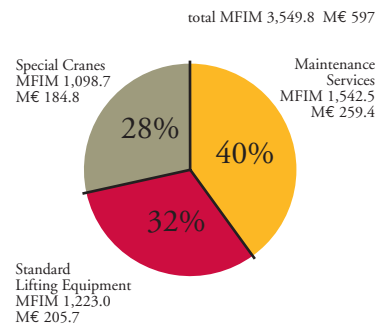


^{*)} excluding service contract base

Operating income

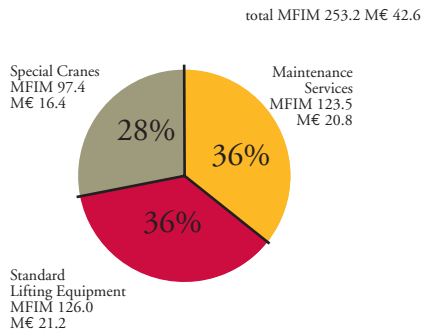


Sales by business area^{*)}



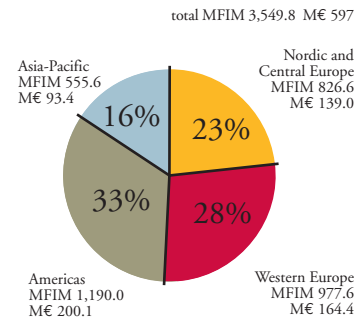
^{*)} including internal sales

Operating income by business area^{*)}



^{*)} before group overheads and consolidation items

Sales by market



The Three Dimensions of KCI Konecranes

The Product Range:

KCI Konecranes competes in all parts of the industrial and harbour crane market. The product range covers all overhead lifting solutions and componentry from chain hoist blocks to process industry cranes and up to the largest shipyard cranes. Crane maintenance is provided for all makes. This combination ensures that customers can benefit from a single source supplier in all their crane-related needs.

With the exception of vehicle mounted cranes and construction cranes (tower cranes), there is a Konecranes solution for every application.

The Customers:

KCI Konecranes' customers represent all aspects of industrial activity, from assembly shops to large scale process industries such as paper mills and steel smelters, from steel distribution centres to container ports and docks, from automotive giants to service stations at the corner. In short: everyone that needs to lift loads in a safe and reliable manner.

The Global Reach:

KCI Konecranes has a presence with its own personnel in 34 countries around the industrialised world. In most of these countries, KCI Konecranes is one of the top local crane suppliers. KCI Konecranes supplements its owned network with a large network of independent agents.



KCI Konecranes is exposed to cyclical swings due to swings in underlying industrial investments. However, our presence as a supplier to a large number of different industries, all with their specific cyclical investment patterns, significantly reduces cyclicality in KCI Konecranes' business.

KCI Konecranes is exposed to regional cyclicality. However, our global presence reduces KCI Konecranes' exposure, as cyclical patterns differ between countries and regions.

KCI Konecranes' Maintenance Services business is by its nature not exposed to large cyclical swings.

KCI Konecranes' Business Areas form a web of high synergy. Maintenance fuels R&D, crane sales promotes Maintenance Services. R&D innovations break ground for new customers both in cranes and maintenance.

KCI Konecranes maintains a high degree of proprietary product know-how including programming and electronics.

KCI Konecranes maintains unique business competence in Maintenance Services, evidenced through a large number of proprietary management tools.

President's Letter to Shareholders

1998 was a turbulent year in the investment goods industry. The turbulence turned into uncertainty about the future in many of our customer industries, prompting caution in forward planning and investments.

It therefore gives me a special satisfaction to be able to report a good development for the KCI Konecranes Group, with growth in earnings and sales.

Total sales grew 15.4% and earnings and earnings per share with 12.5%. The numbers do not include our late 1998 German acquisitions. Profitability, expressed as return on capital employed was 32.6%, whereas return on equity was 25.7%.

Our Western European Region posted the fastest growth, 23.5%. Regions Americas and Nordic including Central Europe also grew well, 20.5% and 15.5% respectively. Only Asia-Pacific contracted 4.4% from 1997 sales figures.

Earnings developed in line with sales. During the year, the Group recorded some exceptional costs of a one-time nature. Net earnings therefore fell FIM 4 million short of our growth target.

With an increase of 3% over 1997, new orders grew at a pace lower than what we have seen in recent years. This is a consequence of the present market situation. Among Business Areas, total Special Cranes' orders were 5.1% lower than in 1997, which on the other hand was a record high year for Special Cranes orders. Given the volatile nature of the Special Cranes business, one should not be overly concerned about the slight orders drop.

Order intake growth within the Standard Lifting Equipment was 5.0%. Here, the new companies added in 1998 will add some 10% growth immediately from January 1999 on. The new subsidiaries have already been fully transferred to Group technology.

Order intake in Maintenance Services grew with 10.1%. Not recorded under orders is the maintenance agreements base. This business goes directly to sales without separate purchase orders. Maintenance agreements growth was good, the number of cranes increased 26%.

Group maintenance services companies in France did not perform in accordance with Group standards. Strong measures were implemented.



After a low start in the first tertial, margins for all Business Areas developed well towards the end of the year.

As already said, market conditions in 1998 were not helpful in carrying our business forward. Deferred delivery acceptance on certain orders with a total worth of FIM 50 million and late year currency movements also had a certain impact on numbers. The Asia-Pacific problems continued and deepened. The Russian crisis sent its shockwaves over Europe. Later in the year, South American markets came under pressure.

In these circumstances our Group's chosen strategy showed its strength. Maintenance Services continued its steady development. Our maintenance presence provided us with growth opportunities in Standard Lifting Equipment and Special Cranes, where few other actors could find business. Our global, homogeneous product range gave us the ability to redeploy our resources between the geographical regions and between customer groups. Our R&D efforts again helped us to win new contracts based on product innovations.

As market turbulence goes on, will this strategy still enable us to continue our development of fast sales and earnings growth?

I am sure it will.

During recent years, large parts of our organisation have experienced growth rates well over 20% per year. Although extremely exiting, fast growth has had a certain negative impact on overall margins. As we now seem to be heading for a 10 - 20% growth rate, this will enable us to enhance margin development. During rapid growth this has not been and cannot be in focus.

There is one more element in Group strategy that now will receive increased attention.

The cranes market may be described as a mature but fragmented market. During periods of relative growth, also lower performers or small companies lacking critical mass can survive and even thrive. As soon as markets start to decline, as is the case now in many markets, pressures for consolidating actions will grow. In today's market there will be interesting opportunities for growth through selected acquisitions. Our

Group intends to continue its strategy of well planned strategic acquisitive growth.

The lead theme for this report is "Reshaping the crane industry". Later in the report we have included comments on the structure of our industry, both from a geographical aspect, as well as from a Business Area aspect. I hope the reader will notice the consolidation and integration processes going on, and how our Group's operations benefit in this environment.

We see many of our customers becoming global enterprises. Like no other company in our business, KCI Konecranes has the capability of providing uniform, high performance, quality services wherever we meet our customer.

We see our home European market swiftly developing into one market, best evidenced by the new euro currency. Our disadvantage of being perceived as coming from a far-away corner in Scandinavia is quickly vanishing.

We find an increasing, sentiment for our approach in Maintenance Services.

KCI Konecranes has established itself as a leader in the crane business. We have a substantial technical lead and a leading market position. We have a unique strategy combining service and equipment.

Today's crane business is full of opportunities for KCI Konecranes. As an increasing part of our future growth is likely to come through acquisitions, we cannot expect our development to stay as smooth as before.

Following an old tradition, I take this opportunity to thank all my colleagues for a challenging but interesting and rewarding 1998, and I wish all 155 new employees who joined KCI Konecranes in 1998 welcome.

Stig Gustavson, President and CEO

Shares and Shareholders

Shares and Voting Rights

KCI Konecranes International Plc's minimum share capital is FIM 100 million and its maximum authorised 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, 1998 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.

The Board of Directors proposes to the AGM that the nominal value of the share will be changed to € 2 increasing the share capital to € 30 million by transferring corresponding funds from the share premium account to share capital. Subject to AGM acceptance the minimum share capital will be € 20 million and the maximum capital € 80 million.

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 dividends 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 160.00 in 1998.

Authorisations

Except the Share Option Program of 1997 the Board has no unused authorisations to issue shares, convertible bonds or bonds with warrants. The Board proposes to the AGM a second share option program to be launched in 1999.

Pending AGM acceptance of the above authorisation, a 1999 share option program will be put in place. The program, representing a 2 per cent interest in the Company's outstanding shares, will be exercisable in two tranches: tranche A (50%) on or after April 1, 2002 and tranche B (50%) on or after April 1, 2005.

The 1998 AGM authorised the Board to acquire a maximum of five (5) per cent of the Company's own shares. The Board has not used the authorisation and proposes to the AGM a renewal of the authorisation.

Option Schemes for Management

In 1997 a Share Option Program for middle management was put in place. In all 288 managers and experts received bonds with warrants, exercisable on or after 1 April, 2003. The program represents a two per cent interest in the

Company's outstanding shares. The proposed 1999 program is targeted both for middle and top management.

Trading and Performance of the Company's Shares

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

The 1998 closing price was FIM 230, € 38.68 (1997: FIM 180). The highest price in 1998 was FIM 318, € 53.48 (1997: FIM 235), the average price was FIM 222.94, € 37.50 (1997: FIM 196.20) and the lowest price was FIM 155, € 26.07 (1997: FIM 142).

The share price rose 27.8% in 1998. The All-share HEX index rose 68.5%. The sector index (Metal and Engineering) decreased 19.2%.

8,038,978 KCI Konecranes' shares were traded on HEX Helsinki Exchanges during 1998. This represents 53.6% of all shares. In monetary terms trading was FIM 1,792 million and the share of trading was the 25th largest among companies listed on HEX Helsinki Exchanges.

At the end of the year the market capitalisation of the outstanding shares was FIM 3,450 million (1997: FIM 2,700 million). KCI Konecranes has the 29th largest market capitalisation of companies listed on HEX Helsinki Exchanges. Earnings per share was FIM 12.44 (1997: FIM 11.06).

Share Ownership

At the end of 1998 the non-Finland held stake of the share capital was 81.78% (1997: 85.43%). The percentage of shares registered in the name of a nominee was 81.53 (1997: 81.48).

On December 31, 1998 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

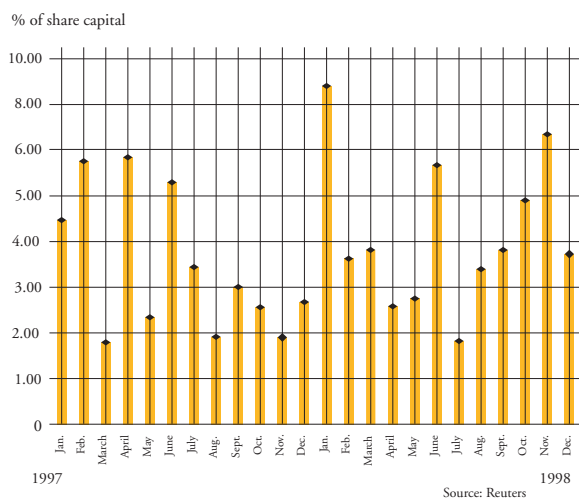
The Board of Directors proposes to the AGM that a dividend of FIM 4.25 per share will be paid. The dividend will be paid to persons, who are entered as shareholders in the share register on the record date March 16, 1999. According to the Board's proposal, dividend payment day is March 23, 1999.

Investor Information

KCI Konecranes will publish all company releases in real time in English on the Internet at: <http://www.kcinet.com>. The Financial Information calendar for 1999 is on page 47.

On page 47 there is a list of brokers and analysts, who follow KCI Konecranes.

Monthly Trading



Share Price vs. HEX All-share Index and Sector Index (Relative)



Corporate Governance

Board of Directors

The Annual General Meeting confirms the number of members of the Board of Directors, elects the members of the Board and confirms the members' compensations. The KCI Konecranes Board of Directors consists of a minimum of six (6) and a maximum of seven (7) members. The mandate of the members of the Board of Directors expires at the closing of the third Annual General Meeting following their election. The mandates of Björn Savén and Juha Rantanen expire at the Annual General Meeting in 1999, the mandates of Timo Poranen and Stig Gustavson at the Annual General Meeting in 2000 and the mandates of Christoffer Taxell and Michael Rosenlew at the Annual General Meeting in 2001.

The Board of Directors elects its Chairman and Deputy Chairman. No specific division is made between tasks and responsibilities of the members and Chairman.

