Konecranes Demag A/S

Baldersbuen 37, 2640 Hedehusene

CVR no. 49 10 69 12

Annual report for 2019

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 31.08.20

Jukka Pellikka
Dirigent

Table of contents

Company information etc.

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
Kari Åkman

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 01.01.19 - 31.12.19 for Konecranes Demag A/S.

The annual report is presented in accordance with 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 31.12.19 and of the results of the company's activities for the financial year 01.01.19 - 31.12.19.

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, August 27, 2020

Executive Board

Daniel From Hansen

Board of Directors

Tero Kalevi Laine	Aku Juhani Lehtinen	Kari Åkman

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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for conclusion

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 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, August 27, 2020

EY Godkendt Revisionspartnerselskab
CVR no. 30700228

Alex Petersen
State Authorized Public Accountant
mne28604

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2019	2018	2017	2016	2015
Profit/loss					
Operating profit	714	3,646	11,168	-1,263	1,954
Index	37	187	572	-65	100
Total net financials	198	-164	-410	-282	-349
Index	-57	47	117	81	100
Profit for the year	763	2,615	9,161	-3,228	1,604
Index	48	163	571	-201	100
Balance					
Total assets	81,320	102,901	73,062	27,780	31,515
Index	258	327	232	88	100
Investments in property, plant and equipment	294	947	2,338	213	91
Index	323	1,041	2,569	234	100
Equity	36,160	35,397	32,783	3,010	6,238
Index	580	567	526	48	100

Ratios

	2019	2018	2017	2016	2015
Profitability					
Return on equity	2%	8%	51%	-70%	30%
Equity ratio					
Equity interest	44%	34%	45%	11%	20%
Others					
Number of employees (average)	76	73	69	41	42

With accounting effect from 1 January 2017 the company completed a merger with Terex Material Handling ApS. Konecranes Demaq A/S was the surviving company. The company applied the pooling of interest method in connection with the merger. Consequently, the comparative figures 2016 & 2015 have not been restated and are therefore not comparable to 2017 to 2019.

Financial ratios are calculated in accordance with terms and definitions described as below.

Ratios definitions

Return on equity: $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Equity interest: $\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

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

Uncertainty concerning recognition and measurement

The recognition and measurement of items in the financial statement is not subject to any uncertainty.

Development in activities and financial affairs

The income statement for the period 01.01.19 - 31.12.19 shows a profit of DKK 762,696 against DKK 2,614,600 for the period 01.01.18 - 31.12.18. The balance sheet shows equity of DKK 36,160,003.

The earnings expectations for 2019 were a profit before tax of DKK 4,500.
The profit before tax for 2019, DKK 883,960, was lower than expected. This is primarily related to competitive pressure in market and therefore lower margins than expected.

Outlook

The company expects a profit before tax for 2020 minimum on same level as 2019 despite uncertainty about Covid-19 will effect the whole year.

Special 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.

COVID-19 risks
For special risks related to the current COVID-19 virus outbreak, see section Subsequent events below.

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

Following the COVID-19 virus outbreak in Denmark, starting March, 2020, the Company has experienced uncertainty at some customers and decreased activity levels on the Danish market. However earning for 2020 compared to origin Budget is not expected to be effected significantly. Management considers COVID-19 to constitute a non-adjusting event and has not adjusted any figures in the financial statements 2019. No other events materially affecting the Company’s financial position have occurred subsequent to the financial year-end.

Income statement

Note		2019 DKK	2018 DKK
	Gross profit	**49,427,928**	**49,880,697**
2	Staff costs	-48,615,164	-46,145,848
	Profit before depreciation, amortisation, write-downs and impairment losses	**812,764**	**3,734,849**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-98,328	-88,862
	Operating profit	**714,436**	**3,645,987**
	Other operating expenses	-28,038	-3,832
3	Financial income	221,791	18,332
4	Financial expenses	-24,229	-182,071
	Profit before tax	**883,960**	**3,478,416**
	Tax on profit or loss for the year	-121,264	-863,816
	Profit for the year	**762,696**	**2,614,600**

