KCI Konecranes ❯ Annual Report 2005

KONECRANES

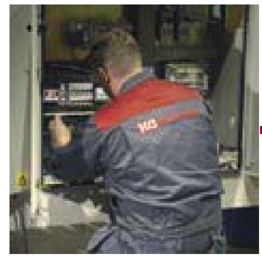
2005

Annual Report 2005

WORLD LEADING CRANE TECHNOLOGY

Main Product Ranges

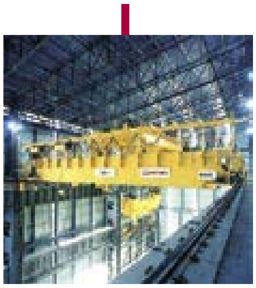
MAINTENANCE SERVICES
for all crane makes regardless of original manufacturer.



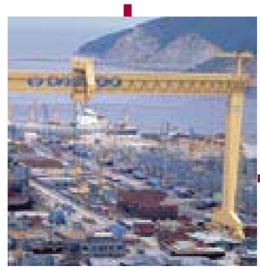
MODERNISATION SERVICES
for improved availability, reliability and safety of existing equipment.

INDUSTRIAL CRANES
featuring the CXT hoist for lifting capacities up to 100 tons.

LIGHT CRANE SYSTEMS
for productive and ergonomic handling of loads up to 7,500 kg.



PROCESS CRANES
engineered for severe duty lifting up to 1,000 tons or more.



SHIPYARD CRANES
feature a comprehensive range of jib portal and Goliath gantry cranes.

HARBOUR CRANES
for harbours, intermodal terminals and the shipping industry.

HEAVY DUTY LIFT TRUCKS
forklift trucks and reach stackers with lifting capacities up to 60 tons.

Turn for information to shareholders

Information to shareholders

Share information for 2005

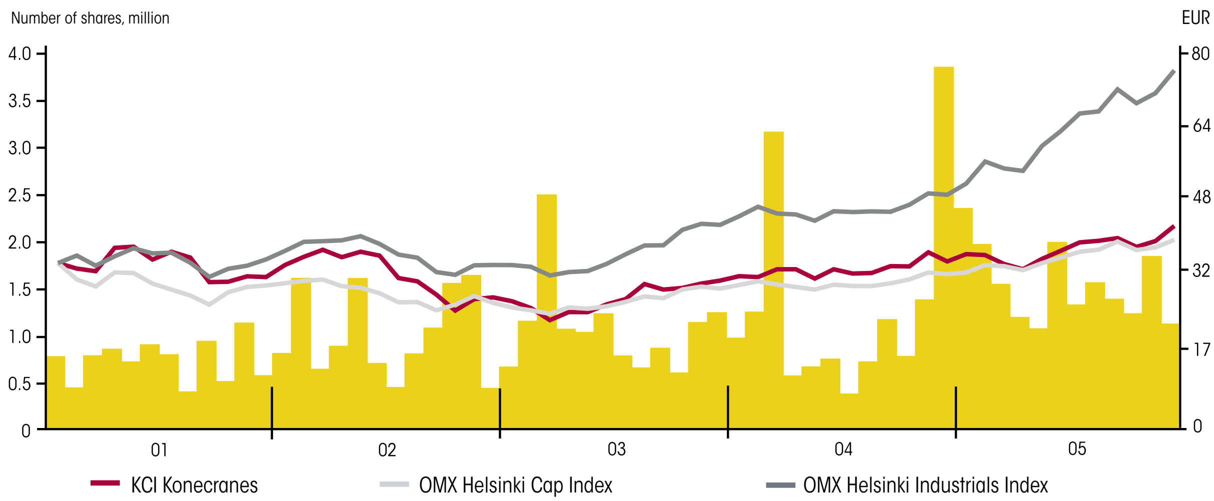
Highest share price	EUR 41.95
Lowest share price	EUR 29.80
Average share price	EUR 35.77
Total number of shares traded	18,290,888 pcs
Market capitalisation 31 Dec 2005	EUR 603 million

Breakdown by shareholder category on December 31, 2005

	% of share capital and voting rights
Finnish companies	3.22
Finnish financial institutions	7.75
Finnish public institutions	7.88
Finnish non-profit institutions	6.13
Finnish private investors	9.40
Nominee registered shares	64.96
Non-Finnish holders	0.67
Total	**100.00**

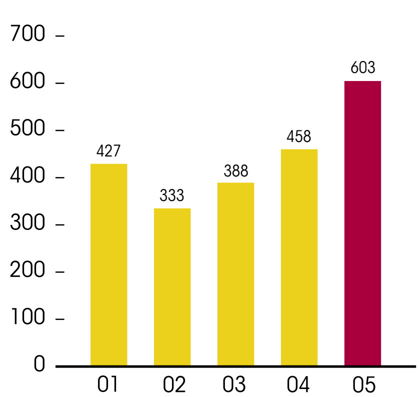
Source: Finnish Central Securities Depository Ltd, December 31, 2005.

Monthly trading volume and average share price on the Helsinki Stock Exchange 2001–2005



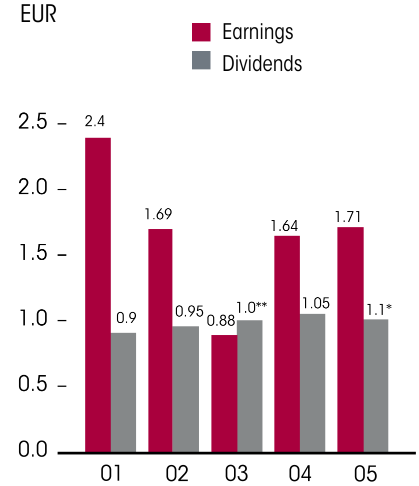
Market capitalisation 2001-2005

MEUR



Earnings and dividend per share

EUR



* Board's proposal

** The Extraordinary General Meeting also distributed an additional dividend of 1.00 euro per share for fiscal 2003.

Information to shareholders

Invitation to participate in the Annual General Meeting

The Shareholders of KCI Konecranes Plc are hereby notified that the Company's Annual General Meeting will be held on Wednesday, 8 March, 2006 at 11.00 a.m. at Group headquarters (address: Koneenkatu 8, 05830 Hyvinkää, Finland).

Shareholders wishing to attend and vote at the AGM must, on the record date 24 February 2006, be registered in the share register of KCI Konecranes kept by the Finnish Central Securities Depository Ltd. Nominee-registered shareholders, wishing to attend and vote at the AGM, must request a temporary entry in the share register on the record date. Shareholders are asked to submit their notice of attendance by no later than 4.45 p.m. on March 3, 2006. A notice of participation can be submitted at www.konecranes.com/agm2006, by phone on +358-20-427 2001, by fax on +358-20-427 2099 or by e-mail: agm@konecranes.com. A model of a proxy is available on the Internet.

Payment of dividends

The Board of Directors proposes to the AGM that a dividend of EUR 1.10 per share will be paid for the fiscal year 2005. The dividend will be paid to shareholders, who are entered in the company's share register maintained by the Finnish Central Securities Depository Ltd. on the record date for payments of dividends on March 13, 2006. The actual payment of dividend will take place on March 20, 2006.

Investor relations principles

The main objective of Investor Relations in KCI Konecranes is to inform the capital markets on matters concerning KCI Konecranes operations and financial position. KCI Konecranes pursues an open, reliable and up-to-date disclosure practice. Our aim is to provide correct and consistent information regularly and equally to all market participants.

KCI Konecranes Investor Relations is responsible for investor communications and daily contacts. The President and CEO, Chief Financial Officer and other members of the Executive Board participate in these activities and are regularly available for meetings with capital market representatives.

Silent period

KCI Konecranes observes a 21 calendar day silent period prior to the publication of its financial statements or interim reviews.

Analysts

According to our information the analysts listed below prepare investment analyses on KCI Konecranes. The analysts do so on their own initiative. KCI Konecranes takes no responsibility for the opinions expressed by analysts.

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Contents

Interim reports in 2006

Interim Report January - March	10 May 2006 10.00 a.m.
Interim Report January - June	3 August 2006 10.00 a.m.
Interim Report January - September	2 November 2006 10.00 a.m.

Quarterly results briefing for financial analysts and press

A luncheon presentation for financial analysts and media will be held on each day of the result publication at 12.00 noon EET at Helsinki World Trade Center, Marski Hall (address: Aleksanterinkatu 17).

Quarterly results webcast

A live webcast of the results presentation for financial analysts and media will begin at 12.00 noon EET on each result publication day. The webcast can be followed at www.konecranes.com/investor.

Distribution of financial information

KCI Konecranes publishes all investor information on its Investor Relations website www.konecranes.com/investor. The Annual Report is also available as a printed publication in English, Finnish, Swedish and German. The Annual Report is also mailed to all shareholders. You can receive KCI Konecranes’ releases in English, Finnish or Swedish by e-mail by registering on the company’s website.

Ordering financial publications

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Group Communications and IR
P.O.Box 661
FI-05801 Hyvinkää
By phone: +358 20 427 2016
By fax: +358 20 427 2103
By email: communications@konecanes.com

>> Additional information on KCI Konecranes is available at www.konecranes.com/investor.

KCI Konecranes in Brief

KCI Konecranes is a world-leading provider of lifting solutions and maintenance services, with a track record in pioneering, leading, and shaping developments in the industry.

KCI Konecranes customer services and lifting equipment keep production processes up and running around the world, meeting tough end-user demands for increased uptime, reliability, safety, top performance and the lowest possible lifetime costs. We have the right equipment – large and small – to help our customers run their operations very efficiently, whatever the field they are in, from paper, primary metals, mining, ports, and shipyards to power generation, waste management, plastics, automotive manufacturing, and numerous other applications.

We also lead the industry in the development of preventive maintenance services and offer that expertise to our customers through a global network of service professionals operating from more than 330 service depots worldwide.

Our extensive maintenance network provides us with a valuable source of experience and know-how, and we use this input in further developing our expertise. In particular, we focus on areas such as advanced automation, preventive maintenance, remote monitoring, product design, operator ergonomy and safety, and environmentally sound solutions.

We are organised along three global business areas: Maintenance Services, Standard Lifting Equipment and Special Cranes.

KCI Konecranes sales totalled EUR 971 million in 2005, and we employ some 5900 people in 38 countries. KCI Konecranes shares are listed on the Helsinki Stock Exchange (symbol: KCI1V) and our shareholders represent a cross-section of international investors.

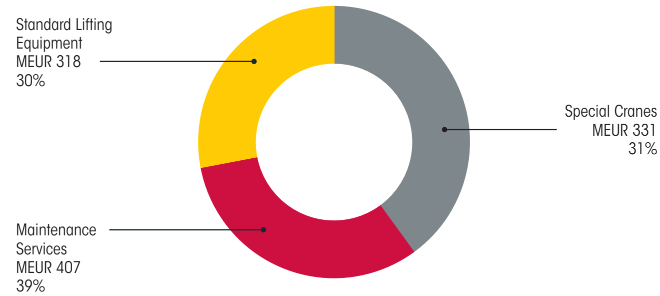
Market position

- Global market share estimated at 10%
- Strong position in the Nordic countries, Germany, France, the U.K., the U.S., Canada, Australia, Russia, Ukraine, many smaller EU countries and in many Middle East and Far East countries.
- In China, Group activities are growing fast.
- In Japan the Group is in an entry phase.

Competition

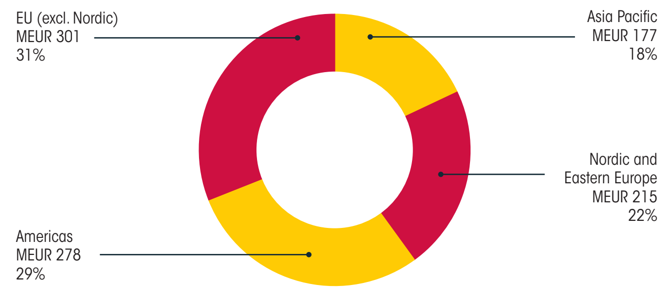
- Mostly regional or local companies with few other global players.
- Competitors include Demag Cranes & Components GmbH (Germany), ABUS Kransysteme GmbH (Germany), Morris Materials Handling, Inc. (USA), Columbus McKinnon Corporation (USA), ZPMC (China), Kalmar (part of Cargotec Corporation in Finland), Fantuzzi Group (Italy), Svetruck (Sweden), Liebherr (Ireland) and Taylor (USA).

Sales by Business Area*



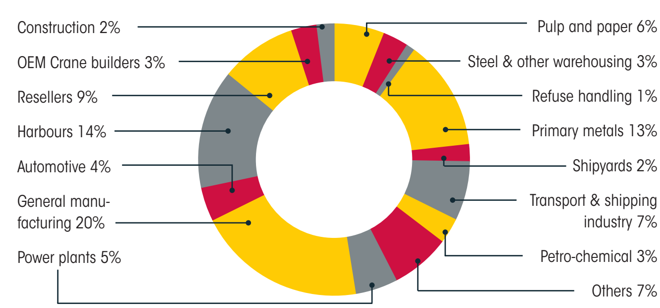
* Including internal sales

Sales by Market*



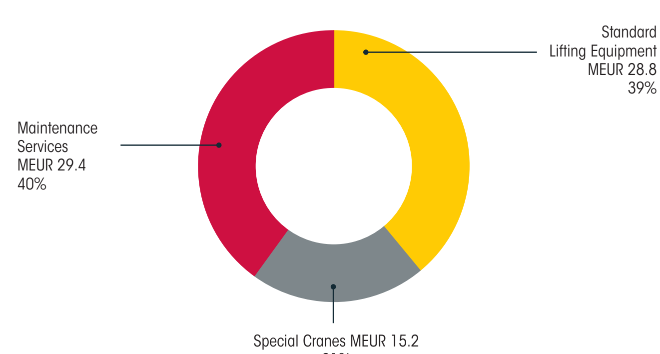
* Including internal sales

Sales by Customer Industry*



* Including internal sales

Operating Income by Business Area



Business Areas in Brief

Maintenance Services

- Maintenance Services focuses on preventive maintenance activities aimed at maximising the availability and minimising the ownership costs for the equipment. Services are provided for cranes and lift trucks of all types and makes. In certain markets the service offering also covers the customers' machine tools.
- Service depots in more than 330 locations in 38 countries.
- Marketed under the Konecranes brand
- Number of employees: 2,999.

Market position
- Leading provider of crane maintenance services with the world's largest global service network.

Services
- Services range from inspections, preventive maintenance programs, modernisation services, preventive repairs, on-calls and spare part services to mill wide service contracts.
- Industry leading service tools and technology.

Service agreement base
- The service contract base includes more than 240,000 cranes.
- Over 80% of the cranes in the contract base have not been manufactured by KCI Konecranes.

Standard Lifting Equipment

- Standard Lifting Equipment products are used for through-the-air lifting and transportation purposes as part of the customers' production processes.
- Marketed under the corporate brand KCI Konecranes and under the independent regional brand names of Morris (U.K.), STAHL CraneSystems (Germany), SWF (Germany), Verlinde (France), R&M (U.S.) and Meiden (Japan).
- Sales representation in more than 40 countries.
- Number of employees: 1,898.

Market position
- One of the largest industrial EOT crane and component producers in the industrialised world.

Products
- Industrial EOT (Electric Overhead Travelling) cranes, electric chain and wire rope hoists, light crane systems, crane drives and a wide variety of components.
- Industry leading technology and global product ranges.
- Lifting capacities are typically less than 50 tons.
- A high degree of modularity and standardisation.

Production
- Annual production of more than 14,000 industrial cranes and wire rope hoists.
- Component factories in Finland, Germany, France, the U.S., China and the U.K.

Special Cranes

- Special Cranes focuses on solving heavy lifting needs in two major segments, cranes for the process industries and cranes and handling equipment for harbours and shipyards.
- Marketed under the Konecranes brand
- Sales representation in more than 40 countries.
- Number of employees: 890.

Market position
- Global leader in engineered and heavy-duty cranes for process industries and in shipyard Goliath gantry cranes.
- Global supplier of lift trucks and harbour cranes for containers and bulk materials with a global lead position in certain product areas.

Products
- EOT (Electric Overhead Travelling) process cranes, harbour cranes, container yard cranes, shipboard cranes, shipyard cranes, reachstackers, top lifters, empty container handlers, forklift trucks, crane automation, crane control systems and heavy-duty crane components.
- Industry leading technology and global product ranges.
- Typically lifting capacities range from 50 tons up to 1000 tons.
- All designs use a joint component platform

Annual Production
- 400 heavy-duty cranes and hoisting trolleys
- 300 heavy-duty lift trucks
- Own production in Finland, Sweden, China, the U.K. and the U.S.
- Certified crane manufacturing partners and numerous supply partners.

Main Events 2005

Strong growth and enhanced flexibility of operations

Strong volume growth continued in all Business Areas and market areas. Volume and margin development in Maintenance Services developed favourably throughout the year. In Standard Lifting Equipment, volume growth was strong, and margins stable. A one-third growth in volume in Special Cranes caused significant supply chain ramp-up costs, which depressed margins especially in the first half of the year. Fourth quarter showed already clear improvement. Various changes were introduced aimed at reducing dependency on manufacturing in Western Europe and enhancing overall operational flexibility.

KCI Konecranes continued its active acquisition policy and strengthened its market position, within certain specialised lifting solutions and particularly in Germany, Europe's largest crane market.

In spite of the strong growth, the Group succeeded very well in net working capital management. This helped to generate a strong cash flow that kept gearing at 88% after the acquisition of R.Stahl F rdertechnik.

Key Figures	2005	2004	Change %
Orders received, MEUR	1,061.2	736.9	44.0
Order book Dec 31, MEUR	432.1	298.8	44.6
Sales,MEUR	970.8	728.0	33.4
Operating income (EBIT), MEUR	49.3	31.3	57.5
Net income, MEUR	24.1	18.4	30.8
Solidity, %	23.7	29.1	-18.6
Gearing, %	88.1	80.2	9.9
Return on capital employed, %	17.2	13.7	25.5
Return on equity, %	16.6	12.5	32.8
Equity per share, EUR	10.66	9.76	9.2
Earnings per share, basic EUR	1.71	1.31	30.5 %
Earnings per share, diluted EUR	1.67	1.29	29.5 %
Cash flow from operations per share, EUR	3.43	0.54	
Dividend* per share, EUR	1.10*	1,05	
Personnel at end of period	5,923	4,511	31.3
Personnel on average	5,087	4,369	16.4

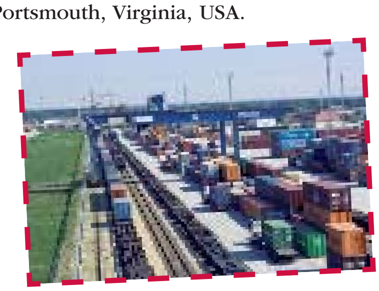
*Board's proposal

A good year for our RTGs

2005 was a good year for KCI Konecranes' RTGs, bringing the first orders for a terminal on the US West Coast and in Japan, both placed by APM Terminals. South Carolina State Ports Authority in Charleston placed a repeat order for 16 new units. New customers included California United Terminals in the US, Malta Freeport Terminals and DP World, which ordered RTGs for terminals in Romania and the Dominican Republic.

New RMG model

In June KCI Konecranes introduced a new model of its Rail Mounted Gantry crane (RMG) to meet growing demand from intermodal terminals and automated container yards at large seaports. The new design provides all of the key elements of value – high performance, reliability, easy and improved steering, low operating costs and energy consumption as well as reduced emissions. The first commercial order came from Roadways Container Logistics Ltd and was followed by a major order for 30 units for APM Terminals in Portsmouth, Virginia, USA.



Pekka Lundmark appointed CEO, Stig Gustavson becomes Chairman

CEO Stig Gustavson celebrated his sixtieth birthday on June 17, when he took over as Chairman of the KCI Konecranes Board. Pekka Lundmark, former Group Executive Vice President, was appointed new President and CEO on the same date.

Konecranes-Munchloaders to Japan

In August KCI Konecranes won a major order for four Shipboard Gantry Cranes (Konecranes-Munchloaders) from the Oshima Shipyard in Japan for installation on vessels ordered by Singaporean shipowner, Masterbulk Pte. Ltd.

Large modernisation order from Sweden

Sweden’s largest nuclear power plant, Ringhals AB, selected KCI Konecranes when it awarded a contract to modernise 12 process cranes in August 2005.

Strategic stake acquired in the Ukranian

On 5 October, KCI Konecranes announced the acquisition of a substantial stake in Zaporozhcrane, the Ukraine's leading crane manufacturing company. The investment will strengthen the Group's position in the Ukraine and Russia and will provide very competitive manufacturing capacity for global deliveries.

New contract manufacturing in Poland

KCI Konecranes signed a long-term agreement for contract manufacturing process cranes with Mostostal Chojnice SA of Poland on October 20. The agreement is in line with KCI Konecranes’ overall strategy of improving flexibility by building up a network of certified manufacturing partners.

Acquisition of R.STAHL AG’s material handling division

A Memorandum of Understanding was signed with R.STAHL AG on October 26 to acquire Stahl's material handling division, R.Stahl F rdertechnik. The acquisition was finalised on December 30. Stahl is a significant player in the field of specialised lifting applications. The acquisition brings together some of the crane industry’s strongest brands and most innovative technologies and will accelerate KCI Konecranes’ strategic initiative to advance its position on the German market in particular.

Increased production in China

A new plant was inaugurated in Shanghai on November 30. This will focus on assembling heavy-duty lifting trolleys and electrical systems for Special Cranes. Local component manufacture will shorten delivery times in China and provide a competitive manufacturing concept for KCI Konecranes' customers globally.

Major order from shipyard in Korea

The Korean shipbuilding boom resulted in several new orders, including a large repeat order in December for a Goliath Gantry Crane for Daewoo shipyard in Okpo.

Continued demand from steel industry

Developments on the raw materials market continued to fuel demand from the steel industry, and saw very large steel mill crane orders booked in December, for Mittal Steel in Poland and US-based Severcorr LLC in Mississippi.

All KCI Konecranes stock exchange and press releases for 2005 can be found at the company’s website, www.konecranes.com.

Chairman's Letter

During 2005, KCI Konecranes experienced a good development in all aspects. There was a continued strong growth on all markets and in all products.

At year end, the sales number EUR 971 million indicated a growth of 33 % and operating income at EUR 49.3 million had grown with 57.6 %. Better still, the order intake accelerated all through the year, and the growth was 44.6 %.

The Group enters the year 2006 with favourable readings on all relevant meters, full of confidence for the future. This good development is the result of many years of hard work and a fundamentally strong strategy. Of course, the world market conditions have turned to the better, especially in the harbour sector, but the growth numbers clearly indicate market share gains on all markets and in all product groups.

Indeed, the Group considers its wide customer ranges as one of its major assets. We are not dependent on the – presently buoyant but potentially cyclical – harbour sector, although we are happy for having seen a particularly strong demand for our harbour products.

Besides harbours, the steel sector and other primary metals, the general manufacturing sector and the energy sector all placed a growing number of orders. Other sectors, such as pulp and paper, warehousing, shipyards, defence etc. are well represented among our customers. Also geographically and by size, our customers represent a good spread.

During 2004 and 2005, the Group went through a systematic restructuring program. Lower value added manufacturing, in high cost countries in Europe, was discontinued. Instead, new capacity was found in low cost environments, mainly in China and Ukraine, but also in Estonia and Poland. In many cases the new capacity has been found by tying outside vendors close to the Group. In this way we have achieved operational flexibility.

In the process we have closed plants in Finland, France, Germany and the U.K. The resulting lean cost structure has been a prerequisite for today's success.

Our product strategy has contributed to the success. The group has always emphasized reliability and best operational performance and low overall life-time costs. We have paid less attention to a low nominal price tag. Increasingly, our quality receives recognition all over the world. Among our customers the number of repeat customers is increasing steadily.

This restructuring job is done and results have arrived. However, there will be no time to rest. Structural development will continue. Going forward, our growth rate will mean enormous challenges on our organisation.

The year 2005 also brought a new captain to the ship, our new CEO, Mr. Pekka Lundmark.

With our strong growth, an increasing number of career opportunities have opened and will open.

The Group's long-term commitment to training now pays dividends. Pekka Lundmark is heading a dynamic team of young go-getters together with colleagues with more mature experience taking the company forward. I am confident of their capabilities.

Stig Gustavson
Chairman of the Board

The year 2005 gave us a solid foundation for continuing to build the world's best material handling equipment and maintenance service company. Strong sales, which grew 33% on 2004, further strengthened our market share in a year that saw good demand in most of our key markets. The fact that we set new records in respect of all of our key business indicators – orders, sales, profits, and cash flow – in the last quarter of the year gives us good cause for optimism for the future.

Despite these positive developments, however, we still have a lot of work left to do, particularly in improving our margins. We are nevertheless moving in the right direction, thanks to the various measures that we have already launched, and our operating margin moved up from 4.3% in 2004 to 5.1% in 2005. We also improved our return on capital employed, to 17.2%, a clear improvement on the 13.7% recorded in 2004.

This performance is still below what we are aiming for, and we remain committed to the mid-term operating margin targets for our three business areas that we announced previously. Achieving these targets would provide us with a return on capital employed of well above 20%.

In terms of strategic direction, we remain on course. Our business is not only about delivering cranes and other lifting equipment, but also about providing responsive, high-quality service designed to ensure that customers always have the lifting capacity they need.

Building long-term customer relationships focused on providing true service excellence for our customers is a central factor here. Having the best crane technology is another key factor, which is why we are committed to continuously developing and introducing the latest innovations, and to investing in our R&D organisation to give us the resources to do this.

Maintenance Services also plays an important part, above and beyond its core function, by working in close cooperation with crane sales to generate valuable leads for our organic growth. Acquisitions have a part to play as well, and we will continue to make selected acquisitions in the future.

Our healthy flow of orders indicates that demand for our products and services remains strong. We also have many development opportunities within our portfolio that are not directly related to fluctuations in our customers' investment cycles. There are geographical areas where we have still little or no presence, for example. And even within some of our largest markets, our share of our key customers' total spending on lifting capacity – whether in terms of new equipment, modernisations, or maintenance – is still relatively small. Maintenance in general is a genuine growth market, since outsourced crane maintenance is growing steadily around the world.

Achieving our targeted margin levels will require a lot of work. We have grown in a very short time from a company with EUR 600–700 million of sales to a billion euro company, targeting at least 20% growth in 2006.

This growth will require investments not only in manufacturing and sourcing capacity, but also in several other aspects of our business infrastructure. We have carried out various restructuring projects in Special Cranes to address the business' under-performing profitability and improve margins in the future. We are investing in lower-cost manufacturing and sourcing in Asia and Eastern Europe and developing a flexible partner network for fabricating heavy steel structures, to reduce the role of higher-cost manufacturing in Western Europe.

But we recognise that this alone will not be enough. To leverage the full benefits of low-cost manufacturing, we are investing in our supply chain processes and information systems to secure the platform we need as a company generating EUR 1 billion in sales annually, and will need as we continue to grow.

I would like to take this opportunity to thank all our customers, shareholders, and colleagues for your commitment to KCI Konecranes during a year of major growth for us. We are committed to living up to your expectations and our own.

Pekka Lundmark
President and CEO

Vision

KCI Konecranes is the leading provider of high performing, reliable, and safe lifting solutions with world-class maintenance back-up.

Mission

KCI Konecranes enables businesses to become more productive by providing state-of-the-art lifting solutions and related maintenance services that maximise uptime and offer the lowest cost of ownership.

On the picture from left to right: Billy Watson, Service Technician, Tony Burns, Maintenance Controller and Mark McClannan, Apprentice Technician, Newcastle, UK.

Strategy

KCI Konecranes strategy is based on the combination of two global activities – supplying cranes and providing maintenance services – for a global customer base. Our strategic cornerstones are growth, technology leadership, and operational efficiency.

Growth

KCI Konecranes operates in a genuine growth market. Maintenance Services plays the role of the Group's organic growth engine. An estimated 70% of all crane maintenance is still carried out by crane owners' in-house staff. Outsourcing crane maintenance to professionals improves cost efficiency and safety and increases uptime. We believe increasing demand for outsourced crane maintenance will continue and provide growth opportunities for decades to come.

The crane industry is very fragmented, with a substantial number of small local or regional players. The consolidation of the industry is expected to follow a similar pattern to that seen in other global industries. KCI Konecranes has the financial and managerial resources to lead this consolidation. Well-recognised local or regional brands, with large installed bases, remain the primary target for KCI Konecranes' acquisition policy.

