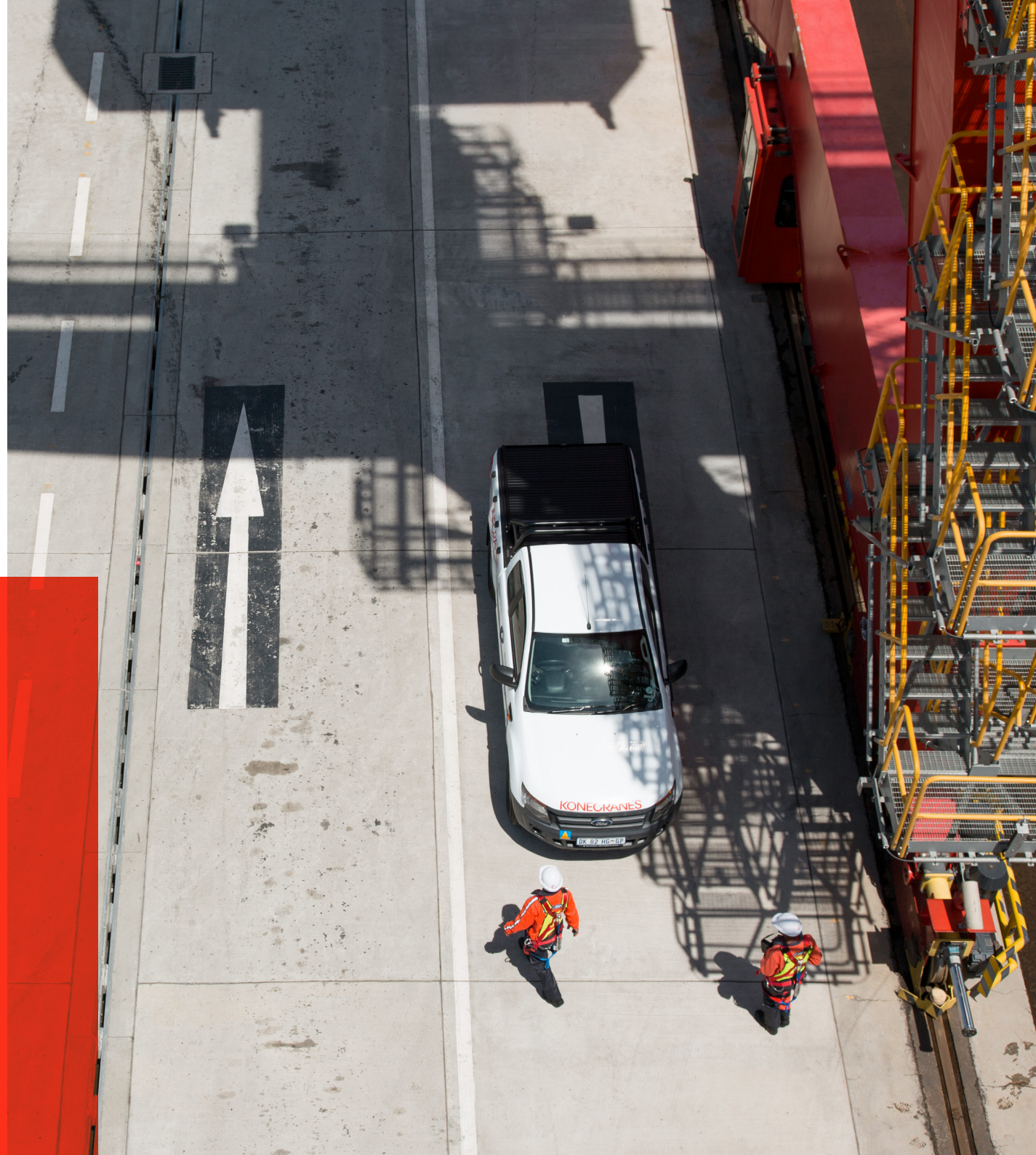


KONECRANES®

**FINANCIAL
REVIEW 2019**





Contents

2019 highlights	3
Report of the Board of Directors	5
Consolidated statement of income – IFRS	21
Consolidated balance sheet – IFRS	22
Consolidated statement of changes in equity – IFRS	23
Consolidated cash flow statement – IFRS	24
Notes to the consolidated financial statements	25
Konecranes Group 2015 – 2019	70
Calculation of key figures	71
Company list	72
Parent company statement of income – FAS	74
Parent company balance sheet – FAS	75
Parent company cash flow – FAS	76
Notes to the parent company’s Financial Statement	77
Board of Director’s proposal to the Annual General Meeting	79
Auditor’s report	80
Shares and shareholders	85

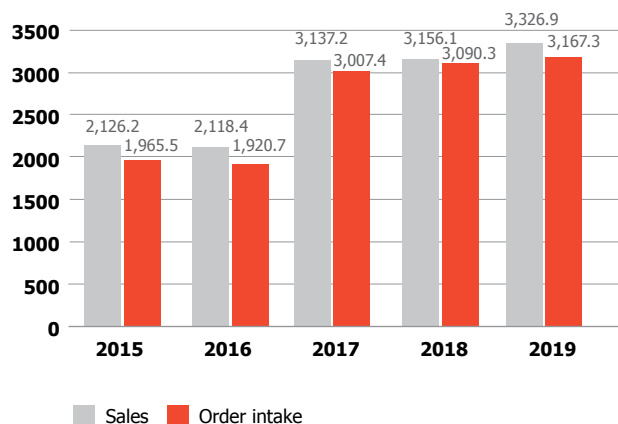
Information about Konecranes’ Annual Report 2019

Konecranes’ Annual Report 2019 consists of four separate reports: Annual Review, Financial Review, Sustainability Report and Governance document. All documents are downloadable on our Annual Report website at <https://investors.konecranes.com/ar2019>.

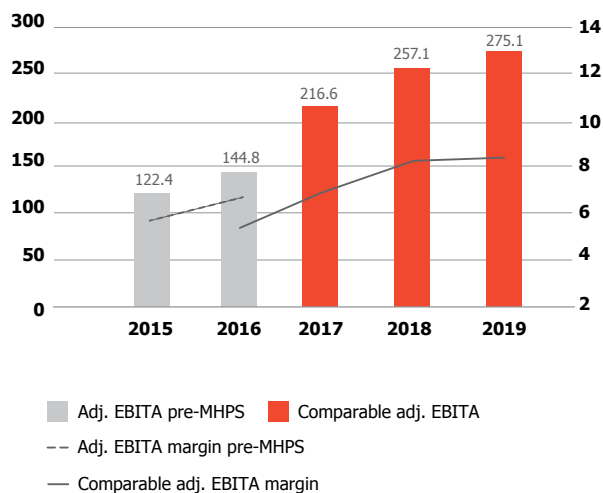
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2019 HIGHLIGHTS

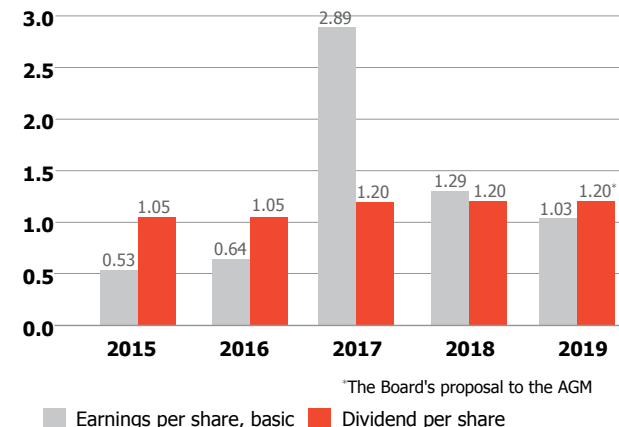
Sales/orders, MEUR



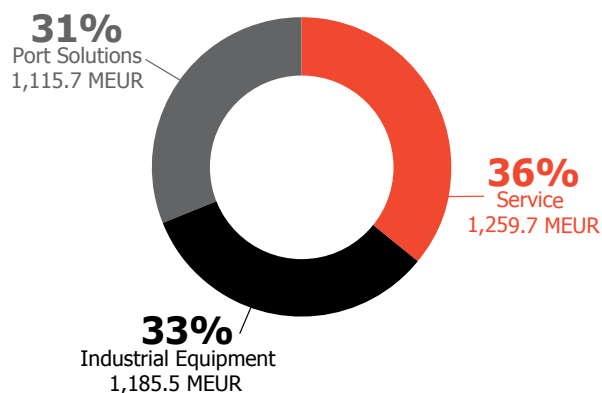
Adjusted EBITA, MEUR/Adjusted EBITA margin, %



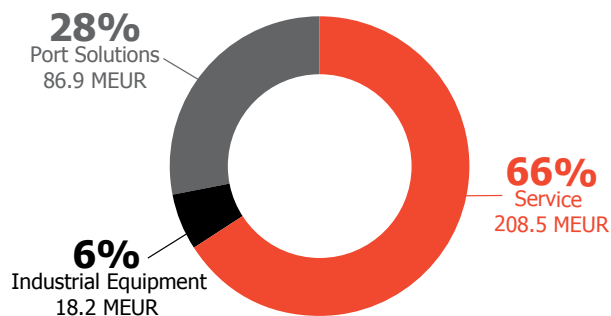
Earnings & dividend per share, EUR



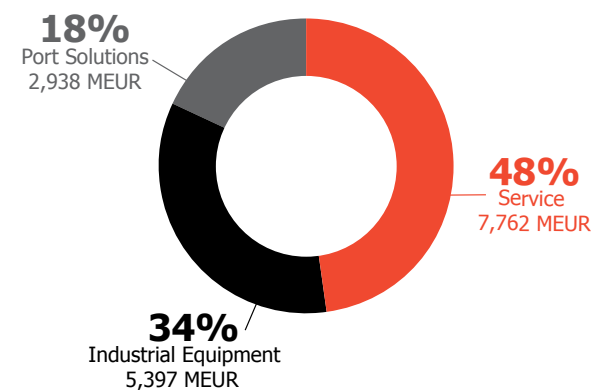
Sales by Business Area, 2019



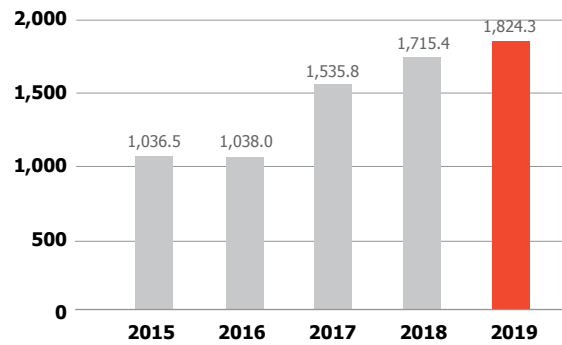
Adjusted EBITA by Business Area, 2019



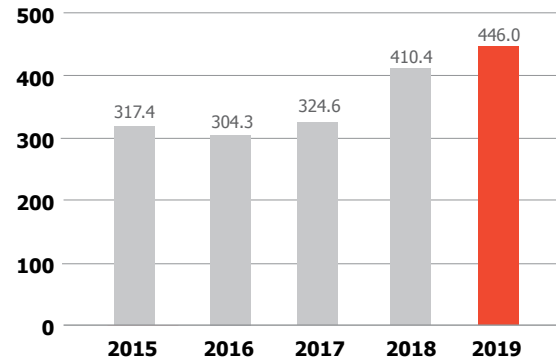
Personnel by Business Area, 2019



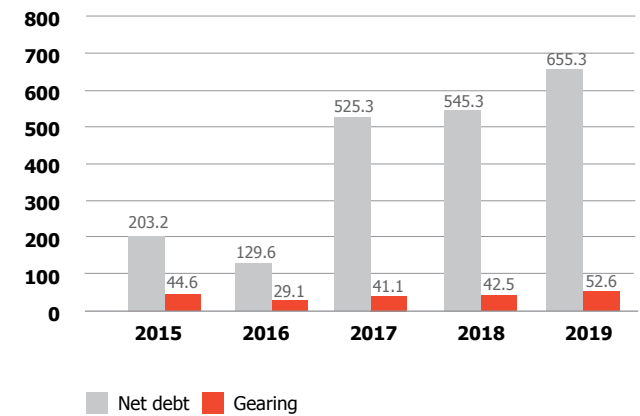
Order book, MEUR



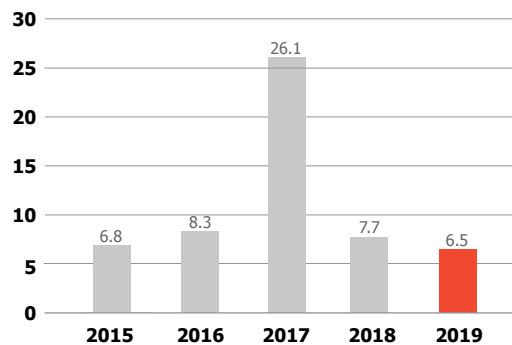
Year-end net working capital, MEUR



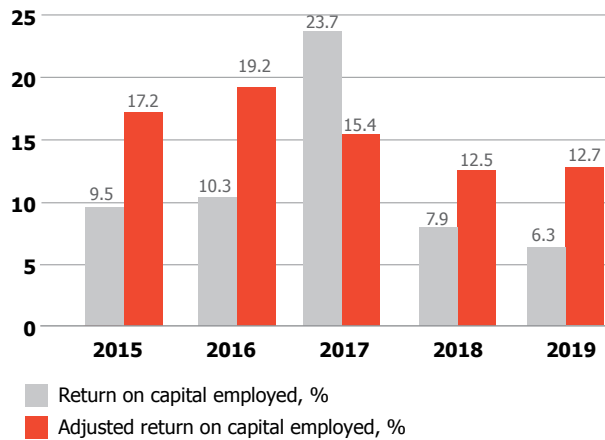
Year-end net debt, MEUR/Gearing, %



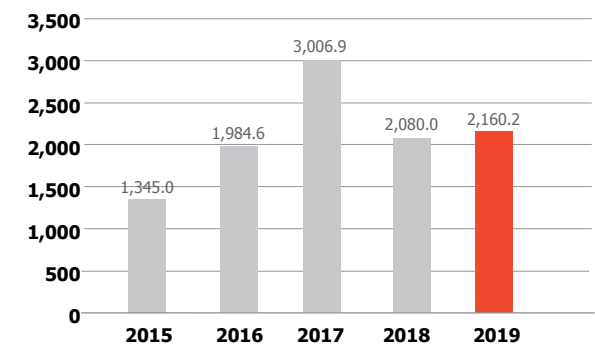
Return on equity, %



ROCE, %/Adjusted ROCE, %



Year-end market capitalization*, MEUR



* Excluding treasury shares

REPORT OF THE BOARD OF DIRECTORS

Konecranes has applied IFRS 16 Leases standard since January 1, 2019. The figures for comparison period 2018 have not been restated. Please refer to note 4 for more details on the implementation of IFRS 16 standard and other significant accounting policies.

Figures in brackets, unless otherwise stated, refer to the same period a year earlier.

Market review

Activity in the world's manufacturing sector, according to the aggregated J.P. Morgan Global Manufacturing Purchasing Managers' Index (PMI), weakened in 2019. The PMI fell below 50.0 in May and remained in contraction territory until Q4. The index ended the year at 50.1, only marginally above the 50.0 waterline separating expansion from contraction.

In the eurozone, manufacturing operating conditions weakened during 2019. PMI remained below the 50.0 mark after February and was near its seven-year low for the most of the second half. The manufacturing underperformance was primarily driven by the intermediate and investment goods sectors. In addition, the capacity utilization rate continued to decline throughout the year. Operating conditions deteriorated and were generally weak across the region, Germany being the worst-performing nation.

Outside the Euro area, the UK manufacturing PMI fell below 50.0 in the second quarter, reflecting Brexit uncertainty. The downturn in the UK

manufacturing sector deepened at the end of 2019, the contraction being the fastest since 2012 and led by the intermediate and investment goods sectors.

In the US, the manufacturing sector's PMI weakened in 2019, yet remained in the expansion zone. Thus, the operating conditions in the US manufacturing sector were better than in the euro area. The US manufacturing capacity utilization rate improved slightly at the end of the year, after a decline during the first three quarters of 2019. Year-end PMI data also indicated a modest improvement in the health of the US manufacturing sector.

As for emerging markets, China's manufacturing sector continued to improve towards the year-end. The last PMI readings in 2019 were solidly above the 50.0 mark, having slipped into contraction territory in the first half of the year. In Brazil and India, the overall manufacturing operating conditions improved throughout the year and, at the year-end, the manufacturing PMIs in both countries were indicating growth. That said, in Brazil the rate of increase in the PMI eased noticeably at the end of the year. Furthermore, the growth in India was led by consumer goods, while the capital goods sector remained in contraction. In Russia, the manufacturing sector ended the year clearly in contraction territory after a deterioration in

manufacturing conditions during most of 2019.

After the decline in early 2019, global container throughput reached a new all-time high in August before declining again during the last months of the year. At the end of December, global container throughput was approximately 2.5% lower than the year before.

Regarding raw material prices at year-end, steel was clearly below and copper slightly above the previous year's level. The average EUR/USD exchange rate was nearly 2% lower compared to the year-ago period.

Orders received

In full year 2019, orders received totaled EUR 3,167.3 million (3,090.3), representing an increase of 2.5%. On a comparable currency basis, order intake increased 1.3%. Orders received increased in the Americas and EMEA but decreased in APAC.

In Service, order intake grew 2.9% on a reported basis and 0.6% on a comparable currency basis. In Industrial Equipment, orders received increased 0.2% on a reported basis but decreased 1.4% on a comparable currency basis. External orders received in Industrial Equipment grew 0.3% and declined 1.4% on a comparable currency basis. In

Orders received and net sales MEUR

	10-12/2019	10-12/2018	Change % at comparable		1-12/2019	1-12/2018	Change % at comparable	
			Change %	currency rates			Change %	currency rates
Orders received, MEUR	781.3	929.8	-16.0	-16.9	3,167.3	3,090.3	2.5	1.3
Net sales, MEUR	933.3	910.8	2.5	1.5	3,326.9	3,156.1	5.4	4.1

Port Solutions, order intake increased 4.7% on a reported basis and 4.9% on a comparable currency basis.

Order book

At the end of December, the value of the order book totaled EUR 1,824.3 million (1,715.4), which was 6.3% higher compared to previous year.

On a comparable currency basis, the order book increased 5.6%. The order book increased 5.4% in Port Solutions, 9.9% in Industrial Equipment and 0.7% in Service.

Sales

In full year 2019, Group sales totaled EUR 3,326.9 million (3,156.1), representing an increase of 5.4%. On a comparable currency basis, sales increased 4.1%. Sales increased 5.6% in Service, 3.0 in Industrial Equipment and 10.2% Port Solutions. In Industrial Equipment, external sales increased 1.1%.

At the end of December, the regional breakdown of sales, calculated on a rolling 12-month basis, was as follows: EMEA 52 (50), Americas 34 (33) and APAC 14 (16)%.

Financial result

In full year 2019, the Group adjusted EBITA increased to EUR 275.1 million (257.1). The adjusted EBITA margin improved to 8.3% (8.1). The adjusted EBITA margin improved in Service to 16.6% (15.1) and in Port Solutions to 7.8% (7.0) but decreased in Industrial Equipment to 1.5% (3.7). The improvement in the Group adjusted EBITA was mainly attributable to sales growth and synergy cost savings.

In full year 2019, the consolidated adjusted operating profit increased to EUR 250.4 million (219.6). The adjusted operating margin improved to 7.5% (7.0).

The 2019 consolidated operating profit totaled EUR 148.7 million (166.2). The operating profit includes adjustments of EUR 100.7 million (53.4), which are mainly comprised of restructuring costs primarily related to the ongoing manufacturing footprint optimization. The operating margin rose in Service to 15.5% (13.6) and in Port Solutions to 6.4% (4.0) but decreased in Industrial Equipment to -5.2% (1.3).

In full year 2019, depreciation and impairments totaled EUR 123.6 million (119.9). The amortization arising from the purchase price allocations for acquisitions represented EUR 24.7 million (37.5) of the depreciation and impairments.

In full year 2019, the share of the result in associated companies and joint ventures was EUR 4.5 million (4.0).

In full year 2019, financial income and expenses totaled EUR -34.7 million (-31.5). Net interest expenses accounted for EUR 19.9 million (22.0) of the sum and the remainder was mainly attributable to realized and unrealized exchange rate differences related to the hedging of future cash flows, which are not included in the hedge accounting.

The 2019 profit before taxes was EUR 118.5 million (138.7).

Income taxes in full year 2019 were EUR -35.7 million (-40.4). The Group's effective tax rate was 30.1% (29.1). The increase in the effective tax rate is mainly due to restructuring-related losses for which no deferred tax assets have been recognized.

The 2019 net profit was EUR 82.8 million (98.3).

In full year 2019, the basic earnings per share were EUR 1.03 (1.29) and the diluted earnings per share were EUR 1.03 (1.29).

On a rolling 12-month basis, the return on capital employed was 6.3% (7.9) and the return on equity 6.5% (7.7). The adjusted return on capital employed was 12.7% (12.5).

Balance sheet

At the end of December, the consolidated balance sheet amounted to EUR 3,854.2 million (3,567.0). The total equity at the end of the reporting period was EUR 1,246.7 million (1,284.1) or EUR 15.70 per share (16.06). The total equity attributable to the equity holders of the parent company was EUR 1,237.5 million (1,265.8).

Net working capital totaled EUR 446.0 million (410.4). Sequentially, net working capital increased by EUR 49.0 million. The sequential increase in net working capital resulted mainly from a decrease in advance payments received and an increase in receivables arising from percentage of completion method.

Cash flow and financing

Net cash from operating activities in full-year 2019 was EUR 172.8 million (109.2). Cash flow before financing activities was EUR 149.6 million (74.2), which included cash inflows of EUR 16.4 million (2.2) related to sale of property, plant and equipment and EUR 4.2 million (1.1) related to divestment of businesses, and cash outflows of EUR 3.1 million related to acquisition of Group companies and EUR 40.7 million (38.3) related to capital expenditure.

At the end of December, interest-bearing net debt was EUR 655.3 million (545.3). Net debt increased mainly following the implementation of the new IFRS 16 Leases standard, the impact of which was approximately EUR 120 million at the end of December. The equity-to-asset ratio was 35.4% (39.8) and the gearing 52.6% (42.5).

At the end of December, cash and cash equivalents amounted to EUR 378.2 million (230.5). None of the Group's committed EUR 400 million back-up financing facility was in use at the end of the period.

In April 2019, Konecranes paid dividends, amounting to EUR 94.6 million, or EUR 1.20 per share, to its shareholders.

Capital expenditure

Capital expenditure in full year 2019, excluding acquisitions and joint arrangements, amounted to EUR 39.5 million (35.4). The amount consisted mainly of investments in machinery and equipment, buildings, office equipment and information technology.

Acquisitions and divestments

In 2019, the capital expenditure for acquisitions and joint arrangements was EUR 3.3 million (0.0).

In January 2019, Konecranes acquired a small service business from MSAURförderteknik GmbH and paid EUR 0.7 million for the acquired assets.

In August 2019, Konecranes acquired a small service business company Trevolution Service S.r.l. in Italy and paid EUR 2.6 million as a purchase price for the company shares.

In December 2019 Konecranes completed the divestment of its ownership in Noell Crane Systems (China) Ltd. Konecranes received proceeds of EUR 18.4 million and recorded EUR 2.3 million pre-tax loss from the transaction. Part of the sales price is conditional and dependent on the collection of the open receivables and possible third party liabilities until October 31, 2021. Translation difference included in accumulated other comprehensive income that was reclassified to profit of the year was EUR -2.9 million.

Personnel

In 2019, the Group had an average of 16,104 employees (16,247). On December 31, the number of personnel was 16,196 (16,077). In 2019, the Group's personnel increased by 119 people net.

At the end of December, the number of personnel by Business Area was as follows: Service 7,762 employees (7,372), Industrial Equipment 5,397 employees (5,782), Port Solutions 2,938 employees (2,830) and Group staff 99 (93).

The Group had 10,126 employees (10,027) working in EMEA, 3,319 (3,172) in the Americas and 2,751 (2,878) in APAC.

Business areas

Service

In full year 2019, orders received totaled EUR 1,015.1 million (986.5), corresponding to an increase of 2.9%. On a comparable currency basis, orders received increased 0.6%.

The order book increased 0.7% to EUR 215.7 million

(214.3). On a comparable currency basis, the order book decreased 1.0%.

The annual value of the agreement base increased 9.7% year-on-year to EUR 267.7 million (243.9). On a comparable currency basis, the annual value of the agreement base increased 8.2%.

Sales increased 5.6% to EUR 1,259.7 million (1,192.5). On a comparable currency basis, sales increased 3.4%. Sales growth in parts outperformed sales growth in field service. Sales increased in all three regions.

The adjusted EBITA was EUR 208.5 million (180.0) and the adjusted EBITA margin was 16.6% (15.1). The improvement in the adjusted EBITA margin was mainly attributable to sales growth and, to a lesser extent, sales mix. The operating profit was EUR 194.6 million (162.8) and the operating margin 15.5% (13.6).

	10-12/2019	10-12/2018	Change %	Change % at comparable currency rates	1-12/2019	1-12/2018	Change %	Change % at comparable currency rates
Orders received, MEUR	250.0	249.3	0.3	-1.2	1,015.1	986.5	2.9	0.6
Order book, MEUR	215.7	214.3	0.7	-1.0	215.7	214.3	0.7	-1.0
Agreement base value, MEUR	267.7	243.9	9.7	8.2	267.7	243.9	9.7	8.2
Net sales, MEUR	341.6	336.4	1.5	-0.2	1,259.7	1,192.5	5.6	3.4
Adjusted EBITA, MEUR ¹	61.4	55.8	10.0		208.5	180.0	15.8	
Adjusted EBITA, % ¹	18.0%	16.6%			16.6%	15.1%		
Purchase price allocation amortization, MEUR	-2.6	-3.1	-15.1		-10.5	-12.5	-15.8	
Adjustments, MEUR	-1.5	-0.9			-3.4	-4.8		
Operating profit (EBIT), MEUR	57.2	51.8	10.5		194.6	162.8	19.6	
Operating profit (EBIT), %	16.7%	15.4%			15.5%	13.6%		
Personnel at the end of period	7,762	7,372	5.3		7,762	7,372	5.3	

¹ Excluding adjustments and purchase price allocation amortization.

Industrial Equipment

In full year 2019, orders received totaled EUR 1,251.5 million (1,248.9), corresponding to an increase of 0.2%. On a comparable currency basis, orders received decreased 1.4%. External orders received increased 0.3% on a reported basis but decreased 1.4% on a comparable currency basis. Order intake increased in process cranes but decreased in components and standard cranes.

The order book increased 9.9% to EUR 648.9 million (590.6). On a comparable currency basis, the order book increased 8.3%.

Sales increased 3.0% to EUR 1,185.5 million (1,150.9). On a comparable currency basis, sales increased 1.6%. The sales increase was driven by process cranes and standard cranes, partly offset

by a decrease in component sales. External sales increased 1.1% on a reported basis but decreased 0.4% on a comparable currency basis.

The adjusted EBITA was EUR 18.2 million (42.6) and the adjusted EBITA margin 1.5% (3.7). The decrease in the adjusted EBITA margin was mainly attributable to temporary operational costs in supply operations due to the ongoing manufacturing footprint optimization in France and Germany, costs relating to certain process crane projects, weaker sales mix, as well as tariff costs. The operating profit was EUR -61.4 million (15.1) and the operating margin -5.2% (1.3). The decrease in operating profit results mainly from higher restructuring costs.

Industrial Equipment

	10-12/2019	10-12/2018	Change %	Change % at comparable currency rates	1-12/2019	1-12/2018	Change %	Change % at comparable currency rates
Orders received, MEUR	316.3	343.9	-8.1	-9.9	1,251.5	1,248.9	0.2	-1.4
of which external, MEUR	283.2	298.3	-5.1	-7.1	1,068.4	1,065.5	0.3	-1.4
Order book, MEUR	648.9	590.6	9.9	8.3	648.9	590.6	9.9	8.3
Net sales, MEUR	336.0	325.6	3.2	1.9	1,185.5	1,150.9	3.0	1.6
of which external, MEUR	289.2	284.7	1.6	0.2	1,020.4	1,009.2	1.1	-0.4
Adjusted EBITA, MEUR ¹	0.6	14.8	-96.1		18.2	42.6	-57.3	
Adjusted EBITA, % ¹	0.2%	4.5%			1.5%	3.7%		
Purchase price allocation amortization, MEUR	-1.7	-3.6	-52.9		-6.9	-14.5	-52.9	
Adjustments, MEUR	-2.7	0.3			-72.7	-12.9		
Operating profit (EBIT), MEUR	-3.8	11.4	-133.7		-61.4	15.1	-506.3	
Operating profit (EBIT), %	-1.1%	3.5%			-5.2%	1.3%		
Personnel at the end of period	5,397	5,782	-6.7		5,397	5,782	-6.7	

¹ Excluding adjustments and purchase price allocation amortization.

