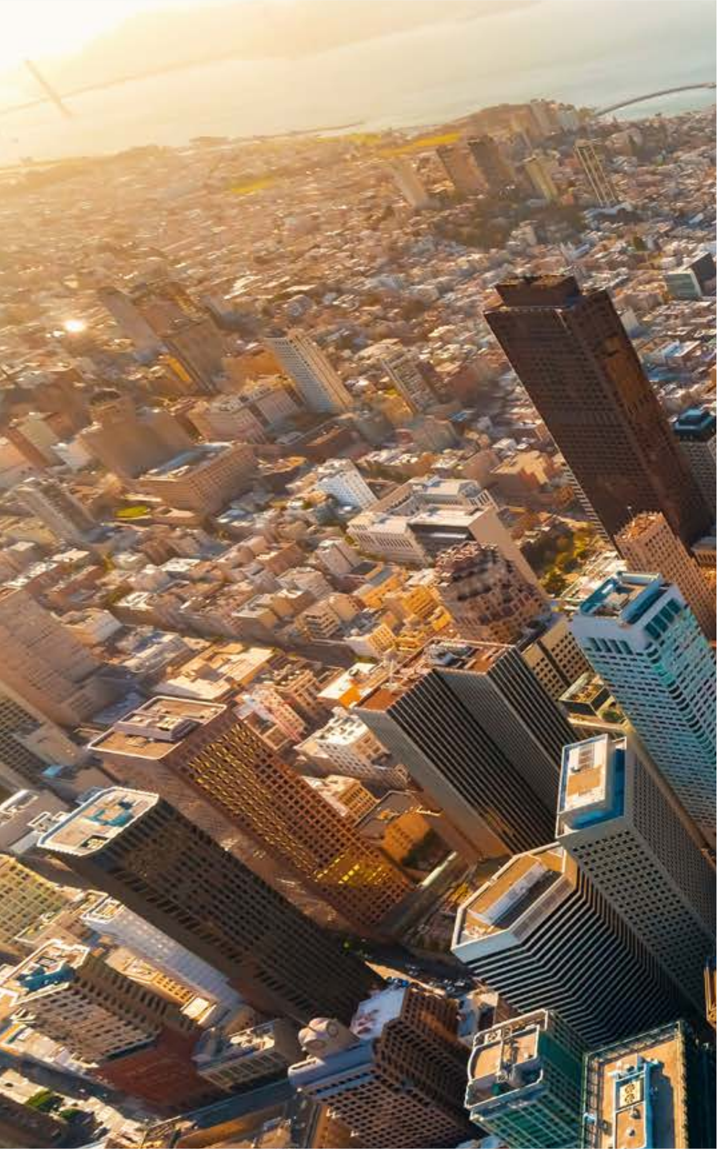
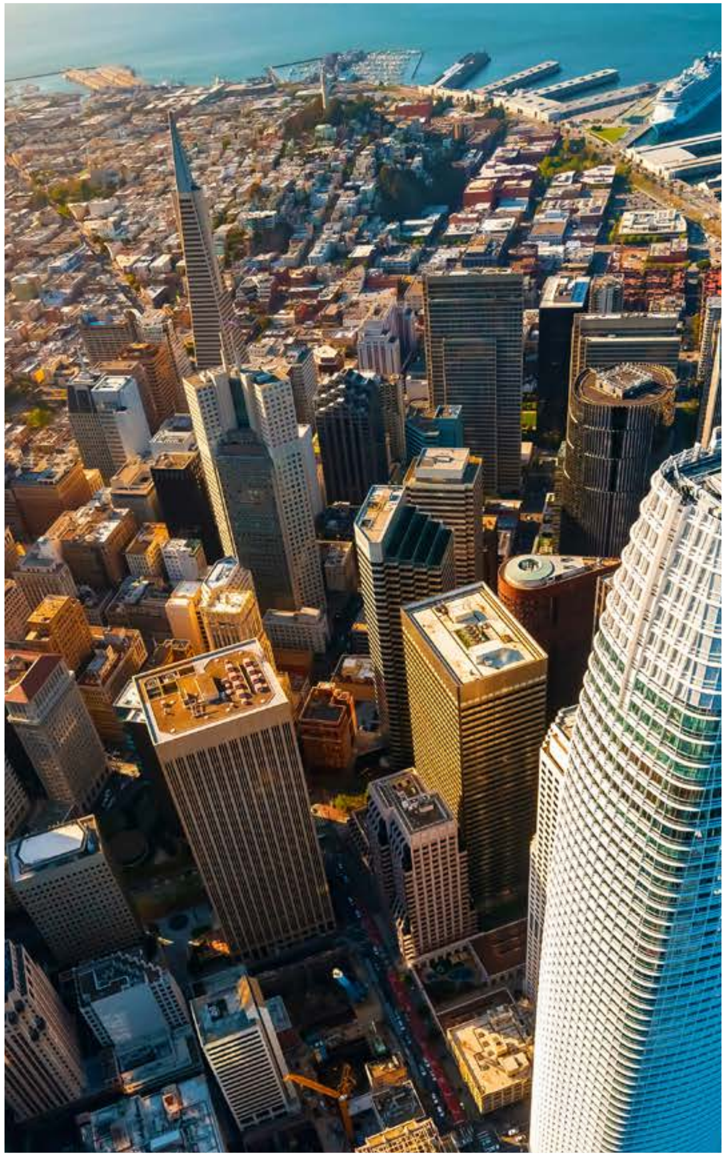


GOVERNANCE AND FINANCIAL REVIEW 2021

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Corporate Governance

Financial Review

Information about Konecranes' Annual Report 2021
Konecranes' Annual Report 2021 consists of three separate reports: Annual Review, Financial Review, Governance and Financial Review, and Sustainability Report. All documents are downloadable on our Annual Report website at **https://investors.konecranes.com/annual_report_2021.**

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 Statement and Remuneration Report based on the Code. Read more at **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 2021 was held on March 30, 2021. In order to prevent the spread of the COVID-19 pandemic, the Annual General Meeting was held without shareholders' and their proxy representatives' presence at the meeting venue.

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. In 2021, no EGM was arranged.

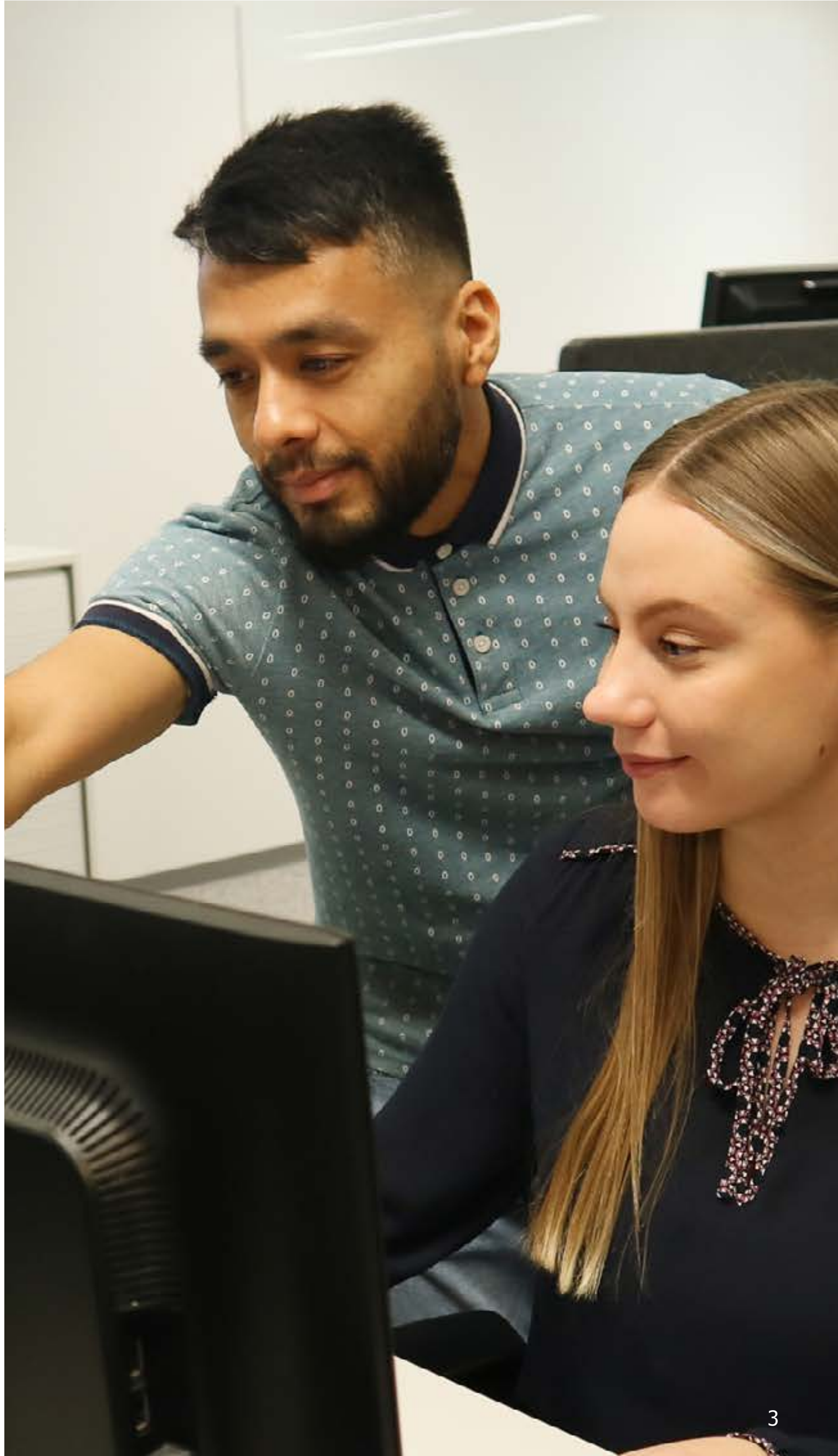
The Board of Directors ("Board") shall convene an AGM or EGM by publishing a notice on the Company's website or in one or more national newspapers or by sending a written notice to shareholders by mail no more than three (3) months and no less than three (3) weeks before a meeting. The notice shall include 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 2021

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. 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

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

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

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: 8,774

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: 4,025

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: 4,025

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: 1,562

Board of Directors

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: 3,334

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: 3,334

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 position as an employee of Konecranes.
Education: M.Sc. (Tech.)
Principal occupation (while a Board member): General Manager of the Hämeenlinna factory, wire rope hoists and electrics, Konecranes Finland

Board Member until July 27, 2021

Janne Martin was a Konecranes employee representative in the Board of Directors. In accordance with the agreement on employee representation between Konecranes and its employees, he resigned from the Board of Directors as he left Konecranes.

The Board of Directors shall under the Konecranes Articles of Association have a minimum of five and maximum of ten members. The Directors are elected at each Annual General Meeting. The managing director may be a member of the Board of Directors, but (s)he cannot be elected the Chair of the Board. In 2021, Konecranes President and CEO was not a member of the Board of Directors.

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. As a publicly listed company, the Rules of Nasdaq Helsinki will apply to the Company and the Company complies with the Finnish Corporate Governance Code 2020.

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 basis 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 (holding the position of the managing director under the Companies Act), 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

The Board approved a diversity policy in 2016. 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 are 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 2021, out of six Board members, two were female, representing one third 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 2021, Konecranes' Board convened 25 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 2021

Member	Board meetings Attendance	Board meetings Percentage
Chairman		
Christoph Vitzthum	25/25	100%
Other Board Members		
Janina Kugel	25/25	100%
Ulf Liljedahl	25/25	100%
Niko Mokkila	25/25	100%
Per Vegard Nerseth	24/25	96%
Päivi Rekonen	24/25	96%
Board Member until July 27, 2021		
Janne Martin	11/12	92%

Committee meetings 2021

Member	Audit Committee meetings Attendance	Audit Committee meetings Percentage	Human Resources Committee meetings Attendance	Human Resources Committee meetings Percentage
Chairman				
Christoph Vitzthum			6/6	100%
Other Board Members				
Janina Kugel			6/6	100%
Ulf Liljedahl	6/6	100%		
Niko Mokkila	6/6	100%		
Per Vegard Nerseth			6/6	100%
Päivi Rekonen	6/6	100%		
Board Member until July 27, 2021				
Janne Martin				

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

In 2021, the Board's Audit Committee was comprised of the following members:

- Mr. Ulf Liljedahl (Chairman)
- Mr. Niko Mokkila
- Ms. Päivi Rekonen

At the end of 2021, 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 includes 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;
- Monitoring the adequacy and development of the company's information and cyber security;
- 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 2021, Konecranes' Audit Committee convened 6 times. The attendance of the Audit Committee members at meetings was 100 percent. The attendance of the members is presented in the table on page 8.

The Human Resources Committee

In 2021, the Board's Human Resources Committee was comprised of the following members:

- Ms. Janina Kugel (Chairwoman)
- Mr. Per Vegard Nerseth
- 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, retention and succession planning of senior management;
- professional and competence development for senior management;
- 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, sustainability, ESG (Environmental, Social and Governance) and safety strategies and performance; and
- any other matters delegated to the Human Resources Committee by the Board.

The Human Resources Committee is appointed to assist the Board in its responsibilities and the Human Resources Committee does not have independent decision-making power. The Human Resources Committee consists of a minimum of three (3) directors. The Board elects the members and the Chair of the Human Resources Committee from among its members. The majority of the members shall be independent of the Company.

Main tasks

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

- Reviewing the organizational structure of the Company and making related recommendations or proposals to the Board, when needed. The Committee considers the principles for selecting senior management and prepares proposals to the Board concerning the approval of the appointments, transfers and terminations for Konecranes Leadership Team (KLT) positions.
- Reviewing and monitoring Konecranes' Talent Management and Succession Planning process and reviewing potential successor candidates for KLT positions. In addition, the Committee evaluates, together with the President and CEO, any special retention needs for senior management.
- Reviewing development plans for the KLT members and executive development programs, including training and competence development programs for senior management members.
- Reviewing the President and CEO's authority and responsibilities and making related recommendations or proposals to the Board, when needed. On an annual basis, the Committee makes a recommendation to the Board on the President and CEO's compensation based on an evaluation of the Company's performance, compensation benchmark of chief executive officers in comparable global organizations, information on 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. Based upon a recommendation by the President and CEO, the Committee makes proposals to the Board concerning the approval of the base compensation review and incentive levels for KLT members.
- Evaluating and making recommendations to the Board concerning Konecranes' general compensation principles. The Human Resources Committee reviews 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 Human Resources Committee makes recommendations to the Board concerning 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 prepares proposals 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 Committee

monitors compliance with share ownership guidelines for the President and CEO and the KLT members.
- Reviewing reports on the Company's human resources, sustainability, ESG and safety strategies and performance against the set targets, business strategy and Konecranes' values. The Committee receives reports on the Company's practices for supporting diversity and inclusion, workplace safety activities and performance, and the actual performance against Konecranes' fair labor frame.

In 2021, Konecranes' Human Resources Committee convened 6 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 8.

President and CEO

Richard Robinson Smith

b. 1965
US and German citizen
President and CEO from February 1, 2020 until December 31, 2021
Member of the Konecranes Leadership Team since 2020
Employed since 2020
Education: Dr. rer. pol.
Shares: 0

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 by Konecranes since 2007
Education: M.Sc. (Economics)
Shares: 43,308

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

Mika Mahlberg
b. 1963
Finnish citizen
Executive Vice President, Business Area Port Solutions
Member of the Konecranes Leadership Team since 2017
Employed by Konecranes since 1997
Education: M.Sc. (Eng.)
Shares: 16,697

Juha Pankakoski
b. 1967
Finnish citizen
Executive Vice President, Technologies
Member of the Konecranes Leadership Team since 2015
Employed by Konecranes since 2004
Education: M.Sc. (Eng.), eMBA
Shares: 14,640

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

Konecranes Leadership Team

Sirpa Poitsalo
b. 1963
Finnish citizen
Senior Vice President, General Counsel
Member of the Konecranes Leadership Team since 2016
Employed by Konecranes since 1988
Education: LL.M.
Shares: 37,281

Topi Tiitola
b. 1969
Finnish citizen
Senior Vice President, Integration and Project Management Office
Member of the Konecranes Leadership Team since 2020
Employed by Konecranes since 1995
Education: M.Sc. (Econ.)
Shares: 8,372

Anneli Karkovirta
b. 1963
Finnish citizen
Senior Vice President, Human Resources
Member of the Konecranes Leadership Team since 2021
Employed by Konecranes since 2014
Education: M.Sc. (Econ.)
Shares: 1,701

KLT Member since August 30, 2021

Timo Leskinen
b. 1970
Finnish citizen
Senior Vice President, Human Resources
Member of the Konecranes Leadership Team since 2013
Employed by Konecranes since 2013 until 2021
Education: M.Sc. (Psy)

KLT Member until August 29, 2021

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, Konecranes Leadership Team plays a significant role in the Company's management system, strategy preparation and decision-making. Konecranes Leadership Team convenes on a monthly basis.

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 to financial reporting.

Management of financial risks is described in Note 33 to Konecranes' Financial Statements 2021.

Control environment

Corporate governance and business management at Konecranes are based on the Company's three core values: 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 support the business area management decision making, whereas financial accounting primarily follows Group's legal structure with a close link to Group-level financial accounting. Group Internal Controls is focused on supporting local units in improving controls and processes and monitoring compliance with Konecranes' internal controls, and is part of the Internal Audit organization.

Financial targets are set, and planning and follow-up activities are executed along the business area and business unit structures in alignment 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 Products, and Process and Nuclear Cranes units, which are divided into business/product lines. The manufacturing of components, sub-assemblies and other parts have a separate set of key performance indicators (KPIs), as these supply operations are treated as cost centers rather than profit-generating units. Business Area Port Solutions has Lift Trucks, Mobile Harbor Cranes, Port Cranes, Software, Solutions, and Port Services 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 90 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 2021, Internal Audit visits covered approximately 26 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 52 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, is 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' 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 2021

Following the acquisition of MHE-Demag in the beginning of 2020, Konecranes has continued to consolidate legacy Konecranes and MHE-Demag entity structure. Consolidation work was completed in late 2021. Integration is still ongoing and covers also oneKonecranes processes, tools and control framework.

In 2021, 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 2021, oneKonecranes SAP coverage was 84 percent of Konecranes entities, increasing from 2020 (69 percent).

Konecranes also continued the implementation and development of the Shared Service Center concept to offer mainly transaction handling services, master data maintenance and selected financial accounting, procurement and HR services.

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 2021, the Internal Audit Team conducted 33 planned audits according to an approved annual audit plan. As part of ongoing risk assessment process, the plan was specified during the year. Internal audits in 2021 generally covered 41 key controls, and the risk-based part 49 operational controls. Also, sample sizes varied from limited to wide based on analysed risk level. The annual plan covered 26 percent of active operational legal entities, both Financial Service Centers (FSSC) in Tallinn and Xiamen, and centralized functions, such as IT Services in Finland and Germany, and HR Services in US, Germany, China, SEA and Finland were audited by Internal Audit according to annual plan. Additionally, Internal Audit conducted or participated in 10 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' Board of Directors has defined the principles for monitoring and evaluating related party transactions in terms of identification, reporting and supervision of related party transactions, as well as the proper decision making.

All related party transactions that are not part of the Company's ordinary course of business, or are made in deviation from customary commercial terms, require a Board's decision to be carried out. Such a decision shall be supported by appropriate documentation to demonstrate that the transaction is compatible with the purpose and interests of the Company and is commercially justified.

Konecranes regularly identifies its related parties and follows transactions by those parties through its ERP system, as well as through disclosures by related parties. The existence of other possible related parties in the form of shareholders is reviewed and evaluated throughout the year by the Legal Function to verify whether any shareholder has control or significant influence over Konecranes. The related party transactions connected to the key management personnel are collected systematically once a year by the Legal Function.

In 2021, Konecranes has not conducted related party transactions that would be material from the perspective of the Company or would deviate from the Company's normal business operations or would not be made on market or market equivalent terms. Information on related party transactions can be found in note 30 to Konecranes' Financial Statements.

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 Supervisory 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. Mr. Toni Halonen served as Principal Auditor in 2021 and has been in this position since 2021. Ernst & Young Oy and its affiliated audit companies received EUR 3.8 million in fees for auditing Konecranes Group companies in 2021 and fees of EUR 0.3 million for non-audit services. In 2020, the corresponding fees were EUR 3.7 million and EUR 0.9 million.

REMUNERATION REPORT

1. Introduction

This report has been prepared by the Konecranes' Board of Directors Human Resources Committee. It is based on the Remuneration policy presented at the Annual General Meeting (AGM) 2020 and has been prepared in accordance with the requirements set forth by the amended EU Shareholders' Rights Directive, which was implemented in Finland in 2019, and the Finnish Corporate Governance Code 2020. The report will be presented at Konecranes 2022 AGM, and the resolution of the AGM on the matter will be advisory.

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.

The remuneration policy was first 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 is regularly reviewed by the Board of Directors and presented to the general meeting at least every four years or whenever substantial changes are made to it.

Konecranes remuneration policy is available at **https://investors.konecranes.com/remuneration-policy.** In 2021, the remuneration decisions were made within the frame of the remuneration policy, and there were no deviations to the remuneration policy. In 2020, two deviations were made: implementation of the CEO Retention Plan and Restricted Share Unit Plan 2020 due to the planned merger with Cargotec Corporation 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. Both plans were still ongoing in 2021.

While providing a competitive and motivating compensation, the primary target of Konecranes management remuneration is to align the interests of Board members, executives and shareholders and to enhance commitment to achieve strategic targets and to promote the long-term financial success of the company, as well as to contribute to the positive development of shareholder value. The executive shareholding requirements in place support the alignment of corporate aims and executive interests.

At Konecranes, remuneration is linked to performance and achievements on all organizational levels. The short term-incentive plan is based on annual targets related to the financial performance of the group. The long-term Performance Share Plan is based on longer-term financial performance and shareholder value creation.

For the long-term financial success of the company and its shareholders, in recent years, the continued focus at Konecranes has been on the profitability improvement. This has been reflected in the financial measures of the short-term and long-term incentive plans presented in this Report.

Development of the fees of the Board of Directors and CEO compared to the development of the average remuneration of employees and to the company's financial development over the preceding five financial years:

Financial Performance / Remuneration in €	2017	2018	2018 vs. 2017	2019	2019 vs. 2018	2020	2020 vs. 2019	2021	2021 vs. 2020
Net sales, MEUR	3,137.2	3,156.1	**0.6%**	3,326.9	5.4%	3,178.95	**-4.4%**	3,185.7	**0.2%**
Adjusted EBITA, MEUR	216.6	257.1	**18.7%**	275.1	7.0%	260.8	**-5.2%**	312.2	**19.7 %**
Chairman of the Board	140,000	140,000	**0.0%**	140,000	0.0%	140,000	**0.0%**	140,000	**0.0%**
Other Board members	70,000	70,000	**0.0%**	70,000	0.0%	70,000	**0.0%**	70,000	**0.0%**
President and CEO*	622,200	617,700	**-0.7%**	515,976	-16.5%	698,677	**35.4%**	901,303	**29.0%**
Average KC employees**	46,379	48,059	**3.6%**	50,931	6.0%	46,913	**-7.9%**	49,089	**4.6%**

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

** Excluding restructuring costs. The lower remuneration in 2020 compared to the previous years is due to COVID-19 related temporary lay-offs and other temporary measures (e.g., shorter work weeks and utilization of holiday banks).

2. Remuneration of Board of Directors

The Board the Directors' remuneration consists of Annual Fee, Committee Attendance Fee, and travel reimbursements.

According to the decision made at the AGM 2021, 40 percent of the annual remuneration was paid in Konecranes shares acquired on behalf of the Board members at a price determined in public trading on Nasdaq Helsinki. According to the trading plan of the Company, the purchase of shares has been carried out in four equal instalments; each instalment having been purchased within a two-week period following each of the Company's interim report announcements and the Company's financial statement release. The Company pays transaction costs and transfer tax in connection with the purchase of remuneration shares.

In case the remuneration could not be paid in shares due to legal or other regulatory restrictions or due to other reasons related to the Company or a Board member, the annual remuneration would be paid fully in cash. For example, when the proposed merger of Konecranes and Cargotec will be completed, any remaining unpaid remuneration would be paid in cash prorated on the basis of the Board of Directors' actual term in office.

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

Konecranes' Board members are not in an employment relationship or service contract with Konecranes with the exception of Janne Martin, who had been selected among the employees. With the exception of him, the other Board members do not participate in Konecranes' incentive programs or have a pension scheme arranged by Konecranes.

In accordance with the agreement on employee representation between Konecranes and its employees, no Board remuneration was paid to Board members employed by the Company. Therefore, Janne Martin did not receive remuneration on his Board membership and meeting attendance.

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

Fees payable to the Board members as confirmed by the latest Annual General Meeting on March 30, 2021

Annual fee 2021	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.

Board meeting attendance and total remuneration paid to the Board of Directors in 2021

Board meeting attendance 2021

Member	Board meetings attended	Audit Committee meetings attended	HR Committee meetings attended
Chairman			
Christoph Vitzthum	25/25	–	6/6
Other Board Members			
Janina Kugel	25/25	–	6/6
Janne Martin	11/12	–	–
Niko Mokkila	25/25	6/6	–
Päivi Rekonen	24/25	6/6	–
Per Vegard Nerseth	24/25	–	6/6
Ulf Liljedahl	25/25	6/6	–

Janne Martin, the employee representative, resigned on July 27, 2021

Board Remuneration 2021

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	84,092	1,508	55,908	12,000	152,000
Other Board Members					
Janina Kugel	42,046	754	27,954	24,000	94,000
Niko Mokkila	42,046	754	27,954	10,500	80,500
Päivi Rekonen	42,046	754	27,954	10,500	80,500
Per Vegard Nerseth	42,046	754	27,954	12,000	82,000
Ulf Liljedahl	42,046	754	27,954	21,000	91,000
Other Board Members	**210,229**	**3,770**	**139,771**	**78,000**	**428,000**
Total Board Compensation	**294,320**	**5,278**	**195,680**	**90,000**	**580,000**

Due to the payment cycle, Board remuneration from January 1, 2021 until AGM 2021 was based on the decision made by the AGM 2020. From AGM 2021 until December 31, 2021 the partial remuneration was based on the AGM 2021 decision.

