GOVERNANCE AND FINANCIAL REVIEW 2020

KONECRANES®

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Information about Konecranes' Annual Report 2020
Konecranes' Annual Report 2020 consists of three separate reports: Annual Review, Governance and Financial Review, and Sustainability Report. All documents are downloadable on our Annual Report website at **https://investors.konecranes.com/annual_report_2020**

Corporate governance

Konecranes Plc ("Konecranes", "the Company") is a Finnish public limited liability company that complies with the Finnish Companies and Securities Market Acts, the rules of Nasdaq Helsinki, and other regulations concerning public companies, as well as with Konecranes Plc's Articles of Association, in its decision-making and administration.

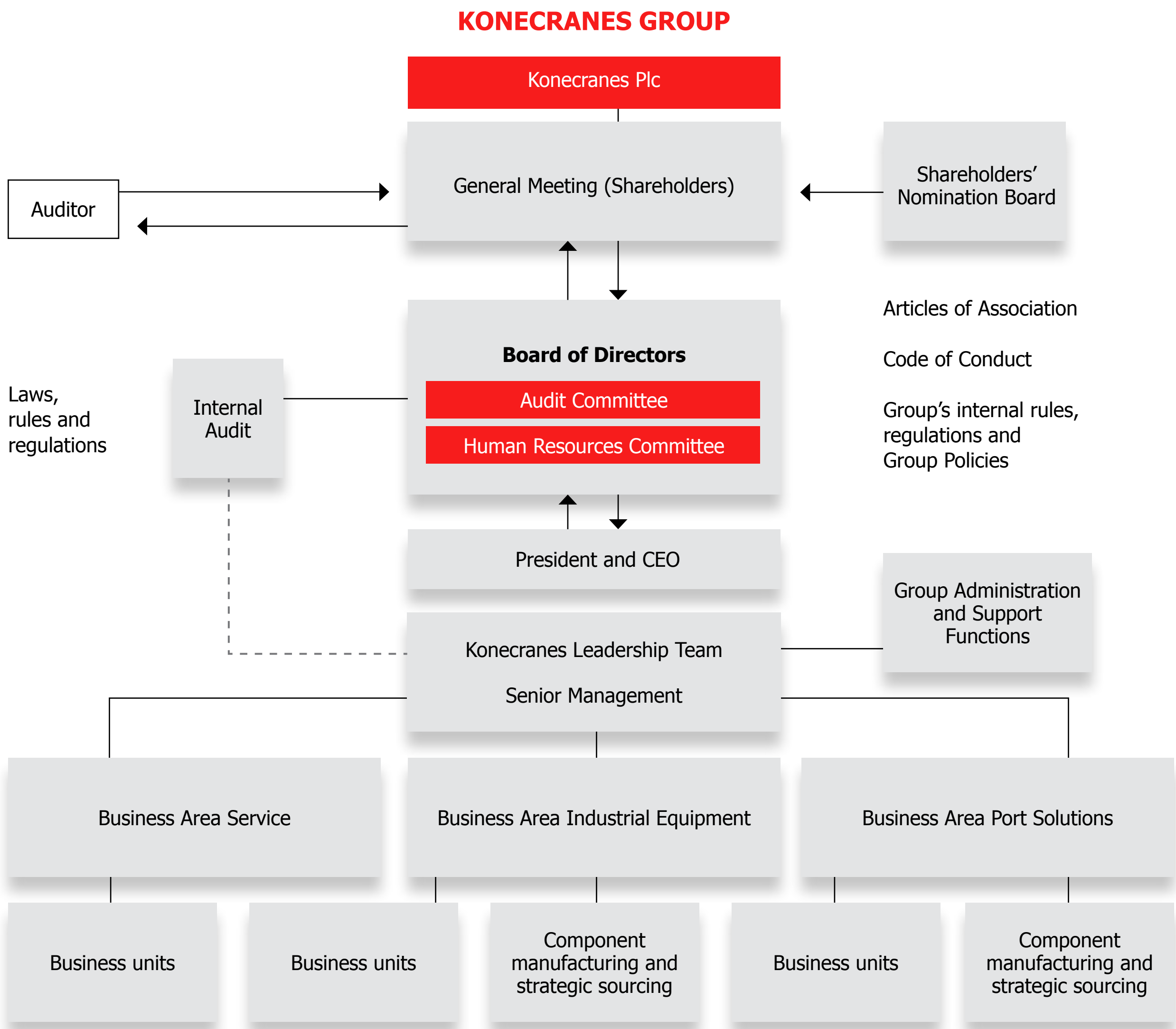
Konecranes complies with the Finnish Corporate Governance Code 2020 (the "Code"), which came into force on January 1, 2020 and was approved by the board of the Securities Market Association. The Code can be found at www.cgfinland.fi. Konecranes complies with the recommendations of the Code with no exceptions. Konecranes has issued Corporate Governance and Remuneration Statements based on the Code. Read more **www.konecranes.com > Investors > Corporate Governance.**

General Meeting

The General Meeting of Shareholders is the Company's highest decision-making body, through which shareholders exercise their decision-making power and right of supervision and control over the Company's business.

An Annual General Meeting (AGM) must be held within six months after the end of a financial year. Konecranes Plc's Annual General Meeting 2020 was held on June 11, 2020. In order to prevent the spread of the COVID-19 pandemic, the Annual General Meeting was arranged

Corporate Governance structure of the Konecranes Group in 2020



without the physical presence of shareholders or their proxy representatives.

An Extraordinary General Meeting (EGM) must be held e.g. when the Board of Directors considers it necessary or if an auditor or shareholders with at least 10 percent of shares so demand in writing to consider a specific issue.

Following the announced merger with Cargotec Corporation, an Extraordinary General Meeting was held on December 18, 2020. In order to prevent the spread of the COVID-19 pandemic, the EGM Meeting was arranged without the physical presence of shareholders or their proxy representatives. The EGM approved the merger.

The Board of Directors ("Board") shall convene an AGM or EGM by publishing a notice on the Company's website or in one or more national newspapers or by sending a written notice to shareholders by mail no more than three (3) months and no less than three (3) weeks before a meeting. The notice shall include the proposed agenda. The Company shall disclose on its website the date by which shareholders shall notify the Board of Directors of any issue that they wish to be included in the agenda. The Company will publish the decisions made at General Meetings as stock exchange releases and on the Company's website without delay after meetings.

The minutes of the General Meeting, including those appendices of the minutes that are part of decisions made by the meeting, will be posted on the Company's website within two weeks of a General Meeting. More information on General Meetings can be found on the Company's website at **www.konecranes.com > Investors > Corporate Governance > General Meeting.**

Shareholders' Nomination Board

Konecranes has a Shareholders' Nomination Board, which prepares proposals to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, for the election and remuneration of the members of the Board of Directors and to identify potential Board member candidates.

The Charter of the Shareholder's Nomination Board is available on the Company's website at **www.konecranes.com > Investors > Corporate Governance > Shareholders' Nomination Board.**

CORPORATE GOVERNANCE STATEMENT 2020

Shareholders' Nomination Board

Composition of the Nomination Board

Mr. Peter Therman
b. 1968
- Finnish citizen
- Appointed by HC Holding Oy Ab (Hartwall Capital)
- Education: M.Sc. (Econ.)
- Principal occupation: Deputy Chairman of the Board of Directors of Hartwall Capital

Mr. Stig Gustavson
b. 1945
- Finnish citizen
- Appointed by Stig Gustavson and family
- Education: M.Sc. (Tech.)

Shareholders' Nomination Board members since September 11, 2020

Mr. Pauli Anttila
b. 1984
- Finnish citizen
- Appointed by Solidium Oy
- Education: M.Sc. (Econ.)
- Principal occupation: Investment Director of Solidium Oy

Mr. Mikko Mursula
b. 1966
- Finnish citizen
- Appointed by Ilmarinen Mutual Pension Insurance Company
- Education: M.Sc. (Econ.)
- Principal occupation: Chief Investment Officer of Ilmarinen Mutual Pension Insurance Company

Shareholders' Nomination Board members until September 10, 2020

Mr. Antti Mäkinen
b. 1961
- Finnish citizen
- Appointed by Solidium Oy
- Education: LLM
- Principal occupation: CEO of Solidium Oy

Mr. Risto Murto
b. 1963
- Finnish citizen
- Appointed by Varma Mutual Pension Insurance Company
- Education: Ph.D. (Econ.)
- Principal occupation: CEO of Varma Mutual Pension Insurance Company

The Shareholders' Nomination Board prepares proposals to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, for the election and remuneration of the members of the Board of Directors and to identify potential Board member candidates, thus replacing the Board's Nomination Committee.

The Shareholders' Nomination Board is comprised of one member appointed by each of the four largest shareholders of the Company. The Chairman of the Company's Board of Directors serves as an expert in the Nomination Board without being a member. The shareholders entitled to appoint a member are determined on the basis of the shareholders' register of the Company maintained by Euroclear Finland Ltd. on August 31 each year. Nominee registered holdings or holdings e.g. through several funds or group companies may be taken into account when making a written request to the Chairman of the Board of Directors no later than on August 30 each year.

The member appointed by a shareholder shall resign from the Nomination Board if the shareholder concerned later transfers more than half of the shares held on August 31 and as a result thereof is no longer amongst the Company's ten largest shareholders.

The Nomination Board is established until a General Meeting of the Company decides otherwise. The members shall be nominated annually, and their term of office shall end when new members are nominated to replace them.

Board of Directors

Composition of the Board

Christoph Vitzthum
b. 1969
- Finnish citizen
- Chairman of the Board since 2016
- Board Member since 2015
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Econ.)
- Principal occupation: President and CEO, Fazer Group
- Shares: 7,266

Janina Kugel
b. 1970
- German citizen
- Board Member since 2016
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Econ.)
- Principal occupation: Board professional and independent strategic advisor
- Shares: 3,271

Ulf Liljedahl
b. 1965
- Swedish citizen
- Board Member since 2016
- Independent of the Company and its significant shareholders
- Education: B.Sc. (Economics and Business Administration)
- Principal occupation: President and CEO, Volito AB
- Shares: 3,271

Per Vegard Nerseth
b. 1964
- Norwegian citizen
- Board Member since 2018
- Independent of the Company and its significant shareholders
- Education: B.Sc. (Econ.), MBA
- Principal occupation: Chief Executive Officer, CMR Surgical
- Shares: 2,580

Päivi Rekonen
b. 1969
- Finnish citizen
- Board Member since 2018
- Independent of the Company and its significant shareholders
- Education: M.Soc.Sc., M.Sc. (Econ.)
- Principal occupation: Board professional and independent strategic advisor
- Shares: 2,580

Board Members since June 11, 2020

Janne Martin
b. 1973
- Finnish citizen
- Board Member since 2020
- Independent of the Company's significant shareholders but deemed to be dependent of the Company due to his current position as an employee of Konecranes.
- Education: M.Sc. (Tech.)
- Principal occupation: General Manager of the Hämeenlinna Factory, wire rope hoists and electrics, Konecranes Finland
- Shares: 937

Niko Mokkila
b. 1979
- Finnish citizen
- Board Member since 2020
- Independent of the Company but deemed to be dependent of a significant shareholder of the Company based on his current position as Managing Director of Hartwall Capital Oy Ab
- Education: M.Sc. (Tech.), M.Sc. (Econ.)
- Principal occupation: Managing Director, Head of Investment Operations, Hartwall Capital Oy Ab
- Shares: 808

Board Members until June 11, 2020

Ole Johansson
b. 1951
- Finnish citizen
- Vice Chairman of the Board from 2017 until 2020, Board Member since 2015
- Independent of the Company and its significant shareholders
- Education: B.Sc. (Econ.)
- Principal occupation: Board professional

Bertel Langenskiöld
b. 1950
- Finnish citizen
- Board Member since 2012
- Independent of the Company and its significant shareholders
- Education: M.Sc. (Eng.)
- Principal occupation: Board professional

Anders Nielsen
b. 1962
- Swedish citizen
- Board Member since 2018
- Independent of the Company and its significant shareholders
- Education: Studies in Industrial Economy
- Principal occupation: Board professional

1. Christoph Vitzthum **2.** Janina Kugel **3.** Ulf Liljedahl **4.** Per Vegard Nerseth **5.** Päivi Rekonen **6.** Janne Martin **7.** Niko Mokkila **8.** Ole Johansson **9.** Bertel Langenskiöld **10.** Anders Nielsen

Main tasks

The Board is vested with powers and duties to manage and supervise the administration and operations of the Company as set forth in the Companies Act, the Articles of Association, and any other applicable Finnish laws and regulations. The Company complies with all other applicable rules and regulations affecting the Company or its affiliates (Group Companies) outside Finland, provided that such compliance does not constitute a violation of Finnish law.

The Board has a general obligation to pursue the best interests of the Company and all of its shareholders. The Board is accountable to the Company's shareholders. The members of the Board of Directors shall act in good faith and with due care, exercising their business judgment on an informed base in what they believe to be the best interest of the Company and its shareholder community as a whole.

The Board of Directors shall decide on the business strategy of the Company; the appointment and dismissal of the President and CEO, the deputy to the President and CEO, and other senior management; Group structure; acquisitions and divestments; financial matters; and investments. It shall also continuously review and monitor the operations and performance of Group Companies, risk management, and the Company's compliance with applicable laws, as well as any other issues determined by the Board of Directors. The Board shall keep itself informed of issues and business activities of major strategic importance to the Company on an ongoing basis. The Board shall appoint a secretary to be present at all Board meetings.

The President and CEO and Chief Financial Officer report to the Board on a quarterly basis on the sales funnel, competitive situation, market sentiment, the Company's order intake and financial performance and full-year forecast, as well as on safety, people, and customer topics. The status of the most important development activities, e.g. major IT investments, R&D projects and acquisition cases, may be presented to the Board by the persons directly responsible for such matters.

Diversity of the Board of Directors

In 2016, the Board approved a diversity policy. According to the policy, the Members of the Board of Directors are always selected based upon their expected contribution and effectiveness as members of the Board of Directors, and capability to positively influence the long-term strategic direction and performance of the Company. As a team, the Board of Directors works for the benefit of the key stakeholders, including customers, employees and shareholders. Diversity in the composition of the Board of Directors enables diversity in thinking and high-quality decision making.

When considering diversity within the Board of Directors, the main attribute is diversity in thinking including individual professional and personal experiences, influenced by diversity in nationality, age and gender. Board selections are based on a candidate's background and competency to understand Konecranes' current and future markets, strategy, employees and customers, including a sound understanding of financials and business dynamics. Collectively the Board of Directors should have combined experience in different markets, geographies and important topics like digitalization and corporate responsibility.

For a well-functioning Board of Directors, it is important that Board members are committed to Board work and have the possibility to devote the time needed to understand the Company's current situation, customers and strategy.

The most important nomination criteria for Board candidates is competency, knowledge, personal qualities and integrity. Both genders shall be represented on the Board of Directors and Konecranes' aim is to strive towards a good and balanced Board composition taking into account all aspects of Board diversity.

At the end of 2020, out of seven Board members, two were female, representing over one fourth of the total. The Board had four different nationalities and consisted of different educational backgrounds from the fields of engineering, economics, social science and human resource management.

In 2020, Konecranes' Board convened 29 times. The attendance of the Board members at meetings was 98 percent. The attendance of the members to the board and committee meetings is presented in the table on the following page:

Board meetings 2020

Member	Board meetings Attendance	Board meetings Percentage
Chairman		
Christoph Vitzthum	29/29	100%
Other Board Members		
Janina Kugel	28/29	97%
Janne Martin	19/20	95%
Niko Mokkila	19/20	95%
Päivi Rekonen	28/29	97%
Per Vegard Nerseth	29/29	100%
Ulf Liljedahl	29/29	100%
Board Members until June 11, 2020		
Anders Nielsen	9/9	100%
Bertel Langenskiöld	9/9	100%
Ole Johansson	9/9	100%

Committee meetings 2020

	Audit Committee meetings		Human Resources Committee meetings	
Member	**Attendance**	**Percentage**	**Attendance**	**Percentage**
Chairman				
Christoph Vitzthum			10/10	100%
Other Board Members				
Janina Kugel			10/10	100%
Janne Martin				
Niko Mokkila	7/7	100%		
Päivi Rekonen	10/10	100%		
Per Vegard Nerseth	2/3	67%	7/7	100%
Ulf Liljedahl	10/10	100%		
Board Members until June 11, 2020				
Anders Nielsen			3/3	100%
Bertel Langenskiöld			3/3	100%
Ole Johansson	3/3	100%		

Committees

The Board of Directors has appointed two committees consisting of its members: the Audit Committee and the Human Resources Committee. The Board has confirmed rules of procedure for both Committees.

The Audit Committee

During 2020, the Board's Audit Committee was comprised of the following members:

- Mr. Ulf Liljedahl (Chairman)
- Mr. Ole Johansson, until June 11, 2020
- Mr. Niko Mokkila, since June 11, 2020
- Mr. Per Vegard Nerseth, until June 11, 2020
- Ms. Päivi Rekonen

At the end of 2020, all members of the Audit Committee were deemed to be independent of the Company, but Niko Mokkila was deemed to be dependent of a significant shareholder of the Company. All members have sufficient expertise on corporate management. In addition, all members have a degree in business administration and/or economics and one of the members has CFO experience.

The Board shall appoint an Audit Committee from among its members to assist the Board in its responsibilities relating to the appropriate arrangement of the control of the Company accounts and finances pursuant to the Companies Act. The intention is not to extend the duties of the Board from what is expressly stipulated in the Finnish Companies Act. The Audit Committee shall not make independent decisions and it may rely on the information provided to it.

The Audit Committee shall have at least three (3) non-executive Board members, who are independent of and not affiliated with the Company. At least one member must be independent of significant shareholders. The members must have the qualifications necessary to perform the responsibilities of the Audit Committee, and at least one member shall have expertise specifically in accounting, bookkeeping or auditing.

Main tasks

The tasks and responsibilities are defined in the Charter of the Audit Committee, which is based on a Board resolution as part of the Company's corporate governance principles and include the following:

- Monitoring the reporting process of financial statements;
- Supervising the financial reporting process;
- Monitoring the financial position of the Company by reviewing Annual Financial Statements and to the extent appropriate Interim Financial Statements;
- Overseeing the quality and integrity of the Financial Statements and related Disclosures;
- Monitoring the efficiency and adequacy of the Company's internal control, internal audit and risk management systems;
- Reviewing the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the Company's corporate governance statement;
- Reviewing and monitoring plans and reports of the Internal Audit function;
- Approving the annual plan, issuing instructions and reviewing the operations of the Internal Audit function;
- Evaluating the independence of the statutory auditor or audit firm, particularly the provision of related services to the Company to be audited;
- Preparing the proposal for resolution on the election of external auditors;
- Reviewing the external audit plan;
- Monitoring the statutory audit of the financial statements and consolidated financial statements and reviewing all material reports from the auditor addressed to Konecranes Plc and its subsidiary companies; and
- Preparing and making recommendations and proposals for action to the Board resulting from listed tasks to the extent Audit Committee finds necessary.

In 2020, Konecranes' Audit Committee convened 10 times. The attendance of the Audit Committee members at meetings was 97 percent. The attendance of the members is presented in the table on page 9.

The Human Resources Committee

During 2020, the Board's Human Resources Committee was comprised of the following members:

- Ms. Janina Kugel, Chairwoman since June 11, 2020
- Mr. Bertel Langenskiöld, Chairman and member until June 11, 2020
- Mr. Per Vegard Nerseth, since June 11, 2020
- Mr. Anders Nielsen, until June 11, 2020
- Mr. Christoph Vitzthum

All members of the Human Resources Committee are deemed to be independent of the Company and its significant shareholders

The Human Resources Committee is responsible for assisting and providing guidance and recommendations to the Board of Directors of the Company in fulfilling its oversight and other responsibilities in relation to e.g.:

- the operative structure and selection of senior management;
- talent management, diversity and inclusion, retention and succession planning of senior management;
- professional and competence development for senior management and workforce planning;
- evaluation and compensation of the President and CEO and Konecranes Leadership Team (KLT);
- general principles for compensation, long- and short-term incentive compensation plans and share-based incentive plans;
- human resources, corporate responsibility and safety strategies and performance.

The Human Resources Committee has the authority to take decisions regarding minor matters within its scope of responsibility that are of an administrative nature and/or relate to the implementation of Board decisions and do not (i) require a decision by the Board of Directors under applicable law or regulations or pursuant to the internal policies or practice of Konecranes, or (ii) otherwise, in the opinion of the Committee, give reason for a decision by the Board of Directors. The Board shall appoint the members and the Chairman of the Human Resources Committee from among its members. The Human Resources Committee shall have at least three (3) non-executive Board members. The majority of the members shall be independent of the Company

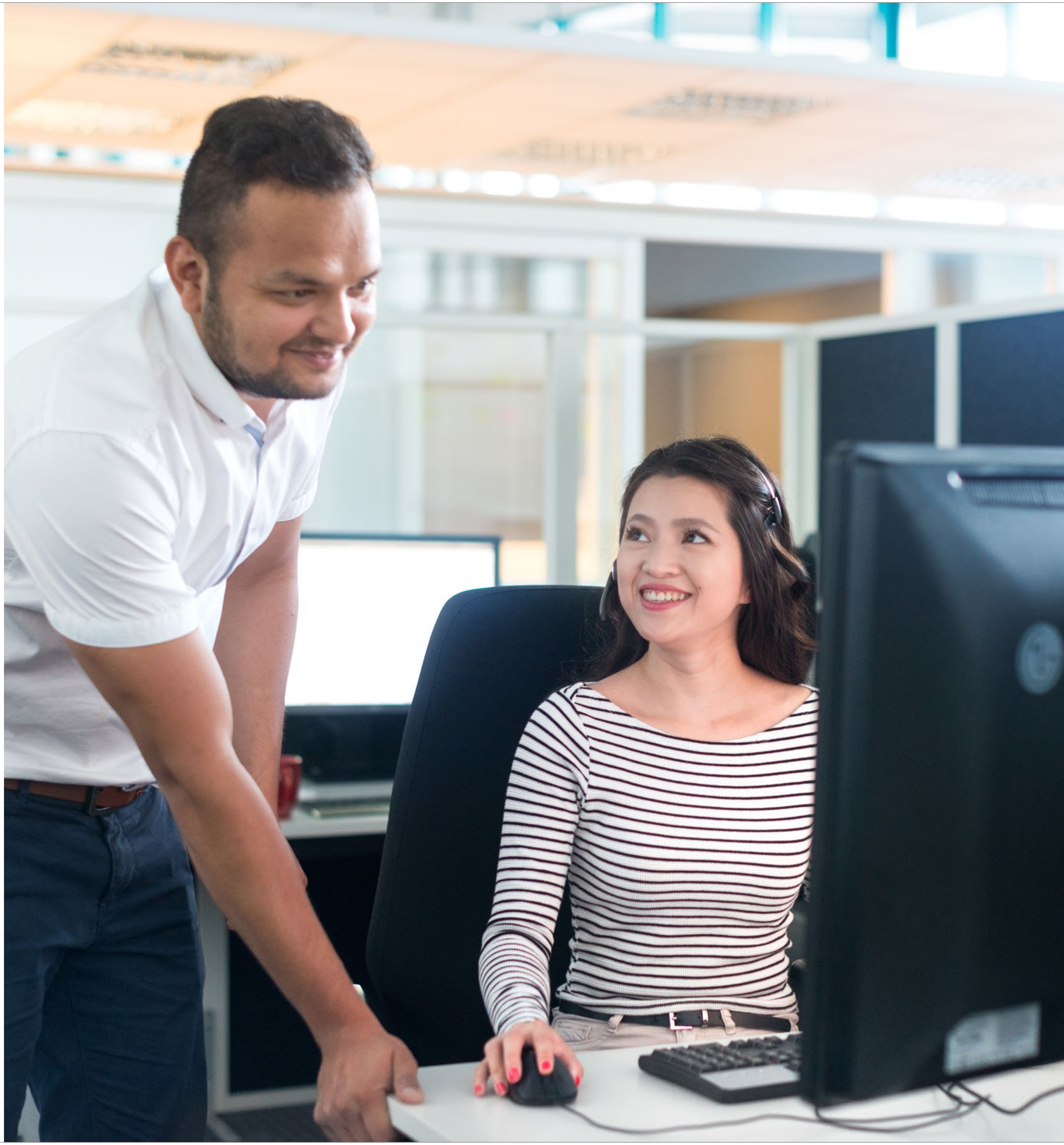
Main tasks

The Human Resources Committee is appointed to assist the Board in its responsibilities. The tasks and responsibilities are defined in a Charter of the Human Resources Committee which is based on a Board resolution as part of the Company's corporate governance principles.
The Committee shall:

- Review the organizational structure of the Company and make related recommendations or proposals to the Board when needed. The Committee will consider the principles for the selection of senior management, ensure that the long and short list of candidates contains diverse candidates and make proposals to the Board concerning the approval of the appointments, transfers and terminations for KLT positions.
- Review and monitor Konecranes' Talent Management and Succession Planning process and review potential successor candidates for KLT positions. In addition, the Committee will together with the President and CEO evaluate any special retention needs of senior management.
- Review development plans for the KLT Members and executive development programs, including training and competence development programs for members of senior management.
- Review the President and CEO's authority and responsibilities and make related recommendations or proposals to the Board when needed. The Committee will recommend to the Board on an annual basis the President and CEO's compensation founded on the evaluation of the Company's performance, compensation paid to chief executive officers in comparable global organizations, the competitive market for persons with similar skills and competences, and the Human Resources Committee's assessment of the President and CEO's current and expected contribution to the Company's success. The Committee will, based upon a recommendation by the President and CEO, make a proposal to the Board concerning the approval of the base compensation review and incentive levels for KLT members.
- Make recommendations to the Board with respect to the President and CEO's variable compensation and the adoption and amendment of long- and short-term incentive compensation plans and share-based plans which are subject to shareholder or Board approval. The Committee will make a proposal to the Board concerning the approval of the performance targets for the President and CEO, annual grants and the achievement against targets for the KLT members. The Human Resources Committee will evaluate and make recommendations to the Board concerning the Company's general principles for compensation. The Human Resources Committee will review incentive compensation plans and share-based plans to assess whether they provide an appropriate balance of risk and reward in relation to the Company's overall business strategy and expected performance, shareholder value creation and alignment of shareholder and senior management interests, without encouraging senior management to take unnecessary or excessive

risks. The Committee will monitor compliance with share ownership guidelines for the President and CEO and other members of senior management.
- Receive reports on the Company's human resources, corporate responsibility and safety strategies and its performance against the set targets, market standard, business strategy and Konecranes' values, and may recommend revisions to these targets. The Committee will receive reports on the Corporation's practices for supporting diversity and inclusion in the workplace, workplace safety activities and performance, and the Corporation's performance against Konecranes' fair labor frame.

In 2020, Konecranes' Human Resources Committee convened 10 times. The attendance of the Human Resources Committee members at meetings was 100 percent. The attendance of the members is presented in the table on page 9.



President and CEO

Richard Robinson Smith, from February 1, 2020 (as announced on October 7, 2019)
b. 1965

- US and German citizen
- President and CEO since February 1, 2020
- Member of the Konecranes Leadership Team since 2020
- Employed since 2020
- Education: Dr. rer. pol.
- Shares: -

Teo Ottola, Interim CEO until January 31, 2020
b. 1968

- Finnish citizen
- Chief Financial Officer and Deputy CEO, Interim CEO between October 7, 2019 and January 31, 2020
- Member of the Konecranes Leadership Team since 2007
- Employed since 2007
- Education: M.Sc. (Economics)
- Shares: 43,244

Main tasks and duties

Under the Companies Act, the President and CEO is responsible for the day-to-day management of the Company in accordance with instructions and orders given by the Board. The President and CEO may undertake actions which, considering the scope and nature of the operations of the Company, are unusual or extensive, only with the authorization of the Board. The President and CEO shall see to it that the Company's accounting practices comply with the law and that its financial affairs have been arranged in a reliable manner. The President and CEO is also responsible for preparing matters presented to the Board and for the Company's strategic planning, finance, financial planning, reporting, and risk management.

Konecranes Leadership Team

In addition to the President and CEO, the following persons belong to the Konecranes Leadership Team (KLT):

Teo Ottola
b. 1968
- Finnish citizen
- Chief Financial Officer, Deputy CEO
- Member of the Konecranes Leadership Team since 2007
- Employed since 2007
- Education: M.Sc. (Econ.)
- Shares: 43,244

Fabio Fiorino
b. 1967
- Canadian citizen
- Executive Vice President, Business Area Service
- Member of the Konecranes Leadership Team since 2012
- Employed since 1995
- Education: B. Eng., P. Eng., MBA
- Shares: 31,852

Timo Leskinen
b. 1970
- Finnish citizen
- Senior Vice President, Human Resources
- Member of the Konecranes Leadership Team since 2013
- Employed since 2013
- Education: M.Sc. (Psy)
- Shares: 16,262

Mika Mahlberg
b. 1963
- Finnish citizen
- Executive Vice President, Business Area Port Solutions
- Member of the Konecranes Leadership Team since 2017
- Employed since 1997
- Education: M.Sc. (Eng.)
- Shares: 16,567

Juha Pankakoski
b. 1967
- Finnish citizen
- Executive Vice President, Technologies
- Member of the Konecranes Leadership Team since 2015
- Employed since 2004
- Education: M.Sc. (Eng.), eMBA
- Shares: 14,371

Sirpa Poitsalo
b. 1963
- Finnish citizen
- Senior Vice President, General Counsel
- Member of the Konecranes Leadership Team since 2016
- Employed since 1988
- Education: LL.M.
- Shares: 37,248

KLT Member since March 1, 2020

Carolin Paulus
b. 1969
- German citizen
- Executive Vice President, Business Area Industrial Equipment
- Member of the Konecranes Leadership Team since 2020
- Employed since 1988
- Education: B. Econ, Business Management
- Shares: 2,310

KLT Member since November 1, 2020

Topi Tiitola
b. 1969
- Finnish citizen
- Senior Vice President, Integration and Project Management Office
- Member of the Konecranes Leadership Team since 2020
- Employed since 1995
- Education: M.Sc. (Econ.)
- Shares: 8,190

KLT Member until March 15, 2020

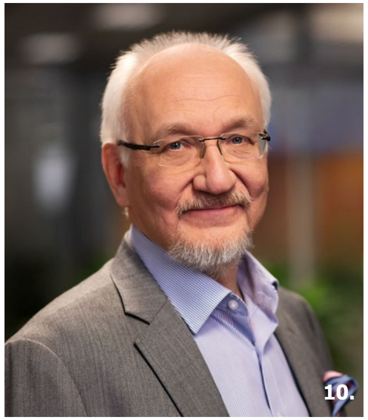
Minna Aila
b. 1966
- Finnish citizen
- Executive Vice President, Marketing & Corporate Affairs
- Member of the Konecranes Leadership Team since 2018
- Employed since 2018
- Education: LL.M.

KLT Member until March 1, 2020

Mikko Uhari
b. 1957
- Finnish citizen
- Executive Vice President, Business Area Industrial Equipment
- Member of the Konecranes Leadership Team since 1997
- Employed since 1997
- Education: Lic. Sc. (Eng.)

Main tasks

The Konecranes Leadership Team assists the President and CEO, but has no official statutory position based on legislation or the Articles of Association. In practice, however, it plays a significant role in the Company's management system, strategy preparation and decision-making.



1. Teo Ottola **2.** Fabio Fiorino **3.** Timo Leskinen **4.** Mika Mahlberg **5.** Juha Pankakoski **6.** Carolin Paulus **7.** Sirpa Poitsalo **8.** Topi Tiitola **9.** Minna Aila **10.** Mikko Uhari

Internal control and risk management related to financial reporting

Internal control related to financial reporting is designed to provide reasonable assurance concerning the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, applicable laws and regulations, and other requirements covering listed companies. Risk management is considered an integral part of running Konecranes' business. Konecranes' corporate risk management principles provide a basic framework, while each Group company or operating unit is responsible for its own risk management. Same principle is also applied for financial reporting.

Management of financial risks is described in Note 33 to Konecranes' Financial Statements 2020.

Control environment

Corporate governance and business management at Konecranes are based on the Company's values of trust in people, total service commitment and sustained profitability. The control environment is the foundation for all the other components of internal control and for promoting employee awareness of key issues. It supports the execution of strategy and regulatory compliance. The Board of Directors and Group Management are responsible for defining the Konecranes Group's control environment through business management structures, corporate policies, instructions and financial reporting frameworks. These include Konecranes' Code of Conduct, Anti-Corruption Policy and Konecranes' Controller's Manual, which constitute the main tool for accounting and financial reporting principles with respect to providing information, guidelines and instructions. The interpretation and application of accounting standards is the responsibility of the global accounting function. Guidelines and instructions for reporting are updated when necessary and are reviewed at least once a year.

Konecranes has three business segments (business areas): Service, Industrial Equipment and Port Solutions. As a deviation to Business Area Industrial Equipment, Business Area Port Solutions also incorporates those service branches and spare part units which are dedicated to serve the port customer segment. Business Area Service has four business units: Industrial Service, Parts supply, Component spare parts and Modernizations. Business Unit Industrial Service is internally managed and reported as a line organization through three regions — Europe, Middle East and Africa (EMEA), Americas (AME) and Asia Pacific (APAC). Other business units are managed as line organizations globally. Business Area Industrial Equipment and Business Area Port Solutions are operated as line organizations further divided into business units, and under business units further into product lines. These segments have clear product line profit responsibilities, ensuring a flawless order delivery process and enabling effective decision making. Support functions, such as Finance, Legal, HR, IT and Marketing and Communications are managed as line organizations.

In the finance operating model, management accounting (business controlling) and financial accounting are segregated where applicable. Management accounting employees specialize in supporting the business area management decision making, whereas financial accounting primarily follows a legal structure with a close link to corporate-level financial accounting. Group Internal Controls is focused on supporting local units in improving controls and processes and monitoring compliance with our internal controls. In 2020 this function was moved from Financial Accounting organization into Internal Audit organization.

Financial targets are set, and planning and follow-up activities are executed along the business area and business unit structures in accordance with the overall business targets of the Konecranes Group. The operations of Business Area Service are typically monitored based on profit-responsible service branches, which are further consolidated to country and region levels. Business Area Industrial Equipment is mainly monitored via the Components, Industrial Cranes and Process Solutions business units, which are divided into business/product lines. The manufacturing of components, sub-assemblies and other parts have a separate set of KPIs, as these supply operations are treated as cost centers rather than profit-generating units. Business Area Port Solutions has Mobile Harbor Cranes, Port Cranes, Software, Solutions, Lift Trucks and Port Service business units monitored in the same way as in Business Area Industrial Equipment.

Control activities

Konecranes Group management has operational responsibility for internal controls. Control activities are integrated into the business processes of the Konecranes Group and management's business supervision and monitoring procedures. Management follow-up is carried out through monthly management reporting routines and performance review meetings. These meetings are conducted at the business area and business unit levels, based on their own management structures, as well as at the Group level. Topics covered in the meetings include safety, review of the sales funnel, competitive situation, market sentiment, order intake and order book, monthly financial performance, quarterly and rolling 12-month forecasts, quality related matters and business risks, matters related to personnel, customers and internal control topics are also taken into account. Group management separately follows up the most important development activities. For example, R&D projects are monitored by the Product Board. The Product Board typically convenes on a quarterly basis.

All legal entities and business units have their own defined controller functions. Representatives from controller functions participate in planning and evaluating unit performance and ensure that monthly and quarterly financial reporting follows the Group's policies and instructions and that all financial reports are delivered on time in accordance with schedules set by the Group.

The Group has identified and documented the significant internal controls that relate to its financial processes either directly or indirectly through other processes. Group companies are responsible for implementing the identified and documented internal controls. The Group has a register of internal controls that applies to all entities globally. The register includes controls over assets, liabilities, revenue, and costs that require the involvement of Business and Financial Management. The register includes 88 controls that are categorized as key controls or operational controls. The list of internal controls is reviewed annually.

Assessments and monitoring

Each operational legal entity/unit assesses and reports its compliance with the centrally determined set of significant internal controls through completion of an annual controls assessment document. Responsibility for fulfilling this reporting requirement lies with the managing directors and controllers. This document is reviewed by the Internal Audit team, which ensures completion of the assessment and provides feedback and guidance when needed on how to improve existing processes to fill possible gaps in controls.

In 2020, Internal Audit visits covered approximately 33 percent of the operational legal entities and around 70 percent of third-party revenue. In addition to the above-described self-assessment of the control environment and Internal Audit visits, Group Internal Controls coordinated a self-testing process for 42 operational legal entities. Remediation of the control deficiencies is the responsibility of the Managing Director of the legal entity, and Internal Audit conducts a control review after the entity has corrected control weaknesses.

Communication

The Controller's Manual, together with reporting instructions, control register and policies, are stored in the Konecranes intranet for access by personnel. The Group, business areas and regions also arrange meetings to share information on financial processes and practices. Information for the Group's stakeholders is regularly communicated via the Konecranes Group's website. To ensure that the information provided is comprehensive and accurate, the Group has established a set of external communication guidelines. These define how, by whom, and when information should be issued; and they are designed to ensure that Konecranes meets all its information obligations and to further strengthen internal controls related to financial reporting.