Day-to-day customer contacts through our crane maintenance organisation, with over 2,000 field technicians, are also an important growth catalyst for our equipment businesses.

Technology leadership

Technology leadership is the way forward in this industry – and KCI Konecranes wants to take and hold the lead in this area. KCI Konecranes is committed to developing innovative new technologies for lifting solutions and preventive maintenance services. KCI Konecranes' R&D can draw on the world's largest maintenance agreement base, with information on both the Group's own and competitor equipment. KCI Konecranes focuses on developing technologies that maximise equipment uptime while minimising the total cost of ownership.

Operational efficiency

KCI Konecranes operational focus areas are marketing and sales, product development, assembly, and maintenance services. Products are based on modularity and standardisation and make use of the latest technology and cost-efficient designs with efficient use of raw materials. Maintaining a globally uniform product platform gives valuable flexibility in terms of capacity utilisation and resource allocation. KCI Konecranes' volumes and global reach provide access to the most cost-efficient sourcing opportunities. Ongoing efficiency improvement programs continue to target opportunities in global manufacturing and sourcing. Sales productivity is enhanced by our size, geographical market coverage, and business concept of combining crane sales and maintenance through one common network.

Strategy in action 2005

The organic growth continued and stood at 20% in 2005. KCI Konecranes also continued to pursue its acquisition strategy to supplement the Group's organic growth. The German company, R.Stahl F rdertechnik, a supplier of material handling solutions with over 100 years of experience became part of KCI Konecranes at the end of 2005. This global business will strengthen KCI Konecranes' position, not only in Germany, but also worldwide in important application segments such as explosion-proof lifting solutions.

KCI Konecranes also continued to implement its restructuring program to increase the flexibility of its operations. Restructuring in Standard Lifting Equipment was completed and the supply chain further streamlined.

Special Cranes' supply chain was also thoroughly restructured. New manufacturing partnerships and a new assembly plant in China were established for Process Cranes; while manufacturing operations in Berlin, Germany, were closed. Components were further modularised to enhance manufacturing potential at subcontractor sites. The key benefits of these moves – better flexibility for meeting fluctuations in demand and lower operating costs – will make themselves felt over the next few years.

Maintenance Services continued to extend its geographical reach, and this growth also resulted in a clear improvement in profitability.

New products and product improvements were introduced in each Business Area.

>> Read more on the implemented strategies in the Business Area reviews.

Values

Trust in people

We want to be known for our good people

Total service commitment

We want to be known for always keeping our promises

Sustained profitability

We want to be recognised as a financially sound company.

>> Read more about KCI Konecranes' values in the Values and Ethical Principles review.

Tim Weston, Service Technician, Konecranes Australia at Cadia's Low Grade outward processing plant at Newcrest's Facility, Orange NSW, Australia.

MAINTENANCE SERVICES

Our Business area Maintenance Services is the world's leading provider of preventive maintenance services for electric overhead travelling cranes and harbours cranes, and other material handling equipment for ports.

KCI Konecranes Maintenance Services operates the world's largest crane service network, with more than 330 service depots in 38 countries, generating more than 1.2 million service and sales calls annually. KCI Konecranes' service contract base covers over 240,000 cranes of all types and makes. Maintenance Services provides everything needed for keeping lifting systems available for safe, reliable, and uninterrupted service – from inspections, spare parts, on-call service, performance upgrades, modernisations, and preventative maintenance programmes to site-wide service contracts.

Maintenance Services' customers range from general manufacturing sites with a few cranes to large paper and steel mills, power plants, shipyards, ports, and terminals operating several hundred cranes. Cranes play a key role in the production processes of many of these customer industries.

Vision

KCI Konecranes' vision is to lead the way worldwide in reshaping crane maintenance – and is based on the belief that outsourced crane maintenance provided by a network of crane specialists is the most effective way for crane owners to maximise the availability of their equipment and minimise their overall operational and maintenance costs. This approach has helped create a genuine growth market for KCI Konecranes.

Key Figures	2004	2005	Change
Sales, MEUR	344.6	406.5	18.0 %
Operating income, MEUR	22.1	29.4	33.0 %
Operating margin, %	6.4 %	7.2 %	
Order intake, MEUR	308.4	364.5	18.2 %
Personnel	2,685	2,999	11.7 %

Strategy

KCI Konecranes will continue to develop all aspects of our maintenance offering and will utilise our leading position, in this growth market, to sustain and accelerate the Group's overall organic growth, providing a significant sales channel for the Group's products and reinforcing long-term customer relationships. Maintenance Services is also committed to developing new maintenance technologies, and using its extensive network to collect maintenance and condition data for R&D and product innovation.

Outsourcing is a key driver

The key drivers fuelling demand for KCI Konecranes' maintenance services are companies' need to become more competitive and keep costs in control, the increased complexity of material handling technology, and safety concerns.

As globalisation of industry continues to increase, more and more companies are outsourcing crane maintenance to help them control costs and be more competitive, introduce enhanced technologies, and access specialist expertise. KCI Konecranes helps customers achieve these goals not simply by maintaining cranes, but by focusing on resources that will give customers a better long-term return on their maintenance spending through increased uptime in their production processes and reduced overall ownership costs.

An estimated 70% of all crane maintenance is still carried out by in-house staff. Although the largest global player in the field, KCI Konecranes' share of the global outsourced maintenance market is estimated at only around 5%. The potential inherent in these figures, therefore, makes maintenance a genuine growth market for KCI Konecranes.

Strong activity in commodities

The global service market remained strong in all of KCI Konecranes' markets during 2005, driven in part by the continuing globalisation of industry as companies transfer operations to countries with lower labour costs. In Europe and North America, KCI Konecranes' service approach designed to support lower ownership costs and offer greater process flexibility continued to win customers.

A strong global market in commodities, such as steel, coal, and oil, was reflected in higher demand for service products in the mining sector in Australia, North America, and Asia-Pacific, and new outsourcing opportunities in oil refining. KCI Konecranes expects commodities to continue to be a key target market globally for Maintenance Services. China is also emerging as a promising market due to the overall rapid growth of the local economy. Maintenance Services is also winning more business in Russia through increased deliveries to steel mills and ports. New local service branches were established to meet growing demand in China, Russia, and North America.

Several strong long-term service contracts were established with major companies, such as Exxon, First Energy, and Shell. Overall, the customer mix in the service contract base shifted to more process industry-based accounts, which required an additional training effort.

Increased demand for Port Services

With record order volumes for new equipment and an increasing number of port crane and lift truck deliveries, the opportunities for KCI Konecranes in the port maintenance sector are growing. The steady growth in global container traffic also increased demand for service and modernisation projects during 2005. Although most ports still handle their own maintenance, the growing complexity of crane technology and the benefits of outsourced services are expected to begin shaping developments to an increasing degree.

KCI Konecranes strengthened its port service network with new branch offices in 2005, and received a number of major port services contracts in Europe, North America, and Australia. Thames Port in the UK, for example, placed a major modernisation order to upgrade five ship-to-shore container cranes to handle larger vessels and reduce unloading times.

Expanding the offering in Sweden

Following on from developments in Finland, where KCI Konecranes has started maintaining machine tools in the engineering industry, and in line with local demand, KCI Konecranes set up a local organisation in Southern Sweden dedicated to machine tool maintenance. KCI Konecranes' first large partnership agreement in this area in Sweden was signed with Metso Paper in Karlstad in November 2005.

Machine tool maintenance, currently provided only in Finland and Sweden, offers interesting development opportunities for Maintenance Services.

Additional growth from acquisitions

The service operations of UK-based Morris Material Handling Ltd, which was acquired in December 2004, were successfully integrated into the Group's operations. The addition of over 150 qualified technicians and service professionals further enhanced our strong development in the UK.

KCI Konecranes acquired R.STAHL AG's Material Handling division, R. Stahl F rdertechnik, in Germany in December 2005. With a more than 100-year history as a supplier of lifting equipment, Stahl CraneSystems, as the company is now known as, has a large installed base of cranes and provides some very interesting opportunities for Maintenance Services in new customer industries, particularly in Germany.

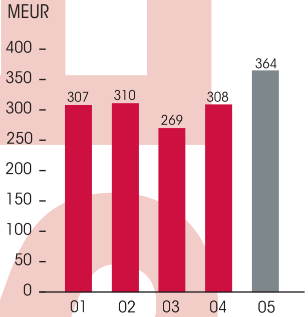
More from R&D

R&D efforts have increasingly focused on developing preventive maintenance services and advanced service tools. Special attention in 2005 was given to remote maintenance technology and enhancing reporting capabilities. A number of new tools were introduced to improve the maintenance management of customers' equipment and track failures and repair costs more effectively. KCI Konecranes' Control Pro technology was extended with the addition of a new capability to provide service technicians with information on the operations of individual cranes and possible problems directly via their mobile phones. A new chain force measurement device, ChainQ, was also developed, providing more accuracy and efficiency in regular chain hoist overload protection inspections.

Business performance

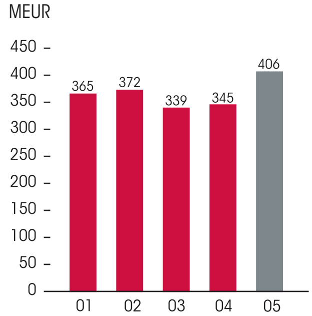
Maintenance Services sales totalled EUR 406.5 (344.6) million, an increase of 18.0% over 2004, of which organic growth accounted for 12%. Operating income totalled EUR 29.4 (22.1) million, and the operating margin stood at 7.2% (6.4%).

Order Intake*
MEUR



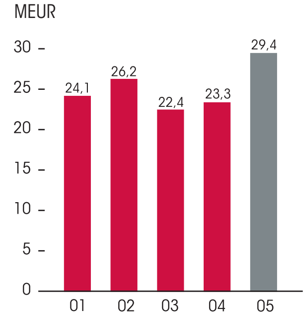
*including Group internal; excluding service contract base.

Sales*
MEUR



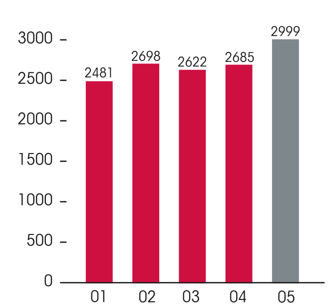
*including Group internal

Operating Income*
MEUR



*before Group costs and consolidation items

Personnel



Growth was strongest in field activities, which account for some 85% of Maintenance Services' operations. Sales grew in all of KCI Konecranes' main markets and profitability improved. The upward trend was supported by stronger sales, favourable developments in the contract base, and the integration of the maintenance activities of UK-based Morris Materials Handling Ltd, acquired in December 2004. Port crane maintenance and modernisation sales, which accounts for some 15% of Maintenance Services' operations decreased due to the timing of sales recognition for certain large modernisation projects. The order backlog for modernisations increased. The profitability of port crane maintenance and modernisation operations improved.

The operating income and margin development accelerated towards the end of the year, but exhibited a lesser degree of seasonal variation compared to 2004. Operating income in the fourth quarter totalled EUR 10.8 (10.5) million. The operating margin came in at 9.0% (10.0%), somewhat lower than in 2004 because of the periodisation of certain large modernisation projects.

Maintenance Services orders received (excluding the service agreement base) totalled EUR 364.5 (308.4) million, an increase of 18.2% over 2004, of which organic growth accounted for 11%. Field orders grew rapidly, while modernisation orders fell back slightly from previous year's level. The size of the service agreement base grew, and closed the year at 242,209 (224,825) lifting equipment units, an increase of 7.7% compared to 2004. The value of the contract base increased correspondingly.

Maintenance Services' order backlog totalled EUR 78.0 (65.8) million, an increase of 18.5% on 2004, mainly driven by large repair and modernisation projects.

As of the end of the year, Maintenance Services employed 2,999 people (2,685). Around half of this increase was organic and half related to acquisitions.

Future prospects

The upward trend in sales, favourable developments in the service agreement base, and the size of its order backlog give Maintenance Services a good basis for profitability improvement in 2006.

From top pictures 1-2: Tim Weston and Darrin Polglase, Konecranes Australia; Sean Murphy, Cadia Plant Supervisor, Orange NSW. • Tero Ojala, Operations Manager, UPM Changshu; Knut Stewen, Jörgen Davidsson, Tony Chen, Xu Hairong and Su Changhe, Konecranes China. • Zhu Xiaohong, Yuan Bin Sheng. • Pictures 5-6: Service Supervisor Björn Strandberg, Konecranes Sweden; Anders Vinge, Operator, StoraEnso Kvarnsveden mill.

CXT Cranes in process duty at Tervakoski paper mill in Finland.

STANDARD LIFTING EQUIPMENT

Our Standard Lifting Equipment Business Area is a world-leading provider of industrial cranes and lifting systems with capacities ranging from 100 kg to 100 tonnes.

A comprehensive product offering – extending all the way from industrial cranes, wire rope and chain hoists, and workstation cranes to jib cranes, monorail and light crane systems, and explosion-proof lifting equipment – means that KCI Konecranes can provide a solution for virtually all lifting needs.

The product offering is based on a family of independent, regional brands, all with their distinct profiles – Morris Material Handling in the UK, Verlinde in France, SWF in Germany, R&M Materials Handling in the US, and Meiden Hoist System, a joint venture, in Japan – together with the Konecranes brand, which is used for our integrated offering and maintenance services. KCI Konecranes has a unique advantage, as products are distributed through KCI Konecranes' own service network which operates from more than 330 locations in 38 countries. Products are based on standardised components and product platforms, and are manufactured at plants in Finland, the US, China, France, Germany and the UK. The acquisition of R.Stahl F rdertechnik GmbH at the end of 2005 has added a further brand to the family.

Standard Lifting Equipment's customers come from virtually all industries, most typically smaller workshops in the general manufacturing sector, automotive manufacturing, and warehousing.

Vision

KCI Konecranes' vision is to consolidate its position as the technology leader in electric wire rope hoists and industrial cranes, and to be one of the fastest-growing global suppliers of workstation cranes and chain hoists.

Key Figures	2004	2005	Change
Sales, MEUR	231.2	318.0	37.5 %
Operating income, MEUR	20.7	28.8	39.3 %
Operating margin, %	9.0 %	9.1 %	
Order intake, MEUR	246.6	322.1	30.6 %
Personnel	1,028	1,898	84.6 %

Strategy

Standard Lifting Equipment's strategy is based on a broad market presence leveraging KCI Konecranes' own service network, independent dealers and a multibrand portfolio. A commitment to continuous product development, benefits of scale and operational flexibility provided by global product platforms, strength in growth markets and an active acquisition policy provides KCI Konecranes with excellent future growth opportunities.

Meeting the need for better supply chains

Global industrial developments and the rationalisation of many production processes are among the key factors driving demand for Standard Lifting Equipment's products. Customers need faster, safer, and more efficient lifting systems if they are to create better supply chains.

Demand for Standard Lifting Equipment's main products continued to be very healthy in all markets in 2005, and outpaced overall market growth rates in Europe and North America.

Growth was strongest in North America, thanks to solid demand for industrial cranes and other hoisting equipment. Growth also remained strong in China, which continues to offer the fastest growth potential for the future. Demand in Eastern Europe moved ahead, and remained strong in many Western European countries, as well as in Australia and South-East Asia. In Eastern Europe, Asia, and Latin America, the demand for standard lifting equipment is running ahead of the growth in local GDP.

Competitive products drive demand

The competitiveness of the CXT wire rope hoist range has been one of the key factors behind increasing demand for KCI Konecranes' industrial cranes. This range, which was fully rolled out in 2003, features an innovative compact design, stepless speed control, excellent functionality, and superior performance.

Standard Lifting Equipment's focus on extending its offering in the smaller lifting capacity area was enhanced in 2005 with the launch of a new wire rope hoist, capable of lifting 1 tonne with two rope falls or 2 tonnes with four rope falls. The hoist draws on a number of the innovations developed as part of the CXT technology programme and application knowledge built up in advanced small-capacity hoist markets, such as Japan. R&D specialists from Meiden Hoist System, KCI Konecranes' Japanese joint venture, played an important part in the project.

Demand also increased for KCI Konecranes' electric chain hoists, a commodity type product, which requires a very different market approach to industrial cranes. A new hoist featuring stepless speed control was added to the range. This unit enables loads between 500 Kg and 2,000 Kg to be lifted faster, more safely, and more accurately.

Acquisition of R.Stahl Fördertechnik

KCI Konecranes moved forward in meeting its objective to strengthen its position within special areas, such as explosion-proof lifting applications, with the acquisition R.STAHL AG's Material Handling division, R.Stahl F rdertechnik, on December 30, 2005.

Stahl has a history going back over 100 years and is a significant supplier of specialised overhead lifting equipment including a wide range of components such as wire rope and chain hoists. Stahl's large installed base of cranes will provide interesting opportunities for Maintenance Services and will strengthen the Group's position on the German market in particular. Stahl has also developed a strong offering for customers in the automotive and petrochemical industries, one that complements KCI Konecranes' overall range.

Renamed Stahl CraneSystems, the company will bring approximately EUR 120–130 million worth of business to Standard Lifting Equipment, and has increased personnel numbers by some 750 people based mainly at facilities in Künselzau and Ettlingen in Germany.

More streamlined operations

The final measures in the programme launched in 2003 to streamline and restructure Standard Lifting Equipment's operations were completed in 2005. End carriage production in Urjala in Finland was outsourced to the company's management and employees; and end truck manufacturing capacity established in Estonia and China.

Wire rope hoist production volumes in Shanghai, China reached the planned annual capacity level of 5,000 units at the end of 2005. KCI Konecranes has now three identical hoist assembly sites on its main markets of Europe, North America, and Asia. This structure provides the flexibility needed to react to changes in the global economy and balance manufacturing needs around the world.

Assembly of wire rope hoists of higher lifting capacities has also started in Shanghai, primarily to serve the Asian market, which is the fastest-growing area for Standard Lifting Equipment products.

New forecasting and other tools and processes have been introduced to upgrade Standard Lifting Equipment's supply chain management and provide faster, more flexible, and more cost-efficient operations. New quality control processes have also been launched to secure quality at every stage of the supply chain.

The wire rope hoist product platform used at UK-based Morris Material Handling Ltd, which was acquired in December 2004, was restructured to match the Group's common products.

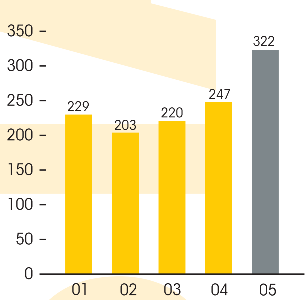
Business performance

Standard Lifting Equipment sales totalled EUR 318.0 (231.2) million, an increase of 37.5% on 2004, of which organic growth accounted for 27%. Operating income totalled EUR 28.8 (20.7) million and the margin was at previous year's level, at 9.1% (9.0%).

Sales increased in all main market areas, with particularly strong organic growth in North America, Asia, and Australia. The acquisition of Morris Material Handling Ltd (MMH) at the end of 2004 supported sales growth in the UK and in the Middle and Far East.

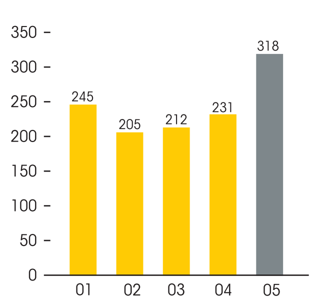
While higher sales contributed to an improvement in profitability, the improvement was held back by faster-than-average growth in sales denominated in US dollars or currencies linked to the dol-

Order Intake*
MEUR



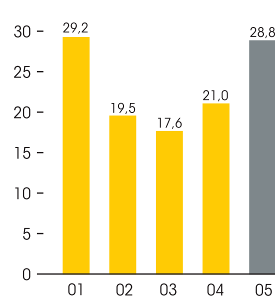
*including Group internal

Sales*
MEUR



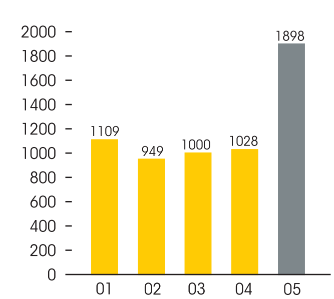
*including Group internal

Operating Income*
MEUR



*before Group costs and consolidation items

Personnel



lar and acquired operations. The restructuring of operations at Morris Material Handling Ltd was completed in the fourth quarter, and saw a reduction of 70 in the company's personnel numbers. The costs for these redundancies had been reserved for earlier. After these changes the basis for profitable crane and hoist operations has now been established.

Although sales and operating income accelerated towards the end of the year, performance was more evenly distributed throughout the year overall than in 2004. Fourth-quarter sales totalled EUR 94.6 (73.4) million, and operating income EUR 9.4 (7.4) million. Sales rose by 28.9% during the quarter, and an operating margin of 9.9% (10.1%) was recorded.

Standard Lifting Equipment received orders totalled EUR 322.1 (246.6) million during 2005, an increase of 30.6% on 2004, of which organic growth accounted for 22%. North America, the Nordic countries, Southeast Asia and Australia all posted strong growth numbers. Due to the acquisition of MMH, the order intake grew considerably in the UK and also in the Middle and Far East. As of the end of the year, the order backlog stood at EUR 64.5 (58.6) million, an increase of 10% on 2004.

Excluding the Stahl acquisition Standard Lifting Equipment employees numbered 1,186 (1,028) at year end, most of the increase being attributable to the acquisition of Morris Material Handling Ltd. Including Stahl CraneSystems' personnel, the number of employees rose to 1,898.

Future prospects

Standard Lifting Equipment's strong sales momentum, together with the new products and product improvements launched in 2005, the completion of the restructuring of Morris Material Handling Ltd's operations and the increasing volumes of products being manufactured and sourced in lower-cost countries, particularly China and Eastern Europe, will help enhance profitability in 2006. The Stahl CraneSystems acquisition will increase sales by almost a third. While the acquired operation is profitable, its profit levels will not meet the Business Area's operating margin target yet in 2006.

From top: Chain hoists • CXT Hoists • Testing of CXT cranes • KCI Konecranes at CeMat Asia • Stahl Crane Systems' cranes • Light crane systems at Nissan in Newcastle, UK.

KCI Konecranes' all electric 16-wheel RTG cranes at TCV Stevedoring Company's terminal in Valencia, Spain.

SPECIAL CRANES

Our Special Cranes Business Area is the world's leading provider of heavy-duty cranes for process industries, and a global supplier of cranes and lift trucks for ports, terminals, and shipyards.

Products include heavy-duty process cranes, shipyard gantry cranes, ship-to-shore container cranes, shipboard gantry cranes, container yard cranes (rubber-tired gantry cranes or RTGs and rail-mounted gantry cranes or RMGs), reachstackers, empty container lift trucks, and heavy-duty forklift trucks. These are manufactured at the company's own plants in Finland, Sweden, the UK, USA, and China; and by partners in Finland, Poland, the Ukraine, Estonia, and China.

Special Cranes' main customers include primary metal producers, large manufacturing workshops, warehousing companies, pulp and paper producers, energy utilities, waste-to-energy producers, automotive manufacturers, shipbuilders, small and medium-sized ports, and intermodal terminals.

Vision

KCI Konecranes' vision is to cement its position as the recognised leader in heavy-duty cranes for process industries, and become the world leader in high-performance, reliable harbour and shipyard cranes and lift trucks.

Key Figures	2004	2005	Change
Sales, MEUR	214.1	331.1	54.6 %
Operating income, MEUR	15.9	15.2	-4.7 %
Operating margin, %	7.4 %	4.6 %	
Order intake, MEUR	243.7	463.3	90.1 %
Personnel	675	890	31.9 %

Strategy

Special Cranes' strategy is based on continuous product development and innovation, coupled with world-class maintenance designed to improve the productivity and profitability of customers' processes and ensure that KCI Konecranes continues to offer customers the lowest total lifetime cost of ownership available.

To maximise supply chain flexibility, Special Cranes has prioritised the use of modular product platforms, which enables products to be manufactured in-house and by manufacturing partners, according to market needs.

Increasing globalization is driving growth

The key drivers fuelling demand for the Special Cranes business – and more sophisticated material handling solutions generally – continue to be the trend towards greater globalisation, more containerisation, the transfer of production to new countries, and companies' ongoing search for greater cost efficiencies.

Strong demand continued in all of Special Cranes' main customer segments during 2005, and saw a very high level of order intake. Demand was strongest in ports, shipyards, steelmaking, the energy sector, and waste handling.

KCI Konecranes secured two exceptionally large steel mill crane orders from Mittal Steel in Poland and Severcorr LLC in the US. A number of major American steel mills turned to KCI Konecranes for their mill upgrade projects. KCI Konecranes was also able to capture market share in other industries. By the end of the year, KCI Konecranes held the number-one position among North American process crane suppliers.

KCI Konecranes made further advances in China and Japan, where the KCI Konecranes brand has an excellent reputation among aluminium, paper, steel, automotive, and waste-to-energy producers and manufacturers. Demand also increased in Central Europe, particularly in Britain. A growing volume of orders was booked in Russia and the Ukraine, especially in the steel industry and ports, and this will give a good base for developing maintenance service operations in these countries.

Record order volumes from ports and shipyards

KCI Konecranes enjoyed record-breaking order volumes in 2005 from ports, terminals, and shipyards.

RTG cranes continue to be one of the Group's flagship products, and was reflected in a stream of orders from both existing and new customers, including ports around the Mediterranean and in Romania, Russia, and the Dominican Republic. KCI Konecranes also received its first RTG order for a port in Japan. Further progress was made on the North American RTG market, with orders from three major terminals on the US West Coast.

Following the launch of the new RMG crane design, KCI Konecranes won an exceptionally large order of 30 units from APM Terminals in Portsmouth, Virginia.

Orders for lift trucks, reachstackers, and heavy-duty forklifts grew rapidly. Synergies generated by the acquisition of SMV Lifttrucks in 2004 proved very valuable here, and resulted in orders from new markets, including Israel, Malta, China, the US, Russia, and Ukraine. To accommodate these increasing volumes, KCI Konecranes decided to expand its lift trucks assembly plant in Markaryd in Sweden. Completion of this expansion is due in early 2006.

The Oshima Shipyard in Japan placed a repeat order for four shipboard gantry cranes, and orders in Korea included a Goliath gantry crane for Daewoo Shipbuilding & Marine Engineering Co., Ltd in Okpo and component and design packages for the Daehan and Sundong shipyards.

Enhanced operational flexibility

Further standardisation of the product range was introduced in 2005, providing KCI Konecranes with greater benefits of scale and flexibility in manufacturing. In line with the ongoing restructuring program, several changes were introduced aimed at reducing dependency on manufacturing in Western Europe and enhancing overall flexibility. Motor production and a substantial part of control system assembly was subcontracted to a supplier in Estonia, as also a substantial portion of gearbox production in Hyvinkää was outsourced due to re-defined production focus. A process crane plant in Berlin, Germany was closed, and an agreement signed with Mostostal Chojnice SA of Poland covering the contract manufacturing of process cranes. KCI Konecranes also acquired a substantial stake in the Ukraine's leading crane company, Zaparozhcrane. Polish and Ukrainian production will mainly be targeted to European market.

KCI Konecranes opened a new plant in Shanghai for assembling process crane trolleys and electrical components. Assembly of RTG cranes also started in Dalian in China. Assembly of lift trucks for the Asian market will start in China in early 2006.

New product initiatives

KCI Konecranes continued to develop its product range in areas such as the SpaceMaker trolley series and RMG cranes.

A major project to modularise and partially redesign the SpaceMaker trolley series, used primarily in process cranes, was completed in 2005. The new SM series – covering the SM 700, 800, and 900 – can hoist up to 160 tonnes in service use and up to 63 tonnes in process use. The full SM range can handle capacities up to 500 tonnes, and up to 1,000 tonnes in tandem use. The variety of components needed in SM trolleys has been reduced substantially. Customers will benefit from reduced spare part inventory levels, faster spare part delivery times, and simpler maintenance; while KCI Konecranes will benefit from being able to produce larger component and product batches, and make more use of manufacturing partners.

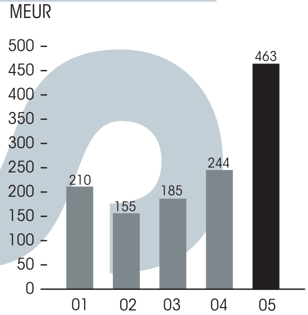
A new generation of RMG crane was launched for intermodal terminals and automated container yards at large ports. This takes advantage of the best features of KCI Konecranes' proven RTG technology, including superior load control and an all-electromechanical design.