3. Remuneration of the President and CEO and the Deputy CEO

Remuneration of the Konecranes President and CEO and Deputy CEO includes a fixed salary with fringe benefits, performance based annual variable pay and a long-term, performance based share plan.

In addition to the Finnish statutory pension, the CEO and Deputy CEO have a supplementary contribution pension benefit provided by the company. 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 is set at 1 percent of the annual base salary. The retirement age in this supplementary pension plan is 63 years.

Remuneration paid to the President and CEO and the Deputy CEO in 2021

In 2021, the fixed salary including salaries and fringe benefits paid to the President and CEO amounted to EUR 901,303 and for the Deputy CEO to EUR 311,174.

The short-term incentive payments for 2020 were paid in 2021 and amounted to EUR 256,284 for the President & CEO and EUR 87,125 for the Deputy CEO. 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 weighting on Group-adjusted EBITA margin and 30 percent weighting on Group Orders' Growth percentage. The actual outcome was between target low (12.5 percent) and target (50 percent).

The short-term incentive plan for 2021 for the President and CEO and Deputy CEO was based on the achievement of the same measures as in 2020: 70 percent weighting

Remuneration elements and terms of employment of the President and CEO and Deputy CEO

	President and CEO (from February 1, 2020 until December 31, 2021)	**Deputy CEO** (Interim CEO from October 7, 2019 to January 31, 2020 and from January 1, 2022)
Base salary	Fixed salary with fringe benefits Monthly salary: EUR 66,667.00	Fixed salary with fringe benefits Monthly salary: EUR 23,223.75
Short-term incentives	Based on financial performance Max. 100% of annual base salary	Max. 100% of annual base salary
Long-term incentives	Performance Share Plans and RSU 2020 plan	Performance Share Plans and RSU 2020 plan
Proportion of fixed and variable pay (as % of total target remuneration)	41% base salary 21% STI* 38% LTI* * target opportunity, long-term incentive is excluding RSU 2020	43% base salary 22% STI* 35% LTI*
Pensions	Finnish Statutory pension Defined contribution plan at 20% of annual salary	Finnish Statutory pension Defined contribution plan at 1% of salary
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
Period of notice	6 months' notice by the President and CEO and by the company	6 months' notice by the Deputy CEO or 9 months' notice 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	Equals to 9 months' salary and fringe benefits, in addition to the salary for the notice period
Retirement age	63 years	65 years 6 months

on Group-adjusted EBITA margin and 30 percent weighting on Group Orders' Growth percentage. The short-term incentive payments for 2021 due to be paid in 2022 amount to EUR 659,999 for the President & CEO and EUR 245,062 for the Deputy CEO, and the outcome was between target (50 percent) and target high (100 percent).

Potential rewards based on the long-term Performance Share Plan (PSP) 2018 were due to be paid in 2021. As the minimum target of the Plan was not reached, no remuneration based on long-term incentive plans was paid to the President and CEO nor the Deputy CEO in 2021.

Rewards based on the long-term Performance Share Plan (PSP) 2019 are due to be paid in 2022. The plan has two criteria: 40 percent weighting on sales growth compound annual growth rate (CAGR) of 2019–2021 and adjusted cumulative earnings per share (EPS) 2019–2021, excluding defined restructuring costs, purchase price allocation amortization and certain other unusual items, and the outcome for the PSP was between target low (10 percent) and target (50 percent).

The Performance Share Plans 2020 and 2021 both consist of a three-year long performance period including three one-year long measurement periods with separate targets decided by the Board of Directors. The criterion for the measurement period 2020 for PSP 2020 was adjusted earnings per share (EPS), and the outcome for the measurement period 2020 was between target

Remuneration of the President and CEO and Deputy CEO in 2021 and 2020

	2021 Rob Smith	**2021** Teo Ottola	**2020** Rob Smith	**2020** Teo Ottola	**2020** Panu Routila
	President & CEO	**Deputy CEO**	**President & CEO**	**Deputy CEO** (Interim CEO, from October 7, 2019 to January 31, 2020)	**Former President & CEO**
Fixed Salary (Salaries and fringe benefits)	901,303	311,174	698,677	299,781	
Short-term incentives paid (based on previous year performance)	256,284	87,125		120,315	125,422
Value of long-term incentive rewards paid		4,691		336,185	
Variable Pay	256,284	91,816		456,500	
Total Remuneration paid	**1,157,587**	**402,990**	**698,677**	**756,281**	**125,422**
Proportion of fixed and variable pay (as % of total target remuneration)	78% / 22%	77% / 23%	100% / 0%	40% / 60%	
Short-term incentives due payment (based on 2021 performance)	659,999	245,062	256,284	87,125	
Gross shares delivered		127		15,840	31,680
Performance share rights allocated (# of share rights)		51,000	110,000	54,000	
Restricted share rights allocated (# of share rights) *)		9,889	12,922	3,889	
Shareholding in Konecranes Plc (# of shares)		43,308		43,244	
Expense of statutory/voluntary pension plans	290,836	66,481	211,815	72,524	
Benefits related to termination of employment					632,880

*) Number of 2020 restricted share rights are reported as net share amounts. In addition, a cash part is included in the reward.

(50 percent) and target high (100 percent) of the maximum. The criterion for the measurement period 2021 for both PSP 2020 and PSP 2021 was adjusted earnings per share (EPS) and the outcome for the measurement period 2021 was between target (50 percent) and target high (100 percent) of the maximum. The PSP 2020 related rewards are due to be paid in 2023 and the PSP 2021 related rewards in 2024, in case plan conditions are met.

In 2021, the total remuneration paid to the President and CEO amounted to EUR 1,157,587 and for the Deputy CEO and Interim CEO to EUR 402,990.

Konecranes President and CEO Rob Smith participated in the PSP 2020 and PSP 2021 Plans. As he left the Company on December 31, 2021, he is not entitled to any share-based compensation based on these plans.

Long-term Incentives

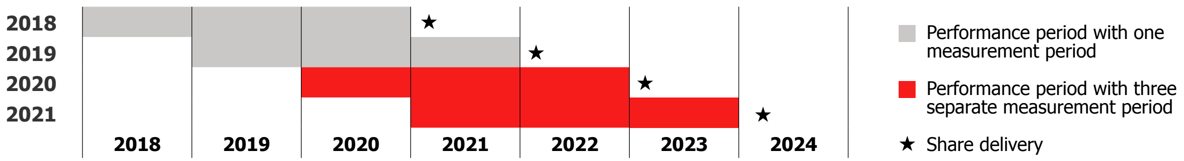
Performance Share Plan (PSP)

The aim of Konecranes' 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.

All the currently active PSP plans have three-year performance periods, but the measurement periods vary. The PSP plans launched before 2020 have a measurement period of three years, whereas the recent PSP plans launched in 2020 and 2021 have three separate one-year long measurement periods within the three-year performance period. Despite the one-year long measurement periods, remuneration is paid only after the three-year long performance period. Due to the uncertainty caused by the COVID-19 pandemic in 2020 and 2021, as well as the planned merger announcement made in 2020, the Board of Directors decided to apply one-year long measurement periods instead of three-year long periods for the Plans started in 2020 and 2021 to enable efficient and relevant target-setting.

The potential rewards from the PSP plans will be paid partly in shares and partly in cash. 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.

Performance Share Plan



Performance Share Plan (year)	PSP 2018	PSP 2019	PSP 2020	PSP 2021
Performance period	2018–2020	2019–2021	2020–2022	2021–2023
Measure	Adjusted Cumulative EPS	Adjusted Cumulative EPS and Sales Growth CAGR %	Adjusted EPS for years 2020 and 2021 *	Adjusted EPS for year 2021 *
Performance share rights allocated (# of share rights)	670,433	584,000	522,500	564,300
Grant date share value, €/Share	32.91	32.16	22.60	32.20
Total share value, based on the grant date value	€ 22,063,950	€ 18,781,440	€ 11,808,500	€ 18,170,460
Total gross shares delivered	0	106,677	N/A	N/A
Gross shares delivered to CEO & Deputy CEO				
Rob Smith, CEO since February 1, 2020	0	0	N/A	N/A
Teo Ottola, Deputy CEO (Interim CEO, from October 7, 2019 to January 31, 2020 and from January 1, 2022)	0	3,471	N/A	N/A

* PSP 2020 and PSP 2021 have three separate 1-year measurement periods with separate targets for each 1-year period. Measure for years 2020 and 2021 was adjusted EPS.

2018–2020 Performance Share Plan (would have been paid in 2021, in case target had been met)
The 2018-2020 PSP plan had one criterion: adjusted cumulative EPS of the financial years 2018–2020. The adjustments included defined restructuring costs, purchase price allocation amortization and certain other unusual items. The plan was directed to approximately 280 Konecranes key employees, with maximum 710,000 allocated shares, including the proportion to be paid in cash. The minimum target of the plan was not met, and thus no remuneration was paid to Konecranes key employees on the basis of the 2018–2020 plan.

2019–2021 Performance Share Plan (payable in 2022)
The 2019–2021 PSP plan has two criteria: 40 percent weighting on sales growth compound annual growth rate (CAGR) of 2019–2021 and adjusted cumulative earnings per share (EPS) 2019–2021, excluding 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, including the proportion to be paid in cash. There is one cap on the value of total reward: if the share price has grown 75 percent from granting to vesting, the exceeding reward will be cut. The payment of the total reward from the 2019–2021 plan takes place in 2022. The outcome of the PSP plan was between target low (10 percent) and target (50 percent) of the maximum.

2020–2022 Performance Share Plan (payable in 2023)
The 2020–2022 PSP plan has a three-year long performance period with three separate one-year long measurement periods. The Board of Directors has annually resolved the criterion and separate targets for each measurement period, and the criterion for 2020 and 2021 was adjusted EPS. Adjustments to the EPS include defined restructuring costs, mergers and acquisitions related transaction costs and other unusual items. 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, including the proportion to be paid in cash. The outcome for both measurement periods 2020 and 2021 was between target (50 percent) and target high (100 percent) of the maximum. The payment of the total reward from the three-year performance period takes place in 2023, if the plan term conditions are met.

2021–2023 Performance Share Plan (payable in 2024)
The 2021–2023 PSP plan has a three-year performance period with three separate one-year long measurement periods with separate targets for 2021, 2022 and 2023. The Board of Directors has annually resolved the criterion and targets for each measurement period, and the criterion for 2021 was adjusted EPS. Adjustments to the EPS include defined restructuring costs, mergers and acquisitions related transaction costs and other unusual items. The target group of the plan for the performance period 2021–2023 consists of a maximum of 170 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 634,921 Konecranes' shares, including the proportion to be paid in cash. The outcome for the measurement period 2021 was between target (50 percent) and target high (100 percent) of the maximum. The payment of the total reward from the three-year performance period takes place in 2024, if the plan term conditions are met.

Restricted Share Unit Plan (RSU 2020)
On October 27, 2020 the Board of Directors decided to establish a new share-based incentive plan for the Konecranes Group key employees following the announcement of the planned merger with Cargotec Corporation. The 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 waiting period, ending on the closing date of the Merger. Shares received as a reward in the plan may not be sold, transferred, pledged

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 to CEO and Deputy CEO	
Rob Smith, CEO (from February 1, 2020 until December 31, 2021)	12,922
Teo Ottola, Deputy CEO (Interim CEO, from October 7, 2019 to January 31, 2020 and from January 1, 2022)	3,889

or otherwise assigned during the 12-month lock-up period, beginning 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 will be paid to cover taxes and tax-related costs arising from the share reward. The cash proportion is not included in the maximum number of shares.

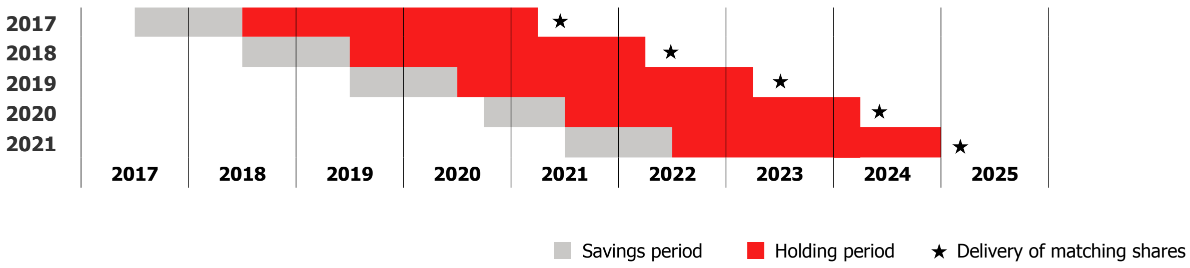
The share allocation for President and CEO was 12,922 net shares and for the Deputy CEO 3,889 net shares. As the Konecranes President and CEO Rob Smith left the Company on December 31, 2021, he is not entitled to any remuneration on the basis of the RSU 2020 plan.

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 can 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 long holding period, they will receive one matching share for every two initially purchased shares.

This plan is also available for the President and CEO as well as Deputy CEO, but they have not participated in the plan in 2021.

Employee Share Savings Plan



Employee Share Savings Plan (year)	ESSP 2017	ESSP 2018	ESSP 2019	ESSP 2020	ESSP 2021
Savings period	July 1, 2017– June 30, 2018	July 1, 2018– June 30, 2019	July 1, 2019– June 30, 2020	October 1, 2020– June 30, 2021	July 1, 2021– June 30, 2022
Amount of participants *)	1,758	1,634	1,856	2,242	2,357
Amount of shares acquired	93,764	114,924	165,837	98,034	30,455 (ongoing)
Delivered or expected matching shares to be delivered *)	45,751	53,042	75,668	46,699	15,030 (ongoing)
Share price by delivery date or by the end of December 2021 (for non-vested plans), €/share	36.79	35.16	35.16	35.16	35.16
Value of the delivered or expected matching shares **)	€ 1,683,179	€ 1,864,957	€ 2,660,487	€ 1,641,937	€ 528,455 (ongoing)

*) By the end of December 2021
**) Share value by delivery date or by the end of December 2021 (for non-vested plans)

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 extended a cash-based retention incentive program to the President and CEO. The value of the retention program was EUR 1,500,000 payable after the closing of the merger. The retention incentive payment was subject 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.

As the Konecranes President and CEO Rob Smith left the Company on December 31, 2021, he is not entitled to any remuneration based on the Retention incentive plan.

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

The continuing COVID-19 pandemic made risk management in the year 2021 exceptional. Continuing the efforts regarding the safety of employees and supporting the mission-critical operations of customers were maintained as an overriding priority for all Konecranes' actions. Global knowledge sharing, new and improved tools, shared experiences and best practices ensured capacity to continue the business operations. Konecranes keenly followed all guidance and requirements provided by authorities.

Throughout 2021, Konecranes continued to deliver an excellent customer experience where its safety practices were above and beyond both customers' expectations and the requirements of various authorities.

With an intense focus placed on mitigating the pandemic-related risks, some other risk management activities were still, relatively speaking, not equally extensive during 2021. While Konecranes maintained a focus on all risk management activity throughout the organization, the continuing impact of the pandemic challenged full-scale 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 Konecranes' products in a specific market and affect its 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 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 2021 Konecranes continued to extend 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.

Many market and customer activities have switched to a digital format and are executed online. Respectively development continued, e.g., with webinars, remote sales activities with local presence, remote customer relationships management and remote support for physical product deliveries. This was done to enhance customer experience while ensuring Konecranes' capacity to respond to various market needs.

Trade finance and trade compliance risks

Challenges with customer payments could adversely affect Konecranes' financial situation and any deviance from trade compliance rules may cause substantial negative impacts.

To limit trade finance risk, Konecranes applies a conservative credit policy regarding its customers. It is Konecranes' practice to review customers carefully before entering into a formal business relationship with them via third party reports, when available, or internal efforts. The credit risks of 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, Konecranes has been able to successfully limit its credit risks.

To limit trade compliance risks, Konecranes has focused on related processes and tools, such as continuous improvement of global guidelines and policies with related education and training. Active development and deployment of specific IT tools and increased activities with internal audit has supported reaching the objectives.

During 2021, Konecranes developed several e-learning modules on topics, such as Trade Finance, Export Control and Sanctions and Customs Compliance, and continued to streamline, implement and improve practices with local credit policies, trade compliance and customs compliance, including extended integration with IT services.

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. Konecranes has 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.

Konecranes systematically follows and incorporates key technologies. Konecranes participates in global standardization work within ISO and CEN, ensuring it fulfils existing and future safety and environmental standards. Focus on cybersecurity continues to increase in Konecranes' technology development efforts. Konecranes' close collaboration with startup companies, external research institutes and universities ensure early knowledge of new ideas and technologies.

Konecranes utilizes its global testing centers to further improve the safety and reliability of Konecranes products. Konecranes carries out extensive lifetime testing of its new and existing products, creating new knowledge to reduce technical risks. Testing centers are also an integral part of Konecranes' 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. Konecranes uses the results actively to develop the reliability of its products.

Konecranes' global crane data increases its knowledge of equipment usage. Based on this, Konecranes continues to develop algorithms, helping predict issues related to crane safety and operations.

In 2021, Konecranes continued to actively protect its designs, innovations, trademarks and domains. Konecranes has a regular process to monitor and act on possible violations.

Technical training for Konecranes' service technicians is an essential risk management effort, as is lifting equipment-specific training for engineers and designers. Service technician training continued actively during the year. For engineers, Konecranes continued developing specific training materials and conducted trainings based on them.

Personnel

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

During 2021, Konecranes has continued to invest in project management and procurement excellence in addition to lean development. Within these focus areas, Konecranes has invested in training and development efforts to further improve customer satisfaction. In addition, Konecranes continued recruitment for its software development and competence development in the solutions area.

The Employee Share Savings Plan and other employee engagement programs continued. Konecranes has invested substantially in employee safety and well-being especially during the COVID-19 pandemic by providing personal protective equipment (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 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 completion of the merger is subject to necessary merger control approvals having been obtained and other conditions to completion having been fulfilled. Until all merger closing conditions are met and the transaction completed, both companies continue to operate fully separately and independently.

Production risks

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

During 2021, due to increased uncertainty of component availability especially in electrical components, the key focus was on balancing demand and supply through the Sales & Operations Planning process. Investments in machinery replacements focused on environmental aspects and the safety and security of operations. Konecranes also accelerated its lean manufacturing concept Konecranes Way, now deployed in most of its factories.

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.

During 2021, Konecranes focused on availability-related risks driven by COVID-19 and related challenges with global logistics and component availability. Mitigation actions included, for example, closer cooperation with logistics service partners and global war rooms focusing on supply chain risks.

In parallel, Konecranes continuously improves operations and cooperation with preferred suppliers. In 2021, Konecranes re-segmented its supplier base, continuing development activities with selected suppliers, enhancing information flows and increasing the accuracy of business forecasting. Efforts to introduce new competitive and secondary sources continued.

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 throughout the company with its lean manufacturing concept and 'right first time' approach. A culture of in-built quality, understanding the root causes of problems, turning deviation to success and minimizing business risks is promoted.

In 2021, Konecranes continued developing its quality improvement processes. Lean and Six Sigma methodologies of systematic improvement are increasingly being implemented. The basics of Lean have been cascaded to the entire Company. The performance, quality and reliability of its services and equipment are supported by continuous improvements in customer experience management and advanced problem solving.

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 2021, Konecranes witnessed and defended against malicious cyberattacks. Konecranes continues to invest in IT security, as information security risks and incidents may have an unfavorable effect on business performance.

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 2021, Konecranes continued to execute its information security strategy, further strengthening its information security management system. The system covers both IT, factory technology and Konecranes' products and services. The implementation of global IT applications and harmonized business processes continued, including the ongoing integration activities for the Terex MHPS and MHE-Demag businesses.

In May 2021, Konecranes received the ISO/IEC 27001 certification for its Information Security Management System with the development and delivery of the yourKONECRANES.com customer portal, productivity enhancing mobile applications and TRUCONNECT® suite of remote service products and applications being in scope. Konecranes continues the ISO/IEC 27001 certification process with other Group companies.

Overall, the efforts to increase and maintain IT capacity, reliability and security continued successfully throughout 2021, 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 2021, 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 2021.

Illegal activities

Konecranes is strongly committed to complying with all applicable laws and regulations, as 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 and conflict of interest reporting portals and the Whistleblowing Channel, are used to reduce Konecranes' exposure to these types of risks.

Konecranes issues written policies to ensure compliance with legislation, regulations and its 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 Konecranes' financial results. Konecranes continued its efforts in 2021 to decrease the exposure to such activity.

In 2021, Konecranes continued its strong commitment to, for example, renewed Anti-Corruption Policy, rollout of a new Conflict of Interest instruction, mandatory refresh training for Code of Conduct and data protection training programs. 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, Konecranes has 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 2021, the work with environment, safety and security risk mitigations continued with strong emphasis on COVID-19-related practicalities and guidance, where applicable. Konecranes continued to roll out Life Saving Behaviors describing the expected safe behaviors. The harmonization and implementation of Konecranes' 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.

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, in which 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

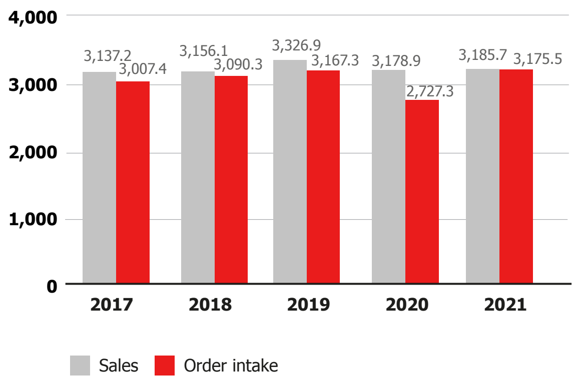
The Group continuously reviews its insurance policies as part of its overall risk management. Insurance policies are used to cover all risks that are economically feasible or otherwise reasonable to insure.

FINANCIAL REVIEW 2021

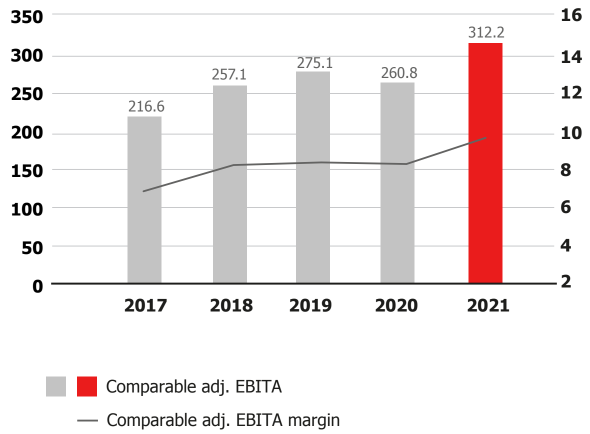
Contents

2021 highlights

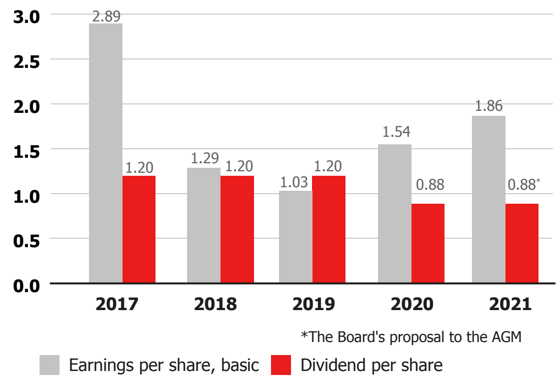
Sales & order intake, MEUR



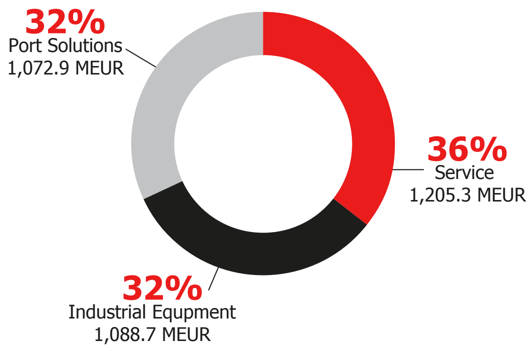
Adjusted EBITA, MEUR & Adjusted EBITA margin, %



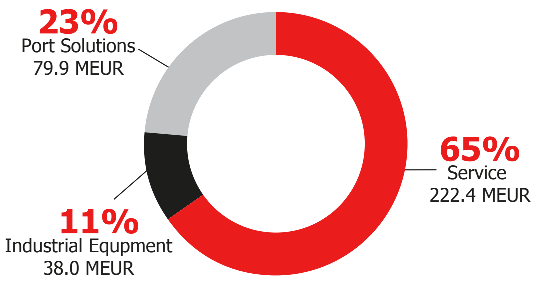
Earnings & dividend per share, EUR



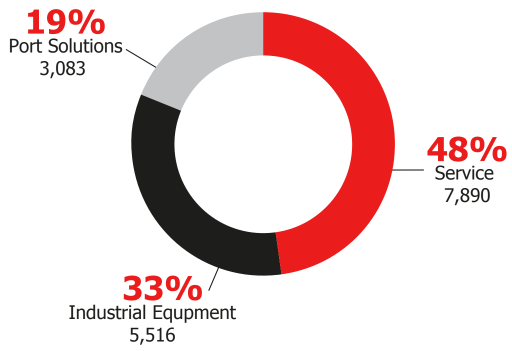
Sales by Business Area, 2021



Adjusted EBITA by Business Area, 2021

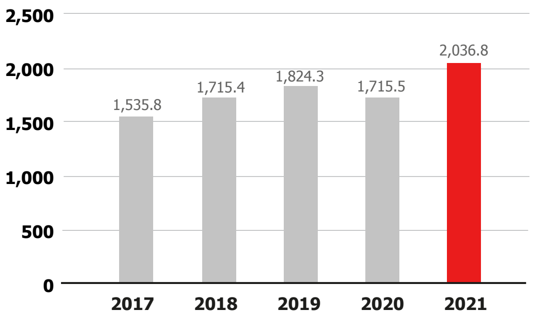


Personnel by Business Area, 2021

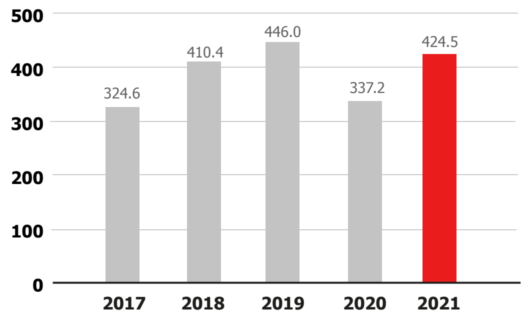


Percentages have been rounded and may not total to 100%.