During 2020

Following the acquisition of MHE-Demag in the beginning of 2020, Konecranes started to consolidate legacy Konecranes and MHE-Demag entity structure to the extent possible. Work is expected to be finalized during 2021. Consolidation covers also oneKonecranes processes, tools and control framework.

In 2020, Konecranes continued its IT system roll-out to implement harmonized processes, increase operational visibility and improve decision making, and to reduce the overall number of various IT systems. The oneKonecranes SAP ERP system is being taken into use for transaction handling and logistics within all three business areas. At the end of 2020, oneKonecranes coverage was 69 percent of Konecranes entities – there was a slight increase in the coverage compared to 2019 despite the MHE-Demag acquisition due to efficient implementation.

Konecranes also continued the implementation and development of the Financial Shared Service Center (FSSC) concept to offer mainly transaction handling services, financial master data maintenance and some financial accounting services. In 2020 the scope has been slightly expanded to cover for instance all IFRS 16 related activities. A pilot of Record-To-Report (R2R) related activities has also been started for selected countries. Transaction processes have been further harmonized for all units to enable enhanced utilization of Robotic Process automation and AI supported tools which have been taken more actively into use.

The internal control environment has been further improved using common, unified processes and a common system platform. The annual review and update of internal controls was focused on compliance and ethics.

Other information

Internal audit

Konecranes' Internal Audit function is an independent unit which assists the organization in achieving its objectives. The unit evaluates the efficiency of risk management, control and governance processes.

Internal Audit operates according to an audit plan approved by the Board's Audit Committee. The unit's working methods are based on the professional standards laid down by the Institute of Internal Auditors (IIA) and focus on process-oriented engagement rather than solely entity-based auditing. Internal audit results are reported to audited units' operative management, local subsidiaries' Chairman of the Board (internal Board) and relevant KLT members. Remediation follow-ups are coordinated by Internal Audit and the Group Internal Controls function. Remediated findings are verified by Internal Audit in separate re-audits.

In 2020, the Internal Audit Team conducted 30 planned audits according to an approved annual audit plan. In 8 full audits, the Internal Audit Team covered 88 key and operational controls with wide sample sizes, and in 22 walkthrough audits, the internal auditor covered 35 key controls with limited sample sizes. The annual plan covered 33 percent of active operational legal entities, all Financial Service Centers (FSSC) in Tallinn, Xiamen and Springfield and centralized functions, such as IT Services in Finland and Germany, HR Services in US, Germany, China and Finland were audited by Internal Audit according to annual plan. Additionally, Internal Audit has conducted or participated in 20 audits based on the compliance and ethics risk assessment.

All Internal Audit activities are reported to the Konecranes Leadership Team and the Board's Audit Committee on a regular basis. Internal Audit is responsible to the Audit Committee.

Related party transactions

Konecranes regularly identifies its related parties and follows transactions by those parties through its ERP system as well as through disclosures by related parties. Konecranes has not conducted any related party transactions that are material from the perspective of the company and where such transactions deviate from the company's normal business operations or are not made on market or market equivalent terms.

Insider administration

The Board of Directors has approved the Konecranes Plc Insider Regulations based on Market Abuse Regulation ("MAR"), regulation and guidance given by the European Securities and Markets Authority, the Finnish Securities Markets Act, Nasdaq Helsinki Ltd's Guidelines for Insiders and guidance given by the Financial Supervisory Authority.

Konecranes maintains an insider list ("Insider List") recording all persons having access to insider information related to the Company. The Insider List consists of one or more project-specific sections. Konecranes has determined that it will not establish a permanent insider section in this Insider List and there are thus no permanent insiders in Konecranes.

In Konecranes, persons discharging managerial responsibilities ("Managers") according to MAR are the members of the Board of Directors, the President and CEO and the members of the Konecranes Leadership Team.

Managers and their closely associated persons have to notify Konecranes and Financial Supervision Authority of all transactions, as defined in MAR, conducted on their own account relating to the financial instruments of Konecranes within three days of the transactions. Managers are prohibited from trading in Konecranes' financial instruments during a closed period starting on the 15th day of the month prior to the end of each calendar quarter and ending when the corresponding interim report or the financial statement bulletin is published, including the day of publication of said report ("Closed Period").

Konecranes keeps a record of persons who regularly participate in the preparation of Group-level financial results or who can otherwise have access to such information and has decided that the Closed Period set by Konecranes applies to them. Persons included in the Insider List's project-specific sections are prohibited from trading in Konecranes financial instruments until termination of the project concerned.

External audit

According to the Articles of Association of Konecranes, the Company has to have at least one regular APA auditor and one deputy auditor, or alternatively at least one auditing corporation, with an APA auditor as the responsible auditor. The auditors are elected to their office for a term expiring at the end of the Annual General Meeting of shareholders following the election. Ernst & Young Oy, Authorized Public Accountant Firm, has been the Company's external auditor since 2006. Ms. Kristina Sandin served as Principal Auditor in 2020 and has been in this position since 2015. Ernst & Young Oy and its affiliated audit companies received EUR 3.7 million fees for auditing Konecranes Group companies in 2020 and fees of EUR 0.9 million for non-audit services. In 2019, the corresponding fees were EUR 3.3 million and EUR 0.4 million.

REMUNERATION REPORT

Remuneration principles

Konecranes' remuneration principles aim to attract, retain and motivate talented employees. We consider incentives and learning opportunities as drivers and as vital parts of the total employee experience. Remuneration is linked to performance and achievements at all organizational levels.

Our remuneration is designed to promote high performance and commitment to our business targets. Konecranes' remuneration schemes aim to drive competitiveness and the long-term financial success of the company, as well as to contribute to the positive development of shareholder value.

Application of the remuneration policy

The Konecranes remuneration policy was implemented in 2020 to formalize the existing and continuing practices and illustrate the link between Konecranes business targets and strategy and how those have been considered for existing remuneration principles. More details for the compensation systems are defined separately, while the principles are summarized in the group remuneration policy, supporting shareholders' understanding and evaluating compensation practices.

The remuneration policy was presented at the 2020 AGM. The AGM 2020 gave an advisory resolution to support the Konecranes Remuneration Policy, covering the principles for remuneration of the members of the Board of Directors, President and CEO and Deputy CEO. The remuneration policy's validity will be reviewed by the Board of Directors every four years, at minimum.

Konecranes remuneration policy is available on **https://investors.konecranes.com/remuneration-policy.**

The following deviations to the policy were made during 2020: Implementation of the CEO Retention plan, Bridge plan (Restricted Share Unit Plan 2020).

Remuneration linked to the long-term success of the company

The different Konecranes remuneration elements aim to provide a competitive compensation for the executives and employees. The target is to reward short-term and long-term performance through the motivating remuneration mix.

The short term-incentive plan is based on annual targets and the financial performance of the group. The Performance Share Plan is based on longer-term financial performance and shareholder value creation. The executive shareholding requirements support the alignment of corporate aims and executive interests.

The mix of those elements and targets align interests of board members, executives and shareholders and increases the commitment to achieve strategic targets. This will positively serve the long-term interest of the company and its shareholders which is reflected in the positive development of the profitability of the company, measured with the financial KPIs.

The development of the remuneration of the Board of Directors as well as of the President and CEO is reviewed annually. The level of the remuneration for the Board of Directors was adjusted in 2017 to reflect the growing size of the group and to better align with the market trends after the integration of the acquired Materials Handling & Port Solutions business from Terex. The same effect is reflected in the compensation of the President and CEO after the acquisition to reflect the changing size of the business and responsibilities.

Financial Performance / Remuneration in €	2016	2017	2017 vs. 2016	2018	2018 vs. 2017	2019	2019 vs. 2018	2020	2020 vs. 2019
Net sales, MEUR	2,118.4	3,137.2	**48.1%**	3,156.1	**0.6%**	3,326.9	5.4%	3,178,95	**-4.4%**
Adjusted EBITA, MEUR	144.8	216.6	**49.6%**	257.1	**18.7%**	275.1	7.0%	260.8	**-5.2%**
Chairman of the Board	105,000	140,000	**33.3%**	140,000	**0.0%**	140,000	0.0%	140,000	**0.0%**
Other board members	42,000	70,000	**66.7%**	70,000	**0.0%**	70,000	0.0%	70,000	**0.0%**
President and CEO*	442,560	622,200	**40.6%**	617,700	**-0.7%**	515,976	-16.5%	698,677	**35.4%**
Average KC employees**	44,645	46,379	**3.9%**	48,059	**3.6%**	50,931	6.0%	42,616	**-16.3%**

* The compensation of the President and CEO reflects the actual paid remuneration of Panu Routila from 2016 to 2019 and Rob Smith starting in 2020. The remuneration details contain the base salary as well as the car and phone benefit, pension is not included in this sum. The change in the remuneration of Panu Routila from 2017 to 2018 results from changes in the car benefit.
** Excluding restructuring cost.

Remuneration elements

Remuneration of Board of Directors

The key principles for Konecranes' Board remuneration is to (1) be competitive to attract international professionals representing a diverse and relevant mix of skills and experience and (2) to provide fees which account for relevant market practices and the time commitment and responsibilities of the roles.

The remuneration elements for the Board the Directors are an Annual Fee, Committee Attendance Fee and travel reimbursements.

40 percent (50 percent until AGM 2020) of annual fee is paid in Konecranes shares purchased on the market at a price determined in public trading on behalf of the Board members. The remuneration shares are purchased in accordance with a trading plan prepared by the Company. The Company covers the transaction costs and transfer tax in connection with the purchase or transfer of remuneration shares. If payment in shares cannot be carried out due to legal or other regulatory restrictions or due to other reasons related to either the Company or a Board member, annual remuneration will be paid entirely in cash. According to the Trade Plan 2020, the remuneration should be paid in three instalments. The first instalment comprises half (1/2) of the total number and the following two instalments comprise one quarter (1/4) of the total number each. Each instalment shall be purchased within the two-week period beginning on the date following each of the company's interim report announcements in 2020 and the company's financial statements bulletin concerning the year 2020.

In addition to the Annual Fee, a Committee Attendance Fee will be paid to the committee members to reflect any additional time commitment or duties. Travel expenses for all Board members, including the employee representative will be compensated against receipt.

The members of the Shareholders' Nomination Board shall not be entitled to any remuneration from Konecranes on the basis of their membership.

Konecranes' Board members are not in an employment relationship or service contract with Konecranes with the exception of one Board member who has been selected among the employees. Except this Board member, the other Board members do not participate in Konecranes' incentive programs or have a pension scheme arranged by Konecranes.

Remuneration of the President and CEO

The remuneration of the Konecranes President and CEO and Deputy CEO include a fixed base salary, fringe benefits, a defined contribution scheme in addition to the Finnish statutory pension, performance-related annual variable pay and a long-term, performance-related share plan.

Salaries

The base salaries and fringe benefits of the Konecranes President and CEO, the Deputy and Interim CEO and Konecranes Leadership Team members reflect the performance and individual job responsibilities, experience, skills and knowledge.

Incentives

Short-term Incentives

Konecranes' short-term incentives are designed to support the Company's financial success and the leaderships' commitment to achieve set targets on a semi-annual or annual basis, depending on the year.

President and CEO Rob Smith's annual incentive is calculated based on the comparison of financial performance of the Company for the applicable year considering strategic business priorities. The maximum incentive opportunity for the President and CEO as well as for the Deputy CEO / Interim CEO is 100 percent of the annual base salary.

The short-term incentive plan 2020 for the President and CEO and Deputy CEO was based on the achievement of the following measures: 70 percent Group adjusted EBITA percentage and 30 percent Group Orders Growth percentage. There are due short-term incentive payments for 2020. They will be reported in the 2021 report and on the company webpage, as the amounts have not been finalized by the date when the report is published.

Long-term Incentives

Performance Share Plan (PSP)

The aim of Konecranes' long-term incentive plans, i.e. the Performance Share Plans, is to align the objectives of shareholders and Konecranes' key employees to increase the value of the Company, to commit key employees to the Company and to reward employees for achieving set targets. The actual grant is directly linked to Key Performance Indicators supporting long-term shareholder return and applies multi-year performance period (programs active during year 2020, 3-year performance period).

The 2019–2021 plan has two criteria: 40 percent weighting of sales growth compound annual growth rate (CAGR) of 2019–2021, and adjusted cumulative earnings per share (EPS) 2019–2021, including defined restructuring costs, purchase price allocation amortization and certain other unusual items. The plan is directed to approximately 200 key employees, with maximum 670,000 allocated Konecranes shares. There is one cap on the value of total reward that if the share price has grown 75 prercent from granting to vesting, the exceeding reward will be cut.

The 2020–2022 plan has a performance period with three separate measurement periods and separate targets for 2020, 2021 and 2022. The criterion for the measurement period 2020 and 2021 is adjusted EPS. Adjustments to the EPS include defined restructuring costs, mergers and acquisitions related deal costs and other unusual items. The EPS targets for the measurement periods 2020 and 2021 have also been resolved by the Board of Directors. The target group of the plan for the performance period 2020–2022 consists of a maximum of 160 key employees of the Konecranes Group. The rewards to be paid on the basis of the performance period correspond to the value of a maximum total of 600,000 Konecranes' shares. The payment of the total reward takes place in 2023 if the plan term conditions are met.

Restricted Share Unit Plan (RSU 2020)

On October 27, 2020 Konecranes announced that the Board of Directors of Konecranes has decided to establish a new share-based incentive plan for the Konecranes Group key employees. The new Restricted Share Unit Plan 2020 is intended to function as a bridge plan for the transition period before the closing of the contemplated Merger of Konecranes and Cargotec and forming the Future Company in the Merger. The aim of the plan is to align the objectives of the shareholders and the key employees, to secure business continuity during the transition period, and to retain key employees at Konecranes. The reward from the plan is conditional to the closing of the Merger. In addition, the reward is based on a valid employment or service and the continuity of the employment or service during the waiting period. The reward is paid partly in shares and partly in cash, after the end of the waiting period, ending on the closing date of the Merger. Shares received as a reward in the plan may not be sold, transferred, pledged or otherwise assigned during the 12-month lock-up period. The lock-up period begins on the date following the closing date of the Merger.

The plan is intended for selected key employees only, approximately 100 employees, including the Konecranes Leadership Team members. The rewards to be allocated in Konecranes shares on the basis of the plan will amount up to an approximate maximum total of 120,000 Konecranes shares. In addition, a cash proportion is included in the reward to cover taxes and tax-related costs arising from the reward. The share allocation for President and CEO is 12,922 net shares, for the Deputy CEO 3,889 net shares.

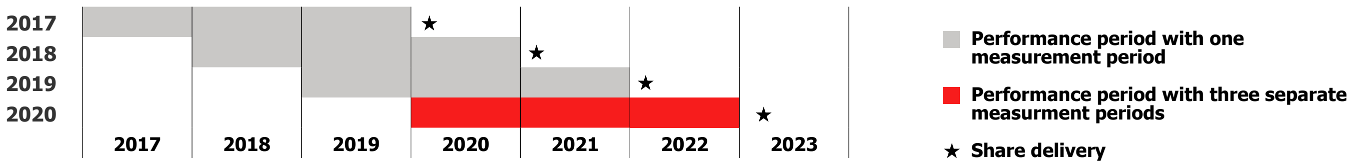
Employee Share Savings Plan (ESSP)

In 2012, Konecranes launched an Employee Share Savings Plan for all employees, including the Management, except in those countries where the plan could not be offered for legal or administrative reasons. Participants save a monthly sum of up to 5 percent of their gross salary, which is used to buy Konecranes shares from the market on behalf of the participants. If participants are still in possession of these shares after an approximate three-year holding period, they will receive one matching share for every two initially purchased. This plan is also available for the President and CEO as well as Deputy CEO.

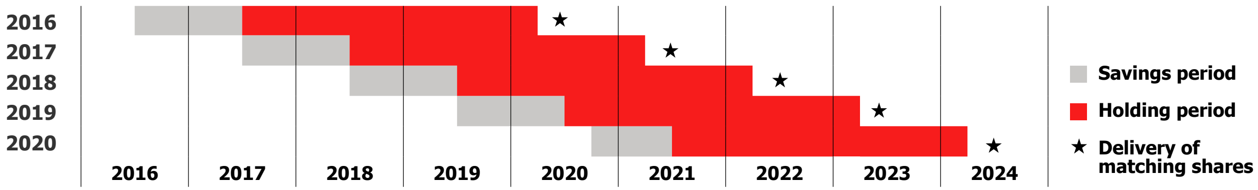
Retention incentive plan for the President and CEO

To ensure Konecranes' business performance, successful execution of the merger transaction, and shareholder value creation in 2021, Konecranes has extended a cash-based retention incentive program to the President and CEO. The value of the retention program is EUR 1,500,000 payable after the closing of the merger. The retention incentive payment is subjective to the following preconditions: closing of the merger, President and CEO continues in service of the company, has not served a notice of termination and has performed his duties according to his contract prior to merger transaction being completed.

Performance Share Plan



Employee Share Savings Plan



Pensions

The Finnish statutory pension system covers the Finnish Konecranes Leadership Team members. The non-Finnish members participate in pension systems in their local countries. In addition to statutory pensions, Konecranes provides a supplementary contribution-based pension benefit to the President and CEO as well as to the Deputy CEO.

The pension scheme for the President and CEO sets his defined contribution at 20 percent of his annual base salary including fringe benefits and excluding performance-based compensation (annual or long-term incentives). The contribution level for the Deputy CEO has been set at 1 percent of the annual base salary. The retirement age in this plan is 63 years.

Remuneration elements of the President and CEO and Deputy CEO (Interim CEO) Konecranes Leadership Team

	President and CEO (from February 1, 2020)	Deputy CEO (Interim CEO from October 7, 2019 to January 31, 2020)
Base salary	Fixed salary with fringe benefits	Fixed salary with fringe benefits
Short-term incentives	Based on financial performance Max. 100% of annual base salary	Max. 100% of annual base salary
Long-term incentives	Paid according to Performance Share Plans (and RSU 2020 plan)	Paid according to Performance Share Plans (and RSU 2020 plan)
Proportion of fix and variable compensation (as % of total target remuneration)	41% base salary 21% short-term incentive* 38% long-term incentive* * target opportunity, long-term incentive is excluding RSU 2020	43% base salary 22% short-term incentive* 35% long-term incentive*
Pensions	Finnish Statutory pension Defined contribution plan at 20% of annual base salary incl. fringe benefits	Finnish Statutory pension Defined contribution plan at 1% of annual base salary incl. fringe benefits
Additional elements	Cash based retention incentive	
Shareholding requirements	Performance Share Plan 2017 or Performance Share Plan 2017–2021 for the CEO - Must hold until he owns shares worth EUR 750,000 in total Previous plans - Must hold min. 50% of any net shares given based on reward plans, until the value of shareholding equals annual salary	Must hold min. 50% of any net shares given based on reward plans - Until the value of shareholding equals annual salary and - Membership in the Konecranes Leadership Team continues

Terms of Employment for the President and CEO

- Period of notice: 6 months' notice by the President and CEO and by the company.
- Severance pay: equals to 12 months' salary and fringe benefits in case of termination prior to the age of 63, in addition to the salary for the notice period
- Retirement age: 63 years
- Total remuneration:
  - Monthly salary: EUR 66,667.00
  - Fringe benefits: Car, mobile phone
  - Contribution based pension: 20% of the annual base salary incl. fringe benefits
  - Short-term incentive maximum: 100%
  - Long-term incentives: according to the performance share plans and RSU plan

Terms of Employment for the Deputy CEO (Interim CEO from October 7, 2019 to January 31, 2020)

- Period of notice: 6 months' notice by the Interim CEO or 9 months' notice by the company.
- Severance pay: equals to 9 months' salary and fringe benefits, in addition to the salary for the notice period
- Retirement age: 65 years 6 months
- Total remuneration:
  - Monthly salary: EUR 24,753.75
  - Fringe benefits: Car, mobile phone
  - Contribution based pension: 1% of the annual base salary incl. fringe benefits
  - Short-term incentive maximum: 100%
  - Long-term incentives: according to the performance share plans and RSU plan

Annual remuneration report 2020

This part presents the remuneration paid and payable to Board of Directors, Konecranes President and CEO, and Deputy CEO and Interim CEO in 2020.

Remuneration of the Board of Directors

Fees payable to the Board members as confirmed by the latest Annual General Meeting on June 11, 2020 and the total compensation paid in 2020 are shown in the tables on the right.

Total remuneration paid to the Board of Directors during 2020

Due to the payment cycle, Board remuneration during 2020 includes the Board of Directors' partial remuneration decided by AGM 2019 from January 1, 2020 until AGM 2020, and from AGM 2020 until December 31, 2020 the partial remuneration decided by AGM 2020.

Fees payable to the Board of Directors

Annual fee 2020	Total EUR
Chairman of the Board	140,000
Vice Chairman	100,000
Board member	70,000
Fee per Board Committee meeting	1,500
Chairman of the Audit and HR Committee per committee meeting	3,000

Board members are also reimbursed for their travel expenses.

Total remuneration paid to the Board of Directors during 2020

Member	EUR Cash portion as part of Total Annual Remuneration	Nr of shares as part of Total Annual Remuneration	EUR value of shares as part of Total Annual Remuneration *)	EUR Committee Meetings	Total EUR
Chairman					
Christoph Vitzthum	80,552	2,193	59,448	13,500	153,500
Other Board Members					
Janina Kugel	40,291	1,096	29,709	19,500	89,500
Niko Mokkila	31,511	808	20,989	9,000	61,500
Päivi Rekonen	40,291	1,096	29,709	18,000	88,000
Per Vegard Nerseth	40,291	1,096	29,709	13,500	83,500
Ulf Liljedahl	40,291	1,096	29,709	36,000	106,000
Other Board Members	**192,676**	**5,192**	**139,824**	**96,000**	**428,500**
Board Members until June 11, 2020					
Anders Nielsen	8,780	288	8,720	9,000	26,500
Bertel Langenskiöld	8,780	288	8,720	7,500	25,000
Ole Johansson	12,526	412	12,474	9,000	34,000
Board Members until June 11, 2020	**30,086**	**988**	**29,914**	**25,500**	**85,500**
Total Board Compensation	**303,315**	**8,373**	**229,185**	**135,000**	**667,500**

Due to the payment cycle, Board remuneration during 2020 includes the Board of Directors' partial remuneration decided by AGM 2019 from January 1, 2020 until AGM 2020, and from AGM 2020 until December 31, 2020 the partial remuneration decided by AGM 2020.

*) share value based on the purchase date.
Purchase date 21.02.2020, purchase price € 30,2771
Purchase date 29.10.2020, purchase price € 25,9764

Board meeting attendance 2020

Member	Board meetings attended	Audit Committee meetings attended	HR Committee meetings attended
Chairman			
Christoph Vitzthum	29/29	–	10/10
Other Board Members			
Janina Kugel	28/29	–	10/10
Janne Martin	19/20	–	–
Niko Mokkila	19/20	7/7	–
Päivi Rekonen	28/29	10/10	–
Per Vegard Nerseth	29/29	2/3	7/7
Ulf Liljedahl	29/29	10/10	–
Board Members until June 11, 2020			
Anders Nielsen	9/9	–	3/3
Bertel Langenskiöld	9/9	–	3/3
Ole Johansson	9/9	3/3	–

Remuneration of the President and CEO

The salaries, fringe benefits and short-term incentives paid to the President and CEO amount to EUR 698,677 and for the Deputy CEO and Interim CEO to EUR 420,096.

Konecranes conducted annual target setting and achievement review for 2020 to facilitate business success. The 2020 Group / Business Area adjusted EBITA (%) and Orders Growth (%) were used as main criteria for Group and Business Area management.

Remuneration of the President and CEO	**2020** Rob Smith **President and CEO**	**2020** Teo Ottola **Deputy CEO (Interim CEO, from Oct 7, 2019 until Jan 31, 2020)**	**2020** Panu Routila **Former President and CEO**	**2019** Panu Routila **) **President and CEO**	**2019** Teo Ottola **Deputy CEO (Interim CEO, from Oct 7 , 2019 until Jan 31, 2020)**
Salaries and fringe benefits	698,677	299,781		515,976	307,109
Short-term incentives paid (based on previous year performance)		120,315	125,422	330,225	99,848
Performance share rights allocated (# of share rights) *)	122,922	57,889			62,000
Shareholding in Konecranes Plc (# of shares)		43,244			35,324
Expense of statutory/voluntary pension plans	211,815	72,524		349,552	70,341
Benefits related to termination of employment			632,880	364,690	

*) Number of 2020 restricted share rights are included and reported as net share amounts. In addition, a cash part is included in the reward.
**) Panu Routila was not acting as CEO at December 31, 2019, thus shares and share rights in his possesion have not been reported.

Long-term Incentives

The long-term incentives awarded in the recent years are shown in the table below.

Long-term incentives

Performance Share Plan (year)	PSP 2017	PSP 2018	PSP 2019	PSP 2020
Performance period	2017–2019	2018–2020	2019–2021	2020–2022
Measure	Adjusted Cumulative EPS	Adjusted Cumulative EPS	Adjusted Cumulative EPS and Sales Growth CAGR %	Adjusted EPS for years 2020 and 2021 *
Performance share rights allocated (# of share rights)	825,955	670,433	633,667	596,500
Grant date share value, EUR/Share	38.45	32.91	32.16	22.60
Total share value, based on the grant date value, EUR	31,757,970	22,063,950	20,378,731	13,480,900
Total gross shares delivered	542,492	N/A	N/A	N/A
Gross shares delivered				
Panu Routila, former President and CEO	31,680	N/A	N/A	N/A
Rob Smith, President and CEO since February 1, 2020	N/A	N/A	N/A	N/A
Teo Ottola, Deputy CEO (Interim CEO from October 7, 2019 until January 31, 2020)	15,840	N/A	N/A	N/A

* PSP 2020 has three separate measurement periods and separate targets for 2020, 2021 and 2022. Measure for year 2020 and 2021 is adjusted EPS.

Konecranes Employee Share Savings Plan (ESSP) is offered to all employees including the management, except in countries where it is not possible due to legal or administrative reasons.

Summary of Employee Share Savings Plan

Employee Share Savings Plan (year)	ESSP 2016	ESSP 2017	ESSP 2018	ESSP 2019	ESSP 2020
Savings period	September 1, 2016–June 30, 2017	July 1, 2017–June 30, 2018	July 1, 2018–June 30, 2019	July 1, 2019–June 30, 2020	October 1, 2020–June 30, 2021
Amount of participants*	1,008	1,761	1,751	1,997	2,440
Amount of shares acquired	42,960	93,764	114,924	165,837	(On-going)
Delivered or expected matching shares to be delivered*	21,480	45,788	56,082	80,290	N/A
Share price by delivery date or by the end of December 2020 (for non-vested plans), EUR/share	27.44	28.78	28.78	28.78	28.78
Value of the delivered or expected matching shares **)	589,411	1,317,779	1,614,040	2,310,746	N/A

*) By the end of December 2020
**) Share value by delivery date or by the end of December 2020 (for non-vested plans)

The new Restricted Share Unit Plan (RSU) 2020 is intended to function as a bridge plan for the transition period before the closing of the contemplated Merger of Konecranes and Cargotec and forming the Future Company in the Merger.

Restricted Share Unit Plan (year)	RSU 2020
Transfer restriction and lock-up period	12-month lock-up period after the Merger completion
Total net shares allocated (# of share rights)	119,246
Net shares allocated	
Rob Smith, President and CEO since February 1, 2020	12,922
Teo Ottola, Deputy CEO (Interim CEO from October 7, 2019 until January 31, 2020)	3,889

Risk management

Konecranes' Board of Directors has defined and adopted a set of risk management principles based on widely accepted international good management practices. The Audit Committee evaluates and reports on the adequacy and appropriateness of internal controls and risk management to the Board.

Risk management principles

Risk is anything that will clearly affect Konecranes' ability to achieve its business objectives and execute its strategies. Risk management is part of Konecranes' control system and is designed to ensure that any risks related to the Company's business operations are identified and managed adequately and appropriately to safeguard the continuity of Konecranes' business at all times.

The Group's risk management principles provide a basic framework for risk management across Konecranes, and each Group company or operating unit is responsible for its own risk management. This approach guarantees the best possible knowledge of local conditions, experience and relevance.

The Group's risk management principles define risk management as a continuous and systematic activity aimed at protecting employees from personal injury, safeguarding the assets of all Group companies and the Group as a whole, and ensuring stable and profitable financial performance. By minimizing losses due to realized risks and optimizing the cost of risk management, Konecranes can safeguard its overall long-term competitiveness.

Significant risks for Konecranes

Konecranes has assessed its strategic, operational, financial and hazard-related risks. The list of risks below, and the risk management methods described here, are intended to be indicative only and should not be considered exhaustive.

Impact of the COVID-19 pandemic

2020 was an exceptional year in the context of risk management because of the COVID-19 pandemic.

From the very beginning, the safety of our employees and supporting the mission-critical operations of our customers were elevated as an overriding priority for all Konecranes' actions. Konecranes' strong occupational health and safety work was supplemented with extensive mitigation of and preparedness for health-related risks caused by pandemic. Adjustment and launch of the related crisis management and continuity plans were swift and effective. Help was provided by sharing knowledge, tools, experiences and practices globally to ensure Konecranes had the capacity to respond if, when and where needed. The pandemic turned from a risk to a fact, but the risks and potential impacts were strongly mitigated. Konecranes keenly followed all guidance and requirements of respective local and global authorities.

As the pandemic preparedness for business continuity was launched throughout the organization, all the activities, such as supplier capacity assessments and cooperation, logistics practicalities, running Konecranes' own production and related subcontracting, moving majority of office work to home offices, safeguarding customer interaction and ensuring project execution capabilities for deliveries, required special attention and expertise. Konecranes responded quickly and was successful in ensuring its operational capacity while the impacts of the pandemic fluctuated in various countries, locations and throughout the year.

Throughout 2020 Konecranes continued to deliver an excellent customer experience where our safety practices were above and beyond both customers' expectations and the requirements of various authorities. Some challenges, such as customer factory closures, were turned into opportunities to provide services in idling premises.

With an intense focus placed on mitigating the pandemic-related risks, some other risk management activities were, relatively speaking, not equally extensive during 2020. While Konecranes maintained a focus on all risk management activity of the whole organization, the impact of the pandemic preparedness and efforts to ensure business continuity under a new set of constraints seemingly dwarfed the traditional risk management and mitigation efforts.

Market risks

Demand for Konecranes' products and services is affected by the development of local and global economies, regional and country-specific political issues and stability, as well as the business cycles of Konecranes' customer industries. Currency fluctuations may cause changes in the competitiveness of our products in a specific market and affect our customers' businesses. Capital expenditure on industrial cranes varies with the development of industrial production and production capacity, while demand for port solutions follows trends in global container traffic and port investment cycles. Lift truck demand follows other industrial and port product segments. Demand for maintenance services is driven by the capacity utilization rates of our customers. In addition to risks related to sales volumes, adverse changes in demand can also result in overcapacity and affect market prices, as can the actions of competitors.

Konecranes' aim is to increase the proportion of service revenue in its total revenue stream and thereby reduce its exposure to economic cycles. In general, the demand for services is less volatile than that for equipment.

As part of its strategy, Konecranes strives to maintain a reasonably wide geographical market presence to balance out economic trends in different market areas while also paying attention to relevant distribution costs. Konecranes also aims to limit the risks resulting from changes in demand in different customer segments, as well as the demand for certain products, by maintaining a diverse customer base and offering a wide range of products and services. Konecranes also strives to differentiate itself from its competitors and reduce the competitive pressures that it experiences through active product development.

During 2020 Konecranes extended the use of digital tools. Leveraging digitalized, mobile processes enabled remote work and sales, reduced dependence on the location and secured business continuity during the pandemic. Konecranes' business model, based on service agreements and long-term business relationships, has been proven resilient and enabled us to serve essential industries even during the lockdowns while keeping everyone safe.

Due to the pandemic, many market and customer activities were transformed into digital format and executed online. Webinars, remote sales activities with local presence, remote customer relationships management, remote support for physical product deliveries were quickly ramped up as the pandemic spread.

Trade finance risks

Challenges with customer payments could adversely affect Konecranes' financial situation. To limit this risk, we apply a conservative credit policy regarding our customers. It is Konecranes' practice to review customers carefully before entering into a formal business relationship with them, via 3rd party reports, when available, or internal efforts. The credit risks of our customers are mitigated by advance payments, letters of credit, payment guarantees and credit insurance where applicable. By using these tools and carefully monitoring customer payments, we have been able to successfully limit our credit risks.

During 2020, Konecranes trade finance professionals extended their focus towards customs compliance and executed several e-learning modules on the topics such as Trade Finance, Export Control and Sanctions and Customs Compliance. Continued efforts to streamline, implement and improve practices with local credit policies, trade compliance and customs compliance, including extended integration with IT services, delivered results. During the pandemic, we underlined rigor in managing credit and customer risks.

Technology risks

Konecranes recognizes that there are various threats and opportunities related to the development of new products and services in its business. Active management of intellectual property rights is essential in the global marketplace. We have continued to monitor general market trends, technological developments, competitors' actions, customer behavior and developments in various industry segments to identify signs of potential changes that could impact us.

With our internal processes we systematically follow and incorporate key technologies. We have refined process-driven approaches, from innovations to needed technological research, all the way to product development projects. We also participate in global standardization work in ISO and CEN to ensure we fulfill existing and future safety and environmental standards. Work in the European working group focusing on the OPC-UA Open Platform Communications Unified Architecture standard for cranes continued in 2020.

We continued to work closely with a number of startup companies to ensure early knowledge of new ideas and technologies. Collaboration with external research institutes and universities also continued.

We utilize our global testing centers to further improve the safety and reliability of our products. We carry out extensive lifetime testing of our new and existing products, creating new knowledge to reduce technical risks. Testing centers are also an integral part of our in-house research and are audited to the ISO 17025 standard, ensuring the quality of testing processes, proper test planning and documentation of the results. We use the results actively to develop the reliability of our products.

With global crane data via our Industrial Internet solution, we increase our awareness of how cranes behave in daily operations. Based on this, we continue to develop algorithms, helping us predict issues related to crane safety and operations.

In 2020 we continued to actively protect our designs, innovations, trademarks and domains. We have a regular process to monitor and act on possible violations.

Technical training for our service technicians is an essential risk management effort. The same applies to lifting equipment specific training for engineers and designers. Service technician training continued actively during the year. For engineers, we continued developing specific training materials and conducted trainings based on this.

Personnel

Konecranes' ability to operate is dependent on the availability, expertise and competence of professional personnel. The investment continued in the industry-leading technical skills of our service technicians, leadership development, and in customer-centric and effective sales and sales management skills.

During 2020 Konecranes has significantly increased its investment in project management and procurement excellence in addition to lean development. Within these focus areas, Konecranes invested in training and development efforts to further improve customer satisfaction. In addition, Konecranes increased recruitment for its software development and competence development in solutions area.

The Employee Share Savings Plan and other employee engagement programs continued. We've invested substantially in employee safety and well-being especially during the COVID-19 pandemic by providing PPEs, facilitating remote working and increasing focus on both mental and physical wellbeing.

In addition, Konecranes has increased its effort and training in, for example, compliance, human rights and information security.

Acquisitions, mergers & divestments

Unsuccessful acquisitions or a failure to successfully integrate an acquired company could result in reduced profitability or hamper the implementation of corporate strategy. Konecranes reduces the risks associated with acquisitions by carrying out due diligence analyses, using external advisors when needed.

On December 5, 2019, Konecranes signed the acquisition of the remaining 50 percent of equity capital of MHE-Demag (S) Pte. Ltd. from Jebsen & Jessen Pte. Ltd. Following the transaction, which closed on January 2, 2020, Konecranes holds 100 percent of the share capital in the company. During 2020 the integration of MHE-Demag proceeded via, for example, unifying organization, Konecranes systems implementation, business process and model harmonization and legal entity consolidation.

On October 1, 2020 Konecranes and Cargotec announced that their respective Boards of Directors had signed a combination agreement and a merger plan to combine the two companies through a merger. Pursuant to the merger plan, Konecranes shall be merged into Cargotec through an absorption merger so that all assets and liabilities of Konecranes shall be transferred without a liquidation procedure to Cargotec and Konecranes will be dissolved. The planned merger completion date is January 1, 2022, however, the date is subject to change and the actual completion date may be earlier or later than January 1, 2022. The completion of the merger is subject to necessary merger control approvals having been obtained and other conditions to completion having been fulfilled.

Production risks

Konecranes' strategy is to maintain the in-house production of key components that have high added value, and/or provide core competitive advantages. There are specific risks involved with different aspects of production, such as production capacity management, operational efficiency, continuity, lead times and quality.

During 2020, due to increased uncertainty of demand, the key focus was on executing production capacity adjustments based on market demand. Konecranes implemented an upstream process for all factories to produce only with customers' confirmation of access to the customer site for delivery. Investments in replacements focused on environmental aspects and the safety and security of operations. At the same time Konecranes accelerated the deployment of the lean manufacturing concept that is internally named as Konecranes Way. This continuous improvement effort gained momentum and some of our core facilities have been nominated as "lighthouse" or priority factories to highlight the achievements and promote the opportunities.

