Konecranes Demag A/S

Mileparken 9 A, 2470 Skovlunde
CVR no. 49 10 69 12

Annual report for 2017

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 15.06.18

Anni Laitinen
Dirigent

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Company information etc.

The company

Konecranes Demag A/S
Mileparken 9 A
2470 Skovlunde
Danmark
Tel.: 70 22 36 37
Website: www.konecranes.com
Registered office: Ballerup
CVR no.: 49 10 69 12
Founded: 01. juni 1971
Financial year: 01.01 - 31.12

Executive Board

Embret Arne Mellesmo

Board Of Directors

Tero Kalevi Laine
Kari Åkman
Aku Juhani Lehtinen

Auditors

ERNST & YOUNG
Godkendt Revisionspartnerselskab

Bank

Nordea Bank

Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.01.17 - 31.12.17 for Konecranes Demag A/S.

The annual report is presented in accordance with Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the the company's assets, liabilities and financial position as at 31.12.17 and of the results of the the company's activities for the financial year 01.01.17 - 31.12.17.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Skovlunde, June 15, 2018

Executive Board

Embret Arne Mellesmo

Board Of Directors

Tero Kalevi Laine Chairman	Kari Åkman	Aku Juhani Lehtinen

Independent auditor's report

To the Shareholders of Konecranes Demag A/S

Opinion

We have audited the financial statements of Konecranes Demag A/S for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines 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, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 Company'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 management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement regarding the management's review

Management is responsible for Management's review.

Our opinion on the financial statements does not cover Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's review and, in doing so, consider whether Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of Management's review.

Copenhagen, June 15, 2018

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30700228

Lars Hansen
State Authorized Public Accountant
MNE-no. mne24828

Primary activities

The company's main activities are sales and servicing of cranes, primarily in the Danish market.

Significant changes in the company's activities

The company has completed a merger with Terex Material Handling ApS with Konecranes Demag A/S as the surviving company. The merger was completed with accounting effect from 1 January 2017. The company has applied the pooling of interests method in connection with the merger. Consequently, the comparative figures have not been restated.

Development in activities and financial affairs

The income statement for the period 01.01.17 - 31.12.17 shows a profit of DKK 9,160,939 against DKK -3,227,535 for the period 01.01.16 - 31.12.16. The balance sheet shows equity of DKK 32,782,707.

Due to the merger with accounting effect from 1 January 2017 the figures for 2017 and 2016 are not comparable.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note		2017 DKK	2016 DKK
	Gross profit	**56,496,222**	**23,982,056**
2	Staff costs	-43,934,542	-23,854,798
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**12,561,680**	**127,258**
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-1,393,909	-1,390,725
	Operating profit/loss	**11,167,771**	**-1,263,467**
	Financial income	7	2,462
3	Financial expenses	-409,681	-279,732
	Profit/loss before tax	**10,758,097**	**-1,540,737**
	Tax on profit or loss for the year	-1,597,158	-1,686,798
	Profit/loss for the year	**9,160,939**	**-3,227,535**

Proposed appropriation account

	2017	2016
Retained earnings	9,160,939	-3,227,535
Total	**9,160,939**	**-3,227,535**

Balance sheet

ASSETS

Note		31.12.17 DKK	31.12.16 DKK
	Acquired rights	4,608	0
	Goodwill	0	1,262,569
4	**Total intangible assets**	**4,608**	**1,262,569**
	Other fixtures and fittings, tools and equipment	257,381	246,692
5	**Total property, plant and equipment**	**257,381**	**246,692**
	Deposits	771,475	275,218
	Total investments	**771,475**	**275,218**
	Total non-current assets	**1,033,464**	**1,784,479**
	Raw materials and consumables	7,181,799	768,447
	Prepayments for goods	4,027,589	0
	Total inventories	**11,209,388**	**768,447**
6	Work in progress for third parties	9,896,200	4,015,969
	Trade receivables	33,857,938	16,094,302
	Receivables from group enterprises	8,833,107	4,705,073
	Deferred tax asset	557,468	0
	Prepayments	840,667	411,336
	Total receivables	**53,985,380**	**25,226,680**
	Cash	**6,833,646**	**0**
	Total current assets	**72,028,414**	**25,995,127**
	Total assets	**73,061,878**	**27,779,606**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.17 DKK	31.12.16 DKK
	Contributed capital	1,501,000	1,500,000
	Retained earnings	31,281,707	1,510,166
	Total equity	**32,782,707**	**3,010,166**
	Other provisions	1,064,429	412,422
	Total provisions	**1,064,429**	**412,422**
8	Payables to group enterprises	6,949,330	6,949,330
	Total long-term payables	**6,949,330**	**6,949,330**
6	Prepayments received from work in progress for third parties	308,652	301,864
	Prepayments received from customers	141,110	574,200
	Trade payables	4,240,127	4,128,021
	Payables to group enterprises	11,504,157	5,345,923
	Income taxes	1,518,632	0
	Other payables	14,552,734	7,057,680
	Total short-term payables	**32,265,412**	**17,407,688**
	Total payables	**39,214,742**	**24,357,018**
	Total equity and liabilities	**73,061,878**	**27,779,606**

