

Konecranes Demag A/S

Baldersbuen 37, 2640 Hedehusene

CVR no. 49 10 69 12

Annual report for 2021

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 15.07.22

Sirpa Poitsalo
Dirigent

Company information etc.	3
Statement by the Executive Board and Board of Directors on the annual report	4
Independent auditor's report	5 - 7
Management's review	8 - 11
Income statement	12
Balance sheet	13 - 14
Statement of changes in equity	15
Notes	16 - 31

The company

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

Executive Board

Daniel From Hansen

Board of Directors

Tero Kalevi Laine
Aku Juhani Lehtinen
Andrew Timothy Spencer

Auditors

EY Godkendt Revisionspartnerselskab

Bank

Nordea

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

We have on this day presented the annual report for the financial year 01.01.21 - 31.12.21 for Konecranes Demag A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.21 and of the results of the company's activities for the financial year 01.01.21 - 31.12.21.

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, July 14, 2022

Executive Board

Daniel From Hansen

Board of Directors

Tero Kalevi Laine

Aku Juhani Lehtinen

Andrew Timothy Spencer

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 2021, which comprise income statement, balance sheet, statement of changes in equity 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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. Management is also responsible for such internal control that 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 International Standards on Auditing and the 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 these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, 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 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, July 14, 2022

EY Godkendt Revisionspartnerselskab

CVR no. 30700228

Claus Tanggaard Jacobsen

State Authorized Public Accountant

MNE-no. mne23314

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2021	2020	2019	2018	2017
<i>Profit/loss</i>					
Operating profit	5,556	6,345	686	3,646	11,168
Index	50	57	6	33	100
Total net financials	-186	-75	198	-164	-410
Index	45	18	-48	40	100
Profit for the year	4,134	4,890	763	2,615	9,161
<i>Balance</i>					
Total assets	68,703	98,105	81,320	102,901	73,062
Investments in property, plant and equipment	191	39	294	947	2,338
Equity	40,184	41,050	36,160	35,397	32,783

Ratios

	2021	2020	2019	2018	2017
<i>Profitability</i>					
Return on equity	10%	13%	2%	8%	51%
<i>Equity ratio</i>					
Solvency ratio	58%	42%	44%	4%	45%
<i>Others</i>					
Number of employees (average)	70	74	76	73	69

Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

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 01.01.21 - 31.12.21 shows a profit/loss of DKK 4,133,622 against DKK 4,890,308 for the period 01.01.20 - 31.12.20. The balance sheet shows equity of DKK 40,183,932.

The earnings expectations for 2021 was in the same level as 2020 which was a net profit of DKK 5M. The lower net profit for 2021 is due to several factors but primarily a lower level on projects within the port segment than expected and recruitment difficulties within technicians.

Outlook

The company expects a gross profit and profit before tax for 2022 minimum on same level as for 2020 and 2021.

Financial risks

Price risks

The company is not exposed to risks beyond those risks that are common in the Company's industry.

Costs of raw materials and consumables are primarily purchased from group companies in EUR and therefore the impact from currency fluctuation is not significant.

Component shortages

In the later part of 2021, we began to see component shortages on the Danish market. Especially from our German factory, but also the Finish factories were affected. This is a direct effect from the COVID-pandemic that still has an impact on the markets.

External environment

As part of the group strategy for the company's overall environmental activities, a group environmental policy has been prepared setting out a number of environmental objectives.

Focusing on environmentally operations, this policy forms a natural part of the company's objectives concerning product quality and production conditions.

Subsequent events

On February 24, 2022, Russian forces invaded Ukraine. The Ukraine war will impact global supply chains and prices, which may also affect our company. At the moment, however, we do not see any significant negative effects on the net assets, financial position and results of operations of our company.

No other events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Income statement

Note		2021 DKK	2020 DKK
	Gross profit	53,367,185	54,079,453
1	Staff costs	-47,556,022	-46,993,954
	Profit before depreciation, amortisation, write-downs and impairment losses	5,811,163	7,085,499
	Depreciation and impairments losses of property, plant and equipment	-255,017	-740,480
	Operating profit	5,556,146	6,345,019
2	Financial income	18,024	11,098
3	Financial expenses	-203,763	-85,721
	Profit before tax	5,370,407	6,270,396
	Tax on profit for the year	-1,236,785	-1,380,088
	Profit for the year	4,133,622	4,890,308

4 Proposed appropriation account

ASSETS		31.12.21	31.12.20
		DKK	DKK
Note			
	Leasehold improvements	384,132	571,271
	Other fixtures and fittings, tools and equipment	145,361	41,169
6	Total property, plant and equipment	529,493	612,440
7	Deposits	541,853	535,180
	Total investments	541,853	535,180
	Total non-current assets	1,071,346	1,147,620
	Raw materials and consumables	3,021,807	3,817,532
	Total inventories	3,021,807	3,817,532
8	Work in progress for third parties	7,468,188	9,712,797
	Trade receivables	37,655,366	61,902,335
	Receivables from group enterprises	17,792,293	19,894,850
	Deferred tax asset	370,369	605,118
	Income tax receivable	577,777	0
9	Prepayments	746,265	1,024,420
	Total receivables	64,610,258	93,139,520
	Total current assets	67,632,065	96,957,052
	Total assets	68,703,411	98,104,672