Procurement risks

Procurement at Konecranes strives to proactively mitigate risks associated with pricing, quality, capacity, availability and other requirements defined by Konecranes, including the Supplier Code of Conduct. If realized, potential risks and deficiencies in the above areas may negatively affect the business and/or reputation of Konecranes.

Konecranes continued operational efficiency development with suppliers in 2020. With selected key suppliers we focused on improving and maintaining quality, availability and on-time delivery performance. COVID-19-related risk mitigation started in January and once pandemic was declared, our actions intensified. Supplier Code of Conduct monitoring was enhanced, and related audits were executed as planned, while remaining mindful of the pandemic. Processes related to supplier onboarding and annual background checks of existing suppliers were developed further.

Konecranes wants to continuously improve cooperation with selected existing suppliers and seek competitive alternate suppliers in order to mitigate risk. New alternate suppliers improve price competition, increase production capacity when necessary and can lower sourcing risks. The agreements with our most significant suppliers have been designed to optimize and secure global performance for both us and our customers.

Quality

High-quality services and equipment, along with business procedures and processes, play a key role in minimizing Konecranes' business risks. Certified quality procedures are widely used in the Group. Konecranes aims for operational excellence by the lean manufacturing concept and right first time approach throughout the company. The culture of in-built quality, understanding of problems' root causes, turning deviation to success and minimizing business risks is promoted.

In 2020, Konecranes continued developing both its local and global quality improvement processes. Systematic improvement methodologies have yielded good results. Continuous improvement of customer experiences management, connected with systematic problem solving, drives the improvement of the performance, quality and reliability of our services and equipment.

IT risks

Konecranes' IT is responsible for all IT services, applications and assets used by Group companies. Konecranes' operations depend on the availability, reliability, quality, confidentiality, integrity and security of information. As with other global businesses in 2020, Konecranes witnessed and defended against malicious cyberattacks. These information security risks and incidents may have an unfavorable effect on business performance. Therefore, Konecranes continues to invest in IT security.

Konecranes uses reliable IT solutions and employs efficient information security management to avoid data loss and prevent the confidentiality, availability or integrity of data from being compromised. User care and support are exercised with internal and outsourced IT services to ensure the high availability, resiliency and continuity of services, combined with rapid recovery in the event of any temporary loss of key services. Third-party experts are utilized to audit, test and improve cybersecurity for internally and externally developed IT services.

During 2020 Konecranes continued to execute the information security strategy, strengthening further its information security management system. The implementation of global IT applications and harmonized business processes continued, including the ongoing integration activities for the Terex MHPS and MHE-Demag businesses.

Early in 2020, we increased and ensured our capacity to enable substantially increased requirements for remote working while maintaining cybersecurity. Overall, the efforts to increase and maintain IT capacity, reliability and security continued successfully throughout the 2020 while the pandemic changed the ways of working.

Contract and product liability risks

Konecranes can be subject to various legal actions, claims and other proceedings in various countries, typical for a company in this industry and consistent with a global business that encompasses a wide range of products and services. These actions may include contractual disputes; warranty claims; product liability (including design defects, manufacturing defects, failure to post appropriate warnings and asbestos legacy); employment; auto liability; and other matters involving claims related to general liability. These risks are managed by continuously monitoring operations, improving product safety and documentation, training customers and enhancing sales terms.

In 2020 Konecranes continued to implement and improve its contract analysis and acceptance process according to its contractual instructions, with an increased focus on procurement activities. There was active harmonization and deployment of training in relation to respective global development programs during 2020.

Illegal activities

Konecranes is strongly committed to complying with all applicable laws and regulations, but breaches of the company's policies resulting in illegal activities can threaten the company. Konecranes recognizes that even small-scale illegal activity could damage its reputation and adversely affect its financials and results. Internal procedures, supervision, audits and practical tools, such as the gift and hospitality reporting portal, are used to reduce Konecranes' exposure to these types of risks.

Konecranes issues written policies to ensure compliance with legislation, regulations and our own principles across the Konecranes Group. Particular emphasis is placed on training to ensure that employees are aware of and comply with the applicable legislation, regulations, internal policies, practices and principles relating to their work.

Illegal and fraudulent criminal activities targeting Konecranes cause risks that may have a substantial impact on our financial results. We continued our efforts in 2020 to decrease the exposure to such activity.

In 2020 Konecranes continued strong commitment with, for example, renewed Competition Policy, rollout of a new Code of Conduct, training programs for Trade Sanctions, Export Control and Competition Compliance. Implementation of the compliance and ethics program continued, including the Supplier Code of Conduct implementation.

Damage risks

Damage risks can include, for example, business interruption risks, occupational health and safety-related risks, environmental risks, fire and other disasters, natural events, and premises security risks. Konecranes identifies and assesses these risks continuously as part of its business processes. To mitigate these risks, we have adopted several occupational health and safety guidelines, rescue planning and premises security instructions. Konecranes has also sought to prepare for the materialization of these risks through various insurance programs and by continuously improving its preparedness to deal with various potential crisis situations.

During 2020, the work with environment, safety and security risk mitigations continued with strong emphasis on COVID-19-related practicalities and guidance, where applicable. We continued to roll out Life Saving Behaviors describing the expected safe behaviors. The harmonization and implementation of our global safety processes and procedures also continued, extending the rollout of the process and tool for capturing and investigating observations, near-misses and injury accidents and extending that to corrective actions and a feedback loop to improve quality. Konecranes received recognition for its ambitious and impactful climate work by receiving A-rating in CDP's climate program.

Financial risks

Konecranes manages most of its financial risks on a centralized basis through its Group Treasury. The Treasury operates through Konecranes Finance Corporation, which acts as a corporate-level financial vehicle for the Group. Konecranes Finance Corporation is not a profit-and-loss entity that seeks to maximize earnings, but rather aims to help the Group's companies reduce financial risks associated with global business operations such as market, credit and liquidity risks. The most significant market risk relates to foreign currency transaction risk.

The responsibility for identifying, evaluating and controlling the financial risks arising from the Group's global business operations is divided between business units and Konecranes Finance Corporation.

Units hedge their risks internally with Group Treasury. Most of the Group's financial risks are channeled through Konecranes Finance Corporation, where they can be evaluated and controlled centrally and efficiently.

Almost all funding, cash management and foreign exchange transactions with banks and other external counterparties are carried out centrally by Konecranes Finance Corporation and in accordance with the Group's Treasury Policy. Only in a few special cases where local central bank regulations prohibit the use of Group services for hedging and funding is this done directly between an operating company and a bank under the supervision of Group Treasury. Konecranes Finance Corporation uses a treasury system that enables transactions to be processed in real time and provides in-depth records of activities and performance. Standard reporting is done on a weekly basis and covers Group-level commercial and financial cash flows, foreign currency transaction exposure, debt positions, derivatives portfolios and counterparty credit exposure for financial transactions. In addition, all Group companies participate in monthly managerial and statutory reporting.

See Note 33 in the Financial Statements and the Board of Directors' Report for a detailed overview of financial risk management.

Insurance

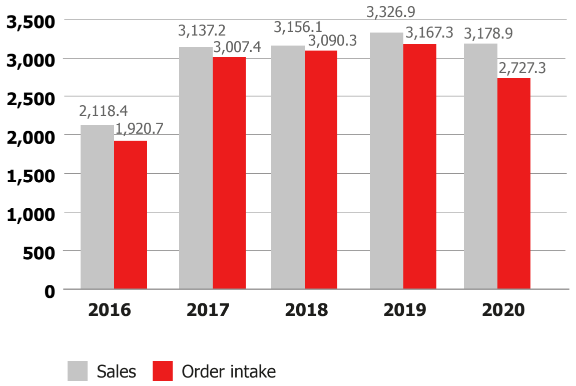
The Group continuously reviews its insurance policies as part of its overall risk management. Insurance policies are used to cover all risks that are economically feasible or otherwise reasonable to insure.

FINANCIAL REVIEW 2020

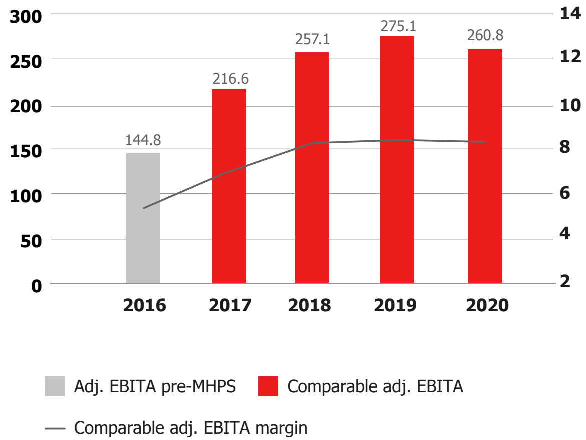
Contents

2020 highlights

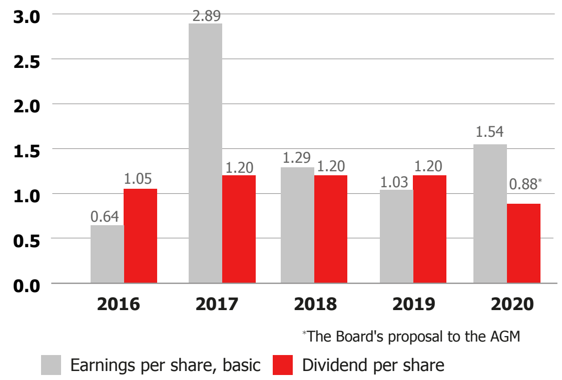
Sales & order intake, MEUR



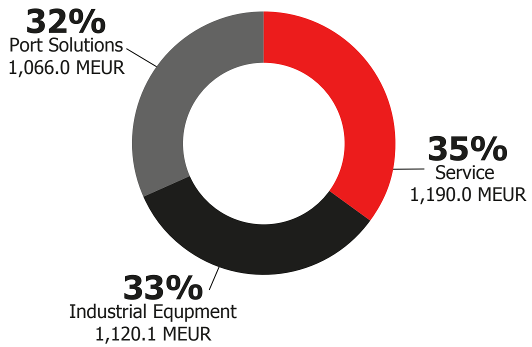
Adjusted EBITA, MEUR & Adjusted EBITA margin, %



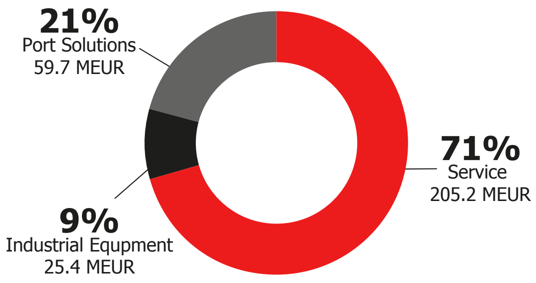
Earnings & dividend per share, EUR



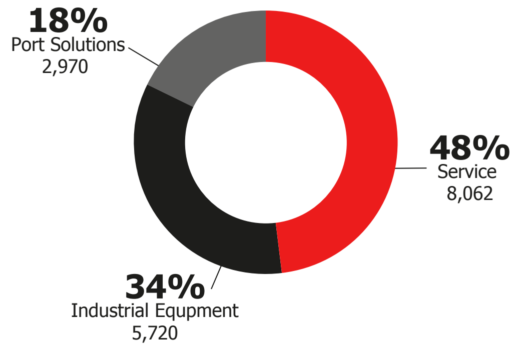
Sales by Business Area, 2020



Adjusted EBITA by Business Area, 2020

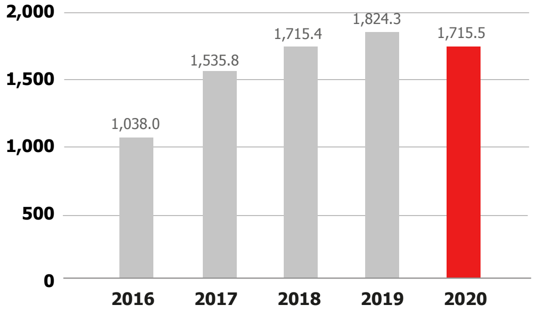


Personnel by Business Area, 2020

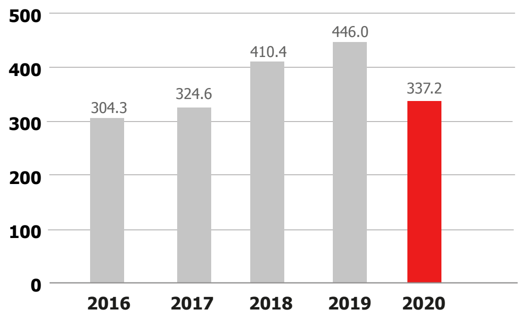


Percentages have been rounded and may not total to 100%.

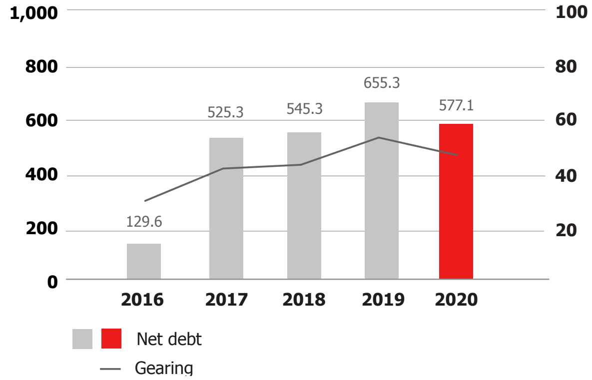
Order book, MEUR



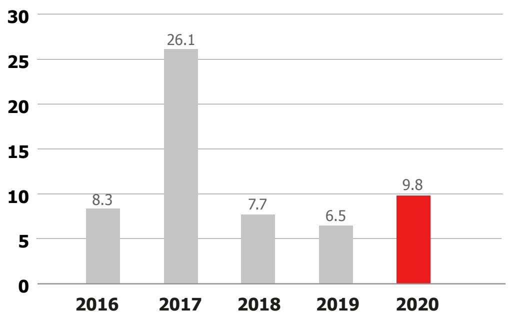
Year-end net working capital, MEUR



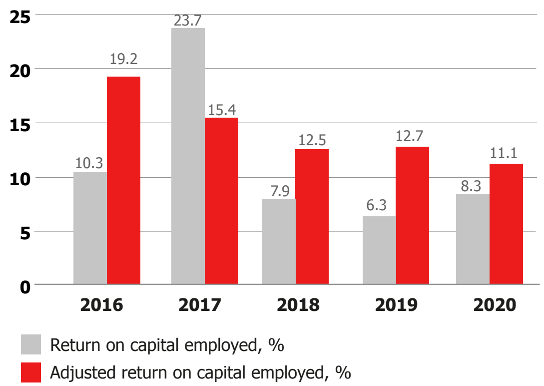
Year-end net debt, MEUR & Gearing, %



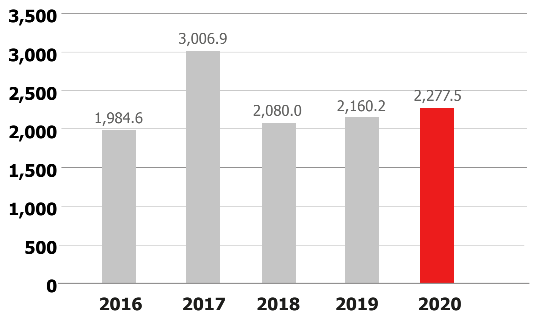
Return on equity, %



ROCE, % & Adjusted ROCE, %



Year-end market capitalization*, MEUR



* Excluding treasury shares

Report of the Board of Directors

This report contains comparisons to Konecranes' historical figures which are Konecranes' stand-alone financial information as reported for 2019. These do not include figures for MHE-Demag as the acquisition of MHE-Demag was completed in January 2020. The combined operations of Konecranes and MHE-Demag started on January 2, 2020.

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

Market review

The world's manufacturing sector, according to the aggregated J.P. Morgan Global Manufacturing Purchasing Managers' Index (PMI), witnessed a turbulent year with significant deterioration in operating conditions caused by the COVID-19 pandemic. At the start of the year, the index swung into contraction below the 50.0 mark in February and bottomed to its lowest level since 2009 in April. Towards the end of the year, the operating conditions were recovering as the index stayed in expansion territory during the entire second half. The year ended at 53.8 which was equal to November's 33-month high and signaled continued improvement.

In the eurozone, manufacturing sector operating conditions continued to deteriorate from the end of 2019 and, like seen elsewhere globally, plunged in the second quarter of 2020. The PMI's deterioration eased at the end of the first half of the year. Since then, the index showed improvement at a steady pace and December's reading was clearly in expansion territory. Within the region, Germany and the Netherlands contributed strongly to the improvement. At the end of the year, most of the country-specific PMIs were clearly above the 50-borderline. The UK Manufacturing PMI developed broadly in line with the eurozone's equivalent index over the year. In December though, the PMI rose further to a three-year high of 57.5 before the end of the Brexit transition period. The manufacturing industry capacity utilization rate in the European Union declined in the first half of 2020 and began to recover in the third quarter. The capacity utilization rate ended the year on the rise, but it had not yet reached pre-COVID levels.

In the US, the manufacturing sector's PMI rebounded to expansion territory at the start of the second half of 2020 following a coronavirus-induced contraction. The index ended the year at 57.1, indicating strongly improving conditions. The US unemployment rate also continued to come down steadily from its April peak. The US manufacturing capacity utilization rate showed improvements from the drop in the beginning of the year. In December, despite solid monthly increases, the capacity utilization rate was still behind its figures prior to the start of the coronavirus pandemic.

As for the emerging markets, China's manufacturing sector operating conditions steadily improved after an initial plummet in February, and the PMI ended 2020 well above the 50.0 mark. In both Brazil and India, the Manufacturing PMIs also indicated recovering conditions by posting figures continuously in expansion territory towards the end of 2020. In Russia, manufacturing sector operating conditions were in contraction territory almost throughout the year, ending 2020 fractionally below the 50.0 mark.

Global container throughput, according to the RWI/ISL Container Throughput Index, ended the year 2020 higher than where it began despite the strong coronavirus headwinds especially during the first half of the year. The recovery pace stabilized in the last months of the year and container throughput had picked up in Chinese ports as well as in ports elsewhere outside China. At the end of December, global container throughput was approximately 5 percent higher than the year before.

Regarding raw material prices, at the end of the year both steel and copper prices were clearly above the previous year's levels. The average EUR/USD exchange rate was approximately 2 percent higher compared to the year-ago period.

Orders received and net sales

	10-12/ 2020	10-12/ 2019	Change %	Change % at comparable currency rates	1-12/ 2020	1-12/ 2019	Change %	Change % at comparable currency rates
Orders received, MEUR	843.3	781.3	7.9	11.4	2,727.3	3,167.3	-13.9	-12.6
Net sales, MEUR	936.8	933.3	0.4	3.2	3,178.9	3,326.9	-4.4	-3.0

Orders received

In full year 2020, orders received totaled EUR 2,727.3 million (3,167.3), representing a decrease of 13.9 percent. On a comparable currency basis, order intake decreased 12.6 percent. Orders received decreased in the Americas and EMEA but increased in APAC. The increase in APAC was mainly due to the acquisition of MHE-Demag.

In Service, order intake decreased 8.6 percent on a reported basis and 6.5 percent on a comparable currency basis. In Industrial Equipment, orders received decreased 21.6 percent on a reported basis and 20.2 percent on a comparable currency basis. External orders received in Industrial Equipment decreased 20.5 percent on a reported basis and 18.9 percent on a comparable currency basis. In Port Solutions, order intake decreased 13.3 percent on a reported basis and 13.0 percent on a comparable currency basis.

Order book

At the end of December, the value of the order book totaled EUR 1,715.5 million (1,824.3), which was 6.0 percent lower compared to previous year. On a comparable currency basis, the order book decreased 2.9 percent. The order book decreased 1.0 percent in Service, 7.7 percent in Industrial Equipment and 5.9 percent in Port Solutions.

Sales

In full year 2020, Group sales totaled EUR 3,178.9 million (3,326.9), representing a decrease of 4.4 percent. On a comparable currency basis, sales decreased 3.0 percent. Sales decreased 5.5 percent in Service, 5.5 percent in Industrial Equipment and 4.5 percent Port Solutions. Industrial Equipment's external sales decreased 4.6 percent.

At the end of December, the regional breakdown of sales, calculated on a rolling 12-month basis, was as follows: EMEA 54 (52), Americas 31 (34) and APAC 16 (14) percent.

Financial result

In full year 2020, the Group adjusted EBITA decreased to EUR 260.8 million (275.1). The adjusted EBITA margin declined to 8.2 percent (8.3). The adjusted EBITA margin increased in Service to 17.2 percent (16.6) and in Industrial Equipment to 2.3 percent (1.5) and decreased in Port Solutions to 5.6 percent (7.8). The decline in the Group adjusted EBITA margin was mainly attributable to lower sales as well as the one-time cost overruns in the first quarter.

In full year 2020, the consolidated adjusted operating profit declined to EUR 224.9 million (250.4). The adjusted operating margin declined to 7.1 percent (7.5).

In full year 2020, the consolidated operating profit totaled EUR 173.8 million (148.7). The operating profit includes adjustments of EUR 51.1 million (101.7), which are mainly comprised of restructuring costs and transaction costs. The operating margin declined in Service to 15.2 percent (15.5) and in Port Solutions to 2.6 percent (6.4) but improved in Industrial Equipment to 0.4 percent (-5.2).

In full year 2020, depreciation and impairments totaled EUR 130.0 million (123.6). The impact arising from the purchase price allocations for acquisitions represented EUR 35.9 million (24.7) of the depreciation and impairments.

In full year 2020, the share of the result in associated companies and joint ventures was EUR 21.2 million (4.5). The increase in the share of the result in associated companies and joint ventures was mainly due to Konecranes remeasuring its previously held equity interest in MHE-Demag at its acquisition date fair value. Please refer to Note 5 for additional information.

In full year 2020, financial income and expenses totaled EUR -24.6 million (-34.7). Net interest expenses accounted for EUR 18.0 million (20.2) of the sum and the remainder was mainly attributable to other financing expenses.

The full year 2020 profit before taxes was EUR 170.4 million (118.5).

Income taxes in full year 2020 were EUR 47.5 million (35.7). The Group's effective tax rate was 27.9 percent (30.1).

The full year 2020 net profit was EUR 122.9 million (82.8).

In full year 2020, the basic earnings per share were EUR 1.54 (1.03) and the diluted earnings per share were EUR 1.54 (1.03).

On a rolling 12-month basis, the return on capital employed was 8.3 percent (6.3) and the return on equity 9.8 percent (6.5). The adjusted return on capital employed was 11.1 percent (12.7).

Balance sheet

At the end of December, the consolidated balance sheet amounted to EUR 4,016.5 million (3,854.2). The total equity at the end of the reporting period was EUR 1,251.1 million (1,246.7) or EUR 15.69 per share (15.70). The total equity attributable to the equity holders of the parent company was EUR 1,242.0 million (1,237.5).

Net working capital totaled EUR 337.2 million (446.0). Sequentially, net working capital decreased by EUR 88.2 million. The sequential decrease in net working capital resulted mainly from a decrease in inventories.

Cash flow and financing

Net cash from operating activities in full year 2020 was EUR 407.1 million (172.8). The increase in net cash from operating activities was mainly due to the change in net working capital as well as to a lesser extent, lower financing items during 2020. Cash flow before financing activities was EUR 242.0 million (149.6), which included cash inflows of EUR 2.8 million (16.4) related to sale of property, plant and equipment and EUR 0.0 million (4.2) related to divestment of businesses, and cash outflows of EUR 124.1 million (3.1) related to acquisition of Group companies and EUR 43.8 million (40.7) related to capital expenditure.

At the end of December, interest-bearing net debt was EUR 577.1 million (655.3). Net debt decreased due to improved cash flow during 2020. The equity to asset ratio was 34.1 percent (35.4) and the gearing 46.1 percent (52.6).

At the end of December, cash and cash equivalents amounted to EUR 591.9 million (378.2). None of the Group's committed EUR 400 million back-up financing facility was in use at the end of the period.

In June 2020, Konecranes paid dividends, amounting to EUR 51.4 million or EUR 0.65 per share, to its shareholders.

In August 2020, Konecranes paid dividends, amounting to EUR 43.5 million or EUR 0.55 per share, to its shareholders.

Capital expenditure

Capital expenditure in full year 2020, excluding acquisitions and joint arrangements, amounted to EUR 42.8 million (39.5). The amount consisted mainly of investments in machinery and equipment, buildings, office equipment and information technology.

Acquisitions and divestments

In full year 2020, the cash impact of capital expenditure for acquisitions and joint arrangements was EUR -124.1 million (-3.1).

On December 5, 2019 Konecranes signed an agreement to acquire from Jebsen & Jensen its 50 percent share in MHE-Demag. The transaction was closed on January 2, 2020 and the purchase price consideration was EUR 148.3 million. After the acquisition Konecranes holds 100 percent of the shares in the company.

Personnel

In full year 2020, the Group had an average of 17,027 employees (16,104). On December 31, the number of personnel was 16,862 (16,196). In full year 2020, the Group's personnel increased by 666 people net.

The acquisition of MHE-Demag was completed on January 2, 2020 and on December 31, 2019 MHE-Demag's number of personnel was approximately 1,800.

At the end of December, the number of personnel by Business Area was as follows: Service 8,062 employees (7,762), Industrial Equipment 5,720 employees (5,397), Port Solutions 2,970 employees (2,938) and Group staff 110 (99).

The Group had 9,688 (10,126) employees working in EMEA, 2,964 (3,319) in the Americas and 4,210 (2,751) in APAC.

Business areas

Service

	10-12/2020	10-12/2019	Change %	Change % at comparable currency rates	1-12/2020	1-12/2019	Change %	Change % at comparable currency rates
Orders received, MEUR	233.6	250.0	-6.5	-2.0	927.8	1,015.1	-8.6	-6.5
Order book, MEUR	213.4	215.7	-1.0	5.1	213.4	215.7	-1.0	5.1
Agreement base value, MEUR	275.7	267.7	3.0	8.0	275.7	267.7	3.0	8.0
Net sales, MEUR	315.3	341.6	-7.7	-3.3	1,190.0	1,259.7	-5.5	-3.4
Adjusted EBITA, MEUR[1]	60.6	61.4	-1.3		205.2	208.5	-1.6	
Adjusted EBITA, %[1]	19.2%	18.0 %			17.2 %	16.6 %		
Purchase price allocation amortization, MEUR	-4.0	-2.6	52.7		-16.1	-10.5	52.8	
Adjustments, MEUR	-1.2	-1.5			-7.7	-3.4		
Operating profit (EBIT), MEUR	55.4	57.2	-3.1		181.4	194.6	-6.8	
Operating profit (EBIT), %	17.6%	16.7 %			15.2 %	15.5 %		
Personnel at the end of period	8,062	7,762	3.9		8,062	7,762	3.9	

[1] Excluding adjustments and purchase price allocation amortization.
See also note 11 in the summary financial statements.

In full year 2020, orders received totaled EUR 927.8 million (1,015.1), corresponding to a decrease of 8.6 percent. On a comparable currency basis, orders received decreased 6.5 percent.

The order book decreased 1.0 percent to EUR 213.4 million (215.7). On a comparable currency basis, the order book increased 5.1 percent.

The annual value of the agreement base increased 3.0 percent year-on-year to EUR 275.7 million (267.7). On a comparable currency basis, the annual value of the agreement base increased 8.0 percent. Sequentially, the annual value of the agreement base decreased 1.1 percent on a reported basis and decreased 0.3 percent on a comparable currency basis.

Sales decreased 5.5 percent to EUR 1,190.0 million (1,259.7). On a comparable currency basis, sales decreased 3.4 percent. Both field service sales and parts sales decreased.

The adjusted EBITA was EUR 205.2 million (208.5) and the adjusted EBITA margin was 17.2 percent (16.6).

The increase in the adjusted EBITA margin was mainly attributable to executed savings in both variable and fixed costs. The operating profit was EUR 181.4 million (194.6) and the operating margin 15.2 percent (15.5).

Industrial Equipment

	10-12/2020	10-12/2019	Change %	Change % at comparable currency rates	1-12/2020	1-12/2019	Change %	Change % at comparable currency rates
Orders received, MEUR	241.3	316.3	-23.7	-20.3	981.2	1,251.5	-21.6	-20.2
of which external, MEUR	216.9	283.2	-23.4	-19.9	849.1	1,068.4	-20.5	-18.9
Order book, MEUR	598.8	648.9	-7.7	-2.0	598.8	648.9	-7.7	-2.0
Net sales, MEUR	313.6	336.0	-6.7	-3.1	1,120.1	1,185.5	-5.5	-3.7
of which external, MEUR	279.1	289.2	-3.5	0.3	973.8	1,020.4	-4.6	-2.6
Adjusted EBITA, MEUR[1]	18.1	0.6	3033.6		25.4	18.2	39.7	
Adjusted EBITA, %[1]	5.8%	0.2%			2.3%	1.5%		
Purchase price allocation amortization, MEUR	-3.1	-1.7	81.8		-12.5	-6.9	82.7	
Adjustments, MEUR	-4.8	-2.7			-8.6	-72.7		
Operating profit (EBIT), MEUR	10.1	-3.8	-362.9		4.3	-61.4	-107.0	
Operating profit (EBIT), %	3.2 %	-1.1 %			0.4 %	-5.2 %		
Personnel at the end of period	5,720	5,397	6.0		5,720	5,397	6.0	

[1] Excluding adjustments and purchase price allocation amortization.
See also note 11 in the summary financial statements

In full year 2020, orders received totaled EUR 981.2 million (1,251.5), corresponding to a decrease of 21.6 percent. On a comparable currency basis, orders received decreased 20.2 percent. External orders received decreased 20.5 percent on a reported basis and 18.9 percent on a comparable currency basis. Order intake decreased in standard cranes, process cranes and components.

The order book decreased 7.7 percent to EUR 598.8 million (648.9). On a comparable currency basis, the order book decreased 2.0 percent.

Sales decreased 5.5 percent to EUR 1,120.1 million (1,185.5). On a comparable currency basis, sales decreased 3.7 percent. External sales decreased 4.6 percent on a reported basis and 2.6 percent on a comparable currency basis. Sales decreased in standard cranes and components but increased in process cranes.

The adjusted EBITA was EUR 25.4 million (18.2) and the adjusted EBITA margin 2.3 percent (1.5). The increase in the adjusted EBITA margin was mainly attributable to continued progress on strategic initiatives and cost management.

The operating profit was EUR 4.3 million (-61.4) and the operating margin 0.4 percent (-5.2).

Port Solutions

	10-12/2020	10-12/2019	Change %	Change % at comparable currency rates	1-12/2020	1-12/2019	Change %	Change % at comparable currency rates
Orders received, MEUR	403.7	264.4	52.7	53.0	994.5	1,147.3	-13.3	-13.0
Order book, MEUR	903.2	959.7	-5.9	-5.2	903.2	959.7	-5.9	-5.2
Net sales, MEUR	355.3	320.3	10.9	10.9	1,066.0	1,115.7	-4.5	-4.3
of which service, MEUR	44.3	45.7	-3.0	-0.7	167.9	185.9	-9.7	-8.8
Adjusted EBITA, MEUR [1]	28.7	31.7	-9.6		59.7	86.9	-31.2	
Adjusted EBITA, % [1]	8.1%	9.9%			5.6%	7.8%		
Purchase price allocation amortization, MEUR	-1.8	-1.8	0.2		-7.3	-7.3	0.0	
Adjustments, MEUR	1.3	-5.7			-24.4	-8.3		
Operating profit (EBIT), MEUR	28.2	24.2	16.3		28.0	71.3	-60.6	
Operating profit (EBIT), %	7.9%	7.6%			2.6%	6.4%		
Personnel at the end of period	2,970	2,938	1.1		2,970	2,938	1.1	

[1] Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.

The acquisition of MHE-Demag in January 2020 does not have an impact on Business Area Port Solutions.

In full year 2020, orders received totaled EUR 994.5 million (1,147.3), corresponding to a decrease of 13.3 percent. On a comparable currency basis, orders received decreased 13.0 percent.

The order book decreased 5.9 percent to EUR 903.2 million (959.7). On a comparable currency basis, the order book decreased 5.2 percent.

Sales decreased 4.5 percent to EUR 1,066.0 million (1,115.7). On a comparable currency basis, sales decreased 4.3 percent.

The adjusted EBITA was EUR 59.7 million (86.9) and the adjusted EBITA margin 5.6 percent (7.8). The decrease in the adjusted EBITA margin was mainly attributable to a one-time cost overrun in a port crane project in the first quarter as well as lower sales and weaker sales mix. Gross margin decreased on a year-on-year basis. Operating profit was EUR 28.0 million (71.3) and the operating margin 2.6 percent (6.4).

Group overheads

In full year 2020, the adjusted unallocated Group overhead costs and eliminations were EUR 29.5 million (38.5), representing 0.9 percent of sales (1.2).

The unallocated Group overhead costs and eliminations were EUR 40.0 million (55.9), representing 1.3 percent of sales (1.7). These included merger related transaction costs and restructuring costs of EUR 10.5 million (17.3).

COVID-19 impact on Konecranes

The coronavirus pandemic (COVID-19) affected Konecranes' overall performance negatively in 2020. Overall, the pandemic has weakened global demand conditions and made the environment uncertain, which has negatively impacted order intake. Additionally, physical restrictions on the daily conduct of people and businesses have led to lower revenue recognition.

Towards the end the year, demand conditions were recovering but the COVID-19 pandemic continued to impact Konecranes negatively. At the end of 2020, the capacity utilization rates in Europe and in the United States were also below their levels prior to the coronavirus pandemic. Due to the pandemic, order intake and net sales declined in all three Business Areas in 2020.

In Service, COVID-19 has affected net sales as scheduled maintenance activities were postponed due to access restrictions and regional lockdowns. COVID-19 has not led to major order cancellations within Service, but scheduled work and projects have been postponed.

In Industrial Equipment, COVID-19 started to affect net sales at the end of the first quarter. Net sales have been negatively impacted by delivery delays resulting from access limitations to customer sites. Industrial Equipment has not seen major order cancellations, but orders and deliveries have been postponed.

In Port Solutions, the negative impact of COVID-19 became visible in the second quarter. The order intake and net sales of the shorter cycle products, such as lift trucks and reach stackers, were first to be negatively affected. Travel and access restrictions had a negative impact on net sales especially in the second and third quarter. No major orders received have been cancelled. However, due to the uncertain market conditions, customers have become cautious, and decision-making regarding new orders has been postponed.

During parts of the first half of the year, some Konecranes factories in EMEA and APAC were closed due to local COVID-19 physical restrictions. Although material deliveries and component availability have become more challenging, none of our factories were closed as a result of material shortages. All Konecranes factories have been in operation throughout the second half of the year, except for some sites in APAC which have been closed for short periods in Q3 and Q4.

The impact of COVID-19 on the Group's profitability has been mitigated through almost real-time demand-supply balancing and cost-flexing actions. For example, these have included temporary layoffs, reduced working hours and streamlined spending. Permanent cost adjustments have also been made.

Some customer payment delays have occurred, but the impact has not been significant. Konecranes has further enhanced payment collection and credit control. The delays in deliveries have led to some increase in inventory levels during the year. At the same time, accounts receivables have decreased as a result of active cash collection. The risk of excess inventories has been limited through efficient demand-supply balancing. Konecranes has seen only minor changes in its supplier network.

To secure its liquidity position, Konecranes agreed on a new bilateral term loan of EUR 150 million for general corporate purposes in the second quarter.

The worldwide demand picture remains subject to significant volatility due to the COVID-19 pandemic. There are still uncertainties regarding the COVID-19 pandemic, and it is too early to estimate how long and to which extent it will impact Konecranes' business and performance.

Administration

Merger of Konecranes Plc and Cargotec Corporation

On October 1, 2020 Konecranes Plc ("Konecranes") and Cargotec Corporation ("Cargotec") announced that their respective Boards of Directors signed a combination agreement and a merger plan ("the Merger Plan") to combine the two companies through a merger ("the Merger").

On December 3, 2020 Konecranes announced that the Finnish Financial Supervisory Authority had approved the merger prospectus concerning the combination of Konecranes Plc and Cargotec Corporation.

On December 18, 2020 Konecranes held an Extraordinary General Meeting ("EGM") that approved the Merger in accordance with the Merger Plan. In order to prevent the spread of the COVID-19 pandemic, the EGM was arranged without the physical presence of shareholders or their proxy representatives. Cargotec's Extraordinary General Meeting was held on the same day and resolved to approve the Merger.

Pursuant to the Merger Plan, Konecranes shall be merged into Cargotec through an absorption merger so that all assets and liabilities of Konecranes shall be transferred without a liquidation procedure to Cargotec and Konecranes will be dissolved. The shareholders of Konecranes will receive new shares in Cargotec as merger consideration in proportion to their existing shareholdings as described in more detail in the Merger Plan.

The completion of the Merger is subject to necessary merger control approvals having been obtained and other conditions to completion having been fulfilled. The planned Merger completion date is 1 January 2022, however, the date is subject to change and the actual completion date may be earlier or later than 1 January 2022.