The Board elects the Managing Director (President) of KCI Konecranes. The Board of Directors may nominate a Deputy to the President and also Assistant Managing Directors.

The President shall be a member of the Board of Directors but may not be elected as the Chairman or Deputy Chairman of the Board.

The President's remuneration and other benefits are approved by the Board, and are specified in a written agreement between KCI Konecranes and the President.

Remuneration

The remunerations for the Board during 1998 were as follows: Chairman FIM 130,000/year and members FIM 65,000/year. The President and any other Board member employed by KCI Konecranes do not receive separate compensations for their Board membership.

The main elements of the President's remuneration and other benefits during 1998 were as follows: salary

FIM 1,187,503 other benefits valued at FIM 74,198 and a bonus (for fiscal year 1997) FIM 155,509.

The President may retire at the age of 60 years with a 60% pension. Early termination can be made on payment of up to 24 months' salary.

European Works Council

The European Works Council (EWC) in KCI Konecranes was established in 1997. The EWC meets once a year. The EWC is based on an agreement between KCI Konecranes International Plc and its European employees. The agreement was made in accordance with the European Union Council Directive 94/95/EC.

The purpose of the EWC is to inform and consult employees about important transnational questions. The role of the EWC is to enhance constructive exchange of opinions on questions concerning the development of KCI Konecranes' human, industrial, economic, commercial and financial resources. The EWC shall address only matters that relate to more than one country.

The EWC representatives and their substitutes are elected by personnel from local personnel representatives according to national legislations and practise. The number of seats in the EWC is based on the average number of personnel in each country. The management representatives are nominated by the President of KCI Konecranes. The EWC has a Working Committee consisting of four employees' representatives and two management representatives.

In 1998 a total of 14 personnel representatives from eight countries and four management representatives participated in the EWC Meeting.

Review by Region



The Group Executive Board in session at Group Headquarters. Staff directors also participate these meetings. Clockwise from left: Matti Ruotsala, Teuvo Rintamäki, Bill Maxwell, Mikko Uhari, Charles E. Vanarsdall, Stig Gustavson, Rainer Aalto, Marcku Leinonen, Arto Juosila, Sirpa Poitsalo, Katri Pietilä, Eero Odelma, Antti Vanhatalo, Tom Sothard, Harry Ollila.

Charles E. Vanarsdall **REGION AMERICAS**

A strong North American economy has provided a climate for continuing high growth rates in all of our product segments.

Most industrial sectors using custom-engineered process cranes have come to acknowledge and appreciate KCI Konecranes technology over the more traditional and vintage designs supplied by our U.S. and Canadian counterparts. This is evidenced by our number one ranking this past year in custom-engineered cranes.

Our maintenance service organisation maintains its 20 plus percent annual growth rate and leadership position in

the market. Two acquisitions in addition to organic growth resulted in ten new service locations in 1998.

The largest number of service locations has provided an excellent distribution network for standard lifting equipment. Growth in this segment exceeded 20% in 1998 with our pre-engineered modular crane a clear leading contributor to that growth. Together with our branded products company R&M, which supplies crane components to independent crane builders we obtained the number one ranking already some years ago.

We see in this market a continuing trend toward growth by acquisition by the major competitors. This consolidation

will result in a few clearly recognised leaders versus a market that heretofore had been very fragmented. KCI Konecranes will continue to grow at our historically high organic rate and acquire those companies which add a high strategic value, ultimately reshaping the whole industry.

Rainer Aalto

REGION ASIA-PACIFIC

The Asia-Pacific region stretches from Australia in the south to Korea / Japan in the north and New Zealand in the east to the Middle East in the west. Obviously this vast area comprises markets in significantly different development phases. The currency-triggered economic crisis in Asia-Pacific has overshadowed all other aspects and resulted in a significant contraction of the business volume in the region. Postponed and cancelled projects (n.b. no cancelled orders) in the Special Cranes business was commonplace during the year. The Chinese market was the only exception to this trend with orders confirmed for close to FIM 100 million.

The uncertainty in the Asia-Pacific market is expected to continue during 1999. The sentiment is however that the region as a whole has reached the bottom. Early signs of recovery in Thailand and Korea, together with a stabilised situation in Malaysia supports this sentiment. The market in China is also expected to continue to be active. Still, the recovery is expected to be slower than generally forecasted, especially in new crane sales, primarily due to the unexpectedly low impact of the Japanese funding efforts and the uncertainty in Indonesia.

The globalisation of the industry is reshaping the business also in Asia-Pacific. Outsourcing of maintenance to professional organisations as well as upgrading and modernisation of existing equipment is developing positively. Port operators in Malaysia and Indonesia and the process industry in South East Asia have been the forerunners. The 10 year maintenance agreement signed in 1998 with one of Malaysia's main port operators was an endorsement of our efforts of focusing the sales efforts on added value and enhanced productivity for our customer.

The emerging and positively developing business within maintenance services and modernisation segments, provides us with an opportunity to maintain profitability in an otherwise flat or declining Asia-Pacific market.

Harry Ollila

REGION NORDIC AND CENTRAL EUROPE

Growth has been the theme in 1998. We work in mature markets in the Nordic countries. Growth comes from providing new solutions to the existing crane base. We are the crane and materials handling experts of our customers. As we

get to know the customers and their needs we can apply our experience to make our customers more productive, more profitable. This is a strong growth driver for us.

In the countries of Eastern Europe and the former Soviet Union we meet a huge demand for new cranes. The existing equipment is out of date and has received little maintenance for years. Here, because of lack of funds, the solution often is to modernise the existing equipment i.e. provide new motors and electric controls as well as renewal of the key mechanical equipment. The modernisation can be carried out over a number of years so funding is controlled.

Bill Maxwell

REGION WESTERN EUROPE

The KCI Konecranes operations in Western Europe consist of two Special Crane Companies in the UK and France, four Standard Crane Companies in the UK, France, Holland and Germany and five Service Companies in the UK, France, Holland, Belgium and Germany. Each company specialises and focuses on its own specific market areas offering tailor-made solutions to all customers' lifting requirements.

In France and Germany the branded products companies Verlinde and SWF operate separately from other Group companies as per above, supplying standard crane components to non-Group, independent crane builders in their local markets and overseas.

Strong growth and market progress over the past five years has been achieved by combining the market strengths of the traditional well established local companies with the global technical, financial and competitive strengths of the KCI Konecranes Group.

Our main new growth opportunities lie in Germany. The combination of the crane business of Trost & Hilterhaus and the service, crane and component business of SWF we have a strong team to realise the growth in the biggest crane market in Europe. Early experience shows that our KCI Konecranes concept is well accepted also by our German customers.

It is envisaged that this growth can be maintained and improved by making strategic, geographical acquisitions as well as continuing organic progress by ensuring that Staff Assessment and Training programmes are specific to our customers needs.

Press Releases

KCI KONECRANES WINS BIG ORDER FOR NORWEGIAN SHIP-OWNER

(January 12, 1998) KCI Konecranes has sold four Konecranes-Munckloader-cranes. The order was placed through Stocznia Szczecinska S.A. in Poland by Norwegian owned (Westfal-Larsen) Singapore ship-owner (Masterbulk Pte Ltd). Order value comes close to FIM 100 million. The order also includes an option for the buyer. The option, when exercised, doubles the order. These cranes will not stand in a harbour, instead, they will be installed on two ships, two cranes on each.

KCI KONECRANES WILL NOT ACQUIRE P&H

(January 29, 1998) Harnischfeger Industries, Inc. yesterday announced the sale of 80 percent of the company's Material Handling unit to Chartwell Investments, Inc. for a consideration of approximately USD 340 million.

KCI Konecranes earlier expressed its interest in acquiring this business. At this price level, however, an acquisition would have been clearly dilutive for KCI Konecranes' shareholders.

APPOINTMENTS IN KCI KONECRANES

(February 19, 1998) The Board of KCI Konecranes has resolved to strengthen the Business Development function in the Group. The Board has appointed Mr. Markku Leinonen, M.Sc. (Eng.) to head the function at Corporate Headquarters, as Director, Business Development. Mr. Leinonen presently holds the position of Chief Executive, Asia-Pacific.

The Board of KCI Konecranes has appointed Mr. Rainer Aalto, B.Sc. (Econ.) to the position of Chief Executive Region Asia-Pacific.

KCI KONECRANES INTERNATIONAL PLC'S ANNUAL GENERAL MEETING RESOLUTIONS

(March 4, 1998) KCI Konecranes International Plc's General Meeting of Shareholders adopted the Board's proposal that a dividend of FIM 3.75 be paid per share, a total of FIM 56,250,000.

The meeting adopted the Board's proposal of authorising the Board to acquire the company's own shares maximum five (5) per cent of the total amount of shares. The authorisation will remain in force for one year.

KCI KONECRANES WINS REPEAT ORDER IN LITHUANIA

(March 11, 1998) Konecranes VLC Corp. has won an order for two Rubber Tyred Gantry Cranes (RTG) to Klaipeda Stevedoring Company (KLASCO), Klaipeda, Lithuania. The cranes will be delivered before the end of this year. This order is subsequent to an end of 1997 order from this same client for two Ship-to-Shore Container cranes.

In February Konecranes VLC delivered one similar RTG to Containerships Ltd to their operation in the Port of Helsinki in Finland.

KCI KONECRANES DOUBLES JANUARY ORDER

(March 11, 1998) On January 12, 1998 KCI Konecranes released news on an order for four units of Konecranes Munckloader cranes worth approx. FIM 100 million. The order also included an option for four more units of the same crane. The customer has now confirmed also the option, and the order value therefore doubles.

KCI KONECRANES CHOOSES BAAN AS ERP SUPPLIER

(April 22, 1998) Baan Company N.V. and KCI Konecranes International Plc today announced the signing of a contract to implement BaanERP (Enterprise Resource Planning) in KCI Konecranes' operations world wide. In total, over 1,000 employees are estimated to become BaanERP users. Baan Business Associates Chicago, a member of the Baan Web has been selected to serve as the primary integrator for the KCI Konecranes project.

KCI KONECRANES SELLS A SHIP-TO-SHORE CONTAINER CRANE TO DENMARK

(May 20, 1998) Konecranes VLC Corporation has received an order for a Ship-to-Shore Container crane to be delivered to Aalborg Havn in Denmark. The buyer is Grønlandshavnens Ejendomme A/S, a company operating in Aalborg Havn. The value of this order will not be disclosed, but typically this kind of cranes cost FIM 25 – 30 million. The crane will be delivered in summer 1999.

INTERIM REPORT JANUARY – APRIL 1998: GROWTH IN SALES AND INCOME

(May 28, 1998) Sales in T1 was 1,091.5 MFIM, growth 30.6% compared to T1 1997. Net income up 21% compared to first tertial 1997, total 30.3 MFIM. New orders, orders on hand and maintenance base increasing.

KCI KONECRANES WINS BIG ORDER IN USA

(June 18, 1998) KCI Konecranes delivers 27 Electric Overhead Travelling Cranes to Kvaerner Philadelphia Shipyard Inc. in Pennsylvania, USA. The order value is approx. USD 14 million.

KCI KONECRANES WINS HEARTLAND STEEL CONTRACT

(August 4, 1998) Konecranes Landel, Inc. will supply fifteen process and maintenance cranes valued at USD 6 million for Heartland Steel Inc.'s 900,000 ton per year steel processing facility in Terre Haute, Indiana.

KCI KONECRANES HAS RECEIVED SEVERAL NEW HARBOUR CRANE ORDERS

(August 19, 1998) Konecranes VLC has recently sold several container and bulk handling cranes.

South Carolina State Port Authority in Charleston, USA has ordered two Rubber Tyred Gantry Cranes (RTG).

Operadora Portuaria de Manzanillo, Mexico, which is a joint venture of Stevedoring Services of America (SSA) and Transportation Maritima Mexicana has ordered four RTG's.

BRE Leasing Co. Ltd, a leasing company majority owned by German Commerzbank has ordered one 40 tons Ship-to-Shore Container crane (STS) to be delivered to the Port of Gdynia in Poland and to be operated by the Baltic Container Terminal Ltd (BCT).

The Port of Luleå in Sweden has ordered one 20/40 tons Multi-Purpose Crane (MPC).

The total value of these orders is approx. USD 16 million. All of these cranes involve the use of the company's own AC Frequency Control Drive System for most modern, versatile and reliable drive functions.

KCI KONECRANES BUYS CRANE COMPANY PROVINCIAL IN CANADA

(August 24, 1998) KCI Konecranes announces that subject to Board and Regulatory approval, its subsidiary Konecranes Canada Inc. has reached agreement to purchase substantially all of the assets and business of Provincial International Cranes Inc. from Andaurex Industries Inc., a Markham Ontario based company. The purchase price is 1.6 million Canadian dollars.

