

Innovative Service Technology

Technology

Forming Lifting Solutions

Service Technology

Preventive Crane Maintenance

Reliable and safe lifting solutions

People

Sustained Profitability

Service

Technical Training

Service Cranes

Service and safe lifting solutions

Technology

Annual Report 2003

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A web version of this annual report is available on the Internet, along with a wide variety of other financial data at: www.kcigroup.com

KCI Konecranes' Annual Reports (in English, Finnish and Swedish) can be ordered from
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This is KCI Konecranes

KCI Konecranes is a world leading engineering group specialising in advanced overhead lifting solutions and maintenance services. KCI Konecranes is a forerunner in innovative lifting and maintenance technologies dedicated to satisfying end-users' needs for increased uptime, reliability, safety and high performance.

Our business concept is to provide a wide range of lifting equipment, modernisation and maintenance services for overhead handling applications. Our customers benefit from using a single-source supplier for all their crane-related needs.

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

We create excellence through realizing synergies between our large maintenance services business and a thoroughly modern product offering. Our maintenance services business together with a leading position as a supplier of new cranes to all key crane-dependent industries provides stability in our business cycle. We do not target the construction site crane (tower crane) nor the mobile crane market.

Reborn in 1994, when becoming independent from KONE Corporation, KCI Konecranes' annual sales have grown from 350 to 664.5 million euros in 2003. However, as a crane builder our history dates all the way back to 1933.

We have evolved from a traditional engineering company into a high-tech company with know-how-driven operations. Today, the Group has 4,350 employees and a presence through its own personnel and partners in more than 40 countries with service depots at more than 270 locations worldwide.

KCI Konecranes became listed on the Helsinki Exchanges in 1996 and has a widespread international ownership structure.



*Jyrki Kostian,
Service Engineer,
Konecranes Service,
Kotka,
Finland.*

The year 2003 in brief

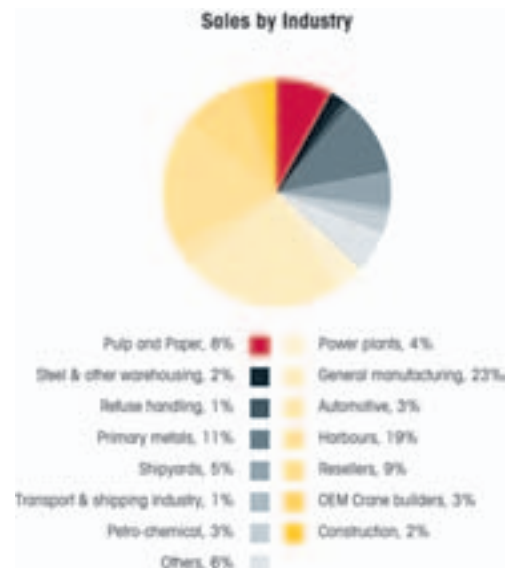
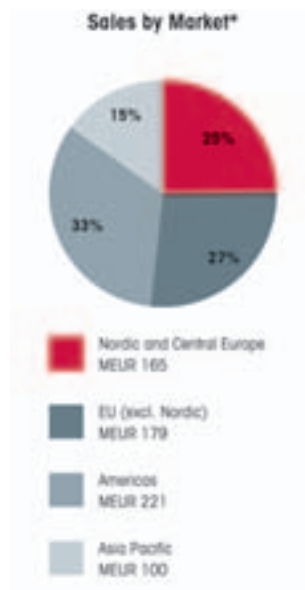
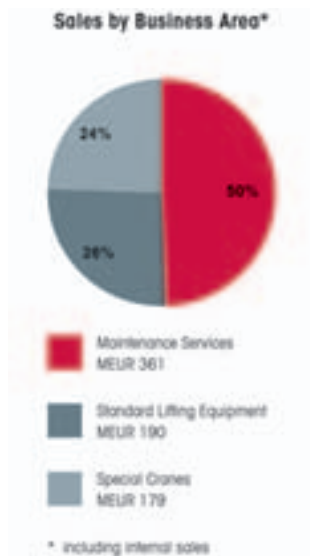
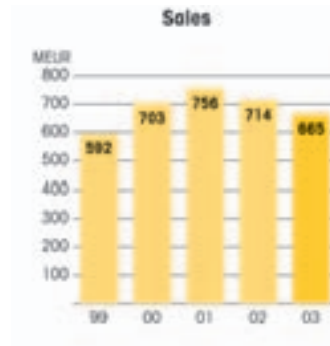
KEY FIGURES		2003	2002
Sales	EURm	664.5	713.6
Operational EBITA*	EURm	37.4	40.9
Operational EBIT*	EURm	34.1	37.6
EBIT	EURm	21.5	37.6
Net income	EURm	6.7	24.6
Return on capital employed*	%	18.3	17.8
Return on capital employed	%	10.8	17.8
Solidity	%	42.6	45.5
Gearing	%	27.8	19.1
Earnings per share	EUR	0.88	1.69
Dividend per share**	EUR	1.00	0.95
Personnel at year-end		4,350	4,441

* excluding one-off restructuring costs

** Board's proposal

Highlights

- ▶ New orders started to grow, up 2.2 % (8.7 % at comparable currency rates), H2/2003 orders 15.3 % over H2/2002 orders.
- ▶ Sales approximately intact, down 6.9 % (- 1.6 % at comparable currency rates).
- ▶ Operational EBIT margin well defended, 5.1% versus 5.3 % in 2002.
- ▶ New Group structure to yield EUR 15-20 million/y – restructuring costs of EUR 12.6 million booked in 2003.
- ▶ Strong growth in Asia continued.
- ▶ High turnover in maintenance contract base offset by fast growth in new service contracts; New hoist line complete; Continued market success for Konecranes RTGs.
- ▶ Acquisition of two operations (CraneMann Inc., USA and KUBI, Germany). Joint venture completed in Japan.



KCI Konecranes in a nutshell

The KCI Konecranes Group

- One of the largest crane manufacturers in the world.
- The largest crane maintenance provider in the world.
- Group headquarters in Hyvinkää, Finland
- A presence through its own personnel and partners in more than 40 countries.
- Number of employees: 4,350.

Market position

- Global market share approx. 10 %, in certain regions or product lines market shares are higher and certain markets are not (yet) covered at all.
- Strong position in the Nordic countries, Germany, France, the U.K., the U.S., Canada, Australia, many smaller EU countries and in several Middle East and Far East countries.
- In China, Group activities are growing fast and in Japan the Group is in an entry phase.

Competition

- Mostly regional or local with few other global players.
- Competitors include the German companies Demag Cranes & Components GmbH, R. Stahl AG and ABUS Kransysteme GmbH, the North American companies Morris Materials Handling, Inc. and Columbus McKinnon Corporation and in China ZPMC.

Key considerations

- Global leader in areas of focus.
- Crane maintenance is a genuine growth business.
- Positioned to drive consolidation in the industry.
- High focus on R&D.

Business Areas

Maintenance Services

- World's largest network of crane service branches.
- 270 branches in more than 30 countries worldwide.
- Number of employees: 2,662.

Market position

- Leading provider of crane maintenance services in the industrialised world. Currently, the largest role in the crane maintenance market is played by in-house maintenance, performed by the customers' own staff.

Services

- Highest professional competence applying advanced maintenance technology.
- Services include all activities necessary for trouble-free crane operation including inspections, predictive maintenance programs, modernisation services, preventive repairs, on-calls and spare part services.

Service agreement base

- The service agreement base includes more than 209,000 cranes.
- Maintenance is provided for all overhead and gantry cranes regardless of the original manufacturer.
- Over 80% of the cranes in the agreement base have not been manufactured by KCI Konecranes.



Standard Lifting Equipment

- Standard Lifting Equipment is used as part of a production process, for short distance through-the-air transportation and auxiliary purposes requiring regular or occasional lifting
- Marketed under the Konecranes brand and under independent brand names SWF (Germany), Verlinde (France), R&M (U.S.) and Meiden (Japan).
- Sales representation in more than 40 countries.
- Number of employees: 960.

Market position

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

Products

- Industrial EOT 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 12,000 industrial cranes and hoists and related equipment, including 60,000 electric motors specifically for lifting and travelling.
- Component factories in Finland, France, the U.S. and China.



Special Cranes

- Special Cranes focuses on solving heavy lifting needs in two major segments, cranes for the process industries and cranes for harbours and shipyards.
- Sales representation in more than 40 countries.
- Number of employees: 614.

Market position

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

Products

- EOT process cranes, harbour cranes, container terminal cranes, shipboard cranes, shipyard cranes, crane automation, crane control systems and heavy-duty crane components.
- Industry leading technology and global product ranges.
- Lifting capacities are typically more than 50 tons.
- All designs use a joint component platform

Production

- Annual production of more than 400 heavy-duty cranes and hoisting trolleys and more than 15,000 motor controls for cranes.
- Process crane factories in Finland, the U.K., Germany and the U.S.
- Several crane production joint venture companies and numerous supply partners.



President's Letter

A year of renewal

The year 2003 – the tenth year in KCI Konecranes' modern history – was a year of great turbulence and change. The beginning of the year, under the plight of the SARS epidemic and the threat of war in Iraq, meant an almost total standstill on all our markets. As the year went by, we managed to find increasing amounts of business and in the second half of the year operations were in high gear again.

In total KCI Konecranes' performance was fair. The total sales amount did not change from the previous year figure (nominal minus 6.9 %, disregarding currency changes minus 1.6 %). Total orders show an increase of 2.2 %, which translates to an increase of 8.7 % in volume. Also our profitability was almost intact: The operational EBIT margin was 5.1 %, against 5.3 % one year earlier.

Underneath this stable-looking surface we saw substantial changes. The changes related to the markets, with deep changes in the international demand structure, changes related to our competitors, and, also, dramatic changes in exchange rates.

To combat all this change, the Group has chosen not only to react on change, but to actively avail ourselves of the opportunities, that are an automatic consequence of change.

We have embarked on an extensive program of cleaning out old structure and ways of operation. We are growing closer to our markets and our customers. And we work hard to increase our own flexibility, our own capacity to act and react in a fast changing world.

Our strong and unimpaired balance sheet provides us with the freedom of choice on timing and nature of measures.

During the year, we finally cleared out the remnants of the ill-fated Baan-project. Baan's ownership changed, and with the new owners we quickly settled all outstanding disputes.

Having spent the last five years investing heavily into R&D – the Group has a totally modern product range – we now focused on our production structure. We adopted a new approach the core of which is a global supply network replacing owned production sites. Step by step we will reduce our dependence of parts manufactured in our own plants. Instead, we focus on an efficient global procurement structure, with the capability of swift reactions to changes in demand. Also, our exposure to exchange rate fluctuations is reduced further.

The new strategy will result in the reconsideration of certain operations in Finland, France and Germany, with a corresponding risk for redundancies. To some extent this has already materialised. In all, some 400 jobs may be at risk. We do not take these measures lightly, but we see few alternatives other than dismantling capacity. We work in close co-operation with our personnel and their organisations, seeking to minimise the effects on the personal lives of those that may lose their jobs.

We have included a charge of EUR 12.6 million against the profits of 2003, to cover the costs for restructuring. The new structure is expected to produce costs savings in the amount of EUR 18 million p.a. in two years when fully implemented.

Our markets continued on a low level for the third year in a row. The exception is China, and now also other Asia-Pacific countries. Our entry into the Chinese market, with our own manufacturing, with an extensive dealer/crane builder network and with a local parts procurement activity feeding into our global procurement network, has proven very successful and well-timed. During 2003, our Asia-Pacific region posted phenomenal growth. In Standard Lifting Equipment, Asia-Pacific passed Americas as the second biggest region. Region Europe still holds the number one position. America as a whole returned to growth with sales up 5.1 % in real terms (neg. 8.7 % including the US-dollar decline).

After over ten years of virtual standstill, the Japanese market, one of the biggest markets in the world for lifting gear, now show signs of growth. Our entry into that market last year is now starting to pay dividends.

Our biggest Business Area, Maintenance Services, again demonstrated its fundamental strength. With western (Europe and North America) manufacturing utilisation rates on a historically very low level, the demand for maintenance was affected. Plant closures and production consolidations always mean lost maintenance agreements. However, embedded growth drivers in this industry are strong enough to yield a net growth also in this environment. The value of cancelled contracts rocketed to 16 %, but the value of new contracts climbed 21 %, leaving a net value growth of 5 %. Naturally, the heavy churn took its toll on profitability, but only to a limited amount.

During Q4, the margins were restored.

In acquisitions, traditionally a good contributor to growth, we took a more cautious approach. Potential targets often do not look too attractive in these market conditions. The risk of unwise acquisitions has grown. However, our basic strategy of availing ourselves of every opportunity for extending our market coverage through acquisitions is still valid.

The Group goes into 2004 from a strong starting point. Our structure is lighter, we have cut a lot of old garbage, our product lines are modern and effective and new orders and order backlog increase. Our net debt is low. We are looking forward with confidence for a year of profitable growth.

I want to thank all, colleagues, customers, suppliers and shareholders alike, for the year 2003, for a year of renewal.

Stig Gustavson, President and CEO



Strategic Cornerstones

Vision

KCI Konecranes' vision is to develop its industry into an industry of high performing, reliable and safe lifting solutions with world-class maintenance back-up. In this development we want to take and hold the lead.

Business Objective

Our objective is to maximise lifting availability for our customers while at the same time minimising total lifetime costs, i.e. the total of capital, operating and maintenance costs for the equipment. We create value for our shareholders.

Strategy

The KCI Konecranes Group's strategy is based on the combination of two global activities – providing cranes and maintenance services for a global customer industry base. Growth, innovative technology and operating efficiency form the three steps in this strategy.

Growth

Our main pursuits to achieve growth are to develop our maintenance services offering, to make select acquisitions for winning new markets and to develop technical innovations for winning new customers.

► Maintenance services

Maintenance Services is our motor for organic growth. An activity with less cyclical variation compared to our other activities, Maintenance Services proved its dynamic nature also in 2003. Although large-scale market-related restructuring and downsizing among customer industries led to 16 % of our service contracts being reduced or even cancelled during 2003, we succeeded in gaining new contracts at a pace of 21 %. The net growth was therefore 5 %. We believe this trend of downsizing and closings will fade in 2004. We believe the demand for increasing outsourced crane

maintenance will prevail. Customers want expert crane maintenance for improved cost efficiency, safety and increased uptime.

Although KCI Konecranes commands the world's largest crane service network its market share of global crane services is no more than 5–10%. As an estimated 70 % of all crane maintenance is still carried out by the crane owner's own staff, we believe the growth opportunities within the area of Maintenance Services will continue for several more decades.

Our Maintenance Services network also serves as a distribution channel for cranes and components and therefore also fuels the growth in these operations.

► Industry consolidation

The crane industry is facing consolidation both in Europe and in America, where regional or local small companies still play an important role. Thanks to our leading position in the industry we are positioned to play an active role in this process. We are interested in well-recognised local, national or regional brand names and large installed bases.

Innovative technology

Continuous R&D spending has transformed us from followers to front-runners in this industry. We are committed to innovative lifting solutions and developing new tools and technologies for preventive maintenance services. Our progressive R&D work is inspired by feedback from our maintenance database covering information on end-user applications for both our own and competitor equipment. We develop superior product features, with the objective of maximizing the availability of the equipment with minimum operational and maintenance costs over its lifetime. Our innovations in products and maintenance technology break ground for new customers both in cranes and maintenance. Our R&D resources remain unmatched in this industry.

Operating efficiency

We want to be cost leaders with the lowest unit costs in the industry. We employ new methods and cost-efficient designs, based on modularity and standardisation.

We maintain a globally uniform product platform for flexibility in capacity utilisation and optimisation of resources. Our global operations also provide access to the most cost efficient sourcing opportunities on the supply side. Our efficiency improvement programs now focus on opportunities available in global manufacturing and sourcing.

Compared to our competition, our sales productivity is boosted by our size, geographical market coverage and business concept of combining crane sales and maintenance through one common network.

Environmental

KCI Konecranes recognises environmental management as an important aspect in its business and strives to conduct operations in an environmentally sound manner. KCI Konecranes' strategy is to develop and provide products and services that have no undue environmental impact and are safe in their intended use, that are efficient in their consumption of energy and natural resources.

KCI Konecranes' environmental design principles can best be seen in the products. Inverter drives spearheaded by KCI Konecranes, consume up to 40 % less energy compared to commonly used traditional designs. In transmissions, our precision machined parts lead to extended service life for the equipment as well as greatly reduced noise levels.



Shared Values

Trust in People

Total Service Commitment

Sustained Profitability

Our values underline a joint sense of purpose and a humble attitude among all employees. We want to be known for our good people, always keeping their promises. We want to be recognised as a financially sound company.

KCI Konecranes: A Unique Approach

In a mature industry, only those who innovate can survive and thrive.

We have constantly innovated new products. But we have also innovated new production methods and ways to bring our products to market.

We have created commercial innovations: Early, we understood the need for professional Maintenance. Modern production equipment, cranes included, work as part of sophisticated production structures. If one link fails, the whole structure fails. Therefore, the most economic approach must be one of prevention. To offer prevention, one needs to be able to predict.

Improving maintenance means improving the product. Improving the product means maintenance and increased uptime.



Our approach contains a large number of policies, all targeting the end user: We offer good handling economy, over time. Good economy means low capital costs, low operating costs and low maintenance costs for the crane.

Some of our policies are:

Cross-selling for market coverage

Our maintenance services technicians make some 1.5 million service calls each year. Each service technician acts as a potential crane sales representative. In keeping the customer's cranes operative our service technician must understand the customer's business. This makes him a very good sales person.

Every industry needs lifting

There are few industries in the world not needing lifting. The specific needs, however, vary. The needs vary from country to country, from region to region, from continent to continent. By being truly global, we have learnt to combine knowledge from one industry to the needs

of another, to use knowledge from one country to solve problem in another.

Maintenance for all cranes

Today, KCI Konecranes features the largest EOT (Electric Overhead Travelling) crane maintenance organisation in the world. Most of the cranes in our agreement base have not been built by KCI Konecranes.

We have always accelerated Maintenance Services growth by acquiring companies. Today, a good number of the customers who bought a crane from any of those crane builders that now have been integrated into KCI Konecranes enjoy the benefits of KCI Konecranes maintenance services. Also, many crane users understanding the cost benefits of outsourced services have joined us as maintenance customers.

Of all the cranes in our maintenance agreement base, approximately 210.000 in total, only some 20 % have been built by KCI Konecranes.

Maintenance and R&D

In maintenance, our technicians experience the cranes in every conceivable operational situation. The technicians get a good exposure to all ways of crane use, from light duty to the extreme.

For the company, feedback from maintenance has proven to be one of the best sources of input for new R&D.

As our maintenance agreement base includes nearly all of our competitor's cranes, we are eager to learn everything about their good and less beneficial features.

Maintenance is a high-tech job

Throughout the history of EOT cranes, the general perception of a maintenance technician has been one about an untidy repairman, with a hammer and a wrench. Our perception is different.