Until the completion, both companies will operate as independent and separate entities.

Additional information on the Merger is available in the stock exchange releases dated October 1, 2020, December 3, 2020, and December 18, 2020 available on the Konecranes website, as well as on the merger website www.sustainablematerialflow.com.

Decisions of the Annual General Meeting

The Annual General Meeting of Konecranes Plc was held on Thursday 11 June 2020. In order to prevent the spread of the COVID-19 pandemic, the Annual General Meeting was arranged without the physical presence of shareholders or their proxy representatives. The meeting approved the Company's annual accounts for the fiscal year 2019, discharged the members of the Board of Directors and the persons who had served as CEO from liability, and approved all proposals made by the Board of Directors and its committees to the AGM.

The AGM approved the Board's proposal that a dividend of EUR 0.65 per share be paid from the distributable assets of the parent Company. The AGM also approved the Board's proposal to authorize the Board, to further decide, at its discretion, on the distribution of dividend in one or several instalments so that the total amount of the dividend distribution based on this authorization shall not exceed EUR 0.55 per share. The authorization is valid until the opening of the next Annual General Meeting.

The AGM decided to support the Konecranes Remuneration Policy, covering the principles for remuneration of the members of the Board of Directors, President & CEO and Deputy CEO. The resolution by the AGM on the policy is advisory.

The AGM confirmed that the amount of annual remuneration payable to the members of the Board other than the employee representative be unchanged as follows: the remuneration to the Chairman of the Board is EUR 140,000, the remuneration to the Vice Chairman of the Board is EUR 100,000 in the event that a Vice Chairman is elected by the Board, and the remuneration to the other Board members is EUR 70,000. In case the term of office of a Board member ends before the closing of the Annual General Meeting in 2021, he or she is entitled to the prorated amount of the annual remuneration calculated on the basis of his or her actual term in office. In addition, the Chairmen of the Audit Committee and the Human Resources Committee are entitled to a compensation of EUR 3,000 and the other Board members are entitled to a compensation of EUR 1,500 per each attended committee meeting. No remuneration will be paid to Board members employed by the Company. Travel expenses for all Board members, including the employee Board member, will be compensated against receipt.

The AGM approved the proposal of the Shareholders' Nomination Board that the number of members of the Board of Directors shall be seven (7). Ms. Janina Kugel, Mr. Ulf Liljedahl, Mr. Per Vegard Nerseth, Ms. Päivi Rekonen, Mr. Christoph Vitzthum, Mr. Niko Mokkila and Mr. Janne Martin were elected for a term of office ending at the closing of the Annual General Meeting in 2021. Mr. Janne Martin was selected among the employees of Konecranes.

The AGM decided to re-elect Ernst & Young Oy as the Company's auditor for the year ending on 31 December 2020.

The AGM approved that § 4 Board of directors and term of office of the Articles of Association of the Company be amended according to the proposal.

The AGM approved that § 3 Duties of the Nomination Board and remuneration and § 6.1 Preparation of the proposal of the Charter of the Shareholders' Nomination Board be amended according to the proposal.

The AGM authorized the Board of Directors to decide on the repurchase of the Company's own shares and/or on the acceptance as pledge of the Company's own shares.

The AGM authorized the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act.

The AGM authorized the Board of Directors to decide on the transfer of the Company's own shares.

The AGM authorized the Board of Directors to decide on a directed share issue without payment needed for the continuation of the Share Savings Plan that the Annual General Meeting 2012 decided to launch.

The AGM authorized the Board of Directors to decide on donations in the aggregate maximum amount of EUR 200,000 to be given to universities, institutions of higher education or to other non-profit or similar purposes.

The resolutions of the Konecranes Annual General Meeting have been published in the stock exchange release dated June 11, 2020.

Board of Directors' organizing meeting

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

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

Mr. Ulf Liljedahl was elected Chairman of the Audit Committee, and Mr. Niko Mokkila and Ms. Päivi Rekonen as Committee members. Ms. Janina Kugel was elected Chairwoman of the Human Resources Committee, and Mr. Per Vegard Nerseth and Mr. Christoph Vitzthum as Committee members.

Ms. Janina Kugel, Mr. Ulf Liljedahl, Mr. Per Vegard Nerseth, Ms. Päivi Rekonen and Mr. Christoph Vitzthum were deemed to be independent of the Company and any significant shareholders. While Mr. Niko Mokkila was deemed to be independent of the company, he was deemed to be dependent of a significant shareholder of the Company based on his current position as Managing Director at Hartwall Capital Oy Ab. While Mr. Janne Martin was deemed to independent of any significant shareholders, he was deemed to be dependent of the Company due to his current position as an employee of Konecranes.

Composition of the Shareholders' Nomination Board

On September 11, 2020 Konecranes announced the composition of the Shareholders' Nomination Board.

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

The following members were appointed to Konecranes' Shareholders Nomination Board:

- Peter Therman, Deputy Chairman of the Board of Directors of Hartwall Capital, appointed by HC Holding Oy Ab with 7,931,238 shares,
- Pauli Anttila, Investment Director of Solidium Oy, appointed by Solidium Oy with 6,744,506 shares,
- Stig Gustavson, appointed by Stig Gustavson and family with 2,366,157 shares, and
- Mikko Mursula, Chief Investment Officer of Ilmarinen, appointed by Ilmarinen Mutual Pension Insurance Company with 2,255,000 shares.

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

Konecranes Leadership Team

Rob Smith joined Konecranes as the President and CEO on February 1, 2020. His appointment had been announced on October 7, 2019. The company's CFO, Teo Ottola, who also serves as Deputy CEO, acted as the interim CEO from October 7, 2019 until February 1, 2020.

Carolin Paulus was appointed Executive Vice President for the Industrial Equipment Business Area and member of the Konecranes Leadership Team effective March 1, 2020 on February 6, 2020. She succeeded Mikko Uhari, who stepped down from the Konecranes Leadership Team in line with Konecranes succession and retirement planning process.

Minna Aila, Executive Vice President, Marketing and Communications and a member of the Konecranes Leadership Team left the company on March 15, 2020 as announced on October 14, 2019.

On October 27, 2020, Konecranes announced that Topi Tiitola had been appointed Senior Vice President, Integration and Project Management Office, and member of the Konecranes Leadership Team effective November 1, 2020.

Since November 1, 2020, the Konecranes Leadership Team has consisted of the following members:

- Rob Smith, President and CEO
- Teo Ottola, CFO, Deputy CEO
- Fabio Fiorino, Executive Vice President, Business Area Service
- Carolin Paulus, Executive Vice President, Business Area Industrial Equipment
- Mika Mahlberg, Executive Vice President, Business Area Port Solutions
- Juha Pankakoski, Executive Vice President, Technologies
- Timo Leskinen, Senior Vice President, Human Resources
- Sirpa Poitsalo, Senior Vice President, General Counsel
- Topi Tiitola, Senior Vice President, Integration and Project Management Office.

Dividend distribution

On August 16, 2020 Konecranes announced that the Board of Directors had decided on the distribution of dividend based on the authorization granted to the Board by the Annual General Meeting.

A dividend of EUR 0.55 per share was paid from the distributable assets of the parent Company on August 26, 2020.

Konecranes had already earlier paid a dividend of EUR 0.65 per share for the financial year ended December 31, 2019. This dividend was paid on June 23, 2020. Based on the resolution of the Annual General Meeting and the August 16 decision by the Board of Directors, the total aggregate dividend for the financial period 2019 was thus EUR 1.20 per share.

Performance share plan 2020

On July 23, 2020, Konecranes announced that the Board of Directors had resolved to establish a new Performance Share Plan 2020. The Plan has a performance period from 2020 to 2022 with three separate measurement periods and separate targets for 2020, 2021 and 2022.

The criterion for the measurement period 2020 is adjusted earnings per share (EPS). The EPS target for the first measurement period was also resolved by the Board of Directors.

The target group of the Plan for the performance period 2020–2022 consists of a maximum of 170 key employees of the Konecranes group.

Additional information, including essential terms and conditions of the Plan, is available in the stock exchange release dated July 23, 2020.

On December 16, 2020 Konecranes announced that the Board of Directors had resolved adjusted earnings per share (EPS) as the criterion for the second measurement period of the Performance Share Plan 2020.

Restricted share unit plan 2020

On October 27, 2020, Konecranes announced that the Board of Directors had decided to establish a share-based incentive plan, Restricted Share Unit Plan 2020, for the Group key employees. The Plan is intended for selected key employees only, approximately 100 employees, including the Konecranes Leadership Team members.

Additional information, including essential terms and conditions of the Plan, is available in the stock exchange release dated October 27, 2020.

Employee share savings plan

On February 6, 2020, Konecranes announced that the Board of Directors had decided to launch a new Plan Period relating to the Employee Share Savings Plan. The new Plan Period was to begin on July 1, 2020 and end on June 30, 2021. The other terms and conditions of the Plan Period 2020–2021 approved by the Board on February 6, 2020 have been published in the stock exchange release on the same day.

On May 28, 2020, Konecranes announced that the Board of Directors had decided to change the new Employee Share Savings Plan Period which was to begin on July 1, 2020 and end on June 30, 2021. Due to the Annual General Meeting being held later than initially estimated, the Board decided to change the Plan Period 2020–2021 to begin on October 1, 2020 and end on June 30, 2021. The other terms and conditions remained unchanged.

Share capital and shares

On December 31, 2020 the company's registered share capital totaled EUR 30.1 million. On December 31, 2020, the number of shares including treasury shares totaled 79,221,906.

Treasury shares

On December 31, 2020, Konecranes Plc was in possession of 87,447 treasury shares, which corresponds to 0.1 percent of the total number of shares and which had on that date a market value of EUR 2.5 million.

On January 2, 2020, 2,500 treasury shares were conveyed without consideration to the key employees as a reward payment for the Vesting Period 2018–2019 of Konecranes Restricted Share Unit Plan 2017.

On February 7, 2020, 300,000 new shares were issued in the company to the company itself without consideration. The new shares issued were registered with the Trade Register on February 25, 2020.

On February 27, 2020, 10,874 treasury shares were conveyed without consideration to the employees as a reward payment for the Savings Period 2016–2017 of Konecranes Employee Share Savings Plan.

On March 11, 2020, 280,659 treasury shares were conveyed without consideration to the key employees as a reward payment for the Performance Period 2017–2019 of Konecranes Performance Share Plan 2017.

On September 1, 2020, 1,000 treasury shares were conveyed without consideration to the key employee as a reward payment for the Konecranes Restricted Share Unit Plan 2017.

Market capitalization and trading volume

The closing price for the Konecranes shares on the Nasdaq Helsinki on December 30, 2020 was EUR 28.78. The volume-weighted average share price in full year 2020 was EUR 23.03, the highest price being EUR 33.08 in February and the lowest EUR 14.05 in March. In full year 2020, the trading volume on the Nasdaq Helsinki totaled 82.4 million, corresponding to a turnover of approximately EUR 1,897.5 million. The average daily trading volume was 326,912 shares representing an average daily turnover of EUR 7.5 million.

In addition, according to Fidessa, approximately 100.3 million shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in full year 2020.

On December 31, 2020, the total market capitalization of Konecranes Plc was EUR 2,280.0 million including treasury shares. The market capitalization was EUR 2,277.5 million excluding treasury shares.

Notifications of major shareholdings

In full year 2020, Konecranes received the following notifications of major shareholdings.

Date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %	Total, shares
February 25, 2020	HC Holding Oy Ab	Below 10%	9.97		9.97	7,901,238
March 11, 2020	HC Holding Oy Ab	Above 10%	10.01		10.01	7,931,238

Research and development

In 2020, Konecranes' research and product development expenditure totaled EUR 48.5 (41.1) million, representing 1.5 (1.2) percent of sales. R&D expenditure includes product development projects aimed at improving the quality and cost efficiency of both products and services. Konecranes has provided customers with tens of thousands of pieces of connected equipment to give them insights into daily operations and ensure maximum production uptime. This large, connected fleet provides usage data, the importance of which has been elevated in the COVID-19 pandemic.

In the midst of the pandemic, understanding how lockdowns and movement restrictions affected production was of critical importance for future business success. In spring 2020, Konecranes acted quickly in building analytics of the data, gaining insights into whether assets were running normally, with lower utilization or if they were completely shut down. This allowed Konecranes to balance its demand-supply and optimize its operations in real-time.

Konecranes Data Science Lab is based in Lyon, France, and focuses on creating tangible business benefits, working closely with Konecranes businesses. In 2020, the Data Science Lab produced numerous analyzes and algorithms for Konecranes to apply in its operations. These innovations include a fuel consumption prediction method for Konecranes Lift Trucks business, allowing customers to gain accurate fuel usage estimations and giving us a competitive edge. The Data Science Lab also created lifecycle analyzes for different crane components, starting with Konecranes Rubber Tired Gantry (RTG) cranes. Having visibility into single components takes Konecranes predictive maintenance services to the next level, allowing planning service and parts replacements to maximize our customers' productivity by minimizing downtime.

Digitalization provides Konecranes with multiple growth opportunities and ways to enhance the customer experience. In 2020, Konecranes launched a business model enabling digital features based on active subscriptions for its Lift Truck products. Previously only available as one-size-fits-all annual contracts, customers have now been given the opportunity to mix and match services – such as operations and usage data, condition monitoring and alerts notifications, or location-based services. Customers can now tailor services based on the specific business needs on a monthly basis.

In 2020, Konecranes received dozens of applications for cooperation from startups through its open call REACH program. Konecranes also formalized its Discovery concept in 2020, which focuses on identifying leading startup partners in their field to solve specific business needs. Konecranes also continued its internal Accelerator innovation program, facilitated in cooperation with the Maria 01 startup hub in Helsinki. The program gathered dozens of Konecranes employees across the organization. Coached by startup partners and serial entrepreneurs, participants develop new solutions in response to customer needs. Konecranes is also active in multiple innovation ecosystems beyond Maria 01, such as DIMECC's Intelligent Industry Ecosystem.

Multiple new innovations were developed as a result of the startup cooperation in 2020. To enhance its internal operations, Konecranes teamed up with an indoor localization provider, producing detailed data on the duration of different crane assembly phases. With this insight into assembly schedules, Konecranes can optimize its manufacturing and avoid standstills. Internal operations have been further sharpened by the introduction of virtual reality to strengthen the training of field service operatives. This will be further scaled up in 2021. Konecranes has also created digital efficiencies in-house, utilizing robotic process automation (RPA) to automate a wide range of repetitive tasks extending from processes handled by support functions such as finance and HR to assisting business units in, for example, customer order handling and master data management. In 2020 alone, over 60 processes were automated, freeing more than 60,000 hours of working time previously spent on manual and non-creative tasks. This initiative will continue in 2021 and beyond, allowing employees to focus on more business-critical tasks such as innovation and creating customer value. Since implementation began in 2018, Konecranes has automated over 250 processes with RPA.

Customers benefit directly from Konecranes' digital innovations. As a response to the travel and mobility restrictions imposed due to the COVID-19 pandemic, Konecranes developed an augmented reality solution together with a startup to support technical support from a distance. Using the solution, customers can contact Konecranes' field service from a distance – even thousands of kilometers – getting detailed instructions on how to perform maintenance tasks that require special expertise. The solution has proved especially valuable in in remote locations that are hard to reach.

Cybersecurity is an increasing customer priority and an essential part of Konecranes' technological leadership. As more solutions and products are digitized, customers expect the same level of safety from software and data as from physical products. Konecranes' cybersecurity management is built around industry best practices, with an Information Security Management System based on the ISO 27001 standard. Konecranes expects to gain the first ISO 27001 certifications during 2021, standardizing its security management and providing further assurance to its customers.

Statement of non-financial information

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

Konecranes reports the disclosed information in accordance with Accounting Act amendment 1376/2016, which is based on the EU Directive 2014/95/EU on the disclosure of non-financial and diversity information. More information about the topics can be found in the Sustainability Report 2020 that is prepared according to the international framework Global Reporting Initiative (GRI). Konecranes is a signatory of the United Nations Global Compact striving for the same goals as the UN regarding human and labor rights, protecting the environment and fighting corruption.

Business model and value creation

Our business aims to deliver optimal productivity and improve our customers' safety and sustainability by making intelligent and connected lifting devices, adopting new technologies and optimizing material handling flows. Konecranes enables our customers' shift to a low-carbon future by being the key link in their material flow. With our knowledge, products, services and solutions we seek to maximize the positive contributions to our different stakeholders and society around us.

With our products and solutions, we provide monetary value with sustained profitability and stability. We enable reliable and optimized performance and can support the transition to low carbon with our innovative technologies. Safe ways of working are an integral part of our business and prioritizing safety in all areas of our operations brings us a competitive advantage. Due to this approach we can improve safety throughout our value chain and advance circularity by focusing on optimized service and longer product lifetime.

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

In 2020, a total of EUR 403 million (476) in taxes and other compulsory tax-like payments were paid and collected in countries where the Group operates, implying an effective tax rate of 27.9 percent (30.1). A total of EUR 174 million (198) was paid (taxes borne) directly by the group itself, while EUR 228 million (277) was collected (taxes collected) on behalf of governments. Konecranes is a compliant taxpayer in each country where it operates and does not practice aggressive tax planning that would artificially decrease the Group's taxable income.

Our innovation not only focuses on products, technologies and service solutions, but also on new ways of working and leveraging workforce diversity to amplify innovation. Our employees, with their expertise and motivation, are central to our success and bring our strategy to life. In our view, varied skill sets are a key driver of creativity and value creation. To ensure that we continue to deliver value we focus on maintaining close ties with our key stakeholders to understand their evolving needs and expectations; engaging and developing the best talent; implementing smart technologies in our product and service offering; innovating new business models; and developing our product design and reliability.

Responsible business conduct

The management culture in Konecranes is based on the company's values: trust in people, total service commitment and sustained profitability. The goal is not just to comply with the laws, rules and regulations that apply to the business – Konecranes also strives to abide by high standards of business conduct.

Konecranes' Code of Conduct and Corporate Governance Framework guide the everyday activities of the company by clearly describing internal standards and ethical values as well as legal obligations. The Code of Conduct is complemented by several Group-wide policies covering areas including safety, the environment, supplier requirements, anti-corruption, competition compliance, equal treatment and diversity.

There is an executive-level Compliance & Ethics Committee to oversee the implementation and development of the compliance & ethics program, which is managed by a specially dedicated Team. During 2020 the Compliance & Ethics Team was reinforced with new Compliance & Ethics Officers in three different geographical locations. With the added resources the team can better support the business and execute on Konecranes' ambitious compliance and ethics program.

Konecranes promotes a healthy speak-up culture where people can feel safe reporting ethical concerns. Multiple ways to raise concerns are offered, including an externally managed Whistleblowing Channel which enables anonymous reporting when allowed by local laws. There is a clear policy of no retaliation and all reports made are reviewed and replied to confidentially. Konecranes also encourages its suppliers and other business partners to report on any compliance and ethics concerns relating to Konecranes.

A group-wide compliance and ethics risk assessment was conducted in 2019 by interviewing more than 200 employees from various countries and business units, and the responsible business conduct KPIs were renewed. During 2020 the follow-up on these metrics continued as part of the overall compliance and ethics program and road map. Multiple awareness-raising activities took place in 2020, with the main focus on the new Code of Conduct training, which was made available in 35 different languages.
The training was mandatory for all employees globally, including operatives, and despite the challenging pandemic situation over 16,000 employees (96 percent) were trained. Global trainings were also rolled for competition law and trade compliance matters.

To help mitigate risks and drive ethical practices in supply chains, the Konecranes Supplier Code of Conduct (SCoC) states the sustainability standards expected from third parties. The Code has requirements, for example, on anti-corruption, human rights, environmental and compliance topics. The SCoC forms a key part of any agreements made with key suppliers and subcontractors. By the end of 2020, 58 percent of suppliers (as share of spend) had signed the SCoC. Background checks on suppliers and subcontractors are done before entering into business relationships and defined suppliers are assessed based on self-assessments. The requirements are constantly reviewed and developed to ensure that environmental and social impacts are managed properly through responsible sourcing. In 2020 we started third-party supplier audits concentrating particularly on compliance with our Supplier Code of Conduct.

Anti-corruption and bribery prevention

Konecranes' Anti-Corruption policy and Code of Conduct demonstrate our commitment to work against corruption in all forms, including extortion and bribery. They define the level of ethical conduct sought to uphold and support long-term competitiveness in the global markets. The Anti-Corruption policy has compliance protocols and guidelines in place to detect risks, with a zero-tolerance approach embedded in the monitoring and follow-up processes. Several actions and processes are set up to mitigate corruption and fraud risks including a Gift and Hospitality Portal.

Anti-Corruption matters are an important element of the Code of Conduct training, which is mandatory for all employees globally. In addition, more advanced anti-corruption trainings were organized during 2020 to targeted audiences such as the procurement, sales and finance teams. Konecranes' zero-tolerance approach is also promoted to business partners in the Konecranes Supplier Code of Conduct and Supplier Manual. Konecranes uses a risk-based Know-Your-Counterparty process whereby the level of scrutiny is determined by considering, for example, the risks associated with the business in question, country risks and business partner risks. Suppliers are also audited for their anti-corruption work.

Environmental responsibility

The day-to-day challenge of reducing our environmental footprint – meaning using resources more efficiently and minimizing emissions and waste – is already business as usual. We have moved beyond this and are developing products, services and technologies that also reduce the environmental impact of our customers.

Our commitments concerning environmental responsibility can be found in our Code of Conduct and in our Environmental Policy, which outlines our principles for managing the environmental impact of Konecranes sites, products and services as well as our supply chain.

To continuously improve our own performance, we set a target for all of our manufacturing sites to be ISO 14001:2015 EMS certified by the end of 2020. This target has been postponed by a year due to the COVID-19 pandemic. Currently 83 percent of our factories have an ISO 14001 environmental management system in place requiring continuous development and the establishment of local annual targets. We assess environmental risks of our service and manufacturing sites in greater detail as part of our environmental management system, where each of our units is responsible for evaluating, prioritizing and mitigating their risks on a local level. Environmental incidents and near-miss cases are reported through our global Health, Safety and Environment (HSE) reporting tool, and the investigations of root causes and corrective actions are conducted accordingly. In addition, we pay special attention to the use of efficient logistics and packaging, minimizing waste and reusing and recycling as much as possible.

We focus on energy efficiency of our own operations, for both service and manufacturing. Our target is to reduce our energy intensity (MWh/sales) by 25 percent during 2017–2025. We have also signed national voluntary agreements on energy efficiency. These ambitious targets will be reached by investing in energy efficiency actions such as heat recovery and lighting and harmonizing our fleet to become eco-efficient. In 2020 energy intensity was reduced significantly by 23 percent compared to the 2017 baseline.

Low-carbon product and solutions portfolio supports circular economy

Our business models support circular economy as we aim to maximize the lifecycle value of products. We design our products with their complete life cycle in mind as the majority of the environmental impact of products' lifecycle is defined at the product design stage. Our product design is based on smart design principles focusing on repairability, durability, material selections including recyclability and energy efficiency. Usability, eco-efficiency, and safety are our guiding principles in product design, along with lifecycle thinking. For diesel-powered vehicles we provide innovative power options ranging from hybrids to full electric and battery technology, with additional energy-saving features such as regenerative braking.

The use phase of our products can last for decades, so investing in data-driven, eco- and resource-efficient products means the customer can preserve the value of their equipment for a longer period of time and thus also decrease the environmental impact. To provide accurate data on the environmental impact of our solutions for decision making, we calculate our products' energy consumption and CO_2 emissions, and critically asses this data with the help of a third party (as part of our Environmental Product Declarations).

Our service business advances circular economy by focusing on extending product lifecycles with repair and maintenance, remanufacturing, modernizations and retrofits; this helps us raise our resource and energy efficiency while reducing our customers' environmental footprints. Modernizations and retrofits also enhance the energy efficiency and performance of equipment by saving a great deal of raw materials, cutting emissions from logistics and reducing the energy used in manufacturing processes. Additionally, modernization increases safety, productivity, reliability and usability while decreasing the need for repairs and unscheduled maintenance.

Our systematic approach to maintenance is supported by digital tools that allow real-time visibility and insight. We reduce the need to move items and people when we use real-time data to predict maintenance needs. Connected devices and online platforms provide data on the state of components in real time; knowing when to maintain, replace or repair components leads to a smarter use of resources and extends the lifetime of a product. Digitalization improves predictive maintenance by harnessing the industrial internet to connect data, machines and people to provide the right service at the right time, making it a key enabler for circular economy.

Climate risks and opportunities

We have a unique position to help decarbonize other industries by providing equipment solutions that help industries restructure to a low-carbon future. Taking an example from our customer segments, ports play an essential role in the world's decarbonization as the total electricity generating capacity for industrial ports will most likely increase in future given cargo throughput is expected to grow. Only by investing in technology that cuts the dependency on fossil fuels can the shipping and transportation industry reach their ambitious goals of 40 percent reduction in CO_2 by 2030 (IMO GHG Strategy).

In 2019 we finalized a climate risk scenario analysis to strengthen our understanding of climate change and its possible physical and transitional risks for the company. In 2020 we continued discussions at the top management level and conducted a set of workshops for all Business Areas and procurement to define climate-related risks and opportunities on a detailed level. During this exercise we defined our best estimates on risk likelihood and impact (tolerance). To be able to estimate the impact to business and prioritize risks, we need a level of risk detail that enables mitigating actions. Based on this work, we will sharpen our Climate roadmap for years to come.

The focus of our climate work is to reduce greenhouse gas emission intensity (tCO_2e/sales) by 50 percent during 2017–2025. One aspect of this target is reducing service fleet fuel consumption. In addition, we are committed to powering our factories with 100 percent renewable electricity by 2025. We collect scope 1 and 2 emission data quarterly to monitor progress. Scope 3 data is also collected on an annual basis. In 2020 we managed to decrease our scope 1 and 2 emissions by 29 percent compared to the 2017 baseline.

Climate targets and scenario analysis

We have included the "double materiality" aspect in our climate roadmap work, meaning we have reviewed Konecranes' impact on climate and how climate change potentially impacts Konecranes' business. Both risks and opportunities were considered. When it comes to climate-related opportunities, we focus on providing eco-efficient solutions for our customers and extending lifecycles with our service concept. For example, we offer hybrids and electric alternatives for traditional diesel cranes, and energy-saving features such as regenerative braking to help our customers minimize emissions. There are immense positive impacts of electrically powered equipment given it emits significantly less CO_2. Preventive maintenance also supports customer emission reductions by using data and remote monitoring to optimize visits from a service technician.

Konecranes' product offering also includes modernizations, one benefit of which is the material savings in steel and avoiding the emissions from steel production.

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

Climate change risks

Current regulation	Fuel and energy taxes and regulations are always included in risk assessments as their financial implications are relatively high. Changes in energy prices (such as electricity, heat, natural gas or liquefied petroleum gas) also have an effect on our factories' operational costs. Environmental legislation and regulation regarding climate action are followed on the corporate level when these requirements have global business relevance or impact reporting on a global level. On a local level, reviewing environmental legislation and local environmental risks is an important part of the ISO 14001 Environmental management system. Other business functions and product development follow product specific legislation requirements on e.g. motors.
Emerging regulation	Konecranes follows emerging regulation by participating in relevant industry organizations, following national, EU-level and international regulation/agreements. We especially follow the development of the NFR directive and its requirements and recommendations on reporting on climate change and low-carbon products. Other relevant topics that also have a climate aspect are evolving regulation on energy efficiency, chemical management, packaging and circular economy.
Technology	Technology plays a crucial part in our business, and we closely follow technological developments in sectors material to us and our customers. We need to understand in what ways different technologies are developing and ensure that our low-carbon solutions and selected technologies are attractive to our clients. Technology risks are included in our risk management processes. The significant risk for us related to technology lies in the selection of technologies used in our portfolio. Technological development pressure in carbon-intensive industries might also increase costs and the availability of technology.
Market	Environmental awareness is growing in all markets, especially in emerging markets. To understand the changes in attitudes and requirements in different regions, we closely monitor shifts in the global megatrends, "quiet signals" and customer feedback via e.g. our Voice of Customer surveys. We use this feedback in our strategic planning and discuss these demands internally with our R&D, sales, marketing, management and engineering teams.
Reputation	Climate-related issues are not seen as major reputational risks as we have clear and ambitious energy and emission targets, worldwide environmental management systems in place, global guidelines about demands for suppliers, rigorous internal HSE practices, and we systematically monitor and report our performance. In addition, our product-related environmental claims are based on third-party-assessed facts.
Acute physical	Several local site analyses have been conducted during past years. Physical risks for our production sites are assessed together with an insurance company and actions are taken accordingly. An increase in extreme weather conditions such as cyclones, hurricanes, hailstorms and lightning could especially affect our crane installations and project sites. Heavy rainfall and floods would put some of our production sites at risk. Extreme weather conditions can also have a potential impact on the shipment of our products or spare parts. Heatwaves significantly lower labor productivity and safety, and we have mitigation practices in place.
Chronic physical	Rising sea levels could potentially affect future Port operations by hindering the service or installation of port cranes, and rising sea levels might also endanger some of our production or subcontracted production sites.
Upstream	Climate improvement actions have a key impact on procurement and on direct operative costs via materials (e.g. possible carbon taxes). Upstream climate-related risks, if materialized, can affect our operations in many ways, for example by challenging the performance of the supply chain for manufacturing facilities and significantly impacting cost (price increases for goods, carbon tax, etc.). Having a continuance plan for production changes due to e.g. extreme weather conditions lowers the interruption risk for production.
Downstream	We identify and respond to climate-related risks and opportunities by educating customers on the climate impact of their choices. When looking at our Scope 3 data, the use of sold products is the largest source of emissions. We have a wide offering of eco-efficient products and solutions for customers to choose from. Providing information about our products' environmental impact and the technical specification for actual fuel reductions gives our customers the opportunity to better understand and minimize their climate impact. We will continue to invest in research for new technologies, finding the best partners in e.g. battery technology and developing software that also aims to decrease the use of energy and emissions.

Climate change opportunities

Products and services	As we already have energy-efficient products available in all product segments and focus on continuous product development and technological improvements, growing demand for low-emission products presents a great opportunity for us – especially in traditional diesel engine-powered product segments. For diesel-powered vehicles we provide innovative power options from hybrids to full electric and battery technology with additional energy-saving features such as regenerative braking. Providing sufficient information on energy use, power options and emission data on operative use to our customers is our way to take advantage of this opportunity. For example, choosing a full electric option for terminal operation instead of a traditional diesel equipment fleet can decrease emissions by to 60–80 percent during the use phase of product. Our service business advances circular economy by focusing on extending product lifecycles. Konecranes offers several retrofit solutions for customers to reduce emissions, increase fuel efficiency and update technology to current standards. Modernizations and retrofits also enhance the energy efficiency and performance of equipment as well as save a great deal of raw materials, cutting emissions from logistics and reducing the energy used in manufacturing processes. Also, modernizing an old crane instead of purchasing a new one saves hundreds of tons of steel, resulting in remarkable emission savings. Circular economy business models also help us raise our resource and energy efficiency while reducing our customers' environmental footprints.
Investment in R&D	Increasing demand for low-carbon products affects the way we design our products. Substituting existing technology with lower emission alternatives is a big opportunity for us and for our customers. Being at the forefront of technological developments mitigates sustainability risks and gives Konecranes many opportunities arising from tightening environmental regulations. Therefore, we continue to invest in the best available technologies. The annual R&D budget (48.5 million euros in 2020) contains investments for environmental improvements, for example the development of more energy-efficient products and ways to improve the whole manufacturing process. It is not possible to separate R&D costs related to climate transition risks, as constant improvements in eco-efficiency and reducing emissions are embedded in our work.
Operations	Konecranes actively follows its energy, fuel and emission performance, and has set targets for reducing energy consumption and emissions in operations. These targets encourage the company to continuously seek new ways to reduce our environmental footprint and reduce costs at the same time. We continued to invest in LED lights, improved heating systems and insulation of buildings, and better compressors. In service operations, the focus is on fuel efficient fleet, eco-efficient driving and optimized logistics. We continue to seek synergies, utilize digitalization and improve efficiency in our own operations and internal supply chains as that is in the core of our strategy.

Respect for human rights

Konecranes respects human rights and promotes the principles set in the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals, and the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO).

Konecranes' commitment to human rights is evident in multiple internal policies. Firstly, the company has included the basic principles of human rights in its Code of Conduct. Furthermore, Konecranes has a corporate policy, Respect in the Workplace, which deals with equal opportunities and fair employment practices, and creates a common framework for employee practices. Additionally, the company has separate policies for Health & Safety and Diversity & Inclusion that also address human rights. To ensure that human rights are also respected in our supply chain, we have included our basic requirements in our Supplier Code of Conduct. Human rights are part of our annual, mandatory Code of Conduct training.

To ensure we are not neglecting typical human rights risks existing in the sectors and countries where we operate, we conducted a human rights risk screening in 2020 with the help of an external service provider. The exercise covered our own activities, our supply chain and the use of our products. The focus of the risk screening was on people.

Health and safety-related risks stand out as a potential high-risk area both for our own employees and for people in our value chain. Typical human right risks for office employees are discrimination and the privacy of personal data. We take privacy very seriously, and you can read more about Konecranes' activities to reduce IT risks in the risk management section of the Sustainability Report.
To proactively prevent discrimination, we have a strong Diversity & Inclusion program that is led by a Diversity & Inclusion officer. If discrimination still occurs, we have a clear process how to investigate the case. In 2021 we will conduct social assessments in our own operations located in high-risk countries, paying special attention to issues identified in the risk screening.

As we have a complex supply chain located also in countries lacking the strong enforcement of labor laws, labor rights can be at risk. To mitigate risks, our Supplier Code of Conduct includes our expectations towards our supply chain. For years, we have also included elements of social responsibility in our supplier management processes, like in the supplier selection, and in the audits run by supplier quality teams. In 2020 we started third-party audits concentrating particularly on compliance with our Supplier Code of Conduct.

Safety

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

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

The company follows incidents and hazards through management systems, the ARMOR reporting system and the AIR product compliance management system, as well as through customer feedback collected after each major delivery. Konecranes has set a target to get all manufacturing units certified against OHSAS/ISO 45001 by the end of 2021. Currently we are 65.8 percent OHSAS/45001 certified. Safety performance is discussed monthly in the Group and Business Area leadership meetings, focusing especially on cases with Serious Injury or Fatality Potential (what we call our SIF Exposure).

The KPI for Konecranes safety is the total recordable incident rate TRI, which refers to the number of injuries requiring medical treatment per million working hours. The recordable incident rate for 2020 was 7.5 (8.1 in 2019), an improvement of 7.4 percent compared to the previous year. We also track the number of Safety Observations made as a leading KPI. In 2020 we made a total of 28,486 safety observations, which was 49.0 percent more than in 2019 (19,124).

People Strategy

Konecranes' talented, innovative, and engaged employees help its customers enhance safety and productivity every day. The Konecranes people management strategy supports this: it ensures that the needed resources and skillsets for the future are in place, and that employees are motivated and capable of meeting future business requirements.

Konecranes believes in continuous development and offers its employees a variety of training courses and activities in different areas – including technology, leadership, health and safety, language courses, culture, project management and the environment.

At Konecranes employee engagement in measured by conducting pulse surveys across the organization. The main risk related to low employee engagement is the loss of talent and competencies. At Konecranes this is mitigated through fair and competitive compensation, culture and leadership development programs, succession planning, internal job rotation and talent management, as well as through various programs to support professional growth.

Diversity

Konecranes aims to create a diverse and inclusive working environment where people feel trusted and a sense of belonging. All backgrounds and the variety of talents are an asset for the company's growth. Fair and responsible practices, equal career development opportunities and embracing diversity are the key enablers in attracting employees with the potential to be the best in the industry. Inclusion means that the strengths of differences are welcomed and leveraged and that Konecranes offers a working environment where everyone can be themselves and feel valued for their contribution. Fostering diversity – in terms of gender, age and cultural and educational backgrounds – has been repeatedly proven to encourage innovation, deliver exceptional organizational performance and to enable outstanding customer service. In Konecranes' view, varied skill sets are a key driver of creativity and value creation, and diversity and inclusivity result in teams that deliver better results.

A Diversity and Inclusion (D&I) Policy was created in 2018. In 2019 a strategy on inclusion and diversity was established, based on a three-year roadmap. In 2020, with strong awareness-building globally and locally, the company was able to draw attention to diversity and inclusion, educating the organization and individuals about unconscious biases and the importance of having D&I as a cultural foundation. D&I was used as a tool to boost the sense of togetherness, especially during the COVID-19 pandemic – a key activity was a new internal "Coffee and Culture" webinar series focusing on company's culture and belonging. Also, a fast track program was launched to support the acceleration of women in leadership positions; at the end of 2020 there were 13.1 percent women in Senior Management (11.4 percent in 2019). The goal is to have at least 22 percent gender diversity in senior management by the end of 2025. The current gender balance for all Konecranes employees is 16.7 percent female and 83.2 percent male. With the 2021 D&I vision, purpose and goals, Konecranes is further raising its ambition for taking a leadership position as a diverse and inclusive company.

