Lifting Businesses™

ANNUAL REPORT

08


KONECRANES
KONECRANES®

LIFTING BUSINESSES™

Konecranes is an industry shaping, global group of dynamic Lifting Businesses™.

We have a strong commitment to provide our customers with products and services of unrivalled quality, safety and reliability, which results in improved efficiency and performance of our customers' businesses.

Through applying both our unique knowledge and technology, and responsive service attitude of never letting the customer down, we are able to develop innovative and integrated lifting solutions that our customers can trust.

These solutions help increase customers' productivity and profitability, thus showing that we are not just lifting things, but entire businesses.

Contents

Konecranes is a world-leading lifting equipment manufacturer serving manufacturing and process industries, shipyards and harbors with productivity enhancing lifting solutions and services. We have all the resources, technologies and attitude to deliver our customer promise – Lifting Businesses™.

- Market leader in industrial cranes and crane service
- Industry-leading technology and global modular product platforms
- Sales EUR 2,103 million in 2008
- 9,900 employees
- Production facilities in 12 countries
- Sales and service locations in 43 countries
- Head office in Finland and share listing on the NASDAQ OMX Exchange in Helsinki, Finland

BUSINESS AREAS

Service

Business Area Service offers service and maintenance solutions for all industrial crane brands, for port equipment and machine tools. Konecranes has 485 Service locations across 43 countries, and a total of 5,372 employees.

Products

Inspections, preventive maintenance programs, repairs and improvements, on-call services, spare parts, modernizations, special services such as operational services and consultation.

Market position

Clear market leader in crane service with the world's most extensive crane service network.

Service contract base

More than 359,000 units are under maintenance contract, of which approximately 25 percent are manufactured by Konecranes.

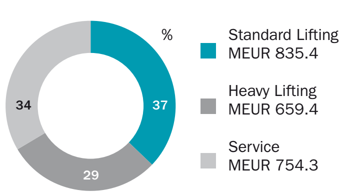
Standard Lifting

Business Area Standard Lifting offers pre-designed modularized components and cranes for various industries. Products are marketed through a multi-brand portfolio, i.e. the corporate brand Konecranes and separate power brands Medien, Morris, P&H, R&M, Stahl CraneSystems, SWF, and Verlinde. Standard Lifting has sales representation in 43 countries and a total of 2,808 employees.

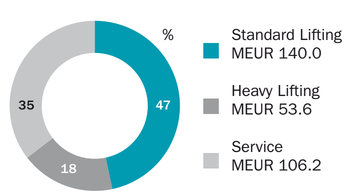
Products

Industrial cranes, wire rope hoists, chain hoists, light crane systems, load manipulators and a variety of components. Lifting capacities range from 100 kg to 100 metric tons.

SALES BY BUSINESS AREA 2008

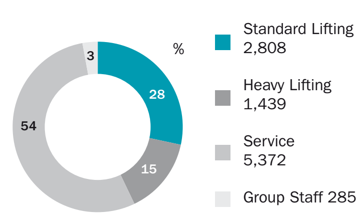


EBIT BY BUSINESS AREA 2008*



* excl. non-allocated costs

PERSONNEL IN 2008



Market position

The world's largest supplier of industrial cranes and wire rope hoists, and one of the largest manufacturers of light crane systems and chain hoists. Worldwide leader in explosion-protected crane technology.

Annual production

Tens of thousands of cranes, wire rope hoists and electric chain hoists.

Heavy Lifting

Business Area Heavy Lifting offers material handling solutions for all types of process industries, industries handling heavy loads, ports, intermodal terminals, shipyards and bulk material terminals. Products are marketed under the Konecranes and P&H brands. Heavy Lifting has sales representation in 43 countries and a total of 1,439 employees.

Products

Electric overhead traveling (EOT) cranes for process industries, shipyard cranes, shipboard gantry cranes, grab unloaders, STS cranes, RTG and RMG cranes, straddle carriers, reachstackers, top lifters, empty container handlers, forklift trucks, crane automation, YardIT® container positioning systems, crane control systems and heavy-duty crane components. Lifting capacities typically range from 50 up to 2,000 metric tons.

Market position

Global leader in EOT-cranes for process industries and in shipyard gantry cranes. Global supplier of cranes and lifttrucks for container handling and heavy unitized cargo, automation and bulk material unloading.

Annual Production

Several hundreds of heavy-duty cranes, hoisting trolleys and heavy-duty lifttrucks.

The year was a success in all business areas in terms of increasing business and improving profitability. The company continued to expand especially its service operations via acquisitions.

- Demand was extremely high for lifting equipment and maintenance services. The company's order intake increased by 10.4 percent compared with 2007, with combined orders worth 2,067.1 million euros.
- The orderbook at the first half of the year rose to more than one billion euros and at the end of the year stood at 836.3 million euros.
- Net sales rose by 20.2 percent to 2,102.5 million euros.
- Operating profit was 248.7 million euros. Operating profit rose by 42.3 percent compared with that of 2007 (operating profit excluding capital gain).
- Operating margin rose to 11.8 percent.

Increased business and improved profitability

- Net sales for Service increased by 9 percent to 754.3 million euros. Operating profit was 106.2 million euros, accounting for 14.1 percent of net sales.
- Net sales for Standard Lifting rose by 30.8 percent to 835.4 million euros. Operating profit was 140.0 million euros and equaled 16.8 percent of net sales.
- Net sales for Heavy Lifting rose by 23.1 percent to 659.4 million euros. Operating profit was 53.6 million euros, accounting for 8.1 percent of net sales.

About one third of orders from emerging markets

Slightly more than 30 percent of the orders for new equipment received over the year came from emerging markets where structural demand for lifting equipment continued strong. As an example of emerging market orders, Konecranes' contracts during the year included orders of a total of 43 rubber tired gantry (RTG) cranes and 4 ship-to-shore (STS) cranes to Russia, the Ukraine, Mexico and Indonesia; and 19 process cranes for a Russian steel mill.

Acquisitions boost service sector

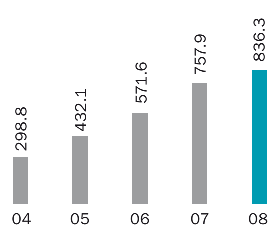
Konecranes continued its active expansion by making 12 acquisitions during 2008, which strengthened its market coverage particularly in Service operations in Spain, Denmark, Canada and the Ukraine. Konecranes purchased a Norwegian machine tool service (MTS) specialist in March and in November the company expanded its MTS activities beyond the Nordic region by acquiring three MTS firms in the UK. In November a letter of intent was signed to purchase a majority holding in the Chinese hoist and lifting equipment manufacturer SANMA. It is estimated that the deal will be finalized in early 2009 after which the current owners continue as minority shareholders.

Promoting efficiency and uniformity

Konecranes continued to improve the company's business activities through projects designed to make operating procedures more efficient and uniform. Efficiency measures concentrated on the removal of bottlenecks. A category driven centralized procurement function was established with purpose to leverage knowledge, resources and purchase volumes across all units, aiming for improving efficiency and availability across all businesses. The oneKONECRANES program which began during the year will make company operating procedures and systems more uniform and efficient, and will improve internal transparency and effectiveness.

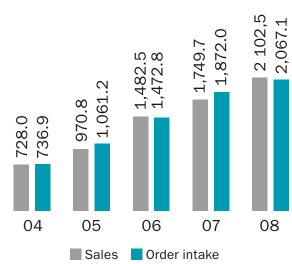
ORDER BOOK

(MEUR)



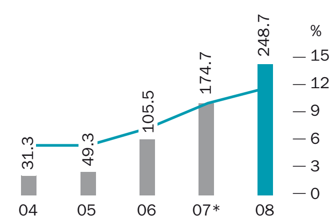
SALES/ORDERS

(MEUR)



EBIT/EBIT MARGIN

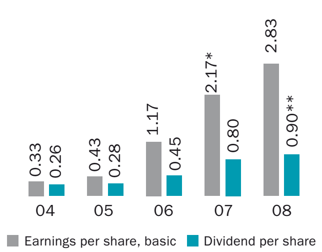
(MEUR/%)



* Excluding capital gain

EARNINGS & DIVIDENDS PER SHARE

(EUR)

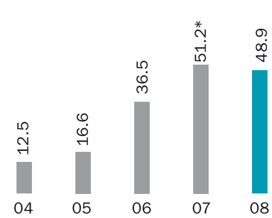


* 2007 EPS excluding capital gain: EUR 1.95

** The Board's proposal to the AGM

RETURN ON EQUITY

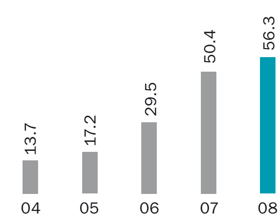
(%)



* excl. capital gain 47.3 %

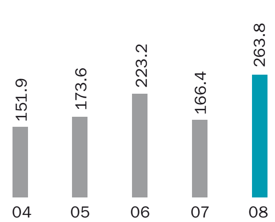
RETURN ON CAPITAL EMPLOYED

(%)



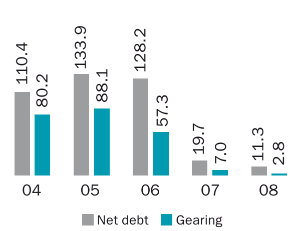
NET WORKING CAPITAL

(MEUR)



NET DEBT/GEARING

(MEUR/%)



Dear Shareholders,

The year 2008 goes down in Konecranes history as one of extremes. Operationally, more or less all the targets we had set ourselves for growth, profitability and capital efficiency were met. Yet, during the year our share lost half of its value and the year ended with market uncertainty not seen for a long time.

Our sales grew 20.2% during the year, to 2,102.5 MEUR. We have grown 3.2-fold since 2003. We estimate that our market share has grown from 7.5% to 17% during the same time period. Approximately two thirds of this growth has been organic. We can also be satisfied with our operating margin, 11.8%, up from 10% the year before. In spite of this fast growth we were able to keep our balance sheet, especially our net working capital, in good shape. Higher margins together with a tight balance sheet generated an excellent 56.3% return on capital employed.

However, it was clear throughout the year that it would be only a matter of time before the turbulence in the financial market that had already started in the summer of 2007 would start to take a toll on the real economy. After a typically slow summer there was a slight pickup in demand in the early fall, but a sudden and abrupt drop in demand hit us in November. Almost in a synchronized manner, customers all over the world and in all industries put investments on hold, taking a wait-and-see attitude.

The business environment experienced in 2008 was challenging for operations planning. At a time when most day-to-day matters had to do with bottlenecks in the supply chain or delivery times that were longer than desired, it was obvious that preparations for a change for the worse were necessary. We made our first contingency plans for a severe recession as far back as January 2008. Many of these plans are now being implemented. Since no one knows how long or how deep the downturn will be, a significant part of the game will be about our capability to adjust.

Approximately two thirds of our cost base in 2008 was materials and subcontracting. By far the largest portion of the remaining third was personnel costs. There is substantial adjustment potential in both. Traditionally, we have had a decentralized approach to procurement. We have identified significant cost reduction potential through a more centrally-facilitated supplier base management. Part of the savings potential is expected to be realized as early as 2009, but there is more to be achieved in the years to come. Our personnel has grown rapidly in recent years. The two largest components in this increase are personnel from acquired companies and service technicians. In a downturn, it is obvious that we cannot offer the same number of jobs as during a peak cycle. While we are in the process of reducing our workforce, it is also important to make sure that we maintain and develop our competencies to be prepared when the economy recovers. Unintelligent cutting is counterproductive; even in a severe downturn opportunities can be found. Our R&D investment will not be compromised. The services market will maintain momentum in a recession, and modernizing old equipment instead of buying new is often a viable option. The market is still fragmented, and it is likely that interesting acquisition opportunities will open up when market actors are hit by falling demand.

In summary, we are not immune to a recession. However, we see the situation as a great opportunity to further strengthen our relative market position, on our journey toward our vision of holding a 30 percent global market share. Thank you for your trust in Konecranes. We will do out utmost to meet your expectations in the future, too.

Pekka Lundmark
President and CEO

Dear fellow shareholder in Konecranes,

Last year, commenting on our 2007 results, I called 2007 a lost year from a share price perspective. In spite of the best operative performance ever, with good growth and record earnings, the share price closed at the same level as one year earlier.

Today, I must repeat the story, albeit on an even sadder note: Again, Konecranes has delivered on all its promises: all-time-high profits, good growth and super return on investment. And the share has lost more than half of its value.

The reason for the misery is clear to all: the economic crisis sweeping the world, with severe implications for all industrial activity, including that of Konecranes.

It is, of course, not possible for me to give any predictions on the duration or the depth of the misery, nor can I assess the degree of its impact on Konecranes' business. Nothing can be said about our share price, dependent as it is not only on the performance of the company, but also to a high degree on the mood of the stock market and the functionality of financial markets.

Allow me, however, to share with you a few comments on why, in my opinion, our company is well positioned to outperform its peers and competitors in the present market.

First, Konecranes meets the recession with a net debt-free balance sheet. We have the financial muscle not only to ride out a long recessionary period, but also to avail ourselves of opportunities that may present themselves.

Second, we have good geographical coverage, the best in our business. We have a presence in close to 50 countries all over the globe. Although this crisis is a global one, development is far from equal in every corner of the world. Wherever there is business, we are there. Also, as our position in most markets is that of the market leader, customer behaviour is to our benefit. In difficult times, customers come to "safe" suppliers. After all, no-one buys a crane for just a few years; customers want to be sure that service will also be available after 20 or more years.

Third, even though we may be a "narrow" company when it comes to our product offering, our customer base is definitely not narrow. Even in difficult times there are well performing segments. Today, governments are announcing big infrastructural spending programs. This is good news for us.

And fourth, we cater to a basic need in industry. Whenever there is industrial activity, or trading activity, there will be heavy lifting. Whenever lifting equipment is used, there will always be a need for service and maintenance.

With these words I wish to welcome all new shareholders, and thank all old shareholders for their continuing support. We are all set for a difficult and challenging journey through 2009 and beyond. In my view, that journey will also be a rewarding one.

Stig Gustavson
Chairman of the Board

Konecranes' Group Strategy is based on the combination of capitalizing on our extensive service network, leading technology, fast paced industrial consolidation, and a focus on efficient supply chains, giving us growth and better profitability.

MISSION

We are not just lifting things, but entire businesses.

VISION

We want to be the undisputed leader of the lifting industry, and a benchmark for business performance and customer service.

VALUES

Trust in People:
We want to be known for our great people.

Total Service Commitment:
We want to be known for always keeping our promises.

Sustained Profitability:
We want to be known as a financially sound company.

STRATEGIC CORNERSTONES

Best customer service

Konecranes is committed to always offering the best customer service in the industry. To us, quality of service is based on safety, reliability, and high-performing technology with which we improve customers' efficiency and productivity. Even in developed outsourcing markets, an estimated two thirds of all service of lifting equipment is still carried out in-house. Outsourcing this service offers benefits such as improved cost efficiency, safety, and increased uptime, and has created a genuine growth market that fuels our organic growth. Our strategy is optimized for tapping into the service industry's global growth potential.

Product and service innovation

Konecranes is committed to developing industry-shaping technologies for both lifting equipment and their service. Using the vast knowledge that we have accumulated by having the world's largest service organization, we know what customers need and how to develop the solutions for different environments. By combining our service knowledge and new technologies, we create lifting solutions that maximize value to our customers. We minimize downtime and optimize the total cost of ownership.

Demand driven, cost-efficient supply chain

Konecranes is transforming itself from a regional buy-make-sell model to a global buy-move-make-move-sell anywhere model. We are geared to respond efficiently to changes in market demand throughout the chain. Our products are based on modularity and standardization, and make use of the latest technology and designs with an efficient use of raw materials. Maintaining a globally uniform product platform gives us valuable flexibility in terms of capacity utilization and resource allocation. Increased production in expanding markets such as Asia and Eastern Europe offers great opportunities to improve both our competitiveness and cost levels. This has involved increasing outsourcing in low-cost countries and outsourcing of own manufacturing. The role of quality management has therefore become of even greater importance.

Value-creating acquisitions

The crane industry is still, today, very fragmented, and Konecranes has the financial and managerial resources to lead the consolidation of the industry. The Konecranes growth strategy is based on continued organic growth in markets where we are established – paired with an aggressive plan for acquisitions to enter new geographical markets or to fill a gap in our product portfolio. Well recognized local or regional brands, with large installed bases, remain the primary target for Konecranes' acquisition policy.

Synergetic business model

Konecranes' three business areas are interlinked by a high degree of synergy. Every service customer relationship creates sales opportunities for the other business areas. Also, every crane sold creates opportunities for providing service. The solutions provided by both Heavy Lifting and Standard Lifting complement each other and enable the customers to satisfy most of their lifting needs through one supplier.

After a good start to the year the effects of the financial market crises began to appear in industrial sectors. However, the solid structural demand for lifting equipment and related servicing as well as the consolidation of these industries are expected to continue over the long term.

Sharp turn in the world economy

Despite uncertainties in financial markets, 2008 began strongly and industrial output grew rapidly in Konecranes' core market areas. The solid economic situation reflected positively on customers' industries, especially in power, mining, steel and other metal industries and in petrochemicals and waste-to-energy.

Signs of a slowdown in industrial growth in Europe and the USA began to emerge during the year. Industrial growth continued robust until the last months of the year in the Asia-Pacific region. In the beginning of the year, investments continued good in major customer industries. There was an evident fall in North American port equipment and Asian shipbuilding industries, compared with the powerful investment growth of 2006–2007. Customers willingness for service contracts stayed stable. The fourth quarter difficulties in the financial markets flared into a worldwide economic crisis and this tough situation gradually became apparent in industrial sectors too.

Until the fourth quarter, cost inflation put pressure on prices. The price of the lifting equipment industry's most important material, steel, continued to rise until the end of the third quarter, when it began to fall perceptibly. The US dollar continued its steep decline against the euro until the end of summer 2008, after which it began to rise. The dollar is the most important currency for Konecranes' business through a combination of the translational effect and transactional exposure.

The outlook for the world economy turned sharply during the final quarter of 2008. Unlike previous cycles, this economic slowdown is not just affecting certain markets and industries but the crisis has now spread almost everywhere.

Globalization will underpin demand

Despite the acute economic situation the long-term outlook for the lifting industry and related services is expected to be positive. Companies will grow in size, businesses will globalize, demands for efficiency and profitability will increase and large, globally operating customers will want to deal with similarly sized suppliers.

There is a clearly perceptible difference in lifting equipment market trends between developed and emerging markets. Productivity demands and environmental awareness are increasing in the developed industrial countries, bringing with them requirements for better technology, automation and systems. In order to optimize their cost structures, industrial firms shift their production to more cost-competitive regions and outsource such sectors as their maintenance. This creates demand in the developed markets for new, high technology products because the remaining production has to meet the stiffening demands for productivity and profitability.

The transfer of production from the industrial countries also creates demand for lifting equipment in the emerging markets. The need to invest in higher technology, environmental friendliness and safety issues also increases in the emerging countries, via the western operators. Years of good market conditions and the increasing need to improve living standards have laid a solid foundation for powerful economic growth. Even in the prevailing economic situation the dip in growth in the emerging markets is estimated to be lower than in the developed ones. In the long-term that growth will fuel the need to raise industrial capacity and energy investments. Globalization of the industrial base will also increase the international flow of goods. These factors are expected to increase the demand for lifting equipment.

The overall market for industrial crane and container handling equipment servicing and modernization, and for machine tool servicing, is estimated at more than 30 billion euros. Konecranes, with its net sales of about 2,103 million euros, is the global leader in industrial crane servicing. The potential for service business is therefore enormous compared to the size of the existing suppliers. The service market is extremely fragmented and most of it is dominated by the customers' own service organizations. Furthermore, customers are paying greater attention to productivity and profitability, which is increasing the trend for outsourcing non-core businesses such as maintenance. This trend is concentrated in the industrial countries but is expected gradually to filter to the emerging markets.

A fragmented market is an opportunity for further acquisitions

In recent years Konecranes has expanded to become the world's leading supplier of industrial cranes and related maintenance services. The company is number one in crane maintenance, standardized lifting equipment and process industry cranes. The Group is also a strong challenger in container handling, harbor and intermodal terminal equipment. Despite the firm position in such markets as Scandinavia, Europe, North America, Russia and many Asia-Pacific countries, Konecranes' share of the global market in lifting equipment and related servicing is not more than about 17 percent.

The market for lifting equipment and servicing is dominated by numerous small, local suppliers. However, Konecranes is determined to be involved in the consolidation of the industry and will continue its active participation in the restructuring. During 2008 Konecranes made 12 acquisitions, mainly concerned with reinforcing the market coverage in maintenance operations. At the end of the year Konecranes announced a preliminary agreement to purchase the majority stake in the Chinese hoist and crane manufacturer SANMA. It is estimated that the deal will be finalized in early 2009 after which the current owners continue as minority shareholders.

STRONG GLOBAL POSITION

#1
in crane maintenance services

#1
in standard lifting equipment

#1
in industrial process cranes

A strong challenger positioned at #4–6 in the fast-growing container handling equipment and other port crane market

In 2007 and 2008 Konecranes delivered 15 cranes to RWE's power plant in Neurath, Germany. Another 6 Konecranes cranes and 120 hoists will be delivered in 2009. RWE is among Europe's five largest utilities and the biggest power producer in Germany.


KONECRANES
300 t
RWE

Konecranes Business Area Service offers service solutions and maintenance for all crane brands, for port equipment and machine tools.

The year 2008 was one of growth in orders, sales and profitability for Business Area Service, even if the USD was about 7 percent weaker than last year. Order intake grew 5.6 percent compared to last year. Order intake developed well in all regions, but especially in the APAC and EMEA areas. Also the contract base developed positively and at the end of the year it included more than 359,000 units (+ 23 percent) and had a value of 124.1 MEUR (+ 17 percent). Sales grew by 9.0 percent compared to last year. EBIT margin improved from 13.3 to 14.1 percent. The service network grew both organically and through acquisitions. Acquisitions broadened our product offering, increased the number of highly qualified service personnel to 5,372 and provided a solid base for increased spare parts sales. The parts business also grew as a result of our expanded installed equipment and contract base.

KEY FIGURES

	Part of group total %	2008	2007*	Change %
Orders received, MEUR	30	658.2	623.4	5.6
Order book, MEUR	14	117.3	109.3	7.3
Sales, MEUR	34	754.3	692.2	9.0
Operating profit, MEUR	35	106.2	91.9	15.6
Operating margin, %		14.1%	13.3%	
Personnel	56	5,372	4,436	21

*The operating profit and margin excluding the EUR 0.8 million capital gain booked in 2007.

Customers and services

Konecranes Service customers range from repair shops and general manufacturing sites with maintenance cranes and machine tools, to paper, steel mills and ports with lifting equipment, which require 24-hour availability because their lifting equipment is an integrated part of production.

Konecranes has the largest service network in the industry with 485 service locations in 43 countries and 3,684 highly qualified technicians. Local crane service, port service or machine tool service branches ensure that customers get quality service 24 hours a day. Branches are supported by regional and global support units. Global modernizations and parts units sell their products mainly via the service network but also directly to end customers.

Konecranes offers a full range of service levels designed to match customers' maintenance and performance needs. These five levels range from single expert services to a full service and material handling partnership. Each level brings the customer relationship closer, providing the customer with more comprehensive service, insight and ability to continuously develop their operations.

Business environment in 2008

The effects of the financial crisis were not notably visible during the first half of the year. Towards the end of the year, however, cautiousness and slower decision making was evident. Today more than two thirds of all crane servicing is carried out by crane owners themselves. A slower economic environment accelerates the need for cost reduction and productivity, so customers increasingly seek to outsource service activities. Even though recruitment was easier than a year ago, the shortage of technicians continued.

→ *Did you know this?*

Konecranes has the largest service network in the industry with 485 service locations in 43 countries. 3,684 highly qualified technicians are in daily contacts with our customers; on a yearly basis this means up to 1,600,000 customer contacts.

Developments in 2008

During 2008 a lot of emphasis was put on developing competence through technical, sales and leadership training. More than 300 service managers took part in service management training given in 5 languages in 4 different regions. Technicians undertook technical training, which included electrical and mechanical training, product training and training in safety and safe working practices.

The service organization was strengthened through the acquisitions of crane and service companies Ausió Sistemas de Elevación S.L. and Eydimen 2000 S.L. in Spain, Cranservice Ukraine in the Ukraine, Aarhus Maskinfabrik in Denmark and business of Provincial Services Crane Specialists in Canada. The MTS business, which up until now has mainly been active in Finland, Sweden and Norway, was expanded through the acquisitions of three MTS companies in the UK: through K&B Europe Ltd, Electron Services and MTS (GB) Ltd, Konecranes now offers machine tool services in both the UK and Ireland.

Orders for crane modernization increased towards the end of the year and significant orders included modernization of a continuous ship unloader in Denmark, overhead travelling crane modernization in Spain and modernization of cranes in several nuclear power stations in the US.

Business Area Standard Lifting offers pre-engineered components and cranes for various customer industries.

Business Area Standard Lifting achieved solid growth in all regions in 2008, with sales growing 30.8 percent to 835.4 MEUR. Growth was highest in the APAC region, with vigorous activity especially in China. The order book increased to 327.9 MEUR compared to 270.9 MEUR in 2007. The integration of Konecranes frontline operations in Germany continued successfully, which strengthened our position in the highly competitive German market. Standard Lifting operations in India developed rapidly, with important orders from big Indian and international customers in the automotive, energy and primary metal industries.

Customers and products

Business Area Standard Lifting has a wide and diverse global customer base. A typical customer is a factory or a workshop in different industries. The biggest customer segment is general manufacturing, while oil & gas, mining, automotive, paper, warehousing, entertainment and petrochemical branches are also important. As a specific segment wind energy is growing rapidly.

Standard Lifting is the world's largest supplier of lifting equipment for industrial purposes. The product range includes industrial cranes, workstation cranes, wire rope and chain hoists, and crane components.

Industrial cranes, hoists and services are marketed to end users predominantly under the Konecranes brand. Also the brands Morris (Morris Material Handling Ltd.), P&H (Morris Material Handling Inc.) P&H and Stahl Crane-Systems serve end customers in selected markets and operate via distributors in other areas. The Group's power brands Meiden (MHS Konecranes), R&M (R&M Materials Handling), SWF (SWF Krantechnik) and Verlinde sell their products via independent crane builders and distributors. These channels complement each other and guarantee comprehensive market coverage globally.

In 2008 Konecranes formed a new business unit for production line solutions and load manipulators. The unit combines our traditional expertise in cranes with customized load handling devices such as telescopic lifters, articulated arms and rope balancers. These expansions in our product offering open new opportunities in important customer segments such as the automotive, renewable energy, aircraft assembly, petrochemical and electronics industries.

In the second half of the year, Konecranes introduced the aluminum light crane system. The system incorporates light crane and monorail lifting solutions with both motorized and push trolleys. Lifting capacities are up to two metric tons. The system offers drastically reduced weights and low-friction wheels, making operation smooth and ergonomic. Thanks to such product features, ease of installation and a bright modern look, the innovative aluminum light crane system sets a new benchmark in this product segment.

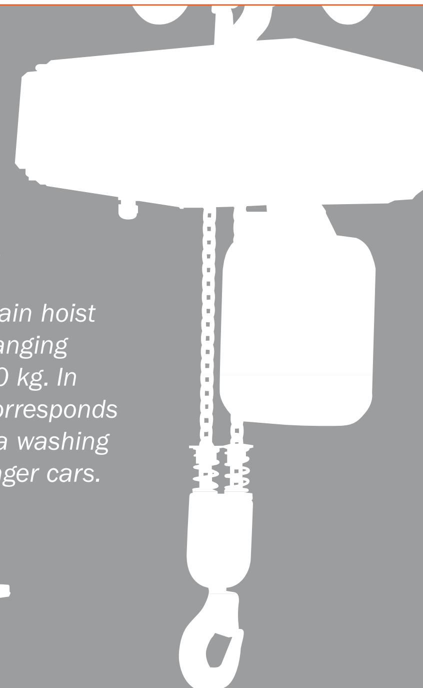
KEY FIGURES

	Part of group total %	2008	2007*	Change %
Orders received, MEUR	39	859.0	743.3	15.6
Order book, MEUR	38	327.9	270.9	21.1
Sales, MEUR	37	835.4	638.9	30.8
Operating profit, MEUR	47	140.0	90.4	54.9
Operating margin, %		16.8%	14.2%	
Personnel	29	2,808	2,479	13.3

*The operating profit and margin excluding the EUR 8.9 million capital gain booked in 2007.

→ *Did you know this?*

The Konecranes XN chain hoist has a lifting capacity ranging from 65 kg up to 7,500 kg. In normal daily life this corresponds to a lifting range from a washing machine to five passenger cars.



Business environment in 2008

In 2008 the business environment of Standard Lifting was characterized by increased input costs and a weaker USD currency rate. However, Konecranes' dynamic pricing, improved efficiency in the supply chain, globally coordinated procurement and economies of scale compensated for the impact of increased costs and changes in the USD currency rate.

Developments in 2008

The acquisition of two Spanish companies, Eydimen 2000 S.L. and Ausió Sistemas de Elevación S.L, strengthened Standard Lifting operations. The companies are specialized in sales and service of industrial cranes and hoists. With these acquisitions Konecranes was able to enter two of the most important crane markets in Spain – Catalonia and the Basque region.

Konecranes' presence in Japan was strengthened through increased holdings in the joint venture company Meiden Hoist System Company, Ltd. Konecranes raised its holding from 49 to 65 percent. The acquisition will enable Konecranes to increase its presence in the large Japanese hoist market.

The global network of Konecranes competence centers was strengthened for improved customer service. Competence centers are now located in different time zones and language areas like Finland, Germany, France, the UK, USA, Singapore, China and U.A.E.

Konecranes established its own sales and manufacturing operations in India in 2007. These operations were expanded in 2008 through the establishment of an engineering center for Standard Lifting. This was created to support applied engineering globally.

Business Area Heavy Lifting offers material handling solutions for all types of process industries, industries handling heavy loads, ports, intermodal terminals, shipyards and bulk material terminals.

The business of Business Area Heavy Lifting continued to grow in 2008, with sales up 23.1 percent compared to last year. This was thanks to our powerful global equipment delivery capability combined with our strong local service presence. The market for process cranes, especially for the steel, energy production and petrochemical industries, was strong in all regions. Growth for containers and cargo handling was significant in ports and terminals in the Mediterranean, Black Sea, Baltic Sea area and in Asia. However, demand for port equipment in the Americas was low. The lifttruck business achieved excellent growth in all major regions, especially in Asia, where Konecranes' lifttrucks are today clearly one of the leading brands, having been a minor player in the past. This is mainly because of the vigorous development of our Asian presence in equipment sales, service and manufacturing. In general customers showed increasing interest in combining new equipment delivery with service.

KEY FIGURES

	Part of group total %	2008	2007*	Change %
Orders received, MEUR	31	686.0	620.4	10.6
Order book, MEUR	49	420.2	406.1	3.5
Sales, MEUR	29	659.4	535.7	23.1
Operating profit, MEUR	18	53.6	31.6	69.6
Operating margin, %		8.1%	5.9%	
Personnel	15	1,439	1,272	13.1

*The operating profit and margin excluding the EUR 7.9 million capital gain booked in 2007.

Customers and products

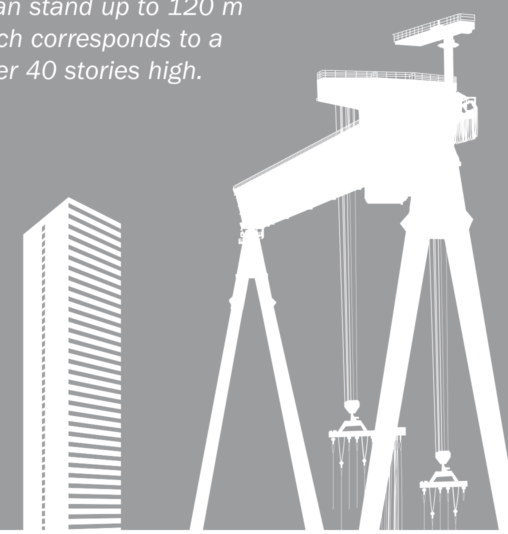
Heavy Lifting's electric overhead travelling process cranes are mainly used in steel and petrochemical industries, power plants, general manufacturing, waste-to-energy plants and paper mills.

Konecranes offers a full range of products for container handling. The newest addition in the family, the straddle carrier, was launched in 2007, and it is now well accepted by the market. Today we supply ship-to-shore (STS) cranes, rubber tired gantry (RTG) cranes, rail mounted gantry (RMG) cranes, straddle carriers, reachstackers and masted lifttrucks to container handling customers in ports and terminals. Our product portfolio also includes Konecranes YardIT® software and services for container positioning management, a container handling equipment monitoring system for monitoring fleet efficiency, and the YardIT® auto steering system for RTG-cranes.