Port solutions

	10-12/2019	10-12/2018	Change %	Change % at comparable currency rates	1-12/2019	1-12/2018	Change %	Change % at comparable currency rates
Orders received, MEUR	264.4	399.1	-33.8	-33.7	1,147.3	1,096.0	4.7	4.9
Order book, MEUR	959.7	910.5	5.4	5.3	959.7	910.5	5.4	5.3
Net sales, MEUR	320.3	306.4	4.6	4.8	1,115.7	1,012.9	10.2	10.2
of which service, MEUR	45.7	45.7	0.0	-0.7	185.9	178.3	4.2	3.3
Adjusted EBITA, MEUR ¹	31.7	25.3	25.2		86.9	71.3	21.8	
Adjusted EBITA, % ¹	9.9%	8.3%			7.8%	7.0%		
Purchase price allocation amortization, MEUR	-1.8	-2.6	-29.9		-7.3	-10.4	-29.9	
Adjustments, MEUR	-5.7	-19.7			-8.3	-20.9		
Operating profit (EBIT), MEUR	24.2	3.0	706.8		71.3	40.0	78.1	
Operating profit (EBIT), %	7.6%	1.0%			6.4%	4.0%		
Personnel at the end of period	2,938	2,830	3.8		2,938	2,830	3.8	

¹ Excluding adjustments and purchase price allocation amortization.

Port Solutions

In full year 2019, orders received totaled EUR 1,147.3 million (1,096.0), corresponding to an increase of 4.7%. On a comparable currency basis, orders received increased 4.9%.

The order book increased 5.4% to EUR 959.7 million (910.5). On a comparable currency basis, the order book increased 5.3%.

Sales increased 10.2% to EUR 1,115.7 million (1,012.9). On a comparable currency basis, sales increased 10.2%.

The adjusted EBITA was EUR 86.9 million (71.3) and the adjusted EBITA margin 7.8% (7.0). Gross margin improved on a year-on-year basis. The improvement in the adjusted EBITA margin was mainly attributable to sales growth and synergy cost savings. Operating profit was EUR 71.3 million (40.0) and the operating margin 6.4% (4.0).

Group overheads

In full year 2019, the adjusted unallocated Group overhead costs and eliminations were EUR 38.5 million (36.8), representing 1.2% of sales (1.2).

The unallocated Group overhead costs and eliminations were EUR 55.9 million (51.7), representing 1.7% of sales (1.6). These included restructuring costs of EUR 17.3 million (14.8).

Administration

Decisions of the Annual General Meeting

The Annual General Meeting of Konecranes Plc was held on Thursday March 28, 2019. The meeting approved the Company's annual accounts for the fiscal year 2018, discharged the members of the Board of Directors and CEO from liability, and approved all proposals made by the Board of Directors and its committees to the AGM.

The AGM approved the Board's proposal that a dividend of EUR 1.20 per share is paid from the distributable assets of the parent company.

The AGM confirmed the annual remuneration payable to the members of the Board for the term until the closing of the Annual General Meeting in 2020 as follows: Chairman of the Board EUR 140,000, Vice Chairman of the Board EUR 100,000, and other Board Members EUR 70,000. In case the term of office of a Board member ends before the closing of the Annual General Meeting in 2020, he or she is entitled to the prorated amount of the annual remuneration calculated on the basis of his or her actual term in office. In addition, the Chairman of the Board, the Vice Chairman of the Board, and other Board members are entitled to a compensation of EUR 1,500 per attended Board committee meeting. The Chairman of the Audit Committee of the Board of Directors is, however, entitled to a compensation of EUR 3,000 per attended Audit Committee meeting.

No remuneration will be paid to Board members employed by the Company. Travel expenses will be compensated against receipts.

The AGM approved the proposal of the Nomination Committee that the number of members of the Board of Directors is eight (8). Mr. Ole Johansson, Ms. Janina Kugel, Mr. Bertel Langenskiöld, Mr. Ulf Liljedahl, Mr. Per Vegard Nerseth, Mr. Anders Nielsen, Ms. Päivi Rekonen and Mr. Christoph Vitzthum were re-elected for a term of office ending at the closing of the Annual General Meeting in 2020.

The AGM re-elected Ernst & Young Oy as the Company's auditor for the year ending on December 31, 2019.

The AGM decided to establish a permanent Shareholders' Nomination Board to prepare proposals to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, for the election and remuneration of the members of the Board of Directors and to identify potential Board member candidates. The AGM further adopted the Charter of the Shareholders' Nomination Board. According to the decision of the AGM, the Shareholders' Nomination Board comprises one member appointed by each of the four largest shareholders of the Company. The Chairman of the Company's Board of Directors serves as an expert in the Nomination Board without being a member. The shareholders entitled to appoint a member are determined on the basis of the shareholders' register of the Company maintained by Euroclear Finland Ltd. on August 31 each year. If a shareholder who has an obligation under the Finnish Securities Market Act to take holdings of shares e.g. in several funds or group companies into account when disclosing changes in share ownership or who holds nominee registered shares makes a written request to the Chairman

of the Board of Directors no later than on August 30, such holdings of the shareholder will be taken into account when determining the appointment right. Should a shareholder not wish to use his/her appointment right, the right transfers to the next largest shareholder who would otherwise not have an appointment right. The member appointed by a shareholder shall resign from the Nomination Board, if the shareholder concerned later transfers more than half of the shares he/she held on August 31 that entitled him/her to appoint a member and as a result thereof is no longer amongst the Company's ten largest shareholders. The right to appoint a member to replace the resigned member shall be offered to the shareholder who, immediately after the settlement of the relevant share transfer, is the largest holder of shares who has not yet appointed a member to the Nomination Board. The members of the Nomination Board shall not be entitled to any remuneration from the Company on the basis of their membership. The travel expenses of the members will be compensated against receipt. The Nomination Board may, at the Company's approved expense, make use of outside experts to identify and evaluate potential new candidates to the Board of Directors. The Nomination Board is established until a General Meeting of the Company decides otherwise. The members shall be nominated annually and their term of office shall end when new members are nominated to replace them.

The AGM authorized the Board of Directors to decide on the repurchase of the Company's own shares and/or on the acceptance as pledge of the Company's own shares. The number of own shares to be repurchased and/or accepted as pledge based on this authorization shall not exceed 7,500,000 shares in total, which corresponds to approximately 9.5% of all of the shares in the Company. However, the Company together with its subsidiaries cannot at any moment own and/or hold as pledge more than 10% of all the shares in the Company. Only

the unrestricted equity of the Company can be used to repurchase own shares on the basis of the authorization. Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. The Board of Directors decides how own shares will be repurchased and/or accepted as pledge. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). Own shares can be repurchased and/or accepted as pledge to limit the dilutive effects of share issues carried out in connection with possible acquisitions, to develop the Company's capital structure, to be transferred for financing or realization of possible acquisitions, investments or other arrangements belonging to the Company's business, to pay remuneration to Board members, to be used in incentive arrangements or to be cancelled, provided that the repurchase and/or acceptance as pledge is in the interest of the Company and its shareholders. The authorization is effective until the end of the next Annual General Meeting, however no longer than until September 28 2020.

The AGM authorized the Board of Directors to decide on the issuance of shares, as well as the issuance of special rights entitling to shares referred to in chapter 10, section 1 of the Finnish Companies Act. The number of shares to be issued based on this authorization shall not exceed 7,500,000 shares, which corresponds to approximately 9.5% of all of the shares in the Company. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization can also be used for incentive arrangements, however, not more than 1,350,000 shares in total together with the authorization in the

next item. The authorization is effective until the end of the next Annual General Meeting, however no longer than until September 28, 2020. However, the authorization for incentive arrangements is valid until March 28, 2024. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting 2018.

The AGM authorized the Board of Directors to decide on the transfer of the Company's own shares. The authorization is limited to a maximum of 7,500,000 shares, which corresponds to approximately 9.5% of all the shares in the Company. The Board of Directors decides on all the conditions of the transfer of own shares. The transfer of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The Board of Directors can also use this authorization to grant special rights concerning the Company's own shares, referred to in Chapter 10 of the Companies Act. The authorization can also be used for incentive arrangements, however, not more than 1,350,000 shares in total together with the authorization in the previous item. This authorization is effective until the next Annual General Meeting of Shareholders, however no longer than until September 28, 2020. However, the authorization for incentive arrangements is valid until March 28, 2024. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting 2018.

The AGM authorized the Board of Directors to decide on a directed share issue without payment needed for the continuation of the Share Savings Plan that the Annual General Meeting 2012 decided to launch. The AGM authorized the Board to decide on the issue of new shares or on the transfer of own shares held by the Company to such participants of an Employee Share Savings Plan who, according to the terms and conditions of the Plan, are entitled to receive free shares, as well as to decide on the

share issue without payment also to the Company itself. The authorization includes a right, within the scope of this Plan, to transfer own shares currently held by the Company, which have earlier been limited to other purposes than incentive plans. The number of new shares to be issued or own shares held by the Company to be transferred may in the aggregate amount to a maximum total of 500,000 shares, which corresponds to approximately 0.6% of all of the Company's shares. The Board of Directors is entitled to decide on other matters concerning the share issue. The authorization concerning the share issue is valid until March 28, 2024. This authorization is in addition to the authorizations in the previous items. This authorization replaces the authorization for the Share Savings Plan given by the Annual General Meeting 2018.

The AGM authorized the Board of Directors to decide on donations in the aggregate maximum amount of EUR 200,000 to be given to universities, institutions of higher education or to other non-profit or similar purposes. The donations can be made in one or more instalments. The Board of Directors may decide on the beneficiaries and the amount of each donation. The authorization shall be in force until the closing of the next Annual General Meeting.

Board of Directors' organizing meeting

In the first meeting of the Board of Directors of Konecranes Plc after the Annual General Meeting the Board of Directors elected Mr. Christoph Vitzthum Chairman of the Board and Mr. Ole Johansson Vice Chairman of the Board.

The Board of Directors has an Audit Committee and a Human Resources Committee.

Ulf Liljedahl was elected Chairman of the Audit Committee, and Ole Johansson, Per Vegard Nerseeth and Päivi Rekonen as Committee members. Bertel

Langenskiöld was elected Chairman of the Human Resources Committee, and Janina Kugel, Anders Nielsen and Christoph Vitzthum as Committee members.

Ms. Janina Kugel, Mr. Bertel Langenskiöld, Mr. Ulf Liljedahl, Mr. Per Vegard Nerseeth, Mr. Anders Nielsen, Ms. Päivi Rekonen and Mr. Christoph Vitzthum were deemed to be independent of the company and any significant shareholders. While Mr. Ole Johansson was deemed to be independent of the company, he was deemed to be dependent of significant shareholders of the Company based on his position as Chairman of the Board of Directors of Hartwall Capital Oy Ab at the time of the organizing meeting. Since May 3, 2019 Ole Johansson has also been deemed to be independent of significant shareholders of the Company.

Composition of the Shareholders' Nomination Board

The AGM 2019 decided to establish a permanent Shareholders' Nomination Board to prepare proposals to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, for the election and remuneration of the members of the Board of Directors and to identify potential Board member candidates.

According to the decision of the AGM, the Shareholders' Nomination Board comprises one member appointed by each of the four largest shareholders of Konecranes Plc. The shareholders entitled to appoint a member are determined on the basis of the shareholders' register of the Company maintained by Euroclear Finland Ltd. on August 31 each year.

On September 5, 2019 Konecranes announced that the following members had been appointed to

Konecranes' Shareholders Nomination Board:

- Peter Therman, Deputy Chairman of the Board of Directors of Hartwall Capital, appointed by HC Holding Oy Ab with 7,901,238 shares,
- Antti Mäkinen, CEO of Solidium, appointed by Solidium Oy with 5,832,256 shares,
- Risto Murto, CEO of Varma Mutual Pension Insurance Company, appointed by Varma Mutual Pension Insurance Company with 2,634,951 shares, and
- Stig Gustavson, appointed by Stig Gustavson and family with 2,366,157 shares.

In addition, Christoph Vitzthum, the Chairman of the Board of Directors of Konecranes, serves as an expert in the Nomination Board without being a member.

The now-appointed Nomination Board will forward its proposals for the 2020 Annual General Meeting to the Board of Directors by 31 January 2020.

Appointment of a new President and CEO

On October 7, 2019 Konecranes announced that The Board of Directors of Konecranes Plc had appointed Rob Smith as President and CEO of Konecranes effective February 1, 2020. The company's CFO, Teo Ottola, who also serves as Deputy CEO, acted as the interim CEO from October 7, 2019 until Rob Smith started in the position.

Rob Smith joined Konecranes from AGCO Corporation, where his latest position was Senior Vice President & General Manager, Europe and Middle East. Prior to this, he worked in business leadership roles in TRW Automotive, Tyco Electronics and Bombardier Transportation, among others. He is 54 years old and is a dual citizen of both Germany and the United States. Further details, including a photo, are available in his CV attached to the stock exchange release dated October 7, 2019.

With this change, the previous President and CEO, Panu Routila, left the Konecranes Group on October 7, 2019.

Changes in the Group Executive Board

On October 14, 2019 Konecranes announced that Minna Aila, Executive Vice President, Marketing and Communications and a member of the Group Executive Board, would leave the group and take up a position at another company by April 2020 at the latest.

Composition of the Group Executive Board

Until October 7, 2019, the Group Executive Board consisted of the following members:

- Panu Routila, President and CEO
- Teo Ottola, CFO, Deputy CEO
- Fabio Fiorino, Executive Vice President, Business Area Service
- Mikko Uhari, Executive Vice President, Business Area Industrial Equipment
- Mika Mahlberg, Executive Vice President, Business Area Port Solutions
- Juha Pankakoski, Executive Vice President, Technologies
- Minna Aila, Executive Vice President, Marketing and Corporate Affairs
- Timo Leskinen, Senior Vice President, Human Resources
- Sirpa Poitsalo, Senior Vice President, General Counsel

Between October 7, 2019 and February 1, 2020, the Group Executive Board consisted of the following members:

- Teo Ottola, CFO and Interim CEO
- Fabio Fiorino, Executive Vice President, Business Area Service

- Mikko Uhari, Executive Vice President, Business Area Industrial Equipment
- Mika Mahlberg, Executive Vice President, Business Area Port Solutions
- Juha Pankakoski, Executive Vice President, Technologies
- Minna Aila, Executive Vice President, Marketing and Corporate Affairs
- Timo Leskinen, Senior Vice President, Human Resources
- Sirpa Poitsalo, Senior Vice President, General Counsel

Rob Smith, the new President and CEO, joined Konecranes on February 1, 2020.

Minna Aila, Executive Vice President, Marketing and Corporate Affairs, will leave Konecranes by April 2020 at the latest.

SHARE CAPITAL AND SHARES

On December 31, 2019 the company's registered share capital totaled EUR 30.1 million. On December 31, 2019, the number of shares including treasury shares totaled 78,921,906.

Treasury shares

On December 31, 2019, Konecranes Plc was in possession of 82,480 treasury shares, which corresponds to 0.1% of the total number of shares and which had on that date a market value of EUR 2.3 million.

On February 28, 2019, 22,923 treasury shares were conveyed without consideration to the employees as a reward payment for the Savings Period 2015–2016 of the Konecranes Employee Share Savings Plan.

Performance share plan criteria 2019–2021

On March 28, 2019, Konecranes announced that the Board of Directors had resolved that the

performance criteria for the performance period 2019–2021 under the Company’s Performance Share Plan (the “Plan”) are the cumulative adjusted Earnings per Share (EPS) and the cumulative annual growth rate (CAGR) for Sales of the financial years 2019–2021. Adjustments to the EPS include defined restructuring costs, purchase price allocation amortization and certain other unusual items. The Board of Directors has also resolved on certain technical amendments to the terms and conditions of the Plan.

The target group of the Plan for the performance period 2019–2021 consists of a maximum of 200 key employees of the Konecranes group. The rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of a maximum total of 670,000 Konecranes Plc shares. If the target determined by the Board of Directors is attained, the reward pay-out may be half of the maximum reward. The maximum reward pay-out requires that the target is clearly exceeded.

The Annual General Meeting of Shareholders held on March 28, 2019 authorized the Board of Directors to decide on the issue of shares or the transfer of treasury shares needed for the implementation of the Plan.

The launch and essential terms and conditions of the Plan have been published in a stock exchange release on June 16, 2017.

Employee share savings plan

On February 18, 2019, Konecranes announced that the Board of Directors had decided to launch a new Plan Period relating to the Employee Share Savings Plan. The new Plan Period began on July 1, 2019 and will end on June 30, 2020. Each participant will receive one free matching share for every two acquired savings shares. Matching shares will be delivered to a participant if the participant holds the

acquired shares from the Plan Period until the end of the designated holding period, February 15, 2023, and if his or her employment has not ended before this date for reasons attributable to the employee. The total amount of all savings of the commencing plan period may not exceed EUR 8.5 million. The terms and conditions of the Plan Period 2019–2020 are unchanged from the previous Plan Periods. An employee will participate in the Plan for one year at a time. Shares will be acquired with the accrued savings at the market price quarterly, after the publication dates of the Konecranes interim results, commencing in October 2019. Any dividends paid on purchased shares during the commencing Plan period will automatically be reinvested into additional shares on the following purchase date. These shares will have an equal right to matching shares.

Market capitalization and trading volume

The closing price for the Konecranes shares on the Nasdaq Helsinki on December 30, 2019 was EUR 27.40. The volume-weighted average share price in 2019 was EUR 29.98, the highest price being EUR 38.15 in April and the lowest EUR 24.84 in August. In 2019 the trading volume on the Nasdaq Helsinki totaled 55.9 million, corresponding to a turnover of approximately EUR 1,675.1 million. The average daily

trading volume was 223,473 shares representing an average daily turnover of EUR 6.7 million.

In addition, according to Fidessa, approximately 88.7 million shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in 2019.

On December 31, 2019, the total market capitalization of Konecranes Plc was EUR 2,162.5 million including treasury shares. The market capitalization was EUR 2,160.2 million excluding treasury shares.

Notifications of major shareholdings

In 2019, Konecranes received the following notifications of major shareholdings.

Date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %	Total, shares
February 8, 2019	BlackRock, Inc.	Below 5%	4.96	1.80	6.77	5,345,488
February 21, 2019	BlackRock, Inc.	Above 5%	5.00	1.43	6.43	5,079,313
April 10, 2019	BlackRock, Inc.	Below 5%	4.98	1.08	6.06	4,787,047
April 16, 2019	BlackRock, Inc.	Above 5%	5.01	1.06	6.07	4,796,011
April 17, 2019	BlackRock, Inc.	Below 5%	4.96	1.08	6.04	4,770,550
April 18, 2019	BlackRock, Inc.	Above 5%	5.02	0.99	6.01	4,745,989
April 23, 2019	BlackRock, Inc.	Below 5%	4.90	0.97	5.88	4,642,378
September 10, 2019	BlackRock, Inc.	Below 5%	< 5%	< 5%	< 5%	n.a.

Research and development

In 2019, Konecranes' research and product development expenditure totaled EUR 41.1 (42.1) million, representing 1.2% (1.3) of sales. R&D expenditure includes product development projects aimed at improving the quality and cost efficiency of both products and services.

In 2019, Konecranes launched three new product platforms: Konecranes S-, C- and M-series. These new products are a result of years of research and product development and include several unique and patented features visible in the hoist's appearance: reeving arrangement, tilted rope drum and synthetic rope and its fixing. The innovative design enables lighter structures resulting in improved material usage and lower environmental impact. The products have gone through extensive testing at Konecranes' Reliability & Testing Centers; for instance, the testing of the synthetic rope began already in 2014.

In 2019, Konecranes continued the execution of its digital strategy through a portfolio of digital initiatives that both improve the company's current operations and offer and explore totally new business opportunities. In addition, Konecranes established a Digital Accelerator organization to support the digital transformation work, fuelling internal projects in the area.

During 2019, Konecranes continued the development of a state-of-the-art Terminal Operating System for automated container terminals to work along with Equipment Control System and accompanied by Konecranes' equipment and service offering. An important milestone in Konecranes' port technology development in 2019 was the successful demonstration of its capability to retrofit competitor equipment with Konecranes' "brand neutral" automation solutions.

In 2019, Konecranes' digital customer offering widened with several new digital services, like Konecranes CheckApp for Daily Inspections, TRUCONNECT® Wire Rope Monitoring and Remote Operation Station 2.0. The services address specified customer problems and needs, and Konecranes collaborates with multiple industrial companies to ensure the services fit their purpose.

Konecranes has tens of thousands of connected devices across the world and digital lifecycle records from over 1.1 million customer assets. To take advantage of the massive amounts of data the company collects, in 2019, Konecranes established a Data Science Lab in Lyon, France to build analytics and insights from the data. With centralized data science skills, Konecranes can capitalize, share and turn data models into production.

One example of the projects initiated by the Data Science Lab is the further analysis of Konecranes' customer feedback data to increase customer-centricity. After a service or equipment delivery, Konecranes measures customers' experience with the Voice of Customer survey. With data science and AI-driven analysis, Konecranes can derive more information from ratings and free-text-comments and see better where Konecranes has succeeded and where it can improve. This allows Konecranes to react to customer needs more quickly and use feedback to improve products and services.

In 2019, Konecranes started to see very concrete results from its systematic efforts to build-up an innovation ecosystem. During the year, Konecranes discovered a Swedish AI-start up through its own systematic start-up program, REACH. Konecranes is now using their AI-powered troubleshooting software commercially in Business Area Service to increase technical support efficiency and serve its customers even faster than before. Another highlight comes from Konecranes' partnership with

a deep tech start up, whose solution analyses the structural integrity of sea containers during lifting to reduce quality costs and processing time from container logistics. The partnership started in 2017 and the first customer installations were completed already in 2019.

The REACH program continued through 2019; Konecranes started collaborating with three new start ups, with use cases from Port Solutions and Service.

Open innovation is considered an important part of Konecranes' extended innovation ecosystem. In 2019, Konecranes continued co operation with ecosystems like DIMECC's Intelligent Industry Ecosystem and start up hubs like Maria 01 by launching its first internal project accelerator at Maria 01 – the Nordics' leading start up hub – with four R&D projects.

Statement of non-financial information

The most essential non-financial topics for Konecranes are: responsible business conduct, the footprint of our own operations, the safety of employees and our products, respecting human rights, employee engagement, diversity, providing sustainable solutions for customers, advancing circular economy and enforcing Corporate Responsibility (CR) requirements in the supply chain.

We report the disclosed information in accordance with Accounting Act amendment 1376/2016, which is based on the EU Directive 2014/95/EU on the disclosure of non-financial and diversity information. More information about the topics can be found in the Sustainability Report 2019 that is prepared according to the international framework Global Reporting Initiative (GRI). Konecranes is a signatory of the United Nations Global Compact striving for the same goals as the UN regarding human and labor rights,

protecting the environment and fighting corruption.

Business model and value creation

Our business aims to deliver optimal productivity and improve our customers' safety. For our customers, we offer solutions they can rely on and consistent, on-time and impeccable service. With our knowledge, products, services and solutions we seek to maximize the positive contributions to our different stakeholders and the surrounding society. We create value for our stakeholders on multiple fronts through circular economy, digitalization and our deeply rooted safety culture. Safe ways of working are an integral part of our business and prioritizing safety in all areas of our operations brings us a competitive advantage.

Our innovation not only focuses on products, technologies and service solutions, but also on new ways of working and leveraging workforce diversity to amplify innovation. In our view, varied skill sets are a key driver of creativity and value creation. Fostering diversity in terms of gender, age, cultural and educational backgrounds has been repeatedly proven to encourage innovation and deliver exceptional organizational performance. To ensure that we continue to deliver value we focus on maintaining close ties with our key stakeholders to understand their evolving needs and expectations; engaging and developing the best talent; implementing smart technologies in our product and service offering; innovating new business models; and developing our product design and reliability.

Being a preferred partner creates financial stability for our whole value chain. Sustainable business practices and risk management are crucial for creating longer-term shareholder value. To remain a key player within local communities as well as an attractive employer, we strive to make a positive impact on the societies where we operate. This is done by providing jobs and income for employees, by boosting local economies as an employer, supporting non-profit organizations,

being a provider and buyer of local services and goods, and also being a significant taxpayer in many countries where we operate.

In 2019, a total of EUR 476 million (514) in taxes and other compulsory tax-like payments were paid and collected in countries where the Group operates implying an effective tax rate of 30.1% (29.1). A total of EUR 198 million (238 million) was paid (taxes borne) directly by the group itself, while EUR 277 million (274) was collected (taxes collected) on behalf of governments. Konecranes is a compliant taxpayer in each country where it operates and does not practice aggressive tax planning that would artificially decrease the Group's taxable income.

Product design

We aspire to stimulate greater change through a sustainable and innovative offering that harnesses the potential of circularity and digitalization. This is done by developing new concepts and solutions and continuously evolving and extending our digital services ecosystem. We design our products with their complete life cycle in mind as the majority of the environmental impact of products' lifecycle is defined at the product design stage. Our product design is based on smart design principles focusing on repairability, durability, material selections including recyclability and energy efficiency. Usability, eco-efficiency, and safety are our guiding principles in product design, along with lifecycle thinking. We can also provide innovative power options such as hybrid and battery technology and other energy-saving solutions such as regenerative braking. The use phase of our products can last for decades, so investing in data-driven, eco- and resource-efficient products means the customer can preserve the value of their equipment for a longer period of time and thus also decrease the environmental impact.

Circular economy

Our business models support circular economy. Significant savings can be obtained through renting, repairing, modernizing and reusing our products. Modernizations and retrofits save a great deal of resources by reducing the environmental impact of product lifecycles, saving raw materials and enhancing equipment energy efficiency and performance. Additionally, modernization increases safety, productivity, reliability and usability while decreasing the need for repairs and unscheduled maintenance. Circular economy business models also help us raise our resource and energy efficiency while reducing our customers' environmental footprints.

Our service business advances the circular economy by focusing on extending product lifecycles with predictive maintenance, remanufacturing, modernizations and retrofits. Modernizations and retrofits also enhance the energy efficiency and performance of equipment by saving a great deal of raw materials, cutting emissions from logistics and reducing the energy used in manufacturing processes. By providing predictive maintenance services we help our customers gain maximum lifecycle value from their products. Connected devices and online platforms provide data on the state of components in real time; knowing when to maintain, replace or repair components leads to a smarter use of resources and extends the lifetime of a product.

Responsible business conduct

Applying responsible leadership practices means being responsible for the societies and communities in which we work, since they have expectations for us. Furthermore, we are a signatory member of the United Nations Global Compact and its ten principles. We review key corporate responsibility risks on an annual basis.

Konecranes' Code of Conduct and Corporate Governance Framework guide the everyday activities of the company by clearly describing our internal standards and ethical values as well as our legal obligations. The Code of Conduct is complemented by several Group-wide policies covering quality, safety, the environment, supplier requirements, anti-corruption, competition compliance and equal treatment and diversity. We have an executive-level Compliance & Ethics Committee to oversee the implementation and development of our compliance & ethics program managed by the Head of Compliance & Ethics. Any breaches to these policies are discussed and investigated by the Compliance & Ethics Committee.

In 2019 we started a group-wide compliance & ethics risk assessment by interviewing more than 200 employees from various countries and business units and renewed the responsible business conduct key performance indicators (KPIs). The risk assessment will be complemented in early 2020 with an online survey targeted at some 1,600 employees.

We promote a healthy corporate speak-up culture where people can feel safe reporting compliance and ethical concerns without fear of retaliation. For this we use our internal Whistleblowing Channel to raise concerns relating to legal and ethical conduct.

Anti-corruption and bribery prevention

Our Anti-Corruption policy and Code of Conduct demonstrate our commitment to work against corruption in all forms, including extortion and bribery. They define the level of ethical conduct we seek to uphold and support our long-term competitiveness in the global markets. Our Anti-Corruption policy has compliance protocols and guidelines in place to detect risks, with a zero-tolerance approach towards corrupt practices embedded in our monitoring and follow-up processes. Several actions and processes are set up

to mitigate corruption and fraud risks.

We use a risk-based Know-Your-Counterparty process whereby the level of scrutiny is determined by considering, for example, the risks associated with the business in question, country risks and business partner risks. In 2019 we introduced a Gift and Hospitality Portal, a central location for employees to report and get pre-approvals for offering and receiving gifts and hospitality according to the rules set out in our Anti-Corruption Policy.

Environmental responsibility

We are committed to providing our customers with eco-efficient solutions and services while preventing and minimizing emissions. Our commitments concerning environmental responsibility can be found in our Code of Conduct and in our Environmental Policy, which outlines our principles for managing the environmental impact of Konecranes sites, products and services.

In addition to providing sustainable solutions to our customers, we also focus on the energy efficiency of our own operations, for both service and manufacturing. Our target is to reduce our energy intensity (MWh/sales) by 25% during 2017–2025. This will be done by setting challenging targets for energy efficiency at our service and production sites. We have also signed voluntary agreements on energy efficiency. In 2019 energy intensity was reduced significantly by 16% compared to 2017 baseline.

In addition, we pay special attention to the use of efficient logistics and packaging, minimizing waste and reusing and recycling as much as possible. To continuously improve our performance, we have set a target of all our manufacturing sites being ISO 14001:2015 EMS certified by the end of 2020. Currently 72% of our factories have an ISO 14001 environmental management system in place

that requires continuous development and the establishment of local annual targets.