The addition of reachstackers and masted lift trucks to the product range, through the acquisition of SMV Lifttrucks (renamed SMV Konecranes) in 2004, has been well received. New-generation reachstackers and 10–16-tonne forklifts were also launched, featuring top modern service reporting features, longer service intervals and further improved environmental friendliness.

Business performance

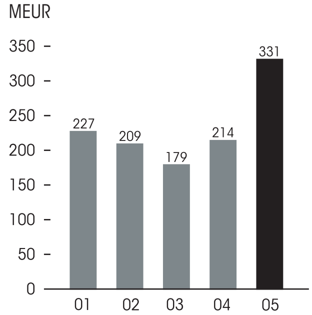
Special Cranes sales totalled EUR 331.1 (214.1) million, an increase of 54.6% on 2004, of which the organic growth accounted for 30%. Operating income before costs related to the closure of manufac-

Order Intake*
MEUR



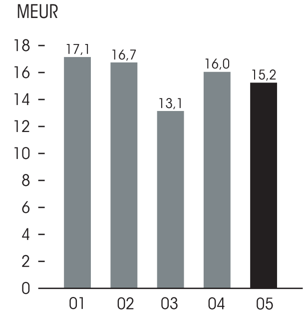
*including Group internal

Sales*
MEUR



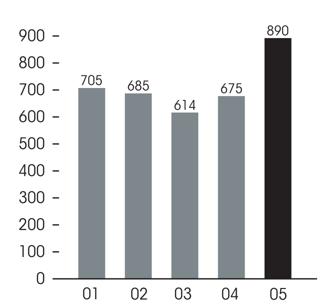
*including Group internal

Operating Income*
MEUR



*before Group costs and consolidation items

Personnel



turing operations in Germany was EUR 17.7 (15.9) million. Including these one-time charges, operating income was EUR 15.2 million. The operating margin was 5.4% (7.4%) and 4.6% (7.4%) respectively.

Organic growth was strongest on the Russian, Chinese, and other Asian markets. Sales growth in America and Northern and Western Europe was modest, with the exception of the UK where strong growth was recorded. Growth was strong in the lift truck and reachstacker business acquired in October 2004, significantly increasing overall total sales. Sales growth from the wave of new orders booked for harbour and shipyard cranes did not yet contribute to sales growth in 2005.

Special Cranes' weak profitability performance was impacted by one-off restructuring- and outsourcing-related costs and delivery schedule challenges. Re-arranging long term manufacturing operations by outsourcing heavy steel structures and components to more cost-efficient locations resulted in substantial additional costs, which can be seen as investments for the future. The fact that production volumes rose by a third during this switch in manufacturing and sourcing operations proved very challenging. The negative effect of currency-related developments, particularly associated with the US dollar, could not be fully passed on to sales prices.

Sales and profitability both improved as the year progressed. Fourth quarter sales totalled EUR 111.8 (81.7) million and the operational income (excl. one-off cost) was EUR 10.5 (8.3) million. The operational margin during the fourth quarter was 9.4% (10.2%).

Orders received totalled EUR 463.3 (243.7) million, an increase of 90.1% on 2004, of which organic growth accounted for 65%. The fourth quarter saw a new record of EUR 138.6 million of new orders. The order backlog at the end of the year stood at EUR 319.8 (183.8) million, an increase of 74.0 % on 2004.

As of the end of the year, Special Cranes employed 890 (675) people, the increase is mainly related to the growth in Asian operations.

Future prospects

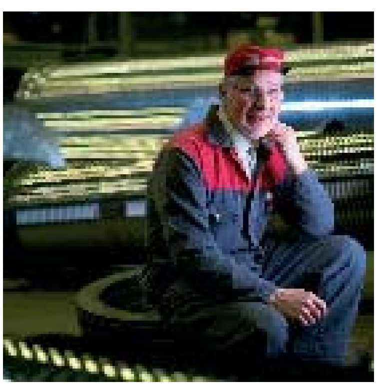
The firm focus in 2005 on enhancing competitiveness by introducing greater flexibility in manufacturing and sourcing, increasing the standardisation and developing new products will make for a solid start for 2006. The record-high order backlog reduces considerably risks related to sales volume development. Overall, the prospects for an improvement in profitability in 2006 are good.

From top: Melt Shop Crane, SMI Steel, USA • Steel coil handling, Heartland Steel, Indiana, U.S.A. • Grab Gantry Coal Crane, Magnitogorsk Iron & Steel Works, Russia. • Ship-to-Shore container crane at Århus Havn, Denmark • New RMG crane, Bilk Terminal, Budapest, Hungary • Reachstackers

TEAM SPIRIT

A strong team spirit and a commitment to delivering ever-better customer service lie behind many of our success stories – creating the foundation for strong customer relationships and reinforcing our approach to winning and keeping business. A new leader took over as head of the 6,000-strong KCI Konecranes team with the appointment of Pekka Lundmark as President and CEO in August. His predecessor, Stig Gustavson, will continue to play an important role in our endeavours as the new Chairman of the Board.

KCI Konecranes has a large number of long-time employees. Aarre Huovinen a turner, from Special Cranes Components in Finland celebrated 45 years with the company in December.



PEOPLE: OUR MOST IMPORTANT RESOURCE

KCI Konecranes' human resource strategy is designed to support the Group's business strategies, and ensure that the Group has well-motivated and enthusiastic employees. KCI Konecranes works hard to be an attractive employer for its employees.

The number of KCI Konecranes' employees rose during 2005, as a result of a growth in operations and acquisitions, in particular. As of the end of the year, the Group's personnel stood at 5,923, an increase of 1,412 on the figure for 2004.

Dr. Thomas Peukert (on the left), Managing Director, Production and Technology; Sebastian Brandes, Managing Director, Finance and Sales, Stahl CraneSystems.

STAHL BRINGS NEW EXPERTISE

KCI Konecranes announced its intention to acquire R.Stahl F rdertechnik GmbH, a global business based in Germany employing 750 people, on October 26, 2005. The acquisition was closed on December 30. The acquisition has strengthened the Group's position on the hoist and crane market in Central Europe, and given KCI Konecranes access to specialist know-how in areas such as explosion-proof material handling systems.

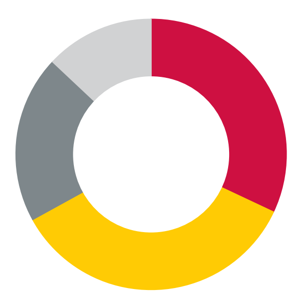
Field Service Manager Tony Chen and Maintenance Director Knut Stewen are developing KCI Konecranes' service operations in China.

NEW RESOURCES

The completion of a second manufacturing plant in China in the fall increased personnel numbers in Asia. KCI Konecranes employed some 370 people in China alone as of the end of the year.

Progress continued in 2005 on the operational change initiative launched earlier and designed to enhance KCI Konecranes' manufacturing flexibility and service capacity and focus assets on design, assembly, and maintenance. The Group's end carriage manufacturing

Personnel by Market



Nordic and Eastern Europe	32%
EU (excl. Nordic)	35%
Americas	20%
Asia-Pacific	13%

facility in Urjala was spun off in April to a new company set up by local management. Some 70 employees transferred to the new company, retaining the same terms and conditions they enjoyed as KCI Konecranes personnel.

The Group also employs a number of diploma students working on a variety of topics relevant to KCI Konecranes' business. The Group's active participation in student events and diploma work, together with our good relations with local schools, represent a valuable investment in KCI Konecranes' future recruitment needs.

Jens Andreas (on the left) and Manfred Tietge, production engineer, were among those involved on the new plant project in Shanghai.

COMPREHENSIVE TRAINING FOR ALL EMPLOYEES

Training has always been an integral part of KCI Konecranes' corporate philosophy. Employees took part in an average of 3 days of training in 2005. A key goal of our extensive training program is to expose personnel to operations and opportunities across the Group and create a common sense of purpose to which people can commit. Continuous learning was particularly emphasized in 2005 as part of this.

Over 200 employees have completed the KCI Konecranes Academy program. The program was updated in the spring with the inclusion of a module on supply chain management. The program's other modules focus on developing teamwork, financial management, customer relationship management, business management, and leadership skills.

KCI Konecranes Academy graduates were offered the possibility in 2005 of follow-on courses, and 145 graduates of the program took up this opportunity, taking part in the Academy+ training days addressing subjects such as corporate strategies and strategic prioritization. Pekka Lundmark took part in all the Academy+ events organized in 2005, which gave participants the chance to hear his views first hand and learn about the future focus areas of KCI Konecranes' business.

The senior management training initiative launched in 2000 continued under the umbrella of the London Leadership Process program. Six senior executives from KCI Konecranes took part in the program, organized in conjunction with Dynea, Sanitec, and Wärtsilä. Eight senior executives will take part in 2006.

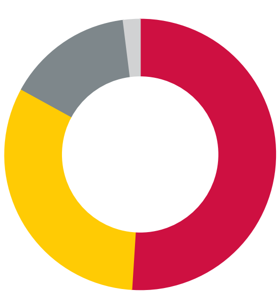
Training for KCI Konecranes' largest single group of employees, service technicians, was arranged at training centers worldwide in 2005. The skill base of service technicians was reviewed in 2005, and the results of this analysis will be used in future recruitment and training.

Internal chains of communication were also the subject of special attention in 2005. The meetings held between local trainers at regular inter-

A number of diploma students worked on topics related to KCI Konecranes' business during 2005. Two of these students,Tom Crawley and Valeria Zimenkova, can be seen here with Nelli Paasikivi (in the foreground), Konecranes Service, Finland.

Many of KCI Konecranes' success stories are based on strong teams committed to delivering even better customer service. Some members of the RTG team can be seen here: (front row from left to right) Tuomas Saastamoinen, Jyrki Melaanvuo, Timo Kamppi, Minna Jossandt, Thomas Gylling; and (back row) Marko Salo, Arto Holopainen, Pekka Heinonen, Marko Talala, Hannu Nietula, Aku Lehtinen.

Personnel by Business Area



Maintenance Services	51%
Standard Lifting Equipment	32%
Special Cranes	15%
Group Staff	2%

vals around the world are an important forum for passing on information about new products and product development and for ensuring that people in the field have the latest information and know-how at their disposal.

Local and business-specific training events covering areas such as IT, safety, and teamwork were held across the Group in 2005. These included the Konecranes Way event arranged for the second time by the Group's Nordic organization, and which focused on developing customer service this time around.

GROUP-WIDE COOPERATION

KCI Konecranes' European Works Council (EWC), a joint body bringing together representatives from the Group's management and personnel, acts as a forum for exchanging views on topical issues and promoting cooperation Europe-wide. Personnel in EU countries appoint representatives for three-year terms of office. The 2005 EWC meeting was held in the Netherlands and discussed issues including the Group's financial performance, governance, and social responsibility. Members' three-year term of office ended in December 2005, and new members were elected at the beginning of 2006.

The annual KCI Konecranes Conference was held in Savannah, Georgia in the US. A total of 147 senior managers attended the event, which focused on Group strategy and supply chain management in particular.

REMUNERATION SYSTEMS DESIGNED TO PROVIDE THE RIGHT INCENTIVE

KCI Konecranes is a growing, global organization, committed to offering its employees wide-ranging opportunities for developing in their careers and gaining international experience. The fact that many employees have been with the Group for many years underlines their commitment to KCI Konecranes and the Group's own commitment to promoting the well-being of its people. Annual Trust, People and Performance (TPP) discussions between managers and their subordinates help guarantee that everyone is familiar with the Group's goals and can commit to them. These discussions also provide an opportunity for agreeing personal goals and development needs.

A number of job satisfaction surveys were carried out across the Group in 2005, and the results from these have been used in further developing operations.

Annual reviews of the local performance-related incentive and bonus systems in place around the Group were again carried out. Many employees also come within the scope of personal incentive programs driven by personal performance and the performance of the immediate teams to which they belong. In addition, the Group has four stock option programs (1997, 1999, 2001, and 2003) for senior managers and key personnel. Details of these can be found under Shares and Shareholders on page 34.

The Group's active participation in student events and diploma work, together with good relations with schools, represent a valuable investment in KCI Konecranes' future recruitment needs. Class 7C from Vehkoja school in Finland visited KCI Konecranes in December.

SAFETY ***The US National Safety Council presented KCI Konecranes' American operations with its 'Green Cross for Safety Excellence' award in 2005 in recognition of the business' lower-than-average number of accidents at work, which were two-thirds fewer than the industry average in 2004. KCI Konecranes also received the 'Fleet Division Leader' award in recognition of having the lowest traffic-related accidents of any company in its category in USA.***

As the leading company in its core businesses of crane solutions and related maintenance services, KCI Konecranes believes that it is important that all of its operations are responsible – in terms of financial, social, ethical, and environmental performance.

The Group's goal is to operate according to the principle of sustainable development, provide added value for its customers, and be a responsible and good employer.

KCI Konecranes observes all relevant legislation and regulations, together with generally accepted ways of working, in all of its activities. The Group's values and operating principles also play an important part in shaping KCI Konecranes' operations.

KCI Konecranes reviewed and updated the content of a number of its guidelines and practices during 2004, and drew up written instructions on these for all personnel. Work continued in 2005 on applying these principles in day-to-day operations across the Group.

VALUE-DRIVEN

KCI Konecranes' values emphasize the Group's common goals and responsible attitude to its business. They guide us in our operations and day-to-day activities.

Trust in People

We believe in people, and want to be known for the quality and expertise of our personnel. We want to create a workplace in which employees feel that their contribution is valued and where people treat each other fairly and equitably. We treat and respect all our customers, employees, owners, and partners equitably. We do not approve of any form of discrimination based on gender, age, race, origin, religious belief, or political opinion. We also do not tolerate the use of child or forced labor.

Total Service Commitment

We have a 100% commitment to service, and we want to be known as a company that keeps its promises. We work continuously to develop all aspects of our operations, to ensure that our customers recognize us for the high quality of our products and the comprehensive range of our services.

Sustained Profitability

We prioritize continuous profitability, and we are committed to being a financially successful business. We can only be such a business if our customers succeed in theirs, and that is why we develop products and services specifically designed to offer true added value to our customers. KCI Konecranes is responsible for the financial success of its business not only to its owners, but also to its employees and the society as a whole. Profitability and well-managed growth are essential factors for contributing to the development of society and the workplace.

QUALITY EVERYWHERE

Continuously improving the quality of operations is an integral part of KCI Konecranes' management system. Quality development work also takes place in close cooperation with the Group's subcontractors, and training in this area received particular attention in 2005. The Group's internal quality training was also developed during the year, and all the employees at KCI Konecranes' plants in China, for example, took part in comprehensive quality training in 2005.

A SAFE WORKPLACE

The principle of continuous improvement is also followed in areas related to occupational safety and the environment. KCI

Values and Ethical Principles

Konecranes aims to prevent health hazards from developing, accidents from occurring, and to minimize the environmental impact of its operations. Promoting employees' physical and mental well-being is an important part of KCI Konecranes' commitment to continuously developing its operations. KCI Konecranes received a number of public recognitions in 2005 for the work it has done in improving safety at work.

TAKING THE ENVIRONMENT INTO ACCOUNT

We only use raw materials and processes that impose minimal impact on the environment in our operations. Environmental concerns are taken into account from the product development stage onwards. Good examples of what this means in practice are the frequency converter drives developed by KCI Konecranes that use up to 40% less energy than conventional solutions, and the finely machined components used in our gear assemblies that contribute to extended service life and significantly reduced noise levels. We also develop crane structures that use less steel and other raw materials. Lighter cranes contribute to savings in space, heating, and operating costs for our customers, whatever the location.

We strive to favor products and materials that impose the lowest possible impact on the environment in our procurement choices, and to pay particular attention to keeping energy and material consumption at a low level. We always observe local regulations and recommendations in respect of waste management and disposal. We prioritize developing the environmental awareness of both our own people and our partners, with the aim of making an enlightened approach to the environment and environmental protection a natural part of day-to-day operations in all of our activities.

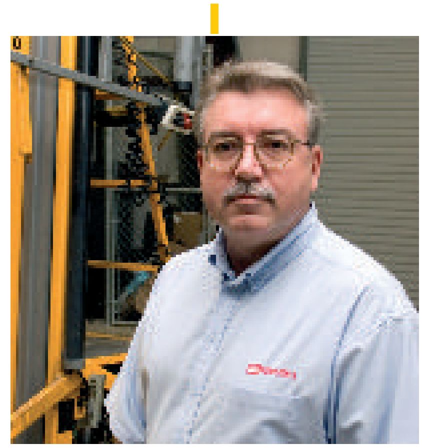
ENCOURAGING EMPLOYEE INITIATIVE

Many of KCI Konecranes' units have found employee initiatives very useful and an effective way of motivating people as well. Procedures concerning employee initiatives continue to vary in different parts of the Group. We aim to encourage and develop this area further, and intend to identify internal best practices around the world and make concerted use of them wherever they can be of benefit, during 2006.

SPONSORING LOCAL EVENTS AND ACTIVITIES

When selecting sponsorship partners, KCI Konecranes prioritizes clubs and associations in which the Group's own employees or their families participate. Associations benefiting the local community more generally are also supported, as are student activities linked to areas of research associated with KCI Konecranes' core businesses.

Promoting employees' physical and mental well-being is an important part of KCI Konecranes' commitment to continuously developing its operations. Service Safety Manager Sirkku Palvalin highlights the importance of healthy employees who enjoy their work for the success of the company.



The National Safety Council (USA) presented safety awards to KCI Konecranes' American operations on June 30, 2005. Bob Trachsler, North American Safety Director at KCI Konecranes, played an important role in helping KCI Konecranes win these awards.

KCI Konecranes Plc is a Finnish public limited liability company, which, in its decision-making and administration, complies with the Finnish Companies Act, other regulations concerning public companies and KCI Konecranes Plc's Articles of Association.

As a publicly listed company the rules of the Helsinki Stock Exchange will apply to the Company and the Company has undertaken to comply with the Corporate Governance Recommendation for Listed Companies issued jointly by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industries, which entered into force on 1 July 2004. In addition, KCI Konecranes Plc complies with the Guidelines for Insiders published by the Helsinki Stock Exchange.

GENERAL MEETINGS

The general meeting of shareholders is the highest decision-making body of KCI Konecranes Plc. In the General Meeting, shareholders exercise their right of supervision and control of the company. One Annual General Meeting of shareholders must be held during each financial year before the end of June. Extraordinary General Meetings may be called whenever necessary.

Shareholders exercise their rights of vote and action in general meetings. Matters to be handled at the Annual General Meeting are defined in Article 12 of the Articles of Association of KCI Konecranes. These matters include the approval of the financial statements, distribution of profit, discharging members of the Board of Directors and the president and CEO from liability, election of members of the Board of Directors and auditor, and their remunerations.

Decisions made at the General Meetings are published as a stock exchange release and on the company's website immediately after the meeting.

Advance information to shareholders

The Board of Directors shall convene an Annual General Meeting or Extraordinary General Meeting by means of publishing a notice in two national newspapers listing the matters to be handled. KCI Konecranes provides advance information in the invitation to the General Meeting. The invitation is also made available through a stock exchange release and it is posted on the company's website. The Board of Directors' proposals to the General Meeting are published in a stock exchange release and posted on the company's Internet website.

Attendance of shareholders

In order to be entitled to attend a Shareholders' Meeting, a shareholder must be registered as a shareholder in the Shareholders' register of the Company maintained by Finnish Central Depository Ltd on the record day for the Shareholders' meeting. Holders of nominee-registered shares wishing to participate in the Shareholders' meeting should notify their custodian well in advance of the meeting and follow the instructions provided by the custodian.

A registered shareholder wishing to participate in the Shareholders' meeting must notify the Company of his intention in the order and during the period prescribed in the Notice of the Shareholders' Meeting.

A shareholder may participate in the Shareholders' meeting in person or through a representative who must present a proxy. Shareholders are requested to inform the Company of any proxies for the General Meeting in connection with the notification of participation. The shareholder and representative may have an assistant at the meeting.

Attendance of Board members and the Managing Director at the General Meeting

The President and CEO, the Chairman of the Board of Directors and a sufficient number of Board members shall attend the General Meeting. A person proposed for the first time as a Board member shall participate in the General Meeting that decides on his/her election unless there are well-founded reasons for his/her absence.

BOARD OF DIRECTORS

The "Charter of the Board of Directors of KCI Konecranes Plc" governs the work of the Board and forms an integral part of the corporate governance framework in KCI Konecranes Plc. This Charter supplements the provisions of the Finnish Companies Act and the Company's Articles of Association. Information on this Charter shall permit the shareholders of the Company to evaluate the operation of the Board of Directors.

Responsibilities

The Board of Directors is vested with powers and duties to manage and supervise the operations of the company as set forth in the Companies Act, the Articles of Association and any other applicable Finnish laws and regulations. The Company aims to comply with all applicable rules and regulations affecting the Company or its affiliates (the "Group Companies") outside Finland provided that such compliance does not constitute a violation of the laws of Finland.

The Board of Directors has a general obligation to pursue the best interest of the Company. The Board is accountable to the shareholders of the Company. The members of the Board of Directors shall act in good faith and with due care and exercise their business judgment on an informed base in what they believe to be the best interest of the Company and its shareholder community as a whole.

The Board of Directors shall decide on a business strategy for the Company, appointment and dismissal of the President and CEO (holding the position of the managing director under the Companies Act), deputy to the President and CEO and other senior management, group structure, acquisitions and disposals, financial matters and investments, continuous review and follow-up of the operations and performance of the Group Companies, risk management and the compliance by the Company with applicable laws as well as any other issues determined by the Board of Directors.

Corporate Governance

The Board of Directors shall on an ongoing basis inform itself on issues and business activities of major strategic impact. The Board of Directors shall appoint a secretary to the Board of Directors to be present at all meetings.

Election and term

The annual General Meeting on 10 March 2005 elected seven (7) members to KCI Konecranes' Board of Directors:

Mr. Stig Gustavson	Chairman, dependent of the company
Mr. Björn Savén	Vice Chairman, independent of the company
Mr. Stig Stendahl	member, independent of the company
Mr. Matti Kavetvuo	member, independent of the company
Mr. Timo Poranen	member, independent of the company
Ms. Malin Persson	member, independent of the company
Mr. Svante Adde	member, independent of the company
Mr. Lennart Simonsen	Secretary to the Board (not a member of the Board)

>> Biographical details of the Board members on page 74.

The General Meeting of shareholders elects the Board of Directors of KCI Konecranes Plc. According to the Articles of Association the Board of Directors of KCI Konecranes Plc shall have a minimum of five (5) and maximum of eight (8) members elected at each Annual General Meeting for a term of one (1) year. The Board of Directors elects a Chairman from among its members. As of June 2005 a Vice-Chairman is also elected.

Prospective Board member candidates notified to the Board shall be disclosed in the invitation to the General Meeting, provided that the proposal has been made by the Nomination and Compensation Committee or if the candidate is supported by at least 10 % of the total votes of all the shares of the company and the candidate has given his/her consent to the election. The candidates proposed after the delivery of the invitation shall be disclosed separately.

Independence of the Board Directors

KCI Konecranes Plc's Board of Directors has evaluated the independence of the Board members of the company in accordance with the Corporate Governance Recommendation. The Corporate Governance Recommendation requires a majority of the Board members to be independent. On the basis of the evaluation, six (6) of the seven (7) Board members were deemed independent of the company. Other than their Board membership these Board members do not have any other relationship of material substance with KCI Konecranes.

The Chairman of the Board of Directors, Mr. Stig Gustavson, is deemed dependent on the company, as he was the President and CEO of the company until 17 June 2005. According to the corporate governance recommendation, a Board member is not considered independent if he held a position in the company during the last three years prior to the inception of the Board membership.

All Board members are independent of all significant shareholders of the company. According to the corporate governance recommendation, a significant shareholder refers to a shareholder who holds at least 10 % of all the shares or of the aggregate votes in the Company.

Meeting practice and self-assessment

In 2005, KCI Konecranes Plc's Board of Directors convened ten (10) times. The average attendance of Board members at meetings was about 99 per cent. KCI Konecranes Plc's Board of Directors shall meet as frequently as necessary to properly discharge its responsibilities. There shall be about 8 meetings per year.

The Board of Directors and each of its committees conduct an annual performance evaluation to determine whether the entire Board and each of its committees functions effectively. The Board of Directors will establish the criteria to be used in such evaluations. The performance review will be discussed with the entire Board of Directors following the end of each fiscal year.

During 2005 the performance evaluation of the Board of Directors has been conducted through personal interviews of the board members conducted by the Chairman of the Board. The Chairman provided a report of the contents of the discussions at the Board meeting in which the Board accepted the Financial Statements for 2005.

BOARD COMMITTEES

The Board of Directors is assisted in their work by the Audit Committee and the Nomination and Compensation Committee. The committees were first formed in 2004.

The Audit Committee

The Audit Committee is appointed by the Board of Directors of KCI Konecranes Plc. The Purpose of the Audit Committee is to oversee accounting and financial processes, financial statements and internal control. The tasks and responsibilities of the Committee are defined in a Charter (available on the Internet at www.konecranes.com/investor), which is based upon a Board resolution as part of the company's corporate governance principles.

Members of the Audit Committee:

Mr. Stig Stendahl,	Chairman
Mr. Matti Kavetvuo,	member
Mr. Svante Adde,	member

In 2005, the Audit Committee convened four (4) times. According to its Charter, the Audit Committee shall meet at least twice (2) a year. The Chairman presents a report on each Audit Committee meeting to the Board.

The Nomination and Compensation Committee

The Nomination and Compensation Committee is appointed by the Board of Directors of KCI Konecranes Plc. The tasks and responsibilities of the Committee are defined in a Charter (available on the Internet at www.konecranes.com/investor), which is based upon a Board resolution as part of the company's corporate governance principles.

Members of the Nomination and Compensation Committee:

Mr. Björn Savén,	Chairman
Mr. Timo Poranen,	member
Ms. Malin Persson,	member

The Nomination and Compensation Committee held one (1) meeting during 2005. The Nomination and Compensation Committee shall meet at least once (1) a year. The Chairman presents a report on each Compensation Committee meeting to the Board.

PRESIDENT AND CEO

KCI Konecranes Plc has a Managing Director who is known as the President and CEO. The Board of Directors decides upon the appointment and the dismissal of the President and CEO. The President and CEO may be a member of the Board of Directors but may not be elected Chairman.

Mr. Pekka Lundmark was appointed President and CEO of KCI Konecranes Plc on 17 June 2005. The biographical details, share ownership, employment history and major positions of trust of the President and CEO are presented on page 76.

Responsibilities

According to the Companies Act, the President and CEO is in charge of the day-to-day management of the company in accordance with the instructions and orders given by the Board. The President and CEO may undertake actions which, considering the scope and nature of the operations of the company, are unusual or extensive, only with the authorization of the board. The President and CEO must ensure that the accounting practices of the company comply with law and that the financial matters are handled in a reliable manner. The President and CEO is also responsible for preparations of matters presented to the Board and for the company's strategic planning, finance, financial planning, reporting and risk management.

Service contract

The President and CEO's employment contract may be terminated at any time by either the President and CEO or the company with six (6) months' notice. In the event the company terminates the contract not for cause, the company shall pay to the President and CEO in addition to the salary for the notice period a discharge compensation corresponding to eighteen (18) months' salary and fringe benefits. The President and CEO is entitled to retire at the age of 60 with a targeted pension of 60% of his underlying income.

The President and CEO's service terms and conditions are specified in writing in a service contract approved by the Board.