For shipyards, Konecranes provides all the necessary crane types up to Goliath gantry cranes for handling extremely heavy ship sections. For large capacity bulk terminals we offer high capacity grab unloaders.

Business environment in 2008

Towards the end of the year customers began to show slowness and uncertainty in making decisions because of the global financial turmoil. However, during the year investments ran high in the steel industry, energy production related businesses and elsewhere where the continued growth in global container traffic handling made it necessary. Despite the economic downturn several infrastructure related customer segments where we have a strong position, such as power generation, transportation and waste handling, continued to invest. Availability of some components caused challenges in deliveries during the year.



→ ***Did you know this?***

Konecranes Goliath shipyard cranes can stand up to 120 m high, which corresponds to a skyscraper 40 stories high.

Heavy Lifting in 2008

Our worldwide Heavy Lifting organization was strengthened with the opening of a Konecranes office in Brazil. Also, in order to strengthen the sales organization for port equipment and lifttrucks, we increased our staffing in the U.A.E., India, Belgium and Russia. Our engineering office in India developed well, as expected, increasing engineering resources for our global use.

Environmental issues are increasingly important for Konecranes' customers, so in 2008 we launched an energy-saving cable-reel RTG crane. This RTG crane reduces local emissions by up to 95 percent because it runs on electricity fed directly by electric cable from the grid.

The YardIT® product range was successfully integrated into our container handling product line. YardIT® systems enable terminal operators to improve their container handling productivity, reduce their environmental load and improve the operational efficiency of their fleets, all in real time.

During the year Konecranes received several important Heavy Lifting orders. One of them included 15 environmentally friendly cable-reel RTGs for two terminals in Russia. Two large capacity grab unloaders were ordered for a thermal power plant in Denmark. In addition we sold design and components packages for these cranes to turnkey vendors. Two orders for a total of 29 straddle carriers were received from two terminal operators in Belgium and Germany. There were several lifttruck orders from various customers in South East Asia and Africa, and important orders for overhead travelling cranes for windmill factories in the US and China. A majority of orders came from emerging markets.

Major Asian shipyards relied on our components and design for very large Goliath gantry cranes.

Konecranes lifting solutions and customer services keep businesses running around the globe. In order to understand our customers, their needs and to build long-term relationships, our operations are divided into three geographical regions: AME, EMEA and APAC.

The mature regions continue to be the largest market for industrial lifting solutions when the service business is included. However, the demand for lifting equipment is growing fastest in the developing countries, especially in the APAC region.

Historically, the western world has clearly been the largest market for industrial lifting solutions, where industrial production has been concentrated. This picture has changed in the past few decades with the growing presence of the Asia-Pacific region, in particular China, as well as other developing countries where industrial production has increased very rapidly.

Americas (AME)

Konecranes holds a very strong position in the Americas, particularly in the US. The Americas accounted for 28 percent of 2008 sales. The USA is the most developed region in terms of outsourced crane services, about half of Konecranes' sales in the Americas are related to service.

- Largest markets: the US, Canada and Mexico
- Operations: employees 2,619, service locations 150
- Manufacturing: 10 plants manufacturing hoists, P&H industrial & process cranes
- Key brands: Konecranes, P&H, Stahl CraneSystems and R&M

Europe, Middle East and Africa (EMEA)

EMEA is clearly Konecranes' largest region, accounting for 57 percent of 2008 sales. This vast area comprises both mature markets with a high proportion of service sales, and fast growing economies where service is still small compared to equipment sales. The degree of outsourced service also varies widely from country to country.

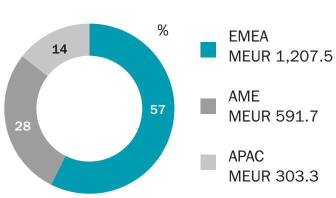
- Operations: employees 5,658, service locations 269
- Manufacturing: 11 plants manufacturing cranes and hoists, lifttrucks, steel structures for larger cranes
- Key brands: Konecranes, Morris, Stahl CraneSystems, SWF and Verlinde

Europe

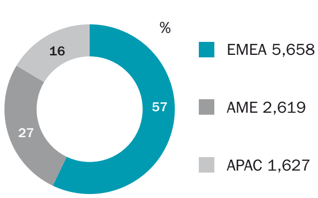
The region includes both mature and fast growing economies in terms of lifting solutions and services. The mature markets include Western, Southern, and Northern Europe. Customers focus on high efficiency and productivity in material handling to offset high labor costs. Service represents a high proportion, between 30–70 percent of Konecranes' sales in the area, but it varies largely between countries.

- Largest markets: Germany, Finland, the UK, France,

SALES PER REGION



PERSONNEL PER REGION



Spain, Russia and Sweden

The fast growing markets include Russia, the Ukraine, Turkey, the Baltic countries, Hungary, Poland, and Romania. These countries are upgrading and expanding capacity in infrastructure, heavy industry and general manufacturing. Konecranes' main areas of business are steel and metals industries, energy, and ports. Service forms a low percentage, below 30 percent, of Konecranes' sales.

Middle East

The Middle East shows strong growth, driven by investments in infrastructure, the petrochemical industry and general manufacturing. Main areas of business for Konecranes are ports, petrochemical and general manufacturing. Service is a low percentage of sales.

- Largest markets: Saudi Arabia, U.A.E. and Egypt

Africa

Konecranes focuses on North Africa, South Africa and the growing business along the coasts. Main areas of business: ports, metals, mining.

- Largest markets: South Africa, Morocco, and Kenya

Asia-Pacific (APAC)

This continued to be the fastest growing region in 2008, driven by industrial production in China, growth in shipbuilding in Korea and increasing activity in India. The region includes a mix of both mature markets in Australia and Southeast Asia and the fast growing economies of China and India. Power, steel, shipyards and mining remained the most active end user markets for equipment in 2008, and Konecranes is the market leader for service in Australia.

- Operations: employees 1,627, service locations 66
- Manufacturing: 6 plants manufacturing lifttrucks, steel structures, and wire rope hoists, as well as joint ventures.
- Key brands: Konecranes, Stahl CraneSystems, SWF, Meiden

Northeast Asia (NEA)

Northeast Asia includes three very large markets: China, South Korea and Japan. Local companies dominate these markets. In China, Konecranes has been the most successful of the Western companies with products for the high-end segment of the market.

- Largest markets: China, Korea and Japan

South Asia-Pacific (SAP)

- Largest markets: Australia, New Zealand, Singapore, Thailand, Malaysia, India, Indonesia and Vietnam

M-real is one of Europe's leading producers of paperboard and paper. Konecranes has worked with M-real for more than 30 years and delivered several Konecranes industrial and process cranes to M-real's paper mill in Äänekoski, Finland. Konecranes also services and maintains the cranes.

Konecranes breaks new ground in lifting equipment technology with its comprehensive product and service range. In 2008 Konecranes focused on developing environmental-friendly, easily serviceable and compact products.

Konecranes offers a range of products from small workstation cranes to giant yard cranes, as well as a comprehensive service portfolio for various customer industries. Konecranes develops efficient products and services that increase productivity by giving the highest life cycle value, whilst giving full consideration to safety and environmental aspects. The main criteria for Konecranes' product development are life-long safety and reliability of lifting equipment, resulting in the improved efficiency and performance of our customers' operations.

Service and modernization

activities are aimed at maximizing the availability and productivity of equipment, while minimizing the ownership costs. We offer five levels of service cooperation, which we call Contact, Condition, Care, Commitment and Complete.

Machine tool service

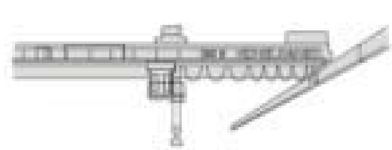
provides services, maintenance and modernization for all makes of machine tools in the engineering industry. Our offering ranges from maintenance of a single machine to total partnership agreements where we take care of all production equipment.

Light lifting systems

are used for products and ergonomic handling of loads up to 7,500 kg. Typical customers are smaller manufacturing workshops, automotive, aircraft assembly, renewable energy, petrochemical and electronics industries.

Industrial cranes

feature the CXT hoist for lifting capacities up to 100 tons. Typically used in the automotive and general manufacturing, construction, renewable energy, aircraft assembly and petrochemical industries.

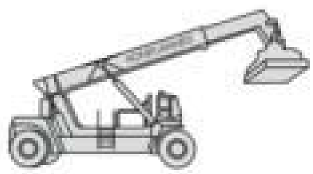


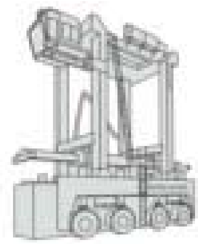
Process cranes

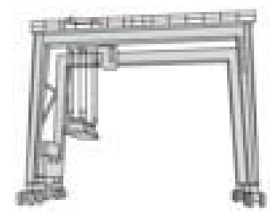
are engineered for severe duty lifting up to 1,000 tons or more. Typical customers are steel, aluminum, mining, general manufacturing, pulp and paper, petrochemical, cement, power and waste-to-energy industries.

Forklift trucks

with lifting capacities of 10 to 60 tons are used for transporting materials in process industries (wood, steel, paper, concrete) and ports.







Reachstackers

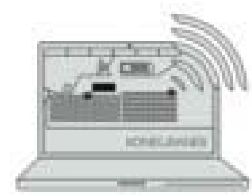
are used to stack containers in small and medium-sized terminals and railroad terminals.

Straddle carriers

are used for transporting containers from shipside to the container yard and to the loading area. They typically have a lifting capacity of 50 tons and can stack containers one over 3 high.

Yard cranes

include RTG and RMG cranes used for stacking containers high and wide at ports and intermodal terminals. These cranes usually have a lifting capacity of about 50 ton and they can stack one over five containers high and six plus truck lane wide.



Ship-to-shore cranes

are used for loading and unloading containers from ship to quay. STS cranes have a lifting capacity of up to 65 tons and an outreach of up to 61 meters.

Goliath shipyard cranes

span over 150 m and are used for handling ship sections in shipbuilding. They have a lifting capacity up to 1,650 tons and can lift up to 90 meters high.

Container handling software

Konecranes YardIT® software products are used for container positioning, monitoring and autosteering of container handling equipment.

Brands

The Group's brand strategy is based on the corporate and master brand, Konecranes, complemented with freestanding power brands – these include Meiden, Morris Material Handling, P&H, R&M Materials Handling, Stahl CraneSystems, SWF Krantechnik and Verlinde.

Product development has always been a success factor of Konecranes. Customers rely on us to supply the best in lifting technology in future, too. Whether we are developing lifting technology or maintenance service, we are broad-minded in our approach to technology – Konecranes is a world pioneer in lifting technology.

Konecranes is constantly developing and improving its products in all its business areas, and in 2008 the company spent 19.0 million euros, 0.9 percent of its turnover, on research and development.

Safety and ease of maintenance are paramount

We employ technology in order to give our customers a genuine advantage and added value. Our research and development is designed not just to provide cutting-edge technology; it is essential for delivering the safety and environmental features that will last for the entire lifetime of the product. An important feature of our design work, which distinguishes us from our competitors, is our use of industrial design, which, among other things, enables us to make more efficient products that are easier to use, are more cost-effective and which take advantage of new materials.

Our product development focuses heavily on the effective use of materials, their recyclability and their energy efficiency in use. More than 98 percent of the material in a typical Konecranes crane is recyclable, while our hoist and lifting trolley range are industry pioneers when it comes to effective use of space.

Material handling systems are integral to our clients' processes, which is why automation and integration are key to improving productivity. This is an area in which we work hand in hand with our customers.

Energy saving frequency converter technology is standard on our equipment: modern frequency converters can transfer up to 70 percent of braking energy back to the grid. Modularity is another important goal which will enable us to manufacture essential components as close to our customers as possible.

World's best techniques in materials handling for process industries

An example of our pioneering effort is our work on developing material handling systems for process industries, which in 2008 was one of the main priorities for Konecranes' product development. The purpose was to achieve greater productivity and reliability, with a strong emphasis on environmental issues and energy consumption.

The work required numerous teams to work in parallel, with the best experts in servicing, manufacturing, installation and sales deliberating over the new product. Mean-

while, other teams were working on the steel structures, components and electronics. We also garnered opinions and operational experience from customers to support the development work.

The results of numerous testing at our new test laboratory yielded an enormous amount of life-span data. Among other benefits, these results enabled us to draw up a maintenance programme even before the equipment went on the market.

Cooperation breeds innovation

Alongside our own research and development, Konecranes works closely with customers, industry research establishments and universities. Indeed, exhaustive testing at our own and other research facilities is vital for our development work, providing a solid foundation and detailed data for designing industry-leading technology. Cooperation may take the form of partnership projects with leading research establishments and universities and we actively participate in the development of international industry standards. We also offer internships and final thesis. We are an attractive employer for skilled young people, too; in fact many of those completing academic courses with us have remained at work with Konecranes after graduation.

During the last 20 years of successful cooperation Konecranes has delivered 10 cranes and hoists for K+S Kali GmbH's mine in Philippsthal, Germany. The agreement also includes service and maintenance of 50 cranes of different brands.


KONECRANES
KONECRANES

For Konecranes Corporate Social Responsibility means in practice that we strive to act responsibly in raising the value of our shareholders' investment whilst respecting our personnel and worldwide operating environment.

Lifting is an essential element in almost every goods handling operation in the world – without it, material streams would stop. Konecranes is determined to be the unchallenged leader in lifting equipment and an example of how a successful business and customer service should be run. We are not just lifting our customers' things but their entire business.

Leadership in our industry requires us to act responsibly and according to the principles of sustainable development. Corporate Social Responsibility means building long-term corporate citizenship and dialogue with our stakeholders.

For defining and reporting on its corporate responsibility, Konecranes draws on the principles of the Global Reporting Initiative (GRI), which defines corporate responsibility as shouldering financial, social and environmental responsibility. In practice this means that Konecranes strives to act responsibly in raising the value of its shareholders' investment whilst respecting its personnel and its worldwide operating environment.

Safety is paramount

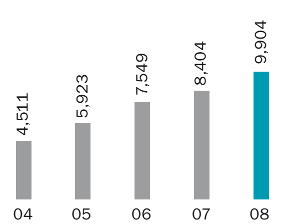
Safety comes first in everything we do at Konecranes. During 2008 we adopted a company-wide safety management and monitoring system, coordinated at Group level by a specially appointed safety manager. We also created a worldwide safety network during the year, with a person responsible for security appointed to every main office. This network has enabled us to integrate and harmonize safety issues.

During 2008 a safety audit was carried out at all Konecranes main production facilities and we ensured in particular that the management and reporting of accidents, fire safety and evacuation procedures were up to date and in accordance with regulations. Safety audits will continue in 2009 with new safety elements included, such as the analysis and reporting of "near miss" incidents.

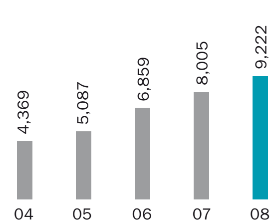
Our senior management receives regular reports of accidents and their frequency, while safety issues are dealt with in business unit meetings. Safety issues are always of paramount importance for us.

We initiated an extensive training program on job safety at the end of 2008, covering the entire company and attended by the entire staff, right up to the senior management. This basic training in workplace safety corresponds in scope and content to the Center For Occupational Safety certificate training used in Finland. Every employee receives an occupational safety card as proof of training, which has to be renewed every five years. This ensures that the entire workforce has the up-to-date knowledge and skills necessary for job safety.

NUMBER OF PERSONNEL (END OF PERIOD)

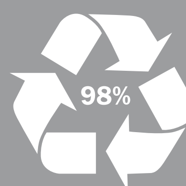


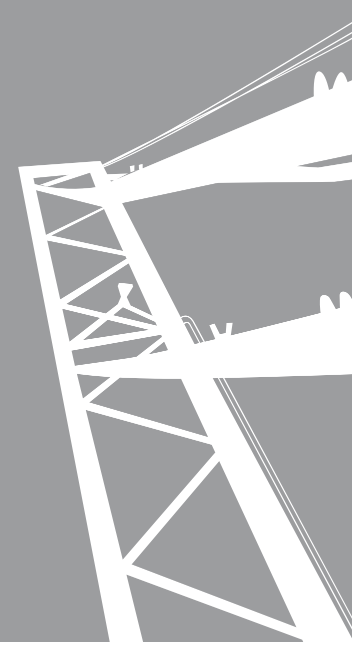
NUMBER OF PERSONNEL (AVERAGE)



→ *Did you know this?*

Did you know that in a typical Konecranes crane, more than 98 percent of the material is recyclable. Energy efficiency, consumption of raw and processed materials, recyclability and efficient use of space are key factors in our product development.





We are as good as our personnel

We at Konecranes believe a company is as good as its workforce. Our global job satisfaction survey is an important tool for us in following trends in personnel satisfaction. The first personnel satisfaction survey covering the entire Konecranes group was carried out in the fall of 2007. Work motivation and commitment to the company emerged as particular strengths. This was evident in every continent and business area throughout the company: almost everywhere the commitment index for Konecranes personnel was higher than for comparable companies.

We were able to compare the results for 2008 with those of the previous survey. While the percentage of respondents fell slightly, to 64 percent, the overall number was higher than for the previous year. The results were positive. Job satisfaction had improved in almost all categories. Last fall, too, supervisors discussed the results with their teams and together identified areas for improvement for the following year. Once the results are assessed, every supervisor will go through them with their own teams and draw up an action plan for 3–5 areas of development for the following year. The survey will be repeated in fall 2009.

Training commits and motivates

Konecranes wants a committed, motivated and skilled workforce, which is why it is of primary importance to invest in training. We take care to find appropriate training for everybody. Our efforts are assisted by a skills database containing details of personnel skills and training. The system also supports the development discussions which everyone regularly undertakes with their supervisor once a year. These discussions are always one-on-one but the goals and development plans, such as training requirements or desires to change to a new task, are entered into the skills database. Thus can we monitor whether matters agreed in the discussions are also carried out.

Particular attention was paid in 2008 to technical training. The aim of the Tech Masters training program, organized at Konecranes 14 training centers around the world, is to bolster service technicians skills and ensure they all have a consistent level of expertise.

Global service Branch Management training also began at the end of 2007, which by the end of 2008 had been attended by more than 300 Konecranes service personnel working in supervisory capacities. The aim of the five day course is to assist employees in their tasks as branch managers. Branch Management courses will continue in 2009.

In all, some 200 new students began the Konecranes Academy training program in 2008, aimed at those working as managers or experts at Konecranes. The content of this two year course has been updated and new training modules have been introduced. So far, more than 400 Konecranes personnel have undergone the Konecranes Academy program and about 300 are currently taking the course.

We want to recruit the best

Competition for the best workers is tough everywhere in the world. Indeed, this will be one of the biggest challenges for Konecranes in the next few years. We are in fact improving our recruiting processes and tools so that we can be an even more attractive employer for job seekers.

Cooperation with local educational establishments, active participation in various student events and assistance with student sample work also help to lay a solid foundation for future recruiting.

We employ more than our own staff

Many of Konecranes' production facilities are located in small communities where the company is an important employer and tax payer. In addition our research work, production, sales, distribution and other activities create numerous jobs among material suppliers, subcontractors, and other service providers throughout the world.

Environmental issues are a natural part of business

Important environmental aspects of our activities include the use of raw and processed materials and energy consumption. We are constantly working to make our production more material and energy efficient, and environmental issues play a major role in the way we develop our products and services. Our customers typically use Konecranes products over a long period so maintenance becomes extremely important. This is why lifecycle thinking is such a core issue in our environmental work.

Product development aims at energy efficiency and recycling

Energy efficiency, consumption of raw and processed materials, recyclability and efficient use of space are key factors in our product development. In a typical Konecranes crane, more than 98 percent of the material is recyclable, while our hoist and lifting trolley range have long been industry pioneers when it comes to space saving efficiency. For harbor container handling, Konecranes has developed Variable Speed Generator (VSG) technology for the diesel generators used on its rubber tired gantry (RTG) cranes, which can reduce fuel consumption by up to 30 percent. Konecranes has also developed a solution based on the same technology which can be retrofitted to existing equipment. Our electric motors, with their modern frequency converters, are unbeatable in their energy efficiency. More and more equipment is able to feed braking energy back into the grid, reducing energy consumption typically by 25 percent compared with the use of frequency converters with resistor breaking.

Preventive service keeps our customers' production processes moving and minimizes unscheduled downtime. When there are no unscheduled production breaks, our customers' environmental impact is reduced. An important tool in Konecranes' service arsenal is the computer based Crane Management System (CMS) by which precise operational data can be linked to a service database for over 359, 000 pieces of equipment. From this arises the preventive service concept which ensures safe and uninterrupted use of lifting equipment throughout its entire lifecycle.

We take care of our vehicles

Most of our 3,684 service personnel travel by car at work. Since we want to keep fuel consumption and emissions to the minimum, we generally use low-consumption diesel vehicles, which are serviced regularly. And since our branches are close to our customers we can reduce mileage, which in itself reduces environmental pollution.

We aim to be profitable and competitive

Konecranes' most important stakeholders include shareholders, customers, personnel, material suppliers and other partners, authorities, local communities and the media.

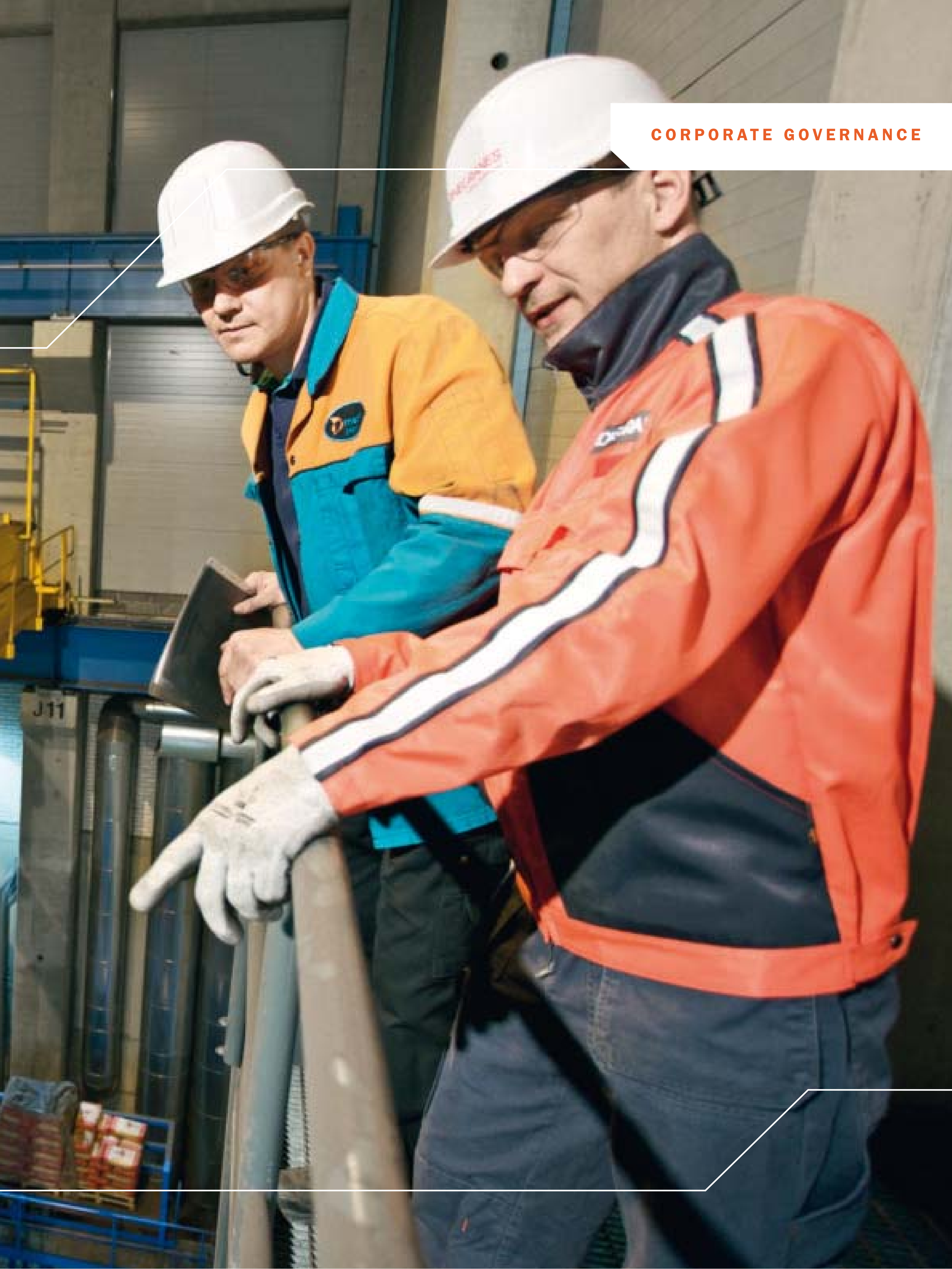
For us, financial responsibility means ensuring that Konecranes is profitable and competitive over the long term. Fulfilling our shareholders' profit expectations is the best way we can promote the goals of our other stakeholders. A good financial result is essential for continued business as well as for ensuring sufficient resources for environmental management and for dealing with social issues, for example.

In accordance with our financial responsibilities we supply our customers with high quality products, solutions and service that improve their activities. For us, the deepening integration between our customers and our company means planning joint business strategies. Both sides have benefited from this in the form of improved information and less uncertainty, more effective financial planning and better management of the supply chain. When all this has been achieved, the result is a more satisfied customer. Demand planning is also a key issue in ensuring customer satisfaction. The primary purpose of demand planning is to provide manufacturing sectors with workload information and goods suppliers with material requirements data.

To us, financial responsibility also means maintaining long lasting and ever closer relations with our suppliers. During 2008 our company set up a new procurement function to leverage knowledge, resources and purchase volumes across all units, thereby creating an even more solid supplier community. We are increasing cooperation with our suppliers and are striving for even closer information exchange. We intend to reduce the number of suppliers to one sixth of the present number, which will give us benefits of scale and a more streamlined procurement process.

Konecranes has set itself challenging financial objectives which we monitor for achievement regularly, and which also form the basis of our incentive systems.

Metso Foundries Jyväskylä is an old customer of Konecranes'. The cooperation started 35 years ago and during this time Konecranes has delivered both industrial and process cranes to the company's iron foundry in Jyväskylä, Finland.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CORPORATE GOVERNANCE

Konecranes Plc (Konecranes, Company) is a Finnish public limited liability company, which, in its decision-making and administration, complies with the Finnish Companies Act, other regulations concerning public companies and Konecranes' Articles of Association. As a publicly listed Company, the rules of the NASDAQ OMX Helsinki Ltd will apply to the Company. Konecranes also complies with the Guidelines for Insiders published by the NASDAQ OMX Helsinki Ltd.

Until end 2008, Konecranes was committed to comply with the Corporate Governance Recommendation for Listed Companies issued jointly by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industries ("Corporate Governance Recommendations, entry into force on July 1, 2004").

From the beginning of 2009, Konecranes has undertaken to comply with the Finnish Corporate Governance Code, which was approved by the Board of the Securities Market Association in October 2008. The Code replaced the above mentioned recommendation. The new Code is available at www.cgfinland.fi.

GENERAL MEETINGS

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

Shareholders exercise their rights of vote and action in General Meetings. Matters to be handled at the AGM are defined in Article 10 of the Articles of Association of Konecranes, and in Chapter 5 Paragraph 3 of the Companies Act. Matters to be handled include the adoption of the financial statements, distribution of profits, discharging the Board members and the Managing Director from personal liability, the election of Board members and auditors and the fees payable to the Board members. The Articles of Association are available on the Company's website in the Corporate Governance section at www.konecranes.com.

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

Advance information to shareholders

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

Attendance of shareholders

In order to be entitled to attend a Shareholders' Meeting, a shareholder must be registered as a shareholder in the Shareholders' register of the Company maintained by Euroclear Finland Ltd (formerly Finnish Central Depository Ltd) on the record day for the Shareholders' meeting. Holders of nominee-registered shares wishing to participate in the Shareholders' meeting shall notify their custodian well in advance of the meeting and follow the instructions provided by the custodian. A registered shareholder wishing to participate in the Shareholders' meeting must notify the Company of his/her intention in the order and during the period prescribed in the Notice of the Shareholders' Meeting. A shareholder may participate in the Shareholders' meeting in person or through a representative who must present a proxy. Shareholders are requested to inform the Company of any proxies for the General Meeting in connection with the notification of participation. The shareholder and representative may have an assistant at the meeting.

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

The President and CEO, holding the position of Managing

Director under the Companies Act, the Chairman of the Board and a sufficient number of directors shall attend the general meeting. In addition, the auditor shall be present at the annual general meeting.

A person proposed for the first time as director shall participate in the General Meeting that decides on his or her election unless there are well-founded reasons for the absence.

BOARD OF DIRECTORS

Charter of the Board of Directors

The “Charter of the Board of Directors of Konecranes Plc” governs the work of the Board and forms an integral part of the corporate governance framework in Konecranes. This Charter supplements the provisions of the Finnish Companies Act and the Company’s Articles of Association. Information on this Charter shall permit the shareholders of the Company to evaluate the operation of the Board. The Charter of the Board of Directors of Konecranes Plc is available on www.konecranes.com in the Corporate Governance section.

Responsibilities

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

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

The Board shall decide on the business strategy of the Company, appointment and dismissal of the President and CEO, deputy to the President and CEO and other senior management, the group structure, acquisitions and disposals, financial matters and investments. It shall also continuously review and follow-up the operations and performance of the Group Companies, risk management and the compliance by the Company with applicable laws, as well as any other issues determined by the Board. The Board shall on an ongoing basis inform itself on issues and business activities of major strategic importance. The Board shall appoint a secretary to the Board to be present at all meetings.

Election and term

The AGM elects the Board of Directors of Konecranes. According to the Articles of Association, the Board shall have a minimum of five (5) and maximum of eight (8) members elected at each AGM for a term of one (1) year. The Board elects a Chairman and Vice Chairman among its members.

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

Independence of the Board of Directors

The majority of the directors shall be independent of the company i.e. they should not have interdependent relationship with the company. In addition, at least two of the directors representing this majority shall be independent of significant shareholders of the company. Konecranes’ Board evaluates the independence of the directors and reports which directors it determines to be independent of the company and which directors it determines to be independent of significant shareholders.

More detailed criteria for independence are listed in the recommendation 15 of the Finnish Corporate Governance Code, which is available at www.cgfinland.fi.

Meeting practice and self-assessment

In addition to the Board and its secretary, also the Company's President and CEO, and CFO attend the Board meetings. Konecranes' Board shall meet as frequently as necessary to properly discharge its responsibilities. There shall be approximately eight regular meetings per year.

The Board and each of its committees conduct an annual performance evaluation to determine whether the entire Board and each of its committees function effectively. The Board establishes the criteria to be used in these evaluations. The performance review is to be discussed with the entire Board following the end of each fiscal year.

BOARD COMMITTEES

The Board is assisted by the Audit Committee and the combined Nomination and Compensation Committee. The committees were first formed in 2004.

The Audit Committee

The Board appoints the Audit Committee. The purpose of the Audit Committee is to oversee accounting and financial processes, financial statements and internal control. The tasks and responsibilities of the Committee are defined in a Charter (available at www.konecranes.com), which is based upon a Board resolution as part of the Company's corporate governance principles.

According to its Charter, the Audit Committee shall meet at least twice a year. The Chairman presents a report on each Audit Committee meeting to the Board.

The Nomination and Compensation Committee

Konecranes has a combined Nomination and Compensation Committee which is appointed by the Board. The tasks and responsibilities of the Committee are defined in a Charter (available at www.konecranes.com), which is based upon a Board resolution as part of the Company's corporate governance principles.

The Nomination and Compensation Committee shall meet at least once a year. The Chairman presents a report on each Compensation Committee meeting to the Board.

PRESIDENT AND CEO

Konecranes' President and CEO holds the position of Managing Director under the Companies Act. The Board decides upon the appointment and the dismissal of the President and CEO. The President and CEO may be a member of the Board of Directors but may not be Chairman.

Responsibilities

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

President & CEO's Contract

The President and CEO's employment contract may be terminated with six months' notice at any time by either the President and CEO or the Company. In the event that the Company terminates the contract without cause, the Company shall pay the President and CEO a discharge compensation corresponding to 18 months' salary and fringe benefits, in addition to the salary for the notice period. When the President and CEO reaches the age of 60 years, both he and the Company may request his retirement with a pension target of 60 percent of his underlying income. The President and CEO's service terms and conditions are specified in writing in a service contract approved by the Board.