Our maintenance technician is a



highly qualified individual, with a good knowledge of both the mechanical, the electrical and the computer-controlled features of the crane. Our team inspects the crane, checks with his computer based background information base, and prescribes a detailed maintenance program for the crane. This program is written not to disturb normal production.



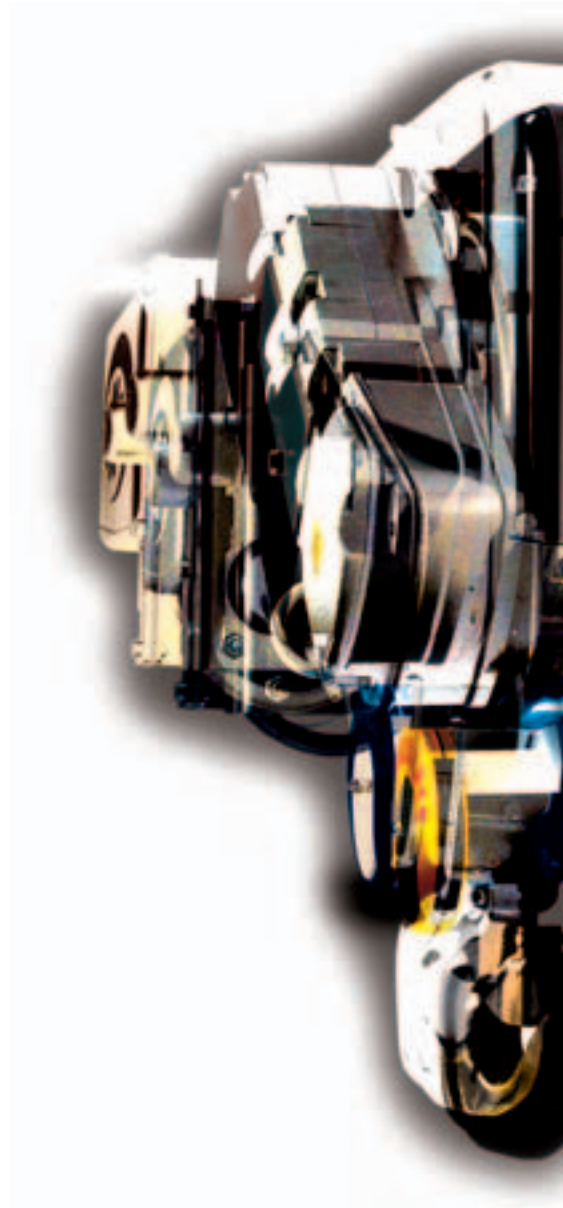
Over time, the general perception of maintenance is changing towards our way of defining maintenance.

Internal synergies between business areas

KCI Konecranes' competitiveness and leading position is based on the global synergies and cross-selling opportunities that exist between its three business areas: Maintenance Services, Standard Lifting Equipment and Special Cranes.

All business areas are independently profitable. Taken together the business areas cover all overhead lifting solutions and components for virtually all industries worldwide. Our customers benefit from a single source supplier in all their crane-related needs.

Our market presence through maintenance supports market penetration for equipment sales, and equipment sales enhance marketing of maintenance. Increasingly, solid customer relationships developed in the service sector have created a logical channel for sales of new equipment. Cross-selling between the business areas contributes to the organic growth potential of the Group. Our R&D work is inspired by feedback from our maintenance database covering information on both own and competitor equipment. Based on this information, our R&D develops superior product features. New product introductions and maintenance technology break ground for new customers both



A Unique Approach

in cranes and maintenance.

Our diversified business and customer mix helps even out the effects of business swings in different customer segments. Activities are further balanced by the Group's large maintenance business. Crane maintenance is by its nature not exposed to large fluctuations in business cycles.

Long-term customer relations

KCI Konecranes' organisation has an inbuilt sensitivity to react to changes in the market. Based on the knowledge of our customer's industrial processes we are able to identify changes in their needs. Our expertise covers several industries and market areas. We want to convert this knowledge into customer benefit.

Our aim is to generate a positive return for our customers on their investment in equipment and maintenance services. We focus on increasing the efficiency, availability and safety in crane operations while at the same time minimising the ownership costs over the life-time of the crane.

The sale of a new crane or a maintenance call is the beginning of a new customer relationship. We offer a complete range of preventive maintenance services and expertise. Our customer relations last long, often throughout the entire life cycle of the crane. The value of the customer relation over the entire life cycle of the crane is a multiple compared to the initial capital investment of a crane.

► Customer Life Cycle Approach



Synergies feed total production

The synergies between being both a world-class crane producer and a world-class maintenance provider are obvious.

The result, an increasing production, creates further gains. With increasing production, new production technologies came into reach.

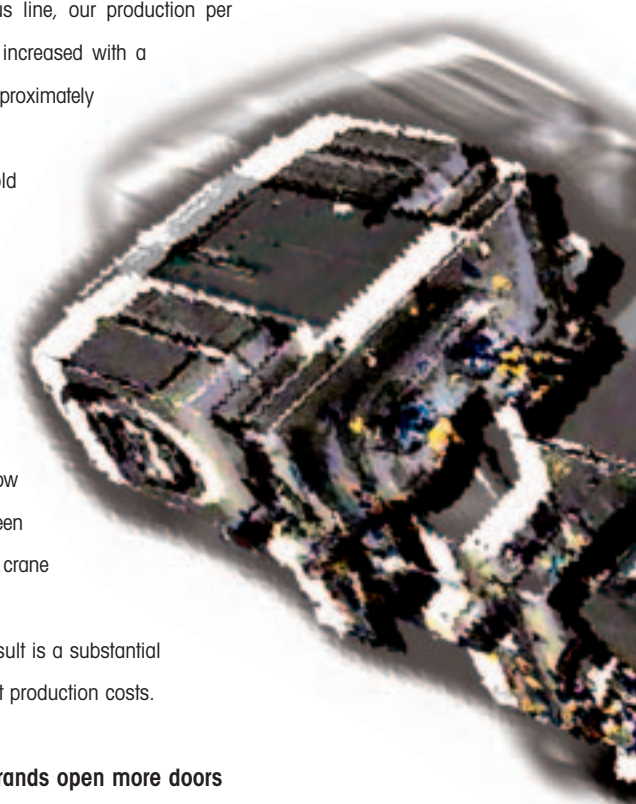
Our new CXT wire rope hoist line is a good example: As production numbers have increased by a factor of three since the introduction of the previous range, the XL, and the number of CXT frames (or platforms) being only four compared to seven in the previous line, our production per frame has increased with a factor of approximately ten.

A tenfold production opens up a number of production methods, that until now have not been used in the crane industry.

The result is a substantial drop in unit production costs.

Several brands open more doors

The customer base of KCI Konecranes is relatively heterogeneous. In order to reach as wide a customer base as possible KCI Konecranes has introduced the concept of multi-branding into the business. Under the "Konecranes" brand we approach the final equipment user directly. We offer a comprehensive range of components and cranes to meet all his lifting needs, together with the best after-sales support and maintenance in the industry.



For the vast number of other crane builders, often with excellent relations to a regional customer base, we offer our components and our know-how. For this separate market, we have created a totally independent marketing channel, under different brand names. These brand names are SWF in Germany, Verlinde in France, R&M in the USA and Meiden in Japan. With different brands, we can increase our sales, as our components reach a wider customer base.



During the years, KCI Konecranes has systematically acquired the engineering assets of other crane companies. Today we are capable of producing original spare parts for over 40 other crane brands.

These brands are locally strong, and old customers that make replacement investments are more likely to choose a familiar brand (see the list of brands below).

Knowledge management is everything

New cranes and maintenance alike, all is now about knowledge. As one of the first in its industry, KCI

Konecranes appointed a Knowledge Director in 2002. We have fully endorsed the pivotal importance of developing and supporting the knowledge base embedded in our people.

During 2003, 15 internal full time trainers worked all through the Group. Supporting the internal activities, we teamed up with several universities and institutions for state-of-the art knowledge.

KCI Konecranes has full rights to deliver original spare parts to the following crane brands:

Action, Asea, Brevia, Browning, Burlington Engineering, Caillard, Carruthers, CGP, Cleveland Crane, Crane Manufacturing, CraneMann, Cranex, Donges, Ecalevage, Euclid, Finox, FT.Crowe, Hvilans, Intransmas, Kranco, Kone, KUBI, Kulicke, Landel, Lypta, MCL, Mohr & Federhaff, Northern, Overhead, Provincial, Ridinger, R&M, Schippers, Shepard Niles, Sowitsch, SWF, Trost & Hiltnerhaus, Verlinde, Wisbech & Refsum.

A Unique Approach

We also understand the importance of business and managerial skills. Our management school, the KCI Konecranes Academy, has been running since 1997. At this point, more than 160 employees have completed the Academy curriculum and some 200 employees are currently taking part in the program.

In total, over 8000 working days were invested into training, with some 2600 employees benefiting from the programs.

Modern skills use modern tools

Again as the first in its industry, KCI Konecranes has set a new industry standard for modern management tools.

Mainman® optimises the maintenance methods. Our proprietary software Mainman®, created in the USA, records and prioritises the maintenance needs of a crane. After definition, the Mainman® software helps us perform cost efficient maintenance programs, defined according to customer needs.

The maintenance is a globally fragmented business. Much could be gained in combining the knowledgebase of different countries and regions. This was the goal for the ill-fated Omniman project.

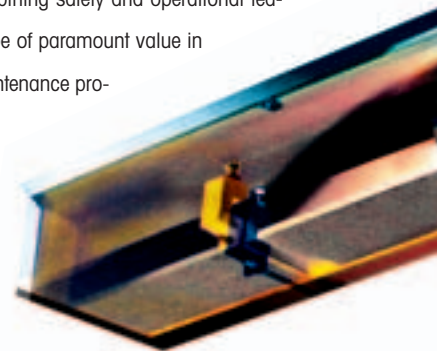
Today we know better how to design a global database. Today we have launched the Omniman II package. Differing from its older

approach, Omniman II is not a fully integrated software package. With a distributed architecture, it offers the same set of large-scale benefits, as was the ambition of the original Omniman.

The CRS (Crane Reliability Survey) process has been developed to systemize crane reliability, against the backdrop of increasing EU requirements on crane safety. Combining safety and operational features, the package has proven to be of paramount value in determining large-scale crane maintenance programs.

The Markman® features a fast track on standard crane sales. Order backlog management, quotes backlog and potential sales backlog, as well as standard pricing are all managed through the Markman®, together with standard crane design.

Many other IT-tools are everyday in use within the Group. It would not be possible to here give a comprehensive list. However, the Group believes it retains a healthy lead towards all of its competitors, when it comes to the use of efficient modern managerial tools.





“Real growth in a non-growth environment”



Key figures	2003	2002	Change
Sales, MEUR	361.3	372.4	-3.0 %
Operating income, MEUR	22.0	26.2	-16.1 %
Operating margin, %	6.1 %	7.0 %	
Order intake, MEUR	292.8	310.2	-5.1 %
Personnel	2,662	2,698	-1.3 %

Part of Group Sales



Maintenance Services consists of all activities related to keeping cranes available for safe, reliable and uninterrupted service. We provide services for all overhead cranes regardless of original manufacturer. More than 80 % of all cranes included in our service agreement base have not been manufactured by KCI Konecranes. Key products are inspection services, preventative and predictive maintenance, spare part services, performance upgrades and large modernisations.

Vision

Crane maintenance is a genuine growth market. KCI Konecranes’ vision is to use its world leader position in crane maintenance services to sustain and accelerate growth. We want to contribute to the development of new maintenance technologies.

Strategy

The cornerstones of our Maintenance Services strategy are a highly skilled work force, long-lasting customer relationships in the form of ongoing maintenance agreements and growth through increasing outsourcing of crane maintenance. We are committed to innovative maintenance technology solving old problems with new technology. Our focus is always on preventative maintenance and elimination of potential future trouble. Our aim is to maximise availability for the equipment while minimising the overall operational and maintenance costs for the crane owners. We accelerate growth by distributing other business area’s products through our maintenance network.

A dynamic environment

Our Maintenance Services business shows a sales volume growth during 2003 of 5 % (counted at comparable currency rates). This growth number, at first sight, seems to be a far cry from those double-digit growth numbers posted just a few years ago.

The nature of the maintenance business is local, with both invoicing and costs recorded in the same currency. Few transactions involve more than one currency. For comparison between two years, the use of local currencies eliminates translational effects. In the official consolidated numbers the growth is a negative one of 3 % after consolidating all different currencies into the euro. Behind these numbers, there are dynamic positive and negative growth elements. Although large-scale market-related restructuring and downsizing among customer industries led to service contracts being reduced or even cancelled at the rate of 16 % during 2003 we succeeded in gaining new contracts at a pace of 21 %.

When manufacturers specialise on a narrow band of core competence as they do today, the need for handling goods between specialised production centres increase. As a result, world trade grows at a growth rate much stronger than that of industrial production, over time. Trade means handling and handling means cranes. Crane maintenance, and maintenance in general is often seen as a non-core activity and becomes the target for outsourcing, creating a lasting growth environment for the supply of maintenance services.

► "Insourcing"

In spite of this general trend, overall industrial cycles have an impact on the rate of outsourcing growth. In times of low, stagnant or even negative general growth, certain manufacturers seek to protect their own staff by limiting redundancies as far as possible. Instead, the suppliers of outsourced services will have to take the beating, as previously outsourced activities are reversed, "insourced", back again.

► Outsourcing

Other manufacturers react in a totally different manner to low/negative growth. Low/negative growth compels manufacturers to cost

savings, cost savings that can be accomplished through increased outsourcing.

► Utilisation

Low utilisation rates, like we see today, immediately lead to lower load for the supplier of outsourced services. Low utilisation often triggers manufacturing restructuring measures and consolidation, with less needs for sourced services.

Restructuring within the manufacturing industry was strong during 2003, resulting in a record number of cancelled or renegotiated contracts.

In the US manufacturing industry, capacity utilisation rates stayed at 72 % during 2003, rising towards 74 % at the end of the year. Only 2–3 year ago, US capacity utilisation was significantly higher, at 81–82 % (source: US Census Bureau, Federal Reserve). This dramatic reduction naturally has had an impact on our maintenance operations in the US, where specifically the consumption of wear items and the need for emergency repairs were directly impacted.

In Europe, the pattern with low utilisation rates is equally true, with a certain time-lag compared to the US.

Machine Tool Maintenance (MTM)

Today, we are asked by our customers in engineering industries to include also their production machineries in addition to cranes into our maintenance agreements. Previously known as Plant maintenance, we have now adopted a new name underlining our focus on engineering: Machine Tool Maintenance, or MTM. During 2003 the MTM activity had sales of EUR 23 million.

Until the end of 2003 the MTM activity was confined to Finland, as we wanted to thoroughly explore the true earnings potential of this business. Under the exploration phase, the two Maintenance operations, the MTM and the Crane Maintenance were kept separate.

From the beginning of 2004 these organisations have been amalgamated into one field organisation. Because of better scale and improved use of resources, productivity has improved. During 2004, we will expand the MTM offering into Sweden.

Maintenance Services

Harbour Crane Maintenance

In most of our customer sites the crane has the role of auxiliary equipment. In ports, however, the crane is the main production machine. In ports, the core process is about materials handling. Therefore, crane maintenance in ports receives a high priority. As a rule, ports handle their own maintenance. Now, with an increasingly complex crane technology, port operators are finding the productivity aspects of outsourced services very attractive. Our port services, a.k.a. KCI Koneports, grew 12 % during 2003, and represent sales of EUR 54 million.

Financial performance

Maintenance Services sales were EUR 361.3 (2002: 372.4) million, down 3 % from 2002 (counted at comparable currency rates sales grew by 5 %). The operating income was EUR 22.0 (26.2) million. The operating income margin was 6.1 (7.0) %.

The productivity and profitability in field operations within Maintenance Services was negatively affected by high turnover in the maintenance contract base. Compared to yearend 2002 new contracts received during 2003 increased the total contract base value by 21 % (counted in local currencies) but reductions in terms of cancellations and changes in the content of contracts caused a 16 % value decrease. Thus the net increase in the value of maintenance agreement base was 5 %. The high turnover of contract base was largely a consequence of customers cutting or translocating their production capacity and changing their suppliers. As a consequence we had to transfer and reallocate our maintenance resources, which burdened our productivity. KCI Koneports services (counting approx. 15 % of the total sales in the business area) developed positively during the year both in terms of sales and profitability.

The devaluation of the US-dollar and some other USD-related currencies had a negative translational effect of approx. EUR 2 million on the operating income.

Quarterly operating income margins improved towards the yearend. The margins stayed below the corresponding previous year figures except for the fourth quarter. Q4/2003 operating income on sales was 9.6 (9.0) %.

The number of employees in Maintenance Services at the yearend was 2662 (2698). Excluding personnel increases in growing units and acquired operations there was a total reduction of 81 in the headcount. This reduction is due to improving efficiency in operations, as actions to enhance productivity continued in field work and in support functions.

The total order intake in the Business Area was EUR 292.8 (310.2) million, down 5.6 % compared to 2002. Counted at comparable currency rates there was an increase of 2.5 % in orders and the value of the Maintenance contract base (in local currencies) grew by 5 %. The number of cranes included in the contract base reached 209,769, which is 0.7 % more than at the end of year 2002. The gross growth in number of units was 17.5 %, but contract cancellations and reductions caused a 16.8 % decrease in the number of units. The average maintenance contract value per equipment grew by 4.4 %.

“Real Growth in a non-growth environment”

Future prospects

Since mid-year 2003 the US manufacturing capacity utilisation has started to climb, together with new orders and order books. At the end of 2003, utilisation reached 74 %.

It is too early to predict a definitive improvement, but if the trend continues, the contract turnover (churn rate) is likely to drop, and growth and profitability would increase. Already in Q4 margins returned to normal levels.

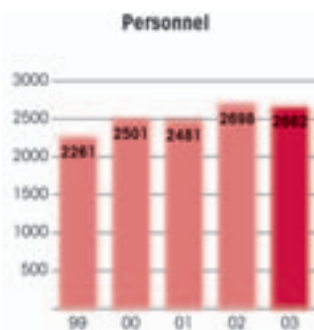
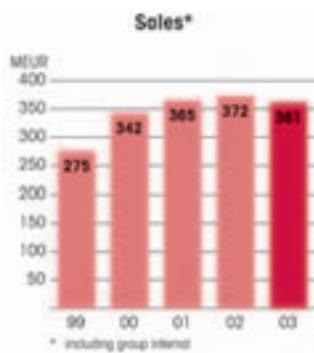
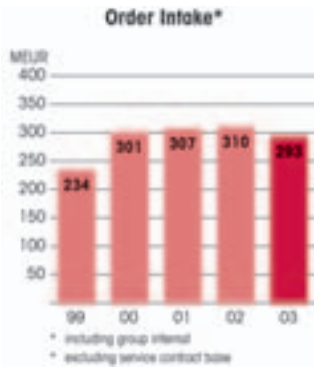
In Europe, the Maintenance growth prospects remain stable in spite of continuing low growth in industrial activity.

So far, our maintenance presence in region Asia-Pacific has been strongest in Australia. Slowly but surely, our Maintenance offering is becoming a valid alternative also in the rest of Asia-Pacific, adding to the overall growth.