We assess environmental risks in greater detail as part of our environmental management system, where each of our units is responsible for evaluating, prioritizing and mitigating their risks on a local level. Environmental incidents and near-miss cases are reported through our global Health, Safety and Environment (HSE) reporting tool, and the investigations of root causes and corrective actions are conducted accordingly. To help mitigate risks and drive ethical practices in our supply chains, we use our Supplier Code of Conduct as a supporting document emphasizing the corporate responsibility standards, we expect from third parties. Konecranes performs due diligence and background checks on suppliers and subcontractors before entering into business relationships.

Climate risks and opportunities

The focus of our climate work is to reduce greenhouse gas emission intensity (tCO₂e/sales) by 50% during 2017–2025. One aspect of this target is reducing service fleet fuel consumption and emissions. In addition, we are committed to powering our factories with 100% renewable electricity by 2025. We collect scope 1 and 2 emission data quarterly to understand our current performance. Scope 3 data is also collected on a yearly basis. In 2019 we managed to decrease our emissions by 22% compared to 2017 baseline.

In 2019 we finalized a climate risk scenario analysis to strengthen our understanding of climate change and its possible physical and transitional risks as well as related market risks for the company. The next step is to continue the discussion on top management level and prepare a business area level risk evaluation that will take place during 2020.

Regarding transition risks such as emerging regulation, we actively participate in relevant industry organizations and follow national, EU level and international regulation/agreements related to climate aspects. Regarding the physical risks like rising sea levels, we have conducted a few natural hazard assessments with our insurance company to understand the probability, time scale and actual risks involved.

When it comes to climate-related opportunities, we focus on providing eco-efficient solutions for our customers and extending lifecycles with our service concept. For example, we offer hybrids and electric alternatives for traditional diesel cranes, and energy-saving features such as regenerative braking to help our customers minimize emissions. Preventive maintenance also supports customer emission reductions.

To meet customers' increasing needs for low-carbon products, we calculate our products' energy consumption and CO₂ emissions, and critically assess this data with the help of a third party (as part of our Environmental Product Declarations). Konecranes' product offering also includes modernizations. One benefit of modernizations is material savings in steel and avoiding the emissions that come from steel production.

Climate change risks

Current regulation	Fuel and energy taxes and regulations are relevant and included in risk assessments as their financial implications are relatively high. Fuel prices especially affect our service business, where service vehicles are used. Changes in other energy source prices (such as electricity, heat, natural gas or liquefied petroleum gas) also have an effect on our factories' operational costs.
Emerging regulation	We review emerging regulation and new voluntary agreements and recommendations e.g. about eco-efficiency, energy and emission taxation and circular economy. Furthermore, the government in Finland, where Konecranes' headquarters is located, has committed to carbon neutrality by 2035, which might affect regulation related to emissions. Konecranes is not currently under any emission trading scheme globally, but we are following developments as well as the price of carbon as the regulation on this might change.
Technology	Technology plays a crucial part in our business, and we closely follow technological developments in sectors material to us and our customers. We need to understand in what ways different technologies are developing and ensure that our low-carbon solutions and selected technologies are effective and attractive to our clients.
Legal	On a local level, environmental legislation review is part of the ISO 14001:2015 EMS. Business Areas and product development follow global environmental legislation requirements. For example, new emission regulation directives for non-road mobile machinery impact our Ports business globally.
Market	Environmental awareness is growing. To understand the changes in attitudes in different regions, we follow shifts in the global megatrends and monitor quiet signals and customer feedback.
Reputation	Climate-related reputational issues are not seen as a major risk as we have emission reduction targets, environmental management systems and global HSE guidelines, and we monitor and report our progress. In addition, our environmental claims are based on third-party assessed facts.
Acute physical	An increase in extreme weather conditions such as cyclones, hurricanes, hailstorms and lightning could especially affect our crane installations and project sites. Heavy rainfall, floods and the rise of sea levels would put some of our production sites at risk. Extreme weather conditions can also have a potential impact on the shipment of our products or spare parts.
Chronic physical	Rising sea levels could potentially affect future Port operations by hindering the service or installation of port cranes, and rising sea levels might also endanger some of our production or subcontracted production sites.
Upstream	Upstream climate-related risks, if materialized, can have a significant impact on cost (price increase for goods, carbon tax, etc.).
Downstream	Downstream operations such as manufacturing, transporting and using our products are not seen as a major climate related risk area. Our products are designed to be eco-efficient and we provide several features and applications that can further decrease emissions during use.
Climate change opportunities	
Products and services	Increased demand for low-carbon products has had a positive impact on our business, as we already provide eco-efficient products and e.g. hybrids and electric alternatives for traditional diesel cranes. We support our customers by offering products that have a long lifespan and energy saving features, helping them reach their own energy efficiency goals and minimize emissions. Our Lifecycle Care concept, including e.g. preventive maintenance and modernization services, also supports our customers' efforts to reduce emissions.
Adaptation and mitigation activities	Increasing pressure related to climate change from our stakeholders and legislation have encouraged us to take climate change better into account in our operations. We have had public, climate-related targets in place since 2015. We strive to make our facilities more energy efficient and use renewable energy when possible. We also invest in Research and Development (R&D) to make our products more energy efficient and to decrease emissions in new and old products by through service and modernizations. We also focus emissions reduction planning on our service fleet.
Investment in R&D	Increasing demand for low-carbon products affects the way we design our products. The annual R&D budget (EUR 41.1 million in 2019) contains investments for environmental improvements, for example the development of more energy-efficient products and ways to improve the whole manufacturing process.
Operations	The major climate impacts and opportunities related to our operations are discussed locally as part of the ISO 14001 management systems. We aim to decrease our operational scope 1 and 2 emissions and have set public targets for this. We also have started to focus on extreme weather preparedness.

Social responsibility and employees

Safety

Our target is for everyone to return home safely, every day. We seek to achieve our objectives through strategic, Group-led programs and business-specific initiatives. Careful safety reporting and follow-up procedures help us build a coherent safety culture, recognize our most significant risks, and validate the effectiveness of our safety work. Safety is an integral part of our business, and prioritizing it in all areas of our operations brings us a competitive advantage. Our occupational health and safety principles are defined in the Code of Conduct and in our Quality, Environmental, Health and Safety policies, and we have several safety management tools and global practices in place.

There are considerable occupational health and safety risks in the material handling industry. Our most significant safety risks are related to factory work, vehicle incidents, crane and equipment installation, and the service business, where our technicians' working conditions vary from job to job. All Konecranes employees are properly trained to perform their tasks safely and correctly.

The company follows incidents and hazards through management systems, the ARMOR reporting system and the AIR product compliance management system, as well as through customer feedback collected after each major delivery. Konecranes has set a target to get all manufacturing units certified against OHSAS/ISO 45001 by the end of 2021. Currently we are 71% OHSAS/45001 certified. Safety performance is discussed monthly in the Group and BA leadership meetings, including SIF cases.

The KPI for Konecranes' safety is the lost-time incident rate LTA1, which refers to the number of

lost-time incidents per million working hours. The lost-time incident rate for 2019 was 4.8 (5.3 in 2018), an improvement of 9.4% compared to the previous year. More emphasis was put on learning from incidents through incident investigation and corrective actions, supported in part by our ARMOR reporting system. We also have a Serious Injury and Fatality (SIF) prevention process that includes measurement and prevention tools.

People Strategy

The objective of Konecranes' people management strategy is to ensure we have motivated employees with the right resources and skillsets for current and future business opportunities. To further develop their competencies, employees are offered a variety of training courses and development activities – from technology, leadership, health and safety, language and culture to project management and the environment. The main risk related to low employee engagement is the loss of talent and competencies. Konecranes mitigates employee retention risk through fair and competitive compensation, culture and leadership development programs, succession planning, internal job rotation and talent management, as well as through various programs to support professional growth.

Diversity

We aim to create a diverse and inclusive working environment by culture of belonging. We aspire to be at the forefront of breaking down traditional barriers in the heavy manufacturing industry, and we seek to develop a diverse company for all generations, current and future. Fair and responsible practices, equal career development opportunities and embracing diversity are the key enablers in the race to attract employees with the potential to be the best in the industry. Inclusion means that we are welcoming and leveraging the strengths of our differences and creating a working environment where everyone can be themselves and feel

valued for their contribution. Fostering diversity in terms of gender, age and cultural and educational backgrounds encourages innovation, exceptional organizational performance and, most importantly, outstanding customer service. In our view, varied skill sets are a key driver of creativity and value creation, and diversity and inclusivity result in teams that deliver better results.

In 2018 we set diversity and inclusion as a strategic development area and created a Diversity and Inclusion Policy. In early 2019 we established a global Chief Diversity and Inclusion Officer role to raise awareness and to drive relevant activities. We manage diversity using a wide roadmap and concrete targets. In 2019, for example, we reviewed basic people procedures like recruitment, career development, rewarding, and learning & development to see that they take talent and diversity issues into account and that the decision-making process is transparent, thus ensuring justified selections. We also introduced a training course on unconscious bias for line managers and established an internal platform for sharing ideas on diversity and inclusion. Our Konecranes Conference event, for the top 200 leaders, unconscious bias was one of the topics and an intensive unconscious bias learning session was held for the top 50 at a leadership training.

Group Executive Board members and other Senior managers have started mentoring female mentees as one way to help us reach our 2021 target of having at least 25% female representation in Executive Management Team. Currently, we are at 22%, and the current gender balance for all Konecranes employees is 16% female and 84% male. When it comes to diversity of nationalities, we are pleased that our workforce is comprised of 96 different nationalities. A workforce that lacks diversity lacks the varying perspectives and approaches brought by people of different ages,

genders, backgrounds and cultural origins, raising the risk of talent flight and a loss of competitiveness and can create a possible reputational risk.

Respect for human rights

By signing the United Nations Global Compact in 2010, Konecranes pledged to support and apply the compact's fundamental principles in the area of human rights and working conditions. We respect human rights and promote the principles set in the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals, and the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO).

We have translated our commitment to human rights into internal policies that are to be used as the minimum applicable standards. Firstly, we have included the basic principles of human rights in our Code of Conduct. Furthermore, we have a corporate policy, Respect in the Workplace, which deals with equal opportunities and fair employment practices, and creates a common framework for employee practices. Additionally, we have separate policies for Health & Safety and Diversity & Inclusion that also address human rights. To ensure that human rights are also respected in our supply chain, we have included our basic requirements in our Supplier Code of Conduct.

We have set up dedicated management processes and centralized compliance processes to ensure employee rights such as freedom of association and collective bargaining, and the right to freedom from harassment and discrimination. Human rights are also part of our Code of Conduct training material. Moreover, we have included elements of social responsibility in our supplier management in areas like pre-assessments and in the audits run by supplier quality teams.

Litigation

Various legal actions, claims, and other proceedings are pending against the Group in different countries. These actions, claims, and other proceedings are typical for this industry and are consistent with the 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 general liability claims.

Risks and uncertainties

Konecranes operates in emerging countries that face political, economic, and regulatory uncertainties. Adverse changes in the operating environment of these countries may result in currency losses, elevated delivery costs, or loss of assets. Konecranes operates a crane factory in Zaporozhye, Ukraine.

The operations in emerging countries have had a negative impact on the aging structure of accounts receivable and may increase credit losses or the need for higher provisions for doubtful accounts.

Political risks and uncertainties have also increased outside the emerging countries due to the emergence of populism, patriotism and protectionism in a number of Western economies. This has led and can lead to further increases in tariffs on imported goods, such as components that Konecranes manufactures centrally before exporting them to most of the countries in which it operates. The resulting tariffs may result in a decrease in profitability.

Konecranes has made several acquisitions and expanded organically into new countries. A failure to integrate the acquired businesses, MHPS in particular, or grow newly established operations may result in a decrease in profitability and impairment of goodwill and other assets.

One of the key strategic initiatives of Konecranes is oneKONECRANES. This initiative involves a major capital expenditure on information systems. A higher-than-expected development or implementation costs, or a failure to extract business benefits from new processes and systems may lead to an impairment of assets or decrease in profitability.

Konecranes delivers projects, which involve risks related, for example, to engineering and project execution with Konecranes' suppliers. A failure to plan or manage these projects may lead to higher-than-estimated costs or disputes with customers.

Challenges in financing, e.g. due to currency fluctuations, may force customers to postpone projects or even cancel the existing orders. Konecranes intends to avoid incurring costs for major projects under construction in excess of advance payments. However, it is possible that the cost-related commitments in some projects temporarily exceed the amount of advance payments.

The Group's other risks are presented in the Notes to the Financial Statements and the Governance Supplement to the Annual Report.

Events after the end of the reporting period

On December 5, 2019 Konecranes signed an agreement to acquire from Jebsen & Jensen its 50% stake in MHE-Demag. The transaction was closed on January 2, 2020. Share purchase price was approximately EUR 143 million in cash. Pursuant to the "Stock and asset purchase agreement" dated December 5, 2019 the final cash consideration is subject to post-closing adjustments for cash. After the acquisition, Konecranes holds 100% of the shares in the company, while Konecranes' ownership before the acquisition was 50%.

MHE-Demag is a leading supplier of industrial cranes

and services in Southeast Asia under the MHE and Demag brands, engineering, manufacturing and maintaining a comprehensive range of industrial cranes and hoists. Its customized solutions serve a wide range of industries and customers from general manufacturing to aerospace. MHE-Demag also provides warehousing equipment such as lift trucks and dock levelers, aerial work platforms, building maintenance units and compact construction equipment, as well as automated car parking systems. With the acquisition, Konecranes increases its presence and market coverage in strategically important and fast-growing Southeast Asia. Service represents approximately 50% of MHE-Demag's annual net sales, with cranes and components at approximately 35% and other industrial products at approximately 15%. In 2018, MHE-Demag's net sales were approximately SGD 285 million (EUR 179 million) and EBITA approximately SGD 20 million (EUR 13 million). Konecranes is the main supplier to MHE-Demag, selling crane components under the Demag brand name.

MHE-Demag has approximately 1,800 employees, including some 700 service engineers. MHE-Demag operates 11 factories and more than 70 service locations throughout Southeast Asia and is headquartered in Singapore. MHE-Demag runs own operations in Australia, Indonesia, Malaysia, Singapore, the Philippines, Taiwan, Thailand and Vietnam. In addition, MHE-Demag has distribution through resellers in several countries including Brunei, Cambodia, Laos, Mongolia, Myanmar, Papua New Guinea and Timor-Leste. Konecranes expects the acquisition to create approximately EUR 10 million of annual synergies at the EBITA level by 2022, including both revenue and cost synergies. One-time costs generated by the integration of MHE-Demag are estimated to total EUR 6 million.

Demand outlook

Within the industrial customer segments, the demand environment in Europe continues to weaken but at a slower rate. The demand environment in North America is relatively stable overall and remains on a higher level compared to Europe. Asia Pacific is showing early signs of improving demand conditions.

Despite its recent decline, global container throughput continues on a good level. Although there is hesitation in the decision-making among some port customers, the longer-term prospects for orders related to container handling remain good overall.

Financial guidance

Konecranes expects sales in full-year 2020 to increase 7–10% year-on-year, including MHE-Demag. Konecranes expects the adjusted EBITA margin to improve in full-year 2020 compared to full-year 2019.

Board of directors' proposal for disposal of distributable funds

The parent company's non-restricted equity is EUR 968,361,776.27, of which the net income for the year is EUR 95,148,906.32. The Group's non-restricted equity is EUR 1,109,748,000.

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 liquidity of the parent company and the economic circumstances subsequent to the end of fiscal year.

Based on such assessments, the Board of Directors proposes to the Annual General Meeting to be held on 26 March 2020 that a dividend of EUR 1.20 be paid on each share and that the remaining

nonrestricted equity is retained in shareholders' equity. Furthermore, the Board of Directors proposes the dividend to be paid in two equal instalments, one in April and one in October. The proposal will be included in the notice to the Annual General Meeting, which will be published during February 2020.

A PDF version of the Konecranes' full audited financial statements, including the report of the Board of Directors, and corporate governance statement will be available as pdf documents on Konecranes website on March 3, 2020.

Espoo, February 6, 2020
Konecranes Plc
Board of Directors

CONSOLIDATED STATEMENT OF INCOME – IFRS

(1,000,000 EUR)	Jan 1–Dec 31 2019	Jan 1–Dec 31 2018
Note:		
3, 5, 6 Sales	3,326.9	3,156.1
Other operating income	19.6	6.3
7 Materials, supplies and subcontracting	-1,505.0	-1,371.9
7, 8 Personnel cost	-1,080.7	-1,006.5
9 Depreciation and impairments	-123.6	-119.9
7 Other operating expenses	-488.5	-498.0
Operating profit	148.7	166.2
16 Share of associates' and joint ventures' result	4.5	4.0
10 Financial income	2.5	2.6
10 Financial expenses	-37.2	-34.1
Profit before taxes	118.5	138.7
11 Taxes	-35.7	-40.4
PROFIT FOR THE PERIOD	82.8	98.3
Profit for the period attributable to		
Shareholders of the parent company	81.0	101.8
Non-controlling interest	1.8	-3.5
12 Earnings per share, basic (EUR)	1.03	1.29
12 Earnings per share, diluted (EUR)	1.03	1.29

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(1,000,000 EUR)	Jan 1–Dec 31 2019	Jan 1–Dec 31 2018
Note:		
Profit for the period	82.8	98.3
Items that can be reclassified into profit or loss		
34 Cash flow hedges	-0.7	-13.4
Exchange differences on translating foreign operations	6.8	-5.7
11.3 Income tax relating to items that can be reclassified into profit or loss	0.2	2.7
Items that cannot be reclassified into profit or loss		
28 Re-measurement gains (losses) on defined benefit plans	-27.6	0.7
11.3 Income tax relating to items that cannot be reclassified into profit or loss	8.1	-0.2
Other comprehensive income for the period, net of tax	-13.2	-15.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	69.6	82.4
Total comprehensive income attributable to:		
Shareholders of the parent company	67.4	86.2
Non-controlling interest	2.2	-3.8

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET – IFRS

ASSETS

(1,000,000 EUR)		31 Dec 2019	31 Dec 2018
Note:			
Non-current assets			
13	Goodwill	908.2	906.1
14	Intangible assets	531.6	582.0
15	Property, plant and equipment	332.8	236.7
	Advance payments and construction in progress	15.7	14.5
16	Investments accounted for using the equity method	73.9	71.0
	Other non-current assets	0.9	0.8
17	Deferred tax assets	123.4	119.5
Total non-current assets		1,986.5	1,930.5
Current assets			
18	Inventories	658.7	635.8
19	Accounts receivable	530.4	548.0
20	Other receivables	33.7	29.1
	Income tax receivables	30.5	22.3
6	Receivable arising from percentage of completion method	167.8	115.7
32	Other financial assets	8.1	8.9
21	Deferred assets	60.3	46.2
22	Cash and cash equivalents	378.2	230.5
Total current assets		1,867.7	1,636.5
TOTAL ASSETS		3,854.2	3,567.0

EQUITY AND LIABILITIES

(1,000,000 EUR)		31 Dec 2019	31 Dec 2018
Note:			
Equity attributable to equity holders of the parent company			
	Share capital	30.1	30.1
	Share premium	39.3	39.3
	Paid in capital	752.7	752.7
34	Fair value reserves	-0.5	0.1
	Translation difference	3.7	-2.8
	Other reserve	58.8	55.2
	Retained earnings	272.4	289.4
	Net profit for the period	81.0	101.8
23	Total equity attributable to equity holders of the parent company	1,237.5	1,265.8
16	Non-controlling interest	9.2	18.4
Total equity		1,246.7	1,284.1
Non-current liabilities			
26, 27, 32	Interest-bearing liabilities	785.8	584.6
28	Other long-term liabilities	290.4	269.1
24	Provisions	19.1	21.2
17	Deferred tax liabilities	143.1	143.4
Total non-current liabilities		1,238.4	1,018.3
Current liabilities			
26, 27, 32	Interest-bearing liabilities	248.4	191.8
6	Advance payments received	337.3	341.4
	Accounts payable	236.2	211.2
24	Provisions	151.7	112.6
25	Other short-term liabilities (non-interest-bearing)	44.3	43.0
32	Other financial liabilities	6.2	7.7
	Income tax payables	14.6	20.3
	Accrued costs related to delivered goods and services	156.0	164.1
25	Accruals	174.4	172.5
Total current liabilities		1,369.1	1,264.6
Total liabilities		2,607.5	2,282.8
TOTAL EQUITY AND LIABILITIES		3,854.2	3,567.0

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – IFRS

Equity attributable to equity holders of the parent company

(1,000,000 EUR)	Share capital	Share premium account	Paid in capital	Cash flow hedges	Translation difference	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January, 2019	30.1	39.3	752.7	0.1	-2.8	55.2	391.2	1,265.8	18.3	1,284.1
Change in accounting principles (IFRS 16)							-4.5	-4.5		-4.5
Balance at 1 January, 2019, restated	30.1	39.3	752.7	0.1	-2.8	55.2	386.7	1,261.3	18.3	1,279.6
Dividends paid to equity holders							-94.6	-94.6	-4.5	-99.1
Equity-settled share based payments (note 29)						3.6	0.0	3.6		3.6
Acquisitions							-0.2	-0.2	-0.1	-0.3
Disposals							0.0	0.0	-6.7	-6.7
Profit for the period							81.0	81.0	1.8	82.8
Other comprehensive income				-0.6	6.5		-19.5	-13.6	0.4	-13.2
Total comprehensive income				-0.6	6.5		61.5	67.4	2.2	69.6
Balance at 31 December, 2019	30.1	39.3	752.7	-0.5	3.7	58.8	353.4	1,237.5	9.2	1,246.7
Balance at 1 January, 2018	30.1	39.3	752.7	10.8	2.6	36.6	384.3	1,256.4	22.5	1,278.9
Change in accounting principles (IFRS 9)							-0.8	-0.8		-0.8
Change in accounting principles (IFRS 2)						1.5	0.0	1.5		1.5
Balance at 1 January, 2018, restated	30.1	39.3	752.7	10.8	2.6	38.1	383.4	1,257.0	22.5	1,279.5
Dividends paid to equity holders							-94.6	-94.6	-0.4	-94.9
Equity-settled share based payments (note 29)						17.1	0.0	17.1		17.1
Profit for the period							101.8	101.8	-3.5	98.3
Other comprehensive income				-10.7	-5.4		0.5	-15.6	-0.3	-15.9
Total comprehensive income				-10.7	-5.4		102.3	86.2	-3.8	82.4
Balance at 31 December, 2018	30.1	39.3	752.7	0.1	-2.8	55.2	391.2	1,265.8	18.3	1,284.1

CONSOLIDATED CASH FLOW STATEMENT – IFRS

(1,000,000 EUR)		Jan 1–Dec 31	Jan 1–Dec 31
		2019	2018
Note: Cash flow from operating activities			
	Profit for the period	82.8	98.3
	Adjustments to net profit for the period		
	Taxes	35.7	40.4
	Financial income and expenses	34.7	31.5
	Share of associates' and joint ventures' result	-4.5	-4.0
	Depreciation and impairments	123.6	119.9
	Profits and losses on sale of fixed assets	-0.5	3.8
	Other adjustments	3.2	5.2
	Operating income before change in net working capital	275.0	295.1
	Change in interest-free current receivables	-40.3	3.9
	Change in inventories	-18.9	-91.1
	Change in interest-free current liabilities	46.7	-4.3
	Change in net working capital	-12.5	-91.5
	Cash flow from operations before financing items and taxes	262.5	203.5
10	Interest received	26.5	19.3
10	Interest paid	-46.1	-38.4
10	Other financial income and expenses	-24.2	7.4
11	Income taxes paid	-45.9	-82.5
	Financing items and taxes	-89.7	-94.3
	NET CASH FROM OPERATING ACTIVITIES	172.8	109.2

(1,000,000 EUR)		Jan 1–Dec 31	Jan 1–Dec 31
		2019	2018
Note: Cash flow from investing activities			
4	Acquisition of Group companies, net of cash	-3.1	0.0
4	Divestment of businesses, net of cash	4.2	1.1
	Capital expenditures	-40.7	-38.3
	Proceeds from sale of property, plant and equipment and other	16.4	2.2
	NET CASH USED IN INVESTING ACTIVITIES	-23.2	-35.0
	Cash flow before financing activities	149.6	74.2
	Cash flow from financing activities		
	Proceeds from non-current borrowings	140.0	0.0
	Repayments of non-current borrowings	-20.6	-14.5
	Repayments of lease liability	-44.3	0.0
	Proceeds from (+), payments of (-) current borrowings	19.6	34.6
	Change in loans receivable	-0.1	-0.3
	Dividends paid to equity holders of the parent company	-94.6	-94.6
	Dividends paid to non-controlling interests	-4.5	-0.4
	NET CASH USED IN FINANCING ACTIVITIES	-4.5	-75.2
	Translation differences in cash	2.6	-1.6
	CHANGE OF CASH AND CASH EQUIVALENTS	147.7	-2.6
	Cash and cash equivalents at beginning of period	230.5	233.1
22	Cash and cash equivalents at end of period	378.2	230.5
	CHANGE OF CASH AND CASH EQUIVALENTS	147.7	-2.6

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.

The accompanying notes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Konecranes Plc (“Konecranes Group” or “the Group”) is a Finnish public limited company organized under the laws of Finland and domiciled with its principal place of business in Hyvinkää. The company is listed on the NASDAQ Helsinki.

Konecranes is a world-leading manufacturer and servicer of cranes, lifting equipment and machine tools, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes operates internationally, with its products being manufactured in North and South America, Europe, Africa, the Middle East, and Asia and sold worldwide. Konecranes has three reportable segments, which it calls Business Areas: Business Area Service, Business Area Industrial Equipment and Business Area Port Solutions.

2. ACCOUNTING PRINCIPLES

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 items that are required by IFRS to be measured at fair

value, principally certain financial instruments.

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

Due to the rounding, some totals might differ from the sum of individual figures as calculations are done originally in thousands of euros.

The financial statements were approved for issuance by the Board of Directors on February 5, 2020.

Principles of consolidation

The consolidated financial statements comprise the consolidated balance sheet of Konecranes Plc and its subsidiaries as at December 31, 2019 and 2018 and the consolidated statements of income and cash flows for the periods ended December 31, 2019 and 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that majority of voting rights result in control. To support this presumption and when the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and

liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under this method, the consolidated financial statements show the Group's investment in and share of net assets of the associate or joint venture. Any premium over net assets paid to acquire an interest in an associate or joint venture is recognized as goodwill within the same line as the underlying investment. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition,

when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as share of profit of an associate and a joint venture in the statement of profit or loss.

2.2. Use of estimates and judgments

Estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and judgments 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. These assumptions, estimates and judgments are based on management's historical experience, best knowledge about the events and other factors, such as expectations on future events, which the Company assess to be reasonable in the given circumstances. Although these estimates and judgments are based on the management's best understanding of current events and circumstances, actual results may differ from the estimates. Changes in estimates and assumptions are recognized in the financial period

the estimate or assumption is changed.

The most important items in the consolidated financial statements, which require management's estimates and that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change are impairment testing, recognition of deferred taxes, measurement of the fair value of assets and actuarial assumptions in defined benefit plans, and percentage of completion revenue recognition in long term projects.

Impairment testing

The recoverable amount for goodwill has been determined based on value in use of the relevant cash generating unit to which the goodwill is allocated. The recoverable amounts of all material intangible assets and property, plant and equipment have also been based on their value in use. The impairment testing of goodwill is based on numerous judgmental estimates of the present value of the cash flows which effect the valuation of the cash generating units (CGU) pertaining to the goodwill. Cash flow forecasts are made based on CGU specific historical data, order book, the current market situation and industry specific information of the future growth possibilities. These assumptions are reviewed annually as part of management's budgeting and strategic planning cycles and can be subject to significant adjustment as arising from the development of the global economy, pressure from competitors' products as well as changes in raw material prices and operating expenses. The value of the benefits and savings from the efficiency improvement programs already announced and included in certain cash flow estimates are also subjective and based on management's best estimate of the impact. The fair value of the CGUs is determined using a derived weighted average cost of capital as the rate to discount estimated future cash flows. The discount rate used may not be indicative of actual rates

obtained in the markets in the future. See note 13.

Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition 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 consideration transferred for 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. The measurement of fair value of the acquired net assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows (intangible assets). The valuation, which is based on prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement, estimates and assumptions. See note 4.

Recognition of deferred taxes

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or in which tax losses can be utilized. The tax effect of unused tax losses is recognized as a deferred tax asset when it becomes probable that the tax losses will be utilized. In making assessments regarding deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. The actual current tax exposure is estimated together with assessing temporary differences resulting from differing treatment of items, such as depreciation, provisions and accruals, for tax and accounting purposes. When recording the deferred tax assets judgment have been based on the estimates of the taxable income in each subsidiary and country in which Konecranes operates, and the period over which the deferred tax assets will be recoverable

based on the estimated future taxable income and planned tax strategies to utilize these assets. The amount of deferred tax assets considered realizable could however be reduced in subsequent years if estimates of future taxable income during their carry forward periods are reduced, or rulings by the tax authorities are unfavourable. Estimates are therefore subject to change due to both market related and tax authorities related uncertainties, as well as Konecranes' own future decision matters such as restructuring. Konecranes is unable to accurately quantify the future adjustments to deferred income tax expense that may occur as a result of these uncertainties. See note 17.