GROUP EXECUTIVE BOARD

The President and CEO, the Business Area Presidents, the Region Presidents and the Group Staff Directors form Konecranes' Group Executive Board (GXB). The GXB assists the President and CEO in his work. The GXB has no official statutory position based on legislation or the Articles of Association, but in practice it has a significant role in the management system of the Company. Brief description of GXB members' tasks as follows:

The Business Areas (Service, Standard Lifting and Heavy Lifting) are each headed by a Business Area President. Business Areas are not to be seen as independent divisions. Instead, their operations are interlinked and highly synergistic. Business Area Presidents are in charge of the day-to-day management of the respective Business Areas. The Business Areas carry the ultimate profit and loss responsibility in the Group.

There are four Region Presidents in charge of managing Group activities in geographical areas. The Regional organization pulls together the three Business Areas to form a uniform customer interface for the Group, with a primary goal to maximize the Group's position within the respective Region. The Region Presidents have line responsibility for equipment sales and service, within the guidelines given by the Business Areas. Additionally, they have a responsibility to coordinate and provide administrative services for operations not directly reporting to them, such as manufacturing.

The Group Staff forms a common resource for handling matters of importance for the whole Group.

Meeting practices

The GXB shall convene as frequently as necessary, normally on a monthly basis. In addition, the GXB conducts monthly reviews of the business performance and financial results together with other executive managers under the President and CEO's chairmanship.

Business Areas have their own management teams that convene on a regular basis.

Regional Executive Boards, where the Business Area and Regional Presidents together with relevant senior managers are present, convene twice a year.

Group Staff meetings are normally held on a weekly basis to review Group administrational matters.

TECHNOLOGY AND IT BOARDS

The Technology Board is chaired by the President and CEO. It also comprises the Business Area Presidents, the Chief Technology Officer, key R&D personnel, relevant Group Staff members, as well as representatives from the Business Areas and different business functions. The Technology Board normally convenes on a monthly basis to assist the Business Areas and business functions in matters relating to R&D, sourcing, quality and information technology.

From the beginning of 2009 management of IT related issues was put under the Information Technology Board. The Board comprises the Business Area Presidents, Chief Information Officer, Chief Technology Officer as well as other relevant IT, Staff and expert members. The Board is chaired by the Group's President and CEO and it will be convening four times a year.

The Technology and IT Boards have no official statutory position based on the Articles of Association, but play a significant role in planning and developing products and business processes.

COMPENSATION

Board of Directors

The remuneration packages for Board members are resolved by the AGM on proposal by the Nomination and Compensation Committee. Non-executive members of the Board of Directors do not receive stock options. Board members employed by Konecranes do not receive separate compensation for their Board membership.

President and CEO

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

On December 15, 2006, the Board of Directors approved a long-term incentive scheme directed to President and CEO, Pekka Lundmark. The incentive scheme was implemented by disposing of Konecranes shares in the Company's possession on the basis of the authorization granted to the Board of Directors by the AGM on March 8, 2006. Pursuant to the incentive scheme a total of 50,000 shares in the Company were sold to the President and CEO on December 22, 2006. An additional 50,000 shares were sold in January 2007 on terms and conditions defined in the terms of subscription. The shares sold are subject to a five year transfer restriction. As part of the program, the Company paid a separate bonus to Pekka Lundmark to cover the taxes levied as a result of the arrangement.

The purpose of the incentive scheme is to motivate the President and CEO to contribute in the best possible manner to long-term success of the Company and increased shareholder value for all shareholders of the Company. The agreed price per share of 12 euros corresponds approximately to the average share price during the period that Mr. Lundmark had been CEO of the company, and this was the ground for determining the share price.

Group Management

The Nomination and Compensation Committee reviews Group compensation policies and issues guidelines for the same. In addition, the Nomination and Compensation Committee confirms compensation packages for those Group Executive Board members who report directly to the President and CEO. For other Group Executive Board members, the compensation packages are confirmed by the President and CEO.

Compensation packages normally include a base salary, fringe benefits (typically use of company car), pension schemes and performance related bonus schemes. Bonus schemes are always based on written contracts. Bonus criteria vary, but are usually based on the Group's five Key Performance Areas: Safety, Customer, People, Growth and Profitability. Bonuses are related to the individual's performance, as well as to the performance of the organizational unit he/she is directly responsible for. A smaller part of the bonus is related to the profitability of the whole Group. Numerical performance criteria are used, in preference of personal assessments.

Stock Options

The Company has issued stock option plans for its key employees, including top and middle management, and employees in certain expert positions. A summary of the ongoing Konecranes stock option plans is available on page 93. Stock option plans require a corresponding resolution by a General Meeting, and all plans have been unanimously adopted by relevant General Meetings. Certain large institutional shareholders have adopted guidelines for stock option plans. These guidelines offer advice on the acceptable (maximal) dilution effect, levels of incentives, lock-up periods, length of programs etc. The Company's option plans have been designed to essentially comply with these guidelines.

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

Upon proposal by the President and CEO, the Board decides on the distribution of options to key personnel. In granting options to the President and CEO, the Board acts independently.

AUDITOR

The main function of statutory auditing is to verify that the financial statements represent a true and fair view of the Group's performance and financial position for the financial year. Konecranes' financial year is the calendar year. The auditor regularly reports to the Board's Audit Committee. The auditor is obliged to audit the validity of the Company's accounting and closing accounts for the financial year, and to give the General Meeting an auditor's report. The auditors of Konecranes are elected by the AGM. The auditors are elected to office until further notice. The same auditor with principal responsibility may not serve for more than seven financial years. A proposal for the election of external auditors made by the Audit Committee shall be disclosed in the invitation to the AGM. The Audit Committee strives for a regular rotation of its external auditors.

INSIDERS

Konecranes' Board accepted revised Insider Rules for Konecranes in June 2008. These Insider rules are based on the Finnish Securities Markets Act, standards issued by the Financial Supervision Authority and the NASDAQ OMX Helsinki Guidelines for insiders in force as of June 1, 2008.

Konecranes' Public Insider Register includes members of the Board of Directors, the President and CEO, the secretary to the Board, the auditors, members of the Group Executive Board, as well as other persons having a comparable position in the Group based on the decision of the Company. In addition, Konecranes' Company-Specific Permanent Insiders includes persons that are defined by the Company, and who regularly possess insider information due to their position in the Company.

Persons registered in the Public Insider Register and the Permanent Insider Register are not allowed to trade in Konecranes shares and securities entitling to shares during a period commencing on the first day after the end of each calendar quarter and ending upon the publication of the corresponding interim report or financial statement bulletin of the Company (that day included). The Company also maintains Project-Specific Insider Registers of every Insider Project of the Company. Project-Specific Insiders are prohibited from trading in Konecranes shares until termination of the project.

The General Counsel maintains Konecranes' register of insider holdings, and is responsible for monitoring compliance with insider guidelines and the duty to declare. The Company maintains its public and Company-specific insider registers in Euroclear Finland Ltd's (formerly Finnish Central Securities Depository) SIRE system.

Konecranes Public Insiders are listed on the Company's website at www.konecranes.com. Konecranes Public Insiders' share and option holdings are available for public display in the NetSire register.

CORPORATE GOVERNANCE IN 2008

The Annual General Meeting was held on March 13, 2008 in Hyvinkää, Finland. A total of 468 share holders representing about 29,7 percent of the company's votes participated in it either in person or by proxy. The decisions of the AGM can be found on Konecranes' website.

The Board of Directors

The Board of Directors elected by the AGM 2008 consisted of eight (8) members: Mr. Svante Adde, Mr. Kim Gran, Mr. Stig Gustavson, Mr. Matti Kavetvuo, Ms. Malin Persson, Mr. Timo Poranen, Mr. Björn Savén and Mr. Mikael Silvennoinen. The Chairman of the Board of Directors was Mr. Stig Gustavson and Mr. Björn Savén was the Vice Chairman. Mr Stig Stendahl was a member of the Board of Directors until March 13, 2008.

All members elected to Konecranes' Board, except Stig Gustavson, are deemed independent of the company. The Chairman of the Board, Mr. Stig Gustavson, is deemed dependent of the Company, as he was the President and CEO of the Company until 17 June, 2005, and therefore not independent as the Corporate Governance Recommendation considers a Board member to be dependent if he/she has held a position in the Company during the last three years prior to the inception of the Board membership.

All Board members are independent of significant shareholders of the Company.

In 2008, Konecranes' Board convened 13 times. The average attendance of Board members at meetings was 97 percent.

Biographical details of the Board of Directors are presented on pages 56–57 of this Annual Review and available at www.konecranes.com.

Committees

From March 13, 2008 onwards, the Board's Audit Committee comprised Mr. Svante Adde (Chairman), Mr. Kim Gran (member), Mr. Matti Kavetvuo (member) and Mr.Mikael Silvennoinen (member). Mr Stig Stendahl was the Chairman of the Audit Committee until March 13, 2008. In 2008, the Audit Committee convened 4 times. The average attendance of Audit Committee members at meetings was 94 percent.

The Board's Nomination and Compensation Committee comprised Mr. Björn Savén (Chairman), Mr. Stig Gustavson (member), Ms. Malin Persson (member) and Mr. Timo Poranen (member). In 2008, the Nomination and Compensation Committee convened two times. The average attendance of Nomination and Compensation Committee members at meetings was 100 percent.

Fees paid to the Board of Directors

The eight members of Konecranes' Board of Directors, none of whom are employees of the company, were paid altogether EUR 431,600 for the financial period that ended on December 31, 2008.

In 2008 the members of the Board of Directors were paid the following fees:

- the Chairman of the Board EUR 100,000
- the Vice Chairman of the Board EUR 64,000
- other Board members EUR 40,000

In addition, a compensation of EUR 1,500 was paid for attending board committee meetings.

Total compensation to the Board of Directors

	2008	2008	2007	2007
	Total compensation, EUR	Number of shares as part of compensation	Total compensation, EUR	Number of shares as part of compensation
Chairman	101,500	1,700	78,000	1,250
Vice Chairman	64,000	0	48,000	0
Board members	266,100	4,074	191,400	2,880
Total	431,600	5,774	317,400	4,130

All other members of the Board were paid with cash and Konecranes Plc's shares except for the Vice Chairman, whose compensation was paid fully in cash. The total number of shares as part of the compensation was 1,700 for the Chairman and 679 for the other Board members.

Also travel expenses of Board members were compensated.

Group Executive Board

During 2008, the Group Executive Board consisted of the following members:

- Mr. Pekka Lundmark President and CEO

Business Area Presidents

- Mr. Hannu Rusanen, Service
- Mr. Pekka Päkkilä, Standard Lifting
- Mr. Mikko Uhari, Heavy Lifting

Region Presidents

- Mr. Pierre Boyer, Europe, Middle East & Africa
- Mr. Harry Ollila, Northeast Asia
- Mr. Tom Sothard, Americas
- Mr. Edward Yakos, South Asia-Pacific

Group Staff Directors

- Mr. Ari Kiviniitty, Chief Technology Officer
- Mr. Pekka Lettijeff, Chief Procurement Officer (as of February 1, 2008)
- Mr. Teo Ottola, Chief Financial Officer
- Ms. Sirpa Poitsalo, Director, General Counsel
- Ms. Jaana Rinne, Director, Talent Management
- Mr. Mikael Wegmüller, Director, Marketing and Communications

Konecranes' Group Executive Board convened 11 times during 2008.

Total compensation to the Group Executive Board

President & CEO

	2008	2007
Salary and benefits, EUR	357,387	354,831
Bonus, EUR	186,000	684,052
Share-based payments costs, EUR	349,348	281,523
Option rights owned (number of options)	114,000	180,000
Shares owned (number of shares)	280,000	160,000

Other Group Executive Board members

	2008	2007
Salary and benefits, EUR	2,379,208	2,344,422
Bonuses, EUR	537,525	552,568
Share-based payments costs, EUR	868,337	373,290
Option rights owned (number of options)	870,200	626,200
Shares owned (number of shares)	255,650	227,250

More information on the salaries and remuneration to the Group Executive Board and the President and CEO can be found in the Financial Review on page 85 and available at www.konecranes.com. Biographical details of Group Executive Board members are presented on pages 54–55 of this Annual Review and available at www.konecranes.com.

Stock options

At the end of 2008, about 160 employees were part of the Group's stock option plans. More information on the stock options is available on page 93 in the financial statement´s note 29.

Auditor

Ernst & Young Oy, Authorized Public Accountants has been Company's external auditor since 2006. In 2008, the principal auditor was Roger Rejström. In 2008, the fees paid to Ernst & Young Oy and its affiliated audit companies for auditing Konecranes Group companies totalled EUR 1,448,269 while the fees paid for consulting services related to what totalled EUR 427,440.

Konecranes' Board has defined and adopted certain risk management principles. These principles are based on principles of good management widely accepted internationally. The Audit Committee evaluates and reports to the Board on the adequacy and appropriateness of internal controls and risk management.

Risk Management Principles

Risk is anything that will clearly affect Konecranes' ability to achieve its business objectives and execute its strategies. Risk management is part of the Konecranes' control system. The purpose of risk management is to ensure that any risks related to the business operations of the company are identified and managed adequately and appropriately so that the continuity of the business is safeguarded at all times.

The Group's risk management principles provide a basic framework for risk management at Konecranes, while each Group company or operating unit is responsible for its own risk management. This principle guarantees the best possible knowledge of local conditions, experience and aspects of relevance.

According to the Group's risk management principles, risk management is a continuous and systematic activity targeted to protect from personal injury, safeguard the assets of all Group companies and the whole Group, and to ensure stable and profitable financial performance. By minimizing losses due to realized risks, and optimizing the costs of risk management, the long-term competitiveness of the Group companies and the whole Group are safeguarded.

Significant risks for Konecranes

Konecranes has assessed its strategic, operational, financial and hazard risks. The risk list below and the risk management methods are examples and are by no means exhaustive.

Market risks

Demand for Konecranes products and services is affected by the development of the overall global economy, as well as the business cycles of Konecranes' customer industries. Capital expenditure in industrial cranes varies with the development of industrial production and production capacity, while demand for port equipment follows trends in global transportation and, in the shorter term, the harbor investment cycle. The demand for service is less volatile than for equipment. Besides risks to sales volumes, changes in demand can also affect market prices.

As part of its strategy, Konecranes strives to maintain a wide geographical presence to balance out different economic trends in different market areas. Konecranes also limits the risks from changes in demand in different customer segments and demand for certain products by dealing with a diverse customer base and by offering a wide product range. Konecranes aims to increase the proportion of its service revenue, thus decreasing exposure to economic cycles.

Technology risks

Konecranes recognizes that there are various threats and opportunities related to the development of new products and services in its industry. Also the increasing importance of managing intellectual property rights in the global marketplace has been taken into consideration.

Konecranes constantly watches the marketplace and its competition to recognize early signs of potential changes in products, markets and customer needs.

Dedicated product development operations with formal processes have sustained Konecranes' leadership in offering advanced technologies, products and services to lift its customers' businesses. When appropriate, acquisitions have and will be made to gain advanced technologies. Konecranes ensures that its innovations are protected by international patents whenever applicable, and its trademarks are also protected.


KONECRANE

During 2008 Konecranes extended its user experience research, to promote product usability as one of its product development objectives. Product reliability testing throughout the lifecycle was enhanced in order to develop predictive maintenance plans and limit risks associated with new product launches.

Conducting business in emerging and developing markets

Konecranes has manufacturing and supplier networks in many developing countries. An increasing proportion of sales go to emerging and developing countries. Sudden changes in the political environment, economic or regulatory framework in these areas can have an adverse effect on Konecranes' business. Konecranes conducts careful studies of the political, social and economic environment in these countries.

The risks related to emerging and developing markets are balanced by Konecranes' strong global presence and more stable service operations in developed countries, namely in Europe and North America.

Personnel

The ability to recruit and retain personnel is of key importance for the success of Konecranes. Failure to do so may adversely affect Konecranes' ability to execute its strategies. Konecranes has recognized service technician availability and turnover to be key challenges regarding the growth of the service business. The accelerating retirement of skilled personnel also challenges Konecranes to enhance the transfer of tacit knowledge and skills to younger professionals. Major investment has been made in technical training for service technicians and in the management and leadership skills of their superiors. This has had a favorable effect on decreasing turnover and has improved employee satisfaction.

Konecranes manages personnel challenges through professional internal and external recruitment and human resource agencies, utilizing external resources where applicable. In order to be a preferred employer, Konecranes offers a wide range of internal and external training and learning possibilities, including opportunities for employees to influence their personal work, job rotation and new career opportunities both locally and globally, as well as competitive compensation including different sets of incentives.

Konecranes conducts a global employee satisfaction survey annually to asses areas that need improvement, and works actively to achieve that improvement.

Acquisitions

Unsuccessful acquisitions or unsuccessful integration of acquired companies could result in decreased profitability or hamper the implementation of the company's strategy. Konecranes reduces risks associated with acquisitions by performing thorough due diligence analyses prior to any acquisition, using external advisors when needed.

During 2008 Konecranes overhauled its acquisition practices to enable a higher volume of acquisitions while improving the quality of each acquisition process. This enables Konecranes to better execute its growth strategy by focusing more systematically on opportunities and risks.

Production risks

Konecranes' strategy is to maintain its own production of some key components that have high added value and/or provide core competitive advantages. There are specific risks involved with the different aspects of production – e.g. production capacity management, operational efficiency, continuity and quality.

Continuous efforts to improve Konecranes' production operations, organization and facilities helped to reduce production risks during 2008. The organization's capacity to manage global production operations has increased and several projects have effectively limited the risks.

Material management and purchase risks

Material management and purchase operations require proactivity and development to avoid various risks related to pricing, quality, capacity, availability and inventory values, for example. Inefficiencies in these activities could adversely affect the performance of Konecranes. Konecranes centrally manages purchases and logistics of materials and components of substantial importance for operations. Agreements with key vendors aim to optimize these purchases globally.

To enhance operations, during 2008 Konecranes created a global procurement organization and activated a new model for procurement operations. This ensures continuous development of procurement operations and enables us to focus on improvements that also limit risks.

Quality risks

High quality products, business procedures and processes are seen as key elements in minimizing Konecranes' business risks. Most Group companies and all major Group operations use certified quality procedures.

During 2008 the emphasis in quality development was on standardizing the group's global quality reporting and providing a consistent view of global quality improvements. The new system and processes allow quality improvement measures to be rapidly and efficiently utilized globally.

Product development has placed greater emphasis on the early stage of design and engineering, to ensure high quality products as well as high usability, safety, reliability and ease of maintenance. The importance of quality issues has been stressed in all training, with emphasis on the importance of high quality work in the sales, delivery and service processes.

Subcontracting and vendor risks

Konecranes recognizes that some key subcontractors and vendors impose price and continuity risks since they could be difficult to replace. In cases of major production disturbance, these could also hamper Konecranes' delivery capacity. Quality risks and defects in subcontracted components are, effectively, quality risks for Konecranes.

To reduce subcontracting risks, Konecranes constantly seeks competitive and alternative subcontractors while improving cooperation with existing partners. When available, alternative vendors enhance price competition, increase production capacity and reduce Konecranes' risks of single vendor dependency.

Konecranes constantly monitors the product and operational quality of its subcontractors and vendors. They are encouraged to certify their operations with the same quality certificates that Konecranes uses in its internal operations.

The current economic situation has induced Konecranes to pay increased attention to the financial status of our key subcontractors and vendors. While it is recognized that some related risks have increased, a lot of new opportunities are also available.

Information Technology risks

Konecranes divides information technology into shared services and business area specific activities. Konecranes' operations depend on the availability, reliability and quality of information, confidentiality and integrity. Any and all information security problems and incidents may adversely affect business performance.

Konecranes uses reliable information technology solutions and employs efficient information security management to avoid data loss and prevent data confidentiality, availability or integrity from being compromised. Due care is exercised with internal and outsourced IT services to ensure high availability, resiliency, continuity of services and rapid recovery in case of temporary loss of key services.

During 2008 Konecranes continued focused efforts to harmonize and develop IT services for end user devices, business applications and data centers. Organizational development and development of outsourcing practices enables Konecranes to concentrate resources in industry specific IT development while buying standardized services from competitive global markets.

Contract and product liability risks

Konecranes may be subject to various legal actions, claims and other proceedings in various countries. These actions, claims and other proceedings are typical for this industry and consistent with a global business that encompasses a wide range of products and services. These matters may involve contractual disputes, warranty claims, product liability (including design defects, manufacturing defects, failure to warn and asbestos legacy), employment, auto liability and other matters involving claims of general liability. These risks are managed by continuous monitoring of our operations, improving product safety, training for customers, and detailed sales terms. We also issue written policies in various cases to ensure compliance with legislation, regulations and Konecranes principles throughout the whole Konecranes Group. Great emphasis is placed on training to ensure that employees are aware of and comply with the applicable legislation, regulations and principles relating to their work. Our legal department retains outside experts when necessary.

Illegal activities

Konecranes aims to comply with laws and regulations, but possible breaches of Konecranes policies resulting in illegal activities can present various threats to the company. Konecranes considers the potential risks to be limited, while taking into account that even small-scale illegal activity could damage its reputation and adversely affect its financial condition and results. Internal procedures, supervision, audits and practical tools are intended to reduce the exposure to risks. Konecranes arranges training in good governance and management practices while being clear and determined in prohibiting any illegal activities.

Damage risks

Damage risks include business interruption risk, occupational health and safety-related risks, environmental risks, fire and other disasters, natural events and premises security risks. Konecranes has taken precautions against damage risks by adopting occupational health and safety guidelines, certification principles, rescue planning and premises security instructions. Konecranes has also sought to prepare for the materialization of risks in various Konecranes' insurance programs, and by continuously improving preparedness regarding various potential crisis situations.

During 2008 Konecranes appointed a dedicated manager to coordinate global employee safety development. A global employee safety network has been created and a new safety management system deployed. Employee safety activities have been harmonized and important sites audited to ensure compliance with requirements. Management reporting and analysis of safety incidents are now in place, which enable future development. During 2008 Konecranes also began a global occupational safety training program for all personnel.

Financial risks

The Group uses an approach where most of the management of financial risk is centralized within the Konecranes Treasury. The legal entity, Konecranes Finance Oy, operates as a financial vehicle for the Group and it is run by the Corporate Headquarters. Centralization and netting of internal foreign currency cash flows can minimize the need for external hedging.

Konecranes Finance Oy is not a profit center in the sense that it strives to maximize its profits. The company aims to serve the operative companies of the Group by reducing their financial risks.

The Group's global business operations involve financial risks in the form of market, credit and liquidity risks. The most significant market risk relates to foreign currency transactions and to translational risk. Credit risk arises from the potential failure of a commercial counterparty to meet its commercial payment obligations. Counterparty risk arises from the potential failure of a financial institution to meet its payment obligations regarding hedging instruments. The business units manage all credit risks related to their commercial flows. There is currently no concentration of credit risk regarding the commercial activities, as the number of customers is very high and their geographic distribution is very wide. It is the Group's policy not to fund its customers beyond regular payment terms.

The responsibility for identifying, evaluating and controlling the financial risks arising from the Group's global business operations is divided between the business units and Konecranes Finance Oy.

The units hedge their risks internally with Corporate Headquarters. As a result, most financial risks for the Group are concentrated in one company, Konecranes Finance Oy, where they can be evaluated and controlled efficiently.

Almost all funding, cash management and foreign exchange with banks and other external counterparties is done centrally by Konecranes Finance Oy in accordance with the Group's treasury policy. Only in a few special cases where local central bank regulations prohibit the use of group services for hedging must this be done directly between an operative company and a bank under supervision from Corporate Headquarters.

Konecranes Finance Oy uses a treasury system that enables transactions to be processed practically in real-time and provides in-depth records of activities and performance. Standard reporting is done on a weekly basis and covers group-level commercial and financial cash flows, foreign currency transaction exposure, debt positions, portfolio of derivatives and counterparty credit exposure for financial transactions. In addition, all group companies participate in the monthly managerial and statutory reporting.

Since the uncertainty in the financial markets started to escalate in late 2008, special attention is being paid to several issues like contract management, securing payments and cash management in order to minimize the Group's exposure to materialization of a financial risk.

See note 3 to the financial statements and the report of Board of Directors for a detailed overview of financial risk management.

Insurance

The Group continuously reviews its insurance policies as part of its overall risk management. Insurance contracts are used to sufficiently cover all risks that are economically or otherwise reasonably insurable. Continuous efforts have enhanced insurance coverage while respective insurance premiums have developed favorably during 2008.

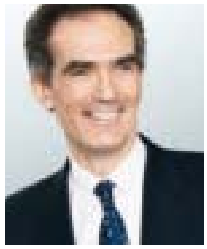
Internal Auditing

The Internal Audit function in Konecranes is an independent, objective assurance and consulting unit, which assists the organization in achieving its objectives. The unit evaluates the efficiency of risk management, control, and governance processes.

The Internal Audit unit operates according to an audit plan approved by the Board's Audit Committee. The unit's working methods are based on the professional standards laid down by the Institute of Internal Auditors (IIA). The approach of Internal Audit was developed to process oriented engagements instead of only entity based audit.

Administratively, the Internal Audit unit reports to the group CFO but internal audit activities are reported to the Board's Audit Committee on a regular basis.







Pekka Lettijeff b. 1961

Chief Procurement Officer
Member of the Executive Board since 2008
Employed 2008

Primary working experience
Head of Global Purchasing at Nokia Siemens Networks; previously VP Global Supply and Purchasing at Astra Zeneca; in several executive positions in General Motors Worldwide Purchasing in USA and Germany and Saab Automobile in Sweden

Shares: –

Option to acquire: 40,000 shares

Jaana Rinne b. 1962

Director, Talent Management
Member of the Executive Board since 2007
Employed 1986
M.Sc. (Econ.)

Primary working experience
Different positions in finance, 1986–1997; different positions within personnel administration in Standard Lifting, 1997–2004; Director, Human Resources for Service, 2004–2006

Shares: –

Option to acquire: 23,000 shares

Pierre Boyer b. 1959

President, EMEA (Europe, Middle East & Africa)
Member of the Executive Board since 2006
Employed 2006
HEC Paris

Primary working experience
Various positions at Carrier Corporation, a division of United Technologies Corporation: Director, Commercial Refrigeration, EMEA, 2005–; Managing Director, Carrier-ERD Distribution, Netherlands and France, 2004–; Managing Director, Carrier-Fincoil Oy, Finland, 2001–2003; Director, Marketing and Product Planning, Carrier Refrigeration Operations, USA, 1999–2001; Director, Sales and Marketing, Carrier Transicold Europe, France, 1995–1999; prior to joining Carrier, Boyer worked at the Groupe Legris Industries' mobile crane division, PPM

Shares: –

Options to acquire: 76,000 shares

Teo Ottola b. 1968

Chief Financial Officer
Member of the Executive Board since 2007
Employed 2007
M.Sc. (Econ.)

Primary working experience
CFO, Elcoteq SE, 2004–2007; Senior Vice President (Business Control and Accounting), Elcoteq Network Oyj, 1999–2004; Group Business Controller, Elcoteq Network Oyj, 1998–1999; Business Controller, Elcoteq Lohja Oy, 1996–1998; Financial Planner, Rautaruukki Oy, 1992–1996

Shares: –

Option to acquire: 66,000

Ari Kiviniitty b. 1957

Chief Technology Officer
Member of the Executive Board since 2005
Employed 1983
M.Sc. (Eng.)

Primary working experience
Vice President, Standard Lifting Equipment, 2004–2005; Managing Director, Hoist factory, 2002–2004; R&D Manager, 1999–2001; Technical Director, Components, Singapore, 1996–1998

Other current key positions of trust
Member FEM (The European Federation of Materials Handling Equipment Manufacturers), Member of Technology Industries of Finland Business and Technology Working Group

Shares: 2,500

Option to acquire: 41,200 shares

Sirpa Poitsalo b. 1963

Director, General Counsel
Member of the Executive Board since 1999
Employed 1988
LL.M.

Primary working experience
Assistant General Counsel, 1997–1998; Legal Counsel, KCI Konecranes/Kone Corporation, 1988–1997

Shares: 12,400

Options to acquire: 76,000 shares

Edward Yakos b. 1959

President, South Asia Pacific (Australia, New Zealand, Singapore, Thailand, Malaysia, Indonesia, Vietnam, Philippines, India)
Member of the Executive Board since 2005
Employed 1992
B.Sc. (Eng.), MBA

Primary working experience:
Managing Director, Konecranes Pty Ltd (Australia), 1998–2005; Marketing Manager, Maintenance Services, North America, 1992–1998; various managerial positions at Harnischfeger (P&H) Industries, Inc., 1978–1992

Shares: 30,000

Option to acquire shares: 57,000

From left to right: Pekka Lettijeff, Jaana Rinne, Pierre Boyer, Teo Ottola, Ari Kiviniitty, Sirpa Poitsalo, Edward Yakos, Pekka Lundmark, Hannu Rusanen, Mikael Wegmüller, Tom Sothard, Pekka Päkkilä, Harry Ollila, Mikko Uhari







Pekka Lundmark b. 1963

President & CEO.
Member of the Executive Board since 2004
Employed 2004
M.Sc. (Eng.)

Primary working experience
Group Executive Vice President, KCI Konecranes, 2004–2005; CEO, Hackman Abp, 2002–2004; Managing Partner, Startupfactory, 2000–2002; various executive positions, Nokia Corporation, 1990–2000

Other current key positions of trust
Chairman of the Board of Marimekko Ltd. and a Board Member of the Federation of Finnish Technology Industries

Shares: 280,000

Option to acquire: 160,000 shares

Hannu Rusanen b. 1957

President, Service Business Area
Member of the Executive Board since 2004
Employed 2003
M.Sc. (Eng.)

Primary working experience
Country Executive Nordic, 2003 – 2006; Vice President, Service, ABB Finland, 1995–2002.; various management positions at Tampella Oy, 1982–1995 in Finland and in the U.S.A.

Shares: 26,000

Option to acquire: 76,000 shares

Mikael Wegmüller b. 1966

Director, Marketing and Communications
Member of the Executive Board since 2006
Employed 2006
M.Sc. (Econ.)

Primary working experience
Chief Operating Officer, Publicis Helsinki Oy, 2003–2006; Director, SEK & GREY Oy, 2000–2003; Planning Group Director, Publicis Törmä Oy, 1997–2000; Sales and Marketing Manager, Finelor Oy (now L'Oreal Finland Oy), 1993–1997; Product Group Manager, Chips Abp, 1991–1993

Shares: –

Option to acquire: 28,000 shares

Tom Sothard b. 1957

President, Region Americas
Member of the Executive Board since 1995
Employed 1983
B.Sc. (Marketing)

Primary working experience
President, Global Maintenance Services, 2001–2006; Group Vice President, North America, 1995–2002; President, Maintenance Services, North America, 1989–2001; Vice President, Maintenance Services, North America, 1984–1988; District Manager, Robbins and Myers, 1980–1984

Shares: 10,000

Option to acquire: 76,000 shares

Pekka Päkkilä b. 1961

President, Standard Lifting
Member of the Executive Board since 2003
Employed 1987–1998, 2001
B.Sc. (Eng.)

Primary working experience
Director, Industrial Cranes & Components, 2002–2003; Director, Branded Products, Standard Lifting Equipment, 2001–2002; Sales Manager, Naval Oy, Finland, 1998–2001; Regional Manager, Hoists & Components Center, Springfield, U.S.A., 1993–1998

Shares: 5,000

Option to acquire: 57,000 shares

Harry Ollila b. 1950

President, Northeast Asia (China, Korea and Japan)
Member of the Executive Board since 1994
Employed 1991
M.Sc. (Eng.)

Primary working experience
Group Vice President, Group Development, 2001–2005; Country Executive, Europe, 1997–2001; Technical Director, 1994–1997. Various positions at A. Ahlström Osakeyhtiö, 1972–1991, including: Technical Director, Ahlström Pyropower 1986–1991; Director of Projects and Engineering, Pyropower Corp., U.S.A., 1981–1986

Shares: 128,000

Option to acquire: 145,000 shares

Mikko Uhari b. 1957

President, New Equipment Business Areas
President, Heavy Lifting.
Member of the Executive Board since 1997
Employed 1997
Lic. Sc. (Eng.)

Primary working experience
President, Harbour and Shipyard Cranes, 1997–2003; President, Special Cranes (Heavy Lifting), 2004-; President, New Equipment Business Areas, 2005-. Various managerial positions at Wood Handling Division, KONE Corporation, 1982–1997 (Andritz as of 1996–) including: Director, Wood Handling Unit, Finland, 1990–1992; Group Vice President, Project Business, 1992–1996; Group Vice President, Marketing, 1996–1997

Shares: 41,750

Option to acquire: 109,000 shares









From left to right: Stig Gustavson, Björn Savén, Svante Adde, Kim Gran, Matti Kavetvuo, Malin Persson, TImo Poranen, Mikael Silvennoinen, Lennart SImonsen.