KCI Koneports fast development is expected to continue.

New operational tools are expected to add to the productivity in the business area.

The growth factors will continue to add to the business regardless of economic climate. A reduction in the churn rate will boost both sales growth and margins.



*Matthias Frosch,
Service Supervisor,
Noell Konecranes,
Langenhagen, Germany.*

“Mission complete: new product platform in full speed”



Key figures	2003	2002	Change
Sales, MEUR	189.8	204.6	-7.2 %
Operating income, MEUR	18.0	19.5	-7.6 %
Operating margin, %	9.5 %	9.5 %	
Order intake, MEUR	196.5	203.2	-3.3 %
Personnel	960	949	1.2 %

Osuus konsernin liikevaihdosta



The Standard Lifting Equipment range consists of industrial cranes and lifting mechanisms (i.e. hoists) with a lifting capacity between 100 kg and 100 tons. Chain hoists cover the lower range typically up to 2 tons of lifting capacity. Wire rope hoists on the other hand normally have a capacity of 3–5. However, our large production numbers warrant a profitable scale production of standard hoists up to 100 tons capacity. In aggregate, the hoists represent approx. 40 % of the total sales of this Business Area.

Vision

In Standard Lifting Equipment, KCI Konecranes envisions to become the clear world leader in electric wire rope hoists and industrial cranes of modern technology and the fastest growing global supplier of workstation cranes and chain hoists.

Strategy

In this Business Area our strategy focuses on good market penetration via our maintenance services network, technical innovation, global scale procurement, geographical expansion and acquisitions. Our product ranges have been renewed systematically, introducing superior product features to benefit our customers. Our aim is rapidly to respond to needs detected among end-users.

New platform finalised

In 2000 KCI Konecranes introduced its new product platform for the Standard Lifting Equipment Business Area. The product shift started immediately, and now, with mission complete, results are forthcoming.

In a market decline, with correspondingly tough pricing environment we managed to defend our sales, increase our market shares and order book to keep our margins.

Launching of the new product line was well timed. In times with low overall demand, its superior features have helped us to win new orders and to build up new customer relationships. Due to its cost efficient design, we have enjoyed the luxury of being capable of aggressive pricing when needed, although our ultimate goal remains to strengthen our pricing based on superior product performance. Indeed, despite the tough environment and especially in spite of the decline of the US dollar against the euro (we have substantial exports to the US and to other USD related currencies) the margins did not drop.

Guan xi in China

Having spent two to three previous years on product development and launching, we now switched over to optimising our production structure. Our plant in Shanghai, China opened in November 2002 has provided us with a basis for increasing high quality competitively priced component procurement. After some initial difficulties, we can now see a wealth of opportunities in the Chinese supply market.

Component sourcing in China is today on top of the agenda for most American and European industrial companies. However, we firmly believe, that the success of our sourcing activity could not have been achieved had we not also started our own manufacturing operations in China.

The basis for our Chinese operations is, however, our entry into the Chinese market for cranes. We are the biggest non-Chinese crane maker in that market. China is not only the biggest market in the world for our products, but it also exhibits tremendous growth. Without the awareness created around the Konecranes brand, our sourcing activities, as well as ramping up our manufacturing would

have been considerably more cumbersome. In the Chinese language, this network creation is referred to under the term "Guan xi".

New lean structure

We have now completed the backbone of our Standard Lifting Equipment production structure. We run hoist manufacturing sites (assembly plants) in Springfield, Ohio for North American deliveries, in Hämeenlinna, Finland for Europe and in Shanghai, China for the Asia-Pacific region. The supply of components and parts is arranged through a global network of vendors for all assembly plants, whereas maintenance and development of the product platform is handled at Standard Lifting Equipment headquarters in Finland.

Besides hoist assembly we make only the core components needed for standard cranes. Crane building (steel structure) is normally performed through subcontracting arrangements. Two exceptions exist: in Eastern Germany, in the middle of Europe, and in Ohio, in the middle of America, we operate crane-building facilities of our own. These facilities are not designed to handle all our needs, however, they provide us with backbone capacity independent from outside suppliers. Also, they serve as development centres and benchmark providers for our partners.

Concentrating on core hoist components meant also taking big steps into outsourcing of low productivity activities. Our production of small electrical motors for horizontal movements was dismantled and outsourced completely. Also repetitive delivery-engineering work is now performed by outside vendors. Further actions will follow, as corresponding plans, made in collaboration with relevant partners mature. The costs associated with the cessation of production units are reported under Group costs.

Our chain hoist and light crane systems operation in France is also investigating ways of improving its cost competitiveness.

Markets

The markets for Standard Lifting Equipment reflect the low investment climate in both Europe and North America.

European spending is generally on a low level. Our European

Standard Lifting Equipment

orders therefore contracted somewhat but our market positions were well defended. In Germany, Austria and the eastern parts of Europe (the EU candidate countries) we saw growth, especially towards the end of the year. For Germany we assume that the growth relates to an increase in market share. In the eastern countries there is market growth driven by the imminent EU enlargement.

In the US and Canada we saw a new optimism, our sales activity increased during the year.

Asia-Pacific and especially China is clearly the growth motor in the world. In China, our orders more than doubled compared to previous year's numbers. During the year, Asia-Pacific passed North America as our second biggest market area for Standard Lifting Equipment, by number of units sold. Our number one area, Europe, may have to surrender its leading position to Asia by the end of 2004. We now operate 20 points of sale in China, under our own ownership, as joint ventures or as contract partners. We also enjoy full operating licenses for all relevant business aspects.

Financial Performance

Standard Lifting Equipment sales were EUR 189.8 million, down by 7.2 % compared to EUR 204.5 million in 2002 (3.3 % decrease when counted at comparable currency rates). The operating income was EUR 18.0 million, down by 7.6 % or EUR 1.5 million compared to EUR 19.5 million in 2002. Despite the decrease in sales the profitability stayed at the same level than in the previous year. The operating income margin was 9.5 %; same as in 2002.

The translational effect of the stronger euro had only a marginal effect on the consolidated operating income. The negative transactional impact on export from euro-area in other currencies was eliminated through efficient hedging.

The decrease in operating income was mainly a consequence of lower sales and to some extent of lower sales prices. However, the profitability was supported by efficiency improvement actions and the completed launch of the new wire rope hoist line.

During the last quarter in 2003 operating income was EUR 6.2

million or 10.9 % on sales. Corresponding figures from the previous year were EUR 5.6 million and 9.6 %.

The total number of employees at yearend was 960 compared to 949 at yearend 2002. The employment number increased mainly in China and due to new operations (total increase 56 persons), while employment contracted elsewhere. The efforts to further enhance cost competitiveness and operational efficiencies is continuing.

The order intake was EUR 196.5 million, down by 3.3 % (up by 1.1 % when counted at comparable currency rates). The order book grew by 17.9 % from the low level in 2002 or 25.2 % counted at comparable currencies.

Future prospects

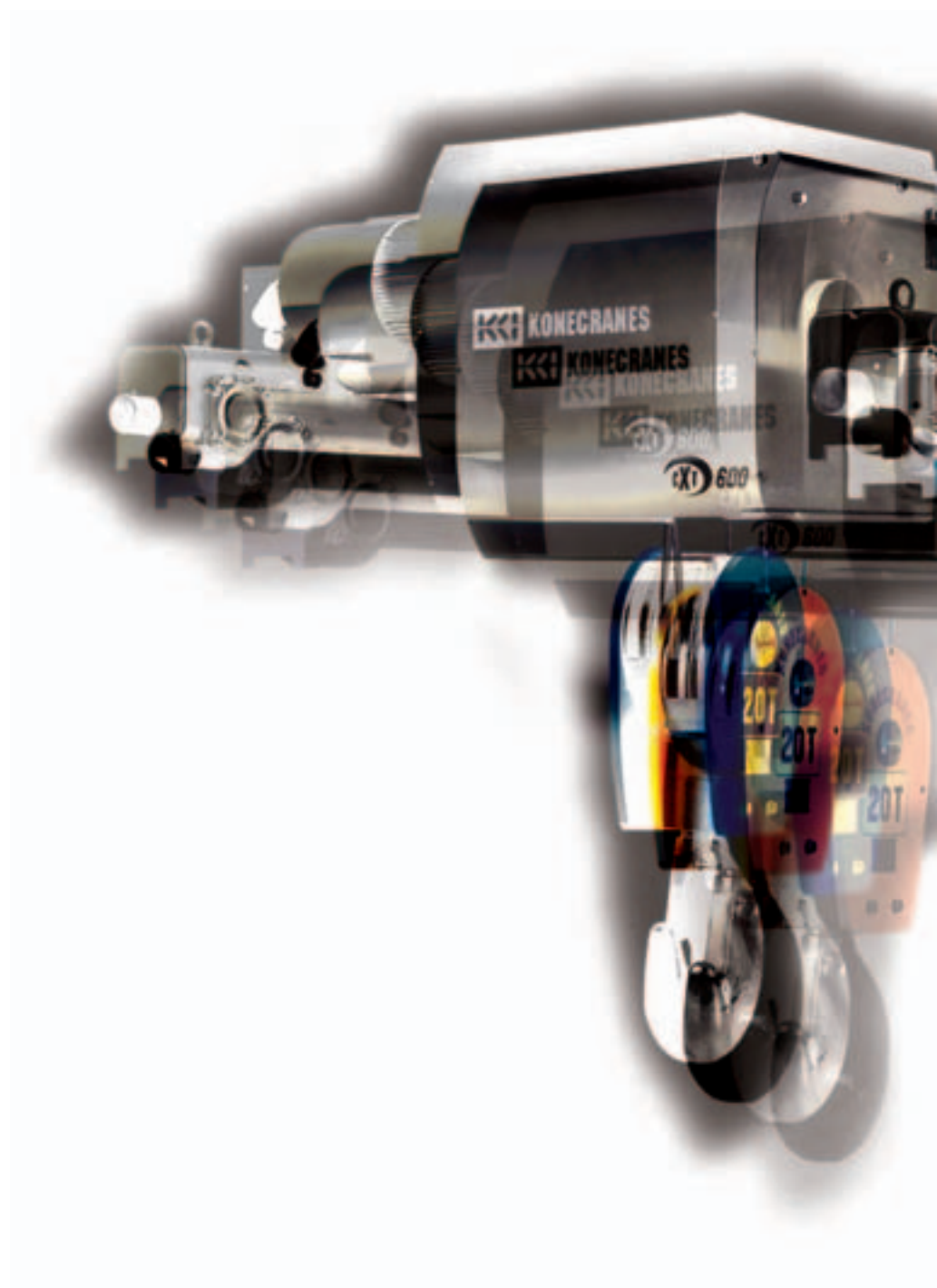
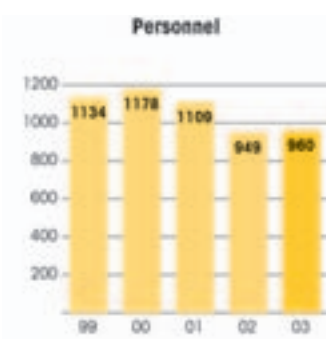
We are starting 2004 with a significantly healthier order book compared to the start of 2003. With our new product platform fully operative and with our strides into a more cost efficient production structure, we feel confident of being able to further strengthen the operative margins in this business area.

We cover the market fairly well through our maintenance organisation (the Konecranes brand) and independent distributors (other brands of the Group). We have identified an untapped market in replacing crane owners' old hoists with high-performing own equipment.

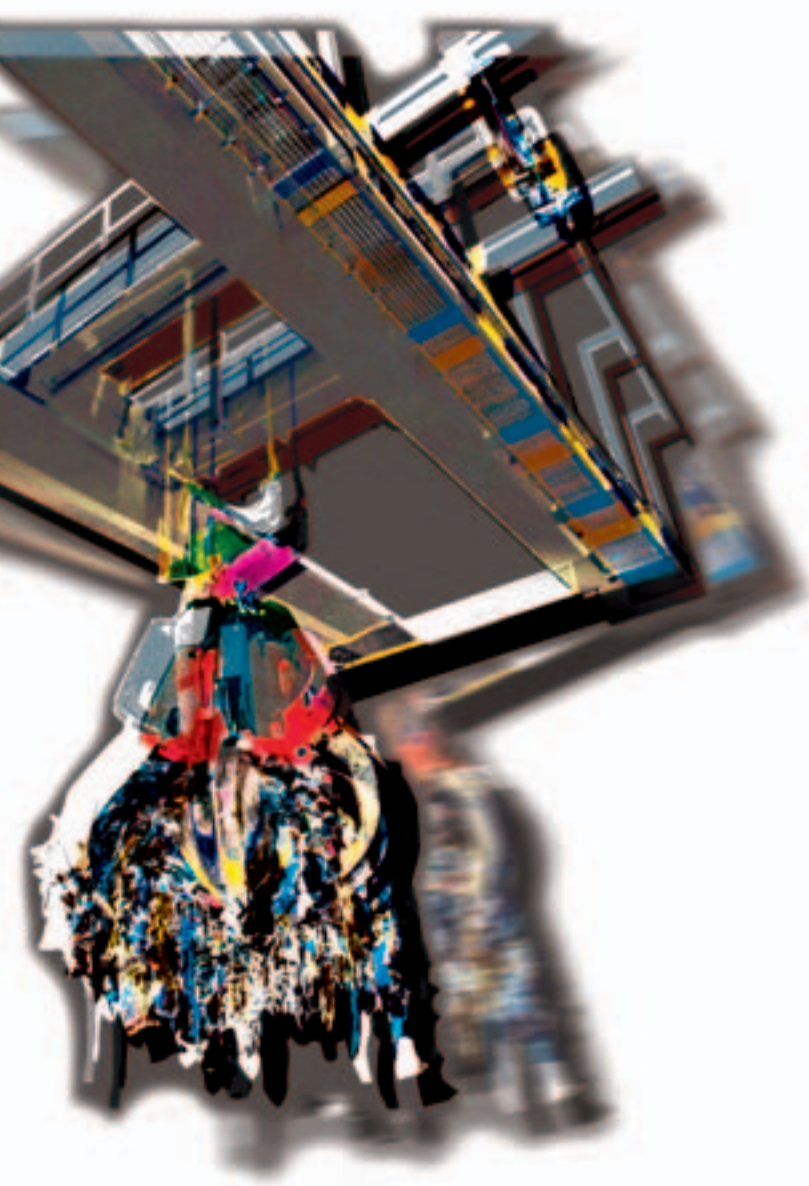
With the American economy slowly switching into a growth mode, with European industrial restructuring gaining momentum, and with a continuing fast Asian growth, our outlook for 2004 remains reasonably positive.

On the downside we naturally recognize growth signals still being feeble. Also, the volatile currency environment of late is seen as a threat.

“Mission complete: new product platform in full speed”



“Product positioning paying off as demand starts to increase”



Key figures	2003	2002	Change
Sales, MEUR	178.6	209.2	-14.6 %
Operating income, MEUR	13.1	16.7	-21.4 %
Operating margin, %	7.3 %	8.0 %	
Order intake, MEUR	184.9	154.9	19.4 %
Personnel	614	685	-10.4 %

Part of Group Sales



Our Special Cranes business area is uniquely positioned in the world of materials handling. It combines a deep presence in the market for heavy industrial process cranes with a role as a specialised supplier to harbours and shipyards. Within both segments we have systematically positioned ourselves close to the top of the segment: as a producer of high quality innovative solutions, yielding highest productivity and reliability. The size of our client's initial investment is only one element. We aim at lowest lifetime costs, total investment, operations and maintenance included and related to total performance. In short, we sell productivity.

Vision

In Special Cranes, KCI Konecranes vision is to cement its position as the recognised leader in heavy-duty cranes for the process industry, to become the leader in harbours and shipyards throughout the world, and to use this position for further growth. When implementing this vision, our core target is to improve our customer's profitability by providing innovative technological solutions.

Strategy

Our strategic cornerstones are an advanced technology for high performance, a single platform of technology for cost competitiveness and a combination of equipment and maintenance in our offering. We combine centralised scale own manufacturing of high value-added parts with local fabrication of steel structures, often subcontracted near the end user. We constantly invest into R&D. We leverage our own R&D spending with working in cooperation with universities and research institutions.

Product positioning paying off

Our high performance policy does not always generate products with lowest purchase prices. However, in the present environment with low investment activity, action goes to where money can be spent wisely; and this approach ideally matches our product portfolio.

In spite of generally low new orders in the total economy, the Group's Special Cranes order volume ended the year at 24.7 % higher compared to the previous year's figure. Consolidated in euros, this number is 19.4 % because of the decline in the dollar.

After a slow start and mid-year, the activity in the markets increased towards the end of the year. This was especially the case in world trade related activities – harbours and the logistics chain – but also some manufacturing industries started to spend.

In the harbours, our Rubber Tyred Gantry (RTG) Cranes continued their success. Our design, with 16 wheels and an all-digital, electric-mechanical design, is a clear performance leader in its class. During the year, we were able to establish ourselves as a clear global market leader in this high-performance segment.

Also our other harbour and logistics chain products, the AGD bulk unloaders, the Super-Post-Panamax ship-to-shore container cranes (with BoxHunter, technology), the shipyard cranes and the KCI Munkloader-shipboard cranes all represent the latest technology in their field, and defended their market positions successfully.

Within the heavy process industry, which is the other target customer group for our Special Cranes, the steel industry emerged as our biggest client. For the first time in history, one of the large US steel mills took delivery of hot-metal cranes from a non-US supplier. These 200 ton charging and discharging cranes were commissioned at the end of 2003, stirred large attention among other US mills, and have already resulted in further new orders.

New steel mill customers were won outside our traditional market areas in Iran, Turkey, Morocco and, above all, China. Also Russian steel mills placed substantial orders.

In the EU, new stringent waste directives have increased spending on efficient waste-to-energy plants. Several waste-to-energy cranes were sold to Sweden, Great Britain and France. For waste-to-

energy, China is also a promising market.

Due to uneven demand, and fierce price competition in some areas, margins have been somewhat depressed. Also the unfavourable euro/dollar exchange rate has impacted margins negatively. We tried actively to steer clear of those customers only going for the lowest bid neglecting performance. Therefore, at the end, the margin dropped only a little, from 8 % in 2002 to 7.3%.

Productivity enhancing actions

Internally, the year was a year of investment, in physical plant and machinery, in new products and in productivity enhancing operative procedures and systems.

During the year the Board accepted a new manufacturing strategy, shifting focus from keeping most manufacturing under our own management to a mode of global sourcing.

As a consequence, we decided to stop our welding operations in France. In Germany, we consolidated our resources to Berlin and closed our Special Cranes branch office in Frankfurt. The reduction of certain design resources became possible, as our product mix has shifted towards a modular one. Also low-value added white-collar work was addressed. External partners now perform repetitive engineering, employing pre-engineered standard solutions. The process of phasing out low added value work in all operations will continue, and further actions will follow. Plans are prepared in collaboration with employee representatives. Corresponding costs have been provided for and charged against the 2003 profits under Group costs.

On the other hand, those activities that will remain under Group management (located in high competence countries, mostly in Finland) were upgraded further for maximum productivity.