5 Distribution of net profit

Balance sheet

ASSETS

Note		31.12.19 DKK	31.12.18 DKK
	Leasehold improvements	1,257,091	1,039,519
	Other fixtures and fittings, tools and equipment	51,972	73,620
7	**Total property, plant and equipment**	**1,309,063**	**1,113,139**
8	Deposits	534,615	1,018,996
	Total investments	**534,615**	**1,018,996**
	Total non-current assets	**1,843,678**	**2,132,135**
	Raw materials and consumables	4,615,966	2,491,354
	Work in progress	6,518,910	3,913,193
	Total inventories	**11,134,876**	**6,404,547**
9	Work in progress for third parties	3,485,660	5,583,570
	Trade receivables	44,301,455	48,268,187
	Receivables from group enterprises	18,642,977	36,166,011
12	Deferred tax asset	554,392	749,656
	Income tax receivable	390,000	251,758
10	Prepayments	966,990	1,026,456
	Total receivables	**68,341,474**	**92,045,638**
	Cash	**0**	**2,318,680**
	Total current assets	**79,476,350**	**100,768,865**
	Total assets	**81,320,028**	**102,901,000**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.19 DKK	31.12.18 DKK
11	Share capital	1,501,000	1,501,000
	Retained earnings	34,659,003	33,896,307
	Total equity	**36,160,003**	**35,397,307**
13	Other provisions	1,005,715	837,000
	Total provisions	**1,005,715**	**837,000**
14	Other payables	1,621,690	0
	Total long-term payables	**1,621,690**	**0**
	Prepayments received from customers	0	27,160,219
	Trade payables	7,517,377	6,818,999
	Payables to group enterprises	23,988,624	20,103,341
	Other payables	11,026,619	12,584,134
	Total short-term payables	**42,532,620**	**66,666,693**
	Total payables	**44,154,310**	**66,666,693**
	Total equity and liabilities	**81,320,028**	**102,901,000**

15 Contingent liabilities
16 Charges and security
17 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Total equity
Statement of changes in equity for 01.01.18 - 31.12.18			
Balance as at 01.01.18	1,501,000	31,281,707	32,782,707
Net profit/loss for the year	0	2,614,600	2,614,600
Balance as at 31.12.18	1,501,000	33,896,307	35,397,307
Statement of changes in equity for 01.01.19 - 31.12.19			
Balance as at 01.01.19	1,501,000	33,896,307	35,397,307
Net profit/loss for the year	0	762,696	762,696
Balance as at 31.12.19	1,501,000	34,659,003	36,160,003

1. Subsequent events

Following the COVID-19 virus outbreak in Denmark, starting March, 2020, the Company has experienced uncertainty at some customers and decreased activity levels on the Danish market. However earning for 2020 compared to origin Budget is not expected to be effected significantly. Management considers COVID-19 to constitute a non-adjusting event and has not adjusted any figures in the financial statements 2019. No other events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

	2019 DKK	2018 DKK

2. Staff costs

	2019 DKK	2018 DKK
Wages and salaries	42,837,993	41,351,582
Pensions	4,470,805	4,089,319
Other social security costs	999,225	688,897
Other staff costs	307,141	16,050
Total	48,615,164	46,145,848
Average number of employees during the year	76	73

Be reference to section 98b(3). (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

3. Financial income

	2019 DKK	2018 DKK
Interest, group enterprises	14,851	0
Other interest income	195,738	0
Foreign exchange gains	2,103	18,332
Other financial income	9,099	0
Total	221,791	18,332

	2019 DKK	2018 DKK

4. Financial expenses

	2019 DKK	2018 DKK
Interest, group enterprises	0	108,081
Other interest expenses	14,112	68,174
Foreign currency translation adjustments	10,117	5,816
Total	24,229	182,071

5. Distribution of net profit

	2019 DKK	2018 DKK
Retained earnings	762,696	2,614,600

6. Intangible assets

Figures in DKK	Acquired rights	Goodwill
Cost as at 01.01.19	553,115	8,837,995
Cost as at 31.12.19	553,115	8,837,995
Amortisation and impairment losses as at 01.01.19	-553,115	-8,837,995
Amortisation and impairment losses as at 31.12.19	-553,115	-8,837,995
Carrying amount as at 31.12.19	0	0

7. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.19	1,206,051	1,771,953
Additions during the year	294,252	0
Cost as at 31.12.19	1,500,303	1,771,953
Depreciation and impairment losses as at 01.01.19	-166,532	-1,698,333
Depreciation during the year	-76,680	-21,648
Depreciation and impairment losses as at 31.12.19	-243,212	-1,719,981
Carrying amount as at 31.12.19	1,257,091	51,972

8. Non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.19	1,018,995
Disposals during the year	-484,380
Cost as at 31.12.19	534,615

	31.12.19 DKK	31.12.18 DKK

9. Work in progress for third parties

Work in progress for third parties	3,485,660	5,583,570
Work in progress for third parties	3,485,660	5,583,570
Work in progress for third parties	3,485,660	5,583,570
Total	3,485,660	5,583,570

10. Prepayments

Prepaid insurance premiums	522,081	466,601
Other prepayments	444,909	559,855
Total	966,990	1,026,456

Prepayments include accrual of expenses relating to subsequent financial years including lease costs, rent and others.

11. Share capital

The share capital consists of:

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

The share capital increased by DKK 1,000 in 2017. The share capital was unchanged during the four preceding financial years.

	31.12.19 DKK	31.12.18 DKK

12. Deferred tax

Provisions for deferred tax as at 01.01.19	749,656	557,468
Deferred tax recognised in the income statement	-195,264	192,188
Provisions for deferred tax as at 31.12.19	554,392	749,656

Deferred tax is recognized in the balance sheet as:

Deferred tax asset	554,392	749,656

Deferred tax is distributed as below:

Intangible assets	259,082	495,359
Property, plant and equipment	138,015	118,335
Operating equipment	-145,450	-48,178
Provisions	221,257	184,140
Tax losses	81,488	0
Total	554,392	749,656

13. Other provisions

Figures in DKK	Warranty commitments
Provisions as at 01.01.19	837,000
Provisions during the year	168,715
Provisions as at 31.12.19	1,005,715

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

14. Long-term payables

Figures in DKK	Outstanding debt after 5 years	Total payables at 31.12.19
Other payables	0	1,621,690
Total	0	1,621,690

15. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 1-70 months and average lease payments of DKK 99k, a total of DKK 6,963k.

Recourse guarantee commitments

The company has put up guarantees totalling DKK 1,392k through Nordea and Tryg Garanti as sequrity for its construction contracts.

Guarantee commitments

The company is subject to standard contractor guarantees.

16. Charges and security

The company participates in a cash-pool agreement with the Group. The cash-pool of DKK 32,900k 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 2019.

17. Related parties

Controlling influence	Basis of influence
Konecranes Holding Sweden AB, Kristianstad	Ejer

Transactions	Relation	2019 DKK
Sales to related parties, included in Gross profit	Group companies	160,000
Purchases from related parties, included in Gross profit	Group companies	105,403,000
Cost sharing costs, included in Gross profit	Group companies	10,715,000
Interest income	Group companies	15,000

Balances	31.12.19 DKK
Receivables from group enterprises	67,000
Payables to group enterprises	-23,988,624
Loans/Bank deposit	18,575,977

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

18. 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.

The accounting policies are consistent with those applied in the annual report for 2018.

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.

18. 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.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.

18. Accounting policies - continued -

Revenue

Income from the sale of goods and services is recognised in accordance with IAS 18 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 in accordance with IAS 11 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.

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.

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.

18. Accounting policies - continued -

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

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 operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise’s activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

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.

18. Accounting policies - continued -

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 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.

18. 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 and 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.

18. Accounting policies - continued -

Inventories

Inventories are measured at cost calculated according to the average method 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 in accordance with IAS 11 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.

18. Accounting policies - continued -

The individual contract 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 contract 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

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 1-2 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

18. Accounting policies - continued -

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.

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.

18. Accounting policies - continued -

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 Plc, Koneenkatu 8, FI-05801, Finland.