Stig Gustavson b. 1945

Chairman of the Board
Deemed to be dependent of the company, having served as President and CEO of the company until June 17, 2005.
M.Sc. (Eng.), Dr.Tech. (hon.)

Primary working experience
President and CEO of Konecranes Plc, 1994–2005 and President of KONE Cranes division, 1988–1994; holder of various executive positions at KONE Corporation, 1982–1988; Sponsor Oy, 1978–1982; RAY (Raha-Automaattiyhdistys), 1976–1978; Wärtsilä Oy Ab 1970–1976

Other key positions of trust
Chairman of the Boards of Handelsbanken Regional Bank Finland, Dynea Oy, Arcada Foundation, Cramo Oyj, The Technology Academy Foundation; Vice-Chairman of the Board of Oy Mercantile Ab; Member of the Board of Vaisala Oyj; Chairman of the Supervisory Board of Tampere University of Technology; Member of the Supervisory Board of Varma Mutual Pension Insurance Company

Shares 2,034,370

Björn Savén b. 1950

Vice Chairman of the Board since June 17, 2005 Chairman of the company's Board 1994–2005, and Chairman of the Nomination and Compensation Committee since 2004
Independent of the company
M.Sc. (Econ.), MBA, Dr.Econ. h.c.

Primary working experience
Chairman, IK Investment Partners, (Chief Executive 1989-2008); holder of various executive positions within the Esselte Group in Sweden, the UK and the USA, 1976–1988

Other key positions of trust
Deputy Chairman of the Boards of Attendo Care AB and Dynea Oy; Member of Boards of Nordea Bank AB (publ), Minimax GmbH; Chairman of Finnish-Swedish Chamber of Commerce; Member of IVA Royal Swedish Academy of Engineering Sciences

Shares: –

Svante Adde b. 1956

Board member since 2004 and member of the Audit Committee since 2004 and Chairman since 2008
Independent of the company
B.Sc. (Econ. and Business Administration)

Primary working experience
Managing Director of Pöyry Capital, London 2007-; Managing Director of Compass Advisers, London, 2005–2007; Chief Financial Officer of Ahlstrom Corporation, 2003–2005; Managing Director, Lazard London and Stockholm, 2000–2003; Director of Lazard London, 1989-2000; Citibank, 1979–1989

Shares 2,895

Kim Gran b. 1954

Board member since 2007 and member of the Audit Committee since 2007
Independent of the company
B.Sc. (Econ)

Primary working experience:
President and CEO, Nokian Tyres plc since 2000; Vice President of Nokian Tyres, Car and Van tyres, 1995–2000

Other key positions of trust:
Chairman of the Board of The Rubber Manufacturers' Association; Vice-Chairman, Chemical Industry Federation of Finland; Board member of Nokian Tyres plc, YIT Plc, Confederation of Finnish Industries (EK) and Finnish-Russian chamber of Commerce (FRCC); Supervisory Board member of Ilmarinen

Shares 1,979

Matti Kavetvuo b. 1944

Board member since 2001 and member of the Audit Committee since 2004.
Independent of the company.
M.Sc. (Eng.), B.Sc. (Econ.)

Primary working experience
CEO of Pohjola Group Plc, 2000–2001; CEO of Valio Ltd, 1992–1999; CEO of Orion Corporation, 1985–1991; President of Instrumentarium Corp., 1979–1984

Other key positions of trust
Chairman of the Boards of Orion Corporation, 2004–, Metso Corporation, 2003—, Marimekko Corporation, 2007–2008 (Member of the Board 1997–2008) and Suominen Corporation, 2002–2006 (Member of the Board 2001–2006); Vice Chairman of the Boards of Alma Media Corporation, 2005–, (Member of the Board 2000–) and Kesko Corporation, 2003–2006; Member of the Boards of Lassila&Tikanoja Plc, 2008–, 1998–2001, 1984–1988; Perlos Corporation, 2003–2006; Lännen Tehtaat Plc, 2003–2004; Finnlines Plc, 2000–2002; UPM-Kymmene Corporation, 2000–2001; Corporation Member of the Finnish Association of Professional Board Members

Shares 2,895

Malin Persson b. 1968

Board member since 2005 and member of the Nomination and Compensation Committee since 2005
Independent of the company
M.Sc. (Eng.)

Primary working experience
President and CEO, Volvo Technology Corporation; previously holder of various positions including Vice President, Corporate Strategy and Business Development, AB Volvo; Vice President, Business & Logistics Development, Volvo Logistics Corp.

Other key positions of trust
Chairman of the Council of Technology Management and Economics at the Chalmers University of Technology; Member of the Boards of Hexpol AB, Volvo Trucks AB, Volvo Technology Transfer AB, Universeum AB

Shares 1,895

Timo Poranen b. 1943

Board member since 1994 and member of the Nomination and Compensation Committee since 2004
Independent of the company
M.Sc. (Eng.)

Primary working experience
CEO, Finnish Forest Industries Federation, 1998–2005; Vice President, Metsäliitto Corporation, 1996–1998; CEO, Metsä-Serla Corporation, 1990–1996; CEO, Metsä-Botnia Ab 1986-1990, holder of various executive positions within production, 1974–1986

Other key positions of trust
Member of the Finnish Association of Professional Board Members

Shares 2,895

Mikael Silvennoinen b. 1956

Board member since 2008
Independent of the Company
M.Sc. (Econ.; Finance and Accounting)

Primary working experience
President and CEO of Pohjola Bank Plc and a member of the Group's Executive Board since 1997

Other key positions of trust
Chairman of the Board of Pohjola Insurance Group Plc and a member of the Steering Committee of Unico Banking Group

Shares: 679

Lennart Simonsen b. 1960

Secretary to the Board (not a member) 1995–2004, 2005–; member of the Konecranes Board in 2004. LL.M.

Primary working experience
Managing Partner of Roschier, Attorneys Ltd, 2001-2009; Associate of Roschier, Attorneys Ltd., 1999–2001; Managing Partner of Castrén & Snellman, 1997–1999; Associate of Castrén & Snellman, 1992–1996; Director of Pietarsaari Tax District, 1986–1991

Shares: –

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FINANCIAL STATEMENTS

MARKET REVIEW

Despite uncertainties in financial markets, 2008 began strongly and industrial output grew rapidly in Konecranes' core market areas. The solid economic situation was reflected positively on customer industries, especially in power, mining, steel and other metal industries and in petrochemicals and waste-to-energy.

Signs of a slowdown in industrial growth began to emerge during the year. In the US, the industrial production started to decline already during the early months of the year whereas the turn in the market in Europe started somewhat later in the early summer. In the Asia-Pacific region (APAC), industrial production continued robust until the last months of the year. Container traffic began to slow down especially towards the end of the year.

The declining industrial activity and confidence was not visible in the investment activity of Konecranes' major customer industries until in the fourth quarter 2008, when the difficulties in the financial markets flared into a worldwide economic crisis. However, activity in ports and shipyards was, as anticipated, lower than in the year before due to very high investments in the past couple of years. Customers willingness for service contracts stayed stable.

Input costs, especially for steel, labor and transportation, continued to increase until the late autumn. The price of the lifting equipment industry's most important material, steel, began to fall perceptibly at the end of the third quarter and the pressure also eased for other input costs. The US dollar continued its steep decline against the euro until the end of summer 2008, after which it began to rise. The dollar is the most important currency for Konecranes' business through a combination of the translational effect and transactional exposure.

The outlook for the world economy turned sharply during the final quarter of 2008. Unlike previous cycles, this economic slowdown is not just affecting certain markets and industries but the crisis has now spread almost everywhere.

Note: Unless otherwise stated, the figures in brackets in the sections below refer to the same period in the previous year.

ORDERS RECEIVED

In 2008 orders received continued to grow and totaled EUR 2,067.1 million (1,872.0) representing growth of 10.4 percent. Backed up by the excellent development until late autumn, orders received increased in Service by 5.6 percent, in Standard Lifting by 15.6 percent and in Heavy Lifting by 10.6 percent compared with a year earlier. Order intake increased in EMEA in all Business Areas. In APAC, both Service and Standard Lifting showed very healthy growth figures but Heavy Lifting orders declined due to slacking shipyard activity. In Americas, order intake declined especially due to decrease in ports orders.

Fourth-quarter order intake declined by 13 percent from a year earlier but was still on a reasonable level at EUR 409.6 million (471.0). Order intake increased in Service, which was supported by well performing crane and machine tool services. Within Standard Lifting and Heavy Lifting order intake decreased clearly due to slower demand.

Regionally, fourth quarter order intake in Service increased in Americas and was flat in EMEA and APAC together. Order intake declined clearly for both Standard and Heavy Lifting equipment in EMEA and APAC. Continued good demand from general manufacturing and a few good port orders supported Standard and Heavy Lifting orders in Americas and new equipment orders stayed at the previous year's level.

In the fourth quarter, also orders from emerging markets declined clearly compared with the third quarter especially due to less orders from Russia. On annual level, the share of emerging markets of all orders was slightly more than 30 percent.

ORDER BOOK

The value of the order book at year-end 2008 totaled EUR 836.3 million (757.9), which is 10.3 percent higher than at end 2007. The high level of deliveries in the fourth quarter was visible in the order book, which decreased by 21.5 percent from the third quarter when it stood at EUR 1,065.2 million. Cancellations increased in the fourth quarter slightly from normal levels but were still less than 2 percent of the total order book. The split of Business Areas in the year-end order book was as follows: Service EUR 117.3 million (14 percent), Standard Lifting EUR 327.9 million (38 percent) and Heavy Lifting EUR 420.2 million (49 percent).

SALES

Group sales in full year 2008 grew by 20.2 percent and totaled EUR 2,102.5 million (1,749.7), thus meeting the set growth target of 15–20 %. Higher prices accounted for slightly less than 4 percentage points of the sales growth. Of the Business Areas, Standard Lifting showed the highest growth with 30.8 percent. Heavy Lifting sales grew by 23.1 percent and Service by 9 percent compared with 2007.

Fourth-quarter sales grew by 24.4 percent and were EUR 650.4 million (522.8) compared with the corresponding period in 2007. Service sales grew by 16.6 percent, Standard Lifting by 37.2 percent and Heavy Lifting by 19.2 percent.

In 2008, the regional breakdown was as follows: EMEA 57 (54), Americas 28 (34) and APAC 14 (12) percent.

Net sales by region, MEUR

	10–12/ 2008	10–12/ 2007	Change percent	Change % at comparable currency rates	1–12/ 2008	1–12/ 2007	Change percent	Change % at comparable currency rates
EMEA	380.3	297.6	27.8	29.3	1,207.5	951.4	26.9	30.0
AME	178.1	159.6	11.6	15.4	591.7	589.7	0.3	6.3
APAC	92.0	65.6	40.3	41.2	303.3	208.6	45.4	47.3
Total	**650.4**	**522.8**	**24.4**	**26.7**	**2,102.5**	**1,749.7**	**20.2**	**24.3**

CURRENCY RATE EFFECT

Year-on-year order intake growth in 2008 at comparable currency rates was 14.3 percent whereas the reported growth was 10.4 percent. The corresponding growth figures for sales were 24.3 and 20.2 percent respectively.

In the fourth quarter, compared with the corresponding period in 2007, Group order intake at comparable currency rates declined by 11.0 percent whereas the reported decrease was 13.0 percent. The fourth quarter growth figures for sales were 26.7 and 24.4 percent respectively. Of the Business Areas, Service was most affected by the stronger euro rate, with order growth of 10.1 percent and sales growth of 19.8 percent at comparable currency rates, compared with 4.5 and 16.6 respectively in reported growth. Of the regions, the currency rate effect was most visible in Americas where sales growth at comparable currency rate was 15.4 percent compared with the reported growth of 11.6 percent.

The change in currency rates from 2007 to 2008 impacted both Group's full year and fourth quarter operating margin negatively by approximately 1 percentage point.

FINANCIAL RESULT

Note! The full year 2007 comparison figures include the capital gain on the sale of real estate booked in the second quarter 2007 financials. The effect of the capital gain on the operating profit and profit before taxes is EUR 17.6 million, on the net profit EUR 13.0 million, and on the earnings per share EUR 0.22.

The full year 2008 consolidated operating profit totaled EUR 248.7 million (192.3). Profitability improved in all Business Areas and operating profit increased by EUR 56.4 million and the consolidated operating margin rose to 11.8 percent (11.0). Comparable operating margin in 2007 excluding the capital gain was 10 percent.

Fourth-quarter operating profit rose to EUR 76.5 million (60.4) and the operating margin was 11.8 percent (11.6). All Business Areas contributed to the increase. The operating margin was 15.1 percent in Service (14.6). The operating margin in Standard Lifting was 15.7 percent (15.5) and 8.6 percent in Heavy Lifting (8.1). The net effect of higher prices and input costs in the fourth quarter was flat.

The share of the result of associated companies and joint ventures was EUR -3.9 million (0.7). The negative change was due to exchange rate differences in the Ukrainian associated company during the fourth quarter 2008.

Net financial expenses totaled EUR 8.6 million (14.3). Net interest expense was EUR 5.9 million (8.5). The remainder was mainly attributable to exchange rate differences related to USD/EUR hedges.

- Profit before taxes was EUR 236.2 million (178.8).
- Income taxes were EUR 69.6 million (49.6).
  The Group's effective tax rate was 29.5 percent (27.8).
- Net profit was EUR 166.6 million (129.2).
- Diluted earnings per share were EUR 2.82 (2.13).

Return on capital employed was 56.3 percent (50.4) and return on equity 48.9 percent (51.2). Excluding the impact of the capital gain arising from the real estate sale, the comparable return on capital employed was 46.2 percent and the return on equity was 47.3 per cent in 2007.

BALANCE SHEET

The year-end consolidated balance sheet amounted to EUR 1,205.4 million, which was EUR 248.5 million higher than at year-end 2007 and EUR 25.6 million higher than at end September 2008. Total equity at the end of the report period was EUR 400.7 million (280.8). Total equity attributable to equity holders of the parent company at year-end 2008 was EUR 398.8 million (280.7) or EUR 6.75 per share (4.80).

From the end of the third quarter 2008, net working capital increased by EUR 20.7 million to EUR 263.8 million at year-end 2008. The increase in net working capital was mainly related to a lower level of the advanced payments received.

CASH FLOW AND FINANCING

Net cash flow from operating activities in full year 2008 was EUR 107.1 million (183.5), representing EUR 1.82 per diluted share (3.03). In the fourth quarter, net cash flow from operating activities was EUR 33.5 million (96.9) and before financing activities 24 MEUR positive, despite lower level of advance payments received and increase in accounts receivable.

Year-end interest-bearing net debt decreased to EUR 11.3 million from EUR 31.1 million at end September 2008. Interest-bearing net debt at end December 2007 was EUR 19.7 million. The solidity was 39.9 percent (36.1) and gearing 2.8 percent (7.0).

The Group's liquidity remained healthy. At year-end 2008, cash and cash equivalents amounted to EUR 100.9 million. The Group has a EUR 200 million committed backup financing facility to secure running liquidity. At year-end 2008, EUR 60 million was in use. The amount in use at year-end 2007 was EUR 27.2 million.

Konecranes paid its shareholders dividends amounting to EUR 46.8 million or EUR 0.80 per share in March 2008.

CAPITAL EXPENDITURE

In 2008, capital expenditure excluding acquisitions amounted to EUR 22.3 million (25.2). This amount consisted mainly of replacement or capacity expansion investments on machines, equipment and information technology. Capital expenditure including acquisitions was EUR 41.9 million (42.6).

Fourth quarter capital expenditure excluding acquisitions was EUR 3.4 million (7.1) and including acquisitions EUR 6.7 million (7.3).

ACQUISITIONS

In 2008, EUR 19.6 million was spent on a total of 12 acquisitions. Net assets of the acquired companies were recorded at EUR 14.7 million and goodwill of EUR 4.9 million was booked from the acquisitions. During the fourth quarter EUR 3.2 million was spent on 3 acquisitions to support the Service strategy. Non-organic growth of sales was approximately 3 percentage points in full year and in the fourth quarter 2008.

In November a letter of intent was signed to purchase a majority holding in the Chinese hoist and lifting equipment manufacturer SANMA. It is estimated that the deal will be finalized in early 2009 after which the current owners continue as minority shareholders.

PERSONNEL

In 2008 the Group employed an average of 9,222 people (8,005). At 31 December, the headcount was 9,904 (8,404). The number of personnel increased by 426 through acquisitions. At year-end 2008 the number of personnel by Business Area was as follows: Service 5,372 employees (4,436), Standard Lifting 2,808 employees (2,479), Heavy Lifting 1,439 employees (1,272) and Group staff 285 (217). The Group had 5,658 employees (4,745) working in EMEA, 2,619 (2,464) in the Americas and 1,627 (1,195) in the APAC region.

In 2008, the total amount of wages and salaries including bonuses paid by the Group was EUR 367.2 million (321.1).

The results of the 2008 personnel satisfaction survey covering all of Konecranes showed a positive development when compared with the 2007 survey. Job satisfaction had improved in almost all categories. The survey will be repeated in fall 2009.

At the end of 2008, an extensive training program on job safety was initiated. The program corresponds in scope and content to the Center For Occupational Safety certificate training used in Finland and covers the entire staff. In 2008, particular attention was also paid to technical training and global service Branch Management training.

BUSINESS AREAS

Change in reporting method

As of January 1, 2008 all the services and spare parts business is reported in the Service Business Area. The Business Area figures for 2007 have been restated for better comparability.

Service

	10–12/ 2008	10–12/ 2007	Change percent	1–12/ 2008	1-12/ 2007*	Change percent
Orders received, MEUR	159.3	152.4	4.5	658.2	623.4	5.6
Order book, MEUR	117.3	109.3	7.3	117.3	109.3	7.3
Sales, MEUR	220.6	189.1	16.6	754.3	692.2	9.0
Operating profit, MEUR	33.3	27.6	20.9	106.2	91.9	15.6
Operating margin, %	15.1%	14.6%		14.1%	13.3%	
Personnel	5,372	4,436	21.1	5,372	4,436	21.1

*The operating profit and operating margin are presented excluding the EUR 0.8 million capital gain booked in Q2 2007.

Full year 2008 orders received totaled EUR 658.2 million (623.4), showing growth of 5.6 percent. Performance was good in all service operations, with machine tools services and port services showing very high growth. Of regions, performance was strongest in EMEA and APAC. The order book increased to EUR 117.3 million (109.3) at year-end, representing growth of 7.3 percent. Sales rose by 9.0 percent to EUR 754.3 million (692.2). Operating profit was EUR 106.2 million (91.9) and the operating margin 14.1 percent (13.3). Profitability was improved through better prices, efficiency improvements as well as good fixed cost control.

The contract base developed favorably, in terms of both value and number of units. At year-end 2008 the total number of equipment included in the maintenance contract base increased to 359,811 from 292,139 a year before. The annual value of the contract base increased to EUR 124.1 million from EUR 106.2 million respectively. The retention rate for maintenance contracts was more than 90 percent.

Fourth quarter order intake increased by 4.5 percent and totaled EUR 159.3 million (152.4). Order intake increased in Americas and was flat in EMEA and APAC together. Order intake declined by 6.3 percent compared with the third quarter 2008, mainly due to slower overall demand in EMEA and APAC. Americas' performance was more stable.

Fourth-quarter sales totaled EUR 220.6 million (189.1). The growth of 16.6 percent was supported by all regions but was strongest in Americas.

Fourth-quarter operating profit rose to EUR 33.3 million (27.6), and the operating margin to 15.1 percent (14.6).

The number of service technicians at year-end 2008 was 3,684, which is 499 and 16 percent more than at year-end 2007. In 2008, the number of technicians increased through acquisitions by 180.

Standard Lifting

	10–12/ 2008	10–12/ 2007	Change percent	1–12/ 2008	1-12/ 2007*	Change percent
Orders received, MEUR	168.9	184.2	-8.3	859.0	743.3	15.6
Order book, MEUR	327.9	270.9	21.1	327.9	270.9	21.1
Sales, MEUR	256.4	186.9	37.2	835.4	638.9	30.8
Operating profit, MEUR	40.3	29.0	38.7	140.0	90.4	54.9
Operating margin, %	15.7%	15.5%		16.8%	14.2%	
Personnel	2,808	2,479	13.3	2,808	2,479	13.3

*The operating profit and operating margin are presented excluding the EUR 8.9 million capital gain booked in Q2 2007.

Full year 2008 orders received increased by 15.6 percent and totaled EUR 859.0 million (743.3). Total order intake was somewhat overbalanced by components compared with the mix in 2007. All regions contributed to the increase but growth was especially strong in components in APAC. The order book increased to EUR 327.9 million (270.9) at year-end 2008, representing growth of 21.0 percent. The order book corresponds to around 5 months of sales. Sales rose by 30.8 percent to EUR 835.4 million (638.9). Operating profit was EUR 140.0 million (90.4) and operating margin 16.8 percent (14.2). Profitability was supported by efficiency improvement and product mix that favored components on the yearly level.

Order intake in the fourth quarter decreased by 8.3 percent and totaled EUR 168.9 million (184.2) due to the decline in demand for industrial cranes. Development in components was positive. Of the regions, order intake development in Americas was positive whereas order intake declined in EMEA and APAC. Compared with the third quarter 2008, order intake decreased by 24.3 percent due to slower demand in all regions.

The high level of deliveries in the fourth-quarter was reflected in sales, which totaled EUR 256.4 million (186.9), representing 37.2 percent growth. During the quarter the sales mix was favored by crane deliveries.

Fourth-quarter operating profit was EUR 40.3 million (29.0) and the operating margin 15.7 percent (15.5). Profitability was somewhat depressed by the balance in product mix.

Heavy Lifting

	10–12/ 2008	10–12/ 2007	Change percent	1–12/ 2008	1–12/ 2007*	Change percent
Orders received, MEUR	116.4	165.3	-29.6	686.0	620.4	10.6
Order book, MEUR	420.2	406.1	3.5	420.2	406.1	3.5
Sales, MEUR	219.8	184.4	19.2	659.4	535.7	23.1
Operating profit, MEUR	18.8	15.0	25.3	53.6	31.6	69.6
Operating margin, %	8.6%	8.1%		8.1%	5.9%	
Personnel	1,439	1,272	13.1	1,439	1,272	13.1

*The operating profit and operating margin are presented excluding the EUR 7.9 million capital gain booked in Q2 2007.

Full year 2008 orders received totaled EUR 686.0 million (620.4), showing growth of 10.6 percent. A substantial decrease in port and shipyard orders in Americas and APAC was compensated by good orders for port equipment in EMEA. Year-on-year, process crane orders increased markedly especially in Americas and in EMEA. The order book increased to EUR 420.2 million (406.1) at year-end 2008, representing growth of 3.5 percent. The order book corresponds to about 8-9 months of sales. Sales rose by 23.1 percent to EUR 659.4 million (535.7). Operating profit was EUR 53.6 million (31.6) and operating margin 8.1 percent (5.9). Higher margin was supported by product mix that favored port equipment and increased profitability of process cranes due to especially improved project cost management.

Order intake in the fourth quarter was 29.6 percent less than a year ago and totaled EUR 116.4 million (165.3). The decrease stems from slacking demand for both port and process cranes. Despite good-size port orders in the fourth quarter, order intake decreased by 26.8 percent compared with the third quarter.

Fourth-quarter sales totaled EUR 219.8 million (184.4), representing 19.2 percent growth.

Fourth-quarter operating profit increased to EUR 18.8 million (15.0) and the operating margin was 8.6 percent (8.1).

Group Overhead

Unallocated Group overhead costs in 2008 were EUR 47.2 million (36.8), representing 2.2 percent of sales (2.1).

CHANGES IN GROUP MANAGEMENT

Mr Pekka Lettijeff started on February 1, 2008 as Chief Procurement Officer (CPO) and as a member of Konecranes Group Executive Board. His areas of responsibility include all direct and indirect purchasing across the Konecranes Group.

ADMINISTRATION

Konecranes Annual General Meeting, held on 13 March, 2008, approved the company's Financial Statements for the fiscal year 2007 and discharged the Board and Managing Director from liability.

The AGM approved the proposal of the Nomination and Compensation Committee that seven of the eight members of the Board of Directors be re-elected. Mr. Stig Stendahl had announced that he was not available for re-election. Mr. Mikael Silvennoinen was elected as a new member. The Board of Directors elected in the AGM in 2008 comprises Mr. Svante Adde, Mr. Stig Gustavson, Mr. Matti Kavetvuo, Ms. Malin Persson, Mr. Timo Poranen, Mr. Björn Savén, Mr. Kim Gran and Mr. Mikael Silvennoinen. The term of the Board ends at the next AGM, which will be held on March 12, 2009.

The Board of Directors elected Stig Gustavson to continue as Chairman, and Björn Savén to continue as Vice Chairman. Svante Adde was elected Chairman of the Audit Committee, and Matti Kavetvuo, Kim Gran and Mikael Silvennoinen as Committee members. Björn Savén was elected Chairman of the Nomination and Compensation Committee, and Stig Gustavson, Timo Poranen and Malin Persson were elected Committee members.

The AGM confirmed that Ernst & Young Oy continue as the Company's external auditors.

SHARE CAPITAL AND SHARES

The company's registered share capital at year-end 2008 totaled EUR 30.1 million. At year-end 2008, the number of shares including treasury shares totaled 61,612,320. In January 2008, Konecranes repurchased 69,600 company's own shares on the basis of the authorization of the 2007 AGM and the decision of Konecranes Board in 2007. At year-end 2008, Konecranes held a total of 2,542,600 treasury shares, which corresponds to 4.1 percent of the total number of shares and which at that date had a market value of EUR 30.7 million.

The AGM in March 2008 authorized the Board of Directors to resolve to repurchase a maximum of 6,097,878 of the company's own shares. The authorization is valid until the next Annual General Meeting of Shareholders, however no longer than until 12 September 2009. The Board of Directors did not exercise this authorization to buy own shares during 2008.

The AGM in March 2008 authorized the Board of Directors to resolve upon share issue as well as upon issue of stock option rights, convertible bonds and other special rights entitling to shares. Shares issued on the basis of the authorization are new shares of the company. The authorization is limited to issuance of a maximum of 12,195,756 shares. The authorization does not concern resolving upon a personnel stock option plan. The Board of Directors did not exercise this authorization during 2008.

Details of the authorizations are explained in more detail in the release covering the resolutions of the AGM, which is available on the company's website at www.konecranes.com.

SHARES SUBSCRIBED FOR UNDER THE STOCK OPTION RIGHTS

Pursuant to Konecranes' stock option plans, 633,540 new shares were subscribed for and registered in the Finnish Trade Register in 2008, of which 188,300 during the fourth quarter. As a result of these subscriptions, the total number of Konecranes shares (including treasury shares) increased to 61,612,320 shares.

The stock options issued under Konecranes Plc's ongoing stock option plans at year-end 2008 entitle holders to subscribe a total of 2,368,200 shares, which would increase the total number of Konecranes shares (including treasury shares) to 63,980,520. The option programs include approximately 160 key persons.

All shares carry one vote per share and equal rights to dividends.

The terms and conditions of the stock option programs are available on Konecranes' website at www.konecranes.com.

MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for Konecranes Plc's shares on December 31, 2008 was EUR 12.08. The volume-weighted average share price in 2008 was EUR 21.05, the highest price being EUR 32.50 in May and the lowest EUR 9.90 in November. In 2008, the trading volume totaled about 172 million Konecranes Plc's shares, corresponding to a turnover of approximately EUR 3,610 million and a turnover rate of 290 percent of the total number of outstanding shares. The daily average trading volume was 681,583 shares, representing a daily average turnover of EUR 14.3 million.

On December 31, 2008, the total market capitalization of Konecranes Plc's shares was EUR 744.3 million including treasury shares held by the company and EUR 713.6 million excluding treasury shares.

FLAGGING NOTIFICATIONS

On February 28, 2008, Barclay Global Investors UK Holdings Ltd informed Konecranes that the total number of shares owned by the group totaled 3,444,786, corresponding to 5.64 percent of the paid up share capital of Konecranes.

On October 9, 2008, Barclay Global Investors UK Holdings Ltd informed Konecranes that the total number of shares owned by the group totaled 2,999,322, corresponding to 4.88 percent of the paid up share capital of Konecranes.

On October 16, 2008, Ilmarinen Mutual Pension Insurance Company informed Konecranes that the total number of shares owned by the group totaled 3,126,689, corresponding to 5.09 percent of the paid up share capital of Konecranes.

No other disclosures of changes in holdings were received until the release of this report.

RESEARCH AND DEVELOPMENT

In 2008, Konecranes' research and product development expenditure totaled EUR 19.0 (16.2) million, representing 0.9 (0.9) percent of sales. R&D expenditure includes product development projects aimed at improving the quality and cost efficiency of both products and services.

The focus of R&D is on delivering safety and environmental features that will last for the entire lifetime of the product, as well as increasing their level of automation and integration. Energy saving frequency converter technology is standard on Konecranes equipment: modern frequency converters can transfer up to 70 percent of braking energy back to the grid. Modularity is another important goal, which is the basis of the supply-chain concept. In addition to its own R&D, Konecranes works closely with customers, industry research establishments and universities.

ENVIRONMENTAL ISSUES

Konecranes' environmental activities are based on lifecycle thinking. The Group's involvement with environmental impacts is mainly related to the use of the products it manufacturers. Thus, high priority is given to developing products and services that have low emissions and high efficiency. In fact, more than 98 percent of the material in a typical Konecranes crane is recyclable, while Konecranes' range of hoists and lifting trolleys are industry pioneers when it comes to effective use of space. Preventive service keeps customers' production processes moving and minimizes unscheduled downtime, which reduces customers' environmental impact.

Efforts are also taken to achieve sustainable development in Konecranes Group's own operations through its raw materials, processes, products, wastes and emissions by making use of the latest technical advances. The company also prioritizes developing the environmental awareness of both its own personnel and partners, with the aim of making environmental protection a natural part of day-to-day operations in all activities. The Group's almost 4,000 service personnel generally use low-consumption diesel vehicles at work that are serviced regularly.

RISK MANAGEMENT

The Group's risk management principles provide a basic framework for risk management in Konecranes. According to these principles, risk management is a continuous and systematic activity aiming to protect from personal injury, safeguard the assets of all Group companies and the whole Group, and ensure a stable and profitable financial performance. By minimizing losses due to realized risks, and optimizing the costs of risk management, the long-term competitiveness of the Group companies and the whole Group are safeguarded.

The Group functions co-ordinate and consult in issues related to risk management, and decide on how to handle methods for joint or extensive risk management (e.g. global insurance programs, Group treasury, IT infrastructure and system architecture). In order to utilize the best possible local knowledge, each Group company or operating unit is responsible for its own risk management.

The Internal Audit function that evaluates the efficiency of the risk management, control and governance processes in Konecranes, is an independent, objective assurance and consulting activity, which assists the organization in achieving its objectives. The Internal Audit function operates according to an audit plan approved by the Board's Audit Committee. Internal Audit working methods are based on the professional standards confirmed by IIA (the Institute of Internal Auditors).

Risk is defined as any internal or external threat or uncertainty that may clearly affect Konecranes' ability to achieve its business objectives and execute its strategies. Risks are classified into strategic and business risks and financial, operational and hazard risks. According to the risk management principles, the Group also continuously reviews its insurance policies as part of its overall risk management.

The demand for Konecranes' products and services correlates with changes in the macroeconomic operating environment. Service is considered less cyclical than the new equipment business, which for its part is considered to be late-cyclical. During 2008 the Group Executive Board made various assessments of the impact of the changes in the operating environment on Konecranes' balance sheet and profitability. First stress scenarios were made in early 2008 and they have been updated with potential action plans after that.

A more detailed list and discussion of risks assessed by the Group is available on the company's website at www.konecranes.com.

The ongoing development of the Group's operational model from traditional manufacturing to increasingly supply chain driven activity creates various risks. In order to better manage the conceivable risks and to better handle the global supply chain, the organization has been developed accordingly.

From the beginning of 2008, Konecranes' global procurement has been under the responsibility of the Chief Procurement Officer who is responsible for all direct and indirect purchases within the Group. The global procurement function aims at streamlining Konecranes' supplier and subcontractor structure and also at dealing with possible availability, continuity and sustainability risks. The current economic situation has made Konecranes pay increased attention to the financial status of key subcontractors and vendors.

Special attention is also being paid to the management of production capacity, operational efficiency, continuity and quality. Since early 2008, the Group's crane supply chain and component making operations are developed and coordinated jointly under the New Equipment Business Areas, in order to achieve the most cost-effective management of production and other supply chain operations globally.

In order to provide a more consistent view of global quality management, efforts were also put into standardizing the Group's global quality reporting during 2008. The importance of high quality has been stressed at all training in the sales, delivery and service processes.