EXECUTIVE BOARD

The President and CEO, the Business Area Presidents, the Country Executives and the Group Staff form KCI Konecranes' Executive Board. The Executive Board assists the President and CEO in his work. The Executive Board has no official statutory position based on legislation or the Articles of Association, but has in practice a significant role in the management system of the company. At the end of year 2005 the KCI Konecranes Executive Board had sixteen (16) members:

Mr. Pekka Lundmark	President and CEO
Mr. Teuvo Rintamäki	Chief Financial Officer, responsible for finance and control
Ms. Sirpa Poitsalo	Director, General Counsel, responsible for legal matters
Mr. Arto Juosila	Group Vice President, responsible for administration and business development
Mr. Antti Vanhatalo	Group Vice President, responsible for business development, incl. M&A.
Mr. Ari Kiviniitty	Chief Technology Officer, responsible for the company's technology strategy and development
Ms. Peggy Hansson	Director, Competence Development, responsible for knowledge management

Business Area Presidents

Mr. Tom Sothard	Maintenance Services (also Country Executive, Americas)
Mr. Pekka Päkkilä	Standard Lifting Equipment
Mr. Mikko Uhari	Special Cranes

Country Executives

Mr. Tom Sothard	Country Executive, Americas
Mr. Harry Ollila	Country Executive, Northeast Asia
Mr. Edward Yakos	Country Executive, Southeast Asia-Pacific
Mr. Bill Maxwell	Country Executive, UK
Mr. Martin Rothe	Country Executive, Germany
Mr. Sami Atalla	Country Executive, France, Austria, Hungary, Belgium & the Netherlands
Mr. Hannu Rusanen	Country Executive, Nordic

Biographical details and share and option holdings of Executive Board members are presented on page 76–77.

Business Area Presidents

The Business Areas (Maintenance Services, Standard Lifting Equipment and Special Cranes) are each headed by a Business Area President. Business Areas are not to be seen as independent divisions. Instead, their operations are interlinked and highly synergistic. The Business Area Presidents are in charge of the day-to-day management of the Business Areas.

Country Executives

There are seven (7) Country Executives in charge of co-ordinating Group activities in certain large countries and market areas. The Country Executive organisation pursues the realization of greater synergies between the Business Areas. The Country Executives have line responsibility for field operations, including Maintenance Services and Industrial Cranes, and side responsibility for other Group Business activities in their respective country or market area. The Country Executives meet with the senior managers from the countries belonging to his area of responsibility about four (4) times per year.

Group Staff

The Group Staff forms a common resource for handling matters of importance for the whole Group. Certain members of the Group Management team with duties of specific importance have been named Group Vice Presidents.

Meeting practice

KCI Konecranes' Executive Board convened five (5) times during the year 2005. In addition, the Executive Board together with other executive managers review on a monthly basis the business performance and financial results under the President and CEO's chairmanship. The Investor Relations Manager also attended the meetings. The President and CEO, the Group Vice Presidents and Staff Directors meet once (1) a week to review Group administrational matters. Every month the President and CEO chairs the R&D Board. Members of the R&D Board include the President and CEO, the relevant Executives, Business Area Presidents and R&D Staff.

COMPENSATION

Board of Directors

The remuneration packages for Board members are resolved by the Annual General Meeting on proposal by the Nomination and Compensation Committee.

For the year 2005 the remuneration for the Chairman of the Board was EUR 50,000, Vice Chairman of the Board EUR 30,000, and for other Board members EUR 20,000. The remuneration may be paid either in cash or in KCI Konecranes Plc shares acquired from the market. In 2005 the whole remuneration was paid in cash.

In addition, the Chairman and Board members received EUR 1,000 for their attendance at each Board committee meeting. Non-executive members of the Board of Directors do not receive stock options. Board members employed by KCI Konecranes do not receive separate compensation for their Board membership.

President and CEO

The Nomination and Compensation Committee reviews the President and CEO's performance. Based on this review and other relevant facts, the Board sets the total compensation package for the President and CEO.

The main elements of the President and CEO's remuneration and other benefits for the year ended December 31, 2005 were as follows:

Stig Gustavson received a salary and other benefits of EUR 182,478.44 and a bonus of EUR 131,058.70 for the period up and including his last working day on 17 June, 2005. Stig Gustavson received 10,000 C options of the 2003 Stock Option Plan.

Pekka Lundmark received a salary and other benefits of EUR 269,400.85 and a bonus of EUR 49,592.92 for the whole year 2005.Pekka Lundmark received 3,000 B options of the 2001 Stock Option Plan and 10,000 B options and 30,000 C options of the 2003 Stock Option Plan.

Executive Board

The Nomination and Compensation Committee reviews Group compensation policies and issues guidelines for the same.

In accordance with these guidelines, the President and CEO confirms all individual top management compensation packages. Compensation packages normally include a base salary, fringe benefits (typically use of company car), pension schemes and performance related bonus schemes. Bonus schemes are always based on written contracts. Bonus criteria vary, but normally include profitability, asset management and growth. Bonuses are related to individual performance and the performance of the organisational unit to which the individual area of responsibility is a direct part. Numerical performance criteria are used, in preference of personal assessments.

Stock options

The company has issued stock option plans for its key employees, including top and middle management, and employees in expert positions. A summary of the four ongoing KCI Konecranes stock option plans (1997, 1999, 2001, 2003) is available on page 34. Stock option plans require a corresponding resolution by a General Meeting, and all plans have been unanimously adopted by relevant General Meetings. Certain large institutional shareholders have adopted guidelines for stock option plans. Those guidelines offer advice on acceptable (maximal) dilutive effects, levels of incentives, lock up periods, length of programmes etc. The company's option plans have been designed to essentially comply with these guidelines.

The purpose of the option schemes is to motivate key personnel to contribute to the long-term success of the company, and to create a common understanding and commitment for the creation of shareholder value. Further, a specific articulated purpose is to create a joint sense of common ownership among managers, which is believed to be of specific value for a company of KCI Konecranes' nature with a structure covering many countries, cultures and customer industries.

The Board of Directors, upon proposal by the President and CEO, decides on the distribution of options to key personnel. In granting options to the President and CEO, the Board acts independently. At the end of 2005, 307 employees were part of the Group's stock option plans.

INTERNAL CONTROL, AUDIT, AND RISK MANAGEMENT

KCI Konecranes' Board of Directors has defined and adopted a set of principles covering risk management, based on internationally generally accepted principles of good control.

ORGANISATION OF RISK MANAGEMENT

Risk management forms part of the company's system of checks and controls, and is primarily intended to guarantee the continuity of business under all operating conditions.

Risk management principles

The President and CEO and the Executive Board are responsible for risk management and for implementing measures to identify possible risks and actions needed to prevent losses materialising from such risks.

The Group's risk management principles provide a basic framework for risk management in KCI Konecranes. Based on these principles, each Group company or operating unit is responsible for its own risk management, as this guarantees the best possible access to knowledge of local conditions, experience, and issue-specific matters. The Group's risk management function co-ordinates and consults on issues related to risk management, and decides on the methods to be used for meeting joint or larger-scale risk management needs, through global insurance programmes, Group Treasury, and IT infrastructure and system architecture.

In line with these principles, risk management is a continuous, systematic activity for providing protection against personal injury, safeguarding the assets of all Group companies and the Group as a whole, and for ensuring stable and profitable financial performance. The long-term competitiveness of Group companies and the entire Group is safeguarded by minimising losses and the costs of risk management.

Risk Management Committees

The Group has established Risk Management Committees in Group companies in some of KCI Konecranes' major markets to put preventive procedures in place for operative and liability risk management. These Committees hold meetings with representatives from all business areas, as well as representatives and experts from insurance companies. Risk Management Committees also develop preventive improvement measures and focus in particular on risk prevention related to the transportation of goods, erection, and the safety of cranes and other products.

Risk Management Committees also pay special attention to controlling the risks associated with new business areas, both regional- and business-related. KCI Konecranes' business has grown rapidly in countries such as China and Russia, and the size of projects has also grown, due to the growth in global container traffic and the emergence of large steel mill projects, for example – extending the scope of the Group's risk management. Reflecting this, special attention has been given to the standard terms and structure of both sourcing and sales contracts.

Insurance

The Group continuously reviews its insurance policies as part of its overall risk management. Policies are used to provide sufficient cover for all risks that are economically or otherwise reasonably insurable. Given the upward trend in insurance premiums, the Group has intensified the use of other risk management methods within its units, without, however, compromising on the level of protection secured.

Quality control

Group measures aimed at enhancing quality performance also form part of the risk management process. High-quality products, business procedures, and processes play an important role in minimising business risks. Most Group companies and all major operations use certified quality procedures.

These procedures provide a good foundation for quality improvement actions in the Group's operations generally, which are increasingly supply chain-driven rather than manufacturing management-driven. The growing number of contractual supply partners and sub-contractors used means that KCI Konecranes' experts are required to devote a lot of effort to continuous quality development work.

Management of financial risks

The Group's global business operations involve financial risks in the form of market risks related to issues such as exchange rates, interest rates, and commodity prices, as well as credit and liquidity risks. The Group aims to increase the short-term stability of the financial environment for its business operations by reducing the negative impact of price fluctuations and other uncertainties in financial markets – by identifying, assessing, controlling, and reporting the financial risks arising from the Group's global business operations.

Business units are responsible for identifying and addressing their financial risks, using hedges arranged internally with

Group Treasury. Almost all funding, cash management, and foreign exchange with banks and other external counter parties is handled centrally by Group Treasury.

INTERNAL AUDIT

KCI Konecranes' Internal Audit is an independent and objective assurance and consultative function responsible for assisting the Group to achieve its objectives, by evaluating the effectiveness of risk management, control, and governance processes.

Internal Audit operates according to an audit plan approved by the Board of Directors' Audit Committee, to which it reports regularly, and follows procedures based on the professional standards confirmed by the Institute of Internal Auditors (IIA).

AUDITOR

The main function of statutory auditing is to verify that the financial statements show a true and fair view of the Group's performance and financial position for the financial year. KCI Konecranes Plc's financial year is the calendar year. The auditor reports regularly to the Board of Directors' Audit Committee. The auditor is obliged to audit the correctness of the company's accounting and closing accounts for the financial year and to give the General Meeting an auditor's report.

The auditors of KCI Konecranes are elected by the Annual General Meeting. The auditors are elected to office until further notice. The same auditor with principal responsibility may not be elected for more than seven (7) financial years. A proposal for the election of external auditors made by the Audit Committee shall be disclosed in the invitation to the Annual General Meeting. The Audit Committee strives for a regular rotation of its external auditors.

KCI Konecranes Plc's accounting, financial statements and administration have been audited by the Authorised Public Accountants Deloitte & Touche Oy since 1998 with Mr. Mikael Paul, APA, as the auditor with principal responsibility. Deloitte & Touche Oy is a member firm within the Deloitte Touche Tohmatsu Group.

External auditor's fees

In 2005, the fees paid to Deloitte & Touche Oy and its affiliated audit companies for auditing KCI Konecranes Group companies totalled EUR 987,000 while the fees paid for consulting services totalled EUR 306,000.

INSIDERS

The Board of Directors of KCI Konecranes Plc accepted new Insider Rules for KCI Konecranes in November 2005. These Insider rules are based on the Finnish Securities Markets Act, Standards issued by the Financial Supervision Authority and the Guidelines for Insiders issued for listed companies by the Helsinki Stock Exchange.

KCI Konecranes' Public Insider Register includes members of the Board of Directors, the President and CEO, the secretary to the Board, the auditors and members of the Executive Board as well as other persons having a comparable position in the Group based on the decision of the company. In addition, KCI Konecranes' Company-Specific Permanent Insiders includes persons that are defined by the company, and who regularly possess insider information due to their position in the company. Insiders may not trade in KCI Konecranes shares during 21 days prior to the release of interim reports or financial bulletins. The company also maintains Project-Specific Insider Registers of every Insider Project of the company. Project-Specific Insiders are prohibited from trading in KCI Konecranes shares until termination of the project.

KCI Konecranes' register of insider holdings is maintained by the General Counsel. The General Counsel is responsible for monitoring compliance with insider guidelines and the duty to declare. The company maintains its public and company-specific insider registers in the Finnish Central Securities Depository's SIRE system.

KCI Konecranes Public Insiders are listed on the company's website. KCI Konecranes Public Insiders' share and option holdings are available for public display in the NetSire register, which can be accessed also through KCI Konecranes' website.

Further information can be found at the company's website, www.konecranes.com/investor.

Share capital and shares

KCI Konecranes Plc's minimum share capital is EUR 20,000,000 and its maximum authorised share capital is EUR 80,000,000, within which limits the share capital may be increased or decreased without amending the Articles of Association. Pursuant to KCI Konecranes Plc's Stock Option Plans 176,000 new shares were subscribed for and registered in the Finnish Trade Register during year 2005. As a result of the subscriptions, the company's registered share capital increased by EUR 352,000 to EUR 28,972,060 and the total amount of shares increased from 14,310,030 to 14,486,030.

The fully paid share capital and total number of shares reported in the Trade Register as per December 31, 2005.

Share capital (EUR)	28,972,060
Number of shares	14,486,030

The nominal value of the share is EUR 2.00. The company has one series of shares. The shares carry one vote per share and all shares carry equal rights to dividends.

Share split proposal

In order to improve share liquidity, the Board of Directors proposes to the Annual General Meeting on 8 March 2006 a four-for-one share split without increasing the share capital. Subject to AGM acceptance the split will increase the number of shares by a factor of four. The Board of Directors also proposes giving up the nominal value of shares and using the accounting par value instead, which would be two (2) euros. As a result of the share split, each share will be split into four shares with accounting par value of 0.50 euros each.

Quotation and trading code

The shares of KCI Konecranes Plc started trading on the Helsinki Exchanges on March 27, 1996. The share trades in euros on the Helsinki Stock Exchange.

Trading code	KCI1V	Trading Lot	50 shares

Shareholder register

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

Shareholders should notify the relevant holder of their Book Entry Account about changes in address or account numbers for payment of dividends and other matters related to their holdings in the share.

The company's own shares

The company's holding of own shares as per December 31, 2005

KCI Konecranes Shares	% of outstanding shares
210,650	1.45

The company's own shares were bought back between February 20 and March 5, 2003 at an average price of EUR 20.75 per share.

Authorisations

Excluding the Share Option programs of 1997, 1999, 2001 and 2003 the Board has no unused authorisations to issue shares, convertible bonds or bonds with warrants. The 2005 Annual General Meeting renewed the Board's authorisation to acquire altogether no more than 715,431 shares, taking into consideration, however, the provisions of the Companies Act regarding the maximum number of own shares that the Company is allowed to hold. The Board will propose to the 2006 Annual General Meeting a renewal of the authorisation.

Dividend proposal

The Board of Directors proposes to the AGM that a dividend of EUR 1.10 per share (before the share split) will be paid for the fiscal year 2005. The dividend will be paid to shareholders, who are entered in the share register on the record date March 13, 2006. Dividend payment date is March 20, 2006.

Market capitalisation and trading volume

At the end of the year 2005 KCI Konecranes Plc's total market capitalisation was EUR 603 million (2004: EUR 465 million) including the company's own shares in the company, the 36th largest market value of companies listed on the Helsinki Stock Exchange.

The trading volume totalled 18,290,888 shares of KCI Konecranes Plc, which represents 126% of the company's total amount of outstanding shares. In monetary terms trading was EUR 653 million, which was the 32nd largest trading of companies listed on Helsinki Stock Exchange. The daily average trading volume was 72,296 shares representing a daily average turnover of EUR 2.57 million.

Share price performance

Performance during January – December 2005

Trading Code	Closing Price	Year high	Year low	Volume Weighted Average Price	Taxable value for fiscal 2005[1)]
KCI1V	41.62	41.95	29.80	35.77	28.08

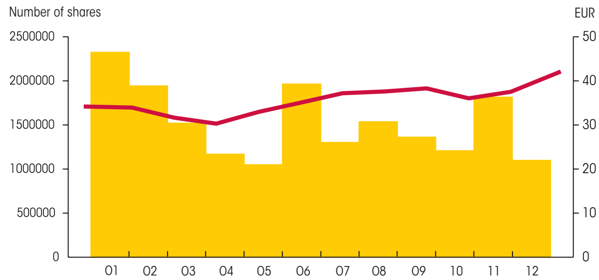
1) For Finnish Taxation purposes the company's share is given a value for the fiscal year

KCI Konecranes share price performance against relevant Indices on the Helsinki Stock Exchange

	% Change on previous year end
KCI Konecranes shares (KCI1V)	28.02
OMX Helsinki Index	31.13
OMX Helsinki Cap Index	30.14
OMX Helsinki Industrials Index	61.12

Shares and Shareholders

Share price performance and trading volume 2005



Stock option plans

KCI Konecranes has four ongoing Stock Option Plans (1997, 1999, 2001 and 2003) targeting middle and top management and key personnel. The terms and conditions of the stock option schemes are available on our Investor homepage at www.konecranes.com/investor. The main parameters of the stock option plans are summarized in the table on Ongoing KCI Konecranes Stock Option Plans.

Ongoing KCI Konecranes Stock Option Plans

Stock Option	Maximum number of shares the stock option plan entitles to subscribe for	Subscription price/ share (EUR)	Number of shares subscribed under the stock option plan during 2005	Share subscription period
1997	300,000	26.07	108,000	Apr. 1, 2003 – Oct. 31, 2008
1999A 1)	150,000	33.00	3,600	Apr. 1, 2002 – Mar. 31, 2005
1999B	150,000	33.00	12,100	Apr. 1, 2005 – Mar. 31, 2008
2001A	150,000	34.00	17,300	Apr. 1, 2004 – Mar. 31, 2007
2001B	150,000	34.00		Apr. 1, 2007 – Mar. 31, 2010
2003A	200,000	19.56	35,000	May 2, 2005 – Mar. 31, 2007
2003B	200,000	21.62		May 2, 2006 – Mar. 31, 2008
2003C	200,000	25.00		May 2, 2007 – Mar. 31, 2009

1) Share subscription period ended March 31, 2005.

Changes in share capital and number of shares, March 11, 1999 – December 31, 2005		Change in number of shares	Number of shares	Change in share capital	Share capital (EUR)
1999	March 11, 1999 Conversion of share capital into euros.		15,000,000		30,000,000
2003	December 20, 2003 Invalidation of shares held by the company and reduction of share capital.	–691,370	14,308,630	1,382,740	28,617,260
2004	December 28, 2004 Registration of new shares subscribed with the KCI Konecranes 1997 options	1,400	14,310,030	2,800	28,620,060
2005	March 17, 2005 Registration of new shares subscribed with the 1999A options	600	14,310,630	1,200	28,621,260
2005	May 3, 2005 Registration of new shares subscribed with the 1999A and 2001A options	6,000	14,316,630	12,000	28,633,260
2005	June 23, 2005 Registration of new shares subscribed with the 1999B and 2003A options	31,500	14,348,130	63,000	28,696,260
2005	August 10, 2005 Registration of new shares subscribed with the 1997 options	1,600	14,349,730	3,200	28,699,460
2005	November 1, 2005 Registration of new shares subscribed with the 1999B and 2001A options	4,500	14,354,230	9,000	28,708,460
2005	December 23, 2005 Registration of new shares subscribed with the 1997 options	106,400	14,460,630	212,800	28,921,260
2005	December 27, 2005 Registration of new shares subscribed with the 1999B, 2001A and 2003A options	25,400	14,486,030	50,800	28,972,060

Shareholders

According to the register of KCI Konecranes Plc's shareholders kept by the Finnish Central Securities Depository Ltd, there were 2,878 shareholders at the end of 2005 (3,025 at the end of 2004).

	KCI Konecranes' largest shareholders on December 31, 2005	Number of shares and votes	% of share capital and voting rights
1	**Varma Mutual Pension Insurance Company**	498,420	3.4
2	**Gustavson Stig, Chairman of the Board of KCI Konecranes Plc**	455,375	3.1
3	**Sampo Funds**	395,500	2.7
	Sampo Finnish Equity Fund	215,500	1.5
	Mandatum Finland Growth Fund	71,700	0,5
	Sampo European Balanced Fund	67,100	0.5
	Sampo Finnish Institutional Equity Fund	41,200	0.3
4	**OP Funds**	188,930	1.3
	OP-Delta Mutual Fund	188,930	1.3
5	**FIM Funds**	335,750	2.3
	FIM Fenno Investment Fund	181,800	1.3
	FIM Forte Investment Fund	153,950	1.1
6	**Folkhälsan non-governmental organisation**	133,900	0.9
7	**Fondita Funds**	129,600	0.9
	Fondita Nordic Small Cap Fund	112,600	0.8
	Fondita Equity Spice Mutual Fund	17,000	0.1
8	**State Pension Fund**	110,000	0.8
9	**Ilmarinen Mutual Pension Insurance Company**	86,365	0.6
10	**The Finnish National Fund for Research and Development (Sitra)**	80,000	0.6
	10 largest owner group's holdings in total	2,413,840	16.7
	Nominee-registered shares	9,409,458	65.0
	Other shareholders	2,452,082	16.9
	Shares held by KCI Konecranes Plc	210,650	1.5
	Total	**14,486,030**	**100.0**

Shares owned by the members of the Board of Directors and Executive Board

	Change in share-holding in 2005	Shareholding	% of share capital and voting rights	Change option hold-ings* in 2005	Option holdings* 31.12.2005	% of share capital and voting rights
Board of Directors	+ 34,500	486,675	3.4 %	–24,500	34,500	0.2 %
Executive Board	+ 6,750	70,750	0.5 %	–22,000	344,800	2.4 %
Total	**41,250**	**557,425**	**3.8 %**	**–46,500**	**379,300**	**2.6 %**

* Option holdings given as the number of shares they entitle to subscribe for

Shares and Shareholders

Breakdown of share ownership on December 31, 2005

Shares	Number of shareholders	% of share-holders	Total number of shares and votes	% of share capital and voting rights
1–1.000	2,542	88.33	610,428	4.21
1.001–5.000	235	8.17	505,575	3.49
5.001–10.000	41	1.42	303,906	2.10
10.001–50.000	40	1.39	922,831	6.37
50.001–300.000	15	0.52	1 816,182	12.54
Over 300.001	5	0.17	10 327,108	71.29
Total	**2,878**	**100.00**	**14 486,030**	**100.00**

Breakdown by shareholder category on December 31, 2005

	% of share capital and voting rights
Finnish companies	3.22
Finnish financial institutions	7.75
Finnish public institutions	7.88
Finnish non-profit institutions	6.13
Finnish private investors	9.40
Nominee registered shares*	64.96
Non-Finnish holders	0.67
Total	**100.00**

Source: Finnish Central Securities Depository Ltd, December 31, 2005.

Flagging notifications*

On 28 December 2005, KCI Konecranes was notified that the holding of Varma Mutual Pension Insurance Company in KCI Konecranes Plc's voting rights and share capital had decreased to 4.96 %.

On 3 November 2005, KCI Konecranes was notified that, on 1 November 2005, the holding of the Capital Group Companies, Inc's (Taxpayer I.D. 86-0206507) in KCI Konecranes Plc's voting rights and share capital had increased to 6.91%.

On 11 October 2005, KCI Konecranes was notified that, on 10 October 2003, the combined holding of Franklin Resources, Inc. (trade reg. 13-2670991) through the funds and separate accounts managed by its affiliated advisers had decreased to 9.74% of voting rights and 0.697% of the share capital of KCI Konecranes Plc.

On 18 August 2005, KCI Konecranes was notified that, on 15 August 2005, the holding of funds managed by Centaurus Capital L.P and its direct and indirect subsidiaries in KCI Konecranes Plc's voting rights and share capital had increased to 5 %.

On 5 April 2005, KCI Konecranes was notified of an error in Deutsche Bank AG's previous flagging notification and that the holding of Deutsche Bank AG was 2.97 % of the voting rights and share capital of KCI Konecranes Plc on 15 March 2005 (not 6.87 % and respectively 6.71% as announced).

On January 28, 2005 KCI Konecranes was notified that the aggregate holding by OP Bank Group Central Co-operative, its subsidiaries and affiliated companies in KCI Konecranes Plc's voting rights and share capital had decreased to 3.09%.

Shareholder's liability to redeem shares

The Articles of Association contain an obligation for shareholders reaching certain thresholds of ownership of shares or voting rights in KCI Konecranes Plc, to redeem the shares of other shareholders in accordance with precise procedures indicated in article 13 of the Articles. A shareholder, whose portfolio of shares or voting rights in the company reaches the threshold value of 33 1/3 percent, is obliged to redeem, on demand, and at 50 percent, without separate demand, from the other shareholders their shares and the securities entitling to shares under the Companies Act. According to the law, any shareholder reaching a shareholding or voting rights of two thirds, will have the obligation to redeem all the outstanding shares of the company.

>> More information to shareholders on the inner side of the cover page.

Orders received, order book and market development

The strong development in the order intake continued in 2005 and accelerated towards the end of the year. Group total orders received were EUR 1061.2 (736.9) million. The growth was 44.0% of which 30% was organic. At year end the value of the Group's total order backlog was EUR 432.1 (298.8) million, up by 44.6%. Orders received during the fourth quarter reached a new record level, EUR 286.6 million. Orders received grew in all Business Areas.

Both external and internal factors contributed to the positive development. The positive market development continued in America and in emerging markets in particular: in Asia and Eastern Europe, and in Australia. In Western Europe the development was slow. Group's orders received increased in almost all main markets. The strongest organic growth occurred in America, Australia and in the Nordic countries, whereas growth in other markets was mainly a consequence of the acquisitions made at the end of 2004 (UK-based Morris Material Handling Ltd and Sweden-based SMV Lifttrucks AB).

Almost all customer industries developed favourably. Market development was particularly strong in harbours, primary metals and petrochemicals. Of the Group's main customer segments only pulp and paper and the automotive industries posted a weak demand.

The Group believes it has increased its market shares considerably during the year.

Sales

Group sales were EUR 970.8 (728.0) million. The growth was 33.4% with an organic growth of 20%. Currency rate changes had only a minor translational effect on the sales development. The sales growth was considerable in all Business Areas. Growth was strong also in all of KCI Konecranes' main markets. Most of the growth in America, Asia and Australia as well as in the Nordic and Eastern European countries was of organic nature, whereas the major part of the growth in Western Europe was related to operations acquired at the end of 2004.

Profitability

The Group's operating income was EUR 49.3 (31.3) million which is an increase of EUR 18.0 million or 57.6% compared to the previous year. The full year operating margin was 5.1 (4.3)% and the fourth quarter margin was 7.7 (6.8)%.

The comparable figure for last year includes a non-recurring restructuring cost of EUR 5.4 million, which according to the Finnish accounting standards (FAS) was recorded already in 2003. A one-time charge of EUR 2.6 million was recorded in the fourth quarter of 2005, reflecting costs for closing Special Cranes manufacturing operations in Germany. Adjusted for these costs the growth in operating income was EUR 15.2 million or 41.4%.

The operating income grew both in Maintenance Services and Standard Lifting Equipment, but decreased in Special Cranes. Special Cranes profitability was burdened by substantial structural changes in operations and additional costs related to the major ramp-up of production volumes. The operating income in Special Cranes was also burdened by a one-time charge (EUR 2.6 million) related to the closure of manufacturing operations in Germany. Adjusted for this one-off charge the operating income grew also in Special Cranes. The operating margin improved in Maintenance Services, remained on the previous year's level in Standard Lifting equipment and decreased in Special Cranes.

Group EBITDA was EUR 64.9 (43.7) million or 6.7 (6.0)% on sales. Depreciations grew by EUR 3.2 million, from EUR 12.4 million to EUR 15.6 million. The increase in depreciations was mainly attributable to acquisitions.

The business and profitability development is discussed by segment under Business Area reviews. The share of associated companies result amounted to EUR 0.5 (0.0) million.

Group interest costs (the net of interest income and expenses) were EUR 6.8 (3.5) million. The growth in interest costs was the result of acquisitions made at the end of 2004 and an increase in capital employed related to the growth.

Other financial income and expenses burdened the result by EUR 9.0 (-0.1) million. The fair value change on hedging instruments (IAS 39) had a negative impact of approx. EUR 7.9 million. The Group used the exemption to apply IAS 32 and IAS 39 for the first time in the 2005 accounts, without having to restate the 2004 figures. Therefore a direct comparison in this respect between the years is not possible.

The Group started to apply hedge accounting during the third quarter for large special crane projects where expected cash flows demonstrate a high degree of certainty. Hedging instruments (effective forward contracts) were earmarked against corresponding hedged projects. The transition was carried out by using so called FX-swap contracts. The total positive effect of the change of accounting policy in the third quarter was approx. EUR 3.6 million before taxes and EUR 2.7 million after taxes. On a full year level the change into hedge accounting leads substantially to the same net income for the year as had it been applied already from the beginning of the year. Also for the Group's equity the timing of the change made no difference. The fair value change of hedging instruments had a positive impact of approx. EUR 0.2 million in the fourth quarter.

Other financing costs relate to currency exchange rate changes and other costs.