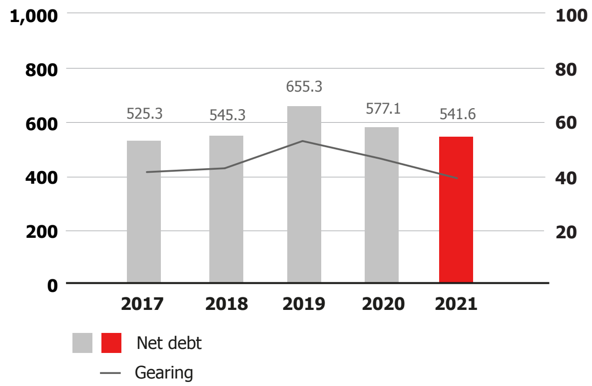
Order book, MEUR



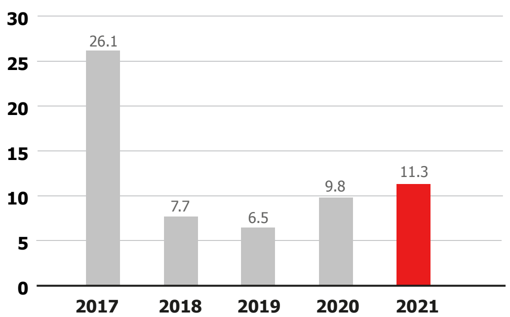
Year-end net working capital, MEUR



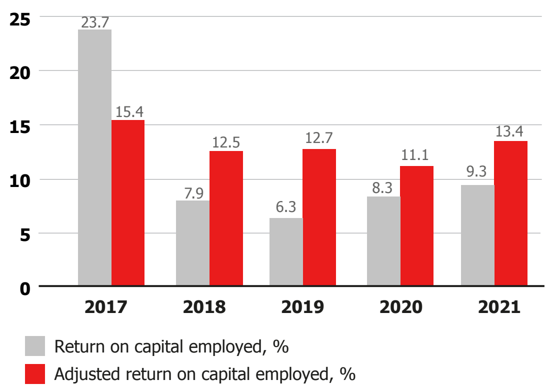
Year-end net debt, MEUR & Gearing, %



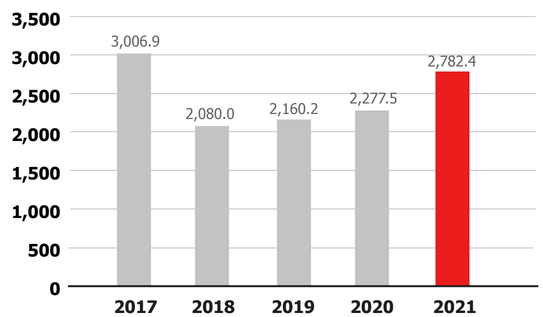
Return on equity, %



ROCE, % & Adjusted ROCE, %



Year-end market capitalization*, MEUR



* Excluding treasury shares

Report of the Board of Directors

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), ended the year 2021 clearly in expansion territory above the 50.0 mark at 54.2. December's PMI was the 18th successive month indicating improving operating conditions and the PMI was slightly higher compared to the level in the beginning of the year.

In the eurozone, manufacturing sector operating conditions remained in improvement in the fourth quarter despite the PMI continued to be impacted by supply-side constraints. In December, the PMI was 58.0 which was its 10-month low. Within the region, all country-specific PMIs ended the year well above the 50-borderline. The UK manufacturing PMI ended the year at 57.9 and alike the eurozone, was higher than in the beginning of the year. The manufacturing industry capacity utilization rate in the European Union decreased in the fourth quarter after it had recently passed the pre-COVID level in the second quarter. Despite the drop, the capacity utilization rate remained slightly above the pre-COVID level in the end of 2021.

In the US, the manufacturing sector's PMI reading was 57.7 in December although material shortages and supplier delays continued. December's PMI was below the readings seen in the beginning of 2021. The US manufacturing capacity utilization rate reached the pre-pandemic level at the end of the second quarter and continued to trend further upwards in the end of the year. Despite the increase, the capacity utilization rate was not yet at the recent peaks of mid-2018.

As for emerging markets, China's manufacturing sector operating conditions ended the year in improvement with a PMI reading of 50.9. In Brazil, the Manufacturing PMI was below the 50 mark in deterioration at 49.8 in December. In India, the Manufacturing PMI was firmly in expansion with a reading of 55.5 in December. In Russia, manufacturing sector operating conditions were in expansion and December's PMI was 51.6.

Global container throughput, according to the RWI/ISL Container Throughput Index, faced some fluctuation but remained relatively steady at a high level during 2021. At the end of December, global container throughput was approximately 2 percent higher than the year before.

Regarding raw material prices, at the end of the fourth quarter steel prices were above and copper prices were clearly above the previous year's levels. The average EUR/USD exchange rate was approximately 4 percent higher compared to the year-ago period.

Orders received and net sales

	10–12/2021	10–12/2020	Change %	Change % at comparable currency rates	1–12/2021	1–12/2020	Change %	Change % at comparable currency rates
Orders received, MEUR	892.3	843.3	5.8	4.2	3,175.5	2,727.3	16.4	17.0
Net sales, MEUR	948.9	936.8	1.3	-0.4	3,185.7	3,178.9	0.2	0.7

Orders received

In full year 2021, orders received totaled EUR 3,175.5 million (2,727.3), representing an increase of 16.4 percent. On a comparable currency basis, order intake increased 17.0 percent. Orders received increased in the Americas, EMEA and APAC.

In Service, order intake increased 16.2 percent on a reported basis and 17.2 percent on a comparable currency basis. In Industrial Equipment, orders received increased 19.5 percent on a reported basis and 20.3 percent on a comparable currency basis. External orders received in Industrial Equipment increased 21.7 percent on a reported basis and 22.6 percent on a comparable currency basis. In Port Solutions, order intake increased 11.9 percent on a reported basis and 11.7 percent on a comparable currency basis.

Order book

At the end of December, the value of the order book totaled EUR 2,036.8 million (1,715.5), which was 18.7 percent higher compared to previous year. On a comparable currency basis, the order book increased 15.7 percent. The order book increased 60.9 percent in Service, 18.5 percent in Industrial Equipment and 8.9 percent in Port Solutions.

Sales

In full year 2021, Group sales totaled EUR 3,185.7 million (3,178.9), representing an increase of 0.2 percent. On a comparable currency basis, sales increased 0.7 percent. Sales increased 1.3 percent in Service and 0.6 percent in Port Solutions but decreased 2.8 percent in Industrial Equipment. Industrial Equipment's external sales decreased 1.4 percent.

At the end of December, the regional breakdown of sales, calculated on a rolling 12-month basis, was as follows: EMEA 52 (54), Americas 33 (31) and APAC 16 (16) percent.

Financial result

In full year 2021, the Group adjusted EBITA increased to EUR 312.2 million (260.8). The adjusted EBITA margin increased to 9.8 percent (8.2). The adjusted EBITA margin increased in Service to 18.5 percent (17.2), in Industrial Equipment to 3.5 percent (2.3) and in Port Solutions to 7.4 percent (5.6). The increase in the Group adjusted EBITA margin was mainly attributable to continued focus on strategic initiatives and cost management as well as improved project management execution.

In full year 2021, the consolidated adjusted operating profit increased to EUR 279.1 million (224.9). The adjusted operating margin increased to 8.8 percent (7.1).

In full year 2021, the consolidated operating profit totaled EUR 220.0 million (173.8). The operating profit includes adjustments of EUR 59.1 million (51.1), which are mainly comprised of transaction and integration costs and restructuring costs. The operating margin increased in Service to 17.0 percent (15.2), in Industrial Equipment to 1.7 percent (0.4) and in Port Solutions to 7.0 percent (2.6).

In full year 2021, depreciation and impairments totaled EUR 120.1 million (130.0). The impact arising from the purchase price allocations for acquisitions represented EUR 33.2 million (35.9) of the depreciation and impairments.

In full year 2021, the share of the result in associated companies and joint ventures was EUR 0.3 million (21.2). The higher share of the result in associated companies and joint ventures in 2020 was mainly due to the acquisition of MHE-Demag in the beginning of 2020.

In full year 2021, financial income and expenses totaled EUR -27.8 million (-24.6). Net interest expenses accounted for EUR 15.7 million (18.0) of the sum and the remainder was mainly attributable to realized and unrealized exchange rate differences related to the hedging of future cash flows, which are not included in the hedge accounting, and other financing expenses.

In full year 2021, profit before taxes was EUR 192.5 million (170.4).

In full year 2021, income taxes were EUR 45.1 million (47.5). The Group's effective tax rate was 23.4 percent (27.9).

In full year 2021, net profit was EUR 147.4 million (122.9).

In full year 2021, the basic earnings per share were EUR 1.86 (1.54) and the diluted earnings per share were EUR 1.85 (1.54).

On a rolling 12-month basis, the return on capital employed was 9.3 percent (8.3) and the return on equity 11.3 percent (9.8). The adjusted return on capital employed was 13.4 percent (11.1).

Balance sheet

At the end of December, the consolidated balance sheet amounted to EUR 3,845.8 million (4,016.5). The total equity at the end of the reporting period was EUR 1,360.6 million (1,251.1) or EUR 17.08 per share (15.69). The total equity attributable to the equity holders of the parent company was EUR 1,351.4 million (1,242.0).

Net working capital totaled EUR 424.5 million (337.2). Sequentially, net working capital increased by EUR 21.2 million. The sequential increase in net working capital resulted mainly from an increase in accounts receivable and in receivables arising from percentage of completion method.

Cash flow and financing

Net cash from operating activities in full year 2021 was EUR 168.4 million (407.1). The decrease in net cash from operating activities was mainly due to change in net working capital during the period. Cash flow before financing activities was EUR 137.7 million (242.0), which included cash inflows of EUR 9.8 million (2.8) related to sale of property, plant and equipment, and cash outflows of EUR 0.0 million (124.1) related to acquisition of Group companies and EUR 40.5 million (43.8) related to capital expenditure.

At the end of December, interest-bearing net debt was EUR 541.6 million (577.1). Net debt decreased mainly due to the strong operating cash flow in 2021. The equity to asset ratio was 38.9 percent (34.1) and the gearing 39.8 percent (46.1).

At the end of December, cash and cash equivalents amounted to EUR 320.7 million (591.9). None of the Group's committed EUR 400 million back-up financing facility was in use at the end of the period.

In April 2021, Konecranes paid dividends, amounting to EUR 69.6 million or EUR 0.88 per share, to its shareholders.

Capital expenditure

Capital expenditure in full year 2021, excluding acquisitions and joint arrangements, amounted to EUR 49.8 million (42.8). The amount consisted mainly of investments in machinery and equipment, buildings, office equipment and information technology.

Acquisitions and divestments

In full year 2021, the cash impact of capital expenditure for acquisitions and joint arrangements was EUR 0.0 million (-124.1).

Personnel

In full year 2021, the Group had an average of 16,625 employees (17,027). On December 31, the number of personnel was 16,573 (16,862). In full year 2021, the Group's personnel decreased by 289 people net.

At the end of December, the number of personnel by Business Area was as follows: Service 7,890 employees (8,062), Industrial Equipment 5,516 employees (5,720), Port Solutions 3,083 employees (2,970) and Group staff 84 (110).

The Group had 9,683 (9,688) employees working in EMEA, 3,016 (2,964) in the Americas and 3,874 (4,210) in APAC.

Business areas

Service

	10–12/2021	10–12/2020	Change %	Change % at comparable currency rates	1–12/2021	1–12/2020	Change %	Change % at comparable currency rates
Orders received, MEUR	307.7	233.6	31.7	28.3	1,078.3	927.8	16.2	17.2
Order book, MEUR	343.5	213.4	60.9	54.1	343.5	213.4	60.9	54.1
Agreement base value, MEUR	290.4	275.7	5.3	1.7	290.4	275.7	5.3	1.7
Net sales, MEUR	332.2	315.3	5.4	2.7	1,205.3	1,190.0	1.3	2.2
Adjusted EBITA, MEUR [1]	69.7	60.6	14.9		222.4	205.2	8.4	
Adjusted EBITA, % [1]	21.0%	19.2%			18.5%	17.2%		
Purchase price allocation amortization, MEUR	-3.9	-4.0	-3.6		-15.5	-16.1	-3.6	
Adjustments, MEUR	-1.0	-1.2			-2.0	-7.7		
Operating profit (EBIT), MEUR	64.8	55.4	16.9		204.9	181.4	12.9	
Operating profit (EBIT), %	19.5%	17.6%			17.0%	15.2%		
Personnel at the end of period	7,890	8,062	-2.1		7,890	8,062	-2.1	

[1] Excluding adjustments and purchase price allocation amortization.

In full year 2021, orders received totaled EUR 1,078.3 million (927.8), corresponding to an increase of 16.2 percent. On a comparable currency basis, orders received increased 17.2 percent.

The order book increased 60.9 percent to EUR 343.5 million (213.4). On a comparable currency basis, the order book increased 54.1 percent.

The annual value of the agreement base increased 5.3 percent year-on-year to EUR 290.4 million (275.7). On a comparable currency basis, the annual value of the agreement base increased 1.7 percent. Sequentially, the annual value of the agreement base increased 1.3 percent on a reported basis and stayed approximately the same with a change of 0.0 percent on a comparable currency basis.

Sales increased 1.3 percent to EUR 1,205.3 million (1,190.0). On a comparable currency basis, sales increased 2.2 percent. Both field service sales and parts sales increased.

The adjusted EBITA was EUR 222.4 million (205.2) and the adjusted EBITA margin was 18.5 percent (17.2). The increase in the adjusted EBITA margin was mainly attributable to sales growth and efficient cost management in both variable and fixed costs. The operating profit was EUR 204.9 million (181.4) and the operating margin 17.0 percent (15.2).

Industrial Equipment

	10–12/2021	10–12/2020	Change %	Change % at comparable currency rates	1–12/2021	1–12/2020	Change %	Change % at comparable currency rates
Orders received, MEUR	274.5	241.3	13.8	11.3	1,172.5	981.2	19.5	20.3
of which external, MEUR	242.4	216.9	11.8	9.3	1,033.7	849.1	21.7	22.6
Order book, MEUR	709.9	598.8	18.5	12.6	709.9	598.8	18.5	12.6
Net sales, MEUR	332.1	313.6	5.9	3.8	1,088.7	1,120.1	-2.8	-1.9
of which external, MEUR	294.1	279.1	5.4	3.2	960.2	973.8	-1.4	-0.5
Adjusted EBITA, MEUR [1]	20.6	18.1	13.9		38.0	25.4	49.6	
Adjusted EBITA, % [1]	6.2%	5.8%			3.5%	2.3%		
Purchase price allocation amortization, MEUR	-2.7	-3.1	-13.9		-10.8	-12.5	-13.5	
Adjustments, MEUR	-1.1	-4.8			-8.5	-8.6		
Operating profit (EBIT), MEUR	16.8	10.1	65.8		18.7	4.3	332.4	
Operating profit (EBIT), %	5.0%	3.2%			1.7%	0.4%		
Personnel at the end of period	5,516	5,720	-3.6		5,516	5,720	-3.6	

[1] Excluding adjustments and purchase price allocation amortization.

In full year 2021, orders received totaled EUR 1,172.5 million (981.2), corresponding to an increase of 19.5 percent. On a comparable currency basis, orders received increased 20.3 percent. External orders received increased 21.7 percent on a reported basis and 22.6 percent on a comparable currency basis. Order intake increased in standard cranes, process cranes and components.

The order book increased 18.5 percent to EUR 709.9 million (598.8). On a comparable currency basis, the order book increased 12.6 percent.

Sales decreased 2.8 percent to EUR 1,088.7 million (1,120.1). On a comparable currency basis, sales decreased 1.9 percent. External sales decreased 1.4 percent on a reported basis and 0.5 percent on a comparable currency basis. The sales decrease was mainly due to delivery challenges caused by customer delays, component availability issues, and other supply chain challenges. Sales decreased in standard cranes and process cranes but increased in components.

The adjusted EBITA was EUR 38.0 million (25.4) and the adjusted EBITA margin 3.5 percent (2.3). The increase in the adjusted EBITA margin was mainly attributable to continued progress on strategic initiatives, improved sales mix, and cost management. The operating profit was EUR 18.7 million (4.3) and the operating margin 1.7 percent (0.4).

Port Solutions

	10–12/2021	10–12/2020	Change %	Change % at comparable currency rates	1–12/2021	1–12/2020	Change %	Change % at comparable currency rates
Orders received, MEUR	354.9	403.7	-12.1	-12.5	1,112.7	994.5	11.9	11.7
Order book, MEUR	983.5	903.2	8.9	8.4	983.5	903.2	8.9	8.4
Net sales, MEUR	337.9	355.3	-4.9	-5.5	1,072.9	1,066.0	0.6	0.4
of which service, MEUR	50.9	44.3	14.8	12.6	181.9	167.9	8.3	8.7
Adjusted EBITA, MEUR [1]	28.8	28.7	0.3		79.9	59.7	33.7	
Adjusted EBITA, % [1]	8.5%	8.1%			7.4%	5.6%		
Purchase price allocation amortization, MEUR	-1.6	-1.8	-10.1		-6.8	-7.3	-6.7	
Adjustments, MEUR	1.4	1.3			1.7	-24.4		
Operating profit (EBIT), MEUR	28.5	28.2	1.4		74.8	28.0	166.8	
Operating profit (EBIT), %	8.4%	7.9%			7.0%	2.6%		
Personnel at the end of period	3,083	2,970	3.8		3,083	2,970	3.8	

[1] Excluding adjustments and purchase price allocation amortization.

In full year 2021, orders received totaled EUR 1,112.7 million (994.5), corresponding to an increase of 11.9 percent. On a comparable currency basis, orders received increased 11.7 percent.

The order book increased 8.9 percent to EUR 983.5 million (903.2). On a comparable currency basis, the order book increased 8.4 percent.

Sales increased 0.6 percent to EUR 1,072.9 million (1,066.0). On a comparable currency basis, sales increased 0.4 percent.

The adjusted EBITA was EUR 79.9 million (59.7) and the adjusted EBITA margin 7.4 percent (5.6). The increase in the adjusted EBITA margin was mainly attributable to improved project management execution and cost management. Gross margin improved on a year-on-year basis.

Operating profit was EUR 74.8 million (28.0) and the operating margin 7.0 percent (2.6).

Group overheads

In full year 2021, the adjusted unallocated Group overhead costs and eliminations were EUR 28.1 million (29.5), representing 0.9 percent of sales (0.9).

The unallocated Group overhead costs and eliminations were EUR 78.4 million (40.0), representing 2.5 percent of sales (1.3). These included merger related costs and restructuring costs of EUR 50.3 million (10.5).

COVID-19 impact on Konecranes

Demand conditions have been recovering since the beginning of the second half of 2020, but the COVID-19 pandemic continues to impact Konecranes. Overall, the pandemic has made the demand environment uncertain, which has impacted order intake. Additionally, physical restrictions on the daily conduct of people and businesses have led to lower revenue recognition.

Net sales were impacted by COVID-19 in all three Business Areas in full year 2021. COVID-19 has not led to major order cancellations in any of the three Business Areas. In addition to physical restrictions, the component availability and logistics issues following the pandemic impacted Konecranes' sales negatively during full year 2021. Konecranes has not seen major changes in its supplier network.

In full year 2021, all Konecranes factories were in operation except for some sites in APAC which were closed during parts of the second and third quarters. At the end of December, all Konecranes factories were in operation.

The impact of COVID-19 on the Group's profitability has been mitigated through almost real-time demand-supply balancing and cost management 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. Inventory levels have increased due to customer delivery delays, component availability, and logistics issues.

The worldwide demand picture remains subject to volatility due to the COVID-19 pandemic. There are still uncertainties regarding the COVID-19 pandemic and related component availability issues as well as other supply chain constraints. It is too early to estimate how long and to what extent they 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 had 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.

On July 2, 2021 Konecranes and Cargotec confirmed that they had filed for approval in many of the jurisdictions where the transaction requires regulatory review. The various competition authorities, including the European Commission ("EC"), the UK Competition and Markets Authority ("CMA"), the US Department of Justice, and the Chinese State Administration for Market Regulation, were reviewing the proposed Merger at the date of the announcement. The EC opened a Phase II review in connection with the planned Merger on July 2, 2021. The Phase II review continued during H2/2021.

On August 6, 2021 it was announced that the Boards of Directors of Konecranes and Cargotec had agreed to select Mr. Mika Vehviläinen as the President and CEO of the Future Company, and the Board of Directors of Cargotec had made the appointment accordingly. The appointment of Mika Vehviläinen will become effective upon completion of the Transaction. Mika Vehviläinen has served as Cargotec's CEO since 2013.

On August 10, 2021 Konecranes announced that Konecranes and Cargotec had received an unconditional approval for their planned merger from the State Administration for Market Regulation, the competition authority in China.

On November 4, 2021 Konecranes and Cargotec announced the planned high-level operating model and leadership team for the Future Company. The planned leadership for the Future Company has been confirmed by both companies' Boards of Directors. The planned leadership team would only become effective as of the completion of the merger. Plans related to the high-level operating model including businesses and business units, group operations, functions, future organization structure and further selections are subject to separate decision-making as well as to various local legal requirements.

On November 26, 2021 Konecranes and Cargotec noted CMA's announced Provisional Findings regarding the planned merger of Konecranes and Cargotec by stating that they disagree with CMA's Provisional Findings. The companies have considered the contents of the CMA's initial findings and continue to engage with the CMA.

On December 9, 2021 Konecranes announced progress in Regulatory Proceedings in the Merger between Konecranes and Cargotec. On the date of the announcement, the Companies had Submitted Commitments to the European Commission to Satisfy Competition Concerns. The remedy package comprised of a commitment to divest Konecranes' Lift Truck business and Cargotec's Kalmar Automation Solutions. The proposed divestitures would eliminate overlaps between the Parties' Container Handling Equipment businesses but allow the Future Company to combine others and continue to be a strong player in all aspects in Container Handling Equipment. The final decision on possible divestitures of any businesses as well as possible terms and conditions thereof will be confirmed only after the EC's further review process, as well as further proceedings with the other competent authorities. The possible divestitures are further subject to various local legal requirements.

The completion of the Merger is subject to necessary merger control approvals having been obtained and other conditions to completion having been fulfilled. The European Commission, the UK Competition and Markets Authority and the US Department of Justice have phase II reviews of the Merger ongoing. Further investigations regarding the proposed remedies and negotiations with relevant competition authorities regarding anti-trust concerns continue, and Konecranes and Cargotec are awaiting their decisions. The companies continue to work towards the merger being completed by the end of H1 2022. Until completion, both companies will operate fully separately and independently.

Konecranes and Cargotec update the total cost estimate in connection with the merger to be approximately EUR 125 million. The estimate presented in the January–September 2021 interim report on October 28, 2021 was approximately EUR 100 million. The costs consist mostly of expenses related to financial reporting, legal matters, and advisory services (excluding the estimated transaction costs of the refinancing and integration planning). A considerable part of the total costs and the cost estimate increase are related to the processes for applying for the necessary merger control approvals for the merger. The cost estimate will be refined as the competition authority processes progress.

Additional information on the Merger is available in the stock exchange releases dated October 1, 2020, December 3, 2020, December 18, 2020, July 2, 2021, August 6, 2021, August 10, 2021, November 4, 2021, November 26, 2021, and December 9, 2021 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 ("Konecranes" or the "Company") was held on Tuesday March 30, 2021. In order to prevent the spread of the COVID-19 pandemic, the Annual General Meeting was held without shareholders' and their proxy representatives' presence at the meeting venue. The meeting approved the Company's annual accounts for the fiscal year 2020, 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 0.88 per share be paid from the distributable assets of the parent Company. The dividend was paid to shareholders who on the record date of the dividend payment April 1, 2021 were registered as shareholders in the Company's shareholders' register maintained by Euroclear Finland Ltd. The dividend was paid on April 13, 2021.

The AGM approved the Board's proposal and authorized the Board of Directors to resolve, before the completion of the Merger, on an extra distribution of funds to be paid either from the Company's reserve for invested unrestricted equity as a return of equity or from its retained earnings as a dividend or as a combination of both so that the total maximum amount of funds to be distributed under the authorization would amount to EUR 158,268,918 corresponding to EUR 2.00 per share. The authorization is in force until the opening of the following Annual General Meeting of the Company. The Company will separately publish its Board of Directors' resolution to distribute funds based on the authorization and will simultaneously confirm the applicable record and payment dates. Funds paid on the basis of the authorization will be paid to shareholders who are registered as shareholders in the Company's shareholders' register maintained by Euroclear Finland Ltd on the record date of the payment.

The AGM decided to approve the Konecranes Remuneration Report covering the remuneration of the members of the Board of Directors, President & CEO and Deputy CEO in 2020. The resolution by the Annual General Meeting on the Remuneration report 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 2022, 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. The AGM furthermore approved that 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, in accordance with the agreement on employee representation between Konecranes and its employees. Travel expenses for all Board members, including the employee Board member, will be compensated against receipt.