A worldwide safety network was created during 2008, with a person responsible for security appointed to every main office. This network enabled the integration and harmonizing of group-wide safety issues. A company-wide safety management and monitoring system, which is coordinated at Group level by a specially appointed safety manager, was also adopted. During 2008 a safety audit was carried out at all Konecranes main production facilities, making sure in particular that the management and reporting of accidents, fire safety and evacuation procedures were up to date and in accordance with regulations. Safety audits will continue in 2009 with new safety elements included, such as the analysis and reporting of "near miss" incidents.

Konecranes uses an approach where most of the management of financial risks is handled in Konecranes Treasury. A centralized system and netting of internal foreign currency cash flows minimizes the external hedging needs. The Group's global business operations involve financial risks in the form of market, credit and liquidity risks. The most significant market risk is currency risk related to both foreign currency transaction and translation risk. The US dollar clearly has the biggest impact.

Since the uncertainty in the financial markets started to escalate in late 2008, special attention is being paid to several issues such as contract management, securing customer payments and cash management in order to minimize the Group's exposure to a financial risk being realized.

SHORT-TERM RISKS

The Group's principal short-term risks and uncertainties are derived from a potential further deterioration of the world economy. Decrease in demand for Konecranes' products and services may have negative effect on the Group's sales volume and pricing power, and thus lead to decreasing profits and possible impairment of goodwill and other assets.

The shortage of credit may cause difficulties to Konecranes' customers, suppliers as well as financial and other counterparties. The risk may be realized as credit losses, inventory obsolescence, shortage of supplies or defaulting liabilities. Thus, a special attention in the Group has been drawn to securing customer payments and requiring strict terms of possible customer postponements. Increased attention is also being paid to the financial status of key subcontractors and vendors.

Continuing financial crises may also lead to challenges in securing liquidity. Even if Konecranes has not faced difficulties in financing its business operations, the Group aims to keep more cash in the balance sheet than normally. Konecranes is supported by its solid financial position and strong balance sheet in securing its liquidity.

Challenges in financing may lead customers to postpone projects or even to cancel existing orders. Currently the stringency has mainly been visible as prolonged decision making and increased postponements of orders. Konecranes is paying increased attention to order book quality and the status of orders is being followed continuously.

Currency rate fluctuations may significantly affect the company's performance. The USD/EUR exchange rate has the largest impact on financial performance through a combination of the translational effect and transactional exposure. The combined impact of a depreciation of one percentage point in the USD/EUR rate is somewhat more than EUR -1 million in operating profit annually, excluding the effect of currency hedging.

LITIGATIONS

Various legal actions, claims and other proceedings are pending against the Group in various countries. These actions, claims and other proceedings are typical for this industry and consistent with a global business offering that encompasses a wide range of products and services. These matters involve contractual disputes, warranty claims, product liability (including design defects, manufacturing defects, failure to warn and asbestos legacy), employment, auto liability and other matters involving claims of general liability.

While the final outcome of these matters cannot be predicted with certainty, Konecranes is of the opinion, based on the information available to date and considering the grounds presented for such claims, available insurance coverage and the reserves made, that the outcome of such actions, claims and other proceedings, if unfavorable, would not have a material adverse impact on the financial condition of the Group.

FUTURE PROSPECTS

Due to the widespread recession, the market for new equipment is anticipated to decline significantly in Western Europe and in North America and to a lesser extent in the emerging markets in 2009. The services market is anticipated to continue to show a better stability than the new equipment market. Actions to adjust capacity and cost base to a lower demand are under way. Company's target is to continue to grow its market share in the downturn, which could partly compensate for the negative effects of the market decline.

The current market uncertainty makes it difficult to give any reliable sales or profitability guidance for the full year 2009 at this stage. However, based on the current order book and the outlook for the order intake in the near future, Konecranes estimates sales in the first half of the year to be approximately at the same level as in the corresponding period a year before. Operating margin is estimated to be somewhat lower than in the corresponding period in 2008. However, Konecranes sees no reason to change its long term growth goals and repeats its over the cycle operating margin target of 10 percent.

BOARD OF DIRECTORS' PROPOSAL FOR DISPOSAL OF DISTRIBUTABLE FUNDS

The parent company's non-restricted equity is EUR 199,154,467.59 of which the net income for the year is EUR 186,681,722.47.

The Group's non-restricted equity is EUR 328,378,000.

According to the Finnish Companies Act, the distributable funds of the company are calculated based on the parent company's non-restricted equity. For the purpose of determining the amount of the dividend the Board of Directors has assessed the solvency of the parent company and the economic circumstances subsequent to the financial year end.

Based on such assessments the Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.90 will be paid on each share and that the remaining non-restricted equity is retained in shareholders' equity.

Helsinki, February 4, 2009
Konecranes Plc
Board of Directors

CONSOLIDATED STATEMENT OF INCOME – IFRS

(1,000 EUR)		1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Note:			
4,6,7	**Sales**	**2,102,496**	**1,749,725**
8	Other operating income	6,335	20,334
10	Depreciation and impairments	-26,558	-24,634
11–13	Other operating expenses	-1,833,525	-1,553,088
	Operating profit	**248,748**	**192,337**
20	Share of associates' and joint ventures' result	-3,945	719
14	Financial income and expenses	-8,608	-14,264
	Profit before taxes	**236,195**	**178,792**
15	Taxes	-69,641	-49,639
	Net profit for the period	**166,554**	**129,153**
	Net profit for the period attributable to		
	Shareholders of the parent company	166,439	129,153
	Minority interest	115	0
16	Earnings per share, basic (EUR)	2.83	2.17
16	Earnings per share, diluted (EUR)	2.82	2.13

(1,000 EUR) Note:	ASSETS	31 Dec 2008	31 Dec 2007
	Non-current assets		
17	Goodwill	57,808	56,782
18	Other intangible assets	62,498	59,352
19	Property, plant and equipment	69,481	61,904
	Advance payments and construction in progress	5,408	4,695
20	Investments accounted for using the equity method	7,407	6,274
21	Available-for-sale investments	1,944	2,425
	Long-term loans receivable	1,843	1,716
32	Deferred tax assets	31,931	24,876
	Total non-current assets	**238,320**	**218,024**
	Current assets		
22	Inventories	333,151	251,243
24	Accounts receivable	398,314	328,008
	Loans receivable	353	221
25	Other receivables	40,788	18,886
26	Deferred assets	93,559	84,593
27	Cash and cash equivalents	100,910	55,958
	Total current assets	**967,075**	**738,909**
	TOTAL ASSETS	**1,205,395**	**956,933**

CONSOLIDATED BALANCE SHEET – IFRS

(1,000 EUR) Note:	EQUITY AND LIABILITIES	31 Dec 2008	31 Dec 2007
	Equity attributable to equity holders of the parent company		
	Share capital	30,073	30,073
	Share premium account	39,307	39,307
	Share issue	131	0
38	Fair value reserves	914	3,326
	Translation difference	-17,383	-12,872
	Paid in capital	7,258	4,709
	Retained earnings	172,064	87,041
	Net profit for the period	166,439	129,153
28	**Total equity attributable to equity holders of the parent company**	**398,803**	**280,737**
	Minority interest	1,893	70
	Total equity	**400,696**	**280,807**
	Liabilities		
	Non-current liabilities		
30,35	Interest-bearing liabilities	102,816	45,749
31	Other long-term liabilities	56,323	57,281
32	Deferred tax liabilities	18,428	15,782
	Total non-current liabilities	**177,567**	**118,812**
33	Provisions	46,786	37,247
	Current liabilities		
30,35	Interest-bearing liabilities	11,622	31,846
7	Advance payments received	201,055	179,122
	Progress billings	3,961	2,664
	Accounts payable	135,205	120,394
34	Other short-term liabilities (non-interest bearing)	23,640	22,757
34	Accruals	204,863	163,284
	Total current liabilities	**580,346**	**520,067**
	Total liabilities	**804,699**	**676,126**
	TOTAL EQUITY AND LIABILITIES	**1,205,395**	**956,933**

(1,000 EUR)	Equity attributable to equity holders of the parent company									
	Share capital	Share premium account	Share issue	Fair value reserves	Translation difference	Paid in capital	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January, 2007 (IFRS)	**30,039**	**38,975**	**0**	**3,660**	**-5,793**	**511**	**156,279**	**223,672**	**65**	**223,736**
Option exercised	34	332				6,356		6,722		**6,722**
Share issue										**0**
Dividends paid to equity holders							-26,731	-26,731		**-26,731**
Cash flow hedge										
recorded in equity, net of tax				-4,511				-4,511		**-4,511**
transferred to statement of income, net of tax*				4,177				4,177		**4,177**
Translation difference					-7,079			-7,079	5	**-7,074**
Share based payments recognized against equity							1,320	1,320		**1,320**
Purchase of treasury shares						-2,159	-43,827	-45,986		**-45,986**
Business combinations										**0**
Net profit for the period							129,153	129,153		**129,153**
Balance at 31 December, 2007 (IFRS)	**30,073**	**39,307**	**0**	**3,326**	**-12,872**	**4,709**	**216,194**	**280,737**	**70**	**280,807**
Balance at 1 January, 2008 (IFRS)	**30,073**	**39,307**	**0**	**3,326**	**-12,872**	**4,709**	**216,194**	**280,737**	**70**	**280,807**
Option exercised						4,146		4,146		**4,146**
Share issue			131					131		**131**
Dividends paid to equity holders							-46,797	-46,797		**-46,797**
Dividends paid to minority interest									-54	**-54**
Cash flow hedge										
recorded in equity, net of tax				-4,062				-4,062		**-4,062**
transferred to statement of income, net of tax*				1,650				1,650		**1,650**
Translation difference					-4,511			-4,511	-6	**-4,517**
Share based payments recognized against equity							2,667	2,667		**2,667**
Purchase of treasury shares						-1,597		-1,597		**-1,597**
Business combinations									1,768	**1,768**
Net profit for the period							166,439	166,439	115	**166,554**
Balance at 31 December, 2008 (IFRS)	**30,073**	**39,307**	**131**	**914**	**-17,383**	**7,258**	**338,503**	**398,803**	**1,893**	**400,696**

*Cash flow hedge which is transferred to statement of income is recognized in sales.

CONSOLIDATED CASH FLOW STATEMENT – IFRS

(1,000 EUR) Note:		1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
	Cash flow from operating activities		
	Net income	166,554	129,153
	Adjustments to net profit for the period		
	Taxes	69,641	49,639
	Financial income and expenses	8,885	14,456
	Share of associates' and joint ventures' result	3,945	-719
	Dividends income	-277	-192
	Depreciation and impairments	26,558	24,634
	Profits and losses on sale of fixed assets	-585	-18,025
	Other adjustments	427	-200
	Operating income before change in net working capital	**275,148**	**198,746**
	Change in interest-free short-term receivables	-92,054	-14,880
	Change in inventories	-77,286	-28,281
	Change in interest-free short-term liabilities	77,888	77,567
	Change in net working capital	**-91,452**	**34,406**
	Cash flow from operations before financing items and taxes	**183,696**	**233,152**
14	Interest received	2,800	2,212
14	Interest paid	-8,332	-10,770
14	Other financial income and expenses	-555	-404
15	Income taxes paid	-70,517	-40,715
	Financing items and taxes	**-76,604**	**-49,677**
	NET CASH FROM OPERATING ACTIVITIES	**107,092**	**183,475**
	Cash flow from investing activities		
5	Acquisition of Group companies, net of cash	-12,312	-13,849
5	Divestment of Group companies, net of cash	364	0
20	Acquisition of shares in associated company	-3,000	0
	Investments in other shares	-463	-507
	Capital expenditures	-22,804	-22,503
	Proceeds from sale of fixed assets	999	32,265
15	Dividends received	277	192
	NET CASH USED IN INVESTING ACTIVITIES	**-36,939**	**-4,402**
	Cash flow before financing activities	**70,153**	**179,073**
	Cash flow from financing activities		
28.1	Proceeds from options exercised and share issues	4,277	6,722
28.3	Purchase of treasury shares	-2,536	-45,986
	Proceeds from long-term borrowings	105,700	100,123
	Repayments of long-term borrowings	-52,935	-177,768
	Proceeds from (+), payments of (-) short-term borrowings	-29,665	-20,802
	Change in long-term receivables	-227	-1,276
	Change in short-term receivables	-156	-35
	Dividends paid to equity holders of the parent	-46,797	-26,731
	Dividends paid to minority interest	-54	0
	NET CASH USED IN FINANCING ACTIVITIES	**-22,393**	**-165,753**
	Translation differences in cash	-2,808	-1,732
	CHANGE OF CASH AND CASH EQUIVALENTS	**44,952**	**11,588**
	Cash and cash equivalents at beginning of period	55,958	44,370
27	Cash and cash equivalents at end of period	100,910	55,958
	CHANGE OF CASH AND CASH EQUIVALENTS	**44,952**	**11,588**

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

1. CORPORATE INFORMATION

Konecranes Plc ("Konecranes Group" or "the Group") is a Finnish public limited company organized under the laws of Finland and domiciled in Hyvinkää. The company is listed on the NASDAQ OMX Helsinki Exchange.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of Konecranes Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments that have been measured at fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The consolidated financial statements are presented in thousand of euros, notes to the financial statements in million of euros and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

Principles of consolidation

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

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

Acquisitions of subsidiaries are accounted for using the purchase method according to which the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. The excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill.

Investments in associated companies and joint ventures have been accounted for in the consolidated financial statements using the equity method. These interests are consolidated in accordance with the equity method, under which they are carried at cost plus post-acquisition changes in the Group's share of the company's net assets. Goodwill arising on acquisition is included in the carrying amounts of the investments and tested for impairment as part of the investments. Goodwill is not amortized. The Group's share of the results of operations of the associated companies and joint ventures is shown in the consolidated statement of income as a separate item.

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

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

2.2 Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of reported assets and liabilities and other information, such as contingent liabilities and recognition of income and expenses in the statement of income. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

2.3 Summary of significant accounting policies

Foreign currency items and exchange rate differences

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

Revenue recognition

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

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

Large crane and modernization projects revenue is recognized according to the percentage of completion (POC) method. Most significant projects relate to harbor and shipyard cranes. The stage of completion of a contract is determined by the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

Research and development costs

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

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is deducted from the acquisition cost of the asset.

Employee benefits (pensions)

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

Under defined contribution plans, expenses are recognized for the period the contribution relates to. Konecranes Group accounts for the Finnish system under the Employees' Pensions Act (TyEL) within insurance system as a defined contribution plan.

Under defined benefit plans, a liability recognized in the balance sheet equals to the net of the present value of the defined benefit obligation less the fair value of the plan assets at the balance sheet date together with adjustments for unrecognized actuarial gains and losses and unrecognized pension service costs. The Group has applied the IAS 19 corridor approach to actuarial gain and losses. Actuarial gains or losses are recognized in statement of income during the expected average remaining working lives of employees participating in the plan if they exceed 10 percent of the greater of the fair value of the defined benefit plan assets or the present value of the defined benefit obligation.

Leases

Lease contracts, in which the Group assumes an essential part of risk and rewards of ownership, are classified as finance lease. In finance lease the assets and accumulated depreciation are recognized in fixed assets and the corresponding lease obligations are included in interest-bearing liabilities.

Other lease contracts are classified as operating leases and the lease payments of these leases are recognized as rental expenses in statement of income.

Valuation of inventories

Raw materials and supplies are valued at acquisition cost or, if lower, at likely net realizable value. Semi-manufactured goods have been valued at variable production costs with addition of allocated variable and fixed overheads. Work in progress of uncompleted orders includes direct labor and material costs, as well as a proportion of overhead costs related to production and installation.

Goodwill and other intangible assets

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

Other intangible assets include service contracts, patents and trademarks and software licenses. They are stated at cost and amortized on the straight-line basis over expected useful lives, which may vary from 4 to 20 years.

Intangible assets with indefinite useful life are not amortized, but tested annually for impairment.

Impairment testing of goodwill

Goodwill acquired in a business combination is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of impairment testing goodwill is allocated to cash-generating units (CGU) by using the Group's management reporting structure. If the carrying amount for a CGU exceeds its recoverable amount an impairment loss equal to the difference is recognized.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Depreciation is recorded on a straight-line basis over the estimated useful economic life of the assets as follows:

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

No depreciation is recorded for land.

Impairment of assets subject to amortization and depreciation

The carrying values of intangible assets subject to amortization and property plant and equipment is reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such an indication exists, the recoverable amount of the assets is estimated. An impairment loss is recognized in statement of income when the recoverable amount of an asset is less than its carrying amount.

Account and other receivables

Account and other receivables are initially recorded at cost. Provisions are made for doubtful receivables on individual assessment of potential risks, and are recognized in the statement of income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with banks, and other liquid investments with maturities of less than three months. Bank overdrafts are included in short-term interest-bearing borrowings under current liabilities.

Share-based payments

Konecranes Group has issued equity-settled stock options to its key personnel. The stock option holder is entitled to subscribe shares in Konecranes Plc in accordance with the terms of the stock option programs. The fair value of the stock options is measured at the grant date and the options are recorded as expense in the statement of income during the vesting period in accordance with IFRS 2. The valuation of the options is based on the Black & Scholes formula.

When the options are exercised, equity is increased by the amount of the proceeds received.

Provisions

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

Income tax

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

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

2.4 Application of new and amended IFRS standards and IFRIC interpretations

The following standards and interpretations are mandatory during year 2008, but they are not relevant for the Group's operations:

- IFRIC 11/IFRS 2, Group and Treasury Share Transactions
- IFRIC 12, Service Concession Arrangements
- IFRIC 13, Customer Loyalty Programmes
- IFRIC 14, IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets (Amendments)

The following published standards and interpretations are effective in year 2009.

- IFRS 2, Share-based payment – Vesting Conditions and Cancellations (Amendment)
- IFRS 8, Operating Segments
- IAS 1, Presentation of Financial Statements – Revised
- IAS 23, Borrowing Costs – Revised
- IFRIC 15, Agreements for Constructions of Real Estate
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation

IAS 1 change will impact primarily to the presentation of the statement of income and the statement of changes in equity.

IFRS 8 replaces the IAS 14 Segment Reporting standard. In accordance with IFRS 8, the identification of operating segments is based on management reporting. The Group considers that the new standard will not substantially change the present segment reporting, because the business segments specified according to internal reporting are nowadays the Group's primary form of managerial reporting. The Group expects that the introduction of IFRS 8 will mainly influence segment information presented in the notes to future financial statements.

The other year 2009 standards or interpretations will have no impact on future financial statements.

The following standards will be effective during year 2010:

- IFRS 3, Business Combinations (Revised)
- IAS 27, Consolidated and Separate Financial Statements (Amendment)
- IAS 39, Financial instruments: Recognition and Measurement – Eligible hedged items (Amendment)

Group management is in the process of determining the impacts of these standards on the Group's financial statements.

3. MANAGEMENT OF FINANCIAL RISKS

The Group uses an approach where most of the management of financial risks is centralized to Konecranes Treasury. The legal entity, Konecranes Finance Oy, operates as a financial vehicle of the Group and it is run by the Corporate Headquarters. With centralization and netting of internal foreign currency cash flows, the external hedging needs can be minimized.

Konecranes Finance Oy is not a profit center in the sense that it would pursue to maximize its profits. The company aims to service the operative companies of the Group in reducing their financial risks.

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

The responsibility of identifying, evaluating and controlling the financial risks arising from the Group's global business operations is divided between the business units and Konecranes Finance Oy.

The units hedge their risks internally with the Corporate Headquarters. As a result of this, most of the financial risks of the Group are concentrated into one company, Konecranes Finance Oy, and can be evaluated and controlled in an efficient way.

Almost all funding, cash management and foreign exchange with banks and other external counterparties is done centralized by Konecranes Finance Oy in accordance with the Group's treasury policy. Only in a few special cases where local central bank regulation prohibits using of group services in hedging, must this be done directly between an operative company and a bank under supervision of the Corporate Headquarters.

Konecranes Finance Oy uses a treasury system, which enables practically a real-time processing of transactions and in-depth records of activities and performance. The standard reporting is done on a weekly basis and it covers group-level commercial and financial cash flows, foreign currency transaction exposure, debt positions, portfolio of derivatives and counterparty credit exposure for financial transactions. In addition, all group companies participate in the monthly managerial and statutory reporting.

Market risks – Currency rate risk

The Group's global business operations generate exchange rate risk. However, most of the business units only have transactions in their own currency, i.e. these units have their sales & costs as well as internal funding from Konecranes Finance Oy in their local home currency. Only about 15 out of some 100 Group companies operate regularly in a foreign currency. These companies hedge their currency rate risk with Konecranes Finance Oy. Depending on the business area and the probability of the cash flows, the hedging covers operative cash flows for the next 3–18 months and is done by using internal foreign exchange forward contracts. This way the currency rate risk of the whole Group can be managed by Konecranes Finance Oy. The foreign currency funding of the other Group companies and possibly some external foreign currency funding can net some of these foreign currency items. The residual net exposure can be covered with commercial banks using foreign exchange forward deals. Only the items belonging to hedge accounting cannot be netted out against other internal items. These instruments are used when the hedging effect cannot be obtained through internal netting and matching of cash flows within the Group.

The business units' commercial bids in a foreign currency can be hedged by using currency options, but in general the risk is covered by using currency clauses.

For certain large crane projects the Group applies hedge accounting compatible with IAS 39. Hedges are done by using foreign exchange forward contracts. Currently only USD denominated projects are included in the hedge accounting. At the end of 2008 the hedged cash flows totaled USD 58 million (USD 78 million in 2007).

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

The following table shows the transaction exposure of Konecranes Finance Oy as at 31.12.2008 and 31.12.2007 (in EUR millions):

	31.12.08	31.12.07
AED	0	1
AUD	6	6
CAD	3	3
CHF	2	2
GBP	3	0
HUF	1	0
JPY	2	0
KRW	0	1
NOK	3	5
SEK	8	17
SGD	4	2
THB	1	0
USD	57	99

Currently none of the non-euro denominated shareholders' equity of the Group's foreign subsidiaries (i.e. the translation exposure) is hedged.

The following table shows the translation exposure of the Group as at 31.12.2008 and 31.12.2007 (in EUR millions):

	31.12.08	31.12.07
AED	2	0
AUD	3	3
CAD	15	16
CNY	10	4
DKK	1	1
GBP	1	16
HUF	1	1
MXN	3	4
MYR	2	2
NOK	2	4
RUB	1	0
SGD	8	6
THB	1	1
TRY	2	0
UAH	4	0
USD	26	43

Please see Note 37 to the Consolidated Financial Statements for the notional and fair values of derivative financial instruments.

Changes in currency rates can affect the profitability and equity of the Group. The U.S. dollar has clearly the biggest impact, as many of the Heavy Lifting projects are denominated in USD and the Group has a lot of local business operations in the United States. A depreciation of the USD has a negative impact.

The following table shows how big an effect changes in the EUR/USD exchange rate would have on the Group's annual EBIT and equity (in EUR millions, the USD effect on other currencies simulated):

Change in EUR/USD rate	31.12.08 EBIT	31.12.08 Equity	31.12.07 EBIT	31.12.07 Equity
+10 %	-9.2	-2.2	-11.4	-15.3
-10 %	+11.0	+5.1	+14.0	+18.7

This estimate is based on the assumptions that foreign currency transactions are not hedged and that the nominal amount of the USD denominated foreign currency transactions for the whole calendar year would be equal the actual amounts outstanding at the end of the year (the transaction exposure). The profitability is affected by the portion of the Group's EBIT generated in USD (translational effect) and by the USD operations of the Group companies with euro as home currency and generating EBIT in euros (transactional effect). The equity is affected by the change in EBIT and by the portion of the Group's equity in USD.

Market risks – Interest rate risk

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

Approximately 68% of the Group's interest-bearing liabilities are denominated in euro (36% in 2007). Please see Note 30.3 to the Consolidated Financial Statements for the currency split of outstanding debt.

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

An increase of one percentage point in the level of interest rates at the end of 2008 would have lowered the market value of the long-term loan portfolio by EUR 1.0 million (EUR 0.3 million in 2007). The proportion of fixed interest loans in the loan portfolio can be increased by means of interest rate derivatives. As a consequence of this treasury policy, the Group's average interest rate level in general can be higher than the market level of short-term interest rates when low rates prevail and, on the other hand, lower than the market level when high rates prevail. Please see Note 30.3 to the Consolidated Financial Statement for sensitivity analysis of the Group's interest rate risk.

Market risks – Energy price risk

By using electricity derivatives the Group strives for reducing the negative effect caused by electricity price fluctuation. The overall importance of the energy price risk is small compared to the exchange rate risk and cannot be described as significant.

Please see Note 37 to the Consolidated Financial Statements for the notional and fair values of derivative financial instruments (including electricity forwards).

Market risks – Steel price risk

Steel prices are fixed as a normal part of the procurement process. Price changes naturally affect the future procurement, but these changes can be taken into consideration in the price quotes to the end customers.

In big crane projects the steel structures are sub-contracted and as a normal part of the sub-contracting process, the steel is included in the price of the sub-contracting (i.e. the price is fixed with the sub-contractor).

Thus the overall importance of the steel price risk is small compared to the exchange rate risk and cannot be described as significant.

Credit and counterparty risks

Credit risk arises from the potential failure of a commercial counterparty to meet its commercial payment obligations. Counterparty risk arises from the potential failure of a financial institution to meet its payment obligations regarding hedging instruments.

The business units manage all credit risks related to their commercial flows. There is currently no concentration of credit risk regarding the commercial activities, as the number of customers is very high and their geographic distribution is very wide. It is the Group's policy not to fund its customers beyond regular payment terms. Please see Note 24 to the Consolidated Financial Statements for a table of an aging analysis of accounts receivable. The total amount represents the theoretical maximum credit exposure. In practice, however, the individual account receivables are small in value. There are also some additional receivables which relate to the percentage of completion revenue method used in long-term projects, but these are fully covered by advance payments. Please see Note 7 to the Consolidated Financial Statements for details.

All credit risks related to other financial instruments than the regular accounts receivable are managed by Konecranes Treasury. There is no concentration of credit risk regarding the financial instruments, since investments are rare and hedging instruments are done with a number of banks, not just one or two. However, counterparties are limited to the core banks of the Group. These are all major banks with good credit qualities. The majority of all financial instruments are of short-term nature, with maturity in less than one year. There are no significant deposits or loans granted with external counterparties, except a few small loans with companies, which the Group has a minority interest in. These loans totaled EUR 1.6 million at the end of 2008 (EUR 1.9 million in 2007).

Liquidity risks

Liquidity risks concern the availability of liquid assets or funding. Lack of funding might jeopardize normal business operations and eventually might endanger the ability to fulfill daily payment obligations.

For managing the liquidity risks the Group has established a EUR 200 million committed, multi-currency revolving credit facility with an international loan syndication (2005–2010). To cover short-term funding (1–3 months) Konecranes Finance Oy can borrow from institutional investors through six domestic commercial paper programs a total of EUR 200 million. In addition, business units around the world have overdraft facilities totaling EUR 29 million to cover the day-to-day funding needs.

Normally it is the Group's policy to keep minimum amount of cash in the balance sheet as deposits or any other liquid assets to maximize the return of capital employed. However, due to the current global financial crisis the Group aims to keep more cash in the balance sheet than normally. Cash and cash equivalents totaled EUR 100.9 million at the end of 2008 (EUR 56.0 in 2007).

See Note 30.3 to the Consolidated Financial Statements for the maturity profile of the Group's financial liabilities.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a good credit risk status and a healthy capital ratio to support its business operations. At the same time the Group also aims to maximize shareholder value by effective use of capital.

The Group manages its capital structure and fine-tunes it to adjust to probable changes in economic conditions. These actions may include adjusting the dividend payment to shareholders, buying back own shares or issuing new shares.

The Group monitors its capital structure using gearing ratio. This is calculated as a ratio of interest-bearing liabilities less liquid assets less loans receivable to total equity. At the end of 2008 the gearing ratio was 2.8 % (7.0 % in 2007).

The Group has no quantitative targets for the capital structure but the optimal long-term gearing ratio is in the range of 50–80%. However, in the short term the gearing can also be significantly higher or lower than this range.

The Group decides on the split between long-term and short-term debt in relation to the gearing ratio level. The following table shows the rough guidelines for the portion of long–term debt of total debt under different gearing ratio levels:

Gearing ratio level	Portion of long–term of total debt
Under 50 %	Under 1/3
Between 50–80 %	Between 1/3 and 2/3
Over 80 %	Over 2/3

The Group monitors the gearing ratio level on a weekly basis. During 2007 or 2008, no changes have been made in the objectives, policies or processes. The objectives of the Group's capital management have been met in recent years.

All figures are in millions of euros unless otherwise indicated.

4. Segment information

In segment reporting business segments (business areas) are defined as the primary segments. The business areas are based on the Group's managerial reporting and organizational structure. The business segments are: Service, Standard Lifting and Heavy Lifting. The assets and liabilities of the business areas include only items directly connected with the business as well as the goodwill related to them. Unallocated items, including Group Headquarters, include tax and financial items as well as items which can not be allocated to the business areas.

As its secondary segments Konecranes Group reports three geographical areas, which are the main market areas: EMEA (Europe, Middle East and Africa), AME (Americas) and APAC (Asia-Pacific). Sales are reported by the customer location and assets and capital expenditure by the location of the assets.

Intra-Group transfer prices are based primarily on the market prices.

Change in reporting method in Business segments

In order to increase the transparency of the reported Business Area performance, all service and spare parts business were reported in the Service Business Area as of January 1, 2008. Due to this change, the Business Area figures for 2007 have been restated. The main change in the reporting method is that the non-Konecranes branded spare parts business is included in the Service Business Area, where previously it was reported in Standard and Heavy Lifting. The spare part business for Konecranes-branded products was included in the Service Business Area as of 2007. The 2007 comparison figures according to the new reporting structure are presented in the table below.

4.1. Business segments

2008	Service	Standard Lifting	Heavy Lifting	Unallocated items	Eliminations	Total
Sales to external customers	722.5	752.8	627.2			**2,102.5**
Inter-segment sales	31.8	82.6	32.2		-146.6	**0.0**
Total net sales	754.3	835.4	659.4		-146.6	**2,102.5**
Operating profit	106.2	140.0	53.6	-47.2	-3.9	**248.7**
% of net sales	14.1%	16.8%	8.1%			**11.8%**
Assets	259.3	441.3	278.0	226.8		**1,205.4**
Liabilities	124.0	197.9	220.2	262.7		**804.7**
Capital expenditure	4.9	5.6	3.8	8.1		**22.3**
Depreciation and amortization	8.2	9.3	4.9	3.9		**26.3**
Impairment of assets	0.2	0.0	0.0			**0.2**
Share of result of associates and joint ventures	0.0	1.5	-5.5			**-3.9**
Investment in associates and joint ventures	0.0	7.4	0.0			**7.4**
Personnel	5,372	2,808	1,439	285		**9,904**

2007	Service	Standard Lifting	Heavy Lifting	Unallocated items	Eliminations	Total
Sales to external customers	665.5	578.2	506.0			**1,749.7**
Inter-segment sales	26.6	60.7	29.7		-116.9	**0.0**
Total net sales	692.2	638.9	535.7		-116.9	**1,749.7**
Operating profit*	92.7	99.3	39.5	-36.8	-2.3	**192.3**
% of net sales	13.4%	15.5%	7.4%			**11.0%**
Assets	232.4	341.6	218.8	164.1		**956.9**
Liabilities	111.5	162.6	193.7	208.3		**676.1**
Capital expenditure	4.7	4.7	7.4	8.5		**25.2**
Depreciation and amortization	8.1	8.7	4.7	3.2		**24.7**
Impairment of assets	0.0	0.0	0.0			**0.0**
Share of result of associates and joint ventures	0.0	1.2	-0.5			**0.7**
Investment in associates and joint ventures	0.0	5.5	0.7			**6.3**
Personnel	4,436	2,479	1,272	217		**8,404**

*Including total EUR 17.6 million capital gain on sale of real estate booked in Q2 2007 (Service EUR 0.8 million, Standard Lifting EUR 8.9 million and Heavy Lifting EUR 7.9 million).

4.2. Geographical segments

2008	EMEA	AME	APAC	Total
External sales	1,207.5	591.7	303.3	**2,102.5**
Assets	753.5	260.7	191.3	**1,205.4**
Capital expenditure	13.8	3.8	4.6	**22.3**
Personnel	5,658	2,619	1,627	**9,904**

2007	EMEA	AME	APAC	Total
External sales	951.4	589.7	208.6	**1,749.7**
Assets	588.4	231.5	137.1	**956.9**
Capital expenditure	18.3	4.3	2.6	**25.2**
Personnel	4,724	2,464	1,216	**8,404**

5. ACQUISITIONS

Acquisitions in 2008

At the end of January 2008 Konecranes strengthened its position in the machine tool service (MTS) business in Scandinavia by acquiring the business of the Norwegian MTS company Eiker Automasjon AS. On March 6 Konecranes acquired the entire share capital of Eydimen 2000 S.L., the Spanish crane and service company. Prior to this transaction, Konecranes held 19.2 percent of the share capital in Eydimen. Also at the beginning of March Konecranes acquired additional 62.8 percent of the Finnish company Nostininnovaatiot Oy. Prior stake to this company was 17.4 percent. On March 31 Konecranes signed an agreement to exercise its options to raise its holding in the joint venture company Meiden Hoist System Company, Ltd of Japan from 49.0 to 65.0 percent.