Litigation

Various legal actions, claims, and other proceedings are pending against the Group in different countries. These actions, claims, and other proceedings are typical for this industry and are consistent with the global business offering that encompasses a wide range of products and services. These matters involve contractual disputes, warranty claims, product liability (including design defects, manufacturing defects, failure to warn, and asbestos legacy), employment, auto liability, and other matters involving general liability claims.

Risks and uncertainties

Global pandemics, such as COVID-19, have and may have a negative impact on Konecranes' customers and its own operations. Physical restrictions on the daily conduct of people and businesses can lead to lower revenue recognition and adversely impact cash flow. Physical restrictions may also lead to component shortages and inventory obsolescence. Furthermore, global pandemics can increase the likelihood of weaker demand conditions and, as a result, may lead to overcapacity, impairment of assets and credit losses.

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

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

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

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

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

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

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

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

Events after the end of the reporting period

Performance Share Plan 2021

On February 3, 2021, Konecranes announced that the Board of Directors had resolved to establish a new Performance Share Plan 2021. The Plan has a performance period from 2021 to 2023 with three separate measurement periods and separate targets for 2021, 2022 and 2023.

The criterion for the measurement period 2021 is adjusted earnings per Share (EPS). The EPS target for the first measurement period was also resolved by the Board of Directors.

The target group of the Plan for the performance period 2021–2023 consists of a maximum of 170 key employees of the Konecranes group.

Additional information, including essential terms and conditions of the Plan, is available in the stock exchange release dated February 3, 2021.

First quarter demand outlook

The worldwide demand picture remains subject to volatility due to the COVID-19 pandemic.

In Europe and North America, the current demand environment within the industrial customer segments is showing signs of improvement but remains below the year-end 2019 level. At the moment, the demand environment in Europe is less volatile compared to North America. In Asia-Pacific, demand environment has started to show signs of improvement also outside China but remains below the year-end 2019 level.

Global container throughput has reached the previous year's level, and long-term prospects related to global container handling remain healthy.

Financial guidance

Konecranes expects net sales to increase in full-year 2021 compared to 2020. Konecranes expects the full-year 2021 adjusted EBITA margin to improve from 2020.

Board of directors' proposal for disposal of distributable funds

The parent company's non-restricted equity is EUR 985,739,389.75, of which the net income for the year is EUR 107,111,563.90. The Group's non-restricted equity is EUR 1,166,562,000.

According to the Finnish Companies Act, the distributable funds of the company are calculated based on the parent company's non-restricted equity. For the purpose of determining the amount of the dividend, the Board of Directors has assessed the liquidity of the parent company and the economic circumstances subsequent to the end of fiscal year.

Based on such assessments, the Board of Directors proposes to the Annual General Meeting to be held on March 30, 2021 that a dividend of EUR 0.88 be paid on each share and that the remaining nonrestricted equity is retained in shareholders' equity. The proposal is in line with the combination agreement and will be included in the notice to the Annual General Meeting, which will be published during February 2021.

A PDF version of the Konecranes' full audited financial statements, including the report of the Board of Directors, and corporate governance statement will be available as pdf documents on Konecranes website on Friday, March 5, 2021.

Espoo, February 4, 2021
Konecranes Plc
Board of Directors

Konecranes Group 2016 – 2020

Business development		**2020**	**2019**	**2018**	**2017**	**2016**
Orders received	MEUR	2,727.3	3,167.3	3,090.3	3,007.4	1,920.7
Order book	MEUR	1,715.5	1,824.3	1,715.4	1,535.8	1,038.0
Net sales	MEUR	3,178.9	3,326.9	3,156.1	3,137.2	2,118.4
of which outside Finland	MEUR	3,096.3	3,244.2	3,056.3	3,031.5	1,939.8
Export from Finland	MEUR	1,075.9	969.6	777.0	655.6	686.7
Personnel on average		17,027	16,104	16,247	15,519	11,398
Personnel on December 31		16,862	16,196	16,077	16,371	10,951
Capital expenditure	MEUR	42.8	39.5	35.4	35.7	33.8
as % of Net sales	%	1.3%	1.2%	1.1%	1.1%	1.6%
Research and development costs	MEUR	48.5	41.1	42.1	36.0	22.3
as % of Net sales	%	1.5%	1.2%	1.3%	1.1%	1.1%
Profitability						
Net sales	MEUR	3,178.9	3,326.9	3,156.1	3,137.2	2,118.4
Adjusted EBITA	MEUR	260.8	275.1	257.1	216.6	144.8
as % of net sales	%	8.2%	8.3%	8.1%	6.9%	6.8%
Adjusted operating profit	MEUR	224.9	250.4	219.6	178.0	140.8
as % of net sales	%	7.1%	7.5%	7.0%	5.7%	6.6%
Operating profit	MEUR	173.8	148.7	166.2	318.7	84.9
as % of net sales	%	5.5%	4.5%	5.3%	10.2%	4.0%
Income before taxes	MEUR	170.3	118.5	138.7	276.0	62.1
as % of net sales	%	5.4%	3.6%	4.4%	8.8%	2.9%
Net income (incl. non-controlling interest)	MEUR	122.9	82.8	98.3	225.4	37.6
as % of net sales	%	3.9%	2.5%	3.1%	7.2%	1.8%

Key figures and balance sheet		**2020**	**2019**	**2018**	**2017**	**2016**
Equity (incl. non-controlling interest)	MEUR	1,251.1	1,246.7	1,284.1	1,278.9	445.5
Balance sheet	MEUR	4,016.5	3,854.2	3,567.0	3,562.9	1,529.9
Return on equity	%	9.8	6.5	7.7	26.1	8.3
Return on capital employed	%	8.3	6.3	7.9	23.7	10.3
Current ratio		1.4	1.4	1.3	1.3	1.1
Equity to asset ratio	%	34.1	35.4	39.8	39.2	32.9
Net working capital	MEUR	337.2	446.0	410.4	324.6	304.3
Interest-bearing net debt	MEUR	577.1	655.3	545.3	525.3	129.6
Interest-bearing net debt / Equity	%	46.1	52.6	42.5	41.1	29.1
Shares in figures						
Earnings per share, basic	EUR	1.54	1.03	1.29	2.89	0.64
Earnings per share, diluted	EUR	1.54	1.03	1.29	2.89	0.64
Equity per share	EUR	15.69	15.70	16.06	15.95	7.58
Cash flow per share	EUR	5.15	2.19	1.39	3.19	1.87
Dividend per share	EUR	0.88*	1.20	1.20	1.20	1.05
Dividend /earnings	%	57.1	116.5	93.0	41.5	164.1
Effective dividend yield	%	3.1	4.4	4.5	3.1	3.1
Price /earnings		18.7	26.6	20.5	13.2	52.8
Trading low / high**	EUR	14.05/33.08	24.84/38.15	25.05/42.43	31.52/42.64	17.92/36.89
Average share price**	EUR	23.03	29.98	33.56	36.72	25.38
Share price on December 31**	EUR	28.78	27.40	26.39	38.18	33.78
Year-end market capitalization	MEUR	2,277.5	2,160.2	2,080.0	3,006.9	1,984.6
Number traded***	(1,000)	182,650	144,580	174,340	161,890	138,110
Stock turnover	%	231.0	183.4	221.2	206.8	235.1
Average number of shares outstanding, basic	(1,000)	79,078	78,836	78,811	78,273	58,748
Average number of shares outstanding, diluted	(1,000)	79,078	78,836	78,811	78,273	58,748
Number of shares outstanding, at end of the period	(1,000)	79,134	78,839	78,817	78,756	58,751

* The Board's proposal to the AGM
** Source: Nasdaq Helsinki
*** Source: Fidessa

Calculation of key figures

Operating profit (EBIT)	Sales + Other operating income−Materials, supplies and subcontracting−Personnel cost−Depreciation and impairment−Other operating expenses	
Adjusted EBITA	Operating profit (EBIT) + purchase price allocation impacts and impairment + restructuring costs + transaction costs	
Adjusted Operating profit	Operating proft (EBIT) + restructuring costs + transaction costs	
Return on equity (%):	Net profit for the period / Total equity (average during the period)	X 100
Return on capital employed (%):	Income before taxes + interest paid + other financing cost / Total amount of equity and liabilities−non-interest bearing debts (average during the period)	X 100
Current ratio:	Current assets / Current liabilities	
Equity to asset ratio (%):	Shareholders' equity / Total amount of equity and liabilities−advance payment received	X 100
Interest-bearing net debt / Equity (%):	Interest-bearing liabilities−liquid assets−loans receivable / Total equity	X 100
Earnings per share:	Net profit for the shareholders of the parent company / Average number of shares outstanding	
Earnings per share, diluted:	Net profit for the shareholders of the parent company / Average fully diluted number of shares outstanding	
Equity per share:	Equity attributable to the shareholders of the parent company / Number of shares outstanding	
Cash flow per share:	Net cash flow from operating activities / Average number of shares outstanding	
Effective dividend yield (%):	Dividend per share / Share price at the end of financial year	X 100
Price per earnings:	Share price at the end of financial year / Earnings per share	
Net working capital:	Non interest-bearing current assets + deferred tax assets (excluding Purchase Price Allocation)−Non interest-bearing current liabilities−deferred tax liabilities (excluding Purchase Price Allocation)−provisions	
Interest-bearing net debt:	Interest-bearing liabilities (non current and current)−cash and cash equivalents−loans receivable (non current and current)	
Year-end market capitalization:	Number of shares outstanding multiplied by the share price at the end of year	
Average number of personnel:	Calculated as average of number of personnel in quarters	
Number of shares outstanding:	Total number of shares−treasury shares	

Operating profit % and EBITA % are used to measure business profitability before financial items and taxes. Adjusted operating profit and Adjusted EBITA are used to reflect the underlying business performance and to enhance comparability between financial periods and is frequently used by management, analysts and investors. See also note 3 for reconciliation.

Return on equity % represents the rate of return that shareholders receive on their investments and Return on capital employed % represent relative profitability or the rate of return that has been received on capital employed requiring interest or other return.

Current ratio, Equity to asset ratio, Interest-bearing net debt, Interest-bearing net debt / Equity are used to measure solvency and indebtedness of the Konecranes Group. Some of Konecranes' loan agreements include a covenant measured by Interest-bearing net debt / Equity percentage. Capital expenditure and Net working capital give additional information of the cash flows and funding needs of the Konecranes Group. Share related alternative performance measures enhance the information of equity, cash flow and dividend attributable to the shareholders and development of the Konecranes share value in the stock exchange.

Reconciliation of certain alternative performance measures

Reconciliation of adjusted operating profit and adjusted EBITA	2020	2019
Operating profit	**173.8**	**148.7**
Restructuring costs		
Employment termination costs	27.5	71.3
Impairments of non-current assets	0.0	0.8
Impairments of inventories	7.0	6.7
Other restructuring costs and income	8.0	21.9
Restructuring costs, total	**42.6**	**100.7**
Transaction costs	8.5	0.9
Adjusted operating profit	**224.9**	**250.4**
Purchase price allocation impacts	35.9	24.7
Adjusted EBITA	**260.8**	**275.1**

Reconciliation of interest-bearing net debt		
Interest-bearing liabilities	1,170.8	1,034.2
Loans receivable	-1.8	-0.7
Cash and cash equivalents	-591.9	-378.2
Interest-bearing net debt	**577.1**	**655.3**

Reconciliation of net working capital		
Total current assets	1,975.8	1,867.7
- Interest bearing current assets	-1.8	-0.7
- Cash and cash equivalents	-591.9	-378.2
Non-interest-bearing current assets	**1,382.1**	**1,488.8**
Deferred tax assets (excluding purchase price allocation)	**118.5**	**118.5**
Total current liabilities	-1,437.3	-1,369.1
- Current Interest-bearing liabilities	311.1	248.4
Non-interest-bearing current liabilities	**-1,126.2**	**-1,120.7**
Deferred tax liabilities (excluding purchase price allocations)	**-18.9**	**-21.5**
Non-current provisions	**-18.4**	**-19.1**
Net working capital	**337.2**	**446.0**

Consolidated statement of income – IFRS

(1,000,000 EUR)		Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Note:			
3,5,6	**Sales**	**3,178.9**	**3,326.9**
	Other operating income	10.7	19.6
7	Materials, supplies and subcontracting	-1,473.0	-1,505.0
7,8	Personnel cost	-993.5	-1,080.7
9	Depreciation and impairments	-130.0	-123.6
7	Other operating expenses	-419.3	-488.5
	Operating profit	**173.8**	**148.7**
4,16	Share of associates' and joint ventures' result	21.2	4.5
10	Financial income	38.6	2.5
10	Financial expenses	-63.2	-37.2
	Profit before taxes	**170.4**	**118.5**
11	Taxes	-47.5	-35.7
	PROFIT FOR THE PERIOD	**122.9**	**82.8**
	Profit for the period attributable to		
	Shareholders of the parent company	122.2	81.0
	Non-controlling interest	0.7	1.8
12	Earnings per share, basic (EUR)	1.54	1.03
12	Earnings per share, diluted (EUR)	1.54	1.03

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(1,000,000 EUR)		Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Note:			
	Profit for the period	**122.9**	**82.8**
	Items that can be reclassified into profit or loss		
34	Cash flow hedges	8.1	-0.7
	Exchange differences on translating foreign operations	-15.8	6.8
11.3	Income tax relating to items that can be reclassified into profit or loss	-1.6	0.2
	Items that cannot be reclassified into profit or loss		
28	Re-measurement gains (losses) on defined benefit plans	-18.8	-27.6
11.3	Income tax relating to items that cannot be reclassified into profit or loss	5.9	8.1
	Other comprehensive income for the period, net of tax	**-22.2**	**-13.2**
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**100.7**	**69.6**
	Total comprehensive income attributable to:		
	Shareholders of the parent company	100.4	67.4
	Non-controlling interest	0.3	2.2

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

Consolidated balance sheet – IFRS

ASSETS

(1,000,000 EUR)		Dec 31, 2020	Dec 31, 2019
Note:			
	Non-current assets		
13	Goodwill	1,016.7	908.2
14	Intangible assets	536.0	531.6
15	Property, plant and equipment	341.8	332.8
	Advance payments and construction in progress	20.0	15.7
16	Investments accounted for using the equity method	6.5	73.9
	Other non-current assets	0.8	0.9
17	Deferred tax assets	118.9	123.4
	Total non-current assets	**2,040.7**	**1,986.5**
	Current assets		
18	Inventories	644.8	658.7
19	Accounts receivable	489.2	530.4
20	Other receivables	30.9	33.7
	Income tax receivables	13.4	30.5
6	Receivable arising from percentage of completion method	102.3	167.8
32	Other financial assets	21.2	8.1
21	Deferred assets	82.1	60.3
22	Cash and cash equivalents	591.9	378.2
	Total current assets	**1,975.8**	**1,867.7**
	TOTAL ASSETS	**4,016.5**	**3,854.2**

EQUITY AND LIABILITIES

(1,000,000 EUR)		Dec 31, 2020	Dec 31, 2019
Note:			
	Equity attributable to equity holders of the parent company		
	Share capital	30.1	30.1
	Share premium	39.3	39.3
	Paid in capital	752.7	752.7
34	Fair value reserves	6.0	-0.5
	Translation difference	-11.6	3.7
	Other reserve	58.0	58.8
	Retained earnings	245.3	272.4
	Net profit for the period	122.2	81.0
23	**Total equity attributable to equity holders of the parent company**	**1,242.0**	**1,237.5**
16	Non-controlling interest	9.1	9.2
	Total equity	**1,251.1**	**1,246.7**
	Non-current liabilities		
26,27,32	Interest-bearing liabilities	859.7	785.8
28	Other long-term liabilities	306.4	290.4
24	Provisions	18.4	19.1
17	Deferred tax liabilities	143.6	143.1
	Total non-current liabilities	**1,328.1**	**1,238.4**
	Current liabilities		
26,27,32	Interest-bearing liabilities	311.1	248.4
6	Advance payments received	352.3	337.3
	Accounts payable	201.6	236.2
24	Provisions	142.6	151.7
25	Other short-term liabilities (non-interest-bearing)	61.2	44.3
32	Other financial liabilities	5.5	6.2
	Income tax payables	18.5	14.6
	Accrued costs related to delivered goods and services	165.3	156.0
25	Accruals	179.2	174.4
	Total current liabilities	**1,437.3**	**1,369.1**
	Total liabilities	**2,765.4**	**2,607.5**
	TOTAL EQUITY AND LIABILITIES	**4,016.5**	**3,854.2**

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

Consolidated statement of changes in equity – IFRS

	Equity attributable to equity holders of the parent company									
(1,000,000 EUR)	**Share capital**	**Share premium account**	**Paid in capital**	**Cash flow hedges**	**Translation difference**	**Other reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at January 1, 2020	**30.1**	**39.3**	**752.7**	**-0.5**	**3.7**	**58.8**	**353.4**	**1,237.5**	**9.2**	**1,246.7**
Dividends paid to equity holders							**-95.0**	**-95.0**	**-0.3**	**-95.3**
Equity-settled share based payments (note 29)						-0.8	0.0	-0.8		-0.8
Acquisitions							-0.1	-0.1	-0.1	-0.2
Profit for the period							122.2	122.2	0.7	122.9
Other comprehensive income				6.5	-15.4		-12.9	-21.8	-0.4	-22.2
Total comprehensive income				6.5	-15.4		109.3	100.4	0.3	100.7
Balance at December 31, 2020	**30.1**	**39.3**	**752.7**	**6.0**	**-11.7**	**58.0**	**367.6**	**1,242.0**	**9.1**	**1,251.1**
Balance at January 1, 2019	**30.1**	**39.3**	**752.7**	**0.1**	**-2.8**	**55.2**	**391.2**	**1,265.8**	**18.3**	**1,284.1**
Change in accounting principles (IFRS 16)							-4.5	-4.5		-4.5
Balance at January 1, 2019, restated	30.1	39.3	752.7	0.1	-2.8	55.2	386.7	1,261.3	18.3	**1,279.6**
Dividends paid to equity holders							-94.6	-94.6	-4.5	-99.1
Equity-settled share based payments (note 29)						3.6	0.0	3.6		3.6
Acquisitions							-0.2	-0.2	-0.1	-0.3
Disposals							0.0	0.0	-6.7	-6.7
Profit for the period							81.0	81.0	1.8	82.8
Other comprehensive income				-0.6	6.5		-19.5	-13.6	0.4	-13.2
Total comprehensive income				-0.6	6.5		61.5	67.4	2.2	69.6
Balance at December 31, 2019	**30.1**	**39.3**	**752.7**	**-0.5**	**3.7**	**58.8**	**353.4**	**1,237.5**	**9.2**	**1,246.7**

Consolidated cash flow statement – IFRS

Note:	(1,000,000 EUR)	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
	Cash flow from operating activities		
	Profit for the period	122.9	82.8
	Adjustments to net profit for the period		
	Taxes	47.5	35.7
	Financial income and expenses	24.6	34.7
	Share of associates' and joint ventures' result	-21.2	-4.5
	Depreciation and impairments	130.0	123.6
	Profits and losses on sale of fixed assets	-2.2	-0.5
	Other adjustments	0.8	3.2
	Operating income before change in net working capital	**302.4**	**275.0**
	Change in interest-free current receivables	115.7	-40.3
	Change in inventories	42.4	-18.9
	Change in interest-free current liabilities	-33.1	46.7
	Change in net working capital	**125.0**	**-12.5**
	Cash flow from operations before financing items and taxes	**427.4**	**262.5**
10	Interest received	21.9	26.5
10	Interest paid	-36.8	-46.1
10	Other financial income and expenses	20.7	-24.2
11	Income taxes paid	-26.1	-45.9
	Financing items and taxes	**-20.3**	**-89.7**
	NET CASH FROM OPERATING ACTIVITIES	**407.1**	**172.8**

Note:	(1,000,000 EUR)	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
	Cash flow from investing activities		
4	Acquisition of Group companies, net of cash	-124.1	-3.1
4	Divestment of businesses, net of cash	0.0	4.2
	Capital expenditures	-43.8	-40.7
	Proceeds from sale of property, plant and equipment and other	2.8	16.4
	NET CASH USED IN INVESTING ACTIVITIES	**-165.1**	**-23.2**
	Cash flow before financing activities	**242.0**	**149.6**
	Cash flow from financing activities		
	Proceeds from non-current borrowings	151.8	140.0
	Repayments of non-current borrowings	-5.4	-20.6
	Repayments of lease liability	-42.5	-44.3
	Proceeds from (+), payments of (-) current borrowings	-20.0	19.6
	Change in loans receivable	-1.0	-0.1
	Dividends paid to equity holders of the parent company	-95.0	-94.6
	Dividends paid to non-controlling interests	-0.3	-4.5
	NET CASH USED IN FINANCING ACTIVITIES	**-12.4**	**-4.5**
	Translation differences in cash	-15.9	2.6
	CHANGE OF CASH AND CASH EQUIVALENTS	**213.7**	**147.7**
	Cash and cash equivalents at beginning of period	378.2	230.5
22	Cash and cash equivalents at end of period	591.9	378.2
	CHANGE OF CASH AND CASH EQUIVALENTS	**213.7**	**147.7**

The effect of changes in exchange rates has been eliminated by converting the beginning balance at the rates current on the last day of the year.
The accompanying notes form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1. Corporate information

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

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

2. Accounting principles

2.1. Basis of preparation

The consolidated financial statements of Konecranes Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for items that are required by IFRS to be measured at fair value, principally certain financial instruments.

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

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

The financial statements were approved for issuance by the Board of Directors on February 3, 2021.

Principles of consolidation

The consolidated financial statements comprise the consolidated balance sheet of Konecranes Plc and its subsidiaries as at December 31, 2020 and 2019 and the consolidated statements of income and cash flows for the periods ended December 31, 2020 and 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

Investment in associates and joint ventures

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

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

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under this method, the consolidated financial statements show the Group's investment in and share of net assets of the associate or joint venture. Any premium over net assets paid to acquire an interest in an associate or joint venture is recognized as goodwill within the same line as the underlying investment. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

2.2. Use of estimates and judgments

The preparation of the financial statements in accordance with IFRS requires management to make estimates and judgments that affect the valuation of reported assets and liabilities and other information, such as contingent liabilities and recognition of income and expenses in the statement of income. These assumptions, estimates and judgments are based on management's historical experience, best knowledge about the events and other factors, such as expectations on future events, which the Company assess to be reasonable in the given circumstances. Although these estimates and judgments are based on the management's best understanding of current events and circumstances, actual results may differ from the estimates. Changes in estimates and assumptions are recognized in the financial period the estimate or assumption is changed.

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

Impairment testing

The recoverable amount for goodwill has been determined based on value in use of the relevant cash generating unit to which the goodwill is allocated. The recoverable amounts of all material intangible assets and property, plant and equipment have also been based on their value in use. The impairment testing of goodwill is based on numerous judgmental estimates of the present value of the cash flows which effect the valuation of the cash generating units (CGU) pertaining to the goodwill. Cash flow forecasts are made based on CGU specific historical data, order book, the current market situation and industry specific information of the future growth possibilities. These assumptions are reviewed annually as part of management's budgeting and strategic planning cycles and can be subject to significant adjustment as arising from the development of the global economy, pressure from competitors' products as well as changes in raw material prices and operating expenses. The value of the benefits and savings from the efficiency improvement programs already announced and included in certain cash flow estimates are also subjective and based on management's best estimate of the impact. The fair value of the CGUs is determined using a derived weighted average cost of capital as the rate to discount estimated future cash flows. The discount rate used may not be indicative of actual rates obtained in the markets in the future.
See note 13.

Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method according to which the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. The excess of the consideration transferred for the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The measurement of fair value of the acquired net assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows (intangible assets). The valuation, which is based on prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement, estimates and assumptions. See note 4.

Recognition of deferred taxes

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or in which tax losses can be utilized. The tax effect of unused tax losses is recognized as a deferred tax asset when it becomes probable that the tax losses will be utilized. In making assessments regarding deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. The actual current tax exposure is estimated together with assessing temporary differences resulting from differing treatment of items, such as depreciation, provisions and accruals, for tax and accounting purposes. When recording the deferred tax assets judgment have been based on the estimates of the taxable income in each subsidiary and country in which Konecranes operates, and the period over which the deferred tax assets will be recoverable based on the estimated future taxable income and planned tax strategies to utilize these assets. The amount of deferred tax assets considered realizable could however be reduced in subsequent years if estimates of future taxable income during their carry forward periods are reduced, or rulings by the tax authorities are unfavourable. Estimates are therefore subject to change due to both market related and tax authorities related uncertainties, as well as Konecranes' own future decision matters such as restructuring. Konecranes is unable to accurately quantify the future adjustments to deferred income tax expense that may occur as a result of these uncertainties. See note 17.

Actuarial assumptions in defined benefit plans

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

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

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

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

Revenue recognition over time in long term projects

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

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

COVID-19

The COVID-19 (coronavirus) pandemic has caused Konecranes to review the estimates and assumptions used in the preparation of the financial statements. The impact of the COVID-19 pandemic on estimates in the financial reporting rely on management's best judgement. The Group has assessed the impact of COVID-19 to goodwill, other intangible and tangible assets as part of the impairment testing process, defined benefit plans, valuation of inventory, recoverability of deferred tax assets and collectability of account receivables as part of the regular reporting process.

Significant judgement has been used for the cash flows used for calculation of recoverable amounts of cash generating units in impairment testing. The financial impact of the COVID-19 outbreak cannot yet be quantified fully, as it will depend on the duration and severity of the virus in different geographical areas. Therefore, estimates and assumptions for market development, growth, and other significant factors used in the impairment testing are based on management's best estimates under the current circumstances. See note 13.

Konecranes reviews and estimates its customer credit risks related to accounts receivable and ongoing projects as part of normal reporting process. Provision for doubtful accounts has been prepared based on the historical credit loss pattern, but it is also adjusted case by case with forward-looking risk positions. There has not been any significant change in payment delays related to customer receivables, but credit risks might increase in case the COVID-19 pandemic continues still for longer period. To limit this risk, the Group applies a conservative credit policy towards customers. It is Konecranes practice to review customers carefully before entering formal business relationships and to require credit reports from new customers. Customer credit risks are mitigated with advance payments, letters of credits, payment guarantees and credit insurance where applicable. See note 19.

Although COVID-19 has impacted sales volumes and the delays in deliveries have led to some increase in inventory levels, Konecranes does not see material increase of the risk for obsolete inventory values. There have not been major order cancellations, but rather the orders and deliveries have been postponed. The risks related to work in progress and contract assets are also mitigated with advance payments collected from customers. The risk of excess inventories has also been limited through efficient demand-supply balancing.

2.3. Summary of significant accounting policies

Revenue recognition

Revenue is recognized at an amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer and to the extent that it is probable that the economic benefits will flow to the Company, that revenue can be reliably measured, and that collectability is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable. The creditworthiness of the buyer is assessed before engaging into a sale. However, if a risk of non-payment arises after revenue recognition, a provision for non-collectability is established.

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

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

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

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

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

Port Solutions segment generate revenue from container handling equipment, shipyard equipment, mobile harbor cranes, heavy-duty lift-trucks and Port Solution related software. All equipment deliveries are supported by a complete range of services. Most of the container handling and shipyard equipment as well as mobile harbor cranes are tailored and engineered to the customer needs so the revenue from these projects is recognized over time according to the percentage of completion (POC) method as those contracts are specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. Konecranes is then also entitled to an amount that at least compensates the entity for performance completed to date even if the customer can terminate the contract for the reasons other than our failure to perform as promised. The revenue of lift trucks and standard ports equipment is recognized when goods are shipped or made available to the buyer for shipment, depending on the terms of the contract or when the customer has accepted the delivery. The general warranty period for ports equipment differs to some extent depending on the components used in the projects. For general warranty Group records a warranty provision based on historical data. The revenue for possible extended warranty is recognized over the extended warranty period. In Port Solutions projects the customers are typically required to make advance payments according to the milestones defined in the project contract.

Measurement of stage of completion for performance obligations satisfied over time

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

Research and development costs

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

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

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

Adjusted EBITA (alternative performance measure)

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

Earnings per share

Basic earnings per share are computed by dividing net income from continuing operations and net income from discontinued operations all attributable to ordinary shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by assuming conversion or exercise of all potentially dilutive share-based payment plans.

Dividend distribution

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

Employee benefits

Konecranes companies have various pension plans in accordance with local conditions and practices. Pensions are generally managed for the Group companies by outside pension insurance companies or by similar arrangements. These pension plans are classified either as defined contribution or defined benefit plans. Under defined contribution plans, expenses are recognized for the period the contribution relates to. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employee benefits. The Konecranes Group accounts for the Finnish system under the Employees' Pensions Act (TyEL) within insurance system as a defined contribution plan.

Under defined benefit plans, a liability recognized in the balance sheet equals to the net of the present value of the defined benefit obligation (calculated using the Projected Unit Credit Method) less the fair value of the plan assets at the balance sheet date. Actuarial gains and losses are recognized in the consolidated statement of other comprehensive income as remeasurement items when they occur. Remeasurement recorded in other comprehensive income is not recycled. Past service cost is recognized in the statement of profit or loss in the period of plan amendment. Net-interest is calculated by applying the discount rate to the net defined liability or asset. Independent actuaries calculate the defined benefit obligation by applying the Projected Unit Credit Method. The Group presents service cost, past-service cost, gains and losses on curtailments and settlements and net interest expense or income as Personnel cost – Pension costs: Defined benefit plans in the statement of income (see Note 8).

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

Share-based payments

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

Equity-settled transactions

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

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

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

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

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

Cash-settled transactions

The cost of cash-settled transactions, which is usually related to the additional employee social cost or taxes of the share-based payments, is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognized in Personnel cost – Other personnel expenses in the statement of income (see Note 8).

Foreign currency translation

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

Transactions and balances

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Foreign operations

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

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

Income tax

Taxes shown in the consolidated statement of income include income taxes to be paid on the basis of local tax legislations, tax adjustments from previous years as well as the effect of the annual change in the deferred tax balances. Taxes are calculated using rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities and deferred tax assets are calculated on all temporary differences arising between the tax basis and the book value of assets and liabilities. Deferred tax is not recognized for non-deductible goodwill on initial recognition and temporary differences in investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. The main temporary differences arise from unused tax losses, depreciation differences, provisions, defined benefit pension plans, inter-company inventory margin and derivative financial instruments. In connection with an acquisition, the Group records provisions for deferred taxes on the difference between the fair values of the net assets acquired and their tax bases. A deferred tax asset is recognized to the extent that it is probable that it can be utilized.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method according to which the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. The excess of the consideration transferred for the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. For each acquisition the non-controlling interest in the acquiree, if any, can be recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. If the purchase consideration is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly through the profit and loss. Direct acquisition transaction costs are expensed as incurred.

Assets held for sale

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

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

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

Intangible assets

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

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

Impairment testing of goodwill

Goodwill acquired in a business combination is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. If the carrying amount for a CGU exceeds its recoverable amount, an impairment loss equal to the difference is recognized. Konecranes uses a discounted cash flow analyses to assess the fair value of goodwill. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. A previously recognized impairment loss on goodwill is not reversed even if there is a significant improvement in circumstances having initially caused the impairment.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is recorded on a straight-line basis over the estimated useful economic life of the assets as follows:

- Buildings 10–40 years
- Machinery and equipment 3–10 years

No depreciation is recorded for land.

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

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

Impairment of assets subject to amortization and depreciation

The carrying values of intangible assets subject to amortization, property, plant and equipment and investments in associates and joint ventures are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such an indication exists, the recoverable amount of the assets will be estimated.

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

Valuation of inventories

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

Account and other receivables

Account and other receivables are initially recorded at fair value after which they are subsequently measured at amortised cost. Account receivables represent the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). The provision for doubtful accounts is estimated based on the Group's historical credit loss experience adjusted with current conditions and reasonable and supportable forecasts about the future. The effect is recognized in the statement of income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with banks and other liquid investments with original maturities of three months or less. Bank overdrafts are included in current interest-bearing liabilities.

Fair value measurement

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

Derivative financial instruments and hedge accounting

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

The Group uses derivative financial instruments, primarily forward contracts and interest rate swaps, to hedge its risks associated with foreign currency fluctuations relating to certain commitments and forecasted transactions and interest rate risks. Derivative financial instruments are used for hedging purposes in accordance with the Group's hedging policy and not for speculative purposes. These instruments are initially recognized at fair value at the derivative contract date and are re-measured to fair value at subsequent reporting dates. Derivatives are presented as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

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

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

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the statement of income as they arise.

The Group does not apply fair value hedging.

Financial assets

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

Financial assets at amortized cost

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

Financial assets at fair value through statement of income

Interest-bearing investments, which are non-derivative financial assets and have fixed or determinable payments and are not quoted on active markets, are measured at fair value through the statement of income. This category also includes derivatives that are not qualifying for hedge accounting.

Financial assets at fair value through other comprehensive income

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at fair value through other comprehensive income

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

Financial liabilities measured at amortized cost

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

Offsetting of financial instruments

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

Provisions

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is considered probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions may arise from restructuring plans, onerous contracts, guarantees and warranties, among other events. Obligations arising from restructuring plans are recognized when the detailed and formal restructuring plans have been established, the personnel concerned have been informed and when there is a valid expectation that the plan will be implemented. The warranty provision is based on the history of past warranty costs and claims on delivered products under warranty. Additionally, warranty provisions can be established on a case by case basis to take into consideration the potentially increased risks.

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

Leases

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

The Group as a lessee

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

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, possible initial cost incurred, lease payments done before the commencement date and less any lease incentives received. The recognized right-of-use assets are mainly rentals of premises and vehicles which are typically depreciated on a straight-line basis over the shorter of the lease term and estimated useful life of the asset. Right-of-use assets are subject to possible impairment.

Lease liabilities

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

Short-term leases and leases of low-value assets

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

Judgment in determining the lease term

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

Cash flow statement

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

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

The relevant new or revised IFRSs that Konecranes has adopted from January 1, 2020 were the following:

Definition of a Business–Amendments to IFRS 3. The definition of a business was amended to help entities determine whether an acquired set of activities and assets is a business combination or an asset acquisition. They clarify the minimum requirements for a business, remove the assessment of whether market participants can replace any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments did not have an impact on the consolidated financial statements of the Group.

Definition of Material–Amendments to IAS 1 and IAS 8. The amendments were to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements, which provide financial information about a reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments did not have an impact on the consolidated financial statements of the Group.

Konecranes did not use the relief in the Amendments to IFRS 16, Leases, COVID-19-Related Rent Concessions, which permit lessees not to assess whether eligible COVID-19-related rent concessions are lease modifications, and account for them as if they were not lease modifications.

Amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The amendments did not have an impact on the consolidated financial statements of the Group.

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

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

Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Konecranes used the general modified retrospective approach in which right of use assets and lease liabilities were calculated per transition date January 1, 2019 except for the lease contracts of the Finnish premises in Hyvinkää and Hämeenlinna, in which Konecranes used modified retrospective method to calculate the right of use assets and liability from the commencement date but using the prevailing discount interest at the transition date. Konecranes elected also to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has various lease agreements for office equipment, vehicles and premises with varying terms and renewal rights. The Group has used judgment especially for the use of extension options as well as when defining the lease term for open end lease agreements so that they are based on the business requirements and real estimated useful lifetime of the underlying asset. The right of use assets increased by EUR 118.5 million and corresponding liabilities by EUR 124.1 million at January 1, 2019. Equity decreased by EUR 4.5 million and deferred tax asset increased by EUR 1.1 million. The Group had also EUR 20.1 million existing finance leases according to IAS17 in December 31, 2018 balance sheet. The weighted average interest rate on the application date was 4.92%.

Transition bridge for IFRS 16

Operating lease commitment Opening balance January 1, 2019	**117.3**
Short-term leases (-)	-10.4
Leases of low-value assets (-)	-1.1
Extension and termination options (+/-)	29.5
Variable lease payments based on an index or a rate (+)	0.2
Residual value guarantees (+)	0.0
Nominal value of IFRS 16 lease liability at transition	**135.5**
Discount effect on nominal value of IFRS 16 lease liability 1.1.2019	-11.3
Finance lease liabilities Opening balance January 1, 2019	20.1
Lease liabilities recognised at January 1, 2019	**144.3**

IFRIC 23

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

3. Segment information

For management purposes, the Group is organized into business units based on its products and services and had three reportable segments in 2020 and 2019, which it calls Business Areas: Business Area Service, Business Area Industrial Equipment and Business Area Port Solutions.

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

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

The above reportable segments are based on the Group's management reporting and organizational structure. Konecranes Group's chief operating decision maker is the Board of Directors.

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

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

Konecranes reports also three geographical areas, which are the main market areas: EMEA (Europe, Middle East and Africa), AME (Americas) and APAC (Asia-Pacific). Sales are reported by the customer location and assets and capital expenditure by the location of the assets.