The change from FAS accounting and valuation principles to IFRS has affected the Group's result development in 2005 as follows:

Sales + EUR 1.1 million
Operating income (EBIT) EUR + 6.4 million
Other financial income and expenses EUR –7.9 million
Income before taxes EUR –1.5 million,
Net income EUR –1.1 million
Earnings per share EUR –0.07

The valuation changes are largely dependent on the total volume of hedged items and the EUR/USD exchange rate development. It is expected that there will be positive and negative valuation changes also in the future. However, because hedge accounting is now applied, it is expected that the profit impact of the value fluctuations in the future will be less pronounced than during the first half of 2005.

The Group's income after financing items was EUR 34.1 (27.7) million. Income taxes were EUR 10.0 (9.2) million corresponding to an effective tax rate of 29.4 % (33.4) for the year. The decrease in tax rate is mainly related to the improved profits and lower Finnish tax rates.

Group net income or income after tax was EUR 24.1 (18.4) million and earnings per share EUR 1.71 (1.31) or EUR 1.67 (1.29) diluted.

The Group's return on capital employed was 17.2 % (13.7) and the return on equity was 16.6% (12.5). R. Stahl AG's Material Handling Division, acquired on 30 December 2005 was included in the Group's year end balance sheet. The effect was a decrease in the Group's return on capital employed. Disregarding this acquisition, the return on capital employed was 18.1%. The acquisition had no effect on the Group's 2005 statement of income.

Both sales and operating income grew during the year towards the yearend. This seasonal pattern was visible again in 2005 numbers, but less pronounced than before. Both sales at EUR 295.8 million and the operating income excluding one-off restructuring charge at EUR 25.3 million during the fourth quarter set a new one quarter all time high.

Cash flow and balance sheet

The cash flow from operations before financing items and taxes, but after the change in working capital was EUR 66.5 (16.8) million, and per share EUR 4.71 (1.20). The strong cash flow development was supported by improved profits and improved working capital management. In the fourth quarter the cash flow before financial items and taxes was EUR 40.1 (-1.3) million.

The cash from financing items and taxes was EUR –18.1 (-9.2) million and the net cash flow from operating activities was EUR 48.4 (7.6) million.

In total EUR 46.1 million (38.0) of cash was used to cover capital expenditures including acquisitions. The capital expenditures to fixed assets were EUR 13.5 (9.4) million. Cash flow before financing activities was EUR 2.3 (-30.4) million.

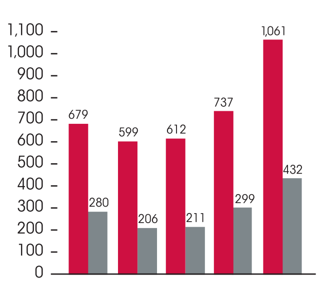
The parent company paid EUR 14.8 million in dividends. In 2004 the company paid EUR 14.0 million as an ordinary dividend and EUR 14.1 million as an extraordinary dividend.

The Group's interest bearing debt was EUR 178.4 (131.4) million, and the interest bearing net debt was EUR 133.9 (110.4) million. Gearing was 88.1 (80.2)%. The Group's interest bearing debts increased at the very end of the year due to the acquisition of R. Stahl AG's Material Handling Division. However, because of the strong cash flow and good profit development, the gearing decreased from the end of September 2005 level. Disregarding the effects of the acquisition, gearing would have been approximately 68%.

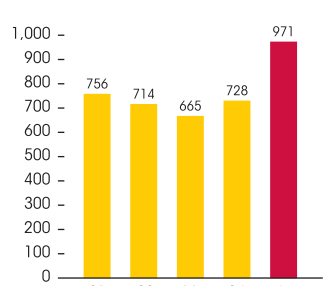
The Solidity ratio was 23.7 (29.1)% and excluding the Stahl acquisition 29.2%. The current ratio was 1.14 (1.11).

The Group's has a EUR 200 million committed back-up financing facility to secure running liquidity. At year end EUR 23.7 (0) million was in use.

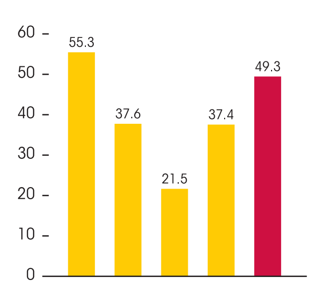
Order Intake **Order Book**
MEUR



Sales
MEUR



Operating Income
MEUR



Currencies

The currency exchange rate fluctuations had only a marginal translational effect on the Group's orders received, sales and operating income development. The strength of the euro against the US dollar (or related currencies) had a negative transactional effect on operating income through export from the euro-area. However, the appreciation of the US dollar and increased sourcing and manufacturing in non-euro areas reduced this effect during the fourth quarter.

The consolidation exchange rates of some important currencies for the Group developed as follows:

The period end rates:

	2005	2004	change %
USD	1.1797	1.3621	15.46
CAD	1.3725	1.6416	19.61
GBP	0.6853	0.7055	2.88
NOK	7.9850	8.2365	3.15
SEK	9.3885	9.0206	-3.92
CNY	9.5204	11.2734	18.41
SGP	1.9628	2.2262	13.42
AUD	1.6109	1.7587	9.17

The period average rates:

	2005	2004	change %
USD	1.2441	1.2437	-0.03
CAD	1.5093	1.616	7.07
GBP	0.6839	0.6786	-0.77
NOK	8.0124	8.3666	4.42
SEK	9.2817	9.1244	-1.69
CNY	10.197	10.358	1.58
SGP	2.0699	2.1011	1.51
AUD	1.6324	1.6912	3.60

The Group continued its currency risk management policy of hedging. The aim for the hedging policy is to minimise currency risk relating to non-euro nominated export and import from or to the euro zone. Hedging was mainly carried out through currency forward exchange transactions.

Capital expenditure

The Group's capital expenditures excluding acquisitions were EUR 16.0 (11.8) million. These capital expenditures consisted mainly of replacement or capacity expansion investments on machines, equipment and information technology. The capital expenditures included also a 40% ownership stake in Ukrainian special crane manufacturing. Additional investments in acquired operations were EUR 30.3 (30.3) million.

In the fourth quarter a new factory for assembly of hoisting trolleys and electrics for special cranes was started in Shanghai, China. The new factory is located next to the standard hoist factory which started operations in 2002.

Research and development

Total direct research and development costs in the Group were EUR 8.8 (8.5) million. The very moderate increase in R&D spending relates to the Group's modern range of products. The launch of the Group's new wire rope hoist line was completed only two years ago. Product development projects related to new chain hoist technology (a new gear adjustment technology and inverter control in hoisting), a new wire rope hoist for the 1-2 ton lifting capacity range and standardisation of the heavy-duty SM hoisting trolley range.

For some time now the main emphasis in R&D has focused on the development of maintenance technologies with specific focus on special crane applications.

Personnel and personnel development

At the end of 2005 the Group employed 5,923 (4,511) persons. Disregarding the Stahl acquisition the Group employed 5,211 persons. The average number of personnel was 5,087 (4,369). The increase in employment relates to acquisitions and personnel increases in the group's Asian operations in particular.

The Group recorded on average 3 training days per employee, which is an increase from previous year (approx. 2 days). The main corporate wide development programs are the KCI Konecranes Academy aimed at middle management and experts and the Academy+ for KCI Academy alumni. The development program for the top management was continued in co-operation with the London Business School.

Review by Business Area

The financial performance of Maintenance Services, Standard Lifting Equipment and Special Cranes is reviewed in the Business Area sections of the Annual Report on pages 10–21.

Group costs and consolidation items

Group level fixed costs, which are not allocated directly to Business Areas, were EUR 23.8 (27.3) million. The corresponding number for 2004 included a one-time restructuring cost of EUR 5.4 million, which according to FAS was already recorded in 2003. With this adjustment, the comparable underlying costs grew by EUR 1.9 million or 8.7%. Group costs consist mainly of common development costs (personnel, R&D, systems), common treasury and legal functions, development of the Group's structure (M&A) and Group management and administration.

Consolidation items included the elimination of internal profit, which was EUR –0.3 (–0.1) million.

Group costs are expected to grow also in the future, probably slightly less compared to sales growth in 2006.

Group structure

KCI Konecranes made several structural changes during 2005, which are aimed at improving sales and profitability by further increasing flexibility in production and improving customer service. KCI Konecranes' own activities focus on product development, assembly and maintenance services.

The acquisition of UK-based hoist and crane manufacturer Morris Materials Handling Ltd was finalised on December 31, 2004 and was integrated into Group operations during 2005 as planned. The Morris wire rope hoist series was replaced during the year with Group technology and production of old product ceased.

At the end of April the Group outsourced its production of end carriages for standard cranes, which was based in Urjala, in Finland. Approximately 70 persons were affected by the transaction.

During the second half of the year the Group acquired a minority shareholding and signed a license agreement with the Spanish crane manufacturer Eydimen. The Group also acquired a 30 % shareholding in the German technology company, Consens Transport Systeme GmbH. Later the group, however, sold its shareholding in agreement with the main owner. The transaction did not have an effect on the full year results.

On July 1, 2005 two small operations focusing on machine tool maintenance were acquired in Sweden. They have joint annual sales of approximately EUR 2 million. The transaction meant the first step into providing machine tool maintenance outside Finland.

During the third quarter the Group acquired a majority stake in the leading Ukrainian special cranes manufacturer Zaporozhcrane. The company has some 1100 employees and 10 hectares of covered factory space. In addition to fabrication of large steel structures the company has knowledge and capacity in manufacture of mechanical components (such as steel structures for trolleys) and other large steel structures for other applications. The company also has its own forge and foundry. The company has know-how but uses partly old production technology. The group can utilise spare production equipment from its operations in the UK and Germany. The initial investment in the shares was a little over EUR 3 million and the intention was to reduce the shareholding below 50%. In a transaction made with Finnfund Oy in late December the group sold 46% of its share in the Zaporozhcrane Holding company. After this transaction the Group owns 49% of the holding company, Finnfund 46 % and the management of Zaporozhcrane (manufacturing company) own 5 %. The sale of the shares had no effect on the Group's financial result and the Zaporozhcrane has been recorded as an associated company in the group accounts.

In order to further increase manufacturing capacity and flexibility the Group signed on October 10, 2005, an agreement with the leading Polish steel structure manufacturer Mostostal Chojnice SA. The manufacturing capacity in Poland is primarily intended for deliveries to the growing markets in Eastern Europe and Central Europe.

The assembly and manufacture of Process cranes ceased in Germany at the end of the year. This resulted in a one-time charge of EUR 2.6 million, which was reported in the Special Cranes fourth quarter results. In the future the operation focuses on process crane sales, project management and customer support. The closing of the factory resulted in the reduction of 40 employees.

The inauguration of a new factory in Shanghai, China, for the assembly of special crane trolleys and electrics was celebrated at the end of November. The factory has a planned annual capacity of 400-500 trolleys which equals a doubling of the Group's capacity. The production is primarily intended for the growing markets in Asian steel and paper industry, power generation and general manufacturing. Sourcing of large steel structures in China was increased in China and the assembly capacity of RTGs (rubber tired gantry cranes) was increased from two to three cranes per month.

The acquisition of R. Stahl AG's material handling division, R. Stahl F rdertechnik was finalised on December 12, 2005. Stahl has over 100 years of history as a supplier of standard cranes and hoists. Stahl is a well recognised strong brand in the industry. The company has a strong exposure in specialised applications for the automotive and petrochemical industries. The acquisition complements the group's product offering and strengthens the group's position particularly in the European standard lifting equipment market. In addition the company has a large installed base of cranes and hoists, which bring opportunities within the development of maintenance services. The Stahl material handling operations have been included in the Group's balance sheet at the end of 2005. The operations will be fully included in Group numbers as of January 1, 2006.

Important appointments

KCI Konecranes' Board of Directors appointed in its meeting on June 17, 2005 Mr. Pekka Lundmark as President and CEO of KCI Konecranes. At the same meeting Mr. Stig Gustavson, who had been the President and CEO for the last 17 years, was appointed Chairman of the Board of Directors, and the former Chairman Mr. Bj rn Savén was appointed vice Chairman of the Board.

Litigations

The lawsuit filed by Morris Material Handling, Inc. against the company in the United States Court, Eastern District of Wisconsin, still continues. Morris Material Handling, Inc., one of KCI Konecranes' competitors in North America, filed in 2003 a lawsuit against KCI Konecranes Plc and Konecranes, Inc. (KCI Konecranes' US subsidiary) alleging violation of Morris's intellectual property rights and acts of unfair competition. The Group has issued counterclaims against Morris Material Handling, Inc. A court decision is likely to be issued during the third quarter in 2006. The Company does not at the moment have reason to expect the case to have a material effect but the company has regularly commented on the case as the lawsuit has been commented in public.

At the end of year 2005 there were no pending legal processes or disputes that the Group evaluates to have a material effect.

Risk management

The main purpose of the KCI Konecranes risk management is to guarantee the continuity of the business under all circumstances.

Risk management is part of the control system of the company. CEO and Group management team are responsible for the risk management. The importance of risk management has increased due to the fast growth of the Group as well as due to the need to identify and control the risk of a more complex business environment.

The change in the Group's operational model from traditional manufacturing to increasingly supply chain driven activity demands additional efforts to secure the availability of components, materials and services. To guarantee the quality of sourcing demands a lot of continuous quality development work from KCI Konecranes experts. Continuous quality training for suppliers and long term supply agreements guarantee the steady development of our operations.

Special attention has also been paid to the risk control of new geographical areas. Continuous control of specific contract terms for both sales and purchase contracts ease the control of risks.

The Group continuously reviews its insurance policies as part of its overall global risk management. According to the risk management principles all insurable risks related to personnel, property and operation are covered by insurances. In risk management the business units are responsible for financial needs and for identifications of their financial risks. Almost all funding, cash management and foreign exchange with banks and other external counter parties is done centrally by Group Treasury.

Environment

KCI Konecranes recognizes environmental management as an important aspect in its business and strives to conduct operations in an environmentally sound manner.

Environmental concerns are taken into account from the product development stage onwards. Good examples of what this means in practice are the inverter drives developed by KCI Konecranes that use up to 40% less energy than conventional solutions, and the fine machined components used in our transmissions that contribute to extended service life and significantly reduced noise levels. We also develop crane structures that use less steel and other raw materials. Lighter and compact designs of cranes contribute to savings in space, heating, and operating costs in buildings and harbour platforms.

The company strives to favour products and materials that impose the lowest possible impact on the environment in procurement choices, and to pay particular attention to keeping energy and material consumption at a low level. Local regulations and recommendations are taken into account in waste management and disposal. The company prioritizes developing the environmental awareness of both own people and partners, with the aim of making an enlightened approach to the environment and environmental protection a natural part of day-to-day operations in all of our activities.

Incentive programs and share capital

At the end of the year 2005, KCI Konecranes had four ongoing stock option plans (1997, 1999, 2001 and 2003). The option plans include approximately 300 key employees. The terms and conditions of the stock option schemes are available on our Investor homepage at www.konecranes.com/investor.

Pursuant to KCI Konecranes Plc's stock option plans 176,000 new shares were subscribed for and registered in the Finnish Trade Register during the year 2005. As a result of the subscriptions, KCI Konecranes' share capital increased to EUR 28,972,060, comprising 14,486,030 shares.

The remaining 1997, 1999B, 2001 and 2003 stock options at the end of the accounting period entitle to subscription of a total of 1,051,500 shares, thereby the share capital can be increased by EUR 2,103,000. The subscription period of the series A 1999 stock options ended on March 31, 2005.

Dividend proposal

The Board of Directors proposes to the AGM that a dividend of EUR 1.10 per share will be paid for the fiscal year 2005. The dividend will be paid to shareholders, who are entered in the company's share register maintained by the Finnish Central Securities Depository Ltd. on the record date for payments of dividends on March 13, 2006. The actual payment of dividend will take place on March 20, 2006.

Future prospects

The strong new equipment order backlog and momentum in maintenance services, together with the recent acquisition, give a good starting point for 2006. Based on the current market outlook, the total sales growth is expected to exceed 20%. Selected acquisitions will be considered also in the future.

The acquisition of R.Stahl F rdertechnik is expected to add EUR 120 - 130 million to the Group's sales in its Standard Lifting Equipment Business Area. For the Group EBIT margin, the dilutive effect is expected to be 0.5 %-points. The acquisition is expected to be EPS neutral in 2006 and accretive from 2007.

Notwithstanding the dilutive effect caused by the acquisition, the positive EBIT margin development seen during 2005 is expected to continue.

Helsinki 15, February 2006
KCI Konecranes Plc
Board of Directors

Consolidated Statement of Income – IFRS

(1,000 EUR)		1.1. - 31.12.2005	1.1. - 31.12.2004
Note 4,6	**Sales**	**970,824**	**728,003**
Note 7	Other operating income	2,179	2,330
Note 8	Depreciation	(15,576)	(12,399)
Note 8	Impairment losses	-	(1,264)
Note 9,10	Other operating expenses	(908,095)	(685,347)
	Operating profit	**49,332**	**31,323**
Note 17	Share of result of associates and joint ventures	514	(16)
Note 11	Financial income and expenses	(15,775)	(3,644)
	Income before taxes	**34,071**	**27,663**
Note 12	Taxes	(9,968)	(9,243)
	Net income	**24,103**	**18,420**
	Earnings per share, basic (EUR)	1.71	1.31
	Earnings per share, diluted (EUR)	1.67	1.29

Consolidated Balance Sheet – IFRS

(1,000 EUR)

Note:	ASSETS	31.12.2005	31.12.2004
	Non-current assets		
Note 14	Goodwill	54,798	38,001
Note 15	Other intangible assets	42,184	9,718
Note 16	Property, plant and equipment	60,833	53,537
	Advance payments and construction in progress	8,838	5,541
Note 17	Investments accounted for using the equity method	5,857	3,871
Note 18	Available-for-sale investments	1,565	1,474
	Long-term loans receivable	244	226
Note 24	Deferred tax assets	23,263	13,637
	Total non-current assets	**197,582**	**126,005**
	Current assets		
	Inventories		
	Raw materials and semi-manufactured goods	73,643	53,183
	Work in progress	74,137	57,760
	Advance payments	9,199	3,161
	Total inventories	156,979	114,104
	Accounts receivable	223,297	153,065
	Loans receivable	173	41
	Other receivables	18,300	14,150
Note 19	Deferred assets	83,661	85,879
	Cash and cash equivalents	44,022	20,691
	Total current assets	**526,432**	**387,930**
	TOTAL ASSETS	**724,014**	**513,935**

(1,000 EUR)

Note:	EQUITY AND LIABILITIES	31.12.2005	31.12.2004
	Capital and reserves attributable to the shareholders of the parent		
	Share capital	28,972	28,620
	Share premium account	26,527	22,272
Note 30	Fair value reserves	(4,941)	0
	Translation difference	(1,191)	(6,095)
	Retained earnings	78,587	74,370
	Net income for the period	24,103	18,421
Note 20	**Total Shareholders' equity**	**152,057**	**137,588**
	Minority interest	63	58
	Total equity	**152,120**	**137,646**
	Liabilities		
	Non-current liabilities		
Note 22,27	Interest-bearing liabilities	27,353	4,838
Note 23	Other long-term liabilities	61,627	15,949
Note 24	Deferred tax liabilities	17,967	3,956
	Total non-current liabilities	**106,947**	**24,743**
Note 25	**Provisions**	**20,062**	**17,494**
	Current liabilities		
Note 22,27	Interest-bearing liabilities	151,030	126,549
	Advance payments received	81,043	41,068
	Accounts payable	83,684	68,184
Note 26	Other short-term liabilities (non-interest bearing)	17,729	14,507
Note 26	Accruals	111,399	83,744
	Total current liabilities	**444,885**	**334,052**
	Total liabilities	**571,894**	**376,289**
	TOTAL EQUITY AND LIABILITIES	**724,014**	**513,935**

Consolidated Statement of Changes in Equity – IFRS

(1,000 EUR)

	Share Capital	Share premium account	Fair value Reserves	Translation Difference	Retained Earnings	Minority interest	Total Equity
Balance at 31 Dec, 2003 IFRS	**28,617**	**21,839**		**(5,663)**	**105,433**	**61**	**150,287**
Increase in share capital	3	33					36
Dividend distribution					(28,143)		(28,143)
Change in untaxed reserves					329		329
Translation difference				(432)			(432)
Share based payments recognised against equity					849		849
Minority interest						(3)	(3)
Change in accounting policy					(4,871)		(4,871)
Sales of own shares		400			1,109		1,509
Other changes				-	(337)		(337)
Net profit for the period					18,421		18,421
Balance at 31 Dec, 2004 IFRS	**28,620**	**22,272**		**-6,095**	**92,790**	**58**	**137,645**

	Share Capital	Share premium account	Fair value Reserves	Translation Difference	Retained Earnings	Minority interest	Total Equity
Balance at 31 Dec, 2004 IFRS	**28,620**	**22,272**		**-6,095**	**92,790**	**58**	**137,645**
Increase in share capital	352	4,255					4,607
Dividend distribution					(14,804)		(14,804)
Change in untaxed reserves					(606)		(606)
Cash flow hedge			(4,941)				(4,941)
Translation difference				4,904			4,904
Share based payments recognised against equity					1,207		1,207
Minority interest						5	5
Net profit for the period					24,103		24,103
Balance at 31 Dec, 2005 IFRS	**28,972**	**26,527**	**(4,941)**	**(1,191)**	**102,690**	**63**	**152,120**

Distributable earnings	31.12.2005 (1,000 EUR)
Retained earnings	102,690
Untaxed reserves in retained earnings	(942)
Other non-distributable earnings	(1,191)
Distributable earnings	**100,557**

Consolidated Cash Flow Statement – IFRS

(1,000 EUR)	1.1.– 31.12.2005	1.1.– 31.12.2004
Cash flow from operating activities		
Operating income	49,332	31,323
Adjustments to operating profit		
Depreciation and impairments	15,576	13,663
Profits and losses on sale of fixed assets	(680)	(652)
Other non-cash items	1,592	852
Operating income before change in net working capital	**65,820**	**45,186**
Change in interest-free short-term receivables	(25,788)	(27,538)
Change in inventories	(17,772)	(27,494)
Change in interest-free short-term liabilities	44,213	26,656
Change in net working capital	**653**	**(28,376)**
CASH FLOW FROM OPERATIONS BEFORE FINANCING ITEMS AND TAXES	66,473	16,810
Interest received	7,582	1,252
Interest paid	(10,612)	(4,653)
Other financial income and expenses	(5,042)	1,452
Income taxes paid	(9,988)	(7,257)
Financing items and taxes	**(18,060)**	**(9,206)**
NET CASH FROM OPERATING ACTIVITIES	48,413	7,604
Cash flow from investing activities		
Acquisition of Group companies, net of cash	(30,331)	(30,257)
Acquisition of shares in associated company	(3,328)	(112)
Investments in other shares	(2,042)	-
Capital expenditures	(13,501)	(9,392)
Proceeds from sale of other and associated company shares	2,389	-
Proceeds from sale of fixed assets	649	1,598
Dividends received	60	157
Net cash used in investing activities	**(46,104)**	**(38,006)**
CASH FLOW BEFORE FINANCING ACTIVITIES	2,309	(30,402)
Cash flow from financing activities		
Proceeds from options exercised	4,607	-
Proceeds from (+), payments of (-) long-term borrowings	25,202	(24,417)
Proceeds from (+), payments of (-) short-term borrowings	4,879	91,053
Proceeds from (-), payments of (+) short-term receivables	(150)	(175)
Dividends paid	(14,804)	(28,143)
Net cash used in financing activities	**19,734**	**38,318**
Translation differences in cash	1,288	(384)
CHANGE OF CASH AND CASH EQUIVALENTS	23,331	7,532
Cash and cash equivalents at beginning of period	20,691	13,159
Cash and cash equivalents at end of period	44,022	20,691
Change of cash and cash equivalents	**23,331**	**7,532**

The effect of changes in exchange rates has been eliminated by converting the beginning balance at the rates current on the last day of the year.

1. Accounting Principles

The consolidated financial statements of KCI Konecranes Plc, ("KCI Konecranes Group" or "the Group") a Finnish limited liability company domiciled in Hyvinkää, have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared under the historical cost conventions except as disclosed below.

KCI Konecranes Group has applied IFRS as of 1 January 2005 and prepared the opening IFRS balance sheet at the date of transition, which was 1 January 2004.
In the transition to IFRS, KCI Konecranes Group has applied some optional exceptions allowed by the First-time adoption standard (IFRS 1).

The effect of adopting IFRS is summarised in the reconciliation calculations between Finnish GAAP and IFRS provided with current consolidated financial statements (see note 3). Comparative figures for 2004 have been restated accordingly.

PRINCIPLES OF CONSOLIDATION

The consolidated accounts include the parent company KCI Konecranes Plc 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.

An associated company is a company in which the Group holds 20-50 % of the voting power and has a participating interest of at least 20% considering also other criteria of obtaining control over the acquired entity. A joint venture is a company where the group has a joint control over the entity.

Acquisitions of subsidiaries are accounted for using the purchase method according to which the assets and liabilities of the acquired company are measured at their fair value. The excess of the acquisition cost over the subsidiary's equity at the time of acquisition that has not been allocated to specific balance sheet items is recorded as goodwill.

Investments in associated companies and joint ventures have been accounted for in the consolidated financial statements using the equity method.
The KCI Konecranes Group's share of the profit or loss of an associated company or a joint venture is shown in the consolidated statement of income as a separate item. The Group's share of the shareholders' equity of the associated companies and joint ventures at the date of acquisition, adjusted by changes in the associated companies' and joint ventures' equity after the date of acquisition, is shown in the balance sheet under "investments accounted for using the equity method".

Minority interest is presented separately under equity in the balance sheet.

Intracorporate transactions and internal margins in inventories have been eliminated in the consolidated financial statements.

FOREIGN CURRENCY ITEMS AND EXCHANGE RATE DIFFERENCES

Assets and liabilities in foreign currencies have been valued at the rates of exchange at the balance sheet date. 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. Unrealized exchange rate differences relating to items for which hedge accounting is applied, are recorded in equity. In consolidation the statements of income of foreign entities are translated into euros at the average exchange rate for the accounting period. The balance sheets of foreign entities are translated at the year-end exchange rate. Translation differences resulting from converting the shareholders' equity of foreign subsidiaries have been included in equity.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group's global operations expose it to currency risk and to less significant interest rate risk.

The Group uses derivative financial instruments (primarily forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain commitments and forecasted transactions.

Derivative financial instruments are used for hedging purposes in accordance with the Group's hedging policy and not for speculative purposes. These instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

For certain large special crane projects the Group applies hedge accounting compatible with IAS 39. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in statement of income. The Group's policy with respect to hedging the foreign currency risk of a firm commitment and highly probable forecasted transaction is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or highly probable forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are recorded to statement of income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in statement of income as they arise.

REVENUE RECOGNITION

Revenue from the sale of goods is recognized after the risks and rewards connected with ownership of the goods sold have been transferred to the customer. Normally revenue recognition takes place when the goods have been handed over to the customer according to the contractual terms.

Revenues from services are recognized when the services have been rendered.

Long term crane and modernisation projects revenue is recognised according to the percentage of completion (POC) method. Most significant long-term projects relate to harbour and shipyard cranes. The stage of completion of a contract is determined by the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged as expenses during the year in which they are incurred, since future economic benefits of new products are evident only after introduction to the market.

EMPLOYEE BENEFITS (PENSIONS)

The KCI Konecranes companies have various pension plans in accordance with local conditions and practices. Pensions are generally handled for the Group companies by outside pension insurance companies or by similar arrangements.

Under defined contribution plans, expenses are recognised for the period the contribution relates to. KCI Konecranes Group accounts for the Finnish system under the Employees' Pensions Act (TEL) as a defined contribution plan. The expected cost of the disability benefit is recognised when an event causing the disability occurs.

Under defined benefit plans, a liability recognised in the balance sheet equals to the net of the present value of the defined benefit obligation less the fair value of the plan assets at the balance sheet date together with adjustments for deferred actuarial gains and losses and unrecognised pension service costs.

LEASES

Lease contracts, in which the Group assumes an essential part of risk and rewards of ownership, are classified as finance lease. In finance lease the assets and accumulated depreciation are recognised in fixed assets and the corresponding lease obligations are included in interest-bearing liabilities.
Other lease contracts are classified as operating leases and the lease payments of these leases are recognised as rental expenses in statement of income.

VALUATION OF INVENTORIES

Raw materials and supplies are valued at acquisition cost or, if lower, at likely selling price. 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.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is not amortized but is tested for impairment annually.