During the second quarter Konecranes made two acquisitions. In mid April Konecranes acquired Spanish company Ausió Sistemas de Elevación S.L. The company specializes in manufacturing, sales and service of Industrial cranes and hoists. Also in April Konecranes acquired the Ukrainian service company ZAO Craneservice Ukraine.

During the third quarter Konecranes acquired three companies. In July Konecranes acquired two MTS companies in the United Kingdom; K&B Europe Ltd. and K&B Machine Tool Services Ltd. and in Denmark the port crane service company Aarhus Maskinfabrik A/S.

Konecranes acquired in mid October the business of the Canadian crane and crane service company Provincial Services Crane Specialists, located in Allanburg, Ontario. The other fourth quarter acquisitions were two MTS companies in the United Kingdom. At the end of October Konecranes signed an agreement with Electron Service Ltd. and at the beginning of November the assets of Machine Tool Services (GB) Ltd were acquired.

The preliminary fair values of the identifiable assets and liabilities of the acquired businesses at the date of acquisitions are summarized below.

	2008 Recognized on acquisition	2008 Carrying value
Intangible assets	12.3	1.2
Tangible assets	1.7	1.7
Deferred tax assets	0.4	0.4
Inventories	8.0	7.4
Account receivables and other assets	16.3	17.0
Cash and bank	2.2	2.2
Total assets	**40.9**	**29.9**
Deferred tax liabilities	3.8	0.0
Account payables	10.1	10.1
Other liabilities	10.9	10.9
Minority interest	1.4	1.4
Total liabilities	**26.2**	**22.4**
Net assets	**14.7**	**7.5**
Acquisition costs	**19.6**	
Goodwill	4.9	

The total cost of the combination was EUR 19.6 million and comprised cash paid EUR 16.7 million, liabilities assumed EUR 2.4 million and cost directly attributable to the combination EUR 0.5 million.

Cash outflow on acquisition

Acquisition costs	19.6
Cash flow of earlier interests in acquired businesses	-2.7
Liabilities assumed	-2.4
Acquisition costs paid in cash	**14.6**
Cash and cash equivalents of acquired companies	-2.2
Net cash flow arising on acquisition	**12.3**

Divestments 2008

During the last quarter 2008 Konecranes sold its small subsidiary STAHL CraneSystems B.V. to an independent crane company in the Netherlands.

Acquisitions in 2007

During the first half of 2007, Konecranes made a few smaller business acquisitions. The most important of these was the acquisition of the assets in Straddle carrier manufacturer in Germany, Consens Transport Systeme. Additionally in January, Konecranes signed an agreement to acquire the maintenance service business of a small Swedish-based company El&Travers. In March, Konecranes made an asset purchase agreement with the Spanish company Sistemas de Elevación, operating in the field of port service.

During the third quarter, Konecranes made four acquisitions. On 31 July, Konecranes acquired the Finnish container handling software specialist Savcor One Oy. The company, which was part of the Savcor Group, is based in Vantaa, Finland, and provides its products and services to more than 20 leading container ports all over the world. In July 2007, Konecranes strengthened its position in the machine tool service (MTS) business by acquiring two MTS companies in Scandinavia, Reftele Maskinservice AB in Sweden and Kongsberg Automation A/S in Norway. On 31 July, Konecranes signed an agreement to acquire the port service business of Technical Services S.r.l. in Italy.

If the combinations had taken place at the beginning of the year, the net sales for the Group would have been EUR 1,767.3 million and operating profit EUR 190.8 million.

Since the dates of acquisitions, the aquired units have contributed about EUR 12.2 million to the net sales and EUR -1.4 million to the operating profit of the Group.

The preliminary fair values of the identifiable assets and liabilities of the acquired businesses at the date of acquisitions are summarized below.

	2007 Recognized on acquisition	2007 Carrying value
Intangible assets	11.2	0.6
Tangible assets	0.6	0.6
Deferred tax assets	0.0	0.3
Inventories	4.8	4.7
Receivables and other assets	1.9	1.9
Cash and bank	1.5	1.5
Total assets	20.0	9.6
Liabilities	5.5	3.1
Net assets	**14.5**	**6.5**
Acquisition costs	**17.4**	
Goodwill	2.9	

The total cost of the combination was EUR 17.4 million and comprised cash paid EUR 15.2 million, liabilities assumed EUR 2.0 million and cost directly attributable to the combination EUR 0.2 million.

Cash outflow on acquisition

Acquisition costs	17.4
Liabilities assumed	-2.0
Acquisition costs paid in cash	**15.4**
Cash and cash equivalents of acquired companies	-1.5
Net cash flow arising on acquisition	**13.8**

6. Distribution of sales

	2008	2007
Sale of goods	1,535.8	1,228.5
Rendering of services	566.5	521.0
Royalties	0.2	0.2
Total	2,102.5	1,749.7

7. Percentage of completion method and advances received

	2008	2007
7.1. Percentage of completion method		
The cumulative revenues of non-delivered projects	256.3	201.9
Net sales recognized under percentage of completion	66.6	44.5
Advance received from percentage of completion method	294.9	228.2
Receivables from the revenue recognition netted with the advances received	200.9	153.1

7.2. Advance payments received	2008	2007
Advance received from percentage of completion method (netted)	93.9	75.1
Other advance received from customers	107.1	104.0
Total	201.0	179.1

8. Other operating income

	2008	2007
Profit of disposal of fixed assets	0.6	17.8
Rental income	0.8	0.8
Indemnities	3.4	0.0
Other	1.5	1.7
Total	6.3	20.3

9. Government grants

	2008	2007
Investment grants in building, machinery and employment grants	0.1	0.6
Grants for research and development	0.7	1.1
Total	0.8	1.6

10. Depreciation, amortization and impairments

10.1. Depreciation and amortization	2008	2007
Intangible assets	11.4	10.5
Buildings	1.0	1.1
Machinery and equipment	13.8	13.0
Total	26.3	24.6

10.2. Impairments	2008	2007
Goodwill	0.2	0.0
Total	0.2	0.0

11. Other operating expenses

	2008	2007
Change in work in progress	-36.5	-28.3
Production for own use	-1.1	-0.7
Material and supplies	888.4	723.8
Subcontracting	252.3	221.8
Wages and salaries	367.2	321.1
Pension costs	31.0	26.7
Other personnel expenses	65.1	67.3
Other operating expenses	267.2	221.4
Total	1,833.5	1,553.1

12. Personnel expenses and number of personnel

Personnel expenses

	2008	2007
Wages and salaries	367.2	321.1
Pension costs: Defined benefit plans	3.7	1.8
Pension costs: Defined contribution plans	27.3	24.9
Other personnel expenses	65.1	67.3
Total	463.2	415.1

Average personnel

	2008	2007
The average number of personnel	9,222	8,005
Personnel 31 December,	9,904	8,404
of which in Finland	1,929	1,702

Personnel by Business Area at end of period

	2008	2007
Service	5,372	4,436
Standard Lifting	2,808	2,479
Heavy Lifting	1,439	1,272
Group Staff	285	217
Total	9,904	8,404

13. Management compensation

Board of Directors

The remuneration packages for Board members are resolved by the Annual General Meeting on proposal by the Nomination and Compensation Committee. The AGM 2008 confirmed an annual fee of EUR 100,000 for the Chairman of the Board, EUR 64,000 for the Vice Chairman of the Board, and EUR 40,000 for other Board members. In addition compensation of EUR 1,500 was approved for attendance at Board committee meetings. The annual compensation can be paid either in cash or in Konecranes Plc's shares acquired from the market.

Total compensation to the Board of directors	2008 Total compensation, EUR	2008 Number of shares as part of compensation	2007 Total compensation, EUR	2007 Number of shares as part of compensation
Chairman	101,500	1,700	78,000	1,250
Vice Chairman	64,000	0	48,000	0
Board members	266,100	4,074	191,400	2,880
Total	431,600	5,774	317,400	4,130

President and CEO

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

	2008	2007
Salary and benefits, EUR	357,387	354,831
Bonus, EUR	186,000	684,052*
Share-based payments costs, EUR	349,348	281,523*
Option rights owned (number of options)	114,000	180,000
Shares owned (number of shares)	280,000	160,000*
Retirement age	60 years	60 years
Pension target level	60%	60%
Period of notice	6 months	
Severance payment	18 months salary and fringe benefits	

* The Board of Directors had December 15, 2006 approved a long-term incentive scheme directed to the President and CEO, Pekka Lundmark. The incentive scheme was implemented by disposing of Konecranes Plc's own shares held by the Company on the basis of the authorization granted to the Board of Directors by the General Meeting of Shareholders on March 8, 2006. Pursuant to the incentive scheme a total of 50,000 shares were sold to Pekka Lundmark to a price of EUR 12 per share in December 2006 and 50,000 shares were sold in January 2007 with the same price. The shares sold are subject to a five year transfer restriction. As part of the scheme the Company paid in January 2007 a separate bonus EUR 410,927 (included in 2006 figures) and in March 2007 a bonus EUR 519,052 to Pekka Lundmark to cover the taxes levied as a result of the arrangement. The assumptions made in determining the fair value of this incentive scheme are shown in note 29.2 to the Consolidated Financial Statements.

Group Executive Board

Group Executive Board is comprised of President and CEO, Business Area Presidents, Region Presidents, and Group Staff Directors, totally 14 persons in 2008 (14 persons in 2007). The Nomination and Compensation Committee reviews Group compensation policies and issues guidelines for the same. In accordance with these guidelines, the nomination and compensation committee confirms compensation packages for those Group Executive Board members who report directly to the President and CEO. For other Group Executive Board members, the compensation packages are confirmed by the President and CEO.

Group Executive Board excluding the President and CEO

	2008	2007
Salary and benefits, EUR	2,379,208	2,344,422
Bonuses, EUR	537,525	552,568
Share-based payments costs, EUR	868,337	373,290
Option rights owned (number of options)	870,200	626,200
Shares owned (number of shares)	255,650	227,250

There were no loans to group management at end of period 2008 and 2007.

There are no guarantees on behalf of group management.

14. Financial income and expenses

14.1. Financial income	2008	2007
Dividend income on available-for-sale investments	0.3	0.2
Interest income on bank deposits and loans	3.2	2.2
Fair value gain on derivative financial instruments	6.5	0.0
Exchange rate gains on interest bearing assets and liabilities	0.0	0.0
Other financial income	0.0	0.0
Total	10.0	2.4

14.2. Financial expenses	2008	2007
Interest expenses on liabilities	9.1	10.7
Fair value loss on derivative financial instruments	0.0	2.9
Exchange rate loss on interest bearing assets and liabilities	8.7	2.0
Other financial expenses	0.8	1.0
Total	18.6	16.7
Financial income and expenses net	-8.6	-14.3

Company applies hedge accounting on derivatives used to hedge certain cash flows in Heavy Lifting projects. The hedges of the expected future cash flows are assessed to be highly effective and a net unrealized gain of EUR 1.2 million (2007: EUR 4.5 million) with deferred taxes of EUR 0.3 million (2007: EUR 1.2 million) relating to the hedging instruments is included in equity. The hedged operative cash flows are expected to occur during the next 3–18 months.

15. Income taxes

15.1. Taxes in statement of Income	2008	2007
Local income taxes of group companies	77.1	54.6
Taxes from previous years	-0.8	2.5
Deferred taxes	-6.6	-7.4
Total	69.6	49.6

15.2. Reconciliation of income before taxes with total income taxes	2008	2007
Profit before taxes	236.2	178.8
Tax calculated at the domestic corporation tax rate of 26 % (2007: 26 %)	61.4	46.5
Effect of different tax rates of foreign subsidiaries	6.6	5.8
Taxes from previous years	-0.8	2.5
Tax effect of non-deductible expenses and tax-exempt income	2.8	0.2
Tax effect of unrecognized tax losses of the current year	1.7	0.0
Tax effect of recognition of previously unrecognized tax losses	-3.6	-1.5
Tax effect of utilization of previously unrecognized tax losses	-0.5	-2.4
Tax effect of tax rate change*	0.1	-0.3
Other items	1.8	-1.2
Total	69.6	49.6
Effective tax rate %	29.5%	27.8%

*The tax rate changes in Sweden and Russia from January 1, 2009 are recognized in deferred taxes in 2008. The tax rate change January 1, 2008 in Germany was recognized in deferred taxes 2007.

16. Earnings per share

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

	2008	2007
Net profit attributable to shareholders of the parent company	166.4	129.2
Weighted average number of shares outstanding (1,000 pcs)	58,726	59,609
Effect of issued share options (1,000 pcs)	261	898
Diluted weighted average number of shares outstanding (1,000 pcs)	58,987	60,507
Earnings per share, basic (EUR)	2.83	2.17
Earnings per share, diluted (EUR)	2.82	2.13

17. Goodwill and goodwill impairment

General principles

The goodwill is allocated to cash-generating units (CGU's) by using the Group's operative management reporting structure. The recoverable amounts of the CGUs are determined based on value in use -calculations, except for ZAO Craneservice Ukraine, Konecranes Ausió S.L, Aarhus Maskinfabrik A/S, Electron Service Ltd and Provincial Services Crane Specialists which were acquired during the year 2008 and for which the recoverable amount is based on fair value less cost to sell, based on the recent purchase prices paid for the entities. The forecasting period of cash flows is five years and is based on financial forecasts of each CGU's management. The forecasts have been made by using the company specific historical data and general market and industry specific information of the future growth possibilities. The calculated cash flows after the five-year forecasting period are based on zero percent growth estimate on sales and operating margin. Calculations are prepared during the fourth quarter of the year.

The discount rate applied to cash flow projections is the weighted average (pre-tax) cost of capital and is based on risk free long term government bond rates and market and industry specific risk premiums. These risk premiums are derived based on business portfolio of companies which operate in a similar geographic region and in a similar industry to the CGUs. The discount rate in use varied in a range of 9,8–10,6 percent for all CGUs. The geographical and business risk distributions of the tested CGU's were considered as the discount rate in use was determined to account for the average cost of capital for all CGU's.

Detailed information of CGU's

The allocated goodwill of the following individual CGU's can be considered significant in comparison with the Group's total carrying amount of goodwill: Stahl Konecranes GmbH is a crane service company in Germany and belongs to Konecranes' Service -business segment. The carrying amount of goodwill allocated to this CGU at 31 December 2008 was EUR 12.0 million. Konecranes Lifttrucks AB, a Swedish based container lifting equipment manufacturer, was acquired at the end of year 2004. This CGU belongs to Konecranes Heavy Lifting -business segment. The carrying amount of goodwill allocated to this CGU at 31 December 2008 was EUR 12.1 million. R. Stahl AG's material handling division was acquired at the end of year 2005. This CGU belongs to Konecranes' Standard Lifting -business segment. The total amount of goodwill allocated to this CGU was EUR 21.0 million at 31 Dec 2008. In company's assets are also included EUR 10.4 million intangible assets arising from the acquisition of R. Stahl AG's material handling division, which consists of the trademark of the brand name 'Stahl'. The carrying amount of this asset is tested on yearly basis by using similar kind of impairment testing method as the goodwill.

In addition to the above mentioned CGU's the carrying amounts of the goodwill allocated to other smaller CGU's are reported by segment as follows: Service EUR 6.0 million, Standard Lifting EUR 4.1 million, Heavy Lifting EUR 2.6 million.

The recoverable amounts of each above mentioned CGU's are determined based on above mentioned general principles. The major variables used in the calculations have been the business growth rate and the operating income percent. The average growth rate percent used in the first five year's cash flow forecasts varied between 0 percent and 16 percent, and the average estimated growth rate of all CGU's was close to 10 percent. The growth rates used in the calculations are based on the management's view of future growth possibilities of each company, taken into account the company specific historical data and future growth possibilities, where the company specific and industry related variables are both considered. The operating profit margins are based on actual operating profits from previous years.

The calculations were also performed by using sensitivity analysis with higher interest rates and lower operating margin levels. Sensitivity analysis was performed using latest forecast of 2008 as a base. For years 2009 and 2010 sales and variable costs (volumes) were lowered by 35

% compared to year 2008 forecast meanwhile the fixed costs stayed at the same level as in year 2008. During 2011 the volumes were lowered by 10 % compared to forecast 2008. In 2012 volumes were risen by 5 % and in 2013 by 15 % compared to year 2008 forecast. Fixed costs remained at the same level as in 2008 forecast. According to the test there was no need to goodwill impairment. Discount rate was also tested. If discount rate was risen by 5 percentage unit it did not give any reason to make impairment in any goodwill unit.

As a result of the annual impairment test the goodwill of Työstökonetekniikka Machine Tool Tech Oy, EUR 0,2 million, has been written down in 2008. For other CGU's there is no need for impairment. They have also passed sensitivity analysis.

Goodwill	2008	2007
Acquisition costs as of 1 January	56.8	54.0
Increase	4.9	4.8
Decrease	0.0	-0.7
Translation difference	-3.7	-1.4
Impairments	-0.2	0.0
Total as of 31 December	57.8	56.8

18. Other intangible assets

18.1. Patents and trademarks	2008	2007
Acquisition costs as of 1 January	26.9	27.6
Company acquisitions	0.0	0.4
Translation difference	0.1	-1.1
Acquisition costs as of 31 December	27.0	26.9
Accumulated amortization 1 January	-6.0	-4.9
Amortization for financial year	-1.4	-1.1
Total as of 31 December	19.6	20.9

18.2. Other (including service contracts, software)	2008	2007
Acquisition costs as of 1 January	68.8	54.2
Increase	3.5	4.5
Company acquisitions	11.3	10.5
Transfer within assets	-0.2	0.8
Translation difference	-0.1	-1.1
Acquisition costs as of 31 December	83.3	68.8
Accumulated amortization 1 January	-30.4	-21.9
Amortization for financial year	-10.0	-8.5
Total as of 31 December	42.9	38.5

18.3. Other intangible assets total	2008	2007
Acquisition costs as of 1 January	95.7	81.8
Increase	3.5	4.5
Company acquisitions	11.3	10.9
Transfer within assets	-0.2	0.8
Translation difference	0.0	-2.2
Acquisition costs as of 31 December	110.3	95.7
Accumulated amortization 1 January	-36.4	-26.8
Amortization for financial year	-11.4	-9.6
Total as of 31 December	62.5	59.4

Other intangible assets include service contracts, patents and trademarks and software licenses. They are stated at cost and amortized on the straight-line basis over their expected useful lives. The normal amortization period varies from 4 to 20 years. Intangible assets having an indefinite useful life are tested for impairment annually. At 31 Dec 2008 the intangible assets having indefinite useful life consisted of Stahl trademark, totally EUR 10.4 million. As there is no foreseeable limit on the period over which the asset is expected to generate net cash inflows for the entity, it is classified as intangible assets having indefinite useful life.

19. Property, plant and equipment

19.1. Land	2008	2007
Acquisition costs as of 1 January	2.9	3.9
Increase	0.0	0.4
Decrease	0.0	-1.2
Company acquisitions	0.0	0.0
Translation difference	0.3	-0.2
Total as of 31 December	3.2	2.9

19.2. Buildings	2008	2007
Acquisition costs as of 1 January	12.4	47.3
Increase	2.1	4.6
Decrease	0.0	-38.9
Company acquisitions	0.1	0.0
Translation difference	-1.2	-0.6
Acquisition costs as of 31 December	13.4	12.4
Accumulated depreciation 1 January	-0.5	-28.0
Accumulated depreciation relating to disposals	0.0	27.5
Depreciation for financial year	-1.0	-1.1
Total as of 31 December	11.9	10.8

The balance value of buildings which belong to finance lease is EUR 0.6 million in year 2008 (EUR 0.6 million in 2007).

19.3. Machinery and equipment	2008	2007
Acquisition costs as of 1 January	152.7	140.5
Increase	19.3	20.0
Decrease	-6.0	-8.7
Company acquisitions	2.4	0.7
Transfer within assets	0.2	-0.7
Translation difference	-0.5	0.8
Acquisition costs as of 31 December	168.1	152.7
Accumulated depreciation 1 January	-104.5	-98.6
Accumulated depreciation relating to disposals	4.7	6.8
Depreciation for financial year	-13.9	-12.7
Total as of 31 December	54.4	48.2

The balance value of tangible assets which belong to finance lease is EUR 8.0 million in year 2008 (EUR 6.5 million in 2007).

19.4. Property, plant and equipment total	2008	2007
Acquisition costs as of 1 January	168.0	191.7
Increase	21.4	25.0
Decrease	-6.0	-48.7
Company acquisitions	2.5	0.7
Transfer within assets	0.2	-0.7
Translation difference	-1.4	0.0
Acquisition costs as of 31 December	184.8	168.0
Accumulated depreciation 1 January	-105.0	-126.6
Accumulated depreciation relating to disposals	4.7	34.3
Depreciation for financial year	-14.9	-13.8
Total as of 31 December	69.5	61.9

20. Investments accounted for using the equity method

	2008	2007
Acquisition costs as of 1 January	6.3	6.3
Share of associated companies result after taxes	-3.9	0.7
Dividends received	-0.2	-0.5
Acquisitions	3.5	0.0
Translation difference	-0.5	0.0
Disposals	0.0	-0.2
Transferred to subsidiary shares	-3.0	0.0
Negative part of equity transferred to provisions	5.3	0.0
Total as of 31 December	7.4	6.3

20.1. Investments accounted for using the equity method by companies

2008	Carrying amount of the investment	Total asset value [1]	Revenue [1]	Profit/loss [1]
ACS Technologies GmbH	3.5	4.1	3.8	0.0
Guangzhou Technocranes Company Ltd	0.4	1.5	0.9	0.0
Jiangyin Dingli Shengsai High Tech Industrial Crane Company Ltd.	0.3	0.7	0.5	0.0
Shanghai High Tech Industrial Company, Ltd.	0.5	2.2	2.3	0.2
Boutonnier Adt Levage S.A.	0.2	0.5	0.9	0.0
Levelec S.A.	0.1	0.3	0.6	0.0
Manelec S.a.r.l.	0.1	0.2	0.4	0.0
Manulec S.A.	0.3	0.6	0.9	0.0
Sere Maintenance S.A.	0.1	0.4	0.9	0.0
Eastern Morris Cranes Limited	0.5	3.3	3.7	0.4
Morris Material Handling (Thailand) Ltd.	0.4	0.0	0.0	0.0
Morris Thailand Co. Ltd.	0.0	0.0	0.0	0.0
ZAO Zaporozhje Kran Holding	0.0	10.9	6.2	-5.5
Crane Industrial Services LLC	1.0	2.3	4.2	0.5
Translation difference	0.0	0.0	0.0	0.0
Total	7.4	27.1	25.3	-4.3

2007	Carrying amount of the investment	Total asset value [1]	Revenue [1]	Profit/loss [1]
Guangzhou Technocranes Company Ltd	0.4	1.0	0.8	0.1
Jiangyin Dingli Shengsai High Tech Industrial Crane Company Ltd.	0.3	0.5	0.5	0.0
Shanghai High Tech Industrial Company, Ltd.	0.3	1.1	1.1	0.1
Boutonnier Adt Levage S.A.	0.2	0.4	0.8	0.0
Levelec S.A.	0.1	0.3	0.5	0.0
Manelec S.a.r.l.	0.1	0.1	0.3	0.0
Manulec S.A.	0.3	0.6	0.8	0.0
Sere Maintenance S.A.	0.1	0.2	0.6	0.0
Meiden Hoist System Company Ltd.	2.7	5.6	9.5	0.3
Eastern Morris Cranes Limited	0.1	1.8	3.8	0.3
Morris Material Handling (Thailand) Ltd.	0.3	0.0	0.0	0.0
ZAO Zaporozhje Kran Holding	0.7	7.4	3.5	-0.5
Crane Industrial Services LLC	0.7	1.6	3.1	0.3
Translation difference	0.0	0.0	0.0	0.0
Total	6.3	20.6	25.3	0.7

The investment value of the shares in the associated companies consists of the Group's proportion of the associated companies at the acquisition date, adjusted by any variation in the shareholders' equity after the acquisition. See also Company list for listing of the ownership of the associated companies and joint venture.

1) Total asset value, Revenue and Profit/loss represent the Group's share of these investments according to the latest published financial information.

21. Available-for-sale investments

	2008	2007
Acquisition costs as of 1 January	2.4	2.1
Transferred to subsidiary and associated company shares	-0.9	0.0
Increase	0.5	0.3
Total as of 31 December	1.9	2.4

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

22. Inventories

	2008	2007
Raw materials and semi-manufactured goods	122.3	81.1
Work in progress	168.4	129.9
Finished goods	24.6	24.2
Advance payments	17.8	16.0
Total	333.2	251.2

23. Valuation and qualifying accounts

2008	Balance at the beginning of the year	Translation difference	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for doubtful accounts	13.6	-0.2	0.8	2.5	6.3	16.4
Provision for obsolete inventory	7.8	0.6	0.7	1.0	3.0	9.8

2007	Balance at the beginning of the year	Translation difference	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for doubtful accounts	11.0	-0.3	3.1	1.0	7.0	13.6
Provision for obsolete inventory	8.2	-0.4	1.5	1.0	2.5	7.8

24. Analysis of accounts receivable by age

	2008	2007
Undue accounts receivable	223.4	181.3
Accounts receivable 1–30 days overdue	81.2	81.8
Accounts receivable 31–60 days overdue	35.8	33.7
Accounts receivable 61–90 days overdue	24.0	17.5
Accounts receivable more than 91 days overdue	33.9	13.7
Total	398.3	328.0

Accounts receivable are initially measured at cost (book values represent their fair values). Accounts receivable are subject to only minor credit risk concentrations due to the Group's extensive customer portfolio. Credit losses recognized for the financial year totaled EUR 1.0 million (EUR 3.5 million in 2007).

25. Other receivables

	2008	2007
Bills receivable	13.6	3.7
Value added tax	27.2	15.2
Total	40.8	18.9

26. Deferred assets

	2008	2007
Income taxes	3.0	2.3
Interest	0.3	0.0
Receivable arising from percentage of completion method	55.3	48.9
Other	34.9	33.4
Total	93.6	84.6

27. Cash and cash equivalents

	2008	2007
Cash in hand and at bank	40.6	41.1
Short-term deposits	60.3	14.9
Total	100.9	56.0

Short-term deposits with a maturity of less than three months. Cash and cash equivalents are carried at nominal value, which corresponds to their fair value.

28. Equity

28.1. Shareholders' equity

	Number of shares	Share capital	Share capital	Paid in capital
1 January 2007	59,285,120	30.0	39.0	0.5
Share subscriptions with options	901,060	0.0	0.3	5.8
Shares issued to CEO according to incentive scheme	50,000	0.0	0.0	0.5
Purchase of treasury shares	-1,730,400	0.0	0.0	-2.2
31 December 2007	58,505,780	30.1	39.3	4.7
Share subscriptions with options	633,540	0.0	0.0	4.1
Purchase of treasury shares	-69,600	0.0	0.0	-1.6
31 December 2008	59,069,720	30.1	39.3	7.3

Total shareholders' equity consists of share capital, share premium account, fair value reserves, translation difference, paid in capital and retained earnings. Konecranes share has no nominal value. The company has one series of shares. All issued shares are fully paid. Share premium account includes the value of shares, which exceeds the accounting par value of the shares, for shares issued before September 1, 2006. Fair value reserves include changes in the fair values of derivative financial instruments used to hedge operational cash flows. Translation differences comprise the differences arising from the elimination of net investments in non-euro foreign subsidiaries. Paid-in capital includes the portion of shares' subscription price, which is not recorded to share capital or according to IFRS to liabilities. Paid-in capital includes also other capital contributions to the Group, which are not recorded to some other reserve within equity. Paid-in capital includes also the possible amount of share capital decrease, which is not netted against accumulated losses or is not distributed to shareholders.

28.2. Distributable earnings

See page 117 Board of Director's Proposal to the Annual General Meeting.

28.3. Treasury shares

	2008 Number of shares	2007 Number of shares
As of 1 January	2,473,000	792,600
Increase	69,600	1,730,400
Decrease	0	-50,000
Total as of 31 December	2,542,600	2,473,000

The Annual General Meeting on March 13, 2008 authorized the Board of Directors to repurchase and transfer the Company's own shares. Altogether no more than 6,097,878 shares may be repurchased or transferred, however, the Company cannot at any moment together with its subsidiaries own more than 10 per cent of all the registered shares of the Company. The authorization shall be effective until the next Annual General Meeting of Shareholders, however no longer than until September 12, 2009.

The Board of Directors had December 15, 2006 approved a long-term incentive scheme directed to the President and CEO, Pekka Lundmark. The incentive scheme was implemented by disposing Konecranes Plc's own shares held by the Company on the basis of the authorization granted to the Board of Directors by the General Meeting of Shareholders on March 8, 2006. Pursuant to the incentive scheme a total of 50,000 shares were sold to Pekka Lundmark to a price of EUR 12 per share in December 2006 and 50,000 shares were sold in January 2007 to the same price.

29. Option rights and other share-based payments

The Annual General Meeting March 8, 2001 resolved to issue 3,000 stock options to the management of the Konecranes Group entitling the stock option holders to subscribe for a maximum of 300,000 shares in Konecranes Plc. Each stock option gives its holder the right to subscribe to one hundred shares each 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 Konecranes Plc may be increased by a maximum of EUR 600,000 and the number of shares by a maximum of 300,000 new shares. At the end of 2008, altogether 508,400 shares (2007: 508,400 shares) had been subscribed for the warrants pursuant to the 2001A stock option plan and 292,800 shares (2007: 242,800 shares) for 2001B stock option plan.

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

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

Each stock option of 2003 gives its holder the right to subscribe to one share each at a subscription price as listed above.

In May 2004 the Board increased the share subscription price pursuant to the 2003B stock options from EUR 20.56 to EUR 22.62 according to the terms and conditions of the scheme. Notwithstanding the above, the Board retains the authority to increase the share subscription price pursuant to the 2003B and 2003C stock options before the start of the relevant share subscription period. With 2003A stock option shares can be subscribed to starting on May 2, 2005 and ending on March 31, 2007, with 2003B stock option starting on May 2, 2006 and ending on March 31, 2008 and with stock option 2003C starting on May 2, 2007 and ending on March 31, 2009. As a result of share subscriptions based on the 2003 stock options, the share capital of Konecranes Plc may be increased by a maximum of EUR 1,200,000 and the number of shares by a maximum of 600,000 new shares. At the end of 2008, altogether 800,000 shares (2007: 800,000 shares) had been subscribed for the stock options pursuant to the 2003A stock option plan, 800,000 shares (2007: 725,000 shares) pursuant to the 2003B stock option plan and 599,000 shares (2007: 252,760 shares) pursuant to the 2003C.

On March 2006 the Annual General Meeting approved the increase of the number of shares (share split). As a result of the share split the number of shares of the company were quadrupled. Any information of the Option rights stated above before March 2006 is presented in their original pre-split values, and any information of the Option rights after March 2006 is presented in their new split values.

The Annual General Meeting on March 6, 2007 approved the Board's proposal that the key employees of the Konecranes Group are granted the maximum of 3 million option rights. The option rights entitle to an aggregate 3 million Company shares.

Option rights are divided into three series (2007A, 2007B and 2007C), whose subscription periods are staggered, so that the share subscription period for the option rights of the first series begins on May 2, 2009 and ends for the option rights of the last series on April 30, 2013.

The subscription price of shares for all 2007 series is at least EUR 25.72 which is volume-weighted average price of the Konecranes share in Helsinki Stock Exchange between 1 April–30 April, 2007. The Board may decide to increase the subscription price of the shares from above for option rights series 2007B and 2007C before such options rights are allocated to the option right holders. For series 2007B the subscription price was the same EUR 25.72 when series 2007B was granted on June 12, 2008 to the key employees.

29.1. Changes in the number of shares of option rights outstanding	2008	2007
Number of shares of option rights outstanding as of 1 January	2,085,040	2,038,400
Granted during the year	1,011,000	987,500
Forfeited during the year	-17,500	-15,000
Exercised during the year	-633,540	-901,060
Expired during the year	-76,800	-24,800
Total number of shares of option rights outstanding as of 31 December	2,368,200	2,085,040

The total cost of the option programs for the financial year 2008 was 2.7 MEUR (2007: 1.3 MEUR). Option program costs are included in personnel expenses and credited to shareholders' equity.