Actuarial assumptions in defined benefit plans

The net pension liability and expense for defined benefit plans is based on various actuarial assumptions such as the assumed discount rate, expected development of salaries and pensions and mortality rates. Significant differences between assumptions and actual experience, or significant changes in assumptions, may materially affect the pension obligations. The effects of actual results differing from assumptions and the changing of assumptions are included in Remeasurement gains/loss on defined benefit plans in other comprehensive income. Discount rates are determined annually based on changes in long-term, high quality corporate bond yields.

Decreases in the discount rates results in an increase in the defined benefit obligation and in pension costs. Conversely, an increase in the discount rate results in a decrease in the defined benefit obligation and in pension costs. Increases and decreases in mortality rates have an inverse impact on the defined benefit obligation and pension costs. Increases and decreases in salary and pension growth rates have a direct correlating impact on the defined benefit obligation and pension costs.

The assumed discount rate, which is based on rates observed at the end of the preceding financial year may not be indicative of actual rates realized. The actual development for salaries and pensions may not reflect the estimated future development due to the uncertainty of the global economy and various other factors. Konecranes uses generational mortality tables to estimate probable future mortality improvements. These tables assume that the trend of increasing life expectancy will continue, resulting in pension benefit payments to younger members being likely to be paid for longer time periods than older members' pensions, given that assumed retirement ages are those defined in the rules of each plan.

The funded status, which can increase or decrease based on the performance of the financial markets or changes in our assumptions, does not represent a mandatory short-term cash obligation. Instead, the funded status of a defined benefit pension plan is the difference between the defined benefit obligation and the fair value of the plan assets. See note 28.

Revenue recognition over time in long term projects

Konecranes applies the percentage of completion method for recognizing revenue over time from certain long term large crane projects and modernizations in accordance with IFRS 15 Revenue Recognition. The percentage of completion is based on the cost-to-cost method. Under this method, progress of contracts is measured by actual costs incurred in relation to management's best estimate of total estimated costs at completion, which are reviewed and updated routinely for contracts in progress. The cumulative effect of any change in estimate is recorded in the period in which the change in estimate is determined.

The percentage-of-completion method of accounting

involves the use of assumptions and projections, principally relating to future material, labor and project-related overhead costs. As a consequence, there is a risk that total contract costs will exceed those originally estimated and the margin will decrease or the contract may become unprofitable. This risk increases as the duration of a contract increases because there is a higher probability that the circumstances upon the estimates were originally based will change, resulting in increased costs that may not be recoverable. Factors that could cause costs to increase include: unanticipated technical problems with equipment supplied or developed by us which may require us to incur additional costs to remedy, changes in the cost of components, materials or labor, project modifications creating unanticipated costs, suppliers' or subcontractors' failure to perform, and delays caused by unexpected conditions or events. By recognizing changes in estimates cumulatively, recorded revenue and costs to date reflect the current estimates at the stage of completion for each project. Additionally, losses on long-term contracts are recognized in the period when they are identified and are based upon the anticipated excess of contract costs over the related contract revenues.

Judgments

There have been no changes in judgments throughout the years 2019 and 2018.

2.3. Summary of significant accounting policies

Revenue recognition

Revenue is recognized at an amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer and to the extent that it is probable that the economic benefits will flow to the Company, that revenue can be reliably measured, and that collectability is reasonably

assured. Revenue is measured at the fair value of the consideration received or receivable. The creditworthiness of the buyer is assessed before engaging into a sale. However, if a risk of non-payment arises after revenue recognition, a provision for non-collectability is established.

Company recognizes revenue when it satisfies an identified performance obligation by transferring promised goods or service to the customer. Goods and services are generally considered to be transferred when the customer obtains the control to it. Control means that the customer can direct the use of and obtain benefit from the good and service and also prevent others from directing the use of and receiving the benefits from them. Thus, customer has sole possession of the right to use the good or service for the remainder of its economic life or to consume the good or service in its own operations.

The transaction price is usually fixed but may also include variable considerations such as volume or cash discounts or penalties. Variable consideration is included in the revenue only to the extent that it is highly probable that the amount will not be subject of significant reversal when the uncertainty is resolved. The variable considerations are estimated using the most likely value method if not yet realized in the end of the reporting period. If the contract is separated in to more than one performance obligation, Konecranes allocates the total transaction price to each performance obligation based on the estimated relative standalone selling prices of the promised goods or services in each performance obligation or if the standalone selling prices do not exist Konecranes typically uses the expected cost plus a margin approach to estimate the standalone selling price.

Nature of goods and services and timing of satisfaction of performance obligations and significant payment terms

Service segment principally generates revenue from providing maintenance and consultative services as well as spare parts for all types and makes of industrial cranes and hoists. Service also provides modernizations which are complete transformations of existing cranes as an alternative to replacing them. Revenue from services is recognized when the outcome of the transaction can be estimated reliably and by customer acknowledgement for the completion of the service work or by reference to the stage of completion based on services performed at the end of the reporting period if it can be measured. The assessment of the stage of completion is dependent on the nature of the contract but will generally be based on costs incurred to the extent these relate to services performed up to the reporting date. In modernization projects, typically customer controls the assets that is enhanced thus the revenue is recognized over time according to the percentage of completion method. In spare parts business, the transfer of control and revenue recognition usually takes place either when goods are shipped or made available to the buyer for shipment, depending on the terms of the contract or when the customer has accepted the delivery. Usually customers pay according to agreed payment terms after the services and products have been delivered. Sometimes it is required that the payment is done in advance. In these cases, for example in annual maintenance contracts, the payment is periodized to meet the revenue recognition in accordance with the delivery of services and goods. In modernization project the customers are typically required to make advance payments according to the milestones defined in the modernization project contract.

Industrial Equipment segment generates revenue from hoists, cranes and material handling solutions

for a wide range of customers. For standard equipment and components, the revenue is recognized when goods are shipped or made available to the buyer for shipment, depending on the terms of the contract or when the customer has accepted the delivery, which is typically an installed crane. The revenue from large engineered crane projects is recognized over time according to the percentage of completion (POC) method as those contracts are specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. Konecranes is then also entitled to an amount that at least compensates the entity for performance completed to date even if the customer can terminate the contract for the reasons other than our failure to perform as promised. In general, the warranty period for cranes is two years for which Group records a warranty provision based on historical data. The revenue for extended warranty is recognized over the extended warranty period. In crane projects the customers are typically required to make advance payments in accordance with the milestones defined in the crane project contract.

Port Solutions segment generate revenue from container handling equipment, shipyard equipment, mobile harbor cranes, heavy-duty lift-trucks and Port Solution related software. All equipment deliveries are supported by a complete range of services. Most of the container handling and shipyard equipment as well as mobile harbor cranes are tailored and engineered to the customer needs so the revenue from these projects is recognized over time according to the percentage of completion (POC) method as those contracts are specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate

purpose or use. Konecranes is then also entitled to an amount that at least compensates the entity for performance completed to date even if the customer can terminate the contract for the reasons other than our failure to perform as promised. The revenue of lift trucks and standard ports equipment is recognized when goods are shipped or made available to the buyer for shipment, depending on the terms of the contract or when the customer has accepted the delivery. The general warranty period for ports equipment differs to some extent depending on the components used in the projects. For general warranty Group records a warranty provision based on historical data. The revenue for possible extended warranty is recognized over the extended warranty period. In Port Solutions projects the customers are typically required to make advance payments according to the milestones defined in the project contract.

Measurement of stage of completion for performance obligations satisfied over time

The stage of completion of a contract is determined by the proportion that the contract costs incurred for the work performed to date bear to the estimated total contract costs (cost-to-cost method) at completion. This depicts best the transfer of control to the customer, which occurs as we incur costs on our contracts. When the final outcome of a project cannot be reliably determined, the costs arising from the project are expensed in the same reporting period in which they occur, but the revenue from the project is recorded only to the extent that the Group will receive an amount corresponding to actual costs. An expected loss on a contract is recognized immediately in statement of income. Revenue in respect of variations to the contract scope and claims is recognized when it is probable that it will be received and is capable of being measured reliably.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to reliably measure the expenditure during development.

Amortization of capitalized development costs begins when development is complete and the asset is available for use.

Adjusted EBITA (alternative performance measure)

Group is using adjusted EBITA as alternative performance measure, to reflect the underlying business performance and to enhance comparability between financial periods. It is frequently used by management, analysts and investors. Adjusted operating profit before amortization and impairment of purchase price allocations (a non-GAAP measure) represents earnings from continuing operations before income taxes (a GAAP measure), excluding restructuring, transaction and restructuring related asset impairment costs as well as other adjusting items, amortization and impairment of purchase price allocations and financial income and expense. Alternative Performance measures should not be considered as a substitute for measures of performance in accordance with the IFRS. See also note 3.

Earnings per share

Basic earnings per share are computed by dividing net income from continuing operations and net income from discontinued operations all attributable

to ordinary shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by assuming conversion or exercise of all potentially dilutive share-based payment plans.

Dividend distribution

The company recognizes a liability to make dividend distributions to equity holders when the distribution is approved by the shareholders. A corresponding amount is recognized directly in equity.

Employee benefits

Konecranes companies have various pension plans in accordance with local conditions and practices. Pensions are generally managed for the Group companies by outside pension insurance companies or by similar arrangements. These pension plans are classified either as defined contribution or defined benefit plans. Under defined contribution plans, expenses are recognized for the period the contribution relates to. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employee benefits. The 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 (calculated using the Projected Unit Credit Method) less the fair value of the plan assets at the balance sheet date. Actuarial gains and losses are recognized in the consolidated statement of other comprehensive income as remeasurement items when they occur. Remeasurement recorded in other comprehensive income is not recycled. Past service cost is recognized in the statement of profit or loss in the period of plan amendment. Net-interest is calculated by applying the discount rate to the net defined

liability or asset. Independent actuaries calculate the defined benefit obligation by applying the Projected Unit Credit Method. The Group presents service cost, past-service cost, gains and losses on curtailments and settlements and net interest expense or income as Personnel cost – Pension costs: Defined benefit plans in the statement of income (see Note 8).

A liability for termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Share based payments

Employees (including senior executives) of the Group and its subsidiaries receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions) or receive settlement in cash (cash-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognized, together with a corresponding increase in other reserves in equity, over the period in which the performance and/or service conditions are fulfilled in Personnel cost – Other personnel expense in the statement of income. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recorded in the statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The tax laws or regulations usually obliges Konecranes to withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, normally in cash, to the tax authority on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement permits Konecranes to withhold the number of equity instruments equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon vesting of the share-based payment. This share-based payment arrangement with a net settlement feature is classified in its entirety as an equity-settled share-based payment transaction and the payment made shall be accounted for as a deduction from equity for the shares withheld.

Cash-settled transactions

The cost of cash-settled transactions, which is usually related to the additional employee social cost of the share based payments, is measured initially at fair value at the grant date using a

binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognized in Personnel cost – Other personnel expenses in the statement of income (see Note 8).

Foreign currency translation

The Group's consolidated financial statements are reported in euros, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the end of each reporting period, foreign currency monetary items are retranslated at the functional currency spot exchange rate in effect at the reporting date. The resulting foreign currency exchange differences are recorded in the statement of income with the exception of differences that arise on monetary items that provide an effective hedge for a net investment in a foreign operation (such as intragroup loans where settlement is neither planned nor likely to occur in the foreseeable future). These are recognized in other comprehensive income until the disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial

transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Foreign operations

The assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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 balances. Taxes are calculated using rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities and deferred tax assets are calculated on all temporary differences arising between the tax basis and the book value of assets and liabilities. Deferred tax is not recognized for non-deductible goodwill on initial recognition and temporary differences in investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. The main temporary differences arise from unused tax losses, depreciation differences, provisions, defined benefit pension plans, inter-company inventory margin

and 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.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition 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 consideration transferred for 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. For each acquisition the non-controlling interest in the acquiree, if any, can be recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. If the purchase consideration is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly through the profit and loss. Direct acquisition transaction costs are expensed as incurred.

Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a disposal rather than through the continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate disposal in its present condition. Actions required to complete the disposal should indicate that it is unlikely that significant changes to the disposal will be made or that the decision to dispose will be withdrawn. Management must be committed

to the disposal expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Intangible assets

Intangible assets include service contracts, patents and trademarks as well as software licenses and implementation costs. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Intangible assets with definite useful life are amortized on the straight-line basis over expected useful lives, which may vary from 5 to 20 years with service contracts and patents and trademarks and from 4 to 7 years with software licenses. They are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful life are not amortized, but they are tested annually for impairment in a manner equivalent to that for testing goodwill. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. If the carrying amount for

a CGU exceeds its recoverable amount, an impairment loss equal to the difference is recognized. Konecranes uses a discounted cash flow analyses to assess the fair value of goodwill. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. A previously recognized impairment loss on goodwill is not reversed even if there is a significant improvement in circumstances having initially caused the impairment.

Property, plant and equipment

Property, plant and equipment are 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 10–40 years
- Machinery and equipment 3–10 years

No depreciation is recorded for land.

Improvements made for existing property, plant and equipment that will provide future economic benefit are capitalized and depreciated over the remaining useful life of the asset.

For leased right-of-use assets please see the accounting principles section for leases.

Impairment of assets subject to amortization and depreciation

The carrying values of intangible assets subject to amortization, property, plant and equipment and investments in associates and joint ventures are 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 will be estimated.

The recoverable amount is the higher of the assets fair value less selling costs and value in use which is the present value of the cash flows expected from the asset's use and eventual disposal. An impairment loss is recognized in the statement of income when the recoverable amount of an asset is less than its carrying amount. Impairment losses on these assets are reversed if their recoverable amounts subsequently increase.

Valuation of inventories

Raw materials and supplies are valued at the acquisition cost or, if lower, at the net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Semi-manufactured goods are valued at variable production costs including a share of production overheads based on normal capacity. 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. Raw materials and supplies are valued using the first-in, first-out (FIFO) basis or weighted average cost. The inventory stock obsolescence provision is based on the best estimate of slow-moving and obsolete inventory at the balance sheet date. The estimates are based on frequent review and evaluation of inventory ageing and composition.

Account and other receivables

Account and other receivables are initially recorded at fair value after which they are subsequently measured at amortised cost. Account receivables represent the Group's right to an amount of consideration that is unconditional (i.e. only the

passage of time is required before payment of the consideration is due). The provision for doubtful accounts is estimated based on the Group's historical credit loss experience adjusted with current conditions and reasonable and supportable forecasts about the future. The effect is 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 original maturities of three months or less. Bank overdrafts are included in current interest-bearing liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Group categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or Konecranes' assumptions about pricing by market participants.

Derivative financial instruments and hedge accounting

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

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

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 recognized at fair value at the derivative contract date, and are re-measured to fair value at subsequent reporting dates. Derivatives are presented as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For certain large crane projects, the Group applies hedge accounting. The Group designates hedges of the foreign currency risk of firm commitments and highly probable forecasted transactions to a cash flow hedge. Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in other comprehensive income, while the ineffective portion is recognized immediately in the income statement. See note 34.

Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in the other comprehensive income 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 the statement of income as they arise.

The Group does not apply fair value hedging.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss; financial assets at fair value through OCI; or financial assets at amortized cost. Financial assets are classified according to their cash flow characteristics and the business model they are managed in and accounted for at settlement date. They include account and other receivables, interest bearing investments and derivative financial instruments. The measurement of financial assets depends on their classification, as follows:

Financial assets at amortized cost

Account receivables and other receivables are recognised at their anticipated realisable value which is the original invoice amount less an estimated provision for doubtful accounts for impairment. The increase in the credit risk for financial assets measured at amortised cost is assessed at the end of the reporting period. The credit loss allowance is estimated based on the Group's historical credit loss experience adjusted with current conditions and reasonable and supportable forecasts about the future. The Group applies the simplified approach to record expected credit losses on its accounts receivable by using a provision matrix where accounts receivable is grouped based on different customer bases and different historical loss patterns.

Financial assets at fair value through statement of income

Interest-bearing investments, which are non-derivative financial assets and have fixed or determinable

payments and are not quoted on active markets, are measured at fair value through the statement of income. This category also includes derivatives that are not qualifying for hedge accounting.

Financial assets at fair value through other comprehensive income

Derivatives that are qualifying for hedge accounting are classified as financial assets at fair value through other comprehensive income. The treatment of gains and losses arising from revaluation is described above in the accounting policy for derivative financial instruments and hedging accounting.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss; financial liabilities at fair value through other comprehensive income; or as financial liabilities measured at amortized cost, as appropriate. Financial liabilities include trade and other payables, finance debt and derivative financial instruments. The Group determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognized in the income statement. Derivatives, other than those designated as effective hedging instruments, are classified as held for trading and are included in this category.

Financial liabilities at fair value through other comprehensive income

These financial liabilities are typically derivatives designated for hedge accounting and are carried on the balance sheet at fair value. The treatment of gains and losses arising from revaluation is described above in the accounting policy for

derivative financial instruments and hedging accounting.

Financial liabilities measured at amortized cost

All other financial liabilities are initially recognized at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest and other finance income and finance costs. This category of financial liabilities includes accounts payables and interest-bearing liabilities.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently existing, legally enforceable, unconditional right of offset that applies to all counterparties of the financial instruments in all situations, including both normal operations and insolvency.

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 probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions may arise from restructuring plans, onerous contracts, guarantees and warranties, among other events. 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. The warranty provision is based on the history of past warranty costs and claims on delivered products under warranty. Additionally, warranty provisions can be established on a case by case basis to take into consideration the potentially increased risks.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, possible initial cost incurred, lease payments done before the commencement date and less any lease incentives received. The recognized

right-of-use assets are mainly rentals of premises and vehicles which are typically depreciated on a straight-line basis over the shorter of the lease term and estimated useful life of the asset. Right-of-use assets are subject to possible impairment.

Lease liabilities

At the commencement date of a lease the Group recognizes lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of the lease payments, the group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption to equipment that are considered of low value. Lease payments on short term leases and lease of low value assets are recognized as an expense over the lease term.

Judgment in determining the lease term

The Group has various lease agreements for office equipment, vehicles and premises with varying terms and renewal rights. The Group determines the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend or early terminate the lease if it is reasonably certain to be exercised. The Group uses judgment especially for the use of extension options as well as when defining the lease term for open end lease agreements so that they are based on the business requirements, factors that create an economic incentive and real estimated useful life time of the underlying asset.

Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method. In the cash flow statement a distinction is made between cash flows from operating, investing and financing activities. Currency differences on cash and cash equivalents are recognized separately in the cash flow statement. Revenue and expenses for income tax are recognized under Cash flows from operating activities. Interest costs and interest revenues are recognized under Cash flows from operating activities. Cash flows as a result of the acquisition or disposal of financial interests (subsidiaries and interests) are recognized under Cash flows from investing activities, taking into account the cash, cash equivalents and repaid third party debts present in these interests. Dividends paid out, as well as obtained and repaid loans, are recognized under Cash flows from financing activities.

2.4. Application of new and amended IFRS standards and IFRIC interpretations

The relevant new or revised IFRSs that Konecranes has adopted from January 1, 2019 are the following:

IFRS 16 Leases replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC -27 Evaluating the Substance of Transactions Involving the Legal form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance lease under IAS17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease terms. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (for example, a change in lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Konecranes used the general modified retrospective approach in which right of use assets and lease liabilities were calculated per transition date 1.1.2019 except for the lease contracts of the Finnish premises in Hyvinkää and Hämeenlinna,

in which Konecranes used modified retrospective method to calculate the right of use assets and liability from the commencement date but using the prevailing discount interest at the transition date. Konecranes elected also to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has various lease agreements for office equipment, vehicles and premises with varying terms and renewal rights. The Group has used judgment especially for the use of extension options as well as when defining the lease term for open end lease agreements so that they are based on the business requirements and real estimated useful life time of the underlying asset. The right of use assets increased by EUR 118.5 million and corresponding liabilities by EUR 124.1 million at 1.1.2019. Equity decreased by EUR 4.5 million and deferred tax asset increased by EUR 1.1 million. The Group had also EUR 20.1 million existing finance leases according to IAS17 in 31.12.2018 balance sheet. The weighted average interest rate on the application date was 4.92%.

IFRIC 23

The IFRIC Interpretation 23 Uncertainty over Income Tax treatment addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The interpretation did not have an impact on the consolidated financial statements of the Group.

TRANSITION BRIDGE FOR IFRS 16

Operating lease commitment Opening balance 1.1.2019	117.3
Short-term leases (-)	-10.4
Leases of low-value assets (-)	-1.1
Extension and termination options (+/-)	29.5
Variable lease payments based on an index or a rate (+)	0.2
Residual value guarantees (+)	0.0
Nominal value of IFRS 16 lease liability at transition	135.5
Discount effect on nominal value of IFRS 16 lease liability 1.1.2019	-11.3
Finance lease liabilities Opening balance 1.1.2019	20.1
Lease liabilities recognised at 1.1.2019	144.3

3. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its products and services and had three reportable segments in 2019 and 2018, which it calls Business Areas: Business Area Service, Business Area Industrial Equipment and Business Area Port Solutions.

Business Area Service provides maintenance and installation services of industrial equipment, Business Area Industrial Equipment produces industrial cranes and their components to variety of industries and Business Area Port Solutions produces lifting equipment for ports and provides services for port equipment.

Some business units have been aggregated to form the above reportable operating segment due to the similar economic characteristics with respect to the nature of the production process, product type and class of customers for their products.

The above reportable segments are based on the Group's management reporting and organizational structure. Konecranes Group's chief operating

decision maker is the Board of Directors.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, the performance of the investees accounted for using the equity method is evaluated using proportionate consolidation.

The assets and liabilities of the reportable segments include only items directly connected with the business as well as the goodwill related to them. Taxes and financial income and expenses are managed on Group level and are not allocated to segments.

Konecranes reports also 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.

3.1. Operating segments

	Service		Industrial Equipment		Ports solutions		Corporate functions and unallocated		Eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Sales												
Sales to external customers	1,211.5	1,144.3	1,020.4	1,009.2	1,094.7	1,002.4	0.2	0.1			3,326.9	3,156.1
Inter-segment sales	48.2	48.1	165.1	141.6	21.0	10.4	8.7	6.2	-242.9	-206.3	0.0	0.0
Total sales	1,259.7	1,192.5	1,185.5	1,150.9	1,115.7	1,012.9	8.8	6.2	-242.9	-206.3	3,326.9	3,156.1
Adjusted EBITA	208.5	180.0	18.2	42.6	86.9	71.3	-38.9	-36.9	0.4	0.1	275.1	257.1
% of net sales	16.6%	15.1%	1.5%	3.7%	7.8%	7.0%					8.3%	8.1%
Purchase price allocation amortization	-10.5	-12.5	-6.9	-14.5	-7.3	-10.4					-24.7	-37.5
Adjusted operating profit	198.0	167.5	11.3	28.0	79.6	60.9	-38.9	-36.9	0.4	0.1	250.4	219.6
% of net sales	15.7%	14.0%	1.0%	2.4%	7.1%	6.0%					7.5%	7.0%
Adjustments to operating profit												
Transaction costs							-0.9	0.0			-0.9	0.0
Restructuring costs	-3.4	-4.8	-72.7	-12.9	-8.3	-20.9	-16.4	-14.8			-100.7	-53.4
Total	-3.4	-4.8	-72.7	-12.9	-8.3	-20.9	-17.3	-14.8			-101.7	-53.4
Operating profit	194.6	162.8	-61.4	15.1	71.3	40.0	-56.3	-51.7	0.4	0.1	148.7	166.2
% of net sales	15.5%	13.6%	-5.2%	1.3%	6.4%	4.0%					4.5%	5.3%
Share of associates and joint ventures result (note 16)							4.5	4.0			4.5	4.0
Financial income							2.5	2.6			2.5	2.6
Financial expenses							-37.2	-34.1			-37.2	-34.1
Profit before tax											118.5	138.7

3.1. Operating segments continued

	Service		Industrial Equipment		Ports solutions		Corporate functions and unallocated		Eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Segment assets	1,327.7	1,284.8	863.3	865.1	922.0	884.4					3,113.0	3,034.3
Investment accounted for using the equity method (note 16)							73.9	71.0			73.9	71.0
Cash and cash equivalents							378.2	230.5			378.2	230.5
Deferred tax assets							123.4	119.5			123.4	119.5
Income tax receivables							30.5	22.3			30.5	22.3
Other unallocated and corporate function level assets							135.1	89.4			135.1	89.4
Total assets	1,327.7	1,284.8	863.3	865.1	922.0	884.4	741.2	532.7			3,854.2	3,567.0
Segment liabilities	194.1	207.7	345.3	365.0	417.7	411.4					957.2	984.1
Interest-bearing liabilities							1,034.2	776.4			1,034.2	776.4
Deferred tax liabilities							143.1	143.4			143.1	143.4
Income tax payables							14.6	20.3			14.6	20.3
Other unallocated and corporate function level liabilities							458.4	358.6			458.4	358.6
Total liabilities	194.1	207.7	345.3	365.0	417.7	411.4	1,650.3	1,298.7			2,607.5	2,282.8
Other disclosures												
Capital expenditure	10.7	8.5	20.3	19.7	8.5	7.2	0.0	0.0			39.5	35.4
Personnel	7,762	7,372	5,397	5,782	2,938	2,830	99	93			16,196	16,077

Revenue expected to be recognized in the future periods related to performance obligations that are unsatisfied or partially unsatisfied

	During 2020	During 2021	From 2022 onwards	Total
Service	208.2	5.0	2.5	215.7
Industrial Equipment	490.7	94.8	63.4	648.9
Port Solutions	799.0	133.4	27.3	959.7
Total	1,497.9	233.3	93.1	1,824.3

The transaction price associated with unsatisfied or partially unsatisfied performance obligations does not include variable consideration that is constrained. The Group total revenue will also include new orders, scope changes and contract extensions which are not known at reporting date and thus are excluded in this table.

3.2. Geographical areas

2019	EMEA*	AME	APAC	Total
External sales*	1,714.1	1,145.8	467.0	3,326.9
Assets*	2,825.5	561.1	467.6	3,854.2
Capital expenditure	30.8	4.7	4.0	39.5
Personnel	10,126	3,319	2,751	16,196

* External sales to Finland EUR 82.7 million. Non-current assets (excluding deferred tax assets) in Finland: EUR 221.5 million and in other countries: EUR 1,641.5 million.

2018	EMEA*	AME	APAC	Total
External sales*	1,593.5	1,049.9	512.7	3,156.1
Assets*	2,681.3	507.8	377.9	3,567.0
Capital expenditure	25.8	3.2	6.5	35.4
Personnel	10,027	3,172	2,878	16,077

* External sales to Finland EUR 99.8 million. Non-current assets (excluding deferred tax assets) in Finland: EUR 212.3 million and in other countries: EUR 1,598.7 million.

There are no single customers which have over 10% of Group's sales.

4. ACQUISITIONS AND DIVESTMENTS

Acquisitions in 2019

in January 2019, Konecranes acquired a small service business from MSAURförderteknik GmbH in Germany and paid EUR 0.7 million as purchase price for the acquired assets. In August 2019, Konecranes acquired a small service business company Trevolution Service S.r.l. in Italy and paid EUR 2.6 million for the shares of the company.

The fair values of acquired businesses are as follows:

EUR million	Fair value
Intangible assets	
Clientele	1.2
Property, plant and equipment	0.3
Deferred tax assets	0.1
Inventories	0.6
Accounts receivable	1.0
Other assets	0.3
Cash and cash equivalents	0.5
Total assets	3.9
Liabilities	
Deferred tax liabilities	0.3
Defined benefit plans	0.3
Other long-term liabilities	0.1
Accounts payable and other current liabilities	1.2
Total liabilities	1.9
Net assets	2.1
Purchase consideration transferred	3.3
Goodwill	1.2
Cash flow on acquisition	
Purchase consideration, paid in cash	3.3
Cash and cash equivalents in acquired companies	-0.5
Net cash flow arising on acquisition	2.8

If the businesses were acquired on 1.1.2019 the full year sales of the acquiree were EUR 3,329.4 million and EBIT EUR 148.7 million. The amount of goodwill that is expected to be deductible for tax purposes was EUR 0.3 million.

Disposals in 2019

In December 2019 Konecranes completed the divestment of its ownership in Noell Crane Systems (China) Ltd. Konecranes received proceeds of EUR 18.4 million and recorded EUR 2.3 million pre-tax loss from the transaction. Part of the sales price is conditional and dependent on the collection of the open receivables and possible third party liabilities until October 31, 2021.

Carrying amounts of net assets over which control was lost in 2019

Assets	
Intangible assets	8.3
Property, plant and equipment	9.9
Accounts receivables	9.7
Other receivables	0.1
Cash and cash equivalents	5.2
Total	33.3
Liabilities	
Interest-bearing liabilities	0.0
Provisions	0.8
Accounts payable	4.9
Accruals and other liabilities	0.1
Total	5.8
Non-controlling interest	6.8
Net assets derecognized	20.7
Consideration recognized	
Consideration received	9.4
Deferred conditional consideration	9.0
Total consideration recognized	18.4

Translation difference included in accumulated other comprehensive income that was reclassified to profit of the year was EUR -2.9 million.