9 Contingent liabilities
10 Charges and security
11 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Total equity
Statement of changes in equity for 01.01.16 - 31.12.16			
Balance pr. 01.01.16	1,500,000	4,737,701	6,237,701
Net profit/loss for the year	0	-3,227,535	-3,227,535
Balance as at 31.12.16	1,500,000	1,510,166	3,010,166
Statement of changes in equity for 01.01.17 - 31.12.17			
Balance as at 01.01.17	1,500,000	1,510,166	3,010,166
Net effect of mergers and acquisition of enterprises	1,000	20,610,602	20,611,602
Balance as at 01.01.17	1,501,000	22,120,768	23,621,768
Net profit/loss for the year	0	9,160,939	9,160,939
Balance as at 31.12.17	1,501,000	31,281,707	32,782,707

1. Special items

	2017	2016
Write-down of deffered tax assets	0	1,686,798

2. Staff costs

Wages and salaries	39,591,479	21,498,270
Pensions	3,282,581	1,825,053
Other social security costs	792,226	531,475
Other staff costs	268,256	0
Total	43,934,542	23,854,798
Average number of employees during the year	69	41

3. Financial expenses

Interest, group enterprises	221,189	117,913
Other interest expenses	142,048	67,318
Foreign currency translation adjustments	46,444	94,501
Total	409,681	279,732

4. Intangible assets

Figures in DKK	Acquired rights	Goodwill
Cost as at 01.01.17	553,115	8,837,996
Additions relating to mergers and acquisition of enterprises	1,771,256	0
Cost as at 31.12.17	2,324,371	8,837,996
Amortisation and impairment losses as at 01.01.17	-553,115	-7,575,427
Additions relating to mergers and acquisition of enterprises	-1,754,878	0
Amortisation during the year	-11,770	-1,262,569
Amortisation and impairment losses as at 31.12.17	-2,319,763	-8,837,996
Carrying amount as at 31.12.17	4,608	0

5. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.17	0	1,824,950
Additions relating to mergers and acquisition of enterprises	207,307	2,131,152
Cost as at 31.12.17	207,307	3,956,102
Depreciation and impairment losses as at 01.01.17	0	-1,578,258
Additions relating to mergers and acquisition of enterprises	-207,307	-2,003,586
Depreciation during the year	0	-116,877
Depreciation and impairment losses as at 31.12.17	-207,307	-3,698,721
Carrying amount as at 31.12.17	0	257,381

	31.12.17 DKK	31.12.16 DKK

6. Work in progress for third parties

	31.12.17 DKK	31.12.16 DKK
Work in progress for third parties	12,429,640	5,031,605
On-account invoicing	-2,842,092	-1,317,500
Work in progress for third parties	9,587,548	3,714,105
Work in progress for third parties	9,896,200	4,015,969
Prepayments received from work in progress for third parties, short-term payables	-308,652	-301,864
Total	9,587,548	3,714,105

7. Other provisions

Other provisions are expected to be distributed as follows:

	31.12.17 DKK	31.12.16 DKK
Current liabilities	417,292	412,422

Other provisions are ordinary warranty provisions.

8. Longterm payables

Figures in DKK	Outstanding debt after 5 years	Total payables at 31.12.17	Total payables at 31.12.16
Payables to group enterprises	0	6,949,330	6,949,330
Total	0	6,949,330	6,949,330

9. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 24 months and average lease payments of DKK 15k pr. month and a total of DKK 354k.

Recourse guarantee commitments

The company has put up guarantees totaling DKK 4.963k through Nordea and Tryg Garanti as security for its construction contracts.

Guarantee commitments

The company is subject to standard contractor guarantees.

10. Charges and security

The company participates in a cash-pool agreement with the Group. The cash-pool of DKK 8,597k is presented as receivables from group enterprices. The cash-pool is pledged for group credit institutions.

11. Related parties

Konecranes Demag A/S is included in the consolidated financial statements of the parent, Konecranes Plc, Koneenkatu 8, FI-05801, Finland.

12. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Change in the composition of activities

Konecranes Demag A/S has completed a merger with Terex Material Handling ApS with Konecranes Demag A/S as the surviving company. The merger was completed with accounting effect from 1 January 2017. The company has applied the pooling of interests method in connection with the merger. Consequently, the comparative figures have not been restated.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

BUSINESS COMBINATIONS

For combined enterprises subject to common control, the pooling of interests method is used. The pooling of interests is deemed to be completed at the beginning of the financial year without restatement of comparative figures.

12. Accounting policies - continued -

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, other operating income, costs relating to raw materials and comsumables as well as other external costs.

Revenue

Income from the sale of goods and services is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Construction contracts involving the delivery of highly customised installations are recognised as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method). Expected losses on construction contracts are expensed so that losses on the remaining part of the contract do not affect result for subsequent years.

12. Accounting policies - continued -

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	5-7	0
Goodwill	7	0
Leasehold improvements	5	0
Other plant, fixtures and fittings, tools and equipment	2-5	0

Goodwill is amortised over 7 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the

12. Accounting policies - continued -

accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities, e.g. expenses incurred to extensive structuring of processes and basic structural adjustments, as well as any relating disposal gains and losses, and which over time have a material impact. Special items further comprise other substantial, non-recurring amounts.

BALANCE SHEET

Intangible assets

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

12. Accounting policies - continued -

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation/amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

12. Accounting policies - continued -

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the

12. Accounting policies - continued -

resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Provisions

Provisions comprise expected expenses relating to guarantee commitments in connection with remediation of faults and deficiencies within the guarantee peiod. Guarantee commitments are recognised and measured at nominal value based on prior years' experience.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years’ experience with warranty work.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax

12. Accounting policies - continued -

is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.