Provincial, formerly a major crane builder in North America, no longer manufactures cranes. KCI Konecranes' interest in the business is the maintenance services business opportunities that it provides.

The acquisition of the sales records and engineering drawings for approximately eight thousand (8,000) cranes will support a 3-million Canadian dollar parts business and provide opportunities to perform preventive maintenance, upgrades, and modernisation on this large installed crane base.

KCI KONECRANES SELLS SHIP UNLOADER TO PORI IN FINLAND

(September 8, 1998) Konecranes VLC has on 3 September, 1998 won an order for a grab-type unloader. The municipal port in the city of Pori on the Finnish west coast will finance the 5.5 MUSD purchase through a leasing arrangement with Handelsbanken of Sweden.

The Pori unloader will feature all Konecranes' latest novelties in electrical and control design. All drives are of AC-type, with frequency controls. The control system features data links for on-line performance control and maintenance prediction. Mechanically, the machine represents new achievements in reliability and ease of operation, minimising the requirements on stock levels for wear/spare parts.

INTERIM REPORT JANUARY – AUGUST 1998: GROWTH GOES ON

(October 1, 1998) Sales up 23.6%. Orders up 11.6%. Pretax income up 17.6%. Net income up 22.8%.

KCI KONECRANES BUYS OVERHEAD CRANES SERVICE COMPANY IN USA

(October 1, 1998) KCI Konecranes' U.S. subsidiary has entered into a purchase agreement to acquire all the assets of Overhead Crane Service, Inc. based in the greater Philadelphia Pennsylvania area with a branch operation in Baltimore, Maryland.

Overhead Crane Service provides maintenance services and supplies overhead travelling cranes to a four state area along the eastern coast of the United States including Pennsylvania, New York, New Jersey, and Virginia. The company's sales in 1998 will be 6 million USD of which the sales for the last three months in 1998 will be included in KCI Konecranes' Group figures. The company currently employs 55 people.

KCI KONECRANES SELLS ONE MORE HARBOUR CRANE TO DENMARK

(October 22, 1998) Konecranes VLC has received an order for a Ship-to-Shore Container crane to be delivered to the Port of Aarhus in Denmark.

KCI KONECRANES GROWS IN GERMANY

(October 29, 1998) KCI Konecranes has entered into a purchase agreement to take a 100 per cent ownership in German crane companies Trost & Hilterhaus GmbH and Kran- und Stahlbau Ludwig GmbH. The final closing will take place by the end of this year. The acquisitions price is not disclosed.

The companies specialise in EOT-cranes (Electric Overhead Travelling Cranes) and crane runways covering the whole of the German market.

Total net sales of the two companies is approx. DEM 28 million and the number of employees is 86.

KCI KONECRANES EXTENDS STANDARD LIFTING EQUIPMENT PRODUCTION

(November 4, 1998) KCI Konecranes increases gear production in Hämeenlinna, Finland. The gear factory, KCI Transmissions, produces transmission components for standard cranes.

APPOINTMENTS IN KCI KONECRANES

(November 23, 1998) Ms Sirpa Poitsalo, L.L.M., has been appointed Director, General Counsel and member of the Group's Chief Executive Board.

For ultimate reliability: KCI Konecranes

Jouni Kauppila
service technician
Tampere, Finland

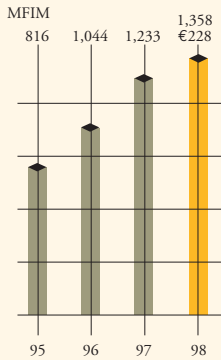
Service technician Jouni Kauppila and service manager Hannu Takala of KCI Konecranes along with mechanic, Juha Jalonen of Rotator Oy, Tampere, Finland.

"In my daily work I meet all kinds of cranes and crane users. At KCI Konecranes services we emphasize preventive maintenance — my job is to ensure that customer's crane is available whenever it is needed. The extensive experience of our international service network impacts my work, for example, through the Mainman TNG-software. I analyze the crane and how it is used and I design the maintenance program to suit. When I need special know how or new components, they are readily available through our

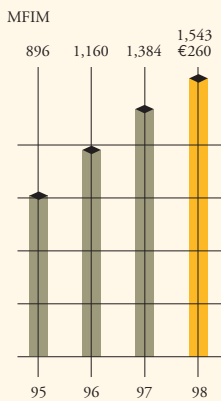
factories. The daily work with customers accumulates as increased know-how on crane performance, which we pass on to our R&D. Furthermore, as I know the crane users personally, I can give assistance and instruction on crane operations when necessary. Our customers see the re-shaping of the service with increase in customer care and in better crane reliability."

Giving guidance is part of the service.

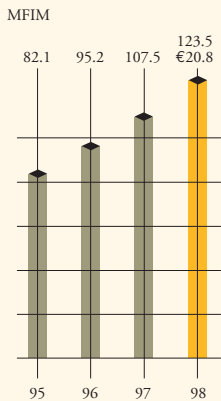
Order intake ^{1) 2) 3)}



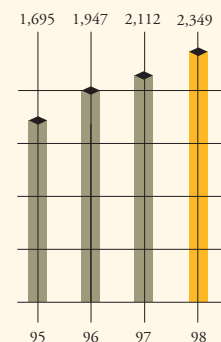
Sales ^{1) 3)}



Operating income ⁴⁾



Personnel



1) including group internal
 2) 95, 96, 97 at historical exchange rates
 3) excluding service contract base
 4) before group costs and consolidation items

KCI Konecranes Maintenance Services is leading the way world wide in overhead crane maintenance technology. As globalisation of industry continues to increase more and more companies are outsourcing internal functions to asset them in controlling their cost, bringing enhanced technologies and the expertise to make their companies more competitive.

In today's business those companies who can control their cost, will control their future. By converting internal fixed cost to variable external cost, companies gain the flexibility to respond quickly to ever changing market conditions. Several other factors such as safety issues, local legal requirements and the lack of skilled labour adds to the reasons why companies continue to open their doors to outsourcing. KCI Konecranes has been successful in meeting our customers' challenges by utilising state of the art technologies.

Our approach to serving this market is not simply to maintain overhead cranes, but rather to create a process in which the resources allocated for maintenance become an investment. By investing in the maintenance process we have been able to show our customers a positive return on their investment that has allowed them to re-invest in their core businesses to make them more competitive.

By utilising our integrated crane-offering concept we are able to give our customers state of the art lifting solutions. Our modernisation capabilities have helped our customers upgrade their equipment extending the products' life cycle and enhancing productivity. When customers require special applications we are able to offer customised solutions through our standard lifting and special crane groups. These solutions are based on our thorough knowledge of our customers business and applications allowing us to optimise our customers' investment.

In today's world, information can give companies a distinct competitive advantage in the market. With over 150,000 cranes under contract we are able to utilise the data collected by our sophisticated software solutions such as Mainman II, Laserview and Serveman. KCI Konecranes is leading a dynamic pro-active approach in maintenance, utilising the data from our software solutions. We have been able to offer our customers

a program, which extends the equipment life cycle through a process of continual improvement. Our approach has helped create a genuine growth market, reshaping the maintenance services industry.

Strong growth in Europe, Scandinavia and North America has given us the advantage of recruiting a skilled workforce unparalleled in today's crane industry. As we continue to develop in these markets as well as Asia-Pacific, South America and beyond our organisation achieves the dynamics to maintain this workforce that has met or exceeded our customers' expectations in over 200 service branches world wide.

Our mission is to continue to maximise the benefit of our customers' maintenance investment and in this process establish the standards for this ever-growing business segment.

PERFORMANCE 1998

Sales increased with 11.5% and orders by 10.1%. The leading long-term indicator, cranes in the contract base, grew to 150,300 units from 119,300 at the end of 1997, and 97,460 at the end of 1996. The growth in 1998 was 26.0%. The new measure "crane equivalents" proved technically difficult to apply in a consistent manner in all units across the globe. The service base growth continued strong in Americas. In the Nordic Region modernisation business grew fast.

Operating income, burdened with French losses and improved by the profit gains from the sale of the hire business in the UK, was 14.9% above year 1997 level. Disregarding these one-time effects margin was at 1997 level.

1998 acquisitions will support North American growth in 1999. Provincial Crane has a history of having delivered approx. 8,000 cranes, most of them for process use.

For 1999 growth opportunities are good. Outsourcing typically increases in a less favourable business climate. More work and increased emphasis will be directed towards improving low performing units to meet Group average profitability.

French operations did not perform in accordance with Group standards. Strong measures were taken to remedy the situation. These actions took their short-term toll on Group growth numbers.

Standard Lifting Equipment

No lifting task too small.

Small cranes from **a big supplier:**
KCI Konecranes



Ulf Jansson, groupforeman for electric repairs, Holmen Paper AB



Kjell Marklund, Chief of central repair shop, Holmen Paper AB



Stefan Claesson at Holmen Paper AB

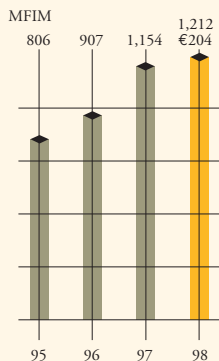
Stefan Claesson
Managing Director
Konecranes Sweden

"Traditionally, we have been strong in the heavier end of the standard cranes market. Large standard cranes are often sold as part of a large investment project. During 1998 we widened our focus towards the lighter end for growth in volume and market share. The Group's internal efficiency gave us a competitive pricing and state-of-the-art products that fit the customers' lifting needs. The market response was positive and we are re-shaping the industry with a growing presence and a firm commitment to the light standard cranes."

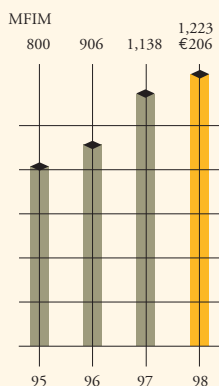


Stefan Hagglöf and Thomas Hedin from Konecranes are responsible for crane maintenance at Holmen Paper AB.

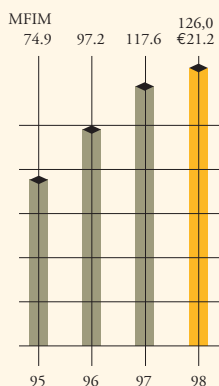
Order intake¹⁾²⁾



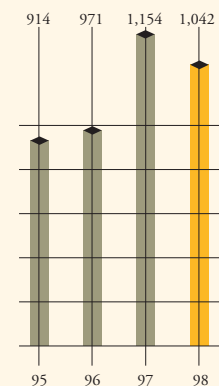
Sales¹⁾²⁾



Operating income³⁾



Personnel



1) including group internal
 2) 95, 96, 97 at historical exchange rates
 3) before group costs and consolidation items

Standard Lifting Equipment includes electric chain- and wire rope hoists; light crane systems; standard cranes and a wide variety of crane componentry. Lifting capacities range between 125 kg and 80 tons. Our customers are increasingly investing in preventative maintenance and modernisation. This development gives us new sales opportunities for lifting devices, spare parts, upgrade and modernisation products and overhaul packages.

Standard Lifting Equipment products are manufactured in our high volume assembly lines close to our customers' locations. Our Scale Tech manufacturing concept guarantees top quality and short and reliable deliveries. The product concept is based on modularity for meeting specific customer needs in a most efficient way.

Competitive costing is an integral part of KCI Konecranes' strategy. Our pursuit for improved productivity in manufacturing operations combines with continuous product development for technical leadership. Modular products form a platform for standardised customer specific solutions.

In 1998 we increased our presence as a supplier for steel service centres and galvanising plants with dedicated products, compiled from our standard range. Standardised service products for modernisation will further improve our efficiency in both maintenance and manufacturing operations.

Our investments in a new range of electric chain hoists and light crane systems started to pay off. This product area has proven very important for a full-scale supplier of lifting devices.

The market share grew for all KCI Konecranes brands. The Konecranes-brand operates globally through Group crane companies, through the extensive network of service operations and through a small number of licensees and distributors.

This integrated product offering – standard cranes, special cranes and maintenance services from the same outlet under the same brand – offers significant advantages for us.

In cranes we capitalise on our frequent customer contacts through service, and in service through technical know how and parts availability through cranes. Clearly, the integrated approach is gaining market share on all markets.

However, on many markets a non-integrated pattern dominates the market. Here, crane builders are often smaller companies with good local links of proximity and service to their customer base. As these crane builders lack the production scale for efficient component production, they must buy their components from other actors in the business.