Other intangible assets include service contracts, patents and trademarks and software licenses. They are stated at cost and amortized on the straight-line basis over expected useful lives, which may vary from 4 to 10 years.

TANGIBLE ASSETS

Tangible assets comprising land, buildings, machinery and equipment are stated at cost less accumulated depreciation and any impairment losses. Certain land and buildings can include immaterial amounts as revaluation. Depreciation is recorded on a straight-line basis over the estimated useful economic life of the assets as follows:

- Buildings	5-40 years
- Machinery and equipment	4-10 years

No depreciation is recorded for land.

IMPAIRMENT OF ASSETS

The carrying amounts of non-current tangible assets and other intangible assets are assessed at each balance sheet date as to whether there is any indication for impairment. If such an indication exists, the recoverable amount of the assets is estimated. An impairment loss is recognised in statement of income when the recoverable amount of an asset is less than its carrying amount.

STOCK OPTIONS

KCI Konecranes Group issues stock options to its key personnel. The stock option holder is entitled to subscribe shares in KCI Konecranes Plc in accordance with the terms of the stock option programs. The fair value of the stock options is measured at the grant date and the options are recorded as expense in the statement of income during the vesting period in accordance with IFRS 2. The valuation of the options is based on the Blacks & Scholes formula. When the options are exercised, equity is increased by the amount of the proceeds received.

PROVISIONS

Provisions are recognized in the balance sheet when the Group has a present legal and constructive obligation as a result of a past event and it is considered certain or likely to occur. Provisions arise from restructuring plans, onerous contracts, guarantee and claim works. Obligations arising from restructuring plans are recognized when the detailed and formal restructuring plans have been established and when there is a valid expectation that the plan will be implemented.

ENVIRONMENTAL COSTS

According to the general guideline of Accounting Board environmental costs are recorded on an accrual basis as expenses during the financial year in which they have incurred.

INCOME TAX

Taxes shown in the consolidated statement of income include income taxes to be paid on the basis of local tax legislations, tax adjustments from previous years as well as the effect of the annual change in the deferred tax liability and deferred tax assets.

Deferred tax liabilities and deferred tax assets are calculated of all temporary differences arising between the tax basis and the book value of assets and liabilities. The main temporary differences arise from unused tax losses, depreciation differences, provisions, defined benefit pension plans, inter-company inventory margin and fair valuation of derivative financial instruments. In connection with an acquisition the Group records provisions for deferred taxes on the difference between the fair values of the net assets acquired and their tax bases. A deferred tax asset is recognised to the extent that it is probable that it can be utilized.

2. Management of financial risks

The Group's global business operations involve financial risks in the form of market, credit and liquidity risks. The Group's objective is to increase the short-term stability of the financial environment for the business operations by reducing the negative effects caused by price fluctuations and other uncertainties in the financial markets. This is done by identifying, evaluating and controlling the financial risks arising from the Group's global business operations.

The business units are responsible for identification of their financial risks. The units hedge their risks internally with KCI Treasury. Almost all funding, cash management and foreign exchange with banks and other external counterparties is done centrally by KCI Treasury in accordance with the Group's treasury policy.

MARKET RISKS – Exchange rate risk

The Group's global business operations generate exchange rate risk. Most of this risk is hedged by KCI Treasury. Depending on the business area, the hedging covers operative cash flows for the next 6-18 months and is done by using foreign exchange forward contracts. The business units' commercial bids in foreign currency can be hedged by using currency options.

For certain large special crane projects the Group applies hedge accounting compatible with IAS 39. Hedges are done by using foreign exchange forward contracts. Currently only USD denominated projects are included in the hedge accounting, as at 31 December 2005 hedged cash flows totalled USD 166.4 million.

To hedge the transaction risk the Group uses foreign exchange forward contracts in AUD, CAD, CHF, DKK, GBP, HUF, JPY, NOK, PLN, SEK, SGD and USD.

Currently none of the non-euro denominated shareholders' equity of the Group's foreign subsidiaries is hedged.

MARKET RISKS – Interest rate risk

The Group's interest rate risk relates mainly to funding as investments are rare and of temporary nature. The capital intensity of the business operations of the Group is normally relatively low. As the gearing level is also normally fairly low, the overall importance of the interest rate risk is small compared to the exchange rate risk.

Approximately 75% of the Group's interest-bearing liabilities are denominated in euro.

The Group's funding is kept mainly in short periods (floating rate). For hedging purposes interest rate swaps, forward rate agreements, interest rate futures and interest rate options can be used.

An increase of one percentage point in the level of interest rates at the end of 2005 would have lowered the market value of the long-term loan portfolio by EUR 0.2 million. The proportion of fixed interest loans in the loan portfolio can be increased by means of interest rate derivatives. As a consequence of this treasury policy, the Group's average interest rate level in general can be higher than the market level of short-term interest rates when low rates prevail and, on the other hand, lower than the market level when high rates prevail. A rise of one percentage point in the level of interest rates means that the Group's interest expenses over the next 12 months will increase by about EUR 1.3 million.

MARKET RISKS – Energy price risk

By using electricity derivatives the Group strives for reducing the negative effect caused by electricity price fluctuation.

CREDIT RISKS

All credit risks related to financial instruments are managed by KCI Treasury. The counterparties are limited to the core banks of the Group. These are all major banks with good credit qualities. The majority of all financial instruments are of short-term nature, with maturity in less than one year.
The business units manage all credit risks related to their commercial flows.

LIQUIDITY RISKS

It is the Group's policy to keep minimum amount of cash in the balance sheet as deposits or any other liquid assets to maximize the return of capital employed.

For managing the liquidity risks the Group has established a EUR 200 million committed, multi-currency revolving credit facility with an international loan syndication (2005-2010). To cover short-term funding (1-3 months) Konecranes Finance Corporation can borrow from institutional investors through seven domestic commercial paper programmes a total of EUR 216 million. In addition, business units around the world have overdraft facilities totalling EUR 27 million to cover the day-to-day funding needs.

3. Transition to IFRS Reporting

KCI Konecranes Group has applied IFRS as of 1 January 2005 and prepared the opening IFRS balance sheet at the date of transition, which was 1 January 2004.
KCI Konecranes Group's financial statements for 2004 have previously been published in accordance with Finnish Accounting Standards (FAS). KCI Konecranes Group's accounting principles under FAS are described in the Group's Annual Report for 2004.

The tables below present the reconciliation of net income and shareholders' equity between FAS and IFRS as of the transition date 1 January 2004 and the financial year 2004. Comparative IFRS statements of income, balance sheet and segment reporting are also presented.

THE MAIN IMPACTS OF IFRS TRANSITION

3.1. Business combinations and Impairment of assets
KCI Konecranes Group has applied the exemption given to a first-time adopter in IFRS 1 from IFRS 3 (Business combination). In accordance with this the business combinations before the date of transition to IFRS are reported as they were recognized under FAS.

Goodwill, as well as partly intangible and tangible assets were tested for possible impairments at the date of transition of 1 January 2004.

As a result of impairment tests minor impairment losses were recognized (EUR 0.1 million) in tangible and intangible assets at the date of transition. At the balance sheet date 31 December 2004 there were EUR 1.0 million impairment losses due to impairment of tangible assets in USA and EUR 0.2 million due to impairment of goodwill.

In accordance with IFRS goodwill is no longer amortized but is instead tested for impairment annually. Accordingly, goodwill amortization of EUR 2.6 million has been reversed for the 2004 comparative figures.

The Group made two important business acquisitions during the fourth quarter of 2004. The acquisition of SMV Lifttrucks AB, Sweden was closed on 29 October 2004 and the acquisition of Morris Material Handling Ltd and its affiliated companies on 31 December 2004. The cost of these acquisitions was provisionally allocated to the assets and liabilities of the acquired entities on the basis of their fair values. The excess of the allocated cost of the net fair value of the identifiable assets, liabilities and contingent liabilities amounting to EUR 21.6 million was recorded as goodwill. Morris Material Handling Ltd and its affiliate companies were not consolidated to the Group´s financial statements for 2004, which were published in accordance with FAS. The acquisition costs of Morris Material Handling Ltd and its affiliated companies were included in other shares and similar rights of ownership.

See note 5 for the accounting treatment in 2005 of the above items.

3.2. Employee benefits (pensions)
The KCI Konecranes Group companies have various pension plans in accordance with local conditions and practices. In IAS 19 the pension plans are classified as either defined contribution plans or defined benefit plans.

Under defined contribution plans, expenses are recognised for the period the contribution relates to.

Under defined benefit plans, a liability is recognised in the balance sheet equal to the net of the present value of the defined benefit obligation; the fair value of the plan assets at the balance sheet date and deferred actuarial gains and losses and unrecognised pension service costs.

At the transition balance sheet of 1 January 2004, the Group pension obligations have increased by EUR 15.0 million. The major part of this amount arises from one defined benefit plan in the Group's subsidiary in the United Kingdom.

KCI Konecranes Group accounts for the Finnish system under the Employees' Pensions Act (TEL) as a defined contribution plan. The expected cost of the disability benefit is recognised when an event causing the disability occurs.

3.3. Financial instruments
In accordance with the exemption allowed for first-time adopters of IFRS, the IFRS opening balance and comparative figures 2004 need not comply with IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement). Accordingly KCI Konecranes Group presents the values of financial instruments in comparative figures 2004 according to FAS. Standards 32 and 39 are

applied from 1 January 2005, and the effect of the change in accounting policy has been recorded directly in shareholders' equity. See also note 3.9. (Changes in Accounting Policies).

In the beginning of the financial year 2005, KCI Konecranes Group did not apply hedge accounting to derivatives hedging forecasted cash flows or balance sheet items in other currencies than euros, although currency derivative contracts have been acquired for hedging purposes in accordance with the Group's hedging policy. During the third quarter of the financial year 2005 the Group started to apply hedge accounting to certain large special crane projects where expected cash flows are highly probable.

In the beginning of the financial year 2005, all derivatives were measured at fair value and recorded through profit and loss to adjust sales and purchases and financial items, if they related to balance sheet items. If they related to off- balance sheet items, they were recorded under financial items. After the application of hedge accounting of certain large special crane projects during the third quarter of the financial year 2005, the accounting treatment follows the hedge accounting guidelines as explained in Note 1 Accounting principles.
To the extent hedge accounting is not applied, the derivatives hedging the off-balance sheet items will cause short-term fluctuation to the Group's result through exchange rate differences. In the course of time (6 – 12 months) the cumulative effect of this fluctuation will be close to zero.

3.4. Own shares
According to IFRS, investments in own shares are not allowed to be presented as assets or within equity. This decreases the assets and equity values by EUR 5.5 million in the balance sheet as at 1 January 2004. The corresponding figure in the balance sheet as at 31 December 2004 is EUR 4.4 million.

3.5. Stock Options
IFRS 2 (Share-based Payment) requires that all equity-settled share-based payments granted after 7 November 2002, that are not yet vested before 1 January 2005, must be recognised through profit and loss.

KCI Konecranes Group uses equity instruments only in share options that are granted to key personnel. The Group has several employee share option programs, but the 2003 option program is the only program, which has an effect on the Group's income. According to the standard the fair value of these share options shall be estimated by applying an option-pricing model and the resulting value is to be expensed during the vesting period.

The total cost of the option programs for the financial year 2004 was EUR 0.8 million. Option program costs are included in personnel expenses and credited to shareholders' equity.

3.6. Income Taxes
Deferred taxes have been recognized of all taxable IFRS-adjustments in accordance with IAS 12 (Income Taxes). The total deferred tax asset effect in the balance sheet as at 1 January 2004 was EUR 3.8 million and EUR 5.3 million in the balance sheet as at 31 December 2004.

3.7. Provisions
At the date of transition as of 1 January 2004 some provisions in the Group did not meet the recognition criteria of restructuring provisions prescribed in IAS 37. Based on this these provisions of EUR 5.4 million were reversed in the opening IFRS balance sheet and correspondingly recorded on comparative figures 2004.

3.8. Minority interest
In accordance with IAS 1 (Presentation of Financial Statements) minority interest (EUR 0.1 million) is presented in equity in the IFRS balance sheet.

3.9. Changes in Accounting Policies
According to IAS 8 changes in Accounting Policies shall be applied retrospectively. When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information the corresponding adjustment is reported as an adjustment to equity.

In KCI Konecranes Group IAS 32 and 39 standards were applied during 2005. In the Balance sheet as at 1 January 2005 an amount in total of EUR -4.9 million as a result of applying IAS 39 was entered directly to shareholders' equity.

3.10. Other IFRS adjustments
The other IFRS adjustments in the opening balance relate mainly to the reversal of goodwill allocation which was recorded according to FAS, but is not in accordance with IFRS, in total EUR -1.8 million.

In addition to changes described in items 1-9 above, there were minor IFRS adjustments or reclassifications to the Group's statement of income and balance sheet.

3. Transition to IFRS Reporting in Figures

Consolidated Statement of Income

(EUR million)	Notes	FAS 1-12/2004	IFRS effect	IFRS 1-12/2004
Sales	**3**	**728.0**		**728.0**
Share of result of participating interest undertakings	1	(0.5)	0.5	0.0
Depreciation	1	(14.6)	2.2	(12.4)
Impairment losses	1	-	(1.2)	(1.2)
Other operating expenses	2.5.7	(675.5)	(7.6)	(683.1)
Operating income (EBIT)		37.4	(6.1)	31.3
Financial income and expenses	3	(3.6)	-	(3.6)
Profit before taxes		33.8	(6.1)	27.7
Taxes	6	(10.7)	1.5	(9.2)
Net income		**23.0**	**(4.6)**	**18.4**

Key figures

Earnings per share, basic (EUR)	1.64	-0.33	1.31
Earnings per share, diluted (EUR)	1.50	-0.33	1.29
Return on equity %	14.8 %		12.5 %
Return on capital employed %	15.9 %		13.7 %

Reconciliation of Net Income

(EUR million)	Notes	1-12/2004
Net income according to FAS		**23.0**
Reversal of amortization of goodwill	1	2.6
Impairment	1	(1.2)
Employee benefits	2	(1.1)
Stock options	5	(0.8)
Income taxes	6	1.5
Provisions	7	(5.4)
Other IFRS adjustments	10	(0.2)
Total IFRS adjustments		**(4.6)**
Net income according to IFRS		**18.4**

Reconciliation of Shareholders' Equity

(EUR million)	Notes:	12/2003	12/2004
Equity according to FAS		**163.4**	**157.9**
IFRS adjustments:			
Reversal of amortization of goodwill	1	-	2.6
Impairment	1	(0.1)	(1.3)
Employee benefits	2	(15.0)	(16.1)
Reserve for own shares	4	(5.5)	(4.4)
Income taxes	6	3.8	5.3
Provisions	7	5.4	-
Minority interest	8	0.1	0.1
Changes in accounting policy	9	-	(4.9)
Other IFRS adjustments	10	(1.8)	(1.5)
Total IFRS adjustments		**(13.1)**	**(20.2)**
Equity according to IFRS		**150.3**	**137.7**

Effects of IFRS standards on Balance Sheet at 1.1.2004 and 31.12.2004

(EUR million)	FAS 12/2003	IFRS effect	IFRS 1/2004	FAS 12/2004	IFRS effect	IFRS 12/2004
Fixed Assets	98.0	(7.4)	90.6	116.9	(4.8)	112.1
Inventories	72.4	-	72.4	108.8	5.3	114.1
Receivables and other current assets	218.6	4.9	223.5	247.3	19.7	267.0
Cash in hand and at banks	13.2	-	13.2	20.4	0.3	20.7
Total Assets	**402.2**	**(2.5)**	**399.7**	**493.4**	**20.5**	**513.9**
Equity	163.4	(13.1)	150.3	157.9	(20.2)	137.7
Minority Share	0.1	(0.1)	0.0	0.1	(0.1)	0.0
Provisions	20.3	(5.3)	15.0	15.4	2.1	17.5
Long-term debt	32.5	16.2	48.7	7.4	17.4	24.8
Current liabilities	185.9	(0.2)	185.7	312.7	21.4	334.1
Total shareholders' equity and liabilities	**402.2**	**(2.5)**	**399.7**	**493.4**	**20.5**	**513.9**

Key figures

Equity / Share (EUR)	10.89	-1.13	9.76
Solidity %	34.3 %		29.1 %
Gearing %	67.2 %		80.2 %

All Figures are in Millions of Euros

4. Segment information

In segment reporting business segments (business areas) are defined as the primary segment. The business areas are based on the Group's managerial reporting and organizational structure. The business segments are: Maintenance Services, Standard Lifting Equipment and Special Cranes. The assets and liabilities of the business areas include only items directly connected with the business as well as the goodwill related to them. Unallocated items, including Group Headquarters, include tax and financial items as well as items allocated to the Company as a whole.

As its secondary segments KCI Konecranes Group reports four geographical areas, which are the main market areas: Nordic and Eastern Europe, EU (excl.Nordic), Americas and Asia-Pacific. Sales are reported by customer location and assets and capital expenditure by the location of the assets. Intra-Group transfer prices are based primarily on the market prices.

4.1. Business segments

2005	Maintenance Services	Standard Lifting Equipment	Special Cranes	Unallocated items	Elimi-nations	Total
Net sales	406.5	318.0	331.1		(84.8)	970.8
Operating income	29.4	28.8	15.2	(24.1)		49.3
% of net sales	7.2 %	9.1 %	4.6 %			5.1 %
Assets	162.5	260.3	211.8	89.4		724.0
Liabilities	60.4	75.0	122.0	314.5		571.9
Capital expenditure	4.5	4.0	4.0	3.5		16.0
Depreciations	4.0	5.3	4.9	1.4		15.6
Impairment of assets	0.0	0.0	0.0			0.0
Share of result of associates and joint ventures	0.0	0.4	0.1			0.5
Personnel	2,999	1,898	890	136		5,923

2004	Maintenance Services	Standard Lifting Equipment	Special Cranes	Unallocated items	Elimi-nations	Total
Net sales	344.6	231.2	214.1		(61.9)	728.0
Operating income	22.1	20.7	15.9	(27.4)		31.3
% of net sales	6.4 %	9.0 %	7.4 %			4.3 %
Assets	146.1	150.5	135.6	81.7		513.9
Liabilities	57.0	61.8	71.0	186.5		376.3
Capital expenditure	3.4	2.7	4.3	1.4		11.8
Depreciations	4.5	4.4	2.5	1.0		12.4
Impairment of assets	0.0	0.0	0.0	1.3		1.3
Share of result of associates and joint ventures	0.0	0.0	0.0	0.0		0.0
Personnel	2,685	1,028	675	123		4,511

4.2. Geographical segments

2005	Nordic & Eastern Europe	EU (excl.Nordic)	Americas	Asia Pacific	Total
External sales	215.2	300.5	277.7	177.4	970.8
Assets	203.3	317.6	117.3	85.8	724.0
Capital expenditure	10.9	2.5	1.0	1.6	16.0
Personnel	1,912	2,094	1,174	743	5,923

2004	Nordic & Eastern Europe	EU (excl.Nordic)	Americas	Asia Pacific	Total
External sales	140.9	222.5	215.1	149.4	728.0
Assets	173.5	183.9	101.7	54.9	513.9
Capital expenditure	6.4	2.5	2.4	0.5	11.8
Personnel	1,901	1,034	1,040	536	4,511

5. Acquisitions

In 30 December 2005 KCI Konecranes closed its acquisition of Material Handling division R. STAHL Fördertechnik. The total acquisition price was 38.9 MEUR, the fair value of the net assets acquired was 17.3 MEUR and the goodwill arising from the transaction was 21.6 MEUR.

In July 2005 the Group made also two small acquisitions in Sweden.The companies Sajo Service AB and VMR Maskinrenovering AB were acquired. These companies provide preventive maintenance and repair services for machine tools of engineering companies.

The Group made two important business acquisitions during the fourth quarter of 2004: the acquisition of SMV Lifttrucks AB, Sweden and Morris Material Handling Ltd, UK and its affiliated companies. Net assets of these acquisitions were adjusted during financial year 2005.

Totally 6.3 MEUR of SMV Lifttrucks AB's and Morris Materail Handling Ltd.'s goodwill has been allocated to intangible assets during year 2005.

Net assets of the acquired companies:

	2005	2004	2005	2004
	Net fair values of assets and liabilities of the acquired companies		Net assets before the business combination	
Intangible assets	33.8	5.4	0.3	0.0
Tangible assets	3.4	2.8	3.4	2.4
Deferred tax assets	9.3	0.0	9.3	0.0
Inventories	19.5	18.2	18.4	17.9
Receivables	32.3	20.1	32.4	20.1
Cash and bank	1.7	0.7	1.7	0.7
Total assets	100.0	47.2	65.5	41.1
Liabilities	75.6	36.4	64.8	32.9
Net assets	**24.4**	**10.8**	**0.7**	**8.2**
Acquisition costs	39.9	33.0		
Goodwill	15.5	22.2		
Acquisition costs paid in cash	39.9	33.0		
Cash and cash equivalents of acquired companies	1.7	0.7		
Net cash flow arising on acquisition	38.2	32.3		

6. Percentage of completion method	2005	2004
The booked revenues of non-delivered projects	105.0	89.7
The effect of percentage of completion method on the amount of sales	76.7	67.1
Advance received from percentage of completion method	43.2	40.5

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

Receivables arising from percentage of completion method	43.2	40.5
Advances received	43.2	40.5

7. Other operating income	2005	2004
Profit of disposal of fixed assets	0.4	0.6
Rental income	0.8	0.4
Other	1.0	1.3
Total	2.2	2.3

8. Depreciation and impairments	2005	2004
8.1. Depreciation		
Intangible rights	4.5	1.8
Buildings	1.8	1.7
Machinery and equipment	9.3	8.9
Total	15.6	12.4

8.2. Impairments	2005	2004
Intangible rights	0.0	0.1
Goodwill	0.0	0.2
Machinery and equipment	0.0	1.0
Total	0.0	1.3

9. Other operating expenses	2005	2004
Change in product inventory	(11.6)	(21.1)
Production for own use	(0.2)	(0.1)
Material and supplies	387.0	276.4
Subcontracting	137.8	98.2
Wages and salaries	193.9	163.2
Pension costs	18.7	16.5
Other personnel expenses	38.9	34.3
Other operating expenses	143.6	117.9
Total	908.1	685.3

10. Personnel expenses and number of personnel

	2005	2004
Wages and salaries	194.0	163.2
Pension costs: Defined benefit plans	5.5	2.0
Pension costs: Defined contribution plans	13.2	14.5
Other personnel expenses	38.8	34.3
Total	251.5	214.0

Wages and salaries in accordance with the Statement of Income:

	2005	2004
President & CEO	1.0	0.4
Members of the Board	0.2	0.1
Other wages and salaries	192.7	162.7
Total	193.9	163.2

Compensation of Group management

Group management of KCI Konecranes Group is comprised of President and CEO, Business Area Presidents, Staff Directors and Country Executives, totally 16 persons in 2005 (16 persons in 2004).

	2005	2004
Remuneration of the Group management (short-term benefits)	3.4	2.7
Option rights owned by Group management (number of shares)	344,800	499,200
Shares owned by Group management (number of shares)	70,750	485,725

The Nomination and Compensation Committee determines compensation of Group management and CEO. Compensation of Group management, CEO and Board of Directors are presented in more detail under section "Corporate Governance; Compensation".

Average personnel	2005	2004
The average number of personnel	5,087	4,369
Personnel 31 December,	5,923	4,511
of which in Finland	1,429	1,450

11. Financial income and expenses

	2005	2004
Dividend income	0.1	0.2
Interest income	9.8	1.3
Other financial income	0.0	0.0
Interest expenses	(16.6)	(4.8)
Other financial expenses	(0.8)	(0.7)
Fair valuation of derivative financial instruments	(7.9)	0.0
Exchange rate differences	(0.4)	0.4
Total	(15.8)	(3.6)

12. Taxes

12.1. Taxes in Statement of Income

	2005	2004
Local income taxes of group companies	8.7	10.6
Taxes from previous years	(0.6)	(0.1)
Change in deferred tax liability arising from consolidation	3.1	0.5
Change in deferred tax assets arising from timing differences	(1.2)	(1.8)
Total	10.0	9.2

12.2. Reconciliation of income before taxes with total income taxes

	2005	2004
Income before taxes	**34.1**	**27.7**
Tax calculated at the domestic corporation tax rate of 26% (2004: 29%)	7.7	8.0
Effect of different tax rates of foreign subsidiaries	1.0	3.0
Tax effect of non-deductible expenses and tax-exempt income	0.1	0.0
Tax effect of temporary differences	1.7	(1.7)
Tax effect of utilisation of tax losses not previously recognised	(0.6)	(0.2)
Other items	(0.1)	0.1
Total	10.0	9.2
Effective tax. rate %	29.3 %	33.4 %

13. Earnings per share

Basic earnings per share are calculated by dividing the net income of the Group by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by adjusting the weighted average number of shares with the stock options outstanding per 31 December.

	2005	2004
Net income of the year	24.1	18.4
Weighted average number of shares outstanding (1,000 pcs)	14,124	14,054
Effect of issued share options (1,000 pcs)	284	178
Diluted weighted average number of shares outstanding (1,000 pcs)	14,408	14,232
Earnings per share, basic (EUR)	1.71	1.31
Earnings per share, diluted (EUR)	1.67	1.29

14. Goodwill

14.1. Company Goodwill

The goodwill is tested for impairment in accordance with the annual test requirements.

	2005	2004
Acquisition costs as of 1 January	24.3	24.9
Increase	3.7	0.0
Transfer within assets	0.0	(0.6)
Translation difference	0.2	0.0
Acquisition costs as of 31 December	28.2	24.3
Accumulated depreciation 1 January	(11.1)	(11.1)
Total as of 31 December	17.1	13.2

14.2. Group Goodwill

	2005	2004
Acquisition costs as of 1 January	34.9	15.5
Increase	36.5	21.5
Decrease	(23.6)	(2.1)
Acquisition costs as of 31 December	47.8	34.9
Accumulated depreciation 1 January	(10.1)	(10.1)
Total as of 31 December	37.7	24.8

15. Other intangible assets	2005	2004
Acquisition costs as of 1 January	22.9	16.5
Increase	37.2	2.7
Company acquisitions	0.3	3.1
Transfer within assets	0.0	0.6
Translation difference	(0.4)	0.0
Acquisition costs as of 31 December	60.0	22.9
Accumulated depreciation 1 January	(13.2)	(11.4)
Depreciation for financial year	(4.6)	(1.8)
Total as of 31 December	42.2	9.7

16. Property, plant and equipment

16.1. Land	2005	2004
Acquisition costs as of 1 January	3.8	3.8
Decrease	(0.4)	0.0
Translation difference	0.2	0.0
Total as of 31 December	3.6	3.8

16.2. Buildings	2005	2004
Acquisition costs as of 1 January	42.6	41.4
Increase	1.7	1.4
Decrease	0.0	(0.1)
Company acquisitions	0.1	0.0
Transfer within assets	0.0	(0.1)
Translation difference	0.8	0.0
Acquisition costs as of 31 December	45.2	42.6
Accumulated depreciation 1 January	(24.5)	(22.8)
Depreciation for financial year	(1.8)	(1.7)
Total as of 31 December	18.9	18.1

The balance value of tangible assets which belong to finance lease is 0.8 MEUR in year 2005 (MEUR 0.9 in 2004).

16.3 Machinery and equipment	2005	2004
Acquisition costs as of 1 January	103.8	98.1
Increase	12.1	9.7
Decrease	(4.0)	(6.3)
Company acquisitions	3.6	2.3
Translation difference	5.7	0.0
Acquisition costs as of 31 December	121.2	103.8
Accumulated depreciation 1 January	(77.0)	(68.1)
Accumulated depreciation relating to disposals	3.4	4.8
Depreciation for financial year	(9.3)	(8.9)
Total as of 31 December	38.3	31.6

The balance value of tangible assets which belong to finance lease is 4.5 MEUR in year 2005 (MEUR 3.7 in 2004).

17. Investments accounted for using the equity method

	2005	2004
Acquisition costs as of 1 January	3.9	3.5
Share of associated companies result after taxes	0.5	0.0
Acquisitions	1.6	0.4
Disposals	(0.1)	0.0
Total as of 31 December	5.9	3.9

Associated companies and joint ventures 2005

Company:	Country	2005 Assets value	2005 Shareholding% Group
Total of 3 joint ventures	China	0.6	25-30%
Total of 6 associated companies	France	0.6	20-25%
Meiden Hoist System Company Ltd.	Japan	2.2	49%
ZAO Zaporozhje Kran Holding	Ukraine	1.8	49%
Cranes Industrial Services LLC	United Arab Emirates	0.2	49%
Others		0.6	49%
Total		5.9	

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. See also Company list for detailed list of the associated companies and joint ventures.