In all, the productivity increasing measures that were initiated during the year have the potential of adding 3.5 % points to the operating income margin in this business area.

During the year, this business area introduced a joint, global resource planning system, expected to start generating further increases in operative efficiency during 2004.

In R&D, activities focused on automation, control systems,

Special Cranes

remote diagnostics and, on a product specific level, on steel mill crane technology. In the harbour crane segment, work continued on the next innovative crane solution, soon to be launched.

Service presence wins crane orders

From the year 2000 we have started to systematically build a presence in harbour crane maintenance as well, under the dedicated brand **KCI Koneports**.

From a humble beginning, our Koneports activities now cover all Baltic ports, large parts of the West-European as well as the American East coast ports and a few ports in South East Asia. The latest addition includes maintenance services for river ports in Central Europe. We have now also started to develop harbour crane maintenance in a select number of ports in Asia and Australia.

Today, in post-purchase interviews, over 50 % of our new crane customers quote our maintenance presence as one of the most important factors in awarding the order to KCI Konecranes.

Market development

For years investment spending in Special Cranes' markets have been low, due to the overall economic environment. The Sept. 11 2001 catastrophe cast a long shadow over the world's economy, the SARS epidemic and the Iraq war all have contributed to potential Special Crane investors taking a wait-and-see attitude.

Today we see a pent-up demand on the markets. We see demand already building up in the harbour sector. We see automotive restructuring triggering a number of projects. We see European manufacturing restructuring gaining pace. And growth in China continues, also now slowly spilling over to other Asia-Pacific countries.

Financial Performance

Special Cranes sales were EUR 178.6 (2002: 209.2) million, down by 14.6 % from 2002. Operating income amounted to EUR 13.1 (16.7) million, down by 21.4 % from 2002. Counted at compar-

able currency rates sales decreased 12.1 % and operating income accordingly 21.0 %. The operating income margin decreased to 7.3 (8.0) % in 2003.

The decrease in operating income was caused by lower sales, but the margin, albeit lower than in 2002, did not suffer as much as the decline in sales would have suggested. During the last quarter of 2003 sales was EUR 45.1 (61.2) million and operating income EUR 5.6 (7.8) million or 12.4 (12.8) % on sales. Despite a 26 % decrease in sales the profitability remained in practical terms the same.

As the year progressed the profitability improved. This improvement reflects the efficiency enhancing actions. The results of the most important efficiency enhancing actions are not yet fully visible in the profit development.

Order intake was EUR 184.9 (154.9) million, up by 19.4 % (24.7 % counted at comparable currencies).

Orders for harbour cranes grew strongly while orders for other type of special cranes stayed at the same level than in 2002.

The order backlog broke the declining trend and was 2.5 % higher at the yearend 2003 compared to yearend 2002 (5 % higher at comparable currency rates).

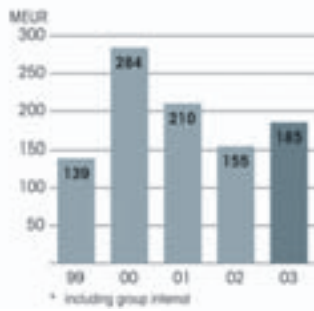
The employment number declined by 10.4 % during the year. Total number of employees was 614 (685).

Future prospects

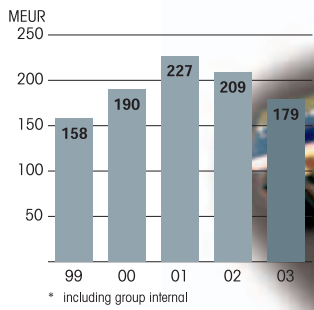
In this environment our Group is well positioned. A thoroughly modern product portfolio and our global unmatched maintenance presence is increasingly appreciated among our, likewise, increasingly international customers. Our unaffected financial strength is regarded a key element for our clients, today hesitant to placing orders with suppliers whose future financial performance seems unclear.

“Product positioning paying off as demand starts to increase”

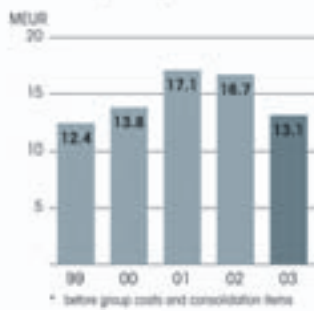
Order Intake*



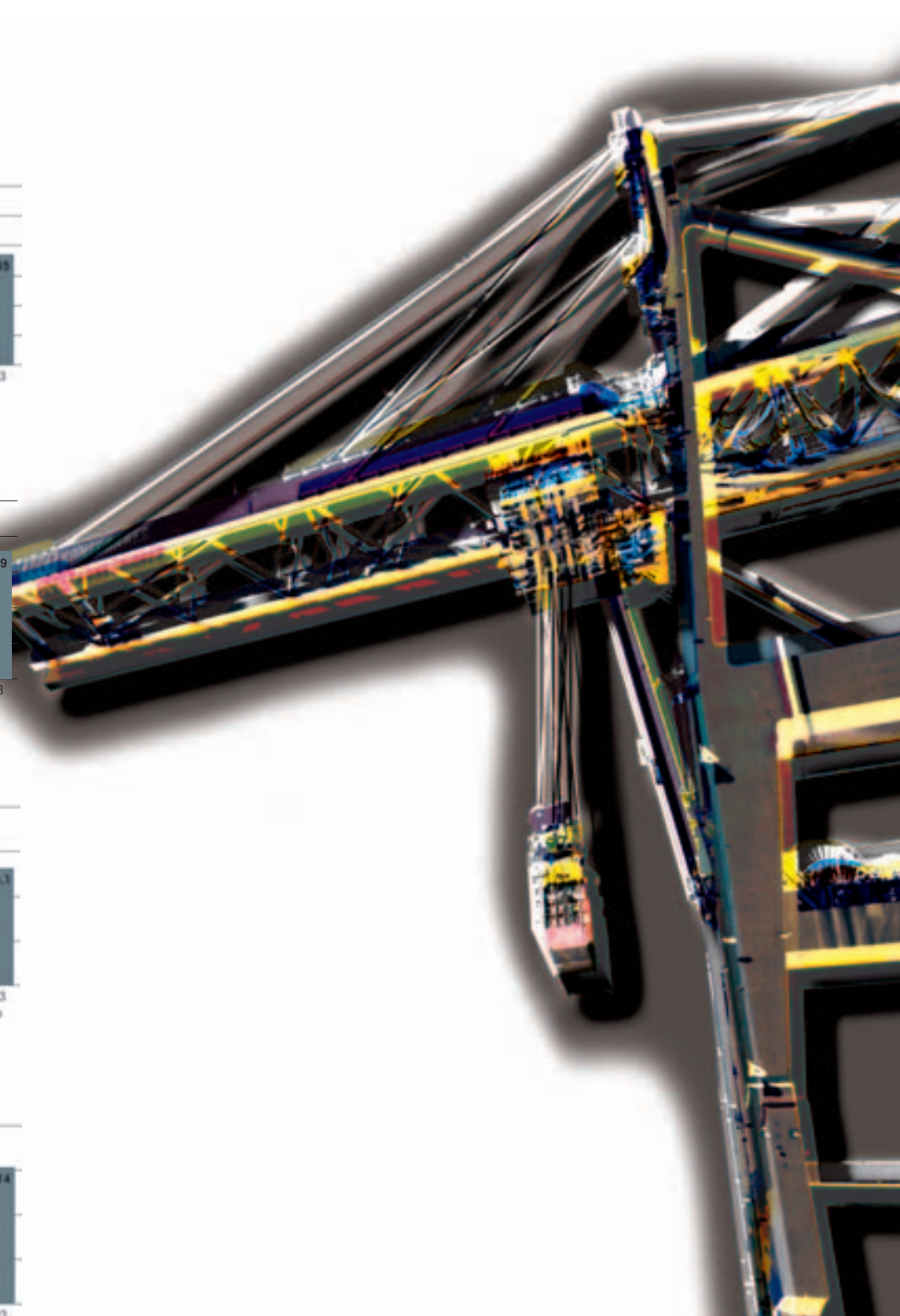
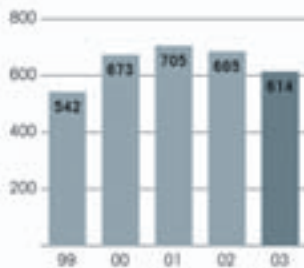
Sales*



Operating Income*



Personnel



BOARD'S REPORT

General development

During 2003 the Group reversed the general trend of decreasing orders and order backlog, which had prevailed for two years. Orders received grew by 2.2 % or 8.7 % counted at comparable currency rates and the total order backlog grew by 2.5 % or 7.0 % at comparable currency rates. During the second half of 2003 the order intake totalled EUR 313.2 million, up by 15.3 % from the order intake in H2/2002. This positive development is largely attributable to the strength of the Asian market and to the Group's internal endeavours. In America and in Europe industrial capacity utilisation rates remained low and the investment climate poor among many customer industry sectors.

Group net sales declined to EUR 664.5 (2002: 713.6)* million in 2003. The operating income was EUR 21.5 (37.6) million or 3.2 % (5.3%) on sales. The Group reserved EUR 12.6 million for various measures to restructure its operations. Excluding this one-off charge, which can be seen as a forward-looking investment, the Group's operating income was EUR 34.0 million or 5.1 % on sales. The profitability was largely well defended in spite of decreasing sales.

Sales

Group net sales was EUR 664.5 (713.6) million, which is EUR 49.1 million or 6.9 % lower compared to 2002. The decrease in sales was mainly caused by the strengthened value of the euro. When counted at comparable currency rates, which better measures the development of volume, sales decreased only by 1.6 %. In terms of volume, sales grew in Maintenance Services by 5.0 %, while Standard Lifting Equipment contracted by 3.3 % and Special Cranes by 12.1 %.

Geographically Asia-Pacific continued its strong growth with a sales volume growth of 44.9 %. The Americas returned back to growth with a sales volume growth of 5.1 %, but Europe declined clearly with a decrease of 13.3 % in sales volume.

Profitability

The Group's operating income was EUR 21.5 (37.6) million, which is EUR 16.1 million or 42.8 % less than in 2002. The margin was 3.2 (5.3) %. The operating income was burdened by EUR 12.6 million in costs for rationalisation and restructuring of Group operations, out of which EUR 10.9 million was recorded as provision to cover future costs. These costs, which mostly relate to the Group's operations in new equipment, are one-off costs by their nature and can be seen as an investment for the future. Excluding these costs the operational EBIT was EUR 34.0 million and 5.1 (5.3) % on sales. There were no one-time gains of any significance reported during the year.

The operating income before goodwill amortizations and excluding one-off restructuring costs, Operational EBITA was EUR 37.4 (40.9) million or 5.6 (5.7) % on sales. The operating income before depreciations and amortizations and excluding one-off restructuring costs, Operational EBITDA was EUR 50.6 (53.1) million or 7.6 (7.4) % on sales. Including one-off restructuring costs the corresponding figures were: EBITA EUR 24.8 million and 3.7 % on sales and EBITDA EUR 38.0 million and 5.7 % on sales. The performance by Business Areas is reported under the Business Area review in this report.

The net of financing costs and income was EUR 2.6 million, which is EUR 1.5 million more than in 2002. The financing net is less than 0.4 % on sales. The increase in financing costs was mainly caused by financing needs for an

increase of working capital, prompted by a return to growth.

The Group's income after financing items was EUR 18.6 (36.5) million. The settlement costs of EUR 8.1 million relating to the disputed "Omniman" ERP-project were reported as extraordinary expenses. The Group's income taxes were EUR 4.0 million, down by EUR 7.8 million compared to income taxes in 2002. The effective tax rate for the year was 37.6 (32.5) %. The tax rate in 2003 was influenced among other things by the tax treatment of certain restructuring costs. This level of income taxes is not typical. The income tax is likely to increase in absolute terms, but to decrease as a percentage on profit before taxes.

Group Net Income was EUR 6.7 (24.6) million or 1.0 (3.5) % on sales and earnings per share, EPS was EUR 0.88 (1.69). Including the extraordinary expense the EPS was EUR 0.47.

The Group's return on capital employed was 10.8 (17.8) % and the return on equity 7.5 (14.2) %. The decrease in return rates compared to the year 2002 was mainly caused by one-off restructuring costs, which burdened the result in 2003. The efficiency of capital usage ie. the capital turnover rate stayed at the level of the previous year.

The Group's quarterly profit accumulation has never been uniform between different quarters. It has been slow in the beginning of the year and then accelerating towards the end of the year ("seasonality" in the earnings pattern). The Group reserved an additional EUR 5.6 million for restructuring costs against operating income during the fourth quarter. Even including this one-off charge the fourth quarter operating income was the highest in 2003 and excluding the charge Q4/2003 operating profit was EUR 16.8 (17.1) million or 8.7 (8.4) % on sales.

Cash flow and balance sheet

The cash flow from operations was EUR 24.2 million in 2003 compared to the all time high of EUR 66.3 million in 2002. The cash flow was negatively affected by lower profit generation and a slight increase in working capital. The change in working capital relates to changes in the product mix and operational activity level, which shifted from a declining mode into a growth mode during the year. The cash flow from operations per share was EUR 1.72 (4.54). The cash generation was strong during the last quarter of 2003. The cash flow from operations was EUR 35.6 (25.7) million in Q4/2003.

In total EUR 11.8 (21.1) million cash was used to cover capital expenditures including acquired operations, EUR 5.48 (9.9) million was used to repurchase the company's own shares and EUR 13.3 (13.2) million was used to pay dividends.

The Group's net interest bearing borrowing was EUR 43.8 (33.0) million at the yearend 2003 and the gearing was 27.8 (19.1) %. The Group's solidity ratio was 42.6 (45.5) % and the current ratio 1.49 (1.60).

The Group's EUR 100 million committed back-up financing facility was totally unused at the yearend 2003.

Order intake and order backlog

Group order intake (excluding the value of the maintenance service contract base and renewed contracts) was EUR 611.9 million. The orders received increased from 2002 by EUR 13.0 million or 2.2 %, at comparable currency rates the increase was 8.7 %.

The strongest order development took place in Special Cranes. With a total

* Numbers in brackets are the corresponding values for the previous year unless otherwise indicated

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order intake of EUR 184.9 (154.9) million this Business Area posted a growth by 19.4 % or 24.7 % counted at comparable currency rates.

The order intake in Standard Lifting Equipment decreased by 3.3 % to EUR 196.5 (203.2) million in 2003. Counted in units or using constant currency rates there was a small increase in volume.

In Maintenance Services the order intake decreased by 5.6 % to EUR 292.8 (310.2) million. However, Maintenance Services volume counting at comparable currency rates grew by 2.5 %. KCI Koneports services, large upgrade and modernisation orders posted a strong volume growth at over 20 %, while the development of field services and other basic maintenance was steady. This was largely caused by higher than usual turnover in the customer base. Many customer industries suffered from a low capacity utilisation resulting in partial or total plant closures. Also their search of improved cost competitiveness made many customers relocate their production or their supply network. However, a strong development in new contracts compensated for the lost contracts, and there was a net growth. The net growth in terms of number of cranes included in the contract base was 0.7 %. It grew to 209,769 (208,270) units at the end of 2003. The net growth in terms of total contract base value grew by 5 % counted in local currencies. The mix of cranes in the contract base changed somewhat. In general the size of cranes increased and became more demanding which boosted the average contract value per crane by 4.4 %.

Geographically the fastest growth in total orders took place in Asia and especially in China where orders received almost doubled from the previous year. North American orders also grew somewhat when counted for in dollars. Also the Group's German operations turned into a moderate growth in orders, but the overall order activity in Europe contracted and total orders received decreased. Group orders during the second half of the year 2003 were EUR 313.2 million, up by 15.3 % from the level of H2/2002.

At yearend 2003, the total value of the order backlog stood at EUR 211.2 (206.0) million. The growth was 2.5 % or 7.0 % counted at comparable currency rates. The majority of the order backlog value consists of Special Cranes orders, securing a good general operational level for 6–8 months ahead. However, the loading situation is not even between different Special Crane operative units and several actions to improve the situation have been implemented. The order backlog in Standard Lifting Equipment grew with approx. one fifth from the low level at the end of 2002. In Maintenance Services the order backlog relates mainly to larger repair, upgrade or modernisation orders whilst the majority of the business consists of maintenance agreement based work and services or other fast throughput orders. Therefore the value of the order backlog is not as good an indicator of future activity levels in Maintenance Services as it is in the other Business Areas. However, the volume of service orders on hand at the yearend 2003 stayed at the level of yearend 2002.

Currencies

The stronger euro especially against the US-dollar had a certain effect on the development of the Group's orders received and sales (translational effect). Counted at unchanged currency rates orders received grew by 8.7 % and sales declined by 1.6 %. The corresponding reported figures were a growth in orders of 2.2 % and a decline in sales of 6.9 %. Accordingly, currency exchange rate changes had an impact on Group's financial performance figures, but it had

little effect on the consolidated operating income and net income.

The average consolidation rates of some important currencies developed as follows (currency/euro):

	December 2003	December 2002	Change %
USD	1.13154	0.94573	-16.4
CAD	1.5822	1.4842	-6.2
GBP	0.6922	0.62887	-9.1
SEK	9.1271	9.1607	0.4
NOK	8.0059	7.5082	-6.2
SGD	1.9712	1.6915	-14.2
AUD	1.7385	1.7378	0.0
CNY*	9.4309	7.8775	-16.5

* Chinese Yuan (Renminbi)

The Group continued its currency risk management policy of hedging all non-euro transactions. Hedging was mainly done through forward exchange transactions. Currency risks are hedged one year ahead as an average. Applying this policy does not make the Group immune against the currency exchange rate changes, but it minimises risks relating to sales margins in the order book and allows time to take necessary actions in case of larger and relatively permanent currency value changes.

Capital expenditure

The Group's capital expenditure to tangible assets excl. fixed assets and goodwill of acquired operations was EUR 8.6 (12.9) million. These capital expenditures consist mainly of the replacement of machines, equipment and information technology. Capital expenditure to intangible assets (excl. acquired operations) and shares in joint venture companies or minority holdings amounted to EUR 3.7 (1.0) million.

In total the capital expenditure amounted to EUR 12.4 (13.9) million, which is a little short of corresponding depreciations.

Research and Development

The direct R&D costs were EUR 7.9 (8.2) million or 2.1 (2.0) % of new equipment Business Area sales (Maintenance Services sales excluded).

The development of an entirely new wire rope hoist line was completed. This modern and competitive hoist line has now totally replaced the old hoist. In R&D there is a change of focus from products to maintenance tool development.

Human Resources Development

Group total investment in personnel training and development was approximately 8,000 training days. All development programs continued on all levels of the organisation including technical and sales training, middle management and expert training (KCI Academy) and top executive development together with IMD in Lausanne, Switzerland.

Personnel

KCI Konecranes Group employed 4,350 people at the end of 2003. This is 91 persons less compared to the end of 2002. Excluding personnel increases due to acquired operations and growing Chinese operations there was a total

BOARD'S REPORT

reduction elsewhere by approx. 190 people.