We supply this market through our branded products range, R&M, SWF and Verlinde. Also these brands improved their competitive position during the year by applying Group resources for efficiency and scale.

The non-integrated local cranes and service companies form an important target group for further growth through acquisitions. Here we are actively participating in reshaping the standard cranes industry. During 1998 three acquisitions were made: Overhead Crane Services in the U.S., Provincial International Cranes in Canada and Trost & Hilterhaus in Germany.

PERFORMANCE 1998

The Standard Lifting Business Area improved its performance towards the year end. The restructuring and new focus in MAN SWF gave results but not until the second half of the year. The third tertial with high standard cranes shipments has historically produced earnings higher than those in tertials 1 and 2. The growth in sales was 7.5% and in orders 5.0%. Organic growth was recorded in all markets other than Asia-Pacific.

In 1998 the Standard Lifting Equipment Business Area managed to continue its growth in spite of turbulence in our traditionally strong markets. Sales and market share growth in Europe compensated for lower sales in Asia-Pacific. Also, the growth continued in North America and Scandinavia where our No. 1 position in wire rope hoists and standard cranes was reconfirmed.

The European market suffered a certain price pressure, as competition scrambled to compensate for decreased Asia-Pacific demand.

Operating income grew to FIM 126.0 million from FIM 117.6 million in 1997 (+ 7.1%). The homogenous product range improves capacity utilisation and fuels rationalisation. For 1999 the Business Area poses a pocket of growth in Germany through the acquisition of Trost & Hilterhaus GmbH and its sister company. In 1998 further cost cutting actions were implemented. These are expected to mature into margin improvements during 1999.

Special Cranes

Global customers need
global suppliers:
 KCI Konecranes
 International



Megasteel, Malaysia

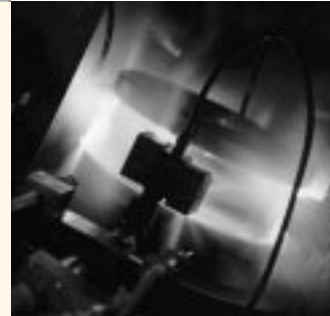
T.K. Mak
Regional Marketing
Manager
Konecranes Pte Ltd.
Singapore

Dan Krogars, trainee at the Konecranes Institute is practising at Konecranes Components Corp., Finland

Raimo Laukkanen, Engineer Fitter, Konecranes Components Corp.

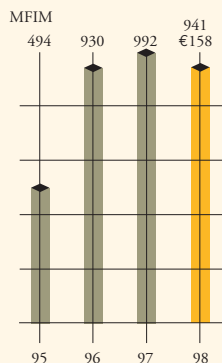
Tapio Kannisto, Electrician, Konecranes Components Corp.

"Flexibility of the staff is exceptional at KCI Konecranes. This attitude gives us an ability to deploy our human resources where they are needed the most. As the Special Cranes business is quiet in Asia-Pacific I had an opportunity to work in Finland. This turn in my career resulted in extensive networking with our sales and design staff which will be of a definitive advantage in the future. Our global pool of knowledge and internal network of experts ensure that we can always find an optimal solution for our customer. Also, working close to the component factory has enabled me with opportunity to deepen my knowledge of the products and internal processes. The growing networking and understanding of our global structure is re-shaping industry."

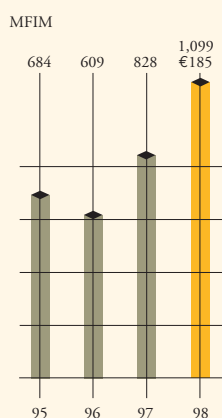


Konecranes' modern hardening plant

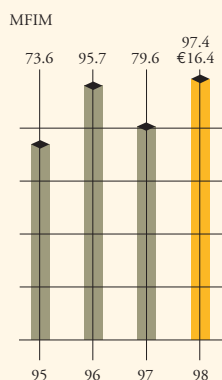
Order intake¹⁾²⁾



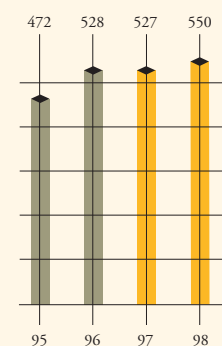
Sales¹⁾²⁾



Operating income³⁾



Personnel



1) including group internal
2) 95, 96, 97 at historical exchange rates
3) before group costs and consolidation items

KCI Konecranes Special Cranes Business Area focuses on solving heavy lifting needs in two major segments, cranes for harbours and shipyards on one hand, and industrial cranes for a wide variety of industries on the other. Cranes form an integral part of the customer's production or support process. The requirements for reliability, accuracy in movements and ease of operation are of paramount importance.

Most of our competitors build their cranes using trade components readily available in industrial markets. These components include gear reducers, electrical motors, controls, run wheels etc. KCI Konecranes has chosen a different strategy. Corner stones in our designs are a full range of in-house components, which have been specifically designed to meet crane usage requirements. Components are built according to a totally modularised schedule, for increased scale in parts production.

KCI Konecranes' approach, in combinations with our strategy of using the same componentry both for industrial and harbour cranes has given us the basis for large-scale production. We can justify absolute state-of-the-art production machines and tooling for lowest unit costs.

In modern heavy crane technology, controls are computer based. KCI Konecranes early adopted a policy of developing its own software production capability. Today this policy pays dividends. Crane control programs are compiled from thoroughly tested and de-bugged program modules, in which only application specific parameters vary. Our policy guarantees the availability of program coding for later changes and upgrades, for the whole life of the crane.

KCI Konecranes has developed a policy for reducing overhead costs its operations. Our special crane companies in various parts of the world (we have crane companies in Houston Texas USA, Glasgow Scotland, Orleans France, Hyvinkää Finland and Singapore) do not operate as separate companies. Instead, they form a company network, working very much as one global company. Internally we use the code Konecranes GCC, for the Global Crane Company. This approach relies on two fundamentals: skilful use of modern telecommunication, and a global uniform range of products. It has yielded superiority in low break - even costs and an unparalleled ability for deploying resources according to need.

Our growth numbers clearly confirm the success of our strategy. We are quickly reshaping the special cranes industry.

In 1998 the Group successfully started its high-capacity CNC milling line for component machining. The line operates in 3-shift mode. The new welding line for heavy componentry started production, but has not yet reached design capacity. Rope drum production capacity was improved, as well as the production facilities for electrical assembly.

Through R&D the introduction of AC control technology is now complete. During 1998 new high power technology was added, covering needs up to 800 kW in single systems. A new innovative high capacity Grab-unloader was introduced. KCI Konecranes' RTG Cranes established itself as one of the leading machines in its class in the world markets for container handling. This remarkable breakthrough has been achieved mainly through innovative product design. By understanding the customer's genuine needs, and the merits of new technology, we created a superb product.

PERFORMANCE 1998

Sales continued its fast growth to FIM 1,098.7 million, a change of 32.6 %. Orders decreased by 5.1 % to FIM 941.3 million, still well above historical numbers. In industrial cranes the slowdown in Asia-Pacific continued. The paper mill sector continued at low investment levels. The orderbook, now with an emphasise on harbour cranes supports a good sales development.

The operating income grew to an all time high at FIM 97.4 million, 22.4 % above the 1997 level.

The Special Cranes Business Area, with only 550 employed is well prepared for changes in its amounts of business. Historically profitability in Special Cranes has been more volatile compared to the other Business Areas. In a slower market customers seem to pay more attention to potential suppliers' financial health. Also, in a less hectic situation, customers are more willing to listen to technical and other sales arguments. Both aspects benefit KCI Konecranes.

Board's Report

General

The company fully used its growth opportunities and maintained a global leading position in its industry. Earnings per share development was good, although earnings growth missed its target by a small amount.

Sales

Group sales increased to FIM 3,549.8 million showing a 15.4% growth from FIM 3,075.8 million in 1997. Most of the growth was organic. There was a small increase due to acquisitions and a certain decrease due to negative exchange rate effects in consolidation. All Business Areas increased their sales. The highest growth rate was now recorded in Special Cranes, 32.6%. By region the Americas and Western Europe recorded fast growth. Also Scandinavia had good growth. Sales in Asia-Pacific declined as a result of continuing economic recession in South East Asia and in Japan.

Order Intake and Order Book

Orders amounted to FIM 3,227.5 million exceeding the 1997 number by 3.0%. Not included in this number is the annual service contract base. In Special Cranes orders were somewhat under the 1997 level mainly because of lower orders in Industrial Cranes. The global growth rate in Maintenance Services continued on a good level. The Standard Lifting Equipment order development was stable. The 1998 acquisitions will support Maintenance Services sales in 1999 but mainly they boost the Standard Lifting Equipment business area sales. The order book at year-end 1998 was FIM 1,158.3 million, which is 10.4% lower than one year ago but still at a good level.

Profitability

Income before taxes was FIM 257.3 million (1997: FIM 234.4 million), up 9.8% from 1997. Net income was FIM 186.7 million, up 12.5% from FIM 165.9 million in 1997. Total taxes were FIM 70.5 million, representing a tax rate of 27.4%. In 1997 the rate was 29.2%. The company has been in a position to use its confirmed carry forward tax losses. The decrease in the tax rate is partly based on a change in Finnish Accounting Principles.

Maintenance Services margin stayed at previous year's level. The sale of the UK hire business had a positive effect and French restructuring a negative. Standard Lifting

Equipment's margin improved towards the year-end. Special Cranes' operating income improved 22.4% as sales grew.

Both return on capital employed and return on equity stayed on levels well in line with long term targets. Return on capital employed was 32.6% (1997: 36.2%) and return on equity 25.7% (1997: 27.2%). Year-end 98 acquisitions diluted the return on capital employed, as the acquisition investment is included in the balance sheet but with no income statement effect.

Balance Sheet and Financing

Free cash flow was used for dividends (FIM 56.3 million), net investments (FIM 86.2 million) and acquisitions (FIM 82.4 million). The operational net working capital increased by FIM 47.2 million. Group net borrowings stayed low, FIM 56.2 million, giving a gearing of 7.2% (1.3% 1997). The Group had at the year-end not drawn on its USD 100.0 million revolving credit facility. The solidity based on the FIM 1,832.8 million (1997: FIM 1,728.2 million) Balance Sheet was 47.0% (1997:43.9%).

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 stretches over more than one year, through the whole duration of the backlog. Equities in subsidiaries have, where practical, been hedged and any remaining transactional differences have been booked directly against equity.

The Group starts to use euro as its consolidation currency from 1 January, 2000 on.

R&D, Training

Total identified R&D Costs in 1998 were FIM 43.0 million. Expenses in connection with a new software system (KERPS) were FIM 7.8 million. In addition, the company has paid FIM 34.3 million as advance payments for the system. The project is somewhat delayed. Rollout is scheduled for 1999. This ambitious system is primarily targeted for Maintenance Services.

The Group continued its intensive training of front-end technicians. A middle management training program - named KCI Konecranes Academy - was established.

Investments

Investments into tangible assets (excl. acquired companies) increased to FIM 81.0 million (FIM 96.2 million in 1997). For the production of Heavy Components modern machinery investments were finalised. In Standard Lifting Equipment replacement investments were continued.

Risk Policies

The KCI Konecranes Group continuously reviews its insurance policies to ensure an adequate cover of all reasonable and insurable risks resulting from operations. On year-end, the Group did not have any pending legal processes or business claims with material effect.

The Group has reviewed its millennium exposure. Financial and other business effects are seen small. Projects to update the administrative systems have been established and scheduled. The risks in old products or products in the delivery process have been evaluated. Remedies deemed necessary have been defined and adequate information flows have been established. The Y2K update also means certain new business opportunities in Maintenance Services.

Group Structure

North American companies Provincial International Cranes Inc. and Overhead Crane Services, Inc. were acquired. The companies have been consolidated into Group numbers from September 14 and October 26 respectively. The German company Trost & Hilterhaus GmbH with its sister company Kran- und Stahlbau Ludwig GmbH, the acquisition agreement of which was signed in October, 1998, were taken over to 100 % at closing on December 31, 1998. Financials are to be consolidated from January 1, 1999 on. The Group also acquired through its French subsidiary Verlinde S.A. a 25 % stake in its parts distributor Manulec S.A. and in two associated companies. The joint venture company VESTA S.a.r.l. in France was dissolved.

The Group continues actively its efforts of pursuing selected acquisitions.

Personnel

The Group personnel was 4,052 at the year end 1998 (3,897 in 1997). The average number was 3,968 (3,720 in 1997). Personnel increased in Maintenance Services, partly through acquisitions and decreased in Standard Lifting Equipment through further rationalisation.