The AGM approved the proposal of the Company's shareholders HC Holding Oy Ab, Solidium Oy and Ilmarinen Mutual Pension Insurance Company, that the number of members of the Board of Directors shall be seven (7). The Board members Ms. Janina Kugel, Mr. Ulf Liljedahl, Mr. Janne Martin, Mr. Niko Mokkila, Mr. Per Vegard Nerseth, Ms. Päivi Rekonen and Mr. Christoph Vitzthum were re-elected for a term of office ending at the closing of the Annual General Meeting in 2022, and Christoph Vitzthum was elected as Chairman of the Board of Directors.

The AGM decided to re-elect Ernst & Young Oy as the Company's auditor for a term expiring at the end of the Annual General Meeting following the election.

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 March 30, 2021.

Board of Directors

The Board of Directors elected in the Annual General Meeting consists of

- Christoph Vitzthum, Chairman of the Board
- Päivi Rekonen, Member of the Board
- Janina Kugel, Member of the Board
- Ulf Liljedahl, Member of the Board
- Per Vegard Nerseth, Member of the Board
- Niko Mokkila, Member of the Board
- Janne Martin, Member of the Board (resigned from the Board of Directors on July 27, 2021)

The term of office ends at the closing of the Annual General Meeting in 2022.

On March 30, 2021 Konecranes announced that the Board had held its first meeting. The Board decided to continue with an Audit Committee and a Human Resources Committee.

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

All Board members are deemed to be independent of the Company and all Board members with the exception of Niko Mokkila are deemed to be independent of the Company's significant shareholders. Janne Martin was deemed not to be independent of the Company due to his position as an employee of Konecranes and Niko Mokkila is deemed not to be independent of a significant shareholder of the Company based on his current position as Managing Director at Hartwall Capital Oy Ab.

On July 27, 2021, Konecranes announced that Janne Martin, an employee representative and a member of Konecranes Board of Directors, had resigned from the Konecranes Board of Directors, as he had decided to leave the company to take a position at another company. In accordance with the agreement on employee representation between Konecranes and its employees, an employee representative will need to resign from the Konecranes Board of Directors when he is no longer employed by the company.

Konecranes Leadership Team

In 2021, Konecranes Leadership Team consisted of

- Rob Smith, President and CEO (until December 31, 2021)
- Teo Ottola, CFO, Deputy CEO (also interim CEO since January 1, 2022)
- 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
- Anneli Karkovirta, Senior Vice President, Human Resources (since August 30, 2021)
- Timo Leskinen, Senior Vice President, Human Resources (until August 29, 2021)
- Sirpa Poitsalo, Senior Vice President, General Counsel
- Topi Tiitola, Senior Vice President, Integration and Project Management Office

On July 1, 2021 Konecranes announced that Timo Leskinen, SVP for Human Resources, and a member of the Konecranes Leadership Team, had decided to leave the company and take a position at another company. He left Konecranes on September 30, 2021. From August 30, 2021 until his departure, he acted as Senior Advisor.

On August 6, 2021 Konecranes announced that President and CEO Rob Smith had decided to leave the company. He left Konecranes on December 31, 2021. The company's CFO, Teo Ottola, who also serves as Deputy CEO, acts as the interim CEO from January 1, 2022 until the completion of the planned merger between Konecranes and Cargotec Corporation.

On August 27, 2021 Konecranes announced that Anneli Karkovirta had been appointed Senior Vice President, Human Resources, and member of the Konecranes Leadership Team effective August 31, 2021.

Shareholders' Nomination Board

On September 20, 2021 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,

- Mikko Mursula, Chief Investment Officer of Ilmarinen, appointed by Ilmarinen Mutual Pension Insurance Company with 2,465,000 shares,
- and Stig Gustavson, appointed by Stig Gustavson and family with 2,366,157 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.

Shares and trading

Share capital and shares

On December 31, 2021 the company's registered share capital totaled EUR 30.1 million. On December 31, 2021, the number of shares including treasury shares totaled 79,221,906.

Treasury shares

On December 31, 2021, 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 3.1 million.

Market capitalization and trading volume

The closing price for the Konecranes shares on the Nasdaq Helsinki on December 30, 2021 was EUR 35.16. The volume-weighted average share price in full year 2021 was EUR 36.41, the highest price being EUR 42.31 in September and the lowest EUR 28.80 in January. In full year 2021, the trading volume on the Nasdaq Helsinki totaled 44.0 million, corresponding to a turnover of approximately EUR 1,603.7 million. The average daily trading volume was 174,774 shares representing an average daily turnover of EUR 6.4 million.

In addition, according to Fidessa, approximately 65.8 million shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in full year 2021.

On December 31, 2021, the total market capitalization of Konecranes Plc was EUR 2,785.4 million including treasury shares. The market capitalization was EUR 2,782.4 million excluding treasury shares.

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.

Employee share savings plan

On March 30, 2021, 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 began on July 1, 2021 and will end on June 30, 2022. The other terms and conditions of the Plan Period 2021–2022 approved by the Board on March 30, 2021 have been published in the stock exchange release on the same day.

Other share-based incentive plans and Employee Share Savings Plan periods

Konecranes has currently several long-term incentive plans, Performance Share Plans, active and a Restricted Share Unit Plan 2020. In addition, Konecranes has currently several Employee Share Savings plan periods active or on a waiting period.

Information on Konecranes' long-term incentive plans, the Employee Share Savings Plan, and the Restricted Share Unit Plan is available in the Remuneration Report 2021 and on the Konecranes Investors website https://investors.konecranes.com.

Notifications of major shareholdings

In full year 2021, Konecranes did not receive notifications of major shareholdings.

Research and development

In 2021, Konecranes' research and product development expenditure totaled EUR 47.7 (48.5) million, representing 1.5 (1.5) percent of sales. R&D expenditure includes product development projects aimed at improving the quality and cost efficiency of both products and services.

Technological leadership is at the core of Konecranes' operations, allowing the company to develop the best solutions for the continuously evolving customer demands and is key to a positive societal impact. Konecranes' innovations create customer value and contribute to making material flows more sustainable, efficient, and safer.

Innovation, research and development are central priorities across the Konecranes organization. In 2019, Konecranes founded a Data Science Lab in Lyon, France. Since its inception, it has been tasked with facilitating and driving innovation based on data. In close cooperation with the businesses and functions, the Data Science Lab has cocreated new solutions for both the customer-facing offering and to internal operations. As of 2021, the Data Science Lab has trained over 150 Konecranes employees in using data science to create value adding solutions based on data.

A core aspect of Konecranes' innovation work is to combine technological leadership with the agility of startups. This is done both through cooperation with startups and by implementing their philosophies to the company's internal ways of working. Konecranes Accelerator, the internal startup program, was held in May–June 2021 and gathered five teams of experts from across Konecranes, with participants from both the businesses and functions. Coached and mentored by experts from the Maria01 network, a leading startup campus in the Nordics, the benefit of the program was two-fold. It allowed Konecranes employees to design customer centric solutions to business needs, but also provoked them to bring new ways of thinking to their own team's operations.

REACH, Konecranes' open call to startups, also ran in 2021. In it, startups apply to work together with Konecranes to collaborate around pre-defined topics. In 2021, these were equipment contextual awareness, radical reduction of energy and waste in material handling processes, and safety in material and container handling operations.

The collaboration with startups is mutually beneficial. Konecranes benefits from the agile, leading startups in their field and they get access to a leading industrial company and possible references. Furthermore, all pilot projects are commercial, which means Konecranes will always pay for them. Konecranes' Discovery program, targeting more specific business solutions together with startups, is active with many ongoing development projects in 2021. In addition to the collaboration with startups, Konecranes is also active in multiple innovation ecosystems, such as DIMECC's Intelligent Industry Ecosystem.

Customer trust in Konecranes' solutions is built not only on the productivity benefits they bring, but also on their verifiable safety and security. Cybersecurity is a priority for Konecranes, and in 2021 leaps were made in standardizing and formalizing security management. In June, it was announced that Konecranes' security management system had achieved ISO/IEC 27001 certification for information security management. The scope covers the development and delivery of yourKONECRANES.com customer portal, productivity enhancing mobile applications and TRUCONNECT® suite of remote service products and applications for all Konecranes customers in manufacturing and process industries, shipyards, ports and terminals. The achievement is important for Konecranes' customers in many industries, but especially in ports, power and automotive, where security is a critical requirement when choosing a supplier.

Konecranes' operational environment is forever changing, with new regulations and ambitions on aspects such as productivity and sustainability. Konecranes always strives to be the primary choice among current and potential customers, and research and development work is geared towards supporting that.

In 2021, Konecranes made strides in developing products that answer to growing customer and societal expectations for increased sustainability in the industry. In late 2020, Konecranes E-VER, a lift truck with a state-of-the-art electric driveline, equipped with a lithium-ion battery powering its two motors, was introduced. Customer deliveries started in 2021. Konecranes Lift Trucks business, which celebrated its 10,000th unit sold in 2021, has further developed their service-based business model during the year. Konecranes Data Science Lab developed a data-based model to predict the fuel consumption of reach stackers, making it possible to provide a guarantee to customers on which consumption levels and emissions to expect from the machines they acquire.

Urban development has brought inhabitation closer to ports in many parts of the world. As a consequence, noise pollution is increasingly a priority for customers in the industry. Konecranes has been active in developing silent components to bring decibel levels down. This has been done holistically, with new solutions for e.g. the gear tooth contact, the design for and materials used in the shell, as well as how the core components are fastened into the equipment. The possibility to choose silent components has been well-received by customers, especially for rail-mounted gantry cranes (RMG) and rubber-tired gantry cranes (RTG), both tall pieces of equipment from which noise travels far. The silent components can be used in all the pieces of equipment that use our Core of Lifting technology.

Many of Konecranes cranes are smart, utilizing connectivity for communication and diagnostics. These features are already a competitive advantage for the company. The dawn of 5G, with its high bandwidth and low latency, opens further opportunities in digitalized factory and port solutions. This is especially true for machine-to-machine communication, with the improved bandwidths opening avenues for pursuing holistic ecosystems of connected equipment. In the spring of 2021, it was announced that Nokia and Edzcom will jointly be delivering a 5G standalone private wireless network to Konecranes' Hyvinkää smart factory in Finland. The experience during the ramp-up phase was good, with plans to expand 5G connectivity to include solutions delivered to customers as well – further supporting their productivity and safety.

Statement of non-financial information

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

Konecranes reports the disclosed information in accordance with the 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 is available in the Sustainability Report 2021 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.

Konecranes has carried out comprehensive climaterelated risk and scenario analyses, in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations that provide a useful framework to disclose governance surrounding climate-related risks and opportunities, strategies for addressing such factors, risk management considerations, and metrics and targets which can be used to assess those factors. Konecranes' commitment to the Science Based Targets initiative sets a clear direction for the business and what capabilities the company needs to get there. This information is available in the section **"Climate related disclosures".**

Business model and value creation

Konecranes' business aims to deliver optimal productivity while improving the safety and sustainability of the company's customers by manufacturing intelligent and connected lifting devices, adopting new technologies and optimizing material handling flows. Safe ways of working are an integral part of Konecranes' business. By prioritizing safety in all areas of its operations, the company can improve safety throughout its value chain. With its knowledge, products, services and solutions, Konecranes provides monetary value with sustained profitability and stability and seeks to maximize the positive contributions for its different stakeholders and the society.

Konecranes enables reliable and optimized material handling performance and can support decarbonization with its innovative material flow and lifting technologies. Investing in new technologies and substituting existing technology with lower-emission alternatives is a big opportunity for Konecranes and for its customers by reducing their carbon footprint. By including circular economy principles in various processes and utilizing several circular business models helps Konecranes improve its resource and energy efficiency while creating value for the customer. For example, the Service Business Area executes the product lifecycle extension strategy by offering maintenance and repairs, remanufacturing of parts, modernization, and retrofitting. Maintaining the life cycle value of a device for as long as possible saves natural resources, as well as reduces greenhouse gas emissions. The use phase of Konecranes 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 reduce its environmental impact.

Being a preferred partner and being able to select trust-worthy partners is paramount for the whole Konecranes value chain. Sustainable business practices and systematic risk management are crucial for creating longer-term shareholder value and financial stability. To remain a key player and an attractive employer within local communities, Konecranes strives to make a positive impact on the societies in which the company operates. This is done by providing jobs and income for employees, by boosting local economies as an employer, supporting non-profit organizations, providing and buying of local services and goods, and also being a significant taxpayer in many countries where the company operates.

In 2021, a total of EUR 427 million (403) in taxes and other compulsory tax-like payments were paid and collected in countries where the Group operates, implying an effective tax rate of 23.4 percent (27.9). A total of EUR 182 million (174) was paid (taxes borne) directly by the group itself, while EUR 244 million (228) 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.

Konecranes' innovation not only focuses on products, technologies, and service solutions, but also on new ways of working and leveraging workforce diversity to drive innovation. Konecranes' employees, with their expertise and motivation, are central to the company's success and bring the company's strategy to life. In Konecranes' view, varied skill sets are a key driver of creativity and value creation to the company's customers. To ensure that the company continues to deliver value, it focuses on maintaining close ties with its key stakeholders to understand their evolving needs and expectations; engaging and developing the best talent; implementing smart technologies in its product and service offering; innovating new business models; and improving product development 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, environment, supplier requirements, anti-corruption, competition compliance, equal treatment and diversity. During 2021, a new Conflict of Interest Instruction and related declaration process was implemented. The main compliance policies and the yearly Code of Conduct training are available in 35 languages. There is an executive-level Compliance & Ethics Committee to oversee the implementation and development of the compliance & ethics program, which is managed by the Compliance & Ethics Team.

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 open to the company's employees as well as third parties, which enables anonymous reporting when allowed by local laws. All reports made are reviewed and investigated, as appropriate. There is a clear policy of no retaliation. Konecranes also encourages its suppliers and other business partners to report on any compliance and ethics concerns relating to Konecranes.

In accordance with the company's regular compliance & ethics risk assessment process, an online survey-based risk assessment was conducted in 2021 to gather insights from over 750 people throughout the organization, which supplemented the viewpoints received from the global employee engagement survey. These results helped Konecranes evaluate its responsible business conduct KPIs and overall compliance and ethics program and roadmap. Multiple awareness-raising activities took place in 2021, with the main focus on the new competition law training and the yearly Code of Conduct training. The Code of Conduct training is mandatory for all employees globally, including operatives, and despite the challenging pandemic situation, more than 15,000 employees were trained during 2021.

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 SCoC has requirements, for example, on anti-corruption, human rights, safety, environmental and compliance topics. The SCoC forms a key part of any agreements made with key suppliers and subcontractors. By the end of 2021, 56 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 2021 Konecranes continued third-party supplier audits concentrating particularly on compliance with Konecranes' Supplier Code of Conduct.

Anti-corruption and bribery prevention

Konecranes' Anti-Corruption policy and Code of Conduct demonstrate the company's 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, which was reviewed and revised in 2021, 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 form an important element of the 2021 Code of Conduct training. Konecranes' zero-tolerance approach is also promoted to business partners in the Konecranes Distributor Code of Conduct, Supplier Code of Conduct and Supplier Manual. Konecranes uses a risk-based Know-Your-Counterparty process to conduct due diligence and background screenings, identify red-flags and carry out risk assessments on third parties worked with whereby the level of scrutiny and required approval process are 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

Konecranes environmental work is driven by decarbonization and advancing circularity for customers and society at large. Konecranes has set science based emission targets approved by the Science Based Targets initiative to limit global warming to 1.5°C. Konecranes' commitments concerning environmental responsibility can be found in the company's Code of Conduct and in its Environmental Policy, updated in 2021. They outline Konecranes' principles for managing the environmental impact of the company's sites, products, and services, as well as the company's supply chain.

Konecranes has been focusing on reducing the carbon footprint of its own operations by investing in energy efficiency in manufacturing operations and in its fleet, and systematically increasing the share of renewable electricity used in manufacturing operations. Konecranes has also calculated the climate impact the company creates in its downstream and upstream value chains. In 2021, Konecranes built a climate roadmap to reduce the carbon footprint from indirect Scope 3 emissions categories, focusing on the largest emissions categories. The company is working on developing its eco-optimized portfolio, continuing the electrification of ports equipment and decreasing the carbon impact of its supply chain with a particular focus on steel.

Konecranes' circular strategies focus on using less, using longer, and using again. Circularity plays an essential role also in tackling climate change as greenhouse gas emissions can be reduced by improving resource efficiency, designing out waste and keeping materials and products in use longer.

Environmental management in Konecranes operations

Konecranes takes the day-to-day challenge of reducing its environmental impacts – which means using resources more efficiently and minimizing emissions and waste – very seriously. The company focuses on improving the energy efficiency of its own operations, in both service and manufacturing. Konecranes has also signed national voluntary agreements on energy efficiency. The company will meet this target by investing in energy efficiency actions such as heat recovery and lighting as well as more fuel-efficient cars and route optimization.

Konecranes has systematic environmental management practices in place to continuously improve the environmental performance of manufacturing sites and service operations. Konecranes aims for all its manufacturing sites to be ISO 14001:2015 certified as it sets a minimum level for environmental management. Currently 80 percent of the company's factories have an ISO 14001 environmental management system in place requiring continuous development and the establishment of local annual targets. The coverage has declined slightly (83 percent in 2020) due to factory closings.

The company assesses the environmental risks of its service and manufacturing sites in greater detail as part of the local environmental management system, where each of the company's units is responsible for evaluating, prioritizing, and mitigating their risks on a local level. Environmental incidents and near-miss cases are reported through the company's global Health, Safety and Environment (HSE) reporting tool, and root causes are investigated, and corrective actions are taken accordingly. In addition, the company aims to minimize waste and reuse and recycle as much as possible.

Due to having global targets, a high number of factories that continuously develop their operations based on the environmental management system requirements and global environmental data gathering, Konecranes is able to analyze and mitigate its impact on the environment as well as provide well-structured environmental information about the company's performance to its stakeholders.

Eco-optimized offering and circularity

Konecranes promotes decarbonization by substituting existing technology with lower-emission alternatives and by extending product lifecycles with its solutions and service concepts. Konecranes' customers gain clear benefits by investing in durable equipment that can be repaired and modernized and receive added value from uninterrupted operations. Konecranes designs its products with their complete lifecycle in mind, as the majority of the environmental impact of a product's lifecycle is defined at the product design stage. Konecranes' product design is based on smart design principles focusing on maintainability, repairability, durability, and material selections, including recyclability and energy efficiency. For diesel-powered vehicles, the company provides innovative power options ranging from hybrids to full electric and battery technology, with additional energy-saving features such as regenerative braking. To provide accurate data on the environmental impact of its solutions for decision making, the company calculates its products' energy consumption and CO_2 emissions, and critically assesses this data with the help of a third party (as part of the company's Environmental Product Declarations).

In 2021, Konecranes defined a company-level strategy to further improve the overall environmental responsibility of its offering that enables the Science Based Targets pathway and advances circularity. This strategy is then implemented in 2022 as a part of the Business Area product strategies and development projects, guiding especially the solution design process. Konecranes has also defined targets for sustainable portfolio development starting to monitor the progress in 2022.

Konecranes' service operations promote circular economy by extending the lifecycle of equipment through maintenance and repairs, remanufacturing of parts, modernization, and retrofitting; this helps Konecranes improve its own resource and energy efficiency while reducing its customers' carbon footprints. Preventive maintenance supports customers' emissions reductions as the data can be used to optimize maintenance activities (service visits and spare parts needs). Konecranes' retrofitting and modernization services can provide a complete transformation of an existing crane as an alternative to replacing it by updating the equipment to meet today's standards. On top of improved performance, modernizations save a significant amount of steel and in most cases reduce emissions when traditional diesel generators are retrofitted as hybrids or full electric.

During 2021, nine workshops were conducted for all business areas focusing on brainstorming and finding opportunities to promote circularity and in the best case create new business models. From dozens of ideas, 10 specific circular concepts that could be taken further were discussed more in detail. The initiatives will be researched further by the business owners, and the business cases will be structured and validated in 2022.

Taxonomy eligibility

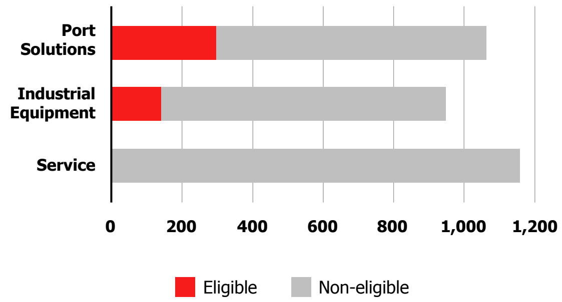
Konecranes has activities that qualify as environmentally sustainable according to the EU Taxonomy Regulation. The activities are eligible according to the first published technical screening criteria for climate change mitigation. Konecranes has activities that are in the scope of Technical Screening Criteria (TSC) 3.6. Manufacture of other low carbon technologies and 8.2. Data-driven solutions for greenhouse gas (GHG) emissions reductions.

These activities are, according to Article 16 of the Taxonomy Regulation, enabling substantial contribution towards climate change mitigation, which is one of the objectives defined in Article 9 of the Regulation. The total taxonomy-eligible revenue is expected to increase in 2022 as the activities of the Service Business Area are expected to partially fall in the forthcoming scope of the environmental objective "Transition to a circular economy and waste prevention".

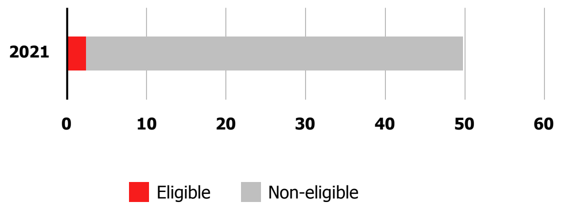
The calculation of the revenue percentage of taxonomy-eligible activities for TSC 3.6. (Manufacture of other low carbon technologies) is based on low carbon technology such as inverter-controlled drives, regenerative breaking and hybrid and electric power options. These technologies substitute existing technology with lower-emission alternatives. The revenue percentage of software solutions eligible for TSC 8.2. (Data-driven solutions for GHG emissions reductions) represents 0–1 percent of total revenue. Eligibility of revenue was evaluated at product level and represent only sales to external customers for each Business Area. Taxonomy-eligible products and solutions represent 14 percent of Konecranes' revenue.

CapEx and the specifically defined categories of OpEx described in the Taxonomy Regulation are reported at company level. Five percent of CapEx and 39 percent of specifically defined OpEx is taxonomy-eligible. These activities include, for example, facility improvements, sourcing of green activities and research and development projects. They support the transition towards a low carbon economy and achieving the Science Based Targets set for own operations and for the value chain.

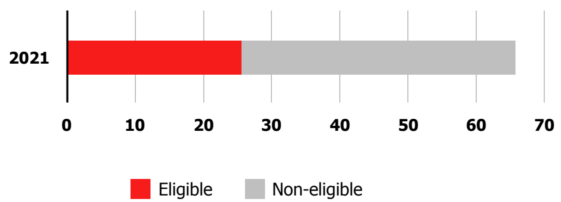
Taxonomy-eligible revenue, MEUR



Taxonomy-eligible capital expenditure, MEUR



Taxonomy-eligible operational expenditure, MEUR



Climate related disclosures

Konecranes mitigates climate risks by focusing on the most relevant low carbon technologies and managing physical climate risks by adopting clear risk management practices. Konecranes follows guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) to share Konecranes' approach in a transparent manner. The most relevant climate opportunities reside in Konecranes' offering, enabling decarbonization for customers by providing equipment and solutions that reduce emissions and advance electrification. For example, ports, one the industries served by Konecranes, play an essential role in global climate change mitigation as the container traffic related to international trade is expected to double already by 2030 (Source: Internal Transport Forum / OECD). Only by investing in technology that cuts the dependency on fossil fuels can the shipping and transportation industries reach their ambitious goals of 40 percent reduction in CO_2 by 2030 (IMO GHG Strategy).

Climate governance

Sustainability, including climate matters, is embedded into Konecranes' governance processes at several levels. The Board of Directors' HR Committee is the official supervisory Board Committee following climate topics on an annual basis. The HR Committee approves the long-term focus, ambition level and targets, and reviews performance and activities annually.

Konecranes Leadership Team (KLT) plays a significant role in the Company's management system, strategy preparation and decision-making and is involved in risk and financial planning process but has no official statutory position based on legislation or the Articles of Association. Sustainability is integrated into Konecranes' strategy. The KLT reviews the sustainability strategy annually as well as all major climate related action plans and targets. It follows emissions data on monthly basis and oversees other climate-related issues as needed. In 2021, the KLT discussed the company's Climate Roadmap frequently, and updated the sustainability governance model.

Of Konecranes Leadership Team members, Senior Vice President Human Resources (SVP HR) is responsible for the climate topics and participates in HR Committee meetings. The Sustainability Council, nominated by the KLT and sponsored by the SVP HR, reviews, approves and guides the overall sustainability strategy, targets and action plans.

The Head of Sustainability leads the global sustainability work. The Head of Sustainability is responsible for taking actions and decisions to the operative level, and for building and coordinating climate action plans, proposing activities and targets, and following the progress. The global Sustainability Team reports to the Head of Sustainability.

Climate targets and metrics

Konecranes focuses on the full carbon footprint of its operations, meaning both own operations and value chain, to reduce the overall climate impact. Ninety-eight percent of Konecranes' emissions originate from the value chain. The two main Scope 3 emissions categories are the use of sold products as well as the purchased goods and services.

Konecranes started the validation of its climate targets through the Science Based Targets initiative during 2021 and received validation in January 2022. Within Scope 1 and 2 greenhouse gas (GHG) targets, Konecranes is committed to reducing its absolute carbon emissions by 50 percent by 2030. This target will be achieved by investing into renewable electricity, and by improving the fuel efficiency of the fleet and the energy efficiency of the production processes. As part of the Science Based Targets ambition, Konecranes tightened the schedule of the previous target of powering the company's factories with 100 percent renewable electricity from 2025 to 2022.

For Scope 3, Konecranes aims to reduce absolute carbon emissions by 50 percent by 2030, encompassing the use of sold products and steel related purchases. This target covers more than 70 percent of the value chain emissions. As supportive actions, Konecranes will also fully offset flight emissions and will continue to seek new ways to decrease emissions and drive its sustainable portfolio development. Scope 1 and 2 emissions data is collected monthly to monitor progress. Scope 3 data is currently collected at least on an annual basis.