Disposals in 2018

Konecranes divested in January, 2018 the Machine Tool Service business in USA. Konecranes received cash proceeds of EUR 1.1 million from the transaction and did not record any loss or profit from this disposal.

5. DISAGGREGATION OF REVENUE IN NET SALES

	2019	2018
Customer contract revenue		
Sale of goods	2,163.5	2,075.9
Rendering of services	1,159.7	1,077.5
Total customer contract revenue	3,323.2	3,153.3
Other revenue		
Leasing of own products	3.3	2.3
Royalties	0.4	0.4
Total other revenue	3.7	2.7
Total net sales	3,326.9	3,156.1

	2019	2019	2019	2018	2018	2018
Timing of satisfying performance obligations by Segments	At a point of time	Over time	Total	At a point of time	Over time	Total
Service	171.9	1,039.7	1,211.5	170.0	974.3	1,144.3
Industrial Equipment	848.7	171.7	1,020.4	876.9	132.3	1,009.2
Port Solutions	841.0	253.7	1,094.7	746.3	256.2	1,002.4
Corporate functions	0.2	0,0	0.2	0.1	0,0	0.1
Total	1,861.8	1,465.0	3,326.9	1,793.2	1,362.8	3,156.1

6. CONTRACT BALANCES

6.1. Contract assets and liabilities

	2019	2018
Contract assets		
The cumulative revenues of non-delivered projects	570.7	433.2
Advances received netted	402.9	317.5
Total	167.8	115.7
Transfers to receivables from contract assets recognized at the beginning of period	162.2	194.0
Contract liabilities		
Gross advance received from percentage of completion method	433.3	375.3
Advances received netted	402.9	317.5
Total	30.4	57.8
Revenue recognised in the current period that was included in the contract liability opening balance	117.0	190.4
Increases due to cash received	325.3	295.9

Contract assets relate to receivable arising from percentage of completion method. Net asset balances are balances where the sum of contract costs, recognized profits and recognized losses exceed progress billings. Where progress billings exceed the sum of contract costs, recognized profits and recognized losses these liabilities are included in the line item contract liabilities.

6.2. Advances received

	2019	2018
Advance received from percentage of completion method (netted)	30.4	57.8
Other advance received from customers	306.9	283.6
Total	337.3	341.4

7. OPERATING EXPENSES

	2019	2018
Change in work in progress	0.5	-52.7
Production for own use	-1.1	-0.5
Material and supplies	1,103.7	1,106.0
Subcontracting	401.9	319.1
Materials, supplies and subcontracting	1,505.0	1,371.9
Wages and salaries	891.5	804.3
Pension costs	61.3	65.1
Other personnel expenses	127.8	137.1
Personnel cost	1,080.7	1,006.5
Other operating expenses	488.5	498.0
Total operating expenses	3,074.1	2,876.3

Research and development costs recognized as an expense in other operating expenses amount to EUR 41.1 million in the year 2019 (EUR 42.1 million in 2018).

7.1. Audit and non-audit fees to Group auditor

	2019	2018
Audit	3.3	3.8
Non-audit services	0.4	0.4
Total	3.7	4.2

8. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

8.1. Personnel expenses

	2019	2018
Wages and salaries	891.5	804.3
Pension costs: Defined benefit plans	6.9	11.8
Pension costs: Defined contribution plans	54.5	53.3
Other personnel expenses	127.8	137.1
Total	1,080.7	1,006.5

8.2. Number of personnel

	2019	2018
Average number of personnel	16,104	16,247
Number of personnel as at December 31	16,196	16,077
Number of personnel as at December 31 in Finland	1,964	1,880

8.3. Personnel by Reportable Segment at the end of period

	2019	2018
Service	7,762	7,372
Industrial Equipment	5,397	5,782
Port Solutions	2,938	2,830
Group Staff	99	93
Total	16,196	16,077

9. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

9.1. Depreciation and amortization

	2019	2018
Intangible assets	48.5	59.6
Buildings	29.3	7.8
Machinery and equipment	45.0	38.7
Total	122.8	106.1

9.2. Impairments

	2019	2018
Property, plant and equipment	0.8	13.8
Intangible assets	0.0	0.0
Total	0.8	13.8

The nature of the impairments is described in the disclosures of goodwill, intangible assets and property, plant and equipment (see notes 14 and 15).

10. FINANCIAL INCOME AND EXPENSES

10.1. Financial income

	2019	2018
Interest income on bank deposits and loans	1.8	1.7
Exchange rate gains	0.0	0.8
Other financial income	0.7	0.0
Total	2.5	2.6

10.2. Financial expenses

	2019	2018
Interest expenses on liabilities	21.7	23.7
Net loss on financial instruments at fair value through profit or loss	8.3	6.0
Exchange rate loss	2.9	0.0
Other financial expenses	4.3	4.4
Total	37.2	34.1

Financial income and expenses net	-34.7	-31.5
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The company applies hedge accounting on derivatives used to hedge cash flows in certain large crane projects. The cash flow hedges of the expected future cash flows are assessed to be highly effective and a net unrealized effect of EUR -0.7 million (2018: EUR -10.7 million) with deferred taxes of EUR +0.2 million (2018: EUR +2.7 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. The realized and recycled currency differences from these hedges recorded in the statement of income were EUR -2.7 million in 2019 (EUR 4.7 million in 2018).

11. INCOME TAXES

11.1. Taxes in statement of income

	2019	2018
Local income taxes of group companies	32.3	49.0
Taxes from previous years	-1.8	-4.4
Change in deferred taxes	5.2	-4.3
Total	35.7	40.4

11.2. Reconciliation of income before taxes with total income taxes

	2019	2018
Profit before taxes	118.5	138.7
Tax calculated at the domestic corporation tax rate of 20.0% (2018: 20.0%)	23.7	27.7
Effect of different tax rates of foreign subsidiaries	-1.0	6.1
Taxes from previous years	-1.8	-4.4
Tax effect of non-deductible expenses and tax-exempt income	6.6	5.4
Tax effect of unrecognized tax losses of the current year	5.5	9.5
Tax effect of utilization of previously unrecognized tax losses	-2.8	-1.6
Tax effect of recognition of previously unrecognized tax losses	-2.6	-0.7
Tax effect of impairment of previously recognized deferred tax assets	3.2	-0.3
Tax effect of recognizing the controlled temporary difference from investment in subsidiaries	4.2	1.1
Tax effect of tax rate change	0.0	0.3
Other items	0.6	-2.8
Total	35.7	40.4
Effective tax rate %	30.1%	29.1%

The Company evaluates regularly the net realizable value of its deferred tax assets.

In 2017 a new tax legislation came into effect in the USA, which includes, among other things, a reduction in the U.S. federal corporate income tax rate from 35% to 21% from the beginning of the tax year 2018 and one-time tax expense for undistributed profits on overseas assets for US companies. The changes were recognized in the balance sheet as deferred taxes and a corresponding tax expense in the income statement as change in deferred taxes in 2017.

11.3. Tax effects of components in other comprehensive income

	2019	2018
Cash flow hedges	0.2	2.7
Re-measurement gains (losses) on defined benefit plans	8.1	-0.2
Total	8.3	2.5

12. 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 outstanding during the year for the dilutive effect of the shares issued under the stock option plans. Weighted average number of shares is excluding the number of treasury shares.

	2019	2018
Net profit attributable to shareholders of the parent company	81.0	101.8
Weighted average number of shares outstanding (1,000 pcs)	78,836	78,811
Weighted average number of shares outstanding, diluted (1,000 pcs)	78,836	78,811
Earnings per share, basic (EUR)	1.03	1.29
Earnings per share, diluted (EUR)	1.03	1.29

On January 2, 2020, 2,500 ordinary shares were transferred from treasury shares to outstanding shares under Konecranes Restricted Share Unit Plan (RSU) 2017.

13. GOODWILL AND GOODWILL IMPAIRMENT TESTING

13.1. Goodwill

	2019	2018
Acquisition costs as of January 1	920.8	920.0
Additions	1.2	0.0
Decrease	0.0	0.0
Translation difference	0.9	0.8
Acquisition costs as of December 31	922.9	920.8
Accumulated impairments as of January 1	-14.7	-14.7
Impairments for the financial year	0.0	0.0
Total as of December 31	908.2	906.1

13.2. General principles

Management monitors the performance of the Group through the monthly meetings and monthly reporting that take place on a business unit level. Impairment testing is done at the lowest level of the Group at which goodwill is monitored internally.

13.3. Total goodwill in reportable segments after impairments

	2019	2018
Industrial Cranes	139.7	139.7
Agilon	3.9	3.9
Goodwill in Industrial Equipment total	143.6	143.6
Industrial Crane Service	560.5	558.3
Machine Tool Service	4.2	4.1
Goodwill in Service total	564.7	562.4
Port Cranes	163.4	163.4
Lift trucks	36.5	36.8
Goodwill in Port Solutions total	199.9	200.1
Total goodwill in reportable segments as of December 31	908.2	906.1

The recoverable amounts of the CGUs are determined based on value in use calculations using the discounted cash flow method. The forecasting period of cash flows is five years and it is based on financial forecasts of the management responsible for that CGU, and adjusted by Group management if needed. The forecasts have been made based on the CGU specific historical data, order book, the current market situation and industry specific information of the future growth possibilities. These assumptions are reviewed annually as part of management's budgeting and strategic planning cycles. 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 the business portfolio of companies which operate in a similar industry.

The key assumptions, being the average compound annual growth rate for the sales of the five years forecasted and the discount rate are as follows:

	Compound annual growth rate	Discount rate
Industrial Cranes	3%	12.1%
Agilon	36%	14.3%
Industrial Crane Service	6%	12.2%
Machine Tool Service	3%	10.0%
Lift trucks	5%	10.3%
Port Cranes	5%	10.6%

The average compound growth rate for the gross profit is consistent with that of sales. Furthermore for all the CGUs a 1% terminal growth rate has been applied.

Impairment charges

The impairment testing performed in 2019 and 2018 did not result in any impairments being recognized.

Sensitivity analyses

In addition to impairment testing using the base case assumptions, four separate sensitivity analyses were performed for each CGU:

- 1) A discount rate analysis where the discount rate was increased by 5% points
- 2) A Group management adjustment to the future profitability. The cash flow of each CGU was analyzed by the Group management. Based on the CGU specific historical data and future growth prospects the cash flows were decreased by 10% in each year including terminal year.
- 3) A higher discount rate (+5% points) analysis combined with lower (-10%) cash flows as mentioned above.
- 4) A decrease in the compound annual growth rate for the sales for each of the five forecasted years (- 2% points) combined with the current discount rate.

2019

There was no indication of impairment of goodwill for any CGU from the sensitivity tests.

2018

There was no indication of impairment of goodwill for any CGU from the sensitivity tests.

14. INTANGIBLE ASSETS

2019	Patents and trademarks	Software	Other	Intangible assets total
Acquisition costs as of January 1	245.0	167.1	465.3	877.4
Additions	0.0	6.2	0.0	6.3
Disposals	0.0	-0.8	-10.5	-11.3
Business combinations	0.0	0.0	1.2	1.2
Translation difference	0.0	-0.3	0.1	-0.2
Acquisition costs as of December 31	245.1	172.3	456.1	873.5
Accumulated amortization as of January 1	-15.3	-119.4	-160.8	-295.4
Translation difference	0.0	0.0	0.0	0.0
Accumulated amortization relating to disposals	0.0	1.0	1.1	2.1
Amortization for financial year	-0.6	-23.0	-24.9	-48.5
Total as of December 31	229.2	30.9	271.5	531.6

2018	Patents and trademarks	Software	Other	Intangible assets total
Acquisition costs as of January 1	245.2	160.3	465.5	871.0
Additions	0.0	8.6	0.2	8.8
Disposals	-0.2	-1.8	-2.0	-4.1
Transfer within assets	0.0	0.0	1.7	1.7
Impairment	0.0	0.0	0.0	0.0
Translation difference	0.0	0.0	0.0	0.0
Acquisition costs as of December 31	245.0	167.1	465.3	877.4
Accumulated amortization as of January 1	-14.9	-96.8	-126.0	-237.8
Translation difference	0.0	0.0	-0.1	-0.1
Accumulated amortization relating to disposals	0.2	1.7	0.1	2.1
Amortization for financial year	-0.6	-24.3	-34.7	-59.6
Total as of December 31	229.8	47.7	304.5	582.0

The category Other consists mainly of customer lists and technology acquired in business combinations. They are stated at cost and amortized on a straight-line basis over their expected useful lives. The normal amortization period of intangible assets varies from 4 to 20 years. The amortization of intangible assets is included in the depreciation and impairments line in the consolidated statement of income. On December 31, 2019 and December 31, 2018, the intangible assets having indefinite useful life consisted of the Demag and Gottwald trademarks of EUR 167.0 million and EUR 51.0 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 an indefinite useful life. The carrying amounts of these assets are tested on a yearly basis in connection with the goodwill impairment testing.

The addition of EUR 6.3 million (EUR 8.8 million in 2018) mainly consisted of capitalized development costs of the Group's ERP systems.

15. PROPERTY, PLANT AND EQUIPMENT

2019	Land	Buildings	Machinery & Equipment	Property, plant and equipment total
Acquisition costs as of January 1	30.7	139.0	311.0	480.7
Additions	0.0	22.3	47.9	70.2
Disposals	-3.6	-19.7	-25.1	-48.3
Change in accounting principles (IFRS 16)	0.0	93.3	25.1	118.5
Business combinations	0.0	0.0	0.3	0.3
Transfer within assets	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	-0.8	-0.8
Translation difference	0.1	1.4	1.1	2.7
Acquisition costs as of December 31	27.2	236.4	359.6	623.2
Accumulated depreciation as of January 1	0.0	-37.3	-206.8	-244.1
Translation difference	0.0	0.0	0.0	-0.1
Accumulated depreciation relating to disposals	0.0	5.4	22.7	28.0
Depreciation for financial year	0.0	-29.3	-45.0	-74.3
Total as of December 31	27.2	175.1	130.4	332.8

2018	Land	Buildings	Machinery & Equipment	Property, plant and equipment total
Acquisition costs as of January 1	31.4	140.7	314.2	486.3
Additions	0.2	6.5	29.9	36.6
Disposals	-0.3	-0.8	-25.6	-26.7
Transfer within assets	0.0	-1.7	0.0	-1.7
Impairment	-0.7	-5.2	-7.9	-13.8
Translation difference	0.0	-0.5	0.4	0.0
Acquisition costs as of December 31	30.7	139.0	311.0	480.7
Accumulated depreciation as of January 1	0.0	-30.3	-185.7	-216.0
Translation difference	0.0	0.0	-0.1	-0.1
Accumulated depreciation relating to disposals	0.0	0.7	17.7	18.5
Depreciation for financial year	0.0	-7.8	-38.7	-46.5
Total as of December 31	30.7	101.7	104.3	236.7

Classification of Property, plant and equipment	2019
Property, plant and equipment, owned	201.0
Right-of-use assets, leased	131.8
Total	332.8

2019

Right of use assets	Land and Buildings	Machinery and Equipment	Total
Balance as of January 1	93.3	45.6	138.9
Translation difference	0.9	0.2	1.1
New contracts and changes in lease contracts	13.2	21.8	34.9
Depreciation during the year	-21.6	-21.6	-43.2
Total as of December 31	85.8	46.0	131.8

Mainly due to the restructuring actions of the Group land, buildings, machinery and equipment were written off in 2019 by EUR 0.8 million (EUR 13.8 million in 2018).

16. INTERESTS IN OTHER ENTITIES AND NON-CONTROLLING INTERESTS

16.1. Investments accounted for using the equity method

Associated Companies	2019	2018
Acquisition costs as of January 1	1.7	1.8
Share of associated companies' result after taxes	0.1	-0.1
Dividends received	-0.1	-0.1
Acquisitions	0.0	0.0
Total as of December 31	1.7	1.7

Joint Ventures	2019	2018
Acquisition costs as of January 1	69.3	68.0
Share of joint ventures' result after taxes*	4.4	4.1
Dividends received	-1.4	-2.8
Acquisitions	0.0	0.0
Total as of December 31	72.3	69.3

* Including adjustments from purchase price allocation.

16.2. Investments in Associated Companies and Joint Ventures

The following table illustrates the summarized financial information of the Group's investments and reconciliation with the carrying amount of the investments in consolidated financial statements.

2019	Carrying amount of the investment	Non - current assets*	Current assets*	Non-current liabilities*	Current liabilities*	Revenue*	Profit/loss after tax from continuing operations*	Total comprehensive income*	Dividends received
MHE-Demag (S) Pte Ltd Group (joint venture)	67.8	32.9	132.8	5.4	71.4	195.8	10.2	10.2	1.3
Other Investments in associated companies and joint ventures	6.1	2.9	43.6	0.1	24.9	59.4	1.4	1.4	0.2
Total	73.9	35.8	176.4	5.5	96.3	255.2	11.6	11.6	1.5

2018	Carrying amount of the investment	Non - current assets*	Current assets*	Non-current liabilities*	Current liabilities*	Revenue*	Profit/loss after tax from continuing operations*	Total comprehensive income*	Dividends received
MHE-Demag (S) Pte Ltd Group (joint venture)	64.8	32.0	125.1	4.1	69.8	177.1	9.2	9.2	2.6
Other Investments in associated companies and joint ventures	6.2	3.5	39.5	0.1	22.3	52.2	-0.6	-0.6	0.3
Total	71.0	35.5	164.5	4.3	92.0	229.3	8.6	8.6	2.8

*Asset and liability values, revenue and profit/loss represent values according to the latest published financial information.

16.3. Joint operations

Konecranes has classified the interest in AS Konesko (domiciled in Estonia) as a joint operation based on the joint arrangement agreement. AS Konesko is a strategic supplier of components used in Konecranes products. Konecranes has the exclusive right to purchase certain motors and end carriages from AS

Konesko at a price to be agreed upon with Konesko A/S. However Konecranes retains ownership of the current motor designs and the trademark rights to the end carriages.

Konecranes owns as of December 31, 2019 49.5%

of the interest in AS Konesko.

Konecranes has recognized and accounted for the assets, liabilities, revenues and expenses relating to its interest in AS Konesko in accordance with IFRS11.

16.4. Subsidiaries with material non-controlling interest

2019	Accumulated non-controlling Interest	Goodwill	Non - current assets	Current assets	Non - current liabilities	Current liabilities	Revenue	Profit/loss after tax from continuing operations	Total comprehensive income
Noell Cranes Systems (China) Ltd (NCI 30%)	0.0	0.0	0.0	0.0	0.0	0.0	10.2	3.7	3.7
Other non-controlling interests	9.1	0.0	55.0	38.6	5.1	56.4	40.4	2.9	2.9
Total	9.1	0.0	55.0	38.6	5.1	56.4	50.6	6.7	6.6

2018	Accumulated non-controlling Interest	Goodwill	Non - current assets	Current assets	Non - current liabilities	Current liabilities	Revenue	Profit/loss after tax from continuing operations	Total comprehensive income
Noell Cranes Systems (China) Ltd (NCI 30%)	5.6	0.0	15.3	28.1	0.0	28.1	49.7	-19.2	-19.2
Other non-controlling interests	12.6	0.0	51.2	45.5	2.5	54.2	34.5	8.1	8.1
Total	18.2	0.0	66.5	73.6	2.5	82.3	84.2	-11.1	-11.1

NCI = Non-Controlling Interest. Assets and liabilities as well as revenue and profit/loss values represent the total company values including purchase price allocations. See also the company list for the ownership and principal place of business of the subsidiaries.

17. DEFERRED TAX ASSETS AND LIABILITIES

17.1. Deferred tax assets

	2019	2018
Employee benefits	53.4	44.6
Provisions	15.8	15.4
Unused tax losses	10.9	9.7
Other temporary differences	43.4	49.8
Total	123.5	119.5

Other temporary differences include timing differences arising for example from accrued costs, advances received and unrealized currency differences that are not deductible in taxation until they occur.

17.2. Deferred tax liabilities

	2019	2018
Intangible and tangible assets	126.1	131.7
Other temporary difference	17.0	11.7
Total	143.1	143.4

The deferred tax assets and deferred tax liabilities have been netted on a juridical company level when there is a legally enforceable right to offset income tax receivables against income tax payables related to income taxes levied by the same tax authority. The gross amount of deferred tax assets in 2019 were EUR 123.5 million (EUR 119.5 million in 2018) and deferred tax liabilities EUR 143.1 million (EUR 143.4 million in 2018).

Konecranes has not recognized the temporary differences in investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

17.3. Tax losses carried forward

At the end of year 2019, Konecranes recorded a deferred tax asset of EUR 11.4 million (EUR 9.7 million in 2018) related to unused tax losses on the carry-forward losses of EUR 225.3 million (EUR 230.9 million in 2018) in total. The tax losses, for which no deferred tax assets are recognized due to the uncertainty of the utilization of the losses, amounted to EUR 177.1 million in the year 2019 (EUR 185.0 million in 2018).

EUR 115.2 million of these carry-forward tax losses available have unlimited expiry, EUR 36.0 million expire later than in five years and EUR 74.1 million expire in five years.

Part of carry-forward losses relates to Morris Material Handling, Inc., USA, which was acquired in 2006. The overall carry-forward losses of Morris Material Handling, Inc. amounted to EUR 29.2 million (EUR 31.1 million in 2018). The Group has recorded a deferred tax asset amounting to EUR 6.9 million (EUR 5.4 million in 2018) based on the remaining tax losses of Morris Material Handling, Inc. to be utilized during the years 2020 - 2031.

To assess if the convincing evidence threshold per IAS12 was met Konecranes has prepared tax forecasts for future periods considering the restructuring done and the tax planning opportunities that were being implemented at that time. The taxable income in these forecasts has led management to recognize the deferred tax assets for The Netherlands and Austria.

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

2019	Tax losses carried forward	Potential deferred tax assets	Deferred tax assets not recorded	Deferred tax assets
France	53.0	14.8	14.8	0.0
India	46.5	14.5	14.5	0.0
USA	29.3	6.9	0.0	6.9
Austria	20.5	5.1	4.2	0.9
China	19.8	4.9	3.8	1.2
Japan	10.2	3.1	3.1	0.0
South Africa	7.6	2.1	2.1	0.0
The Netherlands	6.1	1.4	0.4	1.0
Germany	5.9	1.9	1.8	0.0
Brazil	5.2	1.8	1.8	0.0
Other	21.2	4.3	3.0	1.3
Total	225.3	60.9	49.5	11.4

2018	Tax losses carried forward	Potential deferred tax assets	Deferred tax assets not recorded	Deferred tax assets
France	37.9	11.0	11.0	0.0
India	35.2	9.1	9.1	0.0
USA	37.1	7.5	1.7	5.7
Austria	23.7	5.9	4.8	1.2
China	31.6	7.9	6.8	1.1
Japan	10.0	3.1	3.1	0.0
South Africa	5.5	1.5	1.5	0.0
The Netherlands	6.1	1.5	0.4	1.2
Germany	5.8	1.8	1.8	0.0
Brazil	5.8	2.0	2.0	0.0
Other	32.2	7.0	6.3	0.5
Total	230.9	58.4	48.6	9.7

18. INVENTORIES

	2019	2018
Raw materials and semi-manufactured goods	265.5	248.3
Work in progress	339.1	336.6
Finished goods	32.9	33.4
Advance payments	21.2	17.5
Total	658.7	635.8

2019	Balance at the beginning of the year	Translation difference	Business combinations	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for obsolete inventory	49.8	0.4	0.0	19.5	0.3	6.3	36.8

2018	Balance at the beginning of the year	Translation difference	Business combinations	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for obsolete inventory	67.4	0.1	0.0	21.6	3.0	6.8	49.8

19. AGEING ANALYSIS OF ACCOUNTS RECEIVABLE

	2019	2019	2018	2018
	Accounts receivable	including impairment of	Accounts receivable	including impairment of
Not overdue	335.4	1.1	363.4	0.6
1 - 30 days overdue	102.5	0.6	89.6	0.5
31 - 60 days overdue	36.5	0.3	34.1	0.4
61 - 90 days overdue	20.1	0.3	23.7	0.6
more than 91 days overdue	36.1	27.1	37.1	24.7
Total	530.4	29.3	548.0	26.8

The carrying amount of accounts receivable approximates to their fair value. Accounts receivable are subject to only minor credit risk concentrations due to the Group's extensively diversified customer portfolio. Credit losses recognized from the customer contracts for the financial year totaled EUR 4.2 million (EUR 4.5 million in 2018).

2019	Balance at the beginning of the year	Translation difference	Business disposals	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for doubtful accounts (Impairment)	26.8	0.2	-0.1	4.2	5.6	12.2	29.3

2018	Balance at the beginning of the year	Translation difference	IFRS 9 adjustment	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for doubtful accounts (Impairment)	25.2	-1.2	1.2	4.5	5.4	11.3	26.8

The release of the provision for doubtful accounts relates to the cash received from individual receivables which were historically provided for due to management's uncertainty of their collectability.

20. OTHER RECEIVABLES

	2019	2018
Notes receivable	5.9	5.9
Value added tax	27.8	23.3
Total	33.7	29.1

21. DEFERRED ASSETS

	2019	2018
Interest	2.1	1.7
Prepaid expenses	15.7	15.2
Unbilled revenue	5.6	2.5
Other	36.9	26.8
Total	60.3	46.2

22. CASH AND CASH EQUIVALENTS

	2019	2018
Short-term deposits	5.0	5.1
Cash in hand and at bank	373.2	225.4
Total	378.2	230.5

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

23. EQUITY

23.1. Shareholders' equity

	Number of shares	Number of treasury shares
As of January 1, 2018	78,756,145	165,761
Share subscriptions with share awards	60,358	-60,358
As of December 31, 2018	78,816,503	105,403
Share subscriptions with share awards	22,923	-22,923
As of December 31, 2019	78,839,426	82,480

The total shareholders' equity consists of share capital, share premium, paid in capital, cash flow hedges, translation difference, other reserves and retained earnings. Consistent with local legislation Konecranes' share has no nominal value. All issued

shares are fully paid and listed on Nasdaq Helsinki.

Share premium includes the value of shares, which exceeds the accounting par value of the shares, for shares issued before 1 September, 2006. Cash flow hedges include changes in the fair values of derivative financial instruments used to hedge operational cash flows. Translation differences comprise the differences arising from translating non-euro functional currency entities to euro, which is the Group's presentation currency. Other reserves include the credit for equity settled share-based payment cost. The paid in capital includes the

portion of shares' subscription price, which is not recorded to share capital or to liabilities according to IFRS. The paid in capital includes also other capital contributions to the Group, which are not recorded to some other reserve within the equity. The 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.

Dividend proposal per share was for 2019 1.20 euro and dividend for 2018 was 1.20 euro.

23.2. Distributable earnings

See page 79 / Board of Director's Proposal to the Annual General Meeting.

24. PROVISIONS

2019	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of January 1	61.3	35.5	6.8	30.1	133.8
Translation difference	0.1	0.2	0.1	0.2	0.7
Additional provision in the period	31.3	70.5	2.1	14.4	118.4
Utilization of provision	22.8	25.2	2.6	11.3	61.9
Unused amounts reversed	14.3	0.3	0.2	5.3	20.1
Total provisions as of December 31	55.7	80.7	6.2	28.2	170.8

2018	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of January 1	53.4	53.6	7.7	37.6	152.3
Translation difference	0.0	0.2	0.3	0.0	0.5
Additional provision in the period	32.3	18.1	1.7	14.0	66.1
Utilization of provision	16.9	34.4	2.9	15.7	70.0
Unused amounts reversed	7.4	2.0	0.0	5.8	15.2
Total provisions as of December 31	61.3	35.5	6.8	30.1	133.8

The provision for warranties covers the expenses due to the repair or replacement of products 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, the warranty reserve is calculated contract by contract and the

warranty period can be significantly longer. 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.

Other provisions include provisions for claims, litigations and provisions for loss contracts in which the amount is not provided for as part of work in progress or percentage of completion receivable of the loss making project.

Restructuring costs

Konecranes has recorded EUR 100.7 million restructuring costs during 2019 (EUR 53.4 million in 2018) of which EUR 0.8 million has been impairment of assets (EUR 13.8 million in 2018).

25. CURRENT LIABILITIES

25.1. Accruals

	2019	2018
Wages, salaries and personnel expenses	119.6	114.2
Pension costs	9.3	7.0
Interest	11.4	11.5
Other items	40.4	39.8
Total	180.6	172.5

25.2. Other current liabilities (non-interest bearing)

	2019	2018
Value added tax	14.7	16.2
Payroll tax liability	16.4	16.8
Other short-term liabilities	13.2	10.0
Total	44.3	43.0

26. LEASE ACCOUNTING

Maturity of undiscounted cash flows	2019
within 1 year	39.7
1 - 5 years	79.2
over 5 years	18.7
Total	137.6

Lease liabilities included in the balance sheet	2019
Non current interest-bearing liabilities	98.4
Current interest-bearing liabilities	39.8
Total as of December 31	138.2

Amounts recognised in statement of income	2019
Depreciation for right of use asset	43.2
Income for subleasing right of use asset	-0.7
Expenses related to short-term leases	5.4
Expenses related to leases of low-value assets	3.3
Interest on lease liabilities	4.1
Total expenses	55.3

Total cash flow of leases	57.1
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The Group leases land and buildings for its production and office space. The leases of production facilities typically run for a period of two to seven years, and leases of office space for one to ten years. Some leases include an option to renew the lease for an additional period after the end of the contract term. Konecranes Group has major lease agreements of factory and office buildings in Hyvinkää and Hämeenlinna, Finland. At the year end 2019 they are still valid for 1–3 years unless the lessee extends the lease period by five years. The lessee is entitled to exercise the 5-year extension option three consecutive times. The Group has now included one 5-year option in the liability value. The Group has various other leases for office equipment, vehicles and premises with varying terms and renewal rights. Vehicles have typically a lease term from three to seven years. Leasing contracts comply with normal practices in the countries concerned. The average interest rate in lease contracts was 3.24%.