Shareholders

In March 1998 the Parent Company paid dividends FIM 56.25 million corresponding to 3.75 FIM/share against the present nominal value of 8.00 FIM.

In 1998 the Board did not use its rights to buy back the Company's own shares. The rights were granted by the 1998 Annual Meeting of Shareholders.

The share price at the Stock Exchange varied between FIM 155 and FIM 318, closing at FIM 230 on December 31, 1998.

Future Prospects

Order book in the equipment business supported by already finalised acquisitions and the increased service contract base both indicate continuing growth opportunities in sales for 1999. Notwithstanding the ongoing uncertainty in global equipment markets, few threats for a continued good development can be seen. There will be increased variations in development pace. KCI Konecranes' strategic position and its demonstrated operational agility continuously open opportunities for further advancing the company's positions.

Board of Directors



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

Chairman of the Board:

Björn Savén

M.Sc. (Econ.), MBA
 Chief Executive, Industri Kapital
 Year of birth 1950
 Chairman of MSC Metsa Specialty Chemicals Oy
 Chairman of Perstop Plastic Systems AB
 Member of the Board, i-center AG
 Member of the Board, AB Custos
 Member of the Board, MacGREGOR AB
 Member of the Board, Orkla ASA
 Member of the Board, Deutsch-Schwedische Handelskammer
 Present term closes year 1999
 Shareholding: 29,855 beneficially via Industri Kapital

Timo Poranen

M.Sc. (Eng.)
 President, Finnish Forest Industries Federation
 Year of birth 1943
 Member of the Supervisory Board, OKOBANK Osuuspankkien Keskuspankki Oyj
 Deputy member of the Board, Varma-Sampo Mutual Pension Insurance Company
 Member of the Board, Industrial Insurance Company Ltd
 Deputy member of the Board, Fingrid Oyj
 Member of the Board, Helsinki University of Technology
 Member of the Council, The Finnish Swedish Chamber of Commerce
 Member of the Board of Directors, The Finnish Section of the International Chamber of Commerce

Present term closes year 2000
 Shareholding: 0

Juha Rantanen

M.Sc.(Econ.), MBA
 President & CEO, A. Ahlstrom Corporation
 Year of birth 1952
 Member of the Supervisory Board, Varma-Sampo Mutual Pension Insurance Company
 Member of the Supervisory Board, Mandatum Bank Plc
 Present term closes year 1999
 Shareholding: 0

Michael Rosenlew

M. Sc. (Econ.)
 Director, Industri Kapital
 Year of birth 1959
 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 Norden AB
 Member of the Board, Addum Intressenter AB
 Member of the Board, Elektrokoppar Holding AB
 Present term closes year 2001
 Shareholding: 0

Christoffer Taxell

L.L.M., minister, Dr. Doctor of Political Science (h.c.)
 President & CEO, Partek Corporation
 Year of birth 1948

Member of the Board, ABB Oy
 Member of the Board, Sampo Insurance Company plc
 Member of the Board, Oyj Stockmann Abp
 Member of the Board, Metra Oy Ab
 Member of the Board, Kalmar Industries AB
 Present term closes year 2001
 Shareholding: 0

Stig Gustavson

M.Sc. (Eng.), Dr. tech. (h.c.)
 President & CEO, KCI Konecranes International Plc
 Year of birth 1945
 Chairman of the Board, Oyj Hackman Abp
 Chairman of the Board, Addtek International Oy Ab
 Member of the Board, Enskilda Securities AB
 Member of the Board, Oy Helvar Merca Ab
 Member of the Board, Federation of Finnish Metal, Engineering and Electrotechnical Industries FIMET
 Present term closes year 2000
 Shareholding: 420,875

Secretary of the Board, not member of the Board:

Lennart Simonsen

L.L.M.
 Attorney, Partner, Roschier-Holmberg & Waselius, Attorneys at Law
 Year of birth 1960
 Shareholding: 0

Board Members do not have bonds with warrants. Shareholdings as per 31 December, 1998.

Consolidated Statement of Income

	1.1. -31.12.1998	1.1. -31.12.1998	1.1.-31.12.1997
	(1000 FIM)	(1000 EUR)	(1000 FIM)
Sales	Note 1 3,549,838	597,040	3,075,817
Other operating income	10,329	1,737	9,046
Share of result of participating interest undertakings	871	146	251
Depreciation and reduction in value	Note 2 (80,672)	(13,568)	(68,351)
Other operating expenses	Note 3 (3,227,174)	(542,771)	(2,784,867)
Operating profit	253,192	42,584	231,896
Financial income and expenses	Note 4 4,110	691	2,476
Income before taxes	257,302	43,275	234,372
Taxes	Note 5 (70,483)	(11,854)	(68,372)
Minority interest	(164)	(28)	(95)
NET INCOME	186,655	31,393	165,905

Consolidated Balance Sheet

ASSETS	31.12.1998	31.12.1998	31.12.1997
	(1000 FIM)	(1000 EUR)	(1000 FIM)
Non-current assets			
INTANGIBLE ASSETS			
Formation expenses	Note 6 650	109	2,710
Intangible rights	Note 7 16,078	2,704	16,621
Goodwill	Note 8 18,630	3,133	4,230
Group goodwill	Note 9 47,228	7,944	42,897
Advance payments	34,329	5,774	512
	116,915	19,664	66,970
TANGIBLE ASSETS			
Land	Note 10 20,910	3,517	21,648
Buildings	Note 11 134,920	22,692	136,704
Machinery and equipment	Note 12 167,835	28,227	159,372
Advance payments and construction in progress	3,584	603	5,357
	327,249	55,039	323,081
INVESTMENTS			
Participating interests	Note 13 3,256	548	1,649
Other shares and similar rights of ownership	Note 14 62,284	10,475	7,621
	65,540	11,023	9,270
Current assets			
INVENTORIES			
Raw materials and semi-manufactured goods	173,648	29,205	174,407
Work in progress	237,449	39,937	300,855
Advance payments	38,113	6,410	31,199
	449,210	75,552	506,461
LONG-TERM RECEIVABLES			
Accounts receivable	0	0	2,975
Loans receivable	6,166	1,037	203
Other receivables	1,813	305	0
	7,979	1,342	3,178
SHORT-TERM RECEIVABLES	Note 15		
Accounts receivable	653,088	109,841	582,073
Amounts owed by participating interest undertakings	4,588	772	2,292
Loans receivable	1,584	266	1,331
Other receivables	33,975	5,714	48,824
Deferred tax asset	Note 21 14,074	2,367	4,048
Deferred assets	Note 16 88,791	14,934	129,703
	796,100	133,894	768,271
CASH IN HAND AND AT BANKS	69,850	11,748	50,947
Total current assets	1,323,139	222,536	1,328,857
TOTAL ASSETS	1,832,843	308,262	1,728,178

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.1998	31.12.1998	31.12.1997
Equity	Note 17 (1000 FIM)	(1000 EUR)	(1000 FIM)
Share capital	120,000	20,183	120,000
Share premium account	180,000	30,274	180,000
Equity share of untaxed reserves	27,071	4,553	33,272
Translation difference	(28,637)	(4,817)	(13,416)
Retained earnings	295,145	49,640	183,447
Net income for the period	186,655	31,393	165,905
	780,234	131,226	669,208
Minority share	593	100	495
Provisions	Note 18 51,199	8,610	50,465
Liabilities			
LONG-TERM DEBT	Note 19		
Pension loans	23,647	3,978	26,601
Bonds with warrants	Note 20 300	50	300
Other long-term liabilities	15,200	2,556	0
Deferred tax liability	Note 21 13,500	2,271	14,652
	52,647	8,855	41,553
CURRENT LIABILITIES	Note 22		
Pension loans	2,955	497	2,956
Advance payments received	172,174	28,958	201,327
Accounts payable	217,686	36,612	279,800
Amounts owed to participating interest undertakings	4,318	726	6,617
Other short-term liabilities	139,889	23,528	87,897
Accruals	411,148	69,150	387,860
	948,170	159,471	966,457
Total liabilities	1,000,817	168,326	1,008,010
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,832,843	308,262	1,728,178

Consolidated Cashflow

	1.1.-31.12.1998 (1000 FIM)	1.1.-31.12.1998 (1000 EUR)	1.1.-31.12.1997 (1000 FIM)
Operating income 1)	251,326	42,270	230,402
Depreciation	80,672	13,568	68,351
Financial income and expenses	9,223	1,551	(13,152)
Taxes	(80,282)	(13,502)	(69,332)
Free cashflow	260,939	43,887	216,269
Increase in current assets	(45,250)	(7,611)	(103,382)
Increase (-), decrease (+) in inventories	40,343	6,785	(131,382)
Increase (+), decrease (-) in current liabilities	(45,594)	(7,668)	215,151
Cashflow from operations	210,438	35,393	196,656
Capital expenditure and advance payments to machines	(80,991)	(13,622)	(96,225)
Capital expenditure and advance payments to intangible and financial assets	(46,934)	(7,894)	(2,670)
Fixed assets of acquired companies	(82,406)	(13,860)	(22,688)
Disposals of fixed assets	3,824	643	9,305
Investments total	(206,507)	(34,732)	(112,278)
Cashflow before financing	3,931	661	84,378
Change in long-term debt, increase (+), decrease (-)	12,246	2,060	(63,210)
Change in short-term interest-bearing debt, increase (+), decrease (-)	60,549	10,184	(10,006)
Dividend paid	(56,286)	(9,467)	(45,000)
External financing	16,509	2,777	(118,216)
Correction items 2)	(1,537)	(259)	(2,118)
Net financing	18,903	3,179	(35,956)
Cash in hand and at banks at 1.1.	50,947	8,569	86,903
Cash in hand and at banks at 31.12.	69,850	11,748	50,947
Change in cash	18,903	3,179	(35,956)

1) Operating income after depreciation has been corrected by the result of participating interest undertakings and the profit / loss of disposal of assets.

2) Translation difference in cash in hand and at banks.

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.

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 Participating interests. 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

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. The deferred tax liabilities and deferred tax assets of Group companies caused by timing differences between income and corresponding taxable revenue as well as between expenses and corresponding tax deductible expenditure are shown in the Balance Sheet and Statement of Income as a separate item in taxes on prudent basis.

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 and deferred tax assets, determined by using the current tax rate.

Conversion of Foreign Subsidiary Financial Statements

The Balance Sheets of foreign subsidiaries have been converted into Finnish markkas at the rates current on the last day of the year and the Statements of Income at the average rates of the financial year. The figures of previous year have been converted at the rates of the closing date. 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. Realised 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 recognised 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. The long-term global IT frame of the Group (KERPS-project) is handled as investment. All out of pocket costs and in-house personnel costs in project are expensed.

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. Semi-manufactured goods have been valued at variable production costs. Work in

progress of uncompleted orders includes direct labour and material costs, as well as a proportion of overhead costs related to production and installation.

VALUATION AND DEPRECIATION OF INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets are stated at cost. In Group 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 years
- Other intangible assets	4-10 years

No depreciation is made for land.

PROVISIONS

Future expenses related to this or previous financial years 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 realised.

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 31.12.1997 and 31.12.1996.

Notes to the Consolidated Financial Statements

All figures are in millions of Finnish markkas.