3.1. Operating segments

	Service		Industrial Equipment		Port Solutions		Corporate functions and unallocated		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sales												
Sales to external customers	1,148.4	1,211.5	973.8	1,020.4	1,056.0	1,094.7	0.8	0.2			**3,178.9**	**3,326.9**
Inter-segment sales	41.6	48.2	146.4	165.1	10.0	21.0	9.1	8.7	-207.1	-242.9	**0.0**	**0.0**
Total sales	**1,190.0**	**1,259.7**	**1,120.1**	**1,185.5**	**1,066.0**	**1,115.7**	**9.9**	**8.8**	**-207.1**	**-242.9**	**3,178.9**	**3,326.9**
Adjusted EBITA	205.2	208.5	25.4	18.2	59.7	86.9	-29.6	-38.9	0.0	0.4	**260.8**	**275.1**
% of net sales	17.2%	16.6%	2.3%	1.5%	5.6%	7.8%					**8.2%**	**8.3%**
Purchase price allocation amortization	-16.1	-10.5	-12.5	-6.9	-7.3	-7.3					**-35.9**	**-24.7**
Adjusted operating profit	189.1	198.0	12.9	11.3	52.4	79.6	-29.6	-38.9	0.0	0.4	**224.9**	**250.4**
% of net sales	15.9%	15.7%	1.1%	1.0%	4.9%	7.1%					**7.1%**	**7.5%**
Adjustments to operating profit												
Transaction costs							-8.5	-0.9			**-8.5**	**-0.9**
Restructuring costs	-7.7	-3.4	-8.6	-72.7	-24.4	-8.3	-2.0	-16.4			**-42.6**	**-100.7**
Total	-7.7	-3.4	-8.6	-72.7	-24.4	-8.3	-10.5	-17.3			**-51.1**	**-101.7**
Operating profit	181.4	194.6	4.3	-61.4	28.0	71.3	-40.0	-56.3	0.0	0.4	**173.8**	**148.7**
% of net sales	15.2%	15.5%	0.4%	-5.2%	2.6%	6.4%					**5.5%**	**4.5%**
Share of associates and joint ventures result (note 16)							21.2	4.5			**21.2**	**4.5**
Financial income							38.6	2.5			**38.6**	**2.5**
Financial expenses							-63.2	-37.2			**-63.2**	**-37.2**
Profit before tax											**170.3**	**118.5**
Segment assets	1,409.7	1,327.7	916.5	863.3	854.2	922.0					**3,180.4**	**3,113.0**
Investment accounted for using the equity method (note 16)							6.5	73.9			**6.5**	**73.9**
Cash and cash equivalents							591.9	378.2			**591.9**	**378.2**
Deferred tax assets							118.9	123.4			**118.9**	**123.4**
Income tax receivables							13.4	30.5			**13.4**	**30.5**
Other unallocated and corporate function level assets							105.4	135.1			**105.4**	**135.1**
Total assets	**1,409.7**	**1,327.7**	**916.5**	**863.3**	**854.2**	**922.0**	**836.1**	**741.2**			**4,016.5**	**3,854.2**

3.1. Operating segments (continued)

	Service		Industrial Equipment		Port Solutions		Corporate functions and unallocated		Eliminations		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Segment liabilities	192.5	194.1	356.4	345.3	415.0	417.7					**963.9**	**957.2**
Interest-bearing liabilities							1,170.8	1,034.2			**1,170.8**	**1,034.2**
Deferred tax liabilities							143.6	143.1			**143.6**	**143.1**
Income tax payables							18.3	14.6			**18.3**	**14.6**
Other unallocated and corporate function level liabilities							469.3	458.4			**469.3**	**458.4**
Total liabilities	**192.5**	**194.1**	**356.4**	**345.3**	**415.0**	**417.7**	**1,802.1**	**1,650.3**			**2,766.0**	**2,607.5**
Other disclosures												
Capital expenditure	9.6	10.7	24.9	20.3	8.2	8.5	0.0	0.0			**42.8**	**39.5**
Personnel	8,062	7,762	5,720	5,397	2,970	2,938	110	99			**16,862**	**16,196**

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

	During 2021	During 2022	From 2023 onwards	Total
Service	207.7	2.4	3.4	**213.4**
Industrial Equipment	530.5	42.9	25.4	**598.8**
Port Solutions	600.0	205.2	98.0	**903.2**
Total	**1,338.2**	**250.5**	**126.8**	**1,715.5**

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

3.2. Geographical areas

2020	EMEA*	AME	APAC	Total
External sales*	1,703.9	976.6	498.4	**3,178.9**
Assets*	2,910.5	529.5	576.6	**4,016.5**
Capital expenditure	35.7	1.5	5.6	**42.8**
Personnel	9,688	2,964	4,210	**16,862**

* External sales to Finland EUR 82.6 million. Non-current assets (excluding deferred tax assets) in Finland: EUR 193.6 million and in other countries: EUR 1,728.2 million.

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

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

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

4. Acquisitions and divestments

Acquisitions in 2020

On December 5, 2019 Konecranes signed an agreement to acquire from Jebsen & Jensen its 50% share in MHE-Demag. The transaction was closed on January 2, 2020 and the purhcase price consideration was EUR 148.3 million. After the acquisition Konecranes holds 100% of the shares in the company.

MHE-Demag is a leading supplier of industrial cranes and services in Southeast Asia under the MHE and Demag brands, engineering, manufacturing and maintaining a comprehensive range of industrial cranes and hoists. Its customized solutions serve a wide range of industries and customers from general manufacturing to aerospace. MHE-Demag also provides warehousing equipment such as lift trucks and dock levelers, aerial work platforms, building maintenance units and compact construction equipment, as well as automated car parking systems. With the acquisition, Konecranes increases its presence and market coverage in strategically important and fast-growing Southeast Asia. MHE-Demag has approximately 1,800 employees, including some 700 service engineers. MHE-Demag operates 11 factories and more than 70 service locations throughout Southeast Asia and is headquartered in Singapore. MHE-Demag runs own operations in Australia, Indonesia, Malaysia, Singapore, the Philippines, Taiwan, Thailand and Vietnam. In addition, MHE-Demag has distribution through resellers in several countries including Brunei, Cambodia, Laos, Mongolia, Myanmar, Papua New Guinea and Timor-Leste.

In 2019, MHE-Demag's net sales were approximately SGD 296 million (EUR 196 million) and EBITA approximately SGD 21 million (EUR 14 million). Konecranes is the main supplier to MHE-Demag, selling crane components under the Demag brand name. Konecranes sales to MHE-Demag in 2019 was approximately EUR 27 million.

Konecranes remeasured its previously held equity interest in MHE-Demag at its acquisition date fair value and recognised the EUR 21.1 million gain in share of associates' and joint ventures' result row of statement of income. Under the acquisition method of accounting, the total purchase price is allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their fair values as of the date of acquisition. The intangible assets consist of customer relationships, sales order backlog and trade name. The accumulated transaction costs were EUR 0.9 million during 2019. The fair values of acquired businesses are as follows:

	Fair value
Intangible assets	
Clientele	36.1
Technology	0.0
Trademark	2.1
Other intangible assets	10.2
Property, plant and equipment	38.9
Deferred tax assets	4.2
Inventories	43.4
Accounts receivable	51.0
Provision for doubtful debts	-0.7
Other assets	23.7
Cash and cash equivalents	17.6
Total assets	**226.6**

	Fair value
Non-controlling interest	0.0
Deferred tax liabilities	12.5
Defined benefit plans	1.0
Other long-term liabilities	11.1
Accounts payable and other current liabilities	79.4
Total liabilities	**104.1**
Net assets	**122.6**

Purchase consideration, paid in cash	141.7
Purchase consideration, deferred	6.6
Earlier non-controlling interest in associated company	67.8
Fair value increase to non-controlling interest	21.1
Acquisition cost	**237.2**
Goodwill	**114.7**

Cash flow on acquisition	
Purchase consideration, paid in cash	141.7
Purchase consideration, deferred	6.6
Transaction costs	0.9
Cash and cash equivalents in acquired companies	-17.6
Net cash flow arising on acquisition	**131.6**

Goodwill allocation to Cash Generating Units:	
Industrial Cranes	14.8
Industrial Service	99.9
Total	**114.7**

Acquisitions in 2019

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

The fair values of acquired businesses are as follows:

	Fair value
Intangible assets	
Clientele	1.2
Property, plant and equipment	0.3
Deferred tax assets	0.1
Inventories	0.6
Accounts receivable	1.0
Other assets	0.3
Cash and cash equivalents	0.5
Total assets	**3.9**
Deferred tax liabilities	0.3
Defined benefit plans	0.3
Other long-term liabilities	0.1
Accounts payable and other current liabilities	1.2
Total liabilities	**1.9**
Net assets	**2.1**
Purchase consideration transferred	**3.3**
Goodwill	**1.2**

Cash flow on acquisition	
Purchase consideration, paid in cash	3.3
Cash and cash equivalents in acquired companies	-0.5
Net cash flow arising on acquisition	**2.8**

If the businesses had been acquired on January 1, 2019 the full year sales of acquiree would have been EUR 3,329.4 million and EBIT EUR 148.7 million. The amount of goodwill that is expected to be deductible for tax purposes was EUR 0.3 million.

Disposals in 2019

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

Carrying amounts of net assets over which control was lost in 2019	
Assets	
Intangible assets	8.3
Property, plant and equipment	9.9
Accounts receivables	9.7
Other receivables	0.1
Cash and cash equivalents	5.2
Total	**33.3**
Liabilities	
Interest-bearing liabilities	0.0
Provisions	0.8
Accounts payable	4.9
Accruals and other liabilities	0.1
Total	**5.8**
Non-controlling interest	**6.8**
Net assets derecgonized	**20.7**
Consideration received	9.4
Deferred conditional consideration	9.0
Total consideration recognized	**18.4**

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

5. Disaggregation of revenue in net sales

Customer contract revenue	2020	2019
Sale of goods	2,254.7	2,163.5
Rendering of services	917.8	1,159.7
Total customer contract revenue	3,172.5	3,323.2
Other revenue		
Leasing of own products	6.1	3.3
Royalties	0.4	0.4
Total other revenue	6.5	3.7
Total net sales	**3,178.9**	**3,326.9**

	2020	2020	2020	2019	2019	2019
Timing of satisfying performance obligations by Segments	**At a point of time**	**Over time**	**Total**	**At a point of time**	**Over time**	**Total**
Service	139.3	1,009.1	**1,148.4**	171.9	1,039.7	**1,211.5**
Industrial Equipment	781.3	192.5	**973.8**	848.7	171.7	**1,020.4**
Port Solutions	778.0	278.0	**1,056.0**	841.0	253.7	**1,094.7**
Corporate functions	0.8	0,0	**0.8**	0.2	0,0	**0.2**
Total	**1,699.3**	**1,479.7**	**3,178.9**	**1,861.8**	**1,465.0**	**3,326.9**

6. Contract balances

6.1. Contract assets and liabilities

Contract assets	2020	2019
The cumulative revenues of non-delivered projects	554.6	570.7
Advances received netted	452.3	402.9
Total	**102.3**	**167.8**
Transfers to receivables from contract assets recognized at the beginning of period	263.8	162.2
Contract liabilities		
Gross advance received from percentage of completion method	510.0	433.3
Advances received netted	452.3	402.9
Total	**57.7**	**30.4**
Revenue recognised in the current period that was included in the contract liability opening balance	166.4	117.0
Increases due to cash received	347.2	325.3

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

6.2. Advances received

	2020	2019
Advance received from percentage of completion method (netted)	57.7	30.4
Other advance received from customers	294.6	306.9
Total	**352.3**	**337.3**

7. Operating Expenses

	2020	2019
Change in work in progress	10.5	0.5
Production for own use	-0.6	-1.1
Material and supplies	1,062.0	1,103.7
Subcontracting	401.1	401.9
Materials, supplies and subcontracting	1,473.0	1,505.0
Wages and salaries	826.3	891.5
Pension costs	58.9	61.3
Other personnel expenses	108.3	127.8
Personnel cost	993.5	1,080.7
Other operating expenses	419.3	488.5
Total operating expenses	**2,885.8**	**3,074.1**

Research and development costs recognized as an expense in other operating expenses amount to EUR 48.5 million in the year 2020 (EUR 41.1 million in 2019).

7.1. Audit and non-audit fees to Group auditor

	2020	2019
Audit	3.7	3.3
Non-audit services	0.9	0.4
Total	**4.6**	**3.7**

8. Personnel expenses and number of personnel

8.1. Personnel expenses

	2020	2019
Wages and salaries	826.3	891.5
Pension costs: Defined benefit plans	9.2	6.9
Pension costs: Defined contribution plans	49.7	54.5
Other personnel expenses	108.3	127.8
Total	**993.5**	**1,080.7**

8.2. Number of personnel

	2020	2019
Average number of personnel	17,027	16,104
Number of personnel as at December 31	16,862	16,196
Number of personnel as at December 31 in Finland	1,985	1,964

8.3. Personnel by Reportable Segment at the end of period

	2020	2019
Service	8,062	7,762
Industrial Equipment	5,720	5,397
Port Solutions	2,970	2,938
Group Staff	110	99
Total	**16,862**	**16,196**

9. Depreciation, amortization and impairments

9.1. Depreciation and amortization

	2020	2019
Intangible assets	52.4	48.5
Buildings	30.8	29.3
Machinery and equipment	46.9	45.0
Total	**130.0**	**122.8**

9.2. Impairments

	2020	2019
Property, plant and equipment	0,0	0.8
Total	**0,0**	**0.8**

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

10. Financial income and expenses

10.1. Financial income

	2020	2019
Interest income on bank deposits and loans	1.5	1.8
Exchange rate gains	36.5	0.0
Other financial income	0.6	0.7
Total	**38.6**	**2.5**

10.2. Financial expenses

	2020	2019
Interest expenses on liabilities	24.1	21.7
Net loss on financial instruments at fair value through profit or loss	0.0	8.3
Exchange rate loss	32.5	2.9
Other financial expenses	6.6	4.3
Total	**63.2**	**37.2**
Financial income and expenses net	**-24.6**	**-34.7**

The company applies hedge accounting on derivatives used to hedge cash flows in certain large crane projects. The cash flow hedges of the expected future cash flows are assessed to be highly effective and a net unrealized effect of EUR 8.1 million (2019: EUR -0.7 million) with deferred taxes of EUR -1.6 million (2019: EUR +0.2 million) relating to the hedging instruments is included in equity. The hedged operative cash flows are expected to occur during the next 3–18 months. The realized and recycled currency differences from these hedges recorded in the statement of income were EUR -0.4 million in 2020 (EUR -2.7 million in 2019).

11. Income taxes

11.1. Taxes in statement of income

	2020	2019
Local income taxes of group companies	51.7	32.3
Taxes from previous years	-3.3	-1.8
Change in deferred taxes	-1.0	5.2
Total	**47.5**	**35.7**

11.2. Reconciliation of income before taxes with total income taxes

	2020	2019
Profit before taxes	170.3	118.5
Tax calculated at the domestic corporation tax rate of 20.0% (2019: 20.0%)	34.1	23.7
Effect of different tax rates of foreign subsidiaries	4.1	-1.0
Taxes from previous years	-3.3	-1.8
Tax effect of non-deductible expenses and tax-exempt income	0.1	6.6
Tax effect of unrecognized tax losses of the current year	10.2	5.5
Tax effect of utilization of previously unrecognized tax losses	-3.1	-2.8
Tax effect of recognition of previously unrecognized tax losses	0.0	-2.6
Tax effect of impairment of previously recognized deferred tax assets	7.1	3.2
Tax effect of recognizing the controlled temporary difference from investment in subsidiaries	-0.4	4.2
Tax effect of tax rate change	0.2	0.0
Other items	-1.7	0.6
Total	**47.5**	**35.7**
Effective tax rate %	**27.9%**	**30.1%**

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

11.3. Tax effects of components in other comprehensive income

	2020	2019
Cash flow hedges	-1.6	0.2
Re-measurement gains (losses) on defined benefit plans	5.9	8.1
Total	**4.3**	**8.3**

12. Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding during the year for the dilutive effect of the shares issued under the stock option plans. Weighted average number of shares is excluding the number of treasury shares.

	2020	2019
Net profit attributable to shareholders of the parent company	122.2	81.0
Weighted average number of shares outstanding (1,000 pcs)	79,078	78,836
Weighted average number of shares outstanding, diluted (1,000 pcs)	79,078	78,836
Earnings per share, basic (EUR)	1.54	1.03
Earnings per share, diluted (EUR)	1.54	1.03

13. Goodwill and goodwill impairment testing

13.1. Goodwill

	2020	2019
Acquisition costs as of January 1	922.9	920.8
Additions	114.7	1.2
Translation difference	-6.2	0.9
Acquisition costs as of December 31	1,031.4	922.9
Accumulated impairments as of January 1	-14.7	-14.7
Total as of December 31	**1,016.7**	**908.2**

13.2. General principles

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

13.3. Total goodwill in reportable segments after impairments

	2020	2019
Industrial Cranes	152.3	139.7
Agilon	3.9	3.9
Goodwill in Industrial Equipment total	**156.3**	**143.6**
Industrial Crane Service	656.1	560.5
Machine Tool Service	3.9	4.2
Goodwill in Service total	**660.0**	**564.7**
Port Cranes	163.4	163.4
Lift trucks	37.0	36.5
Goodwill in Port Solutions total	**200.4**	**199.9**
Total goodwill in reportable segments as of December 31	**1,016.7**	**908.2**

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

The discount rate applied to cash flow projections is the weighted average (pre-tax) cost of capital and is based on risk-free long-term government bond rates and market and industry specific risk premiums. These risk premiums are derived based on the business portfolio of companies which operate in a similar industry.

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

	Compound annual growth rate	Discount rate
Industrial Cranes	3%	10.3%
Agilon	40%	13.1%
Industrial Crane Service	7%	10.5%
Machine Tool Service	6%	8.5%
Lift trucks	7%	9.4%
Port Cranes	4%	8.9%

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

Impairment charges

The impairment testing performed in 2020 and 2019 did not result in any impairments being recognized.

Sensitivity analyses

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

1) A discount rate analysis where the discount rate was increased by 5% points

2) A Group management adjustment to the future profitability. The cash flow of each CGU was analyzed by the Group management.

   Based on the CGU specific historical data and future growth prospects the cash flows were decreased by 10% in each year including terminal year.

3) A higher discount rate (+5% points) analysis combined with lower (-10%) cash flows as mentioned above.

4) A decrease in the compound annual growth rate for the sales for each of the five forecasted years (- 2% points) combined with the current discount rate.

2020

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

2019

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

14. Intangible assets

2020	Patents and trademarks	Software	Other	Intangible assets total
Acquisition costs as of January 1	245.1	172.3	456.1	**873.5**
Additions	0.1	8.8	0.3	**9.2**
Disposals	0.0	-0.8	-1.2	**-2.1**
Business combinations	2.1	0.0	46.4	**48.5**
Transfer within assets	-3.6	-0.1	3.6	**0.0**
Translation difference	0.0	0.0	-0.3	**-0.3**
Acquisition costs as of December 31	243.7	180.2	504.8	**928.8**
Accumulated amortization as of January 1	-15.8	-141.4	-184.6	**-341.9**
Translation difference	0.0	0.2	0.3	**0.5**
Accumulated amortization relating to disposals	0.0	0.8	0.2	**1.0**
Amortization for financial year	-1.9	-17.6	-32.9	**-52.4**
Total as of December 31	**226.0**	**22.2**	**287.8**	**536.0**

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

The category Other consists mainly of customer lists and technology acquired in business combinations. They are stated at cost and amortized on a straight-line basis over their expected useful lives. The normal amortization period of intangible assets varies from 4 to 20 years. The amortization of intangible assets is included in the depreciation and impairments line in the consolidated statement of income.
On December 31, 2020 and December 31, 2019, the intangible assets having indefinite useful life consisted of the Demag and Gottwald trademarks of EUR 167.0 million and EUR 51.0 million. As there is no foreseeable limit on the period over which the asset is expected to generate net cash inflows for the entity, it is classified as intangible assets having an indefinite useful life. The carrying amounts of these assets are tested on a yearly basis in connection with the goodwill impairment testing.

The addition of EUR 9.2 million (EUR 6.3 million in 2019) mainly consisted of capitalized development costs of the Group's ERP systems.

15. Property, plant and equipment

2020	Land	Buildings	Machinery & Equipment	Property, plant and equipment total
Acquisition costs as of January 1	27.2	236.4	359.6	**623.2**
Additions	0.0	22.8	50.5	**73.3**
Disposals	-1.0	-8.2	-25.3	**-34.4**
Business combinations	4.6	18.1	11.8	**34.5**
Translation difference	-0.7	-5.9	-4.9	**-11.6**
Acquisition costs as of December 31	30.1	263.3	391.6	**685.0**
Accumulated depreciation as of January 1	0.0	-61.2	-229.1	**-290.4**
Translation difference	0.0	0.3	0.5	**0.8**
Accumulated depreciation relating to disposals	0.0	3.4	20.5	**24.0**
Depreciation for financial year	0.0	-30.8	-46.9	**-77.7**
Total as of December 31	**30.1**	**175.0**	**136.7**	**341.8**

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

Classification of Property, plant and equipment	2020	2019
Property, plant and equipment, owned	220.8	201.0
Right-of-use assets, leased	121.0	131.8
Total	**341.8**	**332.8**

2020

Right of use assets	Land and Buildings	Machiery and Equipment	Total
Balance as of January 1	85.8	46.0	**131.8**
Translation difference	-2.4	-1.8	**-4.3**
Business combinations	7.0	0.3	**7.3**
New contracts and changes in lease contracts	10.6	19.5	**30.0**
Depreciation during the year	-22.5	-21.5	**-43.9**
Total as of December 31	**78.5**	**42.5**	**121.0**

2019

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

Mainly due to the restructuring actions of the Group land, buildings, machinery and equipment were written off in 2020 by EUR 0.0 million (EUR 0.8 million in 2019).

16. Interests in other entities and non-controlling interests

16.1. Investments accounted for using the equity method

Associated Companies	2020	2019
Acquisition costs as of January 1	1.7	1.7
Share of associated companies' result after taxes	0.1	0.1
Dividends received	-0.1	-0.1
Total as of December 31	**1.7**	**1.7**

Joint Ventures	2020	2019
Acquisition costs as of January 1	72.3	69.3
Share of joint ventures' result after taxes*	0.0	4.4
Change to subsidiary	-67.8	0.0
Dividends received	-0.4	-1.4
Acquisitions	0.8	0.0
Translation difference	-0.1	0.0
Total as of December 31	**4.8**	**72.3**

* Including adjustments from purchase price allocation.

16.2. Investments in Associated Companies and Joint Ventures

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

2020	Carrying amount of the investment	Non–current assets*	Current assets*	Non–current liabilities*	Current liabilities*	Revenue*	Profit/ loss after tax from continuing operations*	Total com-prehensive income*	Dividends received
Investments in associated companies and joint ventures	6.5	2.5	48.1	0.2	27.8	57.8	0.5	0.5	0.5
Total	**6.5**	**2.5**	**48.1**	**0.2**	**27.8**	**57.8**	**0.5**	**0.5**	**0.5**

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

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

In addition Konecranes remeasured its previously held equity interest in MHE-Demag at its acquisition date fair value and recognised also EUR 21.1 million gain in share of joint ventures' result in statement of income.

16.3. Joint operations

Konecranes has classified the interest in AS Konesko (domiciled in Estonia) as a joint operation based on the joint arrangement agreement. AS Konesko is a strategic supplier of components used in Konecranes products. Konecranes has the exclusive right to purchase certain motors and end carriages from AS Konesko at a price to be agreed upon with AS Konesko. However Konecranes retains ownership of the current motor designs and the trademark rights to the end carriages.

Konecranes owns as of December 31, 2020 49.5% of AS Konesko shares.

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

16.4. Subsidiaries with material non-controlling interest

2020	Accumulated non-controlling Interest	Goodwill	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss after tax from continuing operations	Total comprehensive income
Non-controlling interests	9.2	0,0	59.4	43.9	5.6	62.6	42.6	3.8	3.8
Total	**9.2**	**0,0**	**59.4**	**43.9**	**5.6**	**62.6**	**42.6**	**3.8**	**3.8**

2019	Accumulated non-controlling Interest	Goodwill	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/loss after tax from continuing operations	Total comprehensive income
Noell Cranes Systems (China) Ltd (NCI 30%)	0,0	0,0	0,0	0,0	0,0	0,0	10.2	3.7	3.7
Other non-controlling interests	9.2	0,0	55.0	38.6	5.1	56.4	40.4	2.9	2.9
Total	**9.2**	**0,0**	**55.0**	**38.6**	**5.1**	**56.4**	**50.6**	**6.7**	**6.6**

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

17. Deferred tax assets and liabilities

17.1. Deferred tax assets

	2020	2019
Employee benefits	56.5	53.4
Provisions	17.1	15.8
Unused tax losses	11.4	10.9
Other temporary differences	33.8	43.4
Total	**118.9**	**123.5**

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

17.2. Deferred tax liabilities

	2020	2019
Intangible and tangible assets	129.7	126.1
Other temporary difference	13.9	17.0
Total	**143.6**	**143.1**

The deferred tax assets and deferred tax liabilities have been netted on a juridical company level when there is a legally enforceable right to offset income tax receivables against income tax payables related to income taxes levied by the same tax authority. The gross amount of deferred tax assets in 2020 were EUR 148.4 million (EUR 156.2 million in 2019) and deferred tax liabilities EUR 172.8 million (EUR 175.8 million in 2019).

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

17.3. Tax losses carried forward

At the end of year 2020, Konecranes recorded a deferred tax asset of EUR 11.4 million (EUR 10,9 million in 2019) related to unused tax losses on the carry-forward losses of EUR 218.4 million (EUR 225.3 million in 2019) in total. The tax losses, for which no deferred tax assets are recognized due to the uncertainty of the utilization of the losses, amounted to EUR 170.0 million in the year 2020 (EUR 177.1 million in 2019). EUR 151.3 million of these carry-forward tax losses available have unlimited expiry, EUR 17.8 million expire later than in five years and EUR 49.4 million expire in five years.

Part of carry-forward losses relates to Morris Material Handling, Inc., USA, which was acquired in 2006. The overall carry-forward losses of Morris Material Handling, Inc. amounted to EUR 24.5 million (EUR 29.2 million in 2019).

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

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

2020	Tax losses carried forward	Potential deferred tax assets	Deferred tax assets not recorded	Deferred tax assets
France	75.9	20.8	20.8	0.0
India	34.4	10.7	10.7	0.0
USA	24.6	5.8	0.0	5.8
Austria	19.2	4.8	4.2	0.6
Great Britain	12.3	2.3	1.2	1.2
China	8.3	2.1	1.2	0.9
South Africa	7.7	2.2	2.2	0.0
Germany	5.8	1.8	1.8	0.0
Australia	5.0	1.5	0.0	1.5
The Netherlands	4.7	0.7	0.2	0.5
Other	20.5	4.9	3.9	1.1
Total	**218.4**	**57.6**	**46.2**	**11.4**

2019	Tax losses carried forward	Potential deferred tax assets	Deferred tax assets not recorded	Deferred tax assets
France	53.0	14.8	14.8	0.0
India	46.5	14.5	14.5	0.0
USA	29.3	6.9	0.0	6.9
Austria	20.5	5.1	4.2	0.9
Great Britain	4.7	0.9	0.9	0.0
China	19.8	4.9	3.8	1.2
South Africa	7.6	2.1	2.1	0.0
Germany	5.9	1.9	1.8	0.0
Australia	0.0	0.0	0.0	0.0
The Netherlands	6.1	1.4	0.4	1.0
Other	31.9	7.6	6.8	0.8
Total	**225.3**	**60.2**	**49.3**	**10.9**

18. Inventories

	2020	2019
Raw materials and semi-manufactured goods	238.4	265.5
Work in progress	336.6	339.1
Finished goods	51.4	32.9
Advance payments	18.4	21.2
Total	**644.8**	**658.7**

2020	Balance at the beginning of the year	Translation difference	Business combinations	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for obsolete inventory	36.8	-1.5	3.9	8.9	2.0	14.3	**42.7**

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

19. Ageing analysis of accounts receivable

	2020 Accounts receivable	2020 including impairment of	2019 Accounts receivable	2019 including impairment of
Not overdue	327.0	2.9	334.2	1.1
1–30 days overdue	85.0	0.4	101.9	0.6
31–60 days overdue	30.1	0.3	36.2	0.3
61–90 days overdue	14.1	0.6	19.8	0.3
more than 91 days overdue	33.0	27.6	38.3	27.1
Total	**489.2**	**31.8**	**530.4**	**29.3**

The carrying amount of accounts receivable approximates to their fair value. Accounts receivable are subject to only minor credit risk concentrations due to the Group's extensively diversified customer portfolio. Credit losses recognized from the customer contracts for the financial year totaled EUR 5.8 million (EUR 4.2 million in 2019).

19. Ageing analysis of accounts receivable (continues)

2020	Balance at the beginning of the year	Translation difference	Business combinations	Utilized during the period	Provision not needed	Additions	Balance at the end of the year
Provision for doubtful accounts (Impairment)	29.3	-1.2	0.6	5.7	6.6	15.5	**31.8**

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

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

20. Other receivables

	2020	2019
Notes receivable	4.7	5.9
Value added tax	26.2	27.8
Total	**30.9**	**33.7**

21. Deferred assets

	2020	2019
Interest	0.8	2.1
Prepaid expenses	20.4	15.7
Unbilled revenue	24.6	5.6
Other	36.4	36.9
Total	**82.1**	**60.3**

22. Cash and cash equivalents

	2020	2019
Short-term deposits	15.9	5.0
Cash in hand and at bank	576.0	373.2
Total	**591.9**	**378.2**

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

23. Equity

23.1. Shareholders' equity

	Number of shares	Number of treasury shares
As of January 1, 2019	78,816,503	105,403
Share subscriptions with share awards	22,923	-22,923
As of December 31, 2019	**78,839,426**	**82,480**
Share issue	0	300,000
Share subscriptions with share awards	295,033	-295,033
As of December 31, 2020	**79,134,459**	**87,447**

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

Share premium includes the value of shares, which exceeds the accounting par value of the shares, for shares issued before September 1, 2006. Cash flow hedges include changes in the fair values of derivative financial instruments used to hedge operational cash flows. Translation differences comprise the differences arising from translating non-euro functional currency entities to euro, which is the Group's presentation currency. Other reserves include the credit for equity settled share-based payment cost. The paid in capital includes the portion of shares' subscription price, which is not recorded to share capital or to liabilities according to IFRS. The paid in capital includes also other capital contributions to the Group, which are not recorded to some other reserve within the equity. The paid in capital includes also the possible amount of share capital decrease, which is not netted against accumulated losses or is not distributed to shareholders.

Dividend proposal per share was for 2020 EUR 0.88 and dividend for 2019 was EUR 1.20.

23.2. Distributable earnings

See page 117 / Board of Director's Proposal to the Annual General Meeting.

24. Provisions

2020	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of January 1	55.7	80.7	6.2	28.2	**170.8**
Translation difference	-0.5	-0.2	-0.5	-1.0	**-2.3**
Increase through business combination	2.3	0.0	0.0	0.0	**2.3**
Additional provision in the period	31.2	23.7	2.4	11.5	**68.8**
Utilization of provision	16.2	37.1	2.1	9.0	**64.4**
Unused amounts reversed	8.9	2.3	0.0	3.1	**14.3**
Total provisions as of December 31	**63.7**	**64.8**	**6.0**	**26.5**	**161.0**

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

The provision for warranties covers the expenses due to the repair or replacement of products during their warranty period. The warranty liability is based on historical realized warranty costs for deliveries of standard products and services. The usual warranty period is 12 months. For more complex contracts, mainly including long-term projects, the warranty reserve is calculated contract by contract and the warranty period can be significantly longer. The restructuring provision is recognized when the Group has prepared a detailed reorganization plan and begun implementation of the plan or announced the matter. Pension commitments include provisions for local pension schemes.

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

Restructuring costs

Konecranes has recorded EUR 42.6 million restructuring costs during 1–12/2020 (EUR 100.7 million in 1–12/2019) of which EUR 0.0 million was impairment of assets (EUR 0.8 million for 1–12/2019). The remaining EUR 42.6 million of restructuring cost is reported 1–12/2020 in personnel costs (EUR 27.5 million) and in other operating expenses (EUR 16.4 million) and profits on disposal of assets in other operating income (EUR 1.3 million).

25. Current liabilities

25.1. Accruals

	2020	2019
Wages, salaries and personnel expenses	115.8	119.6
Pension costs	9.5	9.3
Interest	6.1	11.4
Other items	47.8	40.4
Total	**179.2**	**180.6**

25.2. Other current liabilities (non-interest bearing)

	2020	2019
Value added tax	29.3	14.7
Payroll tax liability	19.2	16.4
Other short-term liabilities	12.7	13.2
Total	**61.2**	**44.3**

26. Lease accounting

Maturity of undiscounted cash flows	2020	2019
within 1 year	41.4	39.7
1–5 years	78.0	79.2
over 5 years	19.5	18.7
Total	**138.9**	**137.6**

Lease liabilities included in the balance sheet	2020	2019
Non current interest-bearing liabilities	90.9	98.4
Current interest-bearing liabilities	37.9	39.8
Total as of December 31	**128.8**	**138.2**

Amounts recognised in statement of income	2020	2019
Depreciation for right of use asset	43.9	43.2
Income for subleasing right of use asset	-1.3	-0.7
Expenses related to short-term leases	4.4	5.4
Expenses related to leases of low-value assets	2.9	3.3
Interest on lease liabilities	4.4	4.1
Total expenses	**54.4**	**55.3**
Total cash flow of leases	**54.2**	**57.1**

The Group leases land and buildings for its production and office space. The leases of production facilities typically run for a period of two to seven years, and leases of office space for one to ten years. Some leases include an option to renew the lease for an additional period after the end of the contract term. Konecranes Group has major lease agreements of factory and office buildings in Hyvinkää and Hämeenlinna, Finland. At the year end 2020 they are still valid for 1–3 years unless the lessee extends the lease period by five years. The lessee is entitled to exercise the 5-year extention option three consecutive times. Group has now included one 5-year option in the liability value. The Group has various other leases for office equipment, vehicles and premises with varying terms and renewal rights. Vehicles have typically a lease term from three to seven years. Leasing contracts comply with normal practices in the countries concerned. The average interest rate in lease contracts was 3.15% (3.24% in 2019).

27. Interest-bearing liabilities

27.1. Non-current

	2020	2019
Loans from financial institutions	479.8	400.6
Bonds	249.5	249.1
Pension loans	30.0	35.0
Lease liabilities	90.9	98.4
Other long-term loans	9.6	2.7
Total	**859.7**	**785.8**

27.2. Current

	2020	2019
Loans from financial institutions	82.8	3.9
Pension loans	5.0	5.0
Lease liabilities	37.9	39.8
Commercial papers	180.8	199.6
Other short-term loans	4.6	0.1
Overdraft	0.0	0.0
Total	**311.1**	**248.4**

In order to support and finance the completion of the merger plan with Cargotec, Konecranes entered into EUR 935 million re- and back-up financing agreements in the beginning of October 2020. The term loan facilities may be used to refinance the companies' existing indebtedness in connection with the merger, potential cash redemptions of Konecranes' shares as well as Konecranes' extra distribution proposed to be distributed prior to the completion of the merger. During the fourth quarter, Konecranes obtained waivers for merger related covenants for EUR 200 million term loans in respect of its existing indebtedness and the back-up financing was cancelled for EUR 100 million (50/50 split with Cargotec). In the beginning of December, Konecranes announced a consent solicitation for amending the terms and conditions of its EUR 250 million notes in respect of the planned merger. The noteholders resolved to approve the proposal and the solicitation process was fulfilled after the extraordinary general meetings of Konecranes and Cargotec approved the merger plan. After the extraordinary general meeting approval the respective facility for cash redemptions of Konecranes shares of EUR 300 million was cancelled. For the EUR 77 million Schuldschein loans maturing in November 2024 Konecranes received similar waivers in the amount of EUR 71 million. Committed merger related term loan facilities amount outstanding at the end of year 2020 was EUR 535 million.

At the end of the fourth quarter 2020, the Group's liquid cash reserves were higher than in a normal circumstance, EUR 591.9 million (December 31, 2019: EUR 387.2 million). For safeguarding the Group's cash position, the Group has established EUR 400 million committed revolving credit facility with an international loan syndication (2017–2024), which remained undrawn at the end of December 2020. In addition, the Group may draw short term financing from the domestic commercial paper markets within the EUR 500 million limit, for which EUR 181 million was utilized at the end of December 2020 (December 31, 2019: EUR 200 million).

At the end of December 2020, the outstanding long-term loans were: EUR 400 million term loans, EUR 150 million Schuldschein loan, EUR 250 million bond and EUR 35 million employment pension loan. The Schuldschein loan and term loans contains floating and fixed rate tranches and the bond yield is fixed with annual coupon payment. The weighted average interest rate for these loans and the bond is currently 1.30% per annum. The Group is in compliance with the quarterly monitored financial covenant (interest-bearing net debt/equity). No specific securities have been given for the loans. The Group continues to have healthy interest-bearing net debt / equity ratio of 46.1% (December 31, 2019: 52,6%) which is in compliance with the financial covenants the Group has to comply with.