27. INTEREST-BEARING LIABILITIES

27.1. Non-current

	2019	2018
Loans from financial institutions	400.6	321.0
Bonds	249.1	248.8
Pension loans	35.0	0.0
Lease liabilities	98.4	12.1
Other long-term loans	2.7	2.7
Total	785.8	584.6

27.2. Current

	2019	2018
Loans from financial institutions	3.9	22.5
Pension loans	5.0	0.0
Lease liabilities	39.8	8.0
Commercial papers	199.6	154.0
Other short-term loans	0.1	0.0
Overdraft	0.0	7.3
Total	248.4	191.8

During the fourth quarter of 2019, Konecranes raised EUR 140 million additional long-term financing in form of a EUR 40 million pension loan and two term loans totaling EUR 100 million. During the second quarter in 2019 Konecranes repaid the EUR 36 million R&D loan in advance from its cash reserves. At the end of December 2019, the outstanding long-term loans were: EUR 250 million term loan, EUR 150 million for the Schuldschein loan, EUR 250 million bond and EUR 40 million pension loan. The Schuldschein loan and term loans contains floating and fixed rate tranches and the bond yield is fixed with annual coupon payment. The weighted average interest rate for these loans and the bond is currently 1.28% per annum. The company is in compliance with the quarterly monitored financial covenant (interest-bearing net debt/equity) for the loans. No specific securities have been given for the loans. The Company continues to have healthy Interest-bearing net debt/equity ratio of 52.6% (31.12.2018: 42.5%) which is in compliance with the financial covenants the Company has to comply with.

In addition the Group has certain revolving facilities the details of which can be found in Note 33.3.

The average interest rate of the non-current liabilities portfolio at December 31, 2019 was 1.45% (2018: 1.41%) and that of the current liabilities portfolio was 0.84% (2018: 0.62%). The effective interest rate for EUR-loans varied between 0.25% - 9.00% (2018: 0.18% - 6.00%).

27.3. Maturity tables of financial liabilities and liquidity risk

The following table reflects the maturity of interest bearing liabilities.

2019	Currency	Avg. duration	Avg. rate %	Maturity			Amount MEUR
				Less than 1 year	1-5 years	Over 5 years	
	EUR	2.5 years	1.11	224.0	709.3	33.9	967.2
	INR	1.7 years	8.68	0.6	1.2	0.1	1.8
	CNY	1.5 years	5.13	1.3	1.0	0.0	2.3
	USD	1.7 years	3.81	10.3	21.3	1.4	33.1
	GBP	1.8 years	2.85	1.8	4.4	1.6	7.8
	Others	1.1-2.0 years	1.42-16.03	10.4	10.9	0.7	22.0
	Total		1.30	248.4	748.0	37.8	1,034.2

2018	Currency	Avg. duration	Avg. rate %	Maturity			Amount MEUR
				Less than 1 year	1-5 years	Over 5 years	
	EUR	3.0 years	1.13	170.3	496.2	79.4	746.0
	INR	1.5 years	9.00	0.0	0.0	0.0	0.0
	CNY	0.3 years	5.46	3.9	0.0	0.0	3.9
	USD	1.1 years	2.58	16.1	8.6	0.0	24.7
	Others	0.2-1.4 years	3.80-8.09	1.6	0.3	0.0	1.9
	Total		1.22	191.8	505.1	79.5	776.5

27.3b Liquidity risk, containing undiscounted cash flows of non-derivative financial liabilities by currency

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities, excluding derivatives. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which Konecranes could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at December 31.

2019	Currency	Avg. duration	Avg. rate %	Maturity			Amount MEUR
				Less than 1 year	1-5 years	Over 5 years	
	EUR	2.5 years	1.11	239.6	746.8	15.3	1,001.7
	INR	1.7 years	8.69	0.7	1.4	0.0	2.1
	CNY	1.5 years	5.13	1.4	1.0	0.0	2.4
	USD	1.7 years	3.81	11.6	23.6	0.0	35.2
	GBP	1.8 years	2.85	2.1	6.1	0.0	8.2
	Others	1.0-2.0 years	1.38-20.81	11.4	12.0	0.0	23.4
	Total debt		1.30	266.7	791.1	15.3	1,073.1
	Other financial liabilities			280.4	6.8	0.0	287.2
	Total financial liabilities			547.1	797.9	15.3	1,360.4

2018	Currency	Avg. duration	Avg. rate %	Maturity			Amount MEUR
				Less than 1 year	1-5 years	Over 5 years	
	EUR	3.0 years	3.01	178.4	520.4	77.9	776.7
	INR	1.5 years	9.00	1.0	6.0	0.0	7.0
	CNY	0.2 years	5.46	3.9	0.0	0.0	3.9
	USD	1.1 years	2.58	16.7	9.0	0.0	25.6
	Others	0.9-2.0 years	2.0-9.5	1.7	0.3	0.0	2.0
	Total debt		1.22	201.7	535.6	77.9	815.2
	Other financial liabilities			254.0	1.3	0.0	255.4
	Total financial liabilities			455.8	537.0	77.9	1,070.6

27.4. Maturity profile of the Group's financial liabilities

The following table reflects the maturity of all financial liabilities.

2019	Maturity of financial liabilities			
	Amount drawn	Less than 1 year	1-5 years	Over 5 years
Loans from financial institutions	404.5	3.9	400.6	0.0
Bonds	249.1	0.0	249.1	0.0
Lease liabilities	138.2	39.8	78.3	20.1
Commercial paper program	199.6	199.6	0.0	0.0
Pension loans	40.0	5.0	20.0	15.0
Other long-term debt and short-term loans	2.8	0.1	0.5	2.3
Overdraft	0.0	0.0	0.0	0.0
Derivative financial instruments	6.2	6.2	0.0	0.0
Account and other payables	287.2	280.4	6.8	0.0
Total	1,327.7	535.0	755.3	37.3

2018	Maturity of financial liabilities			
	Amount drawn	Less than 1 year	1-5 years	Over 5 years
Loans from financial institutions	343.5	22.5	242.0	79.0
Bonds	248.8	0.0	248.8	0.0
Lease liabilities	20.1	8.0	12.1	0.0
Commercial paper program	154.0	154.0	0.0	0.0
Other long-term debt and short-term loans	2.7	0.0	0.0	2.7
Overdraft	7.3	7.3	0.0	0.0
Derivative financial instruments	7.7	7.7	0.0	0.0
Account and other payables	259.9	254.0	5.9	0.0
Total	1,044.0	453.5	508.7	81.7

27.5. Changes in Group's liabilities arising from financing activities

2019	Non-current interest bearing loans	Non-current finance leases	Current interest bearing loans	Current finance leases	Financial derivatives	Total
	Total liabilities as of January 1	572.5	12.1	183.8	8.0	7.7
IFRS 16 adjustment	0.0	86.1	0.0	38.1	0.0	124.1
Cash flows	114.4	0.0	24.6	-44.3	0.0	94.7
Foreign exchange movement	0.0	0.2	0.3	0.1	0.0	0.5
Changes in fair values	0.0	0.0	0.0	0.0	-1.5	-1.5
Changes in lease contracts	0.0	37.9	0.0	0.0	0.0	37.9
Other	0.5	-37.9	0.0	37.9	0.0	0.5
Total as of December 31	687.5	98.4	208.6	39.8	6.2	1,040.5

2018	Non-current interest bearing loans	Non-current finance leases	Current interest bearing loans	Current finance leases	Financial derivatives	Total
	Total liabilities as of January 1	586.5	14.3	149.7	8.1	6.8
Cash flows	-14.5	0.0	34.6	-10.4	0.0	9.8
Foreign exchange movement	0.0	0.5	-0.6	0.3	0.0	0.2
Changes in fair values	0.0	0.0	0.0	0.0	0.8	0.8
Changes in lease contracts	0.0	7.3	0.0	0.0	0.0	7.3
Other	0.5	-10.0	0.0	10.0	0.0	0.5
Total as of December 31	572.5	12.1	183.8	8.0	7.7	784.1

28. OTHER LONG-TERM LIABILITIES

	2019	2018
Employee benefits	283.6	263.1
Other non-interest-bearing long-term liabilities	6.8	6.0
Total	290.4	269.1

28.1. Employee benefits

The Company and most of its subsidiaries offer retirement plans which cover the majority of employees in the Group. Many of these plans are defined contribution, where Konecranes' contribution and resulting charge is fixed at a set level or is a set percentage of employees' pay. However the Group has a significant defined benefit pension plan in the United Kingdom, Germany and Switzerland as well as individually insignificant plans in other countries. Companies in many countries have also other long term employee benefits such as part time pension benefits and jubilee benefits which are reported as defined benefit plans.

The UK defined benefit plan is administered by an independent trustee company that is legally separated from the Group. The investments are managed by a professional and independent Fiduciary Manager who is appointed by the trustees. The Fiduciary Manager appoints Investment Managers as they see fit in order to achieve the Trustees' stated objectives for the scheme funding level and taking into account the agreed risk appetite. The Fiduciary Manager has trigger points set in conjunction with the Trustees which when reached allows them to make changes to the investments to repatriate the gains to achieve full funding position. The UK plan is subject to the UK's pensions legislation, is regulated by the UK Pensions Regulator and is exempt from most UK taxation through its registered status. The UK plan was closed to new members in 2005. Under the UK plan the employees are entitled to post-retirement

installments calculated as an average annual basic salary from the best three years within the last ten years. The net liability in the United Kingdom was EUR 0.0 million (EUR 0.0 million in 2018).

In Germany the defined benefit pension plans are direct pension promises which are unfunded and administered by a service provider. The payments to plan participants start after retirement or in case of disability or death. Benefits are based on the number of years worked and the final salary. The commencement of pension payments depends on the beginning of the state-pension, which is the earliest at age 63 in case of early retirement and otherwise 65 for old age pension. The biggest defined benefit pension plan in Germany is the Mannesmann Leistungsordnung (MLO), which is closed to new employees. The monthly pension benefit provided by this plan is calculated as the ratio Individual pay/Average pay, times the years of service, times 3.07, and has to be at least equal to 2.10 times the years of service. The net liability in Germany was EUR 251.6 million (EUR 231.7 million in 2018) of which the MLO plan was EUR 159.3 million (EUR 146.0 million in 2018).

The Swiss pension plans are administered via pension funds, which are legally separated from the Group. The board of Trustees of the pension funds are equally composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets and the administration and financing of the benefits. The plans function in and comply with a large regulatory framework and comply with the local minimum funding requirements. The plans are open to new members. Both the Company and employees pay contributions to fund the plans. The pension plans qualify as defined benefit plan for IFRS purposes, because accruals are by law subject to a minimum

guaranteed rate of return and the plan has to guarantee a certain legal minimum level of benefits. There is hence a risk that the Company may have to pay additional contributions. Under the plans, participants are also insured against the financial consequences of old age, disability and death. The net liability in Switzerland was EUR 4.1 million (EUR 7.0 million in 2018) of which the pension plan was EUR 3.9 million (EUR 6.7 million in 2018). There was a settlement in the Swiss plan in 2019 in which the current retirees were transferred to a new fully insured pension plan. The settlement was EUR 10.2 million and resulted in a positive settlement effect of EUR 3.1 million to result.

The defined benefit plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The investment risk is being mitigated by investing the funds both to equity and debt instruments.

The following tables summarize the components of net benefit expense recognized in the statement of profit or loss and the funded status and amounts recognized in the balance sheet for the respective plans:

28.2. Amounts recognized in the balance sheet

	2019	2018
Present value of obligation wholly unfunded	279.8	257.5
Present value of obligation wholly or partly funded	84.3	90.0
Defined benefit plan obligations	364.1	347.5
Fair value of plan assets	-80.5	-84.4
Total net liability recognized	283.6	263.1

28.3. Components of defined benefit plan recorded in comprehensive income

	2019	2018
Service cost:		
Current service cost	7.4	5.4
Net interest cost	4.3	4.1
Past service cost	-0.8	2.2
Effect of settlement and curtailments	-4.0	0.0
Components of defined benefit plan costs recorded in profit or loss	6.9	11.8
Remeasurement on the net defined benefit liability:		
The return on plan assets (excluding amounts included in the net interest expense) gains (-) / losses (+)	-3.4	8.4
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	-1.2	0.2
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	34.6	-7.7
Actuarial gains (-) / losses (+) arising from experience	-2.4	-1.6
Components of defined benefit plan costs recorded in other comprehensive income	27.6	-0.7
Total (income (-) / expense (+))	34.5	11.0

The actuarial gains / losses in 2019 and 2018 were mainly caused by the change of discount rates in the defined benefit plans of Germany, Switzerland and the United Kingdom.

28.4. Movements of the present value of defined benefit obligation

	2019	2018
Obligation as of January 1	347.5	362.4
Translation difference	3.9	0.5
Business combinations	0.3	0.0
Reclassification of pension liabilities	0.0	0.3
Settlements and curtailments	-14.1	0.0
Current service cost	7.5	5.7
Interest cost	6.4	6.0
Past service cost	-0.8	2.2
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	-1.2	0.2
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	34.6	-7.7
Actuarial gains (-) / losses (+) arising from experience	-2.4	-1.6
Benefits paid	-17.6	-20.5
Obligation as of December 31	364.1	347.5

Of the benefits paid, EUR 5.4 million (2018: EUR 6.3 million) was paid from plan assets and EUR 12.2 million (2018: EUR 14.2 million) by employer directly.

Movements of the fair value of plan assets

	2019	2018
Fair value of plan assets as of January 1	84.4	94.4
Translation difference	3.7	0.6
Interest income	2.1	1.9
Employee contributions	0.4	0.5
Employer contributions	2.1	1.7
Settlements	-10.2	0.0
The return on plan assets (excluding amounts included in the net interest expense)	3.4	-8.4
Benefits paid	-5.4	-6.3
Fair value of plan assets as of December 31	80.5	84.4

28.5. Major categories of plan assets at the end of the reporting period

	2019	2018
Equity instruments	14.5	21.3
Debt instruments	55.2	48.2
Insurances	1.3	0.9
Real estate	7.2	9.8
Others	2.4	4.2
Total plan assets	80.5	84.4

The plan assets do not contain any Konecranes shares or assets.

Virtually all equity and debt instruments have quoted prices in active markets. The plan assets originate from the United Kingdom, Switzerland, Germany and India. It is the policy of the UK fund to invest approximately 25–30% to growth assets such as equity instruments as well as property and growth funds and 70–75% to risk reducing assets such as corporate bonds and fixed or index-linked gilts. The Swiss pension funds have a policy of investing their assets approximately for 40–60% in Swiss bonds, about 15–35% in equities, and 15–25% in Swiss property and mortgage loans. There is almost no exposure to alternative investments. The Company can only indirectly and partially determine the asset allocation through the 50/50 employer/employee representation in the board of Trustees. The actual return on plan assets was EUR 5.5 million (2018: EUR -6.5 million).

28.6. Defined benefit plan: the main actuarial assumptions

With the objective of presenting the assets and liabilities of the defined benefit plans at their fair value on the balance sheet, assumptions under IAS 19 are set by reference to market conditions at the valuation date. Qualified independent actuaries have updated the actuarial valuations under IAS 19 of the major defined benefit schemes operated by the Group to 31 December 2019. The assumptions used by the actuaries are chosen from a range of possible actuarial assumptions which, due to the long-term nature of the schemes, may not necessarily be borne out in practice. The actuarial assumptions used to calculate the benefit liabilities therefore vary according to the country in which the plan is situated. The following table shows the assumptions, weighted by liabilities, used to value the principal defined benefit plans.

Germany	2019	2018
Discount rate %	1.06	1.68
Expected development of salaries %	2.40	2.36
Expected development of pensions %	1.67	1.67

Mortality table: Richttafeln 2018 G von Klaus Heubeck

UK	2019	2018
Discount rate %	2.00	2.90
Expected development of pensions %	2.80	3.10

Mortality table: SAPS base table of S2PA, applied at year of birth and weighted by male/female deferred members and pensioners, and CMI 2017 (2018: CMI 2017) projections with a long term improvement parameter of 1.25% (2018: 1.5%) per annum.

Switzerland	2019	2018
Discount rate %	0.10	0.80
Expected development of salaries %	1.25	1.00

Mortality table: BVG 2015 Generational and improvement factors CMI LTR 1.5%.

Other	2019	2018
Discount rate %	0.53 - 12.15	1.33 - 13.00
Expected development of salaries %	0.30 - 9.10	0.93 - 9.20
Expected development of pensions %	1.61 - 7.10	1.60 - 6.50

The below table shows the % effect of a change in the significant actuarial assumptions used to determine the retirement benefits obligations in our main defined benefit pension obligation countries. The effect shows the increase or decrease in the liability. In the calculation of the sensitivity of the discount rate any effect from the return of plan assets has been ignored.

Sensitivity analysis	Increase	Decrease
0.5% points change in the discount rate	-7.3%	8.2%
0.5% points change in the expected development of salaries	0.4%	-0.4%
0.5% points change in the expected development of pensions	5.8%	-5.3%

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. A linear extrapolation of these amounts based on alternative changes in the assumptions as well as an addition of combined changes in the individual assumptions is not possible.

There are no changes in the way the sensitivity analyses were performed compared to the previous years.

The average duration of the defined benefit obligation weighted by the present value of the defined benefit obligation is 16 years (2018: 15 years).

The Group expects to contribute EUR 0.9 million to the above defined benefit pension plans in 2020 (Employer contribution).

29. SHARE BASED PAYMENTS

Performance Share Plan

The Board of Directors of Konecranes Plc resolved in 2015 on a Performance share plan, which consisted of one three-year discretionary period. Earning during the three-year discretionary period beginning on 1 January, 2015 is based on the Konecranes Group's cumulative EPS excluding restructuring costs and certain other one time items. The earned reward was paid in spring 2018.

The Board of Directors of Konecranes Plc resolved in 2016 to establish a share-based incentive plan directed to the Group key employees. The long-term incentive plan consists of one discretionary period, calendar year 2016. The reward from the plan is based on the continuation of a key employee's employment or service and on the Konecranes Group's adjusted earnings before interest, taxes, depreciation and amortization (EBITDA). The rewards to be paid on the basis of the plan correspond to an approximate maximum total of 700,000 Konecranes Plc shares including also the proportion to be paid in cash. The reward from the plan has been paid after the discretionary period at the end of August 2017 partly in Konecranes shares and partly in cash to be used for taxes and tax-related costs arising from the reward to the key employees. The shares paid as reward may not be transferred during a restriction period established for the shares. The restriction period begun from reward payment and has ended on December 31, 2018.

The Board of Directors of Konecranes Plc has resolved in 2017 to establish a long-term incentive plans for the Group key employees and the President and CEO. The new share-based incentive plans are a Performance Share Plan 2017 for the Group key employees, a Restricted Share Unit

Plan 2017 for selected Group key employees and a Performance Share Plan 2017–2021 for the President and CEO. The potential rewards from the incentive plans will be paid partly in Konecranes Plc shares and partly in cash to be used for taxes and tax-related costs after the performance periods or vesting periods. As a rule, no reward will be paid if a plan participant's employment or service ends before the reward payment. The Performance Share Plan includes three performance periods, calendar years 2017–2019, 2018–2020 and 2019–2021. The Board of Directors will resolve on the performance criteria and on the required performance levels for each criterion at the beginning of each performance period.

During the performance period 2017–2019, the plan offers the key employees a possibility to earn reward based on achieving the required performance levels based on the Konecranes Group's cumulative adjusted Earnings per Share (EPS) during the financial years 2017–2019. Adjustments to the EPS include defined restructuring costs, transaction costs related to the MHPS acquisition, purchase price allocation amortization and other unusual items reported as adjustments by the company. The adjusted EPS includes the gain on the disposal of STAHL CraneSystems. The rewards to be paid on the basis of the performance period 2017–2019 correspond to an approximate maximum total of 880,000 Konecranes Plc shares including also the proportion to be paid in cash. The plan is directed to approximately 260 key employees, including the members of the Group Executive Board and the Senior Management during the performance period 2017–2019. The Board of Directors will be entitled to reduce the rewards payable on the basis of the performance period 2017–2019 if certain reward value cap is reached.

The Board of Directors resolved that the performance criterion for the discretionary period

2018–2020 is the cumulative adjusted Earnings per Share (EPS) of the financial years 2018–2020. Adjustments to the EPS include defined restructuring costs, purchase price allocation amortization and certain other unusual items.

The target group of the plan consists of a maximum of 280 people during the discretionary period 2018–2020. The rewards to be paid on the basis of the discretionary period correspond to the value of a maximum total of 710,000 Konecranes Plc shares. If the target determined by the Board of Directors is attained, the reward payout may be a half of the maximum reward. The maximum reward payout requires that the target is clearly exceeded.

The Board of Directors of Konecranes Plc resolved that the performance criteria for the performance period 2019–2021 under the company's Performance Share Plan (the "Plan") are the cumulative adjusted Earnings per Share (EPS) and the cumulative annual growth rate (CAGR) for Sales of the financial years 2019–2021. Adjustments to the EPS include defined restructuring costs, purchase price allocation amortization and certain other unusual items.

The target group of the Plan for the performance period 2019–2021 consists of a maximum of 200 key employees of the Konecranes group. The rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of a maximum total of 670,000 Konecranes Plc shares. If the target determined by the Board of Directors is attained, the reward payout may be half of the maximum reward. The maximum reward payout requires that the target is clearly exceeded.

Restricted Share Unit Plan

The Restricted Share Unit Plan is directed to selected key employees in Konecranes. The vesting periods will last for 12 to 36 months. The

prerequisite for reward payment is that a key employee's employment or service continues until the end of the vesting period. The rewards to be allocated on the basis of the entire plan will amount to a maximum total of 200,000 Konecranes Plc class A shares including also the proportion to be paid in cash. 4,000 shares (5,000 shares in 2018) of the restricted share unit plan was allocated during 2019.

Performance Share Plan 2017–2021 for the CEO

The CEO long-term incentive plan consists of one five-year performance period, calendar years 2017–2021. The potential reward from the CEO Plan will be based on the Konecranes Group's cumulative adjusted Earnings per Share (EPS) during the financial years 2017–2019 and cumulative Earnings per Share (EPS) during the financial years 2020–2021. The rewards to be paid on the basis of the CEO Plan correspond to a maximum total of 200,000 Konecranes Plc shares including also the proportion to be paid in cash. However, the shares paid and to be paid as reward, on the basis of the performance periods of the Performance Share Plan 2017 and 2018, will be deducted from the payable reward. The CEO will have a possibility to earn a total of 48,000 Konecranes Plc shares including also the proportion to be paid in cash, on the basis of the first performance period 2017–2019 of the Performance Share Plan 2017 and similarly 39,000 shares of the Performance Share Plan 2018. The CEO will not be entitled to sell shares paid as reward through the Performance Share Plan 2017–2021 for the CEO or the Performance Share Plan 2017 until he owns Konecranes shares worth EUR 750,000 in total. The plan for Panu Routila was discontinued in 2019.

Ownership Obligations

A member of the Group Executive Board or the Senior Management must hold a minimum of 50 per cent of any net shares given on the basis of

these plans, until the member's shareholding in the company in total corresponds to the value of the member's annual salary and the member's membership in the Group Executive Board or the Senior Management continues.

The fair value of the equity-settled portion of the share rights granted is estimated at the date of grant using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the share rights were granted. The model simulates the TSR and compares it against the group of principal competitors. It takes into account historical and expected dividends, and the share price fluctuation covariance of the Group and its competitors to predict the distribution of relative share performance. Fair value of the cash-settled portion is measured at each reporting date using a binomial option pricing model taking into account the terms and conditions upon which the instruments were granted and the current likelihood of achieving the specified target.

Employee Share Savings Plan

The Group has launched an Employee Share Savings Plan (ESSP) in which each participant will receive one free matching share for every two acquired savings shares. Matching shares will be delivered to a participant if the participant holds the acquired shares from the plan until the end of the designated holding period. The matching shares will be paid in Konecranes shares and partly in cash. The expenses of the plan are recognized over the vesting period based on the quarterly acquired savings share amounts.

The fair value of the equity-settled portion of the share options granted is estimated at the date of grant using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. Fair value of the cash-settled portion is measured at each reporting

date using a binomial option pricing model taking into account the terms and conditions upon which the instruments were granted and the current likelihood of achieving the specified target.

29.1. Expenses for employee service

	2019	2018
Expense arising from equity-settled share-based payment transactions	5.9	19.1
Expense arising from cash-settled share-based payment transactions	-0.4	0.8
Total expense arising from share-based payment transactions	5.4	20.0

The carrying amount of the liability arising from cash settled portion was EUR 0.8 million (2018: EUR 1.3 million).

29.2. Changes in the number of share rewards in Performance Share Plan

	2019 Number of shares	2018 Number of shares
As of January 1	1,677,350	1,605,000
Share rewards granted	628,000	675,100
Share rewards awarded	0	-98,838
Share rewards expired	0	-489,162
Share rewards forfeited	-181,250	-14,750
Total as of December 31	2,124,100	1,677,350

29.3. Changes in the number of share rewards in Employee Share Savings Plan

	2019 Number of shares	2018 Number of shares
Outstanding as of January 1	134,193	121,316
Share rewards granted	64,998	55,965
Share rewards awarded	-45,078	-35,832
Share rewards forfeited	-7,769	-7,256
Outstanding as of December 31	146,344	134,193

29.4. Assumptions made in determining the fair value of Performance Shares Plan

The fair value for the cash settled portion is remeasured at each reporting date until the possible share delivery. The fair value of the liability will thus change in accordance with the Konecranes Plc share price.

For the 2017–2019 vesting periods granted in 2017 and for the 2018–2020 vesting periods granted in 2018, the fair value for the equity settled portion is based on non market vesting condition (adjusted EPS) and for the 2019–2021 vesting periods granted in 2019 the fair value for the equity settled portion is based on two non market vesting conditions (adjusted EPS and annual growth rate of sales). The fair value for the equity settled portion based on non market vesting condition has been determined at grant using the fair value of Konecranes share as of the grant date and expected dividend yield.

	2019 plan	2018 plan	CEO LTI		
			2017 plan	2017 plan	2016 plan
Share price at grant, EUR	31.09	32.91	37.03	38.45	25.74
Share price at reporting period end 31.12., EUR	27.40	27.40	27.40	27.40	27.40
Expected volatility, % *	25.0%	27.0%	30.6%	33.7%	34.0%
Risk-free interest rate, %	0.0%	0.0%	0.0%	0.0%	0.0%
Expected dividend per share, pa, EUR	1.1	1.1	1.1	1.0	1.0
Expected contractual life in years	2.8	1.7	4.9	2.7	2.4
Weighted average fair value of the share rewards at the grant date	27.66	29.55	32.70	35.64	24.75
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

* Expected volatility was determined by calculating the historical volatility of the Konecranes share using monthly observations over corresponding maturity.

30. RELATED PARTY TRANSACTIONS

The related parties of Konecranes include subsidiaries (see Company list), associated companies, joint ventures and joint operations, pension fund in the United Kingdom and the key management personnel of the Group and major shareholders. The key management personnel of the Group is comprised of the Board of Directors, the CEO and the Group Executive Board.

30.1. Key Management compensation

Board of Directors

The remuneration packages for Board members are resolved by the Annual General Meeting (AGM) on proposal by the Nomination Committee. The AGM 2019 confirmed an annual fee of EUR 140,000 for the Chairman of the Board (2018: EUR 140,000), EUR 100,000 for the Vice Chairman of the Board (2018: EUR 100,000), and EUR 70,000 for other Board members (2018: EUR 70,000). In case the term of office of a Board member ends before the closing of the Annual General Meeting in 2020, he or she is entitled to the prorated amount of the annual remuneration calculated on the basis of his or her actual term in office. In addition, compensation of EUR 1,500 was approved per meeting for attendance at Board committee

meetings (2018: EUR 1,500). However, the chairman of audit committee is entitled to a compensation of EUR 3,000 (2018: EUR 3,000) per meeting for attendance at audit committee meetings.

According to the proposal, 50% of the annual remuneration is to be used for acquiring shares in the company. The remuneration may also be paid by transferring treasury shares based on the authorization given to the board of directors by the general meeting. In case such purchase of shares cannot be carried out due to reasons related either to the company or to a board member, the annual remuneration shall be paid entirely in cash.

Travel expenses will be compensated against receipt.