Amounts owed by participation interest undertakings:

	2005	2004
Accounts receivables	3.0	2.4
Bills receivable	0.0	0.1
Loans receivable	0.2	0.0
Total	3.2	2.5

18. Available-for-sale investments	2005	2004
Acquisition costs as of 1 January	1.5	1.5
Increase	0.1	0.0
Total as of 31 December	1.6	1.5

Investments for available-for-sale investments consist of shares in unlisted companies and are measured at cost, because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. See also Company list for detailed list of available-for-sale investments.

19. Deferred assets	2005	2004
Income taxes	4.0	3.0
Interest	0.1	0.1
Receivable arising from percentage of completion method	61.8	49.1
Periodising of foreign exchange derivatives	0.0	15.3
Other	17.8	18.4
Total	83.7	85.9

20. Shareholders' equity

	Number of shares	Share capital	Share premium
1 January 2004	14,308,630	28.6	21.8
Increase / Profit from transfer of own shares	0	0.0	0.4
Share subscriptions with options	1,400	0.0	0.1
31 December 2004	14,310,030	28.6	22.3
Share subscriptions with options	176,000	0.4	4.2
31 December 2005	14,486,030	29.0	26.5

Total shareholders' equity consists of share capital, share premium account, fair value reserves, translation difference and retained earnings. The nominal value of the share is 2 EUR. The company has one series of shares. All issued shares are fully paid. Share premium account includes the impacts of change of share capital, which exceeds the nominal value of the shares. Fair value reserves include changes in the fair values of derivative financial instruments used to hedge operational cash flows. Translation differences comprise the differences arising from the elimination of net investments in non-euro foreign subsidiaries.

Own shares bought	**2005** Number of shares	**2005** Cost in MEUR	**2004** Number of shares	**2004** Cost in MEUR
As of 1 January	210,650	4,4	264,100	5.5
Decrease	0	0.0	(53,450)	(1.1)
Total as of 31 December	210,650	4.4	210,650	4.4

The Annual General Meeting on March 10, 2005 authorised the board of directors to repurchase and dispose the company's own shares. Altogether no more than 1,431,003 shares may be repurchased or disposed taking into consideration, however, the provisions of the Companies Act regarding the maximum number of own shares that the Company is allowed to hold. The authorisation is effective from March 10, 2005 to March 9, 2006.

KCI Konecranes Plc has on October 29, 2004 transferred 53,450 own shares with a nominal value of 106,900 EUR as partial consideration in a business transaction in which KCI Konecranes Group purchases all shares of SMV Lifttrucks AB, Sweden. The transferred shares are valued at 31.28 euros per share. This is the trade weighted average closing price for KCI Konecranes Plc's share during the period of 20 trading days ending the third business day prior to Closing. The transferred shares amount to 0.37 % of all KCI Konecranes Plc's shares and votes. The transferred shares are subject to a 3-year transfer restriction. One third of the shares may be sold after one year from Closing, one third two years from Closing, and the rest three years from Closing. The amount of own shares held by KCI Konecranes Plc after the transfer is 210,650 shares with a nominal value of 421,300 EUR and 1.45% of of all KCI Konecranes Plc's shares and votes.

21. Option rights

The Annual General Meeting 4th March 1997 of KCI Konecranes Plc resolved to issue bonds with warrants of EUR 50,456.38 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 EUR 16.82 shall have 100 warrants attached. Each warrant entitles the holders to subscribe for one KCI Konecranes Plc's share with a nominal value of EUR 2 at a subscription price of EUR 26.07. 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. As a result of share subscriptions based on the 1997 bond with warrants, the share capital of KCI Konecranes Plc may be increased by a maximum of EUR 600,000 and the number of shares by a maximum of 300,000 new shares. At the end of 2005, altogether 108,000 new shares (nominal value 216,000 EUR) had been subscribed for the warrants pursuant to the 1997 stock option plan (2004: 1,400 shares).

The Annual General Meeting 11th March 1999 resolved to issue 3,000 warrants to the management of the KCI Konecranes Group entitling the warrant holders to subscribe for a maximum of 300,000 shares in KCI Konecranes Plc. Each warrant gives its holder the right to subscribe to one hundred shares each with a nominal value of EUR 2 at a subscription price of EUR 33. The annual period of subscription shall be January 2 through November 30. With A-series warrants shares can be subscribed to starting on April 1, 2002 and ending on March 31, 2005 and with B-series warrants starting on April 1, 2005 and ending on March 31, 2008. As a result of share subscriptions based on the 1999 warrants, the share capital of KCI Konecranes Plc may be increased by a maximum of EUR 600,000 and the number of shares by a maximum of 300,000 new shares. At the end of 2005, altogether 3,600 new shares (nominal value 7,200 EUR) had been subscribed for the warrants pursuant to the 1999A stock option plan and 12,100 shares (nominal value 24,200 EUR) of the 1999B stock plan.

The Annual General Meeting 8th March 2001 resolved to issue 3,000 stock options to the management of the KCI Konecranes Group entitling the stock option holders to subscribe for a maximum of 300,000 shares in KCI Konecranes Plc. Each stock option gives its holder the right to subscribe to one hundred shares each with a nominal value of EUR 2 at a subscription price of EUR 34. The annual period of subscription shall be January 2 through November 30. With A-series stock options shares can be subscribed to starting on April 1, 2004 and ending on March 31, 2007 and with B-series stock options starting on April 1, 2007 and ending on March 31, 2010. As a result of share subscriptions based on the 2001 stock options, the share capital of KCI Konecranes Plc may be increased by a maximum of EUR 600,000 and the number of shares by a maximum of 300,000 new shares. At the end of 2005, altogether 17,300 new shares (nominal value 34,600 EUR) had been subscribed for the warrants pursuant to the 2001A stock option plan.

The Annual General Meeting 6th March 2003 resolved to issue 600,000 stock options to the management of the KCI Konecranes Group entitling the stock option holders to subscribe for a maximum of 600,000 shares in KCI Konecranes Plc. 200,000 of the stock options will be marked with the symbol 2003A, 200,000 will be marked with the symbol 2003B and 200,000 will be marked with the symbol 2003C. Following the payment of an extraordinary dividend on December 22, 2004, approved by the Extraordinary General meeting which was held December 10, 2004, the Board of Directors, so authorised by AGM held on March 6, 2003, decided to reduce the share subscription prices of the 2003 options with 1 euro. The new subscription prices are as follows:

- for stock option 2003A 19.56 euro (previously 20.56 euro)
- for stock option 2003B 21.62 euro (previously 22.62 euro)
- for stock option 2003C 25.00 euro (previously 20.56 euro)

Each stock option of 2003 gives its holder the right to subscribe to one share each with a nominal value of EUR 2 at a subscription price as listed above. In May 2004 the Board increased the share subscription price pursuant to the 2003B stock options from 20.56 to 22.62 euro according to the terms and conditions of the scheme. Notwithstanding the above, the Board retains the authority to increase the sharesubscription price pursuant to the 2003B and 2003C stock options before the start of the relevant share subscription period. With 2003A stock option shares can be subscribed to starting on May 2, 2005 and ending on March 31, 2007, with 2003B stock option starting on May 2, 2006 and ending on March 31, 2008 and with stock option 2003C starting on May 2, 2007 and ending on March 31, 2009. As a result of share subscriptions based on the 2003 stock options, the share capital of KCI Konecranes Plc may be increased by a maximum of EUR 1,200,000 and the number of shares by a maximum of 600,000 new shares. At the end of 2005, altogether 35,000 new shares (nominal value 70,000 EUR) had been subscribed for the stock options pursuant to the 2003A stock option plan.

Changes in the number of shares of option rights outstanding

	2005	2004
Number of shares of option rights outstanding as of 1 January	1,180,700	984,800
Granted during the year	213,000	200,000
Forfeited during the year	(41,800)	(2,700)
Exercised during the year	(176,000)	(1,400)
Expired during the year	(124,400)	0
Total number of shares of option rights outstanding as of 31 December	1,051,500	1,180,700

The total cost of the option programs for the financial year 2005 was 1.2 MEUR (2004: 0.8 MEUR). Option program costs are included in personnel expenses and credited to shareholders' equity.

22. Interest-bearing liabilities

Non-current	2005	2004
Loans from financial institutions	23.8	0.0
Pension loans	0.5	1.0
Other long-term loans	0.0	0.6
Finance lease liabilities	3.1	3.2
Total	27.4	4.8

Current		
Loans from financial institutions	21.9	10.2
Bonds	0.0	25.0
Pension loans	0.7	0.5
Other loans	0.2	0.0
Finance lease liabilities	1.6	1.5
Commercial papers	113.5	75.6
Overdraft	13.1	13.7
Total	151.0	126.5

The fair values of the interest-bearing liabilities are not materially different from carrying amounts. The average interest rate of the non-current liabilities portfolio on 31 December 2005 is 4.91 % (2004: 3.45 %) and that on current liabilities 2.73 % (2004: 2.43 %).

Repayment schedule of non-current interest-bearing liabilities

	2005	2004
2007 (2006)	2.9	2.6
2008 (2007)	0.5	1.5
2009 (2008)	0.3	0.3
2010 (2009)	23.7	0.1
2011 (2010) or later	0.0	0.3
Total	27.4	4.8

23. Employee Benefits

The KCI Konecranes Group companies have various pension plans in accordance with local conditions and practices. The pension plans are classified as either defined contribution plans or defined benefit plans. The Group has the significant defined benefit pension plan in United Kingdom and Germany. KCI Konecranes Group accounts for the Finnish system under the Employees' Pensions Act (TEL) as a defined contribution plan. The expected cost of the disability benefit is recognised when an event causing the disability occurs.

23.1. Amounts recognised in the balance sheet

	2005	2004
Present value of obligation wholly unfunded	0.6	0.7
Present value of obligation wholly or partly funded	93.8	40.1
Fair value of plan assets	32.8	24.9
Total	61.6	15.9

23.2. Components of defined benefit plan recognised in statement of income

	2005	2004
Current service cost	0.9	0.6
Interest cost	2.4	2.1
Expected return on plan assets	(1.6)	(1.6)
Net actuarial gain (-)/loss recognised in year	1.4	0.6
Total	3.1	1.7

23.3. Movements of defined benefit plan recognised in balance sheet

	2005	2004
Net liability as of 1 January	15.9	14.8
Acquisition of new companies	42.5	0.0
Other increase	1.0	0.0
Expense/revenue (-) recognized in statement of income	3.1	1.7
Contributions paid (-)	(0.9)	(0.6)
Net liability as of 31 December	61.6	15.9

23.4. Defined benefit plan: the main actuarial assumptions

	2005	2004
Discount rate %	3.50 - 4.75	4.00 - 5.30
Expected return on plan assets %	3.50 - 5.75	4.00 - 6.30
Future salary increase %	2.25 - 3.00	2.50 - 3.00
Future pension payment increase %	1.00 - 2.75	1.00 - 2.75

24. Deferred tax assets and liabilities

24.1. Deferred tax assets	2005	2004
Tangible assets	1.7	0.5
Employee benefits	14.6	5.2
Provisions	2.5	1.7
Unused tax losses	0.0	1.9
Other temporary difference	4.5	4.3
Total	23.3	13.6

24.2. Deferred tax liabilities	2005	2004
Tangible assets	3.2	0.8
Employee benefits	10.9	0.1
Provisions	0.2	0.0
Other temporary difference	3.7	3.1
Total	18.0	4.0

The Group has carry forward losses 16.7 MEUR (16.9 MEUR in 2004) for which no deferred tax assets were recognised due to uncertainty of utilisation of these carry forward losses.

25. Provisions

2005

	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of 1 January	6.2	3.9	5.5	1.9	17.5
Additional provision in the period	4.4	3.6	1.3	1.6	10.9
Utilisation of provision	1.6	4.4	0.1	0.9	7.0
Unused amounts reversed	1.2	0.0	0.0	0.0	1.2
Total provisions as of 31 December	7.8	3.1	6.7	2.5	20.1

2004

	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of 1 January	6.5	2.8	5.0	1.5	15.8
Additional provision in the period	2.3	2.8	0.5	1.1	6.7
Utilisation of provision	1.9	1.7	0.0	0.7	4.3
Unused amounts reversed	0.7	0.0	0.0	0.0	0.7
Total provisions as of 31 December	6.2	3.9	5.5	1.9	17.5

The most important regular provision, guarantee provisions are due to the repair or replacement of product during their warranty period. Provisions for restructuring relate primarily to the reorganisation of process crane business in Germany. Pension commitment provisions are mainly done in Sweden. Other provision includes provisions for claims and onerous contracts.

26. Current liabilities

26.1 Accruals	2005	2004
Income taxes	3.1	4.0
Wages. salaries and personnel expenses	31.8	26.4
Pension costs	2.1	4.5
Interest	9.9	7.5
Other items	64.5	41.3
Total	111.4	83.7

26.2. Other current liabilities (non-interest bearing)

	2005	2004
Bills payables	3.6	3.1
Value added tax	7.2	6.2
Other short-term liabilities	6.9	5.2
Total	17.7	14.5

27. Finance lease liabilities

Finance lease	2005	2004
Minimum lease payments		
within 1 year	1.7	1.6
1-5 years	3.1	3.2
over 5 years	0.3	0.3
Total	5.1	5.1
Present value of finance lease		
within 1 year	1.6	1.5
1-5 years	2.8	2.8
over 5 years	0.3	0.3
Total	4.7	4.6

28. Contingent liabilities and pledged assets

	2005	2004
Contingent liabilities		
For own debts		
Mortgages on land and buildings	5.9	5.9
For own commercial obligations		
Pledged assets	0.3	0.3
Guarantees	117.2	101.5
For associated company's debts		
Guarantees	0.0	0.8
For others		
Guarantees	0.0	0.1
Other contingent liabilities and financial liabilities		
Leasing liabilities		
Next year	10.7	6.8
Later on	34.4	15.7
Other	0.7	1.2

Leasing contracts follow the normal practices in corresponding countries.

Total by category	2005	2004
Mortgages on land and buildings	5.9	5.9
Pledged assets	0.3	0.3
Guarantees	117.2	102.4
Other liabilities	45.8	23.7
Total	169.2	132.3
Debt which has mortgages on land and buildings		
Pension loan	1.2	1.5
Given mortgages	5.9	5.9

29. Notional and fair values of derivative financial instruments

	2005 Fair value	2005 Nominal value	2004 Nominal value
Foreign exchange forward contracts	(8.9)	304.0	538.5
Interest rate swaps	0.0	0.0	25.0
Electricity derivatives	0.3	0.8	0.0
Total	(8.6)	304.8	563.5

Derivatives are used for hedging currency and interest rate risks as well as risk of price fluctation of electricity.

30. Hedge reserve of cash flow hedges	2005	2004
Balance as of 1 January	0.0	0.0
Gains and losses deferred to equity (fair value reserve)	(6.7)	0.0
Gains and losses recognized in statement of income	0.1	0.0
Deferred taxes	1.7	0.0
Balance as of 31 December	(4.9)	0.0

During the third quarter the Group started to apply hedge accounting to certain large special crane projects where expected cash flows are highly probable. Hedging instruments (effective forward contracts) were earmarked against corresponding hedged projects. The transition was done by using so called FX-swap contracts. The total positive effect of the change of accounting policy is EUR 5.5 million before taxes and EUR 4.1 million after taxes. The change effected on basic earnings per share after taxes with 0.29 EUR and on diluted earnings per share with 0.28 EUR.

KCI Konecranes Group 2001-2005

Business development		IFRS 2005	IFRS 2004	FAS 2003	FAS 2002	FAS 2001
Order intake	MEUR	1061.2	736.9	611.9	598.9	679.1
Order book	MEUR	432.1	298.8	211.2	206.0	279.7
Net sales	MEUR	970.8	728.0	664.5	713.6	756.3
of which outside Finland	MEUR	883.7	653.5	599.4	634.2	679.2
Export from Finland	MEUR	334.2	273.4	258.9	256.9	263.5
Personnel on average		5087	4369	4423	4396	4434
Capital expenditure	MEUR	16.0	11.8	12.4	13.9	11.3
as a percentage of net sales	%	1.6%	1.6%	1.9%	1.9%	1.5%
Research and development costs MEUR		8.8	8.5	7.9	8.2	7.7
as % of Standard Lifting Equipment 1)	%	2.8%	3.7%	3.7%	4.0%	3.1%
as % of Group net sales	%	0.9%	1.2%	1.2%	1.1%	1.0%
Profitability						
Net sales	MEUR	970.8	728.0	664.5	713.6	756.3
Income from operations (before goodwill amortization)	MEUR	49.3	31.3	24.8	40.9	59.4
as percentage of net sales	%	5.1%	4.3%	3.7%	5.7%	7.9%
Operating income	MEUR	49.3	31.3	21.5	37.6	55.3
as percentage of net sales	%	5.1%	4.3%	3.2%	5.3%	7.3%
Income before extraordinary items	MEUR	34.1	27.7	18.9	36.5	52.4
as percentage of net sales	%	3.5%	3.8%	2.8%	5.1%	6.9%
Income before taxes	MEUR	34.1	27.7	10.7	36.5	52.4
as percentage of net sales	%	3.5%	3.8%	1.6%	5.1%	6.9%
Net income	MEUR	24.1	18.4	6.7	24.6	35.3
as percentage of net sales	%	2.5%	2.5%	1.0%	3.4%	4.7%
Key figures and balance sheet						
Shareholders' equity	MEUR	152.1	137.6	163.4	173.2	180.2
Balance Sheet	MEUR	724.0	513.9	402.2	397.1	455.9
Return on equity	%	16.6	12.5	7.5	14.2	22.0
Return on capital employed	%	17.2	13.7	10.8	17.8	24.3
Current ratio		1.1	1.1	1.5	1.6	1.6
Solidity	%	23.7	29.1	42.6	45.5	41.4
Gearing	%	88.1	80.2	27.8	19.1	28.9
Shares in figures						
Earnings per share, basic	EUR	1.71	1.31	0.88	1.69	2.40
Earnings per share, diluted		1.67	1.29	n/a	n/a	n/a
Equity per share	EUR	10.66	9.76	11.24	12.11	11.75
Cash flow per share	EUR	3.43	0.54	1.72	4.54	2.93
Dividend per share	EUR	1.10*	1.05	2.00	0.95	0.90
Dividend / earnings	%	64.3	80.2	227.3	56.2	37.5
Effective dividend yield	%	2.6	3.2	7.2	4.1	3.2
Price / earnings		24.3	24.8	31.4	13.8	11.9
Trading low / high	EUR	29.80/41.95	27.20/35.50	17.20/29.39	19.80/36.83	25.00/38.46
Average share price	EUR	35.77	30.79	22.49	28.74	31.72
Year-end market capitalisation	MEUR	594.1	458.4	387.6	333.2	427.5
Number traded	(1,000)	18,291	15,925	12,662	11,939	8,581
Stock turnover	%	128.1%	112.9%	90.2%	83.4%	57.2%

* The Board's proposal to the AGM
1) R&D serves mainly Standard Lifting Equipment

Return on equity (%):

$$\frac{\text{Income before extraordinary items - taxes}}{\text{Total equity (average during the period)}} \times 100$$

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 (%):

$$\frac{\text{Interest-bearing liabilities - liquid assets - loans receivable}}{\text{Total equity}} \times 100$$

Earnings per share:

$$\frac{\text{Net income +/- extraordinary items}}{\text{Average number of shares outstanding}}$$

Earnings per share, diluted:

$$\frac{\text{Net income +/- extraordinary items}}{\text{Average fully diluted number of shares outstanding}}$$

Equity per share:

$$\frac{\text{Shareholders' equity}}{\text{Number of shares - number of own shares}}$$

Cash flow per share:

$$\frac{\text{Cash flow from operations}}{\text{Number of shares - number of own shares}}$$

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 outstanding multiplied by the share price at the end of year

Average number of personnel: Calculated as average of number of personnel in quarters

Company List

1,000 EUR

Subsidiaries owned by the parent company		Book value of shares	Parent company's share %	Group's share %
Finland:	KCI Special Cranes Corporation	10,821	72	100
	Konecranes Finance Corporation	46,248	100	100

Subsidiaries owned by the group		Book-value	Group's share %
Australia:	Konecranes Pty Ltd.	144	100
Austria:	Konecranes Ges.m.b.H	217	100
	Stahl CraneSystems Ges.m.b.H	238	100
Belgium:	S.A. Konecranes N.V.	0	100
Canada:	Konecranes Canada Inc.	893	100
	Provincial Cranes Inc.	36	100
Cayman Islands:	Morris Middle East Ltd.	0	100
Czech Republic:	Konecranes CZ s.r.o.	55	100
China:	Konecranes (Shanghai) Co. Ltd.	0	100
	Konecranes (Shanghai) Company Ltd.	2,582	100
Denmark:	Konecranes A/S	72	100
Estonia:	Konecranes Oü	0	100
Finland:	Finox Nosturit Oy	20	100
	KCI Hoists Corporation	2,423	100
	KCI Motors Corporation	1,384	100
	KCI Tehdaspalvelu Etelä-Suomi Oy	100	100
	KCI Tehdaspalvelu Itä-Suomi Oy	129	100
	KCI Tehdaspalvelu Keski-Suomi Oy	100	100
	KCI Tehdaspalvelu Länsi-Suomi Oy	114	100
	Konecranes Service Corporation	2,615	100
	Nosturiexpertit Oy	10	100
	Permeco Oy	113	100
	Työstökonetekniikka Machine Tool Tech Oy	372	100
France:	CGP-Konecranes S.A.	0	100
	KCI Holding France S.A.	3,250	100
	Konecranes (France) S.A.	0	100
	Stahl CraneSystems S.A.S.	68	100
	Verlinde S.A.	2,744	99,6
Germany:	Eurofactory GmbH	1,239	100
	Konecranes Deutschland GmbH	1,300	100
	Konecranes Deutschland Service GmbH	659	100
	Konecranes GmbH	15,546	100
	Konecranes Hafentechnik GmbH	6,848	100
	Konecranes Industriekrane GmbH	4,649	100
	Konecranes Schwerlastkrane GmbH	6,304	100
	SMV Stapler Maschinen Vertrieb GmbH	218	100
	Stahl Crane Systems GmbH	19,458	100
	SWF Krantechnik GmbH	15,500	100
Hungary:	Konecranes Kft.	792	100
Indonesia:	Pt. Konecranes	121	100
Italy:	Konecranes S.r.l.	150	100
	Stahl CraneSystems S.r.l.	29	100
Korea:	Konecranes Korea Co., Ltd	158	100
Latvia:	SIA Konecranes Latvija	2	100

1,000 EUR
Subsidiaries owned by the group

		Book value	Group's share %
Lithuania:	UAB Konecranes	52	100
Luxembourg:	Materials Handling International S.A.	300	100
Malaysia:	Konecranes Sdn. Bhd.	612	100
Mexico:	Konecranes Mexico SA de CV	2,188	100
The Netherlands:	Konecranes BV	18	100
	Konecranes Holding BV	3,851	100
	Stahl CraneSystems B.V.	712	100
	Verlinde Nederland BV	45	100
Norway:	Konecranes A/S	907	100
	Wisbech Refsum A/S	13	100
Poland:	Cranex Konecranes Sp. z o.o.	78	100
	Konecranes Poland Sp. z o.o.	0	100
Romania:	Prodmoreco Konecranes S.A.	98	100
Russia:	ZAO Konecranes	6	100
Singapore:	KCI Cranes Holding (Singapore) Pte Ltd	551	100
	Konecranes Pte Ltd	1,581	100
	Morris Material Handling Pte Ltd.	0	65
	Stahl CraneSystems Pte. Ltd.	28	100
Spain:	Stahl CraneSystems S.L.	29	100
Sweden:	KCI Special Cranes AB	0	100
	Konecranes AB	1,456	100
	KVRM Holding Sverige AB	1,682	100
	Sajo Service AB	852	100
	SMV Konecranes AB	24,749	100
	VMR Maskinrenovering AB	230	100
Switzerland:	Stahl CraneSystems AG	87	100
Thailand:	Konecranes Service Co. Ltd.	86	49
Turkey:	Konecranes Ticaret Ve Servis Limited Sirketi	53	100
Ukraine:	ZAO Konecranes Ukraine	1,113	100
United Kingdom:	Bond Engineering Maintenance Ltd.	72	100
	KCI Holding U.K. Ltd.	6,821	100
	Konecranes (U.K.) Ltd.	1,445	100
	Lloyds Konecranes Ltd.	2,090	100
	Lloyds Konecranes Pension Trustees Ltd.	0	100
	Morris Material Handling Ltd.	7,824	100
	Royce Limited	0	100
	Stahl CraneSystems Ltd.	5	100
	The Vaughan Crane Company Ltd.	0	100
	UK Crane Services Limited	0	100
U.S.A.	Drivecon, Inc.	425	100
	KCI Holding USA, Inc.	12,487	100
	Konecranes America, Inc.	3,823	100
	Konecranes, Inc.	246	100
	KPAC, Inc.	1	100
	R&M Materials Handling, Inc.	6,951	100
	Stahl CraneSystems Inc.	0	100

Company List

1,000 EUR **Investments accounted for using the equity method**		Assets value	Group´s share %
China:	Guangzhou Technocranes Company Ltd	242	25
	Jiangyin Dingli Shengsai High Tech Industrial Crane Company Ltd.	304	30
	Shanghai High Tech Industrial Company, Ltd.	21	25
France:	Boutonnier Adt Levage S.A.	142	25
	Levelec S.A.	84	20
	Manelec S.a.r.l.	69	25
	Manulec S.A.	235	25
	Sere Maintenance S.A.	41	25
	V.H. Manutention S.a.r.l.	0	25
Japan:	Meiden Hoist System Company Ltd.	2,219	49
Saudi Arabia:	Eastern Morris Cranes Limited	135	49
Thailand:	Morris Material Handling (Thailand) Ltd.	410	49
	Morris Thailand Co. Ltd.	48	49
Ukraine:	ZAO Zaporozhje Kran Holding	1,764	49
United Arab Emirates:	Crane Industrial Services LLC	222	49

Available-for-sale investments		Book value of shares	Group's share %
Estonia:	AS Konesko	498	19
Finland:	Levator Oy	34	19
	Nostininnovaatiot Oy	345	17.44
	Vierumäen Kuntorinne Oy	326	3.3
France:	Societé d´entret rien et de transformation d´engins mécaniques	0	19
Indonesia:	Pt Technocranes International Ltd.	12	15
Malaysia:	Kone Products & Engineering Sdn. Bhd.	10	10
Spain:	Eydimen S.L. 2000	100	19.2
Venezuela:	Gruas Konecranes CA	19	10
Others:		221	
Total:		1,565	

Parent Company Statement of Income, FAS

(1,000 EUR)		1.1. - 31.12.2005	1.1. - 31.12.2004
Note 1	**Sales**	**15,878**	**14,895**
	Other operating income	14	61
Note 2	Depreciation and reduction in value	(454)	(643)
Note 3	Other operating expenses	(17,198)	(15,921)
	Operating profit	**(1,760)**	**(1,608)**
Note 4	Financial income and expenses	911	35,680
	Income before extraordinary items	**(849)**	**34,072**
Note 5	Extraordinary items	12,767	21,003
	Income before appropriations and taxes	**11,918**	**55,075**
Note 6	Income taxes	(3,103)	(15,965)
	Net income	**8,815**	**39,110**

Parent Company Cash Flow

(1,000 EUR)	1.1. - 31.12.2005	1.1. - 31.12.2004
Operating income after depreciation 1)	(1,773)	(1,669)
Depreciation	454	643
Financial income and expenses	911	35,680
Extraordinary income	12,767	21,003
Taxes	(3,087)	(15,984)
Free cash flow	**9,272**	**39,673**
Change in current assets, increase (-), decrease (+)	28,152	(9,393)
Change in current liabilities, increase (+), decrease (-)	(26,920)	22,245
Cash flow from operations	**10,504**	**52,525**
Capital expenditure to tangible assets	(542)	(466)
Capital expenditure and advance payments to intangible assets	281	1,036
Disposals of fixed assets	15	69
Share issue	4,606	36
Investments total	4,360	675
Cash flow before financing	**14,864**	**53,200**
Increase (+), decrease (-) of long-term debt	(60)	(25,060)
Dividend paid	(14,804)	(28,143)
External financing	**(14,864)**	**(53,203)**
Net financing	**0**	**-3**
Cash in hand and at banks at 1.1.	0	3
Cash in hand and at banks at 31.12.	0	0
Change in cash	**0**	**-3**

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

Figures are presented according to Finnish Accounting Standards (FAS).