The average number of employees during year 2003 was 4,423 (4,396) persons.

Insurances

The Group continuously reviews its insurance policies as part of its overall risk management. Insurances are used to provide sufficient cover against all risks that are economically or otherwise reasonably insurable. As insurance premium prices have risen the Group has intensified the use of other risk management methods within its operations without lowering the level of protection.

Litigation

In September 2003 KCI Konecranes Plc, Konecranes Inc., Baan Company N.V., Baan International B.V., Baan Development B.V., Baan USA Inc, and SSA Global Technologies, Inc. reached a settlement on all disputes relating to the terminated ERP-project (the "Omniman" project). The settlement was full and final including withdrawals of all legal proceedings in Sweden, in the Netherlands and in the USA. The details of the settlement agreement are confidential, but the settlement caused a non-recurring EUR 8.1 million loss, which was booked as an extraordinary item. The after tax effect on net income was EUR 5.7 million. The settlement did not have any effects on the cash flow.

At yearend there were no pending legal processes or business claims with a material effect.

Group structure

The Group made two acquisitions in the beginning of the year 2003. During the first quarter the Group acquired the assets of the company CraneMann Inc. in Houston, USA and in the beginning of the second quarter the service company Kubi Kran- und Bagger-Instandsetzung GmbH ("KUBI") was acquired in Germany. With the acquisition of CraneMann the Group strengthened its position as a crane and maintenance service provider in the Mexican Gulf area and within the offshore industry. KUBI strengthens the Group's presence in inland terminals and river ports especially in Germany.

The expansion of the sales and joint venture network continued in Asia. In China the Group completed a joint venture agreement with Jianyin Dingli Shanghai High Tech Industrial Crane Company Ltd and acquired 30 % of the company. The Group formed a joint venture company with Shanghai High Tech Industrial Company, Ltd and acquired 25 % of that company. Another Chinese joint venture company was formed together with Guangzhou Technocranes Company Ltd giving the Group 25 % of the company. On 6 November, 2002 the Group entered into an agreement with Meidensha Corporation of Japan. The agreement of the formation of this joint venture company together with Meidensha was closed in April, 2003. KCI Konecranes now holds 49 % of the shares in Meiden Hoist System Company Ltd with an option to increase its shareholding to 65 % before March 2008.

The Group commenced on various actions to improve its cost competitiveness. Among completed actions certain design and engineering activities in Standard Lifting Equipment (KCI Hoists Corporation) were outsourced. The engineering office of Special Cranes company Kulicke Konecranes GmbH, was closed in Frankfurt. The production of small travelling motors in Tammisaari, Finland was outsourced. The building maintenance activities, which used to be

part of the Group's Machine Tool Maintenance (previously known as Plant Maintenance) operations in Finland were sold. As of January 2004, all Machine Tool Maintenance activities, which used to be carried out by four separate companies, were transferred to Konecranes Nordic Corporation. At consolidation, the total number of staff decreased. The name of the receiving company was changed to Konecranes Service Corporation.

After the review period the process to close the special crane manufacturing site in France progressed. In the future, the company, CGP Konecranes will concentrate on marketing, and sales of Special Cranes. KCI Motors Corporation started negotiations with its personnel concerning measures to increase the cost efficiency in motor production. The possibility of outsourcing the entire production is being evaluated.

Share price performance and trading volume

KCI Konecranes Plc's share price increased by 18.51% during 2003 and closed at EUR 27.60 (23.29). The year high was EUR 29.39 (36.83) and the year low EUR 17.20 (19.80). During the same period the HEX All-Share Index increased by 4.44%, the HEX Portfolio Index by 16.21% and the HEX Metal & Engineering index by 30.67%.

The total market capitalisation was at year-end EUR 394.9 (333.2) million including the company's own shares in the company, the 34th largest market value of companies listed on Helsinki Exchanges.

The trading volume totalled 12,661,860 shares of KCI Konecranes Plc, which represents 88.49% of the total amount of 14,308,630 outstanding shares. In monetary terms the trading was EUR 284.8 million, which was the 25th largest trading of companies listed on Helsinki Exchanges.

The company's own shares

At the end of December 2003 KCI Konecranes Plc held 264,100 of the company's own shares with a total nominal value of EUR 528,200, which is 1.85 % of the total amount of shares and votes. The shares were bought back between February 20 and March 5, 2003 at an average price of EUR 20.75 per share. The total purchase price was approx. EUR 5.5 million.

At the Annual General Meeting 2003 the Board was authorized to repurchase up to a maximum of 715,431 of the company's own shares. Including the shares which are held by the company at the end of 2003, the authorization is still valid for an additional acquisition of 451,331 shares.

Dividend proposal

The Board of Directors proposes to the AGM that a dividend of EUR 1.00 per share will be paid for the fiscal year 2003. The dividend will be paid to shareholders, who are entered into the share register on the record date of March 9, 2004. Dividend payment date is March 16, 2004.

Future prospects

The Group sees no sign of major change in markets: Europe low, America slowly increasing, Asia-Pacific good growth. Internal efficiency programs and Asian growth will create sales growth and improved profits. The euro/USD rate identified as risk.

CONSOLIDATED STATEMENT OF INCOME

		1.1.2003–31.12.2003 (1,000 EUR)	1.1.2002–31.12.2002 (1,000 EUR)
Note 1	Sales	664,540	713,638
Note 2	Other operating income	2,120	2,940
	Share of result of participating interest undertakings	(347)	(226)
Note 3	Depreciation and reduction in value	(16,495)	(15,517)
Note 4	Other operating expenses	(628,355)	(663,236)
	Operating profit	21,463	37,599
Note 5	Financial income and expenses	(2,608)	(1,123)
	Profit before extraordinary items	18,855	36,476
Note 6	Extraordinary items	(8,138)	0
	Income before taxes	10,717	36,476
Note 7	Taxes	(4,033)	(11,845)
	Net income	6,684	24,631

CONSOLIDATED BALANCE SHEET

ASSETS	31.12.2003 (1,000 EUR)	31.12.2002 (1,000 EUR)	
Non-current assets			
INTANGIBLE ASSETS			
Note 8	Intangible rights	5,358	6,033
Note 9	Goodwill	13,875	17,889
Note 10	Group goodwill	5,401	5,573
	Advance payments	7,929	5,764
		32,563	35,259
TANGIBLE ASSETS			
Note 11	Land	3,856	3,796
Note 12	Buildings	18,907	21,998
Note 13	Machinery and equipment	31,251	29,774
	Advance payments and construction in progress	964	625
		54,978	56,193
INVESTMENTS			
Note 14	Participating interests	3,493	1,002
Note 15	Other shares and similar rights of ownership	1,476	984
Note 16	Own shares	5,480	0
		10,449	1,986
Current assets			
INVENTORIES			
	Raw materials and semi-manufactured goods	36,577	39,564
	Work in progress	32,968	30,393
	Advance payments	2,857	3,984
		72,402	73,941
LONG-TERM RECEIVABLES			
	Loans receivable	55	163
	Other receivables	305	305
		360	468
Note 17	SHORT-TERM RECEIVABLES		
	Accounts receivable	126,429	123,432
	Amounts owed by participating interest undertakings	2,047	2,997
	Loans receivable	44	20
	Other receivables	11,332	21,500
Note 23	Deferred tax asset	6,015	3,990
Note 18	Deferred assets	72,431	62,177
		218,298	214,116
	CASH IN HAND AND AT BANKS	13,159	15,177
	Total current assets	304,219	303,702
	TOTAL ASSETS	402,209	397,140

CONSOLIDATED BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES		31.12.2003 (1,000 EUR)	31.12.2002 (1,000 EUR)
Note 19	Equity		
	Share capital	28,617	28,617
	Share premium account	21,839	21,839
	Reserve for own shares	5,480	0
	Equity share of untaxed reserves	3,391	3,326
	Translation difference	(5,851)	(4,342)
	Retained earnings	103,203	99,172
	Net income for the period	6,684	24,631
		163,363	173,243
	Minority share	61	68
Note 20	Provisions	20,337	11,960
	Liabilities		
Note 21	LONG-TERM DEBT		
Note 21	Bonds	25,000	25,000
	Pension loans	1,491	1,989
Note 25	Other long-term liabilities	4,010	1,807
Note 23	Deferred tax liability	2,011	2,636
		32,512	31,432
Note 24	CURRENT LIABILITIES		
	Loans from credit institutions	1,326	10,345
	Pension loans	497	497
Note 22	Bonds with warrants	19	50
	Advance payments received	26,201	16,509
	Accounts payable	49,554	50,014
Note 24	Amounts owed to participating interest undertakings	105	46
Note 24,25	Other short-term liabilities	37,285	21,738
Note 24	Accruals	70,949	81,238
		185,936	180,437
	Total liabilities	218,448	211,869
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	402,209	397,140

CONSOLIDATED CASH FLOW

	1.1.2003–31.12.2003 (1,000 EUR)	1.1.2002–31.12.2002 (1,000 EUR)
Operating income ¹⁾	22,182	37,891
Depreciation	16,495	15,517
Financial income and expenses	2,556	4,427
Taxes	(8,560)	(11,636)
Free cash flow	32,673	46,199
Increase (-), decrease (+) in current assets	(26,284)	26,111
Increase (-), decrease (+) in inventories	(2,743)	11,585
Increase (+), decrease (-) in current liabilities	20,578	(17,565)
Cash flow from operations	24,224	66,330
Capital expenditure and advance payments to tangible assets	(9,085)	(12,103)
Capital expenditure and advance payments to intangible and financial assets	(1,339)	(3,352)
Fixed assets of acquired companies	(2,080)	(6,798)
Purchase of own shares	(5,480)	(9,873)
Disposals of fixed assets	655	1,168
Investments total	(17,329)	(30,958)
Cash flow before financing	6,895	35,372
Change in long-term debt, increase (+), decrease (-)	(560)	(25,476)
Change in short-term interest-bearing debt, increase (+), decrease (-)	6,045	3,129
Dividend paid	(13,342)	(13,230)
External financing	(7,857)	(35,577)
Correction items ²⁾	(1,056)	(1,391)
Net financing	(2,018)	(1,596)
Cash in hand and at banks at 1.1.	15,177	16,773
Cash in hand and at banks at 31.12.	13,159	15,177
Change in cash	(2,018)	(1,596)

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

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

ACCOUNTING PRINCIPLES

PRINCIPLES OF CONSOLIDATION

Scope of Consolidation

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

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

Consolidation method

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

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

The KCI Konecranes Group's share of the profit or loss of an associated company is shown in the Consolidated Statement of Income as a separate item. Depreciation of goodwill originating from acquisition of shares of associated companies is included in the share of the result of associated companies. The KCI Konecranes Group's share of the shareholders' equity of the associated companies at the date of acquisition, adjusted by changes in the associated companies' equity after the date of acquisition, is shown in the Balance Sheet under "participating interests".

In certain countries, tax legislation allows allocations to be made to untaxed reserves. These allocations are not subject to taxation on condition that the corresponding deductions have also been made in the accounts. In the consolidated financial statements, the yearly allocations – reserves as well as the difference between the depreciation according to plan and depreciation accepted by tax laws – have been added to net income, excluding the change in the cumulative deferred tax liability. The deferred tax liability is determined from the accumulation of untaxed reserves. The accumulation of untaxed reserves, excluding the cumulative deferred tax liability, is included in the shareholders' equity in the Consolidated Balance Sheet. The deferred tax liabilities and deferred tax assets of Group companies caused by timing differences between income and corresponding taxable revenue as well as between expenses and corresponding tax deductible expenditure are shown in the Balance Sheet and Statement of Income as a separate item in taxes on prudent basis.

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

The Group has started its implementation process to fully comply with International Financial Reporting Standards (=IFRS). The first published IFRS-closing of accounts will be prepared from financial year 2005. The financial year 2004 IFRS comparatives and IFRS January 1, 2004 opening balance with bridge calculation between Finnish GAAP and IFRS will be prepared and collected during year 2004.

IFRS implementation process has continued in the Group by training personnel and updating accounting instructions to meet the requirements of new standards. Preparations to the appropriate extent for January 1, 2004 opening IFRS-balance has been started already in 2003, but the majority of the work will be done during year 2004.

Conversion of Foreign Subsidiary Financial Statements

The Balance Sheets of foreign subsidiaries have been converted into euros at the rates current on the last day of the year and the Statements of Income at the average rates of the financial year. Translation differences resulting from converting the shareholders' equity of foreign subsidiaries have been included in equity.

FOREIGN CURRENCY ITEMS AND EXCHANGE RATE DIFFERENCES

Receivables and liabilities in foreign currencies have been valued at the rates current on the last day of the year. Receivables and liabilities covered by forward exchange contracts have been valued at contract rates. Realised exchange rate differences, as well as exchange rate gains or losses resulting from the valuation of receivables and liabilities, have been included in the Statement of Income. The exchange rate differences resulting from forward contracts, which are designated as hedges on equity in foreign subsidiaries have been matched against the translation difference booked into equity. The tax resulting from exchange rate differences relating to equity hedging has been transferred respectively into equity in year 2003.

REVENUE RECOGNITION

Revenue from goods sold and services rendered is recognised on accrual basis. Long term crane and modernisation projects revenue is recognised according to percentage of completion (POC) method. Most significant long term projects still relate to harbour and shipyard cranes (= Konecranes VLC Corp.).

RESEARCH AND DEVELOPMENT COSTS

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

PENSION SETTLEMENTS AND COSTS

Pensions are generally handled for KCI Konecranes companies by outside pension insurance companies or by similar arrangements.

ACCOUNTING PRINCIPLES

ACCOUNTING FOR LEASES

The Group accounts finance lease contracts as if the assets had been acquired. The rents of other lease contracts are recognised as expense in the 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.

VALUATION AND DEPRECIATION OF INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets are stated at cost. In the Group certain land and buildings can include immaterial amounts as revaluation. A predetermined plan is used in carrying out depreciation of fixed assets. Depreciation is based on the estimated useful economic life of various assets as follows:

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

No depreciation is made for land. Goodwill on consolidation of Konecranes T&H GmbH, Kulicke Konecranes GmbH and Drivecon, Inc. is amortized over 10 years and the goodwill in Noell Konecranes GmbH over 20 years, which corresponds to the estimated time of influence of the acquisition. Other goodwill is amortized over 5 years.

OWN SHARES

The company's own shares are entered at cost under investments. For calculation of key figures, own shares are eliminated from shareholders' equity and number of shares.

PROVISIONS

Future expenses related to this or previous financial years to which group companies have committed themselves and which will produce no future income are charged against income as a provision for liabilities and charges. The same principle is applied for those future losses, if any, which seem certain to be realised.

ENVIRONMENTAL COSTS

According to the general guidelines of Accountancy Board the environmental costs are booked on accrual basis as expenses during the financial year in which they are incurred.

STATEMENT OF CASH FLOW

Changes in financial position are presented as cash flows classified by operating, investing and financing activities. The effect of changes in exchange rates has been eliminated by converting the opening balance at the rates current on the last day of the year, except cash and bank deposits which are valued according to the rates as per 31.12.2002 and 31.12.2001.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures are in millions of Euros.

STATEMENT OF INCOME

	2003	2002
1. Sales		
Sales by market-area:		
Finland	65.1	79.4
Rest of Nordic countries	37.0	49.2
Rest of EU	178.6	220.9
Rest of Europe	62.9	50.8
Americas	221.3	242.4
Asia and Australia	75.0	52.1
Middle East	20.4	15.1
Others	4.2	3.7
Total	664.5	713.6

Percentage of completion method: (see accounting principles)

The booked revenues of non-delivered projects	74.2	90.4
The booked revenues of non-delivered projects during the period	40.7	80.1
The amount of long-term projects in the order book		
– percentage of completion method used	118.4	122.7
– completed contract method used	92.8	83.3

2. Other operating income

Profit of disposal of fixed assets	0.5	0.4
Profit from the sale of shares in Vacon Oyj	0.0	0.3
Other	1.6	2.2
Total	2.1	2.9

3. Depreciation

Intangible rights	1.9	1.6
Goodwill	2.2	2.2
Group Goodwill	1.2	1.1
Buildings	1.9	2.0
Machinery and equipment	9.3	8.6
Total	16.5	15.5

4. Costs, expenses and personnel

Change in product inventory	(4.3)	2.2
Production for own use	(0.4)	(2.2)
Material and supplies	207.1	226.1
Subcontracting	91.7	100.5
Wages and salaries	166.5	172.9
Pension costs	14.5	14.0
Other personnel expenses	32.8	34.0
Other operating expenses	120.5	115.8
Total	628.4	663.3

Wages and salaries in accordance with the Statement of Income:

	2003	2002
Presidents	4.8	5.2
Members of the Board	0.1	0.1
Other wages and salaries	161.6	167.6
Total	166.5	172.9

The average number of personnel	4,423	4,396
Personnel 31 December,	4,350	4,441
of which in Finland	1,558	1,606

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

5. Financial income and expenses

Dividend income	0.1	0.0
Interest income from current assets	1.1	1.9
Other financial income	1.0	1.5
Interest expenses	(4.2)	(3.9)
Other financial expenses	(0.6)	(0.7)
Total	(2.6)	(1.2)

6. Extraordinary items

Extraordinary expenses (Omniman-project)	8.1	0.0
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7. Taxes

Taxes on extraordinary items	(2.4)	0.0
Local income taxes of group companies	9.1	13.1
Taxes from previous years	0.5	(1.3)
Avoir Fiscal	(0.1)	(0.1)
Change in deferred tax liability arising from consolidation	(1.0)	0.8
Change in deferred tax assets arising from timing differences	(2.1)	(0.6)
Total	4.0	11.9

BALANCE SHEET

8. Intangible rights

Acquisition costs as of 1 January	14.0	10.5
Increase	0.5	3.9
Transfer within assets	1.1	0.0
Decrease	(0.1)	0.0
Acquisition costs as of 31 December	15.5	14.4
Accumulated depreciation 1 January	(8.4)	(6.9)
Depreciation for financial year	(1.8)	(1.5)
Total as of 31 December	5.3	6.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Goodwill	2003	2002
Acquisition costs as of 1 January	26.1	25.1
Increase	0.0	1.7
<u>Transfer within assets</u>	<u>(1.1)</u>	<u>0.0</u>
Acquisition costs as of 31 December	25.0	26.8
Accumulated depreciation 1 January	(8.9)	(6.6)
<u>Depreciation for financial year</u>	<u>(2.2)</u>	<u>(2.2)</u>
Total as of 31 December	13.9	18.0

10. Group Goodwill		
Acquisition costs as of 1 January	14.5	14.4
Increase	1.2	0.3
<u>Decrease</u>	<u>(0.2)</u>	<u>(0.2)</u>
Acquisition costs as of 31 December	15.5	14.5
Accumulated depreciation 1 January	(9.0)	(7.8)
<u>Depreciation for financial year</u>	<u>(1.1)</u>	<u>(1.1)</u>
Total as of 31 December	5.4	5.6

Acquisition costs included in Group goodwill, originating from accelerated depreciation and untaxed reserves, was MEUR 1.8 on December 31 (MEUR 2.1 in 2002). This part of Group goodwill will decrease as the companies reverse their depreciation difference and untaxed reserves.