Total compensation to the Board of Directors

2019

Total compensation to the Board of directors	Number of shares as part of compensation	Value of compensation in shares, EUR	Compensation paid in cash, EUR	Total compensation, EUR
Chairman of the Board	1,942	52,481	96,519	149,000
Board members	7,213	194,922	436,078	631,000
Total	9,155	247,403	532,597	780,000

2018

Total compensation to the Board of directors	Number of shares as part of compensation	Value of compensation in shares, EUR	Compensation paid in cash, EUR	Total compensation, EUR
Chairman of the Board	1,506	52,500	105,500	158,000
Board members	5,114	177,500	373,500	551,000
Total	6,620	230,000	479,000	709,000

Expense of statutory pension plans was EUR 0.0 million in 2019 (EUR 0.1 million in 2018).

President and CEO

The Human Resources 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.

On October 7, 2019 The Board of Directors of Konecranes Plc appointed Rob Smith as President and CEO of Konecranes effective February 1, 2020 and the former CEO Panu Routila left the Group on October 6, 2019. The company's CFO, Teo Ottola, who also serves as Deputy CEO, is acting as the interim CEO until Rob Smith starts in the position.

	2019	2018
Salary and benefits, EUR (Panu Routila 1.1.-6.10.2019, Teo Ottola 7.10 - 31.12.2019)	590,238	647,700
Annual variable pay, EUR (Panu Routila)	330,225	330,000
Total	920,463	977,700
Expense of statutory pension plans (Panu Routila 1.1.-6.10.2019, Teo Ottola 7.10 - 31.12.2019)	194,272	129,936
Expense of voluntary pension plans (Panu Routila 1.1.-6.10.2019, Teo Ottola 7.10 - 31.12.2019)	168,298	129,717
Total	362,570	259,653
Benefits related to termination of employment (Panu Routila)		
Paid in 2019	364,690	0
Accrued at 31.12.2019	815,843	0
Total	1,180,533	0
Shareholding in Konecranes Plc (number of shares *)	0	32,419
Performance share rights allocated (number of share rights) *	0	200,000
Share-based payment costs, EUR (Panu Routila)	-319,656	1,730,072
Retirement age (Panu Routila)	63 years	63 years
Period of notice (Panu Routila)	6 months	
Severance payment (Panu Routila, including 6 months notice period)	18 months salary and fringe benefits	

*) Panu Routila was not acting as CEO at 31.12.2019 thus shares and share rights are reported as 0.

Group Executive Board & Senior Management Team

In 2019 Konecranes had a two-tier operative management structure consisting of the Group Executive Board (GXB) and the Senior Management (SM). The GXB convenes as frequently as necessary, normally on a monthly basis. Business Areas have their own management teams that convene on a regular basis. Only the GXB is classified to key management personnel due to the decision making power.

The Group Executive Board consists of the following members:

- President and CEO
- Chief Financial Officer, Deputy CEO
- Executive Vice President, Business Area Service
- Executive Vice President, Industrial Equipment
- Executive Vice President, Port Solutions
- Executive Vice President, Technologies
- Executive Vice President, Marketing and Corporate Affairs
- Senior Vice President, Human Resources
- Senior Vice President, General Counsel

The Human Resources Committee of the Board will, based upon a recommendation by the President and CEO, make a proposal to the Board concerning the approval of the base compensation review and incentive levels for GXB members.

The retirement age of the Finnish members of the Group Executive Board (excluding the President and CEO) is set according to the Employees Pensions Act (TyEL). The Finnish members of the Group Executive Board also participate in the contribution-based group pension insurance scheme offered to key personnel in Finland. The defined contribution payment by the company is 1% of annual salary excluding performance based compensation (annual or long term incentives). The Finnish Group Executive Board members also have life insurance and disability insurances. Non-Finnish members have local insurances.

Group Executive Board excluding the President and CEO

	2019	2018
Salary and benefits, EUR	2,206,523	2,844,365
Annual variable pay, EUR	765,000	471,649
Total	2,971,523	3,316,014
Expense of statutory pension plans	369,232	280,157
Expense of voluntary pension plans	17,078	23,722
Total	386,310	303,879
Shareholding in Konecranes Plc (number of shares)	239,978	238,385
Performance share rights allocated (number of share right)	342,000	258,000
Share-based payment costs, EUR	872,177	3,225,016

There were no loans outstanding to the Group Executive Board at end of the period 2019 and 2018.

There were no guarantees on behalf of the Group

Executive Board in year 2019 and 2018.

The employee benefits to the key management personnel of the Group were in total EUR 7.2 million in year 2019 (10.6 million in year 2018).

30.2. Transactions with associated companies and joint arrangements

	2019	2018
Sales of goods and services with associated companies and joint arrangements	46.5	47.1
Receivables from associated companies and joint arrangements	8.9	8.9
Purchases of goods and services from associated companies and joint arrangements	53.2	50.5
Liabilities to associated companies and joint arrangements	0.9	8.7

Sales to and purchases from related parties are concluded using terms equivalent to arm's length transaction.

30.3. Transactions with Pension Fund in the United Kingdom

	2019	2018
Employer contributions	1.8	1.4

31. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

	2019	2018
For own commercial obligations		
Guarantees	629.5	619.2
Operating lease liabilities	0.0	117.3
Other	34.1	33.4
Total	663.6	769.9

31.1. Operating leases

	2019	2018
Minimum lease payments		
within 1 year	-	39.8
1 - 5 years	-	70.6
over 5 years	-	6.9
Total	-	117.3

According to IFRS 16 the disclosure for lease liabilities is not required here from 1.1.2019 onwards.

From time to time Konecranes provides customers with guarantees that guarantee Company's obligations pursuant to the applicable customer contract. In sales of investment goods (machinery) the typical guarantees are the following:

- tender guarantees (bid bonds) given to the customer to secure the bidding process
- advance payment guarantees given to the customer to secure their down payment for project
- performance guarantees to secure customers over the Company's own performance in customer contracts, and
- warranty period guarantees to secure the correction of defects during the warranty period.

Contingent liabilities relating to litigation

Various legal actions, claims and other proceedings pend against the Group in various countries. These actions, claims and other proceedings are typical of 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 has the opinion, based on the information available to date and considering the grounds presented for such claims, the 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.

32. FINANCIAL ASSETS AND LIABILITIES

32.1. Carrying amounts of financial assets and liabilities

	2019				2018			
	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Financial assets								
Current financial assets								
Account and other receivables	0.0	0.0	564.2	564.2	0.0	0.0	577.2	577.2
Derivative financial instruments	3.0	5.1	0.0	8.1	5.8	3.1	0.0	8.9
Cash and cash equivalents	0.0	0.0	378.2	378.2	0.0	0.0	230.5	230.5
Total	3.0	5.1	942.4	950.5	5.8	3.1	807.7	816.6
Financial liabilities								
Non-current financial liabilities								
Interest-bearing liabilities	0.0	0.0	785.8	785.8	0.0	0.0	584.6	584.6
Other payables	0.0	0.0	6.8	6.8	0.0	0.0	5.9	5.9
Current financial liabilities								
Interest-bearing liabilities	0.0	0.0	248.4	248.4	0.0	0.0	191.8	191.8
Derivative financial instruments	4.4	1.8	0.0	6.2	4.1	3.6	0.0	7.7
Account and other payables	0.0	0.0	280.5	280.5	0.0	0.0	254.0	254.0
Total	4.4	1.8	1,321.6	1,327.7	4.1	3.6	1,036.3	1,044.0

Additional information on financial instruments is presented in Note 34.

32.2. Fair values

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial assets and liabilities:

Financial assets	Carrying amount		Fair value		Note
	2019	2018	2019	2018	
Current financial assets					
Account and other receivables	564.2	577.2	564.2	577.2	19, 20
Derivative financial instruments	8.1	8.9	8.1	8.9	34.1
Cash and cash equivalents	378.2	230.5	378.2	230.5	22
Total	950.5	816.6	950.5	816.6	
Financial liabilities					
Non-current financial liabilities					
Interest-bearing liabilities	785.8	584.6	795.7	586.7	27.1
Other payables	6.8	5.9	6.8	5.9	
Current financial liabilities					
Interest-bearing liabilities	248.4	191.8	248.4	191.8	27.2
Derivative financial instruments	6.2	7.7	6.2	7.7	34.1
Account and other payables	280.5	254.0	280.5	254.0	25.2
Total	1,327.7	1,044.0	1,337.7	1,046.1	

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates and the risk characteristics of the loan.

IFRS 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

- Level 1 - quoted prices in active markets for identical financial instruments
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the financial instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - inputs for the financial instrument that are not based on observable market data (unobservable inputs)

32.3. Hierarchy of fair values

The following table allocates financial assets and financial liabilities measured at fair value to the three levels of the fair value hierarchy.

Financial assets	2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Derivative financial instruments						
Foreign exchange forward contracts	0.0	8.1	0.0	0.0	8.9	0.0
Currency options	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	8.1	0.0	0.0	8.9	0.0
Other financial assets						
Cash and cash equivalents	378.2	0.0	0.0	230.5	0.0	0.0
Total	378.2	0.0	0.0	230.5	0.0	0.0
Total financial assets	378.2	8.1	0.0	230.5	8.9	0.0
Financial liabilities						
Derivative financial instruments						
Foreign exchange forward contracts	0.0	6.2	0.0	0.0	7.7	0.0
Total	0.0	6.2	0.0	0.0	7.7	0.0
Other financial liabilities						
Interest bearing liabilities	0.0	1,034.2	0.0	0.0	776.4	0.0
Other payables	0.0	0.0	0.8	0.0	0.0	1.3
Total	0.0	1,034.2	0.8	0.0	776.4	1.3
Total financial liabilities	0.0	1,040.4	0.8	0.0	784.1	1.3

There were no significant changes in classification of fair value of financial assets and financial liabilities in the period 2018 to 2019. There were also no significant movements between the fair value hierarchy classifications.

The level 3 valuations in other payables are contingent consideration liabilities resulting from business combinations or the acquisition of non-controlling interest and the cash settled share based payment liability.

33. MANAGEMENT OF FINANCIAL RISKS

The nature of Konecranes' business and its global presence exposes it to a range of financial risks. These risks include (i) market risks, which include potential unfavorable changes in foreign exchange rates, interest rates and commodities (ii) liquidity risk and (iii) credit and counterparty risk.

33.1. Market risk

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 the Group Treasury. However, the Group uses an approach in which most of the management of financial risks is centralized to Konecranes' Group Treasury. The Group Treasury functions within the legal entity Konecranes Finance Corporation. By centralization and netting of internal foreign currency cash flows, the Group's external hedging needs can be minimized.

Konecranes Finance Corporation is not a profit center in the sense that it would pursue to maximize its profits. The Company aims to serve the operating companies of the Group in reducing their financial risks.

The Group's global business operations involve market risks in the form of currency, interest rate and commodity risk. 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.

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

Almost all funding, cash management and foreign exchange with banks and other external counterparties are centralized to and managed in Konecranes Finance Corporation in accordance with the Group's Treasury Policy. In a few special cases, when the local central bank regulation prohibits using group services in hedging and funding, this must be done directly between an operating company and a bank under the supervision of the Group Treasury.

Konecranes Finance Corporation 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.

Foreign exchange risk

The Group's global business operations generate foreign exchange risk. However, most of the business units only have transactions in their own currency, i.e. these units have their sales and costs as well as internal funding from Konecranes Finance Corporation in their local home currency. Only 22 out of some 130 Group companies operate regularly in a foreign currency. These companies hedge their foreign exchange risk with Group Treasury. Depending on the business area and the probability of the cash flows, the hedging covers operative cash flows for the next 1–24 months and is done by using internal foreign exchange forward contracts. In this way, Konecranes Finance Corporation can manage the foreign exchange risk of the whole Group. 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 contracts or currency options. Currency derivatives belonging to hedge accounting are managed in a separate portfolio than derivatives hedging other commercial flows and funding and cannot thus 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 or exchange forwards, but, in general, using currency clauses covers the risk.

For certain large crane projects, the Group applies hedge accounting under IAS 39. Hedges are done by using foreign exchange forward contracts. Currently, only USD denominated projects are included in the hedge accounting. The hedge accounting portfolio comprises both USD sales and purchases where gross flows are hedged separately. At the end of 2019, the hedge accounting net cash flows totaled USD 274 million (USD 331 million in 2018).

The following table shows the transaction exposure of Konecranes Finance Corporation as of December 31, 2019, and December 31, 2018 (in EUR millions):

	2019	2018
AED	26	0
AUD	20	25
BRL	-3	2
CAD	19	22
CHF	2	-1
CLP	1	1
CNY	-6	-18
CZK	2	-5
DKK	0	-2
GBP	5	10
HUF	0	-1
JPY	0	1
NOK	5	2
PLN	2	-2
SEK	-93	-158
SGD	-8	-3
THB	4	3
USD	294	340
ZAR	2	1

The following table shows the translation exposure, which represents the equity of the Group in a local currency as of December 31, 2019, and December 31, 2018 (in EUR millions):

	2019	2018
AED	10	12
AUD	3	5
BDT	1	0
BRL	11	10
CAD	7	12
CHF	2	4
CLP	6	17
CNY	96	114
CZK	9	9
DKK	5	5
GBP	-22	-22
HUF	3	3
INR	6	13
IDR	-6	-6
JPY	-8	-8
MAD	1	1
MXN	3	5
MYR	1	1
NOK	1	1
PEN	6	4
PHP	1	1
PLN	0	5
RON	1	0
RUB	4	5
SAR	1	5
SGD	18	19
SEK	-15	-12
THB	-1	0
UAH	-7	-12
USD	7	-14
VND	-1	-1
ZAR	2	3

See Note 34 for the notional and fair values of derivative financial instruments.

Changes in currency rates can affect the profitability and equity of the Group. The US dollar has the biggest impact, as many of the large crane projects outside the United States are denominated in USD and because the Group has a lot of local business

operations in the United States. A depreciation of the USD would have a negative impact.

The following table shows the theoretical effects that changes in the EUR/USD exchange rate would have on the Group's annual EBIT and equity. An appreciation of US dollar against euro for 10% increases EBIT by EUR 37.2 million (32.8 million in 2018) and increases equity by EUR 0.7 million (1.5 million decrease in 2018). The below table provides a sensitivity analysis over the past two years:

Change in EUR/USD rate	2019 EBIT	2019 Equity	2018 EBIT	2018 Equity
+10%	- 30.4	- 0.6	- 26.8	+1.2
- 10%	+37.2	+0.7	+32.8	- 1.5

The EBIT effect comprises transaction exposure for euro-based companies having frequent sales in USD and the translation exposure from EBIT generated in USD translated into euros. The transaction position is estimated for 2019 as the USD positions changes from one year to another and these changes are mainly due to timing of major ports projects and currencies used in them. The estimate of the effects is based on the assumption that the USD denominated transactions are not hedged. In practice, however, all large projects with long maturities generating a substantial portion of the annual changes in the transaction position are hedged and subject to project specific pricing. The change in equity is the translation exposure on the Group's equity in USD.

Appreciating US dollar has a positive impact on Group's operating margin when it impacts the revenues and costs reported in euros asymmetrically. This is due to the fact that the exchange rate change impacts mostly both Group's revenues and costs and partly only either of these. If the EBIT generated in USD based entities as well as cash flows from long lasting projects, as

they are subject to project specific pricing which in practice may be adjusted to reflect the currency rate changes, are excluded from the sensitivity analysis the effect on EBIT is estimated to be approximately a EUR 10 million increase (EUR 10 million in 2018) when the dollar appreciates 10%.

Interest rate risk

Changes in market interest rates have an impact on the Group's net interest expenses and the market value of interest rate derivatives. The objective for interest rate risk management is to reduce the volatility impact the market interest rate changes cause by optimizing the allocation between fixed and floating interest rates according to principles set in capital structure management.

Approximately 94% of the Group's interest-bearing liabilities are denominated in euro (96% in 2018). See note 27.3 for the currency split of outstanding debt.

The portion of the Group's long-term debt of total debt is related to the Group's gearing ratio. The higher the ratio is, the bigger the share of long-term debt should be of the total loan portfolio in line with principles set in the capital structure management. The interest rate risk related to long term loans may be hedged with interest rate derivatives such as interest rate swaps for which hedge accounting is applied. Other instruments that can be used for which no hedge accounting is applied are forward rate agreements, interest rate futures and interest rate options.

A change of one percentage point in interest rates in the Group's long-term debt portfolio would have the following effect on the Group's income statement and equity:

Change in interest rates	2019 Income statement	2019 Equity	2018 Income statement	2018 Equity
+1	- 3.7	+0.0	- 2.6	+0.0
- 1	+0.4	- 0.0	+0.1	- 0.0

The effect on income statement is comprised of the Group's floating long-term debt which is recognized through the statement of income. The effect on equity is comprised of the changes in fair value of interest rate swaps which are hedging the debt portfolio. The effect of one percentage point decline is calculated with a 0% interest rate floor. 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.

Commodity risk

By using electricity derivatives, the Group may reduce the negative effect caused by electricity price fluctuation. The overall importance of the energy price risk is small compared to other financial risks and cannot be described as significant.

See note 34 for the notional and fair values of derivative financial instruments.

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 large 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).

The Group can procure steel and steel components and thus may have an inventory of those. Market price fluctuation of steel can impact the profitability of customer projects or cause inventory obsolescence.

33.2. Credit and counterparty risks

Credit risk arises from the potential failure of a commercial counterparty to meet its commercial payment obligations. To limit this risk, the Group applies a conservative credit policy towards customers. It is Konecranes practice to review customers carefully before entering into formal business relationships and to require credit reports from new customers. Customer credit risks are mitigated with advance payments, letters of credits, payment guarantees and credit insurance where applicable. With these actions and careful monitoring of the customer payments credit risks can be mitigated.

The business units manage credit risks related to their commercial flows. There is currently no significant concentration of credit risk regarding the commercial activities, as the number of customers is high and their geographic distribution is wide. It is the Group's policy not to fund its customers beyond regular payment terms. See note 19 for a table of an aging analysis of accounts receivable. The theoretical maximum credit risk equals the carrying amount of all receivables.

Counterparty risk arises from the potential failure of a financial institution to meet its payment obligations regarding financial instruments. All credit risks related to other financial instruments than

the regular accounts receivable are managed by Konecranes Group Treasury. There is no substantial concentration of credit risk regarding the financial instruments, since investments are rare and hedging instruments are done with a number of banks. Additionally, counterparties for financial instruments are limited to the core banks of the Group. These are all major banks with good credit ratings. The majority of all financial instruments are of short-term nature, with maturity of less than one year. There are no significant deposits or loans granted with external counterparties.

The Group has counterparty risk in form of cash holdings in several banks around the world. Despite the active cash management structures, the Group has in place, cash holdings globally with several banks are needed to ensure the liquidity of Group companies. The Group Treasury follows closely the exposure in the Group according to principles set out in the Treasury Policy and takes necessary actions for reducing the risk.

A credit risk is run on the financial assets of the Group, which consist of cash and cash equivalents, receivables and certain derivatives arising from default of the other party, with a maximum risk equal to the carrying amount of these instruments.

In regards of the possible Brexit related counterparty risk, The Group estimates the impact low as there are no outstanding derivatives traded with London based financial institutions. Financial risk impact of Brexit mainly relates to volatile Sterling which, however, is not substantial in the whole FX portfolio of the Group.

33.3. 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 EUR 400 million committed revolving credit facility with an international loan syndication (2017-2024). At the end of 2019 the facility was unutilized. To cover the short-term funding needs, Konecranes Finance Corporation can borrow from institutional investors through domestic commercial paper program (totaling EUR 500 million). In addition, business units around the world have overdraft facilities totaling some EUR 160 million to cover the day-to-day funding needs. Cash and cash equivalents totalled EUR 378.9 million at the end of 2019 (EUR 230.5 million in 2018).

See note 27.3 for the maturity profile of the Group's financial liabilities.

33.4. Capital structure management

The primary objective of the Group's capital structure management is to ensure that it maintains a good credit 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 2019, the gearing ratio was 52.6% (42.5% in 2018).

The Group has a quantitative target for the capital structure in which the Interest-bearing net debt to equity ratio (gearing) should be below 80%.

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. The target of the Group's capital management have been met in recent years.

34. HEDGE ACTIVITIES AND DERIVATIVES

Derivatives are initially recorded in the balance sheet at fair value and subsequently measured at fair value at each balance sheet date. All derivatives are carried as assets when fair value is positive and liabilities when fair value is negative. Derivative instruments that are not designated as hedges (hedge accounting) are measured at fair value, and the change in fair value is recognized in the consolidated statement of income. When the derivative is designated as a cash-flow hedge

(hedge accounting) the effective part of the change in fair value is recognized in other comprehensive income. Any ineffective part is recognized in the consolidated statement of income. The foreign exchange forward contracts are measured based on the closing date's observable spot exchange rates and the quoted yield curves of the respective currencies. Interest rate swaps are measured based on present value of the cash flows, which are discounted based on the quoted yield curves.

instruments, is included in OCI. The amounts recognized in OCI are shown in the table below and the reclassifications to profit or loss during the year are as shown in the consolidated statement of income.

34.1. Nominal and fair values of derivative financial instruments

	2019 Nominal value	2019 Fair value	2018 Nominal value	2018 Fair value
Foreign exchange forward contracts	1,145.4	1.9	1,224.2	1.2
Currency options	21.4	0.0	0.0	0.0
Total	1,166.8	2.0	1,224.2	1.2

See note 32.3 for the fair values of the derivatives recognized in assets and liabilities

Derivatives not designated as hedging instruments

The Group enters into other foreign exchange and electricity forward contracts or currency options with the intention of reducing the risks of expected sales and purchases. These other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

Cash flow hedges

Foreign currency risk

Foreign exchange forward and option contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales and purchases in US dollar. These forecast transactions are highly probable, and they comprise about 38.5% of the Group's total hedged

transaction flows. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

At the inception of these deals the Group assesses whether the critical terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. On a quarterly basis the Group performs qualitative effectiveness test by checking that the hedging instrument is linked on the relevant assets and liabilities, projected business transactions or binding contracts according to the hedging strategy and that there are no related credit risks. Hedge ineffectiveness is recognized through profit or loss.

The cash flow hedges of the expected future sales and purchases in 2019 and 2018 were assessed to be highly effective and a net unrealized loss, with a deferred tax asset relating to the hedging

34.2. Fair value reserve of cash flow hedges

	2019	2018
Balance as of January 1	0.1	10.8
Gains and losses deferred to equity (fair value reserve)	-0.7	-13.4
Change in deferred taxes	0.1	2.7
Balance as of December 31	-0.5	0.1

35. SUBSEQUENT EVENTS

35.1. MHE-Demag acquisition

On December 5, 2019 Konecranes signed an agreement to acquire from Jebsen & Jensen its 50% share in MHE-Demag. The transaction was closed on January 2, 2020. Jebsen & Jensen received EUR 143 million in cash. Pursuant to the "Stock and asset purchase agreement" dated December 5, 2019 the final cash consideration is subject to post-closing adjustments for cash. After the acquisition Konecranes holds 100% of the shares in the company.

MHE-Demag is a leading supplier of industrial cranes and services in Southeast Asia under the MHE and Demag brands, engineering, manufacturing and maintaining a comprehensive range of industrial cranes and hoists. Its customized solutions serve a wide range of industries and customers from general manufacturing to aerospace. MHE-Demag also provides warehousing equipment such as lift trucks and dock levelers, aerial work platforms, building maintenance units and compact construction

equipment, as well as automated car parking systems. With the acquisition, Konecranes increases its presence and market coverage in strategically important and fast-growing Southeast Asia.

Service represents approximately 50% of MHE-Demag annual net sales, with cranes and components at approximately 35% and other industrial products at approximately 15%. In 2018, MHE-Demag's net sales were approximately SGD 285 million (EUR 179 million) and EBITA approximately SGD 20 million (EUR 13 million). In 2019, the net sales were approximately SGD 299 million (EUR 196 million). Konecranes is the main supplier to MHE-Demag, selling crane components under the Demag brand name. During 2019 Konecranes sales to MHE-Demag were approximately EUR 27 million.

MHE-Demag has approximately 1,800 employees, including some 700 service engineers. MHE-Demag operates 11 factories and more than 70 service locations throughout Southeast Asia and is headquartered in Singapore. MHE-Demag runs own operations in 8 countries: Australia, Indonesia, Malaysia, Singapore, the Philippines, Taiwan, Thailand and Vietnam. In addition, MHE-Demag has distribution through resellers in several countries including Brunei, Cambodia, Laos, Mongolia, Myanmar, Papua New Guinea and Timor-Leste.

In 2019 Konecranes owned 50% of the MHE-Demag shares and is reporting the company as an associated company. In 2019 the net result in the Group attributable to MHE-Demag was EUR 4.3 million and was reported in Share of associates' and joint ventures' result. The transaction will allow Konecranes to fully consolidate MHE-Demag going forward.

Konecranes remeasures its previously held equity interest in MHE-Demag at its acquisition date fair

value and recognises the resulting gain or loss, if any, in profit or loss. Under the acquisition method of accounting, the total purchase price is allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their fair values as of the date of acquisition. As of the date of these financial statements, Konecranes has not yet completed the detailed valuation studies necessary to conclude on the fair value of MHE-Demag assets to be acquired and the liabilities to be assumed and the related allocations of purchase price. The preliminary estimated intangible assets are considered to consist of customer relationships, sales order backlog and trade name. The accumulated transaction costs until December 31, 2019 were EUR 0.9 million.