In addition the Group has certain revolving facilities the details of which can be found in Note 33.3. The average interest rate of the non-current liabilities portfolio at December 31, 2020 was 1.57% (2019: 1.45%) and that of the current liabilities portfolio was 0.98% (2019: 0.84%). The effective interest rate for EUR loans varied between 0.29%–3.8% (2019: 0.25%–9.00%).

27.3. Maturity tables of financial liabilities and liquidity risk

The following table reflects the maturity of interest bearing liabilities.

2020			Maturity			
Currency	**Avg. duration**	**Avg. rate %**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Amount MEUR**
EUR	1.8 years	1.21	279.6	787.2	23.6	**1,090.4**
INR	1.6 years	8.73	0.6	0.6	0.0	**1.2**
CNY	1.3 years	5.07	0.9	0.4	0.0	**1.4**
USD	1.7 years	3.68	7.8	17.3	1.1	**26.1**
GBP	1.8 years	2.94	1.7	4.5	0.9	**7.0**
Others	1.0-3.0 years	1.46-20.43	20.4	18.8	5.5	**44.7**
Total		**1.41**	**311.1**	**828.7**	**31.0**	**1,170.8**

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

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

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

2020			Maturity			
Currency	**Avg. duration**	**Avg. rate %**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Amount MEUR**
EUR	1.8 years	1.21	297.3	806.2	24.1	**1,127.7**
INR	1.6 years	8.73	0.6	0.7	0.0	**1.4**
CNY	1.3 years	5.07	1.0	0.5	0.0	**1.5**
USD	1.7 years	3.68	8.8	18.6	1.1	**28.5**
GBP	1.8 years	2.94	1.9	4.8	0.9	**7.6**
Others	1.0- 3.0 years	1.46-20.43	22.5	21.0	5.8	**49.2**
Total debt		**1.41**	**332.1**	**851.9**	**31.9**	**1,215.9**
Other financial liabilities			262.7	7.2	0.0	**270.0**
Total financial liabilities			**594.9**	**859.1**	**31.9**	**1,485.8**

2019			Maturity			
Currency	**Avg. duration**	**Avg. rate %**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Amount MEUR**
EUR	2.5 years	1.11	239.5	733.6	34.5	**1,007.5**
INR	1.7 years	8.69	0.7	1.5	0.1	**2.4**
CNY	1.5 years	5.13	1.4	1.1	0.0	**2.5**
USD	1.7 years	3.81	11.5	23.9	1.5	**36.9**
GBP	1.8 years	2.85	2.0	4.9	1.7	**8.6**
Others	1.0- 2.0 years	1.38-20.81	11.3	12.2	1.0	**24.5**
Total debt		**1.30**	**266.5**	**777.1**	**38.7**	**1,082.3**
Other financial liabilities			280.4	6.8	0.0	**287.2**
Total financial liabilities			**546.9**	**783.9**	**38.7**	**1,369.5**

27.4. Maturity profile of the Group's financial liabilities

The following table reflects the maturity of all financial liabilities.

2020		Maturity of financial liabilities		
Liability type	**Amount drawn**	**Less than 1 year**	**1-5 years**	**Over 5 years**
Loans from financial institutions	562.6	82.8	479.8	0.0
Bonds	249.5	0.0	249.5	0.0
Lease liabilities	128.8	37.9	72.6	18.3
Commercial paper program	180.8	180.8	0.0	0.0
Pension loans	35.0	5.0	20.0	10.0
Other long-term debt and short-term loans	14.2	4.6	6.9	2.7
Overdraft	0.0	0.0	0.0	0.0
Derivative financial instruments	5.5	5.5	0.0	0.0
Account and other payables	270.0	262.7	7.2	0.0
Total	**1,446.3**	**579.4**	**836.0**	**31.0**

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

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

2020	Non-current interest bearing loans	Non-current lease liabilities	Current interest bearing loans	Current lease liabilities	Financial derivatives	Total
Total liabilities as of January 1	687.5	98.4	208.6	39.8	6.2	**1,040.5**
Cash flows	146.4	0.0	-20.1	-42.5	0.0	**83.9**
Acquisitions and disposals	7.9	6.5	12.3	1.3	0.0	**28.0**
Foreign exchange movement	0.1	-2.9	-0.5	-1.5	0.0	**-4.8**
Changes in fair values	0.0	0.0	0.0	0.0	-0.6	**-0.6**
Changes in lease contracts	0.0	39.5	0.0	-9.9	0.0	**29.6**
Other	-73.1	-50.6	72.9	50.6	0.0	**-0.2**
Total as of December 31	**768.8**	**90.9**	**273.2**	**37.9**	**5.5**	**1,176.3**

2019	Non-current interest bearing loans	Non-current lease liabilities	Current interest bearing loans	Current lease liabilities	Financial derivatives	Total
Total liabilities as of January 1	572.5	12.1	183.8	8.0	7.7	**784.1**
IFRS 16 adjustment	0.0	86.1	0.0	38.1	0.0	**124.1**
Cash flows	114.4	0.0	24.6	-44.3	0.0	**94.7**
Foreign exchange movement	0.0	0.2	0.3	0.1	0.0	**0.5**
Changes in fair values	0.0	0.0	0.0	0.0	-1.5	**-1.5**
Changes in lease contracts	0.0	37.9	0.0	0.0	0.0	**37.9**
Other	0.5	-37.9	0.0	37.9	0.0	**0.5**
Total as of December 31	**687.5**	**98.4**	**208.6**	**39.8**	**6.2**	**1,040.5**

28. Other long-term liabilities

	2020	2019
Employee benefits	299.2	283.6
Other non-interest-bearing long-term liabilities	7.2	6.8
Total	**306.4**	**290.4**

28.1. Employee benefits

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

The UK defined benefit plan is administered by an independent trustee company that is legally separated from the Group. The investments are managed by a professional and independent Fiduciary Manager who is appointed by the trustees. The Fiduciary Manager appoints Investment Managers as they see fit in order to achieve the Trustees' stated objectives for the scheme funding level and taking into account the agreed risk appetite. The Fiduciary Manager has trigger points set in conjunction with the Trustees which when reached allows them to make changes to the investments to repatriate the gains to achieve full funding position. The UK plan is subject to the UK's pensions legislation, is regulated by the UK Pensions Regulator and is exempt from most UK taxation through its registered status. The UK plan was closed to new members in 2005.
Under the UK plan the employees are entitled to post-retirement installments calculated as an average annual basic salary from the best three years within the last ten years. The net liability in the United Kingdom was EUR 0.0 million (EUR 0.0 million in 2019).

In Germany the defined benefit pension plans are direct pension promises which are unfunded and administered by a service provider. The payments to plan participants start after retirement or in case of disability or death. Benefits are based on the number of years worked and the final salary. The commencement of pension payments depends on the beginning of the state-pension, which is the earliest at age 63 in case of early retirement and otherwise 65 for old age pension. The biggest defined benefit pension plan in Germany is the Mannesmann Leistungsordnung (MLO), which is closed to new employees. The monthly pension benefit provided by this plan is calculated as the ratio Individual pay/Average pay, times the years of service, times 3.07, and has to be at least equal to 2.10 times the years of service. The net liability in Germany was EUR 265.2 million (EUR 251.6 million in 2019) of which the MLO plan was EUR 170.5 million (EUR 159.3 million in 2019).

The Swiss pension plans are administered via pension funds, which are legally separated from the Group. The board of Trustees of the pension funds are equally composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets and the administration and financing of the benefits. The plans function in and comply with a large regulatory framework and comply with the local minimum funding requirements. The plans are open to new members. Both the Company and employees pay contributions to fund the plans. The pension plans qualify as defined benefit plan for IFRS purposes, because accruals are by law subject to a minimum guaranteed rate of return and the plan has to guarantee a certain legal minimum level of benefits. There is hence a risk that the Company may have to pay additional contributions. Under the plans, participants are also insured against the financial consequences of old age, disability and death. The net liability in Switzerland was EUR 5.1 million (EUR 4.1 million in 2019) of which the pension plan was EUR 4.8 million (EUR 3.9 million in 2019). There was a settlement in the Swiss plan in 2019 in which the current retirees were transferred to a new fully insured pension plan. The settlement was EUR 10.2 million and resulted in a positive settlement effect of EUR 3.1 million to result.

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

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

28.2. Amounts recognized in the balance sheet

	2020	2019
Present value of obligation wholly unfunded	294.7	279.8
Present value of obligation wholly or partly funded	86.1	84.3
Defined benefit plan obligations	380.8	364.1
Fair value of plan assets	-81.6	-80.5
Total net liability recognized	**299.2**	**283.6**

28.3. Components of defined benefit plan recorded in comprehensive income

	2020	2019
Service cost:		
Current service cost	8.1	7.4
Net interest cost	3.0	4.3
Past service cost	0.3	-0.8
Effect of settlement and curtailments	-2.2	-4.0
Components of defined benefit plan costs recorded in profit or loss	**9.1**	**6.9**

	2020	2019
Remeasurement on the net defined benefit liability:		
The return on plan assets (excluding amounts included in the net interest expense) gains (-) / losses (+)	-7.2	-3.4
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	0.5	-1.2
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	27.8	34.6
Actuarial gains (-) / losses (+) arising from experience	-2.3	-2.4
Components of defined benefit plan costs recorded in other comprehensive income	**18.8**	**27.6**
Total (income (-) / expense (+))	**27.9**	**34.5**

The actuarial gains / losses in 2020 and 2019 were mainly caused by the change of discount rates in the defined benefit plans of Germany, Switzerland and the United Kingdom.

28.4. Movements of the present value of defined benefit obligation

	2020	2019
Obligation as of January 1	364.1	347.5
Translation difference	-3.8	3.9
Business combinations	1.9	0.3
Reclassification of pension liabilities	0.7	0.0
Settlements and curtailments	-2.2	-14.1
Current service cost	8.4	7.5
Interest cost	4.4	6.4
Past service cost	0.3	-0.8
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	0.5	-1.2
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	27.8	34.6
Actuarial gains (-) / losses (+) arising from experience	-2.3	-2.4
Benefits paid (-)	-19.0	-17.6
Obligation as of December 31	**380.8**	**364.1**

Of the benefits paid, EUR 5.9 million (2019: EUR 5.4 million) was paid from plan assets and EUR 13.1 million (2019: EUR 12.2 million) by employer directly.

Movements of the fair value of plan assets	**2020**	**2019**
Fair value of plan assets as of January 1	80.5	84.4
Translation difference	-3.4	3.7
Business combinations	0.6	0.0
Reclassification of plan assets	0.5	0.0
Interest income	1.5	2.1
Employee contributions	0.4	0.4
Employer contributions	0.3	2.1
Settlements	0.0	-10.2
The return on plan assets (excluding amounts included in the net interest expense)	7.2	3.4
Benefits paid (-)	-5.9	-5.4
Fair value of plan assets as of December 31	**81.6**	**80.5**

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

	2020	2019
Equity instruments	14.4	14.5
Debt instruments	57.5	55.2
Insurances	1.1	1.3
Real estate	7.5	7.2
Others	1.1	2.4
Total plan assets	**81.6**	**80.5**

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

Virtually all equity and debt instruments have quoted prices in active markets. The plan assets originate from the United Kingdom, Switzerland, Germany and India. It is the policy of the UK fund to invest approximately 25–30% to growth assets such as equity instruments as well as property and growth funds and 70–75% to risk reducing assets such as corporate bonds and fixed or index-linked gilts. The Swiss pension funds have a policy of investing their assets approximately for 40–60% in Swiss bonds, about 15–35% in equities, and 15–25% in Swiss property and mortgage loans. There is almost no exposure to alternative investments. The Company can only indirectly and partially determine the asset allocation through the 50/50 employer/employee representation in the board of Trustees. The actual return on plan assets was EUR 8.7 million (2019: EUR 5.5 million).

28.6. Defined benefit plan: the main actuarial assumptions

With the objective of presenting the assets and liabilities of the defined benefit plans at their fair value on the balance sheet, assumptions under IAS 19 are set by reference to market conditions at the valuation date. Qualified independent actuaries have updated the actuarial valuations under IAS 19 of the major defined benefit schemes operated by the Group to December 31, 2020. The assumptions used by the actuaries are chosen from a range of possible actuarial assumptions which, due to the long-term nature of the schemes, may not necessarily be borne out in practice. The actuarial assumptions used to calculate the benefit liabilities therefore vary according to the country in which the plan is situated. The following table shows the assumptions, weighted by liabilities, used to value the principal defined benefit plans.

Germany	2020	2019
Discount rate %	0.55	1.06
Expected development of salaries %	2.40	2.40
Expected development of pensions %	1.67	1.67

Mortality table: Richttafeln 2018 G von Klaus Heubeck

UK	2020	2019
Discount rate %	1.40	2.00
Expected development of pensions %	2.90	2.80

Mortality table: SAPS base table of S2PA, applied at year of birth and weighted by male/female deferred members and pensioners, and CMI 2017 (2019: CMI 2017) projections with a long term improvement parameter of 1.25% (2019: 1.25%) per annum.

Switzerland	2020	2019
Discount rate %	0.05	0.10
Expected development of salaries %	1.25	1.25

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

Other	2020	2019
Discount rate %	0.22–12.07	0.53–12.15
Expected development of salaries %	1.08–8.80	0.30–9.10
Expected development of pensions %	1.50–6.90	1.61–7.10

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

Sensitivity analysis	Increase	Decrease
0.5% points change in the discount rate	-8.1%	7.9%
0.5% points change in the expected development of salaries	0.5%	-0.4%
0.5% points change in the expected development of pensions	5.3%	-5.7%

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

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

The average duration of the defined benefit obligation weighted by the present value of the defined benefit obligation is 16 years (2019: 16 years).

The Group expects to contribute EUR 1.2 million to the above defined benefit pension plans in 2021 (Employer contribution).

29. Share-based payments

Performance Share Plan

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

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

The Board of Directors resolved that the performance criterion for the discretionary period 2018–2020 is the cumulative adjusted Earnings per Share (EPS) of the financial years 2018—2020. Adjustments to the EPS include defined restructuring costs, purchase price allocation amortization and certain other unusual items. The target group of the plan consisted of a maximum of 280 people during the discretionary period 2018—2020. The rewards to be paid on the basis of the discretionary period correspond to the value of a maximum total of 710,000 Konecranes Plc shares. If the target determined by the Board of Directors is attained, the reward payout may be a half of the maximum reward. The maximum reward payout requires that the target is clearly exceeded.

The Board of Directors of Konecranes Plc resolved that the performance criteria for the performance period 2019–2021 under the company's Performance Share Plan (the "Plan") are the cumulative adjusted Earnings per Share (EPS) and the cumulative annual growth rate (CAGR) for Sales of the financial years 2019—2021. Adjustments to the EPS include defined restructuring costs, purchase price allocation amortization and certain other unusual items. The target group of the Plan for the performance period 2019—2021 consists of a maximum of 200 key employees of the Konecranes Group. The rewards to be paid on the basis of the performance period 2019—2021 correspond to the value of a maximum total of 670,000 Konecranes Plc shares. If the target determined by the Board of Directors is attained, the reward payout may be half of the maximum reward. The maximum reward payout requires that the target is clearly exceeded.

The Board of Directors of Konecranes Plc resolved in 2020 to establish a new Performance Share Plan 2020 for Konecranes key employees. The Plan has a performance period from 2020 to 2022 with three separate measurement periods and separate targets for 2020, 2021 and 2022.

The criterion for the measurement periods 2020 and 2021 is adjusted Earnings per Share (EPS). Adjustments to the EPS include defined restructuring costs, mergers and acquisitions related deal costs and other unusual items. The EPS target for the first and second measurement periods have also been resolved by the Board of Directors. The target group of the Plan for the performance period 2020—2022 consists of a maximum of 170 key employees of the Konecranes group. The rewards to be paid on the basis of the performance period 2020—2022 correspond to the value of a maximum total of 600,000 Konecranes Plc shares. The payment of the total reward takes place in 2023 if the plan term conditions are met. The potential rewards from the Plan will be paid partly in company shares and partly in cash after the performance periods. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the plan participants. As a rule, no reward will be paid if plan participant's employment or service ends before the reward payment.

Restricted Share Unit Plan

The Restricted Share Unit Plan 2017 is directed to selected key employees in Konecranes. The vesting periods will last for 12 to 36 months. The prerequisite for reward payment is that a key employee's employment or service continues until the end of the vesting period. The rewards to be allocated on the basis of the entire plan will amount to a maximum total of 200,000 Konecranes Plc shares including also the proportion to be paid in cash. 45,000 shares (4,000 shares in 2019) of the restricted share unit plan was allocated during 2020.

Restricted Share Unit Plan 2020

Konecranes Plc and Cargotec Corporation have on October 1, 2020 signed a combination agreement and a merger plan to combine the two companies through a merger ("Transaction"). The Board of Directors of Konecranes Plc decided to establish a new share-based incentive plan for the Group key employees. The new Restricted Share Unit Plan 2020 ("Plan") is intended to function as a bridge plan for the transition period before the closing of the Transaction and forming the combined company in the merger ("Transition Period"). The aim of the Plan is to align the objectives of the shareholders and the key employees, to secure business continuity during the Transition Period, and to retain key employees at the Company.

The reward from the Plan is conditional to the closing of the Transaction. In addition, the reward is based on a valid employment or service and the continuity of the employment or service during the waiting period. The reward is paid partly in shares and partly in cash, after the end of the waiting period, ending on the closing date of the Transaction. Shares received as a reward in the Plan may not be sold, transferred, pledged or otherwise assigned during the 12-month lock-up period. The lock-up period begins on the date following the closing date of the Transaction. The Plan is intended for selected key employees only, approximately 100 employees, including the Konecranes Leadership Team members. The rewards to be allocated in Konecranes Plc shares on the basis of the Plan will amount up to an approximate maximum total of 120,000 Konecranes Plc shares. In addition, a cash proportion is included in the reward to cover taxes and tax-related costs arising from the reward.

Performance Share Plan 2017—2021 for the CEO

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

Ownership Obligations

A member of the Konecranes Leadership Team must hold a minimum of 50% of any net shares given on the basis of these plans, until the member's shareholding in the company in total corresponds to the value of the member's annual salary and the member's membership in the Konecranes Leadership Team continues.

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

Employee Share Savings Plan

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

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

29.1. Expenses for employee service

	2020	2019
Expense arising from equity-settled share-based payment transactions	5.0	5.9
Expense arising from cash-settled share-based payment transactions	0.7	-0.4
Total expense arising from share-based payment transactions	**5.7**	**5.4**

The carrying amount of the liability arising from cash settled portion was EUR 0.7 million (2019: EUR 0.8 million).

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

	2020 Number of shares	2019 Number of shares
As of January 1	2,124,100	1,677,350
Share rewards granted	700,000	628,000
Share rewards awarded	-552,820	0
Share rewards expired	-280,135	0
Share rewards forfeited	-43,545	-181,250
Total as of December 31	**1,947,600**	**2,124,100**

29.3. Changes in the number of net share rewards in Restricted Share Unit Plan 2020

	2020 Number of shares	2019 Number of shares
As of January 1	0	0
Share rewards granted	119,246	0
Total as of December 31	**119,246**	**0**

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

	2020 Number of shares	2019 Number of shares
Outstanding as of January 1	146,344	134,193
Share rewards granted	66,329	64,998
Share rewards awarded	-21,480	-45,078
Share rewards forfeited	-9,033	-7,769
Outstanding as of December 31	**182,160**	**146,344**

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

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

For the 2017–2019 vesting periods granted in 2017 and for the 2018–2020 vesting periods granted in 2018, the fair value for the equity settled portion is based on non market vesting condition (adjusted EPS), for the 2019–2021 vesting periods granted in 2019 the fair value for the equity settled portion is based on two non market vesting conditions (adjusted EPS and annual growth rate of sales). For the 2020–2022 vesting periods granted in 2020 the fair value for the equity settled portion is based on non market vesting condition (adjusted EPS) for the years 2020 and 2021 when the condition for 2022 is still open. The fair value for the equity settled portion based on non market vesting condition has been determined at grant using the fair value of Konecranes share as of the grant date and expected dividend yield.

	2020 Restricted share unit plan	2020 plan	2019 plan	2018 plan	CEO LTI 2017 plan	2017 plan
Share price at grant, EUR	27.74	26.95	31.09	32.91	37.03	38.45
Share price at reporting period end December 31, EUR	28.78	28.78	28.78	28.78	28.78	28.78
Expected volatility, % *	31.0%	32.0%	25.0%	27.0%	30.6%	33.7%
Risk-free interest rate, %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected dividend per share, pa , EUR	3.2	1.7	1.1	1.1	1.1	1.0
Expected contractual life in years	1.4	2.5	2.8	1.7	4.9	2.7
Weighted average fair value of the share rewards at the grant date	24.54	22.59	27.66	29.55	32.70	35.64
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

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

30. Related party transactions

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

30.1. Key Management compensation

Board of Directors

The remuneration packages for Board members are resolved by the Annual General Meeting (AGM) on proposal by the Nomination Committee. The AGM 2020 confirmed an annual fee of EUR 140,000 for the Chairman of the Board (2019: EUR 140,000), EUR 100,000 for the Vice Chairman of the Board (2019: EUR 100,000), and EUR 70,000 for other Board members (2019: EUR 70,000). In case the term of office of a Board member ends before the closing of the Annual General Meeting in 2021, he or she is entitled to the prorated amount of the annual remuneration calculated on the basis of his or her actual term in office. In addition, compensation of EUR 1,500 was approved per meeting for attendance at Board committee meetings (2019: EUR 1,500). However, the chairman of audit committee is entitled to a compensation of EUR 3,000 (2019: EUR 3,000) per meeting for attendance at audit committee meetings.

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

Travel expenses will be compensated against receipt.

President and CEO

The Human Resources Committee reviews the President and CEO's performance. Based on this review and relevant facts, the Board sets the total compensation package for the President and CEO.

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

2020

Total compensation to the Board of directors	Number of shares as part of compensation	Value of compensation in shares, EUR	Compensation paid in cash, EUR	Total compensation, EUR
Chairman of the Board	2,193	59,448	94,052	153,500
Board members	6,180	169,738	344,262	514,000
Total	**8,373**	**229,185**	**438,315**	**667,500**

2019

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

Expense of statutory pension plans was EUR 0.0 million in 2020 (EUR 0.0 million in 2019).

	2020	2019
Salary and benefits, EUR (Panu Routila Jan 1 – Oct 6, 2019, Teo Ottola Oct 7, 2019 – Jan 31, 2020, Rob Smith Feb 1 – Dec 31, 2020)	750,830	590,238
Annual variable pay, EUR (Panu Routila 2019, Rob Smith 2020)	0,0	330,225
Total	**750,830**	**920,463**
Expense of statutory pension plans (Panu Routila Jan 1 – Oct 6, 2019, Teo Ottola Oct 7, 2019 – Jan 31, 2020, Rob Smith Feb 1 – Dec 31, 2020)	113,782	194,272
Expense of voluntary pension plans (Panu Routila Jan 1 – Oct 6, 2019, Teo Ottola Oct 7, 2019 – Jan 31, 2020, Rob Smith Feb 1 – Dec 31, 2020)	107,186	168,298
Total	220,968	362,570
Benefits related to termination of employment (Panu Routila)		
Paid during the period	758,302	364,690
Accrued at December 31.	0,0	815,843
Total	**758,302**	**1,180,533**
Shareholding in Konecranes Plc (number of shares) 1)	0,0	0,0
Performance share rights allocated (number of share rights) 2)	122,922	0,0
Share-based payment costs, EUR (Panu Routila 2019, Rob Smith 2020)	218,859	-319,656
Retirement age (Panu Routila 2019, Rob Smith 2020)	63 years	63 years
Period of notice (Panu Routila 2019, Rob Smith 2020)	6 months	
Severance payment (including 6 months' notice period)	18 months' salary and fringe benefits	

1) Panu Routila was not acting as CEO at December 31, 2019 thus shares and share rights are reported as 0.
2) Number of 2020 restricted share rights are net share amounts. In addition, a cash part is included in the reward.

Konecranes Leadership Team

The Konecranes Leadership Team (KLT) convenes as frequently as necessary, normally on a monthly basis. Business Areas have their own management teams that convene on a regular basis. Only the KLT is classified to key management personnel due to the decision making power.

The Konecranes Leadership Team consists of the following members:

- President and CEO
- Chief Financial Officer, Deputy CEO
- Executive Vice President, Business Area Service
- Executive Vice President, Industrial Equipment
- Executive Vice President, Port Solutions
- Executive Vice President, Technologies
- Senior Vice President, Human Resources
- Senior Vice President, General Counsel
- Senior Vice President, Integration and Project Management Office

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

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

Konecranes Leadership Team excluding the President and CEO	2020	2019
Salary and benefits, EUR	2,041,926	2,206,523
Annual variable pay, EUR	634,430	765,000
Total	**2,676,357**	**2,971,523**
Expense of statutory pension plans	280,349	369,232
Expense of voluntary pension plans	17,360	17,078
Total	**297,709**	**386,310**
Shareholding in Konecranes Plc (number of shares)	170,044	239,978
Performance share rights allocated (number of share rights) [1)]	334,419	342,000
Share-based payment costs, EUR	720,725	872,177

[1)] Number of 2020 restricted share rights are net share amounts. In addition, a cash part is included in the reward.

There were no loans outstanding to the Konecranes Leadership Team at end of the period 2020 and 2019. There were no guarantees on behalf of the Konecranes Leadership Team in 2020 and 2019.

The employee benefits to the key management personnel of the Group were in total EUR 5.6 million in year 2020 (EUR 7.2 million in year 2019).

30.2. Transactions with associated companies and joint arrangements

	2020	2019
Sales of goods and services with associated companies and joint arrangements	20.0	46.5
Receivables from associated companies and joint arrangements	4.3	8.9
Purchases of goods and services from associated companies and joint arrangements	48.7	53.2
Liabilities to associated companies and joint arrangements	0.8	0.9

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

30.3. Transactions with Pension Fund in the United Kingdom

	2020	2019
Employer contributions	0,0	1.8

30.4. Transactions with Board members

	2020	2019
Board member holding the bond of Konecranes Plc through a 100% owned company.		
Interest-bearing long-term liabilities	0.1	0,0

31. Guarantees, lease commitments and contingent liabilities

	2020	2019
For own commercial obligations		
Guarantees	580.2	629.5
Other	33.4	34.1
Total	**613.6**	**663.6**

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

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

Contingent liabilities relating to litigation

Various legal actions, claims and other proceedings pend against the Group in various countries. These actions, claims and other proceedings are typical of this industry and consistent with a global business offering that encompasses a wide range of products and services. These matters involve contractual disputes, warranty claims, product liability (including design defects, manufacturing defects, failure to warn and asbestos legacy), employment, vehicles and other matters involving claims of general liability.

While the final outcome of these matters cannot be predicted with certainty, Konecranes has the opinion, based on the information available to date and considering the grounds presented for such claims, the available insurance coverage and the reserves made, that the outcome of such actions, claims and other proceedings, if unfavorable, would not have a material, adverse impact on the financial condition of the Group.

32. Financial assets and liabilities

32.1. Carrying amounts of financial assets and liabilities

	2020				2019			
Financial assets	**Fair value through OCI**	**Fair value through income statement**	**Amortized cost**	**Carrying amounts by balance sheet item**	**Fair value through OCI**	**Fair value through income statement**	**Amortized cost**	**Carrying amounts by balance sheet item**
Current financial assets								
Account and other receivables	0.0	0.0	520.1	**520.1**	0.0	0.0	564.2	**564.2**
Derivative financial instruments	7.7	13.4	0.0	**21.2**	3.0	5.1	0.0	**8.1**
Cash and cash equivalents	0.0	0.0	591.9	**591.9**	0.0	0.0	378.2	**378.2**
Total	**7.7**	**13.4**	**1,112.0**	**1,133.2**	**3.0**	**5.1**	**942.4**	**950.5**
Financial liabilities								
Non-current financial liabilities								
Interest-bearing liabilities	0.0	0.0	859.7	**859.7**	0.0	0.0	785.8	**785.8**
Other payables	0.0	0.0	7.2	**7.2**	0.0	0.0	6.8	**6.8**
Current financial liabilities								
Interest-bearing liabilities	0.0	0.0	311.1	**311.1**	0.0	0.0	248.4	**248.4**
Derivative financial instruments	1.9	3.7	0.0	**5.5**	4.4	1.8	0.0	**6.2**
Account and other payables	0.0	0.0	262.7	**262.7**	0.0	0.0	280.5	**280.5**
Total	**1.9**	**3.7**	**1,440.8**	**1,446.3**	**4.4**	**1.8**	**1,321.6**	**1,327.7**

Additional information on financial instruments is presented in Note 34.

32.2. Fair values

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

	Carrying amount		Fair value		
Financial assets	**2020**	**2019**	**2020**	**2019**	**Note**
Current financial assets					
Account and other receivables	520.1	564.2	520.1	564.2	19,20
Derivative financial instruments	21.2	8.1	21.2	8.1	34.1
Cash and cash equivalents	591.9	378.2	591.9	378.2	22
Total	**1,133.2**	**950.5**	**1,133.2**	**950.5**	
Financial liabilities					
Non-current financial liabilities					
Interest-bearing liabilities	859.7	785.8	864.6	795.7	27.1
Other payables	7.2	6.8	7.2	6.8	
Current financial liabilities					
Interest-bearing liabilities	311.1	248.4	311.2	248.4	27.2
Derivative financial instruments	5.5	6.2	5.5	6.2	34.1
Account and other payables	262.7	280.5	262.7	280.5	25.2
Total	**1,446.3**	**1,327.7**	**1,451.3**	**1,337.7**	

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

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

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

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

32.3. Hierarchy of fair values

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

	2020			2019		
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Derivative financial instruments						
Foreign exchange forward contracts	0.0	21.2	0.0	0.0	8.1	0.0
Currency options	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**21.2**	**0.0**	**0.0**	**8.1**	**0.0**
Other financial assets						
Cash and cash equivalents	591.9	0.0	0.0	378.2	0.0	0.0
Total	**591.9**	**0.0**	**0.0**	**378.2**	**0.0**	**0.0**
Total financial assets	**591.9**	**21.2**	**0.0**	**378.2**	**8.1**	**0.0**
Financial liabilities						
Derivative financial instruments						
Foreign exchange forward contracts	0.0	5.5	0.0	0.0	6.2	0.0
Total	**0.0**	**5.5**	**0.0**	**0.0**	**6.2**	**0.0**
Other financial liabilities						
Interest bearing liabilities	0.0	1,170.8	0.0	0.0	1,034.2	0.0
Other payables	0.0	0.0	0.7	0.0	0.0	0.8
Total	**0.0**	**1,170.8**	**0.7**	**0.0**	**1,034.2**	**0.8**
Total financial liabilities	**0.0**	**1,176.3**	**0.7**	**0.0**	**1,040.4**	**0.8**

There were no significant changes in classification of fair value of financial assets and financial liabilities in the period 2019–2020. There were also no significant movements between the fair value hierarchy classifications.

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

33. Management of financial risks

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

33.1. Market risk

The responsibility of identifying, evaluating and controlling the financial risks arising from the Group's global business operations is divided between the business units and the Group Treasury. However, the Group uses an approach in which most of the management of financial risks is centralized to Konecranes' Group Treasury. The Group Treasury functions within the legal entity Konecranes Finance Corporation. By centralization and netting of internal foreign currency cash flows, the Group's external hedging needs can be minimized.

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

The Group's global business operations involve market risks in the form of currency, interest rate and commodity risk. The Group's objective is to increase the short-term stability of the financial environment for the business operations by reducing the negative effects caused by price fluctuations and other uncertainties in the financial markets.

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

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

Konecranes Finance Corporation uses a treasury system, which enables practically a real-time processing of transactions and in-depth records of activities and performance. The standard reporting is done on a weekly basis and it covers group-level commercial and financial cash flows, foreign currency transaction exposure, debt positions, portfolio of derivatives and counterparty credit exposure for financial transactions. In addition, all Group companies participate in the monthly managerial and statutory reporting.

Foreign exchange risk

The Group's global business operations generate foreign exchange risk. However, most of the business units only have transactions in their own currency, i.e. these units have their sales and costs as well as internal funding from Konecranes Finance Corporation in their local home currency. Only 23 out of some 150 Group companies operate regularly in a foreign currency. These companies hedge their foreign exchange risk with Group Treasury. Depending on the business area and the probability of the cash flows, the hedging covers operative cash flows for the next 1–24 months and is done by using internal foreign exchange forward contracts. In this way, Konecranes Finance Corporation can manage the foreign exchange risk of the whole Group. The foreign currency funding of the other Group companies and possibly some external foreign currency funding can net some of these foreign currency items. The residual net exposure can be covered with commercial banks using foreign exchange forward contracts or currency options. Currency derivatives belonging to hedge accounting are managed in a separate portfolio than derivatives hedging other commercial flows and funding and cannot thus be netted out against other internal items. These instruments are used when the hedging effect cannot be obtained through internal netting and matching of cash flows within the Group.

The business units' commercial bids in a foreign currency can be hedged by using currency options or exchange forwards, but, in general, using currency clauses covers the risk.

For certain large crane projects, the Group applies hedge accounting under IAS 39. Hedges are done by using foreign exchange forward contracts. Currently, only USD denominated projects are included in the hedge accounting. The hedge accounting portfolio comprises both USD sales and purchases where gross flows are hedged separately. At the end of 2020, the hedge accounting net cash flows totaled USD 207 million (USD 274 million in 2019).

The following table shows the transaction exposure of Konecranes Finance Corporation as of December 31, 2020, and December 31, 2019 (in EUR millions):

	2020	2019
AED	10	26
AUD	19	20
BRL	4	-3
CAD	16	19
CHF	1	2
CLP	1	1
CNY	-24	-6
CZK	10	2
GBP	7	5
IDR	4	0
ILS	-3	0
INR	2	0
JPY	3	0
MYR	1	0
NOK	1	5
PHP	1	0
PLN	0	2
SEK	-58	-93
SGD	-6	-8
THB	2	4
TWD	1	0
USD	250	294
ZAR	5	2

The following table shows the translation exposure, which represents the equity of the Group in a local currency as of December 31, 2020, and December 31, 2019
(in EUR millions):

	2020	2019
AED	9	10
AUD	11	3
BDT	1	1
BRL	11	11
CAD	9	7
CHF	9	2
CLP	7	6
CNY	106	96
CZK	9	9
DKK	6	5
GBP	-26	-22
HUF	3	3
INR	3	6
IDR	9	-6
JPY	-8	-8
MAD	2	1
MXN	2	3
MYR	22	1
NOK	1	1
PEN	5	6
PHP	7	1
PLN	1	0
RON	2	1
RUB	6	4
SAR	-2	1
SGD	-45	18
SEK	-15	-15
THB	16	-1
TWD	3	0
UAH	-2	-7
USD	26	7
VND	0	-1
ZAR	0	2

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

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

The following table shows the theoretical effects that changes in the EUR/USD exchange rate would have on the Group's annual EBIT and equity. An appreciation of US dollar against euro for 10% increases EBIT by EUR 43.9 million (37.2 million in 2019) and increases equity by EUR 3.2 million (0.7 million in 2019). The below table provides a sensitivity analysis over the past two years:

Change in EUR/USD rate	2020 EBIT	2020 Equity	2019 EBIT	2019 Equity
+10%	- 35.9	- 2.6	- 30.4	- 0.6
- 10%	+43.9	+3.2	+37.2	+0.7

The EBIT effect comprises transaction exposure for euro-based companies having frequent sales in USD and the translation exposure from EBIT generated in USD translated into euros. The transaction position is estimated for 2020 as the USD positions changes from one year to another and these changes are mainly due to timing of major ports projects and currencies used in them. The estimate of the effects is based on the assumption that the USD denominated transactions are not hedged. In practice, however, all large projects with long maturities generating a substantial portion of the annual changes in the transaction position are hedged and subject to project specific pricing. The change in equity is the translation exposure on the Group's equity in USD.

Appreciating US dollar has a positive impact on Group's operating margin when it impacts the revenues and costs reported in euros asymmetrically. This is due to the fact that the exchange rate change impacts mostly both Group's revenues and costs and partly only either of these. If the EBIT generated in USD based entities as well as cash flows from long lasting projects, as they are subject to project specific pricing which in practice may be adjusted to reflect the currency rate changes, are excluded from the sensitivity analysis the effect on EBIT is estimated to be approximately a EUR 10 million increase (EUR 10 million in 2019) when the dollar appreciates 10%.

Interest rate risk

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

Approximately 93% of the Group's interest-bearing liabilities are denominated in euro (94% in 2019). See note 27.3 for the currency split of outstanding debt.

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

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

Change in interest rates	2020 Income statement	2020 Equity	2019 Income statement	2019 Equity
+1	- 5.2	+0.0	- 3.7	+0.0
- 1	+1.0	- 0.0	+0.4	- 0.0

The effect on income statement is comprised of the Group's floating long-term debt which is recognized through the statement of income. The effect on equity is comprised of the changes in fair value of interest rate swaps which are hedging the debt portfolio. The effect of one percentage point decline is calculated with a 0% interest rate floor. The proportion of fixed interest loans in the loan portfolio can be increased by means of interest rate derivatives. As a consequence of this treasury policy, the Group's average interest rate level, in general, can be higher than the market level of short-term interest rates when low rates prevail and, on the other hand, lower than the market level when high rates prevail.