Emissions *	2021	2020	2019
Scope 1	44,500	43,000	52,500
Scope 2	14,400	30,300	33,100
Scope 3	5,158,600	5,074,400	5,667,700

- GHG emissions calculated in line with the GHG Protocol methodology.
- Data collection boundary has been updated to align with Science Based Targets criteria. 2020 and 2019 are recalculated to offer transparent information.
- Scope 1 includes emissions from fuel, natural gas and LPG consumption and fugitive emissions (refrigerants).
- Scope 2 includes emissions from electricity and district heat consumption. Indirect Scope 2 emissions are calculated according to the GHG Protocol Scope 2 Guidance dual reporting requirement: location-based and market-based method.
- The figures cover all forms of energy used in Konecranes' manufacturing locations and service units. Potential renewable shares are not taken into account for fuels. Figures on the use of natural gas, LPG and district heat from Konecranes' service operations are excluded because collecting this data from the company's service network is challenging and the consumption amounts are estimated to be very marginal.

Climate risk management

Konecranes has a Group-wide process for evaluating climate-related risks. The Board of Directors of Konecranes has defined and adopted a set of risk management principles based on widely accepted international management practices. These principles serve as part of the company's system of controls and are 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. As part of the process, risk points are discussed, documented, and prioritized. For assessing risks, Konecranes uses the scale of probability, costs of mitigation, and impacts for the business.

Company-level climate-related risks and opportunities are assessed on a yearly basis. As a basis for climate assessment, Konecranes uses the information received from natural hazard risk evaluations, climate risk scenario analysis and local ISO 14001 risk evaluations. Short-, medium- and long-term (0–20 years) risks and opportunities are identified and assessed. Local environmental and climate-related risks are assessed according to the requirements of the ISO 14001 environmental management system. The key risks are reported to risk management (legal department) and the Internal Audit Committee. Konecranes' risk appetite reflects the company's business objectives and strategic targets.

Identified risks and opportunities

Based on the climate risk scenario analysis and internal workshops, Konecranes has reviewed both aspects of climate change as guided by TCFD – how does climate change affect Konecranes and how does Konecranes contribute to climate change. Both risks and opportunities were considered.

The potential effects of climate change are far-reaching, from natural disasters that could affect the company's supply chain to increased local regulation and cost of energy and materials impacting production at its manufacturing sites and the servicing of lifting equipment. Regarding transition risks such as emerging regulation, Konecranes actively participates in relevant industry organizations and follows national, EU-level and international regulation/agreements related to climate. Regarding physical risks such as rising sea levels, the company has conducted several natural hazard assessments with its insurance company to understand the probability, time scale and actual risks involved.

Technology plays a crucial part in Konecranes' business, and the company closely follows technological developments in sectors material to the company and its customers. Konecranes wants to increase awareness about the ways different technologies are developing and to ensure that its low-carbon solutions and selected technologies are attractive to its clients. The significant risk for Konecranes related to technology lies in the selection of technologies used in the company's portfolio. The pressure for technological development in carbon-intensive industries might also increase costs and impact the availability of technology. To mitigate technology-related risks, Konecranes ensures that its low-carbon solutions and selected technologies are effective and attractive to the company's customers.

When it comes to climate-related opportunities, Konecranes focuses on providing eco-efficient solutions for its customers, developing new technologies and extending lifecycles with its service concept. For example, the company offers hybrids and electric as an alternative to traditional diesel cranes, and energy-saving features such as regenerative braking to help customers minimize emissions. There are immense positive impacts of electrically powered equipment as the operational use of such equipment significantly decreases CO_2 emissions. Predictive maintenance also supports customers' emissions reductions by using data and remote monitoring to optimize visits by a service technician. Konecranes' product offering includes, for example, modernizations, where one significant benefit is material savings in steel and avoiding the emissions that come from steel production. More details on the climate risk & opportunities information is available on the website at konecranes.com/about/sustainability.

Respect for human rights

Konecranes respects human rights and promotes the principles set in the UN Universal Declaration of Human Rights 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. The company has included the basic principles of human rights in its Code of Conduct. Konecranes has a corporate policy, the Fair Labor Frame, which sets a standard and ambition to workforce-related activities, such as working hours and freedom of association. The Fair Labor Frame was updated in 2021 to strengthen the approach.

Additionally, the company has a Respect in the Workplace policy, which deals with equal opportunities and fair employment practices, and separate policies for Health & Safety and Diversity & Inclusion that also address human rights. To ensure that human rights are also respected in Konecranes' supply chain, the company has included its basic requirements in its Supplier Code of Conduct. Human rights are part of the company's annual, mandatory Code of Conduct training. As Konecranes has a complex supply chain located also in countries lacking the strong enforcement of labor laws, labor rights can be at risk. Read more about Konecranes' supply chain compliance management in the section **Responsible business conduct**.

Konecranes continued to utilize results of the 2020 human rights risk screening conducted with the help of an external service provider. The exercise showed that health and safety related risks stand out as a potential high-risk area both for Konecranes' own employees and for people in the value chain. Typical human right risks for office employees are discrimination and the privacy of personal data. Konecranes takes privacy very seriously. Read more about Konecranes' activities to reduce IT risks in the section **Risk management** in the Governance and Financial Review.

To proactively prevent discrimination, the company has a strong Diversity & Inclusion program that is led by a Diversity & Inclusion officer. Should any discrimination occur, there is a clear process how to investigate and process the case.

In 2021, Konecranes moved to investigating human right risks and social responsibility in more detail in practice and conducted third-party social responsibility assessments in the company's operations located in high-risk countries, paying special attention to issues identified in the risk screening. The company took action to mitigate identified risks locally and is developing global processes to address topics recurring across the sites. Assessments will continue in 2022.

Safety

Safety is an integral part of Konecranes' business and prioritizing safety in all areas of operation creates a competitive advantage for the company. Konecranes' goal is for everyone to get home safe, every day. Konecranes seeks to achieve this goal through strategic, centrally led programs and business-specific initiatives. Transparent and comprehensive safety reporting and follow-up procedures help the company build a coherent safety culture, recognize its most significant risks and validate the effectiveness of its safety work. Konecranes' occupational health and safety principles are defined in the company's Code of Conduct and Health and Safety policy. In addition, the company has several safety management tools and global practices in place.

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

The company follows incidents and hazards using two management systems, the ARMOR HSE reporting tool and the AIR product compliance management system, as well as through customer feedback collected after each major delivery. Currently 73 percent of the manufacturing sites are OHSAS/45001 certified. Safety performance data is continuously available to management through online safety performance dashboards and is addressed on all management levels. Overall performance trends are reviewed monthly in the Konecranes Leadership Team and Business Area leadership meetings, focusing especially on leading indicators and preventive actions and safety incidents with Serious Injury or Fatality Potential or Actual Serious or Fatal outcomes.

The KPI for Konecranes' safety is the Total Recordable Incident (TRI) rate, which refers to the number of injuries requiring medical treatment per one million working hours. The recordable incident rate for 2021 was 6.7 (7.5 in 2020), an improvement of 12 percent compared to the previous year. The company also tracks the number of Safety Observations made as a leading KPI. In 2021, Konecranes personnel made a total of 51,004 safety observations, which was 79 percent more than in 2020 (28,471).

Global COVID-19 response actions continued in 2021. COVID-19 infections were tracked weekly and discussed in global bi-weekly calls, as well as regularly in the country response teams. The global HSE team issued guidance relevant for global activities, such as travel restrictions and vaccination promotion. Specific actions and guidelines were decided and issued by country-level COVID-19 Response Teams, based on guidance from local authorities and the infection situation in the country in question.

People Strategy

Konecranes' talented, diverse, innovative, and engaged employees help its customers improve safety and productivity every day. The Konecranes people management strategy supports this by ensuring that the needed resources and competencies for the future are in place, and that employees are motivated and capable of meeting future business requirements.

Konecranes believes in engagement and continuous learning and development, and offers its employees a variety of training courses and activities in different areas – including technology, sales, communication, leadership, health and safety, language, culture, project management and the environment. In addition, employees have multiple other opportunities to enrich their work, for example, by learning from peers or on the job, and by joining communities, such as employee affinity groups.

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

Diversity

Konecranes aims to create a diverse and inclusive working environment where people feel trusted and there is a sense of belonging. Konecranes wants to represent the multicultural communities where it operates and be a great partner for its customers. 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 all the dimensions of diversity has been repeatedly proven to encourage innovation, deliver exceptional organizational performance and to enable outstanding customer service. In Konecranes' view, varied skillsets are a key driver of creativity and value creation, and diversity and inclusivity result in teams that deliver better results.

Konecranes' work is based on a Diversity and Inclusion (D&I) Policy and on a strategy on inclusion and diversity. In 2021, Konecranes successfully proceeded with integration of D&I into the company's cultural foundation and business agenda. Konecranes continued to raise awareness by 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. Key activities included internal "Coffee and Culture" webinar series focusing on the company's culture and belonging; learning paths related to resilience and staying connected with teams; and Employee Resource Groups aimed at raising awareness, providing support, and improving career development and the work environment.

Mentoring and the fast-track program continued, supporting the increase of women in leadership positions. At the end of 2021, there were 14.3 percent women in Senior Management (13.1 percent in 2020). In addition, D&I has been embedded in the talent and succession plan process, taking into consideration gender and geographic diversity. Konecranes involved the entire organization in its inclusive talent process, allowing to identify talents and create development actions. 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 17.7 percent female and 82.3 percent male. With the D&I vision, purpose and goals, Konecranes continues to raise its ambition of 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 availability issues 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.

Global component availability issues and other global supply chain constraints may lead to production and customer delivery delays and have a negative impact on Konecranes sales and cash flow.

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 number 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.

Stock exchange releases during full year 2021

Date	Release
December 9, 2021	Progress in Regulatory Proceedings in the Merger between Konecranes and Cargotec: The Companies have Submitted Commitments to the European Commission to Satisfy Competition Concerns
November 26, 2021	Konecranes and Cargotec note CMA's announced Provisional Findings regarding the planned merger of Konecranes and Cargotec
November 4, 2021	Konecranes and Cargotec announce planned high-level operating model and leadership team for the Future Company
October 28, 2021	Konecranes Plc: Interim report January-September 2021
October 27, 2021	Konecranes Plc's financial information and AGM in 2022
September 20, 2021	Composition of the Shareholders' Nomination Board of Konecranes Plc
August 27, 2021	Konecranes appoints Anneli Karkovirta as Senior Vice President, Human Resources
August 10, 2021	State Administration for Market Regulation has approved the merger between Konecranes and Cargotec in China

Date	Release
August 6, 2021	Mika Vehviläinen selected as President and CEO of the Future Company as from completion of the merger between Konecranes and Cargotec
August 6, 2021	President and CEO Rob Smith to leave Konecranes
July 28, 2021	Konecranes Plc: Half-year financial report January-June 2021
July 27, 2021	Change in Konecranes Board of Directors
July 2, 2021	The European Commission commences Phase II review of the merger between Konecranes and Cargotec; completion of the merger expected by the end of H1/2022
July 1, 2021	Change in Konecranes Leadership Team
April 28, 2021	Konecranes Plc: Interim Report January-March 2021
March 30, 2021	The Board of Directors of Konecranes Plc decided to continue the Employee Share Savings Plan
March 30, 2021	Konecranes Plc: Board of Directors' organizing meeting
March 30, 2021	Resolutions of Konecranes Plc's Annual General Meeting of shareholders
March 5, 2021	Konecranes Plc's Annual Report 2020 published
March 1, 2021	Notice to the Annual General Meeting of Konecranes Plc
February 4, 2021	Konecranes Plc: Financial statement release 2020
February 3, 2021	The Board of Directors of Konecranes Plc has resolved to establish a new performance share plan
January 20, 2021	Proposals to the Annual General Meeting made by Konecranes Plc's Shareholders' Nomination Board and Certain Shareholders

Corporate press releases during full year 2021

- On December 14, 2021, Konecranes announced that it will modernize four polar reactor cranes for a major US power utility. The order was booked in December 2021.
- On December 14, 2021, Konecranes announced that it now delivers hybrid and electric RTGs as carbon neutral.
- On December 8, 2021, Konecranes announced that it will supply 6 cranes to Singapore's Tuas Nexus - Integrated Waste Management Facility (IWMF). The order was booked in August 2021.
- On November 30, 2021, Konecranes announced that a first Konecranes Gottwald Generation 6 Mobile Harbor Crane will go to Italy. The order was booked in November 2021.
- On November 8, 2021, Konecranes announced that Eurotransit ordered Konecranes RMGs for a new intermodal terminal in Kazakhstan. The order was booked in August 2021.
- On November 3, 2021, Konecranes announced that LOGISTEC USA ordered two Konecranes Gottwald Generation 6 Mobile Harbor Cranes to reduce marine carbon footprint in Florida. The order was booked in August 2021.
- On October 18, 2021, Konecranes announced that Nemport in Turkey ordered a fleet of Konecranes Noell RTGs to handle growing demand. The order was booked in July 2021.
- On October 14, 2021, Konecranes announced that its January–September 2021 interim report will be published on October 28, 2021.
- On September 23, 2021, Konecranes announced that an Italian terminal operator ordered two Konecranes Gottwald Mobile Harbor Cranes to keep pace with material handling demand. The first order was placed in March 2021, and the option for a second was exercised in August.
- On September 22, 2021, Konecranes announced that its sustainability work was rewarded with first Gold rating from EcoVadis.
- On September 13, 2021, Konecranes announced that it won a 14-crane order from thyssenkrupp Marine Systems for Kiel shipyard. The order was booked in July 2021.
- On September 9, 2021, Konecranes announced that Goeyvaerts ordered two Konecranes Generation 6 Mobile Harbor Cranes to meet growing rental demand. The order was booked in July 2021.
- On August 19, 2021, Konecranes announced that a Brazilian terminal ordered three new Konecranes Generation 6 Mobile Harbor Cranes to increase capacity, competitiveness. The order was booked in June 2021.
- On July 29, 2021, Konecranes announced that it won its first customer for EPA-approved new diesel-to-hybrid conversion technology.
- On July 14, 2021, Konecranes announced that its January–June 2021 half-year financial report will be published on July 28, 2021.
- On June 16, 2021, Konecranes announced that it launched a new generation of energy-efficient mobile harbor cranes as global trade accelerates.
- On May 26, 2021, Konecranes announced that it received a $43.5 million portal jib order from the US Navy. The order was booked in May 2021.
- On April 19, 2021, Konecranes announced that Nokia and Edzcom will deploy a 5G SA private wireless network to support Konecranes' advanced R&D work.
- On April 14, 2021, Konecranes announced that Georgia Ports Authority ordered 28 Konecranes container cranes as larger ship traffic grows. The order for 20 RTG cranes was booked in Q1 2021, and the order for 8 STS cranes was booked in Q4 2020.
- On April 14, 2021, Konecranes announced that its January–March 2021 interim report will be published on April 28, 2021.
- On April 1, 2021, Konecranes announced that an Italian terminal ordered a Konecranes Gottwald Mobile Harbor Crane to increase productivity and lower environmental impact. The order was booked in Q1 2021.

- On March 31, 2021, Konecranes announced that the Konecranes lift trucks now support renewable, fossil-free diesel.
- On March 26, 2021, Konecranes announced that a Nigerian port ordered two Konecranes Gottwald Mobile Harbor Cranes for greater flexibility to match growing demand. The order was booked in January 2021.
- On March 25, 2021, Konecranes announced that it will deliver 17 next-generation S-series cranes to a wind power producer in Estonia. The order was booked in February 2021.
- On March 12, 2021, Konecranes announced that Ports America Chesapeake ordered 15 eco-efficient hybrid RTGs from Konecranes. The order was booked in January 2021.
- On March 10, 2021, Konecranes announced that a Danish port ordered a Konecranes Gottwald Mobile Harbor Crane to improve performance, meet demand. The order was booked in Q1 2021.
- On February 26, 2021, Konecranes announced that the Europe's largest iron ore producer LKAB picked Konecranes for Service technology, polar precision.
- On February 9, 2021, Konecranes announced that five hybrid Konecranes RTGs were ordered by Norfolk Southern in the US. This order was booked in December 2020.
- On February 5, 2021, Konecranes announced that in the first quarter of 2021, it won an order for two eco-efficient Konecranes Gottwald Model 8 Cranes on Barge from China.
- On February 1, 2021, Konecranes announced that the President and CEO commented on first year in the role.
- On January 28, 2021, Konecranes announced that it had closed the syndication of the merger financing arrangement.
- On January 21, 2021, Konecranes announced that its financial statement release 2020 will be published on February 4, 2021.
- On January 18, 2021, Konecranes announced that DP World Antwerp Gateway ordered fleet of Automated Stacking Cranes from Konecranes. This order was booked in December 2020.

Events after the end of the reporting period

On February 3, 2022, Konecranes gave together with Cargotec an update on the planned merger. It was announced that based on an ongoing dialogue with relevant competition authorities, the remedy requirements are more complex than expected. The dialogue with relevant competition authorities continues, and Konecranes and Cargotec continue to work towards the merger being completed by the end of H1 2022. Until all merger closing conditions are met and the deal is completed, both companies continue to operate fully separately and independently.

First quarter demand outlook

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

In Europe and North America, the demand environment within the industrial customer segments is on a healthy level. In Asia-Pacific, the demand environment remains below Europe and North America.

Global container throughput continues to be at a record high, and long-term prospects related to global container handling remain good overall.

Financial guidance

Konecranes expects net sales to increase in full-year 2022 compared to 2021. Konecranes expects the full-year 2022 adjusted EBITA margin to improve from 2021.

Board of Directors' proposal for disposal of distributable funds

The parent company's non-restricted equity is EUR 954,876,269.66, of which the net income for the year is EUR 38,775,203.83. The Group's non-restricted equity is EUR 1,284,729,000.

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, 2022 that a dividend of EUR 0.88 be paid on each share and that the remaining non-restricted equity is retained in shareholders' equity. The proposal is unchanged from the dividend for the year 2020 and is in accordance with the Combination Agreement, as disclosed in the Merger Prospectus released on December 4, 2020. The proposal will be included in the notice to the Annual General Meeting, which will be published during February 2022.

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 Monday, February 28, 2022.

Espoo, February 3, 2022
Konecranes Plc
Board of Directors

Konecranes Group 2017–2021

Business development		2021	2020	2019	2018	2017
Orders received	MEUR	3,175.5	2,727.3	3,167.3	3,090.3	3,007.4
Order book	MEUR	2,036.8	1,715.5	1,824.3	1,715.4	1,535.8
Net sales	MEUR	3,185.7	3,178.9	3,326.9	3,156.1	3,137.2
of which outside Finland	MEUR	3,098.1	3,096.3	3,244.2	3,056.3	3,031.5
Export from Finland	MEUR	955.2	1,075.9	969.6	777.0	655.6
Personnel on average		16,625	17,027	16,104	16,247	15,519
Personnel on December 31		16,573	16,862	16,196	16,077	16,371
Capital expenditure	MEUR	49.8	42.8	39.5	35.4	35.7
as % of Net sales	%	1.6%	1.3%	1.2%	1.1%	1.1%
Research and development costs	MEUR	47.7	48.5	41.1	42.1	36.0
as % of Net sales	%	1.5%	1.5%	1.2%	1.3%	1.1%
Profitability						
Net sales	MEUR	3,185.7	3,178.9	3,326.9	3,156.1	3,137.2
Adjusted EBITA	MEUR	312.2	260.8	275.1	257.1	216.6
as % of net sales	%	9.8%	8.2%	8.3%	8.1%	6.9%
Adjusted operating profit	MEUR	279.1	224.9	250.4	219.6	178.0
as % of net sales	%	8.8%	7.1%	7.5%	7.0%	5.7%
Operating profit	MEUR	220.0	173.8	148.7	166.2	318.7
as % of net sales	%	6.9%	5.5%	4.5%	5.3%	10.2%
Income before taxes	MEUR	192.5	170.3	118.5	138.7	276.0
as % of net sales	%	6.0%	5.4%	3.6%	4.4%	8.8%
Net income (incl. non-controlling interest)	MEUR	147.4	122.9	82.8	98.3	225.4
as % of net sales	%	4.6%	3.9%	2.5%	3.1%	7.2%

Key figures and balance sheet		2021	2020	2019	2018	2017
Equity (incl. non-controlling interest)	MEUR	1,360.6	1,251.1	1,246.7	1,284.1	1,278.9
Balance sheet	MEUR	3,845.8	4,016.5	3,854.2	3,567.0	3,562.9
Return on equity	%	11.3	9.8	6.5	7.7	26.1
Return on capital employed	%	9.3	8.3	6.3	7.9	23.7
Current ratio		1.2	1.4	1.4	1.3	1.3
Equity to asset ratio	%	38.9	34.1	35.4	39.8	39.2
Net working capital	MEUR	424.5	337.2	446.0	410.4	324.6
Interest-bearing net debt	MEUR	541.6	577.1	655.3	545.3	525.3
Gearing	%	39.8	46.1	52.6	42.5	41.1
Shares in figures						
Earnings per share, basic	EUR	1.86	1.54	1.03	1.29	2.89
Earnings per share, diluted	EUR	1.85	1.54	1.03	1.29	2.89
Equity per share	EUR	17.08	15.69	15.70	16.06	15.95
Cash flow per share	EUR	2.13	5.15	2.19	1.39	3.19
Dividend per share	EUR	0.88*	0.88	1.20	1.20	1.20
Dividend/earnings	%	47.3	57.1	116.5	93.0	41.5
Effective dividend yield	%	2.5	3.1	4.4	4.5	3.1
Price/earnings		18.9	18.7	26.6	20.5	13.2
Trading low/high**	EUR	28.80/42.31	14.05/33.08	24.84/38.15	25.05/42.43	31.52/42.64
Average share price**	EUR	36.41	23.03	29.98	33.56	36.72
Share price on December 31**	EUR	35.16	28.78	27.40	26.39	38.18
Year-end market capitalization	MEUR	2,782.4	2,277.5	2,160.2	2,080.0	3,006.9
Number traded***	(1,000)	109,580	182,650	144,580	174,340	161,890
Stock turnover	%	138.5	231.0	183.4	221.2	206.8
Average number of shares outstanding, basic	(1,000)	79,134	79,078	78,836	78,811	78,273
Average number of shares outstanding, diluted	(1,000)	79,607	79,272	78,836	78,811	78,273
Number of shares outstanding, at end of the period	(1,000)	79,134	79,134	78,839	78,817	78,756

* 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
Gearing (%):	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 % represents 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, and Gearing are used to measure solvency and indebtedness of the Konecranes Group. Some of Konecranes' loan agreements include a covenant measured by Gearing 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	2021	2020
Operating profit	**220.0**	**173.8**
Restructuring costs		
Employment termination costs	13.5	27.5
Impairments of non-current assets	0.3	0.0
Impairments of inventories	-0.1	7.0
Other restructuring costs and income	-2.3	8.0
Restructuring costs, total	**11.3**	**42.6**
Transaction costs	47.8	8.5
Adjusted operating profit	**279.1**	**224.9**
Purchase price allocation impacts	33.2	35.9
Adjusted EBITA	**312.2**	**260.8**
Reconciliation of interest-bearing net debt		
Interest-bearing liabilities	865.1	1,170.8
Loans receivable	-2.8	-1.8
Cash and cash equivalents	-320.7	-591.9
Interest-bearing net debt	**541.6**	**577.1**
Reconciliation of net working capital		
Total current assets	1,842.6	1,975.8
- Interest bearing current assets	-2.8	-1.8
- Cash and cash equivalents	-320.7	-591.9
Non-interest-bearing current assets	**1,519.0**	**1,382.1**
Deferred tax assets (excluding purchase price allocation)	**120.2**	**118.5**
Total current liabilities	-1,585.9	-1,437.3
- Current Interest-bearing liabilities	418.0	311.1
Non-interest-bearing current liabilities	**-1,167.9**	**-1,126.2**
Deferred tax liabilities (excluding purchase price allocations)	**-26.2**	**-18.9**
Non-current provisions	**-20.7**	**-18.4**
Net working capital	**424.5**	**337.2**

Consolidated statement of income – IFRS

(1,000,000 EUR)		Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Note:			
3,5,6	**Sales**	**3,185.7**	**3,178.9**
	Other operating income	11.3	10.7
7	Materials, supplies and subcontracting	-1,413.0	-1,473.0
7,8	Personnel cost	-1,023.5	-993.5
9	Depreciation and impairments	-120.1	-130.0
7	Other operating expenses	-420.4	-419.3
	Operating profit	**220.0**	**173.8**
4,16	Share of associates' and joint ventures' result	0.3	21.2
10	Financial income	28.6	38.6
10	Financial expenses	-56.4	-63.2
	Profit before taxes	**192.5**	**170.4**
11	Taxes	-45.1	-47.5
	PROFIT FOR THE PERIOD	**147.4**	**122.9**
	Profit for the period attributable to		
	Shareholders of the parent company	146.9	122.2
	Non-controlling interest	0.5	0.7
12	Earnings per share, basic (EUR)	1.86	1.54
12	Earnings per share, diluted (EUR)	1.85	1.54

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(1,000,000 EUR)		Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Note:			
	Profit for the period	**147.4**	**122.9**
	Items that can be reclassified into profit or loss		
34	Cash flow hedges	-11.0	8.1
	Exchange differences on translating foreign operations	22.8	-15.8
11.3	Income tax relating to items that can be reclassified into profit or loss	2.2	-1.6
	Items that cannot be reclassified into profit or loss		
28	Re-measurement gains (losses) on defined benefit plans	17.6	-18.8
11.3	Income tax relating to items that cannot be reclassified into profit or loss	-5.8	5.9
	Other comprehensive income for the period, net of tax	**25.8**	**-22.2**
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**173.2**	**100.7**
	Total comprehensive income attributable to:		
	Shareholders of the parent company	172.6	100.4
	Non-controlling interest	0.6	0.3