EQUITY AND LIABILITIES		31.12.21	31.12.20
Note		DKK	DKK
10	Share capital	1,501,000	1,501,000
	Retained earnings	38,682,932	34,549,310
	Proposed dividend for the financial year	0	5,000,000
	Total equity	40,183,932	41,050,310
12	Other provisions	1,478,597	2,349,573
	Total provisions	1,478,597	2,349,573
	Payables to other credit institutions	0	620
	Prepayments received from customers	845,250	0
	Trade payables	2,477,138	9,313,732
	Payables to group enterprises	12,317,139	23,799,690
	Income taxes	0	1,040,814
	Other payables	11,401,355	20,549,933
	Total short-term payables	27,040,882	54,704,789
	Total payables	27,040,882	54,704,789
	Total equity and liabilities	68,703,411	98,104,672
13	Contingent liabilities		
14	Charges and security		
15	Related parties		

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.20 - 31.12.20				
Balance as at 01.01.20	1,501,000	34,659,002	0	36,160,002
Net profit/loss for the year	0	-109,692	5,000,000	4,890,308
Balance as at 31.12.20	1,501,000	34,549,310	5,000,000	41,050,310
Statement of changes in equity for 01.01.21 - 31.12.21				
Balance as at 01.01.21	1,501,000	34,549,310	5,000,000	41,050,310
Dividend paid	0	0	-5,000,000	-5,000,000
Net profit/loss for the year	0	4,133,622	0	4,133,622
Balance as at 31.12.21	1,501,000	38,682,932	0	40,183,932

	2021	2020
	DKK	DKK
1. Staff costs		
Wages and salaries	41,968,024	41,229,185
Pensions	4,385,591	4,791,904
Other social security costs	859,065	972,865
Other staff costs	343,342	0
Total	47,556,022	46,993,954
Average number of employees during the year	70	74

Be reference to section 98b(3). (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed. No fee has been paid to the board.

2. Financial income

Other financial income	18,024	11,098
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	2021 DKK	2020 DKK
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3. Financial expenses

Interest, group enterprises	33,701	0
Other interest expenses	161,276	53,343
Foreign currency translation adjustments	8,786	32,378
Other financial expenses total	170,062	85,721
Total	203,763	85,721

4. Proposed appropriation account

Proposed dividend for the financial year	0	5,000,000
Retained earnings	4,133,622	-109,692
Total	4,133,622	4,890,308

5. Intangible assets

Figures in DKK	Acquired rights	Goodwill
Cost as at 01.01.21	553,115	8,837,995
Cost as at 31.12.21	553,115	8,837,995
Amortisation and impairment losses as at 01.01.21	-553,115	-8,837,995
Amortisation and impairment losses as at 31.12.21	-553,115	-8,837,995
Carrying amount as at 31.12.21	0	0

6. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.21	1,538,812	1,771,953
Additions during the year	0	190,950
Disposals during the year	0	-233,666
Transfers during the year to/from other items	-38,509	38,509
Cost as at 31.12.21	1,500,303	1,767,746
Depreciation and impairment losses as at 01.01.21	-967,540	-1,730,784
Depreciation during the year	-153,573	-120,325
Depreciation of and impairment losses on disposed assets for the year	0	233,666
Transfers during the year to/from other items	4,942	-4,942
Depreciation and impairment losses as at 31.12.21	-1,116,171	-1,622,385
Carrying amount as at 31.12.21	384,132	145,361

7. Non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.21	535,180
Additions during the year	6,673
Cost as at 31.12.21	541,853
Carrying amount as at 31.12.21	541,853

	31.12.21 DKK	31.12.20 DKK
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8. Work in progress for third parties

Work in progress for third parties	7,468,188	9,712,799
On-account invoicing	0	0

Total work in progress for third parties	7,468,188	9,712,799
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Work in progress for third parties	7,468,188	9,712,797
Prepayments received from work in progress for third parties, short-term payables	0	0

Total	7,468,188	9,712,797
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9. Prepayments

Prepaid insurance premiums	353,894	526,359
Other prepayments	392,371	498,061

Total	746,265	1,024,420
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10. Share capital

The share capital consists of:

	Quantity	Total nominal value
A-shares, of DKK 1,000	1,501	1,501,000

The share capital was unchanged during the five preceding financial years.

	31.12.21	31.12.20
	DKK	DKK

11. Deferred tax

Provisions for deferred tax as at 01.01.21	605,118	554,392
Deferred tax recognised in the income statement	-234,748	50,726
Provisions for deferred tax as at 31.12.21	370,370	605,118

Deferred tax is recognized in the balance sheet as:

Deferred tax asset	370,369	605,118
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Deferred tax is distributed as below:

Intangible assets	-377	-22,803
Property, plant and equipment	-88,358	-109,383
Investments	43,657	43,975
Provisions	-325,291	-516,907
Total	-370,369	-605,118

12. Other provisions

Figures in DKK	Warranty commitments
Provisions as at 01.01.21	2,349,573
New provision	313,758
Utilised during the year	-372,535
Provision no longer needed	-812,199
Provisions as at 31.12.21	1,478,597

Other provisions are expected to be distributed as follows:

Other provisions are ordinary warranty provisions, the company usually provide 2 to 5 years warranty commitment in respect of the company's product.