29.2. Assumptions made in determining the fair value of stock options

The fair values for the options have been determinated using the Black & Scholes method. The fair values for stock options have been calculated on the basis of the following assumptions:

	2003C	2007A	2007B	Pekka Lundmark's incentive scheme 2006	Pekka Lundmark's incentive scheme 2007
Subscription price of the share, EUR	6.25	25.72	25.72	12.00	12.00
Fair market value of the share, EUR	7.50	25.55	26.47	21.16	24.74
Expected volatility, %	17%	18%	18%	18%	18%
Risk-free interest rate, %	2.6%	4.2%	4.7%	3.7%	4.0%
Expected contractual life in years	0.2	2.3	3.3	3.0	3.1
Grant date fair value of the stock options, EUR	1.31	2.80	3.63	9.36	11.31

The above calculations are based on the 4-6 years' implied volatility of the Konecranes Plc share price estimated by a market participant who actively trades stock options.

30. Interest-bearing liabilities

	2008	2008	2007	2007
30.1. Non-current	Carrying amount	Fair value	Carrying amount	Fair value
Loans from financial institutions	96.5	96.5	40.1	40.1
Finance lease liabilities	6.3	6.3	5.6	5.6
Other long-term loans	0.1	0.1	0.1	0.1
Total	102.8	102.8	45.7	45.7

	2008	2008	2007	2007
30.2. Current	Carrying amount	Fair value	Carrying amount	Fair value
Loans from financial institutions	0.2	0.2	0.3	0.3
Finance lease liabilities	2.1	2.1	1.9	1.9
Commercial papers	4.9	4.9	22.4	22.4
Other short-term loans	2.5	2.5	0.1	0.1
Overdraft	2.0	2.0	7.1	7.1
Total	11.6	11.6	31.8	31.8

The average interest rate of the non-current liabilities portfolio on December 31, 2008 is 4.61% (2007: 5.32%) and that on current liabilities 5.48% (2007: 5.55%). The effective interest rate for EUR-loans varies between 3.20%–5.70% (2007: 4.25%–4.80%).

30.3. Currency split and repricing schedule of outstanding net debt including hedges

2008					Debt repricing in period				
Currency	Amount MEUR	Avg duration	Avg rate %	Rate sensitivity[1)]	2009	2010	2011	2012	2013-
EUR	77.9	1.2 years	4.57	0.8	11.5	61.7	1.4	1.4	1.9
USD	11.1	2 years	2.95	0.1	0.0	11.1	0.0	0.0	0.0
CNY	25.4	2 years	6.16	0.3	0.0	25.4	0.0	0.0	0.0
Total	114.4		4.56	1.1	11.5	98.2	1.4	1.4	1.9

2007					Debt repricing in period				
Currency	Amount MEUR	Avg duration	Avg rate %	Rate sensitivity[1)]	2008	2009	2010	2011	2012-
EUR	37.7	0.1 years	4.59	0.4	37.7	0.0	0.0	0.0	0,0
USD	27.2	2.2 years	5.32	0.3	0.0	0.0	27.2	0.0	0,0
CNY	12.7	0.1 years	7.23	0.1	12.7	0.0	0.0	0.0	0,0
Total	77.6		5.71	0.8	50.4	0.0	27.2	0.0	0.0

1) Effect of one percent rise in market interest rates on the Group's net interest expenses over the following 12 months. There would be no effect on equity, as there were no open interest derivatives at the end of 2008 (or 2007). All other variables have been assumed constant.

30.4. Maturity profile of the Group's financial liabilities

2008		Maturity of financial liabilities					
Debt type	Amoun drawn	2009	2010	2011	2012	2013	Later
Committed revolving facilities	60.0	0.0	60.0	0.0	0.0	0.0	0.0
Loans from financial institutions	36.7	0.2	36.5	0.0	0.0	0.0	0.0
Finance lease liabilities	8.3	2.1	1.7	1.4	1.4	1.1	0.8
Commercial paper program	4.9	4.9	0.0	0.0	0.0	0.0	0.0
Other long-term debt	2.5	2.5	0.0	0.0	0.0	0.0	0.0
Overdraft	2.0	2.0	0.0	0.0	0.0	0.0	0.0
Total	114.4	11.6	98.2	1.4	1.4	1.1	0.8

2007		Maturity of financial liabilities					
Debt type	Amoun drawn	2008	2009	2010	2011	2012	Later
Committed revolving facilities	27.2	0.0	0.0	27.2	0.0	0.0	0.0
Loans from financial institutions	13.2	13.0	0.2	0.0	0.0	0.0	0.0
Finance lease liabilities	7.5	1.9	4.6	0.5	0.4	0.1	0.1
Commercial paper program	22.4	22.4	0.0	0.0	0.0	0.0	0.0
Other long-term debt	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Overdraft	7.1	7.1	0.0	0.0	0.0	0.0	0.0
Total	77.6	44.5	4.9	27.6	0.4	0.1	0.1

30.5. Carrying amounts of financial assets and liabilities classified based on IAS 39

2008 Financial assets	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Available-for-sale financial assets	Financial assets/ liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial assets							
Long-term interest-bearing receivables		1.8			1.8	1.8	
Derivative financial instruments	0.1				0.1	0.1	37.2
Other financial assets			1.9		1.9	1.9	21
Current financial assets							
Short-term interest-bearing receivables		0.4			0.4	0.4	
Account and other receivables		439.1			439.1	439.1	24, 25
Derivative financial instruments	6.4				6.4	6.4	37.2
Cash and cash equivalents		100.9			100.9	100.9	27
Total	6.5	542.2	1.9		550.7	550.7	
Financial liabilities							
Non-current financial liabilities							
Interest-bearing liabilities				102.8	102.8	102.8	30.1
Derivative financial instruments	0.1				0.1	0.1	
Current financial liabilities							
Interest-bearing liabilities				11.6	11.6	11.6	30.2
Derivative financial instruments	1.0				1.0	1.0	37.2
Account and other payables				158.8	158.8	158.8	34.2
Total	1.2			273.3	274.5	274.5	

2007 Financial assets	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Available-for-sale financial assets	Financial assets/ liabilities measured at amortized cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial assets							
Long-term interest-bearing receivables		1.7			1.7	1.7	
Derivative financial instruments	1.7				1.7	1.7	37.2
Other financial assets			2.4		2.4	2.4	21
Current financial assets							
Short-term interest-bearing receivables		0.2			0.2	0.2	
Account and other receivables		346.9			346.9	346.9	24, 25
Derivative financial instruments	4.7				4.7	4.7	37.2
Cash and cash equivalents		56.0			56.0	56.0	27
Total	6.5	404.8	2.4		413.7	413.7	
Financial liabilities							
Non-current financial liabilities							
Interest-bearing liabilities				45.7	45.7	45.7	30.1
Derivative financial instruments							
Current financial liabilities							
Interest-bearing liabilities				31.8	31.8	31.8	30.2
Derivative financial instruments	0.8				0.8	0.8	37.2
Account and other payables				143.2	143.2	143.2	34.2
Total	0.8			220.7	221.4	221.4	

31. Employee Benefits

The Konecranes Group companies have various pension plans in accordance with local conditions and practices. The pension plans are classified as either defined contribution plans or defined benefit plans. The Group has a significant defined benefit pension plan in the United Kingdom and Germany. Konecranes Group accounts for the Finnish system under the Employees' Pensions Act (TyEL) as a defined contribution plan.

31.1. Amounts recognized in the balance sheet	2008	2007
Present value of obligation wholly unfunded	45.4	53.7
Present value of obligation wholly or partly funded	31.8	44.6
Fair value of plan assets	-27.9	-40.1
Unrecognized net actuarial gain/loss (-)	7.0	-0.9
Total	56.3	57.3

31.2. Components of defined benefit plan recognized in statement of income	2008	2007
Current service cost	1.6	1.1
Interest cost	4.2	4.4
Expected return on plan assets	-2.0	-2.3
Net actuarial gain (-)/loss recognized in year	-0.1	-1.3
Past service cost	0.0	-0.1
Total	3.7	1.8

31.3. Movements of defined benefit plan recognized in balance sheet	2008	2007
Net liability as of 1 January	57.3	58.7
Translation difference	-1.4	-0.8
Company acquisition	0.3	0.0
Reclassification of pension liabilities	0.0	0.6
Past service cost	0.0	0.2
Settlements and curtailments	-0.4	0.0
Expense/revenue (-) recognized in statement of income	3.7	1.8
Contributions paid (-)	-3.2	-3.3
Net liability as of 31 December	56.3	57.3

During years 2007 there has been a reclassification in pension liabilities. In year 2007 EUR 0.6 million of pension liabilities in provision were reclassified to defined benefit plan obligations.

See also Note 33. to the Consolidated Financial Statements.

31.4. Defined benefit plan: the main actuarial assumptions	2008	2007
Discount rate %	2.30 - 6.00	3.90 - 5.50
Expected return on plan assets %	2.30 - 6.40	3.50 - 6.40
Future salary increase %	2.50 - 3.00	2.50 - 3.30
Future pension payment increase %	1.50 - 2.80	1.30 - 3.30

32. Deferred tax assets and liabilities

32.1. Deferred tax assets	2008	2007
Intangible and tangible assets	0.0	0.4
Employee benefits	7.9	7.8
Provisions	8.6	4.6
Unused tax losses	9.8	7.9
Other temporary difference	5.6	4.2
Total	31.9	24.9

32.2. Deferred tax liabilities	2008	2007
Intangible and tangible assets	16.4	12.6
Employee benefits	0.0	0.1
Other temporary difference	2.1	3.1
Total	18.4	15.8

32.3. Tax losses carried forward

At the end of year 2008 Konecranes recorded a deferred tax asset of EUR 9.8 million (EUR 7.9 million in 2007) on the carry-forward losses totally amounting to EUR 92.6 million (EUR 84.4 million in 2007). The carry-forward losses for which no deferred tax assets are recognized due to the uncertainty of the utilization of the losses amounted to EUR 64.9 million for year 2008 (EUR 62.2 million in 2007).

The main portion of carry-forward losses relates to Morris Material Handling Inc., USA, which was acquired in 2006. The overall losses of Morris Material Handling, Inc. amounted to EUR 69.4 million (EUR 70.0 million in 2007). The company has recorded a deferred tax asset amounting to EUR 7.1 million (EUR 5.3 million in 2007) based on the tax losses estimated to be utilized during years 2009 - 2011 amounting to EUR 17.8 million. For the amount of EUR 51.5 million tax loss carry-forwards deductible over the period 2012–2031 no deferred tax asset has been recognized due to uncertainties and limitations on deductible annual amounts.

Tax losses carried forward and related deferred tax assets at December 31 by the most significant countries as following:

2008	Tax losses carried forward	Potential deferred tax assets	Deferred tax assets not recorded	Deferred tax assets
USA	69.4	27.8	20.6	7.1
Germany	4.4	1.3	1.3	0.0
The Netherlands	6.8	1.9	0.0	1.9
Finland	2.3	0.6	0.0	0.6
Other	9.7	2.8	2.6	0.2
Total	92.6	34.4	24.6	9.8

2007	Tax losses carried forward	Potential deferred tax assets	Deferred tax assets not recorded	Deferred tax assets
USA	70.0	28.0	22.7	5.3
Germany	4.4	1.3	1.3	0.0
United Kingdom	6.2	1.9	0.0	1.9
Other	3.8	1.0	0.3	0.7
Total	84.4	32.2	24.3	7.9

33. Provisions

2008	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of 1 January	17.6	5.4	3.5	10.7	37.2
Translation difference	0.2	-0.1	0.1	1.5	1.7
Additional provision in the period	14.3	0.0	0.4	13.5	28.1
Utilization of provision	5.9	2.6	0.1	4.0	12.5
Unused amounts reversed	2.8	0.5	0.9	3.5	7.8
Total provisions as of 31 December	23.5	2.1	3.1	18.2	46.8

2007	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of 1 January	12.1	3.1	3.1	9.3	27.6
Additional provision in the period	10.6	4.5	0.8	5.7	21.5
Utilization of provision	3.3	1.3	0.4	3.1	8.2
Unused amounts reversed	1.7	0.9	0.0	1.1	3.7
Total provisions as of 31 December	17.6	5.4	3.5	10.7	37.2

Provision for warranties covers the expenses due to the repair or replacement of product during their warranty period. The warranty liability is based on historical realized warranty costs for deliveries of standard products and services. The usual warranty period is 12 months. For more complex contracts, mainly including long-term projects sold by Konecranes Heavy Lifting business area, the warranty reserve is calculated contract by contract and the warranty could be up till two years. The restructuring provision is recognized when the Group has prepared a detailed reorganization plan and begun implementation of the plan or announced the matter. Pension commitments include provisions for local pension schemes. During years 2007 there has been a reclassification in pension liabilities. In year 2007 EUR 0.6 million of pension liabilities in provision were reclassified to defined benefit plan obligations. See also Note 31.3. to the Consolidated Financial Statements.

Other provision includes provisions for claims, litigations and loss contracts.

34. Current liabilities

34.1. Accruals	2008	2007
Income taxes	3.5	21.8
Wages, salaries and personnel expenses	57.5	51.2
Pension costs	4.5	4.1
Interest	1.6	1.0
Other items	137.7	85.2
Total	204.9	163.3

34.2. Other current liabilities (non-interest bearing)	2008	2007
Bills payable	3.8	4.0
Value added tax	11.9	11.8
Other short-term liabilities	8.0	6.9
Total	23.6	22.8

35. Lease liabilities

35.1. Finance lease	2008	2007
Minimum lease payments		
within 1 year	2.7	1.9
1–5 years	6.7	5.2
over 5 years	0.4	0.8
Total	9.7	7.8
Present value of finance lease		
within 1 year	2.3	2.0
1–5 years	5.8	4.9
over 5 years	0.3	0.6
Total	8.5	7.5

Konecranes Group has finance leases mainly for vehicles with average four years leasing time.

35.2. Operating leases	2008	2007
Minimum lease payments		
within 1 year	29.7	24.1
1–5 years	50.8	44.0
over 5 years	15.3	19.8
Total	95.8	87.8
Operative rental expenses during the year	20.8	19.6

Konecranes Group has major operating lease agreements of factory and office buildings in Hyvinkää and Hämeenlinna, Finland. They are valid for 10-12 years, unless the lessee extends the lease period with five years. The lessee is entitled to exercise the 5-years extending option three consecutive times. The Group has various other operating leases for office equipments, vehicles and premises with varying terms and renewal rights.

36. Contingent liabilities and pledged assets

	2008	2007
For own commercial obligations		
Pledged assets	0.2	0.3
Guarantees	172.0	255.3
Leasing liabilities		
Next year	29.7	24.1
Later on	66.0	63.7
Other	0.2	0.0
Total	268.2	343.5

Leasing contracts follow the normal practices in corresponding countries.

Contingent liabilities relating to litigations

Various legal actions, claims and other proceedings are pending against the Group in various countries. These actions, claims and other proceedings are typical for this industry and consistent with a global business offering that encompasses a wide range of products and services. These matters involve contractual disputes, warranty claims, product liability (including design defects, manufacturing defects, failure to warn and asbestos legacy), employment, vehicles and other matters involving claims of general liability.

While the final outcome of these matters cannot be predicted with certainty Konecranes is of the opinion, based on the information available to date and considering the grounds presented for such claims, available insurance coverage and the reserves made, that the outcome of such actions, claims and other proceedings, if unfavorable, would not have a material, adverse impact on the financial condition of the Group.

37. Nominal and fair values of derivative financial instruments

	2008 Nominal value	2008 Fair value	2007 Nominal value	2007 Fair value
Foreign exchange forward contracts	165.9	5.7	168.8	5.4
Electricity forward contracts	1.8	-0.4	0.9	0.3
Total	167.7	5.3	169.7	5.7

Derivatives are used for hedging currency and interest rate risks as well as risk of price fluctuation of electricity. Company applies hedge accounting on derivatives used to hedge cash flows in Heavy Lifting projects.

37.1. Breakdown of nominal values of derivative financial instruments

	Remaining maturities 2008			Remaining maturities 2007		
Hedging derivative financial instruments	**< 1year**	**1–6 years**	**Total**	**< 1year**	**1–6 years**	**Total**
Foreign exchange forward contracts	42.9	0.9	43.8	45.7	15.0	60.7
Electricity forward contracts	0.0	0.0	0.0	0.0	0.0	0.0
Total	42.9	0.9	43.8	45.7	15.0	60.7

	Remaining maturities 2008			Remaining maturities 2007		
Non-hedging derivative financial instruments	**< 1year**	**1–6 years**	**Total**	**< 1year**	**1–6 years**	**Total**
Foreign exchange forward contracts	122.1	0.0	122.1	108.1	0.0	108.1
Electricity forward contracts	1.1	0.7	1.8	0.6	0.3	0.9
Total	123.2	0.7	123.9	108.7	0.3	109.1

	Remaining maturities 2008			Remaining maturities 2007		
Derivative financial instruments total	**< 1year**	**1–6 years**	**Total**	**< 1year**	**1–6 years**	**Total**
Total foreign exchange forward contracts	165.0	0.9	165.9	153.8	15.0	168.8
Total electricity forward contracts	1.1	0.7	1.8	0.6	0.3	0.9
Total	166.1	1.6	167.7	154.4	15.3	169.7

37.2. Breakdown of fair values of derivative financial instruments

2008

Hedging derivative financial instruments	Positive fair values < 1year	1–6 years	Negative fair values < 1year	1–6 years	Net fair values
Foreign exchange forward contracts	1.2	0.1	-0.1	0.0	1.3
Electricity forward contracts	0.0	0.0	0.0	0.0	0.0
Total	1.2	0.1	-0.1	0.0	1.3

Non-hedging derivative financial instruments	Positive fair values < 1year	1–6 years	Negative fair values < 1year	1–6 years	Net fair values
Foreign exchange forward contracts	5.2	0.0	-0.7	0.0	4.4
Electricity forward contracts	0.0	0.0	-0.2	-0.1	-0.4
Total	5.2	0.0	-0.9	-0.1	4.1

Derivative financial instruments total	Positive fair values < 1year	1–6 years	Negative fair values < 1year	1–6 years	Net fair values
Total foreign exchange forward contracts	6.4	0.1	-0.8	0.0	5.7
Total electricity forward contracts	0.0	0.0	-0.2	-0.1	-0.4
Total	6.4	0.1	-1.0	-0.1	5.3

2007

Hedging derivative financial instruments	Positive fair values < 1year	1–6 years	Negative fair values < 1year	1–6 years	Net fair values
Foreign exchange forward contracts	2.9	1.6	0.0	0.0	4.4
Electricity forward contracts	0.0	0.0	0.0	0.0	0.0
Total	2.9	1.6	0.0	0.0	4.4

Non-hedging derivative financial instruments	Positive fair values < 1year	1–6 years	Negative fair values < 1year	1–6 years	Net fair values
Foreign exchange forward contracts	1.7	0.0	-0.7	0.0	0.9
Electricity forward contracts	0.2	0.2	0.0	0.0	0.3
Total	1.8	0.2	-0.7	0.0	1.3

Derivative financial instruments total	Positive fair values < 1year	1-6 years	Negative fair values < 1year	1-6 years	Net fair values
Total foreign exchange forward contracts	4.5	1.6	-0.7	0.0	5.4
Total electricity forward contracts	0.2	0.2	0.0	0.0	0.3
Total	4.7	1.7	-0.7	0.0	5.7

38. Hedge reserve of cash flow hedges

	2008	2007
Balance as of 1 January	3.3	3.7
Gains and losses deferred to equity (fair value reserve)	-3.3	0.8
Change in deferred taxes	0.9	-1.2
Balance as of 31 December	0.9	3.3

The Group applies hedge accounting to certain large Heavy Lifting crane projects where expected cash flows are highly probable.

39. Related party transactions

The related parties of Konecranes are associated companies and joint ventures, the Board of Directors, the CEO and Group Executive Board.

Transactions with associated companies and joint ventures	2008	2007
Sales of goods and services with associated companies and joint ventures	10.2	14.4
Receivables from associated companies and joint ventures	8.0	6.3
Purchases of goods and services from associated companies and joint ventures	9.7	7.8
Liabilities to associated companies and joint ventures	0.3	0.4

Sales to and purchases from related parties are made at the normal market price.

Key management compensation

The Board of Directors, the CEO and Group Executive Board.

See Note 13. to the Consolidated Financial Statements.

KONECRANES GROUP 2004–2008

Business development		2008	2007	2006	2005	2004
Orders received	MEUR	2,067.1	1,872.0	1,472.8	1,061.2	736.9
Order book	MEUR	836.3	757.9	571.6	432.1	298.8
Net sales	MEUR	2,102.5	1,749.7	1,482.5	970.8	728.0
of which outside Finland	MEUR	1,979.6	1,652.2	1,396.0	883.7	653.5
Export from Finland	MEUR	700.1	579.8	519.6	334.2	273.4
Personnel on average		9,222	8,005	6,859	5,087	4,369
Personnel on 31 December		9,904	8,404	7,549	5,923	4,511
Capital expenditure	MEUR	22.3	25.2	16.3	16.0	11.8
as a percentage of net sales	%	1.1%	1.4%	1.1%	1.6%	1.6%
Research and development costs	MEUR	19.0	16.2	12.5	8.8	8.5
as % of Group net sales	%	0.9%	0.9%	0.8%	0.9%	1.2%
Profitability						
Net sales	MEUR	2,102.5	1,749.7	1,482.5	970.8	728.0
Operating profit	MEUR	248.7	192.3	105.5	49.3	31.3
as percentage of net sales	%	11.8%	11.0%	7.1%	5.1%	4.3%
Income before taxes	MEUR	236.2	178.8	95.1	34.1	27.7
as percentage of net sales	%	11.2%	10.2%	6.4%	3.5%	3.8%
Net income (incl. minority)	MEUR	166.6	129.2	68.6	24.1	18.4
as percentage of net sales	%	7.9%	7.4%	4.6%	2.5%	2.5%
Key figures and balance sheet						
Equity	MEUR	400.7	280.8	223.7	152.1	137.6
Balance Sheet	MEUR	1,205.4	956.9	919.0	724.0	513.9
Return on equity	%	48.9	51.2	36.5	16.6	12.5
Return on capital employed	%	56.3	50.4	29.5	17.2	13.7
Current ratio		1.5	1.3	1.4	1.1	1.1
Solidity	%	39.9	36.1	28.3	23.7	29.1
Gearing	%	2.8	7.0	57.3	88.1	80.2
Shares in figures						
Earnings per share, basic	EUR	2.83	2.17	1.17	0.43	0.33
Earnings per share, diluted	EUR	2.82	2.13	1.15	0.42	0.32
Equity per share	EUR	6.75	4.80	3.77	2.66	2.44
Cash flow per share	EUR	1.82	3.08	1.39	0.86	0.14
Dividend per share	EUR	0.90*	0.80	0.45	0.28	0.26
Dividend / earnings	%	31.8	36.9	38.5	64.3	80.2
Effective dividend yield	%	7.5	3.4	2.0	2.6	3.2
Price / earnings		4.3	10.9	19.1	24.3	24.8
Trading low / high	EUR	9.90/32.50	20.68/34.90	10.23/22.33	7.45/10.49	6.80/8.88
Average share price	EUR	21.05	27.41	15.04	8.94	7.70
Share price on 31 December	EUR	12.08	23.58	22.30	10.41	8.13
Year-end market capitalization	MEUR	713.6	1,379.6	1,322.0	594.1	458.4
Number traded	(1,000)	171,519	128,266	114,023	73,164	63,700
Stock turnover	%	290.4	219.2	192.3	128.1	112.9

* The Board's proposal to the AGM

Return on equity (%):

$$\frac{\text{Net profit for the period}}{\text{Total equity (average during the period)}} \times 100$$

Return on capital employed (%):

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

Current ratio:

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Solidity (%):

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

Gearing (%):

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

Earnings per share:

$$\frac{\text{Net profit for the shareholders of the parent company}}{\text{Average number of shares outstanding}}$$

Earnings per share, diluted:

$$\frac{\text{Net profit for the shareholders of the parent company}}{\text{Average fully diluted number of shares outstanding}}$$

Equity per share:

$$\frac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares outstanding}}$$

Cash flow per share:

$$\frac{\text{Net cash flow from operating activities}}{\text{Average number of shares outstanding}}$$

Effective dividend yield (%):

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

Price per earnings:

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

Year-end market capitalization: Number of shares outstanding multiplied by the share price at the end of year

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

COMPANY LIST

Subsidiaries owned by the parent company

(1,000 EUR)		Book value of shares	Parent company's share %	Group's share %
Finland:	Konecranes Finance Corporation	46,248	100	100
	Konecranes Heavy Lifting Corporation	10,821	72	100

Subsidiaries owned by the group

		Book value of shares	Group's share %
Australia:	Konecranes Pty Ltd.	141	100
Austria:	Konecranes Ges.m.b.H	218	100
	Stahl CraneSystems Ges.m.b.H	248	100
Belgium:	S.A. Konecranes N.V.	87	100
Brazil:	Konecranes Talhas, Pontes Rolantes e Serviços Ltda.	0	100
Canada:	3016117 Nova Scotia ULC	0	100
	Hydramach ULC	0	100
	Kaverit Cranes and Service ULC	0	100
	Konecranes (2006 Alberta) Inc.	29	100
	Konecranes Canada Inc.	893	100
	MHE Canada ULC	0	100
	Overhead Crane Ltd.	0	100
Cayman Islands:	Morris Middle East Ltd.	0	100
Chile:	Morris Material Handling Chile S.A.	0	100
China:	Dalian Konecranes Company Ltd.	1,185	100
	Konecranes (Shanghai) Co. Ltd.	0	100
	Konecranes (Shanghai) Company Ltd.	3,210	100
	Konecranes Port Machinery (Shanghai) Co Ltd	1,568	100
	Stahl CraneSystems Trading (Shanghai) Co. Ltd.	153	100
Czech Republic:	Konecranes CZ s.r.o.	55	100
Denmark:	Aarhus Maskinfabrik A/S	1,745	100
	Konecranes A/S	62	100
Estonia:	Konecranes Oü	0	100
Finland:	Finox Nosturit Oy	20	100
	Konecranes Service Corporation	2,615	100
	Konecranes Software Products Oy	611	80.23
	Konecranes Standard Lifting Corporation	3,807	100
	Konecranes Yard IT Oy	4,936	100
	Nosturiexpertit Oy	10	100
	Permeco Oy	113	100
	Työstökonetekniikka Machine Tool Tech Oy	29	100
France:	CGP-Konecranes S.A.	577	100
	KCI Holding France S.A.	461	100
	Konecranes (France) S.A.	2,572	100
	Stahl CraneSystems S.A.S.	688	100
	Verlinde S.A.	2,782	99.6
Germany:	Eurofactory GmbH	1,239	100
	Konecranes GmbH	15,262	100
	Stahl CraneSystems GmbH	30,776	100
	Stahl Konecranes GmbH	4,300	100
	Stahl Konecranes Heavy Lifting GmbH	6,304	100
	SWF Krantechnik GmbH	15,500	100
Hungary:	Konecranes Kft.	792	100
India:	Konecranes India Private Ltd.	373	100
	Stahl CraneSystems (India) Pvt. Ltd.	0	100
Indonesia:	Pt. Konecranes	119	100
Italy:	Konecranes S.r.l.	1,790	100
	Stahl CraneSystems S.r.l.	10	100

Japan:	MHS Konecranes Co. Ltd.	3,894	65
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.	599	100
Mexico:	Konecranes Mexico SA de CV	2,185	100
The Netherlands:	Konecranes BV	18	100
	Konecranes Holding BV	3,851	100
Norway:	Konecranes A/S	907	100
	Kongsberg Automation A/S	3,220	100
	Wisbech Refsum A/S	13	100
Poland:	Konecranes Sp. z o.o.	78	100
Portugal:	Ferrometal Lda.	1,556	100
Romania:	Konecranes S.A.	98	100
Russia:	ZAO Konecranes	6	100
Singapore:	KCI Cranes Holding (Singapore) Pte Ltd	36,868	100
	Konecranes Pte Ltd	1,549	100
	Morris Material Handling Pte Ltd.	28	75
	Stahl CraneSystems Pte. Ltd.	2	100
Spain:	Konecranes Ausió S.L.	5,132	100
	Konecranes Grúas S.L.	480	100
	Konecranes S.L.	308	100
	Stahl CraneSystems S.L.	0	100
Sweden:	Konecranes AB	1,257	100
	Konecranes Lifttrucks AB	21,376	100
	KVRM Holding Sverige AB	1,682	100
	Reftele Maskinservice AB	1,184	100
Switzerland:	Stahl CraneSystems AG	404	100
Thailand:	Konecranes Service Co. Ltd.	84	49
Turkey:	Konecranes Ticaret Ve Servis Limited Sirketi	53	100
Ukraine:	LLC “Firm Kranservice”	2	88.6
	ZAO Craneservice Ukraine	2,075	100
	ZAO Konecranes Ukraine	2,048	100
United Arab Emirates:	Stahl CraneSystems FZE	221	100
United Kingdom:	Bond Engineering (Maintenance) Ltd.	0	100
	Electron Services Ltd.	0	100
	K&B Europe Ltd.	997	100
	K&B Machine Tool Services Ltd.	0	100
	KCI Holding U.K. Ltd.	6,820	100
	Konecranes (U.K.) Ltd.	1,039	100
	Konecranes Service Ltd.	5,963	100
	Lloyds Konecranes Pension Trustees Ltd.	0	100
	Morris Material Handling Ltd.	5,629	100
	Royce Limited	0	100
	Stahl CraneSystems Ltd.	0	100
U.S.A.:	Drivecon. Inc.	360	100
	KCI Holding USA. Inc.	53,901	100
	Konecranes America. Inc.	3,241	100
	Konecranes. Inc.	38,291	100
	KPAC. Inc.	1	100
	Konecranes YardIT. Inc.	0	100
	Merwin. LLC	0	100
	MHE Technologies. Inc.	0	100
	MMH Americas. Inc.	0	100
	MMH Holdings. Inc.	0	100
	Morris Material Handling. Inc.	47,515	100
	PHMH Holding Company	0	100
	R&M Materials Handling. Inc.	5,892	100
	Stahl CraneSystems Inc.	0	100

COMPANY LIST

Investments accounted for using the equity method

		Assets value	Group's share %
Austria:	ACS Technologies GmbH	3,500	49
China:	Guangzhou Technocranes Company Ltd	429	25
	Jiangyin Dingli Shengsai High Tech Industrial Crane Company Ltd.	273	30
	Shanghai High Tech Industrial Company. Ltd.	533	28
France:	Boutonnier Adt Levage S.A.	238	25
	Levelec S.A.	142	20
	Manulec S.A.	277	25
	Manelec S.a.r.l.	79	25
	Sere Maintenance S.A.	76	25
Saudi Arabia:	Eastern Morris Cranes Limited	453	49
Thailand:	Morris Material Handling (Thailand) Ltd.	379	49
	Morris Thailand Co. Ltd.	0	49
Ukraine:	ZAO Zaporozhje Kran Holding	0	49
United Arab Emirates:	Crane Industrial Services LLC	1,020	49

Available-for-sale investments

		Book value of shares	Group's share %
Estonia:	AS Konesko	498	19
Finland:	East Office of Finnish Industries Oy	50	5.26
	Fimecc Oy	120	5.69
	Levator Oy	34	19
	Suomen Teollisuusosa Oy	161	16.12
	Vierumäen Kuntorinne Oy	345	3.3
France:	Heripret Holding SAS	53	19
	Societe d'entretrien et de transformation d'engins mecaniques	0	19
Indonesia:	Pt Technocranes International Ltd.	3	15
Malaysia:	Kone Products & Engineering Sdn. Bhd.	10	10
South Africa:	Dynamic Crane Systems (Natal) (Propietary) Ltd	315	19.5
	Dynamic Crane Systems (Propietary) Ltd	31	19
Venezuela:	Gruas Konecranes CA	4	10
Others:		318	
Total:		1,942	

(1,000 EUR) Note:		1 Jan – 31 Dec 2008	1 Jan – 31 Dec 2007
4	**Sales**	**38,667**	**28,884**
5	Depreciation and reduction in value	-2,189	-1,611
6	Other operating expenses	-36,674	-27,069
	Operating profit	**-196**	**204**
7	Financial income and expenses	100,955	1,945
	Income before extraordinary items	**100,759**	**2,148**
8	Extraordinary items	116,295	67,260
	Income before appropriations and taxes	**217,054**	**69,408**
9	Income taxes	-30,372	-18,018
	Net income	**186,682**	**51,390**

PARENT COMPANY CASH FLOW – FAS

(1,000 EUR)	1 Jan – 31 Dec 2008	1 Jan – 31 Dec 2007
Cash flow from operating activities		
Operating income	**-196**	**204**
Adjustments to operating profit		
Depreciation and impairments	2,189	1,611
Extraordinary income	67,260	37,638
Operating income before changes in net working capital	**69,253**	**39,453**
Change in interest-free short-term receivables	-2,436	36,230
Change in interest-free short-term liabilities	4,141	1,928
Change in net working capital	**1,705**	**38,158**
Cash flow from operations before financing items and taxes	**70,958**	**77,611**
Interest received	580	2,037
Interest paid	0	-1
Other financial income and expenses	-8	3
Income taxes paid	-29,780	-9,352
Financing items and taxes	**-29,208**	**-7,313**
NET CASH FROM OPERATING ACTIVITIES	**41,750**	**70,298**
Cash flow from investing activities		
Investments in other shares	-170	0
Capital expenditure to tangible assets	-386	-1,492
Capital expenditure and advance payments to intangible assets	-1,636	-2,810
Proceeds from sale of fixed assets	4	0
NET CASH USED IN INVESTING ACTIVITIES	**-2,188**	**-4,302**
Cash flow before financing activities	**39,562**	**65,996**
Cash flow from financing activities		
Proceeds from options excercised and share issues	4,277	6,722
Purchase of treasury shares	-2,536	-45,985
Proceeds from long-term borrowings	5,494	0
Dividends paid	-46,797	-26,731
NET CASH USED IN FINANCING ACTIVITIES	**-39,562**	**-65,994**
CHANGE OF CASH AND CASH EQUIVALENTS	**0**	**2**
Cash and cash equivalents at beginning of period	2	0
Cash and cash equivalents at end of period	2	2
CHANGE OF CASH AND CASH EQUIVALENTS	**0**	**2**

(1,000 EUR) Note:	ASSETS	31 Dec 2008	31 Dec 2007
	NON-CURRENT ASSETS		
	Intangible assets		
10	Intangible rights	4,319	4,017
	Advance payments	16	63
		4,335	**4,080**
	Tangible assets		
11	Machinery and equipment	1,689	2,114
		1,689	**2,114**
	Investments		
12	Investments in Group companies	50,449	50,449
12	Other shares and similar rights of ownership	515	345
		50,964	**50,794**
	Total non-current assets	**56,988**	**56,988**
	CURRENT ASSETS		
	Long-term receivables		
	Loans receivable from Group companies	1,757	10,056
		1,757	**10,056**
	Short-term receivables		
	Accounts receivable	4	4
	Amounts owed by Group companies		
	Accounts receivable	14,937	5,919
	Other receivable	3	7
14	Deferred assets	216,793	67,373
	Amounts owed by participating interest undertakings		
	Accounts receivable	0	13
	Other receivables	283	177
14	Deferred assets	3,268	1,549
		235,288	**75,042**
	Cash in hand and at banks	**2**	**2**
	Total current assets	**237,047**	**85,100**
	TOTAL ASSETS	**294,035**	**142,088**

PARENT COMPANY BALANCE SHEET – FAS

(1,000 EUR)	SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2008	31 Dec 2007
Note:			
15	**EQUITY**		
	Share capital	30,073	30,073
	Share premium account	39,307	39,307
	Share issue	131	0
	Paid in capital	7,258	4,709
	Retained earnings	5,215	621
	Net income for the period	186,682	51,390
		268,666	**126,100**
	LIABILITIES		
	Non-current liabilities		
	Other long-term liabilities to Group companies	5,494	0
		5,494	**0**
	Current liabilities		
	Accounts payable	4,261	1,432
	Liabilities owed to Group companies		
	Accounts payable	407	343
16	Accruals	108	44
	Other short-term liabilities	354	242
16	Accruals	14,745	13,927
		19,875	**15,988**
	Total liabilities	**25,369**	**15,988**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**294,035**	**142,088**

1. Accounting principles

The financial statements of the company have been prepared in euro and in accordance with accounting principles generally accepted in Finland.