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

Consolidated balance sheet – IFRS

ASSETS

(1,000,000 EUR)		Dec 31, 2021	Dec 31, 2020
Note:			
	Non-current assets		
13	Goodwill	1,022.1	1,016.7
14	Intangible assets	503.1	536.0
15	Property, plant and equipment	339.3	341.8
	Advance payments and construction in progress	10.9	20.0
16	Investments accounted for using the equity method	6.8	6.5
	Other non-current assets	0.8	0.8
17	Deferred tax assets	120.2	118.9
	Total non-current assets	**2,003.2**	**2,040.7**
	Current assets		
18	Inventories	726.4	644.8
19	Accounts receivable	492.1	489.2
20	Other receivables	28.1	30.9
	Income tax receivables	16.2	13.4
6	Contract asset arising from percentage of completion method	161.3	102.3
32	Other financial assets	3.6	21.2
21	Deferred assets	94.2	82.1
22	Cash and cash equivalents	320.7	591.9
	Total current assets	**1,842.6**	**1,975.8**
	TOTAL ASSETS	**3,845.8**	**4,016.5**

EQUITY AND LIABILITIES

(1,000,000 EUR)		Dec 31, 2021	Dec 31, 2020
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	-2.7	6.0
	Translation difference	11.0	-11.6
	Other reserve	65.7	58.0
	Retained earnings	308.4	245.3
	Net profit for the period	146.9	122.2
23	**Total equity attributable to equity holders of the parent company**	**1,351.4**	**1,242.0**
16	Non-controlling interest	9.2	9.1
	Total equity	**1,360.6**	**1,251.1**
	Non-current liabilities		
26,27,32	Interest-bearing liabilities	447.1	859.7
28	Other long-term liabilities	289.0	306.4
24	Provisions	20.7	18.4
17	Deferred tax liabilities	142.6	143.6
	Total non-current liabilities	**899.4**	**1,328.1**
	Current liabilities		
26,27,32	Interest-bearing liabilities	418.0	311.1
6	Advance payments received	344.7	352.3
	Accounts payable	255.4	201.6
24	Provisions	105.4	142.6
25	Other short-term liabilities (non-interest-bearing)	53.2	61.2
32	Other financial liabilities	16.9	5.5
	Income tax payables	23.0	18.5
	Accrued costs related to delivered goods and services	178.3	165.3
25	Accruals	190.9	179.2
	Total current liabilities	**1,585.8**	**1,437.3**
	Total liabilities	**2,485.2**	**2,765.4**
	TOTAL EQUITY AND LIABILITIES	**3,845.8**	**4,016.5**

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, 2021	**30.1**	**39.3**	**752.7**	**6.0**	**-11.7**	**58.0**	**367.6**	**1,242.0**	**9.1**	**1,251.1**
Dividends paid to equity holders							-69.6	-69.6	-0.2	**-69.8**
Equity-settled share based payments (note 29)						7.7	0.0	7.7		**7.7**
Acquisitions							-1.3	-1.3	-0.3	**-1.6**
Profit for the period							146.9	146.9	0.5	**147.4**
Other comprehensive income				-8.7	22.6		11.8	25.7	0.1	**25.8**
Total comprehensive income				-8.7	22.6		158.7	172.6	0.6	**173.2**
Balance at December 31, 2021	**30.1**	**39.3**	**752.7**	**-2.7**	**10.9**	**65.7**	**455.4**	**1,351.4**	**9.2**	**1,360.6**
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**
Disposals							0.0	0.0	0.0	**0.0**
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**

Consolidated cash flow statement – IFRS

(1,000,000 EUR)		Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Note:			
	Cash flow from operating activities		
	Profit for the period	147.4	122.9
	Adjustments to net profit for the period		
	Taxes	45.1	47.5
	Financial income and expenses	27.8	24.6
	Share of associates' and joint ventures' result	-0.3	-21.2
	Depreciation and impairments	120.1	130.0
	Profits and losses on sale of fixed assets	-4.2	-2.2
	Other adjustments	10.1	0.8
	Operating income before change in net working capital	**346.0**	**302.4**
	Change in interest-free current receivables	-28.0	115.7
	Change in inventories	-65.3	42.4
	Change in interest-free current liabilities	-5.7	-33.1
	Change in net working capital	**-99.0**	**125.0**
	Cash flow from operations before financing items and taxes	**247.0**	**427.4**
10	Interest received	13.1	21.9
10	Interest paid	-28.1	-36.8
10	Other financial income and expenses	-16.2	20.7
11	Income taxes paid	-47.4	-26.1
	Financing items and taxes	**-78.6**	**-20.3**
	NET CASH FROM OPERATING ACTIVITIES	**168.4**	**407.1**

(1,000,000 EUR)		Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Note:			
	Cash flow from investing activities		
4	Acquisition of Group companies, net of cash	0.0	-124.1
	Capital expenditures	-40.5	-43.8
	Proceeds from sale of property, plant and equipment and other	9.8	2.8
	NET CASH USED IN INVESTING ACTIVITIES	**-30.7**	**-165.1**
	Cash flow before financing activities	**137.7**	**242.0**
	Cash flow from financing activities		
	Proceeds from non-current borrowings	0.0	151.8
	Repayments of non-current borrowings	-5.6	-5.4
	Repayments of lease liability	-42.6	-42.5
	Proceeds from (+), payments of (-) current borrowings	-296.4	-20.0
	Change in loans receivable	-1.0	-1.0
	Acquired non-controlling interest	-1.6	0.0
	Dividends paid to equity holders of the parent company	-69.6	-95.0
	Dividends paid to non-controlling interests	-0.2	-0.3
	NET CASH USED IN FINANCING ACTIVITIES	**-417.0**	**-12.4**
	Translation differences in cash	8.1	-15.9
	CHANGE OF CASH AND CASH EQUIVALENTS	**-271.2**	**213.7**
	Cash and cash equivalents at beginning of period	591.9	378.2
22	Cash and cash equivalents at end of period	320.7	591.9
	CHANGE OF CASH AND CASH EQUIVALENTS	**-271.2**	**213.7**

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 2, 2022.

Principles of consolidation

The consolidated financial statements comprise the consolidated balance sheet of Konecranes Plc and its subsidiaries as at December 31, 2021 and 2020 and the consolidated statements of income and cash flows for the periods ended December 31, 2021 and 2020. 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, labor 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 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 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 the delays in deliveries and has 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.

The 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 the customer controls the asset 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 projects, 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 generates 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 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, the 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 the development is complete and the asset is available for use.

Adjusted EBITA (alternative performance measure)

The Group uses 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 earliest 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 analysis 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 labor 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 amortized 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 recognized at their anticipated realizable 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 amortized 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 leases 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

There were no relevant new or revised IFRSs that would have had impact on the reported figures and that Konecranes has adopted from January 1, 2021.

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.

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 2021 and 2020, 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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Sales												
Sales to external customers	1,161.3	1,148.4	960.2	973.8	1,064.3	1,056.0	0.0	0.8			**3,185.7**	**3,178.9**
Inter-segment sales	44.0	41.6	128.5	146.4	8.6	10.0	9.2	9.1	-190.3	-207.1	**0.0**	**0.0**
Total sales	**1,205.3**	**1,190.0**	**1,088.7**	**1,120.1**	**1,072.9**	**1,066.0**	**9.2**	**9.9**	**-190.3**	**-207.1**	**3,185.7**	**3,178.9**
Adjusted EBITA	222.4	205.2	38.0	25.4	79.9	59.7	-28.1	-29.6	0.0	0.0	**312.2**	**260.8**
% of net sales	18.5%	17.2%	3.5%	2.3%	7.4%	5.6%					**9.8%**	**8.2%**
Purchase price allocation amortization	-15.5	-16.1	-10.8	-12.5	-6.8	-7.3					**-33.2**	**-35.9**
Adjusted operating profit	206.9	189.1	27.2	12.9	73.1	52.4	-28.1	-29.6	0.0	0.0	**279.1**	**224.9**
% of net sales	17.2%	15.9%	2.5%	1.1%	6.8%	4.9%					**8.8%**	**7.1%**
Adjustments to operating profit												
Transaction costs							-47.8	-8.5			**-47.8**	**-8.5**
Restructuring costs	-2.0	-7.7	-8.5	-8.6	1.7	-24.4	-2.5	-2.0			**-11.3**	**-42.6**
Total	-2.0	-7.7	-8.5	-8.6	1.7	-24.4	-50.3	-10.5			**-59.1**	**-51.1**
Operating profit	204.9	181.4	18.7	4.3	74.8	28.0	-78.4	-40.0	0.0	0.0	**220.0**	**173.8**
% of net sales	17.0%	15.2%	1.7%	0.4%	7.0%	2.6%					**6.9%**	**5.5%**
Share of associates and joint ventures result (note 16)							0.3	21.2			**0.3**	**21.2**
Financial income							28.6	38.6			**28.6**	**38.6**
Financial expenses							-56.4	-63.2			**-56.4**	**-63.2**
Profit before tax											**192.5**	**170.3**
Segment assets	1,422.6	1,409.7	926.6	916.5	900.4	854.2					**3,249.6**	**3,180.4**
Investment accounted for using the equity method (note 16)							6.8	6.5			**6.8**	**6.5**
Cash and cash equivalents							320.7	591.9			**320.7**	**591.9**
Deferred tax assets							120.2	118.9			**120.2**	**118.9**
Income tax receivables							16.2	13.4			**16.2**	**13.4**
Other unallocated and corporate function level assets							132.4	105.4			**132.4**	**105.4**
Total assets	**1,422.6**	**1,409.7**	**926.6**	**916.5**	**900.4**	**854.2**	**596.2**	**836.1**			**3,845.8**	**4,016.5**

3.1. Operating segments (continued)

	Service		Industrial Equipment		Port Solutions		Corporate functions and unallocated		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Segment liabilities	212.7	192.5	376.6	356.4	405.8	415.0					**995.1**	**963.9**
Interest-bearing liabilities							865.1	1,170.8			**865.1**	**1,170.8**
Deferred tax liabilities							142.6	143.6			**142.6**	**143.6**
Income tax payables							23.0	18.3			**23.0**	**18.3**
Other unallocated and corporate function level liabilities							459.5	469.3			**459.5**	**469.3**
Total liabilities	**212.7**	**192.5**	**376.6**	**356.4**	**405.8**	**415.0**	**1,490.2**	**1,802.1**			**2,485.2**	**2,766.0**
Other disclosures												
Capital expenditure	10.9	9.6	28.8	24.9	10.2	8.2	0.0	0.0			**49.8**	**42.8**
Personnel	7,890	8,062	5,516	5,720	3,083	2,970	84	110			**16,573**	**16,862**

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

	During 2022	During 2023	From 2024 onwards	Total
Service	291.2	17.9	34.4	**343.5**
Industrial Equipment	585.4	101.1	23.3	**709.9**
Port Solutions	768.6	161.9	52.9	**983.5**
Total	**1,645.2**	**281.0**	**110.6**	**2,036.8**

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

2021	EMEA*	AME	APAC	Total
External sales*	1,645.9	1,042.2	497.7	**3,185.7**
Assets*	2,637.8	546.1	661.9	**3,845.8**
Capital expenditure	36.4	1.0	12.4	**49.8**
Personnel	9,683	3,016	3,874	**16,573**

* External sales to Finland EUR 87.6 million. Non-current assets (excluding deferred tax assets) in Finland: EUR 172.8 million and in other countries: EUR 1,710.2 million.

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.

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

4. Acquisitions and divestments

There were no new acquisitions or divestments during 2021.

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 purchase 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 the 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 were 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**

5. Disaggregation of revenue in sales

Customer contract revenue	2021	2020
Sale of goods	2,242.4	2,254.7
Rendering of services	936.1	917.8
Total customer contract revenue	3,178.5	3,172.5
Other revenue		
Leasing of own products	6.9	6.1
Royalties	0.4	0.4
Total other revenue	7.3	6.5
Total sales	**3,185.7**	**3,178.9**

Timing of satisfying performance obligations by Segments	2021 At a point of time	2021 Over time	2021 Total	2020 At a point of time	2020 Over time	2020 Total
Service	150.1	1,011.2	**1,161.3**	139.3	1,009.1	**1,148.4**
Industrial Equipment	778.8	181.4	**960.2**	781.3	192.5	**973.8**
Port Solutions	836.4	227.9	**1,064.3**	778.0	278.0	**1,056.0**
Corporate functions	0.0	0.0	**0.0**	0.8	0.0	**0.8**
Total	**1,765.3**	**1,420.5**	**3,185.7**	**1,699.3**	**1,479.7**	**3,178.9**

6. Contract balances

6.1. Contract assets and liabilities

Contract assets	2021	2020
The cumulative revenues of non-delivered projects	682.8	554.6
Advances received netted	521.5	452.3
Total	**161.3**	**102.3**
Transfers to receivables from contract assets recognized at the beginning of period	220.3	263.8
Contract liabilities		
Gross advance received from percentage of completion method	593.8	510.0
Advances received netted	521.5	452.3
Total	**72.3**	**57.7**
Revenue recognised in the current period that was included in the contract liability opening balance	185.8	166.4
Increases due to cash received	306.5	347.2

Contract assets relate to receivables 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

	2021	2020
Advance received from percentage of completion method (netted)	72.3	57.7
Other advance received from customers	272.4	294.6
Total	**344.7**	**352.3**

7. Operating Expenses

	2021	2020
Change in work in progress	-35.0	10.5
Production for own use	-0.7	-0.6
Material and supplies	1,030.7	1,062.0
Subcontracting	418.1	401.1
Materials, supplies and subcontracting	1,413.0	1,473.0
Wages and salaries	829.6	826.3
Pension costs	65.1	58.9
Other personnel expenses	128.8	108.3
Personnel cost	1,023.5	993.5
Other operating expenses	420.4	419.3
Total operating expenses	**2,856.9**	**2,885.8**

Research and development costs recognized as an expense in other operating expenses amount to EUR 47.7 million in the year 2021 (EUR 48.5 million in 2020).

7.1. Audit and non-audit fees to Group auditor

	2021	2020
Audit	3.8	3.7
Non-audit services	0.3	0.9
Total	**4.0**	**4.6**

8. Personnel expenses and number of personnel

8.1. Personnel expenses

	2021	2020
Wages and salaries	829.6	826.3
Pension costs: Defined benefit plans	10.7	9.2
Pension costs: Defined contribution plans	54.5	49.7
Other personnel expenses	128.8	108.3
Total	**1,023.5**	**993.5**

8.2. Number of personnel

	2021	2020
Average number of personnel	16,625	17,027
Number of personnel as at December 31	16,573	16,862
Number of personnel as at December 31 in Finland	2,065	1,985

8.3. Personnel by Reportable Segment at the end of period

	2021	2020
Service	7,890	8,062
Industrial Equipment	5,516	5,720
Port Solutions	3,083	2,970
Group Staff	84	110
Total	**16,573**	**16,862**

9. Depreciation, amortization and impairments

9.1. Depreciation and amortization

	2021	2020
Intangible assets	44.2	52.4
Buildings	30.7	30.8
Machinery and equipment	45.0	46.9
Total	**119.8**	**130.0**

9.2. Impairments

	2021	2020
Property, plant and equipment	0.3	0,0
Total	**0.3**	**0,0**

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

	2021	2020
Interest income on bank deposits and loans	2.1	1.5
Fair value gain on derivative financial instruments	0.0	36.5
Exchange rate gains	25.6	0.0
Other financial income	0.9	0.6
Total	**28.6**	**38.6**

10.2. Financial expenses

	2021	2020
Interest expenses on liabilities	19.0	24.1
Net loss on financial instruments at fair value through profit or loss	30.8	0.0
Exchange rate loss	0.0	32.5
Other financial expenses	6.6	6.6
Total	**56.4**	**63.2**
Financial income and expenses net	**-27.8**	**-24.6**

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 -11.0 million (2020: EUR 8.1 million) with deferred taxes of EUR +2.2 million (2020: EUR -1.6 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 2021 (EUR -0.4 million in 2020).

11. Income taxes

11.1. Taxes in statement of income

	2021	2020
Local income taxes of group companies	47.7	51.7
Taxes from previous years	1.4	-3.3
Change in deferred taxes	-3.9	-1.0
Total	**45.1**	**47.5**

11.2. Reconciliation of income before taxes with total income taxes

	2021	2020
Profit before taxes	192.5	170.3
Tax calculated at the domestic corporation tax rate of 20.0% (2020: 20.0%)	38.5	34.1
Effect of different tax rates of foreign subsidiaries	10.2	4.1
Taxes from previous years	1.4	-3.3
Tax effect of non-deductible expenses and tax-exempt income	-1.2	0.1
Tax effect of unrecognized tax losses of the current year	0.6	10.2
Tax effect of utilization of previously unrecognized tax losses	-4.6	-3.1
Tax effect of recognition of previously unrecognized tax losses	-0.3	0.0
Tax effect of impairment of previously recognized deferred tax assets	-1.1	7.1
Tax effect of recognizing the controlled temporary difference from investment in subsidiaries	2.4	-0.4
Tax effect of tax rate change	0.2	0.2
Other items	-1.0	-1.7
Total	**45.1**	**47.5**
Effective tax rate %	**23.4%**	**27.9%**

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

11.3. Tax effects of components in other comprehensive income

	2021	2020
Cash flow hedges	-2.2	1.6
Re-measurement gains (losses) on defined benefit plans	5.8	-5.9
Total	**3.6**	**-4.3**

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 share-based incentive plans. Weighted average number of shares is excluding the number of treasury shares.

	2021	2020
Net profit attributable to shareholders of the parent company	146.9	122.2
Weighted average number of shares outstanding (1,000 pcs)	79,134	79,078
Effect of share based incentive plans (1,000 pcs)	473	194
Weighted average number of shares outstanding, diluted (1,000 pcs)	79,607	79,272
Earnings per share, basic (EUR)	1.86	1.54
Earnings per share, diluted (EUR)	1.85	1.54

13. Goodwill and goodwill impairment testing

13.1. Goodwill

	2021	2020
Acquisition costs as of January 1	1,031.4	922.9
Additions	0.0	114.7
Translation difference	5.4	-6.2
Acquisition costs as of December 31	1,036.8	1,031.4
Accumulated impairments as of January 1	-14.7	-14.7
Total as of December 31	**1,022.1**	**1,016.7**

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

	2021	2020
Industrial Cranes	154.0	152.3
Agilon	3.9	3.9
Goodwill in Industrial Equipment total	**157.9**	**156.3**
Industrial Crane Service	660.0	656.1
Machine Tool Service	4.1	3.9
Goodwill in Service total	**664.1**	**660.0**
Port Cranes	163.4	163.4
Lift trucks	36.7	37.0
Goodwill in Port Solutions total	**200.0**	**200.4**
Total goodwill in reportable segments as of December 31	**1,022.1**	**1,016.7**

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	4%	10.0%
Agilon	20%	13.2%
Industrial Crane Service	6%	10.3%
Machine Tool Service	5%	8.2%
Lift trucks	8%	9.0%
Port Cranes	4%	8.5%

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 2021 and 2020 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.

2021

Sensitivity tests using both higher discount rate (+5% points) and lower cash flow estimates (-10%) indicated that the goodwill in Agilon would have been impaired by EUR 0.6 million. There was no indication of impairment of goodwill for any other CGU from the sensitivity tests.

2020

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

14. Intangible assets

2021	Patents and trademarks	Software	Other	Intangible assets total
Acquisition costs as of January 1	243.7	180.2	504.8	**928.8**
Additions	0.0	12.2	0.0	**12.2**
Disposals	0.0	-0.7	-1.3	**-2.0**
Transfer within assets	0.0	0.0	0.0	**0.0**
Translation difference	0.0	0.0	0.5	**0.5**
Acquisition costs as of December 31	243.8	191.7	504.1	**939.6**
Accumulated amortization as of January 1	-17.7	-158.0	-217.0	**-392.7**
Translation difference	0.0	-0.1	-0.3	**-0.4**
Accumulated amortization relating to disposals	0.0	0.7	0.2	**0.9**
Amortization for financial year	-1.8	-11.1	-31.3	**-44.2**
Total as of December 31	**224.2**	**23.3**	**255.6**	**503.1**

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**

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, 2021 and December 31, 2020, 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 12.2 million (EUR 9.2 million in 2020) mainly consisted of capitalized development costs of the Group's ERP systems.

15. Property, plant and equipment

2021	Land	Buildings	Machinery & Equipment	Property, plant and equipment total
Acquisition costs as of January 1	30.1	263.3	391.6	**685.0**
Additions	0.0	30.9	43.0	**74.0**
Disposals	-0.6	-10.6	-19.0	**-30.2**
Transfer within assets	0.0	0.4	-0.4	**0.0**
Impairment	0.0	0.0	-0.3	**-0.3**
Translation difference	0.3	4.8	3.3	**8.5**
Acquisition costs as of December 31	29.8	288.8	418.4	**737.0**
Accumulated depreciation as of January 1	0.0	-88.3	-254.9	**-343.2**
Translation difference	0.0	-0.3	-0.4	**-0.7**
Accumulated depreciation relating to disposals	0.0	6.3	15.6	**21.9**
Depreciation for financial year	0.0	-30.7	-45.0	**-75.6**
Total as of December 31	**29.8**	**175.8**	**133.7**	**339.3**

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**

Classification of Property, plant and equipment	2021	2020
Property, plant and equipment, owned	223.8	220.8
Right-of-use assets, leased	115.6	121.0
Total	**339.3**	**341.8**

2021

Right of use assets	Land and Buildings	Machinery and Equipment	Total
Balance as of January 1	78.5	42.5	**121.0**
Translation difference	2.0	1.4	**3.4**
New contracts and changes in lease contracts	18.1	15.6	**33.6**
Depreciation during the year	-22.1	-20.4	**-42.5**
Total as of December 31	**76.5**	**39.1**	**115.6**

2020

Right of use assets	Land and Buildings	Machinery 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**

Mainly due to the restructuring actions of the Group, land, buildings, machinery and equipment were written off in 2021 by EUR 0.3 million (EUR 0.0 million in 2020).

16. Interests in other entities and non-controlling interests

16.1. Investments accounted for using the equity method

Associated Companies	2021	2020
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	2021	2020
Acquisition costs as of January 1	4.8	72.3
Share of joint ventures' result after taxes*	0.2	0.0
Change to subsidiary	0.0	-67.8
Dividends received	0.0	-0.4
Acquisitions	0.0	0.8
Translation difference	0.1	-0.1
Total as of December 31	**5.1**	**4.8**

* Including adjustments from purchase price allocation.

In addition, in 2020 Konecranes remeasured its previously held equity interest in MHE-Demag at its acquisition date fair value and recognized also EUR 21.1 million gain in share of joint ventures' result in statement of income.

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.

2021	Carrying amount of the investment	Non-current assets*	Current assets*	Non-current liabilities*	Current liabilities*	Revenue*	Profit/loss after tax from continuing operations*	Total comprehensive income*	Dividends received
Investments in associated companies and joint ventures	6.8	3.8	52.5	0.8	31.4	58.5	1.1	1.1	0.1
Total	**6.8**	**3.8**	**52.5**	**0.8**	**31.4**	**58.5**	**1.1**	**1.1**	**0.1**

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 comprehensive 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**

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

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, 2021 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

2021	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	66.6	38.1	10.6	58.0	42.4	4.4	4.4
Total	**9.2**	**0.0**	**66.6**	**38.1**	**10.6**	**58.0**	**42.4**	**4.4**	**4.4**

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
Other non-controlling interests	9.1	0.0	59.4	43.9	5.6	62.6	42.6	3.8	3.8
Total	**9.1**	**0.0**	**59.4**	**43.9**	**5.6**	**62.6**	**42.6**	**3.8**	**3.8**

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

	2021	2020
Employee benefits	53.1	56.5
Provisions	18.1	17.1
Unused tax losses	9.6	11.4
Other temporary differences	39.4	33.8
Total	**120.2**	**118.9**

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

	2021	2020
Intangible and tangible assets	121.0	129.7
Other temporary difference	21.6	13.9
Total	**142.6**	**143.6**

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 2021 were EUR 125.3 million (EUR 148.4 million in 2020) and deferred tax liabilities EUR 147.7 million (EUR 172.8 million in 2020).

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 2021, Konecranes recorded a deferred tax asset of EUR 9.6 million (EUR 11.4 million in 2020) related to unused tax losses on the carry-forward losses of EUR 199.9 million (EUR 218.4 million in 2020) 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 157.8 million in the year 2021 (EUR 170.0 million in 2020). EUR 138.7 million of these carry-forward tax losses available have unlimited expiry, EUR 18.5 million expire later than in five years and EUR 42.8 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 24.1 million (EUR 24.5 million in 2020).

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.

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

2021	Tax losses carried forward	Potential deferred tax assets	Deferred tax assets not recorded	Deferred tax assets
France	77.4	20.0	20.0	0.0
India	34.5	10.8	10.8	0.0
USA	24.2	5.7	0.0	5.7
Austria	17.9	4.5	4.2	0.3
Great Britain	9.1	1.7	1.7	0.0
South Africa	5.1	1.4	1.4	0.0
Germany	4.4	1.4	1.4	0.0
Japan	3.8	1.2	1.2	0.0
Australia	3.2	1.0	0.0	1.0
Hong Kong	2.8	0.5	0.5	0.0
Other	17.6	4.0	1.3	2.7
Total	**199.9**	**52.0**	**42.4**	**9.6**

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
South Africa	7.7	2.2	2.2	0.0
Germany	5.8	1.8	1.8	0.0
Japan	3.9	0.6	0.6	0.0
Australia	5.0	1.5	0.0	1.5
Hong Kong	2.7	0.4	0.4	0.0
Other	26.9	6.6	4.2	2.4
Total	**218.4**	**57.6**	**46.2**	**11.4**

18. Inventories

	2021	2020
Raw materials and semi-manufactured goods	278.4	238.4
Work in progress	380.7	336.6
Finished goods	46.2	51.4
Advance payments	21.1	18.4
Total	**726.4**	**644.8**

2021	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	42.7	1.1	0.0	9.2	0.7	8.0	**42.0**

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**

19. Ageing analysis of accounts receivable

	2021 Accounts receivable	2021 including impairment of	2020 Accounts receivable	2020 including impairment of
Not overdue	326.7	3.2	327.0	2.9
1–30 days overdue	81.7	0.5	85.0	0.4
31–60 days overdue	40.1	0.2	30.1	0.3
61–90 days overdue	19.4	0.7	14.1	0.6
more than 91 days overdue	24.3	22.2	33.0	27.6
Total	**492.1**	**26.8**	**489.2**	**31.8**

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 5.8 million in 2020).