STATEMENT OF INCOME

1. Sales

Sales by market-area	1998	1997
Finland	325.4	333.5
Rest of Nordic countries	256.9	199.2
Rest of EU	977.6	791.3
Rest of Europe	244.3	183.1
Americas	1,190.0	987.4
Asia and Australia	488.2	514.7
Middle-East	52.8	56.1
Others	14.6	10.5
Total	3,549.8	3,075.8

Percentage of completion method (see accounting principles)

The booked revenues of non-delivered projects	196.3	217.0
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The booked revenues of non-delivered projects during the period	141.4	202.8
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The amount of long-term projects in the order book

- percentage of completion method used	405.2	411.9
- completed contract method used	753.1	881.5

2. Depreciation

	1998	1997
Formation expenses	2.1	2.1
Intangible rights	3.8	3.7
Goodwill	1.6	0.9
Group Goodwill	9.6	4.1
Buildings	11.6	10.8
Machinery and equipment	52.0	46.8
Total	80.7	68.4

3. Costs, expenses and personnel

	1998	1997
Change in product inventory	58.3	(73.5)
Production for own use	(2.2)	(1.6)
Material and supplies	1,217.5	1,093.8
Subcontracting	404.5	345.4
Wages and salaries	783.3	714.2
Pension costs	64.9	64.3
Other personnel expenses	154.2	135.0
Other operating expenses	546.7	507.2
Total	3,227.2	2,784.9

Wages and salaries in accordance with the Statement of Income:

Presidents	23.1	19.1
Members of the Board	0.4	0.5
Other wages and salaries	759.8	694.6
Total	783.3	714.2

The average number of personnel	3,968	3,720
Personnel 31 December, of which in Finland	4,052	3,897
	1,317	1,253

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

4. Financial income and expenses

	1998	1997
Dividend income	0.4	0.1
Interest income from current assets	11.9	18.6
Other financial income	3.1	5.4
Interest expenses	(10.1)	(19.8)
Other financial expenses	(1.2)	(1.8)
Total	4.1	2.5

5. Taxes

	1998	1997
Local income taxes of group companies	83.4	95.7
Taxes from previous years	1.1	0.0
Avoir Fiscal	(4.2)	(26.4)
Change in deferred tax liability arising from consolidation	(4.4)	(1.0)
Change in deferred tax assets arising from timing differences	(5.4)	0.0
Total	70.5	68.4

BALANCE SHEET

Non-current assets

6. Formation expenses

	1998	1997
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 1 January	(7.6)	(5.5)
Accumulated depreciation relating to disposals	0.0	0.0
Depreciation for financial year	(2.1)	(2.1)
Total as of 31 December	0.6	2.7

7. Intangible rights

	1998	1997
Acquisition costs as of 1 January	28.3	28.9
Increase	3.3	1.4
Decrease	(0.0)	(0.0)
Acquisition costs as of 31 December	31.6	30.3
Accumulated depreciation 1 January	(11.7)	(10.0)
Accumulated depreciation relating to disposals	0.0	0.0
Depreciation for financial year	(3.8)	(3.7)
Total as of 31 December	16.1	16.6

8. Goodwill

	1998	1997
Acquisition costs as of 1 January	8.1	6.2
Increase	16.1	2.0
Decrease	(0.0)	(0.0)
Acquisition costs as of 31 December	24.2	8.2
Accumulated depreciation 1 January	(4.0)	(3.0)
Accumulated depreciation relating to disposals	0.0	0.0
Depreciation for financial year	(1.6)	(1.0)
Total as of 31 December	18.6	4.2

9. Group goodwill

	1998	1997
Acquisition costs as of 1 January	47.3	37.0
Increase	18.2	16.8
Decrease	(4.3)	(6.5)
Acquisition costs as of 31 December	61.2	47.3
Accumulated depreciation 1 January	(4.4)	(0.3)
Accumulated depreciation relating to disposals	0.0	0.0
Depreciation for financial year	(9.6)	(4.1)
Total as of 31 December	47.2	42.9

Acquisition costs included in Group goodwill, originating from accelerated depreciation and untaxed reserves, was MFIM 23.2 on December 31 (MFIM 27.7 in 1997). This part of Group goodwill will decrease as the companies reverse their depreciation difference and untaxed reserves.

10. Land

	1998	1997
Acquisition costs as of 1 January	20.9	20.2
Increase	0.0	2.2
Decrease	(0.0)	(0.8)
Total as of 31 December	20.9	21.6

11. Buildings

	1998	1997
Acquisition costs as of 1 January	177.9	141.4
Increase	12.9	35.6
Decrease	(0.2)	(1.9)
Acquisition costs as of 31 December	190.6	175.0
Accumulated depreciation 1 January	(44.2)	(27.5)
Accumulated depreciation relating to disposals	0.1	0.0
Depreciation for financial year	(11.6)	(10.8)
Total as of 31 December	134.9	136.7

12. Machinery and equipment

	1998	1997
Acquisition costs as of 1 January	333.7	257.1
Increase	65.6	62.0
Decrease	(16.7)	(4.7)
Acquisition costs as of 31 December	382.6	314.4
Accumulated depreciation 1 January	(176.7)	(108.3)
Accumulated depreciation relating to disposals	13.9	0.0
Depreciation for financial year	(52.0)	(46.8)
Total as of 31 December	167.8	159.4

13. Participating interests

	1998	1997
Acquisition costs as of 1 January	1.7	1.7
Change in the share in participating interest undertaking	1.0	(0.1)
Increase	1.5	0.0
Decrease	(0.9)	(0.0)
Total as of 31 December	3.3	1.6

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

14. Other shares and similar rights of ownership

	1998	1997
Acquisition costs as of 1 January	7.6	6.3
Increase	54.7	1.3
Decrease	(0.0)	(0.0)
Total as of 31 December	62.3	7.6

The increase in other shares includes the acquisition costs of Trost & Hilterhaus GmbH and Kran- und Stahlbau Ludwig GmbH (MFIM 45.7). These companies, which were acquired at the end of 1998, are not consolidated to the Group accounts as subsidiaries because the information necessary for the preparation of the consolidated accounts could not be obtained without undue delay.

15. Short-term receivables

Amounts owed by participation interest undertakings:

	1998	1997
Accounts receivable	3.7	2.0
Deferred assets	0.1	0.0
Bills receivable	0.8	0.3
Total	4.6	2.3

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

	1998	1997
Receivable arising from percentage of completion method	174.5	142.6
Advances received	174.5	142.6

16. Deferred assets

	1998	1997
Income taxes	0.8	8.1
Interest	7.0	9.9
Receivable arising from percentage of completion method	21.8	74.3
Other	59.2	37.4
Total	88.8	129.7

17. Shareholders' equity

	1998	1997
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)	33.3	35.1
Equity share of untaxed reserves as of 1 January	(2.1)	1.1
Change of equity share of untaxed reserves	(4.1)	(2.9)
Total as of 31 December	27.1	33.3
Translation difference as of 1 January	(13.4)	(15.6)
Change	(15.2)	2.2
Translation difference as of 31 December	(28.6)	(13.4)
Retained earnings as of 1 January	349.4	229.5
Equity share of untaxed reserves as of 1 January	2.1	(1.1)
Dividend paid	(56.3)	(45.0)
Retained earnings as of 31 December	295.1	183.4
Net income for the period	186.7	165.9
Shareholders' equity as of 31 December	780.2	669.2

Distributable equity 31 December	1998	1997
Retained earnings as of 31 December	295.1	183.4
Net income for the period	186.7	165.9
Translation difference	(28.6)	(13.4)
Formation expenses	(0.7)	(2.7)
Equity share of untaxed reserves as of 1 January	(0.6)	2.1
Total	451.9	335.3

18. Provisions

	1998	1997
Provision for guarantees	22.1	19.9
Provision for claims	3.3	6.0
Provision for restructuring	3.3	3.2
Provision for pension commitments	13.4	12.6
Other provisions	9.2	8.7
Total	51.2	50.5

19. Long-term debt

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

Long-term debt which fall due after five years:	1998	1997
Pension loans	11.8	14.8
Bonds with warrants	0.0	0.3
Total	11.8	15.1

20. Bonds with warrants

The Annual General Meeting 4th March 1997 of KCI Konecranes International Plc resolved to issue bonds with warrants of FIM 300,000 to the management of the KCI Konecranes Group. The term of the bond is six years 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 assets and liabilities

Deferred tax assets are based on	1998	1997
Consolidation	4.5	0.0
Timing difference	9.6	4.0
Total	14.1	4.0

Deferred tax liabilities are based on		
Timing difference	0.5	0.0
Untaxed reserves	13.0	14.7
Total	13.5	14.7

22. Current liabilities

Accruals:	1998	1997
Income taxes	33.7	42.6
Wages, salaries and personnel expenses	126.0	108.4
Pension costs	18.2	15.9
Interest	0.3	1.7
Other items	232.8	219.3
Total	411.1	387.9

Amounts owed to participating interest undertakings:

	1998	1997
Accounts payable	0.0	3.0
Other current interest bearing liabilities	4.2	3.6
Bills payable (non-interest bearing)	0.1	0.0
Total	4.3	6.6

Other current liabilities:	1998	1997
Bank overdrafts	88.1	28.1
Other short-term interest bearing debt	0.0	0.1
Bills payable (non-interest bearing)	20.9	19.3
Value added tax	19.0	28.9
Other short-term liabilities	11.8	11.5
Total	139.9	87.9

23. Contingent liabilities and pledged assets

	1998	1997
CONTINGENT LIABILITIES		
For own debts		
Mortgages on land and buildings	55.4	106.3
For own commercial obligations		
Pledged assets	5.1	4.8
Guarantees	555.8	424.2
For the debts of participating interest undertakings		
Guarantees	0.0	14.6
For others		
Mortgages on land and buildings	5.0	5.0
Group companies had guarantees to the member of Board of Directors or Managing Directors	0.3	0.6
The guarantees have covering security.		

OTHER CONTINGENT AND FINANCIAL LIABILITIES

Leasing liabilities		
Next year	24.9	13.8
Later on	33.7	16.3
Other	3.4	4.2

Leasing contracts follow the normal practices in corresponding countries.

TOTAL BY CATEGORY

Mortgages on land and buildings	60.4	111.3
Pledged assets	5.1	4.8
Guarantees	556.1	439.5
Other liabilities	62.0	34.3
Total	683.5	590.0

DEBTS WHICH HAVE MORTGAGES ON LAND AND BUILDINGS

Pension loan	26.6	29.6
Given mortgages	35.0	35.0
Other debts	0.0	0.0
Given mortgages	20.4	71.3
Total mortgages	55.4	106.3

24. Notional amounts of derivative financial instruments

	1998	1997
Foreign exchange forward contracts	1,142.6	1,831.0
Options and other derivative instruments	800.0	2,561.7
Total	1,942.6	4,392.7

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 half of the total notional amounts.

Parent Company Statement of Income

(1000 FIM)	1.1.-31.12.1998	1.1.-31.12.1997
Sales	Note 1 61,261	66,229
Other operating income	966	372
Depreciation and reduction in value	Note 2 (6,728)	(6,291)
Other operating expenses	Note 3 (48,323)	(44,352)
Operating profit	7,176	15,958
Financial income and expenses	Note 4 7,555	92,851
Income before extraordinary items	14,731	108,809
Extraordinary items	Note 5 153,222	122,667
Income before appropriations and taxes	167,953	231,476
Increase (-) in depreciation difference	Note 6 (154)	(22)
Income taxes	(47,011)	(64,831)
Net income	120,788	166,623

Parent Company Cashflow

(1000 FIM)	1.1.-31.12.1998	1.1.-31.12.1997
Operating income after depreciation 1)	7,033	15,873
Depreciation	6,728	6,291
Financial income and expenses	7,555	92,851
Extraordinary income	153,222	122,667
Taxes	(47,011)	(64,831)
Free cashflow	127,527	172,851
Change in current assets, increase (-), decrease (+)	(23,354)	(85,093)
Change in current liabilities, increase (+), decrease (-)	(6,621)	(16,967)
Cashflow from operations	97,552	70,791
Capital expenditure to machines	(3,453)	(2,030)
Capital expenditure and advance payments to intangible assets	(37,893)	(274)
Disposals of fixed assets	401	598
Investments total	(40,945)	(1,706)
Cashflow before financing	56,607	69,085
Decrease of long-term debt	(357)	(24,085)
Dividend paid	(56,250)	(45,000)
External financing	(56,607)	(69,085)
Net financing	0	0
Cash in hand and at banks at 1.1.	0	0
Cash in hand and at banks at 31.12.	0	0
Change in cash	0	0

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

Parent Company Balance Sheet

ASSETS (1000 FIM)	31.12.1998	31.12.1997
Non-current assets		
INTANGIBLE ASSETS		
Formation expenses	Note 7 650	2,710
Intangible rights	Note 8 12,242	13,896
Advance payments	36,992	64
	49,884	16,670
TANGIBLE ASSETS		
Buildings	Note 9 289	345
Machinery and equipment	Note 10 5,513	4,311
	5,802	4,656
INVESTMENTS		
Investments in group companies	Note 11 299,955	299,955
Other shares and similar rights of ownership	Note 11 1,941	1,941
	301,896	301,896
Current assets		
LONG-TERM RECEIVABLES		
Loans receivable from group companies	90,000	70,000
	90,000	70,000
SHORT-TERM RECEIVABLES		
Accounts receivable	156	1,190
Amounts owed by group companies		
Accounts receivable	28,043	23,167
Loans receivable	0	23,774
Deferred assets	Note 12 156,241	126,966
Accounts receivable from participating interest undertakings	0	12
Other receivables	1,398	2,152
Deferred assets	Note 12 629	5,852
	186,467	183,113
Total current assets	276,467	253,113
TOTAL ASSETS	634,049	576,335
SHAREHOLDERS' EQUITY AND LIABILITIES (1000 FIM)	31.12.1998	31.12.1997
Equity	Note 13	
Share capital	120,000	120,000
Share premium account	180,000	180,000
Retained earnings	181,277	70,905
Net income for the period	120,788	166,623
	602,065	537,528
Appropriations		
Depreciation difference	996	841
Liabilities		
LONG-TERM DEBT	Note 14	
Pension loan	2,855	3,211
Other long-term debt	300	300
	3,155	3,511
CURRENT LIABILITIES		
Pension loan	357	357
Accounts payable	6,474	4,575
Liabilities owed to group companies		
Advance payments received	0	1,956
Accounts payable	636	579
Accruals	Note 15 2,526	1,331
Other short-term liabilities	7,664	0
Other short-term liabilities	403	1,663
Accruals	Note 15 9,773	23,993
	27,833	34,454
Total liabilities	30,988	37,965
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	634,049	576,335

Notes to the Parent Company's Financial Statements

STATEMENT OF INCOME

1. Sales

In the parent company the sales to subsidiaries totalled MFIM 61.3 (MFIM 66.2 in 1997) corresponding to a share of 100% (100% in 1997) of net sales.