2. Extraordinary items

The extraordinary items in the financial statements include received group contributions.

3. Research and development costs

Research and development costs are expensed as incurred.

STATEMENT OF INCOME

4. Sales

In the parent company the sales to subsidiaries totaled EUR 38.7 million (EUR 28.9 million in 2007) corresponding to a share of 100% (100% in 2007) of net sales.

5. Depreciation

	2008	2007
Intangible rights	1.4	1.0
Machinery and equipment	0.8	0.6
Total	2.2	1.6

6. Costs, expenses and personnel

Costs and expenses in the Statement of Income were as follows:	2008	2007
Wages and salaries	10.2	8.1
Pension costs	1.4	1.3
Other personnel expenses	1.0	0.7
Other operating expenses	24.1	16.9
Total	36.7	27.1

Wages and salaries in accordance with the Statement of Income		
Remuneration to Board	0.4	0.3
Other wages and salaries	9.8	7.8
Total	10.2	8.1

The average number of personnel	138	102

Auditors fees		
Audit	0.1	0.1
Other services	0.2	0.2
Total	0.3	0.3

7. Financial income and expenses

	2008	2007
Financial income from long-term investments:		
Dividend income from group companies	100.5	0.0
Dividend income total	100.5	0.0
Interest income from long-term receivables:		
From group companies	0.5	1.9
Financial income from long-term investments total	101.0	1.9
Interest and other financial income	0.2	0.0
Interest and other financial income total	0.2	0.0
Interest expenses and other financial expenses:		
Other financial expenses	0.2	0.0
Interest expenses and other financial expenses total	0.2	0.0
Financial income and expenses total	101.0	1.9

8. Extraordinary items

	2008	2007
Group contributions received from subsidiaries	116.3	67.3
Total	116.3	67.3

9. Taxes

	2008	2007
Taxes on extraordinary items	30.3	17.5
Taxes on ordinary operations	0.1	0.5
Total	30.4	18.0

BALANCE SHEET

10. Intangible rights

	2008	2007
Acquisition costs as of 1 January	10.3	7.5
Increase	1.7	2.8
Acquisition costs as of 31 December	12.0	10.3
Accumulated depreciation 1 January	-6.3	-5.3
Accumulated depreciation	-1.4	-1.0
Total as of 31 December	4.3	4.0

11. Machinery and equipment

	2008	2007
Acquisition costs as of 1 January	6.2	4.7
Increase	0.4	1.5
Acquisition costs as of 31 December	6.6	6.2
Accumulated depreciation 1 January	-4.1	-3.5
Accumulated depreciation	-0.8	-0.6
Total as of 31 December	1.7	2.1

12. Other shares and similar rights of ownership

	2008	2007
Acquisition costs as of 1 January	50.8	50.8
Increase	0.2	0.0
Total as of 31 December	51.0	50.8

Investments in Group companies

	Domicile	2008 Book value	2007 Book value
Konecranes Finance Corp.	Hyvinkää	46.2	46.2
Konecranes Heavy Lifting Corp.	Hyvinkää	4.2	4.2
Total		50.4	50.4

Investment in other companies

	2008	2007
Vierumäen Kuntorinne Oy	0.3	0.3
Pärjä Oy	0.0	0.0
East Office of Finnish Industries Oy	0.1	0.0
Fimecc Oy	0.1	0.0
Total	0.5	0.3

13. Treasury shares

	2008	2007
Number of shares as of 1 January	2,473,000	792,600
Increase	69,600	1,730,400
Decrease	0	-50,000
Number of shares as of 31 December	2,542,600	2,473,000

The Annual General Meeting on March 13, 2008 authorized the Board of Directors to repurchase and transfer the Company's own shares. Altogether no more than 6,097,878 shares may be repurchased or transferred, however, the Company cannot at any moment together with its subsidiaries own more than 10 per cent of all the registered shares of the Company. The authorization shall be effective until the next Annual General Meeting of Shareholders, however no longer than until September 12, 2009.

The Board of Directors had December 15, 2006 approved a long-term incentive scheme directed to the President and CEO, Pekka Lundmark. The incentive scheme was implemented by disposing Konecranes Plc's own shares held by the Company on the basis of the authorization granted to the Board of Directors by the General Meeting of Shareholders on March 8, 2006. Pursuant to the incentive scheme a total of 50,000 shares were sold to Pekka Lundmark to a price of EUR 12 per share in December 2006 and 50,000 shares were sold in January 2007 to the same price.

14. Deferred assets

	2008	2007
Group contributions	116.3	67.3
Payments which will be realized during the next financial year	103.8	1.5
Interest	0.0	0.1
Total	220.1	68.9

15. Shareholders' equity

	2008	2007
Share capital as of 1 January	30.1	30.1
New issue	0.0	0.0
Share capital as of 31 December	30.1	30.1
Share premium account 1 January	39.3	39.0
New issue	0.0	0.3
Share premium account as of 31 December	39.3	39.3
Share issue 1 January	0.0	0.0
Increase	0.1	0.0
Share issue 31 December	0.1	0.0
Paid in capital 1 January	4.7	0.5
Increase	4.2	6.4
Decrease	-1.6	-2.2
Paid in capital as of 31 December	7.3	4.7
Retained earnings as of 1 January	52.0	71.1
Dividend paid	-46.8	-26.7
Decrease	0.0	-43.8
Retained earnings as of 31 December	5.2	0.6
Net income for the period	186.7	51.4
Shareholders' equity as of 31 December	268.7	126.1

Distributable equity

Paid in capital as of 31 December	7.3	4.7
Retained earnings as of 31 December	5.2	0.6
Purchase of treasury shares after 31 December	0.0	-1.6
Net income for the period	186.7	51.4
Total	199.2	55.1

16. Accruals

	2008	2007
Wages, salaries and personnel expenses	3.5	2.8
Other items	11.3	11.1

17. Contingent liabilities and pledged assets

Total	14.8	13.9
	2008	**2007**
Contingent liabilities		
For obligations of subsidiaries		
Group guarantees	141.5	144.5
Other contingent and financial liabilities		
Leasing liabilities		
Next year	0.6	0.4
Later on	0.9	0.7

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

Total by category		
Guarantees	141.5	144.5
Other liabilities	1.5	1.1
Total	143.0	145.6

18. Nominal and fair values of derivative financial instruments

	2008	2008	2007
	Fair value	Nominal value	Nominal value
Foreign exchange forward contracts	0.1	6.2	4.2

Derivatives are used for currency rate hedging only.

SHARES AND SHAREHOLDERS

According to the register of Konecranes Plc's shareholders kept by Euroclear Finland Oy, there were 7,374 (2007: 5,336) shareholders.

Largest shareholders according to the share register on December 31, 2008

		Number of shares	% of shares and votes
1	**Ilmarinen Mutual Pension Insurance Company**	**3,226,689**	**5.2 %**
2	**Gustavson Stig, Chairman of the Board of Konecranes**	**2,034,370**	**3.3 %**
3	**Nordstjernan Ab**	**1,380,024**	**2.2 %**
4	**Varma Mutual Pension Insurance Company**	**1,224,540**	**2.0 %**
5	**The State Pension Fund**	**600,000**	**1.0 %**
6	**Nordea Investment Fund Company Finland Ltd**	**596,194**	**1.0 %**
	Nordea Nordic Small Cap Fund	100,395	0.2 %
	Nordea Nordic Fund	439,853	0.7 %
	Nordea Finnish Index Fund	55,946	0.1 %
7	**Folkhälsan non-governmental organization svenska Finland rf**	**535,600**	**0.9 %**
8	**Alfred Berg Asset Management**	**503,564**	**0.8 %**
	Alfred Berg Finland	277,364	0.5 %
	Alfred Berg Optimal	100,200	0.2 %
	Alfred Berg Small Cap	126,000	0.2 %
9	**OP Funds**	**455,000**	**0.7 %**
	OP-Delta Fund	375,000	0.6 %
	OP-Focus Fund (Non-UCITS)	80,000	0.1 %
10	**Etera Mutual Pension Insurance Company**	**430,000**	**0.7 %**
	Ten largest registered owners' total holding	**10,985,981**	**17.8 %**
	Nominee Registered Shares	36,541,662	59.3 %
	Other shareholders	11,542,077	18.7 %
	Shares held by Konecranes Plc	2,542,600	4.1 %
	Total	**61,612,320**	**100.0 %**

Shares and options owned by the members of the Board and of Directors and of the Group Executive Board on December 31, 2008

	Change in shareholding in 2008	Number of shares owned	% of shares and votes	Change in option holdings in 2008*	Option ownership December 31, 2008*	% of shares and votes
Board of Directors	54,314	2,047,608	3.3%	0	0	0.0%
Group Executive Board	148,400	535,650	0.9%	178,000	984,200	1.6%
Total	202,714	2,583,258	4.2%	178,000	984,200	1.6%

* Option holdings are reported as the number of shares that they entitle to subscribe for.

Breakdown of share ownership by number or shares owned on December 31, 2008

Shares	Number of shareholders	% of shareholders	Total number of shares and votes	% of shares and votes
1 - 100	2,353	31.9%	146,746	0.2%
101 -500	3,015	40.9%	842,833	1.4%
501 - 1,000	901	12.2%	715,670	1.2%
1,001 - 5,000	801	10.9%	1,797,496	2.9%
5,001 - 10,000	128	1.7%	978,391	1.6%
10,001 - 50,000	116	1.6%	2,748,143	4.5%
50,001 - 100,000	22	0.3%	1,510,364	2.5%
100,001 - 500,000	28	0.4%	5,897,917	9.6%
500,001 - 1,000,000	2	0.0%	1,135,600	1.8%
Over 1,000,001	8	0.1%	45,839,160	74.4%
Total	7,374	100.0%	61,612,320	100.0%

Breakdown of share ownership by shareholder category on December 31, 2008

	% of shares and votes
Finnish companies	6.86
Finnish financial institutions	4.86
Finnish public institutions	10.16
Finnish non-profit institutions	4.03
Finnish private investors	10.90
Nominee registered shares	59.30
Non-Finnish holders	3.89
Total	100.00

Source: Euroclear Finland Oy, December 31, 2008.

BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING

The parent company's non-restricted equity is EUR 199,154,467.59 of which the net income for the year is EUR 186,681,722.47.

The Group's non-restricted equity is EUR 328,378,000.

According to the Finnish Companies Act, the distributable funds of the company are calculated based on the parent company's non-restricted equity. For the purpose of determining the amount of the dividend the Board of Directors has assessed the solvency of the parent company and the economic circumstances subsequent to the financial year-end.

Based on such assessments the Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.90 will be paid on each share and that the remaining non-restricted equity is retained in shareholders' equity.

Helsinki, February 4, 2009

Stig Gustavson
Chairman of the Board

Björn Savén
Vice Chairman of the Board

Svante Adde
Board member

Kim Gran
Board member

Matti Kavetvuo
Board member

Malin Persson
Board member

Timo Poranen
Board member

Mikael Silvennoinen
Board member

Pekka Lundmark
President and CEO

To the Annual General Meeting of Konecranes Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Konecranes Plc for the financial period 1.1.2008 - 31.12.2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, February 4, 2009

Ernst & Young Oy
Authorized Public Accountant Firm

Roger Rejström
Authorized Public Accountant

Summary of significant releases in 2008

January 29, 2008
Konecranes receives fourth RTG order from Petrolesport in Russia

March 4, 2008
Konecranes strengthens its position in the machine tool market in Norway

March 19, 2008
Konecranes acquires full ownership of Spanish crane and service company

March 27, 2008
Konecranes raises stake in Japanese JV

April 21, 2008
Konecranes acquires Spanish crane and service company – increases market coverage in Spain

April 22, 2008
Konecranes boosts activities in Ukraine

April 23, 2008
Konecranes supplies environmental-friendly, high-tech container handling equipment to the Mediterranean

April 28, 2008
Konecranes to supply advanced lifttrucks and reach stackers to Rauma Stevedoring in Finland

May 29, 2008
Konecranes supplies 500 chain hoists for Olympic Games in Beijing

June 10, 2008
Breakthrough for eco-friendly RTGs in the Baltic area

July 1, 2008
Konecranes wins record-breaking port crane order from St. Petersburg

August 1, 2008
Sanna Päiväniemi appointed new Investor Relations Manager for Konecranes Group

August 19, 2008
Konecranes strengthens its position in Denmark

October 23, 2008
Konecranes expands Canadian operations – acquires assets of Canadian crane and service company

All 2008 releases can be found at www.konecranes.com.

Share information

Listing and share trading

Konecranes issues one series of shares which trades in the Large Cap segment and is classified in the Industrials sector on the NASDAQ OMX Helsinki Exchange. At the end of 2008 the total market capitalization of Konecranes Plc was EUR 713.6 million, excluding treasury shares (EUR 1,379.6 million at year-end 2007).

The traded volume of Konecranes' shares totaled about EUR 172 million, which represents 290 percent of the Company's total number of outstanding shares at the end of 2008. In monetary terms this trading was valued at EUR 3,610 million. The daily average trading volume was 681,583 shares representing a daily average turnover of EUR 14.3 million.

At the year end the share closed at EUR 12.08 (EUR 23.58 at year-end 2007). The volume weighted average trading price for the year was EUR 21.05. The highest quotation for the Konecranes' share was EUR 32.50 in May, and the lowest was EUR 9.90 in November.

Board authorizations

The AGM in March 2008 authorized the Board of Directors to resolve to repurchase a maximum of 6,097,878 of the company's own shares. The authorization is valid until the next Annual General Meeting of Shareholders, however no longer than until 12 September 2009. The Board of Directors did not exercise this authorization to buy the company's own shares during 2008. In January 2008, Konecranes repurchased 69,600 company's own shares on the basis of the authorization of the 2007 AGM and the decision of Konecranes Board in 2007.

The AGM in March 2008 also authorized the Board of Directors to resolve upon the issuance of shares as well as upon the issue of stock option rights, convertible bonds and other special rights giving entitlement to shares. The authorization is limited to issuance of a maximum of 12,195,756 shares. The authorization does not concern resolving upon a personnel stock option plan. The Board of Directors did not exercise this authorization during 2008.

Details of the authorizations are explained in more detail in the release covering the resolutions of the 2008 AGM, which is available on the company's website at www.konecranes.com.

Treasury shares

At year-end 2008, Konecranes held a total of 2,542,600 treasury shares (2,433,000 in 2007), which corresponds to 4.1 percent of the total number of shares. The market value of these treasury shares at the end of 2008 was EUR 30,7 million.

Flagging notifications

Barclay Global Investors UK Holdings Ltd informed Konecranes on October 9, 2008 that the total number of shares owned by the group had decreased from 3,444,786 on February 28, 2008 (5.64 percent of the paid up share capital) to 2,999,322, corresponding to 4.88 percent of the paid up share capital of Konecranes.

Ilmarinen Mutual Pension Insurance Company informed Konecranes on October 16, 2008, that the total number of shares owned by the group totaled 3,126,689 corresponding to 5.09 percent of the paid up share capital of Konecranes.

No other disclosures of changes in holdings were received in 2008.

Stock option plans

Konecranes has three ongoing Stock Option Plans (2001, 2003 and 2007) targeting middle and top management and key personnel. The subscription period for the options under Konecranes 1999B and 2003B ended on March 31, 2008 and under the 1997 stock option plan on October 31, 2008. Pursuant to Konecranes' Stock Option Plans, 633,540 new shares were subscribed for and registered in the Finnish Trade Register during 2008. At the end of 2008, stock options issued under Konecranes Plc's ongoing stock option plans entitle the options' holders to subscribe for a total of 2,368,200 shares.

For a more detailed description of the option schemes, see note 29 on page 93 of the Financial Statements. The terms and conditions of the stock option schemes are also available in the Investor section at www.konecranes.com.

Shareholders

On December 31, 2008, Konecranes had 7,374 shareholders. The percentage of Konecranes' shares that were nominee registered decreased by 10.7 percentage points during the report period. At year-end 2008, 59.3 per cent of the company's shares were nominee-registered.

More information on the breakdown of share ownership and Board and Management interests is available in the Shares and Shareholders section on page 116 of the Financial Statements.

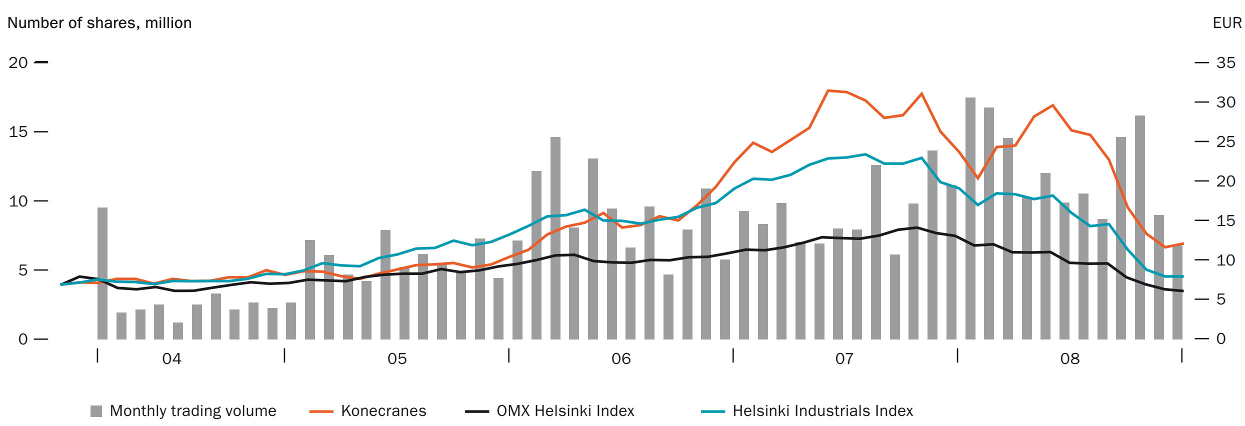
Shareholder register

The shares of the company are covered by the Finnish Book Entry Securities System. Shareholders should notify the relevant holder of their Book Entry Account about changes in address or account numbers for payment of dividends and other matters related to their holdings of these shares.

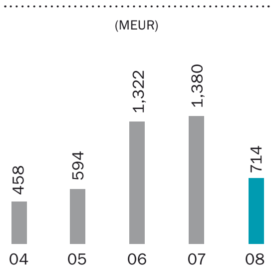
Trading information

Listing: NASDAX OMX Helsinki
Date of listing: March 27, 1996
Segment: Large Cap
Sector: Industrials
ISIN code: FI309005870
Trading code: KCR1V
Reuters ticker: KCIRV.HE
Bloomberg ticker: KCR1V FH
Startel ticker: KCR1V

MONTHLY TRADING VOLUME AND SHARE PRICE ON THE HELSINKI STOCK EXCHANGE 2004–2008

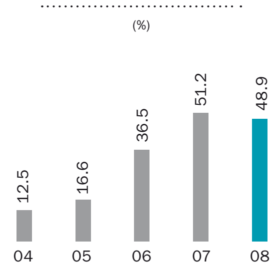


MARKET CAPITALIZATION*

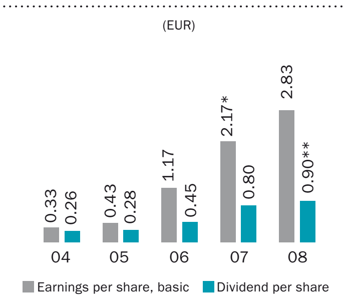


* Excluding own shares

RETURN ON EQUITY



EARNINGS & DIVIDENDS PER SHARE



* 2007 EPS excluding capital gain: EUR 1.95
** The Board's proposal to the AGM

Investor relations

Principles of investor relations

The main objective of the Konecranes Investor Relations department is to assist in the correct valuation of the Konecranes share by providing capital markets with information regarding Konecranes' operations and financial position. Konecranes pursues an open, reliable and up-to-date disclosure practice. The aim is to provide correct and consistent information regularly and equitably to all market participants.

Konecranes Investor Relations is responsible for investor communications and daily contacts. The President and CEO as well as the Chief Financial Officer participate in these activities and are regularly available for meetings with capital market representatives.

Silent period

Konecranes observes a silent period prior to the publication of its financial statements and interim reports starting at the end of the quarter in question. During this time Konecranes' representatives do not comment on Konecranes' financial position.

Investor relations in 2008

In 2008 Konecranes top management met with 300 institutional investors and took part in 9 investment seminars in Europe.

Investor contacts

Sanna Päiväniemi, IR Manager
Tel: +358 20 427 2050
E-mail: sanna.paivaniemi@konecranes.com

Tiina Huoponen, IR Coordinator
Tel: +358 20 427 2001
E-mail: tiina.huoponen@konecranes.com

Investment analysis

The following banks and stockbrokerages cover Konecranes:

ABG Sundal Collier
CA Cheuvreux Nordic AB
Carnegie Investment Bank
Danske Bank A/S
Deutsche Bank AG
Enskilda Securities
eQ Bank Ltd
Evli Bank Plc
FIM
Nomura
Goldman Sachs International
Handelsbanken Capital Markets
Kaupthing Bank
Nordea Bank
Pohjola Bank Plc
Standard and Poor's Equity Research
Sterne Agee
UBS Deutschland AG
E. Öhman J:or Fondkommission

More detailed information is available at www.konecranes.com/investor. Konecranes takes no responsibility for the opinions expressed by analysts.

Information to shareholders

Annual General Meeting

The Annual General Meeting of Konecranes will be held on Thursday, March 12, 2009 at 11 a.m.
at the Company's auditorium, Koneenkatu 8,
05830 HYVINKÄÄ, Finland.

Shareholders registered no later than March 2, 2009 in the Company's list of shareholders maintained by Euroclear Finland Ltd (formerly Finnish Central Securities Depository Ltd) have the right to attend the Annual General Meeting.

Holders of nominee registered shares intending to participate in the Annual General Meeting shall notify their custodian well in advance of their intention and comply with the instructions provided by the custodian.

A shareholder who wishes to participate in the Annual General Meeting of Shareholders must notify the Company of the participation no later than on March 6, 2009 to Ms. Mari Rasilainen:

e-mail: agm2009@konecranes.com
fax: +358 20 427 2105 (from abroad) or
020 427 2105 (Finland),
mail: P.O. Box 661, FIN-05801 HYVINKÄÄ, Finland
phone: +358 20 427 2017 (from abroad) or
020 427 2017 (Finland)
Internet: www.konecranes.com/agm2009

Shareholders are requested to inform the Company of any proxies for the Annual General Meeting of Shareholders in connection with the registration. A sample proxy is available on the Internet site mentioned above.

Payment of dividend

The Board of Directors proposes to the Annual General Meeting of Shareholders that a dividend of EUR 0.90 be paid for 2008. Dividend will be paid to shareholders who are registered on the date of record as shareholders in the Company's shareholders' register maintained by Euroclear Finland Ltd (formerly Finnish Central Securities Depository Ltd.).

Date of record	March 17, 2009
Date of dividend payment	March 25, 2009

Financial reports in 2009

Financial Statements Bulletin	February 4, 2009
Annual Report 2008	Published in week starting February 23, 2009
Interim Report January-March	April 29, 2009
Interim Report January-June	July 29, 2009
Interim Report January-September	October 29, 2009

Konecranes' annual and interim reports are published in English, Finnish and Swedish. The annual report is available in pdf format on the company web site, but also in print and is mailed to shareholders upon request (can be ordered through the company web site or by e-mail: ar@konecranes.com). All press and stock exchange releases are available on the company's website at www.konecranes.com and they can also be received by e-mail by registering on the company's website. The annual report can also be ordered from

Konecranes Plc
Marketing and Communications
P.O. Box 661
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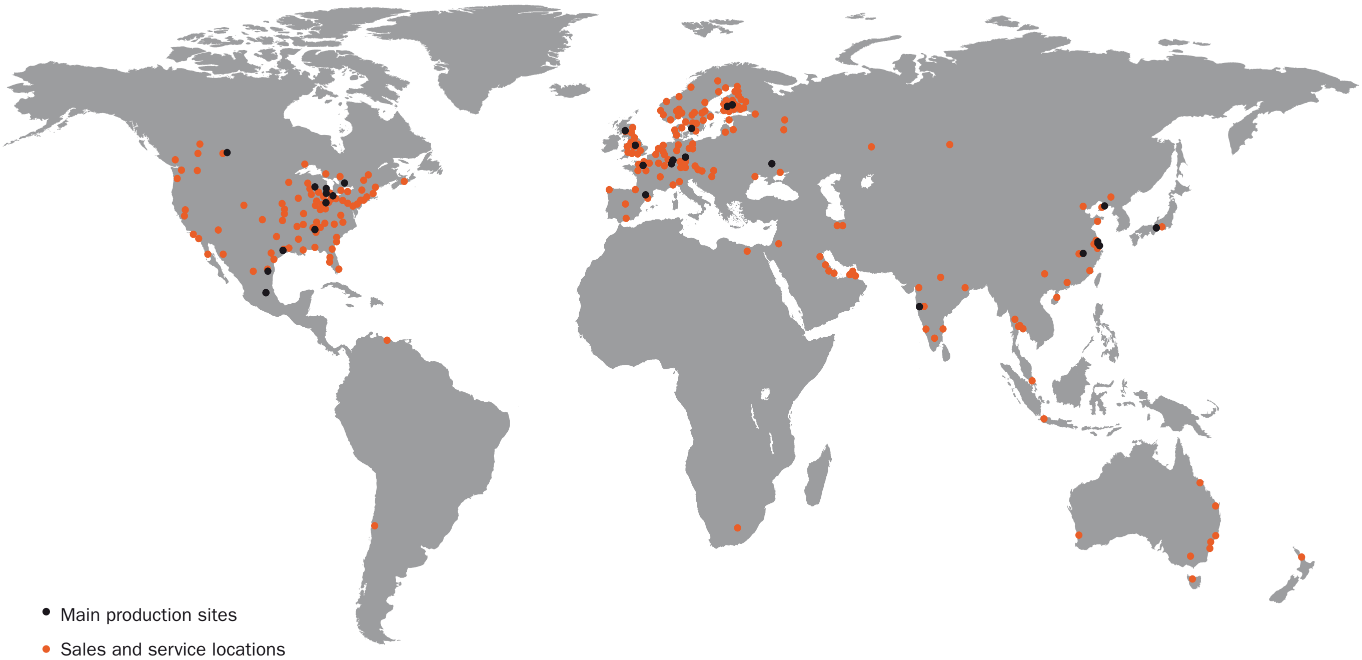
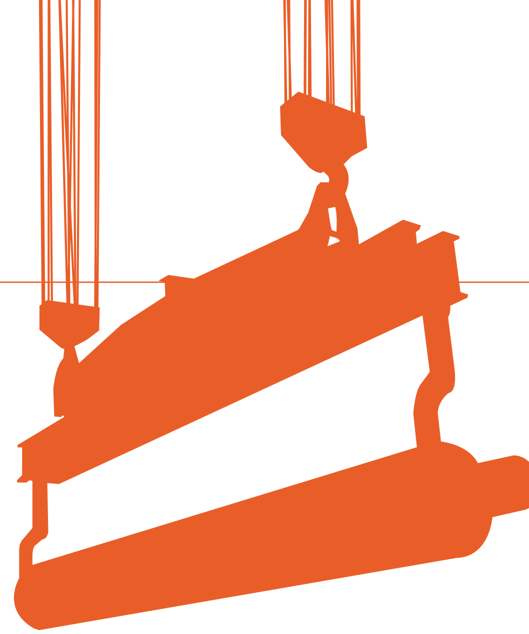
Phone: +358 20 427 2016
Fax: +358 20 427 2103
E-mail: ar@konecranes.com
Web: www.konecranes.com

Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity-enhancing lifting solutions as well as services for lifting equipment and machine tools of all makes. In 2008, Group sales totaled EUR 2,103 million. The Group has 9,900 employees at 485 locations in 43 countries. Konecranes is listed on the NASDAQ OMX Helsinki Ltd (symbol: KCR1V).



Konecranes has operations in 43 countries. For a comprehensive listing of addresses by country, we welcome you to visit our web site at **www.konecranes.com**



Corporate Headquarters

Konecranes Plc
P.O. Box 661 (Koneenkatu 8)
FI-05801 Hyvinkää, Finland
Tel +358 20 427 11
Fax +358 20 427 2099

Global Business Area Headquarters

Service

Konecranes Service Corporation
P.O. Box 135 (Koneenkatu 8)
FI-05801 Hyvinkää, Finland
Tel +358 20 427 11
Fax +358 20 427 4099

Heavy Lifting

Konecranes Heavy Lifting
Corporation
P.O. Box 662 (Koneenkatu 8)
FI-05801 Hyvinkää, Finland
Tel +358 20 427 11
Fax +358 20 427 2599
(Harbor and Shipyard cranes)
Fax +358 20 427 2299
(EOT Process cranes)

Standard Lifting

Konecranes Standard
Lifting Corporation
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Fax +358 20 427 3009

Regional Headquarters

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Tel +1 937 525 5533
Fax +1 937 322 2832

Europe, Middle East & Africa

Konecranes Region EMEA
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Fax +358 20 427 3009

Northeast Asia

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Fax +86 21 6363 5724, 6363 9462

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Fax +61 2 9605 4336