KONECRANES GROUP 2015 – 2019

		2019	2018	2017	2016	2015
Business development						
Orders received	MEUR	3,167.3	3,090.3	3,007.4	1,920.7	1,965.5
Order book	MEUR	1,824.3	1,715.4	1,535.8	1,038.0	1,036.5
Net sales	MEUR	3,326.9	3,156.1	3,137.2	2,118.4	2,126.2
of which outside Finland	MEUR	3,244.2	3,056.3	3,031.5	1,939.8	2,050.7
Export from Finland	MEUR	969.6	777.0	655.6	686.7	633.4
Personnel on average		16,104	16,247	15,519	11,398	11,934
Personnel on December 31		16,196	16,077	16,371	10,951	11,887
Capital expenditure	MEUR	39.5	35.4	35.7	33.8	49.3
as % of Net sales	%	1.2%	1.1%	1.1%	1.6%	2.3%
Research and development costs	MEUR	41.1	42.1	36.0	22.3	28.7
as % of Net sales	%	1.2%	1.3%	1.1%	1.1%	1.4%
Profitability						
Net sales	MEUR	3,326.9	3,156.1	3,137.2	2,118.4	2,126.2
Operating profit (including restructuring costs)	MEUR	148.7	166.2	318.7	84.9	63.0
as % of net sales	%	4.5%	5.3%	10.2%	4.0%	3.0%
Income before taxes	MEUR	118.5	138.7	276.0	62.1	55.4
as % of net sales	%	3.6%	4.4%	8.8%	2.9%	2.6%
Net income (incl. non-controlling interest)	MEUR	82.8	98.3	225.4	37.6	30.8
as % of net sales	%	2.5%	3.1%	7.2%	1.8%	1.4%

		2019	2018	2017	2016	2015
Key figures and balance sheet						
Equity (incl. non-controlling interest)	MEUR	1,246.7	1,284.1	1,278.9	445.5	456.0
Balance sheet	MEUR	3,854.2	3,567.0	3,562.9	1,529.9	1,484.9
Return on equity	%	6.5	7.7	26.1	8.3	6.8
Return on capital employed	%	6.3	7.9	23.7	10.3	9.5
Current ratio		1.4	1.3	1.3	1.1	1.1
Equity to asset ratio	%	35.4	39.8	39.2	32.9	34.8
Net working capital	MEUR	446.0	410.4	324.6	304.3	317.4
Interest-bearing net debt	MEUR	655.3	545.3	525.3	129.6	203.2
Interest-bearing net debt / Equity	%	52.6	42.5	41.1	29.1	44.6
Shares in figures						
Earnings per share, basic	EUR	1.03	1.29	2.89	0.64	0.53
Earnings per share, diluted	EUR	1.03	1.29	2.89	0.64	0.53
Equity per share	EUR	15.70	16.06	15.95	7.58	7.79
Cash flow per share	EUR	2.19	1.39	3.19	1.87	0.67
Dividend per share	EUR	1.20*	1.20	1.20	1.05	1.05
Dividend /earnings	%	116.5	93.0	41.5	164.1	199.8
Effective dividend yield	%	4.4	4.5	3.1	3.1	4.6
Price /earnings		26.6	20.5	13.2	52.8	43.6
Trading low / high**	EUR	24.84/38.15	25.05/42.43	31.52/42.64	17.92/36.89	20.98/34.98
Average share price**	EUR	29.98	33.56	36.72	25.38	27.73
Share price on December 31**	EUR	27.40	26.39	38.18	33.78	22.90
Year-end market capitalization	MEUR	2,160.2	2,080.0	3,006.9	1,984.6	1,345.0
Number traded***	(1,000)	144,580	174,340	161,890	138,110	141,080
Stock turnover	%	183.4	221.2	205.6	235.1	240.2
Average number of shares outstanding, basic	(1,000)	78,836	78,811	78,273	58,748	58,542
Average number of shares outstanding, diluted	(1,000)	78,836	78,811	78,273	58,748	58,542
Number of shares outstanding, at end of the period	(1,000)	78,839	78,817	78,756	58,751	58,732

* The Board's proposal to the AGM

** Source: Nasdaq Helsinki

*** Source: Fidessa

CALCULATION OF KEY FIGURES

Return on equity (%):	$\frac{\text{Net profit for the period}}{\text{Total equity (average during the period)}} \times 100$	Cash flow per share:	$\frac{\text{Net cash flow from operating activities}}{\text{Average number of shares outstanding}}$
Return on capital employed (%):	$\frac{\text{Income before taxes + interest paid + other financing cost}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}} \times 100$	Effective dividend yield (%):	$\frac{\text{Dividend per share}}{\text{Share price at the end of financial year}} \times 100$
Current ratio:	$\frac{\text{Current assets}}{\text{Current liabilities}}$	Price per earnings:	$\frac{\text{Share price at the end of financial year}}{\text{Earnings per share}}$
Equity to asset ratio (%):	$\frac{\text{Shareholders' equity}}{\text{Total amount of equity and liabilities - advance payment received}} \times 100$	Net working capital:	$\frac{\text{Non interest-bearing current assets + deferred tax assets (excluding Purchase Price Allocation) - Non interest-bearing current liabilities - deferred tax liabilities (excluding Purchase Price Allocation) - provisions}}{\text{Total amount of equity and liabilities - advance payment received}}$
Interest-bearing net debt / Equity (%):	$\frac{\text{Interest-bearing liabilities - liquid assets - loans receivable}}{\text{Total equity}} \times 100$	Interest-bearing net debt:	$\text{Interest-bearing liabilities (non current and current) - cash and cash equivalents - loans receivable (non current and current)}$
Earnings per share:	$\frac{\text{Net profit for the shareholders of the parent company}}{\text{Average number of shares outstanding}}$	Year-end market capitalization:	$\text{Number of shares outstanding multiplied by the share price at the end of year}$
Earnings per share, diluted:	$\frac{\text{Net profit for the shareholders of the parent company}}{\text{Average fully diluted number of shares outstanding}}$	Average number of personnel:	$\text{Calculated as average of number of personnel in quarters}$
Equity per share:	$\frac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares outstanding}}$	Number of shares outstanding:	$\text{Total number of shares - treasury shares}$

COMPANY LIST

(1,000 EUR)

Subsidiaries owned by the parent company		Book value of shares	Parent company's share, %	Group's share, %
Finland:	Konecranes Finance Oy	46,448	100	100
	Konecranes Finland Oy	17,163	26.02	100
	Konecranes Global Oy	102,391	100	100

Subsidiaries owned by the group		Book value of shares	Group's share, %
Australia:	Konecranes Pty. Ltd.	187	100
Austria:	Konecranes and Demag Ges.m.b.H.	29,775	100
Bangladesh:	Konecranes and Demag (Bangladesh) Ltd.	105	100
Belgium:	S.A. Konecranes N.V.	6,150	100
Brazil:	Konecranes Demag Brasil Ltda.	32,688	100
Canada:	Konecranes Canada Inc.	893	100
Chile:	Konecranes Chile SpA	1	100
China:	Cranes and Parts Trading (Shanghai) Co., Ltd.	5,862	100
	Dalian Konecranes Company Ltd.	1,918	100
	Demag Cranes & Components (Shanghai) Co., Ltd.	14,349	100
	Demag Weihua (Liaoning) Material Handling Machinery Co., Ltd.	0	51
	Fantuzzi Group (Shanghai) Ltd.	0	100
	Konecranes (Shanghai) Co. Ltd.	0	100
	Konecranes (Shanghai) Company Ltd.	4,257	100
	Konecranes Manufacturing (Jiangsu) Co., Ltd.	27,993	100
	Konecranes Port Machinery (Shanghai) Co., Ltd.	7,185	100
	SWF Krantechnik Co., Ltd.	788	100
Czech Republic:	Konecranes and Demag s.r.o.	2,823	100
Denmark:	Konecranes Demag A/S	13,341	100
Estonia:	Konecranes Oü	0	100
Finland:	Nosturiexpert Oy	10	100
	Permeco Oy	113	100
France:	KCI Holding France S.A.	11,461	100
	Konecranes (France) SAS	0	100
	MHPS Cranes France SAS	35,374	100
	Verlinde SAS	10,720	100

Subsidiaries owned by the group		Book value of shares	Group's share, %
Germany:	Demag Cranes & Components GmbH	747,070	100
	Eurofactory GmbH	1,239	100
	Konecranes GmbH	482,300	100
	Konecranes Holding GmbH	315,262	100
	Konecranes Lifting Systems GmbH	804	100
	Konecranes Real Estate GmbH Co. & KG	33,652	94
	Konecranes Real Estate Verwaltungs GmbH	0	100
	Kranservice Rheinberg GmbH	1,492	100
	Noell Crane Systems GmbH	15,680	100
	SWF Krantechnik GmbH	15,500	100
Greece:	Konecranes Hellas Lifting Equipment and Services S.A.	60	100
Hong Kong:	Konecranes Hong Kong Limited	0	100
Hungary:	Konecranes Kft.	889	100
	Konecranes Supply Hungary Kft.	2,799	100
India:	Konecranes and Demag Private Limited	31,894	100
	Voima Cranes & Components Pvt. Ltd.	62	100
Indonesia:	Pt. Konecranes	0	100
Italy:	Demag Cranes & Components S.r.l.	13,997	100
	Donati Sollevamenti S.r.l.	2,561	100
	MHPS Italia S.r.l.	0	100
	Trevolution Service S.r.l.	2,603	100
Japan:	Konecranes Company, Ltd.	0	100
Latvia:	SIA Konecranes Latvija	2	100
Lithuania:	UAB Konecranes	139	100
Luxembourg:	Materials Handling International S.A.	300	100
Malaysia:	Konecranes Sdn. Bhd.	731	100
Mexico:	Konecranes Mexico S.A. de C.V.	2,188	100
Morocco:	Port Equipment Maghreb S.a.r.l.	50	100
The Netherlands:	Konecranes B.V.	4,201	100
	Konecranes Holding B.V.	313,851	100
	Port Software Solutions B.V.	43,080	69.78
	TBA B.V.	3,678	69.78
Norway:	Konecranes AS	3,588	100
Peru:	Konecranes Peru S.R.L.	0	100

Philippines:	Konecranes Philippines Inc.	476	100
Poland:	Konecranes and Demag Sp. z o.o.	1,359	100
Portugal:	Konecranes and Demag, Lda.	3,293	100
Romania:	S.C. Konecranes S.A.	98	100
	S.C. TBA RO S.r.l.	10	69.78
Russia:	AO "Konecranes Demag Rus"	160	100
Saudi Arabia:	Saudi Cranes & Steel Works Factory Co. Ltd.	13,477	100
Singapore:	KCI Cranes Holding (Singapore) Pte. Ltd.	49,117	100
	Konecranes Pte. Ltd.	2,054	100
	SWF Krantechnik Pte. Ltd.	165	100
Slovakia:	Konecranes Slovakia s.r.o.	200	100
Slovenia:	Konecranes, d.o.o.	200	100
South Africa:	Konecranes and Demag (Pty) Ltd.	3,356	100
	MHPS (Pty) Ltd.	79	100
	Port Equipment Southern Africa (Pty) Ltd.	1,655	100
Spain:	Konecranes and Demag Ibérica, S.L.U.	31,799	100
Sweden:	Konecranes AB	1,308	100
	Konecranes Liftrucks AB	22,242	100
	Konecranes Sweden Holding AB	1,682	100
	Ulvaryd Fastighets AB	1,244	100
Switzerland:	Konecranes and Demag AG	17,205	100
Thailand:	Konecranes (Thailand) Ltd.*	112	49
Turkey:	Konecranes Ticaret Ve Servis Limited Sirketi	93	100
Ukraine:	Konecranes Ukraine JSC	2,048	100
	PJSC "Zaporozhje Kran Holding"	298	100
	JSC "Zaporozhcran"	0	90.43
United Arab Emirates:	Demag Cranes & Components Holding Ltd.	0	100
	Demag Cranes & Components (Middle East) FZE	14,245	100
	Konecranes Middle East FZE	1,773	100
United Kingdom:	Demag Cranes and Components Guarantee Ltd.	0	100
	Demag Cranes & Components Holdings Ltd.	1,110	100
	KCI Holding UK Ltd.	13,656	100
	Konecranes Demag UK Limited	6,658	100
	Lloyds Konecranes Pension Trustees Ltd.	0	100
	Morris Material Handling Ltd.	6,303	100
	TBA Doncaster Limited	1,275	53.03
	TBA Leicester Limited	9,481	62.8
	UKMHPS Limited	40,863	100
U.S.A.	Demag Cranes & Components Corp.	60,304	100
	KCI Holding USA Inc.	53,901	100
	Konecranes, Inc.	47,436	100
	Konecranes Nuclear Equipment & Services, LLC	0	100
	MMH Americas, Inc.	0	100
	Morris Material Handling, Inc.	63,591	100
	R&M Materials Handling, Inc.	7,299	100
Vietnam:	Konecranes Vietnam Co., Ltd	0	100

* Konecranes Group has the majority representation on the entity's board of directors and approves all major operational decisions and thereby Konecranes consolidates them in the Group's financial statements.

		Assets value	Group's share, %
Other shares and joint operations and joint operations			
Estonia:	AS Konesko	4,448	49.46
Finland:	Kiinteistöosakeyhtiö Kuikantorppa	261	50

		Assets value	Group's share, %
Investments accounted for using the equity method			
China:	Guangzhou Technocranes Company, Ltd.	607	25
	Jiangyin Dingli Shengshai High Tech Industrial Crane Company, Ltd.	321	30
	Shanghai High Tech Industrial Crane Company, Ltd.	2,133	28
Finland:	Fantuzzi Noell Baltic Oy	668	25
	Boutonnier Adt Levage S.A.	356	25
France:	Levelec S.A.	226	20
	Manulec S.A.	195	25
	Manelec S.A.R.L.	79	25
	S.E.R.E. Maintenance S.A.	172	25
Germany:	AQZ Ausbildungs- und Qualifizierungszentrum Düsseldorf GmbH	0	30
Singapore:	MHE-Demag Pte. Ltd.	67,820	50
Switzerland:	Demag IP Holdings GmbH	98	50
United Arab Emirates:	Crane Industrial Services LLC	1,274	49

		Book value of shares	Group's share, %
Available-for-sale investments			
Finland:	East Office of Finnish Industries Oy	50	5.26
	Dimecc Oy	120	5.69
	Levator Oy	0	19
	Vierumäen Kuntorinne Oy	345	3.3
France:	Heripret Holding SAS	53	19
Malaysia:	Kone Products & Engineering Sdn. Bhd.	0	10
Venezuela:	Gruas Konecranes CA	20	10
Others:		237	
Total:		825	

PARENT COMPANY STATEMENT OF INCOME – FAS

(1,000 EUR)		Jan 1–Dec 31 2019	Jan 1–Dec 31 2018
Note:			
	Other operating income	5	66
2	Depreciation and impairments	-119	-125
3	Other operating expenses	-19,737	-16,591
	Operating profit	-19,851	-16,650
4	Financial income and expenses	66,709	83,124
	Income before appropriations and taxes	46,857	66,474
5	Appropriations	57,171	65,588
6	Income taxes	-8,879	-12,085
	Net income	95,149	119,976

PARENT COMPANY BALANCE SHEET – FAS

(1,000 EUR)	31 Dec 2019	31 Dec 2018
Note:		
ASSETS		
NON-CURRENT ASSETS		
Tangible assets		
7 Machinery and equipment	578	661
	578	661
8 Investments		
Investments in Group companies	153,040	153,040
Other shares and similar rights of ownership	170	170
	153,210	153,210
Total non-current assets	153,788	153,871
CURRENT ASSETS		
Long-term receivables		
Loans receivable from Group companies	1,033,486	1,007,224
	1,033,486	1,007,224
Short-term receivables		
Accounts receivable	8	2
Amounts owed by Group companies		
Accounts receivable	3,104	3,223
10 Deferred assets	102,816	134,439
Other receivables	433	625
10 Deferred assets	3,582	404
	109,942	138,693
Cash in hand and at banks	3	3
Total current assets	1,143,431	1,145,920
TOTAL ASSETS	1,297,219	1,299,791

(1,000 EUR)	31 Dec 2019	31 Dec 2018
Note:		
SHAREHOLDERS' EQUITY AND LIABILITIES		
11 EQUITY		
Share capital	30,073	30,073
Share premium account	39,307	39,307
Paid in capital	769,365	768,753
Retained earnings	103,848	78,479
Net income for the period	95,149	119,976
	1,037,741	1,036,587
APPROPRIATIONS		
Depreciation difference	146	127
LIABILITIES		
Non-current liabilities		
12 Bond	249,120	248,781
	249,120	248,781
Provisions	763	948
Current liabilities		
Accounts payable	3,701	3,172
Liabilities owed to Group companies		
Accounts payable	214	636
13 Accruals	15	8
Other short-term liabilities	52	80
13 Accruals	5,468	9,452
	9,450	13,348
Total liabilities	259,332	263,077
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,297,219	1,299,791

PARENT COMPANY CASH FLOW – FAS

(1,000 EUR)	Jan 1–Dec 31 2019	Jan 1–Dec 31 2018
Cash flow from operating activities		
Operating income	-19,851	-16,650
Adjustments to operating profit		
Depreciation and impairments	119	125
Group contributions from subsidiaries	65,640	43,000
Operating income before changes in net working capital	45,908	26,475
Change in interest-free short-term receivables	-1,234	-2,706
Change in interest-free short-term liabilities	871	-2,533
Change in net working capital	-363	-5,239
Cash flow from operations before financing items and taxes	45,545	21,236
Interest received	16,332	29,469
Interest paid	-4,383	-7
Other financial income and expenses	6	-8
Income taxes paid	-17,206	-9,600
Financing items and taxes	-5,252	19,855
NET CASH FROM OPERATING ACTIVITIES	40,293	41,091
Cash flow from investing activities		
Capital expenditure and advance payments to tangible assets	-36	-488
Capital expenditure and advance payments to intangible assets	0	229
Proceeds from sale of fixed assets	0	4
Dividends received	80,000	47,000
NET CASH USED IN INVESTING ACTIVITIES	79,964	46,745
Cash flow before financing activities	120,257	87,835

(1,000 EUR)	Jan 1–Dec 31 2019	Jan 1–Dec 31 2018
Cash flow from financing activities		
Proceeds from share based payments and share issues	612	1,679
Repayments of long-term receivables	-26,262	5,074
Dividends paid	-94,607	-94,588
NET CASH USED IN FINANCING ACTIVITIES	-120,257	-87,835
CHANGE OF CASH AND CASH EQUIVALENTS	0	0
Cash and cash equivalents at beginning of period	3	3
Cash and cash equivalents at end of period	3	3
CHANGE OF CASH AND CASH EQUIVALENTS	0	0

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENT

1. ACCOUNTING PRINCIPLES

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

Statement of income

(1,000,000 EUR)

	2019	2018
Machinery and equipment	0.1	0.1
Total	0.1	0.1

3. OTHER OPERATING EXPENSES AND PERSONNEL

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

	2019	2018
Wages and salaries	3.7	3.5
Pension costs	0.4	0.3
Other personnel expenses	0.1	0.1
Other operating expenses	0.3	0.2
Total	4.6	4.1

Wages and salaries in accordance with the Statement of Income.

	2019	2018
Remuneration to Board	0.8	0.7
Other wages and salaries	2.9	2.7
Total	3.7	3.5

The average number of personnel	6	5
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Auditors fees

Audit	0.5	0.6
Other services	0.1	0.1
Total	0.6	0.7

4. FINANCIAL INCOME AND EXPENSES

	2019	2018
Financial income from long-term investments:		
Dividend income from Group companies	60.0	72.0
Dividend income total	60.0	72.0

Interest income from long-term receivables:		
From Group companies	11.4	15.8
Interest income from long-term receivables total	11.4	15.8

Financial income from long-term investments total	71.4	87.8
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Interest and other financial income	0.1	0.1
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Interest and other financial income total	0.1	0.1
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Interest expenses and other financial expenses:		
Other financial expenses	4.7	4.8
Interest expenses and other financial expenses total	4.7	4.8

Financial income and expenses total	66.8	83.1
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5. APPROPRIATIONS

	2019	2018
Difference between planned and untaxed depreciations	0.0	-0.1
Group contributions received from subsidiaries	57.2	65.6
Total	57.2	65.6

6. INCOME TAXES

	2019	2018
Taxes on appropriations	11.4	13.1
Taxes on ordinary operations	-2.7	-1.0
Taxes from previous years	0.1	0.0
Total	8.9	12.1

Balance sheet

7. MACHINERY AND EQUIPMENT

	2019	2018
Acquisition costs as of January 1	0.9	0.4
Increase	0.0	0.5
Acquisition costs as of December 31	1.0	0.9
Accumulated depreciation January 1	-0.2	-0.1
Accumulated depreciation	-0.1	-0.1
Total as of December 31	0.6	0.7

8. INVESTMENTS

	2019	2018
Acquisition costs as of January 1	153.2	153.2
Total as of December 31	153.2	153.2

Investments in Group companies

		2019	2018
	Domicile	Book value	Book value
Konecranes Finance Corp.	Hyvinkää	46.4	46.4
Konecranes Finland Corp.	Hyvinkää	4.2	4.2
Konecranes Global Corp.	Hyvinkää	102.4	102.4
Total		153.0	153.0

Other shares and similar rights of ownership

	2019	2018
East Office of Finnish Industries Oy	0.1	0.1
Dimecc Oy	0.1	0.1
Total	0.2	0.2

9. TREASURY SHARES

	2019	2018
Number of shares as of January 1	105,403	165,761
Increase	0	7,000
Decrease	-22,923	-67,358
Number of shares as of December 31	82,480	105,403

10. DEFERRED ASSETS

	2019	2018
Group contributions	57.2	65.6
Payments which will be realized during the next financial year	46.7	61.7
Interest	2.6	7.5
Total	106.4	134.8

11. EQUITY

	2019	2018
Share capital as of January 1	30.1	30.1
Share capital as of December 31	30.1	30.1
Share premium account January 1	39.3	39.3
Share premium account as of December 31	39.3	39.3
Paid in capital as of January 1	768.8	767.1
Increase	0.6	1.9
Decrease	0.0	-0.3
Paid in capital as of December 31	769.4	768.8
Retained earnings as of January 1	198.5	173.1
Dividend paid	-94.6	-94.6
Retained earnings as of December 31	103.8	78.5
Net income for the period	95.1	120.0

Shareholders' equity as of December 31	1,037.7	1,036.6
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Distributable equity

Paid in capital as of December 31	769.4	768.8
Retained earnings as of December 31	103.8	78.5
Net income for the period	95.1	120.0
Total	968.4	967.2

12. INTEREST-BEARING LIABILITIES

	2019	2018
Bond	249.1	248.8
Total	249.1	248.8

13. ACCRUALS

	2019	2018
Income taxes	0.0	5.0
Wages, salaries and personnel expenses	1.5	1.4
Other items	4.0	3.1
Total	5.5	9.5

14. CONTINGENT LIABILITIES AND PLEDGED ASSETS

	2019	2018
For obligations of subsidiaries		
Group guarantees	1,256.9	1,056.7
Leasing liabilities		
Next year	0.5	0.5
Later on	1.3	1.6
Total	1.8	2.1

Leasing contracts mainly have a maturity of three years and they have no terms of redemption.

	2019	2018
Total by category		
Guarantees	1,256.9	1,056.7
Other liabilities	1.8	2.1
Total	1,258.7	1,058.8

15. NOMINAL AND FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	2019	2019	2018	2018
	Fair value	Nominal value	Fair value	Fair value
Foreign exchange forward contracts	0.0	0.7	0.0	0.7

Derivatives are used for currency rate hedging only.

The derivative financial instruments are recognized according to KPL 5:2a at fair value in the parent company financial statements and the company does not apply hedge accounting for these derivatives.

BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING

The parent company's non-restricted equity is EUR 968,361,776.27 of which the net income for the year is EUR 95,148,906.32.

The Group's non-restricted equity is EUR 1,109,748,000.

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 liquidity 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 1.20 will be paid on each share and that the remaining non-restricted equity is retained in shareholders' equity.

Espoo, February 5, 2020

Christoph Vitzthum
Chairman of the Board

Ole Johansson
Board member

Janina Kugel
Board member

Bertel Langenskiöld
Board member

Ulf Liljedahl
Board member

Per Vegard Nerseth
Board member

Anders Nielsen
Board member

Päivi Rekonen
Board member

Rob Smith
CEO

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF KONECRANES PLC

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Konecranes plc (business identity code 0942718-2) for the year ended 31 December 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5 (1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7.1 to the consolidated financial statements and note 4 to the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter**How our audit addressed the Key Audit Matter**

Revenue recognition of long-term contracts and related provisions

Refer to note 2.2 Use of estimates and judgments, note 2.3 Summary of significant accounting policies, note 5, note 6 and note 24.

In accordance with its accounting principles, Konecranes applies the percentage of completion (PoC) method (performance obligations satisfied over time) for recognizing revenue from long-term crane projects. The percentage of completion is based on the cost-to-cost method.

The percentage of completion method of accounting involves the use of significant management assumptions, estimates and projections, principally relating to future material, labor and project-related overhead costs and the estimated stage of completion. In year 2019, approximately 13% percent of the sales of 3.3 billion euro were recognized under the PoC method. Revenue recognition of long-term contracts is a key audit matter and a significant risk of misstatement as defined by EU Regulation No 537/2014, point (c) of Article 10(2).

Konecranes makes several types of provisions related to risks associated with long-term project contracts and PoC accounting. These PoC related provisions require high level of management judgment and are a key audit matter due to that reason.

Our audit procedures to address the risk of material misstatement in respect of the long-term contracts included among others:

- Assessing the Group's accounting policies over revenue recognition of long-term contracts;
- Gaining an understanding of the PoC revenue recognition process;
- Examination of the project documentation and testing the PoC calculations and inputs of estimates in the calculations and comparing the estimates to actuals;
- Analytical procedures;
- Assessing significant judgments made by management based on an examination of the associated project documentation and discussion on the status of projects under construction with finance and project managers of the Company; and
- Assessing the Group's disclosures in respect of revenue recognition.

We have designed our audit procedures to be responsive to this specific audit area and our procedures included among others:

- Gaining an understanding of the PoC related provisions process;
- Testing the provision calculations and the inputs of estimates in these calculations and comparing estimates to actuals; and
- Performing inquiries with management with regards to any significant events or legal matters that could affect the provisions.

Key Audit Matter**How our audit addressed the Key Audit Matter**

Revenue recognition

Refer to note 2.3 Summary of significant accounting policies and note 5.

According to the Group's accounting policies revenue is recognized at an amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. Goods and services are generally considered to be transferred when the customer obtains control. The terms and conditions of sales contracts vary by market and, in addition, the local management might feel pressure to achieve the revenue targets set.

Revenue recognition is a key audit matter and a significant risk of material misstatement as defines by EU Regulation No 537/2014, point (c) of Article 10(2) due to the significant risk relating to an incorrect timing of recognition of revenue.

Our audit procedures to address the risk of material misstatement in respect of correct timing of revenue recognition included among others:

- Analytical procedures;
- Assessing the Group's accounting policies over revenue recognition compared to applicable accounting standards;
- Assessing the revenue recognition process and –methodologies and testing controls;
- Testing revenue with substantive analytical procedures and by testing sales transactions;
- Assessing the Group's disclosures in respect of revenues.

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of goodwill

Refer to note 2.2 Use of estimates and judgments, note 2.3 Summary of significant accounting policies and note 13.

The value of goodwill at the date of the financial statements amounted to 908.2 million euro representing 24% of total assets and 73% of equity (2018: 906.1 million euro, 25% of the total assets and 71% of equity).

Valuation of goodwill is tested annually through goodwill impairment test. Konecranes has allocated goodwill to cash generating units (CGUs) which is the level for goodwill impairment test. The recoverable amount of a cash generating unit is based on value in use calculations, the outcome of which could vary significantly if different assumptions were applied. There are a number of assumptions used to determine the value in use of the cash generating units, including revenue growth, development of fixed costs, the operating margin and the discount rate applied.

Changes in the above-mentioned assumptions may result in an impairment of goodwill.

The annual impairment test is a key audit matter because

- The assessment process is complex and is based on numerous judgmental estimates;
- It is based on assumptions relating to market or economic conditions; and
- Of the significance of the goodwill to the balance sheet total.

Valuation of goodwill is a significant risk of misstatement as defined by EU Regulation No 537/2014, point (c) of Article 10(2).

Key Audit Matter

How our audit addressed the Key Audit Matter

Income taxes

Refer to note 2.2 Use of estimates and judgments, note 2.3 Summary of significant accounting policies, note 11 and note 17.

The Group operates in a number of jurisdictions around the world, with differing tax regimes, resulting in different subjective and complex interpretation of local tax laws and is therefore open to assessment from multiple tax authorities. In the normal course of business, the Group makes judgments and estimates in relation to tax issues and exposures resulting in the recognition of other taxes. Income taxes is a key audit matter as the future actual outcome of the decisions concerning these tax exposures may result in material higher or lower amounts than accrual included in the financial statements.

As part of our audit procedures:

- We included both local and international tax specialists to analyze and assess the assumptions used to determine tax positions and corroborating the assumptions with supporting evidence.
- We tested the amounts recognized as current and deferred tax, including the assessment of judgmental tax positions. In this area our audit procedures included, among others, assessment of the impact of the Group's correspondence with relevant tax authorities and the evaluation of tax exposures.
- In addition, with respect to deferred tax assets we assessed management's assumptions to determine the probability that deferred tax assets recognized in the statement of financial position will be recovered through taxable income in future years, and available tax planning strategies.

We assessed the Group's disclosures in notes 11 and 17 in the financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be

communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 8, 2006, and our appointment represents a total period of uninterrupted engagement of 14 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Governance publication but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Governance publication is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information

in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions based on assignment of the Audit Committee

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the distributable equity shown in the balance sheet for the parent company is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, February 5, 2020

Ernst & Young Oy
Authorized Public Accountant Firm

Kristina Sandin
Authorized Public Accountant

SHARES AND SHAREHOLDERS

According to the register of Konecranes Plc's shareholders kept by Euroclear Finland Oy, there were 25,991 (2018: 24,201) shareholders at the end of the 2019.

Largest shareholders according to the share register on December 31, 2019

	Number of shares and votes	% of shares and votes
1 HC Holding Oy Ab	7,901,238	10.0%
2 Solidium Oy	6,621,475	8.4%
3 Gustavson Stig and family*	2,366,157	3.0%
4 Varma Mutual Pension Insurance Company	2,117,451	2.7%
5 Ilmarinen Mutual Pension Insurance Company	2,057,632	2.6%
6 Föreningen Konstsamfundet r.f.	1,000,000	1.3%
7 The Local Government Pensions Institution, KEVA	931,042	1.2%
8 Elo Mutual Pension Insurance Company	816,000	1.0%
9 Holding Manutas Oy	670,000	0.9%
10 Danske Capital Funds	650,957	0.8%
Ten largest registered shareholders' total ownership	25,131,952	31.8%
Nominee registered shares	35,904,520	45.5%
Other shareholders	17,802,954	22.6%
Shares held by Konecranes Plc	82,480	0.1%
Total	78,921,906	100.0%

* Konecranes Plc has on December 28, 2011 received information according to which the Chairman of the company's Board of Directors Stig Gustavson has donated all of his shares in Konecranes Plc to his near relatives retaining himself for life the voting rights and right to dividend attached to the donated shares. The donation encompassed in total 2,069,778 shares.

Shares owned by the members of the Board and of Directors and of the Group Executive Board on December 31, 2019

	Change in shareholding in 2019	Number of shares owned	% of shares and votes
Board of Directors	8,642	33,088	0.0%
Group Executive Board	-30,826	239,978	0.3%
Total	-22,184	273,066	0.3%

Breakdown of share ownership by number or shares owned on December 31, 2019

Shares	Number of shareholders	% of shareholders	Number of shares and votes	% of shares and votes
1 - 100	13,405	51.6%	623,268	0.8%
101 - 1 000	10,834	41.7%	3,685,725	4.7%
1 001 - 10 000	1,545	5.9%	4,257,162	5.4%
10 001 - 100 000	163	0.6%	4,735,590	6.0%
100 001 - 1 000 000	26	0.1%	7,651,688	9.7%
1 000 001 -	8	0.0%	22,063,953	28.0%
Registered shareholders total	25,981	100.0%	43,017,386	54.5%
Nominee registered shares	10	0.0%	35,904,520	45.5%
Total	25,991	100.0%	78,921,906	100.0%

Breakdown of share ownership by number or shares owned on December 31, 2019

	% of shares and votes
Public sector organizations	16.7%
Households	13.1%
Private companies	12.9%
Financial and insurance institutions	5.3%
Non-profit organizations	5.8%
Foreigners	0.8%
Nominee registered shares	45.5%
Total	100.0%

Source: Euroclear Finland Oy, December 31, 2019.

KONECRANES®

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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 of all makes. In 2019, Group sales totaled EUR 3.33 billion. Including MHE-Demag, the Group has around 18,000 employees in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).