11. Land		
Acquisition costs as of 1 January	3.6	3.8
Increase	0.4	0.0
<u>Decrease</u>	<u>(0.1)</u>	<u>0.0</u>
Total as of 31 December	3.9	3.8

12. Buildings		
Acquisition costs as of 1 January	41.9	40.8
Increase	0.2	3.5
Transfer within assets	0.2	(0.1)
<u>Decrease</u>	<u>(0.3)</u>	<u>(1.0)</u>
Acquisition costs as of 31 December	42.0	43.2
Accumulated depreciation 1 January	(21.1)	(19.4)
Accumulated depreciation relating to disposals	0.0	0.2
<u>Depreciation for financial year</u>	<u>(2.0)</u>	<u>(2.0)</u>
Total as of 31 December	18.9	22.0

The balance value of tangible assets which belong to finance lease is 0.8 MEUR in year 2003 (MEUR 1.1 in 2002) .

13. Machinery and equipment		
Acquisition costs as of 1 January	96.5	88.4
Increase	9.1	10.4
Transfer within assets	(0.2)	0.1
<u>Decrease</u>	<u>(4.4)</u>	<u>(4.8)</u>
Acquisition costs as of 31 December	101.0	94.1
Accumulated depreciation 1 January	(63.9)	(60.1)
Accumulated depreciation relating to disposals	3.3	4.2
<u>Depreciation for financial year</u>	<u>(9.1)</u>	<u>(8.4)</u>
Total as of 31 December	31.3	29.8

The balance value of machinery and production equipment approximates the balance value of machinery and equipment.

The balance value of tangible assets which belong to finance lease is 3.4 MEUR in year 2003 (MEUR 0.0 in 2002) .

14. Participating interests	2003	2002
Acquisition costs as of 1 January	1.0	1.2
Change in the share in participating interest undertaking	(0.4)	(0.2)
<u>Increase</u>	<u>2.9</u>	<u>0.0</u>
Total as of 31 December	3.5	1.0

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. The balance value 31.12 of goodwill originating from acquisition of associated companies was 1.2 MEUR (0.5 MEUR 2002).

15. Other shares and similar rights of ownership		
Acquisition costs as of 1 January	1.0	0.7
<u>Increase</u>	<u>0.5</u>	<u>0.3</u>
Total as of 31 December	1.5	1.0

16. Own shares		
Acquisition costs as of 1 January	0.0	7.5
Increase	5.5	9.9
<u>Decrease</u>	<u>0.0</u>	<u>(17.4)</u>
Total as of 31 December	5.5	0.0

The Annual General Meeting on March 6, 2003 authorized the board of directors to repurchase and dispose of the company's own shares. The maximum number of the shares to repurchase or dispose of does not exceed 5 per cent of the share capital and the voting rights. This means 715,431 shares in 2003.

The authorization is effective from March 6, 2003 to March 5, 2004. The authorization does not include disposal of shares to the benefit of persons belonging to the category referred to in the companies act, chapter 1, section 4, paragraph 1.

In accordance with the decision of the Annual General Meeting, the company bought back between 20 February and 5 March, 2003 264,100 of its own shares at an average price of EUR 20.75 per share. On 31 December 2003, the company held 264,100 shares with a total nominal value of EUR 528,200 and a total purchase price of MEUR 5.5 which is 1.85 % of the total amount of shares and votes.

17. Short-term receivables		
Amounts owed by participation interest undertakings:		
Accounts receivables	1.8	3.0
<u>Bills receivable</u>	<u>0.2</u>	<u>0.0</u>
Total	2.0	3.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2003	2002
Receivables arising from percentage of completion method	41.3	59.7
advances received	41.3	59.7

18. Deferred assets

Income taxes	6.0	10.5
Interest	0.1	0.1
Receivable arising from percentage of completion method	33.0	30.6
Periodising of foreign exchange derivatives	24.2	11.9
Other	9.1	9.0
Total	72.4	62.1

19. Shareholders' equity

Share capital as of 1 January	28.6	30.0
Transfer to share premium account	0.0	(1.4)
Share capital as of 31 December	28.6	28.6

Share premium account 1 January	21.8	20.4
Transfer from share capital	0.0	1.4
Share premium account as of 31 December	21.8	21.8

Reserve for own shares as of 1 January	0.0	7.5
Increase	5.5	9.9
Decrease	0.0	(17.4)
Reserve for own shares as of 31 December	5.5	0.0

Equity share of untaxed reserves (opening balance)	3.3	3.3
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Equity share of untaxed reserves as of 1 January	0.4	0.2
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Change of equity share of untaxed reserves	(0.3)	(0.2)
Total as of 31 December	3.4	3.3

Translation difference as of 1 January	(4.4)	(3.6)
Change	(1.5)	(0.7)
Translation difference as of 31 December	(5.9)	(4.3)

Retained earnings as of 1 January	123.8	122.6
Equity share of untaxed reserves as of 1 January	(0.4)	(0.3)
Taxes on translation difference	(1.4)	0.0
Transfer to reserve for own shares	(5.5)	(9.9)
Dividend paid	(13.3)	(13.2)
Retained earnings as of 31 December	103.2	99.2

Net income for the period	6.7	24.6
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Shareholders' equity as of 31 December	163.4	173.2
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Distributable equity 31 December	2003	2002
Retained earnings as of 31 December	103.2	99.2
Net income for the period	6.7	24.6
Translation difference	(5.9)	(4.3)
Equity share of untaxed reserves as of 1 January	(0.9)	(0.4)
Total	103.1	119.1

20. Provisions

Provision for guarantees	6.2	6.0
Provision for claims	0.4	0.7
Provision for restructuring	8.1	0.3
Provision for pension commitments	4.4	3.7
Other provisions	1.2	1.3
Total	20.3	12.0

21. Long-term debt

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

Long-term debt which falls due after five years:

Other	0.4	0.6
Total	0.4	0.6

Bonds:

2000 / 2005 6,25%	25.0	25.0
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22. Warrants and bonds with warrants

The Annual General Meeting 4th March 1997 of KCI Konecranes Plc resolved 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.

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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2003B and 200,000 will be marked with the symbol 2003C. Each stock option of 2003A gives its holder the right to subscribe to one share each with a nominal value of EUR 2 at a subscription price of EUR 20.56. The Board may decide to increase the share subscription price pursuant to the 2003B and 2003C stock options before the relevant share subscription period pursuant to such stock options has commenced. 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.

23. Deferred tax assets and liabilities	2003	2002
Deferred tax assets are based on		
Consolidation	1.8	1.0
Timing difference	4.2	3.0
Total	6.0	4.0

Deferred tax liabilities are based on		
Timing difference	0.6	0.9
Untaxed reserves	1.4	1.8
Total	2.0	2.7

24. Current liabilities

Accruals:		
Income taxes	6.8	13.3
Wages, salaries and personnel expenses	24.6	25.5
Pension costs	4.0	3.9
Interest	6.9	5.0
Other items	28.7	33.6
Total	71.0	81.3

Amounts owed to participating interest undertakings:

Accounts payable	0.1	0.0
Other current liabilities:		
Bank overdrafts	10.6	8.8
Other current interest bearing liabilities	13.0	0.0
Bills payable (non-interest bearing)	2.4	2.7
Value added tax	5.8	6.0
Other short-term liabilities	5.5	4.3
Total	37.3	21.8

25. Finance lease liabilities

Finance lease:		
Minimum lease payments		
within 1 year	1.3	0.2
1–5 years	2.8	0.7
over 5 years	0.7	0.4
Total	4.8	1.3

Present value of finance lease	2003	2002
within 1 year	1.2	0.1
1–5 years	2.6	0.5
over 5 years	0.8	0.4
Total	4.6	1.1

26. Contingent liabilities and pledged assets

CONTINGENT LIABILITIES

For own debts		
Mortgages on land and buildings	5.9	5.9
For own commercial obligations		
Pledged assets	0.8	0.9
Guarantees	159.5	141.6
For associated company's debts		
Guarantees	0.8	0.8
For others		
Guarantees	0.1	0.1

OTHER CONTINGENT AND FINANCIAL LIABILITIES

Leasing liabilities		
Next year	6.7	7.3
Later	11.6	11.5
Other	1.3	1.0

Leasing contracts follow the normal practices in corresponding countries.

TOTAL BY CATEGORY

Mortgages on land and buildings	5.9	5.9
Pledged assets	0.8	0.9
Guarantees	160.4	142.5
Other liabilities	19.6	19.8
Total	186.7	169.1

DEBTS WHICH HAVE MORTGAGES ON LAND AND BUILDINGS

Pension loan	2.0	2.5
Given mortgages	5.9	5.9

27. Notional amounts of derivative financial instruments

Foreign exchange forward contracts	441.7	411.4
Interest rate swaps	25.0	25.0
Total	466.7	436.4

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

PARENT COMPANY STATEMENT OF INCOME

		1.1.2003–31.12.2003 (1,000 EUR)	1.1.2002–31.12.2002 (1,000 EUR)
Note 1	Sales	16,244	11,647
	Other operating income	37	77
Note 2	Depreciation and reduction in value	(887)	(961)
Note 3	Other operating expenses	(13,686)	(13,809)
	Operating profit	1,708	(3,045)
Note 4	Financial income and expenses	982	1,709
	Income before extraordinary items	2,690	(1,337)
Note 5	Extraordinary items	14,701	2,400
	Income before appropriations and taxes	17,391	1,063
Note 6	Income taxes	(4,688)	(331)
	Net income	12,704	732

PARENT COMPANY BALANCE SHEET

ASSETS	31.12.2003 (1,000 EUR)	31.12.2002 (1,000 EUR)	
Non-current assets			
INTANGIBLE ASSETS			
Note 7	Intangible rights	283	710
	Advance payments	4,517	58
	4,800	768	
TANGIBLE ASSETS			
Note 8	Buildings	2	12
Note 9	Machinery and equipment	748	739
	Advance payment and construction in progress	142	0
	892	751	
INVESTMENTS			
Note 10	Investments in Group companies	50,449	50,449
Note 10	Other shares and similar rights of ownership	326	326
Note 11	Own shares	5,480	0
	56,255	50,775	
Current assets			
LONG-TERM RECEIVABLES			
	Loans receivable from Group companies	55,268	63,653
	55,268	63,653	
SHORT-TERM RECEIVABLES			
	Accounts receivable	139	1
	Amounts owed by Group companies		
	Accounts receivable	2,749	2,382
Note 12	Deferred assets	22,957	3,496
	Amounts owed by participating interest undertakings		
	Accounts receivable	0	1
	Other receivables	181	11,558
	Deferred tax assets	102	0
Note 12	Deferred assets	604	7,310
	26,732	24,749	
CASH IN HAND AND AT BANKS			
	3	0	
Total current assets			
	82,003	88,402	
TOTAL ASSETS			
	143,951	140,697	

PARENT COMPANY BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES		31.12.2003	31.12.2002
		(1,000 EUR)	(1,000 EUR)
Note 13	Equity		
	Share capital	28,617	28,617
	Share premium account	21,839	21,839
	Reserve for own shares	5,480	0
	Retained earnings	42,822	60,911
	Net income for the period	12,704	732
		111,462	112,100
	Liabilities		
	LONG-TERM DEBT		
Note 14	Bonds	25,000	25,000
Note 14	Pension loan	180	240
		25,180	25,240
	CURRENT LIABILITIES		
	Pension loan	60	60
	Accounts payable	946	1,164
	Liabilities owed to Group companies		
	Accounts payable	311	570
Note 15	Accruals	330	0
	Other short-term liabilities	0	659
	Other short-term liabilities	115	158
Note 15	Accruals	5,547	745
		7,309	3,356
	Total liabilities	32,489	28,596
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	143,951	140,697

PARENT COMPANY CASH FLOW

	1.1.2003–31.12.2003 (1,000 EUR)	1.1.2002–31.12.2002 (1,000 EUR)
Operating income after depreciation ¹⁾	1,671	(3,122)
Depreciation	887	961
Financial income and expenses	982	1,709
Extraordinary income	21,693	2,400
Taxes	(4,711)	(331)
Free cash flow	20,522	1,617
Change in current assets, increase (-), decrease (+)	(567)	29,227
Change in current liabilities, increase (+), decrease (-)	3,953	(7,503)
Cash flow from operations	23,908	23,341
Capital expenditure to tangible assets	(401)	(75)
Capital expenditure and advance payments to intangible assets	(4,659)	(134)
Purchase of own shares	(5,480)	(9,873)
Disposals of fixed assets	37	82
Investments total	(10,503)	(10,000)
Cash flow before financing	13,405	13,341
Increase (+), decrease (-) of long-term debt	(60)	(111)
Dividend paid	(13,342)	(13,230)
External financing	(13,402)	(13,341)
Net financing	3	0
Cash in hand and at banks at 1.1.	0	0
Cash in hand and at banks at 31.12.	3	0
Change in cash	3	0

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

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

STATEMENT OF INCOME

1. Sales

In the parent company the sales to subsidiaries totalled MEUR 16.2 (MEUR 11.6 in 2002) corresponding to a share of 100% (100% in 2002) of net sales.

2. Depreciation	2003	2002
Intangible rights	0.5	0.5
Machinery and equipment	0.4	0.4
Total	0.9	1.0

3. Costs, expenses and personnel

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

Wages and salaries	3.6	3.3
Pension costs	0.6	0.7
Other personnel expenses	0.4	0.5
Other operating expenses	9.1	9.4
Total	13.7	13.8

Wages and salaries in accordance with the Statement of Income:

Remuneration to Board	0.1	0.1
Other wages and salaries	3.5	3.2
Total	3.6	3.3

The average number of personnel	57	56
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4. Financial income and expenses

Financial income from long-term investments:

Dividend income from group companies	0.3	0.1
Avoir Fiscal	0.1	0.1
Dividend income total	0.4	0.2

Interest income from long-term receivables:		
From group companies	2.2	3.1

Financial income from long-term investments total	2.6	3.3
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Interest expenses and other financing expenses:

Other financing expenses	(1.7)	(1.6)
Interest and other financial expenses total	(1.7)	(1.6)

Financial income and expenses total	0.9	1.7
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5. Extraordinary items

Group contributions received from subsidiaries	22.7	2.4
Deferred tax assets from previous accounting periods	0.1	0.0
Group contributions paid to subsidiaries	(0.3)	0.0
Write-off for "Omniman" project	(7.8)	0.0
Total	14.7	2.4

6. Taxes	2003	2002
Taxes on extraordinary items	4.2	0.7
Taxes on ordinary operations	0.5	(0.4)
Taxes from previous accounting periods	(0.1)	0.0
Total	4.7	0.3

BALANCE SHEET

7. Intangible rights

Acquisition costs as of 1 January	4.7	4.7
Increase	0.1	0.1
Acquisition costs as of 31 December	4.8	4.7
Accumulated depreciation 1 January	(4.0)	(3.5)
Accumulated depreciation	(0.5)	(0.5)
Total as of 31 December	0.3	0.7

8. Buildings

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

Acquisition costs as of 1 January	2.9	3.0
Increase	0.4	0.1
Decrease	(0.1)	(0.2)
Acquisition costs as of 31 December	3.2	2.9
Accumulated depreciation 1 January	(2.1)	(1.9)
Accumulated depreciation relating to disposals	0.1	0.2
Accumulated depreciation	(0.4)	(0.4)
Total as of 31 December	0.8	0.7

10. Other shares and similar rights of ownership

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 %
Konecranes VLC Corp.	Hyvinkää	4.2	100 %
Total		50.4	

Investment in other companies

Vierumäen Kuntorinne Oy	0.3	3.3 %
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NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

11. Own shares	2003	2002
Acquisition costs as of 1 January	0.0	7.5
Increase	5.5	9.9
Decrease	0.0	(17.4)
Total as of 31 December	5.5	0.0

In accordance with the decision of the Annual General Meeting, the company bought back between 20 February and 5 March, 2003 264,100 of its own shares at an average price of EUR 20.75 per share. At 31 December 2003, the company held 264,100 shares with a total nominal value of EUR 528.200 and a total purchase price of MEUR 5,5 which is 1.85 % of total amount of shares and votes.

12. Deferred assets		
Group contributions	22.7	2.4
Payments which will be realized during the next financial year	0.6	8.1
Interest	0.2	0.3
Total	23.5	10.8

13. Shareholders' equity		
Share capital as of 1 January	28.6	30.0
Transfer to share premium account	0.0	(1.4)
Share capital as of 31 December	28.6	28.6
Share premium account 1 January	21.8	20.5
Transfer from share capital	0.0	1.4
Share premium account as of 31 December	21.8	21.8

Reserve for own shares as of 1 January	0.0	7.5
Increase	5.5	9.9
Decrease	0.0	(17.4)
Reserve for own shares as of 31 December	5.5	0.0

Retained earnings as of 1 January	61.6	84.0
Transfer to reserve for own shares	(5.5)	(9.9)
Dividend paid	(13.3)	(13.2)
Retained earnings as of 31 December	42.8	60.9

Net income for the period	12.7	0.7
Shareholders' equity as of 31 December	111.5	112.1

Distributable equity 31 December		
Retained earnings as of 31 December	42.8	60.9
Net income for the period	12.7	0.7
Total	55.5	61.6

14. Long-term debt	2003	2002
Bonds:		
2000/2005 6.25 %	25.0	25.0

15. Accruals		
Income taxes	4.7	0.0
Wages, salaries and personnel expenses	0.5	0.5
Interest	0.2	0.2
Other items	0.6	0.0
Total	5.9	0.7

16. Contingent liabilities and pledged assets		
CONTINGENT LIABILITIES		
For obligations of subsidiaries		
Group guarantees	14.2	29.7

OTHER CONTINGENT AND FINANCIAL LIABILITIES		
Leasing liabilities		
Next year	0.2	0.2
Later on	0.4	0.3

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

TOTAL BY CATEGORY		
Guarantees	14.2	29.7
Other liabilities	0.6	0.5
Total	14.8	30.2

17. Notional amounts of derivative financial instruments		
Foreign exchange forward contracts	0.9	2.1

Derivatives are used for currency rate hedging only.