13. Contractual obligations and contingencies

Operating lease commitments

The company has concluded lease agreements with terms to maturity of 3-83 months and average lease payments of DKK 76,451k, a total of DKK 6,067,390.

14. Charges and security

The company participates in a cash-pool agreement with the Group. The cash-pool of DKK 17,792k is presented as receivables from group enterprises. The cash-pool is pledged for group credit institutions.

Other than the above the company has not provided any security or other collateral in assets at 31 December 2021.

15. Related parties

Controlling influence		Basis of influence
Konecranes Holding Sweden AB, Kristianstad		Ejer
Transactions	Relation	2021 DKK
Sales to related parties, included in Gross profit	Group companies	303,000
Purchases from related parties, included in		
Gross profit	Group companies	77,001,470
Cost sharing costs	Group companies	7,610,000
Balances		31.12.21 DKK
Receivables from group enterprises		17,792,293
Payables to group enterprises		-12,317,139

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

16. Subsequent events

On February 24, 2022, Russian forces invaded Ukraine. The Ukraine war will impact global supply chains and prices, which may also affect our company. At the moment, however, we do not see any significant negative effects on the net assets, financial position and results of operations of our company.

No other events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

17. Accounting policies

GENERAL

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

The accounting policies have been applied consistently with previous years.

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.

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.

17. Accounting policies - continued -**LEASES**

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term. On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are measured in accordance with IAS 17 in the balance sheet at the lower of fair value and the net present value of future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as discount factor. Assets held under finance leases are subsequently accounted for as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease. All other leases are considered operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total liabilities relating to operating leases and other leases are disclosed under "Contractual obligations and contingencies, etc.

INCOME STATEMENT**Gross profit**

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

The Company's revenue is generated from the production and sale of The Company sells standard cranes under Konecranes and Demag brand and manages the appropriate client projects in the Danish markets. The Company also takes care of repair, maintenance and modernization of cranes manufactured by Konecranes but also by third parties.

On the conclusion of sales contracts that consist of several separate sales transactions, the contract price is split up into the individual sales transactions based on the relative fair value approach. The separate sales transactions are recognised as revenue when the criteria for sale of goods, services or construction contracts are met.

A contract is split up into individual transactions when the fair value of each individual sales

17. Accounting policies - continued -

transaction can be estimated reliably and when each individual sales transaction represents a stand-alone value for the buyer. Sales transactions are deemed to have a stand-alone value for the buyer when the transaction is individually identifiable and usually sold separately. Revenue is measured at the fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Revenue from the sale of services

Revenue from the rendering of services, which include service contracts, is recognised in revenue on a straight-line basis as the services are rendered because the services are rendered in the form of an indefinite number of actions over a specified period of time.

Revenue from construction contracts

Revenue from construction contracts concerning standard cranes, related products and spare parts subject to a high degree of individual adaptation is recognised as revenue by reference to the stage of completion, which means that revenue corresponds to the selling price of work performed during the year (the percentage of completion method). When income and expenses of a construction contract cannot be estimated reliably, revenue assessed recognised solely at the costs incurred in so far as it is assessed that they are likely to be recovered.

The stage of completion by which completion of the production is measured is determined by reference to the proportion of costs incurred relative to the latest cost estimate.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

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.

17. 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 and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated 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

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.

Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

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

17. 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**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 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.

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.

17. 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.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. 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.

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the credit risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate of the individual receivable or portfolio is used as discount rate. are determined based on an individual assessment of each

17. Accounting policies - continued -

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

The Construction contracts are measured at the selling price of the work performed less payments received on account and anticipated losses. Construction contracts entail a significant degree of design customisation of produced goods. Moreover, before any work is commenced, a binding agreement must have been entered into, which will imply a penalty or damages on subsequent termination of the agreement.

The selling price is measured by reference to the percentage of completion at the end of the reporting period and the total expected income from the contract. The percentage of completion is determined on the basis of an assessment of the work performed, which is usually measured as the proportion of contract costs incurred for work performed to date relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

When income and expenses on a construction contract cannot be determined reliably, the selling price is measured solely at the costs incurred in so far as they are likely to be recovered.

Where the selling price of work performed exceeds payments received on account and anticipated losses, the excess amount is recognised in contract assets. If payments received on account and anticipated losses exceed the selling price of a construction contract, the deficit is recognised in contract liabilities.

Prepayments received from customers are recognised in contract liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Where payment has been received for later sales of goods but delivery has not yet taken place, deferred revenue is also recognised in contract liabilities.

17. Accounting policies - continued -**Prepayments**

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

Cash**Equity**

The proposed dividend for the financial year is recognised as a separate item in equity.

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

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

17. Accounting policies - continued -

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

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.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement of Konecranes Finland Oy.