19. Ageing analysis of accounts receivable (continues)

2021	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)	31.8	1.5	0.0	5.7	5.8	5.0	**26.8**

2020	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)	29.3	-1.2	0.6	5.7	6.6	15.5	**31.8**

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

	2021	2020
Notes receivable	4.7	4.7
Value added tax	23.4	26.2
Total	**28.1**	**30.9**

21. Deferred assets

	2021	2020
Interest	0.5	0.8
Prepaid expenses	23.1	20.4
Unbilled revenue	36.8	24.6
Other	33.8	36.4
Total	**94.1**	**82.1**

22. Cash and cash equivalents

	2021	2020
Short-term deposits	77.9	15.9
Cash in hand and at bank	242.8	576.0
Total	**320.7**	**591.9**

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, 2020	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**
Share issue	0	0
Share subscriptions with share awards	0	0
As of December 31, 2021	**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 1 September, 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 2021 EUR 0.88 and dividend for 2020 was EUR 0.88.

23.2. Distributable earnings

See page 119 / Board of Director's Proposal to the Annual General Meeting.

24. Provisions

2021	Warranty	Restructuring	Pension commitments	Other	Total
Total provisions as of January 1	63.7	64.8	6.0	26.5	**161.0**
Translation difference	0.9	0.4	0.5	0.6	**2.4**
Increase through business combination	0.0	0.0	0.0	0.0	**0.0**
Additional provision in the period	22.6	8.7	1.9	6.2	**39.4**
Utilization of provision	16.9	32.3	0.0	8.6	**57.8**
Unused amounts reversed	13.8	1.7	0.4	2.9	**18.9**
Total provisions as of December 31	**56.4**	**39.8**	**8.0**	**21.8**	**126.1**

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**

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 11.3 million restructuring costs during 1–12/2021 (EUR 42.6 million in 1–12/2020) of which EUR 0.3 million was impairment of assets (EUR 0.0 million for 1–12/2020). The remaining EUR 11.0 million of restructuring cost is reported 1–12/2021 in personnel costs (EUR 13.5 million) and in other operating expenses (EUR 2.8 million) and profits on disposal of assets in other operating income (EUR 5.3 million).

25. Current liabilities

25.1. Accruals

	2021	2020
Wages, salaries and personnel expenses	119.8	115.8
Pension costs	10.4	9.5
Interest	7.0	6.1
Other items	53.7	47.8
Total	**190.9**	**179.2**

25.2. Other current liabilities (non-interest bearing)

	2021	2020
Value added tax	23.2	29.3
Payroll tax liability	18.8	19.2
Other short-term liabilities	11.2	12.7
Total	**53.2**	**61.2**

26. Lease accounting

Maturity of undiscounted cash flows	2021	2020
within 1 year	40.1	41.4
1–5 years	70.4	78.0
over 5 years	24.0	19.5
Total	**134.5**	**138.9**

Lease liabilities included in the balance sheet	2021	2020
Non current interest-bearing liabilities	85.1	90.9
Current interest-bearing liabilities	38.3	37.9
Total as of December 31	**123.4**	**128.8**

Amounts recognized in statement of income	2021	2020
Depreciation for right of use asset	42.5	43.9
Income for subleasing right of use asset	-1.1	-1.3
Expenses related to short-term leases	4.2	4.4
Expenses related to leases of low-value assets	2.5	2.9
Interest on lease liabilities	3.6	4.4
Total expenses	**51.6**	**54.4**
Total cash flow of leases	**52.7**	**54.2**

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 2021 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 3.24% (3.15% in 2020).

27. Interest-bearing liabilities

27.1. Non-current

	2021	2020
Loans from financial institutions	328.5	479.8
Bonds	0.0	249.5
Pension loans	25.0	30.0
Lease liabilities	85.1	90.9
Other long-term loans	8.5	9.6
Total	**447.1**	**859.7**

27.2. Current

	2021	2020
Loans from financial institutions	77.9	82.8
Bonds	249.8	0.0
Pension loans	5.0	5.0
Lease liabilities	38.3	37.9
Commercial papers	40.0	180.8
Other short-term loans	7.0	4.6
Overdraft	0.0	0.0
Total	**418.0**	**311.1**

During the year 2021, Group prepaid EUR 150 million of its term loan. In addition, in the fourth quarter of 2021 the Group refinanced the maturing EUR 73 million Schuldschein loan with a bilateral term loan and downsized respectively the committed merger financing related facility for the same amount. At the end of December, the Group's liquid cash reserves were EUR 320.7 million (31.12.2020: EUR 591.9 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 2021. In addition, the Group may draw short-term financing from the domestic commercial paper markets within the EUR 500 million limit, for which EUR 40 million was utilized at the end of December 2021 (31.12.2020: EUR 181 million).

At the end of December 2021, the outstanding short- and long-term loans were: EUR 323 million term loans, EUR 77 million Schuldschein loan, EUR 250 million bond and EUR 30 million employment pension loan. In addition, an undrawn EUR 392 million committed merger financing related facility (originally EUR 635 million) remained in place. The Schuldschein loan and term loans contain 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 1.21% per annum. The Group is in compliance with the quarterly monitored financial covenant (Gearing). No specific securities have been given for the loans. The Group continues to have healthy Gearing ratio of 39.8 % (31.12.2020: 46.1%) which is in compliance with the financial covenants the Group has to comply with.

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 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.

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, 2021 was 1.42% (2020: 1.57%) and that of the current liabilities portfolio was 1.54% (2020: 0.98%). The effective interest rate for EUR-loans varied between 0.06%–3.80% (2020: 0.29%–3.80%).

27.3. Maturity tables of financial liabilities and liquidity risk

The following table reflects the maturity of interest bearing liabilities.

2021			**Maturity**			
Currency	**Avg. duration**	**Avg. rate %**	**Less than 1 year**	**1–5 years**	**Over 5 years**	**Amount MEUR**
EUR	1.5 years	1.23	387.6	386.5	17.5	**791.6**
INR	1.1 years	8.86	0.5	0.1	0.0	**0.6**
CNY	1.5 years	4.97	1.0	0.8	0.0	**1.8**
USD	1.7 years	3.62	7.5	14.3	0.6	**22.5**
GBP	1.8 years	2.81	2.0	4.6	0.7	**7.2**
Others	1.0–3.1 years	1.38–20.78	19.3	15.6	6.5	**41.4**
Total		**1.48**	**418.0**	**421.8**	**25.2**	**865.1**

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**

27.4. 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.

2021			Maturity			
Currency	**Avg. duration**	**Avg. rate %**	**Less than 1 year**	**1–5 years**	**Over 5 years**	**Amount MEUR**
EUR	1.5 years	1.23	399.9	400.7	13.9	**814.6**
INR	1.1 years	8.86	0.6	0.1	0.0	**0.6**
CNY	1.5 years	4.97	1.1	0.9	0.0	**1.9**
USD	1.7 years	3.62	7.8	14.4	0.8	**22.9**
GBP	1.8 years	2.81	1.4	3.9	0.9	**6.2**
Others	1.0–3.1 years	1.38–20.78	23.6	14.3	13.8	**51.7**
Total debt		**1.48**	**434.4**	**434.3**	**29.4**	**898.1**
Other financial liabilities			308.6	10.5	0.0	**319.1**
Total financial liabilities			**743.0**	**444.8**	**29.4**	**1,217.2**

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**

27.5. Maturity profile of the Group's financial liabilities

The following table reflects the maturity of all financial liabilities.

2021		Maturity of financial liabilities		
Liability type	Amount drawn	Less than 1 year	1-5 years	Over 5 years
Loans from financial institutions	406.4	77.9	328.5	0.0
Bonds	249.8	249.8	0.0	0.0
Lease liabilities	123.4	38.3	68.2	16.9
Commercial paper program	40.0	40.0	0.0	0.0
Pension loans	30.0	5.0	20.0	5.0
Other long-term debt and short-term loans	15.5	7.0	6.1	2.4
Overdraft	0.0	0.0	0.0	0.0
Derivative financial instruments	16.9	16.9	0.0	0.0
Account and other payables	319.1	308.6	10.5	0.0
Total	**1,201.0**	**743.5**	**433.2**	**24.4**

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**

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

2021	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	768.8	90.9	273.2	37.9	5.5	**1,176.3**
Cash flows	-5.6	0.0	-296.4	-42.6	0.0	**-344.6**
Acquisitions and disposals	0.0	0.0	0.0	0.0	0.0	**0.0**
Foreign exchange movement	0.3	2.5	0.6	1.1	0.0	**4.5**
Changes in fair values	0.0	0.0	0.0	0.0	11.4	**11.4**
Changes in lease contracts	0.0	36.3	0.0	-2.7	0.0	**33.6**
Other	-401.6	-44.6	402.3	44.6	0.0	**0.8**
Total as of December 31	**362.0**	**85.1**	**379.7**	**38.3**	**16.9**	**882.0**

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**

28. Other long-term liabilities

	2021	2020
Employee benefits	278.5	299.2
Other non-interest-bearing long-term liabilities	10.5	7.2
Total	**289.0**	**306.4**

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, allow 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 2020).

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 242.4 million (EUR 265.2 million in 2020) of which the MLO plan was EUR 169.5 million (EUR 170.5 million in 2020).

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 7.4 million (EUR 5.1 million in 2020) of which the pension plan was EUR 7.2 million (EUR 4.8 million in 2020).

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

	2021	2020
Present value of obligation wholly unfunded	271.2	294.7
Present value of obligation wholly or partly funded	86.8	86.1
Defined benefit plan obligations	358.0	380.8
Fair value of plan assets	-79.5	-81.6
Total net liability recognized	**278.5**	**299.2**

28.3. Components of defined benefit plan recorded in comprehensive income

	2021	2020
Service cost:		
Current service cost	9.3	8.1
Net interest cost	1.8	3.0
Past service cost	-0.3	0.3
Effect of settlement and curtailments	-0.1	-2.2
Components of defined benefit plan costs recorded in profit or loss	**10.7**	**9.1**

	2021	2020
Remeasurement on the net defined benefit liability:		
The return on plan assets (excluding amounts included in the net interest expense) gains (-) / losses (+)	3.7	-7.2
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	-3.1	0.5
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	-20.2	27.8
Actuarial gains (-) / losses (+) arising from experience	2.2	-2.3
Components of defined benefit plan costs recorded in other comprehensive income	**-17.6**	**18.8**
Total (income (-) / expense (+))	**-6.9**	**27.9**

The actuarial gains / losses in 2021 and 2020 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

	2021	2020
Obligation as of January 1	380.8	364.1
Translation difference	5.6	-3.8
Business combinations	0.0	1.9
Reclassification of pension liabilities	0.0	0.7
Settlements and curtailments	-0.1	-2.2
Current service cost	9.4	8.4
Interest cost	2.9	4.4
Past service cost	-0.3	0.3
Actuarial gains (-) / losses (+) arising from changes in demographic assumptions	-3.1	0.5
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	-20.2	27.8
Actuarial gains (-) / losses (+) arising from experience	2.2	-2.3
Benefits paid (-)	-19.1	-19.0
Obligation as of December 31	**358.0**	**380.8**

Of the benefits paid, EUR 6.2 million (2020: EUR 5.9 million) was paid from plan assets and EUR 12.9 million (2020: EUR 13.1 million) by employer directly.

Movements of the fair value of plan assets	**2021**	**2020**
Fair value of plan assets as of January 1	81.6	80.5
Translation difference	5.1	-3.4
Business combinations	0.0	0.6
Reclassification of plan assets	0.0	0.5
Interest income	1.1	1.5
Employee contributions	1.4	0.4
Employer contributions	0.1	0.3
Settlements	0.0	0.0
The return on plan assets (excluding amounts included in the net interest expense)	-3.7	7.2
Benefits paid (-)	-6.2	-5.9
Fair value of plan assets as of December 31	**79.5**	**81.6**

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

	2021	2020
Equity instruments	13.6	14.4
Debt instruments	51.5	57.5
Insurances	1.6	1.1
Real estate	7.2	7.5
Others	5.5	1.1
Total plan assets	**79.5**	**81.6**

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 return on plan assets was EUR -2.6 million (2020: EUR 8.7 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, 2021. 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	2021	2020
Discount rate %	1.05	0.55
Expected development of salaries %	2.42	2.40
Expected development of pensions %	1.65	1.67

Mortality table: Richttafeln 2018 G von Klaus Heubeck

UK	2021	2020
Discount rate %	1.80	1.40
Expected development of pensions %	3.30	2.90

Mortality table: SAPS base table of S3PA, applied at year of birth and weighted by male/female deferred members and pensioners, and CMI 2020 (2020: CMI 2017) projections with a long term improvement parameter of 1.25% (2020: 1.25%) per annum.

Switzerland	2021	2020
Discount rate %	0.17	0.05
Expected development of salaries %	1.25	1.25

Mortality table: BVG 2020 Generational and improvement factors CMI 2019 LTR 1.5%.

Other	2021	2020
Discount rate %	0.60 - 12.42	0.22 - 12.07
Expected development of salaries %	1.10 - 10.05	1.08 - 8.80
Expected development of pensions %	1.61 - 10.57	1.50 - 6.90

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	-7.0%	7.9%
0.5% points change in the expected development of salaries	0.4%	-0.4%
0.5% points change in the expected development of pensions	5.5%	-5.0%

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 15 years (2020: 16 years).

The Group expects to contribute EUR 1.4 million to the above defined benefit pension plans in 2022 (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.

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.

The Board of Directors of Konecranes Plc resolved in 2021 to establish a new Performance Share Plan 2021 for Konecranes key employees. 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). Adjustments to the EPS include defined restructuring costs, mergers and acquisitions related deal costs and other unusual items. The EPS target for the first measurement period has also been 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. The rewards to be paid on the basis of the performance period 2021–2023 correspond to the value of a maximum total of 634,921 Konecranes Plc shares. The payment of the total reward takes place in 2024 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 class shares including also the proportion to be paid in cash. No shares (45,000 shares in 2020) of the restricted share unit plan were allocated during 2021.

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.

Ownership Obligations

A member of the Group Executive Board must hold a minimum of 50 percent 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 Group Executive Board 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

	2021	2020
Expense arising from equity-settled share-based payment transactions	9.5	5.0
Expense arising from cash-settled share-based payment transactions	2.5	0.7
Total expense arising from share-based payment transactions	**11.9**	**5.7**

The carrying amount of the liability arising from cash settled portion was EUR 3.0 million (2020: EUR 0.8 million).

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

	2021 Number of shares	2020 Number of shares
As of January 1	1,947,600	2,124,100
Share rewards granted	633,300	700,000
Share rewards awarded	-2,000	-552,820
Share rewards expired	-668,933	-280,135
Share rewards forfeited	-194,167	-43,545
Total as of December 31	**1,715,800**	**1,947,600**

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

	2021 Number of shares	2020 Number of shares
As of January 1	119,246	0
Share rewards granted	8,238	119,246
Share rewards forfeited	-16,798	0
Total as of December 31	**110,686**	**119,246**

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

	2021 Number of shares	2020 Number of shares
Outstanding as of January 1	182,160	146,344
Share rewards granted	64,142	66,329
Share rewards awarded	-45,751	-21,480
Share rewards forfeited	-10,113	-9,033
Outstanding as of December 31	**190,438**	**182,160**

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 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. For the 2021–2023 vesting periods granted in 2021, the fair value for the equity settled portion is based on non market vesting condition (adjusted EPS) for the year 2021 when the condition for 2022 and 2023 are 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.

	2021 plan	2020 Restricted share unit plan	2020 plan	2019 plan	2018 plan
Share price at grant, EUR	38.77	27.74	26.95	31.09	32.91
Share price at reporting period end December 31, EUR	35.16	35.16	35.16	35.16	35.16
Expected volatility, % *	26.0%	31.0%	32.0%	25.0%	27.0%
Risk-free interest rate, %	0.0%	0.0%	0.0%	0.0%	0.0%
Expected dividend per share, pa, EUR	1.7	3.2	1.7	1.1	1.1
Expected contractual life in years	2.8	1.4	2.5	2.8	1.7
Weighted average fair value of the share rewards at the grant date	33.75	24.54	22.59	27.66	29.55
Model used	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 2021 confirmed an annual fee of EUR 140,000 for the Chairman of the Board (2020: EUR 140,000), EUR 100,000 for the Vice Chairman of the Board (2020: EUR 100,000), and EUR 70,000 for other Board members (2020: EUR 70,000). In case the term of office of a Board member ends before the closing of the Annual General Meeting in 2022, 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 (2020: EUR 1,500). However, the chairman of audit committee is entitled to a compensation of EUR 3,000 (2020: 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.

2021

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	1,508	55,908	96,092	152,000
Board members	3,770	139,771	288,229	428,000
Total	**5,278**	**195,680**	**384,320**	**580,000**

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**

Expense of statutory pension plans was EUR 0.0 million in 2021 (EUR 0.0 million in 2020).

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.

On October 7, The Board of Directors of Konecranes Plc appointed Rob Smith as President and CEO of Konecranes effective from February 1, 2020 and the former CEO Panu Routila left the Group on 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. On August 6, 2021 Konecranes announced that Rob Smith has decided to leave the company. He left Konecranes on December 31, 2021. The company's CFO, Teo Ottola, who also serves as Deputy CEO, will be acting as the interim CEO from January 1, 2022 until the completion of the planned merger between Konecranes and Cargotec Corporation.

President and CEO	2021	2020
Salary and benefits, EUR (Jan 1 – Jan 31, 2020 Teo Ottola, Rob Smith Feb 1, 2020 – Dec 31, 2021)	901,303	750,830
Annual variable pay, EUR	256,284	0.0
Total	**1,157,587**	**750,830**
Expense of statutory pension plans (Teo Ottola Jan 1 – Jan 31, 2020, Rob Smith Feb 1, 2020 – Dec 31, 2021)	184,172	113,782
Expense of voluntary pension plans (Teo Ottola Jan 1 – Jan 31, 2020, Rob Smith Feb 1, 2020 – Dec 31, 2021)	106,664	107,186
Total	**290,836**	**220,968**
Annual variable pay of CEO (Rob Smith)		
Accrued	615,815	0.0
Benefits related to termination of employment (Panu Routila)		
Paid during the period	0.0	758,302
Shareholding in Konecranes Plc (number of shares)	0.0	0.0
Performance share rights allocated (number of share rights) [1]	0.0	122,922
Share-based payment costs, EUR	-218,859	218,859
Retirement age	63 years	63 years
Period of notice	6 months	
Severance payment (including 6 months notice period)	18 months salary and fringe benefits	

[1] Number of 2020 restricted share rights are net share amounts. In addition, a cash part is included in the reward. Performance share rights allocated to Rob Smith on December 31, 2021 are reported zero as he is not entitled to receive them.

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	2021	2020
Salary and benefits, EUR	2,227,618	2,041,926
Annual variable pay, EUR	864,377	634,430
Total	**3,091,995**	**2,676,357**
Expense of statutory pension plans	335,934	280,349
Expense of voluntary pension plans	19,688	17,360
Total	**355,622**	**297,709**
Shareholding in Konecranes Plc (number of shares)	156,161	170,044
Performance share rights allocated (number of share rights) 1)	317,419	334,419
Share-based payment costs, EUR	2,014,697	720,725

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 2021 and 2020.

There were no guarantees on behalf of the Konecranes Leadership Team in year 2021 and 2020.

The employee benefits to the key management personnel of the Group were in total EUR 7.3 million in year 2021 (EUR 5.6 million in year 2020).

30.2. Transactions with associated companies and joint arrangements

	2021	2020
Sales of goods and services with associated companies and joint arrangements	18.0	20.0
Receivables from associated companies and joint arrangements	3.3	4.3
Purchases of goods and services from associated companies and joint arrangements	53.6	48.7
Liabilities to associated companies and joint arrangements	1.7	0.8

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

	2021	2020
Employer contributions	0.0	0.0

30.4. Transactions with Board members

	2021	2020
Board member holding the bond of Konecranes Plc through a 100% owned company.		
Interest-bearing short-term liabilities	0.1	0.1

31. Guarantees and contingent liabilities

	2021	2020
For own commercial obligations		
Guarantees	783.0	580.2
Other	55.1	33.4
Total	**838.2**	**613.6**

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

	2021				2020			
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	520.2	**520.2**	0.0	0.0	520.1	**520.1**
Derivative financial instruments	1.5	2.1	0.0	**3.6**	7.7	13.4	0.0	**21.2**
Cash and cash equivalents	0.0	0.0	320.7	**320.7**	0.0	0.0	591.9	**591.9**
Total	**1.5**	**2.1**	**840.9**	**844.5**	**7.7**	**13.4**	**1,112.0**	**1,133.2**
Financial liabilities								
Non-current financial liabilities								
Interest-bearing liabilities	0.0	0.0	447.1	**447.1**	0.0	0.0	859.7	**859.7**
Other payables	0.0	0.0	10.5	**10.5**	0.0	0.0	7.2	**7.2**
Current financial liabilities								
Interest-bearing liabilities	0.0	0.0	418.0	**418.0**	0.0	0.0	311.1	**311.1**
Derivative financial instruments	7.0	9.9	0.0	**16.9**	1.9	3.7	0.0	**5.5**
Account and other payables	0.0	0.0	308.6	**308.6**	0.0	0.0	262.7	**262.7**
Total	**7.0**	**9.9**	**1,184.2**	**1,201.1**	**1.9**	**3.7**	**1,440.8**	**1,446.3**

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	**2021**	**2020**	**2021**	**2020**	**Note**
Current financial assets					
Account and other receivables	520.2	520.1	520.2	520.1	19,20
Derivative financial instruments	3.6	21.2	3.6	21.2	34.1
Cash and cash equivalents	320.7	591.9	320.7	591.9	22
Total	**844.5**	**1,133.2**	**844.5**	**1,133.2**	
Financial liabilities					
Non-current financial liabilities					
Interest-bearing liabilities	447.1	859.7	448.3	864.6	27.1
Other payables	10.5	7.2	10.5	7.2	
Current financial liabilities					
Interest-bearing liabilities	418.0	311.1	419.1	311.2	27.2
Derivative financial instruments	16.9	5.5	16.9	5.5	34.1
Account and other payables	308.6	262.7	308.6	262.7	25.2
Total	**1,201.0**	**1,446.3**	**1,203.4**	**1,451.3**	

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.

	2021			2020		
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Derivative financial instruments						
Foreign exchange forward contracts	0.0	3.5	0.0	0.0	21.2	0.0
Fuel oil derivate	0.0	0.1	0.0	0.0	0.0	0.0
Interest rate derivative	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**3.6**	**0.0**	**0.0**	**21.2**	**0.0**
Other financial assets						
Cash and cash equivalents	320.7	0.0	0.0	591.9	0.0	0.0
Total	**320.7**	**0.0**	**0.0**	**591.9**	**0.0**	**0.0**
Total financial assets	**320.7**	**3.6**	**0.0**	**591.9**	**21.2**	**0.0**
Financial liabilities						
Derivative financial instruments						
Foreign exchange forward contracts	0.0	16.9	0.0	0.0	5.5	0.0
Total	**0.0**	**16.9**	**0.0**	**0.0**	**5.5**	**0.0**
Other financial liabilities						
Interest bearing liabilities	0.0	865.1	0.0	0.0	1,170.8	0.0
Other payables	0.0	0.0	3.0	0.0	0.0	0.7
Total	**0.0**	**865.1**	**3.0**	**0.0**	**1,170.8**	**0.7**
Total financial liabilities	**0.0**	**882.0**	**3.0**	**0.0**	**1,176.3**	**0.7**

There were no significant changes in classification of fair value of financial assets and financial liabilities in the period 2020 to 2021. 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 29 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 2021, the hedge accounting net cash flows totaled USD 201 million (USD 207 million in 2020).

The following table shows the transaction exposure of Konecranes Finance Corporation as of December 31, 2021, and December 31, 2020 (in EUR millions):

	2021	2020
AED	1	10
AUD	38	19
BRL	5	4
CAD	20	16
CHF	3	1
CLP	1	1
CNY	-2	-24
CZK	12	10
DKK	5	0
GBP	53	7
IDR	9	4
ILS	0	-3
INR	3	2
JPY	2	3
MXN	-1	0
MYR	4	1
NOK	2	1
PHP	3	1
SEK	-131	-58
SGD	-10	-6
THB	4	2
TWD	1	1
USD	284	250
VND	2	0
ZAR	6	5

The following table shows the translation exposure, which represents the equity of the Group in a local currency as of December 31, 2021, and December 31, 2020 (in EUR millions):

	2021	2020
AED	11	9
AUD	10	11
BDT	1	1
BRL	14	11
CAD	12	9
CHF	3	9
CLP	8	7
CNY	124	106
CZK	9	9
DKK	6	6
GBP	-19	-26
HUF	3	3
INR	5	3
IDR	19	9
JPY	-8	-8
MAD	2	2
MXN	2	2
MYR	14	22
NOK	1	1
PEN	6	5
PHP	6	7
PLN	1	1
RON	2	2
RUB	7	6
SAR	-1	-2
SGD	-37	-45
SEK	-6	-15
THB	18	16
TWD	4	3
UAH	2	-2
USD	33	26
VND	1	0
ZAR	2	0

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 36.9 million (43.9 million in 2020) and increases equity by EUR 3.6 million (3.2 million in 2020). The below table provides a sensitivity analysis over the past two years:

Change in EUR/USD rate	2021 EBIT	2021 Equity	2020 EBIT	2020 Equity
+10%	-30.2	-2.9	-35.9	-2.6
-10%	+36.9	+3.6	+43.9	+3.2

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 2021 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 9 million increase (EUR 10 million in 2020) when the dollar appreciates 10 percent.

