Konecranes A/S

Baldersbuen 15a, 2640 Hedehusene

CVR no. 49 10 69 12

Annual report for 2016

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 08.06.17

Jukka Pellikka
Dirigent

Table of contents

Company information etc.

The company

Konecranes A/S
Baldersbuen 15a
2640 Hedehusene
Danmark
Tel.: 70 22 36 37
Website: www.konecranes.com
Registered office: Høje Taastrup
CVR no.: 49 10 69 12
Founded: 01. juni 1971
Financial year: 01.01 - 31.12

Executive Board

Per Magnus Moberg

Board Of Directors

Tero Kalevi Laine
John Tomas Myntti
Kari Åkman

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 01.01.16 - 31.12.16 for Konecranes 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 31.12.16 and of the results of the the company's activities for the financial year 01.01.16 - 31.12.16.

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.

Hedehusene, June 08, 2017

Executive Board

Per Magnus Moberg

Board Of Directors

Tero Kalevi Laine Chairman	John Tomas Myntti	Kari Åkman

Independent auditor's report

To the Shareholders of Konecranes A/S

Opinion

We have audited the financial statements of Konecranes A/S for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 31.12.16 and of the results of the company's operations for the financial year 01.01.16 - 31.12.16 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 about 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 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 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 is 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 Statement Acts. We did not identify any material misstatement of management's review.

Copenhagen, June 08, 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab
CVR no. 30700228

Brian Stubtoft
State Authorized Public Accountant

Primary activities

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

Development in activities and financial affairs

The income statement for the period 01.01.16 - 31.12.16 showed a loss of DKK -3,227,535 against a profit of DKK 1,604,167 for the period 01.01.15 - 31.12.15. The balance sheet showed equity of DKK 3,010,166.

The loss in current year is significant impacted by a write down of deffered tax assets of DKK 1.686.798. The company is uncertain if the deffered tax assets can be used within reasonable time.

Income statement

Note		2016 DKK	2015 DKK
	Gross profit	**23.982.056**	**27.258.594**
2	Staff costs	-23.854.798	-23.927.572
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**127.258**	**3.331.022**
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-1.390.725	-1.377.401
	Operating profit/loss	**-1.263.467**	**1.953.621**
	Financial income	2.462	0
3	Financial expenses	-279.732	-348.872
	Profit/loss before tax	**-1.540.737**	**1.604.749**
	Tax on profit or loss for the year	-1.686.798	-582
	Profit/loss for the year	**-3.227.535**	**1.604.167**

Proposed appropriation account

Retained earnings	-3.227.535	1.604.167
Total	**-3.227.535**	**1.604.167**

Balance sheet

ASSETS

Note		31.12.16 DKK	31.12.15 DKK
	Goodwill	1.262.569	2.525.140
4	**Total intangible assets**	**1.262.569**	**2.525.140**
	Other fixtures and fittings, tools and equipment	246.692	162.184
5	**Total property, plant and equipment**	**246.692**	**162.184**
	Deposits	275.218	275.218
	Total investments	**275.218**	**275.218**
	Total non-current assets	**1.784.479**	**2.962.542**
	Raw materials and consumables	768.447	791.999
	Total inventories	**768.447**	**791.999**
6	Work in progress for third parties	4.015.969	4.279.120
	Trade receivables	16.094.302	17.515.039
	Receivables from group enterprises	4.705.073	3.398.996
	Deferred tax asset	0	1.686.798
	Income tax receivable	0	297.755
	Prepayments	411.336	582.987
	Total receivables	**25.226.680**	**27.760.695**
	Total current assets	**25.995.127**	**28.552.694**
	Total assets	**27.779.606**	**31.515.236**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.16 DKK	31.12.15 DKK
	Contributed capital	1.500.000	1.500.000
	Retained earnings	1.510.166	4.737.701
	Total equity	**3.010.166**	**6.237.701**
	Other provisions	412.422	888.995
	Total provisions	**412.422**	**888.995**
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	301.864	0
	Prepayments received from customers	574.200	557.250
	Trade payables	4.128.021	3.837.592
	Payables to group enterprises	5.345.923	5.843.574
	Other payables	7.057.680	7.200.794
	Total short-term payables	**17.407.688**	**17.439.210**
	Total payables	**24.357.018**	**24.388.540**
	Total equity and liabilities	**27.779.606**	**31.515.236**