COMPANY LIST

Subsidiaries owned by the parent company		1,000 EUR	Parent company's	Group's
		Book-value	share	share
Finland:	Konecranes Finance Corporation	46,248	100	100
	Konecranes VLC Corporation	4,201	100	100
Subsidiaries owned by the group		Book-value		Group's share
Australia:	Konecranes Pty Ltd	131		100
Austria:	Konecranes Ges.m.b.H	217		100
Belgium:	S.A. Konecranes N.V.	0		100
Canada:	Konecranes Canada Inc.	893		100
	Provincial Cranes Inc.	31		100
Czech Republic:	Konecranes CZ s.r.o.	54		100
China:	Konecranes (Shanghai) Company Ltd.	829		100
	Konecranes (Shanghai) Co. Ltd.	185		100
Denmark:	Konecranes A/S	74		100
Estonia:	Konecranes Oü	0		100
Finland:	Finox Nosturit Oy	20		100
	Konecranes Components Corporation	6,540		100
	Konecranes Service Corporation	2,615		100
	KCI Special Cranes Corporation	80		100
	KCI Hoists Corporation	2,423		100
	KCI Motors Corporation	1,384		100
	KCI Tehdaspalvelu Etelä-Suomi Oy	100		100
	Nosturixpertit Oy	10		100
	Permeco Oy	113		100
	KCI Tehdaspalvelu Länsi-Suomi Oy	862		100
	KCI Tehdaspalvelu Keski-Suomi Oy	100		100
	Pirkanmaan Tehdaspalvelu Oy	11		100
	KCI Tehdaspalvelu Itä-Suomi Oy	748		100
	Työstökonekniikka Machine Tool Tech Oy	297		100
	Suomen Nosturitarkastus Oy	0		100
France:	Verlinde S.A.	2,744		99,6
	KCI Holding France S.A.	1,660		100
	Konecranes (France) S.A.	1,879		100
	CGP-Konecranes S.A.	2,545		100
	KONE Ponts Roulants S.A.	0		100
Germany:	Pro Kran Service GmbH	1,300		100
	Konecranes GmbH	17,002		100
	SWF Krantechnik GmbH	15,500		100
	Konecranes T&H GmbH	4,649		100
	Kran- und Stahlbau Ludwig GmbH	1,239		100
	Noell Konecranes GmbH	6,848		100
	Kulicke Konecranes GmbH	6,304		100
	Kulicke Pro Kran Service GmbH	659		100
	Kubi Konecranes GmbH	1,239		100
Hungary:	Konecranes Kft.	792		100
Indonesia:	Pt. Konecranes	111		100
Korea:	Konecranes Korea Co., Ltd	158		100
Latvia:	Sia Konecranes Latvija	2		100
Lithuania:	UAB Konecranes	52		100
Luxembourg:	Materials Handling International S.A.	300		100
Malaysia:	Konecranes Sdn. Bhd.	560		100

COMPANY LIST

		1,000 EUR Book- value	Group's share
Mexico:	Konecranes Mexico SA de CV Gruas Mexico SA de CV	1,456 745	100 100
The Netherlands:	Konecranes Holding BV Konecranes BV Verlinde Nederland BV	3,851 18 106	100 100 100
Norway:	Konecranes A/S	908	100
Poland:	Konecranes Poland Sp. z o.o. Cranex Konecranes Sp. z o.o.	96 78	100 100
Romania:	S.C. Prodmoreco S.A.	97	100
Russia:	ZAO Konecranes	6	100
Singapore:	KCI Cranes Holding (Singapore) Pte Ltd Konecranes Pte Ltd	603 1,447	100 100
Sweden:	KVRM Holding Sverige AB KCI Special Cranes AB Konecranes AB	1,682 0 1,505	100 100 100
Thailand:	Konecranes Service Co. Ltd.	79	49
Turkey:	Konecranes Ticaret Ve Servis Limited Sirketi	53	100
Ukraine:	ZAO Konecranes Ukraine	89	100
United Kingdom:	KCI Holding U.K. Ltd. Lloyds Konecranes Ltd. Konecranes (U.K.) Ltd. Lloyds British Pension Trustees Ltd.	6,821 2,032 1,405 0	100 100 100 100
U.S.A.	KCI Holding USA, Inc. Konecranes America, Inc. Konecranes, Inc. R&M Materials Handling, Inc. Drivecon, Inc. KPAC, Inc.	12,084 3,571 230 6,492 0 1	100 100 100 100 100 100
Associated companies			
China:	Shanghai High Tech Industrial Crane Co. Ltd Jiangyin Dingli Sheng Sai High Tech Industrial Crane Co., Ltd Guangzhou Technocranes Company Ltd	57 320 237	25 30 25
France:	Levelec S.A. Boutonnier ADT Levage S.A. Manelec S.a.r.l. Manulec S.A. VH Manutention S.a.r.l. Sere Maintenance S.A.	56 100 46 190 0 47	20 25 25 25 25 25
Italy:	Prim S.p.A.	343	25
Japan:	Meiden Hoist System Company Ltd.	2,097	49
Total:		3,493	
Other shares			
Estonia:	AS Konesko	498	19
Finland:	Levator Oy Nostininnovaatiot Oy Vierumäen Kuntorinne Oy	33 345 326	19 17.44 3.3
France:	Societe d'entretien et de transformation d'engins mecaniques	0	19
Indonesia:	Pf Technocranes International Ltd.	10	15
Malaysia:	Kone Products & Engineering Sdn. Bhd.	11	10
Venezuela:	Gruas Konecranes, C.A.	19	10
Others:		234	
Total:		1,476	

DEVELOPMENT BY BUSINESS AREAS

SALES AND OPERATING INCOME	2003 (MEUR)	2002 (MEUR)
Maintenance Services		
Sales	361.3	372.4
Operating income	22.0	26.2
Standard Lifting Equipment		
Sales	189.8	204.5
Operating income	18.0	19.5
Special Cranes		
Sales	178.6	209.2
Operating income	13.1	16.7
Internal sales	(65.2)	(72.5)
Group sales	664.5	713.6
Operating income before group overheads	53.1	62.4
Group costs	(29.5)	(23.8)
Non business area items	(2.1)	(1.0)
Group operating income	21.5	37.6
PERSONNEL 31 December		
Maintenance Services	2,662	2,698
Standard Lifting Equipment	960	949
Special Cranes	614	685
Group staff	114	109
Total	4,350	4,441

THE KCI KONECRANES GROUP 1999–2003

Business development		2003	2002	2001	2000	1999
Order intake	MEUR	611.9	598.9	679.1	764.4	538.7
Order book	MEUR	211.2	206.0	279.7	308.8	178.4
Net sales	MEUR	664.5	713.6	756.3	703.0	591.5
of which outside Finland	MEUR	599.4	634.2	679.2	644.2	538.3
Export from Finland	MEUR	258.9	256.9	263.5	217.8	180.7
Personnel on average		4423	4396	4434	4244	4050
Capital expenditure	MEUR	12.4	13.9	11.3	14.7	12.9
as a percentage of net sales	%	1.9%	1.9%	1.5%	2.1%	2.2%
Research and development costs	MEUR	7.9	8.2	7.7	6.9	7.8
as % of Standard Lifting Equipment 1)	%	4.2%	4.0%	3.1%	2.7%	3.6%
as % of Group net sales	%	1.2%	1.1%	1.0%	1.0%	1.3%
Profitability						
Net sales	MEUR	664.5	713.6	756.3	703.0	591.5
Income from operations (before goodwill amortization)	MEUR	24.8	40.9	59.4	43.7	34.8
as percentage of net sales	%	3.7%	5.7%	7.9%	6.2%	5.9%
Operating income	MEUR	21.5	37.6	55.3	39.6	32.1
as percentage of net sales	%	3.2%	5.3%	7.3%	5.6%	5.4%
Income before extraordinary items	MEUR	18.9	36.5	52.4	34.0	30.2
as percentage of net sales	%	2.8%	5.1%	6.9%	4.8%	5.1%
Income before taxes	MEUR	10.7	36.5	52.4	34.0	30.2
as percentage of net sales	%	1.6%	5.1%	6.9%	4.8%	5.1%
Net income	MEUR	6.7	24.6	35.3	23.4	21.8
as percentage of net sales	%	1.0%	3.4%	4.7%	3.3%	3.7%
Key figures and balance sheet						
Shareholders' equity	MEUR	163.4	173.2	180.2	155.3	143.7
Balance Sheet	MEUR	402.2	397.1	455.9	450.0	352.3
Return on equity	%	7.5	14.2	22.0	16.4	16.3
Return on capital employed	%	10.8	17.8	24.3	19.4	21.7
Current ratio		1.5	1.6	1.6	1.4	1.7
Solidity	%	42.6	45.5	41.4	35.8	42.2
Gearing	%	27.8	19.1	28.9	57.7	35.8
Shares in figures						
Earnings per share	EUR	0.88	1.69	2.40	1.59	1.48
Equity per share	EUR	11.24	12.11	11.75	10.06	9.27
Cashflow per share	EUR	1.72	4.54	2.93	-0.29	-0.33
Dividend per share	EUR	1.00*	0.95	0.90	0.71	0.71
Dividend / earnings	%	113.6	56.2	37.5	44.7	48.0
Effective dividend yield	%	3.6	4.1	3.2	2.6	1.9
Price / earnings		31.4	13.8	11.9	17.0	25.8
Trading low / high	EUR	17.20/29.39	19.80/36.83	25.00/38.46	25.10/39.90	23.05/38.30
Average share price	EUR	22.49	28.74	31.72	32.67	30.24
Year-end market capitalisation	MEUR	387.6	333.2	427.5	405.0	572.7
Number traded	(1,000)	12,662	11,939	8,581	7,379	13,198
Stock turnover	%	90.2%	83.4%	57.2%	49.2%	88.0%

* The Board's proposal to the AGM

¹⁾ R&D serves mainly Standard Lifting Equipment

CALCULATION OF KEY FIGURES

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

BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING

The Group's distributable equity is EUR 103,060,000. The parent company's distributable equity is EUR 55,497,447.70 of which the net income for the year is EUR 12,703,656.02.

The Board of Directors proposes that a dividend of EUR 1.00 be paid on each of the 14,044,530 shares for a total of EUR 14,044,530.00 and that the rest EUR 41,452,917.70 be retained and carried forward.

Helsinki, 11 February, 2004

Björn Savén
Chairman of the Board of Directors

Matti Kavetvuo
Member of the Board

Timo Poranen
Member of the Board

Juha Rantanen
Member of the Board

Stig Stendahl
Member of the Board

Stig Gustavson
Member of the Board
President and CEO

AUDITORS' REPORT

TO THE SHAREHOLDERS OF KCI KONECRANES PLC

We have audited the accounting, the financial statements and administration of KCI Konecranes Plc for the financial period 1.1–31.12.2003. The financial statements, which have been prepared by the Board of Directors and the Managing Director, include the Report of the Board of Directors and the Income Statement, Balance Sheet and Notes. Based on our audit we express an opinion on the financial statements and 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.

In our opinion we state, that the financial statements are prepared in accordance with the Accounting Act and other regulations regarding the preparation of financial statements. The financial statements give a true and fair view of the result of the group and the parent company and their financial position in accordance with the Accounting Act. The financial statements, including the

consolidated financial statements, can be adopted and the members of the Board of Directors of the parent company and the Managing Director can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors regarding the use of distributable equity is in accordance with the Companies' Act.

Helsinki, 11 February, 2004

Deloitte & Touche Ltd
Authorized Public Audit Firm

Mikael Paul
Authorized Public Accountant

SHARES AND SHAREHOLDERS

Share capital and shares

On December 31, 2003 the share capital fully paid and reported in the trade register was EUR 28,617,260 divided into 14,308,630 shares.

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

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.

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 in HEX Helsinki Exchanges.

Trading code KCI1V Trading lot 100 shares

Shareholder Register

The shares of the company belong to the Book Entry Securities System. Shareholders should notify the particular register holding their Book Entry Account about changes in address or account numbers for payment of dividends and other matters related to their holdings in the share.

Repurchase of the company's own shares

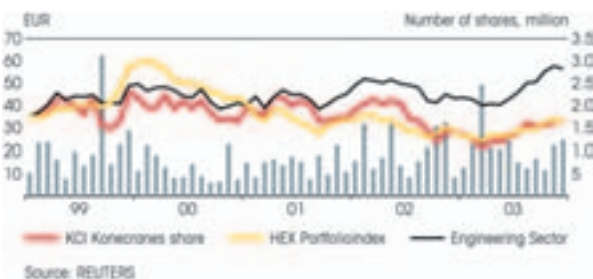
At the end of December 2003 KCI Konecranes Plc held 264,100 of the company's own shares with a total nominal value of EUR 528,200, which is 1.85 % of the total amount of shares and votes. The shares were bought back between February 20 and March 5, 2003 at an average price of EUR 20.75 per share. The total purchase price was approx. EUR 5.5 million.

At the Annual General Meeting 2003 the Board was authorized to resolve to repurchase up to a maximum of 715,431 company's own shares. Taken into account the own shares, which are held by the company at the end of 2003, the authorisation is still valid for the additional acquisition of 451,331 shares.

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 2003 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 2004 Annual General Meeting a renewal of the authorisation.

Share Price Performance and Monthly Trading 1999–2003



Share price performance and trading volume

KCI Konecranes Plc's share price increased by 18.94% during 2003 and closed at EUR 27.60 (2002: EUR 23.29). The year high was EUR 29.39 (2002: EUR 36.83) and year low EUR 17.20 (2002: EUR 19.80). During the same period the HEX All-Share Index increased by 4.44%, the HEX Portfolio Index by 16.21% and the HEX Metal & Engineering index by 30.67%.

Total market capitalisation was at year-end EUR 394.9 million (2002: EUR 333.2 million) including the company's own shares in the company, the 34th largest market value of companies listed on Helsinki Exchanges.

The trading volume totalled 12,661,860 shares of KCI Konecranes Plc's, which represents 88.49% of the total amount of 14,308,630 outstanding shares. In monetary terms trading was EUR 284.8 million, which was the 25th largest trading of companies listed on Helsinki Exchanges.

Taxable value in Finland

For Finnish taxation purposes, the company's share was given a value of EUR 19.32 for fiscal 2003.

Dividend proposal

The Board of Directors proposes to the AGM that a dividend of EUR 1.00 per share will be paid for the fiscal year 2003. The dividend will be paid to shareholders, who are entered in the share register on the record date March 9, 2004. Dividend payment date is March 16, 2004.

Stock option plans

The stock option plan 1997 is targeted for middle management. In all some 290 managers and experts received bonds with warrants entitling to subscribe a total of 300,000 shares. The program became exercisable on 1 April 2003 at a price of EUR 26.07. At yearend 2003 there had been no subscriptions for new shares under the option plan.

The stock option plan 1999 targets both middle and top management. In all some 330 managers received options to subscribe for a total of 300,000 shares at a price of EUR 33 each. The stock options are exercisable in two phases:

- Phase I: April 1, 2002 – March 31, 2005
- Phase II: April 1, 2005 – March 31, 2008

At yearend 2003 there had been no subscriptions for new shares under the option plan.

The stock option plan 2001 targets key personnel. In all some 100 persons received option rights entitling to subscribe for a total of 300,000 shares at a price of EUR 34 each. The stock options are exercisable in two phases:

- Phase I: April 1, 2004 – March 31, 2007
- Phase II: April 1, 2007 – March 31, 2010

The Stock Option Plan 2003 targets key personnel. The stock options are divided into three series 2003A, 2003B and 2003C each entitling to subscription of a maximum of 200,000 shares at a price of EUR 20.56 per share. The Board may decide to increase the share subscription price pursuant to the 2003B and 2003C stock options. The stock options are exercisable in three phases:

- 2003A stock options: May 2, 2005 – March 31, 2007
- 2003B stock options: May 2, 2006 – March 31, 2008
- 2003C stock options: May 2, 2007 – March 31, 2009

► More information to shareholders on page 59.

SHARES AND SHAREHOLDERS

Major shareholders according to the share register, 31 December 2003

	Amount of shares	Percentage of shares	Percentage of votes
1 Orkla AS	1,229,100	8.59	8.59
2 Varma-Sampo Mutual Pension Insurance Company	717,120	5.01	5.01
3 The Pension Insurance Company Ilmarinen Ltd	711,400	4.97	4.97
4 Stig Gustavson	420,875	2.94	2.94
5 The Local Government Pension Institution	311,200	2.17	2.17
6 KCI Konecranes Plc	264,100	1.85	1.85
7 Odin Norden	245,600	1.72	1.72
8 State Pension Fund	220,000	1.54	1.54
9 OP-Delta Equity Fund	134,000	0.94	0.94
10 Folkhälsan non-governmental organization	133,900	0.94	0.94

Shares registered in the name of nominee

	Amount of shares	Percentage of shares	Percentage of votes
Nordea Bank Finland Plc	5,873,255	41.05	41.05
HSS/Skandinaviska Enskilda Banken Ab	254,314	1.78	1.78
Svenska Handelsbanken Ab (Publ). subsidiary in Finland	148,007	1.03	1.03
Enskilda Securities AB	25,500	0.18	0.18
United Bankers Securities Ltd	1,250	0.01	0.01
OKO Osuuspankkien Keskuspankki Oyj	4,100	0.03	0.03
HSS/Alfred Berg Finland Oyj Abp	1,000	0.01	0.01
HSS/Danske Bank, Helsinki Branch	4,700	0.03	0.03
HSS/Svenska Handelsbanken	8,719	0.06	0.06
HSS/ÅAB	3,600	0.03	0.03
HEX Back Office and Custody Services OY	8,000	0.06	0.06
Total	6,332,445	44.26	44.26

Calculations are based on the total number of outstanding shares 14,308,630.

Shares owned by the members of the Board of Directors and Group Management

Together, the Board of Directors and the President and CEO own an aggregate of 451,275 shares through direct or controlled ownership, corresponding to 3.15% of the outstanding shares and voting rights. On December 31, 2003 the fourth largest shareholder registered by name was the Company's President and CEO, Mr Stig Gustavson, who held 420,875 shares representing 2.94%

of total outstanding shares. Altogether, The Board of Directors, the President and CEO and Group Management own an aggregate of 509,755 shares through direct or controlled ownership, corresponding to 3.56% of the outstanding shares and voting rights. In addition, Group Management owns options entitling to subscribe for 303,400 shares, representing 2.12% of the company's shares. Board members (other than Mr Stig Gustavson) do not have options.

Shareholding outside Finland

The percentage of shares held by investors outside Finland accounted for 55.42 % at the end of 2003 (2002: 65.95%).

Share distribution by size of holding

Shares	Amount of s'holders	Amount of shares	Percentage of s'holders	Percentage of shares
1-1,000	2,163	547,569	86.80 %	3.83 %
1,001-5,000	203	457,179	8.15 %	3.20 %
5,001-10,000	46	357,832	1.85 %	2.50 %
10,001-50,000	59	1,582,579	2.37 %	11.06 %
50,001-300,000	15	2,100,521	0.60 %	14.68 %
300,001-	6	9,262,950	0.24 %	64.74 %
Total	2,492	14 308,630	100.00 %	100.00 %

Share distribution by type of shareholder

	Percentage of shares	Percentage of votes
Companies	5.76 %	5.76 %
Financial institutions	9.17 %	9.17 %
Public institutions	17.24 %	17.24 %
Non-profit institutions	4.64 %	4.64 %
Individuals	7.77 %	7.77 %
Foreign	55.42 %	55.42 %
Total	100.00 %	100.00 %

Source: The Finnish Central Securities Depository Ltd, December 31, 2003.

CORPORATE GOVERNANCE

According to the provisions of the Finnish Companies Act and KCI Konecranes Plc's articles of association, the control and management of KCI Konecranes is divided between the shareholders represented at a general meeting of the shareholders, the Board of Directors and the President and CEO.