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 92% of the Group's interest-bearing liabilities are denominated in euro (93% in 2020). 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	2021 Income statement	2021 Equity	2020 Income statement	2020 Equity
+1	-3.6	+0.0	-5.2	+0.0
-1	+0.9	-0.0	+1.0	-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 fuel oil derivatives, the Group may reduce the negative effect caused by oil 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 2021, 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 270 million to cover the day-to-day funding needs. Cash and cash equivalents totaled EUR 323.5 million at the end of 2021 (EUR 593.7 million in 2020).

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 2021, the gearing ratio was 39.8% (46.1% in 2020).

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

	2021 Nominal value	2021 Fair value	2020 Nominal value	2020 Fair value
Foreign exchange forward contracts	1,060.1	-13.4	1,052.2	15.6
Interest rate derivative	88.4	0.0	0.0	0.0
Fuel oil derivative	1.4	0.1	0.0	0.0
Total	**1,149.9**	**-13.3**	**1,052.2**	**15.6**

See note 32.3 for the fair values of the derivatives recognized in assets and liabilities.

Derivatives not designated as hedging instruments

The Group also enters into other derivatives, foreign exchange or currency options with the intention of reducing the risk 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 interest rate derivative contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales and purchases and receivables in US dollar. These forecast transactions are highly probable, and they comprise about 30.8% 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 assess 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 2021 and 2020 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

	2021	2020
Balance as of January 1	6.0	-0.5
Gains and losses deferred to equity (fair value reserve)	-11.0	8.1
Change in deferred taxes	2.2	-1.6
Balance as of December 31	**-2.8**	**6.0**

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.

The Konecranes Annual General meeting approved the Board's proposal and authorized the Board of Directors to resolve, before the completion of the Merger, on an extra distribution of funds to be paid either from the Konecranes' reserve for invested unrestricted equity as a return of equity or from its retained earnings as a dividend or as a combination of both so that the total maximum amount of funds to be distributed under the authorization would amount to EUR 158,268,918 corresponding to EUR 2.00 per share. The authorization is in force until the opening of the following Annual General Meeting of Konecranes. The extra distribution of funds will be paid in addition to the ordinary distribution(s). 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. In July, the European Commission and the UK Competition and Markets Authority (CMA) opened Phase II reviews in connection with the planned Transaction. Also, the US Department of Justice has opened phase II review of the merger. Further investigations regarding the proposed remedies and negotiations with relevant competition authorities regarding anti-trust concerns continue, and Konecranes and Cargotec are awaiting their decisions. The companies continue to work towards the merger being completed by the end of H1 2022. Until completion, both companies will operate fully separately and independently.

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	Group's share, %
Australia:	Konecranes and Demag Pty Ltd	20,751	100
	MHE-Demag Australia Pty Ltd	16,942	100
Austria:	Konecranes and Demag Ges.m.b.H.	29,775	100
Bangladesh:	Konecranes and Demag (Bangladesh) Ltd.	104	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.	2,085	100
	Demag Cranes & Components (Shanghai) Co., Ltd.	14,349	100
	Konecranes (Shanghai) Co. Ltd.	0	100
	Konecranes (Shanghai) Company Ltd.	4,210	100
	Konecranes Manufacturing (Jiangsu) Co., Ltd.	28,587	100
	Konecranes Port Machinery (Shanghai) Co., Ltd.	7,606	100
	SWF Krantechnik Co., Ltd.	780	100
Czech Republic:	Konecranes and Demag s.r.o.	2,823	100
Denmark:	Konecranes Demag A/S	13,597	100
Estonia:	Konecranes Oü	0	100
Finland:	Nosturiexpertit Oy	10	100
France:	KCI Holding France SAS	40,500	100
	Konecranes (France) SAS	2,482	100
	MHPS Cranes France SAS	9,904	100
	Verlinde SAS	10,720	100
Germany:	Demag Cranes & Components GmbH	744,213	100
	Eurofactory GmbH	1,239	100
	Konecranes GmbH	483,804	100
	Konecranes Holding GmbH	315,262	100
	Konecranes Noell GmbH	38,608	100
	Konecranes Real Estate GmbH Co. & KG	33,652	94
	Konecranes Real Estate Verwaltungs GmbH	28	100
	Kranservice Rheinberg GmbH	1,492	100
	SWF Krantechnik GmbH	15,500	100

Subsidiaries owned by the group		Book value of shares (1,000 EUR)	Group's share, %
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	17,335	100
Indonesia:	Pt. Konecranes	2,344	100
	PT MHE-Demag Indonesia	3,369	100
	PT MHE-Demag Technology Indonesia	312	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.	499	100
	Mechanical Handling Engineering (M) Sdn Bhd	400	100
	MHE-Demag Logistics Malaysia Sdn Bhd	2,498	100
	MHE-Demag Malaysia Sdn Bhd	6,555	100
	Rainfields Estate Sdn Bhd	1,293	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:	MHE-Demag (P), Inc.	5,453	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.	10,134	100

		(1,000 EUR)	
Subsidiaries owned by the group		**Book value of shares**	**Group's share, %**
Singapore:	KCI Cranes Holding (Singapore) Pte. Ltd.	114,764	100
	MHE-Demag (S) Pte. Ltd.	189,693	100
	SWF Krantechnik Pte. Ltd.	164	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	1,334	100
	Konecranes Lifttrucks AB	22,669	100
	Konecranes Sweden Holding AB	1,682	100
	Ulvaryd Fastighets AB	1,267	100
Switzerland:	Konecranes and Demag AG	17,205	100
Taiwan:	MHE-Demag Taiwan Company Limited	1,696	100
Thailand:	Katrolin Enterprise (T) Ltd	83	100
	Katrolin Holding (T) Ltd	94	100
	Konecranes (Thailand) Ltd.*	111	49
	Mahakorn (T) Ltd	80	100
	MHE-Demag (T) Ltd	288	100
	MHE-Demag Technology (T) Ltd	255	100
	Scenic Wealth (T) Ltd	138	100
Turkey:	Konecranes Ticaret Ve Servis Limited Sirketi	93	100
Ukraine:	Konecranes Ukraine JSC	2,049	100
	PJSC "Zaporozhje Kran Holding"	257	100
	JSC "Zaporozhcran"	0	90.43
United Arab Emirates:	Demag Cranes & Components Holding Ltd.	0	100
	Demag Cranes & Components (Middle East) FZE	14,132	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	6,742	100
	Lloyds Konecranes Pension Trustees Ltd.	0	100
	Morris Material Handling Ltd.	595	100
	TBA Doncaster Limited	2,011	69.78
	TBA Leicester Limited	10,342	69.78
	UKMHPS Limited	41,374	100
U.S.A.	Demag Cranes & Components Corp.	59,800	100
	KCI Holding USA Inc.	53,901	100
	Konecranes, Inc.	47,051	100
	Konecranes Nuclear Equipment & Services, LLC	0	100

		(1,000 EUR)	
Subsidiaries owned by the group		**Book value of shares**	**Group's share, %**
	MMH Americas, LLC	0	100
	Morris Material Handling, Inc.	63,075	100
	R&M Materials Handling, Inc.	7,240	100
Vietnam:	Konecranes Vietnam Co., Ltd	0	100
	MHE-Demag Vietnam Company Ltd	2,611	100

*Konecranes Group has the majority representation on the entity's board of directors and approves all major operational decisions and thereby Konecranes consolidates them in the Group's financial statements.

Other shares and 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.	570	25
	Jiangyin Dingli Shengshai High Tech Industrial Crane Company, Ltd.	138	30
	Shanghai High Tech Industrial Crane Company, Ltd.	2,358	28
Finland:	Fantuzzi Noell Baltic Oy	493	25
France:	Boutonnier Adt Levage S.A.	488	25
	Levelec S.A.	216	20
	Manulec S.A.	235	25
	Manelec S.A.R.L.	84	25
	S.E.R.E. Maintenance S.A.	221	25
Germany:	AQZ Ausbildungs- und Qualifizierungszentrum Düsseldorf GmbH	0	30
Singapore:	MHE-Demag Techonology (S) Pte. Ltd.	704	49.99
Switzerland:	Demag IP Holdings GmbH	135	50
Thailand:	CSA Crane Service Asia Company Ltd	171	49
United Arab Emirates:	Crane Industrial Services LLC	993	49

Available-for-sale investments		**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:		203	
Total:		**791**	

Parent company statement of income – FAS

(1,000 EUR)		Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Note:			
	Other operating income	0	437
2	Depreciation and impairments	-179	-134
3	Other operating expenses	-48,913	-14,787
	Operating profit	**-49,092**	**-14,485**
4	Financial income and expenses	35,841	71,685
	Income before appropriations and taxes	**-13,251**	**57,200**
5	Appropriations	52,388	58,352
6	Income taxes	-362	-8,441
	Net income	**38,775**	**107,112**

Parent company balance sheet – FAS

(1,000 EUR) Note:		Dec 31, 2021	Dec 31, 2020
	ASSETS		
	NON-CURRENT ASSETS		
	Tangible assets		
7	Machinery and equipment	547	689
	Advance payments	0	2
		547	**691**
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	**153,758**	**153,901**
	CURRENT ASSETS		
	Long-term receivables		
	Loans receivable from Group companies	1,043,232	1,070,232
		1,043,232	**1,070,232**
	Short-term receivables		
	Accounts receivable	10,988	1,619
	Amounts owed by Group companies		
	Accounts receivable	4,538	3,704
10	Deferred assets	74,897	86,335
	Other receivables	8,407	4,101
10	Deferred assets	2,703	2,557
		101,534	**98,318**
	Cash in hand and at banks	**3**	**3**
	Total current assets	**1,144,769**	**1,168,553**
	TOTAL ASSETS	**1,298,527**	**1,322,454**

(1,000 EUR) Note:		Dec 31, 2021	Dec 31, 2020
	SHAREHOLDERS' EQUITY AND LIABILITIES		
11	**EQUITY**		
	Share capital	30,073	30,073
	Share premium account	39,307	39,307
	Paid in capital	774,591	774,591
	Retained earnings	141,510	104,037
	Net income for the period	38,775	107,112
		1,024,256	**1,055,119**
	APPROPRIATIONS		
	Depreciation difference	**65**	**114**
	LIABILITIES		
	Non-current liabilities		
12	Bond	0	249,482
		0	**249,482**
	Provisions	**0**	**346**
	Long-term liabilities		
	Loans payable to Group company	893	1,792
		893	**1,792**
	Current liabilities		
12	Bond	249,841	0
	Accounts payable	9,892	1,453
	Liabilities owed to Group companies		
	Accounts payable	140	1,527
13	Accruals	2,102	3,493
	Other short-term liabilities	1,001	66
13	Accruals	10,338	9,063
		273,313	**15,602**
	Total liabilities	**274,206**	**267,222**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,298,527**	**1,322,454**

Parent company cash flow – FAS

(1,000 EUR)	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Cash flow from operating activities		
Operating income	**-49,092**	**-14,485**
Adjustments to operating profit		
Depreciation and impairments	179	134
Group contributions from subsidiaries	58,320	57,190
Operating income before changes in net working capital	**9,407**	**42,840**
Change in interest-free short-term receivables	-4,435	3,112
Change in interest-free short-term liabilities	7,300	5,524
Change in net working capital	**2,864**	**8,636**
Cash flow from operations before financing items and taxes	**12,271**	**51,476**
Interest received	5,231	5,246
Interest paid	-4,514	-4,401
Other financial income and expenses	-1,866	-1,599
Income taxes paid	-5,049	-8,786
Financing items and taxes	**-6,198**	**-9,540**
NET CASH FROM OPERATING ACTIVITIES	**6,073**	**41,936**

(1,000 EUR)	Jan 1–Dec 31 2021	Jan 1–Dec 31 2020
Cash flow from investing activities		
Capital expenditure and advance payments to tangible assets	-35	-271
Capital expenditure and advance payments to intangible assets	0	24
Dividends received	37,500	83,000
NET CASH USED IN INVESTING ACTIVITIES	**37,465**	**82,752**
Cash flow before financing activities	**43,537**	**124,688**
Cash flow from financing activities		
Proceeds from share based payments and share issues	0	5,226
Repayments of long-term receivables	26,101	-34,954
Dividends paid	-69,638	-94,960
NET CASH USED IN FINANCING ACTIVITIES	**-43,537**	**-124,688**
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.

The Company has reclassified some 2020 figures in notes 4, 5, 6, 10 and 13 and in Balance sheet between other receivables and deferred assets (3,703 kEUR) to improve comparability.

STATEMENT OF INCOME
(1,000,000 EUR)

2. Depreciation and impairments

	2021	2020
Machinery and equipment	0.2	0.1
Total	**0.2**	**0.1**

The values of fixed assets are based on original acquisition values. Depreciation periods, which are based on estimated financial operating times, are as follows:

- Immaterial rights 5–10 years
- Machines and inventory 4–10 years

3. Other operating expenses and personnel

Costs and expenses in the Statement of Income were as follows:

	2021	2020
Wages and salaries	3.3	4.1
Pension costs	0.5	0.3
Other personnel expenses	0.0	0.1
Other operating expenses	0.4	0.3
Total	**4.2**	**4.7**

Wages and salaries in accordance with the Statement of Income:

	2021	2020
Remuneration to Board	0.6	0.7
Other wages and salaries	2.7	3.4
Total	**3.3**	**4.1**
The average number of personnel	**5**	**5**
Auditors fees		
Audit	0.6	0.5
Other services	0.0	0.6
Total	**0.6**	**1.1**

4. Financial income and expenses

	2021	2020
Financial income from long-term investments:		
Dividend income from Group companies	37.5	73.0
Dividend income total	**37.5**	**73.0**
Interest income from long-term receivables:		
From Group companies	5.2	5.3
Interest income from long-term receivables total	**5.2**	**5.3**
Financial income from long-term investments total	**42.7**	**78.3**
Interest and other financial income	0.1	0.0
Interest and other financial income total	**0.1**	**0.0**
Interest expenses and other financial expenses:		
Other financial expenses	7.0	6.6
Interest expenses and other financial expenses total	**7.0**	**6.6**
Financial income and expenses total	**35.8**	**71.7**

5. Appropriations

	2021	2020
Difference between planned and untaxed depreciations	0.0	0.0
Group contributions received from subsidiaries	52.3	58.3
Total	**52.4**	**58.3**

6. Income taxes

	2021	2020
Taxes on appropriations	10.5	11.7
Taxes on ordinary operations	-10.1	-3.2
Taxes from previous years	0.0	0.0
Total	**0.4**	**8.4**

BALANCE SHEET

7. Machinery and equipment

	2021	2020
Acquisition costs as of January 1	1.2	1.0
Increase	0.0	0.3
Acquisition costs as of December 31	1.2	1.2
Accumulated depreciation January 1	-0.5	-0.4
Accumulated depreciation	-0.2	-0.1
Total as of December 31	**0.5**	**0.7**

8. Investments

	2021	2020
Acquisition costs as of January 1	153.2	153.2
Total as of December 31	**153.2**	**153.2**

Investments in Group companies

	Domicile	2021 Carrying value	2020 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

	2021	2020
East Office of Finnish Industries Oy	0.1	0.1
Dimecc Oy	0.1	0.1
Total	**0.2**	**0.2**

9. Treasury shares

	2021	2020
Number of shares as of January 1	87,447	82,480
Increase	0	300,000
Decrease	0	-295,033
Number of shares as of December 31	**87,447**	**87,447**

10. Deferred assets

	2021	2020
Group contributions	52.3	58.3
Income taxes	8.4	3.7
Payments which will be realized during the next financial year	22.7	28.0
Interest	2.6	2.6
Total	**86.0**	**92.6**

11. Equity

	2021	2020
Share capital as of January 1	30.1	30.1
Share capital as of December 31	**30.1**	**30.1**
Share premium account as of January 1	39.3	39.3
Share premium account as of December 31	**39.3**	**39.3**
Paid in capital as of January 1	774.6	769.4
Increase	0.0	5.2
Paid in capital as of December 31	**774.6**	**774.6**
Retained earnings as of January 1	211.1	199.0
Dividend paid	-69.6	-95.0
Retained earnings as of December 31	**141.5**	**104.0**
Net income for the period	**38.8**	**107.1**
Shareholders' equity as of December 31	**1,024.3**	**1,055.1**
Distributable equity		
Paid in capital as of December 31	774.6	774.6
Retained earnings as of December 31	141.5	104.0
Net income for the period	38.8	107.1
Total	**954.9**	**985.7**

12. Interest-bearing liabilities

	2021	2020
Bond, long-term	0.0	249.5
Bond, short-term	249.8	0.0
Total	**249.8**	**249.5**

The EUR 250 million bond was issued on June 9, 2017, maturing on June 9, 2022 with a three-month par call. The bond bears an annual coupon of 1.75%.

13. Accruals

	2021	2020
Wages, salaries and other personnel expenses	1.9	1.1
Interest	2.5	2.5
Other items	8.0	9.0
Total	**12.4**	**12.6**

14. Contingent liabilities and pledged assets

	2021	2020
For obligations of subsidiaries		
Group guarantees	1,235.2	1,550.9
Leasing liabilities		
Next year	0.5	0.5
Later on	0.5	0.8
Total	**0.9**	**1.3**

Leasing contracts mainly have a maturity of three years and they have no terms of redemption.

	2021	2020
Total by category		
Guarantees	1,235.2	1,550.9
Other liabilities	0.9	1.3
Total	**1,236.2**	**1,552.2**

15. Nominal and fair values of derivative financial instruments

	2021 Fair value	2021 Nominal value	2020 Fair value	2020 Nominal value
Foreign exchange forward contracts	0.0	0.0	0.0	0.1

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 954,876,269.66 of which the net income for the year is EUR 38,775,203.83.

The Group’s non-restricted equity is EUR 1,284,729,000.

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 2, 2022

Christoph Vitzthum
Chairman of the Board

Janina Kugel
Board member

Ulf Liljedahl
Board member

Niko Mokkila
Board member

Per Vegard Nerseth
Board member

Päivi Rekonen
Board member

Teo Ottola
Interim CEO

Auditor's report
(Translation of the Swedish original)

To the Annual General Meeting of Konecranes Plc

Report on the Audit of Financial Statements

Opinion
We have audited the financial statements of Konecranes Plc (business identity code 0942718-2) for the year ended December 31, 2021. The financial statements comprise the consolidated balance sheet, statement of income, 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 3 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 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 2021, approximately 13% of the sales of 3.2 billion euros 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 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 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 1.0 billion euros representing 27% of total assets and 75% of equity (2020: 1.0 billion euros, 25% of the total assets and 81% 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 to address the risk of material misstatement relating to goodwill valuation 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 was 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).	

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 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 16 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 2, 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant

Independent Auditor's Report on Konecranes Plc's ESEF Consolidated Financial Statements

(Translation of the Swedish original)

To the Board of Directors of Konecranes Plc

We have performed a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files 549300EF0CDEQZBMA096-2021-12-31-sv.zip of Konecranes Plc for the financial year Jan 1–Dec 31, 2021 to ensure that the financial statements are tagged with iXBRL mark ups in accordance with the requirements of Article 4 of EU Commission Delegated Regulation (EU) 2018/815 (ESEF RTS).

Responsibilities of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the Report of Board of Directors and financial statements (ESEF financial statements) that comply with the ESEF RTS. This responsibility includes:

- Preparation of ESEF financial statements in accordance with Article 3 of ESEF RTS
- Tagging the consolidated financial statements included within the ESEF financial statements by using the iXBRL mark ups in accordance with Article 4 of ESEF RTS
- Ensuring consistency between ESEF financial statements and audited financial statements

The Board of Directors and Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance the requirements of ESEF RTS.

Auditor's Independence and Quality Control

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to the engagement we have performed, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The auditor applies International Standard on Quality Control (ISQC) 1 and therefore maintains a comprehensive quality control system including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

In accordance with the Engagement Letter we will express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the Article 4 of ESEF RTS. We have conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000.

The engagement includes procedures to obtain evidence on:

- whether the tagging of the primary financial statements in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the ESEF financial statements are consistent with the audited financial statements

The nature, timing and extent of the procedures selected depend on the auditor's judgment including the assessment of risk of material departures from requirements set out in the ESEF RTS, whether due to fraud or error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our statement.

Opinion

In our opinion, the tagging of the consolidated financial statement included in the ESEF financial statements of Konecranes Plc for the year ended December 31, 2021 complies in all material respects with the requirements of ESEF RTS.

Our audit opinion on the consolidated financial statements of Konecranes Plc for the year ended December 31, 2021 is included in our Independent Auditor's Report dated February 2, 2022. In this report, we do not express an audit opinion or any other assurance on the consolidated financial statements.

Helsinki, February 28, 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Toni Halonen
Authorized Public Accountant

Shares and shareholders

According to the register of Konecranes Plc's shareholders kept by Euroclear Finland Ltd, there were 49,288 (2020: 39,119) shareholders at the end of the 2021.

Largest shareholders according to the share register on December 31, 2021

	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	2,266,000	2.9%
5 Varma Mutual Pension Insurance Company	2,185,293	2.8%
6 Holding Manutas Oy	1,065,000	1.3%
7 Elo Mutual Pension Insurance Company	917,497	1.2%
8 OP Investment Funds	888,154	1.1%
9 Svenska Litteratursällskapet i Finland	724,000	0.9%
10 The State Pension Fund of Finland	580,000	0.7%
Ten largest registered shareholders' total ownership	**25,667,845**	**32.4%**
Nominee registered shares	30,650,562	38.7%
Other shareholders	22,816,052	28.8%
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 Group Executive Board on December 31, 2021

	Change in shareholding in 2021	Number of shares owned	% of shares and votes
Board of Directors	4,341	25,054	0.0%
Group Executive Board	-14,283	156,161	0.2%
Total	**-9,942**	**181,215**	**0.2%**

Breakdown of share ownership by number or shares owned on December 31, 2021

Shares	Number of shareholders	% of shareholders	Number of shares and votes	% of shares and votes
1–100	28,633	58.1%	1,193,666	1.5%
101–1,000	18,189	36.9%	5,972,388	7.5%
1,001–10,000	2,248	4.6%	5,710,349	7.2%
10,001–100,000	173	0.4%	4,849,687	6.1%
100,001–1,000,000	27	0.1%	9,561,706	12.1%
1,000,001–	7	0.0%	21,283,548	26.9%
Registered shareholders total	**49,277**	**100.0%**	**48,571,344**	**61.3%**
Nominee registered shares	11	0.0%	30,650,562	38.7%
Total	**49,288**	**100.0%**	**79,221,906**	**100.0%**

Breakdown of share ownership by shareholder category on December 31, 2021

	% of shares and votes
Households	18.5%
Public sector organizations	16.7%
Private companies	13.7%
Financial and insurance institutions	6.4%
Non-profit organizations	5.3%
Foreigners	0.8%
Nominee registered shares	38.7%
Total	**100.0%**

Source: Euroclear Finland Ltd, December 31, 2021.

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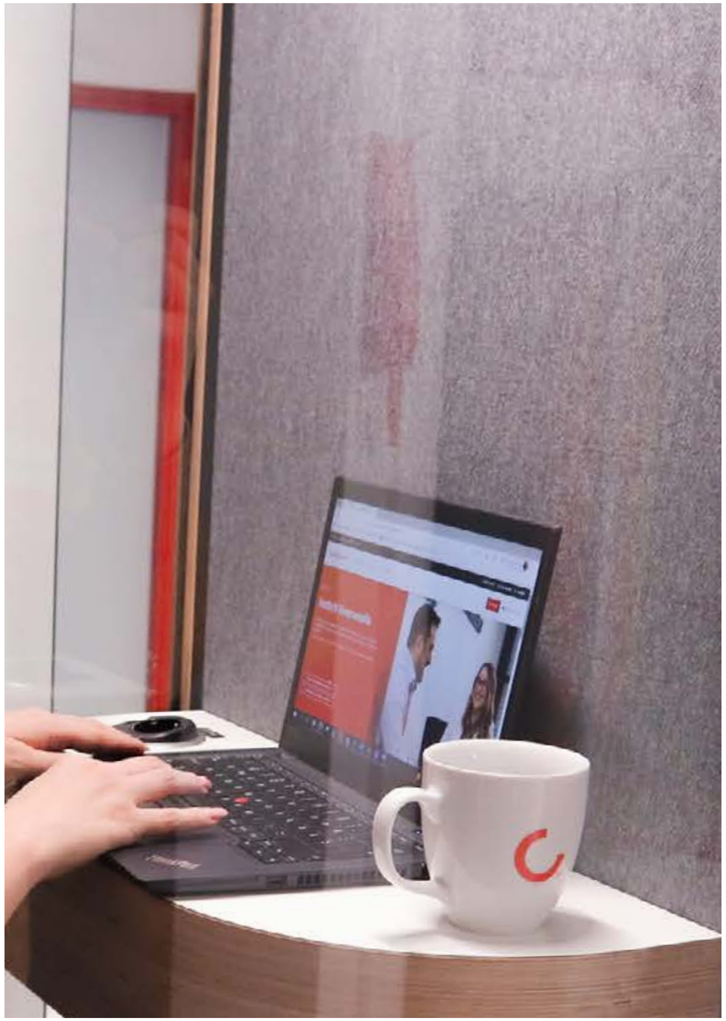

Corporate Headquarters

Konecranes Plc
P.O. Box 661 (Koneenkatu 8)
FI-05801 Hyvinkää, Finland
Tel. +358 20 427 11

Governance
Kiira Fröberg
Vice President, Investor Relations
Tel. +358 20 427 2050
kiira.froberg@konecranes.com

Finance
Teo Ottola
Chief Financial Officer
teo.ottola@konecranes.com

Regional Headquarters

Americas
Konecranes Inc.
4401 Gateway Blvd.
Springfield, OH 45502, U.S.A.
Tel. +1 937 525 5533

Europe, Middle East and Africa
Konecranes
Region EMEA
P.O. Box 662 (Koneenkatu 8)
FI-05801 Hyvinkää, Finland
Tel. +358 20 427 11

Asia-Pacific
Konecranes Pte. Ltd.
8 Admiralty Street, #06-11 Admirax
Singapore 757438
Tel. +65 6 861 2233

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 2021, Group sales totaled EUR 3.2 billion. The Group has around 16,600 employees in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).