2. Depreciation

	1998	1997
Formation expenses	2.1	2.1
Intangible rights	2.5	2.5
Buildings	0.1	0.1
Machinery and equipment	2.0	1.6
Total	6.7	6.3

3. Cost, expenses and personnel

Costs and expenses in the Statement of Income were as follows:

	1998	1997
Wages and salaries	16.2	14.7
Pension costs	3.5	3.3
Other personnel expenses	3.4	3.7
Other operating expenses	25.2	22.7
Total	48.3	44.4

Wages and salaries in accordance with the Statement of Income:

Remuneration to Board	0.4	0.5
Other wages and salaries	15.8	14.2
Total	16.2	14.7

The average number of personnel

53 53

4. Financial income and expenses

	1998	1997
Financial income from long-term investments:		
Dividend income from group companies	3.8	66.0
Avoir Fiscal	1.5	25.7
Dividend income total	5.3	91.7

Interest income from long-term receivables:		
From group companies	3.4	1.8
Financial income from long-term investments total	8.7	93.5

Currency exchange differences

0.3 0.2

Interest expenses and other financing expenses:

To group companies	(0.0)	(0.5)
Other financing expenses	(1.4)	(0.3)
Interest and other financial expenses total	(1.4)	(0.8)

Financial income and expenses total

7.6 92.9

5. Extraordinary items

	1998	1997
Group contributions received from subsidiaries	155.4	124.0
Group contributions paid to subsidiaries	(2.2)	(1.3)
Total	153.2	122.7

6. Increase (-) in depreciation difference

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

	1998	1997
Buildings	0.0	0.0
Machinery and equipment	(0.2)	(0.0)
Total	(0.2)	(0.0)

BALANCE SHEET

7. Formation expenses

	1998	1997
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 1 January	(7.6)	(5.5)
Accumulated depreciation relating to disposals	0.0	0.0
Accumulated depreciation	(2.1)	(2.1)
Total as of 31 December	0.6	2.7

8. Intangible rights

	1998	1997
Acquisition costs as of 1 January	23.6	23.4
Increase	1.0	0.2
Decrease	(0.0)	(0.0)
Acquisition costs as of 31 December	24.6	23.6
Accumulated depreciation 1 January	(9.8)	(7.2)
Accumulated depreciation relating to disposals	0.0	0.0
Accumulated depreciation	(2.6)	(2.5)
Total as of 31 December	12.2	13.9

9. Buildings

	1998	1997
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 1 January	(0.2)	(0.1)
Accumulated depreciation relating to disposals	0.0	0.0
Accumulated depreciation	(0.1)	(0.1)
Total as of 31 December	0.3	0.3

10. Machinery and equipment

	1998	1997
Acquisition costs as of 1 January	9.5	8.0
Increase	3.5	2.0
Decrease	(0.3)	(0.5)
Acquisition costs as of 31 December	12.7	9.5
Accumulated depreciation 1 January	(5.2)	(3.6)
Accumulated depreciation relating to disposals	0.0	0.0
Accumulated depreciation	(2.0)	(1.6)
Total as of 31 December	5.5	4.3

11. Other shares and similar rights of ownership

	1998	1997
Acquisition costs as of 1 January	301.9	301.9
Increase	0.0	0.0
Decrease	(0.0)	(0.0)
Total as of 31 December	301.9	301.9

Investments in group companies

	Domicile	Book value	% of shares
Konecranes Finance Corp.	Hyvinkää	275.0	100
Konecranes VLC Corp.	Hyvinkää	25.0	100
		300.0	

Investment in other companies

Vierumäen Kuntorinne Oy	1.9	3.3
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12. Deferred assets

	1998	1997
Group contributions	155.4	124.0
Payments which will be realised during the next financial year	0.6	4.7
Interest	0.6	0.5
Other deferred assets	0.2	3.6
Total	156.8	132.8

13. Shareholders' equity

	1998	1997
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	237.5	115.9
Dividend paid	(56.2)	(45.0)
Retained earnings as of 31 December	181.3	70.9
Net income for the period	120.8	166.6
Shareholders' equity as of 31 December	602.1	537.5

Distributable equity 31 December	1998	1997
Retained earnings as of 31 December	181.3	70.9
Net income for the period	120.8	166.6
Formation expenses	(0.6)	(2.7)
Total	301.5	234.8

14. Long term debt

Long term debts which fall due after five years:	1998	1997
Pension loans	1.4	1.8
Bonds with warrants	0.0	0.3
Total	1.4	2.1

15. Accruals

	1998	1997
Income taxes	6.4	19.8
Wages, salaries and personnel expenses	2.2	1.9
Pension costs	0.7	0.0
Interest	0.0	0.1
Other items	3.0	3.5
Total	12.3	25.3

16. Contingent liabilities and pledged assets

	1998	1997
CONTINGENT LIABILITIES		

For commercial obligations of subsidiaries		
Group guarantees	198.8	296.9

OTHER CONTINGENT AND FINANCIAL LIABILITIES

Leasing liabilities		
Next year	0.1	0.1
Later on	0.1	0.0

Leasing contracts are valid in principle three years and they have no terms of redemption.

TOTAL BY CATEGORY		
Guarantees	198.8	269.9
Other liabilities	0.2	0.1
Total	199.0	297.0

Other Information

10 biggest shareholders according to shareregister as per 31.12.1998

	Amount of shares	Percentage of shares	Percentage of votes
The Pension Insurance Company Ilmarinen Ltd	392,000	2.61	2.61
Pohjola Life Assurance Company Ltd	241,800	1.61	1.61
Suomi Mutual Life Assurance Company	49,300	0.33	0.33
1. Pohjola Insurance Group total	683,100	4.55	4.55
2. The Local Government Pension Institution	421,200	2.81	2.81
3. Gustavson Stig	420,875	2.81	2.81
Sampo Insurance Company plc	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
Sampo Life Insurance Company Ltd	4,000	0.03	0.03
4. Sampo Group total	179,000	1.19	1.19
5. Mutual Insurance Company Pension Fennia	107,343	0.72	0.72
6. Varma-Sampo Mutual Pension Insurance Company	106,100	0.71	0.71
7. Merita Fennia	65,100	0.43	0.43
8. Ollila Harry	54,000	0.36	0.36
9. Merita Life Assurance Ltd	30,000	0.20	0.20
10. Merita Optima	30,000	0.20	0.20

Shares registered in the name of a nominee as per 31.12.1998

Merita Bank Plc	12,017,265	80.12	80.12
Leonia Bank plc	92,924	0.62	0.62
Svenska Handelsbanken AB, Helsinki	69,200	0.46	0.46
OKOBANK Osuuspankkien Keskuspankki Oyj Helsinki Book-Entry Central Ltd/ Svenska Handelsbanken/Helsinki Branch	36,495 12,600	0.24 0.08	0.24 0.08
Evli Securities Plc	500	0.00	0.00
Total	12,228,984	81.53	81.53

Shareholders of KCI Konecranes International Plc according to the amount of shares owned as per 31.12.1998

Shares	Amount of s'holders	Amount of shares	Percentage of s'holders	Percentage of shares
1 – 1,000	461	109,244	79.90	0.73
1,001 – 5,000	66	178,050	11.44	1.19
5,001 – 10,000	12	90,113	2.08	0.60
10,001-50,000	27	634,786	4.68	4.23
50,000-300,000	7	736,467	1.21	4.91
300,001-	4	13,251,340	0.69	88.34
Total	577	15,000,000	100.00	100.00

Amount of shares owned by the members of the Board of Directors or CEO as per 31.12.1998

Amount of shares	450,730
Percentage of shares	3.00%
Percentage of votes	3.00%

Share register

	Percentage of shares	Percentage of votes
Companies	0.65	0.65
Financial institutions	5.42	5.42
Public institutions	7.16	7.16
Non-profit institutions	0.47	0.47
Individuals	4.52	4.52
Foreign	81.78	81.78
Total	100.00	100.00

Company List

Subsidiaries owned by the parent company		Book-value	Parent company's share	Group's share
Finland:	Konecranes Finance Corporation	274,977	100	100
	Konecranes VLC Corporation	24,978	100	100
Subsidiaries owned by the group		Book-value		Group's share
Australia:	Konecranes Pty Ltd	873		100
Austria:	Konecranes Ges.m.b.H	1,290		100
	Konecranes Training Ges.m.b.H	216		100
Belgium:	KONE Ponts Roulants S.A. (B)	0		100
Canada:	Konecranes Canada Inc.	18,127		100
	All Crane Parts and Service Ltd	165		100
	Provincial Cranes Inc.	0		100
Czech Republic:	Konecranes CZ s.r.o.	324		100
China:	Konecranes (Shanghai) Co Ltd	1,040		100
Denmark:	Konecranes A/S	0		100
Estonia:	Konecranes Oü	0		100
Finland:	Finox Nosturit Oy	15		100
	Konecranes Components Corporation	38,447		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 S.A.	16,316		99.6
	Unepal S.a.r.l.	0		100
	KCI Holding France S.A.	20,815		100
	Vesta S.a.r.l.	591		100
	Matman Konecranes S.A.	0		100
	CGP-Konecranes S.A.	0		100
	COPAS Konecranes S.A.	3,824		100
	KONE Ponts Roulants S.A.	0		100
Germany:	Verlinde Hebeteknik GmbH	151		100
	Konecranes GmbH	12,314		100
	MAN SWF Krantechnik GmbH	18,240		100
Hungary:	Konecranes Kft.	4,709		100
Indonesia:	P.T. Konecranes	734		100
Latvia:	SIA Konecranes Latvija	13		100
Lithuania:	UAB Konecranes	309		100
Malaysia:	Konecranes Sdn. Bhd.	3,702		100
Mexico:	Kone Cranes Mexico SA de CV	8,620		99.5

		Book-value	Group's share
The Netherlands:	Konecranes Holding BV	22,895	100
	Konecranes Schipper BV	108	100
	Verlinde Nederland BV	634	100
Norway:	Konecranes A/S	5,393	100
Poland:	Konecranes Poland Sp. z.o.o.	149	100
Romania:	Konecranes Romania S.r.l.	128	100
	S.C. Prodmoreco S.A.	287	100
Russia:	ZAO Konecranes	38	100
Singapore:	KCI Cranes Holding (Singapore) Pte Ltd	3,583	100
	Konecranes Pte Ltd	9,575	100
	KCI Components Pte Ltd	0	100
Sweden:	KVRM Holding Sverige AB	10,001	100
	KCI Special Cranes AB	0	100
	Konecranes AB	8,566	100
Thailand:	Konecranes Service Co. Ltd.	521	49
Ukraine:	AO Konecranes Ukraine	528	100
United Kingdom:	KCI Holding U.K. Ltd.	40,556	100
	Lloyds British Testing Co Ltd.	21,677	100
	KCI Carruthers Ltd.	8,344	100
	Verlinde Hoists Ltd.	0	100
U.S.A.	KCI Holding USA, Inc.	71,844	100
	Konecranes Landel, Inc.	22,983	100
	Konecranes, Inc.	1,478	100
	R&M Materials Handling, Inc.	41,787	100
Venezuela:	Gruas Konecranes, C.A.	1,147	100

Associated companies

Finland:	Tepa-Mestarit Oy	50	50
France:	Levelec S.A.	65	20
	MUNCH Manutention Service S.a.r.l.	41	30
	Sorm Maintenance S.a.r.l.	27	30
	Boutonnier ADT Levege S.A.	544	25
	Manelec S.a.r.l.	181	25
	Manulec S.A.	725	25
	VH Manutention S.a.r.l.	56	25
Total:		1,689	