General Meeting of the Shareholders

The general meeting of the shareholders is the highest decision-making body of a limited liability company. One annual general meeting of shareholders must be held during each financial year. An extraordinary general meeting is held when necessary. The shareholders exercise their rights of vote and action at the general meetings. The matters to be handled at the annual general meeting are defined in Article 12 of the Articles of Association of KCI Konecranes.

Election and composition of the Board of Directors

The Annual General Meeting confirms the number of members of the Board of Directors, elects the members of the Board and confirms members' compensations. The Board elects among its members a Chairman. KCI Konecranes' Board of Directors consists of a minimum of five (5) and a maximum of eight (8) members. In 2003, the Board of Directors had six (6) members and Mr. Björn Savén was elected Chairman. KCI Konecranes' President and CEO, Mr. Stig Gustavson is a member of the Board of Directors. All other members of the Board are non-executive and independent. This means that apart from their Board membership they have no material relationships with KCI Konecranes nor with any significant shareholder of the company. The Board held eight (8) meetings in 2003. Two Board members were absent at one Board meeting each during 2003.

According to the company's present Articles of Association the mandate of the members of the Board of Directors expires at the closing of the third Annual General Meeting following their election, unless the shareholder's meeting decides upon a shorter term of office. The mandate of Mr. Matti Kavelvuo expires at the AGM 2004, the mandates of Mr. Björn Savén, Mr. Juha Rantanen and Mr. Stig Stendahl at the AGM 2005 and the mandates of Mr. Timo Poranen and Mr. Stig Gustavson at the AGM 2006.

In the AGM 2004 the Board will propose a change to the company's Articles of Association with the effect that the members of the Board would be elected for a term of one year. Mr. Matti Kavelvuo, whose Board membership expires at the AGM 2004 has confirmed that he is available for re-election. Following the proposed amendment of the Articles of Association, the term of the Board members that have been elected previously Mr. Björn Savén, Mr. Stig Stendahl, Mr. Stig Gustavson and Mr. Timo Poranen will expire at the AGM 2005. Mr. Juha Rantanen has announced that he will resign from the Board of Directors at the AGM 2004.

The biographical details and holdings of the Board of Directors are provided on page 57.

The duties of the Board of Directors

The Board is vested with powers and duties specified in the Finnish Companies Act and the company's Articles of Association. The Board supervises the operation and management of KCI Konecranes and decides on strategy and business plans, financial objectives and other matters, which in relation to the Group's activities are significant in nature. The Board elects the President and CEO of KCI Konecranes. The Board of Directors may elect a Deputy to the President and CEO, Group Vice Presidents and Presidents of major subsidiary companies. The President and CEO may be a member of the Board of Directors

but may not be elected Chairman. The Board appoints the members to its committees. Certain independent Board members serve on the Board committees. The Board as a whole carries full responsibility for the work of its committees. There is no division between the tasks and responsibilities of the members of the Board and the Chairman, other than that amounting from possible committee memberships.

The Committees of the Board of Directors

The Board of Directors has established two (2) committees to assist the Board, the Audit Committee and the Compensation Committee. The committees' work is regulated in specific instructions, issued by the Board as part of the company's corporate governance principles. The purpose of the Audit Committee is to oversee the financial and accounting audit process of KCI Konecranes. The purpose of the Compensation Committee is to oversee and follow the compensation development for Group Management internationally within the industries that are relevant for KCI Konecranes and to issue guidelines for the remuneration policies to be followed in Group companies. The President and CEO's remuneration and other benefits are proposed by the Compensation Committee and confirmed by the Board, and are specified in a written agreement between KCI Konecranes and the President and CEO.

The President and CEO

According to the Companies Act, the President and CEO is in charge of day-to-day management of the company in accordance with the guidelines and instructions of the Board of Directors. The duties of the President and CEO include ensuring that the company's accounting methods comply with law and other regulations, and that the financial matters are handled in a reliable manner. The President and CEO is also responsible for preparations of the matters presented to the Board and for the company's strategic planning, finance, financial planning and reporting, and risk management.

Group Management

KCI Konecranes' Group Management presently consists of thirteen (13) members:

All members of the Group Management team meet four times a year under the President and CEO's chairmanship. The Investor Relations manager also attends the meetings. In addition, Group Management together with other executive managers on a monthly basis review the Business Areas' performance and financial results in reporting sessions headed by the COO. The President and CEO, the COO, the Group Vice Presidents in charge of Operations and Business development and Staff Directors meet every week to review Group administrative matters.

The responsibility areas including biographical details and holdings of the Group Management are set forth on pages 58–59.

The Country Executives

In December 2003, the Board introduced a new position and appointed six (6) Country Executives to co-ordinate Group activities within certain large countries and market areas. The introduction of Country Executives supports the realization of greater synergies between the business areas. The Country Executives have line responsibility for field operations, including Maintenance Services and Industrial Cranes. Four (4) times per year, each Country Executive chairs a meeting of all senior managers from the countries or market areas in his area of responsibility.

CORPORATE GOVERNANCE

The R&D Board

The members of the R&D Board include the President and CEO, the COO, the relevant Group Vice Presidents, Business Area Presidents and R&D Staff. The R&D Board meets every month under the President and CEO's chairmanship.

The European Works Council (EWC)

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

The EWC representatives and their substitutes are elected by the personnel. The management representatives are appointed by the President and CEO. The EWC has a Working Committee consisting of four employee representatives and two management representatives. In 2003, altogether fifteen (15) employee representatives from eight countries and five management representatives participated in the EWC Meeting.

Remuneration

Board of Directors

The remuneration for the Board during 2003 was: the Chairman EUR 36,000 and members EUR 18,000. The President and CEO and any other Board member employed by KCI Konecranes do not receive separate compensation for their Board memberships. Non-executive members of the Board of Directors have not received stock options. The Annual General Meeting decides on the remuneration for members of KCI Konecranes' Board of Directors annually.

President and CEO

The main elements of the President and CEO's remuneration and other benefits during 2003 were as follows: salary EUR 281,163.66, other benefits valued at EUR 7,470.00. A bonus of EUR 36,231.71 for fiscal year 2002 was paid.

The President and CEO may retire at the age of 60 years with a 60% pension. The President and CEO's employment contract may be terminated by either the President and CEO or the company with six (6) months' notice. In the event the company terminates the contract, 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.

Group Management

The President and CEO approves the remuneration and basis of other benefits for the members of the Group management team in accordance with Group remuneration policies. Bonus schemes within the Group are based on the profitability and performance of business units under the recipient's direct control, as well as a component reflecting the total performance of the next level of the organisation.

Auditors

KCI Konecranes Plc's accounting, financial statements and administration are audited by Deloitte & Touche Oy, Authorised Public Accountants, a member firm within Deloitte Touche Tohmatsu, Mr. Mikael Paul, Authorised Public Accountant, acting as the principal auditor. The AGM elects the auditors to their office until further notice.

Insider Regulations

Based on the guidelines for Insiders issued by the Helsinki Exchanges, the Board has established Insider Regulations for the KCI Konecranes Group. A list of all persons having an insider position in KCI Konecranes is available at www.kcigroup.com.

Risk Management Principles

The Group's risk management principles provide a basic framework for risk management in KCI Konecranes. Based on these principles each company or operating unit itself is responsible for risk management. This method guarantees the best possible knowledge of local conditions, experiences and individual aspects of relevance. The Group co-ordinates and consults in issues related to risk management, as well as decides on how to handle methods for joint or extensive risk management (e.g. global insurance programs, Group treasury, IT Infrastructure and system architecture).

According to our principles risk management is a continuous and systematic activity, which aims to protect from personal injury, safeguard the assets of the company or the Group and to ensure stable and profitable financial performance. By minimising both losses and the costs of risk management we also safeguard the long-term competitiveness of the company and of the Group.

Risk Management Committees

To establish preventive procedures for operative and liability risk management the Group has established Risk Management Committees in the companies located in the major markets of the Group. The Risk Management Committees have meetings with representatives from all the business areas including representatives and experts from insurance companies. The Risk Management Committees set up preventive improvement actions and focus especially on risk prevention related to transport, erection and safety of cranes.

Insurance

The Group continuously reviews its insurance policies as part of its overall risk management. Insurances are used to provide sufficient cover to all risks that are economically or otherwise reasonably insurable. With increasing insurance premiums the Group has intensified the use of other risk management methods within its units, without lowering its level of protection.

Quality control

Our Quality enhancing actions also form part of our risk management process, as a good quality of products, business procedures and processes must be seen as a powerful element in minimising business risks. Most of the companies and all major operations of the Group have certified quality procedures.

Management of financial risks

The Group's global business operations involve financial risks in the form of market (exchange rate, interest rate and other such as metal, energy price), credit and liquidity risks. The Group seeks 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, assessing, controlling and reporting 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 counter parties is done centralized by KCI Treasury.

BOARD OF DIRECTORS

1. Lennart Simonsen, b. 1960

Secretary of the Board since 1995
LL.M. Attorney, Managing Partner,
Roschier Holmberg, Attorneys Ltd.
Shareholding 0

2. Timo Poranen, b. 1943

Board member since 1994
M.Sc. (Eng.)
President, Finnish Forest Industries Federation 1998–, Vice
President Metsäliitto-Yhtymä 1996–97, CEO Metsä-Serla
Corporation 1990–96. Holder of various executive posi-
tions at Oy Metsä-Botnia Ab within production and man-
agement 1974–90.

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 Councils of the Finnish
Section of the International Chamber of Commerce and of
the Finnish-Swedish Chamber of Commerce, Member of the
Supervisory Board of Finnish Fair Corporation
Present term closes year 2006
Shareholding 0

3. Matti Kavelvuoto, b. 1944

Board member since 2001
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, CEO of Instrumentarium Corp.
1979–1984.

Chairman of the Boards of Melso Corporation and
Suominen Corporation. Vice Chairman of the Board
of Kesko Corporation. Member of the Boards of
Alma Media Corporation, Lännen Tehtaat Plc,
Marimekko Corporation, Perlos Corporation.
Member of the Supervisory Board of Finland
Post Ltd
Present term closes year 2004
Shareholding 0

4. Björn Savén, b. 1950

Chairman of the Board since 1994
M.Sc. (Econ.), MBA, Dr.Econ. h.c.
Chairman and Chief Executive of Industri Kapital
1988–, Holder of various executive positions at
Esselte Group in Sweden, the UK and including
President of Esselte Pendaflex in the US 1976
1988.

Deputy Chairman of Alfa-Laval AB, Dyned Oy &
Sydsvenska Kemi AB. Member of the Boards of
Gardena AG, Finnish-Swedish Chamber of
Commerce, German-Swedish Chamber of
Commerce, IVA Royal Science Academy and
SNS Advisory Board
Present term closes year 2005
Shareholding 30,100 beneficially via Industri
Kapital

5. Stig Gustavson, b. 1945

Board member since 1994
M.Sc. (Eng), Dr. Tech. (Hh.c.)
President & CEO of KCI Konecranes Plc 1988–
Holder of various executive positions at KONE
Corporation 1982–1988, Sponsor Oy 1978–82,
Raha-Automaattiyhdistys 1976–1978, Wärtsilä
Oy Ab 1970–1976.

Chairman of the Boards of Oy Mercantile Ab,
Handelsbanken, Regional Bank Finland, Dyned
Oy, Arcada Foundation. Member of the Board of
Oy Helvar Merca Ab, Perstorp AB, Technology
Industries of Finland (also Executive Committee
member), The Confederation of Finnish Industry
and Employers. Chairman of the Supervisory
Board of Tampere University of Technology,
Member of the Supervisory Board of Mutual
Pension Insurance Company Varma
Present term closes year 2006
Shareholding 420,875
Option to acquire 39,000 shares

6. Juha Rantanen, b. 1952

Board member since 1996
M.Sc. (Econ.), MBA
President & CEO, Ahlstrom Corporation 1998–,
CEO of Borealis A/S 1994–1997. Holder of vari-
ous executive positions at Neste Oy within man-
agement and financing 1989–1994.

Chairman of Confederation of Finnish Industry
and Employers. Member of the Executive
Committee and Board of Forest Industries
Federation. Vice Chairman of the Board of
Outokumpu Oyj. Member of the Supervisory
Board of Varma Mutual Pension Insurance
Company
Present term closes year 2005
Shareholding 100

7. Stig Stendahl, b. 1939

Board member since 1999
M.Sc. (Chem. Eng.)
CEO of Fiskars Oyj Abp 1992–2000, President
of Abloy Security Limited 1987–1992, President
of LKB Products AB 1979–1987.

Chairman of the Supervisory Board of Åbo
Akademi University Foundation,
Chairman of the Board of Aktia Savings Bank
plc, Member of "Hallitusammattilaiset ry"
(Board Professionals)
Present term closes year 2005
Shareholding 200

Non-executive Board members do not have options.
Shareholdings are listed as per December 31, 2003.



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GROUP MANAGEMENT

1. Rainer Aalto b. 1945

B.Sc. (Econ.)
Director, Business Development, M&A
Employed 1998
Shares 1,000
Option to acquire 15,400 shares

2. Stig Gustavson b. 1945

M.Sc. (Eng.), Dr. Tech. h.c.
President & CEO
Employed 1982
Shares 420,875
Option to acquire 39,000 shares

3. Antti Vanhatalo b. 1945

M.Sc. (Eng.)
As of January 1, 2004 Group Vice President, Business Development; Special Projects; Until December 31, 2003 President, Process cranes and Managing Director of Konecranes Components Corp.
Employed 1969
Shares 1,000
Option to acquire 9,000 shares

4. Mikko Uhari b. 1957

Lic.Sc. (Eng.)
As of January 1, 2004 President, Special Cranes and Managing Director, Konecranes VLC Corp. Until December 31, 2003 President, Harbour and Shipyard Cranes;
MD, Konecranes VLC Corp.
Employed 1997
Shares –
Option to acquire 45,400 shares

5. Peggy Hansson b. 1967

M.Sc. (Adult Education)
Knowledge Director, including Human Resources management
Employed 1991
Shares 1,200
Option to acquire 1,400 shares

6. Teuvo Rintamäki b. 1955

M.Sc. (Econ.)
Chief Financial Officer (CFO),
Employed 1981
Shares 11,900
Option to acquire 39,000 shares



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7. Arto Juosila b. 1955

M.Sc. (Econ.)
Group Vice President, President, Asia Pacific
Employed 1980
Shares 8,000
Option to acquire 12,000 shares

8. Bill Maxwell b. 1949

B.Sc.
President, Maintenance Services in U.K., The Netherlands, Belgium and Denmark;
Managing Director, Lloyds Konecranes Ltd
Employed 1992
Shares –
Option to acquire 13,000 shares

9. Harry Ollila b. 1950

M.Sc. (Eng.)
Group Vice President, Operations Development; IT, R&D,
Personnel Development;
President, Region Europe
Employed 1991
Shares 32,000
Option to acquire 9,000 shares

10. Sirpa Poitsalo b. 1963

LL.M.
Director, General Counsel
Employed 1988
Shares 100
Option to acquire 22,400 shares

11. Pekka Pääkkilä, b. 1961

B.Sc. (Eng.)
President, Standard Lifting Equipment
Employed 1987–1998, 2001–
Shares: 500
Option to acquire 7,000

12. Tom Sothard b. 1957

B.Sc. (Marketing)
President, Maintenance Services
Employed 1983
Shares 500
Option to acquire 45,400 shares

13. Matti Ruotsala b. 1956

M.Sc. (Eng.)
Chief Operating Officer
Employed 1982
Shares 2,300
Option to acquire 45,400 shares



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ADDRESSES

For a more comprehensive listing of contacts please visit our web site at www.konecranes.com

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President & CEO, Stig Gustavson

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Konecranes Finance Corporation
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Please Note! The name of Konecranes Nordic Corporation was changed to Konecranes Service Corporation. The activity of KCI Plant Services Group was transferred to Konecranes Service Corporation.

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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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Alfred Berg ABN AMRO, Mr. Jan Brännback
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CAI Cheuvreux, Mr. Sasu Ristimäki
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Carnegie Investment Bank AB, Finland Branch, Mr. Miikka Kinnunen
+358-9-6187 1241, miikka.kinnunen@carnegie.fi

Cazenove & Co., Mr. Mike Yates
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Conventum Securities Ltd, Ms. Kaisa Ojainmaa
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Contacts

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Franciska Janzon, Investor Relations Manager
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Mobile: +358-40 746 8381
franciska.janzon@kciigroup.com

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 Thursday, 4 March, 2004 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 23 February 2004, 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 no later than 1 March 2004 before 4.45 p.m. via the Company's web pages at www.kciigroup.com/agm2004 or by phone +358-20-427 2001, fax +358-20-427 2099 or e-mail: majja.jokinen@kciigroup.com. A model of a proxy is available on the Internet.

Financial Calendar 2004 (Finnish time, CET +1)

First quarter results	11 May, 10.00 a.m.
Second quarter results	12 August, 10.00 a.m.
Third quarter results	5 November, 10.00 a.m.

Analyst briefing

An analyst briefing will be arranged on each result date at 12.00 noon in Helsinki, Finland (address: World Trade Center, Marski Hall, Aleksanterinkatu 17).

International teleconference

An international teleconference will be arranged on each result date at 4.00 p.m.

The dial in number is +44-(0)20 7162 0189. Please call in at 3.50 p.m. (replay available 48 hours, +44-(0)20 8288 4459, code 713 782).



CAPITAL MARKET DAY IN SHANGHAI



The CMD team visited Baosteel's (China's largest steel producer) bulk terminal and the four Konecranes Bulk Unloaders delivered in 1998–99.

Our activities in China are booming and we thought it was time to let the investor community come and see this for themselves. This is why we chose China as the venue for the 2003 KCI Konecranes Capital Market Day.

Our Capital Market Day was held at our factory in Shanghai on December 2, 2003. In total, a group of 30 financial analysts and fund managers from Finland, Sweden, Norway, Switzerland and London joined us in China for this event.

To maximise the use of the participants' visit to Shanghai we joined forces with Wärtsilä, Metso and KONE for a Finnish Engineering roadshow in Shanghai during December 1–5, 2003.

The roadshow included KCI Konecranes' CMD, a day hosted by Wärtsilä's Group management, factory visits to Metso (in Wuxi) and KONE (in Kunshan), customer visits to Alstom Transformer, Baosteel steel mill, Wai Gao Qiao shipyard, a visit to the Global Trade Exhibition Marintec China and extra-curricular activities with Shanghai flavour.

We want to extend a warm thank you to all roadshow participants, organisers and our fellow organizing companies for making this event a complete success!



Technology

Innovative Service Technology

in People

Crane and maintenance

Crane technology

Preventive Crane Maintenance

High Performing Lifting Solutions

Sustained Profitability

Service Technology

Preventive Crane Maintenance

Preventive Crane Maintenance

High Capacity Cranes

World-Class Maintenance Technology

Innovative Service Technology

World Leading Crane Technology

Reliable and safe lifting solutions

Lifting Solutions

Innovative Service Technology

in People

Preventive Crane Maintenance

Sustained Profitability

Reliable and safe lifting solutions

Crane and maintenance

Sustained Profitability

Crane and maintenance

High Capacity Cranes

High Capacity Cranes

Preventive Crane Maintenance

World-Class Maintenance Technology

World-Class Maintenance Technology



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