Commodity risk

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

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

Steel prices are fixed as a normal part of the procurement process. Price changes naturally affect the future procurement, but these changes can be taken into consideration in the price quotes to the end customers.

In large crane projects, the steel structures are sub-contracted and as a normal part of the sub-contracting process, the steel is included in the price of the sub-contracting (i.e. the price is fixed with the sub-contractor).

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

33.2. Credit and counterparty risks

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

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

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

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

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

33.3. Liquidity risks

Liquidity risks concern the availability of liquid assets or funding. Lack of funding might jeopardize normal business operations and eventually might endanger the ability to fulfill daily payment obligations.

For managing the liquidity risks, the Group has established EUR 400 million committed revolving credit facility with an international loan syndication (2017–2024). At the end of 2020 the facility was unutilized. To cover the short-term funding needs, Konecranes Finance Corporation can borrow from institutional investors through domestic commercial paper program (totaling EUR 500 million). In addition, business units around the world have working capital facilities totaling some EUR 250 million to cover the day-to-day funding needs. Cash and cash equivalents totalled EUR 593.7 million at the end of 2020 (EUR 378.9 million in 2019).

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

33.4. Capital structure management

The primary objective of the Group's capital structure management is to ensure that it maintains a good credit status and a healthy capital ratio to support its business operations. At the same time, the Group also aims to maximize shareholder value by effective use of capital.

The Group manages its capital structure and fine-tunes it to adjust to probable changes in economic conditions. These actions may include adjusting the dividend payment to shareholders, buying back own shares or issuing new shares.

The Group monitors its capital structure using gearing ratio. This is calculated as a ratio of interest-bearing liabilities less liquid assets less loans receivable to total equity. At the end of 2020, the gearing ratio was 46.1% (52.6% in 2019).

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

The Group decides on the split between long-term and short-term debt in relation to the gearing ratio level. The following table shows the rough guidelines for the portion of long–term debt of total debt under different gearing ratio levels:

Gearing ratio level	Portion of long–term of total debt
Under 50%	Under 1/3
Between 50–80%	Between 1/3 and 2/3
Over 80%	Over 2/3

The Group monitors the gearing ratio level on a weekly basis. The target of the Group's capital management has been met in recent years.

34. Hedge activities and derivatives

Derivatives are initially recorded in the balance sheet at fair value and subsequently measured at fair value at each balance sheet date. All derivatives are carried as assets when fair value is positive and liabilities when fair value is negative. Derivative instruments that are not designated as hedges (hedge accounting) are measured at fair value, and the change in fair value is recognized in the consolidated statement of income. When the derivative is designated as a cash-flow hedge (hedge accounting) the effective part of the change in fair value is recognized in other comprehensive income. Any ineffective part is recognized in the consolidated statement of income. The foreign exchange forward contracts are measured based on the closing date's observable spot exchange rates and the quoted yield curves of the respective currencies. Interest rate swaps are measured based on present value of the cash flows, which are discounted based on the quoted yield curves.

34.1. Nominal and fair values of derivative financial instruments

	2020 Nominal value	2020 Fair value	2019 Nominal value	2019 Fair value
Foreign exchange forward contracts	1,052.2	15.6	1,145.4	1.9
Currency options	0.0	0.0	21.4	0.0
Total	**1,052.2**	**15.6**	**1,166.8**	**2.0**

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

Derivatives not designated as hedging instruments

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

Cash flow hedges

Foreign currency risk

Foreign exchange forward and option contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales and purchases in US dollar. These forecast transactions are highly probable, and they comprise about 29.8% of the Group's total hedged transaction flows. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

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

The cash flow hedges of the expected future sales and purchases in 2020 and 2019 were assessed to be highly effective and a net unrealized loss, with a deferred tax asset relating to the hedging instruments, is included in OCI. The amounts recognized in OCI are shown in the table below and the reclassifications to profit or loss during the year are as shown in the consolidated statement of income.

34.2. Fair value reserve of cash flow hedges

	2020	2019
Balance as of January 1	-0.5	0.1
Gains and losses deferred to equity (fair value reserve)	8.1	-0.7
Change in deferred taxes	-1.6	0.1
Balance as of December 31	**6.0**	**-0.5**

35. Merger plan with Cargotec Corporation

On October 1, 2020 Konecranes Plc ("Konecranes") and Cargotec Corporation ("Cargotec") announced that their respective Boards of Directors signed a combination agreement (the "Combination Agreement") and a merger plan to combine the two companies through a merger (the "Future Company"). The EGM on December 18, 2020 approved the merger of Konecranes into Cargotec in accordance with the merger plan signed by the Boards of Directors of Konecranes and Cargotec on October 1, 2020 and approved the Merger Plan.

The customer industries of the Future Company will include container handling, manufacturing, transportation, construction and engineering, paper and pulp, metals productions, mining, power, chemicals and marine industries. The Future Company's name will be determined and announced at a later stage. Pursuant to the merger plan, the Board of Directors of Cargotec will propose to the shareholders' general meeting of Cargotec to be convened prior to the completion of the merger that the articles of association of Cargotec will be amended in connection with the registration of the execution of the merger to contain a new name of the Future Company. The location of the headquarters of the Future Company will be decided later.

The proposed combination will be implemented as a statutory absorption merger whereby Konecranes will be merged into Cargotec. Prior to or in connection with the completion of the merger, Cargotec will issue new shares without payment to the shareholders of Cargotec in proportion to their existing shareholding by issuing two (2) new class A shares for each class A share and two (2) new class B shares for each class B share, including new shares to be issued to Cargotec for its treasury shares. Upon completion, Konecranes' shareholders will receive as merger consideration 0.3611 new class A shares and 2.0834 new class B shares in Cargotec for each share they hold in Konecranes on the record date. This implies that Konecranes shareholders would own approximately 50 percent of the shares and votes of the Future Company, and Cargotec shareholders would own approximately 50 percent of the shares and votes of the Future Company. In addition to the merger consideration shares, all the existing class A shares of Cargotec will be listed on Nasdaq Helsinki in connection with the merger.

Konecranes will propose to a general meeting of shareholders to be held before the completion of the merger to distribute an extra distribution of funds in connection with the transaction in the total amount of approximately EUR 158 million, corresponding to EUR 2.00 per share, to Konecranes' shareholders before the combination is completed. The extra distribution of funds will be paid in addition to the ordinary distribution(s). With respect to ordinary distributions in 2021, the Boards of Directors of Konecranes and Cargotec will propose to their respective annual general meetings to be held in 2021 to effect a distribution of funds of up to EUR 70 million so that each company shall distribute an approximately equal amount before the combination is completed. Konecranes and Cargotec have obtained necessary commitments for the financing of the completion of the merger.

The completion of the Merger is subject to necessary merger control approvals having been obtained and other conditions to completion having been fulfilled. The planned Merger completion date is January 1, 2022, however, the date is subject to change and the actual completion date may be earlier or later than January 1, 2022.

Company list

Subsidiaries owned by the parent company		Book value of shares (1,000 EUR)	Parent company's share, %	Group's share, %
Finland:				
	Konecranes Finance Oy	46,448	100	100
	Konecranes Finland Oy	17,163	26.02	100
	Konecranes Global Oy	102,391	100	100

Subsidiaries owned by the group		Book value of shares (1,000 EUR)	Group's share, %
Australia:	Konecranes Pty. Ltd.	19,550	100
	MHE-Demag Australia Pty Ltd	16,643	100
Austria:	Konecranes and Demag Ges.m.b.H.	29,775	100
Bangladesh:	Konecranes and Demag (Bangladesh) Ltd.	98	100
Belgium:	S.A. Konecranes N.V.	6,150	100
Brazil:	Konecranes Demag Brasil Ltda.	32,688	100
Canada:	Konecranes Canada Inc.	893	100
Chile:	Konecranes Chile SpA	1	100
China:	Cranes and Parts Trading (Shanghai) Co.,Ltd.	5,862	100
	Dalian Konecranes Company Ltd.	1,870	100
	Demag Cranes & Components (Shanghai) Co., Ltd.	14,349	100
	Konecranes (Shanghai) Co. Ltd.	0	100
	Konecranes (Shanghai) Company Ltd.	3,967	100
	Konecranes Manufacturing (Jiangsu) Co., Ltd.	26,479	100
	Konecranes Port Machinery (Shanghai) Co., Ltd.	6,914	100
	SWF Krantechnik Co., Ltd.	734	100
Czech Republic:	Konecranes and Demag s.r.o.	2,823	100
Denmark:	Konecranes Demag A/S	13,890	100
Estonia:	Konecranes Oü	0	100
Finland:	Nosturiexpertit Oy	10	100
France:	KCI Holding France SAS	40,500	100
	Konecranes (France) SAS	2,545	100
	MHPS Cranes France SAS	8,131	100
	Verlinde SAS	10,720	100
Germany:	Demag Cranes & Components GmbH	744,243	100
	Eurofactory GmbH	1,239	100
	Konecranes GmbH	482,300	100
	Konecranes Holding GmbH	315,262	100
	Konecranes Lifting Systems GmbH	1,504	100
	Konecranes Real Estate GmbH Co. & KG	33,652	94
	Konecranes Real Estate Verwaltungs GmbH	0	100
	Kranservice Rheinberg GmbH	1,492	100
	SWF Krantechnik GmbH	15,500	100
Greece:	Konecranes Hellas Lifting Equipment and Services S.A.	60	100
Hong Kong:	Konecranes Hong Kong Limited	0	100
Hungary:	Konecranes Kft.	889	100
	Konecranes Supply Hungary Kft.	2,233	100
India:	Konecranes and Demag Private Limited	17,250	100
Indonesia:	Pt. Konecranes	0	99.93
	PT MHE-Demag Indonesia	3,174	100
	PT MHE-Demag Technology Indonesia	291	67
Ireland:	Konecranes and Demag Limited	300	100
Israel:	Konecranes Israel Ltd	0	100
Italy:	Demag Cranes & Components S.r.l.	13,997	100
	Donati Sollevamenti S.r.l.	2,561	100
	MHPS Italia S.r.l.	0	100
Japan:	Konecranes Company, Ltd.	0	100
Latvia:	SIA Konecranes Latvija	2	100
Lithuania:	UAB Konecranes	139	100
Luxembourg:	Materials Handling International S.A.	300	100
Malaysia:	Konecranes Sdn. Bhd.	681	100
	Mechanical Handling Engineering (M) Sdn Bhd	377	100
	MHE-Demag Logistics Malaysia Sdn Bhd	2,353	100
	MHE-Demag Malaysia Sdn Bhd	6,175	100
	Rainfields Estate Sdn Bhd	1,237	100
Mexico:	Konecranes Mexico S.A. de C.V.	2,188	100
Morocco:	Konecranes Maghreb S.a.r.l.	50	100
The Netherlands:	Konecranes B.V.	4,201	100
	Konecranes Holding B.V.	313,851	100
	Port Software Solutions B.V.	43,080	69.78
	TBA B.V.	3,678	69.78
Norway:	Konecranes AS	3,588	100
Peru:	Konecranes Peru S.R.L.	0	100
Philippines:	Konecranes Philippines Inc.	728	100
	MHE-Demag (P), Inc.	4,835	100
Poland:	Konecranes and Demag Sp. z o.o.	1,359	100
Portugal:	Konecranes and Demag, Lda.	3,293	100
Romania:	S.C. Konecranes S.A.	98	100
	S.C. TBA RO S.r.l.	10	69.78
Russia:	AO "Konecranes Demag Rus"	160	100
Saudi Arabia:	Saudi Cranes & Steel Works Factory Co. Ltd.	9,515	100

Subsidiaries owned by the group		(1,000 EUR) Book value of shares	Group's share, %
Singapore:	KCI Cranes Holding (Singapore) Pte. Ltd.	114,764	100
	Konecranes Pte. Ltd.	63,574	100
	MHE-Demag (S) Pte. Ltd.	181,318	100
	SWF Krantechnik Pte. Ltd.	154	100
Slovakia:	Konecranes Slovakia s.r.o.	200	100
Slovenia:	Konecranes, d.o.o.	200	100
South Africa:	Konecranes and Demag (Pty) Ltd.	0	100
	MHPS (Pty) Ltd	0	100
	Port Equipment Southern Africa (Pty) Ltd	0	100
Spain:	Konecranes and Demag Ibérica, S.L.U.	31,799	100
Sweden:	Konecranes AB	1,362	100
	Konecranes Lifttrucks AB	23,157	100
	Konecranes Sweden Holding AB	1,682	100
	Ulvaryd Fastighets AB	1,295	100
Switzerland:	Konecranes and Demag AG	17,205	100
Taiwan:	MHE-Demag Taiwan Company Limited	1,598	100
Thailand:	Katrolin Enterprise (T) Ltd	81	100
	Katrolin Holding (T) Ltd	93	100
	Konecranes (Thailand) Ltd.*	104	49
	Mahakorn (T) Ltd	79	100
	MHE-Demag (T) Ltd	283	100
	MHE-Demag Technology (T) Ltd	261	100
	Scenic Wealth (T) Ltd	135	100
Turkey:	Konecranes Ticaret Ve Servis Limited Sirketi	93	100
Ukraine:	Konecranes Ukraine JSC	2,049	100
	PJSC "Zaporozhje Kran Holding"	229	100
	JSC "Zaporozhcran"	0	90.43
United Arab Emirates:	Demag Cranes & Components Holding Ltd.	0	100
	Demag Cranes & Components (Middle East) FZE	13,064	100
	Konecranes Middle East FZE	1,774	100
United Kingdom:	Demag Cranes and Components Guarantee Ltd.	0	100
	Demag Cranes & Components Holdings Ltd.	0	100
	KCI Holding UK Ltd.	13,656	100
	Konecranes Demag UK Limited	6,301	100
	Lloyds Konecranes Pension Trustees Ltd.	0	100
	Morris Material Handling Ltd.	5,965	100
	TBA Doncaster Limited	1,275	58.62
	TBA Leicester Limited	9,481	62.8
	UKMHPS Limited	38,671	100
U.S.A.	Demag Cranes & Components Corp.	55,208	100
	KCI Holding USA Inc.	53,901	100
	Konecranes, Inc.	43,428	100

Subsidiaries owned by the group		(1,000 EUR) Book value of shares	Group's share, %
	Konecranes Nuclear Equipment & Services, LLC	0	100
	MMH Americas, LLC	0	100
	Morris Material Handling, Inc.	58,217	100
	R&M Materials Handling, Inc.	6,682	100
Vietnam:	Konecranes Vietnam Co., Ltd	0	100
	MHE-Demag Vietnam Company Ltd	2,460	100

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

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

Investments accounted for using the equity method		Assets value	Group's share, %
China:	Guangzhou Technocranes Company, Ltd.	557	25
	Jiangyin Dingli Shengshai High Tech Industrial Crane Company, Ltd.	168	30
	Shanghai High Tech Industrial Crane Company, Ltd.	2,196	28
Finland:	Fantuzzi Noell Baltic Oy	602	25
France:	Boutonnier Adt Levage S.A.	386	25
	Levelec S.A.	202	20
	Manulec S.A.	213	25
	Manelec S.A.R.L.	80	25
	S.E.R.E. Maintenance S.A.	204	25
Germany:	AQZ Ausbildungs- und Qualifizierungszentrum Düsseldorf GmbH	0	30
Singapore:	MHE-Demag Techonology (S) Pte. Ltd.	541	49.99
Switzerland:	Demag IP Holdings GmbH	120	50
Thailand:	CSA Crane Service Asia Company Ltd	62	49
United Arab Emirates:	Crane Industrial Services LLC	1,238	49

Other shares and interests		Book value of shares	Group's share, %
Finland:	East Office of Finnish Industries Oy	50	5.26
	Dimecc Oy	120	5.69
	Levator Oy	0	19
	Vierumäen Kuntorinne Oy	345	3.3
France:	Heripret Holding SAS	53	19
Malaysia:	Kone Products & Engineering Sdn. Bhd.	0	10
Venezuela:	Gruas Konecranes CA	20	10
Others:		228	
Total:		**816**	

Parent company statement of income – FAS

(1,000 EUR)		Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Note:			
	Other operating income	437	5
2	Depreciation and impairments	-134	-119
3	Other operating expenses	-14,787	-19,737
	Operating profit	**-14,485**	**-19,851**
4	Financial income and expenses	71,685	66,709
	Income before appropriations and taxes	**57,200**	**46,857**
5	Appropriations	58,352	57,171
6	Income taxes	-8,441	-8,879
	Net income	**107,112**	**95,149**

Parent company balance sheet – FAS

(1,000 EUR)		Dec 31, 2020	Dec 31, 2019
Note:			
	ASSETS		
	NON-CURRENT ASSETS		
	Tangible assets		
7	Machinery and equipment	689	578
	Advance payments	2	0
		691	**578**
8	**Investments**		
	Investments in Group companies	153,040	153,040
	Other shares and similar rights of ownership	170	170
		153,210	**153,210**
	Total non-current assets	**153,901**	**153,788**
	CURRENT ASSETS		
	Long-term receivables		
	Loans receivable from Group companies	1,070,232	1,033,486
		1,070,232	**1,033,486**
	Short-term receivables		
	Accounts receivable	1,619	8
	Amounts owed by Group companies		
	Accounts receivable	3,704	3,104
10	Deferred assets	86,335	102,816
	Other receivables	398	433
10	Deferred assets	6,260	3,582
		98,318	**109,942**
	Cash in hand and at banks	**3**	**3**
	Total current assets	**1,168,553**	**1,143,431**
	TOTAL ASSETS	**1,322,454**	**1,297,219**

(1,000 EUR)		Dec 31, 2020	Dec 31, 2019
Note:			
	SHAREHOLDERS' EQUITY AND LIABILITIES		
11	**EQUITY**		
	Share capital	30,073	30,073
	Share premium account	39,307	39,307
	Paid in capital	774,591	769,365
	Retained earnings	104,037	103,848
	Net income for the period	107,112	95,149
		1,055,119	**1,037,741**
	APPROPRIATIONS		
	Depreciation difference	**114**	**146**
	LIABILITIES		
	Non-current liabilities		
12	Bond	249,482	249,120
		249,482	**249,120**
	Provisions	**346**	**763**
	Long-term liabilities		
	Loans payable–Intercompany	1,792	0
		1,792	**0**
	Current liabilities		
	Accounts payable	1,453	3,701
	Liabilities owed to Group companies		
	Accounts payable	1,527	214
13	Accruals	3,493	15
	Other short-term liabilities	66	52
13	Accruals	9,063	5,468
		15,602	**9,450**
	Total liabilities	**267,222**	**259,332**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,322,454**	**1,297,219**

Parent company cash flow – FAS

(1,000 EUR)	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Cash flow from operating activities		
Operating income	**-14,485**	**-19,851**
Adjustments to operating profit		
Depreciation and impairments	134	119
Group contributions from subsidiaries	57,190	65,640
Operating income before changes in net working capital	**42,840**	**45,908**
Change in interest-free short-term receivables	3,112	-1,234
Change in interest-free short-term liabilities	5,524	871
Change in net working capital	**8,636**	**-363**
Cash flow from operations before financing items and taxes	**51,476**	**45,545**
Interest received	5,246	16,332
Interest paid	-4,401	-4,383
Other financial income and expenses	-1,599	6
Income taxes paid	-8,786	-17,206
Financing items and taxes	**-9,540**	**-5,252**
NET CASH FROM OPERATING ACTIVITIES	**41,936**	**40,293**

(1,000 EUR)	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Cash flow from investing activities		
Capital expenditure and advance payments to tangible assets	-271	-36
Capital expenditure and advance payments to intangible assets	24	0
Proceeds from sale of fixed assets	0	0
Dividends received	83,000	80,000
NET CASH USED IN INVESTING ACTIVITIES	**82,752**	**79,964**
Cash flow before financing activities	**124,688**	**120,257**
Cash flow from financing activities		
Proceeds from share based payments and share issues	5,226	612
Repayments of long-term receivables	-34,954	-26,262
Dividends paid	-94,960	-94,607
NET CASH USED IN FINANCING ACTIVITIES	**-124,688**	**-120,257**
CHANGE OF CASH AND CASH EQUIVALENTS	**0**	**0**
Cash and cash equivalents at beginning of period	3	3
Cash and cash equivalents at end of period	3	3
CHANGE OF CASH AND CASH EQUIVALENTS	**0**	**0**

Notes to the parent company's financial statement

1. Accounting principles

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

Statement of income
(1,000,000 EUR)

2. Depreciation and impairments

	2020	2019
Machinery and equipment	0.1	0.1
Total	**0.1**	**0.1**

3. Other operating expenses and personnel

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

	2020	2019
Wages and salaries	4.1	3.7
Pension costs	0.3	0.4
Other personnel expenses	0.1	0.1
Other operating expenses	0.3	0.3
Total	**4.7**	**4.6**

Wages and salaries in accordance with the Statement of Income

	2020	2019
Remuneration to Board	0.7	0.8
Other wages and salaries	3.4	2.9
Total	**4.1**	**3.7**

	2020	2019
The average number of personnel	**5**	**6**
Auditors fees		
Audit	0.5	0.5
Other services	0.6	0.1
Total	**1.1**	**0.6**

4. Financial income and expenses

	2020	2019
Financial income from long-term investments:		
Dividend income from Group companies	73.0	60.0
Dividend income total	**73.0**	**60.0**
Interest income from long-term receivables:		
From Group companies	5.3	11.4
Interest income from long-term receivables total	**5.3**	**11.4**
Financial income from long-term investments total	**78.3**	**71.4**
Interest and other financial income	0.1	0.1
Interest and other financial income total	**0.1**	**0.1**
Interest expenses and other financial expenses:		
Other financial expenses	6.5	4.7
Interest expenses and other financial expenses total	**6.5**	**4.7**
Financial income and expenses total	**84.8**	**66.8**

5. Appropriations

	2020	2019
Difference between planned and untaxed depreciations	0.0	0.0
Group contributions received from subsidiaries	58.3	57.2
Total	**58.3**	**57.2**

6. Income taxes

	2020	2019
Taxes on appropriations	11.7	11.4
Taxes on ordinary operations	-3.2	-2.7
Taxes from previous years	0.0	0.1
Total	**8.4**	**8.9**

7. Machinery and equipment

	2020	2019
Acquisition costs as of January 1	1.0	0.9
Increase	0.3	0.0
Acquisition costs as of December 31	1.2	1.0
Accumulated depreciation January 1	-0.4	-0.2
Accumulated depreciation	-0.1	-0.1
Total as of December 31	**0.7**	**0.6**

8. Investments

	2020	2019
Acquisition costs as of January 1	153.2	153.2
Total as of December 31	**153.2**	**153.2**

Investments in Group companies

		2020	2019
	Domicile	**Carrying value**	**Carrying value**
Konecranes Finance Corp.	Hyvinkää	46.4	46.4
Konecranes Finland Corp.	Hyvinkää	4.2	4.2
Konecranes Global Corp.	Hyvinkää	102.4	102.4
Total		**153.0**	**153.0**

Other shares and similar rights of ownership

	2020	2019
East Office of Finnish Industries Oy	0.1	0.1
Dimecc Oy	0.1	0.1
Total	**0.2**	**0.2**

9. Treasury shares

	2020	2019
Number of shares as of January 1	82,480	105,403
Increase	300,000	0
Decrease	-295,033	-22,923
Number of shares as of December 31	**87,447**	**82,480**

10. Deferred assets

	2020	2019
Group contributions	58.3	57.2
Payments which will be realized during the next financial year	31.7	46.7
Interest	2.6	2.6
Total	**92.6**	**106.4**

11. Equity

	2020	2019
Share capital as of January 1	30.1	30.1
Share capital as of December 31	**30.1**	**30.1**
Share premium account January 1	39.3	39.3
Share premium account as of December 31	**39.3**	**39.3**
Paid in capital as of January 1	769.4	768.8
Increase	5.2	0.6
Decrease	0.0	0.0
Paid in capital as of December 31	**774.6**	**769.4**
Retained earnings as of January 1	199.0	198.5
Dividend paid	-95.0	-94.6
Retained earnings as of December 31	**104.0**	**103.8**
Net income for the period	**107.1**	**95.1**
Shareholders' equity as of December 31	**1,055.1**	**1,037.7**
Distributable equity		
Paid in capital as of December 31	774.6	769.4
Retained earnings as of December 31	104.0	103.8
Net income for the period	107.1	95.1
Total	**985.7**	**968.4**

12. Interest-bearing liabilities

	2020	2019
Bond	249.5	249.1
Total	**249.5**	**249.1**

13. Accruals

	2020	2019
Income taxes	0.0	0.0
Wages, salaries and other personnel expenses	1.1	1.5
Other items	11.4	4.0
Total	**12.5**	**5.5**

14. Contingent liabilities and pledged assets

	2020	2019
For obligations of subsidiaries		
Group guarantees	1,550.9	1,256.9
Leasing liabilities		
Next year	0.5	0.5
Later on	0.8	1.3
Total	**1.3**	**1.8**

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

	2020	2019
Total by category		
Guarantees	1,550.9	1,256.9
Other liabilities	1.3	1.8
Total	**1,552.2**	**1,258.7**

15. Nominal and fair values of derivative financial instruments

	2020	2020	2019	2019
	Fair value	**Nominal value**	**Fair value**	**Nominal value**
Foreign exchange forward contracts	0.0	0.1	0.0	0.7

Derivatives are used for currency rate hedging only.

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

Board of Directors' proposal to the annual general meeting

The parent company's non-restricted equity is EUR 985,739,389.75 of which the net income for the year is EUR 107,111,563.90.

The Group's non-restricted equity is EUR 1,166,562,000.

According to the Finnish Companies Act, the distributable funds of the company are calculated based on the parent company's non-restricted equity. For the purpose of determining the amount of the dividend the Board of Directors has assessed the liquidity of the parent company and the economic circumstances subsequent to the financial year-end.

Based on such assessments the Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.88 will be paid on each share and that the remaining non-restricted equity is retained in shareholders' equity.

Espoo, February 3, 2021

Christoph Vitzthum
Chairman of the Board

Ulf Liljedahl
Board member

Niko Mokkila
Board member

Päivi Rekonen
Board member

Rob Smith
President and CEO

Janina Kugel
Board member

Janne Martin
Board member

Per Vegard Nerseth
Board member

Auditor's report
(Translation of the Swedish original)

To the Annual General Meeting of Konecranes Plc

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Konecranes Plc (business identity code 0942718-2) for the year ended December 31, 2020. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

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

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

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

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

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of long-term contracts and related provisions We refer to note 2.2 Use of estimates and judgments, note 2.3 Summary of significant accounting policies, note 5, note 6 and note 24.	
In accordance with its accounting principles, Konecranes applies the percentage of completion (PoC) method (performance obligations satisfied over time) for recognizing revenue from long-term crane projects. The percentage of completion is based on the cost-to-cost method. The percentage of completion method of accounting involves the use of significant management assumptions, estimates and projections, principally relating to future material, labor and project-related overhead costs and the estimated stage of completion. In year 2020, approximately 16% percent of the sales of 3.2 billion euro were recognized under the PoC method. Revenue recognition of long-term contracts is a key audit matter and a significant risk of misstatement as defined by EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of the long-term contracts included among others: • Assessing the Group's accounting policies over revenue recognition of long-term contracts; • Gaining an understanding of the PoC revenue recognition process; • Examination of the project documentation and testing the PoC calculations and inputs of estimates in the calculations and comparing the estimates to actuals; • Analytical procedures; • Assessing significant judgments made by management based on an examination of the associated project documentation and discussion on the status of projects under construction with finance and project managers of the Company; and • Assessing the Group's disclosures in respect of revenue recognition.
Konecranes makes several types of provisions related to risks associated with long-term project contracts and PoC accounting. These PoC related provisions require high level of management judgment and are a key audit matter due to that reason.	We have designed our audit procedures to be responsive to this specific audit area and our procedures included among others: • Gaining an understanding of the PoC related provisions process; • Testing the provision calculations and the inputs of estimates in these calculations and comparing estimates to actuals; and • Performing inquiries with management with regards to any significant events or legal matters that could affect the provisions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition We refer to note 2.3 Summary of significant accounting policies and note 5.	
According to the Group's accounting policies revenue is recognized at an amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. Goods and services are generally considered to be transferred when the customer obtains control. The terms and conditions of sales contracts vary by market and, in addition, the local management might feel pressure to achieve the revenue targets set. Revenue recognition is a key audit matter and a significant risk of material misstatement as defines by EU Regulation No 537/2014, point (c) of Article 10(2) due to the significant risk relating to an incorrect timing of recognition of revenue.	Our audit procedures to address the risk of material misstatement in respect of correct timing of revenue recognition included among others: • Analytical procedures; • Assessing the Group's accounting policies over revenue recognition compared to applicable accounting standards; • Assessing the revenue recognition process and -methodologies and testing controls; • Testing revenue with substantive analytical procedures and by testing sales transactions; • Assessing the Group's disclosures in respect of revenues.
Valuation of goodwill We refer to note 2.2 Use of estimates and judgments, note 2.3 Summary of significant accounting policies and note 13.	
The value of goodwill at the date of the financial statements amounted to 1,016.7 million euro representing 25% of total assets and 81% of equity (2019: 908.2 million euro, 24% of the total assets and 73% of equity). Valuation of goodwill is tested annually through goodwill impairment test. Konecranes has allocated goodwill to cash generating units (CGUs) which is the level for goodwill impairment test. The recoverable amount of a cash generating unit is based on value in use calculations, the outcome of which could vary significantly if different assumptions were applied. There are a number of assumptions used to determine the value in use of the cash generating units, including revenue growth, development of fixed costs, the operating margin and the discount rate applied. Changes in the above-mentioned assumptions may result in an impairment of goodwill.	Our audit procedures included, among others, involving our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to the discount rate. We specifically focused on the cash generating units for which reasonably possible changes in assumptions could cause the carrying value to exceed its recoverable amount. We also assessed the historical accuracy of managements' estimates. We assessed the Group's disclosures in note 13 in the financial statements about the assumptions to which the outcome of the impairment tests were more sensitive

Key Audit Matter	How our audit addressed the Key Audit Matter
The annual impairment test is a key audit matter because • The assessment process is complex and is based on numerous judgmental estimates; • It is based on assumptions relating to market or economic conditions; and • Of the significance of the goodwill to the balance sheet total. Valuation of goodwill is a significant risk of misstatement as defined by EU Regulation No 537/2014, point (c) of Article 10(2).	
MHE-Demag business combination We refer to note 2.2 Use of estimates and judgments, note 2.3 Summary of significant accounting policies and note 4. Konecranes acquired a 50% share of MHE-Demag on January 2, 2020. After the acquisition Konecranes holds 100% of the shares in MHE-Demag. The purchase consideration amounted to 148.3 million euro. MHE-Demag was previously accounted for as a joint venture. The acquisition is a business combination achieved in stages where the previously held equity interest in MHE-Demag is remeasured at fair value, and accordingly a gain amounting to 21.1 million euro was recognized to income statement. Assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at acquisition-date fair value. Management judgment relates specifically to determining the fair value of acquired assets and liabilities, in particular determining the fair values of separately identifiable intangible assets such as customer contracts, order book and trademarks. The business combination is a key audit matter as it involves valuation processes and -methods, and judgments made by management.	Our audit procedures included amongst other: • Assessing together with our valuation specialists the valuation processes and methodologies to identify acquired assets and liabilities and to determine the fair value of these; • Testing the purchase consideration; • Testing the accounting treatment of the business combination achieved in stages; • Assessing the disclosures in respect of business combinations.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 8, 2006, and our appointment represents a total period of uninterrupted engagement of 15 years.

Other information

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

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

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

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

Opinions based on assignment of the Audit Committee

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

Helsinki, February 3, 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Kristina Sandin
Authorized Public Accountant

Shares and shareholders

According to the register of Konecranes Plc's shareholders kept by Euroclear Finland Oy, there were 39,119 (2019: 25,991) shareholders at the end of the year 2020.

Largest shareholders according to the share register on December 31, 2020

	Number of shares and votes	% of shares and votes
1 HC Holding Oy Ab	7,931,238	10.0%
2 Solidium Oy	6,744,506	8.5%
3 Gustavson Stig and family*	2,366,157	3.0%
4 Ilmarinen Mutual Pension Insurance Company	2,255,000	2.8%
5 Varma Mutual Pension Insurance Company	1,916,061	2.4%
6 Holding Manutas Oy	1,125,000	1.4%
7 Elo Mutual Pension Insurance Company	1,061,497	1.3%
8 OP Investment Funds	877,668	1.1%
9 Föreningen Konstsamfundet r.f.	850,000	1.1%
10 Danske Capital Funds	**717,197**	0.9%
Ten largest registered shareholders' total ownership	**25,844,324**	**32.6%**
Nominee registered shares	**30,025,156**	37.9%
Other shareholders	**23,264,979**	29.4%
Shares held by Konecranes Plc	**87,447**	0.1%
Total	**79,221,906**	**100.0%**

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

Shares owned by the members of the Board and of Directors and of the Konecranes Leadership Team on December 31, 2020

	Change in shareholding in 2020	Number of shares owned	% of shares and votes
Board of Directors	-12,375	20,713	0.0%
Konecranes Leadership Team	-69,934	170,044	0.2%
Total	**-82,309**	**190,757**	**0.2%**

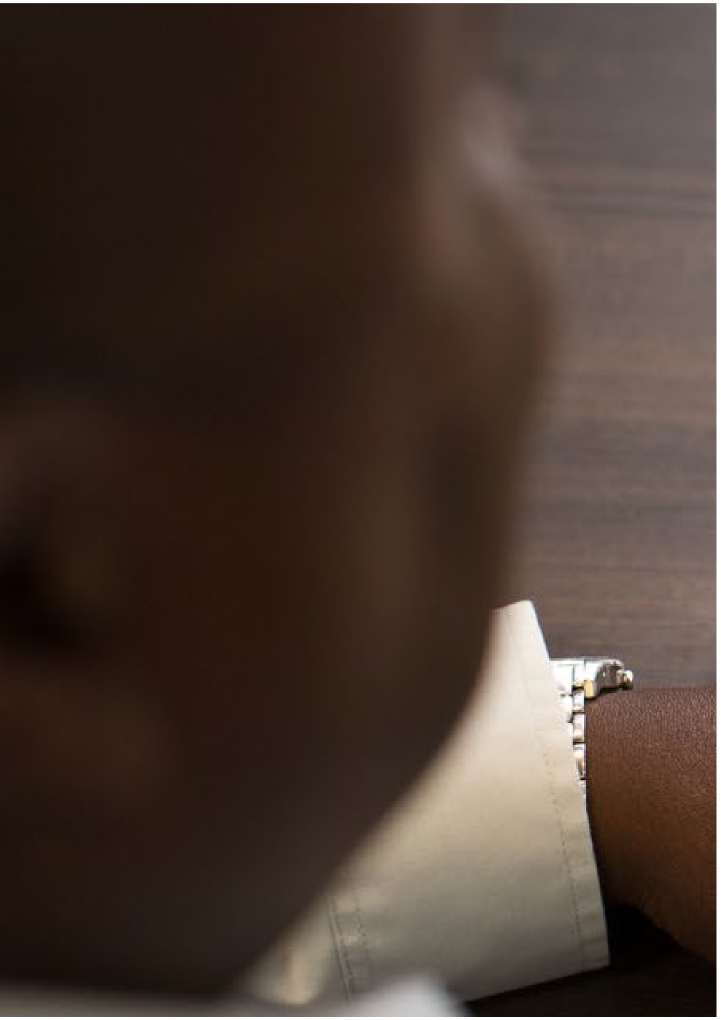
Breakdown of share ownership by number or shares owned on December 31, 2020

Shares	Number of share-holders	% of share-holders	Number of shares and votes	% of shares and votes
1–100	21,455	54.8%	943,643	1.2%
101–1,000	15,402	39.4%	5,144,752	6.5%
1,001–10,000	2,040	5.2%	5,385,978	6.8%
10,001–100,000	169	0.4%	4,877,333	6.2%
100,001–1,000,000	32	0.1%	8,602,899	10.9%
1,000,001 –	9	0.0%	24,242,145	30.6%
Registered shareholders total	**39,107**	**100.0%**	**49,196,750**	**62.1%**
Nominee registered shares	12	0.0%	30,025,156	37.9%
Total	**39,119**	**100.0%**	**79,221,906**	**100.0%**

Breakdown of share ownership by shareholder category on December 31, 2020

	% of shares and votes
Households	16.9%
Public sector organizations	16.5%
Private companies	14.7%
Financial and insurance institutions	6.7%
Non-profit organizations	6.2%
Foreigners	0.9%
Nominee registered shares	37.9%
Total	**100.0%**

Source: Euroclear Finland Oy, December 31, 2020.



Corporate Headquarters

Konecranes Plc
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Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity enhancing lifting solutions as well as services for lifting equipment of all makes. In 2020, Group sales totaled EUR 3.2 billion. The Group has around 16,900 employees in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).