Other shares 31.12.1998

Finland:	Levator Oy	197	19
	Vaasa Control Oy	13,198	17.8
	Vierumäen Kuntorinne Oy	1,940	3.3
Malaysia:	Kone Products & Engineering Sdn. Bhd.	80	10
Mexico:	Gruas Mexico S.A. de C.V.	3	10

		Book value	Group's share	Shareholder's equity 1997	Net income 1997
Germany:	Trost & Hilterhaus GmbH	39,656	100	8,495	1,014
	Kran- und Stahlbau Ludwig GmbH	6,080	100	497	539
Others		1,130			
Total:		62,284			

Development by Business Areas

SALES AND OPERATING INCOME	1998	1998	1997
	(MFIM)	(MEUR)	(MFIM)
Maintenance Services			
Sales	1,542.5	259.4	1,383.8
Operating income	123.5	20.8	107.5
Standard Lifting Equipment			
Sales	1,223.0	205.7	1,137.9
Operating income	126.0	21.2	117.6
Special Cranes			
Sales	1,098.7	184.8	828.3
Operating income	97.4	16.4	79.6
Internal sales	(314.4)	(52.9)	(274.2)
Group sales	3,549.8	597.0	3,075.8
Operating income before group overheads	346.9	58.3	304.7
Group costs	(90.6)	(15.2)	(75.7)
Non business area items	(3.1)	(0.5)	2.9
Group operating income	253.2	42.6	231.9

PERSONNEL 31 December

Maintenance Services	2,349	2,112
Standard Lifting Equipment	1,042	1,154
Special Cranes	550	527
Group staff	111	104
Total	4,052	3,897

The KCI Konecranes Group 1994-1998

		1998	1997	1996	1995	12 months Proforma ¹⁾ 1994
Business development						
Order intake	MFIM	3,227.5	3,132.1	2,672.2	1,919.8	2,009.4
Order book	MFIM	1,158.3	1,293.3	1,046.3	630.3	821.3
Net sales	MFIM	3,549.8	3,075.8	2,450.9	2,182.6	2,143.7
of which outside Finland	MFIM	3,224.4	2,743.9	2,072.2	1,930.8	1,930.7
Export from Finland	MFIM	1,266.5	998.5	702.5	865.8	914.1
Personnel on average		3,968	3,720	3,351	3,042	2,892
Capital expenditure	MFIM	90.0	98.9	55.1	44.4	60.5
as a percentage of net sales	%	2.5	3.2	2.2	2.0	2.8
Research and development costs	MFIM	43.0	42.2	40.8	36.0	
as % of Standard Lifting Equipment ²⁾	%	3.5	3.7	4.5	4.5	
as % of Group net sales	%	1.2	1.4	1.7	1.6	
Profitability						
Net sales	MFIM	3,549.8	3,075.8	2,450.9	2,182.6	2,143.7
Operating income	MFIM	253.2	231.9	207.7	141.2	105.3
as percentage of net sales	%	7.1	7.5	8.5	6.5	4.9
Income before extraordinary items	MFIM	257.3	234.4	208.2	135.3	86.4
as percentage of net sales	%	7.2	7.6	8.5	6.2	4.0
Income before taxes	MFIM	257.3	234.4	208.2	135.3	86.4
as percentage of net sales	%	7.2	7.6	8.5	6.2	4.0
Net income	MFIM	186.7	165.9	139.0	95.0	56.5
as percentage of net sales	%	5.3	5.4	5.7	4.4	2.6
Key figures and balance sheet						
Shareholders' equity	MFIM	780.2	669.2	549.1	438.9	357.5
Balance Sheet	MFIM	1,832.8	1,728.2	1,423.6	1,217.6	1,247.7
Return on equity	%	25.7	27.2	28.1	23.9	17.2
Return on capital employed	%	32.6	36.2	36.3	28.1	18.6
Current ratio		1.3	1.3	1.4	1.3	1.2
Solidity	%	47.0	43.9	41.7	40.0	33.5
Gearing	%	7.2	1.3	8.1	4.5	24.7
Shares in figures						
Earnings per share	FIM	12.44	11.06	9.26	6.33	3.77
Equity per share	FIM	52.02	44.61	36.61	29.26	23.83
Dividend per share	FIM	4.25*	3.75	3.0	2.0	
Dividend / earnings	%	34.2	33.9	32.4	31.6	
Effective dividend yield	%	1.8	2.1	2.1		
Price / earnings		18.5	16.3	15.7		
Trading low / high	FIM	155/318	142/235	81/148		
Average share price	FIM	222.94	196.20	100.21		
Year-end market capitalisation	MFIM	3,450	2,700	2,175		
Number traded	(1000)	8,039	5,992	9,254		
Stock turnover	%	53.6	39.9	61.7		

* The Board's proposal to the AGM

The KCI Konecranes Group 1994-1998 in Euros (EUR)

		12 months Proforma ¹⁾				
Business development		1998	1997	1996	1995	1994
Order intake	MEUR	542.8	526.8	449.4	322.9	338.0
Order book	MEUR	194.8	217.5	176.0	106.0	138.1
Net sales	MEUR	597.0	517.3	412.2	367.1	360.5
of which outside Finland	MEUR	542.3	461.5	348.5	324.7	324.7
Export from Finland	MEUR	213.0	167.9	118.2	145.6	153.7
Personnel on average		3,968	3,720	3,351	3,042	2,892
Capital expenditure	MEUR	15.1	16.6	9.3	7.5	10.2
as a percentage of net sales	%	2.5	3.2	2.2	2.0	2.8
Research and development costs	MEUR	7.2	7.1	6.9	6.1	
as % of Standard Lifting Equipment ²⁾	%	3.5	3.7	4.5	4.5	
as % of Group net sales	%	1.2	1.4	1.7	1.6	
Profitability						
Net sales	MEUR	597.0	517.3	412.2	367.1	360.5
Operating income	MEUR	42.6	39.0	34.9	23.7	17.7
as percentage of net sales	%	7.1	7.5	8.5	6.5	4.9
Income before extraordinary items	MEUR	43.3	39.4	35.0	22.8	14.5
as percentage of net sales	%	7.2	7.6	8.5	6.2	4.0
Income before taxes	MEUR	43.3	39.4	35.0	22.8	14.5
as percentage of net sales	%	7.2	7.6	8.5	6.2	4.0
Net income	MEUR	31.4	27.9	23.4	16.0	9.5
as percentage of net sales	%	5.3	5.4	5.7	4.4	2.6
Key figures and balance sheet						
Shareholders' equity	MEUR	131.2	112.6	92.4	73.8	60.1
Balance Sheet	MEUR	308.3	290.7	239.4	204.8	209.8
Return on equity	%	25.7	27.2	28.1	23.9	17.2
Return on capital employed	%	32.6	36.2	36.3	28.1	18.6
Current ratio		1.3	1.3	1.4	1.3	1.2
Solidity	%	47.0	43.9	41.7	40.0	33.5
Gearing	%	7.2	1.3	8.1	4.5	24.7
Shares in figures						
Earnings per share	EUR	2.09	1.86	1.56	1.06	0.63
Equity per share	EUR	8.75	7.50	6.16	4.92	4.01
Dividend per share	EUR	0.71*	0.63	0.50	0.34	
Dividend / earnings	%	34.2	33.9	32.4	31.6	
Effective dividend yield	%	1.8	2.1	2.1		
Price / earnings		18.5	16.3	15.7		
Trading low / high	EUR	26.07/53.48	23.88/39.52	13.62/24.89		
Average share price	EUR	37.50	33.00	16.85		
Year-end market capitalisation	MEUR	580.2	454.1	365.8		
Number traded	(1000)	8,039	5,992	9,254		
Stock turnover	%	53.6	39.9	61.7		

* The Board's proposal to the AGM

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

Calculation of Key Figures

Return on equity:	$\frac{\text{Income before extraordinary items - taxes}}{\text{Equity (average during the period)}} \times 100$
Return on capital employed:	$\frac{\text{Income before taxes + interest paid + other financing cost}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}} \times 100$
Current ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Solidity:	$\frac{\text{Shareholders' equity}}{\text{Total amount of equity and liabilities - advance payment received}} \times 100$
Gearing:	$\frac{\text{Interest-bearing liabilities - liquid assets - loans receivable}}{\text{Shareholders equity + minority share}} \times 100$
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 capitalisation:	Number of shares multiplied by the share price at the end of year
Average number of personnel:	Calculated as average of tertial averages

Board of Directors' Proposal to the Annual General Meeting

The Group's distributable equity according to the consolidated balance sheet is FIM 451,906,000. The parent company's distributable equity is FIM 301,415,268.97. The Board of Directors proposes that a dividend of FIM 4.25 be paid on

each of the 15,000,000 shares for a total of FIM 63,750,000.00 and that the rest FIM 237,665,268.97 be retained and carried forward.

Hyvinkää, 10th February 1999

Björn Savén
Chairman of the 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. - 31.12.1998. 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 1999

Tuokko Deloitte & Touche Oy
Authorized Public Audit firm

Mikael Paul

Authorized Public Accountant

Executives



Stig Gustavson



Charles E. Vanarsdall



Tom Sothard



Rainer Aalto



Harry Ollila



Bill Maxwell



Teuvo Rintamäki



Antti Vanhatalo



Mikko Uhari



Arto Juosila

Stig Gustavson
President & CEO
M. Sc. (Eng.), Dr. Tech.
(h.c.)
b. 1945
Employed since 1982
Shareholding 420,875
Option holding -

Charles E. Vanarsdall
President, Region
Americas; Director of
Standard Lifting
Equipment: R&M,
Verlind and SWF
MBA
b. 1937
Employed since 1983
Shareholding 13,000
Option holding -

Tom Sothard
Vice President, Region
Americas
B. Sc.
b. 1957
Employed since 1983
Shareholding 500
Option holding 1,400

Rainer Aalto
President, Region Asia-
Pacific
B. Sc. (Econ.)
b. 1945
Employed since 1998
Shareholding -
Option holding -

Harry Ollila
President, Region Nordic
and Central Europe
M. Sc. (Eng.)
b. 1950
Employed since 1991
Shareholding 54,000
Option holding -

Bill Maxwell
President, Region Western
Europe
B.Sc.
b. 1949
Employed since 1992
Shareholding 500
Option holding -

Teuvo Rintamäki
Vice President, Region
Western Europe
M. Sc. (Econ.)
b. 1955
Employed since 1981
Shareholding 10,700
Option holding -

Antti Vanhatalo
President, Industrial
Cranes ; Managing
Director, Konecranes
Components Corp.
M. Sc. (Eng.)
b. 1945
Employed since 1969
Shareholding -
Option holding -

Mikko Uhari
President, Harbour and
Shipyards Cranes;
Managing Director,
Konecranes VLC Corp.
Lic. Sc. (Eng.)
b. 1957
Employed since 1997
Shareholding -
Option holding 1,400

Arto Juosila
President, Standard
Lifting Equipment;
Managing Director, KCI
Hoists Corp.
M. Sc. (Econ.)
Year of birth 1955
Employed since 1980
Shareholding 8,000
Option holding -

Staff Directors



Markku Leinonen
Director, Business
Development
M. Sc. (Eng.)
b. 1949
Employed since 1981
Shareholding 20,000
Option holding -



Eero Odelma
Director, Finance
M. Sc. (Econ.).
b. 1951
Employed since 1974
Shareholding 11,500
Option holding -



Katri Pietilä
Director, Group
Communications and
Investor
Relations
M.Sc. (Econ.)
b. 1961
Employed since 1995
Shareholding -
Option holding 1,400



Sirpa Poitsalo
Director, General Counsel
L.L.M.
b. 1963
Employed since 1988
Shareholding 100
Option holding 1,400



Matti Ruotsala
Director, Technology
M. Sc. (Eng.).
b. 1956
Employed since 1982
Shareholding -
Option holding 1,400

Holdings expressed as direct holdings as per 31 December, 1998

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Information for Shareholders

KCI Konecranes International Plc's Annual General Meeting will be held on 11 March, 1999 at 10.30 a.m. at Company headquarters, address Koneenkatu 8, 05830 Hyvinkää, Finland. 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 5 March, 1999, 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 8 March, 1999 before 4.45 p.m. 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/agm99/>.

In 1999 the interim reports will be published as follows:

Interim report Jan - Apr 1999 on Wednesday, 2 June

Interim report Jan - Aug 1999 on Thursday, 30 September

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 0574. (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 48 hours at +44-181-288 4459, code 637462 (2 June)/ 697872 (30 Sep.).

Financial publications (in English, Finnish and Swedish) may be ordered from:

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INVESTMENT ANALYSTS

According to our information the analysts listed below follow KCI Konecranes. 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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