9 Contingent liabilities
10 Charges and security
11 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings
Statement of changes in equity for 01.01.15 - 31.12.15		
Balance pr. 01.01.15	1.500.000	3.133.534
Net profit/loss for the year	0	1.604.167
Balance as at 31.12.15	1.500.000	4.737.701
Statement of changes in equity for 01.01.16 - 31.12.16		
Balance pr. 01.01.16	1.500.000	4.737.701
Net profit/loss for the year	0	-3.227.535
Balance as at 31.12.16	1.500.000	1.510.166

Notes

1. Special items

		2016	2015
Write-down of deffered tax assets	Tax on profit or loss for the year	1.686.798	0

2. Staff costs

Wages and salaries	21.498.270	21.665.846
Pensions	1.825.053	1.684.387
Other social security costs	531.475	577.339
Total	23.854.798	23.927.572
Average number of employees during the year	41	42

3. Financial expenses

Interest, group enterprises	117.913	147.366
Other interest expenses	67.318	84.114
Foreign currency translation adjustments	94.501	117.392
Total	279.732	348.872

4. Intangible assets

Figures in DKK	Acquired rights	Goodwill
Cost pr. 01.01.16	553.115	8.837.995
Cost as at 31.12.16	553.115	8.837.995
Amortisation and impairment losses pr. 01.01.16	-553.115	-6.312.855
Amortisation during the year	0	-1.262.571
Amortisation and impairment losses as at 31.12.16	-553.115	-7.575.426
Carrying amount as at 31.12.16	0	1.262.569

5. Property, plant and equipment

Figures in DKK	Other fixtures and fittings, tools and equipment
Cost pr. 01.01.16	1.612.288
Additions during the year	212.662
Cost as at 31.12.16	1.824.950
Depreciation and impairment losses pr. 01.01.16	-1.450.104
Depreciation during the year	-128.154
Depreciation and impairment losses as at 31.12.16	-1.578.258
Carrying amount as at 31.12.16	246.692

	31.12.16 DKK	31.12.15 DKK

6. Work in progress for third parties

	31.12.16 DKK	31.12.15 DKK
Work in progress for third parties	5.031.605	4.279.120
On-account invoicing	-1.317.500	0
Work in progress for third parties	3.714.105	4.279.120
Work in progress for third parties	4.015.969	4.279.120
Prepayments received from work in progress for third parties, short-term payables	-301.864	0
Total	3.714.105	4.279.120

7. Other provisions

Other provisions are expected to be distributed as follows:

	31.12.16 DKK	31.12.15 DKK
Current liabilities	412.422	888.995

Other provisions are ordinary warranty provisions.

8. Longterm payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.16	Total payables at 31.12.15
Payables to group enterprises	0	0	6.949.330	6.949.330
Total	0	0	6.949.330	6.949.330

9. Contingent liabilities

Lease commitments

Rent and lease liabilities include a rent obligation totalling DKK 654,054 (DKK 670,895) relating to a non-cancellable rent agreement and liabilities under operating leases for cars and IT equipment totalling DKK 4,464,761 (DKK 4,806,994).

Recourse guarantee commitments

The Company has put up guarantees totalling DKK 150.000 through Nordea as security for its construction contracts.

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 4,705k is presented as receivables from group enterprices. The company is liable for an amount equal to the cash-pool in relation to the credit institution.

11. Related parties

Konecranes 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 reporting class C medium-sized.

Change in accounting policies

The company has implemented amendments to the Danish Financial Statements Act, see act no. 738 amending the Danish Financial Statements Act of 1 June 2015 (*lov nr. 738 om ændring af årsregnskabsloven m.v. af 1. juni 2015*). This includes new and amended disclosure and presentation requirements and amendments to provisions on recognition, measurement and classification. Amendments to provisions on recognition and measurement as well as classification are as follows:

Reassessment of residual values of property, plant and equipment

Previously, residual values of property, plant and equipment with limited useful lives were determined at the date of acquisition of the asset. In future, an annual revaluation of the residual values of property, plant and equipment must be carried out. In accordance with section 4 of the provisional executive order, the residual values of property, plant and equipment will initially be reassessed in by way of a change in accounting policies. Comparative figures have not been restated. The change in accounting policy has a no impact on the net profit or equity.

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous year.

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

12. Accounting policies - continued -

before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

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.

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.

12. Accounting policies - continued -

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 amortisation and depreciation 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/amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Acquired rights	5-7	0
Goodwill	7	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/amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation/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 accounting policies referred to in the ‘Impairment losses on fixed assets’ section.

Other net financials

Interest income and interest expenses etc. are recognised in other net financials.

12. Accounting policies - continued -

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.

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.

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 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.

12. Accounting policies - continued -

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.

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.

12. Accounting policies - continued -

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 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.

12. Accounting policies - continued -

Prepayments

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

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 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.

12. Accounting policies - continued -

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.