Parent Company Balance Sheet, FAS

ASSETS (1,000 EUR)		31.12.2005	31.12.2004
	Non-current assets		
	INTANGIBLE ASSETS		
Note 7	Intangible rights	409	133
	Advance payments	2,879	3,585
		3,288	**3,718**
	TANGIBLE ASSETS		
Note 8	Buildings	0	0
Note 9	Machinery and equipment	969	753
		969	**753**
	INVESTMENTS		
Note 10	Investments in Group companies	50,449	50,449
Note 10	Other shares and similar rights of ownership	345	326
		50,794	**50,775**
	Current assets		
	LONG-TERM RECEIVABLES		
	Loans receivable from Group companies	50,188	66,164
		50,188	**66,164**
	SHORT-TERM RECEIVABLES		
	Accounts receivable	21	20
	Amounts owed by Group companies		
	Accounts receivable	2,193	1,008
	Other receivables	0	1,672
Note 12	Deferred assets	10,401	22,639
	Amounts owed by participating interest undertakings		
	Accounts receivable	1	1
	Other receivables	148	35
	Deferred tax assets	106	122
Note 12	Deferred assets	1,696	1,261
		14,566	**26,758**
	CASH IN HAND AND AT BANKS	**0**	**0**
	Total current assets	**64,754**	**92,922**
	TOTAL ASSETS	**119,805**	**148,168**

SHAREHOLDERS' EQUITY AND LIABILITIES (1,000 EUR)		31.12.2005	31.12.2004
Note 13	Equity		
	Share capital	28,972	28,620
	Share premium account	26,527	22,272
	Retained earnings	52,797	28,492
	Net income for the period	8,815	39,110
		117,111	**118,494**
	Liabilities		
	LONG-TERM DEBT		
	Pension loan	60	120
		60	**120**
	CURRENT LIABILITIES		
	Bonds	0	25,000
	Pension loan	60	60
	Accounts payable	937	787
	Liabilities owed to Group companies		
	Accounts payable	418	262
Note 14	Accruals	34	1,346
	Other short-term liabilities	282	1,029
Note 14	Accruals	903	1,070
		2,634	**29,554**
	Total liabilities	**2,694**	**29,674**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**119,805**	**148,168**

Figures are presented according to Finnish Accounting Standards (FAS).

Notes to the Parent Company's Financial Statement

Statement of Income

1. Sales

In the parent company the sales to subsidiaries totalled MEUR 15.9 (MEUR 14.9 in 2004) corresponding to a share of 100% (100% in 2004) of net sales.

2. Depreciation	2005	2004
Intangible rights	0.1	0.2
Machinery and equipment	0.3	0.5
Total	0.4	0.7

3. Costs, expenses and personnel	2005	2004
Costs and expenses in the Statement of Income were as follows:		
Wages and salaries	5.3	4.7
Pension costs	0.6	1.0
Other personnel expenses	0.7	0.5
Other operating expenses	10.6	9.8
Total	17.2	16.0

Wages and salaries in accordance with the Statement of Income:

Remuneration to Board	0.2	0.1
Other wages and salaries	5.2	4.5
Total	5.4	4.6
The average number of personnel	68	64

4. Financial income and expenses	2005	2004
Financial income from long-term investments:		
Dividend income from group companies	0.0	24.5
Avoir Fiscal	0.0	10.0
Other financing income	0.0	0.1
Dividend income total	0.0	34.6
Interest income from long-term receivables:		
From group companies	2.3	2.6
Financial income from long-term investments total	2.3	37.2
Interest expenses and other financing expenses:		
Other financing expenses	(1.4)	(1.6)
Interest and other financial expenses total	(1.4)	(1.6)
Financial income and expenses total	0.9	35.6

5. Extraordinary items	2005	2004
Group contributions received from subsidiaries	12.8	22.3
Group contributions paid to subsidiaries	0.0	(1.3)
Total	12.8	21.0

6. Taxes	2005	2004
Taxes on extraordinary items	3.3	6.1
Taxes on ordinary operations	(0.2)	9.9
Total	3.1	16.0

Balance Sheet

7. Intangible rights	2005	2004
Acquisition costs as of 1 January	4.8	4.8
Increase	0.4	0.0
Acquisition costs as of 31 December	5.2	4.8
Accumulated depreciation 1 January	(4.7)	(4.5)
Accumulated depreciation	(0.1)	(0.2)
Total as of 31 December	0.4	0.1

8. Buildings	2005	2004
Acquisition costs as of 1 January	0.1	0.1
Acquisition costs as of 31 December	0.1	0.1
Accumulated depreciation 1 January	(0.1)	(0.1)
Total as of 31 December	0.0	0.0

9. Machinery and equipment	2005	2004
Acquisition costs as of 1 January	3.5	3.1
Increase	0.5	0.5
Decrease	0.0	(0.1)
Acquisition costs as of 31 December	4.0	3.5
Accumulated depreciation 1 January	(2.7)	(2.4)
Accumulated depreciation relating to disposals	0.0	0.1
Accumulated depreciation	(0.3)	(0.5)
Total as of 31 December	1.0	0.7

10. Other shares and similar rights of ownership	2005	2004
Acquisition costs as of 1 January	50.8	50.8
Total as of 31 December	50.8	50.8

Investments in Group companies

	Domicile	Book value	% of shares
Konecranes Finance Corp.	Hyvinkää	46.2	100 %
KCI Special Cranes Corp.	Hyvinkää	4.2	72 %
Total		50.4	

Investment in other companies

Vierumäen Kuntorinne Oy	0.3	3.3 %
Pärjä Oy	0.0	33.3 %
Total	0.3	

11. Own shares	2005	2004
Acquisition costs as of 1 January	4.4	5.5
Decrease	0.0	(1.1)
Total as of 31 December	4.4	4.4

The Annual General Meeting on March 10, 2005 authorised the board of directors to repurchase and dispose the company's own shares. Altogether no more than 1,431,003 shares may be repurchased or disposed taking into consideration, however, the provisions of the Companies Act regarding the maximum number of own shares that the Company is allowed to hold. The authorisation is effective from March 10, 2005 to March 9, 2006.

KCI Konecranes Plc has on October 29, 2004 transferred 53,450 own shares with a nominal value of 106,900 EUR as partial consideration in a business transaction in which KCI Konecranes Group purchases all shares of SMVLifttrucks AB, Sweden. The transferred shares are valued at 31.28

euros per share. This is the trade weighted average closing price for KCI Konecranes Plc's share during the a period of 20 trading days ending the third business day prior to Closing. The transferred shares amount to 0.37 % of all KCI Konecranes Plc's shares and votes. The transferred shares are subject to a 3-year transfer restriction. One third of the shares may be sold after one year from Closing, one third two years from Closing, and the rest three years from Closing. The amount of own shares held by KCI Konecranes Plc after the transfer is 210,650 shares with a nominal value of 421,300 EUR and 1.45% of all KCI Konecranes Plc's shares and votes.

12. Deferred assets	2005	2004
Group contributions	10.3	22.3
Payments which will be realized during the next financial year	1.7	1.3
Interest	0.1	0.3
Total	12.1	23.9

13. Shareholders' equity	2005	2004
Share capital as of 1 January	28.6	28.6
New issue	0.4	0.0
Share capital as of 31 December	29.0	28.6
Share premium account 1 January	22.3	21.8
New issue	4.2	0.1
Profit of transfer of own shares	0.0	0.4
Share premium account as of 31 December	26.5	22.3
Retained earnings as of 1 January	67.6	55.5
Transfer from reserve for own shares	0.0	1.1
Dividend paid	(14.8)	(28.1)
Retained earnings as of 31 December	52.8	28.5
Net income for the period	8.8	39.1
Shareholders' equity as of 31 December	117.1	118.5
Distributable equity 31 December		
Retained earnings as of 31 December	52.8	28.5
Net income for the period	8.8	39.1
Total	61.6	67.6

14. Accruals	2005	2004
Wages, salaries and personnel expenses	0.8	0.9
Interest	0.0	0.2
Group contributions	0.0	1.3
Other items	0.2	0.0
Total	1.0	2.4

15. Contingent liabilities and pledged assets	2005	2004
CONTINGENT LIABILITIES		
For obligations of subsidiaries		
Group guarantees	117.5	79.1
OTHER CONTINGENT AND FINANCIAL LIABILITIES		
Leasing liabilities		
Next year	0.4	0.1
Later on	0.4	0.3

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

TOTAL BY CATEGORY		
Guarantees	117.5	79.1
Other liabilities	0.8	0.4
Total	118.3	79.5

16. Notional and fair values of derivative financial instruments

	2005 Fair value	2005 Nominal value	2004 Nominal value
Foreign exchange forward contracts	0.0	0.4	0.8

Derivatives are used for currency rate hedging only.

Board of Director´s Proposal to the Annual General Meeting

The Group's distributable equity is EUR 100,557,000. The parent company's distributable equity is EUR 61,612,245.69 of which the net income for the year is EUR 8,814,935.47.

The Board of Directors proposes that a dividend of EUR 1.10 be paid on each of the 14,390,380 shares for a total of EUR 15,829,418.00 and that the rest EUR 45,782,827.69 be retained and carried forward. The proposal includes also the 115,000 new shares subscribed for with option rights pursuant to stock option program 2003A until now and which will be recorded in the Trade Register approximately 21 February 2006.

Helsinki, 15 February 2006

Stig Gustavson
Chairman of the Board of Directors

Svante Adde
Member of the Board

Matti Kavetvuo
Member of the Board

Malin Persson
Member of the Board

Timo Poranen
Member of the Board

Björn Savén
Member of the Board

Stig Stendahl
Member of the Board

Auditor's Report

To the shareholders of KCI Konecranes Plc

We have audited the accounting records, the financial statements and the administration of KCI Konecranes Plc for the financial period 1.1.-31.12.2005. The Board of Directors and the Managing Director have prepared the Report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that includes the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

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 if the actions taken by the Board of Directors of the parent company and the Managing Director have legally complied with the rules of the Companies' Act.

Consolidated financial statements

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

Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of distributable funds is in compliance with the Companies' Act.

Helsinki, 15 February 2006

Deloitte & Touche Ltd
Authorized Public Audit Firm

Mikael Paul
Authorized Public Accountant

A BoxHunter PostPanamax container crane at TCB's (Terminal de Contenidores de Barcelona) terminal in Barcelona, Spain.

Stig Gustavson b. 1945 • Chairman of the Board • Deemed to be dependent of the company in his role as former President and CEO of the company (until June 17, 2005) • M.Sc. (Eng.), Dr.Tech. (hon.) • President and CEO of KCI Konecranes Plc 1994-2005 and President of KONE Cranes division 1988-1994. Holder of various executive positions at KONE Corporation 1982-1988, Sponsor Oy 1978-1982, Raha-Automaattiyhdistys 1976-1978, Wärtsilä Oy Ab 1970-1976 • Chairman of the Boards of Oy Mercantile Ab, Handelsbanken Regional Bank Finland, Dynea Oy, Eltel Group Oy, Tammet Oy, Arcada Foundation • Member of the Boards of Oy Helvar Merca Ab, Rakentajain Konevuokraamo Oyj, Technology Industries of Finland (also Executive Committee member) • Chairman of the Supervisory Board of Tampere University of Technology • Member of the Supervisory Board of Varma Mutual Pension Insurance Company • Shareholding 455,375 • Option to acquire 34,500 shares

Malin Persson b. 1968 • Board member since 2005, member of the Nomination and Compensation Committee since 2005 • Independent of the Company • M.Sc. (Eng.) • Vice President, Corporate Strategy and Business Development, AB Volvo since 2000. Holder of various positions including Vice President, Business & Logistics Development, Manager, Environmental Affairs at Volvo Logistics Corp 1995-2000. • Chairman of the Board of Elicit AB • Member of the Boards of Green Cargo AB, Volvo Trucks AB, Volvo Technology Transfer AB and Volvo Maroc • Shareholding -

Svante Adde b. 1956 • Board member since 2004, member of the Audit Committee since 2004 • Independent of the Company • B.Sc. (Econ. and Business Administration) • Managing Director of Compass Advisers, London 2005-, Chief Financial Officer of Ahlstrom Corporation 2003-2005. Managing Director at Lazard in London 1989-2003 • Member of the Boards of Sonoco-Alcore S.a.r.l. 2004-2005, Metso 2005- and Brammer Plc 2005- • Shareholding 250

Timo Poranen b. 1943 • Board member since 1994, member of the Nomination and Compensation Committee since 2004 • Independent of the Company • M.Sc. (Eng.) • President, Finnish Forest Industries Federation 1998-2005, Vice President, Metsäliitto-Yhtymä 1996-1997, CEO, Metsä-Serla Corporation 1990-1996. Holder of various executive positions at Oy Metsä-Botnia Ab within production and management 1974-1990. • Member of the board of Helsinki University of Technology, Finnish Employers Management Development Institute • Deputy member of the Board of Varma Mutual Pension Insurance Company • Chairman of the Board of Finnish Rail Administration • Member of the Supervisory Board of Finnish Fair Corporation • Member of the Finnish Association of Professional Board Members • Shareholding 250

Stig Stendahl b. 1939 • Board member since 1999, Chairman of the Audit Committee since 2004 • Independent of the Company • M.Sc. (Chem. Eng.) • President & CEO of Fiskars Oyj Abp 1992-2000, President of Abloy Security Limited 1987-1992, President of LKB Produkter AB 1979-1987 • Chairman of the Supervisory Board of Åbo Akademi University Foundation • Member of the Board of The Swedish Academy of Engineering Sciences in Finland (STV) • Foreign member of IVA, the Royal Swedish Academy of Engineering Sciences • Member of the Finnish Association of Professional Board Members • Shareholding 450

Björn Savén b. 1950 • Vice Chairman of the Board since 17 June 2005. Chairman of the company's Board 1994-2005, Chairman of the Nomination and Compensation Committee since 2004 • Independent of the Company • M.Sc. (Econ.), MBA, Dr.Econ. h.c. • Chairman and Chief Executive at Industri Kapital since 1989. Holder of various executive positions within the Esselte Group in Sweden, the U.K. and U.S. 1976-1988. • Chairman of Consolis Bonna Sabla SA • Deputy Chairman of Dynea International Oy and Deutsch-Swedische Handelskammer • Member of the Boards of Eltel Networks Oy, Gardena AG, Finnish-Swedish Chamber of Commerce • IVA Royal Swedish Academy of Engineering Sciences • Shareholding 30,100 beneficially via Industri Kapital

Matti Kavetvuo b. 1944 • Board member since 2001, member of the Audit Committee since 2004 • Independent of the Company • M.Sc. (Eng.), B.Sc. (Econ.) • CEO of Pohjola Group Plc 2000-2001, CEO of Valio Ltd 1992-1999, CEO of Orion Corporation 1985-1991, President of Instrumentarium Corp. 1979-1984 • Chairman of the Boards of Orion Corporation, Metso Corporation and Suominen Corporation • Vice Chairman of the Boards of Kesko Corporation and Alma Media Corporation • Member of the Boards of Marimekko Corporation and Perlos Corporation • Member of the Supervisory Board of Finland Post Corporation • Member of the Finnish Association of Professional Board Members • Shareholding 250

Lennart Simonsen b. 1960 • Secretary to the Board (not a member of the Board) 1995-2004, 2005- • Member of the KCI Konecranes Board in 2004 • LL.M. Attorney, Managing Partner, Roschier Holmberg, Attorneys Ltd.

BOARD OF DIRECTORS

The members of the Board of Directors of KCI Konecranes Plc are elected at each Annual General Meeting for a term of one year. Board members (except KCI Konecranes' former President and CEO Stig Gustavson) do not have options. Shareholdings are listed as per December 30, 2005.

Stig Gustavson
Chairman

Malin Persson

Svante Adde

Stig Stendahl

Timo Poranen

Björn Savén
Vice Chairman

Matti Kavetvuo

Lennart Simonsen
Secretary of the Board (not member)

EXECUTIVE BOARD

The members of the executive Board and their holdings are listed as per December 30, 2005.

Pekka Lundmark b. 1963
- President & CEO, KCI Konecranes as of 17 June, 2005
- Member of the Executive Board since 2004.
- Employed 2004 • M.Sc. (Eng.)
- Primary working experience:
  Group Executive Vice President, KCI Konecranes, 9/2004-6/2005,
  CEO, Hackman Abp, 2002-2004, Managing Partner, Startupfactory, 2000-2002
  Various executive positions, Nokia Corporation, 1990-2000.
- Shares 5,000 • Option to acquire 43,000 shares

Teuvo Rintamäki, b. 1955
- Chief Financial Officer • Member of the Executive Board since 1994.
- Employed 1981 • M.Sc. (Econ.)
- Primary working experience:
  Vice President, Region Western Europe from 1997-1999, Finance Director, KONE Cranes Division, 1988-1994, Vice President, R&M Materials Handling Inc., USA, 1986-1988,
  Other current key positions of trust: Member of the Supervisory Board of the Technology Industries of Finland and the Advisory Board of Nordea Bank Finland Plc
- Shares 13,400 • Option to acquire 44,000 shares

Antti Vanhatalo, b. 1945
- Group Vice President, Business Development; Special projects
- Member of the Executive Board since 1994.
- Employed 1969 • M.Sc. (Eng.)
- Primary working experience: Director, Process Cranes; Managing Director, Konecranes Components Corp., 1994-2003, Director, Custom Cranes and Technology Transfer, 1992-1994, President, KONE-Landel Inc., USA 1987-1992, Vice President, Marketing, KONE Materials Handling Inc, USA 1984-1986
- Shares 6,000 • Option to acquire 3,000 shares

Ari Kiviniitty, b. 1957
- Chief Technology Officer (CTO) • Member of the Executive Board since 2005.
- Employed 1983 • M.Sc. (Eng.)
- Primary working experience: Vice President, Standard Lifting Equipment, 2004- 2005, Managing Director, Hoist factory, 2002-2004, R&D Manager 1999-2001, Technical Director, Components, Singapore, 1996-1998
  Other current key positions of trust: Chairman: Technology Industries of Finland Working Group for Materials Handling and Hoisting Equipment, Member: FEM (The European Federation of Materials Handling Equipment Manufacturers)
- Shares 200 • Option to acquire 10,000 shares

Arto Juosila, b. 1955
- Group Vice President, Administration and Business Development
- Member of the Executive Board since 1994.
- Employed 1980 • M.Sc. (Econ.)
- Primary working experience: Chief Executive, Region Asia-Pacific, 2003-2005
  President, Standard Lifting Equipment, 1998-2003, Various positions within the Hoist Group, 1990-1998, Managing Director, Verlinde S.A., France 1988-1990
  Vice President, R&M Materials Handling Inc., USA, 1983-1986
- Shares 8,000 • Option to acquire 13,000 shares

Sirpa Poitsalo, b. 1963
- Director, General Counsel • Member of the Executive Board since 1999.
- Employed 1988 • LL.M.
- Primary working experience:
  Assistant General Counsel 1997-1998
  Legal Counsel, KCI Konecranes/ Kone Corporation 1988-1997
- Shares 100 • Option to acquire 20,000 shares

Peggy Hansson, b. 1967
- Director, Competence Development• Member of the Executive Board since 2003.
- Employed 1991 • M.Sc. (Adult Education)
- Primary working experience:
  Manager, Knowledge and Personnel Development, 1998- 2003
  Manager, Internal Development, 1995 - 1997, Other current key positions of trust:
  Member: Technology Industries of Finland Working Group for Education, Training and Labour
- Shares 1,200 • Option to acquire 4,300 shares

Pekka Päkkilä, b. 1961
- President, Standard Lifting Equipment • Member of the Executive Board since 2003.
- Employed 1987-1998, 2001- • B.Sc. (Eng.)
- Primary work experience:
  Director, Industrial Cranes & Components, 2002–2003
  Director, Branded Products, Standard Lifting Equipment, 2001–2002
  Sales Manager, Naval Oy, Finland 1998–2001
  Regional Manager, Hoists & Components Center, Springfield, USA, 1993–1998
- Shares 500 • Option to acquire 24,000 shares

EXECUTIVE BOARD

Sami Atalla, b. 1958
• Country Executive, France, Netherlands, Belgium, Austria and Hungary
• Member of the Executive Board since 2004
• Employed 1987 • M.Sc. (Marketing, Finance)
• Primary working experience:
Director, Maintenance Services, Western Europe, 2000 – 2004
Region Manager, Western USA, 1991 – 1999, Eastern Canada, 1987 – 1990, Various positions at
Otis Elevators, Canada/USA, 1981 – 1986, Other current key positions of trust:
Member of Association: CISMA, France
• Shares - • Option to acquire 9,500 shares

Harry Ollila, b. 1950
• Country Executive, Northeast Asia (China, Korea and Japan)
• Member of the Executive Board since 1991.
• Employed 1991 • M.Sc. (Eng.)
• Primary working experience:
Group Vice President, Group Development, 2001-2005, Country Executive, Europe, 1997-2001
Technical Director, 1994-1997, Various positions at A. Ahlstr m Osakeyhti , 1972-1991,
including: Director of Projects and Engineering, Pyropower Corp., USA 1981-1986
• Shares 32,000 • Option to acquired 31,500 shares

Bill Maxwell, b. 1949
• Country Executive, U.K.
• Member of the Executive Board since 1995
• Employed 1992 • B.Sc.
• Country Executive UK, Benelux, 2002-2005
Vice President, W. Europe, 1995-2002
Managing Director, Kone-Carruthers, 1993-1995
Operations Director, Lloyds British Testing Ltd., 1986-1993
• Shares - • Option to acquire 9,000 shares

Edward Yakos, b. 1959
• Country Executive, Southeast Asia Pacific
(Australia, New Zealand, Singapore, Thailand, Malaysia, Indonesia, Vietnam, Philippines)
• Member of the Executive Board since 2005
• Employed 1992 • B.Sc. (Eng), MBA
• Primary working experience:
Managing Director, Konecranes Pty Ltd (Australia) 1998 – 2005
Marketing Manager, Maintenance Services, North America 1992 – 1998
Various managerial positions: Harnischfeger Industries, Inc. 1978 – 1992
• Shares 2,500 • Option to acquire 15,000 shares

Martin Rothe, b. 1964
- Country Executive, Germany
- Member of the Executive Board since 2004.
- Employed 1991 • M.Sc. (Eng.)
- Primary working experience:
  Managing Director, SWF Krantechnik 1998-2003,
  Managing Director, Verlinde, Germany 1991-1998
  Project Engineer, AEG Aktiengesellschaft 1988 - 1990
- Shares - • Option to acquire 13,600 shares

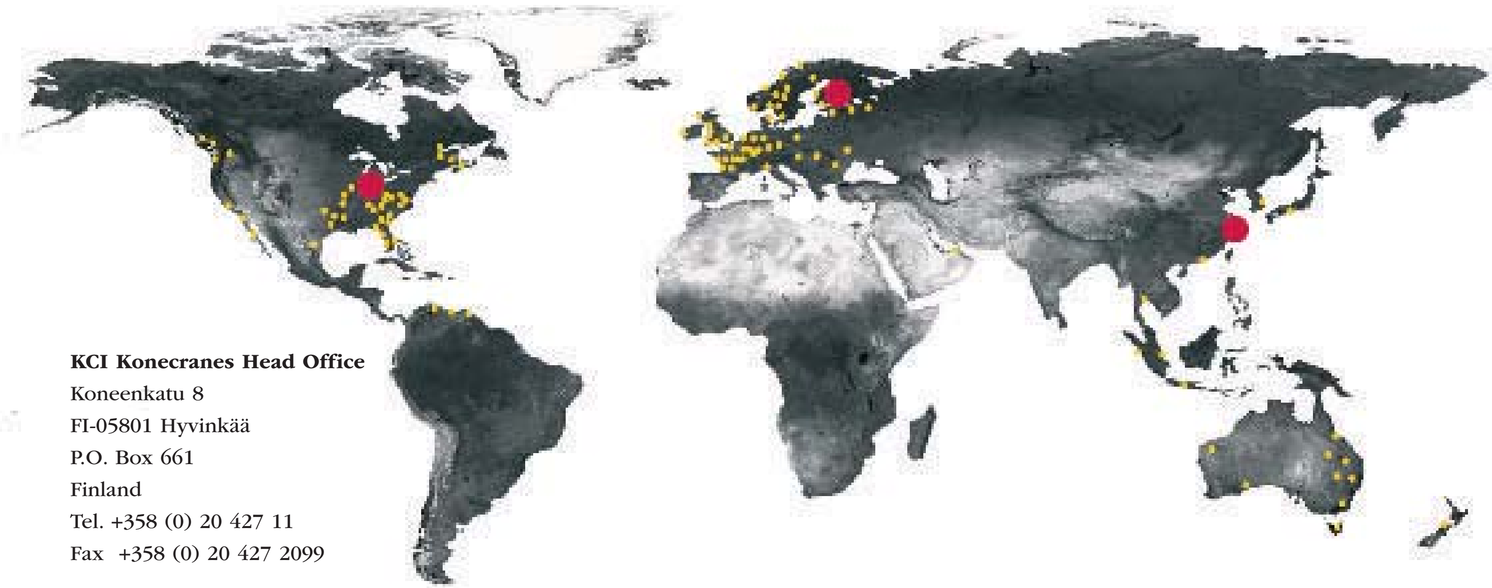
Hannu Rusanen, b. 1957
- Country Executive, Finland, Sweden, Norway and Denmark
- Member of the Executive Board since 2004.
- Employed 2003 • M.Sc. (Eng.)
- Primary working experience: Vice President, Service, ABB Finland, 1995-2002, Various positions at Tampella Oy 1982-1995 including: President, Pennpower Inc, USA 1994-1995,
  Vice President, Corporate Development, Tampella Power Corp., USA 1992-1994
- Shares 1,000 • Option to acquire 10,000 shares

Tom Sothard, b. 1957
- President, Maintenance Services and also Country Executive, Americas
- Member of the Executive Board since 1995.
- Employed 1983 • B.Sc. (Marketing)
- Primary working experience: President, Global Maintenance Services, 2001-
  Group Vice President, North America, 1995-2002
  President, Maintenance Services, North America 1989-2001
  Vice President, Maintenance Services, North America, 1984-1988
  District Manager, Robbins and Myers, 1980-1984
- Shares 500 • Option to acquire 33,000 shares

Mikko Uhari, b. 1957
- President, Special Cranes
- Member of the Executive Board since 1997.
- Employed 1997 • Lic. Sc. (Eng.)
- Primary working experience: President, Harbour and Shipyard Cranes, 1997-2003
  Various managerial positions Wood Handling Division, KONE Corporation 1982-1997 (Andritz as of 1996-), including: Director, Wood Handling Unit, Finland 1990-1992, Group Vice President, Project Business 1992-1996, Group Vice President, Marketing 1996-1997
- Shares 350 • Option to acquire 61,900 shares

Addresses

Our global locations and service network are key competitive advantages that have made us a world leader in our businesses.



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• **REGIONAL HEADQUARTERS**
• **Over 330 service locations**

OUR BRANDS

>> Read more on our brands in the Standard Lifting Equipment review on page 15.

KONECRANES

STAHL Crane Systems

CRANE PRO SERVICES *

MEIDEN

MORRIS

R&M MATERIALS HANDLING INC.

SWF KRANTECHNIK

VERLINDE LIFTING EQUIPMENT

* Crane Pro Services, the North American service group of KCI Konecranes, is the contractor most often called upon to repair, inspect or maintain overhead cranes in the United States and Canada.

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KCI Special Cranes Corporation
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and Shipyard cranes
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For a more comprehensive listing of contacts please visit our web site at www.konecranes.com.

■ Representative office

On the front cover from left: Tim Weston, Service Technician, Konecranes Australia; A Konecranes Paper mill crane;
Zhu Xiaohong and Yuan Bin Sheng, Service Technicians, Konecranes China.

On the back cover from left: Tony Chen, Field Service Manager and Knut Stewen, Director, KCI Konecranes Maintenance Services China;
A Konecranes RMG crane; Ian Wrathmall, KCI Konecranes Site Manager, Nissan Sunderland, UK.

Layout: Kimito Fabrik Ab

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